



HINDUSTAN LEVER LTD.



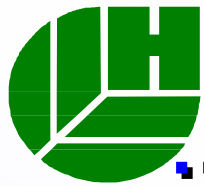
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- **DQ 2002**
- **Strategy**
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HINDUSTAN LEVER LIMITED

Company Overview



Hindustan Lever

.... India's largest & leading FMCG company

Turnover Rs 100 Bln

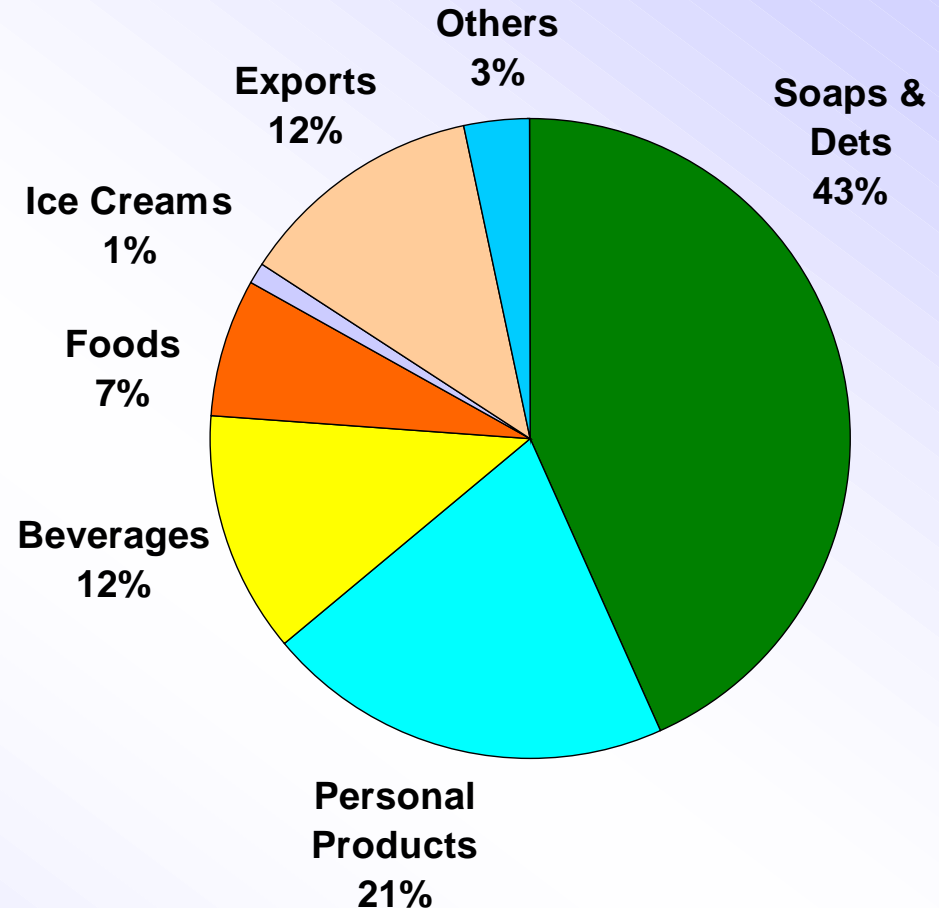
EBITDA (Operational) Rs 21 Bln

Net Profit (bei) Rs 17 Bln

EPS (Re 1) Rs 7.98

Economic Value Added Rs 12 Bln

Market Capitalisation Rs 400 Bln



* Figures based on FY2002 Audited Results

* Based on FY2002 segmental revenues



Corporate Purpose



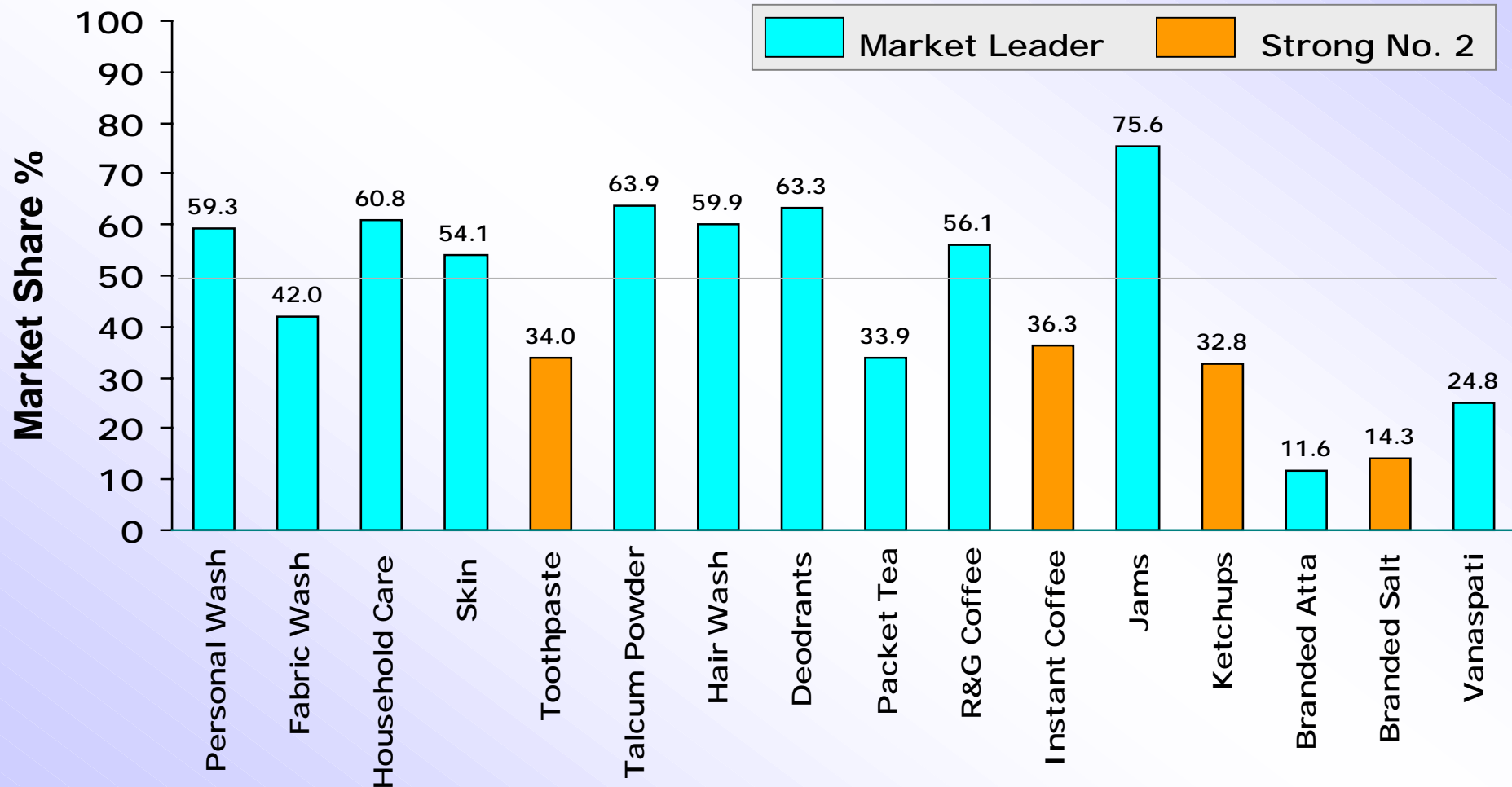
Our purpose is to meet the
everyday needs of people everywhere -
to anticipate the aspirations of our
customers and consumers and to
respond creatively and competitively
with branded products and services
which raises the quality of life





Hindustan Lever

...dominant player across FMCG categories



* Source : ORG Value Shares (New Panel)



HINDUSTAN LEVER LIMITED

Economy & Markets

Presentation at the DSP Merrill Lynch Institutional Investor Conference, Udaipur - Feb 2003



Economic Background

Positives

- Infrastructure pick up
- IIP improvement
- Inflation, forex, interest
- Exports & Non-Oil imports

Uncertain Factors

- Kharif output & lag impact
- Rabi outcome
- Oil prices



Market Growth

key categories decline in 2002, upturn in DQ

Growth %	2000	2001	2002	DQ 02
Personal Wash	6.1	(9.9)	(6.1)	0.6
Fabric Wash	5.7	(2.9)	(2.1)	1.9
Dishwash	19.2	11.1	(1.8)	1.5
Toothpaste	10.0	2.0	(5.5)	(7.2)
Shampoo	12.5	10.7	7.8	2.1
Skin Products	12.9	2.6	0.6	14.7
Packaged Tea	0.3	2.4	(9.7)	(8.9)
Atta	38.1	6.4	(5.3)	17.5
HPC	7.6	(2.3)	(3.1)	0.8
FMCG	6.7	(1.5)	(3.5)	0.9

