December Quarter 2016 Earnings Call of
Hindustan Unilever Limited
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Speakers:

Mr. Sanjiv Mehta, CEO and Managing Director

Mr. P.B. Balaji, CFO and Executive Director, Finance and IT

Mr. Aasif Malbari, Group Finance Controller and Head of Investor Relations

Moderator

Good evening, ladies and gentlemen. I am Urvashi, the moderator for this conference. Welcome to the Hindustan Unilever Limited Third Quarter Earnings Call. For the duration of the presentation all participant lines will be in the listen-only mode. After the presentation, the question-and-answer session will be conducted for all the participants on this call. I now hand over the call to Mr. Aasif Malbari. Thank you, and over to you Sir.

Aasif Malbari

Thanks, Urvashi. Good evening and welcome to the conference call of Hindustan Unilever Limited. We will be covering this evening results for the quarter ended December 31, 2016. On the call from the HUL end is Mr. Sanjiv Mehta, CEO and Managing Director and Mr. P. B. Balaji, CFO. As is customary, we will start the presentation with Balaji sharing aspects of our performance for the quarter, and then hand over to Sanjiv for him to share his perspectives on the business performance. Before we get started with the presentation, I would like to draw your attention to the safe harbor statement included in the presentation for good order sake. With that, over to you Balaji.

P. B. Balaji

Thanks Aasif. Welcome all of you and thanks for your time for taking more time to understand the HUL results. Let's draw your attention to the strategy. The slide hasn't changed. So, we believe we have a fair and compelling strategy that is working for us and, therefore, has not changed as far as this is concerned. Starting with the DQ performance, to summarize, the market conditions are uncertain and in-quarter market growth was adversely impacted by demonetization, and the input costs continued to inflate. In this context, the HUL has turned in a resilient performance in this challenging business environment.

If we just go one level a bit deeper, I think the performance has been strong from the point of view of landing the business – Domestic Consumer business in a flat growth mode. Underlying volume growth, however, was at minus 4%. And the performance across categories has been impacted by the adverse market conditions. EBITDA at INR 1,355 crores was down 5% with margins down 70 bps, primarily due to cost of goods being higher by almost 60 bps due to rising input costs. We draw your attention to the fact we continued to maintain competitive spends across segments and we continued to invest behind our brands as well as market development and landing our innovations on time in this market condition. PAT, (bei), at INR 920 crores was down 10% and net profit at INR 1,038 crores was up 7% on exceptional income, which I'll talk about later.

Moving to segmental performance. Two big impacts here. One is the impact of reduced trade pipeline as well as the second one on lower consumer offtake. These are the two things that shift segmental performance. And if you're seeing it one level below in terms of individual segments: Home Care sales growth was 1%; Personal Care was minus 3%, and I'll talk about this later as well; Refreshment of up 8%; and Foods up 1%, making the overall Domestic Consumer business at zero percent.

Since this is something which I'm sure all of you are keen to understand what exactly happened post-demonetization, how did it play out in the marketplace, I will cover three different areas: one is around consumers, second is on channels, and third is on geographies. On consumers, we saw consumers actually reduce their purchase basket size. However, they compensated that with the higher frequency of shop visits during this period. And reassuringly premiumization as a trend continued during this period. That is the consumer. Moving on to channels, most channels have now started to recover after the initial stress. And the only place that is still stressed out there is large rural wholesale where we still see them being under pressure. However, it is fair to say that the overall wholesale pipelines have actually gone lower than what they normally used to be. Moving on to geographies, the recovery is correlated well with the banking density. There's is a number of bank branches for lakh of population where South and West were the least impacted, and North and Central were the most impacted. And of course, urban recovered faster compared to rural. This is what actually played out.

So, what did we do in response to that? We alluded to a part of this in our investors presentation towards the latter half of last year in November - December where categories – as far the categories are concerned, the message to them was very clear: continue to land breakthrough innovations, as usual because the mix and long-term story of the country remains intact, therefore continue to land innovations that are out there, but do that in a smart manner where we are able to leverage the WiMI agenda of having seen particularly the previous slide on South and West recovering faster. Ensure, the investments are directed towards that so that we are able to use growth better. So, that's how the categories went about with their job. Moving on into distribution, we believe we now have a modern or sustainable direct coverage expansion. And therefore, we are now putting in place plans to expand this even further as we go forward and we continue to do that during the course of the quarter as well.

On finance, the key work that we did was to support the trade with extended credit almost instantaneously from the 9th of November itself. And we have also put the credit and taken the credit back from the market as well without any risk in the period. Therefore, that I think has ensured that we are able to get the pipeline continuing to chug along as the pressure builds in the system. On supply chain, what is really noteworthy was the agile response to changing demand patterns because demand was extremely volatile because as liquidity was going into the market demand for a changing, therefore they have actually geared up and delivered to this volatile demand that they did a very good job of.

And the graph below tells you how it actually played out till November 8. And this is an important one because if you look at the comment for the last quarter, we did call out that we are starting to see traction in the market. And starting from August, September, October, we did see that going all the way till November 8. The recovery was well under way and then there is temporary blip when demonetization has happened, and we're now starting to see they're starting to recover as well. These are affecting the sales growth trends and that tells you how it actually has played out.

So, the earlier I point I made in terms of the categories continuing focus on innovations. I think this is across the board innovation that continued to land during the quarter. In the Household Care segment, we launched CIF in the e-com and select trade channel. We acquired attention to Sunsilk, acquired attention to FAL Antimarks, Taj tea, Axe Signature. It's a rich pipeline of innovation that we continue to land this quarter as well.

And moving on to the Naturals story, it's something that we have been calling out for a few quarters now, where within the existing portfolio, the natural varies are continuing to be launched. So we had good traction coming through in those portfolios. Indulekha is a brand that we bought, which we is now extending into new geographies so that we are able to expand the consumer footprint of that. And we are particularly delighted with the launch of LEVER Ayush in South India across all channels. Sanjiv will talk about this in slightly greater detail, but it's a master brand launch, which means it is going across categories. It is Personal Care range of products, be it toothpaste, and be it shampoos, face washes, soaps, conditioners and the like. And it's a brand that we are very, very happy with the way the launch has gone so far and Sanjiv will take you through it later as well.

Getting into the individual categories, in Home Care, premium laundry continues to lead the category performance, as we alluded to earlier. And particularly delighted with the performance of Surf, which continues to maintain a strong double-digit growth momentum despite challenging times. And Home Care Liquids sustained their strong performance as well. So, good story there.

