

**HINDUSTAN LEVER LIMITED**

**Analysts Meet**

**Mumbai - 22<sup>nd</sup> July, 2002**

**Results  
JQ & FH 2002**





# Economy - modest recovery in sight

- GDP growth of 5.4% in 2001-02, agrigrowth at 5.7%
  - lagged in pacton ruraldem and
- **Early signs of revival in ruraldem and & business confidence - signs of industrial revival still weak**
- **Econom ic outlook for 2002-2003 hinges on**
  - Monsoon & agricultural production
  - Agriproduct prices
  - Acceleration in infrastructure development



# Good JQ 2002 performance

- HPC Power Brands up by 5% - driving HPC growth of 3.9%
- Overall FMCG sales grow by 1.7% in a declining market
  - Personal Wash sales up 12%
  - Skin (+19%) continued strong growth
  - Toothpaste sales decline reversed
  - Oil & Fats (+5%), Culinary (+12%) & Coffee (+ 8%) did well
- Operating Profits (EBIT) up 23.7%, Margin Expansion by 460 bps
- Profit after tax ( before exceptional items ) grows by 15.5%
- Exceptional Income of Rs 46.9 Cr ( JQ'01 - Rs 119.9 Cr ) from Diversey Lever disposal
- Progress on strategy well on course



