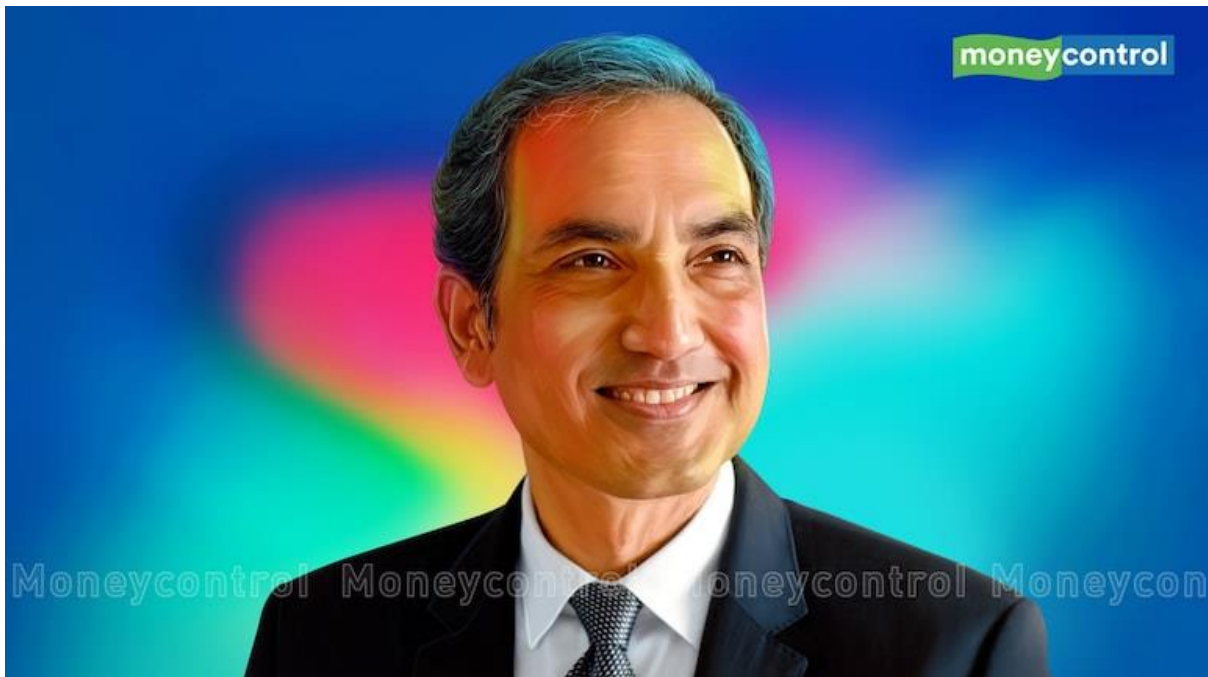


HUL is the best pick for anyone looking to invest in the long-term growth story of India and FMCG industry: Rohit Jawa

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Investors are increasingly turning to consumer stocks, and HUL stands out: CEO Rohit Jawa

In an exclusive interview with Moneycontrol, Rohit Jawa, CEO of Hindustan Unilever Limited (HUL), discussed the company's strategies amidst recent sluggish volume growth due to inflation and erratic weather patterns. Jawa, who was appointed CEO in June 2023, highlighted the resilience and growth of e-commerce and quick commerce, which are outpacing modern and general trade. He emphasized HUL's strategic focus on premiumization, the importance of convenient shopping channels, and a disciplined approach to mergers and acquisitions. Despite short-term challenges, Jawa expressed confidence in HUL's long-term potential, driven by India's expanding consumer market and innovation across core and emerging categories.

Edited excerpts

Q. One of the key concerns highlighted by the recent results is the sluggish volume growth over the past few quarters. You've mentioned this during the earnings call, citing factors like inflation. Looking ahead, how do you expect the business to perform and how do you plan to address and overcome the challenges of muted volume growth?

