DQ 2015 Results Presentation
January 15, 2016

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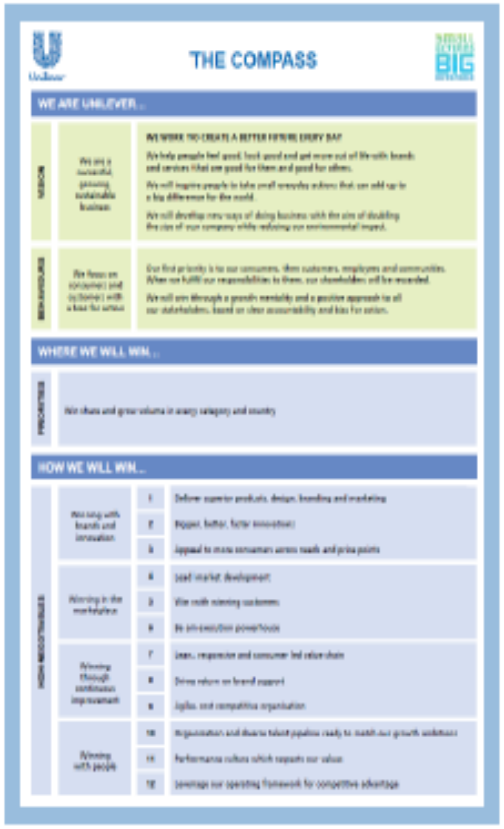
Agenda

1. Strategy
2. Business Context
3. Current Quarter Performance
4. Nine Months Results
5. Looking Ahead

Clear and Compelling Strategy

Strategic Framework



Sustainable Living Plan

Goals

Consistent Growth

Competitive Growth

Profitable Growth

Responsible Growth

DQ 2015 – Context

Business environment challenging

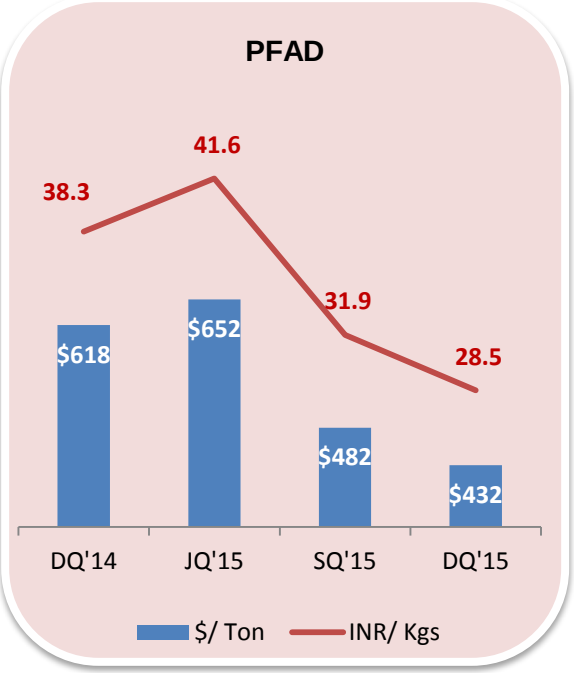
→ **Market growth moderates on Rural slow down**

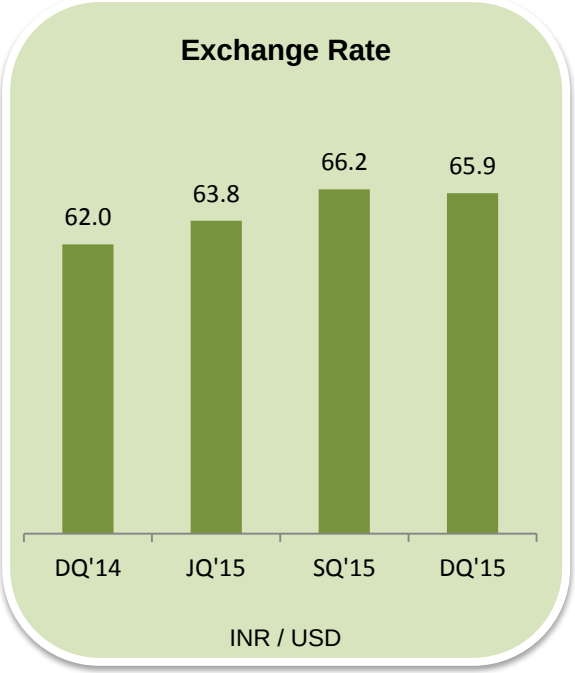
→ **Growth continues to be led by volumes**

