June Quarter 2018 Earnings Call of Hindustan Unilever Limited
16^{th} July 2018

Speakers:

Mr. Sanjiv Mehta, Chairman and Managing Director

Mr. Srinivas Phatak, CFO and Executive Director, Finance and IT

Ms. Suman Hegde, Group Finance Controller and Head of Investor Relations

Operator

Good evening, ladies and gentlemen. I'm Aman, the moderator for this call. Welcome to the Hindustan Unilever Limited June Quarter 2018 Earnings Call. For the duration of the presentation, all participant lines will be in the listen-only mode. After the presentation, the question-and-answer session will be conducted for all the participants on this call. Please note that this conference is being recorded. I now hand over the call to Ms. Suman Hegde. Thank you and over to you, ma'am.

Suman Hegde

Thank you, Aman. Good evening and welcome to the conference call of Hindustan Unilever Limited. We will be covering this evening the results for the quarter ended 30th June 2018. On the call from the HUL end is Sanjiv Mehta, Chairman and Managing Director; and Srinivas Phatak, CFO, HUL. As is customary, we will start the presentation with Srinivas sharing aspects of our performance for the quarter, and then hand over to Sanjiv for him to share his perspective on the business performance.

Before we get started with the presentation, I would like to draw your attention to the Safe Harbour statement included in the presentation for good order's sake.

With that, over to you, Srinivas.

Srinivas Phatak

Thank you, Suman. So, we have basically covered three elements, a quick update on our strategy, spend some time talking about our quarter performance and a view on looking ahead.

From a strategy point to view, I think it's a clear and a compelling strategy, which has worked well for us over many quarters and years, and thus remains unchanged. A very clear strategy framework, Compass at the heart and a growth model, which is consistent, competitive, profitable, and responsible. When I see it from a June quarter point of view, we've clearly seen a gradual improvement in demand, and that has really continued. In that context, HUL has delivered a strong volume led growth.

If I now go a bit into the headlines, our comparable domestic consumer growth is at 16% with underlying volume growth at 12%. Our comparable EBITDA margins are again up by 100 basis points and EBITDA at INR 2,251 crores is up 21%. When you see from a quarter point of view, our COGS has been lower and that's been primarily on account of benefits coming from a positive mix, some judicious pricing actions, and savings agenda, which is continuing to work well.

From an A&P point of view, we have stepped up our investments in the quarter, again, driven by innovations, activations, and competitive actions. Our PAT (bei) is up 21% and our net profit up 19%, given some exceptional items.

You've seen this chart before and I think it's important to do a recap of the accounting impact of GST. This is the last quarter where we're going to see this impact as it anniversarizes, but important to highlight that this has an impact both on the reported growth and the reported margins.

From a growth point of view, if you see our reported growth is at 3%, but our comparable growth comes to 16%, and this is really catering to the accounting impact of excise duty, the fiscal exemption/refunds, and some input taxes.

For the investors who are also invested into Unilever, it's important to highlight that our growth from Unilever point of view will stand about 11%, basically taking into the accounting treatment, which is different between the two entities.

When you see it from a profit point of view, you see a mirror image. While our reported growth go up, our comparable margins are only up by 100 basis points, unlike the reported 350 bps, and this is something which we've always called out in the last four quarters and you see the effect coming through here.

Important to highlight that from an absolute EBITDA point of view or an EPS perspective, these do not impact, because these are only bridged changes coming through from an accounting perspective. So, in essence if you really look at our performance – 16% comparable growth with 100 basis points of EBITDA expansion with 12% UVG.

Another important piece to call out is, I think we had announced earlier, we have looked at our organization structure and we've actually integrated our Foods and Refreshment divisions. And therefore, when you really look at our organization, it has been done with the objectives of making it more simpler, agile, and a more focused business.

From a Home Care point of view, there is no change. Personal Care is now designated as Beauty & Personal Care, which is reflective of our strategy and our portfolio. And Foods & Refreshment will now also include our Food Solutions business. So accordingly, our management structure is now designed to run the businesses on the lines that we've stated on this chart.

So, therefore, when we look at it, I think the clear callout is that we've had a double-digit volume growth across all our three divisions. Home Care has grown at 20% comparable and Beauty & Personal Care at 14%, and Foods & Refreshment at 14%.

Innovations and activations continue to be clear and important for us and during the quarter, it has been a continued focus, be it in some of our core brands, such as Surf and Pond's, or if you look at some of our key and new innovations. For example, we have launched the Brylcreem range for men grooming in partnership with Amazon on the e-commerce side. So, this is just to give you a flavour of the work that we continue to do on the core, as well as some of the emerging segments. As we always called out both core and market development continue to be key to really continuing the growth.

If I now look at some of the categories, I think from a Home Care point of view it's been a robust growth. Fabric wash has grown in double digits across key brands and the momentum continues. The double-digit growth performance in Household Care was led by Vim and we've also said, during the quarter Domex liquids was relaunched in South and powders extended to the other geographies. From a purifiers point of view, I think our overall performance was subdued, while the premium range has performed well.

When I move to Beauty & Personal Care, it's a broad-based growth across Personal Products, as well as Personal Wash. In Personal Wash, the high growth trajectory in Dove and Pears has been sustained during the quarter. Skin Care, again, registered double-digit growth on the back of good performance of Pond's and Fair & Lovely, and the facial cleansing continues to maintain a strong momentum.

The Hair Care growth was really led by performance of the premium portfolio and Indulekha, again had a very strong performance during the quarter. When I look at the other parts of the portfolio, in colour cosmetics, this has been a business which has seen consistent momentum and double-digit growth over many quarters. We have had one more good quarter during this year, and that continues to come from the continued rollout of innovations and the performance on the core. We've also called out Lakmé 9 to 5 range which was introduced with some clear callouts and benefits.

Oral Care is a business which has been challenging for many quarters. We have seen another quarter of growth, but there is more work to be done and we continue to tweak our mixes and the portfolio on this side. Deodorants - we have seen impressive growth, and Axe Ticket, which is an innovation we put out into the market in the previous quarter, is gaining a lot of traction.

When I see Foods and Refreshment, there's been strong growth in Tea and Ice Creams. In Tea, we have seen double-digit growth across all our key brands, and Bru Kannadigara was launched in select geographies. In Ice Creams and Frozen Desserts, you see the June quarter was really where it was up-season and during the season we have delivered strong double-digit growth on the back of innovations and geography expansion. And the Foods growth was really led by Kissan and Knorr, and as we shared during our annual investor meet, the Lever Ayush breakfast range has been launched in Tamil Nadu.

