



Hindustan Unilever Limited

"September Quarter 2025 Earnings call of Hindustan Unilever Limited"

October 23rd, 2025

Speakers:

Ms. Priya Nair - Chief Executive Officer & Managing Director

Mr. Ritesh Tiwari - CFO, Executive Director, Finance & IT

Mr. Niranjana Gupta - CFO Designate

**Mr. Yogesh Mulgaonkar - Head of Investor Relations & Head of
Finance, Personal Care**

Moderator: Ladies and gentlemen, good day, and welcome to the Hindustan Unilever Limited Conference Call for the Results of Quarter Ended 30th September 2025. As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '**' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Yogesh Mulgaonkar, Head of Investor Relations and Head of Finance, Personal Care. Thank you, and over to you, sir.

Yogesh Mulgaonkar: Thank you, Michelle. Good evening, everyone. Welcome to the conference call of Hindustan Unilever Limited. Wishing you and your loved ones a happy and prosperous Diwali. This evening, we will be covering the results for quarter ended 30th September 2025.

On the call with me is Priya Nair, CEO and Managing Director; Ritesh Tiwari, CFO; and Niranjana Gupta, CFO Designate. We will start with prepared remarks from Priya and Ritesh. We expect this to take around 30 minutes, leaving us approximately an hour for the Q&A session. We will look to end the call by 5:30 PM.

Before we get started with the presentation, I would like to draw your attention to the Safe Harbor statement included in the presentation for good order sake. With that, over to you, Priya.

Priya Nair: Good afternoon, everyone. Thank you for joining us on the call today. Wishing you and your loved ones a joyful and prosperous Diwali.

Let me begin with an update on the operating context, and an overview of our performance in the quarter. I will also take this opportunity to share some of my reflections on my first 90 days as the CEO of HUL and outline the key priorities that will guide us as we chart the course for our company's next phase of growth. Subsequently, Ritesh will take you through our in-quarter results and conclude with the outlook.

At a MAT level, demand growth trends as per Nielsen remained stable with both rural and urban contributing to this.

This past quarter, the macro-economic environment was shaped by 3 key factors.

The most significant of these was the Government's recent GST reforms. This is a particularly encouraging development, centered around rate reduction and tax structure simplification. It is expected to have a positive impact by enhancing disposable income, thereby laying the ground for stronger consumption trends. I will elaborate on both the immediate and long-term business implications of these reforms in the next slide.

Meanwhile, prolonged and intense monsoon conditions across several regions disrupted supply chains and temporarily dampened demand. We are also closely monitoring and evaluating the impact of this excessive rainfall.

Lastly, Commodity trends remained divergent throughout the quarter, with inflationary pressures persisting in Palm Oil and SMP while Tea and Crude Oil prices trended downward.

Collectively, these dynamics created an operating backdrop that demanded agility and resilience. Despite these short-term challenges, the underlying momentum from structural reforms and lower food inflation continue to present meaningful opportunities for sustained growth in the long-term.

The recent GST rate reforms have directly benefitted 40% of our portfolio, which has now moved to the 5% GST slab. Consequently, nearly half of our portfolio is now covered under the 5% GST bracket.

In response to the rate change, we acted with agility, implementing pricing and grammage interventions across more than 1,200 SKUs. We ensured that we passed on the entire benefit of this GST rate reduction to the consumers. To ensure a smooth transition, we extended comprehensive support to our trade partners, facilitating pipeline stock liquidation. We also ensured clear and

consistent communication to trade partners and consumers to minimize market disruption.

From a long-term perspective, these reforms are a welcome move. By enhancing affordability, they are expected to boost disposable income, uplift consumer sentiment, and unlock meaningful opportunities for premiumization across categories. This aligns well with our strategic focus of driving volume-led growth and expanding our premium offerings. These reforms will serve as a structural growth enabler, reinforcing our long-term value creation agenda and positioning us well to capture emerging demand tailwinds.

However, in the short-term, these changes led to transitory disruptions across trade channels to clear old price inventory and resulted in postponement of orders due to anticipated new pricing. Additionally, consumers delayed pantry replenishment in expectation of lower shelf prices. These factors, coupled with pricing volatility, arising from multiple prices in the market, has resulted in a short-term impact on sales during the quarter.

In this backdrop, we delivered a competitive performance marked by gains in our turnover-weighted market shares. With a turnover of Rs. 16,061 crores we had a 2% Underlying Sales Growth in the quarter. The growth was price led, driven primarily by carry forward pricing in Skin Cleansing, Beverages and Skin Care.

EBITDA at 23.2% was down 90 basis points year on year, in line with our stated intent to continue investing in the business. PAT before exceptional items was down 4%, reflecting the impact of a lower EBITDA and a decline in net finance income stemming from our strategic capital allocation decisions. Profit after tax grew by 4% primarily driven by a one-off positive impact pursuant to resolution of prior years' tax matters between UK and Indian tax authorities.

From a first-half perspective, we delivered a USG of 3% led by 2% Underlying Volume Growth. EBITDA stood at 23%, down 110 basis points year-on-year, in line with our previous guidance. PAT declined 4% while PAT grew 5%.

Considering our performance in the first half of the year, the Board of Directors have declared an interim dividend of Rs 19 per share for the year ending 31st March 2026, translating to a total payout of Rs. 4,464 crores.

As I complete my first 90 days as the CEO of Hindustan Unilever, I have had the opportunity to engage deeply with our consumers, customers, and our people. HUL is the largest and one of the most loved FMCG companies in the country for a reason.

Our strengths are reflected in our performance: competitive, resilient, and consistent. HUL has consistently maintained market leadership, holding the number 1 position in more than 85% of the business. This leadership is the result of a portfolio that's been built with rigor across demand spaces and price tiers, designed to serve every Indian household.

We have built 19 brands with an annual turnover exceeding ₹1,000 crores. This scale is powered by a culture of deep consumer intimacy. With over 80 billion consumer interactions annually, our insights infrastructure enables us to anticipate evolving needs and innovate with precision.

We have successfully leveraged Unilever's global R&D capabilities to make markets, from hair conditioners to home care liquids to face moisturizers. For decades, we have been at the forefront of market development, driving innovation and creating categories in the country. And our execution engine ensures these innovations reach consumers at scale. Our sales network spans across 9 million stores, covering circa 95% of value-weighted distribution enabling us to reach 9 out of every 10 households in the country.

At the heart of all this is our talent. People are at the core of HUL. Our ability to attract, develop, and retain top-tier professionals is one of our greatest competitive advantages and a key enabler of our future growth.

As we look ahead, we remain steadfast in our commitment to driving volume-led growth, shaping future-ready categories, and delivering enduring value to all our stakeholders. A lot of what we have already been doing has strengthened

our business and empowers us to act with agility and precision. We will continue to build on it while adapting to changing consumer trends and shopping behaviors, laying the foundation for the next era of transformative growth.

Let me now outline the 4 priorities that will enable us to continue delivering volume-led profitable growth.

The first pillar focusses on consumer segmentation. In response to the evolving consumer dynamics, we will radically sharpen our consumer segmentation. With our portfolio of brands that straddle across the price pyramid we will refine our strategies on brand, channel and media choices to target each of these distinct consumer cohorts of Power Spenders, Premiumisers, and Democratisers.

The second pillar is centered around elevating brand desirability by boldly modernizing our core brands and scaling our premium portfolio. We will reimagine our core brands, making them more modern, contemporary and youthful. We will do this with renovations on our core and by driving premium innovations.

Third, we already have an exceptional frontline marketing and sales engine, and our focus is to accelerate future-proofing of these capabilities. We will drive more social-first demand generation to enable brand discovery online. Among channels, we are accelerating our footprint in d-commerce including q-commerce and we will continue to allocate more resources to these fast-growing channels. We will continue to evolve General Trade with more focus on specialist stores like cosmetic stores and chemists.

Our fourth pillar focusses on reshaping our portfolio by accelerating in high growth demand spaces. Based on market readiness, we will invest disproportionately to take a few of these demand spaces to scale and develop the markets in India.

