



**India**

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**HINDUSTAN LEVER**  
**LIMITED**

**CLSA Investors Meet**  
**Hong Kong, May 2001**



# Hindustan Lever

Leading consumer products company

## Financials - 2000

- Turnover	Rs. 106 bln
- Net Profit	Rs. 13 bln
- EPS	Rs. 5.95
- Market Capitalisation	Rs. 475 bln (Apr, 2001)



# Our 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**



# THE INDIAN CONSUMER





# The emerging face of India

<b>Key Variable</b>	<b>1991</b>	<b>2000</b>	<b>2005</b>
<b>Population (Millions)</b>	<b>846</b>	<b>1000</b>	<b>1087</b>
<b>Population (Below 20 years of age)</b>	<b>400</b>	<b>471</b>	<b>480</b>
<b>Urbanisation (%)</b>	<b>26</b>	<b>32</b>	<b>33</b>
<b>Literacy Level (%)</b>	<b>52</b>	<b>58</b>	<b>65</b>

**Half the population is below 20 years.  
A young country with opportunity**



# The Changing Consumer

- ③ Growing disposable income
- ③ Young age profile - 35 % population below 14 years
- ③ Greatly increased media reach (urban 80 %, rural 40%) growing rapidly
- ③ Changing attitudes and aspirations

**More money, new mindset**



# Consumer : Growing Opportunity

## Scope for Increasing Consumption

	<b>INDIA</b>	<b>BRAZIL</b>	<b>USA</b>
<b>Personal Wash (kg)</b>	<b>0.5</b>	<b>1.1</b>	<b>2</b>
<b>Fabric Wash (kg)</b>	<b>2.6</b>	<b>7.2</b>	<b>13.1</b>
<b>Toothpaste (ml)</b>	<b>40</b>	<b>358</b>	<b>299</b>
<b>Shampoo (ml)</b>	<b>16</b>	<b>444</b>	<b>1018</b>

**Per capita consumption**



# Consumer : Growing Opportunity

## Scope for Increasing Consumption

	INDIA	PAKISTAN	USA
Edible Fats (kg)	7.7	12	33
Ice Cream ( Lt)	.98	1	22
Tea (kg)	.64	.95	2.6(UK)

**Per capita consumption**





# Active, Polarized Competition

- © **Strong local competitors with large scale, low cost structures**
- © **Most major multinationals present (P&G, Colgate, L'Oreal, Nestle)**
- © **Market responsive to innovation, and demanding of value**



# Indian Competitive Scenario

**Pre 1990**

**Post 90**

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## **Foods**

**Tata Tea**  
**Nestle**

**Danone**  
**Kellogs**  
**Heinz**  
**Grand Met**

## **Personal Products**

**Colgate**  
**Balsara**

**L'Oreal**  
**Revlon**  
**Benckiser**  
**Avon**  
**Oriflame**

## **Detergents**

**TOMCO**  
**Nirma**  
**Godrej**

**Amway**  
**P &G**  
**Henkel**  
**Sara Lee**



# MARKET POSITION

## MARKET LEADER

- Personal Wash ( 59%)
- Fabric wash (39%)
- Household Care (65%)
- Skin Care (55%)
- Hair Care (64%)
- Talcum Powders (62%)
- Deodorants (New)
- Colour Cosmetics (New)
- Branded Tea (36%)
- Ice Creams (25%)
- Jams & Squashes (74%)
- R & G Coffee (54%)
- Branded Staples (18%)
- Branded Salt (16.8%)
- Cooking Fats & Oils (27%)
- Ketchup (40.6)

## STRONG NUMBER TWO

- Oral (36%)
- Hair Oils (15%)
- Instant Coffee (32%)

