



HINDUSTAN LEVER LTD

REVIEW OF RESULTS

Analysts Meet Mumbai



Presentation Sequence

- **Economic environment**
- **Financial results - JQ/ FH'01**
- **Interim dividend**
- **Results analysis**
- **Performance review**



Economic Environment



The Economy (1)

- **GDP growth down from 6.5% to 5.2% largely contributed by rural sector**
- **Fiscal deficit continues to be under pressure; money supply growth up by 16%; inflation 7.1%**
- **Rupee depreciation 0.84% in FH '01**



The Economy (2)

- **Markets remain sluggish**
- **Decline witnessed in demand in several FMCG categories**
- **Economic outlook for SH'01 evolving**
 - **Monsoon progress positive**
 - **Poor realisation cause for concern**



Market Growth

Growth %	Value	
	Year 2000	Jan- May 2001
Toilet soaps	5.9	(4.0)
Detergents cake/bars	2.5	(4.4)
Washing powder	8.1	3.4
Toothpaste	10.0	6.5
Shampoo	12.5	2.0
Skin cream	12.9	8.7
Tea	0.4	(14.3)

Source : ORG



Financial Results : JQ/ FH 2001



HLL Results - JQ 2001 ... (1)

Rs.Crores	JQ 2000	JQ 2001	Growth %
Net Sales	2880	2931	1.8
Other Income	77	91	17.9
Operating Costs	2534	2539	0.2
PBIDT	423	483	14.4
Interest Expense	2	2	1.9
Depreciation	33	33	(0.8)
PBT	388	449	15.7



HLL Results - JQ 2001 ...(2)

Rs.Crores	JQ 2000	JQ 2001	Growth %
PBT	388	449	15.7
Tax	101	102	1.0
PAT	287	347	20.9
Exceptional Item		120	
Net Profit	287	467	62.7



HLL Results - FH 2001 ... (1)

Rs.Crores	FH 2000	FH 2001	Growth %
Net Sales	5494	5574	1.5
Other Income	167	193	15.5
Operating Costs	4858	4843	(0.3)
PBIDT	803	924	15.1
Interest Expense	5	3	(41.7)
Depreciation	67	66	(0.9)
PBT	731	855	17.0



HLL Results - FH 2001 ...(2)

Rs.Crores	FH 2000	FH 2001	Growth %
PBT	731	855	17.0
Tax	181	191	5.4
PAT	549	664	20.8
Exceptional Item	0	142	
Net Profit	549	806	46.7



Sales Growth - JQ'01

Rs. Crores	JQ'00	JQ'01	Grth %
Total	2880	2931	1.8
HPC	1598	1737	8.7
Foods	625	556	(10.9)
Power Brands			5.7
Exports			
- FMCG	158	178	12.8
- Non-FMCG	376	328	(12.8)
Others	98	132	35.0
Disposals	25		



Sales Growth - FH'01

Rs. Crores	FH'00	FH'01	Grth %
Total	5494	5574	1.5
HPC	3052	3283	7.5
Foods	1265	1158	(8.5)
Power Brands			4.8
Exports			
- FMCG	212	*368	73.3
- Non-FMCG	715	573	(19.8)
Others	156	192	23.0
Disposals	94		

* includes LIEL transfer Rs. 97 crores



HLL Results - FH 2001

Highlights ... (1)

- **Margin improves by 1 % through portfolio balancing and cost focus**
- **Improving trend in Home and Personal Care categories market shares**
- **Prices maintained**



HLL Results - FH 2001

Highlights ... (2)

- **Three pronged strategy for profitable growth**
 - Focus on 30 power brands in FMCG; early results encouraging
 - Foods profitability improving
 - Good progress in securing the future of non-FMCG businesses

Progress in all areas



Dividend Recommendation



Dividend Recommendation

Rs.per equity share of Re 1	2000	2001
Interim	1.50	2.50
Final	2.00	
Total	3.50	

Dividend includes distribution out of exceptional profits from Quest and AFS businesses disposed



Dividend Payout

Rs.Crores	FH 2000	FH 2001	Growth %
Dividend	330.1	550.2	66.7
Tax on Dividend	72.6	56.1	(22.7)
TOTAL	402.7	606.3	50.6
PAY OUT (%) (incl. tax on dividend)	73.3	75.0	



Key Indicators

Rs	FH 2000	FH 2001	Growth %
Earnings per share	2.50	3.66	46.7
Interim dividend per share	1.50	2.50	66.7



Results Analysis



Net Profit

Rs. Crores	FH2000	FH2001	Growth %
PBT	731	855	17.0
Tax	182	191	5.4
Eff. tax rate	24.8	22.4	
PAT	549	664	20.8
Exceptional Item	0	142	
Net Profit	549	806	46.7



Impact Of Business Transfers

- **In**
 - Lakme lever
 - LIEL
- **Out**
 - Quest
 - Animal Feeds

**Sales growth : 2.2% instead of 1.8 % in JQ'01
1.2% instead of 1.5 % in FH'01**

**PAT growth : 21.5 % instead of 21% in JQ'01
19.2% instead of 21% in FH'01**



Cash Flow - FH 2001

Rs. Crores	
Cash Generated from :	
Business Operations	771.2
Disposal of business	177.6
Working Capital reduction	23.7
Treasury Income	101.3
Total	1073.8
Cash Deployed :	
Capital Expenditure	163.9
Dividend Payment	440.1
Surplus invested	469.8
Total	1073.8



Performance Review
JQ/ FH 2001



HPC Business



Market Shares

%	Dec. 2000	May 2001
Toilet Soaps	59.2	59.9
Detergents (Pwdrs & Bars)	41.5	41.7
Toothpaste	35.4	36.0
Dish Wash	62.9	62.2
Shampoo	65.9	65.0
Skin (excl. Talc)	56.0	54.1

