

HINDUSTAN LEVER LTD.

CLSA Investors Meet

Hong Kong, May 2002

Hindustan Lever Ltd.

...leading
consumer products
company

Turnover

Rs 110 Bln

EBITDA (Operational)

Rs 18 Bln

Net Profit

Rs 16 Bln

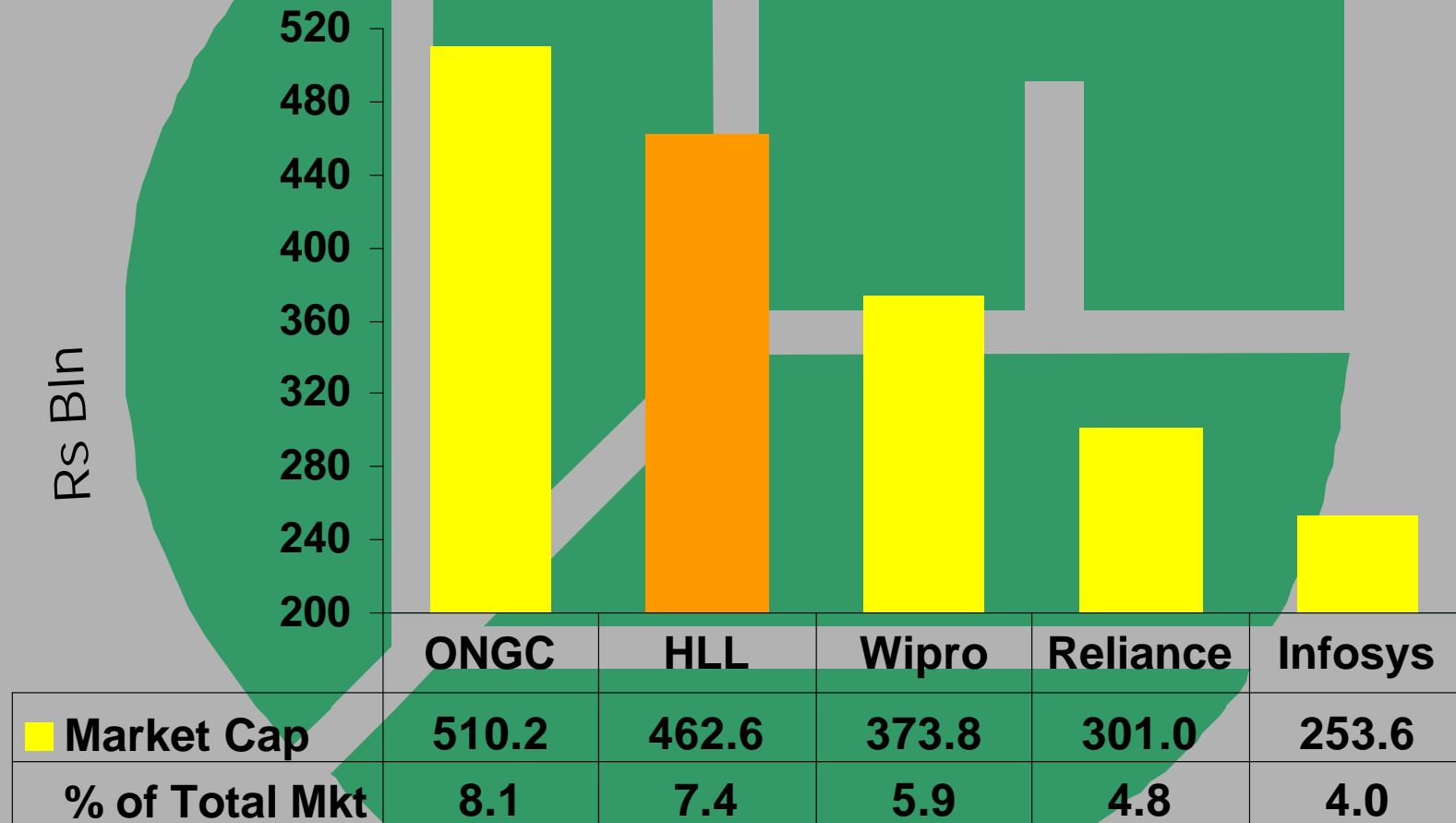
EPS (Re. 1)

Rs 7.46

Market Capitalisation

Rs 463 Bln (14th May)

market capitalisation



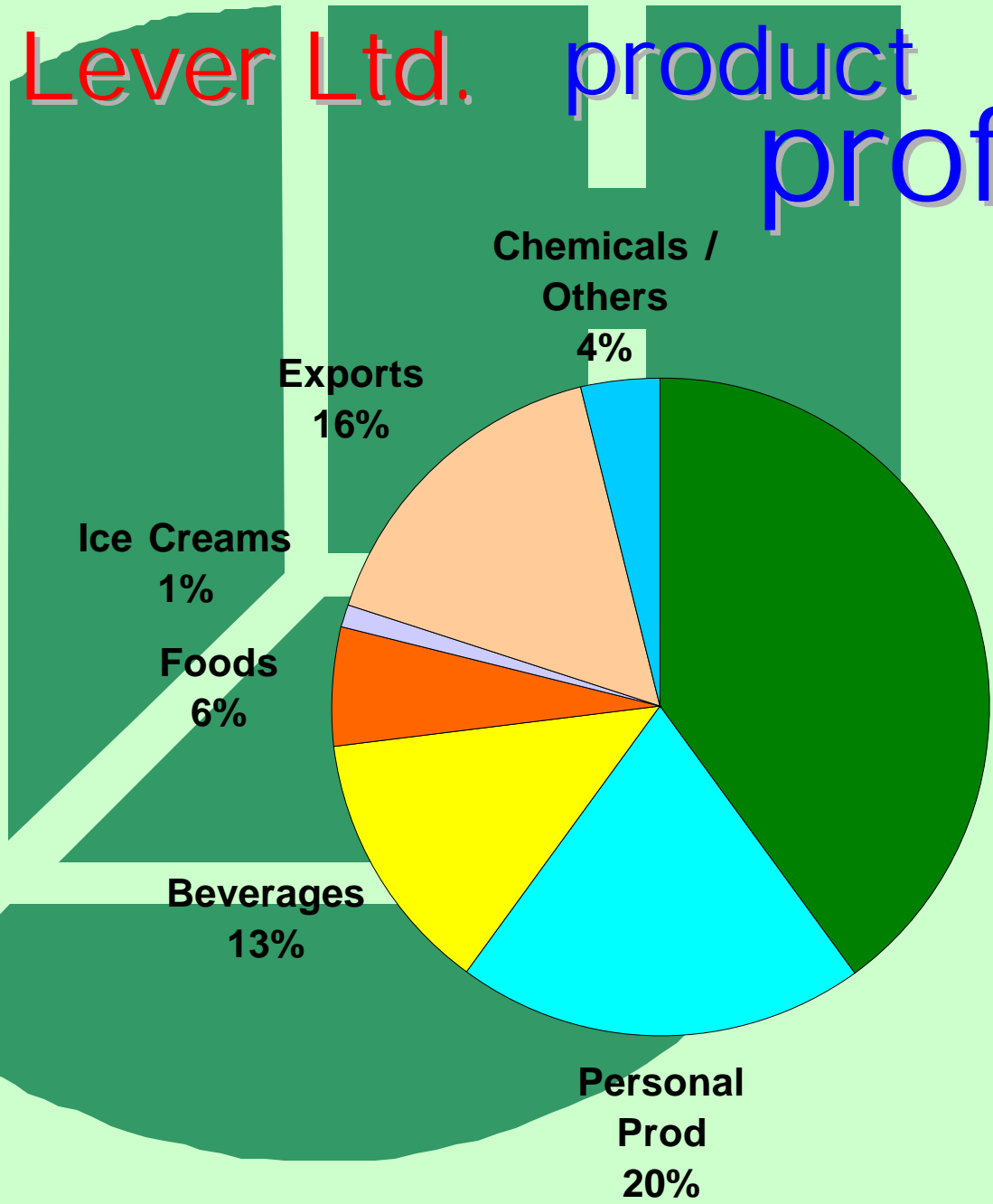
Source : Mkt Capitalisation at BSE (14th May 2002)

