Hindustan Unilever Limited

ANNUAL INVESTOR MEET 2017
Question & Answer Session

Question
Sir two questions. My first question is on ecommerce. You said market share is higher in ecommerce which is higher than modern trade which is higher than GT. So if GT basis 100, if you could tell us how indexation is for modern trade and similarly for ecommerce across your few key categories. Second is you said personal care ecommerce is already the fifth largest within Unilever. So in other segments how is it? Is it that Indians are buying more personal care in ecommerce versus other categories? Similarly sir a few years back in modern trade you had given the number in Mumbai, Bangalore etc. how much modern trade already buying is happening through modern trade. What's the number currently? Similarly for ecommerce if you could give that number. That's the first question.

Answer
Okay. Let me give you ecommerce. I'll have Srinandan talk about it. And then about personal care we'll have Sandeep speak about it.
So on the question of how the index goes, the GT is 100. Our modern trade shares in the select categories are about 118 to 120. And the ecommerce shares are closer to 135-140. That would be the related index in terms of shares that we have.

Question
One question here. See your biggest strength, one of the biggest strength is the distribution, physical distribution. In ecommerce obviously the new players don't have that issue. So longer term do you still see this kind of a 135 indexation versus 100 for GT? That's still being maintained? Because lot of players for example, I'll give you an example. Colgate-Palmolive can do its personal care through ecommerce which it is not doing the same in GT. So how do you see longer term trends in ecommerce market share?

Answer
So look. I think there are two parts to it. One we actually believe that we can hold on to our share position on account of three things. One, while it allows a lot of players to come in it also gives us an opportunity to get a lot of our offerings which today are difficult to put in a general trade environment. But we can really leverage ecommerce to share those offerings with consumers. That's number one. Number two our understanding on ecommerce is that the devil is clearly in the detail. And there are 3 or 4 key areas that we spend a lot of our time on. One is zero images which ensures that when a person sees it he is far more motivated to click. And therefore the conversion rates are much higher. And the biggest advantage, the second point is the biggest advantage you have is if you have a leading brand then bulk of our purchase is happening on the mobile.

And what's important is what you flip through in the first two screens. And therefore in the first screen if you are on an average seeing 5 to 6 products, it's very critical that the brands are present in the first screen within those 5 or 6. Which actually in a large part is a measure of the market shares that you have. And therefore for us there is inherent advantage in categories where we have leadership positions to appear first on the screen and therefore we believe that we can still hold on to our market shares that we are currently having there. And the other bit is one of the things particularly from a customer development point of view is we've invested ahead of the curve on modern trade. And it's not surprising that we've had leadership position in modern trade for now over a decade. We've been no different as far as ecommerce is concerned. It's been resourced ahead of time with the clear idea that we built skills that are relevant to winning on the small screen.

Thank you Tan. So I'll just add one point to Tan which is that I think all our brands are here to serve the shoppers where they shop. And if they are going to shop in ecommerce, then we have to make sure that our brands shine the best and we are communicating to them in the most shopper relevant way. If you remember during my presentation I'd alluded to that the history of our company is that we've been very good with customers and shoppers in GT and MT. And we did that because we were ahead of the curve based on competitors or even sometimes based on shoppers. The same thing is the capability that we are building on ecommerce. The advantage I believe that we also have is because we get a lot of learning from global Unilever in terms of what is happening in other developed parts of the market and that puts us ahead. You had asked a question that in PC we are the 5th largest business globally and how are we doing relatively in other categories.

My understanding is that even in other categories we are among the top few. And we are doing quite well actually. So I don't know if there is anything you want to add.

No. I think that's a good answer. If your question is are people shopping for categories outside the personal care and ecommerce, the answer is yes. In fact in general a grocery because these are quite repeatable in terms of purchase, the fact is that the grocery model is going to work in a market like ours as well eventually. And we are leading across categories.

Question
One part is left. So last question was in the key cities what's the modern Tarde percentage and ecommerce percentage? You had given the number I think Bangalore around 35-40% a few years back and Mumbai around 25%.

Answer
See wouldn't want to share individual data, market share data in particular states in detail. I think you got the broad gist of the….

Question
It's not the market share data. So within Mumbai for example FMCG sale is happening. How much is happening through modern trade and how much is through ecommerce for example?

Answer
It is really very difficult to get – It's not a robust set of numbers where purchases are all happening centrally. Very difficult to get a handle on that. What I sell into an Amazon I sell to Cloud Tail Central. It is very difficult for us to figure out what exactly Mumbai is converting into. They will all be estimates.

