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Hindustan Unilever Limited

26th October, 2023

Stock Code BSE: 500696
NSE: HINDUNILVR
ISIN: INE030A01027

BSE Limited,
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National Stock Exchange of India Ltd
Exchange Plaza, 5th Floor,
Plot No. C/1, G Block,
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Dear Sir/Madam,

Sub: Transcript of the Earnings Call for the quarter ended 30th September, 2023

This is further to our letter dated 19th October, 2023, whereby the Company had submitted the link to the audio/video recording of the Earnings Call held post announcement of Financial Results for the quarter and half year ended 30th September, 2023.

Pursuant to the Regulation 30(6) read with Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015, please find enclosed the Transcript of the said earnings call, for your information and records.

The transcript of the earnings call is also available on the Company's website at https://www.hul.co.in/investor-relations/results-presentations/quarterly-results/september-quarter-2023-results/.

Please take the above information on record.

Thanking You.

Yours faithfully,
For Hindustan Unilever Limited

DEVOPAM NARENDRA BAJPAI

Digitally signed by DEVOPAM NARENDRA BAJPAI
Date: 2023.10.26 17:23:02 +05'30'

Dev Bajpai
Executive Director, Legal & Corporate Affairs
and Company Secretary
DIN:00050516 / FCS No: F3354

"September Quarter 2023 Earnings Call of Hindustan Unilever Limited"

October 19, 2023

Speakers:

Mr. Rohit Jawa, Chief Executive Officer and Managing Director

Mr. Ritesh Tiwari, CFO and Executive Director, Finance and IT

Mr. A Ravishankar, Group Finance Controller and Head of Investor Relations

Moderator: Ladies and gentlemen, good day and welcome to Hindustan Unilever Limited Conference Call for the Results for September Quarter Ended 30th September 2023.

As a reminder, all participant lines will be in the listen only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ravishankar, Group Controller and Head of Investor Relations. Thank you and over to you sir.

A. Ravishankar: Thank you, Neerav. Good evening all and welcome to the Conference Call of Hindustan Unilever Limited. This evening, we will be covering the results for the quarter and half-year ended 30th September 2023. On the call with me is Rohit Jawa, our CEO and Managing Director and Ritesh Tiwari, our CFO.

We'll start the presentation with Rohit sharing an overview of the operating environment, our performance in the quarter and our key focus areas. Ritesh will then cover our financial results in more detail and also share the near-term outlook. We expect the prepared remarks to take about 20 to 25 minutes, and leaving us with ample time for Q&A.

Before we get started with the presentation, I would like to draw your attention to the Safe Harbor statement included in the presentation for good order sake. With that, over to you Rohit.

Rohit Jawa: Thanks Ravi. Good evening, everyone. It's a pleasure to interact with all of you.

Let me first start before I begin the presentation to share a milestone that you have crossed recently. We completed 90 years of corporate existence on 17th October. This is a testament to the strength of our business, dedication of our people, unwavering support of all our stakeholders, and a long-held belief that 'What is good for India is good for HUL'. It is indeed a proud moment for us to share with you.

Starting now, with an overview of the operating environment. The demand trends in this quarter remained stable and were similar to last quarter. Market volumes grew in high single digits year-on-year. However, we need to be mindful that this came on a base period where volumes declined mid-single digits and hence, cumulatively two years market volumes remained largely flat. Urban and within that modern trade and large packs are leading growth for the FMCG market. On the other hand, rural demand remained subdued, with volumes continuing to decline marginally on a two-year basis. Price growth in the market is tailing off as expected with FMCG players continuing to pass on the benefit of lower input costs to consumers. This is reflected in a sequential reduction in market price growth with September quarter at 3% versus 8% in June quarter. Consumers are yet to experience deflation which largely explains why the volume recovery is gradual. The other lens to look at is price growth over a three-year period which as you can see is a substantial 25% increase.

FMCG market continues to witness heightened competitive intensity. As we spoke during June quarter results, we are seeing the resurgence of small and regional players in select categories and price-points, many of whom had vacated the market during the peak of inflation. For instance, when you look at Tea or Detergent bars, smaller players are growing significantly ahead of large players.

We are also seeing a sharp increase in the media intensity. Aggregate media deployment in our category increased by over 20% versus the same period last year.

In this challenging backdrop, we delivered a resilient performance in the quarter. We have scaled a new milestone by crossing Rs.15,000 crores quarterly turnover mark for the first time.

Our Underlying Sales Growth was 4% with the Underlying Volume Growth of about 2.5%.

EBITDA margin at 24.6% improved 130 basis points year-on-year. Profit after tax before exceptional items and EPS grew 12% and 4% respectively.

Talking about market share performance - our growth was competitive with about 60% of our business winning value shares. We continue to win volume shares in more than 75% of the business, which is an important marker as we move from price lead growth to a volume lead growth.

There are certain pockets of our portfolio primarily in the mass end, where we have seen a dip in our value market shares. However, on a sustained basis we have been winning shares in large parts of our business leading to significant corporate share gains over the last two years.

Speaking about progress made on some of our key sustainability initiatives:

As a part of our sustainability goals that we had announced last year we have Net zero goals, which aim to achieve zero emission in our operations by 2030 and across the value chain by 2039. We have been decarbonizing our own operations driven by the rapid adoption of clean energy in our factories. Nearly 100% of our electricity is from renewable sources and we have replaced fossil fuels with biofuels for thermal energy.

However, large part of emissions comes from outside of our operations through ingredients purchased from our suppliers. More than half of our scope three emissions is actually in the Home Care business value chain.

With an aim to mobilize actions to achieve net zero, we hosted more than 100 representatives from our Home Care supplies across the world in our first Clean Future India Summit. As part of the Summit, we announced two major initiatives:

1. "World's First Near Zero Carbon Soda Ash" in partnership with Tuticorin Alkali Chemicals & Fertilizers Limited.
2. The scale-up of low carbon sodium silicate in partnership with Sudarshan Silicate Private Limited.

Talking about another initiative, you must be aware of our Shakti program. We work with over 1.9 lakh women entrepreneurs to transform their lives and livelihoods. A couple of weeks back I visited Kanjatapur, a village in South Bengal where I met Paromita. She is one of our Shakti entrepreneurs. She has been associated with us for over 12 years, I was delighted to hear her proudly narrate her passion with sales, financial independence and being able to provide for her family. She's an influencer in her own right. She also spoke about amplifying HUL's nutrition awareness project which we call 'Mera Poshan Mera Gaon' - a reminder that she doesn't just sell HUL products in the hinterland, but she also serves as a beacon of social change and entrepreneurship in her community.

Shakti entrepreneurs are up skilling and becoming digitally savvy and restocking their products using our e-B2B app, Shikhar. We have now onboarded over one lakh Shakti entrepreneurs on the Shikhar app. Shakti continues to grow from strength to strength and is indeed a testament to our belief of doing well by doing good.

