

# SQ'14 Results Presentation – October 27, 2014

**TRESemmé**  
USED BY PROFESSIONALS™

**“My hair spa. At home, every day.”**



**MARINE MINERALS  
AND NUTRIENTS**

**NEW**  
**HAIR SPA  
REJUVENATION**



\*With daily use of TRESemmé range of products

# Safe Harbor Statement

This Release / Communication, except for the historical information, may contain statements, including the words or phrases such as 'expects, anticipates, intends, will, would, undertakes, aims, estimates, contemplates, seeks to, objective, goal, projects, should' and similar expressions or variations of these expressions or negatives of these terms indicating future performance or results, financial or otherwise, which are forward looking statements. These forward looking statements are based on certain expectations, assumptions, anticipated developments and other factors which are not limited to, risk and uncertainties regarding fluctuations in earnings, market growth, intense competition and the pricing environment in the market, consumption level, ability to maintain and manage key customer relationship and supply chain sources and those factors which may affect our ability to implement business strategies successfully, namely changes in regulatory environments, political instability, change in international oil prices and input costs and new or changed priorities of the trade. The Company, therefore, cannot guarantee that the forward looking statements made herein shall be realized. The Company, based on changes as stated above, may alter, amend, modify or make necessary corrective changes in any manner to any such forward looking statement contained herein or make written or oral forward looking statements as may be required from time to time on the basis of subsequent developments and events. The Company does not undertake any obligation to update forward looking statements that may be made from time to time by or on behalf of the Company to reflect the events or circumstances after the date hereof.

# Agenda

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Strategy

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Business Context

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Current Quarter Performance

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First Half 2014 -15 Performance

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Looking Ahead

# Clear and Compelling Strategy

## Strategic framework



### THE COMPASS

WE ARE UNILEVER...

VISION

WE ARE A **purpose-led** growing sustainable business.

**WE WOULD NOT TRUST A KITCHEN TOWEL EVERY DAY**

We help people feel good, look good and get more out of life with brands and services that are good for them and good for others.

We will inspire people to take small everyday actions that can add up to a big difference for the world.

We will develop our ways of doing business with the aim of doubling the size of our company while reducing our environmental impact.

REALITY CHECK

Our focus on purpose and customers will be a key to success.

Our first priority is to our consumers, then customers, employees and communities. When we fulfil our responsibilities to them, our shareholders will be rewarded.

We will move through a period of volatility and a positive approach to all our stakeholders, based on clear accountability and fair pay for action.

WHERE WE WILL WIN...

We share and grow value in every category and country.

HOW WE WILL WIN...

Winning with brands and innovation

1. Deliver superior products, design, branding and marketing
2. Engage, better, faster innovation
3. Appeal to more consumers across brands and price points

Winning in the marketplace

4. Lead market development
5. Win more existing customers
6. Be price/value champion

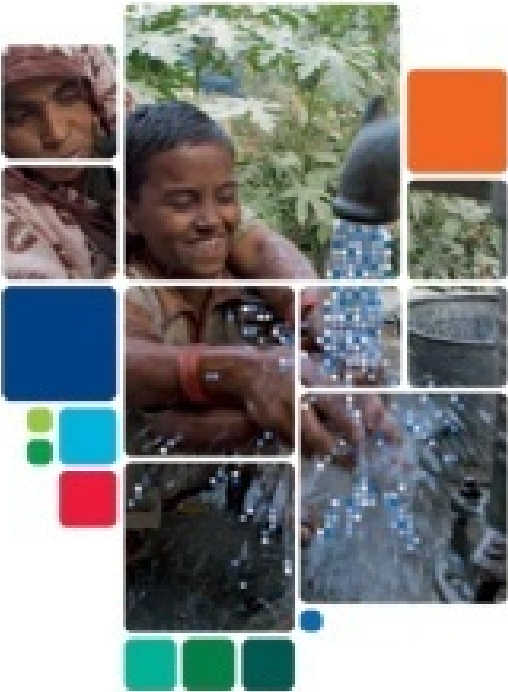
Winning through sustainable management

7. Lead, engage and customer-led value chain
8. Drive return on brand equity
9. Agile and innovative organisation

Winning with people

10. Organisation and talent pipeline ready to meet our growth ambitions
11. Performance culture which supports our vision
12. Leverage our operating framework for competitive advantage

## Sustainable Living Plan

A collage of images representing sustainable living, including people, water, and nature, surrounded by colorful squares.

