Conference Call Transcript

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Shareena - Moderator

Good evening, ladies and gentlemen, I am Shareena, the moderator for this conference. Welcome to the Hindustan Unilever Limited March quarter earnings call. For the duration of the presentation all participants' lines will be in the listen only mode. After the presentation, the question and answer session will be conducted for all the participants on this call. Present with us on the call today is the senior leadership team of Hindustan Unilever Limited. We propose to commence this call with opening remarks by Mr. Srinivas Phatak, General Manager, Investor Relations of Hindustan Unilever Limited followed by results presentation, after which the floor will be open for the question and answer session. I now handover the call to Mr. Phatak. Thank you and over to you Mr. Phatak.

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

Thank you Shareena. Welcome to the Hindustan Unilever March quarter and full year results conference call. We have with us Mr. Nitin Paranjpe, CEO, Mr. Sridhar Ramamurthy, CFO and Mr. Dinesh Thapar, who will be heading the investor Relations Department. We will start with the presentation on the results. Nitin will then share his perspectives on the business performance, which will be followed by Q&A. Before we start with the presentation I would like to draw your attention to the safe harbor statement included in the presentation for the sake of good order. Over to you Sridhar.

Sridhar Ramamurthy – CFO – Hindustan Unilever Limited

Thank you, Srinivas. Good afternoon and welcome everyone. I will start with just reminding ourselves of the strategy that we have been following consistently, followed by an update on the market environment in March quarter. Thereafter I will talk a bit about the highlights of our financial results for March quarter followed by the highlights for the financial year ending March 2012. Finally I will conclude with our outlook for the period ahead.

Firstly in terms of our strategy as we have talked about previously this is governed by the compass and this remains unchanged. The compass as we have described in the past sets the direction for us by setting ambitious goals which demands a growth mindset. It requires us to focus on consumers and customers, while also imbibing performance culture and driving speed through our actions. A new dimension that we have added to our overall goals is to deliver growth which is responsible in addition to being competitive, consistent, and profitable.

Let me now move to March quarter and share with you the business environment in which we operated. FMCG markets grew in double digits; in fact the pace of growth in March quarter was higher than the December quarter of 2011. Pricing was an important element of this market growth particularly in the Soaps and Detergents category. In Personal Products and Foods category, growth in the markets was more led by volumes. Inflationary pressures, both from the Rupee and from Crude continued to remain in the quarter. As far as competitive intensity is concerned, as we shared with you before, this is going to be a continued feature especially given the attractiveness of the Indian market.

In this challenging environment, we are quite pleased with our performance, which is competitive and profitable growth lead by volumes. Domestic Consumer Business grew by 20.5%, with underlying volume growth of 10.1%. Our growth is ahead of the market in aggregate. Home and personal care categories grew in double digits, while Foods and Beverages have crossed the 1000 crores milestone for the first time. From a channel perspective, both Modern Trade and Rural delivered strong performance. Our operating profit grew by 32% with operating margins up by 170 basis points. We have managed the cost inflation through a mix of judicious pricing and relentless focus on buying efficiencies and cost savings. Cost of goods sold increased to about 80 basis points.

We maintained the competitiveness of our brand spends and A&P spends at about 677 crores was 54 crores higher than March quarter of 2011. Profit after tax before exceptional items at 664 crores grew by 29% while the net profit was up by about 21%. Just a point to highlight, which is the fact that we have been growing consistently driven by volumes and over the last two years we have been picking up the pace of our growth.

In the second half of 2011-2012, our Domestic Consumer Business has grown by 18% with 9.5% of that coming from underlying volume growth. Looking at the growth across all our segments, we have delivered broad-based growth during this quarter. Soaps and Detergents segments have grown in strong double digits at 28% with a fair mix of volumes and price, obviously more of price linked to the input cost inflation. Personal products growth at just over 17% is almost entirely volume lead. Beverages grew by 7.6% and I will talk a little about Beverages and Packaged Foods later. In aggregate, our domestic FMCG business has grown by about 20.4% and Domestic Consumer Business growth is also similar.

A key driver of our growth is innovations and we have continued to focus on innovations, both to strengthen our core, as well as to lead market development. You can see in this chart (chart 9) a representation of some of the key innovations that we have brought to the market in March quarter while we have continued to invest behind the innovations that we launched in the previous quarters. Some of the key innovations in this quarter are the launch of Lifebuoy Clini-care 10, with 10X better germ protection, an entry into the fabric blues market with Rin Perfect Shine. A series of innovations in our Personal Products business and in our Packaged Food business, launch of chicken variance in the Knorr soupy noodles, and again many, many innovations in our Ice-cream business as we enter the summer season.

Overall the media intensity in the market place has sustained at the high levels. We have seen a slight reduction in the media intensity in the level of GRP spends in non-Soaps and Detergents categories, while in Soaps and Detergents we have seen a little bit of pickup in this quarter. As I have mentioned earlier, our advertising and promotional spends 677 crores competitive and in absolute has stepped up by 54 crores. We continue to focus on driving 360 engagement. Our CSR campaign on Surf Excel, on a digital platform is the first campaign to have entered the Facebook Studio Hall of fame. The other aspect of driving our performance other than innovation is clearly execution and we have been driving both our Modern Trade and Rural channels to accelerate our growth performance. Modern Trade growth has accelerated during the quarter and is going well ahead of the market growth. Our focus on building win-win partnerships and superior customer service is clearly delivering results. We have also benefited from some new store openings and cash and carry openings. In the case of Rural we are continuing to see the strong growth momentum sustain. Our Shakti and Shaktimaan program is progressing well and we continue to get the benefit of the effort we have made over the last couple of years to expand our coverage.

On the cost side as I have mentioned inflationary pressure continue. As you can see from the chart (chart 12), Crude has picked up at about 13% on a year-on-year basis and 9% up sequentially. The Rupee which had started to strengthen has again turned the other way and currently as we speak is well above the levels we saw a year back. Palm oil again which had shown a declining trend in the second half of 2011 has reversed the trend and is starting to move up in this quarter. In this environment we continue to drive a competitive cost structure, we continue to drive a lean and agile value chain and we focus to on savings continues to be high. As you can see on the chart (chart 13), we have stepped up the levels of savings that we deliver. We are also driving operating leverage through a tight control on indirect costs. In the area of trade and marketing expenditure, we continue to drive the return on marketing investment program. In this chart you see an example of step up in the level of promotions that are in the green box which means they are delivering in both growths as well as doing it with better return on investment.

