



# HINDUSTAN LEVER LTD.

## HINDUSTAN LEVER LTD.

Presentation at the JP Morgan Investor Conference, Goa

30th October , 2002



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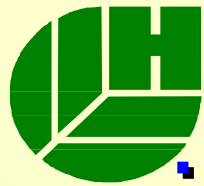


**HINDUSTAN LEVER LIMITED**

**JP Morgan Conference , Goa**



**Company Overview**



# Hindustan Lever

.... India's largest & leading FMCG company

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Turnover	Rs 110 Bln
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EBITDA (Operational)	Rs 18 Bln
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Net Profit (bei)	Rs 16 Bln
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EPS (Re 1)	Rs 7.46
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ROCE	62 %
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Economic Value Added	Rs 11 Bln
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Market Capitalisation - Oct '02	Rs 385 Bln
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*\* Figures based on last published Annual Accounts - 2001*



# Corporate Purpose

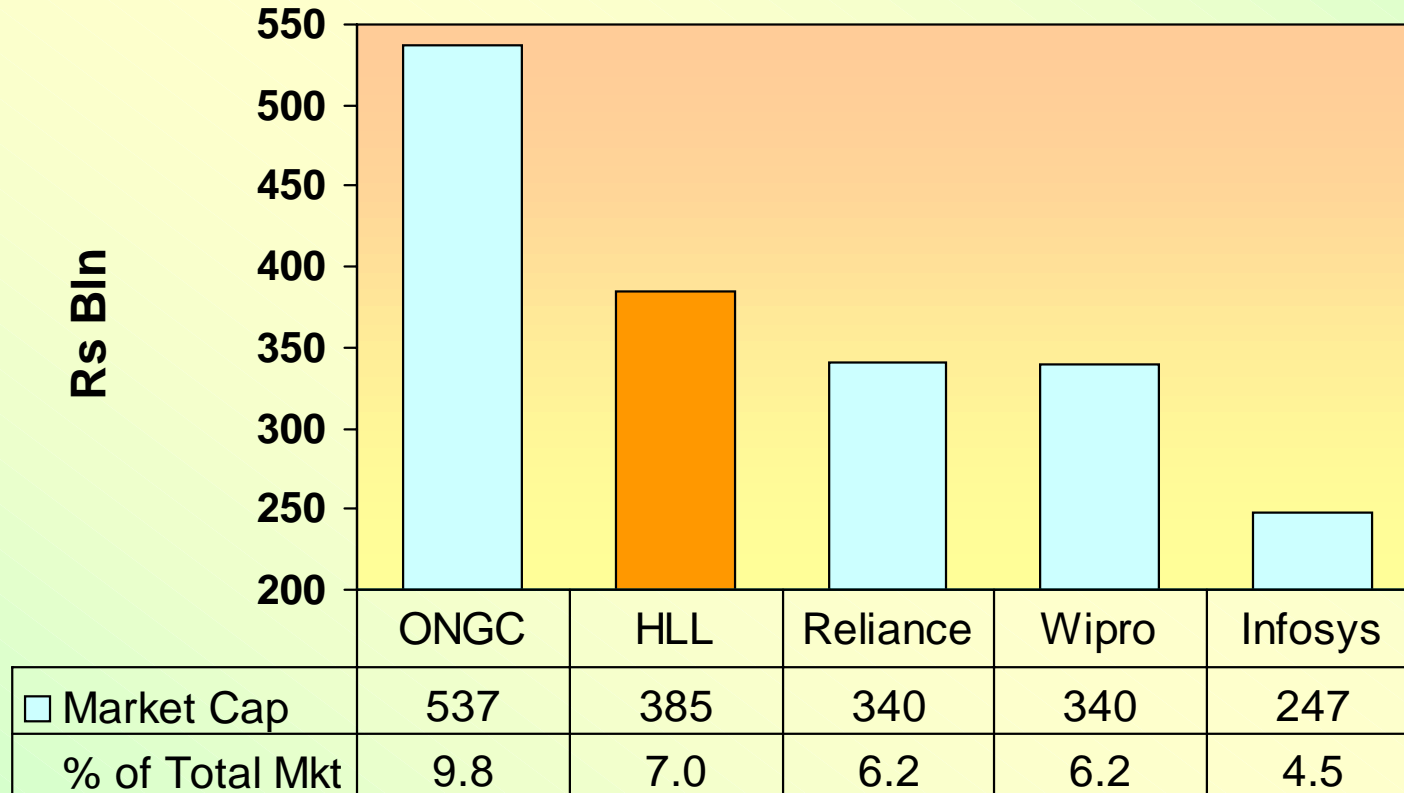


Our purpose is to meet the  
everyday needs of people everywhere -  
to anticipate the aspirations of our  
customers and consumers and to  
respond creatively and competitively  
with branded products and services  
which raises the quality of life





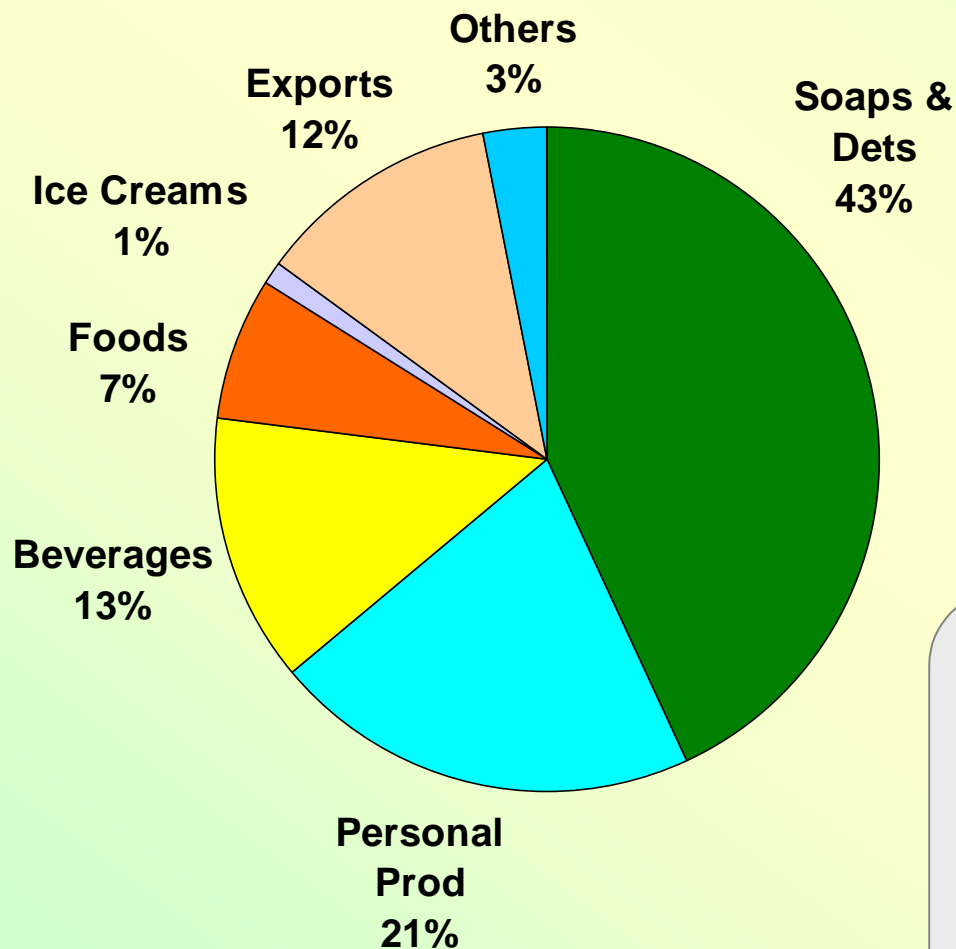
# Market Capitalisation



Source : Mkt Capitalisation at BSE ( 16th October 2002 )



# Product Portfolio



## SALES PROFILE

Home & Personal Care	64%
Foods & Beverages	21%
FMCG (HPC + Foods)	85%
Exports	12%
Others	3%

## VOLUMES SOLD

Soaps	3.9 LTPA
Synthetic Detergents	8.9 LTPA
Personal Products	4.8 Bln units
Beverages	1.5 LTPA
Branded Staple Foods	3.7 LTPA

*\* Based on 2001 volumes*

*\* Based on FH 2002 segmental revenues*



# Market Shares

## HPC

Market Share %	Aug 2002
Personal Wash	59.6
Detergent Powders	39.3
Detergents Bars	46.6
Dishwash	58.8
Toothpaste	34.2
Shampoo	59.5
Skin (excl. Talc)	53.6
Talcum Powder	65.4

## FOODS

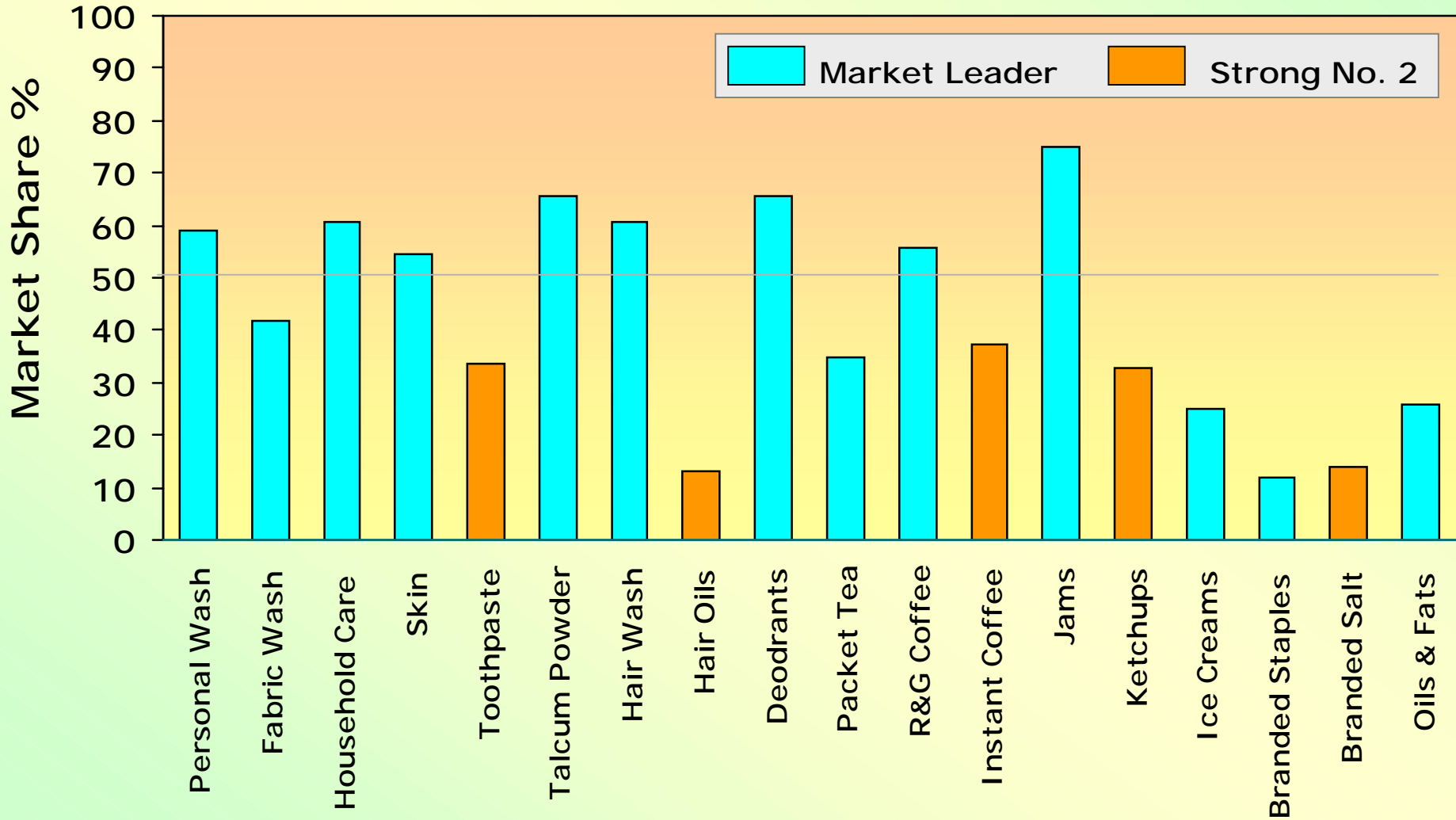
Market Share %	Aug 2002
Packet Tea	34.5
Coffee	45.7
Atta	11.1
Branded Salt	14.5
Jams	75.0
Ketchup	32.5
Vanaspati	20.4

Source : ORG Value Shares (urban+rural)



# Hindustan Lever

## ...dominant player across FMCG categories





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**Indian Economy**



# The Indian Economy snapshot

- GDP 2002-03 estimated at USD 500 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



**Intellectual capital to leverage 'knowledge' industries**



# The Indian Economy

## em erging scenario

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- GDP growth for 2002-03 estimated to be 5%
- Poor monsoons lead to a fall in Kharif output - overall impact on agri growth to be assessed based on Rabi crop ( 50% contribution )
  - impact on inflation curtailed in view of adequate foodgrain stocks of 60 Mln Tons
- Industrial growth showing marginal upturn - buoyed by infrastructure projects
- Steady rupee - can affect exports if remains overvalued
- Fiscal deficit continues to be under pressure - divestments remain critical
- Foreign exchange reserves of USD 63 Bln at all time high
- Interest rates remain soft - yield on 10-yr Govt bonds fall below 7%
- Marginal increase in inflation - likely to be contained at single digit level
- FMCG markets continue to remain depressed - slight pick up in July



# Market Growth

Growth %	2000	2001	YTD Aug '02
Personal Wash	6.1	(9.6)	(8.1)
Fabric Wash	5.7	(2.1)	(3.4)
Dishwash	19.2	12.4	0.1
Toothpaste	10.0	2.0	(4.9)
Shampoo	12.5	11.1	10.1
Skin Products	12.9	3.1	(3.2)
Packaged Tea	0.3	(6.6)	(10.5)
Atta	38.1	6.9	(11.6)
<b>HPC</b>	<b>7.6</b>	<b>(1.7)</b>	<b>(4.3)</b>
<b>FMCG</b>	<b>6.7</b>	<b>(1.9)</b>	<b>(3.5)</b>

