June Quarter 2014 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. Dinesh Thapar, General Manager, Head of Treasury, Investor Relations and M&A

Moderator: Good evening ladies and gentlemen. I am Sourodip Sarkar, the moderator of this call. Thank you for standing by and welcome to the Hindustan Unilever Limited, June Quarter 2014 Earnings Call. For the duration of presentation, all participants' line will be in listen-only mode. We will have a Q&A session after the presentation. So now without further delay, I would like to hand over the conference to our first panellist for today, Mr. Dinesh Thapar. Thank you and over to you, sir.

Dinesh Thapar: Thank you, Sourodip. Good evening and welcome to this conference call of Hindustan Unilever Limited. We will be covering this evening, results for June Quarter 2014. On the call from the HUL end, Sanjiv Mehta, CEO and Managing Director and P. B. Balaji, CFO. As a customary, we will start the presentation with Balaji sharing aspects of our performance for June quarter and then hand over to Sanjiv for him to share his perspectives on the business performance. We will then get into Q&A. Now, we've been having some problems with the technology today; it's been a bit erratic. So what we've done is to mail across a copy of the presentation to all the participants. In case you haven't received it, it's also available and posted on the HUL website under the investor relations section. You might just like to get hold of a copy of it just in case we encounter problems with technology.

Before we get started with the presentation, I'd like to draw your attention to the Safe Harbour statement included upfront in the presentation for good order sake. With that, over to you, Balaji.

P. B. Balaji: Thanks, Dinesh. Apologies for the technology issue that's happening, as we speak. So request you to kindly refer the deck that is there on the website.

First of all thank you for taking the time to attend this briefing. And this being my first briefing, I feel privileged to be here and, of course, delighted to take you through HUL June quarter results.

Before I take you through our performance, let me outline our strategy - Compass, which is our fundamental strategy. The good news here is that there is no change to our strategy which is clear, compelling and delivering results. Our strategic framework is still guided by the compass and the differentiator is the Unilever sustainable living plan. And our goals which all of you have seen multiple times is 4G growth – growth that is consistent, competitive, profitable and responsible.

Let us now move on to the operating context. The operating context continues to be tough. The market has slowed down further in both volume and value terms and premium and discretionary categories continue to be in the pressure. Input cost rules were higher on a year-on-year basis. And while media intensity as measured by GRPs has come down, competitive intensity continued to remain high.

Let me give you a bit more insight on the input cost. Input cost fundamentally they continue to be ruled high. PFAD is higher both in dollar terms as well as rupee terms. Exchange rates have been an appreciative from the lows of December quarter 2013, but are still well below year-on-year level. Crude, which is a proxy for a host of chemicals that we used, is higher on a year-on-year basis.

Let me now move on to our performance. In this challenging market, we have delivered another quarter of competitive and profitable growth. Domestic consumer business grew by 13% and ahead of the market in both volume and value terms. Underlying volume growth of 6% which when we adjust for the transport strike that happened last year which is in our base is more like about 5%. And operating profit was higher by 23% and PBIT margin was higher by about 130 basis.

Let me give you slightly more detail into the PBIT margin. To just unpack this number, cost of goods sold was higher by 60 basis led by input cost inflation which I alluded to before. An employee cost had a one-time credit of about 32 crores, which is roughly about 45 basis for pension costs adjustment for prior years. A&P was up on an absolute basis by 55 crores and continues to remain higher 12.5%, but it is lower by about 80 odd basis points compared to previous year due to the lower media intensities which again I alluded to before. And all other cost put together, we had an operating leverage of close to about 20 basis which includes the royalty fee as well. The impact of all this is, profit after tax before exceptional item was up 15% and net profit at 1057 crores is up 4%. This growth on net profit is lower than the turnover growth fundamentally because the growth was impacted by exceptional items - higher property sales and tax credit in the base quarter.

Let me now talk about the performance of each of our individual segments, And the heartening part of this growth that we see is a double-digit growth coming through on all our segments, all our four segments witnessed double-digit growth.

Coming to individual category highlights, our continued focus on innovation continues to be at high levels - be it Lakme Gloss Addict Range, Closeup Diamond Attraction, Lux re-launch and quite many more, but our focus on innovation continue. These innovations have also been amplified with an impactful 360° activation on TV& non-TV, be it digital, film, press and outdoor media as well. So we continue to activate these innovations better.

So talking about the individual categories, while these innovations and the activations run across a wide spectrum of categories that we have, to talk slightly more specifically into the individual categories in skin cleansing, Dove leads the performance of this category. But it’s also been ably supported by Fairs, Lux, Liril, Hamam and Lifebuoy, all of these delivered double-digit growth. As you have seen in the market, Lux has been re-launched with the improved product aesthetics and sensorials. And we also have had to manage quite a significant increase in cost this quarter and we are basically taking judicious pricing to manage this input cost inflation. And hearteningly, liquid performed well led by Lifebuoy handwash showing to confirm that categories of the future continue to grow well.

Talking about homecare, here again double-digit growth led by the premium segments where surf delivered one of its strongest quarter and even continuing to accelerate. Wheel’s performance has started to improve post the re-launch and Comfort continues to do well and lead the market development. Robust performance on Vim helps the household care business as well.

In Skincare, which is something you would be very keen to understand, FAL has delivered double-digit growth after its re-launch and Ponds has also delivered a strong performance this quarter. Lakme again continues to do well. So launch of Pond's Men which I alluded to before continued to keep the innovation intensity high. And what we see is strong broad-based growth across the entire facial cleansing portfolio. So overall skincare with FAL coming back has delivered a very strong performance.

Hair, the volume led double-digit growth story continues for another quarter where Dove accelerated its performance, Clinic continues to do well and TRESemme continues to make good progress. We saw broad-based growth across formats, but it's important to point out that sachets have grown faster than rest of it, something that we will talk about I am sure in the Q&A session as well and conditioner's market development has sustained.

Oral care, we continue to invest and sustained competitiveness and Closeup, on the back of a strong re-launch, delivered double-digit growth. We also have strong innovations like Diamond Attraction in this category and here again we see small packs leading the growth. Pepsodent recovery is still underway.

Colour cosmetics has been a standout performer. Lakme continues to do very well with the quality innovations, 9 to 5 and eyeconic doing particularly well with an exciting launch of Lakme absolute Gloss Addict range as well. And Elle 18 continues to maintain its robust performance.

Coming to beverages. Tea growth was led by strong volumes driven fundamentally by strengthened mix, brand equities and shopper in market activation and green again it's a nascent category delivered a good quarter. Premium offering 'Taj Mahal – A flavour of Darjeeling', was launched. I am sure you'd have seen in the market as well. And what is important to call out is that the price growth in tea is starting to fade.