Now, this chart gives you a total picture of our reported numbers and a clear callout, as I said – 3% reported growth with 16% comparable growth. I think here we would like to really draw your attention to one other additional element – or actually two additional elements – if we look at other income, which is higher compared (to JQ'17) because of the higher investable funds in the business. On the exceptional items, we have taken some provision towards restructuring and few contested matters. You would recollect that we had called out that in a post-GST environment, we will continue the path of really finding an efficient and an agile and a responsive supply chain, and accordingly, we've started to restructure some of the supply chain components. So, we have taken a charge during the quarter and I think it'll also be pertinent to callout that as we continue this path of getting more efficient and agile operations, we will see some exceptional items which will continue to flow over the next few quarters as we work the plans through.

So, when I now look at the last chart – Looking ahead, I think the trend of gradual improvement in demand is still intact. Crude volatility and currency-led inflation will be key watch-outs for us and, as we called out earlier, step-up in competitive intensity is anticipated.

Our strategy of focusing on volume-driven growth and improvement in operating margins is intact, and we continue to drive growth which is consistent, competitive, profitable, and responsible.

And here, I would now like to hand it over to Sanjiv for his perspectives on the in-quarter performance.

Sanjiv Mehta

Thank you, Srinivas. Good evening, everyone, and again a pleasure having you on the call. As we mark the one-year anniversary of GST, it is very evident that trade conditions have normalized. We are also seeing the consumer demand or the off-take moving up as compared to the real lows that we saw in 2015 and 2016. Markets across urban and rural are seeing a positive trend. This augurs well for our industry and in the medium-term we are hopeful that the underlying demand drivers will sustain. However, as I mentioned in the previous couple of calls, I think we should wait for a few more quarters to see whether a clear trend is emerging.

Very pleased with our current quarter performance. Three key numbers to note, 16% comparable sales growth, 12% underlying volume growth, and EBITDA margin expansion of 100 bps. The highlight was that all the three divisions performed well and registered double-digit volume growth.

Now, when we look at Home Care division, its performance has been, again, stellar with double-digit growth in both laundry and Household Care. Laundry – strong premiumization story continues with the premium market growing 3x the mass in terms of volume. We also maintained our focus on the mass segment, with the quarter seeing the launch of a new Wheel communication, which aims to strengthen the brand equity through relevant purpose-driven activation.

The Household Care delivered another strong performance, with market development activities on Vim. We re-launched the Domex liquids in the south and the Domex powder, which we have innovated for toilets, we have now extended it beyond its initial market of Andhra Pradesh. The overall performance of purifiers category was subdued, and we are clearly seeing a trend, where the gravity purifier segment is declining.

Moving to the Beauty & Personal Care division, we had broad growth across Personal Wash and Personal Products. In Personal Wash, the premium part of the portfolio continued to deliver strong performance, led by Dove and Pears.

Skin Care had a great quarter – sustained its double-digit growth on the back of FAL and Pond's. Pond's talc Starlight variant launched in March quarter is performing very well, and the facial cleansing segment is also seeing an accelerated growth.

The Hair Care category saw a robust growth across the key brands in the portfolio. We also launched the Brylcreem beard and hair grooming range exclusively on Amazon to tap into the growing male grooming market. This test and deploy approach is in line with our aim to build nascent categories with some of our key strategic partners, wherein the target consumer growth is more skewed towards the propensity to purchase online. It gives us a good platform to really understand the potential for some of these products and develop mixes for the long-term. Deo also clocked robust growth, with both Axe Ticket and Rexona antiperspirant continuing to perform very well.

As Srini mentioned, we have integrated Foods & Refreshment division, which together delivered double-digit growth in the quarter. We continued leveraging on the strategy and delivered broad-based growth across all the key brands. We refreshed our communication on Red Label Natural Care and green tea in the quarter, and also launched the second edition of the Six Pack Band, which strengthens the Red Label message of promoting inclusiveness within our communities.

Ice Cream and Frozen Desserts had a great season on the back of innovation and geography expansion. In Foods, Kissan and Knorr grew in double-digit and we also launched Lever Ayush breakfast range in Tamil Nadu with the vision of making traditional ingredients contemporary. So, if we look at all the three divisions, they performed well and it was a very satisfying quarter. Our focus on strengthening our core, rising premiumization, building the categories of the future through what we call market development, combined with a relentless drive to unlock operational efficiency through our Symphony and ZBB programs continues to hold us in good stead.

Another important area where we have dialled up focus over the last couple of years is investing behind capabilities across the value chain, be it in customer development, marketing, or supply chain. When you visited us during the investor meet, we showed you the work that is being done in this area and I must reiterate that my strong belief that the initiative we are driving and reimagining HUL using technology, data, analytics, IoTs and AI, will propel us into the future and redefine the landscape in which we operate. It's going to be a very exciting journey.

With that, I would like to hand the call back to Suman.

Suman Hegde

Thanks, Sanjiv. Thanks, Srinivas. With this, we will now move on to the Q&A session. Ideally, we'd like to close the call at 7:30 PM, so I would just request all the participants who want to ask a question to keep it really tight, so that can accommodate as many over the next 60 to 65 minutes.

In addition to the audio, as always, our participants have an option to post the questions through the web option on your screen. We encourage you to do that, and we'll take those questions up just before we end. Before we get started with the session, I would like to remind you that the call and Q&A session are only for institutional investors and analysts. And therefore, if there is anyone else who is not an investor or analyst, but would like to ask us a question or engage with us, please feel free to reach out to the Investor Relations team out here.

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

Operator

Thank you very much. We will now begin the question-and-answer interactive session for all the participations who are connected to the audio conference service from Chorus. To ask a question, participants may press * and 1 now. The first question is from the line of Abneesh Roy from Edelweiss. Please go ahead.

Abneesh Roy:
Sir, congrats on very good set of numbers. My first question is on the Pureit brand. Sir, two sub-parts here, one in purifier you have been telling for the past few quarters that premium has done well. This quarter you have also said that overall performance was subdued, and you said gravity is declining. So, I wanted to understand what is the way forward here, because you have also been advertising heavily on the lower end, wherein you say that this is very low pricing, so why that's not working? And second, air purifiers have been launched six months back, so any update on that?

