June Quarter 2013 Results Conference Call of Hindustan Unilever Limited

SPEAKERS: Management of Hindustan Unilever Limited

Moderator: Good day, Ladies and Gentlemen. I am Sourodip Sarkar, the moderator of this call. Thank you for standing by, and welcome to Hindustan Unilever Limited, June Quarter 2013 Earnings Conference 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 proceedings to our Speaker, Mr. Dinesh Thapar, General Manager, Investor Relations. Thank you and over to you, Mr. Thapar.

Dinesh Thapar: Thank you, Sourodip. Good morning and welcome to the June Quarter 2013 Results Conference Call of Hindustan Unilever Limited. We have this morning with us, Mr. Nitin Paranjpe, CEO and Managing Director, and Mr. R. Sridhar, CFO on the call from the HUL end.

As is customary, we will start the presentation with Sridhar sharing aspects of our performance in June Quarter, and then hand over to Nitin, for him to share his perspective on the business performance. Before we start the presentation and hand over to Sridhar, I'd like to draw your attention to the Safe Harbour statement included in the presentation for good order sake. With that, over to you Sridhar.

R. Sridhar: Thank you, Dinesh. Good morning everyone. And on my behalf as well, thank you very much for joining this call. I particularly appreciate that you're joining in on a Saturday morning.

In terms of what I proposed to cover, just to remind ourselves of the strategy which frankly is pretty consistent, and then we're getting to a little bit of detailing - the market context in the quarter before talking about the highlights of our performance.

As you can see on the chart, the Compass strategic framework continues to guide us and our strategy is underpinned by the Sustainable Living Plan that we've shared with you earlier. Our goals remain the same, which we call out as Four Gs, to deliver growth that meets the criteria of being consistent, competitive, profitable as well as responsible.

So with that reminder in place, let's move to sharing with you a few words about the market context. I think you've all been reading the press and you've all been seeing the various economic news coming out. It's fair to say that the business environment continues to be fairly challenging. During the quarter, we saw further slowdown in market growth, both in terms of volume and value across several categories. In particular, premium segments and discretionary categories were under pressure. Further, in terms of the price component of market growth, this continues to fade, driven by two factors; firstly the relatively benign input cost environment, and secondly, the anniversary effect of price increases that went into the market a year ago.

You can see from the graph below on the same chart, the extent to which the market growth has slowed down. While you see on the chart volume growth slowing, I can tell you that value growth has also slowed likewise. Overall competitive intensity remained high in the quarter. And this has been the case now through the last several years.

To give you a little bit of sense in terms of the input cost environment. If you see in chart coming up, whether it is crude or PFAD, both reflect a benign cost trend in June quarter. The exchange rates in June quarter was slightly up, but what is really important to note is, as we ended the quarter and came into July, we saw a reversal in trend across all the three elements driving our input cost. Of course, the particularly sharp increase in the exchange rate or depreciation of the currency stands out. But PFAD and Brent Crude strengthened a little bit at the end of June and early July. We'll have to see how this pans out going forward.

With that context having been set, let me share with you the highlight of our performance during June quarter. As the headline says, we're really pleased that the performance reflects a competitive growth with strong margin improvement. Our domestic consumer business grew by 7%. This was driven by a 4% underlying volume growth which is ahead of market. I will share with you in the next chart a sense of how our underlying volume growth has progressed. But most of you will remember that in the previous earnings call for March Quarter, we had called out the impact of the upstocking linked to the transport strike anticipated for 1st April. This benefitted our March Quarter UVG by about 80 basis points, and as a corollary has an adverse impact of about 80 basis points on our June quarter UVG.

So in some ways, the effective UVG in this quarter was about 5%. In the quarter, the price growth element continued to fade due to the input cost environment and the price anniversary effect, which I called out earlier.

The other aspect of our performance which we are very pleased about is operating margins, which expanded 70 basis points to 15.2%. What's really notable is that this has been delivered after stepping up our A&P investment by a further 20 basis points. In fact, A&P was up by 70 crores in this quarter. As a result, operating profits grew by 12% in the quarter. Profit after Tax and before exceptional items was up 4% while net profit at 1019 crores was below the prior year, which benefited from a very large property disposal credit. As I called out, the price growth component has been fading, and you can see from the chart here, the blue bar reflects the contribution of price to the overall growth of HUL from a position of being at about 10% in December '12 in just about two quarters that has come sharply to 3%. So 10, down to 6, down to 3 and this is also really reflected in the market place where the price contribution has been slowing.

Moving on, as I said a little bit earlier, it's important to just understand how the underlying growth has played out. While we reported a UVG of 5% in December Quarter of 2012 followed by 6% in March Quarter and 4% in the quarter just finished, when you look at the real effective UVG across the three quarters adjusted for the transport strike up-stocking, it's really been sustained at 5%. And this 5% UVG that we've sustained is in a market which has been slowing.

As also I think some of you are aware and some of you have asked us earlier, in June quarter there was also the effect of the agitations in Maharashtra linked to the local business tax (LBT) impact which did impact our growth in June Quarter. As you're aware, the key drivers of our growth remains innovation and in-market execution. In this quarter, we brought to the market several innovations - some of which are reflected in the chart. We believe it is really, really important as market leaders to continue doing the right things, bringing innovation to market, investing behind them, even though the market conditions might be challenging. This is what will enable us to be well prepared for the future. You can see a range of innovations across home care. For example, the launch of Surf excel detergent liquids or the Domex launch. Coming on to personal care, you see a range of innovations in hair care, whether it is in Sunsilk - the Radiant Shine variant being launched or Dove or in the Tresemme where we launched a Keratin Smooth variant. The same is also true in our Food and Refreshments portfolio where Premium Tea is being brought under Taj Mahal, a range of ice creams, innovations in Kwality Walls and some more that are not there on the chart. So a lot of innovations that we continue to bring into the market. In addition, we also brought a new brand into the market, which is Magnum, and you can see that in the chart, and I'll talk about it a little bit later.

If you look at the trend of the performance of the company over the last six quarters, you will see that we have been investing competitively and increasing our investments behind A&P each quarter, and at the same time expanding our operating margins in all the six quarters. This is really what we'd like to call as the virtuous circle of growth where we drive volume growth, we drive cost savings hard, invest some of this behind innovations and brand development activity which then further propels profitable volume growth.

So we are really pleased with the shape of our performance generally now over several quarters. One of the charts that we've always shared with you is how the growth has panned out across segments, and this time we thought in response to some feedback from a couple of analysts across the world, showing you how the sales growth and how the segment revenue growth pans out and to see across the four segments that really there is not much to choose between the two; the sales growth and the revenue growth numbers are almost identical, as you know revenue growth includes other operational income. And based on the feedback going forward, we will focus perhaps only on the sales growth. Overall, this adds up to the domestic consumer business growing at 7%. In this chart, of course, the one thing that stands out is the growth in our personal products business. And I'll spend a minute or so to unpick this for you.

