

September Quarter 2026

Earnings call of

Hindustan Unilever Limited

October 28th, 2026

Speakers:

Ms. Priya Nair - Chief Executive Officer & Managing Director

Mr. Niranjan Gupta - CFO, Executive Director, Finance

Mr. Yogesh Mulgaonkar - Head of Investor Relations & Vice President Finance, Beauty & Wellbeing

Moderator: Ladies and gentlemen, good day, and welcome to the Hindustan Unilever Limited Conference Call for the Results of Quarter ended 30th September 2026. As a reminder, all participant lines 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 this conference, 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. Yogesh Mulgaonkar, Head of Investor Relations and Vice President, Finance, Beauty & Wellbeing. Thank you, and over to you, sir.

Yogesh Mulgaonkar: Thank you, Dorwin. Good afternoon, everyone. Welcome to the conference call of Hindustan Unilever Limited. Today, we will be covering the results for quarter ended 30th September 2026. On the call with me is Priya Nair, CEO and Managing Director; and Niranjan Gupta, our CFO. We will start with prepared remarks from Priya and Niranjan. We expect this to take around 15 minutes, leaving us approximately 45 minutes for the Q&A session. We will look to end the call by 5:00 p.m.

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, Priya.

Priya Nair: Good afternoon, everyone. Thank you for joining us on the call today. Welcome to the September quarter earnings call of financial year 2027. Let me begin with an update on the operating context, followed by key performance highlights. Subsequently, Niranjan will take you through the quarter results and conclude with the outlook.

During the quarter, the global geopolitical environment was volatile, and commodity prices remained elevated. The Indian economy continued to demonstrate resilience with GDP growth of 7.8% in the first quarter. High frequency economic indicators remained healthy in September quarter, pointing to a sustained economic momentum. Demand conditions remained positive,

supporting a favourable consumption environment. In this context, we delivered a Turnover of Rs. 18,071 crores with a 15% Underlying Sales Growth, our highest in the last 14 quarters. Underlying Volume Growth remained strong at 7%, underpinned by disciplined execution and ongoing portfolio transformation.

Performance was broad-based across segments with Home Care and Beauty & Wellbeing delivering strong double-digit USG driven by strong double-digit UVG. Personal Care and Foods also saw a sequential step up, delivering 9% USG each. Along with this momentum, we continued to strengthen our competitive position. This strong top line performance also translated into a healthy profit growth with Profit After Tax before exceptional items growing 9% to Rs. 2,795 crores.

Looking at the first half as a whole, Turnover reached Rs. 35,255 crores with 12% Underlying Sales Growth and 6% Underlying Volume Growth. PAT bei grew 9%, reflecting consistent delivery across both the quarters. Together, sustained top line momentum, strong volume performance and robust profit delivery underscore the strength and resilience of our business model.

The Board approved an interim dividend of Rs. 19 per share for the financial year ending 31st March 2027.

During the quarter, we unveiled our 'Winning In New India' strategy at our Capital Markets Day. We believe that India presents an incredible opportunity for growth in the consumer products industry. New growth pools are emerging across channels, geographies and consumer cohorts, each requiring differentiated capabilities and an approach to win.

With our scale, portfolio breadth and executional capabilities, we are uniquely positioned to capture these opportunities across the four growth pools of consumption, premiumisation, market making and new spaces. We will power this ambition by crafting desirable brands that consumers love, building a future-fit go-to-market and leveraging AI as a distinctive competitive moat.

Underpinning this strategy is our value creation model focussed on generating fuel and stepping up our investment for growth. Our talent, culture and ESG

remains the foundation of how we operate and win. Together, these strategic choices position us well to deliver on our ambition of competitive, volume-led profit growth.

In line with this strategy, we executed several actions during the quarter.

We continue to invest behind our brands to drive their desirability. A notable example of this is Simple barrier repair range designed for consumers with sensitive skin. Powered by pro-ceramide, the range delivers proven efficacy by providing a superior sensorial experience, reinforcing Simple's expertise in sensitive skin. Many such examples across categories are helping us deepen our consumer engagement and unlock future growth opportunities.

Similarly, we continued to build a future-fit Go-to-Market by tailoring our approach to the unique needs of each channel. In general trade, we expanded our coverage by adding 30,000 outlets this quarter while delivering healthy double-digit assortment growth. In modern trade, we stepped up investments behind category development, nearly doubling the asset deployment over the last 2 quarters. In e-commerce and quick commerce, our technology-led capabilities continued to drive sequential improvements in service levels. Our omni-channel strategy continues to be a powerful driver of competitive growth.

New spaces are an important growth engine within our strategy. During the quarter, we extended Horlicks into the fast-growing protein segment with the launch of Horlicks Protein Powder. Leveraging Horlicks' nutrition credentials, the offering is designed to cater to consumers' everyday protein needs. We are encouraged by the early traction and see significant opportunity to build our presence in this category.

