

## Conference Call Transcript

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### **Preeti - Moderator**

Good evening ladies and gentlemen, I am Preeti, the moderator for this conference. Welcome to the Hindustan Unilever Limited September Quarter Earnings Call. For the duration of the presentation, all participant lines will be in the listen-only mode. After the presentation the question and answer session will be conducted for all the participants on this call. Present with us on the call today is the senior leadership team of Hindustan Unilever Limited. We propose to commence this call with opening remarks by Mr. Srinivas Phatak, General Manager Investor Relations of Hindustan Unilever Limited. Followed by the result presentation after which the floor will be opened for the question and answer session. I now hand over the call to Mr. Phatak. Thank you and over to you sir.

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### **Srinivas Phatak – General Manager Investor Relations- Hindustan Unilever Limited**

Thank you Preeti. Welcome to the Hindustan Unilever September Quarter Results Conference Call. We have with us Mr. Nitin Paranjpe, CEO and Mr. R.Sridhar CFO. We will start with the presentation on September Quarter Results, which Sridhar will take us through. Nitin will then share his perspective on the business performance. We will then have a Q&A session. If you have any questions, I will request you to register it with the moderator. Please identify your name and organization before asking the question. Before I start the presentation I would like to draw your attention to the safe harbor statement included in this presentation for the sake of good order. Over to you Sridhar!

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### **R. Sridhar – Chief Financial Officer - Hindustan Unilever Limited**

Thank you Srinivas and good afternoon, welcome everyone to our September Quarter results call. I will start with a quick recap of our strategy, followed by an update of the business environment and FMCG markets during September Quarter and then take you through the

highlights of our performance in the current quarter. I will then conclude with a brief outlook on how we see things moving ahead.

As we have shared with you in our previous calls our strategy, which is governed by the compass remains unchanged. The compass sets the right direction for us by setting out ambitious goals, demanding growth mindset and it requires us to focus on consumers and customers while imbuing performance culture and driving speed through our actions. Our business goals that we have shared with you previously remain unchanged, which is to deliver growth that meets three criteria, competitive growth, profitable growth and sustainable growth.

Just a few words on the market context in September Quarter; the FMCG markets grew in double-digits during the quarter at a pace slightly higher than that of June quarter. This growth was driven slightly more by price with a slightly lesser contribution from volume, particularly seen in large categories like soaps and detergents. There continued to be high competitive intensity in the market place. Inflationary pressures continue to be high on a year-on-year basis and across key commodities. The cost inflation was in the range of 25% to 45% for our key commodities.

Coming now to the highlights of our performance, I am quite pleased to say that we have delivered both competitive and profitable growth in a challenging environment. Our domestic consumer business grew by 18.5% underpinned by strong underlying volume growth of just under 10%. Our growth is ahead of market in the aggregate and all our FMCG segments have delivered good double-digit growth during the quarter. From a channel perspective both Modern Trade and the rural channel have delivered strong performance and I will talk a little bit more about these channels later.

Operating profit grew by 30%, up 130-basis points compared to September Quarter last year. This has really been driven by leverage benefits across the value chain including Supply chain, indirects as well as A&P. As I mentioned earlier there has been significant cost inflation, which we have managed through judicious pricing and a focus on buying efficiencies and other cost effectiveness programs. Cost of goods sold nevertheless was higher by 340-basis points.

A&P has been maintained at around Rs.651 Crores and it has been competitive across all categories. Our brand investments were stepped up in Personal Products, Beverages and Packaged Foods while spends in Soaps and Detergents were recalibrated in line with industry.

Profit after tax before exceptional items at Rs.652 Crores and net profit at Rs.659 Crores reflects an increase of 22% in both. At the board meeting yesterday the board of directors declared an interim dividend of Rs.3.50 per share, which is 17% higher than the interim dividend in the previous financial year.

During the quarter our growth momentum has further accelerated and this has been driven by sustained volume growth. As you can see from the chart the pace of sales growth has been moving up steadily and we continue to drive our growth through a mix of volumes and price. As I

mentioned earlier, each of our FMCG segments has grown strongly in double digits and you can see the figures from the chart. We will of course talk about each of the segments in some detail a little later. As you would expect the key driver of growth for HUL has been innovations along with market development and executions.

In this chart and the next one I would like to share with you a flavor of the innovations that took place in the market in September Quarter. This has been an innovation intensive quarter and we have tried to share with you some of the key innovations across our Soaps and Detergent segments as well as our Personal Products segment in this chart. Some of the key innovations included the relaunch of Lux, the launch of various innovations in Skin Care etc. and we will talk about them in the individual categories. Similarly, on the next chart you can see the innovations on foods across Beverages, Packaged Foods and then innovations in water as well. So all in all, September Quarter was a period of heavy innovation.

As in the past, we have been sharing with you that media intensity has continued to remain high particularly in the categories which are not impacted by commodity inflation. As you can see from this chart, the overall FMCG industry's GRPs remained at a high level and in the categories other than soaps and detergents, have further increased during this current financial year.

In Soaps and Detergents, the high input cost inflation has meant a moderation of media spends. In this context, we have maintained competitive level of A&P spends across all of our segments. We have stepped up our brand investments in three out of the four segments where media intensity has also gone up while in Soaps and Detergents we have realigned our spends in line with market. I would want to emphasize that SOV/SOM or Share of Voice to Share of Market, which is a key measure of the competitiveness of our spends has been maintained across all of the four segments.

We have also continued to focus our efforts on leveraging the investments we have made on expanding coverage in rural markets over the last twelve to eighteen months through programs like "Shakti and Shaktimaan" as well as our rural activation program "Khushiyon ki Doli". The results have been clearly positive as you can see from the chart in the right where the indexed business size has increased significantly in the first half of this financial year relative to FY'11.

At the same time in Modern Trade, we have had further acceleration in topline. We continue to work very closely with our customers and during September Quarter, there was a big activation around August 15, which was very successfully executed. In terms of customer feedback and customer assessment, we are rated as the number one supplier of choice across all manufacturers by the Modern Trade customers with an eQ score of 89, which is really at world-class levels.

These efforts have really translated into the results shown in the middle graph on the right hand side, where again the size of our business has accelerated. Market shares of course continue to be high in Modern Trade and this further reflects our strategy of winning in the channels of

tomorrow. On the cost front, input cost inflation remained high on a quarter-on-quarter basis. As you can see from the graph on the top Palm oil, Crude, as well as Coffee, three of our key commodities, had high levels of input cost inflation in the quarter. At the same time we have seen the rupee depreciate very significantly over the last couple of months, which means that we should be expecting an adverse impact on this front going forward. While prices of key commodities have flattened in recent times, the adverse currency movement is going to remain a challenge.

We have been sharing with you our focus on continuous improvement and driving all levers of the value chain. We have continued to make good progress on this across supply chain savings where our indexed cost effectiveness program savings have continued to rise as you can see from the left hand side of the chart. Return on marketing investment, which is a program that we started since last year is making good progress and we are seeing the results of that coming through in the efficiency of our A&P spends. As far as our other indirect costs are concerned and our overheads are concerned we continue to manage these very tightly and leverage from the benefit of scale.

I would now like to move to our category highlights and start first with Home Care. Home Care, which comprises of Laundry as well as household care showed good broad based competitive growth. Our Laundry category grew ahead of market with all the brands growing in double-digits contributed by both volume and price. Rin delivered another quarter of double-digit growth in volume. Comfort continues to develop the fabric conditioner market with strong traction and premium portfolio overall showed strong growth.

