

HUL sees revival by next year

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Hindustan Unilever Ltd, India's top consumer goods maker, expects a revival in economic activity and demand to start by the end of this year or early next year though the next few quarters could be tough for the country, said Sanjiv Mehta, chairman and managing director.

In a consumption-driven economy like India, the government would need to come out with a bigger package to help stimulate demand, Mehta said in an interview with analysts at Jefferies Equity Research, which was released on Friday.



HUL chairman Sanjiv Mehta. MINT

“We should be absolutely clear that no one can predict with a high degree of accuracy as to what is going to happen. A lot will depend on the trajectory of the virus, what happens to the economy, to what extent is the demand postponed or

impaired, the unemployment trend, etc. So, there are various variables at play here,” he said. “I do hope that by the end of this year or early next year, we will see the economy picking up and the demand coming back.”

Mehta was responding to a query on the near-term impact of the coronavirus pandemic on the fast-moving consumer goods (FMCG) industry.

Several businesses, including FMCG firms and their distributors, faced severe disruptions as the lockdown, now in its third month, forced a temporary scaledown in production and movement of goods.

For HUL, India's largest packaged consumer goods

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Demand for consumer goods may revive next year, says HUL's Mehta

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company, production has increased with the easing of curbs by the government since the lockdown was first imposed. "From a virtual standstill when the lockdown was announced, we have now been able to ramp up our production to 80-90% of normative levels," he said.

On-ground, though, it is hard to measure consumer demand as companies focus on resuming supply lines. Market researcher Nielsen last month cut its growth forecast for the FMCG sector to 5-6% for this fiscal from its earlier projection of 9-10%.

"Right now, the challenge for us is to get the supply lines going. Because the stock in the trade is lean, we are currently able to sell everything that we produce. Hence, it is difficult to gauge the end-consumer level demand. Once supply is normalized and trade pipelines fill up, we will get to understand the underlying trend," Mehta said.

Mehta, however, warned consumers could "be more circumspect with money" as a result of restricted economic activity that has cast uncertainty over household finances and future employment.

"The economy had slowed down even before covid-19. In the categories in which we operate, the rural growth had all but disappeared. With this pandemic, the next few quarters are going to be tough for

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the country. Slowdown in economic activity, dip in GST collections all point to a difficult time ahead. The fall in stock markets has also eroded wealth. Consumers, hence, would

be more circumspect with their money," Mehta said.

He said measures announced by the government to provide cushion to the economy are largely positive as they will help aid rural demand. "However, I do believe the government will have to sooner rather than later come out with a bigger package to stimulate demand," Mehta said.