



Hindustan Unilever Limited

# Hindustan Unilever Limited

Investor Presentation  
Morgan Stanley's India Conference

**S Srinivasan**

VP treasury M&A and Investor  
Relations  
Hindustan Unilever Ltd.  
14<sup>th</sup> February, 2008



# Safe harbour statement



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# Agenda



Overview

India Opportunity

HUL - Uniquely Placed

Financials & Summary



# Agenda



## Overview

India Opportunity

HUL - Uniquely Placed

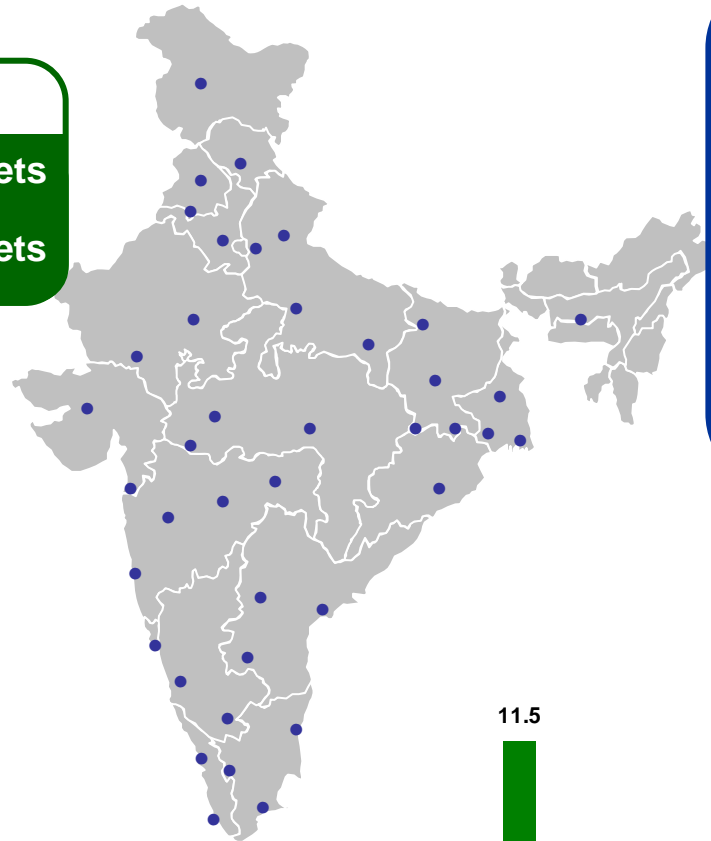
Financials & Summary



# Hindustan Unilever – a 75year history

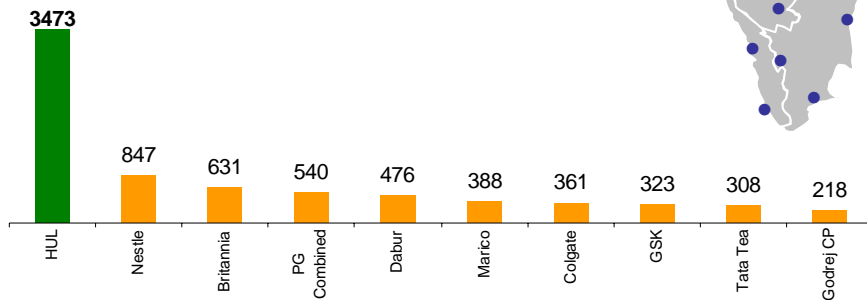


**Population 1027 Mln**  
**5,545 Towns      2.5 Mln outlets**  
**6,38,000 Villages    5.0 Mln outlets**

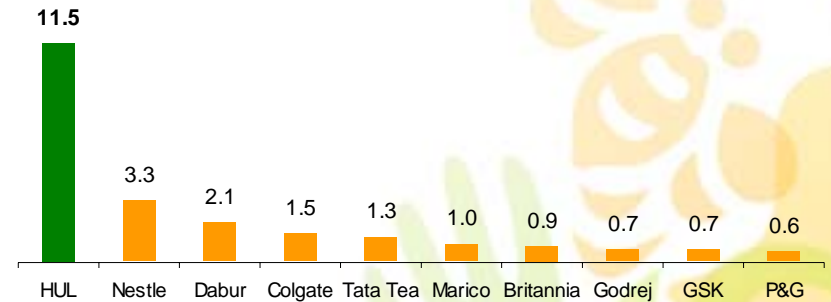


~ 15,000 employees  
 ~ 1,200 managers  
 ~ 2,000 suppliers & associates  
 ~ 75 Manufacturing Locations  
 ~ 45 C&FAs, 4,000 Stockists  
 ~ Total Coverage 6.3 Mln Outlets  
 ~ Direct Coverage 1 Mln outlets

**Turnover \$ Mln**



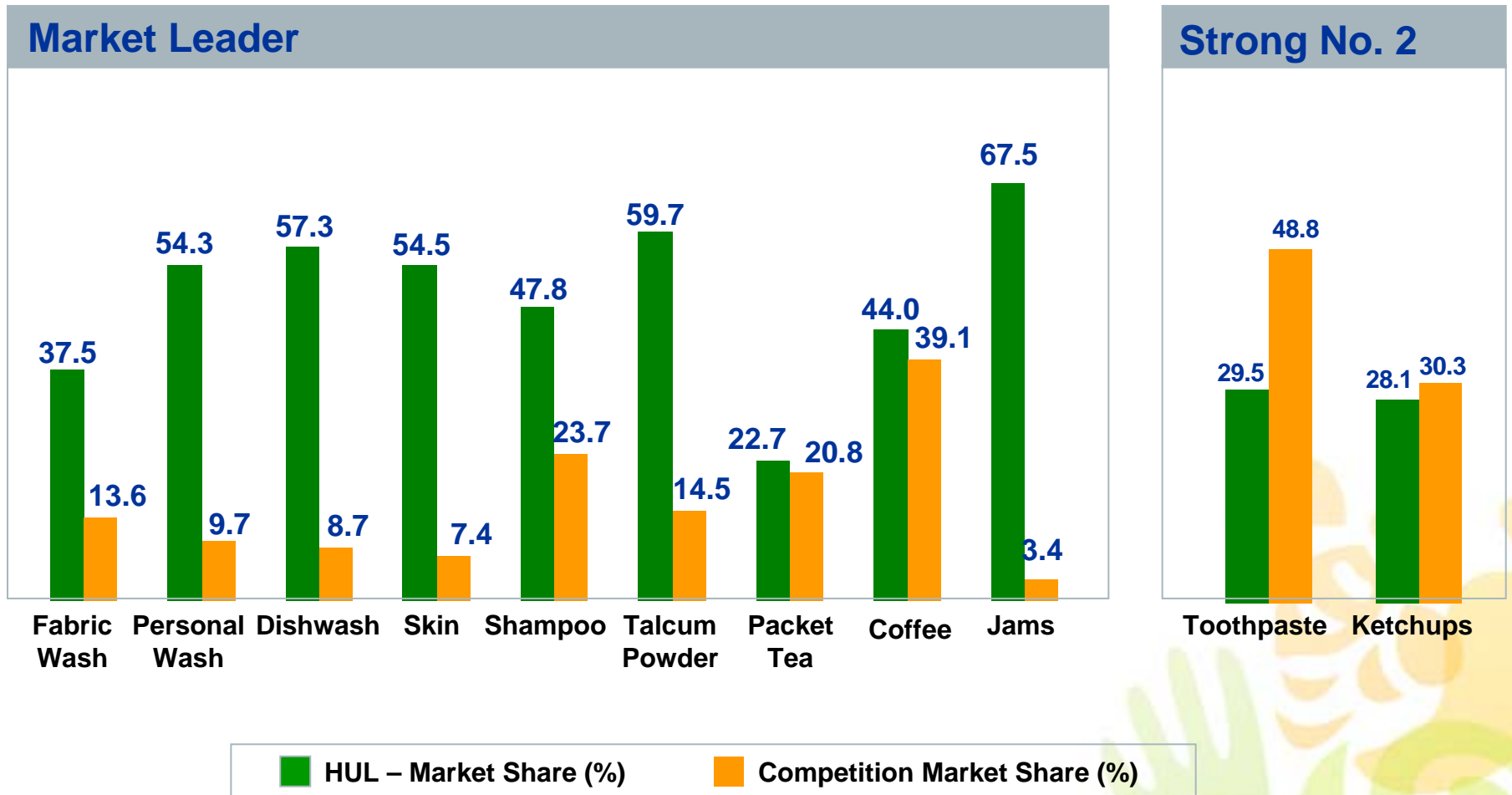
**Market Cap \$ Bln**



\* 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
- (3) P&G Turover estimated tuover of PG HH, PG HP and Gillette

# Leadership across Diverse FMCG Categories



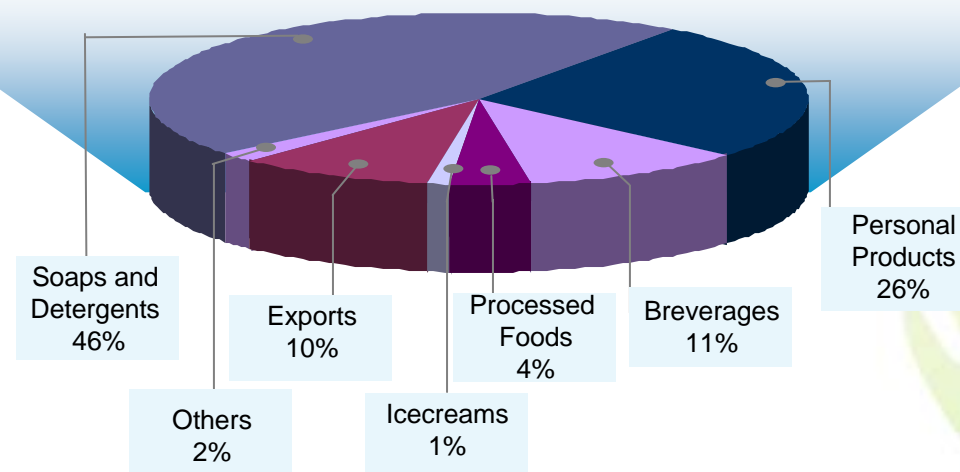
Source : A.C Nielsen - Quarter Ended Dec 2007 Value shares

# Financial Overview 2007



Mn \$

<b>Turnover</b>	<b>3473</b>
<b>EBIT</b>	<b>499</b>
<b>EBIT %</b>	<b>14.4%</b>
<b>PAT (bei)</b>	<b>448</b>
<b>Reported Profit</b>	<b>487</b>
<b>EPS</b>	<b>21c</b>
<b>Market Capitalisation</b>	<b>~11500</b>



\* Figures based on FY 2007 Audited Results ++ Market Capitalization as per NSE as on 6<sup>th</sup> Feb 2008

