March Quarter 2020 Earnings Call of

Hindustan Unilever Limited

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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

Ladies and gentlemen, good day, and welcome to Hindustan Unilever Limited Conference Call for March Quarter 2020. 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. Please note that this conference is being recorded. I now hand the conference over to Ms. Suman Hegde, Group Controller and Head of Investor Relations. Thank you, and over to you.

Suman Hegde

Thanks, Stanford. Good evening, everyone, and welcome to the conference call of Hindustan Unilever Limited. We will be covering this evening the results for the quarter and financial year ended March 31, 2020. On the call with me from the HUL end I have Mr. Sanjiv Mehta, Chairman and Managing Director; and Srinivas Phatak, Chief Financial Officer, HUL. We really hope that you are staying safe and keeping healthy in these uncertain times. Given the exceptional circumstances created by the COVID-19 outbreak, we are presenting the results to you from our respective homes in line with the lockdown protocol. So please bear with us if the things are not as smooth as they normally are. As is customary, we will start the presentation with Sanjiv sharing his perspective on the markets. I will just draw your attention to the Safe Harbor statement for good governance sake and then hand over to Sanjiv. Sanjiv, over to you.

Sanjiv Mehta

Yes. Thank you, Suman. Good evening, everyone, and thank you for joining us on the call today. I hope that you and your loved ones are all well and safe.

It needs no saying again that the crisis is unprecedented and of a huge magnitude. We are deeply saddened by the terrible impact that the pandemic is wrecking on lives and livelihoods. I speak on behalf of everyone at HUL in extending our deep sympathies to all those who have lost their loved ones and who are all struggling to cope with the crisis. Equally, we express our gratitude to all those people who are working heroically at the front line and managing this pandemic.

In these times of extreme ambiguity, we are falling back on our fundamentals. Our values are providing us for much needed clarity and direction. We are discovering the true responsiveness of HUL and the value of our closeness to consumers. There are many unknowns today: the trajectory of virus, the success of containment efforts, the scale and duration of containment measures, the development of effective treatments and vaccines, the severity and duration of the resultant economic crisis, the impact on demand i.e. whether it has been deferred, shifted or lost and whether there is a structural damage to the economy. In our opinion, we cannot, at this stage, reliably assess the extent of impact on the economy, on the FMCG market or on our business. But we certainly do know that we have a strong portfolio of trusted brands, a very sound balance sheet and extremely capable teams. We are built to survive in times like this. We have seen several challenges over the decades and HUL has always been able to navigate through the crisis and come out stronger. Even though the current situation is very volatile, we are confident about our ability to manage the crisis and come out of it in a strengthened competitive position.

Now, let me take you through the market context and our imperatives for navigating through the crisis a bit more in detail.

Now, we need to look at the market performance in this quarter in two parts: before the acceleration of COVID-19 situation in India and post the containment measures we saw in the second half of March. Even before COVID-19 outbreak in India, the macroeconomic environment had become challenging and the GDP growth rates are slowing, liquidity crunch was there, the demand was sluggish and there was a weakening of consumer sentiment. In DQ 2019, GDP growth, as all of you are aware, was about less than 5%. The government and Reserve Bank of India, of course, initiated various measures, including reduction in corporate tax rate, lowering of interest rates by cumulative 135 bps for the last one year before COVID-19, increased allocation to key sectors like infrastructure, agriculture, et cetera. While we believe these measures were in the right direction; sustained green shoots and recovery of demand, especially in rural, was not yet visible.

Resultant low consumer confidence was reflected in continued deceleration of FMCG market growth. Before COVID-19, rural as well as urban growth were lower in comparison to DQ 2019. If you look at on L3M (last three months) February'20 basis, the FMCG market in our relevant categories grew by 2.5%, with volume growth at 1.6%. For the same period, the market growth, value and volume of Beauty & Personal Care, which has more discretionary categories had turned negative. In this challenging context, our brand fundamentals on an overall basis remains strong. We were gaining corporate value share and increasing penetration and market share in a large majority of our business.

The outbreak of COVID-19 in India came on the backdrop of this weakening economy. The overall FMCG market growth in our relevant categories entered negative territory in the month of March. March'20 market value growth stood at minus 0.6% and volume growth was nearly minus 1%. On L3M March'20 basis, market value growth was 1.6%, with 1% volume growth.

Crude has seen the biggest drop since '91 with WTI crude plunging below zero for the first time in history. With the unprecedented swings in global markets and currencies under pressure, the volatility has increased multi fold. Ensuring that we do our best to keep the supply lines of essentials are open, protect our business model and maintain our competitiveness continues to be paramount for us.

Now moving to the adverse impact in March second half. The market slowdown was exacerbated with the outbreak and the ensuing nationwide lockout. You are aware that even before the national lockdown started various state and local administration had sprung into action, with containment measures such as sealing borders, closing public places, suspending transport services and state-specific lockdown. Hence, the adverse impact of COVID-19 on operation was felt even before 25th with breakage in supply lines, shorter demand line, disruption in procurement and transport. Immediately following the nationwide lockdown, operations fell and came down to below 5%. In summary, the second half of March was severely impacted with operations running at significantly scaled down level. It will be fair to conclude that a large part of the negative growth in the month of March will be attributed to distributor and trade inventories coming down.

In April, our supply lines have actually improved, and now we have reached about 75% to 80% of a normal level. We have been working very closely with the government at different levels to reboot the supply line.

Yes, the next slide, please. Now in these circumstances, our focus is around five key imperatives, drawing strength from our values. They are people, supply, demand, community and cost and cash.

At HUL, our utmost priority has been health, safety and well-being of our people including not only our frontline heroes in our factories and the sales force but also our partners and the employees. We implemented work-from-home for all our office employees with effect from March 17. We have implemented strict standards of access control, social distancing in supply chain and sales force, use of PPE (Personal Protection Equipment) as well as strict hygiene and sanitization procedures. For our customer development and supply chain teams, new work protocols were laid down and tiered classification were established at pin code level. We are also protecting our frontline, back end teams of distributors and depot staff with reimbursement of insurance cover. We have also initiated COVID-19 helpline number, daily health tracking via an app, regular sentiment analysis, upskilling initiative of #HULLearnsTogether and continuous communication with our own people and our extended ecosystem.

The second area of focus is ensuring that we keep the supply lines open and meet the demand from our consumer for products which are extremely necessary under the current circumstances, such as hand wash, sanitizers, floor cleaner and hygiene products. As an example, we have ramped up production of hand sanitizers by a factor of 60X from the pre-COVID level. Anticipating that the crisis will continue for some time, we have taken several steps to make our manufacturing and distribution system much more resilient.

As far as demand is concerned, even during this time, we are staying close to our consumers, with frequent digital interactions and through our social listening channel, gauging the change in the consumer behaviour pattern. Many of our category and brands have more quickly to re-plan the innovation, adjust to consumers buying in different channels, and re-work brand communication to make sure that it remains consumer and contextually relevant.

At HUL, we believe we have a frugal mindset. For the last several years, we have had a very aggressive savings agenda. We have now put extra focus on every line of P&L to identify more areas of saving to boost our financial strength.

Last, but not the least, this crisis has highlighted the importance of our commitment to use our scale and brand as a force for good in society throughout the pandemic and beyond. I'll now talk a bit more in detail about our initiatives of helping the community, whereas Srinivas will take you through our plan of action in the rest of the four pillars in the later part of our talk.

Yes. Now in a crisis like this, HUL stands with the nation. As I mentioned earlier, it's our purpose to go beyond the business and ensure that we play our part in helping the community. HUL stands united with the nation in the fight. After announcing our commitment of INR100 crores to help the nation fight the coronavirus recently, a lot of work has been carried out by our teams to help combat the situation. Our focus is on three main stakeholders:

Our customers and consumers: To provide value to them in challenging times, we have reduced the prices of essential products which is Lifebuoy Liquid Hand Wash and Domex Floor Cleaners. And we have worked relentlessly to make the products with reduced prices available in the market in just few weeks. We are also protecting the interest of our distributors and partners with selective and targeted flexibility in managing credit terms and judicially extending credit.

Our society: We believe that we have to play a bigger role. We are amplifying our efforts right from donating Lifebuoy soaps to the needy, to strengthening health care infrastructure, to spreading awareness through our purpose-driven brands Lifebuoy and Domex.

Now for us, collaborations and partnerships are extremely important because we believe that none of us can help in the crisis alone. So, we have to come together as a nation, and we believe in supporting each other. Hence, we have collaborated with various institutions and government bodies for strengthening infrastructure and creating awareness.

The need of the hour is simple and effective communication. And we have a partnership with UNICEF to do just that. Our campaign #BreakTheChain or #VirusKiKadiTodo has simple yet powerful 5-15 second assets based on three key themes: social distancing, hand washing and generosity. This, we believe, will help create awareness and empower public at scale. We have partnered with Apollo Hospitals, SBI, OYO Rooms to help create isolation rooms in different parts of the country. We have partnered with BMC to create a public awareness campaign, Corona se Mat Darona, where in tips on hand washing to prevent the spread of virus have been shared. Since hand washing is so important and healthy hygiene habits is part of Lifebuoy's purpose, we are urging consumers to use any soap that is available to them and not just Lifebuoy. We have also entered into partnerships with various local administration in Uttarakhand, UP, Karnataka to upgrade medical facilities for COVID patients, as well as provide them with protective gears and also, our products. In Haridwar, working with the local administration, we have built a 30-bed isolation facility in a record time of just three days.