These are our key priorities as we refine our roadmap for the organization. I look forward to engaging further and sharing detailed plans in due course.

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

Ritesh Tiwari:

Thank you, Priya. Good evening, everyone. Wishing you and your loved ones a fabulous Diwali filled with joy, light and prosperity.

I will now share a detailed overview of our quarterly performance, followed by a review of first half results before concluding with our outlook.

Priya has already briefed you on the macro-economic backdrop for the quarter and its implications on our portfolio. In this context, we have delivered a competitive performance with an Underlying Sales Growth of 2%.

Gross Margin stood at 50.9%, almost flat year-on-year. In our previous quarterly update, we had highlighted gross margin dilution arising from a transitory price versus cost gap as we invested to offer a competitive price-value equation to consumers. On a sequential basis, our gross margin has seen a 130 bps improvement as this transitory price versus cost gap has moderated.

We have stepped up investments in our brands and business, resulting in a year-on-year increase of 80 bps in our A&P spends. As a result, EBITDA margin at 23.2% saw a year-on-year dilution of 90 bps.

Profit After Tax before exceptional items declined 4% while Profit After Tax grew 4%. I will explain the underlying reason for this difference, later in the presentation.

Coming to our segment wise performance for the quarter.

Home Care, our largest segment, delivered a competitive performance, with mid-single digit volume growth on a strong base of high-single digit growth. The volume growth for the quarter translated to flat USG on account of price reductions taken in prior quarters. As mentioned previously, this price reduction reflects our strategic actions to maintain a competitive price-value equation and to pass on commodity-led benefits to consumers with more than 10% deflation observed in crude oil.

Fabric Wash delivered mid-single digit UVG driven by double-digit volume growth in the liquids portfolio. Fabric Conditioners delivered double digit growth in the quarter and continued its innovation-led premiumization journey with the launch of an all-new Comfort Perfume Deluxe range - a premium collection inspired by award-winning fragrances.

Household Care maintained its trajectory of double-digit UVG led by an outperformance in the liquids portfolio while dishwash bars recorded a high-single digit volume growth.

Beauty & Wellbeing delivered 5% USG, driven by Skin Care and Health & Wellbeing.

Hair Care witnessed a decline in turnover, being impacted by GST rate rationalization across 90% of its portfolio. However, we continued to strengthen our market leadership, widening our gap to the nearest competitor.

We remain focussed on enhancing the relevance of our Core brands, reinforcing their resonance with changing consumer dynamics. For instance, during the quarter, Sunsilk refreshed its identity and underwent a relaunch. The new packaging with holographic elements and identity, signals Sunsilk's shift toward being a science-backed, future-ready brand, while keeping alive its vibrancy and optimism.

Skin Care including Colour Cosmetics grew in high-single digit, driven by continued momentum in Future Core and Market Makers portfolio. Vaseline and Lakme led growth for the category. Our six big bets continued to deliver strong double-digit growth. Channels of the Future sustained its double-digit competitive growth momentum with stepped up activations ahead of the festive and winter season.

Health & Wellbeing maintained its strong triple digit growth trajectory, fuelled by a portfolio of superior, science-backed products bolstered by on-trend innovations. One such example is the launch of OZiva Phyto Ceramides and Collagen Builder-an ingestible skincare supplement. Designed to support

hydration, barrier repair, and collagen synthesis, the product unlocks new growth opportunities in the beauty-from-within category.

More than 90% of the Personal Care portfolio underwent a GST rate transition in the quarter which has had a transitory impact on underlying volume growth. As a result, Personal Care turnover growth was flat.

Moving to Skin Cleansing, overall turnover growth was flat. While the category had carry forward pricing benefit, overall growth was impacted with GST transition and continued effect of pricing on category consumption. At an aggregate level, we continued to strengthen our competitive position. Our strategic focus on premiumization and market development continued to yield strong results. This translated into double-digit growth in premium soaps, driven by both price and volume. Following the successful relaunch of Dove, we further strengthened our premium offerings this quarter with the relaunch of Pears and expansion of the Lux International soap range. Infused with skin care actives such as glutathione and Vitamin E, the Lux international soap range will elevate daily skincare ritual while providing a soothing sensorial experience.

Oral Care witnessed a marginal decline in turnover, led out of transitory GST impact. Closeup delivered low-single digit growth.

Coming to Foods. Foods delivered a USG of 3% with low-single digit UVG. All categories within the portfolio, except Tea, which was already at 5% GST, have undergone a rate revision of GST.

Our Beverages portfolio, comprising of Tea and Coffee, delivered double-digit growth led by strong performance in channels of the future. Tea grew in high-single digit driven by price and volume. Coffee continued to deliver double-digit price led growth.

Lifestyle Nutrition sustained a positive UVG during the quarter, supported by a positive mix. This reflects early signs of consumer uptrading driven by pack-price architecture interventions implemented in prior quarters. However, overall turnover declined, impacted by negative pricing. We remain focussed on driving

consumption growth for this category. While the GST rate reduction led to a short-term impact, it is expected to act as a catalyst for demand recovery in the long term.

After the successful launch of Boost Protein, we expanded our protein offerings with the launch of Horlicks Pro Fitness this quarter. Horlicks Pro Fitness is a scientifically formulated meal replacement solution which has 60% less calories compared to an average Indian meal.

Packaged Foods delivered a muted performance this quarter. Mayonnaise and International sauces range continued to deliver double-digit growth. This business was also impacted, as I called out earlier, by GST transition.

Ice Cream business declined year on year, impacted by extended monsoon in addition to GST transition. As you are aware, the Ice Cream demerger process is currently underway. We expect to complete the demerger by December, with the listing anticipated in Quarter 4 of Financial Year 2026, subject to necessary regulatory approvals

Moving on to the summary of our performance for SQ'25. I have taken you through topline growth and margins. The year-on-year moderation in other income primarily reflects reduced cash reserves post special dividend payout and Minimalist acquisition, alongside softer interest rate trends. Exceptional items are higher year-on-year on account of one-off impact from resolution of certain tax matters between UK and Indian tax authorities, for previous years. As a result, PAT grew 4% while PAT bei declined 4%.

Effective Tax Rate was 24.5% after taking into consideration prior period adjustments and exceptional income. Excluding these, the Effective Tax Rate was 26.7%.

Coming to the summary of our performance for the first half of financial year 2026. 3% USG translated to a 4% turnover growth including Minimalist. The Minimalist brand has delivered strong double-digit growth for the period. EBITDA margin at 23% was down 110 bps year-on-year and is in line with our guidance.

Exceptional items include a one-time benefit recognized in September quarter, as previously outlined in the presentation. Lower tax expense is on account of re-estimation of prior year tax provisions, as explained last quarter. As a result of these one-offs, Profit After Tax grew 5% while Profit After Tax before exceptional items declined 4%.

Effective Tax Rate was 20.5% after taking into consideration tax adjustments and exceptional income for the first half. Excluding these, the Effective Tax Rate was 26.6%.

Moving to our near-term outlook. The GST-related impact continues through October. We anticipate normal trading conditions starting early November, once prices stabilise, paving the way for a gradual and sustained market recovery

While the increase in disposable income is a positive structural driver, we expect its benefits to manifest gradually in the demand trajectory, rather than through an immediate acceleration.

If commodity prices remain where they are, we expect a low-single digit price growth.

Overall, we expect growth of second half of this financial year to be better than the first half. We remain vigilant about the evolving impact of weather patterns—particularly as the winter season approaches and the effects of a prolonged monsoon begin to play out.

We remain firmly committed to investing behind our business, confident that this continued focus will unlock sustained growth.

Coming to EBITDA margin, Ice Cream demerger is expected to result in an improvement of 50-60 bps to the reported margin as Ice Cream business operates at a margin lower than HUL average. Our current near to mid-term guidance is 22-23%, hence everything else being equal, Ice Cream demerger adds 50-60 bps to this guidance.

We remain committed to executing our strategy with sharp focus and agility, prioritising competitive, volume-led growth across our portfolio.

