



Hindustan Lever Limited

Analysts & Press Meet

29th July 2004

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JQ'04 Results Highlights

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JQ 2004 Highlights

- HPC grows 5% in Volumes
 - Volume market shares held in Laundry and hair
- Foods decline by 9% in Volume impacted largely by planned discontinuation and one-offs
- Continuing Sales decline by 2%
- Interim dividend maintained at Rs.2.50 per share

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Market Shares-Value HPC

	MQ'04	JQ'04
Personal Wash	58.4	57.3
Fabric Wash	37.1	37.0
Tooth Paste	32.5	33.0
Shampoo	51.3	49.4
Skin	59.0	59.8
Talc	61.6	61.8

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Market Shares - Value Foods

	MQ'04	JQ'04
Packet Tea	28.6	28.9
Instant Coffee	36.7	40.7
Branded Salt	15.4	15.5
Jams	79.0	79.8
Ketchup	30.7	29.7

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JQ 2004 Highlights

Rs Crores

- EBIT decline Rs 175
 - One off in JQ'03 26
 - Exceptional Items in Foods 15
- Underlying EBIT decline 134
- Mainly due to
 - Strategic action in laundry & Hair in price and quality 62
 - Higher A&P spend 60

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A&P

Increased Brand Building Spends

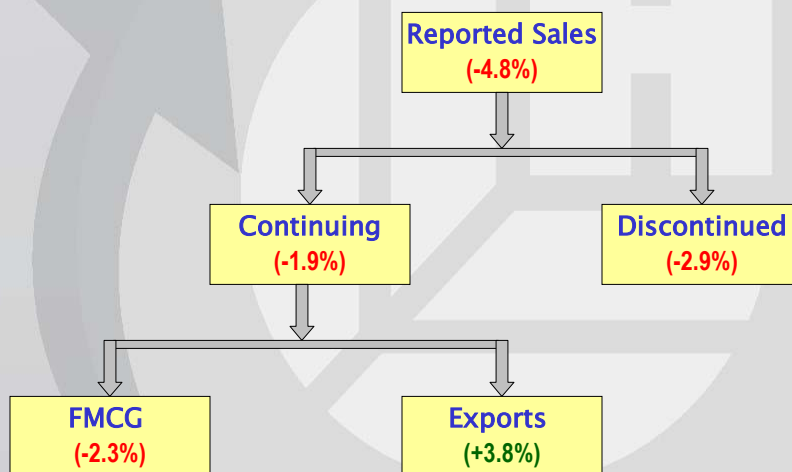
Rs Crores

FMCG	
A&P Spends JQ'04	254
Inc Over JQ'03	60
Growth%	31.8%
%Sales	11.6%
% Sales Bps Change vs 03	300

Higher Levels of Media Spends essentially in HPC

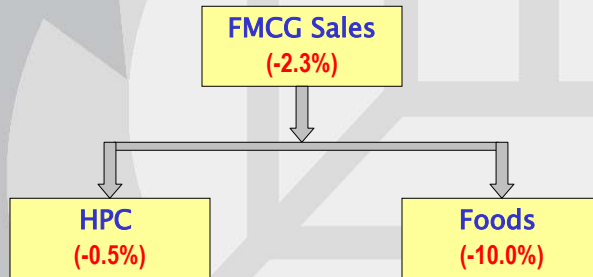
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JQ 2004
Topline



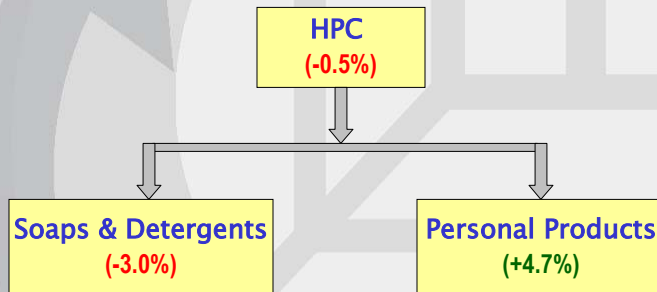
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JQ 2004
Topline



