



Hindustan Lever Limited

Morgan Stanley Asia Pacific Summit

Singapore, November 2004

Morgan Stanley Asia Pacific Summit

November , 2004



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HLL - India's Largest FMCG Company



- 36,300 employees
- 1,350 managers
- 2,000+ suppliers & associates
- 80 company factories
- 45 C&FAs
- 7,000 Stockists
- Direct Coverage - 1 Mn outlets

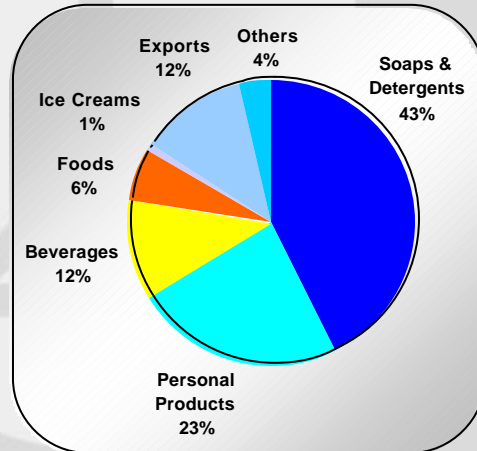
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Financial Overview

	\$ Mn
Turnover	2,190
Operating Profit	470
Operating Margin %	21.3%
Net Profit (bei)	390
EPS	20c
Surplus Cash Generated	380
EVA	310
Market Capitalisation	6,080



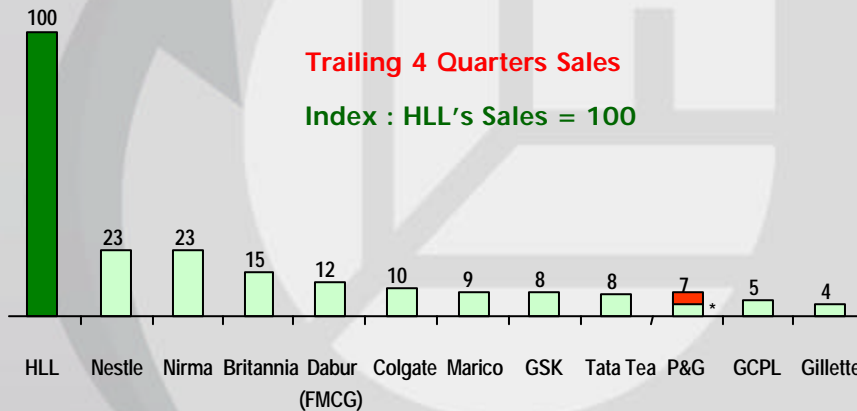
* Figures based on FY2003 Audited Results

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HLL - India's Largest FMCG Company



*Estimated

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Leadership across categories

Market Leader	Category	HLL - Market Share (%)	#2 Market Share (%)
	Fabric Wash	38	17
	Personal Wash	56	10
	Dishwash	58	11
	Skin	60	7
	Hair Wash	49	19
	Talcum Powder	60	14
	Packet Tea	29	19
	Jams	79	5

Strong No. 2		HLL - Market Share (%)	#1 Market Share (%)
	Toothpaste	33	47
	Instant Coffee	41	59
	Ketchups	31	41

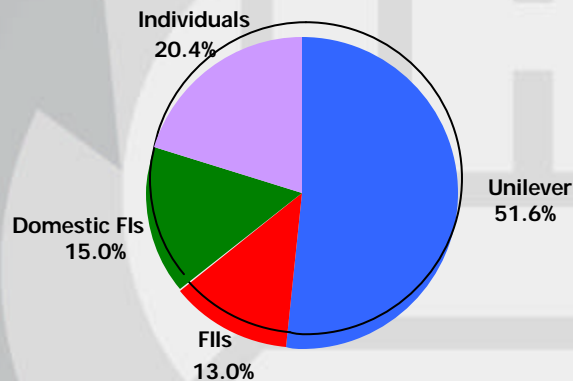
Source : A.C.Neilson ORG Marg

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HLL Shareholding Pattern



HLL Equity Capital - 48 Mn \$

Market Capitalisation - 6,080 Mn \$

As on 29th Oct '04

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HLL : 2000 - 03
Three Pronged Strategy

