



HINDUSTAN LEVER LTD.

Presentation at Citigroup Smith Barney India Corporate Day

London, June 2003



HINDUSTAN LEVER LIMITED

Contents

Economy

Overview

Strategy

FY 2002

MQ 2003

2003 & Beyond.....



HINDUSTAN LEVER LIMITED

Contents

Economy

Overview

Strategy

FY 2002

MQ 2003

2003 & Beyond.....



Economic Outlook

Growth%

	2001-02	2002-03	2003-04 (E)
Agriculture	5.7	(3.1) ↓	2.0 ↑
Industry	3.3	6.1 ↑	6.5 ↑
Services	6.8	7.1 ↑	7.5 ↑
GDP	5.6	4.4 ↓	6.0 ↑

- Fourth Largest economy in PPP terms
- GDP growth second only to China among Asian Economies
- Revival expected in Agricultural growth
- Better than '02 rains predicted
- Resurgence of manufacturing sector
- Strong performance of services sector



Indian Economy - Snapshot

Positives

- Healthy GDP growth at 6% estimated for 2003-04
- Strong forex reserves at 73.5 bn \$ (equivalent to 18 months imports)
- Current account surplus at 2.8 bn \$ (Apr - Dec '02)
- Upturn noticed in broadbased demand conditions
(Non food credit expected to rise by 16.0% in 2003-04)
- IIP growth at 5.7% with all segments showing a rise.
- Robust growth of 17.8% in exports in 2002-2003 notwithstanding an appreciating rupee.
- Rapid development of infrastructure

Concerns

- Fiscal deficit at 9.3% and expected to rise
- Lag effect of poor agri-output in 2002-03
- Kharif production drop of 8-9% in 2002-03
- Uncertain Rabi output



HINDUSTAN LEVER LIMITED

Contents

Economy

Overview

Strategy

FY 2002

MQ 2003

2003 & Beyond.....



Hindustan Lever Corporate Purpose



Our purpose is to meet the
everyday needs of people everywhere -
to anticipate the aspirations of our
customers and consumers and to
respond creatively and competitively
with branded products and services
which raises the quality of life

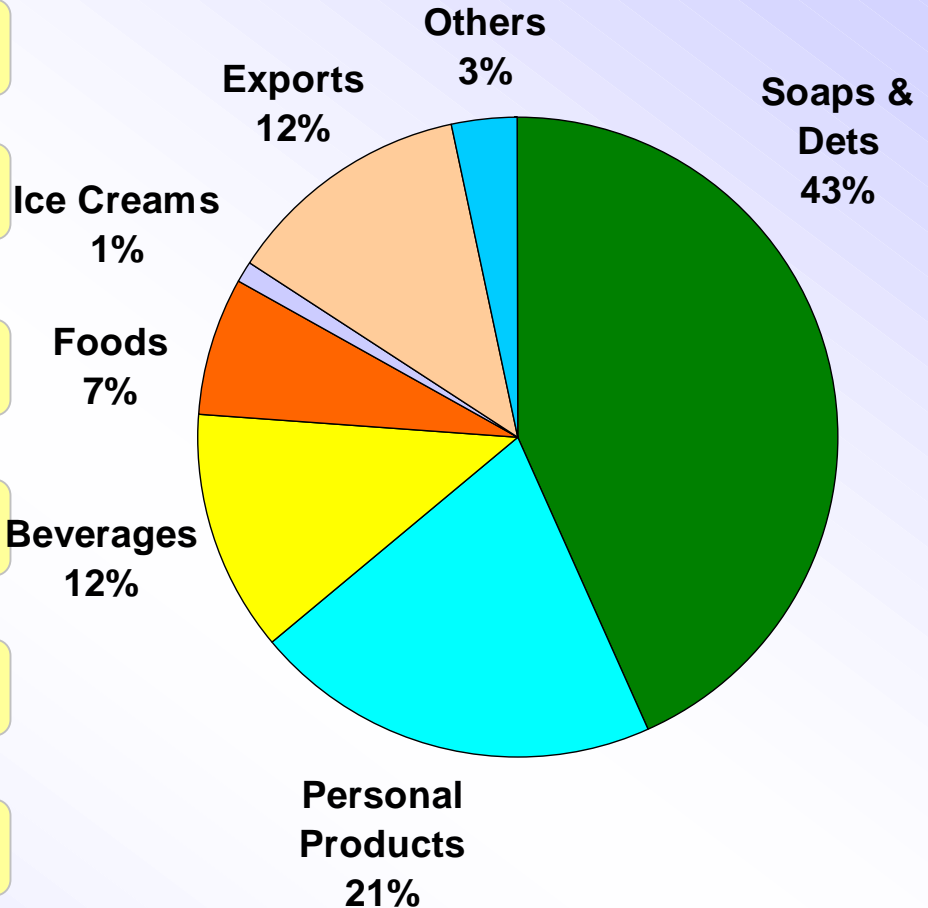




Hindustan Lever

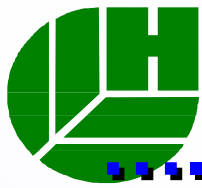
.... India's largest & leading FMCG company

	Rs Bln	US \$ Mn
Turnover	100	2137
EBITDA (Operational)	21	449
Net Profit (bei)	17	363
EPS	7.98 (Rs)	17c
Economic Value Added	12	256
Market Capitalisation	346	7384



