



# HINDUSTAN LEVER LTD.

Presentation at JM Morgan Stanley's India Equity Conference

Mumbai, March 2003



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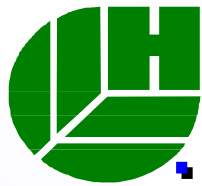
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- **Overview**
- **DQ 2002**
- **Strategy**
- **FY 2002**
- **2003 & Beyond.....**



# HINDUSTAN LEVER LIMITED

## Overview



# Hindustan Lever

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

Turnover Rs 100 Bln

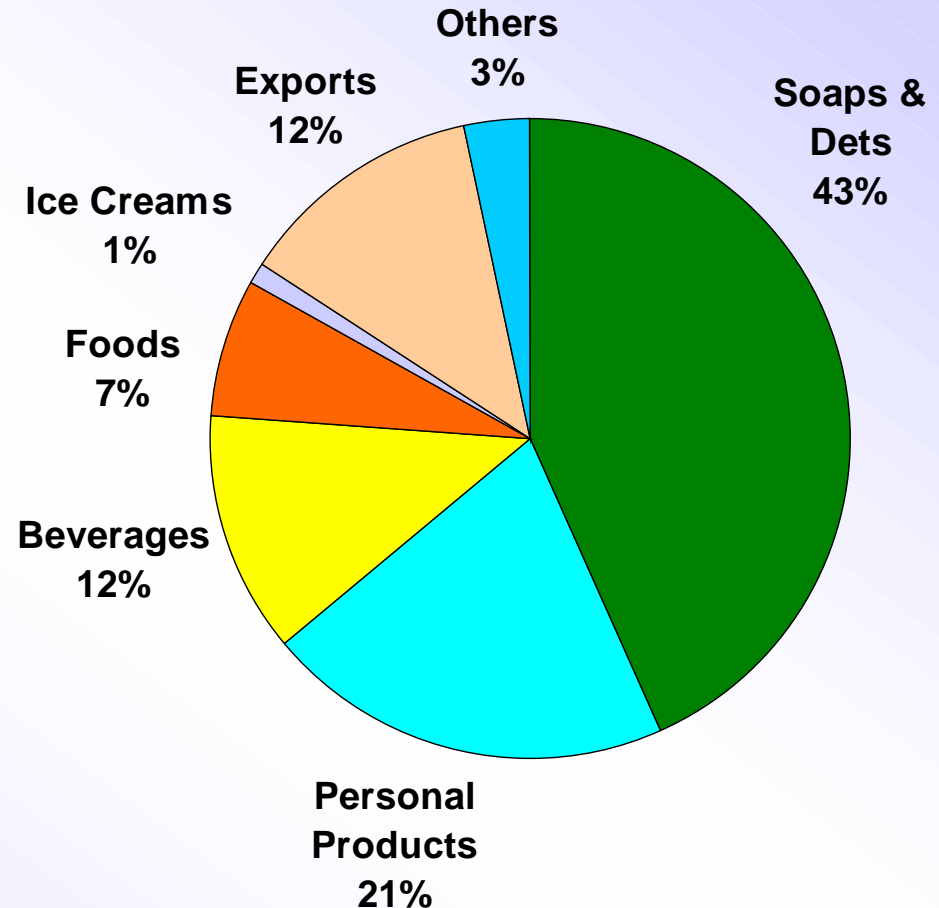
EBITDA (Operational) Rs 21 Bln

Net Profit (bei) Rs 17 Bln

EPS (Re 1) Rs 7.98

Economic Value Added Rs 12 Bln

Market Capitalisation Rs 400 Bln



\* Figures based on FY2002 Audited Results

\* Based on FY2002 segmental revenues



# Hindustan Lever Corporate Purpose



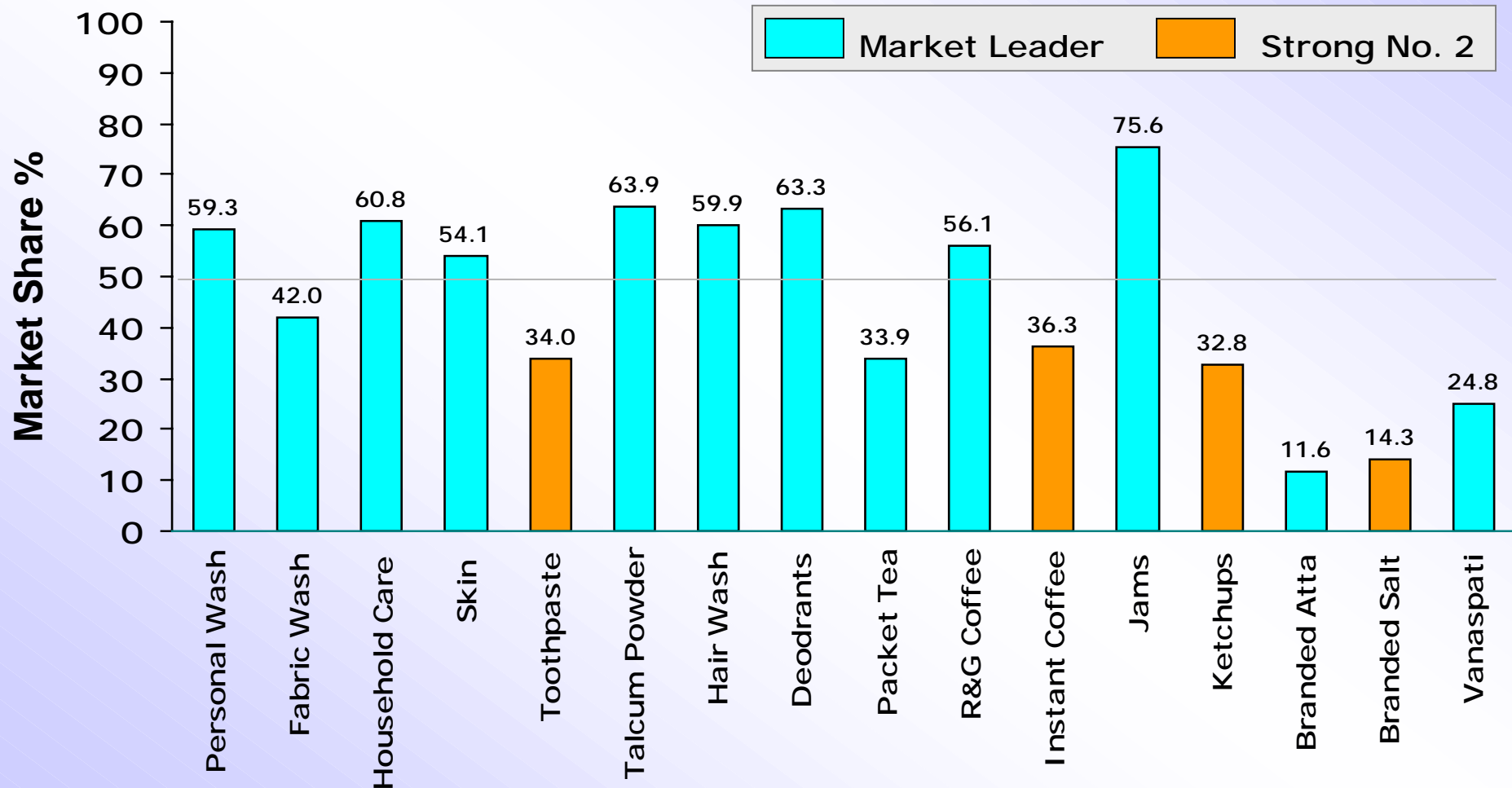
Our purpose is to meet the  
everyday needs of people everywhere -  
to anticipate the aspirations of our  
customers and consumers and to  
respond creatively and competitively  
with branded products and services  
which raises the quality of life





# Hindustan Lever

## ...dominant player across FMCG categories



\* Source : ORG Value Shares (New Panel)