➡ Grow through focus on "POWER BRANDS"

➡ Improve profitability of Foods

➡ Secure future of Non - Core businesses

"Profitable Growth Through Focus"

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Profitable growth through focus Powerful Brands

2000



2004



Across Categories &
Income Segments

2003	FMCG Market	Power Brands
Growth%	-5.8%	6.9%

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Growth through Brand Focus

- Concentrate resources & brand support on tight portfolio of
 - Leading Brands (#1, #2 or dominate niche)
 - Covering key benefits & price positions in Category
 - Strongly differentiated
- Merge overlapping brands within category
- De-list/Divest/Milk small & unviable brands

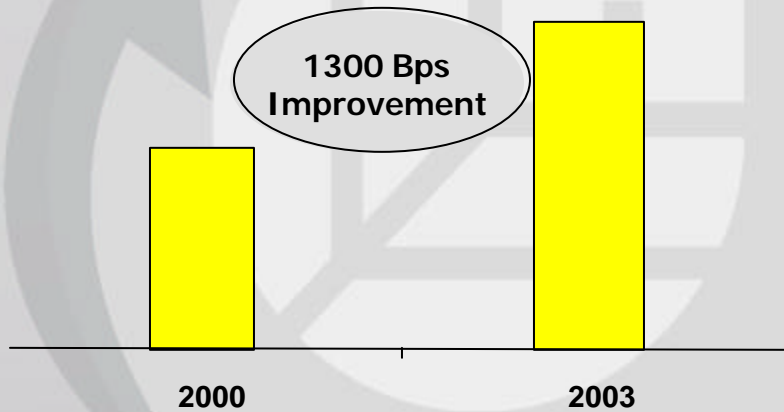
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Profitable growth through Focus Improving Foods Profitability

Foods Gross Margins %

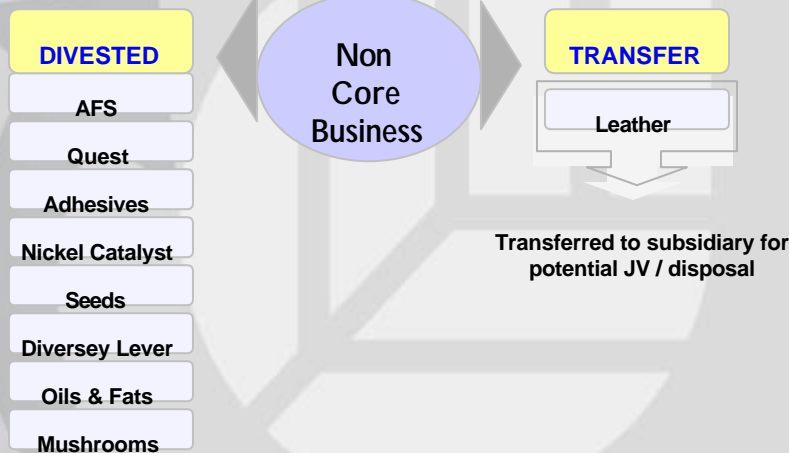


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Profitable growth through focus Focus on FMCG



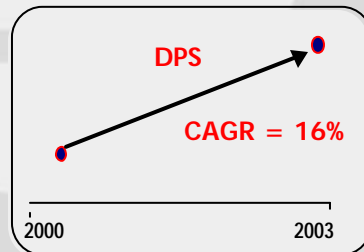
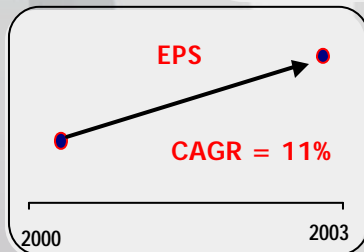
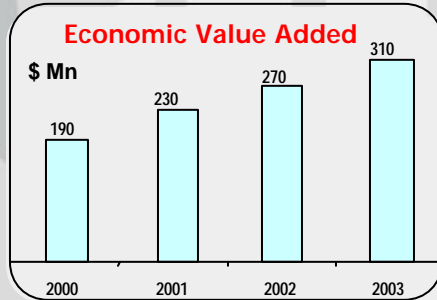
- Focused Portfolio: Non FMCG down from 24% to 8%
- Sales of Divested Businesses : 14% of '03 Turnover
- Value delivered in divestment 82 Mn \$

