



Hindustan Lever Limited

Presentation at CLSA Investors' Forum 2003

Hong Kong, September 24, 2003



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Overview

Strategy

2003 and beyond...



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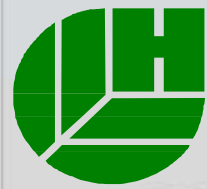
Economic Outlook

	2001-02	2002-03	2003-04 (E)*
Agriculture	5.7	(3.2) ↓	7.5
Industry	3.3	6.0 ↑	5.0
Services	6.8	7.1 ↑	7.0
GDP	5.6	4.3 ↓	6.5

Growth%

* CMIE Estimates

- Fourth Largest economy in PPP terms
- GDP growth second only to China among Asian Economies
- Strong Revival expected in Agricultural growth
- Sustained growth of manufacturing sector
- Strong performance of services sector



Indian Economy - Snapshot

Positives

- Above normal monsoons
- Healthy GDP growth at 6.5% estimated for 2003-04 (*CMIE estimates*)
- Revival of industrial growth to 6% in 2002-03
- Strong forex reserves at 87 bn \$
- Upturn noticed in broadbased demand conditions
(Non food credit expected to rise by 16.0% in 2003-04)
- Robust growth of 17.8% in exports in 2002-2003
- Low inflation 3-4%
- Rapid development of infrastructure

Concern

- Fiscal deficit at 9.3% in 2002-03 and expected to rise in 2003-04
- Total foodgrains production drop of 13.9% in 2002-03



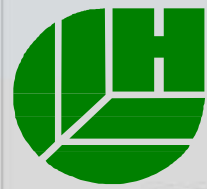
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Hindustan Lever

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

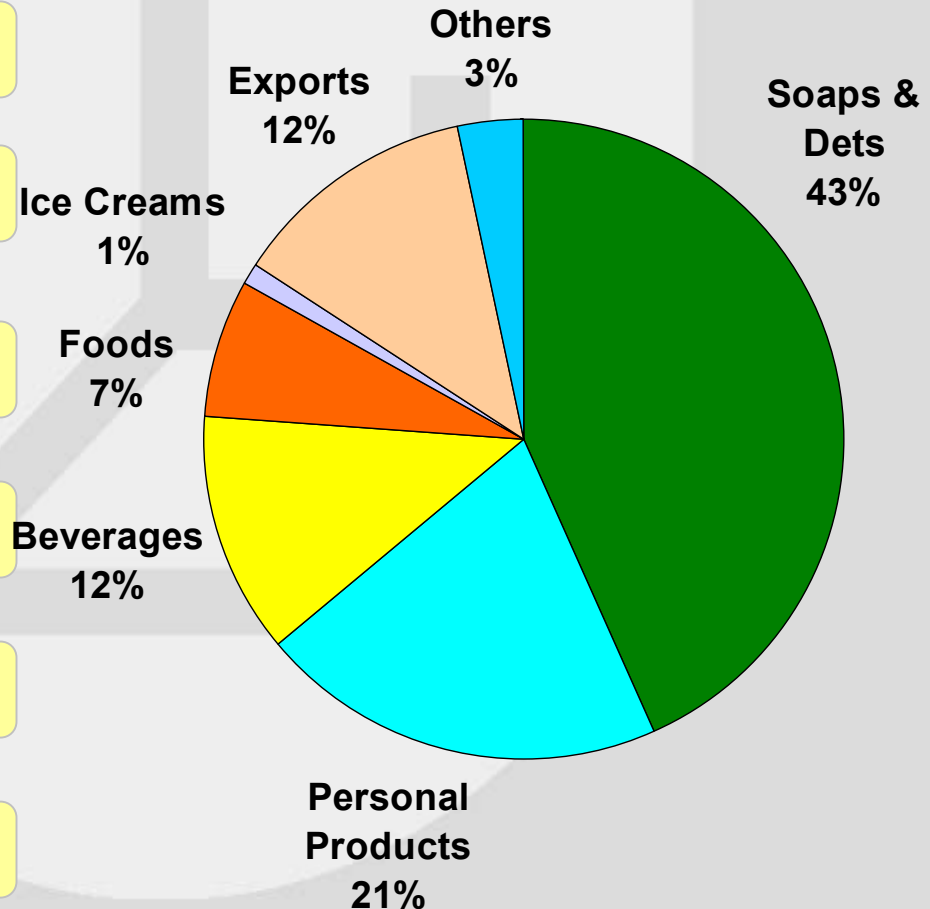




Hindustan Lever

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

	Rs Bln	US \$ Mn
Turnover	100	2193
EBITDA (Operational)	21	461
Net Profit (bei)	17	373
EPS	7.98 (Rs)	18c
Economic Value Added	12	263
Market Capitalisation	412	9035



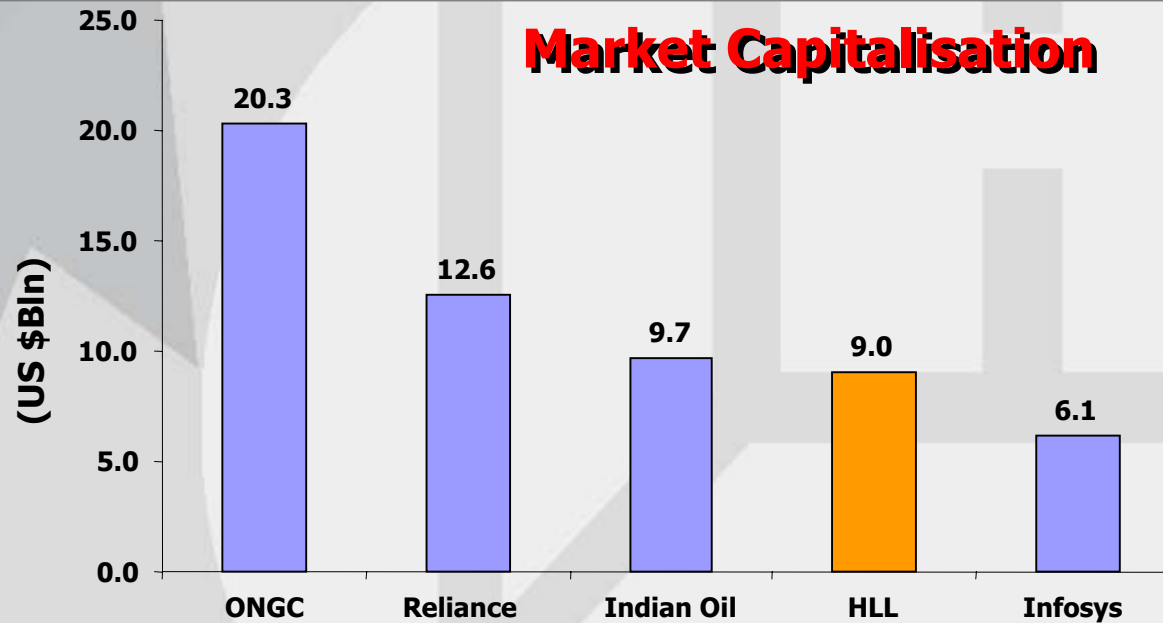
* Figures based on FY2002 Audited Results

* Based on FY2002 segmental revenues



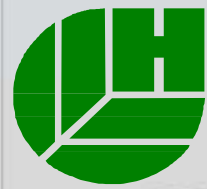
Hindustan Lever

...on the Indian Bourses



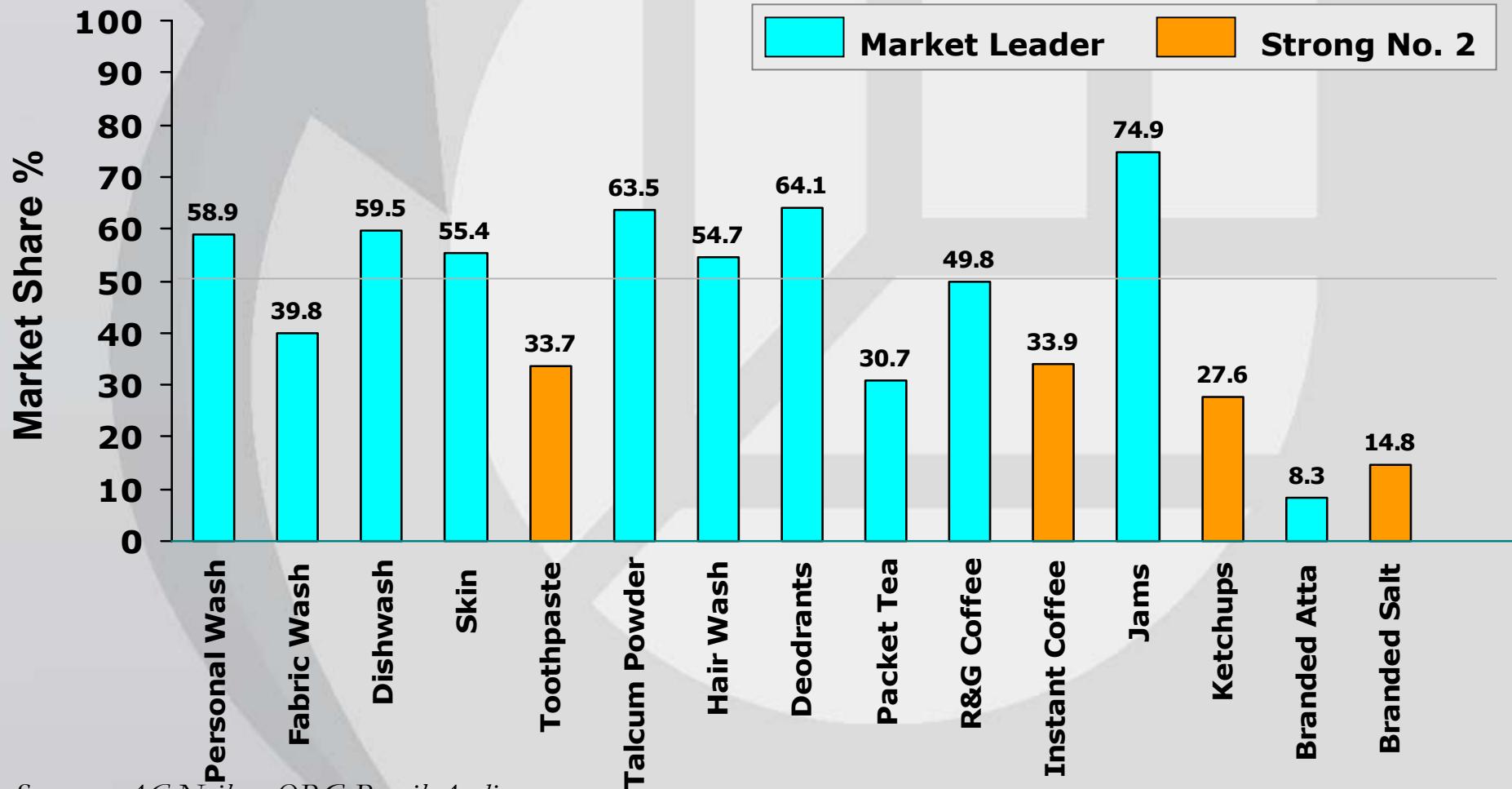
	ONGC	Reliance	Indian Oil	HLL	Infosys
Market Cap (US \$Bln)	20.3	12.6	9.7	9.0	6.1
% of Total Market	10.3	6.4	4.9	4.6	3.1
% Wt in Sensex		15.0		9.0	9.7
% Wt in Nifty		12.4		8.9	6.0