A. We report UVG (underlying volume growth), a combination of volume and mix. Historically, we've had a long-term trend rate of about 4-4.5% on both volume and price. However, due to sustained

inflation and erratic weather patterns, we experienced periods of muted volumes, with growth rates falling to around 2% to 2.5% over the last two or three quarters. This quarter (Q1 FY25), we've seen an uptick to 4%, driven partly by improvements in market volume growth rates in rural areas and our major categories catering to lower-income segments.

Rural growth has outpaced urban growth in the total market in the two recent quarters. However, on a two-year CAGR basis, rural growth still lags behind urban growth, which hasn't been the case historically. Traditionally, rural areas outpaced urban growth due to lower penetration and consumption levels. We anticipate a return to this trend, though the timeline is uncertain. Factors such as the monsoon, which affects the agricultural economy, and government investments in rural areas, suggest a positive outlook. Currently, we see a gradual improvement in rural markets, while urban growth remains resilient.



[Our priority is to grow our core brands or introduce Unilever brands to the market: HUL CEO](#)

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Q. Do you expect an acceleration in premiumization going forward?

A. I believe the trend of premiumization has been consistent and resilient, and I expect it to continue. Both our portfolio and the market portfolio will keep shifting towards more premium offerings. Whether in urban or rural areas, the main driver of growth in India is upgradation. In urban areas, this is evident in e-commerce, where consumers are moving to masstige (mass-prestige) products, new segments, and categories. In rural outlets, people are upgrading from brands like Clinic Plus to more premium ones like Dove, or transitioning to new categories such as laundry liquids. For instance, you can already find Rs 10 laundry liquid sachets in rural areas, and in semi-rural or small urban cities, you see products like sunscreens and mayonnaise, which you consider urban in nature. In our beauty category, we're on a multi-year journey to build premium segments like serums and sunscreens, which have already reached 2000 crores in sales and are growing at high double digits by volume."

Over the past three years, our premium segment has seen a significant increase of 300 basis points in contribution. This trend continues, with premium growth outpacing total growth by nearly two times.

The aspiration to improve the quality of life is deeply entrenched in Indian society. As long as consumers are offered accessible and affordable opportunities to upgrade, they are willing to do so. Therefore, the trend of premiumization is a secular one, and while we do not expect drastic fluctuations, it will continue moving in this direction.

Also Read: [The trend of premiumization has been consistent and resilient and will continue: HUL CEO](#)

Q. What distinct trends are you observing in quick commerce compared to traditional e-commerce? How is quick commerce influencing consumer behaviour? Additionally, what is the significance of quick commerce within your overall e-commerce category?

[E-commerce is growing faster than modern trade](#), and modern trade is outpacing general trade, a trend that seems secular. E-commerce is segmenting into different models, including beauty commerce, grocery commerce, and quick commerce. Ecommerce is about 7% of our overall sales, Q-commerce is one-sixth of that and continues to grow.

At HUL, we are deeply engaged with all platforms. These platforms are growing faster than the overall e-commerce channel. For instance, I've spent a whole day with a key partner to explore ways to increase and grow categories within their channel. I've also visited dark stores to understand their operations. Generally, convenience-driven categories such as food, and ice cream do well. The staple categories have less salience, but they present significant opportunities as consumers increasingly use these channels for daily needs. For example, quick commerce is a very significant channel for our ice cream and noodle products.

The growth of quick commerce is notable in our other categories like personal care as well. This aligns with global trends, where convenience shopping becomes increasingly important. Quick commerce is effectively fulfilling the convenience shopping mission and is performing well in the top cities where it is available.

Q. Do you have any message for the equity markets?

A. I believe HUL is the best pick for anyone looking to invest in the long-term growth story of both India and the FMCG industry given we are very well-placed to leverage this opportunity. We represent a top-tier global company in the consumer sector, poised to thrive as the Indian market expands two or threefold in the foreseeable future. With per capita consumption still low, we anticipate continuous growth across urban, suburban, and rural areas.

