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'Now when it is India's time under the sun, I do hope that globalisation does not retreat'

IN THE growth and development of the country, exports play a big role and it would be in India's interest to ensure that globalisation is given an impetus, SANJIV MEHTA, chairman and managing director of Hindustan Unilever Ltd, India's largest FMCG (fast-moving consumer goods) company, said. In an interview with ANIL SASI & P VAIDYANATHAN IYER, Mehta said while there is a very clear and apparent improvement in consumption between the June quarter and September quarter, the trends differ in rural and urban areas. Edited excerpts:

As the largest FMCG player, how do you see the economy — 7 months into the pandemic?

What I would use is our sales figures as a surrogate because, after the June quarter, we have not got any other number yet — though it's evident that the sales have improved. As the Covid-related restrictions reduced, people started becoming more mobile, and the economy began to open up. In the March quarter, we had a minus 9 per cent growth. Now, that was because in the last week of March, there was a sudden disruption and we could not supply our distributors. So the -9 per cent was not all driven by offtake reduction, but more by way of supply chain constraints that happened as a result of the lockdown. But I think the severest quarter was the June quarter. I come from a clear school of thought that the government did the right thing in terms of enforcing the lockdown.

Subsequently, we had a minus 7 per cent growth in the June quarter. If we look at the September quarter, we had +3 per cent growth, and importantly 80 per cent of our business, which relates to health, hygiene and nutrition, our portfolio grew in double digits. And this portfolio grew at 6 per cent in the June quarter. So clearly, there has been a visible improvement in consumption. For categories which are more discretionary, like skincare, or colour cosmetics, or in categories like ice creams, out-of-home consumption and the vending business, we saw negative growth of about minus 45 per cent to 69 per cent in the June quarter. It reduced to minus 25 per cent in the September quarter. So, there is a very clear improvement in consumption between the June and September quarters. If this is to be a surrogate for consumption in the country, and consumption being one of the largest components of GDP, then it would definitely show an improvement in the economic figures as well.



There's been quite a bit of focus on the rural market. There's also been this temptation in policy circles to sort of clap along the anti-rural market or the hinterland as a single, fairly homogeneous sort of a market? Are there trends that you're seeing in the rural market?

If we are to look at this urban-rural split, let's step back a bit to get some perspective. The per capita consumption of FMCG products in the country is a meagre \$40 per head. Compare that to Indonesia where it is 1.5x India, or in China where it is 3x India. And this \$40 is at a national level. If you look at it from a lens of rural India, then it would be less than half of the national per capita FMCG consumption — in the vicinity of \$17-\$18. Therefore, the runway for growth in rural India is massive. Ideally, if the country keeps progressing, without any hiccups, rural growth — because of its lower base — should be growing faster than urban India for years to come. But because of the stress in the economy, the growth rate in rural consumption had significantly declined even before the pandemic hit us. And during Covid, I think, the two most important tasks, if I may put it that way, for any government, would be to protect the health of the people and to help the marginal sections.

So, from a perspective of giving food grains and direct transfer of money, or whether increasing the MGNREGA (allocation) or increasing the rate of MGNREGA, I believe, these have been steps in the right direction. This is evident from the fact that consumption in rural India is now growing at a rate faster than urban. Urban India has also been impacted with high density, high rate of infection in metropolitan cities, higher incidence of vertical or other lockdowns with

business activities getting hit to a greater degree. So, the redeeming part is that we are seeing the consumption in rural go up, also impacted by a good harvest, and also from the fact that a lot of people have moved from urban India to rural India. So, within rural India, the lowest per capita consumption is in the Hindi heartland, and that's also linked to the per capita GDP...

So are you suggesting that the government's intervention of providing food grains, increasing transfers played a role...

Absolutely! As mentioned earlier, pre-Covid, growth rates in rural India had more-or-less disappeared. They have now come back because of the series of steps that the government took.

So, in terms of growth across categories, how is it panning out?

We are now growing at 3 per cent on the total company's basis. But if you look at our 10-year historical growth, we grew at 9 per cent. The 3 per cent comes from 80 per cent of our portfolio (food, hygiene, nutrition) growing at 10 per cent and the balance 20 per cent of our portfolio with a negative growth of 25 per cent. So, when you put this together, it becomes 3 per cent on the total portfolio. This 20 per cent of my portfolio, that is growing at -25 per cent, is predominantly an urban portfolio and linked to a great extent to people not stepping out.

How about the tariff walls, other protectionist measures by governments across the world? Does this trigger a rethink in strategies for MNCs such as Unilever? What's the impact on HUL?

If you take our India business, 99 per cent of what we sell in India is manufactured locally. In fact, we

went in for localisation years before and that is the reason why we have a large portfolio which caters specifically to the Indian consumer.

That said, I am personally of the firm belief that globalisation is the right thing for the world. If you look at the last three decades, since globalisation got an impetus, more people have come out of the poverty trap than ever before, more wealth has been created than ever before. Now when it is India's time under the sun, I do hope that globalisation does not retreat. India has just two-and-a-half per cent of the global agri trade. With all the reforms that have taken place and are now starting to unfold in the agri space, India could have a much larger share of the global agri trade. A small country like the Netherlands is the second-largest exporter of agriculture and horticulture products in the world, whereas India should rightfully be a granary to the world. So, if you look at the growth and development of the country, exports play a big role and therefore, I think it would be in India's interest to ensure that globalisation is given an impetus and that globalisation does not retreat.

Is there a view on the consolidation and emerging monopolies like in sectors such as retail?

I wouldn't call them monopolies because you have to look at monopolies from a total trade perspective. Today, the two channels that have stood out during the pandemic are e-commerce and the neighbourhood grocer. They have been the fastest-growing channels and in the case of grocers because of the benefit of proximity. I think India's trade structure will evolve in a different way from what it has evolved in many other parts of the world. In other countries, it was modern trade, which took over general trade. India has 10 million general trade outlets; 10 million general trade outlets means, on an average, 100 million people depend on general trade for dinner on the table. So, from an economic and social perspective, it's really important for the general trade to survive and prosper. I think the difference will come in if we can help digitise the general trade and help bring the modern science of retailing to the general trade. That would be a good, massive opportunity for the general trade and will allow them to survive and thrive. And that would also be right from a social perspective. India will be a country where general trade, modern trade and e-commerce will co-exist.

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