## Goals

Consistent **Growth**

Competitive **Growth**

Profitable **Growth**

Responsible **Growth**

4

# SQ 2014 – Context

## *Business environment remains challenging*

→ **Market growth (volume & value) remains soft across categories**

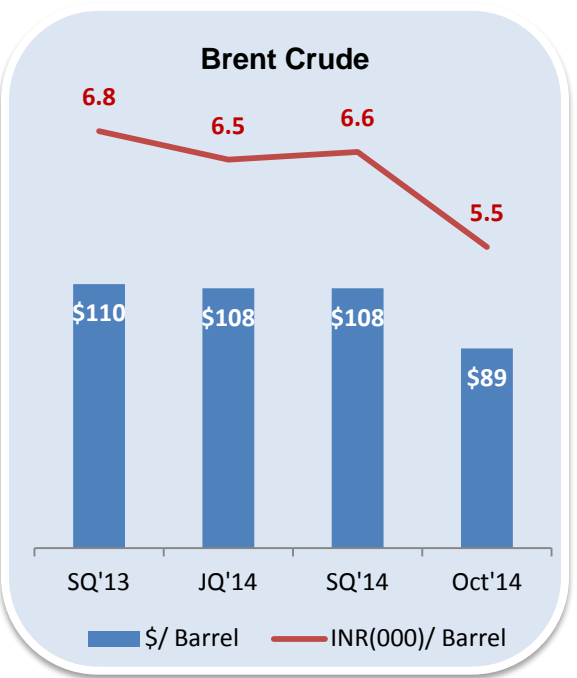
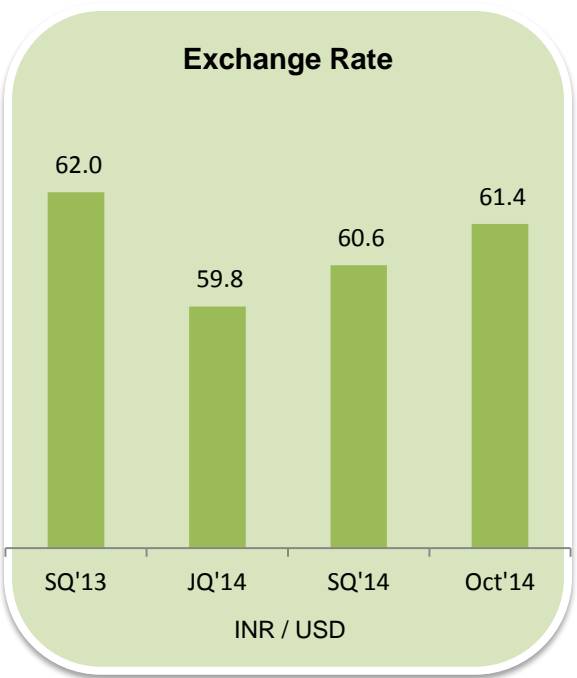
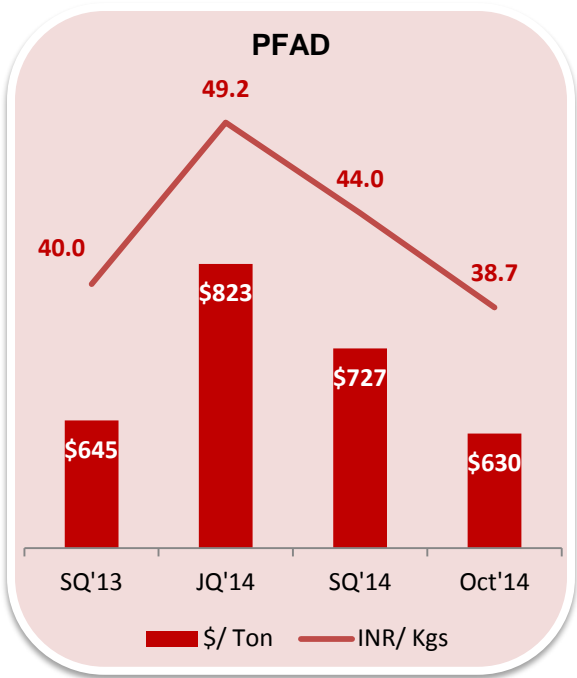
- Small / price point packs continue to lead growth

→ **Input costs soften towards end of quarter**

→ **Competitive activity remains high**

- Media intensity up sequentially, although lower than exceptionally high base quarter