Answer:
Yeah. Thank you, Abneesh. First is, we are consistent on purifiers. What we are saying is, with the RO/UV, both the premium and the low-priced segment are doing well. What is not doing well is the gravity purifiers. Now we have to understand why gravity purifiers are not doing well. Now, as the water table goes down, you find that the taste of the water changes and becomes much harder. And so, the purifier requires to not only remove bacteria, but also the hard elements in the water, and that is the reason why people who have the habit of getting into purified water are switching over to RO/UV. Yeah. So that is the reason, and our thrust on RO/UV continues unabated.

Abneesh Roy:
And, sir, how is air purifier then?

Answer:
Air purifiers, early days, it is still a very small business and we have to build the market despite huge amount of air pollution. So, we will convert the consumers slowly and steadily into using air purifiers.

Abneesh Roy:
Sir, my second question is on toothpaste, there is some change in commentary from your side. You said in this quarter in the presentation that another quarter of growth. In the earlier quarters you have been saying Closeup has done reasonably okay. So, has Pepsodent also picked up? And I see marked increase in your promotion, so is that also working?

Answer
See, first is, I don't think we are declaring victory in Oral Care. What we are saying is, we've had two quarters of growth, which is a good sign. And within our portfolio, very clearly, Closeup is doing much better than Pepsodent.

Abneesh Roy:
But it is not broad based, right? Because ...

Answer:
No.

Abneesh Roy:
And, sir, any update on the Lever Ayush in toothpaste specifically? Because that's a large space – competition has a large market share in that. How has that picked up in South India?

Answer:
See, what I would say is, Lever Ayush in South India has been tracking as per the plan. But, more importantly, Abneesh, our naturals strategy, which is now an integral part of our strategy, which have three legs, as you know, is master brand, specialist brands, and variants within our existing brands. That continues to perform as per plan. We

have set for ourselves a target this year that we'll grow at 2.5x the average growth rate of the company, and it is tracking well as far as the first two quarters of this calendar year are concerned.

Abneesh Roy:
Okay, sir. That's all from my side. Thank you.

Sanjiv Mehta:
Thank you, Abneesh.

Operator
Thank you. The next question is from the line of Amit Sinha from Macquarie Capital Securities. Please go ahead.

Amit Sinha:
Yeah. Thanks, everyone, congratulations on great set of numbers. My first question is on your segmental numbers and clearly Home Care has outperformed the Personal Care in the last few quarters, both in terms of revenue growth and the margin expansion. So, in the GST regime, this outperformance has actually further increased. So just wanted to understand, is it a function of significantly different competitive environment in these two categories and going forward will it normalize?

Answer:
Okay. First let me step back and talk about numbers for the quarter. If we look at the UVG, we are talking about 14% in Home Care, 11% in BPC, that is Beauty & Personal Care, and 11% in Foods & Refreshment. So, all our three divisions, as far as UVG is concerned, has performed well. So, we don't need to worry about the health of my divisions, whether they are performing well or not. They've done well. And it will never happen that all the categories will grow at the same rate; some categories at some stage will grow at a faster rate and then the changes
happen. So as long as the portfolio (is healthy), we keep doing well. And we're really pleased with our performance of Home Care, which has been on a great growth trajectory, and both Household Care and laundry doing very well. A bit of concern with our water purifiers, which we just alluded to. And as far as BPC and F&R is also concerned, you also have to look at the context in which we are operating. We are pretty satisfied with the performance of these two divisions.

Amit Sinha:
Yeah. Clearly, I mean, in the revenue growth terms, clearly both the segments have done pretty well. But when I look at your segment EBIT, the growth is like significantly different. I mean, that is where I was coming from.

Answers:
Okay. If you're talking of margins, then you also have to accept that Home Care is coming from a very low base. And it was a very conscious strategy that we have put together in the last few years that we have to make Home Care much more profitable, and that has worked wonders for us. We have not only improved the margins, but we have outpaced the market very clearly.

So maybe again just to clarify, Amit, while you'll also see a slight step-up in margin on a sequential basis, I think it's important to call out that, as we start to see inflation coming through, there is always a certain lead and lag. In some cases, you have to manage pricing judiciously and in small step changes, we do that. Some of the cost inflation which comes through, we also had the benefit of some of our stock covers and Forex covers, and there is also good savings and there is also certain saving of other costs. So, therefore, I don't think one should only look at the quarter. As you continue to see it over a period of time, as is the case, you will see that some of the margins progression will start to normalize a bit. Overall, I think the comments from Sanjiv is right, there is step-up in margins, but I don't want you to read too much into the quarter numbers from a Home Care margin point of view.

Amit Sinha:

Yeah. Clearly – I think just a follow-up on that. So, if I look at the quarterly margins of these two segments, there was a difference of almost close to 10% in first quarter FY 2018. This quarter the difference has come down to broadly around 600 basis point. Going forward, Home Care margin expansion should not be to that extent, right? I mean, if I'm not very wrong.

Answer:
So, look, without getting into the percentages, clearly, I think they are two different nature of businesses with a very different gross margin profile, BMI investments. Without getting into 600bps and 10% levels, I think if you see our historical trends and even if you see last year numbers, they will be more reflective of some of the way we will run the business, whether it's going to be moving up 100 basis points or 200 basis points here or there, that's a function of how we invest, what we do, how we grow, and multiple factors. And the investments were very different when you look at from these two divisions.

Amit Sinha:
Sure. Sir, secondly on the cost saving program, last year you had given a kind of target of 6% of cost savings that you are targeting for the full year as a percentage of turnover. Just wanted to understand if you have any number for this year. And what was the broad delivery on the cost savings last year?

Answer:
So, look, Sanjiv is very clear and he's been a hard taskmaster. I think his direction continues to be if we've done that in the previous years, we need to find ways of repeating it. And therefore, there is a clear program and we continue to work through on it. Yeah, so on a similar level is what we will continue to go after. But again, as we've always said, generation of savings and deployment savings are two different things and therefore, we will continue to target at least internally the savings in the similar range, and then we'll deploy as per the needs of the business.

Amit Sinha:
Okay, sir. That's it from my side. Thank you.

Operator

Thank you. The next question is from the line of Abhishek Roy from Stewart & Mackertich. Please go ahead.

Abhishek Roy:
Yeah, good evening, sir, and congratulations on good set of numbers. Sir, I have a question regarding the understanding of the volume growth. So, sir, can you just let me know how you identify that volume growth? Is that based on that unit that is sold or based on the volume that you manufacture and that you sold?

