

# 'No reason to fret, mkt will bounce back'

Hindustan Unilever (HUL) felt the slowdown pangs in the June quarter (Q1) as consumer demand moderated sharply. In a post-results press conference, HUL's Chairman and Managing Director **SANJIV MEHTA** responded to questions from Viveat **Susan Pinto** on the road ahead for the company. Edited excerpts:

## **When do you see the tide changing in FMCG?**

The government is taking necessary steps to revive economic growth. We remain optimistic that the second half of the current financial year will be better. After a slow start, the monsoons have picked up in different parts of the country and there is a rural push that the government is giving to get rural areas on to the growth path. I don't think there is need to be despondent at all.

## **Soaps as a category has slowed down for HUL in Q1 despite price cuts. Isn't it not a worrying sign? Won't the contagion spread?**

Yes, soaps did deliver a muted performance. But this was mainly in the mass brands and not premium brands. The weakness seen in mass brands is linked to the slowdown in rural areas because traction for these products is higher there. Premium soaps brands were steady in terms of performance. Also, detergents did well. So, the issue of the contagion spreading does not arise. Other parts of the business, including foods, refreshment and beauty have done well, too.

## **Sequentially, Q1 is the second after the March quarter to see single-digit volume growth for HUL. The view is that this may last for a few more quarters. So, aren't you not being too optimistic?**

An overall top line growth of 7 per cent led by 5 per cent volume growth in the June quarter is a good number on a high base of 12 per cent volume growth in the year-ago period. Yes, sequentially, it is lower than the 9 per cent top line growth and 7 per cent volume



growth seen in March quarter. But I don't think there is reason to despair because we believe the market will bounce back in the medium-to long-term.

## **Will you continue to take price cuts in soaps to spur demand?**

Price-led growth in soaps declined by 4 per cent in the Q1 because of the price cuts we took during the period. This was linked to the fall in raw material prices and the trend continues in July. So, price cuts will continue in soaps. Other segments, however, have seen an average price hike of 2-3 per cent in Q1. This, too, will continue.

## **In terms of channels, how has the performance been for HUL. Has CSD bounced back and what is the contribution of modern trade to your premiumisation agenda?**

Modern trade as a channel contributes 15 per cent to our overall sales. But it continues to grow faster than traditional trade. Having said that, a 7 per cent top line growth would not have been possible without the largest channel growing for us. General or traditional trade has grown, but the rate of growth differs from modern trade. CSD, on the other hand, has become erratic in terms of its performance. Some quarters it is good and some quarters it is moderate. This quarter, CSD growth rate was better.

