

DQ 2015 Results Presentation

January 15, 2016



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IT'S WEIGHTLESS.



LAKMÉ 9to5
REINVENT

WEIGHTLESS MOUSSE FOUNDATION

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Agenda

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Current Quarter Performance

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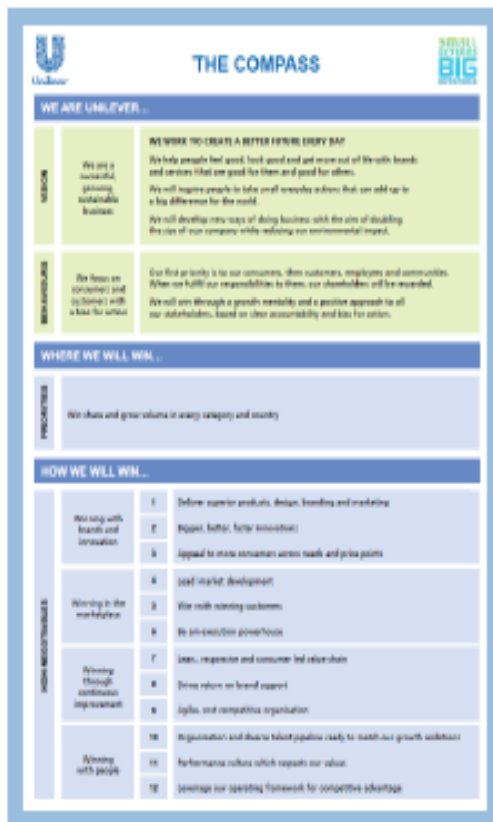
Nine Months Results

5

Looking Ahead

Clear and Compelling Strategy

Strategic Framework



Sustainable Living Plan



Goals

Consistent **Growth**

Competitive **Growth**

Profitable **Growth**

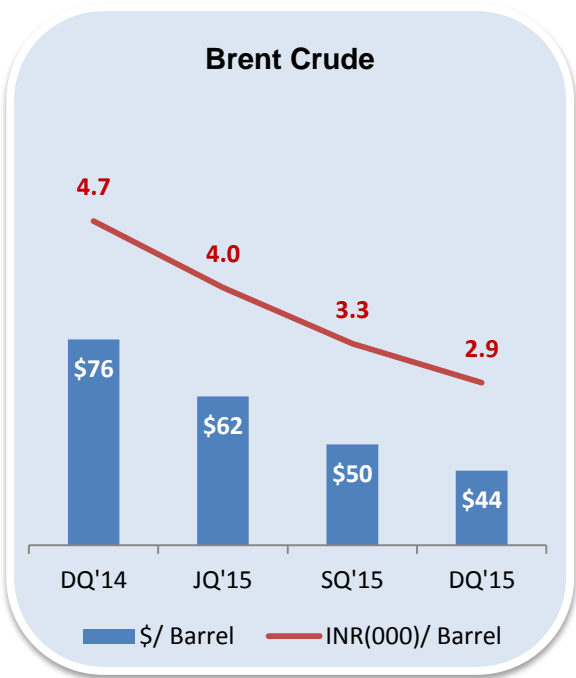
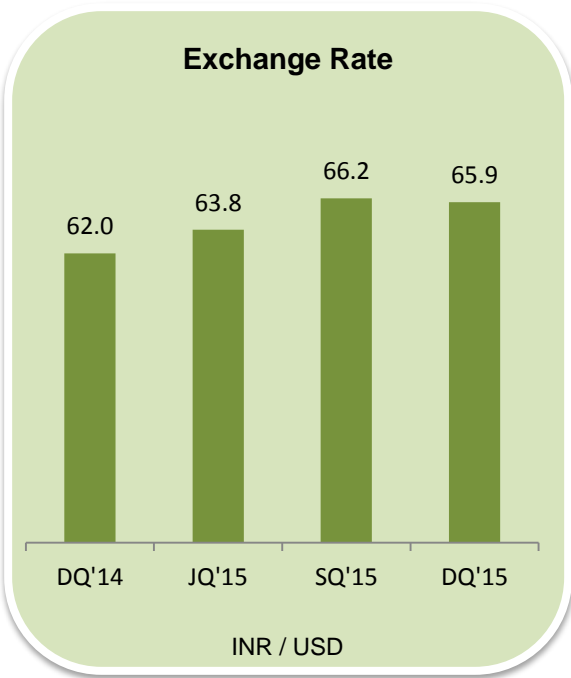
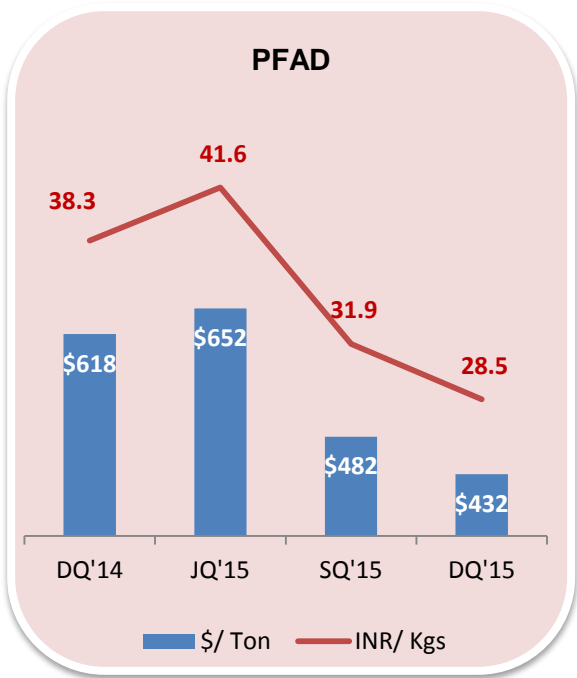
Responsible **Growth**

