



# HINDUSTAN LEVER LTD.

## DQ & FY 2002 Results Presentation

**Analysts Meet, Mumbai - 29th January, 2003**



# Economic Background

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- GDP growth estimated at 5%

## Positives

- Infrastructure pick up
- IIP improvement
- Inflation, forex, interest
- Exports & Non-Oil imports

## Uncertain Factors

- Kharif output & lag impact
- Rabi outcome
- Oil prices



# Market Growth

## key categories decline in 2002, upturn in DQ

Growth %	2000	2001	2002	DQ02
Personal Wash	6.1	(9.9)	(6.1)	0.6
Fabric Wash	5.7	(2.9)	(2.1)	1.9
Dishwash	19.2	11.1	(1.8)	1.5
Toothpaste	10.0	2.0	(5.5)	(7.2)
Shampoo	12.5	10.7	7.8	2.1
Skin Products	12.9	2.6	0.6	14.7
Packaged Tea	0.3	2.4	(9.7)	(8.9)
Atta	38.1	6.4	(5.3)	17.5
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 & FY 2002 Results Presentation

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# DQ 2002 Highlights

**Analysts Meet, Mumbai - 29th January, 2003**



# **DQ 2002 Results** **Highlights**

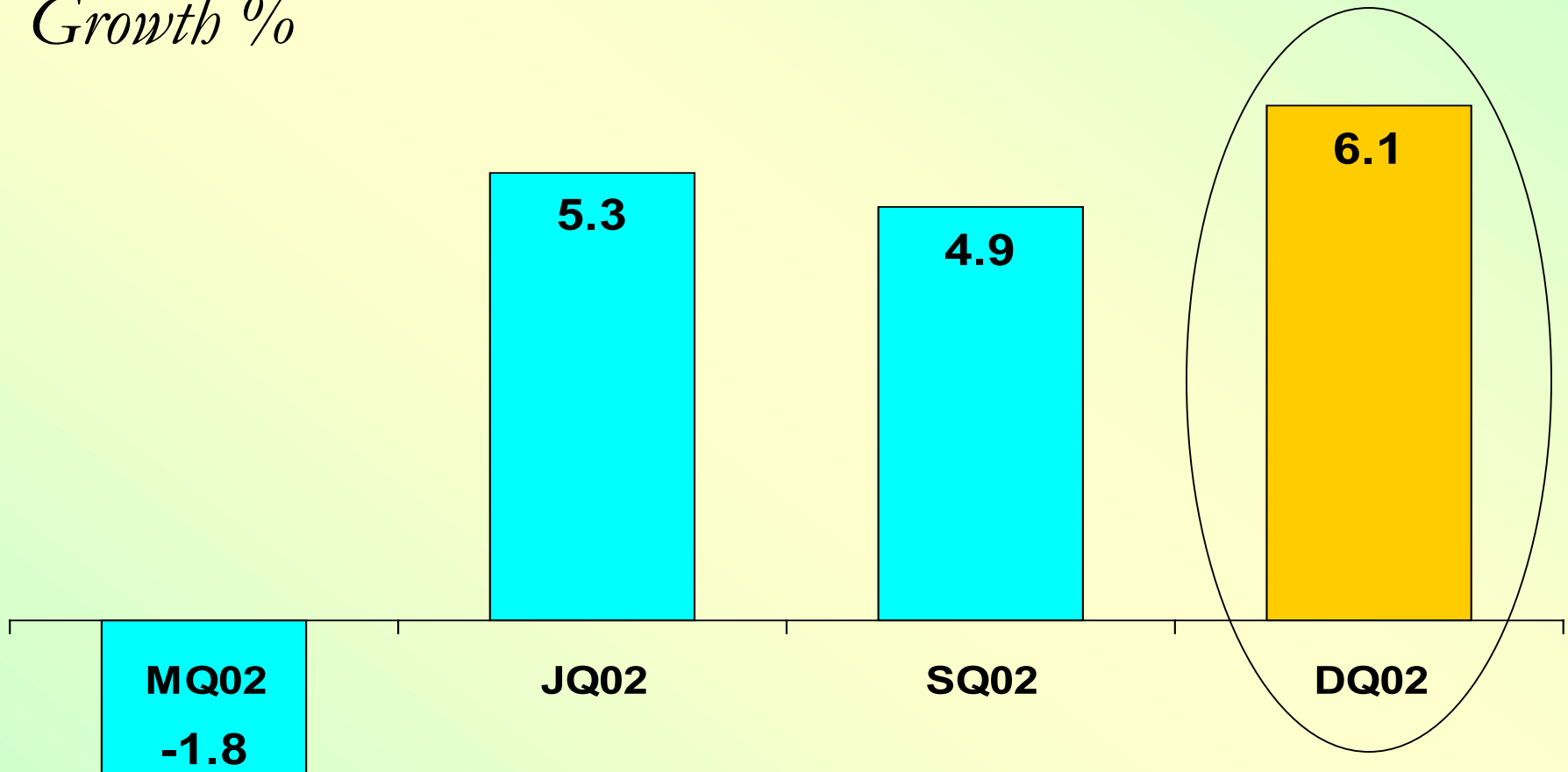
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- **HPC sustains high growth rate - up 6.1% in a market which grew by 0.8%**
  - **Personal Wash (+11.3%), Fabric Wash (+8.0%), Dishwash (+19.4%) & Skin (+21.8%)**
- **Continuing Exports grow by 13.1%**
  - **HPC Exports up 59.1%**
  - **Continuing 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**