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Profitable growth through Focus Rewarding Shareholders



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Economic Outlook

	2001-02	2002-03	2003-04 (AE)*	2004-05 (E)*
Agriculture	6.5	(5.2)	9.1 ↑	0.8
Industry	3.3	6.2	6.7 ↑	6.4
Services	6.8	7.1	8.7 ↑	8.0
GDP	5.8	4.0	8.2	6.0

Growth%

* CMIE Estimates

Positives

- Strong GDP Growth
- High Forex Reserves
- Growing Exports
- Focus on Rural & Infrastructure

Concerns

- Oil Prices
- Inflation
- Fiscal Deficit
- Agricultural Growth

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The India Opportunity

- More than 1 Billion Consumers
- Growing Disposable Income
- Young Population: 45% less than 20 years*
- Growing aspirations fuelled by media
- Low levels of
 - Penetration
 - Per Capita Consumption

* Source : Statistical Outline of India (2002-03)

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Opportunity to Drive Penetration

Category	Urban Penetration (%)	Rural Penetration (%)	Total Penetration (%)
Toothpaste	69.8	32.3	43.5
Skin	36.6	19.8	24.7
Hair Wash	40.1	16.3	23.3
Talcum Powder	66.0	36.8	45.1
Dishwash	54.6	11.5	24.4
Ketchup	12.5	0.7	4.2

Source : Indian Readership Survey 2002

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Opportunity to grow consumption

Per Capita Consumption (US \$)

	Fabric Wash	Toothpastes	Shampoos
China	1.7	0.8	1.1
Indonesia	2.0	1.1	1.2
India	1.2	0.4	0.6

Source : Euromonitor

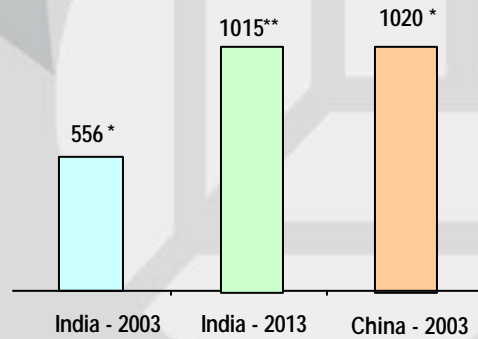
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Growth in Disposable Income

Per Capita Income (US\$ / Annum)



* Source : Euromonitor

** Source : BRICs Report - Goldman Sachs

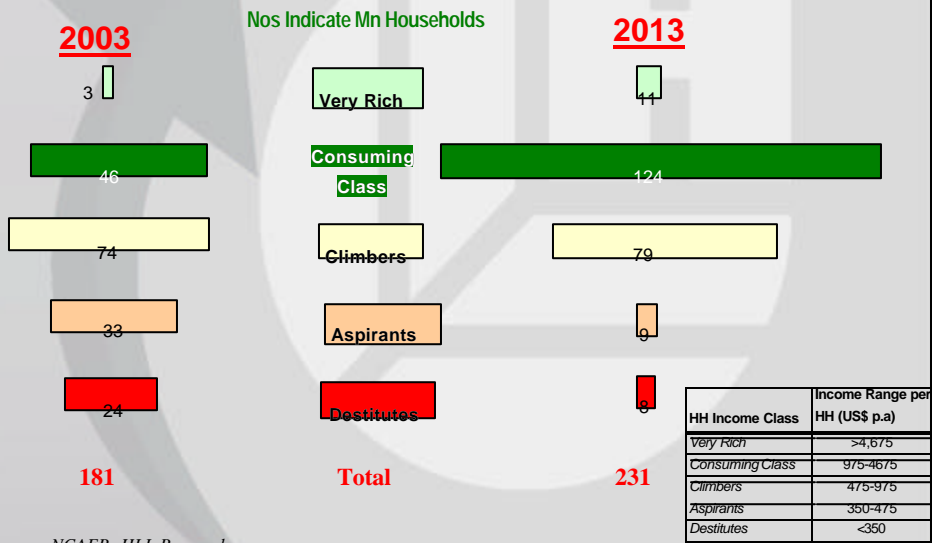
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Growing Prosperity