Now coming to M&A. Our recent transactions give us a strong foothold in the Hygiene and Nutrition segment, which are so critical in the current environment. We completed the merger of GSK Consumer Healthcare on April 1. We are delighted to have the iconic brands of Horlicks and Boost under our fold. This will transform our Foods & Refreshment business, giving us a strong footing in the wider nutrition and HFD category. We view this as an opportunity and a privilege to work towards broadening our social impact and helping our country address the challenges of malnutrition and micronutrient deficiency. On the other hand, we also announced the proposed acquisition of VWash. This gives us an entry into the underpenetrated but rapidly growing female intimate hygiene segment. We look forward to completing this acquisition and strongly believe HUL is well-positioned to scale up this business, given the strength of our market development and distribution capabilities.

Now let me focus on the full year performance. Against a tough marketing backdrop of a slowing economy in the first 11 months and COVID-19 outbreak in March, we have delivered competitive and profitable growth. Our full year growth was steady at 2% Domestic Consumer Growth and 2% UVG (Underlying Volume Growth). We registered a healthy 100 bps EBITDA margin expansion on a comparable basis. Our PAT grew by 12%. Cash from operation before tax was INR9,770 crore. This resilient performance is a reflection of the strength of our brands, execution prowess and the rigor and discipline we have in implementing a consistent strategy. We have grown competitively overall in the segments in which we operate, in full year 2019-20 as well as in the current March quarter.

Looking forward, while the near-term market outlook is extremely uncertain, we are confident of the medium to long-term growth prospects of the FMCG sector. We remain focused on delivering consistent, competitive, profitable and responsible growth through our fundamentals of growth and sustainable business model.

With this, let me hand over to Srini to cover the details of our quarter performance and the differential plan of action to navigate through COVID-19. Over to you, Srini.

Srinivas Phatak

Thank you, Sanjiv. Good evening, everyone, and thank you for joining us on the call today. Sanjiv has spoken to you about the unprecedented headwinds that we have been seeing in this quarter. And the market has been very challenging even prior to the outbreak and the ensuing national lockdown really exacerbated the slowdown situation.

I think it's important to first start by putting a lens on the growth because I think the headline numbers, as Sanjiv explained, has got a different story to what was happening pre-COVID and post-COVID. And the first message is that our performance has been competitive. We are also giving a flavour of it this time. At an aggregate level, in the last three months, we have grown our corporate share by over 50 basis points, and close to 80% of our business is winning share. COVID-led disruptions, as Sanjiv explained, resulted in our USG (Underlying Sales Growth) declining by about 9%, with volumes being lower by about 7%.

I think it's important to understand that the impact started to happen from mid-March, and it is not to be seen as an impact which came through only after 25th of March. Of course, following the lockdown, our operations then went to near zero before coming back to the 70%-75% level that we have spoken about. I think it's also important to give a bit of a flavour on the growth. As we said, we were on track with our plans for the first couple of months and growing competitively. As Sanjiv also mentioned, if you look at the market growth for the quarter, it was in the range of about 2%, and our plans of delivery, if we had actually been able to deliver in full, would have taken us to about sales growth of closer to 3%. So, against what we believe is a normative 3% USG, we had a decline of about 9%. We believe that about 50% of this loss can be attributed to reduced stock levels at our distribution locations as our primary distribution network got impacted. The balance would have come from lower stock at retailers and loss of actual consumer demand. There was near cessation of sales in some of our Out-of-home businesses and Ice Creams business, right from mid-month (mid-March), and these contributed to the drop. During that period, there was also a bit of an uplift to some of foods and essential categories, which also meant that some of our discretionary categories took a bit of a beating. Now, hopefully, that gives you a bit of a flavour on the first box, which is all about growth.

Let me give you a bit of a flavour from an EBITDA and some of the bottom-line point of view. And I'll walk you through some of these numbers so that you get a good understanding of what's underlying and what could be some noise in the system because of some of the reclassifications and one-offs. We delivered an EBITDA of INR 2,065 crores. On a reported basis, you would see this as a 40-basis points reduction in EBITDA margin, but, on a comparable basis, it is about 160 basis points adjusting for Ind AS 116.

It is important to highlight one reclassification we have done during the quarter. There were certain lease-related payments, which earlier used to be accounted for or the credit used to go into the materials line. When we have made a comparison and corrected that, some of it has come into materials. So, there is a bit of a reclassification which has happened between other expenses and materials. This does not have any impact on the EBITDA margins. With this correction, if I were to talk to you, the material cost increased by 40 basis points, and that's come through because of the inflation in various commodities, such as oils, and key materials across foods such as SMP, tomato paste, et cetera. So, that is the first element to understand versus a reported number. The material cost increased by 40 basis points if I correct for the reclassification.

I think it is important to understand that in the quarter and in the month of March, we continued to invest behind our brands. It is important to build salience. It is important to focus on the core. And it is also important for us to spend in some of our categories ahead of the season, be it Skin Cleansing or Ice Creams. So, that is reflected in our P&L. And when the sale is not translating the way we had planned, this has led to a significant deleverage and therefore, when you look at it, BMI will give you a deleverage of about 180 basis points. That is the second important element to understand as we look at our spends and as we look at our bottom line.

There has been improvement in some of our other expenses. As we have mentioned in the prior quarter as well, we have been seeing benefits in some of our supply chain costs coming through from efficiency, saving initiatives, our settlement of some costs and the work on the footprint optimization that has happened through the year. We have also had some benefits from currency mark to markets, which were adverse in the base year. So, a combination of these means that we were able to mitigate some of the increase in material costs through savings in the other expenses. A combination of all of these would mean that our profit after tax, but before exceptional items was lower by about 8% at INR 1,469 crores. You will see an increase in the other income and that is coming because of the interest we have received from certain old Income Tax assessments. Our net profit effectively stood lower by about 1%, and there is also a benefit of INR 90 crores that we have received on the tax line from prior period assessments that I have spoken about.

So, I have given you a flavour of our growth. If I were to give a summary - Versus a normative of 3%, we had a decline of 9% and I explained to you some of the elements to it. From an EBITDA perspective, while the EBITDA numbers are comparable at 160, there is reclassification between materials and other expenses and our continued investment in BMI, which as a consequence of the drop of sales, landed up with a deleverage effect.

If I were to give you a flavour from divisions perspective, Health, Hygiene & Foods have been resilient given the nature of the crisis that we have been going through and the nature of the consumers buying patterns. As a consequence of this - because it was primarily disruption-led, you would have seen a negative growth across all our categories. Home Care declined by about 4%. Beauty & Personal Care declined by about 14% and Foods and Refreshments declined by about 7%. Within that, it is an important element to call out that while categories such as Health, Hygiene & Foods, which are more essential, have done relatively better, we have seen an impact in Out-of-home channels. Our Food Services business came to a standstill. Our Ice Cream business started to see a sharp decline right from mid-month (mid-March). And our Water business, which is in durables, fell to zero levels. Impact on the sales of Hair, Skin and Cosmetics also got accentuated in the backdrop of a slowing market growth.

I think Sanjiv spoke about fundamentals. And even during the quarter, our focus on fundamentals continued to remain (unchanged). Having said that, with the progress of the COVID situation, we continued to fine-tune some of our initiatives and activities during the quarter. And I think we have a few examples, which are being shown on the screen here. One important element to call out here would be how Surf Excel changed its communication from 'Daag Acche Hai' campaign to #DaagGharPeRahenge, reinforcing the need and the message to stay in home and look at future with optimism. Similarly, given the constraints, we also looked at different models for market development, shifting to more digital mediums in the short term. And if I were to talk about execution, it continued to remain our top priority. We have enhanced our Sales and Operation Planning system to respond with agility, and that continued during the quarter. And as the quarter progressed and as we are looking into April, we are innovating with new delivery models to ramp up our distribution in this environment, and I'll also cover a little bit about that in the latter part of the presentation.

So, if I were to look at it from the segmental perspective, there is a difference between the USG (Underlying Sales Growth) and the Segment Revenue, which most of you will recognize. The declines in revenue at a segmental level are 4%, 13% and 7% (for Home Care, Beauty & Personal Care and Foods & Refreshment respectively). It's important here, when you look at the margins, to also call out for you one other exceptional item or, let's say, an element relating to some one-off expenses. I would not call it exceptional because they are part of the normal results. There are one-offs in the results. While the one-offs from old tax and prior period related matters constituted about 30 basis points at a company level, this had a positive impact of 70 basis points in Home Care, and a negative 130 basis points in BPC. So, therefore, what you see is that the reported margins look a little higher for Home Care by about 70 basis points, and BPC looks negative to the extent of 130 (basis points). A combination of all of this means that at a corporate level, we have 30 basis points adverse impact in the overall margins. In F&R, we have seen a drop in the margins. This came through because of the adverse effect of significant inflation seen in our material cost and a net absorption of our Terms of Trade given the low sales. Some of this was also a calibrated strategy, given the quantum of inflation. For example, SMP prices, others had gone up by about 60%. And therefore, it was also a calibrated strategy in terms of how we were managing the margins before we got hit by the COVID crisis.

So, in summary, what you see on the results are negative growth of about 9% and net profit increase of 1%. For good order, I have called out three or four elements from financial perspective. The first is, in fact, talking about the reclassification between materials and other expenses. The second aspect being a negative 30 basis points one-off at an aggregate level, but with a positive 70 basis in Home Care and a negative 130 basis in BPC. Some benefit in the other income coming from interest and benefit coming in the tax line from an old assessment. Hopefully, these four or five elements will give you a better understanding of our financials and will help in taking the underlying business performance in a better light.

It is also important to talk from a full year perspective, and I think Sanjiv mentioned it. Our Domestic Consumer Growth for the full year stood at about 2%. If you recollect, for the nine months ended December (2019), we were upwards of 6%. The last quarter had big impact on our total growth. But the EBITDA margins continue to be attractive over 100 basis points (improvement on comparable basis) and net profit up by about 12%. Overall, if you were to see from a full year point of view, growth has been competitive, profitable and resilient.

