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Dear Sir/Madam,

**Sub: Transcript of the Earnings Call for the quarter ended 31st December, 2024**

This is further to our letter dated 23rd January, 2025, 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 ended 31st December, 2024.

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/investors/results-and-presentations/quarterly-results-and-webcasts/december-quarter-2024-results/>

Please take the above information on record.

Thanking You.

Yours faithfully,

**For Hindustan Unilever Limited**

**RADHIKA**  
**KARTIK SHAH**

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**Radhika Shah**  
**Company Secretary & Compliance Officer**  
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*Hindustan Unilever Limited*

**“December Quarter 2024  
Earnings Call of  
Hindustan Unilever Limited”  
January 22, 2025**

**Speakers:**

**Mr. Rohit Jawa, Chief Executive Officer and Managing Director**

**Mr. Ritesh Tiwari, Chief Financial Officer, Executive Director, Finance and IT**

**Ms. Shilpa Kedia, Group Financial Controller and Head Investor Relations**

**Moderator:** Ladies and gentlemen, good day, and welcome to the Hindustan Unilever Limited Conference Call for the results of December quarter ended 31st December 2024. As a reminder, all the 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 any assistance during this conference, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Shilpa Kedia, Group Financial Controller and Head Investor Relations. Thank you, and over to you, ma'am.

**Shilpa Kedia:** Thank you, Dorwin. Good evening, everyone. Welcome to the conference call of Hindustan Unilever Limited. This evening, we'll be covering the results for the quarter ended 31st December 2024. On the call with me is Rohit Jawa, CEO and Managing Director, and Ritesh Tiwari, CFO. We will start with the prepared remarks from Rohit and Ritesh. We expect this to take around 35 minutes, leaving us with approximately an hour for the Q&A. We will look to end the call by 7:30 p.m.

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. I hand it over to Rohit.

**Rohit Jawa:** Thank you. Good evening, everyone. Wishing you and your families a wonderful New Year. Welcome to HUL's earnings call for the quarter ended December 2024. I'll start with an update on the operating context and commodity pricing, followed by an overview of our performance and key highlights of the quarter. Ritesh will then present our results in greater details, share more information on our recently announced acquisition and round it up with our near-term outlook.

Beginning with an overview of the operating context. At the MAT level, total FMCG volume growth has slowed down over the last 6 months, indicating subdued demand. Within this, urban growth continues to moderate while gradual rural recovery is sustained.

Reflective of the current macroeconomic situation, market data for the quarter shows a step-up in the pace of growth for small packs across the portfolio. This

seems to be a transitory shift in consumer patterns due to current macroeconomic conditions and moderation in urban growth.

The secular trend of premiumization remains resilient with premium segments growing ahead of mass segment this quarter. This indicates that consumer needs and aspirations to upgrade continue to evolve although they are currently opting for smaller packs to manage their overall spends.

When it comes to commodity prices, we continue to see a year-on-year inflation in crude palm oil and tea, but soda ash largely remained benign. Crude oil prices continue to deflate during the quarter and rupee depreciated by around 1% against the dollar. However, significant volatility has been observed in crude palm oil, crude oil prices and the rupee over the last couple of weeks. As always, we will closely monitor price fluctuations and take proactive actions as appropriate.

We have continued to maintain price agility, pricing in line with net material inflation during the quarter. Net material inflation, or NMI, as you're aware, is the net absolute inflation after adjusting for buying efficiencies and savings. NMI turned positive last quarter, signifying net cost inflation for the business. As against this inflation, we have taken price increases reflected in our underlying price growth. We'll continue to take calibrated strategic pricing actions to ensure we provide consumers with the right price value equation through inflationary and deflationary cycles.

In this backdrop, HUL delivered a turnover of INR15,195 crores with an underlying sales growth of 2%, led by pricing. Underlying volume growth was flat. Our margins have remained healthy despite inflationary and mix pressures. For the quarter, our gross margin was 50%, while EBITDA at 23.5% was within our range of 23% to 24%.

PAT BEI at INR2,540 crores remained flat year-on-year. EPS grew 19% year-on-year on account of profit from disposal of Pureit business. As you recall, we had announced the divestment of Pureit in June quarter '24, and we have now concluded this transaction.

We continue to deliver a competitive performance. As you are aware, over the last year, our business winning percentage had temporarily dipped below 60%. In September quarter, we told you that this metric was back to 60%. This

progress in our competitive position was a result of the actions towards transforming our portfolio underpinned by the strength of our brand and distribution prowess.

We are now moving to a metric that provides a more comprehensive and enhanced reflection of our competitive performance known as the turnover weighted market share. Turnover weighted market share measures our competitive performance within the footprint in which we operate. Business winning is a binary metric that considers the width of wins. Turnover weighted market share, on the other hand, takes into account the depth of the share gain or loss, assigning weightages to the individual size of the cells and channels.

I'm happy to share that we are continuing to gain turnover weighted market shares as of MAT December '24. This competitive performance is a testament to our focus on ensuring fundamentals of the business remains strong.

We have now assessed more than 95% of our portfolio using the unmissable brand superiority framework. I'm very happy to report that more than 80% of our turnover is unmissably superior when compared to competition, indicating our continued right to win.

We are committed to engaging consumers through our innovative and relevant campaigns across multiple channels and formats. In this quarter, too, we have maintained competitive spending with our share of voice being higher than our share of market. Our impactful advertising has got us multiple awards at different forums during this quarter. HUL was recorded several accolades at the Global MMA Smarties to celebrate exceptional innovation and creativity that have led to positive business outcomes. More than 70% of our business is gaining penetration, indicating that we continue to expand our consumer base, reaching more people than we did before. Our robust business fundamentals will serve as a strong foundation, thus enabling us to consistently win competitively.

Our underlying volume growth comprises of absolute tonnage growth and mix. While absolute volume grew competitively, it was offset by a negative mix. There are a few drivers for this negative mix. One, Home Care, which has relatively low realization per ton versus HUL average, has grown ahead of the rest of the portfolio.

Second, like what we observed in the overall FMCG market, consumers are titrating consumption in the current macroeconomic scenario. This, coupled with the fact that the urban growth has moderated, has resulted in small packs growing faster than other packs. We believe the shift to smaller pack sizes is a transitory phenomenon.

Importantly, we continue to witness premiumization this quarter as well, driven by consumer aspiration and evolving needs and this partially offsets the negative mix.

Our strategy is well equipped to embrace and capitalize this evolving aspiration to deliver consistent growth.

I spoke to you about our strategy in the Capital Markets Day. During this quarter, we continued our journey of sharply investing behind the three pillars of our strategy: focus, excel and accelerate, while steadfastly upholding our foundational pillars of sustainability and culture.

With a renewed approach towards portfolio segmentation, we have categorized our portfolio into core, future core and market makers, recognizing the various stages of the market evolution for each portfolio. We will strategically prioritize investments to optimize each portfolio's contribution to the overall organizational growth.

Core brands are the foundation of our categories. Our job is to maintain this portfolio, contemporizing and modernizing it to ensure the products remain relevant to consumers.

Glow & Lovely is a brand with rich legacy. Its high market penetration uniquely positions the brand to influence the broader beauty market. In the backdrop of changing consumer preferences, we have recently launched Glow & Lovely Glass Bright Gel, a mix designed to drive desire and functionality with a revolutionary bright sensory, the product is packed with potent ingredients of niacinamide and hyaluronic serum. From product, packaging, pricing to promotion, all the 6P's have been carefully curated to unlock growth by contemporizing this iconic brand.

Bars continues to play an important role in the laundry regime of millions of Indians. We have recently relaunched Rin bar with a superior formula,

designed with a novel polymer technology to deliver efficient cleaning and noticeably superior Sog-mush. The technology enables a product that lasts longer than the key competitor in the segment, delivering improved economy to consumers. The launch response has been encouraging with an uptick in Rin market shares in geographies where the product was launched.

Sunlight has kept colored clothes bright since its launch over 130 years ago. This Durga Puja in Kolkata, we celebrated traditional art inspired by the Las Vegas Sphere; this one-of-a-kind and memorable spectacle reinforced the Sunlight promise of color care. Amplified across social and digital platforms, the campaign generated significant organic influencer engagement and boosted brand visibility with 13.5 million plus views on digital video and a circa 100,000 visitors per hour at installation over 5 days.

Over the past two years, Moti has pivoted towards becoming a social-first brand using digital platforms to engage with younger audiences. For the 2024 Diwali season, Moti launched the Din Din Diwali campaign with an aim to keep the essence of Abhyanga Snan alive by combining nostalgia with modern entertainment elements. The campaign has garnered 150 million-plus views on YouTube, Instagram and Moj. The market share of Moti saw one of its highest ever growth on the back of this campaign.