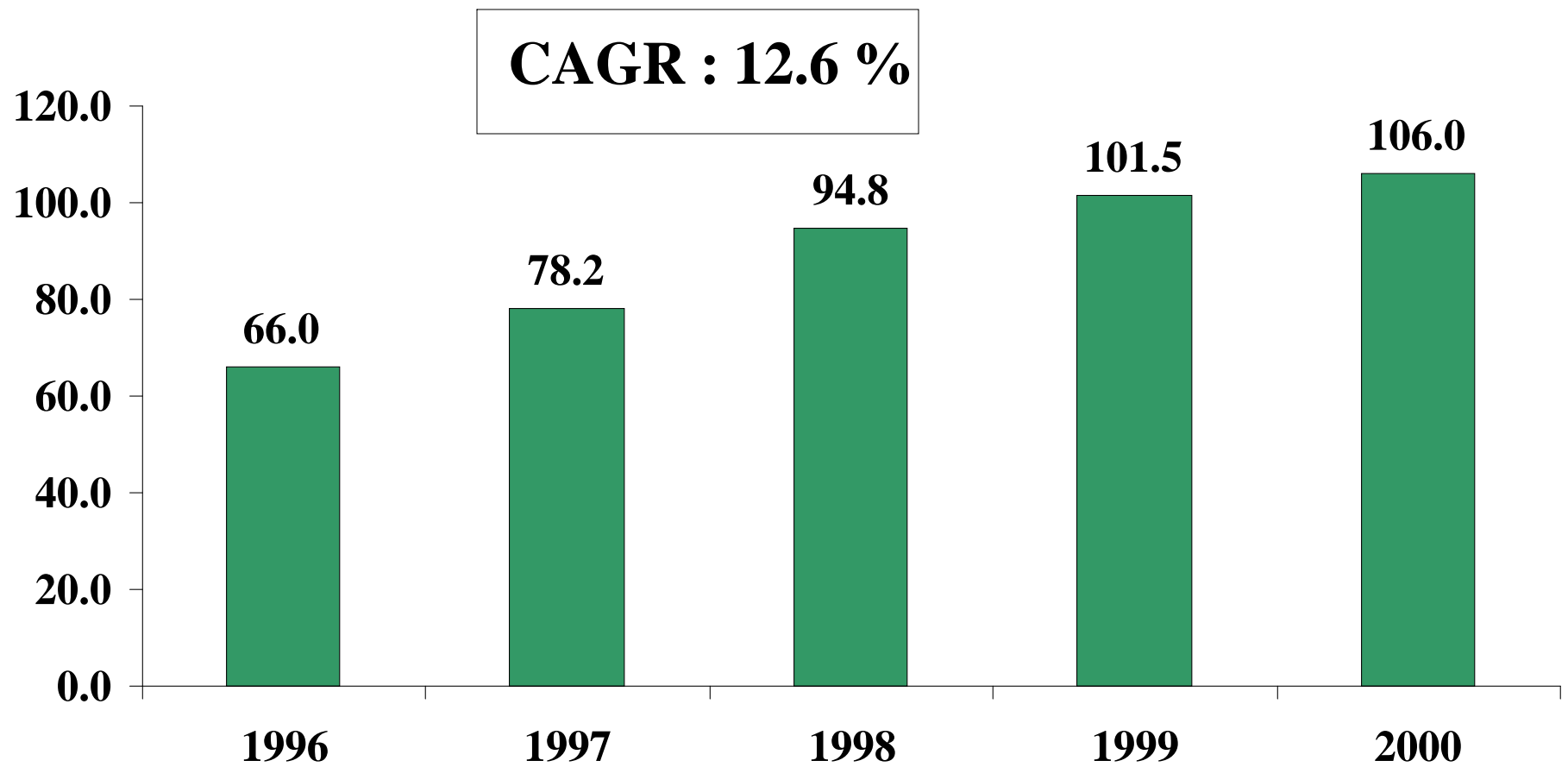


# Trends



# NET SALES : 1996-2000

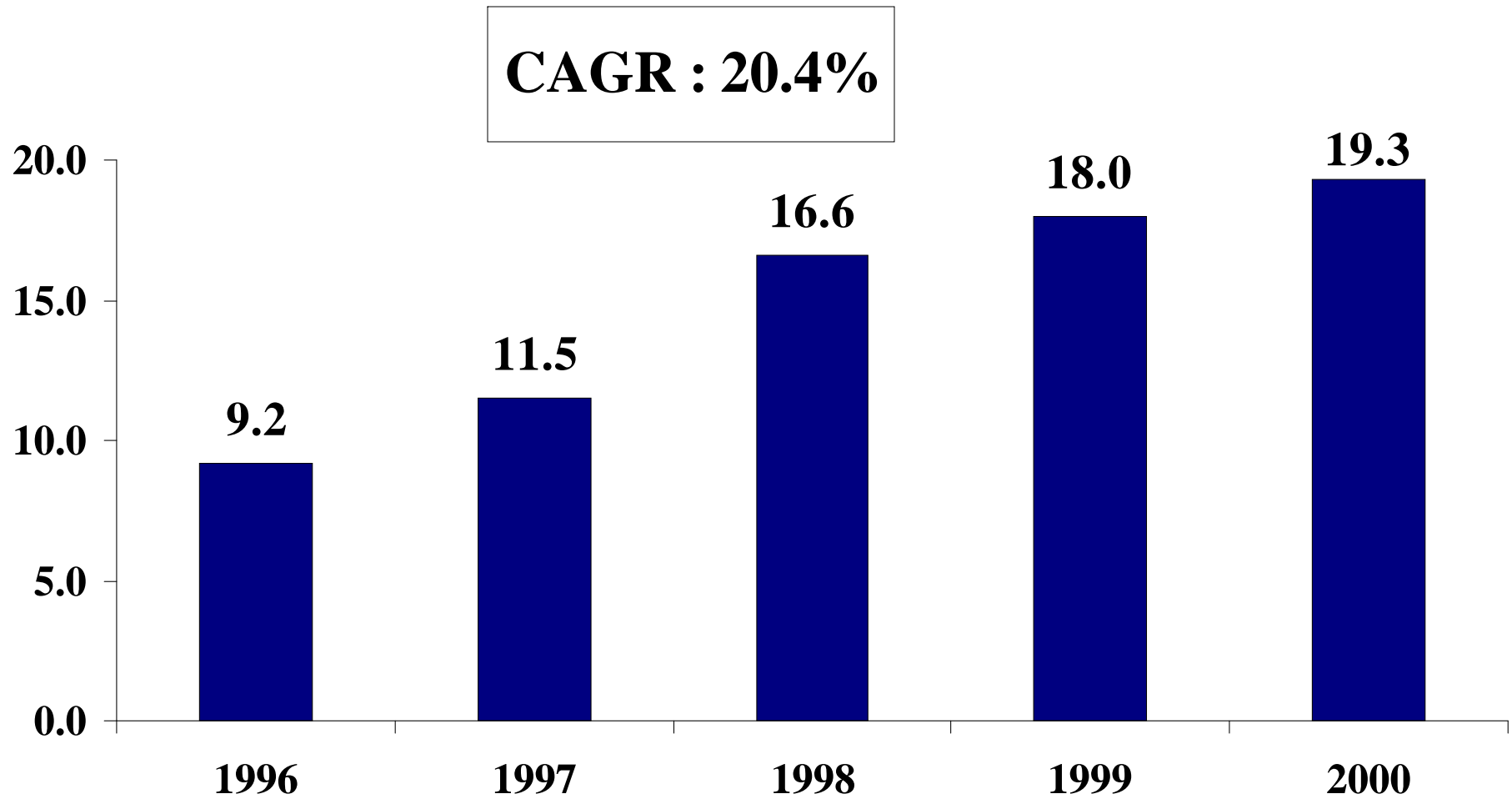