Source : ORG Value (based on New Panel)



HINDUSTAN LEVER LIMITED

DQ 2002



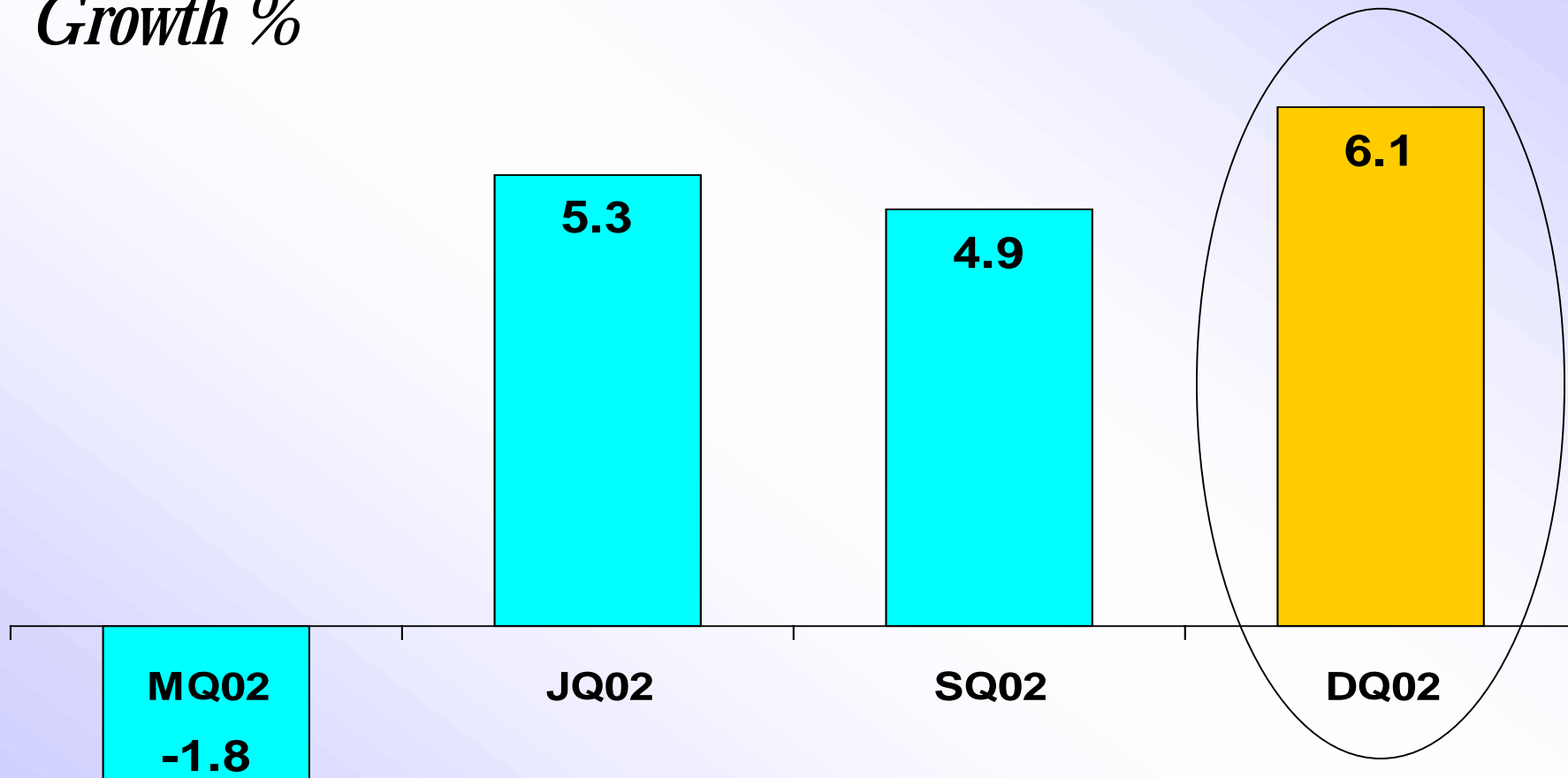
DQ 2002 Results Highlights

- HPC sustains high growth rate - up 6.1% in a market which grew by 0.8%
 - Personal Wash (+11.3%), Fabric Wash (+8.0%), Dishwash (+19.4%) & Skin (+21.8%)
- Continuing Exports grow by 13.1%
 - HPC Exports up 59.1%
 - Continuing Non FMCG exports up 20.9% led by Castor(+67%), Rice (16.6%) & Marine (+18%)
- Operating Profits (PBIT) up 12.3%, Margin Expansion by 310 bps
- Profit Before Tax grows by 13.2%
- Profit After Tax (before exceptionals) grows by 8.6%
- Progress on strategy well on course



HPC Growth gaining momentum...

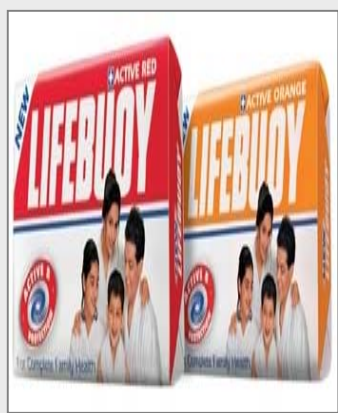
Growth %





DQ2002

Brands which delivered strong growth



Lifebuoy : 36%



Nihar : 35%



Pears : 25%



Lux : 20%



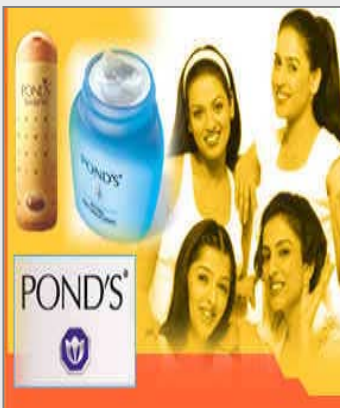
Vim : 20%



Wheel : 17%



Liril : 16%



Ponds : 16%



FAL : 13%



Surf : 13%

** Group Basis*



HINDUSTAN LEVER LIMITED

Strategy

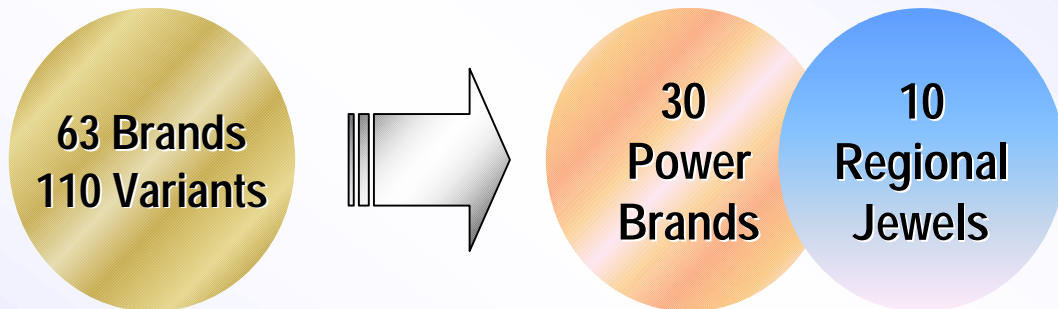


Recap





Focus on Power Brands



less
more^{is}

- Focus resources on 30 Power brands
- Power brands selected to occupy all relevant consumer appeal & price segments
- Marketing spend, level of innovation supported by consumer insight & new technology platforms
- Grow Power Brands by
 - consumer relevant innovation
 - cross category extensions
 - leveraging channel opportunities

- ✓ Greater rigour
- ✓ Focused advertising and promotion spend
- ✓ Reduction in brand cannibalization
- ✓ Efficient supply chain
- ✓ Effective market activation



Foods : Underlying Profitability

- Reasonable scales of operations achieved
- Focus now on improving profitability
 - Portfolio rationalization
 - Value added innovation
 - Re-engineering the supply chain
 - Improve margins on traditional portfolios -Tea, Oils
- Stop value destruction in Ice Creams - new strategy formulated
 - Focus on premium products in 6 citadel cities
- Turnaround Modern Foods
- Aggressive investments in brand building & developing new categories

Foods business to be “fit for growth & scale”



Non FMCG Businesses

- Exports
 - Discontinue non value-adding exports
 - Focus on core categories - position as Preferred Competitive Source
 - Non Core : Build only on Country / Company strengths; exit others
- Other Non FMCG Businesses
 - Opening up of the economy & access to world class technology
 - Need to focus on core businesses
 - Variety of options actively reviewed - best solution for each business
 - Seek players with global expertise who are able to support future growth



