



OUR PURPOSE AND VISION

Our purpose in Hindustan Lever is to meet the everyday needs of people everywhere - to anticipate the aspirations of our consumers and customers and to respond creatively and competitively with branded products and services which raise the quality of life.

Our deep roots in local cultures and markets are our unparalleled inheritance and the foundation of our future growth. We will bring our wealth of knowledge and international expertise to the service of local consumers.

Our long-term success requires a total commitment to exceptional standards of performance and productivity, to working together effectively and to a willingness to embrace new ideas and learn continuously.

We believe that to succeed requires the highest standards of corporate behaviour towards our employees, consumers and the societies and world in which we live.

This is Hindustan Lever's road to sustainable, profitable growth for our business and long-term value creation for our shareholders and employees.

Consumer connectivity is a passion at Hindustan Lever. Ongoing research allows the company to develop insights into consumer tastes, preferences and needs. These insights are converted into a continuous stream of consumer relevant products. An efficient, cost effective supply chain ensures the availability of these products across the length and breadth of this country, whether in or out of home.

Today, as the new millennium has dawned, HLL's commitment to meet the everyday needs of Indian consumers, everywhere, is further strengthened. Regular consumer contact programmes and tapping the vast potential of Internet as a communication medium keeps HLL in constant touch with changing consumer behaviour. Indeed, finding newer ways of staying in touch with the consumer is the cornerstone of HLL's strategy.

CONTENTS

Our Business	2	Notes and Schedules	36
Board of Directors	4	Report of the Auditors	55
Report of the Directors	5	Cash Flow Statement	57
Charts : 1990-1999	30	Form A, B & C	59
Ten Year Record	32	Additional Information	
Significant Accounting Policies	33	- Economic Value Added	61
Profit and Loss Account	34	- Consolidated Accounts	62
Balance Sheet	35	Shareholder Information	64



OUR BUSINESS



Home & Personal Care

- Personal Wash • Fabric Wash • Household Care
- Oral Care • Skin Care • Hair Care • Deodorants
- Perfumery • Colour Cosmetics • Baby Care
- Adult Care • Feminine Hygiene Care



Foods & Beverages

- Tea • Coffee • Cooking Fats & Oils • Bakery Fats
- Ice Creams • Tomato Products
- Fruit & Vegetable Products
- Staples - Rice, Salt, Atta and Rawa
- Marine Products • Mushrooms



Industrial, Agricultural & Others

- Speciality Chemicals • Bulk Chemicals • Fertilisers
- Animal Feeds • Seeds • Plant Growth Nutrients
- Processed Tri-glycerides • Agri Commodities • Yeast
- Leather, Footwear & Carpets • Thermometers • Plantations

OUR BUSINESS



Hindustan Lever Limited**Directors**

K.B. Dadiseth

Chairman

V. Balaraman

M.S. Banga

H. Manwani

V. Narayanan

C.V. Natraj

D.S. Parekh

K.P. Ponnappa

M.K. Sharma

G. Singh

D. Sundaram

A. Weijburg

Company Secretary

O.P. Agarwal

Auditors

A.F. Ferguson & Co.

Lovelock & Lewes

Bankers

State Bank of India

ANZ Grindlays Bank Plc

Citibank N. A.

Hongkong & Shanghai Banking Corporation

Bank of America

Deutsche Bank

ABN-AMRO Bank

Punjab National Bank

Corporation Bank

Indian Bank

Solicitors

Crawford Bayley & Co.

Registered Office

Hindustan Lever House

165/166, Backbay Reclamation

Mumbai 400 020

Report of the Directors

1. 1999 IN RETROSPECT

The Indian economy grew by about 6 %, broadly in line with expectations. The decline in the agricultural sector was compensated by services. Industrial growth started picking up during the second half of the year. The election of a stable Government is expected to give further impetus to the economic reforms process.

Reduction in key raw material costs resulted in lower price increases for the Company's products, compared to the past. Urban markets were generally flat, and in some categories, declined. Competitive pressures further intensified. The thrust on Low Unit Price packs for many of the Company's brands was continued with a view to increasing penetration. This helped increase volumes, particularly in rural areas.

2. PERFORMANCE OF THE COMPANY

2.1 Results

Your Company's performance during 1999 is summarised below :

	(Rs. Lakhs)		
	1999	1998	Growth%
Gross turnover	10917,69	10215,24	6.9
Turnover, net of excise	10142,49	9481,85	7.0
Profit before tax and exceptional items	1387,94	1130,44	22.8
Profit after tax and before exceptional items	1069,94	837,44	27.8
Net profit after tax and exceptional items	1069,94	805,71	32.8
Dividend (incl. tax on distributed profits)	(711,09)	(531,35)	
Transfer to General Reserve	(280,00)	(230,00)	
Profit & Loss Account balance carried forward	192,84	97,55	

The figures for the year ending December 31, 1999 include those of Industrial Perfumes Limited, consequent to its amalgamation with the Company with retrospective effect from January 1, 1999. They are therefore, not strictly comparable with the figures of the previous year.

