Hindustan Unilever Limited
December Quarter 2008 Results Conference Call

Hosted by J.P. Morgan India Private Limited

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Moderator: Hello ladies and gentlemen. I am Manjula, the moderator for this conference. Welcome to this Hindustan Unilever Limited conference call which is hosted by JP Morgan India Private Limited. For the duration of the speech, all participants' lines will be in the listen-only mode. After the speech, the question and answer session will be conducted for participants connected to WebEx International. After that, the question and answer session will be conducted for participants in India. I would now like to hand over the floor to Mr. Srinivasan, Vice President, Investor Relations, M&A and Treasury at Hindustan Unilever Limited to take this call forward.

Mr. Srini Srinivasan: Thank you Manjula and good evening ladies and gentlemen. Welcome to Hindustan Unilever's conference call on DQ 2008 results. I would like to introduce Mr. Nitin Paranjpe, Managing Director and CEO and Mr. D. Sundaram, Vice Chairman and CFO. We will start with Nitin giving a quick overview on the overall performance and then address some of the queries raised by analysts and investors. We will then have a short Q&A for about 30 minutes which will be addressed by both Nitin and Sundaram. I would like to draw your attention to the safe-harbor statement included in our DQ 2008 results presentation on our website which will be applicable to this conference call as well. I would like to now hand over to Nitin for his opening remarks.

Mr. Nitin Paranjpe: Good afternoon and a very warm welcome to all of you and thank you for joining this results tele con. I first propose to share with you our perspective on the economy and the FMCG markets. 2008 has been one of the most volatile years that we have seen. The year started with business confidence being near an all time high with everyone believing that strong growth that we were experiencing would continue unabated. Now, due to reasons that we are all familiar with, this sentiment has changed. The global financial crisis has ensured that large parts of the world are already in recession. Closer home, no one is now talking about the decoupling theory. The only debate of question today is the extent of the impact that we are likely to see in India. There is already some evidence that investments are slowing down. Equally, on the consumption side, certain sectors are witnessing deceleration arising from higher interest rates, poor consumer sentiment which is leading to a cut back in discretionary spend. Much of this is reflected in the slowdown we see in the index of industrial production data of recent months. However, we do not expect a serious decline as favorable demographics and low consumption levels will continue to drive growth in the medium term. In the short term, increase in disposable income arising out of the pay commission, farm loan waivers announced by the government, the rural employment generation program, and fiscal stimulus packages will help sustain demand for mass consumption items, especially in FMCG. The Indian Government and the Central Bank have been implementing various measures to address the issue which we have including interest rate cuts and other measures to boost liquidity and generate demand. Moving on now specifically to FMCG and FMCG markets, the categories which we operate in have not witnessed any slowdown as yet. At the same time, we do not believe there is any increased buoyancy in consumption within FMCG as reflected in published data from independent sources. Consumer spending in FMCG continues and some categories like shampoos, toothpaste, skin creams, and tea have shown god volume growth. About half of our sales of FMCG comes from rural markets. These markets are largely isolated from the global economic crisis and are not dependent on debt or stock markets. Inflation has already come off the high levels experienced in the middle of 2008 and if government predictions come true, we could be seeing it come down even further. With low inflation, government spending in rural and with a little bit of luck from a good monsoon, we should see rural growth continue into 2009.

Let me now move on and explain some trends in the markets in which we operate. Average consumer prices have gone up across most of our categories and most significantly in soaps and detergents which experienced high input cost-led inflation through most of the year. The price increases to offset the huge cost increases were taken through a combination of factors, both unit price linked as well as reduction in fill levels or what we call grammage adjustments. Thankfully, the increase in average price has not negatively impacted overall consumer spending. In fact, per capita spend in FMCG is up both in urban and in rural India. Having said that, there was some impact on volumes in highly penetrated traditional categories like soaps and detergents. These markets had a low single digit to declining volume in 2008. Low penetrated and evolving categories like personal care and foods continued to witness volume growth through 2008. As per ACNielsen, growth in FMCG markets have increased quite sharply in December quarter. The overall marked which was reported to be growing between 13% to 14% in the first half of 2008, increased to 18% in September quarter, and is now reported to be growing at 25% in December quarter. As I have mentioned, while we do not see any slowdown, we have not observed a higher level of buoyancy in the market, especially in the context of the current economic condition.