2002 : Effective execution of strategy



- HPC records all round performance - profitable growth
- Step change in profitability of Foods business
- Ice Cream strategy halves losses
- Exports portfolio rationalised - core exports do well
- Significant progress on divestment of non-core businesses

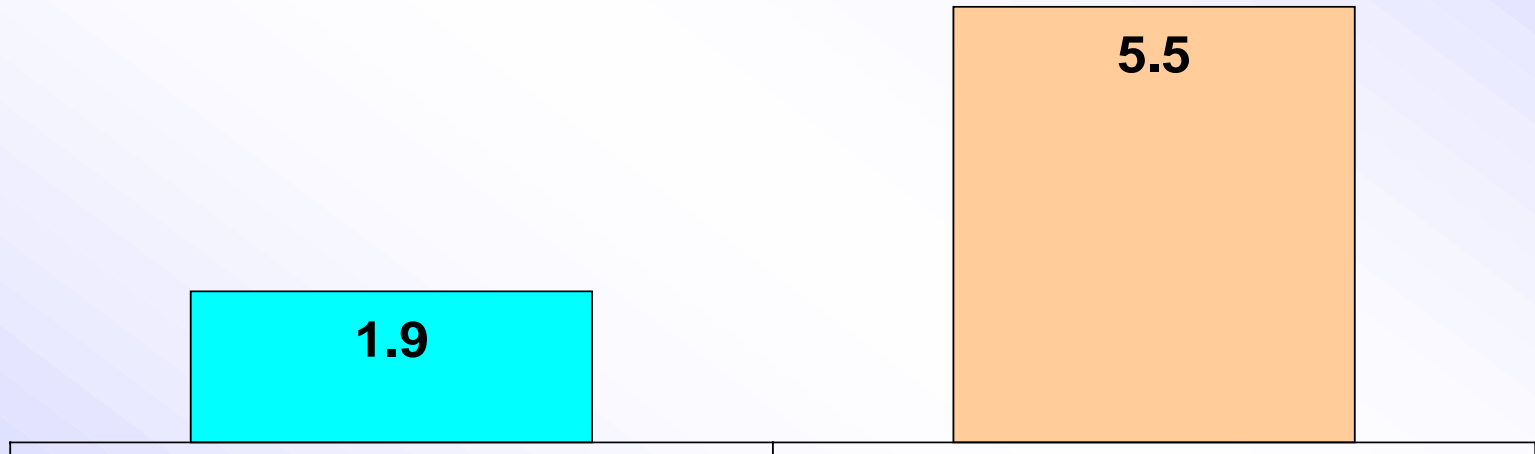


HPC leads the show sustains all round performance

Growth %

FH 2002

SH 2002



...accounts for 64% of revenue & 87% of profits

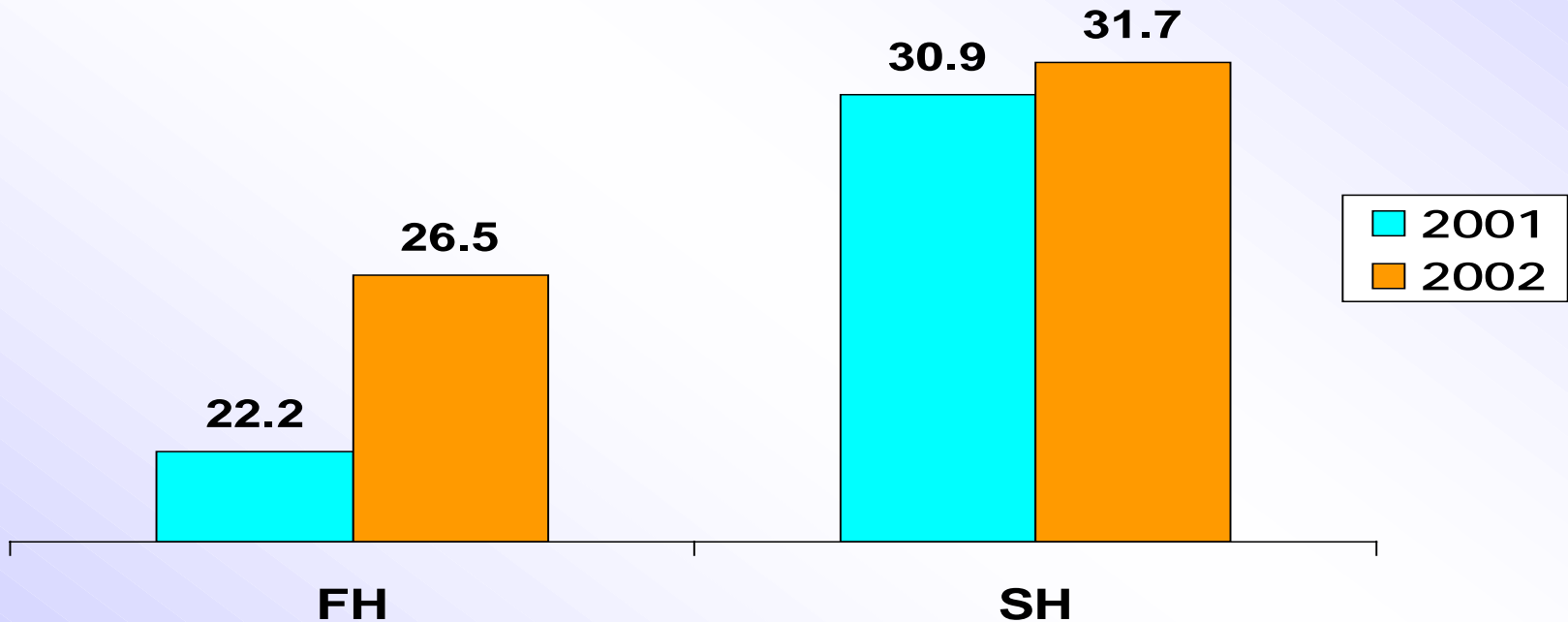


HPC leads the show grows profitably

Segmental EBIT Margins %

+ 435 bps

+ 85 bps



...improved profitability through enriched portfolio & cost management initiatives

