HLL'S PROFIT AFTER TAX INCREASES BY 21%

Mumbai, July 24, 2001: Hindustan Lever Limited (HLL) has recorded a profit after tax of Rs. 346.73 crores in the quarter ended 30th June 2001, an increase of 21% over the corresponding period of 2000. After including a one time exceptional income of Rs. 119.86 crores on account of profit arising from the sale of Quest business to the ICI group, the net profit goes up to Rs 466.59 crores for the quarter.

HLL's turnover (net of excise) at Rs. 2931.25 crores grew by 1.8% with the company's Power Brands registering a growth of 5.7%. Profit before tax at Rs. 448.51 crores grew by 15.7%.

For the half-year ended June 2001, Profit After Tax of Rs. 663.67 crores reflects an increase of 20.8% over the previous year. After including exceptional income, the net profit goes up to Rs.806.12 crores. The turnover for the first half grew by 1.5% to Rs.5573.76 crores with Power Brands growth at 4.8%.

The company has announced an interim dividend of Rs. 2.50 per share of Re. 1 (Rs 1.50 per share for 2000). This includes distribution out of exceptional income arising from the sale of HLL's interest in the Animal Feeds and Quest Businesses.

Announcing the results, Mr.M.S.Banga, Chairman stated: "The three pronged strategy outlined earlier this year is now fully operational. Our people, innovation and advertising resources have been focussed on 30 Power Brands, and steps initiated to enhance the profitability of our Foods business. Initial results on both fronts are encouraging despite an economic slowdown resulting in declining markets for some of our categories. In the area of non-FMCG businesses, joint ventures have already been formed in two of the non-FMCG businesses – Animal Feeds and Flavours & Fragrances. The company will not hesitate to plough back a part of the profits from such disposals to strengthen the longer term growth prospects of its core categories."

Operating margins reflect an improvement of 1% arising from improved portfolio mix particularly in the foods business, strategic cost control initiatives, as well as the benefits of past restructuring.

Other income grew from Rs. 77.4 crores to Rs. 91.2 crores, reflecting efficient treasury management of surplus funds.

The results include an estimated business restructuring cost of Rs. 16.25 crores charged in the quarter (Rs.22.5 crores in half year), compared to Rs.30 crores in the same quarter (Rs.60 crores in half year) in the previous year. Actual expenditure on restructuring amounted to Rs.2.33 crores in June quarter 2001 (Rs 22.36 crores in JQ 2000) and Rs 2.62 crores in half year ended 30th June 2001 (Rs 94.05 crores in half year ended 30th June 2000). As in the past, the company will review such costs each quarter on the basis of estimated annual spends and necessary adjustments will be suitably made and disclosed.

The standard on 'Accounting for Taxes on Income" will become mandatory for the company only with effect from the year commencing on 1st January 2002. Accordingly, the results of the company do not include a credit adjustment in respect of deferred tax for the quarter ended 30th June 2001 amounting to Rs 6.94 crores (Rs 22.55 crores for quarter ended 30th June 2000) and Rs 4.11 crores for half year ended 30th June 2001 (Rs 24.39 crores for half year ended 30th June 2000).

FMCG Business

As compared to the overall growth of 1.8% during the quarter, the domestic FMCG product sales grew by 3.2 % with good growth registered by Skin, Hair Wash and Household Care categories.

HPC:

The Power Brands in the Home and Personal Care categories grew by 9.0 % as compared to the overall group sales growth of 5.3 %.

The Fair & Lovely re-launch and new Ponds Talcum range fuelled a 30% plus growth in Skin Care. The relaunches of Sunsilk and Clinic, coupled with the introduction of value packs in Lux, resulted in a 15% growth in shampoos. A successful re-launch of Pepsodent helped arrest the decline in Oral Care sales and gain share.

The Fabric Wash portfolio grew by 4% with Wheel and Rin Shakti registering strong volume gains. While the overall sales of Personal Wash declined by 2.8 %, Power Brands have grown by 6.3 %; Lux was relaunched with a superior mix and Lifebuoy Activ introduced. Fair & Lovely soap and a Pears variant also added volumes.

FOODS:

The Company has focused on improving Foods profitability by rationalising the unviable part of the portfolio and taking several initiatives to improve cost efficiencies. These measures have reflected in improving the gross margins in the foods business by about 5% points and contributed to improving operating margins in the half year.

While overall group sales declined by 7.3 %, the drop in Power Brands sales was lower at 3.3%. Tea sales declined by 15% in line with market and phasing out of non-value brands/packs continued. Coffee sales recorded strong growth. Other food categories recorded a marginal growth of 1.7%. Ice-cream sales were flat.

Exports

FMCG exports registered a strong growth of 12.1 % particularly in Home and Personal Care areas. Non-FMCG exports recorded a decline of 12.5 % on account of a planned reduction of unviable traded exports.

M & A

The shareholders have approved the transfer of the Quest Flavours & Fragrances business to a joint venture with the ICI group with effect from 1st April 2001. They have also approved the amalgamation of International Best Foods Limited as well as Aviance Limited with the company with effect from 1st April 2001. Operations of Bestfoods have already been integrated with HLL's Foods division with significant synergy benefits in supply chain and overheads. During the quarter, the Colour Cosmetics business of Lakme Lever Ltd., (a wholly owned subsidiary) was transferred to HLL. The results for the quarter include Rs.119.86 crores being profit (net of tax) on transfer of the Flavours and Fragrances business, which has been reflected as an exceptional item. In addition, the half year results include Rs.23 crores being profit on transfer of the company's interest in the Animal Feeds business, also reflected as an exceptional item.

On a like to like comparison, after netting off the impact of the businesses transferred in as well as out, the sales during the second quarter grew by 2.2 % and half year by 1.2

%. Similarly, the profit after tax grew by 21.5% for the quarter and 19.2 % for the half year.