

COMPANY PROFILE

# Hindustan Unilever Limited

REFERENCE CODE: 1CDF077B-E657-4CAB-A270-85D99EBB3AFC

PUBLICATION DATE: 27 May 2015

[www.marketline.com](http://www.marketline.com)

COPYRIGHT MARKETLINE. THIS CONTENT IS A LICENSED PRODUCT AND IS NOT TO BE PHOTOCOPIED OR DISTRIBUTED.

## **TABLE OF CONTENTS**

<b>Company Overview.....</b>	<b>3</b>
<b>Key Facts.....</b>	<b>3</b>
<b>Business Description.....</b>	<b>4</b>
<b>History.....</b>	<b>5</b>
<b>Key Employees.....</b>	<b>9</b>
<b>Key Employee Biographies.....</b>	<b>10</b>
<b>Major Products and Services.....</b>	<b>15</b>
<b>Revenue Analysis.....</b>	<b>18</b>
<b>SWOT Analysis.....</b>	<b>19</b>
<b>Top Competitors.....</b>	<b>25</b>
<b>Company View.....</b>	<b>26</b>
<b>Locations and Subsidiaries.....</b>	<b>29</b>

## COMPANY OVERVIEW

Hindustan Unilever Limited (HUL or 'the company'), a subsidiary of Unilever, is India's largest fast moving consumer goods (FMCG) company. The company offers products in about 20 distinct categories in home, personal care, food and beverages segments. HUL primarily operates in India. It is headquartered in Mumbai, India and employs more than 16,000 people.

The company recorded revenues of INR292,332.8 million (approximately \$4,852.7 million) in the financial year ended March 2014 (FY2014), an increase of 8.3% over FY2013. The operating profit of the company was INR44,461.4 million (approximately \$738.1 million) in FY2014, an increase of 12.4% over FY2013. The net profit was INR39,455.7 million (approximately \$655 million) in FY2014, an increase of 3% over FY2013.

## KEY FACTS

<b>Head Office</b>	Hindustan Unilever Limited Unilever House B. D. Sawant Marg Chakala Andheri (East) Mumbai 400 099 IND
<b>Phone</b>	91 22 39830000
<b>Fax</b>	91 22 28249438
<b>Web Address</b>	<a href="http://www.hul.co.in">http://www.hul.co.in</a>
<b>Revenue / turnover (INR Mn)</b>	292,332.8
<b>Financial Year End</b>	March
<b>Employees</b>	16,000
<b>Bombay Ticker</b>	500696
<b>National Stock Exchange of India Ticker</b>	HINDUNILVR

## **BUSINESS DESCRIPTION**

HUL offers foods, beverages, home care and personal care products. Its brands are spread across 20 consumer product categories. The company's operations involve over 2,000 suppliers and associates. HUL's distribution network comprises 6.4 million retail outlets reaching millions of consumers.

The company operates through five business segments: soaps and detergents, personal products, beverages, packaged foods and others.

The soaps and detergents segment offers soaps, detergent bars, detergent powders, detergent liquids and scourers, among others. The major brands of this segment include Wheel, Rin, Comfort, Vim, Domex, Lifebuoy, Rexona, Pears, Hamam, Lux, Surf Excel, Liril 2000, Breeze, Dove and Cif.

The personal products segment includes products in various categories, including oral care, skin care (excluding soaps), hair care, deodorants, talcum powder, color cosmetics and Ayush services, among others. Major brands in this segment include Pepsodent, Close-Up, Fair & Lovely, Pond's, Sunsilk, Clinic Plus, Elle 18, Vaseline, TRESemme, Tony & Guy, Axe and Lakme, among others. The company also operates Lakme salons. At the end of FY2014, HUL had 225 salons, of which 57 were company owned/managed and 168 were franchisee salons.

The beverages segment offers packaged tea and coffee. The company markets tea under brand names such as Brooke Bond Taj Mahal, Brooke Bond 3 Roses, Brooke Bond Taaza, and Lipton. Coffee is marketed under the Bru brand name.

The packaged foods segment consists of branded staples (wheat flour, salt, bread, etc.), culinary products (tomato based products, fruit based products, soups, etc.) and frozen desserts. The company's brands in this segment include Knorr, Annapurna and Kissan. The Kissan range consists of ketchup and other sauces, jams, squashes and ready-to-drink products. HUL also offers ice cream cones and cups and a range of sundaes, which are marketed under the brand name Kwaliti Wall's. The company also offers frozen desserts and ice creams under the Magnum brand name.

The others segment includes exports, chemicals, water business, and infant care products, among others. The exports business includes sales of marine products, and leather products. The company sells infant care diapers through Kimberly Clark Lever Private Limited, a joint venture between HUL and Kimberly-Clark Corporation.

## HISTORY

In the late 19th and early 20th century, Unilever used to export its products to India. This process began in 1888 with the export of Sunlight soap, which was followed by Lifebuoy in 1895 and other well-known brands like Pears, Lux and Vim soon after. In 1931, Unilever set up its first Indian subsidiary, Hindustan Vanaspati Manufacturing Company, followed by Lever Brothers India Limited (1933) and United Traders Limited (1935). The three companies were merged in 1956 and the new entity that came into existence after merger was called Hindustan Lever Limited (HLL or 'the company').

Lipton and Brooke Bond were acquired by Unilever (the parent company of HUL) in 1972 and 1984, respectively. These acquisitions strengthened HLL's operations as the two companies had a strong presence in India. Brooke Bond's presence in India dates back to 1900. In 1903, it launched the Red Label tea in the country. Brooke Bond formed its Indian subsidiary, Brooke Bond & Co. India, in 1912. Brooke Bond acquired Kothari General Foods in 1992. In the following year, Brooke Bond India and Lipton India merged to form Brooke Bond Lipton India.