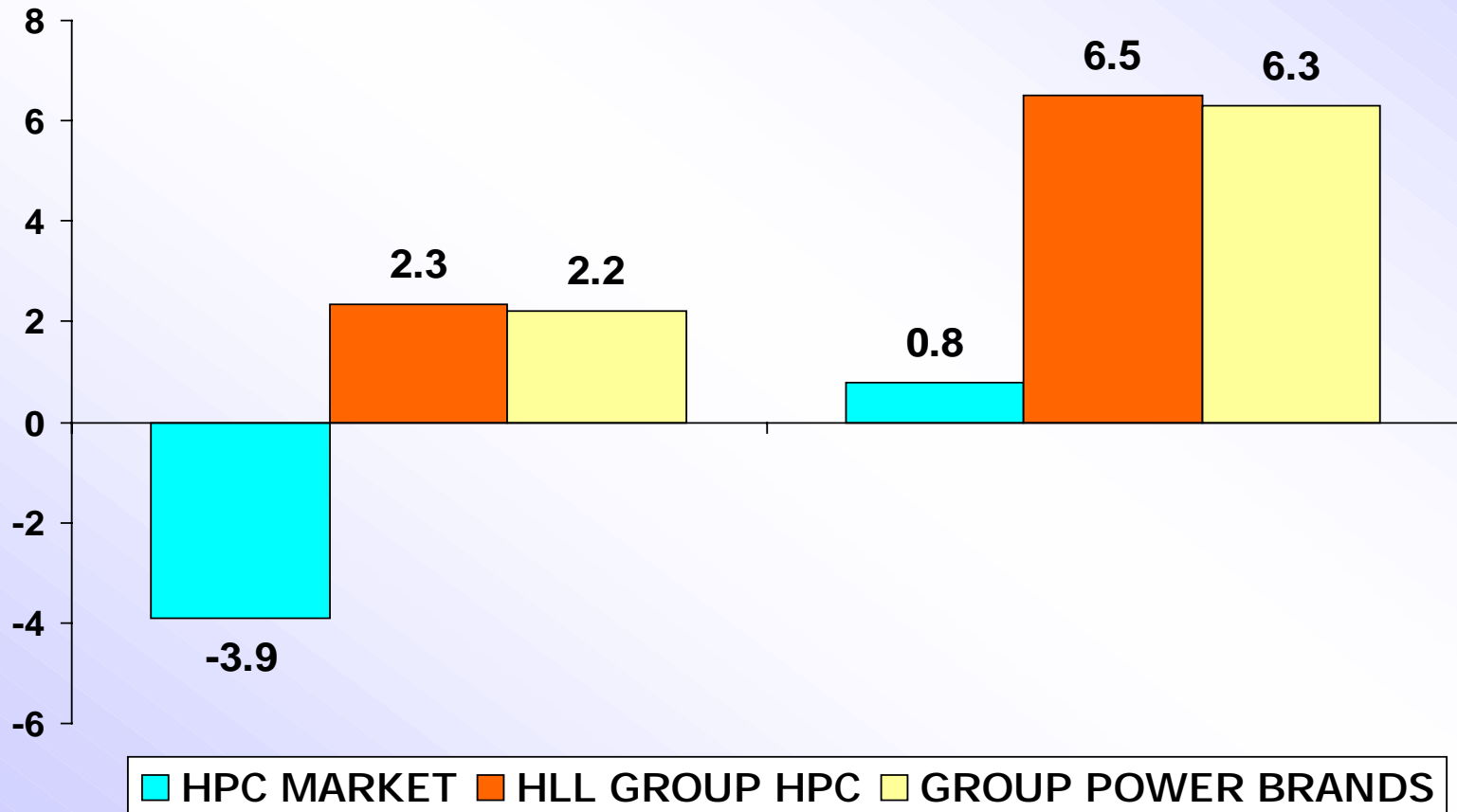


HPC Power Brands beat the market

Growth %

YTD SQ'02

DQ 2002

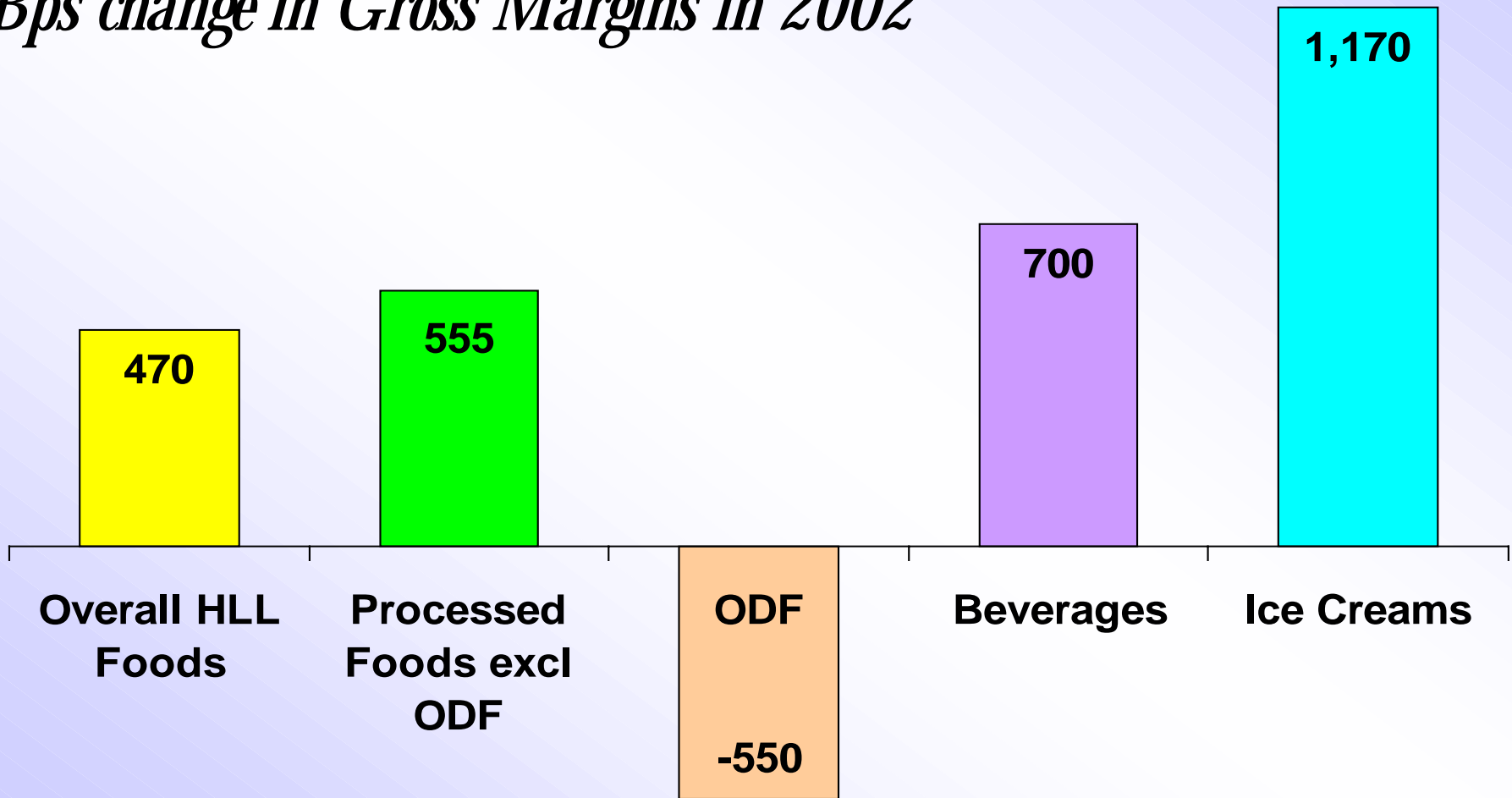


* Market growth rates as per ORG New Panel



Foods Portfolio strengthens strategy delivers step change in margin profile

Bps change in Gross Margins in 2002

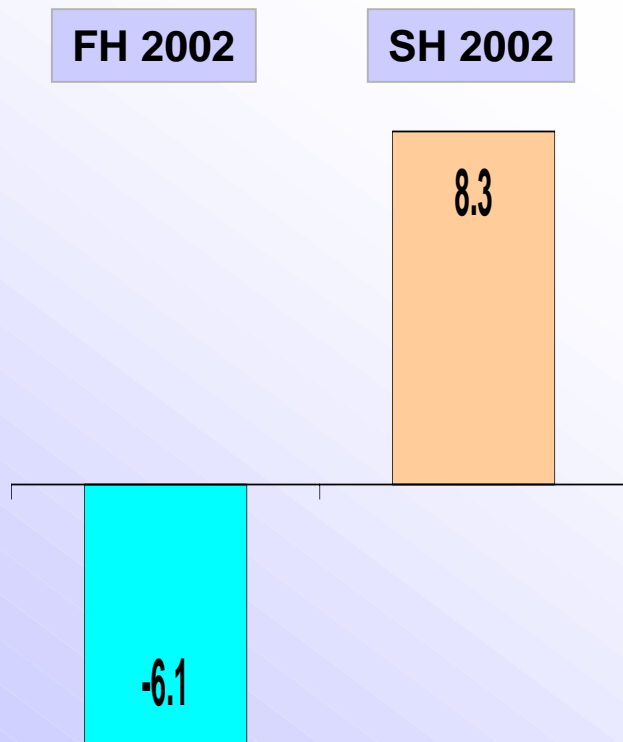




Exports Strategy on track

Building a core value-adding portfolio

Continuing Exports Growth %



Exports Growth %	FH 02	SH 02
HPC	(6.7)	34.5
Foods	(14.5)	(14.3)
Non FMCG	3.3	18.9

- Segmental Results up 17%
- Segmental EBIT Margins up 290 bps

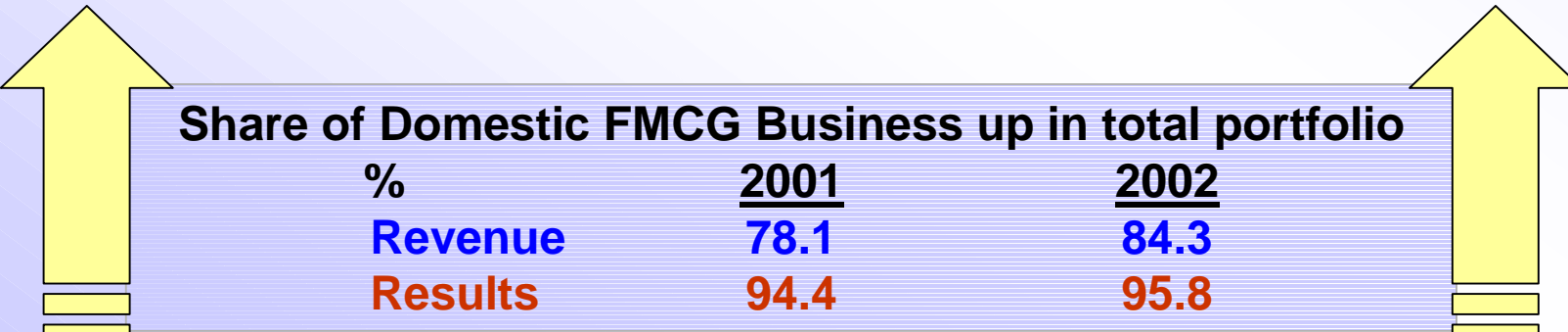


Divesting Non FMCG Businesses releasing value for shareholders

- Divestments completed in 2002

Rs Crores	Effectuated	Cash Released	Profit on disposal
Seeds	MQ '02	40.3	74.7
Diversey Lever	JQ '02	9.2	46.9

