December Quarter 2013 Results Conference Call of Hindustan Unilever Limited

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SPEAKERS:

Mr. Sanjiv Mehta, CEO and Managing Director

Mr. R. Sridhar, CFO and Executive Director, Finance and IT

Mr. Dinesh Thapar, General Manager, Head of Treasury, Investor Relations and M&A

Moderator: Very good evening, ladies and gentlemen. I am Sourodip Sarkar, the moderator of this call. Thank you for standing by, and welcome to Hindustan Unilever Limited, December Quarter 2013 Earnings Conference Call. For the duration of presentation, all participants' lines will be in listen-only mode and post that we will have a Q&A session. So now, without further delay, I would like to hand over the proceedings to our first panellist, Mr. Dinesh Thapar. Thank you, over to you, sir.

Dinesh Thapar: Thank you, Sourodip. Good evening and welcome to the December Quarter 2013 Results Conference Call of Hindustan Unilever Limited. We have this evening with us Mr. Sanjiv Mehta, CEO and Managing Director; and Mr. R. Sridhar, CFO on the call from the HUL. As is customary we will start the presentation with Sridhar sharing aspects of our performance in December quarter and then hand over to Sanjiv for him to share his perspectives on the business performance. Before we get started with presentation and hand over to Sridhar, I would 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. And welcome to everyone who has joined the call. As you know, this is the result for our third quarter of the current financial year and I will quickly take you through the key messages and highlights from our performance. Firstly, in terms of the flow, I just want to remind all of you of the strategy before getting into the operating environment followed by the performance.

The strategic context or strategic framework (what we call the Compass) remains unchanged and the philosophy of running the business which is enshrined in the sustainable living plan also remains unchanged. Equally, our strategic goals, which is to deliver the 4Gs as we call it: Consistent, Competitive, Profitable and Responsible growth also remains unchanged.

Coming now to the context and a few words about the operating environment during the quarter. Market growth of FMCG categories continued to be slow across categories during December quarter. This is the continuation of the trend that we have seen through 2013. Input costs were firm this time principally led by the depreciation of the rupee that took place in the third quarter of the calendar year 2013. Competitive intensity remained high, and on the media front, the quarter saw a fair amount of uncertainty with respect to the regulations around the number of minutes of advertising time in every hour.

Just to go through a little bit of detail on what's been the situation as regards to input cost. I talked about the rupee depreciation being the primary factor and you can see in the chart the three key components which drive our input cost. PFAD which is the principle oil that we use for our soap making, on the left hand side. On the extreme right, brent crude, which determines the cost of our surfactants in our laundry business; and in the centre, the movement in exchange rate. As you can see, there has clearly been a very sharp depreciation of the rupee that impacted the input cost on oils, on PFAD as well as in crude.

Coming now to the summary of our December quarter performance, I think, we are very pleased to have delivered yet another quarter of competitive and profitable growth. Our domestic consumer business grew by 10%, ahead of market with 4% underlying volume growth. Both value growth and volume growth were ahead of market reported growth. Operating margins grew by 13% driven by an expansion in operating margins of 50 basis points. This in turn was driven by a lower cost of goods sold, managed through a combination of judicious pricing, winning of some of the promotional activities that were in place in the previous quarter and also aggressively driving cost savings. The other driver for our operating margin improving clearly was a better mix, which I will come and talk about in a minute. At the same time we continue to invest behind our brands with competitive level of spends in advertising and promotion, absolute value of which increased by just over 100 crores.

Underlying profit after tax, which is PAT (bei) went up by 9% and net profit at 1062 crores was up 22% aided by exceptional items. Again we will talk about that a little later. To also give you a little bit of trend of how our underlying volume growth has played out overtime. This chart goes back as far back as December quarter 2012 and you can see from the chart that between December quarter 2012 and September quarter 2013, our intrinsic UVG was around 5% in each of the quarters. You see a higher reported number in March quarter and the lower reported number in June quarter of 2013 linked to the up stocking in advance of the expected transport strike at the end of March. Related to that, the UVG in December quarter at 4% is certainly a tad lower but entirely reflects the slowing growth in the market place.

The key driver of our growth, as you know, is innovation which alongside with activation and in-market execution really determines how we well we grow our business. And we are pleased to share with you that in the quarter ended December 31st, we had a series of innovations that we brought to market, entirely consistent with our growth driver strategy. Just to call out a few from this chart, the relaunch of our Pears soap; the re-launch of the laundry powder Wheel, a brand that we talked about earlier; a series of innovations under our Lakme master brand both in skincare as well as in colour cosmetics; and in tea, innovations in Lipton Clear Green.
Alongside these innovations, we also had a series of activation programme that came into the quarter and you see a collage of these shown in the chart whether it's in the case of Close-Up, the tie-up with a Tamil movie or in the case of Lifebuoy driving our health and hygiene agenda in partnership with channel programmes. In the case of Pond's, activation programmes with college students and so on.

On the next chart, you will similarly see some more examples of activation this time in our foods and refreshments portfolio across Nature Care in Red Label, generating trials of Bru Gold and in terms of our instant food portfolio with Knorr. So both innovation and activation programmes, you know, really, really being sustained during the quarter.

As you move forward and look at each of the category, let me just give you the headline of our growth in each of our food product segment. Just to remind everyone in the call, this is the sales growth, not the segmental growth that you see in the reported results because the segment results include the recovery of other income related to work that's carried on, on behalf of Unilever and in response to feedback from some of you from the previous quarter, we had started sharing the real sales growth or turnover growth for respective segments. All of the four segments have grown well in the quarter, ahead of market and in particular personal products and packaged food growth stepped up during the quarter.

With that overview, let me now get into the highlights of each of segment and categories and let me start, first, with skin cleansing, which has had yet another quarter of a healthy volume led growth performance. Pears, Dove, Breeze and Lifebuoy led the category growth with Pears seeing an innovation through a relaunch during the quarter. Within skin cleansing, the liquid’s part is really what we call the segments of the tomorrow which we have been building over a period time and this delivered a strong quarter in December quarter led by Lifebuoy handwash. We also had a significant challenge in our soaps and detergent business in terms of the cost inflation, which as I mentioned earlier was managed through judicious pricing and unwinding of promotions and driving hard the cost effectiveness agenda.

Moving on to home care, which is a composition of laundry and household care. In laundry, we had strong growth in both Surf as well as our Rin franchise. In fact, towards the end of the quarter, we relaunched Wheel laundry powder which was one of the parts of our portfolio that had not been meeting our expectations until September quarter, and I am pleased to say that with the relaunch we are starting to see an improvement in performance. Comfort, which is our fabric conditioner business, delivered yet another quarter of very strong performance. In household care where we have been many successive quarters of double-digit performance, the same was sustained in this quarter as well, both in Vim as well as in Domex.