As you are also aware, we were the first FMCG company which partnered with ONDC when we went live with U-Shop a year back. We are further extending our partnership with ONDC by leveraging Shikhar with an intent to democratize e-commerce for small retailers.

With the help of an integrated module in Shikhar called the Shikhar Seller app, neighbourhood kirana stores can now go on live on ONDC seamlessly and sell the entire catalogue of products online.

This is now live in two cities, New Delhi and Bengaluru, covering about 60 outlets as a pilot and we will be further scaling it based on retailer feedback.

Let me shift focus from the 'here and now' to the longer term. I'm a big believer in the India story and opportunity. We are the fifth largest economy with the GDP worth $3 trillion, growing at a fast pace and well poised to become the third largest in the few years. The demographics also stack in our favor - 20% of the world's working population, over a billion reside in India. 10 million get added every year to the workforce, giving us a huge demographic dividend.

India is leading the Digital revolution. The IndiaStack is one-of-its-kind digital scalable public infrastructures, based on identity, payments and consent-based data sharing. Just to give you the magnitude, we have more than 130 crore Aadhaar card holders. In the years to come, application based on the digital infrastructure, such as ONDC for digital commerce, ULIP for logistics, Ayushman Bharat for electronic health records amongst others, will spur innovations and new growth. While in several other more developed nations, digitalization is a privilege, in India digitization has been democratized to reach even the grass root levels, with the initiatives such as Aadhaar, Jan Dhan Yojana and Unified payment interface.

All these factors augur very well for our FMCG industry and offers a huge runway for growth. India's per capita FMCG consumption when compared to other similar economies is significantly low and within that rural is highly under indexed. Penetration levels for many of our large categories are still very low. Premiumization is bound to accelerate as India becomes more affluent and more urban. The more affluent population is expected to double by 2027, naturally their per capita FMCG consumption is much higher at about 1.5 to 2 times compared to national average.

In this context, we are well placed to win. As Indian's largest FMCG company we are well placed to lead this growth opportunity. Each of our three divisions by itself will be larger in size than most FMCG companies in the country.

9 out of 10 households in India use one of our products. We are proudly the market leader in more than 85% of our business. We have a wide and a resilient portfolio of 50+ brands of which 19 brands clock more than a Rs. 1000 crore turnover annually.

We have reached about 3 million outlets directly of which 2.3 million outlets are covered through our distributor network and the remaining by our Shakti entrepreneurs in the rural hinterlands.

While our supply chain one of the most complex it also gives us significant competitive edge. To give you the perspective, we manufacture and sell more than 65 billion units every year, which is about 45 units per Indian. That's the scale of our supply chain.

We continue to be the employer of choice for many years in a row and now if you look at our track record in the last decade, we've added 33,000 crores top line to our turnover growing at a CAGR of 9%, well balanced between volume and price growth. We have improved our EBITDA margin by over 800 basis points from 15% to 23% and a large part of this has come from our culture of saving and by driving premiumization. Our net profit in the last decade grew at 10% CAGR.

Clearly we have a very strong business model, and our track record is reflective of that.

That brings me to the key thrusts. Let me now outline the key thrusts that will enable us to continue winning in the marketplace. Our core belief of 'What is good for India is good for HUL' and the integrated approach to sustainability remains unchanged. A lot of what we have already been doing has strengthened our business and we'll continue to build on it while adapting to the changing consumer trends and shopping behaviors.

Our first thrust is to grow the core, which includes the 19 large brands through product superiority and WiMI led execution.

Second, we've spoken about the opportunity to build categories of the future through market development. We will do this through persuasive communications, large scale consumer contact programs, driving mental and physical reach. Innovations and formats of the future will propel premiumization.

Third, we have the job to continue transforming parts of our portfolio to the on-trend demand spaces especially in beauty and foods.

Fourth, Winning in Channels of the future through brilliant execution, and curating a tailored portfolio by leveraging our design to channel approach remains an important thrust.

We will also need to structurally reset our cost base which will help generate fuel to invest back in growing the business. To this end, we'll continue leveraging our Net Revenue Management and symphony programs to drive savings across all lines of the P&L.

We will further sharpen our distinctive capabilities by:

1. Doubling down on WiMI and digital.
2. Deeply embedding sustainability in our business.
3. Building a culture of innovation, agility and intelligence risk taking through empowered teams operating with an owner's mindset.

These are the summary, our focus areas for now, as we evolve and sharpen our strategy for the next phase. I look forward to sharing more details in due course.

Now, let me hand over to Ritesh to cover our results in detail.

Ritesh Tiwari: Thank you, Rohit. And good evening, everyone. Let me now take you through our quarter results in detail.

Rohit covered the overall FMCG market context, which remains challenging. In this backdrop, we have delivered another quarter of resilient performance. Our Underlying Sales Growth was 4% with an Underlying Volume Growth of 2%. Talking about our bottomline performance, EBITDA margin at 24.6%, improved 130 bps year-on-year. Profit after tax before exceptional items at Rs. 2668 crore was up 12%. Net profit at Rs.2717 crores increased 4% year-on-year.

The quarter numbers include the benefit of a one-off credit that we received due to favorable resolution of an indirect tax litigation. This slide explains the impact of this credit.

Excluding the one-off, our Underlying Sales Growth would have been 3% with Underlying Price Growth being flat. PAT bei growth would have been 7% with net profit declining marginally year-on-year.

From a segment perspective, the benefit is entirely in Beauty and Personal Care.

Talking about our margin performance. Our gross margin improved 700 bps year-on-year to 52% and is back to pre-inflationary levels.

With the increase in competitive intensity, we have stepped up A&P investments by about 700 crore year-on-year to ensure our Share of Voice remains ahead of our Share of Market. This is a 420 bps increase versus September quarter 22. We will continue to invest behind our brands to protect our competitive position and ensure the long-term health of our business.

Let us now look at performance across the three segments: Home Care grew 3%, both Beauty and Personal Care and Foods and Refreshment grew 4%. Margins in all three segments remain healthy with Home Care at 19%, BPC at 27% and F&R at 19%.

When it comes to Underlying Volume Growth, the divergence between segments that we saw in June Quarter continued. Both Home Care and BPC delivered mid-single digit UVG, while F&R saw a mid-single digit decline primarily due to sustained input cost inflation in coffee and HFD categories.

I will now click down to talk about performance in each segment.

Starting with innovations in Home Care:

- Comfort expanded its range with Intense Fabric conditioners created specifically for sportswear.
- A new range of Vim Dishwashing Liquids 'Vim Pure' was launched. It is a superior 100% plant based, paraben and phosphate free formulation.
- Leveraging WiMI, Vim liquid was re-launched with an improved formulation to suit the varying needs of consumers.