Question
Hi. My first question is the comment that you made at the Quarterly conference call which worried me a bit was on share of voice versus share of market. And what exactly that means? Is there a paradigm shift? It's an incremental shift? How should we think about that bit? Can there be risks that you know you take eyes off the ball because share of voice and share of market was something that I have at least understood in the last 15 years that I have seen FMCG businesses. So can you elaborate on how that is going to play out?

Answer
Yeah. You know what we told you Vivek is we have brought in more science to it. I think for us first is we are not going to take our eyes off share of voice and share of expenditure. But more importantly is the reach

and the frequency. So we are much more precise in targeting to the consumers whom we want to target so that we want to scale up the reach and we want to do it with the kind of frequency that we have targeted. So we are not going to take off but that's not going to be a unidimensional measure based on which we would be only spending the money.

Question
But what parameter – what will be – how will you monitor basically if you don't marry the two which is shareholder…..

Answer
No I never say we are not going to monitor. We will always measure, monitor the share of voice and share of expenditure. But our spends will be not mindlessly behind share of voice and share of expenditure. Because for us more important is who are the right targets and at what frequency are we going to target them.

Question
Sure. I have two more questions. Second on you know there is a big herbal natural Ayurvedic wave in the country. You are launching a lot of new products across the board. You have bought Indulekha. Now if I just look at – so this is the HPC part. Now when I look at foods, you are – essentially you are trying to develop market. But don't you think you're limiting yourself too much? When I look at Geetu's ex-company for example Pepsico which forayed into Indian namkeens and savories and all that. Why are you so – I always think your food's presence is more reluctant than it should be. Why are you going so slow in that category and waiting for market to develop?

Answer
Yeah. Now first is Vivek, if you look at foods and refreshments, that's what really the category is. We are talking about a business which is close to 20% of our business. And that has been growing at a rate equal to and at times faster than the rest of the portfolio. The second one is commitment as far as it's concerned on F&R is absolutely complete. Yeah? But we have been circumspect. In the last few years were the wonderful work which Geetu and Sudhir have done is clean up the core. We have those businesses where we did not want to – which did not fit in with our strategy. Like Modern Foods for instance we have divested. More importantly we have got the rhythm back in the core. You can't be expanding into new segments without your kitchen garden blooming. So our kitchen garden has started to bloom. Now we would of course be looking at what are the other areas that we would want to get into. And let me tell you our commitments to foods and refreshments is absolute.

Question
So the reason why I drew parallel to naturals is if suppose you have an acquisition target obviously you can't be very specific about it. But is that option available to you as in the case of an Indulekha?

Answer
Certainly, certainly. You know if it comes to M&A, if there is a good candidate we would be open to it.

Question
Okay. And my last question is to Balaji. In the GST bit you mentioned that you know if there is some issue with the – you said something like you know if we are not complaint by 1st of July we will exit that product category or something you said? Or did I misunderstand this?

Answer
No, no, no, no. What we have done is wherever portfolios we take a hard call on, we said we will only play on those portfolios. For instance why did we exit Modern Foods? It had a strategic imperative. We also accelerated that exit because we knew otherwise we wouldn't want a transition into GST. Rice business, a real-real small part of the portfolio where we said it doesn't make sense. Shot it down before GST otherwise we are going to do one more effort of transitioning. Leather, shutting it down is the same. So we've just gone about cleaning up the portfolio as much as we can so that when you do a GST transition, you are conscious, the big portfolio is shifting. So you don't have small portfolios also distracting you at that point of time.
Nothing to do with the strategic imperative.

Question
Hi. I have two questions. One is on your GST comment where you talked about passing on net benefits of the rates and credit, you talked about doing it at an HUL level. But is that what the government intended? I mean will they not look at soaps separately and detergents separately instead of looking at HUL as a unit?

Answer
3 comments there. Number one, I think anti-profiteering is a provision. It is not a law as yet. And there are no rules in terms of how it needs to be done. There are lot of expectations there. What we have – and this is something which we have taken through with the government authorities as well so that we are sure that whatever we are doing is perfectly fine and is being tabled from their point of view. This is how we intend to do it. So the pricing principles have bene tabled with the authorities and they seem to be fine with it. So this is how we intend to do it. And they are also needing a bit of steer on how it will happen. Because there are things that are moving from various possible set. I think the biggest objective of the anti-profiteering clause is about ensuring inflation does not happen in the country because of GST rates. And that is something when we operate given that the category which are actually coming down in terms of rates are core categories that where inflation will also get impacted by that, we believe that we are in the right space. And more importantly we have ensured that we have tabled out principles with them and they seem to be fine with it.

Question
Already got sort of an advance ruling on this?

Answer
It is not an advance ruling. It's not yet a law. It's about – sharing with them this is a principle that makes sense from a business perspective that we intend to do.