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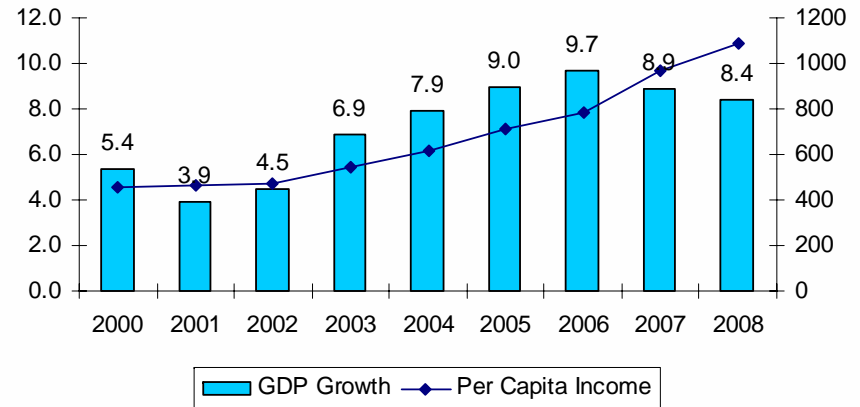
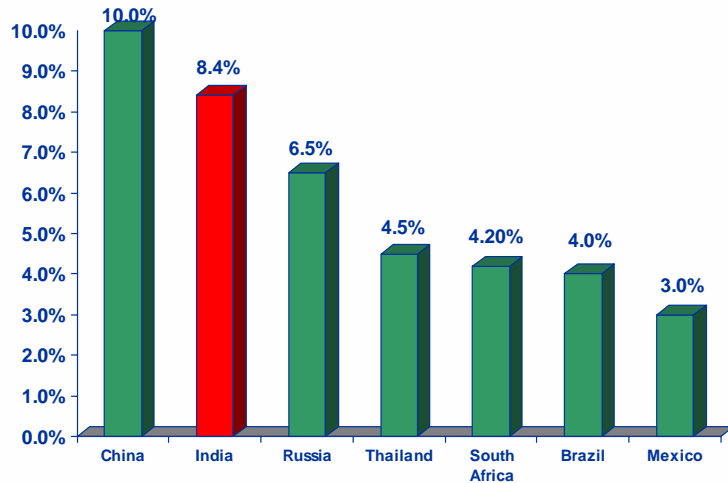
# Opportunities & Challenges



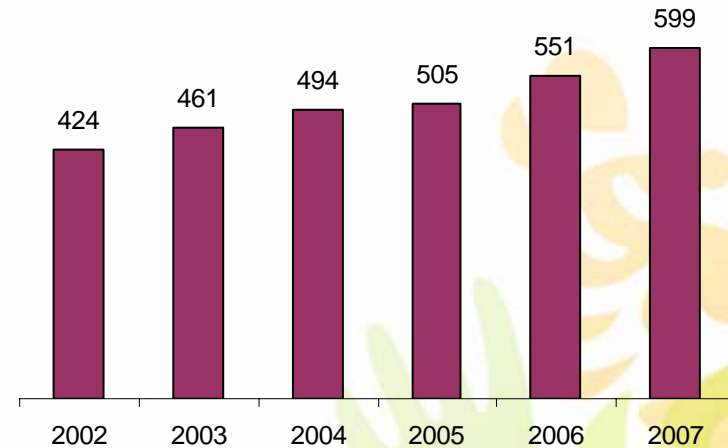
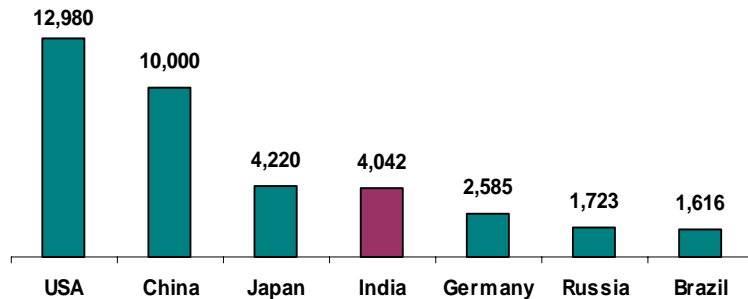
- India and its consuming class
- Increasing per capita income drives FMCG growth
- Opportunity to grow consumption and penetration
- Large scale potential to grow Foods
- Evolving trade structure



# India: Leading Emerging market Economy



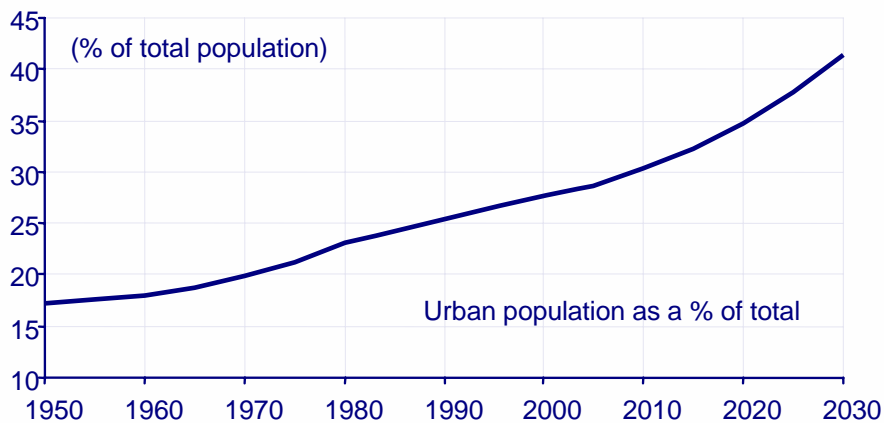
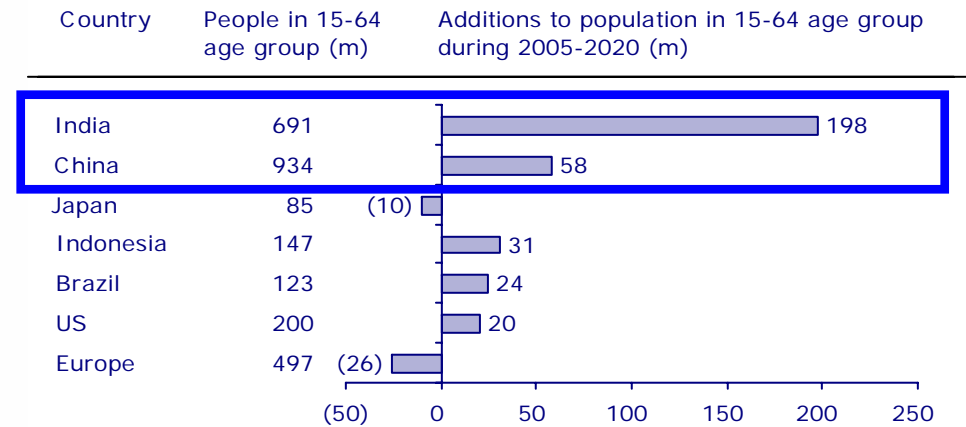
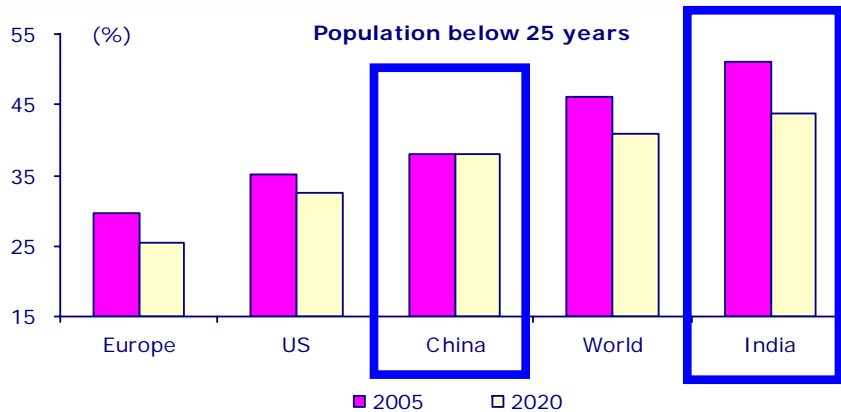
**Leading Economies in the World**  
*USD Billion (PPP basis, 2006)*



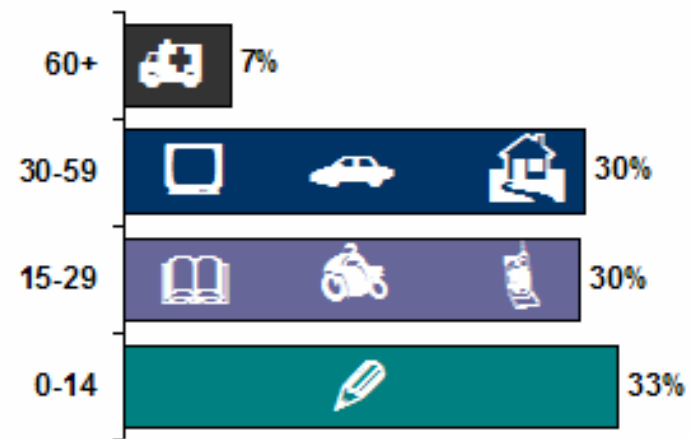
\* Source Euromonitor

Per capita Disposable Income (\$)