On Personal Care, the premium Personal Care, all of their formats did very well. I'll draw your attention to the Personal Wash volumes, which have been impacted by the calibrated price increase that they have taken. They took further price increases this quarter as well to manage the steep increase in commodity costs. That is something which is one of the key reasons why the negative volume growth of minus 4% that you see out there. Most of it can be alluded to the number in Personal Wash here.

And Baby Dove – and, of course, this is something which we believe is temporary, because needed correction when it happens when you shave off grammage, volumes come down. And then, as the number of unit gets titrated by the consumer, you will start seeing progression coming through as well. And this is particularly necessary in a scenario where commodity costs in Personal Wash – PFAD, CPO and the likes have really gone through the roof on cost. The launch which we called out last quarter was Baby Dove that's been very well-received. We are delighted with the progress so far on Baby Dove.

Moving to Foods and Refreshment, Tea delivered broad based double-digit growth, and particularly WiMI was leveraged here to the hilt, be it on the places where we'd invest, the formulation, trade support, the whole mix was actually geared – given the attraction that we see in South and West post demonetization. And another category that has done pretty well is the Ice Cream & Frozen Desserts category as well. As far as Foods is concerned, our focus on market development continues and we will intend to keep it that way.

To summarize the result, this is something that we have seen in the numbers. I will call out the link between domestic consumer growth as being flat, as well as the sales being minus 1% is fundamentally modern foods - that is there in the base, an acquisition and disposal impact, which we don't consider when it comes to domestic consumer growth. And the exceptional item is the sale of property of about INR 159 crores, and other income includes the dividend from subsidiaries, that's more a phasing issue within one quarter to another.

Moving onto next slide, on a nine-month basis, we are now at 2% domestic consumer growth and underlying volume with minus 1%. And call out on modest and consistent improvement in operating margins was sustained at plus 20 bps, despite the fall this quarter.

On effective tax rate, something that all of you are very keen to understand. The Assam new unit is progressing well and we are very, very confident and comfortable with the launch that has happened before the end of March. And this more than offsets the impact of few of our existing units that are moving out of fiscal, as well as changes in IT rules related to R&D as well as investment allowance reserve. And therefore ETR for next year, it will be lower by about 50-odd bps, and this does not include any budget-related changes that may come through when the Finance Minister presents the budget in February.

Looking ahead on the near-term outlook, market growth is expected to improve gradually in line with how the liquidity eases, and the rising trend in input costs is likely to continue in the near-term as well. Our strategy remains unchanged. We will continue to focus on our volume growth, as well as improvement in operating margin. This does not change and we continue to stay committed on that one. And as part of the medium to long-term strategy of consistent, competitive, profitable and responsible growth remains unchanged.

With this, let me hand over to Sanjiv for his views.

Sanjiv Mehta

Thank you, Balaji. A very good evening to all of you. And many of you haven't met us this year, so greetings to all of you. As I've mentioned last time we met, market conditions were improving on the back of a good monsoon, and we have seen a healthy August, September, October, as well as the first few days of November. However, post November 8, market conditions were challenging as liquidity situations were tight. I would like to reiterate here that we will be supportive of any steps being taken by the government to bring about a level playing field and prevent or reduce tax evasion in our country. We also believe that GST rollout is a very positive step being taken by the government, that this should auger well for the country.

To drill a bit better on the impact, we saw that it was varied across categories, geographies and channels that we operate in. While rural and wholesale channels were impacted the most, modern trade and e-commerce performed better. Geographies with a higher banking intensity saw lower impact. Within general trade, large groceries performed better than small groceries. And as Balaji indicated, the consumers' pattern of pantry loading and frequency on market visits, also witnessed a change. As we called out in our November engagement, our approach to managing this challenge has been to stay close to consumers, invest behind growth and keep a long-term perspective. We rejigged our supply chain, supported our channel partners with credit, enhanced our direct distribution coverage, and ensured that we remain competitive in advertising. These ensured that we delivered a resilient performance in the quarter. We stay firmly positive on the medium to long-term potential of the market, and hence, we continue to invest behind market development, land our planned innovations, and build up capabilities especially in distribution and supply chain despite the conditions being very challenging.

The launch of LEVER Ayush master brand was our biggest innovation in the quarter. LEVER Ayush is range of exclusive personal care products that have been made with recipes prescribed in the ancient granthas. The products have been co-created with Arya Vaidya Pharmacy. It is the world's leading Ayurveda institute and an authority on the subject. We believe naturals is a mega trend and a part of building a complete portfolio of naturals, we have launched this master brand in the five states in the South as well as the union territories. This has been launched in all channels and consists of a wide range of 27 SKUs across toothpaste, soaps, hand washes, shampoos, face wash, with each segment offering varied solutions in the natural way. The products are available in the popular range, and I'm very excited with the potential that this brand holds. To those of you who travel to the South, I invite you to try the product and let us know how you feel about it. I'm sure you will be amazed by the delightful experience they offer.

Apart from the launch of LEVER Ayush, the quarter also witnessed the launch of new CIF power & shine spray in the multi-purpose bathroom and kitchen range, the launch of premium Axe Signature Gold, the new Fair & Lovely Anti Marks, and three new exotic-flavoured teas under Taj Mahal, inspired by our Taj

Mahal Tea House in Mumbai. Apart from the multiple new launches, I'm also happy to share with you that the Baby Dove brand that we launched towards the end of last quarter has been received well by the consumers.

To enhance our distribution capability, we'll further expand our sustainable direct coverage and assortment in the coming days. As you would recollect, we had focused on increasing throughput and are directly covered outside for the last two years to make the coverage sustainable. Now, having fine-tuned our approach here, we are ready to take the next step.

Let me now move to the segment-wise performance. For starters, all the segments were impacted by reduced trade pipelines and lower consumer offtake, though at varying degree. However let me call out the few key highlights.

In Home Care, the category performance was led out of premium laundry segment. It was very comforting to see that despite such adverse and tough conditions, Surf has maintained its strong double-digit growth trajectory. In tea, our differentiated WiMI approach to formulations, pricing, trade intervention helped us deliver strong results. In Foods, we continue to stay focused on market development and growing this business even further. Coming to our performance in Personal Care, the numbers have not been as buoyant as the rest of the business, mainly due to the market condition and the Personal Wash volume. The steep rise in input cost for Personal Wash, we have taken further calibrated price increases. This impacted volumes this quarter as well.

The stronger delivery of our premium portfolio like Surf, Dove, TRESemmé, Premium Skin Lightening and Colour Cosmetics, Green Tea, etc. under the challenging time is reassuring and establishes the long-term potential that the market holds and our focused on market development.