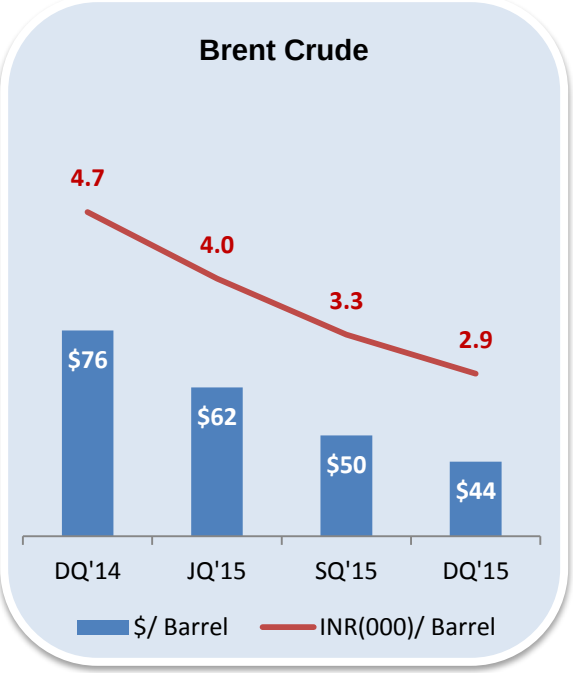
→ **Commodity costs soften further**

→ **Competitive activity remains high**

Commodity costs soften further







Source: Bloomberg data and internal estimates
INR numbers arrived at by applying the average exchange rate of the quarter to the average USD cost of the commodity

DQ 2015
Profitable volume-led growth sustained

→ **Reported Domestic Consumer growth at 3%, underlying volume growth at 6%**

- Impact of phase out of Excise Duty benefits on topline -80 bps
- Impact of up-stocking in view of transport strike at end of previous quarter ~50 bps
- Continued negative price growth arising from -
  - Benefit of lower commodity costs passed on to consumers
  - Phase out of Excise Duty benefits

→ **Operating Profit (PBIT) at Rs.1349 crores, up 7%; margin expands +60 bps**

- Impact of phase out of Excise Duty benefits on PBIT -35 bps
- COGS lower by 290 bps; driven by lower input costs and savings programs
- Competitive spends maintained; A&P up Rs. 160 crores (16%); 14.5% of sales (+165 bps)

→ **PAT (bei) at Rs. 1024 crores, up 7%, Net Profit at Rs. 971 crores**

- Net Profit impacted by -
  - Sale of properties of Rs. 407 crores in base quarter
  - Provision for restructuring and select contested matters in current quarter Rs. 117 crores
  - Corporate tax rate at 31% (+175 bps yoy)

Domestic Consumer business = Domestic FMCG + Water; COGS – Cost of Goods Sold; A&P - Advertising & Promotion;

Performance led by healthy volumes across segments

Segments	Reported Sales Growth (%)	Growth before impact of phase out of Excise Duty benefits (%)
Soaps and Detergents	1	2
Personal Products	5	7
Beverages	7	7
Packaged Foods	12	12
Domestic Consumer	3	4

- **Soaps and Detergents:** Robust volume growth, offset by continued price degrowth
- **Personal Products:** Healthy underlying performance, impacted by delayed winter and one-time realignment of channel spends
- **Beverages:** Steady volume led growth
- **Packaged Foods:** Ninth successive quarter of double digit growth