# Favourable Demographics

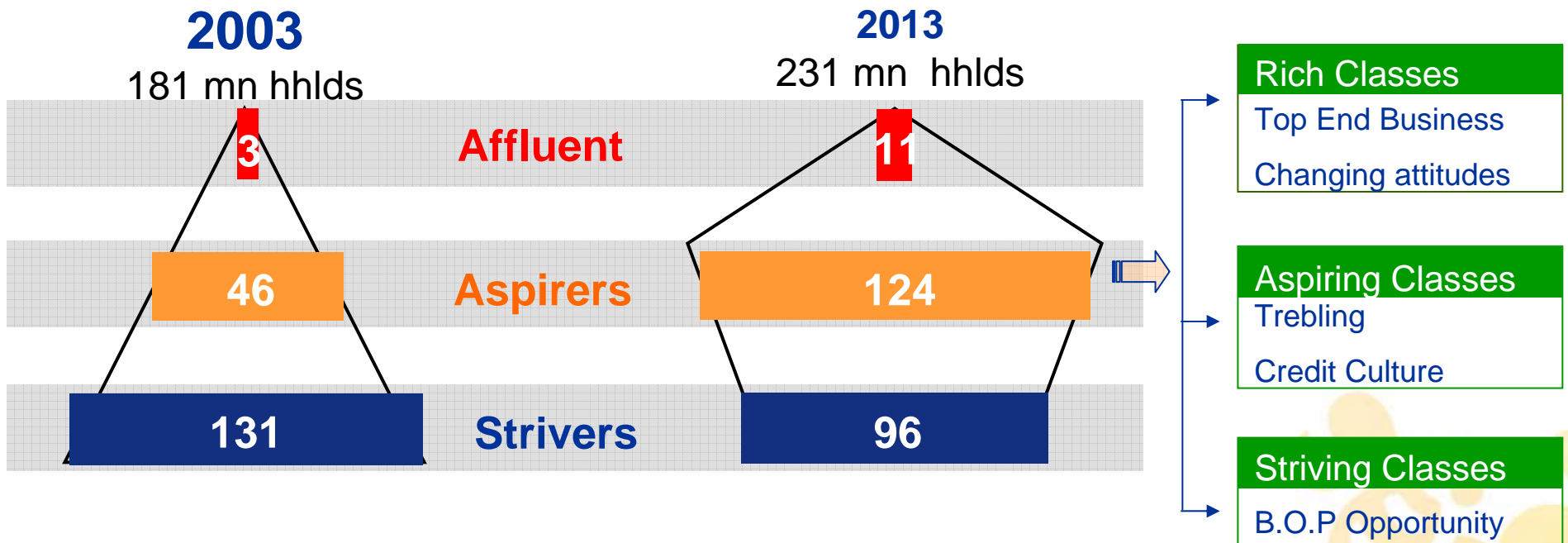


## Age-wise Population Distribution (2006)



\* Family Budget Study

# India - 2013

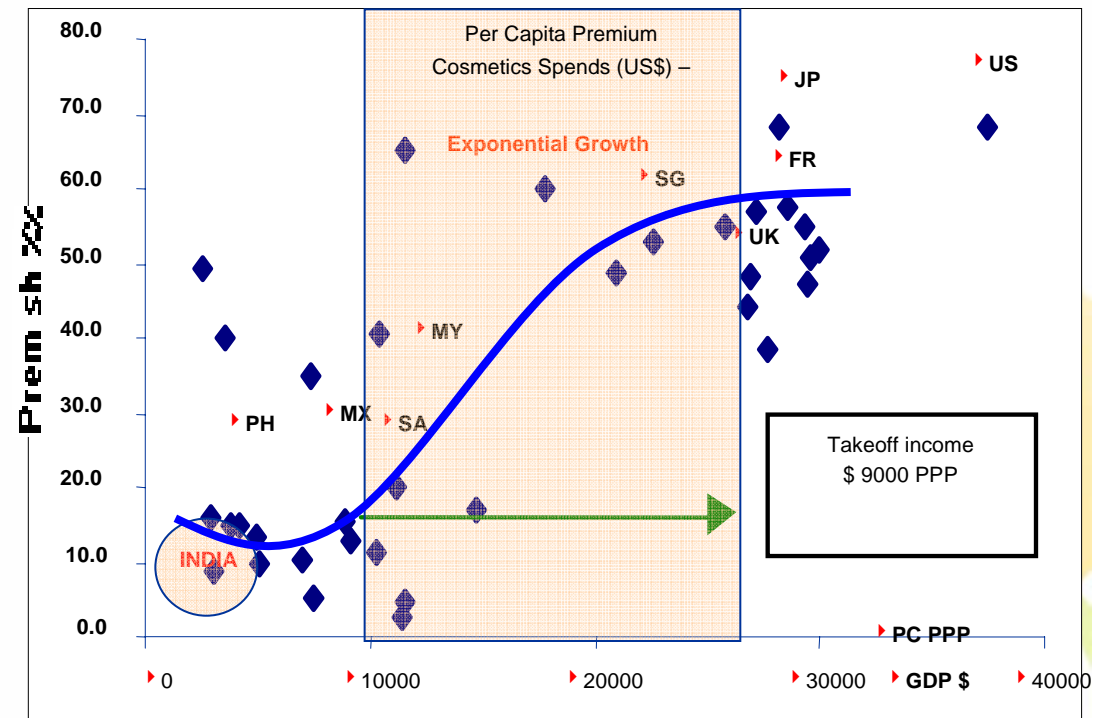


**The shape of India is going to change...  
from a pyramid to a diamond**

# Changing consumer attitudes



- These 11 Mln consumers have a purchasing power that is equal to that of Belgium
- Today's top-end consumer
  - grew up post the introduction of mass television(80's) and
  - started earning post liberalisation
- Today their aspirations are being driven by
  - Growing media sector (182 channels)
  - Freer import regime: presence of global manufacturers/brands
- Per Capita consumption increases significantly as income increases

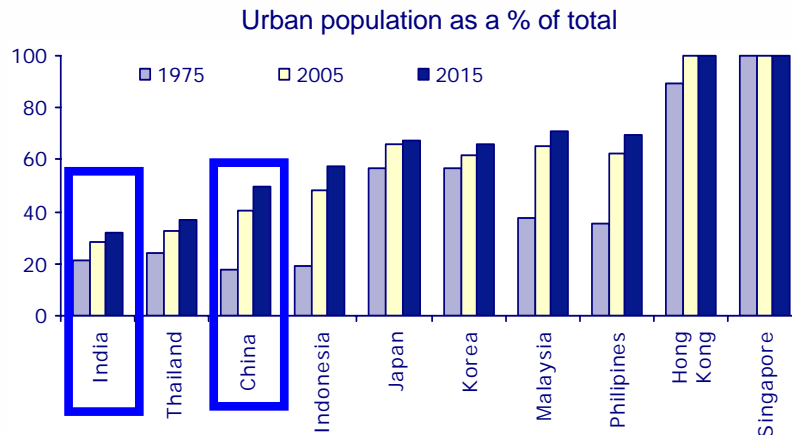


A market waiting to take off !

# Rural : The Big Indian Romance



- Rural population larger than Europe (800 million)
- Low growth in agriculture; However rural incomes are growing faster With 70% of the population here, income growth is critical
- Structural changes in the economy which are affecting this are
  - Disintermediation in the agricultural market Price discovery mechanism has benefited farmers.
  - Govt. Grants and subsidies. Employment grants – Rs 40000 crs



## 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>

Rural potential – \$ 500 Bln - McKinsey report

It's a big opportunity- how does one exploit it ?