Moving now to our personal product segment and starting first with skincare. Skincare as a market has continued to remain slow. In fact, the market trends have been slowing through 2013. In this context, we have delivered good growth with broad-based growth across brands. Fair & Lovely, which we relaunched around August-September of 2013 is on track driven by the superior product as well as a very focused communication plan. During December quarter, we also launched an access pack at Rs. 5 in order to get back some of the previous lapsers. Lakme is another brand that we have been growing very strongly, and this sustained its innovation-led growth momentum in December quarter as well. Facial cleansing, which is one of the other segments of the future where we have offerings across a series of brands in our skin portfolio has also done very well in the quarter.

Coming now to hair care, which has been seeing many successive quarters of strong double-digit growth performance. I am really pleased to say this has been sustained with volume-led double-digit growth. Dove stepped up growth during the quarter while Sunsilk, Clinic Plus and TRESemme continued to do well. During the quarter, we also expanded our portfolio with the launch of Clinic Plus Vita oil to make one of the offerings in the oil segment.

In oral care, which as you know has seen a very, very significant increase in competitive intensity. We are quite pleased that our growth has accelerated during the quarter with both Close-Up and Pepsodent growing in double digits. Pepsodent, as you know, was relaunched in the previous quarter on the core Germicheck platform and that has continued to perform well while Close-Up saw a very exciting activation in the quarter that contributed to its double-digit growth. At the same time we have stepped up our A&P investment in this category to ensure that we sustain our competitive position.

Colour cosmetics sustained its story of innovation-led strong growth momentum. Lakme accelerated the volume-led growth in the quarter with the premium range of Absolute and 9 to 5 sales more than doubling in the quarter. We also had some new exciting offerings under the Stylist range that were added to the portfolio. Elle 18, the other brand in our colour cosmetic business also stepped up growth on the back of some impactful activation in this quarter.

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Moving now to our third segment (i.e.) beverages. Tea delivered double-digit growth in the quarter and the good news is that the growth was sustained across all the brands in the tea portfolio. At the same time, our focus on market development also continues with respect to tea bags with flavoured and green tea bags more than doubling sales in the quarter. We also launched some innovations under our Lipton Clear Green range during this quarter. In coffee, Bru continues to drive category premiumization led by Bru Gold albeit in market where growths have been very slow. Overall, across tea and coffee, we are seeing value growth in the market coming off as commodity costs have been relatively benign.

In packaged foods, it has been a quarter where growth has stepped up with the three key brands Knorr, Kissan and Kwality Walls, all delivering double-digit growth during the quarter. In Kissan, the growth stepped up through the impactful market development work we have been doing to inspire consumers to use the ketchup and jam in various different forms. Knorr growth was led by a very strong performance on instant foods while Kwality Walls grew well on the back of good In-market execution.

Our water purifier business, Pureit, has continued to perform well, strengthening its leadership in a challenging environment. In the 'Brand Equities 2013 Trusted Brand Survey', Pureit was ranked as the most trusted brand in water purifiers. The work that we have been doing to expand the portfolio and now have a full range from mass to premium, has delivered well for us with the premium part of the portfolio delivering good growth. Reverse osmosis range, the UV range and advanced devices have all grown good volumes in this quarter. At the same time alongside innovation, we have also focused on driving execution with the launch of the Pureit Perfect Stores programme.

So it was just a quick run through of the segments. In summary, therefore, the financial results really reflect what I have been talking about, our domestic consumer business growing at 10%, operating margin expanding 50 basis points and PAT (bei) of 9%.

Just to talk you through the movement between our operating profit growth of 13% and our net profit increase, you will see that the lines of other income and finance cost are more or less similar to the previous time except that in the finance cost, there is the impact of interest related to income tax that was charged during the quarter.

As far as the tax line is concerned, we benefited from an exceptional item, which is a reversal of tax provisions that arose from completion of assessments. The other elements of exceptional items, which relate to property sales as well as restructuring cost are not very dissimilar although restructuring cost has been at the lower level in this quarter. So overall it's a good top line growth and a healthy bottom line growth.

As the chart captures, I won't repeat the points but, as I said we are really pleased that we have had yet another quarter of competitive and profitable growth.

A quick look at the performance for the nine months and this is more or less similar to the quarter with around 9% top line growth, 50 basis points improvement in EBITDA margin and 7% growth in PAT(bei). Net profit is more or less at the similar level as the nine months of the previous financial year albeit with a huge property sale from the Gulita property in the financial year ending March 2013. As we look ahead, the first thing to say is that our strategy which is outlined in the Compass remains unchanged and our focus remains to manage the business for long-term growth to deliver on our strategic objectives of Consistent, Competitive, Profitable and Responsible growth. We will do this by both investing to strengthen our core and at the same time investing to lead development of emerging categories.

We are conscious of near-term concerns related to uncertainty in the micro environment as well as volatility in the external environment. While this short-term concerns are true, we remain positive on the medium- to-long term outlook for the FMCG industry in India. And in order to leverage this positive opportunity, we believe that HUL is well positioned with strong brand portfolio, very strong and superior capabilities and a powerhouse of talent. So with that I am going to pass on to our CEO, Sanjiv Mehta who is there on the call with us. I am sure he would like to share his perspectives. Sanjiv, over to you.

Sanjiv Mehta: Thank you, Sridhar. Good evening, everyone. I am extremely pleased to join this evening's call and talk to about my first quarter in this business. And before we get into talking about the business, let me wish all of you a very happy new year and I hope it will be a rewarding and healthy one.

Let me start with my perspectives on this quarter. I will summarize it as another good quarter for HUL – Consistent, Competitive and Profitable growth. We delivered against our priorities. We grew ahead of our markets with the domestic consumer business growing at 10% and with underlying volume growth at 4%. We also improved our PBIT margins by 50 bps. The quality of our growth has been good. We increased our A&P spends by 40 bps. So these results reflect a consistent track record of investing competitively for growth as well as expanding the margins. The context however remains challenging with the country and world at large, continuing to face a series of political, economic, social and environmental uncertainties. Weak economic conditions and sentiments have resulted in market growth continuing to be under pressure, a sharp slowdown from a year ago. Against this backdrop our performance has been reassuring and resilient.

Coming to the segments, I am particularly pleased by the performance of personal products and packaged foods where growth has stepped up in the current quarter. Both the segments offered huge headroom for growth and very clear growth priorities for us. On soaps and detergents, we have a large business and it's good see us sustain competitive growth while finding the ways to manage the sudden inflation led by the depreciation of rupee, again a reflection of how we are dynamically managing the business in an increasingly VUCA context. That then brings me beverage where I am conscious that value growth which has received a fillip in the previous quarters driven by the commodity inflation has started to come off given the benign input cost in this season. But what is important is that underlying this number is a strong portfolio of brands, which are in good shape, giving me the confidence that the business is well placed. Therefore, when I look at the totality of a business and balance, I would say that the state of the business looks healthy, our brands are growing well, we have enormous talent in the business and we continue to make our organization more efficient and effective.

