

‘We should wait to understand the impact of rural on business’

Bellwether Hindustan Unilever (HUL) reported strong numbers for the three months ended March. HUL's Chairman **HARISH MANWANI**, along with Managing Director and Chief Executive Officer **Sanjiv Mehta**, responded to questions by Viveat Susan Pinto at a post-results conference on what led to the all-round performance in the fourth quarter. Edited excerpts:

What were the factors that contributed to double-digit volume growth for the second quarter in a row?

Mehta: The growth we saw this quarter was broad-based, though rural has improved. In some parts of the country, rural was ahead of urban (in the fourth quarter) and that is a good sign. While there will be a gradual improvement in demand, we should wait for a couple of more quarters to understand the impact of rural on the business. This is because the base was distorted (due to demonetisation and goods and services tax), so let a few quarters pass for the trend to stabilise.

Manwani: We want to be competitive when it comes to growth and that will not change. Our business is about market-beating growth. We have had the discipline in the organisation to achieve it in the past. And, we will continue to do it now and in the future.

But price hikes due to commodity inflation could upset your volume growth trajectory as you go forward. Are you prepared for this?

Manwani: We are not in the cost-plus model of pricing. We are here to create value for consumers and price hikes would be taken judiciously keeping in mind all factors.

Mehta: While commodity inflation is a key watch-out, we have a large business. And, where pricing action has to be taken would be determined appropriately. We will not take our eyes off volume growth. That will be our focus.

One more firm has joined HUL recently in offering to deposit money in the consumer welfare fund for failing to pass on the GST benefits. Your thoughts on this and what is the government saying?



Harish Manwani (left), chairman, HUL, and Sanjiv Mehta, CEO & MD, HUL, in Mumbai on Monday

PHOTO: KAMLESH PEDNEKAR

Mehta: We were right in stepping forward to deposit money in the consumer welfare fund. We remain in active discussion with the relevant authorities pertaining to this. We had offered to transfer ₹1.19 billion earlier, which has now increased to ₹1.24 billion. We have also collected ₹360 million on behalf of our distributors who were unable to pass on the GST benefits to consumers. And, will remain committed to this in the spirit of the law.

Manwani: We have done what is prudent and what needs to be done. Disclosure and provisioning is very important from a good governance point of view. We have done both.

Give us a sense of where you see the consumer goods market headed in the future?

Mehta: What the business requires is more money in the hands of consumers. Two big things that have happened include the GST, which has driven affordability, since the maximum retail price of products has come down. That has aided consumption. The second is the government's efforts to help people in the rural

areas. That should augur well for consumption and give it a fillip in the future.

Cost savings for HUL today are 1.7 times the savings seen in 2014. What led to this?

Manwani: There are three aspects to the business. Growth, cost and speed. The growth dimension demands innovation and execution. We are focused on both. The second aspect is cost, which involves driving operational efficiencies. We are focused on this. The third aspect is agility or speed and large organisations like ours can find it difficult to be agile, but we are working on it.

This is your last results as HUL chairman. How would you describe your journey?

Manwani: It has been great to serve this company. No individual is greater than the company and that is the great thing about HUL. I have served HUL for 40 years. Now, it is time to move on. I am doing other things, like I am on the boards of other companies, which I will continue to be. I have chaired 13 AGMs as the chairman of HUL, the pleasure will be mine to walk into the 14th AGM as a shareholder.