Hindustan Lever Ltd. product profile

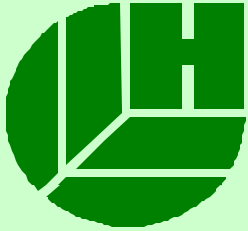
HPC	60%
Foods / Bevs	20%
Exports	16%
Others	4%

Domestic	84%
Exports	16%

Turnover
Rs. 110 Bln



Soaps & Dets
40%



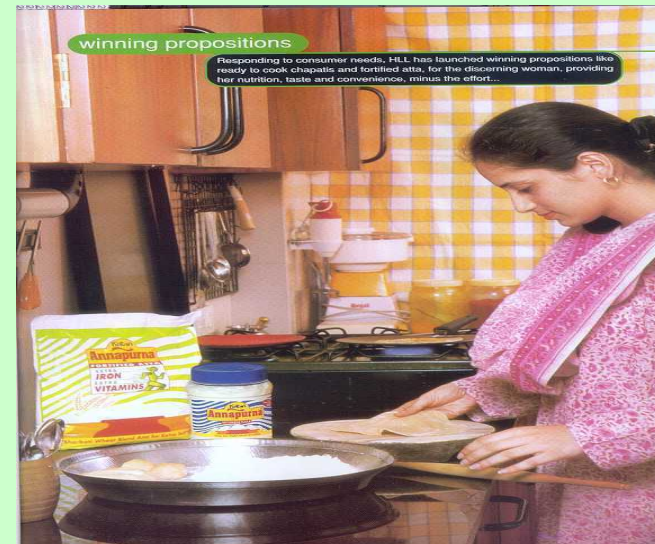
our
corporate
purpose

**Our purpose is to meet the
everyday needs of people everywhere -
to anticipate the aspirations of our
customers and consumers and to
respond creatively and competitively
with branded products and services
which raises the quality of life**



Hindustan Lever Ltd

..meeting the everyday needs of people everywhere



..to anticipate the aspirations of our customers & consumers



Hindustan Lever Ltd

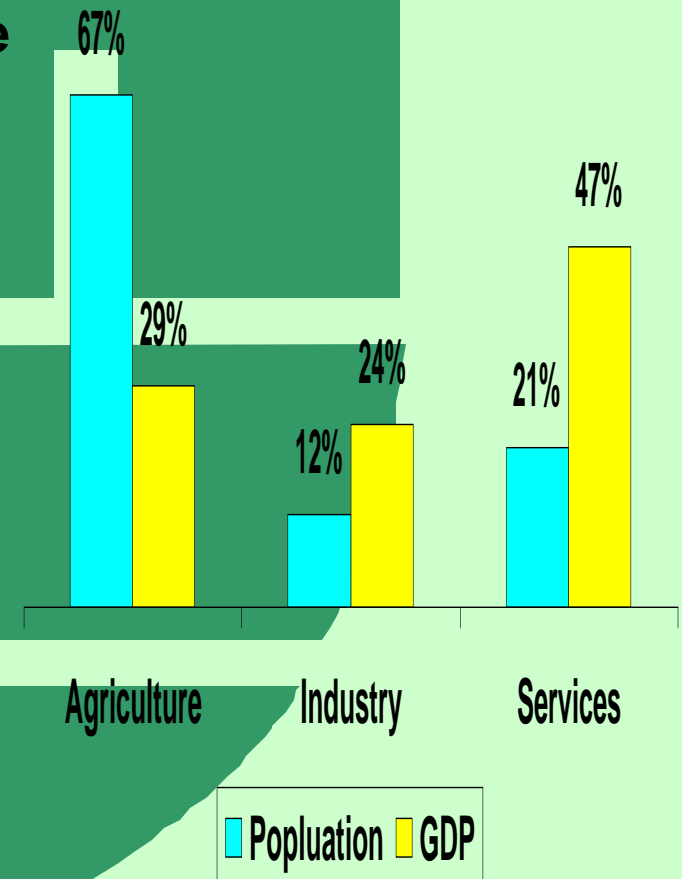
..meeting the everyday needs of people everywhere



..responding creatively & competitively with branded products

the indian economy ...snapshot

- GDP 2001 : USD 480 Bln
- Preponderance of population in agriculture
- Rising share of services
- Per Capita Income growing at 9% CAGR
- Concern over Fiscal Deficit
- Infrastructure constraints
 - power, telecom, roads
- Inflation maintained at single digit

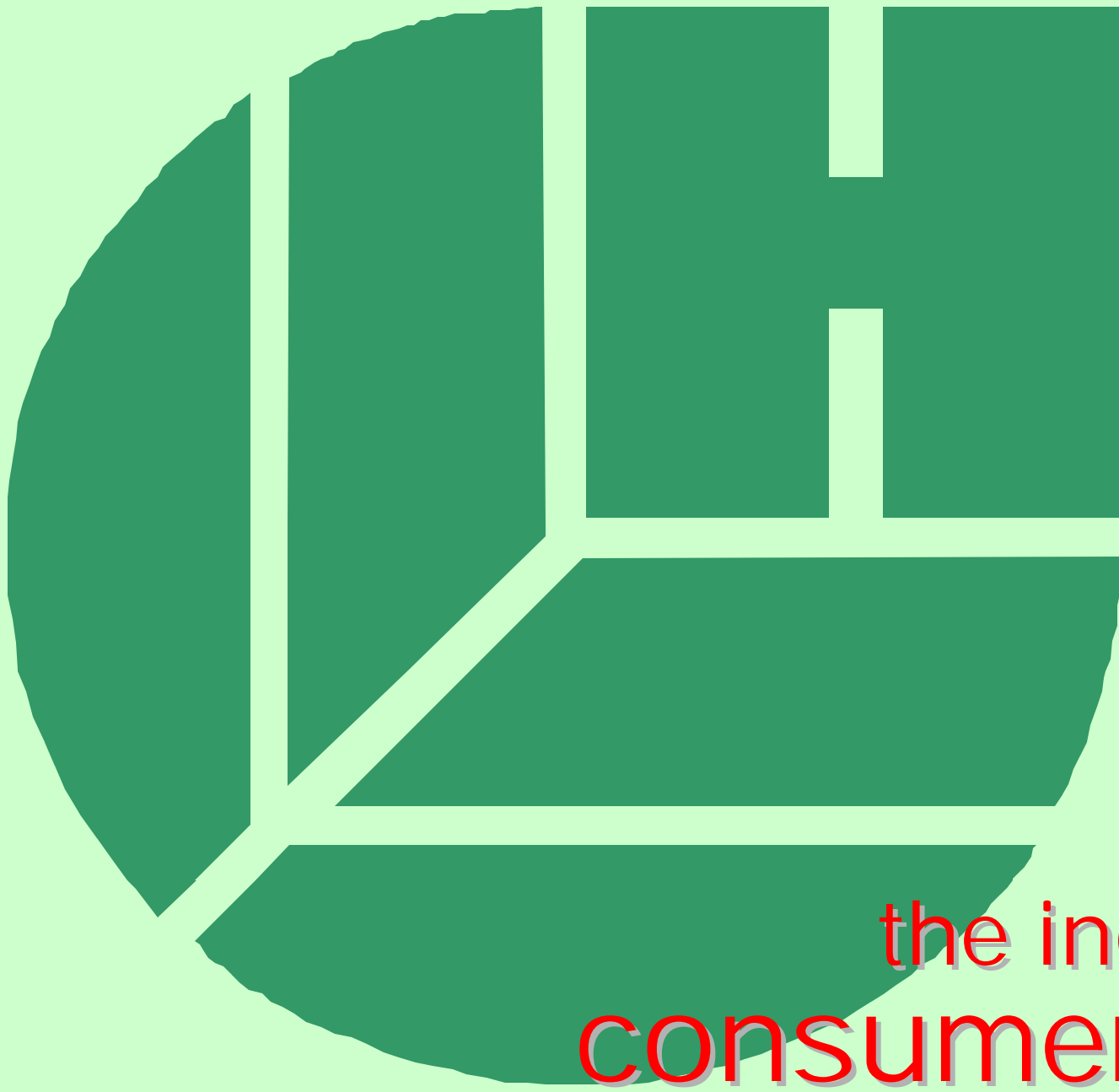


Intellectual capital to leverage 'knowledge' industries

the indian economy

...changing framework

- **Economic slowdown**
 - GDP growth decelerates to 4% with mounting fiscal deficit
 - Industrial growth sluggish
- **Steady rupee depreciation**
- **Key input prices globally determined post liberalisation**
- **Lowering of tariff barriers - new challenge of low cost imports**
- **Growing regional economic differences**
- **Overall market conditions depressed**



the indian
consumer

the indian consumer demographic profile

- One billion people (population growing at 2% p.a.)
- 1.8 Bln households - average 5.7 persons per household
- Young age profile (54% population < 25yrs)
- Improved literacy levels (2001 - 65 % , 1981 - 44%)
 - Key focus on enhancing women's literacy (2001 - 54 % , 1981 - 30 %)
- Urbanisation at 28 %- growing at 3.2 %p.a.
- Media reach rapidly growing (Urban - 80%, Rural - 40 %)

.....a young country with growing opportunity

the indian market place perspective.....