Coffee's growth steps up led by volumes. And one of our nascent brands like Bru Gold sustains the momentum. In packaged foods, our fundamental intervention has been to drive market development and this has been very strong double-digit growth in Kissan, Knorr and Kwality Walls. In the case of Kissan, it's fundamentally the Inspire campaigns actually drive relevance on a day-to-day basis which deliver the growth. And Knorr is led by instant food where our effort has been to drive product experience and file generation. And in case of Kwality Walls, it's fundamentally in-market execution. Magnum continues to build momentum during the quarter as well.

Turning to Pureit, which is our water business, it continues to build its category leadership and particularly heartened by the performance this quarter of double-digit growth in the backdrop of a week consumer durables segment. Particularly pleasing is the growth of premium devices and Pureit Ultima RO+UV has been very well received fundamentally through the modern trade and Pureit perfect stores channel.

So to summarize the results, 13% net sales, 23% PBIT growth, 130 basis points improvement in PBIT margin, a PAT (bei) growth of 15% and a net profit growth of 4%. That is the summary of what our results. I will call out two things here. One is a higher tax charge which we have been always calling out. It means our effective tax rate for the quarter is about 29.5%. Secondly, one-time employee benefit expenses which again we called out in the earlier numbers. And the last one being the exceptional items this quarter have been lower than what we have in the previous quarter primarily from the sale of properties. So that's how this thing moves.

To summarize the results, 13% domestic consumer growth ahead of market. PBIT margin expanding by 130 basis points fundamentally due to our inflation impact that is negative, compensated by competitive spend, one-time pension credit and operating efficiently. Looking ahead which is probably the most important part of this presentation, we notice continued headwinds and we do not see any respite from the headwinds of market growth, consumer spending and inflation. We are positive on the medium to long-term outlook for FMCG and therefore our strategy remains unchanged that is to manage the business for long-term growth, growth that is consistent, competitive, profitable and responsible and we will invest to strengthen the core and lead development of emerging categories. And as HUL, given our brand's capabilities and talents, we believe we are well positioned to make growth. Over to Sanjiv for his further comments.

Sanjiv Mehta: Thank you, Balaji and good evening to all of you on this call. Let me start by commenting on this quarter's results. When I look at the performance in the quarter and then view it against the backdrop of an environment which remains challenging, I am pleased with the performance. Our growth has continued to be competitive, we are growing ahead of the market on both volume and value and it has been broad-based double-digit across the different segments. The fact that each of our segment has grown double-digits is also a reflection that our portfolio remains in good shape. Now, this growth has not been easy to come by. You have just heard Balaji speak about the operating environment, market growth continues to remain soft, as a matter of fact, it has slowed down even further in the current quarter. And it is not just with the quantum of growth, the challenge is also with the constituents of growth in terms of premium segments, larger and more profitable packs. Now, market growth continues to remain sluggish and under-pressure and therefore when you look at the growth against this frame of reference, very clearly I'd like to believe that we continue to demonstrate resilience in our performance. And while it may have been on a relatively easier base, but if I look beyond just the math and the context of delivery, this overall it has been a very satisfactory performance.

It has also been another quarter of profitable growth, while it may have benefited from a one-time credit arising from pension adjustments. The fact is we continue to drive the cost agenda with lot of rigour and I am reassured to see that this is delivering well. As for advertising and promotion spend, it will always be a function of the innovation and the competitive intensity and with the media hit lower this quarter, we have continued to spend sufficiently whilst driving efficiency on this front.

To me what is important is that we have sustained competitive investments across each one of our segments. Therefore, while it is certainly about driving growth margins, it is also about looking at all the lines of the P&L depending on the context. So a good quarter on margin as well, although there are headwinds on mix and cost inflation which we need to keep managing going forward.

Let me talk briefly about my thoughts on our performance across the segment. In soaps and detergents, the growth was broad-based. Each of the categories delivered double-digit growth. It is a core of our business and it is performing well.

Coming to personal products, while you could say we've had a relatively benign-base quarter and ascribe the set of reported growth rate partly to it, the fact is that the categories are weathering this challenging environment well. There is no doubt that the market continues to remain soft, but you have heard us say and we remain absolutely unequivocal that PP represents the large opportunity and will be a growth driver as markets and consumers evolve. And to that extent, we remain steadfast and resolute in the actions that we are taking and building this part of our business through a mix of market-making as well as strengthening the core of our business.

Skincare has had a good quarter led by the growth momentum on Fair & Lovely. The recovery of Fair&Lovely post re-launch is an indication that we know what it takes to win with the consumers. And how we move decisively to action in industry like us there will always be innovation which will not always win the consumers. What is important is that we pick up what isn't working, understand why didn't it work and then move with speed to address it. And that's pretty much what we did with Fair&Lovely. It was a key priority and I am now reassured with the direction in which we are moving.

Hair and cosmetics both the categories are on a very good momentum. The brands are strong, delivering consistently and I am very happy with the progress that we are making here. As far as oral is concerned, Closeup is doing well. We had a very good innovation in Closeup Diamond in the quarter-ended review. As far as Pepsodent is concerned, the growth is still relatively subdued given our expectations and clearly we need to do more to step up performance.

So some work to be done, but otherwise across the larger PP portfolio business looks healthy and well poised. And as and when the markets and the discretionary category's growth starts to look up, we will be in a much better shape, so that brings me to beverage. When I am conscious that the price growth is fading, but what is important is that we have a strong portfolio of brands which are gaining equity and consumer franchise. Tea continues to do well, market intervention is taking across all brand in the portfolio over a period of time, I've seen the business deliver strong, steady performance. Green tea continues to do extremely well and now it is good to see coffee bounce back to double-digit growth.

Coming to packaged foods, I am pleased to see our growth step up with all the brands delivering double-digit growth. It's a segment which has been spoken about in earlier forum including the recent Annual Investors' Meet. So let me not spend too much time commenting on it again. But I would like to reiterate that we have committed and continue to take actions to drive everyday relevance and unlock the opportunity in packaged food.

Therefore, when I look at the totality of our business and balance, I would say that the state as a business looks healthy, our brands are growing well and we continue to make progress and strengthening our leadership position.