As far as the results for the quarter is concerned, though from a top-line perspective, our performance has been resilient. We are cognizant of the fact that operating margins have seen a 70 bps decline on the back of steep commodity costs, as well as the fact that when the volumes came down, we did not get the same kind of leverage on cost. I would like to reiterate that we do not run the business for a quarter as you would have seen from the sales that we have done, and a thrust on the landing innovation. And our strategy of modest improvement in operating margins stays intact. When liquidity gradually easing, we expect markets to gradually improve and we will stay focused on driving innovation-led volume growth with improvements in operating margins.

With that, let me now hand the call back to Aasif.

Aasif Malbari

Thanks, Sanjiv. Thanks, Balaji. With this, we will now move to the Q&A session, so that it doesn't really get very late in the day. We'll try to stick the Q&A to around 60 minutes. And I request participants who want to ask a question to keep it tight, so we can accommodate as many questions in an hour. In addition to the audio, as usual, our participants have an option to post the question through the Web option on the screen. We encourage you to do that, so that we can take as many questions as possible before the end of the call.

Before we get started with the questions, I would like to remind you that the call and the Q&A session are only for institutional investors/analysts and, therefore, if there is anyone else who is not an investor or analyst but would like to ask us a question or engage with us, please feel free to reach out with the Investor Relations team we have.

With that, I would like to hand over the call back to Urvashi who'll manage the next session for us. Urvashi, over to you.

Moderator

Thank you very much, sir. The first question comes from Mr. Avi Mehta from IIFL Mumbai. Mr. Mehta, your line is open. You may please ask your question now.

Percy Panthaki

Hello? Yeah. Sir, this is Percy Panthaki here. Just wanted to understand the demonetization impact a little bit better. So I understand, in November, there would have been a very severe impact at the entire pipeline, that is between you and the retailer, so including distributor, wholesaler, etc., would have got shrunk because of the demonetisation impact. So in December, has this pipeline got partially restored yet?

Answer

Yeah. Hi, Percy. If you recollect the graph I showed you on that, we are looking at secondary sales trends there. And when I'm talking about pipelines, I'm not referring to pipeline within us and our distributors, but for us it continues as replenishment, there is no change at all there. It is between distributors and the trade were the pipelines we are referring to and that is something which we need to wait and see. So we did see, if you saw my graph, there is a number that did come down in November and started picking up in December. This is a combination of consumer offtake as well as trade pipelines coming through. But we know for a fact that the number of days on hand in wholesale has definitely come down post demonetization, and that is something we will work its way through in March quarter as well.

Percy Panthaki

So the number of days in pipeline in wholesale in end of December, was it more than what you had in end of November?

Answer

The days was more than in December compared in November. It's still far lower than what it normally operate at.

Percy Panthaki

Okay. So just trying to understand, your December month secondary sales growth that you saw, would it be higher or would it be lower than the sales happening at the retail point?

Answer

I think consumer offtake, one will have to wait and see how it plays off. As far as December rate
In general are concerned it's a combination of both consumer offtake as well as pipeline starting to correct. So it'd be very difficult for me to de-work whichever is consumer and whichever is consumer pipeline. We'll have to wait and see for it to stabilize before we can read the impact of the consumer offtake.

Percy Panthaki

So I'm just trying to sort of get a handle on how to look at Q4 because I'm just trying to understand if these numbers already factor in a large part of the inventory correction or will that happen in Q4. So I just wanted to understand that part. I don't know if you'll be able to throw any more light on that.

Answer

It is fair to say that it's not yet complete.

Percy Panthaki

Okay. So partial has happened. A little bit more will happen in Q4.

Answer

Yeah.

Percy Panthaki

Understood. Sir, my next question is on Ayush. I understand earlier this used to be a premium brand, and now it's come in at around mass market level. So is it just the same products on which you cut the prices, or to make the prices more affordable, you actually launched new SKUs? And if that is so then how does that sort of tie in with your ingredients having to be natural ayurvedic, etc.?

Answer

See, first is the old LEVER Ayush was with a very different positioning. Yeah this, we have gone in with a belly of the market, and these are completely different mixes. And the whole idea was to now target the belly of the market, and get into multi-segment. In fact, many of the products weren't there in the earlier phase. So these are two different LEVER Ayush, I would say.

Percy Panthaki

And how is LEVER Ayush looked at internally in the organization? So since it straddles so many categories, have you created like a separate cell for it, or do you again – each of these SKUs report into respective category heads? What's the internal organization structure for this?

Answer

Let me tell you, we had to look at entering into this category in a very different way. So we had set up a crack team who were working across categories. They were getting in consumer insights from the category specialists, but this team was given the very clear mandate to work across categories, and they I believe did a fantastic job in record time.

Percy Panthaki

Right. And one more sub-question on this, if I might ask. What is your expectation from LEVER Ayush in terms of where it derives its sales from? So do you think it will expand the overall market, which is very unlikely in penetrated categories like soap or shampoo or all of these categories? And if not, then who do you think it's going to take market share from? Is it going to take market share from other natural products, or there might be some cannibalization within your own brand as well?

Answer

See, first is when you get into with a totally new category, there is never a 100% cannibalization, because there are segments here which are still very nascent, take hand wash for instance, take face wash for instance, take conditioners for instance. These are still very nascent segment and there is a huge room to grow. And I would believe, there is immense opportunity for us to grow. There will be some level of cannibalization, that is always there, but it also increases the repertoire of brands used by people within their households. So the growth would be coming in different sub-segments. They would have different levers of growth. A more penetrated category like soap, for instance, would have a higher degree of cannibalization, but the face wash or the hand wash or conditioners would have a lower degree of cannibalization.

Percy Panthaki

I see. That's all from me. Sir, thanks and all the best.

Answer

Thank you.

Moderator

The next question comes from Mr. Manoj Menon from Deutsche Bank Mumbai. Mr. Menon, your line is open. You may please ask your question now.

Manoj Menon

Hi, team. Just couple of questions. One, on the near-term outlook, which you put at the end of the presentation. When I look at the last quarter, there was essentially three lines, of which one is missing this time. The other two were largely the same actually. The one which is missing, which was there earlier, was a reference, if I have to read it out, it says sales growth will be positively impacted by recovery in markets. So is there any change in view on the market growth trajectory which we're seeing now versus three months back?

