

Conference Call Transcript

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Akshita - Moderator

Good evening ladies and gentleman, I am Akshita, the moderator for this conference. Welcome to the Hindustan Unilever Limited September Quarter 2010 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. Present with us on the call today is the senior leadership team of Hindustan Unilever Limited. We propose to commence this call with opening remarks by Mr. S.C. Srinivasan, Vice President Treasury, M&A and Investor Relations of Hindustan Unilever Limited followed by results presentation, after which the floor will be open for the question and answer session. I now hand over the call to Mr. Srinivasan. Thank you and over to you Mr. Srinivasan.

S.C. Srinivasan – Vice President – Treasury, M&A and Investor Relations – Hindustan Unilever Limited

Good evening everybody and welcome to Hindustan Unilever September Quarter 2010 results conference call. We have with us Mr. Nitin Paranjpe, our CEO and Mr. Sridhar Ramamurthy our CFO. We will start the presentation with the September Quarter results by Sridhar. Nitin will then give his perspectives and address some of the queries which have been raised by you. We will then have a Q&A session. If you have any question, I would request you to register with the moderator. Please identify your name and organization before asking the question. Before Sridhar starts the presentation, I would like to draw your attention to the safe harbour statement included in the presentation for the sake of good order. Over to you Sridhar!

Sridhar – CFO – Hindustan Unilever Limited

Thank you very much Srini and good afternoon to everybody. Welcome to this call. Thank you for joining us today. Let me first just start with the context of the market in which we found ourselves in September quarter before talking about our specific performance. I think the overall FMCG market continues to grow during the quarter. However, the pace of growth was clearly slower than in the previous quarters. At the same time, I think all of us are aware that monsoon in India has been reasonably good and in line with expectations in most states and therefore market prospects for FMCG we believe remain positive. The continuing story is one of the competition; it continues to be intense and this is the feature that we are now seeing for the last few quarters and it has continued to be high in September quarter as well. The inflation levels have ruled high, in fact as we went through the quarter, we have seen an upward trend in the prices of key input costs. So this is the context in which we have delivered the set of results that I would like now to come on and share with you and let me first walk through some of the highlights before we go into some details.

During September Quarter, Hindustan Unilever has delivered a strong 14% underlying volume growth in domestic consumer business. This is now the third consecutive quarter of double-digit underlying volume growth that we have delivered. Net sales or overall turnover grew at 11%, clearly ahead of market growth rates reported by Nielsen. Our Soaps and Detergents business has sustained a robust volume growth; growing in double digits in volumes for the second consecutive quarter. Our Personal Products business has a very strong track record of double-digit turnover growth; this is now, for the sixth consecutive quarter that we have delivered double-digit growth. Packaged Foods and Water business have a strong growth momentum for quite sometime now and that continued through this quarter as well. We have been taking series of actions to defend our leadership positions and strengthen our leadership positions across our core categories and these, I am pleased to say, are yielding positive results. At the same time, we

have been investing behind emerging categories and we have seen strong momentum in these categories as well.

Coming now to the P&L, as I mentioned earlier, there has been significant cost inflation however through our buying efficiency and cost effectiveness programs, we have been able to largely offset the input cost inflation as well as the impact of competitive pricing particularly in Soaps and Detergents. As a result, the reduction in gross margin has been contained to 20 bps during September Quarter. We continue to invest behind our brands and this quarter saw a further step up in brand investments. Advertising spends increased by c.21% or 90 bps, overall A&P was up 30bps. Other expenses are higher this quarter and these are largely due to the step up in spends behind packaging moulds to support our innovation programs and to support the higher volume growth plans. As a result of the above, operating margins were lower by 170bps during the quarter. Looking at the bottom line, profit after tax and before exceptional items, PAT (bei), at Rs.534 Crores rose up 7% while Net Profit which is after the impact of exceptional items at Rs. 566 Crores has improved by some 32%. At the board meeting yesterday, the Board of Directors has decided to pay an interim dividend of Rs.3 per share which is similar to interim dividend paid last year.

Just to give you a sense of the growth momentum that we have been building in the business - this has clearly been accelerating and as you can see from the chart, the growth momentum in double digits has been accelerating through the last four to five quarters and sequentially as well; Compared to the last couple of quarters there is a further step up in our underlying volume growth. This step up, I am very pleased to say is very broad-based and across most if not all our categories.

From an external context, the September Quarter performance on growth both in terms of volumes as well in terms of value is well ahead of the market. As you can see from the chart, the market growth is as reported by Nielsen. Volume growth here is just a ton for ton growth whereas the value growth is the gross sales value growth and on both of these parameters we have done very well and ahead of the market. This growth has been really delivered on the back of continued innovation activities.

Here on this chart, you will see some examples of some of the launches in September Quarter behind our core. We are continuing to build the momentum of innovations that we have launched in the previous quarter. In addition, some of the key innovations that were brought to market in the September Quarter period included the re-launch of Lifebuoy with Active5 with the proposition of 100% protection from germs. In the case of Lux, where we had launched the 'Purple' variant earlier in the year, we now followed it up with the 'Sandal and Cream' variant launch. Our leading dish wash brand Vim was relaunched with extra power of lime and at the same time we have made an entry in the mass market dish wash segment with the launch of OK dish wash bar. Vaseline Petroleum Jelly is another we have launched in our core and in the modern business we had two more innovations that were brought to market in the quarter. So on the core, a series of innovation activities, at the same time as we have talked to you earlier, our focus is also on building the categories and segments for the future.

Here is a glimpse of various launches in the emerging categories in September Quarter. In skin care, we had a series of launches across Vaseline Moisturizing Cream, Lip Care, Premium Skin Care under Lakme, Ponds Anti-aging Age Miracle serum and so on. In foods we launched Knorr Soupy Noodles earlier in the year and our focus continued to roll this out nationally. In water, we have launched our offerings in the premium segment, Pureit Marvella. With this, we now have a portfolio that really goes across the price point from 1000 to just under Rs.7000 with four offerings.

The competitive environment that we have been talking about in previous quarters and conference calls with you, continues to be intense. In fact, as you can see from the chart the

intensity is only going up and sustaining at a high level. This has both increased aggression from existing players as well as entry of new players in the market that has led to a hike in media activity across categories especially in personal care. In this context, we have continued to invest strongly behind our brands. In September quarter, we stepped up our overall A&P investment to 13.8% compared to 13.5% a year ago. We have invested this behind the number of launches and innovations that we talked about. Within this, the increase in advertising spends is 21% or 90bps. We remain committed to invest behind our brands to both defend and strengthen our competitive leadership positions and at the same time build our portfolio for the future.

The other important aspect of the environment is the inflationary trend in input cost. I think many of you would be seeing a lot of press articles on this subject, it is worth spending a minute on this, which we believe is one of the challenges that we look going ahead. As you can see from the chart which is an indexed chart of market prices of key raw materials, substantial increases have taken place in key raw materials. In CPO (palm oil), there is increase of nearly 46% compared to the second half of the previous fiscal year. Benzene has nearly doubled and Tea prices continue to rule high, this is now for about two years, which were also seen translating into down trading by consumers. So all in all, the input cost scenario remains extremely challenging. Of course, we continue to drive our cost and cash management very-very strongly. As you can see from the chart, level of cost effectiveness programs has been further stepped up. This is something that we continue to focus on and drive even harder. As far as overheads are concerned, we are operating very-very tightly and driving a lot of leverage through our overheads. Although at the same time, we are funding some of our capability investments to build for the future.