Sales growth = Segment Turnover growth excluding Other Operational Income

CATEGORY HIGHLIGHTS

Winning with Brands

Continued focus on innovations

Winning with Brands

Impactful 360 activation

Lifebuoy
Help a child reach 5

Haath Muh aur Bum
Bimaari Hogi Kam

Lakme
Bang Baaja Baraat

Pond's
Dilwale Tie up

Cornetto
Durga Puja activity

Bru
Meet and Greet Activity

Winning with Brands

Building a Naturals portfolio

indulekha™

LEVER ayush™ therapy

Skin Cleansing
Volume led performance

- → **Dove, Pears and Lifebuoy deliver strong volume growth**
- → **Liquids clock another quarter of double digit growth**
- → **Continued price deflation due to benign commodity costs**
- → **Phase out of Excise Duty benefit impacts growth**

Home Care

Double digit volume growth

→ **Laundry**

- Surf sustains its strong broad based double digit growth momentum
- Rin delivers double digit volume growth led by bars portfolio
- Wheel steps up on powders re-launch
- Comfort registers another robust quarter on sustained market development

→ **Household Care**

- Performance led by Vim tubs and liquids formats

→ **Continued price deflation due to benign commodity costs**

→ **Phase out of Excise Duty benefit impacts growth**

Skin Care

Healthy underlying performance

- → **Growth impacted by delayed winter and one-time realignment of channel spends**
- → **FAL continues to do well; good response on BB Cream**
- → **Pond's driven by premium skin lightening**
- → **Lakme led by premium innovations; strong delivery on CC Cream**

FAL = Fair and Lovely

Hair Care

Continued strong momentum

- → **Volume led double digit growth***
- → **Dove leads category performance**
- → **TRESemmé gains further ground**
- → **Conditioners grow well on focused market development**

*Before impact of phase out of Excise Duty benefits

Oral Care

Subdued performance in quarter

→ **Close Up growth continues to be led by impactful activation**

→ **Pepsodent performance muted; Clove & Salt doing well**

→ **Actions underway to revive growth and competitiveness**

Color Cosmetics

Strong innovation led growth momentum

→ **Lakme delivers another quarter of double digit growth**

- Broad based growth across Core, Absolute and 9 to 5 ranges
- Absolute Sculpt & 9 to 5 ranges perform strongly whilst driving trends
- Exciting launch of the Lakme 9 to 5 Weightless Mousse
- Shade additions made to the Lip portfolio and 'eyeconic' Kajal

Beverages
Steady performance

→ **Tea delivers broad based volume led growth driven by impactful activation and market development**

- Red Label led the category performance
- Taj Mahal continues to build its premium credentials
- Strong double digit growth in Lipton Green Tea and Natural Care portfolio

→ **Bru Coffee registers double digit growth and achieves market leadership**

Packaged Foods

Ninth successive quarter of double digit growth

→ **Focus on market development continues**

→ **Double digit growth in Kissan, Knorr and Kwality Walls**

- Kissan maintains its strong growth momentum across Ketchups and Jams
- Knorr growth led by Instant Soups; 2 new non-veg variants added
  - New range of Knorr Chef's Masalas (8 variants) launched at quarter end
  - Knorr Chinese range of Noodles re-introduced into market
- Ice Creams deliver another strong quarter through sharper in-market execution focused around Kwality Walls and Magnum

Pureit

Subdued performance in a rapidly changing market

→ **Portfolio strategy being refreshed to play in the wider market**

- Entry level RO launched in market

→ **Focus remains on building relevance and accessibility**

→ **E-commerce channel continues to grow rapidly**

DQ 2015

Results: Growth & Margin

Rs Crores

Particulars	DQ'14	DQ'15	Growth %
Net Sales*	7,579	7,823	3
PBIT	1,258	1,349	7
PBIT margin (%)	16.6	17.2	60 bps

- Reported Domestic Consumer growth at 3%; underlying volume growth at 6%
- Impact of up-stocking in view of transport strike at end of last quarter ~50 bps
- Impact of phase out of Excise Duty benefits: Topline (-80bps), PBIT (-35bps)

DQ 2015

Results: PBIT to Net Profit

Rs Crores

Particulars	DQ'14	DQ'15	Growth %
PBIT	1258	1349	7
Add : Other Income	120	140	16
Less : Finance Costs	4	0	
Exceptional Items – Credit / (Charge)	397	-80	
PBT	1771	1409	-20
Less : Tax	(519)	(437)	
Net Profit	1252	971	-22