Question
And they're perfectly fine with this….

Answer
They are fine with that.

Question
My second question you know if I just think a bit blue sky and you know have you ever – so we heard today all the exciting things right that your personal care business can be doubled, the oral care business can be

2X if you compare it with Indonesia. Shampoo business can be 2.5X etc. Have you ever tried a business plan where you look at HUL growing at 20-25% instead of 10-15%? I mean if you've tried it what do you think can be the cost associated with this kind of a business plan be it in terms of higher spends or be it in terms of burn. I know you'll say that there's a lot of effort involved in growing the categories etc. etc. That's why I am asking you what will be the cost associated with this kind of a growth rate if you have to really clock it?

Answer
Yeah let me give a bit of perspective for you. For a company which is 35% of the total space in which we operate, and it is pretty big, is growing at 20-25% though in theory possible, will certainly entail that not only the GDP of the country should be growing much faster, but very importantly it is inclusive growth where there is far greater money in the hands of more number of people. If you really map the different categories and do it with different, the same categories in different countries, you will find that at a certain point of GDP per capita, the inflection point comes in. So it is not that we just trying to grow at 20-25%, we don't want mindless growth. We want a growth which is sustainable and we also want a growth where the business model remains intact. And we keep on a promise of modest improvement in margins. And that is the journey we have been on. It's not about buying growth. Anyone can buy growth. The important bit is you're not doing it for one year. You want to do it on a sustainable basis. You want people's behavior to change so that they can continue consuming it. And that is the journey that we are on and that is the reason we invest behind market development. You know the crores of rupees that we spend behind market development, we can very easily spend behind promotions and media and get a short term burst on our top line. But then it will not be sustainable because we are not growing the categories of the future and we are not changing the inherent habits and behaviors of people. But if the economy moves up, and it is inclusive growth, we will be there to tap the opportunity. You know you have to look at it from two lens. One is appetite to grow. Absolutely. Second is capability and capacity. Absolutely. Then it results in the macro-economic environment. Would it result in the kind of growth we are seeking? If it is there we will be there to catch it.

Question
Is that not a bit like a chicken and egg situation where….

Answer
It's not a chicken and egg because if I was not investing in market development then you could have said that. Which is a company which is doing market development at our scale? And that's the reason we wanted to share it with you that it is not just in one category. We are doing across our segments, huge investments in market development, knowing consciously we will not be getting the fruit in the next one or two years. Why do you think we shared with you the supply chain, the capability that we have built? If we can deliver 40 million pieces in a year, we can of course deliver 50 billion pieces in a year as well. That's the capacity we have built in the supply chain. But if your question is will we get to 20-25 next year, yeah you know as well as I do is the environment ready for 20-25% growth?

Question
No. So we are not looking – I am not at all hinting that you get to 20-25 next year. What I am saying is that if all these fantastic opportunities that you have outlined today, if they all exist, is there not an opportunity to really grow at that rate sometime in the not too distant future?

Answer
Do you know I certainly – that's the reason we say that we believe in the India story. We certainly believe that the growth in India will be far higher than what we have seen in the recent past. Because the head

room to grow is so high and if the country develops economically I think it would be there. But we would not like to put a prediction to it as to when it will happen. We would not like to kind of sit over here and do a crystal ball gazing as to which year we will reach that. But we are absolutely clear we have the capacity, we have the capability and we have the talent to reap the benefits of the categories growing at a much faster pace and we on our own way are doing the best to fuel it.

Question
Okay thanks. Wish you all the very best.

Answer
Thank you.

Question
Hi Amit Purohit here from MK. Just on the laundry side I wanted some insights. One wanted to understand over the last 5 years we've been talking about Surf Excel growing ahead and double digits. Just if you could help us in Rin what has been the growth in the last 5 years. Has it been ahead of the overall growth for detergent or….so that was the first question.

Answer
Yeah so I think overall our premium laundry business has been growing ahead of the market. So it includes Rin and Surf. I think the larger point is the one Sanjiv made when he was showing the opportunity that exists to upgrade. And if you remember the markets that he showed. Today one out of 10 consumers and quite a similar number for Rin will be using a premium product today. And I would classify both Rin and Surf as premium versus the large big market that's in the bottom which is mass. So for both these brands the big opportunities that – and the overall laundry story is to upgrade this market. So that simply is the answer. And our premium business has been driving growth for us.

Question
Okay just an addition on to this. Would Rin he growing ahead of Surf Excel? Just for understanding.

Answer
Specific numbers I don't want to call out. But our big opportunities to grow are both these brands.

