



*Hindustan Unilever Limited*

## **“Strategic investments in OZiva & Wellbeing Nutrition”**

**December 8, 2022**

**Speakers:**

**Mr. Ritesh Tiwari, CFO and Executive Director, Finance and IT**

**Mr. A Ravishankar, Group Finance Controller and Head of Investor Relations**

**Moderator:** Ladies and gentlemen, good day, and welcome to Hindustan Unilever Limited Conference Call. As a reminder, all participant line will be in the listen-only mode and there will be an opportunity for you to ask questions, after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. A. Ravishankar, Group Controller and Head of Investor Relations. Thank you, and over to you, sir.

**A. Ravishankar:** Thank you, Faizan. Good evening, everyone, and welcome to the conference call of Hindustan Unilever Limited. Thank you for joining us on a very short notice. As you would have seen, we have announced our entry into the Health & Wellbeing category with strategic investments in Zywie Ventures Private Limited and Nutritionalab Private Limited.

This conference call is being organized to talk about this in further detail and address any questions that you might have. On the call with me is Ritesh Tiwari, our Chief Financial Officer. Ritesh will start with his prepared remarks, which I expect to take around 10 minutes. Post that, we will have time for Q&A. I would request that you keep your questions focused only on this topic. Also to ensure we take questions from all participants, I request you to restrict your questions to a maximum of two at a time. You are welcome to join back the queue if you have any further questions. Before we get started with the presentation, I would like to draw your attention to the safe harbor statement included in the presentation for good order sake. With that, over to you, Ritesh.

**Ritesh Tiwari:** Thanks, Ravi. Good evening, everyone, and super thanks for joining us at a very short notice. As you have seen, we have announced our entry into fast-growing Health & Wellbeing category, which is squarely in line with our strategic priority of getting into high growth basis. I would like to start by talking you through the Health & Wellbeing category in some detail. As we had mentioned during our Capital Markets Day, one of the mega consumer trends that we're witnessing is consumers focusing on their health in a very holistic manner.

The pandemic further expose consumers to unprecedented health risks, leading to a reassessment of their priorities. Consumers are adopting healthier food habits and fitness regimes, which are prioritizing personal well-being. They are more conscious of the need for preventive care. Growing awareness amongst consumers and their increasing affluence is rapidly changing their approach towards Health & Wellbeing. At the same time, India continues to suffer from a very large micronutrient deficiency challenge, something that we've spoken multiple times in our conversations.

A large section of Indian population suffers from Iron and Vitamin D deficiency. Whilst the diets of many Indians meet the required calorie intake, they are unbalanced and do not have necessary micronutrients, zinc and vitamins. We also have a very large diabetes problem. Therefore, clearly, Health & Wellbeing is a category that is an inflection point with fast evolving consumer preferences and unmet consumer needs. In many ways, the category has moved from being a problem solver to lifestyle pursuit of consumers. Consequently, this is reflected in the sizable market potential that this category has. According to Euromonitor, vitamins, minerals and supplements is estimated to be INR 30,000 crores market.

Our focus is to play in some of the fast-growing demand spaces within this category, like Sleep, Beauty from Within, Women's Health, Gut Health, plant-based and so on. These are demand spaces, which are being disrupted and have a potential for high growth through market development activities. There are really three big thrusts to our strategy in Health & Wellbeing category. The first and probably the most critical is to have a portfolio of fast-growing lifestyle-led and science-backed products.

We will build this through the inorganic route as well as dipping into Unilever stable of Health & Wellbeing brands when appropriate. Unilever globally has built a EUR 1 billion business with strong brands like Liquid I.V., OLLY and Nutrafol. The second is our clear focus on product segments that are getting disrupted, some of which I spoke in the previous slide. Within that, we will focus on disruptive formats and channels where we are able to unlock superior growth through market development activities.

The third focus is to deploy the unique HUL capabilities in terms of market development, distribution, digital and R&D to scale these brands up. Equally, we will benefit from the expertise that Unilever has built in this category globally. With that, let me move on and talk about the partnership we are embarking today with two great brands, OZiva and Wellbeing Nutrition.

Beginning with Zywie Ventures Private Limited, whose brand trademark is OZiva. Founded in 2016, OZiva is a plant-based and clean label consumer wellness brand focused on the need spaces such as Lifestyle Protein, Hair & Beauty Supplements and Women's Health. In line with our clear strategic focus, their product portfolio is science-backed with clinically proven ingredients. OZiva is a digital-first brand with an omnichannel approach, available on its D2C website, digital marketplaces and a growing offline presence.

