

HUL Q4 profit up 14% as sales volume grows

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The largest consumer goods firm in the country, Hindustan Unilever (HUL), reported a 14.2 per cent year-on-year increase in net profit Monday for the January-March 2018 quarter (Q4 FY18), beating street estimates in the process.

A *Bloomberg* consensus estimate had pegged net profit at ₹13.33 billion for the March quarter. Bottom line, however, came in at ₹13.51 billion (versus ₹11.83 billion in Q4 FY17) despite the firm reporting an exceptional loss of ₹640 million for the March quarter. Net sales for the period under review touched ₹90.03 billion, year-on-year growth of 11.1 per cent (Q4 FY17 was ₹81 billion) and ahead of *Bloomberg* consensus estimates of ₹88.98 billion for the quarter.

Top line growth was aided by a 11 per cent increase in sales volume, ahead of analysts' estimates, who had pegged volume growth for the fourth quarter in the region of 5-6 per cent. "In Q3 FY18, volume growth of HUL was also 11 per cent, but it was on a low base of a 4 per cent decline in volume growth in the year-ago period," said Abneesh Roy, senior vice-president, research, institutional equities, Edelweiss. "In Q4 FY18, volume growth of 11 per cent is on a higher base of 4 per cent growth in the year-ago period. So, on a two-year-basis, the

growth of HUL has accelerated to 75 per cent on an average (in Q4 FY18) versus 3.5 per cent (growth) seen earlier," he said.

Earnings before interest tax depreciation and amortisation (Ebitda) for the quarter rose 24 per cent to ₹20.48 billion from ₹16.51 billion in the corresponding quarter last year. Ebitda margins for the fourth quarter improved 160 basis points led by strong savings programme, Srinivas Phatak, chief financial officer, HUL, said.

The March quarter's strong volume growth was driven largely by the home and personal care segments, Phatak said, due to price cuts (on account of the goods and services tax) that aided demand in the urban and rural areas. In some pockets, rural demand had overtaken urban demand, HUL's Managing Director and Chief Executive Officer Sanjiv Mehta said, but the trend would take a few quarters to stabilise, he said. HUL, he said, would continue to focus on volume growth as demand gradually improved in the coming quarters. The company said there was a step-up in competitive intensity and that inflationary pressures were growing, which were the key watch-outs for the future.

Kaustubh Pawaskar, senior research analyst at brokerage firm Sharekhan, said he saw better rural demand, premiumisation and sustained new product additions as key growth drivers for HUL in the near to medium term.

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