# HPG Growth gaining momentum...

*Growth %*





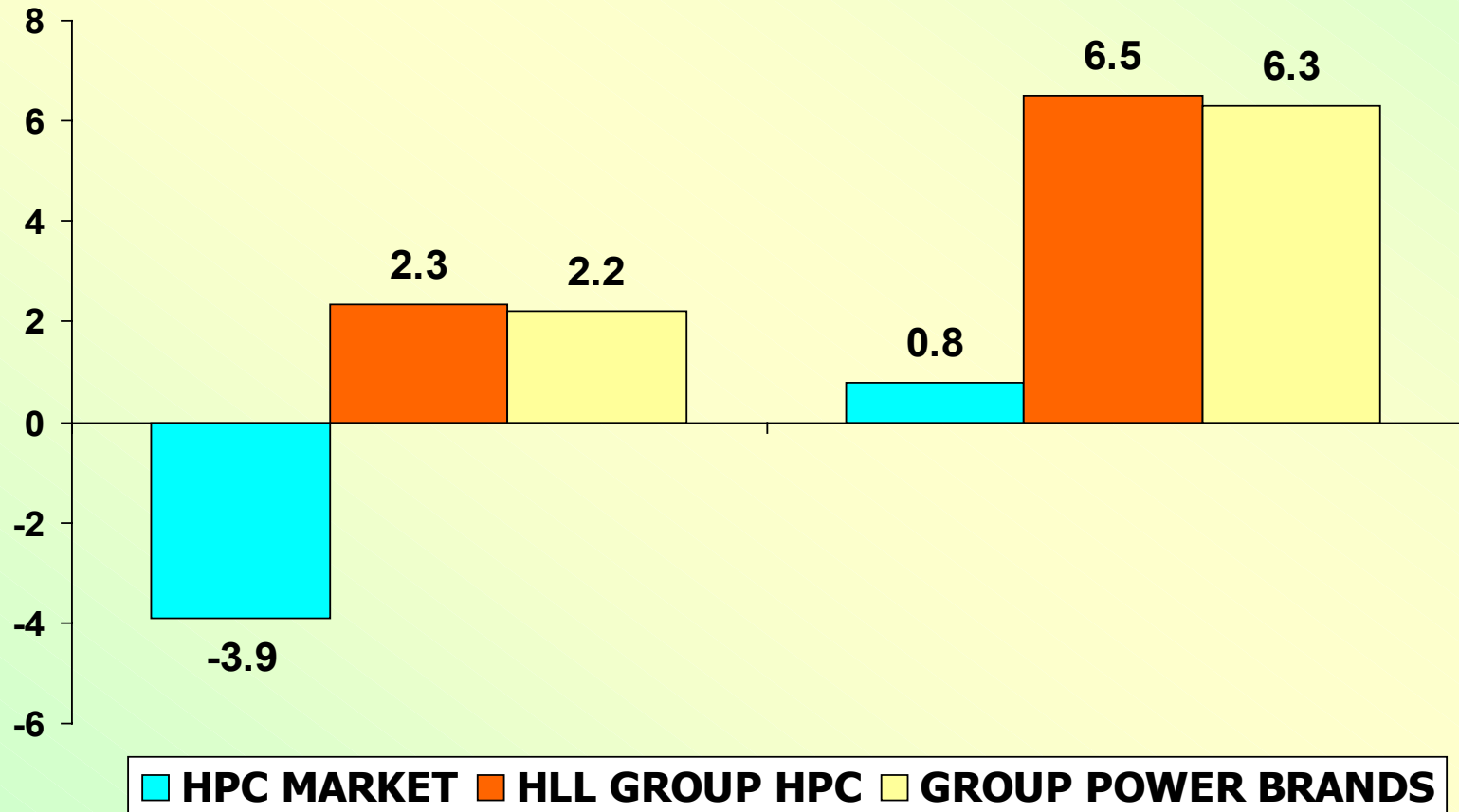


# HPC Power Brands beat the market

*Growth %*

YTD SQ'02

DQ 2002



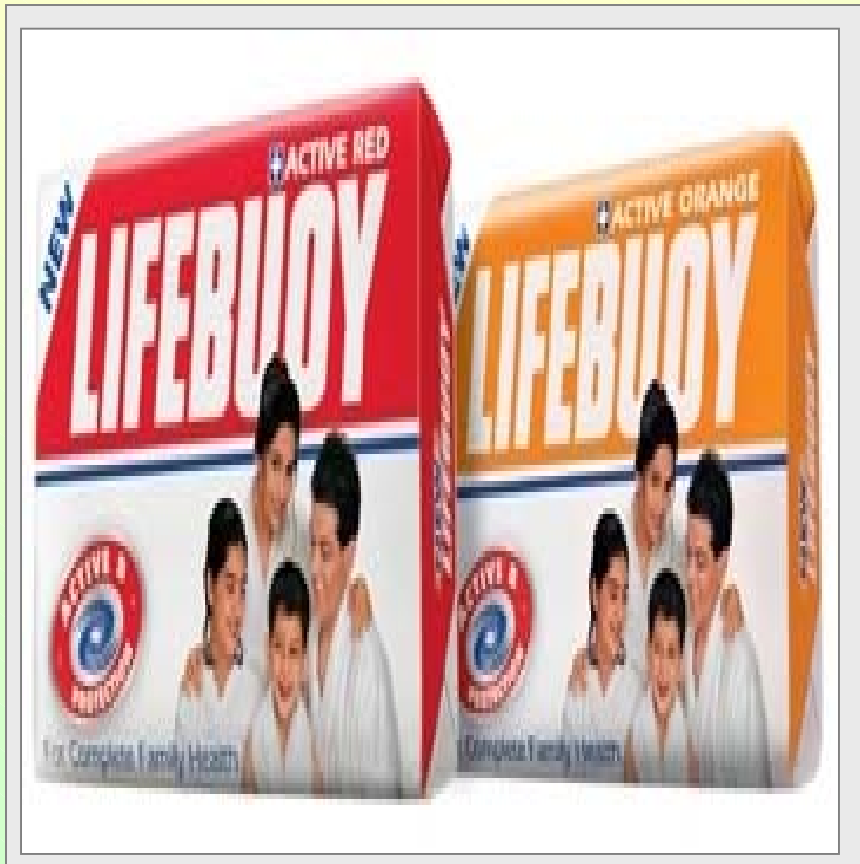
\* Market growth rates as per ORG New Panel



**DQ2002**

## **Brands which delivered strong growth**

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**Lifebuoy**  
**36%**





**DQ2002**

## **Brands which delivered strong growth**

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**Nihar  
35%**

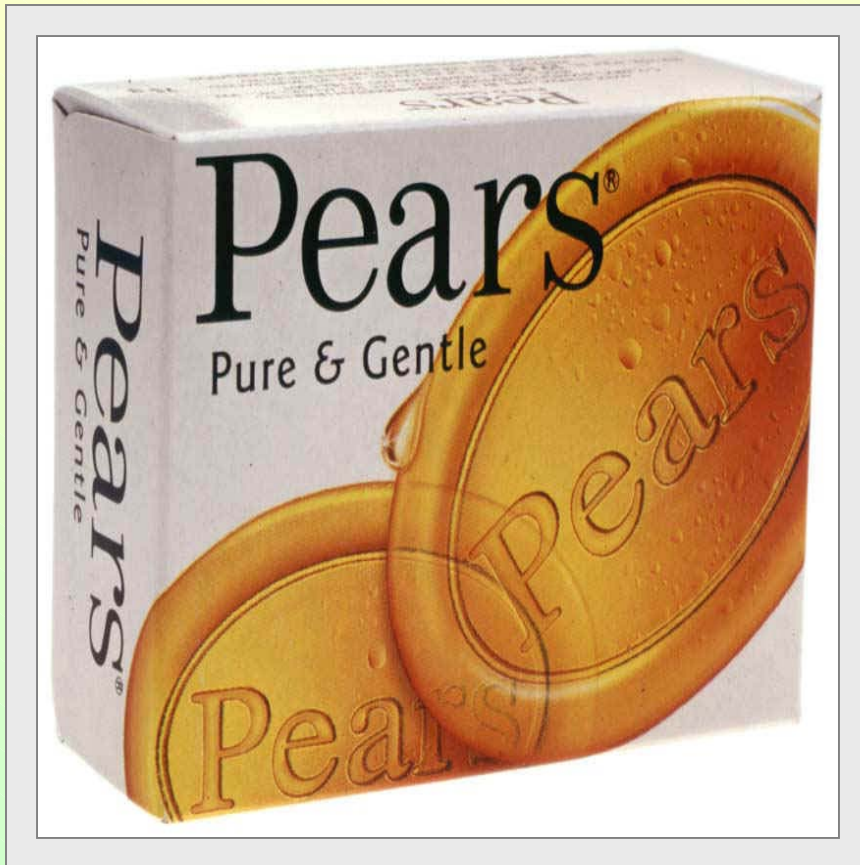




**DQ2002**

## **Brands which delivered strong growth**

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**Pears**  
**25%**



**DQ2002**

# **Brands which delivered strong growth**

**Lux**  
**20%**





**DQ2002**

# **Brands which delivered strong growth**

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**Vim**  
**20%**



**DQ2002**

## **Brands which delivered strong growth**

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**Wheel  
17%**







**DQ2002**

# **Brands which delivered strong growth**

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**Liril**  
**16%**





**DQ2002**

## **Brands which delivered strong growth**

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**Ponds**  
**16%**





**DQ2002**

## **Brands which delivered strong growth**

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**Fair & Lovely  
13%**



**DQ2002**

# **Brands which delivered strong growth**

**Surf**  
**13%**





**DQ2002**

# **Brands which delivered strong growth**

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**Knorr**  
**57%**



**DQ2002**

## **Brands which delivered strong growth**

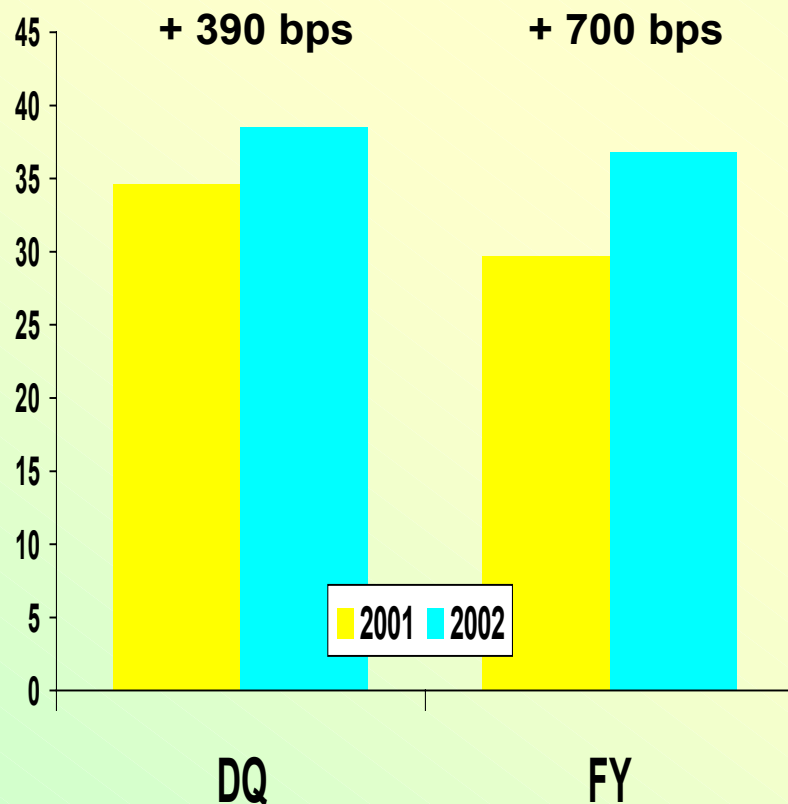
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**3 Roses**  
**10%**