	URBAN	RURAL
Population (Mln)	285	742
% Distribution	28 %	72 %
Markets (Towns / Villages)	3,768	627,000
Universe of Outlets (Mln)	1	3.3

Source : Statistical Outline of India 2001 -2002

the indian consumer changing income distribution

INCOME GROUPS	RANGE	1994	2001	2006
Low	Upto Rs. 22,500	86	59	40
Lower Middle	22,501 – 45,000	45	72	79
Middle	45,001 – 70,000	18	24	37
Upper Middle	70,001 – 96,000	7	14	21
High	Above 96,000	5	12	23
TOTAL		161	181	200

Households in “Medium - High” groups projected to increase significantly - new challenges

the indian consumer emergent trends

- **The “New” Consumer**
- **Changing family profile and aspirations**
- **Equality of the sexes**
- **Health & diet consciousness a high priority**
- **Emerging Youth Power**
- **KIDS : From Pester Power to Decision Making**

growth in current categories

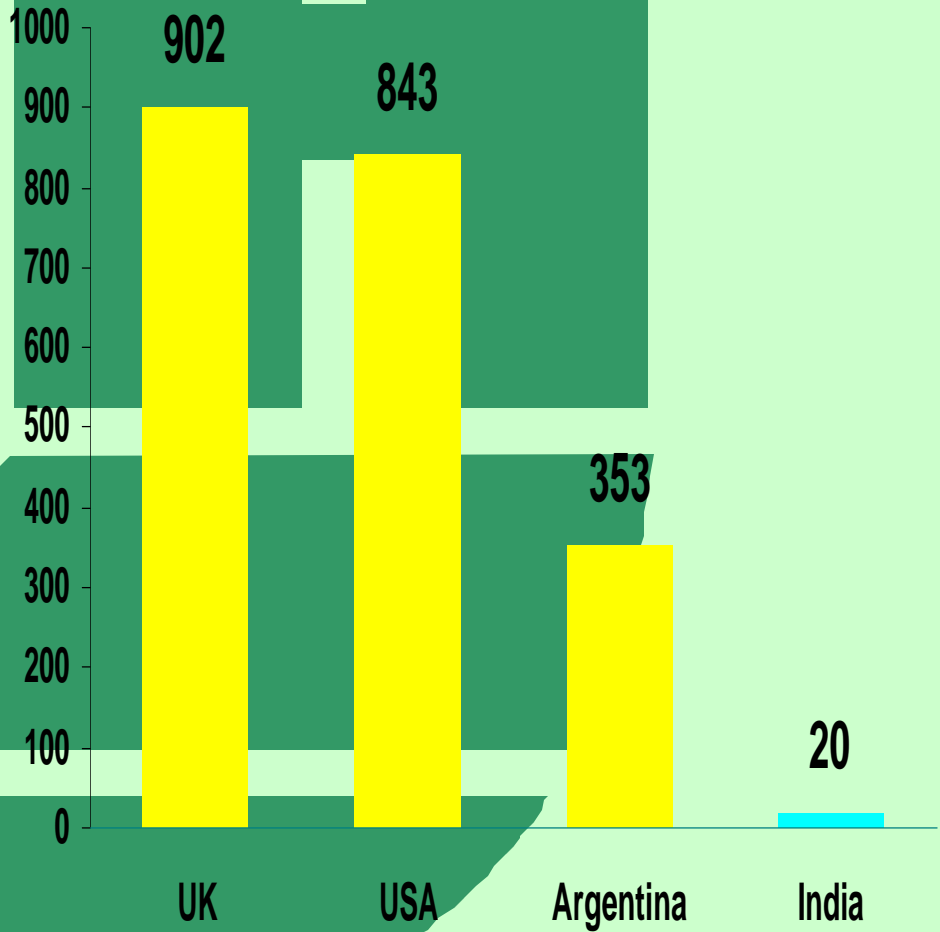
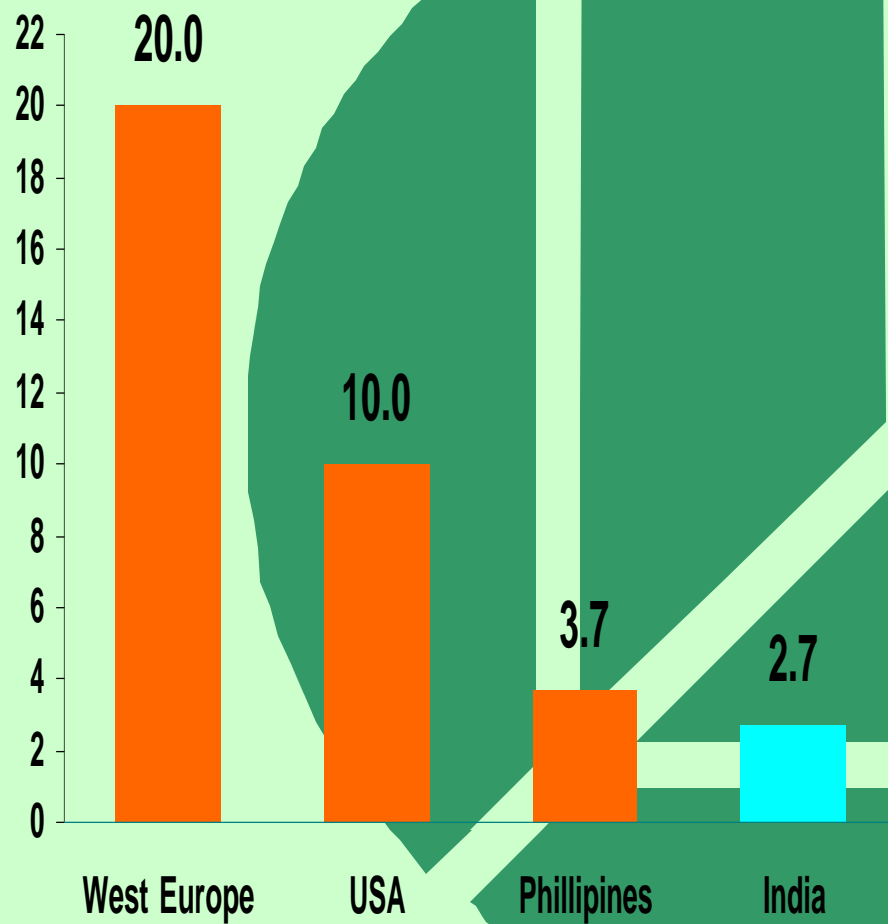
Penetration %



Clearly differentiated strategies for :