Answer:
Volume growth is based on what we sell from Hindustan Unilever and we talk about the nomenclature called underlying volume growth, which is essentially removing the pricing effect of volume growth at constant price.

Abhishek Roy:
Okay, sir. Sir, that doesn’t have any unique factor with the unit that is sold, right?

Answer:
It is unit based, so I mean you're talking of pieces that come into account, then the answer is no. It gets into calculation as tonnes.

Abhishek Roy:
Okay, sir. Thank you, sir.

Answer:
There is a consistent definition over the years...There are pieces, there is tonnes, and there is UVG. So, I think there are slightly different nuances and it's consistent over many many years now.

Abhishek Roy:
Okay. Okay, sir. Thank you, sir. And my next question is regarding this rise in crude oil prices, because when I checked that the crude oil prices has increased by 40% over one year. So, do you think that we will have any impact, means how much that will be – how much impact that will have on the profit margins going forward suppose for the next two quarters?

Answer:
So, will it have an impact? Yes, it will absolutely have an impact, because it's a sizeable increase. We've started to see that in this quarter and we expect to see some more of it coming through, because we also had some benefits of covers that we have taken in the past for some of our key materials. So, we don't want to get into specifics of how much will be the impact on the P&L. Suffice to say that, all levers will be looked at to manage it and that's also if you see even in the quarter, we've also talked about judicious pricing. Even if you see in markets, you've seen that we've already started to take up some pricing in select packs, categories, and geographies so as to manage the totality of the equation. Having said that, it's also important to call out that when it comes to some of the other elements of costs, such as veg oil, palm and palm-less, it's been benign so far. But as you continue to look into the future, yes, we are seeing a lot more volatility in crude; currency is looking under pressure. And if these two then start to play out, therefore the inflation pressures could be elevated. So that's something that we need to watch and manage carefully.

Abhishek Roy:
Okay. Thank you, sir. Thank you for your answers and all the best.

Answer:
Thank you.

Operator
Thank you. The next question is from the line of Vivek from CLSA. Please go ahead.

Vivek Maheshwari:
Hi. Good evening, everyone. This is Vivek. A few questions, please. First, your comment about repetition from fourth quarter, about the risk of competition picking up, in an inflationary environment, why are you highlighting this as one of the big concerns?

Answer:
Yeah. Hi, Vivek. When we talk about competition, we are not talking about just from a lens of laundry products, because if we look at today, there are some categories where the raw materials have remained very benign, say, vegetable oils, for instance. We are not seeing inflation over there. Whereas in laundry, there has been a price increase. But we are anticipating, and if you look at the last couple of quarters, the A&P spends have gone up and we are anticipating that the competitive intensity and heat will remain.

Vivek Maheshwari:
Would you say that is very unusual, Sanjiv? Because if when crude was, let's say, half of where it was, perhaps we did not see as much of hyper competitive activity, something that we find in 2007, 2008, 2009, whereas now you are – and again, this comment about competition, I don't remember seeing it in the last three years. I think it is something that I'm seeing for the last two quarters. Maybe I am wrong on that, but is there something that I'm missing in this?

Answer:

So, I think, Vivek, we didn't call out hyper competitive activity. We've not used that language. I think two or three elements. I think let's step back a moment. First, I think this is what we explained last time and let me try and again put some colour to it. We have seen trade normalize. We have started to see an uptick in consumer demand. We have also seen that the growth rates of us, as well as the broader sector, has started to go up, which by definition is, obviously, there is an attractiveness to capturing more growth. So that's one, I think, is a win pocket.

Second is that when you cut the categories, there are two or three things at play. There are some categories where we said, the inflationary pressures have not yet played out. Yes, while there is crude and there is a pass-through secondary effect which comes through, but if you really look at what's happened to palm oil and some of the veg oil complex, it's either benign or actually – in fact, some of the costs are at historical lows. How long we will see, but that has also meant that there is some benefit.

If you look at some of our categories such as tea and others, we still haven't seen the next round of crop, which only then starts to come in Q3/Q4. Again, the indication so far is that, people are sitting on historically bought stocks, so the inflation has not yet come through. Then there are some other categories where you see – for reasons which each of them best understand and according to their strategic plans, you see that some of the promotional intensity in modern trade has started to go up. Equally, as we've invested behind our brands, where also people have invested behind their opportunity, they're also looking at some of the A&P spends overall start to go up. So, when you marry all of this, we will now come into an interesting play where there is growth to be taken and there is opportunity to be had and different dynamics playing out. Is it any one or two people really doing it broad based? The answer is no. So therefore, that's the reason we said, competitive intensity is anticipated and we still believe it will be there. Are we calling it as irrational at this stage? We have not called an irrationality, but there could be some pockets. But I think in our mind that captures the totality of the story. I don't think it's hyper and I don't think we need to take a broad brushed approach across all categories and all competition.

Vivek Maheshwari:
Okay. Thank you for this. Secondly, somebody had asked it, but I have a very specific one about Personal Care margins. This is the fourth quarter in a row where I'm seeing roughly around 120 to 150 basis points margin cut. What is the reason why there is – is it just a mix thing, because soaps is growing faster than, let's say, rest of the Personal Care? What exactly is driving this, let's say, 150 basis point margin cut in the first quarter and 100 basis point cut over the last three quarters? So, this is fourth quarter where margin cut is 100 basis point plus.

Answer:
Okay. So, if I talk about the quarter in question, I've also talked about exceptional item, which is relating to supply chain reorganization – there are parts of our industrial and logistical footprint. So, during the quarter, we have taken the charge for that and when you look at our segmental results, even the restructuring comes into the profitability, so that is a key reason. Second is, again, honestly, I think 100 basis points here or there given the innovation intensity that we're running and some of the pipeline of what we have been doing, we had Lever Ayush launches, we had Pure Derm, we continue to invest behind many of our brands. And with that context, the 100 basis points move here or there is part of the course and we are very comfortable with that, Vivek.

Vivek Maheshwari:
Okay. And my last question is again on this exceptional item, could you highlight the nature of this item? Because when I look at Annual Report for 2018, provisions have jumped up from INR 870 crores to INR 1,423 crores. Is that what is partially – and you have mentioned the same thing, restructuring and few contested matters. Could you elaborate on the nature of these items?

