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Journalist:	Sagar Malviya, Chaitali Chakravarty	Page No:	1

ET

INTERVIEW

ROHIT JAWA

MD, HINDUSTAN UNILEVER

Will Bet Big on Growth, even at Cost of Margins

HUL expects demand to rebound on back of decline in interest rates, easing inflation

Sagar Malviya & Chaitali Chakravarty

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Mumbai | New Delhi: Hindustan Unilever (HUL) managing director Rohit Jawa said the company will invest across innovation, distribution and marketing to revive volume growth, even if it leads to a short-term moderation in margins. The country's largest fast-moving consumer goods company expects macroeconomic factors such as falling interest rates and easing inflation to boost consumer demand.

"We feel it's a good time to take a bet on the future and play to win. We want to make sure that we stay at the right price point, and if it moderates some of our margins in the near term, so be it. Because in the passage of a few quarters, we will adjust for that," Jawa told ET. "But we want to ensure we have enough bandwidth to invest in good products, good trade investment and good A&P (advertising and promotion) investment."

HUL, whose performance is considered a proxy for broader consumer sentiment in India, has been grappling with slow value sales growth, which has been between flat and 4% for almost two years now.

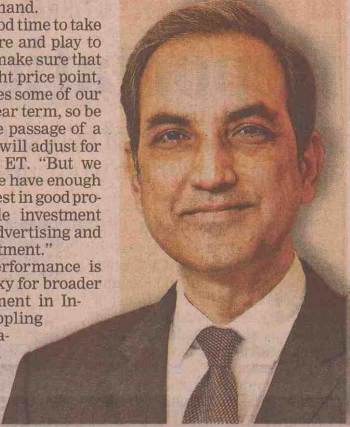
Its volume, or the number of packs sold, rose 2% in the last quarter as well as the fiscal year ended March 31. HUL also revised the guidance for near-term margin to 22-23% from its previous forecast of 23-24%.

"The priority is to try and drive growth," Jawa said.

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PREMIUM PUSH

We are looking at agglomerations where there is more affluence and higher purchasing power capacity



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HUL Revamping its Portfolio by ‘Modernising’ Big Brands

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“This eventually impacts the bottom line, which is the operating margin. We feel that we don’t want to compromise the opportunity,” said HUL MD.

1 **URBAN STRESS**

Over the past year, demand in urban markets — which account for nearly two-thirds of HUL’s sales — has moderated due to a high base, low wage growth and consumers cutting down on discretionary spending amid inflationary pressure. The maker of the Horlicks malted food drink and Dove bathing soap, however, expects a rebound in demand on the back of interest rate cuts, tax relief, easing of food inflation and falling crude oil prices.

“On the urban side, we expect

things to improve as a result of macro changes, such as the reduction of interest rates, which will positively impact EMIs and household budgets. Inflation now is under 4%, which is quite heartening. Crude oil is going down further, which will augur well for consumers, and then the tax relief benefits also help materially. So, these benefits will start to pass through the households in the next few quarters,” Jawa said, adding, “So, there are many drivers that give us the confidence that this is the time to lean in.”

HUL said it has started working on revamping its portfolio to “modernise” big brands such as Lifebuoy, Horlicks and Glow & Lovely. Nearly a decade ago, HUL had launched ‘Winning in Many Indias’, or WiMI, a strategy aimed at transforming the company from a



four-branch structure at the front end into 14 distinct consumer clusters. This resulted in consistent market share gains and deeper reach, especially in central India. This was followed by another initiative within WiMI in 2021 to target non-metro states and understand consumption habits in these markets.

NEW STRATEGY

The company said it is now looking at WiMI 2.0 to tap into the affluent class, part of its wider strategy to grow the share of its premium product portfolio by nine percentage points in the beauty and wellbeing business — its biggest profit generator currently — although it will extend to other categories as well. At

present, premium portfolio accounts for just over a third of its ₹60,680 crore annual revenue, while market maker or new-age categories with higher margins bring in about ₹7,000 crore.

“What we are looking at are agglomerations where there’s more affluence, and more purchasing power capacity because there’s also a differential consumer behaviour as you go up the income pyramid, not just across the regions. So, we have established the top 100 cities and the top 60,000 villages as pockets of affluence, where we can actually focus on specific inputs, more channel specialisation, service mix, and channel programmes,” Jawa said, adding that it will increase marketing inputs that are localised, in terms of influencers, in pockets of affluence.

Over the past decade, sales of

branded daily need goods in the nation of 1.4 billion people have increasingly relied on rural India, which is home to more than 800 million people whose purchase behaviour is largely linked to farm output. Jawa said demand in villages has been resilient and there’s more positivity with the expectation of a good monsoon and a good crop this year.

“Similarly, in the big 60,000 villages we are looking at, how can we improve the level of number of salesman visits. We may split the distribution line into more parts so that our customers get more intensive service. So go more often. It’s about improving the levels of service,” Jawa said. “In summary, it’s almost like trying to allocate resources to the points of the highest impact across the massive breadth of India.”