



Hindustan Unilever Limited

**September Quarter 2013 Results Conference Call of
Hindustan Unilever Limited**

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SPEAKER

R. Sridhar, CFO and Executive Director, Finance and IT

Mr. Dinesh Thapar, General Manager, Head of Treasury, Investor Relations and M&A



Moderator:

Good morning, ladies and gentlemen. I am Sourodip Sarkar, the moderator of this call. Thank you for standing by, and welcome to Hindustan Unilever Limited, September Quarter 2013 Earnings Call. For the duration of presentation, all participants' line will be in listen-only mode. We will have a Q&A session after the presentation. So now, without further delay, I would like to hand over the proceedings to our speaker and panellist, Mr. Dinesh Thapar. Thank you and over to you, sir.

Dinesh Thapar:

Thank you, Sourodip. Good morning and welcome to the September Quarter 2013 Results Call of Hindustan Unilever Limited. Presenting the results this morning is Mr. R. Sridhar, CFO of the company. You will be aware that Mr. Sanjiv Mehta took office as the MD and CEO of the company on 1st of October 2013 and as you would imagine, over the last couple of weeks, Sanjiv is spending time in getting immersed into the business and meeting with various stakeholders. In keeping with that, he is out of town at meetings with senior government officials today, and, therefore, is not on today's call. But he will join us from the next quarter's call and certainly looks forward to interacting with you in due course.

We will start with Sridhar talking through the performance of September Quarter and follow it up with the Q&A session. What you could do in the interim, whilst the presentation is happening, is to post questions on the web chat option and we'll pick those up before we get into the Q&A session. Before we get into the presentation, I'd like to draw your attention to the 'Safe Harbour statement' included in the presentation for good order sake. With that, over to you Sridhar.

R. Sridhar:

Thank you, Dinesh. And good morning to everyone. Welcome to our second quarter earnings call. Dinesh has already reminded us about the Safe Harbour statement. So let me then just move on. And that's the agenda that you see on the chart that we will go through during the presentation.

Firstly, the good news in terms of strategy is that it is consistent - the strategy which we call the Compass, the Unilever Sustainable Living Plan, which is our business



model, and the four G's of our goals, all of them remain consistent. Now, before I talk about the highlights of our performance, I'd like to spend a couple of minutes to talk about the operating environment during September quarter, which continued to be very challenging. FMCG markets continue to show a slow pace of growth both in terms of volume as well as value, and across the categories. Within this, the premium segments and the discretionary categories were clearly under pressure. On the cost side, the environment remained volatile, and competitive intensity stepped up during this quarter. The media environment, as you all know, is fairly uncertain. We have a deadline of 31st October, by which we expect to get some further information. But in the interim, suffice to say, it's a fairly uncertain environment.

Let me just elaborate a bit on the cost environment and then on the competitive environment. First of all, in terms of cost, we saw during the quarter a very sharp depreciation of the Rupee, which, of course, at the level it is now is off the highs, but when we just step back and look at it whether it is in terms of sequential progress or year-on-year progress, there is a very significant depreciation of the Rupee. On the other aspects of input cost, the palm oil basket cost situation was fairly benign during the quarter, though as we ended the quarter, there was a slight uptick.

Coming on to competitive intensity, this is a quarter that clearly showed a step-up in intensity. We saw new entries in the personal care space. But more importantly, there was a very significant step up in the amount of media investment made by the FMCG industry. In fact, as you go back in time, I think we find that the industry media intensity is perhaps at its highest level in the last 18 quarters. Investment, both in soaps and detergents as well as in personal product categories, went up dramatically, with a very sharp increase in the oral care category behind the new entries that took place during this quarter.

So with that context, let me share with you the headlines of our performance. We have delivered yet another quarter of consistent, competitive and profitable growth. Our domestic consumer business grew by 10%, which is ahead of the market. And this growth was driven by 5%



underlying volume growth. Just to remind us, we now had four successive quarters of, broadly speaking, 5% UVG, in a market context that's clearly been slowing. Operating margin further expanded by 20 basis points in the quarter. This is really driven by improvements in gross margin. You would have seen from our financial results that investments behind advertising and promotion stepped up by 165 basis points. And this largely reflects the significant step up in competitive intensity that I spoke about earlier. Profit after tax and before exceptional items grew in line with sales at 10%, while net profit was up 13%.

You are aware that innovations is a key driver of our growth along with activation in the market place and a strong focus on execution. Consistent with this, the September quarter also saw a series of innovations that we brought to market. Clearly, the re-launch of Fair & Lovely being the big one, but also the re-launch of our toothpaste brand, Pepsodent, a series of innovations in the Lakme portfolio, a limited edition launch of Lux, in our tea business the launch of Taza Masala tea, and so on.

Equally during this quarter we leveraged the global portfolio of Unilever brands and launched the TONI&GUY range in our hair business. TONI&GUY is a range of premier hair care and styling offerings and this was launched for a target set of modern trade outlets during this quarter.

Now, a very quick summary of our growth performance across segments. Just to draw our attention, based on feedback that we got from some of you, we are calling out here very specifically, the sales growth of the four segments rather than the segments revenue growth which also included recovery for shared services. So this is very specifically the turnover growth of each of the segments and you will see that personal products and beverages were the faster growing segments in this quarter. Packaged foods also stepped up, and soaps and detergents driven was mainly by volumes, which we'll talk a little bit more about as we go forward.

In aggregate, the good news is that our growth was ahead of market. Let me now spend a few minutes to walk you



through the highlights of each of the categories, and let me start with skin cleansing business. September quarter was the fourth successive quarter of double-digit volume growth. Lifebuoy, Breeze, and Lux led the category volume growth during the quarter. As I mentioned earlier, we had an exciting launch of a limited edition Lux that we brought to the market in this quarter. From a pricing perspective, we passed on the benefit of lower commodity costs to the consumers, and therefore the categories saw price deflation in its topline.

Coming on to home care, the growth was clearly led by volumes. In laundry, we had Surf growing strongly led by Easy Wash, while growth in Rin was led by bars. At the mass end, our brand, Wheel, which has had a slightly challenging time in the past few quarters saw sales stabilise on the back of some actions that we took, and there are further actions underway to step up growth of this important brand. In terms of developing the market for future segments, our fabric conditioner, Comfort, delivered a very robust performance, growing very strongly. Overall in this category of laundry, price contribution was minimal as pricing of the past anniversary was during this quarter.

Household care grew strongly, led by both Vim and Domex during the quarter.