**Rs.Bn**





# EXPORT TRENDS - HLL GROUP

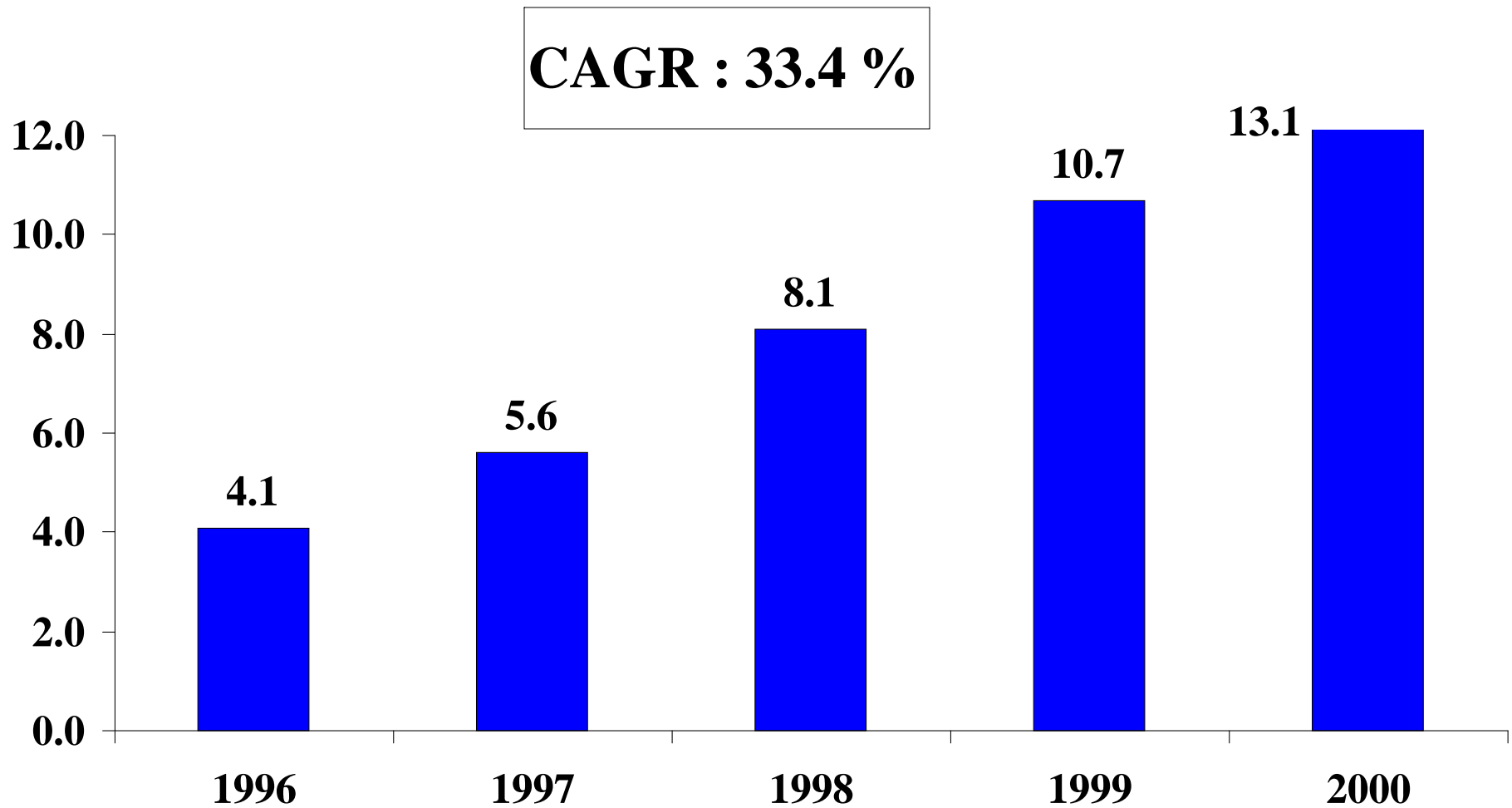
Rs.Bn





# NET PROFITS : 