DQ 2015 – Context

Business environment challenging

- Market growth moderates on Rural slow down
- Growth continues to be led by volumes
- Commodity costs soften further
- Competitive activity remains high

Commodity costs soften further



Source: Bloomberg data and internal estimates
INR numbers arrived at by applying the average exchange rate of the quarter to the average USD cost of the commodity

→ **Reported Domestic Consumer growth at 3%, underlying volume growth at 6%**

- Impact of phase out of Excise Duty benefits on topline -80 bps
- Impact of up-stocking in view of transport strike at end of previous quarter ~50 bps
- Continued negative price growth arising from -
 - Benefit of lower commodity costs passed on to consumers
 - Phase out of Excise Duty benefits

→ **Operating Profit (PBIT) at Rs.1349 crores, up 7%; margin expands +60 bps**

- Impact of phase out of Excise Duty benefits on PBIT -35 bps
- COGS lower by 290 bps; driven by lower input costs and savings programs
- Competitive spends maintained; A&P up Rs. 160 crores (16%); 14.5% of sales (+165 bps)

→ **PAT (bei) at Rs. 1024 crores, up 7%, Net Profit at Rs. 971 crores**

- Net Profit impacted by -
 - Sale of properties of Rs. 407 crores in base quarter
 - Provision for restructuring and select contested matters in current quarter Rs. 117 crores
 - Corporate tax rate at 31% (+175 bps yoy)

Performance led by healthy volumes across segments

Segments	Reported Sales Growth (%)	Growth before impact of phase out of Excise Duty benefits (%)
Soaps and Detergents	1	2
Personal Products	5	7
Beverages	7	7
Packaged Foods	12	12
Domestic Consumer	3	4

- **Soaps and Detergents:** Robust volume growth, offset by continued price degrowth
- **Personal Products:** Healthy underlying performance, impacted by delayed winter and one-time realignment of channel spends
- **Beverages:** Steady volume led growth
- **Packaged Foods:** Ninth successive quarter of double digit growth

CATEGORY HIGHLIGHTS

Winning with Brands

Continued focus on innovations



Winning with Brands

Impactful 360 activation

Lifebuoy
Help a child reach 5



Haath Muh aur Bum
Bimaari Hogi Kam



Lakme
Bang Baaja Baraat



Pond's
Dilwale Tie up



Cornetto
Durga Puja activity



Bru
Meet and Greet Activity



Winning with Brands

Building a Naturals portfolio



 **indulekha**™



 **ayush**™
therapy

Skin Cleansing

Volume led performance



- Dove, Pears and Lifebuoy deliver strong volume growth
- Liquids clock another quarter of double digit growth
- Continued price deflation due to benign commodity costs
- Phase out of Excise Duty benefit impacts growth

Home Care

Double digit volume growth

→ Laundry

- Surf sustains its strong broad based double digit growth momentum
- Rin delivers double digit volume growth led by bars portfolio
- Wheel steps up on powders re-launch
- Comfort registers another robust quarter on sustained market development

→ Household Care

- Performance led by Vim tubs and liquids formats

→ Continued price deflation due to benign commodity costs

→ Phase out of Excise Duty benefit impacts growth



Skin Care

Healthy underlying performance



→ Growth impacted by delayed winter and one-time realignment of channel spends



→ FAL continues to do well; good response on BB Cream

→ Pond's driven by premium skin lightening



→ Lakme led by premium innovations; strong delivery on CC Cream

Hair Care

Continued strong momentum



- Volume led double digit growth*
- Dove leads category performance
- TRESemmé gains further ground
- Conditioners grow well on focused market development

Oral Care

Subdued performance in quarter



- Close Up growth continues to be led by impactful activation
- Pepsodent performance muted; Clove & Salt doing well
- Actions underway to revive growth and competitiveness

Color Cosmetics

Strong innovation led growth momentum



→ Lakme delivers another quarter of double digit growth

- Broad based growth across Core, Absolute and 9 to 5 ranges
- Absolute Sculpt & 9 to 5 ranges perform strongly whilst driving trends
- Exciting launch of the Lakme 9 to 5 Weightless Mousse
- Shade additions made to the Lip portfolio and 'eyeconic' Kajal



Beverages

Steady performance



→ Tea delivers broad based volume led growth driven by impactful activation and market development