# Evolving trade structure...



## Modern Trade



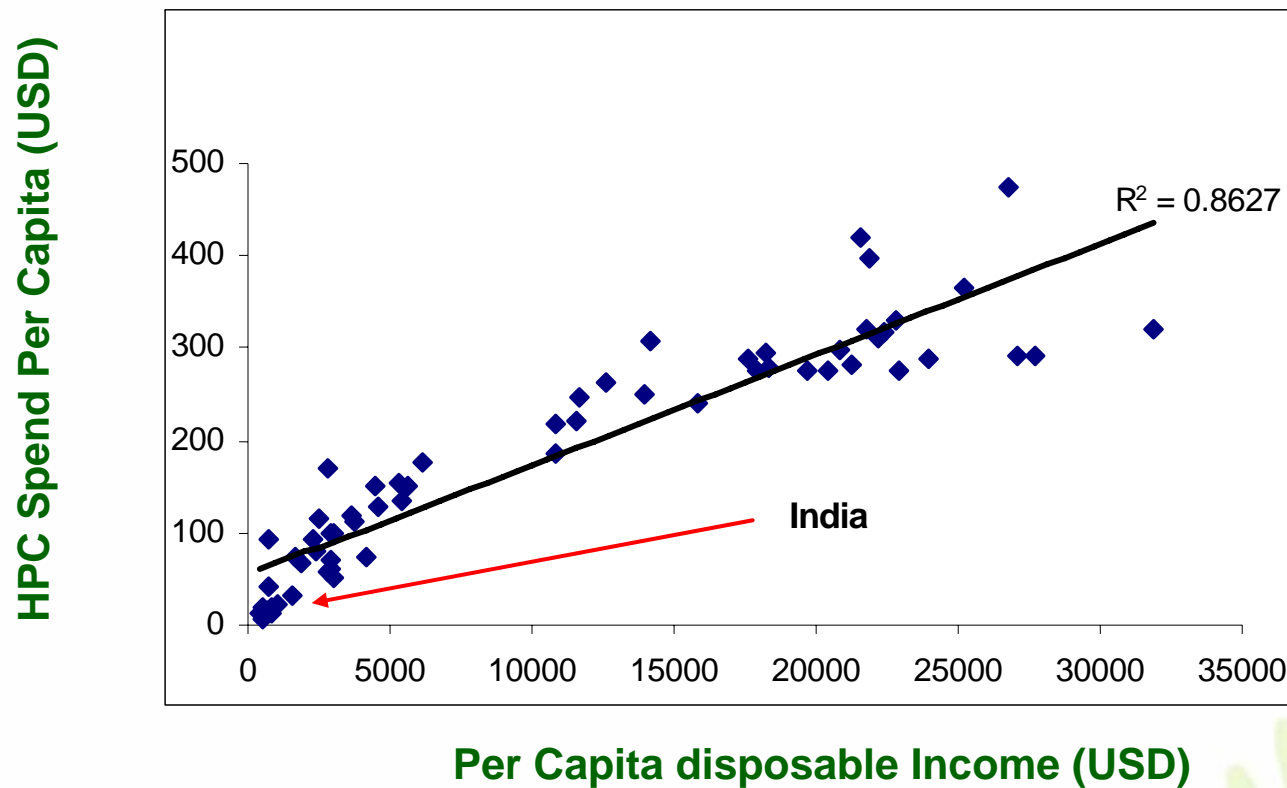
## General Trade



Year	Modern Trade	General Trade
2007	5%	95%
2010	10%	90%
2025	25%	75%

# Increasing per capita income drives FMCG growth

Disposable income per capita vs HPC spend per capita



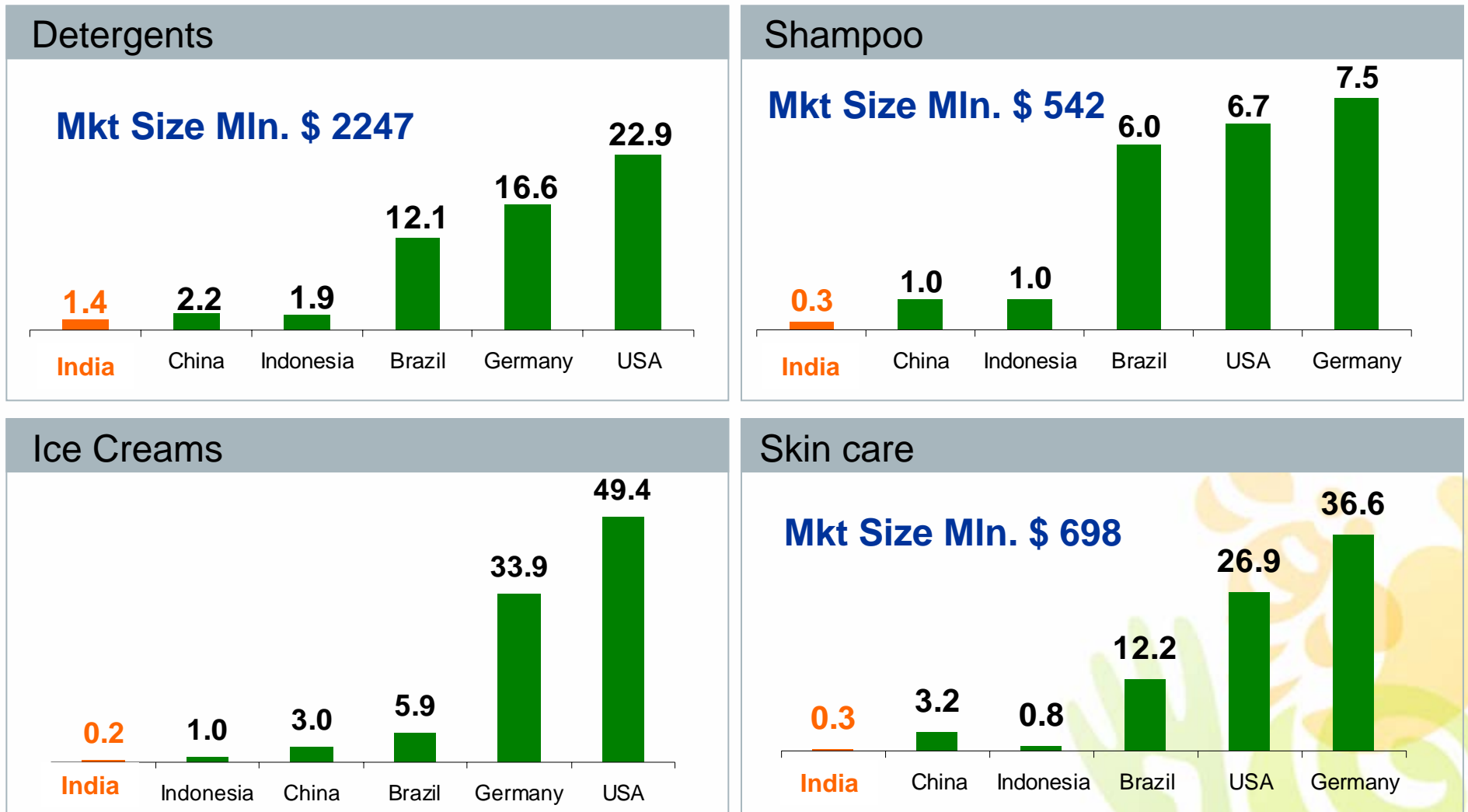
**Per capita incomes drive consumption**

Source: Euromonitor, Morgan Stanley Research' 2006



# Opportunity to grow consumption

Per Capita Consumption (US \$ )



Source : Euromonitor, 2006

# Opportunity to grow 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

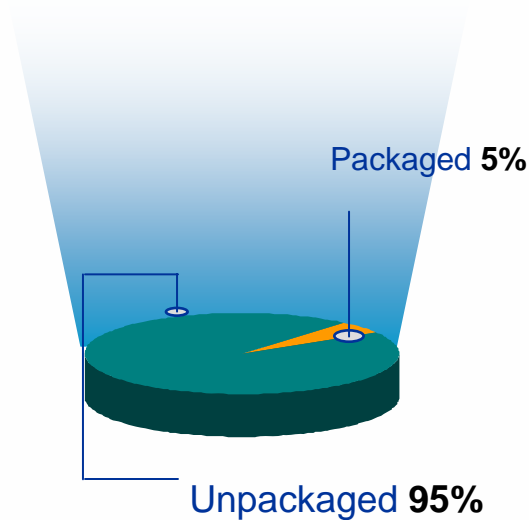
Source : MRUC, Hansa Research - Guide to Indian Markets 2006

\*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...

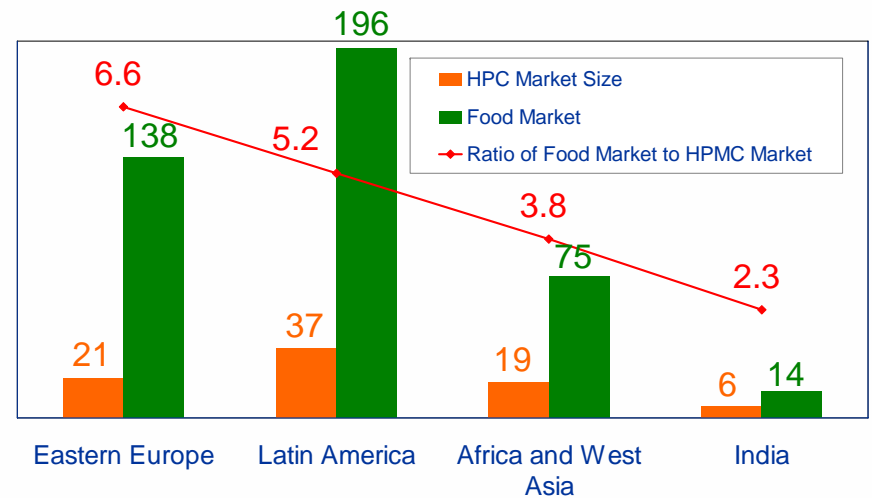


- Packaged Food Market \$14 Billion
- Largely Urban (80%), rapid historical growth: 13%
- Poised to accelerate: Income Elasticity of 1.33



Source: Euromonitor, Family Budget Study

Bln. \$



But bulk of food is still consumed fresh....unpackaged

# Agenda



Overview

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**HUL - Uniquely Placed**

Financials & Summary



# HUL – Uniquely Positioned to Create Value

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- Our Strategy
- Competitive Strengths
- Innovation and R&D capabilities to straddle the pyramid
- Versatile distribution network
- Strong Corporate Responsibility and Governance
- Strong Local talent base



# Our vision

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



# Our Strategy



- **Grow ahead of the market by leading market development activities**
- **Leverage positive impact of growing Indian economy on consumer spending**
- **Grow a profitable foods and Top end business**
- **Grow the bottom-line ahead of top line**
- **Strong commitment to sustainable development**



# An unmatched brand portfolio



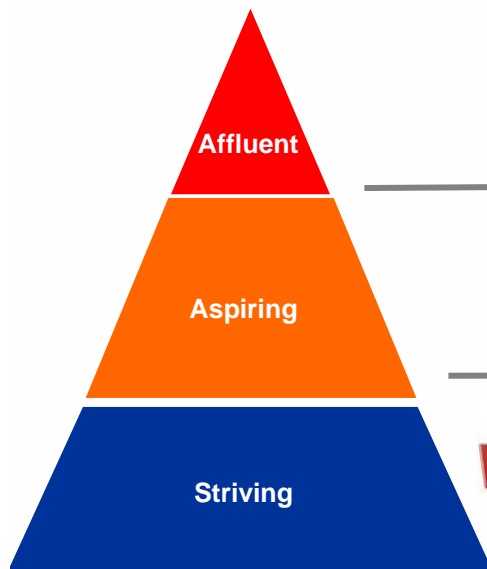
6 MEGA BRANDS ~ \$ 150 to 200 mn each, 53% FMCG portfolio





# Portfolio straddling the pyramid across categories

Particulars	Laundry	Soaps	Shampoo	Skin	Toothpaste	Tea	Coffee
Market Size - \$ mln	2247	1658	542	698	691	1113	177
HUL Share	37.5%	54.3%	47.8%	54.5%	29.5%	22.7%	44.0%
Nearest Competitor	13.6%	9.7%	23.7%	7.4%	48.8%	20.8%	39.1%



# Category Leadership: Laundry



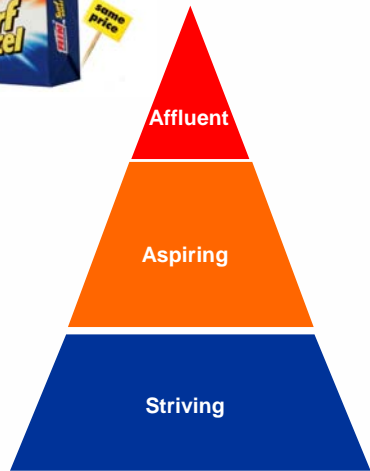
**YEHA DAAG HATAAO. SCHOLARSHIP JEET JAAO!**

There's a great prize to be won with Surf Excel 10/10...  
 If you get 10/10 you win a Rs. 10,000 scholarship...  
 If you get 9/10 you win a Rs. 5,000 scholarship...

**WIN 5-LAKH SCHOLARSHIP**  
**WIN 10,000 SCHOLARSHIP**

**10/10 CONTEST**

**Rin Supreme ban gaya Surf Excel bar**



**सूखा रहे रिन. चले ज्यादा दिन.**

Mrs. Sharma saves two buckets of water everyday with Rin Supreme.

**WANT YOUR CHILD TO BE IN THE NEXT SURF EXCEL AD?**

Mark  your most difficult to clean area from these 10 and your child & you could feature in the next Surf Excel print ad!

**Surf Excel 10/10**  
 removes stains

# Strong Global Brands: Dove Hair Care

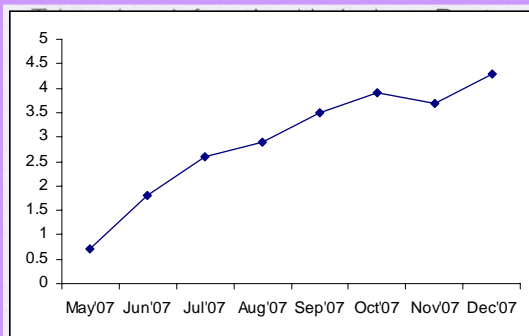


## VERDICT



Zero, the perfect score for  
beautiful hair

### Top 23 Cities



### DOVE DAILY THERAPY

**HOW IT WORKS:** Provides moisturisation and active protection. It's mild, making it ideal for daily use.  
**THE RANGE:** Shampoo and Conditioner

### THE RESULTS...

**Varsha Jethwani, Homemaker**  
“Dove Daily Therapy is perfect for me because I wash my hair frequently in summer. It's gentle on the hair and gives a soft feel even while washing. The conditioner also makes the hair smooth. Together they nourish the hair and give it a healthy shine. I really love it.”



### DOVE DRY THERAPY

**HOW IT WORKS:** Formulated to restore lost moisture and smoothness. Helps deal with frizz and makes dry hair manageable.  
**THE RANGE:** Shampoo and Conditioner

**Binal K Shethia, Homemaker**  
“Dove Dry Therapy Shampoo offers an excellent lather and has a great scent. The best thing is that the hair remains smooth for a couple of days after the wash. It has worked wonders on my dry hair and given it an amazing shine. My mom-in-law has started using it too, seeing the results on my tresses.”