Now, I would like to focus on the categories and walk you through some highlights of our category performance. Just as a back drop on the chart, you see the revenue growth recorded in different categories. In aggregate, our domestic FMCG business has grown by some 10% and overall domestic consumer business including water grown by about 11% during the quarter. In the case of Soaps and Detergents, the growth of 6.3% is an acceleration compared to the previous quarter but it also reflects the impact of price reductions vis-à-vis the base particularly in laundry.

Starting first with laundry where clearly our actions to strengthen our leadership position are very clearly yielding results. We have grown ahead of the market both in value and in volume. Surf Excel has grown in volumes led by bars as well as a strong performance from Excel Matic powder. Rin, relaunched in June quarter, has grown from strength to strength and has now delivered double digit growth post this relaunch. Wheel, in the mass segment, continues to grow its volumes ahead of the mass segment. In Fabric Conditioners, Comfort Fabric Conditioner is growing very-very rapidly. To give you other perspective of our laundry performance, if you look at our growth relative to the market, because this is one of the competitive battles that I know all of you are interested in, on the top left you can see that both in terms of value and in terms of volume our growth has been well ahead of the market. The market growth according to Nielsen in this quarter was flat and we registered good growth. This growth is quite comprehensive and across brands. It is across powder format and the bar format as well. So, very comprehensive growth performance from our laundry portfolio.

Coming now to Personal Wash, another core category where we have been taking a series of actions and we are very pleased to see marked step up in growth momentum. Personal wash portfolio grew ahead of the market both in value and volume and across all segments be it mass, popular or premium. Our key brand Lux, more than 1000-Crore franchise, has grown in double digits. Both, the new 'Purple' variant launch earlier in the year and now the Lux 'Sandal and Cream' variants are doing well. In the premium segment which is of course growing very rapidly, Dove Rs. 20 price point pack has made the brand extremely accessible and is now driving consumption even faster. In addition, we have launched the fresh moisture variant to build the equity of Dove. Pears is also growing in double digits. In Modern Trade channel, it is now the No.1 soap brand. As I mentioned earlier, we have relaunched Lifebuoy with 'Active5' under the proposition of 100% better germ protection and during this year we have really driven hard the

expanded portfolio in hand wash and sanitizers. Just to give you a sense of the elements of the Lifebuoy relaunch which a very-very big brand for us, this relaunch with advanced germ protection ingredients is recommended by the Indian Public Health Association and as for some statistics at the end of 2009, Lifebuoy is the world's No.1 germ protection soap.

Let us move on now to the skin care category where market development is one of the core tasks given the relatively low level of penetration and per capita consumption in this category in India. We have grown this category well through a series of successful innovations. Fair & Lovely which was relaunched in the end of June quarter continues to grow with Max Fairness for men performing extremely strongly. Vaseline Menz is also continuing to do very well. Ponds White Beauty in the premium skin lightening segment, continues to deliver strong growth helping to build this part of the skin lightening market. Vaseline delivered robust growth backed by various innovations including Body Lotion, Aloe Fresh, Healthy White etc. In facial cleansing where we have deployed four brands, we have doubled our turnover in September quarter. Just a quick look at the various launches, suffice to say that we are bringing a really strong series of innovations to our personal care and particularly our skin care portfolio.

Coming now to hair which has seen consistent competitive growths now for several quarters; Hair continues to grow in double digits and ahead of the market. This is now the fourth quarter in a row where we are growing well ahead of the market driven by strong volume growth. During the quarter we had some very good innovations, to name a few, Sunsilk Black Shine shampoo with hair expert campaign, in the case of Clinic Plus, driving consumption strongly to develop the market through the very simple formula, though it does not sound simple $3 \times 3 = 3$, no doubt we will have some question on that later on. Hair conditioners, our key priority is to grow the market. Happy to say that it is progressing very well and growing well ahead of the market.

Oral care comprising toothpaste and toothbrushes has clearly showed a much better performance in this quarter. We are pleased to see traction coming to this category with regained momentum particularly in toothpaste. Both our brands, Close Up and Pepsodent delivered growth during the quarter and Pepsodent, in particular, was rejuvenated with a strong relaunch with a superior germcheck proposition. Toothpaste volumes have grown ahead of the market during this quarter.

Coming now to our foods portfolio, starting first with beverages, as the title of the chart says beverages particularly tea, the market has slowed quite significantly as we have gone through the year. This is directly attributable to the high commodity cost of tea that I referred to earlier, which is also resulting in downtrading in this category. Our growth has been led by Red Label particularly through its low unit price pack formats. In the premium segment which comprises Taj, Three Roses, and Lipton, we have managed to maintain our volumes despite downtrading. In Coffee, we had very strong double-digit growth underpinned by strong volume growth.

Coming now to Processed Foods, it has been another solid quarter for this category with both strong topline and bottomline performances. The business grew by some 26% led by Knorr and Kissan. In Knorr, the soup portfolio is doing very well led by the 'Thick Tomato' variant. Knorr Soupy Noodles, as I said before, is in the process of being rolled out nationally as we are trying to catch up with the demand which has clearly exceeded our initial expectations. In Kissan, we had good growth led by both Jams and Ketchup and in Modern we had innovations with 'Chapati' and 'Kream Roll' launch. Overall, good topline growth and good progress on margins.

The final category just to cover off this section is Pureit. Our water business continued strong growth momentum underpinned by volumes. As I mentioned earlier, similar to our strategy in the other categories, Water business also now has a portfolio which straddles the pyramid with four price points. During the quarter, we launched 'Pureit Marvella', our entry at the top end which is a fully automatic water purifier; the first of its kind in the country. So, that is a run through of our category performance.

Coming now to our financial performance, you would have seen the financial results, so, I do not propose to spend too much time on this. Net sales grew by 11%, our operating margins or PBIT margins were down by 170 basis points, however, at PAT (bei) level we have grown by 7% with net profit up 32%. The difference between the decline in operating margin and the strong growth in bottom line particularly PAT (bei) growth is a function of two factors. No.1, some excellent treasury management both in terms of working capital management and effective deployment of funds that has resulted in a very nice increase in our financial income and on the other hand, good management of tax with an improvement in tax rates. Exceptional items, basically the only point to highlight here is the difference in restructuring cost during September Quarter last year and this year. You will remember that we had a significant restructuring cost in the prior year linked to the restructuring of our closed unit in Bombay factory. A quick look at first half, 9% growth in top line; operating margin/ PBIT margin lower by 180 basis points; at the PAT (bei) up by 2% with net profits up 13%.

So in summary, we believe that our September quarter results reflect good performances with top line growth clearly ahead of the market both in volume and value, very strong underlying volume growth of 14%, sustaining the double digit growth momentum of the previous two quarters. The actions that we have been taking to strengthen our leadership are clearly yielding positive results. At the same time, we continue to drive cost management hard and through this we have managed to offset most of the cost increases in inputs as well as the pricing impacts in Soaps and Detergents. As we look ahead, we do believe that the news of good monsoon should augur well for FMCG markets, however, commodity inflation gives one of the headwinds that we need to watch, it is on the rise and therefore our focus on cost and cash management will lead to continue and further intensify. The competitive environment will continue to remain hot and the intensity has increased quarter on quarter, however, our strategy and commitment remain consistent, which is to improve our competitiveness and strengthen our leadership in our core categories, which we call Win Today and at the same time lead market development of emerging categories and channels of tomorrow, which we call Win Tomorrow. So, with that overview of our results I will hand over now to Nitin for his perspectives.