Let me now spend a few minutes walking through each of our categories and giving you a sense of the performance. First starting with the Homecare, which is really the Laundry and household care business. We have seen strong broad-based growth with a step up in margins in this segment. Laundry has delivered strong in competitive growth, across all segments. As you can see from the chart (Chart 15) on the top left, the underlying sales growth of our Laundry business has been continually stepping up over the last several quarters. During this quarter all our brands have grown in double digits, our premium portfolio has delivered strong growth.

Wheel also grew well supported by micromarketing and as I have mentioned earlier, we have entered the fabric blues segment with the launch of Rin Perfect Shine. In household care, Vim registered strong double digit growth, and liquids benefitted from the impactful campaign on usage which we first started airing in the December quarter.

Moving now to Skin Cleansing, we have delivered strong performance with double digit growth ahead of the market. All our segments and key brands have grown in double-digits. Our liquids portfolio continues to grow strongly. In the case of Lux this is our third consecutive quarter of strong growth post the relaunch. In the case of Lifebuoy we expanded our range with Clini-care 10, which is 10X better germ protection; this was launched towards the end of the quarter and is at a premium end of the portfolio. Our liquids business has now more than doubled in quarter in fact it is on a high growth path now for almost in last two years.

Just on this chart (chart 17) you will see visual representation of how we have strengthened the proposition of Lifebuoy brand and how we are premiumising the brand. Lifebuoy has always been at the forefront of R&D in the area of health and hygiene. In March 2012, we have launched Lifebuoy Clinic Care 10, which is having an active natural sheet technology, which was endorsed by British Skin Foundation and has been tested and validated at several international laboratories. This you we believe deliver stronger benefits to the consumer backed by real technology.

Next coming to our segment of Skin Care, we have over the last several quarters seen strong double digit growth and this momentum has continued. Fair and lovely grew strongly on the strength of the core, while lotions contributed to the strong growth in Vaseline. Pond's performed well at the premium end where we re-launched Age Miracle during the quarter. Our focus on market development continues across categories and in particular in our Skin Care portfolio. Face wash continued its strong performance in this quarter and as I referred earlier we have launched several innovations in the new segments within the Skin care category.

Coming now to our Hair business, Hair business delivered strong double digit growth, which was lead by volumes. In the case of Dove, we have doubled volumes in the quarter and launched a hair color rescue range during this quarter. Clear and Sunsilk grew in double digits across all formats and conditioners continued to lead market development within Hair. Our Oral care business has recorded moderate growth and we have taken actions to step up the pace of growth in this important category. Pepsodent Gumcare has performed well post the re-launch in December quarter with stepped up investments and expansion in distribution.

In Beverages, our growth was lead by Coffee in March quarter. In the case of Tea the growth was lead by Modern Trade. Our performance in the quarter was impacted by a slowdown in the Canteen Stores Department orders. Modern Trade continued to grow strongly for Tea. Three Roses and Red Label brand performed well building on the proposition of health and taste. Coffee business delivered strong double digit growth in a competitive environment. Both Instant and Roast and Ground Coffee formats grew in double digits .As a part of our effort to premiumize our Coffee business, Bru Gold distribution expansion continues and we saw good performance.

Coming now to Packaged Foods where our focus is on leading market development, we had good performance from Kissan, which grew in double digits lead by Ketchups. Jams performance was impacted by a slowdown in the CSD orders. Our Knorr business performance was muted. During the quarter we expanded the range of Knorr with the launch of chicken flavor under soupy noodles, as well as reintroducing the multipacks. Quality Walls Ice cream business is now continuing a very strong growth momentum aided by innovations as well as continued expansion of distribution.

On the next chart (chart 22), we just give you the sense of 5 out of 18 innovations that we brought to the market coinciding with the advent of the summer season.

The final segment which I would like to talk about is our Water business, Pureit. We have shared with you over the last 2-3 quarters, the go-to market transformation that we have undertaken to strengthen this business for the future, I am happy to say that this transformation has been completed with the retail model now fully operational. We also leveraging IT to step up execution capabilities and drive efficiencies. The business has delivered double digit growth during the quarter. We brought to market a reverse osmosis Pureit Marvella, and this is showing good volumes. During the quarter, we also launched a 3000 liters germ kill kit, which gives consumer the convenience of one change every year.

Coming now to our financial results, which you would have seen. I would like to give you a sense of underlying performance because we have transferred the FMCG export business to a 100% subsidiary following the court approvals. So on this chart (chart 24) the first block is the numbers as reported and then the block on the right hand side, is the number excluding FMCG exports, which has moved. So for the purpose of this presentation let me focus on the numbers on the right hand side that are the underlying numbers. Net sales has grown by about 22%, operating margin is up by 160 basis points and profit after tax before exceptional items is up by 33%. On a reported basis this translates to net sales being up 16% operating margin up by 170 basis points and profit after tax before exception being up by 29%.

If I move to just giving you a sense of the level of exceptional items in the quarters, we were significantly lower than the prior period primarily because of the prior period had a one off the credit linked to the actuarial valuation of our retirement benefits.

So in summary, I think we are quite pleased with the performance, which saw us delivering of 20.5% growth in our Domestic Consumer Business, this is broad based growth ahead of the market and driven by 10% underlying volume growth. Our focus on strengthening the core while also leading the market development continues. Through judicious pricing and tight cost management, driving cost efficiencies we have improved our operating margins by 170 basis points and profit after tax before exceptional items is up by 29% in the quarter.

I would now like to share with you the highlights of our financial performance for the 12 month ending March 2012. Firstly, overall we are pleased to say that we have delivered on the goals that we had set out for ourselves. We have delivered growth which is ahead of market, we have delivered growth which is consistent and volume lead, and we have delivered growth which is profitable with operating margins up by 140 basis points in the financial year. Another way of looking at the performance is over a medium term, the chart on the top left (chart 29) gives you a sense of the growth in this financial year compared to the historical average for the last five years and you can clearly see the step up in the pace of growth. When it comes to the margin, the chart on the bottom right (chart 29) gives you the sense of the recovery that we have made in 2011-12 but I am effacent to add it is against a relatively soft comparator of 2010-11. Our operating margin now of about 14.1% is in line with our historical average and this is in an environment that continues to be extremely challenging.

From an overall perspective, the highlights for the financial year are that we have grown our Domestic Consumer Business at 17.5% with an underlying volume growth of just over 9%. We have maintained our brand investments at competitive levels throughout this period. Operating margins are up 140 basis points, and profit after tax before exceptional items is up 20%. During the year we have made significant progress in increasing the competitive gap across brands, capabilities and talent.