This (Slide no.18) also gives you a very quick snapshot view of the performance at the three division levels. The growth is understood and explained by what we have seen in the March quarter. And at an aggregate from a full year perspective, the margins across all the three divisions continue to be healthy. Now in this context, it is also important to understand that the Board has taken a view of the total performance for the year. We looked at the cash position, and at the robustness of our balance sheet. And we are delighted to share that the Board of Directors have approved or proposed an increase of INR 1 in the final dividend, which makes it a total of INR 25 for the full year and this will be about a 14% increase to the dividend payout. And this, we believe, is going to be in the interest of our consumers and our shareholders.

It is important to spend a little bit of time talking about the future. You would have seen this chart (Slide no.20). Our strategy remains unchanged, and our model is consistent, competitive and profitable and responsible growth. And as Sanjiv has spoken about dialling up and focusing on the fundamentals.

Sanjiv also talked to you about our five key trust areas. And what I will now try and do is give you a little bit of a flavour of some of the aspects that we are talking here.

We are giving utmost importance to the health and hygiene and safety standards of our people, whether it is by getting some of our office space people to work from home, or providing the best-in-class facilities in our operations - be it in our factories or, even in some of our extended areas such as distributor operations and third-party operations. We have also worked with the government in terms of the Suraksha stores and building the awareness so that it helps our partners - the retailers. And one important aspect to call out would be that we have extended special medical insurance coverage to our front-line people, people at our distributor points, depot staff and contract workmen, all in all, over 20,000 people to make sure that we take care of their well-being in this hour of need.

The other piece is on supplies. We have spoken about it, and Sanjiv has talked about a few examples of ramping up of capacities in key categories such as sanitizers, and he talked about the kind of increases that we have done i.e. more than 60X. And we are taking various initiatives to bring back operations to normalcy. From what started as below 5% has progressively moved up. If you were to look at the last 10 days, we would say our operations are running in the range of about 70% back to normalcy. And Sanjiv also talked, if we look at the recent numbers, it is moving up to 75% and 80%. Now what are we doing - We are focusing on some of the key SKUs, taking into account the portfolio and taking into account the geography. And we are focusing on a few key SKUs. In the short term, we are not looking at the full assortment, and we are also making some choices there. This enables us to expand capacity. This also enables us to get the right kind of product mix in front of our consumers. From a supply perspective, we are looking to increase the dispatch capabilities. Today, that has come up in a much better space. We are also working through procurement and supply chain resilience plans to make sure that our operations continue to get packing material and raw material. In some cases, we are also looking at tactical opportunities to tie up capacities to serve the needs of our consumers and that also becomes an important one. On the distribution side, we have continued to look at various models, which includes partnering with some other partners of the likes that we have mentioned there (Slide no.23), Swiggy and Dunzo. In some cases, working with our customers and the customers have come up and picked up stocks - we have worked on such models. And we are continuing to dial up both Humara Shop as well as Shikar, our B2B ordering app and this has been useful as time has progressed in terms of taking orders and making sure that we are managing deliveries.

The next piece is about demand and portfolio. We will see a definitive shift to some changing patterns to demand. Health, Hygiene & Nutrition will become focus areas. And there, we will continue to bring a lot more innovations to the marketplace. In the short term, we also expect some bit of negative impact on discretionary categories, and we will continue to watch that. You would also see that there are a host of consumer-relevant innovations that we have put out and also, contextual communications. What we have done (on Slide no. 24) is given you a flavour of some of the innovations which are either in the marketplace or are likely to come through very, very quickly. We have got a range of sanitizer SKUs which have come through. We are also bringing Lifebuoy Germ Kill Spray and Domex Disinfectant Sprays into the market. And there will also be other innovations such as the Germ Removal Wipes, Cloth Sanitizers and Germ Wash Boosters. So, some of these innovations are happening as you speak. And more that will come over the next four to six weeks and land in the market.

Sanjiv has spoken extensively about our community initiatives. And it is important for us to say that -- and I will not repeat them, but this continues to be a super important pillar for us, and it's integral to how HUL does business, and how we win in the marketplace, and we will continue to keep a focus on all of these initiatives.

And the last piece which I will talk is about cash and cost and the importance of the need for protecting our financial model. And we are looking at both sources and uses of cash as well as stepping up our fuel for growth. So clearly, there is going to be a laser focus on receivables. Having said that, we will look at judiciously deploying credit to support our partners and bring back normalcy in our operations. Through our enhanced SnOP (Sales and Operating Planning) and focus on key A class and B class SKUs and bringing data and analytics, we will continue to bring more science to inventory management, and that will help us manage in this evolving situation. Over the next few months, we will continue to look at all CapEx (Capital expenditure) and restructuring expenses with a sharp focus. And to some extent, we will be deferring some of the expansion plans unless they are supporting us in terms of capacity. And we will also balance it with our ability to execute. Therefore, there will be a clear focus in terms on what we do in our spends here. Equally important to note is that we will continue to unlock opportunities to get surplus assets and realize cash, which will shore it up. And finally, while we do all of this, I think it is important to note that there is a lot of turmoil happening in the credit markets and debt markets. We will make all efforts to ensure that there is safety of our investments, and there is liquidity. Equally, as we continue to do that, there is a need to step up fuel for growth. We are almost moving into a mindset of earn and then spend, and this means that we are dialling up savings across the value chain. We will also be looking at a dynamic reallocation of spends in line with the markets, and what gives us the right ROI. So, for example, in the quarter, we have looked at a bit of a rebalancing of our media expenses across channels. And this is something we will continue to keep a close eye, both from a competitive context as well as consumer demand context. All expenses which are non-core, or which do not add to growth, we will be very brutal about them. And we will drive decisive reduction in all non-essential costs. Some of the examples of travel and some of the other expenses are very visible. And this lockdown has also taught us about new models and how we can manage costs and be very efficient and effective. In all of this, it also becomes super critical for us to continue to drive our synergy savings from the nutrition business, and we will implement those plans with rigor.

So, I now come to my last chart before handing over to the Q&A section. I think we will all agree that we are in unprecedented times. We are dealing with lockdowns. We are dealing with spread of the virus, and we are all working towards a new normal. Therefore, it will only be fair to say it will be difficult to estimate the market growth or the consumer demand at this stage. Volatility in input costs and currency is likely to continue, and liquidity pressures will remain elevated. And therefore, if you look at our approach, the best way to summarize it is - we will protect our business model, we will grow competitively, and we will contribute to the nation. And we have spoken to you about the five pillars through which we will do it.

And on this note, I will hand it back to the operator to enable us to take the Q&A. Thank you.

Question and Answers

Operator\

Thank you very much, sir. Ladies and gentlemen, we will now begin the question and answer session. *(Operator instructions)*

The first question is from the line of Abneesh Roy from Edelweiss Securities. Please go ahead.

<Q – Abneesh Roy>

Yes. Thanks for the opportunity. My first question is on the distribution. HUL has done the tie-up with Swiggy, Dunzo, et cetera and many other innovations you have done. So how is the cost structure different in this distribution? And is there any pushback from Kirana because same consumer might be targeted by the Kirana and also, by these players. Third is, do you see this as a long-term trend or once normalcy comes because of the cost structure, things will go back to the earlier framework.

<A – Sanjiv Mehta>

Yes. Thank you, Abneesh. Thank you for continuing to remain the opening batsman.

What you are talking about is what is going to be the trend in the future? And, what is going to sustain from the changes that is happening now? When supply lines got disrupted, our main motive was that we should manufacture as much as essentials and reach them to the consumers through whatever route was possible. So, in the short term, you do not focus on cost versus the normal operating procedure. Your entire focus is on ensuring where the goods reach the consumers. From a long-term perspective, I believe that, first, this could also be possibly a renaissance of the grocery store, where people have realized how important your neighbour-hood grocery is, but this will also give an imperative for the grocery to adopt technology, things like our Shikhar app or Humara Shop. That will become very critical. The second is, yes, it will give a fillip to e-commerce and even the traditional e-commerce as well as new models of e-commerce will emerge. And the third is, even the modern trade, I think, will have a big thrust towards the omnichannel. All these things will play out and only people who have got sustained business model will be able to survive in the long term. So, I would say right now, too difficult to think as to what will survive and in what shape and form. But yes, the two-three big things that I talked about, the omnichannel for modern trade, the renaissance of the grocery store with added technology and, of course, e-commerce. This will give a fillip to all three ways of reaching the consumer. Yes. Next question?

Operator

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

<Q – Percy Panthaki>
Hi. Good evening, everyone. My question is - if you can give your views on how the current situation is going to affect urban versus rural. Last couple of quarters, we have seen rural growth falling below urban. Now, with the lockdowns being much more severe in urban areas, et cetera, do you see the situation reversing – and on a relative basis now rural becoming more attractive or performing better than urban? That is my first question.
<A – Sanjiv Mehta>
Yes. Okay. Hi, Percy. How are you? Percy, you are well?
<Q – Percy Panthaki>
Yes, Sir.
<A – Sanjiv Mehta>
Now coming to rural, there are a couple of variables at play. First is that there has been a Direct Benefit Transfer to a large number of rural consumers, and which will have an impact on demand, there's no question about that. The other big variable at play is that the recent harvest, to what extent have they been able to get the workers to work on the harvest and to what extent they have been able to transport the stuff to the mandi so that they can get proper realization. And the third variable, of course, will be is the rains for the subsequent harvest. So, these are the three variables at play, but I feel confident that the transfer of benefits to rural consumers, and if the virus does not spread to rural areas, and if it remains contained, as it looks like today, then yes, it will augur good for the rural consumers.
<Q – Percy Panthaki>
Right, sir. Sir, the second question is on cost savings. You mentioned that in this kind of environment, you will look even more closely at costs. So, can you give some more granularity on this? Typically, in the last couple of years, you have been saying that your Cost Effectiveness Programs (CEPs) are around 7% of sales. To what extent do you think this can increase -- from 7% to what extent do you think it can increase this year? And also, which particular line items -- you did mention travel, et cetera, but any further light if at all you can throw on this?
<A – Sanjiv Mehta>
Srini, would you want to?