# Strategy recap

## KEY STRATEGIC OBJECTIVES

**Growth thru'  
focus on  
Power Brands**

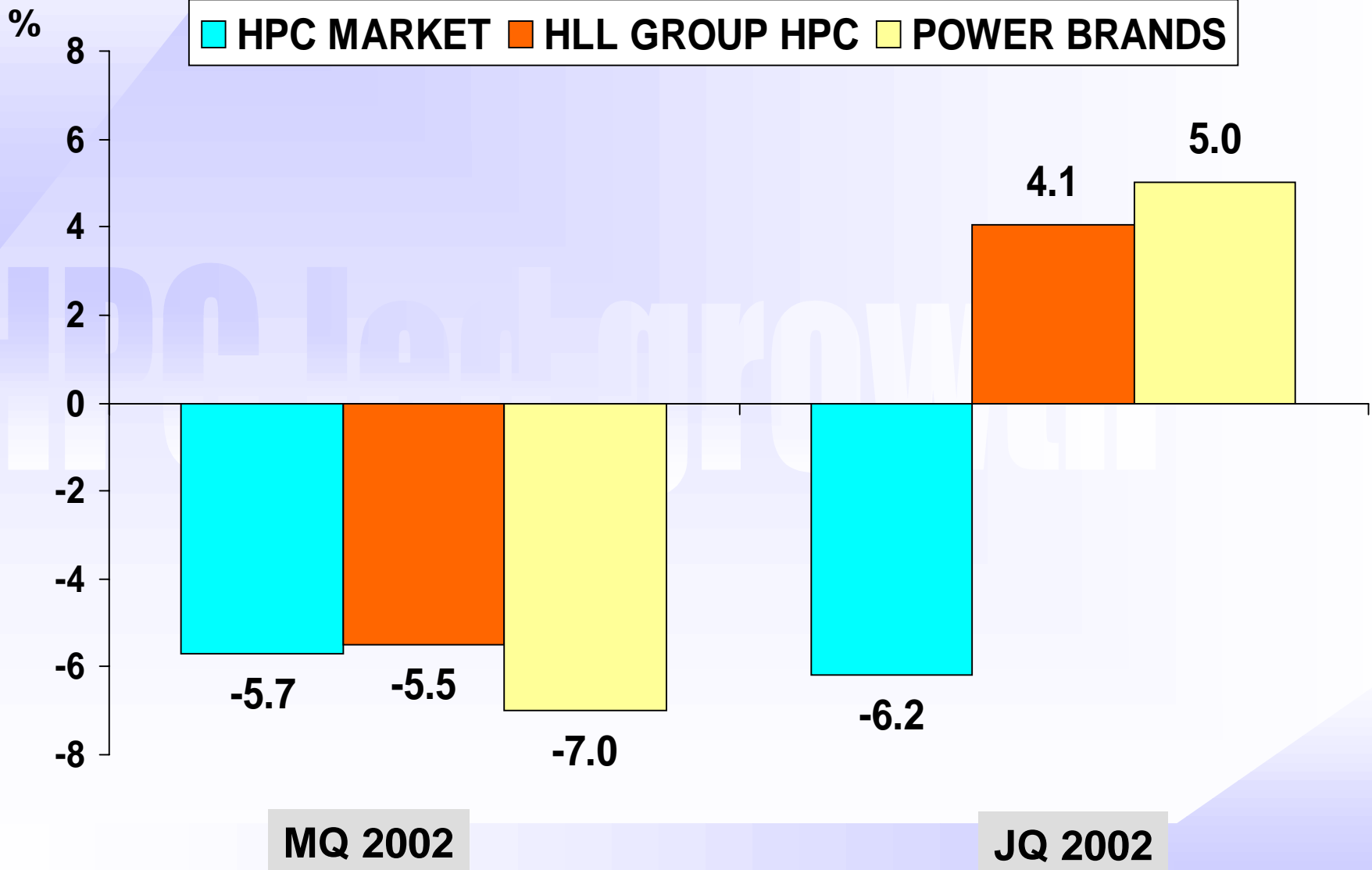
**Improving  
Foods  
Profitability**

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

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



# HPC growth beats the market





# Innovation fuels growth

- Lifebuoy

Innovation



# Market rewards Lifebuoy

- Lifebuoy grows by 30.3%





# Innovation fuels growth

- Lifebuoy

- Fair & Lovely

Innovation





# Fair & Lovely bounces back to high growth

- Fair & Lovely grows by 21.5%





# Innovation fuels growth

- Lifebuoy

- Fair & Lovely

- Liril



# Liril continues to grow strongly

- Liril grows by 12.4%





# Innovation fuels growth

- Lifebuoy

- Fair & Lovely

- Liril

- **Ayush**



# Lever Ayush

## Poshak, Nashak, Rakshak



### truth of Ayurveda proof of Science

- Ayush launched in June '02 after rigorous R&D and extensive clinical testing
- 5 OTC non prescriptive products introduced
- Purity of ayurvedic ingredients endorsed by AVP , Coimbatore
- Launched in Tamilnadu, phased rollout