Source : Mkt Capitalisation at BSE (4th September 2003)

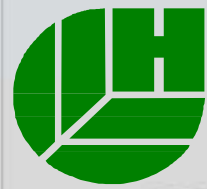


Hindustan Lever

....dominant player across FMCG categories



Source: : AC Neilson ORG Retail Audit



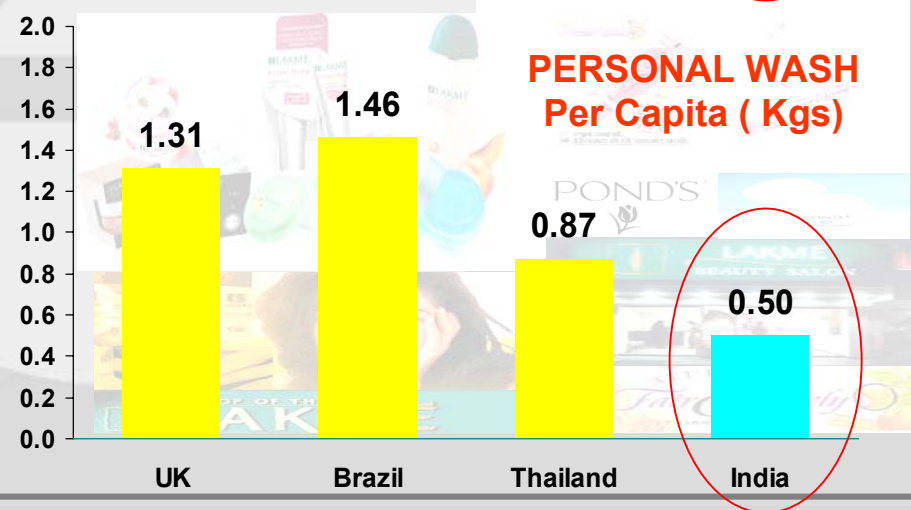
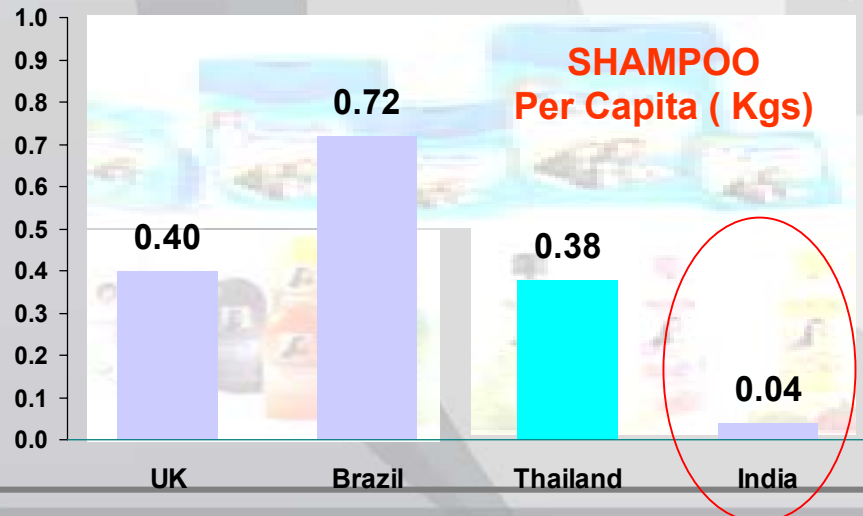
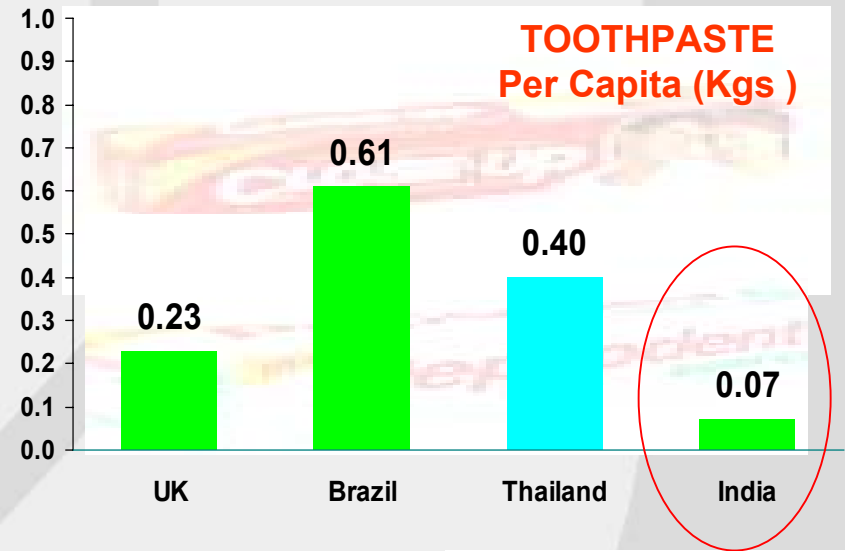
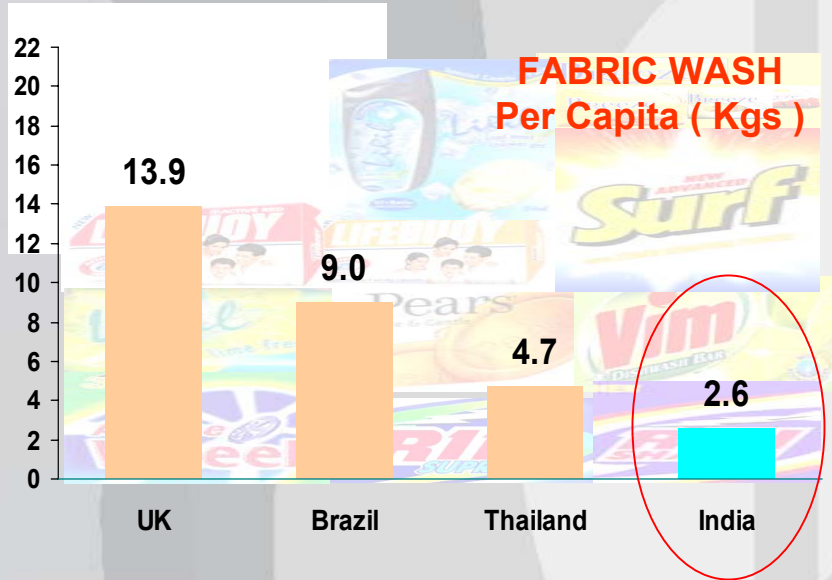
...Opportunities in India

Category	Market Size (US \$Mn)	HLL - Market Share (%)	Urban Penetration (%)	Rural Penetration (%)	Total Penetration (%)
Fabric Wash	1210	39.8	89.6	82.9	84.9
Personal Wash	938	58.9	97.9	90.7	92.8
Packet Tea	635	30.7	91.2	82.2	84.9
High penetration categories > 50%: Drive upgradation / consumption					
Toothpaste	409	33.7	69.8	32.3	43.5
Skin	312	55.4	36.6	19.8	24.7
Hair Wash	230	54.7	40.1	16.3	23.3
Talcum Powder	148	63.5	66.0	36.8	45.1
Branded Atta	107	8.3	44.0	30.2	34.3
Dishwash	102	59.5	54.6	11.5	24.4
Instant Coffee	55	33.9	N.A.	N.A.	N.A.
R&G Coffee	30	49.8	N.A.	N.A.	N.A.
Ketchups	25	27.6	12.5	0.7	4.2
Deodrants	19	64.1	N.A.	N.A.	N.A.
Jams	13	74.9	N.A.	N.A.	N.A.
Low penetration categories : Drive penetration					

