



# **HINDUSTAN LEVER LTD**

## **REVIEW OF RESULTS - FH 2001**

**Analysts Meet  
Mumbai July 24, 2001**



# 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

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

**Source : ORG**



# Financial Results : JQ/ FH 2001



## HLL Results - JQ 2001 ... (1)

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





## HLL Results - JQ 2001 ...(2)

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



## HLL Results - FH 2001 ... (1)

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



## HLL Results - FH 2001 ...(2)

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



## 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)
<b>Power Brands</b>			<b>5.7</b>
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)
<b>Power Brands</b>			<b>4.8</b>
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

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

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



# Dividend Payout

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



# Key Indicators

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



# Results Analysis



# Net Profit

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



# 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

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



**Performance Review**  
**JQ/ FH 2001**





# HPC Business





# Market Shares

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

**Note: ORG Urban + Rural - Value shares**



# Category Wise Sales Growth

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



# Focussing on Power Brands

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



# 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

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

**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

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



# Focussing on Power Brands

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



# 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

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

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



**THANK YOU**