With this, we conclude our prepared remarks.

This is my last earnings call in my current role as the CFO of HUL before I hand over the baton to Niranjan and embark on my next chapter at Unilever as the Global Head of M&A, Treasury, and Ventures. It has been an immense honour and a deeply fulfilling experience to lead this remarkable organization as its CFO.

I wanted to take a moment to personally thank you all for the trust, confidence, and support you have extended to HUL—and to me—over the past five years. Your continued engagement and critical thinking has been invaluable to me.

With this, let me now hand over to Priya.

Priya Nair:

I would like to take this opportunity to extend my heartfelt thanks to Ritesh for his outstanding leadership at HUL over the last five years. He has steered the company through some of the most challenging and transformative periods, including the global COVID-19 pandemic and subsequent inflation-deflation cycles, with resilience and strategic foresight, enabling the company to evolve at a fast pace while consistently strengthening market leadership. We are deeply grateful for his contributions and the strong future-fit capabilities he has built for the organization, and we wish him the very best for his new role.

I am also very pleased to welcome Niranjan Gupta back into the organization. After an impactful 20-year tenure across HUL and Unilever, Niranjan pursued external opportunities, most recently serving as the CEO of Hero MotoCorp. His proven track record and rich experience across diverse industries will be invaluable as we continue to drive transformation and accelerated performance. I am confident that he will play a pivotal role in supporting me towards the next phase of our growth. Niranjan, I would now like to invite you to share a few words. Over to you.

Niranjan Gupta: Thank you, Priya. Good evening, everyone. Firstly, let me start by wishing everyone a very happy festive season to you and your families. I am honored to be back at HUL, a company that continues to inspire with its consumer focus and portfolio of brands that earned huge love and respect. I am looking forward to working with Priya and team to build on our strong foundation and shape the future path together to drive accelerated growth. Looking forward to connecting with you all over the course of coming months.

Yogesh Mulgaonkar: Thank you, Priya, Ritesh and Niranjan. With this, we will now move to the Q&A session. The Q&A session today will be led by Priya and Ritesh. 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 these questions, just before the end. With that, I would like to hand over the call back to Michelle to manage the next session for us.

Moderator: First question is from the line of Vivek from Jefferies.

Vivek: Hi, team. Priya, first question to you. You articulated your four-pillar strategy, let's say from a company standpoint. When you look at it from a product segment perspective, can you just talk about areas that you think need attention based on your assessment?

Priya Nair: Yes. Thank you, Vivek. I will go category-by-category to just talk a little bit about our performance. Let me start with Home Care. We have an extremely competitive performance in Home Care overall with mid-single-digit UVG. Our job in Home Care has always been to continue to premiumize the market and this is a continued job to be done, and we are on a good trajectory on Home Care overall. Of course, our revenue growth given the deflationary commodity is flat, but overall a good solid competitive performance in our Home Care business.

In Household Care, we have a double-digit UVG led out of dishwash, and again, we need to continue to drive dishwash liquid, and therefore develop the markets in Home Care. So really, that's our job in Home Care. This is 40% of our business.

We continue to drive premiumization and market development in a ubiquitous category in the country.

Let's now come to Personal Care. In Personal Care, we are seeing a quarter-on-quarter improvement in our performance and our competitiveness. Of course, this quarter, as Ritesh mentioned, it is impacted by GST, but what augurs well for HUL is the double-digit growth of premium soaps, and this is an area, again, we will continue to focus. Here again, liquids and body wash is under 2% penetration in India, and our job as the market leaders of soaps is to grow and develop the markets towards liquids, and that is where we will double down and focus.

Coming to Beauty & Wellbeing, we have grown at 5% this quarter. This is made up of a good performance of single-digit growth on Skin Care. We have had very good winter loading into September quarter. OZiva has delivered triple-digit growth this quarter, and you heard Ritesh talking about Minimalist, which also continues to deliver. In Hair Care, we are the market leaders. Again, here our job is to continue to premiumize the category and grow the market from just hair cleansing into Hair Care, and really develop the market. So that, in summary, is on Beauty & Wellbeing.

Looking at Foods and our Nutrition business. In Beverages, we have, again, grown double-digit. Here our focus, once again, is on premiumization, given the nature of the category. Again, the commodity today is deflationary, and we will do the right things to ensure we stay competitive in the Beverages segment.

In Horlicks, we have seen some early green shoots. There's still work to do here on the brand, but it's in an excellent space of wellness and nutrition, which is extremely important in India. It's a growing demand space and we will double down here. We've already launched our RTDs in Horlicks, and as Ritesh mentioned, the pro-fitness range, and this is an area of work to do. There's still work to do on Horlicks, and we will continue to do this going forward. So that, in a nutshell, Vivek probably explains to you how I'm thinking across categories.

Vivek: Got it. And Priya, slightly from a longer -- let's say from a medium-term perspective, you mentioned about the quarterly trends and how things are shaping up, but the external world view is that, at least from our side, that Beauty and Foods will require -- should require more attention just sheerly because the performance had been somewhat okish over the last few quarters. Do you concur with that view?

And a follow-up to that is, basically, from a premiumization perspective, you have done well, but how do you think about the digital-first competition, as well as is there a case to focus much more at the, let's say, the mid of the pyramid and the bottom, probably? Not bottom, but, something below mid.

Priya Nair: Yes. I think, let me break this down into multiple parts, Vivek, if I could. Let me start with where you ended, possibly, and actually, that was the first pillar of what I have talked about, which is the radical segmentation we would like to do of consumers. If you look at consumers in India today, we are seeing an opportunity to be more radical in our segmentation of consumers. Power Spenders at the top, these are about 60 to 80 million consumers at the top of the pyramid, Premiumizers in the middle, and the Democratizers at the bottom of the pyramid.

With our price-brand pyramid, we have the opportunity to grow in each of these segments and tailor strategies - channel, brand, price and media strategies, to deliver against each of these consumer cohorts and that will be an area of work that we will do. So, really, our right to win in each of these, given how we straddle the pyramid, is extremely high.

You're absolutely right in what you're referencing, Vivek, that it is not just in urban India, but also our rural markets, where we have the opportunity. There is a huge transformation taking place in rural areas in the country and we will double down behind growing across the price brand pyramid of the country. Ritesh, if you want to answer the second part of the question.

Priya Nair: Vivek, does that answer your question?

Vivek: Yes, absolutely, it does. So, that was my first question with your permission. Second question for Ritesh and two parts. On GST bit, Ritesh, you have mentioned about October will continue to see the impact, but the destocking end second quarter and October should also unwind in the next quarter itself. Is that a fair assumption?

Ritesh Tiwari: Yes. So, GST, as you mentioned, Vivek, that overall, as the change started to happen and our announcement happened, clarity emerged. September month and October both, A, because of what happened to trade in terms of destocking; B, consumers were very choiceful and they are hoping to see lower prices on the shelf before they start loading in their own pantry.

And third, the fact is there will be a point of disturbance for a month or so because there will be more prices in the market, old MRP, albeit sold at new GST and new MRP, old grammage and new grammage.

This is the disturbance that we spoke about will end up being in the trade and in the business till early November. Post that, we expect prices to stabilize and normal trading conditions to come back. Now what happens in terms of trade when they destock, we have known in the past, it takes time for them to go back to the normative stocking levels. It requires effort to do for that to happen, and we have put on full plans for that to get taken care of.

Vivek: Okay. And as a follow-up to that, can you quantify, Ritesh, what was the impact on margins due to trade support in this quarter? And do you expect the same to continue in the third quarter as well?

Ritesh Tiwari: Yes. So, we did lean in with trade support in the quarter. And overall, at a net level, you've seen very fact, we had improved our gross margin by 130 bps sequentially. That was one of the arsenal that we had deployed to support trade pipeline to be liquidated.

Going forward, we don't expect further margin impact, Vivek, coming in from GST transition. Of course, the entire GST rate reduction is cost neutral to us. It's

something which Government has given change and hence, no cost implications on us. So, we don't expect any margin implications coming in.

