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FY23 NET PROFIT INCREASES 13%

HUL Q4 Profit Rises 10% to ₹2,552 cr, Sales Up 11%

Volumes grow 4%; MD Mehta expects better rural show when inflation cools

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Our Bureau

Mumbai: Hindustan Unilever (HUL) reported a 10% rise in profit and an 11% growth in sales in the March quarter, saying the rural slowdown is bottoming out but price reductions to boost demand can only happen once inflation slows further.

HUL's volumes, or the number of products it sells, rose 4% in the fourth quarter.

"Rural growth has to outpace urban growth but that has not happened due to Covid and inflation. Once inflation moderates or deflates, and we are able to correct the price value equation, I see no reason why volume in rural areas will not increase," said outgoing Hindustan Unilever managing director Sanjiv Mehta on Thursday, after the earnings announcement. Rohit Jawa

Hindustan Unilever's Cart

	Q4 FY23	Q4 FY22	GROWTH
Sales	14,638	13,190	11%
Net Profit	2,552	2,327	10%
EBITDA Margin	23.7%	24.6%	-89 bps

Amounts in ₹ cr

“Once inflation moderates or deflates, and we are able to correct the price value equation, I see no reason why volume in rural areas will not increase”
SANJIV MEHTA MD, HUL

will succeed Mehta June 27.

"We have stopped taking further price increases but at an aggregate level, we have still not reached a level where the prices have reduced," Mehta said.

Sales Climb 16% for Full Fiscal ►► 14

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HUL Sales Climb 16% for Full Fiscal

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Retail inflation eased to a 16-month low of 5.66% in March, from 6.44% in the preceding month, following a sharp drop in food inflation, according to data released on April 12.

Over the past decade, sales of branded daily needs goods have increasingly relied on rural India, where purchase behaviour is largely linked to farm output. Citing Nielsen data, Hindustan Unilever said rural market volume fell 7% on a full-year basis but declined 3% during the quarter. "It is indicating that the depth of negative volume is reducing," Mehta said.

Quarterly sales at Unilever's India unit rose to ₹14,638 crore, from ₹13,190 crore a year earlier, while net profit grew to ₹2,552 crore, from ₹2,327 crore. The company's performance is considered a proxy for broader consumer sentiment in India.

In the full year, HUL grew 16% to post sales of ₹58,154 crore, while net profit rose 13% to ₹9,962 crore. The company recommended a total dividend of ₹39 per share for FY23.

The maker of Rin detergent and Dove beauty bar expects volumes to recover as inflation softens gradually and consumption recovers with a lag.

MARGIN PRESSURE

Gross margins contracted by 69 basis points (bps) in the fourth quarter, while earnings before interest, taxes, depreciation and amortisation (Ebitda) margin fell 89 basis points to 23.7%.

One basis point is a hundredth of a percentage point.

Over the past two years, most consumer goods companies increased prices to offset rising raw



The maker of Rin detergent and Dove beauty bar expects volumes to recover as inflation softens

materials prices as well as supply chain and energy costs. That started with the pandemic, but was exacerbated by Russia's invasion of Ukraine. However, in the past few months, soap and tea have become cheaper due to falling commodity prices in these two categories.

HUL said price increases had prompted consumers to shift away from premium tea brands toward cheaper loose tea, which impacted food sales volume.

During the quarter, sales rose about 19% in the homecare segment, which includes brands such as Sunlight and Domex. HUL's largest business, beauty and personal care, saw 10% growth,

driven by premium skincare products and soaps. The food and refreshments business grew 3%.

"Numbers were below our expectations," said Abneesh Roy, executive director at Nuvama Institutional Equities. "Gross margins have started to expand quarter-over-quarter, but base becomes favourable from next quarter. Most of the negatives are factored in and we expect a strong FY24."

HUL's average profit was estimated at ₹2,486 crore by analysts in a Bloomberg survey. For FY23, the homecare segment expanded 28%, while the beauty and personal care business saw a 12% revenue growth, with single-digit volume growth despite a decline in overall market volume. Food and refreshments sales increased 5%, with low single-digit volumes.

Hindustan Unilever's digitised sales across platforms — including e-commerce channels and internal ordering app Shikhar — are more than 30% of its overall sales. More than 1.2 million stores use the Shikhar app to order.

Also, two of its brands, Surf Excel and Brooke Bond, make more than Rs 5,000 crore in annual sales, while nine brands had over ₹2,000 crore of sales in the previous fiscal.