Source : Indian Readership Survey 2002



...Opportunities in India

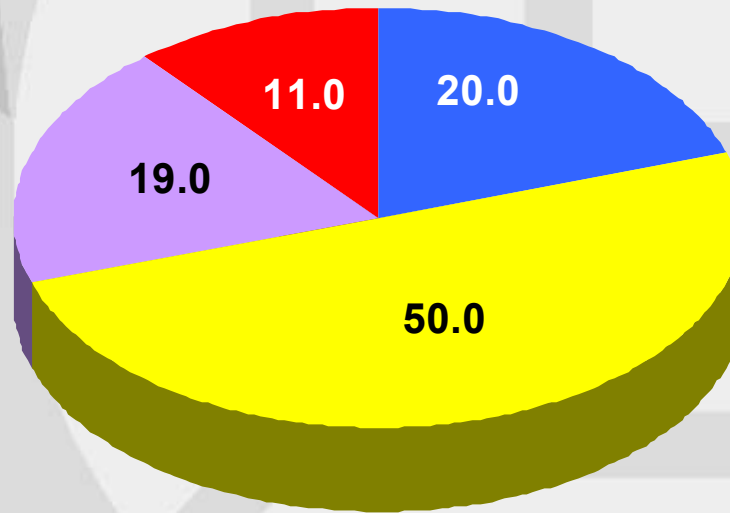




Share of Hair wash occasions

HLL Share of
Shampoos

60%



HLL Share of
Hair Wash

7%

■ Water ■ Soap ■ Naturals ■ Shampoo

Redefine potential for growth



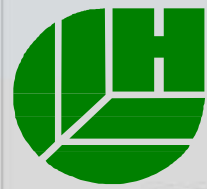
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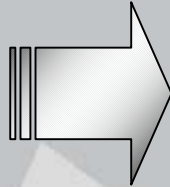