# Input costs soften towards quarter end



Source: Bloomberg data and internal estimates  
INR numbers arrived at by applying the average exchange rate of the quarter to the average USD cost of the commodity

→ **Domestic Consumer business grows by 10%, ahead of market**

- 5% underlying volume growth

→ **Operating Profit (PBIT) at Rs.1166 crores, up 14%; margin expands +50 bps**

- COGS higher by 160 bps; impacted by higher consumption costs in quarter
- Companies Act 2014 impact of additional depreciation charge Rs. 9.6 crores (13 bps on margin)
- Competitive spends maintained across segments; A&P at 12.4% of sales (lower by 175 bps)
- Other expenditure down 30 bps, driven by operating efficiencies

→ **PAT (bei) at Rs. 957 crores, up 8%; Net Profit at Rs. 988 crores, up 8%**

→ **Impact of lower fiscal benefits - topline (90 bps), margin (30 bps), ETR (520 bps yoy)**

# Broad based growth across all segments

	<i>Sales growth %</i>
<b>Soaps &amp; Detergents</b>	<b>11</b>
<b>Personal Products</b>	<b>10</b>
<b>Beverages</b>	<b>7</b>
<b>Packaged Foods</b>	<b>14</b>

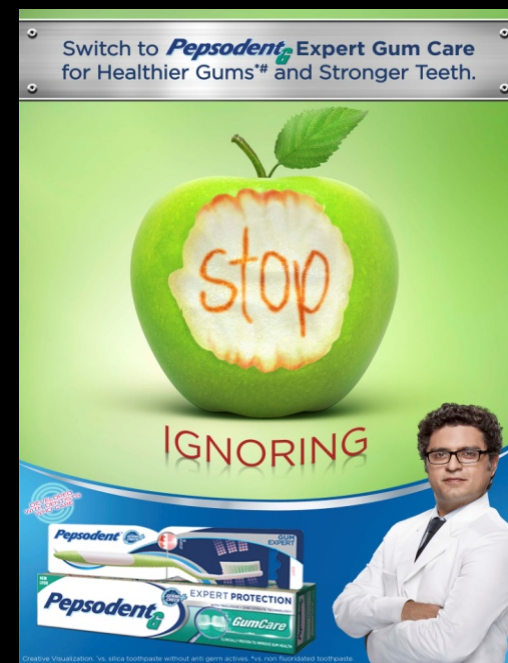
**Domestic Consumer grows at 10%**



# CATEGORY HIGHLIGHTS

# Winning with Brands

## *Continued focus on innovations*



# Winning with Brands

## *Impactful 360 activation*

### Kissanpur



Kissanpur @PVR cinemas

### Pepsodent Bhel leaflets



Tie up with Mumbai vendors

## Harnessing Non-TV

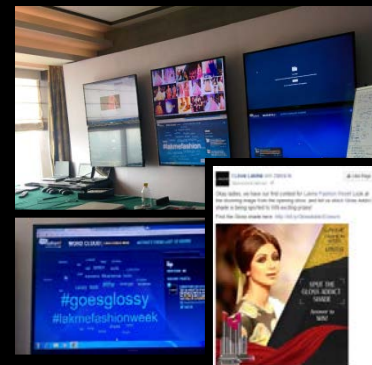
### MT Independence Day



Impactful MT Independence Day activation

### Lakme – Command Centre

Real time social listening & analysis during Lakme Fashion Week - reach of 18m

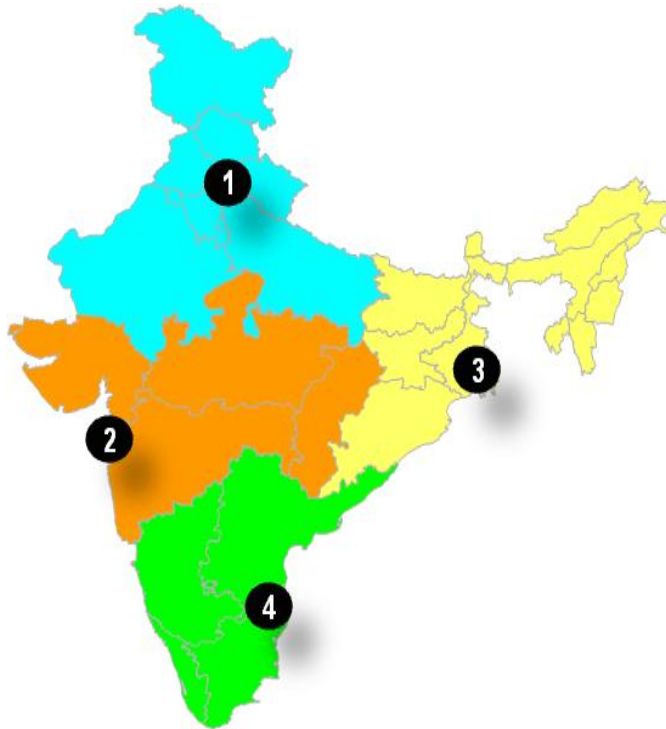




# Winning with Consumers

## Re-organizing to meet the needs of Many Indias (Sept 2014)

Current

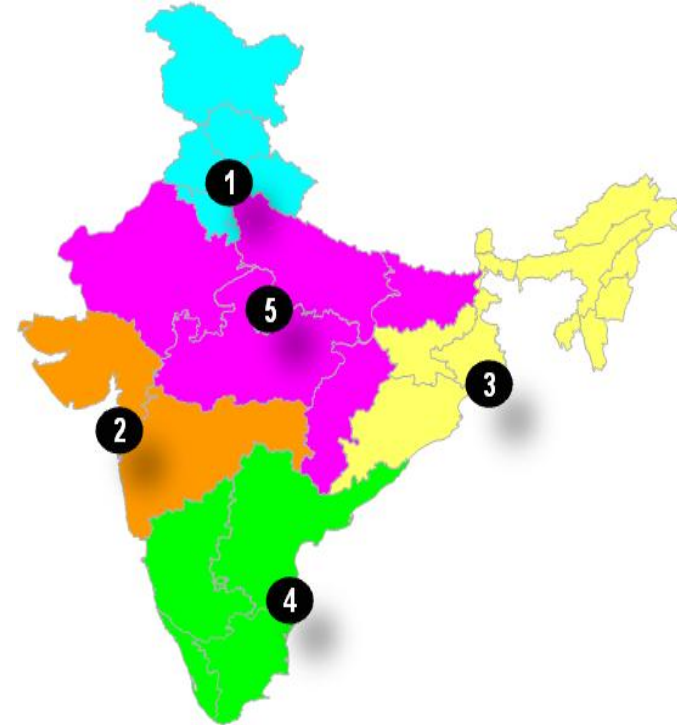


4 Branches

India = Diverse = Many Indias