The company has a strong in-house R&D team comprising of PhDs, Phytochemists and Biotechnologists. Further, they have a good social media presence. For instance, the brand has more than 200,000 followers on Instagram. The company has an annual run rate of over INR 100 crores with more than 3 million consumers and a high revenue retention rate.

Let me now move on to Wellbeing Nutrition, which is brand trademark of Nutritionalab Private Limited. Founded in 2019, Wellbeing Nutrition has pioneered disruptive formats in India with focus on convenience of consumption. These include Melts, Slow-Release Capsules and Marine Collagen Powders. The range of science-backed and benefit-led clean products are focused on future proof need spaces such as Sleep, Beauty, Everyday Health and Gut Health.

They have presence in D2C, digital marketplaces and are expanding in offline retail channels. The company has annual run rate of over INR 50 crores with around 2 million consumers and a high revenue retention rate. Let me now touch upon the key aspects of transaction structure for both these deals. In case of OZiva, HUL will acquire 51% equity stake in Zywie Ventures Private Limited through a combination of private infusion and secondary buyouts for

a cash consideration of circa INR 264 crores. The balance, 49% will be acquired at the end of 36 months based on a pre-agreed valuation criteria.

The current OZiva team led by Co-Founders, Aarti and Mihir will continue to operate all functions of the business. HUL will have a representation on the board and will provide necessary capabilities and support to scale up. We will be taking about 20% stake in Nutritionalab Private Limited through a combination of primary infusion and secondary buyouts for a cash consideration of circa INR 70 crores. Here as well, the existing team, led by Founder, Avnish, will continue to operate all functions of the business, HUL will be represented on the Board.

We expect both deals to be completed in next one month to three months, subject to customary closing conditions. Let me conclude by summarizing why we believe HUL is well placed to support, scale up and unlock value in these brands. One, we have a proven track record of building categories of future by doing market development at scale. As I mentioned earlier, these are disruptive need spaces where the key job to be done is market development to unlock superior growth.

Second, our unparalleled distribution network gives us an opportunity to scale up physical reach in the right channels and at the appropriate time. I already spoke about Unilever's global capabilities in this category, which we will be able to leverage upon. Further, you have seen our R&D progress in the country. All of this will help build a science-backed benefit-led disruptive product portfolio. Finally, this category will sit within our Beauty and Personal Care division and will benefit from our strong presence in beauty and well-being space. With this, I complete my prepared remarks, and we will take some questions now.

**Moderator:** The first question is from the line of Shirish Pardeshi from Centrum Broking.

**Shirish Pardeshi:** Ritesh, Ravi, thanks for the opportunity and congratulations for this two acquisition. Just two broad question. To start with, you mentioned that INR 30,000 crores, the total market potential. Now I just wanted to understand in terms of OTC and vitamins, if you can split to how big is the market, and maybe if you can split minerals and separately? And second question is that

you said further infusion. So what kind of infusion, and if you can elaborate some quantitative as well as qualitative comments on that?

**Ritesh Tiwari:**

Yes, Shirish, thank you so much. So the demand spaces as I mentioned in as part of my opening commentary, so the overall segment of vitamin mineral supplement is a pretty large set of business. But there are a few demand spaces within that. We really want to ensure that we dial up. And this is our global focus and also focus we'll end up having as part of the two strategic acquisitions that we have done, both OZiva and Wellbeing Nutrition.

When it comes to Gut Health, when it comes to Women's Health, when it comes to Beauty Within, when it comes to plant-based offering, these are the demand spaces within the larger demand space of vitamin mineral supplement will be focused area of these businesses. And this is where we also believe the affluent India, as we call India number one will end up also ensuring that the lifestyle-led products are something which are prioritized.

I wouldn't share at this stage, but more than happy for you to interact with Ravi and team later on for sub-segment details. So that's on the first question. Now coming to about the deal structure. As I mentioned, for OZiva, we have announced a 51% acquisition. And with a very clear intent within the next three years, 36 months from now, the balance 49% will also be acquired with a very clear pre-agreed valuation criteria. So with that, we'll end up finishing a total 100% acquisition over next 36 months.

As far as Wellbeing Nutrition is concerned, we announced today our strategic investment of close to 20 percentage investment in the business, and this is a strategic investment. And so this is what we announced today on the Wellbeing Nutrition. Of course, given the confidential nature of the transaction, I would not like to share any further detailing beyond mentioning that the total amount of consideration, which I talked about has a combination of primary and secondary. But thanks, Shirish, for your question.

**Moderator:**

The next question is from the line of Vivek Maheshwari from Jefferies.

