

Chairman's Statement



Mr. Sanjiv Mehta
Chairman and
Managing Director

Dear Shareholders,

I am pleased to share with you an update on your Company's performance for 2019-20. The year saw a challenging business environment with lower GDP growth and slowdown in consumption. This resulted into a weakening consumer sentiment and lower demand for the categories in which we operate. The novel coronavirus has affected not just human health but severely impacted businesses and the society at large. Against this backdrop, your Company has delivered competitive, profitable and responsible growth. Our growth fundamentals are in a good shape with gains in penetration and distribution. Most of our brands have gained in terms of mind measures and this augurs well for the future.

For the nine months, ended December 2019, Domestic Consumer Growth was at 6%, reflective of our strong performance delivery. Given the disruptions to supply chain arising from COVID-19 in March 2020, for the full year 2019-20, Domestic Consumer Growth was 2% with Underlying Volume Growth of 2%. Our EBITDA margin improved by 100 bps on comparable basis, PAT (be¹), grew by 11% to ₹ 6,743 crores and PAT at ₹ 6,738 crores was up by 12%. We sustained our track record of strong cash generation. The Board of Directors have proposed a final dividend of ₹ 14 per share, subject to the approval of the shareholders at the AGM. Together with the interim dividend of ₹ 11 per share, the total dividend for the financial year ending 31st March 2020 amounts to ₹ 25 per share; an increase of 14%.

The FMCG market saw disparate trends across divisions. There was a significant shift in discretionary spends and this impacted the Beauty & Personal Care division. Despite the challenges, categories such as Skin, Hair and Oral Care delivered good growth. With on-trend innovations such as Matte revolution and 3D makeup, Lakmé continued to be India's No. 1 Cosmetics brand. In Skin Cleansing, brands such as Dove and Pears led the premiumisation agenda. During the year, we also launched, a purpose-driven brand from the Unilever stable, 'Love, Beauty and Planet' - made from sustainably sourced ingredients and packaged in recycled plastic.

¹before exceptional items

Your Company's Home Care division sustained its robust volume-driven and profitable growth during the year. The Fabric Solutions business delivered a strong performance with a focus on premiumisation with Surf excel and Rin liquids. To strengthen our premium portfolio further, we launched 'Love & Care', an expert Fabric Solutions brand. We drove market development across our Home and Hygiene business with Vim and Domex. While Vim continued to upgrade existing bar consumers to liquid and drive adoption of bars in rural India, Domex launched a powder format in select geographies to address the need for affordable and efficacious sanitation solution. This year, we also launched Pureit Copper+, an innovation inspired by the age-old tradition of storing water in copper vessels, which adds goodness of copper to RO purified water.

The Foods & Refreshment division witnessed competitive and profitable growth across categories. The Jams and Ketchup business continued to deliver good growth and in Spreads, we launched the iconic Hellmann's Mayonnaise in Kolkata this year. With on-trend, superior product offering, Tea continued to deliver robust, volume-led growth. The Ice Cream and Frozen Desserts business delivered strong growth on the back of innovations that catered to both global and local palates. For instance, we launched the Cornetto Brownie Silk, Magnum Hazelnut, a Sundae Cup alongside flavours crafted to address local tastes such as Aamras, Dryfruit Rabri Kulfis and Tender Coconut tub.

We successfully completed the integration of the GlaxoSmithKline Consumer Healthcare Limited (GSK CH) business into HUL. The merger, one of the biggest in the Indian FMCG space was completed virtually while the entire nation was under lockdown. This just goes to demonstrate the resolve and resilience of our people. The merger brings to HUL household brands such as Horlicks and Boost that are deeply in sync with our beliefs on purpose and just like our Water, Sanitation and Hygiene (WASH) agenda, in clear alignment with both the Sustainable Development Goals and the Government's thrust on 'Poshan Abhiyan' alongside 'Swachh Bharat'. The merger between the two companies presents us with an opportunity to combine our respective strengths and work towards further

²pending independent assurance

strengthening our position in Foods, Nutrition and Refreshments.

Your Company's supply chain continued its focus on consumers and customers. Our on-shelf availability was at an all-time high with the Customer Case Fill on Time (CCFOT) at over 95%. At the same time, we improved our on-shelf quality by 30% over the previous year. Our cost saving programmes delivered a 7% of turnover as gross savings last year. The e-Commerce channel continued its strong growth trajectory on the back of thought leadership and exemplary execution. We continue to drive organisation wide digital transformation agenda under the umbrella of 'Reimagining HUL' to make your Company future-fit.

Our brands continued to live our purpose of making sustainable living commonplace directly and through partnerships. Our WASH initiatives driven by brands such as Lifebuoy and Domex, together with Hindustan Unilever Foundation, reached millions of people across India. Our brands such as Surf excel, Brooke Bond Red Label and Hamam continued to drive positive social change through their purpose-driven and impactful advertising. In line with the Government of India's Swachh Bharat Abhiyan, our 'Swachh Aadat, Swachh Bharat' programme, continued to promote good health and hygiene practices.

Your Company continued to drive 'Project Shakti', an initiative aimed at enhancing livelihoods and building opportunities for small scale entrepreneurs in rural India. Your Company now has nearly 1.2 lakhs Shakti Entrepreneurs (Shakti Ammas) across India.

We remain committed to reducing our environmental footprint. During the year, we took significant steps to further reduce waste, water consumption, energy usage and CO₂ emissions in our factories and offices. We increased the renewable energy share in our manufacturing to 71%; out of which, the grid electricity



39,000 tonnes

of post-consumer use plastic waste disposed in environment-friendly way

used was 100% renewable. All our factories and warehouses continue to maintain 'zero non-hazardous waste to landfill sites' status. To address the challenges of depleting water resources, Hindustan Unilever Foundation, along with its partners, has created a cumulative water conservation potential of over 1,200 billion litres* till financial year 2019-20. In 2019, your Company has disposed more than 39,000 tonnes of post-consumer use plastic waste in an environment-friendly way. This has been done with the help of collection and disposal partners in more than 50 cities across India.

I would like to take this opportunity to reiterate that your Company stands united with the nation during this challenging phase of COVID-19. To support the nation in tackling the crisis, we were one of the first companies to commit ₹ 100 crores. Since then, in partnership with the Government, civic bodies, corporates, social organisations and hospitals, we have undertaken several initiatives such as donating sanitation and hygiene products to medical institutions and underserved sections of the society, upgrading health care facilities in Government hospitals & testing centres, setting up isolation centres and creating large scale awareness campaigns.

I would like to thank each and every employee as well as those working with our partners across our value chain for their commitment and service to HUL in these challenging times. Most importantly, I would like to thank you, our shareholders, for your overwhelming trust, support and confidence in Hindustan Unilever Limited.

Warm regards,

Sanjiv Mehta
Chairman and Managing Director



~1.2 lakhs
Shakti entrepreneurs
empowered

“We delivered EBITDA of ₹ 9,600 crores, our EBITDA margins are at its highest ever at 25.1% and our profit crossed the ₹ 6,700 mark for the first time.”