Answer

Manoj, I think what we have called out here is, given the post demonetization scenario, we are clearly calling out a gradual improvement in market growth as liquidity situation eases. So therefore, it is a specific call-out, the previous time when we called out, it is only about the market as it stood without any of the extraneous impacts there. Given that this is something, it is a very big impact as of now, we have chosen to address this head on.

Manoj Menon

Understood. Only a small point if I may, was that the comment about the gradual improvement in market growth was there last time, it's still there. So there's no change in that asset.

Answer

Correct. And if you noticed the message in Sanjiv's address as well, we did see the market growth starting to return post July. August, September, October, the trend continued. And that's what you see even in the graph that we put out there. And therefore, we do expect that we will get back to those rates as the liquidity situation eases going forward.

Manoj Menon

Understood. And secondly, on the ad expense line, now with Ind-AS, the ad spends which we get to see, correct me if I'm wrong, it's essentially the non-price linked media spend. So to that extend it's essentially the brand spends, right? And when I see that it has not really declined significantly in a quarter in which – I'm not sure whether you'd necessarily needed to spend this much, what I'm essentially getting at is that, is that the relative comparative intensity still fairly high that you actually had to spend this much to maintain your SOV vs. SOM? Is that the way to look at it, that you need to actually spend a little more per unit of sale to get to where we are currently? That's probably the market conditions at this point in time, but I just wanted to get your comments on this.

Answer

Okay. From Ind-AS, just to clarify the point, I think that you're right, I think the Ind-AS basically is non-trade link. All consumer facing trends go towards the A&P line. Trade focus spend go into the TTS line, so just to clarify. I hope that we are on the same page there. Moving on to the comment, as far as A&P is concerned, A&P is also a factor of a kind of innovation intensity that is happening, and the investment that you've put in place on market development where we needed to drive that going forward. But it is a factor linked into media heat. It is factor linked into innovation intensity, and what we are always have been saying that we will stay competitive.

This quarter, was an interesting quarter where the markets – the media spend had to be rejigged in terms of geographies, rejigged in terms of categories, which is what we have done, as well as put to investment. If we have a Sunsilk launch happening, Baby Dove was put in the previous quarter continued to be invested here. Those are all the factors that come into play as far as media is concerned. And we do not therefore keep a particular number and operate with that. We operate keeping in mind what is the level of competitiveness we need to maintain, and what's the kind of activity plan we need to support. And one more factor, Manoj, competitiveness of media spend, there's just one aspect we look at. At the end of the day, we look at reach and frequency of what we need to do.

Manoj Menon

Okay. Understood. And if I may, just a small one here, one comment about the frequency of purchase increasing. Will it be fair then to assume that the lower pack size LUPs are outperforming, which is also a marginal headwind for gross margins at this point in time?

Answer

Okay. That's a great question, Manoj. Let me think of the dynamics so that you understand why I'm not able to give you a direct answer. Number one, premiumization, we have called out exclusively that it continues to remain how it has been, continues to do well. No trouble there. What we noticed from a channel perspective, the channel that really got impacted was large rural wholesale and that continues to be under some kind of a stretch even today. What we did immediately and also geography-wise, north and central and a bit of a – had much more pressure compared to south and west. Combination of this had your mass segment actually came under pressure because those are large rural. They go into deep interiors and they also use wholesale as a channel to actually go forward. So, this combination is one of the reasons why you found some of those categories getting affected, those pack formats getting affected.

So, therefore, while the frequency of purchase may have increased, there is also an impact on the other side in terms of some of the other channels not been firing to the extent that one would have happened. So, difficult to read from that perspective.

Manoj Menon

Understood. But the reason I asked is because, logically, the modern trade would have grown much, much faster than the overall company growth and that would have been actually a tailwind for the gross margins. But what we get to see based on a lot of these pluses and minuses, what you call as down elevated and up elevated is still in minus 70 in GP line actually. That's what I was just coming from. Is this LUP the cheapest line which is pulling it off?

Answer

Yeah. Let me just explain. There has been an interplay of geography, channel and category. Yeah? As far as geographies are concerned, south has played the best because the banking penetration has been perhaps the highest followed by west, east, north and then central. Now within the channels, MT and e-commerce have done better for reason we can understand because the cash inflow came in at a much faster rate than rural. Then rural - And within rural, Central India was the most affected. So, your categories how they overlap in geographies, and channels and regions makes the difference to how the business performed in the last couple of months. And the impact has been twofold, one is offtake and the other is pipeline. But gauging how much has been offtake and how much has been pipeline is, under the best of circumstances, never easy. But today it's very difficult. It will take time before we can really put our fingers on how much was pipeline and how much was offtake.

And the impact of what Sanjiv just said out in terms of margins are concerned, we shouldn't forget that operating leverage is also an equally important portion of the margin improvement, that's one. Second, if you look at the overall portfolio, you'll see Personal Care sitting at minus 3% growth is also a down elevator when it comes to gross margin as well. So, multiple factors at play and that's the reason what we have called out. We understand it's going to be challenging for you guys to decipher that, which is the reason, we've called out explicitly that our commitment to modest improvement in operating margin stays. We obviously do not run the business for a quarter and we will invest what is necessary, but our commitment for modest improvement on operating margin stays.

Manoj Menon

Understood. Very clear.

Answer

The other angle is you I would just like to cover the story, so it might cover some of the questions that may come in your mind. If you look at it in November when we had the liquidity crunch, that was the time we also went through much higher trading for our channel partners, yeah? So, had we not done that, the impact would have been much higher. So, you may ask a question that under these circumstances, what were the big steps that a company like HUL took. So first, I would say, is immediately responding to by having extended more credit in the market, which was then weaned off. The second one was our supply chain became far more agile and this is a capability we have developed eventually over the last few years to cater to the different geography, channel changes that were happening. The third is we did not shirk away from spending behind the plan as well as activities of market development. And the fourth one is, innovation - We, again, took a long-term view and went as per planned and did not shirk away from pulling it back.

Manoj Menon

Understood. And thank you so much. I actually spent a lot of time on this. And one last one is on ETR, just the quantification to it – just a comment from my side, actually that there was a consensus expectation that the ETR possibly could be significantly lower going into FY 2018 than 50 bps. So, it's obviously – it's just the expected consensus we probably had without the bases. Just trying to understand, is it that the ramp-up which you're looking at in FY18 is delayed or the comment which you made that some of the outgoing units kind of nullifying, which one would be the bigger proportion here?