With those comments, let me now move on to share with you our performance in December quarter 2008. You would have seen our results and noticed that our net sales have grown by 17% with FMCG business growing by 21%. After many quarters, where our growth rate was in line or ahead of ACNielsen reported market growth, this quarter's growth rate of 21% is short of the 25% reported by Nielsen. Consequently, this quarter we have seen our aggregate shares come down. Overall, underlying volume growth is 2%. Strong volume growth in personal products and foods has been offset by slowdown in soaps and detergents due to price increases and market volume contraction on account of grammage reduction. The home and personal care business grew at 21% driven by strong price growth in soaps and detergents and robust volume growth in personal products. Our laundry business continued its growth momentum. The industry price table moved up both on account of consumer price increase as well as fill reduction or what we call grammage reduction. The reduction in pack weight across most players led to overall market volume contraction. Our volumes too were down this quarter, though consumer offtakes were robust. All brands grew well and this was reflected in our shares improving. Growth in personal product or personal wash or skin cleansing was also led by Lux, Lifebuoy, Dove, and Pears. Lux grew well in its covariant. Breeze performance, however, was below expectation impacted by price increases which we had taken. Overall market shares have been lower and efforts are underway to accelerate growth across the portfolio to improve category shares. 2008 has been an unprecedented year on commodity cost front, especially in soaps and detergents. Aggressive cost saving projects, judicious price increases have helped mitigate the impact. Despite the impact of high cost inflation continuing in the quarter, segmental profit grew by 24%. Input cost inflation is receding and this will augur well for the business and for the consumer in the future. In these circumstances, our endeavor has been to recover absolute unit margins and hence operating margins were marginally lower in December quarter. As the cost scenario has moderated, we have taken appropriate action to ensure competitiveness of our mixes. This is in some cases has meant adding volume back and in other places dropping prices and passing on the benefit of lower costs as appropriate to the consumer. Personal product volume…personal products grew by 11%, largely led by volume as this segment has not seen major price increases even in the face of input cost inflation. The shampoo category continued its growth momentum with strong volume growth. Dove continued to perform well gaining shares. Sachet volumes led Clinic Plus growth. The skin category witnessed a delayed winter, but grew well overall led by Fair & Lovely. The growth in the oral category was led by Close-Up. Segmental margins moved up marginally with operating profits growing by 12%. The food business grew by 23% with a strong performance across beverages, processed foods, and ice cream backed by strong volume growth. Tea delivered good volume and price growth. Processed foods grew well and the Knor range continues to gain momentum growing very well on volume. Investment behind Amaze which is in test market was sustained while ice-cream delivered strong volume growth and the Gelato range of ice-creams was launched in this quarter. Investment behind new categories in the foods portfolio led to lower operating profits and margin. Pureit, our entry into the water business now has a national footprint with availability across more than 700 towns. Performance in this category is tracking in line with plan. While growth is sustained through increased penetration in towns larger than 2 lakh or 20 million, distribution across…not 20 million, 0.2 million, distribution across towns with less than 2 lakhs or 200,000 population has also started in 6 states. Key action on enhancing consumer acquisition, building team capability, improving productivity, and enhancing supply chain competitiveness, handling consumer complaints and benchmarking ourselves has been progressing well. Overall, the business is growing well both on the devices and the cartridge sales and we continue to invest behind this business. As I have stated, on the cost front, input cost inflation has started receding and if sustained will reflect in lower consuming costs in the times to come. The impact of high input cost inflation, however, continued in this quarter. Year-to-date AMP investments behind brands continued at 10.1% of turnover growing at 16%. Spends during this quarter remained competitive, although lower than last year by 1.3%. In a difficult economic environment, profit before interest and taxes BEI grew by 15.1% and profit after taxes before exceptional items grew by 12.7%. The PBIT margin for the quarter was 16.8% and was 20 basis points below December quarter of 2007. Profit after tax from ordinary activities after accounting for exceptional items grew by 1% due to the higher base effect. In the current economic conditions, we are monitoring consumer spends very closely and continue to invest behind market development to drive growth. Lower commodity cost if sustained is good for our business. We remain determined to leverage our strong portfolio and scale to deliver competitive and profitable growth. With that, ladies and gentlemen, I will now start and begin to address some of the issues and questions raised by many of you on our DQ results and our overall business.