I would now just like to give you a flavor of the performance of each of our four segments and let me start first with the Soaps and Detergents segment. During the last financial year, Soaps and Detergents delivered growth which was broad based and ahead of the market in all quarters. Our portfolio delivered healthy volumes in a challenging market. You will see that we have delivered just under 6% underlying volume growth in our Soaps and Detergents segment in the financial year. Margins have improved by 230 basis points albeit on a softer comparator. We have strengthened the portfolio through various innovations across Soaps and Detergents and we continue to invest and see good results in segments of the future. These include segments such as Handwash, Bodywash, Fabric conditioners etc.

In Personal Products we have delivered strong volume lead growth in the financial year. As you can see on the chart on the bottom (chart 32), virtually all of the growth is from underlying volume growth. Skin Care and Hair in particular have delivered very strong performance. Our market development model has been successfully deployed and we continued to see benefits of the same. We have strengthened our capabilities in beauty during the year.

Coming next to Beverages, where we have delivered double digit growth at about 11.6% in a challenging environment with both Tea and Coffee doing well during the year. We have maintained healthy margins despite significant inflationary pressures which existed for most part of the year. Consistent with our strategy of the building segments of the future, our Tea portfolio has expanded with newer variants in Tea bags and the launch of Ice Tea. In parallel, we have also built a premium and contemporary Coffee portfolio quite successfully.

Finally, the segment on the Packaged Foods, where as we've said before our focus is on leading market development. We have sustained double digit growth in Kissan and the brand has got further strengthened post the relaunch. Knorr is where we have seen a slowdown particularly in the second half of the year and we have initiated actions to address this through innovations and accessible packs. Our Ice Cream business, Quality Walls has had a fantastic year delivering strong double digit growth lead by innovations and distribution expansion.

Just discussing the financial performance for the full year and again the same format as I shared with you for March Quarter if you look at the box on the right (chart 35) which gives you sense of underlying growth performance we have grown by about 18% during the financial year ending March 2012, with operating margins up 120 basis points and net profit up 20%. On a reported basis, our sales have grown by 12% and net profit is up 17% with PAT (bei) up 20%. At the board meeting earlier today, the board has proposed and recommended a final dividend of Rs.4 per share. This together with the interim dividend that we have declared earlier in the year makes the full year dividend at Rs.7.50, which is about 15%-16%, increase compared to the full year dividend last year.

Just a few words on how we see the markets going forward. This chart (chart 37) is more or less similar to what we have shared with you last time. FMCG markets we believe will continue to grow and therefore from that perspective it is a positive outlook. However we do see a mix of headwinds and tailwinds, these are similar to what we shared with you last time and I don't propose to go through each of these. What we are focused on is executing as best as we can a very clear and consistent strategy that we have so that we continue to win in the market place. With that I will hand it over to Nitin for his observations.

Nitin Paranjpe – CEO – Hindustan Unilever Limited

Thank you, Sridhar. Thank you all for joining this call. Let me start off by giving you a perspective of the market. Growth in the quarters for FMCG has stepped up across both urban and rural, compared to what it was in the previous quarter. Market growth particularly in the HPC categories, has been now a buoyant relative to the food and Beverages categories where the growth has been a little modest. As you would have expected given the inflationary context pricing forms a very significant component of this growth in the case of Soaps and Detergents.

I will next turn to our performance, first let me start off by saying that we are pleased with this performance. We have delivered a strong quarter of competitive, profitable and volume led growth against the backdrop of a challenging environment. Our Domestic Consumer Business has grown well. The growth has been consistent, broad based and ahead of the market. What particularly satisfies me is the fact that we have demonstrated this performance not for one quarter but for each of the four quarters in the year. We have strengthened our leadership positions on one hand while focusing on the building segments of the future reflective of how we manage the business with a bifocal lens. What is particularly heartening is the fact that we have improved the overall operating margin despite the severe inflationary pressures and the investments that we are making into our future.

Now some thoughts on aspects of our performance. In Soaps and Detergents you heard Sridhar talk about the robust performance in the segment. The environment in Soaps and Detergents continues to be challenging and what gives me confidence is the manner in which we've dynamically manage the business with judicious pricing and a relentless focus on cost effectiveness to ensure that the growth that we delivered is post competitive and profitable.

In Personal Products, I am pleased with the consistency of performance. We have delivered yet another quarter of strong volume lead growth. We have said that for a business like Personal Products there should be a right balance between investing for the future and delivering margins and we are doing just that. We continue to drive the core while building segments in categories of the future. In the last quarter highlights I had highlighted that when you are investing in your innovations in building capability, in creating emerging segments, you need to look beyond quarter because that is the way we run our business. Our full year 2011-12 results bear this out. I am encouraged by the progress that we are making on PP whilst ensuring that our margins are maintained. On Oral specifically, our performance continues to be modest and it will take some more months to address these issues more comprehensively.

On Packaged Foods, Kissan has done well, while Quality Walls has been on a strong growth momentum led by exciting innovations; however our performance in Knorr is what was muted. Soups as you are aware have been impacted by a slowdown for last quarter or two. In Soupy Noodles, we have seen improvement in offtakes and penetration; however the in quarter performance has impacted by a strong base arising from the national rollout and from product sampling and promotion. While you have heard some of the actions that we have taken, the rejuvenation of Knorr is clearly a priority for us this year. We must however recognize that in Food, gestation time built to scale is much higher having said this I repeat that we are committed to investing behind out brands and innovation and leading market development, to build a strong, non-Beverages foods portfolio.

Looking ahead as you heard from Sridhar, we continue to have some headwinds and tailwinds. On headwinds, it is the inflation that pressures volatility, which continues to be high and therefore we will need to be vigilant, lean, and tight and keep doing what we have been doing with even greater rigor, to manage this business in this uncertain and volatile time. On tailwinds we expect the FMCG markets to continuing showing growth. The demand drivers for the FMCG continue to be strong, be it rising incomes, aspirations leading to consumption. Coming to ourselves, we believe that our differentiated capability, strengthened brand equity, the intensity of our innovation and the focus on in market execution will help us win competitively.

Let me end by saying that I believe that the strategy that we spoke to you about that we have been consistently following over the last few years is well on track. We stay strongly committed towards the same strategy and we believe that it will help us deliver growth, which is consistent, competitive, profitable and increasingly so responsible. Thank you.

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

Thank you, Nitin. We will now have the Q&A session. Before we start I would like to highlight this is only open for institutional investors. If any other investor has a question or a query you may get in touch with us at the investor relations department. Now I will transfer you to Shareena to commence the Q&A. Shareena over to you.

Shareena – Moderator

Thank you very much sir. We will now begin with question and answer interactive session for all the participants who are connected to the audio conference service from Airtel. Participants who wish to ask questions may please press "*1" on their touch tone enable telephone key pad, on pressing "*1" the participants will get a chance to present their questions on a first in line basis. To ask a question, participants may please press "*1" now. The first question comes from Mr. Percy Panthaki from Daiwa Capital Markets, Mumbai. Mr. Panthaki, you may ask your question now.

