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CO 'CAUTIOUSLY OPTIMISTIC' AMID EXPECTATIONS OF A FASTER VAX ROLLOUT

HUL Net Profit Climbs 9.6% in Q1

Confident of navigating if any third wave comes, says chairman Sanjiv Mehta

Our Bureau

Mumbai: Hindustan Unilever Ltd, the nation's biggest consumer goods company, reported a 9.6% increase in net profit and 12.7% growth in sales for the first quarter ended June from the year earlier. The company said it is "cautiously optimistic" amid expectations of a faster vaccination rollout and HUL should be able to navigate through another pandemic wave if it happens.

"The government policy of having

localised and calibrated, as opposed to national, lockdowns has been good for the business, because what resulted was no panic buying, supply chain at the backend kept functioning and, even in areas which went in for lockdowns, retail stores, albeit for a few hours, remained open. So we could meet the demands of the consumer," said HUL chairman Sanjiv Mehta. A similar (lockdown) model will most likely be replicated during the next wave, he said.

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Riding the Wave

| | Jun '21 (₹ cr) | Jun '20 (₹ cr) | Growth (%) |
|-------------------|-------------------|-------------------|---------------|
| Sales | 11,730 | 10,406 | 12.7 |
| EBITDA | 2,847 | 2,644 | 7.7 |
| Net Profit | 2,061 | 1,881 | 9.6 |



Rebound Led by Rural Markets

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More than 400 million Covid-19 vaccine shots have been administered and one-third of the country's eligible population has received at least one dose.

"If we are able to ramp up from the current run rate of 4 or 5, and go up to the 7 to 8 million daily vaccinations, then the picture will become significantly better in the next few months," Mehta said. "So that even if the third wave happens, the impact will be less and the severity of it on people who have been vaccinated would be much lower. That gives us optimism that things should turn out better as the year unfolds."

Sales stood at Rs 11,730 crore while net profit was Rs 2,061 crore. Operating profit shrank 110 basis points to 24% as the company faced elevated inflationary pressures in certain ca-

tegories. The stock ended 2.3% down at Rs 2,378.65 on the BSE Thursday. Volume, which indicates the number of products that customers put in their shopping carts, increased 9%. A basis point is one-hundredth of a percentage point. HUL's performance is considered a proxy for broader consumer sentiment



in India. Several states announced lockdowns, curfews and other restrictions against Covid-19 in April for several weeks. HUL said it saw the market getting hit in May but there was a sharp recovery in June.

"In June and July, we are seeing our business levels in terms of industry FMCG growth and market levels similar to where it was in March," said HUL chief financial officer Ritesh Tiwari. The rebound that we have seen in the month of June and early July is led by ru-

ral, which is more resilient, and has started to come back strongly ahead of urban."

Parent Unilever also said that renewed restrictions in India impacted the market in the June quarter, but they were less severe than in the same period last year.

"South Asia grew double digit as we lapped a period of strict lockdown measures in India in the prior year, although growth slowed from the first to the second quarter as regional restrictions were put in place," Unilever said in its earnings statement.

Sales rose about 12% in the homecare segment, which includes brands such as Rin and Domex. HUL's largest business, the beauty and personal care (BPC) segment, saw 13% growth driven by premium skincare products and soaps. It had experienced uneven demand amid widespread stay-at-home measures last year. The food and refreshment business expanded 12%, including the acquired GSK portfolio, which added brands such as Horlicks and Boost to its existing range of tea, coffee and ice-cream.