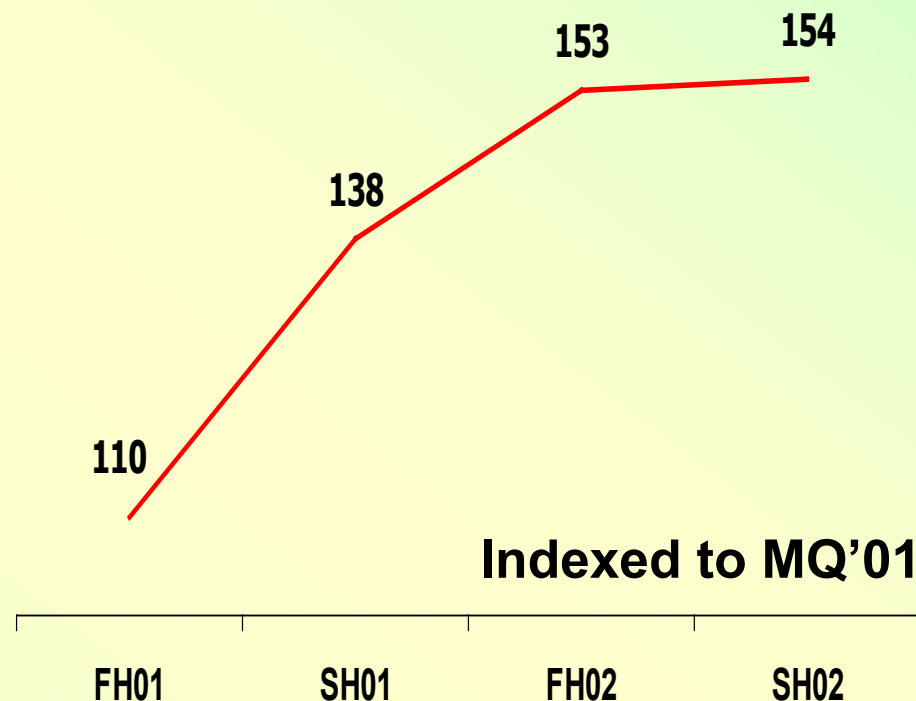




# Sustained improvement in underlying profitability of Beverages



Gross Margin Expansion



Trend on Margins





# Ice Creams

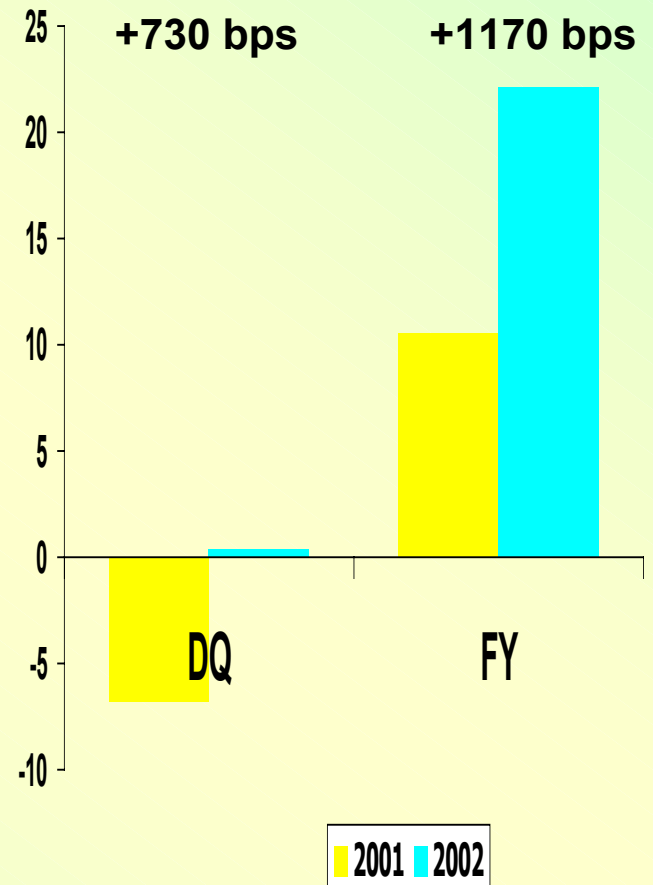
## new strategy starts delivering



focus  
on premium products  
in premium outlets  
in 6 metros

Strategy delivers sustained margin improvement

### Gross Margin Improvement





# DQ 2002 Sales Summary

Rs Crores	DQ 2001	DQ 2002	Growth %
<b>Domestic FMCG</b>	<b>2230</b>	<b>2225</b>	<b>(0.2)</b>
- HPC	1595	1691	6.1
- Foods	635	534	(15.9)
<b>Exports</b>	<b>326</b>	<b>369</b>	<b>13.1</b>
- FMCG	158	166	4.9
- Non FMCG	168	203	20.6
<b>Others</b>	<b>48</b>	<b>41</b>	<b>(15.5)</b>
<b>CONTINUING BUSINESSES</b>	<b>2604</b>	<b>2635</b>	<b>1.2</b>
<b>Disposals / Discontinued</b>	<b>93</b>	<b>0</b>	<b>(100.0)</b>
<b>NET SALES</b>	<b>2697</b>	<b>2635</b>	<b>(2.3)</b>



# DQ 2002 Results

<b>Rs Crores</b>	<b>DQ 2001</b>	<b>DQ 2002</b>	<b>Growth %</b>
<b>PBIT</b>	<b>557</b>	<b>626</b>	<b>12.3</b>
Fin Income (net)	53	65	22.4
<b>PBT</b>	<b>610</b>	<b>691</b>	<b>13.2</b>
Tax ( incl Deferred )	(110)	(148)	34.3
<b>PAT ( bei )</b>	<b>500</b>	<b>543</b>	<b>8.6</b>
Exceptional Item	(64)	(76)	20.0
<b>Net Profit</b>	<b>436</b>	<b>467</b>	<b>6.9</b>