Proposed



5 Branches, 14 Consumer Clusters

Structure | Processes | Empowerment | Micro Marketing

# Skin Cleansing

## *Double digit growth*



→ Price led growth driven by Lifebuoy, Lux and Dove



→ Lifebuoy handwash delivers another strong quarter



→ Higher consumption costs in quarter, easing towards latter part

# Home Care

## *Double digit growth led by the premium segment*



### → Laundry

- Surf sustains its strong volume led growth momentum
- Rin growth further accelerates, bars portfolio does particularly well
- Wheel growth continues to step-up post re-launch
- Comfort does well; focused on market development



### → Household Care

- Growth led by Vim, driven by robust performance on liquids

# Skin Care

## *Volume led double digit growth in FAL and Pond's*



- FAL continues to build momentum post re-launch
- Pond's growth led by premium skin lightening and talc
- Pond's Men and FAL Men doing well in Men's segment
- Lakme performance driven by Perfect Radiance and CC Cream
- Facial cleansing portfolio sustains strong double digit growth
- Vaseline impacted by higher winter sell-in in base quarter

# Hair Care

## *Volume led double digit growth*



### → Shampoos deliver another strong performance

- Dove registers robust growth
- Clinic Plus steps up on impactful activation
- TRESemmé continues to gain ground; 'Spa Rejuvenation' variant added
- Broad-based growth across formats; sachets grow faster



### → Focus on market development for Conditioners sustained



# Oral Care

## *Subdued performance in quarter*



### → Close Up delivers activation-led growth

- Encouraging initial response to 'Diamond Attraction'
- Small packs continue to lead growth

### → Pepsodent performance muted by high comparator due to re-launch in base quarter

- Salt and Clove variant launched
- Gum Care re-launched under 'Expert Protection' range