- **High penetration categories > 50%**
- drive upgradation
- **Low penetration categories**
- drive penetration

the indian consumer
growing opportunity

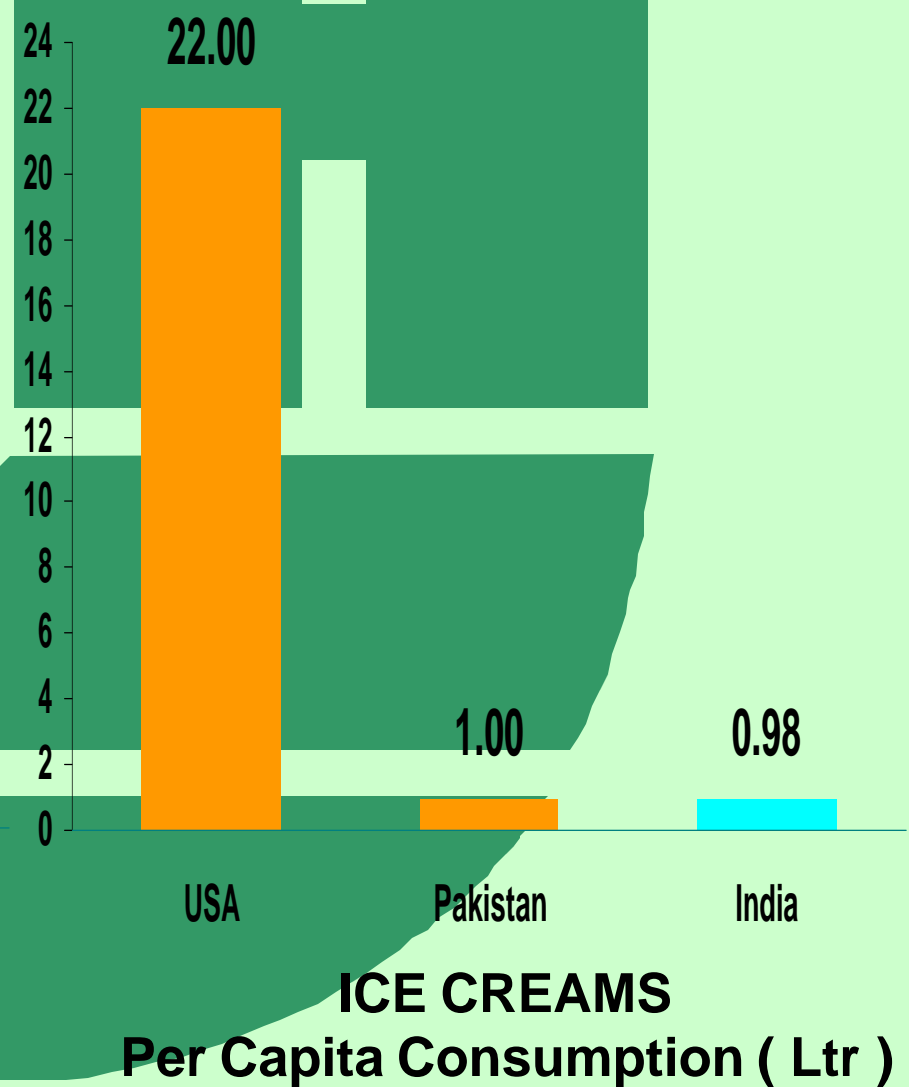
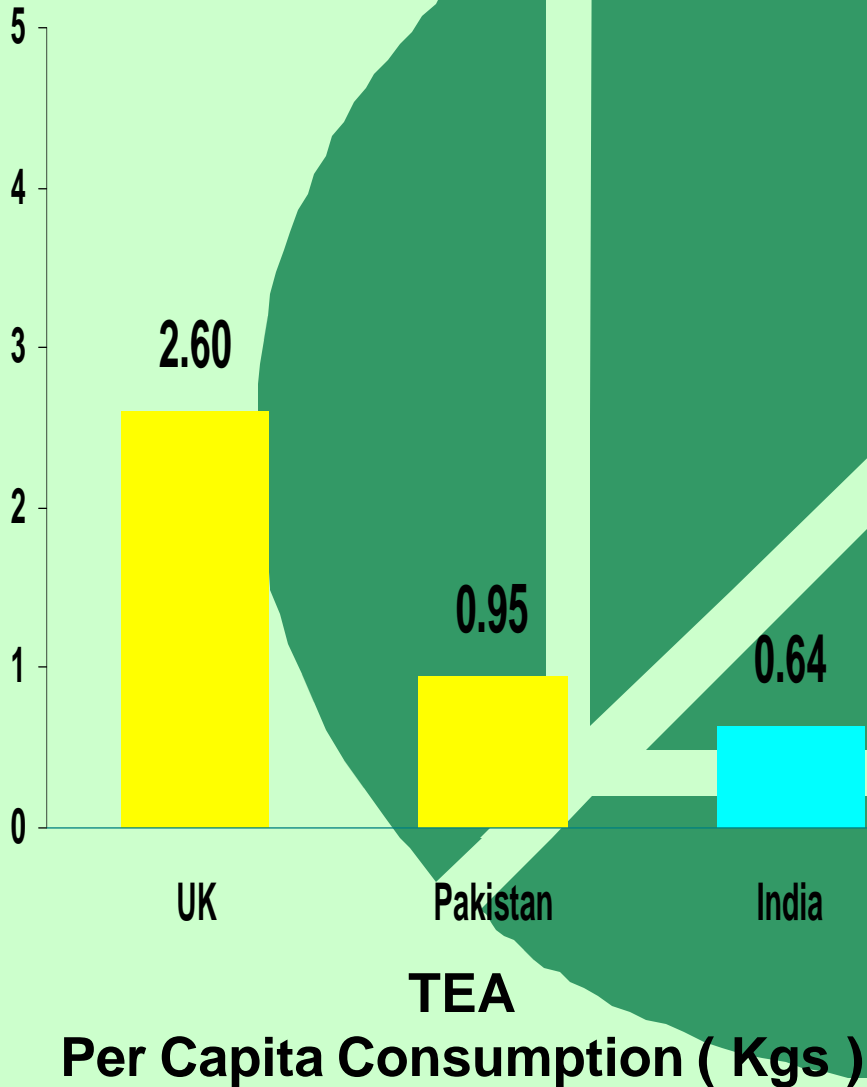


DETERGENTS
Per Capita Consumption (Kgs)

SKIN CARE PRODUCTS
Per Capita Consumption (Rs)

Source : CLSA

the indian consumer
growing opportunity





competition
scanning

market growth

Growth %	2000	2001	MQ 2002
Toilet soaps	6.1	(9.6)	(12.8)
Detergents cake/bars	2.5	(6.0)	(4.9)
Washing powder	8.1	0.8	(5.2)
Toothpaste	10.3	2.0	(4.9)
Shampoo	12.8	11.1	10.3
Skin cream	12.9	3.1	(6.2)
Tea	1.3	(7.5)	(8.6)
HPC	7.6	(1.7)	(5.7)
FMCG	6.7	(1.9)	(5.9)

Key categories decline - intense competition for 'share of wallet'

the changing face of competition

- **Strong local competitors with large scale , low cost structures**
- **Market responsive to innovation and demanding of value**
- **Increased access & availability of imported brands**
- **Growing number of players in FMCG - both local & multinational**

market position & value shares

MARKET LEADER

- Personal Wash 60%
- Fabric Wash 42%
- Household Care 62%
- Skin Care 53%
- Hair Care 63%
- Talcum Powders 65%
- Branded Tea 35%
- Ice Creams 25%
- Jams & Squashes 78%
- R&G Coffee 56%
- Branded Staples 15%
- Branded Salt 18%
- Cooking Fats & Oils 29%

STRONG NUMBER 2

- Oral 36%
- Hair Oils 14%
- Instant Coffee 36%
- Ketchup 39%

strategic
objectives

The “Power Brand” Strategy

Growth thru’
focus on
30 Power Brands
in FMCG

Improving
Foods
Profitability

Securing the
future of the
Non-FMCG
businesses

.....sustainable profitable “quality” growth

power brands
lead sales growth

Growth %	MQ '01	JQ '01	SQ '01	DQ '01	Year 2001	Last 12 Mths
Overall (FMCG)	2.6	3.2	8.0	6.8	5.0	3.4
Power Brands	3.3	5.7	10.1	8.2	6.5	3.9
HPC	4.8	9.0	11.5	13.3	9.2	6.7
Foods	1.0	(3.3)	6.3	(3.3)	0.1	(3.2)

foods profit doubles in 2001

- Operating profit doubles
- Gross margin up 500 basis points
- Further cost reduction planned through
 - supply chain reconfiguration
 - restructuring initiatives
- Potential for value added products

new homes for non-core in 2001

- Divestments completed
 - AFS
 - Quest
 - Nickel Catalyst
 - Adhesives
- Transfer of Leather & Mushrooms business to subsidiaries for potential JV/divestment

strategic thrusts

- 30 Power Brands
- Growth opportunities in new channels
- Reduce total system cost
- Proactive , flexible , fast moving organisation structure



growth in new channels

- New consumption opportunities for Tea, Coffee, Ice Cream
- Out-of-Home business unit in Bangalore to lead activity
- Dedicated resources to grow institutional business in 3 regions
- Aggressive expansion in our 100 crore Food Service business
- Wholesale channel opportunity



total system cost

- Investments in IT drive our supply costs down even further
- Media scale and efficiency benefits further optimised
- Expanding Shared Services
- Tight control on overheads including Corporate Centre costs



the new culture

- A pro-active, flexible, fast moving organisation
- 7 smaller Category Business Units allows empowerment & freedom to get on with delivery
- Attractive reward for actual Performance through Variable Pay bonuses & Stock-related schemes



