

## BEVERAGES BREW HIGHER PROFITS

Hindustan Lever Limited's (HLL) Beverages business significantly improved its profitability, in a challenging market situation.

The bearish sentiment in commodity continued for the third successive year. Easy availability of loose tea at low prices led to proliferation of low priced regional brands. This, coupled with reduced purchasing power, particularly among consumers depending upon agricultural income, adversely affected the packet tea business. Overall, the packet tea market in India declined by 6%.

Operating under these extremely difficult market conditions, the business improved its profitability by re-engineering the supply chain and upgrading the portfolio. A number of initiatives were taken to ensure cost and quality leadership, including simplification of processes, rationalising manufacturing operations and compressing lead time between gardens and the consumer. These steps, in addition to bringing down costs, helped the business to manage its operations with significantly lower working capital.

On the brand front, the division pressed ahead with the strategy of upgrading the portfolio, and growing power brands by focussing innovation and marketing efforts only on them. Support on power brands was increased by over 30%. Non core brands with unviable margins were rationalised, leading to a decline in turnover.

The marketing strategy focussed on high impact communication and innovative market activation. The "Ustaad Zakir Hussain's Challenge" on Taj Mahal reinforced the brand's position as the best tea of India. Taj Mahal recorded good growth in a difficult year. Innovative market activation on Taaza generated unprecedented excitement in the market place, resulting in higher sales. The business has accorded top priority to out-of-home channels to increase the consumption of tea, particularly among the youth and consumers on the move. A number of micro level activities have been launched to build a profitable and robust out-of-home business.

The coffee business recorded excellent growth, both in top line and bottom line. Bru was successfully relaunched with a significantly improved product, and communication to build a modern, youthful image for the brand. The mix has received good response.

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Beverages/ January 2002

## AFFORDABLE CANDIES FROM MAX

Hindustan Lever Limited's (HLL) Max sugar confectioneries, launched in 2001, have exited the year as the all-India number two. This is HLL's first foray into the Rs.2000 crore confectioneries market, and among the new businesses HLL has chosen to enter into. HLL is also the first company within Unilever to market sugar confectioneries.

Following a successful test-market in Tamil Nadu between May and September 2001, the product was rolled out to other regions. While it exited the year as the all-India number two within four months of national launch, in Tamil Nadu it is already number one with a 10% share.

Max, which has already carved a niche in the ice cream category in India, is focussed all over the world on children. In confectioneries too, children are a key segment. Therefore, Max was extended to confectioneries, in line with HLL's strategy of leveraging brands across relevant categories.

Besides the equity of Max as a brand, the business used capabilities of and understanding within different HLL categories to seed and establish the confectioneries operation. These include a deep insight into children's preferences acquired through existing categories like ice cream, culinary products and oral care; the company's well-penetrated distribution network; experience gained in hair care in low-unit price packs like sachets; and a cost-effective manufacturing strategy mastered in the detergents business.

These strengths together enable HLL to market Max confectioneries at prices as low as 25 paise and 50 paise. The range comprises three different products: ChocoMax, a delicious candy with milky chocolate taste at 50 paise; Max Magic, a single candy with two distinct flavors, one inside and one outside, for 50 paise; and MaxMasti, a plain fruit candy with the taste of real fruit at 25 paise.

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Confectioneries/ January 2002

## WHEEL STEERED TO BECOME TOP DETERGENT BRAND

Hindustan Lever Limited's (HLL) Wheel Green franchise has become India's number one detergent brand by value. HLL's focussed strategy to combat low price competition led to impressive growth in the mass market soap and detergent category in 2001.

HLL has significantly increased investment behind its key soaps, laundry and home care brands to improve their competitiveness through even superior quality and functionality.

Wheel Green powder and bar were relaunched in 2001 with an improved formulation, offering better clean with lesser effort. The relaunch was backed with regional micro-marketing. These included region-specific schemes and promotions.

Breeze soap, market leader in the discount segment, is the fastest growing in the soap market. Aggressive support initiatives, coupled with improved quality and the innovative hair-and-body wash variant, have helped Breeze gain ground.