# Market activation drives growth

- Lux

Activation



# Growing Lux

- Lux grows by 14.5%





# Market activation drives growth

- Lux
- Surf

Activation





# Got Kids ? Get New Surf

- Surf grows by 10.4%





# Market activation drives growth

- Lux
- Surf
- Wheel

Activation



# Bringing Wheel to life

- Wheel grows by 5.8%





# Market activation drives growth

- Lux
- Surf
- Wheel
- **Pepsodent**

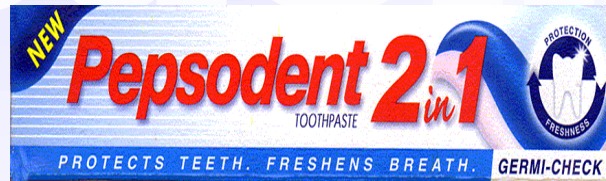


# The Magic of Pepsodent

- Pepsodent grows by 5.2%



Pepsodent Germ Indicator Drive





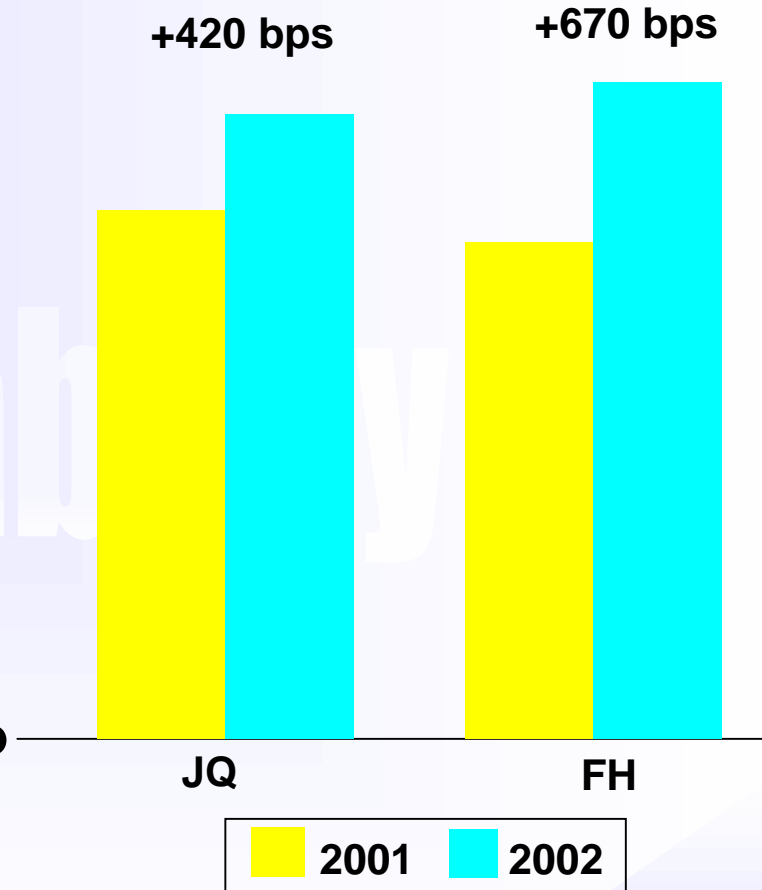
# Sustained improvement in underlying profitability of Foods

- Beverages & Foods gross margins up by

670 bps in FH '02 (JQ '02 : + 420 bps)