Strategic Focus

Power Brands

63 Brands
110 Variants



30
Power
Brands

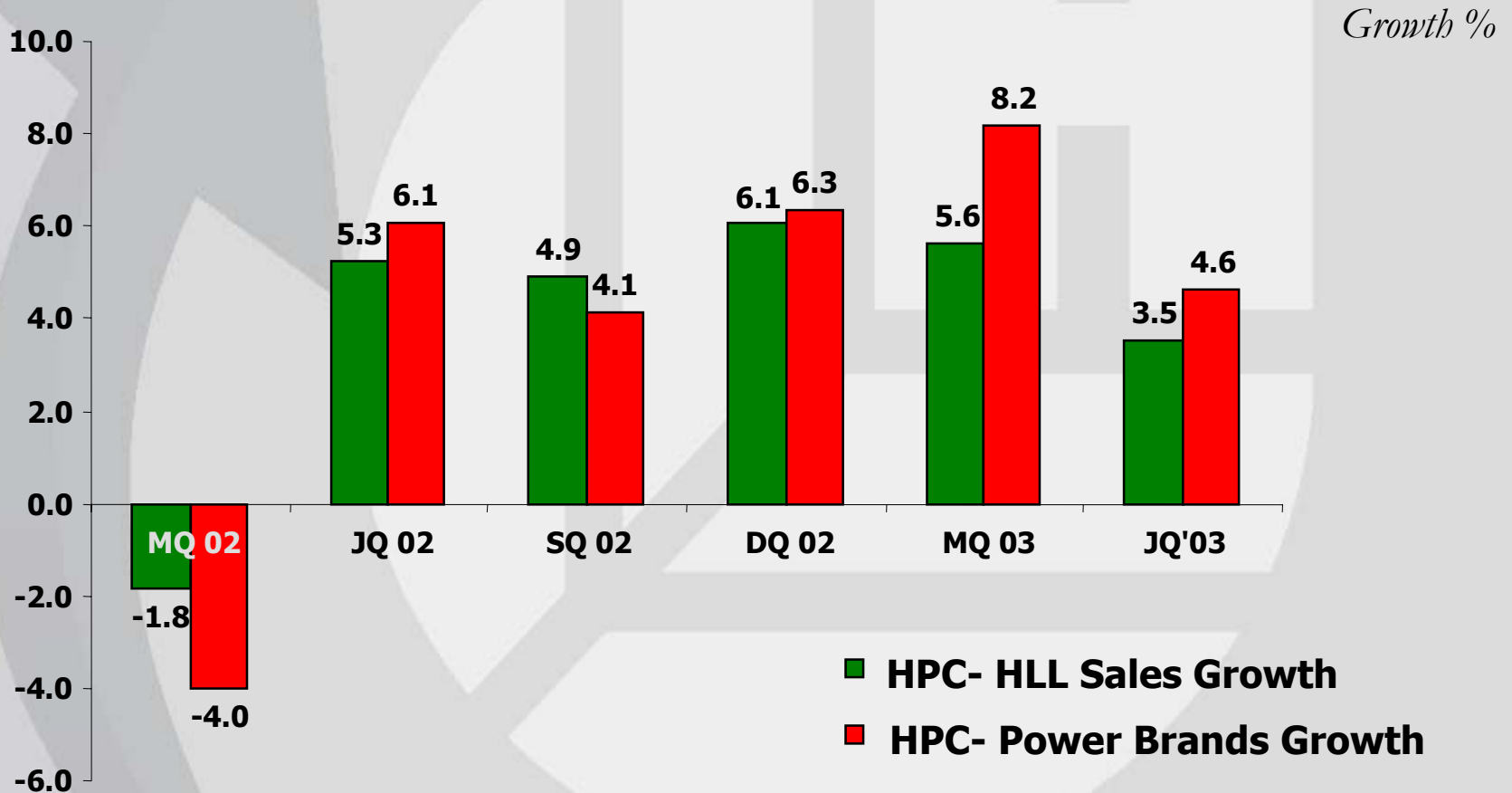
less
more is

- 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



...Power Brands Drive Growth





HPC Power Brands

...Delivering strong growth - FH'03



Lakme : 53%



Lifebuoy : 33%



Ponds : 22%



FAL : 16%



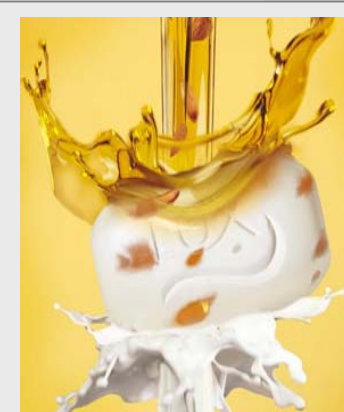
Pepsodent : 15%



Nihar : 11%

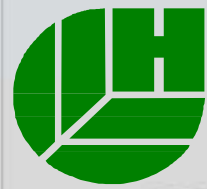


Sunsilk : 6%

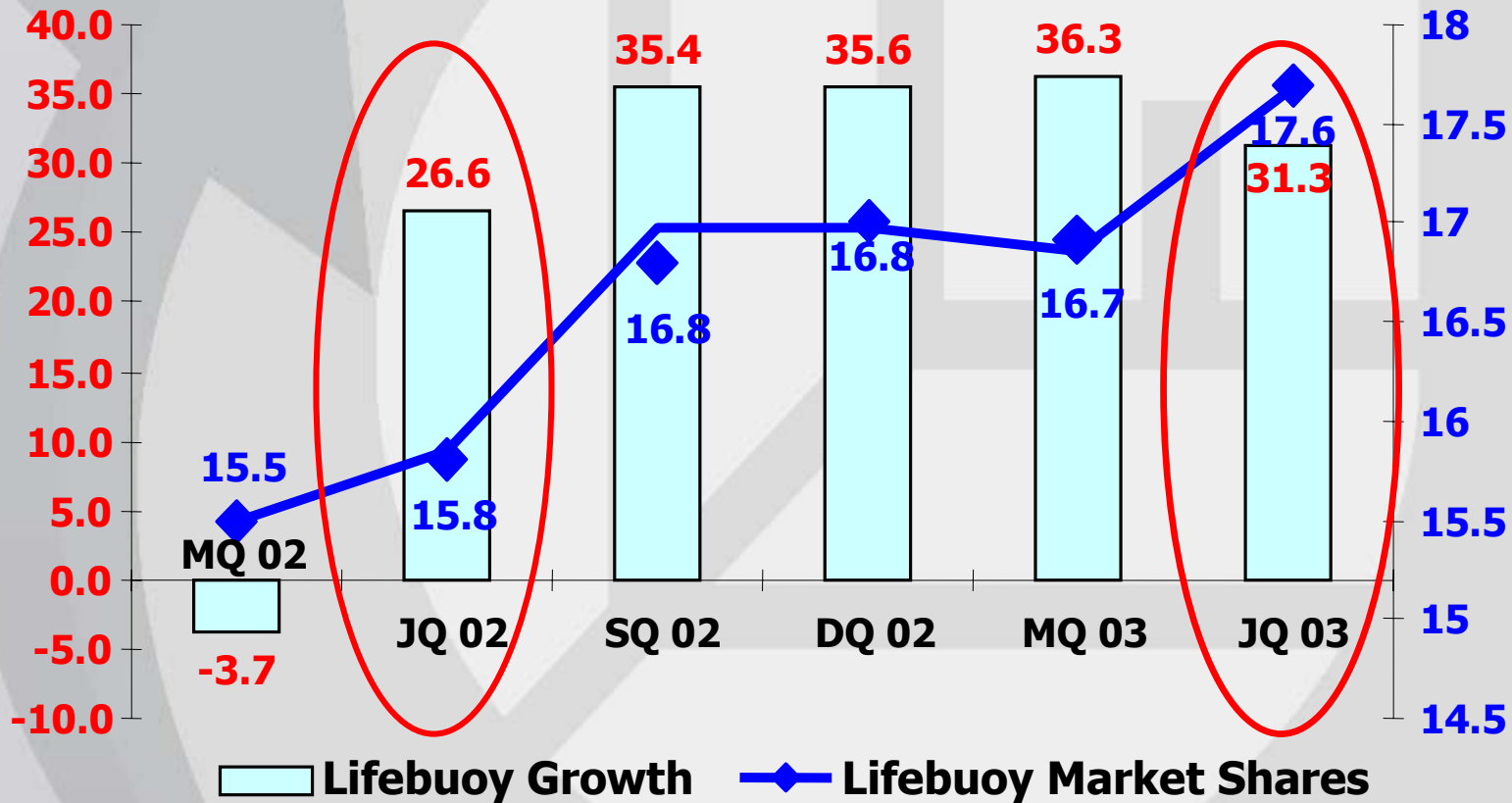


Lux : 7%

* Group Basis



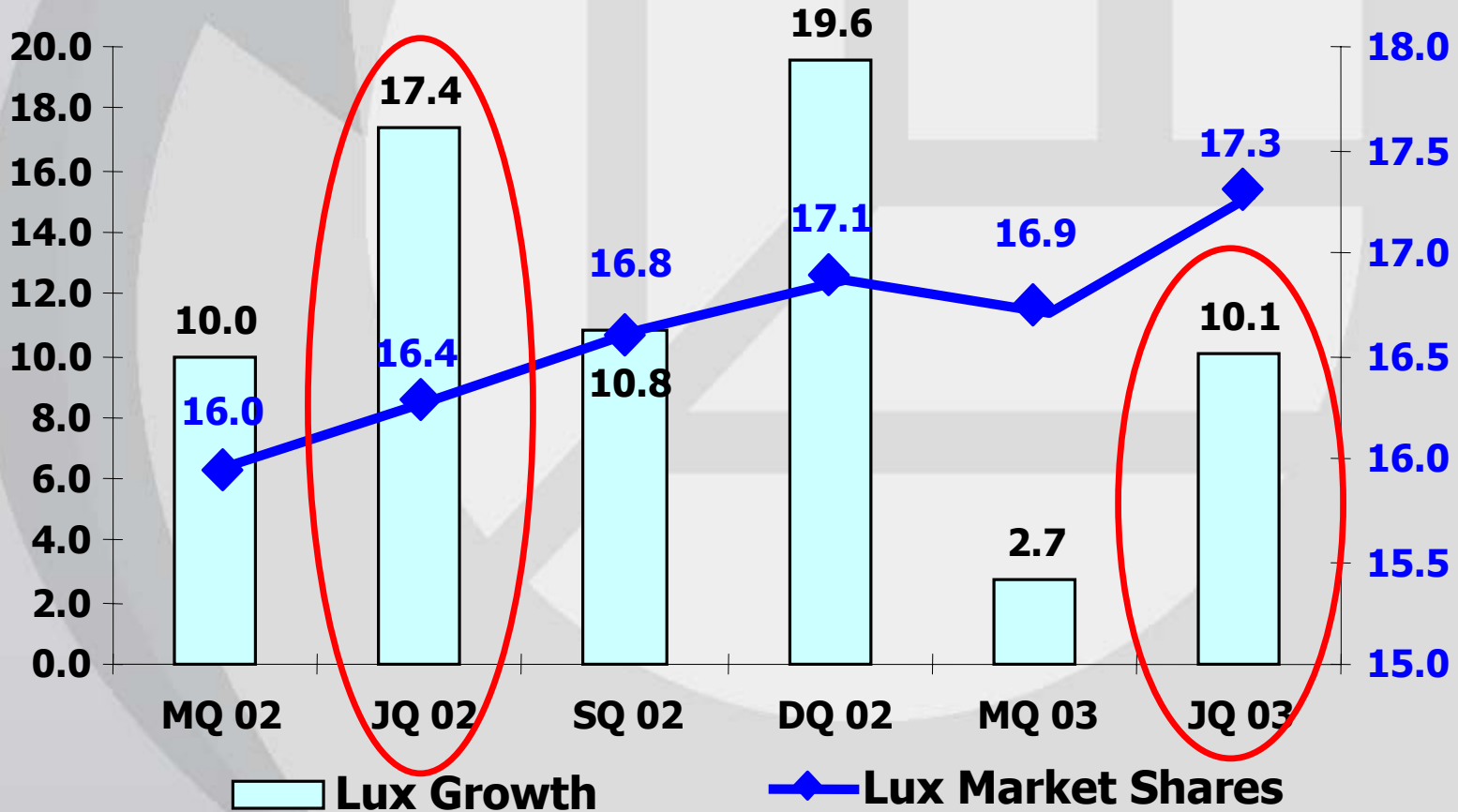
...Excellent innovation led performance



- Strong double digit growth for 5 consecutive quarters
- >30 % growth for 4 consecutive quarters.