Coming on to personal products, let's start with skin care, where growth stepped back to double digits in a slowing market context. I must hasten to add that the double-digit growth was aided by a favourable comparator in the base as well as a good sell-in of our winter range in advance of the winter season. Within the brand portfolio, Vaseline and Dove lotions performed very well; again linked to the winter selling in where Vaseline is an important part of our winter portfolio. Lakme continued to drive strong innovation-led growth. And in Ponds, growth was led by talc and face wash. Our flagship brand, Fair & Lovely, was re-launched in the second half of the quarter with a 'Best Ever Formula' and the 'Best Ever Proposition'. Also, within our Beauty portfolio we had some more introductions in the quarter - Lakme Youth Infinity range, a series of face wash offerings and so on, as listed on the chart. As I mentioned earlier, Fair & Lovely, our flagship



skin care brand, which has been having some challenges over the last three/four quarters, was re-launched in this quarter. It's a bit too early to talk about how this has landed in the market place, but we are at this point of time activating this brand, and in the coming months we should be able to get a good reach.

Moving on to hair care, which has over the last many quarters had a very strong performance, September quarter was another quarter of volume-led double digit growth. This growth was broad based across bottles as well as sachets & across shampoos as well as conditioners. Growth was led by Dove, Sunsilk & Clinic Plus. The new brand, TRESemme, which we launched under a year ago, continues to do well and gain ground. Our hair conditioners' business, which is a market that we are developing, also had another strong quarter. And as I mentioned earlier, we brought one more global brand, which is TONI&GUY, into the premium hair space during this quarter.

Coming on to oral care, which clearly saw a step-up in competitive intensity, we are pleased to say that both our brands, Close-up and Pepsodent grew in double digits. Close-up performance was driven by an exciting activation, while Pepsodent Core was re-launched with a superior product, and this has had a good performance during the quarter. I think a notable feature of the oral care market during September quarter has been the sharp increase in competitive intensity on media. You see on the chart on the left hand side year on year a very, very significant increase in the GRP spent on this category in the market. And as indicated earlier, we made sure that we remain competitive and we accordingly stepped up our A&P investment in this category.

In our final segment within our personal products business, which is Colour Cosmetics, we continue to see strong innovation-led growth. Lakme had an excellent quarter led by premium makeup, with Absolute and 9 to 5 (the two new offerings over the last year) sales more than doubling in the quarter. Elle18 further accelerated growth, and we had several innovations that added to the portfolio across face, eye care, lip care, and nails.



Now moving on to our Foods & Beverages business and starting with beverages, this quarter had another strong performance led by tea, both with a very, very strong price contribution, but also some healthy volumes. All key brands in tea portfolio grew in double digits. There's some very good activation work in the market place as well as micro-marketing in specific geographies within the country. At the same time, our focus on developing the segments for the future continues, with excellent performance in tea bags. Sales of flavoured and green tea bags nearly doubled during this quarter. The coffee market has been showing a slowing growth. And in this market we continue to grow ahead of market with the Bru performance led by Bru Gold during this quarter.

Packaged foods saw a step up in growth. Kisan accelerated during the quarter, while Kwality Walls returned to double-digit growth. Knorr sales were driven by instant soup, which nearly doubled during the quarter. And in the Ice-cream portfolio, sharper in market execution and roll out of the perfect stores agenda contributed to Kwality Walls coming back to double-digit growth. Magnum, which we had launched in Chennai, continues to do well in its lead market.

Finally, our water purifier business Pureit had a strong performance in a durables market that's clearly showing significant slowdown in growth. Pureit continued to strengthen its category leadership on the back of several innovations that we've launched, which are doing well, and contributing to growth. Marvella RO – Slim, an additional offering in the RO market, was extended nationally during the quarter.

So that's a quick run-through of our category highlights. In terms of P&L summary, you've seen the results. So I won't spend time on this, except to say it's been a quarter of competitive as well as profitable growth in SQ.

Our operating margins expanded by 20 basis points while our financial income is almost flat year-on-year in absolute terms. But this reflects significantly lower cash balance because we paid out the special dividends in the December



quarter last year, and a higher return on the available cash balance that accrued during September quarter. Our tax rates at the half-year stage, average at about 25%, which is our current expectation for the current financial year i.e. tax rate in the range of 24.5-25.5%, and that's flown through during the quarter. Net profit after the impact of exceptional items, which is primarily property sales, grew by 13% during this quarter.

So in summary, I think we'll say that we had yet another quarter of consistent, competitive and profitable growth. The fact is we've delivered this competitive growth while expanding the investment in our brands, and at the same time expanding our operating margins. Let's move on to a couple of slides on our first half, given that we finished six months of the financial year. We've continued to follow the strategy that we set out. And when we look at the performance over the six months, I think we are very pleased that we've grown ahead of the market, we've sustained underlying volume growth of about 5% despite the market really slowing. We have stepped our investments in our brands by about 90 basis points, and at the same time expanded our operating margins by 50 basis points.

In financial results summary terms, our topline has grown by 8%, and PAT(bei), that is, Profit After Tax and before exceptional items, is up by 6%. The net profit line, as you know, is not comparable due to the fact that we had a large disposal transaction of our Gulita property in the first half last year. At the board meeting on Saturday, the directors have approved an interim dividend step up of Re. 1 from the prior year interim dividend. So Rs. 4.50 which was the prior year interim dividend has been stepped to Rs. 5.50 for the current financial year. This entails an overall cash out flow of just under 1400 crores.

As we look ahead, our strategy is clearly unchanged, and we will continue to manage the business for the long term, for what is clearly a market that has got good growth potential. We will continue to invest to strengthen the core. At the same time, we will invest to win in the market place of tomorrow. We recognise that there are near-term concerns whether in terms of slowing market, whether in



terms of volatility of cost and currency, or indeed the uncertain environment in media leading to media inflation. However, we remain positive on the medium-to-long-term outlook and we believe that HUL is particularly well positioned to take advantage of the India FMCG opportunity - in terms of the portfolio of brands that straddle the pyramid, in terms of capabilities that are best in class and in terms of talent that's clearly recognised as number one.

So with that, we now open it up for questions. We're going to first take, I guess, questions from the web. But let me first hand over to Dinesh.

Dinesh Thapar:

Thanks, Sridhar. As I just mentioned, what we'll do is to start with questions which had come in on the web.

So we have a question from Abneesh. And Abneesh has asked – What is the main reason for the stronger growth in PP.