Also in 1993, HLL merged with Tata Oil Mills Company. HLL formed a 50-50 joint venture with the US-based Kimberly Clark Corporation known as Kimberly Clark Lever Private Limited in 1994, to market Huggies Diapers and Kotex Sanitary Pads. In 1996, HLL formed a joint venture with another Tata company, Lakme Limited, and formed Lakme Unilever Limited, to market Lakme's cosmetics and other products of both the companies. In the same year, the company restructured its businesses, and sold its fertilizer and industrial chemicals business to Hind Lever Chemicals. Later during the year, it acquired the detergents business from Stepan. HLL merged with Brooke Bond Lipton India in 1996.

After two years, the company merged with Pond's (India). The government awarded 74% equity in state-owned Modern Foods Industries to HLL in 2000. The company entered into a joint venture with ICI India and Quest International in 2001.

In the following year, the company acquired the government's remaining stake in Modern Foods. Also during the year, it entered into a joint venture agreement with India Seeds Holdings for its seeds undertaking. During 2003, HLL merged its key food brands Knorr and Annapurna into one brand name, Knorr Annapurna.

In 2004, HLL introduced six new products in its personal wash, detergents, oral care and skin care portfolios. The company entered into an agreement to merge with Vashisti Detergents in 2005. In the same year, the company transferred its tea plantation business based in Assam and Tamil Nadu to Doom Dooma Tea Company and Tea Estates India, respectively.

In 2006, the company transferred its 100% shareholding in Doom Dooma Tea Plantations to McLeod Russel India. In the same year, the company divested its Nihar oil brand to Marico. Also in the same year, the company transferred its entire shareholding in Tea Estates India to Maxwell Golden Tea,

a Woodbriar Group company. The company divested its holding of 49% of equity share capital in Quest International India during the same year.

Towards the end of the year, the company entered into an agreement with Capgemini, the parent company of the Cap Gemini Group, under which Capgemini acquired 51% stake in Unilever India Shared Services Ltd. (UISSL), a fully-owned subsidiary of the company. After the acquisition, UISSL was renamed Capgemini Business Services (India) Ltd. Also during the same period, the company acquired Modern Food Industries and its subsidiary Modern Food and Nutrition Industries. Also in 2006, the company sold Sangam, a non-store home delivery retail business, to Wadhawan Food Retail Private on a slump sale basis.

In 2007, the name of the company was changed to Hindustan Unilever Limited. It also launched a new logo, which comprised 25 different icons representing the organization, its brands and the idea of Vitality. Towards the end of the year, the company set up a joint venture, Hindustan Unilever Field Services Private, with Smollan Holdings of South Africa.

HUL changed its financial year ending from December to March in 2008. In the same year, the company demerged and transferred certain of its real estate properties to Brooke Bond Real Estates Private.

In 2009, HUL licensed Lakme and Lever Ayush brands (for the beauty and wellness services business) to its subsidiary, Lakme Lever. In the same year, HUL's Lakme Salon launched Lakme Studio in New Delhi. The studio offers an array of new skin care and designer services, bringing the skin experts and hair designers together.

HUL launched Brooke Bond Sehatmand, a tea with vitamins, in the Indian states of Uttar Pradesh, Madhya Pradesh, Bihar, Jharkhand and Chhattisgarh in 2010. In the same year, the company divested its remaining 49% stake in Capgemini Business Services (India) to Capgemini.

In 2011, the company announced plans to launch fruit-based drinks in tetrapaks under the Kissan brand name. In the same year, HUL divested 43.31% stake in Hindustan Field Services (HFS), in favor of Smollan Group, which held 49% stake in HFS. Also in the same year, the company launched Kissan Creamy Spread across 22 towns in India in three flavors of Classic Creamy, Tomato Twist & Cheesy Garlic. HUL also opened its first coffee outlet in Mumbai, The Bru World Cafe, in 2011.

Further in 2011, the company along with PepsiCo India, launched Lipton Ice Tea in the Indian market. During the same year, HUL launched its Pureit in-home water purifier in Mexico and Brazil. Around the same time, the company's Bru brand launched Bru Exotica in India. Lakme Lever (a subsidiary of the company) also launched its first unisex salon, Lakme Ivana, at Green Park in New Delhi. Further, Bru launched an online cafe where consumers can order coffee online from one of the three exotic origins (Columbia, Kilimanjaro and Brazil) offered under Bru Exotica. This is India's first online cafe.

HUL launched Clear Anti-dandruff shampoo with Nutrium 10 in India in 2011. In the same year, the company's Dove brand launched new nourishing oil care range with vita oils. The same year, Pureit

launched 'Pureit Marvella RO', a RO water purifier with advanced alert systems. Also in 2011, HUL launched Sure for Men anti-perspirant range in India. Further in that year, Brooke Bond Taj Mahal launched Green Tea range with three flavors, Honey Lemon Green Tea, Earl Grey Green Tea and Darjeeling Green Tea. Later, Brooke Bond Taj Mahal introduced a full range of flavored tea bags. Towards the end of the year, Bru launched Bru Gold, a 100% coffee, in India.

In the beginning of 2012, the company partnered with MITTRA for a water conservation project in Nashik. Through this project, HUL aims to help tribals to adopt improved agricultural practices that promote effective utilization of water. Subsequently, HUL began manufacturing, marketing and distributing the Brylcreem brand in India.

In FY2012, HUL transferred its FMCG exports business division to its wholly owned subsidiary, Unilever India Exports.

In 2012, Reliance Industries and HUL announced plans to collaborate in order to set up a chain of beauty and wellness formats across India in Reliance Retail owned hypermarkets. In the same year, Dove launched Dove Damage Meter, an advanced diagnostic tool to measure hair damage. Also in that year, Kwality Wall's launched Fruttare in India. This is India's first ice candy which is made with 100% real fruit juice and pulp.

HUL forayed into the liquid blues category with the launch of Rin Perfect Shine Neel, later in 2012. Lux entered the deodorant market in India with the launch of four fragrances: Magical Spell, Loving Touch, Peach Blossom and Sweet Petals. Also in 2012, HUL launched 'Magic Water Saver', a liquid that reduces the amount of water used to wash clothes.

