



Hindustan Unilever Limited

# Hindustan Unilever Limited

Investor Presentation

**Doug Baillie**

CEO

Hindustan Unilever Ltd.

19<sup>th</sup> September, 2007



# Safe harbour 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.

# Agenda

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Overview

India Opportunity

HUL - Uniquely Placed

Financials

Strategy and Markets

# Agenda



## Overview

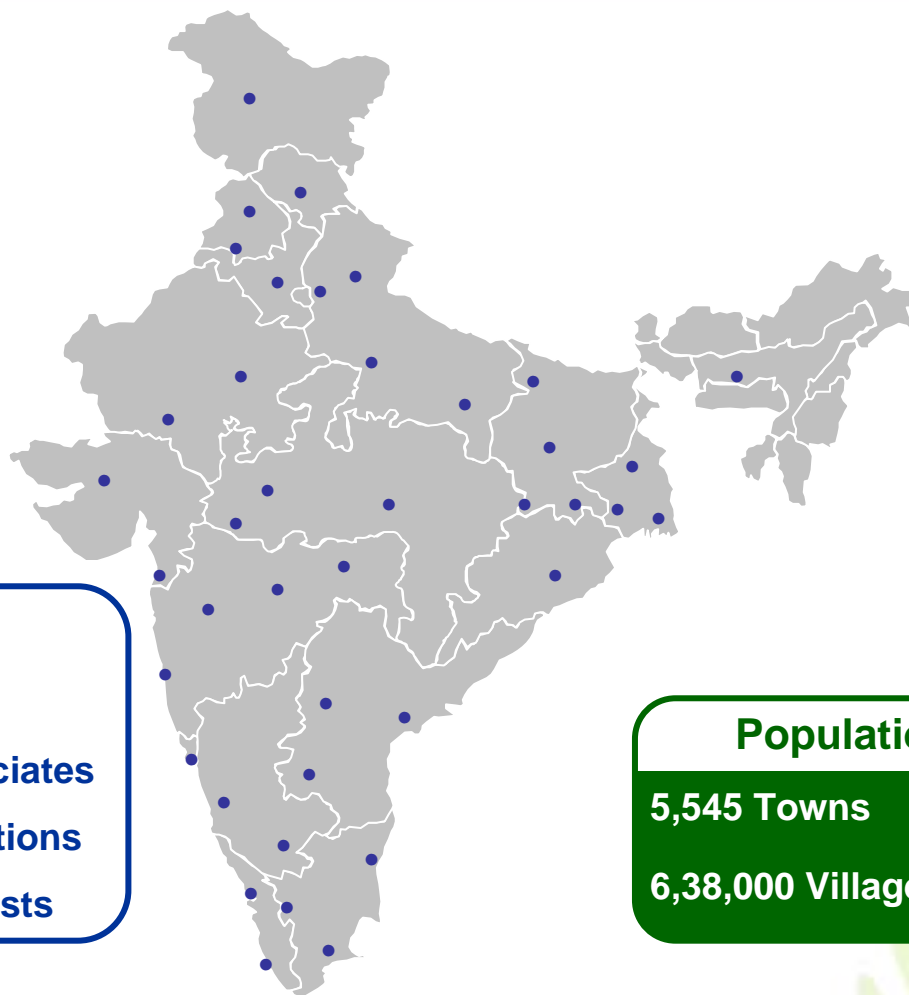
India Opportunity

HUL - Uniquely Placed

Financials

Strategy and Markets

# HUL - India's largest FMCG company



~ 15,000 employees  
~ 1,200 managers  
~ 2,000 suppliers & associates  
~ 75 Manufacturing Locations  
~ 45 C&FAs, 4,000 Stockists

**Population 1027 Mln**

5,545 Towns	2.5 Mln outlets
6,38,000 Villages	5.0 Mln outlets

\* Source:

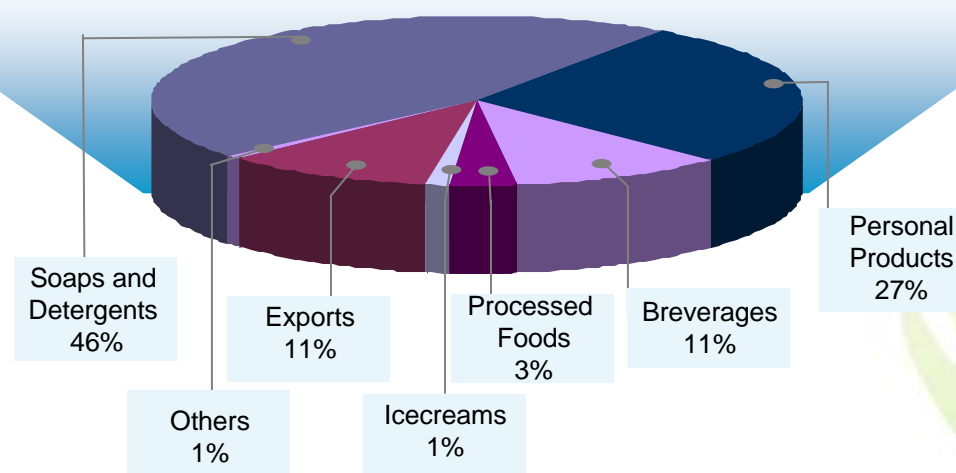
- (1) Statistics on India, Total Coverage : AC Nielsen, Census of India 2001
- (2) Statistics on Market reach : MRUC, Hansa Research - Guide to Indian Markets 2006

# Financial Overview 2006



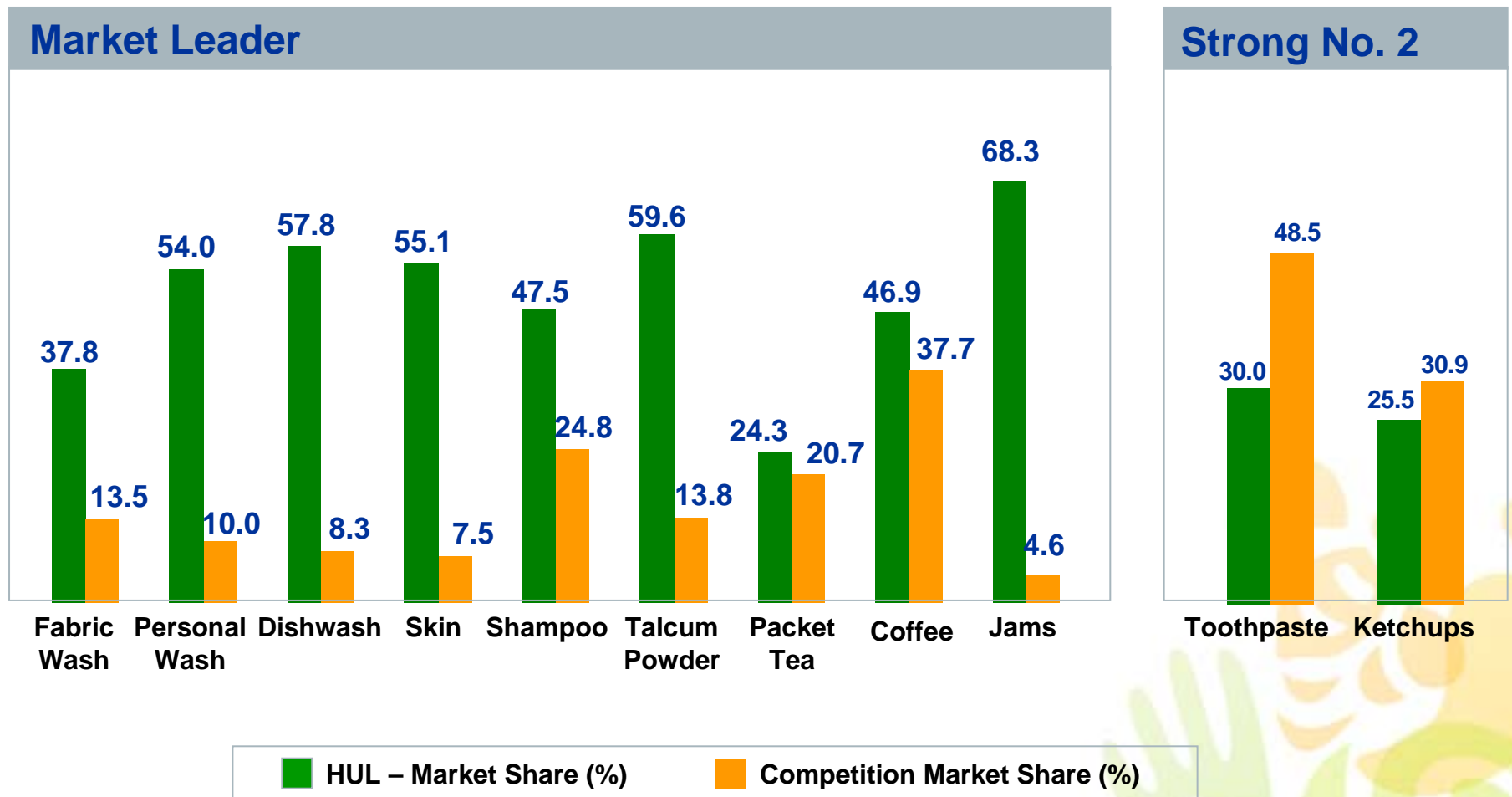
Mn \$

<b>Turnover</b>	<b>2966</b>
<b>EBIT</b>	<b>419</b>
<b>EBIT %</b>	<b>14.1%</b>
<b>PAT (bei)</b>	<b>377</b>
<b>Reported Profit</b>	<b>455</b>
<b>EPS</b>	<b>21c</b>
<b>Operating Cash Flow</b>	<b>365</b>
<b>Market Capitalisation</b>	<b>~11120</b>



