# Conference Call Transcript

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**Shareena - Moderator**

Good afternoon, ladies and gentlemen. I am Shareena, the moderator for this conference. Welcome to the Hindustan Unilever Limited June quarter earnings call. For the duration of the presentation, all participants' lines will be in a listen-only mode. After the presentation, the question-and-answer session will be conducted for all the participants on this call.
I now hand over the call to Dinesh Thapar. Thank you and over to you Mr. Thapar.

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**Dinesh Thapar – General Manager, Investor Relations - Hindustan Unilever Limited**

Thank you Shareena. Good evening and welcome to the June quarter 2012 results conference call for Hindustan Unilever Limited. We have with us Mr. Nitin Paranjpe, CEO and Managing Director; Mr. R. Sridhar, CFO on the call this evening from the Hindustan Unilever end. We will start with the presentation talking about the June quarter results, which will be taken through by Sridhar, and we will then have Nitin share his perspectives on the business performance. This will be followed up by a question-and-answer session. And if you therefore have a question for us, I would request you to register it with the moderator. Please identify your name and organization before asking the questions, so that we can have it logged in on our site.

Before I start the presentation and hand over to Sridhar, 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.

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**Sridhar Ramamurthy - Chief Financial Officer - Hindustan Unilever Limited**

Thank you, Dinesh and good evening everyone. Thank you for joining our June quarter conference call. Before I get into the financial performance, let me start with a few words to remind all of us about our strategy, followed by a quick update of the market environment in which we operated and then I will share with you some details of our financial performance.

Our strategy, which is governed by the compass, remains unchanged. We have shared this with you in previous conference calls as well and as we said earlier, it sets the right direction for us by setting ambitious goals, which demand a growth mindset. It requires us to focus on consumer and customers while imbibing performance culture and driving speed through our actions. Through this we constantly strive to deliver consistent, competitive, profitable and responsible growth.

Let me now say a few words about the market environment in June quarter. FMCG markets sustained their double-digit growth. Important to note that in the case of Soaps and Detergents in particular, pricing was a very significant part of the market growth. As before, competitive intensity in the very attractive Indian consumer goods market continues to be at high levels. Inflationary pressures during the quarter continued. You had the rupee depreciation taking place which more than offset benefit from softening of commodities, in particular, crude. So in summary, one could say a really competitive and challenging environment in June quarter.

Just to give a little bit of texture on the inflationary pressures, you'll see from this chart that while we had a softening in the crude price anywhere between 7% and 8% depending on whether you look at it sequentially or look at it year-on-year. The impact of rupee depreciation more than eroded the positive impact of crude softening. The other point to note is, PFAD, which is the key ingredient in our Soaps business was much higher at elevated levels compared to the same time prior years and on a sequential basis.

With that backdrop let me turn to the highlights of our financial performance of June quarter. As the headline says we have delivered strong growth, which is both profitable and broad-based. Our Domestic Consumer business grew by just under 19%, driven by strong underlying volume growth of 9%. This growth in aggregate is well ahead of market. Both Home & Personal Care business as well as the Foods business grew in double digits. From a channel and geography perspective, Modern Trade and Rural continued their strong performance and led overall growth.

Operating profit grew by 30% with margins improving by 180 basis points albeit on a soft base. We have driven leverage benefits across our value chain and managed the cost inflation through a mix of judicious pricing and relentless focus on cost savings. Consequently cost of goods sold has come down by 220 basis points in the quarter. Advertising & Promotional spends have been stepped up by 160 basis points and we spent about 820 crores during the quarter. I'd like to reiterate that our A&P spend levels remain competitive across all our key segments. Profit after-tax before exceptional items was up by about 48% while net profit more than doubled, primarily driven by exceptional income arising from the sale of some key properties.

If you look at our segmental performance, we have delivered broad based growth with strong double-digit growth in Soaps & Detergent segments as well as Personal Products and Packaged Foods. In Soaps & Detergents, there was a significant contribution from price similar to what took place in the market, whereas in the other segments we had a greater contribution from volume growth.

As you can see from this chart, over the last 15 months or so, we've been delivering consistent double-digit growth with a good mix of underlying volume growth and a good contribution on price.

A key driver behind our growth story is obviously innovations. Our innovations continue to focus on strengthening our core portfolio while at the same time leading market development across segments for the future. On this chart is a snapshot of some of the key innovations we brought to market during the quarter. We will talk about some of these innovations in the respective category charts later in the presentation.

The other aspect of our growth other than innovation is executing with rigor in the marketplace. During this quarter, we had a very significant activity to get all our employees to get closer to the consumer and the customer. This program, which is called Bushfire, is aiming to get a large number of stores converted into what we call Perfect Stores through the efforts of our employees. During this particular Bushfire activity, about 6,000 of our employees across the country spent time in the marketplace, in stores and helped convert about 48,000 outlets to Perfect Stores. The Fair & Lovely relaunch, which was a key activity during this quarter, was also a platform on which Bushfire was conducted.

Just want to also give you an update on what's happening in the media space and as you can see from this chart, the overall media intensity has moved up sequentially compared from a quarter ago. As I've said earlier, our Advertising & Promotion spend at 820 crores remain competitive across all our segments and we have maintained our share of voice to share of market. We've continued to invest behind our brands and absolute spends are up in all the categories. At the same time, we focus on driving a 360-degree approach to engaging with our consumers.

One of the aspects of our performance that stands out is the improvement in operating margin and I thought I should just reflect for a couple of minutes. The chart that you see has the four quarters of the year and the margins that we have delivered in the last three to four years. On the left-hand side is the operating margin for March quarter between March quarter '09 and March quarter '12 followed by the same for June quarter '09 to June quarter '12. As you can see clearly, in the first half of this calendar year, our margin improvement has clearly benefited from a favorable base. It was 160 basis points of improvement in March quarter '12 and 180 basis points now in June quarter '12 both of which benefited from relatively easier comparator. The other way of looking at it is that we've now more or less recovered the margin dip that took place in 2010 and 2011 and as you can see in June quarter 2012 at 14.5% we are now coming quite close to the 15% margin that was registered in 2009 June quarter.

In fact, the process of recovery of margins actually started in September quarter 2011 and as you'll see from the two blocks on the right-hand side, this recovery which delivered us a margin improvement of about 130 basis points in September quarter '11 and then more than 200 basis points in December quarter '11 has now completed a full cycle of four quarters. Going forward, clearly, we will not have the benefit of the low base.

Let me now move to sharing with you the highlights of our key categories, I'll start with our Soap business or Skin Cleansing as we call it. Our Skin Cleansing business delivered strong double-digit growth across all the segments aided by a very healthy volume growth. Growth was ahead of the market and all our key brands grew in double digits.

In our premium portfolio, growth was driven by Dove as well as Pears. Lux, which we relaunched in September quarter last year, has delivered its highest growth during June quarter. During this quarter, we also launched Axe Bar, a soap targeted at the male population with great fragrance, great lather and a special shape. Our liquids business of Handwash and Bodywash continues to deliver high growth.

Moving on to Home Care, our Laundry business delivered strong broad based growth, which was ahead of the market. All our brands and formats grew in double digits with particularly strong performance in the premium portfolio. Surf and Rin delivered double digit volume growth and our Comfort fabric conditioner more than doubled its business during this quarter. As a part of our focus on sustainability, we launched ‘Magic Water Saver’ as a laundry product in a test market in Andhra Pradesh. This is a product that dramatically reduces the water required in the rinsing process and thereby saves a significant amount of water as part of overall wash process.