Percy Panthaki - Daiwa Capital Markets - Mumbai

Hi everybody, and congrats on a very good set of numbers. Sir my question is on the growth in Soaps and Detergents segment. If I look at the previous quarter Q3 FY12 you had done growth of about 21% there on a base which means Q3 FY'11 of about 6%, this quarter Q4 FY'12 you have accelerated to 28% on a base which itself was higher at about 11.5% so from Q3 to Q4, 21% to 28%, 7% acceleration on a base which is 6% higher so in effect a total of about 13% kind of an effect, can you throw some light on how this happened, were there any price increases of material nature in December-January with led to this, was there market share gain or was it that the market itself grew much faster and if so whether it was volume led or otherwise, thank you.

Sridhar Ramamurthy – CFO – Hindustan Unilever Limited

Hi Percy first of all thanks for the question, I think sequential growth, so growth comparison between December quarter and March quarter it is something that as you know we do not do because it does not truly reflect whats happened in the market, there are some little bit of seasonality that are there in many categories so we purely prefer to look at March quarter versus March quarter.

Percy Panthaki - Daiwa Capital Markets - Mumbai

Sir just to clarify I am not looking at the sequential growth, I am looking at the year-on-year growth itself, I am saying the year-on-year growth for Q4 has been much faster on for the year-on-year growth for Q3 and that is the one of more adverse based.

Sridhar Ramamurthy – CFO – Hindustan Unilever Limited

Okay, so let me just say that as far as Soaps and Detergents is concerned it is certainly the part of our portfolio that is most impacted by commodity cost inflation and the currency impact as and I think we have been talking about sometime now that is clearly impacting this segment quite significantly whether it is currency, whether it is commodity, whether it is LAB etc., etc. So that means the pressure on that segment on pricing is the most acute, so there is a component of price and in fact I can say that out of the strong 28% odd percent growth in the quarter a larger proportion is price. Having said that they also got a reasonably good contribution from volume and both the volume growth as well as the value growth both in Soaps and in Detergents is ahead of market reported growth in the quarter.

Percy Panthaki - Daiwa Capital Markets - Mumbai

Right sir, sir would you have I know you would not give any particular numbers but would you be able to give some kind of directional guidance on whether the volume growth in Soaps and Detergents on a year-on-year basis for Q4 was significantly higher than the year-on-year basis for Q3 this year.

Sridhar Ramamurthy – CFO – Hindustan Unilever Limited

No, we do not get into that in fact Percy you might have picked up, that one of the things that we have done, this time around is in our full year set of analysis we have given a sense of what is the composition of the growth on a full year basis between underline volumes and price I think beyond that first of all as you know we do not believe that this quarter-on-quarter performance is necessarily the right way at look at particularly for business that is managing for the long-term so I would not want to get into how is year-on-year of MQ compared to year-on-year of DQ.

Percy Panthaki - Daiwa Capital Markets - Mumbai

Right sir, sir one house keeping question in your presentation you had given some figures which showed the sales and profits etc., excluding exports but if I look at your Q4 results release any way when you give the sales breakup HPC foods etc., exports is blank this time around so I am confused as to whether the reported results are not already excluding exports.

Sridhar Ramamurthy – CFO – Hindustan Unilever Limited

The point is that when you look at the reported results the prior year contains in it the exports because they were already part of the prior year we cannot go and change that. In the prior year let's say March quarter 2011 FMCG exports are part of HUL so that we cannot go and change. Therefore when you look at purely reported result they are not there in the base they are not there this year. The second point is that what has been demerge is FMCG exports we still have some amount of exports that are non-FMCG which are marine products, leather etc., basically marine products and some other non-FMCG, which are reflected under others in our segments and the purpose of the chart is to help the easily to appreciate what is that from a like-to-like basis.

Percy Panthaki - Daiwa Capital Markets - Mumbai

Right sir and my last question is on Personal Products in terms of sales promotions have you seen any kind of change in the competitive activity over the last three to six months in any of the subcategories within Personal Products.

Nitin Paranjpe – CEO – Hindustan Unilever Limited

Percy no nothing that I would call out which is either indicating with we have seen a reduction or an increase. These markets remain as competitive as they were. You saw the media intensity chart which we showed, which shows there or thereabout in terms of the media intensity and in the market place continuing to be intense like it was earlier. So no change that you can draw meaning out of.

Percy Panthaki - Daiwa Capital Markets - Mumbai

Right Sir. That is all from me thanks and all the best.

Shareena - Moderator

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

Manoj Menon - Kotak Securities - Mumbai

Hello, team congratulations on a extremely good results and also want to specifically congratulate you on increasing the disclosure levels which is something very unique which is happening at least on a consumer companies considering they are actually going in the other direction. So that is one. Two specific questions one a continuation of what Percy was asking but my question is more related to the market growth which is more of a carryover thought from last quarter as well that any material change which you are finding in the Soaps and Detergents at a category level or Soaps separately or Detergents separately? Any acceleration in the growth because when we look at the Soaps business of Godrej, Wipro, and yourself I assume I think that there seems to be an acceleration in the category growth is that the right understanding.

Nitin Paranjpe – CEO – Hindustan Unilever Limited

I would really comment in terms of this in two ways the value growth in the market has stepped up because of greater pricing impact which has come in in this quarter compared to the earlier quarter and other than that I think the volume growth levels which existed in these areas are relatively low and broadly similar maybe marginally higher in this quarter but nothing very significant between December quarter and March quarter in terms of the volume growths on these area. As far as the performance I can't really comment in terms of some other players but performance has to be seen in the context of not just the people who report but also many other local players in the market place and that is how you will assess what happening to the totally of the market.

Manoj Menon - Kotak Securities - Mumbai

So, will it be fair to say that the sustained high volatility as well as inflation in input cost seems to have helped the organized industry in totality which has not really happened any time in the near past.

Nitin Paranjpe – CEO – Hindustan Unilever Limited

I think there has been in many occasions in the past when you have very volatile situations, prices going up it does tend to benefit people who have the capacity to deal with that volatility, working capital requirements as they go up, sourcing and having a sustained supply etc., so it has helped. I would not to attribute everything to them but yes some of that cannot be discounted.

Manoj Menon – Kotak Securities - Mumbai

Okay, understood thank you. Sir second question was on the Rin extension of fabric blue. As a consumer I was a little perplex to honestly find this because until now at least the understanding about that Rin stands for whiteness, brightness etc., now this is a small category so is it more of extending the brand or what is the all thought process because you are essentially telling as a consumer that look it is not that you use a Rin detergent power you need to use this also to get the brightness.

