



Hindustan Unilever Limited

# Hindustan Unilever Limited

Investor Presentation  
JP Morgan India Conference

**Srini Srinivasan**

VP treasury M&A and Investor  
Relations

Hindustan Unilever Ltd.

5<sup>th</sup> November, 2007



# Safe harbour statement



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# Agenda



Overview

India Opportunity

HUL - Uniquely Placed

Financials

Strategy and Markets

# Agenda



## Overview

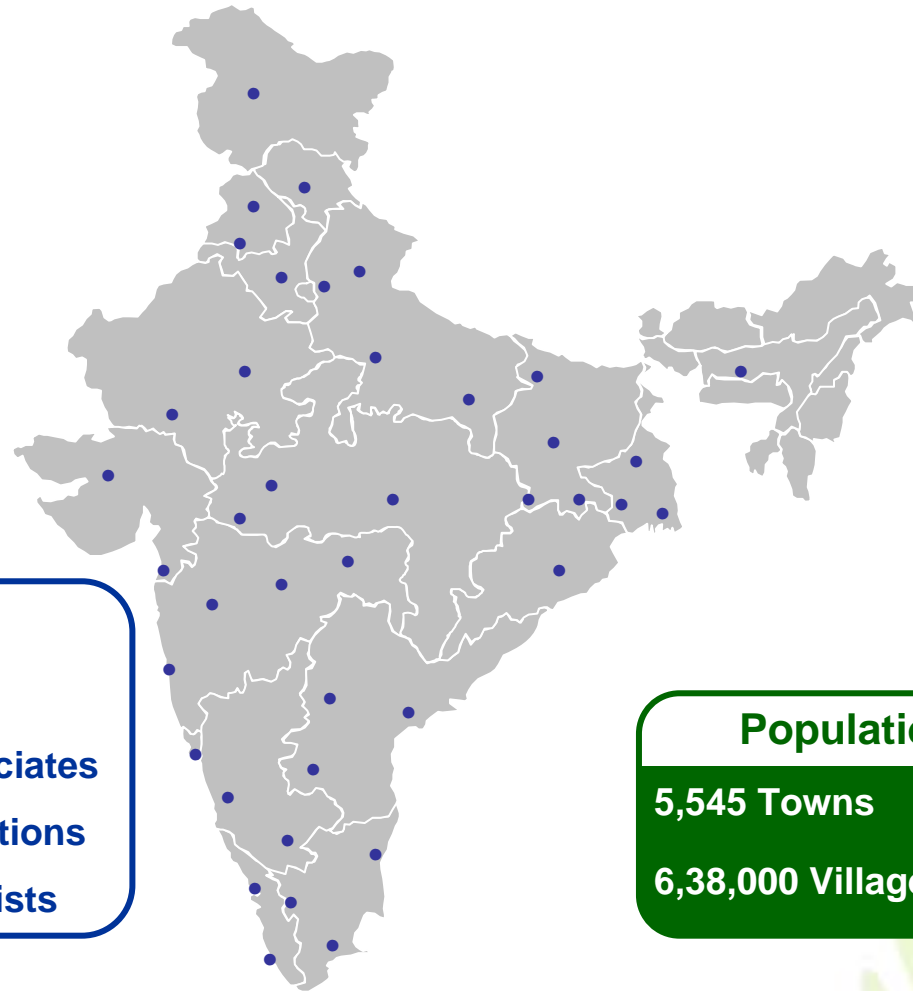
India Opportunity

HUL - Uniquely Placed

Financials

Strategy and Markets

# HUL - India's largest FMCG company



~ 15,000 employees  
~ 1,200 managers  
~ 2,000 suppliers & associates  
~ 75 Manufacturing Locations  
~ 45 C&FAs, 4,000 Stockists

**Population 1027 Mln**  
5,545 Towns      2.5 Mln outlets  
6,38,000 Villages      5.0 Mln outlets

\* Source:

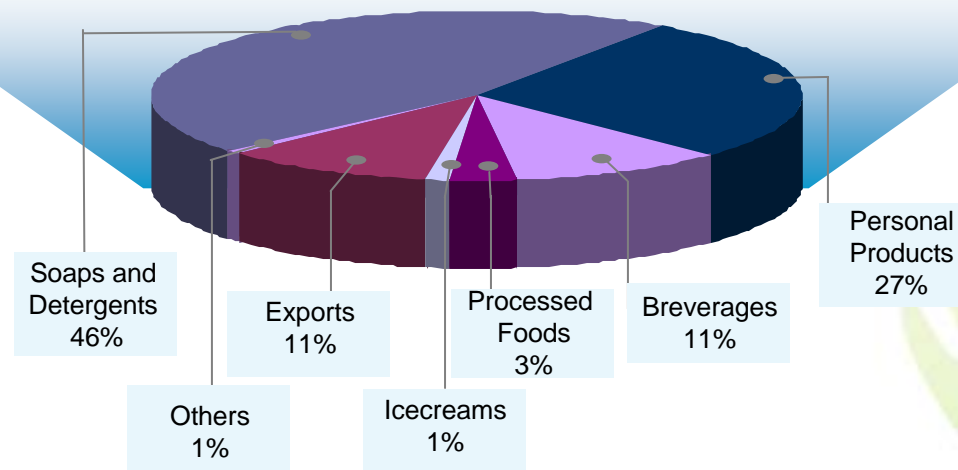
- (1) Statistics on India, Total Coverage : AC Nielsen, Census of India 2001
- (2) Statistics on Market reach : MRUC, Hansa Research - Guide to Indian Markets 2006

# Financial Overview 2006



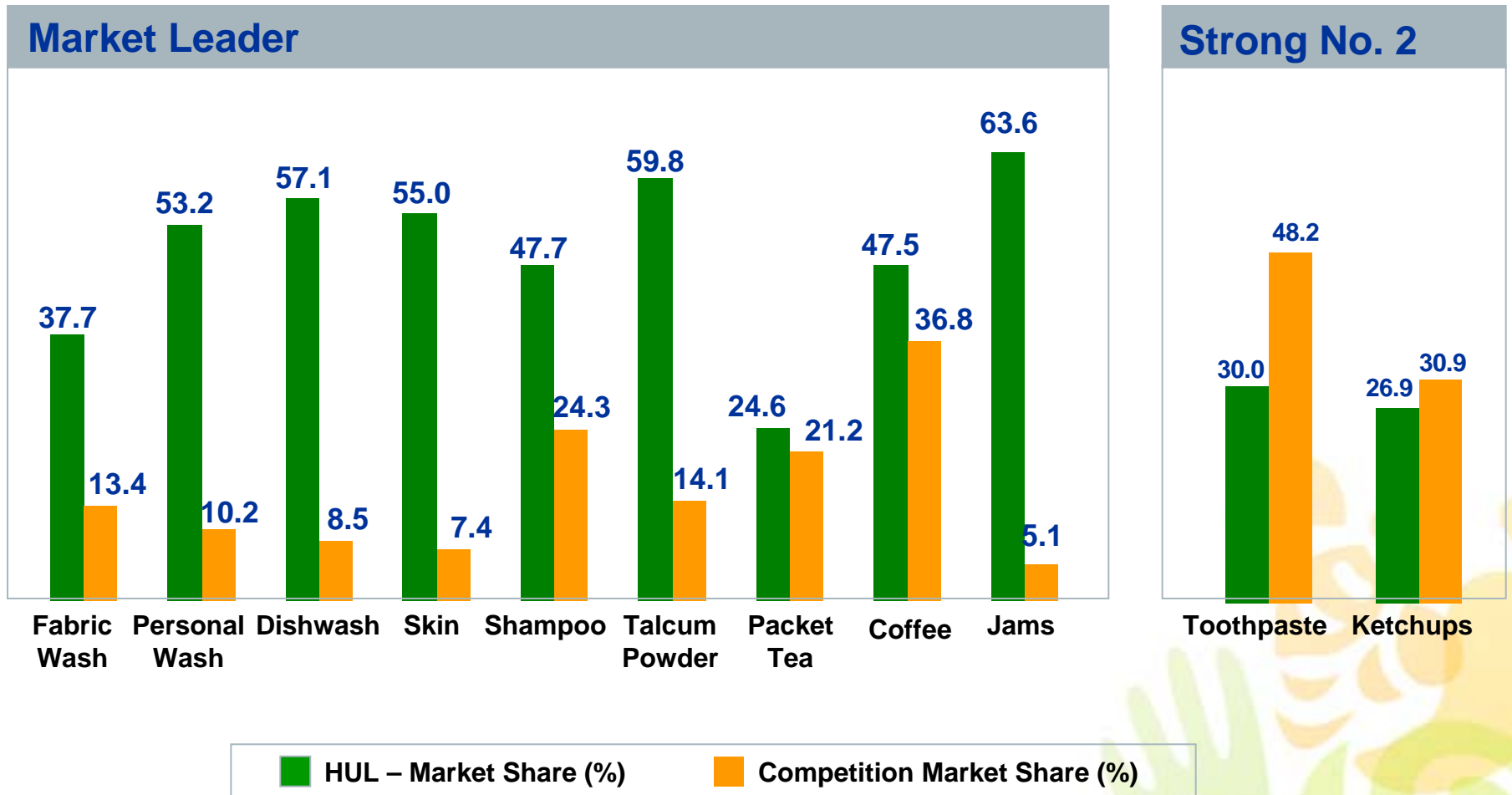
Mn \$

<b>Turnover</b>	<b>2966</b>
<b>EBIT</b>	<b>419</b>
<b>EBIT %</b>	<b>14.1%</b>
<b>PAT (bei)</b>	<b>377</b>
<b>Reported Profit</b>	<b>455</b>
<b>EPS</b>	<b>21c</b>
<b>Operating Cash Flow</b>	<b>365</b>
<b>Market Capitalisation (update)</b>	<b>~11000</b>



