



*Hindustan Unilever Limited*

**CLSA Investors' Forum**

**23<sup>rd</sup> September, 2009**

**Mr Nitin Paranjpe**

**CEO and MD**

**Hindustan Unilever Limited**

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# Agenda

**Context**

**Strategy &  
Execution**

**Focus &  
Priorities**

# Agenda

**Context**

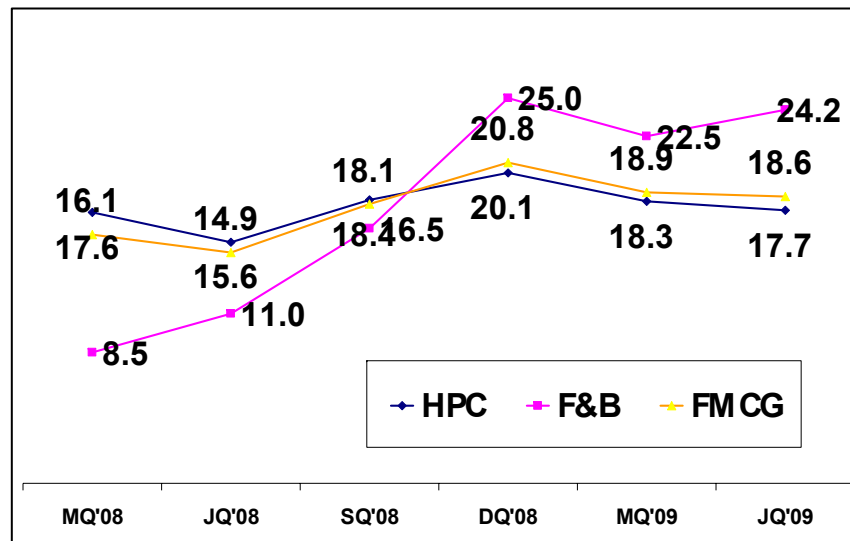
Strategy &  
Execution

Focus &  
Priorities

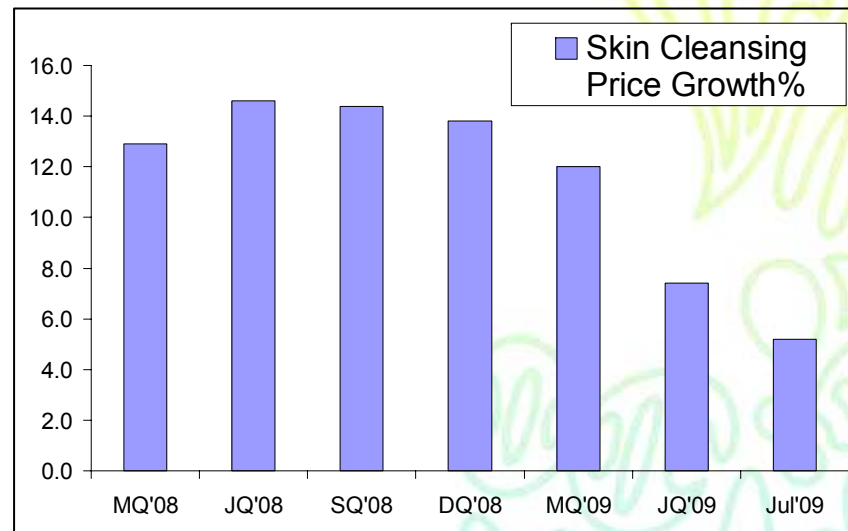
# FMCG Markets

- FMCG consumption growth is intact
- Broad based growth across categories and across urban and rural

FMCG Market sustains growth of over 15% in last 6 quarters



... but price element comes down (eg skin cleansing)



Source: AC Nielsen

# 2009 in perspective

## ➤ FMCG market growth sustained, but

- frequent price changes, especially in mass segment
- downtrading in certain categories
- down-stocking in wholesale and organised retail



## ➤ Appropriate actions taken timely

- focus on consumer value (including competitive pricing) at all times
- playing the full portfolio across categories; relevant innovations launched
- competitive brand support
- increased execution rigour
- step-up in cost efficiency programmes

## ➤ Impact of actions will be visible over a period of time

- linked to pipeline
- transition impact on shares in the short term



# Monsoon and Impact on Rural Markets

**Monsoon status c. 20% deficiency;  
mitigating factors expected to partly offset impact**

Occupation Category	% share of Rural Income	% share of Rural Hholds	Earning Weight
Regular Salary/ Wages	20%	11%	1.80
Others	3%	2%	1.50
Non Agricultural Self Employed	15%	12%	1.25
Self Employed in Agriculture	43%	41%	1.07
Piece Work Labour	20%	36%	0.60

**Job Security +  
6th Pay Commission**

**Catering Local Demand**

**Better Accessibility+  
40% increase in MSP**

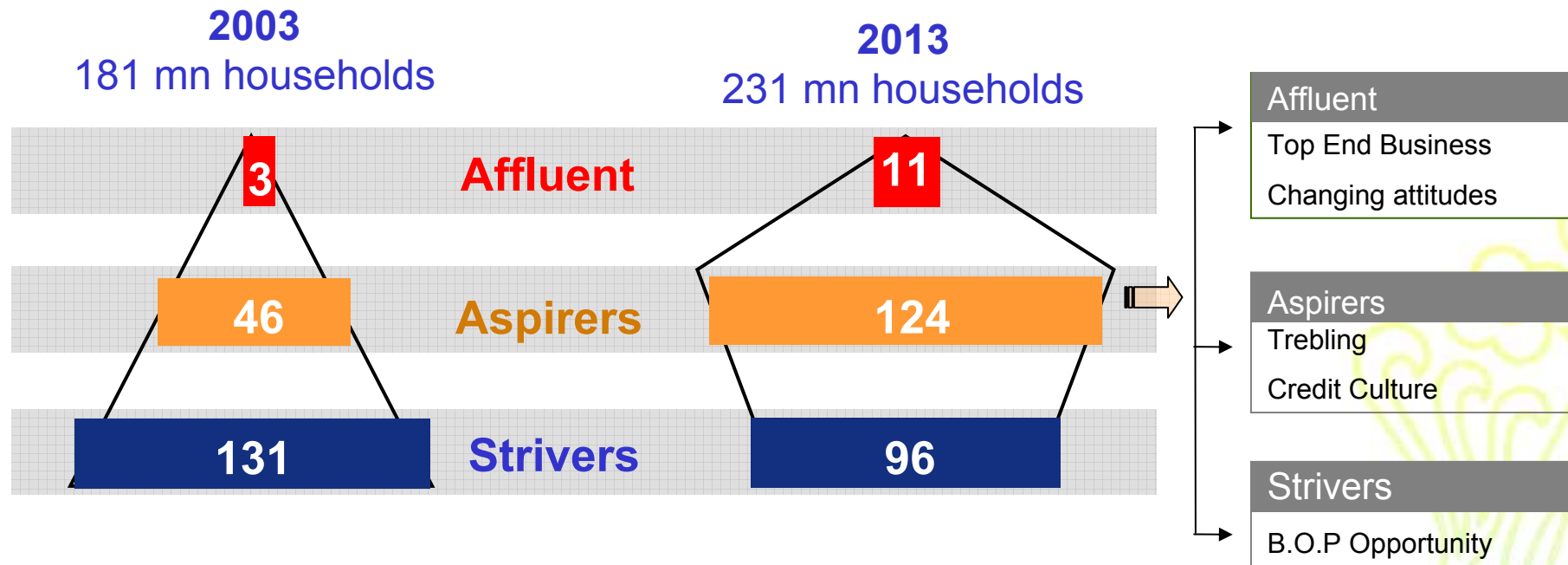
**NREGA  
(30% wage increase)**

- Household incomes will continue to increase
- Disposable income rate continues to be high
- Traditional savings methods – no erosion of savings

**Source: NCAER**



# Changing Income Pattern



**The shape of India is changing... from a pyramid to a diamond**



# Agenda

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# Our Vision

To earn the **love** and **respect**  
of India, by making a **real**  
**difference** to every **Indian**.