To the extent there was a net impact between overall price that we had given in the market, the improvement in Gross Margin more than took care of that in the quarter. And hence, at net level, when you saw EBITDA for the quarter declining by 90 bps, summary of summary, the 80 bps increase year-on-year on A&P that we did is what ultimately flew in the bottom line on the P&L.

Vivek: Got it. Thank you and wishing you all the very best, Priya, Ritesh as well as Niranjan.

Ritesh Tiwari: Thank you, Vivek. Appreciate it.

Priya Nair: Thank you.

Moderator: Thank you. The next question is from the line of Abneesh Roy from Nuvama. Please go ahead.

Abneesh Roy: Yeah. Thanks. My first question is on the demand side and the GST impact. So, we have seen in cars, for example, the GST-related cuts led to huge buying. Of course, that's a discretionary demand. My specific question is, once everything normalizes, say, start of November, ex of the grammage increase, which will, say, happen in the lower unit packs, do you see customers actually buying more FMCG in terms of volumes?

And second is, when I see the populist programs running now in every state, Bihar is going into elections, Rs. 10,000, for example, being given to every woman. So, do you see actually that the FMCG consumption also benefits wherever this happens. Frankly, it is happening in almost every state where elections are happening.

So, if you could comment, the Rs. 45,000 crores GST stimulus program, do you think eventually it will lead to uptick in terms of FMCG consumption ex of grammage increase? And second, the populist programs from the state government?

Ritesh Tiwari:

Thanks, Abneesh. So, let me pick these both questions. So first, GST. And you rightly mentioned that the short-term, there is impact and in month of September and October. And from early November, as prices stabilize, we should start seeing normal trading conditions.

Now overall, we know that FMCG consumption has always benefited from two things. Net disposable income, number one; number two, improved consumer sentiment. Now both of these elements will be supported by this GST transformation, which Government has done.

So, in our view, this will absolutely augur well for consumption. This will incentivize further our journey towards making the portfolio more premium. It will incentivize consumption. And hence, overall, it's in a positive territory. So, we are very clear that this will be one more parameter that will get added to everything else that we had.

We had monetary easing. We had direct tax benefit earlier. We have seen inflation, including food inflation meaningfully coming down. And this GST change just adds to that to help us improving the macro conditions and trading conditions. So, that's one positive and thumbs up on that.

Second, elections, our reflection always has been these are transitory in nature where in a few states or even national election happens, we have seen that impact comes more from structural reforms that post-election Government brings in rather than some amount of, let me say, work which happens during election, and you quoted a couple of examples as part of that. So, any structural reform done is what typically helps consumption rather than any short-term measure during elections, which happens.

Abneesh Roy:

One follow-up question to the demand side only. So, in Q2, two large FMCG companies have come out in terms of results. So, Nestle has not called out GST impact in any of their communication, and they have actually shown the numbers of 10% plus kind of sales growth.

So, my specific question here is, has the GST-related destocking been more in rural areas for you and for the sector? Nestle is almost 75% urban. So, is that helping them? And is that something common to you and to the sector that urban, the GST destocking has been on the lesser side?

Ritesh Tiwari:

Yes. Let me help, Abneesh, answer this from a little different lens than urban rural only. I think you might appreciate better. 40% of the business benefited from GST transition. And hence, in short-term, it got impacted with the transition that I spoke about. And what are these businesses? Skin Cleansing, Hair Care, Packaged Foods.

Now we know, for example, hair care. Hair Care had a pretty strong trajectory of growth in our business, and we consistently spoke about it. This quarter, the business declined because of the GST transition impact. Business is competitive, and we further gained shares.

Personal Care over the last few quarters has gained momentum and has done competitively better and further gained shares. But Personal Care business in the quarter was impacted by GST transition. So, we have seen that this 40% business got impacted by the GST transition. And as I mentioned early November onwards, we expect normal trading conditions for this 40% of the business.

Second, 20% business sits between Skin Care and Tea. Now, outside, there was no confusion. We know Tea already sits at 5 percentage. Skin Care was never spoken about as being benefited by GST. Now these businesses had no impact of GST. We grew both these businesses in high-single digit, including support from volume growth.

The third component of the business, 40 percentage is Home Care. Now Home Care grew competitive mid-single digit volume on the back of high-single digit volume in the same period last year. So pretty strong volume growth has got delivered in the quarter.

Now this volume growth of mid-single digit translated to a flat USG because of the price cuts that we have done, both in response to crude, which is year-on-

year 10% down and in response to competitive pricing actions, and we spoke about it. So, we are virtually mid-single digit negative pricing in Home Care.

Now of course, we will start to get this lapping in the base in a quarter or so, but that has an implication. And hence, to my point, every business is different. I just gave you this 40-20-40 to appreciate how the business has been run in the quarter and which parts of the business have seen impact and which parts of the business which are not impacted have grown very differently.

Abneesh Roy:

Ritesh, one quick follow-up on the restocking and destocking. So, when the normalcy comes back, say, in November, early November, do you expect a reasonable restocking also to benefit you? Or there is a lot of perishable demand stock out? So, the restocking benefit will be much lesser than the destocking loss?

Ritesh Tiwari:

Yeah. See, this is what I was trying to explain to Vivek as well earlier. Now in FMCG, typically, we have 4 to 6 weeks, depending on the category, trade pipeline. And we have seen whenever trade pipeline comes down, and we experienced this at length, Abneesh, when inflationary period happened and when deflationary period happened, it does not automatically within a week or so come back.

It takes effort for us to ensure that the inventory levels, stock levels come back to its normal range of 4 to 6 weeks' time. So, the next couple of months, this is the exact focus that we will have.

As the prices will stabilize early next month in November, our focus will be to ensure that shelves are filling back, which is more easier in a Modern Trade and e-commerce and more amount of work to be done at the length and breadth of the country, when we sell to more than 9 million outlets, it's a job to be done to reinstall that 4 to 6 weeks of trade pipeline. And this job takes a couple of months' time, the point I was answering to Vivek earlier.

Abneesh Roy:

Sure. My second question is on the margins. So, one is you had given the guidance of 22% to 23%. In the first half, you have met the higher end of that guidance. So, is there an upside risk in H2, given the cost has corrected? And PFAD also, there

could be some lag benefit. It is quite volatile. I understand that. But is there an upside risk?

Second, media channels were carrying that the margin guidance for HUL has been upgraded. You clarified on that bit that there was an Ice Cream impact of 50, 60 bps. But if you could clarify because –Ice Cream demerger is going to be at the year end. So, when does that benefit happen? That happens in FY'27 essentially, 50-60 bps?

Ritesh Tiwari:

So yes, currently, where we are with the Ice Cream plans, Abneesh, we expect the demerger to happen in December quarter. And when I say demerger, which means if everything goes as per plan and with all regulatory approvals, when we declare our results for December quarter, it will be excluding Ice Cream and Ice Cream business will be shown as a discontinued business.

And hence, margins excluding Ice Cream will start getting reflected in our December quarter results. Now this is where we are with our timelines assuming nothing changes with all the approvals in place. We expect this to be the course of the day.

Second, in March quarter at the end of the financial year, we'll end up listing the company. So, this is two-step process, demerger, reporting discontinued business for December quarter and then listing the business in March quarter. Again, as I mentioned, subject to all necessary regulatory approvals. And as we speak, we are on track on this timeline.

Now once this happens, when we report our results for December quarter, it will be excluding Ice Cream business. Ice Cream, as we had called out even earlier, it's roughly 3-odd percentage of our business. and the business makes low single-digit margin. And I had called out even earlier that this year, given the impact of monsoons, given the impact of investments, in fact, we have a little lower compared to that margins.

And hence, we expect once we have results declared and reported excluding Ice Cream, on an average annually, we should see 50 to 60 bps improvement in

our reported EBITDA margin, which is why we clarified that we are not changing our margin guidance. It remains 22 to 23%. And you're right, within that margin guidance this quarter we operated at higher end.