- Modern Foods achieves Operational Break-Even

- Foods margin improvement reinvested to support innovation



Gross Margin  
Improvement

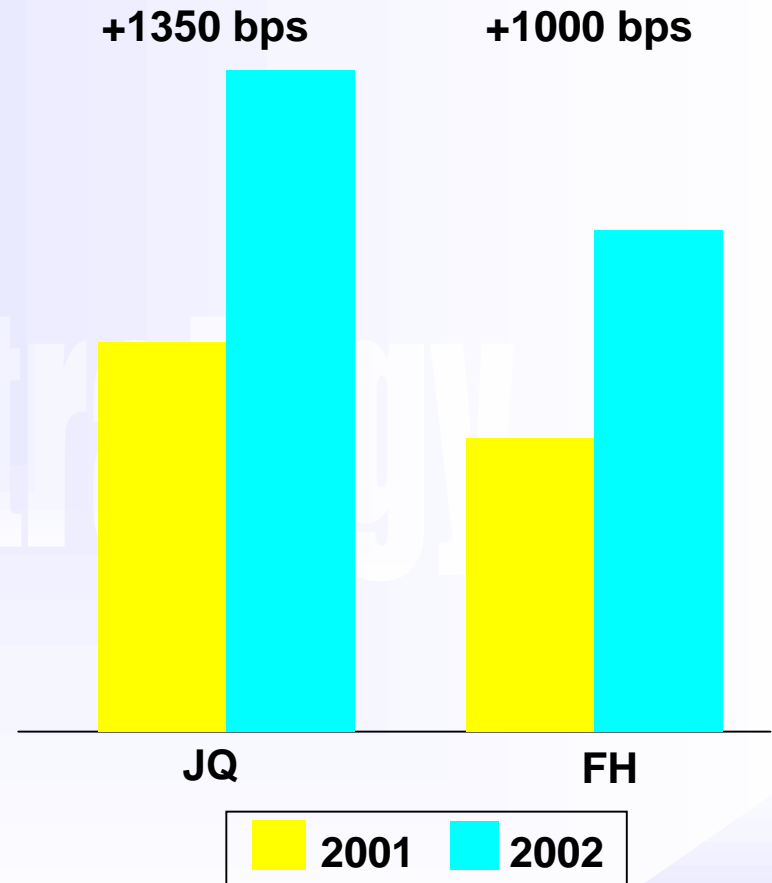


# **Foods** **innovation** **in** **market**



# Ice Creams - new strategy working

- New Strategy implemented
  - Focussed business model
- Step change in Gross Margins
- Significantly improved results



Gross Margin Improvement





# Confectionery rolls ahead



- Max forays into confectionery
- Child centric product development / innovation
- Nationally rolled out post success in Tamil Nadu
- Max' range of confectionery annualised sale > Rs 50 Crs

**Max set to become the largest kids in pulse brand**



# Securing the future of Non FM CG businesses

- Divestments completed
  - Seeds (MQ 02)
  - Diversy Lever (JQ 02)
- Transfer of Leather & Mushroom s business to subsidiaries for potential JV /divestment
- Traded exports rationalised



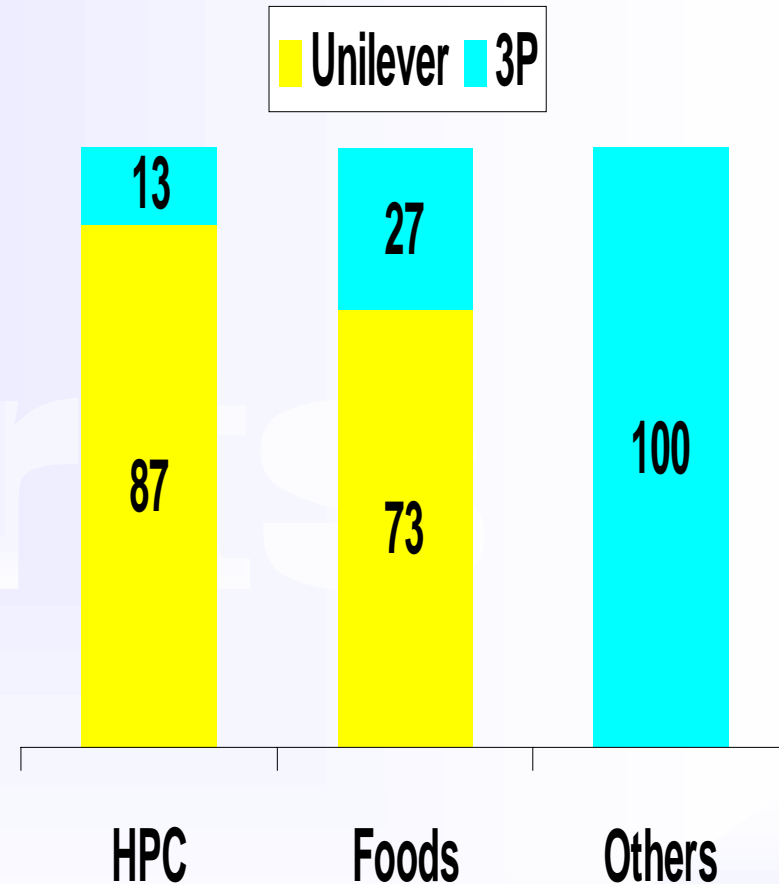
# Core exports do well

- Share of core FMCG in total exports increases
- HPC exports up 7.4% in JQ '02
- Foods exports down by 12.9% in JQ '02
  - impacted by loss of Tea exports to Russia
- Unilever sourcing opportunities secured for Tea Bags
- Coffee exports grow well
- Processed marine records healthy double digit growth
- Rice exports double in JQ '02



# Sourcing opportunities growing a \$ bln business

- Leveraging on cost arbitrage opportunities with the West & Unilever sourcing
- Export sourcing opportunities not at the cost of domestic business
- Sourcing business will improve Exports margin basket