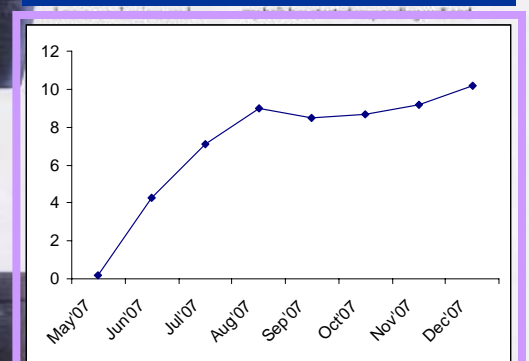
### DOVE BREAKAGE THERAPY

**HOW IT WORKS:** Its unique 'repairing serum' takes care of accumulated damage.

### THE RESULTS...

**Monica Sharma Patilwar, Assistant Brand Manager**  
“My hair goes through a lot of wear and tear thanks to my hectic schedule. I've tried and tested different products. What I liked about Dove

### Modern Trade



# Building Category: Ponds Top End

- Superior Product
- Well trained Beauty Advisors
- Product Knowledge
- Skin Analysis methodology
- Creating Awareness among the target consumer



- 98+% feel Ponds Age Miracle has made a visible difference to them
- Gained ~1.5% market share in 6 months post launch

# Building category- Processed Foods

Large snacking moments

Snacking incidence	
Snack	% HHlds
Potato Chips	37
Mixture	43
Bhajiya	27
Muri (east)	27

... but low ketchup penetration

Hhld Panel	Penetration
Ketchup	17%

	North 21%	
West 16%	Metros 31%	East 25%
	South 7%	

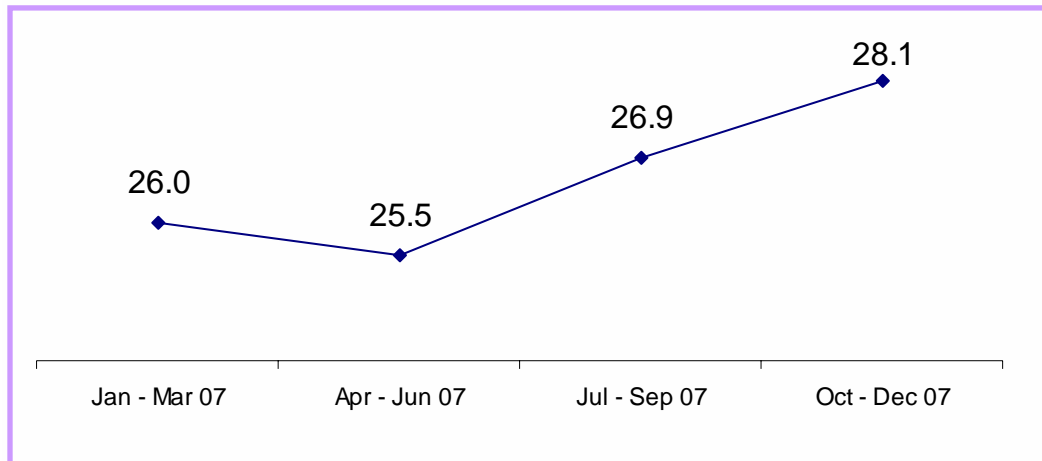
Conversion from home made dips in ethnic snacking occasions



Chatakdaar



Launched in Q407



# Growing 'Out of Home' Opportunity






**Growing incidence of Out of Home consumption Creating a Large & Growing Market**

- 58% LSM 8+ consumers work between 9 a.m. to 6 p.m.
- Market in Premium channel estimated at 1500 cr. Growing at 23% p.a.

**HUL uniquely poised to unlock the opportunity**

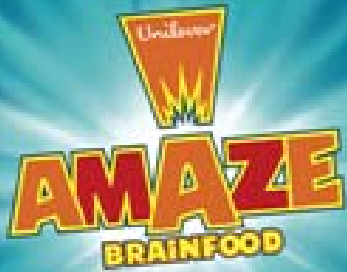
- Dominant presence in both tea coffee & soup
- Currently serve 1.7 bill cups per annum

**Appropriate customer/ consumer solutions to unlock value**

Segment	Solution	Products
Topend		Connoisseur Tea Bags, Turbo Tea
Masstige	 	Freshly brewed coffee, Ice Tea & Cold coffee
Penetration	 	Cardamom Tea, Bru Coffee, Tea Bag Tea

**Leverage key relationships for accelerated growth:**

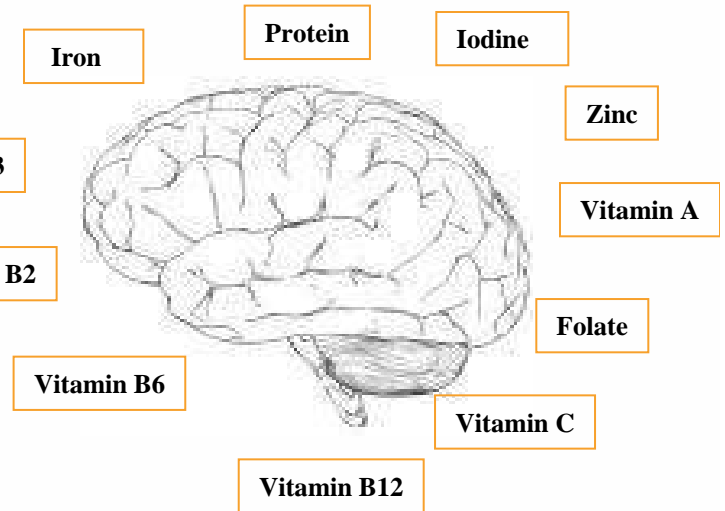




# Amaze: Brain Food

- **What Scientist say:**

- The school-going period is a critical period for a child’s brain development
- Functions like reasoning, problem solving, planning, memory develop at this age.



- **Why Amaze:**

Each serving provides the right type of brain nutrients, in the right combination, giving children 33% of the daily required dosage for their mental development.”

Iron	= half Kg of spinach
Vitamin C	= 1 orange
Vitamin A	= 2 mangoes
Calcium	= 4 boiled eggs
Vitamin B6	= 4 tomatoes
Folate	= 1 cup of cooked rice

Every product also includes Omega 3&6, which are building blocks of the brain.

# 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 - ~\$ 45; Cost of battery - \$ 7**

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



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

## Our Strategy

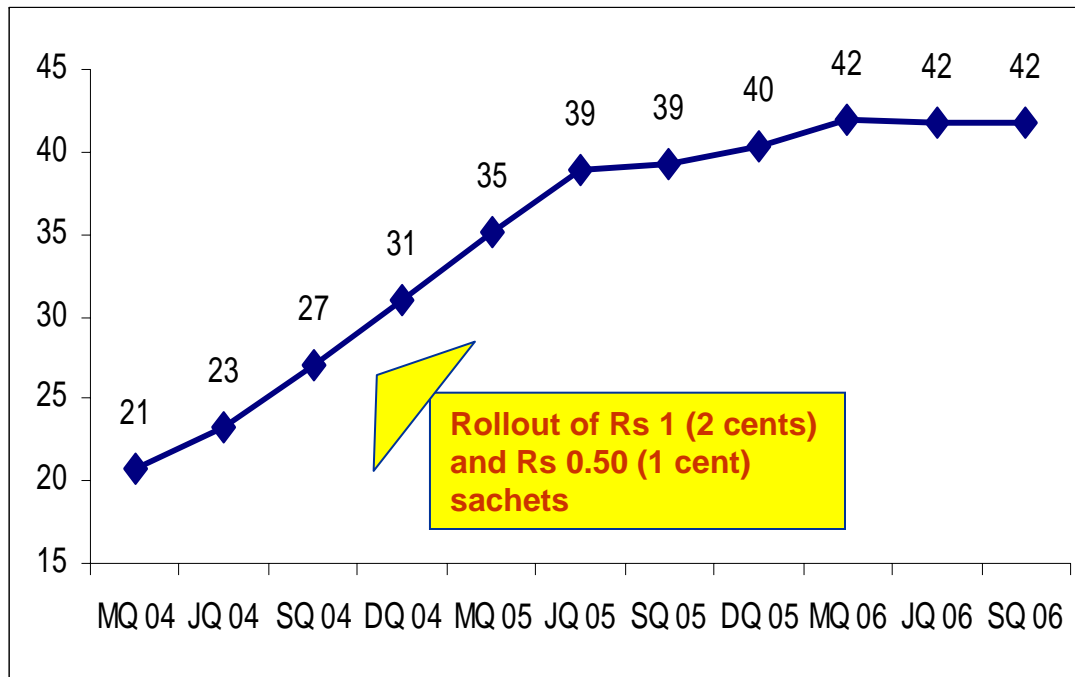
Build brand image leadership & strong consumer relationship through effective communication; secure ongoing sale of consumables



# Opportunity from increased penetration

Unique innovations & promotions to drive category penetration

Rural shampoo penetration : % households bought once/quarter



Low price shampoo sachets have helped drive category penetration

# Innovation and R&D capabilities



- HUL leads global research in Oral, Skin and Laundry
- Some achievements:
  - Single Shot Soap making process
  - Skin Lightening Cream
  - Non Soap Detergent Bars
  - Poly coated Dish Wash Bar
  - Drinking water purifier (Pure-It)
  - Amaze



# Winning with “Go to Market Approach”

<b>Total population (In Bln.)</b>	<b>1.1</b>
<b>Number of Retail Stores (Mlns)</b>	<b>7.74</b>
<b>FMCG Market (Annual, \$ Mln)*</b>	<b>16448</b>
<b>Urban : Rural Ratio</b>	<b>67:33</b>
<b>FMCG Growth (Value %)</b>	<b>11</b>
<b>Store Density (Stores Per 1000 People)</b>	<b>6.8</b>
<b>Per Capita FMCG Spend (Annual,\$)</b>	<b>14.5</b>