Some other quarter, it could be a different part of the range we'll end up operating. But the point is on top of this range of 22 to 23%, we will see a 50 to 60 bps increase in our reported margin once Ice Cream demerger happens from December quarter onwards.

Abneesh Roy:

Sure, understood. Thanks, that's all from my side. Thank you.

Ritesh Tiwari:

Thanks Abneesh.

Moderator:

Thank you. The next question is from the line of Arnab Mitra from Goldman Sachs. Please go ahead.

Arnab Mitra:

Hi team. Thanks for taking my question. So, my first question actually is to Priya. I mean you mentioned about your reflections in the first 90 days. Any thoughts on -- is there a trade-off between growth and margins, as HUL looks into the next few years, in the sense that to get to a strong levels of volume growth, do you feel there is a need to invest more in the business, which would take actually your operating margins down in the interim?

Or do you feel the business is at a situation where there is no trade-off to be made and growth can be achieved along with stable to expanding margins in the medium term?

Priya Nair:

Yes. Thanks, Arnab. Arnab, firstly, our focus, obsession is going to be on volume-led revenue growth. So very simply, if I had to tell you how we will look at the business, it will be unblinkingly looking at growth first. When we do that, we have the right financial leverage to deliver the operating margin of the business. So, for me, that is simply how we will run this business. And I've mentioned already the four pillars that we have. But hopefully, this answers the question with clarity, Arnab.

Arnab Mitra: Yeah, Understood. Just a follow-up on that. I mean, what I meant was that ultimately, operating leverage does translate into margins also but in the past, HUL has had this range of margins, which they have -- the company held at 22% to 23%. Do you feel that is a defensible range or that depends on the growth environment and therefore, as you focus only on growth, there could be a situation where margins could be lower or below that range?

Ritesh Tiwari: So let me come in Arnab, about here. So, as we mentioned that our outlook for margin and guidance is a range of 22 to 23. As we do the demerger of Ice Cream, everything else equal, 50 to 60 bps gets added to this number once we start reporting ex Ice Cream results. And we're very clear that as Priya mentioned that, when a choice comes between top line and bottom line, it's always competitive volume growth. That's always the first protocol.

And if at all we have to invest more in the business like we have done. You know, today, we operate at almost 200 bps lower than our peak margin. And that is a conscious call that we took because we knew that, to drive growth, especially in the tepid consumption atmosphere that we have been the last couple of years, we have to invest on portfolio on capabilities and hence, across different lines of the P&L to ensure that we are able to drive competitive volume growth.

So, this is exactly what we will do going forward as well. Currently, where commodities are, where our investment plans are, where our innovations and portfolio is placed, we do believe that at a range of 22% to 23%, excluding the Ice Cream impact and on top of that, as I mentioned, 50, 60 bps of ice cream, at this level, we'll be able to support the investments which is required.

But we are very clear that if at all a time comes, we ever have to come back with a revised change in our outlook, because commodities change, because operating environment change, we'll always come back and share. The guidance that we have given today and, in the past, as well as for next couple of quarters, read that as 2 to 3 quarters. And if something changes, we'll always come back on top of that.

Arnab Mitra:

Thanks. My second question actually was on - three specific areas where I think in the last few quarters, you've highlighted a lot of changes, your initiatives for Nutrition, Lifebuoy and Glow & Lovely these three areas. If you could give us an update on, how has been the feedback of your initiatives? Which are the areas which are looking encouraging? Where do you think there's more time or more work to be required for seeing growth come back?

Priya Nair:

Yes. Let me take that. Let me start with Nutrition. Like we mentioned, we are seeing early green shoots with low single-digit UVG on nutrition. We have launched into new formats and new SKUs, whether it's the RTDs or the Pro fitness range with the adult meal replacement product that we've entered.

For me, Nutrition and Wellbeing is a huge future growth area in India with longevity and fitness being critical. So that's an area of work that we are on. More work to do in Nutrition, this is early days, but it is an area we will keep working.

Let's come to Glow & Lovely. We launched Glow & Lovely Glass bright. It was to extend the Glow & Lovely brand beyond the Core and premiumize it with the new offering of lighter sensories, more relevant for modern youthful, young consumers, this range has performed well ahead of our expectations for us, and we are pleased with the performance there.

Remember that in India, in Skin Care, what is happening is regimes are growing. So, it's growing from just a single brightness product to adding moisturizers, face washes and many other products. And the way we are competing is not just with Glow & Lovely, but we have added new products, including our latest launch of Vaseline Cloud Soft, which is a new range of moisturizers, which has entered the category and we have entered with Simple into face washes. So, we keep expanding our portfolio beyond Glow & Lovely.

On Lifebuoy, we have seen competitiveness improve. Having said that, we have work to do, and it was impacted this quarter with GST. As a result, as Ritesh mentioned, the entire category, while competitively improving, has struggled on account of GST. So, a more radical and bold transformation is what you can

expect on all three brands, to make them more modern, youthful and contemporary.

Arnab Mitra: Thanks so much. That's it from my side and all the best Ritesh for your next stint.

Ritesh Tiwari: Arnab, I appreciate, thank you so much.

Moderator: Thank you. The next question is from the line of Latika from JPMorgan. Please go ahead.

Latika: Hi, thanks for the opportunity. My first question was on specific consumption trends at a macro level. I understand the last quarter was fairly noisy. But starting this year, we have been witnessing multiple positive catalysts and hoping that these will translate into a material pickup in FMCG demand and things have been a little more gradual.

The chart that you showed at the beginning of the deck kind of shows a bit of tapering for rural volume growth and a bit of pickup in urban. So, I wanted to get a sense of view on what are you picking up on the ground beyond the Nielsen data? And any specific changes that you may want to flag on urban or rural side?

Initially, in your comments, you also talked about you also want to monitor what is the weather impact on our demand in general. So, any potential risk also that we need to be mindful of at a category growth level? And a similar question here is, is there a way for you to gauge give us a rough guess on what could have been the underlying volume growth if it was not for the GST transition impact? That's the first question.

Ritesh Tiwari: Yeah, Latika, thank you. Let me just pick this up. So, we all know that urban has two-third of FMCG consumption but rural has two-third of Indians living and earning livelihood. So, both of the urban and rural markets are equally important for us to drive results. At this stage where we see the FMCG market, both are contributing.

Urban is growing and so is rural growing. And we have used the word where we do see this now demand trends to be stable, which we are not seeing big ups and

big downs when I look at moving annual total for the last 12 months' time, we're seeing both urban and rural contributing.

You alluded to the economical impact of the monetary easing, which will help mortgage, interest cost, the direct tax benefit, GST benefit across multiple categories, inflation, especially food inflation, which is meaningfully lower, good monsoon last year. Though it's a prolonged monsoon this year. We know that the overall water tables will be much better. It will do well for the rabi crop. We just got to see how the harvesting happens with any rains in the last few weeks in this quarter.

And hence, when I add all of this, it is absolutely in positive territory with both urban and rural contributing. Yes, there are risk factors, as you called out. As I mentioned earlier, monsoon let's see, with kharif output with some amount of intermittent rain as monsoon has prolonged. And winter, we will know, we loaded pretty well in the trade. So, it's all there now to sell. And if at all we have a decent winter, we should have a good outcome but if winter is shorter or less severe, we know it will always impact sales. But those two items we will see when it comes.

But on top of Latika, of all of this, the work that we have done all our portfolio, on our innovation pipeline that is further supporting our growth trajectory. The Rs. 8,000 crore Market Makers portfolio we spoke about earlier, or a Rs. 3,000 crores digital-first business that we have in Beauty & Wellbeing. These businesses have strong legs of growth.

Acquisition of OZiva, a couple of years back, that's helping us grow and contribute very meaningfully. Minimalist, it will not come in USG, but it is contributing to overall, let's say the scale of the company. So, all those things are coming together, so it is helping and benefiting us.

Now coming to your question on the GST impact. We estimate that this quarter, we saw overall at an aggregate HUL level, up to 2% impact, largely volume of GST

transition. So that's what our rough approximation is, what was the impact of GST on the total aggregate HUL business.

