Hindustan Unilever Limited

ANNUAL INVESTOR MEET 2018

Question & Answer Session

Question: Sir my question is on the changes in distribution that you presented. Things like direct deliveries from the depot to the retail stores. In this sort of changed situation, how do you envisage the role of the distributor?

Answer: Look, our view is that there are a set of distributors who have worked with us for over 2-3 generations, and there is a role that they will clearly play, even going forward. It's just that all the processes that were done through native knowledge, will now be enabled with technology. So, they will be much more efficient. There will be large parts of our country where the distributor plays a primary role in breaking bulk and reaching outlets within a defined time. And therefore, in the metros, we might experiment with trying to go directly to stores in a few cases, to actually learn last mile delivery better. In those situations, the distributor plays a very important role in terms of looking at a city into wards, and maximizing our ability to capture demand in those places. And therefore, we would expect much more time being invested in deploying the activations, deploying the plans that we are getting from the category, with speed and with much higher accuracy, which is how data will enable.

So certainly, the vision is a smarter distributor, with a lot of enabling technology that allows him to performance manage his front end and his backend to the last mile. And therefore, he is able to improve every day, slightly better than the previous day. That's how we see the role. And in certain aspects like relationship management, giving credit to the outlets - there is something called the human element of selling. Your regular SKUs, core SKUs, you can have someone place an order on the app. But if it's a market development SKU, it requires persuasion, it requires convincing, it requires education. So that role will never go away.

Question: Right. So, which was my next question. In a scenario where on one hand, deliveries are going, in metros, from the depots directly to the retail stores. On the other hand, the retailer is placing orders on the app. What are the opportunities for the distributor to really engage with the retailer. He doesn't really have any excuse to engage. That's point one. Second off-shoot of this question is, if the retailer is ordering on the app in metro towns, that's your main reliance for generating demand. How do you fare v/s other companies which send their representatives on a daily basis, and they are sort of right in the face of the retailer?

Answer: So, let me kill this question once and for all. We are not taking away salesmen. It is not about 'either-or'. This is about 'and'. Between the two beats of a salesman, today there was no way he could place an order. Today, with the app he can place an order. So, this is going to supplement the work being done by a salesman. And it is not about removing the salesman. The important bit would be, that even the salesman's efficiency would go up, and he will be expected to do more tasks than what he has been previously doing.

Question: And if I might just complete this line of thought, the question is, if you are now able to send goods directly from the depot to the retail store in metro towns, what has changed, due to which you can do this now, and why was this not possible a few years back?

Answer: I think that was explained very clearly. The tasks were fragmented, and that is the reason why it was not possible for him. We also had a very clear system where, in metro towns, the distributors were not carrying large inventories. So, they would collect the order, give it back to the depot, the depot then would collect the goods, transfer it to the distributor, who in turn would supply it to the retailer. We want to break the entire process, bring in technology to become more efficient in terms of driving assortment, and the speed of delivery. Let me make it abundantly clear, that we are not writing the obituary of a distributor. The distributor has still got a very important role to play.

Question: You have done well in most of the businesses. My question is on some of the newer businesses where you are not No. 1. For example, how have you done v/s market in Baby Dove, in noodles, in deodorant where you are not No. 1, and in Domex. Can you tell us what is the market in these 4?

Answer: So Domex, like we happened to have a chat as well Abneesh, our opportunity, like I said, is market development for household cleaners. The penetration of household cleaners in our country is still in low double digits, 14-15%. As a number of toilets are built in India, the opportunity is how do you develop the market for branded cleaners, and therefore, playing to our strengths of really building affordable cleaners, doing market development, explaining to consumers why they should use a branded cleaner v/s what they use today, which by the way, are detergents. So therefore, that entire education job is what's the difference. And as we play to these strengths, that's extremely different v/s our strategy in the past. So, I hope that clarifies on Domex.

Before I hand it over to Geetu, let me explain that it will not always be that we are the first to enter into a market. There clearly will be instances where we have good competitors in the country. They would be the first to launch. But where we see an opportunity, we would do our best to become No. 1. We may not be the first to enter, but we would do our best to become No. 1. But then if you look around, some of the big categories where we operate, whether it is laundry, tea, hair, skin, household care, these are the big ones. There we are by and far, above. Then when you look at the markets of the future, whether it is liquids, conditioners, soups, fabric conditioners; again, we are the people who are building the segments of the future. But there would still be pockets where we would not be No. 1, and that's alright. But let me have Geetu speak about our noodles strategy.