Answer:
So, we're looking at reorganizing some of our 3Ps, to give you a flavour – let me also clarify this and also what you're likely to see in the next few quarters, and I don't think this has got any correlation with what was in the Annual Report. That's really talking about 31st March. We're clearly looking at restructuring some of our 3P, 2P operations. We're

clearly looking at – we have got DCs which are over 40; eventual roadmap is to take them down to 20. Once we start to open up these two, we'll also then start to look at our own industrial footprint. It could either be some parts of our portfolio which we may rejig between one factory to the other, and we're also relooking at a totality of our footprint, because now is an opportunity for us to really run a supply chain which is fit for purpose. So, some of these costs will basically mean that if I'm restructuring 2Ps, 3Ps, there could be payout which we do for people, there could be some write-downs and write-offs of some assets that we will end up doing, and this basically will translate into a rejigged supply chain, which will be more cost optimal and efficient and effective from an operations standpoint. So that's some of the restructuring you see here. And this is where I also want to clarify that over the next four to six quarters we will see some quantum of this coming through, depending on what really gets announced, because these are determined by accounting principles, depending on what happens you'll also see some more restructuring in future.

Vivek Maheshwari:
Okay. Sorry, my specific points are more about the contested matters that you're talking about more than the restructuring. So, what are these contested matters? Because again, as I said, Annual Report there is this increase in provision to the tune of INR 600 crore, bulk of which is – it appears because of these contested matters related to taxation or excise or GST.

Answer:
So, in this quarter we actually had a reversal in (contested matters), because we have got some favourable orders in some of the matters. And really appreciate that if you have a specific question on contested, please feel free to – because otherwise I'll end up answering questions which are not relevant.

Vivek Maheshwari:
Okay. But can you elaborate what is contested matter, the nature of these...

Srinivas Phatak:
One second, Vivek, just be patient and listen to me. There were some contested matters on which we've had some favourable orders. That's a standard definition that we've used in line with what we've done previously. So, in this case, we've got a favourable order and it's a reversal – it's a net number, so we've got a favourable order in the quarter.

Vivek Maheshwari:
Okay. I'll probably take it offline. Thank you very much.

Operator
Thank you. The next question is from the line of Percy Panthaki from IFFL. Please go ahead.

Percy Panthaki:
Hi, sir. This is Percy Panthaki here. My question was on your response to some of the promotional activity that is going on in the market, and this question comes from a historic perspective. You had price wars with P&G in 2004 and 2010, and each time that P&G has made a move, you have responded immediately and unflinchingly. And currently I see a similar situation in the market, where via promotions Ariel is offering 33% lower price. But correct me if I'm wrong, I don't see any kind of similar response on Surf. So, what is different this time? Why is your response different this time?

Answer:
Yeah. My friend, you should see the growth that we have delivered at Home Care. We play our strategy, they play their strategy. We have been growing our market, growing our shares. We are in a fabulous position as far as Home Care is concerned. And if a need arises, we will respond, and we are absolutely clear that we want to maintain our competitiveness in the market.

Percy Panthaki:

Sir, just a slight follow-up on this. This promotion has been in the market for about three, four months now and the fact that you have not responded, shall I take it to read that their promotion is not really garnering a lot of volume growth for them?

Sanjiv Mehta:
I can only tell you one bit – that despite their promotion, we are growing handsomely.

Percy Panthaki:
Very clear, sir. Thanks, sir. That's all from me.

Operator
Thank you. The next question is from the line of Kunal Vora from BNP Paribas. Please go ahead.

Kunal D. Vora:
Yeah. Thanks for the opportunity, sir. First question, like, over the last couple of years, do you think the affordability of your products has improved significantly because of RM cost inflation followed by GST rate cut and is it fair to assume that as and when that price increases are required, you should be able to pass on without any meaningful impact on volumes?

Answer:
I think you have made a very right point that with the GST and commensurate price reduction that we did, that even if inflation comes in, it cushions the consumers, because they've got a benefit of 8% to 9% across several categories.

Kunal D. Vora:
Okay. And second question again, it's like slightly connected. You reported two consecutive quarters of 16% sales growth on a like-for-like basis. To what extent do you think GST rate cut has slipped there? And as that anniversarizes, can we expect some slowdown? And – yeah, that's the second question. And any further benefits of GST which you are looking at?

Answer:
Yeah. When you look at the reported numbers, you also have to look at the base number. And the base quarters commence starting from December quarter 2016 when demonetization happened, of course, they were impacted. And the pipeline impact was much more severe than the off-take impact. So, you have to keep this in perspective when you look at the growth numbers.

Kunal D. Vora:
Okay. And just last question. Sir, any guidance on CapEx, although, I know you don't give any guidance or any thoughts on CapEx, you've like done INR 1,000 crores and INR 850 crores in last two years and with the strong volume growth which you are looking at, is there a need to invest? And also, what proportion of your manufacturing is in-house versus outsourced?

Answer:
First is, we never shy away from investment, whether it is BMI or whether it is CapEx. Yeah. If there is a need, if we keep growing at the robust volume growth numbers, and whenever there is a need to invest, we won't shy away from investing. But if you were to look at a long-term trend, we invest capital expenditure in the vicinity of 3% to 4% of turnover. That's the normal long-term trend. But, of course, it peaks wherever there is a substantive investment that we make.

I think I've also called out rather than getting into what's in-house and what's third party, we are also relooking at our total footprint and there will also be some CapEx which could be related to that. But I think let's see the return and then monitor as we go. Consequent to GST, consequent to our WiMI strategy, we have gone through a complete refresh of supply chain strategy.

Kunal D. Vora:
Would that be more insourcing or the reverse? Any insight there?

Answer:
It depends. I don't think there's an insight there. So, I believe we could see some more insourcing as a broad thematic, but that's the benefit.

Plus, we don't look at it from a lens of what percentage insourcing and what percentage outsourcing. We look at it from a perspective of segmenting the supply chain, we look at it from the perspective of total cost, and we look at it from a perspective of our ability to service the market effectively.

Kunal D. Vora:
Understood. That's it from my side. Thank you, sir.

Operator
Thank you. The next question is from the line of Amit Sachdeva from HSBC. Please go ahead.