Let me now very briefly touch upon my views on the markets. There is no doubt at all that the market context has continued to remain challenging. Consumer inflation, which has been at high levels for some time now and weak sentiment, has taken a toll on both the rate and quality of growth across the categories we operate in. Overall sentiment still remains weak and the macro environment increasingly uncertain. It will take sometime for this to change. Having said this, I would like to reiterate that at HUL, whilst we are conscious of the near-term concerns and like every strong business we will find the ways to tide over it and come out stronger, we remain confident and positive about the mid- to long-term outlook for the FMCG sector in India and HUL's growth prospects. There is absolutely no doubt or change in this view.

Let me conclude by making a couple of important points. Our focus will remain on the long-term health and enduring success of our business. We will remain competitive in our core categories and build segments and categories of the future through what we in HUL call in market development. Innovation will continue to be an important pillar of our competitive growth. We will also keep investing in product quality to ensure that our formulation of a superior or at least equal to our competitors. Our thrust on operating excellence, which calls for brilliant basics day in and day-out will continue unabated. We will keep building organizational capabilities and be at the cutting edge of leadership and management development. Our goal of 4Gs which is Consistent, Competitive, Profitable and Responsible growth remains unchanged. With this, I would like to now hand the call back to Dinesh, and I look forward to engaging with you in the days ahead.

Dinesh Thapar: Thanks, Sanjiv and Sridhar. With this, we now move on to the Q&A session. Recognizing you must be getting late for most of you, so what we would like to do is try and bring this call to a close no later than 8 p.m. India time. Therefore, can I request participants who want to ask a question to really keep it tight so that we can accommodate as many during this period of time. Before we get started, I would like to remain you that this call is only for institutional investors and analysts and therefore if there is anyone else in the call who wants to ask us a question, please feel free to reach out to us at the investor relations team. What I would like to do is hand you back 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 question, you may press "0" and "1" on your telephone keypad and wait for your name to be announced. I would like to repeat. Attendees who wish to ask a question, you may press "0" and "1" on your telephone keypad and wait for your name to be announced. And we have the first question from Mr. Abneesh Roy from Edelweiss. Your line is unmuted, you may go ahead and ask your question please.

Abneesh Roy: Thanks, sir, and congrats on the numbers. Sir, my first question is, in Q2 you have told that there was higher stocking for the winter products and in Q3 we are seeing winter is being late although it has picked up in the later part. So if you could tell us how the winter products have done and how you are seeing the impact in Q4 because of the harsh winter?

R. Sridhar: Hi, Abneesh. Thanks for the question. Yes, you are right. We have talked about, you know, stocking at the end of September for the winter season. And as you know, winter was delayed. So relatively speaking, it would not have been as strong as you would have liked. But, you know, overall portfolio as we have said, when you look at our skin care within overall personal product business, that's one of the segments of personal product business. That's not grown in double digits whereas hair care, oral care and colour cosmetics have grown in double digits. So to that extent, you also see in the skin care growth numbers.

Abneesh Roy: Sir, one follow-up on Fair & Lovely. You said, now, the relaunch seems to be on track. Last year when you had done the relaunch, one of the goals was to graduate the customer from Rs. 7 price point to Rs. 8 price point. Now I see you launched Rs. 5 pack. So what has been the learning from this and how does the customer who has moved from, say, Rs. 7 or Rs. 8, if he moves to the Rs. 5 pack, how does it impact your profitability and are you ensuring on the distribution part that such a customer doesn't downtrade?

R. Sridhar: See, one of the things abut HUL's point of view – We have talked about it earlier that our core part of our strategy is a portfolio of products and offerings that straddle the pyramid. This is as much true in terms of having different brands that talk to different consumers in the economic pyramid as it is true about different pack formats and different price points. Now, in the case of Fair & Lovely, you are right. You know, we had taken up the price of our sachet from Rs.7 to 8 and one of the things as we look in the current context was an opportunity to make Fair & Lovely accessible to users who wanted to have a slightly lower put-down price. And therefore, this provides them an opportunity to experience the Fair & Lovely product, but at the put-down price that's at 5 rather than at 8. So this is quite consistent with, you know, portfolio strategy of straddling the pyramid. The reason we have said, of course, relaunch is on track is, you know, this is very, very big brand and it has now been three to four months in the market. As of now, it's moving inline with what we had expected and Rs. 5 pack is just, you know, one element of the overall portfolio of Fair & Lovely.

Abneesh Roy: Sir, customers won't downtrade at Rs. 7-8 to Rs. 5?

R. Sridhar: Oh, not necessarily. It depends. You know, the customer wants to have a lower price point. This is an opportunity. That way you know we also have 25 gram tube, 50 gram tube, 80 gram tube. The fact that we have got a 25 gram tube does not mean a 50 gram tube consumer goes down to 25 gram. It is targeted at different people. So I don't think that's an issue. Look at it positively that it allows access to people who want to have a lower put-down price.

Abneesh Roy: Sir, my second question is on the food and beverage business. I see there has been good growth in quite a few segments there. Tea, Kissan, Knorr, Kwality Walls, all double digit. But coffee clearly seems to be having an issue. So what is the market growth in coffee and if you could talk about the competitive growth there?

R. Sridhar: So if you look at Nielsen reported market growth for coffee is actually negative, right? We have grown our business in modest single digits in coffee. When you look across categories, and just take a slightly longer term perspective, so look at 2013 versus 2012, all of the categories have slowed in terms of market growth and you know, coffee is no exception. So coffee markets are declining. We have grown modestly and of course our endeavour would be to accelerate growth of coffee as we move forward.

Abneesh Roy: But you are not sharing why coffee is facing the brunt. Most other F&B, at least for you, seems to be doing far better. So in terms of discretionary, why coffee is facing the brunt?

R. Sridhar: So if your question is, why is this coffee facing the brunt rather than Kissan or something else, then of course, you know, different product categories, the foot print of these categories in different part of the country is quite different. Tea of course is far more nationally consumed beverage as you know. Coffee is not. And therefore, the new users that you know are trying to come into coffee, that's where a little bit of discretion perhaps is playing out. Last point I would make is, you know, I don't think and we have said consistently one quarter's performance whether it is strong or whether less strong is not really the basis to come to any conclusion and we have consistently said, you know, to look at slightly more longer term of trends to draw any conclusion. So I would not spend too much time on coffee beyond to say, the growth in coffee, even in this quarter is competitive.

Abneesh Roy: Sir, that's all from my side. I will come back for more. Thanks.

Moderator: Thank you so much. We have the next question from Percy Panthaki from IIFL. The line is unmuted, you may go ahead and ask your questions.

Percy Panthaki: Hi, Sir. Congrats on the good set of results. I have a couple of questions. One is, on Wheel, the growth rate has been a bit of concern since few quarters now and in the past also you have mentioned that there have been actions taken on Wheel and we should see the impact of that coming through. For whatever reason, Wheel growth has, in spite of that, continued to be a cause for concern. So just wanted to understand what are you doing differently this time around and why you would be confident that this time the sales will pick up?