In mid-2012, Pureit launched Pureit Advanced, an advanced purifier in the manual fill water purifier segment. During the same time, Lakme introduced the Lakme Perfect Radiance skin care range. The company also launched Axe soap bar for men in India.

In 2012, Pepsodent entered the mouthwash market in India with the launch of its range of mouthwashes, Pepsodent Fresh Mint Mouthwash and Pepsodent Herbal Fresh Mouthwash. Around the same time, the company launched Comfort One Rinse Fabric Conditioner in Tamil Nadu, India. Later in 2012, HUL entered into a public-private partnership with Maharashtra Government to source tomatoes sustainably. This is the company's first public-private partnership to source agricultural raw materials.

Lakme launched Lakme Eyeconic, a new range of kajal and mascara, in 2012. During the same time, Pureit launched Pureit Marvella UV, a premium ultraviolet technology based water purifier.

In 2013, Lifebuoy launched color changing handwash. In the same year, Dove entered the hair oils market segment with its new range of precious hair oils, Dove Elixir. Also in 2013, Unilever announced plans to invest E75 million (\$96.4 million) to construct a new home care factory and to expand its existing manufacturing plants in South Africa.

Further in 2013, Unilever announced plans to invest E50 million (\$64.3 million) to set up its first Asian aerosol deodorant manufacturing facility in Khamgaon, Maharashtra. In the same year, Unilever also announced plans to invest E70 million (\$90 million) to construct a new home care liquids and distribution facilities in Thailand. Later in 2013, Surf Excel launched a new liquid detergent that penetrates through tough stains like ink, grease, pickle and mud and removes them easily. HUL launched Toni & Guy, Britain's premium hair-styling brand, in India in 2013.

In January 2014, the company forayed into the premium rice segment with the launch of Gold Seal Indus Valley basmati. In the following month, the company announced a partnership with Internet.org, a Facebook-led alliance of partners, to understand how internet access can be increased to help communities across rural India.

HUL settled a case with Securities and Exchange Board of India (Sebi) in January 2015. According to the case, the company failed to make timely disclosures to the stock exchanges, mandated under the takeover norms, for the years 2008 and 2010.



## KEY EMPLOYEES

Name	Job Title	Board	Compensation
Sanjiv Mehta	Chief Executive Officer and Managing Director	Executive Board	61447000 INR
P. B. Balaji	Chief Financial Officer	Executive Board	
Pradeep Banerjee	Executive Director, Supply Chain	Executive Board	43374000 INR
Harish Manwani	Chairman	Non Executive Board	
Aditya Narayan	Independent Director	Non Executive Board	2860000 INR
S. Ramadorai	Independent Director	Non Executive Board	2755000 INR
O. P. Bhatt	Independent Director	Non Executive Board	3020000 INR
Sanjiv Misra	Independent Director	Non Executive Board	2760000 INR
Kalpana Morparia	Independent Director	Non Executive Board	
Geetu Verma	Executive Director, Foods and Refreshments	Senior Management	
Punit Misra	Executive Director, Sales and Customer Development	Senior Management	
Dev Bajpai	Executive Director, Legal and Company Secretary	Senior Management	
BP Biddappa	Executive Director, Human Resources	Senior Management	
Samir Singh	Executive Director, Personal Care	Senior Management	
Priya Nair	Executive Director, Home Care	Senior Management	

## **KEY EMPLOYEE BIOGRAPHIES**

### **Sanjiv Mehta**

Board: Executive Board  
Job Title: Chief Executive Officer and Managing Director  
Since: 2013  
Age: 53

Mr. Mehta has been the Chief Executive Officer and Managing Director at HUL since 2013. He joined Unilever in 1992. Mr. Mehta has led several Unilever businesses across South Asia, South East Asia and Middle East. He was appointed the Chairman and Managing Director of Unilever Bangladesh in 2002 and as the Chairman and Chief Executive Officer of Unilever Philippines in 2007. Mr. Mehta also served as the Chairman of Unilever North Africa and Middle East later. Before joining Unilever, he worked for Union Carbide India.

### **P. B. Balaji**

Board: Executive Board  
Job Title: Chief Financial Officer  
Age: 44

Mr. Balaji serves as the Chief Financial Officer at HUL. He joined the company as a Management Trainee in 1993 and has served in various roles in finance and supply chain over a period of 20 years. Earlier, Mr. Balaji served as the Vice President of Finance for Unilever America Supply Chain. He also served as the Group Chief Accountant at Unilever worldwide. Mr. Balaji was also the Vice President of Finance for the Home and Personal Care business in India and the Vice President and Treasury for the AAR region based out of Singapore in the past.

### **Pradeep Banerjee**

Board: Executive Board  
Job Title: Executive Director, Supply Chain  
Since: 2010  
Age: 55

Mr. Banerjee has been the Executive Director of Supply Chain at HUL since 2010. He joined the company as a Management Trainee in 1980. Mr. Banerjee became the Vice President, Technical (Home and Personal Care) at HUL in 2003 and then moved to the UK in 2005 as the Vice President of Global Supply Chain for Personal Care category and thereafter moved to Singapore as the Vice President for Global Procurement.

## **Harish Manwani**

Board: Non Executive Board  
Job Title: Chairman  
Since: 2005  
Age: 60

Mr. Manwani has been the Chairman at HUL since 2005. He joined the company in 1976. Mr. Manwani joined the Board in 1995 and was responsible for the Personal Products business. He also held regional responsibility as the Category Leader for Personal Products for the Central Asia and Middle East Business Group. Mr. Manwani later served as the Senior Vice President for the Global Hair Care and Oral Care Categories in the UK. In 2001, he was appointed as the President of Home and Personal Care, Latin America Business Group. Mr. Manwani also served as the Chairman of Unilever's Latin America Advisory Council. In 2004, he was appointed the President and Chief Executive Officer of the Home and Personal Care North America Business Group and in 2005 was appointed the President for Asia and Africa regions.