Source: ORG Value



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**Strategy Update**



# Strategy Recap

## KEY STRATEGIC OBJECTIVES

**Growth thru'  
focus on  
Power Brands**

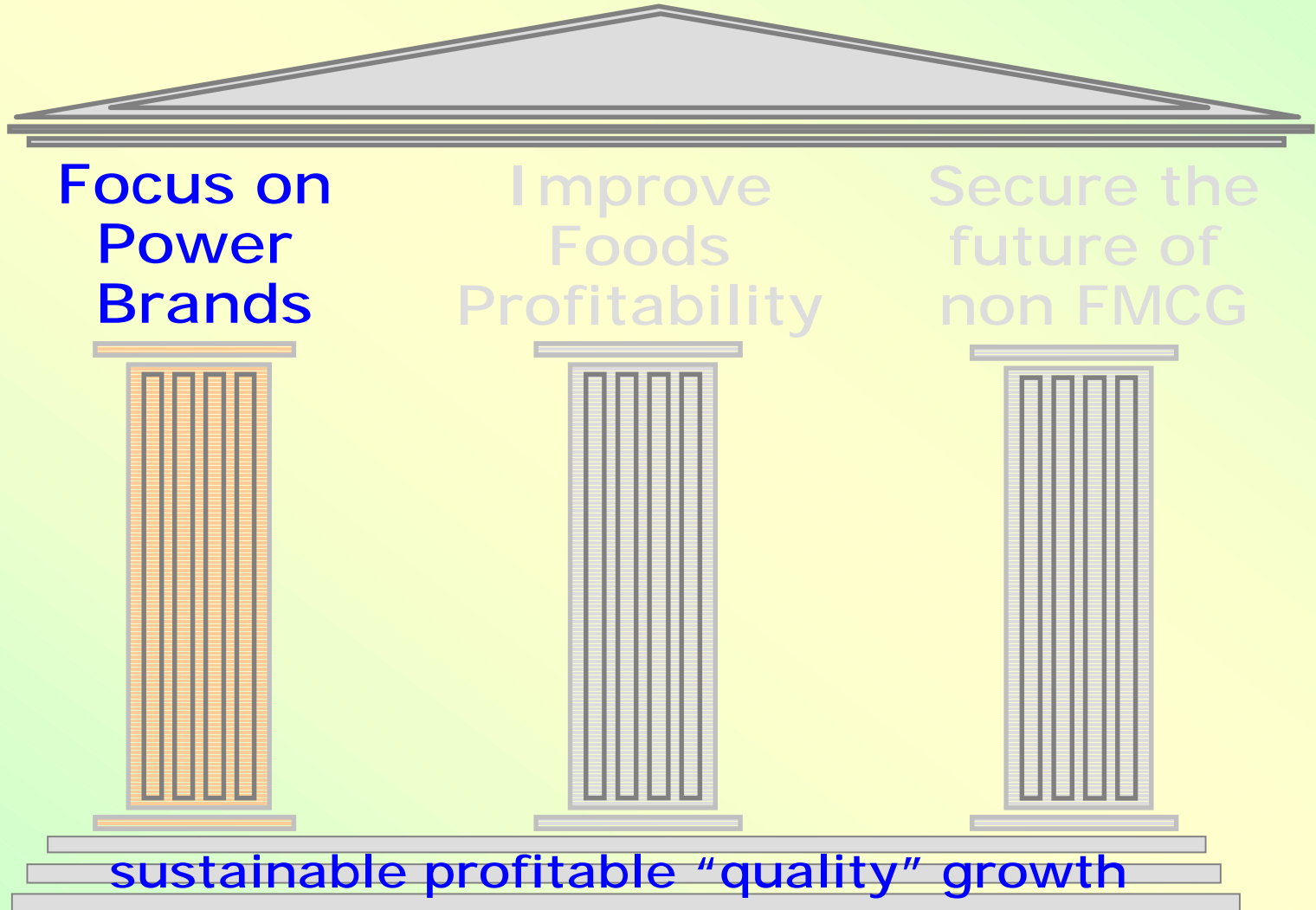
**Improving  
Foods  
Profitability**

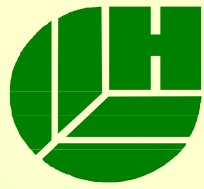
**Securing the  
future of the  
Non-FMCG  
businesses**

*.....sustained profitable “quality” growth*



# Strategy Recap





# Profitable growth of FMCG business

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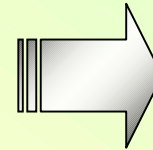
- Focus on fewer , stronger Power Brands
- Creating space for growth by redefining potential
- Growth the the Power Brands by
  - consumer relevant innovation
  - cross category extensions
  - leveraging channel opportunities



# Focus on Power Brands

- Focus resources on 30 Power brands
- Power brands selected to deliver sustainable profitable growth
- Marketing spend, level of innovation supported by consumer insight & new technology platforms

63 Brands  
110 Variants



30  
Power  
Brands

10  
Regional  
Jewels

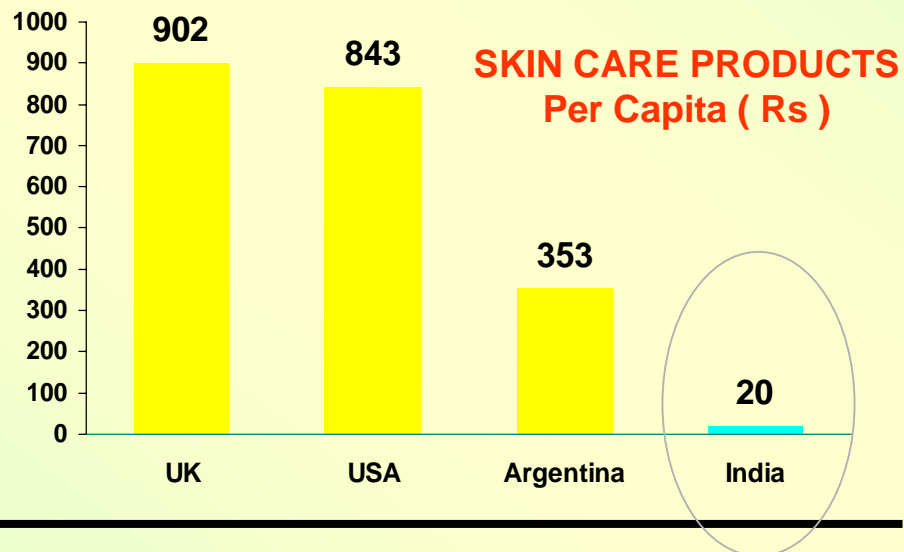
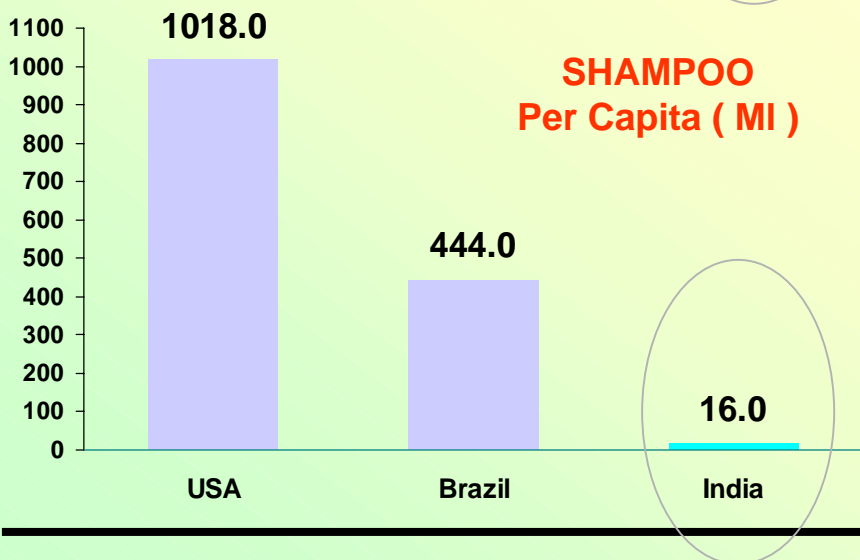
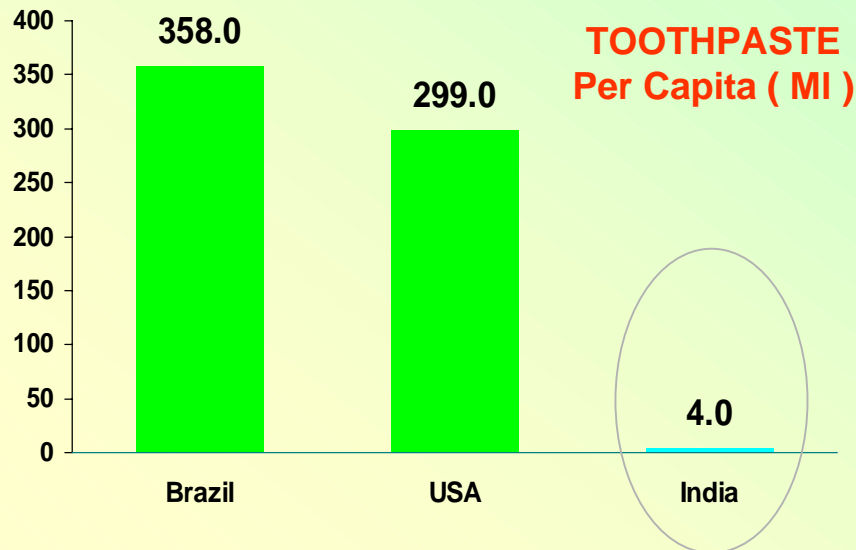
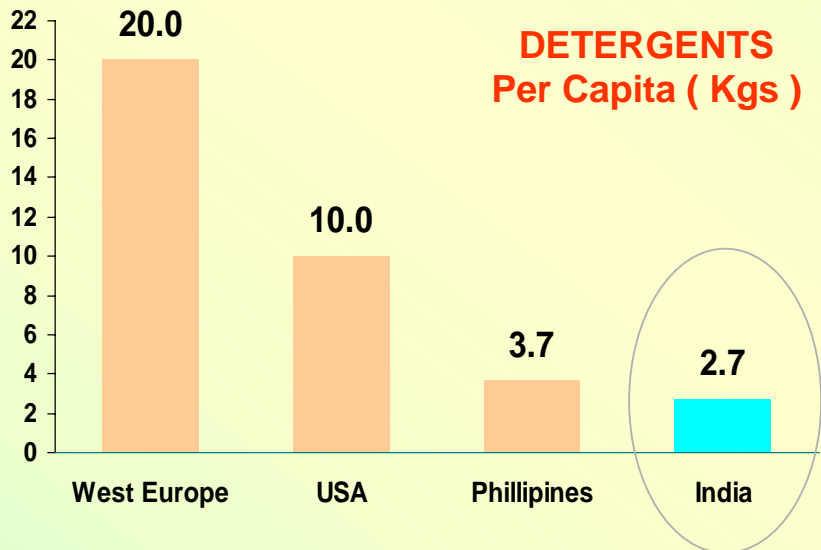
- ✓ Greater rigour
- ✓ Focused advertising and promotion spend
- ✓ Reduction in brand cannibalisation
- ✓ Brand extension across categories to leverage brand personality
- ✓ Efficient supply chain
- ✓ Effective market activation