R. Sridhar:

So as far as personal products is concerned, the first thing I would say is certainly the double-digit growth performance in this quarter does benefit from a favourable comparator, and also a stronger sell-in in advance of winter. Having said that, I think it's important for us to recognise that over the past few quarters we have been consistently demonstrating good growth in hair care, oral care and our colour cosmetics business. The one category that has been under pressure was skin care, and within skin care it was specifically Fair & Lovely. The other parts of the skin care portfolio, whether it's Ponds, Lakme, Vaseline, Dove, they've all been growing nicely. During this quarter Fair & Lovely, as I mentioned, has been re-launched. Certainly that helps in the negative growth effect. But it's still far too early to call out the success of the re-launch. At this stage it's been in the market now only for a few weeks. As I said earlier, we are now reactivating brand in the market place, and I think in a couple of months' time, we'll have a better read of it.

Dinesh Thapar:

We have a couple of questions coming in from Amnish. What is the guidance for tax rate in FY14-15?



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R. Sridhar:

FY14, as I mentioned earlier, we expect the tax rate to be between 24.5- 25.5%. As far as FY15 is concerned, of course there is the uncertainty related to the direct tax code but assuming there is no other development on that front, we would expect the tax rate to be between 300 and 400 basis points higher than FY14.

Dinesh Thapar:

The next question is, would it be true to conclude that in the absence of Fair & Lovely re-launch and winter products stocking, the margin decline in personal care would have been much more?

R. Sridhar:

I think, Amnish, as we start to unpack various parts of the portfolio, it becomes very, very difficult to comment. We have always said that the strength of HUL is portfolio of categories and then within categories of portfolio brands. Also, the other part is, when we look at margin progression, we believe that one quarter at a time is a very, very short time length. We don't manage the business for a quarter, and therefore trying to draw any conclusions based on margins of a single quarter would potentially be misleading. The final point to mention is, I talked about the A&P spend being up in the quarter especially in personal products and within that particularly in oral care given the competitive intensity being very clear in defending our position. This also played through in the personal products margins.

Dinesh Thapar:

Our next question is from Kaustub who asked about – Despite the Rupee depreciating by almost 10%, HUL was able to witness over 150 basis points year-on-year and 65 basis points of sequential improvement in gross margins. What led the strong improvement?

R. Sridhar:

The fact that Rupee depreciated is absolutely right. One of the things you need to take into account is how that plays out into the P&L might be quite different from how you see it playing out in the markets. There is the factor of what is our inventory cover that needs to be taken into account. I think you are aware that we do have a hedging strategy for some of our key materials. And therefore, it would not be easy to have a quarter-to-quarter correlation of progress or developments on input cost or currency trends. And what



comes out in the P&L, it would really depend on the length of covers we are holding.

Dinesh Thapar:

We have a question from Pratik who asked about – Despite the increase in media intensity and vulnerability to USD fluctuation, S&D margins improved sequentially. What has aided the sequential margin improvement?

R. Sridhar:

Well, Pratik, firstly, at the cost of repeating myself, let me make the point that looking at the quarter is too short a time-frame to look at what's happening in margins, the levels of A&P investment which in turn are linked to the levels of activities that we do in the marketplace differ clearly quarter-to-quarter. I think it's also fair to say that particularly on the cost side, as I showed in the input cost chart, it's been a very benign cost environment from a palm oil basket perspective and that of course would have also contributed.

Dinesh Thapar:

Vijay from BNP Paribas asked whether the quarter benefited significantly from the re-launch of Fair & Lovely or any other important brands. If yes, how significant was the impact on the overall performance.

R. Sridhar:

Vijay, I have shared with you upfront the series of innovations and if you go back into the presentations that we did at the end of June quarter as well as March quarter, you would see a very similar story that we have been really driving innovations. Notwithstanding the slowdown in the market, we have not been slowing the pace of bringing innovations to the market. We believe that this is what will stand us in good stead when the market growth momentum improves in the future. So it's not just the specific innovations of the quarter that you should take into account but look at what we have been bringing to the market over the last two to three quarters. You know, all of them have contributed. When you look at growth as I talked about, for example in personal products, all our key segments have grown in double digits. We saw really strong growth in hair care. We talked about our oral care - Closeup and Pepsodent growing in double digits. So it's more broad based than just one brand.



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Dinesh Thapar:

Akshit from Aviva asked – Over the last two quarters, sales growth in soaps and detergents on a Y-o-Y basis has slowed down to 6-7% versus double digit sales growth in the previous quarters. Are we losing market share and how should we look at the growth in this category.

R. Sridhar:

First thing to say is that we are quite comfortable that we are growing well and competitively in the soaps and detergents market. What you see in terms of revenue growth is of course a function of both the volume and the price. But in this particular quarter, the price contribution has really not been there because of the passing on of the cost benefits in soaps as I talked about, the benign cost environment particularly on palm oil that has been passed on and the anniversary effect of some pricing actions that were taken a year ago. So overall from a growth perspective, we are comfortable that we have grown competitively. We have always said that categories that are commodity intensive, so this would be primarily soaps, detergents, tea and coffee, the price contributions of the growth is really reflective of what's happening to commodities, and sometimes we are very high. So if you look at the last three or four quarters, we have consistently been calling out - for example in the case of tea, there is a very strong contribution of price to our overall tea growth or overall beverage growth. Obviously as that anniversary comes, you will see the headline growth number become lesser but intrinsic to the growth is really what's the underlying volume growth. That would really reflect the health of the performance. And in soaps and detergents, we are quite pleased with the performance in the quarter.

Dinesh Thapar:

We will do a last question before we get into the audio line. This is from Percy from IIFL who asked – As you may have had some low cost inventory, wouldn't the next quarter see more inflationary pressure and how has our price increase been accepted by the consumer? Do you feel comfortable that price increases required to be taken would be absorbed without much volume backlash?

R. Sridhar:

Right. Percy, you asked a couple of questions. Firstly, as far as pipeline and covers of inventory, I don't propose to talk about what's the length of our covers. That would not be sensible for us to do. In the marketplace, it's a mixed



bag. So on the one hand, you certainly have some inflationary impact coming on currency. On the other hand, when you look at Y-o-Y, palm oil is still benign. When you look at tea, the key commodity prices have eased. So it's a fairly mixed picture. We will have to just wait and watch. I do not want to comment anything more than that.

As far as price increases are concerned, I think it's a very good question. Given the overall economic environment, given the high level of inflation, we got to be fairly judicious and sensible about what pricing action we are taking and as always, we look to all the levers of the P&L, price is just one lever. We look to all the cost lines whether it is in terms of supply chain, whether it is in terms of our trade and marketing spend or indeed our general overhead cost. To see how do we balance the P&L, we would not just look at price as the only lever.