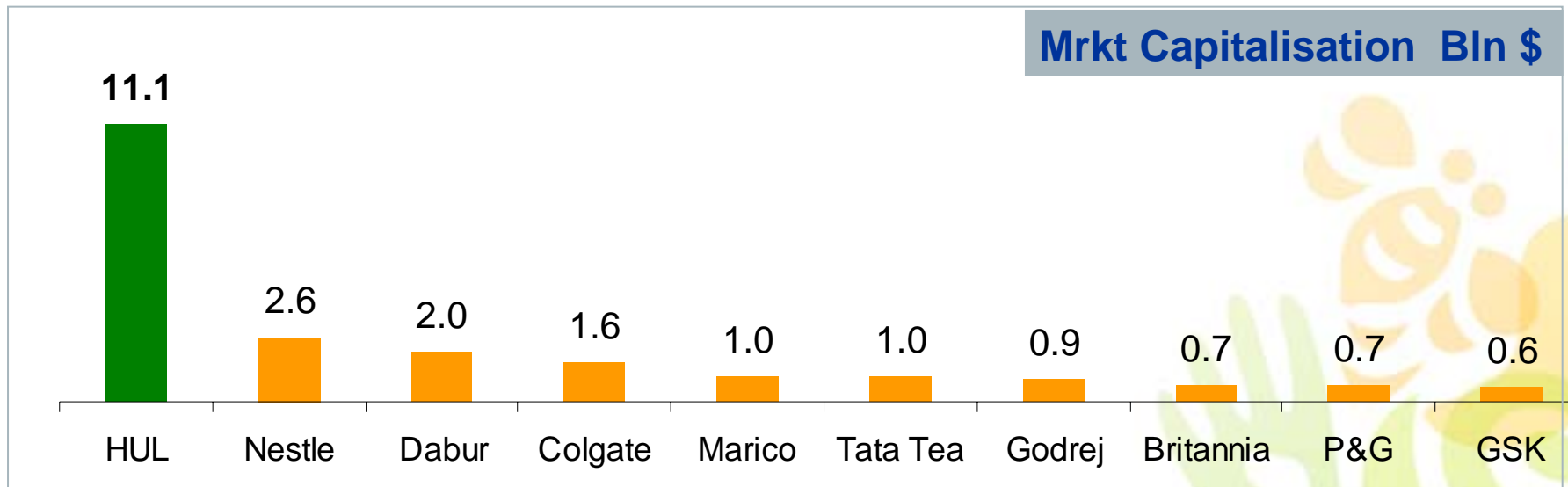
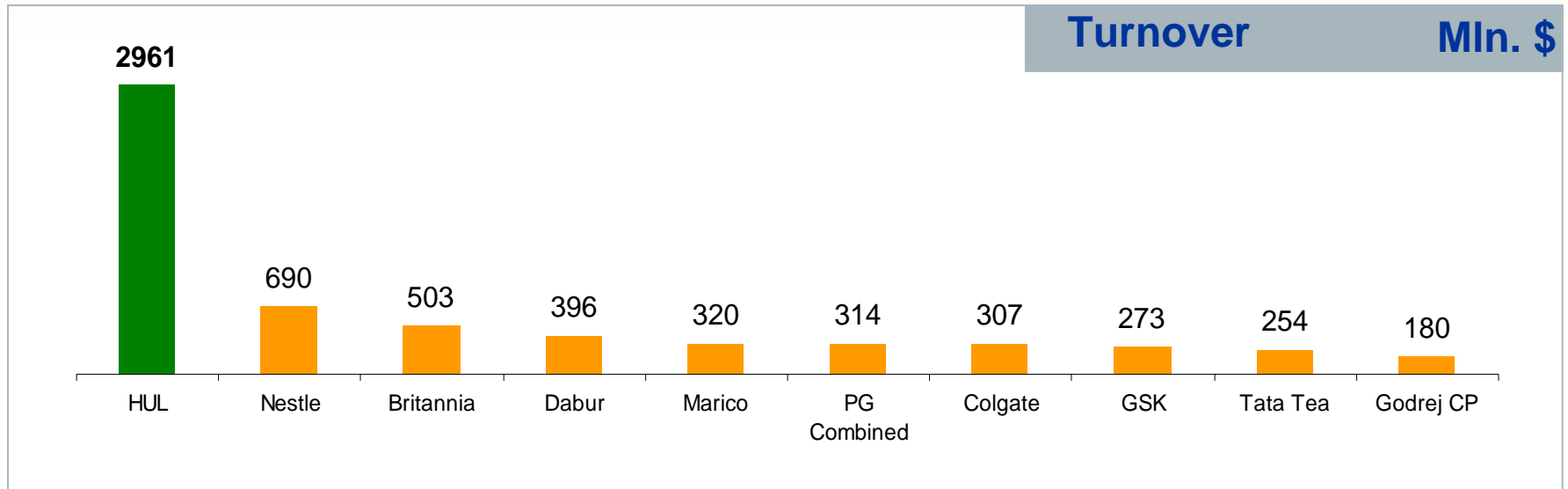
\* Figures based on FY2006 Audited Results ++ Market Capitalization as per NSE as on 19<sup>th</sup> Oct 2007

# Leadership across Diverse FMCG Categories



Source : A.C Nielsen - Quarter Ended Sept 2007 Value shares

# HUL – Largest FMCG Company



2006 TTM Turnover – Mln \$ Source: Audited Reports and Company Press release

P&G Turnover is the combined Turnover of its listed entity together with its estimated turnover of its unlisted entity

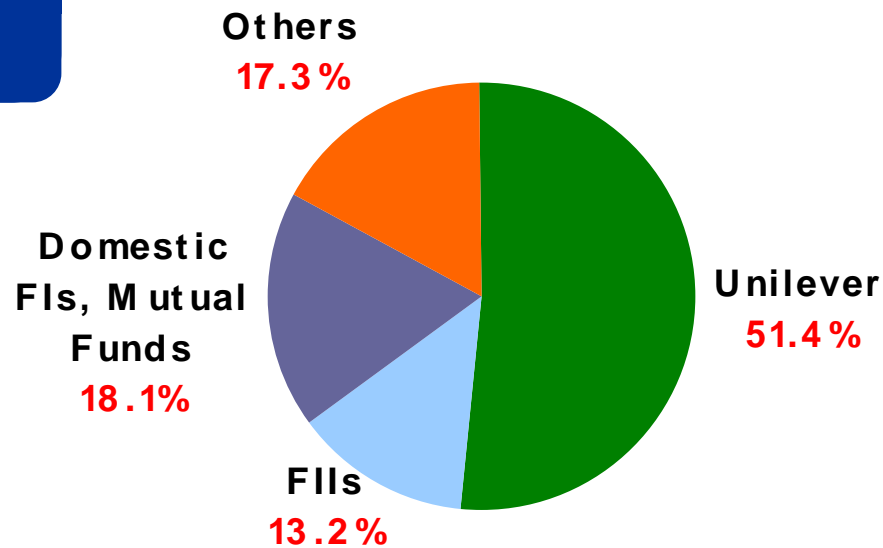
Market Capitalisation as on 19<sup>th</sup> Oct 2007



# HUL Shareholding Pattern



**HUL  
Equity Capital**  
**50 Mln \$**



**Market  
Capitalization**  
**~11 Bln \$**

\* Shareholding pattern as on 30th Sept 2007  
++ Market Capitalization as on 19th Oct 2007

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**India Opportunity**

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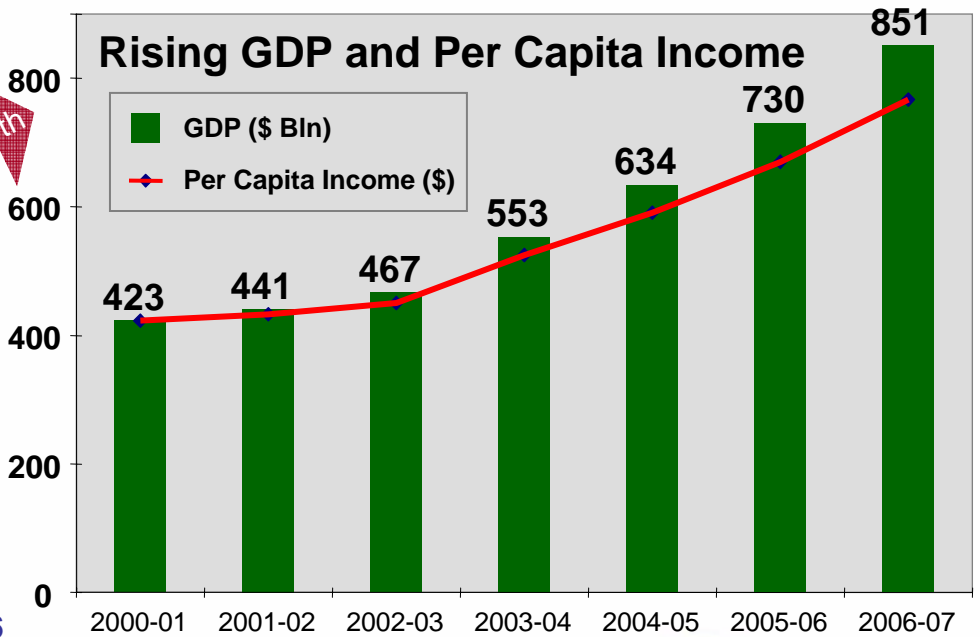
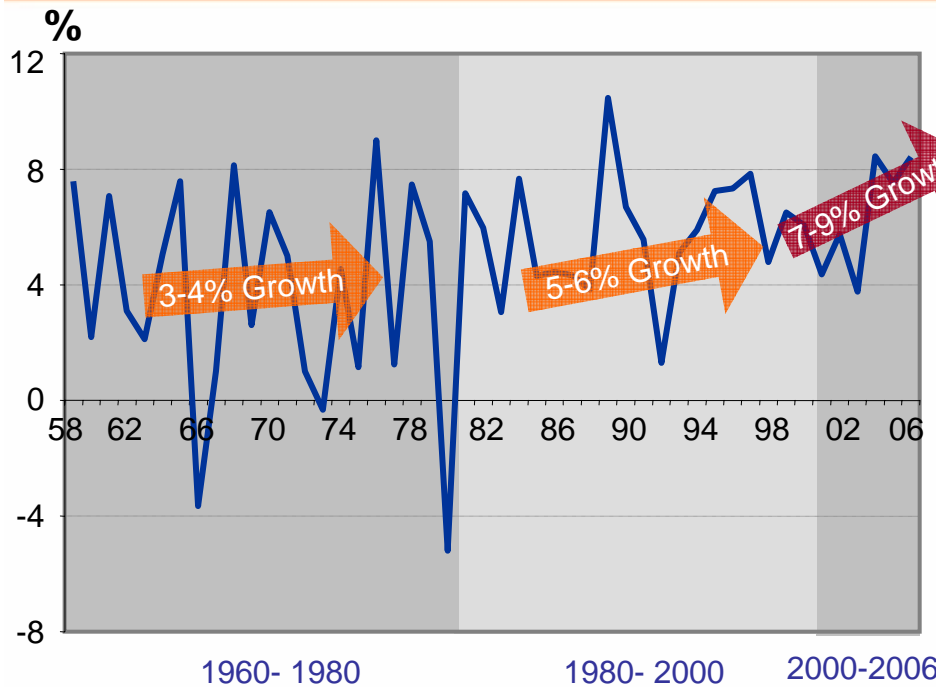
# Opportunities & Challenges



- A buoyant & growing economy
- Increasing per capita income drives FMCG growth
- Current FMCG market Growth
- A changing profile of a differentiated set of consumers
- Opportunity to grow consumption and penetration
- Large scale potential to grow Foods
- Evolving trade structure



# Sustained 8% + Growth

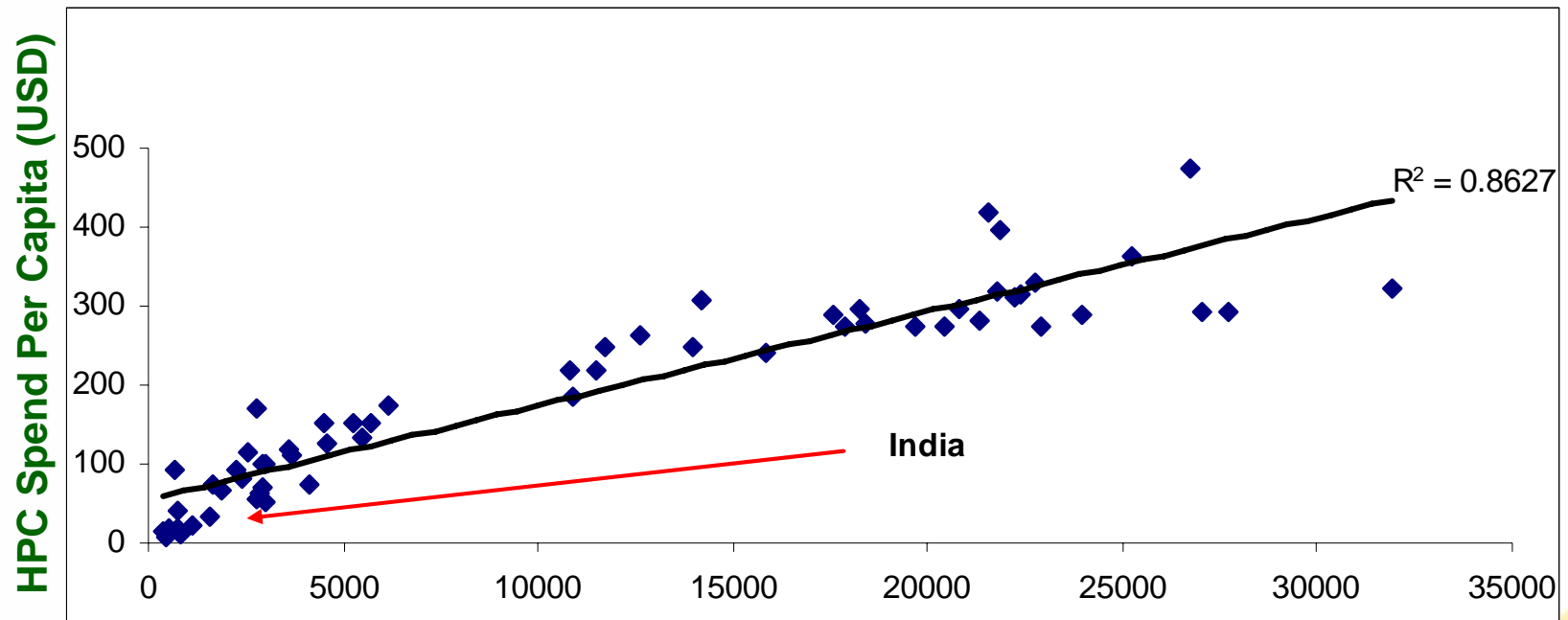


- Growth trend line has significant upward bias
- Per capita Income has doubled in 4 years
- India embarking on an accelerated growth cycle