In Household Care, Vim registered strong double-digit growth and the liquids part of Vim continued to build consumer franchise with strong growth during the quarter.

Moving on now to our Personal Products segments. Starting with Skin Care, the strong growth momentum that we've been delivering in Skin Care was sustained during June quarter led by double-digit volume growth. During the quarter, Fair & Lovely Multivitamin, which is a core part of the Fair & Lovely franchise, was relaunched with a stronger product and a more compelling proposition. Ponds performed well at the premium end and Ponds Age Miracle doubled volumes in the quarter. The Lakme portfolio was strengthened with the relaunch of Perfect Radiance range and introduction of Perfect Radiance capsule treatment with revolutionary technology. Vaseline was also extended to the Heel Care segment with moisture therapy Heel Cream. And our Facewash business continued its strong performance with double-digit growth.

Among the various innovations that we brought to market in this quarter, clearly the biggest was the relaunch of Fair & Lovely. As I said this is now with a superior formulation and a stronger proposition targeting a variety of skin problems that normally require a fairness treatment.

Coming on to Hair and Oral, both of these categories delivered volume-led double-digit growth during June quarter. In case of Hair, the strong growth was delivered across formats. Dove continued strong performance and Dove shampoo volumes doubled during the quarter. At the same time, with our bifocal lens on the future, our Hair Conditioners business continued to lead market development.
In Oral Care, growth was stepped up led by Pepsodent. During this quarter, Pepsodent Expert Care range was launched in the fast-growing Advanced Care segment. We also made a foray into mouthwashes with the introduction of Pepsodent Mouthwashes.

Coming on to our Foods business, starting with Beverages, Beverages growth this quarter was led by Coffee. Tea, which is the largest part of our Beverages business, grew led by Modern Trade. Red Label delivered double-digit volume growth and our category for the future Tea Bags and Ice Tea delivered strong performance. Performance in our mass-market brand Taaza was under pressure and actions are underway to fix this. Coffee sustained its strong growth performance with double-digit growth during the quarter both Instant as well Roast & Ground formats grew in double-digits with innovations driving growth.

Packaged Foods business stepped up its growth during this quarter driven by the core. Kissan performed well with strong double-digit growth in Ketchup for 11th consecutive quarter. During this period, we expanded the Kissan portfolio with the launch of Kissan Sweet & Spicy ketchup. Under Knorr, Soups business delivered double-digit growth. However, the overall performance was muted and we need a step up in the balance portfolio. Kwality Wall's continued its strong growth momentum on the back of 18 innovations that were launched at the beginning of the summer season.

Our strategy on Water, our Pureit business is on track and the business delivered good double-digit growth during this quarter. We had launched Marvella Reverse Osmosis and this is doing well in the marketplace generating good volumes. We have also launched a 3,000 liter germ-kill kit and this has been received well in the marketplace. Finally, during the quarter, we also launched Pureit Advanced with double protection.

So that is a summary of our categories. Just to share with you the financial performance along with the underlying numbers to enable comparability. As you're aware, due to the demerger of our FMCG Exports business, the reported financial numbers are not comparable to the same time in the previous year and therefore the purpose of this chart is to help show the numbers by taking out the impact of FMCG Exports in the base period. On a comparable basis, net sales have grown by just over 19% with net profit up nearly 120%. PAT bei is up by more than 50%, driven by the top line growth as well as the improvement in margins.

During this period, we had an unusually large component of exceptional items. As you can see from the chart, INR607 crores was the profit realized from the sale of surplus assets, primarily properties. This period includes the sale of our Gulita property in Mumbai and our Whitefield property at Bangalore.
Therefore just to walk you through the progression of our net profit, starting with the operating profit, you can see a significant movement also in the other income line and you can see from the details that we did have some one-off items both in terms of timing as well as in terms of recurrence that contributed to our other income. So, on an underlying basis, we had interest income, dividend income and net gains from sale of non-trade current investments which were significantly higher than the previous period. This is driven by both a larger cash pool arising from our efforts in driving working capital hard as well as a better return on our investments.

We also had a long-term gain from sale of mutual funds of about 70 crores odd, which happens to come only once in a time period. So it came through in April this year. This is something that if our investment pattern continues, it would only recur in April next year. And finally, we had a one-off refund from Income Tax Department where the interest component of 34.5 crores is reflected as part of the other income. So that should help you to get a sense of the movement from our operating profit growth of 30% to the eventual net profit growth of 112%.

Therefore in summary, I think it's fair to say we are very pleased with the performance that we have delivered in June quarter, a strong 18.7% growth in our Domestic Consumer business driven by 9% underlying volume growth. This growth was ahead of the market.

Our operating margins were up by 180 basis points, clearly demonstrating that our margin recovery is underway. Profit after tax and before exceptional items was up nearly 50% and overall our strategy is on track and is delivering results.

As we look ahead, we continue to believe that the medium term and longer-term outlook for the FMCG industry in India remains positive. This is driven by both the favorable consumer growth drivers that we spoken about earlier as well as the market trends. In the near term though, we do see some challenges which we have outlined in the chart and some of these have been discussed quite frequently in recent times. First, the delay in the onset of monsoon and how it progresses. Secondly, the volatility in the currency and the depreciation that we've seen in the last six-seven months, and finally, the overall inflation levels in the economy. At the same time, we also believe that given the attractiveness of the Indian markets, competitive intensity is something that we will sustain into the future.

I'd like to end by reminding you of our previous chart and reaffirming that we remain committed to our strategy which is guided by the compass and we remain committed to driving towards our strategic goals that are outlined on the right hand side to deliver consistent, competitive, profitable and responsible growth.

With that, I would like to hand over to our CEO, Nitin Paranjpe for his remarks.

**Nitin Paranjpe - Chief Executive Officer and Managing Director - Hindustan Unilever Limited**

Thank you, Sridhar and thank you to all of you for joining this call. Let me also start by saying how pleased I am with our results and its quality. We have sustained the momentum in our business in what continues to be a challenging environment. Given the context of high inflation and economic uncertainty, we have delivered yet another quarter of strong volume-led double-digit growth with margin improvements.

You've just heard Sridhar speak to you in detail about our performance for the quarter. Our growth continues to be competitive, broad based and profitable. Now overall the messages are beginning to sound very similar, it is only a reflection of the consistency of our performance and the fact that our strategy of delivering competitive, profitable and consistent growth is well on track.

Let me now talk to you about an aspect of our performance on which a number of you have already asked some questions. The growth that we've delivered in this quarter has been profitable with EBIT growing at 30% and EBIT margins expanding by 180 basis points. This reflects a recovery in margin from the dip that we had seen in the previous periods. The process of margin recovery, which started in September quarter of 2011, has now seen four successive quarters with a significant amount of a drop now having been recouped.

So what is it that has driven the margin improvement in this quarter? There are two aspects that I would like you to focus on. First, our cost of goods has helped improve our margins by 220 basis points. Second, if you take all lines of cost and other operating income in the P&L other than A&P, you will see an improvement of 120 basis points. The reason I'm suggesting looking at it in this manner is that it addresses the issue of cost and its recovery sitting in different lines of the P&L and gives you a clearer understanding of what has happened.

Therefore, the overall improvement in margins has been 340 basis points, 220 coming out of the cost of goods sold line and 120 out of all other lines in the P&L other than A&P as I mentioned. Of this 340 basis points improvement, we have reinvested 160 behind driving innovation and supporting our brands competitively and hence delivered a net EBIT margin expansion of 180 basis points.

