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HUL Q3 net beats estimates, royalty to parent bumped up

FMCG major cautiously optimistic on commodity prices in the near term

SHARLEEN D'SOUZA
Mumbai, 19 January

1 Hindustan Unilever (HUL), one of India's largest fast-moving consumer goods (FMCG) companies, on Thursday reported a 7.7 per cent rise in net profit during the October-December quarter of 2022-23, beating Street estimates. Its board of directors also approved a new royalty agreement with parent Unilever, subject to appropriate regulatory clearances.

With 5 per cent volume growth, the company's net profit rose to ₹2,474.0 crore from ₹2,297.0 crore in the same quarter a year ago. Its revenue grew 16 per cent to ₹15,343.0 crore from ₹13,223.0 crore. *Bloomberg* estimates had pegged HUL's revenue during the quarter at ₹15,120.4 crore and net profit at ₹2,407.9 crore.

Chief Financial Officer Ritesh Tiwari said: "Rural markets are showing signs of improvement, with the December quarter seeing higher growth than the previous one and the past 12 months."

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HOPE IN THE AIR

Consolidated figures in ₹ cr

	Consolidated figures in ₹ cr			% change	
	Q3FY22	Q2FY23	Q3FY23	QoQ	YoY
Revenue	13,223.0	14,896.0	15,343.0	3.0	16.0
Other income	60.0	109.0	110.0	0.9	83.3
PBIDT*	3,469.0	3,588.0	3,804.0	6.0	9.7
PBT**	3,170.0	3,288.0	3,482.0	5.9	9.8
Net profit	2,297.0	2,665.0	2,474.0	-7.2	7.7

*Profit before interest, depreciation and tax **Profit before tax

Source: Company

Compiled by BS Research Bureau

“THINGS ARE IMPROVING. BUT THERE'S A LONG WAY BEFORE VOLUMES AND RURAL (DEMAND) BECOME POSITIVE”

Sanjiv Mehta, MD & CEO, HUL



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“Amid lower inflation, strong winter crop sowing and signs of a pick-up in farm income, rural slowdown may be bottoming out,” Tiwari said. Managing Director & Chief Executive Sanjiv Mehta said the performance of the rural market improved in the December quarter. “Value growth was negative, and volume growth -13 per cent and -12 per cent in June and July (respectively). The good bit is that the December quarter saw positive 2.5 per cent value growth, and volume growth improved from negative double digits to -9 per cent.” Rural demand has been under stress since August 2021. Consumption was hit as companies were forced to increase prices and cut grammage of packs to pass on some impact of high

- 1 commodity costs. Mehta said: “Things are improving now, but there's a long way before volumes and rural (demand) become positive.” In its near-term outlook, Tiwari said HUL would be cautiously optimistic if commodities (prices) remained where they were. “We believe that the worst of inflation is likely behind us. This augurs well for FMCG and should aid in a gradual recovery in consumer demand.” He cautioned, however, that year-on-year inflation was still high and the company expected growth to be price-led. The company's home care category grew 32 per cent, and beauty & personal care segment 10 per cent. “Both fabric wash and household care grew in high double digits, with all parts of the portfolio performing very well,” HUL said. The food & refreshments category grew 7 per cent, driven by the company's performance in food, coffee and ice-creams. HUL now sees almost 25 per cent of its sales captured digitally, and Tiwari said it remained robust in all product categories.

The agreement increases HUL's royalty and central services fees to Unilever from 2.65 per cent of turnover in 2021-22 to 3.45 per cent. This increase would be effected in a staggered manner over three years.

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