Nitin Paranjpe – CEO – Hindustan Unilever Limited

Thanks Sridhar and welcome to everyone who is on this call. I think Sridhar has covered the highlights of 2010 September quarter performance and our financial results. What I will do is to share with you a perspective of the market and some elements of our strategy. In many ways, our strategy remains unchanged and we reiterate our focus to progress actions consistent with the theme of winning today and at the same time building a portfolio and capability to win in the emerging segments and channels of tomorrow.

We are pleased with the progress that we have made in September quarter 2010 as the third consecutive quarter of double digit volume growth. Importantly, our growth is ahead of reported market growth in aggregate both in value and in volume. This is true across most categories and we have clearly strengthened the competitiveness across the core even as we have invested to build the emerging categories of tomorrow. Looking ahead, though reported market growth in FMCG is lower this quarter, the underlying opportunity remains strong, a fairly good monsoon in most states augurs well for us and the prospects for the FMCG market remains positive. Having said that and you heard Sridhar comment on it, commodity costs are going up and this is likely to pose some challenges, equally the competitive intensity is likely to remain high. Consistent with our strategy, we will continue to invest behind our brands to strengthen our leadership while at the same time, driving costs even harder. We are convinced that this approach will help us deliver growth that is competitive, profitable, and sustainable in the long run.

What I propose to do, is to answer may be two or three questions which have cropped up and have been asked by some of you between the time we declared our results yesterday and now. The first one has to do with the level of A&P spends which you observe in this quarter and there is a question around the fact that have we brought down levels of A&P this quarter considering the fact that they were at higher level in June quarter of 2010. Now, in response to this, I would only say what we have always maintained, we should never look at A&P levels on a quarter-to-quarter basis and draw any conclusion. The exact levels of A&P spends depend on many factors including the intensity of launches and relaunches in that quarter and of course, the competitive context that we face. Coming into this quarter, I think while A&P as a percentage is sequentially lower than June quarter, I would like you to recognize that advertising spends have actually increased by 90bps and some 21%. Promotions are lower and consequently total A&P was up only by 30 basis points. Given the competitive intensity that we see around us and our own plans, I do not foresee A&P levels coming off and they are likely to remain high in the near term. I would, however, like to reassure all of you, that we have a fairly comprehensive benchmarking and measurement process in place to look at the returns that we get on our marketing investments for both above and below-the-line spends. These are regularly reviewed within the business.

The second comment or a question that came up and that has to do with the price increases that we have taken in recent times in laundry and personal wash, a question which was in the area of whether these price increases suggest that the competitive intensity is abating. For all those who asked this question, I want to clarify that I do not see any evidence to suggest that the competitive intensity is abating. Some of the increases that you have noted and I have commented on, have only been to neutralize some of the commodity cost that have been going up in recent times. Our view is that this competitive intensity will remain high in the foreseeable future.

The last question really has been around our operating margin going forward especially in the context of raw material cost etc. Now for obvious reasons, I cannot comment on the operating margin going forward, suffice to say that there will be pressure, there will be pressure on margin on account of commodity cost and the brand investment that we would need to make in light of competitive intensity. Of course, we will drive cost and efficiency even harder than we have done before and of course we will look at judicious pricing opportunities. We will do so while ensuring that we do not do anything to erode the competitiveness of our brands in the market place. We are convinced that a longer-term value creation approach is right and will deliver us growth which is competitive, profitable and sustainable in the long term.

So, those really were my quick comments and observations on the few questions that you had, between the time the results were declared and now and with that may be I hand it back to Srin and over to you Srin.

S.C. Srinivasan – Vice President – Treasury, M&A and Investor Relations – Hindustan Unilever Limited

So Akshita, we are open for questions, please note that the Q&A session is open to only institutional investors.

Akshita - Moderator

Thank you very much sir, we will now begin the question and answer interactive session for all the participants who are connected to the Audio Conference Service from Airtel. Participants who wish to ask questions may press “*” “1” on their touchtone-enabled telephone keypad. On pressing “*” “1” participants will get a chance to present their questions on a first-in-line basis to

ask a question. Participants may please press “* “1” now. The first question comes from Mr. Abneesh Roy from Edelweiss, Mumbai. Mr. Roy you may ask your question now.

Abneesh Roy – Edelweiss - Mumbai

Sir, Congrats on good set of numbers. My first question is on Knorr Noodles and cooking aids. We are still doing the national rollout. I wanted to check where are we in terms of overall national rollout, in terms of coverage, in terms of capacity, if you can comment on both noodles and cooking aids separately?

Nitin Paranjpe – CEO – Hindustan Unilever Limited

On Knorr Soupy Noodles, we are rolling out, by the end of the year we should be national. So that's I think is the first comment I would make. In terms of cooking aids presumably you are referring to meal makers, is that what you are referring to?

Abneesh Roy – Edelweiss - Mumbai

Yes, the recent experimental thing you had done in the train.

Nitin Paranjpe – CEO – Hindustan Unilever Limited

I think that is something which is the part of our ongoing approach and strategy in order to build the brand and building an experience model in foods is central to building this and that is something that we are rolling out. Having said that, I think as far as, Soupy Noodles are concerned, which was really the main question that you asked for, we have gone across most geographies and by the end of the year, we should be in a position to be national.

Abneesh Roy – Edelweiss - Mumbai

Will it be as deep a penetration as your normal product, say even the rural areas you are targeting by end of the year or?

Nitin Paranjpe – CEO – Hindustan Unilever Limited

So I don't want, for very obvious reasons, speak more explicitly about this; suffice to say that we will address the opportunity, we will have the capacity to actually meet the consumer demand and we will progressively strengthen our presence across the markets.

Abneesh Roy – Edelweiss-Mumbai

Sir, my second question is on toothpaste, you said that you are gaining momentum in that. I wanted to check where do you really measure your relaunch and in terms of product you think you will be going in the lower end also because that is one segment wherein we are not that strong.

Nitin Paranjpe – CEO – Hindustan Unilever Limited

So again, Abneesh, you will appreciate that I cannot comment anything about any future activity that we are likely to have. Our comments about toothpaste and the fact that we are seeing some traction, rise in the context of what we have said a few quarters ago, you yourself would have noticed that we had mentioned that this is the category where our growth is short of the market, there are several actions that we have to take, we had mentioned that we wanted to strengthen Pepsodent, we have done so with a stronger proposition and a stronger piece of communication, it is gaining traction and we are beginning to see Pepsodent doing well. Close Up anyway was a brand, which had been doing well earlier.

Abneesh Roy – Edelweiss - Mumbai

Sir, my last question is in the water segment, you are very aggressive with the one-crore challenge and we have seen other competitions like TATA, Godrej and Eureka Forbes also making a comeback, so where exactly are we now as compared to four quarters back. Is it that other people are copying our model now; TATA has announced exactly the same price point at 1000.