# Market Growth

key categories decline in 2002, upturn in DQ

Growth %	2000	2001	2002	DQ02
HPC	7.6	(2.3)	(3.1)	0.8
FMCG	6.7	(1.5)	(3.5)	0.9

*Source : ORG Value (based on New Panel)*



# HINDUSTAN LEVER LIMITED

**DQ 2002**





# DQ 2002 Results

## Highlights

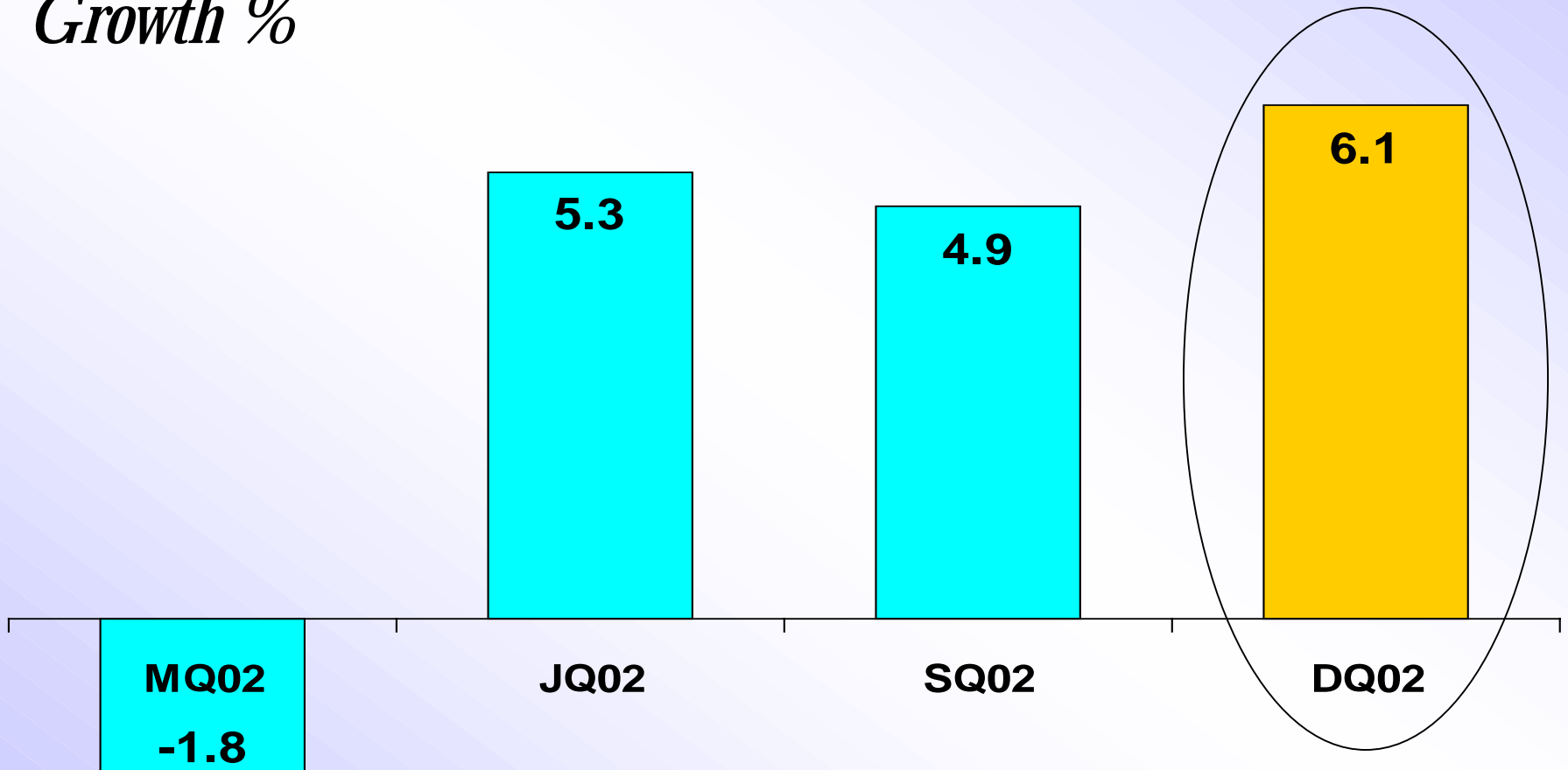
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- HPC sustains high growth rate - up 6.1% in a market which grew by 0.8%
  - Personal Wash (+11.3%), Fabric Wash (+8.0%), Dishwash (+19.4%) & Skin (+21.8%)
- Continuing Exports grow by 13.1%
  - HPC Exports up 59.1%
  - Continuing Non FMCG exports up 20.9% led by Castor(+67%), Rice (16.6%) & Marine (+18%)
- Operating Profits (PBIT) up 12.3%, Margin Expansion by 310 bps
- Profit Before Tax grows by 13.2%
- Profit After Tax (before exceptionals) grows by 8.6%
- Progress on strategy well on course