Question
Okay. And second when I look at the laundry portfolio and understand the price points at which people play, do you think there is another room for anther brand or a sub-brand category in the Rs. 100 to 200 price point between the 100 per kg to a 200 per kg at the premium price point. Because we have Surf Excel at around 110-120 and the next quick wash correct me if I'm wrong would be around 190-200. So there is a bit of a gap in that. So just want your thoughts on it.

Answer
So there are always opportunities at every end. We have a full portfolio that we play with right from Wheel up to liquids like I showed in the chart. And I think if there are – we have a full portfolio at play. So I think the biggest opportunity and I'll come back to the point I was making earlier is to upgrade consumers from everyone in the country uses a detergent to clean their clothes. So the biggest opportunity for the categories to get consumers to move from mass products to premium products and I think that's the biggest play that we have.

Question
Okay. So the reason I asked is actually at every Rs. 50 per kg price point we have a product. But there is a gap when I look at from Surf Excel Easy to a Surf Excel Quick Wash. So that....

Answer
I think at this point in time we don't see a need. If we believe there is going to be value there and we get a good proposition there we wouldn't hesitate to put a brand into it if at all. But at this point in time we don't see a need.

Question
Hi sir. Just wanted to understand let's say if the credit available to the trade is 40% under GST, would we absorb the remaining inventory or how would you go about it?

Answer
We still don't know the final transition rules. What stands today you are right is at 40% of CGST payable is available as a credit. And we have definitely written out to our customers saying that whatever is closer, any loss that they incur because of the tax rate on closing stock, we would compensate them for that.

Question
Okay. And just one small thing. What is the difference between Ayush and Citra? Or are we looking at increasing the Citra range to a complete similar profile like Ayush?

Answer
Okay so you know thanks for the question. Because the whole natural space can be played in many various ways. You can come to it from an Ayurvedic segment point of view, or you can come on it from a very lush western ingredients point of view. Or you can come on it from very special far Eastern products ingredients kind of view. And that's really the difference between Ayush and Citra. So Ayush is the heart of it is really Ayurveda and authentic Ayurveda which is kind of if I may say certified concoctions being used in our products. And as far as Citra is concerned, it's more from ingredients which are far-Eastern which are very rare ingredients that we can get in. And would we expand Citra? Yeah sure. In the future we may look to do that.

Question
Yeah hi. I have a question on premiumisation in general and the answer could be different for different categories. So how much of this is demand led versus say supply driven measures where – so what I mean by supply is maybe you've not ceded the lower end brands as much as the distribution network or maybe you have brought in a higher price brand at a lower price. It's more of a packaging. That is question number one. Two is it urban led or rural led? And three, is it more seen in mature customers or even first time buyers are kind of premiumising?

Answer
You all can add then. I'll give a perspective. Yeah? Is first of course what we are seeing a trend is urbanization leading in urban areas premiumisation happening and that's a very clear secular trend. The second thing what we are seeing is even in the rurban areas that is the upper end of rural areas, you are seeing the need for assortment which is very similar to the tier 2, tier 3 cities. Yeah? Maybe not the Absolut Lakme which you find in the upper crust of Mumbai. But certainly the tier 2, tier 3, that's the similar kind

of assortment need we are seeing in the rurban areas. The other thing which we have been doing of course is also making our premium brands accessible. And that is how you bring in large number of consumers who do not have a large absolute amount of money to spend, got into the premium end through accessible pacts. So we are also playing a marketing on driving the demand. But there is very clearly an evolution also happening in the country. Thanks to media people are knowing what is the kind of products people use in urban centers. That is also fueling the demand in rest of the cities. So yes you are absolutely right. In different categories the journey is different. The route maybe a bit different. But the premiumisation, secular trend is very clear across categories.

Question
Yeah this is Amit from Macquarie. My question is on the food business and we talked about some of the challenges which we faced last year. Especially the Maggi episode which I personally believe was one made a big dent to the packaged food. So are we – I mean have we seen those challenges I mean basically going out of the overall consumer sentiment? Or still there is some kind of skepticism in the mind of the consumers?

Answer
In fact we saw the sentiment coming back towards the backend of last year. And if you look at now the trends at least at the start of this year, we can see pretty much that the categories across packaged foods are picking back up.

Question
Secondly on the advertisement cost, is it possible to share the breakup of the cost between the cost of making a commercial and the cost of running it? I mean very broad numbers. For our cost of advertisement overall what would be the share of making the commercial? I mean obviously – and the cost of running it on different….