Let me conclude by saying that we continue to see headwinds in the environment. We remain optimistic, as indeed a lot of you do. And I know many of you have questions on when the markets will recover. When you are looking at the business from the lengths of long-term enduring success, you need to be prepared for peaks and troughs along the way. So while we are conscious of the near term concerns, we aren't overly preoccupied with it, great businesses find the ways to tide over such phases. And therefore, whether that recovery were to happen sooner or later, for us what is important is to remain focus on driving a strategy with discipline, rigour and continue to do what is right for the long-term growth of our business. You may have heard me say it in the past, but let me reiterate that we are here for the long-term, not just the next quarter or year and that's what drives us to run this business. We remain absolutely confident about the mid, long-term outlook for India and the outlook for FMCG in this country. And we believe that HUL is well placed to win as this story keeps unfolding. To me, winning is consistent, competitive, profitable and responsible growth and that is what we want to keep doing as we have been doing right up till now. With this, I would now like to hand over the call back to Dinesh and I look forward to engaging with you in the days ahead.

Dinesh Thapar: Thanks, Sanjiv and Balaji. I think with this we will now move on to the Q&A session. I recognize it might be little late in the day, so what we will try and do is to bring this call to a close no later than 8 p.m. India time which gives us a little over an hour for the Q&A. Can I therefore request participants who wants to ask a question to keep it really tight so that we can try and accommodate as many during this period of time. In addition to the audio queue, participants also have an option to post the question through the web option on your screen and I'd encourage you to use this as well. We will pick those up in the course of the session. Before we get started with Q&A, I'd like to remind you that this call and the Q&A session is only for institutional investors and analysts and therefore if there are anyone else who is not an investor or analyst, but would like to ask a few questions or engage with us, please feel free to reach out to us at the investor relations team. With that, I'd like to hand the call back to Sourodip who will manage the next session for us. Sourodip, over to you.

Moderator: Thank you very much, sir. So, attendees, with this, we are going to start the Q&A interactive session. Should you have any question, you may please press "0" and "1" on your telephone keypad and wait for your name to be announced. Participants, should you have any questions, you may please press "0" and "1" on your telephone keypad and wait for your name to be announced. We have the first question from Mr. Abneesh Roy from Edelweiss Capital. Your line is unmuted. You may go ahead and ask your question.

Abneesh Roy: Sir, congrats on good set of numbers. My first question is on the relative performance with the market. If I see the other results PP and both soaps and detergent, we've seen to have grown ahead of the other published results. So if you could give a segment-wise which are the segments we have grown faster than the market and some sense on why that's happened?

Sanjiv Mehta: Thanks, Abneesh. Good evening to you. You know, like we alluded to, all the four segments we grew double-digit and in all the four segments we grew ahead of the market. On an overall basis, Balaji indicated that the markets have been growing in the previous quarter and the quarter under review at less than 4%. Our growth at 13% has been well above the market.

Abneesh Roy: Sir, my second question is you alluded in opening remarks that sachets in some segments have grown faster, so is that a trend on which you are capitalizing on the segments where you are not seeing that? And other companies are saying that rural clearly is now slowing down much faster than expectation and maybe it's going slower that urban in some segments. So are you also seeing that? And are you also capitalizing on the urban recovery already? I am sure you were launching lot of premium products. But when do you see the urban consumer come back and start buying those products?

P. B. Balaji: Abneesh, Balaji here. Let me comment about sachet growth first. I think the key points that we are trying to make is at one end we are seeing premiumization on the pressure. What do we mean by that? Earlier, if you go back to 2012 or 2011 kind of timeframe, we used to have premium categories moving two times, three times the category average. Of late, we are not seeing those kind of growths. Certainly if you look at some of our brands, they are doing well. Some of the premium brands are doing well like a Dove, like a TRESemme. But it doesn't go one level below into pack format. I see that, let's say, a Dove sachet growth is higher than the bottle growth, so which means the aspiration to buy a branded product is definitely there, but the access to that brand is coming through a sachet. So what is the word that we give for this is something we need to figure out. That's one part of it.

Your point on rural is again an interesting development. Again, if you go back in time of rural growth, it used to outstrip urban growths significantly. But if you see as these curves have started coming down, both the urban curves and the rural curves have started coming down, but they are also narrowing, which means the days of rural outstripping it substantially is not there which is probably what you are referring to. Yeah?

Abneesh Roy: Sir, my last question Knorr noodles any comment there; soups has done well. So any comment there when do you see this one also catch up and Pepsodent do we need to do something more or the recovery which pointed out is underway that will actually happen in the coming quarter?

P. B. Balaji: Abneesh, first of all, I think, we look at the category as a whole, not as a brand as what we would like to really perform well. And there are certain stages where certain core product formats do better than the other. As we speak, this Knorr performance can be better and that's something that we will be working on. But our whole agenda and the whole food business just keep in mind the penetration levels and the consumption levels are so low. The bigger job here is market development rather than a confirmation on whether a particular product format is doing well or not. So our endeavour here is to drive market development which is what you'd see us doing and that's what we shared with you in the investor meet as well what are the ways in which we are doing it. But the very fact that Knorr has delivered a very strong double-digit growth that we are in the right path as far as building experience model, getting people to experience our product as long as that works, we are in a good place.

Abneesh Roy: And Pepsodent, sir?

P. B. Balaji: Pepsodent recovery, as well called out, it's still underway. We are not for a minute saying that it has reached our levels of aspiration for that product and that's something on which work is underway.

Abneesh Roy: Okay, sir. Thanks and all the best.

P. B. Balaji: Thanks, Abneesh.

Moderator: Thank you very much. We have the next question from Percy Panthaki from IFL. Your line is unmuted. You may go ahead and ask your question.

Percy Panthaki: Good evening, everyone. My first question is on the competitive intensity. You mentioned that there has been a reduction in the media spends this quarter. Also, from whatever little I have been able to gather looking at the market. Although promotional intensity remains high, it has marginally reduced versus six to eight months back. And thirdly, if I look at price increase across categories, there is no price war, no one is holding the price line very firmly except in certain SKUs, et cetera, so price increases are happening to the extent possible in normal circumstances. So looking at all these three parameters, my feeling is that competitive intensity is reducing on the margin versus six-eight months back. But you are saying that competitive intensity remains as high as ever, so can you just explain why you are saying that competitive intensity remains where it is?

P. B. Balaji: Thanks, Percy. There are multiple ways in which competitor can actually act. There could be better product, there could be a higher innovation intensity, there could be a higher promotional intensity. Keep in mind that we are placing an inflationary situation. If in an inflation situation, the first natural intervention of anybody is to remove promotions that are already there in the market, improve, reduce the trade spends that are in the market. And so what we are saying is that, if you combine all of them together, are we seeing drops in innovation intensity? No. Are we seeing substantial letup in terms of, let's say, price point packs that people are fundamentally vacating them? No. So people are playing rational competition. For that, we should be clear there. We are not for a minute signalling that the competition is irrational. All that we are signalling is that the intensity of the competition continues to remain high. Just keep in mind that just as we are seeing the promise of the Indian story, competitors also see the promise of the Indian story. So nobody is going to take their eye of the ball. So therefore we should be prepared for intense competition in any case.

