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HUL Q4 net grows 14% on revival in rural demand

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Mumbai: Riding on a revival in rural markets and strong growth in volumes, Hindustan Unilever (HUL) has reported a 14% growth in net profit at Rs 1,351 crore during the fourth quarter ended March 31, 2018, as compared with Rs 1,183 crore in the corresponding quarter last year.

Sales at the country's largest consumer products company were at Rs 9,003 crore, up 3% compared to Rs 8,773 crore in the year-ago period. Comparable domestic consumer growth, reflecting accounting impact of GST, was 16% with underlying volume growth of 11%. Industry analysts said the volume growth is on a higher base of 4%, which means, on a two year basis, the growth of HUL has accelerated to 7.5% average in the quarter under consideration versus 3.5% average.

Revenue growth was aided by a reported sales growth of about 4% in home care and 9% in refreshments. However, on a comparable basis, home care grew 21%, while refreshments grew 13%.

At a media conference, HUL CEO & MD Sanjiv Mehta

VOLUMES UP

said, "Rural has improved in many parts of the country and is growing ahead of urban. However, rural markets are still to reach the glorious levels of growing 1.2 times urban markets. We will have to wait a couple of quarters to see if the trend gets established."

With rural per capita levels at $16 compared with urban's levels at $29, Mehta said there is enough headroom for growth in the hinterland.

HUL CFO Srinivas Phatak said there has been a gradual improvement in demand with trade conditions normalising and pipelines stable after GST.

The maker of Lifebuoy soap and Lipton tea stepped up its advertising and promotion spends by 25% to Rs 1,070 crore during the quarter. Strong savings, however, helped derive reduction in costs. Savings as a percentage of sales in 2017 were 1.7 times that in 2014, said Phatak. Despite input costs rising on the back of higher crude prices, the company said its focus will continue to be on volume-driven growth and improving operating margins. Anticipating a step up in competitive intensity which could increase spends on advertising and promotion going forward, Mehta said, "We will maintain our competitiveness in the market."