HLL also has been successful in arresting the declining trend in the Lifebuoy franchise, witnessed at the beginning of 2001. This came through the introduction of more functional products like Lifebuoy Active, offering protection against germs, and Lifebuoy International, with protection against body odour and acne. Lifebuoy Carbolic has been aggressively supported.

The Lux franchise has been completely transformed. Both Lux and Lux International were relaunched. New body and face washes were introduced. The relaunch of Lux, with almond oil, milk cream and honey variants, led to 2% increase in its market share. The premium Lux International now has a deep cleansing variant, besides the moisturising and sun protection soaps. At the top end, Lux International moisturising and sun protection body washes and sun protection face wash are the first such products in India.

HLL's premium detergent powders, Surf Excel and Surf, too were upgraded. Surf now has stain-removing enzymes. Surf Excel's formulation has been improved for better stain removal without colour damage. Surf Excel's market share has progressively climbed since the relaunch, further strengthening its leadership and increasing the gap with the nearest competitor. The Rin franchise has emerged as India's number two detergent brand by value, with particularly good growth in Rin Shakti.

In Home Care, the market leader Vim consolidated its position with good growth, despite intense competition from a plethora of discount scourers. The business has successfully testmarketed Domex Disinfectant Cleaner, a transparent liquid which offers germ protection and 100% clean at great value for money. The new product will be nationally extended in 2002.

The marketing initiatives were supported by major sales initiatives. In rural India, the focus is to further extend reach, which has resulted in direct coverage of about 46% of the rural population as of now. In urban markets, the objective is to improve customer service. Dedicated sales teams have been formed to service key accounts and wholesalers in larger towns and cities. A cell has been set up to attend to the modern trade, comprising chain stores.

In 2001, HLL also commissioned four new soaps and detergent bar & powder factories at Silvassa (Dadra & Nagar Haveli), Sumerpur (Uttar Pradesh), Haldia (West Bengal) and Goa. The investment behind them is about Rs.150 crores. The total capacity is about 285,000 tonnes per annum. Besides 785 direct employees, they have generated close to 4,000 indirect jobs.

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Detergents/ January 2002

## HLL AWARDED GOLDEN SUPER STAR TRADING HOUSE STATUS MANUFACTURED EXPORTS GROW BY A STRONG 11%

The manufactured exports turnover of Hindustan Lever Limited (HLL) and its subsidiaries grew by 11% in 2001, driven mainly by growth in Home and Personal Care (HPC) and value-added marine exports.

### Focus on Unilever sourcing

In line with HLL's objective to aggressively grow in focussed value-added exports and phase out traded items, the traded exports declined by 40%.

HLL is working to a strategy of becoming a global sourcing partner to Unilever for HPC and tea, and concentrating on value-added products in the chosen categories in which India has a competitive edge.

The Group Exports turnover in 2001 was Rs.1829 crores. The Group continued to post foreign exchange surplus, which was Rs.670 crores.

### HLL wins Golden Super Star Trading House Status

The Government of India has conferred HLL with the prestigious Golden Super Star Trading House status, for its consistent excellent exports performance over the last three terms. HLL is among the top 6 companies in India to receive this status.

### HPC grows by 30%

In 2001, HPC exports grew 30% in value, propelled by increases in oral care and skin care.

The Fair & Lovely business posted a 15% volume growth, with aggressive campaigns in South East Asia. New products, like Dove Body Lotion and Body Wash, Fair & Lovely Under Eye Cream, were also manufactured, for the first time, for the Middle East. Pepsodent Whitening Tooth paste was launched in Kazhakstan.

Two new plants have come up for Fair & Lovely and liquid detergents/home care products for South East Asia. A marketing and distribution arrangement has been established for the Pears range in the US, and opportunities are being explored in other select countries.

### Chemexil Award Won

Lever India Exports Ltd., a subsidiary of HLL, has been awarded the Chemexil award for the Year 2000-2001 for the second highest export performance in the cosmetics and toiletry categories. This is an annual award Instituted by the Basic Chemicals Pharmaceuticals and Cosmetics, Exports Promotion Council.

Coffee exports grow by 25% in volume; new tea bag business bagged for 2002  
Beverages exports witnessed volume growth in both tea and coffee. Depressed prices of tea and coffee, throughout the year, though led to a small 2% decline in value terms. The business performance is creditable, given the fact that Unilever Russia, HLL's largest Customer, set up its own factory in the 2<sup>nd</sup> half of 2001, due to the huge differential in duty between imports of raw tea and finished products into Russia.