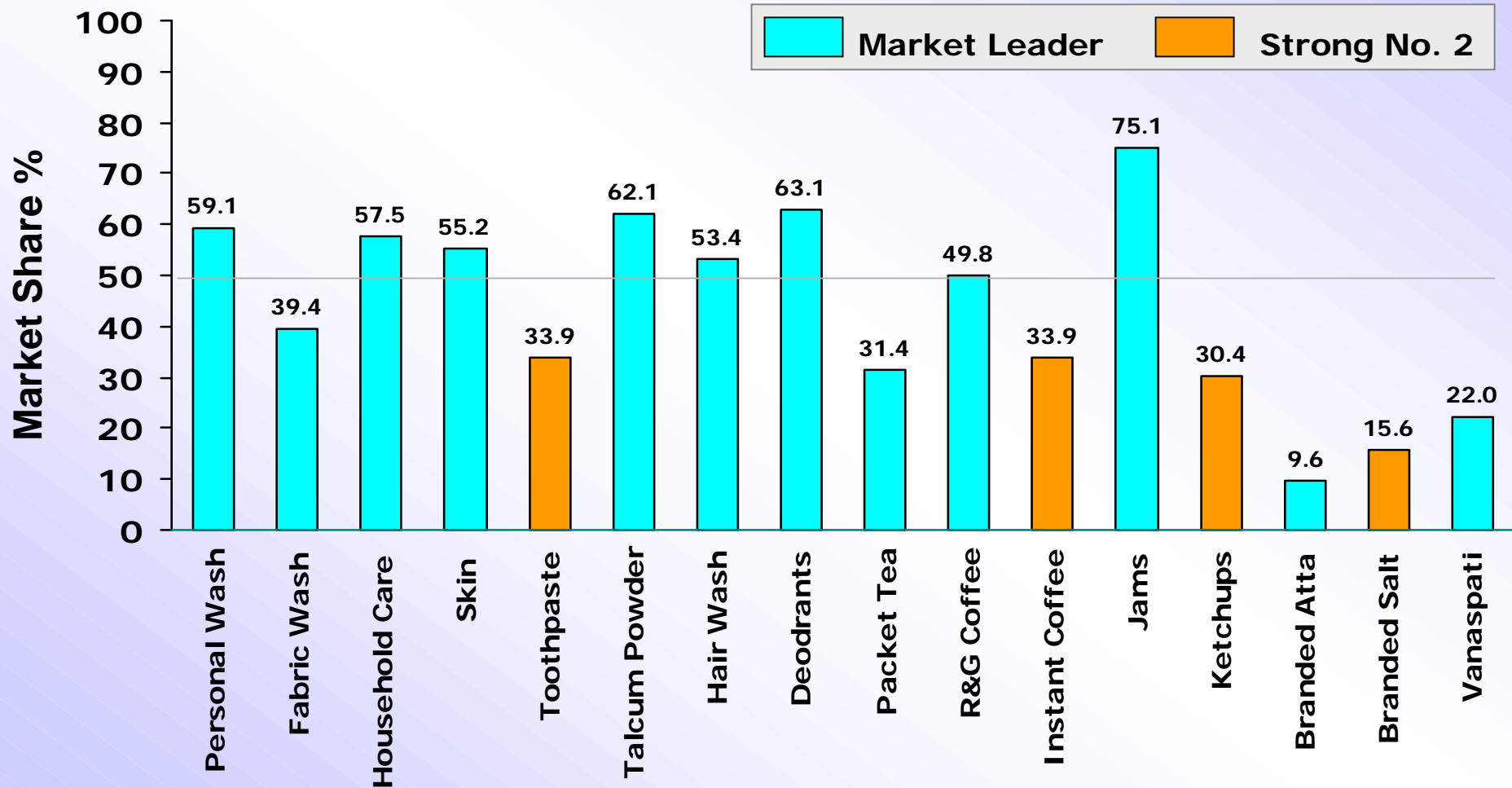
* Figures based on FY2002 Audited Results

* Based on FY2002 segmental revenues



Hindustan Lever

...dominant player across FMCG categories



* Source : ORG Value Shares (New Panel)



Market Growth

key categories decline in 2002, depressed trend continues in MQ'03

Growth %	2000	2001	2002	MQ - 2003
Personal Wash	6.1	-9.9	-6.1	1.4
Fabric Wash	5.7	-2.9	-2.1	-2.7 ↓
Dishwash	19.2	11.1	-1.8	-3.1 ↓
Toothpaste	10	2	-5.5	-11.3 ↓
Shampoo	12.5	10.7	7.8	-5.2 ↓
Skin Products	12.9	2.6	0.6	4.9
Packaged Tea	0.3	2.4	-9.7	-15.4 ↓
HPC	7.6	-2.3	-3.1	-2.0 ↓
FMCG	6.7	-1.5	-3.5	-1.9 ↓

Source : ORG Value



HINDUSTAN LEVER LIMITED

Contents

Economy

Overview

Strategy

FY 2002

MQ 2003

2003 & Beyond.....

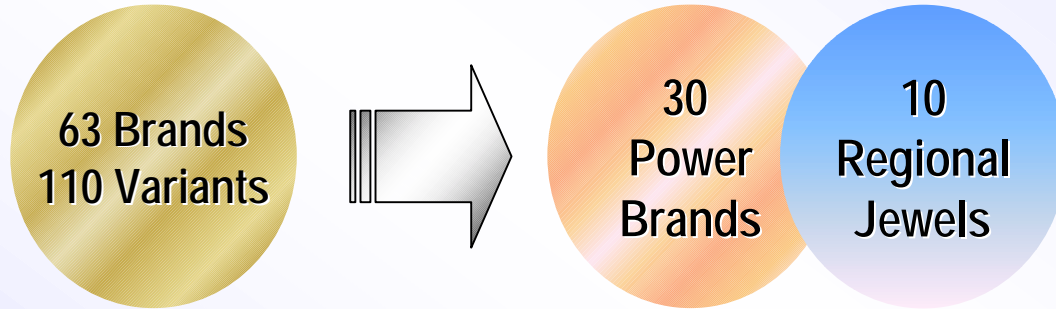


Recap





Focus on Power Brands



less
more^{is}

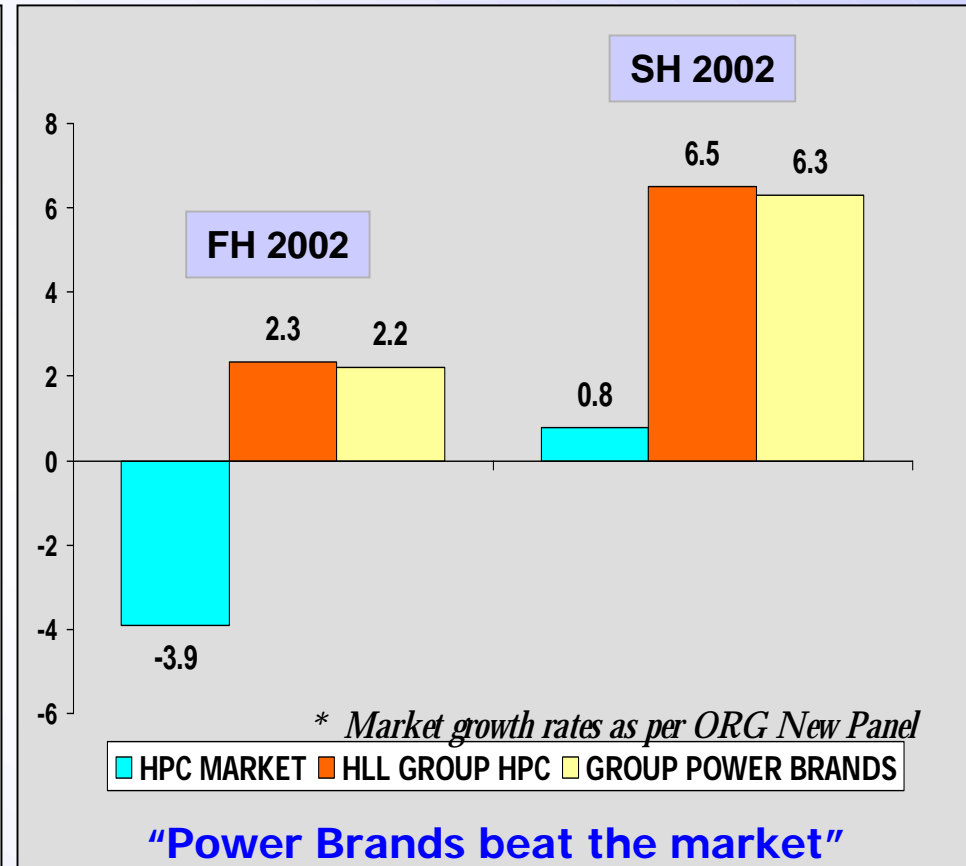
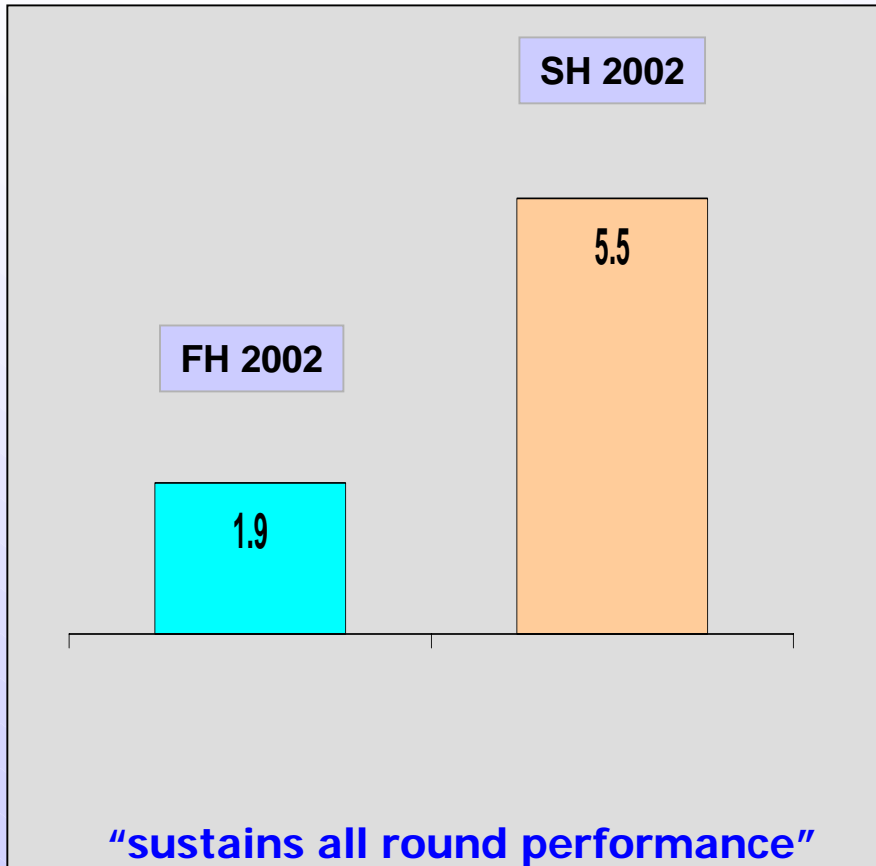
- Focus resources on 30 Power brands
- Power brands selected to occupy all relevant consumer appeal & price segments
- Marketing spend, level of innovation supported by consumer insight & new technology platforms
- Grow Power Brands by
 - consumer relevant innovation
 - cross category extensions
 - leveraging channel opportunities