Dinesh Thapar:

Sure, thanks. Okay, we have got a couple of more questions coming in on the web chat, but we will come back to these if they haven't been answered. What we would now like to do is to open up the call to questions on the audio line. May I remind that this call is only for institutional investors and analysts, and therefore if anyone else has a question, you might like to get in touch with the investor relations team at HUL. What I would now like to do is to hand over the call back to Sourodip. Sourodip, handing it back to you for you to moderate the next session.

Moderator:

Thank you so much. So we are now going to start the Q&A interactive session. So I would request all the attendees and the participants, if you wish to ask any question, you may press '0' and '1' on your telephone keypad please.

So we have the first question from Mr. Abneesh Roy from Edelweiss. The line has been unmuted. You may go ahead and ask your question, sir.

Abneesh Roy:

Sir, my first question is on oral care. This quarter saw the entry of the new player. And if I see the strategy, your strategy on comparative ads in which you showed the number one player also. And if I see the number one player, they are very aggressive on the new launches. We also had a new launch earlier quarter, not in this quarter.



And if I see the number, sir, the Q2 volume growth of the number player, 9% volume & 16% sales growth, so I do not see an impact on the number one player from the advertisement. So my question is, is the competitive advertising the right strategy? Shouldn't we focus more on innovations? And a follow-up on this, the new entrant who has come has got 1.2% market share. In that context, do you see this as a very gradual entry by the new player? That's the first question, sir.

R. Sridhar:

Okay. Abneesh, do you have a second question? Then let me take both at the same time.

Abneesh Roy:

Sure. Sir, second question is on the top end beauty portfolio, you have launched surprisingly TONI&GUY in a quarter in which we have been seeing last two-three quarters significant slowdown in the discretionary top end. And if I see Mr. Harish Manwani's interview, he is saying, "No uptrading is happening." So isn't this a wrong time to launch a new top end product? I understand you don't see one or two quarters movement, but is it a wrong time to launch TONI&GUY?

R. Sridhar:

Okay. Thanks Abneesh for the questions. Let me first take the question on oral care where you talked about, you know, the strategy and so on. First let me make it clear that I would not like to comment on what strategy is being followed by other players, competitors, a new player, etc. Let me just talk about what we are doing. So in this quarter, we had a very significant innovation that we brought to market, which is the re-launch of one of our two core brands, which is Pepsodent. And we are quite pleased with how it has done in the marketplace, so it is not as if there is no innovation. We will continue to have innovation in this category as we do have in other categories. We do have a very clear objective, which is to defend our competitive position and, therefore, you know, all elements of the mix whether it is product innovation, whether it is advertising or whether it is any of the other levers they will be brought into play.

As far as your second question on top end personal products and I think your question the timing of the launch of TONI&GUY, as I said earlier, you know, we look to this



country's FMCG opportunity from a medium to long-term perspective and our strategy is encapsulated in the phrase "Winning Today, Winning Tomorrow." So we will always make sure that we are doing the right things today, but also investing in the right thing that will enable us to be winning tomorrow as well. The launch of TONI&GUY is exactly consistent with that. We, as I said, launched it to a very select range of outlets, so this is not a product that you will see in each and every store. And we believe that there are consumers who are at the premium end and looking for these kinds of offerings to add to their repertoire, so therefore, you know, it is entirely consistent with our strategy.

Abneesh Roy:

Thanks, sir.

R. Sridhar:

Thank you, Abneesh.

Moderator:

Thank you so much. Before we move on to the next question, I would like to repeat, attendees if you wish to ask any questions, you may press '0' and '1' on your telephone keypad, please. It's '0' and '1' on your telephone keypad to ask questions. We have the next question from Mr. Arnab Mitra from Credit Suisse. The line has been unmuted. You may go ahead and ask your question, please.

Arnab Mitra:

Hi, Sridhar. My first question is on the winter sales which you have mentioned as a factor. Now, I would assume winter sell-in as a normal practice each year. So why is it that you are mentioning this as a specific factor? Is it that the pipeline filling has been much higher this year than normal and what kind of impact are you talking about here?

R. Sridhar:

Okay. Well, Hi, Arnab. Thanks for the question. We talked about the winter sales. You are right that winter sales selling in advance of the season is a normal phenomenon. We've had a particularly good sell-in this time in September, which is why we call it out and as with anything which is seasonal, of course, we are hopeful that the winter turnout will be in line with normal expectations, but given that it's a seasonal development it's not exactly in our control. Had we been sitting and having this conversation say 4-6 weeks down the line, we'd have much better clarity. So the reason for calling it out is because you



had a much better than normal selling in for winter pipeline.

Arnab Mitra: But is it a conscious early sell-in or you would just say that because season is yet to come in, you are calling it out as a factor?

R. Sridhar: Yeah. I think the fact that the season is yet to start, it is why we are calling it out. Of course, the sell-in is also dependent on, you know, what's the sentiment and pull from the trade, which has been particularly good this time. But, as of now, we can't yet say how the season is going to pan out, is it going to be on time, is it going to be delay. We will have to wait and watch.

Arnab Mitra: Right. And just one more question is could you throw some more light on the different channels – rural, urban, general trade and modern trade. Is there any divergence and trends that you are seeing or market growth is seeing between these three different channels?

R. Sridhar: Certainly between rural and urban, I think, the data shows that rural is doing better than urban. This is a couple of quarters that rural is certainly doing better than urban. Also I will add that we will talk about this, you know, you also need to keep in mind that over the last couple of years, we've also been investing in building our presence and rather strengthening our presence in rural. So some of that is also playing through in the numbers.

Arnab Mitra: And anything on modern trade or CSD, the other two channels?

R. Sridhar: Nothing very specific to call out; as nothing as an exception to call out.

Arnab Mitra: Okay. Thanks so much.

R. Sridhar: Okay. Thanks, Arnab.

Moderator: Thank you, Mr. Mitra. The next question is from Mr. Nillai Shah from Morgan Stanley. The line has been unmuted. You may go ahead and ask your questions, please.



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R. Sridhar:

Hi, Nillai.

Nillai Shah:

Hello, sir. Just one question from my end. You know, you've been talking about the slowdown in discretionary consumption, but generally the pain points in your portfolio at this point in time on a mass market brands which is Fair & Lovely and Wheel. I understand that there are some, you know, brand-specific issues at least which failed, but can you throw some light on this especially because the other parts of the portfolio which are more premium seem to be doing all right?

R. Sridhar:

Okay. So, Nillai, I think when we talk about discretionary categories and premium segments, I think, you will see it in context over a period of time. When you look at it over a slightly longer period of time, you can see the market the growth rates of these segments which were clearly outpacing the growth of the average categories, that outpacing has taken a pause. So what we are seeing is premium segments growth rates slowdown more or less in line with the category. You know, that's the first point. This, we believe is a short-term phenomenon over a period of time as India as an economy continues to grow, as disposable incomes continue to grow, we believe that premiumization and upgrading as a trend will be the normal.