Latika:

Sure. This is very helpful. The second question was clearly the four key priorities that have been stated. You want to double down on high-growth demand spaces and also align towards Channels of Future. Quick commerce has been cited multiple times by the parent also as a key focus channel for your company. I think salience for this channel is obvious is mid-to-high-single digit, if you would clarify.

And if you could share, is there any change in your approach going forward, for this channel in terms to grab more market share? And also, probably target new categories, which can be built up further here?

Ritesh Tiwari:

As Priya mentioned earlier, overall radical segmentation of the market from all three lenses, consumer lens, channel lens and media lens, is one of the top priorities we'll have as a business. Today, our business is 70% GT, roughly 20% modern trade, 8-odd percentage e-commerce and a couple of percentage other channels. That's the rough estimate that we have. For our business to grow, we will, of course, ensure that all channels are growing.

It's a segmented approach of the portfolio deployment and activation is what we referred to earlier. So, take an example of Quick commerce. We have again, like last quarter, we doubled the business year-on-year on Quick commerce because we know this is where consumers are today more leaning in, in terms of their preferred choice of channel.

The overall growth of e-commerce and digital - it has allowed us to do both at one stage, our GT business has got more Shikhar executed. And at the same time, it has helped us to create within Beauty & Wellbeing a Rs.3,000 crores plus business growing at strong double-digit, which is focused on digital-first brand.

So, we will always keep doing that as always A and B. It's always an and. It's urban and rural, it's general trade and organized trade. It's premium consumers and, let me say, mid bucket consumers. So, it's important for us to have this 'and' mentality

across the business. That's the only way end-to-end as an organization will end up growing.

Latika: Thank you so much and wish you both the best.

Ritesh Tiwari: Thank you Latika, appreciate.

Moderator: Thank you. The next question is from the line of Mihir P Shah from Nomura. Please go ahead.

Mihir Shah: Hi, Thank you for taking my question. First question is to Priya. Priya, actually, if you can talk a bit more on the reimagining or modernizing the core portfolio that you mentioned. What should one expect? Should one expect a near complete overhaul of the core with new packaging, new communication, etcetera. I just wanted to understand what does that reimagining modernizing bring in.

And secondly, you mentioned fewer big bets. Can you share something on what you're thinking about fewer big bets because in your opening remarks, we heard premiumization and market development spanning across categories? So, what does fewer big bets allude to, some examples, What does it include will be helpful? That's my first question. Thanks.

Priya Nair: Yes. Thank you. Let me start with talking about how we will reimagine our core brands and what that entails. So, if you look at brands and let me give you an example from the Beauty category, just as an example. You know if you look at brands, brands no longer it's not just good enough to have higher brand equity, you need to have brands that are truly desired and desirable by consumers.

Today, we have almost 400 million Gen Z consumers in India. And these consumers are indeed driving change and transformation in India. So, as we reimagine the brands, we need them to be more modern, more youthful. This means that we have to look across the brands, whether it is packaging, whether it is a proposition, whether it's the product, it will be a renovation on the core, but also very much premium innovation on our core brands and a mix of this but

boldly transforming our brands is critical, as India is transforming and the consumers in India are changing what they're looking for.

This is both in terms of marketing, more Social-first Demand Generation, so that consumers can discover brands more online, but also in terms of fulfillment. And as Ritesh mentioned, it's an 'and', not an 'or'. When you think of the transformation of India, we often talk, and we think about the urban transformation taking place in India.

I think what's exciting with what's happening in India, is the rural transformation that is taking place, whether it's through more road infrastructure, through better electrification, tap water in every home or indeed digital, which is truly transforming how consumers get aware of new propositions, new brands and new products.

And therefore, for HUL, it is very critical that we span across this price-product benefit pyramid, transforming our core brands in line with these consumers. So that, in a sense, is what you can expect, bolder marketing transformation and channel transformation.

The second question you asked was on fewer bigger bets. Here, the key point for us is to scale bets. When I was referencing fewer bigger bets, what I'm referencing is that we have the opportunity now to call out and scale a few of these bets to really develop markets. This will be based on market readiness, consumer readiness in the choices we will make of where we invest disproportionately for scale.

And I can give you an example, just to take an example from the cleansing category. Today, the cleansing category in India is mostly a bars category. There's only 2% of the category, which is liquids and body wash liquids. There's a huge opportunity for us to develop these markets and to scale body cleansing liquids. And that just is an example of the kind of work we will do to disproportionately invest behind a few segments. I hope that answers the question.

Mihir Shah: Great to hear that looking forward to all the bold launches and communications that you will be doing. Thanks for that. Second, is a bookkeeping question, Ritesh, I have a few on the transition, but I'll probably take it off-line because you've answered plenty. The question on other operating income and the employee cost. Any one-offs sitting out there? And how should one think about that going forward?

Ritesh Tiwari: Yes. So first, the employee costs, and I would just like to add employee cost to other expenses. Both buckets put together, they operate at 18% to 18.5% range. And this quarter, as you saw, year-on-year, we have a little lesser employee cost and a little higher other expense. And there's always some phasing which is involved.

Same period last year, we had a different base of ESOP expenses. And hence, year-on-year, you see that impact coming in. But please add both of them, and we will be always in the range of 18% to 18.5% put together. There'll be some pluses and minuses in the quarter because of the phasing, but it will start aggregating to that range approximately. So, nothing different, nothing substantial, I would say, but that range.

Other operating income, we have PLI benefits and which have been accrued lesser. Again, that's a typical reality, A, with the Ice Cream business now and with demerger up coming in. So, we'll stop having that benefit coming in the P&L directly and accruals have been lower on other business as well, given the impact which has happened on growth for this year. We'll end up accruing those when we are more certain that those accruals will come true. And hence, on a measured accounting basis, we chose not to accrue in this quarter, those benefits. And once we know that we have met the criteria, we can go back to a later point in time. So, we'll revisit this at the end of the financial year when we have full year results.

Mihir Shah: Got it. Thank you very much Ritesh. Wishing you all the very best in your new role. It was a pleasure interacting with you.

- Ritesh Tiwari:** Thank you Mihir, and any questions that you have offline, please we can pick it up. Yeah, thank you.
- Moderator:** Thank you. We'll take the next question from the line of Sheela Rathi from Morgan Stanley. Please go ahead.
- Sheela Rathi:** Thanks for taking my question. Priya, my first question was to you. You have articulated very well about the key priorities across the four points which you made. From your perspective, what do you think would be the fastest fix to kind of drive on that whole growth agenda on these four key priorities that you have?
- Priya Nair:** Yes. I think all four are equally important. It's always the case in a company like HUL. What we will do is focus on the speed and agility to go behind these. A lot of the fundamentals are in place. So, whether it is the work that's been done on the brands, the more robust innovation pipeline or indeed the doubling down we have done behind the future fit channels. Our job now is to accelerate these and really be bolder. So that's where my head is.
- Sheela Rathi:** I'm sorry, just a follow-up here. Do you think that on a quarter-to-quarter basis, we'll be able to track this in terms of how all these priorities are actually shaping up?
- Priya Nair:** I think the priorities I've given to you are more on a long-term basis. But I'm sure as we go, we can look against these, and we will keep updating you on where we stand against this. I don't want to suggest that we should work quarterly update against each of these. But certainly, in the year as the year progresses, I will be happy to share where we stand against them.
- Sheela Rathi:** Understood. My second question was we have been calling out that the second half of this financial year would be much better than the first half. And of course, we have had the GST-related impact in the short term, which Ritesh talked about the kind of what the growth could have been if this impact would not have been there.

Just when you think about the second half, what is the kind of – and keeping aside the October phenomena because there also we are seeing a challenge in terms of delivering the growth. But if we think about the four months, which will be left for the financial year, what kind of growth delta are we kind of calling out from a volume perspective because there is a kind of a tailwind here and a lot of other participants also checked on that consumption should come back. But is there something in mind from a management perspective in terms of what is the kind of growth we could see?