- ✓ Greater rigour
- ✓ Focused advertising and promotion spend
- ✓ Reduction in brand cannibalization
- ✓ Efficient supply chain
- ✓ Effective market activation



HPC leads the show

Growth %



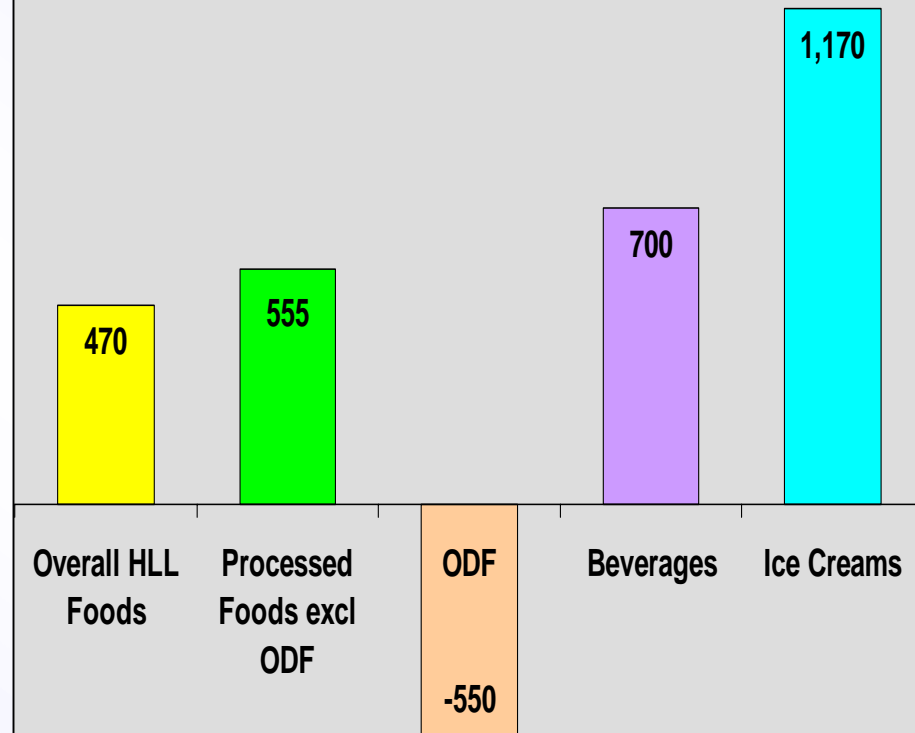
...accounts for 64% of revenue & 87% of profits



Foods & Beverages: Underlying Profitability

- Reasonable scales of operations achieved
- Focus now on improving profitability
 - Portfolio rationalization
 - Value added innovation
 - Re-engineering the supply chain
 - Improve margins on traditional portfolios -Tea, Oils
- Stop value destruction in Ice Creams - new strategy formulated
 - Focus on premium products in 6 citadel cities
- Turnaround Modern Foods
- Aggressive investments in brand building & developing new categories

Bps change in Gross Margins in 2002



“strategy delivers step change in margin profile”

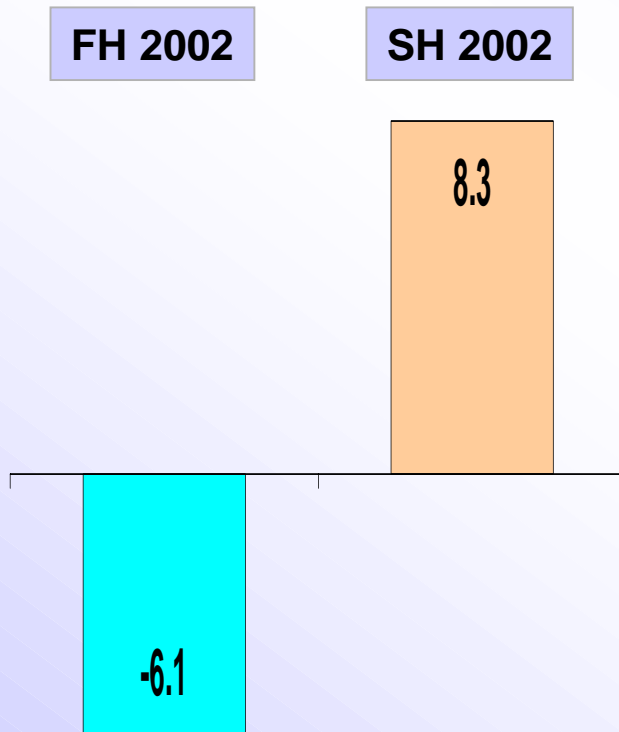
Foods business to be “fit for growth & scale”