1996-2000

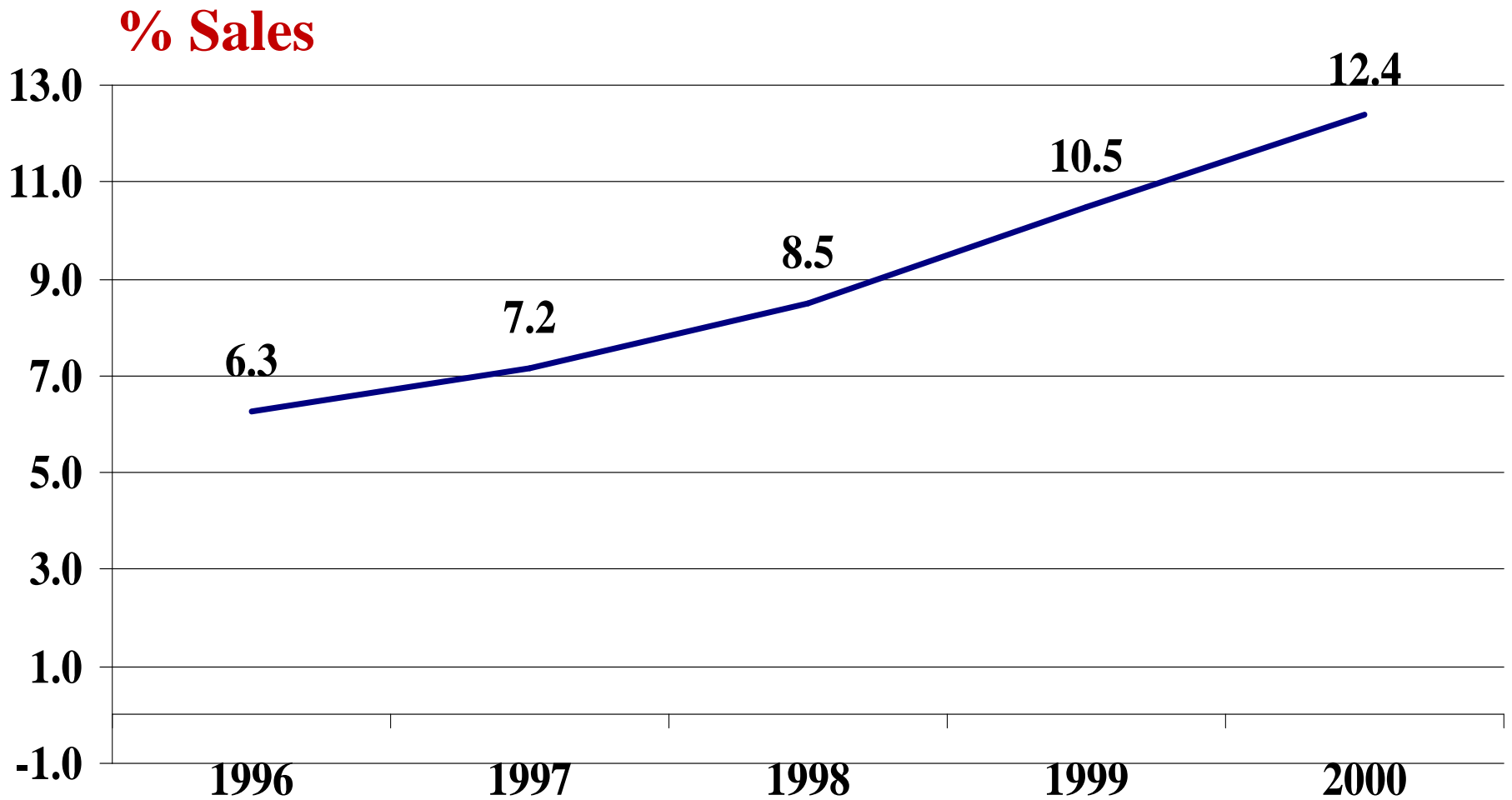
Rs.Bn



Note : Net Profit is after exceptional items