So, on noodles Abneesh, we have revamped and relaunched an entirely new mix last year. This has been launched only in one market – Maharashtra. The mix, as Sudhir shared earlier, is doing very well and it's a very differentiated point of entry into the market vis-à-vis the established market. The market is all about masalas, and we have really taken an international positioning, which is very much in trend right now, because new cuisines are far more part of the mainstay palate, than they ever were 5-10 years ago. The mix is firing well. And we are currently tracking our shares in Maharashtra. So, since the launch, if you look at the shares, they have been moving up sequentially month on month. And then based on the learnings, we are going to be rolling this out across the country. So, the national read on shares right now, is not what we're looking at as much as the Maharashtra relaunch mix. And what we can do with it, when we go national.

On Baby Dove, our whole objective was to enter into this approximately Rs. 1,500 crore market, where actually we absolutely had no presence. And we wanted to enter the market with a highly differentiated mix and not be just a 'me too', which is what we did with Baby Dove, borrowing from the credentials of the Dove brand, which is all about care and skin care, and formulating products which are specifically meant for baby skin. We believe we have products which are much better than what is available in the market in general. We launched this range about a year ago, and we've had some learnings as we've done the launch, and now we've focused ourselves on a few channels and a few ways to communicate, which is the way you would've seen when the Maxima presentation was made to you. And we are making very good progress with that particular mix, as we take it forward. Also, what we are doing is, we are filling up our range. We had launched with a few SKUs to get a feel in the market. Having got encouraged, we are now increasing our portfolio to be able to offer a more complete range for mothers in Baby Dove. So that was on Baby.

On Deos, I think the biggest challenge today in the Deos market, is that the whole market is not growing at the pace that it used to a few years ago. And the penetration of Deos still continues to be low. I think there is a big market development job that needs to get done. So, we are doing it in two ways, and both the examples I shared during my presentation. One was that we want to build a differentiated mix in the form of the anti-perspirant, which also comes under the Deos category. Given that we have access to the technology and the products of Rexona, which actually scores among the best globally, we are getting them for India, which we just marketed in a few markets, and now it's doing extremely well, as we have rolled it out across the country. So that's going to be our big Deo strategy in terms of building the market. The other thing is the traditional perfume spray or perfume deo segment. This segment was accessible at very high price points, till some of us launched the smaller packs. That's what we are doing now, and that has gotten off to a good start in the form of Axe Ticket. So that's our Deo strategy, which is to really see how we can grow our share of the pie.

Question: My second and last question is on Foods. Why breakfast? What was the line of thought behind that? I'm asking this because this is a very small category, which has not grown in the last few years v/s the potential. And in that Rs. 1,700 crore category, it's dominated by cornflakes and oats. Players have tried what you are trying to do, but success has been limited. So, what is the right to win? What is the differentiation? And why not categories much bigger? For example, biscuits is a Rs. 25,000-30,000 crore category. Why choose a Rs. 1,700 crore category?

Answer: So, if you look at the strategy on the new areas that we have entered in the last year and now this year, beyond the core, I think some of the key criteria that we've used in terms of entry is firstly, where is there momentum in terms of trend. And on breakfast for example, I'm looking at it as a larger trend of natural. So that's the big trend and that actually cuts across categories.

And the second big trend which continues to be on momentum, is snacking. So, besides the core categories, these are the trends in which we have chosen to play. And the second criteria is that if you look at our portfolio, and I've shared this earlier as well, across foods and refreshments, I think by far, we have the most balanced portfolio in terms of the fact that it meets daily consumer needs, but it's also healthy, right? And that's the second very important criteria that we have in terms of the categories that we will enter. It's got to be health and taste, because that's what makes it mainstream. So, breakfast is the first port of entry where consumers are increasingly looking at a healthier start to a day, and it plays to the natural space. The natural's larger space provides an opportunity to enter several more platforms which are on momentum, and the second one is snacking, where we have played the noodle's card.

Question: Hello Sir. Meenakshi here from Reliance Mutual Fund. Just one quick question. Incrementally we are seeing that alternate forms of distribution are gaining traction, and distribution alone is not the entry barrier for brands. There is lot of customization happening in brands. So, in one specific category itself, we are seeing long tail of products being launched. And there are a lot of small companies, which may not be big in scale, but are doing very interesting stuff. But for a company like ours, where scale will also be important, how do we deal with this?