Answer

I think the ramp-up is as planned. I think we will continue to work towards ensuring that we do a vertical start-up, so that's something which we are committed to. But it is natural to expect a little bit of ramp-up that is out there. But also keep in my mind that it is also down the elevator drop due to some of the units getting off fiscal as well as changes in the IT rules. And the changes in the IT rules have been done in the anticipation of a direct tax actually coming So we don't know what is going to happen on the direct tax rate side, but this removal of these – some of the relaxation that is there has gone away already, so it's more a point in time - Maybe if you're having this conversation a month from now, we would have had a different conversion but let's wait and see how the budget clears off.

Manoj Menon

Absolutely clear. Thank you so much & all the very best.

Answer

And as far as Assam project itself is concerned, we are on scope for landing it on time and we will have a fabulous factory that is out there, which will be world-class.

Manoj Menon

Thank you. Thank you, Balaji.

Moderator

The next question comes from Mr. Amit Sinha from Macquarie Capital Securities. Mr. Sinha, your line is open. You may please ask your question now.

Amit Sinha

Yeah. Thanks for the opportunity. My first question is on the Personal Care segment and basically on how the margin of the segment has come down significantly during the quarter despite we taking two consecutive price hike. So just wanted to understand from the management that do we need to take more price hike here to bring it back to the margin of the last year?

Answer

I think with the way we managed pricing is something that you guys are well aware of, some of you, we've run this business through multiple cycles up and down where commodities have gone up, commodities have gone down. And we work all line of the P&L. I know I am going on like a broken record on that, we do play all lines of the P&L. So, what I really request you to take a look at is whatever we are putting out as the commitment there, at an overall HUL level, we did not run this by category. While, internally we do it, for the external commitment - what I'd request you to look at is our commitment that we are committed to modest improvement in operating margins.

And, therefore, that should then remove all that from the setup hat is out there because there are other levers that's also at play there. We will work on the zero base budgeting. We will ensure cost earnings are driven very, very hard. All these come under the kitty before we decide - what is the level of profitability that we want to drive in the business. And there, I'm calling out the modest improvements. Also, keep in mind the investments we are putting in place Dove Baby is an investment. LEVER Ayush will be an investment. All those will go in as well. So, request that we do not slice and dice a million categories. They'll have their own drivers going forward.

Amit Sinha

Okay. Fair enough, sir. Sir, second question again on the demonetization graph which you showed in the presentation. Now, you have clearly mentioned there that December showed a significant improvement over there, but how is January till date going on? I mean, has it come back to the baseline number which we have showed?

Answer

This is the current – we are talking about December quarter, so wouldn't want to comment on January. It wouldn't be appropriate.

Amit Sinha

Sure. Okay. And this was an exceptional quarter, that's why I asked the question. Okay. Last question from my side is on the trade channel cost. And given that all these – the wholesale channel will be much more a tax compliant going forward. Do you think that your trade margin will go up significantly from the current levels?

Answer

I do not see a connection between tax compliant and trade margin. That is the way we operate and that stays put. And therefore, there's nothing further to add from our side on that.

Amit Sinha

No, sir. My question was mainly that as and when the wholesale channel goes more tax compliant, they start more kind of negotiating with you guys for more margin going forward. So, is any kind of a story kind of playing out at this point of time?

Answer

Let me tell you that we would be having, perhaps, the highest direct distribution. Yeah? And relatively, our reliance on wholesale would be lower. And as a company, we would definitely want the entire trade to pay the legitimate dues. Yea? And people who relied more on wholesale, I would believe they would have a bigger reason to worry.

Amit Sinha

Got your point, sir. Thank you very much. Thanks.

Moderator

The next question comes from Ms. Latika Chopra from JPMorgan, Mumbai. Ms. Chopra, your line is open. You may please ask your question now.

Latika Chopra

Yeah, just extending from the previous question. On the press conference you mentioned that rural wholesale channel could see a reset. Just wanted to hear thoughts on would the direct distribution initiatives, which are being focused now more on incrementally, would be able to mitigate this challenge or do you anticipate any permanent loss of wholesale business in rural, which you need to offset with the direct reach?

Answer

I think writing an obituary of wholesale is not right Wholesale plays a big part in our country, especially in our hinterland. So, while there may be a shift in the composition of business which is coming out of wholesale, they won't die away. They will also have to look at the whole business model. But some people, if they've been doing the only job they have been doing, earning the livelihood through trading, they won't give it up. They will come back.

From our perspective, this is not a new strategy. Only thing is it will give it a further impetus. If you recall, we had expanded our coverage, then we consolidated our coverage, and looked at the throughput. And I'm glad we did that, because now we have sustainable coverages, driving both throughput and assortment, and this is a focus which will continue into the future.

Latika Chopra

No, my question was actually related to the timeline, sir. So the rural wholesale channel would take much longer to sort of come back to normalcy. Is that a view that you share and the impact for returning to normalcy could be couple of quarters away completely from a rural perspective?

Answer

See, what we are seeing clearly, Latika, is that some of smaller rural wholesalers are already starting to come back. It's only the large rural wholesalers that are still stressed there. I would expect with liquidity easing, they will also start coming back into the track. The large urban wholesalers are also getting back into their normal rhythm. I think just need to give it a bit of time. It's also incidental that the large rural wholesalers, lot of them are central India based. There is also a geography angle that is out there. So, let's just give it a bit of time I'm assuming, and it is fair to say that they will also start getting into the rhythm of a normal business. They are not going to let go of a business and they'll change their business model if need be. For them, as Sanjiv put it rightly, they have their livelihood. They're not going to walk away. And from a timing perspective, the reason why we are doing direct coverage is that we believe it's going to be a strength going forward and rather than anything else there.

There is one more insight let me give you is, if you look at the retailer, especially in semi-urban and rural areas, they would buy some stuff directly from a distributor and some stuff from the wholesaler. I think what would have happened certainly has happened after the liquidity crisis, they started buying more of the stuff from a distributor. Now other bit also remember, in deep rural we have a Shakti distribution now. So there also, in those villages, there was wholesalers who were supplying, and then there was Shakti Moderators. And when the wholesale would have felt the crunch, Shakti really stepped in and helped us.

Latika Chopra

Yeah, that's helpful. The second question is, if you could elaborate a bit more on how the various sub-segments on the Personal Care fared. You gave a sense on soaps, where volumes saw moderation on account of price increases. But any comments on skin, hair care and oral care? Any different divergent strategies there in terms of growth rate?