Leveraging  
Unilever



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# Financial Highlights

## **Financial highlights & insights**



# JQ 2002 sales summary

Rs Crores	JQ 2001	JQ 2002	Growth %
<b>Domestic FMCG</b>	<b>2287</b>	<b>2326</b>	<b>1.7</b>
- HPC	1731	1799	3.9
- Foods	556	527	(5.2)
<b>Exports</b>	<b>313</b>	<b>305</b>	<b>(2.8)</b>
- FMCG	178	169	(5.2)
- Non FMCG	135	136	0.5
<b>Others</b>	<b>41</b>	<b>35</b>	<b>(14.7)</b>
<b>CONTINUING BUSINESSES</b>	<b>2642</b>	<b>2667</b>	<b>0.9</b>
<b>Disposals / Discontinued</b>	<b>289</b>	<b>5</b>	<b>(98.3)</b>
<b>NET SALES</b>	<b>2931</b>	<b>2672</b>	<b>(8.9)</b>



# JQ 2002 results

<b>Rs.Crores</b>	<b>JQ 2001</b>	<b>JQ 2002</b>	<b>Growth %</b>
<b>PBIT</b>	<b>376</b>	<b>465</b>	<b>23.7</b>
Fin Income (net)	73	55	(24.3)
<b>PBT</b>	<b>449</b>	<b>520</b>	<b>15.9</b>
Tax ( incl Deferred )	102	119	17.3
<b>PAT ( bei )</b>	<b>347</b>	<b>400</b>	<b>15.5</b>
Exceptional Item	120	47	(60.9)
<b>Net Profit</b>	<b>467</b>	<b>447</b>	<b>(4.1)</b>



# FH 2002 sales summary

Rs Crores	FH 2001	FH 2002	Growth %
<b>Domestic FMCG</b>	<b>4430</b>	<b>4353</b>	<b>(1.7)</b>
- HPC	3273	3278	0.1
- Foods	1157	1076	(7.0)
<b>Exports</b>	<b>622</b>	<b>582</b>	<b>(6.5)</b>
- FMCG	368	327	(11.1)
- Non FMCG	254	255	0.3
<b>Others</b>	<b>72</b>	<b>77</b>	<b>7.9</b>
<b>CONTINUING BUSINESSES</b>	<b>5124</b>	<b>5013</b>	<b>(2.2)</b>
<b>Disposals / Discontinued</b>	<b>450</b>	<b>40</b>	<b>(91.2)</b>
<b>NET SALES</b>	<b>5574</b>	<b>5052</b>	<b>(9.4)</b>