Consuming Class Households to Treble



Source : NCAER; HLL Research

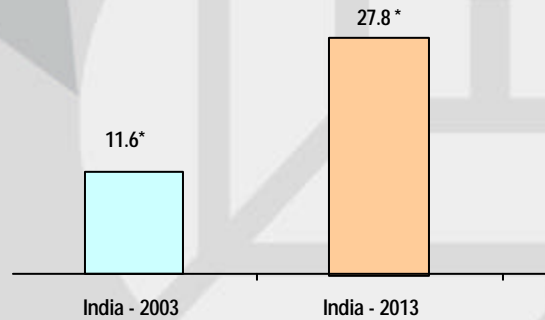
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FMCG - Opportunity

FMCG Market Size \$Bn



Market will increase at 9% p.a; constant money

* Source HH Panel Data

** Estimated based on China's current per capita consumption

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Current Market Context Challenges

- Recent stagnation due to discontinuities
 - Choice explosion (Durables, Services, Entertainment)
 - Interest rate reduction (Easy Credit)
- Price Led Local Competition
- International companies seeking market position
- Driving Penetration & Consumption

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MQ 2004 Decisive Steps

- Drive growth agenda
- Take competitive challenges head on
- Financial commitment for long term value

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Current Market Context

Actions

- Pricing
 - Laundry : Price Reduction
 - Shampoos: Value Improvement & Lower Price Points
 - Toothpaste: Value Corrections & SKU rationalization
- Investments behind brands
 - Innovations
 - Quality
 - Higher A&P

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Current Market Context

Pricing actions

<u>Price Index 2003 =100</u>	<u>2003</u>	<u>SQ 04</u>
Dove	100	74
Surf Excel	100	74
Surf Excel Blue	100	80
Clinic Plus	100	79
Sunsilk	100	84

Driving Affordability

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Current Market Context

Innovations in 2004

MQ'04



JQ'04



SQ'04



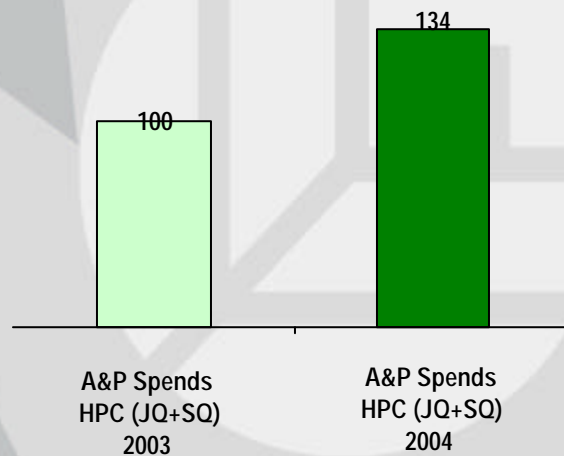
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Current Market Context

Step up in HPC A&P Spends



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SQ 2004

HPC Topline Performance



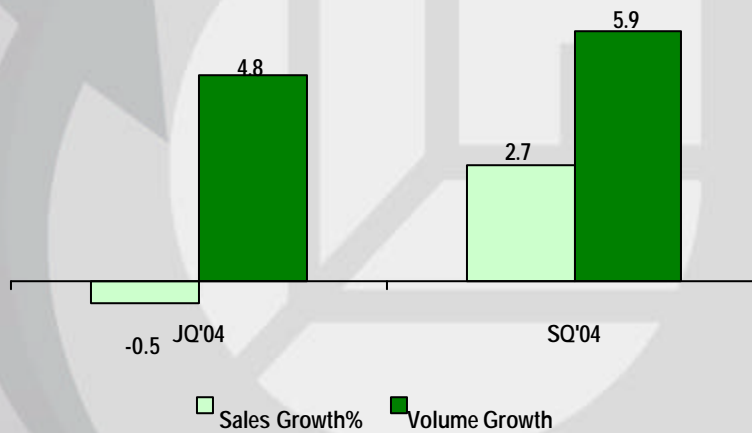
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Current Market Context