Moderator: Shall I go ahead wit the questions sir?

Mr. Nitin Paranjpe: Yes. I am going to answer…I am going to answer some of the questions which have already been raised by many people who are on this conference first, after which if there are any other questions, we will be open to taking questions. The first question which many people have commented…many peopled have commented and asked for a response is on a volume growth. There have been certain concerns raised about our volume growth being 2.3% this quarter. Let me throw some light on this and explain the underlying growth numbers. Volume growths in personal products and foods have actually been strong. In fact, in personal products, the growth is volume led and volumes are in…volume growth is in high single digits. This has been offset by some slowdown in soaps and detergents where volume growth has been impacted as I said earlier by price increases and packed weight reduction in detergents leading to market volume contraction. However, the mix has been positive in both the categories, soaps and detergents, and consumer offtakes remain robust. You are aware that input cost inflation has been unprecedented in both these categories and we have tried to maintain a good balance between growth and profit. Despite steep increases in cost, operating profits in soaps and detergents has grown by 24%. Reducing input cost will benefit consumers and business in the long term and we have taken appropriate actions already to secure consumer value like price reductions and grammage increases in the discount segment wherever appropriate. Specifically, we have corrected prices in detergents and on some key packs in soaps.

Let me now comment on the second question which has been raised which is…by quite a few of you which is in this whole area of growth in personal products. Our personal products business has registered a growth in this quarter across all key categories, skin, hair, oral, and deodorants. Volume growth in these segments continued to be higher than our price growth. We continue our efforts to premiumize the premium products portfolio. The lower growth can be attributed to the marginal or low price increases which we have taken through the year 2008. The quality of our growth, however, continues to be good.

There was a third question which has been asked which is in this…which is an outlook on media inflation, and I will just comment on that. As you are aware, we do not comment on the specifics of media inflation. However, it would be fair to say that in 2008, we continue to see general inflation in media as a result of continued fragmentation and price. In 2009, however, given the overall environment in which we are, we expect media inflation to moderate and be lower than 2008. On our part, we get the benefits of scale and our buying efficiencies and we will drive this hard to get even better deals in 2009.

There was a question some people have asked about AMP investments in the year 2008 and why they were low in December quarter. Like I said earlier, we do not plan AMP investments on a quarter to quarter basis. Our full year media spend has been 10% of turnover and the spends have grown by 16% over the previous year. The quarter to quarter spends vary depending on the activities, the products which we are launching, and a point of view on what competitive spends are likely to be. However, we are as always committed to ensuring competitive levels of spend behind all our brands. We develop plans based on our activities and our view of category spends like I said and monitor this closely and take appropriate actions as events unfold.

Then there were a few who commented on market shares and let me address that upfront. After several quarters, our aggregate growths have been lower than ACNielsen reported market growth. Consequently, our shares reported by them are low. As we mentioned earlier, we do not see the increased buoyancy in FMCG markets. Equally, we are not seeing any slowdown. More specifically, our shares are lower in personal wash and some personal product category. Clearly, this is an area of focus for us and plans and investments have been developed to address this. For example, in personal wash, it is clear to us that we will have to play a full portfolio more actively and invest behind all our brands including our local jewels. In hair and skin, appropriate plans are being drawn up. We have identified the brands which need more focus and more resources and plans are in place to correct this situation.