Nitin Paranjpe – CEO – Hindustan Unilever Limited

No, I think that becomes a very linear way of looking at some of these. The reality is that different consumers are looking for different formats and have different experiences. Rin stands for whiteness, blues are used to deliver whiteness it is a natural product extension or a variant which a brand like this can have and as we start looking for category adjacencies which are consistent with what the brand says which Rin wishes to occupy this happens to be one more opportunity. We entered it now because we feel we can make a play in this space which is an old space it is not a new segment or a new category in a slightly differentiated manner with an offering of a blue or a whitener which delivers a better performance compared to alternatives which are there, better fragrance, uniform whiteners delivery on your fabric and therefore consistent with what the Rin brand stands for.

Manoj Menon – Kotak Securities - Mumbai

Sir it is a re-branding Rin Ala or it a completely new product?

Nitin Paranjpe – CEO – Hindustan Unilever Limited

It is a completely new product Rin Ala, which is a bleach based product, this isn't that. It is totally new product. Rin fabric whitener in the form of the bleach continues to be there in the market place.

Manoj Menon – Kotak Securities - Mumbai

Thank you so much I will come back later if I have a couple of others questions.

Shareena – Moderator

Thank you very much Mr. Menon. The next question comes from Mr. Richard Liu from J M Financial, Singapore. Mr. Liu you may ask your question now.

Richard Liu - J M Financial - Singapore

Thanks to taking my questions and congratulations for a very good set of numbers. Sir my question is more to do with the environment. We seem to be seeing an environment where quarter after quarter the pricing growth seems to be getting steeper and steeper but at the same time the consumer spends growth also going higher and higher including volumes thereof. This is to say that it is a completed contrast in what we saw in 2008-09, so if you can help us with your assessment on what is really the difference this time around? Why do you think the consumers are reacting differently this time, everything else seems to be the same in terms of raw material inflation, news are getting worser and prices are getting higher?

Nitin Paranjpe – CEO – Hindustan Unilever Limited

So I think this is the situation that we must carefully. We should never get complacent about the situation. The way prices are going up there is a risk that demand can get compressed, we understand and we recognize the basic relationship between inflation and compression of demand. Having said that your are right to observe that the consumer demand has been resilient but I think some of that is simply to do with the rising aspirations, rising incomes which have taken place and to a certain extent thus far we have found that in many of the categories that we operate in consumer demand has remained robust. I would not take that as something that will happen irrespective of how price is going to move and therefore we must watch this space carefully. We have reached levels of inflation which are high, if they were to continue rising it is not a good thing from a consumer business standpoint. But so far it is good news and from our point of view we continue to try and work towards the situation, where we do not have to pass on all the cost increase through pricing. We work hard towards eliminating cost from other elements of our P&L and the other things that we keep doing is that while cost increase is one aspect the consumer don't just buy on cost on price they also buy on value and to the extent that we are able to drive innovation which increase the perception of value in the eyes of the consumer to that extent she will be more willing to part with the money even if things are becoming more expensive, however she dose not see that then she will be reluctant to do.

Sridhar Ramamurthy – CFO – Hindustan Unilever Limited

The only one additional point which I would add is this pricing anniversaries at a particular point of time and therefore as we look at this growth which is why where it pains always to highlight the overall split of underlying volume growth and therefore the balance which is price so that we remain focused on driving the volume led growth, pricing is there in the few quarters it will then anniversary, it may or may not continue.

Richard Liu - J M Financial - Singapore

So thanks for that and if any ask you know within HUL what is the lead indicators that you are actually studying for you to take a call in advance before it happens for you to make out whether you need to press an emergency button or not in terms of you the consumer spends slowing down?

Nitin Paranjpe – CEO – Hindustan Unilever Limited

I do not know about what you mean by a lead indicator but we want to in periods like this be even more obsessed with being close to our consumer and with our customers. Every employee in the organization needs to go and connect even more deeply, everyone is expected to get what we call a consumer license, it is no longer restricted people in the Sales and Marketing function whether you are in Sales, whether you are in the Marketing or, whether you are in the Supply Chain role you are expected to do this and each person has a different set of actions that you need to take which will be a relevant action in the space of consumer and customer centricity. The closer we are the better we will be in terms of picking up early signals and early signs of either slowdowns or indeed growth opportunities, segments for growth, segments where we will see those growth opportunities. The conversation with customers and we get insights into what is happening, where is their growth, where is their potential slowdown or stickiness etc., so that as far is getting that view. Apart from that the only other thing that we can do is to try and improve our responsiveness because despite all of this we will not pick up every trend and therefore we have internal processes which are geared to making us responsive. In a time like this I had shared, I think may be last time when we spoke I said that we have weekly calls and weekly meetings which take place every Monday particularly in categories which are dependent on and sensitive to commodities. We have a call and an engagement within key people every Monday, where they get together and say what was their outlook on commodities a week ago, what has happened there in the week, is there a need for us to do something differently, what have we observed in the marketplace in terms of prices, what are competitors doing and therefore how should we fashion our response. And the third is have been taken that decision every week how are we trying to drive within our organization a stronger bias to action while gearing everyone and making as more externally oriented and surfacing issues quicker than the otherwise would have surfaced and resolving and tracking them as that speed of decision making and action improves.

Richard Liu - J M Financial - Singapore

Thanks for that. That was very useful. More specifically one question on PP, you know the absence realization growth with the entire thing driven by some 17% underlying volume growth it is nearly the shampoo phenomenon?

Sridhar Ramamurthy – CFO – Hindustan Unilever Limited

I think first of all I would say our overall we got a certain approach of driving growth which is we would like it be largely volume lead. The impact of inflation is obviously lesser on PP categories relative to our Soaps and Detergents category. Now when we talk about underlying volume growth of 17%, it is a combination of volume growth and mix, primarily mix improvement that comes through driving more faster sales in the premium parts of the portfolio. So in a sense the realization piece that your are talking about is partly within the underlying volume growth context and then of course the balance there would be in pure price growth which in this quarter or in the last financial year is not there that is a function of some pricing increases that you would have put through offset by some promotional intensity that goes through the price line, which I have talked about last time, where you know you could have promotion intensity going through the A&P line, you could have consumed promotion intensity like price offs etc., which goes through price line.

Richard Liu - J M Financial - Singapore

Thanks if I can just slip one more very quickly, regarding your consolidated accounts versus your standalone accounts I see that the difference in PBT between the two of them seems to have risen this year compared to the many years in the past, just to give you an example the extra profit in the consolidated entity used to be about 6 crores a year, and this year it seems to be about 157 at the PBT (bei) level, what this change due to?