**Vivek Maheshwari:**

Couple of questions. First is what exactly is included in, let's say, this market size of INR 30,000 crores. That's a significant number. So can you just

elaborate on this piece? And the relevant market size for in the category that you have entered is anything there to that effect, just to know what is the effective size within that overall INR 30,000 crores that you are going to play in?

**Ritesh Tiwari:**

Yes. So very similar to what Shirish was asking little earlier, there are three broad segments within overall Vitamin Mineral Supplements. There is post nutrition within that as part of INR 30,000 crores, number one. There is vitamins, dietary supplements as part of that, number two there is sports nutrition. Number three, weight management. So these are typical categories at a broad level, which are included in VMS. And the number which I quoted INR 30,000 crores, that's not the size today.

That's the potential we see in the next four years to five years from now. These are very high-growth segments and, Vivek, certain segments within the broader Vitamin Mineral Supplements were the ones which I was calling up, that the space of Beauty Within, the space of Sleep, the space of plant-based portfolio within Vitamin Mineral Supplements, Gut Health. So these are the spaces within that or for that matter, functional nutrition, these are the spaces within that sorry, functional hydration, these are the spaces within that are the ones which we do see having a growth trajectory of a higher magnitude compared to overall basket of Vitamin Mineral Supplements.

So there's a lot of sub-segmentation, which at a more later stage, we will share more details, but that's at a high level the category structure is and hence, we do believe in next four years' to five years' time, this is our own understanding, read and research that this will become a INR 30,000 crores business in terms of the size of market, and which is why many demand spaces within this INR 30,000 crores market are the demand spaces which we will be very actively interested to grow our Health & Wellbeing business.

**Vivek Maheshwari:**

But, Ritesh, is it fair to say that and I think you have called it out. So thus far, let's say, you have had broadly three key segments. And in a way, GSK was a precursor in some ways on the nutrition side. But this effectively wellness you are calling out as a separate segment. So this becomes another vertical in a way. It's a fourth vertical in a way if you broadly include GSK also to wellness,

but nonetheless, you are calling it as a separate segment. So when you also -- and in that context, when you talk about INR 30,000 crores market in some few years, does that also mean that this these two acquisitions are just a precursor and there may be more efforts from your side, both organically and inorganically to play a larger role in the sizable market?

**Ritesh Tiwari:**

Yes. So overall, indeed, and as I mentioned earlier, overall, the entry, Vivek, into Health & Wellbeing category is in line with our strategic priority to enter into fast-growing demand spaces and meet the rapid evolving needs for the consumers. To grow this business, besides scaling up the current partnership, we will continue to evaluate both organic and inorganic options. We will also evaluate bringing brands from the global portfolio of Unilever's Health & Wellbeing portfolio in India at an appropriate time.

One of the facts I'd mentioned that globally Unilever has more than EUR 1 billion size of Health & Wellbeing portfolio. And at appropriate stage, as required, we will tap into that as well. What we are signaling today is a very clear entry into Health & Wellbeing as a category. And within that category, as I mentioned, there are multiple demand spaces. But there are a size of demand spaces that we are heavily interested in, which is what we believe will take the category growth ahead and will bring the delta growth.

And those are the few ones I was articulating earlier, be it Sleep and Stress, be it Women's Health, be it Gut Health or Beauty from Within and of course, plant-based. To your other question, Vivek, about how do I see, let me say, the Horlicks portfolio and the Health Food Drink vertical that we have with the acquisition of GSK, number one. And on the other side, we'll have Health & Wellbeing as a portfolio, which will sit within Beauty and Wellbeing and BPC. Those two are a little different, let me spend a little time.

To start with, there's of course, a complementary impact of both put together. But there's also very clear distinction between the two. The price point at which these brands are today present, number one, the need state, the benefit state at which these are present, the demand space segmentation and more importantly, the consumer segmentation that we discuss. So if I give an example of base Horlicks, there's a massive job that we have is getting more market



development done and at mass scale, getting people comfortable and adopt a penetration category of 25 percentage and lean in more with consumption. The price point at which we sell Horlicks today is at mass price point.

When I talk about the category of Health & Wellbeing, this is premium part of the portfolio. It will sit within BPC. So I do see that to be a little different conversation. And if I just probably help you with the laddering of the price point, if the base Horlicks, let me say, x price point, and then that's the segment of the market, the Horlicks Plus range today is 2.5 times of that. So that's the premium portfolio within Health Food Drinks.

But now when I talk about Health & Wellbeing as a category, and let me take OZiva as an example, that will be at 8x. So base Horlicks is 1x, OZiva 8x. So that's the price segment and the lifestyle segment within Health & Wellbeing that we're really interested in and would want to develop a portfolio and ensure that we're able to do a lot of market development in this space, digital support both these companies with whatever is required in terms of distribution, in terms of R&D, our global expertise and the scale of these businesses. So it's a larger signal of entering into Health & Wellbeing as a category is a main point out here today.