Amit Sachdeva:
Hi. Thank you so much for taking my question and congratulations on very good sort of results. Sir, I have a question which is a bit of follow-up from the detergent that we were talking about and I just made one observation. It may not be pervasive across channels, but it seems that – while possible [indiscernible] not respond, but I actually follow, in some channels you have like to like response to, say, Ariel, where it was on 2-kilogram pack was 39% discount, you had a similar discount. And the fact that the growth has been very robust and while this price competition is growing at least in some channels, but it seems that price elasticity of that is very, very good and 3x growth of the detergents in the premium segment, it's perhaps a testament to that. So, can you sort of give it some sort of a landscape for the premium segment that you see, the opportunity that you see? So, for example, if you could give us what is the premium now of the total sort of the detergent base versus, say, three years ago, and how sort of the mass end is sort of shaping up in this whole game? Are you sort of gaining actually from the mass, because since the promotion on the top end is high, in fact, improving the mix much faster? So, what's the dynamic being played out there, if you could sort of clarify there?

Answer:
I'll give you a very simple answer that 1 in 10 washes is the mid premium wash. So, there is a massive scope still to upgrade the consumers from mass and popular into premium. The second answer I'll give you is that our premium brand is now the largest brand in value terms and the premium brand continues to do remarkably well. And as a company, on a secular basis our portfolio is moving up to the premium channel by about 100 bps per annum.

Amit Sachdeva:
Sure. So that's the revenue mix change or is that...

Answer:
Look, for volume I gave you the story of 1 in 10.

Amit Sachdeva:
Sure.

Answer:
I gave you the value also.

Amit Sachdeva:
Got it, got it. That's very helpful. Sanjiv, that's very, very helpful. So, I think that, obviously, answers part of my question. Secondly, if you could talk about – I think the natural space, obviously, seeing more intensity from the product launches point of view, while the aloe vera gel in Lakmé seems like a very interesting launch. And can you sort of indicate what sort of price index would it be to sort of similar products in the marketplace?

Answer:
Again, the way we look at our portfolio is, we cover the price benefit pyramid. We never are a player to play only in one part of the market – even if you look at Lakmé, you have Absolute at the top end and then you have Elle 18 at the entry level for teenagers.

Amit Sachdeva:
Sure.

Answer:
Across the level, we straddle the pyramid and whenever we see opportunities, we come in with propositions where they could satisfy the consumer need. So, if you look at Lever Ayush, we are mainly at the belly of the market or a slight premium to the market.

Amit Sachdeva:
Right.

Answer:
Yeah. Whereas if you look at Indulekha, that is at a significant premium to the market. So, we play the game in a manner that we can cover the price points and the benefit.

Amit Sachdeva:
Sure. So, Sanjiv, in this natural one, is it like a selective launch right now, the aloe vera thing, it is going to be only modern trade driven? How you're going about this and are you sort of seeing it most naturally across channels? How is it going to be sort of distributed?

Answer:
What WiMI has allowed us to do is to play the game selectively and, if we choose to, to go nationally.

Amit Sachdeva:
Sure.

Answer:
For instance, Lever Ayush food products that we have launched, we've done it only in the state of Tamil Nadu. When we launched Domex powders, we launched it in Andhra Pradesh and then we extended it. If we look at the Italian noodles, we launched it in Maharashtra and then we have extended it. So, we also do live test market and if it works, we roll it out.

Amit Sachdeva:
Sure. Sure. I was very enthused to see this, because I think one of the Patanjali variant has done particularly well in aloe vera sort of skin gel and which built the market of INR 700 to INR 800 crore very quickly. But I thought this was a very interesting and premium variant of maybe a mass product and could also be taken up very quickly, because this market is already there and could be very, very interesting launches, so spread across channels very quickly.

Answer:
It (Lakmé Naturale) is a fabulous product.

Amit Sachdeva:
Yeah.

Answer:
And I would certainly urge you to take it as a gift for your partner.

Amit Sachdeva:
Sure. Sure, Sanjiv. We will try to do that. Perfect. Thank you so much and all the very best. It's a great set of results. Thank you.

Operator

Thank you. The next question is from the line of Abhijeet Kundu from Antique Stock Broking. Please go ahead.

Abhijeet Kundu:
Hi, sir. Congrats on the good set of results. My question was a follow-up, I think, really on the strong growth in EBIT shown in Home Care. Would it be right to say that a significant part of that – so essentially cost what you said was there was mix improvement, cost savings, and which has gone into it. So, looking at your ad spend, which have gone up by about 27%, would it be right to say that a major part of that was in Personal Products and Personal Care and not in Home Care and Home Care, margins have been to an extent aided by lower raw material cost or a mix improvement? I mean, how much of Home Care improvement – I don't want a specific answer, but would cost savings be a big part of that, of the margin improvement in Home Care?

Answer:
So, Abhijeet, let me try – I think I tried explaining it a bit earlier in the call. As inflation has started to come through in Home Care, we have started to look at judicious pricing as well. So, there is a bit of a pricing which comes slightly ahead of (cost impact)– while the replacement costs have started to go up, because we will be carrying some inventory covers and some of the hedges, so your actual impact into the P&L and the quarter could have been a bit muted. But we've started to look at some judicious pricing, which has commenced. We've also talked about and Sanjiv has talked about some of the premiumization which is happening across and more so in laundry. We've also seen the benefits of a positive mix, which comes through to play. And there is also the savings agenda, which depending on the projects and when they land, there will always be benefit which will not be equally phased and it'll not be same across all categories. So, to that extent, yes, we have had a higher benefit which has come through in Home Care for the quarter. And that's why I said, as you look at a slightly longer picture, you'll start to see the effect of some of the costs coming through, and therefore I think a realistic position would be to see it over a few quarters rather than read too much into the increase within the quarter.

The other part of your question was really on BMI. And by nature, yes, the increase in BMI spends will be higher in Personal Care in relation to the others. But that is the nature of the business and we continue to invest behind many initiatives. And therefore, there has been a step-up in some of our Personal Care categories in BMI.

Yeah, there is also one more clarification I think for the benefit of all the people on the call I would like to give is, we play the total portfolio for the company. We look at underlying gross margins of our brands and categories as a health indicator. Then we deploy the funds where we think it is most appropriate and needed, and many times we invest the funds not just for an immediate gain, but we invest the funds for a long-term gain. Things like market development or when you launch a new brand are not things where you will get immediate results, you'll get a long-term result. So, we play the portfolio, and so I wouldn't say that just look at one or two quarters and I would certainly urge you not to jump into conclusions. The underlying health, we look at it from a gross margin lens, and then deploy the funds based on innovation, activation, market development, and competitive activities in the marketplace.