Percy Panthaki: Right. So then let me rephrase my question. Would you say that intense competition as it exist today and it has been existing for two or three years now is that any longer a factor or a hindrance to your performance because it is already there in the base?

Sanjiv Mehta: Hi, Percy. Percy, first is we love competitors. I think we have to understand that competitors are in the interest of the consumer. And also in many ways they make us give our best. So from that perspective, they keep us on our toes, they make us play our game even harder and better and that's how we look at competitors.

Percy Panthaki: Right. Last question and this is this media intensity coming off do you think that's just a phasing issue or do you think that's something that can continue, I mean, it's more of a structural thing which has happened?

Sanjiv Mehta: See, there are some category, say for instance, skin cleansing where the input cost have been far greater than the increase in the selling prices. The palm oil prices if you look at it has gone up tremendously coupled with rupee depreciation. So in categories like skin cleansing, people are trying to optimise their spend because you can't pass on all that increase to consumers. But if you look at it from a perspective, it is also to do with the number of innovations you bring in, the number of activities you have during a quarter. So I don't think we are in a position to say that the spends have come down or will come down in the quarters ahead. We will have to really wait and see how they span out.

Percy Panthaki: Right. Sir, second question is on gross margin. This quarter you've seen YoY decline in gross margin even though your pricing component at around 7% is on the higher side in recent times. Now, this is clearly an impact of the YoY increase in palm cost, et cetera. But going through the year, as we go further and further into second half and these commodity cost inflation anniversarises, what is your view on the full year picture in terms of, I mean, this margin pressures? Do you see them easing or how do you see that panning out?

P. B. Balaji: Percy, as we had called out in terms of our looking ahead what we have seen as going forward, we clearly see continued headwinds as far as market growths are concerned, as far as consumer buying power is concerned and inflation, three points that we called out.

I think for us in terms of gross margin, we need to be looking at price versus cost, we should also be looking at mix, so what are the kind of categories that are actually going ahead compared to market. So I think the key point for us is what are the judicious pricing that we can take. The fact that we are seeing small packs growth higher than some of our big pack growth means fundamentally the gross margin from a mixed perspective is deteriorating. So how do play this judicially while continuing to keep the volume growth firing and ensuring that we don't lose competitiveness is the challenge. And we believe given our portfolio, given the way where we managed cost on a dynamic basis, we believed we are real player. But having said that, I'd be the last one to say that we believe we got a full understanding of how we are going to win the gross margin going forward. So let's play that every quarter is a quarter that we need to play by the quarter and depending on how inflation comes out competition moves in the market, we need to decide pricing very, very carefully.

Percy Panthaki: Right. One quick last question on toothpaste. The market leader in the last 2 or 3 quarters has seen a decelerating volume growths trajectory. Have you also seen a decelerating volume growths trajectory in toothpaste?

P. B. Balaji: We have signalled it in the overall market context as well. Across the board we are seeing volume growths to come off. So…

Percy Panthaki: No, but for your business we have not seen – In other segments, we have not seen a deceleration in your business. So I'm not talking about the market growths, I'm talking about HUL toothpaste growth has seen a decelerating trajectory in 2 or 3 quarters.

P. B. Balaji: I think it's fair to assume that. But also keep in mind that we also have a mix portfolio. They have Closeup, which doing particular well and Pepsodent where our recovery is still underway. So, therefore, my performance is more vis-à-vis my brand. When it comes on oral, it's more vis-à-vis the market.

Percy Panthaki: Right. Thanks. That's all and all the best from my side. Thanks.

P. B. Balaji: Thanks, Percy.

Moderator: Thank you very much. We have the next question from Mr. Prasad Deshmukh from Bank Of America. Before I open your line, sir, I would request all the attendees, should you wish to ask any question, you may please press "0" and "1" on your telephone keypad and wait for your name to be announced. Mr. Deshmukh, your line is unmuted. You may go ahead and ask your question.

Prasad Deshmukh: Yeah. Thanks for taking my question and congrats on a good set of numbers. So couple of questions on the urban markets. One is sequentially are you witnessing urban consumers also shifting to smaller price points or is behaviour here different versus that in the rural consumers?

P. B. Balaji: Yeah. You want anything more, Prasad?

Prasad Deshmukh: Yeah. So second question is also would request you to make some commentary on how the modern trade channel is behaving now, I mean, one year back it used to be a key highlight as to modern trade has done well or not, but we haven't been hearing much about this channel lately. So what is the update here as to, I mean, is the channel behaving different in terms of growth versus what you used to do earlier?

P. B. Balaji: Okay. Let me start with the modern trade question that you have. In terms of growth performance of modern trade as a channel, it is just like every other channel that we've seen a decline in the modern trade channel and, therefore, compared to its heydays, it is significantly lower than that. The combination of store closing and the fact that we are having same store sales, not as the same league as what it used to be earlier, is causing the issue. But having said that, it is stabilizing compared to what we've had earlier. But the point is I think I would still wait for another quarter before we believe we can turn around and say that modern trade is starting to stabilize completely. But here, again, we are talking as a vis-à-vis the market. And there are two-three things which you would look out for to confirm that the modern trade is coming back. I would want to see whether there is the confidence to put new store back in track again, which is what that will grow with F3 in organic growth as much as organic growth is concerned and then, of course, our own offtake that you would see in the same store, which will work its way through with time. And here the premiumization agenda is an equally important part of the puzzles because modern trade is fundamentally a driver of premiumization, which we need to see as well. So there are multiple points that we would look through to confirm modern trade is coming back again.

Talking about your other question on sachet growth in urban versus rural, the story is pretty similar both in urban and in rural.

Prasad Deshmukh: So isn't it counterintuitive that the premium launches are doing well which I'm assuming it could be mostly because of urban markets. But consumers are shifting to smaller price points.

Sanjiv Mehta: You know, market will never be absolutely perfect even if you look at in a context where you are seeing the volumes completely decelerates. There are many segments in the market. Let me pick them up for instance. If you look at the laundry powders from machines, they are growing exceedingly well. If you look at the facial cleansing, they are growing exceedingly well. If you look at green tea, it's doing exceedingly well. If you look at the hand and body lotion, they are doing very well. So there are many segments which bucks the trend from a market perspective. Then when you look at it from an individual company perspective, of course, the brand, you know, in the market, which is getting increasingly tough, stronger brand will be stand out.

Prasad Deshmukh: And just one last question on the pension this one-off that is there, so this is a one-off because you are running a define benefit scheme, right?