Now, I would like to address these two areas specifically. The first being cost of goods sold and the improvement of 220 basis points. You would notice that our cost of goods sold have moved up by 9.4% in a context where our reported net sales have grown by 13.7% and this has happened on account of our judicious and calibrated pricing as we manage our business even more dynamically in an environment where uncertainty is the new norm. So pricing has had a role to play in the expansion of our margins. Having said this, the note point is that our pricing remains competitive. This is something you must always remember that our intent is that our brands will remain competitive in the marketplace and we are absolutely committed to that.

The second reason for the expansion in margins is that we have leveraged the scale of global buying to drive buying efficiencies in an environment, which is seeing significant commodity inflation. Third, there is always some sort of a lag effect between the consuming cost and the replacement cost. These are the three reasons why our cost of goods sold has helped improve margins by 220 basis points.

The other area that I thought I would focus your attention is the net improvement in all the other spends by 120 basis points. Again, all these lines, which I referred to, the cost, have moved up by 9.2% in the context where the reported net sales have grown by 13.7%. Hence, we get the benefits of margin improvement arising out of this. This benefit is coming from a mix of the following; both cost saving initiatives and classic operating leverage, which flows in our P&L. First has been the cost effectiveness in the area of freight and logistics, which has accounted for about 50 basis points of the total 120 basis point that I referred to.

Second, has been a favoring impact coming from the consumption of stores and spares, particularly moulds. This accounts for about 30 basis points and the balance is really on account of leverage across other elements of cost.

Now it is worth highlighting that some of these are enduring. Some relate to the environment and some are as a result of lags which may or may not be available as we get into the future. I hope this gives you some understanding of our margins and the recovery of margins and the 180 basis points improvement that we have had in this quarter.

The second area that I want to talk about is around the set of questions that we've been asked about our outlook for the future, especially in the context of the monsoon. Now you're aware that we do not give a forward-looking guidance. However it would be reasonable to say that there is concern on the monsoon this year. A deficient monsoon is certainly not good news for the economy in general and we cannot be insulated from it.

I cannot speculate on the extent of impact that this will have. We will simply have to see how it pans out. However, what I can say is that we are blessed to have a portfolio that straddles the pyramid. I can also add that we have not yet seen any signs of slowdown in rural markets. Lastly, I want to end by reassuring everyone that despite the uncertainty in the environment, we remain committed to pursuing the strategy that delivers competitive, profitable and sustainable growth.

Thank you and with that I hand you back to Dinesh.

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**Dinesh Thapar – General Manager, Investor Relations - Hindustan Unilever Limited**

Thank you, Nitin. Thank you, Sridhar. With this we will now move on to the question and answer session. May I remind you that this call is only for institutional investors and analysts, if anyone else on the call has a question, you may get in touch with us at the Investor Relations team at HUL.
With that, I'd now like to hand over back to Shareena, Shareena handing over to you to manage the next session on question and answers, over to you.

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**Shareena - Moderator**

Thank you very much sir. We will now begin the 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 “*” and “1” on the touchtone enable telephone keypad. On pressing “*” and “1” participants will get a chance to present their questions. To ask a question participant may please press “*” and “1” now. The first question comes from Ms. Suruchi Jain from Morningstar, Mumbai. Ms. Jain you may ask your question now.

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**Suruchi Jain - Morningstar - Mumbai**

Hi this is Suruchi from Morningstar. I had a question about the Oral Care and the Hair Care segment. On your Oral Care you mentioned that you've launched a few new variants in Pepsodent for sensitivity and whitening. I just wanted to understand from a consumer standpoint, do you find that consumers are willing to try a new brand if they've been using, say, one brand, you know assume Colgate for a long time. Are they willing to try a new brand for, say, sensitive teeth or for whitening? Just want to understand from a consumer switching point of view?

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**Nitin Paranjpe - Chief Executive Officer and Managing Director - Hindustan Unilever Limited**

I think, firstly, consumers are seeking offerings, which give them good value, and then in the different categories, the ease or the propensity of shift varies depending on the nature of category, which you're participating in. Our current portfolio with Pepsodent did not have an adequate representation across the key segments and we were beginning to see that the Expert Protection segment was showing growth in the marketplace. The presence of the new variance that we've got helped us complete our portfolio and we believe that the strength of the Pepsodent brand will help us participate more effectively in that segment and garner a fair share of the market out there.

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**Suruchi Jain - Morningstar - Mumbai**

Could you talk a little bit about the pricing, like how is it priced compared to, say, the Colgate

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**Nitin Paranjpe - Chief Executive Officer and Managing Director - Hindustan Unilever Limited**

So all of these are priced at a significant premium to the core and depending on the variant will vary from a price index, which could even go between 200 and 300 price index if you were to take the average at about 100.

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**Suruchi Jain - Morningstar - Mumbai**

And you are quite confident about consumers converting despite them maybe using Colgate for a long time?

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**Nitin Paranjpe - Chief Executive Officer and Managing Director - Hindustan Unilever Limited**

That time will tell, and in the end the consumer is the king. Our job is to try and see whether we understand the consumer and offer her our best, eventually she will make her choices.

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**Suruchi Jain - Morningstar - Mumbai**

On the Hair Care front, I wanted to understand, what percentage of Hair care would be contributed by conditioners, and are you betting big on this opportunity, because a lot of other companies, consumer companies, say, Dabur or Marico are looking at the Indian consumer evolving slightly differently. They assume that hair oiling will be a key regime in the future, whereas companies as yourselves and L'Oreal are thinking that consumer will evolve to use conditioners over, say, hair oil? So, what's your future outlook and what makes you confident about conditioners or hair oil?

**Nitin Paranjpe - Chief Executive Officer and Managing Director - Hindustan Unilever Limited**

So, one of the things in a market like India is for anyone to assume that only one format will succeed, I think, will get the India opportunity all wrong. There is a set of consumers; there will be consumers who will experience the benefit of classical conditioners. There will be others, who will look at oiling as a habit for post-wash usage or sometimes even pre-wash. There is enough evidence to show across the markets that the conditioner habit will become large. It is extremely small at this moment, but we do see that the conditioner segment continues to grow quite rapidly, certainly much faster than the shampoo market. At this moment, its contribution is small. We do not disclose the breakup between what the conditioner size is and what the shampoo market is, but suffice to say, it is becoming significant and over the next few years it is our point of view that it will become a substantial part of the total hair care market. That does not preclude the possibility of oil becoming or remaining a large part of the market. So, that is a different story. As far as conditioners are concerned, we feel quite confident that these will become large from a very relatively small base.

**Suruchi Jain - Morningstar - Mumbai**

When you say become a significant part, do you say 5 years down the line or 10 years, more like 10 years?

**Nitin Paranjpe - Chief Executive Officer and Managing Director - Hindustan Unilever Limited**

No, I again do not want to speculate. If I was to really look around and look at other Southeast Asian countries, hair conditioners can get to 15% to 20% of the hair care market, and in India, we are still in single digits. I see no reason why it won't move in that direction. At what pace it moves in that direction is a little bit to do with the economic and other conditions which prevail and a little bit to do with the market development activities of many players in the market in terms of how we develop the market, but it will grow, and in this spirit, will continue to grow at a rate which is faster than shampoos and hence have a positive impact as we drive this category forward.