In our future core portfolio, we have identified 10 aspirational brands that we intend to transform into big master brands. Let me give you a glimpse of our journey in this quarter with Dove.

The Dove's scalp plus hair therapy is a perfect fusion of purpose, science and desire. The collection is infused with high-potency skincare ingredients including niacinamide and zinc-peptides that nourish the scalp and help hair thrive.

Dove's new serum shower collection combines key ingredients like pro-ceramides, unique sensories, premium fragrances and packaging to provide consumers with a luxurious bathing experience while addressing common skin concerns like acne, exfoliation and glow. Leveraging Unilever's global innovation capabilities, the product was effectively customized for the Indian market, launching within just 9 months after its US debut.

Both these ranges have been co-created with dermatologists to bring pioneering skincare benefits for consumers into India.

With premium packaging, communications, digital first and Others Sayled model, these innovations are multiyear big bet platforms for premiumization of hair care and skin cleansing.

With Market Makers portfolio, our effort is towards leading and creating trends to develop the market in 6 segments of choice.

Let me talk about some of the actions taken during the quarter. Lakme launched its Rouge Bloom collection, taking a step towards introducing slow beauty and democratizing prestige with textures, sensory experiences and color pallets. The launch was proceeded with social-first media campaigns, including influencer activation leading to 120 million-plus impressions, activations at Lakme Fashion Week giving 100 million-plus impressions, e-commerce activations, large-scale out-of-home media deployment as well as offline promotions.

Recognizing the consumer desire for long-lasting salon quality hair, the recent launch of TRESemme's Silk Pressed range is an at-home hair treatment that is both effective and accessible, providing sleek, smooth results that are safe, affordable and easy to achieve. The range has been also launched with a first-of-its-kind social-media approach with a 150-plus expert squad, co-creation with e-commerce partners and demand generation through salons and professional partnerships.

Riding the Korean wave in India, Knorr has taken a successful journey of the Korean Ramen a step further. Knorr joined forces with Squid Game 2 for a one-of-a-kind campaign where 45 creators showcased their unique take on Dare to Slurp challenge. This is a step towards making Knorr synonymous with Korean food in India. What's more, we also launched a new flavor, Spicy gochujang as an extension to the already existing flavors.

As market leaders in the dishwash segment, we are committed to developing the market by democratizing emerging trends. To this end, we launched Sun, our dishwash liquid brand. Priced at INR99 per liter, the brand aims to further expand liquid market penetration within the mass segment.



We will continue to innovate at speed across the 6 identified spaces, bringing new trends and developing the market to cement a strong competitive edge for us in these high-growth categories.

This should give you a glimpse of some of the actions we've taken in this quarter as we remain focused on our job of transforming the portfolio. As a part of this, we have also made certain decisive portfolio choices. Over the last 9 months, we've announced the divestment of our water business, separation of our ice cream business and today, we announced the acquisition of majority stake in Minimalist, an actives led premium brand. Ritesh will speak more about this later in the presentation.

Our efforts are at keeping our core brands relevant and contemporary, unlocking access to the portfolio of tomorrow and developing markets for the future. The mid to long-term opportunities in the FMCG industry is immense. With strategic clarity and operational excellence as our foundation, we are well positioned to leverage this opportunity and grow competitively.

I will now hand over to Ritesh to take you through our results in further detail.

**Ritesh Tiwari:**

Thank you, Rohit, and good evening, everyone. Wishing you and your loved ones a very happy and prosperous New Year.

Let me take you through our quarter results in detail. Rohit spoke to you about the FMCG consumption trends and commodity inflation witnessed in the quarter. In this context, we have delivered a competitive underlying sales growth of 2%, driven by pricing. The impact of higher commodity costs across parts of the portfolio and adverse mix were deftly managed by leveraging the strength of our global procurement operations, landing calibrated pricing actions in the market and sustained focus on generating savings across the lines of P&L.

Gross margin for the quarter stood at 50%. Our proactive measures effectively restricted the gross margin dilution to 70 basis points year-on-year. EBITDA margin was maintained within the healthy range of 23% to 24%, while we continued to invest behind our brands and remain competitive in our A&P spends. Profit after tax at INR3,001 crores, grew 19% year-on-year.

Moving on to segment results. Home Care is our largest segment, contributing 37% to the total revenue. Beauty & Wellbeing contributes 22%, while Personal Care is 15% of our business. Foods is 24% of our total business. Margins in all four segments remained healthy with Home Care at 18%, Beauty & Wellbeing at 29%, Personal Care at 18% and Foods at 20%.

Moving on to Home Care performance. Home Care has delivered 6% USG driven by high single-digit UVG. Fabric wash delivered high single-digit UVG, driven by broad-based performance across formats. Liquids portfolio maintained its double-digit growth trajectory. During the quarter, Comfort underwent a comprehensive relaunch aimed at further elevating brand superiority.

Household Care also delivered a high single-digit UVG led by outperformance in dishwash. As market leader in this category, we have made strategic choices to further expand and democratize the liquids market with the introduction of the Vim surface cleaner and Sun liquid dishwash. Our consistent investment towards elevating product superiority, delivering greater consumer value, premiumization and marketing actions to advance brand equity has yielded strong growth for the category.

Beauty & Wellbeing delivered a modest growth of 1% year-on-year. In-quarter performance was impacted on account of delayed winter.

Hair Care achieved a mid-single-digit UVG, driven by broad-based performance across sachets and formats of the future. Within the sachet segment, premium shampoo sachets are growing faster than the mass sachet, indicating a continued trend towards market premiumization. Our targeted initiatives in emerging formats, including serums, masks and conditioners consistently yield positive results. We continue to strengthen our market leadership with value and volume share gains.

Skin Care and Color Cosmetics has had a subdued quarter, primarily impacted by delayed winter and mass skin performance. Non-winter portfolio performed well. We've previously spoken to you about how we are modernizing our mass brand, Glow & Lovely, making it more relevant and desirable for consumers as we expand it across new formats.

The secular trend of 6 big bets and channels of the future, leading growth for the category continues. Our focused efforts to expand further our presence in this space has yielded positive results.

Revenue for Personal Care declined by 4%, impacted by decline in hygiene segment of skin cleansing. Skin cleansing saw a sequential improvement in competitive performance led by strategic actions, and non-hygiene segment witnessed positive momentum in the quarter.

To step up the performance of Lifebuoy, we have already initiated several actions to strengthen relevance, purpose and to contemporize our offerings in the hygiene segment, including a complete 6P relaunch. These initiatives aim to align our products with evolving consumer needs and market trends, ensuring they remain competitive and appealing. We will share more details on this in the upcoming quarter.

Bodywash continues to strengthen its leadership position in the market with strong double-digit performance propelled by multiple innovations over the year.

Oral Care has delivered a mid-single-digit growth led by Closeup.

Year-on-year, Foods category revenue has remained stable, while UVG declined in mid-single digit.

Tea grew in low-single digit led by pricing actions. Premium brands, 3Roses and Taj Mahal tea, have delivered a robust performance, driving growth for the category. We have continued to maintain our value and volume leadership in the quarter. Coffee maintained its double-digit growth trajectory, led by price and outperformance in channels of the future.

Nutrition drinks sustained its competitive momentum, gaining both value and volume share and further cementing its leadership while also increasing penetration. We spoke to you last quarter and in our Capital Markets Day of our commitment towards increasing consumption and fulfilling the nourishment needs across all age groups with superior formulation and taste through nutrition drinks. In this quarter, we have readjusted pricing architecture for our large packs to encourage higher consumption. Further, in line with our strategy to expand our fast-growing adult nutrition portfolio, we

have extended the presence of Strength Plus. Following the successful launch and positive feedback in the East, the product has now expanded nationwide.

Packaged Foods has delivered a mid-single-digit growth, led by strong performance in future core and Market Makers portfolio. Ketchup, mayonnaise, international sauces and cuisines continues to see strong consumer traction, while Food Solutions maintained its double-digit growth momentum. Ice Cream revenue remained flat year-on-year.

On an ongoing basis, we evaluate various strategic opportunities for organic as well as inorganic growth, strategic partnerships and investments, divestments, disposals, etcetera, for furtherance of our business and to maximize shareholder value. After the divestment of our atta and salt business, we have continued to drive sharper focus in the business this year by making strategic portfolio choices, including divestment of water business and decision to demerge Ice Cream business.

