

# Hindustan Unilever Limited

## DQ 2016 Results Presentation, 23rd January 2017



LEVER™  
**ayush**  
skin care | soaps | hair care | toothpaste

# Safe Harbor Statement

This Release / Communication, except for the historical information, may contain statements, including the words or phrases such as 'expects, anticipates, intends, will, would, undertakes, aims, estimates, contemplates, seeks to, objective, goal, projects, should' and similar expressions or variations of these expressions or negatives of these terms indicating future performance or results, financial or otherwise, which are forward looking statements. These forward looking statements are based on certain expectations, assumptions, anticipated developments and other factors which are not limited to, risk and uncertainties regarding fluctuations in earnings, market growth, intense competition and the pricing environment in the market, consumption level, ability to maintain and manage key customer relationship and supply chain sources and those factors which may affect our ability to implement business strategies successfully, namely changes in regulatory environments, political instability, change in international oil prices and input costs and new or changed priorities of the trade. The Company, therefore, cannot guarantee that the forward looking statements made herein shall be realized. The Company, based on changes as stated above, may alter, amend, modify or make necessary corrective changes in any manner to any such forward looking statement contained herein or make written or oral forward looking statements as may be required from time to time on the basis of subsequent developments and events. The Company does not undertake any obligation to update forward looking statements that may be made from time to time by or on behalf of the Company to reflect the events or circumstances after the date hereof.

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# Clear and compelling strategy

## Strategic Framework

**THE COMPASS**

**WE ARE UNILEVER...**

<b>VISION</b>	<p><b>WE ARE A SUCCESSFUL, GROWING, SUSTAINABLE BUSINESS</b></p> <p><b>WE WORK TO CREATE A BETTER FUTURE EVERY DAY</b></p> <p>We help people feel good, look good and move out of the world's least and poorest. We are good for them and good for others. We will inspire people to take small everyday actions that can add up to a big difference for the world. We will develop new ways of doing business with the aim of doubling the size of our company while reducing our environmental impact.</p>
<b>MISSION</b>	<p><b>WE FOCUS ON CUSTOMERS AND COLLEAGUES WITH A VIEW TO WINNING</b></p> <p>Our first priority is for our customers, then customers, employees and communities. Where we fulfill our responsibilities to them, our shareholders will be rewarded. We will win through a growth mentality and a positive approach to all our stakeholders, based on clear accountability and fair for others.</p>

**WHERE WE WILL WIN...**

**MARKETS**

We share and grow volume in every category and country.

**HOW WE WILL WIN...**

<b>WINNING WITH BRANDS AND INNOVATION</b>	1	Deliver superior products, designs, branding and marketing
	2	Engage, better, faster innovation
	3	Appeal to more consumers across needs and price points
<b>WINNING IN THE NEW REALITY</b>	4	Lead market development
	5	Use multi-segment customers
	6	Be an essential provider
<b>WINNING THROUGH OPERATIONAL EXCELLENCE</b>	7	Lean, responsive and customer led value chain
	8	Drive return on brand equity
	9	Agile, and competitive organization
<b>WINNING WITH PEOPLE</b>	10	Engagement and sharing talent pipeline ready to match our growth ambitions
	11	Performance culture which supports our vision
	12	Optimize our operating framework for competitive advantage

## Sustainable Living Plan



## Goals

Consistent **Growth**

Competitive **Growth**

Profitable **Growth**

Responsible **Growth**

# DQ 2016: Summary

## ❑ **Uncertain market conditions**

- In-quarter market growth adversely impacted by demonetisation
- Input costs continue to inflate

## ❑ **HUL : Resilient performance in a challenging business environment**

## DQ'16: Resilient performance in a challenging business environment

- ❑ **Domestic Consumer business flat; underlying volume growth at -4%**
  - Performance across categories impacted by adverse market conditions
  
- ❑ **EBITDA at Rs. 1,355 Crores down 5%; margin down 70 bps**
  - COGS higher due to rising input costs (+60 bps)
  - Competitive spends maintained across segments
  - Continued investments behind brands and market development
  
- ❑ **PAT (bei) at Rs. 920 crores down 10%; Net Profit at Rs. 1,038 crores up 7%**

## Segmental Performance:

Impacted by reduced trade pipelines and lower consumer offtake

Segments	Sales Growth (%)
Home Care	1%
Personal Care	(3%)
Refreshment	8%
Foods	1%
<b>Domestic Consumer*</b>	<b>0%</b>

*Sales growth = Segment Turnover growth excluding Other Operational Income* 7

*\*Excludes impact of A&D*

# Impact of Demonetisation on our market

## Consumers

- Purchase basket size reduces
- Frequency of shop visits increases
- Premiumisation trend sustains

## Channels

- Most channels starting to recover after initial stress
- Large rural wholesale still under pressure
- Wholesale pipelines lower