In Comfort, we launched a new antibacterial variant during the quarter and have expanded the range. In Household Care Vim delivered strong double-digit growth leveraging the relaunch during the quarter with a stronger proposition of "100 Nimbuon ki Shakti".

Coming to Skin Cleansing, we delivered strong performance in both the core as well as in emerging segments. Double-digit growth was registered ahead of the market with both Lux and Lifebuoy, our flagship brands, growing in double digits. Both these brands feature in the top most trusted brands from a recent brand equity survey. Lux was relaunched during the quarter.

Our premium portfolio sustained good growth momentum with a tenth consecutive quarter of double-digit growth and we continue to work on market development in relation to liquids with strong growth in the liquids portfolio. I would just like to share with you some more detail about the key innovation activities in Skin Cleansing during the quarter. As I mentioned earlier, Lux was relaunched with a superior product offering; with silk protein extracts. This time we have relaunched Lux with different communication campaigns; one for the South of the county and a different one for the North. On Dove we have activated a new communication campaign which is the seven days no makeup challenge and this is gone across different media.

Coming to Skin Care, this was a quarter of very strong growth for Skin Care category with growth momentum further accelerating. Skin Care growth was ahead of the market and we saw strong double-digit growth across Fair & Lovely, Ponds and Vaseline. While our core segments have grown very strongly, our focus on market development continues. The face wash business doubled during this quarter and the range was expanded with the introduction of Dove range of face washes as well as a relaunch of the Ponds face wash range.

In Ponds White Beauty a new “Naturals” range was launched during the quarter and we continue to build the Hand and Body segment with Vaseline, which delivered eight consecutive quarter of strong double-digit growth. You can see on this chart, the various innovations in our Skin Care category across brands and across segments, whether it is a new innovation in Fair & Lovely tube to drive affordability or a range of Vaseline moisturizer that was launched during the quarter and so on.

Coming now to Hair and Oral Care, both delivered good growth amidst heightened competitive intensity. Hair portfolio delivered double-digit growth led by volumes. Dove further accelerated growth momentum with two significant interventions during the quarter, launch of the nourishing oil care range and increased accessibility with the launch of a Re.1 sachet.

Oral care growth momentum further stepped up with both the brands growing in double digits.

Beverages delivered sustained growth and robust performance across segments. Tea delivered broad-based double-digit growth with strong performance in the premium and popular segments, where all the brands grew in double digits. We are also driving market development in Tea with the launch of flavored and green Tea bags under Taj Mahal.

Coffee also grew well despite high commodity prices, with both instant and conventional coffee growing in double digits. We continue to focus on driving premiumization of our coffee portfolio, the modern and contemporary portfolio.

In Packaged Foods, we continue to lead market development with our brands Kissan, Knorr and Kwalita Walls. We delivered broad based double-digit growth in both Kissan, and Knorr. The Kissan range of ketchup and jams was relaunched during the quarter with the “100% Real” proposition and a coherent look of the entire range.

In Knorr Soupy Noodles, we launched a five-rupee pack to drive penetration.

Ice-creams continued its growth momentum with strong growth led by innovations and distribution expansion. The Cornetto Luv Reels 2 was successfully activated. We are driving engagement through the digital media. This category continues to build “Out of Home” presence and experience through expansion of the “Swirls” parlours.

The Pureit water business strategy is on track and we continue to lead market development in this category. In September Quarter we made an entry into the attractive “Reverse Osmosis” purifier segment with the launch of “Pureit Marvella RO”. We now have a portfolio that straddles the entire consumer pyramid.

Our “Go to Market” model is progressing as per schedule and we expect to complete the migration by end of the Financial Year. Pureit also won the “Golden Peacock Innovation Management Award” during this quarter.

Coming now to our financial results, you would have seen the numbers in our advertisement and press release yesterday so, I will just touch upon the key highlights. Net sales grew by 18% in the quarter to Rs.5522 Crores with PBIT margin improving by 130-basis points to 13.9%. PAT(bei) and Net profit both increased by 22%. Exceptional items were more or less at the same level as September Quarter 2010 with sale of assets really being the main contributor.

Given that this was the second quarter for the Financial Year, I would like to share with you a summary of our first half results for the Financial Year ending March 2012. Net sales at Rs.11026 Crores showed a growth of 16.4% and our PBIT margin for the first half has improved by 40 basis points to 13.3%. PAT(bei) has increased by 17% while Net profit is higher by 20%.

At the board meeting yesterday the Board of Directors declared an interim dividend of Rs.3.50; along with the dividend distribution tax, this will involve a total outflow of Rs.879 Crores for this Financial Year.

So in summary, our September Quarter results reflect a strong 18.5% growth in a challenging environment. This growth is broad based and ahead of the market. We have sustained our focus on continuous improvement and have managed inflationary pressures through judicious pricing as well as cost effectiveness programmes; along with this we have also driven operating leverage.

Brand investments at Rs.651 Crores remain competitive with increased spends in Personal Products, Beverages and Packaged Foods. Consequently operating margins were up by 130 basis points and net profit higher by 22%.

I would now like to share with you our perspective as we look ahead. We see a mix of both headwinds and tailwinds as we look to the future. If I start with the headwinds, the uncertain global economic environment is clearly something that is going to have an impact on all of us. High levels of the inflation and the adverse impact of the recent rupee depreciation is going to create more challenges for our business. Competitive intensity we believe will continue to remain intense. These are really the key headwinds as we look forward.

However, there are also some tailwinds. Obviously the recent news of good monsoon augurs well for the demand in the FMCG segments. HUL has a diverse portfolio that straddles the entire

consumer pyramid across segments and price points. We believe that we are uniquely positioned to win with our strong portfolio as also our differentiated capabilities across “Go to Market”, “Supply Chain” and “Consumer Understanding”. So in summary it is a mixed situation and I can only say that we believe FMCG markets will continue to grow and in that context our strategy remains consistent, which is to grow competitively, profitably and sustainably.

With that, I would like to pass you on to our CEO, Nitin Paranjpe for his observations.

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**Nitin Paranjpe – Chief Executive Officer- Hindustan Unilever Limited**

Thank you Sridhar and let me add my comments to the presentation. We have delivered one of our strongest quarters of growth during September Quarter 2011 and I am pleased with this performance. Growth has been broad based, as you have heard, profitable and ahead of the market and was achieved in an environment that was challenging.

Domestic consumer business grew at 18.5% underpinned by a strong underlying volume growth of just under 10%. We continue to grow in double digits across all our FMCG segment. The Soaps and Detergents grew at 22% and the growth momentum in Personal Products and Packaged Foods has been sustained.

In the past I have spoken to you about the virtual circle of growth, criticality of driving volumes and the result in leverage benefit that it drives and that it delivers. We have leverage benefits combined with the judicious pricing, cost savings and the return on marketing investment program that I have talked about earlier have enabled us to grow our operating margins by 30%. That might be worth reflecting on our view on what is driving this performance. To me, it is the consistency with which we are executing the strategy.

There are four key elements to our strategy. First is the sharp focus on the consumer and innovations that service them. This has two elements; delivering winning innovations with an emphasis on product quality and delivering blind product wins. Second, having a point of view about the future and making sure that we are investing in building new segments, new markets, new channels and capabilities for the future.

The second element of our strategy has been to drive expansion and coverage and having a relentless focus on execution. You would be aware that over the last twelve to eighteen months we have increased the direct coverage substantially especially in rural and have leveraged technology for intelligent selling in urban areas. We have widened the gap versus our competitors and I believe this is a source of significant competitive advantage for us.