We have previously expressed our interest in strategic bolt-on acquisitions, particularly within the Beauty and Foods segment. In alignment with our intent of doubling down on our Beauty & Wellbeing portfolio, we have entered into a definitive agreement to acquire a stake in premium beauty brand, Minimalist. This marks another step in the transformation journey of our portfolio towards higher growth demand spaces.

Let me spend some time covering this transaction in a little more detail. The sale and divestment of Pureit business was completed on 1st November, as mentioned earlier in the presentation, consideration for this was received and profit was recognized in this quarter.

Coming to Ice Cream separation. I spoke to you in detail explaining the business rationale for separation in our Capital Markets Day. Let me give you a quick update of our progress on this action. Our Board of Directors has approved the scheme of arrangement to demerge HUL's Ice Cream business into Kwality Walls 's (India) Limited.

Pursuant to the scheme, 1 equity share of the new entity will be allotted for every 1 equity share held in HUL. Upon demerger and listing of the entity, the entire shareholding will be held directly by shareholders of HUL. This will

give an opportunity for all shareholders to participate in future value creation of the company.

Our Ice Cream category is a high-growth business with several iconic brands. The demerger will equip an experienced management with greater focus and flexibility to deploy strategies suited to its distinctive business model and market dynamics, thus realizing its full potential.

Moving on to our announcement of agreement to acquire majority stake in Uprising Science Private Limited, which owns the brand Minimalist. Before I get into details of the transaction, let me share some information on the brand. Founded in 2020 by Mohit Yadav and Rahul Yadav, Minimalist is an evidence-based consumer-focused skin and hair care brand that provides high-quality science backed solutions. It is one of the fastest-growing digital-first brand that sits at the intersection of beauty and actives-led science. It's a great brand built on strong business fundamentals and rooted in product efficacy and consumer love.

The business has scaled rapidly to cross an annual revenue run rate of INR500 crores in a short span of 4 years, while being one of the very few insurgent players that have stayed profitable since inception.

Let me walk you through the rationale of the acquisition. One, the India beauty market offers great opportunity that we want to capitalize on. Two, this aligns with our B&W strategy of building the #1 portfolio for beauty. Three, Minimalist is a good strategic fit for HUL given the equity the brand brings. And fourth, we are confident in our ability to scale this brand to greater heights by leveraging our complementary capabilities.

The India beauty market offers significant headroom to grow. To put in context, the overall FMCG market that HUL plays in, is about INR170,000 crores. And of this, beauty is roughly INR68,000 crores. Within the beauty market, affluent beauty contributes roughly 50% and is growing at twice the pace of rest of the beauty market. In addition, India's per capita expenditure on beauty is significantly lower versus many other countries. This clearly presents significant headroom for premiumization.

Lastly, regime adoption is already on the rise. The number of products that affluent and affluent plus consumers use is at par with developed countries. So,

if you look at these points in conjunction, there's a large affluent beauty market, which will continue to grow ahead of the market in coming years.

Coming to our own B&W strategy, you would have seen this chart earlier at our Capital Markets Day presentation when Hanuman spoke to you of our key pillars of the strategy. One of them being to focus on building the #1 portfolio for beauty. As Indian consumers are moving from 1-2 product regime to 5-6 product regime, it is essential for us to turbocharge our portfolio, especially in the 6 big bets that we have identified. These are fast-evolving and high-growth demand spaces where we are making disproportionate investments. This acquisition aligns with our strategic objective of expanding our presence in serums and treatment and sun care in the masstige segment.

Talking about the strategic fit, Minimalist plays in the very attractive affluent beauty market. If you recollect, in our Capital Markets Day, we spoke about strengthening our portfolio in the premium beauty segment, where we are currently under-indexed in comparison to rest of our HUL portfolio. The brand has been able to carve a niche for itself with its consumer through its focus on providing efficacious products for skin and hair care. Through its distinct and sharp positioning, the brand enjoys a strong consumer franchise with high brand loyalty and advocacy. Minimalist is a digital-first brand and e-commerce accounts for a large part of its revenue and once added to our portfolio will further strengthen our e-commerce presence.

Given our large beauty business and complementary capabilities and expertise that both the business will enjoy together, we expect synergies to come from: One, R&D and innovations. We have strong global R&D capabilities and product technologies, which we will leverage to further bolster the products and portfolio.

Two, Minimalist has a strong online presence. With our wide distribution reach, we are well placed to scale the brand off-line. With our curated route to market for beauty in India, our ability to cover majority of the shops where affluent plus consumers shop today will increase, making off-line expansion a key growth driver.

Three, Minimalist has already seeded business in a few international markets. Being part of the Unilever group, we can leverage Unilever's global presence to expand the business to drive target consumers and markets.

Fourth, supply chain is a core strength for HUL. We have a large supply chain network and are best-in-class when it comes to supply chain cost. Leveraging our scale and efficiency, we will be able to unlock capacity and generate margin synergies.

Let me move on the deal structure. We will acquire 90.5% stake in the company at a pre-money enterprise value of INR2,955 crores (Subject to closing adjustment as per terms set out in transaction documents) through a combination of secondary buyout and primary infusion with a path to acquire the balance 9.5% stake in 2 years. So, this primary basically infusion, along with the pre-money enterprise value of INR2,955 crores, as I mentioned, as subject to closing adjustments will be the total acquisition price that we'll end up giving. The balance 9.5% will acquire in 2 years.

Minimalist will join the strong portfolio of brands in our Beauty & Wellbeing division. The transaction is expected to be completed in Quarter 1 of FY 25-26, subject to requisite approvals. We are delighted to welcome the Minimalist team into HUL family and are excited to partner them to unlock the next phase of growth, scaling the brand to greater heights.

Additionally, the Board of Directors has approved the acquisition of the palm undertaking of Vishwatej Oil Industries Private Limited. This is a part of HUL's palm localization strategy to build supply chain resilience for palm derivatives through backward integration. With this acquisition, HUL has taken a step forward to build infrastructure for palm under the aegis of India's National Mission on Edible Oils.

Moving on, back to our in-quarter performance. Let me take you through the summary of our performance. I've already spoken on most of the lines but let me pick up exceptional items and tax. Exceptional items include the profit from sale of Pureit business. It was partially offset by normative levels of exceptional costs, primarily related to supply chain restructuring.

Effective tax rate for the quarter was 24.6%. This was lower than the standard ETR as gains from Pureit disposal was taxed at long-term capital gains rate.

Excluding the long-term gains, ETR for the quarter was 26.8%. We expect our full year ETR to be around 25.5% after taking into consideration prior period tax adjustments.

Let me quickly take you through our year-to-date numbers for this fiscal. We grew at 2%, taking our 9 months turnover to INR45,680 crores. Gross margin at 50.4% was down 20 bps year-on-year. We continue to maintain EBITDA in a healthy range at 23.7%. PAT BEI at INR7,723 crores was flat, while PAT grew at 6% to INR8,151 crores.

Coming to our near-term outlook. We expect the current moderation in demand trends to continue. We remain watchful of various macroeconomic indicators that could impact the pace of recovery, such as real wage growth, food inflation and employment levels. In this context, our focus remains on driving competitive volume-led growth across our business as we continue to transform our portfolio to high-growth spaces. We will step up investments and prioritize them across our core, future core and market makers portfolio to maximize growth.

Activities on Ice Cream demerger and the announced acquisition will be executed with agility to bring them to a closure as per timelines. If commodity prices remain where they are, we expect a low single-digit price growth in the near term. Amidst inflationary material prices, we expect to maintain EBITDA at the lower end of 23-24% range. We will continue to manage our business dynamically to drive savings through our net productivity program and provide the right price value equation to our consumers.

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

**Shilpa Kedia:**

Thank you, Rohit and 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 2 at a time. In case, you have any further questions please join the queue again. In addition to the audio, our participants have an option to post the questions through the web option on your screen. We will take those questions just before we end. With that I would like to hand the call back to you Dorwin to manage the next session for us.



**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 Institutional Equities.

**Abneesh Roy:** I have two questions. My first question is on Minimalist acquisition. So, in Beauty business, you're under-indexed in premium versus rest of the Unilever's portfolio in India. So, wanted to understand, once Minimalist, the execution is done, the scale-up in the off-line is done and the synergy benefits, etcetera, are achieved, say, in the next 2 years, where does the numbers move in terms of under indexation? Do you achieve that goal?

Second question also on Minimalist. So, these are part of the same question is, from a pricing architecture and product portfolio gap, what exactly Minimalist is addressing ex of the D2C play? I understood the D2C play. But from a pricing and product, is there any gap this acquisition is delivering?