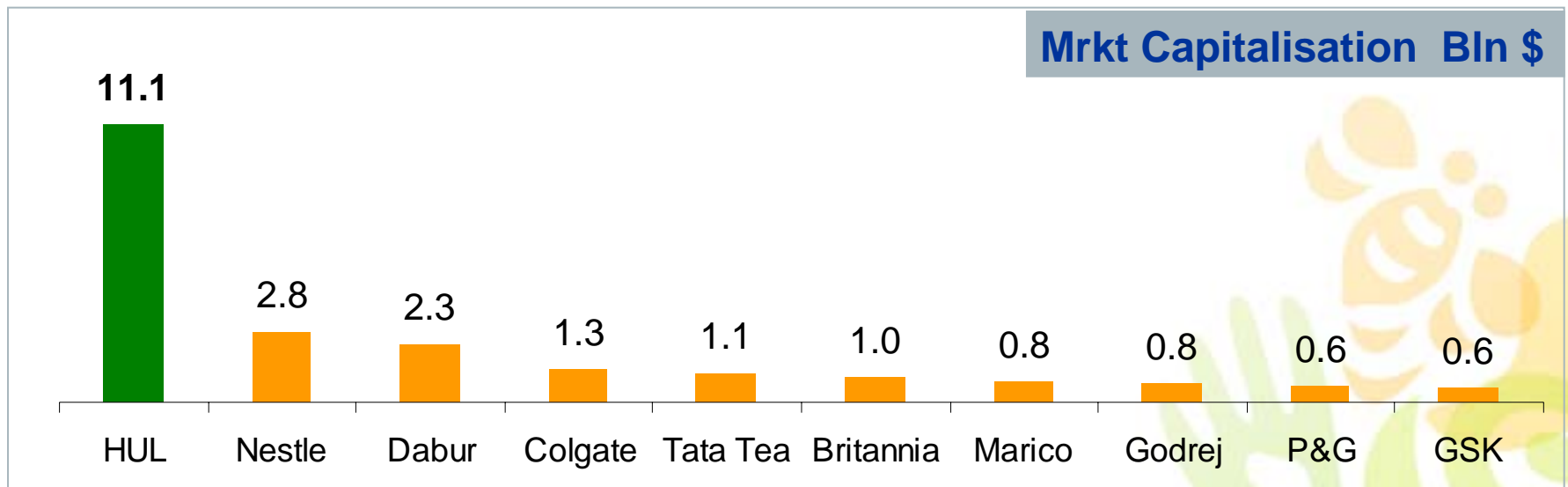
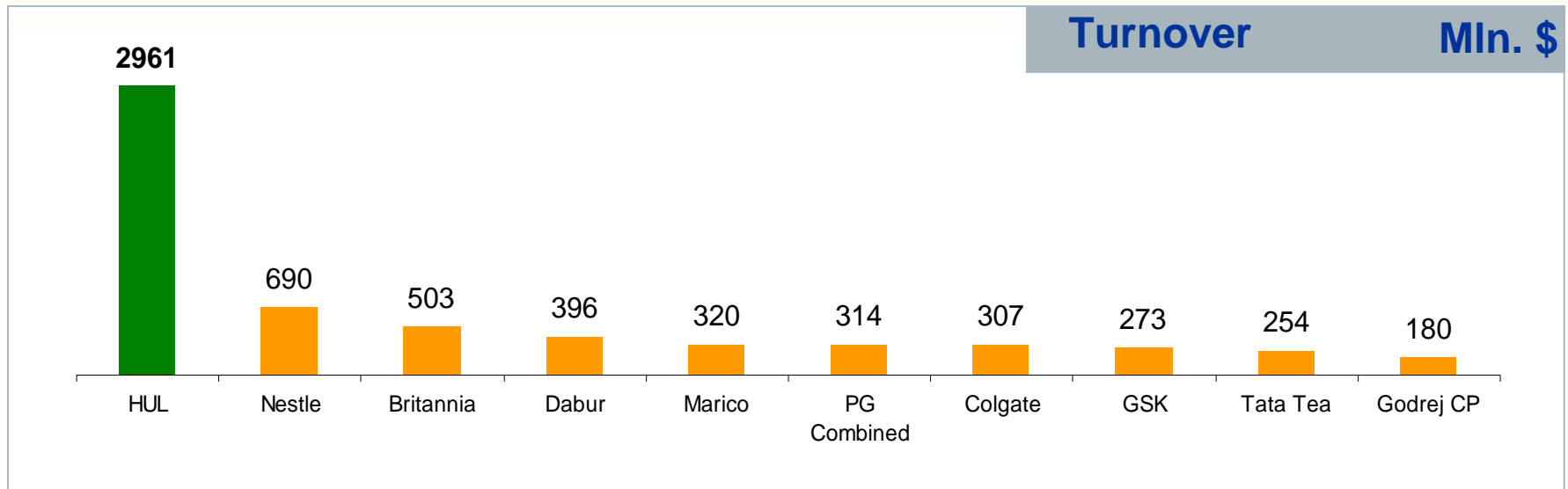
\* Figures based on FY2006 Audited Results ++ Market Capitalization as per NSE as on 27th July 2007

# Leadership across Diverse FMCG Categories



Source : A.C Nielsen - Quarter Ended June 2007 Value shares

# HUL – Largest FMCG Company



2006 TTM Turnover – Mln \$ Source: Audited Reports and Company Press release

P&G Turnover is the combined Turnover of its listed entity together with its estimated turnover of its unlisted entity

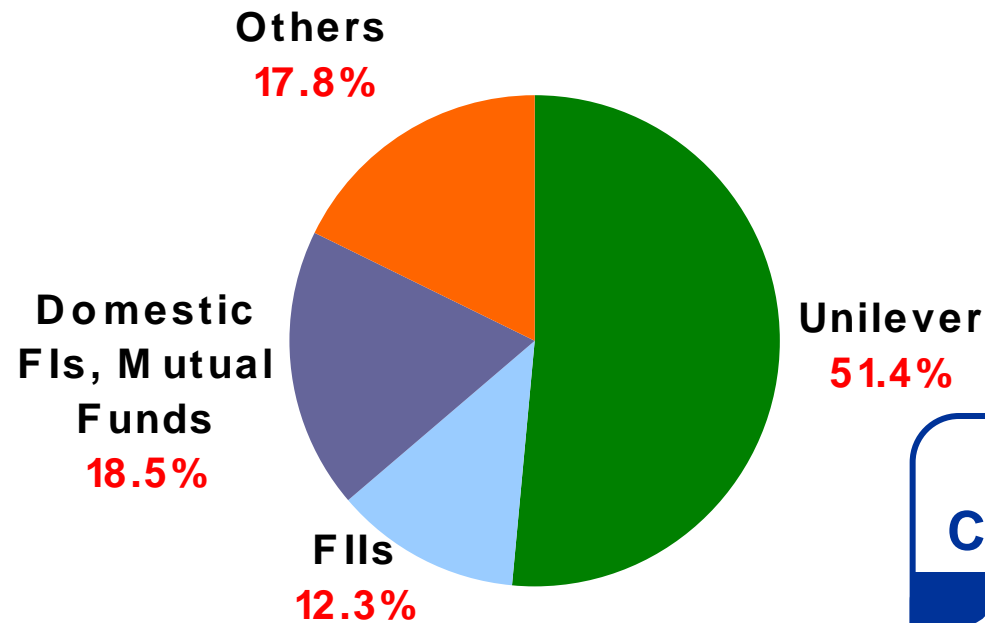
Market Capitalisation as on 27<sup>th</sup> July 2007



# HUL Shareholding Pattern



**HUL**  
**Equity Capital**  
**50 Mln \$**



**Market**  
**Capitalization**  
**11.1 Bln \$**

\* Shareholding pattern as on 30st June 2007  
++ Market Capitalization as on 27th July 2007

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Overview

**India Opportunity**

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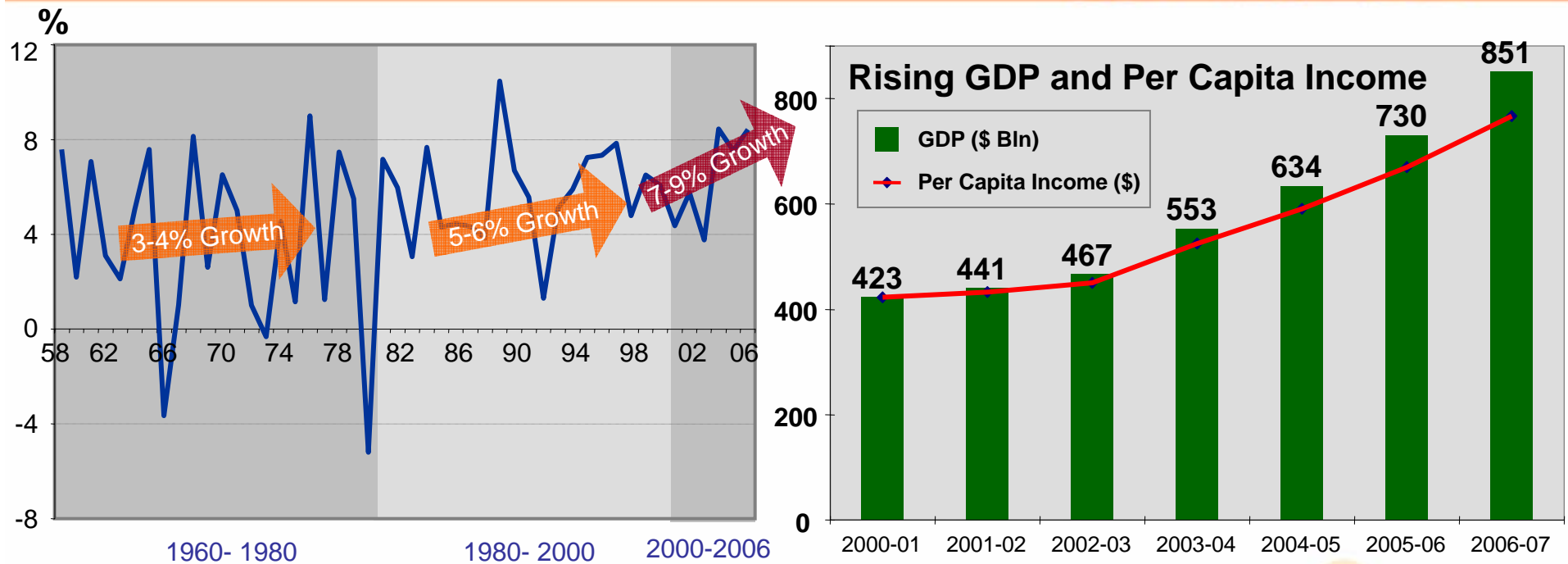
# Opportunities & Challenges



- A buoyant & growing economy
- Increasing per capita income drives FMCG growth
- Current FMCG market Growth
- A changing profile of a differentiated set of consumers
- Opportunity to grow consumption and penetration
- Large scale potential to grow Foods
- Evolving trade structure



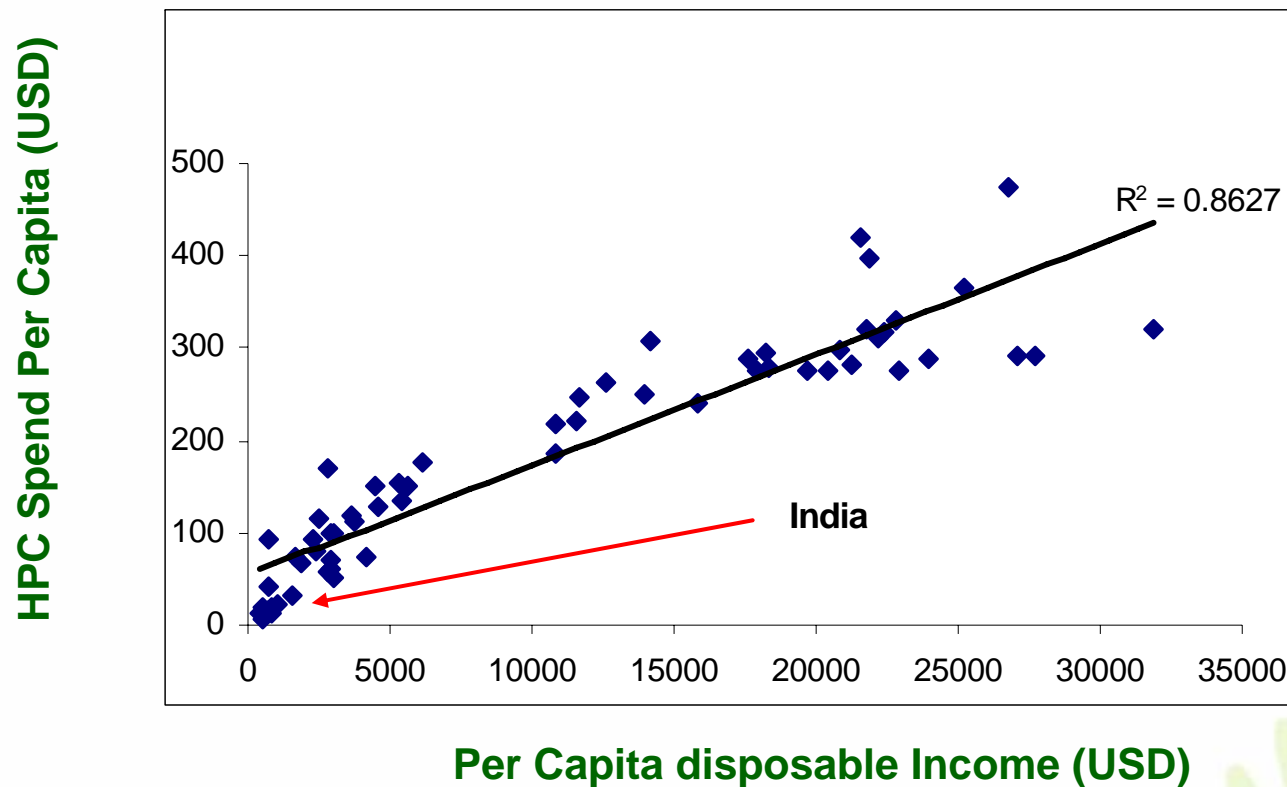
# Sustained 8% + Growth



- Growth trend line has significant upward bias
- Per capita Income has doubled in 4 years
- India embarking on an accelerated growth cycle