Source: IMF Website

# Increasing per capita income drives FMCG growth

Disposable income per capita vs HPC spend per capita



Per Capita disposable Income (USD)

Per capita incomes drive consumption

Source: Euromonitor, Morgan Stanley Research' 2006

# FMCG Market Growth



Particulars	2006	YTD 07
Personal Wash	8.4	9.1
Laundry	12.4	8.6
Shampoo	13.1	14.9
Skin	15.0	17.0
Toothpaste	8.8	13.2
<b>HPC</b>	<b>12.1</b>	<b>12.2</b>
Tea	9.1	15.3
Coffee	16.0	6.6
<b>Foods</b>	<b>12.2</b>	<b>18.4</b>
<b>FMCG</b>	<b>12.1</b>	<b>13.4</b>

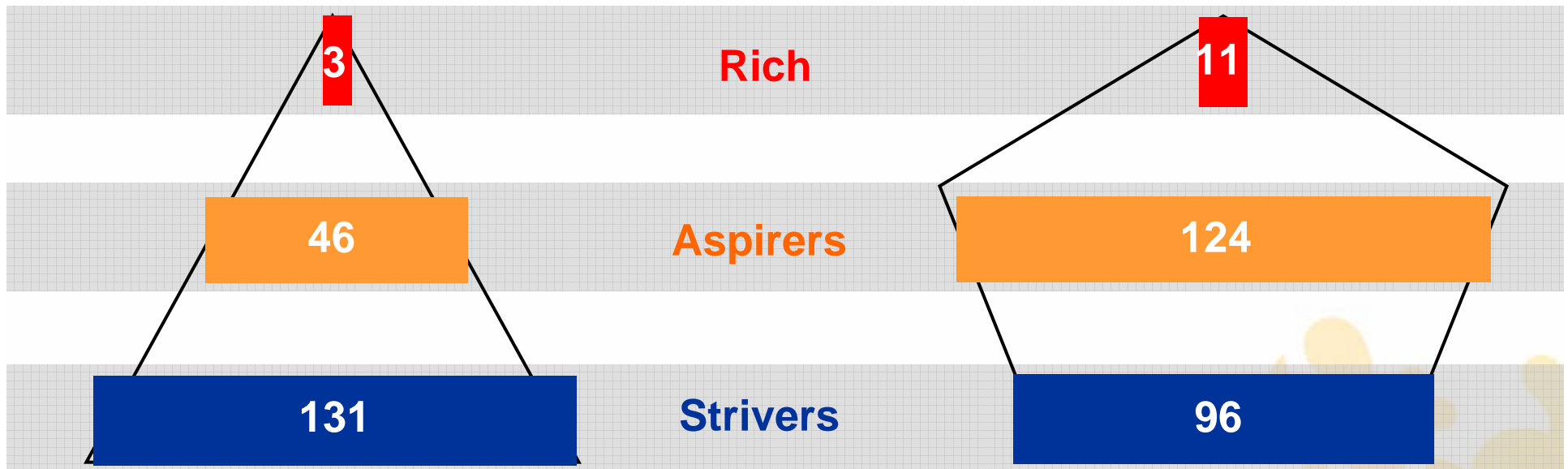
Source: AC Nielsen Retail Panel

# India - 2013



**2003**  
181 mn hhlds

**2013**  
231 mn hhlds

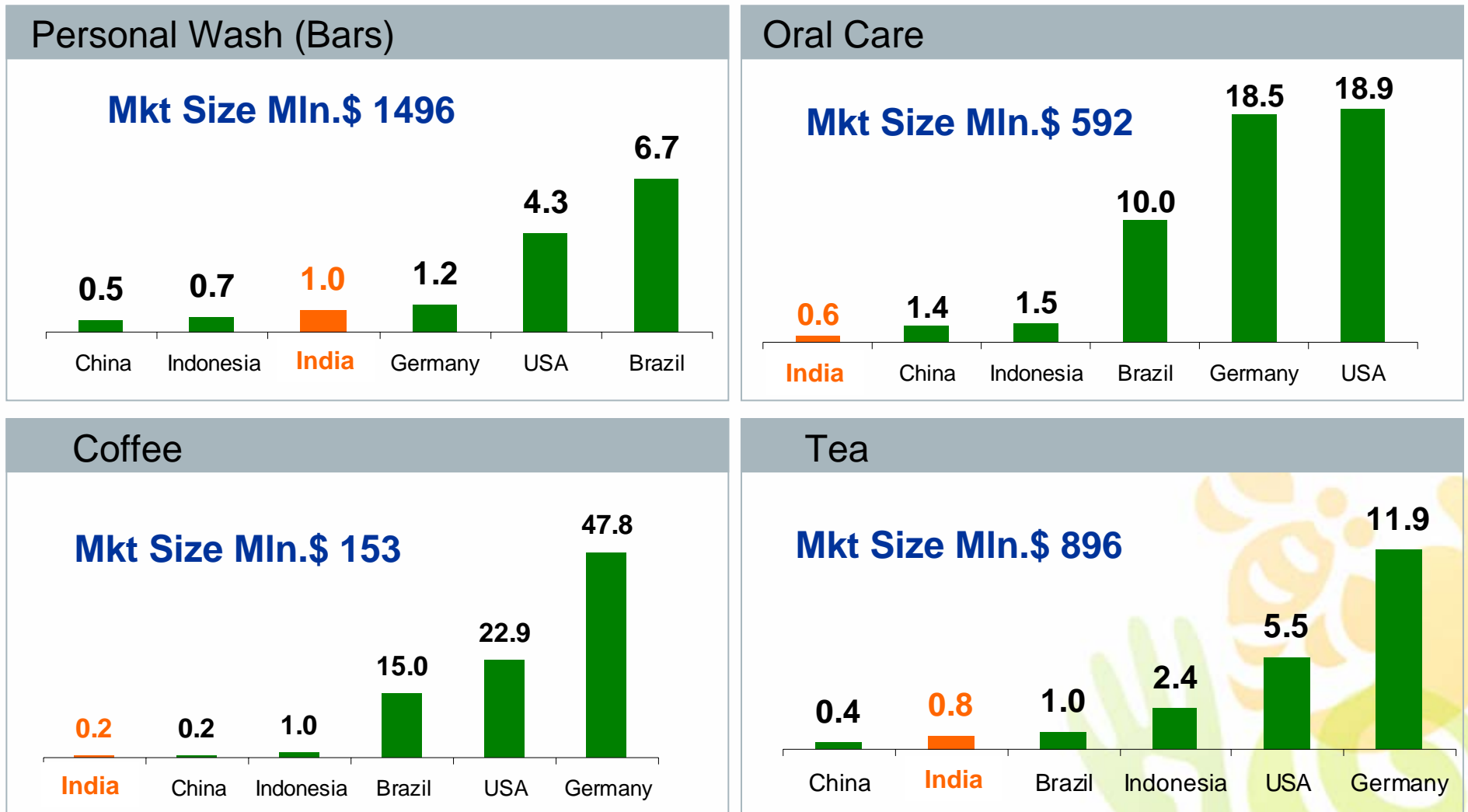


**The shape of India is going to change...  
from a pyramid to a diamond**

Source : National Council of Agriculture & Economic Research

# Opportunity to grow consumption

## Per Capita Consumption (US \$ )

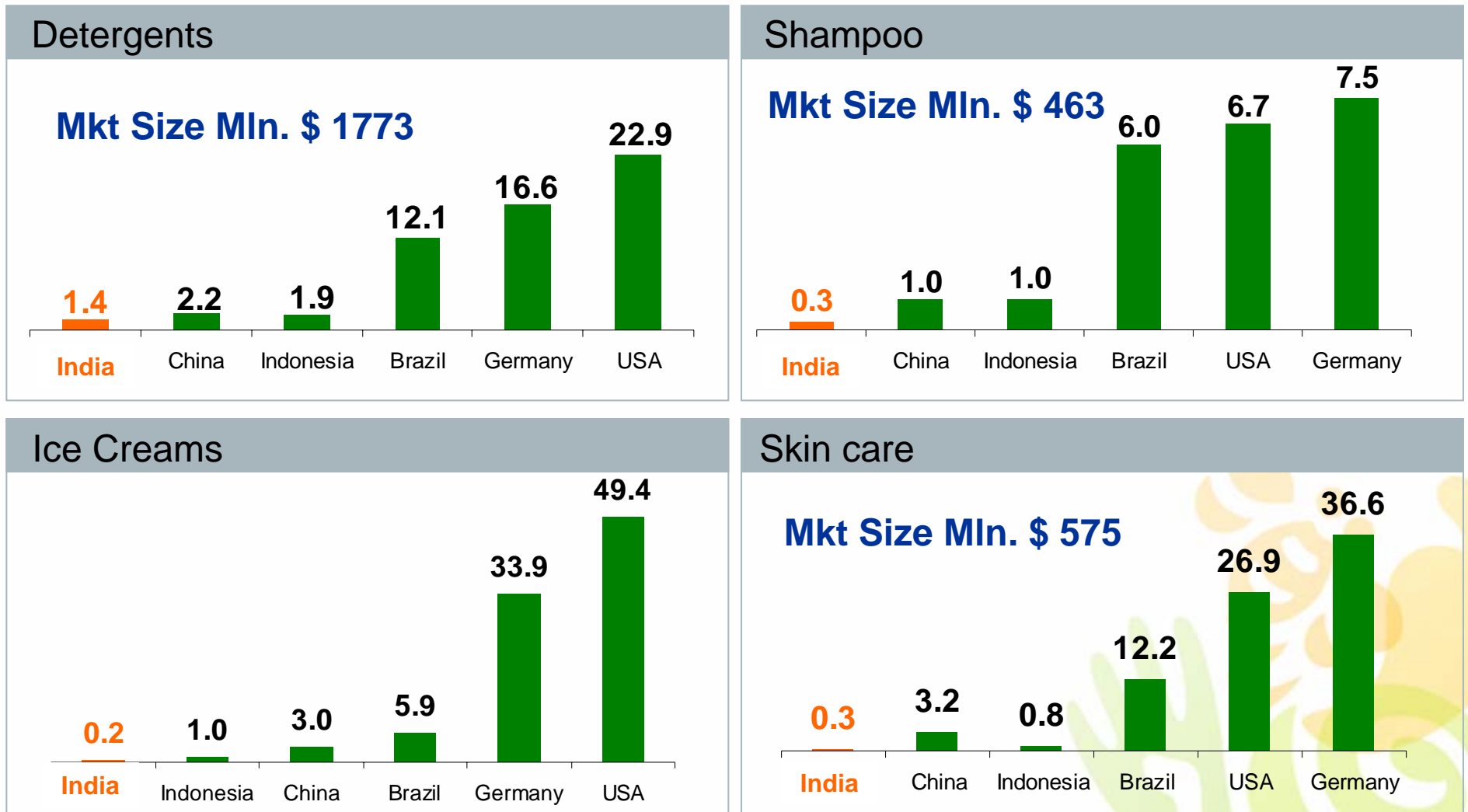


Source : Euromonitor, 2006



# Opportunity to grow consumption

Per Capita Consumption (US \$ )