When you look at personal products, it's obviously a combination of about four significant size segments. And the important that I'd like to share with you is that the personal products business across all segments barring Skin has sustained double-digit growth ahead of market.

Just like we saw in the overall consumer goods market, the PP market segments also showed a sharp moderation growth with market volume growth down more than 1000 basis points over the last year. And when you look at performance across categories, while we've had some challenges in skin care, of which I'll talk to you, if you look at hair care or oral care or colour cosmetics, both of these have grown strongly in double digits. And even within skin care, it's really a story of two pieces; very strong performance across our brands like Lakme, like Ponds, like Dove, and not growing in Fair & Lovely. And I'll again talk a little bit more in detail later.

Coming now to the category highlights, and I will start off first with sharing with you how we've done on skin cleansing. Skin cleansing has been growing very strongly over the last several quarters, and that performance has been sustained in June quarter as well. We delivered another quarter of double-digit underlying volume growth driven by Lifebuoy, Breeze, Dove and Lux. You are aware of the benign cost trend in palm oil, and we had talked to you last time about being proactive in passing on the commodity cost benefit to consumers and thereby delivering even more improved consumer value. This has really done very well for us. And while we have got price deflation in the quarter in our topline growth, we have seen a much stronger presence in the market and a stronger position of our shares.

Looking at the segments of tomorrow, we continue to build our Liquids portfolio in skin cleansing; and this is doing well with our efforts on continued market development.

Coming on now to home care, home care growth has been led by the premium segments during this quarter. In Laundry, Surf and Rin sustained double-digit growth with Rin being driven specifically by bars. In our mass portfolio, Wheel, our volumes have improved further on the back-of-actions that we've taken. We also expanded our Laundry Liquids portfolio with the launch of Surf excel Liquids that I talked about a little earlier. In household care, we had strong growth led by Vim. We introduced the Vim Anti-Germ dishwash liquid in the quarter. In Domex, we expanded the portfolio with the introduction of acid-based toilet cleaners.

Coming on to skin care, let me spend a minute on this chart. In skin care, as I called out earlier, the market volume growths were flat. And the declining trend that we've seen in overall FMCG and PP, the same is the case with skin care market growth as well. Within our portfolio, we delivered strong double-digit growth in underlying volume growth in Ponds, in Lakme and Dove. As far as Fair & Lovely is concerned, it was relaunched if you recall in June Quarter of 2012, and Fair & Lovely has been holding its market share position albeit in a slowing market. The quarter performance has been impacted both by the slowing market, but also the strong base effect of June Quarter '12 which had the relaunch. Plans are under way to step up growth momentum in this brand. At the same time, we continue with the thrust on building our beauty expertise. We had several launches in this quarter; to name a few, the Ponds BB Cream, as well as the Lakme Complexion Care Cream which we launched. Our facewash portfolio was expanded with a new set of variants under Lakme. Our hair care business, which has been growing really strongly continued strong performance with volume-led double digit growth. We saw good broad-based growth across our brands. Sunsilk sustained its strong momentum and the Radiant Shine variant which has been launched contributed to this. Clinic Plus had been relaunched earlier and the brand clearly benefited from the momentum of the relaunch. In Dove, our performance was led by bottles, and we strengthened the range through a variant which repairs the cells with Keratin Actives. Tresemme, a new brand that we bought into our portfolio last year, continues to do well and is gaining ground. And we further strengthened this brand with the launch of a keratin smooth variant.

Oral care category, coming on to next, has sustained its double-digit growth several quarters now. As you know, we have two brands, Close-up and Pepsodent. Close-up performance was driven by some exciting activation where we had a tie-up with the blockbuster Bollywood film, and this has really done well for the brand. In Pepsodent our growth was led by the Expert Protection range that we launched about a year ago and we also have had good promotional activity on this brand. With the competitive intensity heating up in this category, we have been investing to sustain competitive growth and will continue to do so.

Colour Cosmetics is a segment that we've introduced into this presentation for the first time. It's now building up to be a very significant size business within our personal products portfolio. And with the start of the new financial year, we thought we would share with you some details about this very exciting category. This category has seen broad-based growth across the portfolio with very strong double-digit volume growth. Lakme continues to strengthen its premium position in the make-up category, Absolute and 9 to 5, both offerings in the Lakme, have grown momentum and nearly doubled sales in this quarter. 9 to 5 was relaunched with an office stylist proposition and 'eyeconic', which is Lakme's eye offering has been particularly well received. The other brand in the portfolio, Elle 18, has also stepped up momentum driven by some exciting activation plans.

Coming on to our Foods and Refreshment part of the business. Starting with beverages. Beverages as a business has been growing really strongly. And in this quarter, that has been sustained with tea growth accelerating. In Tea, all our key brands have grown in double digits. Taaza, which was relaunched in the second half of 2012 has sustained strong growth. Red Label, where we strengthened the position around health as also performed very well. And in Taj Mahal, we have launched a fresh range of premium teas during the quarter. At the same time, we continue to focus on market development, with the tea-bag category and the flavoured and green tea bag sales nearly doubled in this quarter. In coffee, where the market has been slowing, Bru grew well, led by the core.

Coming to packaged foods, the growth was led by Kissan and Knorr soups. Kissan delivered a strong performance across squashes, jams and ketchups. Knorr growth was led by soups, where we had sustained double-digit growth performance. Soupy Noodles which we launched almost at the end of 2012 is making good progress. We've also expanded the Knorr portfolio with the launch of Easy-to-cook range. And ice creams, where the market continues to be challenging given the pressure on discretionary categories, our Kwality Walls an ice cream business registered modest growth. We brought a new brand to the market, Magnum, which was launched initially in Chennai with very positive results. As I shared with you earlier, we also launched a range of exciting innovations under Kwality Walls, which we will see going forward.

Finally, coming to our Water category with Pureit. Pureit continues to strengthen leadership, and the innovations that we have brought to market have helped Pureit grow in a slowing durables market. Both the Reverse Osmosis variant as well as the advance and UV devices variants have grown in volumes. In the quarter, we expanded our portfolio with the launch of Marvella RO Slim. We continue to maintain strong emphasis on driving superior service of standards, and Pureit Promise, which is a very unique programme that we brought to the market has been extended in coverage.

So that's been a quick run through of the various categories in the business. Just now, a quick view of the financial results that you've already seen, we've delivered a competitive growth on topline with 4% underlying growth which is ahead of market. Operating margins have expanded by 70 basis points resulting in our operating profits growing by 12%.

The net profit which has declined as you see by 23% in the chart is entirely a function of the Gulita property sale in the base. On an underlying basis, Profit after Tax before exceptional items grew by 4%.