less  
more is



# Redefining Potential

## opportunity in mature HPC categories... ..

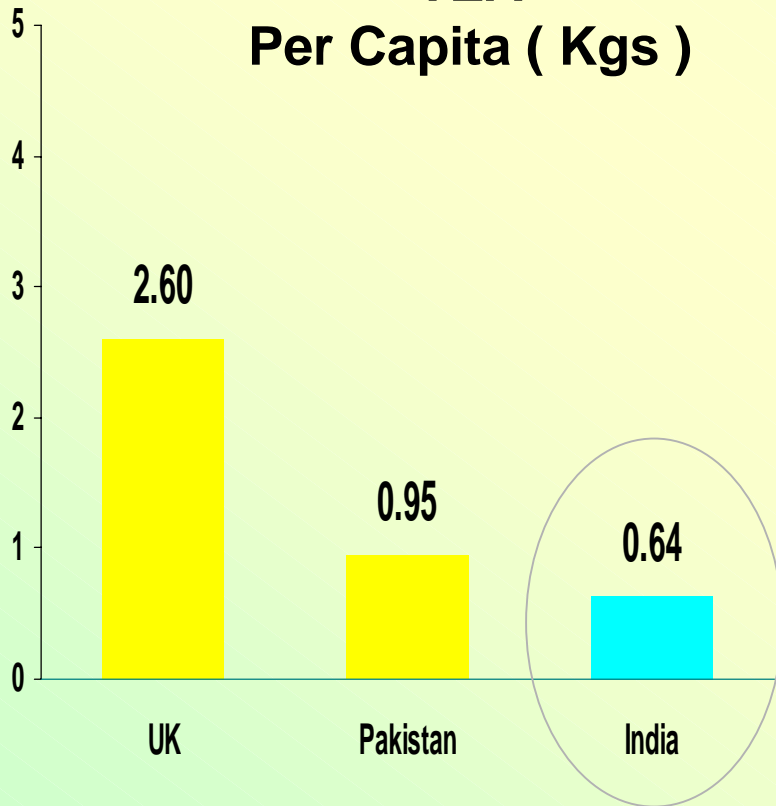




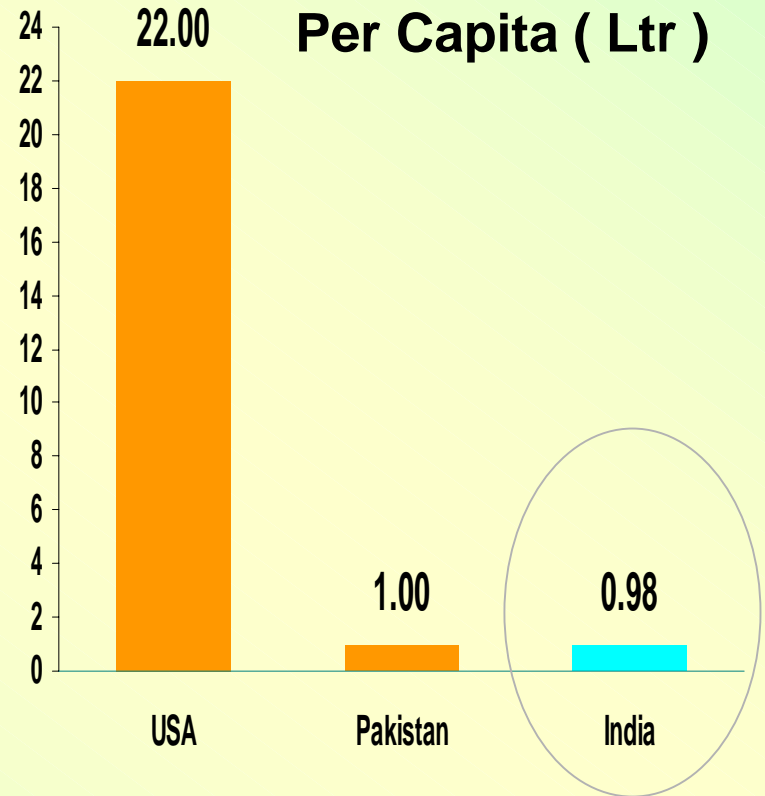
# Redefining Potential

... .. & in Foods

### TEA Per Capita ( Kgs )



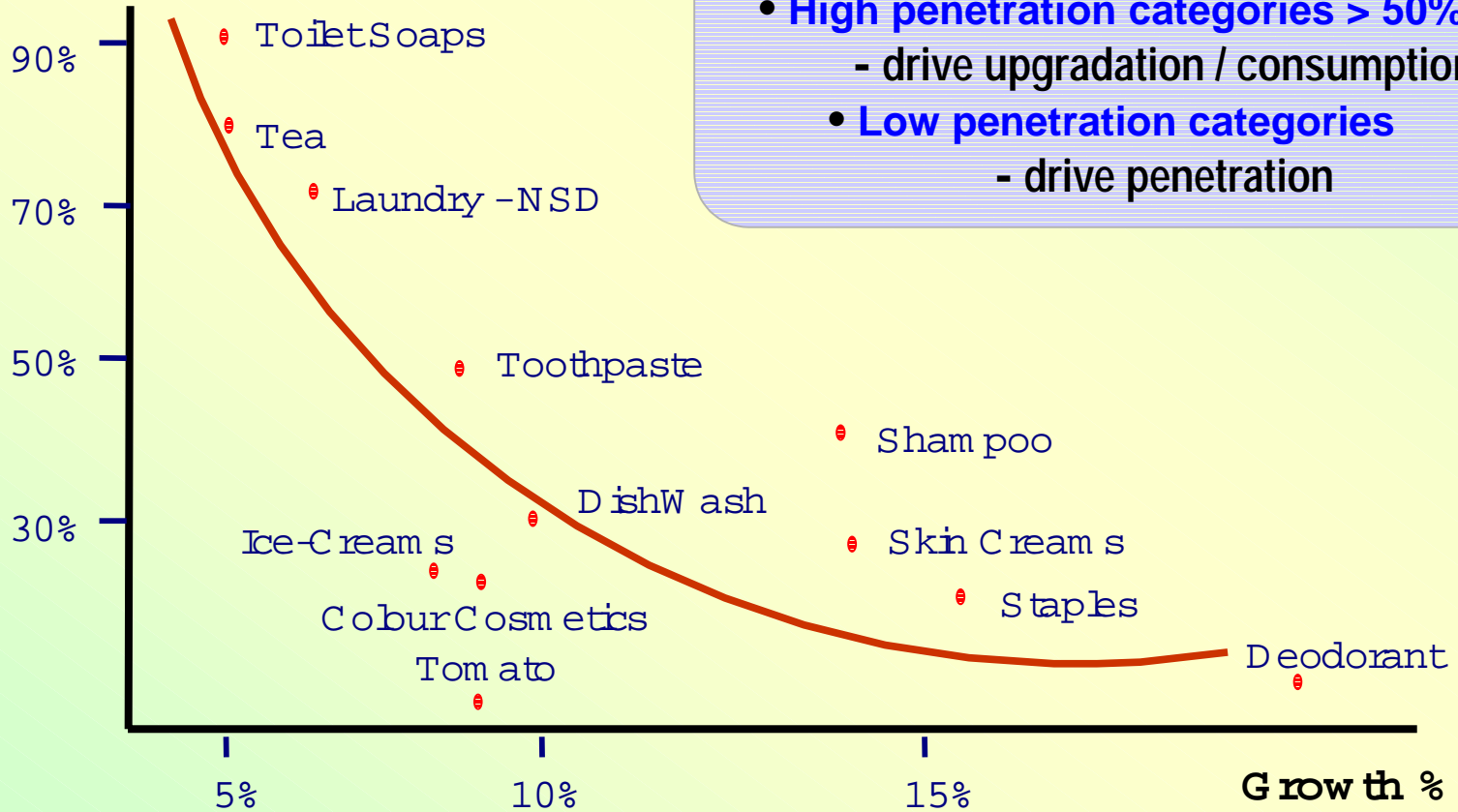
### ICE CREAMS Per Capita ( Ltr )





# Growth in current categories

Penetration %



Clearly differentiated strategies for :

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



# Growing the Power Brands consumer relevant innovation

LIFEBUOY



LIRIL



KISSAN



KNORR ANNAPURNA RICE



FAL AYURVEDA



LEVER AYUSH

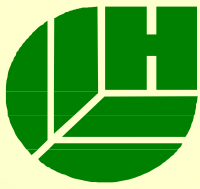


DALDA ACTV



LIPTON ICE TEA





# Growing the Power Brands cross category extensions



**FAIR & LOVELY**  
Skin Creams to Soaps

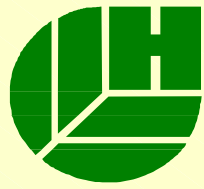


**MAX**  
Ice Creams to Confectionery



**LAKME**  
Colour Cosmetics to Skin  
Products & Beauty Salons





# Growing the Power Brands leveraging channel opportunities

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- New 'OOH' consumption opportunities for Tea, Coffee, Ice Cream
- Develop services business (Lakme, Aviance)
- Out-of-Home business unit in Bangalore to lead the activity
- Dedicated resources to grow institutional business in 3 regions
- Wholesale channel opportunity
- Concern approach to Modern Trade servicing - differentiated service mix, key account management
- E-Tailing