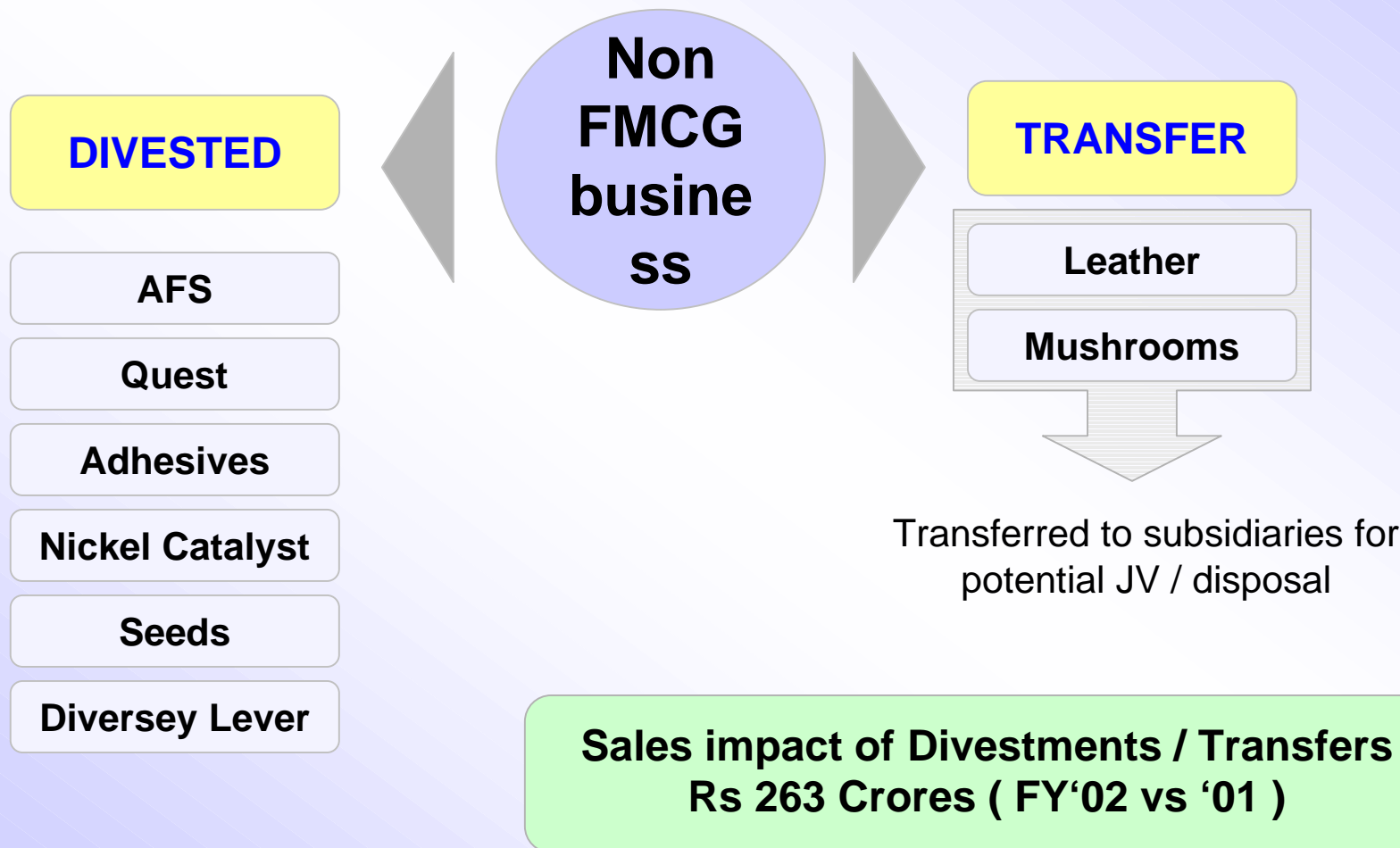
- Transfer of Leather & Mushrooms business to subsidiaries for potential JV/divestment



Share of Domestic FMCG Business up in total portfolio			
%	<u>2001</u>	<u>2002</u>	
Revenue	78.1	84.3	
Results	94.4	95.8	



Securing the future of Non FMCG





HINDUSTAN LEVER LIMITED

Business Highlights

Presentation at the DSP Merrill Lynch Institutional Investor Conference, Udaipur - Feb 2003



Soaps & Detergents

Strong performance - powered by Personal Wash

- Key Personal Wash brands (Lifebuoy, Lux, Pears, Liril) grow in double digits
- Lux & Liril franchises extended
- Mass Market brands lead growth in Fabric Wash
- Rin performance improves with each quarter
- Break through technology in Rin Supreme Bar
- Vim sales rebound in SH'02
- Domex registers strong growth





Personal Products skin leads the way.....

- Skin category leads growth fuelled by the launch of FAL Ayurveda
- Ponds records double digit growth in SH'02
- Lakme registers all round growth
- Hair Oils & Creams do well in SH'02 - growth led by Nihar
- Issues on Oral Care & Shampoo being addressed





Beverages

Strengthening Core Portfolio

- Tea impacted by weak commodity prices & low cost loose tea players
- Key brands relaunched
- Bru grows in double digits
- Gross Margins up 700 bps
- Opportunity leveraging
 - ‘Out-of-Home’ channel
 - Lipton Ice Tea business





improved profitability - muted by ODF

- Structural issues in Oils & Fats segment impact overall Foods performance
- Foods Margins (excl ODF) grow 555 bps
- Margin expansion benefits re-invested to support innovation & brand building
- Culinary Products do well - Knorr delivers 57% growth
- Modern Foods does well





Foods

Continued thrust on innovation





Ice Creams strategy starts delivering results....



- Focussed business model
- Supply chain re-engineered
- Premium range of products launched
- Leading development of take-home segment
- Gross margins up 1170 bps & segmental losses halved





New Ventures

seeding opportunities for the future

- Ayush launched in June '02 - promising potential
- Max Confectionery does well
- Sangam (e-tailing initiative) extended to Navi Mumbai
- Aviance opportunity through relaunch
- 'Water' initiative in 2003





Exports core categories grow well

- **Volume led HPC Exports growth of 12.8%**
- **Tea Exports decline by 14.4%, however Tea Bags sourcing takes off (up 45% in SH'02)**
- **Instant Tea (23.5%) and Coffee (19.9%) grow well**
- **Continuing Non-FMCG Exports grow by 11.5% led by Processed Marine & Branded Rice**
- **HLL excels in speciality exports**
 - MPEDA Awards for Highest Marine Exports
 - Globoil Gold Award for outstanding performance in castor & derivatives



