“March Quarter and Financial Year 2022 Earnings Call of Hindustan Unilever Limited”

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Speakers:

Mr. Sanjiv Mehta, 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 the March Quarter and Financial Year ended 2022.

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. A. Ravishankar, Group Controller and Head of Investor Relations. Thank you and over to you, sir.

A. Ravishankar: Thank you Stanford. Good evening, ladies and gentlemen. Welcome to the conference call of Hindustan Unilever Limited.

We will be covering this evening the results of March quarter and financial year ended 31st March 2022. On the call with me from HUL is Mr. Sanjiv Mehta, CEO and Managing Director; and Mr. Ritesh Tiwari, Chief Financial Officer, HUL.

We hope that you are staying safe and healthy. We will start the presentation with Sanjiv, talking about our performance in this financial year, and the progress we have made on our strategic priorities. Then Ritesh will share deeper insights into our in-quarter performance and share our future outlook as well.

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, Sanjiv.

Sanjiv Mehta: Thank you Ravi. Good evening, everyone. Always a pleasure to interact with you all. And let's first look at the Full Year '22 Performance. And what a year it has been. To begin with, I am absolutely delighted to report that we have crossed the Rs. 50,000 crore turnover mark in this fiscal.

Our growth at 11% was significantly ahead of the market. We consistently grew our consumer franchise and gained both value and volume market shares. In a large part of our business on L3M as well as on MAT basis.

Our EBITDA margins for the year were at a healthy 24.8% and almost flat versus last year, an extremely commendable performance of balancing growth and profitability.

Profit after Tax and earnings per share grew 11%. In such a challenging context, robust performance is reflective of our strategic clarity, the strength of our brands, our execution prowess and our agility and adaptability. Our belief that sustainable and purposeful business drive superior performance is clearly reflected in the strong performance that we have delivered, while also making significant progress on our sustainability agenda.

In calendar year '21, we have become plastic neutral, i.e., we have collected and safely disposed more plastic waste than what we use in packaging our finished products.

We are building a strong business. Even in such a difficult year, we have made good progress on our strategic thrust area. This has not only helped us deliver a solid in year performance but have also made us a much stronger business, which is much better prepared to win in this fast changing world. In the next few slides, I am going to talk to you about each of the thrusts.

The first is of course winning with our portfolio; you have a wide and resilient portfolio of more than 50 purposeful brands, spanning 15 FMCG categories. In more than 80% of our business we are strong market leaders. In such difficult times, consumers tend to stick to large and trusted brands that offer better price value equation.

Another distinguishing strength of our portfolio is that our brands straddle the price benefit pyramid, offering consumers the choice at relevant price points. This ensures that we are able to cater to the needs of consumers looking to upgrade to products with higher order benefits, and also to consumers who are trying to manage their household budget in times of inflation.

While we already have a wide portfolio, we are tapping into new demand spaces. Our strong marketing and R&D capabilities enable us to quickly pick up consumer trends and address them. Our ability to do market development at scale, positions us well to build these categories of the future.

In the last couple of years through sharp focus on portfolio choices, we have expanded our play in Premium Beauty and Hair care, Functional Nutrition, Foods, Detergent, Capsules and Dishwashing products. These are great products from trusted brands and are already finding good traction with consumers.

We have 16 brands with turnover of more than Rs. 1000 crore and together these brands make up more than 75% of our top-line. Surf Excel and Brooke Bond lead the pack with each contributing more than Rs. 5,000 crore. Surf Excel has also become the largest fabric solutions brand in India. Three of our brands, Vim, Rin and Dove joined the Rs. 2,000 crore club this year. Further Ice Cream brand, Kwality Wall's crossed a Rs. 1,000 crore turnover mark.

Overall, we added a very sizable Rs. 5,000 crore to our top-line this fiscal year. Importantly, Rs. 900 crore came through innovations, clearly showing our agility in responding to the evolving consumer trends.

Consumers continue to be increasingly discerning, looking for highly effective products. To meet the growing consumer needs, we are creating more superior products; bringing the best of our marketing insights and R&D together. We now have 2x more superior products when compared versus 2019. It does not mean that the rest of our products are inferior, it just means that the others are at par with competition on functionality.

Bringing alive the magic of marketing, we created impactful campaigns which not only helped strengthen brand salience, but also won many external accolades. Dove #StopTheBeautyTest won a Silver Line at the Cannes Festival of Creativity.

We were the most awarded advertiser at EMVIES, winning a total of 31 awards for various media campaigns. We were also recognized as "The Best Media Client of the Year".

Three campaigns from HUL were part of the WARC 2022 World's Most Awarded Campaign. And we won seven awards at the Festival of Media.

Clearly, we are winning with our brand with a force for good, powered by purpose and innovation.

Let me now talk about execution:

With 29 factories, 35 depots and over 3500 distributors, we sell our products to nine million stores. Our operations are spread across the length and breadth of the country. It is important that despite the massive size of operations, we remain agile, adaptable and resilient. We are debottlenecking our capacities and increasing the number of formats, manufactured per site, through shorter production runs and smooth changeover we are able to manufacture 80% of our SKUs every three days.

Almost our entire production happens locally in India, providing supply certainty and cost effectiveness. We are manufacturing closer to where the demand is. As a result, the distance traveled by our products is down 8% on a YoY basis. We have expanded our distribution and assortment, taking it to 1.15 times of pre-COVID level.

With the increase in footfalls, modern trade stores are bouncing back. And we are partnering with them for our joint marketing plan and providing consumers the best shopping experience.

Now this chart summarizes the challenge that we have been facing in terms of material cost inflation, and how we navigate this with the agility to grow our consumer franchise and at the same time protect our business model. These are the two most important imperatives at this stage. Till now our practice has been to quote market inflation numbers, which are external numbers before any cost savings that we make. However, with a dramatic inflation, we thought it will be useful to give you a sense of material costs increase that we see in the business through the lens of NMI or Net Material Inflation.

NMI is net absolute inflation after adjusting for the benefit of our buying efficiencies, hedging, product design or redesign to value and other savings. NMI that we have seen in March quarter of ‘22 was 4.5 times of the NMI in June quarter ‘20. In fact, the NMI in full year ‘22 has been higher than the cumulative NMI we had seen in the last five years.

Despite this unprecedented level of inflation, we have been able to keep our margins almost flat versus last year and have grown significantly ahead of the market. In fact, our market share gain this year, is the highest YoY market share gain we have seen in more than a decade. Through Dynamic Financial Management we grew our consumer franchise and protected our business model. We reduced costs by driving savings harder, which stood at 7% of our turnover. Using our WiMI strategy we capture the opportunities to premiumise resulting in 2x growth for the premium portfolio versus rest of the portfolio.

The strength of our brands enabled us to take calibrated price increase. We also ensured our brands are well supported by investing competitive levels of A&P and ensuring that the share of voice remains ahead of share of market.

Reimagine HUL as all of you know has been a key pillar of our growth strategy. We have spoken about in detail in our earlier conversations. And today I just want to give you an overview of the key action that we have taken in the space.