P. B. Balaji: We have closed our define benefit schemes. What we have is a define contribution scheme. Let me give you what the background of this is. The company has a pension policy, which basically says that if you are in this company for more than five years, you are eligible for a pension. There are people who have left the company before five years and, therefore, are not eligible for the pension. This is basically an adjustment to the pension corpus to recognise the fact if many people are not there in the number and this has been done over five periods as well. So that's the reason we have called it a one-off.

Prasad Deshmukh: Okay. Thanks a lot, sir. That's it from my side.

P. B. Balaji: Thanks, Prasad.

Moderator: Thank you very much, sir. We have the next question from Mr. Ashish from Elara Capital. Your line is unmuted. You may go ahead and ask your question.

Ashish: Yeah. Sir, after quite sometime we are seeing some marginal improvement in PP segment. So what would be the reason for that is the employee cost, the sole reason why we would have seen that and the how sustainable is the improvement in margins going ahead?

P. B. Balaji: Ashish, two points here. Number one, the fact that you've got Fair&Lovely coming back, always gives you a tailwind, it's something that's our core bread and butter. So it's something that we are very, very pleased about. And, secondly, of course, given the media intensity coming off, we are also having a lower range spend in the category. So these are the two things. But, again, I would be decent to add the A&P's competitors in each and every one of the tough categories that we operate with. So, therefore, this is just the recognition of the fact that the media need has come out.

Ashish: Secondly, sir, on the PP growth itself, I mean, this is probably the first quarter where we have seen it's coming back to that 15% kind of mark, but how sustainable do you think this would be in the current context of the consumption, the sustainability of double-digit growth in PP?

P. B. Balaji: Ashish, there are two points here to keep in mind. Rather, let me say, three points to keep in mind. The fact that we've got some of our specific issues sorted and products like FAL behind us and, therefore, growth returning to its normal level is something that is fundamental and, therefore, we are happy about it and we hope it continues to stay going forward. But also the statement also means that there is a base year impact because last year the same time PP growths were also low. So, therefore, there is a bit of base year impact that we need to plan it.

As far as going forward is concerned, there are lot of variables to come and play, for example, one of the things that I point out that you'll notice that September quarter in last year with a signalled onset of winds where we had winter sales coming in earlier, what are the implication of that on our numbers, all those needs to be thought through. So the only thing which I would say is that our endeavour remains to be ahead of market at every point in time on a consistent basis. That is our first endeavour. And, more importantly, we are very, very comfortable on the medium to long-term growth story of this country. So those are the things I would point out to more on a structural basis. The quarter-on-quarter numbers there are lot of noise impacts on that which we should just look through. And then as long as you are looking at an overall year basis, it should be fine.

Ashish: One last one. Just want to understand the global cost cutting drive that is going on in Unilever as far as the Project Half is concerned, so how does that impact the India business? Is there anything which would substantially be saved on the cost front in India and any quantification possible on the P&L side because of all this?

P. B. Balaji: This cost agenda that we drive continues to be there. So currently on an every year basis we review our portfolio, we review our processes, we review our overheads intensity that we work with and we work through those cost and there are savings plans drawn up and we deliver. That is the root, I mean, if you look at our entire, if you had asked a question saying that how we are going to manage cost inflation, the first response we will give you always is that we manage our cost rates very, very tightly. So the recognition of Project Half globally is to say that what are the ways in which we can make this organisation nimbler, what are the ways in which you can make this organisation simpler and what are the ways in which we can make this organisation take decision fast and move faster. That's the whole agenda about Project Half, which, in turn, results in saving and which in also turns more effective ways of working. So one of the agendas of Project Half is, let's say, trimming our tail of a SKUs so that we are better prepared, more nimbler, less loaded with SKUs that don't perform. So that will definitely be we are already implementing it, as we said in our press release in sometime back, almost 20% to 25% of our SKUs will be pruned by end of the year. So implications of Project Half are many. And, as far as the cost agenda and its ability to deliver savings for us, it's something that we have always worked on and we will continue to work on.

Ashish: My specific hint was basically there is a specific number that the global Unilever is targeting in terms of cost savings, so anything like that in India or is it not quantifiable?

P. B. Balaji: Not quantifiable.

Ashish: Okay. Sure. Thanks a lot.

P. B. Balaji: Thank you.

Moderator: Thank you very much. We have the next question from Miss Suruchi Jain from Morning Star. Before I open your line, I would repeat, participants should you wish to ask any more question, you may please press "0" and "1" on your telephone keypad. It's "0" and "1" on your telephone keypad to ask questions. Miss Jain your line is unmuted. You may go ahead and ask your question.

Suruchi Jain: Thanks. Hi. I noticed that the firm took its dividend payout upto 70% plus up from the 60% historic trend. Will this be the levels going forward and was it something recommended by the Unilever or PLC management? Also, my second question is what is the possibility that Unilever may try and increase its stake in HUL further, as it wanted a 70% plus sort of shares in the near future?

Sanjiv Mehta: Let me comment on the second one. Yeah. That is absolutely beyond our purview to comment about; that is something which is completely at the discretion of Unilever. We are neither aware nor do we comment on that.

P. B. Balaji: And can you come back on your first question?

Suruchi Jain: First, I look at the dividend payout. Actually by my calculation, it's gone up from the historic, say, 60% odd levels to, you know, much higher and that's probably because your earnings were quite flat this year. But going forward, do you see the dividend payout essentially going up higher than the 60% that you maintained in the past?

P. B. Balaji: I think first of all in this quarter we haven't talked of dividend because our interim dividend comes in October and that's probably the right time to respond to this question on a most specific basis. But as far as a broad principle of dividend, we continue to have a steady approach with dividends. We don't intend to make it volatile. We look at all avenues to ensure that we are returning cash and handling it sensibly as far as the shareholders are concerned.

Suruchi Jain: Okay. So you don't have any particular payout policy as such paying out excess cash to shareholders on a consistent basis?

P. B. Balaji: We look at differently. For example, there are times when we are giving special dividends. There are times when we have done a buyback and therefore they have done bonus debentures. So I think returning cash to shareholders is something that we actively look at various points in time and we do it in various means. One of them is a dividend and that's something we have been doing it consistently, but dividend is also a signal of what is the level of confidence we have from a future profitability perspective. So just like any peer dividends we work out, we will decide what is the right way to signal it and at an appropriate time we will share it with you.

Suruchi Jain: All right. Thank you.

Moderator: Thank you very much. We have the next question from Mr. Vivek Maheshwari from CLSA. Your line is unmuted. You may go ahead and ask your question.

Vivek Maheshwari: Hi. Good evening, everyone. My first question is on the PP margin, sorry if I am repeating this one again. But if I look at your 27.6% margin first clarification there is an impact of 50 basis point on royalty on a YoY basis here?