MQ 2002
highlights

key highlights

- **Superior Mix of Product Portfolio**
 - Phase out of unviable traded exports
 - Growth in High Margin Skin
 - Relatively better performance in Premium & Popular Soaps and Tea
- **Operating Margin Improves**
- **Central Overheads under control**
- **Impact of fall in interest rates minimised**

MQ 2002 results summary

Rs Bln	MQ 2001	MQ 2002	Growth %
Net Sales	26.4	23.8	(9.9)
- Domestic FMCG	21.4	20.3	(5.4)
- Exports	4.4	3.0	(30.7)
- Others	0.6	0.5	(18.8)
PBIT	3.3	3.8	15.7
PAT	3.2	3.5	11.6
Net Profit	3.4	4.3	26.2

Strategy
update MQ

focus on
power brands

- **Key Brands relaunched**
 - Lifebuoy, Close-Up, Vim, Ponds Talc range
- **New Products, Brand Extensions**
 - Ayurvedic FAL, Pepsodent Germibuds
 - Kissan Spreads, “All-Fruit, No Sugar” Jams
 - Modern “Atta Bread”
- **Increased investment in Support (+10 %) and quality**

Strategy
update MQ

improving foods profitability

- **Beverages gross margins up by 1300 basis points**
- **Foods gross margins up by 440 basis points**
 - Modern Foods records positive PBIT in MQ'02
 - Segment results impacted adversely by Oils & Fats
- **Confectionery launched nationwide**
- **New Strategy for Ice Creams on course**
 - Portfolio rationalisation completed
 - 5 new products launched
 - Supply Chain restructuring in progress
 - Gross Margins doubled
 - Support spends front-ended for oncoming summer

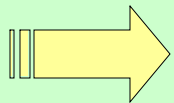
Strategy
update MQ

Securing the future of Non FMCG businesses

- **Seeds disposal completed in March**
 - Exceptional Income of Rs 0.75 Bln
- **Diversey Lever divestment planned in JQ**
 - Shareholder approval awaited
- **Leather Exports transferred to subsidiary**
 - effective 1st April 2002

cash flow

	Rs Bln
Business Operations	3.96
Disposal of business	1.12
Working Capital movement	(0.63)
Treasury Income	0.65
Cash Generated	5.10
Capital Expenditure	0.57
Tax Payment	1.36
Surplus invested	3.17
Cash Deployed	5.10

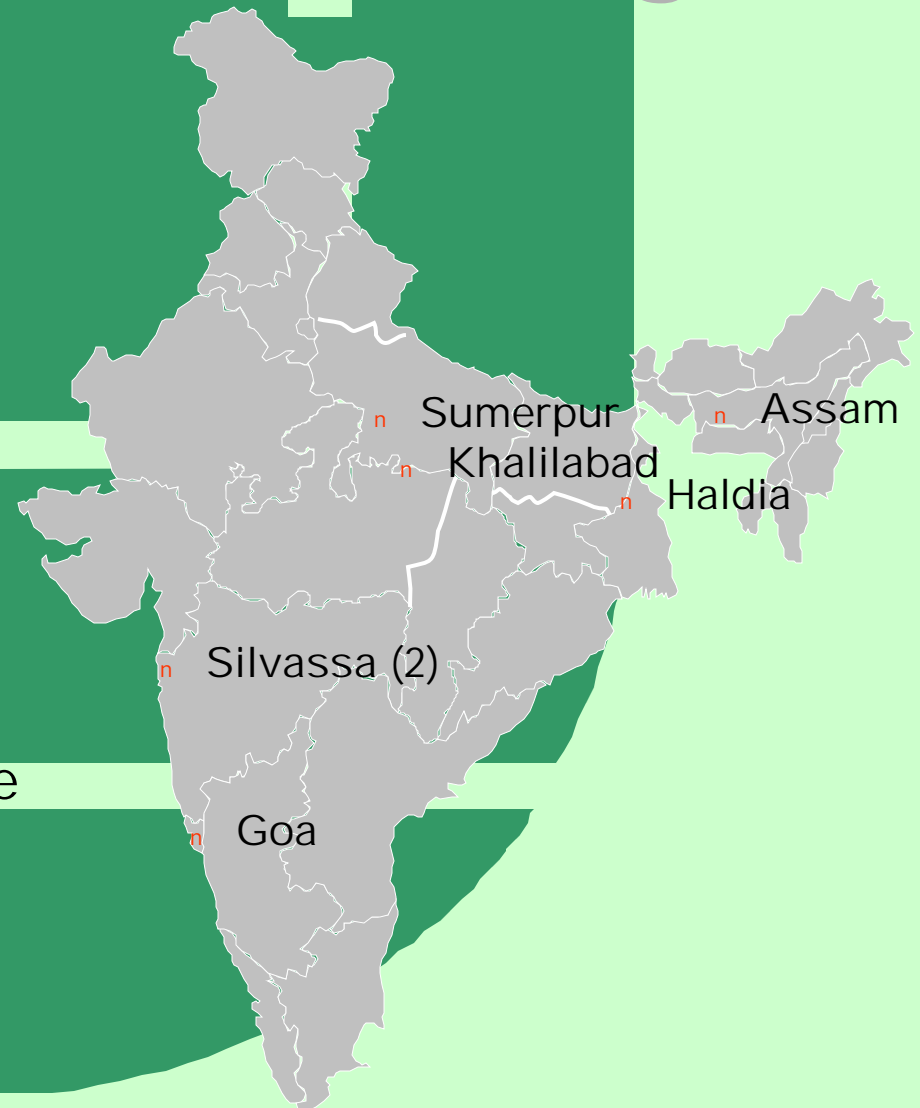




2002
powering ahead....

major initiatives in manufacturing

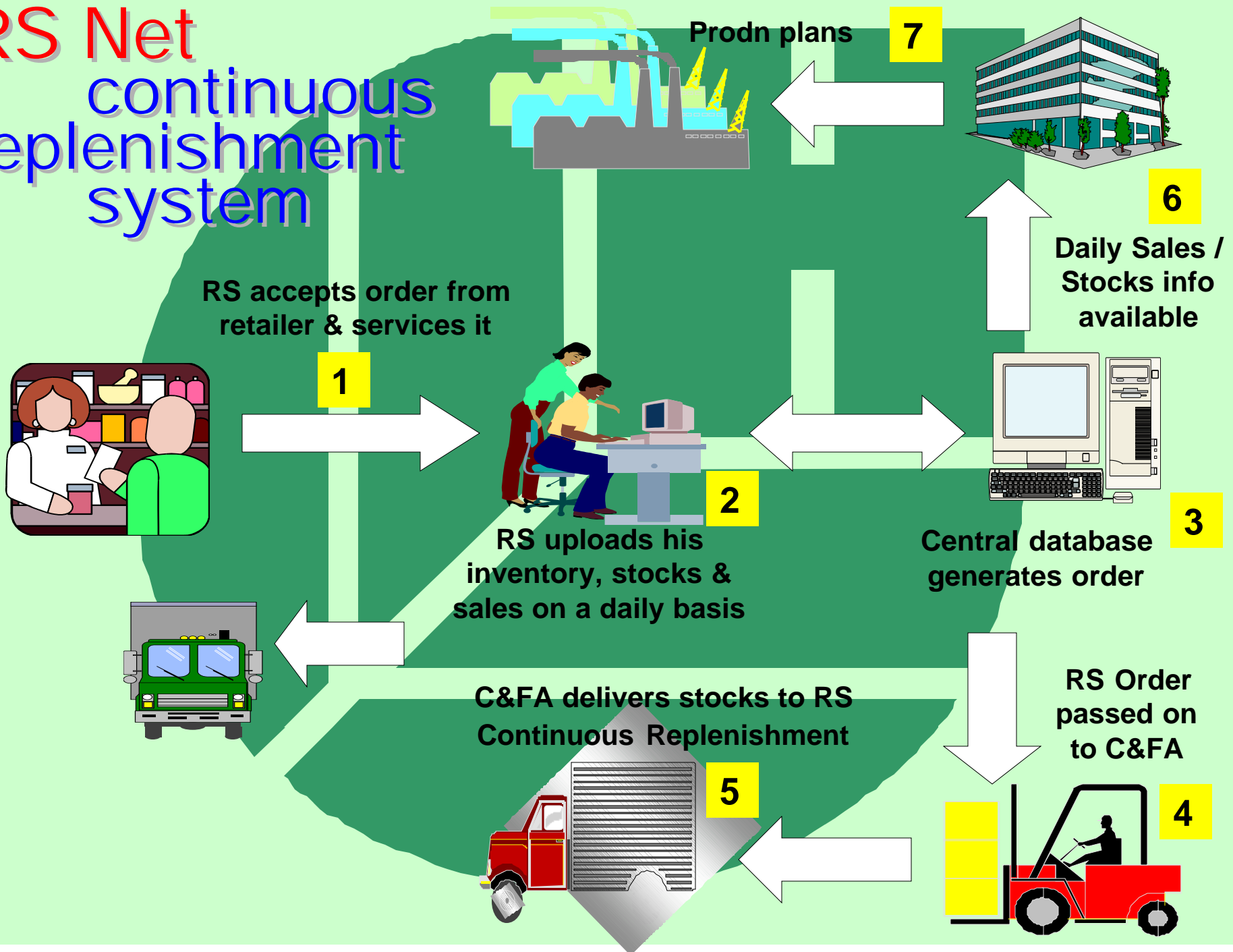
- Fast track implementation of Manufacturing Strategy
 - 7 Units commissioned with an investment of Rs1.62 Bln in record time
- 3 factories receive 'TPM Excellence Award' from JIPM, Japan