## Distribution Strength

**Direct coverage – 1million outlets**  
**Brands reach – 6.3 million outlets**

**Strong IT capability, end to end connectivity**

**Unique channel Initiatives to Win at “Point of Purchase”**

**Portfolio of category and Brands give unique reach in Modern Trade**

**Project Shakti, a competitive advantage in Rural India**

***HIGHEST STORE DENSITY IN THE WORLD !***

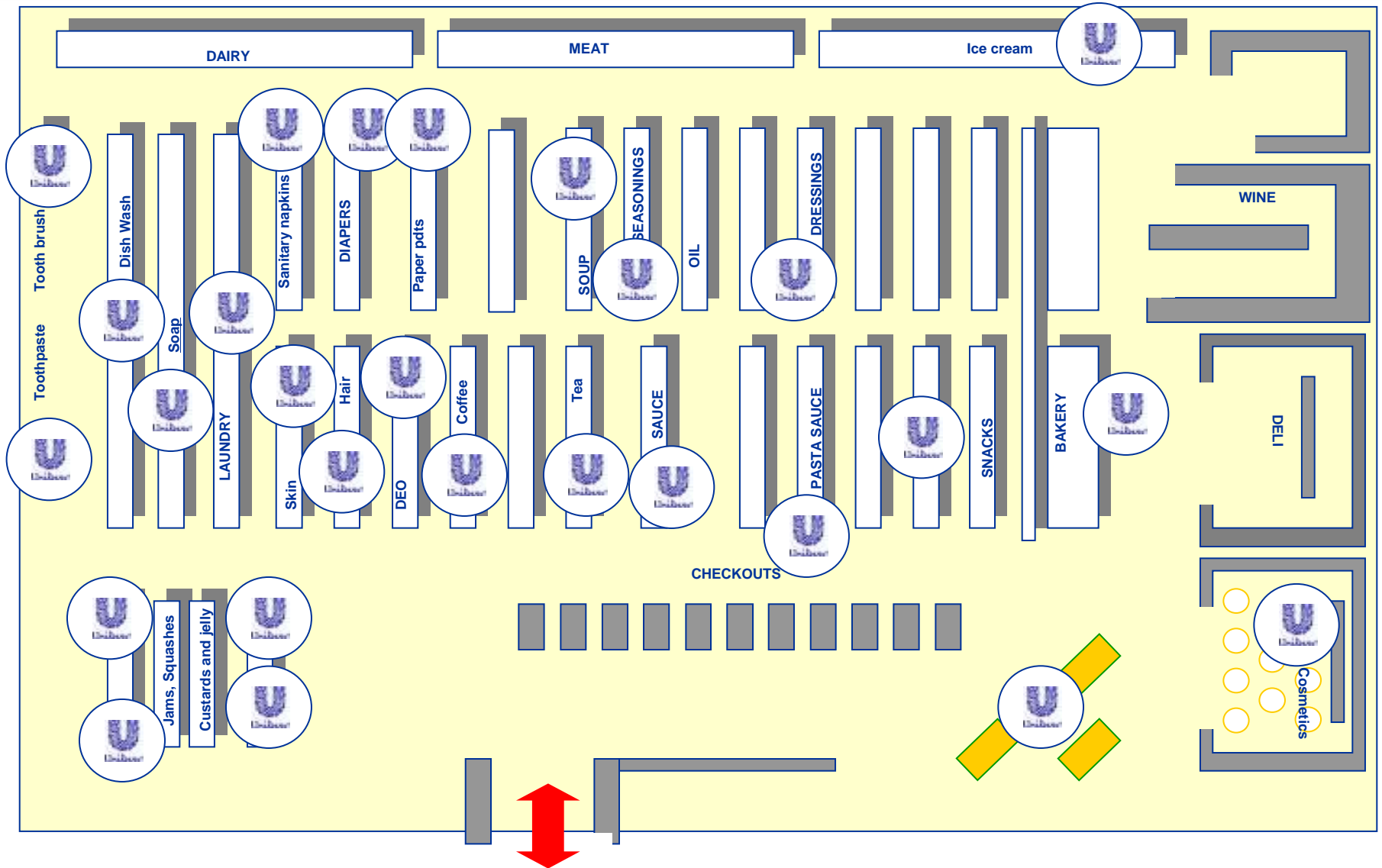
Source AC Nielsen **35**

# New Channel Initiatives

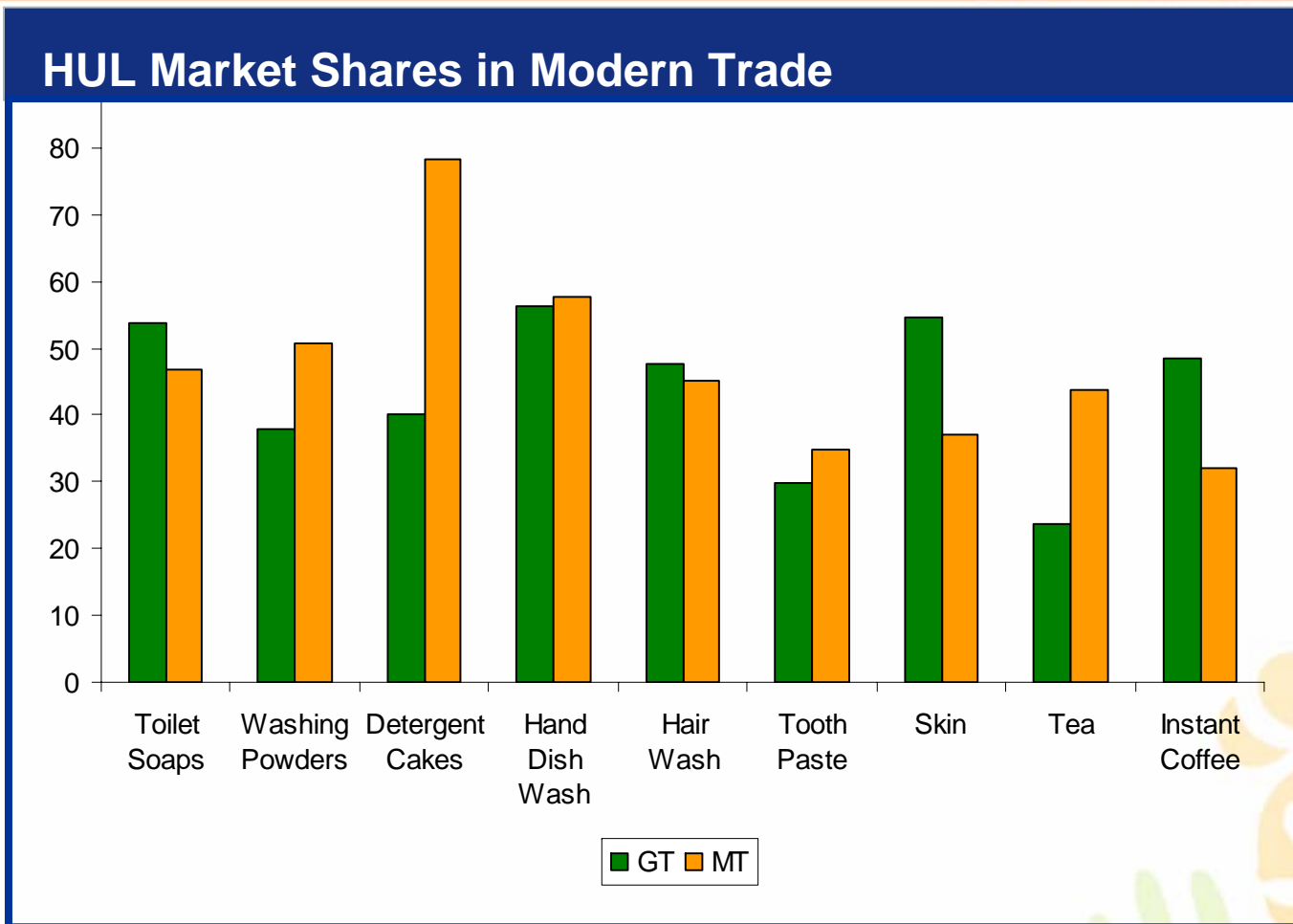


Channels	HUL Programs	
Family Grocers	SVS/ FLO	
Chemist	Unicare	
Fancy	Beauty zone	 <small>Your World of Beauty</small>
Kiosk	K- LINE	
Rural	Superstar & Shakti	
Wholesale	Vijeta/ Sambandh	

# What sets us apart - Reaching Shoppers



# Organized retail - A source of competitive advantage



**HUL Modern Trade (MT) Shares are higher than its General Trade (GT) shares in many categories**

Source : AC Nielsen shares Vs. MT shares

# Project Shakti- Enabling direct rural reach

- **To Reach:**
  - Small, scattered settlements and poor infrastructure make distribution difficult
  - Over 500,000 villages not reached directly by HUL
- **To Communicate:**
  - Low literacy hampers effectiveness of print media
  - Poor media-reach: 500 million Indians lack TV and radio
- **To Influence:**
  - Low category penetration, consumption, brand awareness
  - Per capita consumption in Unilever categories is 33% of urban levels



# Shakti



## Three Shakti initiatives

- Shakti entrepreneur; currently ~ 44000 women cover 1,25,000 villages
- Shakti Vani: one-to-many communication for category growth
- iShakti: customized interaction with remote consumers



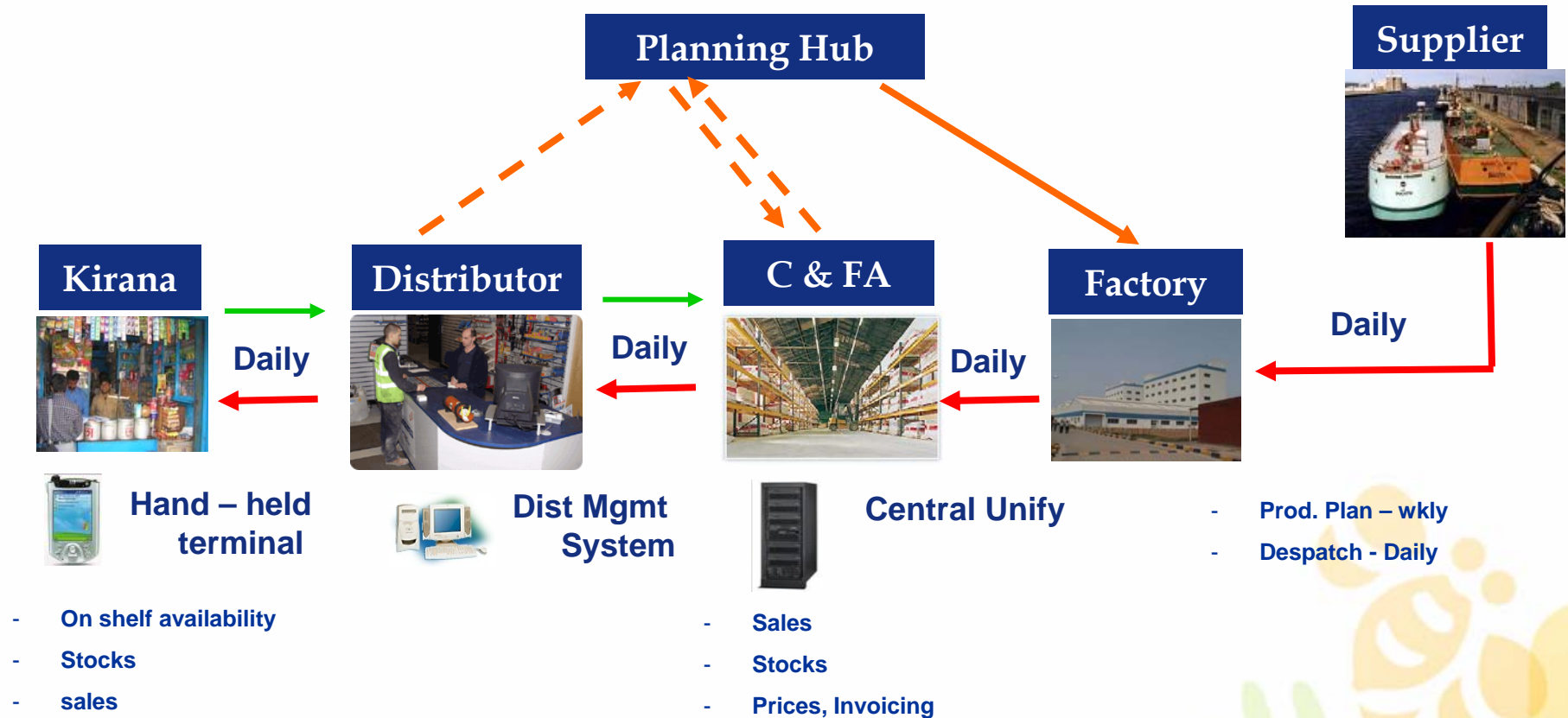
## Impact on community

- Business and social impact can go together
- Partnerships with diverse stakeholders





