

# Immediate future 'challenging' but HUL is confident

**Lalitha Srinivasan**  
*Mumbai, July 31*

**T**HE ₹20,000-crore FM-CG giant Hindustan Unilever Ltd (HUL) feels the immediate future for the company remains challenging both in terms of costs and volatility, but aims to counter this through cost discipline and selective price increases. "We aim to tackle this through a combination of measures such as aggressive cost savings programme, better return on investments, leveraging buying efficiencies and finally selective price increases," said Nitin Paranjpe, managing director & CEO, HUL.

With half its turnover coming from the developing and emerging markets, Unilever Plc, HUL's Anglo-Dutch parent, looks at India with increasing significance. "With developing and emerging markets growing at a faster pace, their contribution is expected to only increase going forward. India is one of the key such markets and is ex-



**Nitin Paranjpe,**  
HUL managing director & CEO

pected to grow rapidly in the years to come. Given Unilever's strong position in India, it is well placed to benefit from the growth opportunity that India offers," says Paranjpe.

Late June, Unilever underscored this when it appointed Harish Manwani, non-executive chairman, HUL as chief operating officer (COO) at Unilever Plc as part of a new organisation structure to tap opportunities in some key markets. "The new structure will help Unilever drive growth even faster," Paranjpe said.

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# We'll do what's needed to win today and invest in tomorrow

At the helm of the ₹20,000 crore FMCG company, Nitin Paranjpe, managing director & CEO of Hindustan Unilever (HUL), is upbeat about the company's performance. To sustain its growth momentum in India, Paranjpe is drawing up fresh strategic plans, which include deployment of a portfolio approach to address diverse consumer needs. Paranjpe also stresses on the need to run the business with bifocal lenses, doing both what is needed to win today and simultaneously investing for the changing tomorrow. Currently, HUL leads the pack in the ₹1,40,000 crore Indian FMCG industry. In an exclusive interview with FE's Lalitha Srinivasan, Paranjpe shares the company's strategic plans.

**What would be HUL's core focus to sustain growth in financial year 2012?**

The opportunity in a market like India is across the consumer pyramid and we are deploying a portfolio approach to leverage

these opportunities and address diverse consumer needs. Last year (2010-11), we restored competitive growth across a large number of categories. We would like to continue and build on the momentum that we have built in 2010-11. Given the input cost inflation, we expect to see a rebalancing of growth between price and volume. Going forward, our approach will remain consistent. As the market leader, our role is to grow markets through consumer relevant innovation. Towards this, we will continue to invest behind our brands both in product quality and marketing spends. This will help us offer great value to our consumers and is the only way to sustain growth in the future.

**How important is HUL in Unilever worldwide operations? What are the implications of the new organisational structure announced by Unilever?**

Developing and emerging (D&E) markets are a key priority

for Unilever. Currently over 60% of Unilever's turnover comes from D&E markets. With D&E markets growing at a faster pace, their contribution is expected to only increase. India is one of the key D&E markets and is expected to grow rapidly in the years to come. Given Unilever's strong position in India, it is well placed to benefit from the growth opportunity that India offers. The new structure will help Unilever drive growth even faster. It will allow for a faster deployment of bigger and more scalable innovations, and the optimisation of resources behind strategic priorities.

**Unilever has stated M&A as a growth driver in recent conference calls. What's going to be HUL's strategy for mergers & acquisitions in India?**

There is plenty of opportunity to grow our business organically and the business is focused on that. At the same time, if there are opportunities that provide a good strategic fit and are at the



right value, we would certainly look at them.

**HUL has hiked prices in the last few months. As input cost pressure continues, is HUL going to hike prices further?**

We look at judicious price increases but only after exploring other opportunities to cut our costs. The commodity costs have increased considerably in the past one year. The immediate future is likely to remain challenging both in terms of the costs and volatility. We aim to tackle this

through a combination of measures such as aggressive cost savings programme, better return on investments, leveraging buying efficiencies and finally selective price increases.

**Last year, HUL opted for Go to Market initiative to drive volumes. What's the update on that?**

In 2010-11, our focus was to reach more stores and create Perfect stores. In both urban and rural areas, we have expanded our direct reach to cover 1.5 million outlets, and during the year, we created more than 1.5 lakh Perfect stores. We now want to consolidate on what we have been able to do and extract value out of the reach that we have created.

**What would be HUL's major growth drivers in FY 2011-12?**

Our job is to develop markets and grow consumption. To do so, we have to be close to our consumers and customers. It is also important to develop a point of

view on the future, a point of view on consumers, customers or indeed the segments, categories or geographies of tomorrow. It does not matter how small they are today. After this, it is crucial that we start gearing ourselves to win in the changing Indian landscape. This means putting in place a portfolio and a set of capabilities, which would be relevant to win tomorrow. We are investing strongly to lead growth in emerging and fast growing categories such as hair conditioners, premium skin lightening, face washes, fabric conditioners, ice cream, soups, tea bags, to name just a few. In time to come, these will become significant categories in their own right. At the same time, we remain focussed on driving growth in our core categories such as laundry, personal wash, tea and haircare. Basically, we need to run the business with a bifocal lenses, doing both what is needed to win today and simultaneously investing for the change-

ing tomorrow.

This quarter we have seen a re-direction in A&P spends. Has this been done to offset the rising costs?

Let me clarify that even in this quarter, our brand investment has been competitive. We have always emphasised that the actual advertising spend is a function of many variables like the competitive intensity and our own brand launches and re-launches in that quarter. During the quarter, we saw the media intensity come down in commodity-sensitive categories like soaps, laundry and tea while remaining at high levels in other categories like personal products. Our own spends reflect this trend and we have been at competitive levels across all categories. Having said that, like all other elements of cost, we continue to drive the effectiveness and efficiency of our A&P spends through a sharper focus on our return on marketing investment initiative.