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MD SANJIV MEHTA FLAGS INFLATION WORRIES

HUL Q1 Profit Jumps 11%, Revenue Climbs 19%

Co says it may have to raise prices further

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Our Bureau

Mumbai: Hindustan Unilever Ltd on Tuesday posted a higher net profit and revenue for the fiscal first quarter but warned that price hikes continued to squeeze household expenses and impact demand for consumer goods.

The maker of Dove soap, Surf detergent and Horlicks also said margins would be under pressure at least also in the second quarter, forcing it to take calibrated price increases.

HUL, India's largest fast-moving consumer goods company, posted an 11% increase in net profit at ₹2,289 crore in the quarter ended June 30. Sales rose 19% to ₹14,016 crore, in part helped by a low base.

Co Says it Outpaced FMCG Mkt ▸▸ 8

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Co Says it Outpaced FMCG Market

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"The markets, especially from a lens of volume, still remain soft. Inflation is still very much a concern.
1 So, those factors haven't gone away," managing director Sanjiv Mehta said.

"From a macro perspective, it is very important that we manage inflation," he said, stressing also that the rupee should not be allowed to depreciate rapidly. "It has to be done in a contained manner. And the most important thing is that GDP has to grow, the economy has to grow."

A good monsoon and harvest, better realisation for farmers, upfront spending by the government and taming inflation should augur well for the economy, the company said.

Citing data from market research firm Nielsen, HUL said it outpaced the FMCG market, which expanded 7% in value and fell 5% in volume in the June quarter.

For the Indian unit of British multinational Unilever, sales volume, or the amount of products that it sells, grew 6%, indicating that the 19% expansion in value was largely driven by price hikes and not demand.

HUL's performance is considered a proxy for broader consumer sentiment in India.

"If we look at the market growth numbers, there hasn't been any significant improvement or deterioration," Mehta said.

Analysts said HUL's performance was ahead of Street expectations.

"Management expects margin pressure to sustain in Q2FY2023 due to higher inventory of high price raw material. However, the same is expected to be better off from Q3FY2023," said Kaustubh Pawaskar, assistant vice president - research at Sharekhan by BNP Paribas. "Improvement in rural demand and reduction in the general inflation will help sales volume to recover in the quarter ahead," Pawaskar said.

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