# Increasing per capita income drives FMCG growth

Disposable income per capita vs HPC spend per capita



**Per capita incomes drive consumption**

Source: Euromonitor, Morgan Stanley Research' 2006

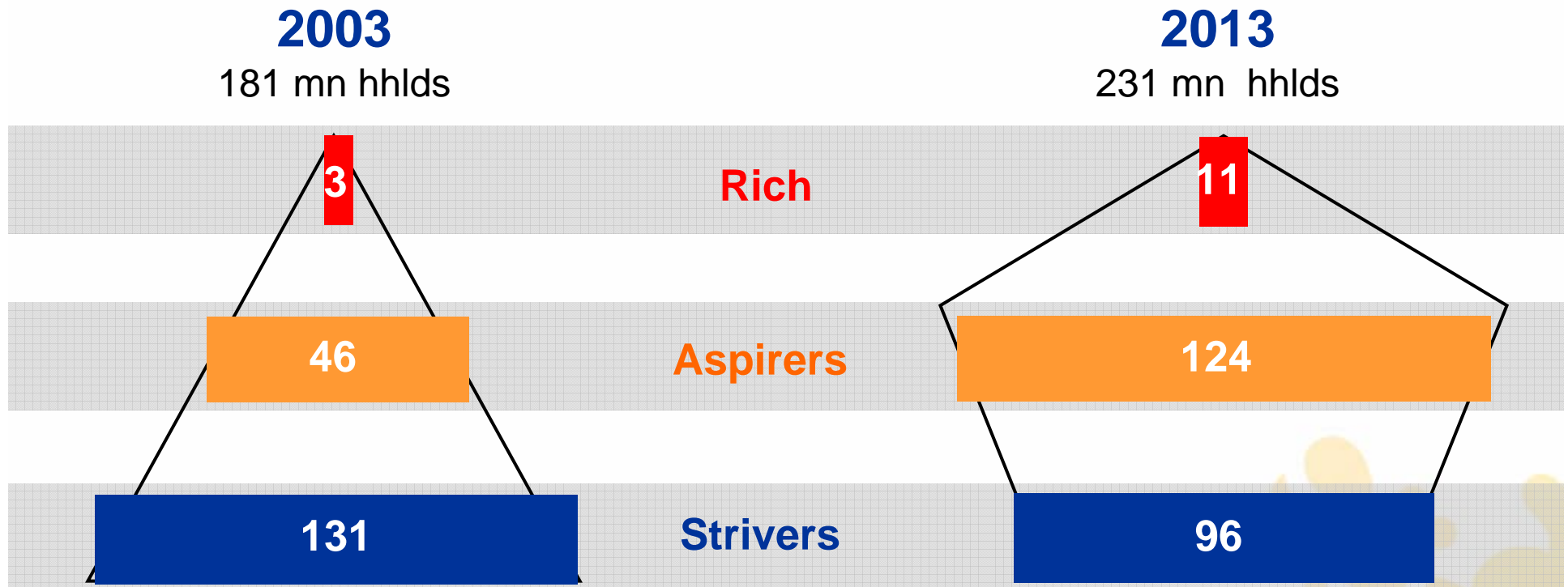
# FMCG Market Growth



Particulars	2006	YTD 07
Personal Wash	8.2	7.9
Laundry	12.4	8.4
Shampoo	13.1	13.3
Skin	15.0	16.3
Toothpaste	8.8	12.3
<b>HPC</b>	<b>12.1</b>	<b>11.6</b>
Tea	9.1	17.1
Coffee	16.0	4.3
<b>Foods</b>	<b>12.2</b>	<b>19.3</b>
<b>FMCG</b>	<b>12.1</b>	<b>13.1</b>

Source: AC Nielsen Retail Panel

# India - 2013

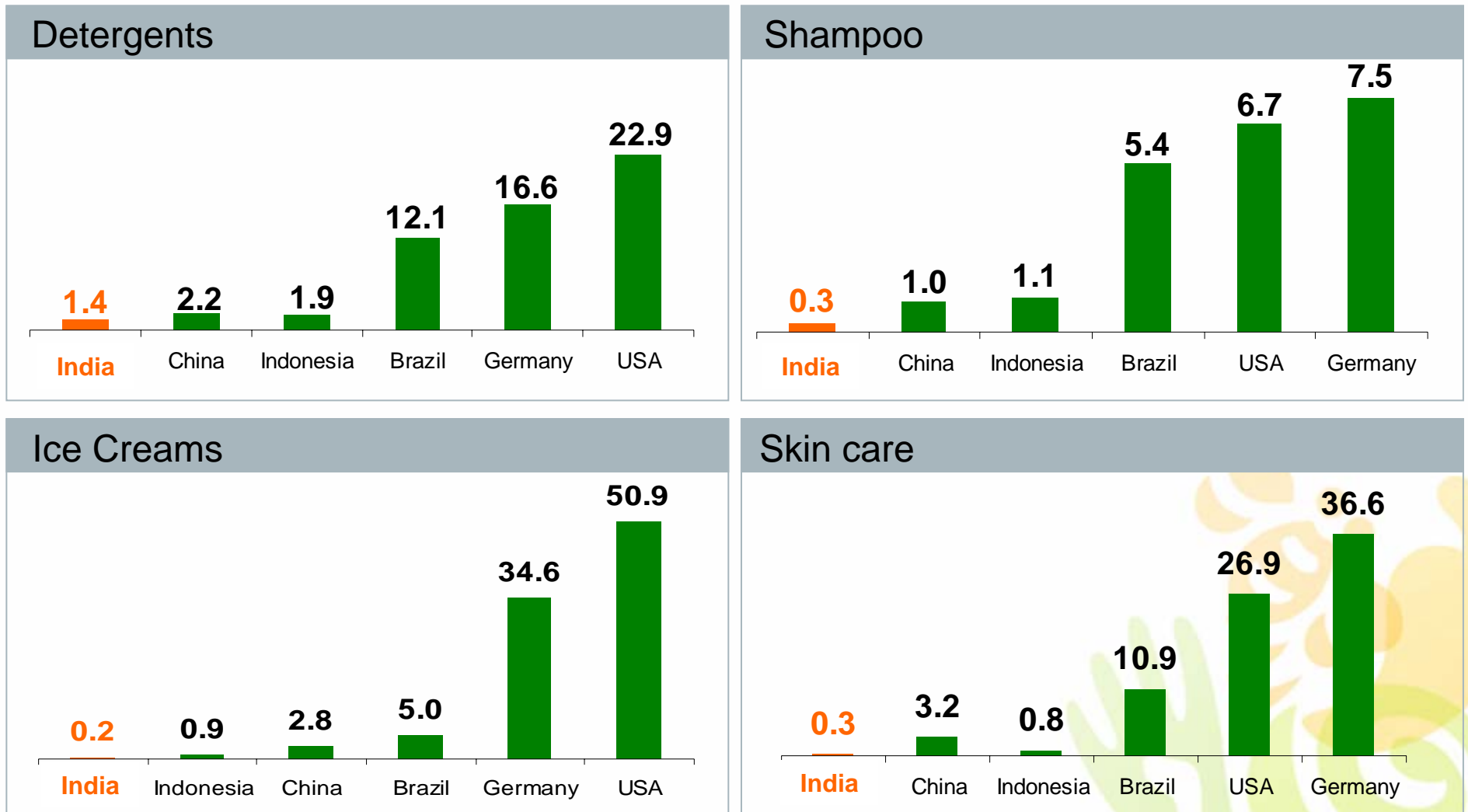


**The shape of India is going to change...  
from a pyramid to a diamond**

Source : National Council of Agriculture & Economic Research

# Opportunity to grow consumption and penetration

## Per Capita Consumption (US \$ )



Source : Euromonitor, 2006



# Opportunity to grow consumption and penetration

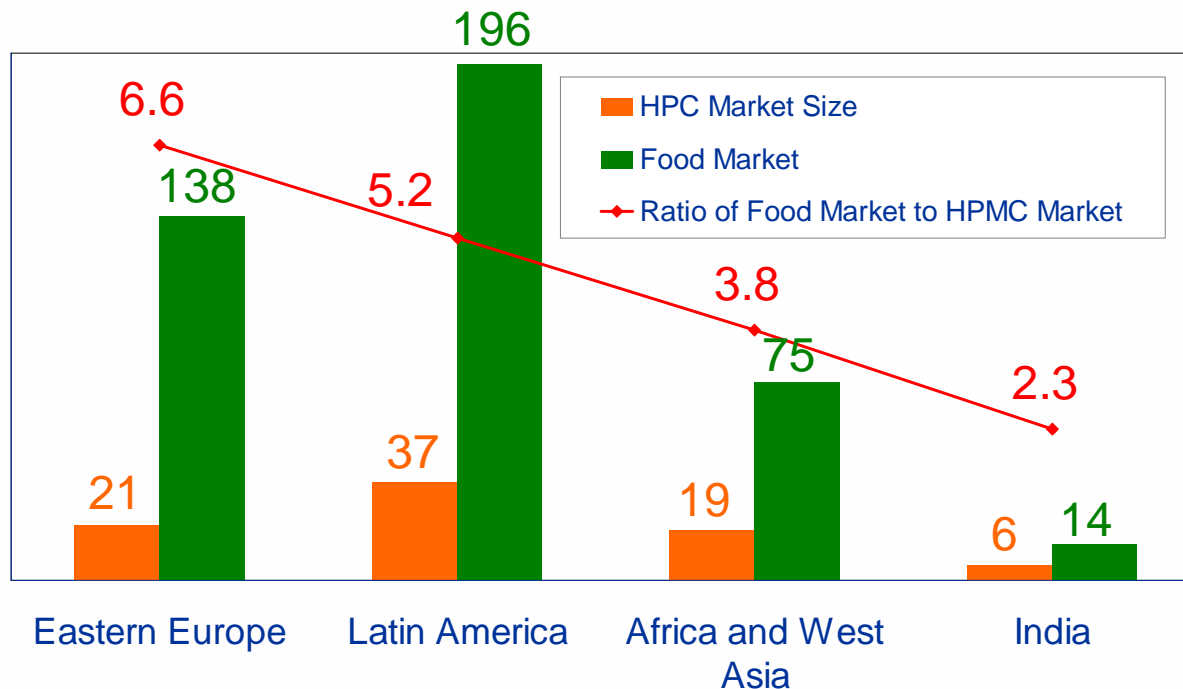
## Penetration %\*

Category	All India %	Urban %	Rural %
Deodorants	2.1	5.5	0.6
Toothpaste	48.6	74.9	37.6
Skin Cream	22.0	31.5	17.8
Shampoo	38.0	52.1	31.9
Utensil Cleaner	28.0	59.9	14.6
Instant Coffee	6.6	15.5	2.8
Washing Powder	86.1	90.7	84.1
Detergent Bar	88.6	91.4	87.4
Toilet Soap	91.5	97.4	88.9

Source : MRUC, Hansa Research - Guide to Indian Markets 2006

\*Penetration numbers based on study conducted by Indian Readership Survey, on a sample size of ~250,000 based on usage in 6 months