Let's talk first about Consumer Ecosystem.

As part of our digital first journey on Lakme, we are leading brand building online, whether it be through Influencer Marketing at scale of pioneering new initiative, like Influencer Commerce. We are already India's #1 beauty brand on Instagram with 2.3 million followers. Lakme is also leading the charge on making beauty shopping easier online, through Beauty Tech solution like a Virtual Try-On, Foundation Finder or Skin Analyzer. All of these technologies use Artificial Intelligence to help consumers find the right products and even try it on virtually replicating an offline experience. We had more than 2 million unique trials of our Beauty Tech in the last year, and a conversion and average order value for these consumers is 2x of average.

We are scaling up Ecommerce capabilities. Our D2C website already has 25 million annual website visits. And together with the Ecommerce platform, our online sales today contribute 30% of our Lakme business.

From a customer ecosystem lens we are leveraging technology and digital solutions across channels and customer. You have heard from us about our eB2B app Shikhar, and the work we are doing to digitize general trade. As of March'22, we have crossed more than 800,000 stores, adding 1000 stores every day in this fiscal. Our Ecommerce business continues to grow ahead of rest of the channels. Design for channel is a key strategic priority for us as we increasingly design our portfolio to meet the requirements of different channels. We are also reaching out to consumers directly through our own D2C platforms, providing them with a unique shopping experience. It is good to see that our digital initiatives are scaling up fast. In March quarter'22 digitized demand capture, across our future ready platform was more than 20%. This also gives us a unique ability to run our demand generation activities in a disruptive way.

Talking about digital operations our Home Care factory in Dapada has joined the World Economic Forum's, Prestigious Lighthouse Network. It is the first FMCG manufacturing site in India to have received the status.

The network include sites that have implemented end-to-end digitization across the value chain, pushing boundaries of technological advancement. This recognition is testament to our sustained focus on making our supply chain future fit, as part of our Reimagine HUL agenda.

Our nano-factories help us to produce niche and on-trend products in smaller batch sizes. We now have three nano-factories, which can produce around 100 SKUs. These provide us greater speed and agility.

Samadhan, our Advanced Fulfillment Center is a classic example of how we are rethinking about each node in our operation system, to find efficiencies and optimize the process by integrating data and technology. Samadhan allows us to reduce our end-to-end fulfillment cycle time. These are some examples of the significant progress we are making in our Reimagine HUL journey.

Let me cover a bit more on the progress of our sustainability agenda. We are decarbonizing operations by using alternative sources of energy such as wind, biomass, solar. And have completely eliminated the use of coal across all our manufacturing operations. Further, we are deploying energy efficient technology, leveraging our load more travel less strategy to reduce distance traveled by a product. These actions have helped us achieve a 94% reduction in CO_2 emissions across operation, when compared to our 2008 baseline.

We all know that India is a water scarce country. Through the Hindustan Unilever Foundation we are supporting and amplifying scalable solutions to help address India's water challenges. Till date the foundation has delivered a cumulative and collective water potential of over 1.9 trillion liters across thousands of villages. To underscore the importance of the water potential created by HUF, it is more than the drinking water needs of India's entire population for a year.

Promoting good health and wellbeing is another focus area for us. During the year we launched three more Suvidha Centers, and we now have seven such Community Health and Sanitation Centers in Mumbai. The recently launched center in Dharavi is one of the largest community toilets in India, catering to the needs of 50,000 people. These centers provide a life of dignity to our slum dwellers.

We are further expanding our Shakti Initiative, and now support over 160,000 rural women entrepreneurs. We are creating a larger social impact by training them on nutrition awareness, waste recycling, women empowerment, etc. We are helping them become a beacon of social change at the village level.

These are only a few examples of the extensive work that we are doing in the area of sustainability. We will shortly be sharing a full suite of ESG commitments across the three compass pillars of improving the health of the planet, improving people's health confidence and wellbeing, and contributing to a fairer and more socially inclusive world.

Now before handing over to Ritesh, to take you through our financials in more detail, I would like to say that this has been a remarkable year. Despite a very challenging external environment we have delivered strong all-round performance, crossed the Rs. 50,000 crore turnover mark. I am sure that there is one of the many milestones that we will continue to craft in our journey.

I am equally happy to report the excellent progress we made on our strategic thrust areas to build a purpose led and a future-fit organization. This suits us very well for long-term value creation, for all our stakeholders. With this over to you Mr. Tiwari.

Ritesh Tiwari: Thank you Sanjiv. Good evening, everyone. I will now walk you through our in-quarter performance and our future outlook.

We had a strong close to the year with a good all-round delivery in March quarter. Turnover grew 10% with flat underlying volume growth. Growth was competitive with more than 75% of our business gaining value and volume share across both MAT and last three-month basis.

Talking about underlying volume growth:

Let me reiterate the impact of price point packs which we had spoken during our December quarter results. Almost 30% of our business comes from packs that operate at magic price points like Rs. 1, Rs. 5 or Rs. 10. In these packs our preferred mode of taking price increase is by reducing grammage. As a result, even the same number of units sold leads to volume decline. This had a circa 2% to 3% impact on our UVG.

Moving to our bottom line performance:

Sequentially inflation has worsened in the quarter, as we had anticipated and called out earlier in the DQ results. This has resulted in a 290 BPS sequential, and 330 BPS year-on-year increase in our cost of goods sold. In the backdrop of this unprecedented input cost inflation, I am pleased that we have dynamically managed our business to deliver a healthy EBITDA margin of 24.6%, a marginal decline of 20 bps year-on-year. Our laser sharp focus on driving savings across all lines of P&L coupled with calibrated pricing, while investing behind our brands competitively has been driver of the strong performance.

Profit after Tax, but before exceptional item was up 9%. Our net profit at Rs. 2,327 crore increased 9% versus MQ’21.

Now let me give you a breakdown of the growth across the three divisions:

Home Care sustained it's very strong, double digit growth momentum growing at 24%. Beauty & Personal Care grew ahead of the market at 4% led by skin cleansing. Foods & Refreshment delivered a strong performance growing at 5% on back of an exceptionally high base. We will get down to talk about performance within each of the division in subsequent slides.

Now let me talk about some of the innovations we landed in the quarter:

Lifebuoy has launched powder handwash, at a price point of Rs. 10 which makes 200 ml of liquid handwash. It is our country's most affordable liquid handwash.

Dove’s new Hair Therapy helps prevent hair breakage and is made without sulfates, that gives gentle nourishing care.

Sunsilk has added Onion and Jojoba oil shampoo to its franchise, while Lakme Absolute has launched a new eye makeup range that includes long lasting Explore pencil, range of 10 pencils with matte and metallic finishes.

Ahead of summer, Kwality Wall’s has launched exciting new ice cream flavors like Trixy Blueberry Cheesecake, Royal Kulfi, Black Forest Feast and Cassata Cake.

