INDIALAW

COMMERCIAL/CORPORATE

Hindustan Unilever's Ice Cream Division to Operate as Independent Entity: NCLT Clears Demerger into Kwality Wall's (India) Limited

AUTHOR Dinesh Gupta, Ritika Dedhia

PUBLISHED 31 October 2025

Introduction

The National Company Law Tribunal (NCLT), Mumbai Bench–I approved the Scheme of Arrangement between Hindustan Unilever Limited (HUL) and Kwality Wall's (India) Limited (KWIL)[1] under Sections 230 to 232 of the Companies Act, 2013, read with the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016.

The Scheme involves the demerger of HUL's Ice Cream Business Undertaking into its wholly owned subsidiary, Kwality Wall's (India) Limited, as part of a broader restructuring following Unilever PLC's global decision to separate its ice cream operations. The Tribunal held that the Scheme was fair, reasonable, and in compliance with statutory requirements, thereby sanctioning one of the most significant corporate reorganisations in India's FMCG sector.

Table of contents

Background

Hindustan Unilever Limited (HUL), a leading fast-moving consumer goods (FMCG) company in India, approached the National Company Law Tribunal (NCLT), Mumbai Bench–I, seeking approval for a Scheme of Arrangement under Sections 230 to 232 of the Companies Act, 2013. The Scheme proposed the demerger of HUL's Ice Cream Business Undertaking into its wholly owned subsidiary, Kwality Wall's (India) Limited (KWIL).

The move followed the global restructuring initiative of Unilever PLC, HUL's parent company, which announced its plan to separate its ice cream division as an independent business worldwide. Pursuant to this global decision, the Board of Directors of HUL and KWIL, at their respective meetings held on 22 January 2025, approved the demerger proposal to enable operational and strategic independence for the ice cream business.

HUL's Ice Cream Business Undertaking includes popular brands such as Kwality Wall's, Cornetto, and Magnum, which operate within a distinct market and distribution framework compared to HUL's broader FMCG portfolio. KWIL was incorporated as a dedicated entity to carry forward this business with focused management, tailored strategy, and the flexibility to pursue market opportunities independently.

The Scheme envisaged a **1:1 share entitlement ratio**, granting shareholders of HUL one equity share of Re. 1/- each in KWIL for every share held in HUL, thereby ensuring continuity of shareholding and value preservation. The Appointed Date was defined as the first calendar day of the month following the fulfilment of all preconditions specified in the Scheme.

The Scheme was placed before the NCLT after obtaining all requisite approvals from the Securities and Exchange Board of India (SEBI), BSE Limited, and the National Stock Exchange of India Limited (NSE), in compliance with regulatory frameworks governing listed entities.

Rationale of the Scheme

The Tribunal recorded that the proposed restructuring was undertaken after a detailed review and was designed to achieve the following objectives:

- To enable **sharper strategic focus** by separating the Ice Cream Business from HUL's remaining operations.
- To allow the ice cream entity to pursue **independent growth strategies** suited to its distinctive market and operational model.
- To unlock **shareholder value** and provide investors the option to remain invested in the ice cream business independently.
- To align HUL's structure with Unilever PLC's **global reorganization plan** for its ice cream business.

Share Entitlement and Effective Date

In accordance with the valuation report prepared and the fairness opinion the shareholders of Hindustan Unilever Limited (HUL) shall receive one (1) fully paid-up equity share of Re. 1/- each in Kwality Wall's (India) Limited (KWIL) for every one (1) fully paid-up equity share of Re. 1/- held in HUL, thereby establishing a share entitlement ratio of 1:1.

The Appointed Date under the Scheme has been defined as the first calendar day of the month immediately following the month in which all conditions and matters specified in Clause 20 of the Scheme are duly satisfied, fulfilled, obtained, or waived, as applicable, in accordance with the Scheme.

Compliance and Observations

The Regional Director (Western Region) and the Registrar of Companies (RoC) submitted their respective reports on the Scheme. The Petitioner Companies furnished detailed undertakings confirming full compliance with all applicable legal and regulatory requirements under the Companies Act, 2013, the Income Tax Act, 1961, and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The Companies assured the Tribunal that:

- The interests of all creditors, employees, and stakeholders will be duly protected in accordance with the terms of the Scheme.
- All necessary accounting entries and adjustments will be made in line with applicable accounting standards (Ind AS).
- The Scheme approved by the shareholders is identical to the version filed before the Tribunal, with no material deviations.
- The Companies will comply with directions or observations issued by statutory authorities, including the Income Tax Department, GST authorities, Reserve Bank of India (RBI), and under the Foreign Exchange Management Act (FEMA).
- Each company will continue to service its respective debts and liabilities after the Scheme becomes effective.

The Tribunal noted that all statutory compliances and procedural formalities had been duly fulfilled, and no objections were raised by any stakeholders or regulatory authorities.

Tribunal's Findings

After reviewing the submissions, the NCLT held that:

- The Scheme is fair, reasonable, and in the interest of shareholders, creditors, and employees.
- It does not violate public policy or any provisions of law.
- Creditors of the Ice Cream Business Undertaking will have the right to pursue their claims against the Resulting Company, while HUL shall ensure the Resulting Company's ability to discharge such liabilities.
- The Income Tax Department may independently examine any tax implications arising from the Scheme.

Order

The NCLT accordingly:

1. Sanctioned the Scheme of Arrangement under Sections 230-232 of the Act.
2. Directed the Petitioner Companies to file the certified copy of the order and Scheme with the Registrar of Companies (ROC) in Form INC-28 within 30 days.
3. Directed stock exchanges, depositories, and regulatory authorities to act on the certified order.

The Company Scheme Petition CP (CAA)/201/MB/2025 was allowed and disposedof.

Conclusion

The approval of the Scheme by the National Company Law Tribunal, Mumbai Bench–I, marks a significant milestone in Hindustan Unilever Limited's ongoing restructuring strategy. The demerger of the Ice Cream Business Undertaking into Kwality Wall's (India) Limited represents a well-considered step towards operational independence, strategic focus, and enhanced value creation for stakeholders.

By sanctioning the Scheme, the Tribunal reaffirmed its approach of facilitating corporate reorganisations that are transparent, compliant, and beneficial to all stakeholders, while ensuring continued protection of creditors' and employees' interests.

This demerger paves the way for the formation of a dedicated and independent ice cream company within the Unilever group in India positioning Kwality Wall’s (India) Limited to pursue focused growth in the frozen desserts and ice cream segment, and allowing Hindustan Unilever Limited to consolidate its resources towards its core FMCG portfolio.

The decision highlights the NCLT’s role in enabling seamless business realignments under Sections 230 to 232 of the Companies Act, 2013, while upholding corporate governance and statutory compliance at every stage.

For more details, write to us at: contact@indialaw.in

---

[1] CP (CAA) NO. 201/MB/2025 IN CA (CAA) NO. 142/MB/2025

Related Practice Areas

Corporate & Commercial