Answer
The predominant cost is cost of running the commercial. The cost of making the commercial is pretty limited and one of the things as part of the zero based budgeting program we will do is to tighten that really, really – keep it really lean and mean so that we are able to sweat our assets very well. So our entire imperative is to get better commercials that are green tested and use them for a longer period of time. We were hitting out on a proposition even you are able to hold a commercial for a longer period of time. And for example Priya you want to talk about your Surf Excel commercial how long have you been using it?

Yeah. So the Surf Excel commercial that runs, ran for almost 24 months with the same film. So that's sort of the power of a great film. It lasts and actually it works to the benefit of the brand because it is more consistent and coherent in the minds of the consumers.

Sudhir you want to talk about Rd Label which is one equally important.

Red Label we've been running the same Hindu-Muslim commercial since 2014.

Question
Is it fair to assume that it will be less than 10%? I mean the cost of making commercials will be less than 10%? Okay. Thanks.

Question

Hi I have a question. Two questions actually. One is on Dove be the new category we are entering into you mentioned – am I more audible now? So one is this Dove category that you mentioned that you are entering into and it has a – I mean the baby product category has about 2% of penetration in urban India. Could you throw a little bit of more data on what is the penetration of baby products in other Asian countries like China, Indonesia, and in US to actually gauge for us it will help us to understand what is the big opportunity size here. And if it is possible to give the opportunity size in terms of the number. How big is the market both organized and unorganized. That's my first question. My second question is last year you mentioned working on developing an app called Humara Bazar to reach the end consumer. What is the status of that? I mean it was – my understanding was it was very similar to Big Bazar app. So if you can clarify on that.

Answer

So I will answer the baby question. I do not have exact figures at this moment of time to give you in terms of what is the size of the baby market in the US or China etc. But I can give you an indicative feel of where I think the penetrations could be compared to where they are in India. They would be in multiples of what it is in India. Simply because the categories there have been there for longer and re more developed with more number of players also playing there, you know offering different kinds of benefits. So the category there has been energy put into the category to develop it and grow it. Whereas we feel they can be more done in India to be able to do that both in terms of education and in terms of bringing products that really make a difference. So I think that's what I would like to say on the baby bit.

Yeah on Humara Shop, last year what was presented was we were in the pilot stage. We were quite happy with the results we've got on the pilot and we are looking to scale it up.

Question

You will not be able to share the market size of the baby products in India currently? How big is the market size organized and unorganized?

Answer

So it would be if I was to take a total guess it would be – not a guess but let's say a guesstimate, it would be over 500 crores. 400 to 500 crores if I put everything kind of thing that is there.

Question

And out of that 500 crores how much would be the organized share?

Answer

It would be mostly organized. This I am talking mostly actually organized only. I am not talking unorganized. Because unorganized proxy lot of stuff is used. But you know the stuff that is used on babies would be quite high.

Question

Yeah just a quick question and it's more about primarily the strategy and how Hindustan Unilever can influence the global strategy of Unilever. And how you think this is going to happen or will this happen. Before I go into the question I just want to give a quick context. I am happy to see that Close Up is coming back into flavor. If anyone has traced the history of the toothpaste segment at one point in time the Close Up was a larger brand. In fact it was then you mentioned this is the freshness category. Initially it was seen as the gel segmental and the gel segment was actually faster growing than the white toothpaste segment.

And Close Up was the leader there. In fact Colgate had to play catch up at one point in time. And we saw a very big success come in the toothpaste segment. Somewhere along the way the toothpaste segment became less important and the other categories became more important. And we saw Unilever actually milking the toothpaste segment for profitability. And the slow growth happened and Colgate came back as a leader which always Colgate thinks itself in its DNA as a toothpaste company. So we saw that happen. So in some way Colgate came back and Close Up took a back seat. Then we saw various new product categories also do well. Along the way we saw Ayush getting launched. We had the entire food segment. The strategy at that point in time was the center of the plate. We will do basic foods. And that will drive the entire volume segment. And that again lost momentum. The question is we had some very strong brands such as Hamam, such as Rexona. Patanjali which has done a great job in the last couple of years actually plays on the same things which Unilever had in its fold historically. But for various reasons the 30 brands super brand strategy, the pressure is coming from the multinational from the global. All that meant that you actually lost out on some of the big advantages of being an Indian company all along. And now the market has come back to a place where the Indian brands have come back in flavor and now Unilever, Hindustan Unilever comes back and revives Ayush. Are we going to be always reacting to what the market is doing? Because there is always a big heritage which I think Unilever has in India and it has brands which have essentially not got the focus that it should have. So when does Hindustan Unilever push through the entire strategy of the parent? I am asking this because again the pressure is globally margins have to be raised and Hindustan Unilever will also be again under pressure to raise global margins. Your margins are very healthy. In fact I think you should primarily focus on top line growth. So that's essentially the question. So where do you see Hindustan Unilever actually driving the product strategy of the parent?

