HLL Net Profit up by 25% in 2001, Total Dividend of Rs 5 per Re 1 share

Mumbai, January 22, 2002: Hindustan Lever Limited (HLL) Net Profit for 2001 at Rs 1641 crores grew by 25.3% over 2000. Net Sales for the year at Rs.10972 crores grew by 3.5% led by a 6.5% growth in Power Brands. Profit Before Tax (PBT) at Rs.1943 crores, increased by 16.7% while Profit After Tax (PAT) was Rs.1541 crores, a growth of 17.6%.

In December quarter 2001, sales grew by 4.3% to Rs.2763 crores with Power Brands growing twice as high at 8.2%. PBT at Rs.610 crores grew by 17.4%, while PAT at Rs.500 crores increased by 16.4%. Net Profit was Rs 436 crores after absorbing an exceptional item charge of Rs.64 crores.

Operating Margin for the year improved further by 1.3 percentage points to 16.1%. Earnings Per Share (EPS) for the year improved to Rs.7.46 from Rs.5.95 in 2000. The Board has recommended a Final Dividend of Rs.2.50 for the year. The total dividend, including Interim Dividend of Rs.2.50 is Rs.5.00 compared with Rs.3.50 paid last year. This includes distribution from the exceptional income from certain divestments.

On a comparable basis, after netting off the impact of businesses transferred in and out, sales growth works out to 3.7% for the quarter and 2.8% for the year. PAT growth amounts to 24% for the quarter and 21% for the year.

Commenting on the performance, Mr.M.S.Banga, Chairman of the Company said, "In 2001, we relentlessly pursued our strategy of focussing on growing our Power Brands in the face of intense competition, a depressed economy and declining market. This strategy has accelerated our FMCG topline growth to 7% in the second half compared with 3% in the first half. In fact, our Power Brands have grown by 9% in the second half led by those in Home and Personal Care group by 12%.

Our emphasis on enhancing Foods profitability has doubled profit through a 5 percentage point increase in margins. We have also divested our holding either partially or fully in several non-FMCG categories and reinvested some of this income into strengthening the Foods portfolio".

Talking about the dividend, he added, "Our dividend policy is geared towards rewarding shareholders. This year the dividend also includes distribution from the exceptional income arising from the divestment of some of our non-FMCG businesses".

Review of Businesses

Group sales (comprising HLL and its subsidiaries) grew by 4% for the quarter and 3% for the year. Sales of FMCG products grew by 7% in the quarter and 5% in the year.

Home and Personal Care grew by 7% led by a 9% growth in its Power Brands. Clinic and Lux led a 10% growth in the Hair category, while Pepsodent and Close-Up took toothpaste growth to 6% despite aggressive competition. Fair & Lovely and Ponds grew the Skin business by 21%. Despite strong growth by Breeze and reversal of the Lifebuoy decline, overall Personal Wash sales were marginally lower. Wheel grew by 18% making it the number one brand in laundry and leading a total Fabric Wash growth of 7%.

The focus on profitability in the Foods portfolio led to an improvement of 8.5 percentage points in Beverages and by 1 percentage point in Foods businesses. The flagship brand, Taj Mahal recorded a sales growth of 6% while overall tea declined in a declining market. Coffee, led by Bru, grew by 15%. Food sales were up 14% with a 18% rise in Oils and Fats. Modern Foods grew by an impressive 66%. Icecream sales declined by 4%. Group Exports amounted to Rs 1829 crores, a marginal decline of 5%, mainly due to rationalisation in Traded Exports.

Other Income

Other income for the year rose by 10.6% from Rs.345 crores to Rs.382 crores. Proactive management of surplus funds enabled this despite a sharp fall in the interest rates.

Business Restructuring

The results for the year include a business restructuring cost of Rs.48 crores compared to Rs.109 crores in the previous year and Rs.14 crores for the December quarter compared to Rs.27 crores in the corresponding period.

Exceptional Items

The exceptional income of Rs.100 crores for the year include:

- Profit on divestment of Quest and Animal Feeds business: Rs.143 crores
- One off reduction in tax liability arising from amalgamation of IBL: Rs.28 crores
- Provision for fixed asset write-off and estimated other related costs in respect of Thermometer business: Rs.11 crores (net of deferred tax: Rs.7 crores)

In addition a charge of Rs.64 crores towards exceptional items in December quarter comprising:

- Profit on disposal of Nickel catalyst and Adhesives business: Rs.17 crores
- Provision for fixed asset write-off in respect of the Culinary Products business: Rs.19 crores (net of deferred tax: Rs.12 crores)
- Provision for fixed asset write-off and estimated other related costs in respect of Icecream business: Rs.43 crores (net of deferred tax: Rs.28 crores)
- Provision for additional liability in respect of employees' retirement benefits necessitated due to fall in interest rate: Rs.63 crores (net of deferred tax: Rs.41 crores)

Bonus Debentures

The shareholders of the Company at the Extraordinary General Meeting held on 12th December 2001 have approved the restructuring of General Reserves by issue of Bonus Debentures in the ratio of 1 Bonus Debenture of Rs.6 for every share of Re.1 held in HLL. These debentures would be redeemed on the second and third anniversary following the issue and would carry a 9% interest. The proposal is now pending approval from the Honourable High Court of Bombay.