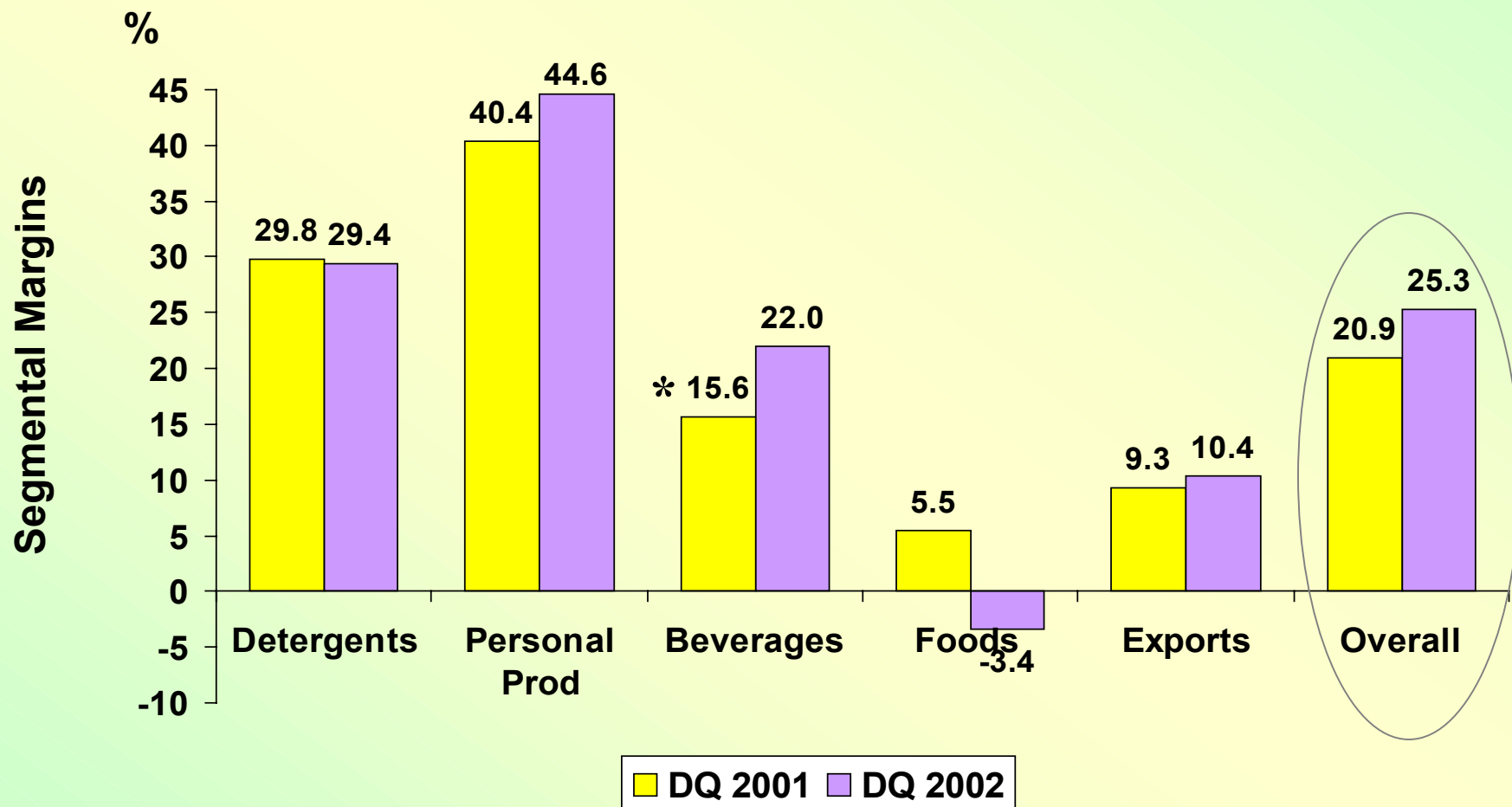
# DQ 2002 Segmental Performance

Rs.Crores	Segmental Revenue			Segmental Results		
	DQ 2001	DQ 2002	% Change	DQ 2001	DQ 2002	% Change
Soaps & Detergents	1019	1133	11.1	304	333	9.5
Personal Products	581	571	(1.6)	234	255	8.6
Beverages	373	318	(14.6)	17	70	309.3
Foods	244	193	(21.0)	13	(7)	(149.1)
Ice Cream	24	17	(29.1)	(9)	(10)	(14.5)
Exports	389	369	(5.3)	36	38	6.1
Others	163	82	(49.8)	(11)	(2)	(85.5)
<b>Total Segment Revenue</b>	<b>2793</b>	<b>2683</b>	<b>(4.0)</b>	<b>585</b>	<b>677</b>	<b>15.8</b>
Less: Inter Segment Revenue	(61)	(24)	(60.9)			
Less : Interest Expense				(2)	(1)	(28.0)
Add : Unallocable Net Income				27	15	(46.2)
<b>Net Segment Revenue</b>	<b>2732</b>	<b>2659</b>	<b>(2.7)</b>	<b>610</b>	<b>691</b>	<b>13.2</b>



# Focus on Profitability

## .....improved segmental margins in DQ '02



\* Reported Segmental Margin of 4.6% in Beverages in DQ01 adjusted for restructuring provision



# HINDUSTAN LEVER LIMITED

## DQ & FY 2002 Results Presentation

# FY 2002 Performance Review

*Analysts Meet, Mumbai - 29th January, 2003*





# **FY2002 Results**

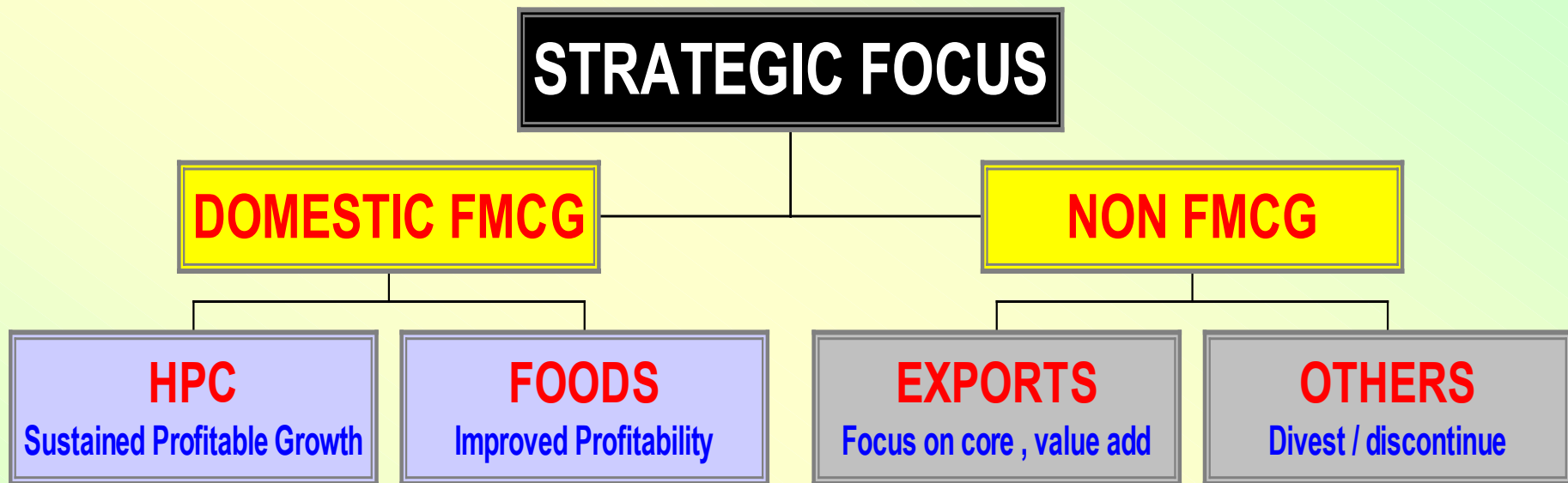
## **Highlights**

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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**



# 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



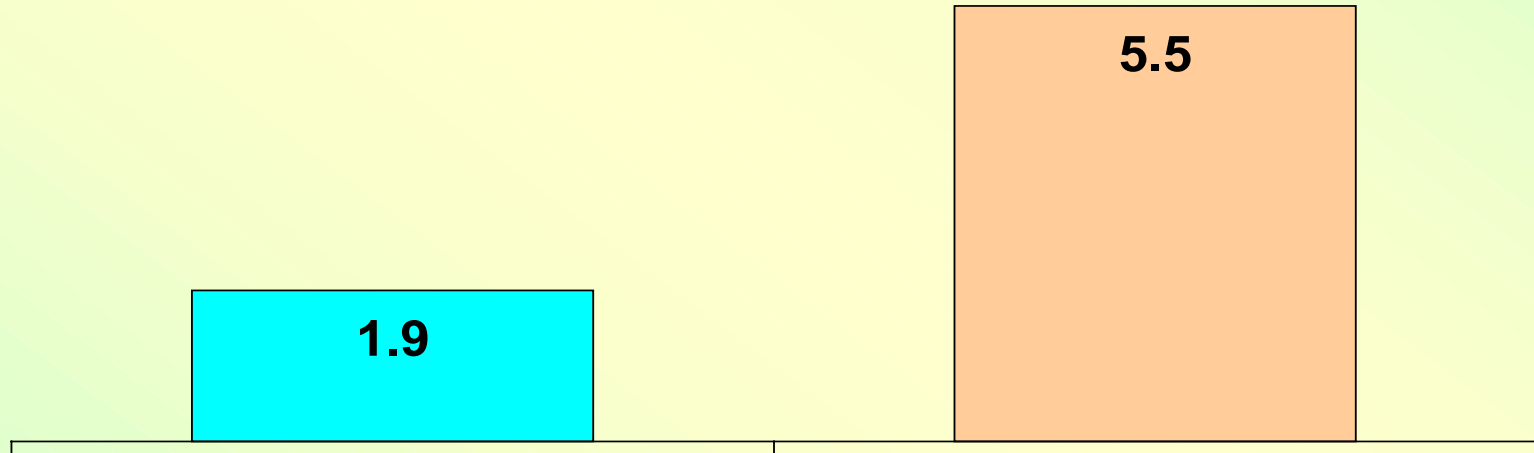
# **HPC leads the show** **sustains all round performance**

