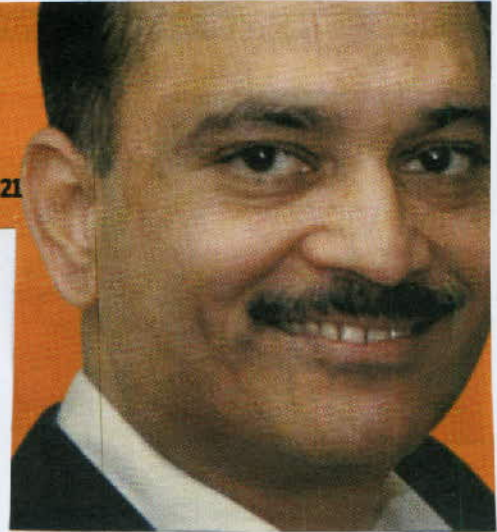


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 The Resource Centre

Publication : Mint
Date : Thursday, June 16, 2011
Edition : Mumbai
Page : Front + 21

**BLOOMBERG-UTV: Nitin Paranjpe
on HUL's growth prospects** >21



Our market will continue to grow in double digits

BY KARTIKA TREHAN

BLOOMBERG TVT

INTERVIEW

While rising input costs have hurt companies such as Hindustan

Unilever Ltd (HUL), rising inflation has had an impact on consumer demand and volume growth. In an interview, chief executive and managing director Nitin Paranjpe talks about the challenges and the road ahead for HUL. Edited excerpts:

How is inflation affecting your business?

I think the reality is that inflation impacts demand. You cannot escape this basic law of economics. As prices go up, it can have a constraining effect on demand, and that's why it's not about our industry, it's the economy at large that is facing (this problem). Hence, all the action that we are seeing from the government, from RBI (Reserve Bank of India) to try and tame inflation and start getting it down to more reasonable levels. Till that situation prevails, there will be some pressure. I think as we start looking forward, we will see growth. We will see some balancing between volume growth and price growth. I think last year in our specific categories, we saw bulk of the growth coming out of volume. I think as we continue to go forward, we will continue to see markets growing in double digits. The composition of the growth is likely to change. We are likely to see more price growth and maybe volume growth, which is likely to be less than what we saw in the year 2010.

Which is the segment in which

you are seeing more growth? In which segments are you seeing more diversification?

We are blessed to operate in a market like India. All the categories are growing. Many people ask questions about like, isn't soaps and detergents relatively mature in this kind of growth? The truth is that they might look mature... in terms of how many consumers use those categories. But if you look at per capita consumption in those categories, they are a fraction of per capita consumption that exist in those categories, forget the western world, but even in markets like South-East Asia and China. So even categories like these will see growth. All categories will grow, but some categories will grow faster. Personal care and foods are categories which can grow faster.

HUL's food and beverages business have been growing at a rapid pace. Globally, it is about 50% of the total business. Is there a plan to take the food business higher from here?

We are pleased with the steps taken in the recent past to start building a non-beverages foods business. Over the last few months we have made two-three new entries. We are test marketing Kissan Nutri Smart in the south, we have introduced soy-based juices in some cities and we have launched Kissan mayo spreads. We are getting good business and packed business will continue to grow and, there would be tremendous opportunities for companies like ours. Per capita consumption of ice cream continues to be very



ASHOK SHARMA/MINT

Sweet spot: Paranjpe says his company hopes to benefit from the rise in the demand for ice cream in the future.

small and as India grows this will change and we hope to benefit from this as we move forward.

What is the contribution of the food and beverage business?

Non-beverage business is showing very strong double-digit growth. As many factors that are required for the development of the packaged foods industry are coming together, we hope the growth momentum will continue for years to come. Soaps and detergents business continues to face some pressure when you talk about volume growth. Is there any strategy change?

Our strategy remains the same. We only need to execute it as effectively as we can. We also feel the cost pressures like others. When in times like this, we need to make use of the ben-

move forward

You had five quarters of double-digit growth, though there has been a slight dip in the last quarter. How has been the whole year for you otherwise?

We shared the time that we had, a very good year, where we were able to demonstrate strong volume growth through the course of this year. (We) retained competitive growth across a large number of categories and did so in a very challenging category that we found ourselves in. Challenging in the sense of competition, but even more so in the form of commodity costs and the pressure that we've seen on account of commodity costs.

During your results you did talk about demerging your export business into a separate entity. What is your strategy behind that?

To provide sharp focus that is required, as we start pursuing opportunities to grow some of our local jewels and some of the very strong Indian brands and try and address the opportunities... We felt that it might benefit from having a dedicated focus in a separate entity.

How much is the export contribution at this point of time?

Our exports, as part of our business, would be 5%.

Procter and Gamble has made a bid for Unilever. Is there anything you can share on that front?

No...you obviously know a little more than I do.

I guess you have added 500,000 stores to your network this year.

What is the divide between urban and rural India?

We've added more than 500,000 stores in rural India itself. We added a few more in ur-

ban. But the gap in urban is much less and we've made a really big push in expanding the rural reach. We see opportunity in improving road infrastructure, affluence and income levels in rural India. An opportunity for us to push the envelope and boundaries of what was already a very deep and intense distribution system even further.

Are you looking at adding more outlets?

No. I shared a year ago what we were hoping to do, we've more than delivered that. I think there will be opportunities going forward, but for the moment we want to consolidate it and get value out of the increase we have delivered.

In categories such as skincare and personal care, I think the growth is moving towards the premium brands. So is it that the contribution is increasing in the top brands?

If you think in terms of what's happening in India, as India becomes more affluent and as aspirations start increasing, it is but natural you are more likely to see the emergence of premium segments in every category, not only in skin care. So in general in many years, you are likely to see uptrading as a secular trend. There may be periods in between, where you experience high inflation or cost pressure, which could put pressure on the consumer wallet and you maybe able to see a little downtrending in all the periods. But if you were to take a secular trend, India is likely to see an uptrading and that's likely to happen across all the categories that we're operating in.

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