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JQ 2004
HPC Sales



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JQ 2004

HPC Topline Highlights

	<u>Volume</u>	<u>Growth</u>	<u>Value</u>
Personal Wash	↓		↑
Laundry	↑		↓
Dishwash	↓		=
Skin	↑		↑
Shampoos	↑		↑
Toothpaste	↑		=
Colour Cosmetics	↑		↑

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JQ 2004

Segment Results

Rs Crores

	<u>JQ'04</u>	<u>JQ '03</u>	<u>Margin BPS Chg</u>
Soaps & Detergents	171.2	267.6*	(793)

- Competitive Pricing actions in laundry
- PW Gross Profit held
- Stepped up Investments in brands and quality

* Net of one time credit of Rs 21.3 crs

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Laundry

- Volume market shares held despite competitive attack
 - Q1'04 = 24.5%; Q2'04 = 24.7%
- Volume growth 6% ; Sales Decline 5.0%
- Actions taken
 - Price reduction
 - Additional investment in quality
 - Higher A & P spends
 - Brand repositioning
- Surf Excel grows volumes
- Rin Supreme volume accelerates; Rin Shakti declines
- Wheel continues to perform well

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Laundry Profitability

- Current Pricing and margin structure unsustainable in premium and mid price segment
- Company strategy to defend and grow market position as profitability will be restored
- Hence, “Unblinking” response using portfolio strength

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Personal Wash

- Sales grow by 1%+*
- Lifebuoy and Lux grow
- Pears & Dove grow strongly
- Liril & Breeze decline
- Portfolio gross profit held

* Net of one time credit of Rs 21.3 crs in JQ'03

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JQ 2004 Segment Results

Rs Crores

	<u>JQ'04</u>	<u>JQ '03</u>	<u>Margin BPS Chg</u>
Personal Products	204.6	215.7	(350)

- Proactive pricing strategy in Shampoo and Oral
- Gross profit held through portfolio growth
- Enhanced brand investments

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Shampoo

- High double digit volume growth 40%+
- Volume market shares held
 - Q1 = 48.7%; Q2 = 48.6%
- Strategic actions to drive growth
 - Bottle Price Reduction
 - Value improvement on sachets
 - Innovative proposition – Clinic Plus “5 in 1”
 - Driving new price point – Rs 5 bottle
- Sales value growth 2%

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Toothpaste

- Volume Growth 6%; Flat Sales
- Volume Market Shares held
 - Q1 04=28.3 ; Q2 04=28.4
- Strategic Actions
 - Activating at new price points
 - CloseUp re-launch – Vitamin Fluoride and Standy pack

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Skin

- Sales grow by 11%; Volume Led
- FAL continues excellent performance
- Innovations launched
 - FAL Oil Control Gel
 - FAL Perfect Radiance
 - Lakme Range

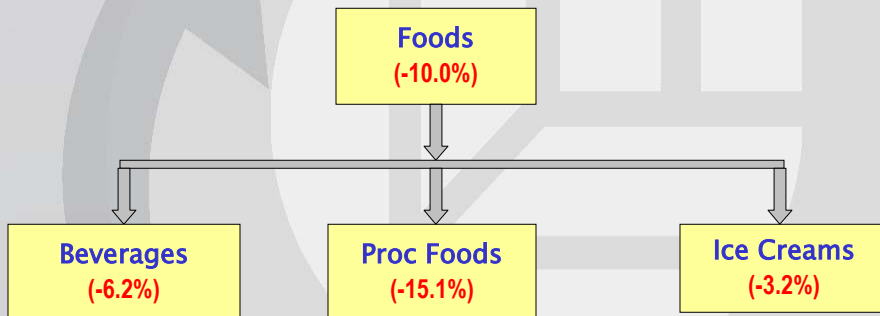
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Colour Cosmetics