## **Aditya Narayan**

Board: Non Executive Board  
Job Title: Independent Director  
Since: 2001  
Age: 62

Mr. Narayan has been an Independent Director at HUL since 2001. He began his career as a Management Trainee with ICI India (now AkzoNobel India Limited) in 1973. Mr. Narayan served in various roles across diverse functions and businesses including a role as a Corporate Planning Manager at ICI Group Headquarters in London. He served as the Managing Director at ICI India during 1996–2003 and then as its Non-Executive Chairman during 2003–10. Mr. Narayan also served as the President and Chief Executive Officer at BHP Billiton India from 2005 to 2009.

## **S. Ramadorai**

Board: Non Executive Board  
Job Title: Independent Director  
Since: 2002  
Age: 69

Mr. Ramadorai has been an Independent Director at HUL since 2002. He serves as the Vice Chairman at Tata Consultancy Services and as the Chairman at National Skill Development Agency (NSDA) in the rank of a Cabinet Minister.

## **O. P. Bhatt**

Board: Non Executive Board  
Job Title: Independent Director  
Since: 2011  
Age: 63

Mr. Bhatt has been an Independent Director at HUL since 2011. He is the former Chairman at State Bank of India. Mr. Bhatt spent 36 years at State Bank of India, where he worked on several national and international assignments.

### **Sanjiv Misra**

Board: Non Executive Board  
Job Title: Independent Director  
Since: 2013  
Age: 66

Dr. Misra has been an Independent Director at HUL since 2013. He is a retired Indian Administrative Services (IAS) officer and a former member of the 13th Finance Commission, a constitutional position with the rank of a Minister of State. Prior to that, Dr. Misra held a variety of positions in the Federal and State Governments, including as Managing Director of the Gujarat Industrial Development Corporation. He also held key positions at senior levels in the Government of India in the Cabinet Office, the Ministry of Petroleum, the Ministry of Health & Family Welfare and the Ministry of Finance. Dr. Misra also served as a Secretary in the Ministry of Finance.

### **Kalpana Morparia**

Board: Non Executive Board  
Job Title: Independent Director  
Since: 2014  
Age: 65

Ms. Morparia has been an Independent Director at HUL since 2014. She is also the Chief Executive Officer at J.P. Morgan, India. Prior to that, Ms. Morparia served as Vice Chairperson at ICICI Group Companies. She was a Joint Managing Director at ICICI Group from 2001 to 2007. Ms. Kalpana has served on several committees constituted by the Government of India.

### **Geetu Verma**

Board: Senior Management  
Job Title: Executive Director, Foods and Refreshments  
Age: 48

Ms. Verma serves as the Executive Director of Foods and Refreshments at HUL. She joined the company in 2011. Ms. Verma has over 25 years of marketing, business and innovation experience

in leading FMCG firms, including The Procter & Gamble Company, Seagram, PepsiCo in India and Europe.

**Punit Misra**

Board: Senior Management

Job Title: Executive Director, Sales and Customer Development

Age: 43

Mr. Misra serves as the Executive Director of Sales and Customer Development at HUL. Previously, he served as a Vice President in the global Unilever Customer Development team. He joined the company in 1996 and served across Marketing and Customer Development roles both in HUL and Unilever.

**Dev Bajpai**

Board: Senior Management

Job Title: Executive Director, Legal and Company Secretary

Age: 46

Mr. Bajpai serves as the Executive Director of Legal and Company Secretary at HUL. Before joining HUL, he was the Senior Director of Legal and Compliance at ICICI Venture Funds Management Company Limited. Mr. Bajpai has 24 years of experience in diverse industries such as automobiles, FMCG, hospitality and private equity, in the areas of legal, governance, tax and corporate affairs. He also worked at Maruti Udyog, Marico Limited, and Indian Hotels Company Limited.

**BP Biddappa**

Board: Senior Management

Job Title: Executive Director, Human Resources

Since: 2013

Age: 47

Mr. Biddappa has been the Executive Director of Human Resources at HUL since 2013. He has been associated with the company for more than 20 years and worked in a variety of roles starting off in a factory in Orai (Uttar Pradesh), then working in supervisory development, corporate learning, and then research and development. Mr. Biddappa also worked with Unilever Maghreb (Casablanca), Unilever Bangladesh (where he was the Human Resource Director) and in Singapore where he was Vice President, Human Resources for the Supply Chain in Asia, Africa and Russia. Prior to joining HUL in 1992, he worked in consulting firms for more than two years.

**Samir Singh**

## **Hindustan Unilever Limited**

Key Employee Biographies



Board: Senior Management  
Job Title: Executive Director, Personal Care  
Since: 2014  
Age: 41

Mr. Singh has been the Executive Director of Personal Care at HUL since 2014. He joined Unilever in 1997 as a Management Trainee in India. For the last four years, Mr. Singh has been the Global Brand Vice President for Lifebuoy and a member of the Global Category Leadership Team for skin cleansing.

### **Priya Nair**

Board: Senior Management  
Job Title: Executive Director, Home Care  
Since: 2014  
Age: 42

Ms. Nair has been the Executive Director of Home Care at HUL since 2014. Earlier in her career, she served across various brands at the company, including Dove, Axe, Rexona, Closeup and Pepsodent.

## **MAJOR PRODUCTS AND SERVICES**

HUL is India's largest FMCG company. The company's key products and services include the following:

Products:

Soaps and detergents:

- Soaps
- Detergent bars
- Detergent powders
- Detergent liquids
- Scourers

Personal products:

- Oral care
- Skin care (excluding soaps)
- Hair care
- Deodorants
- Talcum powder
- Color cosmetics
- Ayush products

Beverages:

- Tea
- Coffee

Packaged foods:

- Wheat flour
- Salt
- Bread
- Tomato based products
- Fruit based products
- Soups
- Frozen desserts
- Ice cream

Others:

- Marine products

Leather products  
Chemicals  
Infant care products

Services:

Ayush services  
Property development

Brands:

Lux  
Breeze  
Lifebuoy  
Liril 2000  
Dove  
Pears  
Hamam  
Rexona  
Surf Excel  
Rin  
Wheel  
Pepsodent  
Closeup  
Fair & Lovely  
Pond's  
Sunsilk  
Elle 18  
Clinic Plus  
Axe  
Lakme  
Brooke Bond  
Lipton  
Bru  
Knorr  
Annapurna  
Kissan  
Kwality Wall's  
Domex  
Comfort  
Pureit  
Vim  
Modern  
Aviance  
Vaseline  
TRESemme



**Hindustan Unilever Limited**  
Major Products and Services



Clear  
Sunlight  
Cif  
Magic  
Sure  
Magnum  
TIGI  
Toni & Guy  
Lever Ayush

## REVENUE ANALYSIS

### Overview

HUL recorded revenues of INR292,332.8 million (approximately \$4,852.7 million) in FY2014, an increase of 8.3% over FY2013. For FY2014, India, the company's largest geographic market, accounted for 93.4% of the total revenues.