Answer: You know, there would always be a scenario where there would be niche players. Now one of the questions that you need to ask us, and which is implicit in your question, how do you build small brands? And many times we have been accused of, that as a company, how do you build these small brands? And that is why, you would find across the presentation, the focus on market development. Now these were brands which were just about Rs. 500 crores a few years back. They are now upwards of Rs. 3,000 crores or much more. They are nearly now close to Rs. 5,000 crores. These were all small segments, which we have built, because of our focus on market development. We know how to nurture big brands. We also know how to build small brand and make them mighty. The question is, when HUL grows a small brand into a Rs. 1,000 crore brand, it doesn't receive as much focus as a player who is very small and creates a niche property of Rs. 200 crores. We wish them well. Many times they open up new segments. They create opportunities for us to play, but we have very clearly defined for ourselves where are we going to grow the segments of the future.

Question: Sir, the common theme in today's presentation across segments was how HUL is actually embracing technology in various very critical functions, be it supply chain, your Butler warehouse, data analytics to understand, develop consumer insights and develop products. The whole distribution that we are doing helped by technology, and this again boils down to a very analyst type of question, but do you see that all this technological integration that we are doing in different core functions will actually lead to reduced inefficiency if there are any left, and expand the runway for margin expansion in future?

Answer: I think one of the big areas that we are seeing, particularly in the CD space, is, a lot of times you think you are efficient. When you have transparent data that is available at an hourly basis every day, it redefines what is efficiency. So, we passionately believe that there is a lot of juice that can come out of being more productive; it's just that the definition of productivity has changed. So earlier, a lot of things would be, is the salesman going to the market? Now it moves to, how do I ensure that in the right store, he is able to spend the right amount of time, and more importantly, use analytics to recommend the right kind of SKUs. So, I think in this whole continuum, what time he goes in, how many people go at that particular time, what is its impact on bill productivity and assortment, each of those are being tracked at a granular level, which could not be possible a decade ago. And therefore, there is still enormous juice that can come out, on adding more outlets in a more sustainable manner, and wiring out the outlets to get a much better sense of what kind of sale is happening. And you would have seen a bit of it in Humara Shop, which is really getting a good handle on what is moving out, at what rate. And therefore, this journey on efficiency should see us raise the bar significantly, because there is that much space and headroom to grow, as far as customer development is concerned.

On efficiency, I think the best way to look at it is, we tried and talked about it. I think it has to be a growth enabler. I think let's start there. Whether it is in the CD space, whether it's in looking at consumers, how do you identify, how do you target them and how do you sell to them. I think to me, that is the bigger opportunity when I look at it from today's context, when I look at it from the future. Second, again, it's going to start establishing a competitive advantage for HUL, which is unique and therefore increases that gap between us v/s the rest. To me, that's the primary driver. Absolutely, when you use technology which is widespread and across all functions, you will take costs out. And that's the reason that we say, and Sanjiv talks about it, we moved from 3-4% to 6-7%. And if you need to continue to sustain these savings, it's not going to come by the traditional ways of doing it, that's where all these capabilities will come in. But let's be very clear, we will continue to invest, we will continue to build new segments and markets in the future. And if it means that we have to invest significantly behind that, we will. So, this then comes back to the standard answer we give you. It's a virtuous circle of growth. Growth first, and a modest margin expansion, we're committed to that. We've done it for 7 years now, you would've seen that in our annual report, and I think there is no change to that strategy.

Question: As expected, modest answer. Last question for Sanjiv. Sanjiv this decade is now known for the kind of disruption that we saw across industries, and technology has lead that disruption. We saw a lot of data analytics today. A lot of insights must be coming out of that. As a leader, how much do you rely on data now v/s your own instinct in taking decisions? And this is for the leadership team.

Answer: Absolutely, a very valid question. And I was talking to one of your colleagues today about this in one of the presentations. First is, we rely much more on data, than we ever did. We had data which was in a raw form earlier. When you reach millions of stores with thousands of SKUs, the amount of data we generate, is massive. But now we are making data in a much more meaningful, intelligent way, and it could result into taking actions. So that's one big change. But like in any other thing, there is something called intuition, which comes a lot with experience and knowledge. There is something which comes with consumer intimacy. That's the reason all of us, sitting over here spend a lot of time going to the trade, going to consumer homes, picking the signals, deciphering it, and then trying to back it with the data. So, it's not going to be either/or. We don't want robots. You have seen the CCBT heads sitting over here, who have been relying on things like Jarvis and Livewire. If we had to only do that, if we only had to rely on data, then we won't be building an employer brand and going in for the best possible talent and employing the smart guys who are sitting over here. So that has to be a measure board. But certainly today, increasingly, data is definitely going to play a much more important role.