Abhijeet Kundu:
Right. Got it, sir. Thanks. That's all from my side.

Operator

Thank you. The next question is from the line of Harit Kapoor from IDFC Securities. Please go ahead.

Harit Kapoor:
Yeah, hi, sir. Sir, just had a few questions. Firstly, on the pricing side, this 400 bps pricing growth that you've seen in this quarter, would this be largely led by the pricing actions in the current quarter or would there be a certain element of pricing which has happened in the base quarters, because if I understand most of the earlier pricing would have now anniversarized?

Answer:
So, if you see the previous quarters, – what you used to see is a bit of higher price growth. If you saw in December quarter and you would have seen in March quarter on a comparable basis, you would have seen it higher, and this quarter you've seen it lower. There are multiple factors at play. There is a bit of anniversarizing, there is a bit of carryover, there is a little bit of pressurizing, it's a combination of all of that. It'll not be right to call that most of the pricing is an in-quarter pricing.

Yeah. And also, one more clarification, if I might, here. When we look at price growth, it is not just linked to MRP, remember that. It is also linked to the changes in consumer promotions and trade activities.

Harit Kapoor:
Right, right, fair, fair. The second thing was on getting the Foods & Refreshment division together, does this also result in certain level of cost saving at any level or it's just a reporting kind of a thing?

Answer:
I think, first and foremost, this is not for an efficiency in terms of – from head count and people, because if you look at the nature of this, the opportunities which are there, sizeable opportunities both in Refreshment & Foods. I think what it does for us is that it puts back some natural synergies that we can drive. It also syncs with, let's say, how some of the global Unilever organization structure, and therefore I think maintaining the sync also ensures that we are able to better tap into innovations and the growth opportunities. So, it is a more rewiring of the organization to enable growth. It's not an efficiency gain.

Harit Kapoor:
Got it. The third thing was on the restructuring cost side. So would there be – apart from the INR 59 crore exceptional, would there be certain elements of that cost sitting in some of the expenses also, either employee or other expenses, or it would be completely put in the exceptional item?

Answer:
No, it depends on what is a restructuring. I think there is a very clear accounting definition to it. If we are able to pull together a business case with long-term benefits and costs associated with it and it passes the muster, then they come into the nature of restructuring process. If it is any tweaks that we do in the normal course of operations, then that will come into normal operating expenses.

In this case, it's a clear supply chain reorganization on certain key components of our supply chain, part relating to industrial footprints, part relating to distribution, and therefore with a very clear benefit investment payout, and therefore it sat in restructuring.

Harit Kapoor:
Got it. My last question was on the competitive intensity that you called out, is this more broad based? I think you are seeing it more in pockets. I may have missed your comment on that.

Answer:
Yeah. So, we've talked about it. It's getting played out differently in different categories. I mean, you'll see the full detailed answer I gave maybe if you see in the transcripts when they come to, but suffice to say that, look, it is happening in different categories with different competitor set, and therefore it's not any one or two players that is coming through in different categories. You would have also heard specific questions of the nature that you heard from some of your other colleagues on the line, that also start to give you a flavour. It could be promotion somewhere, it could be advertising somewhere else, and so on and so forth.

Harit Kapoor:
Got it. That's it from me. Thank you.

Operator

Thank you. The next question is from the line of Trilok Agarwal from Birla Sun Life. Please go ahead. Trilok, your line is unmuted. Please go ahead with your question.

Since there's no response from the line, we'll move to the next question, that is from the line of Prasad Deshmukh from Bank of America. Please go ahead.

Prasad Deshmukh:
Hey. Good evening and congrats on a great set of numbers. Couple of questions mainly on your naturals portfolio. So last – and lately you basically went pan-India with Indulekha brand. Just wanted to know how is this brand performing across your different markets, especially in markets like, say, which are predominantly rural, what is your growth strategy in this market?

Answer:
Yeah. It (Lever Ayush) continues to do as per our plan as far as South India is concerned. As far as Central India and North India is concerned, we are tweaking the mix and the plan – oh sorry, Indulekha, okay, I'm sorry. Indulekha continues to do very well wherever we have extended.

Prasad Deshmukh:
So, despite the premium pricing, it's doing well even in Central India and North India?

Answer:
Absolutely.

Prasad Deshmukh:
Okay.

Answer:
And also, it has continued – the shampoo, it is initial days, but we are very happy with the reception in the marketplace. And just to complete my conversation on Lever Ayush, so we are tweaking the mix and what we have seen is, like it happens for many categories, the early adopters are in the modern trade and in the top end of the general trade.

Prasad Deshmukh:
Okay.

Answer:
Just to clarify I think what Sanjiv was saying probably got disrupted. South, it's (Lever Ayush) doing well and coming through. In North and in Central parts is where he talked about certain tweaks to the mix, just wanted to make it clear.

Prasad Deshmukh:
Sure, got it. Second question on Citra. Is there any update there? Especially with Indulekha and Ayush doing well, do you still see a necessity of third brand focused on, say, natural kind of platform?

Answer:
We are relooking at the whole portfolio of Citra and we would be refreshing the mix, and it did not deliver on our action standard in the first launch, so we are looking at it how do we make business out of Citra.

Prasad Deshmukh:
Okay, got it. And last question, sir. In terms of these investments that you are making in reorganizing manufacturing and distribution footprint, by what timeframe can one start seeing impact of this flowing through P&L?

Answer:
Look, it depends. Difficult to answer that in black and white, but typically you would say that if you do some of these charge for now, you'll start to see the benefit in plus two or plus three quarters, because typically what happens is you'll need to start announcing when some of these – when you have restructuring plan and you make an announcement, you have to take a cost charge. After that, you still have to go through the implementation of restructuring the operations, the assets, the man powers. And some of this depends on what it is, at least three months is a bare minimum. But it's more likely to be in the six to nine months of time horizon, and then you start to see the benefits into the operating line.

Prasad Deshmukh:
Okay, perfect. Thanks a lot. Those are the questions.

Operator
Thank you. The next question is from the line of Anubhav Sahu from MC Research. Please go ahead.

Anubhav Sahu
Hello, sir. Hi. I have this specific question of Oral Care. Basically, the third quarter when we have seen some growth traction in the Oral Care space, so wanted your view on that, sir. So, can you elaborate what has gone in our favour in last three quarters? Is it our own strategy, some regional variation in lag, or has it gone better in South compared to North as has been highlighted one of this year in this category or is it the competition itself has gone?