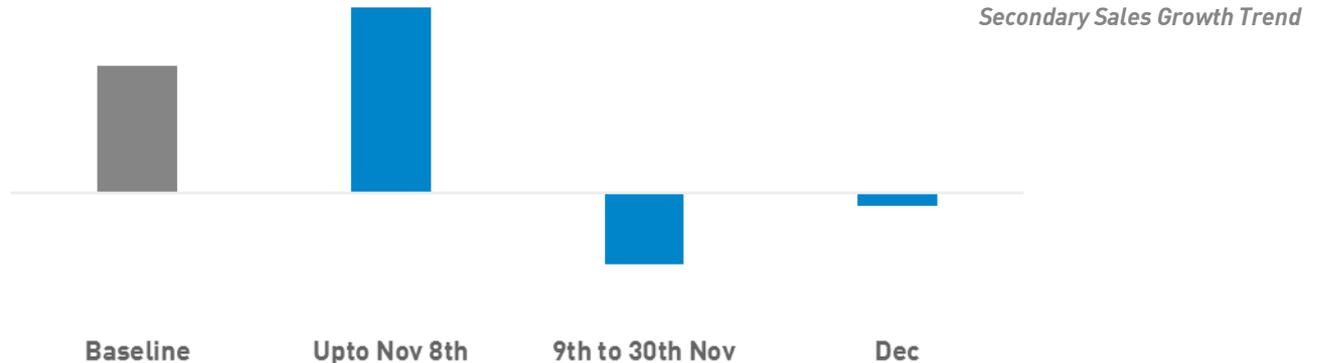
## Geographies

- Recovery correlated to bank density
  - South & West least impacted
  - North & Central most impacted
  - Urban recovers faster

# HUL's response to market challenges

Categories	Distribution	Finance	Supply Chain
Continue to land breakthrough innovations Leverage WiMI	Expand sustainable direct coverage and assortment	Support trade with extended credit	Agile response to volatile demand

## Gradual recovery underway



# Continued focus on innovations



# Building Naturals

## Within the existing portfolio



**Natural variants well appreciated by consumers**

## Extending to new geographies



**Expanding Consumer footprint**

## Building a master brand



**LEVER Ayush launched in South India across all channels**

# Home Care



- ❑ Premium laundry continues to lead category performance
- ❑ Surf maintains its strong double-digit growth momentum
- ❑ Home Care liquids sustain strong performance



# Personal Care



- ❑ Premium Personal Care continues its growth momentum across formats
- ❑ Personal Wash volumes impacted by calibrated price increases taken to manage steep rise in commodity costs
- ❑ Baby Dove well received

# Foods & Refreshment



- ❑ Tea delivers broad based double-digit growth by leveraging WiMI
- ❑ Ice Cream & Frozen Desserts delivers robust activation-led growth
- ❑ Focus on market development continues in foods



## DQ 2016: Results Summary

*Rs. Crores*

Particulars	DQ'16	DQ'15	Growth %
Sales	8,124	8,227	(1)*
EBITDA	1,355	1,430	(5)
Other Income	82	145	
Exceptional Items - Credit / (Charge)	153	(80)	
PBT	1,486	1,409	
Less : Tax	448	437	
PAT bei	920	1,024	(10)
Net Profit	1,038	972	7

- Domestic Consumer growth at 0% (\*Reported growth includes impact of A & D)
- Exceptional item includes profit on sale of properties (Rs. 159 Crores)
- Other income includes dividend from subsidiaries (DQ'16: Nil, DQ'15: Rs. 46 Crores)



**NINE MONTHS ENDING  
31<sup>ST</sup> DECEMBER 2016**

## Nine Months 2016-17: Results Summary

*Rs. Crores*

Particulars	YTD DQ 16	YTD DQ 15	Growth %
Net Sales	25,122	24,737	2
EBITDA	4,396	4,279	3
EBITDA margin (%)	17.5	17.3	+ 20 bps
PAT bei	3,129	3,077	2
Net Profit	3,307	3,023	9

- Domestic Consumer grows at 2%, underlying volume growth at -1%
- Modest and consistent improvement in operating margins sustained

# Effective Tax Rate FY 2018

- ❑ Assam new unit ramp up more than offsets impact of:
  - Few existing units moving out of fiscal exemption
  - Changes in IT rules – R&D & Investment Allowance Reserve
  
- ❑ ETR to be lower by ~ 50 bps for FY 2018

# Looking Ahead

## Near term outlook:

- ❑ Market growth expected to improve gradually
- ❑ Rising trend in input costs to continue

## Strategy unchanged:

- ❑ Focus on volume growth and improvement in operating margin
- ❑ Consistent, Competitive, Profitable, Responsible Growth

# For more information & updates

## Visit our website

<http://www.hul.co.in/investorrelations/>

### December Quarter 2016 results

Hindustan Unilever Limited will release its financial results for December Quarter 2016 on Monday 23 January, 2017.

[> View more](#)



## HUL Investor App