Just providing you a little more detail on how the operating profit has translated into net profit, we can see on the chart that other income has been lower than the prior year, clearly a function of the significant cash outflow at the end of 2012 driven by the Rs. 8 special dividend. So this really is the result of lower investible cash in the business. The positive news is we continue to make very good progress on working capital and generating cash in the business. The other thing to note is the tax line. While the underlying effective tax rate has gone up, and that is in line with what we had signalled with the start of the new financial year, in this quarter, there was a credit from write back of excess provisions pertaining to prior years. And a combination of these two has really translated into a 4% PAT(bei) growth with the Gulita property disposal in the base resulting in the net profit showing a decline.

So in summary, I will characterise this quarter as being one with competitive growth with very strong margin improvement.

I shared with you earlier that even in these challenging times, it’s really important for businesses and leaders like HUL to continue doing the right thing. And if you see on this chart coming up, the fact that innovation has continued to be brought to the market. If you look at the innovations that we brought to the market in this quarter across Beauty portfolio, I think a few of you might have had a little bit of time lag in the chart coming up, hopefully it’s now up, you’ll see growth across our Beauty portfolio and Foods and Refreshments and Beverages, the kind of innovations we’ve been bringing into the market. In Beauty space, we’ve been building the premium make up under Lakme Absolute; we launched the complexion care cream offering under Lakme, and the Ponds BB cream as well. And finally, a new brand in premium hair care under the Unilever global brand TIGI, we brought to the market with selling in to a select top-end salons.

With Foods and Refreshments, you will see series of innovations behind ice creams, premium teas in Taj Mahal, and, I earlier called out, the launch of Magnum that we brought initially to Chennai. So this really sets us up well for the future.

Looking ahead, our strategy remains unchanged. We will continue to invest to drive growth that meets the four criteria of being consistent, competitive, profitable and responsible. In an attractive market like India, HUL is very well positioned with its superior portfolio of brands which straddle the pyramid, its capability across go-to market and other functions that are clearly ahead of competition and of course, the very strong talent that we have - underpinned by the various surveys that confirm our position as being the number one employer. In the short term, we do recognize the concern related to slowing market, volatility and media inflation. However, we remain positive on the medium to long term outlook for the FMCG category overall and for HUL as company. With that, I will now hand you over to our CEO, Nitin Paranjpe for his comments.

Nitin Paranjpe: Thank you, Sridhar. And my welcome to all of you as you've gathered this morning on a Saturday to hear our comments and our views on our results. Now, you heard Sridhar talk about our performance in this quarter in some detail. Like him, I too believe that we have delivered a quarter of healthy performance especially in the backdrop of a market which had continued to slow. We have grown competitively, delivered a good underlying volume growth in this market and expanded our margins despite stepping up investment behind our brands, I'm pleased with the manner in which we have been able to sustain our delivery of both competitive and profitable growth in tandem once again.

Our domestic consumer business has delivered a 7% growth. And while it is lower in what you might have seen in the past, this number doesn't tell the full story. In large parts of the business, our performance has been better than what it might appear to be. Let me start by spending a couple of minutes talking about this 7% growth.

There are two parts to it. The first part is price growth. The fact that the contribution of price growth in our overall growth profile has continued to fade isn't really new news. You have seen it happen in the past, and we have talked about it. Now, price fading does not overly concern me, because I know that this will come and it will go, it depends on what is happening in terms of other costs. In fact, in the case of soaps, the price fade which we see is the result of the decision we took to pass on the benefit of lower commodity costs back to the consumers. While that has meant that we have witnessed price deflation in the near term, I am very happy to see the results in this category. It is a fitting example of what I regard as an all-round performance demonstrated with an 'AND' mentality. We have driven competitive growth AND sustained double-digit UVG AND improved our margins, AND have done all of this while improving consumer value. What could be more heartening than this.

Therefore the point I want to leave you with is that price growth has a context to it. You heard Sridhar talk about the trend reversal that we are seeing in PFAD, a key input into soaps which is now moving up and the currency which is depreciating. And we know that with volatile and dynamic input cost environment, what you see today could be very different tomorrow.

However, in times like this, as indeed in all times, what is really important is that we have eyes on volume growth. It is an important indicator of the health of our business, especially, in tough times. It tells you whether your consumers are with you, whether they are buying you and whether they prefer you as they make their choices. This then brings me to the second part of our growth, which is underlying volume growth.

Our underlying volume growth in this quarter has been well ahead of the market and what is important is that we have continued to grow competitively and sustained our UVG performance over the last three quarters at about 5% in a normalised way despite market volume growth coming down every single quarter over the last three quarters. To me, this is very gratifying.

Let me now turn to another aspect of our performance which I recognise will be top of mind, which is the personal products growth rate. Now, Sridhar spoke about the fact that our PP segment growth was 2% this quarter, clearly much lower than a historical performance in this segment. But again, there are multiple parts to this. You've heard him talk about the challenging market context. You heard him talk about the fact that discretionary categories and premium segments have been particularly under pressure. Here again, since none of this should be new news to you, we have been speaking about this over the last few quarters. And, therefore, I don't want to spent more time talking about it but it's something that we need to be aware of and cognizant of as we look at this performance.

So when I look at our PP performance across categories - hair, oral, colour cosmetics, skin, for the first three categories, hair, oral and colour cosmetics have all sustained good double digit growth. On hair care, I'm very pleased with the way the category has been performing, not just this quarter but over the last few quarters, given the competitive context that you are aware of. This quarter too was going for us with broad based double-digit growth. There have been a series of actions that we've been taking in this category for some time now, and as a result of which we now have a stronger portfolio which is delivering well. Our most recent brand introduction, TRESemme is also making solid progress and gaining ground.

Oral care is the other category I want to talk about. It has continued to do well this quarter as well. And I know this is the category where a lot of you had been asking has been asking questions given the step up in competitive intensity in recent times. We are absolutely committed to our oral care business. And we'll invest as needed to strengthen our positions in an environment where competitive intensity has stepped up and likely to remain high in the times to come.

The third category I want to talk about is our colour cosmetics business under Lakme. Again the business which has been doing exceedingly well and we have been growing scale over time and on the back of a series of actions that we've taken to contemporise and premiumize the portfolio, and the results of it are now visible in the market. This in many ways reflects our commitment to invest in categories which have the potential to become much larger as markets and consumers evolve over time.

That now brings me to the last of our important categories in personal products, which is skin care. Skin care too is a story of two parts. Ponds, Lakme and Dove have continued to do well. But the overall growth in skin care, indeed the overall growth in personal products, has been muted by Fair & Lovely. You've heard that Fair & Lovely was impacted by a challenging environment, a slowing market as well as a large or a huge comparator in the base quarter. And even though Fair & Lovely has maintained its strong position in the mass skin lightening segment and brand equities have moved up, I am aware of the fact that we need to do more to build back the growth momentum. In mass skin lightening, we are almost the segment and therefore we will take steps in order to get momentum back in Fair & Lovely.