# NET MARGIN % SALES : 1996-00



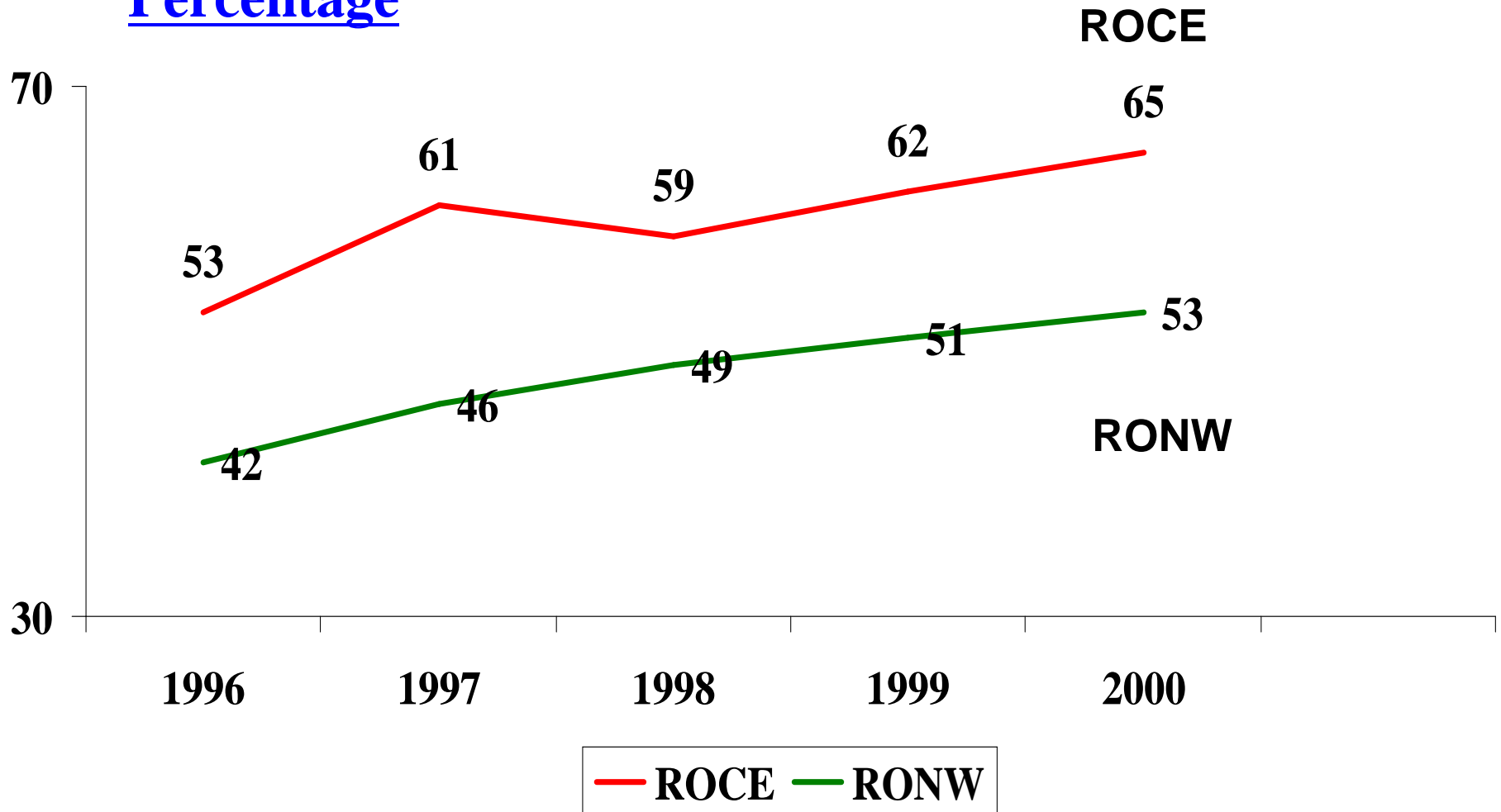
**Note : Net Profit is after exceptional items**