As far as the other aspect of looking a discretionary categories, things like, you know, packaged foods, ice-creams et cetera, yes, this quarter we've had a better performance in our ice-cream business, but that's entirely I would say led by a lot of market-led initiatives that we've driven hard. But overall the sort of discretionary consumption basket still remains fairly, you know, I would say less buoyant and fairly low-growth in its sort of overall market context.

Coming to, particularly, two specific brands, you talked about Fair & Lovely and Wheel, we have done the re-launch and as I said, in a quarter's time we will be able to talk a little bit more specifically in terms of marketplace response and consumer response and so on. As far as Wheel is concerned, the sales have indeed stabilized on the back of our actions that we took. There are some further



actions that are planned and we are hopeful that we will see even, you know, better growth once our actions hit the marketplace. Thanks, Nillai. I hope that answers your questions.

Nillai Shah: Yes, sure. Thanks.

R. Sridhar: Thank you.

Moderator: Thank you so much. The next question is from Mr. Prasad Deshmukh from Merrill Lynch BOA. The line has been unmuted. You may go ahead and ask your questions.

Prasad Deshmukh: Yeah. Sir, I have two questions. Firstly, based on your experience or the Unilever experience in other emerging markets or other categories, whenever a new player has entered or new significant player has entered in a category, typically how long does high A&P intensity phase last? And are there any indicators one should be looking at as to, you know, when the market stabilizes at the next level?

R. Sridhar: I think if I understand why you are asking this question in the context of the oral care competitive intensity, I think it's very difficult to say that there is a general sort of principle or general rule that applies which is applicable across markets. I think clearly in this question of, you know, till when high A&P intensity will sustain, I don't think it is possible to give a specific rule-based answer. Of course, it depends on, you know, the strategies of the different players. I don't think we can give a very specific answer. There is no common timeframe that is applicable in all competitive scenarios.

Prasad Deshmukh: Okay. And second question is about the launch of TONI&GUY. What is the positioning here, I mean, do we have to invest in the separate distribution channel or, I mean, what is the distribution strategy in this case?

R. Sridhar: Okay. So this is very premium brand from the Unilever's table. This is primarily being sold in very select top end outlets where there is what you call an assisted sales model. So there is somebody at the point of sale who assists the shoppers in figuring out what would suit them and so on. It's both across normal hair care products and styling. So it



is in that sense different from, let us say, our mass-market brands like Sunsilk or something else. So it is quite differentiated, very small select range of top end outlets in modern trade that we would be marketing these.

Prasad Deshmukh: And is the distribution anyway different from what is being planned for TRESemme or I mean...?

R. Sridhar: No. No, it goes through our current distribution system. It's also something that will be available online through select E-commerce channels.

Prasad Deshmukh: Okay. Thanks a lot for taking my questions.

R. Sridhar: Thank you, Prasad.

Moderator: Thank you so much. The next question is from Mr. Richard Liu from JM Financials. The line has been unmuted. You may go ahead and ask your question.

Richard Liu: Thanks for taking my question. Good morning, everyone. Sir, you know, if I were to take a cue from soaps and detergents, you know, where obviously there is no pricing growth in laundry and there is a price deflation in soaps, but if I were to talk more generally in the absence of pricing growth, what's the magnitude of revenue growth that one can expect. It definitely appears that in scenarios right now where there is no pricing, the magnitude of the revenue growth is going to be much lower. And since, you know, the benefit of the lower commodity prices have already been experienced in the past, somewhat of a lean period right now where neither there is inflation nor deflation seems to be affecting the size of the revenue and hence the profit growth as well. So if this kind of a situation were to continue when raw materials neither inflate or deflate, I mean, how would one generally manoeuvre to get to a double-digit profitability growth kind of a scenario?

R. Sridhar: Hi, Richard. So, Richard, first thing to say is, you know, if you step back and look at our objective, our objective as far as growth is concerned is to grow competitively and grow profitably by making sure it's consistent and it is responsible.



Now, when you talk about soaps and detergents, if you go back a year/ year-and-a-half, you know, we were having a large commodity cost inflation leading to a very significant price contribution to growth. We saw very, very high levels of growth, you know, 15/ 18/ 20% kind of growth. Even at that time, if you recall, we said that the volume component of that was at single-digit and was really the price contribution that was in double-digit. In the current scenario, what you talked about where there is neither inflation nor deflation, then clearly the price contribution will be far more modest and entirely volume-led. I think, from our perspective, it is not as if whether it's not – The important thing is not whether it is double-digit or single-digit. Important thing is that we are growing competitively.

As far as margins are concerned, the drivers for margin expansion, margin improvement are there in soaps and detergents as well. We have talked about them earlier. As we sell more volumes, we are obviously able to, you know, drive cost efficiencies in our supply chain better. The whole aspect of mix, whether it is mix from better contribution from premium products or whether it is from the emerging segments which generally tend to have better gross margins in the average, these aspects of mix will also contribute in terms of margin improvement. You will just see it's over a slightly longer period. It is not something that one should look at, you know, quarter-to-quarter because if you look at soaps and detergents in this quarter, the margins are down slightly by 25/30 basis points. But, again I will add that one should not be looking at it just in terms of a single quarter.

Richard Liu:

Okay. All right. Thanks. Wish you all the best.

R. Sridhar:

Thanks, Richard.

Moderator:

Thank you so much. The next question is from Percy Panthanki from IIFL. The line has been unmuted. You may go ahead and ask your question.

Percy Panthanki:

Hi, good morning. Sridhar, my question is, on the one hand, we've been, since the last two-three quarters, continuously been seeing that the market environment is



very slow, especially in category such as skin care. And then, we've seen that this quarter's growth rate is high because the pull from the trade before the winter season has been stronger than last year. So how do I reconcile these two statements?

R. Sridhar:

Right. So firstly, Percy, when you look at our growth in personal products, you will note that I talked about two things that have contributed positively. First is, obviously, a favourable comparator and the second is a good sell-in advance of winter. Now, the fact is that from a comparative perspective, June quarter had a very strong comparator of the base where we had the re-launch of Fair & Lovely with some very significant promotional activities to land the re-launch and which is why June quarter's growth was muted. When you come to September quarter 2013, we've had the benefit of a favourable comparator. So that's, you know, point number one and fairly clear.