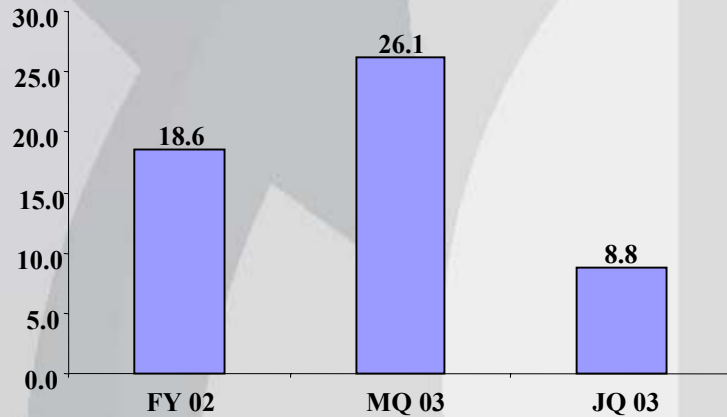
...Excellent innovation led performance



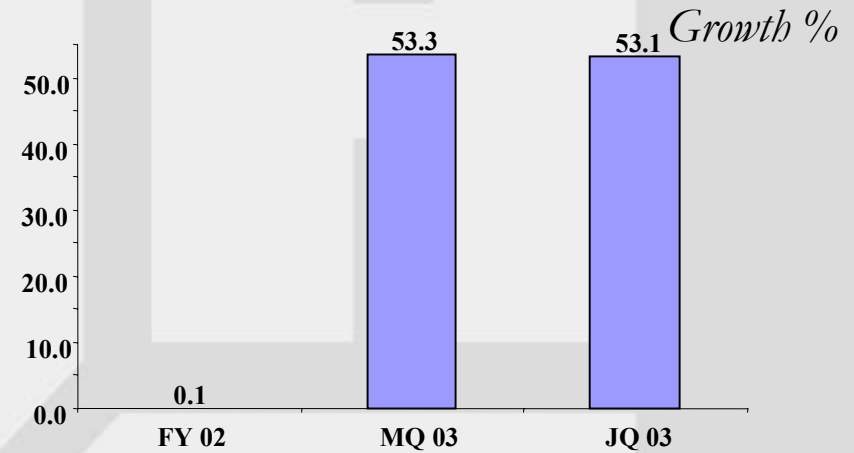


Skin Power Brands

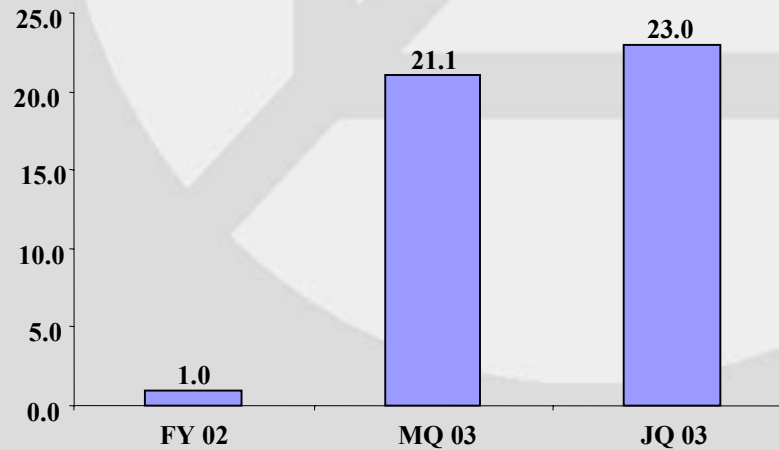
... Surge ahead



FAIR & LOVELY



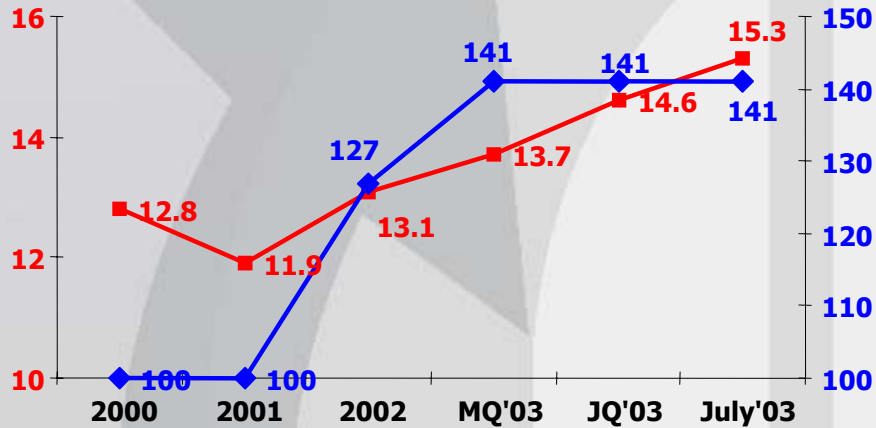
LAKME



PONDS

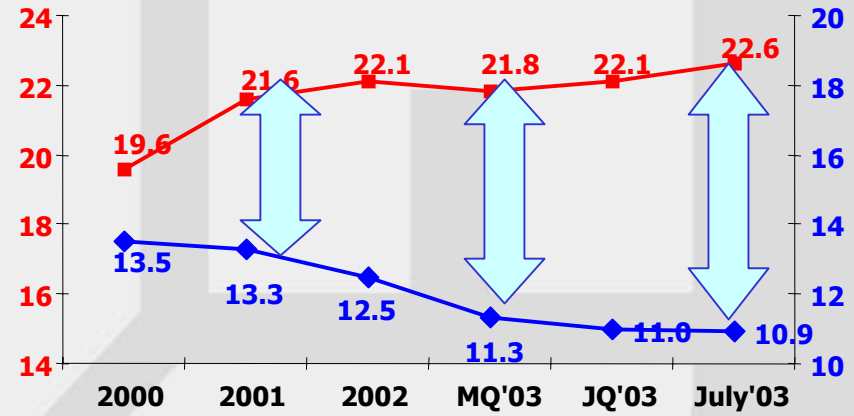


Countering low price competition ...Personal Wash



■ Lifebuoy/Active ◆ Lifebuoy Price

**"Market Share gains
inspite of price increase"**



■ HLL - Discount ◆ Nirma

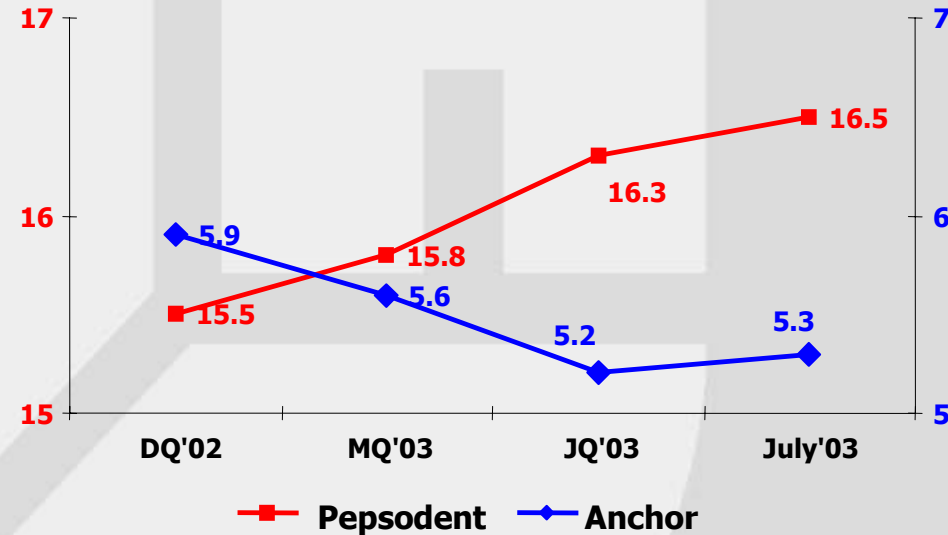
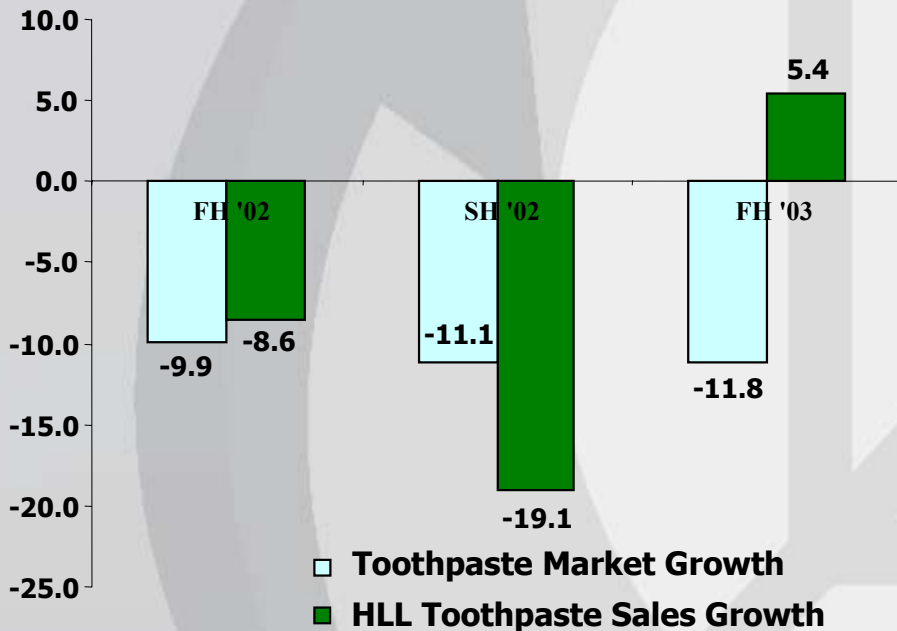
"The Gap Widens"

- Lifebuoy becomes the largest value share brand in June 2003
- Share gap with Nirma more than doubles in two years.



Countering low price competition

...Toothpastes



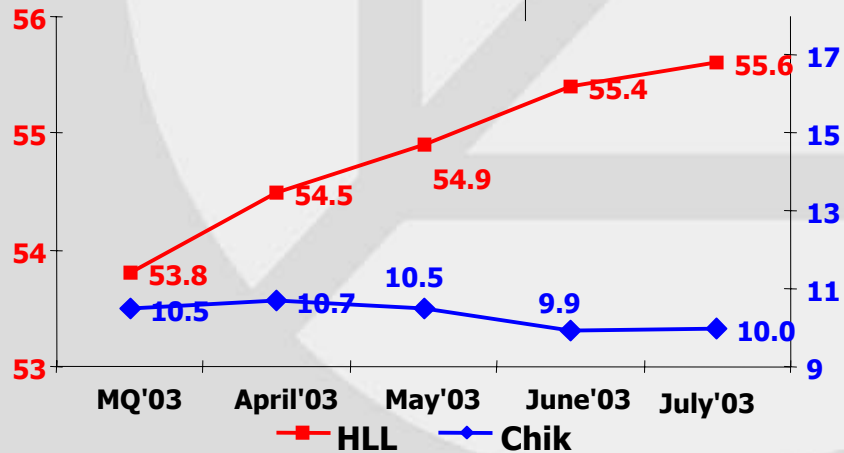
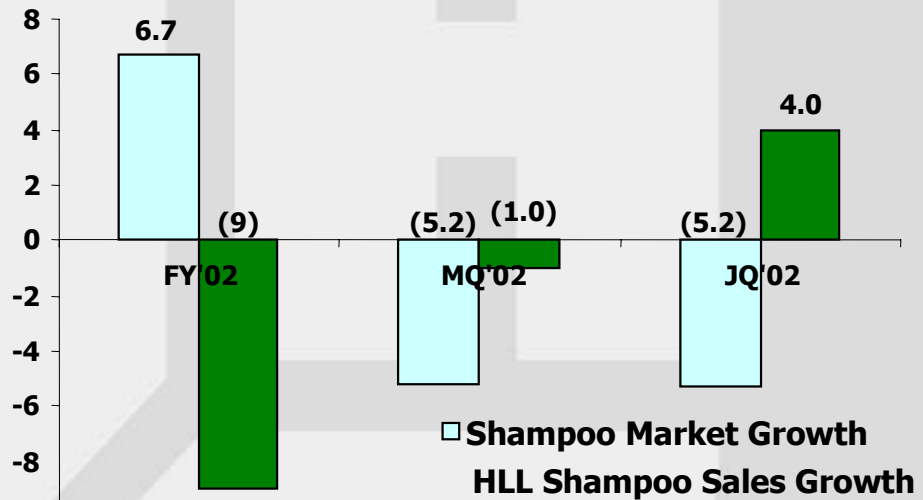
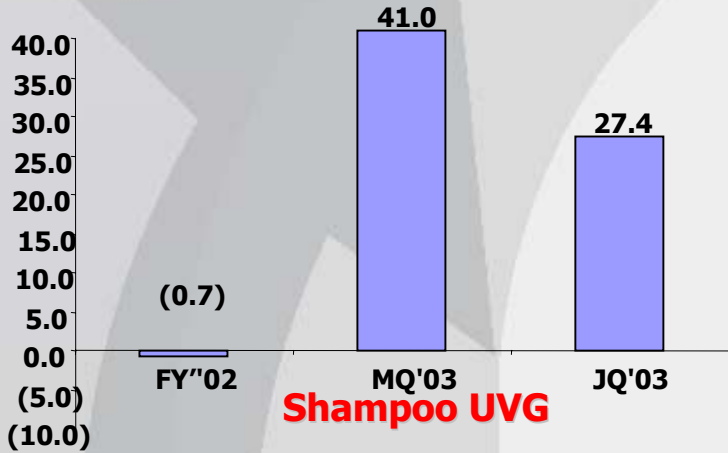
HLL Market	DQ'02	MQ'03	JQ'03	July'03
Shares	33.2	34.4	33.4	32.7

- Value Proposition redefined
- New SKUs at convenient price points
- Superior value performance in a declining market



