

HUL exceeds expectations on buoyant sales

BY SAPNA AGARWAL
sapna.a@livemint.com

MUMBAI

Hindustan Unilever Ltd (HUL) had a far better September quarter than analysts expected, as higher incomes encouraged consumers to buy its products despite an increase in prices.

In a further indication of the sustained recovery in its growth prospects after a lean patch that had drawn criticism from global chief executive Paul Polman, the country's largest consumer packaged goods company by sales reported strong growth in revenue and profit.

HUL said on Monday that net profit for the quarter rose 21.7% to ₹688.92 crore, beating the ₹581 crore median forecast in a poll of 25 analysts by *Bloomberg*. The company's stock rose 7.38% to ₹375.25 on BSE on a day when the benchmark Sensex lost 0.56% to close at 17,705.01 points.

"Against the backdrop of a

HUL beats estimates on buoyant sales

▶ FROM PAGE 1

challenging environment, we have delivered one of our strongest quarters with top-line growth well ahead of the market and improved operating margins," HUL chairman Harish Manwani said in a release.

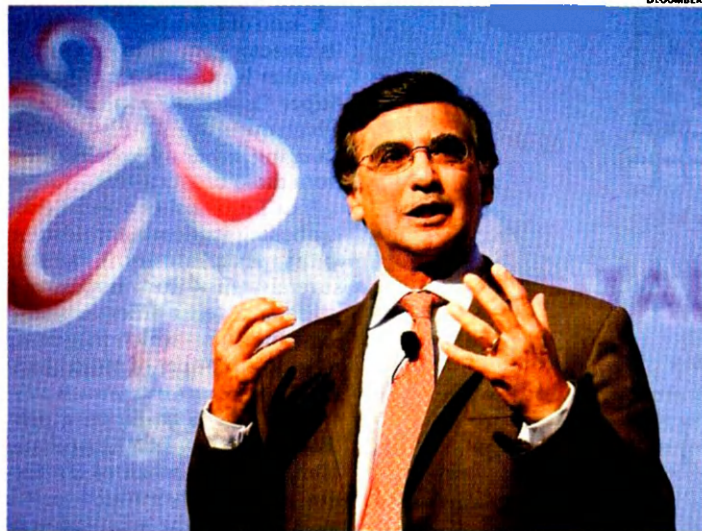
Volume growth as well as price increases helped the company grow in the three months to September. "The contribution of volume and value growth to revenue was half and half," said R. Sridhar, chief financial officer of HUL. Sales grew 18% to ₹5,522 crore, of which volume growth accounted for 9.8% and price increases the rest.

HUL reported strong growth in all its major categories: soaps and detergents, personal products, and foods. It did so without a major step-up in marketing spends, which were maintained at 11.8% of sales.

However, there could be significant challenges in the months ahead, the company indicated.

Consumer goods companies have been trying to maintain profit margins despite a sharp increase in the prices of key inputs. The depreciation of the rupee in recent weeks could lead to persistent cost pressures.

"The recent depreciation of the rupee means that we're going to have inflationary pressures continuing on the business," Sridhar said in a confer-



Sustained recovery: HUL chairman Harish Manwani.

ence call after the results were announced. "Competitive intensity will continue to be high for the Indian market, which is clearly one of the more attractive markets globally."

"Raw material cost is the biggest challenge. If it goes up further, margins will remain under pressure," said Gautam Dugad, analyst at **Prabhudas Lilladher Pvt. Ltd.**

Among HUL's main competitors, **Colgate-Palmolive India Ltd** posted a net profit of ₹99.80 crore, lower than the *Bloomberg* estimate of ₹104.2 crore, for the quarter ended 30 September. Quarterly revenue rose to ₹685.01 crore from ₹577.39 a year ago.

Dabur India Ltd, the maker of Hajmola and Real juice, reported an 8.4% growth in profit to ₹173.86 crore in the quarter,

up from ₹160.35 crore a year earlier. Consolidated revenue stood at ₹1,269.72 crore, up 29.5% from ₹980.46 crore a year ago.

Of Dabur's 29.5% revenue growth, 16% growth came from overseas acquisitions and 13.5% growth from domestic operations, said Sunil Duggal, chief executive officer.

The Dabur stock gained 0.85% to close at ₹101 and Colgate-Palmolive rose 0.4% to end at ₹1,002.70 on BSE.

Since July, HUL has gained 9.48% and outperformed peers such as Colgate-Palmolive, which gained 2.18%, and Dabur, which lost 11.44%, apart from the FMCG index's rise of 3.74%. Since July, the Sensex has lost 6.05%.

Reuters contributed to this story.

BLOOMBERG