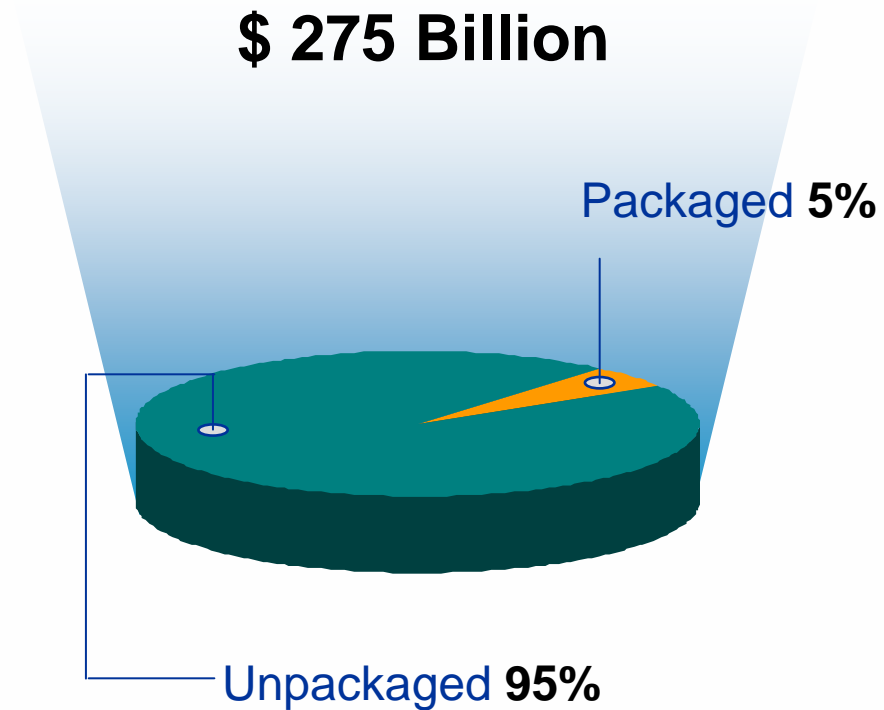
# Foods Opportunity...



- Packaged Food Market \$14 Billion
- Largely Urban (80%), rapid historical growth: 13%
- Poised to accelerate: Income Elasticity of 1.33

Source: Euromonitor, Family Budget Study

# Foods Opportunity...



**But bulk of food in India is still consumed fresh...  
unpackaged**

Source: Euromonitor

# Changing Market Structure



<b>Total Population (In Bln.)</b>	<b>1.1</b>
Number of Retail Stores (Mlns)	7.74
FMCG Market (Annual, \$ Mln)*	16448
Urban : Rural Ratio	67:33
FMCG Growth (Value %)	13
Store Density (Stores Per 1000 People)	6.8
Per Capita FMCG Spend (Annual,\$)	14.5

**HLL Dir  
Cov : 1 Mln**

**HLL Tot  
Cov : 6.3 Mln**

**Urb Cov  
16.7%**

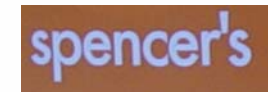
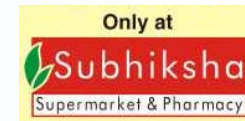
**Rur Cov  
3.8%**

**Highest store density in the world !**

Source AC Nielsen

# Modern Trade Customers

## Local Retailers



## MNC Retailers



Holding in FW /  
H & G

**SHOPRITE** S

**METRO**

## Prospective Entrants



# Agenda



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**HUL - Uniquely Placed**

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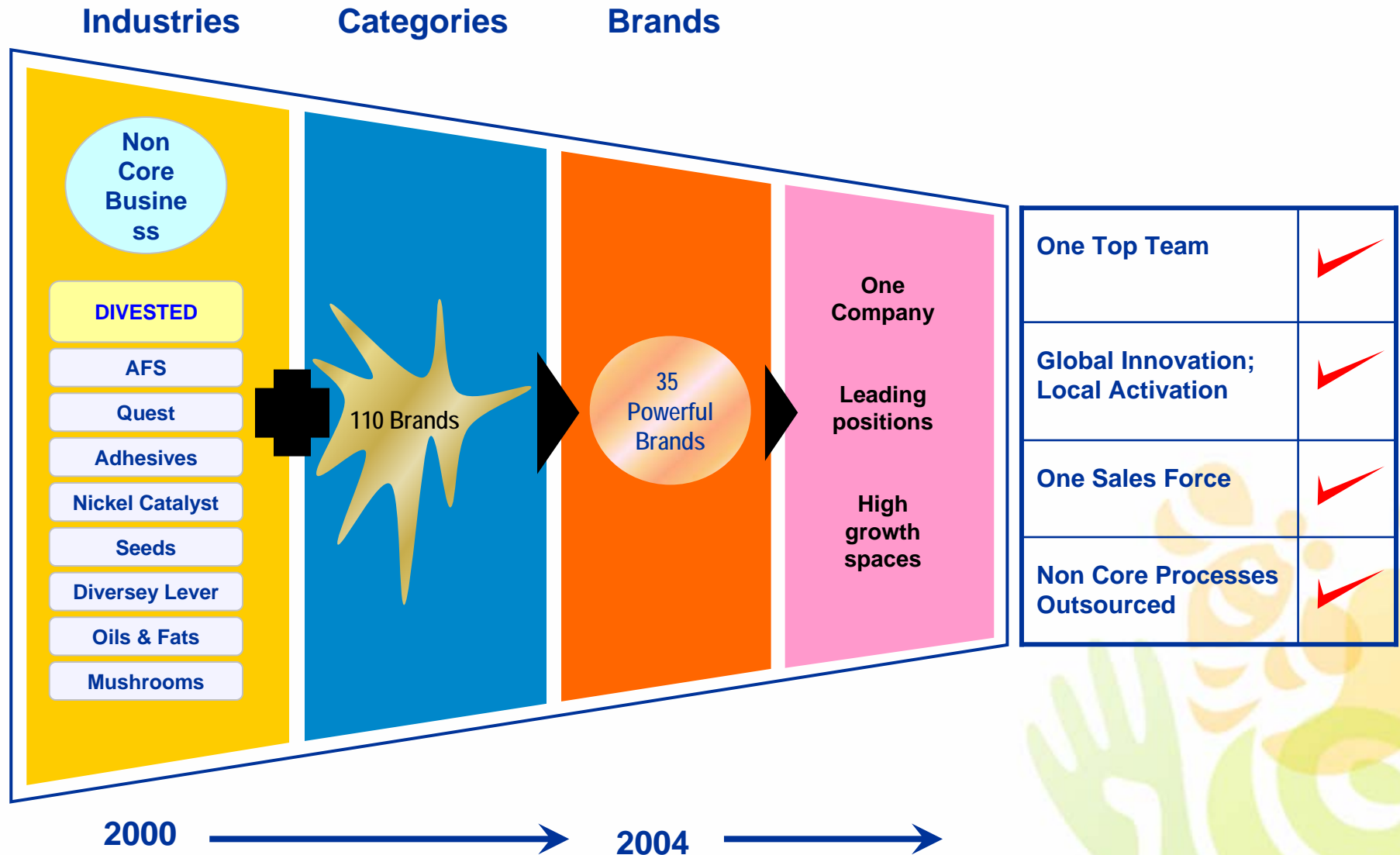
# HUL – Uniquely Positioned to Create Value

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- Evolving Strategic Focus
- Track record of building large brands: Unmatched Brand Portfolio
- Innovation and R&D capabilities to straddle the pyramid
- Versatile distribution network
- Strong Corporate Responsibility and Governance
- Strong Local talent base



# Evolving Strategic Focus





## Our Large Brands : Unmatched Brand Portfolio

Wheel

RIN  
ADVANCED

6 MEGA BRANDS -

Sales from

~ \$ 200 mn each,

53% FMCG portfolio

LUX

Fair & Lovely



# Innovation and R&D capabilities

- Unilever has well established R&D facilities (500 scientists)
- HUL leads R&D in many categories
- Steady stream of consumer relevant and community viable innovations



# Distribution Strength



- Direct coverage - 1 mln. outlets; Brands reach - 6.3 mln. Outlets
- Strong IT capability, end to end connectivity
- Channel based “Go To Market” strategy
- Portfolio of category and Brands give unique reach in Modern Trade
- Project Shakti, a competitive advantage in Rural India

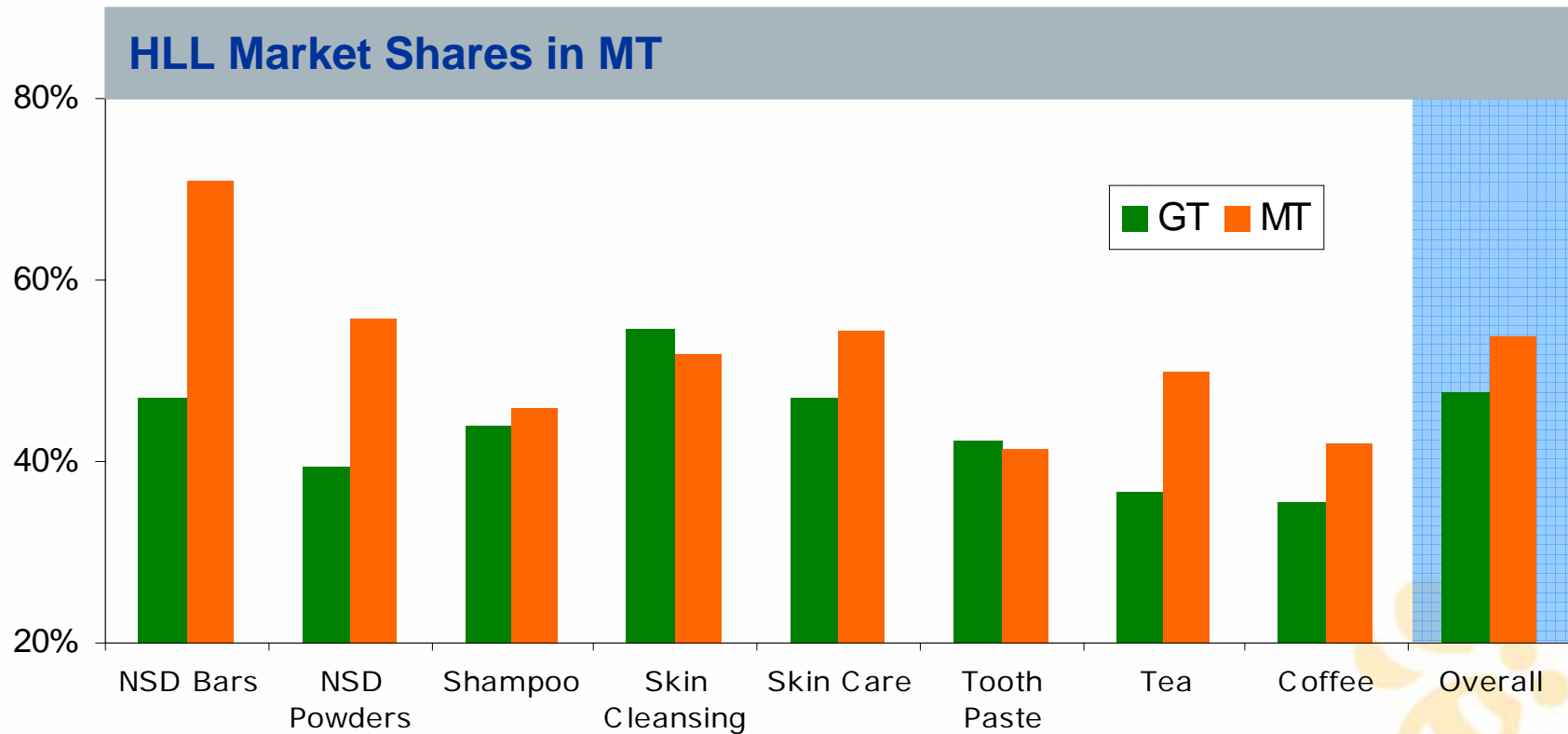


# New Channel Initiatives



Channels	HLL Programs	
Family Grocers	SVS/ FLO	
Chemist	Unicare	
Fancy	Beauty zone	
Kiosk	K- LINE	
Rural	Superstar & Shakti	
Wholesale	Vijeta/ Sambandh	