Answer

The reason why we are conscious that we've not given the colour of the sub-segments, because the story is identical across the board. So we didn't want to call it out every time. The only difference was in Personal Wash there's an added impact of the price increase there. Otherwise, it's pretty – it is almost uniform story that goes right across the board. Every sub-segment was impacted by both the channel actually reducing its stock levels and consumer offtake getting impacted. But we are not able to split out the combination individually what they are.

Latika Chopra

All right. Thank you.

Moderator

The next question comes from Mr. Prasad from BAML, Mumbai. Mr. Prasad, your line is open. You may ask your question now.

Prasad Deshmukh

Hi. Good evening to both of you. A couple of questions. Is there any update on that last year's statement that you – around INR 22 billion was supposed to be returned to shareholder in one form or the other?

Answer

Yeah. We're, with the internal approvals have all been secured including shareholder approvals and the approvals are waited for the honourable High Court of Mumbai. And they've now moved this from the High Court jurisdiction to the NCLT's jurisdiction. So we are awaiting – keenly following up on seeing if we can get an early hearing on that, like an approval. And we are now awaiting the NCLT approval on that. The minute that comes through, then we are ready to act on that.

Prasad Deshmukh

Okay. Sir, second question on – are you seeing more opportunities for inorganic growth now? Especially because post-demonization, we are hearing that valuations are now more reasonable. And if so, what is the acquisition policy in that context?

Answer

Our acquisition policy is as consistent as innovation policy. We are always open for business there. And it will, obviously, be linked to the strategic fit as well as the valuation that is out there. So business as usual when it comes to that. We eagerly we'll be looking out for opportunities on that front.

Prasad Deshmukh

Yeah. And third question on direct reach, you mentioned last two years the focus was on increasing throughput. And going ahead probably your direct – your focus will be on increasing direct reach. Is there any number that you can give us or guidance in that sense? And also, are these initiatives driven by the company per say or are they now being driven by distributors themselves, because they're not able to sell through wholesale channel?

Answer

Okay. Anything we do with the distributor, when it comes to bringing in science of selling, yeah, we help them. That's where you bring in the power of big data, analytics, deciding where we need to expand and how we expand and how do we get more throughput. So that's – always we bring in the – we help the distributors. But, of course, distributors are our partners and they see the rationale and they join us in this endeavour.

Prasad Deshmukh

Okay. And any number you can give in terms of what kind of direct reach you're looking at?

Answer

At this stage, where distribution is our significant competitive edge, I would not like to give a number.

Prasad Deshmukh

Sure. Sure. Thanks a lot, sir.

Moderator

The next question comes from Mr. Arnab Mitra from Credit Suisse, Mumbai. Mr. Mitra, your line is open. You may ask your question now.

Arnab Mitra

Yeah, good evening. Sir, my first question was you mentioned in one of the previous questions that the wholesale pipeline has started refilling in December, so that December-end pipeline was probably better than November-end. So, in that context, are you surprised that the December secondary sales is still negative YoY? Because that would – one would expect that the pipeline refilling happening that actually helps primary or the secondary sales.

Answer

Let me explain. The impact has been two-fold. One is offtake; the other is pipeline. We have not been able to put our finger to the precise extent to which the pipeline shrunk and to what extent it has freed up. You will have to give us another month or two. We are talking about 8 million- 9 million retailers in the country and very difficult to gauge how much pipeline has shrunk and how much it has gone back. The anecdotal evidence which clearly corroborates that the pipeline shrunk and the offtake went down. Similarly, as far as the offtake is concerned, we will have to wait whether any trend emerges or a pattern establishes. So right now, it is only the picture that we have which indicates that the worst is behind us, and that is the reason we have been very careful in terms of stating that there is a gradual recovery which we anticipate to happen.

Arnab Mitra

Sure. Also the other thing that in some other categories there has been talk of this unorganized sector getting impacted. In theory it does sound right, but in practice have you actually seen – detergents & tea which are two categories where there's lot of unorganized sector that you compete with. Have you actually seen there being a problem in unorganized sector and a share gain opportunity, or it's not really the reality in the market?

Answer

See, again, it would depend on to what extent people have been able to convert their old money into new money. It is as much your case as ours. From our perspective, we are very happy that GST is coming in, because had GST not been there for us, this would have been a one-off thing. But GST will result in systemically ensuring that the level of tax evasion in the country comes down and it becomes a much more level playing field, which should augur very good for a company like us.

Arnab Mitra

But did you see anything specifically in the last two months where the competition from the local players went down?

Answer

Very difficult at such an early stage. Give us a couple of months, and we will then be able to monitor much more closely whether some of the brands, which are operating only in the rural, semi-urban, whether they have been impacted. But too early to say at this stage.

Arnab Mitra

Sure. And just couple of questions on this Assam factory. So, along with the ETR, were you able to give a range of what kind of excise duty impact you get in a FY 2018 and 2019 in terms of reduction? And also on other income which is a separate question, but are you seeing a significant fall in the yield on cash as the overall rates in market have gone down?

Answer

Yeah. As far as ETR we give, because there are multiple moving parts on ETR, and there is also what are allowed allowances – disallowed therefore we give that – since it is very difficult for you to predict. There are the numbers we wouldn't want to give out individual line items as they always maintain that our objective is comparative growth and our objective is to ensure that we grew volumes and we ensure that modest improvement in our operating margins. This goes into that particularly thing, so wouldn’t want to go there.

As far as cash yield is concerned, clearly with the interest rates coming down, there has clearly been a reduction in the yield and that's one of the reasons why we are very keen that we return the cash when it comes to the money that is now locked up in general reverses. So, hopefully, we'll get an approval soon, in which case that money will get remitted back.

Arnab Mitra

Okay. Thanks so much and all the best.

Moderator

The next question comes from Mr. Richard Liu from JM Financial Mumbai. Mr. Liu, your line is open. You may please ask your question now.

Richard Liu

Okay. Thanks for taking my question. Good evening, everyone. I have three questions. Two on margins and one on expenses. The first one is that – is there a seasonality or is it because of normal yield pressure that Home Care margin has come up too sharply compared to JQ & SQ twelve and a half to ten to eight & a half percent now?

Answer

Yeah. I think there is a combination there. There is a combination of commodity prices as well as combination of operating leverage coming up in this kind of reduction in numbers there. Otherwise, there's nothing more to it than that.

Richard Liu

Okay. And would that stand for PC margin as well? So there is mix improvement given that soaps have declined. And therefore, other parts of the PC actually, they're relatively better. And despite that, there was still margin compression at the segment level. Is that also due to adverse operating leverage or is something else at play?