a new paradigm
supply chain
...make today
what we
sold yesterday

- Enhanced connectivity in HPC Supply Chain
 - RS Net covers stockists accounting for 55% sales
 - 80% coverage by Jun '02
- Benefits
 - System cost reduction
 - Secondary Sales Tracking
 - Robust sales & production planning
 - Field force focus on "the HLL Way of Sales"

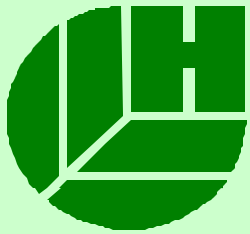
RS Net continuous replenishment system



feel
the
pulse...

- Initiative launched connecting -
 - 10,000 retailers, 4,000 consumers & 800 suppliers
- Participated by company managers across all functions







shaping brands for growth

- Brand Vision
- Growth Opportunities
 - *New categories*
 - *New Consumers*
 - *New Consumption opportunities*
- Innovation

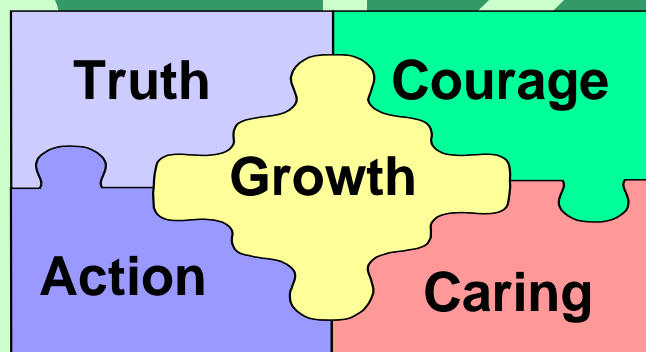


the HLL Way in Sales

- Reorganise sales force by customer type
- Single minded focus on secondary sales
- "Back-to-Basics"