# Capabilities :Leveraging IT for Growth



**35 Brands, 1500 skus 45 Depots, 4000 stockist**

# Corporate Responsibility – Aiding in the Development of the Country

- **Lifebouy Swasthya Chetana** - Health & Hygiene
- **Shakti** – Empowerment of women through micro-enterprise Opportunity
- **Yashodadham** - Relief and Reconstruction in Gujarat's Kutch district
- **Asha Daan** - Happy Home actively supported by Unilever

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



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# Key Financials



	2007	2006	2005
Reported Growth	13.3%	9.4%	11.4%
Continuing sales growth*	13.5%	10.0%	11.5%
EBIT/ Sales %	14.4%	14.1%	13.3%
EBIT Growth	15.4%	16.2%	1.1%
Operating cash flow*		\$365 Mn	\$489 Mn

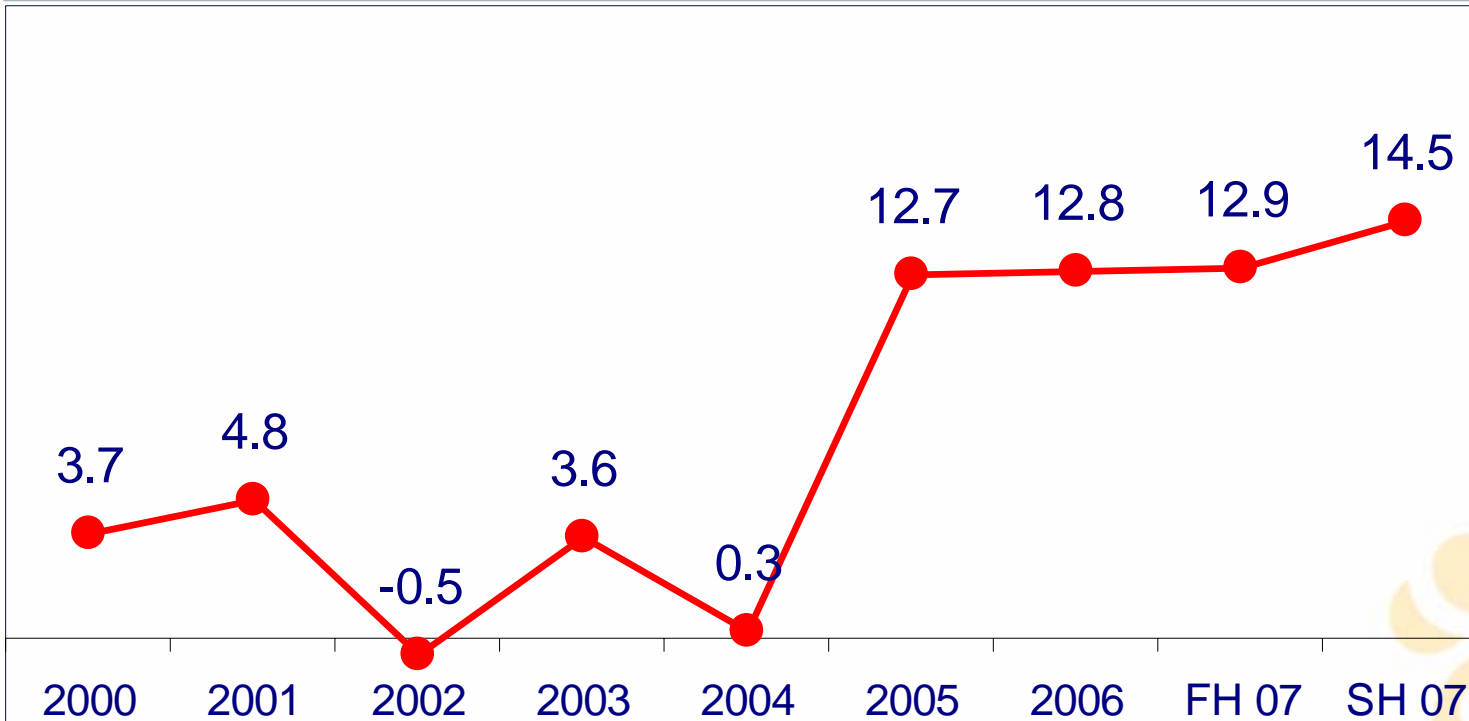
\* Before restructuring, disposal

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

# Robust FMCG growth

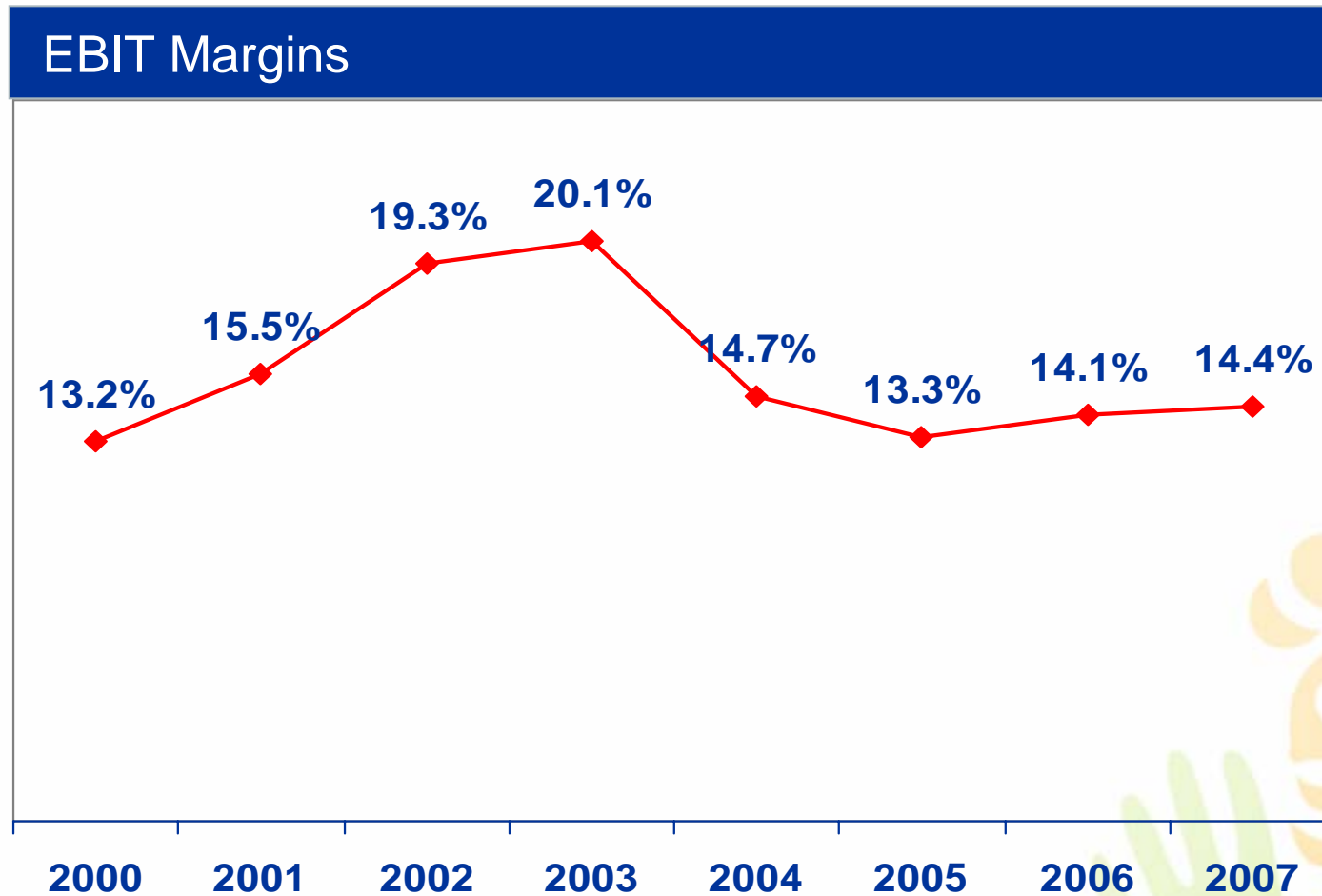


HUL FMCG Sales growth %



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

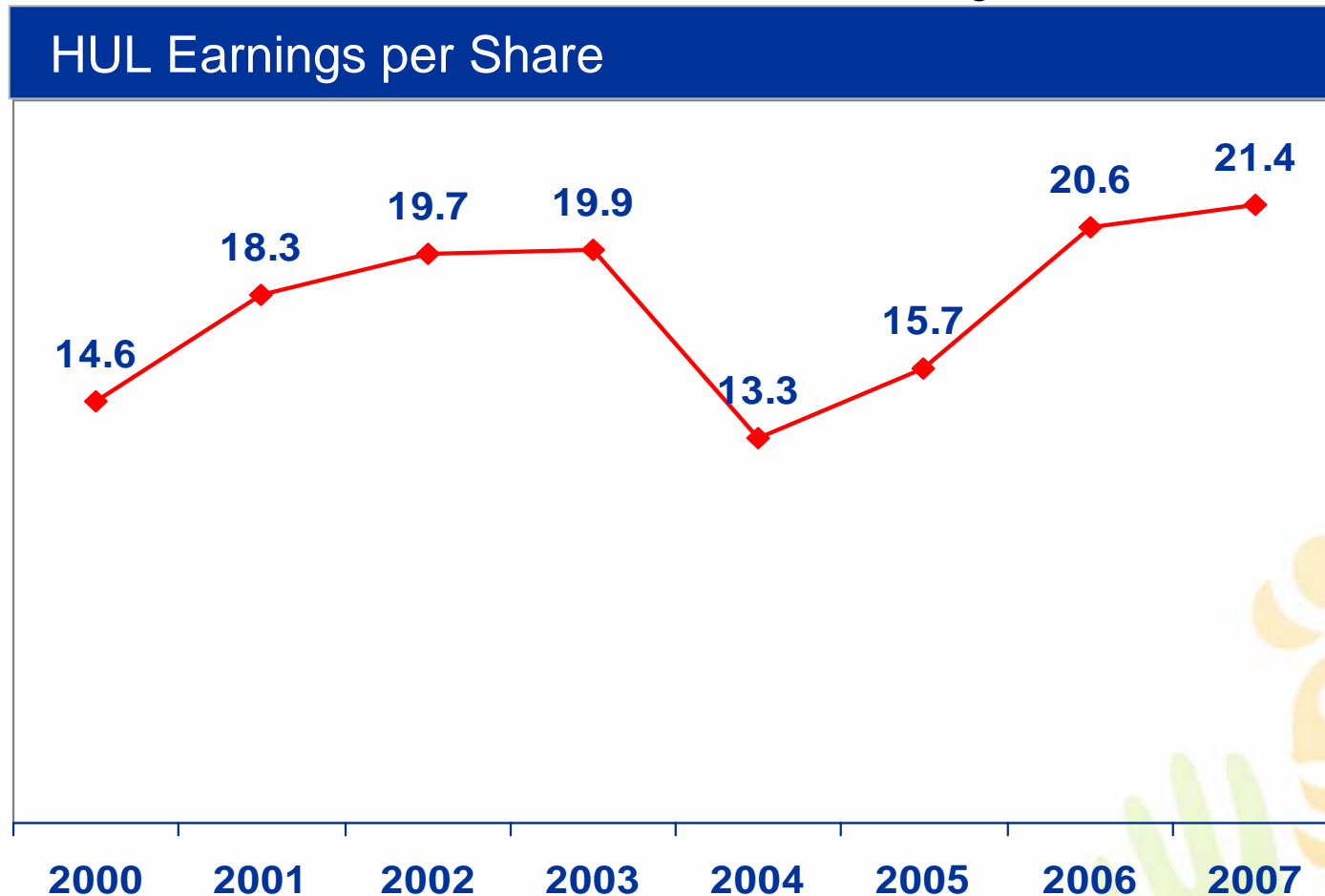


As per audited financial statements of the company; accounting as per Indian GAAP.  