Exports Strategy on track

Building a core value-adding portfolio

Continuing Exports Growth %



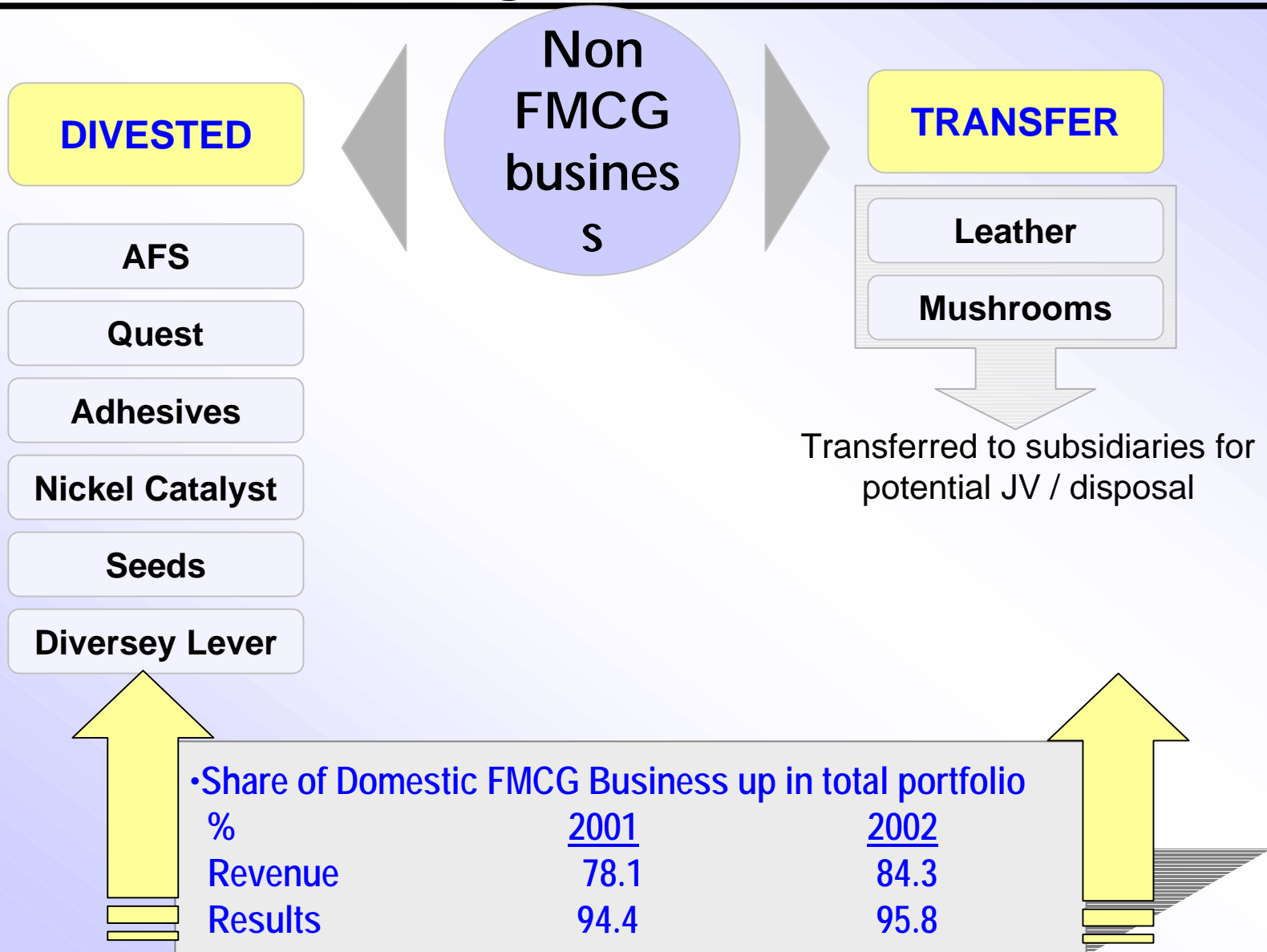
Exports Growth %	FH 02	SH 02
HPC	(6.7)	34.5
Foods	(14.5)	(14.3)
Non FMCG	3.3	18.9

- Segmental Results up 17%
- Segmental EBIT Margins up 290 bps

- Discontinue non value-adding exports
- Focus on core categories - position as Preferred Competitive Source
- Non Core : Build only on Country / Company strengths; exit others



Securing the future of Non FMCG





2002 : Effective execution of strategy



- HPC records all round performance - profitable growth

- Step change in profitability of Foods business

- Ice Cream strategy halves losses

- Exports portfolio rationalised - core exports do well

- Significant progress on divestment of non-core businesses



HINDUSTAN LEVER LIMITED

Contents

Economy

Overview

Strategy

FY 2002

MQ 2003

2003 & Beyond.....



FY2002 Results

Highlights

- HPC outperforms the market - grows by 3.7%
 - Gains momentum in SH'02 - up 5.5%
 - Growth led by Skin (22.5%,) Personal Wash (+8.6%) & Dishwash (+5.9%)
- Operating Profits (PBIT) up 16.6%, Margin Expansion by 390 bps
- Profit Before Tax grows by 13.1%
- Profit After Tax (before exceptionals) grows by 11.4%
- Foods Gross Margins significantly improved
 - Offset by pressure on ODF
 - Sales decline by 11.6% largely due to Beverages & ODF
- Thrust on strong cash generation sustained



