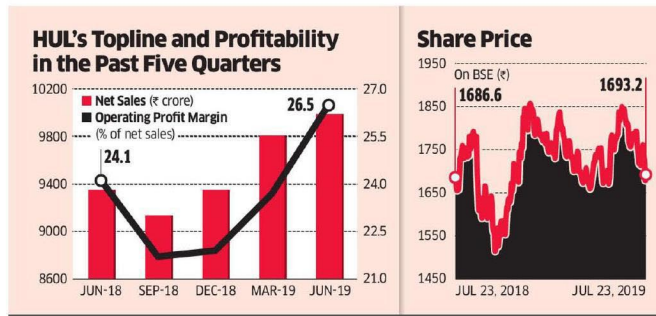


EARNINGS REVIEW

Strong Operating Growth, Cost Control Lift HUL's Show in April-June Qtr



Co expects near-term demand to remain soft, with volatility in currency and commodity prices

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ET Intelligence Group: The ₹10,000-crore revenue mark continued to elude Hindustan Unilever (HUL) for the second consecutive quarter. The FMCG behemoth posted 7% growth in its standalone revenues of ₹9,984 crore. Subdued demand conditions limited volume growth to 5% – down from 7% and 10% expansions posted in the preceding quarters of March and December, respectively. However, growth is nevertheless in line with Street expectations – in the context of overall slowdown in the broader economy.

Rural demand, which was growing more than urban, has slowed down to match the pace of consumption growth in urban India. There was a visible moderation in growth of revenues in the personal care segment, the largest and most profitable category for the company. Revenues in the home care segment rose in double-digits along with improvement

in segment margins.

Although HUL lost a bit of momentum expanding the top-line, it more than made up on the profitability front. The FMCG market leader posted an adjusted EBITDA margin of 26%, with an expansion of 150 bps over the year-ago level. Cost control has been the key to growth in profitability. HUL has saved significantly on raw materials, other expenses and employee costs. For instance, at 12% of revenues, HUL's spend on other expenses (as a proportion of revenues) has been the lowest in recent quarters.

With shareholder approval in place, HUL moves a step closer to completing the acquisition of GSK brands. A successful integration would further strengthen HUL's heft in the domestic market.

The management expects near-term demand to remain subdued, with volatility in currency and commodity prices. Erratic monsoon and its impact on rural demand will likely make the next few quarters difficult to forecast.

The HUL stock closed 0.8% higher ahead of the results announcement. It is likely to be range-bound, with the performance of its (soon to be launched) detergent brand providing a possible trigger in the near term.

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