

HUL Posts Double-digit Volume Growth in Q1 on Rural Demand

FMCG co logs 16% sales growth, says it can't be seen as clear demand trend due to volatility in base quarters

Our Bureau

Mumbai: Hindustan Unilever (HUL), India's biggest pure-play consumer company by market value, reported its third consecutive double-digit volume growth in June quarter, pointing to a gradual revival of demand in Asia's third-biggest economy that has witnessed major structural reforms since late 2016.

The local unit of the Anglo-Dutch company, for long considered a good proxy to gauge consumer sentiment across the country's socio-economic spectrum, said they can't call out a clear demand trend due to volatility during base quarters. The November 2016 demonetisation and the 2017 rollout of the single producer levy had upended consumption and stocking patterns, making it difficult for executives to establish clear trend lines.

"We should wait for a few quarters before we can decipher a trend that is emerging because the base line were impacted first by demonetisation and then by GST," HUL chairman and managing director Sanjiv Mehta said after the earnings were announced. "If we look at the last twelve weeks, then volumes for overall market are in the

Q1 Scorecard

Particulars (Fig in ₹ crore)	Q1'18	Q1'17 (Reported)	Growth %
Sales	9,356	9,094	3 [^]
EBITDA	2,251	1,866	21
Other income	135	113	-
Exceptional Items - Credit / (Charge)	(59)	(13)	-
PBT	2,193	1,846	19
Less: Tax	664	563	-
PAT before	1,567	1,292	21
Net Profit	1,529	1,283	19

Comparable Domestic Consumer Growth at 16%; Comparable EBITDA improvement 100bps; Other income up due to higher investable funds in quarter



vicinity of 5-5.5% and Nielsen reported growth is 6-6.5%. We believe it has bottomed out but the question is when will it be back to the full potential that exists in our country."

To be sure, HUL said net sales are not comparable as turnover in the latest quarter was calculated net of GST. Earlier, it was gross of excise, which in turn was baked into the costs. As a result, HUL reported sales rose marginally

by 3% to ₹9,356 crore from ₹9,094 crore in the year-ago period, which the company attributed to "accounting impact."

In reality, net sales rose 16% on a comparable basis after including net excise duty, fiscal exemption or refund and net input taxes. Even in margins, the company reported a 350 bps margin expansion but on a comparable basis, the increase was 100 bps. A basis point is

0.01 percentage point. Profit before exceptional items increased 21% to ₹1,567 crore at the Indian unit of Unilever.

In the past few years, drought and lower minimum support prices for farm produce had hit rural demand. The company, however, said this seems to be improving. "The good news is that rural growth has again started to bounce back not as much as some of the great historical years but it is certainly growing higher than urban growth," added Mehta.

The maker of Rin detergent and Lux soap saw volume growth increase 12% during June quarter, marginally higher than the last two consecutive quarters that grew 11%. Volume indicates the actual number of products that customers were putting in their shopping carts. "With rural consumption improving, we expect strong volume growth momentum to sustain in the coming quarters. The volatility in the input prices needs to be keenly monitored in the coming quarters," said Kaustubh Pawaskar, senior research analyst, Sharekhan.

HUL's personal care business, which accounts for nearly half its overall sales, grew 1% flat at ₹4,096 crore in the quarter while the homecare segment grew 4% to ₹3,102 crore.