# Return on Capital Employed (ROCE) & Return on Net Worth (RONW) - 1996-00

Percentage

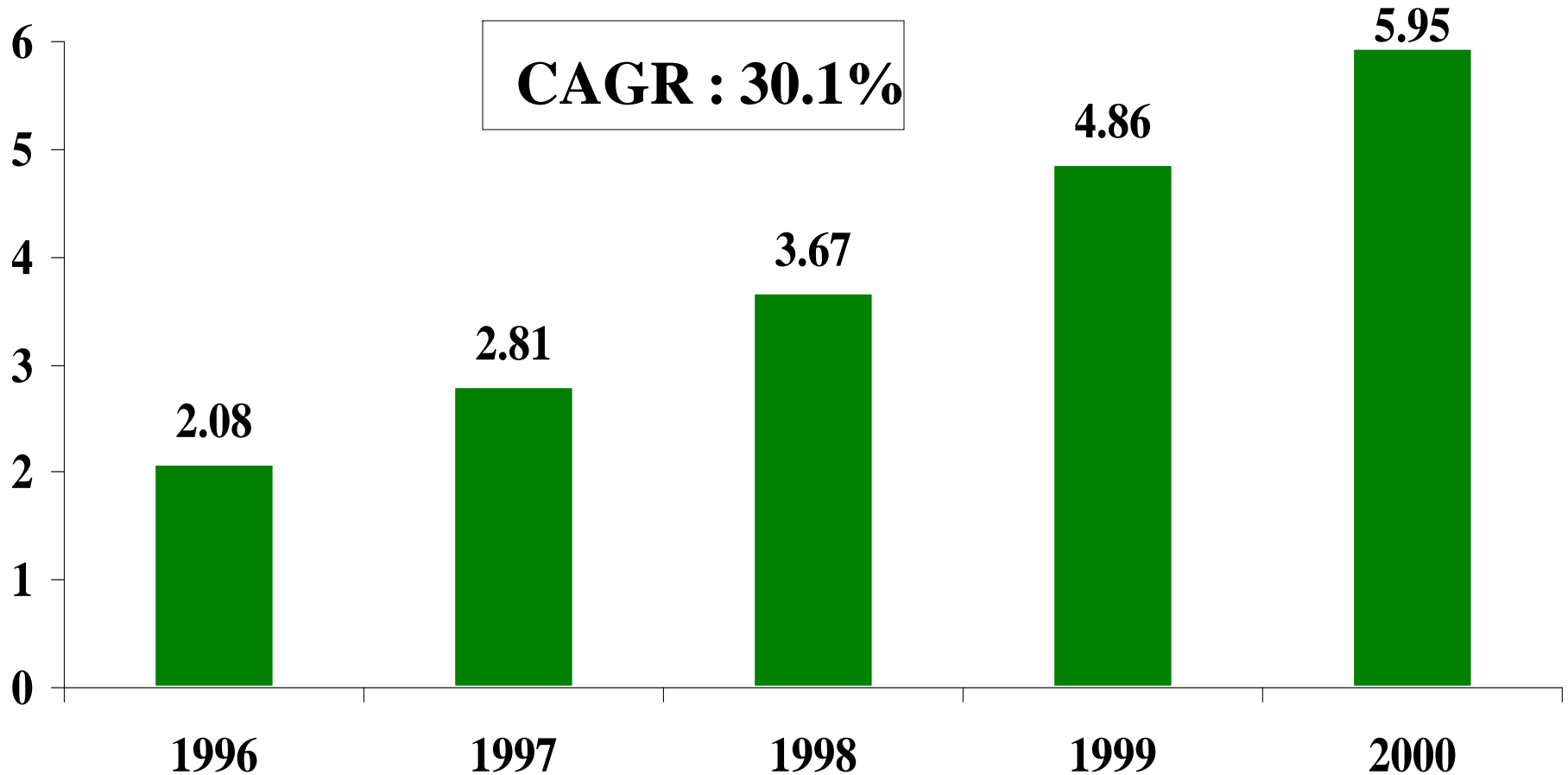


**Note : RONW based on PAT (bei)**



# EARNINGS TRENDS

## Earnings Per Share (Rs.)

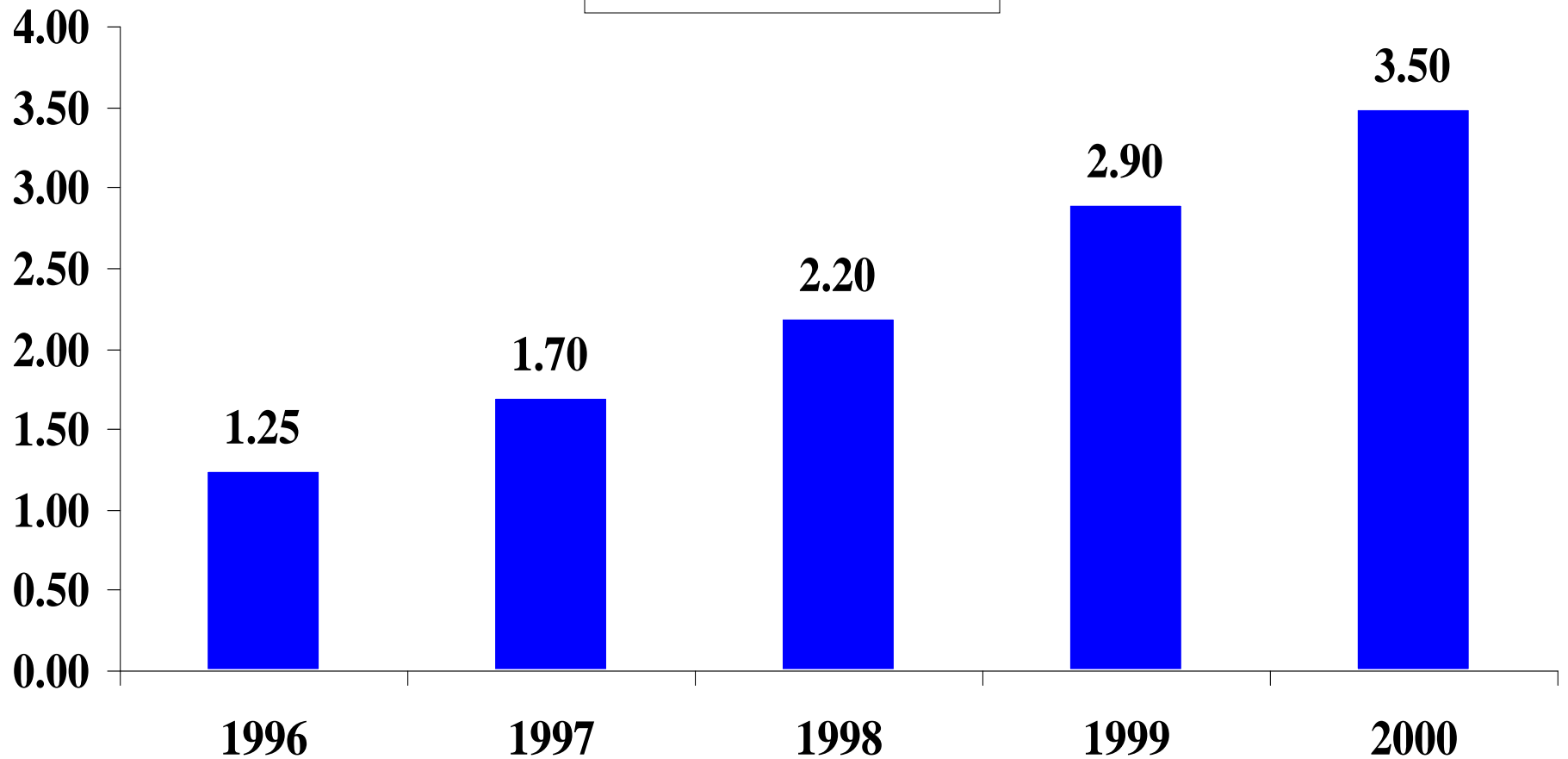




# DIVIDENDS TRENDS

## Dividends Per Share (Rs.)

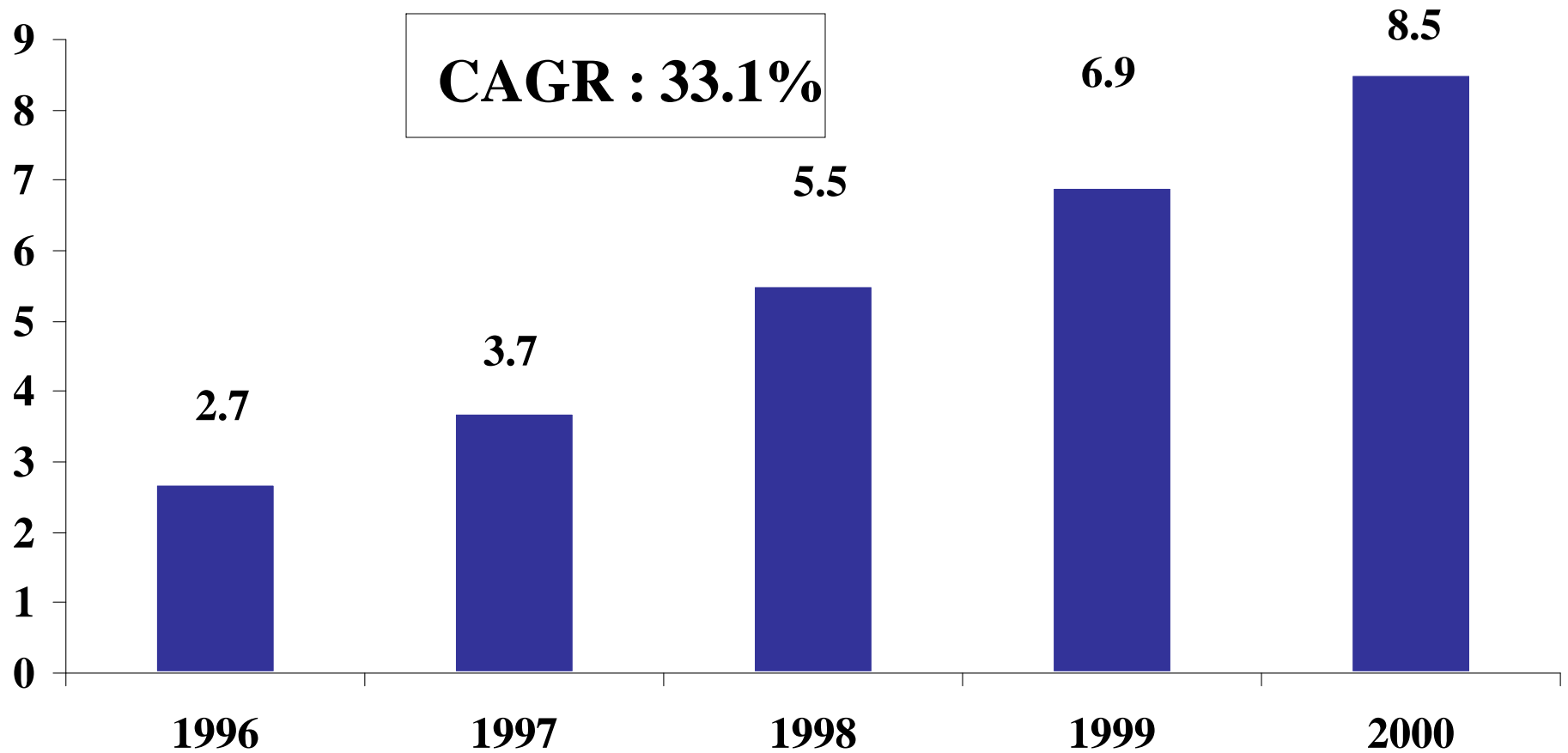
**CAGR : 29.4%**





# ECONOMIC VALUE ADDED (EVA) 1996-00

Rs.Bn



For more details, see Published Accounts



# HLL Financial Results : 2000



# Highlights

- n Topline growth 4.5 % for the year; Underlying volume growth of 4%.
- n PAT growth 22.4 % for the year;
- n Operating Margin improves from 12.8 % (1999) to 14.8 % (2000)
- n Treasury Income up 20 % in 2000
- n EPS Rs 5.95 (up 22.2 %); Final Dividend of Rs 2 takes full year dividend to Rs 3.50 (1999 - Rs 2.90)



# HLL Results - 2000

<b>Rs.Bn</b>	<b><u>2000</u></b>	<b><u>1999</u></b>	<b><u>Growth %</u></b>
<b>Net Sales</b>	<b>106.0</b>	<b>101.4</b>	<b>4.5</b>
<b>Other Income</b>	<b>3.5</b>	<b>3.2</b>	<b>8.2</b>
<b>Operating Costs</b>	<b>91.4</b>	<b>89.2</b>	<b>2.4</b>
<b>PBIDT</b>	<b>18.1</b>	<b>15.4</b>	<b>17.5</b>
<b>Interest Expense</b>	<b>0.1</b>	<b>0.2</b>	<b>(31.3)</b>
<b>Depreciation</b>	<b>1.3</b>	<b>1.3</b>	<b>1.7</b>
<b>PBT</b>	<b>16.7</b>	<b>13.9</b>	<b>20.0</b>



