September Quarter 2020 Earnings Call of

Hindustan Unilever Limited

20th October 2020

Speakers:

Mr. Sanjiv Mehta, Chairman and Managing Director

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

Mr. Amit Sood, Group Finance Controller and Head of Investor Relations

Operator
Ladies and gentlemen, good day, and welcome to Hindustan Unilever Limited Conference Call for September Quarter 2020. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Please note that this conference is being recorded. I now hand the conference over to Mr. Amit Sood, Group Controller and Head of Investor Relations. Thank you, and over to you, sir.

Amit Sood
Thanks, Aman. Good afternoon, and welcome to the conference call of Hindustan Unilever Limited. We will be covering this afternoon the results for quarter ended September 30, 2020

On the call from HUL end is Mr. Sanjiv Mehta, Chairman and Managing Director; and Mr. Srinivas Phatak, Chief Financial Officer, HUL. We hope that you are staying safe and healthy. Given the exceptional circumstances created by COVID-19 outbreak, we are presenting the results to you from our respective homes. So please bear with us if there is any technical glitch. As is customary, we will start the presentation with Sanjiv sharing his perspective on market and an overview of how we are navigating the current environment. Then Srinivas will share with you our performance for the quarter with category highlights and our outlook for future. Before we get started with the presentation, I would like to draw your attention to the Safe Harbor statement included in the presentation for good order sake. With that, over to you, Sanjiv.

Sanjiv Mehta
Thank you, Amit, and good afternoon, everyone. Thanks a ton for being in the call, and I do hope you and everyone that you love and cherish are safe and healthy. I think before I get into the results and give you my perspective, which would I would be remiss if I don't express my thanks and gratitude to every member of HUL and extended value chain, especially our front line heroes in factories and sales for the outstanding commitment and hard work they have shown in these most difficult circumstances. We are also, in equal measure, humbled and honoured to serve the everyday needs of Indian consumers. We also express our gratitude to all the front line heroes in our country who are in a very commendable manner managing this pandemic. And on behalf of everyone at HUL, we also extend our deepest sympathies to all those who are struggling to cope with the crisis and who have most unfortunately lost a loved one.

Our strategy is serving us well. For the last 6 months, cooped up at home, it has felt as if the world has come to a standstill. However, when we look beyond the headlines of COVID, the pace of change has been immense, be it in respect to consumer behaviours, digitization, creation of new business models as well as destruction of longstanding ones. In these most demanding times, our performance in the September quarter has shown the true strength of HUL. We have demonstrated resilience in our portfolio interventions, in our consistent step-up of operational excellence and in our financial strength. We have unlocked new levels of agility in responding to the unprecedented fluctuations in demand, coupled with complex challenges in the supply chain. All of this has been possible because of the strength and grounding that we draw from a consistent strategic agenda, a multi-stakeholder model, and our 5 growth fundamentals.

We continued to progress the purpose-led and future-fit agenda and reimagining HUL's digital transformation program, which has become even more critical after the pandemic. Our agenda to deliver consistent, competitive, profitable and responsible growth remains unchanged. Our 5 growth fundamentals are crucial building a strong and long-term business with excellent execution. At the same time, they remain extremely relevant for the short-term and have proven helpful in keeping the business focused. For example, there is no better time to focus on things such as product superiority, physical availability of our brands to demonstrate the positive contributions to society. And I will take you through some of these in detail in the course of this call.

The next chart, please. This quarter has seen operating environment improving progressively. Initially, the vertical lockdowns in different parts of the country posed multiple challenges to our supply chain. With sequential easing of lockdowns, increased mobility and measures taken by the government and Reserve Bank, we have seen a step-up in economic activity. Major macroeconomic indicators are showing improvement from the unprecedented trough the economy had hit in April, May. Normal monsoon, increased MSPs, increased MGNREGA outlays and demand shift from urban to rural because of shifting of people is auguring well for rural, and we are seeing rural markets as well as smaller towns perform relatively better. On the other hand, demand in metropolitan cities continues to be muted. Hence, while the worst may be behind us, we believe that as a consumption-driven economy, it is vital to get the consumption going so that the economy gets into a virtuous spiral.

Next, coming to the commodities and currency - we are witnessing unprecedented inflation in tea. While crude has been benign, palm oil continues to remain at elevated levels. We believe the inflation in select categories is likely to continue in the near term.

Next chart. The health, safety and well-being of our people is and will remain our utmost priority, and not just people who are on our rolls but the entire ecosystem that works with us.

We have implemented tiered operating protocol based on global best practices, WHO guidelines and government requirements. We have set in place a comprehensive medical resilience plan with full-time doctors appointed in remote factories and 100% of our sites having active partnerships with hospitals for medical care and observation. We are doing proactive medical testing in high incidence factories as per our tiered protocol and partnering with local authorities and communities to contain the impact of the pandemic. All our 20,000+ employees are covered by the company medical plan, which includes support for COVID-19. We have further expanded COVID-19 insurance coverage to over 24,000 people in our outer core.

Even before COVID-19 hit the world, ensuring holistic employee well-being was very important for us at HUL. We were one of the first corporates to design a one-of-its-kind initiative, which is the Well-being Quotient, which enables employees to self-assess their state of well-being and get customized well-being support suited to one's own needs. The pandemic has redefined the importance of well-being. Hence, during this period, we have activated 6,000+ hours of well-being initiative for employees. We customized the frequency and intensity of solutions using a segmented approach, creating a bouquet of solutions to meet the exact needs of employees, such as expert-led sessions, role modelling by leaders, webinars conducted targeting specific challenges, such as sleep, ergonomics, stress management, etc. Recently, we commenced the World Mental Health Week on October 5 with a day of thanks to all our employees. The day was marked holiday for all employees as a token of gratitude. We planned the entire week on the theme, "Care for Myself- My team- Us All" and ran sessions with trained experts and partners, touching over thousands of employees and their families and have crafted personalized well-being programs for our employees. We also rolled out Mental Health Champion program, where we have built capability of our employees to be mental health champions and encouraging peers to reach out in case of them facing difficulty on mental well-being.

As a result of all this, we are seeing record levels of 90% employee engagement at a UniVoice anonymous poll that took place a few weeks back. Let me highlight a couple of extraordinary achievements here. The first one is that we have received the highest scores from our frontline heroes on taking pride in HUL. In the current environment, our frontline heroes have done tremendous hard work, and this high engagement level is a testimony to our investment in people. Other key highlight is that 94% of nutrition employees that came on board are taking pride in working for HUL. It's a testament to the flawless integration that took place. 91% of our employees are energized with purpose, inspiration and a growth mindset.

This year has been like no other and keeping up energy engagement and morale has been very critical. Holistic well-being continues to be of high focus as we move ahead, and it will be intertwined with the leadership and people strategy. Our philosophy is very simple, ladies and gentlemen. We look after our people so that they look after our business.

Organization agility quotient has never been this fast. 100% of our factories and depots are now operational

During the last 6 months, despite being hit by COVID-induced challenges, we have successfully signed 8 wage settlements, including the nutrition factory. Disrupted supply lines in nutrition business are now fully restored.

Our supplier service levels are back to pre-COVID normal. This is despite the challenges we faced due to strict and unplanned localized vertical lockdowns in many geographies.

An important part of this responsiveness has also been building flexibility and supply security across the supply chain. This was achieved by actions such as identifying 120 plus alternate suppliers and approximately 90 approved and tested flex formulations.

Again, I would like to thank my supply chain colleagues for their amazing work. Our supply chain today is well positioned both on just-in-time and just-in-case requirements.

The environment demanded that we move at tremendous speed, and we have taken decisive actions to sharpen the execution. Let me give you a few examples. We stepped up our direct coverage by 10% sequentially and are now back to our pre-COVID level. We increased our assortment offering substantially from June quarter. Assortment levels at exit of September were 70% higher than June exit.

While pandemic saw e-commerce reach inflection point, yet in many ways, it has also marked the renaissance of the humble next door grocer. The general trade is now much more open to the adoption of technology, and therefore, digitizing and modernizing this channel is a big opportunity. At HUL, we have always worked with and for the kirana stores. Our traditional trade ecosystem is defined on 3 pillars: demand capture, demand fulfilment and demand generation. Technology is the backbone of these pillars. Shikhar, our B2B ordering app is now available in 2.7 lakh stores. We have also joined hands with SBI to enable credit extension in a seamless manner to the retailers, within our ecosystem at attractive interest rates through the Shikhar app.

Coming to e-commerce channels. With the cocooning effect and preference for everything e, there are clear tailwinds for e-commerce business. Online shopping, especially online grocery will not revert to pre-COVID level once social restrictions are no longer in place. We initially focused on availability in the lockdown's early stages. We then partnered with retailers with category expertise and achieved a higher share of assortment. As a result, when country started to unlock, within a month, our online availability was back at 80% of normative levels. This set us up for accelerating momentum. We've predicted shopper trends and category shifts and accordingly designed portfolio and communication, specifically for the channel, which enabled us to perform competitively. As a result, we have gained share from pre-COVID levels. E-commerce channel contribution for us has doubled on year-on-year basis. Sequentially, the growth momentum has picked up significantly, and our growth in this channel are now 2x versus the June quarter of '20.