# Organized Retail - A source of Competitive Advantage

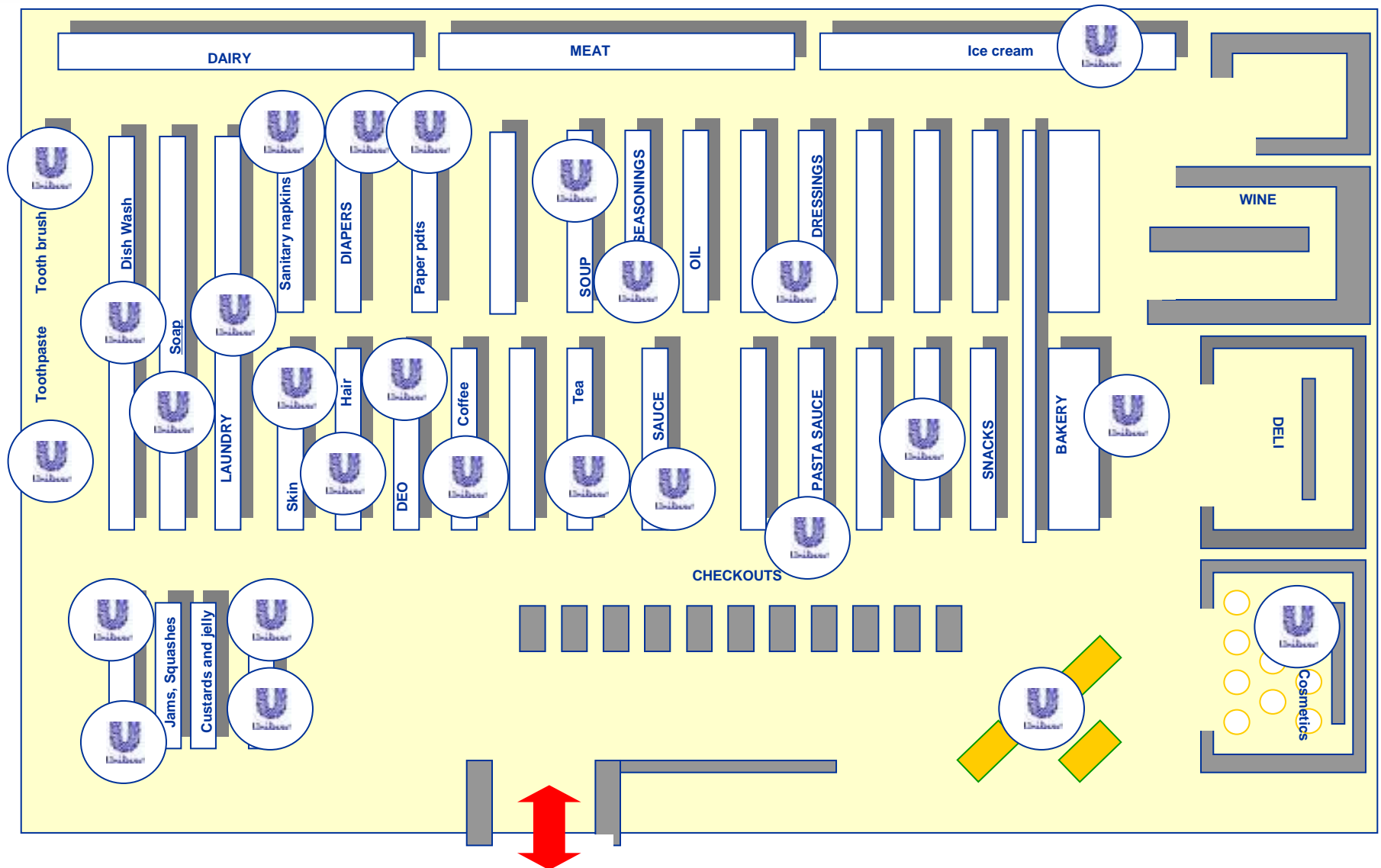


**HLL MT Market Shares are higher than its GT shares in most categories**

Source : Retailer POS Data & AC Nielson for FY 2005  
Comparison with Top 6 Metros in GT



# What sets us apart - Reaching Shoppers



# Project Shakti- Enabling Direct Rural Reach

- **Key Challenge:**
  - Accessibility & Viability
- **Initiative:**
  - Rural selling through village women entrepreneurs
  - and providing micro enterprise opportunity
- **Benefits**
  - Improving product reach
  - Facilitating Brand-Communication
- **Coverage:**
  - Currently in 15 major states, covering 104000 villages
  - 37500 Entrepreneurs; touching 100 mn rural lives
- **Ambitious future plans**



Rural India

Population	No. of villages	%
<200	140341	22
200-500	127054	20
501-1000	144817	23
1001-2000	129662	20
2001-5000	80313	13
>5000	15875	2
<b>Total villages</b>	<b>638062</b>	<b>100</b>





# Corporate Responsibility – Aiding in the Development of the Country



<b>Empowerment of Women</b> Project Shakti	<b>Happy Homes</b> Asha Daan, Ankur, Kappagam, Anbagam
<b>Relief &amp; Reconstruction</b> Yashodadham in Gujarat's Kutch district	<b>Integrated Rural Development</b> Silvassa
<b>Energy management</b> Conserving energy through efficient process	<b>Watershed management</b> Water harvesting in HLL sites, and helping communities to develop watersheds
<b>Sustainable agriculture</b> Reducing effects of modern farming in tea plantations	<b>Health &amp; Hygiene Education</b> Lifebuoy Swasthya Chetana
<b>Free Mobile Medical Facility</b> Sanjeevani in Assam	<b>Helping village entrepreneurs</b> Vindhya Valley project in Madhya Pradesh

**Combining corporate responsibility and business strategies to aid development of rural India**



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# Key Financials



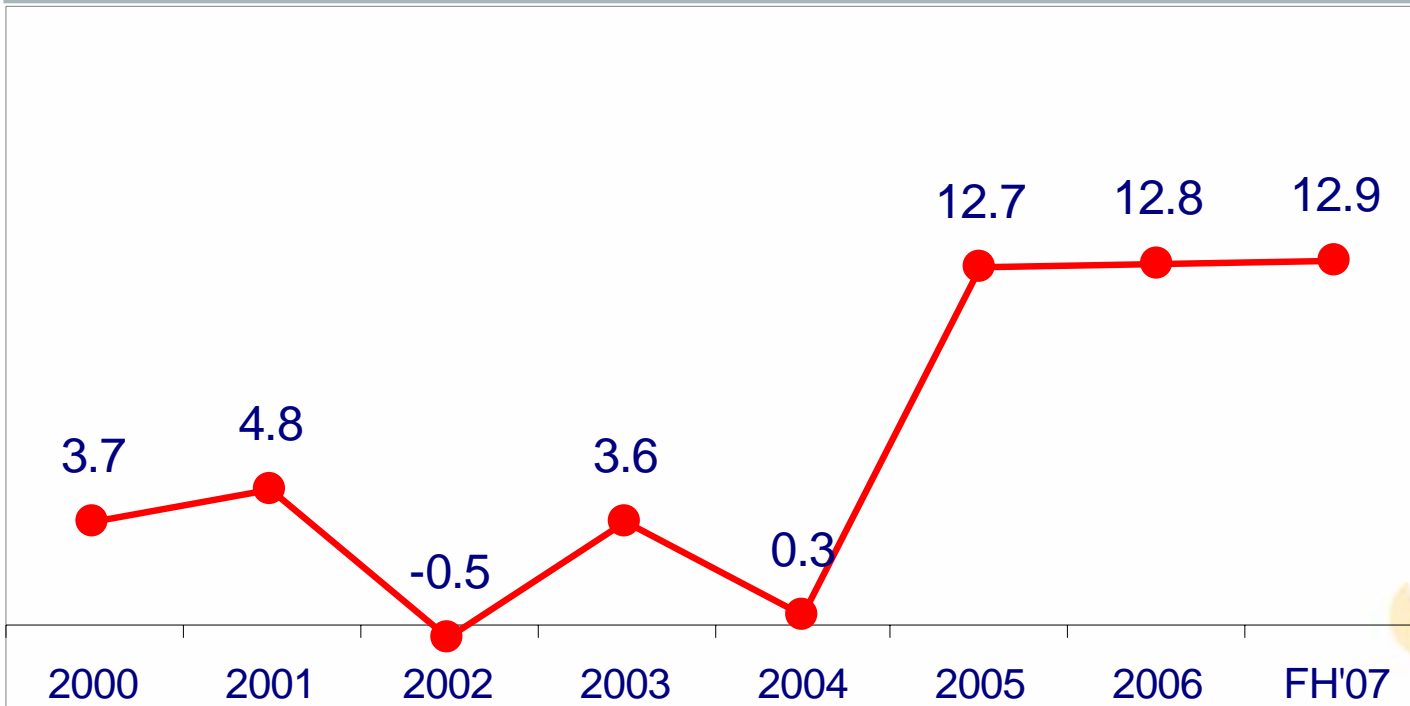
	FH 2007	FH 2006	2006	2005
Reported Growth	13.3	8.7	9.4%	11.4%
Continuing sales growth*	13.8	10.0	10.0%	11.5%
EBIT/ Sales %	13.3	12.8	14.1%	13.3%
EBIT Growth	17.4	21.9	16.2%	1.1%
Operating cash flow*			\$365 Mn	\$489 Mn

\* Before restructuring, disposal

As per audited financial statements of the company; accounting as per Indian GAAP

