



“March Quarter and Financial Year 2025 Earnings call of Hindustan Unilever Limited”

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Speakers:

Mr. Rohit Jawa, Chief Executive Officer and Managing Director

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

Ms. Shilpa Kedia, Group Financial Controller & Head Investor Relations

Moderator: Ladies and gentlemen, good day, and welcome to Hindustan Unilever Limited Conference Call for the Results of March Quarter and Financial Year ended 31st March 2025. 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 call, please signal an operator by pressing “*” then “0” on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Shilpa Kedia, Group Financial Controller and Head of Investor Relations. Thank you, and over to you, Ms. Shilpa Kedia.

Shilpa Kedia: Thank you, Neerav. Good evening, everyone. Welcome to the conference call of Hindustan Unilever Limited. This evening, we will be covering the results of March quarter and financial year ended 31st March 2025. On the call with me is Rohit Jawa, CEO and Managing Director and Ritesh Tiwari, CFO.

We will start with the prepared remarks from Rohit and Ritesh. We expect this to take around 30 minutes, leaving us with approximately an hour for the Q&A session. We will look to end the call by 5:30 PM. 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, Rohit.

Rohit Jawa: Good evening, everyone. Thank you for joining us on the call today. I'll begin with an update on the operating context for financial year '24-'25, followed by an overview of our performance and key highlights for the year. Subsequently, Ritesh will proceed to detail our quarterly and financial year performance, concluding with the mid to near term outlook.

FMCG market witnessed subdued demand trends in the financial year '24-'25. Rural demand continued to improve gradually while urban demand moderated over the year. While syndicated data is available only for general and modern trade, we also incorporate e-commerce data from our partners for internal tracking. Including e-commerce data, urban demand continues to moderate during the year, reflecting a trend similar to that observed in the shared chart.

Commodity movements displayed divergent trends this year. Significant inflation was observed in palm oil, tea and coffee, whereas crude oil, soda ash and skimmed milk powder were deflationary. Palm oil and tea prices have eased sequentially, while rupee has further depreciated against the dollar. Given the current geopolitical climate, we will continue to closely watch this space for any volatility.

In this backdrop, we focussed on our priorities of driving volume growth and strengthening competitiveness. We delivered a turnover of Rs. 60,680 crores with an underlying sales growth of 2%, driven by an underlying volume growth of 2%.

Our pricing actions are guided by net material inflation. For full year 2024 - 2025, NMI remained flat, indicating that inflation in some parts of the business was offset by buying efficiency, savings and deflation in the other parts of the business. Subsequently, our underlying price growth for the year was near zero. Gross margin at 50.3% was down 50 bps year-on-year, primarily on account of business mix and increased investments across distribution channels.

EBITDA remained healthy at 23.5% albeit lower by 30 basis points year-on-year. PAT before exceptional items grew 1% while PAT increased by 5% year-on-year after including the profit received from the disposal of Pureit. While our absolute volume tonnage grew competitively, in the mid-single digit, it was partially offset by negative mix, resulting in 2% UVG for the year.

We continued to deliver competitive growth, further strengthening our market leadership during the year. Our ability to win competitively in the market is deeply entrenched in the strength of our brands. We have continued to invest in the drivers of preference, taking our brands from strength to strength. This is reflected in our unmissable brand superiority scores or UBS, with more than 80% of our business being superior to eyeball competition.

We spoke to you about our evolved strategy during Capital Markets Day, last year. We remain steadfast in our commitment to it, transforming our portfolio with pace, pivoting investments towards drivers of demand and accelerating future proofing of our distinctive capabilities while upholding our foundational pillars of sustainability and culture.

Our segmented portfolio approach facilitates better prioritization of resources and crafting of tailored strategies to maximize each portfolio's contribution to overall organizational growth.

We intend to keep our core contemporary and healthy as these brands are the source of our deep penetration and distribution might. Future Core entails brands that are at the sweet spot of premiumization. Our goal here is to unlock access of these brands to a larger number of consumers and as a result, grow faster than the market. Market Makers is where we are building new segments of the future. While it is currently a smaller part of our business, it will continue to grow rapidly in the years to come. We are very focused on increasing the pie by driving accelerated growth.

In full year 2024 - 2025, we made progress towards ambition for each of the portfolio segments. We relaunched two of our large Core brands, Lifebuoy and Glow & Lovely during the year, modernizing them to meet the evolving needs of consumers. Our Future Core portfolio has delivered competitive value and volume growth. In our Market Makers portfolio, where our focus is to accelerate portfolio expansion, we have delivered double-digit growth. Consequently, we have driven a 200 basis points portfolio shift from Core to Future Core and Market Makers in the year. This portfolio shift aligns with our mid-to-long-term strategic objective of achieving over 80% of our growth delta from latter two portfolios.

There are three brands in our Core portfolio where we need to improve performance - Lifebuoy, Glow & Lovely and Nutrition Drinks. Both Lifebuoy and Glow & Lovely have undergone a comprehensive 6P relaunch in response to changing consumer needs. We have more work to do in Nutrition Drinks and we will cover some more detail on it later in the presentation.

Lifebuoy has been dedicated to preventing infections and promoting health for over a century, continually evolving with the changing consumer preferences. After enhancing the product with Stratos technology, the brand has now elevated its proposition from illness protection to advanced skin protection benefits. Deeply intertwined with culture and tradition in India, the Maha Kumbh Mela provided the perfect backdrop to introduce the significant transformation at the largest religious gathering in the world. The relaunch

was strategically reinforced through elevated media investments, which included the onboarding of one of the nation's biggest celebrities as our brand ambassador and extensive digital advertising during the IPL. We also stepped up our investment behind on trend demand spaces by relaunching Lifebuoy Lemon, Aloe Fresh within the freshness segment.

We introduced Glow & Lovely with an elevated proposition of 'Newer Brighter Skin Every Day' and modern packaging. We pivoted our media spends towards digital media and social first initiatives, achieving higher reach and seeing a marked improvement in digital awareness. During the year, we focused on building a complete portfolio with Glow & Lovely, having previously launched the Glass Bright Gel crème and expanded into new future facing formats of sunscreens and serums.

We are confident that these actions will improve our performance of these brands over the next few quarters.

Moving on to Future Core and Market Makers. Let me share two examples of rapid portfolio transformations driven in the year.

Ponds has had a strong year of competitive growth driven by double-digit USG in its Future Core and Market Maker portfolios. This is an outcome of our transformation strategy that comprised three actions: elevating the brand, transforming the portfolio and rewiring our deployment.

We elevated the brand to a science and ingredient-first expert master brand with a significant upgrade to the visual identity and desirability. Consequently, we saw a significant uptick in our Unmissable Brand Superiority scores.

Sharpening the brand architecture of Ponds, we identified four distinct demand spaces where we will drive transformation. In this year itself, circa 2/3rd of our portfolio in Future Core and Market Makers was revamped to drive accelerated growth.

Given the rising relevance of Channels of the Future, we invested to win in specialized channels with sharp shopper acquisition playbooks. We pivoted our media spends towards digital channels, including Others Say and

performance marketing. Consequently, the brand has delivered even higher growth in the Channels of the Future.

As market leaders in Home Care, we have been pioneers of developing liquids market in the country. In the last 1 year, we further accelerated transformation in this space. We elevated functionality of the existing brands, amplified market development activities by expanding into Tier 2 price segments, expanded into adjacent white spaces and boosted premiumization through innovations. We invested in strengthening our brands, allocated disproportionate media spend and intensified design for channel pack launches to further create momentum in the Channels of the Future. Consequently, this portfolio delivered strong double-digit growth in the year.

Moving on, let me give you an update on actions taken under the Excel pillar during the year.

Building unmissably superior brands is crucial to drive competitive brand and category growth as well as market share. As I mentioned earlier, more than 80% of our turnover is superior to eyeball competition. Let me take an example of Surf Excel, a brand with the highest UBS score. In full year 24-25, the brand has crossed a milestone turnover of Rs. 10,000 crores, growing volumes in near double digit and further strengthening its market leadership position.

We identified six sizable segments where we are investing disproportionately to drive growth. These segments delivered double-digit USG in full year 24-25 and the part of this portfolio selling on e-commerce delivered circa 45% growth in gross sales value. In this quarter, we strengthened our presence in the wellbeing segment by introducing Liquid I.V., Unilever's biggest wellness brand.