It has never been more relevant for brands to demonstrate their positive contribution to society. So we are investing on communication which are explicitly purposeful and consumer relevant.

Lifebuoy and Domex are communicating the hygiene message, and in doing so, they're also spreading awareness and providing relevant information for staying safe.

Hamam, known for championing safety for women, whether its GoSafeOutside campaign, spread the message of hand washing, hygiene to stay protected at home.

Red Label extended its long-running 'Taste of Togetherness' campaign through a simple but contemporary message of we can be socially connected even while we are physically distanced.

We have also repurposed communication across the hair care portfolio. For instance, Clinic Plus is creating relevance of hair wash with clean and strong proposition. Dove on the other hand is talking about damage repair. You may have to twist, tug and pull hair to do what's needed, but with Dove, you don't have to worry about damage, that's the message.

COVID, amongst many other things, has interrupted childhood as children are forced to be at home. Surf Excel's new communication 'Bachpan Zara Ruk Ja' nudges all the parents to restore childhood by becoming the children's friends and encourages active play between parents and the kids. We know that perpetual purposeful brands stand out, drive consumer choices and perform better in long run. This, we believe, is true earlier as well as during and after the crisis.

Consumer behaviour has changed radically in response to COVID-19 lockdown. We see the megatrends of clean living, preventive immunity, normal consumption are sticking with consumers. During the crisis, we have been focusing on the innovation that are consumer and contextually relevant. We have accelerated our innovation pipeline and launched more than 100 plus SKUs in the last 6 months. Our teams have reacted very quickly to capture the new growth opportunity that this crisis has presented.

We brought into market a range of hygiene products and Lifebuoy, right from an army of sanitizers to germ kill spray and wipes to laundry sanitizer. Within the newly acquired VWash portfolio, we launched an access pack in this quarter to build affordability and value in intimate hygiene category. In Home Care division as well, we did a number of launches to take away consumer home hygiene related world. Domex's disinfectant spray, Domex wipes, Surf Excel Anti-Germ Wash Booster and Vim Antigerm Bar.

In addition to good hygiene practices, we also need to have a healthy diet that builds the body's natural defense mechanism. And we are delighted to support our consumers in this journey with our immunity boosting Horlicks with added zinc, which was launched in April just after we took over this business.

The COVID-19 crisis has aggravated challenges faced by the vulnerable and underprivileged communities. To come out stronger, governments, business and society must come together. As a responsible business, we had committed INR 100 crores. In the last 6 months, we have deployed nearly 70% of our commitment as a purpose-driven [company].

We have donated 14 million soaps to the vulnerable sections and essential workers.

We are supporting the hospitals with medical testing kits and equipments like ventilators, distributing soaps and sanitizer to health workers, police, sanitation workers, etc. We have upgraded medical facility for COVID patients as well as provide them with protective gears and also our products to the public health authority.

We are supporting the nutritional needs of our frontline health workers. We are utilizing a pan-India reach to distribute food to needy people, both in urban and rural India.
Finally, we are a marketing company and have expertise in changing consumer behaviour. So, we have partnered with UNICEF to create campaigns encouraging people to adopt the right behaviour. We partnered with BMC to create a public awareness campaign, 'Corona Se Mat Darona' and our campaign 'BreakTheChain', 'VirusKiKadiTodo' has reached over 600 million people delivering simple but powerful messages on social distancing, hand washing and generosity.
The next slide, please. We have delivered a competitive and profitable growth. Reported turnover growth stands at 16% and domestic consumer growth, excluding the impact of merger of GSK and acquisition of VWash, is 3% for the quarter.
From competitive lens, we sustained our strong fundamentals. As per Kantar, 70% of our business is gaining penetration on a relative basis in MAT August '20. In the absence of other stable data, we use Kantar panel to look at volume shares as a surrogate measure, and more than 90% of our business is winning volume share.
If you look at our performance sequentially, our business has picked up momentum. From the declines we saw in March and June quarter, we have accelerated to a positive growth trajectory.
The 3% growth at an overall level marks the big positive we are seeing in the health, hygiene and nutrition portfolio. This portion of the business constituting about 80% has grown at 10%. The growth of this portfolio has almost doubled sequentially.
This performance reflects our focus on portfolio intervention, channel-specific strategies, agility in operations and execution prowess.
Looking forward, while we are cautiously optimistic about the midterm outlook, we are confident of the medium to long-term growth prospects of the FMCG sector. We will focus on competitive volume-led growth, absolute profit and cash delivery. We remain committed to further strengthening our portfolio of brands through bigger and better innovations and unblinking defence of a strong market leadership position. The fundamental drivers of growth continue to be the key principles driving our execution, and we remain focused on delivering superior long-term financial performance through our sustainable business model.
With this, let me now hand over to Srinivas, who will cover the details of our quarter's performance. Srini, over to you.

Srinivas Phatak Hindustan Unilever Limited - Executive Director of Finance & IT, CFO & Executive Director
Thank you, Sanjiv. Good evening everyone, and I hope all of you can hear me. Sanjiv gave you a very good perspective about the overall economic environment and how we have progressed. Let me do a bit of a deep dive into some of the results and clarify some of the specifics.
Obviously, the operating environment has improved progressively during the quarter as lockdowns have eased and the economic activities have picked up. Agility and execution prowess across the value chain enabled us to unlock the growth momentum and hence really deliver a competitive and a profitable performance.
Our reported turnover stood at 16% including the Nutrition business and as well as acquisition of VWash. On a like-for-like business, excluding the impact of M&A, our domestic consumer business in September quarter '20 grew by 3% with a positive UVG of 1%. Within this construct, 80% of our business, which comprises of health, hygiene and nutrition, did well with 10% USG.

The discretionary and out-of-home categories, while have improved sequentially as the restrictions have eased, but given that the consumers continue to stay at home and consume cautiously, have got impacted. And I will talk about them when we move into the other slides in details.

With respect to bottom line, our EBITDA at INR 2,869 crores registered a 30 basis points increase. But if I give you a bit of a flavour, our base business, which is excluding the acquisitions, had a decline of 60 basis points, whereas we got a benefit of 90 basis points coming from the Nutrition business, which therefore, translated into a 30 basis points increase on an overall basis.

Our profit after tax, but before exceptional items, grew by 11%. And our net profit at INR 2,009 crores grew by 9%. Some key exceptional items during the quarter include restructuring expenses of INR 69 crores in our supply chain, our M&A-related cost of INR 17 crores, which was net off by about INR 5 crores of surplus from sale of property.

You would also recollect that the changes to the tax legislation in the form of the corporate tax cut were effective September '20, that's in the base period. So therefore, if you really look at our base, there was 1 additional quarter of benefit from our corporate tax. This in a manner explains the difference between the PAT (bei) and the net profit to that extent.

When I look at our divisions, it's fair to say that Foods & Refreshments have accelerated, whereas Home Care and BPC have stabilized. Our F&R business has grown at 19%, and I think it is important to understand some of these numbers on a sequential basis.

In June quarter, BPC had a negative growth of 12% and F&R was negative 4%. From that perspective, we have now had BPC at a flat growth and Foods & Refreshments accelerating at about 19%.

Let's deep dive a little bit into the businesses and give you a flavour of the performance.

Within Home Care, Household Care has delivered a strong double-digit growth, led by penetration gains. Our Domex range now is going national. And as Sanjiv talked about it, we have also expanded into some of the other categories and segments such as wipes and other benefits

In Fabric Wash, as you are well aware that we have seen an easing in the crude prices. And given our long-lasting principles on how we manage this business, we have taken down prices in parts of our portfolio to pass on the benefits to the consumers. This is a structural and a fundamental way we run the business, and this, we believe, will serve us well in due course.

Having said that, the category consumption of laundry has been adversely impacted due to confined living. A lot of people remain in home and therefore, some of the top-up purchases that we used to see when people used to step out have not come through to the levels that they should have. But we are confident that this is going to get corrected as the country continues to open-up, and we will unlock the opportunities.

Keeping in focus the clean-living needs of the consumers, we have stepped up our innovation intensity with a number of launches like Surf Excel Anti-Germ Wash Booster, Vim Antigerm Bar, Vim scrubbers, Domex wipes, etc.

In Beauty & Personal Care, I think the heartening news is that Skin Cleansing, Oral Care and Hair Care have all performed well with double-digit growth. Performance in Lifebuoy continues to be stellar on the back of penetration gains. With a purpose-led communication, Lifebuoy has been spreading awareness around the frequent hand washing habit as a deterrent against the infection spread. It is also pleasing to see that Lux has started to deliver a good performance in the quarter, and this positions us well.