Then, I move on to the next set of questions which are around innovations in foods and the questions relating to some foods category. There have been questions like I said on new launches in processed foods and slowdown of our innovation. For your quick reference, I would just like to reiterate that we have had launches in foods including Amaze which is in test market, the Knor Indian soups range, the Knor Meal Maker range, jam in interesting and exciting formats in the year 2008. By its very inherent nature, foods tend to be local and takes longer time to gain momentum. Some categories and some of these have been well accepted already while others we are still working on. We will continue to experiment and invest behind foods opportunities because it is integral to our portfolio and our long term presence. We will monitor our brands and their progress carefully and keep refining our mixes as we move along. As far as processed foods and ice-cream is concerned, there have been questions on what has happened to their margins. Processed foods category witnessed a significant increase in support activity on account of the new launches in the year coupled with input cost inflation in key raw materials like tomato, wheat, sugar, etc. Continued investments in key categories including Amaze has contributed to the margin decline. The ice-cream category margins have declined as a result of higher brand investments in this quarter on account of the launch of the Gelato range of ice-creams and certain one-off charges that were taken in this quarter.

As far as the water business and a couple of questions on water, we have consistently maintained that we will talk about the financials and the progress of water only at the end of our year which would end in March and in my next communication, we would share more details on water. However, it would be fair…it would be appropriate for me to say at this stage that we are now in 20 states in more than 700 towns, over 400 Pureit safe water zones are in operation. In terms of profitability, the business continues to be in investment phase and more about this like I said we would share at the end of our March quarter results.

Then, there were some questions on input cost and our outlook. Input cost of key raw materials like palm oil, LAB, and polymers have started declining. At the same time, other raw materials like caustic, soda ash, and tea are holding high. Decline in raw materials will benefit the consumers and help grow markets. We are not in a position to speculate on how material costs would move going forward, though we would strive to minimize our costs through buying efficiencies and superior cost effectiveness program. Our emphasis will continue to be to deliver the best value to our consumers.

Now, moving on to one or two other questions…let me see if I have left anything out, yes, I think I have now covered most of the questions in buckets as I have classified which had been sent in by some of you. We can now throw the floor open for any other questions that you might have.

Mr. Srini Srinivasan: Manjula, we are ready to take questions.

Moderator: Sure sir. Thank you very much. At this moment, I would like to hand over the proceedings to WebEx International moderator to conduct the Q&A for participants connected to WebEx International. After that, we will have a question and answer session for participants at India bridge. Thank you and over to you Crista.

International Moderator: Thank you moderator. We will now begin the question and answer sessions for participants connected to the WebEx International Bridge. Please press *1 to ask a question. Your first question comes from the line of Mike Sell with Nevsky Capital.

Mr. Michael Sell: Good afternoon. Thank you very much for doing this call, it is very useful indeed. I just have one followup question regarding raw material prices. I completely understand your previous comments that you won't talk about how you see raw material prices going forward, but is it possible you could some comment about the hedging policies you employ so we can get a sense of when the or where the lower raw material prices will begin to feed for into your numbers?

Mr. D. Sundaram: Yeah. As you know, the main materials that we talk about are vegetable fat which is palm based, palm oil, then linear alkyl benzenes which is based on petroleum, and then, of course, minerals like soda ash, caustic soda, and polymers which are really driving our packaging material. Then, on the commodities front, we mainly have tea and coffee. So, as far as we are concerned, the material which we by and large have in a commodities market which you really buy with forward contracts is palm oil-based products which is crude palm stearin and PKO and PFAD. So, these are all palm-based products. We do forward contracts, but we don't have a hedging policy, we don't hedge these at all. So, by and large, our cover policy is driven by global policies as to what our outlook is and the buying is only done on a global basis policy taken and then execute it and the products are largely sourced from Malaysia and Indonesia. All the rest of the materials are by and large contract based. We really have probably ranging from contracts of three months or sometimes six months, sometimes one month with benchmarked into international prices or import parity prices and so on. As far as tea is concerned, it is bought in open auctions, so therefore there is no hedging as such. It is really bought on a spot basis and coffee again is bought and sourced really from the plantations and plantation company. So, by and large, the question is really relevant only in the context of palm-based products which we normally do a policy of forward buying depending upon what the outlook is and then we don't really hedge it commodity exchanges. That is not the policy at Unilever so far.

Mr. Michael Sell: Thank you very much sir and just one followup from that. In terms of the palm-based products, typically how far forward do you buy, is it again sort of three to six months or is it sometimes much longer in terms of the group policy?