# Robust FMCG growth

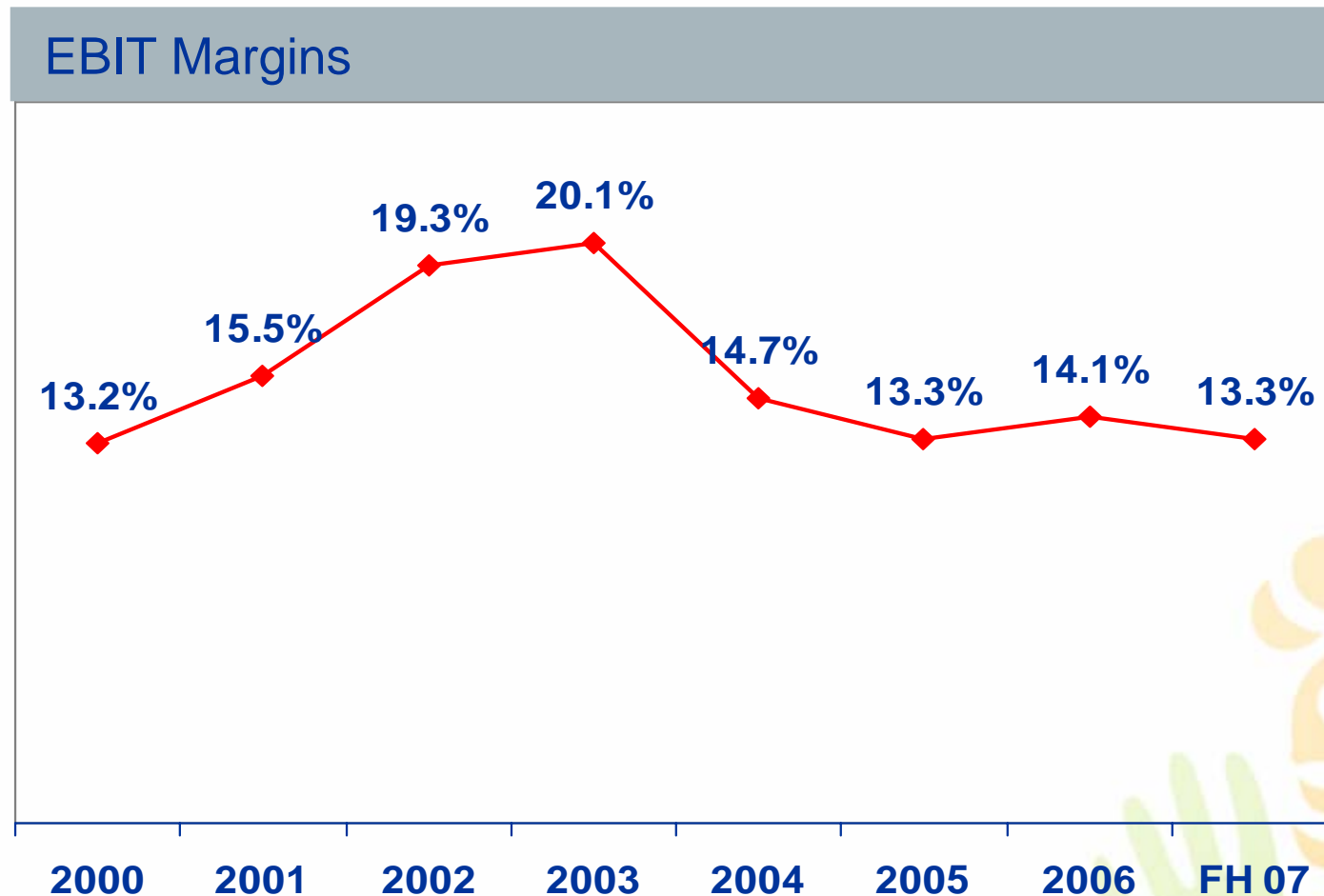
HUL FMCG Sales growth %



++ HUL has January - December financial year.

As per audited financial statements of the company; accounting as per Indian GAAP; Sales growth is worked out on a continuing basis i.e. after adjusting the base for disposals etc.

# EBIT Margins

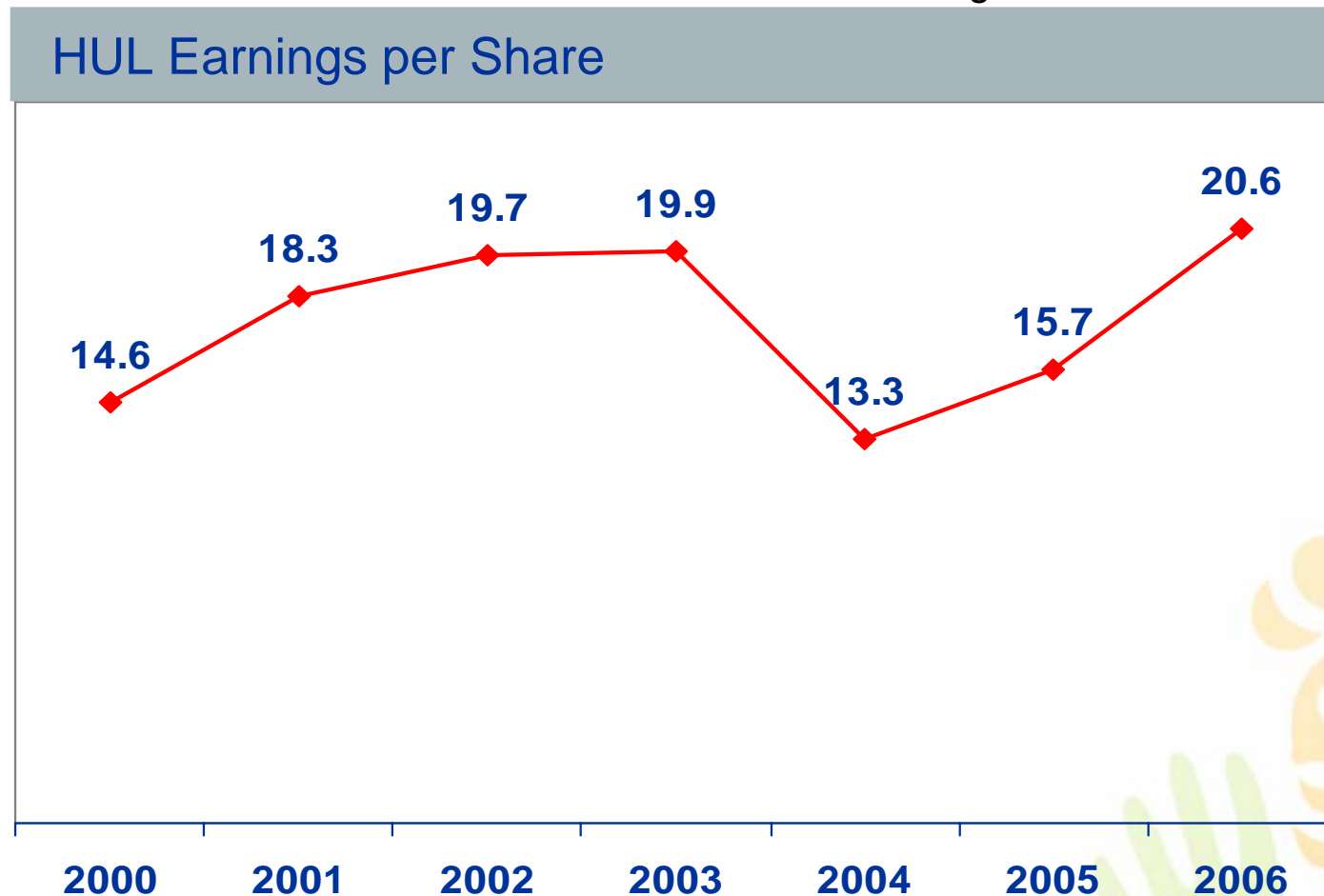


As per audited financial statements of the company; accounting as per Indian GAAP.  
Sales for the above calculations is Net sales (Gross Sales- Excise Duty)

# Earnings per Share



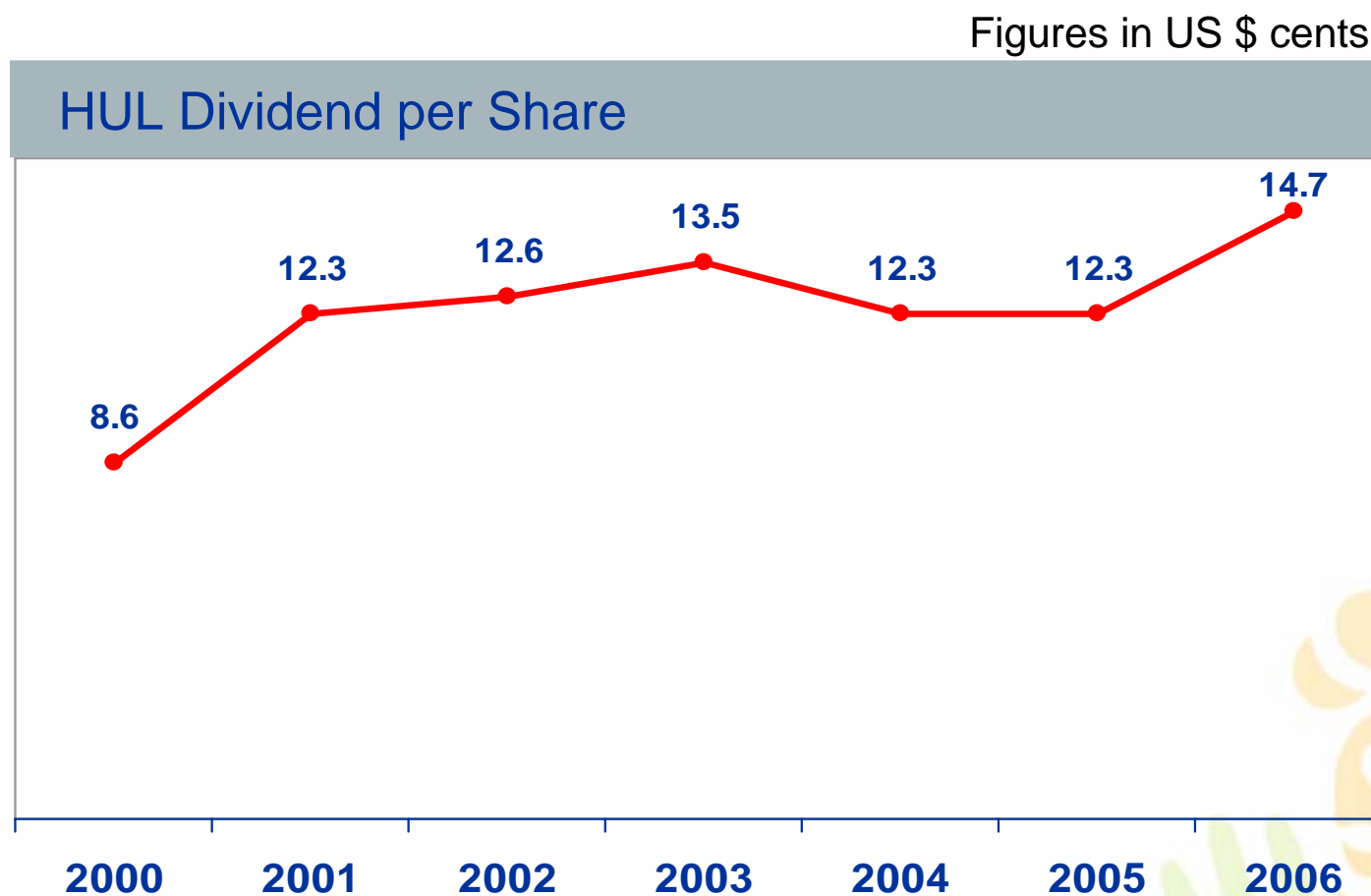
Figures in US \$ cents



As per audited financial statements of the company; accounting as per Indian GAAP