Answer

Thank you. Yeah first I think you have to understand that we have a very inter-dependent relationship with Unilever. Yeah? We are a core part of Unilever. We are very proud of that. And we are also the second largest operating company for Unilever. So we are also very material and important for Unilever. So you also have to understand that there is nothing like a global consumer. A consumer is local. And that is the reason why we very proudly develop the local brands. Brands like Lakme for instance. Yeah? Or getting into Lever Ayush for instance. So very clearly whatever the Indian consumers need, I think we would be focusing on that. To say that we have been reactive all along is completely wrong statement. You would not be having a 35% share of the market if you were reacting. So I would completely disagree with you on that. We are a company which is very focused on getting trends. Looking at trends, what are the trends shaping. Now Ayush, we launched Ayush I believe ahead of what the market was ready for. We did it at the beginning of the millennium. When natural was not a fashion in the country. We did it. But sometimes when you're ahead of time, you do not reach the inflection point very fast and that's the reason the brand remains dormant. And once we have seen the market growth go up we are very clear in seeing the trend. And if it has evolved, we have gone back into resurrecting Lever Ayush but with a very different proposition. So we will be completely focused on the Indian consumers. There's no question about that. For us growth is important. And we always say that we are going to grow the top line. And as far as the bottom line is concerned our objective is modest improvement in margin. We have done that in the last 6 years and that is what we would aim to do going ahead.

Question

Sir first of all thanks for putting up such a huge effort of detailed presentation category wise. Thanks to all of you. Sir my first question pertains to the whole modern trade evolution in India and modern format in fact is a broader term than modern trade alone. Year after year we are seeing that ecommerce and modern trade is gaining market share and overall distribution pie in India. Now from your global experience if this transition continues in India then there is a threat of private labels, our portfolio around our brands is also exposed to threat of private labels. So what is your learning from other countries where modern trade is a significant share of the distribution pie?

Answer
So I think if you look at a lot of the western world you've had modern trade become very dominant because the neighborhood grocer as they saw it then completely vanished. In the first big difference in India is even in cities like Bombay where modern trade is a sizable part of the overall pie, the neighborhood grocer has found ways and means to survive and actually grow. So I think the coexisting of modern trade, ecommerce and traditional trade is what we believe will exist today and will also exist again down the line. It's just the nature that the entrepreneurial spirit of the neighborhood grocer that allows him to find new ways of maintaining relevance and therefore you see a lot of home delivery etc. coming through from the grocers to survive. So therefore not too worried about it A, also because like Avnish had asked the shares we are over-indexed and it works in our favor. So therefore not too worried about an increased contribution of modern trade on any account. Having said that, there is space large enough for each of these players to coexist and grow even in the highest contributing cities like Bangalore which has a lot of modern trade and ecommerce. And therefore not too worried. And the other bit is like boss said whether it's ecommerce or it is in modern trade, there is a lot of information that we get from the global world in terms of new techniques and new practices which we are anyway putting in here. So to that extent we are quite future proof.

Question
And if I heard you correctly on laundry segment, one out of 10 washes in a day is just from premium segment of HUL. Is that correct?

Answer
That's correct.

Question
Yeah. What will be that number….

Answer
Not washes in a day but one out of 10 consumers. Yeah but you're right.

Question
Yeah. So what will be the number for that complete portfolio of ours? Because you used the word premium laundry from our portfolio.

Answer
I don't understand. Just – so you're saying 4 out of 10 would use an HUL product, if that's what you're asking.

Question
Okay so then in that context is it – would it be fair to assume to expect very high volume growth? Because even if your consumer premiumises within your portfolio, that won't show up in volume growth for the category in your portfolio but it will show up in more of margin improvement going forward. Because last year also presentation actually spoke about premiumisation in detergent. This year also it is all about

premiumisation. You just mentioned that penetration seems to be very high. So even if consumer premiumises and if he premiumises within your portfolio, it won't show up in volume growth at overall level. Is that correct?

Answer
That 4 out of 10, so we still have the remaining 6.

If I understand your question differently, absolute volume is one thing. What we report is underlying volume growth. As far as underlying volume growth is concerned this will if we transfer it most of gross you will have an improvement in underlying volume growth because it is valuated.

A delta. Yeah? I think you were confusing between tonnage and underlying volume growth. Yeah? Tonnage may not go up but the underlying volume growth delta will change.