Sridhar Ramamurthy – CFO – Hindustan Unilever Limited

The primary thing is the FMCG exports business which was entirely in HUL, the court approval had to be effective to from April 1, 2011, so for the entire last financial year this is now reported under a subsidiary 100% subsidiary UIEL.

Richard Liu - J M Financial - Singapore

That would still account to if I am not mistaken about 90 crores at EBIT level that was the reported number last year?

Sridhar Ramamurthy – CFO – Hindustan Unilever Limited

Right so I am just saying that when you look at exports do not look at what we reported in the segment, here the only things that we transferring this FMCG exports. If there is any balance of detail we could easily pick that up offline.

Richard Liu - J M Financial - Singapore

Sure, I will do that thanks a ton. Wish you all the best.

Shareena – Moderator

Thank you very much, Mr. Richard. The next question comes from Ms. Suruchi Jain from Morningstar, Mumbai. Ms. Jain you may ask your question now.

Suruchi Jain - Morningstar - Mumbai

Hi thanks a lot for giving me the opportunity. Great set of numbers and I think it is a great performance on the Soaps and Detergent segment in particular. I think I will follow the cue in terms of you know asking a little bit more about that particular segment. Can you explain what really lead the improvement in margin apart from pricing? Was it new products that you introduced say the Comfort fabric softener, the Rin Whitening, or was it existing products that you were able to increase the prices of and pass on inflation?

Sridhar Ramamurthy – CFO – Hindustan Unilever Limited

So Suruchi thanks for the question. Let me just clarify that the improvement in margin obviously is versus the MQ'11 base, I think it is only fair that we acknowledge that is a relatively softer base of margin as we have been through the last couple of years of commodity, of currency and of competitive intensity, where the margins in the Soaps and Detergent segment were trending southwards and what you are now seeing is the recovery. So I would put that in more in that I would also say that as far as Rin, the Perfect Shine that we have launched is extremely new and even fabric conditioner is relative to the size of the segment quite small so these do not have the capability to impact at the margin positively or negatively. Therefore when you look at the margin improvement both for Soaps and Detergents as well as the company the important thing is to understand that the base it is coming off is a much softer base.

Suruchi Jain - Morningstar - Mumbai

Sure and sir compare it to FY'10, so going forward with the same competitive pressures and inflationary pressures what do you see as the outlook for this are you actively in terms of time to change this or is it external environment that is enabling you to improve the margins here?

Sridhar Ramamurthy – CFO – Hindustan Unilever Limited

The first thing I would say is you know FY10 margin, FY'11 margin, FY'12 margin the FY'10-11 saw a significant dip, FY'11-12 had seen a good deal of recovery but this all should be seen on the context of how things have moved. We do not give any guidance for the future for the company as a whole so this you know even at a segment level we would not want to give any guidance.

Suruchi Jain - Morningstar - Mumbai

Sure, then coming to your Foods business I believe you've combined both Ice-cream and foods business are that correct?

Sridhar Ramamurthy – CFO – Hindustan Unilever Limited

Yes that we did about year ago.

Suruchi Jain - Morningstar - Mumbai

Does that include all the Cap-ex investments when you show us the results?

Sridhar Ramamurthy – CFO – Hindustan Unilever Limited

If you look at the capital employed in the business whatever is appropriate to the segment will be classified under that.

Suruchi Jain - Morningstar - Mumbai

Thank you very much.

Shareena – Moderator

Thank you very much Ms. Jain. The next question comes from Mr. Hemant Patel from Enam Securities, Mumbai. Mr. Patel you may ask your question now.

Hemant Patel - Enam Securities - Mumbai

Hello Sir, great set of numbers congratulations. I have two questions one on the launch that you did in Perfect Shine, I just wanted to understand that this is something which we have actually revisited after a decade since Manoj asked the same question on Rin Ala as well, wanted to understand if there is a thinking change, are we willing to revisit categories, which we have earlier moved away from for instance even Hair oils and others?

Nitin Paranjpe – CEO – Hindustan Unilever Limited

Can I just first clarify the difference between Rin Ala and the Rin Whitener Perfect Shine which is being spoken of just now. These two are completely different and are addressing the opportunity through different technologies with different consumer habits. One is the fabric bleach; bleach based liquid which whitens, the other is an optical whitener based technology which is there, which are very different technologies, different consumer habits in terms of how these are used so that is one. Number two we had never introduced the Rin Whitener under this technology and this format earlier not ten years ago not at all. Number three the Rin Ala fabric whitener which we are talking about while being introduced several years ago remains in the market, has not been withdrawn and continues to be distributed even today.

Hemant Patel - Enam Securities - Mumbai

Wanted to understand to more from the point of view that have could you be revisiting other categories like?

Nitin Paranjpe – CEO – Hindustan Unilever Limited

It will be governed only by one simple criteria which is what's the consumer's outlook for the part of the business which you want to address, what's the demand, is it likely to grow so therefore what is the opportunity. Two, do we have a point difference, do we have a technology or point of difference as a result or which we are likely to succeed. That is really a combination of size of the opportunity and our likelihood of success in the space which will determine where we will play.

Hemant Patel - Enam Securities - Mumbai

Sir and one more question on the media intensity on the non-Soaps and Detergents segment noticed on the data point that you showed in your presentation that it was marginally trending downwards. Wanted to understand how do we read in to this given the point that the competitive intensity in that segment as such has not actually lightened?

Nitin Paranjpe – CEO – Hindustan Unilever Limited

All I would say is when you see a point to do not say it is trending down is only one data point and number two I would say do not read too much when you say what should we read in to it, I would say do not read too much in to, it is one data point in one quarter which shows something it can be a combination of a variety of things which includes the intensity of innovation of different companies when they are coming in etc. If there are two are three quarters are we continually see this then I guess you could say there is a trend and you should be reading something in to.

Hemant Patel - Enam Securities - Mumbai

One final question just on the pricing environment given the current state of commodity cost inflation and where rupee stands can we or should we be expecting similar amount of pricing intensity in the Soaps and Detergents segments as what we experienced in FY'12?

Sridhar Ramamurthy – CFO – Hindustan Unilever Limited

I think first thing I would say is effectively you are asking us to give you an outlook on pricing in June quarter or in FY'13 which I just want to remind that we do not give any guidance for the future this is something that we consistently followed as a policy. In terms of our approach towards pricing I think we said it in the past price is not necessarily the first lever that we touch when we are faced with cost inflation. We look at firstly what are the things we can do to manage the cost even better, can be drive our cost efficiency program even harder, what can we do in various set of levers and then what is the right level of price that we can charge so that the consumer sees good value coming from our brands.