Question: Hi, this is Amit from HSBC. I have two questions. No. 1 for Priya. Given the new capabilities being built, and the fact that laundry as a category has done exceptionally well for you, especially your dominance in the premium segment. Now I see two scenarios. One we used to look at five years back, and no Unilever's special laundry category. My hypothesis used to be that when input prices rose, you actually did better than the market, because then marginal competition faced the heat and the market was also downgrading. Now the market structure has changed a bit and we have seen input prices go there from here. Now, should we hold on to the same hypothesis, in terms of market structure, that your power has increased in this market, or are you still facing the same push and pull that you did 5 years back. You see my question, right? So how would you describe the detergent market today, in this context. That's No. 1. I'll ask the 2nd one once I have this answer.

Answer: Okay. You know, I think I referred to this concept of…I think our big unlock has been to understand what consumers are willing to pay for? And I think, whether you talk about premium products or you talk about mass products, I think the unlock is in really understanding what consumers are willing to pay for. In a country like ours, I don't think that the mass market is going to disappear anywhere. So, let's be clear. Even now, in detergents, almost 2/3rd of the market sits in mass and that's the opportunity really, that even after all the premiumization which has happened, 2/3rd of the markets rests in mass. And given the LSM structure of our country, I think it's absolutely clear that there are opportunities at every end, and therefore it really is about understanding for each segment, what consumers are willing to pay for and what do they desire. So, for me, I think that is really our opportunity for growth at every end…and really to straddle the pyramid. So, while we talk about our premiumization journey, equally important is our competitiveness in the mass segment, just to give you two ends of the spectrum. And therefore, the opportunity is how do we really keep that virtuous cycle going. The good thing is that, once we unlock that what it is that consumers are really willing to pay for, we definitely become far more insulated from other variables, because consumers then really love these brands. So for me, that's really the important part of this journey. Hope that clarifies.

You know, your question really applies to a wide swathe of our portfolio. And one of our strengths is our portfolio, in all the big brands. So, there would be occasions where times are tough. There would be downtrading. So, we have brands very clearly there to pick it up, whether it is Wheel over here, whether it is Taaza, or whether it is Clinic Plus, and we're not going to go away. But the secular trend very clearly, which is linked to the development of the country, is moving to higher order benefits. And that's the reason why we are building a portfolio, that if the consumers migrate, we have the brands to catch them. But then, this is again a relative concept. We are not talking about prestige brands. We are talking here premium, which is above 120 index to the market. And our focus on price-value will never go away.

Question: Completely get it, but my question was slightly different. I got this answer as well, but what I also wanted to know is that five years ago, the equation was that input prices rise, it was rapid, and it created a better structure for you. And now, do you feel the same, or is it changed? My sense from the answer is that it has not changed, and the input price rise is actually a better scenario for you.

Answer: In fact, today, my business model in laundry is far stronger than what it was 5 years ago; far stronger. From a competitive position, from a margin position. So, my ability to play gains in tough conditions, is that much more.

Question: Got it. And very quickly 2nd one. If Srinivas could talk about the ESOP structure that I saw in the presentation. Is there some change in the same? Basically the ESOP structure, the scope and scale of it, can you talk about how it has gone down to the next level?

Answer: Look, what have we done. I think we are really trying to bring in an owner's mindset in terms of how do you reward performance. What used to be at a higher level of the organization, today has gone down to mid-management, and directionally, will cut through the entire organization. So yes, you get compensation which is linked to your performance, No. 1, which is in terms of your bonus, etc. Now we've also created that capability where you can invest that bonus back into the shares, which then get into a lock-in period of 4 years, which is then linked to performance of top line, bottom line and cash generation. So, what it's effectively doing, is that it's giving each of us in the company, a greater say in terms of an ownership mindset, and also the consistency of performance. So, when you get both of them going, I think it's a win-win for all of us. And if we continue to perform, you will see a very happy and a very motivated workforce. I think that's how you should read it. There's nothing more than that.