**Vivek Maheshwari:** Sure. So just a follow-up. I still don't understand one thing, Ritesh, which is why should it sit under BPC? I mean, if at all, I could still think about it as some so I hear you on the difference between different GSK. But why should it sit under BPC and not under -- either you have a fourth vertical or if at all, it should be more like under where Horlicks is placed today, which is more like food refreshment nutrition, right? What is the linkage between this and BPC in a way?

**Ritesh Tiwari:** Yes, it's a pretty well evolved thought, Vivek. So we've seen that. See, overall, the consumers' Beauty and Wellbeing needs are evolving beyond the traditional demand spaces towards holistic Health & Wellbeing. And this was a central thought which we had in our mind. These products are today in emerging demand spaces. I quoted some of the examples to you of beauty, Beauty from Within, Everyday Health, Sleep. And there's a lot of areas of these

demand spaces the way you market this product, the way you market this portfolio, there's complementarity with what we have in BPC.

Now given the strong presence and capability that we have in BPC in beauty, in chemist channel and understanding of consumer needs in this space, we believe it's a better fit under BPC. This is also our global understanding as well, where, for example, the Health & Wellbeing as a category sits within Beauty and Wellbeing. So we've seen the portfolio, the consumer that you end up addressing to the price point we are talking, communicating, the barriers and the triggers of market development

There's a lot of similarity of this barriers and trigger, for example, when we have spoken at length about multiple sub-segments within, let me say, Skin Care, when it comes to hydration, when it comes to Sun, there are many barriers and triggers at the lifestyle and the price point at which you do business. We see lot of areas and there are synergies with that and what we end up doing within BPC. And of course, at the end of the day, as you know, that our front-end go-to-market structure is a common structure.

Our manufacturing is a common structure. But within that, the brand, consumers and demand spaces and price point, we believe it sits better as part of BPC rather than F&R. Within F&R, there's a big job to be done. As you know that with the acquisition of Health Food Drinks, which operates at a different price point and caters to a different set of consumer need, and there's a big job to be done in terms of getting more consumers to Health Food Drink. So we just saw that the job to be done is very different between the two demand spaces and which is why the decision was that one will continue remain housed under foods and refreshment, and Health & Wellbeing as a category will be housed under BPC.

And as we get into more quarters to run this with experience, we will bring you more amount of information, which will get, it's a little more comfortable why the decision is where it is today.

**Vivek Maheshwari:** Interesting. And last question, Ritesh, OZiva versus Wellbeing. Now, OZiva, you are at 51%, you are majority shareholders and there is a path to getting to 100%. In case of Wellbeing, you are at 20%. And when I look at your next

slide, you talk about expanding physical reach through HUL distribution. Are you here talking only about OZiva or you will also do Wellbeing? Is there a route to get to 100% or at least majority? If not, then why wouldn't or rather doesn't it entail a risk in terms of this not being substantial or let's say, you're not having a control at a later point of time?

**Ritesh Tiwari:**

So let me talk, Vivek, a little bit in both of them, so just to be very clear about it. Yes, you absolutely summarized it well in terms of the stake that we have taken in OZiva today, which starts at 51% with a very clear agreement that in 36 months' time, we'll acquire the balance 49% with a pre-agreed valuation criteria. Wellbeing Nutrition is at a more earlier stage business today. And hence, we have taken a minority position. We believe the company has a strong innovative product portfolio playing in key benefits segment. Hence, we decided to take one step at a time by taking a minority position this point in time. And we'll also have a Board representation on Wellbeing Nutrition.

When it comes to support on both, first of all, both are fabulous businesses run by great Founders. And they crafted a portfolio with a lot of love, with a lot of passion and with a lot of deep insight both on product perspective and also on consumer understanding, but equally the format and innovation, which has got into making the product portfolio is pretty well job done in our view.

The way we will lean in our own expertise and deep insights on market development, our R&D capability, our global expertise in Health & Wellbeing as required for both of these businesses at appropriate stage, we will lean in with that. The central thought out here is Founders, Aarti and Mihir, in case of OZiva and Avnish in case of Wellbeing Nutrition, they are in the driving seat. They are the one who will run the business on a day-to-day basis and drive the business. So our job will be more of a supporting nature. In case of OZiva, of course, with a 51% investment this point in time, we will have majority board seats. We'll have board presence. But both the Founders will run the business, and we'll keep deploying our capabilities and support as required over next years to come.