**Suruchi Jain - Morningstar - Mumbai**

I understand it's a low single-digit, right now?

**Nitin Paranjpe - Chief Executive Officer and Managing Director - Hindustan Unilever Limited**

It is single digits.

**Suruchi Jain - Morningstar - Mumbai**

My last question is on the operating margins for your Personal Care segment. They've been very strong in the last few quarters. Do you – and without asking you to kind of comment on outlook per se, how confident are you that these will hold up and what are you doing to hold these margins up?

**Sridhar Ramamurthy-Chief Financial Officer - Hindustan Unilever Limited**

As we have been saying in the past in the case of – when you say Personal Care, I assume you are referring to Personal Products. There really the opportunity that is very significant in India is arising from per capita consumptions being lower. So, there really the opportunity is to drive growth and have a continued sustained performance from a growth perspective. Margins are –what, they are – indeed they are much better than the Company average, but I think, I would really focused on driving growth very hard in Personal Products, and this would be primarily, as I said, in the presentation volume-led growth.

**Suruchi Jain - Morningstar - Mumbai**

Thank you so much.

**Shareena - Moderator**

Thank you very much Ms. Jain. The next question comes from Ms. Amrita Basu from Kotak Securities, Mumbai. Ms. Basu you may ask your question now.

**Manoj Menon - Kotak Securities - Mumbai**

Hello sir, Hi I am Manoj here. Thanks for the opportunity for the question. A couple of small questions and I have one request as well. One on the ads and the promotional spends, which has gone up 29% year-on-year, just want to understand from you the promotional spends part of it, is it materially different from the trends in the past, particularly the year which has gone by?

**Sridhar Ramamurthy-Chief Financial Officer - Hindustan Unilever Limited**

Okay. Is that the only question, Manoj?

**Manoj Menon - Kotak Securities - Mumbai**

Okay, that is the first one. Okay, now the second one, which is linked to the first one, was that, if you could qualitatively comment on the innovation pipeline outlook for FY '13, particularly in the context of a relatively lesser ad spends base coming in FY '12. So in that context, let me say, if you were to compare your innovation pipeline for FY '13 over FY '12, how does that look? And one more question on the gross margin part, if you could comment on the single largest element, however, without really quantifying, which would have driven the gross margin expansion?

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**Sridhar Ramamurthy-Chief Financial Officer - Hindustan Unilever Limited**

Okay. So, let me maybe take it in that – in fact, take all the questions. As far as gross margin is concerned, I think, even Nitin, who spent a little bit of time talking about what has driven the operating margin in the quarter. He talked about 220 basis points coming from cost of goods sold, where clearly; it's a net impact of a variety of things. One, the pricing actions that – with the cumulative effect of what pricing has finally found its way into the P&L in the quarter; the other being the fact that consuming costs were better than the replacement costs; and third, the scale benefit that we continue to get as being part of Unilever and Unilever's global buying framework. On the other elements of costs, I think, Nitin went into a lot of detail. So, let me not duplicate them. I think, all of these have come together, but the other way to look at it is, what I showed in one of the charts is the fact also remain, we benefited from a relatively softer base in terms of our overall operating margin in the quarter.

You talked about the innovation quality pipeline, though you're looking at a qualitative comment, I think, it is fair to say that we have got a reasonably strong pipeline, which is something that is the cornerstone of our growth story. As I said earlier, innovation and then really rigorous execution in the marketplace, these are the two key drivers of our growth. So, across categories, we have a regular focus on making sure that we've got a healthy pipeline of innovation. So beyond that I won't be able to talk about any specifics, which would certainly not be appropriate from a competitive perspective.

As far as your first question on promotion spend level is concerned, one of the things is that overall when we look at our total marketing spend, we look at three components. We look at advertising, we look at promotion, and we look at what goes above the line. So, what goes into consumer promotion gets netted off from turnover, and we look at making sure that the totality of moneys we are spending across these three buckets is competitive in the context in which we find ourselves in, and secondly is appropriate to support the innovations and other activities that we bring to the marketplace. Frankly, in this quarter, is it up or is it down, when you looked at March quarter this year or June quarter last year, frankly from my perspective is not the point, but overall, we are focused on making sure that we support our brands competitively, we support the innovation that we bring to market. Some percentages at the quarter level, how meaningful it is, is a big question mark, and we've talked about that before, Manoj, looking at something in a quarter would really not add much value. Overall, you should remain satisfied that the competitiveness of our spends is something we continue to focus on and drive.

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**Manoj Menon - Kotak Securities - Mumbai**

Okay, understood. Sir, one request, which I had, but this is more from not just myself, it's actually from the analyst community, at least some of us, Jamshed, Percy, Arnab, Latika, Vivek, quite a few of us actually –

it's actually a request on our behalf. We would request the management to reconsider providing the A. C. Nielsen data, if possible. Yesterday, we highlighted this with Mr. Sunil Duggal in the Dabur's con call, and his response was that this needs to be discussed at an industry level, and basically amongst the stakeholders and with Nielsen also being party to it, the context in which we are actually highlighting this is that what really happens today is that there is no external metric as a trend, which we could even have a database or track, that is point number one and point number two, this some sort of creates an information asymmetry in the sense that the numbers are available with companies, but not necessarily with the street. So, it would be helpful if you could actually take it up for an internal discussion.

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**Sridhar Ramamurthy-Chief Financial Officer - Hindustan Unilever Limited**

Okay, let me just hear you out and reflect on it. The time that we have on the call today we can focus it on, I'm sure the other members of the investment and analyst community would want to ask us some other questions on our performance, but let me take this and then reflect on it, not that I directly control it, but maybe not much value to spend more time on it on this call.

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**Manoj Menon - Kotak Securities - Mumbai**

Perfect. Thanks a lot and all the very best for the future.

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**Shareena - Moderator**

Thank you very much sir. The next question comes from Mr. Abneesh Roy from Edelweiss, Mumbai. Mr. Roy, you may ask your question now.

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**Abneesh Roy – Edelweiss – Mumbai**

Sir, congrats on a very good set of numbers. A lot of positives, so I will first come to some of the challenges. Could you take us through what has happened in the mass end of Tea? Is it that the unbranded players are growing faster, and why that is happening? Could it flow to some of the other segments like Soaps? Knorr has faced some challenges, especially in Soups in the earlier quarters, so what's the update on Soups and other brands of Knorr? That is the first question.

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**Nitin Paranjpe - Chief Executive Officer and Managing Director - Hindustan Unilever Limited**

Okay. So, I think, to start off, I think, we are pleased to announce that we've performed well on Soups, and so that is the easy one to talk about. The second question that you asked about, we did mention that there were parts of Knorr, where our performance has been a little muted and what we need to do is to take the next step in terms of building Soupy Noodles and taking it to its next level. But the performance of Soups, which you referred to, which was an issue in the previous quarters, has done well in this quarter. As far as tea is concerned, this quarter has been a challenge. We have a situation where some brands have done very well, but there is a brand, which I think needs to do better, but I would not classify it as a general issue, which you're raising in terms of what's happening to the mass tea, or what's happening to the loose or unbranded or unorganized players. So, nothing to suggest that that is a trend that we are seeing in tea, at this moment; however, across all our brands, we do have a situation where some brands are firing, while some need to be strengthened in order to compete more effectively.

**Abneesh Roy – Edelweiss – Mumbai**

Sir, in the past interaction, you had highlighted that in Soups, so there is more of a category phenomena. So, Soups have done well for you. So is it market share expansion or has the category come back in Soups?