P. B. Balaji: Yeah. It is fair to assume that because we do it more on an overall level, but not an unfair assumption.

Vivek Maheshwari: Understood. Now, if I look at, you know, obviously your business of four quarters has different dynamics, but if I just focus on first quarter and, you know, go back, say, in the last 6-7 years this is the highest margin that you have, you know, that you have earned in this segment in first quarter fiscal, you know. Is there any big change in mix or, you know, channel stuffing which has what, you know, changed the product mix to such an extent that, you know, this margin is actually at a highest level in the last 6 years for the first quarter?

P. B. Balaji: Three comments here. Comment number one, we don't look at margins on a quarter-by-quarter basis because it depends on innovation intensity what was planned and what is something that landed in the market. That's point number one. So please look at our margins on a full year basis that we have committed to implement improving our PBIT margins at modest rates quarter-by-quarter, that is year-on-year. That is one.

Second point, as far as PP itself is concerned, we don't look at a particular segment portfolio. We play the full P&L. Therefore, our segmental margins are a very much subservient to the overall shape of the P&L that we'd like to deliver. That is second point here.

As far as the third point is concerned, a specific intervention in a specific month, I mean, for our straightforward one I can talk about is the fact that FAL growths have become so substantial. So that is an inherent part of it. But don't hold us to it from an individual quarter-on-quarter, segment-by-segment. We operate as a portfolio and we will always ensure that we are improving our margins on a year basis modest improvements in margin. So those are the two things that I would give you with.

Vivek Maheshwari: Okay. Very helpful. Thanks for that. Second, again, this was something which was discussed a while back on your, you know, presentation slide which says competitive activity remains high despite lower media intensity and you have also explained that, you know, the promotion intensity has also gone down. So all that, you know, the statement means is Indian markets are attractive from a longer term perspective, it is attracting competition, but from a near term perspective, things are much better than what these were, you know, say, for the last, say, several years now. Is there a fair statement of fair position?

P. B. Balaji: See, when we say promotional intensity has come down, we are referring to price-led promotional intensity. Having said that, the intensity of activities in the market be it innovation, be it the fact that the market continues to be attractive and players are still in the market, those continue to remain high. So what we are seeing right now is the fact that media intensity as measured by GRPs have come off and what are the other levers in which this competition is playing out continues to be played out on a day-to-day basis. So what we see, for example, in promotional intensity scopes may have come off, but we are not seeing that in oral, for instance. So each category has its own dynamic depending on what is the variables that play there. So, therefore, competitive intensity everybody sees this as attractive as we do and therefore a total competition, regional competition or international competition, all of them see the same attractiveness of the Indian market as we do and it is our job to ensure that we are absolutely are aware of that and ready for that.

Vivek Maheshwari: Okay. And…

P. B. Balaji: Sorry. One last point. The earlier point I made was the irrational price-led competition that was there at some point in time earlier towards that we are not seeing in the market, but what we see is, what I would probably call it as true marketing competition.

Vivek Maheshwari: Understood. Sure. And these 12 minutes, you know, a while back, a few quarters back you had highlighted that, you know, there can be a big increase in media spends or whatever the rates surely because this 12 minutes, you know, ruling, so where are we on that?

P. B. Balaji: The fact that GRPs has come off tells you that people are looking beyond just a 12-minute number that, you know, it's been a short-term reaction to because immediately inventor goes off, but also it makes people creative. The fact that spends are moving from TV to non-TV is the fact that people are finding clever ways like to build which is what we shared with you in the investor meet. Also, it tells you that people look beyond an immediate constraint.

Vivek Maheshwari: Okay. Okay. And the last one and a quick one now that you know, the first quarter is over, what will be your, you know, whatever indication or guidance for full year tax rate now? You had mentioned in the past 300 to 400 basis point higher, but can you be a little more, you know, are you a little more sure on that number?

P. B. Balaji: The fact that you are where we have said earlier that we'll be in the range of 29 to 30 is the same mode we still continue to hold. And you are aware of the background to it which is fundamentally because of fiscal units completely there years there and, therefore, that should be the broad range we should be looking at.

Vivek Maheshwari: And fiscal 16 would be marginal, right?

P. B. Balaji: No. We'll talk only about this year. We don't want to talk about the following year.

Vivek Maheshwari: I see. Okay. All right. Thanks and all the best.

P. B. Balaji: Thanks, Vivek.

Moderator: Thank you very much. We have the next question from Mr. Harit Kapoor from IDFC Security. Your line is unmuted. You may go ahead and ask your question, sir.

Harit Kapoor: Yeah. Good evening. Just had one question actually. You know, I just wanted to understand that the backdrop of, you know, small packs growing at a faster pace at one side as well as FAL growing at a faster pace now at the other. Just wanted to know the trend of the mix benefit that you had, so in the volume growth which you report is the volume plus mix. So I just wanted to understand, you know, how has that mix changed is? Has there been a greater positive impact or it's been lower as the quarters have gone by?

P. B. Balaji: You know, the fact that there is – Let me look at the mix, let me unpack a mix for you. Mix could be at a brand level, mix could be at a channel level, mix could be at a pack level, mix could be, let's say, category level. So when we talk about mix all the three play together, what we did call out was the fact that and the pack mix level we are seeing pressure because of this aspiration and people wanting as far as they go into higher brands, but accessing it through small pack.

Harit Kapoor: Right. Right. But at an overall level, could you give us some more colour that, you know, whether this number was higher than, say, last quarter or this quarter or the general trend whether at an overall, you know, a combination of all these factors, so you have the mix actually been higher or lower, you know, just to give a better sense and?

P. B. Balaji: Let me talk about the pressure that we face. The fact that premiumization is coming off is fundamentally an illusion to the fact, I mean, how do they translate into P&L. It translates into a higher margin, in fact, coming under pressure. Therefore, we process pressure on mix because of that and it's endeavor to now figure out ways and means to accelerate growth in other categories so that we can play the mix at an overall level. But we will face pressure – One of the reasons why we are also cautious about the future is the fact that unless if the premiumization is come back, the growth story that you'd really like to unfold is still under pressure.

Harit Kapoor: Got it. That's it from me. Thanks.

P. B. Balaji: Thank, Harit.

Moderator: Thank you very much. We have the next question from Hemang Kabshi from Canara Robeco. Your line is unmuted. You may go ahead and ask your question.

Hemang Kabshi: All questions have been answered. Thank you.

P. B. Balaji: Thanks, Hemang.

Moderator: Thank you very much, sir. Before we move on to the next questions, I'd like to repeat, participants, should you have any question, you may please press "0" and "1" on your telephone keypad and wait for your name to be announced. It's "0" and "1" on your telephone keypad to ask questions. So, we have the next question from Puneet from Goldman Sachs.

