

Hindustan Unilever's Q1 profit rises 14.5% to ₹1,792 crore

Volume growth down to 5% as consumption slows down

OUR BUREAU
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FMCG major Hindustan Unilever Ltd (HUL) on Tuesday announced a 14.5 per cent rise in its consolidated net profit at ₹1,792 crore for the first quarter of this year, up from ₹1,565 crore in the year-ago period last year. However, the ongoing stress in rural market and slowing down consumption economy have pulled down its volume growth to just 5 per cent, the slowest in seven quarters.

"Against the backdrop of moderate market growth, HUL has delivered a resilient performance driven by expansion of our consumer franchise, improvement in portfolio mix and sustained growth in margins. Our focus on strengthening the core, leading market development and premiumisation, driving channel transformation and building brands with purpose, continues to serve us well," said Sanjiv Mehta, Chairman and Managing Director, HUL.

"The 5 per cent growth rate, while lower than what we had in the previous year, it is still a decent number," he added.

Total consolidated income rose to ₹10,509 crore during Q1FY20, up from ₹9,909 crore of the corresponding quarter of last year. EBITDA for the quarter stood at ₹2,647 crore, marking a growth of 18 per cent. Comparable EBITDA after adjusting for accounting impact of IND AS 116 grew by 13 per cent.

Domestic consumer growth stood at 7 per cent with an underlying volume growth at 5 per cent. The home care segment has grown at 10 per cent in terms of revenue, food and refreshment segment at 8 per cent and the beauty and personal care segment at 4 per cent.

Srinivas Phatak, Chief Financial Officer, HUL, said that near term demand outlook remains

subdued in the backdrop of the current macroeconomic environment. The commodity and currency volatility is expected to continue.

Rural economy

Talking about the slowdown in the rural economy, Mehta said the rural market is still growing, and that it is growing at rates which are more or less similar to urban rates. But, it poses the potential to grow at a larger rate, he added.

Mehta said that it is heartening to see the monsoon pick up after a slow start. The question remains when the steps taken by the government in terms of subsidies, water, electricity, construction of new houses, rural roads, would translate to

more money in the consumers' hands.

He said that while the near-term demand outlook remains subdued, he is positive about growth in the mid-to long-term basis.

Mehta also said there is a linkage between the FMCG growth and the state of the economy.

"We believe our business is well positioned to unlock the structural FMCG India opportunity as well as in terms of navigating the short-term challenges arising from softening of growth," the company said.

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SANJIV MEHTA
Chairman and MD,
HUL