Nitin Paranjpe – CEO – Hindustan Unilever Limited

So again, I would restrict our comments to what we are doing rather than talk about any of our competitor. I think what we have done with water, first of all let me assure you that we are pleased with the progress that our water business is making, it is in line with our business plan despite of fact that the context has changed quite considerably between when we developed the plan and how we find ourselves in. That is point number one; point number two is the water team has done exactly what we do across the other categories. We have said that our strategy is to straddle the pyramid so that we are able to address the larger section of consumers across the country and the water team also has a portfolio offerings of which range from Rs.1000 to just under Rs.7000. All these variants deliver water which meets the highest standards of safety approved by the US EPA clearance.

Akshita - Moderator

The next question comes from Percy Panthaki from HSBC, Mumbai. Mr. Panthaki, you may ask the question now.

Percy Panthaki – HSBC

My question is on the personal products category and if I recollect about one-and-a-half or two years back, you had made a comment saying that the per capita consumption in this category is much lower than even the Asian peers and we are seeing an inflection point in terms of growth. However, if I look at either the industry growth or Hindustan Lever growth in the last six or seven quarters, it has done decently well but I have not seen any significant inflection point. So, I just wanted to understand what is your view in terms of how lucrative, you think, the personal products category is, given the fact that the average growth that you have clocked in this category has been in the low to mid teens. Do you think that this is an attractive enough number or are you hungry for more, do you think that the inflection point is delayed and you could actually go to a 20% kind of level, some thoughts on this please?

Nitin Paranjpe – CEO – Hindustan Unilever Limited

Percy, I would say we are always hungry, by what level we would get, when the inflection point will come, I cannot predict. However, what I can say is that it has happened in every other market, these categories continue to grow and per capita consumptions continue to be substantially low and without doubt over a long period of time this will continue to show growth rate which are healthier than some other categories which are around. Globally also we know that these categories tend to have margin which are better than some of the other categories that we operate in. Consequently, we do believe that our personal products portfolio is a very attractive portfolio for us and we will invest to grow it and build the market. There are many actions that we are taking on our part to stimulate consumption and consumption growth. You heard Sridhar talk about the $3 \times 3 = 3$. This is an example of us taking a category like hair where people would think of it as being relatively mature with penetration levels being quite high, but even in a category like this, the frequency of usage is very low and therefore consumption opportunities are high. Clinic Plus proposition essentially says that if you use Clinic Plus three times a week for a period of three months, you would have hair which is 3 cm longer. This is an attractive proposition and will induce greater consumption and that is what our attempt is as we look forward. Again in many of these things, these are not action that you take today and see results tomorrow. These are a set of actions that we have to keep taking and overtime you will see growth rates improve and we hope to see double digit growth rates continue in this markets for many, many years to come.

Sridhar – CFO – Hindustan Unilever Limited

Percy, just to add another thing when you look at the attractiveness of the market, the attractiveness of market is obviously there from a per capita consumption being low as well as profitability of margins being above average. I think the only thing I would add is that this attractiveness is visible not just to us, it is visible to other players as well and therefore we do see a lot of competitive activity which in a long term is actually good for the market because it will help to accelerate market growth but the only point to remember is that this attractiveness is visible to all those players who are interested in the Indian market.

Percy Panthaki - HSBC

Right, I completely agree with your point that it is a lucrative and attractive market and that the per capita consumptions are much lower than what they are elsewhere, therefore, they will grow and compared to the other categories that you are present in, this definitely is a better one. My only question is, all this can still be true with the growth rates continuing as they are today. My question is, do you really think or are you really confident that there is going to be at some point of time an inflection in the growth rates as compared to what we are clocking right now.

Sridhar – CFO – Hindustan Unilever Limited

So one of the things I would draw your attention to is that when you look at personal products, obviously it is made up of several categories and subcategories or segments. So we are clear when we talked about this in our previous call that we are clearly seeing some of the segments emerging and starting to grow much more strongly. For example, if you look at the facial cleansing segment within the overall face segment that is growing rapidly, we are going even much faster and in the quarter, we have actually grown it by 100%. Now, obviously there are

various segments and various categories, take another one which is hair conditioner, they start off from a small base, but because we lead that market development exercise we are placed fairly well in order to get a sort of disproportionate share of the growth. So what we see as personal products is made up of several categories and segments and many of them we have seen growth which are, you know, inflection point tipping growths. As we go through this over a period of time, we start to convert these into tailwinds for the overall business performance, both on top line and on margins.

Percy Panthaki - HSBC

Okay, understood sir. My second and last question would be will you be able to share anything at all on the margin for the water business, whether it has broken even at all and when do you expect the break-even point if it has not yet been achieved and what sort of long-term margins do you expect in this.

Sridhar – CFO – Hindustan Unilever Limited

So, we are not giving you any specific guidance, we would not prefer to do that. We certainly can say two things, No.1, we had a business plan and Nitin referred to that, which we are very pleased is on track despite some pretty significant changes in the competitive environment. It is on track in terms of the shape of the business as well as in the growth trajectory. We continue to be in an investment phase, but we do believe that by the end of next year or so this will be a business that will be self-sufficient and funding its own growth.

Akshita - Moderator

The next question comes from Mr. Manoj Menon from Kotak Equities, Mumbai. Mr. Menon you may ask your question now.

Manoj Menon – Kotak Equities - Mumbai

Hello sir, good afternoon. Good performance. A couple of questions, actually to understand the trends in the current quarters a little better. Point number one, if you could just share with us what has been the gross sales growth or what has been the excise as a percentage of sales.

Sridhar – CFO – Hindustan Unilever Limited

Hi Manoj! Gross sale growth, excise as percentage of sales I do not have but obviously because of the changes that happened in the budget earlier in the year, the excise in fact in SQ 2010 is higher than SQ 2009, I do not have readily with me what is the excise percentage impact.

Manoj Menon – Kotak Equities

Okay, no problem. Actually what I was trying to get was when I look at the gross margins as a percentage being flat despite 3% hit on realizations, probably only personal care has grown faster so that would be one reason, second the buying efficiency and cost savings. I was trying to see from the context that over the last one year in various presentations the company has told us that there has been improved formulation, so there is a cost push apart from the inflation what we are

seeing in the market and there has been a realization dip, so where is the saving coming from, I was trying to get to that actually, so that is the core question.

Sridhar – CFO – Hindustan Unilever Limited

We have got a very robust framework on driving costs which has been stepped up even further. Some of these we truly believe are proprietary advantages that we enjoy, so I would have to just leave it in the space of cost effectiveness program in a very holistic sense.

Manoj Menon – Kotak Equities

Sure. Just one last clarification on this sir, would you say it is more topdown in terms of incremental production going to fiscal benefits zone, would also get classified under this or is it kind of bottom up, I mean which one is driving it more?

Sridhar – CFO – Hindustan Unilever Limited

No Manoj, it is very holistic absolutely covering the entire value chain, whether it is to do with logistics cost, whether it is to do with inventory holding in the cost associated by optimizing further inventory levels, whether it is to do with reducing waste that takes place by leveraging both IT and improved processes whether it is to do with buying, whether it is conversion cost, manufacturing efficiency, any opportunity to optimize excise, it is across the value chain.