- Other income includes -
  - Interest, dividend and net gain on sale of other non-trade current investments of Rs. 94 crore (DQ'14: Rs. 120 crore)
  - Dividend from subsidiary Rs. 46 crore (DQ'14: Rs. Nil)
- Exceptional items include -
  - Profit on sale of surplus properties Rs.37 crore (DQ'14: Rs.407 crore)
  - Provision for restructuring expenses and select contested matters Rs.117 crore (DQ'14: Rs.11 crore)
- Effective tax rate for the quarter is 31% (DQ'14: 29.3%)

DQ 2015
Summary

Profitable volume-led growth sustained

- Reported Domestic Consumer growth at 3%, underlying volume growth at 6%
  - Impacted by Excise Duty benefits phase out, last quarter transport strike upstock
- PBIT margin expands + 60 bps
  - Impacted by phase out of Excise Duty benefits
  - Lower cost of goods sold partially offset by competitive A&P investments

NINE MONTHS ENDING 31ST DECEMBER 2015

Nine Months ending 31 Dec 2015

Results summary

Rs Crores

Particulars	YTD DQ'14	YTD DQ'15	Growth %
Net Sales	22,616	23,616	4
PBIT	3,674	4,030	10
PBIT margin (%)	16.3	17.1	80 bps
Exceptional Items – Credit / (Charge)	485	-82	
PAT bei	2,932	3047	4
Net Profit	3,297	2993	-9

- Domestic Consumer grows at 5%, underlying volume growth at 6%
  - Negative price growth due to lower commodity costs and phase out of Excise Duty benefits
- Sustained margin improvement after making competitive investments (A&P up +200 bps)
- Impact of phase out of fiscal benefits: Topline (-115 bps), PBIT (-50 bps), ETR (-90 bps)
- Net Profit impacted by -
  - Sale of properties of Rs. 497 crores in base period
  - Provision for restructuring and select contested matters Rs. 139 crores
- Effective tax rate for the period is 31.5% (+220 bps yoy)

Near term outlook

- Market growth to remain largely volume driven; Rural growth relatively soft
- Phasing out of fiscal benefits to impact another quarter
- Channel interventions to be completed during the next quarter
- Continued focus on driving volume led growth with improvement in operating margin
- Strategy unchanged: Consistent, Competitive, Profitable, Responsible Growth

Scheme of Arrangement

BACKGROUND

- Build up of significant reserves through the transfer of profits to the General Reserves
- Funds represented by such accumulated General Reserves is in excess of needs

SCOPE

- HUL has proposed a Scheme of Arrangement between the Company and its shareholders
- Proposed transfer of the entire balance of Rs 2187.33 crores from General Reserves to the Profit & Loss Account

NEXT STEPS

- The approval by the Board is the first step to proceed with the requisite formalities
- The Scheme is subject to the approval of the shareholders, sanction of the Court and such other approvals as are prescribed
- Upon approval of the Scheme, the transferred amount to be returned to the shareholders as per the terms of the Scheme

For more information & updates

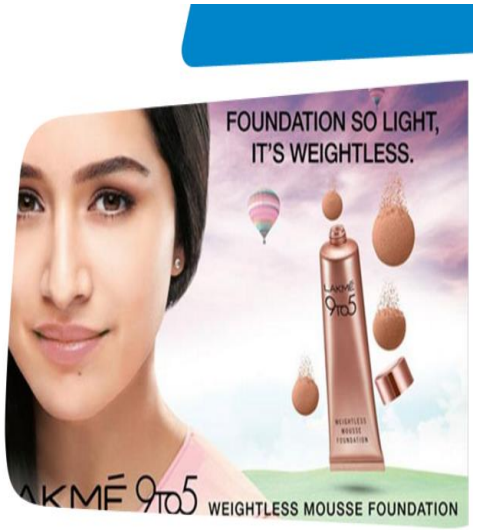
VISIT OUR WEBSITE

http://www.hul.co.in/investorrelations/

December Quarter 2015 results

Hindustan Unilever Limited will release its financial results for December Quarter 2015 on Friday 15 January, 2016.

> View more



HUL INVESTOR APP

Hindustan Unilever Limited

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ANDROID APP ON Google play