Lastly, amid a volatile global geopolitical environment, our agile procurement and supply chain capabilities, combined with our financial resilience proved to be a competitive advantage. Our global sourcing network ensured continuity in key input materials, while our manufacturing and distribution network responded swiftly to evolving market conditions. This agility underpinned by technology and executional excellence also earned external recognition with

HUL being named the 'Top Supply Chain Icon' by the prestigious Institute of Supply Chain Management in its 2026 ranking.

Taken together, these actions demonstrate how we are winning in new India and bringing the strategy to life, strengthening the business today while building capabilities and growth engines to win in the long term.

With this, let me now hand over to Niranjan to take you through the results in detail.

Niranjan Gupta: Thank you, Priya, and good afternoon, everyone. I will start with quarter performance and then close with outlook.

As Priya mentioned earlier, we delivered strong top line performance this quarter with USG of 15% and UVG of 7%. The strong UVG despite price increases depict the strength of our brands and resilience of our portfolio.

Moving on to profitability. We delivered EBITDA Margin of 22.6%, well within our guided range. Absolute EBITDA grew 8% year-on-year to Rs. 4,089 crores, while PAT before exceptional item grew 9% to Rs. 2,795 crores. Reported PAT remained same as last year due to one-off tax-related gains of Rs. 273 crores in the base period.

The combination of strong top line growth, healthy margins and consistent earnings growth reflect our disciplined approach of dynamic resource allocation, an important pillar of our value creation model in WINI strategy.

Let me elaborate on this further with reference to our first half performance. In the evolving input cost environment, we continued to manage pricing as a strategic investment lever. We took calibrated price increases only to cover the absolute impact of the higher cost. This helped us to protect our consumer franchise, sustain healthy volumes and strengthen market position.

Alongside this, we accelerated our savings agenda with a sharper focus on high-impact opportunities. This included the entire value chain cost and discretionary overheads, enabling us to improve cost efficiency while continuing to invest behind growth.

We continued to drive productivity in A&P through scale-led buying efficiencies and AI-powered tools such as Sangam, improving the effectiveness of our media investments. In Home Care, we selectively rationalised spend in line with category dynamics while increasing spend across the rest of the portfolio. Overall, our current level of A&P investments continued to remain competitive.

Collectively, these dynamic interventions have strengthened our performance trajectory with double-digit revenue growth and high-single digit profit growth.

Moving to segment performance for the quarter.

Home Care continued strong performance with USG of 22%, underpinned by double-digit UVG. Fabric Wash delivered strong double-digit broad-based growth across bars, powders and liquids. All brands contributed to performance, reflecting resilience of our portfolio and strength of our execution. Our premiumisation agenda continued to gain momentum with Surf excel Easy Wash, Rs. 99 powder scaling well and delivering double-digit growth.

Household Care accelerated its performance with double-digit, volume-led growth.

During the quarter, we continued to invest behind market development actions in Home Care liquids. This helped in deepening the format penetration and supporting volume resilience, leading to competitive double-digit volume-led growth.

Turning now to Beauty & Wellbeing. The segment delivered another quarter of double-digit growth, with USG of 16%, underpinned by double-digit UVG.

Hair Care accelerated its double-digit, volume-led growth trajectory. Performance was broad-based across brands and formats. Premium hair care and innovation, such as TRESemme Hydra Matrix continued to perform well. We continued to develop new formats like hair masks and serums through increased sampling and sustained media investments, bringing more consumers into the category.

Skin Care and Colour Cosmetics also delivered double-digit, volume-led growth. Premium skin care maintained its growth direction driven by double-digit growth in organised trade. Minimalist continued to build momentum with growth accelerating sequentially as we expanded the brand's offline presence. We continued to advance our premiumisation agenda with Dove, Vaseline, Simple and Minimalist expanding into emerging demand spaces through differentiated innovations.

Health & Wellbeing saw a subdued performance. The category fundamentals remain healthy, and we have a strong innovation funnel in place to drive growth as we move forward.

Moving on to Personal Care. This segment delivered Underlying Sales Growth of 9%. Within the segment, Skin Cleansing delivered a double-digit growth. Importantly, our market development actions in Pears and Dove bars continued to do well, driving double-digit volume-led growth. Bodywash continued to strengthen penetration and market leadership through step up in sampling initiatives and in-store activations.

Oral Care reported low-single digit growth in the quarter, but premium innovations delivered double-digit growth, aiding consumer upgradation to higher order benefit spaces.

Moving to Foods. The segment delivered USG of 9% with low-single digit UVG. Coffee delivered high-single digit growth, driven by volumes. Inflation moderated performance in Tea led by a softer performance in mass tea. Premium tea innovations, however, such as Red Label Instant Tea continued to scale very well.

Lifestyle Nutrition delivered another quarter of double-digit growth, driven by continued focus on execution and market development. Horlicks biscuits and Ready-To-Drink formats continue to grow well. During the quarter, Horlicks expanded into high-growth protein segment with the launch of Horlicks Protein Powder and is seeing encouraging early traction.

Packaged Foods as well delivered double-digit broad-based growth. We relaunched Kissan condiments with contemporary packaging and a sharper proposition, strengthening its relevance and appeal with consumers.