I've witnessed similar growth patterns during my time in China and Southeast Asia. The potential in India is enormous. We shouldn't focus too much on short-term fluctuations; our track record over the last decade shows nearly double-digit EPS growth. We must remain strategically disciplined and focused on the long term.

HUL's strengths lie in its extensive reach, proprietary advantages, strong brands, and exceptional talent. This positions us well to capitalize on the growing consumer market. Investors are increasingly turning to consumer stocks, and HUL stands out.

We don't react to daily stock market movements; instead, we focus on what we can control. Our strategy is to consistently drive our core brands and cover all price points, from mass to prestige. We ensure our brands are superior in every aspect, maintaining both mental and physical availability, and constantly enhancing quality and benefits.

It's essential to remain patient and disciplined. Take the example of liquid detergents and fabric conditioners, which were niche markets 20 years ago but now represent a Rs 4,000 crore business for HUL. This growth resulted from decades of effort, gradually building momentum. We expect similar trajectories for other categories, and by staying focused and diligent, we'll continue to lead this growth.

Q. The inflation-deflation cycle that we have seen in the past couple of years, do you see that stabilising now?

A. Commodity prices have generally decreased significantly, with a few exceptions like coffee, which continues to rise. While some commodities are experiencing slight increases now, they remain within a range. For instance, tea prices are firming up, but overall, commodities that matter most to us are relatively stable at the moment.

Also Read: [HUL expects low-single-digit price growth in 2nd half of FY25](#)

In terms of inflation affecting purchasing power, we see this impact diminishing. These factors contribute to better affordability, leading to increased volumes across categories. This is particularly evident in rural and lower urban areas, where we observe a rebound in volume growth

Q. Are you reassessing any parts of your portfolio, particularly in light of your recent sale of the water purification business? Is this part of your capital allocation strategy? How are you approaching the three pillars of capital allocation: acquisitions, dividends, and investing in existing businesses?

A. To put things in perspective, the brand (Pureit) we built over the last 20 years, while a pioneer in India, constitutes less than 1% of our sales. It operates under a very different business model, requiring different competencies and levels of service. It's better suited to potential new owners, and we aim to close the transaction by the end of the year.

Also Read: [Hindustan Unilever to sell water purification business to AO Smith India](#)

We have a focused portfolio. We have split Beauty & Wellbeing and Personal Care, creating four major divisions. Our guiding principles are to pursue growth areas, focus on a few major initiatives, and cater to large-scale aspirations in India. Focusing on our top 20 brands and major innovations is beneficial. This move aligns with our strategy to concentrate on significant opportunities. Thus, the sale of Pureit was a move in that direction.

In terms of mergers and acquisitions (M&A) and capital allocation, our priority is to grow our core brands or introduce Unilever brands to the market. For instance, we are scaling Love Beauty and Planet and Simple in India. Any M&A activity must meet criteria such as strategic fit, complementarity, and a strong commercial case. This disciplined process has led to acquisitions like OZiva, where we hold a majority share. OZiva, already surpassing Rs 150 crore in annual recurring revenue, is a key part of our health and wellbeing expansion strategy.

Over time, we have traditionally acquired brands that met our criteria of complementarity, where we believed we had the right to win, and were available at a good value. Indulekha is a great example, having grown 4-5X in scale and expanding into multiple categories. We see a bright future for it, especially in the premium Ayurvedic therapeutic segment. Similarly, the acquisitions of Horlicks, Boost, VWash, OZiva and our investment in Wellbeing Nutrition reflect our strategic approach.

We continuously assess opportunities, particularly in the beauty care and food sectors. If a brand fits our needs, we consider bolt-on acquisitions. However, any potential acquisition must pass a rigorous evaluation process: first, we assess if we can achieve the same with our own brand; next, we consider if a Unilever brand can fulfill the need. Only then do we proceed with the acquisition.