- Red Label led the category performance
- Taj Mahal continues to build its premium credentials
- Strong double digit growth in Lipton Green Tea and Natural Care portfolio



→ Bru Coffee registers double digit growth and achieves market leadership

Packaged Foods

Ninth successive quarter of double digit growth



→ Focus on market development continues

→ Double digit growth in Kissan, Knorr and Kwaliti Walls



- Kissan maintains its strong growth momentum across Ketchups and Jams
- Knorr growth led by Instant Soups; 2 new non-veg variants added
 - New range of Knorr Chef's Masalas (8 variants) launched at quarter end
 - Knorr Chinese range of Noodles re-introduced into market
- Ice Creams deliver another strong quarter through sharper in-market execution focused around Kwaliti Walls and Magnum





- Portfolio strategy being refreshed to play in the wider market
 - Entry level RO launched in market
- Focus remains on building relevance and accessibility
- E-commerce channel continues to grow rapidly

Rs Crores			
Particulars	DQ'14	DQ'15	Growth %
Net Sales*	7,579	7,823	3
PBIT	1,258	1,349	7
PBIT margin (%)	16.6	17.2	60 bps

- Reported Domestic Consumer growth at 3%; underlying volume growth at 6%
- Impact of up-stocking in view of transport strike at end of last quarter ~50 bps
- Impact of phase out of Excise Duty benefits: Topline (-80bps), PBIT (-35bps)

DQ 2015

Results: PBIT to Net Profit

Rs Crores			
Particulars	DQ'14	DQ'15	Growth %
PBIT	1258	1349	7
Add : Other Income	120	140	16
Less : Finance Costs	4	0	
Exceptional Items – Credit / (Charge)	397	-80	
PBT	1771	1409	-20
Less : Tax	(519)	(437)	
Net Profit	1252	971	-22

- Other income includes -
 - Interest, dividend and net gain on sale of other non-trade current investments of Rs. 94 crore (DQ'14: Rs. 120 crore)
 - Dividend from subsidiary Rs. 46 crore (DQ'14: Rs. Nil)
- Exceptional items include -
 - Profit on sale of surplus properties Rs.37 crore (DQ'14: Rs.407 crore)
 - Provision for restructuring expenses and select contested matters Rs.117 crore (DQ'14: Rs.11 crore)
- Effective tax rate for the quarter is 31% (DQ'14: 29.3%)

Profitable volume-led growth sustained

- Reported Domestic Consumer growth at 3%, underlying volume growth at 6%
 - Impacted by Excise Duty benefits phase out, last quarter transport strike upstock
- PBIT margin expands + 60 bps
 - Impacted by phase out of Excise Duty benefits
 - Lower cost of goods sold partially offset by competitive A&P investments

**NINE MONTHS ENDING
31ST DECEMBER 2015**

Nine Months ending 31 Dec 2015

Results summary

Rs Crores

Particulars	YTD DQ'14	YTD DQ'15	Growth %
Net Sales	22,616	23,616	4
PBIT	3,674	4,030	10
PBIT margin (%)	16.3	17.1	80 bps
Exceptional Items – Credit / (Charge)	485	-82	
PAT bei	2,932	3047	4
Net Profit	3,297	2993	-9

- Domestic Consumer grows at 5%, underlying volume growth at 6%
 - Negative price growth due to lower commodity costs and phase out of Excise Duty benefits
- Sustained margin improvement after making competitive investments (A&P up +200 bps)
- Impact of phase out of fiscal benefits: Topline (-115 bps), PBIT (-50 bps), ETR (-90 bps)
- Net Profit impacted by -
 - Sale of properties of Rs. 497 crores in base period
 - Provision for restructuring and select contested matters Rs. 139 crores
- Effective tax rate for the period is 31.5% (+220 bps yoy)

Near term outlook

- Market growth to remain largely volume driven; Rural growth relatively soft
- Phasing out of fiscal benefits to impact another quarter
- Channel interventions to be completed during the next quarter
- Continued focus on driving volume led growth with improvement in operating margin
- Strategy unchanged: Consistent, Competitive, Profitable, Responsible Growth

Scheme of Arrangement

BACKGROUND

- Build up of significant reserves through the transfer of profits to the General Reserves
- Funds represented by such accumulated General Reserves is in excess of needs

SCOPE

- HUL has proposed a Scheme of Arrangement between the Company and its shareholders
- Proposed transfer of the entire balance of Rs 2187.33 crores from General Reserves to the Profit & Loss Account

NEXT STEPS

- The approval by the Board is the first step to proceed with the requisite formalities
- The Scheme is subject to the approval of the shareholders, sanction of the Court and such other approvals as are prescribed
- Upon approval of the Scheme, the transferred amount to be returned to the shareholders as per the terms of the Scheme

For more information & updates

VISIT OUR WEBSITE

<http://www.hul.co.in/investorrelations/>

December Quarter 2015 results

Hindustan Unilever Limited will release its financial results for December Quarter 2015 on Friday 15 January, 2016.

[View more](#)



HUL INVESTOR APP