Oral Care delivered double-digit growth, led by Close Up. We also had strong performance in hair as we repurposed the brands and focused innovations to help drive salience. Sanjiv spoke about some of the campaigns, which included Sunsilk basically using Your Shine is Unstoppable campaign, which is encouraging young girls to find their shine even in dullest of days. So overall, hair care grew in double digits.

When we look at Skin Care, the essential parts of Skin Care is resilient and is growing well, while the winter portfolio sell-in was impacted due to some muted trade sentiments and liquidity constraints. This, we believe, is more of a pipeline adjustment issue. Of course, you would realize that in this environment, liquidity is constrained. There is limited space on the shelf from a retailer point of view. And they would like to see a bit of an onset of winter before they start to order.

So what we believe is that this is more of a phasing issue, which is going to come in and no reason to see it as a structural issue at this stage. Both Glow & Lovely and Glow & Handsome are successfully on the shelves. Mere Glow Ko Na Roko campaign is encouraging girls to choose their identity, and this is really positioning us very well with the biggest change and transformation that we have done to our brand in our recent history.

In Foods & Refreshments, I think we have hit the sweet spot of leveraging the in-home consumption, and this is helping us both from a Foods point of view as well as Beverages. In foods, both Kissan and Knorr have seen strong consumer traction and Foods has grown in double digits.

Performance in tea was particularly stellar, with all our brands growing in double digits. As many of you would be aware, there has been unprecedented tea inflation, ranging anywhere between 50% to 70%. We have been very judicious in pricing across our portfolio. We are doing this dynamically, leveraging our balance sheet strength. I think when we do this sensibly, it gives us a big opportunity to gain from the unorganized players and strengthen our competitive performance. And if it means that in the short term we will actually take a bit in the gross margins, we are absolutely comfortable to do that because I think this gives us a massive opportunity to structurally reshape the market and gain competitively.

Coffee continues to perform well through volume-led growth. Our Nutrition business, this has been the second quarter, and we are quite pleased with the overall integration. But as Sanjiv has spoken about, while our growth has been competitive, that is, we have been gaining shares as per Kantar panel, we did have supply chain issues. Two of our key sites, be it Rajahmundry and Nabha were impacted because of COVID and IR issues. This basically impacted the output that we could get. While from a secondaries' point of view, consumers were not impacted, but from a primaries' point of view, our pipelines had gone down.

The good news is, now these have all been sorted out, and we have resolved them. So therefore, given the context of these disruptions, if you were to use GSK as a base, our growth would have been flat, but for the supply chain disruptions, we would have seen similar levels of growth as we saw in the previous quarter.

Having said that, we have had many exciting innovations. Boost has gone national. Horlicks has come back with a very powerful communication that celebrates the confidence that empowers children. With supply issues behind us and with an innovation funnel which is looking quite strong, we hope to see much better growth rates, and we are quite confident about the growth potential coming from the next quarter, and we should see the trajectory to move up.

As I said, we have seen a sequential improvement in out-of-home consumption and ice creams. But given that we still are not fully out into the open, these businesses have seen an impact, albeit the loss has been lower than what we saw previously.

I think this is a chart which we used, which is contextual, we used it in the previous quarter, and we want to repeat it this quarter. It's giving the flavour of the business through the lens of health, hygiene & nutrition, discretionary and out-of-home. Of course, this excludes the impact of the M&A portfolio, and therefore, this is a construct which will explain the 3% growth. 80% of our business has grown at 10% with a high contribution of underlying volume growth. And this is up from the 6% of previous quarter.

When you look at 15% of our business, which comes from skin, color and cosmetics, has registered a decline of 25% versus 45% decline which was in June quarter. We saw sequential improvement as some parts of the essentials of the portfolio started to come back. Colors and deodorants remain impacted, and they will take some time, and we need to see a bit more of the opening up of the economy and people coming more to work for these segments to really pick up.

The out-of-home categories, contributing about 5%, were disproportionately impacted. These declined by about 25%, but this compares to a 69% decline in June. So it's fair to say that we've seen a sequential improvement, and that's also reflected in our base business, which has actually moved from minus 7% to a positive 3% or the reported growth, which had moved from 4% to 16%, if you were to compare sequentially.

From a P&L point of view, I think the headline statement summarizes it well. I think we will leverage all lines of P&L to continue to protect our business model and deliver a profitable growth. And what you see on the chart is a whole host of measures.

As I talked to you already about tea, we have been quite judicious, notwithstanding the inflation. We are looking at full net revenue management to manage this. And in line with our principles, I think prices enduring an inflationary period will be calibrated, will be judicious. But I think the big difference is that, I think this time, we will have a very differentiated approach to gain competitively and gain from the unorganized segment.

Crude prices continue to be benign. And to that extent, we have passed on some of the benefits in our Home Care portfolio by lowering the prices. The aspect and how we really run the savings agenda is well-known to all of you. We have also moved down the path of trying to make more of our cost variable. You have also seen that we are making some very good progress from a nutrition perspective.

I think the important call out for us is that, we are continuing to invest and invest well behind our brands to remain competitive. We are also focusing both on reach as well as SOVs, given the higher intensity with respect to advertising. On a sequential basis, our advertising spends are up INR 342 crores.

I think it's also important to understand that we also had benefits of rate savings come into the quarter, which in a manner, if you were to compare on a Year -on -Year basis, means that we have spent much more from a GRP's and a reach point of view.

If I look at now the segmental performance, I think the numbers are fairly clear. And from a segmental point of view, Foods & Refreshments here is not a comparable growth, but includes the acquisition. Our margins continue to be quite healthy across all the 3 divisions. And I think this really gives us the good balance sheet and the P&L power to continue to drive our business.

Therefore, when you see, I think September quarter performance has been a good step-up in terms of sequential growth, and sequential margins have also been maintained. I think just a quick call out here, we have also had some prior period adjustments, which had a favourable impact on our tax and the interest lines. In tax, approximately, we have got about INR 35 crores as a prior period, which also has a base of about INR 50 crores. And on the interest line, we have seen a benefit of about INR 17 crores. I think this starts to help you to understand some of the movements between PBT and net profit.

A quick snapshot view of the first half performance. While the reported growth is at 10%, the domestic consumer growth still is at about negative 2%. Our EBITDA is up 8% on a Y-o-Y basis.

Taking into account the performance of the company, I'm pleased to inform you that the Board of Directors have recommended an interim dividend of INR 14 per share for the year ended March 31, 2021. Looking ahead, and I think Sanjiv spoke about it, while the outbreak of COVID-19 has disrupted businesses massively, we believe that the worst is possibly behind us from an economic standpoint. And therefore, we are cautiously optimistic about the prospects of the business looking ahead.

Rural has been growing ahead of urban for various reasons and that needs to sustain. Urban is still looking a little uncertain for the various factors. In these circumstances, while it may be a little difficult to estimate market growth or recovery, I think it is fair to say that we will start to see good traction from here on. And hence, the reason for us to be cautiously optimistic.

Inflation in select categories such as tea is likely to continue. While we will play all levers which are available to us, this could mean that gross margins will remain under pressure in the short term. But as I spoke to you, I think the right thing for us to do is to focus on competitive volume-led growth. And if it means that some of the margin expansion is not at the desired levels or the levels we would like to be, it is absolutely okay with us. We will invest to drive growth. And I think there are enough levers for us to come back to our usual rhythm of competitive and profitable growth, the way we have done it for some time now.

I think the organizational strength in this context remained unchanged, which is brand portfolio, talent and capabilities and our organizational speed and agility. With these streams and experience in our fold, we are placing our trust on driving competitive volume-led growth. Our focus for some time will be on absolute profits and cash delivery. We are quite confident that we are and we will come out further stronger from this crisis, and we also remain confident of the medium to long-term prospects of the FMCG sector.

Thank you for hearing us out, and we are very happy to take any questions at this stage. Over to Amit and the operator.

Amit Sood Hindustan Unilever Limited - Group Financial Controller & Head of IR

Thank you, Sanjiv. Thank you, Srinivas. With this, we will now move to the Q&A section. In addition to the audio, as always, our participants have an option to post questions through the web option on your screen. We will take those questions just before we end.

Before we get started with this session, I would like to remind you that the call and Q&A session is only for institutional investors and analysts. And therefore, if there is anyone else who is neither an investor nor an analyst but would like to engage with us or ask us a question, please feel free to reach out to the Investor Relations team.

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

QUESTIONS AND ANSWERS

Operator

Thank you. First question is from the line of Abneesh Roy from Edelweiss.

Q - Abneesh Roy

Yes. Congrats, Sanjiv, on good performance and recovery. My first question is on the 2 brands, which are being taken national. So Domex and Boost. So what is the thought process currently on both brands being taken national? Is it largely because of the COVID opportunity?