Let me also reassure you that despite the growth that you see this quarter, as far as we are concerned, we see personal products as a key focus area and a growth driver integral to our strategy of winning today and winning tomorrow. You will see this reflected in our actions over time. And I hope you have been seeing it reflected in our current actions as well. Now, while we know that there are near-term concerns, particularly around slowing markets, the volatility and the new likelihood of higher media inflation, we remain very positive about the medium to longer term prospects for our industry. This is not the first time that we've been faced with challenges in the environment and nor is it likely to be the last time. And you have heard me say before that we do not run the business for a quarter. What's really important, and I repeat, what's really important in times like this is to stay on course with our strategy to do with is the right thing for enduring the success of this business, not just for the quarter but for the medium to long term. Therefore, despite the current challenges, despite the slowdown in market growth, we have continued to drive innovations and invest in our brands. And consistent with this you would notice that we've had another quarter of strong innovation intensity and a large number of these innovations are in the PP space. It is these actions that will ensure that we will be better placed to address the opportunity that the Indian consumer and the Indian market will offer us as we moved forward; and it is this will ensure that we will be consistent with our approach of not just doing what is right to win today but taking steps now in terms of building brands, portfolio and capabilities which are right for winning in the future and future proofing our business.

Let me end by saying that when I look at the totality of our business on balance, I'd say that the state of the business look healthy in a market context and in economic context which is far from healthy. Our brands are growing well, and we continue to make progress on strengthening our leadership position. You've heard me articulate the strategy time and time again and therefore I would reiterate an end by saying that we will remain focused on our consumer and we will remain focused on delivering growth which meets four criteria, criteria of being consistent, competitive, profitable and responsible. With that, I'm now going to hand you back to Dinesh for the rest of the conference.

Dinesh Thapar: Thanks, Nitin and Sridhar. With this, we will now move on to the Q&A session. I recognise that it's a Saturday and most of us want to get back to the weekend, so we'd like to bring this call to a hard close at 12 p.m., which gives us about 55 minutes of Q&A time. Therefore, can I request participants who want to ask a question to keep it tight so that we can accommodate as many questions during this period of time. Before we get started, I'd like to remind you that this call is only for institutional investors and analysts, and therefore anyone else on the call wants to ask us questions, feel free to reach out to us at the Investor Relations team. What I'd now like to do is to hand you over to Sourodip who will manage the next session for us. Sourodip, over to you.

Moderator: Thank you so much, sir. With this, we are going to start the Q&A interactive session. So I would request all the attendees and the participants, if you wish to ask any questions, you may 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 I would request all the attendees and the participants if you wish to ask any question you may press "0" and "1" on your telephone keypad. And the first question comes from Mr. Arnab Mitra from Credit Suisse, the line has been unmuted, you may go ahead and ask your questions, please.

Arnab Mitra: Thanks for taking my question. My first question is on the skin care side. While you said that clearly the premium parts of personal care portfolio are weakening over the last few quarters, the mass skin lightening also continues to be an issue. And frankly Fair & Lovely is really a dominant brand there. So could you help us understand the diagnosis of why in skin care it is actually the mass skin lightening which is facing such issues, and in terms of your confidence level on the steps that you're taking to correct the situation?

Management: So let me give you sense in terms of skin care. When you talk of mass skin care, I want to say that all of skin care has slowed down. That's point number one. Point number two, Fair & Lovely which really participates in the mass skin lightening market has been impacted. It is a very large part of the mass skin lightening segment and it has therefore been impacted by two reasons which you could say are not intrinsic to the health of the brand. One of them has to do with the slowdown in the market that we've seen. The second has to do with the strong comparators that were there in June quarter of last year. And the intrinsic reasons from a brand standpoint is you would recollect that we had relaunched the brand in June quarter last year. There were many things that we've changed and we've found that product acceptance has been an issue particularly due to the change in colour from white to pink in the media dark areas where they were not able to see the communication around this. As a result of which in large places which are media dark and small rural markets, large parts of India still don't get enough media. There were concerns about this being not the original, spurious, et cetera. We are taking this on board. There are plans in place. You will see stronger actions in place in the second half of the year through some relaunch that we will have to address the situation and hopefully get back Fair & Lovely back to growth.

Arnab Mitra: Right and just one more thing on this, which is the base effect you spoke about. I don't know the exact numbers, but if that were to normalise, would you not see a decline in the brand, or would it be not that big a factor?

Management: No, I think, the base effect is the strong comparator for Fair & Lovely. You will recall that we had done the relaunch in June Quarter last year. And when we talk of the base effect, it's really something driven by that. I don't want to get into more diagnostics, but just suffice to say that there were two key factors, one, the slowing growth in the market per se which Nitin then expanded on the specific role of Fair & Lovely, and, second, the big June Quarter'12 base where Fair & Lovely was relaunched.

Arnab Mitra: And just my last question is on soaps and detergents. I think you continue to see very strong volume growth. So in this current market context, is there any sign that it's weakening and things like downtrading are getting infused into the segment?

Management: Firstly I don't want to talk in terms of downtrading or uptrading. I just want to say that the rate of premiumization has come down. And therefore it's not that we are seeing downtrading over the last couple of years. In the past, we were seeing uptrading which was taking place. And I would want to say at this moment, we are not seeing uptrading which is taking place, all segments are growing above the same rate, and which means that the premium segment growth has slowed down more. And overall the markets have slowed down considerably over what they were a couple of years ago.

Arnab Mitra: Okay. Thanks so much.

Management: Thanks, Arnab.

Moderator: Thanks so much, Mr. Mitra. The next question is from Mr. Vivek Maheswari from CLSA. The line has been unmuted. You can go ahead and ask your questions, please

Vivek Maheshwari: Hi, good morning, everyone. My first question is again on Fair & Lovely. You mentioned about the issues because of the base and the changed product formulation. But this was launched at the end of June Quarter and the base should be helpful, as we go into the next quarter. Should the growth rate therefore bounce back because it's already going to be there in the base of 14% price hike that you took last year?

Management: So, again, we don't talk about the future in terms of -- and what are our predictions are. We don't do that. But you can draw your own conclusions basis what I've said. There were two external factors. One of them is the slowing market. Nothing changes as far as; we don't expect that to change very quickly. In the next quarter or two, I don't see that reversing so soon. I think the comparators will work themselves through as you realise. And the third aspect, which is an internal aspect in terms of us taking actions to strengthen the mix, hopefully before this quarter is out, we should have taken that action. And we are all determined to take the steps which are required to restore Fair & Lovely back to growth.