Puneet: Hi. Good evening, everybody. My question is actually with respect to online retailing emerging as a channel, so just wanted your thought of how do you see. Are you able to save some cost on account of this channel and what are the growths that you're achieving in the channel?

Sanjiv Mehta: See, for us, online is still a very small part of our business and it has still not impacted a fortune. But going ahead, we see that's pretty attractive potential and we are developing capabilities and, in fact, we are working on different business model to see how we can leverage e-commerce in a big way.

Puneet: And how do you supply to the channel?

Sanjiv Mehta: Sorry?

Puneet: Directly or through, how do you supply to the channel?

Sanjiv Mehta: See, right now as thing stand, we do not supply directly, we do through a partner.

Puneet: And just one book keeping question, what is your tax rate expected for FY15 and FY16 for the full year?

P. B. Balaji: Puneet, as far as FY-15 in concerned, we have already signal in the range of 29 to 30%. And FY16, as we said earlier as well, is something we don't want to comment right now. As the time progress, we'll signal you at an appropriate time.

Puneet: Okay, thanks a lot.

P. B. Balaji: Thank you. Thanks, Puneet.

Moderator: Thank you, very much. We have the next question from Kaustav from Sharekhan. The line is unmuted, you may go ahead and ask your question.

Kaustav: Good evening, sir. Thanks for taking my question. Sir, I have question on your packaged food segment. So, this quarter we have seen a growth of around 19 percent in this particular segment considering the low waste of Quarter 1, FY2014. So whatever steps you took for improving the growth prospect of this segment have fully played or do you see any further scope of improvement in this particular segment in terms of growth?

Sanjiv Mehta: See, if you were to look at today, packaged food in India is still a very nascent category. So the whole job is how to we explore the category, that' s the big talk. And if you were to look at our performance in packaged food, it has been a pretty decent performance not just in this quarter, but over the last several quarters. So I don't know whether you attended our invertors' meet or not, but we have very clear focus on Kissan, on Knorr and ice cream brand. And in all this, we are very clearly doing a great job of activation and unlocking the potential. And also we are in a very robust manner building a food's capability. So that's our food business keeps growing at a decent pace and we keep unlocking the potential that food offers us in this country.

Costa Oscar: Sir, my question was more in terms of growth because there has been some kind of volatility in terms of growth in this particular segment. But for past still we've been seeing the growth rate is improving. So that's why we just ask whether we can see further improvement or we can expect, you know, a double-digit kind of growth rate to sustain in the coming quarters.

P. B. Balaji: Costa, I think, two points here. As Sanjiv just alluded to, our job here is market development and therefore as long as we keep doing the job properly, we should be able to be sustaining the growth level and if not improve further. So I think it's something that is what our internal ambition is, so let me not give any guidance or anything. It is important to develop this category in the future. So more than growth, it's more important that we are actually landing those market development initiative on time. That is one.

Second, keep in mind that also June quarter is also a season for ice cream where in particular an ice cream this quarter, we've had a very good in market execution of the Kwality Walls brand, of course, Magnum really coming to the party as well. So, therefore, as we move into a September quarter and December quarter, let's see how the thing plays out, how does the mix of these growths play out let's wait and see. But what we are really wanting to signal to all of you is we are committed to this category, our job is develop this market and very nascent category and we will continue to invest and build this market.

Costa Oscar: Got it, sir. Thanks a lot.

Moderator: Thank you very much. Before we move on the next question, I would like to repeat, participants should you have any question you may please press "0" and "1" on your telephone keypad. I repeat it's "0" and "1" on your telephone keypad to ask questions. We have the next question from Mr. Abneesh Roy From Edelweiss. Your line is unmuted you may go ahead and ask your question.

Abneesh Roy: Sir, I just one or two follow ups. We increased our direct distribution from 2 to 3.2 million, but mostly it has been done in urban areas through tele calling. My question is tele-calling versus direct servicing by visit by after sales person, how much is the difference and the pickup in volume growth versus earlier quarter, how much of that has come from the augmented distribution? And if it does not come, do you expect coming quarters to remain strong because of this sharp increase in distribution?

Sanjiv Mehta: See, first it's very important to understand it's not that most of our distribution has increased because of tele-calling. Yeah. That's absolutely wrong. Our distribution has gone up and we directly service those outlet. And we service those outlets in different fashion in urban, rural and also through our Shakti, the channel that we've developed through the Shakti Amma. And tele-calling is one way which we supplement to receive orders from certain customers, but that's not to say that we don't service outlets by the visit of a physical salesman. It does happen and we also ensure that we directly, of course, deliver the goods to the outlet.

Abneesh Roy: Sir, my second question is if you see lot of the listed and unlisted companies in food and personal care, they're announcing large CapEx plan, so what's our CapEx plan in FY15 and FY16 if it is possible to share for FY16 also? And are we worried from a longer-term perspective because of this CapEx plan? I know you have said that India remains a very attractive opportunity, but are you not worried of these numbers?

Sanjiv Mehta: See, we are not worried about our competitor's CapEx plan. Let me assure you that. From our perspective, we very closely monitor our capacities and innovation and we keep investing so that we have sufficient capacity to fund our organic growth and also the innovation plan that we have, to be rest assured that we wouldn't run out of capacity.

Abneesh Roy: Okay. Any numbers you can share on that FY15, FY16?

P. B. Balaji: Normally, on guidance on CapEx we don't give, Abneesh, but you can just take a look at our numbers across time. You'll notice that it's a pretty steady trend in CapEx, so there's nothing jumpy about it.

Abneesh Roy: Sir, right. And one last one. Sir, this is a follow up on the online model. Sir, if you see in India in the mobile business some companies are launching only through Internet sales and exclusive tie-ups, for example, with SIM card, globally does Unilever have such a model wherein the premium PP products, et cetera can get launched and sold only through online model, is there that?

Sanjiv Mehta: See, we cannot rule it out. But if you were to really scan the space today is that is happening more in the phase of mobiles and durables and those kind of item. For us, e-commerce is certainly a very important immerging channel and both globally as well as in India we are investing significant amount in developing capabilities and experimenting with different business model.

Abneesh Roy: Right. Okay, sir. Very helpful. Thank you, sir.

Sanjiv Mehta: Thank you.

Moderator: Thank you very much. We have one last question here in the audio from Mr. Vijay Chugh from BNP Paribas. Your line is unmuted. You may go ahead and ask your question.