The third has been our focus on continuous improvement. We continue to deliver record level of savings. This is important at all times, but never more so than in the current context of commodity cost and competitive pressures that we find ourselves in.



Last but not the least, ensuring that our people are engaged, energized and remain focused. Looking ahead, as Sridhar said, I too believe that FMCG markets will continue to grow. We have tailwinds of the good monsoon and the fact that we have a diverse portfolio which straddles the pyramid. However, there are some headwinds, mainly the uncertain global economic environment, inflation, rupee depreciation and the competitive intensity which continues to remain.

Managing this business dynamically to ensure that we remain competitive and cost efficient will be the key to our future success. I want to address now three questions, which has been asked both after results and in the immediate past.

The first one is a question around whether this performance is sustainable especially in Soaps and Detergents and will competitive pressures start eroding margins? Now, as I understand that the key question is whether HUL can deliver these competitive levels of growth? Here, I will simply draw your attention to the business goals that we have articulated before, which is our goal to try and drive growth which is competitive, which is profitable and sustainable. Delivering on these business goals has been our objective in the past and it remains unchanged as we go forward. I believe that if we continue to execute our strategy consistently we will deliver on our goals over the medium to long-term. Our diversified portfolio straddling the pyramid is a big advantage for us. Having said that, estimating growth rate or profitability for the short-term is difficult as that is based on many factors such as market growth, consumer demand, commodity pressure, competitive intensity etc.

The second question has been around the level of A&P expenses in this quarter? At the outset let me reiterate that our principle governing the A&P has remained unchanged and that is our spend will remain competitive and we will invest as required. The amount that we have to spend to remain competitive will vary from quarter to quarter based on innovations and competitive intensity. Therefore, from time to time we may be required to increase spending in some cases and recalibrate it in some other. As Sridhar has explained to you during this quarter we have increased our spends in Personal Products, Packaged Foods and Beverages while we have recalibrated our spends in Soaps and Detergents in line with the industry.

The third question that has been asked relates to the distribution alliance with TATA Docomo. Now we believe that this distribution alliance with TATA Docomo will add value to both partners. TATA Docomo will get access to rural distribution for their products and services such as recharges, new SIM cards, etc., while HUL will benefit from increased distribution capability that it will offer as a result of better scale and better throughput through that channel. While the exact details of this arrangement are confidential and cannot be shared it would be fair to say that HUL and TTSL has mutually agreed on an arrangement that benefits both companies as well as the channel partner.

That is all that I have to say at this momentum and with that I will hand you back to Srinivas.

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**Srinivas Phatak – General Manager Investor Relations- Hindustan Unilever Limited**

Thanks Nitin. We will now have the Q&A session. Before we start I would like to highlight that it is open only for the institutional investors. If any other investor has a question or a query, we request you to send it to our investor relations e-mail id which is [investor.relations-hul@unilever.com](mailto:investor.relations-hul@unilever.com). We may now have the question answers.

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**Preeti - Moderator**

Thank you very much sir. We will now begin the question and answer interactive session for all the participants who are connected to audio conference service from Airtel. Participants who wish to ask questions may press “\*” “1” on their touchtone enabled telephone keypad. On pressing “\*” “1” participants will get a chance to present their question on a “first in line” basis. The first question comes from Mr. Abneesh Roy from Mumbai, Edelweiss. Mr. Roy you may ask your question now.

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**Srinivas Phatak – General Manager Investor Relations- Hindustan Unilever Limited**

Preeti we are not able to hear anything.

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**Preeti - Moderator**

Sir, shall we pick another question. The next question comes from Mr. Nillai Shah from Mumbai, Morgan Stanley. Mr. Nillai Shah you may ask your question now.

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**Nillai Shah – Morgan Stanley - Mumbai**

Thank you. Sir, this question pertains to market share movements in some of the key categories where we are leaders. If you see certain categories like Soaps, Laundry, Skincare etc., some of the competitors who are number two right now have reported fairly strong growth and some of them are growing ahead of our growth and I am referring to things like GCPL soaps volume growth, I am referring to the P&G Laundry volume growth, P&G Olay volume growth. So how do we feel about growing ahead of the category but still lagging in terms of the number two player even if there is the significant difference between the market shares between us and the number two player?

**Nitin Paranjpe – Chief Executive Officer - Hindustan Unilever Limited**

Nillai, first of all it is not my intention to comment about any of our competitors and their growth rates etc., I will restrict my comments to our performance and how we have done. I have shared with you and others several times in the past that we look at our performance using multiple set of measures, reported market shares is one of them, market growth rates as reported by Nielson is the other, the household panel that we look at is third and the published results from some of our competitors is the fourth. We look at all of these and form a conclusion in terms of whether we are growing ahead of the market or not because no one measure that we have got at this movement is robust enough to give us accurate numbers. We are quite confident that this level of growth, having looked at all of these, is indicative of the fact that we have clearly grown ahead of the market and that is all that I can say at this stage without having to get into how others have done in these categories.

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**Nillai Shah – Morgan Stanley - Mumbai**

Across categories without exception you are fairly happy with the performance this quarter?

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**Nitin Paranjpe – Chief Executive Officer - Hindustan Unilever Limited**

Let me mention to you that we are happy with our overall performance but I do not want you to assume that in every single category we have grown ahead of the market. There are a couple of categories where we have grown well but only in line or marginally behind the market and that category if I was to talk about would be hair which is the category where we have grown well but marginally behind the market.

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**Nillai Shah – Morgan Stanley - Mumbai**

Okay, thank you so much sir.

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**Preeti - Moderator**

The next question comes from Mr. Prasad Deshmukh from Mumbai, DSP Merrill Lynch. Mr. Deshmukh you may ask your question now.

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**Prasad Deshmukh – DSP Merrill Launch - Mumbai**

Yes, thanks for taking my question. My question is about Modern Trade. What is it that we are doing differently in Modern Trade other than our size, which actually is giving us a strong growth from the channel?

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**Nitin Paranjpe – Chief Executive Officer - Hindustan Unilever Limited**

I think there are several actions that we have taken in Modern Trade and the first one of them is to build skills and capabilities in this area. Almost ten years ago, we started the process of sending our people across to different parts of the world where this channel had become large, working with the key customers, understanding their processes etc. Second, leveraging from Unilever's understanding and bringing expatriates who know how to deal with this out here to train our larger group. Third, we have got into partnerships with people who are experts in executions at the point of sale. An organization "Smollans" wherein we got into a joint venture with them at one stage and have partnered with them and they handle all our executions at the point of purchase and I think it is a combination of these actions and of course the close collaboration that we have with these customers which has resulted in us building considerable strength in this channel.

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**Prasad Deshmukh – DSP Merrill Launch - Mumbai**

Can you please share the rate at which this channel is growing for HUL?

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**R Sridhar – Chief Financial Officer- Hindustan Unilever Limited**

No, Prasad I think we have consistently talked about the overall growths and the reported segments. We do not talk about individual channels in terms of growth but suffice to say, this is growing very strongly and it is growing clearly ahead of the market as a channel for us.

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**Prasad Deshmukh – DSP Merrill Launch - Mumbai**

Sure, that is it from my side sir. Thanks a lot.

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**Preeti - Moderator**

The next question comes from Mr. Amnish Agarwal from Mumbai, Motilal Oswal. Mr. Agarwal you may ask your question now.

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**Amnish Agarwal – Motilal Oswal - Mumbai**

Congrats sir on good set of numbers. My question pertains to Soaps and Detergents category where our topline growth is around 21.5%, like one of my earlier colleagues inquired about the way some of the other competitors have been growing, sir there has also been some data shared by some of the other competitors regarding the category growth rates being in high single digits. What my question is that in this context do you think that because your topline growth is more than 20% and some of your competitors are also showing similar kind of numbers. Is there some sort of an inflection point reached in Soaps and Detergents that the category growth rates have moved up or is it just like one time sort of a situation?