Moving on to Home Care performance in the quarter, the business grew 3% on a high base of 34% in SQ22. Volumes grew in mid-single digit led by strong performance in both Fabric Wash and Household Care.

Our premium portfolio in Fabric Wash continued to outperform with both Surf and Comfort growing volumes in double digits. Household Care delivered high single digit volume growth led by Dishwash.

We have taken further price reductions in both Fabric Wash and Household Care to pass on the benefits of lower input costs. A&P investments have been stepped-up to protect our competitive position.

Now talking about Beauty and Personal Care. This has been a busy quarter for our BPC team with the launch of several innovations. These actions reflect the key thrusts which Rohit spoke about earlier.

We are transforming our Skin Care portfolio through innovations in evolving and on-trend demand spaces. Pond's has extended its moisturizer range to build a hydration regime which includes a cleanser, gel moisturizer, night gel and a serum.

Building on its strong ayurvedic credentials, Indulekha has launched a new anti-dandruff Hair Oil and Shampoo.

Vaseline has introduced a new range of premium moisturizers for rich sensorial experience.

Lakme has introduced new 'glitterati collection' for the upcoming festival and wedding season. Lakme also launched Eyeconic Probrush liner in pen format.

Moving on to our performance in Beauty and Personal Care, we delivered a volume led mid-single digit growth.

Skin Cleansing grew volumes in low single digit with both Lux and Hamam continuing to outperform. Bodywash continues to scale up well.

Hair Care saw a high single digit growth led by Clinic Plus, Sunsilk and Indulekha. Future formats such as serums and masks continue to do well.

Skin Care and Color Cosmetics grew in double-digit with robust performance in Vaseline and Ponds. Our focused interventions in new demand spaces such as hydration, sun protect and in channels of the future including e-commerce is helping us drive growth.

Oral Care delivered mid-single digit growth led by Close Up.

Now talking about innovations and activations in F&R. Let me start with the bottom half of the chart -what you see is an innovative billboard by Taj Mahal Tea. It uses raindrops that fall on the billboard to generate Indian classical music. It has won us a Guinness World record for being the world's largest environmentally active billboard.

We have launched an exclusive range of artisinal Ice Creams called Slow Churn ice-creams. It is made with 100% fresh cream and real fruits and it's available in the E-commerce channel. I would strongly recommend you to try it, my favorite is Guava.

We have extended our Horlicks Plus range with two new variants Strength Plus for adults and Growth Plus for children in selected geographies and channels. Horlicks "Barsat pe bharosa" campaign is focused on higher immunity benefits.

Lipton Green Tea was re-launched in the quarter with a better tasting blend.

Talking about performance in the quarter F&R is seeing divergent input cost trends when compared to Home Care or BPC. We continue to see inflation in this business and have therefore taken judicious price increases to offset the impact of inflation.

Tea saw moderate growth as the category continued to witness consumer downgrading. Coffee delivered double digit growth driven by pricing.

Health Food Drinks delivered a mid-single digit price led growth. I'll spend some more time on HFD performance in the subsequent slide.

Food and Ice Cream, both grew in mid-single digit on a high base. Mayonnaise as well as Peanut Butter continues to see strong consumer traction and Food Solutions remain resilient with double digit growth momentum.

Now in this chart, let me cover HFD performance in a bit more detail.

It has been a little over three years since we acquired the business. HFD is an under-penetrated category. Hence, our focus has been on recruiting new consumers into the category. Through access packs, focused communication, increased distribution coverage and doubling down on home-to-home connects, we have been able to handsomely grow penetration in this category which was relatively stagnant for many years prior to the acquisition. We also further strengthened our market share in the category.

While recruitment of new consumers into the category has been healthy, consumption across existing users has declined over last few years. The category was initially impacted by COVID and recently by high inflation especially that of milk. High milk prices create a double whammy impact for HFD - not only it is an ingredient in the production of HFD, but typically the product is consumed with milk. Hence the end-cup cost of Horlicks and Boost saw a significant increase in past few quarters.

Let me also cover in some detail what is happening on cost synergies and margin. As far as margins are concerned, we have seen two impacts - one is the inflation that I spoke about. Secondly, due to the planned strategic interventions of access pack and sachets, we have had adverse mix.

When it comes to cost synergies, we have unlocked most of the planned synergies with some more expected to come from manufacturing efficiencies over the next two to three years. These synergies have provided us the fuel for growth to invest in growing the business and countering the impact of inflation. Consequently, the EBITDA margin for the business remains ahead of what it was at the time of acquisition, despite the significant inflationary cost.

Now, I would like to use this opportunity to clarify a question which comes up in some of our discussion. You would recall that we had mentioned an underlying EBITDA of 31% for the business at the time of acquisition. I would like to remind you that this number includes the benefit of Consignment Selling Arrangement for the OTC products of Haleon, which we had announced earlier, ends effective November 23. The income from this business was more than 300 crores in the last fiscal.

With that being the context, our single-minded focus on market development remains unchanged. We want to bring in more users into the category while creating more occasions for consumption and premiumizing our portfolio.

We are driving three main actions to achieve this –

1. We have sharpened our proposition to focus on outcome-based claims and owning occasions like monsoons.
2. Strengthening our science backed credentials to recruit new users and at the same time premiumizing our portfolio. For instance, our plus range focuses on specialized nutrition requirements to address various lifestyle stages and conditions.
3. And third, expanding our portfolio to new demand spaces like Mother Plus or the new millet-based chocolate Horlicks to future proof the portfolio.

We remain confident about the long-term prospects of the category and in our ability to unlock volume lead growth through market development. Of course, as we have said before, market development takes time and one needs to stay the course for long term value creation.

Moving on, let me quickly summarize our performance for this quarter. Let me reiterate what Rohit said. We are delighted that we have crossed the 15,000 crore quarterly turnover mark for the first time. This is truly a testament to the strength of brands and execution prowess of Hindustan Unilever.

I have already taken you through most of the lines, but here let me explain the movement from 9% EBIT growth to 4% Net profit growth in next slide.

Net finance income has benefited from better treasury yields, higher cash balance and dividend received from subsidiaries.

When it comes to the tax line, there are two impacts. As we have mentioned earlier, we expect regular ETR for the year to be about 26.5% versus 26% that we had in the last fiscal. This had an adverse 1% impact on net profit growth.

Further, we had substantial gains from prior period tax adjustments in SQ22 as many past year assessments were concluded. Since we are lapping this, we have an adverse impact of 9% on net profit for the quarter.

Lastly, net exceptional cost was marginally lower year-on-year, giving a 1% benefit.

Hopefully this helps you to better understand the movement between profit lines.

Moving on to our first half performance. Our turnover just shy of 30,000 crore mark grew 5% year-on-year, EBITDA margin at 24.1% increased 90 bps, PAT bei and Net Profit grew 11% and 6% respectively.