**Competitive, Profitable and Sustainable Growth**

# Our Strategy

- **Leverage brand portfolio and consumer understanding by**
  - Straddling the pyramid & deploying full portfolio
  - Driving consumption & penetration opportunity
- **Winning with consumers, channels, segments/markets of tomorrow**
  - Build markets and capabilities for the future
  - Leverage Unilever scale and know how
- **Drive increased execution rigour**
- **Step-up in cost efficiency initiatives**
- **Integrate economic, environment & social objectives with business agenda**

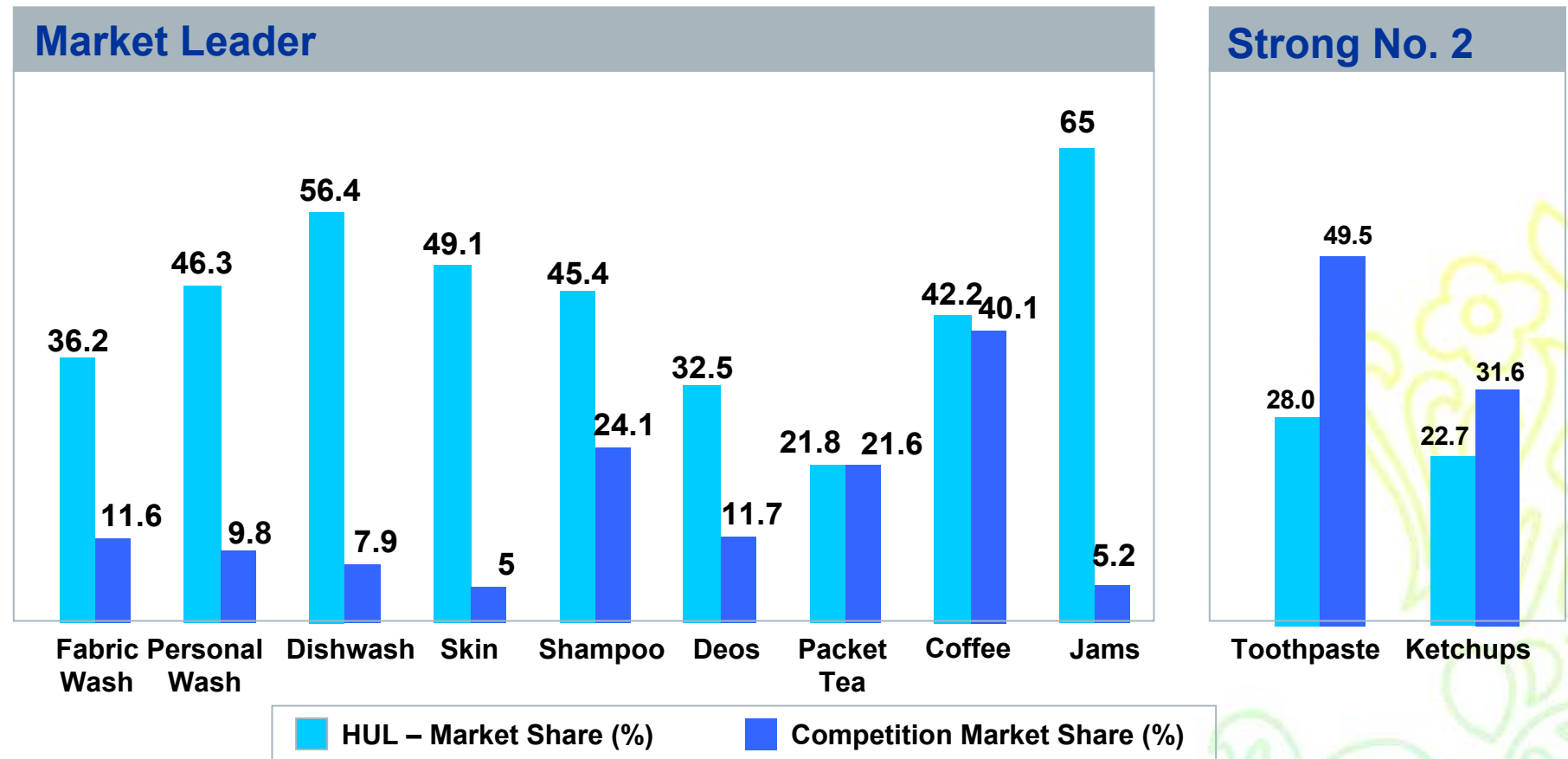
# Portfolio straddling the pyramid



**Strong brands across categories addressing needs of every consumer**

*Identifying the opportunity and filling it is important*

# Strong portfolio across categories



**Reversing recent share decline: Top Priority**

# Increasing consumption: Lifebuoy Handwash Programme



**Since 2002, the project has touched 50,676 villages and 120 million people.**

## Campaign Impact

- Awareness of germs - 52% to 83%
- Association of germs with disease - 35% to 57%



- Context
- Barriers to Soap Usage very high
- Insight : “ Visible clean is safe clean “
- Method
- Raise concern on the consequence of invisible germs
- Challenge
- Low literacy, Low reach of conventional media



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# Consumers of tomorrow: Dove



