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● RITESH TIWARI, CFO, HUL

'Rural is becoming accretive to FMCG growth'

Hindustan Unilever's (HUL) chief financial officer (CFO) **Ritesh Tiwari** believes that categories such as beauty, foods & health and wellbeing as well as rural markets will drive growth for players in the domestic fast-moving consumer goods (FMCG) industry going ahead. HUL, the largest FMCG company in India, will consider bolt-on acquisitions in beauty and well-being, he tells **Viveat Susan Pinto** in an interview. Excerpts:

HUL has indicated that there are green shoots visible in rural. As we near the end of the monsoon season, what is your sense?

The consumption climate is certainly better now in rural areas versus earlier when there was high inflation. Rural wage inflation was unable to keep pace with commodity inflation levels earlier, which led to a reduction in disposable incomes, hurting consumption in rural areas. Now, with commodity inflation down, the purge that was visible in disposable incomes has reduced. This has supported rural growth.

Last year, this time, the monsoon was deficient in the country; this year, the monsoon, so far, has been good.

There have also been minimum support price increases for certain crops in recent months, which combined with the good monsoon should be the second big driver for rural growth.

The third big driver is the government's focus on rural, agriculture and employment in the recent Budget as well as the investments it is making in infrastructure development in rural areas which should be favourable for the rural market. Remittances from migrant workers to rural areas are also improving, which is the fourth driver. Therefore, while on a two-year basis rural is still lagging behind urban, in recent months, we see rural becoming accretive to FMCG growth.

Last week, HUL set up a committee to chalk out the way forward for the ice-cream business, in line with what parent Unilever is doing. Your thoughts.

Unilever has said that it will segregate and potentially list the ice-cream business globally. As part of that, we had a discussion last Friday and decided that an independent committee of directors would review the business and advise the board on the same. I cannot pre-conclude what the sub-committee will do. The entire process will be completed by the end of the current financial year.

What is your capital allocation strategy for the year. Are you

considering acquisitions?

Our capital allocation strategy has four building blocks. The first part of our capital allocation strategy is improving capital efficiency and ensuring that the cash conversion ratio is above 100. The second building block is to invest behind the business for growth.

This includes investment in building our capabilities and capital expenditure required for enhancing manufacturing capacity. The third is our bolt-on acquisition strategy which we deploy, depending on our areas of interest and the value we believe we are getting for the business, or brands we are looking to acquire.

Currently, our areas of interest in terms of bolt-on

acquisitions include beauty and wellbeing. The fourth is ensuring we pay dividends to our shareholders. This includes a more than 90% dividend payout to shareholders.

Any plans for a share buyback programme?

Our board evaluates from time to time the various ways in which it can enhance shareholder value. As of now, there are no plans for a share buyback by the company.

The value growth in the last few quarters for FMCG has been slowing due to flat or negative price-led growth. Do you see the trend reversing?

Tea has turned inflationary this year on the back of a two-year deflationary cycle. These are early signs that if the inflationary trend continues in tea, we may take calibrated price hikes. The second area where we are seeing some sequential inflation building up recently is crude palm oil. This is a key ingredient that goes into making soaps, hair care, & some skin care products.



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