Talking about a few marketing campaigns this year in IPL, Boost is celebrating newcomers - emerging superstars of the game for the grit, determination and relentless perseverance. Dove activated its new campaign on body wash, while Dove and Comfort activated campaigns in South India. Surf Excel came up with this new Holi campaign and Cornetto launched, a delightful film, ‘making the first move’ featuring Alia Bhatt.

Home Care had another strong quarter of double digit growth enabled by robust performance in both Fabric Wash and Household Care. Both categories grew in strong double digits with all part of portfolio performing well. Home Care grew volumes in mid single digit, reflecting the strength of our brands to price up in inflationary conditions.

Liquids and Fabric Conditioners continued its exceptional momentum and grew handsomely. Further Surf Excel has become the largest fabric solutions brand in India in this fiscal. With more input cost inflation we have continued with our calibrated pricing approach in both fabric wash and household care.

Beauty & Personal Care grew competitively at 4% amidst slowdown in market growth due to impact of high inflation on discretionary consumption.Skin Cleansing delivered double digit growth driven by pricing and led by strong performance in Lux, Dove and Pears. Hair Care continued its strong competitive performance in the quarter with all brands gaining shares. In Skin care, premium portfolio grew and double digit, Glow & Lovely, Talc and Color Cosmetic had soft quarter due to COVID wave III and market slowdown.

Let me now turn to Food & Refreshment:

F&R grew 5% on a very high base of 36% in MQ21. Tea continued its robust performance and grew competitively on an exceptionally high prior year comparator. We expanded our value and volume market share in the quarter. Coffee grew in double digits.

In Health Food Drinks, we continued our focused market development actions to build category relevance and penetration. During the quarter we did more than 10 million home-to-home connects. We also launched new persuasive communication in both Horlicks and Boost. In the context of moderating market growth for the category, due to its discretionary nature, these actions have helped us continue gaining, market share and penetration.

Foods delivered a high double digit growth with all parts of the business doing well. Our recent food innovations, peanut butter and mayonnaise continue to gain traction with consumers. Ice Creams had a very strong quarter with high double digit growth. I had spoken earlier about exciting range of innovation, we launched for this year, summer.

In summary, our performance has been strong both on top-line and bottom line. While I have covered most lines, let me give you a quick highlights on few other items.

We continue to invest competitively in A&P. Sequentially, we stepped up A&P by Rs. 100 crore or about 60 BPS. Our marker has been to ensure that our share of voice is ahead of our share of market, and our brands are well supported. Both employee costs and other expenses, see the benefit of turnover leverage flowing in apart from benefits of various savings programs.

Exceptional items include gain from sale of an old factory-line, offset by normative recession expenditures. Our ETR for the quarter was 25.6% which takes our full year ETR to 24.9%.

Sanjiv has already spoken in detail about our full year delivery. Let me quickly recap the numbers.

Top-line grew 11% in financial year 2022. Our turnover crossed Rs. 50,000 crore and we added more than Rs. 5,000 crore during the year. Underlying volume growth for the year was 3%.

Moving to bottom-line performance, despite unprecedented levels of inflation through the year, we have dynamically managed the business and delivered a healthy EBITDA of 24.8%, declining marginally by 20 bps year-on-year. We delivered a net profit of Rs. 8,818 crores translating to a strong double digit EPS growth. Our track record of strong cash generation continued, we delivered about Rs. 11,700 crores of cash from operations.

This chart gives you a snapshot of our segmental performance on a full year basis. As you can see, growth has been broad-based, and overall segmental margins also continue to be healthy across the three divisions.

Considering our strong performance, the Board of Directors have proposed a final dividend of Rs. 19 per share. Along with interim dividend of Rs. 15 per share, the total dividend for this year is Rs. 34 per share. The total dividend amount for the year is Rs. 7,989 crores.

Now before moving to external contexts and our outlook, let me summarize what we have covered till now. It was a solid all-round performance in the year, we became a Rs. 50,000 crore turnover Company grew top line at 11%, significantly ahead of the market. Our dynamic financial management helped us strike the right balance of competitive top-line growth and managing healthy margin in the face of unprecedented input cost inflation. We delivered double digit EPS growth.

We continue to strengthen our market leadership with highest market share gains that we have had in more than a decade. It was comprehensive market beating performance, which share gains in all three divisions, across price segments, across region, both in urban and rural. We have made excellent progress on ESG and on our digital transformation agenda.

Now moving on to external environment and our outlook. Operating environment remains challenging. Commodity inflation continues to be a significant headwind for the industry. The recent developments have added further volatility to commodity markets pushing prices for various commodities, including Brent Crude, Vegetable Oil, Agri commodity is even higher.

CPI inflation has also been increasing, has now breached RBI's threshold for last three months in a row. Latest inflation survey by RBI clearly indicates that houses are feeling the pressure of inflation with 71% responded that they are expecting more inflation in the coming months. This is also influencing consumer behavior as they try to manage their household budgets. Consumers are looking for better value across their purchase basket and food and kitchen items are being prioritized over discretionary categories. They are titrating volumes and preferring the trusted brands.

Due to unprecedented inflation, FMCG market value growth has significantly slowed down and volumes are declining in high single digit. The impact is more pronounced in rural, where even value growth has started declining. Consumers are tightening volumes and essentials are being prioritized over discretionary categories.

Let me spend some time elaborating about the impact of inflation on our material cost. We use a measure called Net Material Inflation, which is net absolute inflation after factoring in all savings and efficiencies.

Our NMI in March Quarter‘22 was 4.5x of June Quarter‘20. This does not take into account the recent surge. If things remain same, we expect sequentially more inflation in next two to three quarters. We will continue to dynamically manage the situation in a similar way we have done in the past several quarters. As you know we have a very robust savings program. Let me give you a few examples of what we are doing to bring it alive for you.

We are generating buying efficiency, by leveraging our global scale and strategic partnerships with suppliers. Our media deployment is sharply focused on attributing every spend to driving more growth. We are debottlenecking capacities in our supply chain to drive manufacturing efficiencies. With better planning and producing closer to the market we are reducing our distribution costs. We are light weighting our bottles, which not only reduces packaging costs, but will also be good for the planet.

Using our principles of net revenue management, we will continue to take calibrated pricing actions, whilst ensuring we remain competitive and provide the right price value equation to the consumers. We are revisiting our offerings at certain price points, and are adding bridge packs to provide better value to our consumers while ensuring affordability. Our WiMI strategy helps us find opportunities for driving faster growth in premium portfolio.

Looking ahead, in near-term operating environment will remain challenging. We expect to see more sequential inflation. Growth will be predominantly price led. We will continue to drive savings harder and take calibrated pricing actions whilst ensuring we protect and grow our consumer franchise. Our margins will decline in short term as price versus cost gap increases.

Strength of our brands, a wide portfolio straddling the price benefit pyramid, and a robust business model will hold us in good stead. We remain confident of a) outpacing FMCG market growth and b) recovering our margins in a phased manner.

Moving to mid to long term perspective, Indian FMCG sector continues to be very attractive. Favorable macros like large young working population and rising affluence coupled with low FMCG penetration and per capita consumption continue to provide huge runway for growth.