## Dove Hair Fall Therapy

All India market share  
already >1% within 3  
months of launch

## Launch of Dove Deos

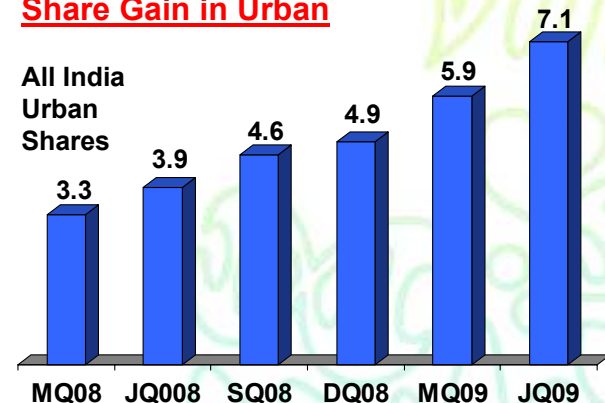


Dove Soaps –  
continuously  
gaining shares for  
last 8 quarters



## Dove Shampoo - Rapid Market Share Gain in Urban

All India  
Urban  
Shares



**BUILDING A \$100 MN BRAND**

# Consumers of tomorrow: Lipton Tea & Taj Mahal Tea Bags

**USP - With goodness of Theanine**



**DIGITAL**

**Worlds  
Largest  
Jigsaw  
Challenge**

**DIRECT  
CONTACT**

- Activation in over 250 offices and theanine tea in over 1500+ locations

- EDMs to the 1.9 lac database on progress of puzzle

**INNOVATIVE  
MEDIA**



- Impactful outdoor around offices and at airports
- Clutter breaking print

- First Tea Brand to use digital to engage with a younger TG

- Facebook application, blogs, IMV, innovations to engage



**In flight  
activation in  
Jet Airways**



**Tea Bag  
Conversion  
: Education  
& Sampling**



**Relaunch of  
Taj Tea Bags**

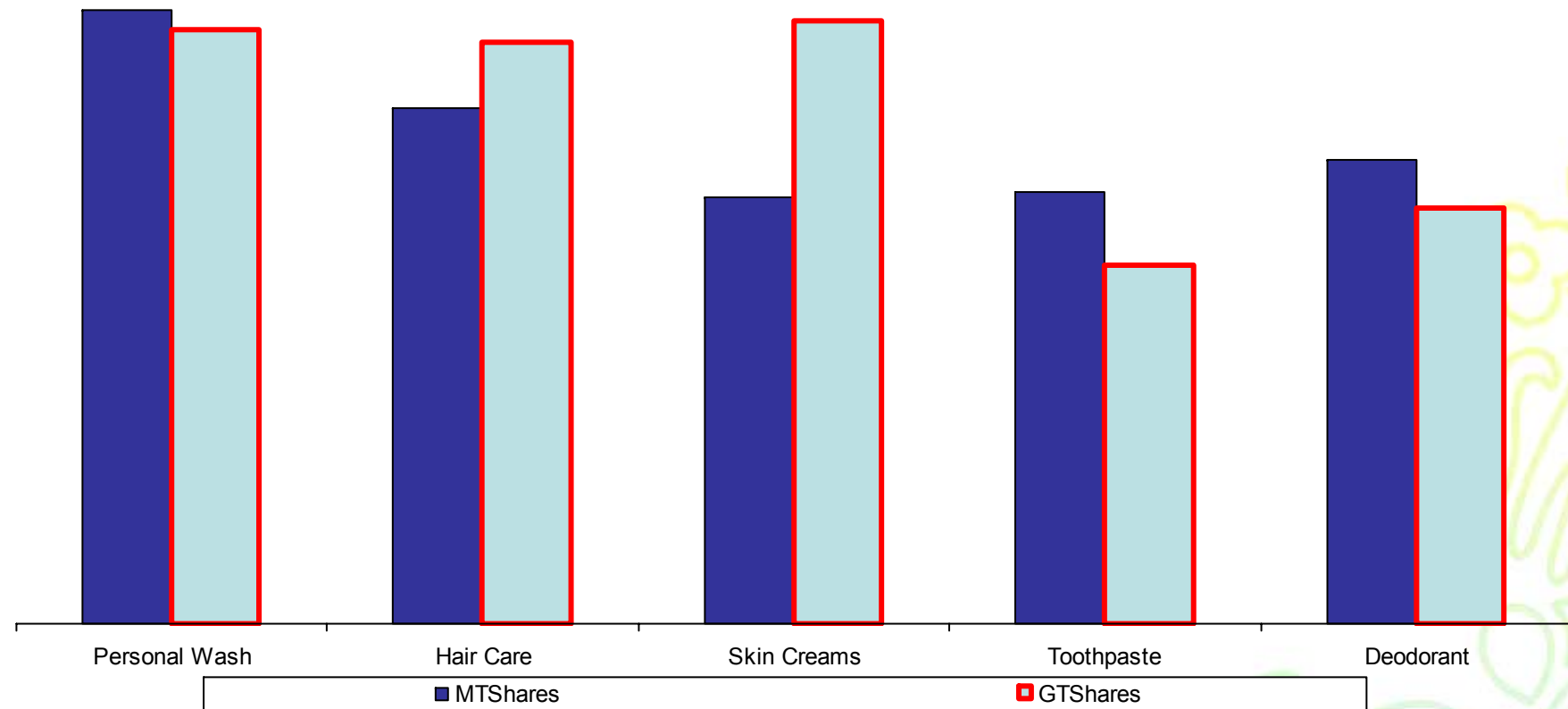


- New campaign;
- Supported with dispenser visibility

- Launch of the Taj Mahal Core 10s trial pack & Flavoured tea bags



# Channels of tomorrow: Modern Trade



**In aggregate; MT shares > GT shares**



# Segments of tomorrow: Hair Conditioners



**Conditioners Market  
in India growing fast  
with huge potential**

Sachets to generate trials

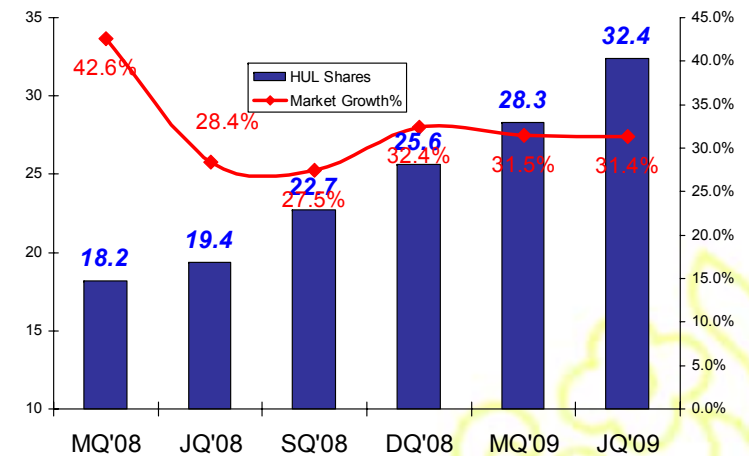


Impactful execution across mediums

Permanent branding  
and shelf presence at  
POS



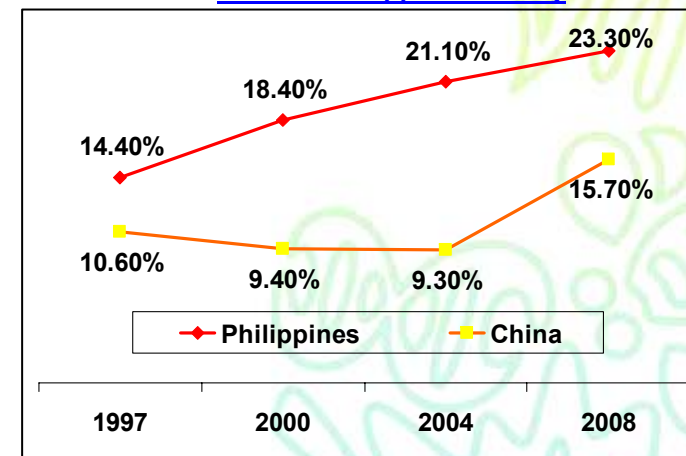
HUL Shares and Market Growth%



Source: AC  
Nielsen

Share of Hair Conditioners in Hair Care

India is still approx 3% only



Source: Euromonitor

# Building new markets: Pure-it

## Progress

Volume market leadership in South India

>700 towns, 20 states covered

Increasing penetration through retail presence in <10 L population towns

More than 400 safe water zones established

Growing consistently @ > 50%

More than 7 million lives protected

Complete protection ...