**Nitin Paranjpe - Chief Executive Officer and Managing Director - Hindustan Unilever Limited**

So, at this moment, when something that is – when a category is as small as Soups, I won't think too much in terms of market shares. It is really starting to see whether we are getting growth back, which is a reflection of whether we are able to drive the market. We are back into double-digit growth once again, and it's a reflection of us being able to do this, but once again, I would say that it's early days. We shouldn't be celebrating on this, because the season sometimes is in the winter. This is a relatively lean season as far as Soups are concerned, but in that season we have done well.

**Abneesh Roy – Edelweiss – Mumbai**

Sir, my next question is on Soaps, which has been a positive surprise again and again, but my question is more from the volume perspective on Soaps. This time the commentary initially in the opening remarks was very healthy volume growth in Soaps, which was not there in the earlier quarters. Earlier it was largely price-led. If we see Wipro consumer's number today Santoor volume growth is 15% Y-o-Y. So, what is happening in Soaps? Earlier you had maintained it will be a largely one of the slowest growth. So, what has changed in Soaps industry growth? Is it again, the unbranded to branded shift or the industry itself per capita is suddenly increasing?

**Nitin Paranjpe - Chief Executive Officer and Managing Director - Hindustan Unilever Limited**

So, again, I think, the sort of hypothesis that you have are the hypothesis that are around. It's difficult to say with any degree of certainty in terms of what's happening, but it is true that volume growth are strong across our Soaps business and Detergent business, many other people are also reflecting the same situation. I think, we must wait and watch before saying that this is a structural change, which is taking place in terms of per capita consumption, or it is a shift, which is taking place between different players in the industry.

**Abneesh Roy – Edelweiss – Mumbai**

Sir, last question is on Oral Care, we have seen double-digit growth come back. In most of the other categories we are the decision makers in terms of pricing, etc., and in terms of innovations, we are ahead of the competition. While in Oral Care, if you see sensitive, there are already two entrenched players in the sensitive segment, and in mouthwash again we have entrenched competition. So, when do we see in Oral Care, we being the innovators, and is double-digit growth now sustainable over a longer timeframe also?

**Nitin Paranjpe - Chief Executive Officer and Managing Director - Hindustan Unilever Limited**

So once again our effort at all points in time remains to try and make sure that we bring offerings to the marketplace, which are new, which are innovative, and which offer value to the consumer. There are times when we succeed and there are times, when we could be first, there are times when we aren't. Having said that, when we've introduced these offerings in the marketplace, it is with a belief that we have a mix, which will get traction and we will build a certain presence out there. It is also a relatively new segment. There are two players, but it is a segment, which is growing. At this point in time, it's growing quite rapidly and we hope to create a reasonable presence in that marketplace.

As far as going forward, we never talk in terms of what's going to happen into the future in terms of absolute growth, but we remain committed to Oral as a category. We remain committed to making sure that we build a strong presence, and like in other cases, would like to get to a situation, where we grow ahead of the market and we grow profitably.

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**Abneesh Roy – Edelweiss – Mumbai**

Okay Sir, thanks for this I will come back to you for more. All the best sir.

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**Shareena - Moderator**

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

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**Richard Liu - J M Financial - Singapore**

Thanks for taking my question. Firstly, congratulation to your team on a great quarter. If I can go slightly on the tangent and request you to help us understand the dimension of the Soaps and Detergents categories as you see it, I think, one of the earlier callers also hinted to this. So one is aware that the category is already large, well penetrated, etc, etc. My question is, what's the kind of premiumization impact you're actually looking at in these categories individually? I mean, the future growth and how do you see these components, namely liquid versus bars in Soaps, for example, changing over the next, let's say, three, five, or seven years?

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**Nitin Paranjpe - Chief Executive Officer and Managing Director - Hindustan Unilever Limited**

Okay. So, I think firstly, you're absolutely right, the Soaps and Detergents is large, it is also well penetrated. Having said that, consumption levels are not as high as they are even in our neighboring countries, as a result of which opportunities for growth continue to be significant. We are seeing significant and strong growth ahead of the market in both Soaps and Detergents at this moment and certainly you've asked two questions with respect to premiumization. We are seeing premiumization take place in both Soaps and Detergents in terms of what's happening to the mix of business that we are getting at this stage. As far as Soaps are concerned, you referred to liquids and those are really two forms, one is Handwash and the other is Bodywash. The Bodywash liquids market is relatively – is even smaller than the hand wash market. Both are growing, but one is a little larger than the other. Both will continue to grow well ahead of the Soaps market and we are beginning to see faster consumer traction to Handwash, a slightly slower one as far as body wash is concerned, but undoubtedly over a period of time liquid Bodywash will also become significant in a country like India. Within the bar portfolio, which is not even into liquids, we are again in the bars portfolio seeing higher and stronger growth, and the premium end of the portfolio with our brands like Dove, Pears, etc., doing very well. That is what we are seeing as far as Soaps is concerned.

As far as Detergents are concerned, once again I think the markets are attractive, consumption is rising. There are new formats in the fabric care market, which are coming up, things like Comfort conditioner, etc, are post-wash adjuncts and adjacent categories to Fabric wash, and more and more people are buying into it and that is one measure of premiumization, which is happening. Equally in Detergents, we are seeing the machine wash segment also showing significantly faster growth than the average of the market.

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**Richard Liu - J M Financial - Singapore**

So I want to again come back here to the question of infliction, and what is your reading or what has suddenly lead this apparent infliction over the last couple of years, versus many years ago, where one has not seen this kind of traction at all, so there would element of, I can say, higher per capita income, affordability, and aspiration, etc., but is there something more than that, that you could share?

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**Nitin Paranjpe - Chief Executive Officer and Managing Director - Hindustan Unilever Limited**

No, I do not think there is anything more than that. I think, it is a combination of all of these, and sometimes there is a certain magic, which takes place at a point in time, which is difficult to put a finger on and say this is what it is. These are things that have been happening over a period of time. There is rising income; there is rising aspirations, changing attitudes towards consumption, more nuclear families. And I think, in rural India, there is something else, which is happening, better connectivity, better media, better access to roads, and therefore a large number of these villages being very close to urban centers, all of this is shaping consumer behavior in our markets. So, I think, it is like I said a combination of this. And of course, there is a role that manufacturers and companies have to play in terms of driving market development by having the right offerings in the marketplace, have the right price points available to consumers and therefore making it more accessible both in terms of benefits, price points, etc. So when all of this comes together, we start seeing market growing.

I think, you refer to this as an infection point and suggesting that it has happened, I'm not sure. It is my belief that many of these are still at a very nascent stage and some of these are beginning to see a takeoff, some of these may see a takeoff 2, 3 years from now, but the medium to long term story of India will be a story where consumption will continue to rise and will surprise us in terms of what happens. In this journey, there will be periods which would be periods of potential downtrading or other pressures which might be there because of the economy, because of inflation, etc., but the secular trend over the next 5, 10 years will be one of up-trading and increasing consumption.

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**Richard Liu - J M Financial - Singapore**

If I can just push in one more, since you referred to it, with inflation now coming down and commodity prices also appear to be softening, what's your reading of what's the typical unorganized guy up to, and I mean, how are you looking at that piece of the pie?

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**Nitin Paranjpe - Chief Executive Officer and Managing Director - Hindustan Unilever Limited**

So, too many people keep asking us the questions about organized and unorganized, we respect every competitor. All competitors need to be watched. We need to be vigilant, and it is not just the large players, but also the small players, and that is exactly what we will keep doing as we move forward.