- Sustained high performance (+35%)
- Innovations in Lakme
 - Dual Lipstick Lip Liner
 - Summer Collection Fruit Shock
 - Lipstick Relaunch

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JQ 2004
Foods Sales



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JQ 2004
Foods Topline Highlights

	<i>Growth</i>	
	<u>Volume</u>	<u>Value</u>
Tea – Brooke Bond/Lipton	↑	↑
– Others	↓	↓
Coffee	=	↓
Processed Foods	↓	↓
Ice-cream	=	↓

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			JQ 2004
			Segment Results
			<i>Rs Crores</i>
	<u>JQ'04</u>	<u>JQ '03</u>	<u>Margin BPS Chg</u>
Beverages	50.7	54.6	(22)

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- Tea
- Brooke Bond grows 2%+
 - Lipton doubles led by Out of Home
 - Planned Discontinuation of 'A1'
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Coffee

- Sales flat
- Instant Coffee grows strongly
- Bru re-launched
- Deluxe Green Label declines; Re-launched as Bru Roast & Ground

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JQ 2004

Segment Results

Rs Crores

	<u>JQ'04</u>	<u>JQ'03</u>
Processed Foods	(27.4)	0.89*

* Excluding profit on brand disposal

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Processed Foods

- Sales Decline 15%
- Growth in Jams, Ketchups and Soups by 9% offset by
 - Short season for squashes
 - De-focus in non-profitable geographies in Atta
 - Unusually high levels of trade stock returns

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Processed Foods Results

- Impact of lower sales and higher promotional spends approx Rs 5 cr
- Exceptional cost of approx 15 cr arising from stock obsolescence (seasonal/innovation) and trade claims

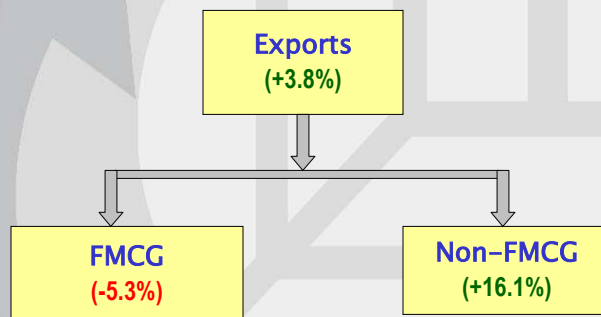
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Ice- cream

- Volumes maintained through new affordable price points
- Sales value decline by 3%
- Profit performance sustained

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JQ 2004 Exports Sales



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JQ 2004 Segment Results

Rs Crores

	<u>JQ'04</u>	<u>JQ'03</u>
Exports	8.9	14.7

- Impact of Rupee movement
- Adverse Mix impact

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JQ 2004 Results Highlights

Rs Crores	JQ'04	JQ'03	Growth%
Sales (Continuing)	2572	2621	(2)
PBIT	331	506	(35)
Financial Income (Net)	29	68	(57)
Int on Bonus Debentures	(30)		
PBT	329	573	(43)
PAT	256	451	(43)
Exceptional Items	(12)		
Net Profit	244	451	(46)

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Cash Generation

Rs Crores	JQ04	JQ03
Business Operation	352	539
WC Reduction	542	349
Treasury income	28	69
Total Cash Generated	922	956
Capex	63	44
Tax paid	72	8
Total Cash Deployed	135	52
Net Cash Generated	787	904

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Dividends

Dividend per share of Re 1	2003	2004
Interim	2.500	2.500
Distribution Tax	0.320	0.326

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Summary

- Value market shares held/improved in most categories

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- Underlying EBIT primarily impacted by 8% drop in Soaps & Detergents segment margin

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- **Investments made in pricing, quality and brand support will drive higher growth**

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- Underlying EBIT primarily impacted by 8% drop in Soaps & Detergents segment margin
- Normalised margin in laundry to restore over time
- Investments made in pricing, quality and brand support will drive higher growth
- **Ten point program on track to generate cost savings of 5%+ of revenue over two years**

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Thank You

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