Now coming to the mid-term outlook. The underlying demand environment remains resilient, supported by healthy macro indicators. Backed by our 'Winning In New India' strategy to drive portfolio and channel transformation, we remain confident of growing ahead of the market.

Commodity inflation is expected to remain elevated. We expect medium-term EBITDA Margin to be within the current guided range of 22% to 24%.

Finally, our focus remains clear and unchanged, delivering competitive volume-led revenue and profit growth. With this, we conclude the remarks and I will now hand back to Yogesh to commence the Q&A session.

Yogesh Mulgaonkar: Thank you, Priya and Niranjan. With this, we will now move to the Q&A. We request you to kindly restrict the number of questions to a maximum of two at a time. In case you have any further questions, please join the queue again. In addition to the audio, our participants have an option to post the questions through the web option on your screen. We will take those questions just before we end. With that, I would like to hand the call back to Dorwin to manage the next session for us.

Moderator: Thank you very much. Our first question comes from the line of Latika Chopra with JP Morgan. Please go ahead.

Latika Chopra: First question from me is on volume growth and demand outlook. This quarter, you had 7% volume growth, implying a 2-year CAGR of 3.5-odd percent. Given the inflation that we are witnessing and you yourself have taken meaningful price increases, which is reflecting in better pricing growth, do you worry about any moderation in volume growth momentum ahead? And what are you witnessing on the ground, particularly in rural, we are hearing from certain sections that this could be something at risk. If you could give some comments on what are you witnessing right now? And how should one think about demand outlook?

Priya Nair: Hi, Latika, I would say to you that there are 2 things. One is it's important to look at the momentum on volume, not just the absolute volume. And why I say this is because at the same time, as you rightly mentioned, we have taken a meaningful price increase, we have actually seen a sequential improvement in volume momentum; and I am talking about the sequential momentum of volumes if you track over time. So that augurs well overall. And therefore, our focus will continue to be on volume-led revenue and profit growth. So that's simply sort of how we see it. And therefore, we remain confident of our outlook.

The second thing is in terms of the rural demand; we have actually seen a sequential increase in our rural growth and our rural demand is on the rise. We see both urban and rural growing at this moment. And our growth is quite broad-based, whether it is across categories, whether it is channels, urban, rural, at this moment, we are seeing a very broad-based growth. So hopefully that answers your question.

Latika Chopra: Sure. The second question was around pricing and the margin pressure due to input cost inflation. Given the pricing that you have taken during the quarter, do you think Gross Margins have kind of bottomed out in this quarter? Or you think one should continue to see some more pressure on Gross Margin trajectory and also in view of how you think about further pricing actions, if necessary?

Niranjan Gupta: So, Latika, the way we are using our pricing strategy during these inflationary times is to ensure that we pass on the absolute cost fully, and that's been our strategy. And that means that you are recovering the absolute cost and then leveraging all other lines of P&L to then look at the overall leverage, like you saw us having A&P productivity, you saw leverage in overheads that was there during this quarter.

So that's exactly how the playbook will be there moving forward because this is helping us get the volume growth. So, in spite of 8% price growth that we had, we still delivered a 7% UVG, and that's helped us deliver not just the top line, but absolute profit growth as well. So, this strategy that we have done actually augurs well.

And then the margin overall remained within the guided range of 22% to 24%. So, there is a cyclicity to the margins. But then structurally, if you see, our portfolio is positioned towards the higher margins as you would have seen in our Capital Markets Day as we move forward on our strategy.

Priya Nair: And Latika to add to it, I would say to you that we must remember what are the categories that HUL plays in. In the end, we play in everyday essentials. Whether it is laundry, whether it is dishwash, whether it is tea, whether it is soaps, our categories in general in consumer products, I would argue that the categories tend to be much less elastic compared to more discretionary high-value categories. And therefore, even when you go back in history, you see much less elasticity in our categories.

And in addition to that, given HUL straddles the pyramid from mass to premium, we have the portfolio spread because I cannot predict what is cyclicity, but we have the portfolio spread that goes across the pyramid from mass to premium.

Latika Chopra: Sure. No, that's definitely helpful. What I was trying to understand was if you look at your COGS mix today and the commodity price trends today, and I am sure you would have taken some calls on some commodity covers etc. Do you anticipate inflation to be meaningfully higher in the short term? And hence, it will necessitate more pricing? Any qualitative sense there?

Niranjan Gupta: So, Latika, as you know, it's very difficult to call out what will happen on the inflation moving forward. But when you look at the June quarter and September quarter, those 2 quarters have borne the brunt of the inflation, increase that has happened. And what we have done during that is to pass on pricing, which is equal to absolute cost. And therefore, when you see a margin reduction. If you look at sequentially, the margin has dropped by just 40 basis points on EBITDA Margin level.

So, as we move forward, then the significant inflation that JQ and SQ faced, unlikely that you will have that kind of inflation moving forward. But we will continue to take calibrated price increases in measured steps, following the same strategy.

Moderator: Our next question comes from the line of Mihir Shah with Nomura.