The company generates revenues through five business segments: soaps and detergents (47%\* of the total revenues in FY2014), personal products (28.1%), beverages (11.4%), packaged foods (5.7%) and others (7.9%).

\*Percentages are rounded-off.

### Revenues by segment

In FY2014, the soaps and detergents segment recorded revenues of INR136,834.1 million (approximately \$2,271.4 million), an increase of 7.7% over FY2013.

The personal products segment recorded revenues of INR81,943.6 million (approximately \$1,360.3 million) in FY2014, an increase of 8.9% over FY2013.

The beverages segment recorded revenues of INR33,118.6 million (approximately \$549.8 million) in FY2014, an increase of 11.3% over FY2013.

The packaged foods segment recorded revenues of INR16,483 million (approximately \$273.6 million) in FY2014, an increase of 9.5% over FY2013.

The others segment recorded revenues of INR23,040.8 million (approximately \$382.5 million) in FY2014, an increase of 3% over FY2013.

### Revenues by geography

India, HUL's largest geographical market, accounted for 93.4% of the total revenues in FY2014. Revenues from India reached INR272,104.5 million (approximately \$4,516.9 million) in FY2014, an increase of 9.5% over FY2013.

Foreign countries accounted for 6.6% of the total revenues in FY2014. Revenues from foreign countries reached INR19,315.6 million (approximately \$320.6 million) in FY2014, a decrease of 7.7% compared to FY2013.

## SWOT ANALYSIS

HUL is India's largest FMCG company. Two out of three Indians use HUL products spanning 20 distinct categories in home, personal care, food and beverages segments. The company's market leadership and industry-leading brands provide an exceptional competitive advantage and, in turn, enhance its bargaining power. However, intense competition could pressurize the company's profit margins.

<b>Strengths</b>	<b>Weaknesses</b>
Market leadership built on strong brand portfolio Wide product range with presence across all price points aided with strong sales and distribution network Focus on innovation to drive growth	Low scale of operations
<b>Opportunities</b>	<b>Threats</b>
Rising consumption levels in rural markets could accelerate revenue and profit expansion Opportunities in the health and wellness space Growing personal care market	Intense competition Increasing abundance of counterfeit goods Changing cosmetic trends

### Strengths

Market leadership built on strong brand portfolio

HUL is India's largest FMCG company. Two out of three Indians use HUL products spanning 20 distinct categories in home, personal care, food and beverages segments. The company serves over 2,000 retail customer groups. In 2014, HUL was ranked among top three of India's most admired companies by a business magazine. HUL is the market leader in most of the categories it operates. The company holds the number one position in the laundry, soaps, hair care, home care and skin care categories in India. It ranks second in tea and oral care categories. The company's leadership position is built on its strong brand portfolio.

Some of the HUL's well-known brands in home and personal care segment include Lux, Lifebuoy, Clinic Plus, Rexona, Dove, Surf, Rin, Wheel, Fair & Lovely, Pond's, Closeup, Sunsilk, Vim and Pears. In the food and beverage segment, the company's brand portfolio includes Taj Mahal, Lipton, Knorr,

Bru, Annapurna, Kissan and Kwality Wall's, among others. The strength of the company's brand portfolio is highlighted by the fact that 36 of its 45 brands were listed among India's most trusted brands in a report released by an industry source in 2013. As per the report, the company had the most number of brands (18) in the bath/beauty category. In the tea category, the company had four brands among six listed in the report and these included Red Label, Lipton, Taj Mahal and Taaza. Domex and Vim held the top two positions in the in the home care category.

HUL's market leadership and industry leading brands provide an exceptional competitive advantage and, in turn, enhance its bargaining power.

Wide product range with presence across all price points aided with strong sales and distribution network

HUL offers a wide product range including foods, beverages, home care and personal care products. In the personal care segment, the company offers various products in oral care, skin care, hair care, deodorants, talcum powder and color cosmetics categories. It offers a range of soaps for personal use and detergents in various forms. The company's packaged food segment comprises staples (wheat flour, salt and bread), culinary products (tomato based products, fruit based products and soups) and frozen desserts. The beverage segment offers packaged tea and coffee.

In addition, the company also caters to global demand through its export business, which includes sales of marine products and leather products, among others. The company also has presence in chemicals, property development, water business, and infant care and ayurvedic products. The company caters to the premium segment through various brands such as Dove, Pears and Pond's among others.

HUL's broad product portfolio is aided by a strong sales and distribution network. The company operates through its direct sales channel network, Hindustan Unilever Network (HUN). HUL's distribution network covers over 6.4 million retail outlets, including direct reach to over two million outlets. Furthermore, the company distributes its products through a network of more than 2,500 re-distribution stockists. This catalyzes HUL's growth by ensuring that the right product is available at the right place in right quantities.

A broad product portfolio catering to the mass and premium segment enables HUL to expand its customer base and, in turn, enhance its revenue generating capacity. In addition, a strong sales and distribution network allows the company to increase its reach and penetration levels in existing and upcoming markets.

Focus on innovation to drive growth

It has been HUL's strategy to focus on innovation and expand its presence through new product launches and brand extensions. In line with this strategy, the company re-launches its portfolio every year. For instance, in FY2014, HUL re-launched about 60% of its product portfolio. This is important, given the competitive nature of the FMCG market and increasing consumer awareness. HUL continued

to launch new products, and brand extensions and variants across the food and personal care segments.