Considering our resilient performance in the first half of the year, the Board of Directors have declared an interim dividend of Rs.18 per share for the year ended 31st of March 2024. This is a 6% increase compared to the interim dividend of last fiscal year.

Let me now turn to Outlook:

Looking ahead in the near term, we remain cautiously optimistic. Moderating inflation and upcoming festive season should improve consumer sentiment. At the same time, we need to be watchful of heightened competitive intensity, volatile global commodity prices as well as the impact of uneven monsoon on crop output and reservoir levels.

Overall, we expect volume recovery to remain gradual.

If commodity prices remain where they are, we expect our price growth to be marginally negative. Our focus remains on driving competitive volume growth, stepping up investments behind our brands and maintaining EBITDA margin in a healthy range.

We will continue to manage our business with agility and take actions to ensure long term 4G growth, growth which is consistent, competitive, profitable and responsible.

With this, we conclude our prepared remarks and will now hand back to Ravi to commence the Q&A session.

A. Ravishankar: Thank you Rohit and thank you Ritesh. With this, we will now move to the Q&A session. We request you to kindly restrict the number of questions to a maximum of two at a point in time, in case you have any further questions, feel free to join the queue again. In addition to audio, our participants do have an option to post the questions through the web option on your screen, we will take these questions just before we end. With that, I'll hand the call back to Neerav to manage the Q&A session for us. Over to you Neerav.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Abneesh Roy from Nuvama. Please go ahead.

Abneesh Roy: Thanks for the opportunity. My first question is on Skin Care and Color Cosmetics. So, you have seen double digit growth, which is a good achievement, even Nykaa saw 20% growth in B2C business in Q2. So, my question is, is this growth sustainable and how is rural demand in Skin Care given general rural slowdown, is that impacting your double-digit growth in a big way. And second is you briefly alluded to the focused intervention in the new demand cases, could you elaborate that more because currently I understand those will be smaller pieces of your overall Skin Care business. So, is that impacting overall growth in a big way?

Rohit Jawa: Thank you for the question, if I understand you well, you spoke to the Beauty growth or Skin Care, I couldn't hear that very well. The first part?

Abneesh Roy: Yes, Skin Care and Color Cosmetics double digit growth.

Rohit Jawa: We feel very excited with this category because we have a set of great brands, master brands that can stretch across formats, such as Lakme, Ponds, to name a few, Indulekha which is another rising star and Dove and of course Glow & Lovely. We have a high relative market share, so we feel confident, we understand the consumer. We have brands stretching across the price pyramid, and we have extended all our brands now into new growth spaces and into new formats, such as sun care for instance, even new format like serums for argument's sake. So, we have been mapping the market, we also have already seeded and seen some promise in brands such as Simple, which is mainly a face wash brand, but has a full portfolio. So, we are also there for innovating quite aggressively. In this market, you spoke of Nykaa, Nykaa of course, we are going faster than this number in that platform. And Lakme is one of the top three brands, in that platform if I'm not wrong. So, we feel very excited about this category, this category has a virtuously strong growth rate, higher profit profile, where we have both the technology, R&D and brand assets. So, in some substance this is a very exciting space, and you should see more and more of our effort going in this direction. We spoke to the high growth demand spaces, there are two parts of the market. Of course, we have high growth demand spaces, frankly in all categories that we play in because we are in India, which is a great market to be in where this promise of great future because the per capita consumption are so low compared to other markets. And each and every category we play in, in a broad state of categories we know are going to go through their S curves. We've shown we can play our S curve for instance in Home Care with liquids that we have done with Fabric Conditioner. Similarly, we see S curve opportunity in new demand spaces. But we are particularly excited about new demand spaces in Beauty and in Foods, Packaged Foods where there's a lot more new benefits and new consumer habits and new ways of shopping such as through digital E-commerce that are beginning to take place. So, I'm hoping this gives you a pretty good flavor of how we are thinking about this entire space.

Abneesh Roy: Thanks Rohit, that was useful. And on a question on rural demand in that part of the business that was slow in the earlier quarters, and generally rural is slow in most FMCG. So, how are you seeing in this part of the business in rural?

Rohit Jawa: Maybe I ask Ritesh to join in, he has really been studying the rural, the trends and patterns and he will probably give you a much more richer answer. Ritesh.

Ritesh Tiwari: So, Abneesh, let me pick up the rural question. See overall, if I just start with the number, rural in this quarter, I'm just talking volume growth because price growth overall in FMCG has come down from the peak of 14% as an industry to 3% in this quarter. And the expectation, of course is that we further get moderated going forward, given the pricing actions that all the players are doing. But for a minute let me just focus on volume growth of rural. So, rural volumes grew at 8% this quarter as market and in FMCG and same period last year we know that overall market had declined. So, when rural markets grew at 8% this quarter, the market had declined by 6% same period last year. So, overall, when you look at the total market it has grown at 1% over two-year CAGR. If I double click within that rural, rural for this quarter grew at 7%, but on a back of 9% decline same period last year, which means on a two year period, two year CAGR average, rural has still not fully recovered the volume that it had before it's in minus 1%, but the good news is the minus 1% 2Y CAGR now is better than what we saw minus 4% CAGR in the previous quarter, June quarter. So, we have seen gradual recovery coming, albeit on a soft base. Now, of course, the single biggest factor which is supporting rural recovery is inflation moderating, it leads to more disposable income and hence more amount of expenditure gets incurred in FMCG for that matter. Real rural wages, we all know that overall, the wage inflation has always been higher for the last many quarters now in urban compared to rural. But we also have seen that real rural wages have now started to get into some positive territory which again in my mind is good news. Government had continued its thrust on rural, so the heightened amount of expenditure in rural and investment for last few years it has been maintained and on top of that, we know also that after agriculture, the second most important area where rural people get jobs is construction and hence the entire CAPEX getting tied up that should start showing more impact in rural. Now of course, there are watch outs, we know that overall job participation is increasing. And you also saw the MGNREGA demand. In fact, the MGNREGA demand is higher in 2019. And equally monsoon has been uneven against a long period average there's a 6% deficit on monsoon and also the reservoir levels as we are exiting the monsoon season. So, that will have some amount of knock-on impact as the Kharif crop gets harvested and as we get sold. So, overall, if I summarize, we are cautiously optimistic, and we expect demand to continue to recover gradually. So, that's our overall read on rural.

Rohit Jawa: Glow & Lovely which is our biggest rural brand is also showing better outcomes recently, which is also very encouraging.