Mihir Shah: My question again is on Gross Margins. The contraction close to 400 basis points that we are seeing this quarter is quite high. So just wanted to understand the sharp price increase that you have taken up about 8%, does that fully cover the cost inflation on an absolute basis? Or there is more price hike that is left to fully cover on an absolute basis? Like, for example, tea, one of the other players indicated that they have taken another 8% price increase on tea solely. So have you taken all of them is what I wanted to understand. So that's question number one.

Priya Nair: Firstly, it depends on the category is what I would say to you, depending on the category, the situation is different. Tea, the inflation has been more in recency, and we have taken much of the pricing that we need to in tea as well. so therefore, the simple answer to your question of have we covered costs? The answer is, yes, we have covered cost.

Mihir Shah: Understood. Secondly, I wanted to just understand if you see the Gross Margin profile pre-COVID, it used to be around 53%, then it settled around 51% just about later on. And that is despite us taking in Horlicks and now even ice cream is no longer there. But Gross Margin profile has, over a period of time, kept on going down. How should one think about the Gross Margin profile over the near to medium term? Do you think that we can go back to that or we can exit around 50%, 51% of sorts by around 4Q or early next year?

Niranjan Gupta: So, while I won't talk about a numeric, but in the medium-term, if you look at it, and as we said and we presented at Capital Markets Day also. So, when you look at a 3- to 5-year horizon on medium term, the portfolio is structurally positioned for improvement in Gross Margin. And that is how you will see it moving forward.

Now in 1 or 2 quarters, there are cyclicals that come into play. But the short answer to your question is that structurally, the portfolio is positioned to improve Gross Margin in the medium-term.

Mihir Shah: Got it. Very clear. And lastly, what is your medium-term outlook on ad spend ratio, sales ratio, ad spend to sales ratio that you're thinking about, keeping in

mind the benefits that you are getting from Sangam, etcetera, how should one think about that ratio?

Niranjan Gupta: So, ad spend to sales ratio is not the right metric to look at. It is to look at the competitiveness of the A&P spend, and that we have many measurements like on traditional media, we have the measurement of SOV:SOM ratios, which actually even in this quarter moved from 1 to 1.1. As you saw in the Capital Markets Day as well, that there is a lot of productivity savings we will be getting in the A&P spend, arising out of nonworking media, arising out of use of AI tools, arising out of buying efficiency. So, we see 10% of savings coming through that.

So, the way to actually -- are the spends competitive? Number one, are your entire big bets fully funded? And are we doing full investment behind the brand? And the investment behind the brand need not just be in the A&P line. As we explained, it is in pricing, product, packaging across the lines, including A&P, of course.

Moderator: Our next question comes from the line of Amit Sachdeva with UBS.

Amit Sachdeva: First of all, congratulations on good revival on the BPC segment. So, if I go back 1 year, the growth was 2% and now it has consistently risen since then to 16%. I just want to ask whether the changes you have brought in, it seems to be more structural momentum. And I just wanted to ask whether it's sustainable in a similar fashion because this seems more structural than a bit of a one-off benefit.

And I would probably recollect the Capital Markets Day initiatives as well like basically premiumising and massifying the premium, all strategies were at play. Has some of that started to show that momentum we are seeing today? Or is it still to come? Just wanted to understand across the board, double-digit growth is very impressive. And should this momentum be continuing?

Priya Nair: So, I would say to you that across categories, that is absolutely the case that we are focusing on the portfolio transformation on our brands. So, I would say the way to think about it is the following: Firstly, even on our existing business, we have a huge headroom to grow. And I will go back to what we shared at the

Capital Markets Day, which is with our existing brands, we have a large headroom to grow.

You think about it in every category, whether you start with detergents with Surf excel, you start in Beauty & Personal Care with Dove, Vaseline, Pears, you go into Tea with Taj Mahal. I can just go on and on. The reality is that it's not just the size of the brand, it's the quality of the brands that is improving, and it's really the equity of the brands that's stepping up.

So, the first thing to think about is that really, we are going behind and this is what we shared of stepping up the desirability of our brands. So, the first focus for us is to step up the desirability of our brands, and we believe that's starting to show up, and it's very structural in that sense. So, when you think about structural actions, it's not just in terms of portfolio transformation, which you are referencing. It's also in terms of just making our brands stronger.

The second is in terms of execution and the work that we are doing on our channel transformation. So, one is in terms of brand portfolio, but the other is channel transformation, and the work that's happening whether in general trade on more stores, more specialised stores or in terms of organised trade, digital commerce. And the work that's happening to step up our execution is showing, and I referenced 2 numbers in my starting comments, which is we have added in general trade 30,000 stores. And overall, we have grown our assortment, which is channel into SKU mix - in double digits. So those are the 2 metrics we use amongst others, like distribution metrics, etcetera, to see how we are performing in terms of our execution in store, including the addition of a lot of visibility assets. And that's the third comment I made in my opening remarks in terms of the number of visibility assets we've added in store.

So, a mix of that along with all the actions we have taken to build our capabilities, whether it's the work that's happening on R&D to really step up on the science in our products or the work that's happening to build efficiencies and agility in supply chain. All of these are the structured actions. So, when you think about a structural shift, I would just say, yes, absolutely, portfolio is a part of it, but it's more

than portfolio, the brands itself and how they are strengthening the channel, the portfolio and how we are bringing our brands to life in the market.