Countering low price competition

...Shampoos

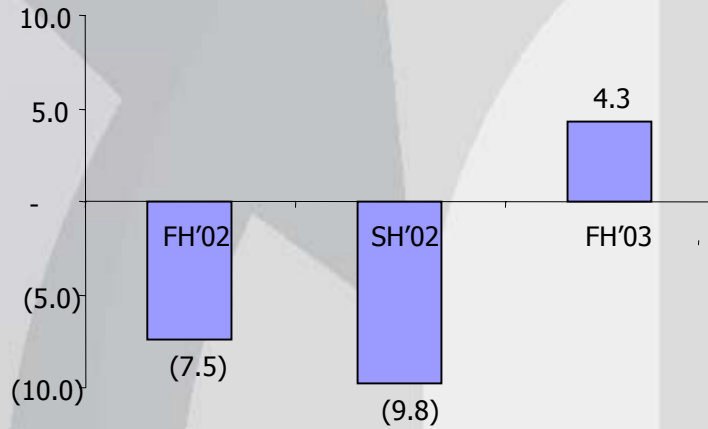


Back to the growth path in a declining market

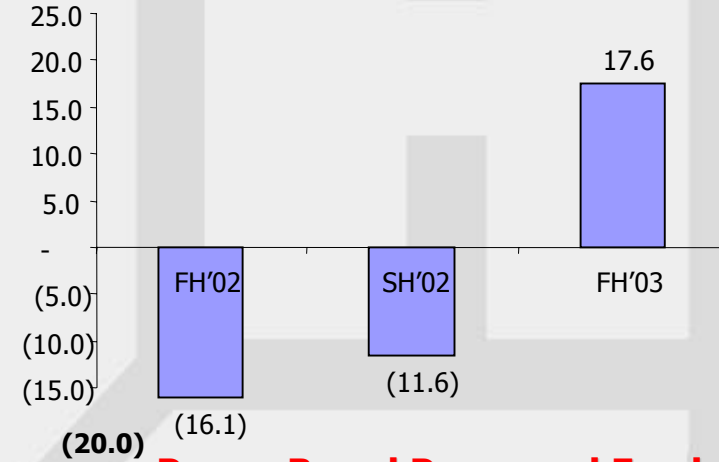


Strong growth in Foods Power Brands

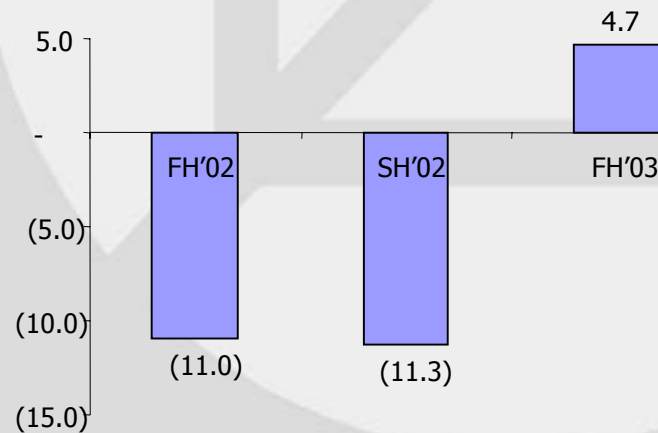
...Strategy shows results



Power Brands Beverages



Power Brand Processed Foods



Power Brand Total Foods

* Processed Foods and Total Foods exclude Edible Oils and Fats business



Foods Power Brands

...Delivering strong growth - FH'03



Bru : 17%



Taaza : 11%



3 Roses : 10%

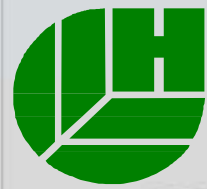


Annapurna : 26%



Kissan : 11%

* Group Basis

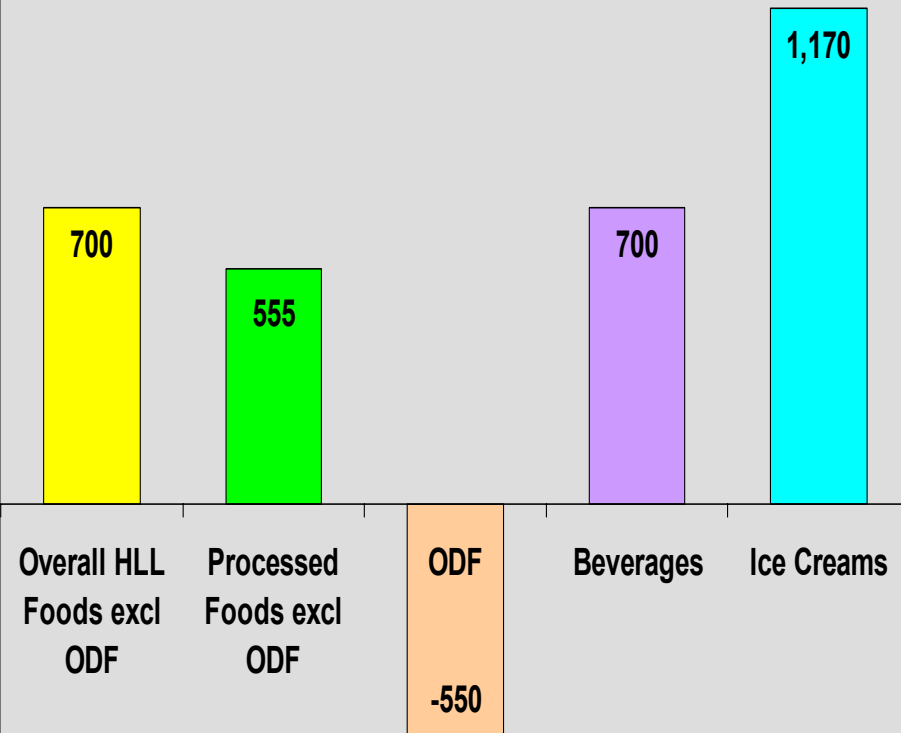


Strategic Focus

Foods : Underlying Profitability

- Upscaling Operations
- 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

Bps change in Gross Margins in 2002



“strategy delivers step change in margin profile”

Foods business to be “fit for growth & scale”



Strategic Focus

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**

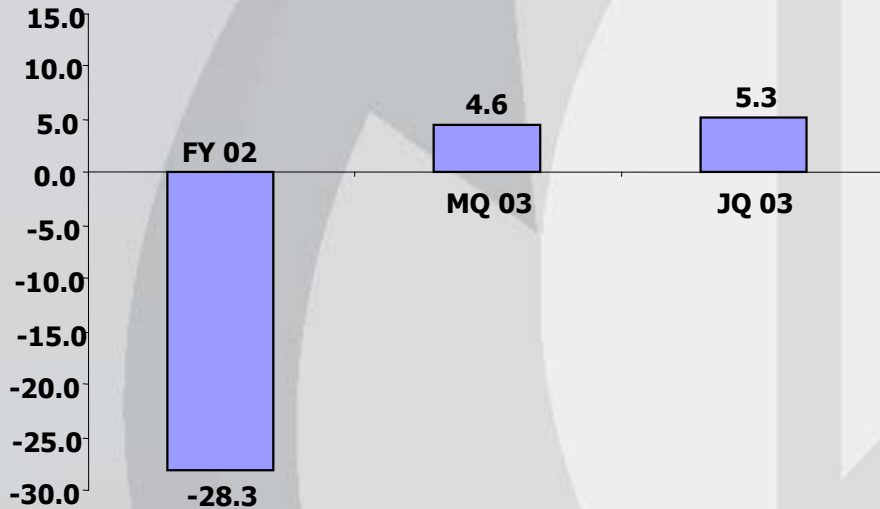
- Opening up of the economy & access to world class technology
 - Need to focus on core businesses
- Variety of options actively reviewed - best solution for each business
- Seek players with global expertise who are able to support future growth