**Richard Liu - J M Financial - Singapore**

Thanks Nitin for that and wish you all the best.

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**Shareena - Moderator**

Thank you very much Mr. Liu. The next question comes from Mr. Nikhil Vora, IDFC Securities, Mumbai. Mr. Vora you may ask your question now.

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**Nikhil Vora – IDFC - Mumbai**

Just one thing, would you feel that as a organization, transition from being a mass marketer to a mid-segment consumer player now is broadly getting completed? I'm just referring to the fact that, not just on margins and stuff, but broadly visiting either our modern stores distribution, brands, or maybe the advertising spends that we are doing are significantly oriented towards mid to the premium end of the market, so will you think that the transition is now pretty much complete, in terms of now possibly looking at brands also moving into other categories, which possibly you couldn’t do it in the mass category?

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**Nitin Paranjpe - Chief Executive Officer and Managing Director - Hindustan Unilever Limited**

So, I think, organization and our brands and our portfolio must keep remaining relevant to the consumer opportunity that we see around us. We are seeing the consumer opportunity changing the proportion of people across different segments undergoing a change, but as an organization and with our brands, with our portfolio, with our capabilities we must remain relevant to that. That is what we have been doing. Given the extent of change which is taking place in the market for any organization to assume that this period of transition is complete would be getting it wrong, very often organization internally change at pace, which is lower than the change which is taking place outside and that is why face problem. Our task will be to constantly keep evolving to remain relevant to the evolution and the change that we see around us in the marketplace. So, we are what we are today, two years from now we hope to be and expect to be a little different in terms of how a portfolio comes across in terms of its balance between the top, middle, and the bottom. So, it is not complete and it never will be.

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**Nikhil Vora – IDFC - Mumbai**

Does it help us significantly in terms of our brand migration from here on to what possibly we could have done five, seven years back. So, effectively even if we do not get into new categories would our brands be able to expand into other existing categories that sell?

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**Nitin Paranjpe - Chief Executive Officer and Managing Director - Hindustan Unilever Limited**

I think that it is a very broad question, and the only answer very honestly I can give you it will depend, some brands will, some will not, it will depend on a case-to-case situation which we'll have to consider how much a brand will stretch and how much they will not. There are some cases, for example, where we believe it could stretch, and we took the brand Lux and we have just launched a female deodorant spray. We believe that the equity of Lux, what it stands for, its fragrance credentials, and its beauty credentials lends itself well to play in the Deodorant segment where we are present with Axe, which was around targeting the males, we wanted an affordable female deodorant spray. Lux has just been introduced maybe a few weeks ago in the marketplace. So, there are some examples where brands will stretch across categories; in other cases, we will be a little more watchful, but like I said it will depend on a case-to-case basis.

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**Nikhil Vora – IDFC - Mumbai**

Thanks and all the best.

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**Shareena - Moderator**

Thank you very much Mr. Vora. The next question comes from Mr. Pritesh Chedda from M K Global Trade, Mumbai. Mr. Chedda, you may ask your question now.
**Pritesh Chheda - M K Global Trade - Mumbai**

I just have one question. Just wanted to know the blended pricing actions that you'd have taken in Soaps and Detergents in the last four quarters?

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**Sridhar Ramamurthy-Chief Financial Officer - Hindustan Unilever Limited**

Actually, I think, the last four quarters – first of all, I do not want to talk about any specific segment related information, but broadly we have been taking a series of pricing actions in the market, when you look at it across the last four quarters. I think, I made the comment also that when we look at our overall Soaps and Detergent segment growth; it is about 23%, 24%. I did say or if not, I'm now saying it that a larger proportion was contributed by pricing. So, you could make out that about double digits is the price growth between Soaps and Detergents. It is obviously a cumulative impact; it is not all taken in June quarter. It is an effect of all the price actions after June quarter of 2011.

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**Pritesh Chheda - M K Global Trade - Mumbai**

After June quarter of 2011, which means that incrementally from the next quarter onwards the favorable base effect goes off?

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**Sridhar Ramamurthy-Chief Financial Officer - Hindustan Unilever Limited**

Yes, this is all dependent, so they will of course, the base effect will absolutely catch up, and going forward, it all depends on what happens to commodities, what happens to currency, and what happens in terms of the competitive context.

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**Pritesh Chheda - M K Global Trade - Mumbai**

Many thanks to you and all the best Sir.

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**Shareena - Moderator**

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

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**Hemant Patel - Enam Securities - Mumbai**

I have two questions. One on the media intensity. Just noticed that your series has started moving upwards in this quarter, this would mean that if I take a split of S&D versus the non-S&D categories even in the non-S&D categories, the media intensity would have been moving up. Just wanted to understand is this predominantly a function of just the margins improving and therein most of the consumer companies have been reinvesting back into brands or the fact remains that, some of the consumer markets have been slowing down and people are getting more aggressive at this stage, that was one. The second question as you stated earlier on that things might get a little bit tough on the rural markets. Just wanted to understand how we intend to drive value proposition to the consumers, in order to maintain the volume growth rates when things get tough over there. What sort of combinations in terms of pricing action or whether it would be driving value in other means, which would sustain volumes in these times?

**Sridhar Ramamurthy-Chief Financial Officer - Hindustan Unilever Limited**

Right, so if I take, Hemant, the first point about media intensity, I think, it is broad-based across categories that we have seen it. The hypothesis you touched upon two of the elements of hypothesis, one linked to the focus of various manufacturers to drive volume, and second, a potential to reinvest any relief coming through from commodities, and I guess, the answer is it could be both and it could be other factors also depending on pace of innovation activity in the quarter and so on. So very difficult to get a precise answer to that question, it could be all these factors put together.

As far as rural markets are concerned and you're alluding to those likely to get tighter I think as Nitin mentioned in his opening remarks. We have thus far not seen any such phenomenon. We of course read about the reports of monsoon going to be deficient and we'll have to wait and watch how it eventually pans out. It might take a few months for us to get a handle on that. From our perspective, we are fortunate that we have a strategy that straddles the pyramid, and therefore our focus will continue to be at a first instance to make sure that our brands and our products offer value to all the consumers, irrespective of the price points at which these products are sold. Second, to continuously bring innovation to the marketplace that excites our consumers and keeps them relevant to all the consumers whether in rural or in urban India.

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**Hemant Patel - Enam Securities - Mumbai**

Just one follow-up question, given the kind of markets that we did have a slowdown in the rural side of it, will the pace of innovations and the launches from the Company step back in these markets?

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**Nitin Paranjpe - Chief Executive Officer and Managing Director - Hindustan Unilever Limited**

No. I think, if anything we would need to be even more innovative, innovative in all aspects of what we do. Innovative in terms of the propositions, the quality, making sure that we get the price right, the pack sizes right, and the manner in which we are able to execute in the marketplace. So challenging times and challenging circumstances will require us to be more innovative and not less innovative.

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**Shareena - Moderator**

Thank you very much Mr. Patel. The next question comes from Mr. Priya Ranjan from Macquarie Capital, Mumbai. Mr. Ranjan, you may ask your question now.

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**Priya Ranjan - Macquarie Capital - Mumbai**

My question relates to migration to the new packaging norm, is it complete now, or as we understand that some of SKU have aligned to the new packaging norm, and has it been complete?