For HUL, the drivers of value creation remain the same. We will grow our top-line ahead of the market by growing core competitively, premiumising our portfolio and doing market development at scale. We will deliver modest margin expansion and continue with our track record for strong capital discipline. At the same time, we will continue to build a purpose-led future-fit HUL by delivering on our ESG commitments and leading digital transformation.

We are focused to deliver 4G growth, growth that is consistent, competitive, profitable and responsible. With this, let me hand over to Ravi to begin the Q&A session.

A. Ravishankar: Thank You Sanjiv. Thank You Ritesh. With this we will now move on to the Q&A section. We request you to kindly restrict the number of questions to a maximum of two at a time. In case you have further questions, please rejoin the queue again. In addition to the audio, as always, our participants have an option to post the questions through the web. And we will take these questions just before we end.

Moderator: Thank you Sir. Ladies and gentlemen, we will now begin the question-and-answer session.

The first question is from Abneesh Roy from Edelweiss. Please go ahead.

Abneesh Roy: Congratulations on good numbers in the current context. My first question is on palm oil. Yesterday, Indonesian Minister had allowed CPO, today, it seems that there is a flip-flop, the Chief Economic Adviser of Indonesia had said that CPO also is likely to be banned. My question is if the ban is there for say few weeks, in the extreme situation of that ban, what happens to your soap business, it's a sizable business, you are the number one player. And secondly, on the smaller player, what could be the impact smaller soap players, if you could elaborate on these points?

Ritesh Tiwari: On palm oil, the situation has been volatile. And the conversation which happened first on restriction of sales, which was later on called out only to remain localized to the cooking oil component, which is palm olein part of that, and CPO supplies to continue.

Overall, if I just as a context, if Indonesia produces 100 kg of palm oil, the country only consumes one-third of it, two-thirds of the volume country ends up exporting, and this is one of the largest source of revenue for the country. So, overall, if I see there might be impact in short term, but looking at the amount of excess production, compared to the local needs that Indonesia produces, I do believe that the sales of palm oil ex-Indonesia will continue.

Number two as you know what we consume and the largest component of our input ingredient is PFAD. And PFAD gets manufactured the moment you refine CPO to produce ultimately palm olein or palm stearin. And the PFAD which get consumed, there are few sources only where PFAD gets utilized. One of the largest source of that is soap industry. And hence we do believe that PFAD supplies would continue for us to get.

Overall vegetable oil market, it is tight in terms of pricing. And as you have seen the amount of significant inflation this basket has seen over the last couple of years. So, I do expect the price volatility to continue as this situation gets completely bottomed out.

Last but not least, as you know, of course, in long term India has leaned in, in terms of giving more amount of support to what we need to do as a country, to achieve palm sufficiency in times to come and investments have gone into in this area.

At HUL, what we are doing is to also look at various other avenues. There are more than one way to make soap so looking at alternatives, looking at our own efficiencies, and the mix that we end up using in terms of producing soap.

So, in summary I don't expect this to be a long-term issue given the amount of excess palm that Indonesia produces, given continuity of supplies from other palm producing nations, and given the flexibility that we do have in our formulations and our alternate methods of producing, in my mind this should continue. But what is given in my mind at this point in time is price volatility which will continue.

We are also in the season as we speak of palm, and palm production, as you know, starts peaking from April onwards. So, let's see as to where the season comes out and what kind of volumes are getting produced that will also be a good determinant of overall demand supply situation, and the price table of this commodity.

Abneesh Roy: My second and last question is on the recent development in the ad campaign, HUL not to target children under 16 in ad campaign, how much relevant this is to India. I understand the Unilever global relevance, in terms of India relevance, how much is it relevant? What's the impact on food and ice cream? And doesn't your ad campaigns become a bit competitively disadvantaged, even your competition doesn't face this issue? So, how do you overcome that disadvantage?

Sanjiv Mehta: I think, Abneesh this is all about responsible marketing. And it is not that we are going to stop advertising. And our focus would be on mothers and fathers, the parents. And we don't see in any way getting disadvantaged.

Moderator: Thank you. The next question is from Chirag Shah from CLSA. Please go ahead.

Chirag Shah: Good evening, at the outset congratulations for navigating through such a tough backdrop so very well. My question is on the BPC segment, can you just touch upon the progress, on the digital-first business segments that we have? And staying on BPC if you can just also touch upon the other two levers which is basically growing the core and premiumization and market development?

Ritesh Tiwari: Starting with digital-first brands. Overall, we have spoken in last few quarters of results that on digital-first brands, we have launched our own

D2C brands - 'Simple', 'Love, Beauty and Planet' or 'Baby Dove'. And as I had called out earlier, there are two very clear objectives out here. a) A portfolio, which is digital-first brand and b) Set of capabilities, which help us to drive digital-first brand be it performance marketing, be it the analytics which go behind generating online revenue. And all of that is very clearly installed with us.

Along with that, let me, if I talk on digital-first brand, let me also then go back to talk about our own digital sales footprint, between Ecommerce, eB2C, eB2B, D2C website and Shikhar where we do directly sell online, to many of our retailers. All this put together to give a digital demand capture, it has now in this quarter gone beyond 20%, so more than 20% of Hindustan Unilever sales gets digitally captured.

In times like this when lot of channel transformation happens one of the most significant way to look at – whether we are making progress, is to look at how much amount of sales are getting captured digitally. This then also provides us platform to do demand generation and demand fulfillment in a very different manner. So, that's on the digital-first brand.

Now coming to the portfolio of both core, premium and market development, our growth algorithm is very clear. First clear focus is to grow the core. And growing the core comes from various fundamentals of growth that we have called out, many times, be it designing our portfolio for channel, be it making innovations in the portfolio, or for that matter, driving distribution and reach of the products that we have.

Number two for us is very clear focus on making a portfolio more premium. And in this financial year our premium portfolio has grown at twice the pace as rest of the portfolio. So, that's the second clear component of our growth algorithm.

The third component of growth algorithm exactly to your point is market development. The categories that we operate in, many of them still have low penetration and low per capita consumption. And hence, there is a huge runway for us for growth going forward, which is why we do focus to-do market development at scale across our portfolio. I hope that gives you a sense about the kind of approach we have on driving growth and profitability in the business.

Chirag Shah: And the second question is on the nutrition part of the business. Now that the integration largely seems to be behind, what is the direct coverage target that we have for the nutrition business. And also is it now a good time to start looking at getting into the adjacencies?

Ritesh Tiwari: Yeah, so on nutrition we have now completed the entire transition from all elements, from people, from factories, from capabilities, from manufacturing, and also our go-to market operations, across all elements we have completed our integration.

Where we are today with our direct distribution is twice the number of outlets now, we reach directly as compared to pre-integration. So, that objective is also very clearly met.