HLL has bagged a new business of tea bag exports to Unilever companies in Australia and the US, the production of which will begin in the 2<sup>nd</sup> half of 2002. It will partially offset the loss of the Russian business.

Marine business grows by 60%; 2 MPEDA awards won

A growth of 60% in Marine exports was powered by the new business of salad shrimps, manufactured at factories taken on wet lease from the Amalgam Group in 2000. HLL also began exporting value-added fish protein isolates (imitation crabsticks) in the 2<sup>nd</sup> half of 2001. As per strategy, the division will be exiting in 2002 the non value-added sea catch business, which was 8% of the division's turnover in 2001.

HLL has secured from the Marine Products Development Authority the following two awards: Export Award for the largest exporter of Marine Products for the year 2000-2001; and the award for the largest exporter of Value Added Marine Products for the year 2000-2001.

Castor exports grow in tonnage by over 16%; HLL wins GLOBOIL Award

HLL received for the third successive year, the prestigious Globoil Award for outstanding performance in exports of castor oil and derivatives for the Year 2000-2001. It commenced sales of castor oil ex tank in the US, and launched customer-specific specialty oils.

Rice exports faced acute low priced competition in the Gulf and European markets from other countries. Several initiatives have already been taken to move into stable and profitable segments in the rice category. These include collaborative farming in Punjab spread over 150 villages (about 1000 basmati farmers in Punjab across 8000 acres of farmland) to offer 'seed to shelf' traceability, and launch of the golden Seal Indus Valley brand in the Middle East..

Leather exports grow by 40%

Leather exports registered a strong growth of 40%, with new customers in Italy, Germany, the UK and the US. HLL has already announced its intention to spin off leather and mushrooms exports into subsidiaries. This is to facilitate formation of joint ventures with technology/business partners. HLL is in the process of identifying partners who can take them to an even stronger position through technical and marketing inputs.

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Exports/ January 2002

## TEN-SECOND CHAPATIS BRING CONVENIENCE TO HOMES

Hindustan Lever Limited (HLL) introduced ready-to-eat chapatis, a unique convenience product, in 2001. The launch is in line with the strategy to offer value-added and healthy foods.

Annapurna heat-and-serve chapatis are fully cooked and puffed, and just have to be heated for 10 seconds. The product has been affordably priced, at only Rs.1.50 per chapati. They have been launched in packs of five in Mumbai, and will be extended in a phased manner.

The Popular Foods business also relaunched Annapurna Fortified Atta. It now contains twice as much iron in chakki atta, and higher levels of vitamins. Chapatis made from Annapurna Atta (300 gms) can meet a consumer's total iron requirement for a day. The benefit is very relevant because over 60% of children and women are iron deficient.

Annapurna Atta is made with patented technology. It absorbs much more water than ordinary atta when kneaded, resulting in softer chapatis. The relaunched range comprises three variants: Popular, Premium Wheat and Extra Fibre.

The business took major steps on supply chain optimisation. These include new ways of procurement, transportation and distribution.

HLL has also launched an initiative on contract farming for wheat in Madhya Pradesh, in association with ICICI and Rallis. It has already shown benefit of higher yields and improved profitability for farmers. The business, on the other hand, gains from improved product quality and lower procurement costs.

HLL has also taken initiatives to further expand the market and improve profitability of its portfolio of soups, tomato products, jams and fruit drinks, under the Knorr and Kissan franchises.

Knorr soups posted strong sales growth and doubled in sales value. Knorr came into the fold post Unilever's acquisition of BestFoods. The Indian subsidiary of BestFoods, International Best Foods Limited (IBL), was merged with HLL during the year.

HLL is also test-marketing Knorr 'rice @ ease', a rice-based snack. With actual dehydrated vegetables and a taste-maker, it is available in three variants: Saucy Masala, Tangy Twist and Chicken n' Spice.

The Kissan Fruit Kick range, consisting of jams and squashes, was improved with fortification. The relaunch received favourable response with good growth in market share. New formats in cold beverages, like ready-to-drink and powder, too were introduced. Tom Pataka, a tomato-chilli sauce, was established and a Re.1/- sachet launched.