<A – Srinivas Phatak>

Yes. So, I think Percy, the need is very clear. When you look at an economic environment as such, any cost, which is not adding value to the business or to the growth is under question. So obviously, with all of this, with the new models that we have learned, and many more that we can do in terms of some of the normal ones, we use new ones. Some aspects such as travel - I think it's both from the safety and health of our people as well as with the technology available, becomes the very easy and the obvious ones. For example, we have also looked at our own people costs and our own committed costs, whether it is across the value chain. Clearly, we have now made some decisions in terms of putting any recruitment on hold -- any fresh recruitment on hold. We will honour the commitments that we have made to some of our trainees coming in. Absolutely, we need to do that. So, that is another kind of way on how we are looking at costs. We are for temporarily also pausing and reviewing some of the increments which will come to mid-management from middle of the year - that's something which we'll also want to pause and review into the future. This will also throw up opportunities for us. Given our scale and our ability to leverage cash better, we also expect to start seeing better savings coming through in all lines - It could be in procurement. It is likely to be in media, to some extent and non-media. So, that is again something which will become one of our key and focus areas. And then last piece also is going to be a mindset, which I spoke about. And the whole organization is fully aware and conscious and working into a mindset of saying 'we earn and then we spend'. And you will be surprised by the resilience and the agility with which the organization moves in an environment like this. So, for us, the ambition continues to be that we need to drive savings. How much and how much more, I think, will come through in time. But that is really the kind of approach that we will take for driving and taking costs out of the system.

<A – Sanjiv Mehta>

And one our philosophy, if I may add to what Srini has alluded to, is our endeavour would be to create optionalities, depending on how the things open up. In the long term, all costs are variable. But in the short term, there are some fixed and some variable. And our objective will be that to an extent, some of the fixed costs, we can convert it to variable, that will then give us the flex to take the right actions, depending on how the economy pans out.

<Q – Percy Panthaki>

Understood sir. Very helpful. Just a related question to this. You have consistently mentioned that on a full year basis, you will always look at modest operating margin expansion. Now these are very, very exceptional times. So just wanted to understand if that sort of mindset or that kind of guidance still remains for this year?

<A – Sanjiv Mehta>

You are absolutely right, my friend, these are very exceptional circumstances. Now, our first thing would be to ensure that we keep growing competitively. Yes, that's number one. The second focus would be on ensuring that as much growth as we can get, we bank it. That would be the big thing. Because for us, a lot of leverage on cost comes from the top line. So that would be it. And the critical aspect of our business would be that we have to preserve our ecosystem, and not just us. We have 3,000-plus distributors. We have millions of stores that we cover directly. We have hundreds of suppliers who are part of the ecosystem. And our objective will be that we are able to ensure that they keep running the business so that we keep running our business together with them. So that would be it. And last, but not least, we have to focus on ensuring that the integrity of our business model remains intact. Yes. Margins at this stage, when you don't have visibility to how the economy will pan out, it will be very difficult to predict what we will do. But we will always look at it from a view that we are here for the long term, and we have to preserve the business for the long term, that's where our objective will be.

<Q – Percy Panthaki>

Understood, sir. Thanks very much. I have a few more questions, but I'll come back in the queue.

<A – Sanjiv Mehta>

All right. Thank you.

<A – Srinivas Phatak>

Thank you, Percy.

Operator

Thank you. The next question is from the line of Manoj Menon from ICICI Securities. Please go ahead.

<Q – Manoj Menon>

Hi, Sanjiv, Srini and Suman. Thanks for a very detailed presentation and a very different presentation also. I have only two questions addressed to Sanjiv. Sir, one thought process is that, at least in my understanding of the marketing fraternity, this forced staying away from using a lot of product categories, particularly in personal care, does this lead to a reset of excess consumption? So, in simple terms, if I were to say -- let's say, something like a shampoo category, the consumer probably is consuming a lesser quantity, assuming that it is the right assertion to make. Is there a challenge for the marketer to build back the penetration and the per capita consumption? That is question number one.

<A – Sanjiv Mehta>

Yes. All right, Manoj, thank you for that question. Today, what has happened is people's perceptions are being swayed by what has happened in the last few weeks. And the last few weeks have been very abnormal. Because the supply lines have collapsed. People have not had access to go to the stores, and the entire focus has been on getting the essentials like food products, hygiene products into the homes. But we have to understand that the relevance of the categories and also the focus of germs from hands, clothes will move to hair, mouth and face. Yes, that's bound to happen. The second important bit is, you have to realize that the need for things like moisturizing or the things like, for instance, if you wear a mask, the whole day or for a long period of time, clearly, you need face care products to ensure there are no marks left. So, there would be need for, certainly, Beauty & Personal Care products going into the future. There would be some shift in demand, some may be temporary because top of mind is your health, hygiene & nutrition. But then who in the world, a man or woman, does not like to feel good or look good.

<Q – Manoj Menon>

Fair enough. Fair enough, sir.

<A – Srinivas Phatak>

Just to add one small comment to this. I think some of the elements that Sanjiv has spoken about, we have also started to see some of this come back in markets such as China. So, the hypothesis is clearly playing out, and we have started to see that come through in the markets.

<Q – Manoj Menon>

Understood. Understood. A related question here on this is that -- one thesis is that on the market shares -- any such dislocation essentially ensures that the stronger players comes out stronger -- even stronger. But only question here is that, given that, or at least I've been reading that, consumers are now buying categories and non-brands, just on availability. There is a lot of sampling that would have happened for a lot of brands, which would have otherwise kind of struggled to. How do you look at the next year in terms of -- again, is there a question of necessity to increase the value portion, et cetera, to bring the consumers back to the fold?

<A – Sanjiv Mehta>

Yes. Thank you for that question, Manoj. You are right. When your supply chain has been disrupted, people would want to get any product in the category that they can lay their hands on. But this is not going to remain forever. India needs the economy to go back. And we have already reached up to 75%-80% of a normative level. And we will certainly go up. And once our brands are available, then the consumers, when times are tough, will veer towards more trusted brands. Yes, that will always play out. Just think of it, if you have a Lifebuoy sanitizer versus a sanitizer whose name you have not heard before and Lifebuoy sanitizer has technology of immunity booster, won't you veer towards Lifebuoy? Similarly, when we look at clothes and surfaces to clean, you would want to veer towards the brand like Surf Excel or a brand like Domex with proven credentials and manufactured by a company which is trusted by billions. The second question is, this will, Manoj, really depend on how the economy fares. And one thing you have to look at it from a lens that a company like HUL, we always pride ourselves that in all the big categories, we straddle the price benefit pyramid. Yes. We are not a one-horse player. Look at our Laundry, look at our Hair Care, look at our Tea. In all the categories, we have brands or formats or pack sizes, which provide access to nearly every consumer. And its valued. That is the strength -- portfolio is our strength. Yes?

<Q – Manoj Menon>

Understood. Sanjiv, in fact, that was just the follow-up which I had - God forbid the dreaded word of down-trading is to make a comeback, the readiness of the portfolio is something which I wanted to ask --

<A – Sanjiv Mehta>

Thank you for the question. Again, look at it like this. If you look at our Tea business, we have Taaza. If you look at our Hair Care business, we have Clinic Plus. If you look at the Laundry business, we have Wheel. In all our big categories, you will find this. And then even when it comes to our big brands, we create value through access packs and low unit price packs. So that is how we play the game. And when times are good, we have brands, which capture the premium end, and when times are tough, we have brands which capture the value end.

<Q – Manoj Menon>

Sir, one last question, if I may push in here. One, if we are to do a crystal ball gazing, would you believe that, let's say, the likely scenario is an SKU down-trading versus brand down-trading? Which is a higher probability?

<A – Sanjiv Mehta>

Consumers, when times are tough, look at value. Yes. And to them, the value becomes the most important part. Even when times are tough, I believe, Surf Excel INR 10 pack will still keep selling because consumers think that it gives them great value. It might happen, Manoj, that there might be some shift from, say, bottles of shampoo to more of sachets, for instance, or more like INR 10 pack are sold. That would happen, depending on what is the economic condition. But we have a portfolio which is completely ready for this kind of scenario.

<Q – Manoj Menon>

Understood. Thank you so much, Sanjiv, Srini, and Suman, and all the best, and stay safe.

<A – Sanjiv Mehta>
Thank you. You too.
<A – Srinivas Phatak>
Thank you so much, Manoj.

Operator

Thank you. The next question is from the line of Aditya Soman from Goldman Sachs. Please go ahead.