Vivek Maheshwari: Okay. Second, your presentation all throughout talks about double-digit growth pretty much across the categories but for skin. I mean, that perhaps points out to two things, either you are gaining shares or the industry growth rates that you are talking about is, there may be some question mark to that which has been the case with the AC Nielsen data in the last few years as you have also highlighted in the past. Because, I mean, since you are the market leader in most of the categories, and you're talking about double-digit growth rates, I mean, is there really a slowdown but for skin in any of the categories that you are seeing?

Management: Yes, there is a slowdown as reflected. And I think we can at this moment talk only based on the report which Nielsen comes across. Using Nielsen's reports in most of the categories, HUL growth rate especially in volume terms is well ahead of the market growth rate as reported by Nielsen.

Finally I think like I've said in the past, you should not rely on only one piece of data, because you rightly said that it is not the absolute truth. You have to look at trend, you have to look at the Nielsen data, you have to look at the household panel that we keep getting, and you must look at competitors who disclose their results and come to a conclusion in terms of what's happening as we look at all of these together, we think that we are delivering growth which is in line or ahead of the market in most categories.

Vivek Maheshwari: Okay. And on the margin bit, I mean personal care salience has gone down in this quarter despite which the margins have actually moved up. Is it entirely led by -- and you have obviously passed on the benefit of lower commodity cost in case of both soaps and -- particularly soaps and perhaps even in Dets. Is it entirely led by the correction in input cost prices in case of F&B category because the mix would have actually deteriorated in this quarter. Right?

Management: So one of the things that we keep reminding -- I want us to just take a step back, Vivek, we always keep talking about the strength of HUL, is really its portfolio. And unlike I think many other business, what we have is a very broad portfolio both in terms of the category we play in, within categories the segments that we play in, and the brands that straddle our pyramid. And it is these times that you really see the strength of the portfolio coming through. There is variety of factors and if you go into the details not all of which we would be keen to put out in the open but it is of course to do with what's happening in terms of the benign cost environment. It's also to do with how we have driven some of our cost initiatives. It's also in some segments to do with -- in case like soaps, I think, Nitin talked about us taking proactive action to pass through the benefit, which means prices went down; but in some other categories where we took prices up, we had the benefit of our stocks being at cost that were lower than replacement. So it's an amalgam of factors. But when you just step back and look at the big picture it's really to do with having a portfolio that we leverage in totality.

Vivek Maheshwari: Okay understood. And last question if I may, which is the PAT(bei), does that also has the benefit of 64 crores of write backs on account of taxation?

Management: No, no I think good question, no it does not. So the PAT(bei) does not include the credit of the tax refund or the tax credit pertaining to prior years, and it does not of course include the excess. So effectively the tax write back of prior years is like an exceptional item.

Vivek Maheshwari: Okay, so which is essentially in 1019 and not in 885 crores, right?

Management: Correct. Absolutely correct.

Vivek Maheshwari: Thank you so much and all the best.

Management: Thank you, Vivek.

Moderator: Thank you so much. The next question is from Percy Panthaki from India Infoline. The line has been unmuted. You may go ahead and ask your question please.

Percy Panthaki: Hi, gentlemen. Good morning. Three main questions that I have. Firstly on personal products in this quarter, on a y-o-y basis, would you be having any price degrowth in any of the brands? That's one. Second question is you have been saying that the price component in the overall growth has been continuously coming down. So do think that trend is going to continue in Q2 and do you think that in Q2 more or less the volume growth and the value growth will equate? And my third question, although not directly related to the quarter, more on long term trend for skin lightning category, there are some people who seem to think that it's not right to portray that only fair is beautiful; and people like Nandita Das et cetera have been bringing out this campaign of dark is beautiful which is trending very strongly on Facebook. How do you think this sort of affects the long term growth potential for skin lightning as a category in India?

Management: Okay. So firstly, let me take the first two questions which are in some ways interrelated, your question on pricing, et cetera. And then I'll pass on to Nitin for the third question. Firstly if you look at the overall numbers of June Quarter, 7% growth has a composition of about 4% UVG and about 3% price. So in the overall portfolio the price contribution is positive. Now, as I mentioned in response to one of the questions from Vivek earlier, we have such a broad portfolio and the sort of activities that we run, whether they are pricing activities or promotional activities, they are so widespread that it is absolutely correct that in the quarter there could be certain brands or certain packs where the price contribution -- the price impact could have been negative. And equally there'll be some packs and some brands where the price contribution to growth could have been positive. So that's the best answer I can give you because of the breadth portfolio. Going forward, what will happen, I mean because I know you know us very well, we don't talk about outlook; but as you saw in one of my charts in the market context, the quarter ending position in July has shown a reversal in trend in factors that impact our cost base, input cost base, whether it is commodities or whether it is currency. We'll have to watch that space and then take appropriate action. The overarching thing will be delivering consumer value, but if there is a reason for price increases to be taken, then we will take those. We will have to watch this space dynamically.

Percy Panthaki: If I might just… I am not asking for any future guidance I am just saying, I mean, assuming that just forget about any pricing action you might take from now into the future, just the anniversarisation effect, do you think that will continue and bring down the price growth further from 3% that we saw in Q1 to lower than that in Q2. That's the only question I'm asking.

Management: I agree Percy; but again, you are getting effectively into the space of guidance because what you're really asking is, compared to 3% price growth in June Quarter, if everything remains the same, will our price growth in September quarter be lower or otherwise, I think that it's best that you work it out because you can see the trends, you can see the numbers. But if you are trying to predict the price growth in September quarter, it will be linked both to what trend has been, what the anniversary effect has been, but also what is happening as we speak in the market place both in terms of currency and commodities, they are interlinked. So I'm afraid I'll have to just curtail my comment to that. Why don't I pass on to Nitin to address your broader questions on the outlook for the skin lightening segment as a market?

Nitin Paranjpe: Look, as I talk about this, I'm going to try and steer clear of larger debate that might happen in terms of whether it's right or wrong. I can get into that debate but just now it's not the time to get into that space. I just want to make two observations. There have been studies carried out across the world that consumers in all parts of the world, the affluent world and the less affluent world, and that study shows that all consumers, whether they are fair or less fair or dark, all consumers are dissatisfied with the color of their skin. Everyone wants their skin tone either two shades lighter or two shades darker. That's the reality across the world. In our part of the world, skin lightening is something that people look for. And therefore, we are there to serve the needs of these consumers who are looking to change the color of their skin or the tone of the skin. A dark person doesn't want to become as white as the Europeans. Nobody wants that. Everyone wants the shade or the tone of the skin to change by two shades. This is true for the west and out here. And that's what we are serving with products which actually deliver. They are efficacious; they are safe and make people feel good about themselves. You highlighted the beginning of some counter trend where some people are talking about other aspects. There can be other colors of skins which are attractive and beautiful. We keep track of consumer trends, we will keep track of this trend as well. And if this opportunity is significant, we will find a way to address that opportunity. For the moment skin lightning is the dominant trend and it's likely to be the case in the foreseeable future.