We accelerated our digital media investments to drive social first demand generation through automated media planning. We amplified our influencer spends by circa 40% to increase impact generated by engagement and digital awareness of our brands. We have stepped up our execution and design for channel capabilities, customized to channel nuances during the year. Consequently, our on-shelf and online availability have gone up by 200 and 500 basis points respectively. Recognizing the increasing consumer

preference for q-commerce, we have also almost doubled our assortment to fully meet their diverse needs.

Under the WiMI 2.0 structure, we are looking at the opportunity within affluent agglomerations, to serve consumers with different needs and customize our mixes for them. There is a growing trend among consumers to utilize specialty channels to address their increasing diverse and specific requirements. Our specialty channels include health and wellness stores, premium beauty outlets and gourmet food retailers. By understanding the specific shopper behavior and channel requirements, we have been able to deliver solutions that resonate with the retailers and their shoppers. This targeted approach will help us strengthen our brand presence in these segments and cater to our consumers and brands.

As we build for the future, we are also looking to widen the competitive gap within our distinctive moats.

Our R&D function leverages Unilever's global R&D prowess for HUL. Differentiated and inimitable technologies form competitive moats for our business and we have identified three strategic next-generation science and technology platforms for the same. While these are multiyear research platforms for our business, they have already begun powering our recent Core and Market Making innovations such as the Vim UltraPro floor cleaner, Stratos soap bars in Lux and Lifebuoy and Dove Scalp+ Hair therapy range to name just a few.

We are focusing on creating a leaner, more digital and highly autonomous supply chain system to drive value in our operations. During the year, our Doom Dooma factory was recognized as an End-to-End value chain Lighthouse by the World Economic Forum. With this addition, HUL now holds the highest number of World Economic Forum recognized End-to-End value chain Lighthouses in India. This showcases our strong commitment to drive sustained improvements in productivity, quality, service, cost, and environmental impact by adopting fourth industrial revolution technologies at scale.

We are creating a kirana-centric, distributor inclusive model in our traditional trade that gives the power of anytime ordering and transparency to the retailer while increasing our assortment and service. With a direct value-weighted distribution of 69%, we are now servicing stores that cumulatively sell over 69% value of our relevant categories. This is a significant 400 basis point step-up in direct value-weighted distribution over a period of 18 months.

We have amplified our commitment to generating fuel for growth across our value chain by harnessing the power of AI, data and analytics to arrive at big, disruptive ideas across the value chain. During the year, we delivered robust net savings to the tune of 3.5% of our turnover.

We have executed several strategic portfolio decisions over the past few years to sharpen our where-to-play choices, notably accelerating this year.

OZiva, our Health and Wellbeing brand in which we acquired a majority stake in January 2023, has since scaled up its annual revenue run rate from Rs. 100 crores to Rs. 400 crores.

Last quarter, we announced the acquisition of 90.5% stake in Minimalist. As of 21st April, the closing formalities have been completed. The business delivered a turnover exceeding Rs. 500 crores in full year 24 - 25, and we are looking forward to unlocking the next phase of growth with Minimalist now becoming a part of the larger HUL family.

Divestment of Pureit was completed this year, unlocking value of circa Rs. 600 crores. The demerger of ice cream business is progressing on track with regulatory requirements, and we expect it to be completed by the end of financial year 2026.

In line with our strategy to strengthen business resilience, we announced the acquisition of a palm undertaking from Vishwatej Oil Industries Private Limited and announced our investment in Lucro Plastecycle Private Limited. The former will aid our palm localization strategy, while the latter is a step forward towards developing flexible plastic circularity. These value chain integrations are long-term strategic decisions, designed to strengthen our

business and partake in our firm belief of 'What is good for India is good for HUL'.

Before I conclude my prepared remarks, let me remind you of the strategic positioning of each of our business units. This here is the essence of our company and our approach towards driving future growth. We are organized into four integrated business units, each with a significant scale and deep expertise, effectively balancing focus and scale to ensure sustained superiority and winning.

With this, I will now hand over to Ritesh.

Ritesh Tiwari:

Thank you, Rohit, and good evening everyone. I will walk you through our in-quarter and financial year performance in more detail before closing with our outlook.

Rohit spoke to you about FMCG consumption trends and commodity price shifts witnessed in the year. Similar consumption trends have persisted in the quarter as well.

As far as commodity prices go for the quarter, Tea, Coffee and Palm oil have witnessed a high inflationary trend year-on-year, while Crude oil continued to remain deflationary. In this context, we delivered a competitive performance with an underlying sales growth of 3%, driven by an underlying volume growth of 2%. Calibrated price increases taken in Skin Cleansing and Beverages were largely offset by price reduction taken in Home Care.

Gross margin at 49.8% was lower by 160 bps year-on-year. This contraction in gross margin was driven by commodity inflation in Palm oil, Tea and Coffee that wasn't fully priced for. EBITDA margin remained healthy at 23.1%, albeit lower by 30 bps year-on year. Profit after Tax before exceptional items and Profit after Tax, both grew at 4% led out of interest income on prior period tax adjustment benefiting the other income line.

Coming to our segment-wise performance for the quarter. Home Care delivered another quarter of robust volume growth. Mid-single digit volume growth in the segment translated to a 3% USG as we continued to pass on the benefits of lower commodity prices to our consumers and ensured competitive pricing. Fabric Wash grew volumes in mid-single digit, led by

outperformance in Surf Excel and Comfort. In our journey of continuous consumer upgradation to higher order benefits, we relaunched our Surf Excel Smart shots. With proprietary formulation and advanced stain removal benefit, we aim to deliver delightful experiences to Indian consumers. Household Care delivered high single-digit volume growth. This was driven by strong double-digit growth in the liquids portfolio.

Consistent market development actions and strategic expansion across price tiers and demand spaces in Home Care liquids resulted in this portfolio's UVG growing 5 times faster than the rest of the portfolio.

Beauty & Wellbeing delivered a USG of 3% in the quarter. Hair Care grew in double digits, led by high single-digit UVG. Clinic Plus, Sunsilk and TRESemmé delivered double-digit growth. We continue to strengthen our market leadership, widening our gap to the nearest competitor. Channels of the Future sustained its strong double-digit growth trajectory.

Skin Care and Colour Cosmetics declined in low single digit primarily led out of mass skin care performance. Rohit spoke to you about the inputs that have gone into Glow & Lovely during the year. We are already seeing sequential improvement in the brand's performance and are confident that these actions will further improve performance.

Investments in the Channels of the Future, including assortment, targeted digital media deployment and collaborative category development have yielded positive returns. We delivered strong competitive growth in Channels of the Future with circa 40% gross sales value growth on e-commerce.

Backed by early success of our Vitamin C makeup range, we launched Lakmé's Hya Matte range, another product extension on the skinification trend. We also extended our Ponds Hydra Miracle range with two new variants that include active ingredients of Vitamin C and Salicylic acid.

With the onset of summer season, we strengthened our sun care range with multiple launches in Lakmé and Vaseline. As pioneers in beauty, Lakmé is taking a proactive stance to drive awareness, encourage transparency and accountability in the SPF space. Through the recently launched consumer awareness campaign, independent clinical research showcases the efficacy

of our SPF 50 claims. Lakmé has been conducting SPF tests for over a decade, grounded in globally accepted scientific protocols.

Personal Care grew 3% USG led by pricing, on a soft base. Skin cleansing delivered low single-digit growth. Last year, we spoke to you about four actions that we initiated to improve category performance. We are pleased to observe growth momentum come back in this category. Non-hygiene segment saw an acceleration in performance with high single-digit growth and body wash continued its double-digit competitive growth trajectory. We have relaunched Lifebuoy in the quarter and are confident of seeing gradual recovery over the next few quarters.

Oral Care grew in low single digits, led by Closeup. Expanding our play in the premium segment, we launched the White Now Closeup range that works on patented technology to provide 100% stain-free teeth. The launch was a 360-degree social-first media deployment and our foray into the premium plus segment.

Foods turnover declined by 1% in the quarter. Low single-digit pricing was offset by volume decline. Tea witnessed an improvement in sales trajectory, led by pricing. As market leaders, we remain committed to our journey of premiumizing this category and have launched our herbal infusion brand, Pukka in three flavors during the quarter.

Coffee continues to deliver double-digit growth driven by strong performance in Channels of the Future. Building on the success of our Bru cold coffee can, we recently introduced cold coffee in tetra pack in South with plans for further expansion to drive accessibility for this format.