And a final question on Minimalist will be, why is it profitable from start? Because generally D2C companies first 4, 5 years, you have seen that huge losses are there. So, what is different here? Could the acquisition by a larger company lead to cost dynamics changing in this and the profitability initially, could it come under question once the acquisition is done?

**Ritesh Tiwari:** Yes. Thanks, Abneesh, for the question. So overall, at the Capital Markets Day, we have spoken that we are under indexed on premium as far as Beauty & Wellbeing is concerned and there are many parts of the business, which are today over indexed on premium, but that is not the case of Beauty & Wellbeing. What we want to achieve over the next few years is 900 bps improvement of portfolio shift towards premium.

With that, we will more than cover the gap that we have to a fair share for premium. Minimalist acquisition makes a big step in that direction. And we are very confident that with Minimalist with our extension of portfolio within Pond's and Lakmé, further scaling our brand, Simple, Love Beauty & Planet, entering into prestige space, scaling Novology that we launched a few months ago and many such actions put together, we will be able to drive the 900 bps portfolio shift towards premium and more than close that gap that we have to fair share within the premium segment of Beauty & Wellbeing.

Now when it comes to your question on where does this fit? So, Minimalist sits at a masstige price point, number one. Number two, it has a very strong play online and hence, in e-commerce across pure-play platforms apart from direct-to-consumer sales, it operates in derma/ active-led space. If I look at overall Beauty & Wellbeing, the point we mentioned in our prepared remarks that half of the business of the overall category in the market sits with the consumer cohort of affluent and affluent plus. Within that, masstige is a pretty strong segment.

And overall, with affluent and affluent plus cohort, the growth of that segment of market is twice than the overall average of the business. And derma active-led business is almost 2/3 of this masstige market segment, which is why this makes an absolutely fabulous strategic fit that we are able to now participate in masstige. 2/3 of that, as I mentioned, sits in dermal actives-led, which is exactly what Minimalist is all, about deeply rooted in product efficacy and consumer love. And with this, our play gets more stronger in e-commerce.

Now when it comes to business, you rightly captured this is the prepared remarks that over 4 years' time, Minimalist have become a INR500 crores annual run rate business and has been profitable from year 1. It's a very tight and smart well-managed business model, the way the brand has been crafted meaningfully, the way business model is very efficient across all the lines of the P&L., the way marketing spends have been done. And more importantly, innovation rate - business has been innovating very well and there have been successful innovations, which kept getting added year-on-year. So, it has been a mindful innovation rate with more successful product and hence a very mindful P&L model, which has got deployed.

Now going forward, what do we see from here? As I mentioned, there are multiple synergies of Abneesh, we end up having. Our global R&D capability and technology, we will be able to deploy to the brand. Supply chain capacity unlock, supply chain savings and synergies unlock will be able to bring to play. We will be able to leverage our off-line presence and our strong go-to-market structure to take the brands to more premium stores across the country, and we have spoken about in our Capital Markets Day, we have now a separate sales force called Beauty Pro, which basically caters to outlets, which are premium beauty outlets across the country. And we will take Minimalist brands off-line into those markets over a course of time.

And equally, we will leverage our global presence at Unilever to evaluate and explore international opportunities. So, all these four elements put together, we'll be able to create more value by working with team Minimalist and bringing capabilities of both the teams together and then create bigger brand compared to what it is today and make the business model more stronger, when compared to today. It's already strong, but we'll be able to make stronger. So those are the rational of profitability business model, Abneesh, going forward.

**Abneesh Roy:**

Sure. That's useful. My second and last question is on the 2 good categories in terms of volumes. One is dishwash and detergent. Here, if I see high-single digit volume growth, of course, industry should not be growing at that level given the urban slowdown. So where is the market share gain coming in these 2 specific segments? Is it from the larger national players?

And here, the urban growth for you, is it decent? My sense is it should be decent. But if you could comment from where the market share gains are happening. And once this market share gain eases off when it comes in the base, etcetera, then if you could comment in terms of growth, how do you see these 2 specific categories?

**Rohit Jawa:**

Abneesh, it's Rohit, we are seeing growth on -- first of all, it's -- so Home Care has broad-based growth. As you rightly said, the growth is in fabric cleaning, fabric conditioners and dishwash. We also have volume-led growth in Hair Care. We also have volume-led growth in our non-winter skin. We also have volume-led growth in our future market makers, so in skin as well and premium personal wash and premium tea.

So, the volume growth is not just narrowed specifically to one sort of category. Of course, it's a way more robust in Home Care, just to give you a context of the fact that we are winning competitively by volume because there are many categories that are growing ahead of the market.

Now coming specifically to Home Care. We've been -- this is a category where the growth is driven by a great portfolio, especially a portfolio that's got a good presence in premium Surf Excel. And here is also the category where we entered the liquids market quite aggressively, both in fabric cleaning and in dishwash. We launched brands to serve all price segments like Rin and Sun.

So, we have many levers of growth, not just driven by the overall upgradation agenda of this category, but also driven by the fact that we're filling white spaces and premiumizing quite well. So, all levers of growth in Home Care are firing. So, I don't think this is a specific event of a quarter. It's just generally the strategy is delivering. So that's basically the underlying trend of Home Care business.

**Ritesh Tiwari:**

I can Probably just add to what Rohit mentioned, Abneesh. We have experienced -- Home Care typically is a very resilient category as an industry to economical realities. In times of inflation, in terms of deflation, being an essential commodity, essential product, consumers do use it. Even at peak of inflation during 2022, we drove positive volume growth from the category.

Unless for example, if you look at tea or skin cleansing, they are very -- they are elastic to price increases and economical realities unlike Home Care. Home Care, to Rohit's point, we also have a portfolio, which is over indexed to premium. And hence, we also have tailwinds, the way we have crafted the portfolio, which also gives us more amount of growth opportunities.

**Rohit Jawa:**

Just one added flavor to this. In fact, looking at the pack mix changes this quarter across categories for the market, not just for HUL, I was quite -- it's quite important to note that Home Care did not see that much of pack mix downsizing or titration that we've seen across other categories.

And the more discretionary the category is, the more titration to small packs one is observing. So clearly, when you go from an essentials, which is the Home Care business, to more discretionary categories, the behavior of consumers to titrate to smaller packs seems to be increasing. Therefore, in that sense, I think the nature of -- the resilient nature of the category plus the stronger portfolio plus the fact that we have very large-scale access packs available in INR10 Surf Excel, for instance, and we're getting into liquid sachets as well, makes it somewhat more resilient to different cycles as compared to, say, Skin Care or tea or a nutrition to name a few.

**Abneesh Roy:**

Just one follow-up here, Rohit. In terms of skin cleansing and, say, fabric wash, a lot of things can be common and customers, especially when something he is putting on skin versus, say, on fabric, generally from a logic perspective, the brand loyalty should be higher. My question on skin cleansing is not on -- in

terms of this quarter. I understand price hikes were taken. So, the customer pushback is always there.

But in terms of skin cleansing, do you need a much bigger play in terms of liquids because here we do understand that local players in skin cleansing in the last 10 years have reduced? So, it's not that competition has turned worse. But in detergent, clearly, your liquid play and your aggression clearly is leading to a lot of positive benefits. In skin cleansing, say, 2, 3 quarters down the line when the stability will come in terms of, say, pricing, what prevents high single-digit volume growth in skin cleansing?

**Rohit Jawa:**

So, skin cleansing, actually we are -- so we're getting increasingly confident of the fact that all our efforts that we spoke about 3 - 4 quarters back are beginning to fire. To start with, at the very top, our actions and our portfolio play in skin cleansing, the innovations liquids is working. We are gaining shares, growing quite handsomely. And what happened in Home Care liquids is also going to happen in bathing market because it's happened in every other category.

So, we are now leading the game in bathing body wash. We see our premium brands like Dove and Pears have very strong equities. Pears is a very solid brand, growing consistently even by volume in these circumstances. Dove is getting immense amount of innovation support from us. Excellent brand, I believe it could be way bigger than its current scale, and we're working on that too, including investment in marketing quality. Lux is basically the hero of our category. It's done quite well with Stratos and even the sandal variant that we launched is showing good promise. We see Lux as a master brand. It's gaining share.

The job we have to do with skin cleansing now really is to address our hygiene segment, a play where the segment is declining, we are holding share in it, but it's so large for us that we need to make sure that our brand Lifebuoy goes back to growth and is vibrant, and we started shipping a relaunch pack as we speak. And we have ambitious plans to make Lifebuoy a fully -- full-service range with core and new benefit spaces and really make it very contemporary. So, Lifebuoy is -- and when that comes to play, I think we'll be back in rhythm.