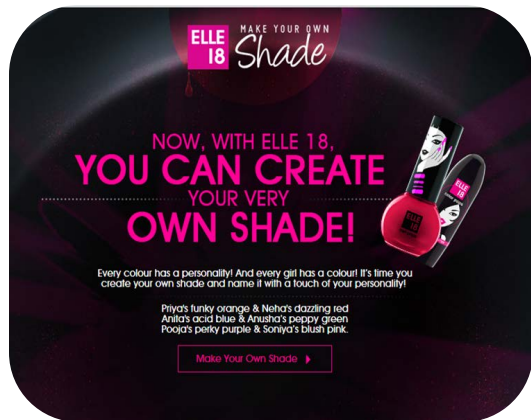
# Color Cosmetics

## *Consistent double digit growth*



### → Lakme sustains robust innovation led growth

- Core range, 9 to 5 and 'eyeconic' do well
- Exciting launch of the Lakme 9 to 5 'Crease-less lip balm'
- Brand buzz around another successful Lakme Fashion Week



### → Elle 18 goes digital with 'Make your own shade' activation

- Water resistant Black Out Liner and Kajal introduced

# Beverages

## *Volume led growth in Tea and Coffee*



### → Tea delivers healthy volumes, price growth fades

- Driven by strengthened brands and sharper activation
- Performance led by Red Label and 3 Roses
- Focus on market development for Green tea continues
  - Another quarter of sales doubling
  - Green tea bag 'Honey & Lemon' and 'Tulsi' flavours launched

### → Bru Coffee registers double digit growth, core steps up

# Packaged Foods

## *Double digit growth in Kissan, Knorr & Kwality Walls*



→ Kissan sustains its strong activation led growth momentum



→ Knorr delivers broad based growth; Instant Soups double



→ Kwality Walls and Magnum register another robust quarter



# Packaged Foods

*Fourth successive quarter of double digit growth*

## Driving Growth through market development



Unlocking everyday relevance



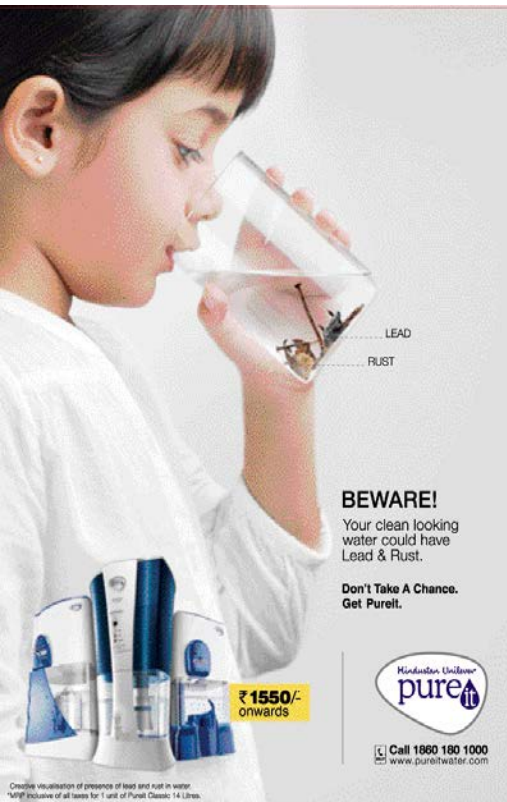
Driving adoption and trials



Sharper in-market execution

# Pureit

## *Double digit growth*



→ Premium innovations lead growth

- Pureit Ultima (RO + UV) doing well

→ Focus on market development - building relevance

→ Modern Trade and Pureit Perfect Stores drive growth

# SQ 2014

## Results summary

Rs Crores			
Particulars	SQ'13	SQ'14	Growth %
Net Sales*	6,747	7,466	11
PBIT	1,021	1,166	14
PBIT margin (%)	15.1	15.6	50bps
PAT bei	883	957	8
Net Profit	914	988	8

\* Domestic Consumer grows at 10%

# SQ 2014

## PBIT to Net Profit

Rs Crores			
Particulars	SQ'13	SQ'14	Growth %
PBIT	1021	1166	14
Add : Other Income	151	198	
Less : Finance Costs	6	6	
Exceptional Items – Credit / (Charge)	33	49	
PBT	1200	1406	17
Less : Tax	(286)	(418)	
Net Profit	914	988	8