# HPC Growth gaining momentum...

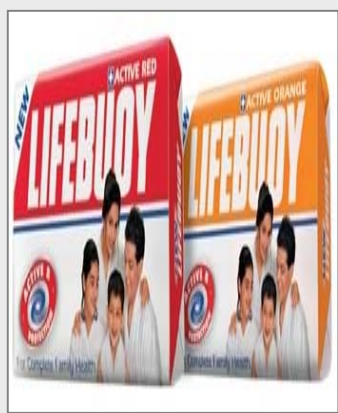
*Growth %*





**DQ2002**

# Brands which delivered strong growth



Lifebuoy : 36%



Nihar : 35%



Pears : 25%



Lux : 20%



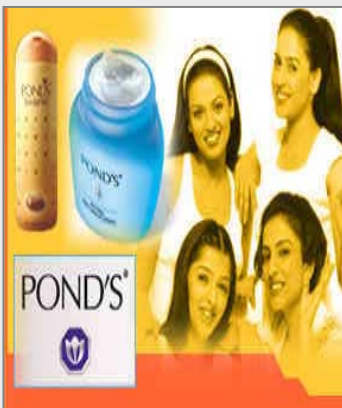
Vim : 20%



Wheel : 17%



Liril : 16%



Ponds : 16%



FAL : 13%



Surf : 13%

\* Group Basis



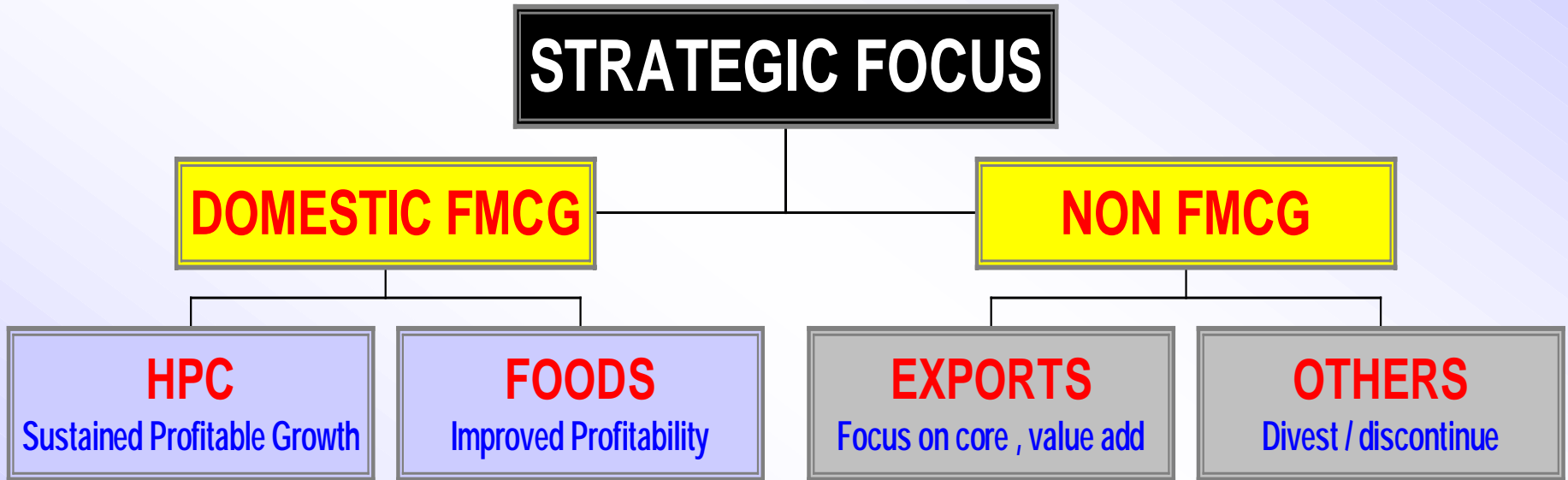
# HINDUSTAN LEVER LIMITED

## Strategy





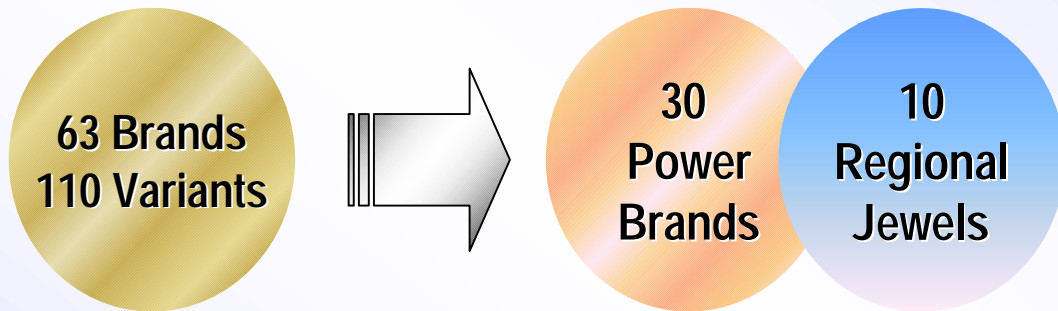
# Recap







# Focus on Power Brands



less  
more<sup>is</sup>

- 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





# **Foods : Underlying Profitability**

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- 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

**Foods business to be “fit for growth & scale”**



# Non FMCG Businesses

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- **Exports**
  - Discontinue non value-adding exports
  - Focus on core categories - position as Preferred Competitive Source
  - Non Core : Build only on Country / Company strengths; exit others
- **Other Non FMCG Businesses**
  - Opening up of the economy & access to world class technology
    - Need to focus on core businesses
  - Variety of options actively reviewed - best solution for each business
  - Seek players with global expertise who are able to support future growth



# 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

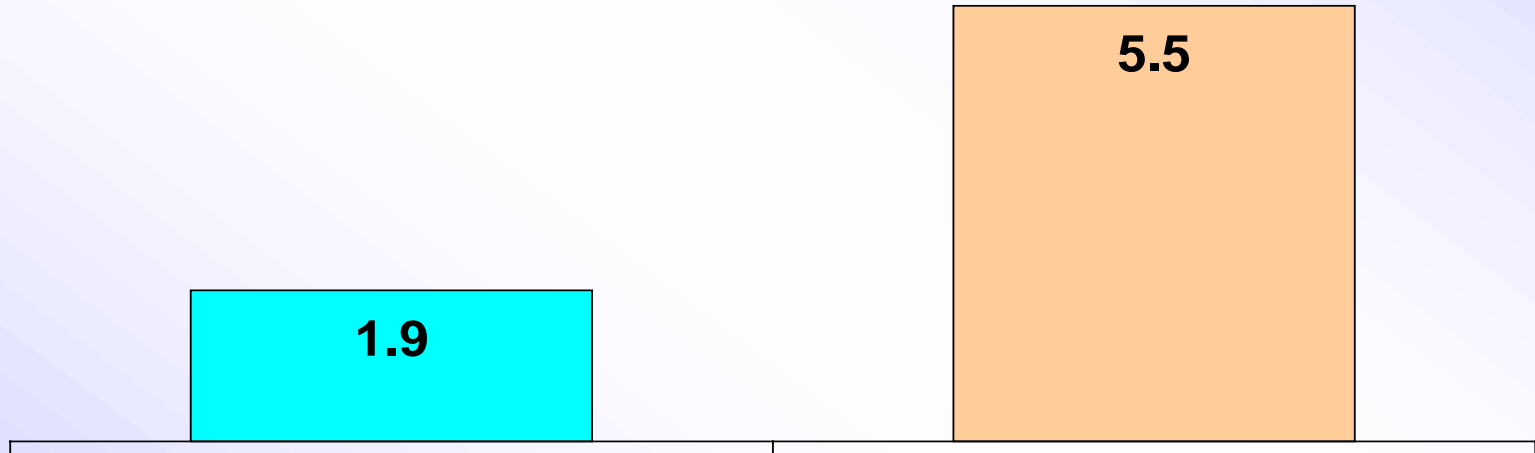


# HPC leads the show sustains all round performance

*Growth %*

FH 2002

SH 2002



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

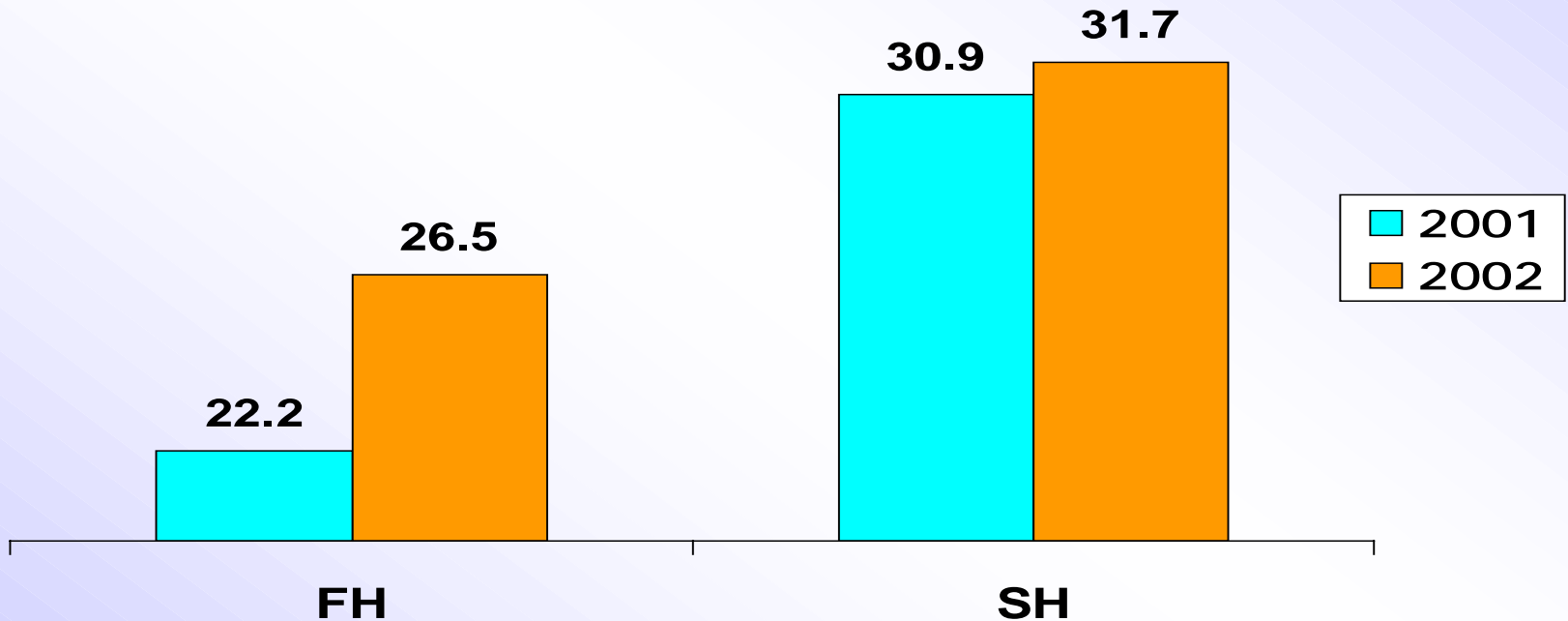


# HPC leads the show grows profitably

## *Segmental EBIT Margins %*

+ 435 bps

+ 85 bps



...improved profitability through enriched portfolio & cost management initiatives