Mr. D. Sundaram: There is no fixed policy in terms of how forward or how long we go, but by and large it is fair to really say that if we really see an outlook is likely to be beneficial, there is a call which is to be taken collectively and Indian view…because India is a very large participant to the volumes bought globally and therefore there is a very strong input from the India buyers into this global policy. So, I would really say that by and large there is no fixed policy, but sometimes we do cover three-four months ahead.

Mr. Michael Sell: Right. Thank you very much.

International Moderator: Your next question comes from the line of Simon Rogers with JP Morgan Asset Management. Mr. Rogers, your line is open.

Mr. Simon Rogers: Hello…can you hear me?

Mr. Nitin Paranjpe: Yeah.

Mr. D. Sundaram: Yeah.

Mr. Simon Rogers: Yeah. I wanted to ask a little bit about your expectations on overall volume and price trends in the fast moving consumer business in 2009 given slightly slower conditions and given clearly low raw material inputs which you anticipate next year will be a year principally driven by volume with noticeably little price increase or would you in some categories where you will continue to try and raise pricing?

Mr. Nitin Paranjpe: The position is as follows. 2008, we saw a large part of the growth coming through price and price increases. As far as looking forward, we do not give any guidance. We do not give any view in terms of how we see things and our expectations in terms of the market or indeed in terms of our sales. Having said that, you would see that through the first half of the year, as the price increases which have been taken in the early part of last year, anniversary of some of these price increase effect into our growth will come off. Future growth after that in terms of the market will be based more on volume growth which the market will sustain rather than price growth. If commodity costs sustain at the levels that they currently are, it is unlikely that there would be significant fresh price increases in the market.

Mr. D. Sundaram: Hello…

International Moderator: Your next question comes from the line of Ravi Bala with GIC.

Mr. Ravi Bala: Hi. I just wanted to follow on from this previous question about pricing. Now, I think the estimates vary, but I think over the last 15 months or so, the cumulative price increase apparently on the whole product portfolio is about 15% to 18% and that is clearly seen…the impact of that is clearly seen in terms of your market shares and, you know, across your personal products as well as in your soaps business. So, my question really is this, as we go forward and as you see…start seeing the benefit of lower raw material costs, how realistic is it to expect you to be able to grow your margins as is the expectation in wake of a competitive situation that you find yourself in?

Mr. Nitin Paranjpe: Look, like I said we would not like to comment in terms of our view on the question which you asked in terms of whether…how much would our margins increase as we go forward. What I can, however, say is the following that it is unlikely that there are going to be fresh price increases if commodity costs continue to be where they are. Through the year 2008, we saw a full year price increase component which was under 13%, 12.7% and volumes which were about 6.8 or just under 7%, so the makeup of our growth which is around 20% in FMCG has been made up by a price component of just under 13 and a volume component of 7, so that is I think point one. The lowering of commodity costs will benefit companies, will benefit consumers, and will help us drive the market going forward. Again, like you just said, it is inconceivable that all the benefits of the commodity costs coming down will be kept by companies, some of this will be passed on as indeed we have started doing across key categories to ensure that our brands have delivered the right consumer value. We will always be governed by that and we will keep taking appropriate action, right. As far as our overall goal is concerned, we remain committed to delivering competitive and profitable growth.

Mr. Ravi Bala: If I may just follow up on that, if you can just comment, you know, we clearly have a choice to make currently in view of again the competitive situation you find yourself in on the pricing versus market share, I mean you clearly have said that you would measure your success by attaining leadership position in terms of market share which clearly is in a difficult spot right now, you find yourself in a difficult spot right now. So, looking forward, in terms of a tradeoff between margins and market share, how do you think about it, if you can just share your views on that?

Mr. Nitin Paranjpe: I would just like to clarify that we have always stated that our goal is competitive, profitable growth and therefore our real success will be if we are able to deliver both and not one or the other. We have also stated that we will do and we will take the steps which are necessary to ensure that our brands are priced competitively and we are able to invest competitively behind all our brands. For that, we will make sure that we create the headroom which is required by driving costs out, driving CEPs, waging a war on business waste which we have in any organization, so the things which we have done all along which is cost effectiveness, leveraging our scale, trying to drive the mix in a positive way are the things that we will do in order to manage the profitability of our business and for growth and competitiveness, we will always make sure that our brands are priced at a level where they offer good consumer value and we invest sufficiently behind them to be competitive.