Source : Euromonitor, 2006

# Opportunity to grow penetration

## Penetration %\*

Category	All India %	Urban %	Rural %
Deodorants	2.1	5.5	0.6
Toothpaste	48.6	74.9	37.6
Skin Cream	22.0	31.5	17.8
Shampoo	38.0	52.1	31.9
Utensil Cleaner	28.0	59.9	14.6
Instant Coffee	6.6	15.5	2.8
Washing Powder	86.1	90.7	84.1
Detergent Bar	88.6	91.4	87.4
Toilet Soap	91.5	97.4	88.9

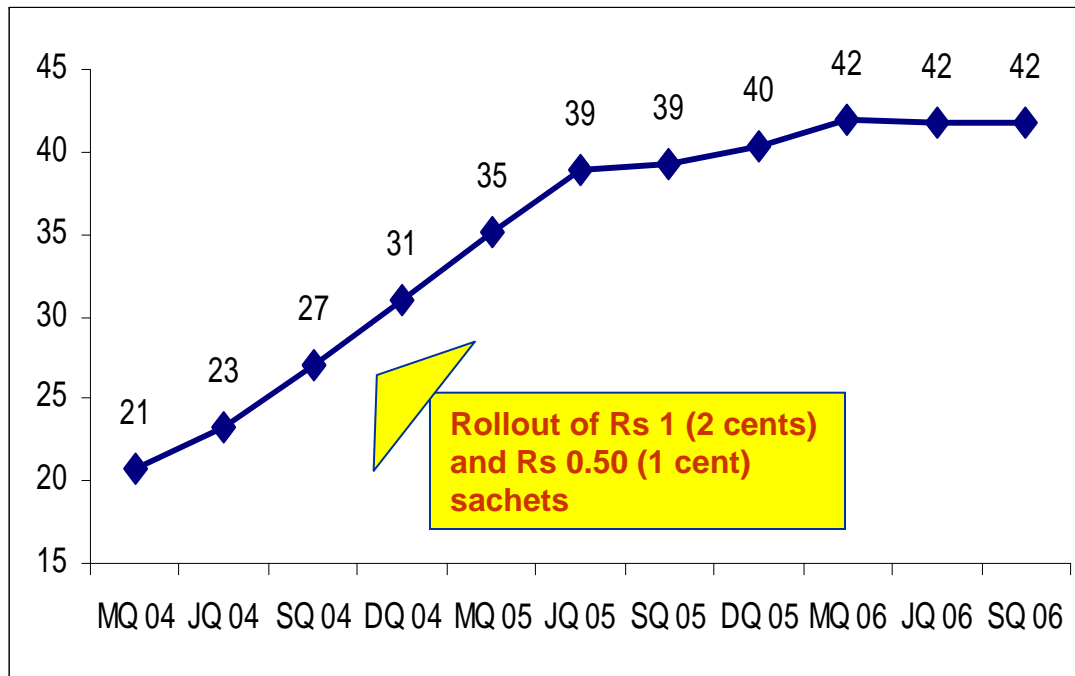
Source : MRUC, Hansa Research - Guide to Indian Markets 2006

\*Penetration numbers based on study conducted by Indian Readership Survey, on a sample size of ~250,000 based on usage in 6 months

# Opportunity from Increased Penetration

Unique innovations & promotions to drive category penetration

Rural shampoo penetration : % households bought once/quarter

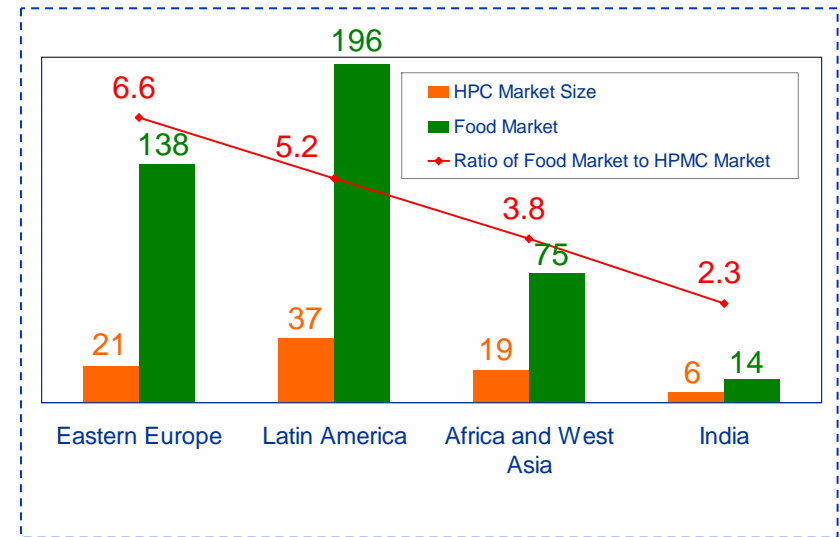


□ Low price shampoo sachets have helped drive category penetration

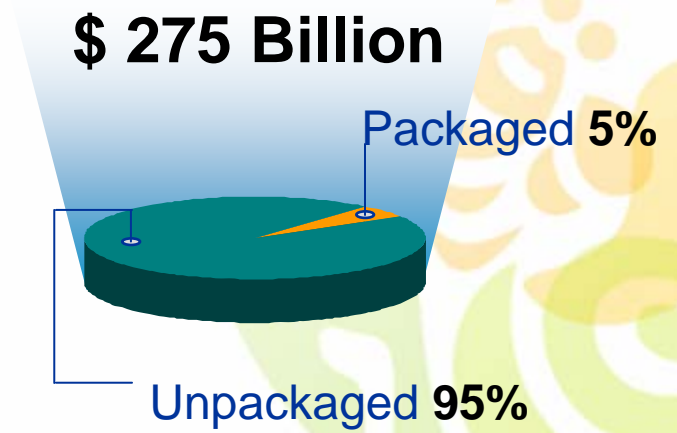


# Foods Opportunity....

- Packaged Food Market \$14 Billion
- Largely Urban (80%), rapid historical growth: 13%
- Poised to accelerate: Income Elasticity of 1.33



- But bulk of food in India is still consumed fresh... unpackaged



# Modern Trade Customers



## Local Retailers



## MNC Retailers



## Prospective Entrants



# Agenda



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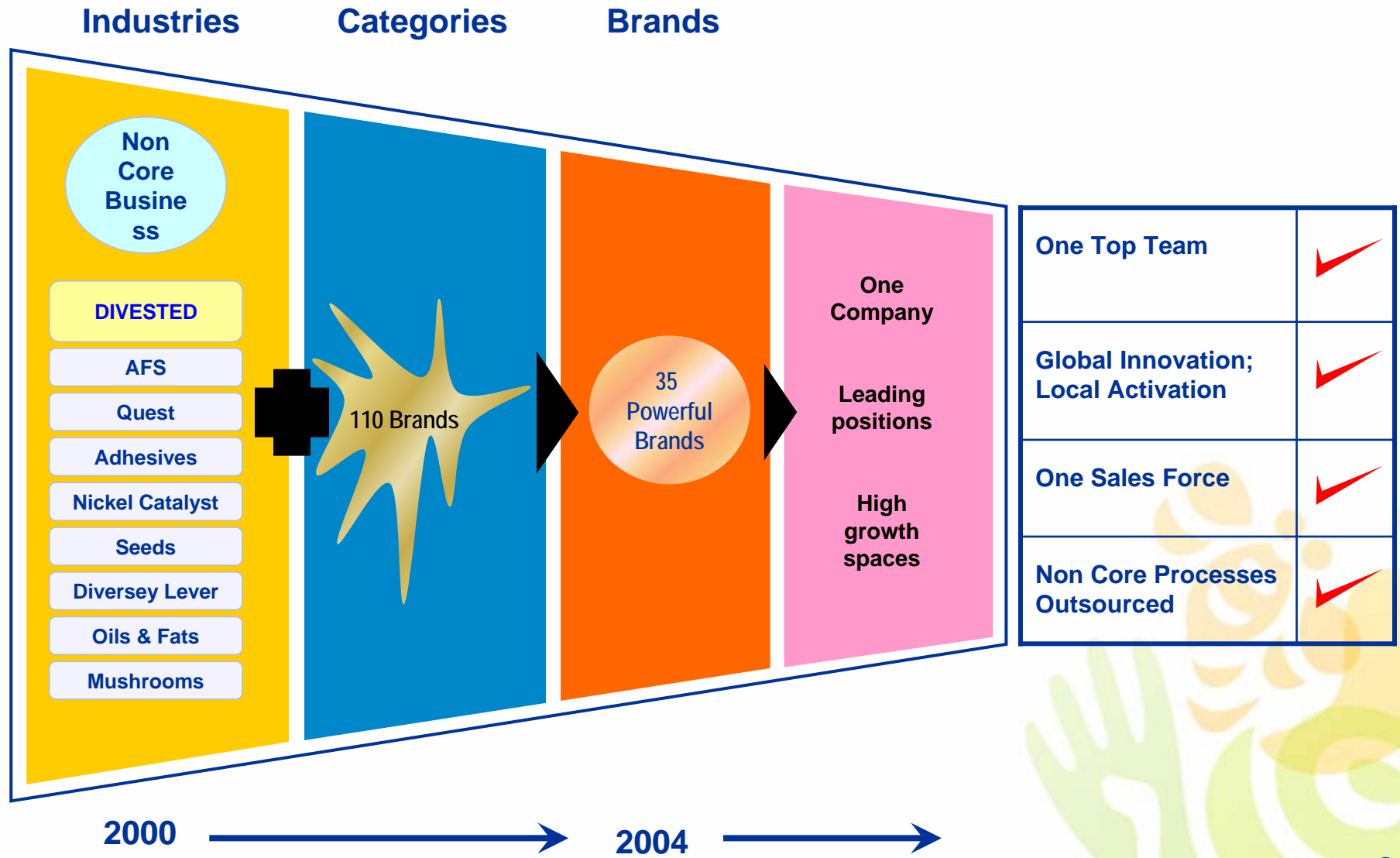
# HUL – Uniquely Positioned to Create Value

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- Evolving Strategic Focus
- Track record of building large brands: Unmatched Brand Portfolio
- Innovation and R&D capabilities to straddle the pyramid
- Versatile distribution network
- Strong Corporate Responsibility and Governance
- Strong Local talent base



# Evolving Strategic Focus





# Our Large Brands : Unmatched Brand Portfolio

**Wheel**



**RIN**  
ADVANCED



**6 MEGA BRANDS -**

**LUX**

Sales from

~ \$ 200 mn each,

**53% FMCG portfolio**



*Fair & Lovely*



# Innovation and R&D capabilities

Over 500 Unilever scientists,engineers,specialists working on R&D for Developing & Emerging markets, over 250 within India :