Note: ORG Urban + Rural - Value shares



Category Wise Sales Growth

%	MQ 2001	JQ 2001	FH 2001
Personal Wash	(6.4)	(2.8)	(4.4)
Fabric Wash	6.6	3.9	5.2
Household care	18.2	12.4	15.3
Skin	10.7	34.1	22.1
Shampoo	(0.6)	15.4	7.5
Oral	(7.8)	0.6	(3.7)



Focussing on Power Brands

Growth		Overall	Power Brands
		%	%
Group Sales	JQ 01	5.3	9.0
	FH01	3.8	7.0
A & P Support	JQ 01	24.8	43.3
	FH 01	19.6	32.6



SOAPS & DETERGENTS

HPC

- **Fabric Wash Sales growth 5.2% ; share gain in Detergent Bars**
- **Personal wash sales decline in a depressed market ; declining share trend reversed**
- **Dishwash bar Wheel Jugmug launched in record time**
- **FAL soap launched, LUX relaunched ; Variants added to Breeze (2 in 1, Sandal) and Lifebuoy (Activ)**



PERSONAL PRODUCTS

- **Skin Care leads the growth , +22%**
- **FAL sales driven by improved consumer value offering in sachet pack**
- **Ponds talcum relaunched with addition of 'Light N Fresh' variant**
- **Oral care decline arrested in the second quarter ; Pepsodent relaunched**
- **Shampoo growth 15.0% in JQ'01 ; led by relaunched Sunsilk**
- **Low unit price packs added to Lux shampoo range**



Foods Business



Market Shares - Foods

FOODS

%	Dec 2000	May 2001
Packet tea	36.4	35.8
Coffee	38.2	44.9
Culinary Products		
- Jams *	76.5	75.1
- Ketchups *	41.1	41.3
Branded Atta *	20.4	18.7
Branded Salt	15.3	15.6

Note: ORG Urban + Rural - Value shares

***Urban**



Improving Foods Profitability

- **Overall Foods Gross margins up 500 basis points**
- **Beverages Gross margins up 750 basis points**
- **Other Foods Gross margins up 350 basis points**



Category Wise Sales Growth

%	MQ 2001	JQ 2001	FH 2001
Tea	(13.9)	(15.3)	(14.5)
Coffee	9.5	10.8	10.1
Oils and Fats	18.5	13.7	16.1
Culinary	(12.3)	(2.4)	(7.1)
Branded Staples	(13.5)	(12.6)	(13.0)
Ice cream	(0.7)	(6.4)	(3.9)



Focussing on Power Brands

Growth		Overall %	Power Brands %
Group Sales	JQ 01	(7.3)	(3.3)
	FH01	(3.3)	(0.9)
A & P Support	JQ 01	19.7	30.1
	FH 01	8.9	14.0



BEVERAGES

FOODS

- **Focus on profitability ; Gross margins up by 750 basis points**
- **Tea market remains bearish ; sales down by 15% due to continuing impact of portfolio restructuring & sharp decline in market.**
- **Substantial volume growth in coffee ; sales up by 10% despite a sharp fall in commodity prices**



FOODS

FOODS

- **Measures to improve profitability in place ; Gross margins up 350 basis points**
- **Overall sales growth 2.1% in FH '01. Oils and Fats sales up by 16% despite lower prices**
- **An integrated Foods Field Distribution System set up to harness synergy benefits of IBL merger.**



ICE CREAMS

FOODS

- **Measures to improve profitability under execution**
- **Ice cream sales impacted by early monsoon arrival particularly in North India**
- **Retail market share improved in Delhi and Mumbai in JQ'01.**



MODERN FOODS

- **Sales up 58 % in FH '01**
 - **Bread - 78 %**
 - **SNF - 35 %**
- **Business restructuring critical for viability ; VRS offered to employees of closed units**
- **Significant synergy potential in supply chain**



BEST FOODS

- **Merger of International Best Foods Ltd. approved by shareholders wef 01/07/2001. Pending court approval.**
- **Sales of Knorr up 76 % in FH '01**
- **Restructuring of field and offices sharply reduces fixed costs. Cash breakeven in Q2 '01**



Other Businesses



FMCG EXPORTS

- **Exports of HPC categories up 58% in FH' 01**
- **Tea exports up 7.3% despite a significant drop in commodity prices and downturn in Russian business**



OTHERS

NON FMCG EXPORTS

- **Traded marine exports scaled down in view of poor viability**
- **Proposal to transfer Leather and Mushroom businesses to subsidiary approved by shareholders**



OTHERS

CHEMICALS & AGRI

- **JV with ICI group for Quest division of Flavours and Fragrances**
- **Agri seeds sales grow 39%.**



NEW VENTURES

- **Test marketing in confectionery started in Tamil Nadu , initial response encouraging**
- **Project Sangam experiment in e-tailing launched near Mumbai**
- **Accelerated progress in B2B connectivity initiatives**
- **Several other Project Millennium initiatives in evaluation phase**



New Channel Initiatives

- **Increased focus on :**
 - **Wholesale**
 - **Rural**
- **Modern trade ; key retail accounts**
- **Out-of-home opportunities in foods**
- **New channels - direct marketing, beauty services and laundry services**



In Summary

% Growth	JQ 2001	FH 2001
Sales		
- Reported	1.8	1.5
- FMCG	3.2	2.8
- Power Brands	5.7	4.8
PAT	20.9	21.0
EPS	62.7	46.7

Interim Dividend (including distribution out of exceptional items) Rs.2.50 per share



THANK YOU