<Q – Aditya Soman>
Hi. Good evening, and thanks for your time. Sir, two questions from my end. Firstly, you talked a lot about cost saving and even things like maybe holding back on some of the increments of the mid-level staff. And obviously, this is coming from probably one of the most profitable and cash-rich company. We are seeing across different industries that there is probably going to be a lot more of cost savings and savings initiatives of that sort. Don't you think that it will have an impact on medium-term demand? And then how are we so confident that medium-term demand will come back?
<A – Sanjiv Mehta>
That is a very valid question. And that is the reason why we have still given a dividend increase, because we believe that we have a strong, healthy balance sheet and then there are a huge number of shareholders, non-institutional shareholders. And in many cases, also institutional shareholders because the money again goes back through the mutual funds, et cetera, to consumers, the individual citizens of the country. And so that is the reason we took that call of not cutting back on the dividend but increasing the dividend on a yearly basis. And the second bit is in the first quarter, we are ensuring that we don't lay off any people. And when I say the first quarter is the quarter of June, and we have not cut back on salary. That is what we have done. Because we also have to look at it from a perspective of the nation. But then when we say that it will depend a lot on what is going to be the economic conditions, to what extent the lockdowns will continue. And then we also have to ensure that we preserve the sanctity of our business model. Yes. That is important. So cost, during this time, which will not (add value)-- let me give you an instance, example here. We have a very extensive house-to-house sampling program, which comes under market development. Now, market development, if things remain under lockdown for extended period of time, might become very difficult to execute, right? Then, we will think to ourselves that how do we retain the essence of the capability within the organization but trim the cost which doesn't add value today. So, that is the perspective we will bring here. But whenever we look at bringing down costs, we will ensure that we will not erode the organizational capabilities of the business.
<Q – Aditya Soman>
Very clear, Sir. Thank you. And second question is, basically, in terms of -- you talked about supply coming back to 75%-80% of levels. Any update on -- what the demand situation is, or what you can see from sort of the retail end - where demand is at this point?
<A – Sanjiv Mehta>
See, you know what -- if you remember what Srini was alluding to, that in the month of March or what our numbers are, that we should normally have delivered a value growth in the vicinity of 3% because we were gaining shares and the market was at about 2.5%, whereas we ended up with 9% (negative). So, of this 12% difference 50% of that was distributor stock. And the balance, two-thirds would have

been trade stocks, and one-third would have been lost demand, because when everything came down demand would have either been deferred or would have gone away.

Now, today, our challenge has been to get the supply lines running. And when I say supply lines running, it is not just the sourcing of raw material and packing material, but it is also manufacturing and then distribution. Today with the lockdowns, today with the restriction on number of workers to be deployed and today with many of the stores across the country not having opened, we have not been able to gauge to what extent the stocks in the trade have gone up. And when things return to a modicum of normalcy, what would be the pent-up demand of the consumer and of the stores to fill up the inventory. Both these aspects would be there. But it is not yet possible for us to gauge how much of that would be.

<Q – Aditya Soman>

Fair enough. Totally understand. And thanks a lot again for your time.

Srinivas Phatak

Thank you. May I make one request, please. I think, we have a lot of questions. Just being conscious of the time, if each of you can pick a critical one question you have in mind, so that we at least cover everybody's questions.

Operator

Thank you. The next question is from the line of Arnab Mitra from Credit Suisse. Please go ahead.

<Q – Arnab Mitra>

Yeah. Hi. Good evening, everyone. My question was, as you look at the 75%-80% production moving or supply levels moving to 100%, what are the current bottlenecks - Is it still to do with some permissions on factories? Or is it more to do with you have permissions, but the factories can't operate due to social distancing norms or supply issues? Or is it transportation? And in this period from, let's say, end March to mid-May or end May until your supplies are not there, is it your sense that there's a stock out at retail levels? Or retail-end stocks are still there, and therefore, there is no loss on the offtake side during this period of time?

<A – Sanjiv Mehta>

Yes. Supply chain works in a synchronized manner. You see what is happening, for instance, whenever the government finds that a zone becomes red, then anything within a certain radius is shut down. So, we have had cases because we have a large number of factories spread across the country. The factories have started running, and then we have seen red cases sprouting in the neighbourhood, and then they have brought the factory again down. And again, we have to seek permissions to make them run. Similarly, for instance, the ports have been working at a very low level. We would have issues about raw material, et cetera, coming in. So, then there is an issue of transport, then there is an issue of workers and laborers. So, all that has to move in a synchronized fashion. But I think I will give full credit to my operations team, the way they have innovated and the way they have stepped up despite the constraints, they have taken the production and sales to the 80% level using many innovative schemes - the workers working long, selling full truckloads to distributors so that they directly reach without any interruption and all. And then innovative means of distribution, so many things have been used to reach. Now what you were talking about that will there be a trade stock coming down as well as possibly offtake? Difficult to gauge. My sense is that they would be both, because for many of the products, our whole focus has been on first with essential products. And many of the things which like the Shampoo for instance, or Skin Care for instance, there would be a pent-up demand with the consumers because they would not have got access to the products in the stores because they would have got over. And also, the inventories in the stores where they are available would have come down significantly. So, there would be both factors in place. Just a 15 days disruption, gentlemen, impacted 10% of our sales - 6% on distributor inventory and 4% on the trade inventory. So, you can gauge that how when a smooth supply chain, working very efficiently gets disrupted, what happens to the pipeline. Yes. But what we are also doing is, making our chain much more resilient, so that even if these constraints remain, like slowly, we have moved up to 75%, 80% level. Yes?

<Q – Arnab Mitra>

Sure. Thanks. Thanks. And just one follow-up on this. In terms of the Horlicks, I mean, so GSK's business, which is now this quarter onwards with you. You have put it in the essential list in your slide on essentials. Just wanted to understand because in the past, we have considered this category is somewhat as a bit of a discretionary category, not absolutely essential to the day-to-day requirements. So, any thoughts on that?

<A – Sanjiv Mehta>

I am glad you have raised this question. Besides hygiene and sanitation, the other very important bit is nutrition and immunity. Yes. And the brand like Horlicks does provide you immunity. In fact, today, if you go and see, we have given a news release that Horlicks with added zinc has been provided to scores of hospitals in the country to help boost the immunity of the health worker. Yes, and this is a proven science.

<Q – Arnab Mitra>

Okay. Okay. Thanks. Thanks so much, Sanjiv.

<A – Sanjiv Mehta>

Welcome.

Operator

Thank you. The next question is from the line of Vivek M from Jefferies India. Please go ahead.

<Q – Vivek Maheshwari>

Hi. Good evening, everyone. My first question is, again, on the utilization rate. So, when you are talking about, Sanjiv, 80% utilization rate, and there is a clear demarcation between essentials and discretionary. Does that mean that the increase of essentials, the utilization rates will be even higher, further higher, whereas in case of discretionary will be far lower? Is that understanding correct?

<A – Sanjiv Mehta>

You are right. Because even our focus has been on first making products which are essential under the current circumstances. Srini alluded to a figure or I spoke about that. Sanitizer, for instance, from a normative level, it has gone up by 60 times. That is the quantum of products that we have manufactured this month compared to, say, average of December quarter. And so, our focus has been on this. But now as we go up, we are also shifting to other categories where the demand, we believe, is very much there.

<Q – Vivek Maheshwari>

Okay. And this 80% utilization is, let's say, at the factory or the plant level. If you were to kind of -- so I'm guessing some part of this is like the initial build-up rate of inventory, which will be shipped to your warehouses, et cetera. But from a distribution perspective, will that distribution --

<A – Sanjiv Mehta>
My friend, whatever we manufacture, we are able to sell.
<Q – Vivek Maheshwari>
Okay. That's good to know. Okay. And the second which is on this AC Nielsen, minus 1% market -- or rather declining 1%. Isn't that number looking too low in the context of the way which you have described the issues that you faced at HUL? That minus 1% looks too low, right, for the month of March. Or am I misunderstanding here?
<A – Sanjiv Mehta>
The figure that Srini gave you was that we had -- if you look at it, the swing between what could have been a normal growth for us of 3% value and a 4%-5% volume, moved to a 9% negative (value). So, there was a swing of 12%, right, out of which our estimate is that about 6% is distributor, where we have a clear precise hold on it because we measure it on a regular basis. And we believe of the balance 6%, there would be a distributor to trade -- they would not have been able to sell and that would have been about nearly three-fourth of the balance 6%, yes. So, these are not very precise numbers because in this kind of environment, you would never get a precise answer. But from a trend perspective, in the first one month - March month, the offtake impact would have been relatively lower. In April, there would be a different story on the offtake because the economy has come down. People have not been able to get out. And if you do not have a shampoo at home, when you lay your hands on a bottle of shampoo, it is not that like– if I didn't wash hair in the last week, I'll now wash it more number of times in this week. It does not happen like that.
<Q – Vivek Maheshwari>
Right. Sure. Sure. And if I could just ask you one more, which is on the A&P spends. So, shouldn't A&P worldwide -- Srini did mention this fact -- but shouldn't A&P be highly discretionary at this point of time, particularly with respect to portfolio where utilization rates are quite low? And also, from a margin perspective, why so much caution?
<A – Sanjiv Mehta>
Srini?
<A – Srinivas Phatak>
So yes, the answer is right. And I think as you look into the month of April and beyond, we are working through in terms of what's the level of spend and what do you need to do. The intensity in the marketplace has come down to a large extent. We are also looking at our reach objectives and what we want to do, and we are also calibrating spends. So that is absolutely what we are doing. But I think the reason for overall picture on this, Vivek, is we are in uncertain times. Even today, as you speak, one month down the line, we are still at about 75%-80% levels. It still means we're 20% lower than where we were. And we are still in a lockdown phase. We still have uncertainties in terms of how it will open up. And, I think, the number of variables that we need to counter are too many. The other aspect, I think, which will also come through, is that today, we are focusing on selling essentials. By tomorrow, we will have to start looking at the total portfolio. And given how the picture emerges, there could also be some shifts between what parts of your portfolio sell. In some cases, it is quite possible that you will have higher sales of low unit packs coming through, at least during the next couple of months. Obviously, when you want to do all of this and when you add it up, you want to protect your business model. And that is the reason for us to be calibrated about all spends. We absolutely want to invest behind our brands, but I think we need to think about protecting our business model. Because we will come out of

this, and there will be a certain demand, and we should have enough ammunition to invest behind our brands. So that is the reason for our thinking in terms of the way we are articulating.