The single biggest source of growth and value creation, Chirag for us is to do market development at scale. We had called out that it's a very attractive category, but low penetration to start with. And which is why one of the fundamental driver of growth will be market development. And we are doing market development at scale, sans couple of quarters where we had very peak of COVID wave-I, and COVID wave-II, we have continued our job of market development. Even in this quarter, March Quarter '22, we have done more than 10 million consumer connects.

Now talking about adjacencies, what we have done with the entire plus portfolio, which has been activated on high science, be it Protein Plus or be it Diabetes Plus, that is one clear portfolio that we have activated and ensured that that starts to do the job of more broadening the offering that we have under Horlicks.

Equally both Horlicks and Boost, we have launched our media campaigns, very clearly focused on food equivalence, and driving the point of how does both Horlicks and Boost ends up doing the job of fulfilling the gaps in micronutrients for consumers. So, that job for us absolutely continues. So, the growth strategy for Horlicks is encompassing all three elements, activity in the core that we have number one, number two market development and then keep growing portfolio around it, including the Plus range.

Chirag Shah: If I can just slip one small question on the LUP side, you mentioned that reducing grammage is the first option for any pricing action. Now obviously, we have a very large LUP portfolio. And given the inflationary pressures, I am just wondering how much more leverage do we have in terms of taking pricing actions through reducing grammages.

Ritesh Tiwari: So, overall, when it comes to pricing, before I come to LUP, as Sanjiv called out earlier, that the first port of call that we have is always to drive savings hard, try saving hard across all the lines of the P&L. So, there is a net cost that you need to deal with is a smaller number, and which is what then we end up taking calibrated price increases.

Now coming to price point portfolio, we have roughly 30% of our portfolio, which is price locked. There we have done action, we had spoken about it earlier as well, that to an extent we can titrate volumes, we are doing that.

The second job that we have started to do now is to start developing bridge packs, and activating that portfolio. Let me give an example of Lifebuoy, we have a Lifebuoy, a soap at Rs. 10. The next price point in Lifebuoy is at say Rs. 35 to Rs. 36, the soap bar. And what we have now done is we launched a price point in-between these two-price point, both in volume, in terms of grammage, and in terms of price. What this does the unit economics of this bridge packs, gives A) better value to consumer and hence the consumer is still able to source good brands at an affordable price point. And for us it gives us scale. And also, the unit economics gives us better value as manufacturers and sellers. So, bridge pack is what is what we are trying now to do across all the commodity impacted categories.

Moderator: Thank you. The next question is from Latika Chopra from JP Morgan. Please go ahead.

Latika Chopra: Sanjiv, I just wanted to check your thoughts in the rural growth trajectory. We saw that the March quarter on an aggregate basis was lower than the previous quarter. But are you seeing any green shoots sequentially in the agri economy as you exited the quarter, any thoughts?

Sanjiv Mehta: If we were to look at the hard number, we are clearly seeing that the last three months, both the value growth and volume growth in urban and rural has been lower than the MAT growth. While there is you know one has to understand that there is base period impact, but on a total basis, we are seeing the decline happening. And if you were to recall, in the first year of the pandemic rural growth was going ahead, growing much ahead of urban, because urban movement was curtailed, MT was more or less closed. And then in the second period, second year, we saw urban picking up when they came back as things started to open up.

Now your question on rural, are we seeing green shoots, I believe that there are a few factors which could contribute to rural recovery. First is a good harvest, we are seeing that the Rabi harvest should be good from all counts. Second is the indicators are that the rain fall should be decent. The third is, with the Agri prices moving up, there would be benefit to the farmers, what we need to assess whether that will get neutralized by input price increase, or there would be a net benefit to the farmers. If it is a net benefit to the farmer, it would be fabulous, because we are seeing that the government procurement has been much lower because farmers are selling it in the open market.

And then last, but not the least, is government spending of 7.5 lakh crores on CAPEX and if that is front ended, which I believe it should be, then we should start seeing a recovery happening. And if the geopolitical crisis settles down, then we will definitely see a tapering off the commodity price increase, which all together could result in the revival of demand and revival of growth. So, I am hopeful, but very difficult to put our finger on when this will happen.

Latika Chopra: My second question was, you definitely talked about market share improvements across 75% plus of your portfolio. But could you tell us, how are market shares across the three segments behaving for you, on the Ecommerce front, I remember earlier you used to talk about Ecommerce market shares are more than modern trade, modern general trade. But how is the trend now there, particularly on the Ecommerce front for your key segments?

Sanjiv Mehta: First is, we are growing market share from a Nielsen perspective, in urban and rural in value and volume. We are increasing market share across the three divisions, Beauty & Personal Care, Foods & Refreshments and Home Care. We are increasing our market shares, in large packs, mid packs and small packs. And we are increasing our market share across geographies and when you look at it from a lens of premium, mid-tier and BoP. So, it is a market share gains across segments and both from a width perspective and from a depth perspective, it's been a great story.

Now as far as Ecommerce is concerned, is whatever we measure, we get information - we are very pleased with the progress that we are doing as far as Ecommerce is concerned.

Moderator: Thank you. The next question is from Percy Panthaki from IIFL. Please go ahead.

Percy Panthaki: My first question is generally when there is a lot of pressure on the consumer wallet, in the past we have seen some amount of down-trading as in not just the pack size, but the customer goes for sort of slightly more affordable brand, in the same product category. So, have you seen that happening because you have brands across price points, so within your portfolio, have you seen people moving from a brand to a lower brand within your portfolio or outside your portfolio?

Ritesh Tiwari: India is as you know, not a homogeneous country. And we have seen more than one shopper behavior and consumer behavior at this point in time. The overall trend of down-trading where consumers are seeking value that is very clearly established. With inflation where it is now extremely significant, and consumer wallet size getting compromised they are clearly putting more priority to essentials over discretionary.

But when I look at our own sales at Hindustan Unilever, our premium portfolio in this year of 2021-22 across quarters, has grown at twice the pace as rest of the portfolio, which means there are still consumers, who are able to buy and who are spending to buy our products which offer higher order benefits. And as we called out in the past our premium products are at price point at 120 plus index. So, we have seen traction in that space as well.

Now the advantage of running extremely good WiMI machinery, 'Winning in Many Indias' machinery, we are able to surgically find pockets of opportunities across the country, across channels and across price segment where we can drive growth disproportionately. And this is what has really helped us in times like this, to grow not only in premium, but also in mass and also in popular. So, growth has been broad based, where we have gone a little differently on different pockets of growth opportunities. But overall trend does remain at this point in time that consumers are seeking value, if the small price points are giving value they are going there, if the large packs are giving more value they are going there. So, we are seeing value seeking behavior across categories.

Sanjiv Mehta: It's absolutely the right question you posed to us. But increasingly, what we have done, we have also made our premium pack accessible. So, in the laundry, one of our fastest growing brand remains Surf Excel.

Percy Panthaki: My second question is a continuation of what Latika asked in terms of market share within sort of the D2C brands. So, some work I have done on this and rough understanding I have from media articles, etc., is that if we take the top 7 to 10, BPC D2C brands in India, they are clocking a turnover of somewhere in the region of about Rs. 2,500 crore plus. This works out to approximately close to 15% of your BPC ex-Oral care sales. And these brands were close to zero, five to six years ago.