Abneesh Roy: So, thanks. My second and last question is on the resurgence of small players slide which you have put and that has two sub parts, first is on Tea. Now, Tea has not seen too much of deflation and normally local players come back when there's a sharp deflation. So, when you have said that local players are growing 1.4x of the two pan India players, what is driving this because when I see 5% decline in your F&R business, the sense I'm getting is your Tea business would have seen a sharper decline. So, correct me if I'm wrong there. And second for the national Tea consumers, generally they are far more sticky so your customer will be sticky he may downgrade within your brands. But does it happen that there will be almost 7% - 8% kind of a decline in your tea volume? He goes out of your brands, and he goes to regional brands and what's driving that?

Ritesh Tiwari: Yes, so let me kick off, and then Rohit, I will hand it over to you. So, overall, it's a good area spend some time Abneesh. And again, it's not only what happened in this quarter, just important to see the last four to six quarter what has happened to Tea. So, Tea all of us know had significant inflation and followed by that prices started coming down. And in fact, a point in time the commodity year-on-year is also declining. In this period, what has happened second factor apart from commodity volatility is also decoupling of loose tea which is basically Plainer Tea the commodity and the Premium Tea. The Plainer Tea had seen more amount of price moderation because of a better crop compared to Premium Tea, again I'm talking commodity which had seen a little more inflation compared to the Plainer Tea. So, in effect what has happened, the price table between a Plainer Tea and Premium Tea has widened, when this widens so Plainer Tea which is what by and large the loose tea players end up using and Premium Tea will have over index consumption into our tea basket, you have seen some amount of divergence and decoupling of the commodity trend. Now, in the overall context of inflation to start with not only tea, I'm saying overall inflation, the point is in last three years in FMCG, consumers have seen 25% inflation in the last three years. So, that has had an impact where Tea was the first category where we saw consumers downgrading, downgrading more towards loose tea and hence smaller players. Within our own portfolio exactly to your point, we've seen more amount of ,let me say, traction to Taaza as compared to premium tea's. But the market overall has also moved towards loose tea and downgrading, that has had an impact. That's one, second of course question was overall F&R. And of course, if I look at our business that we have, two third businesses sits between HFD and Tea and both in HFD as well, the point that we mentioned earlier, we have seen dairy inflation, which is why our growth in HFD is price led and we have seen volume decline, because of high amount of prices and hence we had to increase our prices, though judiciously.

Similarly for coffee. Coffee has seen 60% to 70% price inflation; I'm saying commodity inflation over the last two years. Again, because of that the growth that we have in coffee is a price led growth with of course volumes have got impacted on consumption because of the impact of high inflation. So, if you look at F&R portfolio, be Tea downgrading, be it HFD price increase, or be for that matter Coffee these are the reasons why volumes in F&R overall have got impacted.

Abneesh Roy: Sure. My second sub part and this is my last question. So, essentially on detergent bar, you have mentioned resurgence the issue is you have given a very stark data, 6Y versus Y it looks like a very stark data. So, could you give some real absolute numbers to have a better understanding and detergent powder mass end, there also you are seeing local players grow much faster, just like detergent bars?

Rohit Jawa: Yes, so the point of this that we quoted, we used two examples and of course there are parts of the portfolio especially at mass end, at those price points in certain geographies is what we have seen is behavior and which of course two examples we quoted out of that which is detergent bar and tea and in these spaces as commodity soften we have seen resurgence of many small players, and which is why at an aggregate market level these players have grown ahead of the large players. And of course, as you know we are market leaders in these categories. So, as this development happens, it has impacted to us in pockets where our market share is limited. Something very similar we had also captured in our last quarter's narrative. And we've seen that consistently playing out. Now, of course this reality is, probably if I just go back to a little more longer history, 2007 - 2008, when we saw this happening for Skin Cleansing, 2012 - 13 happening for Laundry, 13 - 14 happening for Tea. In each of these periods we have seen this behavior where when commodity price goes up, after that it comes down volume recovery takes some time to happen. And we do have seen this behavior where we see small players who basically vacate the market when commodity is extremely volatile, and they start participating in the market when commodity becomes benign. And after some point in time, like everything else in life. These are cyclical in nature in terms of commodities and as price table stabilizes the market equilibrium gets established.

Moderator: Thank you. Next question is from line of Vivek M from Jefferies India. Please go ahead.

Vivek M: Good evening team. I have two questions. So, my first question is on the slide on the market share. So, where you have mentioned, let's say 60% of the portfolio is winning value share, whereas over 75% is winning volume share with all that you have explained, I'm still not able to understand why would that be the case so, I would have thought that value share would have been, portfolio gaining value share will have been higher than volume share given that there is a competition at the bottom and so on and so forth, why do you think there is this disconnect between the two?

Ritesh Tiwari: Okay, let me pick it up this question Vivek. So, very similar what I just mentioned with softening input cost, small players growing at mass and faster than the larger player and remember as Hindustan Unilever we are over indexed on premium portfolio. And hence, when the mass end of the market becomes larger because in certain pockets like this with growth, it leads to value volume disconnect in short term as we are transitioning this inflationary period. And I quoted example, Vivek, of Tea, Loose Tea take Taaza and take Premium Tea. As the market is overall downgrading in our case as well Taaza for example, which again is a lower end of the price will see more better growth compared to let me say Premium Tea. So, hence overall when we look at portfolio which is over indexed on premium compared to industry, and if mass is growing with higher weightage, this is the volume-value disconnect which you get in short period. If you look at the volume share, more than 75% portfolio is gaining volume share and these are the pockets where you see the volume-value disconnect leading to about 60% value share gain, but this is basically the volume-value disconnect in short period as market tables of pricing are getting stabilized and as this demand curves are getting into transition and getting stabilized.

Vivek M: Okay. So, just to get it right Ritesh, when there is a, let say, the mid and the bottom which is growing faster so you are saying while that is happening you are still gaining market share but it is just the value?

Ritesh Tiwari: Overall value gets impacted, typically as Hindustan Unilever we called it many times out. For us mix, remember our UVG measure is volume and mix, mix is usually a factor which is accretive, in these times where the mix changes little bit in categories like example I quoted on detergent bar, example I am quoting of Tea, when down gradation happens I am saying, overall value per tonne which industry sell comes down and which is a mix impact you end up seeing and which is why we end up seeing a volume-value disconnect.

Vivek M: Okay, sure. The second question is for Rohit, so this is the first conference call where you are addressing, and HUL is by far always considered to be gold standard. But what are the areas so we know all the positives, but Rohit what are the key focus areas from a near to medium term perspective that you are thinking about at this point of time?

