

HUL Q3 Sales Surge on Demand Pickup

Margins and profits also rise amid improving sentiment, co expects clear demand outlook to emerge only after 1-2 quarters

Our Bureau

Mumbai: Hindustan Unilever (HUL), India's biggest pure-play consumer company by market value, reported its fastest sales volume growth in six years in the December quarter, pointing to a gradual revival of demand in Asia's third-biggest economy that 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 a clear demand outlook would emerge only after the next couple of quarters. The November 2016 demonetisation and 2017 rollout of the single producer levy had upended consumption and stocking patterns, making it difficult for executives to establish clear trend lines.

"The past few quarters saw some turbulence in the shape of demonetisation, pipeline changes and GST. It is very difficult to decipher a trend when the market has been so turbulent. For us to say categorically if this is a trend, we have to wait for a quarter or two," said HUL managing director Sanjiv Mehta said after the earnings were announced.

HUL said net sales are not comparable as turnover in the latest December 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 2% to ₹8,323 crore from ₹8,124 crore in the year-

Growth Story

11%
volume growth seen by maker of Rin and Lux in Q3; highest in nearly six years



Co's net sales up 17% after including net excise duty, fiscal exemption, net input taxes



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SANJIV MEHTA,
MD, HUL



2016 saw rural market falling, hit by drought and lower MSP for farm produce

HUL's personal care business was flat at ₹4,090 cr in Q3



Portfolio grew 17%

Co's homecare segment grew 3% to ₹2,741 cr



Business saw a 20% jump

ago period, which the company attributed to "accounting impact."

In reality, net sales rose 17% 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 110 bps. Profit before exceptional items increased 30% to ₹1,198 crore at the Indian unit of Unilever.

"Even excluding low base effect, the

company must have grown 4-5% in volume and has been a broad-based growth. Rural is growing faster than urban and herbal brand Ayush seems to be picking up, which bodes well for the company," said Abneesh Roy, senior vice-president, institutional equities, Edelweiss Securities.

The maker of Rin detergent and Lux soap saw volume growth increase 11%. Volume indicates the actual number of products that customers were putting in their carts.

HUL said average volume growth in the market between 2013 and 2016 was about 3%, with rural markets growing at a faster clip than urban centers. However, 2016 saw rural market growth falling to that of the urban level, with consumption affected by less disposable cash. This seems to be changing. "When you look at the scenario of better monsoon with the government's thrust of putting more money in the hands of farmers, it should augur well (for consumer companies)," Mehta said.

A year ago, HUL saw volume growth decline 4% in the quarter ended December — its worst performance since March 2009 — after the government decided to swap high-denomination currencies. This affected rural markets more since consumption is primarily driven through cash-based wholesale channels.

HUL's personal care business, which accounts for nearly half its overall sales, was flat at ₹4,090 crore in the quarter while homecare grew 3% to ₹2,741 crore. On a comparable basis, the personal portfolio grew 17% while home care business saw a 20% jump, the company said. Purchases of consumer products recorded their fastest growth in nearly five years, underpinned by good monsoon and improving sentiment after introduction of GST, among other macroeconomic factors.

Demand for daily groceries and home and personal products peaked in November with 9% volume growth, the most since 2010, according to the latest Nielsen data.