India R&D key part of Unilever global R&D set-up

India R&D supports category development plans for – Skin Cleansing & Care, Fabric Cleaning & Conditioning, Household Care, Oral ,Hair, Ice Cream, Beverages, Culinary Products, Staple Food

Focus:

Breakthrough product, processes & packaging

Integrated with category business priorities, rooted in local consumer insights

Continuously challenge current cost, product form & functionality, and innovation delivery time paradigms



# Distribution Strength



- Direct coverage - 1 mln. outlets; Brands reach - 6.3 mln. outlets in a country with the highest store density
- Strong IT capability, ability to track sales up to the retail point
- Unique channel based initiatives to target the consumer more effectively
- Portfolio of category and Brands give unique reach in Modern Trade
- Project Shakti, a competitive advantage in Rural India

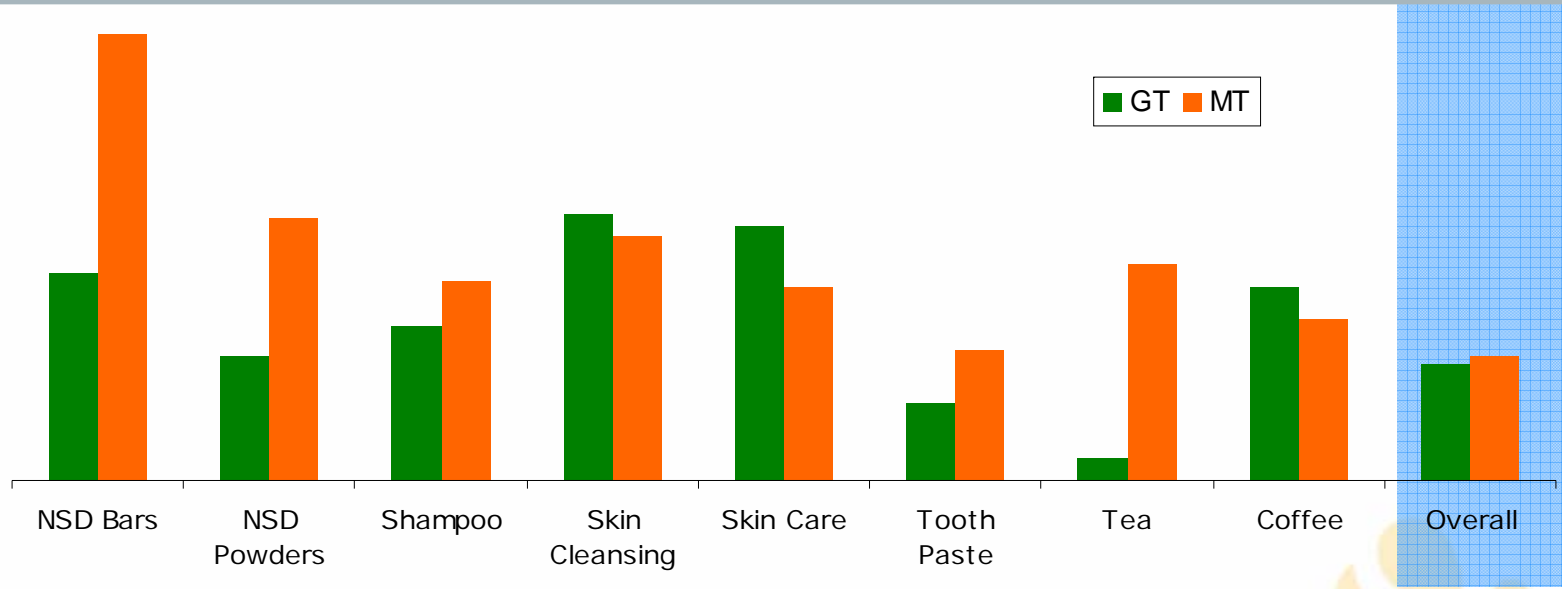
# New Channel Initiatives



Channels	HLL Programs	
Family Grocers	SVS/ FLO	
Chemist	Unicare	
Fancy	Beauty zone	
Kiosk	K- LINE	
Rural	Superstar & Shakti	
Wholesale	Vijeta/ Sambandh	

# Organized Retail - A source of Competitive Advantage

## HLL Market Shares in MT

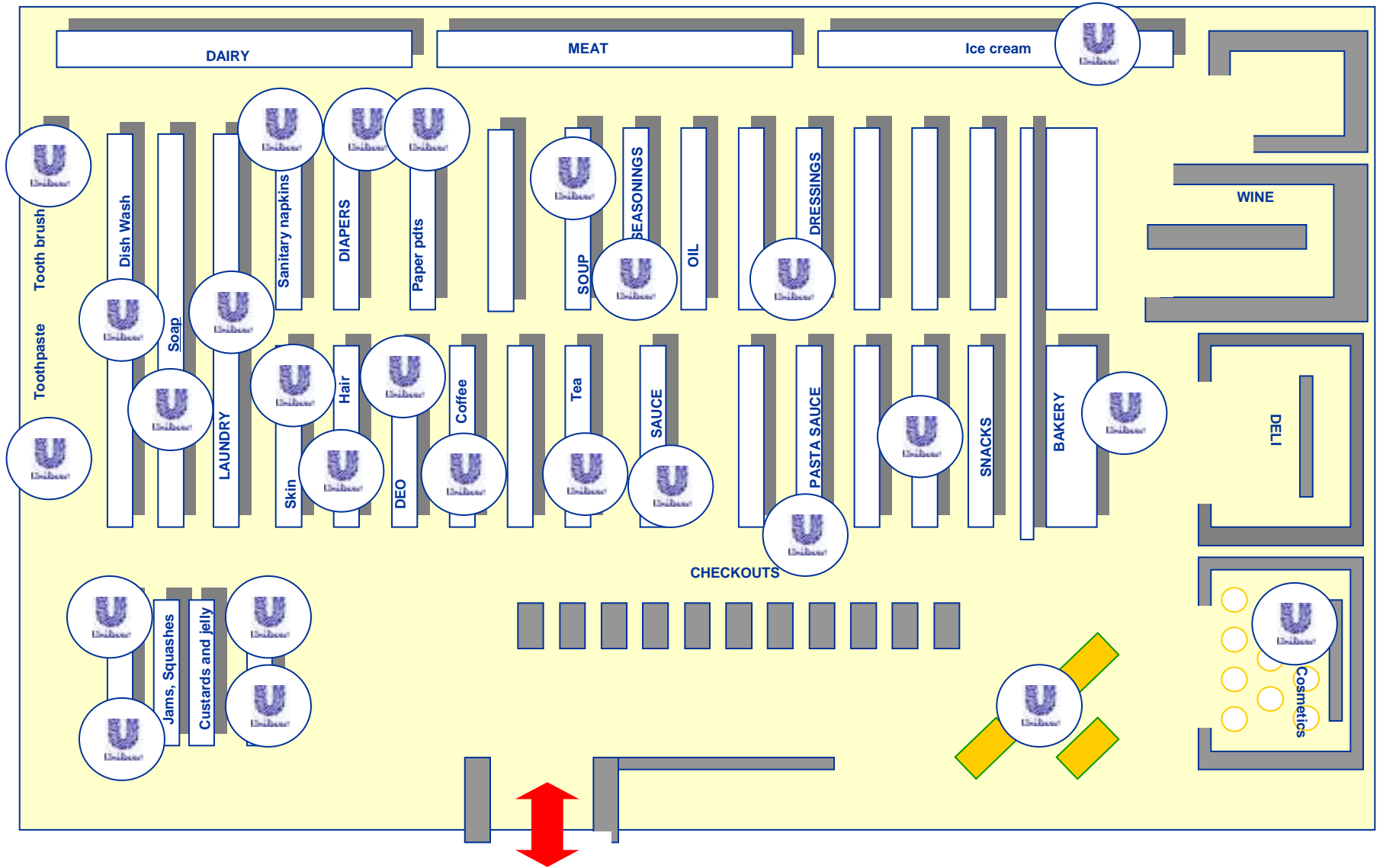


**HLL MT Market Shares are higher than its GT shares in most categories**

Source : Retailer POS Data & AC Nielson  
Comparison with Top 6 Metros in GT

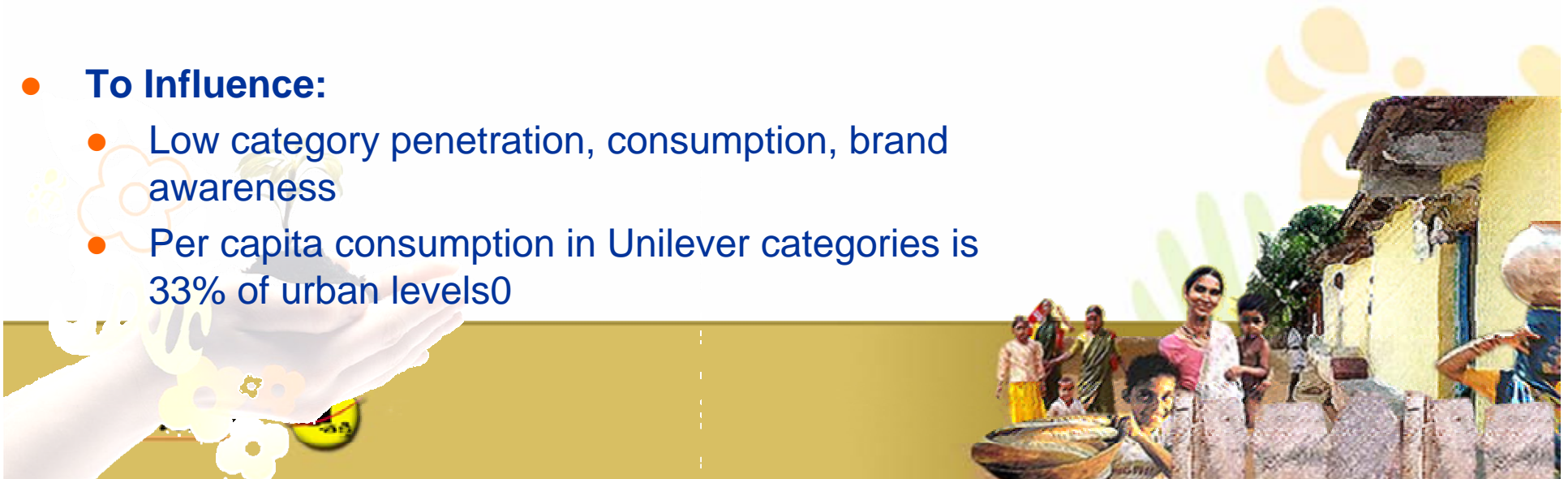


# What sets us apart - Reaching Shoppers



# Project Shakti- Enabling Direct Rural Reach

- **To Reach:**
  - Small, scattered settlements and poor infrastructure make distribution difficult
  - Over 500,000 villages not reached directly by Unilever
- **To Communicate:**
  - Low literacy hampers effectiveness of print media
  - Poor media-reach: 500 million Indians lack TV and radio
- **To Influence:**
  - Low category penetration, consumption, brand awareness
  - Per capita consumption in Unilever categories is 33% of urban levels



# Shakti



- **Three Shakti interventions:**
  - Shakti entrepreneur; currently ~ 39000 women cover 1,10,000 villages
  - Shakti Vani: one-to-many communication for category growth
  - iShakti: customized interaction with remote consumers
- **Impact on community**
  - Business and social impact can go together
  - Partnerships with diverse stakeholders





# Corporate Responsibility – Aiding in the Development of the Country



- Project Shakti – Empowerment of women through micro-enterprise Opportunity
- Relief and Reconstruction – Yashodadham in Gujarat's Kutch district
- Health & Hygiene – Lifebouy Swasthya Chetana
- Happy Homes – Support through Asha Daan, Ankur, Kappagam