Some of the company's innovations in FY2014 include: the launch of Surf Excel's first main-wash liquid detergent; and the launch of Domex Zero Stain, which reinstates the cleaning properties of Domex. Furthermore, in the personal care segment, the company launched the 'Best Ever' Fair & Lovely, Pond's BB+ cream, Lakme CC cream and Vaseline Healthy White. Also, hair care and skin care brands were premiumised with Lakme Pro-Stylist, TRESemme and Toni & Guy being some of the innovations during FY2014. In the beverages category, green tea was added to the Lipton and Taj Mahal range. Magnum, Unilever's most premium global ice cream brand, was launched in Chennai in FY2014 and has been extended to more cities during the same period. Additionally, Pureit launched Pureit Ultima RO + UV, a water purifier, during FY2014. The dual technology of RO + UV removes harmful chemicals like lead, arsenic and mercury, ensuring the purity and safety of drinking. Furthermore, Lakme reinvented its skin care portfolio with the Pro-stylist range, offering the benefit of salon expertise. In FY2014, Lakme also forayed into the anti-aging segment with the launch of Youth Infinity skin cream and re-launched its fairness range, Perfect Radiance. Its facial cleansing portfolio was also revamped with the addition of new Clean Up range.

Strong focus on innovation and new product launches will enable HUL to expand its presence and strengthen the depth of its portfolio. This will, in turn, translate into increasing revenues and profitability.

## **Weaknesses**

Low scale of operations

HUL lacks in scale of operations compared to its competitors. While HUL generated revenues of INR292,332.8 million (approximately \$4,852.7 million) in FY2014, its key competitors operate at a much higher scale. For instance, The Procter & Gamble Company generated revenues of \$83,062 million in the financial year ended June 2014, and ITC generated revenues of INR353,170.8 million (\$5,862.6 million) during FY2014. Large scale operations add to the bargaining power of companies such as The Procter & Gamble Company and ITC. HUL, due to its lack of scale, might be at a competitive disadvantage compared to its competitors.

## **Opportunities**

Rising consumption levels in rural markets could accelerate revenue and profit expansion

Unlike in the more developed Western markets, the Indian market has a huge untapped rural market that is continuously offering opportunities for growth in the consumer goods sector. Rising income levels and efforts by marketers to tap the consumer base at the bottom of the pyramid are paying off to create opportunities in rural India. According to industry sources, the Indian FMCG sector is

estimated to reach a market size of INR4,000 billion (\$66.4 billion) to INR6,200 billion (\$102.9 billion) by 2020. While the growth in FMCG sector in India is poised to grow, low penetration rates are seen in the rural areas as compared to urban areas. Products like shampoos, hair oil and toothpastes have very high penetration in urban India (69%, 84% and 91%, respectively). On the other hand, penetration rates in rural India for the same products is lower; 56%, 72% and 63%, respectively, for shampoos, hair oil and toothpastes. The urban-rural penetration gap is much pronounced for products like toilet cleaners (12% rural penetration versus 45%) and glucose (10% versus 21%). This represents a huge opportunity for FMCG companies such as HUL to shift their revenue mix in favor of rural markets.

In FY2011, the company took the Shakti initiative to the next level by extending the relationship with Shaktiammas to their families, through project Shaktimaan. Project Shaktimaan enrolls the un-employed/under-employed male member of the family to sell HUL's products into the satellite villages of Shakti. The initiative serves two convergent purposes: enhances the livelihood opportunity of the Shakti family and improves the quality and depth of the company's distribution network. In FY2014, there were over 65,000 Shaktiammas complemented by over 50,000 Shaktimaans. The Shakti entrepreneurs distribute the products of HUL on bicycles, covering over 160,000 villages in 16 states and serving four million rural households.

Low penetration rates, along with increasing personal disposable incomes of Indian, especially rural consumers, are leading to increased demand for quality and branded goods. The growing influence of media penetration is also being a key influencer on lifestyle and consumption patterns, leading to immense market opportunities for FMCG players like HUL.

#### Opportunities in the health and wellness space

Growing concerns over lifestyle-related health issues like obesity, diabetes, hypertension and chronic heart disease are encouraging consumers to make a shift in their food preferences. In the recent past, consumers have consciously made a preference shift towards healthy, fat-free and no-sugar options in processed foods. According to industry estimates, the diet-related food and beverages market in India is witnessing double digit growth. This growing market for healthy and nutritious food is proving to be an opportunity for several food and beverage manufacturers, including HUL that are aligning their strategies in line with the changing consumer preferences.

Several food and beverage companies are responding to this trend through new product launches that have the same taste but reduced levels of salts/ sugars. The company, for instance, is focusing on moving from generic to product-specific nutrient standards. HUL also made adjustments to the nutrient levels for certain products, in 2013. For instance, the company changed the standards for saturated fat in spreads and sugar in ready-to-drink tea, after consulting independent nutritional experts. The company also made significant progress against its individual targets on salt, sugar and fat in 2013. Nearly 86% of HUL's children's ice creams contain fewer than 110 kilocalories. The company reduced sugar in ready-to-drink teas by 11% since 2010, and plans to remove an additional 25% of sugar by 2020. Additionally, 55% of the company's foods portfolio was compliant with the 5 grams target in 2013. Also, 82% of HUL's global portfolio of soft vegetable oil spreads contained no more than 33% saturated fat and at least 67% good unsaturated fat in 2013. By 2017, 90% of its

complete global portfolio of soft vegetable oil spreads will contain no more than 33% fat as saturated fat and at least 67% as good unsaturated fat.

By responding to the changing preferences of its consumers, HUL is well positioned to capitalize on the various opportunities created by the health and nutrition foods market in future.