teamworking drives enterprise culture

- **Goal Alignment**
- **Emotional Bonding**
- **Shared Values**



Values form the bedrock of our Culture to drive Growth



performance

trends

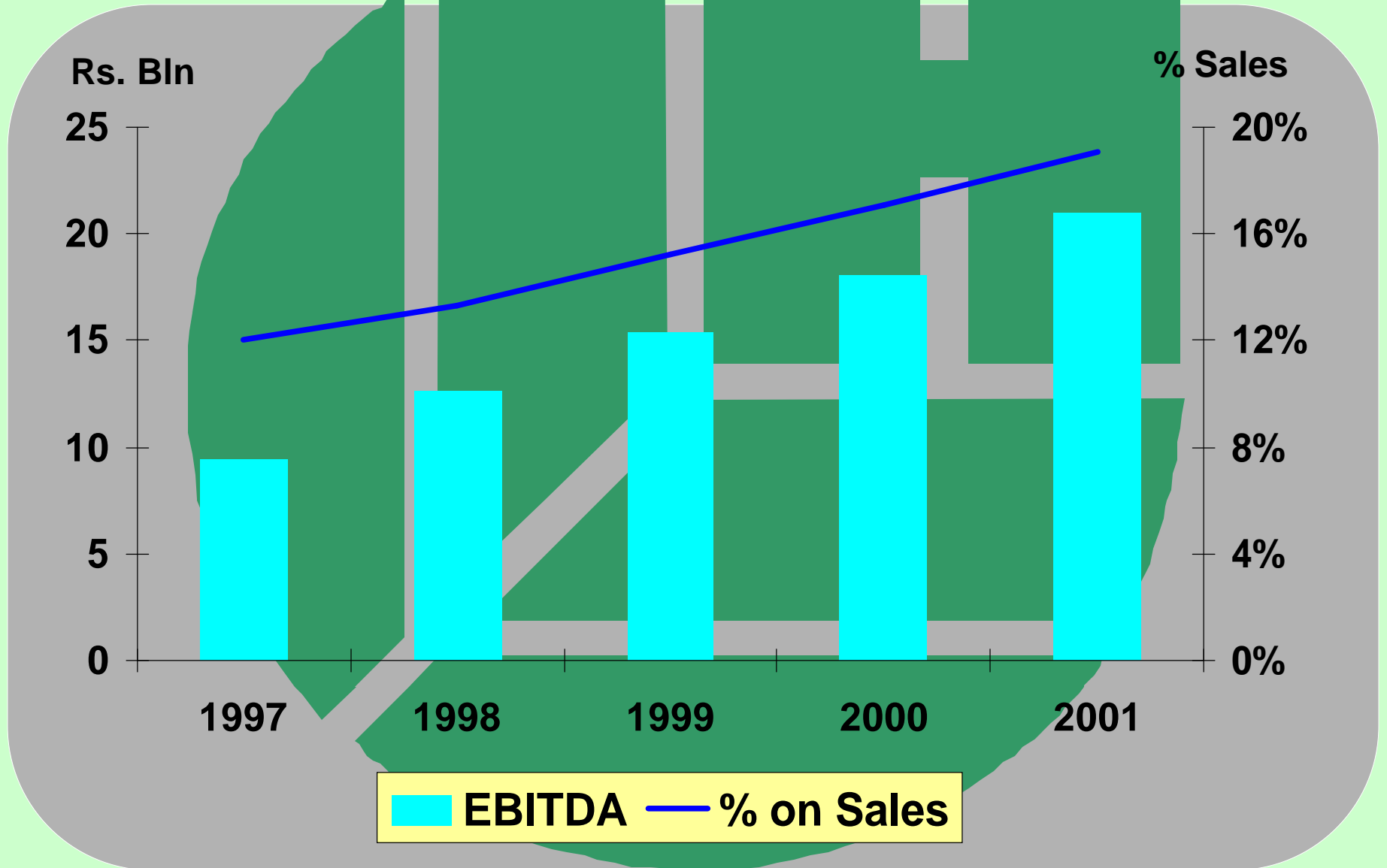
net sales

Rs Bln

CAGR 8.8%

	1997	1998	1999	2000	2001
Net Sales	78.2	94.8	101.5	106.0	109.7

EBITDA



$$EBITDA = PBT (bei) + Depn + Interest$$

net margins

%Sales

15

12

9

6

3

0

1997

1998

1999

2000

2001

7.4

8.8

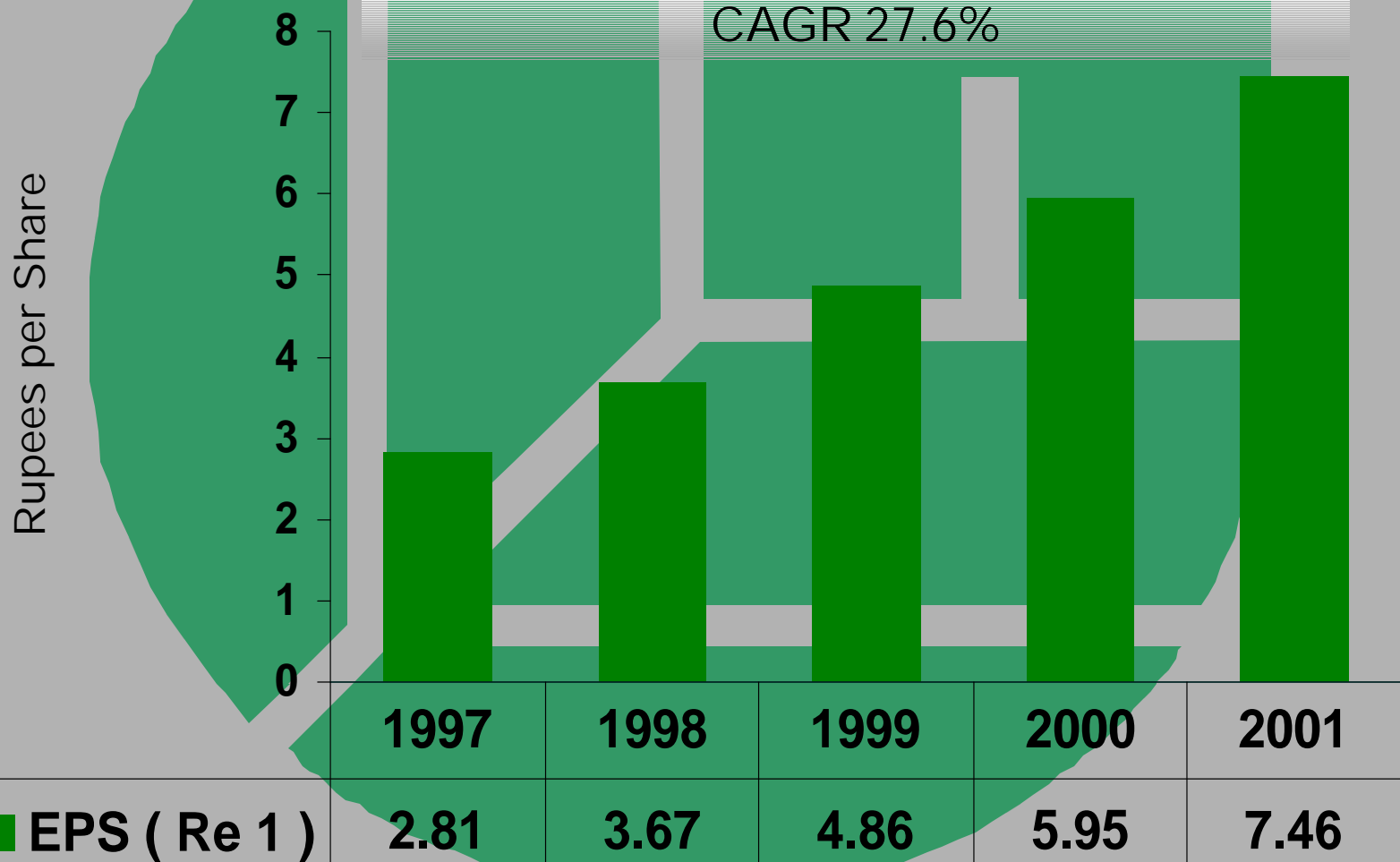
10.6

12.4

14.0

Based on PAT (before exceptional items)

earning trends



■ EPS (Re 1)	2.81	3.67	4.86	5.95	7.46
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asset turnover