Question: The question I want to ask is, is part of the bonus being given in shares? Is that what it is?

Answer: No. So, you get your rewards, and you have an option to invest it into shares. That's predominantly the concept.

Question: At a discounted price I assume. Something like that?

Answer: No. So, there's no discounted price. You get your bonus. You invest it into the company shares at today's market rate, let the company grow and deliver on top line, bottom line and cash, you get the rewards of that. Yes, there will be a compensating contribution which comes in from a company, provided you hit those four-year goals. That's how it works.

Question: Sanjay from Canara Robeco Mutual Fund. Sir, my question is regarding outsourced v/s in house production. With a lot of regulatory changes which we have seen in GST, etc. how do we see the direction of our in-house v/s outsource production and how should it impact margins over a period of time?

Answer: On this, we have got a very very clear segmented supply chain strategy. What are the things where we need to produce ourselves. And we look at it not just from a cost lens, we also look at it from a technology lens. The one thing which we are moving increasingly towards, is rather than having specialist factories, for instance, earlier, there would be a personal care liquids factory, then we had a separate home care liquids factory; now we are looking at it from a scenario where in a WiMI cluster if the demand for certain product segments is the highest, and if liquids are high in that part of the world, can we have a multi division liquid factory situated in that part? So that is the kind of segmentation we are doing, linked to WiMI clusters and the portfolio, not just on the axis of 3P and own production. I think the best way to look at it is that the fiscal reasons for doing that is no longer there, and therefore it's really all about what is the best strategy for speed, agility & scale, for handling complexity and having the most efficiencies. That's where we have moved to.

Question: And second thing, I just wanted to get your directional sense on what the market share in e-commerce and market share in modern trade. Mr. Kohli mentioned that e-commerce is higher than MT and this is greater than GT. Just wanted to understand, directionally how are we moving towards gain in the market share in e-commerce and market share in modern trade. Thanks.

Answer: See, we have been doing exceedingly well. We started investing in capabilities much ahead of time. We have got wonderful scale now. We have two sardars sitting over there. The taller one, he heads our e-commerce business. And it's been on a fantastic rhythm. We have now got into a great scale and we are very pleased with it…and also, we keep measuring wherever we can, our market share in e-commerce. We are very pleased with our leadership, and the evolution of our shares in that channel.

The same goes with modern trade. In modern trade, we have invested in capabilities. We are doing a lot of work in terms of building brands in the stores. We have deep relationships. We have a joint business plan that we develop together with all our key customers. And in most of the channels that we operate in, we have shares which are even much higher than general trade.

Question: Levers has a big pipeline in the innovation of products that they can launch. What are the matrix or the parameters that you define internally for a product to be launched. What are the matrix that you use for a product to be commercially launched? Is it the market share in five years? What are those matrices? How do some products see the light of day, whereas some don't?

Answer: See first is, if you look at FMCG industry globally, 7/10 innovations don't succeed. That's the global scenario because of the number of innovations. And also remember the word – Fast Moving Consumer Goods. So, lot of things happen with speed. Now there is not one formula that we adopt for launching an innovation. There could be an innovation in the core of a brand, where the objective is to maintain the saliency and the leadership in that brand, in the category. And many times, we launch for seeding a market. For creating a market which does not exist. So, we are not looking at this becoming ROI positive in 3 years. There are no such benchmarks. If we are creating a segment of the future, then we would be very happy to put investment behind it. If we feel it is a big bet, for the next 5 years without getting the return or breakeven. But if it is an existing brand, then of course, our expectation of a breakeven or an ROI positive in a short period of time, would be that much higher.

Question: Just to take an example, you launched Lever ayush in the breakfast segment. So, you would've worked…because breakfast is reasonably established, and there are different forms. So, you would be looking that over the next 5 years I should have this much revenue or market share or profitability. Are those matrices defined? Or are you willing to keep on investing something which you did for the water business? I think you announced the water business and after a three-year time period, you launched a product. So, just wanted to understand, what are the financial matrix that you looked at it?