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FY 2002



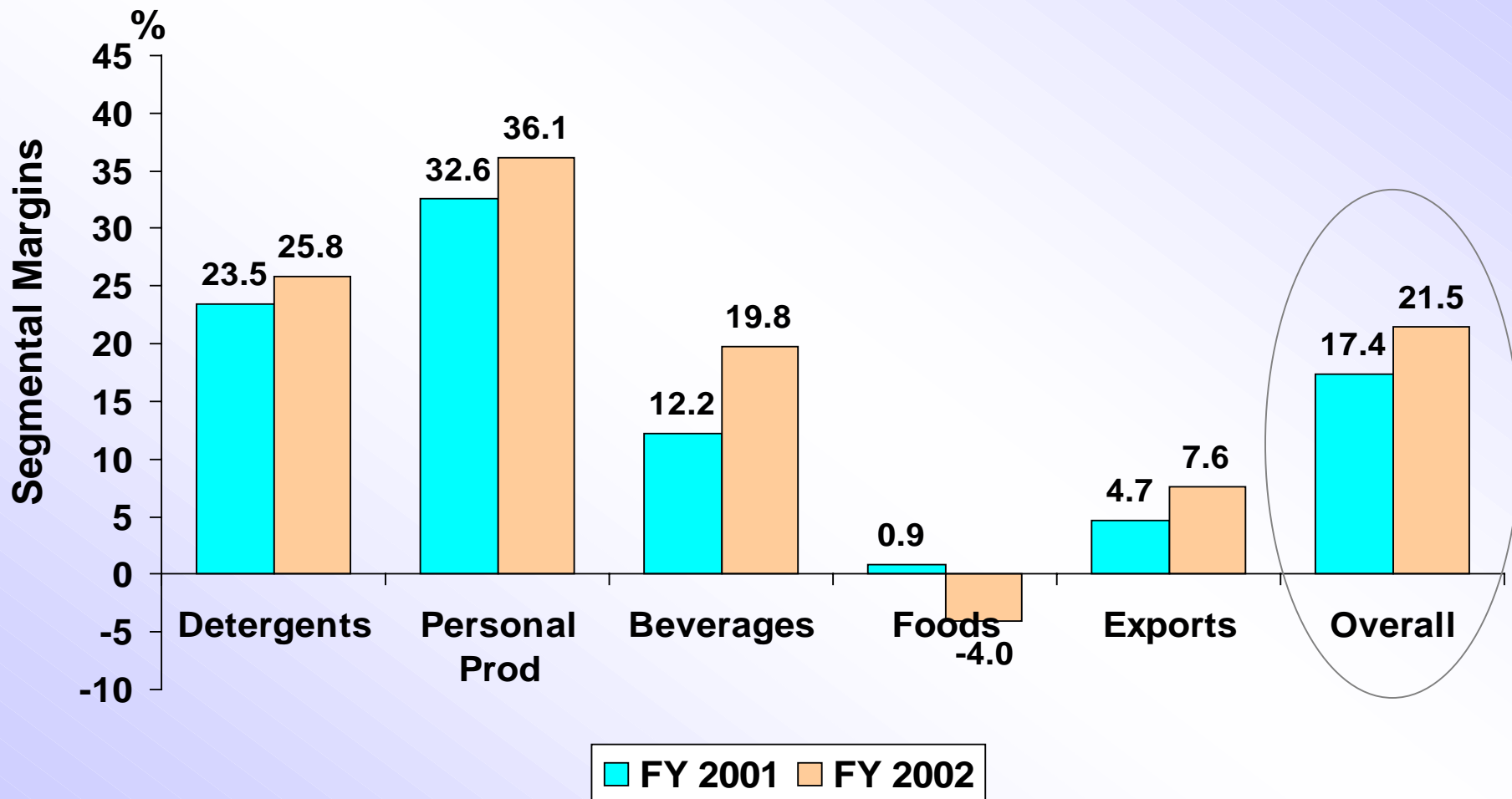
FY2002 Results Highlights

- **HPC outperforms the market - grows by 3.7%**
 - Gains momentum in SH'02 - up 5.5%
 - Growth led by Skin (22.5%,) Personal Wash (+8.6%) & Dishwash (+5.9%)
- **Operating Profits (PBIT) up 16.6%, Margin Expansion by 390 bps**
- **Profit Before Tax grows by 13.1%**
- **Profit After Tax (before exceptionals) grows by 11.4%**
- **Foods Gross Margins significantly improved**
 - Offset by pressure on ODF
 - Sales decline by 11.6% largely due to Beverages & ODF
- **Thrust on strong cash generation sustained**



Focus on Profitability

...continued trend on improved segmental margins





EBITDA Margin Progression

Portfolio Rationalization

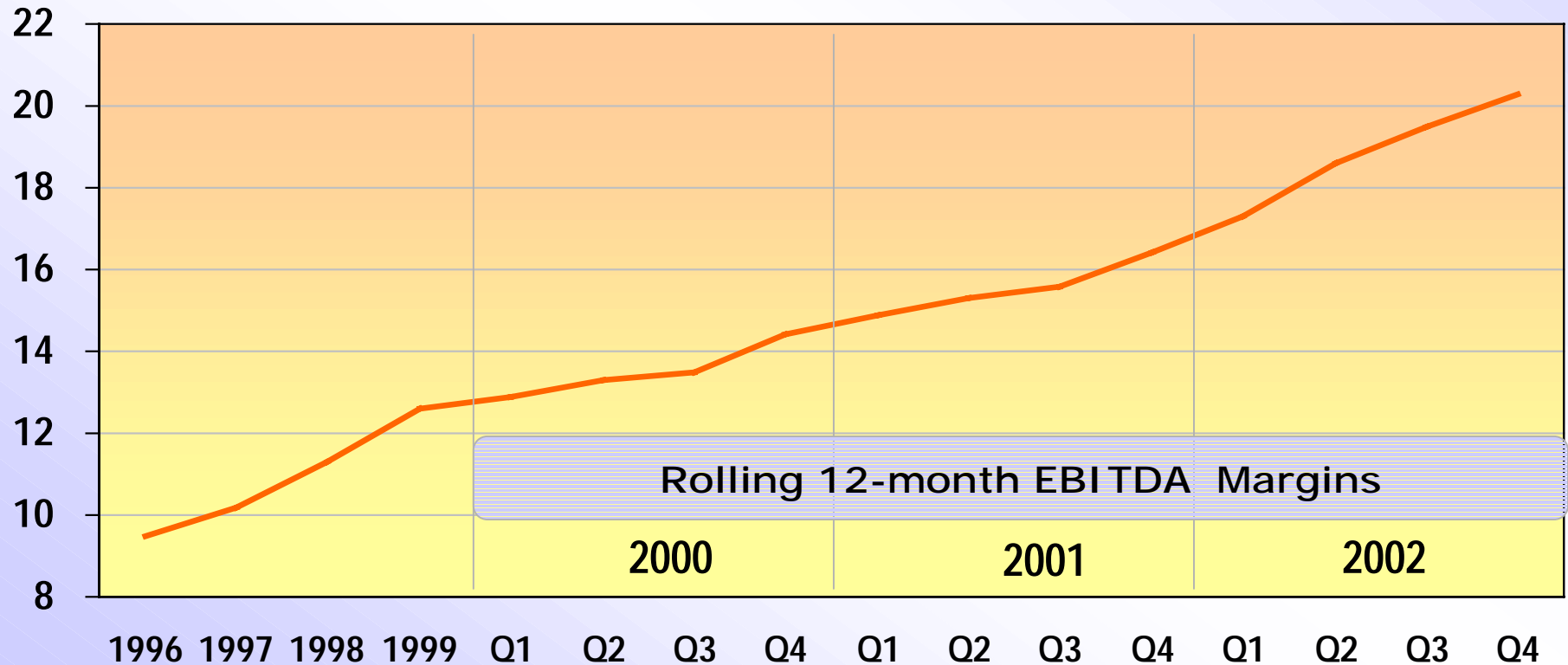
Enriched Mix

Improved Foods Profitability

Restructuring Programmes

Cost Management Initiatives

% Sales





Strong Cash Generation continues..

Rs Crores	FY 2001	FY 2002
Cash from operations	1663	1877
Disposal of businesses	112	185
Treasury Income (net)	308	272
Capex & Working Capital	(307)	(200)
Dividend Payment	(990)	(1096)
Tax Paid	(446)	(441)
Surplus Invested	340	597