As far as good sell-in of winter is concerned, we always start selling the winter products in advance of the season; typically, it's always in September. This time we've had some better sell-in and at this stage as I have responded to an earlier question, it will all depend on how the timing comes in and the season's intensity comes in and how that plays out.

As far as the reconciliation or trying to understand what happens in discretionary categories, I think, that's a broader perspective. So when we talk about discretionary categories, people were using Shampoos day in and day out. It's, I think, become much less discretionary, but yes, certainly uptrading is becoming discretionary and the pace of uptrading, as I said, has slowed down. In packaged food, there's certainly an element of discretion about frequency of consumption of certain items. You need to buy the packaged food at a certain frequency. I think, therefore, the comment on discretionary consumption should be taken slightly more in a broader context. It is not as if everything even personal product is discretionary. You know, some of the elements have become part of a daily regiment or a weekly regiment and then they are here to stay.



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Percy Panthanki:

So, Sridhar, what would you attribute the better sell-in of the winter portfolio to? Why is that happening?

R. Sridhar:

It's something to do with just a better pull that you have from trade and the sentiment could be there. Sometimes it's also about making sure from an internal perspective, you know, all our supply chain networks et cetera are landing on time and sort of coming through in the marketplace. At this stage, I think, the important thing is just if you step back and just look at it over a slightly longer period of time, you will need to just wait and see how this plays out in December quarter.

Percy Panthanki:

Sure. And just one more question, Sridhar, on the beverages you have shown a very significant margin expansion. So would you be able to comment whether bulk of that margin expansion is on the tea portfolio or under coffee portfolio?

R. Sridhar:

Well, we've had, I think, good progress in both, but I would say, you know, relatively we've had a stronger performance in tea relative to coffee.

Percy Panthanki:

Okay. That's it from my side. Thanks and all the best.

R. Sridhar:

Thank you, Percy.

Moderator:

Thank you so much. The next question is from Mr. Vivek Maheshwari from CLSA. The line has been unmuted. You may go ahead and ask your question.

Vivek:

Good morning, sir. Vivek this side. Just one question on your advertising bit where you are mentioning that, you know, industry media intensity is highest in last five years, so I would presume this would be, you know, after 2008 when commodity price is corrected and industry started investing behind A&P. In the second half, for you and I would imagine for rest of the industry, there will be an input cost pressure because of Rupee depreciation there will be, you know, pressure on gross margins. Is there a case again that, you know, second half media intensity comes off in line with the gross margin pressure?



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R. Sridhar:

So there are two aspects to this, Vivek. One is, you know, in some categories, which are commodity-sensitive, you have seen trends where the media investments get calibrated with how commodities are performing. But there is the other aspect, which is also about new competitive entries or competitive battles. And when you look at our commentary, we specifically call out that a very significant step-up has taken care in personal products and given that, you know, particularly, in oral care where I think it's all quite obvious that there is a very significant competitive situation getting played out.

As for the future, I don't want to speculate or try and give any prediction of how different players decide to pull different levers of business model whether they will take it up or take it down. And the final aspect, I think as far as media, is this whole thing about the time restrictions or the number of minutes usage where I think there is review underway and there is an expected announcement at the end of the October. So that will provide us some better clarity.

Vivek:

Okay, understood. And your slide specifically mentions about industry media intensity. On the promotion bit, correct me if I am wrong, but as consumer I note that you have cut back, or the industry has cut back, on promotions particularly in case of soaps; that's a correct observation? So the freebies that were given till, say, a couple of months back have been cut back largely?

R. Sridhar:

I think you need to look at it across categories. So in some categories the promotional intensity on sales has perhaps gone up in the quarter. Specifically as far as your questions on soaps are concerned, yeah, I think it's right that as we were seeing a benign cost environment that we had been passing on to the consumers, and those have been passed on through promotional activities, towards the end of the quarter that has, I think, slightly receded, but perhaps it might be a bit early to make it out as something that's going to be a long-term trend. These activities, as you know, we do from time-to-time depending on one aspect being commodity cost, but other aspects also being what is the competitive intensity in the market place or indeed for a particular job to be done of a specific brand where



promotion is the marketing strategy to achieve the job to be done.

Vivek: Sure. So in that context only on soaps we are seeing this trend, why is it that this trend is not visible in case of something like a detergent which has largely similar attributes when it comes to at least a gross margins or the input cost behaviour? Why is it for specific to soaps and not detergents?

R. Sridhar: So in each category, as I said, it is not a rule that you can apply across categories, the competitive scenario in each of the categories is different, and, therefore, if you take the other extreme would be oral where you can see clearly there is a very significant competitive intensity being played out. And, therefore, the correlating gross margin or input cost progression with A&P investment is a very single-dimension way of looking at it. There are other dimensions ones we should take into account when companies decide on their A&P investment strategy.

Vivek: Understood. Thank you very much, sir and all the best.

R. Sridhar: Thank you very much, Vivek.

Moderator: Thank you. The next question is from Mr. Aman Batra from Goldman Sachs. The line has been unmuted, you may go ahead and ask your questions, please.

Aman Batra: Yeah. Hi, the market has been fairly volatile in a couple of quarters. Earlier we were highlighting low media intensity by most competition and we were calibrating our A&P spend according through that. If you can highlight what are the macro changes which have happened which has suddenly led to a sharp spurt in media level activity apart from one category where the new entrant is there, in other category, what are the macro factors which have driven this sudden change in market behaviour?

R. Sridhar: Right. I think, Aman, first of all, we have always maintained that there are, broadly speaking, two factors that drive our A&P investments. First is, of course, remaining competitive and, therefore, we calibrate upwards or downwards depending on the media intensity in the market.



And second is our innovation activity, and the timing of our innovation activity, and need to support those innovations with appropriate media investments to communicate the new offerings to consumers.

As far as you talk about macro factors, it is very difficult to give a very generic response. It differs category by category. But suffice to say in a market like India we believe that competitive intensity will continue to remain high whether that manifests itself in turns of advertising spend or promotional spend or pricing activity, or, indeed, new entries, that will change over time, will change across categories. I don't think at any circumstance we would say that the competitive intensity has softened. Certainly that's not what we have seen in the last few years. And we don't expect that is likely to happen even as you go forward. I think that would be my sort of comment. In terms of media, I think the big, big uplift we have seen is in personal product, the media intensity going up, and that clearly reflects the competitive intensity in those categories.

Aman Batra:

Okay. My second question is on market share, some of the volumes growth and some of the value growth which you have highlighting in some of the categories is pretty exciting, and given the backdrop that the FMCG market has slowed down, can you highlight some good market share gains that we have made over the last couple of quarters or in a year in any of the categories, if you can highlight some?