# Leveraging Channel Opportunities

promoting V O H 'consumption thru 'Tea

Vending





# Leveraging Channel Opportunities

promoting B2C consumption thru' Softy

Vending





# Leveraging Channel Opportunities

## Lakme Beauty Salons





# Leveraging Channel Opportunities

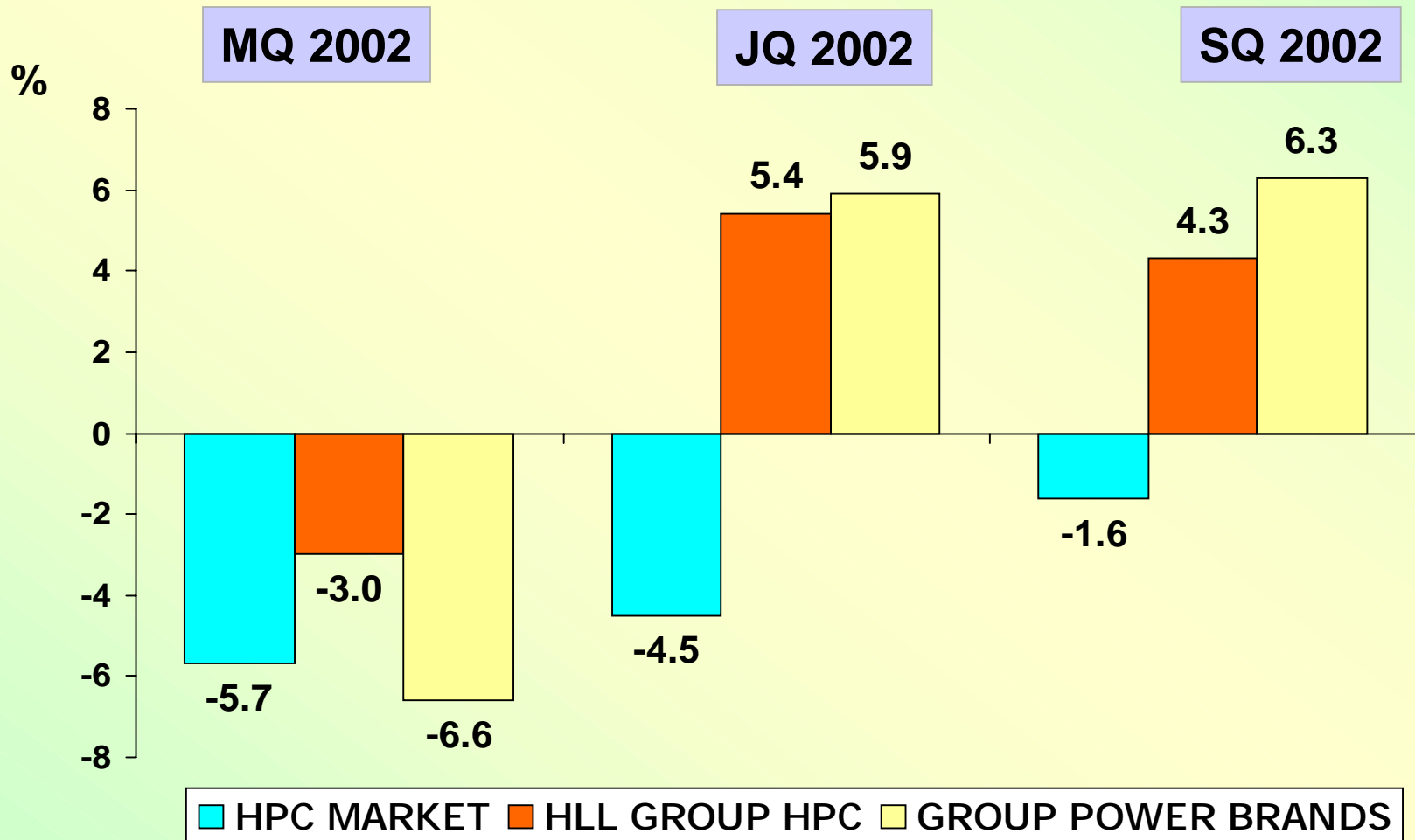
**Aviance**





# Power Brands drive HPC growth

... ..beat the market



\* Figures restated for change in policy

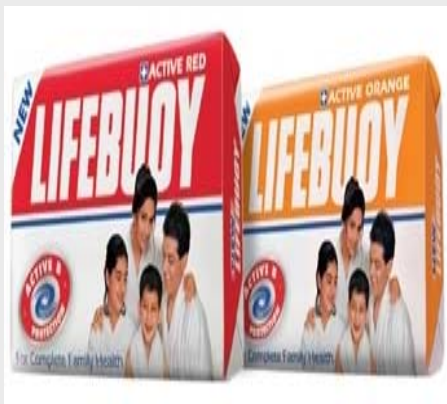


# Power Brands lead HPC growth

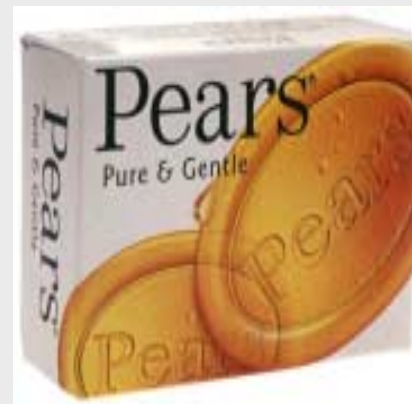
... .. **yet again in SQ '02**



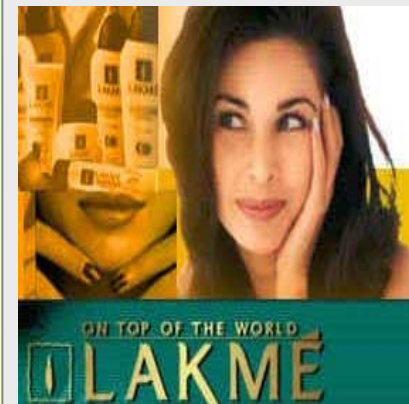
Fair & Lovely : 43%



Lifebuoy : 35%



Pears : 24%



Lakme : 16%



Wheel : 12%



Lux : 11%



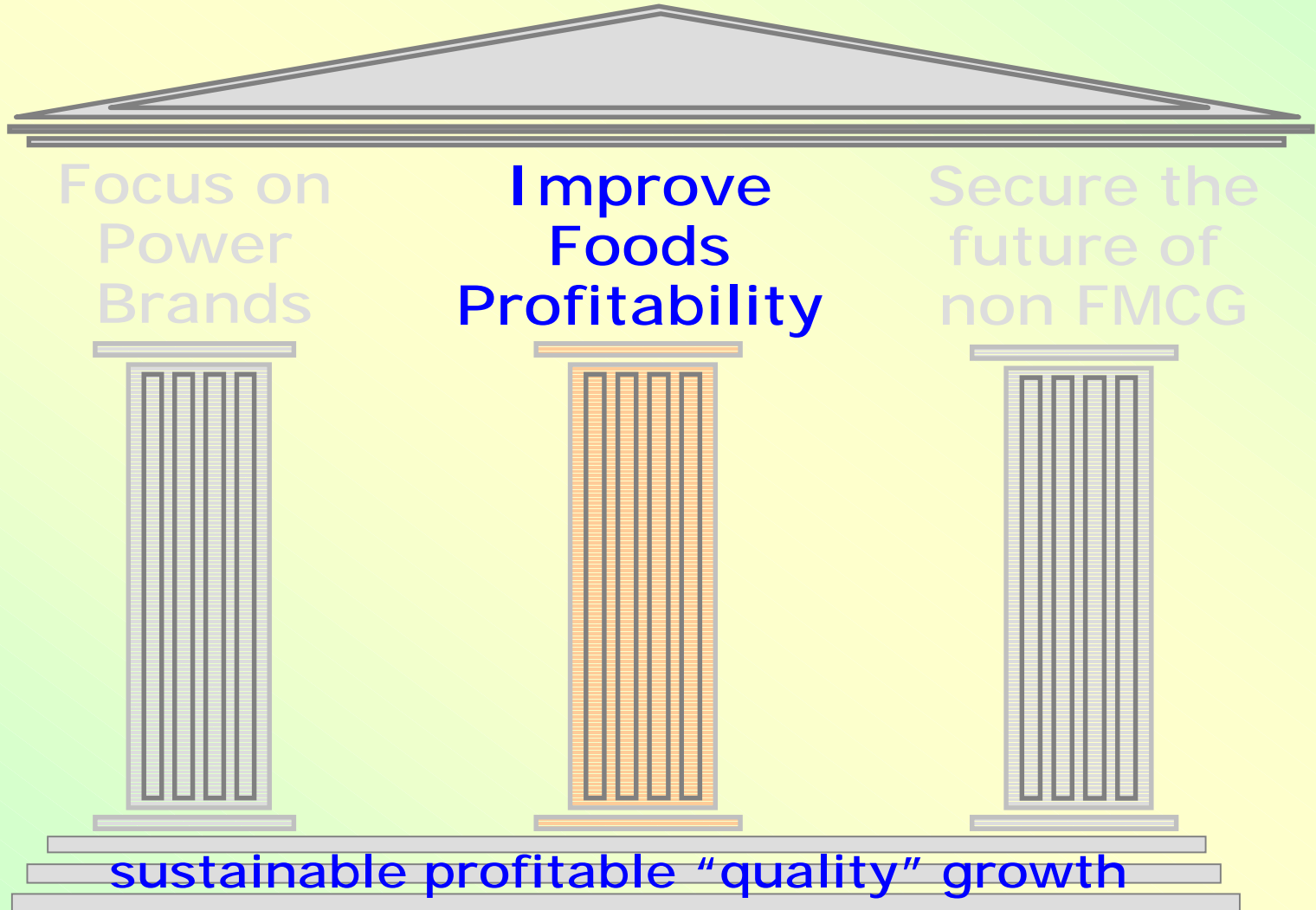
Ponds : 11%

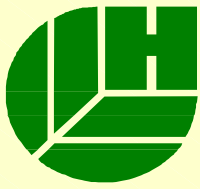


Clinic : 9%



# Strategy Recap





# Profitability of the Foods business

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- Reasonable scales of operations achieved
- Focus now on improving profitability
  - Portfolio rationalisation
  - Value added innovation
  - Re-engineering the supply chain
  - Improve margins on traditional portfolios -Tea, Oils
- Stop value destruction in Ice Creams - new strategy formulated
- Turnaround Modern Foods
- Aggressive investments in brand building & developing new categories

**Foods business to be “fit for growth & scale”**



# Sustained improvement in underlying profitability of Foods

## Beverages

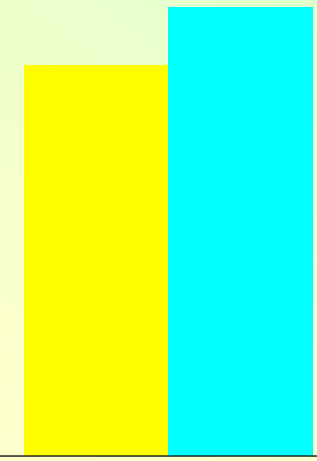
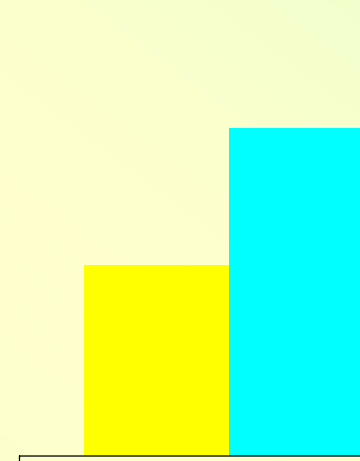
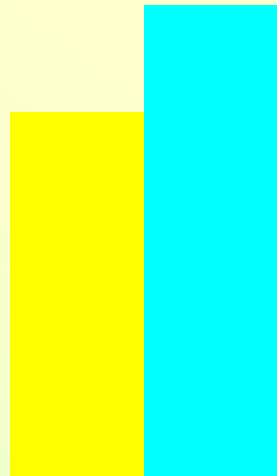
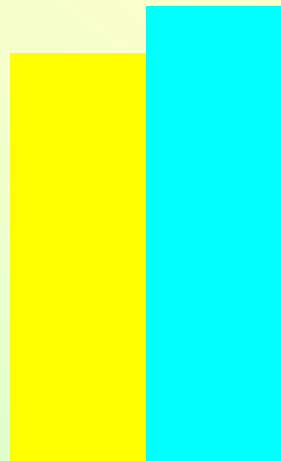
## Foods

+350 bps

+810 bps

+330 bps

+140 bps



SQ

YTD

SQ

YTD

2001 2002

Gross Margin Improvement

2001 2002

- Beverages & Foods gross margins up by 530 bps in YTD '02 (SQ '02 : + 240 bps)
- Modern Foods continues to perform well - margins up 580 bps in YTD '02



# Ice Creams : new strategy paying off...



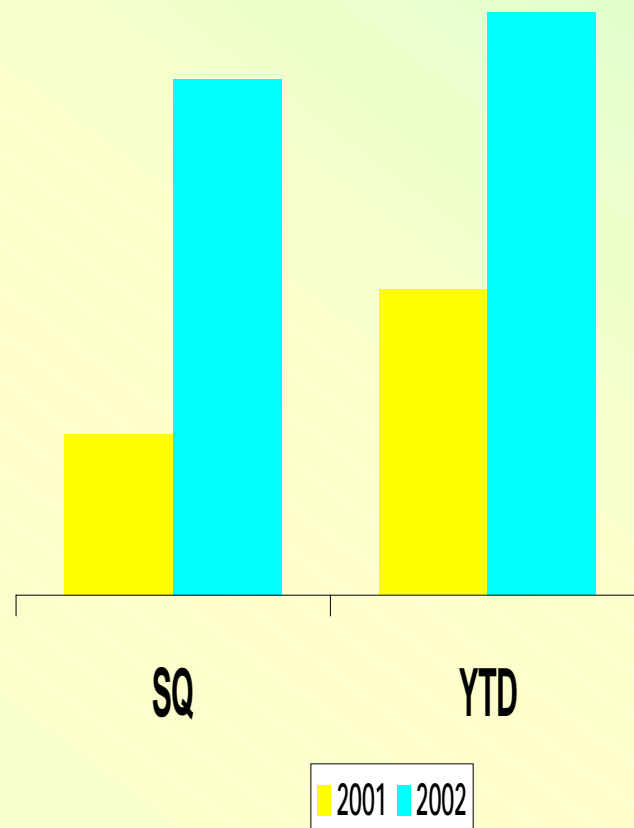
focus  
on premium products  
in premium outlets  
in few citadels

- New Strategy delivers sustained improvement in Gross Margins
- Focussed business model
- Significantly improved results