# HLL - 2000

## Business-wise Sales

Rs.Bn	<u>2000</u>	<u>1999</u>	<u>Growth %</u>
Soaps & Detergents	40.8	39.6	3.0
Personal Products	18.7	17.7	5.5
Beverages	15.5	14.8	4.6
Foods	7.8	7.2	8.3
Ice Cream	1.6	1.7	(4.3)
<b>FMCG</b>	<b>84.4</b>	<b>81.0</b>	<b>4.2</b>
Exports	17.7	13.5	31.4
Chemicals & Others	3.9	6.9	(43.8)
<b>Total</b>	<b>106.0</b>	<b>101.4</b>	<b>4.5</b>





# M&A - DEVELOPMENTS

- | **74 % equity stake in Modern Foods (Jan 2000)**
- | **89.6 % equity stake in Rossell (thru a subsidiary);**
- | **83.4% in Bestfoods, India through acquisition from Bestfoods Inc. and open tender offer**
- | **AFS business - JV with Godrej Agrovet in Jan 2001**
- | **Strategic tie-up with iVillage**
- | **Agreement with ICI for a JV for the Quest business**
- | **Bestfoods & Aviance proposed to be merged with HLL**



# BALANCE SHEET - HLL

<b>Rs Mn</b>	<b><u>31.12.00</u></b>	<b><u>31.12.99</u></b>
<b>Share Capital</b>	<b>2,200</b>	<b>2,200</b>
<b>Reserves</b>	<b>22,680</b>	<b>18,830</b>
<b>Loan Funds</b>	<b>1,120</b>	<b>1,770</b>
<b>Total</b>	<b>26,000</b>	<b>22,800</b>
<b>Fixed Assets</b>	<b>12,030</b>	<b>10,870</b>
<b>Investments</b>	<b>17,700</b>	<b>10,360</b>
<b>Net Current Assets</b>	<b>(3,730)</b>	<b>1,570</b>
<b>Total</b>	<b>26,000</b>	<b>22,800</b>



# CASH FLOW

Rs Mn	2000	1999
<b>Cash Generated from :</b>		
Business Operations	13,000	9,830
Working Capital reduction	590	1,290
Treasury Income	2,350	2,020
<b>Total</b>	<b>15,940</b>	<b>13,140</b>
<b>Cash Deployed :</b>		
Capital Expenditure	2,360	1,870
Dividend Payment	8,110	6,020
Investments (net)	5,470	5,250
<b>Total</b>	<b>15,940</b>	<b>13,140</b>



**LOOKING AHEAD**



# Corporate Strategic Objectives

- n Profitable Growth in our FMCG categories
- n Improving the profitability of Foods
- n Securing the future of non-FMCG businesses



# Non-FMCG Business

- n Unilever's exit from Chemicals business
- n Opening up of the Indian economy
- n Critical to access world class technology
- n Variety of options under active review
- n Best solution for each non-FMCG business



# Profitability of the Foods Business

- n Aggressive investments in developing new categories
- n Setting up new infrastructures especially Ice Creams
- n Reasonable scales of operations achieved
- n Focus now on improving profitability
- n Improved margins on traditional portfolios -Tea, Oils



# Profitable Growth of FMCG Categories

- n Market share is a matter of definition
- n There is a large market for our traditional categories
- n Innovation activity will be directed to leading market development





# Strategic Thrusts

- n Focus on Power Brands
- n Explore growth opportunities in new Channels
- n Reduce total system cost
- n A pro-active, flexible, fast moving organisation culture



# Power Brands

- n Focus resources on 30 Power brands
- n Power brands selected to deliver sustainable profitable growth
- n Marketing spend, level of innovation supported by consumer insight & new technology platforms
- n Service dimension for chosen brands - Lakme Beauty Salons



# Growth in New Channels

- n New consumption opportunities for Tea, Coffee, Ice Cream
- n Out-of-Home business unit in Bangalore to lead the activity
- n Dedicated resources to grow institutional business in 3 regions
- n Aggressive expansion in our 100 crore Food Service business
- n The wholesale channel opportunity



# Total System Cost

- n Investments in IT will drive our supply costs down even further
- n Media scale and efficiency benefits will be optimised
- n Expanding Shared Services
- n Tight control on overheads including Corporate Centre costs



# The New Culture

- n A pro-active, flexible, fast moving organisation
- n 7 smaller Category Business Units allows empowerment & freedom to get on with delivery
- n Attractive reward for actual Performance through Variable Pay bonuses & Stock-related schemes



**India**

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**CRITICAL SUCCESS**  
**FACTORS**



# Critical Success Factors

- **Successful implementation of the strategic objectives and thrusts**
  - power brand to expand profitably to grow the business
  - ability to manage the migration of the small tail
- **Ability to drive market expansion through new channels / geographies**
  - continue to devise channel and coverage expansion strategies
- **Contain low cost competition**
  - focus on achieving cost competitiveness to counter low cost competition. Innovate aggressively
- **Continue to attract/retain top quality talent**
  - business leadership programme
  - new category organisation structure



**THANK YOU**