Percy Panthaki: Right sir. Thanks and all the best.

Management: Thanks Percy

Moderator: Thank you so much. The next question is from Mr. Sanjay Singh from Standard Chartered. The line has been unmuted. You may go ahead and ask your question.

Sanjay Singh: Good morning everyone. Sir, hello?

Management: Hi Sanjay, go ahead.

Sanjay Singh: Sir, I just wanted to understand this media inflation part, probably it is linked to the TRAI recommendations. Can you just maybe delve a little more into it on how much kind of inflation you are expecting or how it can affect your overall A&P strength per se?

Management: So I will tell you a little bit of the TRAI regulation. It will play itself out over the next few months. The TRAI regulation essentially requires broadcasters to limit the amount of advertising time that they've got for every hour to no more than 10 minutes. It's some combination of ten minutes for commercial advertising and two minutes for their own channel program, et cetera. That's what it is. Across channels, different people have been more or less compliant with it. Some people have been -- currently it's about 16/17 minutes of commercial time for every hour. Some other channels have been at 20 to 25 minutes for every hour. That's how much it varies. We believe that the overall commercial time available could come down anywhere between 25-30% if all broadcasters were to become compliant with this. How this pans out in terms of the rates per spot is something that is a one-on-one discussion between the company and the broadcaster as we move forward, with the absolute amount of inventory available will shrink somewhere between 25 to 30 if this goes through, which is meant to go through on the 1st of October; and there is full compliance to that from the broadcasters. That's what it is likely to be. The impact of inflation will be a combination of the reduced inventory and the price increase per spot or per rating point that you would have. And like I said, that will vary from company to company based on individual negotiations that will take place. And I don't want to comment in terms of what position and our view on that is. But there is a discontinuity which has taken place structurally in terms of the nature of the media market by the end of this year, or from October onwards.

Sanjay Singh: That's very helpful. Thank you. And while I would like to congratulate you on your successful stint of five years and your move to Unilever, the question I had was if you see last five years of your strength, it's been 14% topline and 14%, you know, earnings growth. Market shares have been largely flat, have probably improved here and there. So if we see maybe a more longer term trend, what can change HUL's track of this 14-15% growth to maybe higher, or is it possible to take it to a higher trajectory, and what exactly can take it to a higher trajectory?

Management: So I think there are some things that we can do as a company. There are some things that are impacted because of tailwinds and headwinds in the external space. We don't spend too much time worrying about the external space because frankly there is enough for us to worry about in what we should be doing to address our consumers and serve them better. We therefore will remain focused. And I can tell you that whether it is me or my successor, the strategic focus that we have as a business to serve our consumers and to continue to deliver superior value, continue to remain focused on delivering growth which is in line or ahead of the market and simultaneously have a business model which will result in a modest but consistent improvements in operating margins as we move forward, that will continue. And you can be sure that that will be our focus. We will deliver it in some quarters, may not be over others, but our intent will be the same and we don't run it from quarter to quarter. If we get it over a period of time, then we would call ourselves successful. So whether the growth rates are ahead of 15 or below 15 as we move forward, really has to do also with the overall situation in the Indian economy. And as that recovers, things will improve because I am an optimist in terms of the medium to long term. There is absolutely no reason why consumption in India cannot grow. As people get more money, attitudes and aspirations, attitudes for consumption are changing, aspirations arising, there cannot be a case where consumption growth does not happen in our market provided you are not looking at it over the next two quarters and four quarters, you have a medium to long term view of this market.

Sanjay Singh: That's very helpful. Thank you very much.

Management: Thank you.

Moderator: Thank you so much, Mr. Singh. The next question is from Mr. Manoj Menon from Deutsche Bank. The line has been unmuted, you can go ahead and ask your question, please.

Manoj Menon: Hi, congratulations team for a competitive growth and specific congratulations to Nitin on your promotion. Sir, actually I have one question which is about… you kind of alluded to the market slowdown which we are witnessing. That is one part of it. Now looking at your own performance, now that your track most of your in direct sales -- you have that data, anything which you have picked up where you will be able to comment about, any divergence between the urban, rural and possibly the urban growth, I mean in the middle India?

Management: So firstly thank you for your good wishes. As far as growth is concerned, I want to say that reported growth which Nielsen comes out indicates a slowdown both in urban and in rural about the same level. There is little to choose, certainly no trend that we can talk about. As far as we are concerned, I can tell you, we continue to get better growth through rural, large part of it is because of the discontinuous actions that we have taken in rural India not just in terms of the expansion, discontinuous expansion and reach which we carried out a couple of years ago, but increasingly in terms of the quality of that reach, we have now started equipping people in rural markets also with handle terminals et cetera so that we are able to manage and direct the quality of sales that we are making out there. So our growth is stronger in rural markets and is likely to remain so as we move forward. External numbers suggests that both urban and rural have slowed down. As far as the mid markets are concerned, which are tier-3, tier-4 towns, there are many reports which indicate that it is those towns which are likely to grow a little faster than the large metros that are there. So in urban, it is likely that the next rung of town will show better growth.

The other aspect that I want to highlight to you, which, again it's something that we must bear in mind, is how channel contributions and what we are observing as far as that is concerned. Till 2012, we were clearly saying that every year modern trade as a channel is increasing its contributions; and that was true. We continue to believe that over a medium term, that will be the case. But in the year 2013, towards the end of 2012 and in the year 2013, modern trade is not growing as fast as it was in the past. It is no longer growing faster than general trade as reported by Nielsen. It think it has to do with a combination of some individual channels, their plans, as they regroup and I have no doubt that it will get back to the growth rates which existed in the past. But at this moment, that's another trend that we are seeing in terms of a slightly different balance between modern trade and general trade.

Manoj Menon: Understood. Sir, the second question is again linked to the market growth. When I look at fiscal 2010, it would possibly go down in the history as one of the important turnaround years for the company. But then large part of the turnaround was to be attributed or credited to the actions which the company took in terms of increasing the ad spend significantly, and engaging in significant new launches as well as relaunches. Now, when you think about fiscal 2014 or 2015 or maybe next couple of years is there an opportunity to do such major actions or is it just that you're kind of -- question is, is there a necessity now that you need to much more proactive in terms of driving the market growth?

Management: That is absolutely correct. There will always be a necessity. Leaders have to lead, and therefore we have to be proactive in what we do. If we assume that the actions that we took in 2010 will continue to serve us in 2013, and '14, and '15, then it's wrong and we will lose. So in 2010 we had spelt out two or three things that we were doing. First is focusing on the consumer getting product quality right, driving blind product wins, driving innovation intensity and we've talked about the innovation intensity that we stepped up in our business. That was one stream of work. And the second stream of work was what we did in the go-to-market operations through a discontinuous effort in terms of expanding reach and improving the quality of reach in urban markets through technology which we've brought to base.