Times

70

60

50

40

30

20

10

0

1997

1998

1999

2000

2001

63.9

41.9

54.2

9.8

9.0

9.3

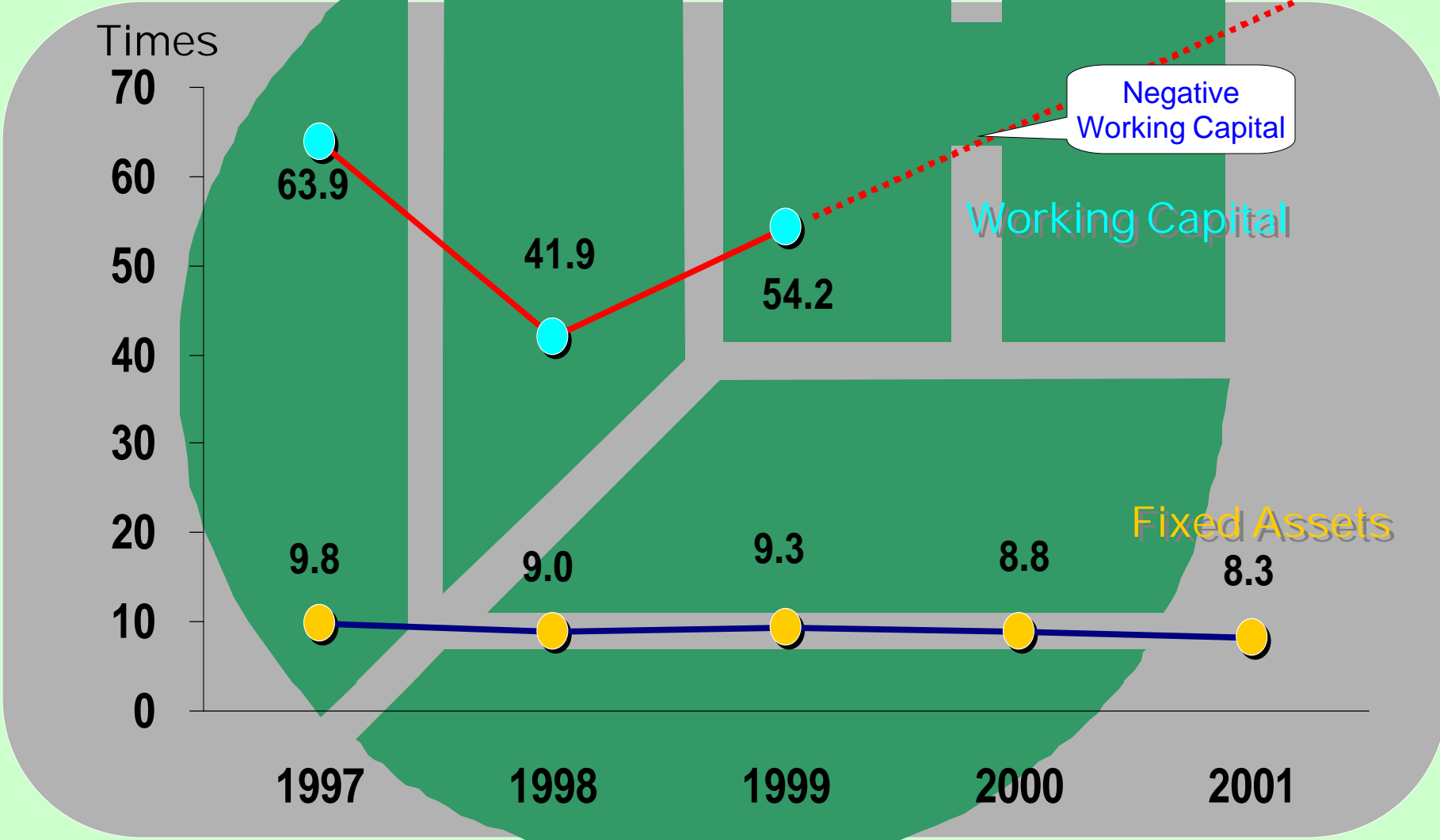
8.8

8.3

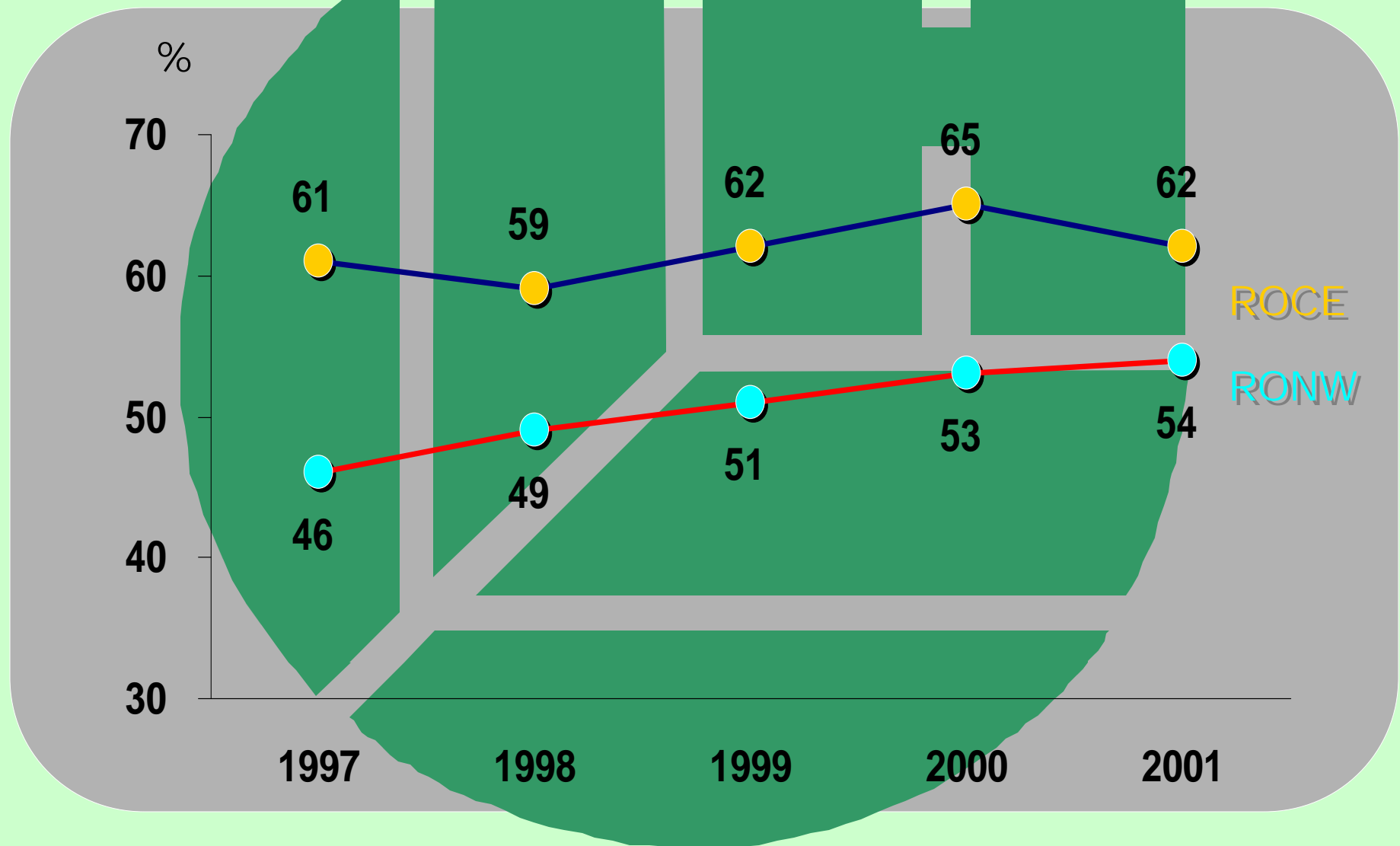
Negative Working Capital

Working Capital

Fixed Assets

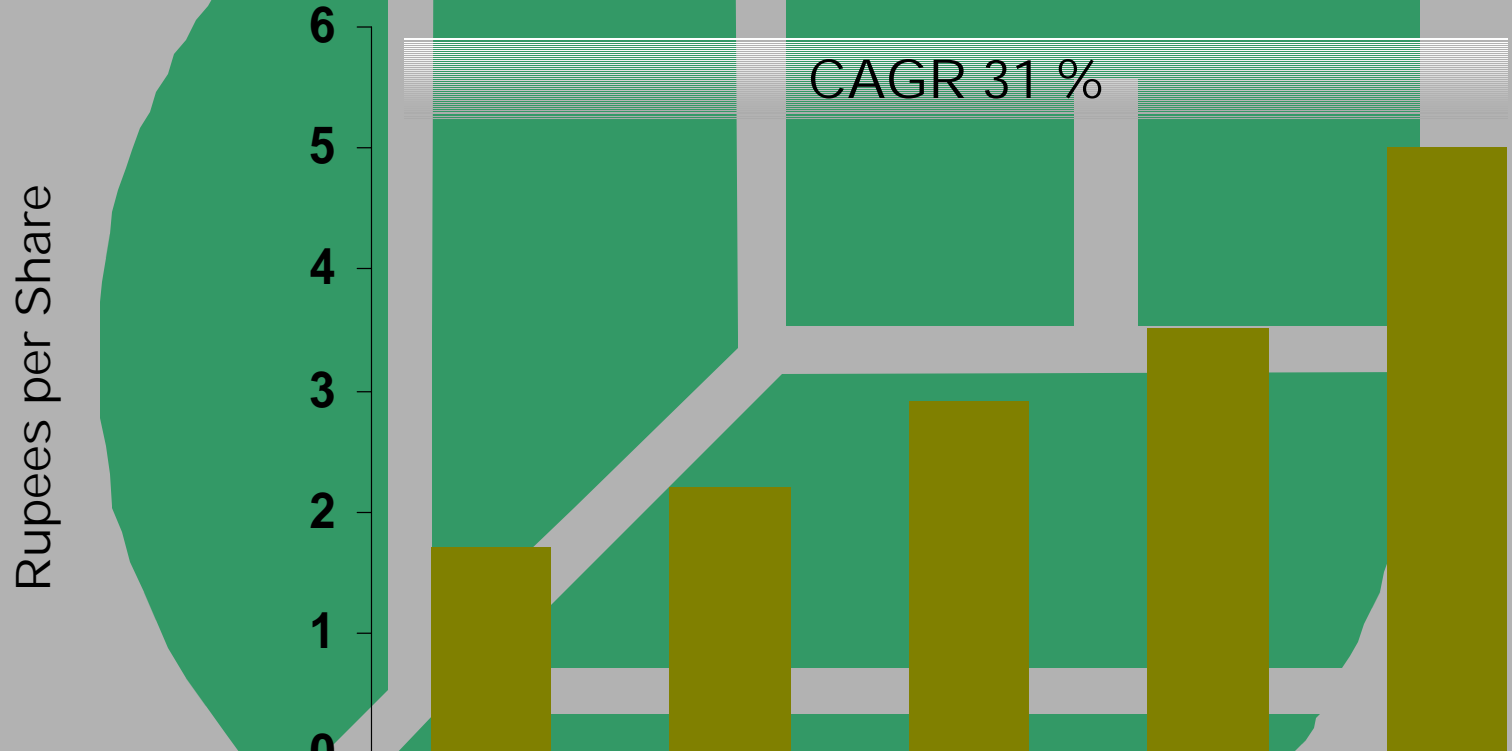


returns... ROCE & RONW



RONW based on PAT (before exceptional items)

dividend trends



■ DPS (Re 1)	1997	1998	1999	2000	2001
	1.7	2.2	2.9	3.5	5.0



Bonus
Debenture
Scheme

Structure of the Revised Scheme

- Pay 'deemed' dividend equivalent to debenture face value of Rs.6 each
- Accept Rs.6 and allot 1 debenture of Rs.6 each with coupon rate of 9%
- Pay "special dividend" of Rs.2.76 per share
 - Defray tax liability of shareholder
- Withhold tax at appropriate rates (0-21%)

Impact on classes of Shareholders

Rs. per share	Exempt Resident individuals	Other Resident individuals / Cos.	FII/OCB/Non-Resident individuals
“Deemed” Div. Out of Gen. Reserves	6.00	6.00	6.00
“Special” Div. Out of P&L	2.76	2.76	2.76
Total	8.76	8.76	8.76
Distributed as :			
Debtenture	6.00	6.00	6.00
Tax @ Source	Nil	0.92	1.84
Cash	2.76	1.84	0.92
Total	8.76	8.76	8.76

Impact on Shareholder Reserves



Within Distributable Reserves as on 31/12/01



Thank
You