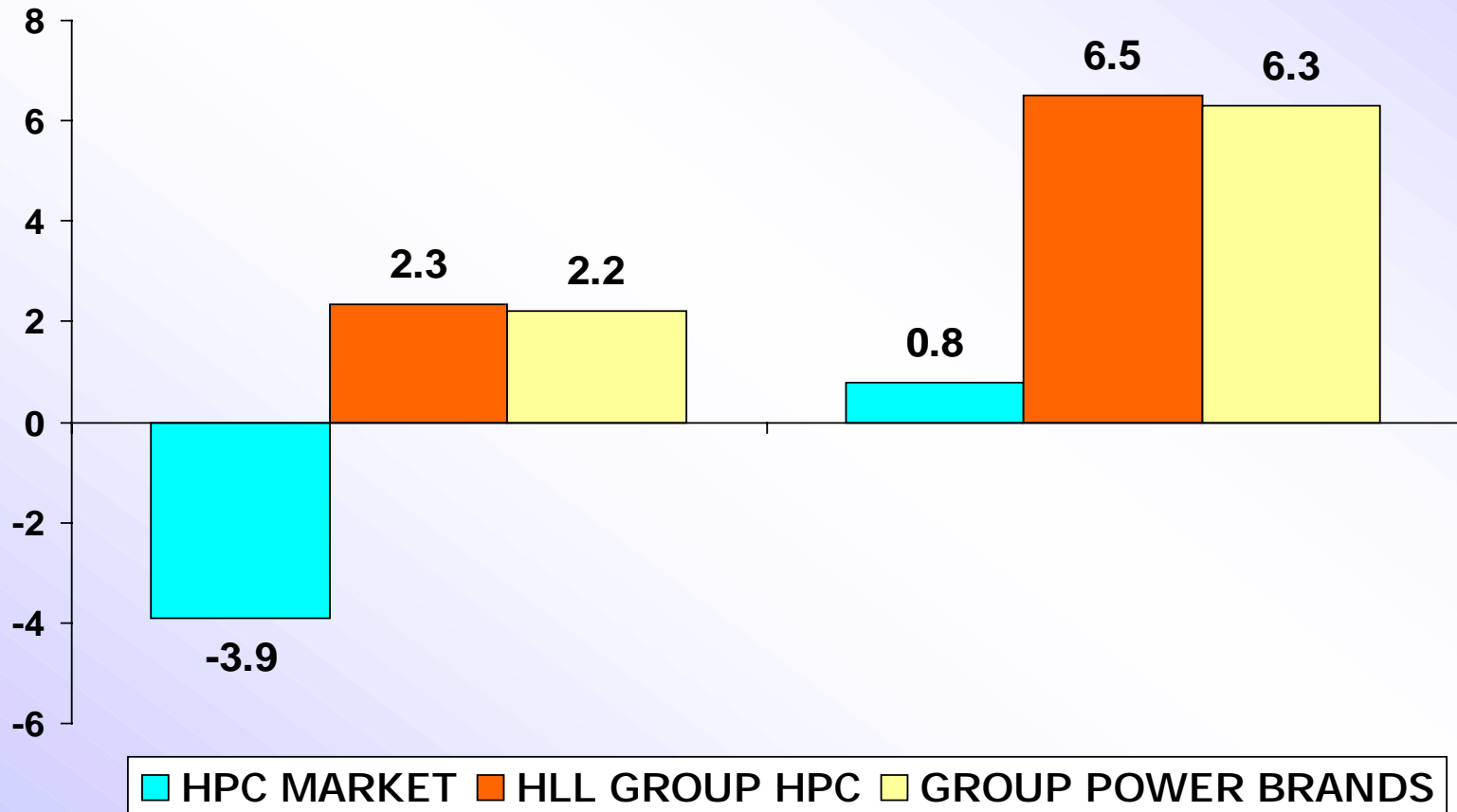


# HPC Power Brands beat the market

*Growth %*

YTD SQ'02

DQ 2002



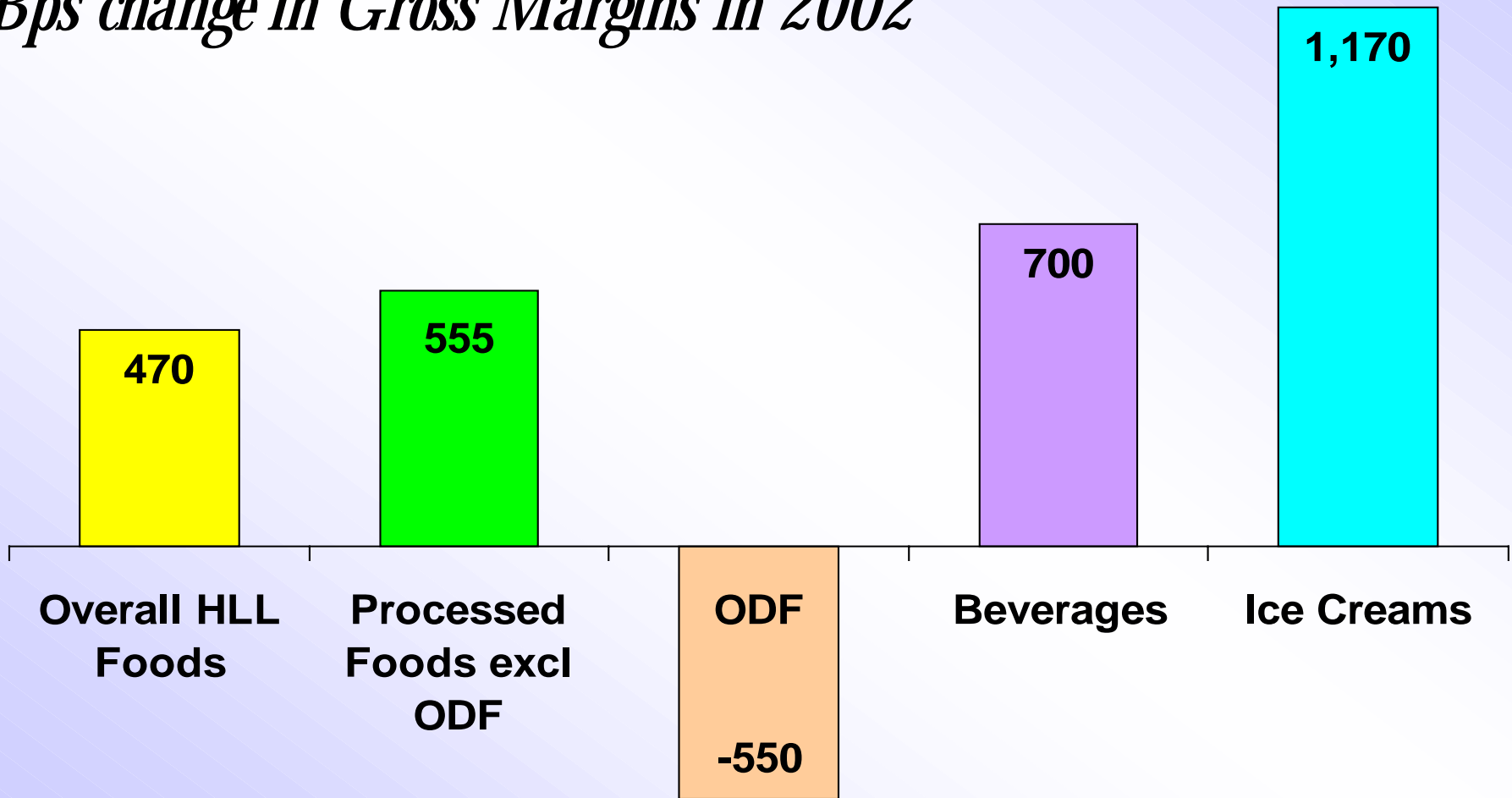
\* Market growth rates as per ORG New Panel