Mr. Ravi Bala: Fair enough. So, if I just quickly, the last question, a followup on that, now you basically said that you would follow strategies to ensure your products are competitively priced. If you look across the product portfolio right now, where are the areas you believe your products are not competitively priced?

Mr. Nitin Paranjpe: Over the last one or two months or in fact over the last four weeks, we have taken some pricing actions to reflect the changed cost structure, the changed value delivery in the market place. Bulk of the action which we needed to take were in soaps and detergents where prices had gone up quite sharply on account of the input cost inflation which we had seen through bulk of 2008. So, the corrections which have been made have been made in mass and discount, personal wash and key SKUs which are price point SKUs which address the bottom of the pyramid consumers. In detergents too, we have taken action and the action has been led in terms of improving consumer value largely on our discount brand Wheel, on our smaller SKUs through fill increases which had come down, so we have started adding volume back and on our large packs which are 2 kilos and 3 kilos, we have actually brought down the MRPs of these packs. All of this has been taken…these actions have been taken to make sure that we remain price competitive.

Mr. D. Sundaram: Bala, I also want to remind you that we have had cost advantage not only from the commodity scenario falling but also there was an excise duty relief which was announced by the government and that excise duty relief which was announced by the government, we took a call and said that the total amount of consolidated benefit in that sense, the reduction in excise duty will be passed on in identified SKUs, therefore there could be a perceptible consumer price adjustment in those SKUs and therefore we have also passed on that to the consumers to really aid this, so to that extent, we are in a position to take advantage of a fiscal stimulus which was really announced, we have really passed it on to the consumer to drive the volume growth and to drive the overall market development. So, therefore, one is coming from the commodity scenario, the other is also leveraging on the excise duty benefits which were really passed on towards the end of the year which we have really passed it on to the consumer. So, I think we need to keep that in mind.

Mr. Ravi Bala: Thank you. Thanks Sundaram, thank you Nitin.

International Moderator: Your next question comes from the line of _____ 38:57.

Male Speaker: Hi. I wonder if you can answer this question please. In the personal care division in terms of volume growth, what trends are you seeing between urban and rural areas and what percentage of consumption would each one account for. Thank you.

Mr. Nitin Paranjpe: Yeah. Firstly, we are seeing volume growths across other urban and rural, let me just give you a sense across the difference that we are seeing in personal care categories…just give me a second. Across all our categories in personal care, whether it is skin creams, tooth paste, and skin care which is face care and hand and body, we see similar volume growth both in urban as well as in rural. There is urban growth as well rural growth continued to be strong. In fact, the differences are insignificant.

Mr. D. Sundaram: But that having said, I think that we need to keep in mind that the per capita consumption level and also the penetration, the usage level in the rural areas continues to be lower than the urban areas. Therefore, the potential and in terms of an opportunity gap, it would be higher in rural areas and therefore rural areas would continue to present a reasonable opportunity of personal products growth in future as we really look forward. Although currently both rural and urban, volume growth is indeed growing. This is the ACNielsen independent numbers.

Male Speaker: Are you able to give the breakdown of the proportion which each accounts for?

Mr. D. Sundaram: Now, in our system, we capture rural sales so long as it goes through the rural distribution stockist system, so we have a proportion of that, but that is not the only sale which is taking place for rural areas, but there is a large wholesale system which are probably urban based but who really carry the products to the rural areas and they sell to the rural markets. Therefore, it is only an estimate that we feel is that probably about 40% to 45%...sorry, 30% to 35% would be the sale of personal products in rural, the rest of it is in urban.

Male Speaker: Thank you.

International Moderator: At this moment, there are no further questions from participants at the WebEx International Center. I would like to hand over the proceedings back to the India moderator.

Moderator: Thank you very much Crista. We will now begin the Q&A interactive session for India participants. Participants who wish to ask questions, please press *1 on your telephone keypad. On pressing *1, participants will get a chance to present their questions on a first-in-line basis. Participants are requested to use only handsets while asking a question. To ask a question, please press *1 now. First in line, we have Mr. Gokul Maheshwari from Allard Partners. Please go ahead.