Or do you think that there are other parameters which have been met. And so now finally, this is the time to take it to the next level. If you could give more color to why you think this is the right time for both the brands.

A - Sanjiv Mehta

Yes. Thank you, Abneesh. Let me talk about Domex. Domex is a brand which we have been growing the roots in southern part of the country for the last many years. And you would recall, we had also come out with powder Domex about 2 years back, which is doing reasonably well for Indian kind of squat toilets. So we were very clear that this is something which is a long-term play for us. And with COVID, one of the behavior, which is very clearly apparent is the fetish for cleanliness, disinfectant and hygiene everywhere. And we have extended the range of Domex, it is hypochlorite based and it kills immediately the germs and viruses. And it could not have been a more opportune time than now that after having sown the seeds in South India to take it national.

Boost, we were very clear that it's a great brand. And there are pockets where it has huge potential. Keeping that in perspective, even before we consummated the deal, we were absolutely clear that we are going to take it national. It has great heritage, great saliency, and it's now all about extending it. And Abneesh and the team, at an opportune time, we will share with you the fabulous work that is happening on innovation in the HFD portfolio, which will really strengthen our presence and make the brand grow faster and taller and longer when it has come into our portfolio.

Q - Abneesh Roy

Sanjiv, on Boost, if you see, Indulekha saw 4x, 5x jump in sales once you took over in the next few years. So in Boost also, is that the thought process that this is a much lower-hanging fruit versus scaling up Horlicks because it's not pan-India presence?

A - Sanjiv Mehta

It is like this. If you look at the markets and you map out the markets, there are markets which are white, there are markets which are brown. And there are markets where there is a very clear plan that Boost can play a much bigger game. And that is the reason why we have launched and taken it to across the country. Earlier, it was only in certain pockets in the country.

So I would say that after acquiring the GSK business, we are now even more confident about the growth potential of this business and also about the cost synergies that we'll bring forth in this business. And the wonderful bit has been, Abneesh, that the integration, despite all the constraints, has been near flawless. And the people who have come over to our fold are extremely delighted to be part of the journey, which you would have seen from the UniVoice scores.

Q - Abneesh Roy

Right. Sanjiv, my second question is on Foods. In Q1, if you see, biscuit players did amazingly well, and you also grew double digits. Now in Foods portfolio, you have again grown double digit. And in fact, you have called out acceleration, while biscuit has seen a significant slowdown from a 21% volume growth to just a 9% volume growth. So wanted to understand consumer behavior here. Is it a more proactive step from you which has prevented a slower growth quarter-on-quarter?

A - Sanjiv Mehta See, Abneesh, our Foods & Refreshment portfolio has, excluding the HFD, the nutrition part of the business, which we acquired from GSK, has grown by 19%. And it's been a very impressive growth. And we have seen growth across the portfolio. Tea, we have been on a very good rhythm. Yes, you've seen it over the years, even after taking over leadership, we have kept strengthening our portfolio. Coffee has grown very handsomely.

And the entire Foods range, whether it is Knorr soups, whether it is Kissan range, the entire portfolio has grown majestically. Part of it, of course, is linked to the fact that people are at home, they are not going out to restaurants and so the consumption has gone home. To an extent, it has also been offset by the fact that our out-of-home business, which included the vending business, has been impacted. But yes, on an overall basis, I think Foods has delivered exceptional growth.

Q - Abneesh Roy

And my last question is essentially on Skin Care. So essentials has seen a resilient performance and, in fact, growing. What I could not understand was the winter sell-in wherein you have, in fact, did lower.

A -Sanjiv Mehta

So let me explain on winter. Winter, what happens is, generally, the trade would start purchasing in the month of September. This year, the trade has been a bit cautious and which is for understandable reasons. And they say we will pick it up, not in September, but when the winter comes in. And I perfectly understand because of the sentiments in not only in our country but across the world, that they did not want to lock in the inventories ahead of time. But as soon as you see the whiff of winter coming in, I'm certain they will start purchasing it.

Q - Abneesh Roy

But Sanjiv, that was the question. There's a lead time before customer can get it, trade stocks it first. So won't it be a bit late when trade starts stocking when winter actually sets in because earlier years, we've seen that.

A - Sanjiv Mehta

Winter runs for normally 2, 3 months. It starts in November and not even 3 months, really till the time of Holi, the winter products keep selling in. And so it may be at best a week's time. Our direct distribution will cover it in a week's time. Our indirect, it may take 2 weeks' time. And I'm sure that as the winter as the temperature drops in the northern part of the country, this will pick up.

So I'm not much very worried at this stage about the winter products. I believe that the offtake will happen. And the trade has been, for reasons which one can understand why they have been circumspect in not picking it up earlier.

A - Srinivas Phatak

Abneesh, the only element to add is, I think the amount of speed and agility at the back end from a supply chain point of view and go-to-market, I think we've also made significant step-up and improvements there, which will actually help us even if, let's say, some of the service time would be a little less than what we had earlier. So there is enough which has been done at our back-end to cater to that.

Q - Abneesh Roy

And just to understand it fully, essentials in Skin Care, a bit difficult to understand for outsider. So is the winter most of the winter products is considered essential by consumer as per you?

A - Srinivas Phatak

The way we articulated it about core of some of the portfolio. So, for example, if you look at Glow & Lovely and some of the key packs there, they've all done well. So more than about 2/3 of that portfolio has actually started to see some decent growth. It's really the winter part, which is where we have called out as saying there's bit of a phasing issue there.

Operator

The next question is from the line of Latika Chopra from JPMorgan.

Q - Latika Chopra

I have 2 questions. The first one was, I wanted to check on 2 aspects, promotional intensity and consumer down trading. Are these trends evident over the recent months? And any specific categories you may want to call out where you would have come across these shifts?

A - Sanjiv Mehta

The first is, there are 2 behaviours, Latika, which are very apparent. One is that in big cities, consumers are going in for larger packs, which also provides more value. But it also means less frequency of buying. And in smaller cities, there is more frequency of buying because they are more concerned with outlay. As far as down-trading is concerned, there is not one call that we could say, which would be applicable across the categories. For instance, most households have got repertoire of brands. If you are into a laundry category, then you would be having not just Surf Excel, but you would many times carry Rin and many times also carry Wheel, and you use it for different purpose. But if you use Surf Excel for cleaning your children's clothes or your husband's clothes when they work out, and if they don't go out, then to that extent, you may not have the same level of consumption of the Surf Excel brand.

Now laundry, very clearly, which we have also indicated, has been impacted by the fact that with confined living, it is not something which is dramatic, it is not like out-of-home, but to an extent, it has been impacted. And I believe that when people start coming out, they would get back to it. So there has been no dramatic shift as far as down-trading is concerned.

Q - Latika Chopra

Sure. And just on your point on laundry, clearly, Hair Care has come back to double-digit levels. You did talk about part of Skin Care portfolio also doing well. So as you exited the quarter with lockdowns easing and people stepping out more, did we see a sequential improvement even for laundry offtake?

A - Sanjiv Mehta

See, it has remained consistent because first June quarter and September quarter may not all be comparable because June quarter was also having an impact of pipeline fill-in against the pipeline shedding, which happened during the March quarter. So I would say that it is not anything which is of a serious concern for us. We have very strong portfolio of brands, and they're all purpose-led brands. We have a history of sustained high performance, and we'll get back to growth.

We are seeing now very clearly, things like liquids, things like fabric sensation or conditioners, picking up speed. So I would believe even the mainstay of cleaning will also pick up.

Q - Latika Chopra

Great. And just the last one was on Glow & Lovely placement. Is the placement now done nationally? Is there still more room to cover here from a distribution perspective? And I'm not sure, but any sense on initial response from consumers regarding the transition feedback?

A - Sanjiv Mehta

I would not like to declare victory at this stage, but we are pleased with the performance.

A - Latika Chopra

Sure. And from a distribution perspective, have we covered it nationally as you intended to?

A - Sanjiv Mehta

Yes, as we speak now, it has been covered.

Operator

The next question is from the line of Percy Panthaki from IIFL.

Q - Percy Panthaki

My first question is on the 80% of your portfolio, which has done very well. And congratulations to you for that. It has grown at 10%. But if I break this up a little further, so this 80% includes home care and within that detergents, and detergents has seen a decline this quarter. And despite that, the 80% portfolio has seen a 10% growth, which means excluding that detergents portfolio, the rest of the businesses have actually grown at some maybe 16% to 17%.

Now if that is true, what really drives this growth? And is this a sustainable growth? Because is it just that there is although your distributor inventories might not have changed, is it that the retailer inventory has changed. There's an upstocking at the retailer level or even at the consumer level, which is driving a 16%, 17% growth? Or have you gained a huge amount of market share, and therefore, the 16%, 17% growth is not due to any kind of pipeline in any link of the distribution change? If you can just help me understand this number, it would be helpful.