- Other income includes
  - Interest, dividend and net gain on sale of other non trade current investments of Rs. 98 crores (SQ'13: Rs. 96 crores)
  - Dividend income from trade non current investments Rs. 100 crores (SQ'13 : Rs. 55 crores)
- Additional depreciation charge of Rs. 9.6 Crores (including JQ'14: Rs 4.8 crores) taken pursuant to the adoption of the provisions of the new Companies Act 2013
- Exceptional items include profit on sale of surplus properties of Rs. 49 crores (SQ'13: Rs. 38 crores)
- Effective tax rate for the quarter is 29.5% (SQ'13: 24.3%)



### **Competitive and profitable growth sustained**

- 10% Domestic Consumer growth, ahead of market
  - 5% underlying volume growth
- Competitive spends maintained, albeit lower than exceptionally high base quarter
- PBIT margin expands +50 bps
  - Higher consumption costs, additional depreciation and phase out of Excise benefits, offset by -
  - Lower A&P spend, operating efficiencies

**FIRST HALF 2014-15**

# First Half 2013-14

## *Strategy on course*

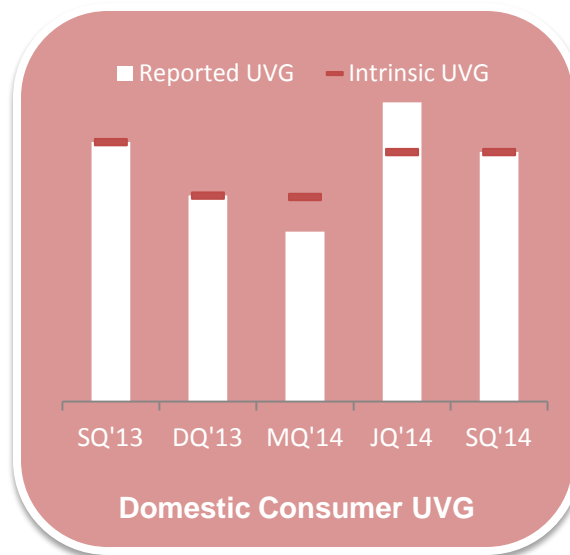
### COMPETITIVE GROWTH

*...ahead of market*



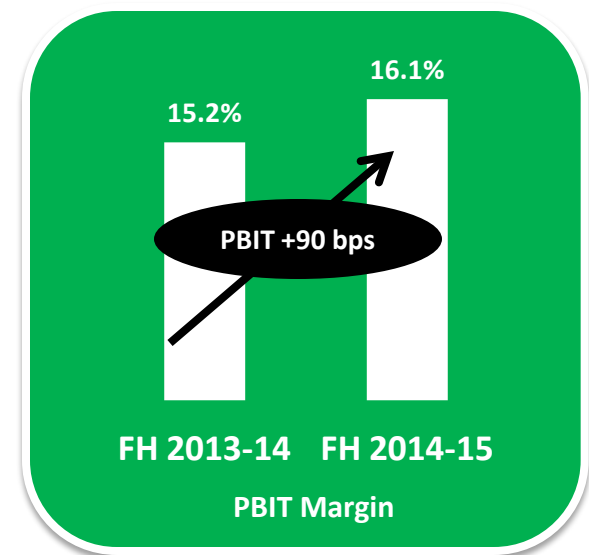
### CONSISTENT GROWTH

*...steady UVG in a soft market*



### PROFITABLE GROWTH

*...expanding margins whilst investing competitively*



# First Half 2014-15

## *Results summary*

Rs Crores

Particulars	FH'13-14	FH'14-15	Growth%
Net Sales	13435	15036	12
PBITDA	2171	2559	18
PBIT	2041	2415	18
PBIT margin (%)	15.2	16.1	90 bps
PAT bei	1768	1977	12
Net Profit	1933	2045	6

- Domestic consumer business grew by 12% in FH'14-15, ahead of market
  - Underlying volume growth of 5%
- Net profit growth FH'14-15 impacted by step up in effective tax rate and higher exceptional items in base

# Interim Dividend

Particulars	FH 2013-14	FH 2014-15
<b>Dividend Per Share (Rs.)</b>	<b>5.5</b>	<b>6.0</b>
<b>Total Outflow - Dividend + Tax (Rs. Crs.)</b>	<b>1391</b>	<b>1557</b>

# Looking ahead

- **Market continues to remain soft**
- **Positive on the medium-long term outlook for FMCG**
- **Strategy unchanged**
  - Manage the business for long term growth
    - Consistent, Competitive, Profitable, Responsible Growth
  - Invest to strengthen the core and lead development of emerging categories
- **HUL well positioned : Brands, Capabilities, Talent**

# For more information & updates

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