Mr. Gokul Maheshwari: Yeah. Congratulations for the good set of numbers. Sir, my question relates to the market share in most categories. Is it relating to the reporting format of ACNielsen or how are the channels indicating your market share as compared to ACNielsen?

Mr. Nitin Paranjpe: There is, as you are aware, just one source of independent published data on market shares, that is ACNielsen, and therefore any numbers that you see would be based on that. Now, like I have said in my earlier comment, ACNielsen has reported a market growth which is substantially higher than the growth that we have experienced for bulk of the year. First half of last year, growth was…growth was about 13% to 14% and September quarter it went up to 17% to 18% and in December quarter, the growth reported is 25%. Like I also said, we have not seen this increased buoyancy in the market place. Equally, we have not seen any slowdown, yeah. So, with the market being reported to be growing at 25%, our growth at 21 reflects an aggregate reduction in shares after several quarters when we were growing faster than the ACNielsen reported growth. So, all I can comment on this stage is that we look at that, we have noticed that there are a few areas where they talk about…the areas where our shares have come down and as far as we are concerned, we will just try and make sure that we strengthen our plans, identify areas where we can do better and put in resources and investment to improve our position.

Mr. Gokul Maheshwari: Okay sir.

Moderator: Thank you very much sir. Participants who wish to ask questions may kindly press * followed by 1 on your telephone keypad. Next in line, we have Mr. Prashant Kothari from ICICI Prudential. Please go ahead.

Mr. Prashant Kothari: Sir, just wanted to understand the capital employed numbers that you have disclosed for this year versus the end of last year, what are these trends suggestive?

Mr. D. Sundaram: Yeah, if you are looking at the number, last year in December, we would have had a liability really netted off because of the final dividend declared. Now, the final dividend because of the accounting year is closing March 09, we would really have…that would be really done on the end of March, so that is why you find a very big difference coming there. The rest of it, of course, is if you really see above that line is largely driven by inflation because of the price inflation which has really…the cost inflation which has really taken and in some cases a certain increase in number of days of stock which are held, so that is what it is. So, essentially, the larger part of it is driven by that final dividend provision number.

Mr. Prashant Kothari: Okay. And sir second question relates to the volume growth number that you disclose for every quarter. Just wanted some detail on how is it calculated like 1 kg of Surf, how is it equated to 1 kg of Lifebuoy and 1 kg of Fair & Lovely that we would see?

Mr. D. Sundaram: Yeah. What I suggest Prashant is that you just give a ring to Gaurav Jain at 39832211 and he should be able to just give you a broad method. This is a very well established, globally agreed method with Unilever and many companies are following where we do it SKU wise, we really hold the constant price of let us say 07 and the volume in 08 and volume in 07, so therefore you have the sigma of P1 Q1 divided by sigma of P0 Q1 and then we really calculate on that basis. So, if you really have ultimately volume into price must really give you the total growth.

Mr. Prashant Kothari: Okay. So, it is value-weighted value growth.

Mr. D. Sundaram: Yes.

Mr. Prashant Kothari: Okay.

Mr. D. Sundaram: Absolutely, value-weighted volume growth, absolutely, yeah, that is correct.

Mr. Prashant Kothari: Okay. Thank you sir.

Mr. D. Sundaram: So, therefore, it has got an embedded mix effect automatically.

Mr. Prashant Kothari: Sure, sure.

Mr. D. Sundaram: Yeah, okay.

Mr. Prashant Kothari: Okay. Thank you sir.

Moderator: Thank you very much sir. We will be taking the last question. Participants who wish to ask questions may kindly press * followed by 1 on your telephone keypad. Next in line, we have Mr. Vineet from DSP BlackRock. Please go ahead.

Mr. Vineet: Good evening gentlemen.

Mr. Nitin Paranjpe: Good evening.

Mr. Vineet: I just wanted to understand, you know, you talked about 2009 largely being a volume-led growth, you know, for the company. What I want to understand is this, you know, in a very competitive market if you have to really increase your volumes, will it be led by very aggressive, you know, A&P spend and hence the margins, you know, likely to remain under pressure?