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*Growth %*

**FH 2002**

**SH 2002**



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

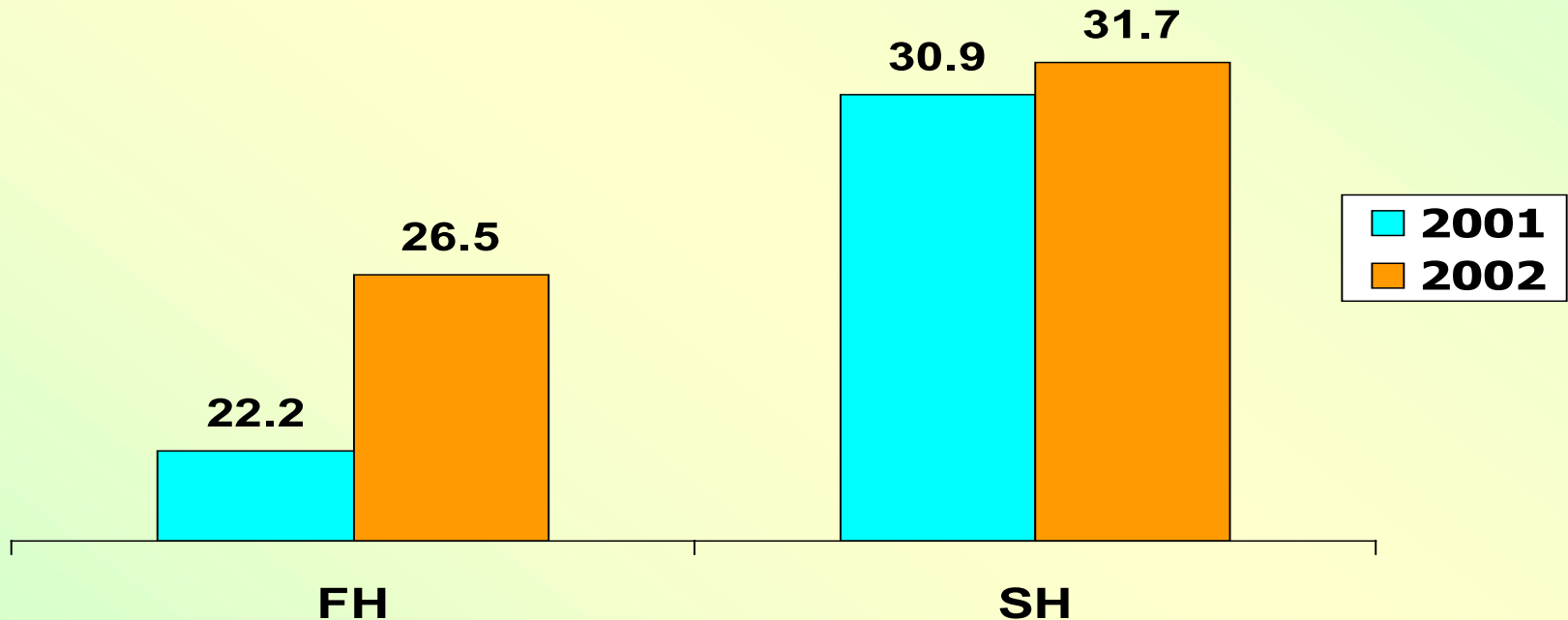


# HPC leads the show grows profitably

*Segmental EBIT Margins %*

**+ 435 bps**

**+ 85 bps**

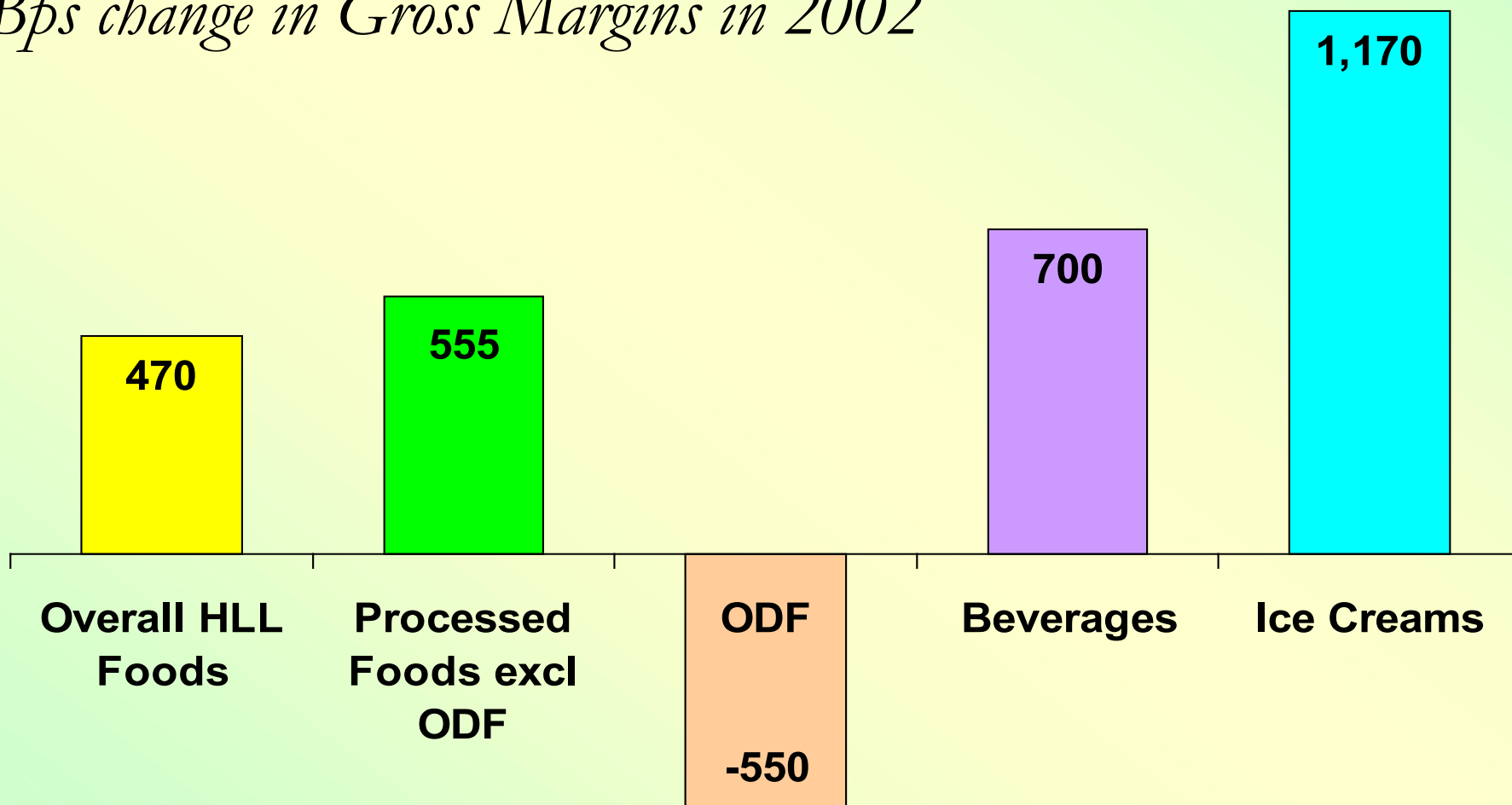


**...improved profitability through enriched  
portfolio & cost management initiatives**



# **Foods Portfolio strengthens** **strategy delivers step change in margin profile**

*Bps change in Gross Margins in 2002*

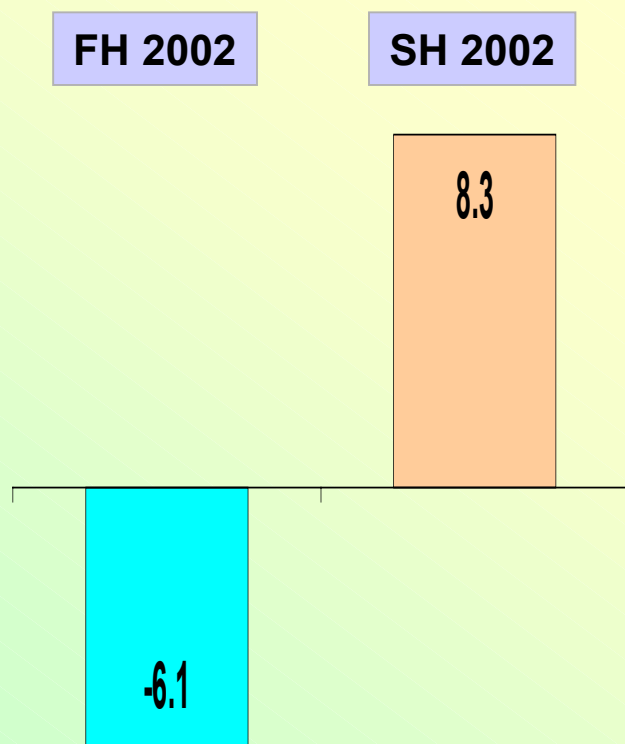




# Exports Strategy on track

## 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

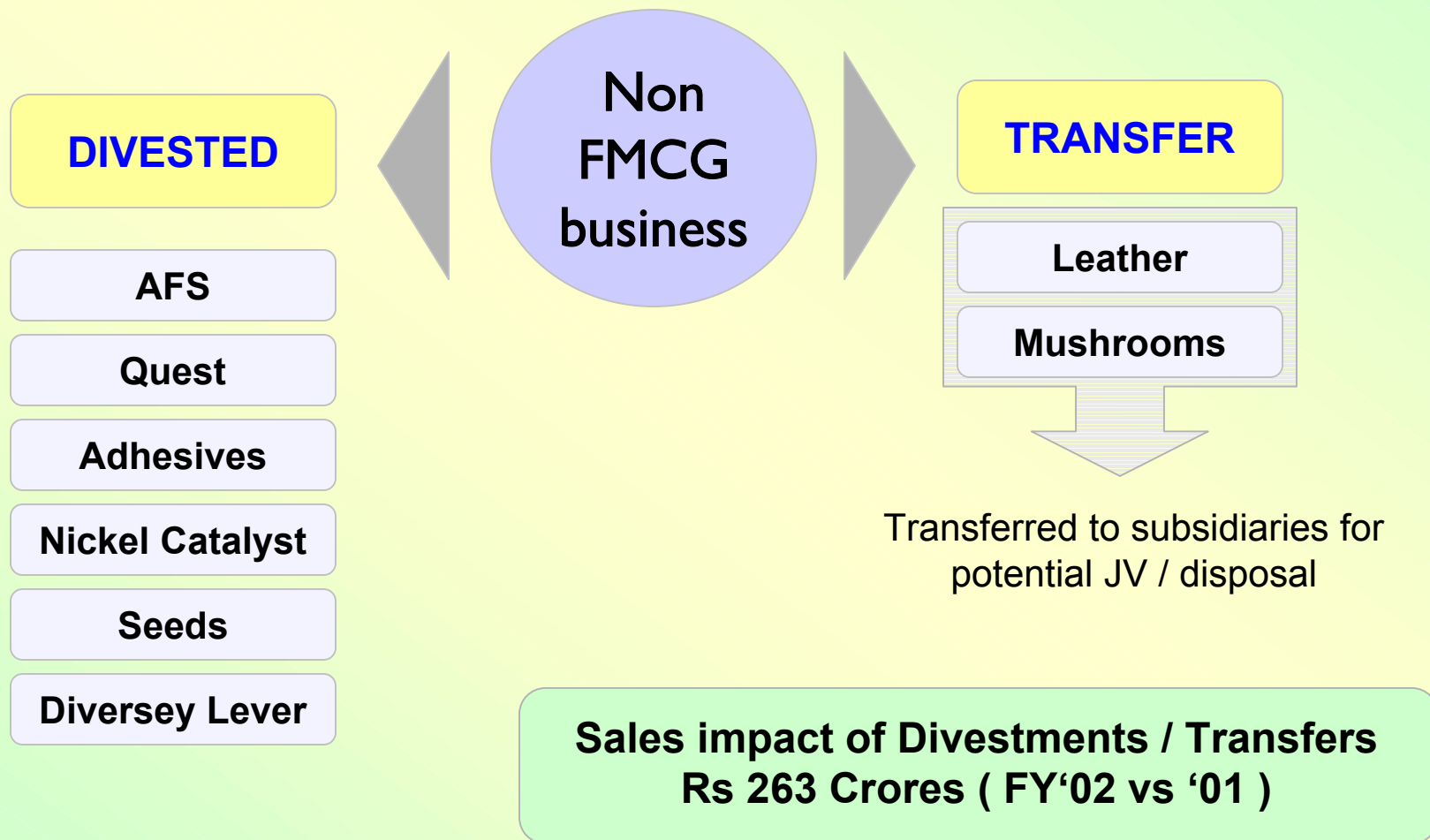
<b>Rs Crores</b>	<b>Effectuated</b>	<b>Cash Released</b>	<b>Profit on disposal</b>
<b>Seeds</b>	<b>MQ '02</b>	<b>40.3</b>	<b>74.7</b>
<b>Diversey Lever</b>	<b>JQ '02</b>	<b>9.2</b>	<b>46.9</b>

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

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



# Securing the future of Non FMCG





# HINDUSTAN LEVER LIMITED

## DQ & FY 2002 Results Presentation

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# Business Highlights

**Analysts Meet, Mumbai - 29th January, 2003**





# Soaps & Detergents

## Strong performance - powered by Personal Wash

- Key Personal Wash brands (Lifebuoy, Lux, Pears, Liril) grow in double digits
- Lux & Liril franchises extended
- Mass Market brands lead growth in Fabric Wash
- Rin performance improves with each quarter
- Break through technology in Rin Supreme Bar
- Vim sales rebound in SH'02
- Domex registers strong growth









# Personal Products skin leads the way.....

- Skin category leads growth fuelled by the launch of FAL Ayurveda
- Ponds records double digit growth in SH'02
- Lakme registers all round growth
- Issues on Oral Care & Shampoo being addressed





# HPC Category Performance

% Growth	DQ 2002 Market Growth	DQ 2002 HLL Group	FY 2002 Market Growth	FY 2002 HLL Group
Personal Wash	0.6	11.3	(6.1)	8.6
Fabric Wash	1.9	8.0	(2.1)	0.1
Dishwash	1.5	19.4	(1.8)	5.9