A - Sanjiv Mehta

Sure. Percy, obviously, your math is very good. If we look at foods and refreshment, like I said, has grown at 19%, Household Care, that it is home and hygiene, that's done brilliantly. Skin cleansing has done very well, all double digit, double digit, I'm talking about. Oral Care has done very well. Hair has done very well. All these are in double digits.

And when it comes to trade loading, in fact, we have cut down on our TTS spends. So the question of loading the trade doesn't arise at all. And then there are 2 yardsticks that we look at from our perspective, we look at the health of our business. One is penetration, which is so key for us. And in 70% of the business, despite the economic slowdown that is happening, we've gained penetration, relative penetration.

And the second aspect is, while the normal using of Nielsen shares is still not available for us. But we look at a surrogate measure, which is the volume shares coming out of the Kantar household panel. And in over 90% of the business, we are gaining handsome volume share.

And Kantar as you know, is not great. It is home consumption.

A - Srinivas Phatak

So the only element I'll add, Percy, to what Sanjiv has covered is, again, tea as a category, so given the levels of inflation that they have been. And our ability to be judicious and our ability to manage it, given our balance sheet strength, also means that we are gaining handsomely versus unorganized. And therefore, that's also a clear translation of share gain, which also means growth for us. And that's the only additional call out to what Sanjiv had said.

Q - Percy Panthaki

Understood. And if I basically look at your 10% growth of the 80% portfolio, would you be able to give some color on how that 10% would be broken up between urban and rural?

A - Sanjiv Mehta

I'll tell you what has happened today. Urban has been impacted because a lot of our business are out-of-home and discretionary, like the Lakmé business, like the Deo business and most of the out-of-home were all urban business. The other is, one should also understand that there have been shift of people from metropolitan cities to rural areas, with all the workers going back. There, at the end of the day, were also consumer of our goods and they are pretty large substantive in numbers. The other is, of course, because people are not stepping out, channels like modern trade, etc, have been impacted, which is also very apparent. But suffice to say, and also one more fact that rural is also coming from a low base.

If you recall, Percy, that last year around the same time, we used to be worried about the rural consumption because that's been slowdown. So they're coming from a low base. But suffice to say that rural is growing in the 80% of the portfolio, much ahead of urban.

Q - Percy Panthaki

I see. Okay. So basically, rural, even in that 80%, if that 80% is 10%, rural is much higher than that 10% number?

A - Sanjiv Mehta

Yes. Because it's confined living in urban which has impacted consumption.

Q - Percy Panthaki

Right. Right. Understood. And finally, if I might ask on Fair and -- sorry, Glow & Lovely now, basically, whatever business we've seen -sorry?

A - Sanjiv Mehta

I said, get used to the new name my friend.

Q - Percy Panthaki

Yes. So in Glow & Lovely, whatever weakness we've seen, obviously, there is a COVID impact to that. But has the weakness been accentuated by the fact that it is undergoing a complete change in packaging, name, etc, etc? Or there's no incremental effect of that over and above the COVID impact. So what I'm trying to say is that if the name change did not happen and the new product sort of I mean, the entire relaunch did not happen, would you have seen similar sales performance of the brand or not?

A - Sanjiv Mehta

See, the concept of Glow, the proposition of Glow got thoroughly tested during the last relaunch. So I'm absolutely confident that we won't have an issue. And then when you look at it, our relaunch, the new stock started going in, in September. So in the September quarter, we have not seen the full impact of primary placement also of Glow & Lovely, but the entire thing would be felt during the October-December period. But then you look at discretionary, which was running at minus 45% in the June quarter has come down to minus 25%.

So like I was telling Latika, I would not like to declare victory, but I'm very confident that Glow & Lovely will be a big success.

Operator

The next question is from the line of Vivek Maheshwari from Jefferies.

Q - Vivek Maheshwari

A couple of questions again on this Fair & Lovely to Glow & Lovely migration. First is this A&P spend, which have moved up quite a bit in the context of still pressures in out-of-home and discretionary, so would there be some of these spends, which will be essentially because of the brand transition, something which will kind of reverse or will even out as we head into maybe third and the fourth quarter?

A - Sanjiv Mehta

Srini, do you want to take this? Say hi, Vivek.

A - Srinivas Phatak

So yes, hi Vivek. So will there be some spends related to Glow & Lovely transition? Absolutely, yes, because it's one of the biggest changes and launches. So we have spent in September quarter to an extent. We'll also do it in December quarter. I think the important aspect to also call out is as the country is opening up, and the focus shifts from completely from a supplies point of view to really demand generation, which also, therefore, necessitates that you continue to invest behind your brands and make them competitive because if you really look at what had happened in June quarter, we had also pulled down spends quite a bit because there was unavailability of stock and the country was disrupted. So clearly, from that point of view, I think there is a job of demand creation, and we have invested across all our categories. And therefore, you would see a step up in spend, whether it's Home Care or in Beauty & Personal Care.

The second aspect also is that, look, the same opportunity as we are seeing, many others are also looking at that. So overall, if you see from an advertising point of view and media, spends have gone up. Clearly in line with our principles, I think we are focusing on Reach. We are focusing on getting the right SOVs. And therefore, we have spent. And if I look at December quarter, our objective would be to continue to invest further behind our brands.

Yes, in due course, we will see some of the spends that we are doing on Glow & Lovely will start to taper down because there is a certain burst that you will do from a transformation and a transition point of view. But that's more likely to come towards the March quarter, where we'd have at least spent a few months in terms of building the awareness from a consumer's point of view, and then you'll start to see a bit of taper down specifically to Glow & Lovely. But overall, I think it is the right time to continue to invest, and we are comfortable to invest to really drive demand generation.

Q - Vivek Maheshwari

Got it. And the other aspect is, I don't know whether it makes as much sense, but let's say, Fair & Lovely was a huge brand. But let's say, the fact that Fair & Lovely transforms into Glow & Lovely. Does the word as you move from, let's say, Fairness to Glow, does that also changes the dynamics in some ways that, let's say, Fairness was targeting a particular subset within the skin portfolio, whereas in case of Glow there is a bigger canvas to play with. Is that something which is possible in your view?

A - Srinivas Phatak

Sanjiv, any thoughts from your side?

A - Sanjiv Mehta

Sorry, say that again. I missed the question.

Q - Vivek Maheshwari

So Sanjiv, what I'm saying is, let's say, Fairness Fair & Lovely any which ways has been a huge brand, but it targets a particular let's say, particular problem and a solution, which is essentially around fairness, which means the usage within the Skin Care is, so to speak, restrictive. Does Glow & Lovely, therefore, have a bigger canvas to play because it is basically...

A - Sanjiv Mehta

Absolutely. The entire intention, Vivek is not only to take the existing consumers along, but to take consumers who were hitherto not in Fair & Lovely into Glow & Lovely. And that is the reason why we first launched with the Glow proposition last year. And we talked about the blemish-free, the glow and that worked wonderfully well. We never had the kind of penetration increase what we saw last year in recent times. And that's the reason our intention is to not only carry the existing ones, but take more people on to this brand. We are absolutely clear that we are not going to leave the existing consumers behind.

Q - Vivek Maheshwari

Sure. Sure. And just one more bit, before I ask my last question. So is there also a risk that some of the competitors because fairness has been an important part of the Skin Care market and now that effectively you are vacating that big market, there can be actually a rise in competition from, let's say, locals or whoever, and that actually becomes a problem.

A - Sanjiv Mehta

That is the reason we are reframing the market. Yes, it is not that the consumers would not be getting the benefits which they got when they were using Fair & Lovely. They would be getting that benefits. But some of the other consumers who were earlier not in Fair & Lovely and want to get into it, they would be coming in because that's what the brand delivers also.

So we would be reframing. As a market leader, I think the strength lies in us to reposition the market, and that's what we would be doing.

Q - Vivek Maheshwari

Got it. Got it. And lastly, Sanjiv, let's say, right from February or March of this year, the initial phase of entire COVID bit was around lockdown in supply chain, which gradually has kind of stabilized. But the way in which you have articulated about winter and some of the risks, does that mean, let's say, third quarter will be more supply-led because, there is, let's say, latent demand. Supply chain-related issues. So I understand that is...

A - Sanjiv Mehta

No, I don't expect Vivek that unless there is a severe second wave and then, again, country goes to a hard lockdown. And if that doesn't happen, I don't think there would be supply-led constraints. So you...

Q - Vivek Maheshwari

No, Sanjiv, sorry. My specific question is just around your winter portfolio because that's a very...

A - Sanjiv Mehta

Winter portfolio, Vivek, is more stemming from, I think, shopper sentiments, the trader sentiments,. It's stemming more from that. Normally, when the environment is bullish and buoyant, people are willing to pick up the stocks before the winter arrives. This time, they feel that, okay, let the winter come. but during the period, let us focus on what is essential today. That's been the trade sentiment.