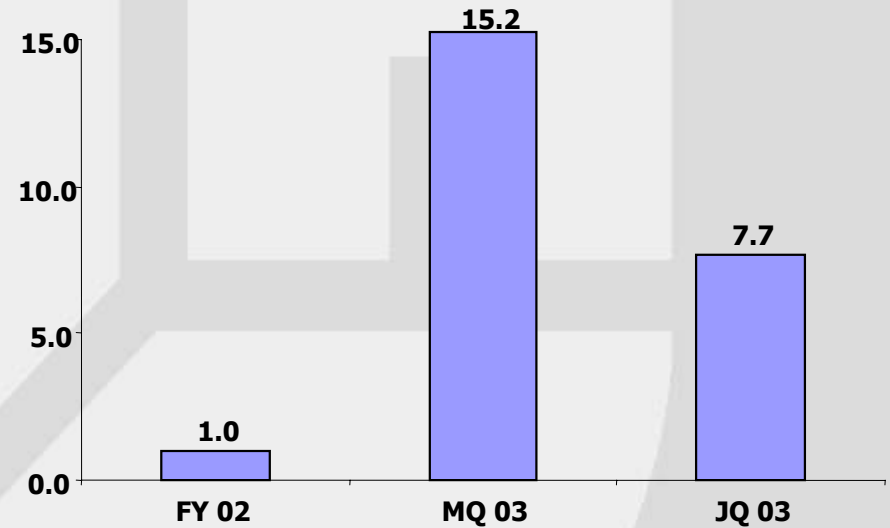
Strategic Focus

Core - Value added Exports

Growth %



Exports



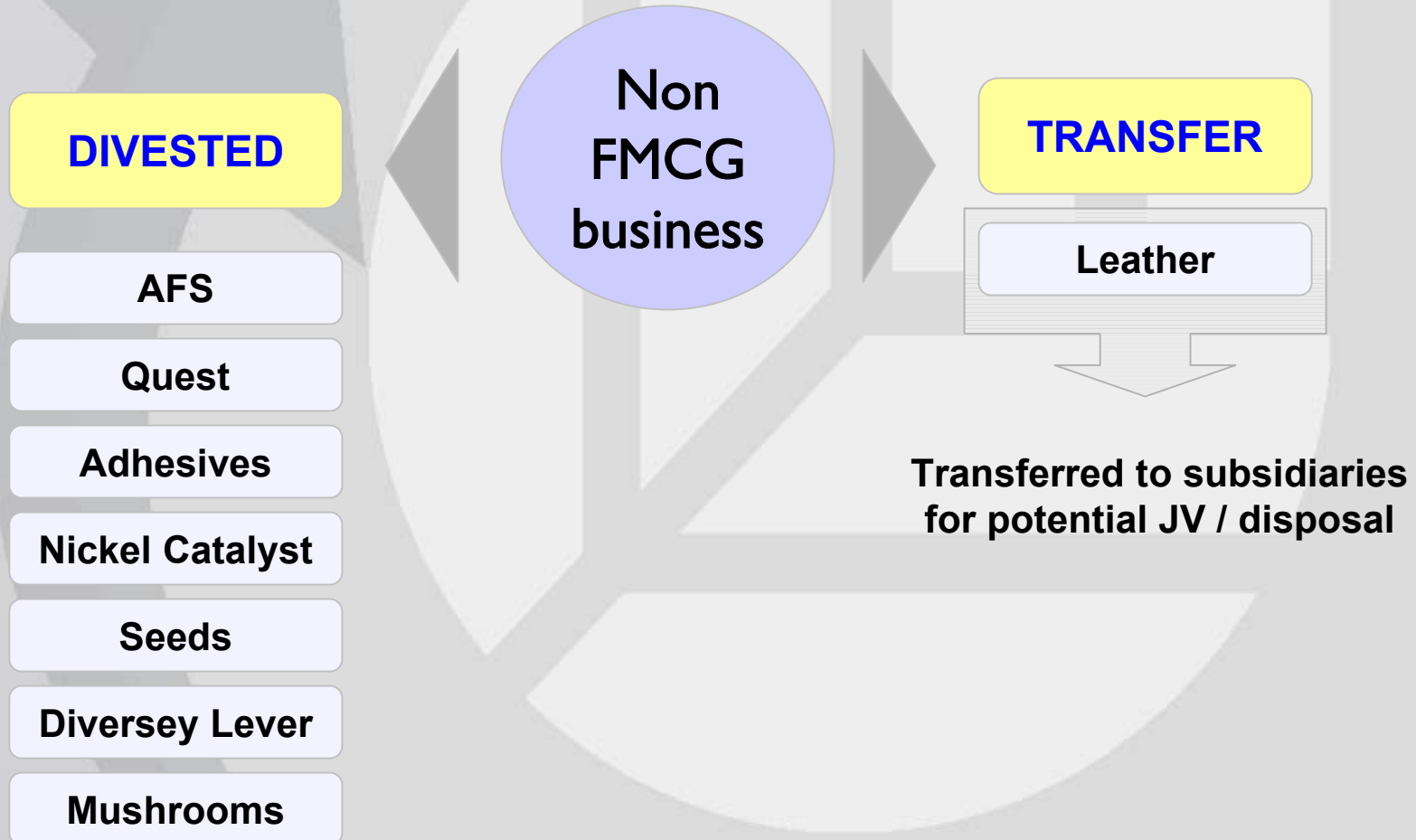
Continuing Exports

Core Value added portfolio drives growth



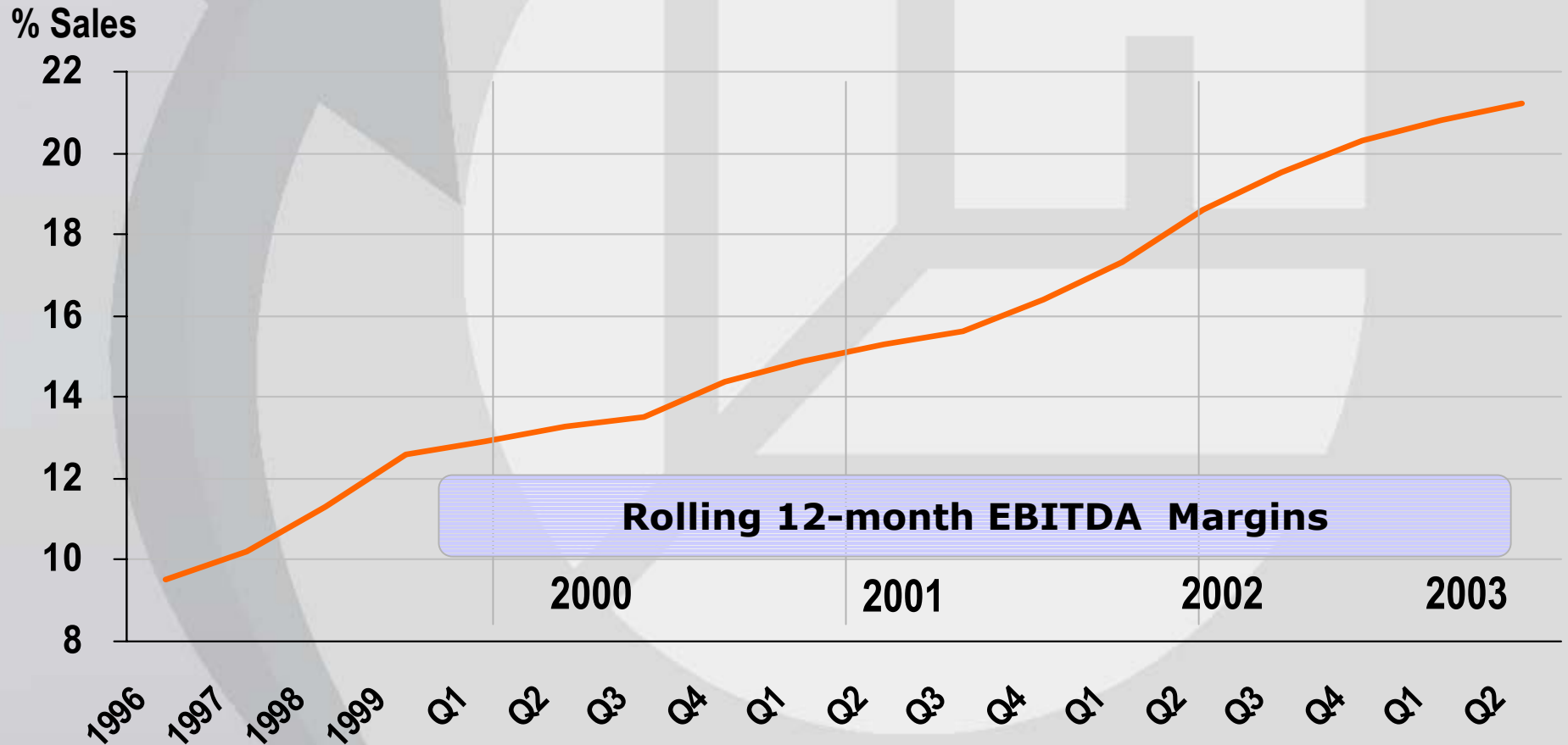
Strategic Focus

Securing the future of Non FMCG





EBITDA Margin Progression





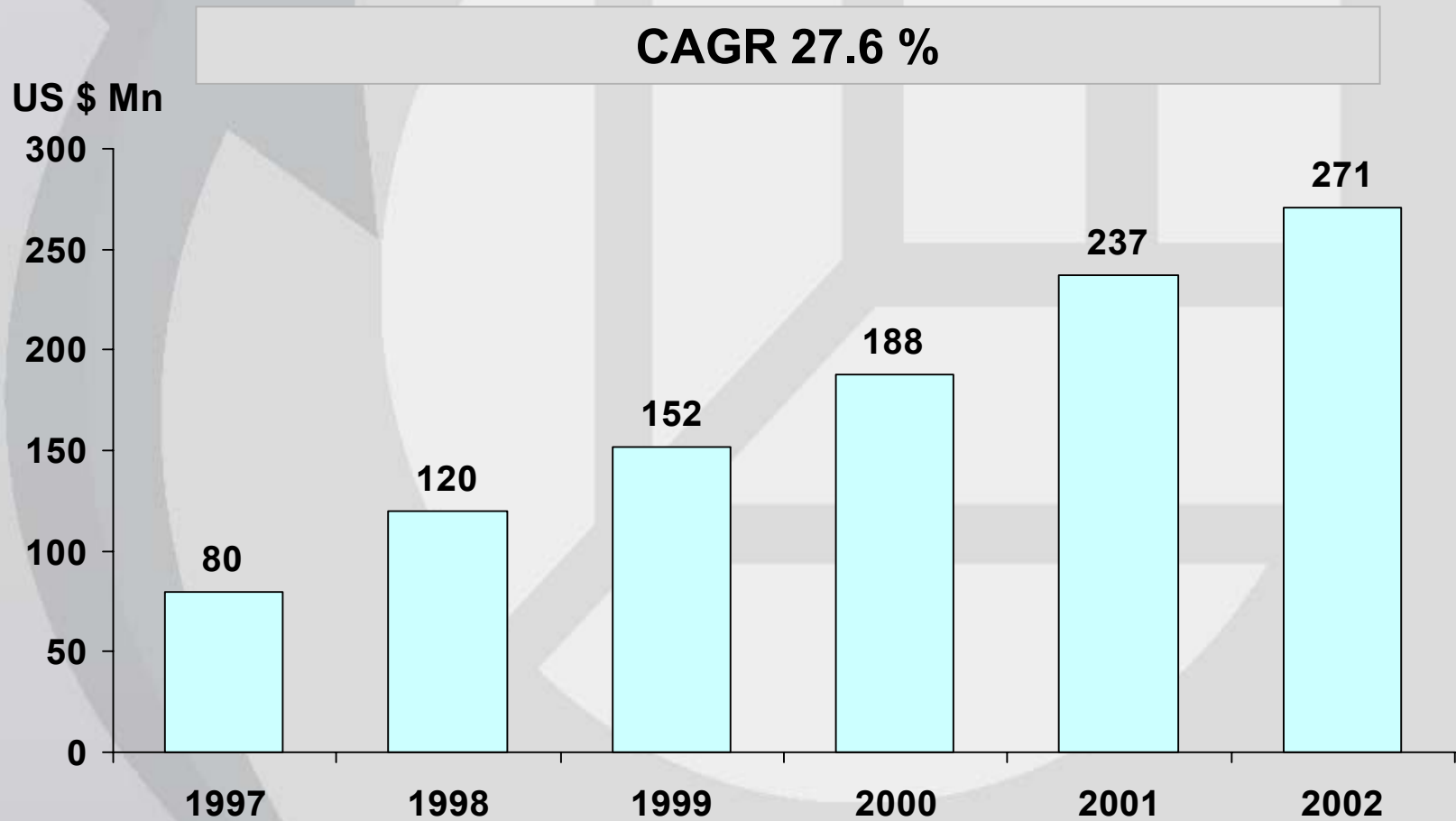
Effective execution of strategy



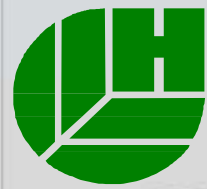
- HPC records all round performance - profitable growth
- Step change in profitability of Foods business - “Fit for Growth”
- Ice Cream strategy halves losses
- Exports portfolio rationalised - core exports do well
- Significant progress on divestment of non-core businesses