Toothpaste	(7.2)	(23.2)	(5.5)	(14.3)
Shampoo	2.1	(23.4)	7.8	(9.7)
Skin (excl. Talc)	14.7	21.8	0.6	22.5
Hair Oils & Creams	5.6	28.6	(0.8)	4.0
Talcum Powder	(11.1)	(1.3)	(12.6)	(3.8)

Source : Market Growth: ORG Value (urban+rural) New Panel



# HPC Market Shares

Market Share %	DQ 01	DQ 02	2001	2002
Personal Wash	60.2	59.8	59.6	59.3
Detergent Powders	39.3	38.6	38.6	38.6
Detergents Bars	46.0	46.3	46.5	46.9
Det Powders + Bars	42.1	41.9	41.8	42.0
Dishwash	62.1	60.3	62.7	60.8
Toothpaste	36.7	33.4	35.8	34.0
Shampoo	63.8	58.0	65.0	59.9
Skin (excl. Talc)	54.1	54.1	54.1	54.1
Talcum Powder	63.3	64.0	63.5	63.9

Source : ORG Value Shares (urban+rural) based on New Panel

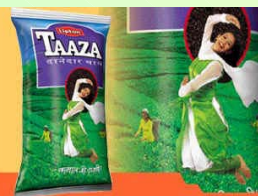




# Beverages

## Strengthening Core Portfolio

- Tea impacted by weak commodity prices & low cost loose tea players
- Key brands relaunched
- Bru grows in double digits
- Gross Margins up 700 bps
- Opportunity leveraging
  - ‘Out-of-Home’ channel
  - Lipton Ice Tea business







# **Foods** **improved profitability - muted by ODF**

- Structural issues in Oils & Fats segment impact overall Foods performance
- Foods Margins (excl ODF) grow 555 bps
- Margin expansion benefits re-invested to support innovation & brand building
- Culinary Products do well - Knorr delivers 57% growth
- Modern Foods does well





# Foods

## Continued thrust on innovation







# Foods Category Performance

% Growth		DQ 2002 Market Growth	DQ 2002 HLL Group	FY 2002 Market Growth	FY 2002 HLL Group
Packet Tea		(8.9)	(15.2)	(9.7)	(15.1)
Coffee		2.8	(12.3)	(6.2)	(2.8)
Vanaspati		9.6	(11.0)	3.5	(5.1)
Culinary	Jams	0.9	(25.2)	(5.7)	0.2
	Ketchup	2.5	(18.8)	(2.2)	(5.8)
	Knorr	-	56.5	-	57.0
Atta (Branded)		17.5	11.0	(5.3)	(19.9)
Salt		3.1	(29.1)	(5.0)	(27.4)

Source : Market Growth: ORG Value (urban+rural) New Panel



# Foods Market Shares

Market Share %	DQ 01	DQ 02	2001	2002
Packet Tea	35.0	32.0	35.7	33.9
Coffee	44.5	43.1	44.6	43.9
Atta	16.0	10.4	18.4	11.6
Branded Salt	17.3	13.6	17.1	14.3
Jams	79.3	75.5	76.4	75.6
Ketchup	38.7	32.8	39.8	32.8
Vanaspati	29.7	24.6	29.0	24.8