Rohit Jawa: Hi, Vivek excellent question, and I am only thinking about HUL day and night for some time now. And, firstly what I am really impressed, and I have said this before in the last, in other interactions that we fundamentally have very, very robust business. And I talked about in my presentation, the reason why I feel inspired and excited to be a part of this business today for its deep strength. When I look closely at even our operational health, and all indicators, in the moment I see that we have very high, large part of our portfolio is growing penetration which is a good sign, we have our product quality being superior than competitive benchmarks more like 60% in blind which is very good of turnover, we have increasing assortment, our distributor strength is strong in holding, we in fact doing very well in some parts of rural areas like Shakti, where we are seeing sustained growth. We also have strong brands, and a large majority of brands are growing brand power, there are of course a few fixes to be done. So, on the whole, the portfolio is strong. That said, when you look at the, my most important emphasis is going forward and I tried to cover that in what I call the key thrust chart, that there are parts of our strategy that must be continued because they are appropriate for the opportunity you are seeing. As I mentioned to you that the Indian market is at a point of inflection, I feel it's like 10, 15 years behind China, where I worked for some years, similar trends although of course they are not exactly the same. Whether it's the big growth in affluence that one can see already in higher income households sort of doubling every five years, or you see the opportunity of the digital and the hard infrastructure that's creating for consumers to access brands both, a way how they consume the brand messages and buy the brands. And also, of course the way brands are built is changing as well because social for instance has become a big deal in India already. Whether it's rural or urban, because of the deep access for instance cell phones and YouTube and platforms such as those. There's of course fragmentation one can see in channels, but also in benefit segments. And yet, there's every category we are in is going to go through an S curve or is going through an S curve of growth. And I'm particularly excited with taking the strengths we have forward and then we are evolving some more to be ready for the future. So, as I mentioned to you my priority in the moment and we will sharpen them as we go along and at some stage in a few months I would like to give you more deep color what it means for us, and what changes it means for us, but for sure, the first thing is to drive and forward the strategy that's working and shape it for the future. So, as I mentioned to you, for me very crystal clear that our big 19 or 20 brands worth of thousand crores will have to be the first engine of growth and our strength in making sure they are superior in execution end-to-end across our 16 clusters of Winning in Many India's is the first disciplined capability I need to keep repeating. The second is, market development which we have shown we can do a great job within particularly Home Care with Fabric Conditioners liquid, we replicate that in Shower Gels for instance, and we replicate that in Face Wash, and so on so forth we will see that is a repeatable model that we need to exercise more widely, especially for more premium formats whether it's benefit segments of sun care, or a new format such as serums, we have identified a certain set of market development bets, we will stay multiyear committed to. The number three is transforming two specific parts of portfolio where we believe we can do better in terms of coverage, although we have a very good portfolio which fills the price pyramid. But, Beauty care and Food, Packaged Foods are two areas where we can actually leverage our big brands and in fact bring in new brands including from Unilever to stretch and fill out new demand spaces. That's what I meant by, on trend demand spaces. And finally, second but last is this whole area of winning channels. And we are very strong in general trade, and we have an above average fair share in modern trade. But there's a new way in which consumers are shopping, they are shopping in E-commerce like Nykaa, one of our colleague mentioned Abneesh, or they are shopping in quick commerce which is happening now as well. And of course, Amazon, Flipkart customers such as those are also going deep established so E-commerce, quick commerce, and of course our B2B strength through the Shikhar app, which is an amazing asset, which we will actually leverage and make it even a deeper moat. So, digitally selling to our customers and consumers and also building strengths in new channels such as quick commerce in pharma is clearly an opportunity we will not let go. And finally, we have a very good strong muscle of frugality, and operational tightness we call "Symphony: Fuel for growth." So, while our value creation is more driven by top line, we do want to inch up the margin to increase fuel for growth. And that's why you see, we will continue driving our reputable model on symphony, which is our end-to-end P&L squeeze off productivity, and we are going to take it to the next level. So, we can generate big funds that can go behind a big BMI or A&P that we need find all of these opportunities. And all of this, I want to really reinforce some existing strengths like WiMI and take it to the next level. In digital we are, as I mentioned Shikhar, we are also going to look at what we can do around consumer and the operation and more details on this later. So, reimagining agenda taking forward, sustainability we are going to focus more on things like net zero, plastics, water, and community of course and we will build a culture - we have a great culture of leadership, of discipline of rigor of being thought leaders, we will make sure that our scale becomes an advantage, and we become big and fast. So, scale insurgence, even going forward when we take intelligent risks, we have already 16 clusters, we have 16 small category teams, each of them can be our operating unit independent on their own so creating that entrepreneurship and empowerment, so that we can really collectively move very, very fast. And really tapping all these opportunities, culturally as well, would be something that I'll be working on to take to the next level. So, I don't know if this gives you a good flavor, but this is the sort of thing that we are thinking of as a team. And we are sharpening our agenda and making sure that it we evolve this agenda for the next phase of HULs growth journey. I hope it gave you a good sense of both the heart and the mind of really where our agenda is for HUL.

Moderator: Thank you. Next question is from the line of Arnab Mitra from Goldman Sachs. Please go ahead.

Arnab Mitra: Thanks for taking my questions. My first question was actually on the near-term outlook. So, last couple of quarters you have mentioned a few factors, destocking in the channel due to the price cuts, some rise at local competition, this quarter of course there's a bit of festive timing issue. So, on the first two, do we believe now that those are behind or that adjustment of pipeline and small players versus large players is something that could continue for some more time. And in the similar light, does festive season really matter for FMCG if yes, if you could give some flavor of how much could be the impact of that timing?

Rohit Jawa: Ritesh, if you could just pick this up for Arnab, please, thank you.

Ritesh Tiwari: Sure. So, Arnab let me just talk about the outlook for volume to start with. Long term Rohit covered extremely comprehensively about what drives FMCG and what are the kind of opportunities in the long highway for growth of the category and of course us as Hindustan Unilever. So, if I just zoom in now to short term, there are factors which are supporting continued volume recovery, we had called it out that we will see post this high inflationary period a gradual recovery in volumes and what are the factors that are supporting, three of them. #A, inflation is moderating and the full impact in this quarter as we speak, in Laundry and Skin Cleansing, we have taken sequential price reductions, which is why at an overall aggregate level we saw HUL had roughly flat price growth in this quarter. FMCG industry as per Nielsen Data is still showing 3% price, which the point I had mentioned earlier, that it takes basically a quarter or so for it to stabilize and start reflecting what manufacturers are selling at. So, consumers will start seeing the impact of deflation as you start seeing the price growth going away. That's number one. Secondly, the upcoming festival season. Of course, there are as you know phasing of festival this time all the days of festival lands in December quarter unlike last year where there were some days of festival which came in September quarter and of course a larger part of days came in December quarter. This time we have all days coming into December quarter. So, with inflation moderating, higher disposable income in hands of consumers, urban leading growth overall in the industry for FMCG for now, and urban income, more resilient and having seen better wage inflation, we see that again as a third factor which is helping in short term for volume recovery. Of course, as an economy we know that between growth, inflation and currency, the country is in excellent job in managing the three vectors very well. So, we have on the back of a resilient economy. Watch outs, equally like support factors, in my mind will be three, #A, monsoon, we all discussed the kind of uneven monsoon we had, and the potential impact of that that could have in rural. And second, of course, is global commodity prices. As we speak crude is coming up and it's more than 90, as we speak and with geopolitical stability again being questioned and as all of us know what's happening this time around. Those factors put together are in my mind a short term watch out. And hence in summary, post a high inflation period the gradual recovery should in our view continue and which is why we are cautiously optimistic but equally confident of gradual volume recovery. So, that I would say in short term is our view where it is, from a pricing perspective we had called out in our commentary that if at all commodity price remains where they are, we will see marginally negative price growth going ahead.