Question
Hi sir, this side. The question on Citra and the positioning on the naturals; because I see that you are obviously trying to be a significant naturals company. And I think it is not surprising. Natural is a big trend globally not just in India. If I guess correctly it would be about 20% of the market. And it's growing very fast. So my question is Citra being Citra and an Ayush being Ayush, would it be sensorial, natural or what kind of positioning would it be? And what kind of SKUs you are planning and what sort of price point you are playing. I assume there is a low tier brand if I may say. Citra maybe slightly lower tier brand.

Answer
So from a positioning point of view as I said it is attacking or meeting the needs of consumers on naturals from a different positioning segment. So that is point number one. Difference between Ayush and Citra. The second is Citra will be a brand which will be a specialist skincare brand whereas Ayush will be a brand which will be more of a master brand which will go across personal care categories to start with. From a pricing point of view, Citra is positioned as more premium than an Ayush.

Question
That will be predominantly skincare if I hear you correctly. Not the hair.

Answer
It will be predominantly a skincare brand. That's right.

Question
That's very interesting. And if I stretch it a bit more when you build such capabilities, when you do so much of natural space involving Citra or maybe even Ayush do you see a market for exports here as well? Because it is rising elsewhere too. Because I would assume that rather than in India this would succeed more internationally outside. Because here you have a lot of competition with Patanjalis and all kinds coming into this.

Answer
You are right. There are many countries in the Unilever world who are very keen to launch Lever Ayush for instance in other parts of Unilever.

Question

Sure. And would you get the same terms of trade? It would be like a – much lower margin than you would have sold it.

Answer
We will see the positioning and the context of each country. Because in each country also the natural space is evolving but at a different pace. And the manifestation of natural is different in different countries. In many places it is organic, free of chemicals. Many places it is the exotic east like the pearls or the Japanese tea. Places like ours it is herbal or Ayurvedic. So it manifests in different ways. So our prized positioning would depend on each country. But at some stage we will certainly take Lever Ayush outside India as well.

Question
Sir lastly if I may, I mean and I am sure many people have asked you this, but given the global push post February event lot of margin expansion targets were set by Unilever PLC around from 16.5 going to 20% odd by 2020. And I am sure each pie must deliver so that they eventually perform. And I have always heard Balaji speak about strategy of modest margin expansion and volume growth maximization. And I'm sure the mix and everything is flying in the right direction. But post that event has that template in India changed? And has that push changed? And if yes which categories would that bulk of the burden will come from?

Answer
We have been on that journey for the last 5-6 years. We've been growing the top line and we've been consistently been improving the margins. So our brief is very clear. Keep doing that. And the more we are able to grow, the more impact it has on the margins. Now as far as home care is concerned, it's albeit started with a low base. The whole direction was that how do we up the game as far as the margins are concerned and that's a wonderful story which we have unveiled over the last few years of way of raising the game as far as the margins are concerned. Now PC is concerned, it is a high margin category. And there is always a benefit on the mix when PC grows at an accelerated pace because the margins are higher. Now if you look at refreshments, our whole focus is again grow the top line and also keep improving the margins. For the last few years our challenge was how do we make a better business model on ice cream? That has been done. Now we have got a right to expand, having fixed that. And that's the journey we are on. Foods is still a nascent and the whole purpose is that yes the fundamental business model should improve in terms of gross margin. But we would be very happy to invest behind market development and keep growing the foods category. So that's our strategy is on all the big fours are distinctive but very clear.

Question
If I may understand it like the push continues but my intention was to ask you that modest expansion of margin template has gone to slightly more than modest.

Answer
Okay let me come in there. I think first of all you must be clear that we are now profit acuity on Lever. The more I grow the more is the mix in favor of Unilever. So in the order of priority for us the priority number one is to ensure keep the growth growing. And that growth we are very clear we have clearly been saying it will be volume driven growth. You don't deliver volumes here, you are losing the future of this country. Therefore we are not going to focus away from that. So volume driven growth remains priority. As far as operating margins are concerned I know that you guys have been really wanting to push me on that for a while saying that we stay committed to modest improvement in operating margin. That is what you hold us to account for. What we end up delivering will totally depend on what is happening. I will tell you why we do that. If tomorrow there is a Citra launch which is successful and we really want to make it big, we are not

going to hold back in terms of a margin delivery for that saying that I need to give a commitment, I have made a commitment to you on that. That's the reason we keep that navigation space to ourselves. But modest improvements hold us to account on that. Unless of course there is irrational price competition which we don't see today. So that's the reason why we are keeping that. Hope that is clarified. There is one correction that Sandeep you want to just clarify?

Yeah. There was a question on the size of the baby care segment. So it is over 1000 crores and not over 500 crores. Just a correction.

