

HLL'S JUNE QUARTER OPERATING PROFITS UP 23.7 %, PAT RISES BY 15.5 %

Mumbai, July 22, 2002: Hindustan Lever Limited (HLL) has registered a Profit After Tax (PAT) of Rs. 400.47 crores in the second quarter ended 30th June 2002, an increase of 15.5 % over the corresponding quarter of 2001. Operating Profits (Profit before interest and taxation) rose by 23.7 %. Net Profit at Rs. 447.34 crores includes exceptional income of Rs. 46.87 crores (Rs. 119.86 crores in June Quarter 2001) arising from profit on disposal of the company's Diversey Lever business. Earnings Per Share (annualised) of Re.1 for the quarter amounted to Rs. 8.13 (JQ 2001 : Rs.8.48).

Commenting on the quarter's performance, Mr.M.S.Banga, Chairman stated : "Operating Profits have grown strongly by 24% in June Quarter. This is mainly due to a good sales growth of 5.1% for the HPC Power Brands led by Lifebuoy, Lux and Fair & Lovely and sustained initiatives in managing costs.

"In addition, our focus on improving profitability in the Foods businesses has delivered gross margin increases of 670 bps, in Beverages, 65 bps in Foods and 1300 bps in Ice Cream.

"We have divested our Seeds business and discontinued unprofitable traded exports in line with our strategy of focusing the Company on its FMCG brands which now account for 87 % of total sales."

Looking to the future, Mr Banga stated, "We will continue to implement relentlessly our strategy of driving growth by concentrating our innovation and other resources behind our HPC Power Brands whilst improving the profits in Foods portfolio.

"Our entry into two large new categories like Confectionery and Herbal Care with the Max and Ayush ranges holds high promise."

Other income reflects a decline of 10.4 % essentially due to the sharp reduction in interest rates.

Results include business restructuring cost of Rs. 14.24 crores incurred and charged in the quarter (JQ 2001 charge : Rs.16.25 crores).

FMCG Business

In a market continuing to decline, sales of our largest business, Soaps and Detergents reflected a growth of 5.6 %. In the Personal Wash category, sales grew by 11.6 % led by strong growth in Lifebuoy, which was relaunched in the first quarter, Breeze, which was relaunched during June quarter, Lux and Pears. Fabric wash sales grew by 2.7 % with Surf and Wheel franchises recording good growth, marginally offset by a decline in Rin franchise.

In PP, Skin sales continued to grow strongly by 19% led by Fair & Lovely. In the Oral category, Toothpaste sales turned around with both Close-Up and Pepsodent recording modest growths. Hair category sales declined leading to overall PP sales growing by only 0.7 %.

In Beverages and Foods, the focus on improving profitability continued. Gross margins in Beverages continued to improve (+ 600 bps) and the segment registered a growth of 13.3 % in profits. Coffee sales (+ 7.6 %) continued to grow, led by the power brand Bru. In Foods, gross margins improved by 65 bps; investment in Advertising and Promotions was significantly stepped up.

The Ice cream business performance has shown a step improvement in gross margin and overall profits reflect the results of the new strategy. A focus on driving innovative launches in the premium segment has led to the business delivering a profit for the quarter of Rs. 4.94 crores.

During the quarter, the Company has made an entry into the Herbal, Health and Beauty segment with the launch of select products under the AYUSH brand name.

Exports

The sharp decline in export sales during the quarter is a result of the conscious decision to exit non-value adding operations of the business. The segment has registered a higher profit of Rs 22.75 crs in the quarter (JQ 2001 : Rs 15.84 crs).

M & A

The company has completed the disposal of its Seeds business effective 1st April, 2002 and the Diversey Lever business effective 3rd May in line with shareholder approval. Further, the Leather Exports business has been transferred to a subsidiary (Ponds Exports Limited) effective 1st April 2002 and the Mushroom exports business has been transferred to KICM (Madras) Limited effective July 2002 for potential JV/divestment.

Bonus Debentures

An Extraordinary General Meeting of the shareholders has been convened on 9th August, 2002 to consider and approve the revised scheme for the issue of bonus debentures.

First Half Results

HLL has registered an operating profit of Rs. 845.95 crores for the 6 months ended 30th June 2002 which is an increase of 20 % over the corresponding period of 2001. Profit After Tax at Rs. 754.29 crores reflects an increase of 13.7 % over first half 2001. Net Profit for the first half of 2002 at Rs. 875.88 crores includes exceptional income of Rs. 121.59 crores arising from the profit from the disposal of the Seeds business and the Diversey Lever business. The Net Profit for the first half of 2001 of Rs.805.77 crores included Rs.142.45 crores arising from profit on disposal of the Quest business and transfer of interest in the Animal Feeds business. EPS (annualised) of Re.1 for the first half amounts to Rs. 7.96 (FH '01: Rs. 7.32)

The company's turnover (net of excise) at Rs. 5052.23 crores registered a decline of 9.4%; however, continuing businesses showed only marginal decline of 2.2%, the balance being the effect of divestments and discontinuations. The domestic FMCG business recorded a decline of 1.7 % while Exports were significantly lower by 35.5% mainly due to the discontinuation of non-value adding traded exports.