Sales for the above calculations is Net sales (Gross Sales- Excise Duty)

# Earnings per Share

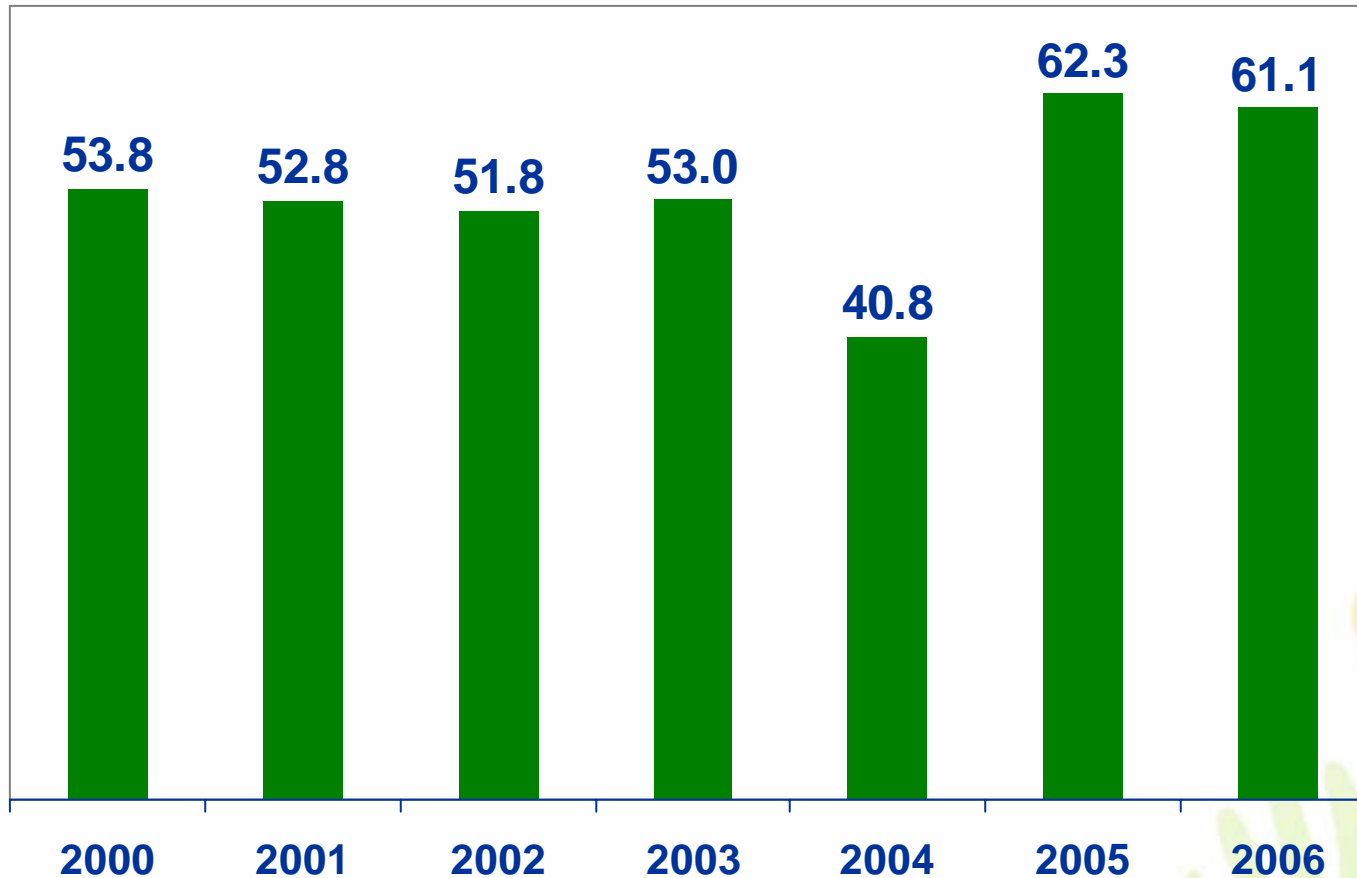


Figures in US \$ cents



As per audited financial statements of the company; accounting as per Indian GAAP  
Earnings per Share= Net Profit (aei) /No. of Shares; Calculations in constant turnover terms

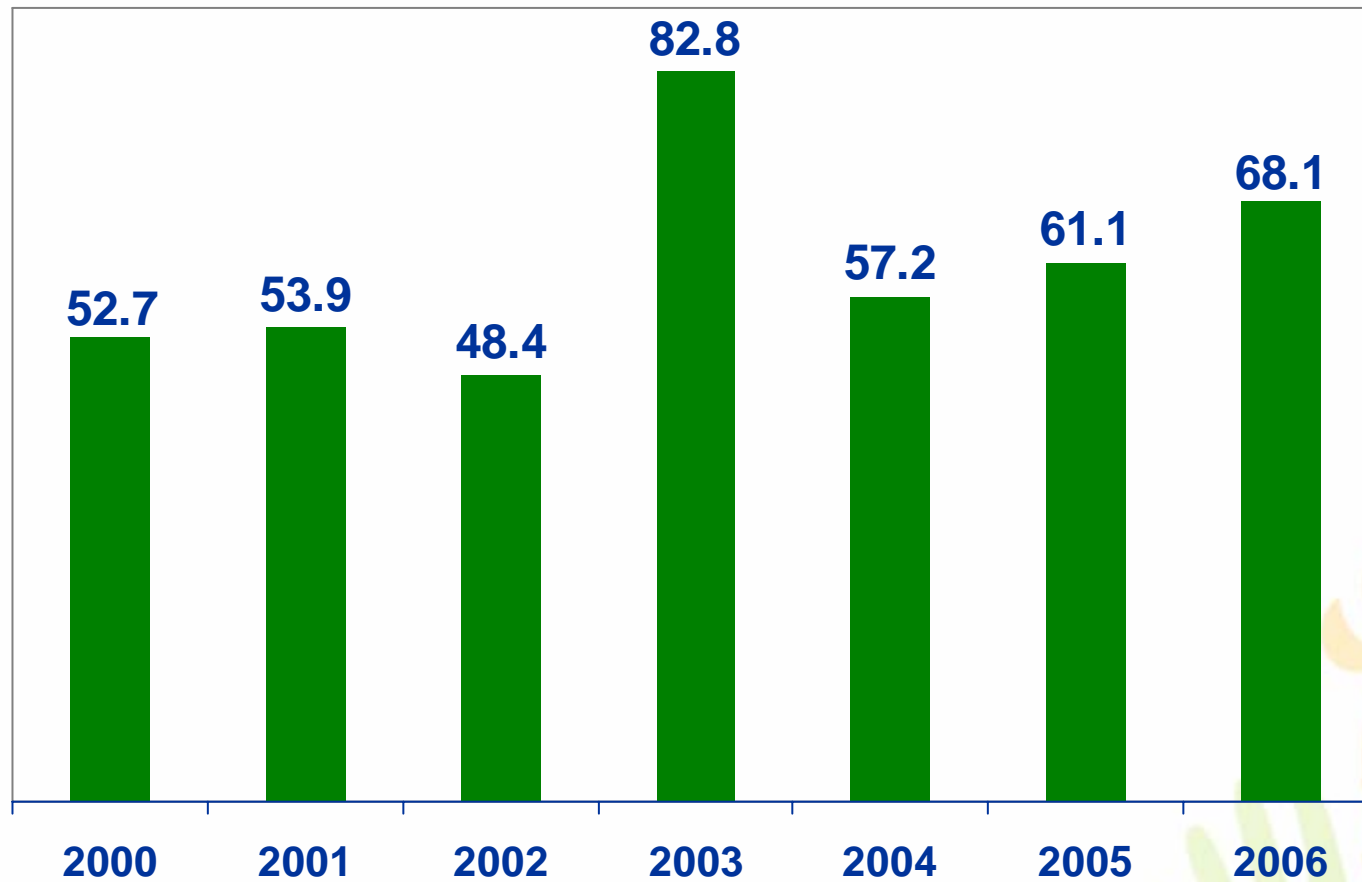
# Return On Capital Employed



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

# Summary



- 3<sup>rd</sup> consecutive year of accelerated growth in FMCG portfolio. Growth broad based and across all categories
- FMCG markets expected to maintain current growth levels
- Successfully implement the Foods strategy
- Build momentum to the Water Business
- Build on competitive capabilities across business system
- Manage Cost inflation effectively to improve margins through pricing, cost savings and better mix
- Strong commitment to governance and CSR

**Thank you**





Hindustan Unilever Limited

# Hindustan Unilever Limited

Investor Presentation  
Morgan Stanley's India Conference

**S Srinivasan**

VP treasury M&A and Investor  
Relations

Hindustan Unilever Ltd.

14<sup>th</sup> February, 2008