In so far as volumes are concerned, they are linked to price for sure because as prices have gone up, we've had to cut grammages in smaller pack sizes. So, all

of that impacts volume. So, some buy less prices go up because of high palm costs, there will be some impact to volume. But even in this quarter, for instance, like I said, except Lifebuoy, we've seen generally good robust stability and growth in the rest of the portfolio in Personal Wash.

**Moderator:** The next question is from the line of Jay Doshi from Kotak.

**Jay Doshi:** Would you be able to call out what is your base case expectation from Minimalist over the next 2, 3 years, whatever targets, milestones you may have?

**Ritesh Tiwari:** So, I will not share any specific numbers, Jay, but let me just give a little bit of articulation. As I mentioned that this business overall sits at masstige price point and the actives-led space, which is a very attractive space because 2/3 of the market of masstige sits in there. So definitely be high growth. And today, our own 6 big bets within Beauty & Wellbeing, grows at strong double digit.

And when it comes to Minimalist, very sharp brand crafted and extremely successful. We do expect high growth from the business to come, especially when we start bringing synergies that I was talking about to Abneesh earlier, synergies of off-line expansion into GT, synergies of international expansion, equally bringing synergies on cost front to drive profitability be it supply chain, be it overall cost structure and leverage that will end up getting.

So, we do expect that as we bring the business together and work as team HUL and team Minimalist over a couple of years, we'll start realizing the synergies to drive both top line and bottom-line growth. The market segment per se is very attracted to the point I mentioned earlier. The masstige today segment grows at twice the pace than overall B&W. So that also helps us to ensure that we're able to A. have the play and then we are able to grow it pretty well. So that's how I want you to see it.

**Jay Doshi:** Sure. And second is your segmental margins, both for Personal Care and Foods have expanded Y-o-Y notwithstanding 24%, 40% inflation, and what we are seeing in rest of -- in the peer group. So, could you please help us understand what's helping you maintain margins for these segments?

**Ritesh Tiwari:** Yes. See, F&R margins are -- if I take the first 9 months of this financial year, it's a 19%. And for the quarter, number can go a little up and down depending

upon what plays out in the quarter. And we believe that margin range of 19% to 20% is pretty healthy for our Foods business.

When it comes to Personal Care, again, if I quote a 9 months margin number is at 17.2%. Again, at a 17%, 18% margin band, I think, is a pretty healthy margin for the Personal Care business. So, we do believe that we have the right margin profile. And our job always is within the lines of the P&L, drive higher gross margin. But then that creates capacity for us in the P&L to invest behind the brand, be it advertising sales promotion or for that matter, capabilities within lines of other expenses.

So that's how we were to drive business model for Personal Care and F&R. And the totality of the margin outlook for Hindustan Unilever, the way we want to drive this improvement - mix led, and leverage led. So that's what is the overall margin model in terms of improvement for Hindustan Unilever. But when it comes to PC and F&R, I think we are pretty happy where the current healthy margin levels are and our priority for both Foods and Personal Care is to drive sustained growth.

**Moderator:** The next question is from the line of Manoj Menon from ICICI Securities.

**Manoj Menon:** Thanks for higher disclosures this time. Just one clarification, team actually on the comment about absolute volumes outperforming the UVG aspect that you also called out, it's not a Home Care driven, it's actually non-home care. The context of this question is over the last, let's say, 4 quarters or maybe 3, definitely this fiscal, at least the perception was, let's say, macros or the bottom of the pyramid consumption should get better. Probably this is the first time in a while, it seems you're actually calling out a deceleration or a deterioration. Is that the right interpretation?

**Rohit Jawa:** I think -- no, no. I think what is -- first of all, rural is stronger. So, in that sense, that's a big part of the population consumer base that is stronger and is getting better. So -- and that does consume largely small packs and lower-tier brands in terms of price points.

Urban, yes, the real issue there is we see more recently, demand compression. And importantly, this quarter, we've seen titration from large packs to small packs, across categories, especially the more discretionary the category is, more titration there is, less so in Home Care.

We have actually grown in volumes because we don't -- as you know about UVG is what we normally report, and it's a combination of volume and mix. We have sustained growth, growing consistently over 3 quarters by volume, well ahead of the market. We've gained competitive volume share at all time frames, and it's led by categories which have got high volume salience such as Home Care, Hair Care, to name a few.

And therefore, I don't think that the takeout you had was in that sense, what we want to communicate. Yes, at this point of time, we have seen a higher negative mix effect than we perhaps seen in other quarters because, one, Home Care is growing, the others, for a mix of reasons, not growing as well this quarter. Second is the specific factor of the pack mix, which is quite unique to this quarter.

So, we expect some of this to normalize as we go forward. But these are the reasons why what is otherwise, I think a good volume growth is currently getting diluted by a negative mix, bigger than we would have -- we have seen in the recent quarters. And that's really what's going on. And this is just a shift that I think we need to explain.

But medium to long term, we think premiumizing is really -- is where the country -- the market is growing -- going and we are, therefore, making all attempts to drive our mix -- our premium mix higher. And even in this quarter, our contribution of 120 index and above segment is 100 basis points more than last year's same period. And the premium end of the market are growing faster than the mass and popular, although the band is narrowed.

So, the general secular kind of premiumization is still inherently true for the country because that's what you would expect to continue given slow PCC. We just have to stay patient and do the right thing because that is the real deal is to actually have a portfolio that's future fit. And every quarter, the things get better, will be to our favor if we are competitive in the near term and future fit in the long term.

**Manoj Menon:**

That's comprehensive. Quickly on the two questions here, a clarification. On the Stratos formulation, could you just help us understand, let's say, what part of your -- or what proportion of your portfolio ex of Dove and Pears, which I



presume can't be part of Stratos given the unique formulation it has got. And what part of India, you've already rolled it up?

**Ritesh Tiwari:** Yes. So, Manoj, as Stratos exactly rightly called out that more relevant for Lifebuoy and Lux and as we've called in the past as well, we have rolled out Stratos formulation across both the brands, Lifebuoy and Lux, and across many WIMI geographies.

Now overall rollout always depends upon the innovation pipeline as well as to what mix are we running in different parts of the country. But let me say that a large part of the country across WIMI clusters, across both the brands, we have moved to Stratos formulation. There are some pockets of brand geography combination because of the innovation footprint, we will make the move in next couple of quarters, but a good part of the country today has already experienced Stratos formulation across both the brands.

**Manoj Menon:** Understood. I do recall the commentary in the July exactly 6 months back about, let's say, thousands of tests you have done, etcetera. What I was only trying to understand and gain confidence was the fact that the product has actually gone into different parts of India, different maybe seasons, etcetera. And -- can we conclude that maybe, let's say, 80% confidence that, let's say, the risk associated with the formulation change is very low today?

**Ritesh Tiwari:** Yes. So, answer is yes, and I would not say 80%, Manoj, I'll say 100. We are very confident that Stratos formulation is the right thing to do. And now having been in the market for the last 6 to 9 months' time across multiple WIMI clusters and across both the brands. We only feel more confident with the feedback that we've got, that is the right thing to do.

The point that Rohit mentioned earlier and also what we spoke as part of the prepared remarks, what we're now doing with Lifebuoy would not have been possible if at all, we've not made the first move with the product formulation change in the first place. So, we believe it's the right thing to do in terms of unlocking space in the overall formulation to do more innovation and then add more elements to the product portfolio in terms of overall product quality for us to do the right thing. So yes, we feel very confident.

**Manoj Menon:** Understood. And lastly, honestly, in my mind, actually the elephant in the room is actually Horlicks. It's been -- I understand that the macros are not necessarily

favorable for growth and that too for something which is, let's say, fairly discretionary within staples. So, I get that aspect.

But only one top question, which in my mind is, let's say, what you are thinking about Horlicks medium term, let's say, the actions which you could do. For example, let's say, conceptually my understanding, I understand price elasticity matters, but I thought this is a category in which, let's say, the consumer say, okay let's put this way. So there's an adult consumption, there is a kids consumption, right?

Now I thought the kids consumption part of it is fairly inelastic because it's sort of a product, which the, let's say, the mother would save elsewhere to buy. And we have seen a lot of pricing action. So, the only question is, do you really think that there is any -- I know that there's a premiumization aspect you're doing, but I'm talking about the Horlicks core. What are the interventions, let's say, you will not tell the details, but do you think that there is material changes you need to do to drive growth on your own?