Arnab Mitra: So, Ritesh just to clarify, so the channel destocking component, and this local competition versus national competition, is that largely behind in your view, or there is a little bit more of adjustment there required given where you see the market. The rest of the points of course are there but these two are they kind of behind now?

Ritesh Tiwari: Yes, so let me first pick up the channel players. So, the channel inventory overall, since at least I can talk about Hindustan Unilever, with all the commodity that have gotten moderated, we have finished doing our pricing action this quarter. And as an industry assuming the same thing happens which is the 3% price growth which Nielsen shows moves to zero, I think, by next quarter they should all be set square. So, I think, that transition in my mind should get done unless we end up seeing more amount of commodity volatility which brings a new story altogether. So, sans that this should get stabilized next quarter number one, and number two the small player -of course this is something which is again very much linked to the commodity cycle. Again, as commodity cycle starts to stabilize, in our mind of price equilibrium, will start get to stabilize. The bigger job there would be, of course overall demand scenario, and demand scenario across different price point, if market does not continue to downgrade example in Tea, or for that matter, small players at a mass end example in Laundry Bars, that behavior will have to change for this equilibrium to set equal. Again, as I mentioned we've seen in the past this happens, and then in few quarters, it starts to then go back to the same equilibrium of competitiveness across the price point as it always is. So, in our view it's still in short term couple of quarters.

Arnab Mitra: Sure, thanks that's very helpful. My second and last question was on HFD. So, you explained the steps that HUL has taken, obviously you have put in a huge amount of effort on every line of what you could have done to grow that business. In Food, what we are seeing in other companies is wherever there is very high price growth, volumes are subdued, but revenue growth are very high, HFD seems to be one of those categories where even the revenue growth is just about mid-single digit with a lot of pricing. So, my question really was that, could it really be a structural issue where the consumers who are reducing consumption are doing it for other reasons of other sources of nutrition, is there something that gives you confidence that this is purely an inflation related issue and therefore once the stability is achieved there, you should get back to volume growth?

Rohit Jawa: If you look at the benchmark market Arnab for similar categories in Southeast Asia, the size and scale of such brands is very, very strong. And given that the HFD category penetration levels are low. And we are actually fully, we have basically South and East and we have North and West still to go to. The headspace on this category should be a lot, and apart from the fact that it's got this market development runway, this is also a category which is good for the country and that's why we like it so much because it helps address the mal nutrient gap that exists within our society. So, given that of these two reasons this is definitely a long-term bet. Now, it is possible that, we know that for a fact that consumers have titrated the consumption because the cost of each cup had gone up. And we start to see already in the last few quarters, as milk prices have stabilized. And we focus our communication on why this category makes sense, why it's so important, and we have started customizing our communication as well, to different regions, we have stabilized our assortment. And our whole incentive curves on our SKUs, we start to see green shoots. Secondly, there's also a big opportunity in the premium end of this category, which is in the space of science-based supplements that are focused on adults, on women, women's health, and so on so forth, and those are doing quite well. And we have low share in that segment. So, there's also an opportunity to do that is to grow there and then of course Horlicks and Boost and Boost, by the way is doing very well, it's already in the double-digit levels. We do see an opportunity for as well to also stretch these brands, leveraging their strong equity. So, I see many levers, or like we said in the chart more users, more usage and more premium, many, many more opportunities to draw this category and take it to the next level. It's already a scaled category for us, almost €500 million in scale. So, I'm optimistic but we need to stay disciplined and patient and keep working for the long term.

Moderator: Thank you. Next question is from the line of Jitendra Arora from ICICI Prudential. Please go ahead.

Jitendra Arora: I just had one question with respect to your A&P expenditure, given the sharp growth year-over-year, I just wanted to understand the characteristics of the expenditure in the base as well as current year if you can help me in terms of how much would be advertising and how much would it be towards promotion and within advertising how much would it be let's say to a traditional medium and the digital medium?

Ritesh Tiwari: Thanks, Jitendra, for the question. So, this quarter, as you've seen our results, we have 11.4% A&P expenses. Same period last year, we had 7.2% and which is why you see a pretty strong 420 bps year-on-year increase in A&P expenses, which is 700 crore and a 65% increase. Now, of course to some extent it is the base and remember again, September quarter same period last year it was a peak of inflation, and hence overall, the GRPs in industry had come down, where there's a much higher price versus cost gap for the industry. And on the low base of last year, same time when you compare 11.4% looks a substantial increase. But even if I ignore the base, if we just look at the overall full year number, same period last year 8.4% was our annual A&P. And that A&P number we have gradually kept increasing from 7.2% to 8%, to 8.8%, 9.9% and then 11.4% in the current quarter. Now for us what are the principles for A&P resource allocation, the first ground principle is share of voice ahead of share of market, that determines the amount of intensity, #A competitive intensity and basis that the amount of allocation that you want to do for resource. Second, of course your reach, objective and your frequency objective basis the amount of innovation that we want to land in the market that's the second driver, which then determines the absolute amount A&P investment which you end up doing. Suffice to say where we are at a little lower 11%, between 11% to 12%. That's the kind of a benchmark at some stage we had pre inflation. And the way I see this number will remain firm, given the amount of competitive intensity this number will remain firm.

Jitendra Arora: I'm sorry Ritesh, but that does not address my question. I just wanted to understand the characteristic of this expenditure rather than why it has grown.

Ritesh Tiwari: Yes. So, in terms of characteristics see overall when we look at our total let say 100 pie to a question 1/3 is digital media, 2/3 is traditional media. So, that's how we typically split our expenses. Now, the other sub question, is it promotion driven, it is advertising driven? It is advertising driven.

Moderator: Thank you. Next question is from line of Amit Rustagi from UBS Group. Please go ahead.

Amit Rustagi: I have just one question on the sale of 3 - 7 or 3 - 9. Where do you think that our increased A&P spends will lead through on a higher volume growth for the second half of the year?

Ritesh Tiwari: Sorry, did not get your question, can you please come again please?

Amit Rustagi: So, like I'm saying how confident we are on a scale of 1 to 10, that how much volume growth, we can drive in the second half of the year with the increased A&P spent and when gross margins are going to stay here. So, are we going to continue with the higher A&P spent in the coming quarters as well?