R. Sridhar:

Aman, we have, I think, for the last couple of years refrained from referring to market shares because a lot of fragility in the numbers, particularly in a large market like India. What we certainly look at is internally we do look at various data points including market share progress, including market growth versus our own growth, including growth of our listed competitors. And from that I can tell you that certainly our September quarter results, looking at all of these data, leaves us very comfortable that we are growing competitively across, I would say, most if not all categories. So that's the only way in which we look at whether are we performing competitively and not just look at one metric because of the fragility I talked about.



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- Aman Batra:** Okay, thanks a lot.
- R. Sridhar:** Thank you, Aman.
- Moderator:** Thank you so much. The next question is from Ms. Suruchi for Morningstar. The line has been unmuted, you may go ahead and ask your question.
- Suruchi:** Yeah. Hi, my first question about personal products. I think that you have launched a lot of premium-end product as well as you have Re. 1 sachets which are launched in rural. So the way I see it, HUL is widening its range of price points that is available. I wanted to understand from the market perspective are you seeing that there are new customer segments being created and is there like a polarisation across different income brackets which is leading you to try and assess both access both the high-end and low-end of the market?
- R. Sridhar:** Okay. Hi, Suruchi. You are absolutely right. In fact, the core element of our strategy is what called 'straddling the pyramid'. We recognise that in India the market is large and you have consumers at various price points in the pyramid. We have consumers who look for premium products as well as consumers who are looking for similar product benefits but at a mass price end., and it is an integral part of our strategy, across virtually every category that you can look at, to have products that straddle the pyramid. Therefore, you see the launch of TONI&GUY at the one end, but you will also see sachets, you will see mass market offerings also getting relaunched; and this is just consistent with our strategy.
- Suruchi:** Okay, great. The other question I had was more macro. So in terms of outlook for growth, do you think that the double digit growth that we saw is largely history in industry as well as for HUL? And going forward, do you see 10% growth year on year to be kind of the highest, given the competitive intensity as well or are you still more optimistic on the overall growth...
- R. Sridhar:** First thing, Suruchi, is that at least we won't talk about HUL. We certainly have never been giving any guidance



on top line, any part of the P&L. But let me step back and say when you look at the levels of per capita consumption across categories in India and you compare them with, let's say, the rest of Asia, whether Southeast Asia or North Asia, we see headroom for growth being there across categories. Yeah, and, therefore, in the medium-to-long-term context, we believe that the FMCG market growth opportunity in India is very attractive. Obviously the number will depend factors including the input cost situation, how inflationary it is or it is not.

When go back a year ahead and you talk about strong double-digit growth that was in the context of both price contribution being high but also overall market growth in volume terms being much better than where it is today. In the immediate future, you must perhaps... it will just be sensible to expect that the slow market growth we have been seeing will continue. But if you stretch time horizon a little bit beyond that, in medium-to-long term, we would expect this market to grow strongly. I can't comment on specific number, but certainly this will be an attractive growth market.

Suruchi:

Okay. And my last question pointing to the low per capita consumption. Food or packaged food is other area of where I believe there will be lot of growth. And Unilever globally has a strong presence in the packaged food industry. So with the higher parent holding in Hindustan Unilever, are you going to gradually see the food business grow, and five years out, what percentage of sales do you anticipate the food business will contribute?

R. Sridhar:

Right. Suruchi, firstly, let me just clarify that the percentage change in holding doesn't have the implication on the strategy. We have called out that packaged food is a growth opportunity in this country for exactly the reason that you mentioned that current levels are very low. Here the job in our view to be done is really market development, to develop the market for packaged foods, to get people into the habit of consuming packaged food, whether it is ketchup, jams, soups, et cetera. And, therefore, that's really the task we are on. This is slightly more a long-drawn process than, let's say, a personal care segment where the habits are fairly, fairly uniform. In foods, as you



know, the habits, tastes, are very different across the different parts of the country. Five years out, we certainly expect it to be a much greater contributor or much greater proportion of our HUL portfolio. But I would not want to talk about any specific number.

Suruchi: Okay, great, thanks. That's all from my side.

R. Sridhar: Thank you.

Moderator: Thank you so much. Before we move on to the next questions in the queue, I would like to repeat, attendees, if you wish to ask any question, you may press "0" and "1" on your telephone keypad, please. So it is "0" and "1" on your telephone keypad to ask questions.

So we have the next question from Rajasa from Jefferies. The line has been unmuted, you may go ahead and ask your question.

Rajasa: Hi. My question is quickly on the beverages segment. You have mentioned that the coffee market is slowing and you have grown ahead of the market. Could we have similar commentary for the tea segment? I understand that pricing does have a role to play in the growth, but otherwise how do you read the market currently?

R. Sridhar: Thanks for your question again. Both in tea and coffee as in most of the categories we have seen market growth rates slow down, but we have grown ahead of the market. In the case of tea, I think, I also called out that it's been very broad based with all our key brands going strongly in the quarter.

Rajasan: All right. Okay.

R. Sridhar: I think the other element you spoke about is price. I think I said that this is a segment in which price is a very important element of the head line growth number. The price contribution has been much larger than the volume contribution; even in this quarter we have seen healthy volumes. But I think as you go forward, the pricing, in fact, starts to anniversarise, and, therefore, you know, unless the



commodity inflates dramatically, we will see much, much lower contribution of price as you go forward.

Rajasana: Thanks, okay.

R. Sridhar: Thank you.

Moderator: Thank you so much. The next question from Mr. Pritesh Chheda from Emkay Global. The line has been unmuted, you may go ahead and ask your questions, please.

Pritesh Chheda: Yeah. Hi. I just have one question. It is in context of what you stated about commodity costs and impact on gross margins vis-à-vis the hedges and the way we manage input. So if I recall, say, about three or four years back, we used to have fairly long positions being taken on commodities, and since last two to three years we have actually moved to more dynamic management of commodities input side. Is it still prevalent today or there is a change in the approach or strategy to manage commodity?

R. Sridhar: No, I think, Pritesh, there are two separate things. As far as commodities are concerned, we had very flexible hedging strategy that responds our view of what's happening in the market place. I would not say that it is long, or middle, or short at any point of time. The other aspect that... you are absolutely correct, we have become far more dynamic in the last two to three years, is really how do we manage the business, which means that when we look at developments in the market place, for example, things like pricing may be three years ago, we would have looked at you know pricing decisions at intervals of, say, a month or so. Since 2010-11 we have moved to a far more dynamic system specially for the commodity intensive categories. We have cross-functional weekly reviews where therefore decisions are made in terms of pricing, in terms of promotions, et cetera, every week based on inputs from what's happening on the cost front as well as inputs from what's happening from a competitive lens.