Question
Yeah hi this is Harit from IDFC. One question on 2 to 3 year view on media spends. Now if you look at things like digital advertising they are increasing significantly in the overall pie. And the ROIs are much better there. So given that digital is going to move up and the salience is going to increase, is it possible that ad spends grow at a slower rate than our revenue growth at a 3 to 4 perspective as this mix continues to change?

Answer
Yeah two factors you have to consider. One is our activities, our innovations, our market development thrust. The second is of course competitive. Where is Vivek gone? Ah! The second important is competitive spend. We are never going to lose sight of that. And the third bit also of course will be how the media inflation pans out vis-à-vis the growth in our categories. So we'll be very cognizant of that and that's how we will play the game. Yes you are right, a few years back most of our spends used to go under television commercials. Now we have got a very healthy mix of digital but at the same time we have not gone away from the traditional spends like print and outdoor. In fact with better outdoor both from printing perspective and technology perspective, our investments in rural have gone up in recent times. So we are not going to shy away from the traditional media while continuing to build our capabilities and investment in digital media.

Question
I have no doubt that you won't shy away from it. My sense is structurally would you not need to spend as much to deliver the same rates or targeted rates of growth?

Answer
See like I said difficult to fathom. It depends on, suppose there is a year where we have spate of innovations. We get into new categories. Your total spend would go up. We won't shy away from that.

Question
Understood.

Answer
Yeah? And if a competitor goes ballistic with spending, we will be there to spend.

Question
My second question was on the sampling part. In every product category you guys spoke about, you had a huge number on the sampling that you all have done. So isn't this in the normal course of business? Or has sampling as a way to increase penetration, increased over the last 1 or 2 years?

Answer
Yes.

Question
And is it a function of say conversion rates improving? I just wanted your thoughts on it.

Answer
See both things. Because a lot of focus is on market development. And in market development we have scaled it by a factor of 3 to 4.

Question
And the last question was again on the natural space. So last year you spoke about St. Ives as well as one part of the portfolio that you could look at growing. Is that still part of the scheme of things? Or probably not in the top three or four of what's called natural?

Answer
See St. Ives is a global brand and we had launched it in India in selective channels and selective categories. So the journey on that continues. We've started something and we will continue that based on market response etc. So we are not stepping back from that.

Question
Yeah hi this is Amit Kumar from Investec. Just a couple of questions in mind. One is I think in the con-call for FY'17 you sort of mentioned that 60% of the portfolio was gaining in terms of shares. So I just wanted what are the parts here. Because apart from oral care we are not aware of any – and which is very small, just 4-5% of the portfolio where you are actually losing. So what are the remaining 30-35% bids where you believe more work needs to be done?

Answer
See rest of the portfolio the shares are stable. It's oral care where we are not winning. And in a large part of our portfolio we are gaining shares.

Question
Okay just a quick one on the laundry care side. So this Rin half bucket proposition, I think even in Surf there is one product with a similar proposition which I've seen in the past. I can't sort of remember exactly which one. So is it not cannibalizing scenario? Because I don't think your competition has any product with that benefit.

Answer
But this point of time we don't have any Surf product with the same proposition. But actually from – so we have Rin which we've put in. So there is no cannibalization. But I would argue that all laundry detergents should have -- be Rin sufficient. So that's really my point of view on this. And it's really about changing the landscape of water consumption while some brands maybe propositioned like you are saying on Rin sufficiency like we have done on Rin. All brands or we would like to move towards making them Rin sufficient.

This technology has been used in India for the first time.

Question
And finally a question to Sudhir on Refreshments. This entire green tea and coffee, these are from a category perspective these are the sort of segments which are sort of growing faster. Is it that this is sort of incremental consumption or this is just sort of again taking from the typical milk tea or black tea proposition which is sort of dominant in India.

Answer
And green tea is rapidly growing and you can ask yourself the question that – sorry. Green tea is certainly incremental consumption. And it's not had a material impact on consumption of black tea. And we can ask ourselves the question. We have so many cups of green tea but we don't forget our morning and evening cup of chai. I mean things like coffee the category is not growing as fast as green tea. Green tea is exploding. But coffee tends to gain from both conventional coffee and from tea. So that growth which is slower does tend to come from these two sources of growth.

Question
If I can just put in a follow up. What is the kind of growth rates that you are seeing in green tea now?

Answer
Balaji can I answer that?

Question
At a category level.

Answer
I think the category growth is about 30% CAGR over the last 2 to 3 years. You noticed in my chart where I said that our shares have doubled from usb-20 to now mid-40. So you can estimate how much we will be growing.

Question
Thank you so much. That's it from my end. Thanks.

Answer
Last one then we can wind up. Lovely. Thank you gentlemen and ladies.