`as safe as boiled water'

Meets US EPA standards

Works without electricity, pressurized piped water

Affordable:

Device Rs 2000 ( \$40)

Germkill Battery Rs 350 (\$7)

Rs 0.35 per litre ( < 1 \$ cent)

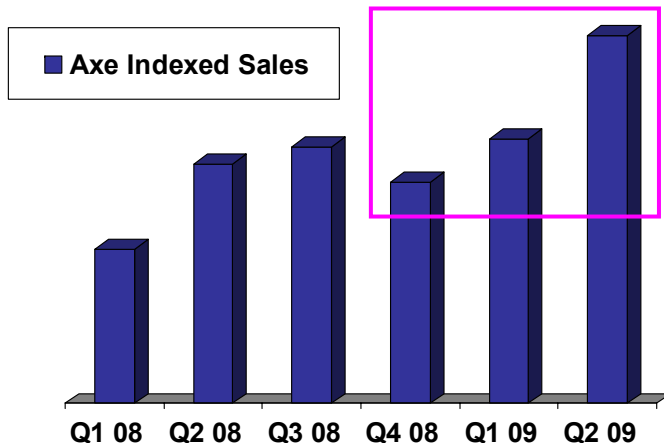
(incl. initial price)



**Unique**  
**promotional**  
**campaign**



# Strengthening capabilities: Brilliant Activation

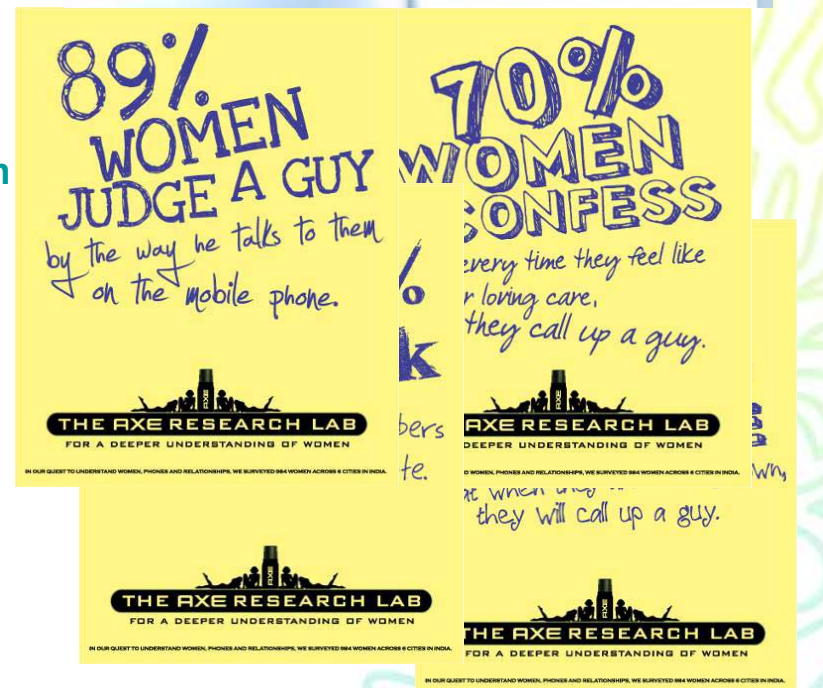


**'Call Me'**  
interactive  
campaign

**Generated over 3  
million unique  
calls**

**>2% market  
share gain in Non  
Metros**

**Accelerated  
Growth  
achieved  
after campaign**





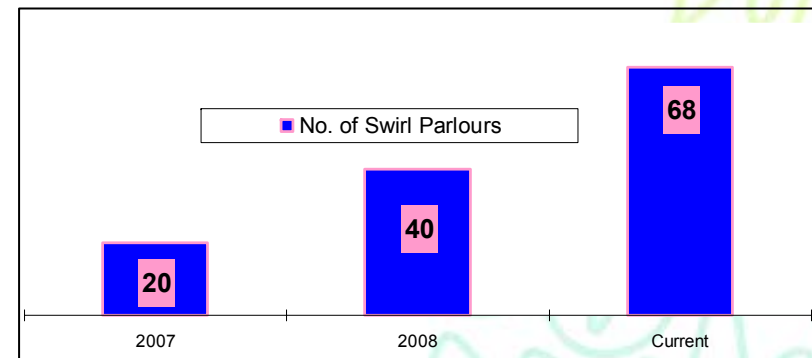
# Strengthening capabilities: Out of Home



Various  
shop and  
product  
formats

- **SWIRL'S** - a successful concept in Europe
- 68 parlours established across 10 Indian cities

- **FRESH** : Fresh Ingredients
- **CHOICE** : Create Your Own
- **THEATER & FUN** : Specially for You



