HLL'S PAT UP 20.7 %

Mumbai, April 24: Hindustan Lever Limited (HLL) has recorded a profit after tax of Rs. 316.94 crores in the quarter ended 31st March 2001, an increase of 20.7 % over the corresponding period of 2000. After including a one time exceptional income of Rs. 22.59 crores on account of profit arising from the transfer of interest in the Animal Feeds business to the Godrej group, the net profit goes up to Rs 339.53 crores, an increase of 29.3%.

HLL's turnover (net of excise) at Rs. 2642.51 crores grew by 1.1 %. Sales of domestic FMCG products grew by 2.6 %. Profit before tax at Rs. 406.33 crores grew by 18.4 %. Annualised earnings, per share of Re 1 each, is Rs. 6.17, compared to Rs. 4.77 in MQ 2000.

Announcing the results, Mr.M.S.Banga, Chairman stated : "Our objective is to improve the underlying quality of our business and achieve sustainable and profitable growth. Accordingly, we have embarked upon a three-pronged strategy of leading growth through focussing on 30 power brands, improving the profitability of our Foods business and taking steps to secure the future of the non-FMCG businesses. Significant investments have been made in improving product quality and brand support stepped up by 15% for our power brands. Actions initiated for improving Foods profitability through rationalisation of the portfolio and supply chain initiatives have also started yielding results. Joint Ventures are being formed for two of our non-FMCG businesses to protect their value – one with Godrej Agrovet for our AFS business and another with the ICI group for our Fragrance/Flavours division".

The Chairman also stated that the Company intends to reinvest a portion of the exceptional income from these divestments to fortify its competitive position in the FMCG sector, especially in Personal and Fabric Wash and Oral Care.

Strategic initiatives to improve the portfolio mix, overall cost management measures and the benefits of previous restructuring led to an improvement of about 1 percentage point in operating margins.

Other income grew from Rs. 90.01 crores to Rs. 102.20 crores, reflecting efficient treasury management of surplus funds.

The results include an estimated business restructuring cost of Rs. 6.25 crores charged in the quarter, compared to Rs.30 crores in the same quarter last year. The company will review such costs each quarter on the basis of estimated annual spends and necessary adjustments will be suitably made and disclosed.

FMCG Business

In a sluggish market, domestic FMCG product sales grew modestly. In the Home and Personal Care business, Fabric Wash (+ 6.6 %) and Skin Care (+ 10.6 %) sales grew ahead of the market. Home Care (+ 18.2 %) continued its strong growth record. While the overall personal wash sales declined (- 6 %), sales of power brands in this category grew by 5 %. Hair Category sales were flat while Oral Care sales declined (- 7.8 %).

In the Foods business, planned rationalisation of the unviable part of the portfolio led to a decline in packet tea sales (- 13.9 %). Oils and Fats (+ 18.5 %) and Coffee (+ 9.5 %) recorded strong growth well ahead of the market. During the quarter, the Company has reorganised the Foods distribution system by integrating the sales system of Branded Staples and International Bestfoods Limited with the distribution system for Culinary Products and Oils and Fats. This is expected to bring significant synergies in the longer term through improved reach for all Foods products as well as provide a critical mass for the same. The sales of Culinary Products (- 12.3 %) and Branded Staples (- 13.5 %) declined during the quarter due to the reorganisation mentioned above and consequent adjustments to pipeline stocks. Ice Cream sales were flat.

Exports

Overall Exports growth was 11% led by strong growth in the core export categories (+ 22.7 %), particularly Home and Personal Care. Non-core export categories, particularly traded marine, were scaled down reflecting their low profitability.

M & A

The company has entered into a Joint Venture with Godrej Agrovet Limited in respect of the Animal Feeds business. Accordingly, 74% shares of Gold Mohur Foods and Feeds Limited, an erstwhile subsidiary of the company, which is engaged in the business of Animal Feeds, has been sold to Godrej Agrovet Limited. Consequently, the trademarks pertaining to the Animal Feeds business have also been transferred to the Joint Venture. The results for the quarter include Rs. 22.59 crores being the profit (net of tax) on transfer of the company’s interest in the Animal Feeds business, which has been reflected as an exceptional item.

An agreement has been entered into with the ICI Group, for a Joint Venture for the Quest division of the Flavours and Fragrances business. It is therefore proposed to sell the said business of the Company, to one of its subsidiaries effective 1st April 2001 and thereafter dilute the holding of the Company in the subsidiary to 49 % with ICI Group holding 51 % equity. This will given effect to after obtaining shareholder and other statutory approvals as necessary.

Effective 21st April 2001, International Bestfoods Limited (IBL) has become a subsidiary of Hindustan Lever Limited. HLL now holds 83.36 % of the equity of IBL. At its meeting today, the HLL Board has proposed an amalgamation of IBL with the Company effective 1st January, 2001. The HLL Board has also proposed to simultaneously amalgamate Aviance Limited, a 100 % subsidiary of the Company, with HLL effective 1st January, 2001. In order to synchronise the shareholder meetings to approve the amalgamation with the Annual General Meeting (AGM), it is now proposed to hold the AGM on 22nd June 2001. Consequently, the date of payment of Final Dividend, subject to approval at the AGM, will be 23rd June 2001.

Employee Stock Options

It is also proposed to obtain shareholder approval, at the ensuing AGM, to an Employee Stock Option Scheme for managerial employees, in accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.