Answer: See, that's again I will repeat. First is innovation there are different horizons. There are horizon 3 innovations, horizon 2 innovations, horizon 1 innovation. Horizon 3 is where you look at developing a new molecule. It takes a much longer period of time because, you know, what is the unmet need that you are catering to and there is a long gestation period before you bring it to the market. Whereas horizon 1 is a short period of time but it requires very clearly, many times a new brand to be created. You don't create a brand overnight. There might be a product, yeah, but product doesn't correlate necessarily to a brand. Now, here what are we going into, in breakfast cereals in many ways we are getting into super foods, yeah. We are getting into areas which would be far more healthy than what they are today. So, those would also entail change in behaviours and habits. So, it may not be immediately my upma replacing an upma that you make from scratch. It would take time to build a category. That is the reason we have launched it in a select geography. So, we have benchmarks for that. Once we meet those bench marks then we will roll it out to more geographies. And today with WIMI it allows us to do that because we can focus just on one geography to do that.

I think this is, yes. Absolutely we have benchmarks, KPIs, trackers. I think the important thing is the horizon that we look at. It's not the same across. Something like a renovation will have to pay back here and now. Something like an innovation will have a slightly longer duration and absolutely if we have a brand launch it is a completely different ball game. And I think with the portfolio and the size and scale all of them can co-exist in a manner that the sum total is still value accretive and that's the way we have to look at it.

Question: Can I just ask one more question? Naturals now you have 18 months of history and in terms of the learnings. And currently Naturals has been the buzz word. So - okay, it's growing fast. But, I wanted to know, what are the pushbacks that you are getting when you are selling a natural product? One push back that I can think of is the pricing. Most of the natural products are 4x or 3x of the similar non-natural or you may say similar products. Like Indulekha is probably 4x of another oil. Applications and the uses might be different but, so, what are the pushbacks that you are getting on the naturals price.

Answer: See, there is no generic answer. Indulekha might be at the premium end. Lever Ayush is at the belly of the market. So, to say naturals is 3x or 4x the price across the portfolio, that answer is no. It doesn't operate that way.

Question: Hi, this is Pulkit here, from Motilal Oswal Asset Management. Sir, I have two questions. Number one, is on premiumization journey. Do you see the mid segments growth rates kind of come off or is it becoming from a pyramid structure to say 5, 10 years down the line more like a cylindrical, I mean cylindrical might be an extreme form. But is that how the premium section is shaping up and if so, what would be the reasons. And secondly, is on foods I mean obviously the size of opportunity out there is lot higher than the HPC category in India and while the revenue share is less for HUL. So, the next 5 years can we see a much higher launch intensity within existing and newer categories in food and refreshments versus the last 5 years.

Answer: Yeah. So, two questions. One is the segmentation of the market, will it change. You know whenever we talk about mass, popular and premium. We always talk about it in relative terms rather than in absolute terms. If the country evolves, we move from the current 1500 - 1600 per capita GDP to say 4000 - 5000 per capita GDP, there would still be a pyramid but the whole base would have gone up significantly. There will still be because all numbers are average, when you deaverage the country there would still be relatively the BOPs and there would be the upper segments. So, we will still segment the market, and segmentation is something integral to marketing. And you segment it in various ways, you do it based on consumers, you do it based on products, you do it based on geographies, you do it based on channels; so that play will remain. And to your question that will mass and premium kind of shrink away the popular kind of categories? - in some it may happen in some it may not happen. Again, how differentiated you are as a brand and product offering and what is the price gap between the popular and the premium and the popular and the mass. Many markets even today I am not saying about India, I am saying even globally we have seen some segments disappear and they are not disappearing because the consumers have disappeared. It is because our offerings have changed in a manner that some products have not, they are no longer relevant from a price value equation perspective.

Yeah, I am coming to Foods. See if you look at Foods today in the country, the total packaged food is about 10% of the total food that we consume. If food consumption is 500 billion dollars; packaged food is less than 10%, and out of that 10% also many of them are commodity plus, they are essentially commodity, but they are packed and sold. A lot of it has to do with affordability, with the food value chain and also has to do with the habits of people where you want scratch cooking, where you want fresh cooking and when you have to move to packaged food. But what is giving this an impetus first is a lot more consciousness about food in general and wellness. Second is dual income, where in the house, the homemaker or the housewife has got much less time to spend on cooking as she did in the past. Now we are also very clear at HUL what Geetu alluded to that we are not going to get into every category, we are not going to get into categories which are from a health perspective not good or which are going to be detrimental to health. So, we are going to be very selective where we can add value which is good and healthy, which is tasty, and which is affordable, that is going to be the focus area. But certainly, we feel that foods is going to play a much bigger part in our portfolio than what it did in the last ten years. It is bound to happen.