**Combining corporate responsibility and business strategies to aid development of rural India**



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# Key Financials



	Cum '07	Cum'06	2006	2005
Reported Growth	12.1	8.7	9.4%	11.4%
Continuing sales growth*	12.4	10.0	10.0%	11.5%
EBIT/ Sales %	13.3	13.0	14.1%	13.3%
EBIT Growth	14.0	22.3	16.2%	1.1%
Operating cash flow*			\$365 Mn	\$489 Mn

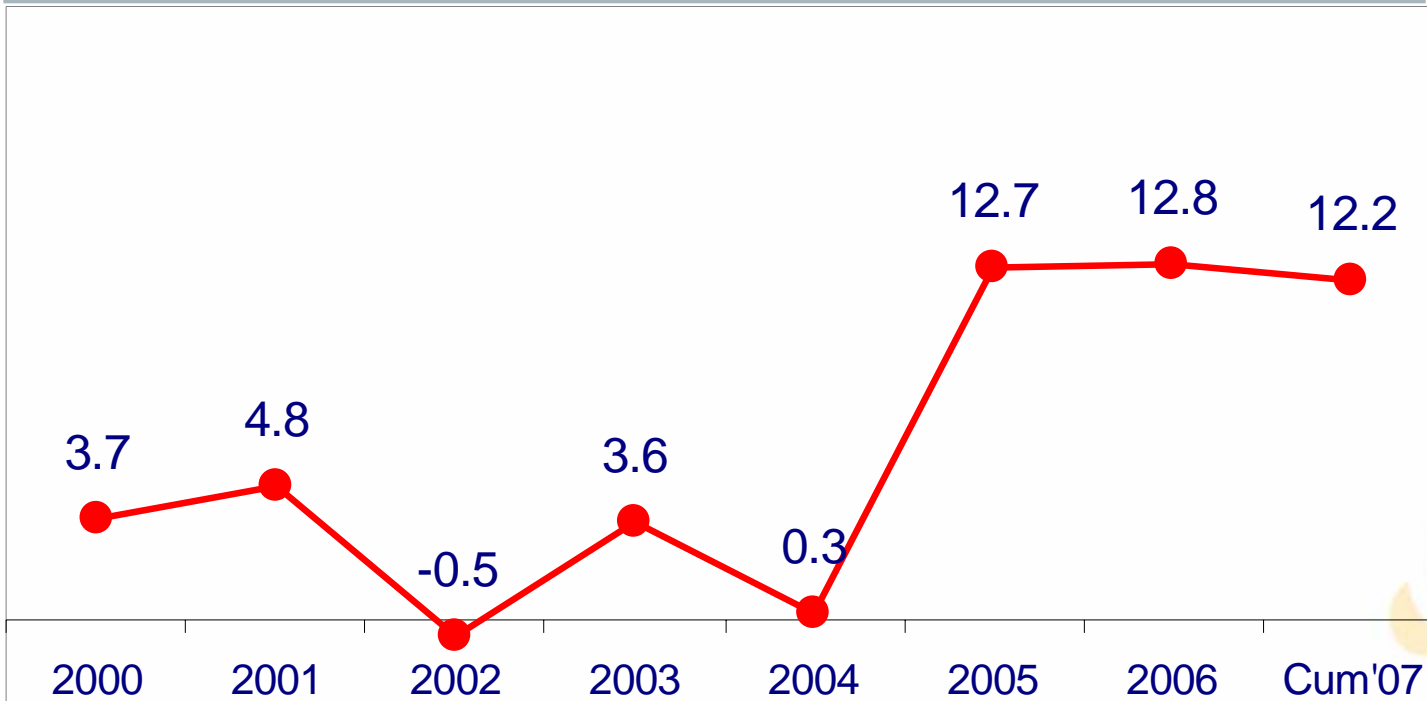
\* Before restructuring, disposal

As per audited financial statements of the company; accounting as per Indian GAAP

# Robust FMCG growth



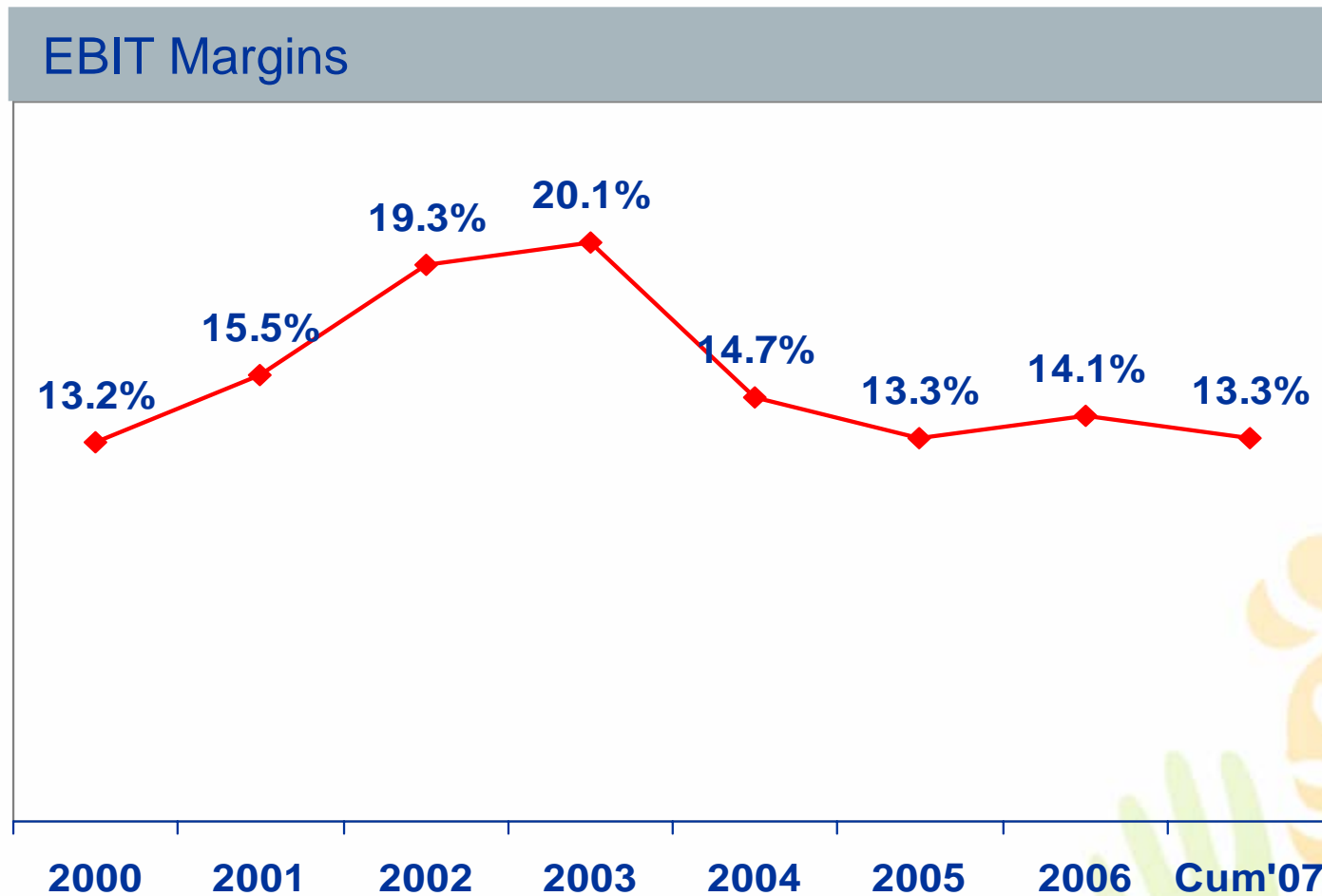
HUL FMCG Sales growth %



++ HUL has January - December financial year.

As per audited financial statements of the company; accounting as per Indian GAAP; Sales growth is worked out on a continuing basis i.e. after adjusting the base for disposals etc.

# EBIT Margins



As per audited financial statements of the company; accounting as per Indian GAAP.  
Sales for the above calculations is Net sales (Gross Sales- Excise Duty)