Manoj Menon – Kotak Equities

Okay. I would leave this here. Sir, the second question was on market shares, would you comment, I could not see the presentation, it was not opening, so if it is there in the presentation, I will have a look at it later, if not could you just share the market shares category wise which used to be the case till some time back.

Nitin Paranjpe – CEO – Hindustan Unilever Limited

I think if you recollect about two quarters ago, we shared with you what the position was and today for example what we have shared is the progress that we have made against market reported growth by Nielsen across all our categories and virtually across all categories we have grown both in volume and in value faster than the reported market growths by Nielsen, that I think is the point which we had made in our presentation. Sometime ago, we had mentioned to you that we saw for a variety of reasons divergence and issues to do with stability of Nielsen's shares etc. and we had talked about it. We are working with Nielsen to improve the quality of reporting and that work is going on. Given the nature of the country and amount of challenges that we have, we are looking at our competitiveness using three to four different measures. The first measure is in terms of our growth versus reported market growth. The second measure is to look at what shares are being reported by Nielsen. The third measure is looking at measures which are reported by a household panel which is an independent measure like IMRB and the fourth one is by looking at the results, which are reported by other companies and looking at their segmental growths, which are there. So, we will look at these three or four, we are not for a moment suggesting one is better than the other, but in a country like India, the nature of sampling and the nature of changes that are taking place, it is important to look at all these four before we come to a conclusion whether we are getting competitive growth or not. Till last quarter which we had

shown we had evidence to show looking at all of these that we were getting growth which was ahead of the market across most categories in volume and a little short of that in value. This quarter we do not have competitive results, which have not been declared but if you have started looking at the Nielsen reported market growth, if you look at what the household panel is saying we are clearly in a situation, where our growths are ahead of market reported growth that and that is what we have shared in the presentation today.

Manoj Menon – Kotak Equities

One last question - just one data point on 'OK' brand that we are getting in, I would say rejuvenated, is that a demonstration of a thought process, most of those good old Tomco brands, that we have completed the U-turn, power brands is history? Is a significant component of the higher ad spends because of activating lot of these old dormant brands?

Sridhar – CFO – Hindustan Unilever Limited

I think Manoj because you are not able to see the presentation perhaps the communication did not come across correctly but then if you see presentation realize what we are talking about the launch of OK in dish wash, it is not laundry, the different category, it is about dish wash at the mass market level, there is nothing more to it than or any grander program.

Manoj Menon – Kotak Equities

I was thinking from the point of view of Moti etc, there are quite a few older brands, is that the way to go?

Sridhar – CFO – Hindustan Unilever Limited

Moti is very much there in the market, this is now the festive season. I would encourage each one of you in the call, there is a very special part that we bring out for Moti during the festive season, all of you should go out and really buy.

Akshita - Moderator

The next question comes from Mr. Ashwini Kamath from Morgan Stanley, Mumbai. Mr. Kamath you may ask the question now.

Nillai Shah – Morgan Stanley

Hi Sir, this Nillai from Morgan Stanley, just one question on the PP growth, so I guess this kind of environment where the economy seems buoyant, the consumer sentiments are up and products have been relaunched, there is higher packaging spends, higher ad spends etc., yet the growth is sluggish. My question is that are we fighting for the share of wallet of the Indian consumer against other consumption categories.

Nitin Paranjpe – CEO – Hindustan Unilever Limited

I think it is always the battle across many categories that are involved and at this moment I think that one of the big challenges that we face in this country is high food inflation, you must not underestimate the impact it has on consumer home. So yes there is increased affluence but even now food inflation continues to run at levels of 15% or so. In that context, we are quite hopeful that the good monsoon that we had and by the time the crops come out towards the end of year, we should see the softening of that as we move further.

As far as PP and growth and growth categories are concerned, this question has been commented upon in the beginning and again I do not want to comment in terms of what happens in one quarter and another quarter, but over a longer period of time without doubt, we will be a captive market both from the top line and an margin extraction potential.

Nillai Shah – Morgan Stanley

Is there any key take away from the other emerging market that you will be operating in as to what really happens when consumption and incomes tend to go up and how do they correlate with PP growth additionally.

Nitin Paranjpe – CEO – Hindustan Unilever Limited

There is enough evidence, so when we say that we believe that the time has come for many of these markets and segments to take off, it is based on studies, what has happened in several of other markets where Unilever is present and I think the other point that Sridhar made right at the beginning is again important for us to bear in mind. PP is an aggregation of many categories. PP is also an aggregation of many categories which are at different stages of evolution. Within PP, there are many segments, which are slowing, which are already at the tipping point, segments and markets which did not exist at all are growing in the rates of 40, 50, 60% and not just for one quarter, but for two to three, four years already, some of these segments are like facial cleansing, less than two or three years ago this was less than 10% of the total face market, it has already got the 16% of the total face market, that is the rate at which this contribution is increasing. The second is hair conditioner, still very small, but there is no reason why it could not get to 15-20% of the hair care market in the foreseeable future, that is what happened in the South East Asian countries, so there are several markets and then you take premium skin lightening and antiaging. These markets did not exist, each of these markets are showing growth rates in excess of 40, 50% as we move forward. So I think it is important to become a little granular and disaggregate it and you would find that there are several segments within this, which are already at the tipping point and are growing very rapidly. There are large categories, like deodorants, hardly existing a few years ago, growing between 40-50% per annum. Now some of these when they are small and they have a company of the size of HUL, the impact of that is not visible immediately, but there will come a stage when each one of these will start having a say and impact the overall mix of growth and margin that we have in this business.

Akshita - Moderator

The next question comes from Nikhil Vora from IDFC Mumbai. Mr. Nikhil, you may ask your question now.

Nikhil Vora - IDFC

Nitin, good to see the volume growth picking up momentum. Just one observation and may be your thoughts on that. Are we starting to see a slightly more aggressive and modified Unilever in India specifically moving trajectory from just a price point player which used to be a significant part of our portfolio now starting to dominate on product attribute which is more on the brand positioning or also the claims that we seem to be now making on lot of product categories. Is this change in approach which possibly one should look at from the emerging consumer itself over the next three to five years, just some sense and thoughts on that.

Nitin Paranjpe – CEO – Hindustan Unilever Limited

Whether we have been more aggressive or not, is not for us to say, I think it is for other people to comment in terms of how they see us, so my standpoint, I think we are absolutely determined to do the things which are right from consumer perspective. In fact we build in the strength that we have got in the leadership positions assiduously over the last 75 years and make sure that we benefit from the growth opportunity that India offers over the next many years. Our strategy has always at its heart the grand innovation and the heart of a great brand is a great product, so that always been a part of our strategy equally delivering the great product at great price point and execution in the market place and reach etc., all of that that is central to what we do, there have been times when we have done it well and there had been times that it might not has been as well as you would have liked it to be but we continue to stay on course with this approach of doing everything that is required to remain competitive today and at the same time building capabilities and portfolio which will be relevant for the emerging India of tomorrow.

Akshita - Moderator

The next question comes from Mr. Richard Liu from JM Financial, Mumbai. Mr. Richard you may ask the question now.

Richard Liu – JM Financial

Hi thanks for taking my question, Good evening everyone. With reference to the launch of OK dish wash bar in the mass market that you mentioned about earlier and also earlier than this you had the mass market tea etc. Is consumption environment downtrading especially in your key categories, has there been any improvement from what was there six to nine months back.