#### Growing personal care market

The personal care market has been expanding rapidly due to the increasing purchasing power and growing consumer interest. According to industry estimates, the personal care category in India represents 22% of the total market revenue of the Indian FMCG sector. In addition, the demand for cosmetics and personal grooming products has been on the rise due to the increasing popularity of beauty contests, increasing disposable incomes coupled with the growth in the Indian fashion industry. According to industry sources, the cosmetics market in India is growing at a rate of 20% annually.

HUL offers a range of color cosmetics for lips, face and eyes under its market leading brand, Lakme and also operates Lakme Beauty Salons and Lakme Studios. Thus, positive outlook for the company's operating markets will provide steady revenues for the company in near term.

### Threats

#### Intense competition

HUL faces intense competition across its segments. For instance, ITC, its prime competitor, has many market leading brands in segments like processed food, confectionaries and other household products. Backed by strong sales and distribution network throughout the country and especially in the rural markets, ITC gives stiff competition to HUL in the highly-competitive personal care business. In addition, the company is facing increasing competition from other multinational companies such as The Procter & Gamble Company and Colgate-Palmolive in the personal care and household care segments. Other competitors of the company include Nestle, Reckitt Benckiser, L'Oreal, S.C. Johnson & Son, Godrej Industries Limited, Dabur India, Nirma, Henkel India, Tyson Foods, Mondelez International, Kraft Foods Group and Jyothy Laboratories, among others. Some of these companies might have significantly higher financial resources, which, in turn, helps them increase their financial flexibility. Also, aggressive price wars among companies and increasing advertisement and promotional activity also heighten competition. Thus, intense product as well as price competition could affect HUL's business operations and erode its market share.

#### Increasing abundance of counterfeit goods

Trade of counterfeits and pass-offs products is affecting the growth of FMCG companies like HUL. For instance, in 2013, authorities seized fake cosmetic products worth INR300,000 (\$4,980) from a departmental store in Patna, India, following a complaint made by HUL. In the same year, the company conducted nearly 500 field-level actions with support from police to seize fake products.

HUL also worked with customs to help them seize five consignments of counterfeit products being imported into the country. Earlier, in 2012, Delhi Police raided a store in Central Delhi area, seizing a huge stock of counterfeit cosmetics, including those labelled as Pond's and Dove. According to industry sources, the estimated annual tax loss to the Indian government due to counterfeiting in 2012 was \$4.2 billion and is estimated to have an annual sales loss of around \$16.1 billion in future. The top brands within any category be it cosmetics, detergents or soaps are affected the most by counterfeiting and pass-offs. Besides revenue losses, counterfeits and pass-offs also affect the company's brand as they are unsafe. Low quality counterfeits reduce consumer confidence in branded products. Counterfeits not only deprive revenues for the company but also dilute its brand image.

#### Changing cosmetic trends

Beauty conscious consumers are increasingly using new technologies such as advanced dermatology, cosmetic surgery, hair transplants and other treatments to enhance their beauty. Not only are the results from these treatments instant, but they are also long lasting. The Indian cosmetic surgery industry is witnessing significant growth, triggered by increasing consumer awareness, direct marketing and advertising campaigns, and technological advances in surgical and non-surgical procedures. According to industry estimates, the cosmetic surgery market in India is growing at 40% per annum. This could reduce dependence on traditional beauty aids, which could lead to a fall in demand for the skin and hair care products of HUL.



## **TOP COMPETITORS**

The following companies are the major competitors of Hindustan Unilever Limited

Colgate-Palmolive Company  
L'Oreal S.A.  
Nestle S.A.  
S.C. Johnson & Son, Inc.  
Godrej Industries Limited  
Dabur India Limited  
Nirma Limited  
Henkel India Limited  
ITC Limited  
The Procter & Gamble Company  
Mondelez International, Inc.  
Kraft Foods Group, Inc.  
Reckitt Benckiser Plc  
Jyothy Laboratories Limited  
Tyson Foods, Inc.

## COMPANY VIEW

A statement by Harish Manwani, the Chairman at HUL, is given below. The statement has been taken from the company's Annual Report for FY2014.

Dear Shareholders,

The financial year ended March 2014 was another successful year, where despite a challenging environment, our business grew well ahead of competition. Several innovations were launched to meet the emerging needs and aspirations of our consumers. We expanded our reach and further strengthened our distribution so that we can serve our consumers better with our wide range of product offerings. At the same time, we continued to make significant progress on our Unilever Sustainable Living Plan.

During the year, Unilever increased its stake in your Company from 52.48% to 67.25% through an open offer. The open offer reflects Unilever's confidence in the long term growth opportunity of the Indian market and more importantly its strong commitment to investing and driving the growth of your Company.

The business environment continued to remain muted. Despite the Indian economy witnessing a slowdown, your Company delivered healthy results. Our domestic consumer business grew by 9% with 4% underlying volume growth which was ahead of the market. Profit before interest and tax (PBIT) grew by 12% with PBIT margin improving 40 bps. Profit after tax but before exceptional items, PAT (bei), grew by 7% to Rs. 3,555 crores with Net Profit at Rs. 3,867 crores growing 2%. Net Profit growth was impacted by the significant property sale in the previous year. Cash generated from operations at over Rs. 5,000 crores for the year, was up Rs. 462 crores over the previous year. With the final dividend of Rs. 7.50 per share proposed by the Board of Directors and an interim dividend of Rs. 5.50 per share already paid, the total dividend for the financial year ending 31 March 2014 amounts to Rs. 13.00 per share.

Innovations touched most of our product portfolio and delivered strong growth. We launched a host of innovations across our businesses by leveraging Unilever's global portfolio of brands, research and technology. Surf Excel launched the first main-wash liquid detergent in May. Domex Zero Stain was launched reinstating the cleaning properties of Domex. In personal care we launched the 'Best Ever' Fair & Lovely, Pond's BB+ cream, Lakmé CC cream and Vaseline Healthy White. Hair Care and Skin Care brands were premiumised with Lakmé Pro-Stylist, TRESemmé and Toni&Guy being some of the innovations this year. In beverages, green tea was added to the Lipton and Taj Mahal range. Magnum, Unilever's most premium ice cream brand globally, was launched in Chennai in 2013 and has been extended to more cities this year. Pureit, launched the best in class water purifier, Pureit Ultima RO + UV. The dual technology of RO + UV removes harmful chemicals like lead, arsenic and mercury, ensuring that the water is always pure and safe for drinking.