A – Srinivas Phatak

So I think in a manner, it's quite intuitive to understand Vivek, if you see today, there is a certain liquidity constraint and there is certain mood and sentiment. So each shop is trying to actually turn over their stock as many times as they can. Clearly, there's a lot of traction for health, hygiene, nutrition, which is buying in and selling out very quickly. Obviously, with winter taking a little bit of time, I think trade is just in a bit of a wait-and-watch mode. And at the slightest onset of winter, the stocks will then start to completely fly.

So I don't think it is such an alarming issue. And I think I just want to calm all of you and make that absolutely clear. It's a phasing issue of a few weeks rather than anything which is structural. And it's important to understand that it's not uncommon. We've also seen this in the past. This does tend to happen in the current environment, which is quite logical. Just put yourself in the shoe of retailer, and it actually starts to make imminent sense. And it's an industry-wide piece. It's not so particularly specific to HUL. It's the same thing, which you'll see across board, across all manufacturers.

Q - Vivek Maheshwari

Got it, Got it. Thank you Sanjiv and Srini. All the very best.

Operator
The next question is from the line of Aditya Soman from Goldman Sachs.
Q - Aditya Soman
So my question was that, while we've seen overall growth or volume growth being flattish, there's been some categories that have done exceptionally well and grown much faster than what one would have envisioned. And then some have seen the other impact on the other side. So once the dust settles, I mean, where would you expect growth overall to settle down? I mean, would it be sort of mid- to high single digits where you were earlier? Or is sort of a low single-digit number, the new normal? And how do you think to -- I mean, because obviously, in some of these categories where you've had very high growth, those would normalize and vice versa?
A - Sanjiv Mehta
Okay. So basically, you're talking about what's the scenario for mid- to long term, right? That's what essentially you're meaning. Now look at our last 10-years history. In the last 10-years history, despite GST, despite rural stress because of lack of rains, because of demonetization, as a company, we have grown at 9% CAGR, And when you look at the per capita consumption of FMCG in the country is just about $40. And I always talk about it that Indonesia is 1.5x and China is 3x India. So there is massive headroom to grow. We have a history, and I believe our portfolio and our brands are much stronger today than they were in the beginning of the last decade- and also our capability. So that should give you some insights into what you need to look at when you portray the mid- to long term for that business. And I am also very bullish on the Indian economy. I feel sooner or later, we'll get back our rhythm sooner rather than later.

Q - Aditya Soman
No, fair enough. I think that's clear. And in terms of I think you talked about Shikhar and that doing quite well. So what is the main selling point for the retailer in signing up for Shikhar, especially post-COVID, where I'm assuming that there are several players trying to tie up local kirana shops?

A - Sanjiv Mehta
Okay. First, very simple, that we would be having amongst the branded, we would be the single largest player for a grocery. Yes. So that is the big thing. Second is our relationship, yes. Third is the capability and people who are joining up for Shikhar, adopting Shikhar, it is not that we have stopped selling sales, but the trader knows that in between a salesmen's visit or if a salesmen that can't come, he can still place an order and we will service it, yes.
And on top of it now, we are also bringing in the benefit of the SBI agreement that we have entered into. So that would become a very potent combination.
Q - Aditya Soman
Fair enough. And just in terms of from a retailer's perspective, when they tie up with Shikhar, will they then need to tie up with say, a separate agreement for say, Colgate or for P&G? so the question being that would you need then multiple apps for different companies because while you are clearly a market leader in some categories, that would be other players that are leaders in others?
A - Srinivas Phatak
Yes. So don't know whether Sanjiv got that question. So look, Shikhar today is designed from an HUL perspective, yes, because it's retailers really ordering stuff from our distributors. And therefore, along

with comes the package of complete services, whether it is the retailer credit, whether it is servicing within 24 hours. Clearly, I think our opportunity is to scale this up very quickly, scale this up fast. Because in a manner, if you do that, the retailer benefits. Even today, if you see, he's got multiple salespeople calling them in.

What this is doing for us is actually digitizing it, making it a clearer demand signal, reduces the need for a retailer to keep a lot of inventory because it's closest to the demand. And whatever they order, therefore, start getting serviced within 24 hours and 48 hours. And on top, you're able to offer the credit facility through our partnership with SBI.

I think if you do all of this well, and I think the retailers really value on time service, what they want. And if they get it in time, I think that's still going to be a big USP. So that's really where we are focusing on. And in due course, we will start to look at other alternatives like we have done, whether it is POS solutions, to using data and analytics, to Shikhar. It's a combination and suite of solutions that we are bringing in for the benefit of the retailer. And I think that will be our strategy to actually play and win in the segment.

Operator

The next question is from the line of Arnab Mitra from Crédit Suisse.

Q - Arnab Mitra

The first question I had was regarding Horlicks. So if I heard Srini rightly, I think you mentioned that you've been flat year-on-year, but if the supply disruption had not happened, maybe you would have grown somewhat like 5%. So my question was that in the current environment, isn't that a bit of an underwhelming growth of Horlicks, the brand, which is focused on health, nutrition, immunity and with the added distribution muscle of HUL. So is there any reason why you would expect this brand not to be in the better part of your bucket in Hygiene, Health and Nutrition, and any other points which could have maybe prevented that kind of an upsurge in the current quarter?

A - Sanjiv Mehta

Srini, let me take this question. First is, in the first 6 months, we were integrating the business, and we have still not gone to a stage where we have used our distribution muscle to widen the distribution. And the second is the entire innovation pipeline we are going to unveil it, and that's not yet unveiled. So I would say watch this space. But looking at the business, we remain absolutely pleased that we are glad we acquired this business.

A - Srinivas Phatak

So Arnab, just adding to what Sanjiv has said, look, you also have to interpret Health, Hygiene and Nutrition and today, it operates at different segments as far as consumers think. Anything which is for want of a better word, anything which is an instant gratification and immediate attention, obviously, there is more demand, and therefore, certain spaces in terms of hygiene, whether it's hand wash, today the traction is a lot more.

Nutrition and immunity is absolutely a right need space, and there is a certain demand, which is coming through. So therefore, again, when you look at this, again, that's why the reason what we said is that one aspect is when you start to think about the white powders and brown and how do you go further on brown. That's one area of opportunity. Second is, today, there is a certain segment that we are talking about,which is kids and young adults and therefore, that's really repositioning the communication there to make it more relevant and drive more traction. The third is Sanjiv, as he said, is wait and watch for the innovation funnel, which will come and therefore, address the other need scopes. I think that's going to give a different gamut of growth.

And the final piece is and I think we've said that in the past, and I think I want all of you to understand this well is to get the full might of the Unilever and HUL distribution, you need to have systems fully integrated. So today, we have because that's when you have the power of the algorithm and the power of planning, which comes down to a micro level, which comes in. Today, we are actually trying to capture the low-hanging fruit, whereas the big act will really come when we get the end-to-end system integration, which is more likely to be around January and February when we merge the systems and a few weeks thereafter, or a few months thereafter.

Actually, I love this question because in many manner people actually have enormous amounts of challenges in the first 6 months of integration. I think we're really having a very good and a reasonable shift. Yes, you would like to see more growth. Yes, we would like to see more growth. But definitely watch the space, and I think the trajectory only then starts to get better from here on.

Q - Arnab Mitra

Sure. And my last question was on the again, going back to the discretionary personal care portfolio, which has declined 25%. So I think you've given your perspective on how you think this would recover. But does it look like a long-haul relative to, let's say, something like a fabric wash? Because this is seen as a bit of a more category which plays on socialization. People are still going to be wearing masks when they are going out. Does this look like a much more longer recovery curve than some of the other segments, which are recovering faster?

A - Sanjiv Mehta

If you see quarter-on-quarter, from minus 45%, it's come down to minus 25%. So yes, it will be, to an extent, linked to, not just wearing mask, but I think primarily people stepping out. Yes. Once you step out, you would invariably want to dispel, want to use the makeup, want to use the deo. And I would believe this should then pick up.

If I look at what's happening in the western world, these categories have picked up speed pretty fast, with the opening up of the economy and people stepping out.

Srinivas Phatak

Conscious of time, so maybe one more person, and then we'll also start looking at some of the calls on the web link.

Operator

The next question is from the line of Shirish Pardeshi from Centrum Broking.

Q - Shirish Pardeshi

I have a few questions. The first question is purely coming from the observation that in the current scenario, we have seen that modern trade has not come back to its full potential. So there are actually 2 questions that in your understanding, how much the retrieval has happened in modern trade? And the other question which I have related on that, is that the alternate channel has grown much faster. So is that there will be a modern trade consolidation will happen, and that will be the next game-changer for us?