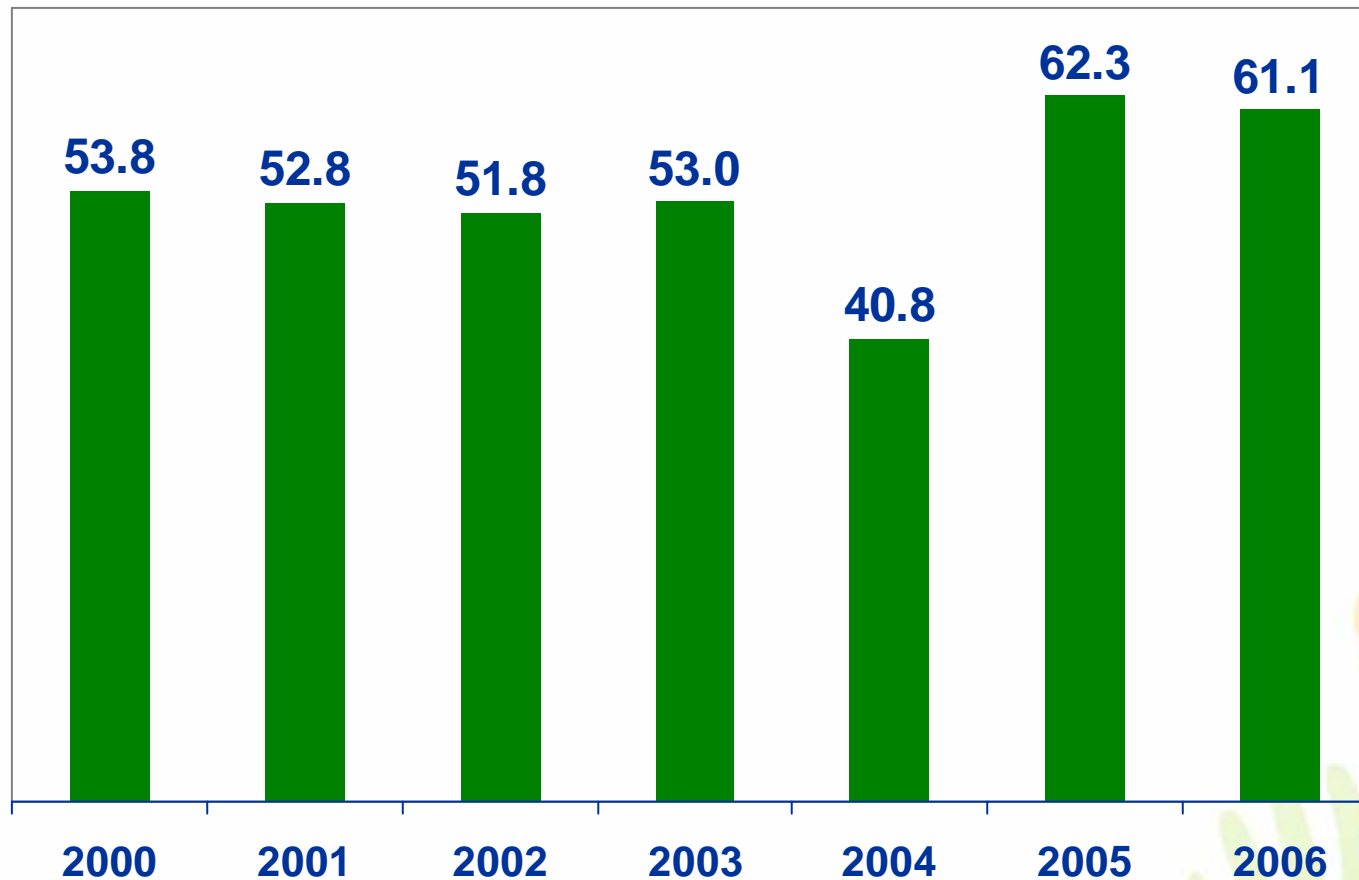
Earnings per Share= Net Profit (aei) /No. of Shares

# Dividend per Share



As per audited financial statements of the company; accounting as per Indian GAAP

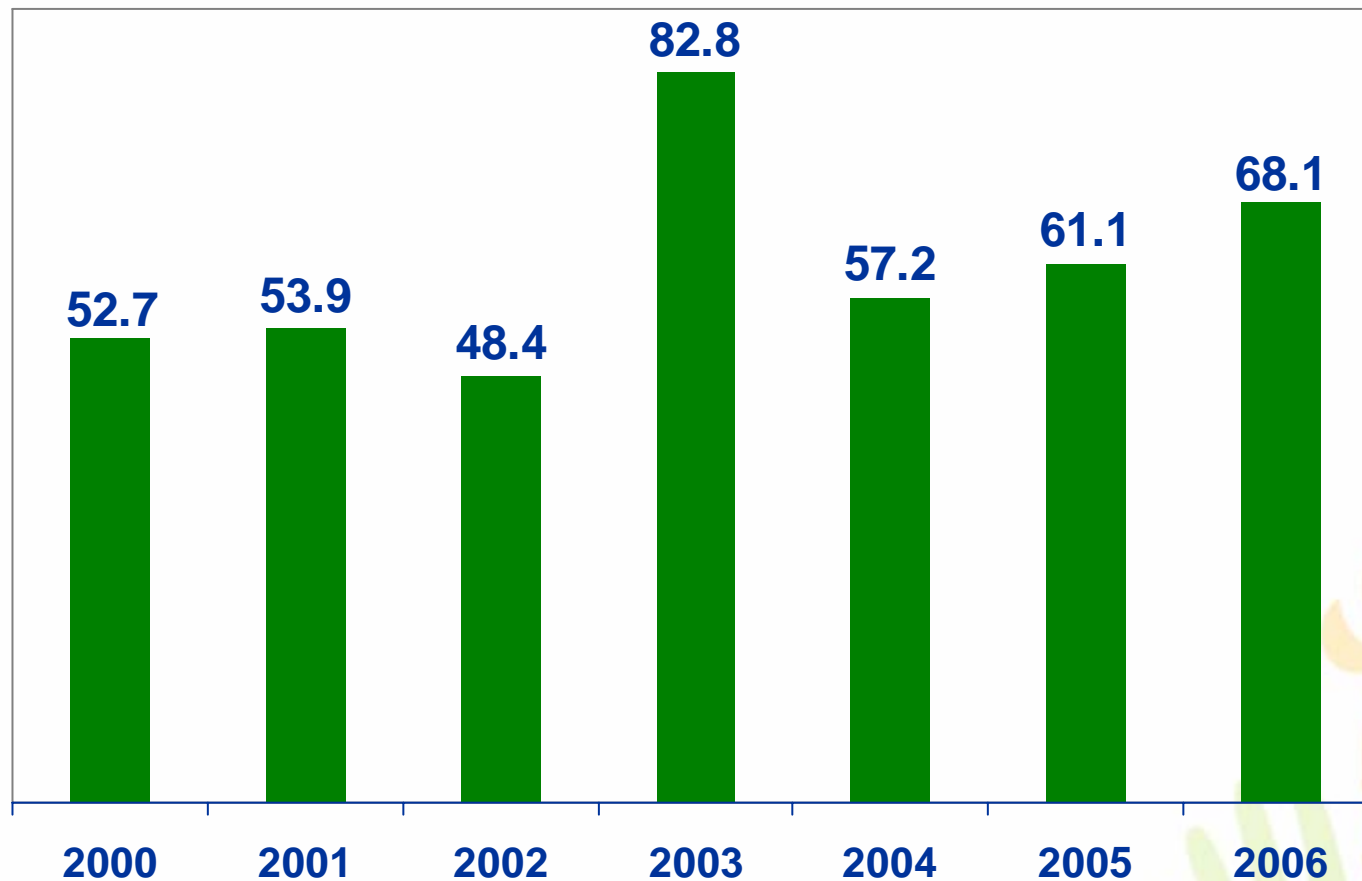
# Return On Capital Employed



As per audited financial statements of the company; accounting as per Indian GAAP  
ROCE= EBIT/Closing Capital Employed



# Return On Net Worth



As per audited financial statements of the company; accounting as per Indian GAAP  
ROCE= Net Profit (aei) / Closing Net Worth

# Agenda



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**Strategy and Markets**

# Strategy

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- Grow the Core ahead of Market
- Build on competitive advantage across the supply chain
- Implement new business strategy for Foods & Water
- Acquire and Retain Talent

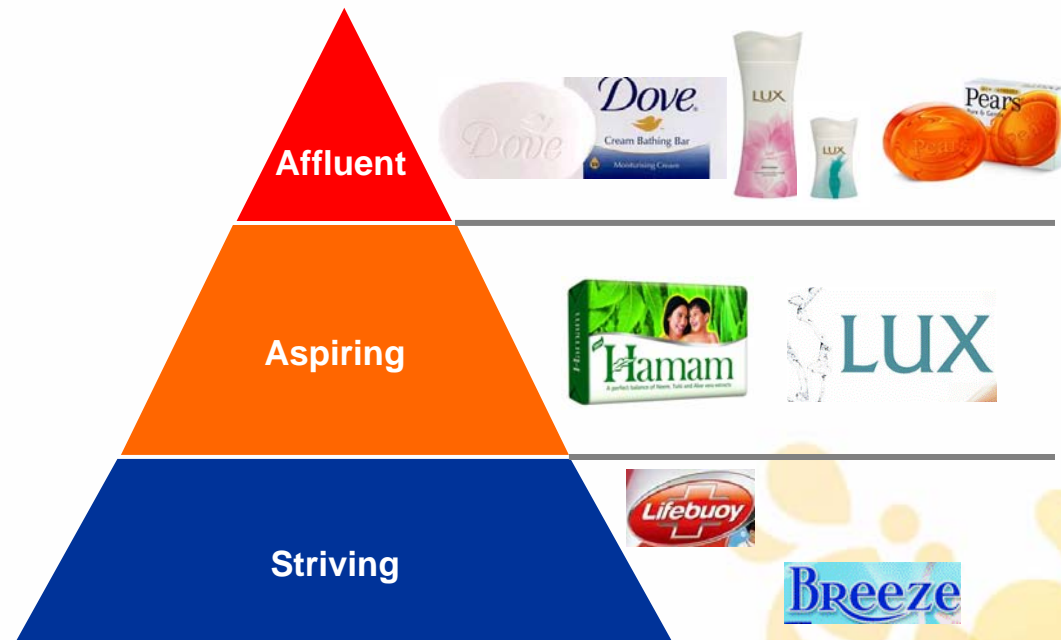


# Personal Wash

## Context

Category penetration - 92% ; per capita consumption - \$ 0.6 p.a. Market growth - 8 % ; Large market, low consumption levels (~1/7<sup>th</sup> of Brazil), a high potential for up-trading

Toilet Soaps	Current
Market Size	\$ 1496 Mln.
HUL Share	54.0%
No.2 Share	10.0%



## Our Strategy

To straddle the pyramid and move consumers up to more aspirational brands. Grow share by growing ahead of the Market

Source: AC Nielsen retail panel; Euromonitor

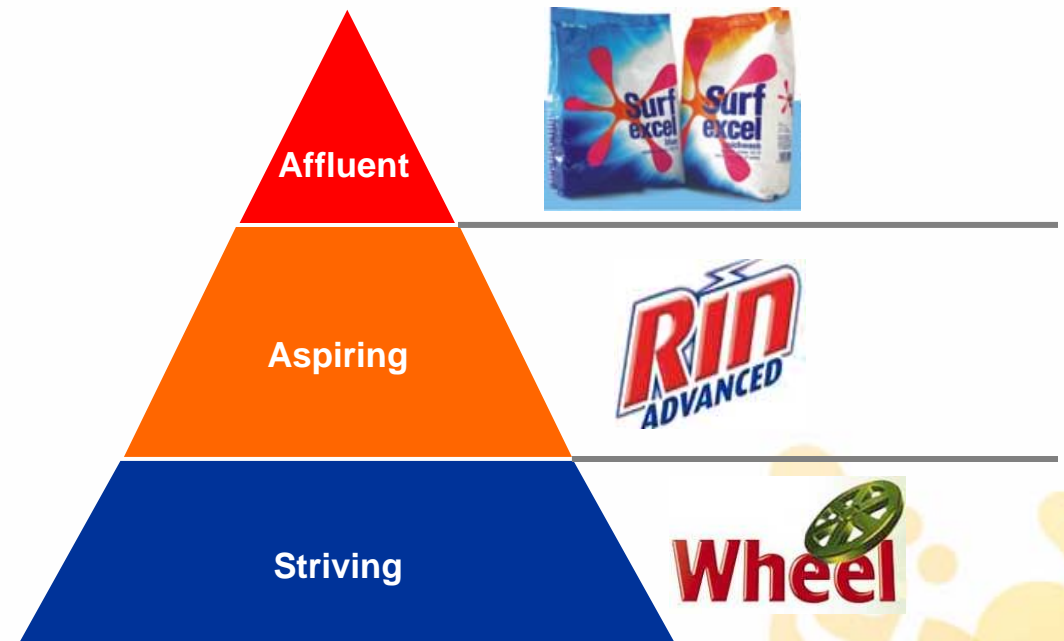
# Laundry



## Context

Category penetration - 87% ; per capita consumption - \$ 1.4 p.a. Market growth - 8 % Well penetrated market; Low consumption levels (~1/10th that of Brazil)

Laundry	Current
Market Size	\$ 1773 Mln.
HUL Share	37.8%
No.2 Share	13.5%



## Our Strategy

Work the pyramid; Grow profitably ahead of the market; Regain profitability through judicious price increases and cost effectiveness programmes