R. Sridhar: Right. So Percy, you said you had two questions. You want me also to cover up the second question? I will respond to both.

Percy Panthaki: Sure. So my other question is your packaged goods sales growth has ramped up quite well. So I was just trying to sort of understand whether the same applies to the overall industry or it is just something that you have been able to do and the industry also still remains lack-lustre?

R. Sridhar: Okay, Percy. So let me address the two questions. Firstly, as far as Wheel powder is concerned, what we have done, I think, we have called it out in the innovation chart is we have relaunched Wheel laundry powder with the improved formulation towards the end of the quarter. And from the work that we have done in terms of looking at the product and the competing products in the segment, we believe that we have now got a better product and it should do well. The performance, even within the quarter just to say has been better than the previous couple of quarters. So even in December quarter, the growth of Wheel has been better than in the prior two quarters. As we look ahead, we expect that the relaunch has been go in and the way we are executing in the market we would expect to see the growth further pickup. Yeah, that's on Wheel.

As far as packaged foods are concerned, you know, this is a very, very nascent category and multiple times we have called out as a fairly nascent category. And it's less to do about market share et cetera stuff. It is more about the opportunity to build the market to build habits of consumption. I think what it's pleasing in this quarter is that all the three, you know, of our key strategic brands Knorr, Kissan and Kwality Wall's have grown well. All of them have grown in double digits, and I think it's just about continuing to invest in developing the market, building these categories with an appropriate mix of both innovation and activation that will give us the results.

Percy Panthaki: Sir, my question was not to get an idea about market share. It was more to get an idea about whether there has been an improvement in the overall packaged food's market or not? That's the thing I would like to understand.

R. Sridhar: First of all, you know, in terms of ice cream, I think, there is no real great pan-national data, which you can take and give it to you on ice cream. It's not available. I think the overall picture as far as market growth on things like soups , jams and ketchups -the trend follows that of the other categories which is, second half 2013 being slower than first half of 2013. It is not that these categories stand out very differentially in terms of market growth trends.

Percy Panthaki: Right. Okay. Thanks a lot, sir.

Moderator: Thank you so much, Mr. Panth. The next question is from Mr. Jamshed Dadabhoy from Citi. The line is unmuted, you may go ahead and ask your questions please.

Jamshed Dadabhoy: Just a couple of quick questions. If we take a step back, you know, about two quarters ago we were anticipating or expecting that the second half the growth would be fairly buoyant driven by rural and the growth in rural was expected to come from a stronger rain and good monsoon. So what is your read in terms of why there has been slowdown in rural and can you give some qualititative insights on whether you are seeing a broad-base slowdown across all categories on the rural side? That's my first question.

R. Sridhar: Okay. So do want to ask your next question also? Let me respond together.

Jamshed Dadabhoy: **G**oing forward what would be the operating leverage benefit if volume growth remains in this 4-5% range for, say, the next 18 months or so?

R. Sridhar: So, let me just clarify. I don't think we were saying six months back that we expected second half growth to be buoyant. On the contrary, we were saying, listen, you know, sort of the overall economic environment was such that it is possible to continue. We had of course said that, you know, good monsoon could be, it could provide a fillip as a positive driver but we had also said that for a few quarters it is possible that the market growths would remain low linked to high levels of inflation if you recall we had called out and many other uncertainties in the environment. So, in some ways, while yes, we have seen reports of good monsoon, the fact is that the market growths have continued to be slow and even as we stand today, it could happen if the scenario could play out for few more quarters. So that's the first point.

As far as fixed cost base and operating leverage in the context of low volume growth, I think, Jamshed, you are aware that we in Hindustan Unilever have a very well embedded process of what we call cost effectiveness programme that you are very well embedded over many, many years if not decades. And therefore, the team is continuously looking to see how do we raise the bar on cost efficiency whether it is in terms of savings across materials and procurement by further leveraging our global synergies through the power of Unilever's procurement or indeed it's in our supply chain, manufacturing and distribution that we are able to get better throughputs with same level of fixed cost. So I would like to believe that this is a continuing agenda, which will sort of happen year-after-year. Of course, it is more helpful when there are greater volumes and therefore to the extent that the volume throughput is lesser, it just makes the job more challenging. But we would like to continue to drive operating leverage both in supply chain as well as in our general overheads.

Jamshed Dadabhoy: Okay. Thank you. Just coming back to the first question, qualitatively across categories you are seeing a slowdown from the rural side?

R. Sridhar: Yeah. I will just say you know, let's not pick one quarter time. Just take a slightly medium term. Either you take 2013 versus 2012 or you could look at first half 2013 and second half 2013. I think it is fair to say that, I think, pretty much all categories are reflecting a slower pace of growth. That's, I think, fairly an accurate statement.

Jamshed Dadabhoy: All right. Thank you very much.

Moderator: Thank you, Jamshed. We have the next question from Mr. Arnab Mitra from Credit Suisse. Your line is unmuted, you may go ahead and ask your question please.

Arnab Mitra: Yeah. Hi, thanks for taking my question. A couple of questions. One is the just on Unilever's global strategy which includes SKU rationalization as an important element and the numbers being talked about is something like 30% SKU being rationalized or reduced. Just wanted to get a sense how this could impact Hindustan Unilever and does this in any way mean some hits on the growth at least in the near term? And the second question was more on the media inflation side with the change in the structure of the way ad spends are done. Has that already impacted your cost or you think things can really change next year or going ahead for you on the ad spends side?

R. Sridhar: Let me just take your second question on media inflation and then I will pass to Sanjiv to comment on your question regarding the Unilever global strategy on SKU et cetera, yeah?

So as far as media inflation is concerned, I think, we have already started to see the impact of that because of the total time restriction et cetera that we have discussed on previous calls. So some of that has already started to happen. From our perspective, media just like materials or overhead is another line of cost that we need to look at in terms of efficiency and productivity in the same manner as the other lines of cost and that's what we are doing with media and entirety of the advertising and promotional spend. So the marketing teams have got similar productivity goals in this area as the supply chain team has for example in manufacturing and so on. So this is something that we will continue to be under focus. We have previously talked to you about our return on marketing investments programme. That has worked well for us over the couple of years and the team, therefore, will continue to look at how can they become more efficient the space, and I must emphasize this, without compromising on the competitiveness of our media spend. Let me pass on to Sanjiv on your first question.

Sanjiv Mehta: You know, in our industry, operating excellence, as you know, it's as important as innovation. Now, that really calls for brilliant basics day-in and day-out which then becomes a competitive advantage, be it in supply chain or in store execution. Now, we always look at a portfolio of SKUs and what happens is often with the innovations and renovations that happen, you have a proliferation of SKUs and then you see that you have a long tail. So we always look at it and start pruning the tail. Now, what is happening is, this year we have a concerted global programme to look at how we can bring about more agility in the business and prune the non-performing SKUs. Now, certainly, this is not going to impact our growth in any manner whatsoever because these are the tail SKUs and very clearly, in fact, it should help us get better growth for the simple reason there would be better focus and that's how it will bring about more agility in the business. So rest assured, it won’t impact growth.