Source : ORG Value Shares (urban+rural)





# Ice Creams strategy starts delivering results....



- Focussed business model
- Supply chain re-engineered
- Premium range of products launched
- Leading development of take-home segment
- Gross margins up 1170 bps & segmental losses halved







# **New Ventures**

## **seeding opportunities for the future**

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- Ayush launched in June '02 - promising potential
- Max Confectionery does well
- Sangam (e-tailing initiative) extended to Navi Mumbai
- Aviance opportunity through relaunch
- 'Water' initiative in 2003





# **Exports** **core categories grow well**

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- Volume led HPC Exports growth of 12.8%
- Tea Exports decline by 14.4%, however Tea Bags sourcing takes off (up 45% in SH'02)
- Instant Tea (23.5%) and Coffee (19.9%) grow well
- Continuing Non-FMCG Exports grow by 11.5% led by Processed Marine & Branded Rice
- HLL excels in speciality exports
  - MPEDA Awards for Highest Marine Exports
  - Globoil Gold Award for outstanding performance in castor & derivatives





# HINDUSTAN LEVER LIMITED

## DQ & FY 2002 Results Presentation

**FY 2002  
Results**

**Analysts Meet, Mumbai - 29th January, 2003**



# FY 2002 Sales Summary

Rs Crores	FY 2001	FY 2002	Growth %
Domestic FMCG	8572	8527	(0.5)
- HPC	6208	6437	3.7
- Foods	2364	2090	(11.6)
Exports	1209	1221	1.0
- FMCG	697	650	(6.7)
- Non FMCG	512	570	11.4
Others	171	156	(8.6)
CONTINUING BUSINESSES	9952	9904	(0.5)
Disposals / Discontinued	716	50	(93.0)
NET SALES	10668	9955	(6.7)



# FY 2002 Results

<b>Rs Crores</b>	<b>FY 2001</b>	<b>FY 2002</b>	<b>Growth %</b>
<b>PBIT</b>	<b>1651</b>	<b>1926</b>	<b>16.6</b>
Fin Income (net)	292	271	(7.0)
<b>PBT</b>	<b>1943</b>	<b>2197</b>	<b>13.1</b>
Tax ( incl Deferred )	(402)	(480)	19.2
<b>PAT ( bei )</b>	<b>1541</b>	<b>1717</b>	<b>11.4</b>
Exceptional Item	100	38	(61.7)
<b>Net Profit</b>	<b>1641</b>	<b>1756</b>	<b>7.0</b>



# FY 2002 Results

	FY 2001		FY 2002		Growth
	Rs Cr	% Sales	Rs Cr	% Sales	%
Cost of Goods Sold	(6050)	(56.7)	(5196)	(52.2)	(14.1)
Staff Cost	(592)	(5.6)	(599)	(6.0)	1.3
Advertising & Promotion	(824)	(7.7)	(842)	(8.5)	2.2
Other Expenditure	(1488)	(14.0)	(1362)	(13.7)	(8.4)
<b>Total Expenditure</b>	<b>(8954)</b>	<b>(83.9)</b>	<b>(7999)</b>	<b>(80.4)</b>	<b>(10.7)</b>
Operational Income	82	0.8	104	1.0	26.5
<b>PBIDT</b>	<b>1796</b>	<b>16.8</b>	<b>2060</b>	<b>20.7</b>	<b>14.7</b>
Depn / Amortisation	(145)	(1.4)	(134)	(1.3)	(7.3)
<b>PBIT</b>	<b>1651</b>	<b>15.5</b>	<b>1926</b>	<b>19.4</b>	<b>16.6</b>



# Exceptional Items (net of tax)

<u>Rs Crores</u>	<u>2002</u>	<u>2001</u>
• Profit on sale of Diversey Lever & Seeds business	122	
• Profit on sales of Quest business		120
• Sales of Nickel Catalyst & Adhesives business		17
• Reduction in tax liability from IBL amalgamation		29
• Income from transfer of animal feeds business		23
• Loss on transfer of Mushroom operations	(7)	
• Restructuring		(47)
• Retirements benefits	(76)	(41)
<b>TOTAL</b>	<b>38</b>	<b>100</b>



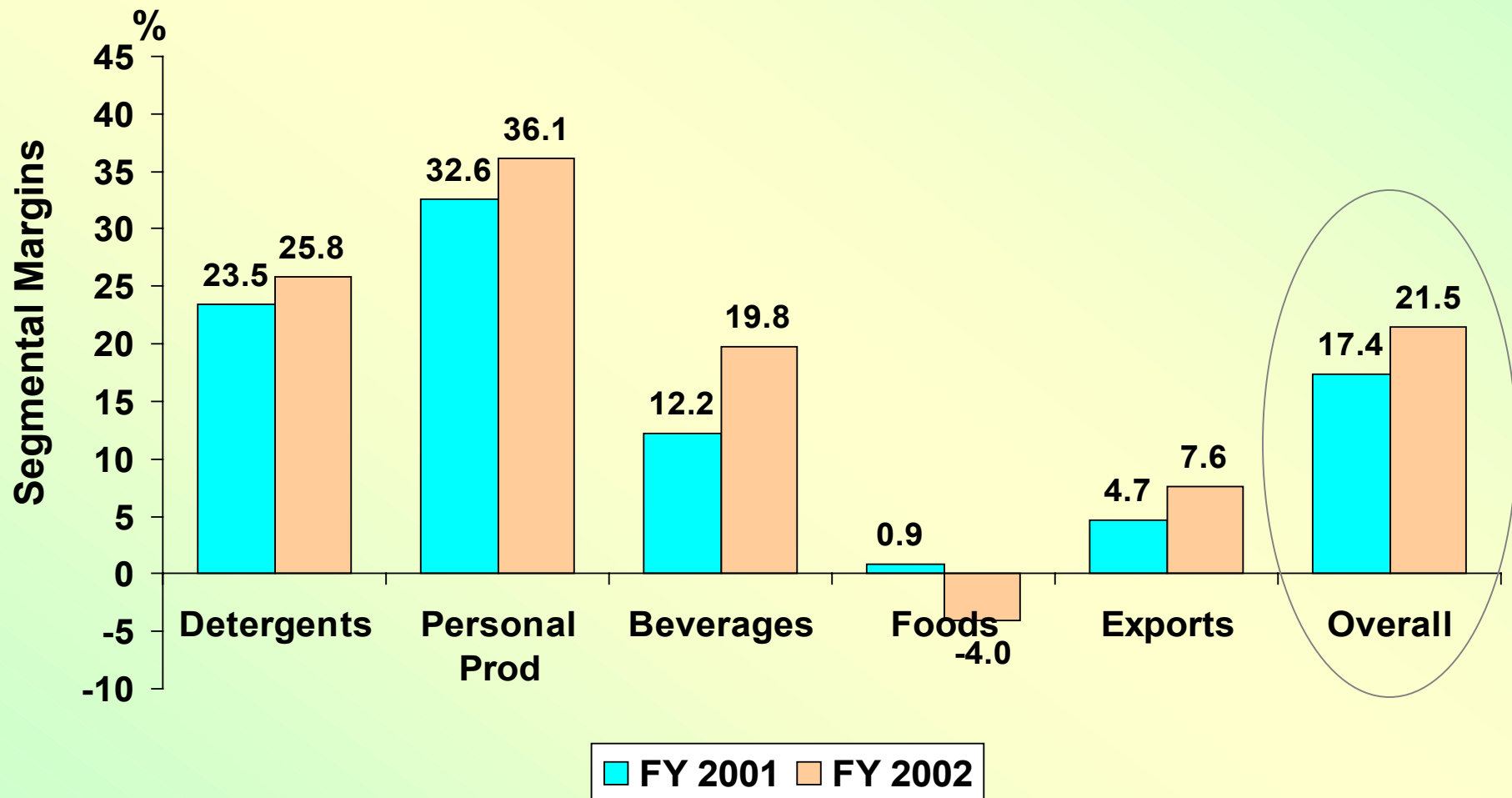
# FY 2002 Segmental Performance

Rs.Crores	Segmental Revenue			Segmental Results		
	FY 2001	FY 2002	% Change	FY 2001	FY 2002	% Change
Soaps & Detergents	4171	4385	5.1	979	1133	15.8
Personal Products	2054	2095	2.0	670	756	12.9
Beverages	1419	1232	(13.2)	174	244	40.3
Foods	794	715	(10.0)	7	(29)	(517.9)
Ice Cream	149	107	(27.8)	(27)	(14)	45.7
Exports	1751	1256	(28.3)	82	96	16.9
Others	653	343	(47.4)	25	(4)	(115.4)
<b>Total Segment Revenue</b>	<b>10989</b>	<b>10134</b>	<b>(7.8)</b>	<b>1909</b>	<b>2182</b>	<b>14.3</b>
Less: Inter Segment Revenue	(268)	(95)	(64.4)			
Less : Interest Expense				(8)	(9)	18.6
Add : Unallocable Net Income				42	25	(40.8)
<b>Net Segment Revenue</b>	<b>10722</b>	<b>10038</b>	<b>(6.4)</b>	<b>1943</b>	<b>2197</b>	<b>13.1</b>