Nutrition Drinks has declined in the quarter led out of category headwinds and transitional impact of pack price architecture changes landing with consumers. The next slide will cover the performance of Nutrition Drinks in more detail.

Packaged Foods delivered mid-single-digit volume-led growth. Driven by market development activities, our Market Makers portfolio continued to deliver strong double-digit volume growth.

Ice cream had a quarter of double-digit volume-led growth. We had exciting launches in ice cream this quarter to leverage the upcoming season, including Magnum Mini, Magnum Pistachio and Kwaliti Wall's Twister. We've also revamped our in-home business with a tiered portfolio structure, each with a different role to play.

Let me cover Nutrition Drinks performance in a bit more detail. Over the last few years, we have been able to increase penetration by unlocking access while also strengthening market leadership. However, we have been unable to drive consumption as overall category witnessed a drop in average household consumption. As a result, the category and our portfolio, both have declined. We are taking actions to address this category headwind and improve performance.

As highlighted in our Capital Markets Day, driving consumption is key focus for us in this category. We discussed the pack price architecture adjustments we are implementing to incentivize consumption. We are reducing the price gap between sachets and big packs in order to accelerate the pack upgradation journey of consumers. While all the changes have landed in the market, this was the first full quarter where consumers experienced the change. As the process of consumer price discovery is gradual, we are seeing some impact on account of this transition. As we gain a better understanding of consumer price and purchase intent, we will further refine the price incentive curve, if needed.

Going forward, we will deploy three broad vectors to step up consumption and premiumize the category. Number one, modernizing the core by enhancing nutritional benefits and relevance, to adapt to evolving consumer habits. Number two, intensifying our efforts in specialist nutrition by increasing condition awareness, strengthening product claims and expanding our medical marketing coverage. Number three, expanding the strong equity of Boost to other regions and into high-growth demand areas such as ready-to-drink formats. We anticipate that these combined actions will enhance consumption within this category.

Moving on to a summary of our financial performance for this quarter. I have taken you through top line numbers, margins and explained the impact of

interest on PPA on our other income line. Effective tax rate for the quarter was 25.7% after taking into consideration prior period tax adjustments.

Coming to financial year results. Rohit has already shared the headline performance at the beginning of the presentation. Let me quickly recap the numbers. Underlying sales growth for the year was 2%. EBITDA margin remained healthy at 23.5%. Profit after Tax at Rs. 10,644 crores grew 5% year-on-year, led out of profit from divestment of Pureit business. Effective tax rate for the year was 25.6% after taking into consideration prior period tax adjustments and impact of capital gains tax on profit received from disposal of Pureit. Excluding this, ETR would be 26.4%.

Moving to segmental performance for the financial year. Home Care delivered high single-digit UVG for the year, which translated to a USG of 5% as we continued to pass on the benefits of deflationary commodity prices to our consumers.

Beauty & Wellbeing grew USG at 2%, driven by volumes. While Hair Care had a strong year, delivering competitive high-single digit growth, Skin Care performance was impacted by mass skin care and delayed winter.

Personal Care, specifically Skin Cleansing, witnessed commodity prices transition from deflation to inflation over the course of the year. This, along with the subdued hygiene segment has resulted in a USG of -3% with a low-single digit decline in UVG. We have seen a gradual improvement in growth momentum for non-hygiene segment of Skin Cleansing over the last quarter. Oral Care delivered price-led growth.

Foods turnover was flat for the year with a low-single digit decline in volume. Robust performance in Coffee, Ice Cream and Packaged Foods was impacted by performance in Nutrition Drinks. Tea continued to maintain its market leadership.

Margins in all four segments remained healthy with Home Care at 19%, Beauty & Wellbeing at 32%, Personal Care at 18% and Foods at 18%.

Considering our performance for the year, the Board of Directors have proposed a final dividend of Rs. 24 per share. Together with interim dividend

of Rs. 19 per share and a special dividend of Rs. 10 per share declared in October '24, the total dividend for this year is Rs. 53 per share, which is a 26% year-on-year increase inclusive of special dividend. Our balance sheet gives us the flexibility of rewarding our shareholders with a steady stream of dividends reflected in our consistent dividend payout ratio of over 90% in the last decade.

Moving to our near to midterm outlook. We expect growth trends to gradually improve as a result of our accelerated portfolio transformation actions and improving underlying macro conditions. Macro conditions will benefit from monetary stimulus, tax relief, lower food and crude inflation and higher agricultural output. In this context, we expect first half of financial year '26 to be better than second half of financial year '25.

If commodities remain where they are, we expect price growth to be in low-single digit range. Commodity deflation in parts of the portfolio will largely offset inflation in others. Gross margin is expected to moderate further due to commodity inflation and our continued commitment to provide consumers with the right price value equation.

We will step up investments behind our multiyear market making platforms, Channels for the Future and strategic capabilities to successfully land our portfolio transformation. As a result, we expect EBITDA to be maintained in the range of 22% to 23%. We believe this is the right time to step up investments as we chart the future course of growth for the company in the backdrop of portfolio transformation actions and improving macro environment. With this, we conclude our prepared remarks, and we will now hand it back to Shilpa to commence the Q&A session.

Shilpa Kedia:

Thank you, Rohit and Ritesh. With this, we will now move to the Q&A session. 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. If there are any unanswered questions, we will take them at the end.

With that, I would like to hand the call back to you Neerav to manage the next session for us.

Moderator: Thank you very much. First question is from the line of Avi from Macquarie. Please go ahead.

Avi: See, I just wanted to understand this EBITDA margin guidance a little better. We've moderated it by almost about 100 basis points despite moderation in key commodities like crude, palm oil, which suggests there is a sharp adjustment in the price value equation versus, say, what you were discussing last quarter. Could you A. explain if that understanding is correct? And B. which are the segments where this adjustment is done because your strategic position does not suggest any particular segment. So, I would love to hear your thoughts on this, please.

Ritesh Tiwari: Yes. Thanks, Avi. So, the entire EBITDA change that we intend to do, which is basically moving from the lower end of the 23% - 24% range, which we had mentioned in the previous quarter to 22% - 23%, is essentially not price versus cost adjustment. The intention behind this change is to dial up investments across all the lines of the P&L. We have mentioned that at this point in time, there are two things which are happening. A. there are improving macroeconomic conditions, which will augur well for demand conditions. And B. the amount of portfolio transformation that we are ready with, to put investments behind, both put together, in our view, now is the right time to dial-up investments.

So, this 100 bps of EBITDA, let me say, from 23.1% that we have, if at all you go back to the range of 22% to 23%, will mean more investments in trade channels, it will mean more investments for product quality investments, it will mean more investments in A&P, it will also mean more investments in the 'other expenses' line of the expense line of the P&L, which is where we end up accounting for innovation costs like brand development, like market research. So, it is across all the lines of the P&L, where we'll end up investing for this EBITDA to end up dialing up growth. In terms of product segment, Avi, this is again broad-based, but between all the segments more dialed up to Beauty & Wellbeing.

Avi: Okay. More in Beauty & Wellbeing, but the gross margin and the product quality is going to be primarily over there as well? Or is it the other segments as well, especially -- so okay, let me be direct. Is there any increase in price-based competition in laundry, something that we saw a few decades back,

which we should be worried about, and that could be the reason for this correction?

Ritesh Tiwari:

Okay. So let me clarify. This EBITDA margin guidance change has nothing to do with Home Care pricing and price value equation. So that's number one. Number two, the reason we commented Avi that gross margin will see moderation because of the price value equation difference - this is normal to happen. Remember, the pricing logic that we always follow - Whenever we see inflation, in this case, read inflation of Tea, Coffee and CPO, which is Crude palm oil impacting Skin Cleansing and Beauty & Wellbeing. We always take price increase in smaller chunks, so that we're able to test the levels of price inflation we need to do in correlation to commodity inflation. So you always end up having a deficit of price versus cost in inflationary categories for inflationary commodities. Parallely, on the other side where commodities have a deflationary trend like Crude oil, there we take larger chunks of price decrease so that we're able to pass on bulk of the benefit in a quick manner to the consumers because we know that when you decrease price in a smaller chunk, you do have an impact of trade stock getting stuck when you end up making multiple price downs. Price-ups are easy to flow into the trade, price downs are not easy to flow into the trade.

So, this mechanism of inflation - deflation, whenever it happens in any quarter, will always lead to a price versus cost impact, and which is why we mentioned that gross margin will end up seeing moderation. But will the entire amount of EBITDA change go into price versus cost and gross margin line? The answer is no.