1.2 million consumer experience moments were created in FH'09

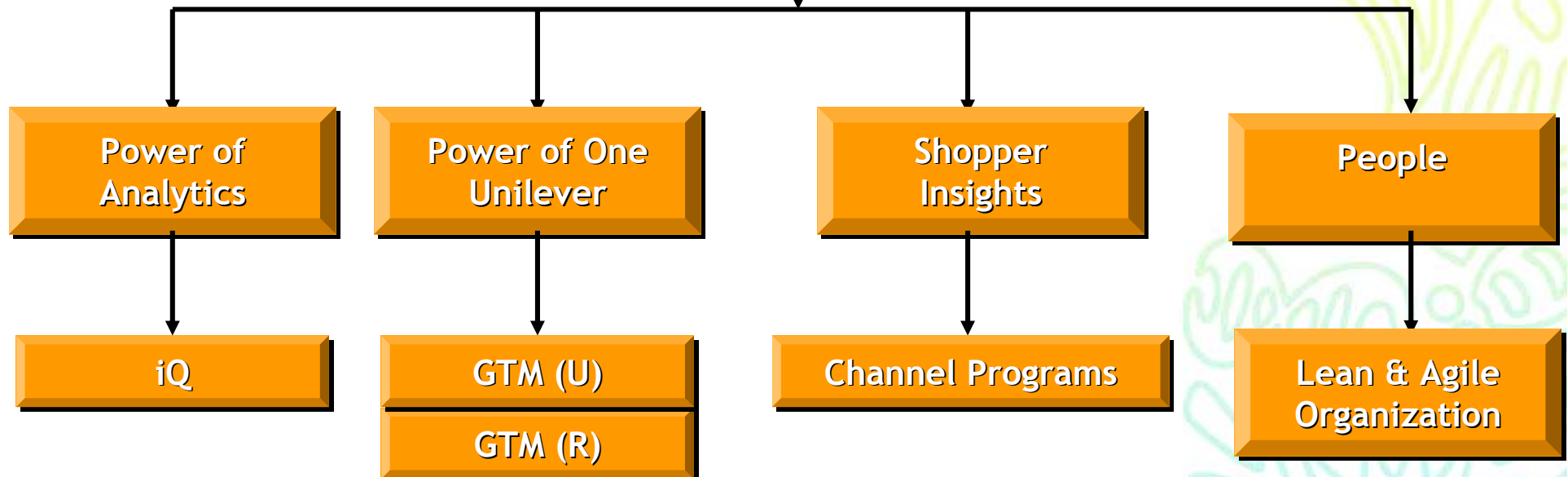


# Strengthening capabilities: Winning at Point of Sale

Winning  
In MT



Winning  
In GT



# Creating a million perfect stores...



Creation of Perfect Stores



Mass Customization

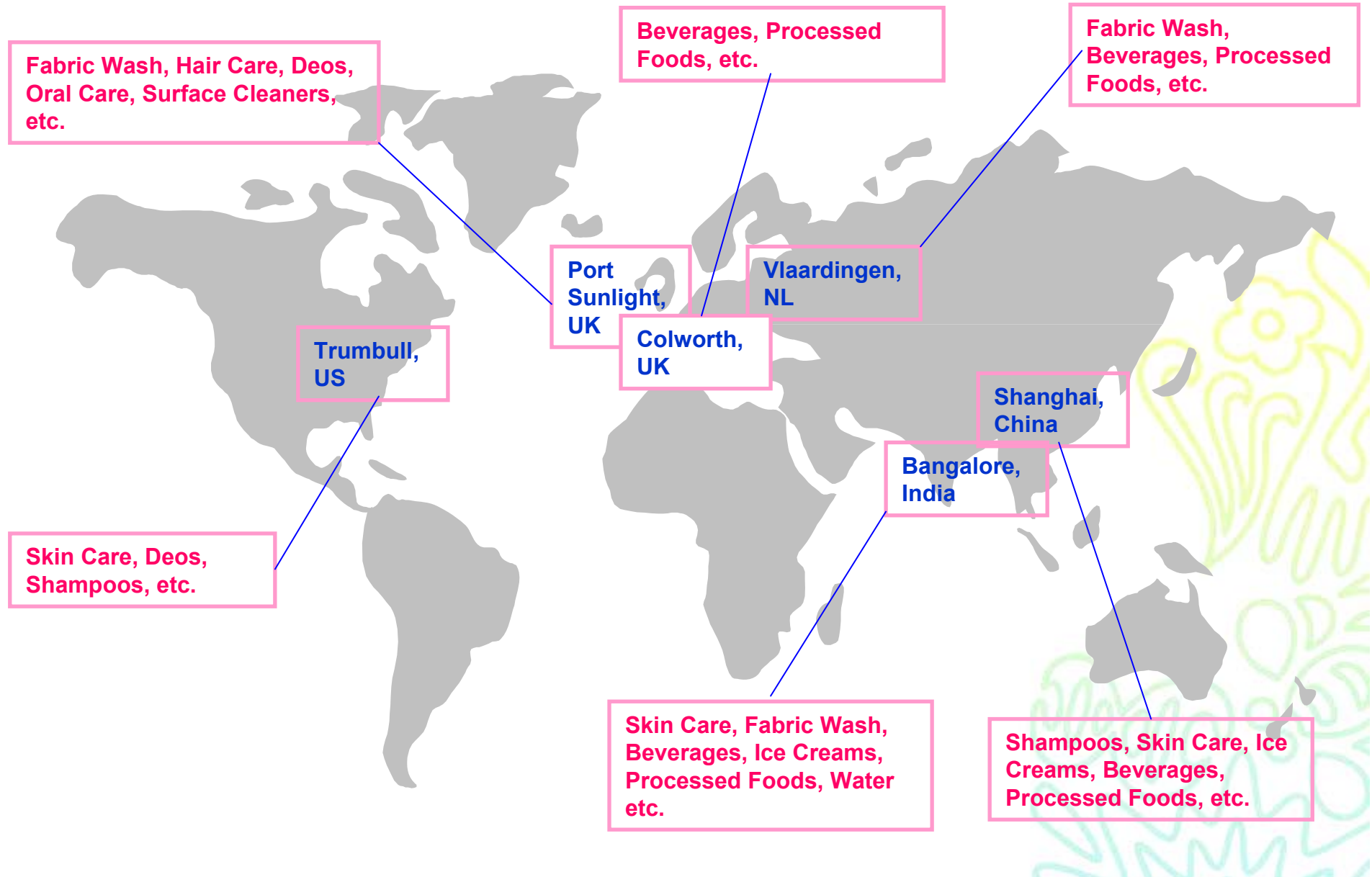
## Intelligent Information Systems

- Business insights from execution and sales data to seamlessly support business decisions
- To enable superior execution and planning of events
- Appropriate product assortment to maximize sales

*Already in pilot...*



# Leveraging Unilever: Global R&D Centres



# Unilever Research and Development Strengths



**Spray Technology  
Deodorants**



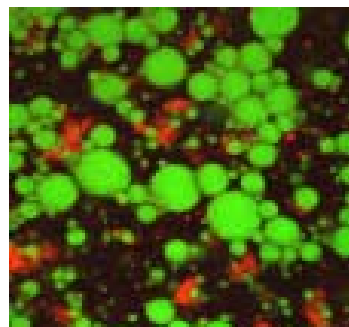
**Skin Mildness  
and Moisturizing**



**Product Processing  
e.g. Ice Cream**



**Hair  
Technology**



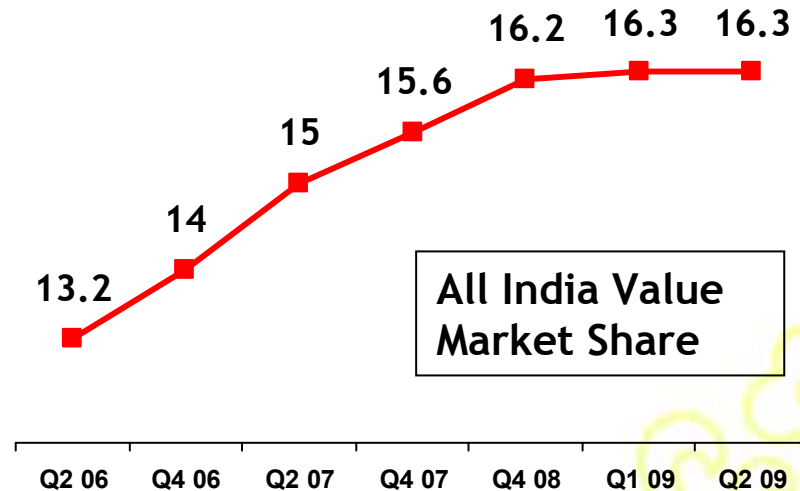
**Structured  
Oils and Emulsions**



**Science of Tea**



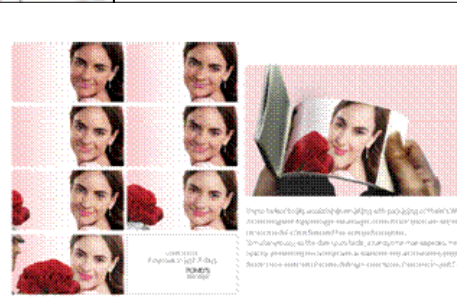
# Leveraging Unilever know how: Surf Excel Bars