Amit Sachdeva: That's very helpful. Very encouraging to hear that the plan that you put in place is in the works, and I wish you all the best on that. My second question, because I am referring to Niranjan's comment about that passing on the cost increases just enough to sort of cover the cost and maximise the volume growth, which seems sensible. But I am just also thinking this is a year where pricing is large part of the equation. And I would also reckon that in such environment, Unilever tends to benefit with market share gains and things like that.

I probably see that the operating leverage that you should have kicked out or at least unlock, that is not there. You allow the margins to fall a bit too much, it seems. And that's the reason despite such a good revenue growth and operating leverage that comes part of it. The earning growth seems to be a bit lacklustre. And especially coming from Home Care and if I may say, just the soaps portfolio because other 2 businesses, actually margins have risen or at least margins are flattish. So how do we think about that?

Priya Nair: So, you know while Niranjan, of course, will answer in more detail, I think you must think of it as the input cost comes fast and the price takes time to catch up. That is always the case when there is inflation in the market in the manner that we have seen inflation. So don't look at it just in a quarter. That's what I would say to you. Think about it as how input costs go up, and we rightly take the right time to put pricing into the market with consumers. And the rest, I will leave for Niranjan.

Niranjan Gupta: Yes, absolutely. And look, it's not correct that we haven't got operating leverage. I mean you look at the Gross Margin, which is 400 basis points year-on-year drop, while our EBITDA Margin has dropped 140 basis points. So, there is a 260-basis point that has been made up, and it's not A&P cut actually, yes, which you see. So, there's another expense operating leverage. Even within A&P, there is an operating leverage because we start getting operating leverage when we operate at this kind of scale of A&P when you look at it because ideally, A&P should grow in line with just volumes. So, you get the operating leverage automatically along with the efficiencies. I think as a combination, we do have it.

And the second point I would like to say is, again, I would have a point of difference of opinion on this that the profit earnings growth is lacklustre. This is a 9% profit growth that we have delivered this quarter after many quarters along with 15% top line. It's in line with our strategy of driving volume-led revenue and profit growth because you can recover margin in a hurry. You don't recover market share and growth in a hurry.

Amit Sachdeva: Fair enough. Clearly understood. I didn't mean to say it's lacklustre. Just mean that such revenue growth could unlock a little bit surprising trajectory of earnings as well. But I take your point, and I wish you all the best.

Moderator: Our next question comes from the line of Arnab Mitra with Goldman Sachs.

Arnab Mitra: Congratulations on a strong momentum on the top line. I wanted to understand this big divergence between Home Care, B&W on one hand and PC and Tea on the other hand, is the market growth itself diverging in these categories? Or are you seeing stronger market share gains in Home Care, B&W? And a related question is, do you see, therefore, in the second half or as you go ahead, actions you have taken on Tea and Personal Care to see some improvement from the volume trends there?

Priya Nair: So firstly, on Personal Care, we feel happy with the momentum we are seeing quarter-on-quarter sequentially, Arnab, in our business. We are happy to see that sequential momentum. And that's especially given you are well aware the 2-year palm inflation that we have seen leading to a much more subdued market environment, but we are happy to see the momentum we are beginning to see, especially in our soaps business. So that's the first thing in terms of soaps.

On Tea, it has certainly been subdued this quarter especially in mass tea, where inflation levels were high. We are seeing how that will even out as this settles in terms of tea inflation.

Arnab Mitra: And just on a related question on market share, is it the Home Care, B&W growth? Is it because of market share gains? Or are you seeing industry growth itself being resilient in those 2 categories?

Priya Nair: Overall, we are seeing growth as resilient and positive across the board, whether it is, as I mentioned, across categories or across geography, channel constructs. So overall seeing consumer product momentum across our categories is positive. And I think it's also the work, Arnab, we have begun to do on our brands, on our execution and the fundamentals are very important. And there will always be cyclicity that is involved, but the fundamentals are what you need to focus on.

Niranjan Gupta: And overall, at a company level and Home Care level, we have improved our market shares as well.

Arnab Mitra: Got it. And my second question, and sorry to again ask. This has been asked multiple times in the call. See, as we will go ahead in the second half, I think there are concerns around the poor monsoon, the rising inflation, there is some elasticity of demand with the pricing. You also have a slightly higher base. So, with all this in mind, would you have to actually improve your momentum, sequential momentum, as you said, to sustain these kinds of growth rates as you go forward? Or should we expect some moderation as there is a rebalancing between price and volume as you go ahead?

Niranjan Gupta: So, Arnab, first of all, our momentum has been sequentially improving over the last 3, 4 quarters, as you would have seen. And also, like earlier as we said in the call, really, the base comparison may not be like-for-like, just given that this volume growth is coming on the back of high price growth as well. So, I think these 2 factors need to be kept in mind. Now as we keep moving forward, first of all, we do see demand still holding up and clearly being positive. The macro indicators continue to remain resilient.