So that's the aspect of dynamism, which is a bit different, I would say. As far as hedging is concerned, there we don't have fixed number or fixed number of weeks or fixed



number of months but it is flexible to respond to what's happening in market.

Pritesh Chheda: So there is dynamism on the business but it could be fairly open on the hedging side of the business?

R. Sridhar: Yes. We do have a hedging policy. So there are very clear limits of hedging. There is a band. But beyond that, I would not disclose specifics externally.

Pritesh Chheda: Okay. Second, on your observation about PP, and I just want to check if I have interpreted it correctly, when you mentioned winter sales products being pushed, and you also mentioned about primary sales, so is it that the quarter number is to a certain extent pepped up on account of primarily sales, and whenever secondary sales happen, you know, that's different, but for this quarter de-risking is there. Is the assessment correct?

R. Sridhar: Yeah. So I think in skin care, what we said is that we had good growth in the skin care, which is contributed two factors; one was the favourable comparator because last year September quarter was not very strong, and the second is we had a good sell in of winter, of our winter products, which, again, it's something that happens every year, normally around this time of the year. This time was better than normal, better than expected. And because it's a product, which caters to a seasonal development, its eventual sort of impact and flow-through will happen in December quarter. To the extent that winter is a very good winter and well on time. Then it just means that we would hope to see very, very strong off-takes take place. But for some reason if it is delayed or otherwise, then we will have to just step back and recalibrate.

Pritesh Chheda: Okay, okay. Many thanks, and all the best to you, sir. Thank you.

R. Sridhar: Thank you, Pritesh.

Moderator: Thank you so much. With this I would like to hand it over back to Mr. Thapar for any further questions.



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Dinesh Thapar:

Sure. Thanks, Sourodip. Before we bring the call to a close, there are a couple of questions which continue to come in through the web option. So we have Prasad from Merrill Lynch and Nitin from Espirito Santo asking about beverages. So their questions are really saying that growth in beverages have stepped up broad based growth with healthy volumes; what really has changed and are we gaining share?

R. Sridhar:

So Prasad and Nitin, I think Prasad has specifically mentioned about last four quarters growth has been very robust driven by tea. I just would like to reiterate that there has been very significant price contribution to this growth. The markets in volume terms is certainly not growing double digits, far from it. And therefore, as now two quarters has finished and the anniversary effect kicks in, as we look ahead from DQ onwards, that price contribution would be significantly muted. And really what would then flow through is the sort of underlying volume growth that will flow through into the revenue growth. So I think you have identified that point correctly.

Dinesh Thapar:

Okay. And we have a question from Lashminaryanan whose question is really to do with what kind of an inflation are we likely to see on the media extent given the changes that are taking place?

R. Sridhar:

Well, Lashminaryanan, the whole area is fairly uncertain. As I mentioned earlier, I think the industry is expecting some of sort of a ruling at the end of the month which will provide some further clarity on what is the available inventory. As far as we are concerned, and I think this is also the case with other players, we have individual contracts with the different channels which have different sort of dates when the contracts expire and come up for renewal. These are bilateral contracts and, therefore, they are always based on negotiation of terms between HUL and the relevant channel. And therefore the outcome of what is or is not inflation or cost escalation will be an outcome based on the negotiation and conclusion of contracts between HUL and the individual channels.



Again, this is an important area where it is sensitive from a competitive lens, and therefore we would not specifics in this area.

Dinesh Thapar:

Okay. We have question from Kaustub which is about in the current inflationary and slowdown environment, are you seeing a trend of down-trading especially in the soaps and detergent segment?

R. Sridhar:

Well, what we have been seeing over the past years has been consistent with our expectation for a market like India which is up trading, or premiumisation. What has happened in the last few quarters is that premiumisation trend has come off. When I say that I mean that the growth of the premium segments is more or less in line with growth of the overall category.

Now, in detergents, and while this is true in both and soaps and detergents, I think in detergents, it's just a little bit that we see the mass end growing slightly faster. So overall I wouldn't yet say it's down trading but certainly up trading has taken a pause.

Dinesh Thapar:

Okay, we have a question from Shivani Vishwanathan who's saying can you enumerate some cost initiatives measures you undertook this quarter which led to a lower other expenses head as a percentage of sales?

R. Sridhar:

I think first of all when you talk about cost saving initiatives it's part of an overall agenda which is set off in the year and goes across years; it is not something unique in this quarter. Of course, the team works together with a pipeline of ideas and a funnel of ideas that then comes to fruition at different points of time. This covers supply chain, this covers trade and marketing spends, and this covers our overheads.

Specifically with respect to other expenses that you talked about, I think we had mentioned that some of the cost of some Unilever teams that were operating in India effective earlier this year they moved to a separate legal entity and therefore that resulted in costs which are sitting in the other expenses line moving out, but also other revenues also



moving out. So it is sort of offset between other expenses and other operation income.

Dinesh Thapar:

Okay. So coming to the last question, and there are host of questions around our performance from oral care, why don't we just comment on an overall performance on oral care, questions are really around are you gaining market share, do you see market share continuing to grow given the current level of investment which are being made.

R. Sridhar:

Right. So I think oral care is clearly, if I have to call out a category where competitive intensity has stepped very significantly, it is clearly oral care, both in terms of activities in the market place but as well as significant step up in expenditure on media. Our position is fairly clear, we have said that this is an important category for us and we will defend our position. This is exactly what we have done in this quarter. When we look at our growth levels, as I said earlier, both our brands have grown in double digits, they have grown ahead of the market, and we're, therefore, quite pleased with how things are progressing. We've relaunched one of our two large brands during this quarter, Pepsodent, and we, going forward, would steer the course to make sure we defend our position. Since we have been growing ahead of the market, we are fairly please with that performance and that's what we would seek to do going forward as well.

Dinesh Thapar:

Thanks. I think with that, we have come to the end of the Q&A session. Just before we end, let me remind you that an audio-visual replay of this event will be available on the investor relations website. You can always go back and refer to it. Also a copy of the results and the presentation that we just made will be available on the investor relations website as well as the HUL investor app. With that, I would now like to draw the call to a close. Thank you everyone for your participation. Really appreciate you taking out time for this. Have a great week ahead. Thank you.

Moderator:

Thank you so much, sir. Thank you, ladies and gentlemen for joining us today on the Hindustan Unilever Limited September Quarter 2013 Earnings Call. So with this, we conclude the call. Wish you all a great day ahead. You may all disconnect your lines now. Thank you so much.