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HUL Q3 Sales Grow 4%, Show Muted Demand



Hindustan Unilever, India's biggest pure-play consumer company by market value, reported 4% sales growth in the third quarter, its slowest expansion since demonetisation three years ago, pointing to continued stress on demand in Asia's third-biggest economy. Net profit rose 12% to ₹1,616 crore in the three months ended December from ₹1,444 crore a year earlier. >> 3

HUL Sales Grow 4% in Dec Qtr, Slowest Since Demonetisation

Despite challenges, FMCG co is still growing and not in negative territory, says chairman

Our Bureau

Mumbai: Hindustan Unilever (HUL), India's biggest pure-play consumer company by market value, reported 4% sales growth in the third quarter, its slowest expansion since demonetisation three years ago, pointing to continued stress on demand in Asia's third-biggest economy.

Net profit rose 12% to ₹1,616 crore in the three months ended December from ₹1,444 crore a year earlier, HUL said in a statement on Friday.

The local unit of the Anglo-Dutch company, for long considered a good proxy for consumer sentiment across the country's socio-economic spectrum, said weather disruption, continuing liquidity issues, food inflation and weaker consumer sentiment across urban and rural markets affected growth.

"If you ask me, has the tide turned? In the December quarter, there was no evidence of that and the market growth was lower than the September quarter. Is the government cognizant of the challenges? Absolutely, yes. And the challenge is real, too," chairman Sanjiv Mehta said. "But we are still growing and not in negative territory."

Over the past two years, rural demand, which accounts for about a third of the market and had been outpacing urban sales, was hit by lower farm incomes and liquidity constraints. Rural markets grew 5.2% during the December quarter

Challenging Times

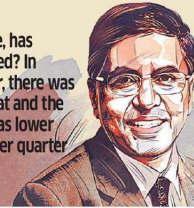
Growth in December Q3

5.2% Rural market | 7.4% Urban centres

₹9,696 cr Domestic consumer sales

If you ask me, has the tide turned? In December quarter, there was no evidence of that and the market growth was lower than the September quarter

SANJIV MEHTA
Chairman, HUL



compared with 7.4% for urban centres, according to Nielsen.

"As a country, we should not beat down consumer confidence. It is not a doomsday scenario. The government is conscious and I hope they will take steps to put more money in the hands of consumers. Even if in the short term, they have to loosen the fiscal deficit to do it," Mehta said.

Domestic consumer sales rose to ₹9,696 crore. The maker of Rin detergent and Lux soaps saw a volume growth increase of 5%. Volume indicates the number of products that customers put in their shopping carts. A year ago, sales had grown 13% in value and 10% by volume.

HUL's beauty and personal care business, which accounts for almost half of its overall sales, declined 3% to ₹4,412 crore, impacted by a delayed winter and a 6-7% price reduction in soaps. The company said it could increase price tags in soaps by 5-6% during the March quarter due to rising commodity costs. The homecare segment grew 10% to ₹3,456 crore, while foods and refreshments ex-

panded 8% to ₹1,865 crore.

"The performance beat expectations with volume growth on a high base despite overall stress in the economy and they managed to increase gross margins too, which indicates efficient cost management," said Abneesh Roy, senior vice president at Edelweiss Securities.

Growth in the FMCG slumped to 6.6% in the December quarter from 15.7% a year ago, according to Nielsen, which said the rural slowdown has bottomed out and demand will stabilise in 2020. Over the past decade, sales of branded daily needs in the nation of 1.3 billion people have increasingly relied on the rural hinterland, home to more than 800 million people, whose purchase behaviour is largely linked to farm output.

Unilever said on Thursday it expects a stronger second half in 2020. "We think it is more likely that the Indian government may take actions to support the growth rate of GDP in India towards the second half of the year," Unilever's CFO Graeme Pitkethly told investors.