Gross Margin Improvement

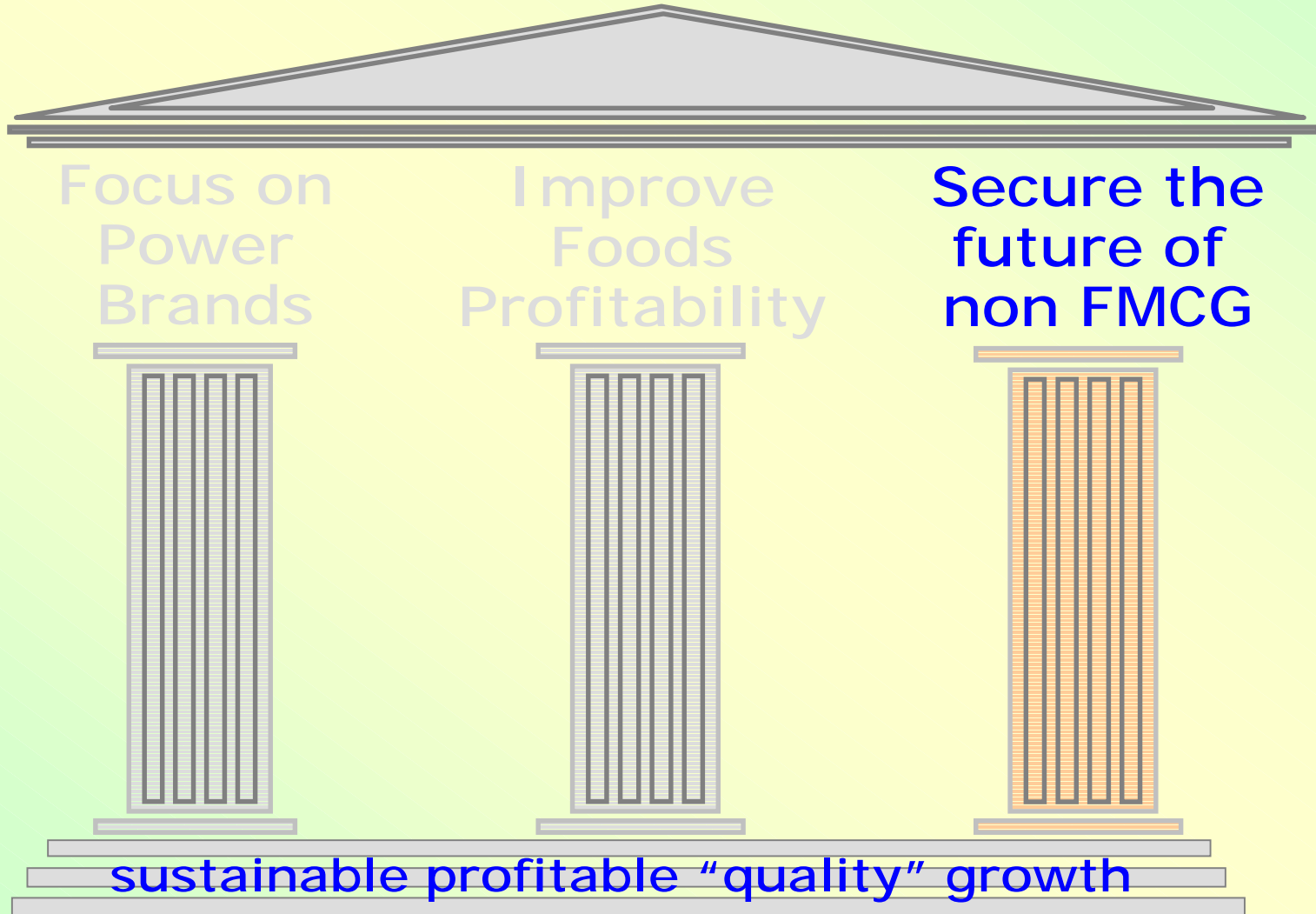
+1600 bps

+1250 bps



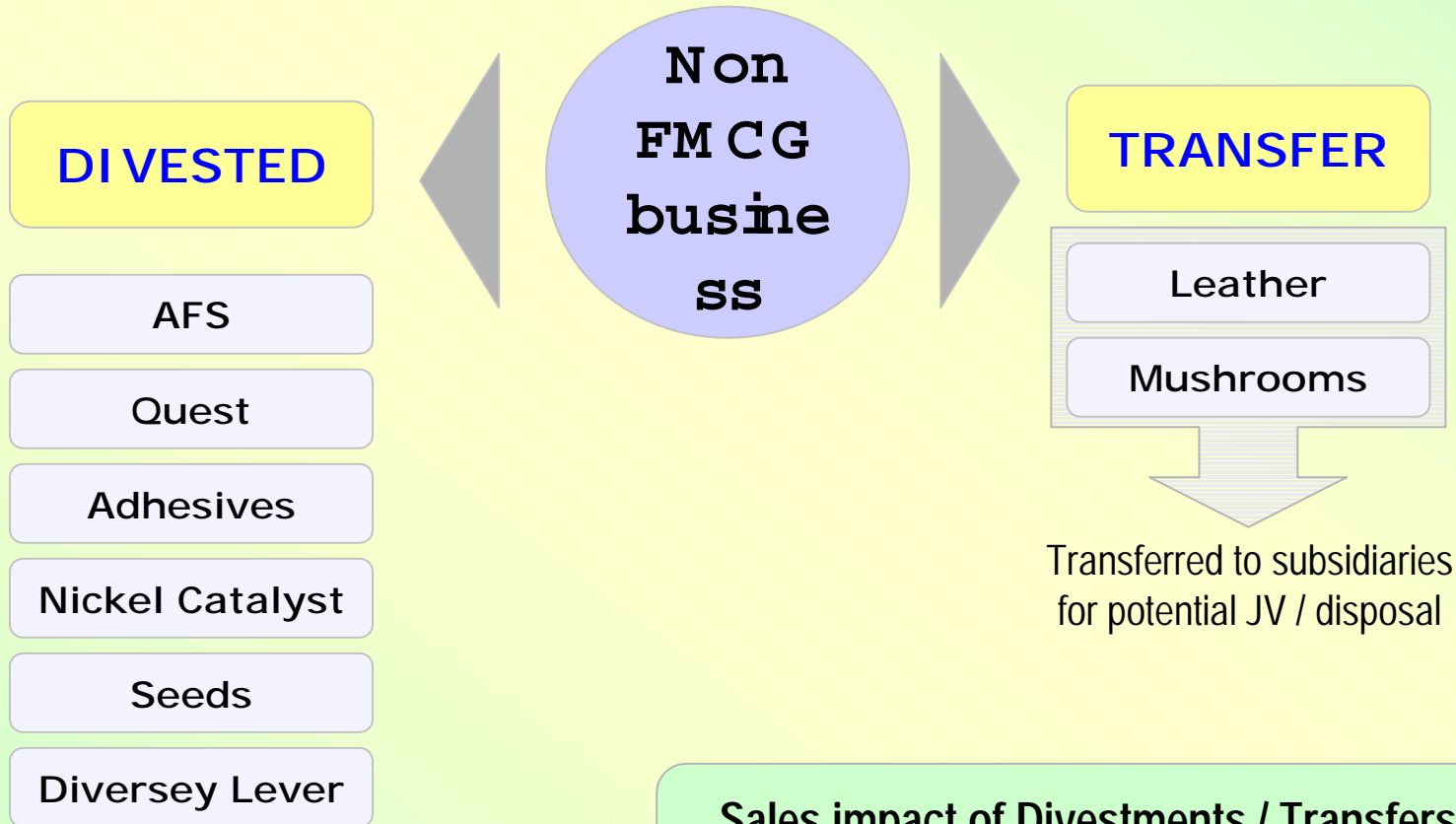


# Strategy Recap





# Securing the future of Non FMCG



**Sales impact of Divestments / Transfers  
Rs 202 Crores ( YTD '02 vs '01 )**



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**Results Highlights**



# SQ '02 Results - Snapshot

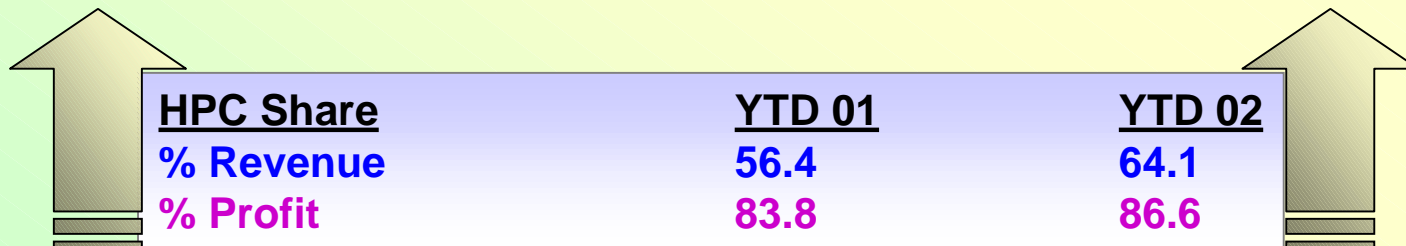
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- HPC Power Brands up by 6.8%, driving HPC growth of 4.9%
- Foods decline by 15.7% leading to flat FMCG sales
- Operating Profits (PBIT) up 16.6%, Margin Expansion by 390 bps
- Declining yields impact financial income (-9.5%) despite increase in invested surpluses
- Profit after tax ( before exceptional items ) grows by 11.2%
- Exceptional Cost of Rs 6.8 Cr ( SQ'01 - Income Rs 21.5 Cr ) due to Mushrooms transfer
- Progress on strategy well on course



# HPC Category Performance

- Detergents grow by 2.8%
  - Growth led by Personal Wash (+11.1%) : Lux, Lifebuoy, Pears do well
  - Mass markets do well in laundry, however impacting value growth (-2.0%)
  - Dishwash sales bounce back - up 5.5% driven by market activation in Vim
- **Personal Products back on track for near double digit growth (+9.5%)**
  - Skin continues to report strong growth (+48.6%)
  - Shampoo bounces back to growth (+2.9%) - driven by strategic responses on pricing & volume gains from introduction of new sachets / bottles
  - Talcs recover - driven by Ponds, Lakme drives growth in colour cosmetics
  - Toothpaste & Hair Oil sales decline - impact overall growth



<u>HPC Share</u>	<u>YTD 01</u>	<u>YTD 02</u>
% Revenue	56.4	64.1
% Profit	83.8	86.6



# Foods Performance

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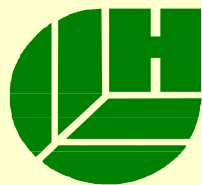
- Tea sales impacted by weak commodity prices & intense low cost local competition
- Instant coffee registers strong growth
- Oils & Fats affected by structural issues & tariffs
- Branded staples - focus on margin correction

**Portfolio restructuring & margin expansion well on course**



# SQ 2002 Sales Summary

Rs Crores	SQ 2001	SQ 2002	Growth %
<b>Domestic FMCG</b>	<b>2066</b>	<b>2048</b>	<b>(0.9)</b>
- HPC	1486	1559	4.9
- Foods	579	489	(15.7)
<b>Exports</b>	<b>273</b>	<b>280</b>	<b>2.5</b>
- FMCG	173	164	(5.2)
- Non FMCG	101	116	15.6
<b>Others</b>	<b>52</b>	<b>39</b>	<b>(25.2)</b>
<b>CONTINUING BUSINESSES</b>	<b>2391</b>	<b>2366</b>	<b>(1.0)</b>
<b>Disposals / Discontinued</b>	<b>160</b>	<b>1</b>	<b>(99.1)</b>
<b>NET SALES</b>	<b>2551</b>	<b>2367</b>	<b>(7.2)</b>



# YTD 2002 Sales Summary

Rs Crores	YTD 2001	YTD 2002	Growth %
<b>Domestic FMCG</b>	<b>6342</b>	<b>6301</b>	<b>(0.6)</b>
- HPC	4613	4746	2.9
- Foods	1729	1556	(10.0)
<b>Exports</b>	<b>883</b>	<b>853</b>	<b>(3.4)</b>
- FMCG	539	485	(10.0)
- Non FMCG	344	368	6.9
<b>Others</b>	<b>123</b>	<b>116</b>	<b>(5.9)</b>
<b>CONTINUING BUSINESSES</b>	<b>7348</b>	<b>7270</b>	<b>(1.1)</b>
Disposals / Discontinued	623	50	(91.9)
<b>NET SALES</b>	<b>7971</b>	<b>7320</b>	<b>(8.2)</b>



# SQ 2002 Results

<b>Rs.Crores</b>	<b>SQ 2001</b>	<b>SQ 2002</b>	<b>Growth %</b>
<b>PBIT</b>	<b>389</b>	<b>454</b>	<b>16.6</b>
Fin Income (net)	89	81	-8.9
<b>PBT</b>	<b>478</b>	<b>535</b>	<b>11.9</b>
Tax ( incl Deferred )	101	115	14.2
<b>PAT ( bei )</b>	<b>378</b>	<b>420</b>	<b>11.2</b>
Exceptional Item	22	(7)	
<b>Net Profit</b>	<b>399</b>	<b>413</b>	<b>3.5</b>



# YTD 2002 Results

Rs.Crores	YTD 2001	YTD 2002	Growth %
<b>PBIT</b>	<b>1094</b>	<b>1300</b>	<b>18.8</b>
Fin Income (net)	239	207	(13.5)
<b>PBT</b>	<b>1333</b>	<b>1506</b>	<b>13.0</b>
Tax ( incl Deferred )	292	332	13.6
<b>PAT ( bei )</b>	<b>1041</b>	<b>1174</b>	<b>12.8</b>
Exceptional Item	164	115	(30.0)
<b>Net Profit</b>	<b>1205</b>	<b>1289</b>	<b>7.0</b>



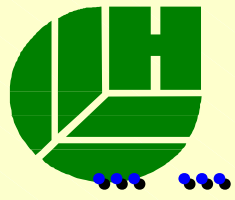
# Segmental Revenue

Rs.Crores	SQ 2001	SQ 2002	% Change	YTD 2001	YTD 2002	% Change
Soaps & Detergents	1032	1062	3.0	3151	3253	3.2
Personal Products	459	508	10.7	1473	1524	3.5
Beverages	336	270	(19.6)	1046	914	(12.6)
Foods	203	184	(9.1)	550	522	(5.2)
Ice Cream	33	23	(29.6)	124	90	(27.6)
Exports	420	280	(33.3)	1361	888	(34.8)
Others	149	86	(42.2)	490	261	(46.6)
<b>Total Segment Revenue</b>	<b>2632</b>	<b>2415</b>	<b>(8.2)</b>	<b>8196</b>	<b>7451</b>	<b>(9.1)</b>
Less: Inter Segment Revenue	(74)	(28)	(61.7)	(207)	(71)	(65.4)
<b>Net Segment Revenue</b>	<b>2558</b>	<b>2386</b>	<b>(6.7)</b>	<b>7989</b>	<b>7380</b>	<b>(7.6)</b>



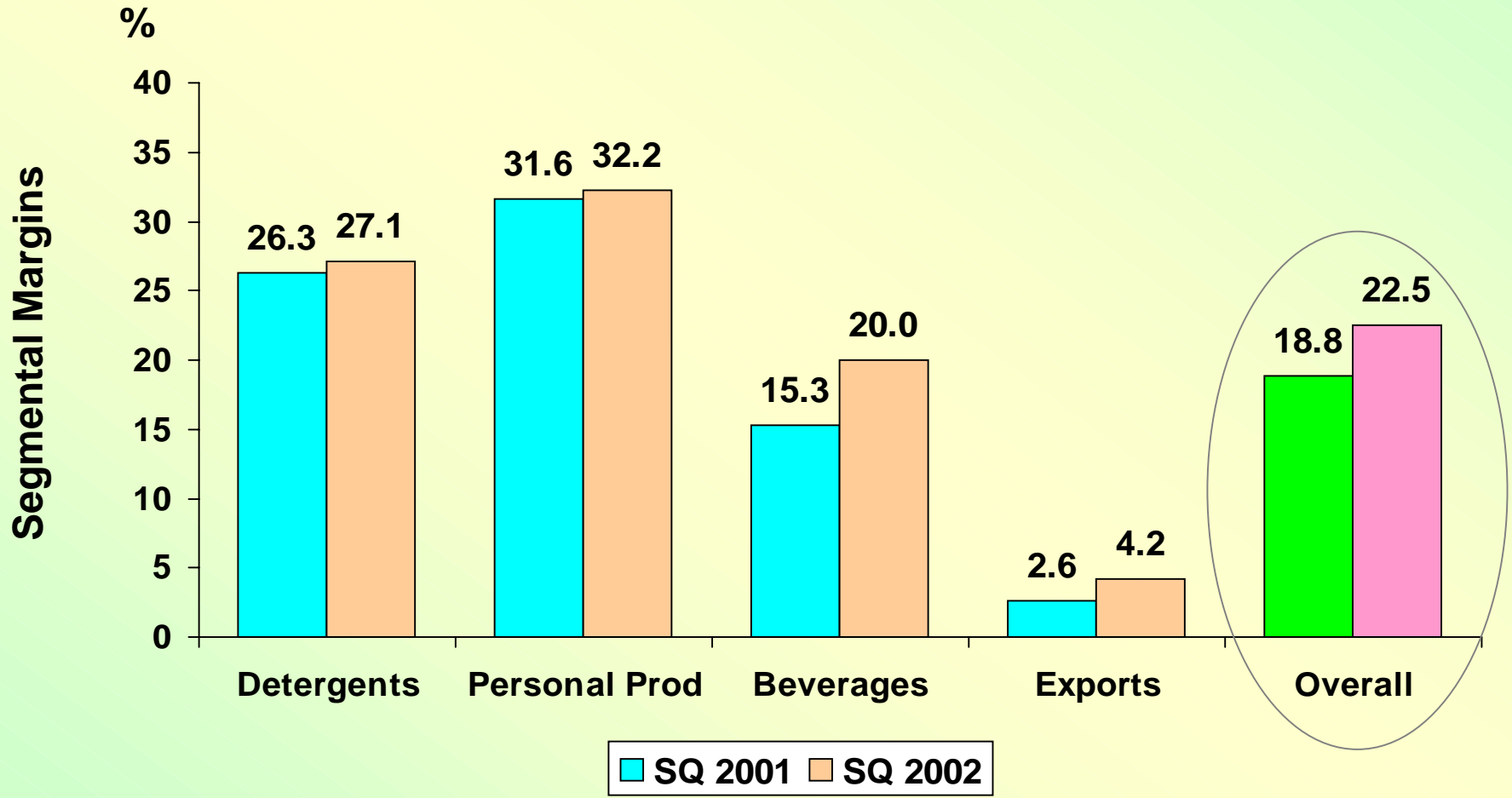
# Segmental Results

Rs.Crores	SQ 2001	SQ 2002	% Change	YTD 2001	YTD 2002	% Change
Soaps & Detergents	271	288	6.4	675	800	18.6
Personal Products	145	164	12.8	436	502	15.2
Beverages	52	54	5.3	156	173	10.9
Foods	(10)	(7)	24.2	(7)	(22)	(241.9)
Ice Cream	(9)	(2)	81.7	(18)	(4)	75.1
Exports	11	12	7.2	46	58	25.3
Others	1	2	97.6	36	(2)	
<b>Total Segment Results</b>	<b>461</b>	<b>511</b>	<b>10.8</b>	<b>1325</b>	<b>1504</b>	<b>13.6</b>
Less: Interest Expense	(3)	(2)	(30.7)	(6)	(8)	(34.1)
Add: Unallocable net income	20	26	30.3	14	10	(30.6)
<b>Total Profit Before Tax</b>	<b>478</b>	<b>535</b>	<b>11.9</b>	<b>1333</b>	<b>1506</b>	<b>13.0</b>