Nitin Paranjpe – CEO – Hindustan Unilever Limited

I think the one thing we are committed to going forward, whether it is an inflationary environment or a non inflationary environment, is to constantly keep checking on the competitiveness of our brand in the marketplace, which means both competitiveness as connotation in terms of quality of what deliver also the price at which we deliver it. We have strategic price of which we wish to operate relative to other people in the market place. This is sometimes at parity sometimes at a premium, sometime at discount and it depends on every brand. We will stay with those principles and ensure that our brands, irrespective of what the context is, are always competitive, because only with competitive brands in the market place will we drive greater consumer off-take, greater volumes and keep within this virtual cycle of growth that that we spoken of. We are absolutely clear that we need volume lead growth as we grow forward because that then generates a whole lot of other benefits which will enable us to reinvest strengthen our brands and create the surplus which is required to deliver profitable growth for our shareholders.

Hemant Patel - Enam Securities - Mumbai

Thanks a lot Sir, that is it from my end.

Shareena – Moderator

Thank you very much Mr. Patel. The next question comes from Mr. Vivek Mahashwari from CLSA, Mumbai. Mr. Mahashwari you may ask your question now.

Vivek Mahashwari – CLSA - Mumbai

Just one question on volume growth again the 10.1% volume growth in fourth quarter was best in fiscal 12, has there been any change in the inventory levels or the way in which you are giving promotion compared to the previously quarter because I can still understand acceleration in realization lead growth but volume growth is something which is clearly surprising. So has there been anything that you would attribute it to?

Sridhar Ramamurthy – CFO – Hindustan Unilever Limited

The first thing Vivek we say is and we have been saying this consistently we really request that let us not get carried away by a quarter. A quarter is too short a timeframe to look at the underlying performance of a business which is getting managed to long term. So I will just suggest therefore reinforce the request that whether it is growth, whether it margin, whether it is A&P level please do not focus too much on a quarter. To your specific point about whether there is change in inventory levels in the marketplace or with our distributors obviously we do not run the business, I mean we run the business in order that we manage a very clean pipeline we do not run the business to take up inventory levels, take down levels. So as far as our distributors are concerned where we much better visibility obviously that remains in a tight band. As far as the market place is concerned at retail level nothing that we have particularly picked up. Also just reminding ourselves it is underlying volume growth which is mix of both of volumes and mix so as we premiumise the portfolio as we are able to drive faster growth on the premium part of our portfolio across the categories that helps also to contribute to underlying volume growth.

Vivek Mahashwari – CLSA - Mumbai

Okay thank you Sir.

Shareena – Moderator

Thank you very much Mr. Mahashwari. The next question comes from Mr. Priyaranjan from Macquarie Capital Securities Limited, Mumbai. Mr. Priyaranjan you may ask your question now.

Priyaranjan - Macquarie Capital Securities Limited - Mumbai

Thanks for the opportunity. My question regards to the Packaged Foods business it has been quite a few quarter when the growth has been quite slow. In fact if you remove the Ketchup portfolio your growth has not been as sustainable as the other categories like the Personal Products or Detergents. What are the management's plans for the future growth in this segment because I guess this is one of the segments where you can have tremendous growth opportunity in India going forward?

Nitin Paranjpe – CEO – Hindustan Unilever Limited

So we agree that there is great opportunity in these segments going forward therefore we remain committed to building strong brands and strong presence and we will do it takes to get there. I mentioned in my opening comments that sometimes the gestation period of new entries can be long, and we must have the patience to do the right things and persevere. When you mentioned this I would say within our foods portfolio Kissan and Ketchup, it is not just ketchup but the entire Kissan brand as well as our Quality Walls brand and Ice-cream business has done well. Knorr has had modest performance this quarter and there is a need for us to drive and to rejuvenate the brand during 2012 as we look ahead. Part of the reason for Knorr has been a slowdown in soups which we are trying to figure out what needs to be done to develop the soups market and get market development models which will create this category faster than what has been happening just now.

Priyaranjan - Macquarie Capital Securities Limited - Mumbai

Also on the noodles side I guess, the time you have removed distribution support the growth has been as strong as it used to be in the first half?

Nitin Paranjpe – CEO – Hindustan Unilever Limited

On noodles we are in the process of completing our portfolio. We were playing with singles. We have now gone in with multipacks, we are also bringing in relevant variants which are coming in and it is a category that we are interested in we are small we are a recent player and we will gradually keep building our presence out here.

Priyaranjan - Macquarie Capital Securities Limited - Mumbai

Second question is related to the Supply Chain, I think there is discontent in the traditional channel like the traditional distributors over the preference the company is giving to the modern channel what are the steps the company is planning to take to actually to elevate those concerns from the traditional distribution channel?

Nitin Paranjpe – CEO – Hindustan Unilever Limited

Firstly I have to acknowledge that any structural change which happens in the market place is a difficult change and as the Modern Trade comes in it does pose challenges for many of the small stores which have existed for a period of time and several consumers find the overall proposition of an organized trade attractive not just from a price point of view but also in terms of assortment, the experience which they get. That being said, we have always said that the future in India will be a hybrid future it is not as if organized trade will be the only one which will survive, it is not as if that it would not survive, so we will have both traditional trade as well as organized trade and we will develop a strategy for us to allow both to coexist and perhaps to deal with these two in as fair and as equitable manner as is possible. Towards that end we start developing terms of trade and packages of service to each of these channel partners which recognize their individual needs and cater to those. So there are some things which a traditional trade benefits and values from and that's what we would offer him and there are some things which an organized trade looks for and we would benefit and that is how we would tailor our mix towards the organized trade. Having said that from time to time there is this feedback which we do get where there are some members of the traditional trade who feel that some of our activities, promotions etc., are resulting in a dynamic in the market place which is not desirable. Every such feedback is looked at and we have put in place certain principles which will help reduce such situations from arising as we move forward. Secondly we have also put in place mechanisms by which each one of the small Mom and Pop stores has the opportunity to engage and provide feedback on the quality of our service and the issues which they face with our distributor or with us through the levercare which is called secondary lever care service, this enables us to process these issues get to know them and solve them quickly rather than letting them pester.

Priyaranjan - Macquarie Capital Securities Limited - Mumbai

What is the share of Modern Trade as of now by the end of the last year?

Nitin Paranjpe – CEO – Hindustan Unilever Limited

Our assessment is that Modern Trade in the categories that we operate in is barely getting into the low teens, so may be 12-13% or so in that range so bulk of the trade is still traditional trade; however, there are a few cities where the presence of organized trade is significantly larger. It is well into the 20s and several large cities and in some cities it has got in to the 30s as well in terms of the share of organized trade as a part of the total business that we have.

