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'We would rather disrupt our own business model and not get disrupted'

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MUMBAI

The 11% underlying volume growth in the December quarter reported by Hindustan Unilever Ltd (HUL), India's largest consumer packaged goods company, indicates that the consumer goods sector has recovered from the twin shocks of demonetization and the implementation of the goods and services tax (GST).

While Sanjiv Mehta, managing director and chief executive officer of HUL, is bullish about the growth potential of the country, he is worried about the possibility of growth getting disrupted again. In an interview, Mehta spoke about how the maker of Dove soaps, Knorr soup and Surf detergents is preparing for the future. Edited excerpts:

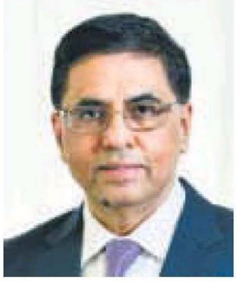
You have reported double-digit volume growth in the December quarter. Can we take this to indicate market recovery and pickup in demand?

If we look at the period between 2013 and 2016, the FMCG (fast-moving consumer goods) market volumes grew at 3% whereas the GDP (gross domestic product) growth rate of the country was, on an average, 6-6.5%. The GDP growth rate was ahead of the market volumes growth rate. However, during this same period till 2015, rural volumes were growing at 1.5-1.6 times that of urban volumes. It was in 2016 that the rural volumes came down and grew at the same rate as the urban volumes. The rural slowdown was a consequence of the two consecutive years of drought and inflation.

Now, going forward, it would be fair to expect that India's FMCG industry volumes growth should grow in tandem with the GDP growth rate of the country and that is based on the premise that we take steps to have more inclusive growth.

We keep talking about India's huge growth potential, but we are yet to see consumption take off. When will it happen?

If we look at it from a purchasing power parity basis, we have now reached over $6,000 per annum and now, from here, even if we continue to grow at 6-7%, leave aside 8-9% that we aspire for, we will see the compounding effect as we have reached a certain threshold base. And if we repeat the performance of GDP growth rate of the last 25 years into the next 25 years, India will become a very different country. When I was out of the country for over 20 years, 20% of the population came out from below the poverty line into the lower middle-income bracket. If we keep repeating what we have done in the past, during our lifetime, India will become a very different country. So, I am very bullish about our country and for Unilever to realize its potential.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HUL managing director and CEO Sanjiv Mehta.

mint INTERVIEW

You spoke about inclusive growth earlier. But some studies have pointed out that India's growth has not been inclusive and the gap is widening between the rich and the poor.

If you look at the figures by (French economist) Thomas Piketty it certainly indicates that there is room for much more inclusive growth. For us to reap the benefit of demographic dividend, we have to have inclusive growth. Inclusive growth would certainly mean that we would have to create more source of livelihood, more employment.

Today in India, urbanization has not even started and if we step back and look at the last 20-25 years, India and China were at the same level of urbanization at about 25%. India is now in low 30s whereas China has crossed 50s. Now, urbanization will definitely put less stress on rural India but then the country will have to create jobs and the infrastructure.

What will the HUL of the future look like?

We are re-imagining HUL in every which way, from a culture perspective, organization, portfolio, capabilities perspective. This will evolve and change with changing times. But we are clear that we want to lead the change and we don't want to follow the change.

We would rather disrupt our own business model and not get disrupted.