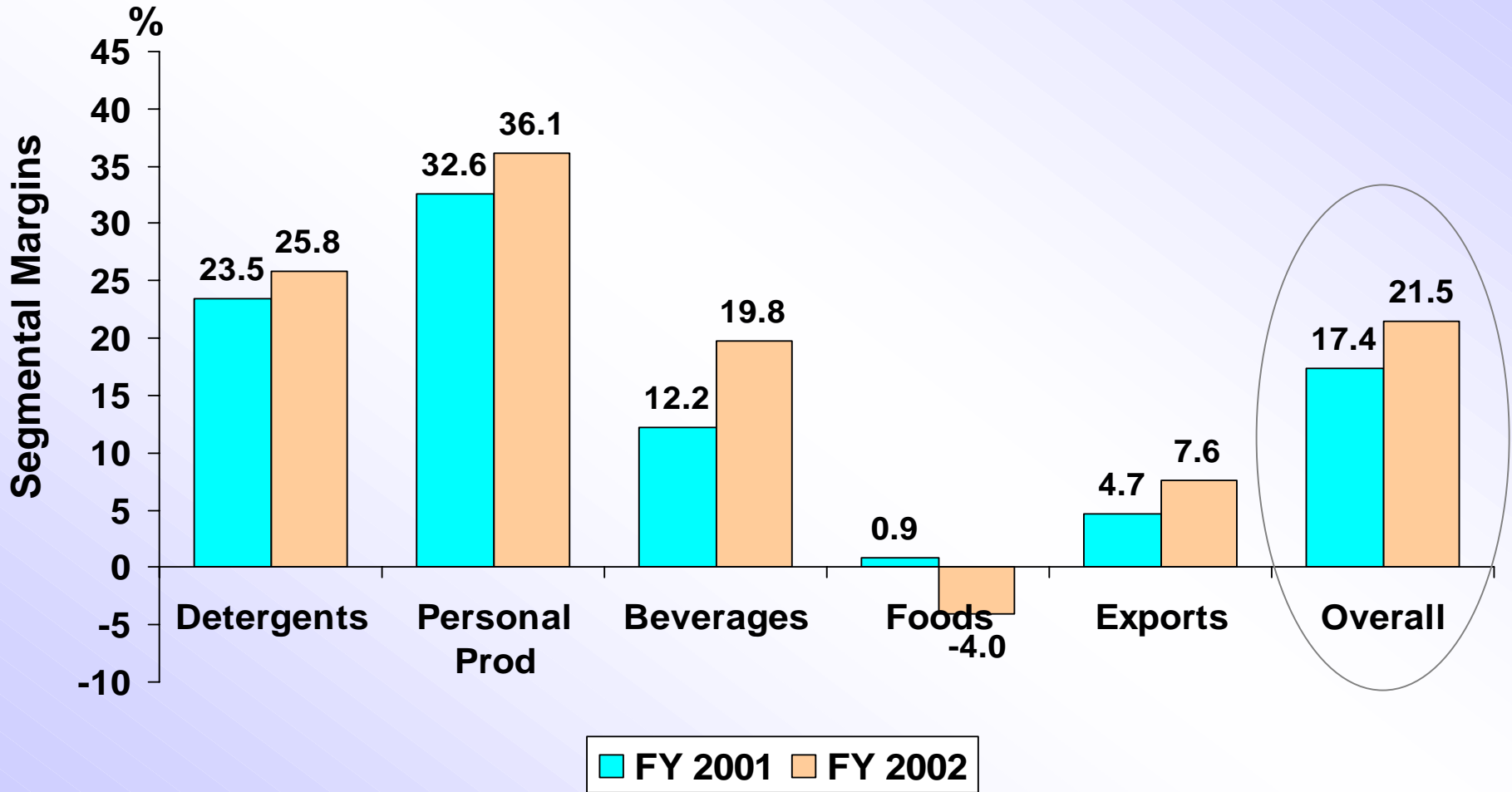
Sales Summary

	Sales			Sources of Growth/ (Decline)%
	FY 2002	FY 2001	Growth	
Continuing Businesses	9,904	9,952	-0.5%	(7)
Domestic FMCG	8,527	8,572	-0.5%	(6)
- HPC	6,437	6,208	3.7%	32
- Foods	2,090	2,364	-11.6%	(38)
Exports	1,221	1,209	1.0%	2
Others	156	171	-8.6%	(2)
Discontinued/Divested	50	716	-93.0%	(93)
Total Sales	9,955	10,668	-6.7%	(100)



Focus on Profitability

.....continued trend on improved segmental margins





EBITDA Margin Progression

Portfolio Rationalization

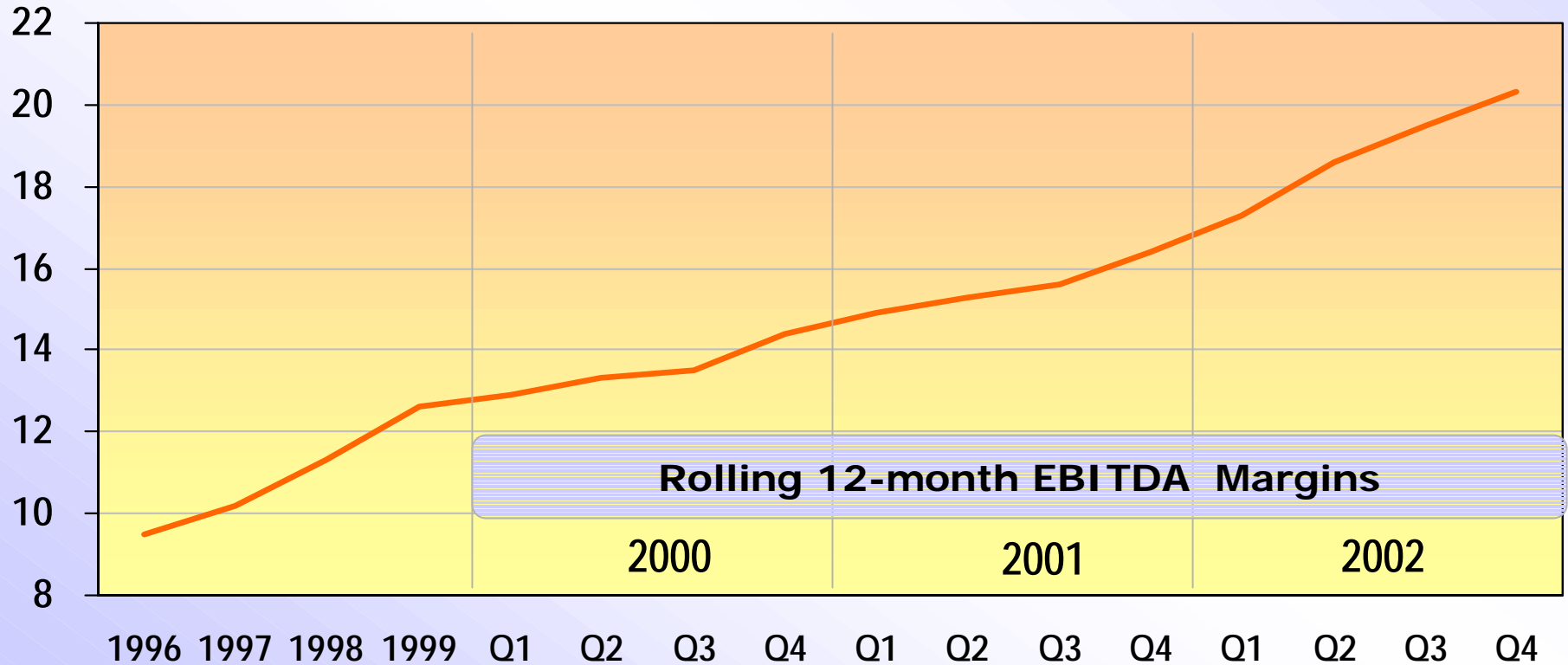
Enriched Mix

Improved Foods Profitability

Restructuring Programmes

Cost Management Initiatives

% Sales





Strong Cash Generation continues..