A new supply chain model is being implemented, stretching from the farm to the market place. This will reduce costs by cutting down wastages during transit, and deliver fresher products to consumers. The savings will help foster market development.

The spreads & cooking category posted a healthy growth. HLL has begun to test-market Dalda Classic, a cooking product with butter aroma. Kissan Chocolate and Honey Spreads too are under test-market.

During 2001, HLL put in place an integrated foods distribution network. It combines the distribution and sales systems of popular foods, culinary products, spreads and cooking category, and the erstwhile IBL. This will bring cost and scale synergies in the longer term of a combined portfolio, and improved reach for all food products.

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Foods/ January 2002



## PEPSODENT, CLOSE UP PEP UP

Hindustan Lever Limited's (HLL) Oral Care category grew by 6% in 2001. The growth was significantly stronger at 18% in the December quarter.

Resources are now focussed entirely on Pepsodent and Close Up. This focus helped reverse the declining trend witnessed in 2000.

Market share of Pepsodent and Close Up toothpastes together is now 36.3%. It is an increase of 1.3% between the March quarter and December quarter. Market share in urban areas has increased by a higher 3.1%. This was achieved inspite of intense competition.

HLL relaunched Pepsodent in 2001, with a return to its core equity of extended protection from germs. The relaunch has resulted in a 2.3% increase in market share. Pepsodent 2-in-1 also went through a highly effective relaunch. Region-specific pack sizes were introduced, depending upon consumer purchase behaviour.

A new communication package supported the growth of Close Up. Two innovative products, Close Up Whitening Toothpaste and Close Up Whitening Toothbrush, have been launched. These have received good response.

The category is now fully geared to consolidate the gains. Brand focus has opened up the category's outlook to growth opportunities in response to very low toothpaste consumption and penetration.

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Oral Care/ January 2002

## BRAND FOCUS IN PERSONAL PRODUCTS LEADS TO 14% GROWTH

Hindustan Lever Limited's (HLL) Personal Products business posted a healthy growth of 14% in 2001, with a stronger performance in the second half. The revival in growth came through a focus on core brands. The brands were backed by significant product innovations and increased support investment.

A major highlight was the growth of the Fair & Lovely franchise. Fair & Lovely Fairness Cream itself was relaunched. Besides skin lightening, it now removes oiliness and blemishes and protects the skin. In line with the HLL strategy of extending power brands across relevant categories, Fair & Lovely Fairness Soap was launched in the premium soaps segment. It was also extended as a specialised cream for erasing under-eye dark circles. The skin lightening portfolio was broadened with the introduction of Lakme Fair Perfect, a premium product with a new formulation. The Lakme range of moisturisers and cleansers were relaunched. The Pond's, Vaseline and Lakme winter products too performed well, with a good winter. All these initiatives led to a strong 21% growth in HLL's skin care category.

Superior products have also reinforced HLL's traditional strength in hair care. Sunsilk shampoo now offers an entirely new range of benefits. The range includes a moisturising anti-dandruff variant. In a move with significant potential, Sunsilk has been extended as a range of hair colours, currently available in five cities.

In the Clinic franchise, Clinic All Clear has been completely upgraded. It includes a new variant, Relax, with superior sensorials. It targets consumers switching between anti-dandruff and beauty shampoos. Clinic Plus, India's largest selling shampoo, continues to post strong growth. Low-price 50 paise and Re.1/- sachets (Lux) and 100-ml flexi bottles (Sunsilk) increased consumption and penetration.

The Nihar range has been improved with new Rose and Jasmine variants of Nihar Perfumed Coconut Oil. A new combination oil, Nihar Coconut Amla, has been launched.

Lakme Beauty Salons have made excellent progress in tapping out-of-home usage of personal care services and products. As of date, 32 such franchised salons have been set up in 19 cities, offering complete and standardised services. Besides, the salons also offer relevant personal care products of HLL. The Lakme range of colour cosmetics itself is being upgraded. HLL has tied up with Intercos Italia, Milan, a renowned technology house in cosmetics. Lakme has also strengthened its association with fashion through products endorsed by leading designers – Rohit Bal, Rina Dhaka and Manish Malhotra. The launch coincided with the Lakme India Fashion Week, sponsored by the brand for the second consecutive year.