So, I mean, there is obviously some amount of opportunity in the market, which is being taken by these brands, and they are no longer small in the aggregate. So, what are your thoughts in terms of how do you sort of plan to increase market share in this space? Do you want to, like you have launched Simple and Love, Beauty & Planet, will it be through brand proliferation or will it be through launching subcategories within the existing brands, etc. How do you approach this entire sort of space which is really exploding and you need to get your fair share of growth there?

Sanjiv Mehta: You know, first I think, Percy, people often forget, but it's worth reminding that we have added Rs. 5,000 crores of turnover this year. And when we talk about digital landscape, all the growth that you see in digital is not always incremental. Many of them are a channel shift that happens. And our ploy today is not just that digital-first brands only because I think one must remember that we have great mega brands and you have seen how we have progressed to Rs. 5,000 crore, Rs. 2,000 crore, Rs. 4,000 crore, Rs. 1,000 crore and our first port of call will be, to have the consumer's access these brands and what we are doing is, for us design-for-channel is a very important initiative. How do we design our products or even existing brand, not just the Simple and Love, Beauty & Planet, but our existing brand so, that they meet the needs of the digital consumer. So, that's the first port of call.

The second, the way we look at it is brand extensions of our existing brands, where we are catering to the needs that we are able to capture, with speed of many of the digital-first consumers for instance. And then we are looking at the digital-only brand. So, ours is a multifaceted strategy that we are going to play. And just like many of the digital brands, after a while they look at moving to offline, because after that their footprint gets reduced, if they just remain to digital.

So, for us, the play is going to be multi-channel. And the important bit is on an aggregate, and in the channels which are growing fast. We would want to have not only a fair share, but improve our share. And I think that strategy for us is working pretty well.

Moderator: Thank you. The next question is from Kunal Vora from BNP. Please go ahead.

Kunal Vora: My first question is on the digital demand capture which you mentioned, around 20% now where do you see yourself getting to in next two, three years? And can you talk about the benefits as these numbers move up? Would it mean lower employee requirement at distributor level? And are there any other cost benefit? And how are you ensuring that Shikhar continues to remain preferred over eB2B competition, which is coming in?

Sanjiv Mehta: I have always maintained that good competitors keep us on our toes. We are now into our fourth version of Shikhar. And when we did the benchmarking study on Shikhar used by retailer, and ease of use and the functionality, it came in right on top. So, we are very pleased with the way Shikhar has progressed. And by far it would be the biggest app adopted by the retailers.

And now our thrust is, how do we customize the assortment for each store, so that for a store owner, it makes it much easier to navigate, and we can give them the offering, which we feel rightfully should be sold through those outlets.

The other important bit, which I want to harness about, for us, it is not just about demand capture, we want to be very clearly the most intelligent consumers goods enterprise. So, the way we are harnessing the three eco-systems of consumers, customers and operations and the entire idea is that across the value chain, we need to use data technology. And today, whether it is decision making, whether it is S&OP planning, whether it is factories, whether it is demand capture, whether it is our fulfillment centers which are highly automated, across the value chain, we are bringing in technology. And even the decisions that we make on pricing, on promotions, on investment, increasingly, we are using intelligence.

So, increasingly, we want to ensure that across the value chain, we are able to use technology. And on every area we are bringing in the principle of attribution to growth. So, as far as technology and all is concerned, we are highly focused, and these are what we are creating would be the new moats around us.

Kunal Vora: Second and last question on the LUPs, you mentioned that you are introducing some bridge packs, but will you also be vacating some of the price points and how do you see the net impact of the introduction of bridge packs versus a vacation of certain LUP price point?

Sanjiv Mehta: First is, you know, let us be very clear, we are not going to lose consumers. And we are going to do it in a manner where the consumer gets incentivized to move to a bridge pack, that's what we would do. So, moving to a bridge pack for the consumer would be creating value.

Moderator: Thank you. The next question is from Harit Kapoor from Investec. Please go ahead.

Harit Kapoor: My first question is on the margin side, just trying to kind of crystal ball gazing into the next 12 months, on one hand, you have a challenge of a weaker demand environment. And you still have to keep, passing on price increases, albeit calibrated. On the other hand, you also have a challenge, where some of the discretionary categories are a bit weaker, as compared to the base category, which again, implies a slightly weaker mix something that we saw in fiscal year '21 also, during COVID.

I just wanted to understand, how do you then kind of take pricing decisions in such context. Is there a kind of a margin band that you look at, you will look at to kind of maintain based on which you will take a pricing call. I just wanted to get your sense on, how you will navigate this environment from a broader perspective, because over the last three years, you have seen it 24% to 25% margin in the past, it's been even lower. So, is there a broad margin band that you look at or it's going to be very market related and you have to keep taking a call every month or two depending on how things are panning out from a demand perspective.

Ritesh Tiwari: Absolutely a very pertinent question in the times that we are in. So, our strategy has two components number one is to protect our business model and number two is to grow our consumer franchise. If these are the two objectives achieved, we will know that all the work that we have done has been successful. And this has been done in last several quarters as we have been in a very challenging atmosphere be it COVID, be it the latest geopolitical crisis or be it inflation that we have seen unprecedented. And the number which I had quoted earlier, from JQ'20 of 100 to 4.5 times in MQ'22.

In all this period, what we did, was the first port of call is to keep driving savings hard across the length and breadth of the P&L. At Hindustan Unilever, we have a very strong savings culture, where savings is generated and done by everybody in the organization, be it colleagues in supply chain, be it colleagues in marketing, or colleagues in sales. So, all lines of the P&L, we try to bring maximum efficiencies. And I quoted certain examples earlier to you of supply chain, even on product where we design to value if there's more amount of weight to a bottle, can we manufacture a bottle with a little lesser, lightweight, it will help environment it will also help the cost. Media attribution to growth and hence the kind of ROI we want to generate. So, that's the first port of call.

And after that, as you rightly called on we do and we have taken calibrated price increases. Now the kind of inflation we have seen in commodity, as you have seen the very fact we have been able to negate a good portion of that and hence, we have been able to maintain the margin in healthy range and do price increase of a scale of 10%, which as you can see is much lower compared to the amount of commodity which has increased.

Number two this is also where portfolio comes into play, where we have portfolio across price points from mass, from premium, from mid. And I called out earlier that even in these times, there is a segment of population in premium where we are able to sell higher order benefit products, and the growth of that portfolio has been twice the growth of the rest of the portfolio. So, that is something which has also helped us in times that we are in today. So, strategy is mix of that, pricing, and driving cost efficiencies and of course holding our consumer franchise. But what we are not blinking in times like this is to invest behind our products, invest behind our brands. One of the example, I quoted earlier that our products superiority today is twice as much as it was in the base of 2019. So, two times we have more superior products, compared to 2019. Media we have spent 100 crore more in this quarter to ensure that our salience and our media reach is not getting compromised. And we continue to maintain our share of voice ahead of our share of market. So, that gets very squarely done.