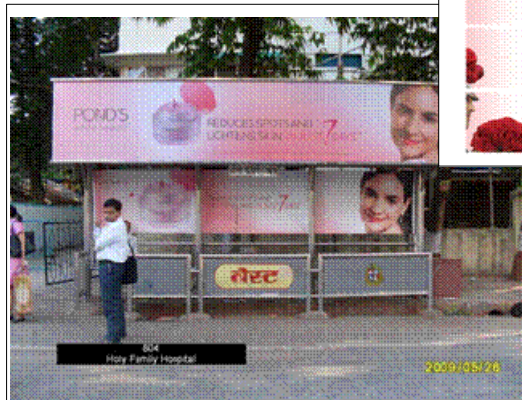
- Surf Excel – Nil Mineral Bar
- India's first detergents bar with no fillers
- Patented technology with Competitive advantage
- High phosphate content for superior lather and excellent cleaning

# Leveraging Unilever know how: Skin Creams

## Pond's White Beauty Re-launch with improved formulation

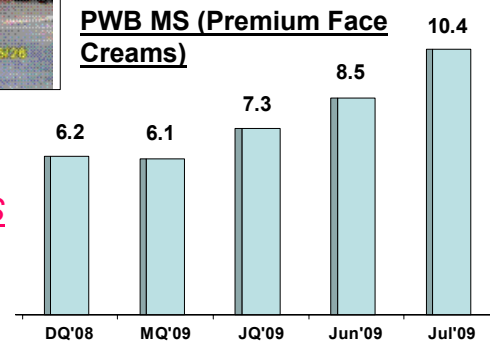


## Print Innovation – Flicker Book

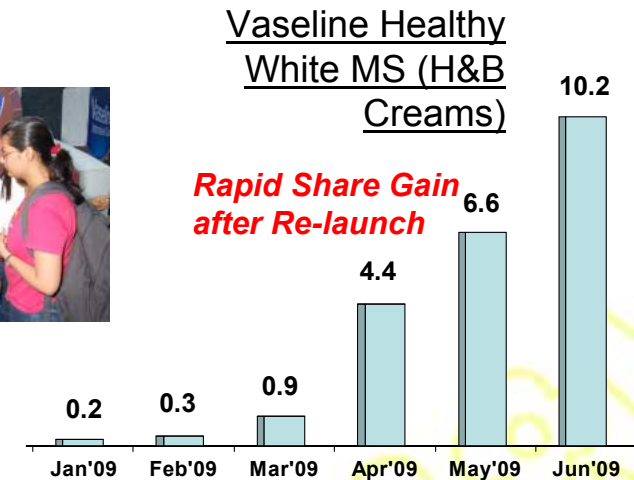


## High Visibility

**INSTANT IMPACT ON SALES WITH HIGHER AWARENESS AND TRIAL RATES**



## Education and sampling



## Winner of the Amazing Skin Wall comes on the Femina Cover

## Digital Innovation

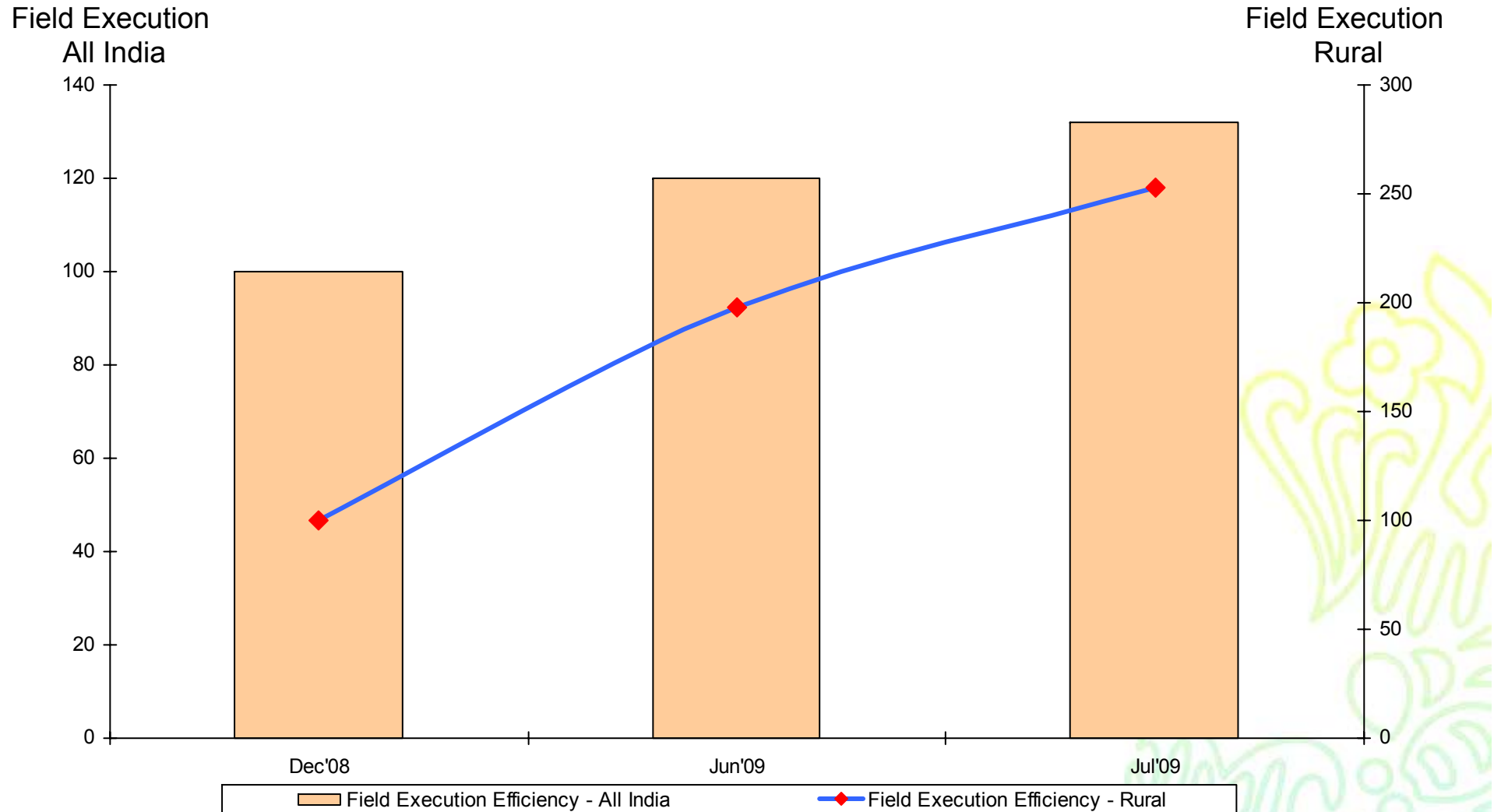