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**Nitin Paranjpe – Chief Executive Officer - Hindustan Unilever Limited**

I do not want to comment in terms of other people and their numbers. The numbers are what they are. I would simply say that as you start looking at growth, there are many factors which might come in and do not draw conclusions based on what happened in one quarter and certainly do not draw conclusion in terms of inflection points and the changes that might be happening in the structure of the market. We had said earlier that the Soaps and Detergents is an area where we have seen relatively high price growth and we have seen a tapering of volume growth in the market as a result of the price increases, which are there. So high value growths have been seen but with modest volume growth in this market and we must just keep that in mind as we look ahead.

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**Amnish Agarwal – Motilal Oswal - Mumbai**

My second and last question is regarding operating leverage as our other expenditure is down by nearly 260 basis points year-on-year. Sir would you like to share on this forum that what are the key drivers of that and can this type of operating leverage sustain in the future also with the similar kind of say volume growth which we are achieving now?

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**R. Sridhar – Chief Financial Officer - Hindustan Unilever Limited**

First of all Amnish, we have consistently had a philosophy of working in the company where cost effectiveness programs and having a tightened cost is embedded in the culture of the organization. Clearly over the last couple of years that has been further strengthened and the focus on cost management has been driven even more aggressively. In addition, we have also made certain investments in technology, which are helping us to drive cost down. So for example investments in IT technology are being leveraged to bring down our distribution cost just as one example. So overall, I would say that the operating leverages and this specific other cost that the other expenditure line that you talked about is benefiting largely from leverage. There are of course some time phasing issues, so this is not a line that had even phasing through the year so there are sometimes cost that get incurred which are not evenly phased, for example certain cost related to innovations in gearing up for innovations may not be very evenly phased and therefore there is also some amount of phasing difference between the prior year and the current year that would have contributed to the leverage on the other cost line. I would not like to comment on the future in terms of first of all we do not know what the volume growth will be and the only thing I can say is our focus on cost and really maintaining the tight leash and driving cost efficiencies across the value chain that will something that will continue.

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**Amnish Agarwal – Motilal Oswal - Mumbai**

Okay, sir thanks a lot.

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**Preeti - Moderator**

The next question comes from Mr. Priyaranjan from Mumbai, Macquarie Capital. Mr. Ranjan you may ask your question now.

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**Priyaranjan – Macquarie Capital - Mumbai**

Congrats for very high quality results for this quarter. You have been sharing your volume growth for Soaps and Detergents in the past, can you share this for this quarter? As well as couple of questions on the channels, you have indicated that your goal is something like 15% should come from the modern retail, but where have we reached now can you share something?

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**R. Sridhar – Chief Financial Officer - Hindustan Unilever Limited**

So let me clarify a couple of things, first of all I do not believe that we have been talking about our volume growth by segments, but I can certainly say and I think as Nitin mentioned a little while back, in Soaps and Detergents category, the growth had a higher influence of price compared to volume and that is directly linked to the inflationary issues. Obviously that has happened in the key ingredients whether it is Palm oil or surfactants that are directly linked to petroleum products. So, price has a greater contribution to the growth. We would not like to talk about the individual segmental volume growths. Suffice to say that both the volume growth and the overall value growth have been ahead of the market. That is really the Soaps and Detergents piece. You had a second question on Modern Trade. Again, I do not believe that we have talked about it as a goal for a company as to where we want to be. What we have said that it is possible that Modern Trade over the next five or ten years could get to the 15% - 20% of the market as a whole. If you look at HUL, our Modern Trade contribution would be about early double digits as a percentage of our total FMCG business.

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**Priyaranjan – Macquarie Capital - Mumbai**

So, has it grown since last one year or so?

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**R. Sridhar – Chief Financial Officer - Hindustan Unilever Limited**

Yes, Modern Trade has been and we have been sharing it even previously, it has been growing strongly and that has been a fairly consistent performance.

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**Priyaranjan – Macquarie Capital – Mumbai**

Another question is on overall market outlook, probably Nitin will tell us better, do you see some kind of downtrading in this kind of inflationary environment going forward because despite talking all about inflation etc., and even government is commenting on that it will come down but it is not coming down and so do you see some kind of consumer wariness of what is happening at the marketplace and it will impact sometime, it will have some kind of downtrading or something. What we are trying to do is the improving the premiumization portfolio or improving the premiumization trends so will that be sustainable in this kind of inflationary environment?

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**Nitin Paranjpe – Chief Executive Officer- Hindustan Unilever Limited**

No, I think the first comment I would make is whether there is downtrading or uptrading, the fact that our strategy has and our portfolio straddles the pyramid positions us well to address either of those two scenarios. That is I think point number one. Point number two, we do believe that these secular trend that we will see in India is one of uptrading and premiumization as aspirations of consumers keep rising and income levels also rise. Point number three, in the period that we have been going through, I think this is a conventional thinking that the inflation would compress demand and that there could be a risk of downtrading. As far as we are concerned, at this movement we do not see anything of significance to report as far as downtrading is concerned. Consumer demand continues to be good and we continue to see a combination of premiumization which continues to happen and in some segments and in other segments value and value based offerings being something that consumers are looking for, but for all the reasons that you highlighted which are strong inflation and the pressure that could be there, this is something that we are working carefully into the future, just to make sure that if it does happen, we have spotted it quickly but if it does, like I said right at the beginning, our portfolio is well positioned to address it, but at this movement, it is unseen.

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**Priyaranjan – Macquarie Capital – Mumbai**

Okay that is all from my side. Thank you.

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**Preeti – Moderator**

The next question comes from Mr. Varun Kejriwal from Mumbai, IDFC Securities. Please go ahead. His line just has got dropped. We will take the next question from Ms. Himani Singh from Mumbai, Elara Capital. Ms. Himani you may ask your question now

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**Himani Singh– Elara Capital – Mumbai**

Good evening and many congratulations on good set of numbers. I have a couple of questions. I wanted to know regarding the rural reach that the company has grown over the year and how do you assess the rural growth versus urban growth contributing into the current quarter's performance?

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**Nitin Paranjpe – Chief Executive Officer - Hindustan Unilever Limited**

I think there are some reports, which Nielson publishes, which suggest that both urban and rural are growing but urban is growing a little faster than rural. That is what the reported numbers seem to suggest. As far as we are concerned, we see rural growth continuing to be strong and a little ahead of urban growth that is really as far as the picture which we see. As far as the expansion that we talk about in rural markets, last year we had indicated that we wanted to add over 500,000 outlets in rural India, we had completed that exercise, which I have shared with you. We are at this moment making sure that we extract value out of the expansion in rural markets that we carried out and get the full benefit of that.

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**Himani Singh– Elara Capital – Mumbai**

Sure sir, In Soaps and Detergents segment, you have reported very robust growth. Godrej consumers has also reported very robust growth while the segment per se is said to be 90% kind of penetrated. Who is actually loosing market share and where are you gaining it from?

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**R. Sridhar – Chief Financial Officer - Hindustan Unilever Limited**

Himani, I think there were couple of other colleagues on the call who asked the same question and as Nitin pointed out, we would prefer not to comment on statements or numbers from other players. I think what we are pleased with, is our performance in Soaps and Detergents category in both parts of our segments which has got a combination of volume and price. So we are quite pleased with the performance and we see good broad based performance across our portfolio across our brands. Now what is happening to other players etc. is not something that we would like to comment on the call.

