

face to face

SANJIV MEHTA, HUL chairman

'Combined business of HUL-GSK Consumer will be ₹45,000 crore'

MUMBAI: Hindustan Unilever Ltd today is in a far stronger position than it has been in the last three years. The threat from upstart Patanjali has faded and in the words of HUL chairman Sanjiv Mehta, the rise of Patanjali has only brought the best out of this company. Mehta said the acquisition of GlaxoSmith-Kline Consumer Healthcare Ltd will not only give it ownership of brands such as Horlicks and Boost, but also strengthen its foods and refreshment segment, where HUL was lagging behind its nearest competitor ITC Ltd for a long time. If the regulatory approvals are received on time, the combined businesses of HUL and GlaxoSmith-Kline Consumer will be ₹45,000 crore from next year. Edited excerpts from an interview:

Growth seems to be pretty good, given the high base.

It might be worthwhile to just pause and reflect, not just on the last few quarters, but the last six years of HUL, and that tells you a much more bigger story. We have grown our delta (incremental) turnover in the last six years by ₹12,400 crore. If it was a separate company, with ₹12,400 crore, it could perhaps be the largest FMCG company. If you look at our profits or Ebitda, we have more than doubled in the last six years. And, because of our performance during tough times, the market has re-rated us... Now, we have a market cap, which is in upwards of \$50 billion. If you look at it from that context, it has been a great journey for HUL and these last six years, you have seen two con-



secutive years of drought, demonetization and introduction of GST.

What are the new areas of interest to HUL? I remember at the GSK merger conference, you had said this will give you an opportunity to understand the health segment well...

Again, if I just stop and give you a flavour of how we have grown the business... what are the key pillars of our business. First, we focused and strengthened our core, then you constantly renovate and innovate, you build the brand equity, you focus through multi-year brand engagement activities. You make it contemporary every year.

Second, is market development. Over the years, we have created several categories. Market development is a science. What we call seed, accelerate and explode.

Where the penetration is less than 10%, we seed it... once the penetration moves from 10% to 20%, we accelerate the development, and once it crosses 20%, then we press the pedal hard and explode it. So, it is a very clear science that we have built. The third is premiumization that I explained to you. Fourth, is our focus on cost. Anything

that does not add value to the consumer or company, we weed it out. And, while we may be big, we have the soul of a small company. We are the number one beauty and personal care, homecare company by a distance and, now, adding the GSK Consumer Health portfolio to our business will make us one of the biggest food and refreshment businesses in the country. Now, why are we excited about Health Food Drink (HFD) as a category. If you look at our country, four out of 10 children are malnourished. Nine out of 10 children do not get the micro-nutrients that's required and still the penetration of HFD in the country is about 25%. And then, in many ways, GSK Consumer Health and Unilever, we come from a very similar background. We have been in the country for many decades with similar purpose and values. They have built a great category. This is a category of nearly ₹8,000 crore and, in that, they are by far the market leaders with great brands—Horlicks, Boost, Maltova, Viva—and when you look at them from any lens in terms of most trusted brands in the country, you will have many brands from HUL in that list.

Similarly, you will always have a brand like Horlicks featuring in it. Now for us, it is a very strategic and transformative deal. It gives us the scale, it gives us the capabilities and skills that GSK Consumer possesses in the whole domain of HFDs. There are not many good properties in HFDs to acquire, which are as good as GSK and we had an eye on these for years.