Rs Crores	FY 2001	FY 2002
Cash from operations	1663	1877
Disposal of businesses	112	185
Treasury Income (net)	308	272
Capex & Working Capital	(307)	(200)
Dividend Payment	(990)	(1096)
Tax Paid	(446)	(441)
Surplus Invested	340	597

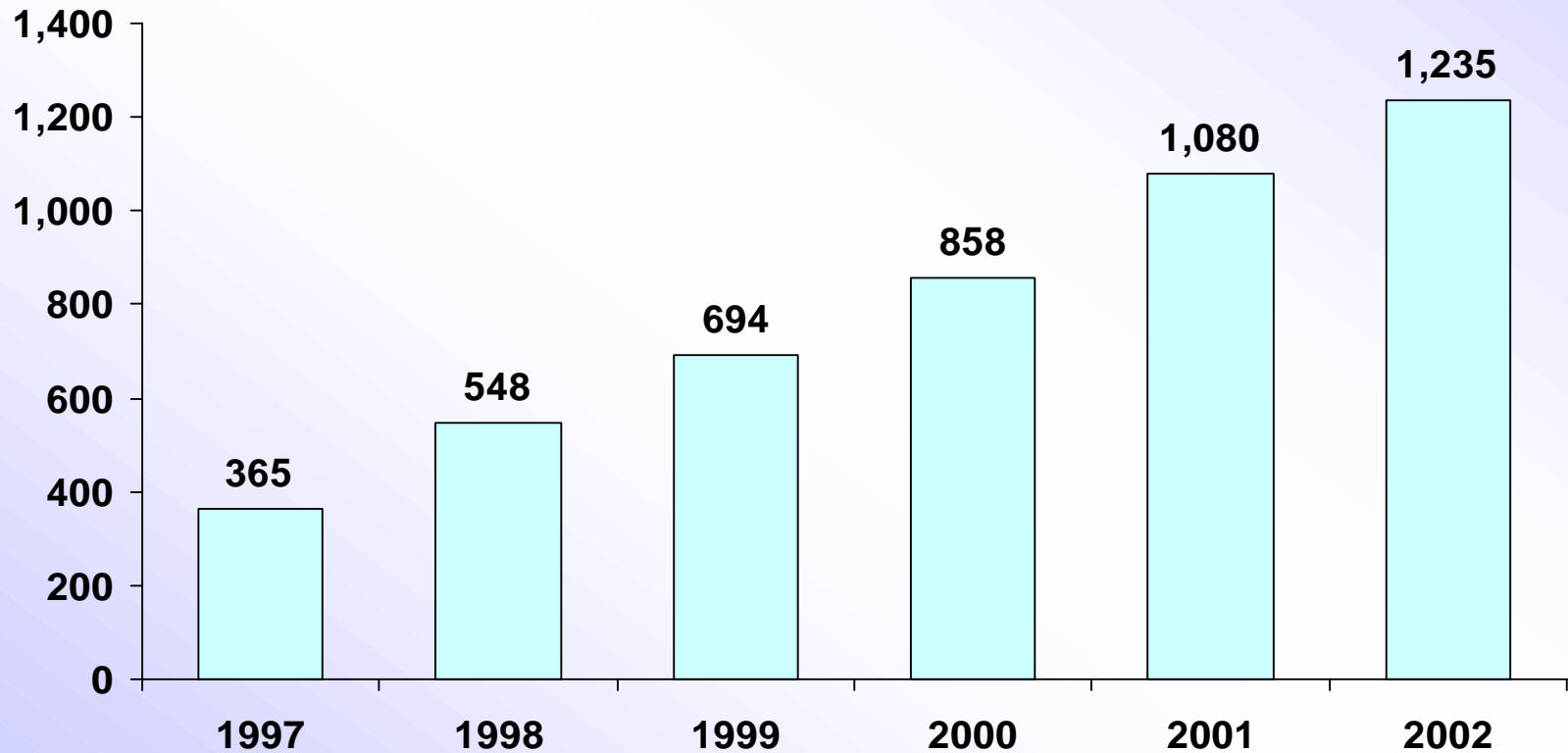
Cash from operations grows by 13%, investible surpluses grow 76%



Economic Value Added

Rs. Crores

CAGR 27.6 %



* *EVA = Net Operating Profit after Taxes - Cost of capital Employed*



Delighting the shareholder

Dividend Per Share of Re 1	2001	2002
Interim	2.50	2.50
Final	2.50	3.00
Total	5.00	5.50

Rs	Shareholder receipt in next 6 months
Final (Proposed)	2.66*
Special Dividend	1.76*
Bonus Debenture	6.00
Total	10.42

* Pursuant to change in dividend tax incidence announced in recent Budget



2002 : In Summary

- Strategy Delivers
- Sustained Value Creation
 - Profits
 - Cash
 - Divestments
- Innovations drive competitive growth
- Future opportunities seized



HINDUSTAN LEVER LIMITED

Contents

Economy

Overview

Strategy

FY 2002

MQ 2003

2003 & Beyond.....



MQ 2003 Results

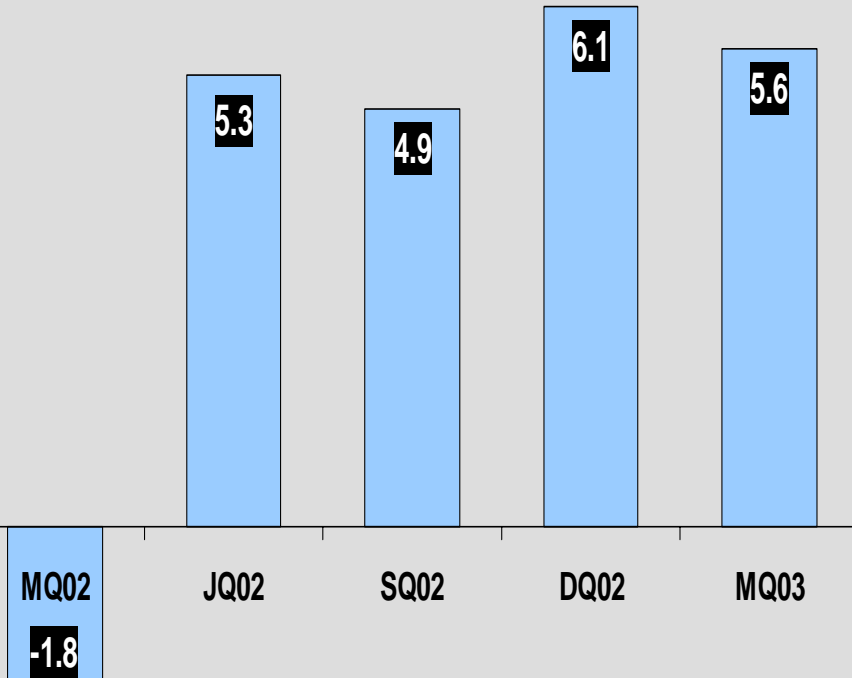
Highlights

- HPC sustains high growth
 - Strong growth in HPC power brands 8%
 - HPC sales up by 5.6%
 - Strong volume growth of 11.5%
- Processed Foods registers positive growth 3.4%
- Continuing Exports show strong double digit growth 15.2%
- Operating Profits (PBIT) up 9.1%, Margin Expansion by 127 bps
- Profit Before Tax grows by 10.6%
- Profit After Tax (before exceptionals) grows by 8.2%