Arnab Mitra: Okay. Thanks so much.

Moderator: Thank you so much, Mr. Mitra. We have the next question from Mr. Richard Lui from JM Financials. Your line is unmuted, you may go ahead and ask your question.

Richard Lui: Good evening, everyone and thanks for taking my questions. I have two questions. Both relate to PP. Number one is on FAL, is there any further development of prognosis of what's happening there? You had mentioned about Rs. 7 to Rs. 8 being a possible issue some time back and then there was white-to-pink problem. Now post the relaunch, we are still not yet seeing a consistent double-digit growth in skin care. Any new insight worth sharing on this aspect?

R. Sridhar: Okay. Richard, great, do you have a second question? I will deal with both.

Richard Lui: Okay. So if I look a back little longer, there was a time when you used to consistently make 30% plus EBIT margin in all the December quarters in PP. I guess there hasn't been substantial price wars in PP barring, maybe the shampoo episodes in between. Margin however has been sub 30% now in, if I recall correctly, the last four years consecutively. What's really happened here is higher A&P, the sole responsible factor or is there something else at play? I mean, at the same time there is no real clear evidence also to suggest that this kind of a margin investment has actually led to growth ramp-up in PP in any significant manner. If you can throw some light on this please. Thanks.

R. Sridhar: Okay. Thanks, Richard. So let me take both your questions. First of all, as Fair & Lovely is concerned, we relaunched this in August or September. You are aware of the details and obviously being such an important relaunch, we have got a very, very, if I may use the word, 'forensic' way of tracking various parameters, qualitative and quantitative parameters, to reassure ourselves whether it is on track or not, going into geography level information. So it's just not all India. And as we called out in the presentation, I think we are pleased that the relaunch is on track both in terms of the qualitative measures and quantitative measures. Of course, it is a big brand and you know, we will continue to track it closely over the coming quarter as well.

As far as your comment sort of on double-digit growth in skin care not being there, I'd just like to draw your attention to the fact that the skin care market growths have been very, very slow. They continue to be slow in December quarter and I think we had referenced earlier that being one of the areas of discretionary consumption, it's in a manner understandable when you see that market growths have slowed significantly. I think we are pleased that we have grown well. And over the medium- to long- term, the potential obviously in skincare is good double-digit growth because the levels of per capital consumptions are low. So far on track and we continue to watch Fair & Lovely closely.

As far as your second point about, you know, at a point of time, the December quarter margin being 30% plus in PP and what's going on, I think first of over time, the entire shape of the market, the competitive intensity, the number of players, you know, all of that has changed and more importantly for us it's not just the percentage margins but you know the size of our business and the absolute value that we create. And clearly personal products today is much larger business in terms of the volume that goes through when you look at compared to five years back. The fact also is that one or two segments have seen significant competitive intensity. More recently, in oral care as we called out in our September quarter results as well in December quarter All of these categories of course are core and strategic for us. So we will invest and we are investing what is necessary to ensure that are competitive position does not get undermined. So we are, I think, quite comfortable and one of the big things of the HUL business is of course the portfolio and we look to see how can we leverage the totality of the portfolio to deliver on our goals of growing competitively and profitably. And in some quarters it might be that we need additional investment in a particular category. In some other quarters, it might be some other category. As long as we are able to bring to bear the totality of the portfolio to work for us, I think we are pleased with how it progresses. So that's how I would look at, you know, how this is evolving and again this has been a quarter also where we have delivered competitive top-line growth as well as I would say a decent improvement in operating margins.

Richar Lui: Thanks a lot, and wish you all the best.

Moderator: Thank you so much. We have the next question from Mr. Harit Kapoor from IDFC Securities. Your line is unmuted, you may go ahead and ask your question please.

Harit Kapoor: Good evening, sir. Just two questions. Firstly, on soaps, just wanted to understand. Over the last four quarters, in your press release you had mentioned that it's been a double-digit volume growth. This time you haven't mentioned that. Just wanted to understand, you know, one reason could the promotional intensity coming off. But, is there anything else should read into this? That's my first question.

The second one is on A&P spends. Though A&P on an absolute basis has been higher,as a percentage to sales, it's been a little lower as compared to Q2 which is the base quarter. The competitive intensity remaining high, just wanted your sense on it. Is there any category where you have seen a lower level of competitive intensity and hence, we have had to invest less?

R. Sridhar: Okay, Harit. Thanks for the two questions. Let me just respond to them in reverse order. We have said earlier also that the level of A&P investment that we make in any period is a function of two things. One, the level of competitive intensity in the market particularly the A&P intensity that we see. And number two, the innovation programmes that we bring to the market and the need to communicate what's new to the consumers. And therefore, all I can say is that including the December quarter, we have maintained competitiveness of our A&P spend.

The sequential tracking that you referred to frankly is not going to be very very meaningful for two reasons. Number one, when you look at the mix of the products that go through in different periods, that’s sometimes different. Second, the innovation activity that we bring in obviously, we had a big relaunch of Fair & Lovely in our September quarter. And the quarter that you have a big relaunch typically would have a big burst of advertising spend to communicate the relaunch.

I think the most important point is, it remains competitive and compared to December quarter 2012, it is a 40 basis points additional investment. As far as the comment or the question on soaps that you talked about in terms of double-digit volume growth, the fact is any of our growth comparisons we always look at how arewe performing relative to the market. Including in this quarter, our growths are competitive. We have grown ahead of the market in soaps as well. It is true in soaps also that the volume growths have been coming down in the market. Also in this quarter, as we have seen the impact of cost inflation going up principally driven by the foreign exchange but also thereafter on the hardening of palm oil prices, we have

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unwound some of our promotional activities, which were volume-based promotions. And therefore the mix of volume and price in December quarter is slightly different with a little bit more of price, a little bit less of volume compared to the previous quarter.

Harit Kapoor: All right. That's it from me, sir. Thank you very much.

Moderator: Thank you, Mr. Kapoor. Before we move on to further questions, I would like to repeat. Attendees, 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. Moving on to the next question, we have Mr. Puneet Jain from Goldman Sachs. Your line is unmuted, you may go ahead and ask your question please.

Puneet Jain: Thanks for taking my question. My question is actually with respect to volume growth in the quarter is 4%. Now, if I look at Y-o-Y basis, the third quarter last year was a quarter where volume growth went to 5% after a large number of quarters. So this year, somehow, even low base is not helping the company to post slightly better volume growth. Do you have any thoughts on this? And second thing, the volume growth will be that – could it be a reflection of some downtrading which is happening with the consumer space? And when do you really think the urban sentiment will bottom out?