# Focus on Profitability

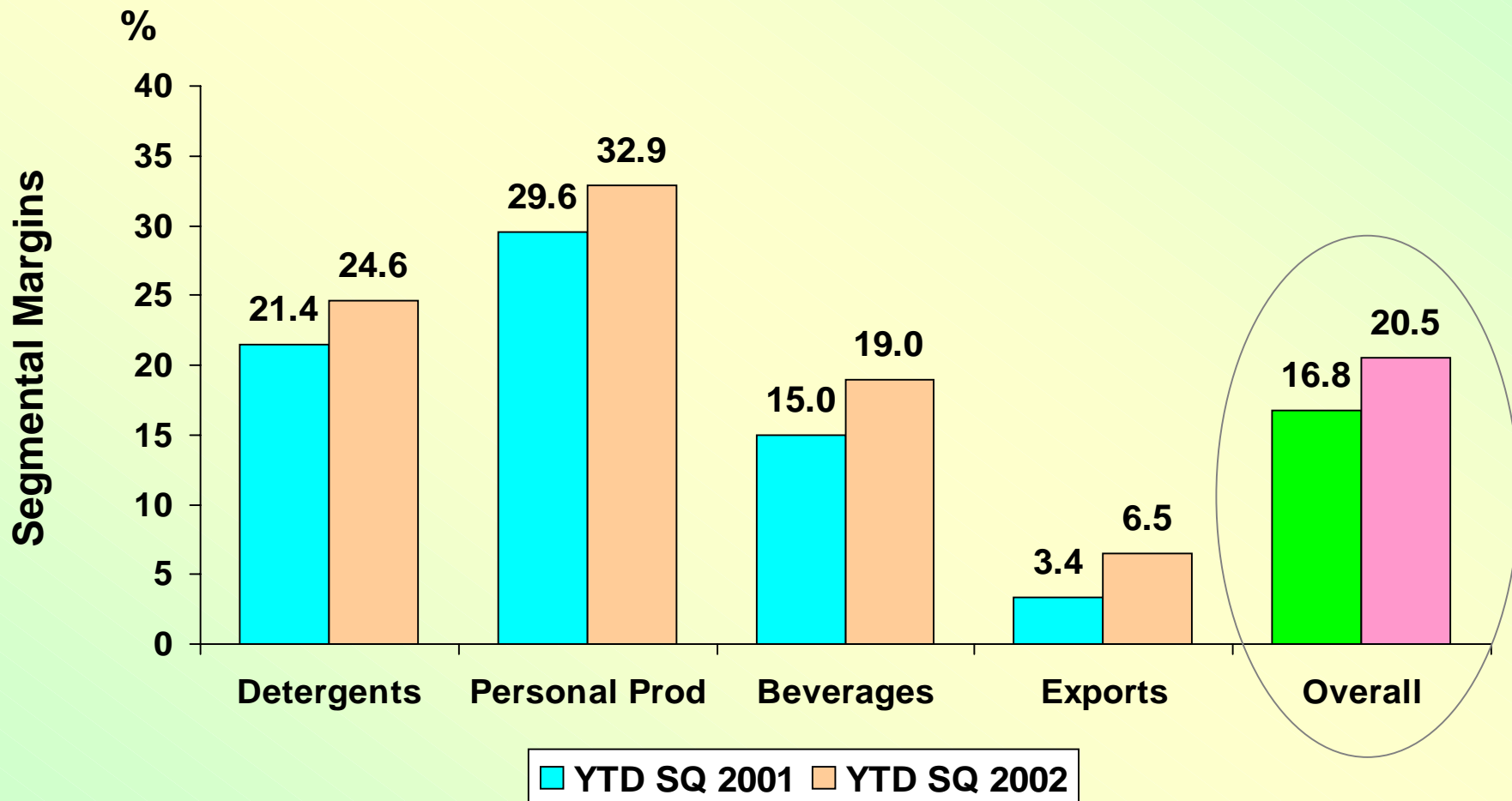
... .. **im proved segm entalm argins in SQ 02**





# Focus on Profitability

... continued trend on improved segmental margins





# Focus on profitability continues

Rs Crore	SQ 2001	SQ 2002	% Growth
Operating Profit (PBIT)	389	454	16.6
Operating Margin %	15.3	19.2	+390 bps

%	YTD 2001	YTD 2002
Return on Net Worth	49.1	45.3
ROCE	61.9	58.1



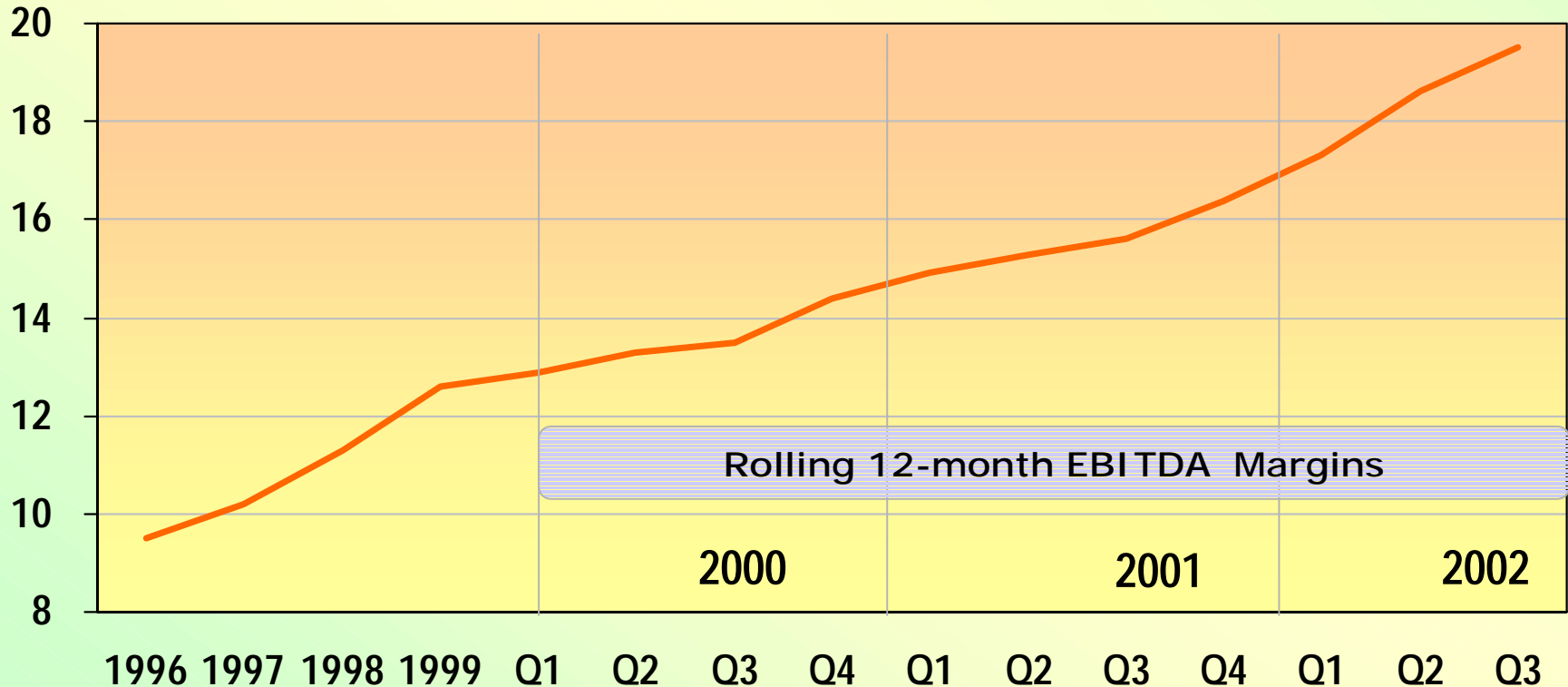
# EBITDA Margin Progression

Portfolio Rationalisation

Focus on Foods Profitability

Cost Management Initiatives

% Sales





**HINDUSTAN LEVER LIMITED**

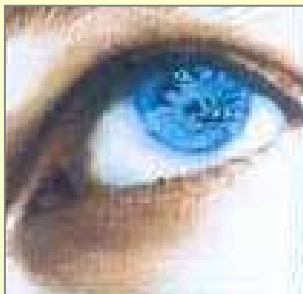
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**2003 & Beyond....**



# Shaping Brands for Growth

brand vision



growth opportunities

- new categories
- new consumers
- new consumption opportunities



innovation





# The 'HLL Way in Sales'

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

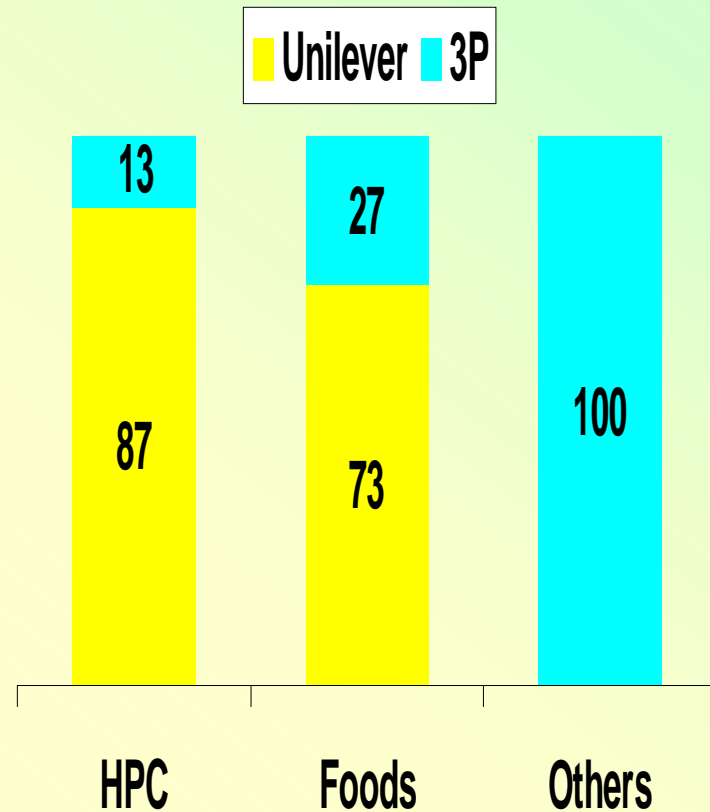




# A New Exports Horizon

## growing a \$ B In sourcing business out of India

- Leveraging on cost arbitrage opportunities with the West & Unilever sourcing
- Focus on categories with company / country specific advantage
- Build sourcing partnerships on the basis of
  - World class quality
  - Technological / process expertise
  - Customer service
  - Cost competitiveness
- Export sourcing opportunities not at the cost of domestic business
- Sourcing business will improve Exports margin basket



Leveraging  
Unilever



# A New Paradigm Supply Chain

- **RS-net implementation**

- Connectivity with HLL RSs

- **Benefits**

- System cost reduction
- Secondary Sales Tracking
- Robust sales & production planning
- Higher ROI for Redistribution Stockist
- Field force focus on "the HLL Way of Sales"

- **Project Leap**

- Personal wash pilot
- Phased roll-out

- **Shared services:**

- Technical capability established
- Roll-out in progress

**..m ake today  
what we  
sold yesterday**



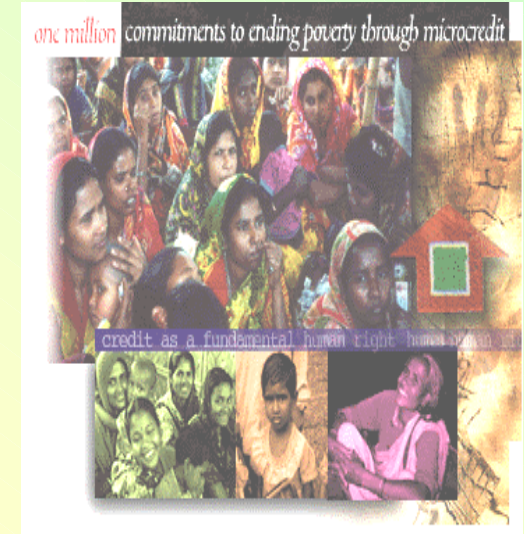


# Driving New Initiatives



Water

Rural  
Connectivity



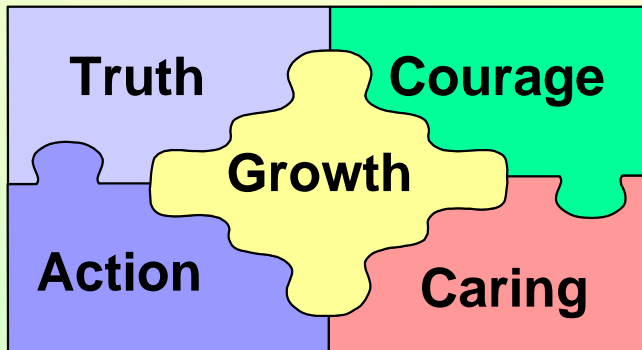
E-Tailing





# Team working drives Enterprise Culture

- Goal Alignment
- Emotional Bonding
- Shared Values



Values form the bedrock of our Culture to drive Growth



**HINDUSTAN LEVER LIMITED**

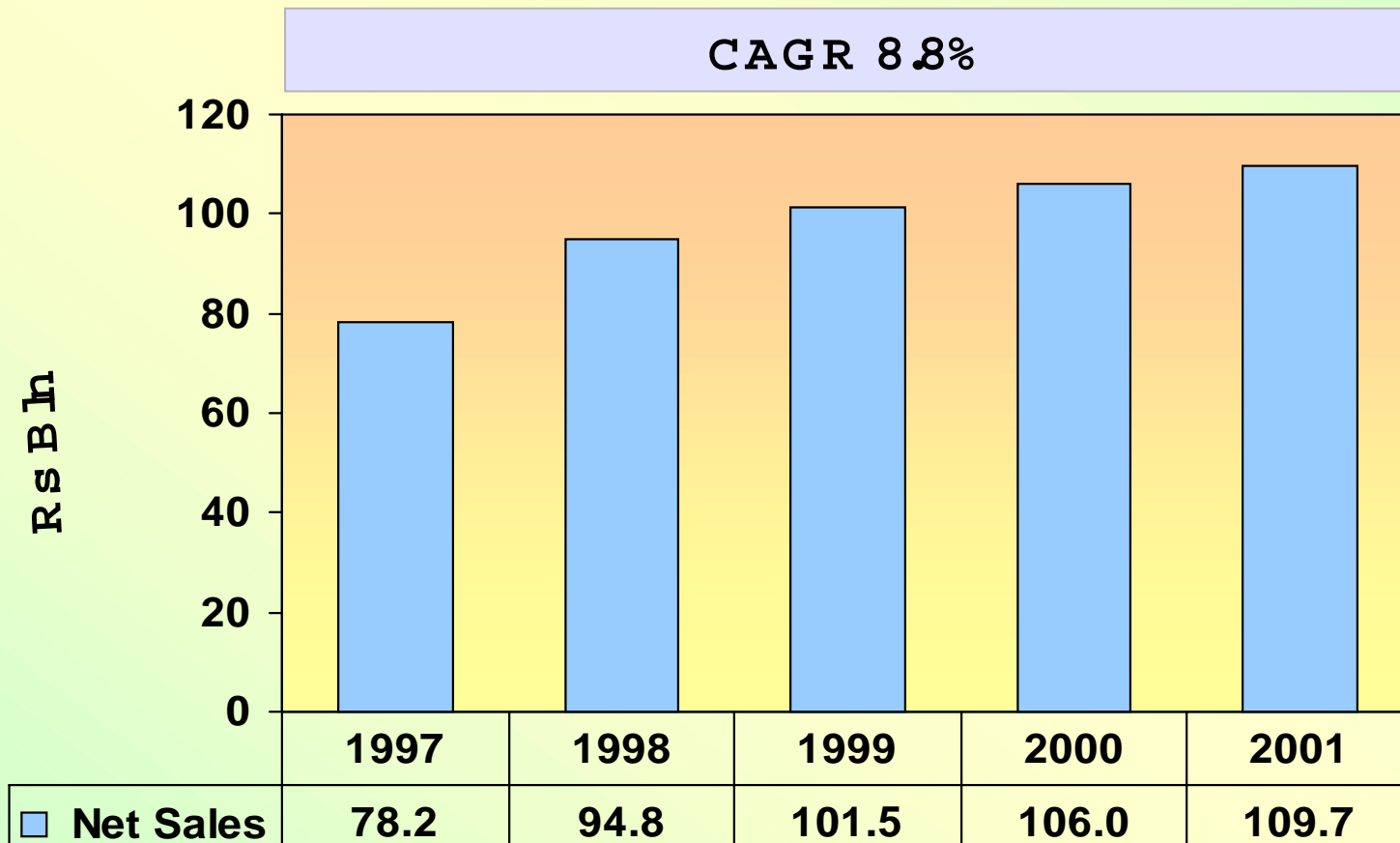
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A dense collage of various Hindustan Lever products, including Pepsodent toothpaste, Lux soap, Active Wheel, Vim, Rin, Surf Excel, Lipton Ice Tea, and others, serving as a background for the slide.