# Earnings per Share

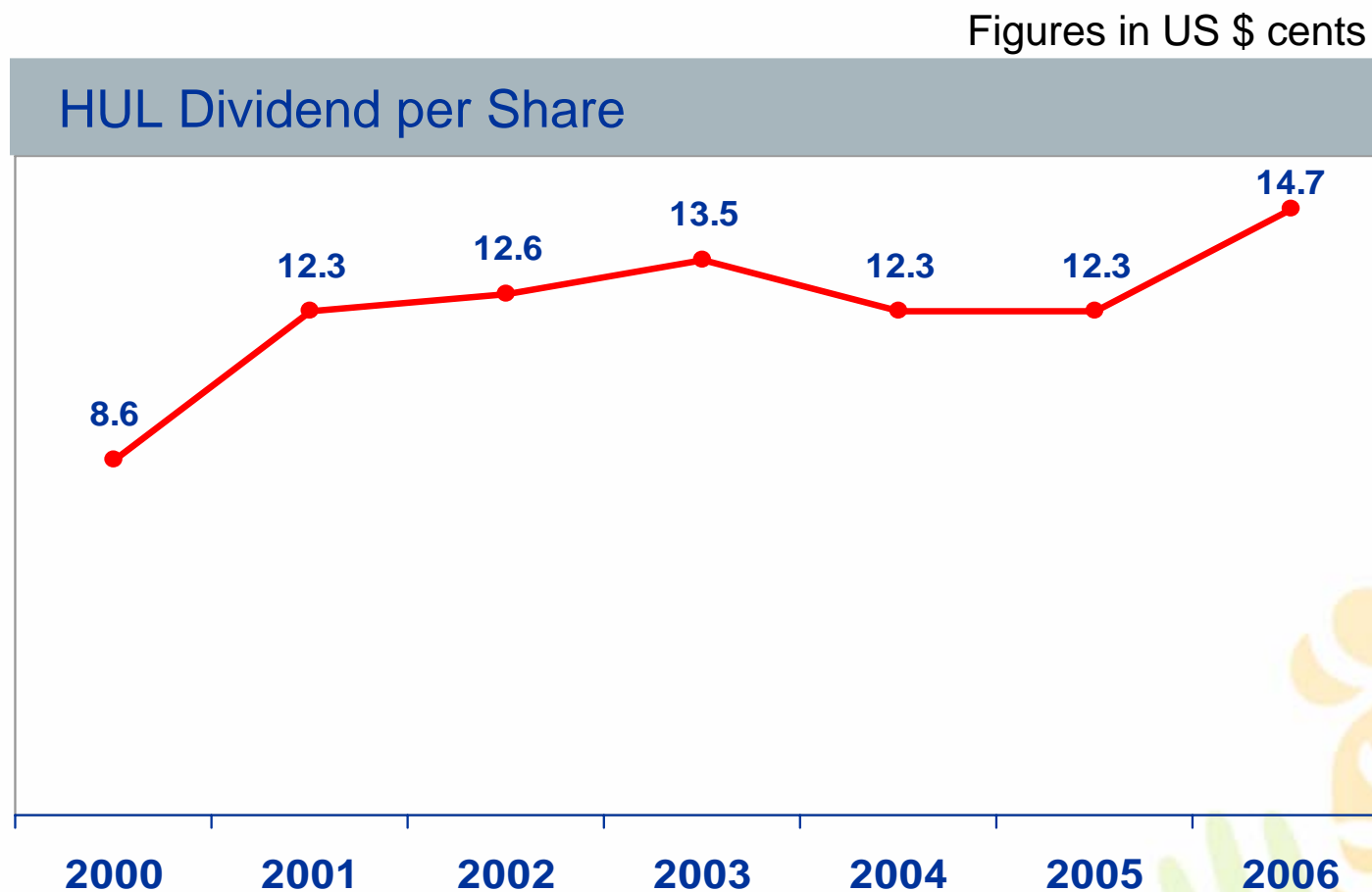


Figures in US \$ cents



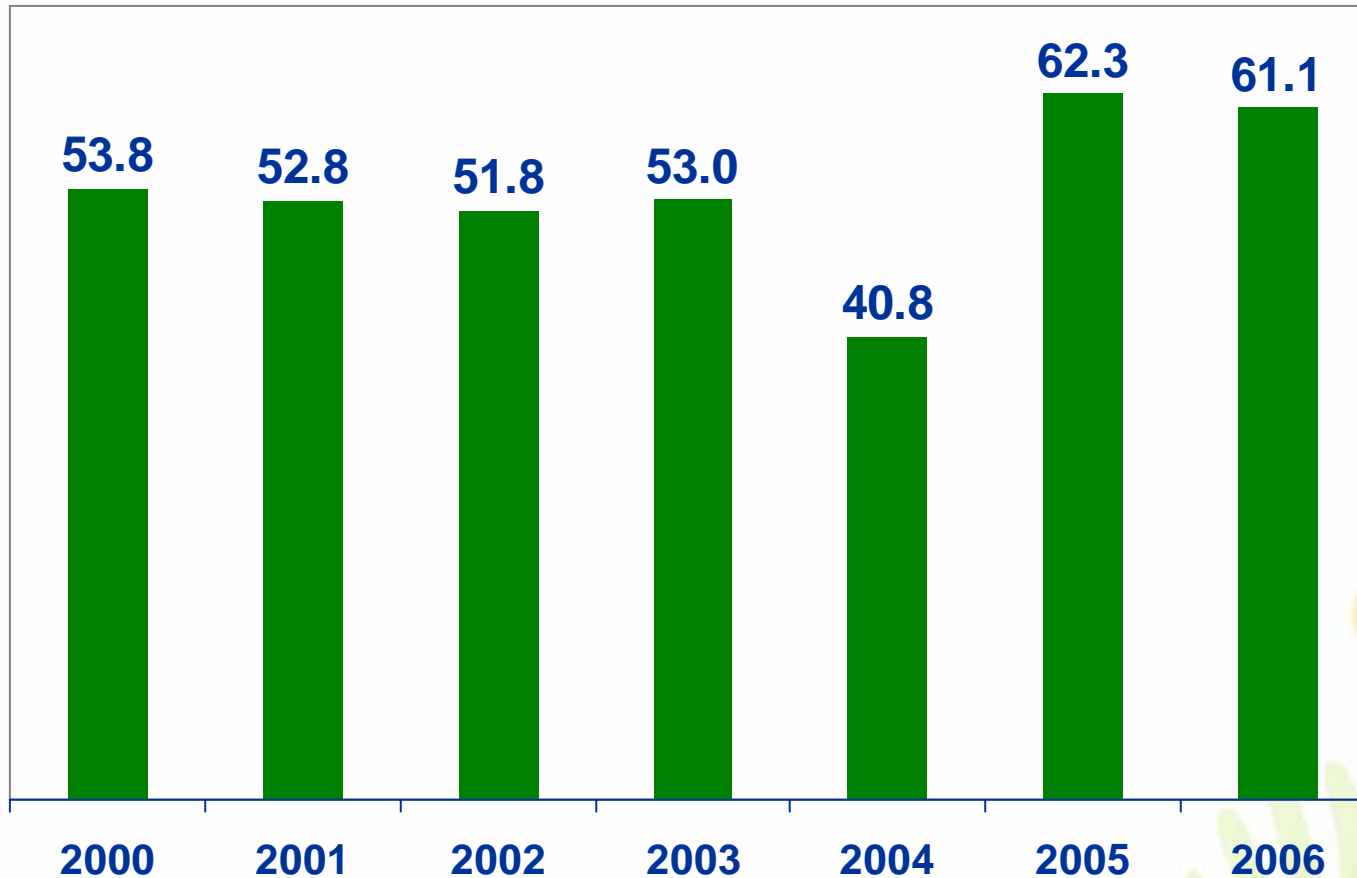
As per audited financial statements of the company; accounting as per Indian GAAP  
Earnings per Share= Net Profit (aei) /No. of Shares

# Dividend per Share



As per audited financial statements of the company; accounting as per Indian GAAP

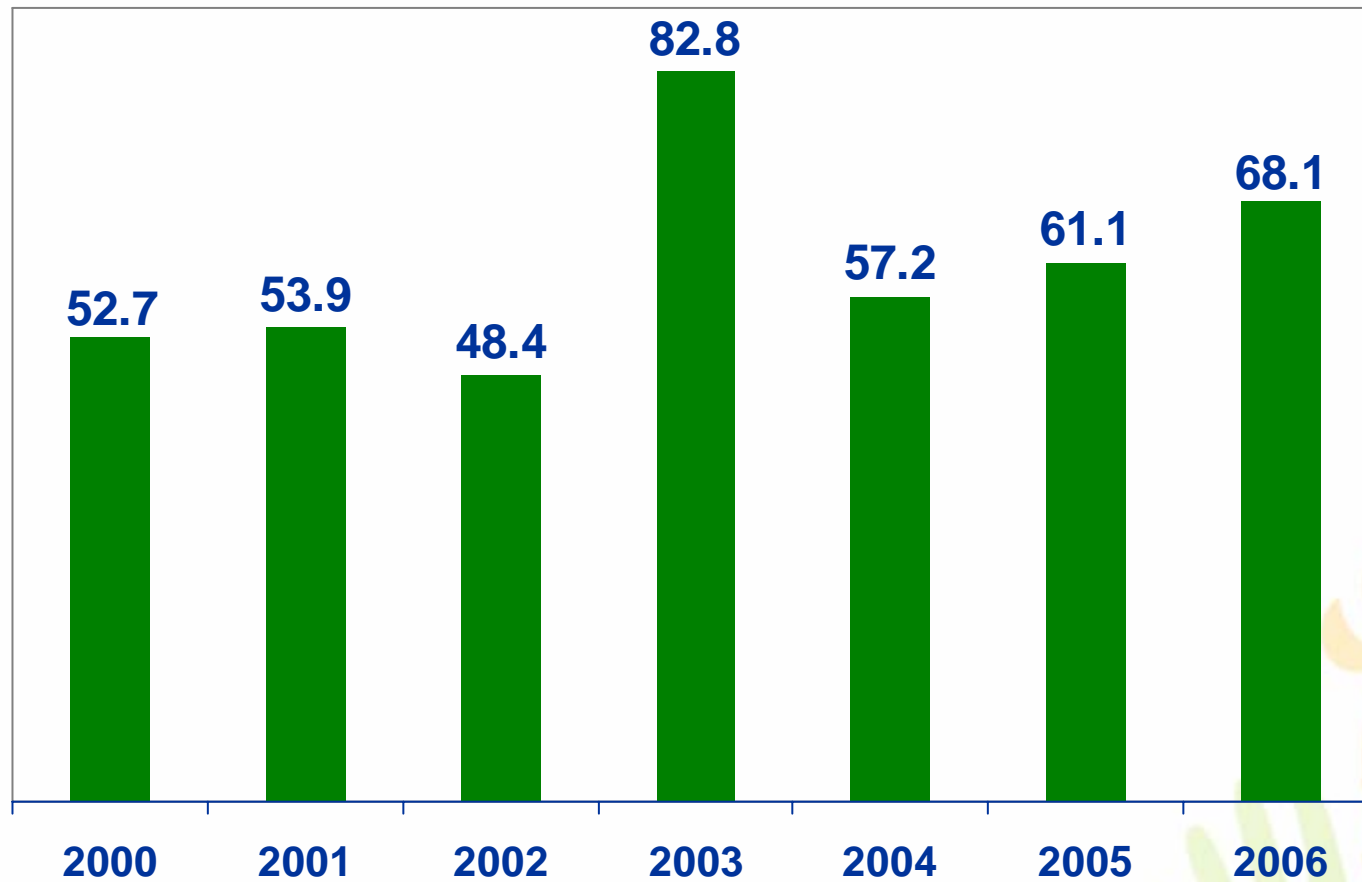
# Return On Capital Employed



As per audited financial statements of the company; accounting as per Indian GAAP  
ROCE= EBIT/Closing Capital Employed



# Return On Net Worth



As per audited financial statements of the company; accounting as per Indian GAAP  
ROCE= Net Profit (aei) / Closing Net Worth

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**Strategy and Markets**

# Strategy

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- Grow the Core ahead of Market
- Build on competitive advantage across the supply chain
- Implement new business strategy for Foods & Water
- Acquire and Retain Talent



# Personal Wash



## Context

Category penetration - 92% ; per capita consumption - \$ 0.6 p.a. Market growth - 8 % ; Large market, low consumption levels (~1/7<sup>th</sup> of Brazil), a high potential for up-trading

Toilet Soaps	Current
Market Size	\$ 1496 Mln.
HUL Share	54.0%
No.2 Share	10.0%



## Our Strategy

To straddle the pyramid and move consumers up to more aspirational brands. Grow share by growing ahead of the Market

Source: AC Nielsen retail panel; Euromonitor

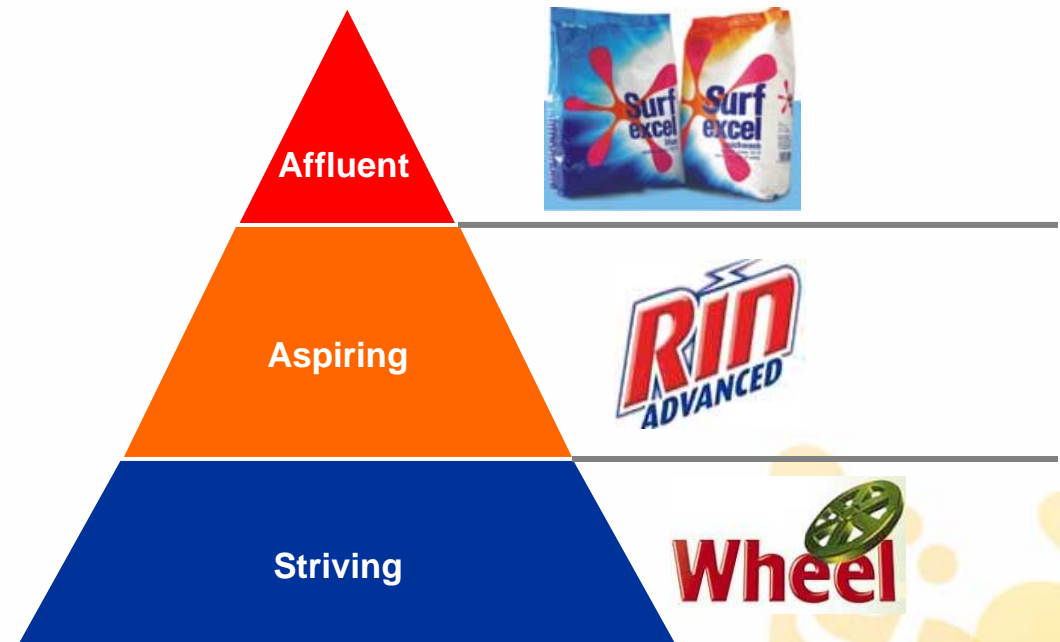
# Laundry



## Context

Category penetration - 87% ; per capita consumption - \$ 1.4 p.a. Market growth - 8 % Well penetrated market; Low consumption levels (~1/10th that of Brazil)