We shared a lot in those days, giving you the sense and building confidence in terms of the steps which we were taking. We continue to take some steps in this area. But at this stage, there are some things that we talk about and some things we would not like to talk about in terms of what we are doing. But you can be certain that we would be thinking of ideas which will ensure that we have competitive advantage as we move forward; what's the next phase of IQ? How do we take reach? We've got to increase reach and do so in a discontinuous manner which will help us moving forward. So both in the execution space as well as in the innovation intensity, it will have to be high for 2014 and 2015 growth.

Manoj Menon: Okay. Sir, one last question. And I'm sorry if I'm repeating some of my friend's questions earlier. Just in one line, why the issue only in Fair & Lovely and if you you think about the other products with similar consumer buying characteristics, is there any commonality in trend, excluding all the one-off base, et cetera?

Management: So I will just make one quick comment. And anything else, we can engage separately. I mentioned that in Fair & Lovely it was not just the external context of a flowing market, it was something to do with a comparator and it was something to do with product acceptance in media dark areas in the context of a change in colour where people felt it could be spurious. We have taken all of this on board and are taking the steps to address this.

Manoj Menon: Okay. Thank you so much and all the very best.

Management: Thank you.

Moderator: Thank you so much. The next question is from Mr. Jamshed from Citigroup. The line has been unmuted, you may go ahead and ask your question, please.

Jamshed: Yes. Thank you. Most of my questions are answered. Just one housekeeping question. If you include the tax surcharge which has been levied, what will your effective tax rate be for this year, this fiscal year '14 and fiscal year '15?

Management: I think I'd rather address it in a reverse way that the tax -- oh, tax surcharge you're talking about? Tax surcharge, I think the best way to look at it is that the change in the total tax rate, excluding these one-offs we are I think signalled that between FY13 and FY14, broadly speaking, we'd have about a 200 basis points of impact. And really we are in fact specifically said that in FY14, we expect it to be somewhere in the range of maybe 26% to maybe 26.5% or little more, little bit less. That still remains the case. Of course, it depends on how the mix pans out, mix across various categories and products. And that's something -- if there is a material change, then we will update you going forward.

Jamshed: And FY15?

Management: FY15 will also see a change. But remember that one big intervention that's likely is the whole direct tax code where I think increasingly the signals are coming out that we should see the direct tax code come into effect well before FY15. So best is I think to just wait a little bit on FY15. And given there is no direct tax code, then I think we will see the FY15 have a further step up in tax rate.

Jamshed: Okay. Thank you very much. That's all from me.

Management: Thank you, Jamshed.

Moderator: Thank you so much. Before we move on to further questions, I would like to repeat, participants, if you wish to ask any question, you may 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. Moving on to the next question from Mr. Pritesh Chheda (ph) from MK Global. Mr. Pritesh, you can go ahead and ask your question, your line has been unmuted.

Pritesh Chheda: Hello.

Management: Hi, Pritesh.

Pritesh Chheda: Hi. Just one question. Last year's annual report, if you just check, there is some savings on account of the supply chain or the freight cost at about 40 basis point. And company at large has been trying to save on cost since the last two/ three years. Is it fair to assume that this year it's going to be a bit difficult in order to squeeze savings? And if I look at the first quarter number as well, after excluding probably the royalty impact, the cost on the other heads have actually gone up. So your comments on that, right? It could be slightly indicative for us on the margins.

Management: No, let me say first of all that our drive to be far more productive and far more cost effective is something that is not recent, it's not a one or two year old phenomenon, it's a part of the philosophy of the company over several decades. And we do not see any reason to change that. So even going forward, we will continue our drive to be even more productive leveraging both global capabilities but also a large set of capabilities within HUL including IT capabilities. As far as your reference to other expenditures concerned, I think it's important to point out that it also includes, when you compare June Quarter 13 versus June Quarter 12 it also includes the revision to the royalty rates that came into effect in 1st February.

Pritesh Chheda: Yes. Okay. My second question is with respect to the commodities as input for the company. And just correct me if the reading is wrong. If I analyse the quarter 1 number, a lot of the gross margin expansion has probably slowed down to two sub-segments. One is your Soap and Detergents on account of PFAD, and second is beverages on account of coffee.

Management: Now, you see, the gross margin impact, as you obviously know, is a combination of both what happens in the cost front but also what happens on the pricing front. I think Nitin shared with you in his comments that in the case of soaps, we actually were proactive to pass on the benefits of the benign cost environment to the consumers; whereas if you look at beverages, we had been taking pricing action, and as we saw commodities rise. So it is slightly different in each of the two categories.

Pritesh Chheda: Okay. Many thanks to you, and all the best to you, sir.

Management: Thank you.

Moderator: Thank you so much. The next question is from Ajay Vora from Enam AMC. The line has been unmuted, you may go ahead and ask your questions, please.

Ajay Vora: Hi, sir. Congratulations on a good set of numbers. Just extending on one of the previous questions regarding the TRAI regulation. So as you rightly mentioned, there will be 25 -- maybe 20-25% reduction in the inventory. And the media guys would be taking a hike to that extent. So I just want to understand what hike can be incorporated. And resulting to that, are we seeing any change in the mix for us in terms of print media or the way we advertise, the various mediums, have we seen any change in that?

Management: Sir, let me fist clarify, I did not say that the media and the broadcasters will take a 25% increase to offset the 25% reduction. That's not what I said. I said that there could be -- there will be a reduction in inventory, anywhere between 25-30% if all players are fully compliant with the TRAI regulations which comes into force on the first of October. That is what I first said. After that I said they will -- all broadcasters will therefore look to raise their rates. What then the actual rate increase will be will be basis one on one discussions that each company will have each of these broadcasters. This is a negotiation that we will go through. Where we will settle, only time will tell. We have contracts with different people which run for a period of time, and it comes up for renewal, some of these over the next many months. The next few months are actually crucial as we will be getting into all of this.

As far as the mix of how we spend, that's a discussion that we have at all points in time to see what's the optimal mix basis both how you reach people, the effectiveness, and the cost of that medium. The cost of that medium will now undergo one change and will require us to take a fresh look at our allocation of spend across different channels. And basis that, we will allocate spend. But, yes, there is a feasible possibility that there will be some change in how we are spending money today and how it goes behind the different channels.

Ajay Vora: Okay. So are we saying the mix can change quite dramatically going forward? Dramatically meaning I'm saying from where we stand right now, it will definitely undergo a change?