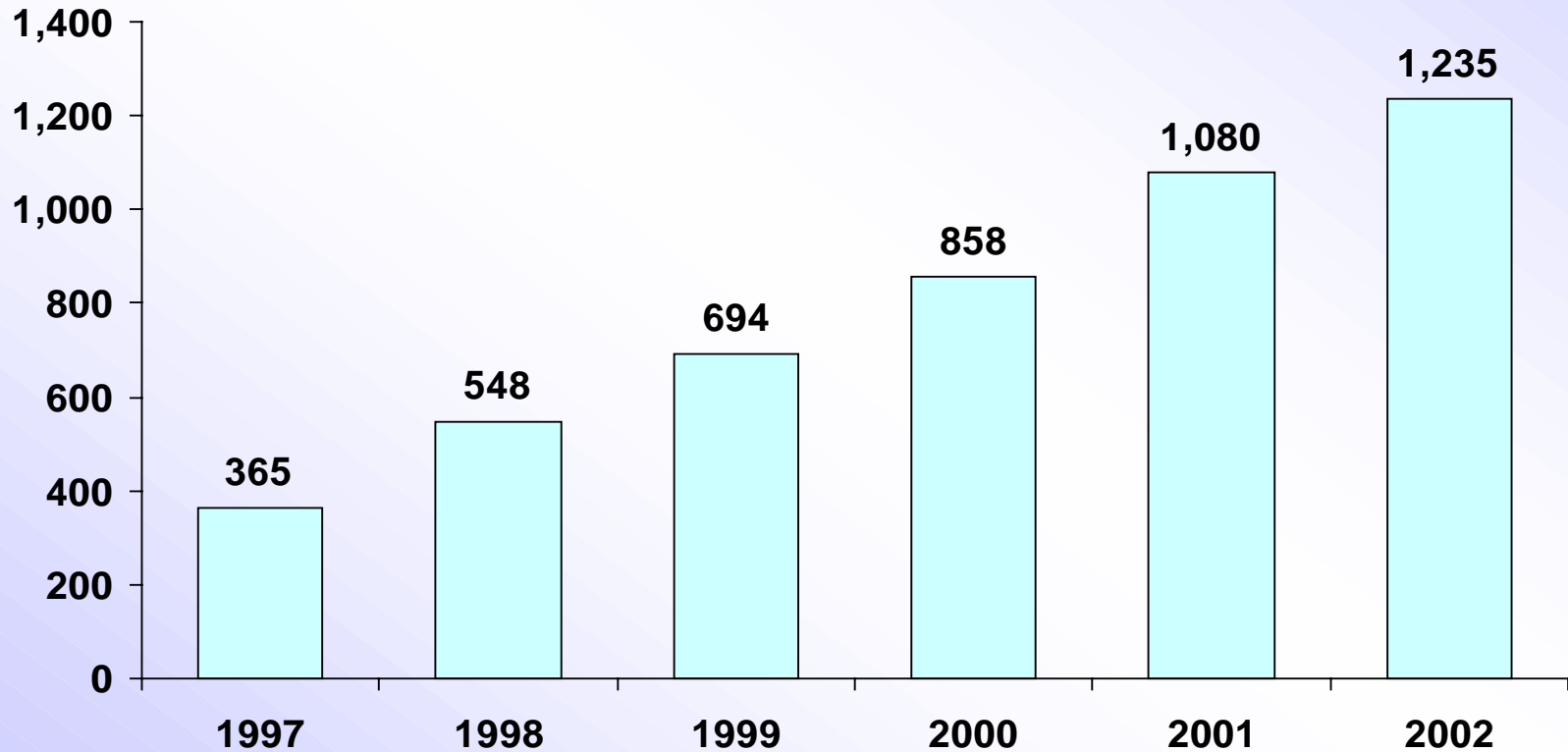
Cash from operations grows by 13%, investible surpluses grow 76%



Economic Value Added

Rs. Crores

CAGR 27.6 %



* EVA = Net Operating Profit after Taxes - Cost of capital Employed



Delighting the shareholder

Dividend Per Share of Re 1	2001	2002
Interim	2.50	2.50
Final (Proposed)	2.50	3.00
Total	5.00	5.50

Rs	Shareholder receipt in next 6 months
Final (Proposed)	3.00
Special Dividend	2.76
Bonus Debenture	6.00
Total	11.76



2002 : In Summary

- Strategy Delivers
- Sustained Value Creation
 - Profits
 - Cash
 - Divestments
- Innovations drive competitive growth
- Future opportunities seized



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2003 & Beyond....



2003 & Beyond.....

brand vision



growth opportunities

- new categories
- new consumers
- new consumption opportunities

innovation



Shaping Brands for Growth

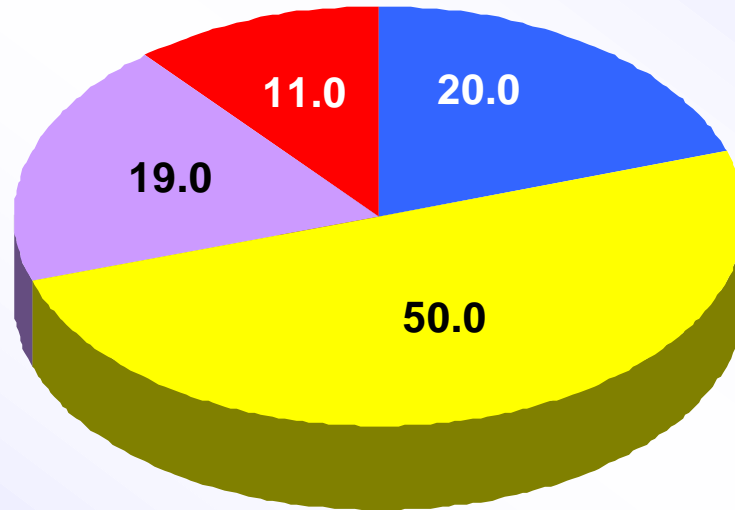


2003 & Beyond.....

Share of Hair wash occasions

**HLL Share of
Shampoos**

60%



**HLL Share of
Hair Wash**

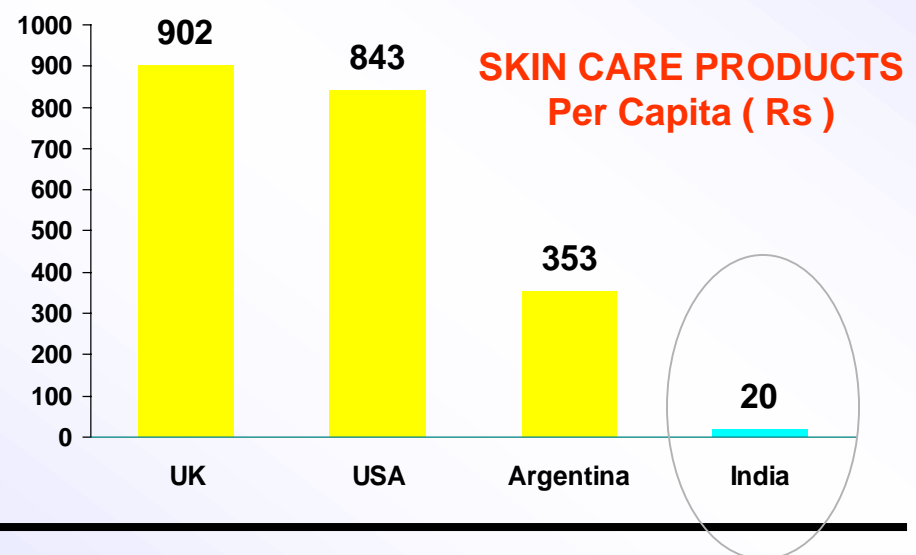
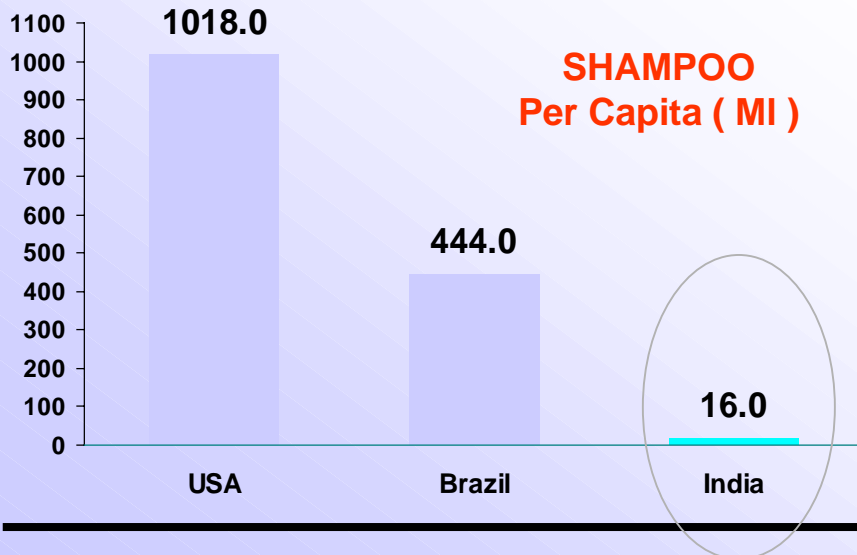
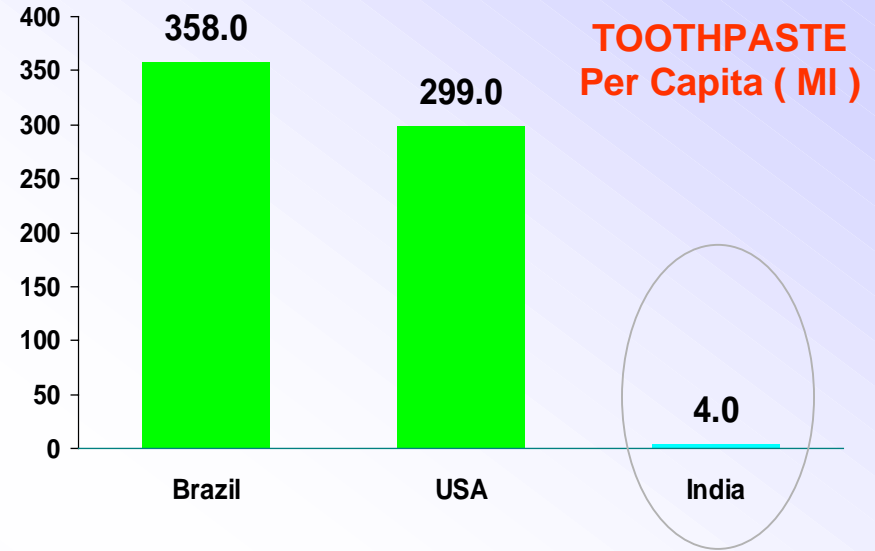
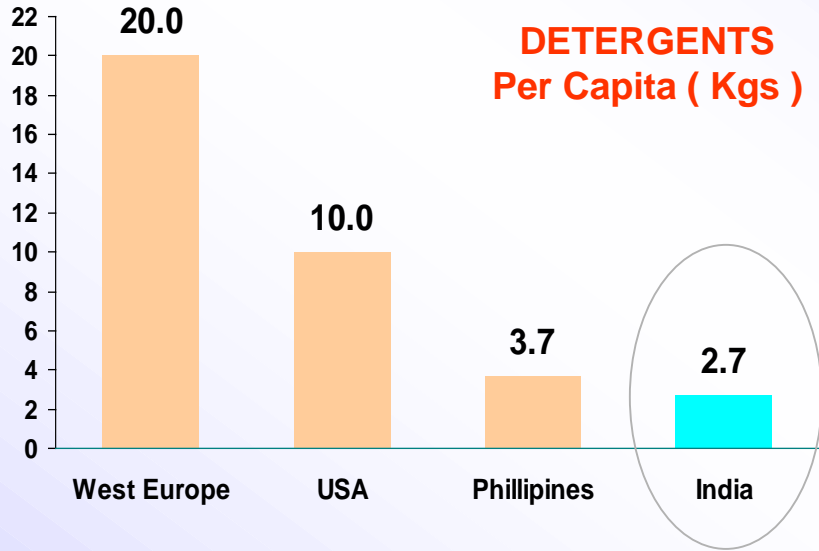
7%