Answer

Yes, Richard, I talked about a little bit earlier, it's a combination of significant inflation. If I look at the relative inflation in soaps versus Home Care, soaps significantly higher inflation because of the way commodities have run away there. And then second, of course, is the BMI investments given the innovation – significant innovation intensity during the quarter as well. So it's a combination there.

Richard Liu

Okay. Last one on other expenses, if I look at the Q-on-Q up move in the absolute amount of the other expenses, I'm talking about DQ versus SQ. It's been quite high this time as compared to same period last year. Just to elaborate, other expenses, DQ versus SQ grew about 6.5% this time around versus about roughly 6% DQ versus SQ same period last year. And this is despite your volumes being down 4% Y-on-Y. Any colour you can throw on this?

Answer

One point also is that the phasing between quarters and you will also notice the other income part of it because some of it also is cost incurred on behalf of Unilever and then subsequently charged out. So, therefore, there's a phasing that happened between quarters as well, as some of the costs are ours, some of the costs are Unilever costs, which has charged out Unilever once incurred.

Richard Liu

Correct. Thanks. Very useful. Wish you all the best.

Moderator

The next question comes from Mr. Sanjay Singh from Axis Capital Mumbai. Mr. Singh, your line is open. You may ask your question now.

Sanjay Singh

Yeah. Hi. Good evening, everyone. Just I wanted to know that throughout the presentation, we heard a lot on being positive, which is great, and I think somebody alluded that in December despite the channel pickup in wholesale, the sales were still negative. Now, unfortunately, the whole demon impact has probably impacted the more on the labour class, really wage class. So is it a fact that the consumer uptake could be especially in the mass end, could be still under pressure and probably will only improve with time even if cash comes back because lot of sectors, probably like construction, etc. would be still in trouble. Can you throw some light on that?

Answer

I guess it's a great question because one of the reasons we're calling our gradual improvement is one liquidity. Liquidity at least removes one equation - one variable from the equation. But I'm also assuming that liquidity will also play itself into the growth in other sectors as well. So, right now, the mass segment did see stress and one of the more stressed setup at the end of December quarter, and therefore, it's a combination between wholesale, rural and mass together because there, so how much of it is pipeline, how much of it is consumer, but consumer uptake has been impacted on the mass end.

Sanjay Singh

Any improvement you're seeing as we speak or is it still difficult to call?

Answer

I said December slightly better than November, but the premium end is actually doing even better than that. So, therefore, it has still got stresses that it hast to get their way out. We are awaiting the GDP growth numbers as well because that that will then give us a better indication as to what has happened to economic activity across, and that will give us a better sense of how to read the market going forward.

Sanjay Singh

Okay. Okay. I just missed out, you said when somebody asked the previous question. I just missed out. The Home Care margin this quarter was quite low. Any thoughts on that? I don't see any seasonality, so.

Answer

Not on seasonality. Two things there. One is the commodity prices that are going up in the case of crude. Additionally, there is also the de-leverage of volumes not coming through the extent that we would have liked. So, that combination is what is playing out. Otherwise, there's nothing else there other than that in that.

Sanjay Singh

So in that context, given that commodities are still not easing off, how do you see gross margins going forward? And with the mix of all the excise duty coming off for the Assam factory, etc. but given all the events together, how do you see gross margins coming in the near term?

Answer

See, that's the one that I alluded to earlier, multiple variables in the end play. Definitely, savings will be a big one to look at. Mix will be a big one to look at. Operating leverage will be a big one to look at. Ensuring that we are pricing appropriately, net revenue management will be a big one to look at. So it will be variable factors coming into play. Zero-based budgeting on media will be a big one to look at. So we will be looking at all lines of the P&L to drive it hard. So, what we have said is there are so many moving parts on that. What we are brief to ourselves is to stay committed to modest improvement in operating margin. So, therefore, the lines will move in different places, but it is important that we finally translate it to the P&L in terms of modest improvement in operating margin. So, that's what you should factor in your model.

Sanjay Singh

That's it for me. Thank you very much.

Moderator

The next question comes from Mr. Aditya Joshi from Religare Capital Markets Mumbai. Mr. Joshi, your line is open. You may please ask your question now.

Manish Poddar

Hi, sir. This is Manish here. Just had a question on the hair oils category. I believe you have play in the hair oils category with both the products, Ayush and Indulekha. So, what is the thought on this space? And I believe both the products are in the premium category unlike the other products in the Ayush range, which are fairly in the mass end.

Answer

I think the focus fundamentally on Ayush is a full portfolio that is out there. So we wouldn't want to tease out hair oils within Ayush as the strategic play there. It is, it's too early days to comment on Ayush in terms of how we'll play the portfolio. We're now wanting to first get the presence out there and so that we deliver a sample of mix out there. So, let the consumer experience and then the consumer decides what runs from that space. Indulekha, clear call out. It will stay premium. It has entered new markets as well and we are very happy with the response we are getting. We are continuing to invest aggressively on that. So therefore, that is in the curative space of hair oil where it has got a very clear problem/solution brand on hair fall and that's the way it stays. So, slightly different positioning between the two brands and the consumer decides what he or she wants to go after.

Manish Poddar

Okay, sir. That's great. And is there any timeline for the national rollout of Ayush?
Answer: Internal plans are there, but we first want to see the response in south. It's a very big intervention for us. And therefore, and we will fund that and will support it as well. So, let's see how the consumer responds and then we'll take it from there.

Manish Poddar

Okay, sir. That's great. Thanks.

Moderator

At this moment, there are no further questions from participants on the audio line. I would now hand over the call proceedings to Mr. Aasif Malbari for the web questions.

Aasif Malbari

Thanks, Urvashi, for seeing us up to this session. I'll go on to the questions on the web option. I won't be repeating the questions which we've already taken. The first question is from Tejas Shah - Because of the challenge we did see in the quarter, share of premium products would be unnaturally high in the quarter, which might get rationalized in the coming quarter. Hence, is it safe to assume that the input cost pressures on margins would be more prominent in the coming quarters?

Answer

I think I've answered this earlier as well. Mix was just one part of the premiumization, but there's also operating leverage to look at, cost saving programs to look at, as well as pricing to look at. So, these are the things that we consider when we look at – when you go ahead and commit a modest improvement in operating margins and, therefore, that's how we look at it.

Aasif Malbari

The second question is from Kaustubh Pawaskar from Sharekhan Limited. How is the company planning to improve margins in the backdrop of rising raw material prices? Should we, price hike in some of the key categories in the coming quarters? So, this we've kind of explained. Unfortunately, we would skip this one.