In deodorants and talcum powders, Axe grew strongly, with strong advertising and effective promotions, like the Axe Voodoo 'Call of the Dark' party. Among the innovations in these

categories were Rexona 24-hour Intensive deodorant, and a new range of talcs with functional benefits – sun protection in Pond's Sandal, sweat absorption in Pond's Light & Fresh, and deodorant in Pond's Magic.

The oral care business too posted good growth of 6%, increasing market share despite intense competition. Resources are now focussed on Pepsodent and Close Up.

HLL has further expanded its Personal Products manufacturing network, with a new factory in Doom Dooma in Assam. The factory produces skin cream and shampoos.

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Personal Products/ January 2002

## END-TO-END LEAP IN SUPPLY NET

Hindustan Lever's complex supply chain is taking a leap, leveraging next generation information technology and new business processes.

Launched in 2001, Project Leap is an end-to-end supply chain initiative. This represents one of the largest B2B e-commerce initiatives ever undertaken in India and will reach towns where even local Internet infrastructure has not reached.

It begins with the supplier, runs through the factories and depots, and reaches up to the redistribution stockists (RSs). The objective is to catalyse HLL's growth by ensuring that the right product is available at the right place in right quantities, on a continuous replenishment basis. Leap also aims to reduce inventories and improve efficiencies right through the extended supply chain.

RSNet is the front-end initiative of Leap, connecting stockists through an Internet-based system. It provides linkages with the RSs' transaction systems, enables monitoring of stocks and secondary sales, and optimises RS orders and inventories. It has already been extended to more than 1000 Home & Personal Care stockists in 100 cities and towns, accounting for nearly half the turnover of the HPC business.

Information on secondary sales from Gandhidham to Guwahati is now available on the RSNet every day. By mid-2002, more than 70% of HLL's turnover will be on the Internet.

Backing this up is the Internal Network Planner and Optimiser. It handles the complex task of managing the planning, production and distribution requirements on an integrated basis. Already implemented in a part of the HPC business, it will handle the complex task of deciding which pack must be produced where, and where should it be despatched to effectively meet the orders generated on RSNet.

This new model will help ascertain the daily stock positions at each point in the supply chain, projected stock requirements at these points, and plan for its replenishment with complete transparency right across the supply chain. The frequency of production planning is being compressed, with a capability to plan on a daily and even a shift level on a nationally optimised basis.

Production planning being synchronised with the movement of stocks for each pack at every depot, production plans will closely match changes in market offtake. A built-in network optimiser will generate the most optimised production plan based on total supply chain cost. The distribution optimiser directs the outward flow of goods from the factories to the depots on a daily optimised basis.

The last leg of Project Leap is Supplier Net, which links the suppliers into the chain. Suppliers get visibility, in a seamless manner, into the inventory levels of raw materials/ packaging materials at the factories and the projected requirements. They will also have full online access to scheduled orders, receipts of supplies sent, quality control status at the factories and payments cleared.

Project Leap in its entirety is being extended to all the businesses in 2002.

The integrated supply chain aims at minimising cost while improving customer service. A key enabler of cost reduction is in optimising the total supply chain cost instead of individual links of the chain.

Supply Chain/ January 2002

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## ANNAPURNA SALT IS MARKET LEADER

Hindustan Lever Limited's (HLL) Annapurna iodized salt has become the national number one brand in the packaged salt market.

It was relaunched in 2001 with a breakthrough technology, patented in India and several other countries. The technology helps encapsulate iodine with salt. It thereby prevents the loss of iodine from salt, either during its storage and transportation or during cooking.

Armed with this new technology, Annapurna is the only salt in India that does not lose iodine.

Iodine loss is a major problem, which reduces the actual intake of iodine. Iodine deficiency is a serious health issue in India. About 278 million people are at risk of iodine deficiency disorders. Iodine deficiency not only leads to goiter, but also has an impact on the mental development of growing children.

The International Council for Control of Iodine Deficiency Disorders (ICCIDD) has endorsed Annapurna Salt, the first to receive its endorsement. HLL has also taken initiatives to educate consumers about the benefits of iodine and its effect on mental development of growing children.

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Salt/ January 2002