Mr. D. Sundaram: I just want to sort of clarify one thing to you first. I think the context of the earlier question must be understood. Because 2008 was largely driven by price, so that extent of price growth is unlikely to be witnessed in 09. That is all the import of that statement is. The import of the statement does not mean that this year if there is X of volume growth and Y of price growth, if X is greater than Y or Y is greater than X, it relatively in a high commodity cost scenario because of the pricing impact it has got carry forward in the product pricing, it only means that there was a higher component of pricing was inevitable in 08. That level of price increases is unlikely to happy if the commodity cost, reduction and receding commodity cost is sustained. That is all I think that statement should be interpreted as and not really seen as there is a significantly higher volume growth coming compared to price growth. We are not comparing these two aspects, so otherwise there will be misunderstanding as what has been stated. Now, I will request Nitin to really say on the other part of the question.

Mr. Nitin Paranjpe: Yeah. I think as far as our plans are concerned and investments are concerned, they will follow the same principles that we have always had. We will make sure that our pricing as I said earlier is competitive, we deliver good consumer value, and we will invest as is appropriate in the context which we are in and that means we have certain norms, we have certain norms in spending, in terms of what share of spend, share of voice we require depending on the nature of activity, and we will be guided by these principles and invest accordingly.

Mr. Vineet: Okay. Sir, can you also, you know, talk a little bit about, you know, more about your new launches which…

Mr. Nitin Paranjpe: Is there any specific launch that you are keen to understand?

Mr. Vineet: You know about the strategy, some, you know, just like you had water earlier, so any plans let's say for the company?

Mr. Nitin Paranjpe: So, actually plans about future plans, you will appreciate is not something that we can talk about in this forum. However, if there is any specific launch that you wanted a comment on, I could look at it.

Mr. Vineet: Very generic, you know, any specific category you are looking at as a strategy for 2009?

Mr. Nitin Paranjpe: So…

Mr. D. Sundaram: I think it would be fair to say that in FMCG companies like ourselves, we have got a very strong R&D base globally and lot of global marketing development organization. We have a very large pipeline of innovation. So, this pipeline of innovation, both through a very stringent evaluation criteria which is very connected to the consumers and the consumers' needs and insights. So, therefore, we obviously will have series of innovations being evaluated at any point of time. So, we would not be able to really describe them or explain them. So, as they get launched into the market, you will understand that, that is how I think that you will really get to know of this innovation, but this is very much an integral part of our marketing and how we really develop and grow the brand.

Mr. Nitin Paranjpe: And equally, given the nature of categories, the nature of the levels of consumption, there is a large amount of growth which exists in our business coming out of our existing brands in our core and the significant task that we have is about refreshing and renovating our existing brands and therefore our growth does not depend on coming out with a water or a Pureit like model every year.

Mr. Vineet: And last question, you know, in your initial remarks, you mentioned that for the ice-cream segment, there was some one-off expenses which you had to write off. Can you just give us detail about those and will that kind of, you know, those extraordinary things recur?

Mr. D. Sundaram: No, it is not extraordinary. It is part of the segmental reporting. It is a very small number. We are talking about a 1 crore number moving to some 3 crores in this quarter, December quarter. A large part of it is driven by A&P expenditure in this quarter, even though the ice-cream business has really achieved a 12% volume growth in December growth and what we are refering to is a small write-back which really took place into this and therefore to that extent, it is too insignificant in that sense, but a large part of it is coming from A&P.

Mr. Vineet: Thank you very much.

Moderator: Thank you very much sir.

Mr. D. Sundaram: Any one more last question.

Moderator: Sir, there are no further questions. Thank you all for your participation and at this moment, I would like to hand over the floor back to Mr. Srinivasan for final remarks.

Mr. Srini Srinivasan: Okay. Thank you very much. I would like to thank Nitin and Sundaram for attending this conference call and thank you all for coming on to this line and we end the conference call now. Thank you.

Moderator: Thank you very much sir. Ladies and gentlemen, thank you for choosing WebEx Conferencing Service. That concludes this conference call. Thank you for your participation. You may now disconnect your lines. Thank you.