HPC Performance

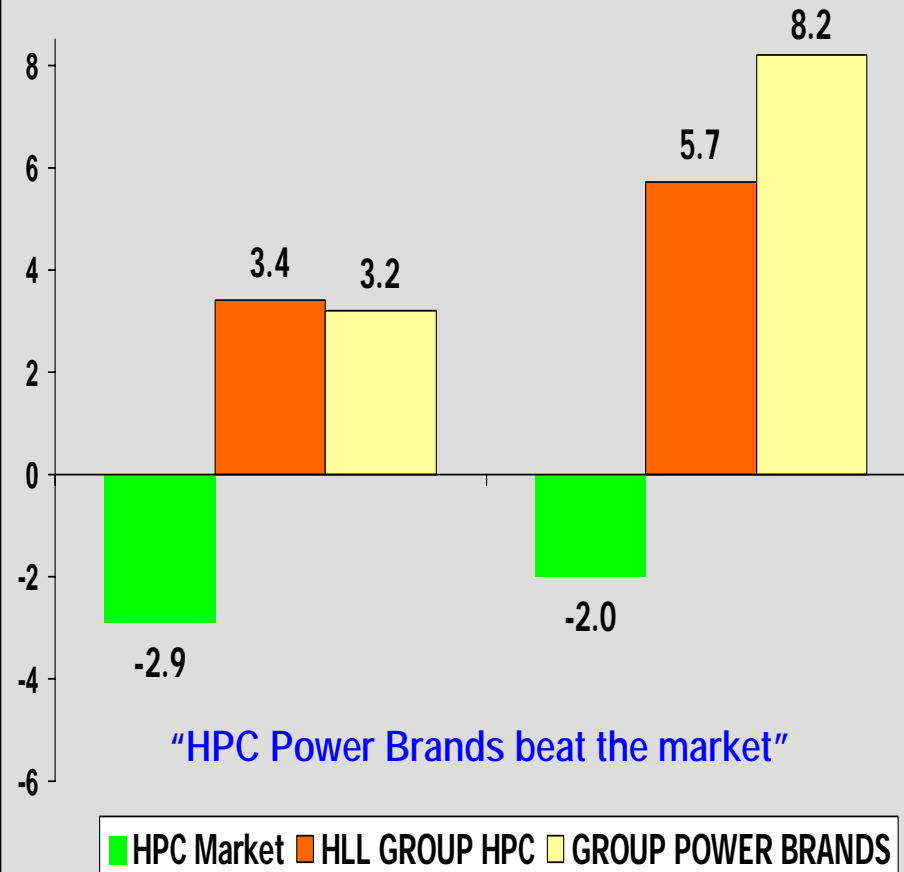
Growth %



“sustained growth momentum for four consecutive quarters”

Year 2002

MQ 2003

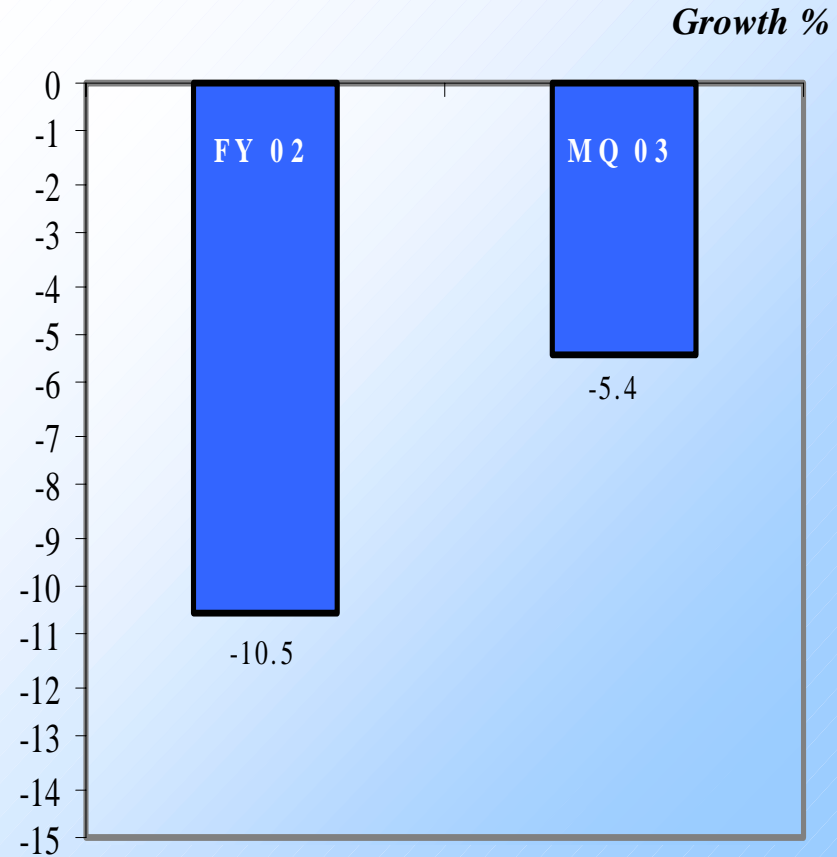
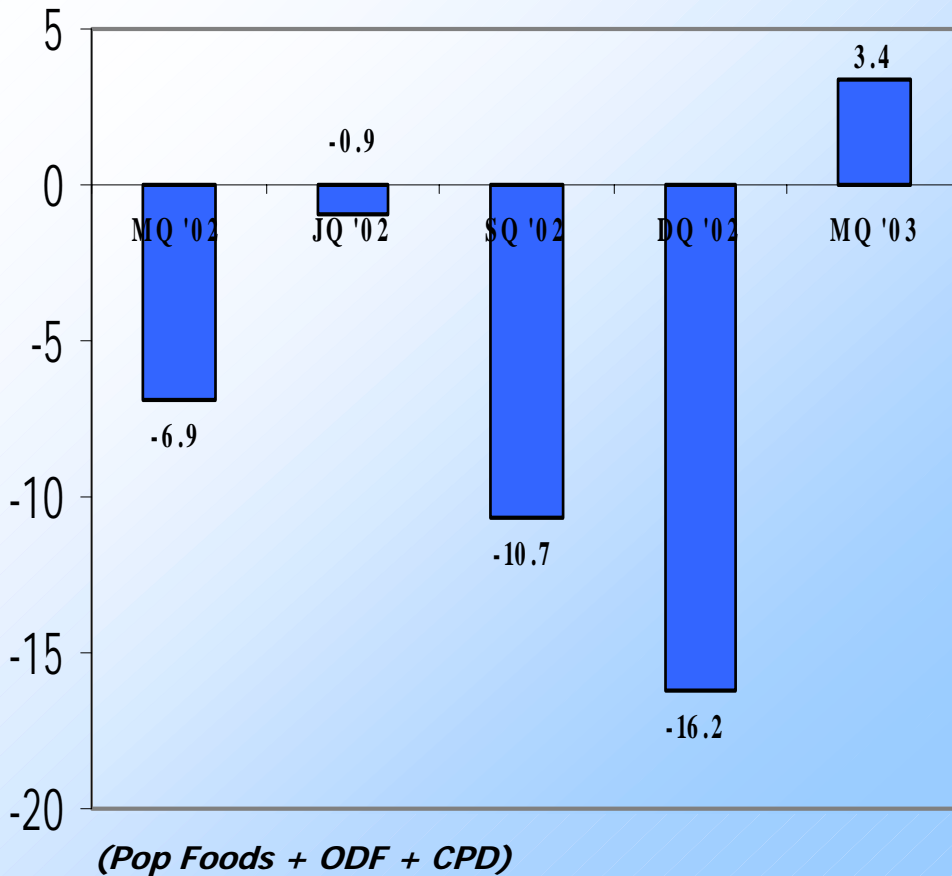