R. Sridhar: Right. Okay. You know, Puneet, at the cost of slight bit of repetition, let me just remind everyone that market growths have slowed very significantly if you look at 2012 and 2013. In fact, even if you look at first half of calendar 2013 and second half of calendar 2013, market growths have further slowed. So whenever we look at growth, from our perspective, we look at growth in a context of competitive growth - how are we growing relative to markets. And obviously when market growths grow very significantly, then our growth also has a corresponding impact. Volume growth, you are right, in this quarter is 4%, which is a tag lower than the 5% that we've been intrinsically delivering in the prior three quarters. And it's really a function of two things. One, of course, the market growth further slowing, as I talked about, but more importantly, the mix in our very very large segments – soaps and detergents, the mix of price and volume growth in December quarter has been more price and less volume and that's really the principal reason for the UVG being about a percent lower on a sequential basis in this quarter.

Puneet Jain: Mr Sridhar, in the previous quarter, your volume growth of 5%was also at a higher base of volume growth at 7% in the corresponding years. So in that quarter, the volume could be 4% on a 5% growth?

R. Sridhar: So which is why, Puneet, I drew your attention to what's happened to the market because we, obviously, operate in a market. Just to give you a flavour, in 2012, market growths in total value terms were double digit. In 2013, they are in single digit. And within that, second half of 2013 is slower than first half. So all of the things when you talk about growth is in a certain context of the market we operate in. The second point I think you were talking about downtrading, I think, at this point of time, I would not say that there is any significant trend of downtrading that's visible. We need to normally look at things like downtrading over a slightly longer period of time, you know, look at it for, maybe, two, three or four quarters before drawing conclusions. I think, we need to just wait for some time, but I would not call out downtrading particularly as something that stands out. I don't think I would say that. If you look at our own performance and just take two categories to make the point, let's just look at personal products category like hair care and look at beverages category like tea. In tea, all our brands whether it is the premium or the mid-market or the mass market, all the three have gone in double digits. Similarly, if you look at hair care, Dove as grown in double digits, as has Sunsilk, as has Clinic Plus. So if you look at just two categories to take an example whether it is premium or mid-market or mass, we've seen good performance in all parts of our portfolio. So I don't think there's any conclusion at this state to say there is a very, very clear trend of downtrading.

Puneet Jain: And my final question was about urban sentiment. When do you think you can bottom out and start improving because that is already quite low and it has remained low for some quarters?

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R.Sridhar: I would not say urban or rural. See, overall, in terms of market growth its possible that we may have a few more quarters where we will see market growth being slow. But more important as a company that has been around for 80 years, we tend to take a more medium to long-term perspective of the market. And on that, there is no change in our view that we remain very positive about the growth prospects of FMCG in India.

Puneet Jain: Okay. Sir, thanks a lot.

R.Sridhar: Thanks, Puneet.

Moderator: Thank you so much. We have Mr. Abneesh Roy from Edelweiss for the followup questions. Mr. Roy, your line is unmuted. You may go ahead and ask your question, please.

Abneesh Roy: Sir, just one or two follow up questions. We have launched hair oil now under two brands and now the new products' prices are also much more marred. So what's the thought process we have? And this question is to Sanjiv Sir. What's the thought process you have in hair oil because we sold the hair oils a few years back and now we are entering? And why I am asking this is we had launched a fabric whitener also a few quarters back. So this is just to support the adjacent category and act as a brand extension or we want to be the market leader just like we are in almost every other segment?

R.Sridhar: Okay. Abneesh, let me just, you know, comment on hair oils and you made couple of observations about the second offering, you've made an observation about price point being much lower at mass end. So let me first state that in the last, let's say 12 to 15 months, we have made two entries into the value added hair oil segment. One was about a year ago with Dove, which is very clearly at a very, very premium offering, offering the benefits of overnight oiling without the mess of overnight oiling. So that was on a very differentiated proposition, differentiated platform with natural flower extract et cetera are there, so very, very differentiated. What we have launched in this quarter is under the Clinic brand name and it's positioned, you know, is very, very differently with Almond benefits et cetera. So it's a very, very different product offering a very different proposition and therefore the comparision of price points, between what is Dove and what is Clinic Plus is frankly not appropriate because they are having two different propositions catering to good different segments.

You had more questions, more in terms of strategy and I am going to pass on to Sanjiv Mehta to give his thoughts.

Sanjiv Mehta: You know, in India, when you look at the hair category and the conditioning habit, use of hair oil is very progressive. Now, we are the big player in the hair care market. Now, that is one segment where we want to be in. Now, the way we look at it, this is absolutely right what Sridhar said, we are talking about very different positionings with Dove and with Clinic Plus which we recently launched. Again, going back our strategy is to straddle the price benefit pyramid. So when we are talking about being in hair care, we would come to meet the different needs of the consumers and at different price points. So these are very clear two distinct brands with distinct positioning, with distinct prices and they are there to meet the requirement of the consumers.

Abneesh Roy: Sir, I understand the price straddling part. My question is do we plan to be aggressive in these – So will your hair oil match the number one player or we want to build this more as a support to the overall brand in terms of growth, maybe, a few percentage points?

Sanjiv Mehta: If your question is - are we going to be aggressive on the commodity side of the business, the answer is no. We will build distinct brands and that is where this comes in. Now, if you look at the hair care market in India today, even shampoo the per capita consumption is very low. But if you really look at the regimen use, certainly things like conditioner, it is extremely low. So we have a job to play as leaders to build the nascent categories and this is what we are doing. And one of the conditioning habit is oil. So we would certainly get in, but we will get in with value-added play.

Abneesh Roy: Right Sir.. Sir, one book keeping question. The staff cost has dipped quarter-on-quarter and Y-o-Y it's almost flattish. Is this the number we need to factor in coming quarter or is there a one-off here?

R.Sridhar: No.. I think, Abneesh, we had called out at the beginning of the year that some of the teams that were housed within HUL and operating to global programmes which is what we called the Enterprise Support Operation based out of Bangalore - they from January 2013 moved into a separate entity. Therefore, you will see the other operational income going down and you see the staff cost also going down because these are now being incurred separately. So you see there was both in the revenue line as well as in the cost line, that will pan out in the next quarter or so and then, this will not be a reconciling item.

Abneesh Roy: Sir, one last follow-up, if I can? Basmati rice, again, if Sanjiv sir can share the thought process? And do we have any such more products which can come which we are exporting currently to other parts of Unilever which can be potentially launched, if some thought process can be shared?

Sanjiv Mehta: When it comes to Basmati, as we have been exporting Basmati in different parts of the world for many years, so this is just a selective opportunity which is there in the trade which we have tried to play with. And certainly, our intent is not to look at commodities; our focus is going to be in branded packaged goods and that's where our efforts will be.

Abneesh Roy: Right, sir. Thanks, sir. This was all from my side. All the best, sir.

R.Sridhar: Thanks, Abneesh.

Moderator: Thank you, Mr. Roy. We have the next question from Mr. Manoj Menon from Deutsche Securities. The line is unmuted. You may go ahead and ask your question, please.