I did mention there are other elements of costs which get incurred in the line of gross margin, be it trade investments, which are above the line, which ultimately comes in gross margin, or product quality investment, which also comes in gross margin. So those investments will happen in the line of gross margin as well, which is one more reason why we mentioned that there will be moderation in gross margin.

Take an example, Avi. We have increased 400 bps of weighted value distribution. And this is in general trade, basically largely. And when you increase weighted value distribution, you increase your effort, which you do in distribution and of course, there's a cost to incur this effort. The cost gets

channeled through trade spends to our customers, and ultimately gets reflected in top line and in gross margin. So that's one of the examples why there are elements beyond price versus cost that happens.

And last, to conclude your starting question on Home Care, our pricing always has been - we react to commodity and we do our price changes to maintain competitive price value equation responding to change in commodity.

As market leaders, we always lead commodity trend-led price increase. When we see signals in the market on pricing, which are not linked to commodity movements, we follow.

Rohit Jawa:

If I may -- Avi, if I may zoom out a little bit to give another perspective to this discussion. We feel two things quite strongly. We think that on macro, the triggers are tending/ biasing towards positive now. For instance, all of the monetary changes on interest rates, the tax relief, the crude oil and, therefore, impacting cost of living, generally speaking, coming down, the strong robust monsoon, including projected monsoon, the agriculture output, the resilient growth in rural where we have a higher market share as it happens, are all giving us a sense of a prognosis of a stronger market demand in the next few quarters to come.

We also feel very confident internally on what we've done around our core business. We have revamped most of our core brands, that's on the half of our business, including the ones that we had some work to be done like Glow & Lovely and Lifebuoy. We have very materially transformed our portfolio towards Future Core. We are now innovating quite intensively. We've also ensured that the price, quality and margin equation of our price-sensitive categories and brands are optimized and are absolutely in the sweet spot.

So, we feel that our business is very much investable. We have got the right capabilities, the business unit structure, we have got the right leadership. So, we feel this is the time for us to lean in. So, we want to not be defensive. We want to be offensive. So, we want to play to win. And therefore, for the next few quarters, one or two at least we want to lean in with investments in the Channels of the Future, in all of these innovations, many of the new brands

that we're launching and all of this means we want to basically look at growth first and EBITDA secondarily for at least the near term.

And given that our EBITDA, even at 22% to 23% levels is still very much healthy. It's in the very much top quartile of the CPG industry in India, and we feel very confident that with leverage, assuming we're able to do more than we expect in growth, this could easily flow back and we'd be back in a virtuous cycle.

So this is our lean in. It's our position to play to win. And that's the spirit of what we're trying to do. Is there a price versus cost battle in a certain category? Yes. And that, by the way, is not -- it's still not a very large part of our Home Care business, and we are, of course, they're going to unblinkingly defend and, in fact, go a step further.

So, I think that's just to give you the mood and temperature of how we look at the business today, which is in a stronger optimistic lens. And we do see the future 6 months are gradually improving, and therefore, we want to actually play to win.

Moderator:

Next question is from the line of Abneesh Roy from Nuvama Wealth Management. Please go ahead.

Abneesh Roy:

I have two quick questions. First is on the Horlicks portfolio. You did mention on the pricing structure rejig. So, could this lead to a lower gross margin and lower EBITDA margin in this part of the business? And is that also linked to your slightly lower EBITDA margin outlook? And second will be on the sunscreen category where I think clearly, with heat waves recurring in India now every year on the higher side, it's a good category to play.

If you could mention the last few years, how has been your performance versus the overall market in sunscreen and your aggression and the recent spat with the D2C player, how do you see the benefits coming for HUL from this? That's the question.

Rohit Jawa:

On Nutrition Drinks, no, I don't think, and Ritesh can validate this. The plan that we have, in fact, on Nutrition, just to zoom out first before zooming in on the question on EBITDA. The category is quite profitable. We are, as you know, quite large in that category, particularly anchored in South and East.

5 years now since we owned the brand, from 2020, we have done well on penetration growth, in certainly the regions where we are the leaders. We have done very well in market shares. We've gained distribution expansion. We've driven immense amount of cost synergies. Profitability is strong as a percentage. What we haven't done well is in driving the category consumption. There are reasons for that.

We have addressed them through proposition, pack and other actions. But what we now have done with exhaustive deep analysis is that we now need to focus on three very specific actions, as Ritesh mentioned. Number one, we have to revitalize Horlicks, which is about making it more contemporary, more modern, more relevant to today's needs, alternatives that mothers and kids have and pressing on the triggers of Nutrition and address the barriers of health and credibility.

We are second, going to also double down on our Adult Nutrition business, it's Rs. 500 crores, big headspace to grow. We think we can do a better job there by doubling medical marketing, investing more in chemists, revamping and refocusing on high-growth parts of that portfolio.

And number three, essentially is Boost, secret of our energy. Boost is a great brand, chocolate, but also it's more about an energy brand. And we see levers of growth in both, formats like ready-to-drink format, where we have a product that works very well, but also in geographical expansion. And what we're now doing is doubling down to essentially make this happen so that we can drive the consumption of the category because it will also benefit us indirectly.

So that's the job we are doing. The issue is the margins is not the problem there, we will invest more and we've got good head space to invest. So that's my response on the Nutrition Drinks. Abneesh, I hope that's clear.

Abneesh Roy:

Yes, that's clear.

Rohit Jawa:

On sunscreen. Sunscreen is a category of the future. It has got very low urban penetration. It's only 3-odd percent. But India is a market where UV index is high, which means that there's an underserved need. There are two kinds of UV rays that are harmful - UVA and UVB. Particularly when it comes to UVA, which is basically causes aging on the skin, and B is burning. These kind of

damages can be prevented. Most Indians need it. And it's a category that has got a high value per gram. It's therefore a premium category. It's very online focused at this point. It's not that small, but also not very large. The category is growing at 30%-40%. In fact, last 3 years CAGR is 60%. So, it's a very attractive category, high margin, high value to play in. But importantly, we, as market leaders in skin care, want to grow this category. And the first step for us is to make sure we educate the consumers, make them aware of the SPF and PA ratings and how they must buy credible products that deliver what they claim. And what we're now doing is essentially just spreading that awareness of accuracy and accountability to the market participants and also advocating for standards to be set in this industry and using the most gold standard testing to essentially validate that.

That is really our mission. And in that, the case that we speak to is sub-judice, so I don't want to speak about that. We have got the interim order where we are continuing with the campaign with some modifications. But the larger mission is for us to grow the category and to make consumers more aware of what they're buying, how to judge good products and eventually products that deliver what they claim. That's really our mission there.

Moderator:

Next question is from the line of Arnab Mitra from Goldman Sachs.

Arnab Mitra:

My first question was on your comment that you expect the macro environment to lead to a gradual improvement in demand. So, in terms of timing, do you think we are there where we are already seeing some improvement in demand, and therefore, this is not into the future and more here and now?

And I know you've given the MAT Nielsen data, which is obviously a 12-month average data. Is there anything in the data that is indicating or suggesting to you that there is some pickup, which is already starting to happen in the overall FMCG market and also in your own business?

Ritesh Tiwari:

Thanks, Arnab. Arnab, our comment on macro and also internal is more linked to near to midterm outlook, which you can read as next couple of quarters. So we are not talking in future, we're talking basically June quarter and September quarter where we would see improvement in the growth trajectory. And let me just again recap why we say that. There were two

elements to our improving guidance going forward for first half of financial year '26.

Number one, external macro. We know that there are no new headwinds that we have to deal with at this point in time that we're aware of. So that's again a good news. Given where the climate has been for consumption, which is subdued, it's good to be in a space that there are no new headwinds that should be dealt with.

Then if I look at overall continued good agriculture outcome, that will support rural growth. We know we have a good kharif, we had a good rabi as a country, and there's a good expectation of a normal monsoon for this year as well. So that's one area which we are encouraged to read with.

Second, the monetary and the tax relief - it will support growth, urban and beyond. And third, the lower food inflation, which was one of the painful area for consumption. We know that the food inflation has improved, and it's much lower a number now, compared to what it was at the peak. And broadly, there is a commodity deflation of large commodities like crude oil. It will, again, augur well in terms of overall consumption.

So, if I add all these elements, these signals are here and now signals. And hence, we do believe that over the next 6 months' time, this should augur well in terms of overall macroeconomic outlook to look better.

