

HUL meets profit estimate despite cost, rural stress

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Unilever Plc's Indian unit reported quarterly profit that met analyst expectations as price hikes helped Asia's largest consumer goods maker by market value manage persistent inflation that has hit the pockets of consumers in the country's vast and largely impoverished hinterland.

The Mumbai-listed Hindustan Unilever Ltd (HUL) posted a 17% rise in net income to ₹2,240 crore (\$300.6 million) for the quarter to December, according to an exchange filing Thursday, exactly in line with the average profit forecast by analysts in a Bloomberg survey. Revenue rose 10% to ₹12,900 crore, while total costs rose 8.3%. It saw a volume growth of 2%.

The maker of Hellmann's mayonnaise and Dove soap, like its parent unit, has been roiled by rising input costs amid global supply chain disruptions. India's retail inflation climbed for the third straight month in December. While prices of key raw materials including palm oil and crude oil-based packaging have spiked, Hindustan Unilever passed on some of it to consumers in product categories such as soaps and detergents in the last quarter.

While the company's management said they have gained market share in both rural and urban markets, they conceded that rising costs had impacted volume growth, particularly in the countryside, where more than two-thirds of India's population lives.

"There's a large number of consumers who have limited income," chairman and managing director Sanjiv Mehta told reporters during a briefing. "Urban volumes are nearly flat, whereas rural volumes are in the negative territory—these are unprecedented times."

Mehta added that India's economy was still recovering from scarring during the covid-19 pandemic, though he hoped there would be some moderation of inflation by the second half of the calendar year. However, research-



HUL chairman and managing director Sanjiv Mehta. MINT

Rising costs affect volume growth, particularly in rural areas, where more than two-thirds of India's population lives

ers argue it's hard to predict when supply-side headwinds will peter out given continuing disruption.

"Fast-moving consumer goods companies have taken price hikes to the tune of 5-15% in the past six months to pass on high commodity inflation," Sanjay Manyal, an analyst at ICICI Securities Ltd in Mumbai, wrote in a sector report last week. "It is difficult to call out at this time that commodity inflation has peaked out."

Hindustan Unilever's shares closed 2.1% down on Thursday before the results were published, pushing this year's decline to 4.2%. The stock is also underperforming India's benchmark BSE Sensex Index, which has gained 2.1% in

2022.

As Unilever contends with global inflationary pressures, chief executive officer Alan Jope said earlier this week that the parent company plans to sharpen its focus on health and hygiene. However, Jope faces growing pressure to deliver a new strategy after investor dissent forced the firm to walk away from a bid for GlaxoSmithKline Plc's consumer products division on Wednesday.