Now, in short term, as I called out, we will see stress in margins and margins will decline in short term. And why that will happen, because of the price versus cost gap, when you have sudden huge amount of inflation in input cost, it takes time for us to then mitigate that through cost synergies and pass on the incremental impact through calibrated price increases. And which is why what we mentioned that there will be short term impact on margin as price versus cost gap increases. But we are very confident that we will build it back in a phased manner back into P&L.

But what we are very clear what will not get compromised is our own will to ensure that we are able to grow our business ahead of FMCG market growth. So, that's the overall strategy of the business.

Sanjiv Mehta: I will just add a bit more flesh to the bone, to the comprehensive answer that Ritesh has given. We also measure the elasticity. How much is the volume impact that we would have. But we must remember that there is nothing like a perfect elasticity or perfect inelasticity. The second important bit is that when your brands are superior, whether from a mental reach perspective, or brand power, or from a product superiority, then your capacity to take price increase is much more, because the consumers don't always look at absolute price they always look at price value equation. So, that factor also gets into it now.

And then we look at the portfolio from a lens of how do we from a capacity to pay perspective, how do we protect the low price point packs and where do we have more capacity with people who would be having more disposable income, and a wallet to spend on our brand, that's where we take it. So, there are many variables that get into it and increasingly, we are using lot of data and analytics to help take our decisions.

Harit Kapoor: The second is a much shorter question. Actually, just wanted to get your sense on, in your view, do you expect, say media intensity over the next few months also to keep trending downwards? I am not talking about your share of voice, but from an aggregate perspective given probably, players who have lower market shares, regional etc, might be even more stretched than you are, who don't have some of the levers, do you expect that media intensity impact will also keep coming down progressively, at least until the inflation impact is severe?

Sanjiv Mehta: See, it has come down by nearly about 20%, if we look at the GRPs on a total basis, but let me be emphatic, we have, our share of voice is more than a share of market. And for us, it is we play for the long term we don't play for the short term. If we see media intensity goes up, we will unblinkingly invest more behind our brands.

Moderator: Thank you. The next question is from Shirish Pardeshi from Centrum Capital. Please go ahead.

Shirish Pardeshi: Two things I am referring Slide #30 and that is the full year performance I am referring. So when you report a full year Rs. 14,000 odd crore for food and refreshment. And the growth is about 6.8%. Since we have completed one year of GSK acquisition, could you, I mean, I don't want to get into too much detail, but if you can broadly tell me what is the growth and what is the contribution from GSK portfolio.

Ritesh Tiwari: Yeah, so, overall, as you have seen, that the growth that we have in food and refreshment is very healthy. And there are two dimensions to that growth a) The growth is comprehensive in terms of the portfolio that we have, but more importantly, as we call out earlier that growth is extremely competitive. And we have gained market share, and we have further improved penetration.

And I was speaking a little earlier about click down on Horlicks within that. So, we have successfully integrated Horlicks. Our reach now, direct distribution is twice what we had pre-merger period. Now when it comes to growth of Horlicks as I mentioned earlier, the key job to be done out here is continue to do market development at scale and support the market growth. Now Horlicks within that is a discretionary category, the point I was making earlier with significant amount of inflation that consumers are witnessing in their kitchen, they are putting more priority at this point in time to essentials against discretionary categories like HFD categories like skincare. But our job is very clearly cut out which is to keep doing market development, fundamentally it is a very attractive category with a low penetration. And hence, our idea is to ensure that we are doing the job of building a portfolio, improving penetration and improving market share.

Within March quarter, and overall, as I have mentioned that our momentum is very strong there and we have gained market share. While the category has seen decline in terms of market. We have further gained penetration as well. So, it's I would say a good set of results, as we started to see impact of market development in early phase. But this is not a short one or two quarter journey, we will be at it, because the runway for growth is much higher and a job of building penetration is long term.

But overall within F&R, if I can call out certain other categories, we have seen very good growth across our Foods & Refreshment, Foods portfolio. Tea, we have seen again, very good competitive growth, we now have both value and volume leadership in our Tea portfolio. You heard us speaking about coffee having a double-digit growth in the quarter. So, it's a pretty broad base performance in the Foods & Refreshment portfolio.

Shirish Pardeshi: Just one follow up here. You did mention in the beginning that the entire integration front end and the back end is done for the GSK, full merger which has happened. And I did see from the margin perspective, the segmental margin for Food & Refreshment has gone up by 200 basis point. So, the question here is that with the full integration now behind do you think this another 200, I mean, I am not saying number, but you see that further expansion on the segmental margin can happen now onwards, despite the inflation, that is different.

Ritesh Tiwari: From the cost synergy front, we had mentioned earlier that we made very significant progress. And since the first year and half, we have already achieved over ambition that we had on cost synergy, for the first three years in the business case. A good portion of that generation that we did on cost synergy we have invested back in the business to keep driving market development.

Now, if you ask me, is there a further headroom for us to gain synergies and grow further in terms of margin headroom for Horlicks portfolio? The answer is absolutely yes. The areas which will further get savings will be in the area of supply chain and distribution. What we have now finished doing is full integration of our go-to-market structure. The point I was making that our direct outlet coverage is twice what we had earlier. Areas like media, overhead costs, those synergies we have already realized, but in terms of distribution, when I say DCs - depots, in terms of factory manufacturing, there is further headroom that we have to realize, and we have clear line of sight as well of those, it’s just that we have been sequencing as to what we should first dial up, and then which is second and third port of call we should go in terms of driving synergies.

So, yes, there is further headroom for growth. And we have very clear line of sight over the next two, three years to keep driving that.

Shirish Pardeshi: And my last question, when I look back, since the time I am tracking this Company, what I understand you did mention that we are ahead of share of market in terms of spends and our SOV is much higher. But just an observation having worked in industry, what I find that when we have done the activation and the rural penetration and through the access pack, and you did mention that LUP is also a big number, what I am trying to say here in the volatile demand condition and last two, three quarters, Sanjiv did mention that rural is slowing down, so we did pick up that. But in the context when the demand is not coming and when our prime goal is to improve the frequency of usage, do we think that to gain further market share or to maintain ahead of the curve, even if the rural is not coming back at some point of time in next four quarter we will have to up the investments in advertising.

Sanjiv Mehta: Yes, advertising, we look at it from a couple of lenses. One is, of course competitive. Yes, we want to be ahead of our market share. The second is we also look at it from a reach perspective. Because let's also accept that we are not, FMCG doesn't operate in isolation, we operate for the eyeballs with other industries as well. So, we need to have a minimal reach to ensure that our brands remain salient. We do that.

The third thing also we must accept that market development when we invest in it, these are generally first purchased by early adopters. And early adopters are people who have more disposable income with them. So, market development, we believe will continue to grow at a pace faster than the rest of the market, which we have seen over the last several years and it will continue to be so. And we will not cringe away from investing in market development.