To add to that, the second conversation, which is why we have given our outlook, is an internal conversation. This is basically the job that we have done with our portfolio and the confidence that we have that the actions that we have done for portfolio transformation, if invested back at this point in time, it will augur well for growth. Be it stronger core with the relaunch of Lifebuoy and GAL, or be for that matter, the portfolio transformation we have done using all the four vectors, expanding brands into more segments, launching new brands, bringing brands from the stable of Unilever or doing bolt-on acquisitions. All four put together, we have a stronger portfolio leaning in from June quarter onwards.

We have also dialed up on our portfolio innovation intensity. That will mean investment, but that will also mean more positive impact in terms of growth

trajectory. Last but not the least, we spoke about how 80% of our business is superior on the unmissable brand superiority scores compared to eyeball competition. So this is a very clear case for investment and hence both internal and external components put together, we believe that June quarter - September quarter should be better than what the last couple of quarters have been.

Arnab Mitra:

And my second question was, again, actually on the EBITDA margin. So I completely get where you're coming from that you want to be aggressive and get growth going. And I think most people would agree that's a good thing for HUL to do. But just on the context that in the past, we have had this aspiration of a modest margin expansion over the medium term.

So, when we say we are 22% - 23%, does it mean -- could it be a couple of years or 2 - 3 years where you remain in this low margin range, because it's a big company, it would require time to get things going fully? Or is this more of a short-term 2- 3 quarter phenomenon and then we could get back to a modest expansion? Just wanted your thoughts on how you think about that medium-term historical aspiration that we have had?

Ritesh Tiwari:

No, Arnab, I'm glad you asked this question, and let me spend some time clarifying it. So, the guidance that we've given of 22% - 23% is more near to midterm. So please read 2 - 3 quarters. Our long-term intention of driving modest margin improvement, that does not change. In fact, I do believe, again, everything else being equal, if commodity price trends in the market are not vaguely off compared to what we see today, there is no reason why in the later part of the financial year we'll start seeing margins improving. So our guidance of investment is more here and now for the next 2 to 3 quarters.

Moderator:

Next question is from the line of Jitendra Arora from ICICI Prudential.

Jitendra Arora:

Actually, I just wanted to understand the segments where the price value equation needs to be corrected. That's already been answered. Thank you.

Ritesh Tiwari:

Thanks, Jitendra. So, if I just quickly run through the four segments. Home Care, no further corrections to be done. All price actions that we have to do in response to commodity price change or for that matter, in response to any competitive actions, we have already deployed. You will see continued

impact of that in the P&L wherein, let me say, for the immediate next quarter or two, there will be a negative UPG in Home Care segment.

Beauty & Wellbeing not much of an impact. Overall, there are some headwinds in terms of commodity coming from Crude palm oil, but I think it's square and there.

Foods business, Tea is a place where overall commodity has inflated by ~20% in last financial year. We will know further in month of May and June, what is the new commodity outlook for Tea looks like. For now, we did not price the peak of inflation, neither for Tea, neither for Coffee. So, there is some element of price versus cost hurt, which will happen in the P&L for the next couple of quarters.

And when it comes to Personal Care, again, the same concept I was talking to Avi earlier. We have not priced to the peak of inflation. If commodity of Crude palm oil remains firm, we will appropriately do pricing actions for the next couple of quarters to ensure that we start bridging the gap of price versus costs in skin cleansing.

Moderator:

Next question is from the line of Amit Sachdeva from UBS Group.

Amit Sachdeva:

Just a couple of questions. My question is on skin care. Clearly, this is a segment which has been a drag for a while. And obviously, mass segment where you have struggled, and there is some portfolio gaps to be bridged. And I learned that you have been in the past been doing significant work on the Glow & Lovely space, broadening the SKU range and benefit spaces and also some part of the masstige as well.

So, given that work is going in right now, can you sort of give us a bit of guidance when we start to see the impact of the work that you're doing in Skin Care, in terms of real revenue growth, is it going to be Q3 onwards or Q2? Do you have any time line for that sort of revival of growth in the Skin Care? I mean, how do we expect that action to sort of translate into, especially on the skin care side. If you could give some guidance, the work you have done and how it is going to sort of show it in numbers?

Rohit Jawa:

Yes, so let me just take you into the engine of skin care, just so that you get the color on this one. First of all, in Skin Care, which is on Hair Care, which is

the other part of our Beauty & Wellbeing business, we're going from strength to strength. And so I won't talk about that. We are at the highest market shares there, etcetera.

Coming to Skin Care, which is an equally large segment, highly profitable. We are 4 times relative market share, very attractive category for, of course, obvious reasons, big and with lots of upside in the future. For us, the job here was that of transformation and to shape the beauty ecosystem of the country.

What we've done here is and let me tell you a few points that are essentially- s we're just taking a slightly zoom-out view on this one and not just 1 quarter. So, over the last 4 quarters or so, we have managed to build a fast-growth Market Makers portfolio of almost Rs. 2,000 crores that is growing well in double digits. And this could be a small digital first company by itself and growing even higher numbers in e-commerce.

Secondly, we are monitoring channels of the future and e-commerce where we are already growing and gaining share. Our big drag is in the space of mass skin or mass part of the portfolio. The main heart of the issue there is Glow & Lovely, which is in the brightening segment, where we have very high share. We are a donor in that sense to all of these upgradations.

And what we have done there is to have revamped Glow & Lovely by two major moves. One is the Core because that's the bulk of the business. That relaunch has just gone in now. It's a big shift. We have addressed every element of the mix. We have upgraded the sensorials, which is a huge thing to do in our Glow & Lovely, in certain parts of the business to make it more contemporary to today's consumer.

We have renovated the proposition, completely elevated it to skin brightening. We upgraded the packaging. We're investing materially into the social and modern media, which consumers are using to seek skin care products. We see two things happening on the Core. One, our brand power is already beginning to improve.

We have also started to sequentially see improvement in Glow & Lovely growth. So, we expect, going forward, that should strengthen. And at least we should start gaining share even though it will be in a slower growth segment.

We also launched a Core plus variant called Glass Bright, which is doing quite well. I'd love for it to be Rs. 100 crores variant by itself. So, it could be like launching a new brand itself, even though it's only less than a year old.

So, on Glow & Lovely, if it comes back to health and starts to grow, which we hope, then that will be a big deal as well. Finally, on portfolio transformation because we had a portfolio with -- we were not there in the masstige segment.

We have, of course, acquired Minimalist. It's already Rs. 500 crores and growing. On the wellbeing side, we have got OZiva, which is also Rs. 400 crores (ARR) and growing. We've got Liquid I.V., just launching into the market. So, on the masstige side, we've got three new brand entries either acquired or newly launched, that should start clicking in growth.

We've also taken two of our big brands, Ponds and Lakmé and have extended them into all new demand spaces and formats. Whatever is happening, latest in the world, these brands are offering and so is Vaseline. So, I think what we have done here is, I'm just sharing with you is that we are going all in structurally to make this a strong end-to-end category.

I've not even spoken about Prestige, which we want to enter sometime during the year. So, we feel that we are now building a really strong beauty company. And progressively, we'll start to see growth when the drags of the mass will go away and the acceleration of the Future Core and the new Market Makers and acquired brands will start to clock in on our top line. So yeah, that's basically how we're looking at this business. We're aggressive here. We want to really keep investing in it to grow it both structurally and materially.

Amit Sachdeva:

Thanks so much Rohit, for a very detailed plan on the skin side, and I wish you all the best with that. My second quick question for Ritesh is that basically, margin guidance of 22% - 23%, as you said, that is for 2 - 3 quarters, it's not like full year. But I assume that in this, you have not assumed any operating leverage kind of play out, revenue growth continues to be lackluster in the near term, and margins are obviously a funnel from operating leverage as well.

So as for example, if I were to assume volume growth builds up, say, in the second half when the base effects are also there and some drags are no

longer there, do you see operating leverage then helping out in the second half? Should we see that 22% - 23% really first half guidance and second half based on how operating leverage pay out, the margin trajectory could be different? Or do you see that it is too early to sort of think like that?

Ritesh Tiwari:

See, Amit, again, a good question, and let's spend some time talking about it. Every 1% delta growth will end up giving 40 to 50 bps operating leverage. The assumption that we have made for the next couple of quarters, we will invest back the operating leverage. So, the number which you see there is net. You did see our guidance that we expect to see improvement in our growth momentum in first half of the fiscal compared to the last half of the fiscal.