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**Nitin Paranjpe - Chief Executive Officer and Managing Director - Hindustan Unilever Limited**

Summary for you is that it was meant to become live by now. We have got an extension in terms of the time period, and the new norms, which have been defined in terms of what the new guidelines are, we are complaint with those.

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**Priya Ranjan - Macquarie Capital - Mumbai**

So, with new guideline you are completely compliant.

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**Nitin Paranjpe - Chief Executive Officer and Managing Director - Hindustan Unilever Limited**

Yes. So, either we are already there, but certainly from an action point of view, we have acted. Whether this all hits the market or not, I won't be able to tell you, but we are not under any risk of not being able to meet the guidelines.

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**Priya Ranjan - Macquarie Capital - Mumbai**

In terms of the cost of mould, etc., is it all factored into this quarter itself?

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**Nitin Paranjpe - Chief Executive Officer and Managing Director - Hindustan Unilever Limited**

So there is nothing of material cost implications for us to be compliant with the guidelines.

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**Priya Ranjan - Macquarie Capital - Mumbai**

Just one more thing on the CSD sales, a lot of consumer companies are complaining about the CSD correction, inventory correction in CSD, so have you also felt this kind of thing or is it…

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**Sridhar Ramamurthy-Chief Financial Officer - Hindustan Unilever Limited**

No, it is not a material aspect for us. So, yes, we have also seen all these reports, but it is not such a material aspect for us in June quarter. CSD is about maybe 6-7% of our business, potentially for some other companies, it could be a much higher proportion.

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**Priya Ranjan - Macquarie Capital - Mumbai**

In terms of the, another thing is actually that your parent has discontinued the brand licensing to Godrej for the Brylcreem. So any thoughts on the launch, etc.

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**Sridhar Ramamurthy-Chief Financial Officer - Hindustan Unilever Limited**

So, we now have the rights to Brylcreem in India, and all I can say is that you will see something in the marketplace.

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**Priya Ranjan - Macquarie Capital - Mumbai**

Thanks a lot.

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**Shareena - Moderator**

Thank you very much Mr. Ranjan. The next question comes from Mr. Pradeep Biyani from Standard Chartered, Mumbai. Mr. Biyani, you may ask your question now.

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**Sanjay Singh - Standard Chartered - Mumbai**

Sir, this is Sanjay Singh here from Standard Chartered. Sir, you were alluding to that the margin improvement story which started four to five quarters back is kind of now complete and you are back at a more normal 15% kind of EBITDA margin. Does that mean that as an organization, well I understand, you wouldn't like to give any guidance, but a 15% margin is the level, which you're more comfortable at?

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**Sridhar Ramamurthy-Chief Financial Officer - Hindustan Unilever Limited**

Well, Sanjay, we do not have any such sort of milestone articulated or guided externally. The reason why we wanted to clarify the base effect or the benefit of the base was because there were quite a few questions that came through after our results last time, and therefore we thought it is better to upfront help all of you to just look at the numbers in a slightly more longer term timeframe, so that the recovery that as I mentioned which sort of started in September quarter 2011, you could just get a visibility of that on one page. So, that was the only purpose, it was not in any way to give any guidance that X or Y is the level of EBITDA margin that we are comfortable with or not.

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**Sanjay Singh - Standard Chartered – Mumbai**

Because if I see it another way, I think the margin recovery story is still incomplete and there's lot of work to be done here probably because in Soaps and Detergents you are still at 12% and while you're talking about that there is growth in premium product, like machine wash, or Pears, Dove, etc., a more normal margin has been 15%, 16%, in the category over the period 2004 to 2010. It is only in '11, when it dipped to pretty significant lower levels. So, does it make sense to think that at a longer range maybe significant operating 3 months, 6 months etc., for that longer time period a 15% to 16% is something which in the Soaps and Detergents margins which is more comfortable?

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**Sridhar Ramamurthy-Chief Financial Officer - Hindustan Unilever Limited**

Well, Sanjay, I would not like to comment on it. I mean, forget about giving an indication for the overall company, you are asking me to comment on a specific segment within the Company. It is not something that I want to comment on. You have a point of view, which I hear, but let's just leave it at that.

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**Sanjay Singh - Standard Chartered – Mumbai**

Ok thanks a lot.

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**Shareena - Moderator**

Thank you very much sir. The next question comes from Mr. Jamshed Dadabhoy from Citigroup Mumbai. Mr. Dadabhoy, you may ask your question now.

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**Jamshed Dadabhoy – Citigroup**

Sir, you mentioned that the consuming costs were lower than the replacement costs on the material side this quarter. Could you elaborate in terms of how you think this will move going ahead just qualitatively speaking?

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**Sridhar Ramamurthy-Chief Financial Officer - Hindustan Unilever Limited**

So, I think, Jamshed, the point is that we are aware that from time-to-time we had our own strategies with respect to covering the key raw material and basically in June quarter the cost of consuming those materials was lower than what was the replacement price, and therefore to some extent you could say we benefited from the price increase that we took that would have more than offset the impact of the consuming costs. For the future, I'm afraid you're asking me to get into sort of territory of guidance, which as you know we do not do.

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**Jamshed Dadabhoy – Citigroup**

Could you give us a sense of how is the duration of these contracts?

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**Sridhar Ramamurthy-Chief Financial Officer - Hindustan Unilever Limited**

No, Jamshed, again, that is something that is quite sensitive from a competitive context, so I'll have to refrain from responding to that question.

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**Jamshed Dadabhoy – Citigroup**

Okay, no problem. Just a second question, how do you see the pricing environment at this point in time on both Soaps and Detergents? Is it easy to push through prices? I know, you all mentioned you're all not seeing any slowdown in rural, but any sort of sense you all could give on the pricing environment?

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**Sridhar Ramamurthy-Chief Financial Officer - Hindustan Unilever Limited**

I think, Jamshed, the first part to this is this notion that it is easy to push through pricing, I do not think is ever correct in any environment. The perspective that I'd first like to give is we are absolutely clear that at all points of time in the marketplace, we need to be competitive from a price – product price perspective and in terms of supporting our brand, in terms of our advertising and promotional spend you need to be competitive, and therefore as we stand today, what we can say is that our pricing in the marketplace is competitive. In the future, what will happen with pricing is a function of what happens to the cost environment, both commodity-wise, as well as currency, and what happens to the competitive environment. That will really determine what the implication for pricing is. We will remain committed to making sure that we are competitive, and at the same time, giving consumers good value, so that they are attracted to buy our offerings.

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**Jamshed Dadabhoy – Citigroup**

Ok. Thanks a lot

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**Shareena - Moderator**

Thank you very much Mr. Dadabhoy. The next question comes from Mr. Kamlesh Gupta from GHCL Limited, Mumbai. Mr. Gupta, you may ask your question now.

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**Kamlesh Gupta - GHCL Limited**

This is Kamlesh Gupta from GHCL Limited. Before going ahead, may I know I mean to whom I'm going to talk? I mean, will be talking about mainly for the Detergent market.

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**Sridhar Ramamurthy-Chief Financial Officer - Hindustan Unilever Limited**

On the call, you have, the CEO, Nitin Paranjpe, and myself, Sridhar, the CFO. So, do not worry. We will be ready to answer your questions as best as we can.

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**Kamlesh Gupta - GHCL Limited**

Anyway my first question is like; I would like to understand about the Detergent market, the HUL point of view, the forecast about the Detergent powder and the cake segment. I mean, what are the outlook, basically, what are the market share on the market now, Detergent market, and the outlook, and then let's say down the line one or two years?