Economic Value Added



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



Dividends for the shareholder

Dividend Per Share of Re 1	2001	2002	2003
Interim	2.500	2.500	2.867
Final	2.500	3.000	
Total	5.000	5.500	2.867

Rs	Shareholder receipt in last 6 months (per Re 1 Share)
Final Dividend (2002)	2.659*
Interim Dividend (2003)	2.500*
Special Dividend	1.765*
Bonus Debenture	6.000
Total	12.924

* Pursuant to change in dividend tax incidence announced in recent Budget



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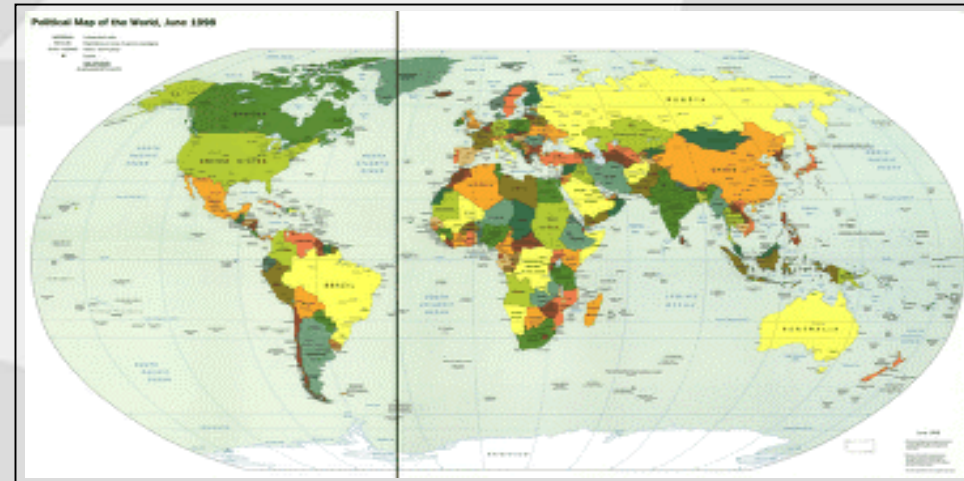
Strategy

2003 and beyond...



2003 & Beyond.....

- Growth in current categories
 - High Penetration Categories - upgradation/consumption
 - Low Penetration Categories
 - Greater consumer insight
 - Technology led innovation
- Scale up New Initiatives
 - New categories, new consumers & new Consumption opportunities
- Continued thrust on innovation in Foods
- Building a New Exports Horizon





2003 & Beyond.....

Beverages Out of Home



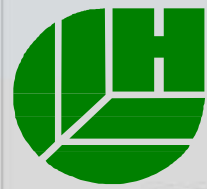
Ice Cream Vending



Lakme Beauty Salons



Leverage Channel Opportunities



truth of Ayurveda proof of Science

- Ayush launched in June '02 after rigorous R&D and extensive clinical testing
- 5 OTC non prescriptive products introduced
- Purity of ayurvedic ingredients endorsed by AVP , Coimbatore
- Soaps, Oils and Shampoos launched nationally
- Roll Ons and Cough Syrup under test
- “Ayush Therapy Centre” started





Extending Max to Confectionery



- Max forays into confectionery
- Child centric product development / innovation
- Nationally rolled out post success in Tamilnadu
- 'Max' range of confectionery annualised sale > US \$ 10 Mn

Max set to become the largest kids impulse brand



HLL - Network

- Aviance relaunched as HLL Network - Jan'03
- Portfolio widened
 - Products added:
 - Lever home range
 - Male grooming
- Reach - 1068 towns
- 1,15,000 consultants in July'03 to grow to 1 Mn by 2007

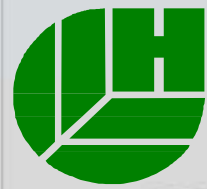
Sales increases 3 fold





Building a New Exports Horizon

- **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**



Key Initiatives

A New Paradigm Supply Chain

- **RS-net implementation**
 - **Connectivity with HLL RSs**
 - **Benefits**
 - System cost reduction
 - Secondary Sales Tracking
 - Robust sales & production planning
 - Higher ROI for Redistribution Stockist
 - Field force focus on “the HLL Way of Sales”
- **Project Leap**
- **Shared Services**

...make today
what we
sold yesterday



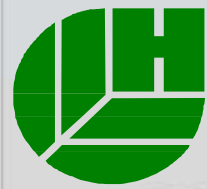


Key Initiatives

Project "Shakti"

- Self Help Groups (SHGs) appointed as Dealers
- SHGs distribute goods directly to consumers
- Piloted in 2001 & extended across several states
- Partnerships with several NGOs forged
- More than 5000 villages covered touching
7.5 Mn rural lives
- 40% increase in no of villages covered prior to the project

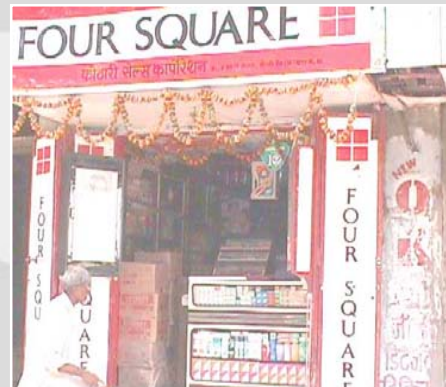




Key Initiatives

The 'HLL Way in Sales'

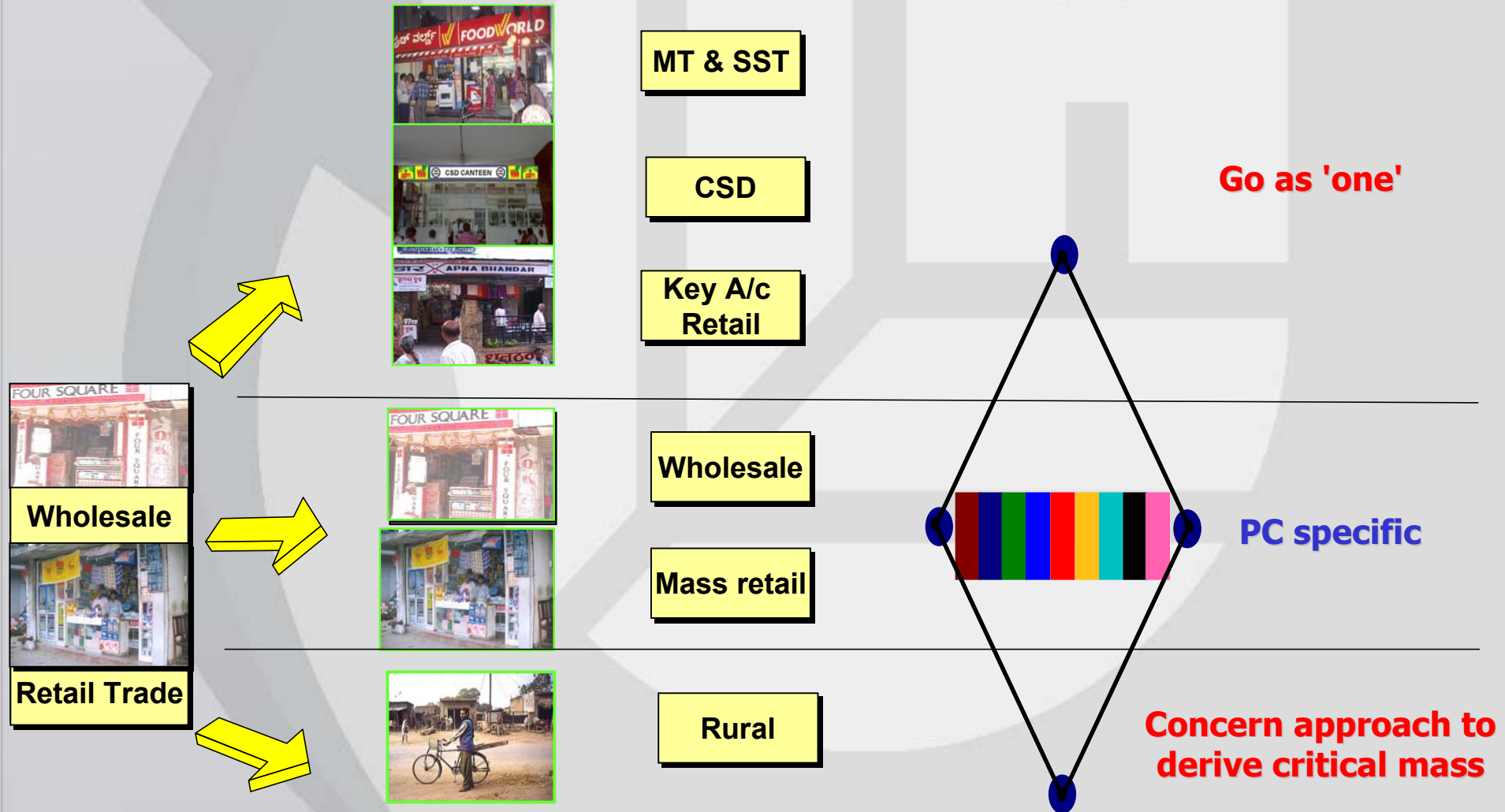
- Improved Secondary Sales focus
- Differentiated approach to channels
- Redefined role of Stockist
- **Diamond model** - new sales organisation





Diamond Model

Different Channels, Different Needs





The HLL Way of fostering Enterprise Culture

Enterprise Culture

- Passion for Winning
 - Challenge & Rigour
 - Ownership and accountability
 - More Meritocracy
- Liberating Rigour
 - Empowerment
 - Simplification/ eliminating bureaucracy
- Connected Creativity
 - External Orientation
 - Breakthrough Thinking

Underpinned
by Values



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Thank You



Hindustan Lever Limited

CLSA Investors' Forum 2003

Hong Kong, September 22-26, 2003