Answer:
So, I think again Sanjiv talked about it a little earlier in the conversation. So, we've seen another quarter of growth. Now, this is the business which has been challenged for many quarters and now we have at least started to see some growth come back. He also clarified that, Closeup has been doing a bit better than Pepsodent. There is more work to be done from a Pepsodent point of view. We've also gone in with new communications. There has been some change to pricing and pack architecture in certain geographies, so that helped us. There is also Lever Ayush, which is also helping us in select geographies from an Oral Care point of view. So, I think these are some of the enablers which have now started to give us some growth, but clearly there is more work to be done before we can really say that, we've got Oral back to where it really belongs.

Anubhav Sahu:
Okay, sir. Sir, is there any pecking order in the geography in terms of success we had in the comeback of Oral Care?

Answer:
No, I don't think there is any specific reason to start calling out geographies and yeah.

Anubhav Sahu:
Okay, that's fine. Thank you, sir. That's all for me.

Answer:
Thank you.

Operator

Thank you. Ladies and gentlemen, at this moment there are no further questions from the participants on the audio line. I would now hand the call – proceedings to Ms. Suman Hegde for web questions. Thank you and over to you, ma'am.

Suman Hegde

Thanks, Aman. We've got a few questions on the web option. I'll not repeat the ones that we have already taken.

Question:
The first question comes from Manish Oswal from Nirmal Bang. There are a few questions that he's posted. The first one being, which is the business segment where the management sees the strategy outcome is below our expectation?

Answer:
First is, WiMI is our competitive weapon. This is now way of life. It gives us immense agility, it gives us flexibility, and it allows us to play through the real India, which is not a homogenous entity, but a very heterogeneous country.

Question:
Second question from Manish is, is the company reviewing payout or other alternatives like buyback to the shareholders? Srini, would you like to answer?

Answer:
So, Manish, we continue to look at the optimal use of cash. So, if you really look at our dividend payout, there is a consistent approach we take to payout, and I think that is something which is ongoing. Historically, we've also looked at options to say that, if we're able to get that money which is lost in the share premium and others which comes into reserves, that will again give us the flexibility if we were to think about returning the cash to shareholders. Clearly, if I do want to look at pecking order, we continue to like to invest into the business or we continue to look at inorganic opportunities if we're able to land them. And thereafter we will really look at the best and the optimal way of returning cash to the shareholders, it could be dividend, it could be buyback, or it could be any other. And that's something we continue to actively look at and in consultation of the board of this company.

Question:
The last question from Manish is, can we sustain the double-digit volume growth in the remaining part of FY 2019? What are the key risks to the current margins and operating margin outlook, budget ad spends which you'll be looking at vis-à-vis FY 2018 versus FY 2019?

Answer:
So that's a nice rounded way of seeking a guidance from us and I'm afraid we don't give guidance.

Question:
Okay. The next question is from Nitin Gosar from Invesco. Does UVG include promotional volumes too?

Answer:
Yes, it does include promotional volume. It's the total volume sold by the company in the quarter across categories.

Question:
The next question coming in from Amit Kumar from Investec. Which brands are driving the 2.5x growth in naturals versus the company's average given that Home Care, which is the fastest-growing category, has limited natural propositions and Lever Ayush still has work to be done apart from the South market, which has been highlighted?

Answer:
We have very clearly articulated that we have three legs. One is the variants in our existing portfolio, and there are lot of brands which have now got natural variant. Even the Pudina variant that we took out in Vim bar is doing exceedingly well. Then we have the master brand, and then we have the specialist brand, like Indulekha. So, on a total basis, our growth is growing at 2.5x. But you have to understand that – we are building from a small base.

Question:
There is one more question from Amit. He just wants a clarification on slide 8 on the presentation, which of the adjustments noted taking reported sales growth from 3% to 16% comparable sales growth would yet be valid in quarter two of FY 2019 or would quarter two reported and comparable sales growth converge?

Answer:
Most of it will converge, because if you really look at it, there is excise, the spend anniversarizes, there is input taxes – that will also anniversarize. There will be a very small impact of government grants, because if you recollect, in December quarter of last year we had to take that correction, so there will be a very small component of which will be left. But most part will be out of this comparable versus reported, and we should be able to start interpreting numbers as it gets reported.

Question:
Thanks. The next question coming in from Gopalkrishnan from ICICI Lombard. There are quite a few initiatives enabled by social media to create personal products. How do you see the disruptive strategies impacting this segment?

Answer:
If you want to be a niche player, then you can rely just on one medium. If you want to be a scale player, then you have to use different medium that is available for you. For us, we play across the spectrum. There are brands like Brylcreem male grooming, which we have recently launched just on e-commerce, and there are many brands like, for instance, Pure Derm, which we launched recently, that is across the mainline spectrum.

Question:
Thanks, Sanjiv. And the last question on the web that we have is from Siddhant Chhabria from HDFC Securities. What is the like-to-like growth in other expenses? It grew only by 2% versus a 16% revenue growth. What is the sustainable growth for other expenses?

Answer:
So, again, Siddhant, we don't give guidance on some of these lines, but for us it's important to clarify a couple of elements. Part of these other expenses is linked to our volumes and volume growth. So, to that extent, there will really be variable costs as we continue to do more volumes with our third-party suppliers, we would see an increase. Part of these costs will be fixed in nature and to that extent we will continue to get the leverage benefit as we see growth. So, there is a lot – a few components sitting there, and therefore part fixed, part variable, but in aggregate we're not going to give any guidance in terms of what you're likely to see in terms of an increase or a decrease there.

Suman Hegde

Thank you, Srini. Thank you, Sanjiv. That's all we have on the web queue for today. With that, we have now come to the end of the Q&A session. Before we end, let me again remind you that the replay of the event and a transcript will be available on the Investor Relations website in a short while, and you can go back and refer to it. A copy of the results and presentation, if not with you, is already on the website and you can go back and refer to that as well. With that, we would like to draw this call to a close. So thank you, everyone, for your participation. Have a great evening.

Operator

Thank you very much. Ladies and gentlemen, this concludes the earnings call for Hindustan Unilever Limited. You may now disconnect your lines. Thank you for connecting to audio conference services from Chorus. Thank you.

Suman Hegde

Thank you, Aman.

Operator

Thank you.