Nitin Paranjpe – CEO – Hindustan Unilever Limited

In tea, we continue to see some amount of downtrading and last year we were talking about downtrading in laundry. Now, We have not seen downtrading taking place in laundry, quite the opposite, we are seeing some uptrading which is taking place from the mass to the middle class segment at this moment, so the central message I want to leave behind is, from time to time we would see downtrading in some categories, uptrading in the other based on the state of economy. Our strategy which is about straddling the pyramid is essentially to insulate to a certain extent from these things and of course we have a portfolio which addresses the requirements of a range of consumers who are at different stages of economic positions. As far as, the dish wash segment is concerned, we have seen over the last few years, the emergence of discount dish wash segment, it is sizable now between 15-20% of the market and therefore we have to make sure that we have a presence to address consumers who are looking for a different option.

Richard Liu - JM Financial

Okay, got that. Thanks and all the best.

Akshita - Moderator

The next question comes from Mr. Aditya Soman from Goldman Sachs, Mumbai. Mr. Aditya, you may ask your question now.

Aditya Soman - Goldman Sachs

Hi, Good evening. Just a question on your exports business, I was wondering on reported robust growth for your exports business and also the margins have picked up significantly. Can you throw more light on that, is this just a function of sort of trend in rupee or is there more to it?

Sridhar – CFO – Hindustan Unilever Limited

Thanks Aditya. Basically, our exports growth has been driven largely by the export of consumer goods and therefore really the mix benefit is what has contributed to our margins. In addition, just like in our domestic consumer goods business, our thrust on cost effectiveness is something that continues aggressively in our exports portfolio as well, so that also is contributing to our margin development.

Aditya Soman - Goldman Sachs

Okay, and most of these exports will be to other Unilever subsidiaries or is to ...

Sridhar – CFO – Hindustan Unilever Limited

No, if you look at our total exports business, there is a fairly healthy mix between exports to Unilever companies and exports to third parties.

Akshita - Moderator

The next question comes from Mr. Jamshed Dadabhoy from Citigroup, Mumbai.

Jamshed Dadabhoy - Citigroup

Hi, thanks for taking my question. Just a quick question; what is your pricing strategy going ahead in the context of escalating import cost pressures. So, what is the relative order of importance, will you maintain the velocity of volume growth or would you like to maintain gross margins?

Nitin Paranjpe – CEO – Hindustan Unilever Limited

We want to make sure that we have competitive mixes in the market place and in doing so it will be a combination of both the strength of our proposition, the competitive pricing, which is involved, and of course you would look at cost. I said in my comments that the cost and commodity cost will cause headwinds. We will drive cost effectiveness program as hard as we can to neutralize some of that and we will explore opportunities for judicious prices wherever that opportunity exists but we will not do anything that will erode the competitiveness of our brands or portfolio in the market place.

Jamshed Dadabhoy - Citigroup

Okay sir, thank you. I will make my inferences from that.

Akshita - Moderator

The next question comes from Mr. Mahesh Nandurkar from CLSA, Mumbai. Mr. Nandurkar, you may ask your question now.

Mahesh Nandurkar – CLSA

Hi. My question pertains to the growth trajectory between rural and urban. Any comment that you would like to give on that as to whether they have been moving in tandem or one has been better than the other?

Nitin Paranjpe – CEO – Hindustan Unilever Limited

I think from our point of view, we are doing very well in the rural, we see no reason to think that there is any difference, our rural growths are good. Having said that if you were to look at the reported growth, it is true that they have reported growths where rural growth are lagging urban growths both in volume as well as in value, we have indicated that rural growths are low. Again, I would not draw conclusion based on one quarter, this is what they have reported now and as far as we are concerned we have not seen that at all in our business.

Mahesh Nandurkar – CLSA

If we look at the margin trend in the Soaps and Detergent category, normally we do not look at that on a sequential basis, but if I compare the September margin versus the June quarter margin they are slightly even higher and also the numbers do not take into account the detergent price hike that we have done toward the end of the quarter, so does that mean that probably the worst in case of Soaps and Detergent margin trend is now behind us?

Sridhar – CFO – Hindustan Unilever Limited

One of the things we have always said Mahesh is that looking at margins even for the company leave alone for one of these segments on a quarter-to-quarter basis will never give us the right impression for a variety of factors. Just to take one factor, the level of intensity of innovation

activity which would determine the level of A&P spends that can be quite dramatically different when you look at one quarter to another. Secondly, you talked about some Rin price increase etc., I think, Nitin mentioned in his remarks that we should be aware the extent of commodity cost inflation that we have been seeing, these price increase only going to mitigate a part of it, so I would not draw any conclusion just by looking at one quarter's margin and comparing with the previous one. Suffice to say that the primary focus for us is driving competitive growth, continue to make sure that our brands are competitively positioned in the market, are supported with the right level of advertising and commercial spend and really that will continue to drive us going forward.

Mahesh Nandurkar – CLSA

My last question pertains to some of the new launches that you have done in the segment this quarter, which is 'Chapati' and 'Kream Roll' and if I recollect rightly, we did have ready-to-cook chapati that we had launched sometime, I think, in 2002 or 2003 or something like that, but did not do well at that point in time and subsequently withdrawn. So, how is this product different in terms of various product attributes or the delivery or pricing, etc.

Sridhar – CFO – Hindustan Unilever Limited

I think Mahesh the best thing is next time you are in our office we should get you to try this, there is nothing better than, in the case of foods category, certainly having an experiential session or experiential approach. So the next time when we see you, we must get you to try these modern chapatis.

Mahesh Nandurkar – CLSA

Okay, but is that available only in your office and not in shops?

Nitin Paranjpe – CEO – Hindustan Unilever Limited

It is available in shops but I am just saying that I am going to host you. It is in shops. It is true that we have tried it before; it is true that it had not worked and we had withdrawn it. We believe that we have understood what needs to be done. We are progressing gradually. It is a different model in terms of how we distribute it etc., so we have done it in the city, we are now extending it into few cities, it is still not national and time will tell whether it will work.

Mahesh Nandurkar – CLSA

Okay. Would you want to comment on how this is different in terms of any of the attributes?

Nitin Paranjpe – CEO – Hindustan Unilever Limited

I do not want to talk in terms of any of the attributes but I think lessons learnt from the previous one and it has to do both with the chapati as well as in terms of how you take it to market.

Mahesh Nandurkar – CLSA

Okay. All right, thank you very much.

Akshita - Moderator

The next question comes from Mr. Aniruddha Joshi from Anand Rathi Ltd, Mumbai. Mr. Joshi, you may ask your question now.

Aniruddha Joshi - Anand Rathi Ltd

Thanks. Sir, can you just indicatively share the gains in market share in major segments; earlier you used to give the market share in figures. Can you just say whether we have gained market share in major segments, let us say laundry, personal wash breakup?

Sridhar – CFO – Hindustan Unilever Limited

Hi Aniruddha, I think I would just like to draw your attention to the response that Nitin gave a little while back, overall we are growing well ahead of the market, in most categories we have grown ahead of the market. For reasons that we have already talked about in our previous call, we are not getting into a specific discussion on market shares in categories and segments but we are looking at competitiveness of our performance on three or four metrics the details of which Nitin had shared earlier. That is all I think we would like to say at this stage.

