HLL'S OPERATING PROFITS UP 15.7 %, NET PROFIT RISES BY 26.2 %

Mumbai, April 15, 2002: Hindustan Lever Limited (HLL) has recorded a Net Profit of Rs. 428.54 crores in quarter ended 31st March 2002, an increase of 26.2 % over the corresponding period of 2001. This includes an exceptional income of Rs. 74.72 crores (Rs.22.59 crores in previous year),arising from profit on disposal of the company's Seeds business. The operating profits (Profit before Interest and Taxation) rose by 15.7 %, while Profit After Tax, before exceptional items rose by 11.6 %. Earnings per share (annualised) of Re 1, for the quarter amounted to Rs. 7.79 (MQ 2001: Rs. 6.17).

The company's turnover, net of excise at Rs. 2380.66 crores registered a decline of 9.9 %. The domestic FMCG business recorded a decline of 5.4 %, while exports were significantly lower by 30.7 %, largely on account of discontinuation of non-value adding traded exports.

Mr.M.S.Banga, Chairman, stated, "We have delivered 15.7 % growth in our operating profit despite lower sales, through a richer portfolio and continued cost management. Sales were lower due to the continued sluggishness in FMCG markets with several categories declining in value. Reflecting this, we believe that retail stocks have also come down. As indicated last year, we have discontinued non-value added traded exports and enhanced profitability in Foods at the cost of short term volume.

Commenting on the future, he said, "Improved agricultural growth should boost rural demand, albeit with a lag. The price drop in Personal Products, after the excise duty reductions, should also drive consumption. We expect to see the full benefit of our recent innovations in power brands such as Lifebuoy, Close-up, Fair & Lovely, and we have an aggressive innovation and activation programme for the remaining quarters. We will continue to extend Continuous Replenishment System to distributors to enhance supply chain efficiencies. We remain committed to driving bottom line through quality growth in power brands and relentless focus on cost efficiencies."

Other income reflected a decline of 6.1 %. Despite a sharp fall in interest rates, Treasury income has shown only a marginal decline reflecting efficient management of surplus cash, and exploiting capital gains opportunities in a falling yield market.

Results of the quarter are not fully comparable to the previous year on account of certain acquisitions and disposals during last 4 quarters. On a comparable basis, the underlying results would reflect a sales decline of 10.1 % and an operating profit increase of 19.5%.

Results include business restructuring cost of Rs. 2.74 crores incurred and charged in the quarter (previous year charge Rs.6.25 crores). In line with the guidelines recommended in Accounting Standard AS 25 (Interim Financial Reporting), the practice of time phased charging of business restructuring costs on the basis of estimated annual cost has been discontinued.

FMCG businesses

In a declining market, the revenue in Soaps and Detergents reflected a decline of 4.3 %. In the Personal Wash category, sales declined by 6.1 %. Lux franchise, which was relaunched in Q2 of 2001, registered a positive growth. This gain was, however, offset by a decline in Breeze and Lifebuoy franchises. The roll-out of new Lifebuoy, a significantly improved product, has commenced during the quarter. In the Fabric Wash category, sales declined by 5.2 %. The Household Care segment continued to grow well (12.6 %), led by Vim.

In Personal Products, Skin sales registered a growth of 6.6 % with Fair & Lovely continuing its growth trend. Overall sales in Personal Products however declined (7.8 %) due to lower sales in other categories, as well as the one time effect of stock rebating consequent on the excise duty reduction.

In Foods, the focus on improving profitability continued. Beverages margins improved further and the segment registered a healthy growth of 13.9 % in profits even after a near doubling of the Advertising and Promotional (A & P) spends. Foods gross margins improved by over 400 basis points. A sharp 32.3 % increase in A & P expenditure due to the front ending of marketing activities led to the Foods segment reporting a loss during the quarter. Similarly, gross margins in Ice Cream increased in line with the new strategy of focussing on value added portfolio (products and geography). An increase in A & P spend resulted in a marginal increase in the loss.

Exports

Certain non-value adding portion of our Exports business, particularly in Marine products, has been discontinued, largely contributing to the sharp decline in export sales.

Bonus Debentures

The Scheme for issue of one bonus debenture (as deemed dividend for taxation purposes) of Rs 6 each for every equity share of Re 1, was approved by the shareholders at the Extraordinary General Meeting held on 12th December 2001. The Scheme is presently pending approval of the High Court of Bombay, Mumbai.

Given the current proposals in the Finance Bill 2002 relating to change in taxation of dividends, the Company is awaiting finalisation of the same, following which appropriate action for implementation/modification of the Scheme will be taken.