<Q – Vivek Maheshwari>

I see. Thank you very much. Wish you all the best and stay safe. Thanks.

<A – Sanjiv Mehta>

You too.

Operator

Thank you. The next question is from the line of Sanjay Manyal from ICICI Direct. Please go ahead.

<Q – Sanjay Manyal>

Hello, Sir. Just a few questions. Specifically, as you have mentioned that you have seen a higher production of sanitizer. But what about the Personal Wash category? What about the soaps? Have you seen -- or do you really think that the structural change can come in the Personal Wash category? Per capita spend probably can increase dramatically and probably this -- the kind of growth this segment would see -- would remain for next one or two years?

<A – Sanjiv Mehta>

We believe that the heightened need for hygiene and sanitation is not going to disappear overnight. It will come down from the peak levels, definitely, but it's not going to disappear. And people will hopefully understand that having the right kind of behaviour with sanitation and hygiene is a proposition which keeps you healthy and safe. There will be a spike in liquid soaps. There will be a spike in soaps with health credentials. And not just health credentials, any soap is, I am sure people will be much more conscious about washing their hands more number of times and becoming more conscious about whether using a disinfectant, or cleaning surfaces, making the environment more hygienic. These are some things which are, I believe, will be there for some time. They are not going to go away. And hopefully, it will translate into some permanent shift in consumer behaviour.

<Q – Sanjay Manyal>

Right, sir. So just in the -- in a similar –

<A – Srinivas Phatak>

May I -- sorry for this. May I really request people to stick to one question, because we have about 14 people on the audio and 20 questions on the web. If you really do not mind and if you can come back, time permitting, I really appreciate that.

<Q – Sanjay Manyal>

Okay. Thank you.

Operator

Thank you. The next question is from the line of Shreyas Thacker from Societe Generale. Please go ahead.

<Q – Shreyas Thacker>

Hi. Just wanted to know what the impact of pantry loading is in terms of different categories and on the group level?

<A – Sanjiv Mehta>

Too early to assess.

<Q – Shreyas Thacker>
So, anything post the second half of March? Sorry.
<A – Sanjiv Mehta>
Second half of March, yes. Second half of March, it is very difficult to assess because at the end of the day, we were not even able to service our distributors. We were not even able to service retailers. So very difficult to assess how much would have been the uptake. There is one impact of -- you have to understand that when Nielsen came out with a figure, they are saying that the FMCG market in the categories where we operate in the March month was down -- a negative growth number. That would indicate that there was not much a pantry loading.
<A – Srinivas Phatak>
So, I think anecdotally, and just look at some trends, there was definitely a little bit of pickup in Cleansing and Sanitizers, and a little bit of Nutrition. So, we saw a little bit of that, but that's hard to assess. But we also then started to see sharp deceleration in some of the discretionary categories, for example, Ice Cream. So, some parts would have seen it. But as Sanjiv said, it's very difficult at this stage to get a number in its aggregate. But clearly, we did see a bit of a move up in Sanitizers. We saw it in Soaps, and we also saw it in some of our Household Cleaning products.
<Q – Shreyas Thacker>
Yes. Stay safe, guys. Thanks.

Operator

Thank you. The next question is from the line of Prasad Deshmukh from Bank of America. Please go ahead.

<Q – Prasad Deshmukh>
Yes. Good evening to all of you. One question on your warehousing strategy. So, till now, the focus was always on -- like post GST -- the focus was on reducing the number of warehouses. Considering it is becoming difficult to reach even distributors, as you are saying, would there be some change at least temporarily in terms of opening more warehouses so that the supply is streamlined? Or how is that?
<A – Srinivas Phatak>
So, I can answer that. Look, I think the important piece is, fundamentally looking into the medium term, I do not think there is any change to the strategy. In the short term, we have to deal with a few variables. And we spoke about containment zones that keep happening from time to time. It is linked to what's happening to the outbreak. So, we are looking at multiple models. Obviously, the closer you have the stocks to the retailer and the consumer, it is better for you. So, to that extent, we are looking at multiple models. And in some cases, including looking at spaces with some of our distributors to make sure that stocks reach there. So, in the interim, we are looking at multiple models - direct dispatches, stockist distributors, some temporary space. And in the medium term, let's say, the next near term, it is about the continuity of supplies and getting it to the consumers. But then when you come back to the fundamental strategy, I don't think there should be any change. In the next couple of months, we are taking many of these steps.
<Q – Prasad Deshmukh>
Will you have any short-term cost implications? Or will that be all distributors, Sir?
<A – Srinivas Phatak>

No, there will be short-term cost implications. The important piece is in the short term, and there are three or four things we need to think about. There are some cost implications because of the additional measures that we are putting in for health, hygiene and safety across the broader ecosystem. In the short term, we have also seen a bit of a step-up in the costs coming through from distribution costs. Most of you are well aware that there was a limited availability and also, the cost of many routes had gone up, just given the risk involved and people being reluctant to travel. So, that also has gone up. Some of the steps that we are taking in terms of continuity is also leading to some costs. So, in the short term, there are elements of costs which are going up and which we need to manage and navigate, and therefore, again, the need for protecting the business model.

<Q – Prasad Deshmukh>

Sure. Thank you.

Operator

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

<Q – Harit Kapoor>

Yes. Hi. Good evening. Just one question. On Slide 13, you mentioned the impacted categories. There are six categories there that you mentioned. Would the assumption be correct that these are all technically non-essential and you haven't been producing these categories at all in April?

<A – Srinivas Phatak>

So, look, the point is –- If you see the split -- Ice Creams and Out-of-home - we have produced a bit, but given the nature of what's happening out there, you can't sell any out-of-home. A large chunk of Ice Creams comes from an out-of-home perspective. In the initial few days, we had not manufactured some of this. But as we speak today, we have started to see some of these products coming back up and especially in terms of Skin and Hair. In Ice Creams, we are manufacturing a little, but sales continue to be low. Water is a durable thing. And for that to pick up, you'll require the broader markets to open up.

<Q – Harit Kapoor>

So technically you're allowed to do Skin, Ice Cream, Hair or even Colors?

<A – Srinivas Phatak>

You need to get approvals with the relevant authorities -- by going to the right authorities. And you are able to get the approvals. Where we were able to get approvals, we are producing. So, we have slowly started to open up from some of our Beauty & Personal Care products.

<Q – Harit Kapoor>

All right. All right. That's it for me. Thank you. All the best and stay safe.

Operator

Thank you. The next question is from the line of Binoy Jariwala from Sunidhi Securities. Please go ahead.

<Q – Binoy Jariwala>

Hi. Good evening. Thank you for the opportunity. Just one question. Is there any clarity that we have received on the tax amortization available from the share swap valuing roughly to INR 32,000 crore?

<A – Srinivas Phatak>

Suman, do you want to answer that, please?

<A – Suman Hegde>
Hi, Binoy. Good evening. So, we have looked at the overall tax amortization piece. And I think from your perspective and from most of the people on the call perspective, it is more about what is the implication, if any, of the amortization of the intangibles coming on the ETR for HUL. At this point in time, we do not see any material impact of these benefits coming to the ETR of the company. So, let me just expand a little bit in detail, but I think we'll leave it for the call in May that we plan to have on a more detailed update on the merger.
The benefit of amortization of intangibles when they came in the merger is only available in tax book, right? So, in accounting book, which is where you look at the ETR, goodwill or intangible items are indefinite in life and are only tested for impairment. And it can only result in a creation of a deferred tax asset or a liability, which is a knockoff between our current tax and deferred tax with no implication to ETR. So, the nuance of what that amortization will entail and how will it materialize in the tax return for the company is something we'll explain more in detail in May when we do a full GSK merger update for you. But suffice it for now to say, there is no impact on the ETR for HUL.
<Q – Binoy Jariwala>
So just a clarification on this. What you are saying is that from your accounting perspective, there will not be a material impact. But a cash tax outflow, that will be materially lower because we would be receiving this.
<A – Suman Hegde>
No. See, I would look at materiality. And as I said, I don't want to get into full tax implication discussion now, and let's leave it for May. But even from a materiality point of view, you are looking at it from a finance income and the yield that this will generate, it is not very material from overall HUL level. But let's discuss that, I think, in the May call because that's more about the implication on tax. From a cash flow perspective and income perspective, it is not material to the company our size. And from an ETR perspective, I'm saying it has no implication, yes, because it doesn't get amortized in the accounting book.
<Q – Binoy Jariwala>
Yes. Thank you. Okay. Thanks.
<A – Srinivas Phatak>
Thank you.

Operator

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

<Q – Amit Sachdeva>
Hi. Good evening. Thank you for taking my question. Sir, I have one question. Obviously, you have alluded to the challenging time and restoring supply chains and getting the whole operations back and up and running is the first priority. But I would also perhaps guess, this is a time where an opportunity to strike with innovation is higher for stronger players such as yourself. Are we taking advantage of this position in some way while this supply chain shortages continue? Or are we just – our effort is only to sort of maintain status quo somehow. Is it gaining -- it is giving us any competitive advantage? While I would assume smaller brands would be in proper disarray and not necessarily, I would think that, probably would be in a good position to innovate or do A&P or something like that. So how are we taking advantage of this disastrous situation?