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**Nitin Paranjpe - Chief Executive Officer and Managing Director - Hindustan Unilever Limited**

Why do not we capture all your questions, Kamlesh, so that is your first question, do you have any other.

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**Kamlesh Gupta - GHCL Limited**

This is my first question. Second, in the same market of Detergent segments, what is the volume growth of HUL, and what we are striving for in the coming few years? The third question of mine is again is linked with the earlier two questions. That if I talk about the specific product line, let's say, a premium product or the lower segment product, so what we are looking at in terms of the region-wise growth in all India business? That this region is going to perform better than this region or something expansion or something like that.

**Sridhar Ramamurthy-Chief Financial Officer - Hindustan Unilever Limited**

I think, Kamlesh, let me just give some overall comments, and I think some of the details we normally do not talk about externally. If you have any follow-up questions, I suggest that you may contact the Investor Relations team.

In terms of the Detergents market and outlook, we maintain that India overall, the entire FMCG space has market growth opportunity. In different markets, the drivers are different. In the markets like Detergent powder or Detergent bar, where the penetration levels may be higher, but the per capita consumption in value terms will be lower, the growth opportunity will be both from driving the per capita consumption and quantity, but secondly through premiumization and uptrading. In terms of volume growth, we said that our Soaps and Detergent business grew by about 24%, with a larger contribution from price, but also a healthy contribution from volume. So our underlying volume growth you can make out is in the single-digits. Finally, in terms of outlook, we do not give any outlook about our business performance. Overall, we do not give any guidance, so that is one question I cannot respond to. In terms of other levels of detail on premium products and mass product and region, etc., can I suggest that you contact our Investor Relations team, and they will be happy to answer the questions that we are comfortable answering.

**Kamlesh Gupta - GHCL Limited**

Thank you very much for your answer. Thank you.

**Shareena - Moderator**

Thank you very much Mr. Gupta. The next question comes from Mr. SK Mitra from GHCL Ahmedabad. Mr. Mitra, you may ask your question now.

**SK Mitra – GHCL – Ahmedabad**

Just my colleague, Kamlesh, was asking you. We both belong to the same organization. I just had one question, so I mean though you are not inclined to talk about the Detergent market, right now, but I just wanted to know whether compared to the other South Asian countries, is the Indian consumption in Detergent is at par or is it slightly below par?

**Sridhar Ramamurthy-Chief Financial Officer - Hindustan Unilever Limited**

Sorry, Mr. Mitra, which organization do you represent?

**SK Mitra – GHCL – Ahmedabad**

GHCL Limited. We supply soda ash to you.

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**Sridhar Ramamurthy-Chief Financial Officer - Hindustan Unilever Limited**

So, Mr. Mitra, this call is actually meant for institutional investors, if you have any question, I suggest you contact our Investor Relations team, but the purpose of the call as we had outlined when we started the call is targeted at the institutional investors.

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**SK Mitra – GHCL – Ahmedabad**

Ok. Thank you sir.

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**Shareena - Moderator**

Thank you very much Mr. Mitra. The next question comes from Mr. Abneesh Roy, Edelweiss, Mumbai. Mr. Roy, you may ask your question now.

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**Abneesh Roy – Edelweiss - Mumbai**

Sir, thanks for the opportunity again, just one or two follow-up questions. In Soaps and Detergents, we have seen margins come back very strongly. My question is on the Shampoo segment, the other domestic player just came out with results, said that predatory pricing and peak level of competition in shampoo seems behind us. Secondly, the largest MNC player in the world and in the FMCG, they have publicly stated that China and U.S. will be their focus areas. So, Nitin, this is a question to you, do you see that shampoo margins, there is a case for uptake in margins now because of the large fall that has happened over the last two years, that is my first question?

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**Nitin Paranjpe - Chief Executive Officer and Managing Director - Hindustan Unilever Limited**

So, my position in this is I do not know and I certainly will not be commenting in terms of how future margins will look like. What, Abneesh, you can be sure of is the certain philosophy with which we will run this business, and that philosophy is that we will never allow our brands to be uncompetitive in the marketplace. We absolutely believe that the best route for long-term value creation will be by making sure that we continue to get volume led growth, and hence then we will be tough on costs in order to create the headroom to run our business.

On the context that you talk of, you have mentioned some things, I read things in the newspaper, etc., be that as it may, we will be guided by what we observe in the marketplace, and we will be guided by what is right for the consumer at that point in time. So, I do not know what the opportunities will be, other than the fact that I'm absolutely convinced that the shampoo market is a very attractive market for us, it is attractive because we have got good brands, it is likely to a very low penetration, and we continue to see strong growth and absolutely no reasons, why there isn't an opportunity for strong value creation over a period of time.

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**Abneesh Roy – Edelweiss - Mumbai**

No, Nitin, that is very useful, but I am not asking from you, from Lever's perspective any guidance. I am asking if there is any lead indicator, or any competition intensity you have seen a drop either in promotions or in advertising? You have said that FMCG as a whole ad spends have gone up, but in shampoo micro segment have the ad spends come off, something like that?

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**Nitin Paranjpe - Chief Executive Officer and Managing Director - Hindustan Unilever Limited**

To the best of my knowledge, there is nothing that we have noticed which suggests a reduction in the competitive intensity either in advertising or in promotion in the marketplace, and so that is where the current picture is. If the situation changes, we will of course calibrate our response appropriately.

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**Abneesh Roy – Edelweiss - Mumbai**

Sure. My last question is on the Bushfire and Perfect Stores, which were alluded to in the opening remarks. 48000 outlets, wherein employees are also proactively playing a role and any numbers you can share either in terms of volume contribution or any duplication, which can be done by the competition, because they also now know how a Perfect Store works? Any trend you have seen by the competition also working the same?

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**Nitin Paranjpe - Chief Executive Officer and Managing Director - Hindustan Unilever Limited**

One of the things, Abneesh, you in fact in some ways answered the question, because competition also listens in there are some things I would not want to quantify and talk about out here. Therefore, while we keep driving this program, I do not want to talk about how many outlets, how successful it is? What it is contribution to our business is? These are not things that I would like to talk about anymore.

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**Abneesh Roy – Edelweiss - Mumbai**

Okay, fine. But it is adding substantially to you overall plans or it is still not substantial in the numbers?

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**Nitin Paranjpe - Chief Executive Officer and Managing Director - Hindustan Unilever Limited**

The 48,000 stores and the Perfect Store drives around Bushfire that Sridhar has talked about in his presentation is largely designed to enable our employees to be connected with the marketplace, experience what happens in stores, be connected with the retailers, hear and feel for things out there themselves, and raise the sensitivity of employees. These outlets are not chosen because they are the largest. They are certainly not the most significant contribution to our business and that is not its purpose. The purpose is to sensitize the larger organization to the marketplace and get them connected with consumers and customers out there. That is the value of that exercise.

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**Abneesh Roy – Edelweiss - Mumbai**

Ok sir thanks.

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**Shareena - Moderator**

Thank you very much Mr. Roy.

At this moment, I would like to hand over the call proceedings back to Mr. Dinesh Thapar for the final remarks.

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**Dinesh Thapar – General Manager, Investor Relations - Hindustan Unilever Limited**

Thanks, Shareena. I think with that we would like to bring the call to a close. Thank you everyone for you participation and have a great evening. Bye.

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**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 day.