Manoj Menon: Hello, sir. Good evening. You know, couple of questions here. One, you know, when I read the comment about the competitive intensity and also there is the comment about the unwinding of the promotions. Essentially, how do I read this to form a view on the price environment or rather the price growth environment in the market today? That's one. Secondly, the inventory levels which had gone up in

September, you know, is that corrected in December or still remains the same?

R.Sridhar: Okay. So let me take the first question. You know, when we talk of competitive intensity we are trying to give a sense in terms of what's happening in the overall market as we see all the levers whether that is pricing, whether that is advertising investment, whether that is innovation activity. That's the sense that we have. When we see what's happening in December quarter, it remains high. There was, of course, a step up in September quarter, as you know, with some significant competitive entry into oral care as we've talked about. And the overall level of competitive intensity remains high. When we talked about the unwinding of promotions that was specific to our soaps and detergents category and soaps in particular which has taken place as the cost inflation has started to come through. So that's a very, very focused comment around soaps, whereas, the competitive intensity point is far more broad-based one about what's been happening in the FMCG markets.

Manoj Menon: Sure. Sir, the question on the inventory bit between September and December?

R.Sridhar: That one, I just want to clarify – See, it's not about inventory build-up. Whenever there is a season, you know, and depending on our assessment of when the season is likely to break, particularly, when you talk about winter and similarly sometimes it could hold true about summer with respect to Talcum powder product, there is a pipeline that we need to start filling in to be ready for the winter. And what we said is that at the end of September quarter this time, I think we all have done a good job in terms of filling in the pipeline. But, obviously, with the delay in the winter, that took some time to work itself through. So I wouldn't call it as inventory build-up; it's more about preparing in advance of a season so that our products are there on the shelf before our competition is there and gives the opportunity for us with consumers. But this time around, obviously, winter being delayed, that took some time to work its way through. There is no issue as far as inventory levels are concerned.

Manoj Menon: Understood. Sir, quickly on urban, I think, there was a question previously. Essentially, one thing from you would be very helpful would be that any green shoots or the way you look at, let's say urban consumption or let's say in QY14 would it be, you know, just a qualitative comment on can it be potentially better than 2013? I mean, are you finding anything on the ground, to be optimistic?

R.Sridhar: I think, Manoj, you are right. Somebody earlier also had asked this question. First of all, I think just to remind everybody, when you look at market data, the universe of stores that's part of the panel is 40, 000 stores in a country which is 7 million. So we are talking about, , less than 1% being universe and therefore what we have to see is directional data rather than precise because margin of error of 200 and 300 basis points can very, very easily happen. At this stage based on what you've seen, I think, it is not something that we are able to call out either way that, you know, there's a dramatic uptake or there is dramatic downtake in urban separately or rural. The trend in both urban and rural if I look at second half 2013 versus first half 2013, broadly speaking, is similar. But we will have to wait for one or two more quarters to have a point of view of this specific question you are raising.

Manoj Menon: Sure. Sir, one last question generally on the industry, you know, but this is nothing specific to HUL. There is a generalized understanding that election spending helps consumption. Just want to understand from you about, let's say the quarter went by, you know, in the states in which election happened, interestingly, many of them were contiguous states. Have you seen anything at the trend in terms of anything like that which is kind of supportive consumption?

R.Sridhar: Yeah. Manoj, you can imagine that it is again a topic in which we get to ask questions. You are talking about the past. People asked about, what do we expect to happen FMCG categories post elections. Firstly, as you may have heard sometimes, say, we are a company that sells soaps and soups, so it's not pretty dramatic. It's really daily use consumption, but obviously with great potential because of low per capita consumption. So I really don't know whether elections have had or does not have any effect. If you talk about have you seen anything in the states that saw state elections, I don't think we know anything significant.

Manoj Menon: Thank you so much, sir. And all the best.

R.Sridhar: Thanks, Manoj.

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

Vivek Maheshwari: Hi. Good evening, everyone. Two quick questions. One on other expenses; the growth quarter-of-quarter in other expenses is trailing the revenue growth, which is driving operating leverage benefit. Till when do you expect this because the base is already has all the savings, perhaps, that you spoke about several quarters back, despite, which we are seeing, , less than revenue growth? So one is that. Second, could you remind again on fiscal 2015 tax rate that you expect and you have visibility on fiscal 2016 as well?

R.Sridhar: Okay. First of all, Vivek, thanks for joining the call and your couple of questions. As far as other expenses are concerned, I think, there are two parts to it. Firstly, in terms of philosophy, we look to drive leverage from all elements of cost and that's absolutely true with the items of cost sitting in other expenses. But there is another part which relates to the point I just responded earlier which is when you look at staff cost and you look at other expenses, there is a portion of cost that we were incurring which is related to the activities of our enterprise support group that shifted out to a separate entity and therefore you see three line items moving. You will see staff cost getting a so-called benefit; you will see other costs getting a so-called benefit offset by a reduction in the other operating income. So that part will more or less play itself out I think either December quarter or March quarter when it will fully play itself out and so therefore that clarifies to your first question.

As far as your tax rate question is concerned of FY15, I think, we would expect that to be in a range of about 300 to 400 basis points of increase. Obviously, there are many factors that play, as you know, the mix of products et cetera. So broadly speaking, 300 to 400 basis points. I don't want to hazard a guess on FY16 now because I think, you know, with whatever comes in the next budget, there will be some changes. So let's talk about that once we have at least clarity on terms of the budget proposals.

Vivek Maheshwari: Perfect. Thank you, sir. And all the best.

R. Sridhar: Thanks, Vivek.

Moderator: Thank you so much. We have the next question from Mr. Prasad Deshmukh. Your line is unmuted. You may go ahead and ask your question.

Prasad Deshmukh: Yeah. Sir, I have just one question. How has been the modern trade growth for you this quarter? And are you seeing any sustainable improvement in the growth that modern trade has been witnessing in the past few quarters?

R.Sridhar: Right. So, you know, I think, you are obviously asking the question because in the past, we had talked about modern trade store openings not being there and store closure et cetera. So I think at least no longer seeing any store closures in modern trade. In fact, if it all net, there is a slight increase in the number of stores. And we've been seeing, I think, decent growth in modern trade overall. So nothing specific to call out.

Prasad Deshmukh: Okay. And can you just – the number to how the modern trade business has grown year-on-year for you in December quarter?

R.Sridhar: I think, if you look at December quarter, modern trade overall would have grown ahead of our overall reported growth. So I don't want to talk about specific numbers, but it has grown faster than our overall growth. And, , if you talk about sustainability, I think if you take a medium term outlook, then clearly modern trade is poised to become a bigger share of the trade environment in India. I am talking about medium to long-term, and therefore, we would expect that to have to reflect and also higher growth.

Prasad Deshmukh: Just one small followup to that then. Then can we assume, I mean, modern trade given it's an urban-centric channel, can we assume that this is also an indication of urban markets having started to do better versus what you were doing last four-five quarters?

