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HUL Q3 Sales up 11%, Profit Rises 17%

| | Q3 GROWTH (YoY) | |
|--------------------------|-----------------|-----------|
| | (In %) | (₹ Crore) |
| Domestic Sales | 11 | 12,834 |
| Net Profit | 17 | 2,243 |
| DIVISIONS | | |
| Home Care | 23 | 4,193 |
| Beauty And Personal Care | 7 | 5,175 |
| Food & Beverages | 3 | 3,466 |

Volumes grow just 2% due to inflation, price hikes

Our Bureau

Mumbai: Hindustan Unilever (HUL), the country's biggest consumer goods company, posted 11% growth in sales in the December quarter but said unprecedented inflation and subsequent price hikes led to a volume decline in the overall consumer market.

"You have not seen inflation like what

we are seeing now happening in many years," said Sanjiv Mehta, HUL chairman and managing director.

Volumes, or the number of products that the company sells, rose 2%, indicating the bulk of HUL's revenue expansion was due to price hikes and not increased demand.

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Co Grows at Twice the Market Growth Rate

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Sales rose to Rs 12,834 crore and net profit grew 17% to Rs 2,243 crore in the December quarter from the year earlier.

The company said Thursday it had grown at twice the rate of the overall market by value and significantly ahead by volumes during the third quarter. Despite rising infection numbers and mobility restrictions, the disruption has amounted to "virtually nothing" at this stage.

"When you have this kind of price increase, there will be an impact but it is neither surprising nor something extraordinary. From that perspective, we have remained positive, grown our market shares and protected our business," said Mehta. "A large part of price-point packs are sold in rural areas and in these packs, even if you don't touch the MRP (maximum retail price) but adjust the volume, it does reflect in your volume growth going down."

Citing Nielsen data, HUL said the fast-moving consumer goods (FMCG) market expanded mid-single digit in value but volumes fell.

Nearly a third of HUL's overall business comes from affor-

dable price points such as Rs 1, 5 and 10 where pricing remained unchanged but grammage was reduced. As a result, even with the same number of units sold, volume was impacted by about 2%, it said.

HUL's performance is considered a proxy for broader consumer sentiment in India. The maker of Rin, Dove and other household staples expects some moderation of inflation in the second half of the calendar year.

The company said the only way rural consumers can cope with inflation would be to get more money in their hands through interventions, including a further increase in the MGNREGA outlay and free food supply.

"As a consumer goods company, we would like demand and private consumption to be robust in the country but these are unprecedented times," Mehta said.

Gross margins contracted by 186 basis points (bps) due to elevated palm oil and crude prices that have risen by nearly 50% since a year. The earnings before interest, taxes, depreciation,

and amortization (ebitda) margin increased 100 basis points to 25.4% despite higher input costs as the company slashed spends on advertising and promotion by 14%.

A basis point is a hundredth of a percentage point.

"Ebitda margin is at a five-quarter high despite the biggest cost inflation in ten years. The pricing growth of 8% is also a multi-year high. With market share gains across urban and rural, HUL is a best-placed consumer stock," said Abneesh Roy, senior vice president at wealth management and advisory firm Edelweiss Securities.

Other consumer goods firms such as Britannia, Godrej Consumer and Dabur have warned in recent months that prices would continue to rise amid the highest levels of inflation in decades. The price of everything from soaps to skincare products has gone up already by 10-15%, and HUL warned that its price spikes could continue but only after considering other cost-saving initiatives.

Sales rose about 23% in the homecare segment, which includes brands such as Rin and Domex, and saw high single-digit volume growth.