Ritesh Tiwari: Yes. So, let me take your second question first. And the first question you are trying to ask is the outlook, that we have a volume going ahead. So, that's clear. Of course, the job that we have which is to keep driving our reflex muscles, and generating overall symphony saving the program that we use internally, in the organization called symphony where our objective always is to drive savings across all the lines of the P&L, be it promotions, be it advertising, be it supply chain cost, or for that matter overhead cost. Some portion of that gives benefit in gross margin, other element of the lines of the P&L also get benefit of the overall savings program that we drive. That effort of driving savings across all lines of the P&L will continue. And to Rohit's earlier articulation will only further step it up, with full intention to ensure that we are able to invest in back in the business. Invest it back in terms of ensuring competitive levels of expenditure of A&P which as I mentioned will remain firm that's how we read, invest it back in terms of capability building when we do "Shikhar" when we do "Reimagine HUL," they all require investments to get done. And that's how when we generate sources to invest in the business and see of course invest back in terms of product superiority and invest back in terms of overall portfolio development. So, that job of generating resources in the P&L and deploying to drive growth and that cycle will continue to do. So, that's how we look at, when we look at the financial growth model is to keep looking for sources of investment. And of course, areas that we need to invest to drive growth. And then coming back to outlook is what I was responding earlier. We have seen a gradual recovery of demand as high inflationary period are stabilizing. And as we mentioned that in summary, we remain cautiously optimistic in terms of this gradual recovery of demand as high inflationary period is hopefully behind us. And we have a more stable outlook going forward in terms of commodity and hence impact of that in terms of positive impact of that on the demand generation overall in the industry. I know you would love to hear a number from me. But I can only tell you qualitatively what are the factors as I was responding earlier, which we see in short term driving and supporting the growth and be it overall inflation coming down. Be it overall festival demand or the resilient economy that we have. And of course, the factors I did call out between monsoon, volatile commodity, and geopolitical stability which are the factors which might work against as this recovery is happening. Which is of course see when all these things put together, we'll see how demand situation pans out. But the overall aggregate narrative is, cautiously optimistic with continued recovery of demand outlook.

Moderator: Thank you. Next question is from line of Kunal Vora from BNP Paribas. Please go ahead.

Kunal Vora: My first question is on pricing, portfolio level how much price cut have you taken from the peak and how many quarters the pricing would remain negative and the price cuts mostly are they in value segment or are they broad based?

Ritesh Tiwari: So, Kunal I called out that the price in this quarter, that September quarter there are two categories essentially where we have taken price decreases sequentially. Number one, we called out our Skin Cleansing and second, we called out in the area of Laundry, Soap, Detergent. Of course, as I mentioned earlier to one of the questions there are also areas where we have also increased prices, be it coffee, be it HFD where we have seen input cost inflation. Now of course, as we speak to the extent where commodities are today, and whatever near term outlook we have, as far as we are concerned, we have finished doing the job in terms of price adjustments that we had to do to our portfolio, which is why if commodities remain where they are in short term, short term could be three months, four months, all depends as to where commodities end up settling in or a little longer period than few months. All depends upon where commodity settles. So, at least in short term, we do see our price growth to be marginally negative if commodities remain where they are today.

Kunal Vora: Okay. And can you talk about your priority like say as the GM expands, would you raise ad spends but it looks like price cuts don't seem to be very large. You also have increased competitive intensity. Like why prioritize ad spends and not pass on some benefits to the customers especially with intense competition?

Ritesh Tiwari: So, we have done both one of the factor Kunal we had mentioned that when you have such prices going up coming down, the single most important priority is to ensure competitive price value equation of all of our products across the board, equally when the commodity price is going up, and hence we have to increase prices or for that matter when commodity cost comes down we then decrease prices. In fact, our pricing principle has been when commodity cost goes up we take price increases in smaller chunks. When commodity cost comes down, we take decrease in larger chunks so that we don't disrupt trade pipeline with frequent changes in pricing. So, to the extent we had to take prices down judiciously to ensure competitive price value equation, that job we have done. And of course, as that has happened and the bleed of price versus cost has come down which is apart from everything else that we've done to drive costs down is one of the reason why we've seen pretty good amount of gross margin recovery which turns back to a pre inflation level where we are today at around 52%. So, that's what we have done in terms of #A, first port of call has been to ensure competitive price value equation. And then as we needed to invest money behind A&P competitively with the principle of share of voice ahead of share of market is what we've done. But again, that doesn't mean that other elements of jobs to be done in terms of investing in product to drive product superiority, investing in capability like Shikhar, Reimagine HUL, that we kept doing or for that matter dialing up more amount of innovation that we want to bring to the marketplace. We spoke this quarter, we were very busy with BPC with a good amount of innovation across the board that we have landed. So, the resources then which get generated in the P&L, they get basically deployed in all of these priorities to drive all round growth and business development.

Kunal Vora: Sorry to continue on this but like, when competitive intensity has increased significantly, you have let say portfolio is gaining less market share, why not just take larger price cuts. When like, why have 700 bps margin expansion over the last one year instead like, maybe that could have been reinvested a bit more in pricing?

Ritesh Tiwari: Of course, it's a very complex set of decision. And you can imagine business decisions are very complex, the way you deploy your entire 6P from development to deployment to pricing, to promotion to product and this entire 6P mix we have to always look what will give us a competitive edge in the market. And it can never be a uni-dimensional view that cut price will get more growth, only if life was so simple.

Kunal Vora: And just one last point, historically has elections had an impact on the growth rates. How do you see the elections coming in?

Ritesh Tiwari: We have seen one thing our read over last several years in this space has been where there are structural interventions that the government does, be it for example we have spoken on last couple of years of heightened amount of capital expenditure that government has done or for that matter when you contain inflation. When infra spend goes up, we have seen those long-term measures have a higher impact on FMCG demand and because #A, they drive disposable income, they drive better amount of jobs and hence they also drive more amount of money being available to be spent. So, our read has been that those macro factors developed and deployed by government has larger impact on FMCG demand. So, that's where we see higher correlation.

A. Ravishankar: Okay. We are at 7:30. So, we will end the session here. Before we end, let me remind you that the playback of this event will be available on the Investor Relations website in a short while from now. If there are further questions, feel free to reach out to any of us in the IR team and we will be happy to address them. Once again, thanks for the participation and have a great evening ahead.

Ritesh Tiwari: Thank you so much for all your engagement really appreciate. Thank you.

Moderator: Thank you very much. On behalf of Hindustan Unilever Limited that concludes this conference. Thank you for joining us, you may now disconnect your lines. Thank you.

Disclaimer: This transcript has been edited to remove any grammatical inaccuracies or *inconsistencies of English language that might have occurred inadvertently while speaking.*