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**Himani Singh– Elara Capital – Mumbai**

Sure, okay to put the question in another manner, I wanted to know what is the organized level of penetration in this category and how much is unorganized play in this category in the Soaps category?

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**R. Sridhar – Chief Financial Officer - Hindustan Unilever Limited**

I am not sure with purpose of question, is the purpose of question you are trying to understand whether there is any movement from unorganized sector to organized sector? Is that the question?

**Himani Singh– Elara Capital – Mumbai**

Yes.

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**R. Sridhar – Chief Financial Officer - Hindustan Unilever Limited**

Himani, I don't think that kind of information is easily available or indeed whether there is any significant unorganized sector unlike for example let us say in a category like Tea where you have got a loose tea which is a significant part of the market, unlike that, in Soaps I do not think that is the case. I think the more important point is not really to get too focused on a single quarter's performance of any category or segment, because there are the variety of things that can enter – what was there in the base, what is the trend etc., what is the level of innovation activity, there are so many things, so I would certainly urge that we just do not get too focused on a single quarter but look at it over a slightly longer period of time and what's the performance of the segment over a longer period of time.

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**Himani Singh– Elara Capital – Mumbai**

Sure, sir my next question is on the foods category. Could you please elaborate further on how Kissan's rebranding and repackaging has worked and how is Knorr Soupy Noodles in particular performing?

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**Nitin Paranjpe – Chief Executive Officer - Hindustan Unilever Limited**

Kissan has just been rebranded. We are excited about it. I think it has a strong proposition based on its heritage and with 100% real fruits that we got in it, we are confident and we are looking forward to build Kissan as we move forward. But it has just gone in, so we don't comment in terms of how successful the relaunch is within a month of just getting into the market. As far as Knorr Soupy Noodles is concerned, we have introduced an access pack at Rs.5. It is an important pack in certain parts of the country and in certain geographies like rural etc., so I think that compliments the portfolio that we have. We are soon making a presence in the multipack with fours and eights and that is really we have started doing and with that our portfolio would broadly be complete - the singles, the fours and eights as well as the Rs.5 price point. Again we look forward to growing this, Its a market which is growing, our presence is small and there is headroom for growth.

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**R Sridhar – Chief Financial Officer- Hindustan Unilever Limited**

Himani, could we request you, if you could just give an opportunity in case there are others on the call and then we will come back to you if you do not mind.

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**Himani Singh– Elara Capital – Mumbai**

Sure I just wanted an outlook on oral care?

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**R Sridhar – Chief Financial Officer- Hindustan Unilever Limited**

We will come back to you.

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**Himani Singh– Elara Capital – Mumbai**

Sure.

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**Preeti – Moderator**

The next question comes from Mr. Varun Kejriwal from Mumbai, IDFC Securities. Mr. Kejriwal you may ask your question now.

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**Varun Kejriwal – IDFC Securities – Mumbai**

Hi, great set of numbers overall. Just a couple of questions that I really had is, first I think commodities have been the concern for us over the last year and of course we have taken price increases and I guess now with commodity stabilizing the rupee, depreciation will be a cause of concern specially on the Soaps and Detergents part. So given where we are right now are we still comfortable looking at the price increases or do we have concerns that further price increases will lead to relevant loss of volumes going forward?

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**R. Sridhar – Chief Financial Officer - Hindustan Unilever Limited**

Thanks for your comments on the overall performance. I think one of the things that I had mentioned briefly in presenting the performances, that while on a sequential basis there is flattening of commodity prices the rupee depreciation clearly is offsetting some of that benefit and

therefore creating the challenge. Therefore from aggregate level, I would say as we look ahead commodities clearly continue to be in the sort of headwind category. As far as pricing is concerned, this is something that I am afraid that we will not be able to comment at this stage. Overall we do see that there is significant general inflation in the economy so that is something that we are concerned about. Our focus primarily is to continue to make sure that consumer value remains the number one priority and we will have to really watch how this whole commodity and currency thing plays out and then take appropriate calls after we have pushed hard, further hard on all the cost levers. So consumer value will be our first priority, we will be looking further on what we can push in terms of our cost levers and then we will look at what needs to be done on pricing from a very judicious perspective. But I am afraid we will not be able to be more specific than that.

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**Varun Kejriwal – IDFC Securities – Mumbai**

Sure, but if our cost structures do get little bit difficult to manage as things stay where they are we okay to lose volumes or will volume continue to be the biggest focus for us?

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**Nitin Paranjpe – Chief Executive Officer - Hindustan Unilever Limited**

Firstly, when we say “this is the biggest focus”, it just starts putting things in a one sided manner. We have always said that we want to get growth, which is both, competitive, which is ahead of the market and profitable. So that continues to be our goal. Yet, the cycle of growth and virtual cycle of growth, which we talked about puts an enormous emphasis on driving volumes and driving volume growth and therefore the volumes will be important for us. Volumes are important for us for a variety of reasons. First, as long as there are more consumers who are buying more of our brands and products, it reflects an improving health of our business from a consumer standpoint. Secondly, as we get more volumes through our business we start getting scale benefits, unit costs start coming down and the benefits of that start flowing through our P&L, therefore, it is important for us to get volumes. But as always, there is a balance that you need to strike and driving our business the way we do, we will try and strike the right balance from a medium-to-long-term perspective and there could be quarters when it might appear that our actions are tilted more in favor of volumes or margins as it might appear, but what we are trying to do is to run it in a balanced way to achieve both these goals over the medium-to-long-term.

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**Varun Kejriwal – IDFC Securities – Mumbai**

Sure okay that has cleared it. Second, I am just trying to understand that if I actually try and relate two things three years ago it is really very, very much a similar situation. Supposing, we do see commodities correct, we do see the rupee get back to levels vis-a-vis I guess back to the 45 range, that means our cost structure will significantly improve inherently, what happened that

three years ago was there was a tremendous amount of price reduction that we saw in the entire industry and of course we followed suite as well but we in the process lose a fair amount market share. Just want to understand supposing and at least in theory if the same thing happens how geared are we to ensure that we do not end up losing shares that we did three years ago?

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**Nitin Paranjpe – Chief Executive Officer - Hindustan Unilever Limited**

So, I think all I can say is there were lessons learnt in the years 2008 and 2009 and therefore we will build on the lessons learnt and act appropriately. Having said that, reductions and changes in pricing along the lines that you have refer to is a challenging context. We believe we are better placed than we were earlier and it would be absolutely incorrect to say that it would have no impact on the business if those sorts of scenarios were to emerge. All we have to try and do is to make sure that we are swifter, we are quicker, we are more flexible than many of the other players around and therefore do not go through what we went through in 2008 and 2009.

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**Varun Kejriwal – IDFC Securities – Mumbai**

Okay great. Last question that I really have is there had been lot of talks of course about penetration, fully penetrated categories like Soaps and Detergents, but if I just try and understand the way we look at penetration, if I am not wrong, is something like - the people who consume it maybe once in six months do they fall into that bracket or not then you really talk about penetration, but as I understand it right the actual consumption which is there from individual is still very very low. So in something like Soaps and Detergents could the entire upgrading part or gradual increase in consumption of existing things, could we see a significant improvement in that really coming in?