# Performance Trends

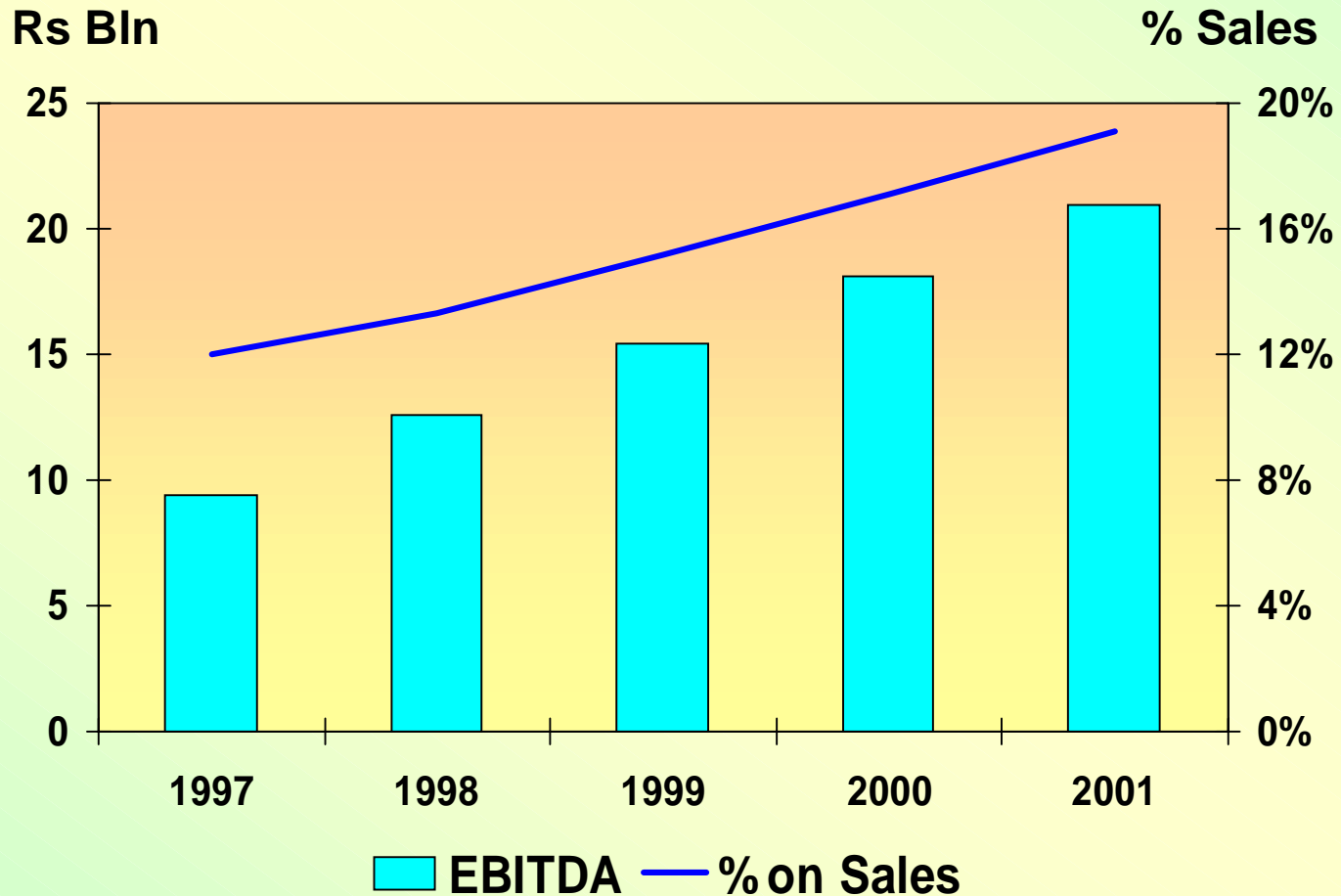


# Net Sales





# Operating Profits / Margins

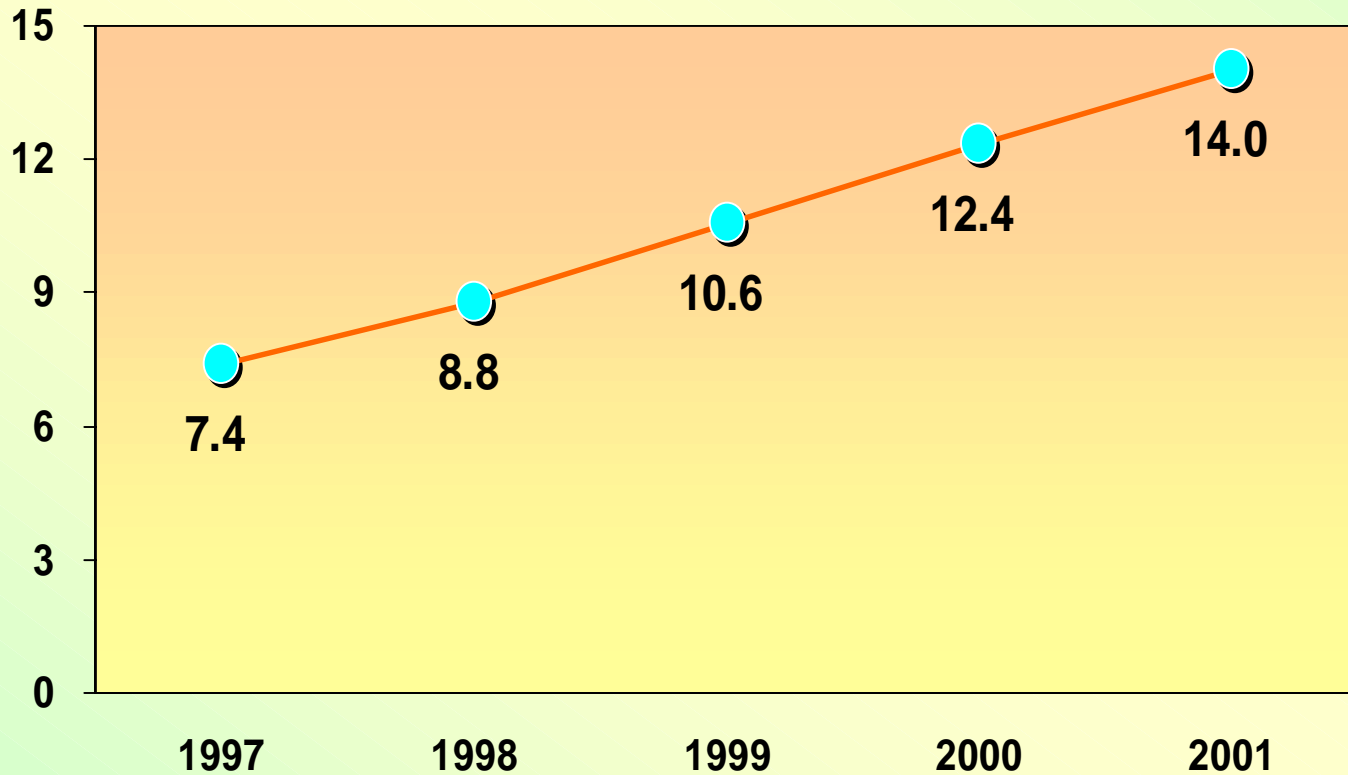


*EBITDA = PBT (bei) + Deprn + Interest*



# Net Margins

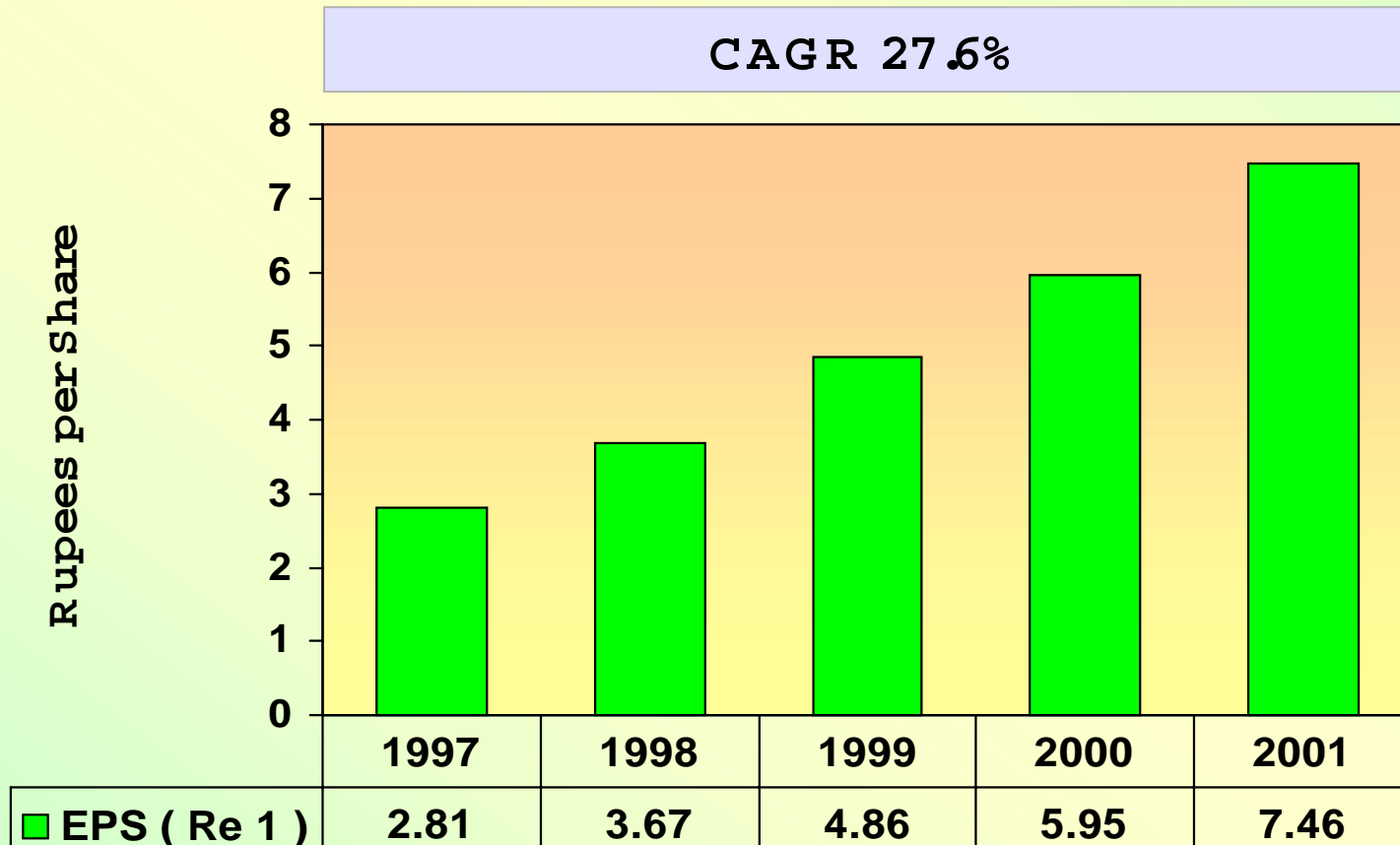
% Sales



*Based on PAT (before exceptional items)*

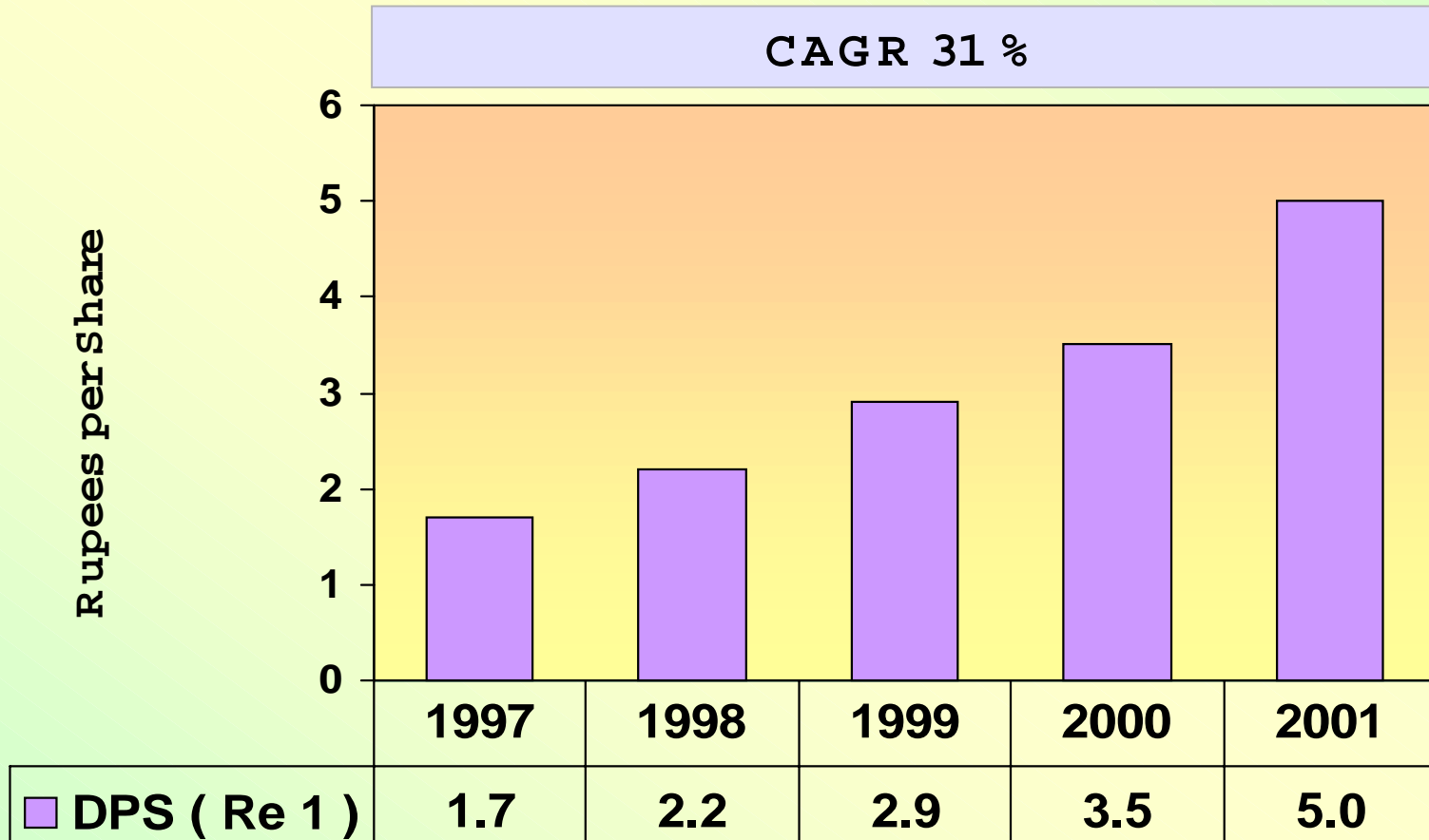


# Earnings Per Share





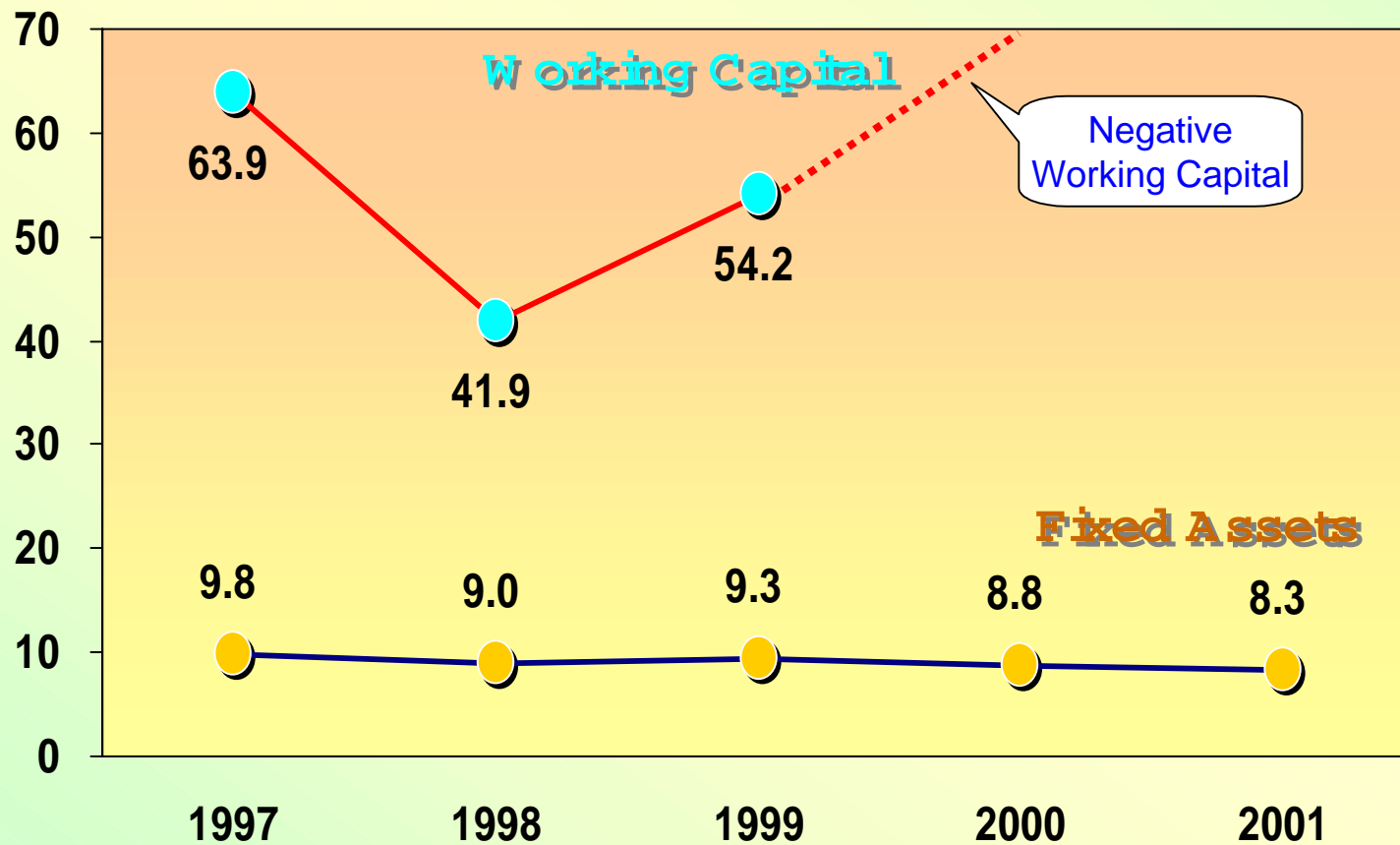