<A – Sanjiv Mehta>
Srini, let me take this, please?
<A – Srinivas Phatak>
Yes.
<A – Sanjiv Mehta>
There are two questions which you have. One is, are you working on innovations? Yes. Based on the changing consumer trends and based on what the new needs of the consumers, the answer is absolutely yes. The second question that you're talking about is of those innovations which you have been able to scale up today. With the constraints that we have today, the answer is no. But yes, we are getting it into the market. And once things open up, we would be able to ramp up production and also, distribute at the scale. Now, you have to understand our focus has been on essential. We cannot even get essentials produced to the level that we need. We cannot be looking at anything else. You first have to get soaps and sanitizers in the hands of people, that is the most critical thing.
<A – Srinivas Phatak>
Just to add to what Sanjiv said. So, even if you look at the chart that we presented on demand, there is definitely an elevated interest in health and hygiene. And therefore, if you look at some of the products that we're talking about - disinfectant sprays, wipes, cloth sanitizers - these are all, again, the innovations which are on trend and a requirement of consumers. And in these kinds of cases, we have gone from concept to production in a matter of few weeks, if you say this is all of less than four to five weeks old. You'll start to see some of these products being in market in as early as five weeks and six weeks from the concept. So yes, consumer-relevant innovations will absolutely be the focus area. But it is a sequence of getting the supplies and then continuing deliver.
<Q – Amit Sachdeva>
So, that is very helpful. That is what I meant whether we are taking advantage in some way that will perhaps the opportunity also provides us.
<A – Sanjiv Mehta>
Absolutely. Absolutely, Amit.
<Q – Amit Sachdeva>
May I ask one question which I just missed on the exceptional thing Srini was talking about because I think the line was very bad at my end -- If you do not mind giving a little bit clarity. If not, then I will take it off-line as well.
<A – Srinivas Phatak>
Amit, if you do not mind, you can reach out to our IR team. I will make sure that we cover all of those elements.
<Q – Amit Sachdeva>
Sure. No problem, no problem. Thank you so much.

Operator

Thank you. The next question is from the line of Shirish Pardeshi from Centrum. Please go ahead.

<Q – Shirish Pardeshi>
Yes. Thanks for the opportunity, and good evening to all. Just few observations and if I go back in Q3, when the difficult times were there and Sanjiv you pointed out, rural is not doing well, there are a lot of issues, there are demand issues. The income generation activity is not happening, and we have been

extending the credit. We also heard in the last conference call that you have taken some pricing action on soaps, particularly on Lux and Lifebouy. And now what we are seeing is that just 15 days lockdown. And I am reading from your chart, saying that the Junta Curfew, which happened from March 22 onwards. And you have said that the AC Nielsen number is saying that the category and FMCG growth is in negative territory. Would you be able to elaborate that? What happened on ground? Is the rural so bad? Because if I see from data point, the Junta Curfew might have been imposed across, but rural was still operational. And if I give the benefit that the harvesting and sentiments, they were very strong at that point of time when we went into lockdown. So, what exactly happened on ground?

<A – Sanjiv Mehta>

Srini, let me take this question, then you can add to it. Forget Junta Curfew for the time, please. Just look at the February picture. Yes, the YTD Feb picture for the last three months based on Nielsen, you were talking about a growth which was just about 2.5% on value on a total India basis, and 1.5% on volume. And in this growth, rural was even lower than urban. So, against 2.5%, if the shift happens in the month of March to minus 1%, with 15 days of disturbance and five days of complete lockout, I don't think it's something which you need to be surprised about. Why should you be surprised about that? These are not big numbers at all.

<Q – Shirish Pardeshi>

So, what I'm trying to highlight, Sanjiv, is that the rural optimistic picture, what we were thinking of the sentiment change which has not happened. And come April, when the lockdown is more severe on the rural side, we will see that there is a demand destruction further as elaborated in Q1 of FY '21.

<A – Sanjiv Mehta>

You have to understand rural in totality. A lot of people who work in urban, they send their incomes to rural. When people stop getting daily wages in urban, they stop sending wages to rural. So, it is not that just because you have not had a hard lockdown in rural, there won't be an impact on rural economy. Most of the construction workers, most of the daily wage earners, this entire story is of migrant workers from rural working in urban, and most of them are on daily wages. When they stop earning, it does have an impact, right? And what we were talking about that, yes, we were expecting that with the infusion of a lower interest rates, government's intention to spend more on infrastructure, government's intention to increase the cash transfer to the poor people, and I would believe, normally, when the government saves that in the budget, most of that happens after the start of the new fiscal, right?

<Q – Shirish Pardeshi>

Got it. Yes. Thank you. I'll come back again in the queue.

Srinivas Phatak

Can we move to the web questions now? Or –

Sanjiv Mehta

Sure.

Srinivas Phatak

I am also conscious that we have taken a lot of audio (questions), and there are a few questions on the web. So Sanjiv, what I will do is, I will call out the question.

Sanjiv Mehta
Yes.

Srinivas Phatak
And to the extent it's been answered, I will say so.

Sanjiv Mehta
Yes.

Srinivas Phatak
But if there is something which I want us to answer, then I will refer it to you. And if there is something else, and then I will handle it. I want to just get some of those questions answered.

Sanjiv Mehta
Yes.

Srinivas Phatak
<Q> The first question is from Rishi Maheshwari from AKSA Capital. The question is, do we foresee media spending being calibrated in the near term? In absolute terms, will we see an impact on media spend?
<A-Srinivas Phatak> I answered this question when I was responding to a question earlier, I think, to Vivek Maheshwari. Given what is happening to the marketplace in the month of April, competitive pressures, non-availability of products, we have seen a bit of calibration to media spend. But we need to be dynamic about this and work it through a month-by-month basis, depending on demand-supply and how this whole equation will progress.

<Q> The next question is coming from Nitin Gosar from Invesco Mutual Fund. The question is data shared in Slide 4 regarding discretionary and rural. What would be the share of revenues linked to discretionary and rural?
<A-Srinivas Phatak> In the course of the various questions and answers, I think this has been spoken about in detail. I do not think it is just a direct correlation. In fact, the last explanation Sanjiv gave is also a fraction of how urban and rural, there is a strong interplay. I think that is the best way to take it.

<Q> The next question has come from Aditya Malpani from Bryanston Investments. With income levels coming down for a large part of the population, do you think the demand for Personal Care segments will take longer to come back? And also, it can lead to larger discounts resulting in lower margins?
<A-Srinivas Phatak> Sanjiv, part of it you have answered. Is there anything that you would like to add to this question?

<A – Sanjiv Mehta> No. The initial feel is that the demand in Personal Care is down right now because it is not being produced. The supply lines are being disrupted and the consumers are sitting at home, their increased focus is on the hygiene, health, nutrition kind of portfolio. But going forward, I firmly

believe that the demand for our Beauty & Personal Care products will come back. It will, of course, depend on the supply chain normalization. But it will come back. And there might be some shift towards more value packs, value brand; that will be there. But certainly, like I said, there is no one in the world who does not like to feel good, look good. Even when you are just at home, you would still want to look good, smell good, feel good. Those will come back.
<Srinivas Phatak> Yes. Thank you, Sanjiv.

<Q> The next question is from Anuj Nawari, an independent analyst. How are we supporting distributors and dealers during this time?
<A-Srinivas Phatak>I think, we have spoken about this earlier in terms of the liquidity, in terms of facilities, in terms of practices, and even in terms of medical and health insurance. I think there is a comprehensive plan, and we have spoken about it.

<Q> The next question is from Chanchal Khandelwal. Demand loss in Personal Care due to working from home is worrisome from a structural perspective or do you think it will pass and some other categories will do better?
<A-Srinivas Phatak>I think we have discussed this in detail. And in the last part -- what Sanjiv has explained also applies to this question. So, I believe we have covered this.

<Q> The next question has come from Nitin Gosar from Invesco Mutual Fund. Which categories does the management believe could take more time to recover post-COVID or lockdown?
<A-Srinivas Phatak> Again, I think, we have had a full discussion on this topic between the essential categories and some of the discretionary. What could it mean in the near-term? What could be in a slightly medium term? And I think we have answered that in its totality, so I am not going to repeat it in interest of time.

<Q> The next question has come from Kirit Kapadia. When is the final dividend payable? Kirit Kapadia is an investor.
<A-Srinivas Phatak> Kirit, the Board has proposed the dividend. This has to be approved in the AGM, and this will be paid after the AGM is done. And this will be paid on the enhanced equity base, which now includes shareholders of GSK who are shareholders of HUL. We have not yet determined the date of the AGM. We need some more days to see how the situation evolves and whether we're able to come out of the lockdown. That is something that we will keep a close watch, and we will be able to share it to the market as soon as we can. We will do so.

<Q> The question from Sagarika Mukherjee from Elara is, what are the total price cut at the company level that you have taken in quarter one FY'21? According to your assessment, what are the total number of retail outlets that are open today and operating? What is the composition of out-of-home consumption in your portfolio and also, in Horlicks?
<A-Srinivas Phatak> There are three questions to this. From a pricing action point of view, I think we have spoken about a 15% price drop that we have taken in parts of our portfolio, namely Hand wash and Hand sanitizers and some parts of our Household Cleaning, Domex and others. That is the clear pricing action that we have done. Given the need of the hour, despite the significant inflation, we have put on

hold many of our price increases. I think that is also an important step that we have taken to support consumers in this hour of need.

Second question was really on the number of outlets. At this stage, it is very difficult to get a clear assessment -- yes? Do you want to add something here?

<A – Sanjiv Mehta> No. On hand sanitizers, we moved to essential production.

<A-Srinivas Phatak> Yes. So that is 50% price drop. That is the one.

<A – Sanjiv Mehta> Yes.