Yeah so we have very clear portfolio, while overall imperative that Ritesh articulated remain, and which we have been very consistent, that in case of this kind of volatile hyperinflation environment, protecting our consumer franchise not only protecting but growing and protecting our business model are the two big imperative. But we play for the long term. And we will not do anything, which in any way will hurt our business from the long term perspective.

A. Ravishankar: We will take some questions on the web now. I will start with a question from Avi Mehta from Macquarie. The question is we are traditionally looked to maintain EBITDA margins in the 24% to 25% range as we play all lines of P&L to offset inflation. Would it be fair to expect margins to move to the lower end of this range in the near term? And move back ahead, ensuring that FY23 margins are in this range?

Ritesh Tiwari: This is the point I was clarifying and giving more details earlier. We do expect in next two to three quarters sequentially inflation to further go up in terms of commodity costs and input cost inflation. As I mentioned in the strategy is very clear protecting the business model with a very clear objective to grow our consumer franchise and the point that we made earlier, we keep investing for getting the job done. Hence in the next two to three quarters we will see margin to decline. And why that will happen, because the price versus cost gap - when you have sudden increase in cost and we continue to do the job in terms of reducing the cost impact through savings, but the increase which is so substantial in short term, it will lead to of price versus cost gap. And that's what will end up impacting margins in short term. But as I mentioned that in our mind, it's very clear that we will build this margin back in a phased manner over quarters after that. So, that's our clear strategy from a margin perspective. I hope that gives a very clear understanding of where do we see margins for next few quarters.

A. Ravishankar: Sanjiv there is a question on how we assess product superiority?

Sanjiv Mehta: Yes, product superiority, we do blind test. And because if we were to do branded test, we will have an unfair advantage, so we do very clear, blind test to test attributes which are most relevant for the consumer. And that's how we assess the product superiority.

A. Ravishankar: There is a question from Richard Liu. The question is on understanding the strong spike in other operating income in Q4, that is one part of the question. The second is for a little bit of color on the CAPEX numbers and how much of this is PLI related?

Ritesh Tiwari: There are three reasons why the number is higher compared to periods earlier. Number one is we announced that we do have now a participation in PLI scheme. And as part of that this is the first year of the PLI scheme and the incentive that we get that is recorded in this line of other income.

Number two OTC income, as you know, we do distribution of GSK products. And with that business, we do get revenue of OTC income, which again gets accounted in this line. And hence, with the business which has happened there it has seen better income compared to same period in the prior year. That's the second reason.

Third as you know, we host global cost centers and global capabilities, which we invoice globally to Unilever. That has further increased in the quarter in terms of investment in those capabilities. And hence, since we host them, we also invoice them the earned income through markups. Those are the three reasons why other income is higher compared to last year.

CAPEX, very clearly we have stepped up investments in few areas. To start with you have seen UIL, we have blown powder capacity that we are setting up. And as part of that investment as we had called out a couple of years back, that is accounted in UIL books and hence also comes in the consolidated financial statements, there is blown powder capacity in Sumerpur that we are setting up. With the kind of growth that we have seen in Home Care, there is no surprise that we are setting up further capacities to support the growth that we have seen, that's one.

But there are also other pockets of investments that we have done be it our distribution centers, be the Nano factory, which we spoke about, the way we have digitized that factory and we have invested in those capabilities or for that matter Ice cream cabinets. This is also the time for us with a good season for Ice cream, as you know, March quarter we called out we had pretty good strong growth in ice cream. In fact our business in ice cream now is higher compared to pre-COVID levels. So, those are the areas where we have done investment in our CAPEX and hence we have seen number inching up.

In the COVID period we were measured with our cash expenditure and our capital discipline and now the growth is coming in and we have appropriately leaned in to ensure that. The last thing that you want is growth getting compromised for not having invested. Investment be it in CAPEX or the investment be it in BMI or for the matter product superiority across the board, we do ensure that growth in no way gets compromised. So, that's the reason why you see an increase in CAPEX expenditure in this financial year.

A. Ravishankar: There is a question from Chirag on what has helped secure the strong margin in Foods business also what has led to strong performance in Fabric care and Household care?

Ritesh Tiwari: So in the foods business margins, there are two broad drivers of that, one, as you know the F&R business includes the nutrition business, and we gave the narrative of the kind of margin we have driven because of cost synergies with nutrition that is one clear driver. And of course, tea, we know that we had very high amount of commodity prices at one point in time. And as we speak now, though commodity is still elevated over 2019, but year-on-year now the inflation is not as high as you have seen in the past period. In fact, year-on-year the Tea commodity costs are coming down.

So, there are two factors. But I would say the predominant factor is the kind of work we have done in Horlicks. Beyond Horlicks, beyond Tea, of course, overall, as I mentioned that the job that we keep doing in driving cost synergies across the board, by driving various operating synergies be it distribution, by traveling less kilometers per product movement, or for that matter, cost synergies of media, or promotions, or other supply chain elements. So, there is a large amount of work, which happens in the P&L across the board, that also benefit you see within F&R, as well. So, those are the three reasons I would say why you are seeing better profitability, compared to what we have seen in the past.

Sanjiv Mehta: And just to add to what Ritesh has said why Home Care has done so well, I think first we need to sit back and take a bit of a macro picture, that in the last about nine years, we have added Rs. 25,000 crores to our turnover, which is doubling our business and which is more than the absolute turnover of any other FMCG Company.

The second is we have tripled our EBITDA during this period. And market cap, you guys monitor more closely than I do, I leave it to you. And during this period or even if you look at it during the last couple of years that is the strength of our portfolio not any category will keep growing at a linear pace that doesn't happen. But if you look at it in recent times, we have had a great journey with Tea, where we have taken not only value leadership, but volume leadership and phenomenal growth.

When you look at our hair care, where we have got record shares right now, and where we have created markets, an amazing journey we have. And similarly on home care, it's been a consistent delivery of superior products with great brand and consistency of engagement platform. Now dirt is good is something with its improved, different manifestation. We have been running this engagement platform for years. And that is how we have built this great property and product superiority, brand power, brand salience, distribution prowess and our Reimagine HUL agenda these are all contributing in different ways to ensure that we have a rhythm on growth and have ensured that we make such a robust business model.

And that's the reason I say that many times people talk about niche brand, they will always be there, but at our scale and size adding 5000 crores as delta turnover in a year that gives a sense of the kind of strong business that we have created with Hindustan Unilever.

A. Ravishankar: Thank you Sanjiv. With that, we will now come to the end of the Q&A session. If there are any further unanswered questions, please feel free to reach out to us in the IR team and we will be happy to clarify.

Before we end let me again remind you that the playback of the event will be available on the IR website in a short while. A copy of the results and the presentation if not with you already, it is on the website as well. With that we would like to draw the call to a close. Thank you everyone for your participation and have a great evening.

Moderator: Thank you very much Sir. Ladies and gentleman on behalf of Hindustan Unilever Limited, that concludes this conference. We thank you all for joining us and you may now disconnect your lines.