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**Nitin Paranjpe – Chief Executive Officer - Hindustan Unilever Limited**

I think we have shared this in some of our charts earlier and firstly you are absolutely right that looking at penetration numbers simply can be misleading. Even in a category like Laundry, the consumption of Laundry as a proportion of the consumption even in a market like China let alone European markets or the American markets is in the range of about 60%. In other categories like hair etc., it might even 30% although penetration levels might suggest that we are getting into very-very high levels. So it is important for us to think in terms of consumption. it is thinking in terms of getting people to use more often and to use offer them better benefits such that uptrading starts happening and we start growing the markets. That's about building segments of the future and about driving consumption which we keep doing through our market development activities.

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**Varun Kejriwal – IDFC Securities – Mumbai**

Great. That is what I had from my side. Thank you very much.

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**Preethi - Moderator**

The next question comes from Mr. Manoj Menon from Mumbai, Kotak. Mr. Menon you may ask your question now.

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**Manoj Menon – Kotak - Mumbai**

Good evening to the team and congratulations for an absolutely brilliant set of performance and the consistency in the execution which seem to be paying off. Just three quick short questions, one if I may request you to rank, the categories in which HUL operates in, in terms of let us say the highest competitive intensity to the lowest one. So that is question No.1. Question No.2. In one of the earlier presentations you have shared how much of turnover and how much of growth actually comes from the categories of tomorrow, where do we stand on that currently and questions No.3, for Lux as a brand, is probably the third relaunch in the last couple of years. Is something unique to that category positioning? Something which I need to understand there?

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**Nitin Paranjpe – Chief Executive Officer- Hindustan Unilever Limited**

Let me start of with the last question and then move on, which is Lux and its relaunch. The nature of change and the nature of activity that we see around brands need to be refurbished, brands need to be contemporized and kept updated and that is an exercise which will happen at all points in time. Some categories in some situations require changes to happen more frequently, sometimes less frequently and it is not uncommon to have a situation where a brand has been renovated in some form may be every 12 months. Big fundamental relaunches which change things more substantively may happen at a lower frequency, but it is important for us to keep renovating our brands and offerings more often, so that is really happened as far as this is concerned.

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**R. Sridhar – Chief Financial Officer - Hindustan Unilever Limited**

I think Manoj on the two other questions, I think it is really a very interesting situation because India as a market, as a consumption market, is extremely attractive and all of us know that, so the reality on the ground is that you see competitive intensity across categories across segments so I

would say whether it is Laundry, whether it is Skin Care, Hair Care, Beverages, Packaged Foods, across categories there is competitive intensity I would not like to try and put a ranking and a number on it. Suffice to say, you see competitive intensity across categories and we believe that given the overall attractiveness of the Indian market this is something that is going to continue which is why when I talked about headwinds and tailwinds, I mentioned that the continued high levels of competitive intensity across our categories is one of the challenges that we will have to contend with. In terms of growth rates of categories of today and categories of tomorrow I am afraid we do not really talk about that. We are investing in these categories of tomorrow to build them. They are at different sizes obviously. Some are very small and there you could get from a percentage perspective very high levels of growth but there the more important task for us is to develop these categories and develop these segments and that is what we really call market development, so I am afraid no specific number that we would be sharing with you on these are of different segments.

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**Manoj Menon – Kotak – Mumbai**

Sir, just a couple of quick follow-ups on the responses; one on the competitive intensity my question was in relation to the observation in this time's presentation as well as the last quarter wherein definitely the Soaps and Detergents ad pro intensity at a category level has come down so to that extent, am I right in reading that for example if you take soaps you have player like an ITC, in detergents you have player like a Procter, is it fair to say that the competitiveness is relatively better off compared to Personal Products, that is what I was trying to get at.

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**R. Sridhar – Chief Financial Officer - Hindustan Unilever Limited**

Manoj, I think first of all I must thank you for asking this question because on occasions there has been this inference drawn particularly in Soaps and Detergents when there has been price increases, that price increases mean the competitive intensity has reduced or is reducing so let me use this opportunity to clarify that is absolutely not the case. The competitive intensity is high across categories. There are some dialing up that takes place in individual quarters or points of time but at as a broader statement I would say that across categories it remains high. Of course the format of the competitive intensity is different. In some categories, it could be to do with promotion intensity, in some segments it could be to do with media and advertising intensity so that is different across segments but it remains high across. The issue on Soaps and Detergents where price increases have contributed far more to the growth is simply reflecting the kind of cost inflation that both these categories have had to undergo soaps due to palm oil, in Laundry due to the impact of surfactants, which is driven by petroleum products. So I am really glad that you ask the question that allowed us the opportunity to clarify.

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**Manoj Menon – Kotak – Mumbai**

Sure, sir on Lux, my question was more related to the positioning what the brand which is more of a beauty, which was probably, Lux was the only beauty soap 15 years back and today probably there are lot of claimants to that proposition. Is it that what is probably driving the necessity for more re-launches more frequent ones?

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**Nitin Paranjpe – Chief Executive Officer- Hindustan Unilever Limited**

As there are more and more brands and more and more players coming in, there will be many claimants to a certain position. Lux remains the most trusted brand, a brand which is favored by a very large number of consumers and continues to enjoy the position and our job is to make sure that we deliver exceptionally good consumer value such that it retains its preeminent position. But yes, in any market there will be many players which will be around which will come and try and occupy the sort of position which leaders in that market what we have been doing and the leaders job is to prevent that from happening.

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**Manoj Menon – Kotak - Mumbai**

One very last question, I am sorry it is a continuation of the Soaps and Detergents volume growth which lot of people alluded to earlier. Just very direct question, have you found any overstocking by wholesalers in the quarter? I am referring to similar situation an exactly mirror image happened in the March month of 2009 wherein in the call of the March quarter that if I remember correctly, you know the company had quantified this to be about 3.5 days basically half a week, was the impact of downstocking in an inflationary or rather put it this way in an MRP inflationary environment, currently is it a case that there is an overstocking by the trade, any sense on that?

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**Nitin Paranjpe – Chief Executive Officer - Hindustan Unilever Limited**

I think at this moment, firstly we will say that what you are saying can be possible when prices are going up, a wholesaler can tend to try and stock a little more. I am not aware through our dipstick that we carry out whether this has happened but I am glad you raised this question I will try and go back and have one more check on this, because in theory it can happen but nothing has come to our light as yet.

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**R Sridhar – Chief Financial Officer- Hindustan Unilever Limited**

I think Manoj the other aspect I would like to elaborate on is, you referred to the situation in March or March quarter of 2009 which we talked about a couple of years back where I think you will recall that there was a very dramatic volatility that took place in the commodities and we had I think taken some significant price increases in the second half of 2008 and then there was this dramatic volatility that led to that situation. As you see this time around we have been taking price increases but they have been on a more calibrated basis as we have gone through the last sort of five or six months so per se the price increases that we have been taking are more calibrated than that was there in the past but nevertheless the principle of the issue is of course was right what you said, but we have thus far not been aware and not been come across any such wholesale channel led stock increases etc.

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**Manoj Menon – Kotak – Mumbai**

Okay, sounds good. Thank you so much and all the very best.

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**Preethi – Moderator**

The next question comes from Mr. Jamshed Dadabhoy from Mumbai, Citi Group, Mr. Dadabhoy you may ask your question now.

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**Jamshed Dadabhoy – Citi Group - Mumbai**

Good evening. Thank you for the opportunity. Just an observation on this quarter, normally the September Quarter is slightly weaker compared to the June quarters on a QoQ basis. You have dip of about 2% or 3% points in terms of revenues and this is a trend which is been borne out over the last decade or so, this is the first time in about 11 years we are seeing sales being relatively flat on a QoQ basis is there are sought of change in trend or can you all explain this?