<A-Srinivas Phatak> Yes. Sorry for that. Yes. Thanks, Sanjiv. So, it's the Handwash and others at 15% price drop and because the sanitizers moved into the restricted essentials list, the price drop there was about 50%, and we have complied with that straight away.

Our number of outlets at this stage, it is difficult to get an estimate as to how many are open. I think we need to monitor this, and we will take a look. Ice Creams and Out-of-home consumption, these are meaningful parts of our business. And I think we will share that -- I do not think we have put out publicly a clear number to it. But you get a good sense if you were to look at some of our commentaries in terms of Out-of-home or from an Ice Creams perspective.

On Horlicks, we will talk about it in due course. At this stage, we are not giving a lot of details in terms of the product composition of Horlicks.

<Q> The next question has come from Suresh Korada. Will sales degrowth -- will you see sales degrowth like during the Great Recession?

<A-Srinivas Phatak> I think we have discussed this. Today, we are talking about challenging environment and circumstances. I so not think this is a time to be talking about a recession. I think let us take it step by step. We all hope that India emerges stronger, and we are able to come out safer. And we will start to see some growth coming through in due course. We will continue to be prepared for an emerging situation with agility and responsiveness.

<Q> The next question has come from Ankush Agrawal from Stallion Asset. What would be the bottom line of GSK portfolio for the full year FY '20?

<A-Srinivas Phatak> I think, Ankush, Suman has already spoken about it. We just got the business, the merger is effective from 1st April, and the books of accounts of GSK for the last quarter are getting finalized for inclusion into HUL. And we are hopeful of coming back to you in the month of May to give you a bit of an update on all of this. That will be the right time to deal with some of these questions.

<Q> The next question has come from Anuj Nawari. What kind of product mix changes have we done to deal with the ongoing situations? And how do you see the margin impact of this?

<A-Srinivas Phatak> I think we have spoken about innovations. We have spoken about prioritized SKUs. And I think we have also had addressed the question in terms of how it is an evolving picture. And I think that's the best assessment at this stage. I do not think we would be in a position to compute margin impact of all of this given where we are today.

<Q> The next question has come from Nitin Gosar from Invesco Mutual. Thoughts on consumer spending behaviour and premiumization journey India was witnessing.

<A-Srinivas Phatak> Sanjiv, any comments would you like to talk on this one, more so from a premiumization journey point of view?

<A-Sanjiv Mehta> Sorry, say that again?
<A-Srinivas Phatak> The thoughts on consumer spending behaviour and premiumization journey that India is witnessing.
<A-Sanjiv Mehta> India is not a homogenous country. Yes, so, there are different Indias. And when we talk about our premium portfolio, this is not like buying a BMW or a Merc (Mercedes). We are talking about, instead of buying something at INR 80 to INR 100 price points, you would be buying something, which would be at INR 120 – INR 150 price point. So, the outlays are small. The premiums are small. And I would believe that many people would still stick to the higher order benefits. But there would be some people who get cash trapped, who lose their jobs, who would be looking at more value. And we then would be having the value brands to look after that.

<Q> Yes. If I pick the next question -- Prashant Kutty from Sundaram Mutual. How are we supporting the supplies and contract manufacturers given liquidity challenges? How are the utilization levels and challenges? Given the customer preference for essentials over discretionary in the year, what is the outlook for rural and urban? Has there been rural and urban growth tracking in the quarter?
<A-Srinivas Phatak> I think we have discussed all the three questions. Just to add, like we are supporting our distributors, we are also working closely with all our suppliers and helping them, whether it is in terms of practices, making sure that they have adequate liquidity support and making sure that their businesses continue to thrive. In terms of our insurance and other initiatives, we have included them. So, it's an end-to-end approach for looking at all our partners, whether they're on the supplier side or the distribution side.

<Q> The next question has come from Latika. Do you expect rural to bounce back quicker in the urban? What is the initial feedback you are gathering from rural on ground post easing of restrictions mid-April?
<A-Srinivas Phatak> I think we discussed the first aspect of rural versus urban and some of the headwinds and the tailwinds. To address the question on gathering from the post easing of restrictions, I think it is too early. Even if you look at it, some of the restrictions started to ease off after 21st (April), and things are getting better as each day is progressing. And that is also the reason you have seen some of our operations now come back to the 75%-80% levels, and that is a reflection of what is happening on the ground. And I think we will keep a watch on this in the coming days.

<Q> The next question is also from Latika from JPMorgan. Where do you stand in terms of distribution utilization levels? Based on the hotspots of the country, what levels are distribution risk? Could you come back to normalized levels by the end of June quarter? Assuming that the national lockdown opens from next week, do you see the case for disruption of the wholesale channel?
<A-Srinivas Phatak> Latika, I think some of these questions are hypothetical. I think we just need to work this through week by week and geography by geography. I think one is an opening of the total market. And the second part, as you rightly say, there are hot spots. So, we have mapped out the full country into the zones, into our location, manufacturing locations into our distribution locations, and we are working through in a dynamic manner to make sure that our products get produced and reach consumers on time. And, I think, this is going to be an emerging picture. At this stage, I think, it will be hypothetical to make assumptions about when it will lift and what stocks could be by end of June quarter. We will share the latest view in due course as things progress, yes.

<Q> The next question is from Yash from Mandawala Enterprises. Can you elaborate a little more on the customer behaviour shifts you are seeing in economies that are further along the COVID curves such as China, Korea, Europe with regards to your categories?
<A-Srinivas Phatak> Sanjiv, any thoughts from a global experience on the customer and the consumer behavioural shifts?
<A-Sanjiv Mehta> See, again, across the globe, it is at different stages. But if there is one evidence, what we have seen is, in China, where it started first and now, we are saying that the business, to a large extent, has come back. So that is very clear. But of course, there are certain discernible trends, which are still remaining even after a couple of months like I talked about hygiene and nutrition, then relevance going beyond germs and cloth and surfaces to everywhere. And very clearly, there are changes in habits, TV watching habits. OTT consumption has gone up. Focus is back on e-commerce in a big way. People are spending much more time on family and bonding. And yes, there is very clearly also the need for energizer and de-stressors and me time. So, all those trends, because even in China as well, while things have opened up, still, there are a lot of people working from home. So, those would be playing out in different ways, in different parts of the world, depending on the severity and the socioeconomic conditions of the country.

Srinivas Phatak

Yes. Perfect. So, what I will do is -- while we have some of the questions and many have been answered, let us try and take two last questions on audio and conscious of time and the times that we are in today. I just want to take two more questions from the telephone line. If I can take the last two questions on the telephone line, please. And for balance everything, please do reach out to our Investor Relations team, and we will try our best to answer your questions.

Operator

Thank you. The next question is from the line of Anand Shah from Axis Capital. Please go ahead.

<Q – Anand Shah>
Yes. Hello. Hi. Just one question here. So, the 75%-80% utilization that you're referring to, does it refer to the number of factories operational or aggregate production -- I mean, for the entire portfolio?
<A-Sanjiv Mehta>
Yes. That is basically -- whatever we are able to produce, we are able to sell, so that is the value of the production.
<Q – Anand Shah>
Okay. But in that sense, if I tie up the two statements, I mean, would it be right to say that you are back to 75% to 80% of your normalized sales in that respect?
<A-Sanjiv Mehta>
Yes.
<Q – Anand Shah>
Okay. Perfect. And just a last very short question. Any comments on the tea business review that your parent had attributed to? Any decision on that in India?
<A-Sanjiv Mehta>

No. You're aware that what Unilever has done was taken a decision to do a strategic review of tea. That still stands, and there has been no change to that. Unilever has said that we will come back by mid of the year. But with all that is happening, there might be some more time required. But at this stage, there is no further news beyond what was articulated early in the year.

<Q – Anand Shah>

Okay. Okay. Thank you.

Operator

Thank you.

Srinivas Phatak

Can we just take a last question now, please?

Operator

Yes, Sir. Ladies and gentlemen, we will take the last question from the line of Mithun Soni from GeeCee Investments. Please go ahead.

<Q – Mithun Soni>

Yes. Thank you very much for the opportunity. Most of the questions have been answered. For Sanjiv, there's one question. This scenario, if it lasts longer, and we are seeing a situation wherein there are a lot of job cuts, job layoffs, salary cuts. So, it will definitely have some psychological impact on the consumers. And given if it lasts for, let us say, three months-to-six months. In a scenario like that, there is some down-trading. What would be your view as to how much time does a consumer take to come back to the higher-value products for more better products once they down-trade? Yes. That is my question.

<A-Sanjiv Mehta>

First is how quickly the consumers will bounce back would also be dependent on the shape of the economic recovery. If the economy bounces back quickly, then I don't think there would be a structural change as far as the pattern of using different brands or price points or between premium, economy and popular is concerned. But if it is a long, prolonged one, then it could be a different issue, that there could be a structural change. And from our perspective, like this was a question which in a different shape had come up earlier, we have a portfolio where we straddle the pyramid. And we have brands which are at more economic end. And we would be able to ensure that the consumers remain within the HUL portfolio of brands.

<Q – Mithun Soni>

Okay. Perfect. Thank you very much.

<A-Sanjiv Mehta>

Thank you.

Operator

Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to Ms. Suman Hegde for closing comments.

Suman Hegde

Thanks, Stanford. Yes, with that, we come to the end of the Q&A session. Let me just remind you, the transcript of the call we have had today will be available in a few days on the Investor Relations website. So, you can go back and refer to it later. With that, I will wrap the call to a close. Thank you, everyone, for your participation. Have a great evening. Really stay safe in these difficult times and stay well. Thank you very much.

Srinivas Phatak

Thank you, Suman. Thank you, Sanjiv.

Sanjiv Mehta

Thank you, everyone.

Operator

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

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