As we move forward, like any other thing, we will be tracking what happens as the impact of monsoon and the inflation. And as inflation keeps, let's say, moving up or depending on that, we will continue to take calibrated price increase. Now some bit of our categories has far less elasticity. And we have been saying that 2 quarters back as well. And we have seen that now for 6 months that our categories face far less elasticity, and given our brand and portfolio, we are even less elastic as far as our portfolio is concerned. But having said that, some part of the rebalancing may happen.

Moderator: Our next question comes from the line of Kunal Vora with BNP Paribas.

Kunal Vora: A question on quick commerce and its impact. So quick commerce is expanding rapidly in the Tier 2, Tier 3 markets now. Can you talk about whether you are seeing any changes in consumption patterns in your categories due to QC? Specifically, is it helping you expand your assortment? Is it helping the newer competitors make inroads? Or is it hurting the kiranas, any observations on this?

Priya Nair: So, I think when you look at quick commerce, quick commerce actually is very beneficial because it has created a channel for premium products targeted to affluent consumers. And therefore, given that we have a higher index in premium versus mass. As these channels expand, we are able to grow the assortment in these channels. So overall, it's very beneficial when a premium channel emerges.

We are also working with all the players in quick commerce to ensure that we build together the categories and given our scale and size, that's a big opportunity. We are working jointly with the quick commerce players to grow the repertoire of consumers in those channels. So that's the work that's happening. And it's a great way to segregate and segment affluent consumers in the country today, and we see that as a huge opportunity.

Kunal Vora: Understood. And is the supply to quick commerce in small towns done by the local distributors? Or is it centralised?

Priya Nair: Quick commerce players are mostly direct.

Kunal Vora: Understood. And just one last question. You answered a bit about it, but your ad spend to sales is around the lowest point in almost 20 years. Are we at the bottom or this can be optimised further without hurting volumes?

Priya Nair: I think Niranjan already covered it, but I think we need to understand the leverage of scale even in advertising. You don't just keep increasing absolute numbers when you grow at the scale of HUL and these numbers. So firstly, I think we need to understand there's leverage of scale even in advertising numbers.

The second, I think he covered in terms of the efficiencies in terms of how we are calibrating. The other thing is that we will have to look at it differently by different

categories. In Home Care, we have been more calibrated because it was right because we are faced with significant input costs.

Yes, we have increased our spends in other categories where we believe we weren't passing on the same kind of pricing to consumers. So, we have to be calibrated about it. But the most important to think is, a point I want to leave you with is that you have got to think of the absolute benefit that we get with our scale when we grow at this manner as well.

Niranjan Gupta: Absolutely. And just to give numbers also, for instance, in Home Care, we cut our A&P this quarter by Rs. 250 crores almost. While in all the other categories, we have increased the absolute spend. So, it's a very, very considered choice that one makes. And even while doing so, our ad spends have been competitive. So that's the way to look at it.

Moderator: Our next question comes from the line of Nihal Jham with HSBC.

Nihal Jham: I have 2 questions. The first was on the Beauty & Wellbeing part. We have obviously seen the strong growth pickup. Just wanted to understand that how is the drag from the mass portfolio? Has that sort of normalised and so even GAL has stopped reducing on a Y-o-Y basis, and that is also something that is helping growth improve?

Priya Nair: Yes. I think firstly, it's a very good outcome for us on beauty. We have seen a strong uptick in our demand in our beauty business. And I will go back to what I said. It's a mix of firstly, all the work that's happened on our brands and strengthening our brands in our Beauty business.

The portfolio transformation that's been underway in our Beauty business over the last 2 years, whether it is the addition of new brands, whether it's the acquisitions that we have made, all of it is starting to pay out, combined with a lot of executional intensity in our Beauty business on the ground, whether it's in the specialist channels in general trade or in modern trade and digital in which beauty has a large contribution, all of that is what we are starting to do. And that's really the structural shifts that we are making is what's paying off in our Beauty business.

Nihal Jham: Sure, Priya, got that. And generally, for the mass portfolio, that is also seeing growth on a Y-o-Y basis?

Priya Nair: Yes. Overall, across the board for HUL, as I said, the growth has been quite broad-based, whether it is channels, brands, we have seen broad-based growth. Of course, structurally, the market grows faster at some ends and some parts versus others. So that's the nature of the market. I think it's important to see given our portfolio, the total growth.

Nihal Jham: Got that. Priya, the second question was on Home Care. So here, I think you made the statement also that I think ex Home Care, the other parts of the business have seen an increase in advertising spend. So, we have obviously moderated more in the Home Care segment. And if I look at the EBIT growth in that segment for the last 2, 3 quarters, we have sort of seen a moderation whereas the top line as well as the volume growth has been extremely strong.

So, what is the strategy here? Is it that we are completely focused on volume growth that even at this point in time, margins are just a secondary consideration because the prima facie thought here would be that you could have let gone of some volume growth and maintain margins. Just thinking aloud on your response to that.