■ Water ■ Soap ■ Naturals ■ Shampoo

Redefine potential for growth



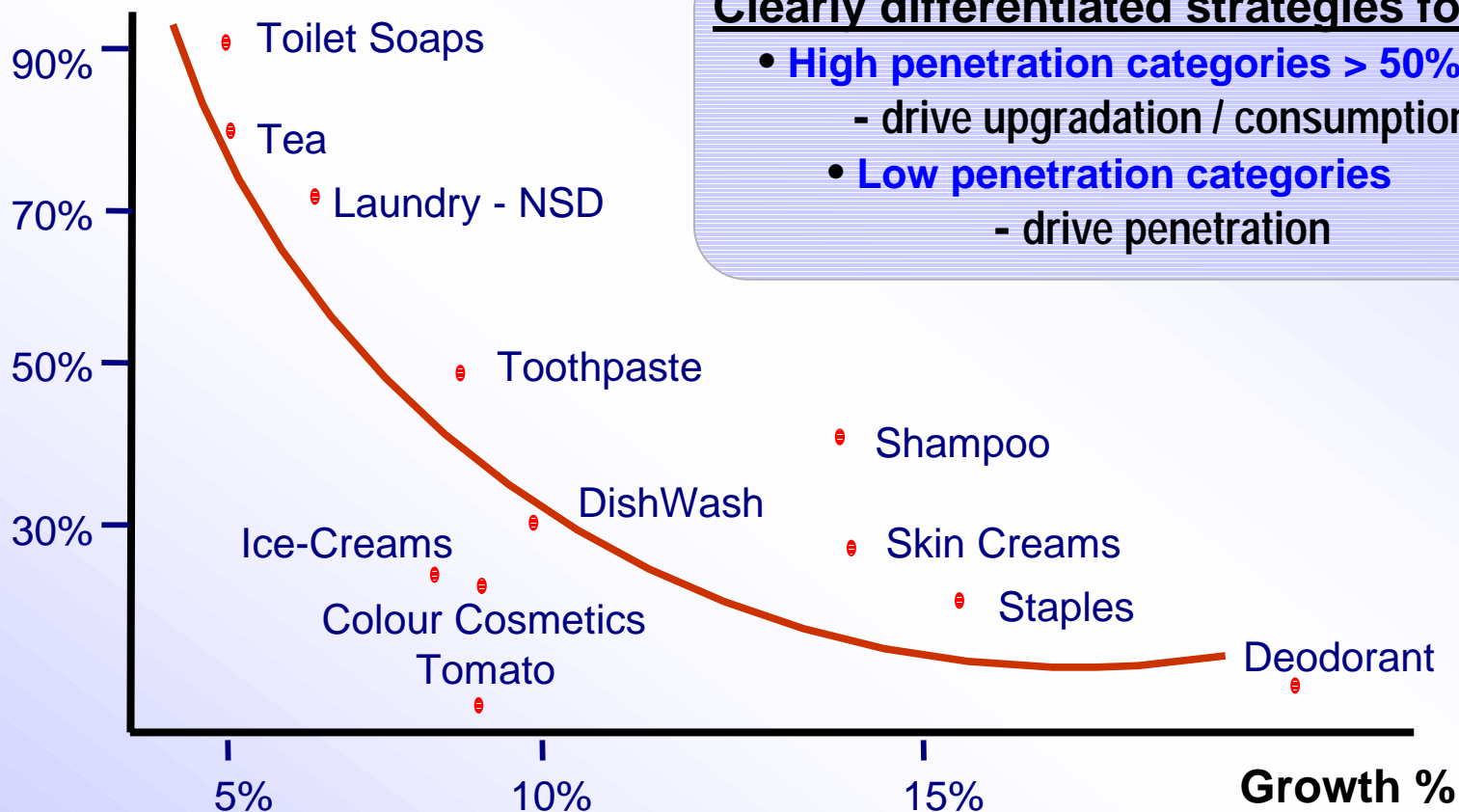
2003 & Beyond.....





2003 & Beyond.....

Penetration %



Clearly differentiated strategies for :

- **High penetration categories > 50%**
- drive upgradation / consumption
- **Low penetration categories**
- drive penetration

Growth in Current Categories



2003 & Beyond.....

Beverages Out of Home



Ice Cream Vending

Lakme Beauty Salons



Leverage Channel Opportunities



2003 & Beyond.....



Network Marketing



2003 & Beyond.....

Lever Ayush



Max Confectionery



Sangam E-tailing



Rural Connectivity (Shakti)

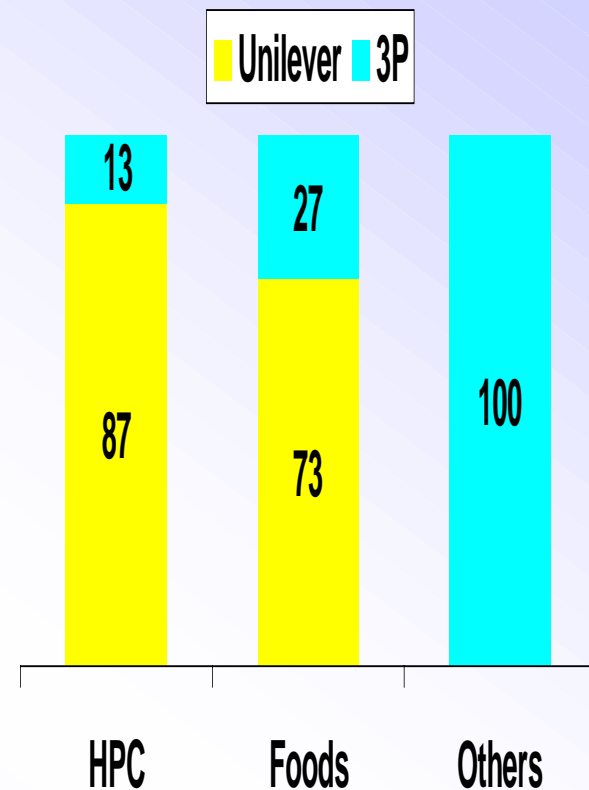


Scale up New Initiatives



2003 & Beyond.....

- Leveraging on cost arbitrage opportunities with the West & Unilever sourcing
- Focus on categories with company / country specific advantage
- Build sourcing partnerships on the basis of
 - World class quality
 - Technological / process expertise
 - Customer service
 - Cost competitiveness
- Exports not at the cost of domestic business
- Sourcing business will improve Exports margin basket



Building a New Exports Horizon



2003 & Beyond.....

Entry into Water



HINDUSTAN LEVER LIMITED

Thank You



HINDUSTAN LEVER LIMITED

Thank You