And that improvement in growth momentum should give more operating leverage, and we should be able to plough that back in terms of investment in the business. So that's the financial growth model for the next couple of quarters. And the point I was responding earlier to Arnab that after a few quarters once we start seeing a continued trajectory of improvement, then time will come for us and we'll have space in the P&L then to start dropping the operating leverage into the P&L in terms of profitability.

And which is why I mentioned that this 22% - 23% position is more for the next few quarters, 2 - 3 quarters. And again, everything else being equal, if commodity prices are in the same domain space that they are now, we should start seeing margins to improve from this band in the later half of the fiscal.

Moderator:

Next question is from the line of Percy Panthaki from IIFL Securities.

Percy Panthaki:

My questions have been answered.

Moderator:

The next question comes from the line of Jay Doshi from Kotak Mahindra Bank.

Jay Doshi:

Your outlook of moderation in gross margin, are you factoring in the current RM prices of crude and palm? Or is this based on the prices that were last quarter or a month ago?

Ritesh Tiwari:

Jay, we are factoring the current landscape of the pricing. So, if I look at the current spot price in the future covers of these commodity trends, they have been factored into the moderation expectation. As I mentioned, if that

changes, then, of course, we'll come to new reality. But today, we're taking the spot and the future covers.

Jay Doshi:

In that case, you have tailwinds from lower Crude price and lower Palm price. What would you -- are you planning to sort of retain any of that benefit? Or would you -- so on one side, you are indicating possible increases in personal wash prices, but with the way palm oil prices have corrected, do you still think there is a reason to sort of increase price? Or would you consider reducing prices there?

Ritesh Tiwari:

Yes. So, the way I mentioned to Avi, Jay, earlier, first of all, whenever the prices go up of commodity, we don't price to the peak of inflation. We always take in small hike the price increases. And once we're fully convinced at the levels at which commodities are stabilizing, then we know that we can fully plan out the price versus cost dynamics in that space.

So hence, we have some space more to go in terms of pricing to the peak of inflation. And to the extent this does not happen, we have a gap. So, we don't end up pricing to that. So, there's no need for correction of the prices. So, for example, to make it real, Palm oil went to as high as \$1,150. We never priced to \$1,150. So now today, when we sit at \$980 or \$950, there's no need for us to adjust for that \$200 because we started with \$750 up and we start moving up. So that's one.

Second, as I was answering earlier, the gross margin moderation is not only on account of price versus cost. To some extent, in Tea, as we mentioned that and Coffee, we have not priced to the peak of inflation and there is the price versus cost hurt, which is in the P&L. Overall, that nets off with the amount of changes we have done. As I mentioned that whenever prices go down, in terms of deflation, we pass on in large chunks prices back to consumers, because you never want to do that in smaller chunks and then get stuck with trade inventory.

So you're always in a scenario when there is a net inflation or a contra between inflation and deflation - deflation is fully priced out, inflation is not fully priced in. And hence, you do have a momentary price versus cost gap. But the part of gross margin is that one reality of price versus cost, but also the portions I was explaining earlier that in gross margin sits investments for

product for innovation, for product improvement. In gross margin sits the impact of channel investments which impacts top line and, of course, flows into gross margin. So, there are those elements of investments as well, which sits in gross margin.

Moderator:

Next question is from the line of Sheela Rathi from Morgan Stanley.

Sheela Rathi:

Thanks for taking my question. Just one question, good to hear about the pursuit for growth over margins. So, the question is that what are the signposts which we will be seeking to understand that this strategy is working? Will it be on the volume growth side or will it be on the market share side?

Because I think Ritesh did call out that it's next two to three quarters where we are guiding for these margins to be at these levels. But I don't want to go into that conversation, but just to understand where we see this growth algo, when does it come back for us and what are we looking for?

Rohit Jawa:

Our focus is on volume-led competitive growth. And if you look back over the last four quarters, we have stepped up our absolute unit volume growth. Some of that has got diluted by the mix. But actually, we are selling more units to more consumers in the last four quarters. That is also the reason why our competitiveness has improved. We have now been in the fourth year of competitive turnover weighted market share growth.

We would like to keep doing that. We would like to keep increasing market share, mainly led by volume. And our intention here is to use the opportunity of a combination of potentially good macro or improving macros for consumption and a stronger internal capability and a portfolio play, to invest, to play to win, to grow, to build that momentum further.

And given that we have so many new innovations and new products to invest, we like to give them the best foot forward. And that's why we would like in the next one or two quarters to have that wherewithal. And therefore, the short answer to your question, it's volume-led, that's really going to be the rubric or the algo, as you mentioned.

Sheela Rathi:

Good to hear that, Rohit. And one just quick follow-up. Now given there is a higher possibility of macro coming back, and if we look at the growth patterns

for each segment last year, Home Care did very well, whereas Personal Care was on the weaker side. Do we expect this to turn in terms of Personal Care coming back much faster for us because the macro turns and the growth could be much higher?

Rohit Jawa:

Yes. I think firstly, I just wanted to start with EBITDA, by the way, at 22% - 23%, which is our near-term guidance at this point, we are still very much on the top of the table. And as you said, if growth is higher, the operating leverage can play back, and this is of the two sides of the equation, something we know very well to do. We have a full-on cost efficiency program called Symphony. We are looking at every penny. So, we are very frugal by the way. So that is very much our ROI. So, we are able to control that line very effectively. What we like now, as I said, is to be growth first, given that we feel that there could be a resonance in return in the market in this particular time. And therefore, it's an opportune time.

Coming to your question on the portfolio Home Care, solid as ever. Steady Eddie continues to grow, a big business for us under 40%. Personal Care, also, we see signs of improvement. All the work we have done around Dove, Pears, Lux and Lifebuoy, now recently, plus the work in bodywash liquids, even our Closeup brand, all of that, I think we feel good about that.

Beauty & Wellbeing, I just spoke to you just a moment back. Hair is growing strength to strength. Skin Care, we're putting in a lot of structural efforts and investments to grow.

On Foods also, Tea I think as our price quality margin equation is optimized, we start to see good trends, already on a good portfolio, which is premium heavy. Consumer Packaged Foods, Kissan, big brand, doing well. We will stretch it. It's a brand that can serve a lot of Indian cuisine cooking as mini meals and condiments. And on one job challenge we have is mainly Nutrition Drinks, Horlicks. Maybe a little bit of Boost, but mostly Horlicks, that's what we need to really address. So generally speaking, we do see across our portfolio, investability is good. Teams are well settled. So, we want to go and play the ball to win.

Ritesh Tiwari:

If I may add, Sheela, a couple of more elements to what Rohit mentioned. There's also an underpinning thinking that we have shared at length that there are two ways we see the portfolio. Of course, we see the portfolio from

a category stroke segment lens, but we also see the portfolio from its evolution to Core, Future Core and Market Maker. So, if we were to give another take to the way we are going to do this investment, investments will be more dialed up to Future Core and Market Makers portfolio.

Today, we have a Rs. 7,000crores portfolio which sits in Market Maker across all the four segments that we have. This part of the business, which is Market Maker, is already growing in good, strong double digits. So, idea would be to invest behind Market Makers and continue to grow that business. Equally dial up further Future Core. This is where we have dialed up innovation intensity. We are competing hard. We are gaining value and volume market share, and we want to further accelerate investments to get more returns from that part of the portfolio. So hence, underpinning all of this also is a sharper dynamic resource allocation as well that goes into the mix.

Moderator:

Next question is from line of Kunal Vora from BNP Paribas.

Kunal Vora:

Yes, thanks for the opportunity. First one is the new Unilever CEO in a recent interaction mentioned that quick commerce in India is about 2% and could become 10% to 15% in 3-4 years. He also hinted that quick commerce margins might be slightly lower. So, does it have anything to do with your margin guidance? And can you share your thoughts on how you see quick commerce potential in the margins?

Ritesh Tiwari:

Let me get margin out of the way, then I will then hand over to Rohit to talk about overall quick commerce and growth in channel. So no, quick commerce growth is not the reason for EBITDA margin guidance. A, quick commerce is roughly 2% of the business, so it doesn't have that much impact in terms of overall contribution. But also let me remind you that overall organized trade margins for us are better than general trade. And the reason organized trade margins are better than general trade is essentially because the portfolio that we sell in organized trade be it modern trade, be it e-commerce within that quick commerce, these are premium parts of the portfolio. By and large the Future Core, Market Maker, sits in a pretty good way in organized trade. So, this is a margin-accretive organized trade channel. So, it only augurs well for us in terms of overall tailwind when we end up growing ahead of the business, that positive mix of margin comes in. Well, let me hand over to Rohit.