**Rohit Jawa:**

Yes. We are -- so we have, as we've said before because this brand has seen a lot of focus from all of us, we have -- this category, we have seen its market share growing, including as of date. We have seen its penetration growing. In fact, amongst our UBS or unmissable brand superiority scores, it's amongst the -- these two brands, Horlicks and Boost amongst the best.

These are iconic brands in South and East. And we have also seen the brand scores getting stronger. One place which has been a challenge is consumption, which is titrated down with, of course, some inflation coming in, in the recent past.

At this point, what we're trying to now do is to improve the price pack architecture to incentivize large pack usage because by driving more large packs, we know that those houses use more of the category compared to the ones that use small packs. So, we are trying to incentivize consumers to buy more large packs.

We're also working on how can we make the product and the core even more stickier by improving its taste, and we have various -- we're looking at various routes to make the core stronger, in the core product because I think that's -- everything else is basically green.

So that's the job we're doing at this point. And once we have something proven ready, we will share that with you. So, we are on it to make sure that we address every possible potential opportunity we can get to drive more consumption, including, of course, white spaces. But I guess the main thing is basically to get the core to basically grow in volumes. And there is, unfortunately, the compression that's coming on account of urban, discretionary dampener, which does impact our categories in HFD way more than it does, say, other categories.

**Moderator:** The next question is from the line of Arnab Mitra from Goldman Sachs. Please go ahead.

**Arnab Mitra:** Actually, my first question was again on the outlook. So there has definitely been a change in what you saw as an outlook 3 months back versus now, which was stable consumption to moderating consumption. I think you partly answered it in the previous question, but is this change because you saw a worsening of trends towards the second half of December quarter, including the small pack down trading that you mentioned?

And if that is the case, could it get worse before it improves at the market level? Or do we have to take out a message that the worst is behind, and things should improve from here given the cyclical factors?

**Ritesh Tiwari:** Yes. So, Arnab, important question, we should spend some time on it. So, we had spoken in the previous quarter that the demand trends are stable. When we saw muted, we had a comment in the last quarter that we expect demand trends to be stable, which means it will be at a similar level as we saw in the previous quarter.

And now having experienced one more quarter, we see of a similar view that the moderation that we have seen will be there in near term to continue. And as we unpack similar trends, Arnab, as we saw in the previous quarter as well that overall growth in urban has been moderating and the rural recovery, which has been gradual, it has been recovering gradually.

Now we know that with a good kharif crop, a lot of balance sheets have got repaired in households and a good amount of improvement in reservoir levels, which has led to a better sowing, which we've seen for Rabi. And hence, we do hope and expect that India will end up seeing better Rabi outcome. And that

should be a good amount of news for rural consumption going forward as the crop gets harvested.

We know that the pace of recovery typically 3 macro factors will end up determining, be it employment, be it real wage growth or for that matter of food inflation. And we are watching these 3 macro factors. But where these factors are today, we believe that the moderate overall subdued atmosphere for growth for FMCG industry will continue near term.

Now rural - Rabi, in my mind, is one green shoot, which hopefully we'll have seen in the quarter. Small part, I just want to also just respond back to even some time back, the same question had come. We believe this is transitory in nature.

If I look at even last 5 years, COVID, post-COVID, when I look at the peak of inflation in '22, we have seen this behavior where impacted disposable income of household typically leads to titrating volumes of purchase they end up doing. And we certainly then start seeing the behavior coming in, in terms of consumers. And which is what we saw. We did not see that behavior till the previous quarter, that was a new behavior that we saw in current quarter, December quarter.

And when this behavior comes, it does remain for a couple of quarters. So, we do believe that this will be there for a quarter or 2 more. And -- but it is transitory in nature. I don't think so this is a long-term conversation and it should go away in a quarter or so. And hence, on that element of market growth, we are hopeful.

Now pricing over in the market still is benign. There is inflation in skin cleansing, there is inflation in tea, but both these commodities at the end of December quarter and in January has come off. So, tea, for example, came 7% off compared to what we saw in September quarter. In fact, palm oil, crude palm oil, it went up to INR1,150, INR1,200, and it has come down to more line INR1,000 as we speak in early part of January.

So, we do believe that overall commodity inflation for FMCG, it will support. It will support the recovery of consumption overall. So hence, we are hopeful that we should see better times, but the pace of recovery will get determined, basis what happens with employment, real wage growth and food inflation.

**Arnab Mitra:** Thanks, Ritesh. That's very helpful. My last question is actually on Minimalist. So, it seems a very attractive space to be in an attractive brand that they have built. The concern is that sometimes in these very fast-growing small companies are acquired by really large companies like HUL, it could lead to a little bit of loss of direction, the founder would probably leave after some time. There are more systems and processes to follow, decision-making and slowdown. How do you guard against all of this, especially because this is a very dynamic, fast-growing business? And how do you think of the integration between HUL and Minimalist in this context?

**Ritesh Tiwari:** Yes. So, what we have done -- Arnab, you're absolutely right. Integration and operational model framework extremely critical to get it right as part of any acquisition and equally applicable in case of Minimalist as well. We have put a lot of thinking behind it, and we've had a good amount of conversation with the founders, and we have a very clear playbook how we're going to operate the business.

But we don't want to lose agility of the business. We don't want to lose speed of the business. But equally, we want to bring all leverage of scale, of technology to the business so that we get best of the both worlds, which is why our team Minimalist and team Hindustan Unilever will come together to ensure that we do best what is required for the brand.

Synergies of off-line distribution, synergies of international expansion, synergies of supply chain, cost, procurement, capacity, all that once we add with a very tightly written integration and operating model framework, this should be a success going forward. So, we are very confident that we have put lot of thinking behind this element as well apart from all commercial elements of the deal as part of the conversation. So, we believe that we have the right model to go forward.

**Rohit Jawa:** Also -- yes, go ahead.

**Ritesh Tiwari:** And when I look at what we have done, Arnab, in Indulekha, these are 6x, 7x since we acquired. We have exactly done in the same space there as well. OZiva, which we have experienced now for the last 2 years, the business is more than 2x, 2.5x since we acquired the business, and we have exactly had same operating framework.

So now we have experience of 2 such brands, which have brought high-growth businesses operating in a fabulous agile manner. We acquired them and we integrated them beautifully in the business, and we have kept the mojo of these brands within the organization in terms of growth and pace. So, we feel confident that now it's the third time end up doing the same thing, and we feel very confident about it.

**Rohit Jawa:**

So, what I was saying was that we want to preserve the magic, the logic, the fundamentally robust business, the 2 great founders have built. They're very inspiring founders. They personally curated and crafted the brand. It's very sharp. They have consumer connect. They have agility. They have their own R&D, their own factory, etc.

So, we have a -- we want to preserve that magic. At the same time, as Ritesh is saying, we want to leverage the reason why this -- their membership of family makes sense like access to offline or international, our leverage of our costs, the supply chain and so on and so forth. There's a lot of opportunity to do that.

But in the next -- at least 2 years, we want them to operate like a speed boat. We will offer them whatever they need to become more successful. Of course, basics like safety, health and make sure that everything else is absolutely world standard will be another advantage they will get. But the idea is for them to fly with us, offering them the enabling ecosystem and also to learn from them at the same time as giving to them.

So, we feel very excited. We'll be very, very mindful and intentional about building this kind of a model because we learned with OZiva as well that has operated sort of like a speed boat outside the mother system. That is kind of just done well. It pivoted fast. It's leveraged up wherever they needed us. It's been rightly managed.

There are HUL people there, but they operate in the start-up as if they were founders there, too. So, we will -- we've learned from that, and this is going to be the way we will build these speedboats. And eventually, when they get to a scale of pace where we can think of next phase of integration we will, but we'll be very, very mindful of this area.

**Arnab Mitra:**

Thanks so much. All the best for the year ahead.

**Moderator:** Thank you. The next question is from the line of Vivek M from Jefferies. Please go ahead.

**Vivek M:** Two questions. My first question is the same on the demand trend. So, we met in November, I think, end of November, and you have had, let's say, a particular thought process on what you were seeing on the ground, and it looks like that December has moderated. So, what Arnab asked, I have the same question that I understand this is transitory, but do you think that it can get worse as we go forward before it starts to stabilize and then get better? Is there that risk as we head into, let's say, March and June quarter?

**Ritesh Tiwari:** No. So, Vivek, as we have seen multiple parameters, of course, all of us read all economical parameters, but more importantly, as we see consumption trends up and close across the length and breadth of the country across channel, we don't believe there's a -- let me say, there's a material issue, which is going up. And hence, yes, there is a moderation in urban demand, there is a gradual recovery of rural. That trend is playing out as we have spoken consistently for the last couple of quarters.