Laundry	Current
Market Size	\$ 1773 Mln.
HUL Share	37.8%
No.2 Share	13.5%



## Our Strategy

Work the pyramid; Grow profitably ahead of the market; Regain profitability through judicious price increases and cost effectiveness programmes

Source: AC Nielsen retail panel; Euromonitor

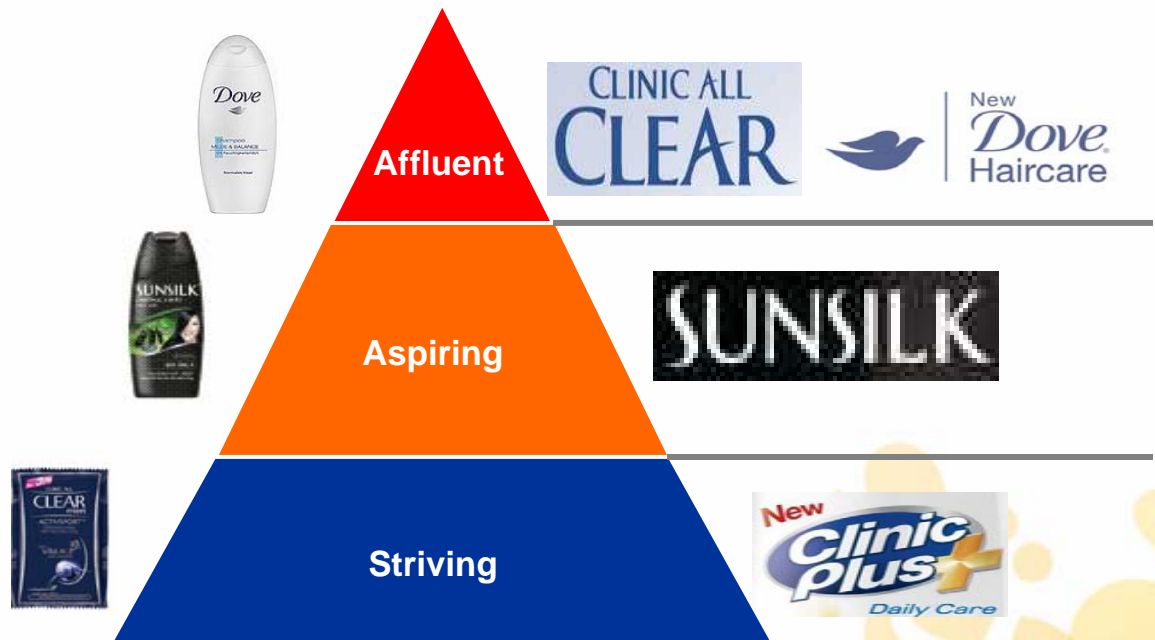
# Hair care



## Context

Category penetration - 38%; per capita consumption - \$ 0.3 p.a. Market growth - 13 % Largely untapped market unmet consumer needs

Shampoo	Current
Market Size	\$ 463 Mln.
HUL Share	47.5%
No.2 Share	24.8%



## Our Strategy

Work the Pyramid; convert non users & increase penetration; upgrade the existing users to aspirational brands

Source: AC Nielsen retail panel; Euromonitor



# Skin care



## Context

Category penetration -22%; per capita consumption - \$ 0.3 p.a. Market growth - 16 % Category with potential for accelerated growth

Skin	Current
Market Size	\$ 575 Mln.
HUL Share	55.1%
No.2 Share	7.5%



## Our Strategy

Grow the Top End market using Unilever's International Expertise; build Ponds as a Face care brand and Vaseline as a H & B brand; drive penetration and consumption using "Fair & Lovely"

Source: AC Nielsen retail panel; Euromonitor

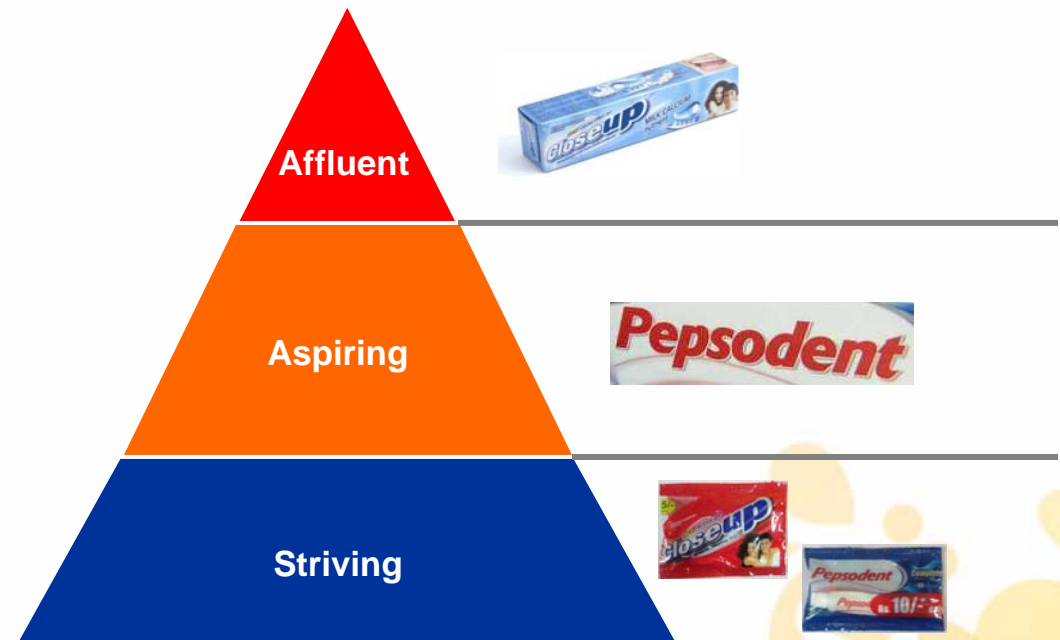
# Toothpaste



## Context

Category penetration- 49% ; per capita consumption - \$ 0.6 p.a. ; Market growth - 12%

<b>Toothpaste</b>	<b>Current</b>
<b>Market Size</b>	<b>\$ 592 Mln.</b>
<b>HUL Share</b>	<b>30.0%</b>
<b>No.1 Share</b>	<b>48.2%</b>



## Our Strategy

Grow with market with the our brands Close Up on freshness platform and Pepsodent on family & health platform

Source: AC Nielsen retail panel; Euromonitor

# Tea



## Context

Well penetrated category, 2/3rd of Tea consumed is Loose Tea/local form; Market growth – 17%

Packet Tea	Current
Market Size	\$ 896 Mln.
HUL Share	24.3%
No.2 Share	20.7%



## Our Strategy

Presence across the pyramid; drive up-trading of consumers; Convert loose tea drinkers to packet tea consumers;

Source: AC Nielsen retail panel; Euromonitor

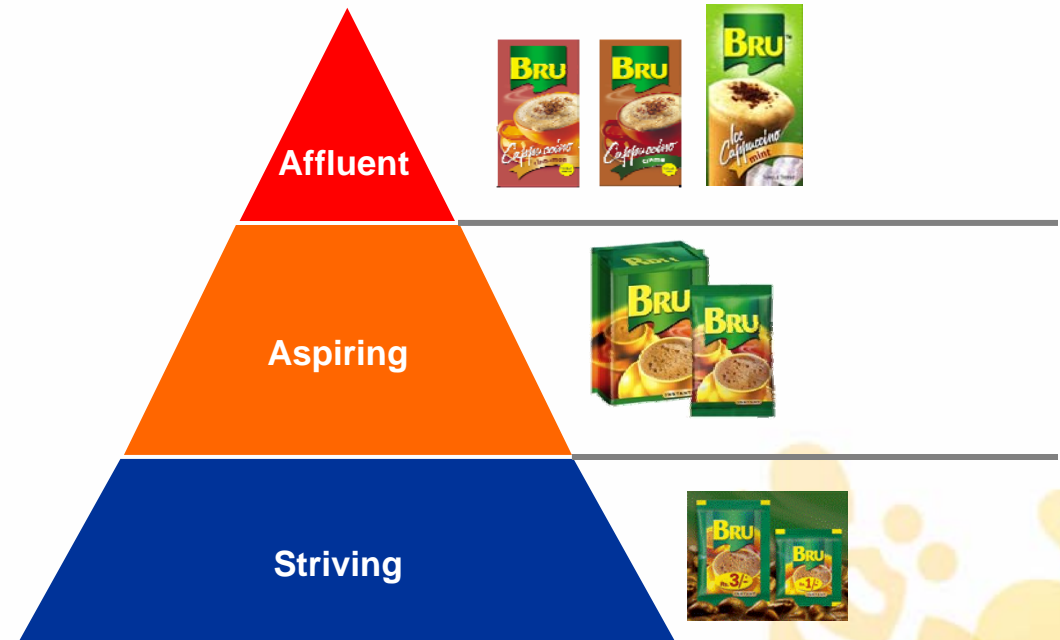
# Coffee



## Context

Coffee is emerging as a lifestyle beverage in the country with proliferation of Cafes and premium value add coffee formats  
Market Growth – 4%

<b>Toothpaste</b>	<b>Current</b>
<b>Market Size</b>	<b>\$ 153 Mln.</b>
<b>HUL Share</b>	<b>46.9%</b>
<b>No.2 Share</b>	<b>37.7%</b>



## Our Strategy

Format led innovation to drive penetration & consumption.  
Introduction of Low unit packs to drive penetration and adoption by the masses

# Processed Foods



## Context

Highly under-penetrated category; bulk of the consumption is still unpackaged



Processed Foods	Current
Market Size	\$ 14 Bln.
HUL Presence	Ketchups, Soups, Squash, Jams, Atta and Salt
Market Share	No. 1 or 2



## Our Strategy

Implement the foods strategy; Use of Unilever know how to cater to local tastes; Enter new exciting markets within the processed foods space

Source: AC Nielsen retail panel; Euromonitor



# Water



## Context

~ 220 Mln Households, where safe drinking water in short supply

**Proposition:** 'as safe as boiled water' without hassles of boiling  
no harmful virus, bacteria, parasites, pesticides

Works without electricity & piped water

Business model based on sale of consumables

Affordable price: Cost of Unit - ~\$ 40; Cost of battery - \$ 7

Being Rolled out across key towns and urban areas

10000 strong sales force by 2008



**COST**  
220 liters of pure water for \$ 1

## Our Strategy

Build brand image leadership & strong consumer relationship through effective communication; secure ongoing sale of consumables



# Key Innovations/Activations – Cum SQ'07

## Deos and mail Toiletries



AXE Deo Relaunch and After Shave

## Personal wash



LUX Pinkful, Crystal Shine, Breeze Herbal and Lifebuoy Skin gaurd

## Laundry



Rin Advanced , Sunlight

## Shampoos



Clinic All Relaunch and Mens Range; Dove Launch

## Toothpaste



Pepsodent Centre Fresh

# Key Innovations/Activations – Cum-'07

## Skin Creams



Lakme Sun Expert, Ponds White Beauty range, FAL Relaunch

## Talc



Pond's Talc Relaunch

## Colour Cosmetics



Lakme Freespirit Summer Range

## Tea



Red Label relaunch

## Coffee



Bru Ice Cappuccino

## CPD



Knorr Chinese Mixes, Soups Relaunch

## Ice creams



Moo Range

# Summary



- Focus on growing the core ahead of the Market
- Leverage the impact on the consumer from the growing Indian Economy
- Successfully implement the Foods strategy
- Build momentum to the Water Business
- Build on competitive capabilities across business system
- Manage Cost pressure effectively to improve margins
- Strong commitment to governance and CSR



**Thank you**