Vijay Chugh: Thank you very much. Congratulations on a very strong performance. I just had one single question, you know, considering with your delivered double-digit growth across categories. Any brands or categories that you would like to call out which were, you know, the competiveness stood out during the quarter?

P. B. Balaji: So I think the fact that we now, we have called about market meeting growths across all our categories in volume and value growth ahead of market. It's a statement in point and you got to look at a standout brand I will call out Lakme, I'll call out our performance in surf. So…

Sanjiv Mehta: Hair?

P. B. Balaji: It is a fair bit that is out there and…

Sanjiv Mehta: Skin cleansing?

P. B. Balaji: Yeah, but it's a fair number like.

Sanjiv Mehta: Yeah. If you were to look at the markets have grown at under 4% and when we grow at about three times the market growth, it has to be based on our portfolio which is as white as ours. It has to be across the portfolio of our brands and categories more or less.

P. B. Balaji: And if you were to talk about brands where we need to do a better job on it, I would start to looking at Pepsodent, I'd start looking at Clear. I think more often than not this particular quarter we have done better. But, yes, there are areas that we still need to improve our performance. We will act, for instance.

Vijay Chugh: Thank you. That's very helpful.

Dinesh Thapar: Okay. I think we, therefore, come to an end of the audio with you. I did mention we will take questions which came up on the web. We have a couple of them and we're going to avoid repeating the questions we've already answered. So if you put your question up here and we are not picking it up, it's only because we've answered this in the earlier questions. We have a question from Sagarika Mukherjee from SBI Caps who is asking about "What was the category growth in soaps and what was the volume growth in soaps for HUL?"

P. B. Balaji: As we said earlier, individual category numbers we are not in a position to discuss. But the fact remains that the market growths in soaps have also come up and our volume growths in soaps right now we are able to hold volumes while we are taking up judicious present review. But the key point again has been that we are delivering competitive growth ahead of market.

Dinesh Thapar: All right. We have the next question from Abneesh Aggarwal, Prabhudas Lilladhar whose question is "Other expenses have declined by 20 bips despite the increase on royalty. What helps us provided this cost efficiency?" – One. The second is "What is the outlook on add spends for FY15?" And the third is "What is the outlook of personal care products given the pressure and discretionary expense?"

P. B. Balaji: I think the key point on the other expenses declining by, I mean, in contributing to the higher margin by about 20 basis is about – Even though there is a royalty involved in it, the key performance has been the way we are managing our what we call internally as a supply chain control cost where we are in a position to deliver better efficiencies, as the volume throughput comes through. And that for me is I'm sure we have discussed it earlier in terms of what is the virtuous circle of growth where we are able to deliver higher volumes. Higher volumes result in higher fixed cost absorption which then translates into better margin. So that's the virtuous circle of growth you'd really like to get going so that those margins can be invested back in the entry and actually grow your volume growth again. So that's the look that we're trying to apply that.

Dinesh Thapar: "Outlook on add spends for FY15."

P. B. Balaji: As Sanjiv alluded to earlier, add spends are totally dependent on what happens in the market, what are the kind of innovation intensity, what's the kind of GRPs within the market. Rest assured, we'll remain competitive and we will be investing as required.

Dinesh Thapar: "And the outlook on personal care products given pressure on discretionary categories?"

P. B. Balaji: I think the fact remains that the discretionary categories are continuing to be under pressure. And we will just have to wait and see how the market plays out. And our job is to ensure that we grow categories of the future while we keep investing in the core and then growth then comes out as a consequence not as an input.

Dinesh Thapar: All right. Our next question is from Sani Aggarwal from Aditya Birla Money. The question is really around Pureit. "Can you throw some light on the drinking water filtration segment? What are the industry growth rates, competitive landscape, our market share and our target growth rate in this category over a period of next three to five years? And, in case, can you also share the margins on products as well as the after sales service?"

P. B. Balaji: Okay. The fact that the markets continue to remain subdued is equally applicable to the consumer durable segment as well and we are seeing very, very soft markets there. And in that market we have delivered good quality double-digit growth, which is heartening. We are the market leaders there in the retail segment and we continue to gain share. What I would really draw your attention to is the performance of the premium devices and particularly pleased to the performance of Pureit Ultima, which has done very well. And right now I think it has achieved breakeven over the last two years and is meeting our internal standards that we have set for this business. And what's really heartening now is that we are now well on our way to building a full portfolio there where we have products at all parts of the pyramid that is there in Pureit. But the key point to be noted there is at each level of the pyramid we are able to guarantee safe drinking water which is the promise of Pureit. So how do you deliver that safe drinking water from is at all points of the pyramid is a key deliverable from our end which we have done well. I would also draw your attention to the fact that we are very, very serious about this category and even Unilever is very serious about this category, as you would have seen from the acquisition that they did in China. So, overall, a great category and something that we seriously committed to.

Dinesh Thapar: All right. Our next question is from Chanchal from Birla Mutual Fund. "How is perfect villages is growing? How many villages are already there and how much of growth has come because of this?"

Sanjiv Mehta: Hi, Chanchal. If you recall the whole concept about perfect villages is that we bring together our perfect store, our market development and a sustainable living plan and right now we have about 9000 villages under our perfect village and this perfect village has been growing ahead of average for the company. No question about that.

Dinesh Thapar: All right. And, therefore, our last question is to Sanjiv from Abneesh of Edelweiss once again. And he said, "What are the key step borrowed from Mr. Mehta's overseas experience?"

Sanjiv Mehta: Abneesh, I've been outside for the last 21 odd years till about a year back when I came to India. I worked in different countries under different economic context. Yeah, I worked under a very bullish context, I worked under when the economies have not been doing well, I've looked at the Arab Spring. So I've operated under all those context. Like I said earlier that challenges always spur me to do better. And here in HUL we have got amazing amount of experience and talents and together we are playing the games that we set out to play, which is to repeat, grow consistently, profitably, competitively and in a very responsible manner. So these years of experience you always bring that to play. No question about that.

Dinesh Thapar: Perfect. Thanks. Okay. With that, we've now come to the end of the Q&A session. Just before we end, let me remind you that a replay of this event and a transcript will be available on the investor relations website. You can always go back and refer to it. Also, a copy of the results and the presentation that we've just made is already uploaded on the IR website that I just mentioned that we've sent it across because of the technology issue that we had this evening, so apologies for that. You can access it on the investor app as well. I'd like now draw this call to a close. Thank you everyone for your participation and have a good night. Thank you.

Sanjiv Mehta: Thank you.

Moderator: Thank you very much, sir. I would like to thank all the participants for joining. Hope you all have spent a useful time. With this, we conclude the June Quarter's 2014 Earnings Call for Hindustan Unilever Limited. You can all disconnect your lines now. Thank you so much.