Ritesh Tiwari:

Yes. See, Sheela, always our first barometer is competitive growth. There is a market in which you operate. Our job is, of course, to create market and support market development. And our first stated goal is always to ensure that the outcome that we get, we judge it by has it been competitive, have we grown ahead of the market?

As we have spoken that, even in current quarter, our growth has been competitive. And when you look at our latest share position for the last moving annual total, we spoke about that we have further gained turnover weighted corporate share. So that's first barometer. Second, the point I mentioned earlier is that there are more than one reasons now from a macroeconomic perspective, the trading atmosphere looks better and looks improved.

So that should augur well for consumption. Equally, the work that we have done internally in the organization on innovation, on portfolio transformation, that's further supporting the growth outcome and the third point we mentioned that we will be focusing on investing in the business to drive growth. Now all these three things put together, we do expect to see volume growth to be better in second half of the financial year compared to first half.

Now, price growth may or may not play a larger role if commodities are where we are today, we expect low-single digit pricing unless we see some different outcome in commodities to come in. Now I can't quantify a number, but what I can tell you that, A, we will see better outcome of volume growth because that's

a single-minded focus. B, we will continue to drive competitive outcome on our volume growth.

Sheela Rathi: Understood. Thank you, Priya, thank you Ritesh.

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

Percy Panthaki: Hi, Thanks for taking my question. And happy Diwali to all of you. My question, Priya is, the four priorities that you mentioned, they seem to be on the right track, but we've also seen similar priorities in the past as well. So just for my understanding, if you can call out, if any, is there any sort of change in the way that you're looking at the business versus what it was before you came in?

Priya Nair: Yeah, Thank you, Percy. HUL has over the last few quarters in the last couple of years, delivered competitive, profitable and consistent growth in a very, very challenging macroeconomic environment with subdued consumer demand overall. So, in that context, our job is to really accelerate our performance led out of volume-led revenue growth. That's where we're going to focus our efforts. And these four priorities is an acceleration of the journey we are on and a sharpening. What I want to bring in is more focus, speed and agility.

Percy Panthaki: Understood. Just to dwell a little further into this. Before you came in, as you said, the growth was competitive in a situation where macros were weak. So, the growth was delivered at that time through some other priorities apart from these four?

Priya Nair: I think HUL has called out the Aspire strategy, and I think that has been shared actively. The strategy was to unlock and was crafted to unlock a billion aspirations that continues to be relevant. And we are seeing progress against that. What I'm referencing is really doubling down to focus on these four areas of priority.

Percy Panthaki: That's very helpful. Secondly, I wanted to understand Ritesh or maybe even Priya, in 2017, when GST was introduced and then some of the rates were cut, etcetera,

we saw a fairly good demand response for about 6 to 7 quarters even adjusted for base effects. We saw a marked acceleration in sort of top line growth. Should we consider that experience and sort of at least partially extrapolated this time around? Or are there reasons why we should not do so?

Ritesh Tiwari:

So, Percy the way we will see this is one additional input, which adds to a few things which are going pretty good in terms of creating overall positive macroeconomic atmosphere for driving consumption. As I mentioned earlier, be it monetary easing earlier or the direct tax benefit or the inflation, including food inflation, which is meaningfully corrected and to add to all of that, now GST benefit coming in.

All this put together will augur well for doing both, for improving the net disposable income and for improving consumer sentiment. And we all know that these two elements is what genuinely drives consumption. It supports our portfolio to be sold in more premium spaces, and it supports consumption. So, we do expect that these measures together put together will augur well for consumption.

I don't think so, GST reform on its own will be a silver bullet, in terms of driving consumption, but absolutely an important initiative by Government, which adds to overall demand atmosphere which has been tepid for the last couple of years, this will augur well. And the fact I mentioned earlier that this is a time where all these initiatives are helping both rural and urban, and it's glad to see that both urban and rural are contributing to overall market improvement.

Percy Panthaki:

Follow-up on this, Ritesh for your portfolio as a whole, what in your view is the price elasticity of demand in terms of supposing if the consumer price drops by 10% on an MRP level, what's the response is it 0.5%? Is it 0.3%, 0.7%. Any kind of rough ballpark that you would have in mind?

Ritesh Tiwari:

No, reality Percy is, life is a little more complex than that. I would love to give a straight answer to you, but I was still help you to explain this on two or three dimensions. Now what are the categories which we know are more elastic to

price. Skin Cleansing and Tea. We have seen that in these categories when prices go up or commodities go up, it impacts volume. We have called out for Skin Cleansing. That where overall we've seen pretty high amount of oil baskets going up. It impacted category volume growth and also our volume growth. Tea, we spoke about, where we saw a pretty high amount of inflation at a point in time, we saw that consumers downgraded, not only down traded, but also downgrade rate and they went to a lower price point for consumption because that's another category we have seen pretty elastic.

But take another example of Home Care. Even in the peak when we had more than 20% price growth, we still saw a mid-single digit volume growth because we have seen a category like Home Care more resilient to price changes. So, there are different, let's just say categories with different experiences, and if I further scale it down, it's also a different experience for different consumer cohort.

And hence, very difficult to put a number to it, but I just hope that gives you a good amount of sense between if three large commodities, crude oil, which impacts Home Care, I would say, less elastic, Skin Cleansing and Tea, if at all, commodity changes, I would say, more elastic.

Percy Panthaki: And where would you put Horlicks here?

Ritesh Tiwari: So, Horlicks is a discretionary category. So, Horlicks, Skin Care and we've seen that overall when net disposable income improves, we've seen that it augurs well for consumption.

Percy Panthaki: Got it. Thanks. Thanks, Ritesh and Priya. Thank you very much. That's all from me. All the best.

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

Harit Kapoor: Good evening. I just had one clarification, firstly, on the grammage part. So, in the latter part of September, you have had to make all these price adjustments to GST, but now you can actually make the grammage adjustment for the price

point packs. I just wanted to understand, when you mentioned early part of November, all this gets normalized, does your entire grammage increase bit for the price point packs also now get adjusted in the same timeline by November?

Ritesh Tiwari:

Yes. See, overall, Harit, in terms of changes, what we have done is for all non-price point packs, of course, we have done price changes. And as we speak, those products are reaching the market with new MRP. Even on old MRP stock, we've given GST benefit and trade is passing that benefit on to consumers. When it comes to price point pack, to your point, the Rs. 1, the Rs. 2, the Rs. 5, what we have done out here, we have improved and increased grammage or ml which means effectively there's lower price per gram or price per ml.

Now these changes have also started landing in the market. And as we speak across categories, this is now reaching the consumers. And we do expect that in early November it will be present across length and breadth of the country. There will always be some SKUs that will be a little up and down. But when we mentioned that early part of November, we should have normal trading conditions. What we meant was that bulk part of the business will be there with new price points in the market.

Harit Kapoor:

Fantastic. And my second question is to Priya. Given that you've recently come in and relooked at the portfolio as well as there's probably been a temporary kind of a blip because of GST, a lot of focus would have gone around executing that well. When one would have to judge in terms of the volume-led growth strategy, how well it has panned out. Do you think FY'27 would be the right barometer and not the near term as you start to put some of these plans in place, is that the right way to look at it for investors and us?

Priya Nair:

Yes. I think many of the things I mentioned are medium to long term in nature. So, I think our focus, as I said, is obsession on volume-led revenue growth, putting in place the right conditions across our business. This is a continuous journey we have been on and will continue to be on for our business.

Harit Kapoor:

Fantastic. Wish you all the best. Thank you.

Moderator: Thank you. The next question is from the line of Nihar Jham from HSBC. Please go ahead.

Nihar Jham: Hi, good evening. I had two questions from my side. The first one on the Tea segment. Given the correction in prices of tea and the fact that we are looking at, say, marginally pricing in the commodity. Is it that in the Q3 quarter, we could see prices adjust before the cheaper raw materials, something you consume that could sort of impact our margins specifically for this segment?