R.Sridhar: When you talk about urban, the typical connotation is the top six-eight cities whereas, I think, modern trade has also been going to tier-2 cities and so on. So it all depends on what do you mean by urban. At this stage, as I said, when you just look at market growths of urban and rural in a band of plus or minus 200 basis points, they seem to be fairly similar. So, too early to call out if there is a distinct trend because that's also one of the questions that was asked earlier and I gave a similar response.

Prasad Deshmukh: Correct. Correct. Okay. Thanks a lot for taking my question, sir.

R.Sridhar: Thanks, Prasad.

Moderator: Thank you so much. Sir, at this time, there are no more questions in audio. I would like to hand it over to Mr. Thapar for any questions on the web.

Dinesh Thapar: All right. Thanks, Sourodip. Yes, indeed, we do have a couple of questions which have come in on the web, so let me take the first one. It's a follow-up question from Richard Liu. Richard's question is, "What was the reason for the year-on-year EBIT decline in beverages despite the double digit growth in tea and benign commodity costs?"

R.Sridhar: Primarily, Richard, this is obviously a function of how our advertising and promotion investment pans out in different quarters. In this particular quarter, we did have an elevated level of advertising and promotion spend. And that, frankly, is something that we are comfortable with because we don't really look to manage the segment margin in every quarter, but just to be clear and respond to your specific question, it's the level of A&P investment compared to the same period a year ago.

Dinesh Thapar: All right. Our next question is from Nitin Mathur from Espirito Santo. Nitin's question is, "This is the fifth quarter of low to mid single digit volume growth and the cost is significantly higher in A&P, though gross margins are holding up. I am concerned if we are falling away from the virtual cycle of growth strategy envisaged by the Unilever leadership in 2009?"

R.Sridhar: So, Nitin, let me first of all reiterate very, very clearly that our approach is to deliver volume-led competitive growth and there is absolutely no change in that emphasis. When you look at and compare trends on volume growth as indeed value growth, it's very important to compare that with what's happening in the market. And I think more than one occasion in this call today, I did clarify that we've seen market growths continue to be slow. If at all, the one thing to call out in this quarter on UVG is really on the soaps and detergent segment where the mix of volume and price growth has been more price and less volume relative to, let's say, the September quarter. And that's really a function of the inflationary trends that we have been seeing. But even in the soaps and detergent segment, we are comfortable and we see that we've grown ahead of the market. So I hope that clarifies and both reassures that our emphasis on driving volume-led competitive growth remains unchanged.

Dinesh Thapar: Okay. We have a follow-up question from Abneesh Roy, again, from Edelweiss who asked, "How does India compare to Africa in terms of growth competition and strategy?" For Sanjiv.

Sanjiv Mehta: Hi, Abneesh. When you talk about Africa, I would believe you would be talking with the reference to my previous job which was looking after North Africa and Middle East. And if I compare versus that, North Africa, Middle East were essentially kind of two halves. One was the rich Middle East where the per capita incomes are very high, where the trade is very evolved, where it is about 75%-80% modern trade and where the penetration and consumption levels are of a very high order. So there, you have a very different game and where we had very strong market positions with very strong brands. And then we had a more developing part of Middle East and North Africa which for countries like Egypt, for instance, in many ways are very similar to India where the trade is essentially general trade and where the penetration levels are low and the per capita consumptions are very low and they are the classical developing and emerging markets. Now, of course, our strategy has to suit the requirements, but the basic philosophy that we go with is very clear that we straddle the price benefit pyramid. Wherever we play, we want to win. And wherever there are strong GT markets, our distributive trade is very strong in terms of reach and also in terms of quality of coverage. And the markets where we have modern trade, we have very strong customer marketing and where our huge focus is building brands in stores. So if I look at India, there is the India which is growing rapidly in urban cities which is growing rapidly when it comes to modern trade. And so here, certainly, I would be bringing my experience of the more evolved Gulf countries into play. And where it is more rural dominated, I will certainly bring in the experience of my working in countries like Egypt into play. So from that perspective, the nuance is very clear. But the strategy and the competitive pressures, you know, vary from country to country. And we certainly in Hindustan Unilever, we have absolute clarity of strategy and we are continuing with the strategy. We are staying on course. We have amazing talent. We have a very strong pipeline of innovations and focus on execution, again, like I was saying earlier, remains unabated.

Dinesh Thapar: Our next question is from Ashish from Elara Capital. And Ashish's question is, "Does the global business restructuring by Unilever have the effect of staff rationalizing and decision-making becoming more global than regional in terms of products, marketing and advertising? If, yes, then how does it impact the way of functioning at HUL? And how much cost saving impact of the restructuring been to HUL and in what time frame?"

Sanjiv Mehta: at the global level, we continuously do our benchmarking with the peers in best-in-class. Now, when we look at, we have what we call as the Marketing Fit to Win, this initiative is certainly going to be for the benefit of company like HUL. In the Marketing Fit to Win, what we are essentially doing is de-layering the regional brand development organization. And for a company like ours, there is going to be direct docking with all the global brands. So instead of going through the regional organization, they would be coming directly to HUL and that will be certainly for our benefit because there would be fewer touchpoints and direct dealing with the global brands, so we will be much more quicker to the market which is very vital for a fast-moving consumer goods business like ours. So if I clearly look at Marketing Fit to Win, it's would be bringing in more agility, it would be bringing in more speed, it would be bringing in more focus and it would be for the benefit of HUL.

Dinesh Thapar: That brings us to the last question from Amnish. And Amnish's question is, "HUL has been aggressively promoting detergents. How far has the discount contributed to share games? And has HUL withdrawn these discounts or they are still in force?"

R.Sridhar: So, I think, Amnish, one of the things that we always look at in terms of deploying our strategy is how best we leverage the portfolio that we have, portfolio brands and within every brand the portfolio of offerings in terms of products. So as far as promotions are concerned, these are part of our strategy. These need not necessarily be national. Some of these might be in specific geographies where we look to see how best to strengthen our competitive position. I think your question you've talked about also some price off on Wheel, that's the promotion that we are doing at the point of time. I don't think that's any longer the case with the re-launch that we brought into the market. In fact, the re-launch has come in with a higher price points of Wheel detergents. So these are things that happened and operate dynamically. This is not something that, is cast in stone or a permanent thing. And, as we move forward, we will continue to look at how best we leverage our portfolio to deliver on our goal of winning competitively as well as profitably.

Dinesh Thapar: I know a lot of you have actually sent in questions on urban versus rural and I think we've sufficiently answered those on the course of the call. So in the interest of time, I want to give those a pass. I think, with that, we've now come to the end of the Q&A session. Just before we end, let me remind you that the 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've just made would be available on the IR website as well as the HUL Investor App. With that, I would now like to draw the call to a close. Thank you, everyone, for your participation and have a good night. Thank you.

Moderator: Thank you for joining us. With this, we conclude the conference for today. Wish you all a great evening ahead.