Priyaranjan - Macquarie Capital Securities Limited - Mumbai

Thanks a lot and congrats.

Shareena – Moderator

Thank you very much Mr. Priyaranjan. The next question comes from Mr. Vijay Chugh from BNP Mumbai. Mr. Chugh you may ask your question now.

Vijay Chugh – BNP - Mumbai

Thank you. I just wanted to ask Rural and Modern Channel were extremely strong contributors to growth any further color that you could add to in terms of how strong was the growth in FY'12 in these channels as compare to FY'11.

Nitin Paranjpe – CEO – Hindustan Unilever Limited

Our rural growth has clearly been strengthen by the result of the various initiatives that we have taken to expand our presence improve the quality of reach and invest in capabilities out there, so I think it is qualitatively better than what we were getting earlier and we feel good about this. As far as Modern Trade is concerned the growth rate for about similar expect that the base is becoming large and therefore the impact on growth becomes more and more significant as the contribution of Modern Trade keeps raising on account of more store openings which are taking place. So between 2010-11 and 2011-12 similar growth There was the period just before that when Modern Trade actually have seen a little bit of slowdown as the economy was struggling and instead of just store opening we have seen a period of closure of stores which had taken place at a point in time. So if you want to take the last two years about similar growth levels but increasingly becoming significant for us because the base is increasing for Modern Trade.

Vijay Chugh – BNP - Mumbai

Okay and just one last question on premiumisation any important trends that one should keep in mind, any important learning's from FY'12 in the market place?

Nitin Paranjpe – CEO – Hindustan Unilever Limited

No, I think the big thing to get out of 2011-12 the year which has gone by is that our belief that there would be uptrading and premiumization in a country like India even bears out. It is bears out across most of the categories, it bears out in relatively challenging times and there have been price increases, inflation all around and while this is not to say that some consumers will not downtrade in these difficult time but on balance even in these times we have seen a degree of premiumisation and uptrading which have taken place out here. So we feel that this will be a peculiar trend for the next few years and our approach in sharpen our portfolio brining in new format to cater to the increasing aspirations of a large number of peoples and the growing affluence is the right strategy, even as we have straddled the pyramid and offer brands for these set of first time consumers who are there.

Vijay Chugh – BNP - Mumbai

Thank you so much.

Shareena – Moderator

Thank you very much Mr. Chugh. And the last question comes from Mr. Sanjay Singh from Standard Chartered, Mumbai. Mr. Singh you may ask your question now.

Sanjay Singh – Standard Chartered Bank - Mumbai

Hi, sir just firstly congratulations for a great set of numbers. On I wanted to ask on I think somebody ask for this on PP Personal Products it has been largely volume led and we understand that there has been some pricing issues in shampoos but overall there has been the inflation might be lower but there has been inflation even in packaging or food led product but so there is no price increases is it because the focus on volumes or which still a matter of competitive dynamics? Can we see some more pricing in this segment so how do you see pricing basically in Personal Products going forward?

Sridhar Ramamurthy – CFO – Hindustan Unilever Limited

So, Sanjay as I mentioned if you look at the last year it is not as if there has been no price increase in the Personal Products portfolio there have been some price increases in some parts of the portfolio but equally in some parts there has been effectively price reductions due to promotional intensity in those categories which operated in the price line. So the net effect of these two dynamics is the outcome of a flattish price growth. As far as going forward is concerned the standard position which is that a) we do not believe in giving guidance and b) it also depends on variety of external factors including competitive intensity.

Nitin Paranjpe – CEO – Hindustan Unilever Limited

Just to make a comment on that I think we should feel very good about any part of a business where the underline volume growth which is the combination of volume and mix gets you 17% odd percent for the year because if you recognize that this Personal Products is a combination of categories which have opportunities of both penetration growth and also significant consumption growth etc., This is a reflection of these markets coming of age, consumer habits getting evolved and consumers starting to use more of these. So this is a good sign. You are aware that margins in Personal Products tend to be better at one level and to the extent that we get strong volume growth in this area it is good for the development of the market and overall for our business.

Sanjay Singh – Standard Chartered Bank - Mumbai

Also something else in Personal Products there has been, it is not much probably this quarter but over maybe last one two years, there has been explosion in the number of SKUs not only from your company but from all over the place and from many new competitors also and probably it is maybe ahead of the market growth or say in terms of sub segmentation various new variants etc., so do you think there is some kind of shakeout where a lot of new players have joined the party can move out because the market is not ready for which a huge explosion of variants, SKUs, products.

Nitin Paranjpe – CEO – Hindustan Unilever Limited

No, I think I would just split the question into two. I think if you've got the consumer understanding right and you've got into the right places the consumer is absolutely ready and in my judgment you would continue to see a greater degree of segmentation, new formats, niche opportunities that is the nature of a Personal Products business. When you get that, it does not mean from time-to-time there would not be a need for rationalizing a tale, offerings which are not making any sense and some of that will go on. but general that you were look at a position two years ago, today's position and two years hence you are likely to see two years hence more offerings, more formats, more segmentations, more customization then what you are seeing today.

Sanjay Singh – Standard Chartered Bank - Mumbai

And lastly there is a change in packaging rules probably getting implemented from July 1st and some of your categories do get into get affected in that. Any thoughts on that, whether it is going to come or any changes after it will come.

Nitin Paranjpe – CEO – Hindustan Unilever Limited

We do not know we believe that while internally we gear up to comply to that we also we are aware industry is making representations to be able to administer the intent of the government in a manner which has achieved the objectives and yet does not become counter-productive and is good for the consumer. So whether we get a dispensation for price point packs etc., I saw the recommendation which have been made to the government. We do not know how the government will react and internally we have to figure out the way by which we could start complying to this requirement if the need were to arise.

Sanjay Singh – Standard Chartered Bank - Mumbai

But we are already in May and this comes from first July so not much time in between.

Nitin Paranjpe – CEO – Hindustan Unilever Limited

That is correct, so you can be sure that we aren't starting the thinking just now.

Sanjay Singh – Standard Chartered Bank - Mumbai

Okay, fair enough. Thank you very much all the best.

Shareena – Moderator

Thank you very much Mr. Singh. At this movement I would like to hand over the call proceeding back to Mr. Srinivas Phatak for the final remarks.

Srinivas Phatak – Hindustan Unilever Limited – Mumbai

Shareena, thanks for coordinating the call you may now bring it to a close. Thank you very much every body.

Shareena – Moderator

Ladies and gentlemen this concludes the earnings call you may now disconnect your lines. Thank you for connecting to audio conference service from Airtel and have a pleasant evening.