Aniruddha Joshi - Anand Rathi Ltd

Okay. Second thing, earlier when we faced constraint on volume growth around one-and-a-half year ago, Lever took a conscious decision to increase the ad spend to regain volume growth, now for a third quarter we have gained volume growth of more than 10%, so do you see that probably the shift will also focus towards improving the margin scenario as well?

Nitin Paranjpe – CEO – Hindustan Unilever Limited

Our strategy is to deliver growth, which is both competitive and profitable, so that is our goal going forward; however, it needs to be seen in the context in which we are operating. The current competitive context that we find ourselves in, especially in certain categories which we are all aware of and the commodity cost situation that we have seen, you have seen that in this quarter we had a pressure in terms of our operating margin. We will continue to do what is right for our business. We will not let our eye off the goal as far as volume growth is concerned and competitive growth is concerned and we will try and drive cost effectiveness, savings, synergy, everything that we can do to improve the health of our business as we move forward.

Aniruddha Joshi - Anand Rathi Ltd

Okay, just last question for Sridhar. Can you just indicatively say the tax rate for FY11 and FY12. What can be the range?

Sridhar – CFO - Hindustan Unilever Limited

FY11, I can give you a sense, it is about 21%, 20%-21% in the band, may be 20% but FY12 it would be premature to talk about FY12 at this stage.

Aniruddha Joshi - Anand Rathi Ltd

Okay, thank you.

Akshita - Moderator

The next question comes from Mr. Shirish Pardeshi from Anand Rathi Ltd Mumbai. Mr. Pardeshi, you may ask your question now.

Shirish Pardeshi – Anand Rathi Ltd

Hi good evening Nitin, Sridhar and Sridhar. Thanks for taking my question. Just one observation, last time when we came down for the analyst meet in the office there was some presentation on the distribution drive and we were planning to cover more than a million outlet. If you can just tell us where we are standing now and what is the gain out of it?

Nitin Paranjpe – CEO -Hindustan Unilever Limited

Firstly, we were already covering more than a million outlets at that state and we have talked about a goal of adding a very large number of outlets and at that stage you would recollect that we had said five hundred thousand or so outlets over a couple of years. All I can say is that at this stage we are pleased with the progress that we are making and we are bang on track.

Shirish Pardeshi – Anand Rathi Ltd

So, the higher double-digit growth in the detergent segment and when we have taken some pricing action on soaps and detergent does that mean that this product is available more than 5.5 million outlets?

Nitin Paranjpe – CEO Hindustan Unilever Limited

5.5 million? Firstly, I clarify that there are over 6 million outlets which would be carrying our goods even before we expanded our distribution. That is because goods would move through outlets which we sell to and also through the wholesale to some outlets which we did not get to. The outlet expansion program I talked about was not 5 million it was half a million additional outlet which we have said we would go through directly over the next couple of years.

Shirish Pardeshi – Anand Rathi Ltd

Okay. Just last observation; we have seen the competitive scenario easing out and we are also seeing the drop in A&P spends not only by Hindustan Unilever but by the competition, what is

your outlook? Probably, what I am trying to pickup is that, which is the category seeing a highly intensive competitive scenario at this time?

Nitin Paranjpe – CEO -Hindustan Unilever Limited

So, firstly I disagree with the observation that you have made that the competitive intensity is coming down. We do not see it coming down. That is I think point number one. We also do not see the A&P levels coming down. The comparison between JQ and SQ can be misleading because it can have things to do with specific activity which was there in a certain quarter. The absolute amount of A&P spend in September quarter is high; it is 21% higher than what we have spent in advertising itself over a comparable quarter and therefore I once again want to reiterate that any conclusion that you might draw, which is suggestive of reduction in competitive intensity could be highly misleading and we see the intensity high across a large number of categories and not just one.

Shirish Pardeshi – Anand Rathi Ltd

Would you quickly comment what kind of intensity we are now seeing in Soaps and Detergents because it seems that the competition has gone into the sleeping mode?

Nitin Paranjpe – CEO - Hindustan Unilever Limited

Well, I hope what you say is true that is not what our observation is and again I do not want to comment on our competitors. We will do what we think is right and across categories we see the intensity to be quite high.

Shirish Pardeshi – Anand Rathi Ltd Mumbai.

Thanks. That is it from my side and all the best gentlemen.

Nitin Paranjpe – CEO -Hindustan Unilever Limited

Thank you Shirish

Akshita - Moderator

The next question comes from Mr. Amnish Aggarwal from Motilal Oswal, Mumbai. Mr. Agarwal, you may ask your question now.

Amnish Aggarwal - Motilal Oswal

Hi, I have a question on the modern range of products and what is our strategy in foods going forward. We had this modern chapati, I think around 2000-2001 time, which was later withdrawn and now it has again come back, but now we also have launched one kream roll and we had seen Knorr Soupy Noodles being launched a couple of quarters back. So, where do you think the entire food strategy of HUL is going and what sort of a difference is now in terms of distribution and the way we are approaching the entire foods proposition than we used to do in the past?

Nitin Paranjpe – CEO - Hindustan Unilever Limited

Firstly, I think like we commented about the launches of modern, I would just hasten to add that wait for a little while before we draw more conclusion, it is a small but profitable part of our business which is modern and I think these activities that we have got we expect them to do well but not material in the overall larger food space if we are doing any modeling based on Kream Rolls or Chapatis. So, that is point number one. We are excited about the foods opportunity and we are excited for a variety of reasons. We see growth in the core and we see opportunities to do well through our beverages part of the business first and we have expanded our portfolio and we have completed it with the launch of Brooke Bond Sehatmand but equally we are excited about the opportunities that categories like ice cream, categories like what you call savory and soupy noodles, etc, the entire range of Knorr, the range of Kissan etc., show up enormous opportunities for us. At this moment, you have heard me talk about the fact that we are rolling soupy noodles but soupy noodles is just one of the entries and there are many other things that we are planning and you would see them through the course of next year.

Amnish Aggarwal - Motilal Oswal

I would like to know what is the difference in foods strategy today compared to 5-7 years back? From HUL viewpoint, where is the market today and how different it is now to go into foods than it was a few years back?

Nitin Paranjpe – CEO - Hindustan Unilever Limited

I think may be this is an answer which will be a little long and may be a subject of a private conversation that we can have when we meet. All I would say is that foods market has always been a large market except that the packaged foods part of it was relatively small. The big difference between five years ago, ten years ago and today is the fact that many of the criteria and factors which could lead to the packaged foods market growing much faster are coming in place. It is on account of growing ad-films which we see in the country, it is on account of the increasing number of nuclear families, dual-income families, growth in modern trade, higher premium that consumers are willing to pay for convenience, it is a combination of all of these factors which will lead to a conversion from consumed to package food and processed food as we move forward and we want to ready ourselves with offerings as this change takes place. One key element of our strategy would be to make sure that we do so in areas where Unilever has a good understanding and a good strength and technology, and not go into this market in an opportunistic way just because it is available today. We want to make sure that the categories that we enter are categories that we can lead, established from presence and do so over a long period of time because there will be innovation, capability, and technical know-how that will be available for us from Unilever.

Amnish Aggarwal - Motilal Oswal

Thanks a lot sir.