“HPC Power Brands beat the market”

■ HPC Market ■ HLL GROUP HPC ■ GROUP POWER BRANDS



Foods Performance



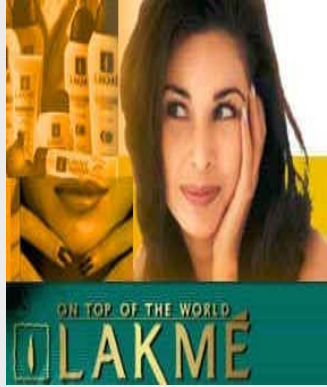
Positive growth
in processed foods

Volume decline in
beverages contained



MQ 2003 -

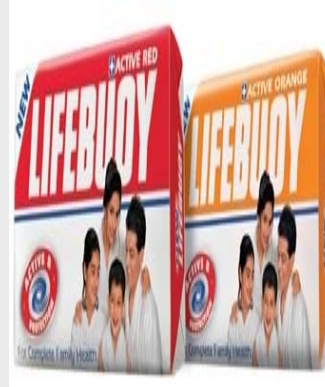
Brands delivering strong growth



Lakme : 53%



Pepsodent : 41%



Lifebuoy : 36%



FAL : 26%



Annapurna : 25.9%



Pears : 21%



Ponds : 21%



Bru : 17.5%



Nihar : 11%



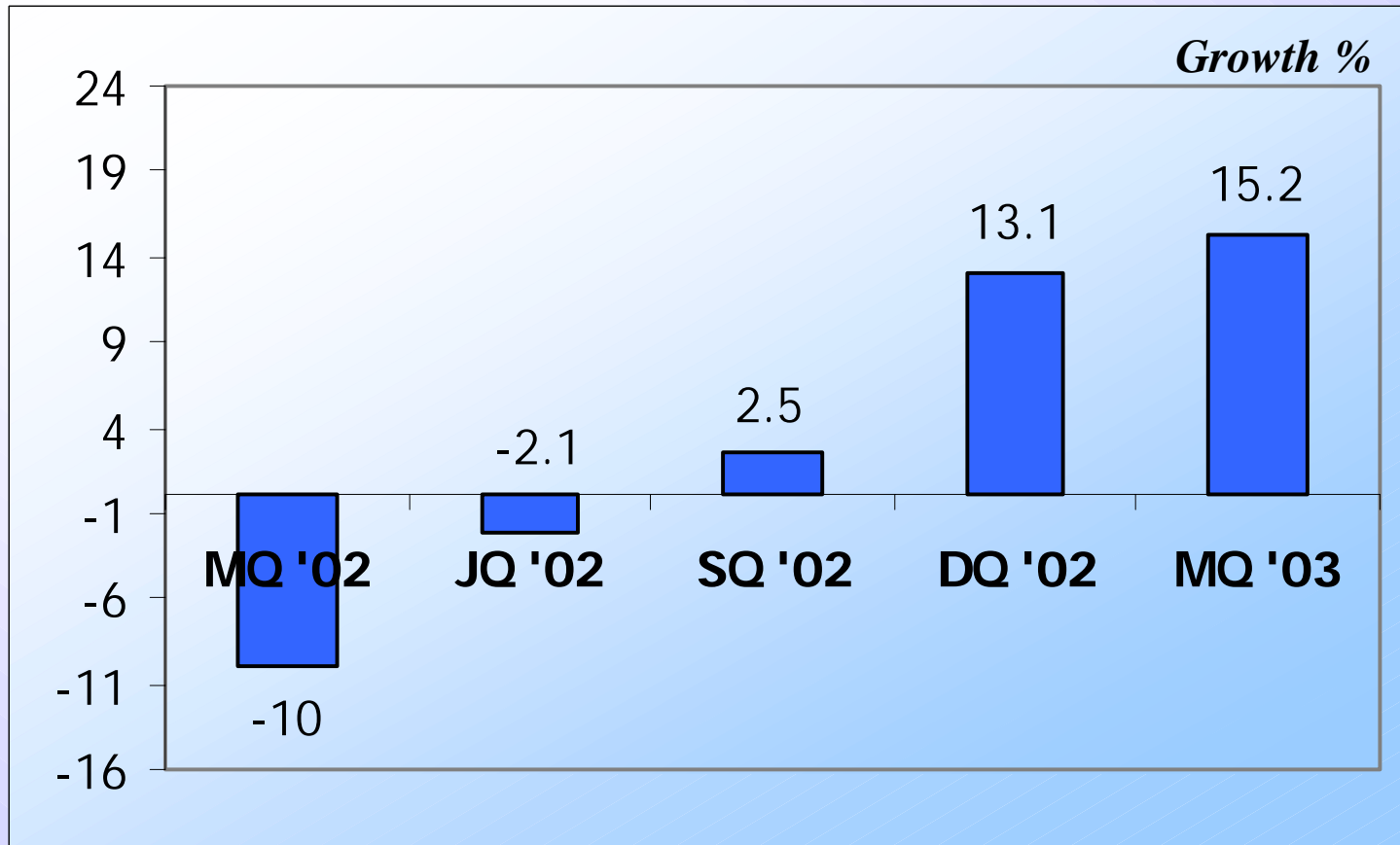
Taaza : 10.5%

** Group Basis*



Exports Strategy on track

Continuing exports delivers double digit growth



Strong growth realised from a
core value adding exports portfolio...



"We are On Course"

STRATEGIC FOCUS

➡ HPC Growth - 5.6%, Power Brands grow by 8.0%

➡ Process food grows by 3.4%, continuing challenge in Beverages

➡ Continuing Exports grow by 15.2%

➡ Disposal of other Non FMCG businesses on track



HINDUSTAN LEVER LIMITED

Contents

Economy

Overview

Strategy

FY 2002

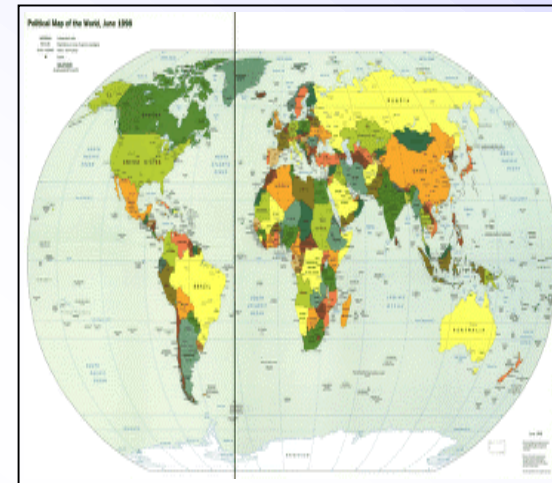
MQ 2003

2003 & Beyond.....



2003 & Beyond.....

- Growth in current categories
 - High Penetration Categories - upgradation/consumption
 - Low Penetration Categories
 - Greater consumer insight
 - Techonoly led innovation
- Scale up New Initiatives
 - New categories, new consumers & new Consumption opportunities
- Continued thrust on innovation in Foods
- Building a New Exports Horizon





HINDUSTAN LEVER LIMITED

Thank You