Question: Three questions, first on I mean whenever I do my market visits now particularly in Modern Trade, I see increasing trade of private labels. If you take 5-10-year view particularly in foods or maybe in-Home Care, Toilet Cleaners etc, how worried are you about this. Now your market shares are definitely higher but when you see 5-10 years forward, where do you see private labels in modern trade doing so well, and this is not only for modern trade this is for e-commerce as well?

Answer: Look I think if you see the trend of where private labels have done well in modern trade, particularly in Home and Personal Care space, they are largely where there is no differentiated brand offering and you and me as a shopper actually don't know what's the difference A gives versus B and therefore that's where private labels tend to come more. Over a longer term you will see many more coming in the Home Care space, much fewer in the Beauty and Personal Care space because there the adherence to brand is very very good. Equally some of the branded players have vacated entry price. The entry pricing is very different in modern trade and if you have those accessible 99, 199 price points it is very difficult for private labels to come and because more often than not the private label is never advertised the only thing it does is, it shows you a similar product at a lower price, and if we are and you mentioned we have the benefit of a portfolio which can play at different price segments and therefore if we continue to play this game, build our portfolio and strengthen our brands we will give a good fight and more than adequate fight to not only hold share but I am quite confident we will gain share. That is, I think, the heart of where we tend to slip on private labels versus not. The second important thing is the tilt between the two products - which is where marketing and sales works very well together - are we investing disproportionately more in point to sale trade price or are we investing much more in building a brand? and we are actually very very conscious of that. If there is a rupee to spend in one port of call, the port of call is advertising. So, there will be periods when you go to to modern trade you will find somebody is offering a way cheaper product than us. We don't believe that will swing the purchase in a sustainable way in the long term. It will swing in the short term because we are into it for the value of money which Sanjiv has alluded to many times today.

Yeah, Vivek, just to add to this, you know this is again a question we are asked on private labels and all. While India did not have a lot of private labels, there were many brands you know, it is also difficult to call them as brands, products which operated at a lower price, with local competitors and all. They were in many ways replicating what a private label does in a more organized environment. Often you also need to see when you look at private labels - abhi hai private labels voh iss store mein, do saal baad dekhna vohi product hai ki nahi hai. I don't think that again this is something which has often been discussed about for marketing and branding, is the era of branding over? I don't believe so. If you can differentiate your brand, if you have a very strong proposition and if you can create price value, the consumers are willing to buy.

Question: Two more if I may. On the GST bit you know, last year analysts' meet had too much focus on GST and you kept giving regular updates through the course of the quarter, but one specific thing ahead of GST everybody expected unorganized to shift to organized, so on and so forth, but mostly leaders are now saying it is going to take a lot of time. What are your views on that? Are you disappointed with the way in which unorganized you know is able to, particularly in case of staples are checks also suggest that unorganized has not been impacted as much as the guidance was. So, what are your thoughts and what is your view in this space.

Answer: You know you have to look at the ground realities of our country. One of the things which could have prevented tax evasion is rigid implementation of e-way bills. Now e-way bills weren't implemented during the first six months of GST, now they are being implemented, albeit not in the way they were first intended to, I think they are very keen to ensure that people who do not pay taxes get into the tax net. But in a country like India you also have to be realistic about it, first I think it is better that you bring people under the GST net and then you pay taxes and that's how you will widen the net. Government also has its own compulsions. So, let's see, there were two big benefits that we were seeing from GST when it was promulgated, first is a level playing field, the second was supply chain efficiency. Supply chain efficiencies are very much there and we have drawn up a very robust plan of implementation. As far as level playing field is concerned I think let us wait and see how much more time it takes.

Question: Okay, and the last one, in the last quarter you had to take an exceptional, there was an exceptional item you know because of Indulekha, which was a good problem to have you know the performance has been better than what you projected, and the parent has been doing a lot of acquisitions for the last several years. Indulekha has been a good one for you. What are your thoughts on acquisitions as a way forward, particularly again in foods, do you think that can be a driver, thank you very much.

Answer: You know for us both organic and inorganic growth opportunities are very much on the table. We are scanning the horizon and we are looking at what could be a good bolt on acquisition which would add to our portfolio, wherever there are portfolio gaps. But as it happens in M&A, not only we have to be keen to buy but the seller has to be keen to sell. So, I would say watch the space.

Alright, guys, if no further questions. Thank you.