A - Sanjiv Mehta

Consolidation is a different thing. Here, modern trade has been impacted by the simple fact that people have not been stepping out and going to the store. For a long period of time, modern trade stores, which were in malls, were not even allowed to function. So this is really people willingness to move out and access to the stores, which has impacted modern stores.

I don't think, from a long-term perspective, the demand for or the shift towards the modern trade is going to stop because it gives consumers a much better shopping experience. There is a bigger assortment. There is very clearly the theater impact inside the stores. And people like the ambience. And that's the reason they go. And in many small towns, it is very clear that this is a family outing, going out to a mall and then going out to a store. So I do think it should. So this is on modern trade.

Consolidation is different dynamics. It happens in different industry. Depending on how strong people are and how fragmented it is. And -- so from our perspective, yes, we have built capabilities. And as you would be knowing, our shares in modern trade are higher than general trade. And our shares in e-commerce are higher than modern trade. So we have built over the years, a lot of capabilities. And we have very sound strategic relationship with the modern trade players.

Q - Shirish Pardeshi

So the reason why I was asking is that the traditional trade has done better in the absence of not many/ everyone is using e-commerce channel or digital platform. And from that perspective, I thought that modern trade is one of the laggards. And I think if that is the positiveness or that's the point which you have said, I think we can expect the normalcy will also drive the higher growth for us in the modern trade channel because we have a dominating share.

A - Sanjiv Mehta

Absolutely. GT did well is because of proximity. People suddenly realize it's much easier to go to a nearby store and pick it up rather than go to a modern trade store where you may find many people. So there are many stories coming out of it.

First is, don't write the obituary of GT. Over the years, there would be a secular shift towards modern trade and e-commerce. It's bound to happen. But even after 10 years, I would believe India would be a country where GT would still be the biggest channel, but it will be a GT, which has adopted technology, it is connected and would have adopted the signs of retailing.

Q - Shirish Pardeshi

Okay. Okay. My last question is to Srini. And this goes back 1st April conversation on the integration part. And you said that once after the integration is done, maybe in the midyear, and I'm pushing you if you can tell us what are the further synergies which you have drawn after the integration, is that the number which you have indicated to us stands or whether there's a change in thought going forward? And the second part, which, in your closing remarks, you said that there is a pressure on margin. And maybe if you can elaborate, what are the pressure points we are expecting on margin other than the aspects?

A - Srinivas Phatak

So quick comments. First, no change to the outlook on -- can you hear me? Yes, no change to what we had shared with you with respect to the synergies on nutrition, be it our growth aspirations ambition or the unlocking of the P&L. And you've already started to see that we are realizing some of them faster than our plans.

Our second, if you'll see from a gross margin point of view, look, category mix is something which which will continue to make this an adverse one notwithstanding that we are doing very well on many parts of our portfolio. There is an adverse component when it comes to on the discretionary side. Discretionary side by nature is also a bit profitable.

I also talked to you about the levels of inflation that we are seeing in the somewhere between 50% to 70%. And one needs to be judicious in terms of how you manage that. So let's say, these are, let's say, 2 big call outs, which can continue to be headwinds for some time. And then these need to be managed well. And I think they have got very tried and tested principles that in the case of inflation, you need to be calibrated, you need to be judicious. If you do that, you will capture significant growth. And I think the current environment gives us a great opportunity to do that, especially with reference to tea. And we will do that.

And if it means that in a manner, gross margins are slightly diluted or under pressure, that's completely all right. And second point on BMI. To me, I think we need to invest behind brands. I disagree that BMI is something discretionary and therefore, you dial it up and dial it down basis where your P&L shape is. And I think Sanjiv has spoken about this many a times. We've invested even during the quarters of demonetization or GST. This is again the right kind of time to start spending behind your brands to make them more relevant and salient.

And if it means that we have to dial up to communicate, we will. If it means that we need to spend to be more competitive, we will. I think at about 25.5% EBITDA margins, I think it's a very good shape. And this actually gives us the ammunition to navigate these challenging times better than anyone else. Hopefully, that gives you a full context. I think, the overall model of competitive growth and profitable growth, absolutely the right place to be, and we are committed to that. But I think the way you navigate out of these times, we'll have a slightly different approach. And if it means a bit of gross margin dilution, that's absolutely alright.

Operator

The next question, that is from the line of Harit Kapoor from Investec.

Q - Harit Kapoor

So just had 2 questions. So you obviously explained on the gross margin part fairly well. But I just wanted to get your sense on while the mix continues to probably sequentially improve. And probably you have seen the worst on the tea price inflation already in this quarter. Shouldn't sequentially or gradually the gross margin trajectory start to look up a little bit?

A- Srinivas Phatak

It will. And it should. For example, if you see already in 2 of our divisions sequentially, because Y-o-Y is a slightly different picture with many ins and outs and what's happened to it. Sequentially, if you start to see already the picture is a bit better in Home Care. Sequentially, it's already a bit better in Foods & Refreshments -- sorry, Home Care and Beauty & Personal Care. So clearly, we have seen an improvement there, including -- even if you see even from a Nutrition point of view, sequentially, it's better.

There are parts of our business, which is Tea being a case in point, where I think sequentially, it's not where we would like it to be. Even mix for that matter sequentially has got a bit better. So there are many things which are trending right. And therefore, when we make the comment about gross margins being under pressure, it's also with the lens of where you were in year-on-year ago. And while you're sequentially getting better, it's not back to where you were about a year ago.

Q - Harit Kapoor

Yes. Fair point. Fair point. And on the margin side, again, in your outlook statement in the presentation, you spoke about competitive growth, absolute profits and cash generation. The modest margin expansion thought processes, is that something that you should continue to expect, maybe not on a quarterly basis, but even on an annual basis, that's something which is to hold back, right?

A - Srinivas Phatak

Yes. So fundamentally, look, that has not changed for the last 10 years, yes. And I don't think there's any reason to change that now. The model of competitive growth, profitable growth, sustainable growth trend is absolutely and responsible growth as is we are wedded to. Yes, there are periods of time where you have seen significant margin expansion more than modest. And at a certain point in time, we had difficulty even explaining modest to you guys. These are the times where I think we need to be actually, if you call it a slightly immodest into what is right for consumer and right to predict the business model. If we get that going, I think to get back to a normal rhythm where the growth is competitive ahead of the market and a modest margin expansion will completely come back. I think it's a bit of a timing issue and a phasing issue, but not of a fundamental approach or strategy and how we'll implement it.

Amit Sood

Srini, should we now move to the web questions, if that's okay?

Srinivas Phatak

Yes. I'm also conscious that, again, at 6:00, we also have a Prime Minister's webcast. I think many of us would be keen to view that. So what I will do is that I'll pick up some of the web questions and quickly.

The first question is from Paritosh Adalja from Paridhi Investment and what's the volume growth in September quarter?

I think we've already answered that growth from a USG, UVG point of view, where we said that USG is 3%, UVG is 1%. But even within that, there are many ins and outs, and I think it's important for people to understand. So when we talk about 80% of our business actually growing in 10%, you'll again see a very good and a sizable component of volumes within that. But because when you start getting hit on discretionary and when you start getting hit on out-of-home consumption, that everything tends to be a volume hit and that's why you will aggregate land up at a USG of 3% and a UVG of 1%. Yes. I hope that really clarifies.

Vikas Maheshwari just calls himself an investor, not sure whether he's an institution or an individual. What's the breakup of Foods & Refreshments revenue of GSK and HUL? And what's the volume growth? We're not splitting this up, but you can simply understand and do the math. It's quite simple because we have spoken to you about 19% on a comparable basis and about 83% F&R on its aggregate, the difference is obviously what is nutrition. We've also told you that nutrition is flat year-on-year. I think that gives you a real good sense of where we are. I've already addressed the volume growth question.

I think Aditya Soman from Goldman Sachs has asked a question, but I think Aditya, you also had a chance to speak subsequent to this question. And I think we've already answered the questions relating to sequential improvement in key categories and the near-term growth drivers.

And moving to Tejash Shah from Spark Capital. If you can share the initial feedback from trade partners on Shikhar app in wake of B2B? And how should we see the role of distributors and stockists in the value chain?

I think it's a bit early to start talking about a very clear and specific feedback. I think where people have adopted it and used it for a few months have found it extremely valuable. Given that it gives them an opportunity, it gives them a flexibility, it gives them to order when needed, as needed, and it is giving them flexibility of deliveries within 24 and 48 hours. And more importantly, as we go down the path of using the SBI partnership to give them credit in linking it to Shikhar app, it will only enhance the value proposition.
Today, the distributors and stockists continue to be very relevant because all that we're doing through the B2B retailer app is connecting the retailer to a distributor which is, therefore, enabling the servicing of the order. And therefore, there is no fundamental change to any of our partners' roles today, whether it's in terms of demand capture, demand generation or demand fulfilment.

