

HUL's Q1 net profit jumps 9.56%

Suneera Tandon

suneera.t@livemint.com

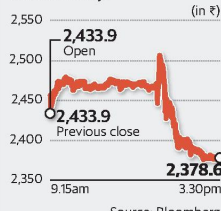
NEW DELHI

Hindustan Unilever Ltd (HUL), India's largest consumer goods maker, on Thursday reported a 9.56% increase in June quarter profit from the year-ago period, marginally missing Street estimates after what it called "unprecedented inflation" in key input materials.

Revenue grew 12.83% as it reported double-digit growth across the three categories it operates in—beauty and personal care, home care, and foods and refreshments. But this was helped by a lower base in the year-ago quarter and a

Market sentiment

Shares of HUL tumbled 2.27% in intraday trading on Thursday.



Source: Bloomberg

SARVESH KUMAR SHARMA/MINT

return to "normalized" demand during the more severe second wave of covid infections in comparison with 2020.

Profit came in at ₹2,061 crore, compared with ₹2,211.10 crore

estimated by 10 brokerages. The maker of Rin and Surf detergent, Lux and Dove soaps, and Kissan ketchup reported a revenue of ₹11,915 crore, up from ₹10,560 crore a year ago, and missing estimates of ₹12,168.40 crore by 11 brokerages.

Rural markets were resilient and demand rebounded in June and early July, it said, while reporting a 9% volume growth. India's second covid wave saw lockdowns in several states in April and May. However, restrictions were eased and supply chains suffered fewer disruptions.

As cases decline further and mobility picks up, demand for

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fast-moving consumer goods (FMCG) is rebounding to touch March levels, the company's top management said.

"After hitting the peak in May, cases declined sharply in June, and mobility started to improve. FMCG demand was severely impacted in May; however, in June it rebounded to March 2021 levels led by rural," Ritesh Tiwari, executive director, finance and chief financial officer, HUL, said.

The rebound in June and early July was led by rural markets, he said.

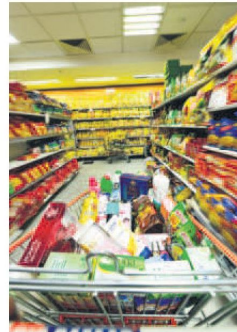
"The good news is rural is resilient, and it has started to come back strongly ahead of urban. Urban was impacted because of footfalls in modern trade were limited," Tiwari said. A better monsoon could further propel rural growth, he added.

The company, meanwhile, remains "cautiously optimistic" about demand recovery, said Sanjiv Mehta, chairman and managing director.

"In a challenging environment, we have delivered a strong performance across top-line and bottom-line. Our performance in the quarter has been resilient and is reflective of our capabilities, the agility in our operations and the intrinsic strength of our portfolio... Looking forward, we remain cautiously optimistic about the demand recovery," he said.

The company said a surge in infections may cause uncertainty. However, it was prepared to tide over any supply side challenges.

In the same quarter last year, HUL's domestic volumes were down 8% amid a national lockdown. Demand for beauty and personal care, home care



All categories reported double-digit growth in the June quarter.

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and foods and refreshment portfolio dropped.

All categories reported double-digit growth in the June quarter. "Performance was broad based with all three divisions growing competitively and in double-digits," the company said.

The incessant rise in palm oil and tea prices has adversely hit gross margins, analysts tracking the firm said.

Meanwhile, commodities remain volatile and elevated. Calibrated price increases were taken across fabric wash and household care portfolio to partly offset the high inflation in input costs. It also took price hikes in soaps as vegetable oil prices remain at elevated levels.

"The impact of the second wave is visible in QIFY22 numbers with muted sales growth in beauty and personal care segment," analysts at ICICI Securities said in a note. Considerable increase in key raw material cost aggravated the situation with contraction in operating margins despite the company partially passing on the increase with price hikes in last six months, they said.

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