Rohit Jawa:

Just to take a leaf from your comment on Fernando. Fernando Fernandez, our new Global CEO, is very bullish on India. He thinks very well of operational excellence of HUL and really wants to build India as one of his top two anchor markets along with the U.S. in the future. So, I think we are really fortunate to have him lead Unilever at this time. And his view on e-commerce, and it's not surprising given that e-commerce has been growing faster. I think we are at about 7%-8% e-commerce contribution or thereabouts growing, of course, faster than the average of our total business. And would that go to 15% in the next few years, it's likely. So, I think it's not q-com alone that would get that far, but it will be probably a combination of all of our pods.

Coming down to q-com. Q-com is about 2% or one-third of our e-commerce business at this point, is relatively small but growing extremely fast. Shoppers shop omni-channel, they shop for different needs at different points for different things. So, they may use quick commerce for buying something of convenience or a last-minute thought or even a beauty product and may use the kirana store to pick something up on the way or may use an e-commerce to buy a monthly purchase. They may walk into a DMart or Reliance to buy their monthly pantry.

So, the point is that they shop in every place. We, as a company, must serve our consumers in all the shopping missions, and quick commerce is clearly a shopping mission that certainly in the big cities, top 8 cities and even beyond, has got a good product market fit. We have a very much of a differentiated assortment and portfolio design on it. So, we sell a very discrete portfolio that is either different by way of sizing, pricing or even brands. And we are, at this point, making sure that we win in that channel, too.

So, we have doubled our assortment, increased our availability, are investing basically to serve that consumer shopper need. But it's still, as I said, one-third of our e-commerce business, which is only about 7%-8% at this point, although growing fast. So, this hopefully gives you a pretty good understanding of this particular area.

Kunal Vora:

Sure. That's very comprehensive. Second one was on your Capital Markets Day, you had laid out aspiration to report double-digit earnings growth. In FY '24 and '25, we did not see that. And considering that there could be some

margin weakness in FY '26, it might be challenging to report double-digit earnings growth in FY '26 as well. So, when do you expect earnings growth to get into double digits?

Ritesh Tiwari:

Yes. So Kunal, when we had spoken about it in the Capital Markets Day, it was more of a medium- to long-term statement that our entire ASPIRE strategy to unlock a billion aspirations will end up delivering double-digit EPS growth, and that will be growth led is what we had mentioned, and there will be a contribution of modest margin improvement that will add to the delivery of the EPS growth of double digit.

It was not for a here and now for the year. So, we remain committed to that ambition, and we do believe that once we deploy the full ASPIRE strategy, we should be able to deliver a double-digit EPS growth and that will be growth led. For that to be true, a few things have to happen, and this is exactly the path that we are at. EPS growth, there are lots of ups and downs put together for financial year, 24-25, we grew our EPS at 5%.

And if I have to see a path in the next few years for this to be true, first of all, the FMCG market growth today, where it is, it will have to improve. And we do believe, given all that is there in terms of tailwind, low penetration, low consumption levels in India, rising affluence. If I just take the here and now out, this is what the India story is all about. And that should augur well in terms of FMCG growth being better than what we have seen in past decades. So that's point number one.

Point number two, today, we are talking about low single-digit pricing. FMCG markets have seen around 4% of pricing, which is par for the course in terms of on an average. As commodities settle, there is no reason why we should not be seeing that level of pricing. And once that level of pricing kicks in, top line growth further comes in and the operating leverage flows into the P&L. So, there are a few of those things that needs to be true for that to happen.

It may not happen now for the next few quarters, but there's no reason why in medium to long term, that won't be true. And what we have done in the process, the whole process of subdued demand growth last year, we've been working very hard in terms of making our portfolio more future fit and dialing

up in different parts of the portfolio vectors that we know will end up driving growth in the future.

The whole segmentation of Core, Future Core, Market Maker, along with that, sharper resource allocation is fully pointed to make that reality come true. So, we remain committed to our double-digit EPS growth, and we do believe that a few of these things needs to be true for that to start kicking in.

Kunal Vora:

Understood. And lastly, if you can provide a quick comment on receivable days, which are at an all-time high. How should we look at them going forward?

Ritesh Tiwari:

Yes. So, we mentioned in one of the conversation I always keep talking about is, how do you invest for growth. Investment for growth is not only about increasing A&P investment. There are various lines in the P&L, we end up doing investments to drive growth. Equally, at times, we end up leveraging balance sheet to drive growth. We did see over the last couple of quarters, basically need for us to drive more amount of capital availability in the trade channel to drive higher distribution.

I quoted a number earlier that 400 bps is a weighted value increase that we have done of distribution of our products in the marketplace. Some of that have been done with the benefit of aiding credit growth in the market. And hence, we have leaned in with our balance sheet resources as well to support our distributors to increase assortment and to increase overall availability in the marketplace and drive weighted value distribution.

So, because of that reason, we have dialed up credit in the market. And hence, you see the impact of that coming to the balance sheet. We are negative working capital. And the way I see it today across all the different lines of the working capital leverage, we will remain negative working capital. And there is more than one way we end up fine-tuning and getting more efficiencies delivered in our cash conversion. Our cash conversion ratio last year was near 100%. And I do believe that even for the next financial year, there is no reason why that number should be materially away from that.

Moderator:

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

Harit Kapoor: Just two questions from my end. Last quarter, you did mention the phenomenon about small packs growing faster than large packs and that kind of affected the mix a little bit as well. I was just wondering, given that you have a stronger outlook in terms of growth, is that a phenomenon that you're seeing not playing out anymore? Has that reduced a little bit because that affects your mix when you put on -- when you calculate your UVG. So, I just wanted to get a sense on that.

Rohit Jawa: That's correct. I think that was the theme in December quarter, but we do see an improvement back to the near-term norm, and premium brands are also growing faster. Although small packs are growing faster, but large packs are also growing. So, it's not adverse as it was in the last quarter. And we do see now premium brands, eg. Dove and Pears growing faster than Lux and Lifebuoy. B&W our business also growing fast when compared to Home Care. So, we do have positive mix effects as compared to last quarter.

Premium, in the overall market, the premium end is growing faster than the average of the market, although the gap between the average and the premium end is smaller than it used to be. So that is reflective of the little bit of the stress in consumption.

And the small packs also are growing faster because maybe rural representation, rural is also now growing faster than the urban market. So, some of those effects are there. But for us, the mix has been better than it was last quarter.

Harit Kapoor: And the second question was on Lifebuoy, and I would say, slight move away from hygiene as a platform. Just wanted to get your sense about why you believe that that's a space or a proposition that's not picked up as much? What prompted this move?

And especially given the fact that hygiene, one would think has a lesser amount of competition because there are only two or three clear hygiene-oriented personal care brands and maybe skin protection or skin benefits is a much higher competitive segment. So just a little bit double clicking into your thought process and also early signs of how that's panning out.

Rohit Jawa:

Yes. Lifebuoy stands for germ prevention or disease prevention, that is the heritage of the brand. That remains at the core of the brand's promise. What we're now saying is that it's wider than just germ protection alone. It also helps the skin health. We have therefore, in that sense, modernized and made the proposition wider. It is not to take away what it does already well. So, this is an enhancement journey.

We have seen success with this in other parts of the world, also in the South region, where we had this proposition in action for a while. Given this proof of principle, we have then tested this and found it to be compelling, more broadly across the country. It also gives us more proposition space to launch range, offerings - freshness and others. And we are not just only changing the proposition, we're also improving its presentation, we are adding more range.

As I mentioned, we are entering in the summer freshness space with Aloe Vera. We expect that to do well. So, it's a comprehensive end-to-end re-launch, and the brand is inherently a very strong brand. We'll continue to play in the basic hygiene segment but also now be offering something of an enhanced proposition. And we do have the formulation space with Stratos to be able to add goodies that deliver that.

So that's basically our position on Lifebuoy. It's early days because it's just gone in market in March. We do see sequential improvement, but we have to watch the space in the next few quarters. And maybe when we meet next time, we'll give you an update on how it's done through the summer.

Moderator:

We take the next question from the line of Abneesh Roy from Nuvama Wealth Management.