Akshita - Moderator

The next question comes from Mr. Pritesh Chheda, Emkay Global, Mumbai.

Pritesh Chheda - Emkay Global

Hello sir. I just have one question. On the activation side and the re-launch side, over the last four to five quarters we have been aggressive. Have you done re-launches in most of the case or there are certain areas where the re-launches are not required, if you could highlight that?

Nitin Paranjpe – CEO Hindustan Unilever Limited

Again, it is a very broad question that you have asked and comment about the future again. All I could say is that re-launching a product is an almost continuous ongoing exercise. Every so often you have to make sure that your brand remains well and contemporary and re-launches are a way of doing so. The pace at which we had re-launches in the recent past has been high and I suspect that the intensity is likely to continue in the future as well.

Pritesh - Emkay Global

So, the pace will continue or will not continue?

Nitin Paranjpe – CEO Hindustan Unilever Limited

It will continue.

Pritesh – Emkay Global

Okay. Thanks and all the best to you sir.

Akshita - Moderator

The next question comes from Mr. Abhijeet Kundu from Antique Stock Broking, Mumbai. Mr. Kundu, you may ask your question now.

Abhijeet Kundu - Antique Stock Broking

Thank you for taking my question. Actually, I have one question on your personal product's margins, my apologies if I have missed on this. What has been the reason for the decline in PBIT margins of personal products? Has it been because of the innovations and the higher ad-spends that have gone into it?

Sridhar – CFO – Hindustan Unilever Limited

You know, there are two reasons really, one is that you pointed out, the higher ad-spends link to the innovation activity. Second is something I think I commented at the beginning that the spends on packaging moulds to drive our innovations and to drive the volume growth have been at a higher level in this quarter.

Abhijeet Kundu - Antique Stock Broking

Would this continue in the coming quarter because as you said we would be thriving to drive our personal products portfolio penetration?

Sridhar – CFO – Hindustan Unilever Limited

I have to just remind everybody that we do not give guidance on the future at the overall company level and certainly therefore we will not be in a position to talk about what would be the projected margin for the personal products category in the coming quarters.

Abhijeet Kundu - Antique Stock Broking

Okay sir. Thanks.

Sridhar – CFO – Hindustan Unilever Limited

Thank you.

Akshita - Moderator

The next question comes from Ms. Sagarika Mukherjee from SBI Caps Securities, Mumbai. Ms. Mukherjee, you may ask your question now.

Sagarika Mukherjee - SBI Caps Securities

Hi. First of all congratulations on a good set of numbers. I have just one specific question to Mr. Sridhar. I would like to know why is the stock adjustment figure basically the increase or decrease in stock of finished goods in this quarter a high negative figure, which actually means that some stock has been held back in the quarter as opposed to a very positive figure in the previous quarter, if you could throw some light on that.

Sridhar – CFO - Hindustan Unilever Limited

In this quarter, the negative figure, as you rightly pointed out, refers to increase in inventory level and it has really got to do with two things, one is obviously when we are growing in strong double digits, the inventory that you need in terms of not number of days but in terms of absolute tonne goes up and secondly strong commodity inflation that we have been seeing and therefore for the same tonne of finished goods that we held one year back, your value of that same one tonne is much higher. Both due to inflation and value and to support the growth plans, both of these have contributed to the increase.

Sagarika Mukherjee - SBI Caps Securities

All right. Thank you. Thanks a lot.

Sridhar – CFO - Hindustan Unilever Limited

Thank you.

Akshita - Moderator

The next question comes from Mr. Vijay Chugh from Ambit Capital, Mumbai. Mr. Chugh, you may ask your question now.

Vijay Chugh - Ambit Capital

Good evening everybody. just wanted to know, you have done several launches and innovations over the period of last one year, would appreciate if you could share a little more details in terms of contribution to growth, sort of market share gains or opportunities that you see, which have still not fully played out?

Sridhar – CFO – Hindustan Unilever Limited

You know Vijay, as far as the question is concerned I am afraid we will not be able to go into that level of details, suffice to say that most of the innovations but not all of the innovations have met our action standards. There have been a few innovations where the result in the market place has not fully met our action standards and we therefore continue to review how we need to refine that innovation so that it becomes a bigger success. In terms of the contribution, what comes from market growth, what comes from share gain etc., those are level of details I am afraid we will not be able to go into.

Vijay Chugh - Ambit Capital

Okay, Thank you.

Akshita - Moderator

The next question comes from Mr. Sumant Kumar from Elara Capital, Mumbai. Mr. Kumar, you may ask your question now.

Hemani Singh - Elara Capital

Good evening sir, this is Hemani Singh from Elara. Sir, I have two questions; one is on the skin cream business – in the past, we have seen that the Fair & Lovely brand was going slightly on a slower pace than the market growth. Have you seen any re-bounce there or what is the company's strategy, so that this growth rate again picks up at a higher pace than the market growth.

Nitin Paranjpe – CEO – Hindustan Unilever Limited

We have had a re-launch of Fair & Lovely recently. We have also introduced variant, which is the Fair & Lovely Menz, which has gone in. The response to Fair & Lovely Menz is very good. You will see Fair & Lovely to have a wide range of variants and of course most importantly to strengthen the core, make it more aspirational in the new context that people find themselves with. Through the course between June quarter and September quarter the growth that we have seen of Fair & Lovely has been good and we are holding on to our share of segment, which is good.

Hemani Singh - Elara Capital

Sir, have you seen greater than market share growth there?

Nitin Paranjpe – CEO – Hindustan Unilever Limited

I just mentioned that we are holding our share of segment on Fair & Lovely.

Hemani Singh - Elara Capital

Sure. Sir, In the oral category, is the company thinking about any launches or variants in the LPT segment?

Nitin Paranjpe – CEO – Hindustan Unilever Limited

What segment?

Hemani Singh - Elara Capital

Low price toothpaste segment sir

Nitin Paranjpe – CEO – Hindustan Unilever Limited

Okay. I just asked what you meant by that not because I could answer that question but I just wanted to know what that acronym stood for. For obvious reason, I have said it several times that we will not comment about any activity, which is about the future.

Hemani Singh - Elara Capital

Sir, last question would be on the foods category. We have large part of our topline coming from three main categories, soap, detergent and personal care. We can say that soap and detergent have a steady growth now. Personal care is already growing at double digit, it is the growth driver in the current scenario. Further if we say, five years down the line, do we see food as a category coming to the levels of, upwards of 25% contribution or taking the growth ahead in the next decade for the company?

Nitin Paranjpe – CEO – Hindustan Unilever Limited

I wish I knew the answer to whether it will get to that level but I do know that the contribution will increase.

Hemani Singh - Elara Capital

All the best sir. Thank you.

Nitin Paranjpe – CEO – Hindustan Unilever Limited

Thank you.

Akshita - Moderator

At this moment, there are no further questions from participants. I would now hand over the call proceedings to Mr. S.C. Srinivasan for the final remarks.

S.C. Srinivasan - Vice President - Treasury, M&A and investor relations - Hindustan Unilever Limited

Okay, nothing much just to say thank you. If there are any specific questions you can write to us at investor.relations-hul@unilever.com. Thank you.

Nitin Paranjpe – CEO - Hindustan Unilever Limited

Thank you.

Akshita - Moderator

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