In our endeavour to serve the consumers in the farthest corners of India, we further expanded our direct retail reach and strengthened our in store execution. We extended our Perfect Stores programme to 1 million stores by the end of 2013. The on-shelf availability in modern trade touched an all-time high with many of our key customers recognising us as the Supplier of Choice.

In 2013, we significantly increased our Shakti network adding over 17,000 Shakti Entrepreneurs (Shaktiammas). Project Shakti now has over 65,000 Shakti Entrepreneurs complemented by over 50,000 Shaktimaans, the male members of the Shakti family who distribute Company products on bicycles.

It was once again 'business unusual on costs' across the board with significant savings in Supply Chain and Overheads and improvements in the effectiveness of our Trade and Marketing spends. These savings helped to sustain competitive investments behind our brands and deliver a steady improvement in the operating margin.

We made good progress on the Unilever Sustainable Living Plan. In line with our belief of doing well by doing good, we launched the 'Perfect Village' programme across eight states. Under this initiative, we created awareness about health and wellbeing among rural consumers and at the same time, improved the availability of our products in these villages. The Lifebuoy Handwashing Programme now touches 58 million consumers in India.

Lifebuoy's 'Help a Child Reach 5' Handwashing Programme was launched in Thesgora, a village in Madhya Pradesh, last year. With our interventions, the incidence of diarrhoea dropped significantly. This campaign is now being extended to many other villages in Madhya Pradesh and Bihar.

Domex, our leading toilet cleaner brand, announced the launch of Domex Toilet Academy (DTA). DTA's ambition is to help reduce the incidence of open defecation and increase access to improved sanitation by educating people about the importance of safe and hygienic sanitation practices.

In our factories, for every tonne of production in 2013 we reduced CO2 emissions by 27% compared to 2008 baseline. Use of renewable energy increased to more than 20% of the total consumption and water usage in manufacturing operations reduced by 37% compared to 2008 baseline. Employing the 'Reduce, Reuse and Recycle' principle, 99% of total waste was recycled, reducing the total waste per tonne from manufacturing sites by 84% against 2008 baseline. HUL factories with 100% zero non-hazardous waste to landfill increased to 35.

To renew and reconnect our brands to the larger purpose of serving society, we launched Project Sunlight in November 2013. Project Sunlight is our long term initiative to motivate millions to live sustainably, by inspiring them to create a brighter future for our children. It aims to build momentum behind a growing community of people who believe it is possible to build a world where everyone lives well and sustainably, without compromising the needs of future generations.

We continue to focus on attracting, retaining and developing the best talent. This year, we retained our position as the No. 1 Employer Brand among premier business school students for the third successive year and as a 'Dream Employer' for the fifth consecutive year. This comes as an

endorsement of our people agenda which provides strong support networks, mentoring and learning experiences to develop successful business leaders.

In October 2013, Sanjiv Mehta took over your Company's leadership baton from Nitin Paranjpe, who after leading HUL successfully since 2008, was promoted to the Unilever Leadership Executive as President Home Care. I would like to take this opportunity to thank Nitin for his outstanding contribution to HUL. Sanjiv is a proven business leader with rich experience of leading Unilever companies across Developing & Emerging markets and I am confident that he will take HUL to greater heights.

In the year ahead, the business environment will continue to remain challenging and competitive intensity is likely to remain high. With our purpose driven brands, passionate employees and your continued support, I am confident that we will continue to deliver growth that is consistent, competitive, profitable and responsible.

I would like to thank you, all our shareholders, for your trust and your wholehearted support.

**LOCATIONS AND SUBSIDIARIES****Head Office**

Hindustan Unilever Limited  
 Unilever House  
 B. D. Sawant Marg  
 Chakala  
 Andheri (East)  
 Mumbai 400 099  
 IND  
 P:91 22 39830000  
 F:91 22 28249438  
<http://www.hul.co.in>

**Other Locations and Subsidiaries**

Hindustan Unilever Limited - Himachal Pradesh Khasra No. 94-96 355-409 Village Balyana Barotiwala IA Tehsil Kasauli District Solan 174 103 Himachal Pradesh IND	Hindustan Unilever Limited - Assam Dag No. 21 of 122 FS Grants Mouza-Tingrai Off NH No. 37 Doom Dooma Industrial Estate District Tinsukia 786 151 Assam IND
Hindustan Unilever Limited - Kerala Ernakulam North P.O. Tatapuram Cochin 682 014 Kerala IND	Hindustan Unilever Limited - Punjab A-5 Phase II-B Focal Point Rajpura 140 401 Punjab IND
Hindustan Unilever Limited - Kolkata 1 Transport Depot Road Kolkata 700 088 West Bengal IND	Hindustan Unilever Limited - Pondicherry Off NH 45A Vadamangalam Pondicherry 605 102 IND
Hindustan Unilever Limited - Goa Plot Nos. 128-139 & 324-326 Kundaim Industrial Estate Kundaim 403 115 Goa IND	Hindustan Unilever Limited - Mysore Plot No. 424 Hebbal Industrial Area Mysore 570 016 Karnataka IND

## Hindustan Unilever Limited

Locations and Subsidiaries



Hindustan Unilever Limited - Chhindwara 5/6 KM Stone Narsinghpur Road Lehgada Chhindwara 480 002 Madhya Pradesh IND	Hindustan Unilever Limited - Mumbai Aarey Milk Colony Goregaon Mumbai 400 065 Maharashtra IND
--	--

**MARKETLINE** | John Carpenter House, John Carpenter Street | LONDON, UNITED KINGDOM, EC4Y 0AN  
T: +44 (0) 203 377 3042 | F: +44 (0) 870 134 4371 | E: REACHUS@MARKETLINE.COM | W: www.marketline.com

**Marketline**