Priya Nair: Yes. I think, again, I would say 2 or 3 things and Niranjan can add. The first is when input costs go up steeply in a category like Home Care, there is always a lag in price versus cost. So that's the first thing and that takes time, and it's been rising, which we all have seen because it's a petrochemical-based product. So therefore, in that sense, there is a price versus cost lag in Home Care.

The second is that you must look at absolute growth and absolute profit, especially in an inflationary time. These are all cyclicity, right? This is not structural. Structurally, our Home Care business is extremely well placed. We are bigger in premium than we are in mass. We are the leaders of fabric conditioners. We are leaders in liquids. So structurally, our Home Care business is a more premium business. Therefore, it's not a structural change in our margin structure. It is really the cyclicity of inflation.

Niranjan Gupta: In fact, just to add to what Priya is saying, if you look at your absolute EBIT margin of Home Care, it's 16% on a revenue base in the quarter of very close to Rs. 7,000 crores. So, it's a sizable EBIT that we are generating on Home Care as a stand-alone profitability as well. And like we have said, it's more about the lag impact and the strategy of passing absolute cost, which protects the consumer franchise and then ensures that our competitiveness keeps on improving.

Nihal Jham: I will just have one quick follow-up. So, is there a case that you highlighted the margins that historically they have been in the 19%, 20% range that with the price hikes, this can sort of start aligning to that in the coming quarters for the Home Care segment?

Priya Nair: Yes. I don't want to comment on specific guidance on a specific subsegment. So that's not something we comment on. We will continue to focus on delivering volume-led revenue and profit growth.

Moderator: Our next question comes from the line of Siddhesh Deshmukh with IIFL Capital.

Percy Panthaki: This is Percy Panthaki here. Am I audible?

Priya Nair: Yes, you are.

Percy Panthaki: Team, 2 questions from my side. So firstly, in the soaps business, I understand that Lux is doing very well. Pears, Dove also is doing well. The weak point has been Lifebuoy, and this has been the case since many quarters now. And it doesn't seem to be just that people are not gravitating towards a germ control platform because my understanding is that Dettol is doing exceedingly well. So just wanted to understand what steps are we taking?

First of all, what is the sort of problem with Lifebuoy as to why it is not performing well. And secondly, what are the steps being taken to sort of remedy this situation? That's my first question.

Priya Nair: Yes. So overall, if you look at our soaps business actually, we mentioned, that we are quite happy with the sequential performance of our soaps business, where there has been a step-up sequentially growing double-digit on cleansing is what we mentioned. So, we are very happy with that performance. The market overall

moves from mass to premium, from hygiene to beauty, from the soap bars now to liquid soaps. And that's the nature of the trajectory. And our portfolio is very well placed where the market is shifting. That's really the focus of our strategy in soaps is to really go where consumers are going in the market.

And Lifebuoy is that is a mass brand in the category, and there's a lot of uptrading, and it's happening to our own brands, and it's in our favour. We are also doing lots of work to ensure that we stay competitive in the segment in which it operates. And there's work happening, whether it was the launch of Lifebuoy Ice Bath or it is more work that you will start to see. Not all of it is in the market, but it's a very important brand for us, and it continues to enjoy a very, very strong consumer franchise.

Percy Panthaki: Got it. My second question is on margins. While you have been quite kind to provide a guidance of 22% to 24%. I believe that's for, let's say, the next few quarters. But if I were to look a little bit more into the future, let's say, a 3- to 5-year kind of time horizon, do we have some kind of aspiration in mind for the margins? I mean, the peak margins that we reached pre-COVID has been 25%. Is that sort of a fair number for you as a company and us as equity market participants to aspire HUL to reach in the next 3 to 5 years?

Niranjan Gupta: So let me just answer it rather numeric terms. The reason we expanded the margin guidance, yes, because earlier there was a margin guidance. We expanded it 50 bps on either side, was that there will be cyclicity at times, which take it to the lower end of the range. But structurally, our portfolio over the next 3 to 5 years is moving towards higher-margin profile.

So, when you look at like Priya just said, you look at Personal Care, we are talking about Dove, Pears, all that growing. You look at even foods business, we talked about premium tea, premium innovation is doing well. So, you look at across the portfolio, the structural move on the portfolio is towards higher margin. And which is where we said structurally, portfolio is positioned towards higher. But cyclically, that is where the lower end of the margin happens.

Percy Panthaki: Just a follow-up on this. While structurally, the Gross Margins of the portfolio will increase, a lot of these are sort of D2C launches, etcetera, which require a huge amount of ad spend. So, at an EBITDA level also, do you think the structural sort of tailwind exists?

Niranjan Gupta: Actually, not for us because it's not that all our launches are white spaces are in D2C spaces. So, in a sense that our growth, like in our strategy we laid out is coming through 4 pillars of growth, which is consumption, premiumisation, market making and white spaces. So, it's not true that this is about the white spaces launches. Yes, there will be a big bets. There will be new entries which will get funded, and we will keep calibrating that how much do we fund for future growth and how much is the overall top line and bottom-line growth.

Moderator: Our next question comes from the line of Harit Kapoor with Investec.