**A. Ravishankar:**

Ritesh, there is a question from Richard online. So let me take that. He says, INR 50 crores to INR 100 crores are really small sizes in the context of HUL.

If Unilever already has knowhow and expertise in such phases, was it not possible to use these products for a foray into this category instead of M&As?

The second part of this question is in terms of channel, would this be more dependent on chemist channel for distribution, how does the channel mix look like from here on? And on Wellbeing Nutrition, what's the path towards getting to 100% ownership?

**Ritesh Tiwari:**

Yes. So thanks, Richard, for the question. See, the consumer needs as well as the regulatory context in India is different from what is there in other markets in the world. But given how the needs of Indian consumers have been evolving and relevance they have built with these consumers, we felt acquisition of these brands at this juncture is the appropriate thing to do.

These brands cater to Indian consumers and are highly relevant to the market context that we today operate in. Now that said, we will evaluate bringing, as I mentioned earlier, the brands from the overall Health & Wellbeing portfolio of Unilever at the right time as it is appropriate. We always maintain that for future growth opportunities and for future high growth spaces, we will address that through a combination of both organic and inorganic route.

So that will remain our strategy for such demand spaces today and also going forward. We, of course, are small in scale this point in time. And this is a beauty that, if at all, you are there in the right demand space, which is small, the value creation opportunity exactly lies in that space with building penetration what we have successfully done at scale. Now any category for that matter, let me take an example of fabric conditioner and liquid detergent, that category did not exist in India a decade ago in our portfolio. So we decided to lean in, in that category, it was small when we lean into that.

Over the course of last one decade, we have shared that we now created a INR 2,000 crores business out of liquid detergent and fabric conditioners. And even now only one out of 10 Indian uses this product. So for many of these demand spaces, which are very promising, just because of scale and the rate at which consumers are adopting these products, we do believe that the growth rates will be very different and which is the whole value proposition of getting involved into that.

Today, this overall business, they have, by and large, a footprint, the primary footprint is digital and online. Our very clear focus and idea going forward out here would be that what is the potential at the moment we meet the reach go higher. And of course, at any point in time, there's always a job to be done where driving penetration and driving distribution will have to keep pace. As you keep driving more penetration, we will be able to support by how do, we end up building more distribution with be it moving at some stage from D2C into marketplaces, marketplaces into more of modern trade, from modern trade into chemists and top cities. So the entire evolution from which starts from D2C and goes into a general trade, all depends upon brand format, at what stage they are in terms of evolution. And we will appropriately support the businesses and the Founders as required.

Now why isn't there a part of 100 percentage is the second part, which you mentioned. But I cleared earlier that very fact that Wellbeing Nutrition today is at a relatively early stage, we have taken a minority position. There's a lot of excitement that we have on this business. The way the, Avnish has built a very strong innovative portfolio, which plays in fabulous benefit spaces and the product format per se are very disruptive. That's the reason we're excited about it, and we have leaned in with the strategic investment. And thanks, Richard, for your question.

**Moderator:** We'll take the next question from the line of Manoj Menon from ICICI Securities.

**Manoj Menon:** Just one quick question on the capabilities part from a longer-term point of view, if I may. Ritesh, if you could elaborate a bit about, let's say, Unilever's capabilities, particularly on the R&D side, etcetera, on the Wellness and Nutrition? And secondly, from an India point of view, how do you plan to build that?

**Ritesh Tiwari:** Thanks, Manoj, for your question. So there are three or four areas which we see capability can be deployed and it can have a pretty material impact on the scale of the business. First and foremost is what we're really famous for, which is our bread and butter, which is market development. Market development is a clear science and an art put together. And we have perfected that across

multiple categories. This is what we will then help and support in terms of fine-tuning what would that deployment of market development for a category like Health & Wellbeing would look like, number one.

Number two, on overall demand space understanding that we have globally the way the portfolio has got developed in different parts of the world, these trends are global trends. And we all know, today, the pace at which global trends become local trends is pretty quick and pretty fast. And we should be able to leverage upon those capabilities.

On top of that, if I just probably bundle a few of these thoughts, Manoj into area called demand creation, the amount of customer and channel understanding and the execution prowess that we have, overall leading science and innovation capability that we have globally in this space, the amount of data analytics that we have, which can support decision-making and marketing at scale. And of course, last but not least, rigorous regulatory and quality assurance, which, of course, absolutely guarantees integrity of the business model. And last but not least, of course, international expansion.