The next question is from Ishan JT, who's an individual investor. So as a principle, this forum is not for individual investors, Ishan, and we request you to connect with our Investor Relations and Corporate Communications department. But having said that, I think in the course of your call, the reasons for sales growth and net profit growth has already been explained.

Ketan Sanghvi from Plethuno Investment Advisors. Congratulations on a good set of numbers, what would be the impact of drag on tea in the tea segment? What would be the impact?
While I think that has got a few percentage points to it. I'm not giving you a specific number because I think it also gives us the advantage and the ability to manage portfolios across divisions, across categories, so we have no intentions of calling that out. Suffice is to say that our margins from an F&R segment at 17% are fundamentally attractive. They were about 19% or 20% in the previous quarter. But as we have always said, given in the 17% and 18% range, I think it gives us enough ammunition to continue to invest to grow. And I think that's the way we will really approach our category margins to drive growth.

Then we have Sehmath Singh from Healthcare. Are rising margins putting pressure on top line growth or with the overall COVID situation? Not entirely clear, but I think we've had a comprehensive discussion on growth on margins, hopefully, Sehmath, and that's answering your question in a manner that you asked for it.

There is Anubhav Sahu from MC Research. It appears -- his question is, it appears to be a strategic shift when we are talking about taking a dip in gross margins to gain market share. It's unlike earlier, we went limited competition and say a limited need to compromise, what is the underlying factor for this shift?
First and foremost, there is no underlying strategic shift that we are talking about. So I want to make it amply clear. I think you need to go back to the principles to which we have run this business when prices go lower, when commodity comes off, you need to move very swiftly and pass on that drop in commodity to consumers. There you need to make dramatic big moves. If you don't, others will, and you lose your consumer franchise.
Tried and tested again is that when there is significant inflation, and today, what we are talking about between 50% to 70% is the kind of inflation which no one has seen in this category over a decade. When you have such a situation, you will absolutely be calibrated in terms of how you will take up pricing, and you will do that, and that's exactly what we are doing.

On top of it, I think what it gives you is today a fundamental and a structural opportunity. I think rather than a strategic shift, you need to think about a structural strategic opportunity for us that if you actually play this game well, with the strength of our brands with the agility of our portfolio and our balance sheet strength, this is a great opportunity to actually drive conversion from the unorganized sector into the organized sector of tea. Because the important element to highlight here is that all put together today organized sector is only half of the market.

And I think that is the fundamental shift that we want to drive. And if you're able to do that successfully and retain even a certain amount of people who make that upgradation, you fundamentally change the trajectory of this category. And in due course with prices correct and about when the next crop comes in, you will normalize the business.

So I think it's a strategic way to actually drive upgradation and continue to run a business model, which is attractive. And I think finally, the brass tracks still hold. Every business needs to have a right fundamental business model, and tea does have that. There's no shift there.

The next question is again from Anubhav Sahu on Oral Care. We've talked about Oral Care for some time now. He's saying wanted your views on Oral Care, and do you see revival of Oral Care is sustainable? Or there is more to be done in terms of launches? Has naturals taken a backseat given the general down-trading sentiment.

I think Sanjiv has clarified that there is no structural changes to whether it's premiumization or naturals as a fundamental trend. And I don't think that should be -- it's not impacted in any manner, and I don't think we should really read it from the current environment that we are passing through.

I think you've heard for some time now that Close Up as a brand for us has continued to do well and has been gaining traction. And I think we are well positioned to do that. On Pepsodent, I think it's a bit of work in progress. And that will continue to take time for us. But for now, I think we're quite delighted with the way our Oral Care business, led by Close Up is progressing, and it's grown in double digit.

Quick one from Latika. She wanted to get a margin expansion sense on Home Care, Personal Care and Foods. And if you would talk through that. I think Latika, I have already spoke about this when I answered the prior question in terms of what's happening, both on a sequential and a Y-o-Y basis. And from a BMI perspective or an advertising spends, we have stepped up sequentially spends in Home Care and in Beauty & Personal Care.

We continue to invest quite well in nutrition. On some of our tea and other businesses, we have actually calibrated down some of our advertising, given that we are offering great value in terms of pricing, and we are taking a calibrated approach to how we manage it.

The next question is again from Latika from JPMorgan. With supply chain distributions being restored and Boost taken nationally and with the added benefit of health, do you think the nutrition portfolio growth can revert back to aspire double-digit growth within strategic interventions, which you have planned for this portfolio?Latika, we've spoken about it. Sequentially, we definitely expect the growth trajectory to start building up. And with the benefits of portfolio, innovations and distribution coming through in due course, you will start to realize the full opportunity. And I think as we have reiterated, while there could be some here and now challenges given the growth in the environment into the medium term, I think the ambition and our plans to get to double-digit growth are absolutely on track, and that's something that we will continue to drive.

The next question is from Hemant Patel from Alder Capital. How has the GS Co portfolio done from a revenue and a market share perspective in quarter 2 and half 1?
Hemant, we have already answered this. So in interest of time, I will not repeat my answer.

The next question is from Vishal Punmiya from Nirmal Bang. The question is on the laundry portfolio. As markets start to opening up, leading to a near washing of clothes on higher frequency due to hygiene concerns, which, along with rising price action, will lead to better recovery in the portfolio from next quarter.
Definitely, with all of this happening, we should start to see the improvement coming in. The pace and the speed of recovery, we will have to wait and watch. But fundamentally, as country opens up and people start to move out, start to get on with their jobs, yes, they will wash more clothes, and that will actually augur well, and I think Sanjiv has actually explained that quite in detail.

Nirav Rajiv from BK Securities is asking a question about clarity on treatment of goodwill and intangibles post the GSK merger.
Nirav, this was covered quite comprehensively after the merger, and we did a special session on the intangibles and the treatment. It's available on our website. I'll request you to please access that and also go through the transcript, you will have all your answers there.

If I take the next question from Sandip Patodia from Fundsmith. What have you done to ensure that the company maintains the culture with people working from? How do you measure this?
Sanjiv, can I ask you to at least share your reflections on the people and the cultural aspects, given that you feel passionately about this topic?

Sanjiv Mehta
Sorry, the question, Srini?

Srinivas Phatak
They want to understand how are we -- what are the work that we're doing to maintain culture for the people as they're all continuing to work-from-home? And how do we measure this?

Sanjiv Mehta
Yes. I think that's a very good question as to what have we been doing to -- in some very simple ways, we need to bring in empathy for our people is -- that's so important. Look at it from this length. I never have a meeting, except save and except with my very close team beyond what would be normally a business ask. One is also very sensitive to commitments people have that, say, family sensitive. Then we have also allowed flexibility for people's personal needs.
We never ask people or what I would say is we always support the not-camera-ready type. If people don't want to come on camera, that's absolutely fine. We will never ask them to do that. It is about time. It is about setting boundaries. We have to ensure that you do not have video conferencing fatigue. And very importantly, the focus that we have given on learning, this is an opportunity for people to get future fit, to build their capabilities and the focus on wellbeing. Yes, that has made a material difference to the morale of the people, I would say.

Yes, Srini, anything you would like to add?

Srinivas Phatak

No, no, no, absolutely. I think Sanjiv makes the point. I think the whole space about the connect is the whole space of focus on individual and collective well-being. It's the focus on giving people the space to really grow and be the best that they can be in this environment. And a continuous human factor to our engagement and reiterating the achievable values. I think that's something which has been consistent. And proud that we work for leaders such as Sanjiv and the management committee who set the tone from top.

And even our Thanks Day was one way of really giving it back to the people. And I think that's where when you really look at all the dimensions when we measured on UniVoice, it completely resonates. And I think so far, we have done a good job. Yes, I think this is a space we continue to need to watch, especially on the culture piece. Because today, I think we're all able to manage and do well. But there will come a certain point in time when new people join us. And if they miss out on the physical and human interaction, that's something that we need to address. But I think we will take it step by step. I think we are pleased where we are now. And we -- definitely, on record, I want to thank Sanjiv and rest of my colleagues on the MC who really set the example and done a fabulous job.

Look, I think we need to really end on that note. I think talking about people and culture is really, I think, what makes the difference. And if I refer back to what Sanjiv said, I think you take care of the people and they take care of the business comes through in this quarter and into the future. And I think we are blessed to have the talent that we do.

There are a few questions which we couldn't take on the web, conscious of time. And I'll request you to get in touch with our Investor Relations team, and we'll make sure that we'll try our best to answer those questions. So over to you, Amit, to close the call.

Amit Sood

Thank you, Srini. So with that, you now come to the end of the Q&A session. Before we end, let me again remind you that a replay of the event and the transcript will be available on the Investor Relations website in a short while and you can go back and refer to it. A copy of results and presentation, if not with you, is already available on the website, and you can refer to the same as well.

With that, we would like to draw this call to a close. Thank you, everyone, for your participation, and have a great evening. Stay safe and stay well. Thank you so much.

Operator

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

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