Harit Kapoor: Just had one question. If you could just reference your experience on periods of high inflation, and how that kind of affects market and your growth? This is specifically on 2 or 3 counts. One is, do you see a situation where you as a company have gained share from smaller players during this period because that seems to be how it has played out historically.

Secondly, do you see a slower rate of premiumisation in periods of high inflation? And is that a point as well that one can expect at least in the near to medium term? And third is, does rural get a bit softer as compared to urban? So, on all these factors, maybe if you could just reference your experience and give an outlook on how do we expect this to play out this time around from your perspective?

Priya Nair: Yes. Overall, when you look at inflation, and I think inflationary period, I think you need to think about 2 things when it comes to consumer products and especially in the categories in which HUL plays. Remember that most of the categories in which HUL plays are essentially everyday essentials and staples. And I think these are very important. I mean you are talking about detergents, dishwash, tea, coffee, soaps, shampoos. These are all everyday essential categories. And the

overall outlay as a percentage of the wallet of consumers is low versus other big discretionary or big spends that consumers have.

So, in inflationary periods, first, those spends are getting squeezed more than what soap or shampoo she buys. And the benefit of HUL is our portfolio, right? And the fact that we straddle the pyramid. So, if you think about our detergent business, we are by far the leaders in premium, but we are also now the leaders in mass with Wheel. So, there might be a cyclical nature of markets that happens. The question is how well our brands are placed. Do we have the portfolio that straddles the pyramid and how you manage these cycles. And I think this is really what we have been doing over the last few quarters, and we will continue to do.

Harit Kapoor: Priya, I was just asking from also the perspective of UVG because UVG is a function of volume and mix for you. So, is there any concern from your perspective that at least the mix part of the UVG could see a little bit of a slower rate of expansion at least in the near to medium term? Or do you feel in periods of high inflation that has not been how it has played out for HUL?

Priya Nair: Yes. Overall, I don't want to get in the mix of volume versus mix, etcetera. But what I want to say structurally, I don't want to comment in near-term. But structurally, what we are doing is exactly what Niranjan said, is that our focus is to drive more premium, more market making, more new profitable spaces. These spaces are not low profit. And I think we explained at the Capital Markets Day, the choices we will make are where we see profit pools in the future. So that's really how we are seeing our business. It's structurally moving towards these higher-margin segments. And as the contribution of those brands, categories, formats increase, we are structurally in a better place on margin.

Moderator: Ladies and gentlemen, I would now like to hand the conference over to Mr. Yogesh Mulgaonkar to take up questions from the web. Over to you, sir.

Yogesh Mulgaonkar: There is one question from Tejash Shah from Avendus Spark. The question is on Health and Wellbeing, subdued performance. What are the factors behind the slowdown? Is it more market or market is positive? And what actions you are driving for this and for the interventions?

Priya Nair: Yes. So firstly, we are very excited about the market, the wellbeing and the wellness market. It's still a very small market and very niche in terms of the consumer penetration, given that it is still in the hands of few and affluent consumers at the top end of the pyramid. It's a huge opportunity and headroom for growth for our brands. If you look at the CAGR and the size of OZiva since acquisition, it's extremely positive for us as a company.

If you look at the 2-year CAGR of OZiva, it's beyond strong double digits. So yes, in the short run, the performance has been more subdued. And these brands don't tend to be linear in growth. You won't see like just linearity of growth. So, we feel very confident with the lineup of work we now have on the brands, the innovation funnel, and we will fix this in the quarters to come. It's only a matter of time.

Yogesh Mulgaonkar: There's one more question from Ajay Thakur from Anand Rathi Securities. Can you share more detail on the current demand environment, specifically in rural India? Are there any signs of downgrading or downtrading considering there is potential food inflation?

Niranjan Gupta: So right now, as we have mentioned already that the demand remains positive. In fact, we are seeing our own growth coming from rural stepping up in the last 4 quarters sequentially. So that's what we are seeing today. And when we are looking at also in terms of the overall economy growth or in terms of the macro indicators, the high frequency, they are all positive and trending in that direction. Yes, we may need to continue to monitor a couple of developments, which is on the inflation side and on the monsoon-led impact on the crop. But having said that, the contribution of agricultural GDP has come down significantly to overall GDP in the last 20 years. Now it's just 15%.

So, the overall impact is minimal, plus it's also cushioned by various factors. One is MSP increases that happened. The MGNREGA benefits that goes there. And overall, we have seen, if you see the data that the source of income for people living in rural actually now 30%, 35% is coming from non-agri sources. So that also insulates coupled with the propensity to spend. So that's where we are. But

having said that, we will need to continue to monitor this as we move forward. As of now, it remains positive.

Yogesh Mulgaonkar: Thank you, Niranjan. With that, we now come to the end of Q&A session. Before we end, let me remind you that the playback of this event will be available on the Investor Relations section of our website in a short while. Thank you, everyone, for the participation, and have a great day. Thank you.

Priya Nair: Thank you.

Niranjan Gupta: Thank you.

Moderator: Thank you. On behalf of Hindustan Unilever Limited, that concludes this conference. Thank you all for joining us. 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.