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**R Sridhar – Chief Financial Officer- Hindustan Unilever Limited**

Hi Jamshed. Thanks for another very good question. If you look at the September Quarter and one of the things I talked about in terms of the drivers of this quarter's performance, this has been a quarter with high level of innovation activity. We have tried and shared with you some of the key innovations, as we have gone through the presentation and therefore I think one of the things one of the points to emphasize is that the September Quarter, has had a high level of innovation activity that has gone through into the quarter. I think the other aspect which is fair to say is that,

you know timing differences, even though they may be small, of festival activities do play sometimes a role so when you look at the timing of certain festivals in second half of last year and you look at the timing of the same in second half of this year there is about two or three weeks timing advancement and that also could have had some impact in terms of some sales coming into September this year whereas those might have been in October, but it is not something that we can track very precisely but directionally there is some little bit of impact of timing difference is certainly our understanding.

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**Jamshed Dadabhoy – Citi Group - Mumbai**

Okay, thank you very much.

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**Preethi –Moderator**

The next question comes from Mr. Ajay Thakur from Mumbai, Enam Securities. Mr. Thakur you may ask your question now.

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**Ajay Thakur – Enam Securities - Mumbai**

Thanks for taking my question. I have just one question, this was relating to the other income, which includes your Pureit business as well, we have seen that on a YOY basis, income from this business has gone down significantly. Just wanted to check on the same or what could be the reason for the same?

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**R. Sridhar – Chief Financial Officer - Hindustan Unilever Limited**

Yes Ajay, thanks for the question. I think when you refer to the other segments they not only include our water business but also include other businesses. As far as our Pureit business is concerned over the last two or three quarters, we have shared with the investors and analysts what we are doing, what is our strategy and what is the significant change we are making in our go-to market. Just to summarize, our business performance on Pureit is on track vis-à-vis our business strategy, which is one of the key elements that we are driving through and which we have made further progress during September Quarter is to have a portfolio that straddles the pyramid. We were previously unrepresented in a very significant part of the market, which is the 'Reverse Osmosis' segment and through the launch of 'Pureit Marvella RO', we now have a presence in this segment, which we launched in September Quarter. In our "Go to Market" where previously a model, couple of years back, was entirely focused on 'Direct to Home' sales given that we now have a much broader portfolio, we are now in 2011 making a change whereby we

have invested in building the Modern Trade and consumer durable outlet channel as the key route to market. Now as you go through this, there will be some transition impact which we expect to be completed by the end of the financial year. However, this new "Go to Market" model will be much more appropriate as we look forward given our now much more complete portfolio and from an overall shape of business and an effectiveness of our selling system this will now mean a far more efficient way of selling and marketing our Pureit business, so in a way this financial year is the year of transition and we will I think come out in a far more robust manner as we move into FY'13.

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**Ajay Thakur – Enam Securities – Mumbai**

Thanks for that.

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**Preethi –Moderator**

The next question comes from Mr. Amit Sachdeva, Mumbai, HSBC. Mr. Sachdeva you may ask your question now.

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**Amit Sachdeva – HSBC - Mumbai**

Hi, thank you for the opportunity and Nitin and Sridhar thanks. Great set of results. I had just one question if you could please give a more colour on your food strategy because we see presence in several categories and if you could draw us that next five years how do you see food business evolving, what are defocus or focus areas in terms of what are the challenges do you see in terms of supply chain or pricing or distribution channel and do you plan to bring in more product from Unilever portfolio if you could give us some more strategic colour to your food business that we raised out?

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**Nitin Paranjpe – Chief Executive Officer- Hindustan Unilever Limited**

I will be happy to do that. I think the first thing for me to say is that building a strong 'non-beverages foods' portfolio is an important part of our strategy. Two, we believe that there are many conditions which are right for the development of Packaged Foods which all are coming together. I do not know when the tipping point will be, whether it is a year from now, two years or five years as I do not know but it will happen. What are those factors? Those factors are a combination of growing Modern Trade, which creates a shopping environment which is useful, urbanization, dual income of families, growing income etc., all of these factors and increasing willingness to pay for convenience people being time short, having the money and seeking

convenience, all of these factors are factors which help drive the development of the Packaged Foods market.

The current Packaged Food market is less than 5% of the total foods opportunity that exists out here and therefore the conversion of opportunity from loose to processed or packaged food is going to be very-very high in the years to come. In that context, we have to put in place a strategy.

We have the set of brands, which are big strong brands, and we want to make sure that we create these brands and these are certain set of categories, as we start moving forward. We have got brand like Kissan. We have got brands like Knorr. We have got ice cream business, which we have got, and we have got Annapurna at the bottom of the pyramid. We have also got brands like 'Modern' so, we have got a good portfolio of brands and some of these are very strong brands and what we are going to really focus on is, with a brand like Knorr, we are going to build the entire savory range as we call it, so whether it is soups or meal makers or seasonings. In Kissan, we have got regular spreads which is 'Jams' we have got 'Ketchup', we have introduced mayo based spreads which are in test market, we have introduced again into test market soya based fruit juices, these are health based drinks which are there and that is the range that we are going to introduce as we start moving forward.

So, we seem quite excited, many people have asked us this question as to whether the pace at which we are doing this is adequate, whether this opportunity is going to runaway, I keep telling and reminding everyone that this game is not played out. This game will be played out over a period of time and I think for us to win in this market, we have to be disciplined about the categories that we participate in and how we go about building these; what do I mean by the discipline is, first making the right choices wherein we are confident that when we build the market, it is backed up by the understanding of category, the consumer and a technology which Unilever has which will ensure that we will continue to build on the leadership position and sustain that over a period of time. Some of that means creating habit and that may take time and localizing it. I think the challenges are in terms of localizing the food to meet the local taste, and requirement which is there. It is around the supply chain, which delivers freshness, which is a very important criterion as far as food is concerned and in some cases like ice cream etc., a cold chain and the infrastructure which is required for that. These are some of the things that need to come together for us to grow this market even faster.

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**Amit Sachdeva – HSBC – Mumbai**

Thanks so much Nitin for this detailed overview. My question was also that in terms of strategy like you launched juices, it is like a foot in the door or you want to swarm the market at some stage how you are thinking about say for example juices?

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**Nitin Paranjpe – Chief Executive Officer- Hindustan Unilever Limited**

So at this moment like I said it is in the test market and I do not want to comment anymore than that. We will do that when we get the opportunity and when the time is right you will hear more about that.

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**Amit Sachdeva – HSBC – Mumbai**

All right thanks so much.

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**Preethi - Moderator**

The next question comes from Mr. Vijay Chugh from Mumbai, BNP Paribas. Mr. Chugh you may ask your question now.

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**Vijay Chugh – BNP Paribas – Mumbai**

Thank you and good evening everybody. The performance has been fairly consistent over last three quarters. Will it be helpful to what kind of spread does HUL enjoy over the market growth actually and how it been over the last 12 months?

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**R. Sridhar – Chief Financial Officer - Hindustan Unilever Limited**

So Vijay, I think what you are talking about is how faster are we growing relative to market to growth; one of the things I would say firstly is that in the aggregate, we have been growing ahead of the market for some quarters now, in fact, I would say over 2010 and 2011 and that has continued during September Quarter. Obviously differs by categories. I think Nitin mentioned earlier on during the conversation that it is not the case that in every category we have outgrown. So in September Quarter, there are one or two categories where our growth level is in line with or slightly lower than that the market. I think if we are looking for a gap of the number I think that is really not in an appropriate sort of statistical number because it is made up of a mix of categories. Suffice to say that 18.5% growth from whatever we understand of market growth not just by a retail audit data but also by our panels that we look at and when we look at growths reported by some of the peer companies who are listed companies, we are comfortable that 18.5% growth is ahead of the market.