So if I bundle all of these in the space of demand creation, is this what I would probably look at one set of capability building. Even for that matter in the area of operations, yes, be it a network supply chain, be it backoffice in terms of synergy, very clearly, we could end up leaning in, in those areas as well. And we know these are very common, and the integrated technology and the backbone that we have today, we would be able to leverage that as well. So there are very clear set of capabilities we do believe that we can lean in and support the businesses.

And as I mentioned earlier, our idea out here is clearly job to be done either through a route of organic or inorganic. And the foundation of both of that, exactly to your point, like building these capabilities was this is what we would want to develop and create so that this keeps supporting value creation and growth in times to come. So those are the areas where our mind goes this point in times, where we have job to be done in terms of building capability in the country today.

**Moderator:**

We'll take the next question from the line of Harit Kapoor from Investec.

**Harit Kapoor:** I just had two questions. Firstly, if you could just help us understand, given that either the unit has linkages to BPC, would the team aligning with the Founders in both businesses, be the premium beauty business unit or you'll have a separate unit working this out, how we look at unit structure there within BPC?

**Ritesh Tiwari:** Yes. No, very good question. What we plan to do is to build within BPC category. So today, when we run BPC, there are multiple categories which form BPC, there's Skin Care, there's Hair Care, there's Skin Cleansing, there's Oral Care, Deo. We will set up a team which will drive Health & Wellbeing within BPC. PBBU, which is the Premium Beauty Business Unit, which leads by and large into Hair Care and Skin Care. Skin Care to start with and Hair Care after that. So that team builds that portfolio in that space. And there's a lot of learning, which you end up having between Premium Beauty business unit, which focuses a lot on Skin Care, followed by Hair Care. And the team still ends up doing Health & Wellbeing as a category will be a separate team within BPC.

But the overall learning capability, tech chassis that we have and the operating ecosystem, there's a lot of synergies, which, of course, the team end up doing and which is what ultimately, Madhu, who leads our BPC business will lean in across all the categories, including Health & Wellbeing going forward. But a short answer, it will be a separate team, which will drive Health & Wellbeing business category creation in the country.

**Harit Kapoor:** Second question is just to understand your \$1 billion Health & Wellbeing portfolio globally. But I read that you have got seven key brands there. Just wanted to understand the picture is, is that also been built with the combination of organic and inorganic business or it's been largely built inwards or they were largely acquisitions that built that business?

**Ritesh Tiwari:** So at this stage, there are seven brands, which Unilever has acquired globally, be it Equilibra, be it OLLY, Liquid I.V., SmartyPants, Welly, Onnit and Nutrafol, all of these have been acquired and hence, inorganic route. So these brands, and of course, this is over a period of time. It started in 2018 with first acquisition of Equilibra to the latest one Nutrafol. So all these seven businesses

have been acquired by Unilever over the last, I would say, 4-odd years' time. And so it has been inorganic route.

Now the benefit that we will have in India is access to these brands and technologies with support of Unilever. So yes, so it has been an inorganic route globally. And as I mentioned, what we plan to do in India is both organic and inorganic. Now that we have two fabulous businesses that we will lean in and as relevant as appropriate in times to come, we will look at the global portfolio of Unilever, and when appropriate, then we will bring a portion of that to India as well. So it will be a job to be done.

And one of the conversations I mentioned earlier, all three are important, inorganic, number one, organic, number two, and number three, capability building to the point I was making to Manoj earlier. That's an equal amount of focus for us to build a category and segment, which is a future growth space for us and the demand space that we're very excited about.

**A. Ravishankar:** Ritesh, we'll take a question from the web.

**Ritesh Tiwari:** Yes.

**A. Ravishankar:** Similar question from both Latika and Naveen. This is about any colour that we want to share on the profitability dynamics of the business, gross margin profile and whether they are profitable at an operating margin level?

**Ritesh Tiwari:** Yes. So, no, I think a very important question to understand. To start with, let me talk about gross margin. Both these businesses are accretive to our current gross margin of our portfolio. So they come with higher gross margin compared to what we have today. And number is approximately 55 percentage. That's the scale of gross margin of these businesses.

Now of course, at this stage, where they are, they are investing for growth. And suffice to say that they are at healthy levels in terms of ultimately in the P&L in the financial growth model, you need to have healthy gross margin, which is then able to support healthy investment in the business and there's enough amount of capacity, which is getting created. So the business model is different



this point in time and they are investing for growth. So that's some colour to what you asked.

**Moderator:** We'll take the next question from the line of Percy Panthaki from IIFL.

**Percy Panthaki:** So you mentioned that the potential category size five years down the line is about INR 30,000 crores. Can you also give some idea as to what is the size right now?