Abneesh Roy:

This is Abneesh Roy. Two follow-up questions. One is on toothpaste. You seem to have grown a bit faster than industry in Q4, but still, it is lower than your and industry's growth rate in earlier quarters. What we are picking up is there is a 5% higher promotional trade intensity on a Y-o-Y basis in toothpaste. Could you confirm that? And do you see this as a temporary thing? And could this extend into other categories? Why toothpaste is suddenly seeing higher promotional intensity?

Rohit Jawa:

It is an underpenetrated category where people don't use enough of toothpaste. We are a challenger brand. And therefore, we respond to the norms of the market leader triggers. In our case, to be honest, we have actually increased pricing over the last few quarters because we were selling below what we thought was strategic price and what we could charge.

And as the brand got stronger, we've, in fact, increased pricing. So, while promotion intensity, as you say, may have increased. But all in all, our net realization has increased for Closeup as a brand, which is the main play. At this point, we are focused on making sure that we have the best freshness proposition in the market and that we take the whole area of confidence that Closeup provides as its emotional promise to even new territories like whitening, which will further expand the weighted average realization of the Closeup brand and make it more and more salient in the modern trade where also it sells a lot.

So, I think we do see opportunities for Closeup to grow by higher than what you see this quarter because currently, we have white spaces in geographies. We have a few geographies in India where we are underrepresented, even though the freshness segment is not. We have opportunities in assortment. There are pack sizes that we don't have fair share in and new segments. So, we are actually quite excited with the levers of opportunity we have on Closeup, and we are not really playing the promotion game as much as growing by way of white spaces and premiumization. Those are our levers. Promotion, if at all is tactical, we may use it to increase distribution or to compete on our targeted strategic price, but that's not really the heart of our strategy.

Abneesh Roy:

My second and last question is on your comments on the global CEO and our understanding of -- based on whatever we hear in the media. So clearly, he seems very positive on India, and he seems more aggressive than his predecessor. So, this 100 bps lower EBITDA margin outlook for next 2-3 quarters, is this something Unilever is doing in other emerging markets because clearly, there, the growth potential is higher than the developed market. And currently, there is a global slowdown, which is definitely there impacting global companies. So, if you could clarify, is there some thought process which is linked to that also? And second is in terms of the overall

OZiva, if you could clarify, how is the growth from the time of acquisition till now, how have the things shaped up in OZiva?

Rohit Jawa:

Look, we gave the rationale for taking that 1 - 2 quarters to create the investment space, to build momentum further in our business. It is a call that we have taken along with our Board. We believe it's the opportune time to have that headspace, the investment space given potentially improving macros, both rural and urban, which you are very well aware of.

And we also feel there's investability within our portfolio given all of that we have done over the last several quarters. So, this is more a call to actually play on the front foot, have the headspace to invest. I don't think this is correlated with any broad emerging market strategy, and we are playing India for India, and India is so big that we do what's right for India, for HUL, of course, and of course, also for Unilever, and we are now the number two market.

It is true that Fernando sees India as a very important part of his overall strategy. He would like India and U.S. to be his anchor markets. He has very big hopes for us. And that's a long-term position on HUL and India, and it's not a quarter-to-quarter position. And it's good for us because we've always had the priority from our erstwhile CEO, even Hein was the one who had said double down in India. Alan before him had put India on his strategy.

So, we've always been on the top of the table in so far as Unilever is concerned because what's good for HUL is also good for Unilever. And on that, I'll just hand over to Ritesh.

Ritesh Tiwari:

Yes. On OZiva, Abneesh, overall, when we acquired the business a couple of years ago, a little over 2 years ago, it was a Rs. 100 crores ARR business. In last little over 2 years, the business has gained scale. Now it's a Rs. 400 crores ARR business. And that is also one of the reasons why you end up seeing the impact of basically fair market value adjustment that we have done, which you don't see the impact in the standalone P&L of Hindustan Unilever, but you'll see the impact coming in, in the conso P&L because we have a more stronger acquisition business case now as far as OZiva is concerned.

The business has also improved profitability. When we acquired the business and those numbers are there in public domain, it was a 40%-50% EBITDA loss

business. And compared to that now, we have broken even in terms of profitability. And with the scale coming in, we believe this will become more healthier in terms of profitability as well.

The innovations which we have done in the last 12 to 18 months' time be it the apple cider vinegar, be it the Gluta Hya, hair growth serum, they all have complemented very well the core portfolio that we have. And we have two amazing founders who are working with us.

And the partnership between the amazing founders and our team have really ensured that we're getting full value from this acquisition. As you know, we have acquired 51%, and we have already agreed a formula using which we'll end up acquiring the balance by January '26. So yes, in summary, all goes well for the business. And hence, whenever you see a fair market value adjustment and a hit in the P&L, one should always feel good about it, for this also means the overall acquisition business case only gets stronger.

Shilpa Kedia:

I'll take one question from online now. Possible to share more details on competitive landscape in the detergent category. Is this largely escalated in liquid detergents portfolio? How large is the segment now? How do margins stack here versus powders? Do you see a need to further reduce price posing further downside risk to margin?

Rohit Jawa:

So, I mean it's a very broad question on Home Care. We operate in three segments: bars, powders and liquids. Bars are very price sensitive, commodity price led, where we have to offer the best quality for the best price and for the best brand. We constantly optimize. And at this point, we've been through many cycles of that. Business is large enough for us to make sure that it stays optimized, and that is the case as of now. The competitive landscape there is not different from the past.

In powders, powders are a large part of the category, very profitable for us. We have Surf Excel, one of the big brands there, doing very well. And we have just recently extended the assortment to a Rs. 99 pack, which is also doing quite well. So, we offer every price point in that. And there is a conversion from bars to powders, which our brands basically are leveraging and that continues to be. Again, the competitive intensity there or the landscape has not changed much. We do have a competitive peer group that ranges from

local players to global players in powders. But for us, it's a very, very big and important and successful segment.

Coming to liquids. Liquids are growing quite strongly. They've had very high double-digit growth for us over the last 2-3 years. Actually, the Home Care liquids on the whole, our business is already well above Rs. 3,000 crores in scale. This is a category that we are developing. We started almost 8-9 years ago. And now it is full bloom. It is in the South, particularly where it's led growth, it's full bloom, all price tiers are active. We have three very strong equities at play with Surf Excel, Rin and Sunlight.

All the three brands are being promoted aggressively. And we do see conversion from powders to liquid also accelerating with all of the investment that's coming from us, competitors and the local players because everybody sees opportunity in this space. Now it's a relatively small part of our business today, but very, very high growth, and we intend to also lead in this segment, which is why we have our superior mixes.

We have made sure that every element of our Surf Excel brand, the Rin brand, the Sunlight brand, are excellent. We are investing behind great marquee properties like IPL. We have invested in market development through sampling. And of course, we have responded to the recent price changes in the market by being on the shelf on pretty much the same time.

We are, of course, going to, at the same time, invest in improving our business model and keep optimizing it, but we do see many, many more years of liquid growth in Home Care, not just in laundry, but also in fabric conditioners and in dishwash. And this is an area that we intend to lead and build market share in. So that's basically where we are on the competitive landscape for Home Care, I think gives you a pretty graphic idea of what's going on in our biggest category.

Moderator:

Thank you very much. Ladies and gentlemen, we'll take that as the last question. I'll now hand the conference over to Mr. Ritesh Tiwari for closing comments.

Ritesh Tiwari:

Thank you, Nirav. Before we conclude the call, I would like to take a minute to update all of you of a change in our Investor Relations team. Shilpa has

decided to leave Unilever to pursue an external opportunity. Shilpa goes with our best wishes and gets added to the illustrious HUL Alumni cohort. Yogesh Mulgaonkar, who is currently Head of Finance, Personal Care, will take additional responsibility as Head of Investor Relations.

Yogesh will meet many of you in the coming months as he transitions into his role. I would like to take this opportunity to thank Shilpa for her leadership and her contribution during her tenure with HUL and as Controller and IR and I wish both Shilpa and Yogesh very best.

Shilpa Kedia: Thank you, Ritesh and Rohit for your unwavering support. I would like to extend a warm welcome to Yogesh. I also want to express my sincere gratitude to all of you on the call for the incredible partnership and support during my tenure in this role. Before we conclude, I would like to remind everyone that a playback of this event will soon be available on the Investor Relations section of our website. Thank you.

Rohit Jawa: Thank you, Shilpa.

Shilpa Kedia: Thank you so much.

Ritesh Tiwari: Thank you.

Moderator: Thank you very much. On behalf of Hindustan Unilever Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.

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