Ritesh Tiwari: Yeah, so tea now, as we speak, we are in season. Tea starts to come in May, June, and then we start seeing more production coming in. So, we have a good sense now of tea season. The prices that we have in the market now reflects the lower commodity purchase price that we have and the lower, let me say, spot price that we see in the market.

As I mentioned earlier that this is one of the categories that always benefits when overall price table comes down. And we have shown and declared like last quarter, this quarter as well, high-single USG for the business. And this high-single digit growth is supported also by volume growth as well, apart from price growth.

So, our strategy of pricing to replacement has been in place for this quarter, and we are seeing opportunity impact of that coming in.

Nihar Jham: That's very clear. My second question was to Priya on the Beauty & Wellbeing portfolio, specifically that if we look at current portfolio brands, it's mainly been, say, Vaseline, Ponds, where we've obviously extended it to different subcategories and sort of driven the innovation. So, as you look at scaling this specific segment ahead, are these current portfolio brands sort of enough? And is it where the innovations will happen, or will we look at more bolt-on acquisitions similar to what happened with Minimalist, say, six to nine months back?

Priya Nair: Yes. If you look at the beauty category, let me start with the key trends that drive the beauty category globally. That's important to understand. The first is that the

beauty brands that grow in the category tend to be brands that are desirable. This is very critical in beauty. It's not just functionality, right? It's about aesthetics, sensories, and creating truly desirable brands. A lot of beauty discovery happens online, and you need to be social-first.

So, these are two very important things in beauty. And the third is really robust innovation program because consumers in beauty always seek more, as they get more affluent regimes tend to grow. We are, as you know, the leaders in beauty, both in skin, hair and color cosmetics. Our job as HUL will be to keep reshaping beauty regimes as India gets more affluent, this has been our focus and will continue to be our focus.

So, to add from very simple regimes to add more complex regimes and for us to be the people who shape beauty regimes in India. That has been our focus and will keep being our focus. The team has actually done an excellent job both organically, as you mentioned, in adding innovations across the brands, both in Hair Care and in Skin Care. And we'll continue to look at appropriate bolt-on acquisitions as relevant to keep adding to our portfolio.

Nihar Jham:

Thanks so much.

Moderator:

Thank you. The next question is from the line of Siddharth from CWC. Please go ahead.

Siddharth:

Hi, welcome back to HUL, Priya and Ritesh and thanks for taking my question. The first one was to understand, you mentioned e-com is broadly about 8% of your sales. So, I'm assuming about 12% of urban sales considering two-third. As that grows, right, how does terms of trade change? And how does that sort of impact margins? That was question number one.

And question number two was, if we had to look at the larger portfolio, right, there's a fairly large majority of the portfolio, which is 90% to 100% penetrated in the country where the Underlying Volume Growth is really population growth. And there as market leaders, obviously, you will probably grow at category or thereabouts.

And in that, premiumization, be it from soaps to liquids, both on hand and body wash or be it from – soaps, powders to liquids in case of detergents or shampoos to conditioners in case of Hair Care, those have been slow. And how do you see that changing to accelerate that premiumization-led growth in these very deeply penetrated categories? Those were my 2 questions.

Ritesh Tiwari:

Yes. So let me pick up Siddharth. So, first of all, coming to margins for e-commerce. We have maintained in the past as well that when modern trade came and became bigger and one of the reasons why we, as modern trade has now become bigger, we have advantage with our portfolio there because we sell a more premium portfolio in modern trade. That's what has helped us to grow modern trade pretty well over the last couple of decades.

E-commerce is no different. At this stage, there's much higher amount of fragmentation on the channel. These things will stabilize over a period of time. And our focus is now doing both, a, invest in the channel, but this is what the preference of consumers are, and we will always go where our consumers are. And as we invest in the channel, we're also really mindful that our portal is very sharply crafted. We use the term called design for channel. So, our packs that we sell on e-commerce they are designed for e-commerce, the pack that we sell in quick commerce, they are designed for quick commerce. This ensures two things. A, it ensures the right level of profitability and B, it ensures that we have much lower channel conflict. And hence, all put together, at this stage, we know that we're in investment phase for e-commerce.

And we know that it's the right thing to do to keep developing portfolio and keep bringing propositions that consumers demand in the channel today. But the point that Priya mentioned earlier, it's an 'and' story for growth for us. We have to grow general trade. We have to grow modern trade, and we have to grow e-commerce. Within that e-commerce we have to grow all pods of e-commerce. That's the only way we'll get total growth as Hindustan Unilever.

Now coming to the second question on high penetrative categories. You're right, when you look at Skin Cleansing, when you look at hair, for that matter, driven by

shampoo, sachets or detergents, these are highly penetrated categories. But equally, there are many categories like Lifestyle Nutrition or Skin Care, or for that matter, sun care, much lower amount of penetration.

Many subcategories in skin care have single-digit penetration, massive headroom for growth. At an aggregate level with the \$54 per capita consumption when I compare to Indonesia, which is twice the amount of GDP per capita, but four times FMCG consumption per capita. We know there's a long runway for growth in terms of FMCG.

But even in large categories, let me quote an example of Home Care. Today, not every household has a washing machine and every household that has washing machine is still not using a liquid detergent. So, the amount of growth that we have from mass powders to premium powders, premium powders to liquids, from liquid to what we just launched recently, liquids, which end up performing with a much faster cycle or for that matter, going to shots later point in time, or for that matter, going from fabric wash to fabric conditioners, there's a long runway for us to ensure that we are able to make our portfolio continuously premium.

Now in some spaces, we've seen more amount of, let's say, outcome like laundry liquids but a similar amount of adoption for body wash liquid has been slower. And today, bodywash liquid is more like 2-odd percentage for the category, wherein it's almost 7, 8 percentage when it comes to Home Care liquids.

So, there are different level of trajectories but the job of developing market and making market is a full-time job. And as a market leader, this is always the first focus for us. With 85% of the business where we lead market, and in a country which has overall per capita consumption, long runway to growth, this is what our focus will always be.

Sidharth:

Thanks, and just a follow-up on the e-commerce piece. So given the fact that you mentioned is an investment channel, how do you see the salience of top of the funnel spends today, brand awareness, brand consideration spends versus

platform spends. What's the salience today? And how do you see that changing, say, over the next two years?

Ritesh Tiwari:

See, I won't be able to share hard numbers, but let me tell you that overall, CAC to LTV ratio, this is one of the single biggest important factors that we measure internally in the business. Today, we have more than 50% of the investment that happens digitally. And when we measure ROAS, there are a few parameters, including the CAC to LTV ratio is one of the parameters we always ensure that it is A, competitive and it is top of the pack in the industry.

There are learnings. I'm saying what drives growth on e-commerce? What drives growth in quick commerce? What are the elements of investment within that, on the platform that we need to do to get far better ROI? This is exactly what our team does. So, we are a full-blown machinery which works on e-NRM. So, our Net revenue management, machinery, we deploy digital learning at scale to fine-tune our overall deployment.

We have our own in-house system called Sangam that allows us to and helps us to allocate media far more effectively across the various demands it has. So that just gives you an example. Of course, I can't share more details of that, but I hope you've got a flavor the way we approach this area.

Siddharth:

Sure, thanks. And all the best to you, Ritesh. And welcome back and all the best to you.

Moderator:

Thank you. Ladies and gentlemen, as there are no further questions, I would now like to hand the conference over to Mr. Yogesh Mulgaonkar for closing comments. Thank you, and over to you, sir.

Yogesh Mulgaonkar:

Thank you, Michelle. 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 IR section of our website in a short while. Thank you, everyone, for your participation, and have a great evening.

Ritesh Tiwari:

Thank you. Thank you all.

Priya Nair: Thank you.

Moderator: Thank you, members of the management. On behalf of Hindustan Unilever Limited, that concludes this conference. We thank you for joining us, and you may now disconnect your lines. Thank you.

Disclaimer: *This transcript has been edited to remove any grammatical inaccuracies or inconsistencies of English language that might have occurred inadvertently while speaking.*