Small pack size, we mentioned is more transitory in nature. We've seen that happening, it self-corrects itself with things improving. But overall, I don't believe that we will have, let me say, more stress coming in, in terms of consumption trends go forward. From here onwards as a lot of, let me say, resources deployed to drive employment in the country to improve food inflation levels that you see in the amount of work which is happening.

I already see, I'm saying the latest data, which comes out in terms of crop. And we're hoping the outcome, which comes out at the end of this season of vegetables will further support the food inflation in terms of being -- managing it at a lower level compared to where it is. So, when you look at all the signs plus repaired balance sheet flows, kharif and good sowing for Rabi, so hence, a better outcome once the crop is harvested.

So, things should look better from here. It's just that in near term, where we are in short term, we believe that the current trend is what we believe subdued will continue. But I don't think so this will last for many quarters. And hopefully, we also start seeing them building on from where we are at this point in time.

Commodities overall for FMCG are also behaving. They are benign at an aggregate level. Yes, there is some inflation somewhere, some deflation somewhere. Sequentially, the peak of increase is also coming off. So, we believe that even commodity atmosphere within FMCG should also support the recovery of consumption growth going forward.

**Rohit Jawa:**

Yes. I just wanted to complement Ritesh's response from a lens of what does HUL do, right? And I think we cannot forecast the future with a high level of accuracy but what we can forecast is what we should be doing. So, what we are doing is we're, first of all, focused on excellence in our execution and a volume-led competitive outcome. That is the winning metric for all our teams that are we growing in every segment, every geography, every channel.

And if we are not, then we address those every brand and we fix them and we move. And so, our overall rubric is are we growing competitively, largely volume led. And we are -- and our volumes are indeed well ahead of the market. Of course, they're diluted by a deeper negative mix this quarter.

Number two, we want to go where the growth is because there is growth in the market, e.g. e-commerce, e.g. parts of rural, e.g. small packs, e.g. some categories like essentials like Home Care, Hair Care. So, we are going to basically go where the growth is and pivot our investments there.

And number three, we have to be future fit. So, we have to build a portfolio that in good times is going to be in the right places. So Minimalist is an example of plugging a gap benefit, price and channel gap that gives us in the portfolio we can fully play with and as tailwinds come back and they will because that is the nature of the game and our PCC is so low, they have to, that we will be better positioned, stronger company at that point of time.

And it could be a quarter or 2. It could be 3, we can't say for sure, but it's not - - we're not working on hypothesis that this is going to be forever. We think this is going to get better. We can't say specifically when.

**Vivek M:**

Sure. I absolutely understand that. And yes, the trends are like quite difficult to predict. Rohit and Ritesh, in the context of what you have said and let's say, 30th November or somewhere there versus now, do you think there is also a risk to this negative mix what you have seen so what you mentioned in this quarter, premiumization continues?



But do you think that temporarily that -- because rural picks up, urban moderates and on top of that, if there is a small pack phenomena also because we haven't seen really, let's say, negative mix in your business for a long time, but do you see momentarily that is something that is also possible?

**Ritesh Tiwari:**

Yes. So let me just comprehensively talk about mix within Hindustan Unilever now. And so, as we spoke earlier that overall, Home Care growth ahead of rest of the business, number one. Number two, small pack growth, which is something -- is a trend breaker in the quarter, negated by the uplift, which we typically get because of premium growing ahead of the rest of the business. On a net basis, the mix has been negative for the quarter.

If I look at mix going forward, I do believe and we do believe at this point in time that the impact of small pack negative mix should self-correct in a quarter or so, number one. Number two, our own drive to make portfolio more premium, that should continue building further mix possibility within our own performance going forward.

Look at Beauty & Wellbeing. So, Beauty & Wellbeing for the first half of this financial year grew in mid-single digit. Current quarter, it grew at 1% impacted by delayed winter. If I take winter out, even in this quarter, Beauty & Wellbeing grew at mid-single digit. So, there are also those factors which are more here and now for this quarter. Going forward, they will not be present.

So, we do believe that our overall trend of premium growing ahead of rest of the business and our own play of driving more premium going forward, that should help us to keep building mix. So hence, I would say this is more of a conversation which has got accentuated given the development of small pack in the current quarter, but we don't see concern going forward in terms of mix improvement.

**Vivek M:**

Got it. And last, a small question on Minimalist, whatever purchase consideration that you have paid or beyond that also, when you have bought it, I'm guessing that there will be not just a brand that you are getting, the idea would also be your existing portfolio you learn from Minimalist, let's say, promoters, founders, management, etc. So, in your purchase consideration, is there a part of the consideration paid for the learning that you will have for your own beauty business also?

**Ritesh Tiwari:** No. So, when we acquired this business, I quoted a number that on secondary buyouts that we have done pre- money at INR2,955 crores at 5.9 sales multiple. And this price, this is to acquire the brand as of now, we acquired 90.5% of that enterprise value, and we'll acquire the balance 9.5% in 2 years' time. And we do believe that once we have acquired this business, of course, this is all subject to getting closing done over the next 1 quarter with all the conditions.

And once everything is done, what we want to do, Vivek, is to get synergies together of both the businesses. And we have a lot to offer, as I articulated earlier, Rohit also summarized them. So, the way we see going forward, we will end up bringing synergies on both sides to the table to make the brand bigger, to make the business model more stronger and more profitable compared to where it is and keep the pace of growth which the business has had. So that's what we want to do going forward. But the acquisition price that we paid is for acquiring the brand and the business.

**Vivek M:** No, sorry, that's what I understand, Ritesh. But I'm saying on the strength of, let's say, Minimalist brand, do you think your base portfolio also benefits quite a bit on when you discuss with QC, when you discuss with e-commerce platform?

**Rohit Jawa:** That is absolutely right. Although we have not monetized that in our business case, but it is absolutely our intention to osmosis of learning how they are built. And we do have Love Beauty and Planet, Simple, Novology, these are almost digital-first brands as well and OZiva. So, there's definitely going to be a cross learning and synergy, but it's not something that we have currently captured as a value, but there is definitely the value that we're looking to get from this relationship.

**Vivek M:** Super, thank you and wishing you all the best.

**Moderator:** Thank you. The next question is from the line of Percy Panthaki from IIFL Securities. Please go ahead.

**Percy Panthaki:** Just wanted to understand, apart from the winter care portfolio impact, is there any other sort of a little bit of slowdown that you have seen in BPC? A few quarters ago, you had said that the premium part, which is approximately INR2,000 crores, that is growing at 20%. So, is that 20% growth rate maintained?

And secondly, the slowdown that we saw in the mass skin care over the last 2 quarters or so, has that remained at that same level? Or has it accelerated? So that's my first question.

**Ritesh Tiwari:**

So yes, the INR2,000-odd crores portfolio that we have, Percy, at the 6 big bets we've spoken about, the growth trajectory of that portion of the business continues to remain strong. And even this quarter, we have grown in good double digits that portfolio of INR2,000 crores, both in organized trade and, of course, a pretty good amount of growth in e-commerce as well. On mass skin cleansing, let me hand over to Rohit.

**Rohit Jawa:**

On mass skin care, that is an area we do feel that there's an improvement sequentially. There's work to be done. If you really ask me, that's the sort of primary area in skin care that we need to address and we have started doing that, as we mentioned in our Capital Markets Day. So, Glow & Lovely is a very big brand.

As you know, it's got the highest unmissable brand superiority score we have. It's got a 60% - 70% rural penetration. And over the last few years, it's seen under rural stress, a category drop out leading to loss of penetration. In urban areas, consumers have also evolved, temperatures are high.

So, considering all of this, we are already in the middle of a revamped brand. We have, at the very top end, already started entering serum, sunscreen and face cleansing, but they are a smaller part of the total game plan. We just recently launched actually Glass Bright, which addresses the urban consumers' need for light sensories and it's a premium proposition. It's got good technology, great -- it's a very premium formulation and product with a carton pack, etc., but at a very affordable price.

So, Glow & Lovely, urban will, therefore, have a pretty much a contemporary brand for brightening available at a very good access price and in a rural, which is, of course, the large part of the Glow & Lovely business, we are in the middle of revamping and relaunching the core, and that will be in the market in the next few weeks.

And you will see that, that is a reset of the product, the pack. It's a complete re-expression of the brand Glow & Lovely, which still builds on the essence of transformation of how you -- your confidence and your presence. And that will

be something in this space of beauty from within and brightening from within. And we'll just wait -- you have to wait for a little bit to watch that in the market, but that's coming soon as well.