**Ritesh Tiwari:** Yes. So, Percy, thanks. So Percy, as I mentioned, the potential category, INR 30,000 crores, and of course, that game is overall is a pretty large set of category definition. As I mentioned, that includes weight management, sports nutrition as I include that includes dietary supplement, and the understanding the research in this space is pretty nascent this point in time. So I would say, at this point in time, it's more of a rough estimation and the pace at which it is growing is pretty fast, that's what I will say.

The read of this market with our own market research investment will only get far better crystallize over a period of time. And these markets, of course, are exploding in terms of growth. And that is what is very important. Today, of course, there is a), data read in terms of where the current market size is, but also we have used our own set of understanding how you extrapolate this market in next four to five years' time. And there's a lot of thinking we have put as part of that in terms of what that could look like in the next four years to five years' time. So I would say the question is not as to what the size today, I'm saying the exercise, which is large. But within that what benefit segments we are focused upon and how do we see end up growth trajectory, what happens.

And like everything else, Percy, market development is very key to unlock growth on the growth of the category overall. And then that will end up paying a pretty large role as to what effort industry ends up making in place of this, what effort, we will end up making at Hindustan Unilever in the spaces, that will ultimately of course determine. So we have used our own set of data today where the current market size is, our own assumption of larger consumer trends which are shaping up in the country and our own understanding of value

drivers, the way it might end up shaping up in India. So there we have seen this shipping up in the curves of some of these categories globally.

And a lot of those inputs put together in our mind we have come up to a size that the total size would be approximately INR 30,000 crores for four five years down the line. So it's a complex, I would say, thinking put together to be articulated. And to us, the key will be choosing within this INR 30,000 crores space where you want to play. And this is a job not only today with the two strategic investments talking about, but also a job for us in the next few years' time as we keep crafting the portfolio overall within Health & Wellbeing.

Now one of the things which I'm very keen and interested to do is to keep bringing this understanding more sharply over the next coming quarters and years. The way you understand our business very well, when we talk about Skin Care, Hair Care, Skin Cleansing, equally we'll keep sharing more amount of category information of Health & Wellbeing. Suffice to say, it's a pretty nascent stage at this point in time, especially the segment, which I talked about within VMS that we are very much interested in to keep diving up the Health & Wellbeing portfolio. And then to me, that is a more interesting space to keep having conversation.

**Percy Panthaki:**

Would you be able to share some data about the competitive landscape, the industry landscape, I mean, who are the main players here? What is the top five players, market share put together and some stuff like that. Just, I mean I'm not looking at any exact data, but any flavour you can give us on the competitive landscape in this segment?

**Ritesh Tiwari:**

So this Percy, let me probably a segment the market, you could see broad buckets. There are ayurvedic players which play in this segment. And you know they already have pretty substantial business, which was created in that space, number one. Number two, you also know that there are also pharma companies which have built a segment with VMS that they run with. So that's the second space which exists. And of course, the third element within that is the fast growing demand space, which are today getting really disrupted. And that's the third space where there are many digital first brands which have

leaned in the new-age players, OZiva and Wellbeing Nutrition, FAST&UP are very clear examples as part of that.

But we also know that the other large players be it Dabur, be it Baidyanath, they we also have created a fabulous amount of the businesses in this phase. So this overall segment will keep growing. And to me, the point is which demand space within that is what we want to focus upon. And that's what I was alluding as part of the presentation that within this overall Vitamin Mineral Supplement segment, the demand space that we want to focus upon to build HUL's Health & Wellbeing portfolio. And that's where our focus and attention and resources will go in times to come.

And the top bucket, which I mentioned today, where the new-age players have created a pretty good amount of business. This is where I think the business today is growing. This is where there's a lot of consumer traction with the portfolio. And at this stage, penetration levels are low, demand spaces are better understood, consumer trends and consumer needs are better understood. So it will take time and shape.

And it's again in the industry at a nascent stage, there will be more players which will come into. And the category understanding may become better, penetration will become better and category in my mind over years to come starts getting matured. So those are the broad three buckets segments, as I mentioned to you. But as I mentioned, our focus will be, as what I had called out earlier within that segment where we will end up focusing our Health & Wellbeing business.

**Percy Panthaki:**

Ritesh and last question here is what do you think is HUL's right to win in this segment? Because if I look at what actual strengths are, which is mass market distribution, HUL's strength is branding. So these are not typically the success factors in the businesses that you have acquired, what is required in the businesses that you have acquired is to some extent and correct me if I'm wrong, some extent, a doctor or expert advocacies required to some extent, understanding of the categories required, which is completely new for you. Maybe it's there with Unilever, but for HUL, it's new. And to some extent, the D2C piece or skills are required, which is there with you partially for sure. So

I just wanted to understand, why you think that this is the right category for HUL to enter apart from the opportunity size? And what is your right to win here?