# Foods Portfolio strengthens strategy delivers step change in margin profile

*Bps change in Gross Margins in 2002*

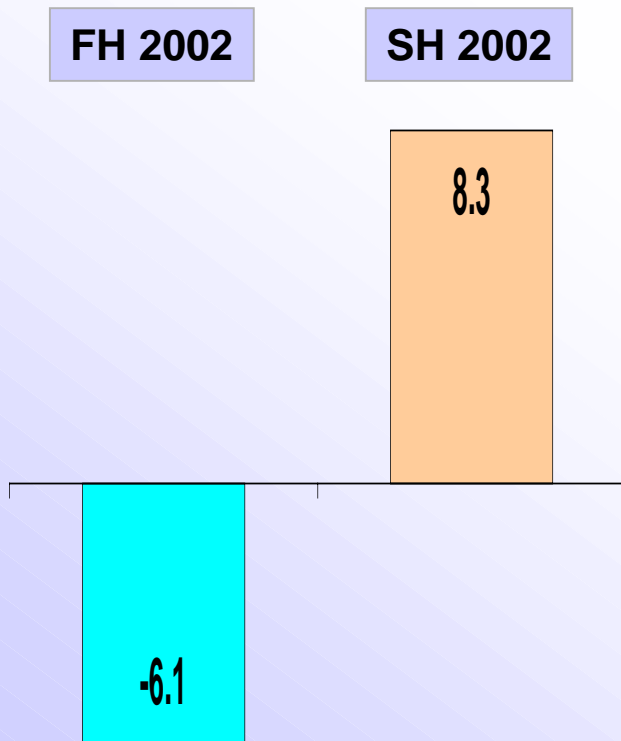




# Exports Strategy on track

## 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

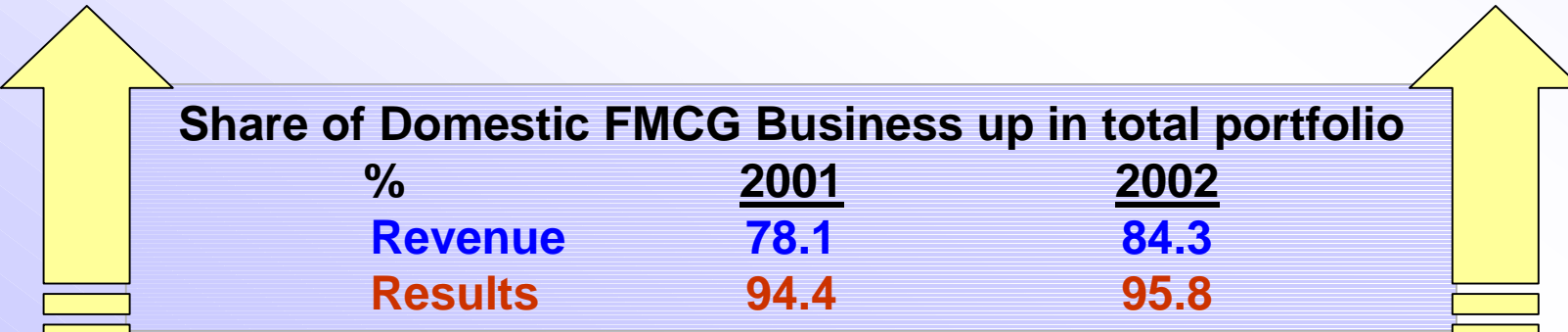


# Divesting Non FMCG Businesses releasing value for shareholders

- Divestments completed in 2002

Rs Crores	Effectuated	Cash Released	Profit on disposal
Seeds	MQ '02	40.3	74.7
Diversey Lever	JQ '02	9.2	46.9

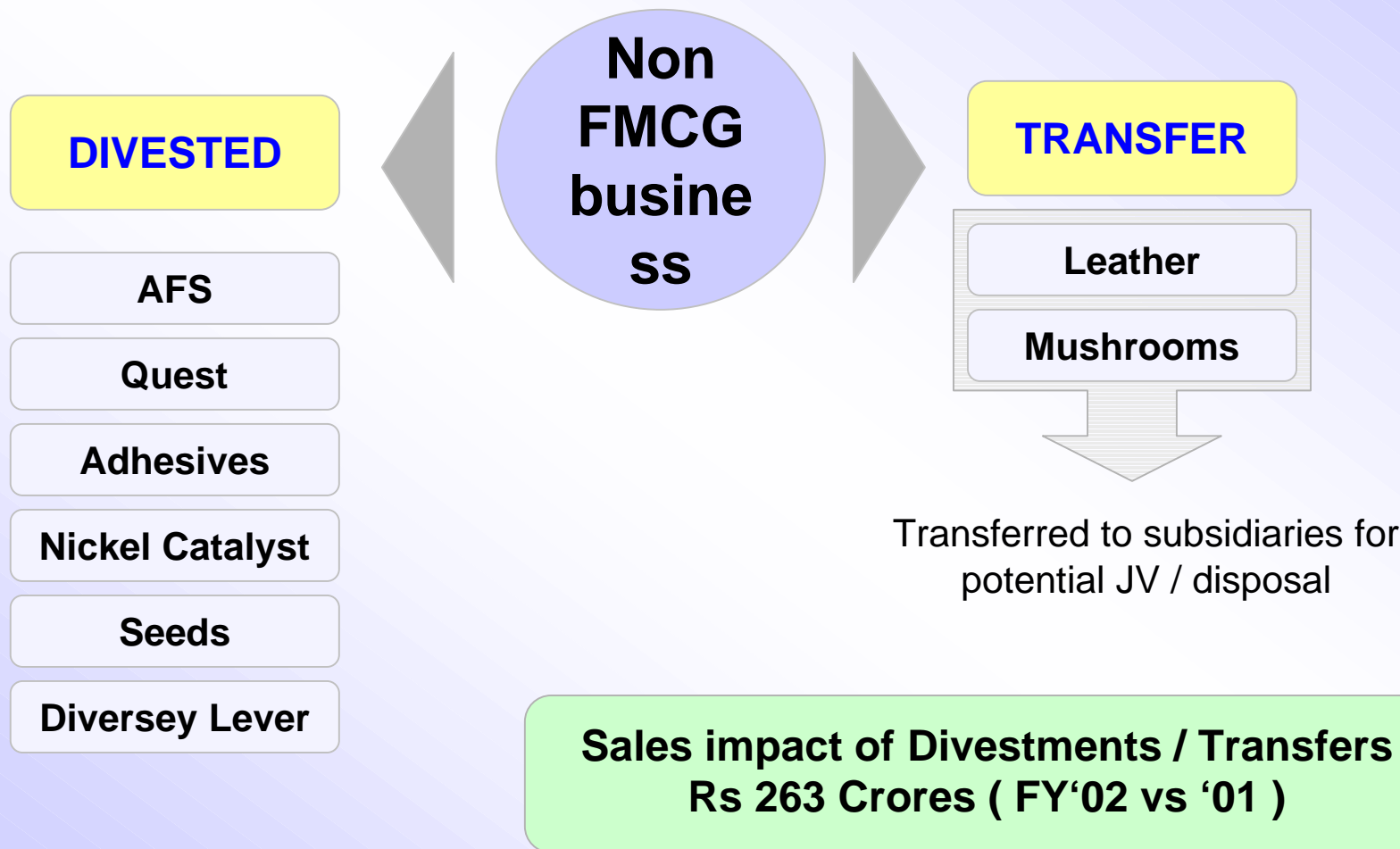
- Transfer of Leather & Mushrooms business to subsidiaries for potential JV/divestment



Share of Domestic FMCG Business up in total portfolio			
%	<u>2001</u>	<u>2002</u>	
Revenue	78.1	84.3	
Results	94.4	95.8	