So, we are putting a whole lot of effort behind Glow & Lovely because it's so central to our core business and that's been an area of decline and concern over the last few years and quarters. And once that is addressed, I think the rest of the business as Ritesh mentioned, non-winter grew as well, mid- single digits, the 6 big bets grew double digits. And if winter had come on time, you would have also seen. So, I think generally, that's the main focus for us to address.

**Percy Panthaki:** Got it. My second question is on the macro. So rural is doing decently well, urban is under pressure. What would require in the macro to change for the growth at an industry level to improve?

**Rohit Jawa:** I think we -- while we can -- I mean, as you can speak to macroeconomic interventions, and we have a competent institutional -- the government is addressing all of this as are so many other people. So, I think I don't want to comment very broadly towards what macro....

**Percy Panthaki:** Not what the government should do, but what are the macro indicators that you think need to improve? Is it food inflation, which is the main problem? Or is it real wage growth? What exactly is the problem, 1 or 2 macro indicators, which if they improve, you think your growth can improve?

**Rohit Jawa:** That's all of the above. The 3 things that we believe as we do all the specialists we speak to is, of course, the real wage growth, food inflation and employment levels. And if those 3 improve and consumer confidence, then we see the urban consumption also click up. I think the stress started coming in more for food inflation. If you just correlate, I'm not giving you causality, then our food inflation comes down because winter has been good for crops. It's already coming down. And then I guess it will start impacting the urban markets positively. But like I said, I'm always as a person, not very -- I don't like giving macroeconomic views because it's not my area of competence. What I can speak to is what we are doing, which is even in this market circumstances, we're looking to go where the growth is, invest in growing our market share largely led by volume, which is more users and ensure that we don't take our eyes off the longer term and keep doing the right thing. So that's the mantra

that I will keep going back to because that's the only 3 things that we as a company can control.

**Percy Panthaki:** Got it. One quick question in the end. I recently noticed in a shop in Bombay that for Lux, the old and the new formulation are both available in the same shop, and this is after 6 to 8 months of launch. So, what is the logic behind this kind of a strategy of sort of having both of the formulations available at the same shop? I'm sure it's been long enough for the pipeline to dry up by now.

**Rohit Jawa:** So, I can't speak to the -- I mean I'm sure you would have seen what you will have seen in that one particular store. But generally speaking, there is an overlap because we don't totally dry the pipelines for this category, and we've done these transitions over many years, not -- I mean, many times. And Lux is growing market share with the new formulation, the new pack, the new advertising, Lux Sandal is in the market.

So, at this point -- and the brand is getting -- becoming a master brand. So, all the signals and outcomes on Lux brand are strong. So, on the aggregate, based on all data points beyond just that one outlet, things are looking good, and we want to make Lux even stronger.

**Percy Panthaki:** So, have you stopped producing the old formulation complete now?

**Rohit Jawa:** Yes, of course. Yes, we have.

**Percy Panthaki:** Got it. Okay, that's all for me. Thank you.

**Moderator:** Thank you. We have the next question from the line of Latika Chopra from JP Morgan. Please go ahead.

**Latika Chopra:** I have a few questions. The first one is just trying to get flavor on...

**Moderator:** Sorry to interrupt, Latika, but you are not clear.

**Latika Chopra:** Yes, is it better now?

**Moderator:** Slightly better. Please go ahead.

**Latika Chopra:** Okay. My first question was if you could provide some flavor on the growth for modern trade channel during the quarter. Did it have any bearing on offtake of larger packs versus smaller pack? And on the second question was on Oral

Care, if you could give us some flavor on this mid-single-digit growth? Was it pricing led or it was a balanced volume and price led? Thank you.

**Ritesh Tiwari:**

Yes. So overall organized trade, if I just probably bucket and that's how we typically want to speak. Overall, organized trade, if I look at modern trade e-commerce put together, they have grown in double digit. Overall, if I look at the segment and growth like everything else put together, even that has slowed down compared to the previous quarter. So, we have grown at double digit.

And we know that, Latika, whenever we grow in a channel double digit, especially modern trade and e-commerce as an organized trade, there's always a growth of the geography, but equally important is the channel shift where consumers have moved from other channels into buying into modern trade and e-commerce.

But the secular trend of, let me say, consumption getting further built into organized trade, that has continued. And in terms of small pack, large pack, overall, the portfolio that we sell in organized trade is typically more premium compared to general trade. So, the conversation on large pack, small pack is more accentuated, I would say, in general trade, both rural and urban as compared to organized trade.

**Latika Chopra:**

Understood. And any color on the Oral Care underlying volume...

**Rohit Jawa:**

Oral Care.

**Ritesh Tiwari:**

Oral Care grew mid-single digit, driven by pricing and driven by Closeup, which is the master brand that we have, which has been doing pretty good business for us.

**Latika Chopra:**

All right. Thank you so much for the clarification.

**Moderator:**

Thank you. We have the next question from the line of Sheela Rathi from Morgan Stanley. Please go ahead.

**Sheela Rathi:**

My first question was with respect to the Beauty & Wellbeing margins. For last few quarters, we have been seeing a decelerating trend. So just wanted to understand -- and I understand that we are making investments here, but just wanted to understand where the margins should stabilize?

**Ritesh Tiwari:** Yes. So, I think you self-answered the question and very clear that A - beauty margin enjoys a healthy margin compared to the total aggregate Hindustan Unilever. And this is an area we've called out consistently that we will invest, and we are investing in more innovations, more investments, more capabilities.

And we know that as we end up growing the business ahead of the average of HUL, the mix benefit will come, and hence, it will self-pay in terms of P&L ROI. And so, we are okay for the margins to drop so far as the growth is above average growth of HUL. The phase that we are in now, we are doing the job of building portfolio and building the number 1 beauty portfolio in the country today.

And the point I was mentioning earlier that 900 bps is the portfolio shift that we want to do in a few years' time towards premium and that's the job we're at. So, you will see more innovation intensity. You will see more launches as you already have seen this quarter. And also going forward in March quarter as well, it's a busy quarter for us in Beauty & Wellbeing.

So, we do believe that we will take some amount of margin basically decline in Beauty & Wellbeing compared to the healthy levels of around 30% that we have today, but it will more than pay back in terms of its economical value within the P&L if the growth keeps happening above average growth of HUL.

**Sheela Rathi:** Understood. My second question was on Minimalist. I think it's a very interesting acquisition, and it ticks the boxes on a lot of things. It's a sizable business, online business, even profitable business. My question here is, at the CMD, we had called out that we'll be making disproportionate investments in the Beauty & Wellbeing category?

Is this going to be a continuous thing that is we will look for more synergistic investments going ahead? Or we'll wait for some more time for this particular business scales up and then we look for more opportunity?

**Ritesh Tiwari:** Yes. See, there are 4 different routes that you want to take to build portfolio in B&W. Number one, we want to take our current large brands and expand them into more demand spaces. Exactly what we have done with Pond's and Lakme and took them to serums, took them to face cleansing, took them to sun care. As appropriate, we've expanded them into more demand spaces, the 6 big bets within B&W, as we call them.

Second route for us is to bring brands within stable of Unilever into India as relevant. Simple, Love Beauty and Planet are classic examples where we got global brands into India. So, there's a second way in which we are building portfolio within B&W.

Third is launching our own brand, leveraging technology that we have globally as Unilever and bring new products in the marketplace to address demand space gaps that we have. So, the derma gap that we had is where we launched Novology as an intervention. So that's a third route for us to make portfolio shift.

And the fourth route, which we had called out, we will do bolt-on acquisitions as we get the right target. And Minimalist is a classic example. At this point in time, it was OZiva sometime back, it was Indulekha sometime back. So as and when we come across a business, which we believe is a fabulous fit and we can A -, we can add value and we can create more synergies, we will go ahead with it.

We are very selective about it. And hence, the pace at which we'll end up doing, it is not concentrated on one area within the 4 steps of, let me say, inorganic. We want to do all the 4 areas to build our portfolio.

**Moderator:** Thank you. Ladies and gentlemen, I will now hand the conference over to Ms. Shilpa Kedia to take up questions from the web. Over to you, ma'am.

**Shilpa Kedia:** Okay. Thank you, Dorwin. We do not have any new questions on the web. With that, we now come to the end of the Q&A session. Before we end, let me remind you that the playback of this event will be available on the investor website in a short while. Thank you, everyone, for your participation, and have a great day.

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