## FH 2002 results

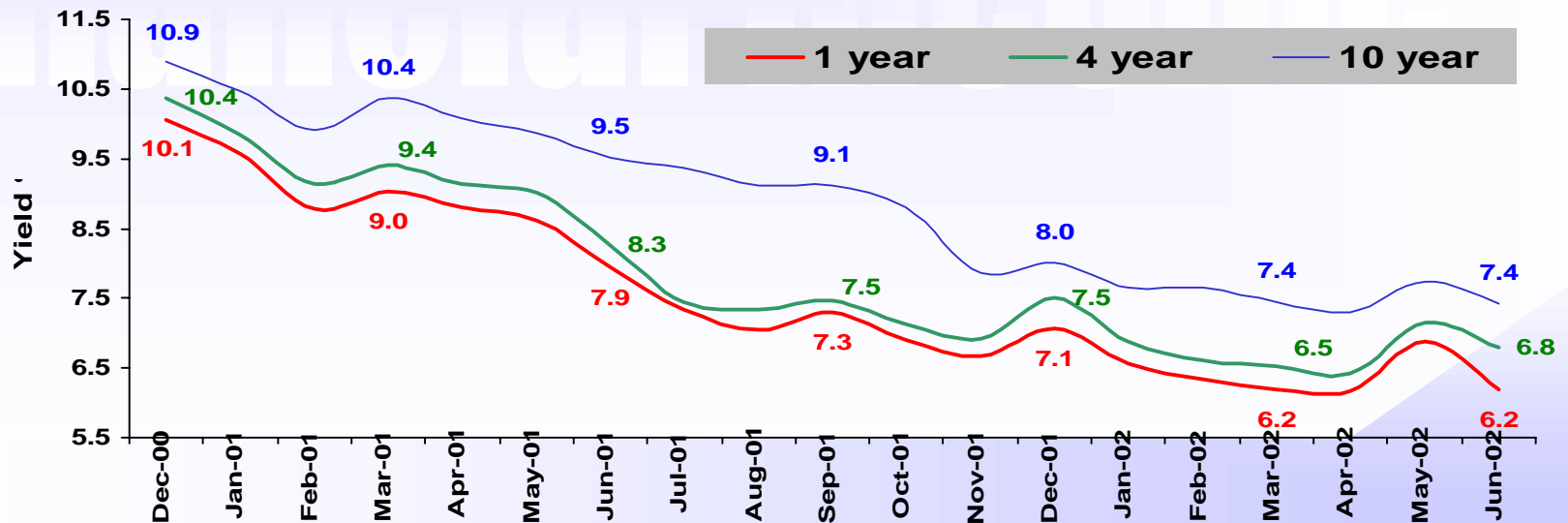
Rs.Crores	FH 2001	FH 2002	Growth %
<b>PBIT</b>	<b>705</b>	<b>846</b>	<b>20.0</b>
Fin Income (net)	150	125	(16.3)
<b>PBT</b>	<b>855</b>	<b>971</b>	<b>13.6</b>
Tax ( incl Deferred )	192	216	13.3
<b>PAT ( bei )</b>	<b>663</b>	<b>754</b>	<b>13.7</b>
Exceptional Item	142	122	(14.6)
<b>Net Profit</b>	<b>806</b>	<b>876</b>	<b>8.7</b>



# Falling yields & dividend phasing affect financial income

Rs Crores	FH 2001	FH 2002	% Change
Financial Income	153	131	(14.1)
Treasury Income	141	129	(8.9)
Dividends from Sub / Assc Cos	12	2	(78.2)

\* Dividend from HLCL to flow into SH 02 in view of the change in the company's accounting year





# HPC category performance

% Growth	FH 2002 Market Growth	FH 2002 HLL Group	JQ 2002 HLL Group
Personal Wash	(12.1)	2.1	11.6
Fabric Wash	(4.9)	(2.7)	2.7
Dishwash	(3.2)	(5.8)	(18.5)
Toothpaste	(5.7)	(8.2)	0.7
Shampoo	8.9	(12.8)	(14.7)
Skin (excl. Talc)	(5.3)	12.9	19.0
Talcum Powder	(8.6)	(6.2)	(8.7)



# Foods category performance

% Growth		FH 2002 Market Growth	FH 2002 HLL Group	JQ 2002 HLL Group
Packet Tea		(9.7)	(12.1)	(8.9)
Coffee		(6.1)	6.4	7.6
Vanaspati		6.6	0.4	11.4
Culinary	Jams	(13.9)	16.2	19.6
	Ketchup	(6.2)	(4.3)	(2.6)
Atta (Branded)		(12.5)	(34.8)	(32.3)
Salt		(11.6)	(22.7)	(29.4)



# HPC market shares

Market Share %	June 2001	Mar 2002	May 2002
Personal Wash	59.0	58.8	59.0
Detergent Powders	38.4	38.0	38.5
Detergents Bars	47.4	46.6	47.2
Dishwash	61.2	62.2	61.6
Toothpaste	35.9	34.4	34.3
Shampoo	64.6	60.1	59.9
Skin (excl. Talc)	53.9	53.4	53.2
Talcum Powder	65.8	63.9	65.8