# Securing the future of Non FMCG





# HINDUSTAN LEVER LIMITED

**FY 2002**



# FY2002 Results

## Highlights

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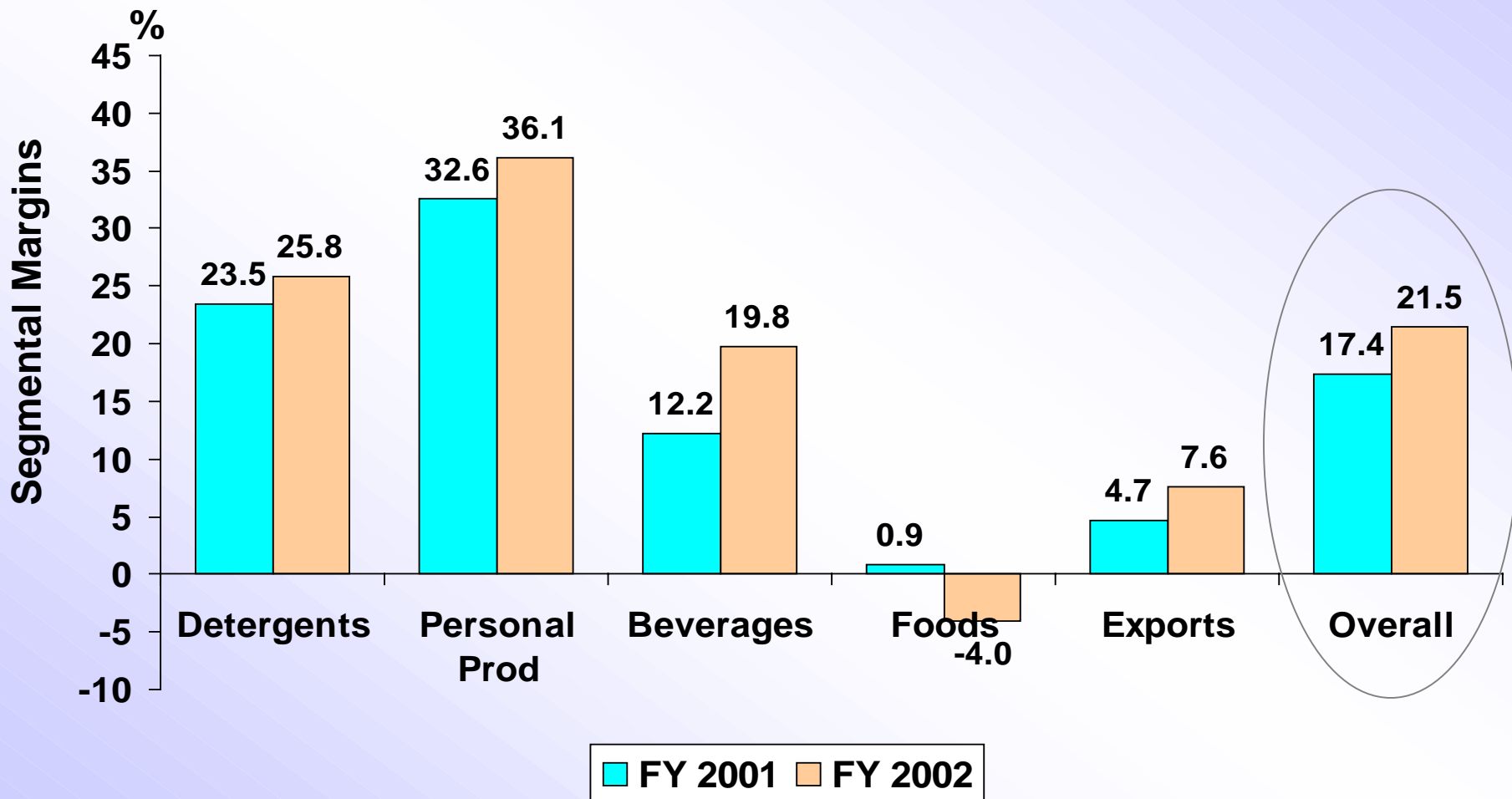
- **HPC outperforms the market - grows by 3.7%**
  - Gains momentum in SH'02 - up 5.5%
  - Growth led by Skin (22.5%), Personal Wash (+8.6%) & Dishwash (+5.9%)
- **Operating Profits (PBIT) up 16.6%, Margin Expansion by 390 bps**
- **Profit Before Tax grows by 13.1%**
- **Profit After Tax (before exceptionals) 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**





# Focus on Profitability

...continued trend on improved segmental margins





# EBITDA Margin Progression

Portfolio Rationalization

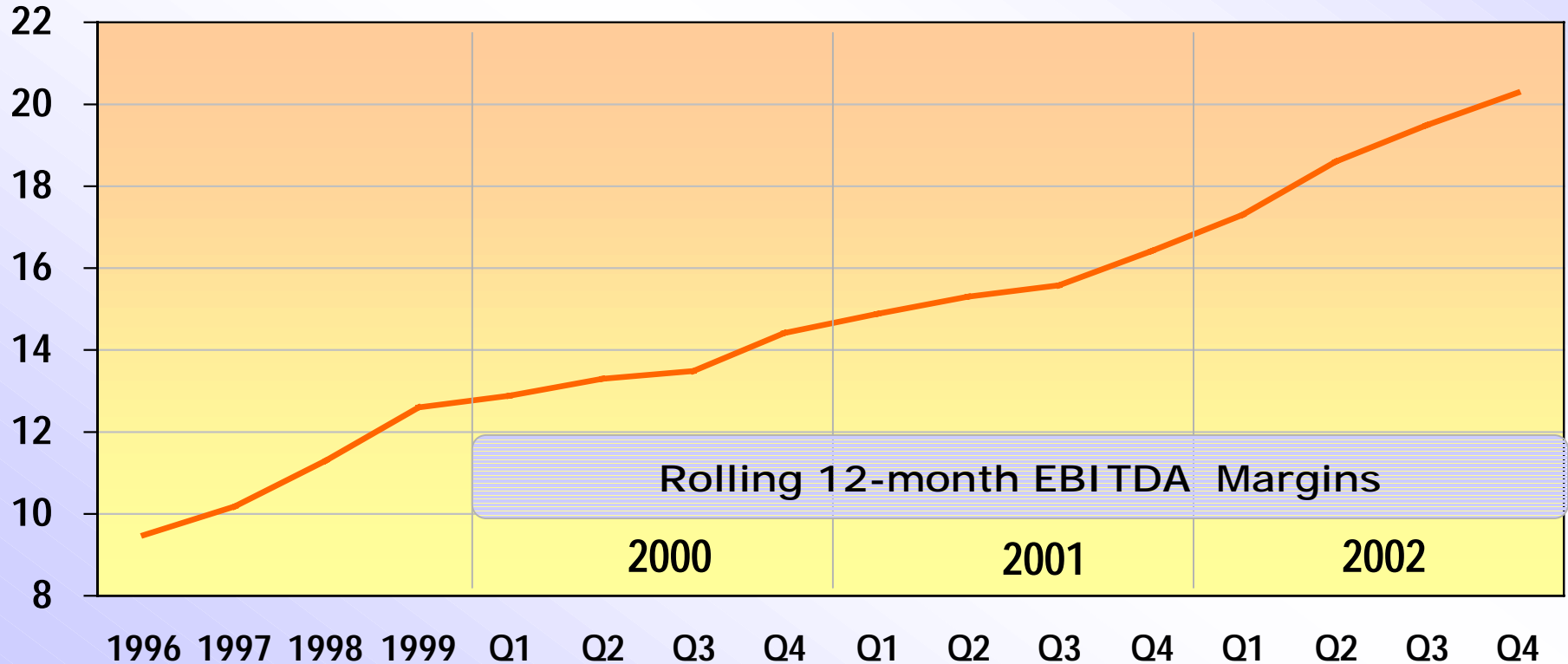
Enriched Mix

Improved Foods Profitability

Restructuring Programmes

Cost Management Initiatives

% Sales





## Strong Cash Generation continues..

<b>Rs Crores</b>	<b>FY 2001</b>	<b>FY 2002</b>
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)
<b>Surplus Invested</b>	<b>340</b>	<b>597</b>

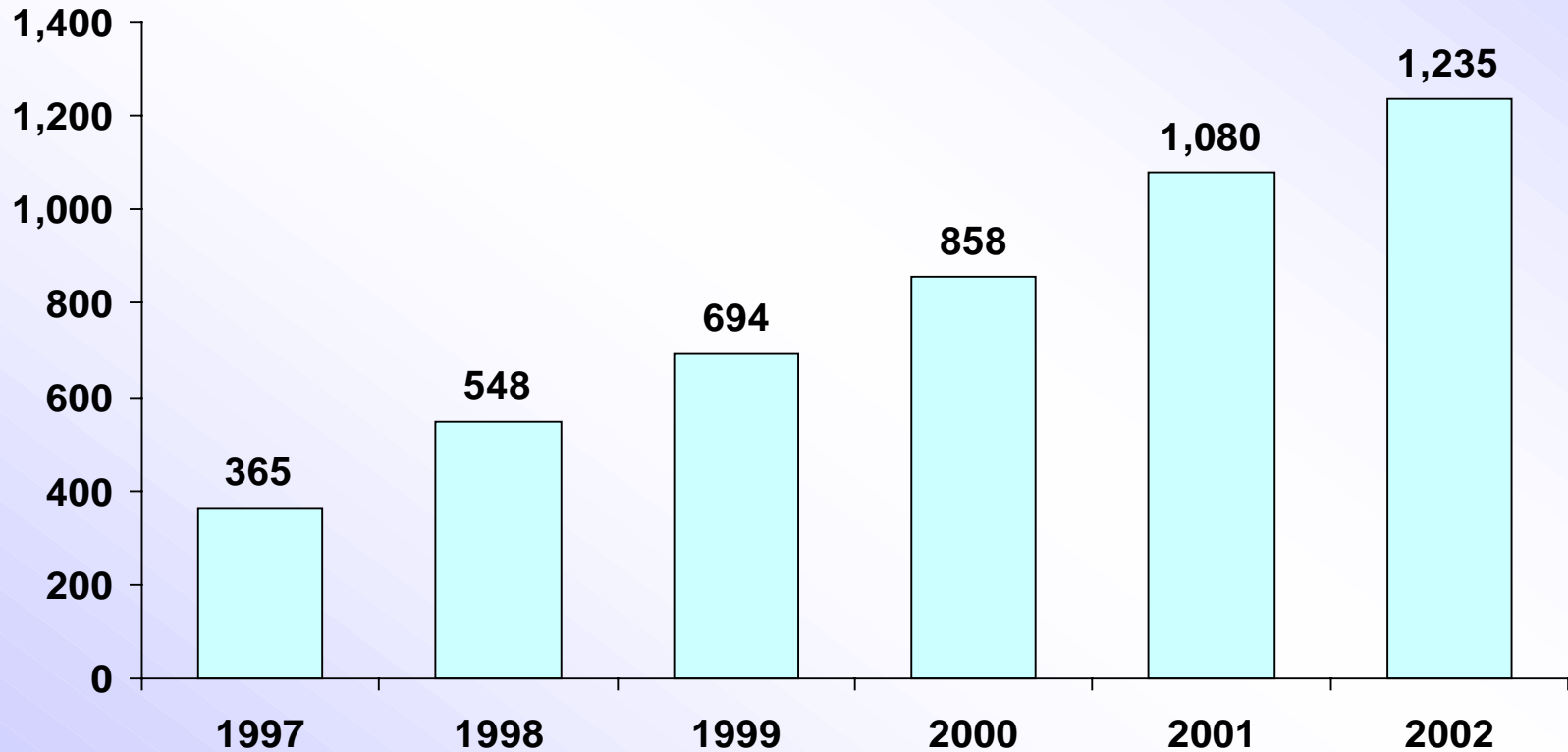
Cash from operations grows by 13%, investible surpluses grow 76%