# Dividend Per Share





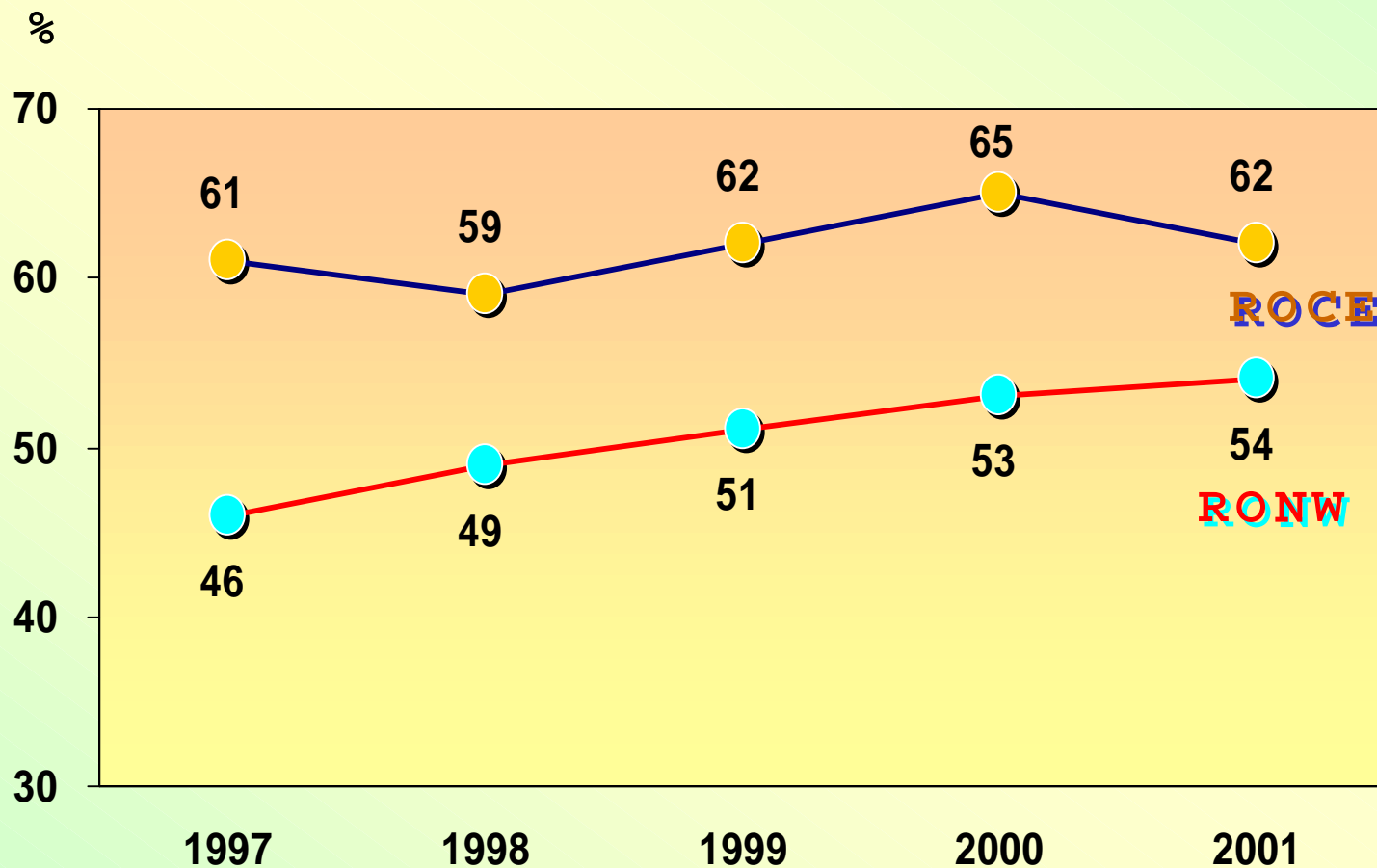
# Asset Turnover

Times





# Returns



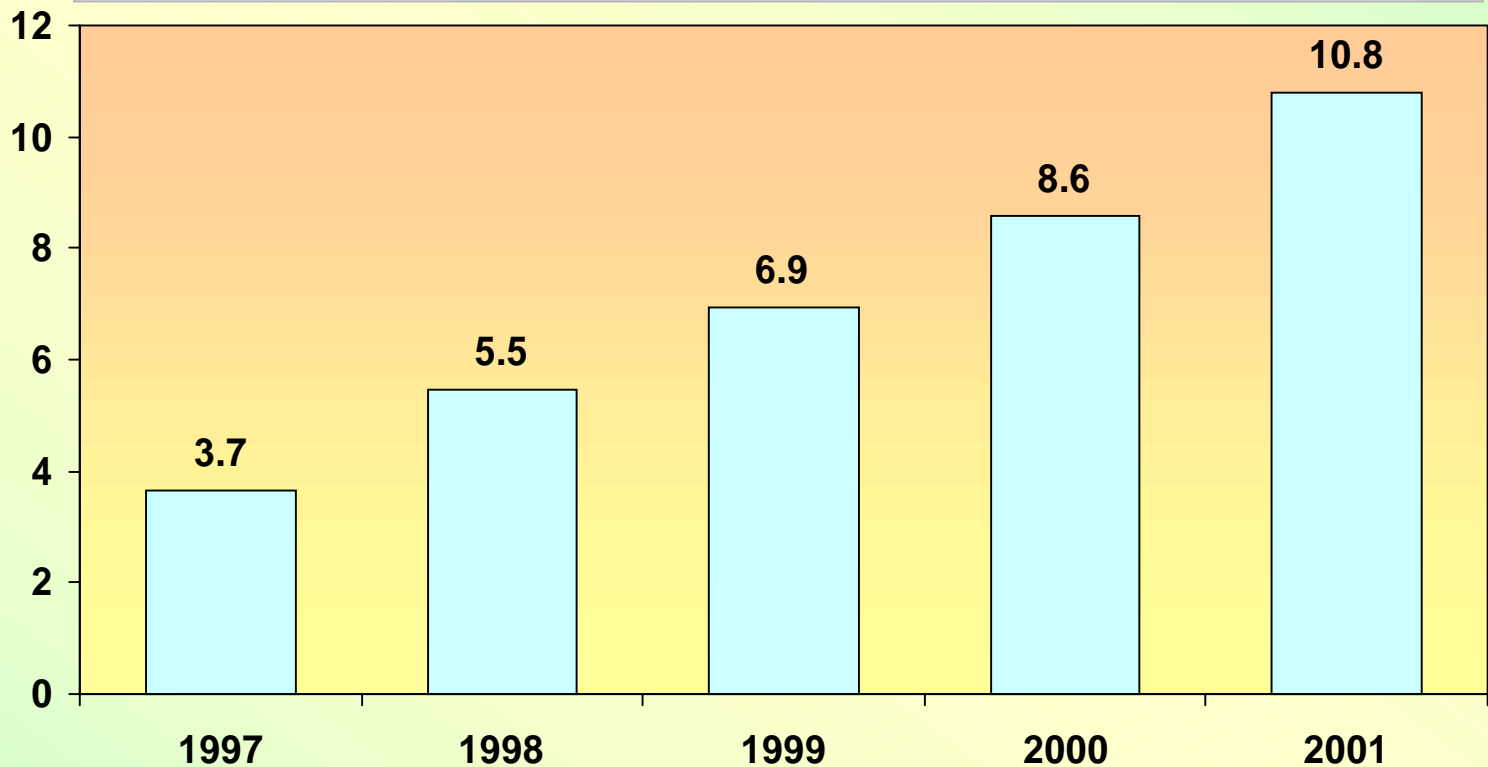
RONW based on PAT (before exceptional items)



# Economic Value Added

CAGR 31.2 %

Rs. Bln



EVA / Cap Empl %

28.4

33.2

33.5

35.9

38.4

\* EVA = Net Operating Profit after Taxes - Cost of capital Employed



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**Thank You**