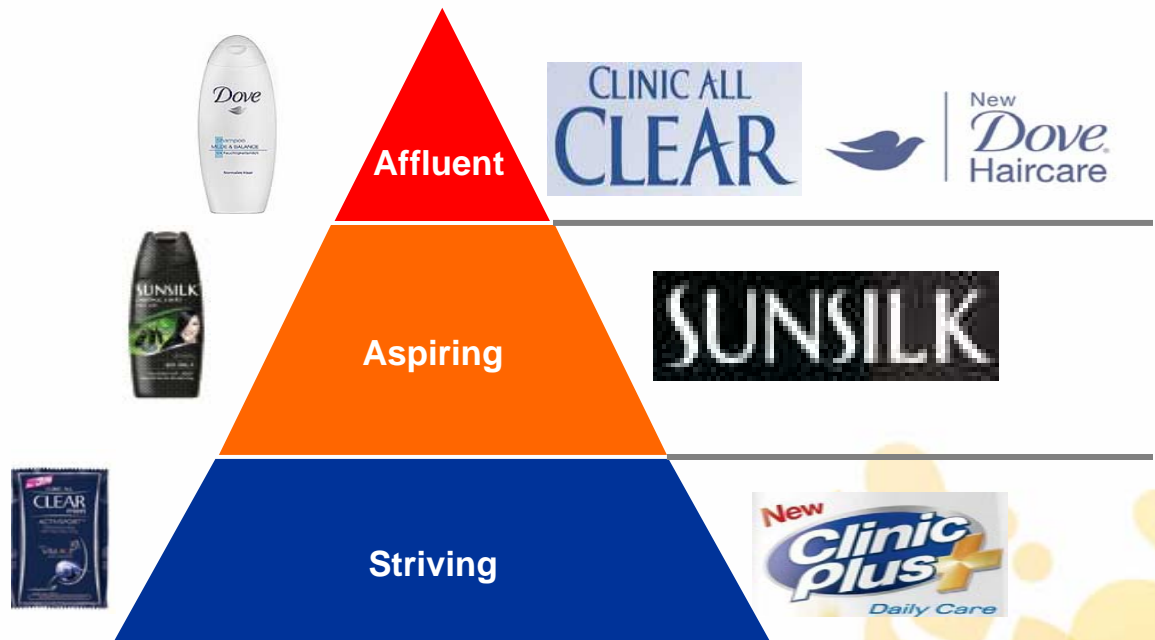
Source: AC Nielsen retail panel; Euromonitor

# Hair care

## Context

Category penetration - 38%; per capita consumption - \$ 0.3 p.a. Market growth - 13 % Largely untapped market unmet consumer needs

Shampoo	Current
Market Size	\$ 463 Mln.
HUL Share	47.5%
No.2 Share	24.8%



## Our Strategy

Work the Pyramid; convert non users & increase penetration; upgrade the existing users to aspirational brands

# Skin care



## Context

Category penetration -22%; per capita consumption - \$ 0.3 p.a. Market growth - 16 % Category with potential for accelerated growth

Skin	Current
Market Size	\$ 575 Mln.
HUL Share	55.1%
No.2 Share	7.5%



## Our Strategy

Grow the Top End market using Unilever's International Expertise; build Ponds as a Face care brand and Vaseline as a H & B brand; drive penetration and consumption using "Fair & Lovely"

Source: AC Nielsen retail panel; Euromonitor

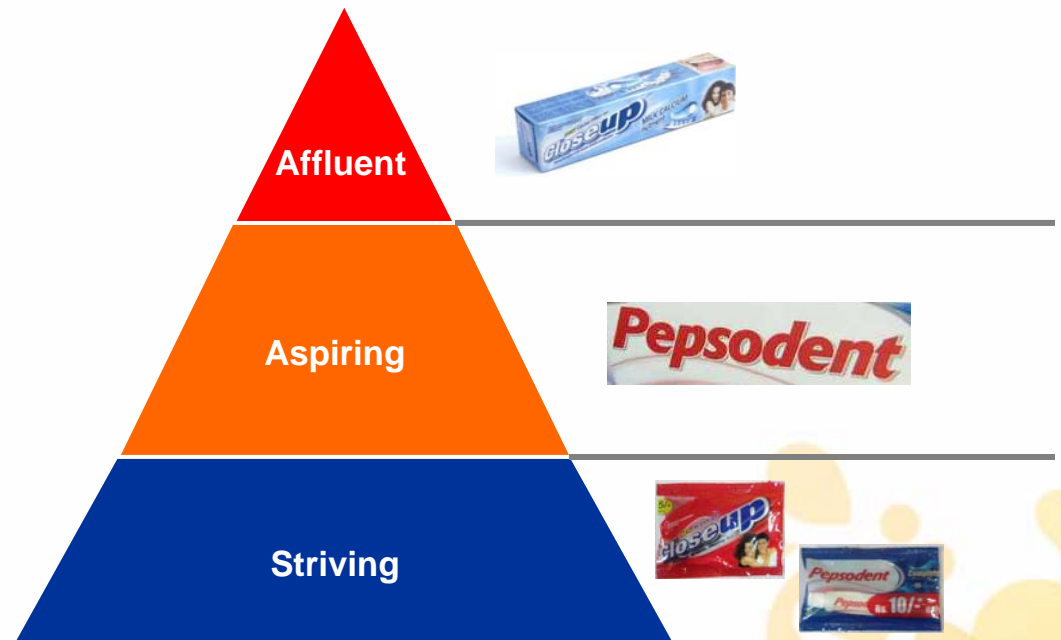


# Toothpaste

## Context

Category penetration- 49% ; per capita consumption - \$ 0.6 p.a. ; Market growth - 12%

Toothpaste	Current
Market Size	\$ 592 Mln.
HUL Share	30.0%
No.1 Share	48.2%



## Our Strategy

Grow with market with the our brands Close Up on freshness platform and Pepsodent on family & health platform

Source: AC Nielsen retail panel; Euromonitor

# Tea

## Context

Well penetrated category, 2/3rd of Tea consumed is Loose Tea/local form; Market growth – 17%

<b>Packet Tea</b>	<b>Current</b>
<b>Market Size</b>	<b>\$ 896 Mln.</b>
<b>HUL Share</b>	<b>24.3%</b>
<b>No.2 Share</b>	<b>20.7%</b>



## Our Strategy

Presence across the pyramid; drive up-trading of consumers; Convert loose tea drinkers to packet tea consumers;

Source: AC Nielsen retail panel; Euromonitor

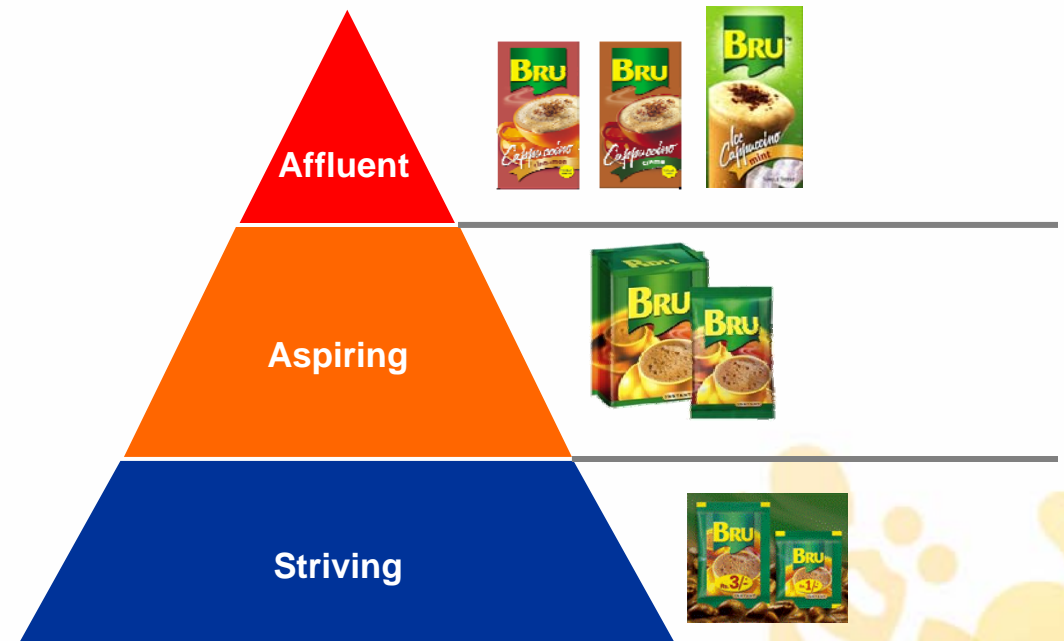
# Coffee



## Context

Coffee is emerging as a lifestyle beverage in the country with proliferation of Cafes and premium value add coffee formats  
Market Growth – 4%

<b>Toothpaste</b>	<b>Current</b>
<b>Market Size</b>	<b>\$ 153 Mln.</b>
<b>HUL Share</b>	<b>46.9%</b>
<b>No.2 Share</b>	<b>37.7%</b>



## Our Strategy

Format led innovation to drive penetration & consumption.  
Introduction of Low unit packs to drive penetration and adoption by the masses

Source: AC Nielsen retail panel; Euromonitor

# Processed Foods



## Context

Highly under-penetrated category; bulk of the consumption is still unpackaged



Processed Foods	Current
Market Size	\$ 14 Bln.
HUL Presence	Ketchups, Soups, Squash, Jams, Atta and Salt
Market Share	No. 1 or 2



## Our Strategy

Implement the foods strategy; Use of Unilever know how to cater to local tastes; Enter new exciting markets within the processed foods space

Source: AC Nielsen retail panel; Euromonitor

# Water



## Context

~ 220 Mln Households, where safe drinking water in short supply

**Proposition:** 'as safe as boiled water' without hassles of boiling  
no harmful virus, bacteria, parasites, pesticides  
Works without electricity & piped water



**Business model based on sale of consumables**

**Affordable price: Cost of Unit - ~\$ 39; Cost of battery - \$ 7**

**Being Rolled out across key towns and urban areas**



**COST**  
**220 liters of pure water for \$ 1**

## Our Strategy

Build brand image leadership & strong consumer relationship through effective communication; secure ongoing sale of consumables



# Key Innovations/Activations – FH'07

## Deos and mail Toiletries



AXE Vice Deodorant and After Shave

## Personal wash



LUX Pinkful, Breeze Herbal and Lifebuoy Skin gaurd

## Laundry



Rin Advanced , Sunlight

## Shampoos



Clinic All Clear Scalp Oil Control and Mens Range; Sunsilk Damage Repair Variant and Dove

## Toothpaste



Pepsodent Centre Fresh

# Key Innovations/Activations – FH'07

## Skin Creams



Lakme Sun Expert, Ponds White Beauty range, Aloe Vera Vaseline Body Lotion

## Talc



Pond's Talc Relaunch

## Colour Cosmetics



Lakme Freespirit Summer Range

## Tea



Red Label relaunch

## Coffee



Bru Ice Cappuccino

## CPD



Knorr Chinese Mixes

## Ice creams



Moo Range



# Summary

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- Focus on growing the core ahead of the Market
- Leverage the impact on the consumer from the growing Indian Economy
- Successfully implement the Foods strategy
- Build momentum to the Water Business
- Build on competitive capabilities across business system
- Manage Cost pressure effectively to improve margins
- Strong commitment to governance and CSR



The background is a vibrant gradient of orange and yellow. On the right side, there is a stylized illustration of a hand reaching upwards, with several concentric circles emanating from it. Below the hand, there are various organic, flowing shapes in shades of green and yellow, resembling smoke or abstract foliage. The overall composition is warm and expressive.

**Thank you**



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Investor Presentation

**Doug Baillie**

CEO

Hindustan Unilever Ltd.

19<sup>th</sup> September, 2007