# 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 (Proposed)	2.50	3.00
<b>Total</b>	<b>5.00</b>	<b>5.50</b>

Rs	Shareholder receipt in next 6 months
Final (Proposed)	3.000
Special Dividend	1.765 * Pursuant to change in dividend tax incidence announced in recent Budget
Bonus Debenture	6.000
<b>Total</b>	<b>10.765</b>



## 2002 : In Summary

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





# HINDUSTAN LEVER LIMITED

## 2003 & Beyond....



# 2003 & Beyond.....

## brand vision



## growth opportunities

- new categories
- new consumers
- new consumption opportunities

## innovation



# Shaping Brands for Growth

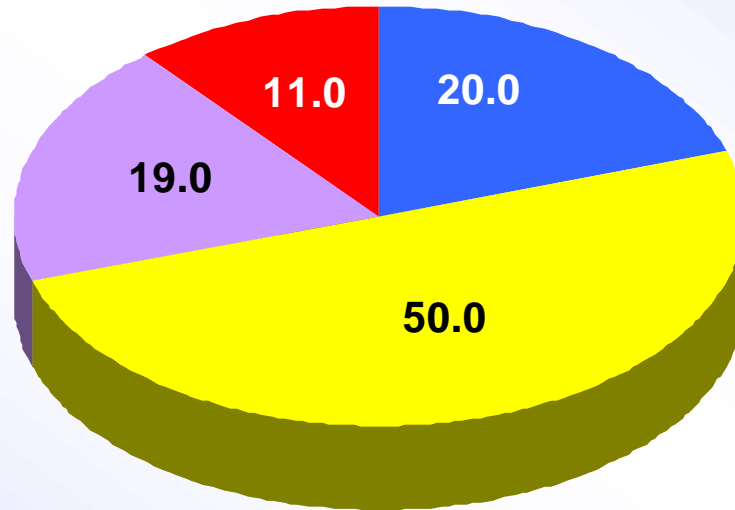




# 2003 & Beyond.....

## Share of Hair wash occasions

**HLL Share of  
Shampoos**  
**60%**



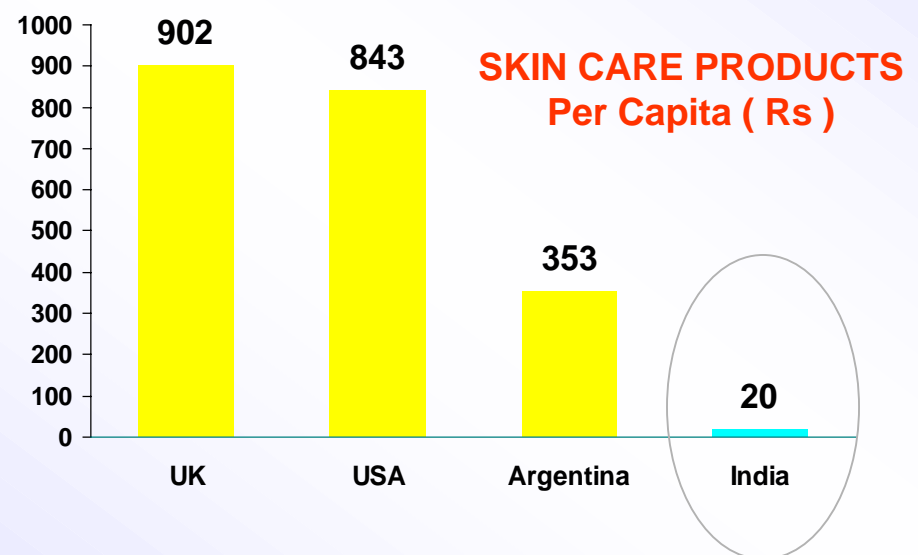
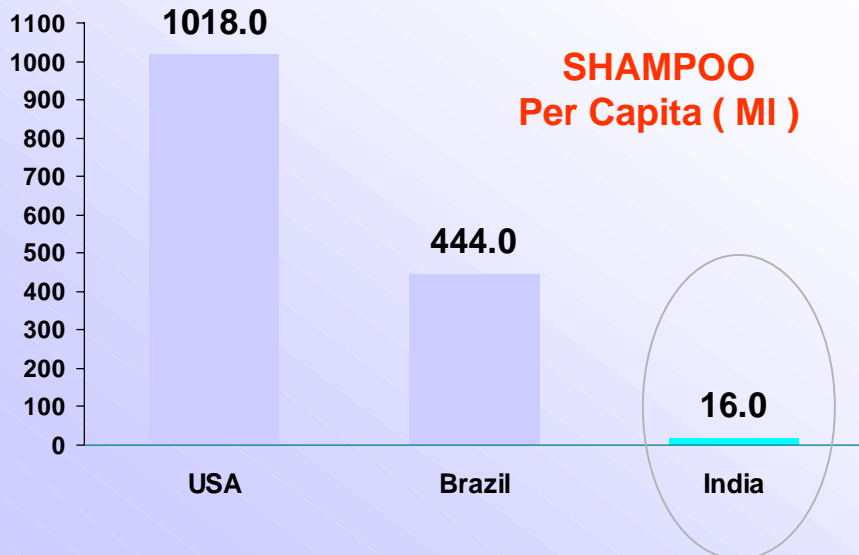
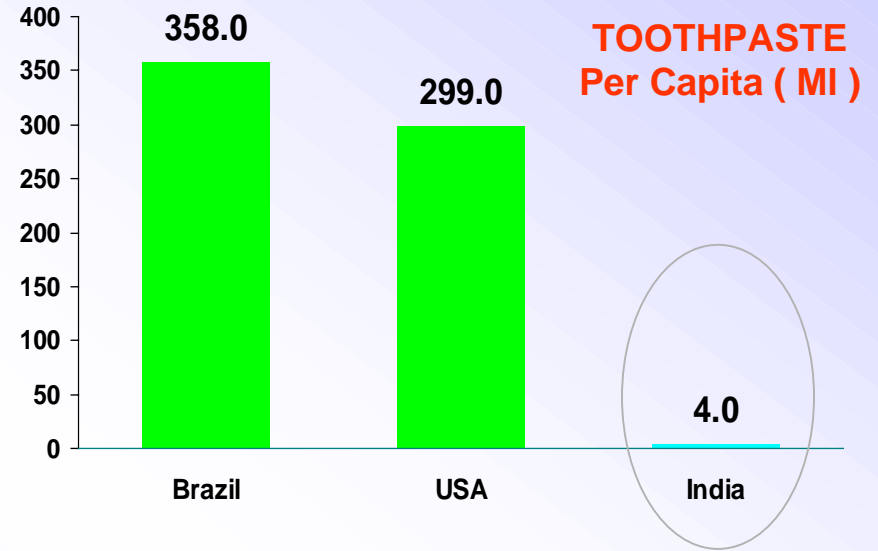
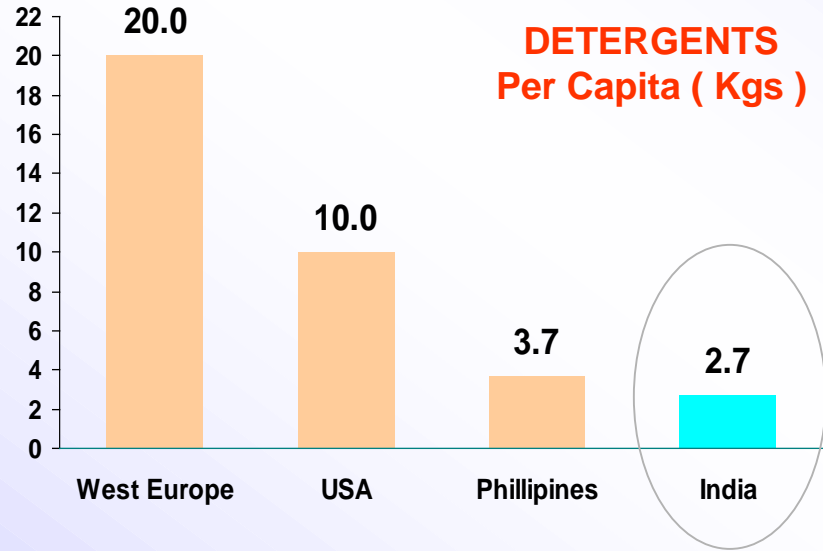
**HLL Share of  
Hair Wash**  
**7%**

