

# HUL misses Q4 estimates as demand stays muted

Disappointing earnings signal continuing headwinds in consumption economy

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**H**industan Unilever Ltd (HUL) posted a slightly underwhelming quarterly profit as continuing demand slack weighed down the consumer goods giant that's also battling rising competition from niche, local rivals.

The Indian unit of Unilever Plc reported a 5.5% fall in net profit to ₹2,410 crore for the quarter ended 31 March, compared with the same period a year ago. That fell a tad short of the average analyst estimate of ₹2,479 crore based on a survey compiled by *Bloomberg*.

Revenue came in at ₹14,690 crore, also missing estimates. Total costs inched up 0.9% to ₹11,810 crore, compared with the year-ago quarter. The disappointing earnings signal that headwinds remain strong for India's largest staple goods maker which is currently caught between weak rural demand on one hand and fickle, premium buyers who are pivoting away, on the other.

"HUL delivered a resilient performance in Q4 with underlying sales growth of 1%, underlying volume growth (UVG) of 2% and Ebitda margin at 23.4%," HUL said in its earning statement.



## SHELF CHECK

### BELOW ESTIMATES

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During the quarter, HUL's home care segment grew 1.27% to ₹5,709 crore. However, its beauty and personal care segment was down 2.5% to ₹5,125 crore. The hair care segment delivered volume-driven high-single digit growth led by outperformance in Dove and Trèsemme. Skin care and colour cosmetics grew in low-

single digits.

"There has been no material change in the demand environment" despite a moderation in consumer goods inflation, Unnati Jadhav, analyst with KR Choksey Shares & Securities Pvt. wrote in an 18 April note on the sector. There has been no significant surge in sales despite some "signs

of revival in rural demand," she wrote.

Hindustan Unilever, whose shares are down about 15% this year, is also losing favour with global investors. Foreign funds reduced their shareholding to 12.7% at the end of March, down from as high as 14.5% in June last year, according to data compiled by *Bloomberg*.

An above-average monsoon this year may, however, improve the outlook for the firm by bolstering rural incomes. Hindustan Unilever is seen as a bellwether for consumer demand in India as its household products are sold in every part of the country.

Over the past year, the company has been introducing several new premium products, including Lakme cosmetics, as it seeks to tap more elite buyers and spends more on advertising. It's also exploring spinning off its ice-cream business into a separate unit, according to a media report this month.

The outlook for coming quarters for consumer giants in India, including Hindustan Unilever, will depend on the impact of election-time government spending, anticipated heat waves, monsoon and the agricultural yields, according to an April 8 note from brokerage Nirmal Bang Securities Pvt. Ltd.