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# Improved Field Execution



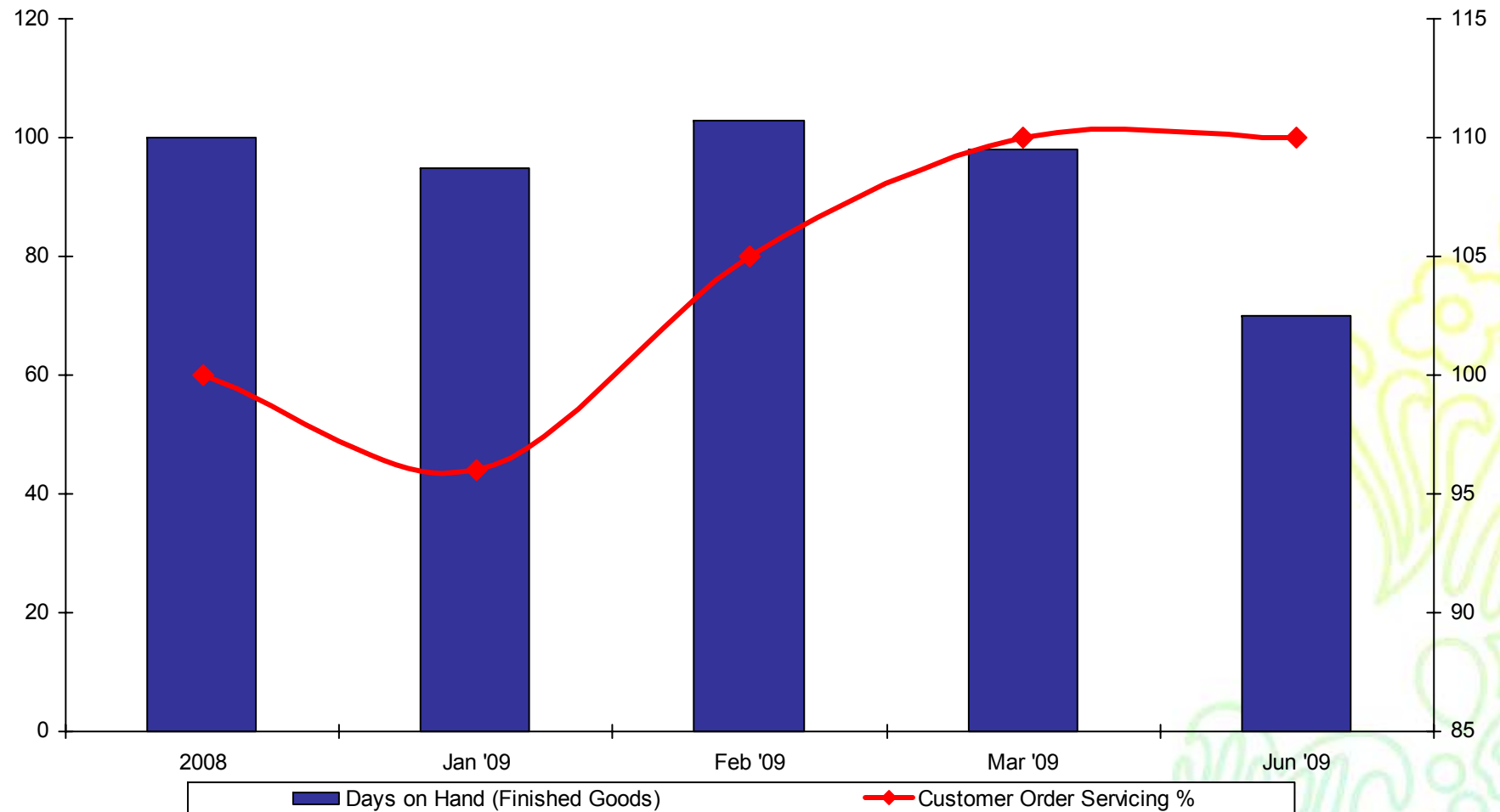
**Improvement in Field Execution particularly in Rural**

*Indexed Chart (vs Dec 2008)*

# Enhanced Customer Service

DOH Inventory

Order Servicing

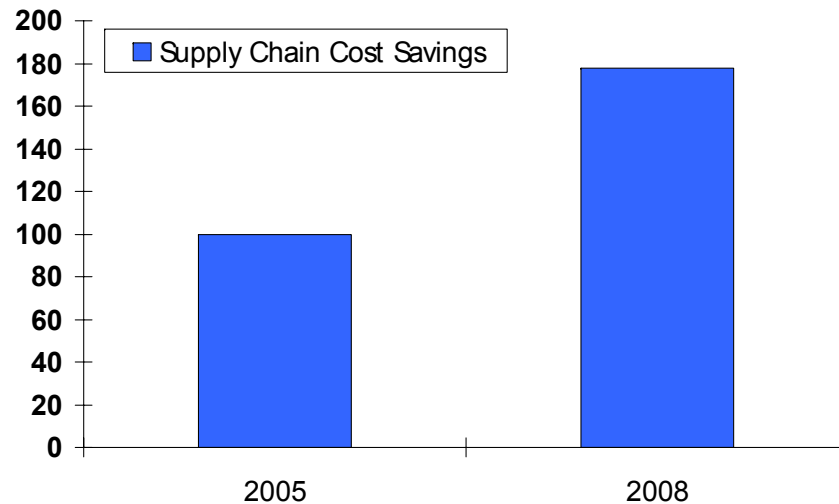


**Better customer service along with strong cash delivery**

*Indexed Chart (vs 2008)*

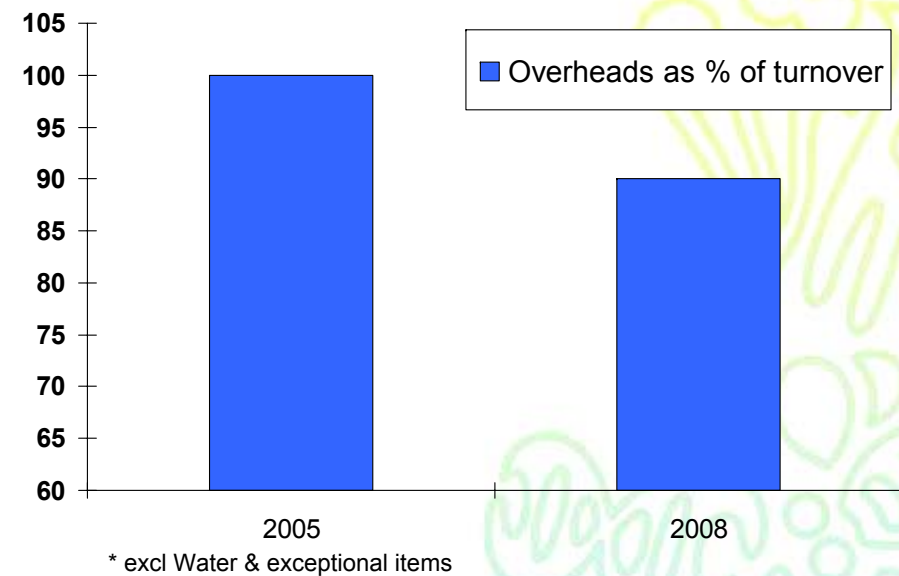
# Driving cost efficiencies

*Indexed Chart (Base=2005)*



△ as % of turnover  
(vs 2005)