# Foods market shares

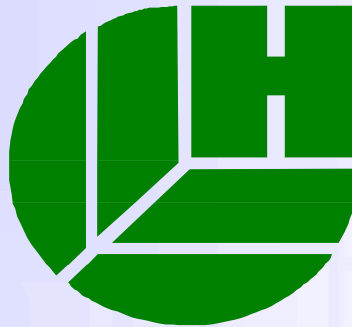
Market Share %	June 2001	Mar 2002	May 2002
Packet Tea	36.2	34.1	35.2
Coffee	44.1	41.6	43.1
Atta	18.9	13.1	11.6
Branded Salt	16.7	14.1	13.1
Jams	74.9	77.2	75.5
Ketchup	40.5	33.0	32.8
Vanaspati	28.0	25.9	24.9



# Comparable position net of M&A

## ■ IN

- Lakm e Lever
- Bestfoods
- Aviance



## ■ OUT

- Quest
- Nickel Catalyst
- Adhesives
- Seeds
- Diversey Lever
- Leather

% Growth	JQ 2002		FH 2002	
	Published	Comparable	Published	Comparable
Net Sales	(8.9)	(5.4)	(9.4)	(7.7)
PBIT	23.7	30.8	20.0	25.5
PAT bei	15.5	22.1	13.7	19.9



# Focus on profitability continues

Rs Crore	FH 2001	FH 2002	% Growth
Operating Profit	705	846	20.0
Operating Margin %	12.7	16.7	

**Operating margins improve thru -**

- **Enriched Mix**
- **Cost Management Initiatives**

%	FH 2001	FH 2002
Return on Net Worth	61.6	58.1
ROCE	48.6	45.6





# Improved segmental results

Rs.Crores	JQ 2001	JQ 2002	% Change	FH 2001	FH 2002	% Change
Soaps & Detergents	200	285	42.2	404	512	26.7
Personal Products	154	186	20.5	291	338	16.3
Beverages	52	59	13.4	105	119	13.6
Foods	0	(9)		3	(15)	
Ice Cream	(3)	5		(9)	(3)	
Exports	16	23	43.6	35	46	31.0
Others	33	4		35	(5)	
<b>Total Segment Results</b>	<b>452</b>	<b>552</b>	<b>22.1</b>	<b>864</b>	<b>993</b>	<b>14.9</b>
Less: Interest Expense	(2)	(2)		(3)	(6)	
Add: Unallocable net income	(1)	(30)		(5)	(16)	
<b>Total Profit Before Tax</b>	<b>449</b>	<b>520</b>	<b>15.8</b>	<b>855</b>	<b>971</b>	<b>13.6</b>



# New cost management initiatives

- **Corporate Synergies**
  - Packaging
  - Freight
  - Media Buying
- **Continued Efficiency Drive**
  - Logistics
  - Information Technology
  - Overheads



# Strong cash generation

<b>Rs Crores</b>	<b>FH 2001</b>	<b>FH 2002</b>
Cash from operations	771	929
Disposal of businesses	178	171
Working Capital reduction	24	132
Treasury Income (net)	101	103
<b>Total Cash Generation</b>	<b>1074</b>	<b>1335</b>
Capital Expenditure	164	102
Dividend Payment	440	550
Tax Paid	119	144
<b>Surplus Invested</b>	<b>351</b>	<b>539</b>
<b>Total Cash Deployed</b>	<b>1074</b>	<b>1335</b>

**24% increase in cash generation , 53% increase in investible surpluses**



# In summary....

- Innovation led FMCG sales growth by 1.7% in declining markets, HPC up 3.9% (JQ '02)
- Operating Profits (PBIT) up 20% (FH '02)
- Progress on strategic objectives well on course
  - HPC Power Brands outperform market
  - Improvements in Foods profitability sustained
  - Non core business divestments progressed
- Ice Creams strategy results in significantly improved results



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**Thank you**

**thank  
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