Management: Firstly, with or without TRAI, the mix would change as we move forward because of some other trends that we see. There is more digital awareness that people are having. There are more people accessible through the digital medium, the mobile, et cetera. And therefore there is one channel which in a secular terms will continue to get more funds and more investments. Over the last few years, from a very small beginning, we've been doubling our spend on the digital channel to reach people. You would have read recently that we've set up a digital media lab out here to build capability in that space because we see that's an area that will become more and more important for brands to engage and connect with people. So change will happen.

As far as the other media vehicles are concerned, press, radio, et cetera, we will keep evaluating the effectiveness and rates in comparison to what television has to offer and make this call over a period of time, and the mix will change.

Ajay Vora: Okay. Sir, just one last thing. Can you just help us with what is the mix as of now in terms of print, to TV, digital?

Management: No, we can't give you the breakup. Suffice to say that television is by far the largest source of our spend. Digital was small but is no longer that small. It is quite material in our spends.

Ajay Vora: Okay. Sir, will TV be around somewhere around 60-70%?

Management: I think you're trying to get me to get into specifics. I think I have no doubt that through your triangulation you would have a pretty good view of what is happening. And frankly, that's not as important at this stage as recognizing that our commitment is not how much you spend on TV or how much you spend on press. Our commitment is to make sure that we remain competitive. And keep in mind the requirements of the brand, whom do we want to reach, and what OTS that we want to deliver to those consumers. We will stay focused on that, and we will keep an eye on what others are doing so that we deliver competitive levels of investment on our brands.

Ajay Vora: Okay. Thank you very much, sir. Thanks a lot.

Management: Thank you.

Moderator: Thank you so much.

Management: Sorry, we can’t hear you.

Ajay Vora: I’m done with my question.

Management: Okay.

Moderator: The next question is from Mr. Abhijeet Kundu. The line has been unmuted. You may go ahead and ask your question, please.

Abhijeet Kundu: Hi. Thanks for the opportunity. Basically one accounting question was on -- what would be the Profit before Tax excluding extraordinary items during the quarter.

Management: Sorry. So the Profit Before Tax, in fact, in the advertisement copy you see the PBT hopefully. And exceptional items is called out separately. Is there any further clip you’re looking for in that?

Abhijeet Kundu: I am just looking at extraordinary part in the other income. Is there extraordinary part in the other income?

Management: No. If you look at as far as the Profit before Tax and before exceptional items, if that’s what you’re looking for, that’s called out in the advertisement itself. As far as the other income is concerned, with the other financial income, which was 219 crores in June Quarter of 2012. That’s come down to about 177 crores in June Quarter of 2013. And I think I briefly explained when talking through the results, that the reason it’s come down, the main reason is the investible surplus that we had one year ago was higher, it’s come down after we paid out the Rs. 8 special dividend.

Abhijeet Kundu: Okay, sir.

Management: Thank you.

Moderator: With this, I would like to hand it over to Mr. Thapar for any questions over the web. Thank you and over to you Mr. Thapar.

Dinesh Thapar: Thank you. We have a couple of questions which had come in via the chat option. So we've one Richard Liu. And Richard, we'll just take your question. Richard's question is, since you deal with everyday products, in the event that the macro slowdown persists, what can a company like yourselves do to avoid being taken down with the general economy? Skin care, for example, can you share a few illustrations of what you can do to beat the slowdown? Or do you need to accept the slowdown and wait for the overall economic environment to improve?

R. Sridhar: I think the best way that we can beat the slowdown and certainly be better placed in whatever context that we find ourselves in, because we can't change that, is to make sure that we have a better pulse of the consumer, come up with innovations that meet and address that need, have an idea in terms of trend and make a difference. And I'll give you some examples of that. If you were to take just skin and make-up. If you take our Lakme business and our colour cosmetics business, in the manner in which this brand has identified consumer needs and has been able to actually premiumise mixing contemporary and deliver offerings that are delightful to consumers. There has been price increases taken in this category with superior offerings, in a stage where the general economy is not as strong and robust. But the value that they are delivering has resulted in this business doing well and good. So frankly in tough times, it becomes even more important for you to have the capacity to innovate and deliver superior value so that consumers choose us over anyone else, and we are relatively insulated from the overall impact.

And the second thing I would say in a situation like this, in a slowdown, is that we must be very, very tough on cost and manage this business very tightly so that we retain the wherewithal, to continue to invest behind our brands and our innovations so that we are better placed for the long term.

Dinesh Thapar: We have a couple of questions coming in from Sagarika. Sagarika, I will skip the questions on Fair & Lovely because we've covered them in the earlier Q&A. So I'm going into the two other questions which you sent us. What was the growth in Dove in the sachet segment? What was the net realisation growth for Dove and volumes of Dove sachets?

R. Sridhar: Okay. So I think you're aware that as far as Dove sachets is concerned, some time back, we had even launched the Dove Re. 1 sachet. And some time about a year ago we had taken up the pricing of that to Rs. 1.50. So when you really look at Dove sachets, there's a combination of the packs that are a Re. 1 and a Rs. 1.50, and then there is a Rs. 3 pack. Suffice to say that we've been seeing good momentum, sequential performance and sales of Dove sachets is picking up. Over the last two to three quarters we've seen good sequential progress. And we're quite pleased with how Dove the brand in the hair category and in the soaps category is doing.

As far as, I think, the Fair & Lovely question, as Dinesh said, I think we've already responded to that. There's other question that you had, Sagarika, around the promotions and discounts, et cetera, particularly in the soaps and detergents segment. I think just to remind ourselves that as far as soaps is concerned, we had seen the input cost situation turning soft. And we took proactive steps to give value back to the consumer. Sometimes the way we do this is by running promotions. So that's exactly what happened in soaps in this first half of the year. It was a way of landing and giving back to the consumer the benefit of what we saw in input costs. We've seen good momentum in volumes in soaps and in premium laundry as we talked about when I covered the category performance.

Dinesh Thapar: Thanks. I think with that, we've come to the end of the Q&A session. Just before we end, let me remind you that an audio-visual replay of this event 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 delivered this morning will also be available on our website under the investor relations section. We've also built an investor relations app. We've developed this, recognizing that most of us are constantly on the go these days and therefore, I think the app is a good way to remain connected with the company. I encourage you to download the HUL investor relations app. It's available for both Android and iOS platforms and for phones as well as tablets. Download it, use it and send us your feedback – tell us how we can make it a better experience for you.

With that, I'd now like to draw the call to a close. Thank you everyone for your participation. I really do appreciate your taking out the time on a Saturday to attend this call. Thanks once again and have a great day.

Moderator: Thank you so much Mr. Thapar. And thank you all the panellists. On behalf of Hindustan Unilever, I would like to thank all the analysts for joining the conference call. With this, we conclude. Wish you all a great day ahead, and a weekend too. Good bye.