# Focus on Profitability

.....continued trend on improved segmental margins







# EBITDA Margin Progression

Portfolio  
Rationalisation

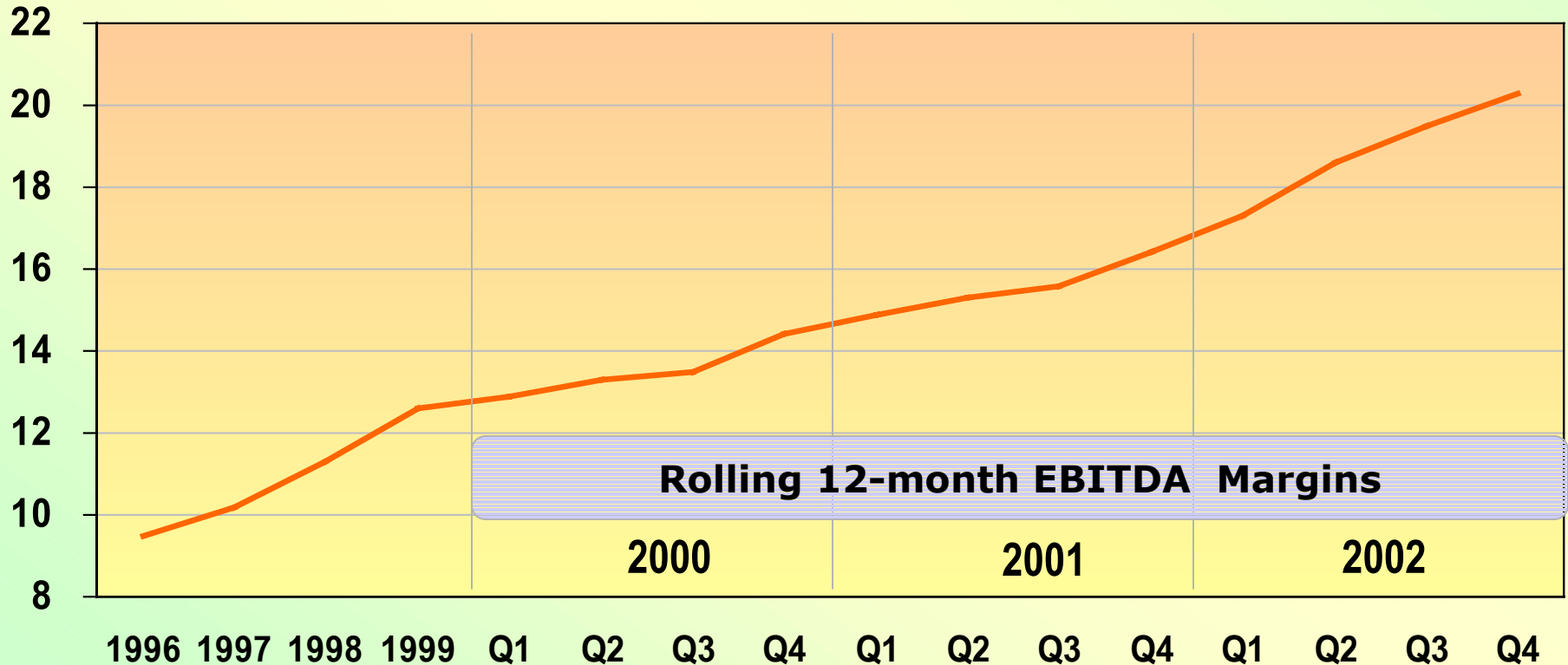
Enriched  
Mix

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)
Surplus Invested	340	597

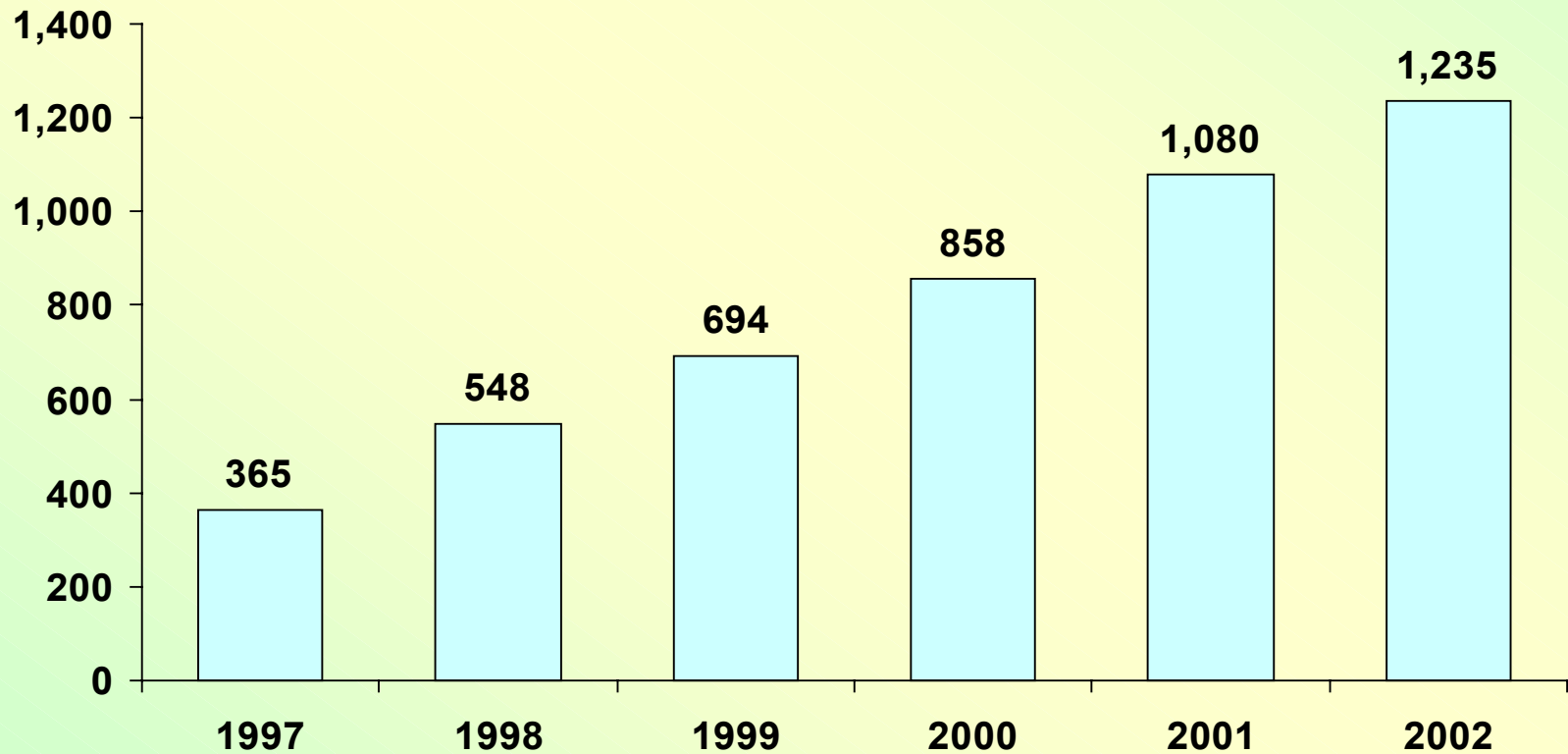
**Cash from operations grows by 13%, investible surpluses grow 76%**



# 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 (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)	3.00
Special Dividend	2.76
Bonus Debenture	6.00
<b>Total</b>	<b>11.76</b>



# **In Summary**

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



# HINDUSTAN LEVER LIMITED

## DQ & FY 2002 Results Presentation

**Thank You**

**Analysts Meet, Mumbai - 29th January, 2003**





# HINDUSTAN LEVER LIMITED

## DQ & FY 2002 Results Presentation

**Thank You**

**Analysts Meet, Mumbai - 29th January, 2003**