HPC



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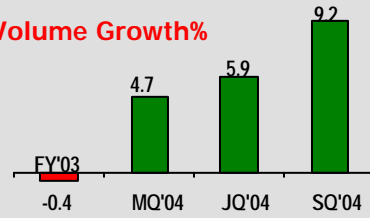
Current Market Context

Fabric Wash

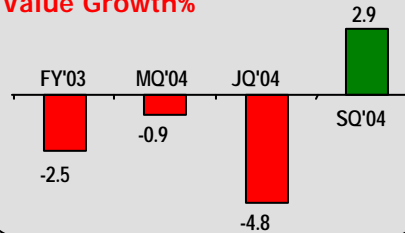
Actions taken

- Price reduction
- Additional investment in quality
- Higher A & P spends
- Brand repositioning

Volume Growth%



Value Growth%



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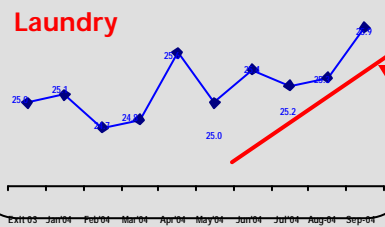
Current Market Context

Fabric Wash

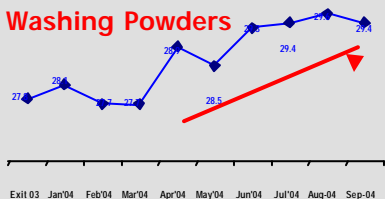
Actions taken

- Price reduction
- Additional investment in quality
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- Brand repositioning

Volume Shares



Washing Powders



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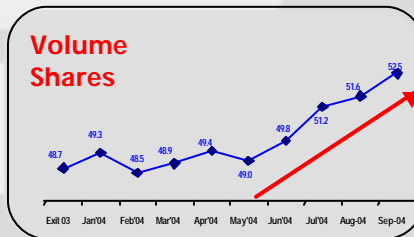
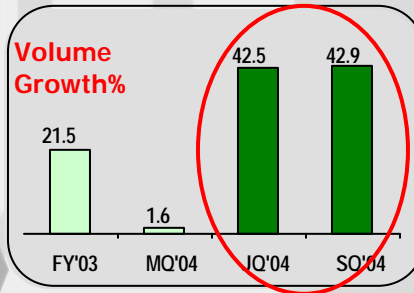


Current Market Context

Shampoo

Actions taken

- Price reduction - bottles
- Value Improvement - Sachets
- Innovations
 - Sunsilk
 - Clinic Plus
 - CAC
- Higher A & P spends



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Current Market Context

Cum 2004 Highlights

- Continuing sales flat
- HPC
 - HPC grows 6% in Volumes; growth across categories
 - Volume growth momentum
 - Pricing actions lead to 2% value growth
 - Volume market shares gains in Laundry and Shampoo
- Foods
 - BrookeBond and Instant Coffee grow well
 - Decline by 7% impacted largely due to planned discontinuation; stock reduction and one-offs

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Current Market Context

Cum 2004 - Results Highlights

- Operating Profits (PBIT) declines 27%
- Pricing actions in Laundry & Shampoos
- Higher A&P Spends
- Exceptional Items
- EBIT margins improve by 100 bps in SQ'04 over JQ'04