■ Water ■ Soap ■ Naturals ■ Shampoo

## Redefine potential for growth



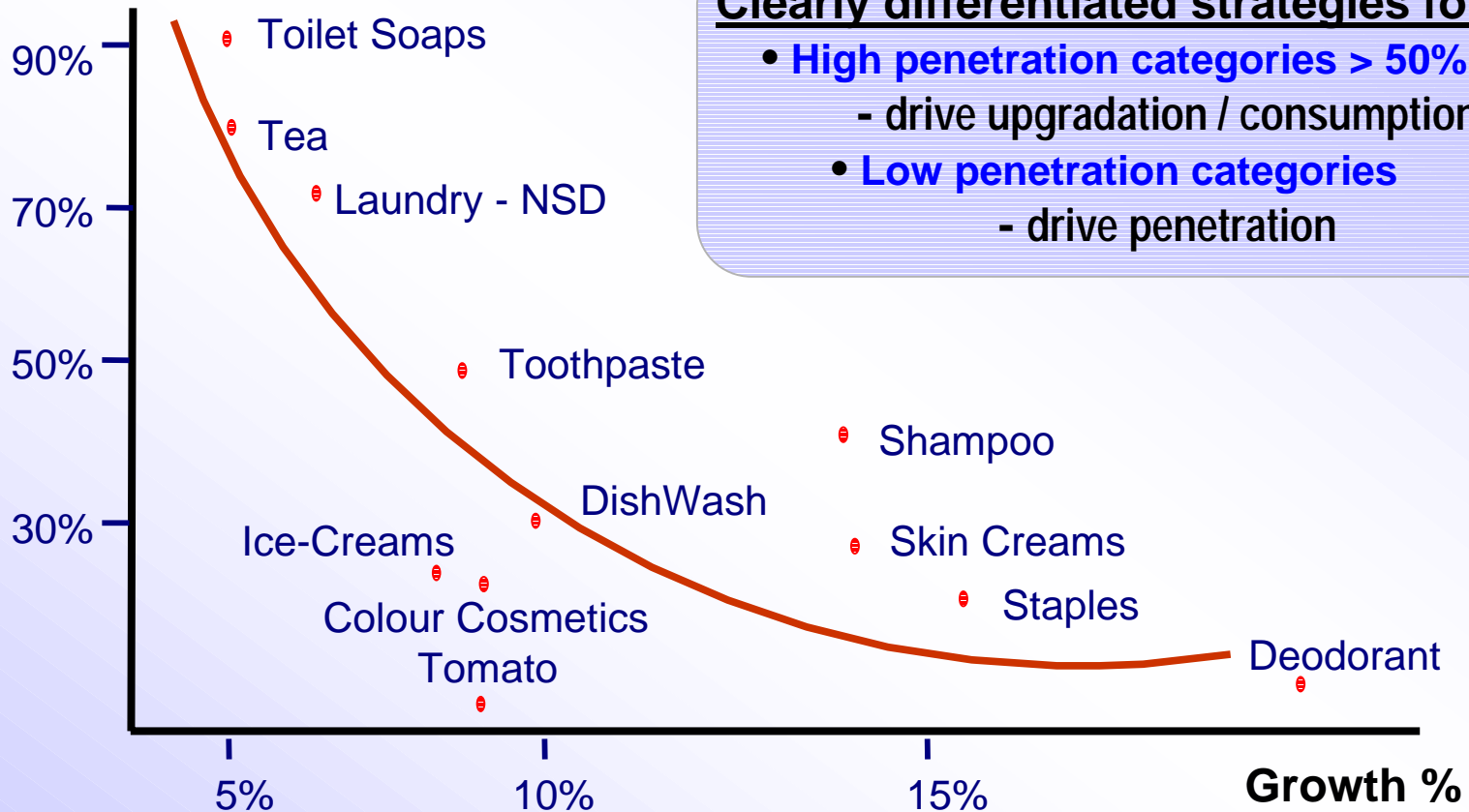
# 2003 & Beyond.....





# 2003 & Beyond.....

Penetration %



## Growth in Current Categories



# 2003 & Beyond.....

## Beverages Out of Home



## Ice Cream Vending

## Lakme Beauty Salons



Leverage Channel Opportunities





2003 & Beyond.....



Network Marketing



# 2003 & Beyond.....

## Lever Ayush



## Max Confectionery



## Sangam E-tailing



## Rural Connectivity (Shakti)



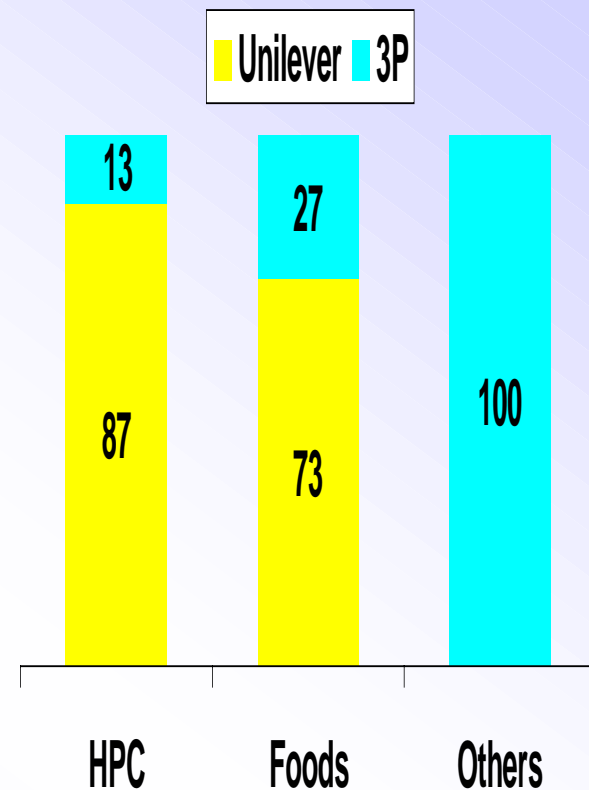
# Scale up New Initiatives





# 2003 & Beyond.....

- Leveraging on cost arbitrage opportunities with the West & Unilever sourcing
- Focus on categories with company / country specific advantage
- Build sourcing partnerships on the basis of
  - World class quality
  - Technological / process expertise
  - Customer service
  - Cost competitiveness
- Exports not at the cost of domestic business
- Sourcing business will improve Exports margin basket



## Building a New Exports Horizon



# 2003 & Beyond.....



Continued thrust on innovation in Foods



**2003 & Beyond.....**

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# **Entry into Water**



**HINDUSTAN LEVER LIMITED**

**Thank You**