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**Vijay Chugh – BNP Paribas – Mumbai**

Has the shape for the gap widened or it would remain the same or narrowed how has it been over the last 12 months or so?

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**Nitin Paranjpe - Chief Executive Officer – Hindustan Unilever Limited**

Again for reasons that Sridhar has just explained and fact that the data on which you would make comments like this is not as robust as it needs to be, we would prefer not to get in to that situation. We have been saying that we need to look at multiple sources to form a view as to what is happening and all I can say is at this stage, we feel good about the fact that looking at multiple sources our aggregate growth and growth in most of categories is ahead of the market.

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**Vijay Chugh – BNP Paribas – Mumbai**

Thank you.

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**Preeti – Moderator**

The next question comes from Mr. Tarun Arora from Mumbai, UniCredit. Mr. Arora you may ask your question now.

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**Tarun Arora –UniCredit – Mumbai**

Thanks guys. This is Tarun Arora from UniCredit group. I understand that advertisement spend is based on the competitive activity and obviously on quarter-on-quarter trend, I just want sense of how should we think for A&P to be in the second half 2011 verses 2010?

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**R. Sridhar – Chief Financial Officer - Hindustan Unilever Limited**

So I think one of the things at the outset let me clarify that we do not give guidance about the financial metrics. We are very happy to talk about our strategy, and we are happy to talk about what we are doing in pursuance of the strategy, but not to talk about the specific number whether topline or A&P or bottomline. One of the things we are certainly we would like to reiterate, I think Nitin talk about that earlier in the call in fact at the introduction itself because there has been questions around A&P and just in summary our approach to A&Ps to make sure that we remain competitive in the marketplace. The actual amount of money spent will really depend on the

media heat and the competitive intensity in the market place. Of course it will also depend on the innovation activity that we may have which will differ across quarters. So I am afraid that cannot give you any specific number or percentage for the future.

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**Tarun Arora –UniCredit – Mumbai**

Second question is how many months do these spot prices commodity takes to show in the P&L account and what percentage of commodity is actually dollar denominated?

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**R. Sridhar – Chief Financial Officer - Hindustan Unilever Limited**

I think that is a competitive sensitive information. Yes, we do have a strategy across some commodities of taking covers but you will appreciate that for reasons of competitive sensitivity it would not be appropriate for us to talk about when that flows to the P&L. Depending upon the cover strategy, it will differ how many weeks or months it takes to play through into the P&L.

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**Tarun Arora –UniCredit – Mumbai**

What percentage of your commodity actually dollar denominated?

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**R. Sridhar – Chief Financial Officer - Hindustan Unilever Limited**

Dollar denominated? Well if you look at the commodities that are very-very, let us say large impact for the company, it is primarily to do with oil, so palm oil is one key commodity. Second is derivatives of petroleum, it is surfactants, which are derivatives of petroleum and then third last commodity would be tea. Petroleum products obviously have an implication on packaging costs, so you can make out for yourself that palm oil and petroleum products which therefore means Soaps and Detergents have got a very significant impact on commodities and these days the whole commodity world has really become global it is not as if India is insulated from the rest of the world so even if there are certain commodities of inputs that we source from India there is a global reference and global linkage how pricing is determined. So I would say that a fair amount of our inputs are now these days looked at on a global basis. Tea, even when you look at tea, which is obviously sourced from India from the tea that is grown in India it is nothing else from a sentiment perspective there is an impact that plays through depending on what happens in tea grown in Africa or tea grown in other parts of the world.

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**Tarun Arora –UniCredit – Mumbai**

Thank you guys and I will pass it on. Thank you very much.

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**Preeti - Moderator**

The next question comes from Garcias Altuatami from Kuwait, KCIC. Ms. Garcias you may ask your question now.

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**Garcias Altuatami – KCIC - Kuwait**

Hello this is Garcias from KCIC. First, congrats on strong results for the quarter, Sir, I just have one question and that is basically since competition is high why did you reduce the A&P spending this quarter?

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**Nitin Paranjpe – Chief Executive Officer- Hindustan Unilever Limited**

Let me remind you that we have ensured that in this quarter, as in the earlier quarters, our level of the advertising is competitive in every category that we operate in. The level of competitiveness is measured by us when we look at Share of Voice to Share of Market and other measures and other measures like this and we are competitive. In the presentation which Sridhar shown, he had indicated that in categories like Soaps and Detergents, the intensity of media activity has come down and that allowed us to recalibrate our expenses out there and yet remain competitive while in Personal Products areas the intensity increased and we increased our spends as well so I think it would be a very wrong conclusion to draw that there has been a reduction in advertising which as a percentage that we are observing and that means we have not been competitive in this quarter. Absolutely incorrect.

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**Garcias Altuatami – KCIC - Kuwait**

Okay, Thank You.

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**Srinivas Phatak – General Manager Investor Relations- Hindustan Unilever Limited**

Thank you, can we have a last question please. I think we are close to the closure time. One last question.

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**Preeti – Moderator**

Sure Sir. The last question comes from Mr. Sanjay Singh from Mumbai, Standard Chartered Securities. Mr. Singh you may ask your question now.

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**Sanjay Singh – Standard Chartered Securities – Mumbai**

Hi, got a brief question, what is happening to media inflation if you can just update us?

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**Nitin Paranjpe – Chief Executive Officer - Hindustan Unilever Limited**

We had never shared what is actually happening from media inflation or the rates we get for the reasons that you will well appreciate.

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**Sanjay Singh – Standard Chartered Securities – Mumbai**

General rate in the market Sir?

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**Nitin Paranjpe – Chief Executive Officer - Hindustan Unilever Limited**

I think as the media intensity increases in categories there is a possibility there being an inflationary pressure that we will experience. We have scale, we have the opportunity to actually use that and therefore the rates at which we buy are something that we can talk about.

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**Sanjay Singh – Standard Chartered Securities – Mumbai**

In general media rates would have increased or remained flat? Forget your rates but general media rates could have increased or remained flat over the year?

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**R. Sridhar – Chief Financial Officer - Hindustan Unilever Limited**

I think over the year Sanjay, it is only fair to say that in marketplace you would have media inflation going on. But you know we would not like to comment on what percentage it is or what is happening. All we can say is that both linked to the scale of our business and also to years of building capability in the space of managing media and media buying, we believe that we have a

competitive advantage but beyond that we would not make to like any comments on media inflation.

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**Sanjay Singh – Standard Chartered Securities – Mumbai**

I missed this out probably earlier did you talk about your exports being separated out to what is the logic behind it?

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**R. Sridhar – Chief Financial Officer - Hindustan Unilever Limited**

I think Sanjay this is something that we announced more than a quarter back and as I explained that FMCG exports is what we proposed to transfer to a 100% subsidiary and basically this is to give it further focus and to pursue the strategy that we want to grow our FMCG exports business so it is just something that we have outlined and in the September Quarter we had a meeting of the shareholders which then prove the proposal. Currently the proposal is in the High Court for High Court approval and once you get the approval we will then take the steps to fix the same.

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**Sanjay Singh – Standard Chartered Securities – Mumbai**

That is enough Sir, thank you.

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**Srinivas Phatak – General Manager Investor Relations- Hindustan Unilever Limited**

We would like to thank all of you for participating in this call. If there any further questions you can get in touch with us at the investor relations department. I would now like to bring this call to a close. Thank you.

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**Preeti – Moderator**

Ladies and gentlemen this concludes the earning call. You may now disconnect your lines. Thank you.