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Driving the agenda

Delivering Consumer Value

Brand
Relevance

Superior
Quality

Strategic
Pricing

Ten Point Program to provide fuel

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Brand Relevance

Continuous Innovation Stream across all Brands

- Surf Excel : *Quick Wash , 50% water saving and effort*
- Rin : *"No Mud "*
- Clinic Plus Milk Proteins : *"5 in 1" hair health benefits*
- Fair& Lovely : *Change your destiny & Perfect Radiance*
- Lifebuoy : *Family safe from germs*
- Close UP : *Stronger, Whiter Teeth & Fresher Breath*
- BrookeBond : *Master Brand*
- Lipton Ice : *Natural Vitality*

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Superior Quality



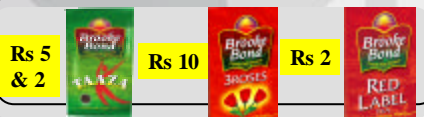
Over 90 Mn \$ invested

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Strategic Pricing



- Increasing Accessibility : Lower price points
- Driving Affordability : Strategic Price Reductions

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Technology Focus

- India is a base for
 - 1 out of 4 Unilever Global Research Centers
 - 5 Global Innovation Centers
 - >100 Scientists

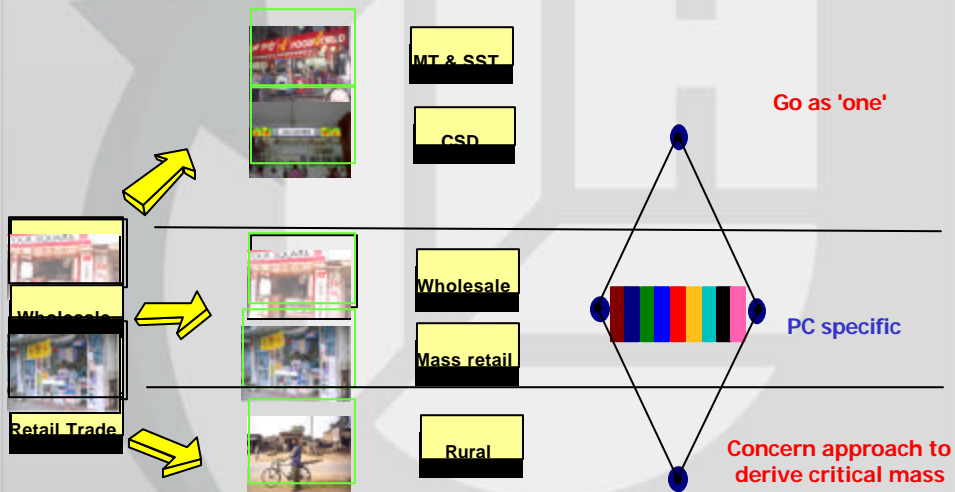


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Customer Focussed Sales Organisation



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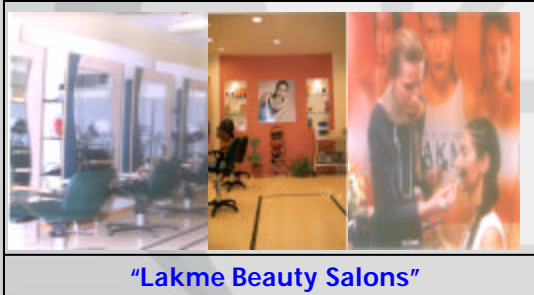
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Developing New Channels



"Out of Home"



"Lakme Beauty Salons"



"Ayush Therapy Centers"

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Direct Selling

- Product Range
 - Lever home range
 - Male grooming
 - Oral Care
 - Ayurveda
 - Personal Wash
 - Foods
- Reach - 1400 towns (Largest in India)
- Consultant base - 330,000



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Rural Marketing - Project Shakti

- Challenges in Rural Markets
 - Accessibility
 - Viability
 - Media Dark
- Rural selling through SHG's
 - Benefits
 - Improving product reach
 - Facilitating Brand-Communication
 - Extended into 12 major states
 - Over 30,000 villages covered
 - Touching 30 mn rural lives
 - Plans to cover 1,00,000 villages
 - Touching 100 mn rural lives.



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In Summary

- Big Opportunity to grow Penetration & Consumption
 - Strong Capabilities of HLL
 - Powerful Brands
 - Robust Business Capabilities
 - Management Talent

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