From Amit Kumar, Investec - In the Tea category, growth has been much ahead of the average. Any specific call out as to why? Has there been reorganisation of the organized players, is it sustainable?

Answer

Yeah. Three reasons for that. I think number one, Tea, from a category dynamics perspective, is more towards the staple zone and, therefore, if I want to look at how the consumer actually behave post demonetization, the most stable your business was , lesser was the impact in terms of delivery. So, therefore, Tea being closer to the stable business actually did not see much of an impact, one reason. Second reason, our Tea business is also more focused on the south and west and, therefore, to that extent, one did not see too much of an impact from a market disruption perspective. And third, these were more external factors. And internal factor for us is the fact that using these two pieces of information how do we dynamically move in terms of pricing, trade support, interventions and formulations that we have already put in place, which we have started delivering results even earlier. If you look at our September quarter, Tea growth was also an 8% Tea growth. And, therefore, that actually started playing out well for us during this period. So, these would be the three factors there.

Aasif Malbari

Okay. A follow-up question from Amit Kumar. We have previously seen significant PFAD inflation in 2014 second half, the price hike part was but relatively smooth, what makes it different in your current cycle?

Answer

I think one is the steepness and the sharpness of the increase at very short notice. That will be the first point I would make difference to the second half of last and 2014. And second I think we're also going through it at, from an FMCG market perspective also – is in a bit of a stress coming off, two consecutive droughts that are out there. Therefore, rural dictates significant stress that is out there. Ours is highly penetrated and a lot of our brands, for example, products like Lux and Lifebuoy, they are huge brands that go deep into interior rural as well. So, in that way, it's different from the 2014 scenario from a consumer perspective.

Aasif Malbari

Given the pressure on rural consumer channels, did the rural sales see a double-digit decline?

Answer

I think we can talk about sales. Wouldn’t want to talk about numbers and individual channels. We don't give those.

Aasif Malbari

And the last question from Amit is any call-out on the performance of the winter care portfolio.

Answer

I think firstly, winter was – a mix winter, we have certain parts of country actually facing significant versus – significant winter versus mild winter in other parts So, additionally, winter also moves into heavy wholesale, so our preloading was absolutely well done. So, October was a great month for winter. Thereafter, some of the challenges that we saw post demonetization did come through and, therefore, it also got impacted vis-à-vis the demonetization, but relatively lesser compared to some other parts of the portfolios.

Aasif Malbari

Okay. This question comes from Tanmay Sharma in Edelweiss. Can you throw some light on the oral care category? Also, with Ayush coming into the picture, aren't you running a risk of slower – slowdown in Pepsodent and Close Up?

Answer

The oral care business performance, and we're trying to say it is subdued performance and it also got aggravated by the market conditions we talked before. But also said it would be fair to say that our portfolio wasn't firing all cylinders before that in any case. Ayush is a big intervention in oral as well because the natural spot of the oral portfolio is the one that one is seeing significant growth at, so therefore, it's a great set of products landing there. And we've got three variants that are going into oral natural that lands there. So, we are very, very optimistic about it and we play it as a portfolio. We don't treat Close Up versus Pepsodent versus what individual brands do, fight among themselves in terms of their remaining period. Our investments on Pepsodent, Close Up continues, so we are not holding back any of those investments in the case of Ayush and whatever the consumer chooses, this is what will win.

Answer

And I think to add, with Ayush, we will be getting into the natural segment of oral care. This is the fastest growing segment in the market.

Aasif Malbari

This question is from Jubil Jain from PhillipCapital. What is the price hike for soaps in Q3 on a year-on-year basis? What is the price hike outlook for detergents?

Answer

Individual category price hikes, we won't want to comment upon. We don't normally do that. But the fact that at a portfolio level overall our price UPG is at about 4% this quarter, most of it coming out of Home Care and will give you a sense of the magnitude of the increases going through.

Aasif Malbari

This question comes from Prashanth Satish from Sundaram Mutual Fund. Any reposition of the strategy on adding promotions kind of given demands sentiments? If demand is still low, could one expect promotional intensity to be elevated and, in fact, actions to be muted in the coming – in the near term?

Answer

I think it plays us dynamically with every passing quarter depending on what happens on the ground. As we said, we will remain competitive and we also have our reach - frequency targets to deliver. That's what we will go after. And at the same time, we also need to look at the kind of innovation pipelines that are out there. I think the message as far as the A&P is concerned is we will do all it takes to grow.

Aasif Malbari

Second question from Prashanth - Is the distribution expansion strategy only targeted towards large rural wholesalers or is it focused towards replacing most of the Balance? Have you accelerated our target for distribution expansion towards de-mon versus earlier?

Answer

It is fair to say that we have accelerated our target for distribution. I think that's a fair call-out. As far as – first of all, it's not about one channel vis-à-vis other. We would want each channel - has got a particular role to play. As Sanjiv alluded to earlier, wholesale is here to stay in this country. It's not going to go away. And, therefore, what we are trying to play our direct coverage is, is there a way we can use distribution as an edge to ensure that our products are more preferred vis-à-vis our customers. So that's what our focus is. And, therefore, it is not only targeted at large rural wholesalers. It will be national in its approach.

Aasif Malbari

This is a question from Amy from Jupiter Asset Management. A couple of queries relating to working capital. Firstly, you mentioned supporting of distributors with credit. How has this affected receivables? Secondly, given the lower consumer offtake, was that effect on inventory?

Answer

As far as credit is concerned, we have put some money in the market and taken the money back this year then before the end of the quarter itself. So, as far – I mean, by about mid – early part of December, we had all the money back in as well and, therefore, no impact as far as receivables is concerned. As far as the inventory is concerned, yeah, I alluded to the supply chain agile planning that was there. So, actually, we ended up with our inventory position being better than previous year when we ended the year. So, there was some great work from our planning colleagues in supply chain to ensure that we stay nimble despite volatility in the market. Our inventory days are actually lower this year compared to last year. And so was it in the entire pipeline. Be it us, be it our distributors, be it the wholesalers, all across we saw inventory in the pipeline actually come down because that's one way to be really nimble.

Aasif Malbari

Okay. So, that's all that we have in the web queue. With that, we now have come to the end of the Q&A session. Before we end, let me again remind you that the replay of the event and the transcript will be available on the Investor
Relations website in a short while, and you can go back and refer to it. A copy of the result and the presentation, if not with you, is already on the website and you can go back and refer to that as well. With this, we would like your attention and draw this call to a close. So, thank you, everybody, for your participation and have a great evening. Thank you.

Moderator

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