**Ritesh Tiwari:**

I think very interesting and very important question. Let me spend a little more time in answering this, Percy. Let me start by why I believe HUL is very well placed to enter into this category and build a business, a successful business in times to come. Number one, we have proven model of market development of building categories. This is one more category where consumers are going in. And at the heart of that, we always start with consumers first. Our deep understanding of consumers in India across multi-years, 90 years that we've been in the country, we generally understand what Indian consumers are and what they want and the evolving demand spaces within Indian consumers, which is why we have a genuine right to win of market development into any space within FMCG, number one.

Number two, expanding physical reach through our HUL's distribution network, one of the areas you called out as strength, absolutely that is something which will be required in times to come to do a good job and build sitting out here. Third is a sheer R&D strength, both in India that we have. And also globally, the point I mentioned the capability that we have is very clear. The regulatory and compliance area within that is extremely important that we have an understanding of that. We have a strong presence in Beauty and Personal Care with that, our reach of chemists, our reach of health and beauty kind of a channel, our reach of overall e-commerce as a segment as a channel is pretty deep understanding that will help us building it.

And in these cases, example, OZiva, the founders are very much with us for next three years leading the business. In case of Wellbeing Nutrition, Avnish will continue leading the business. So the expertise and the understanding that the founders have developed, will be a massive asset in our own understanding of building Health & Wellbeing as a category. So that is not, by any means, a small, I would say, part of the overall strategic investment that we've done. Indulekha is a classic example and once we have said that in value-added hair oil in ayurvedic space, where do we have capability and expertise? We took

that business, in five years' time, business is 5x bigger. And we proved that we could do that.

Very similar in the case of VWash in times to come, we'll be sharing as to kind of the progress we are making. So we do believe that at the heart of all of lies life market development at the heart of it all lies deep consumer understanding. To me, expertise comes from there. And of course, the way R&D capability that we have and then global leverage from the strength that Unilever has developed these deep expertise, those are the things we'll end up leveraging.

And of course, when you end up building the category, job always starts someday somewhere. And which is why we mentioned that we'll end up taking organic and inorganic route both to build portfolio and also to acquire capabilities, which we do believe will bring complementary skillsets together between founders and ourselves. So in summation, we do believe that we have a right to win and, of course, work to be done and who said business was easy. So this is what we'll end up doing.

**A. Ravishankar:** Ritesh, we'll take one last question. So this is from Abhijit. He's asked of all the D2C brands across BPC and Health & Wellbeing, what was the reason for us to zero down on these two companies? What is different about them when compared to others?

**Ritesh Tiwari:** Yes. So of course, as you can imagine that before we get into any asset, there's a deep amount of review we end up doing both OZiva and Wellbeing Nutrition. These are fabulous brands that claim high-growth demand space the point I was making earlier within Health & Wellbeing. The reason that they are signs that benefit-led portfolio and with very clinically proven ingredients. And what we've achieved is a reasonable scale in the operations within the last few years of their running the business, reaching an ARR out of INR 100 crores for OZiva or for any matter INR 50 crores for Wellbeing Nutrition with a very high revenue retention rate. So that was one of the key rationale for entering into these particular assets.

And these are digital first brands, they are premium brands, and they're growing offline presence as we speak. They are catering to millennials and Gen-Z. So the right consumer cohort is also, which is part of their interaction.

These businesses align strongly with our own mission to improve Health & Wellbeing of consumers and provide with complementary capabilities to participate in this high-growth spaces.

Now we do strongly believe that our partnership will help scale the business rapidly by leveraging our own physical reach, market development infrastructure, as I called earlier and the R&D prowess and not to forget, as I mentioned earlier, Unilever's global Health & Wellbeing expertise. So it's just a sheer confidence of the founders, which have created in craft research great businesses once we have reviewed other businesses in the market and we reviewed these two, and we became very confident and comfortable to lean in and invest strategically in both these businesses. So those were the reasons why we lean them.

**A. Ravishankar:** Thanks, Ritesh. With that, we'll draw the Q&A session to an end. We have taken most of the questions which were there. But in case there is something which is still unanswered, please do feel free to reach out to any of us and the IR team. Before we end, let me also remind that the playback of this event will be available on our website in a short while from now. Thank you, and best wishes.

**Moderator:** Thank you. Ladies and gentlemen, on behalf of Hindustan Unilever Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.

*Disclaimer: This transcript has been edited to remove any grammatical inaccuracies or inconsistencies of English language that might have occurred inadvertently while speaking.*