+70 bps



**Tight cost management ensuring continuous reduction of cost base**

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# Embedding sustainability

## Prosperity

(Economic)

1. Enhance livelihoods

## People

(Social)

1. Health
2. Empowerment

## Planet

(Environment)

1. Water
2. GHGs

**Who : Brands will lead the effort**

**Where: Around our units of operation**

**How: Through Partnerships**



# Embedding sustainability

## Prosperity

(Economic)

1. Enhance livelihoods

Partner DHAN foundation for enhancing livelihood

Sourcing from Primary Growers (initiated Tomato)

## People

(Social)

1. Health
2. Empowerment

Partner with Pratham for girl child education

LB Swasthya Chetna: 15000 villages in 08

## Planet

(Environment)

1. Water
2. GHGs

45% water returned to ground

Reduced GHG by 35% (2004 base)

**45000 HOURS OF EMPLOYEE VOLUNTEERING !!**

# Agenda

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# Key Financials

	2008-09**	2007	2006
Sales Growth*	15.5%	13.5%	10.0%
EBIT Growth	18.8%	15.4%	16.2%
EPS (cents)	24	18	17
Operating cash flow*	\$422 Mn	\$350 Mn	\$332 Mn
Dividend Payout Ratio	77%	121%@	83%

\* Before restructuring, disposals. Conversion rate \$1= INR 48

\*\* Audited results FY 2008-09 for 15 months. Sales and EBIT Growth Nos. are based on JQ'08-MQ'09 vs JQ'07-MQ'08

## EPS and Operating cash flow nos. are for 15 months MQ'08-MQ'09. Dividend Payout Ratio includes Dividend Tax

@ Includes special dividend

# 2009/10: Focus and Priorities

**Ensure competitiveness across the portfolio, particularly at the mass end**

**Continue to invest in emerging categories and segments**

- **Strengthen/ build Processed Foods, Water and Premium Personal Care**

**Drive focus and speed alongside leveraging scale**

**Significantly strengthen Go-to-Market capability**

**Continued focus on Costs & Cash**



# Summary

- **FMCG market growth continues to be robust**
- **Our goal remains unchanged**
  - **Competitive, Profitable, and Sustainable growth**
- **Strategy consistent; increased execution rigour**





**Thank You**





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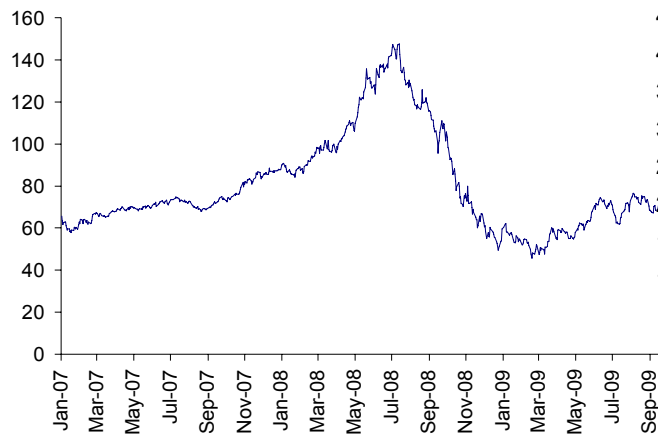
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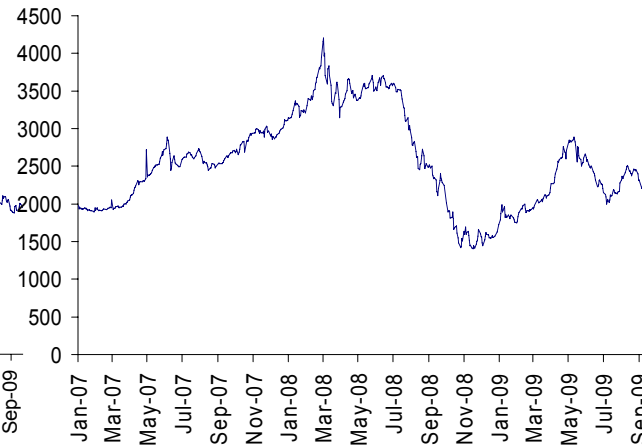
# Volatility in 2009

## COMMODITY PRICES

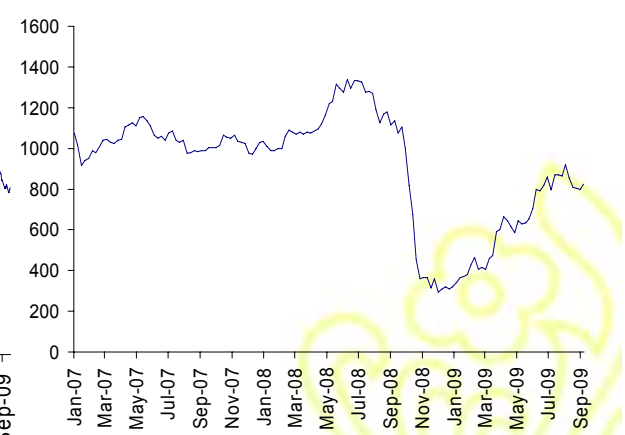
Crude Oil (USD Per Barrel)



Palm Oil (MYR Per Ton)



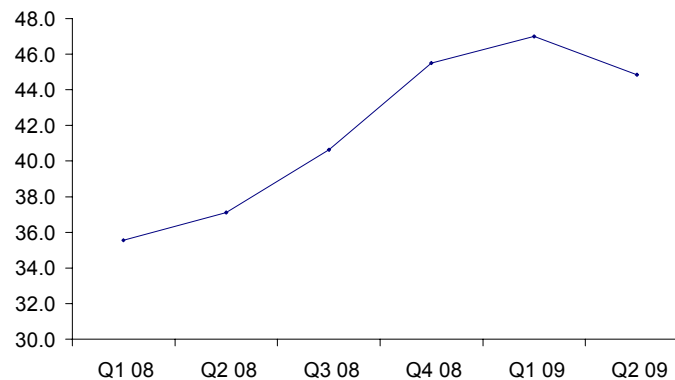
Benzene (USD Per Ton)



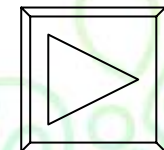
Source: Bloomberg

## CONSUMER PRICES

Washing Powders (Market Avg Price Per Kg)



**Mass market Washing Powders witnessed several rounds of price changes in FH'09**



Source: AC Nielsen