2.2 Key Ratios

However, the underlying performance on a comparable basis can be ascertained from the following key ratios :

	1999	1998
Earnings per share (Rs.)	48.62	36.70
Dividend per share (Rs.)	29.00	22.00
Return on Net Worth (%)	50.87	48.89

2.3 Turnover

Turnover for the year increased by 6.9% gross and 7.0% net. The sales of products in different categories, net of excise, appears below:

	Rs. Lakhs	
	1999	1998
Soaps, Detergents and Scourers	4101,05	3695,69
Beverages (Tea/ Instant Tea & Coffee)	1375,41	1798,66
Personal Products	1764,67	1526,28
Spreads & cooking products and Bakery Fats	665,21	731,17
Animal Feeding Stuffs	332,17	278,16
Speciality Chemicals	233,23	226,61
Frozen Desserts and Ice cream	171,26	155,41
Branded Staple Foods (Salt, Atta, Rice, etc.)	217,93	160,20
Canned and Processed Fruits and Vegetables (Culinary Products)	122,79	118,92
Others (Seeds, Marine products, Agri commodities, Leather, Footwear, Garments, Carpets etc.)	958,77	790,75
Total	10142,49	9481,85

3. EXPORTS

The exports business ended 1999 on a satisfactory note, despite difficult market condition in Russia, one of the largest markets of your Company. Exports grew 20% in 1999, largely led by aggressive growth in traded and own marine products, castor oil and its derivatives and home and personal care products. Your Company (incl. Subsidiaries) also showed a very healthy positive foreign exchange surplus, which grew, by 13% to Rs. 936 Crores. In recognition of the export performance, your

consumer connect



Company received the Globoil Gold Award for outstanding performance in the export of castor seeds, castor oil and its derivatives. The Company also received the Silver Shield from FIEO for outstanding export performance in the Superstar Trading House category for the year 1996-97.

In the home and personal products segment, several new initiatives have

been taken. Pears volumes have grown sharply and the oral care business substantially diversified, with entry into a number of new markets. Exports of home care products to the Philippines have commenced and developmental work is underway for the production of the entire range of skin creams, lotions and petroleum jelly for export to the Middle East.

Raw coffee volumes grew by more than 100% in 1999; however Instant coffee volumes were adversely affected due to the difficult Russian situation.

1999 was one of the best years for the marine business. The fish protein isolate business, started in 1995, is now showing promise, and plans have been made for further growth. Traded exports grew by 26%.

Exports of full shoes have grown steadily and this is seen as an area of future growth.

The agri product exports business grew by 26%. Your Company is one of the largest players in the world market.

Tea volumes in "Lipton India Exports" suffered because of the Russian economic crisis. Given this difficult situation, the overall export performance for the year was satisfactory. A number of steps including maintaining cost-competitiveness by supplying at lower prices, commencement of low-unit-price packs and maximisation of consignment sales helped to protect overall volumes. Bulk tea volumes declined because of the imposition of a higher duty for imports into Egypt, from outside the COMESA region. However Speciality tea volumes to Japan and the far-east have helped in offsetting the loss of the Egyptian business.

Taking into account changes in the business environment, considerable synergies can be realised if the tea export business is integrated with the beverages business of your Company. Accordingly, your Company is in the process of acquiring the tea export business of Lipton India Exports Ltd.

The year 1999 was a record year for "Lever India Exports" in terms of volume growth for the flagship brand, "Fair and Lovely" : + 33 %. This was achieved through a multi-pronged strategy of consolidating existing markets and extending into newer markets.

In order to expand the export portfolio, "Lever India Exports" has commenced the production of shower gels and facial cleansers, under the Pears brand. Initial sales have been made to the South East Asian markets and the response has been positive. It is proposed to extend the Pears facial cleanser to the North American market. Your Company has also secured firm orders for supply of a range of skin care products to the Gulf countries.

4. RESEARCH & DEVELOPMENT

4.1 Research & Development and Technology

The Hindustan Lever Research Centre (HLRC) continued to provide the Company's businesses with a continuous flow of innovative processes and products, with technically sustainable and clearly perceived consumer benefits.

The highlight of HLRC's work, in soaps and detergents, has been the research related to soiled garments, with interesting observations on its causes. Valuable insights have also been gathered in understanding soap phases and how such soap properties as the feel, lather, colour, appearance, size and shape can be improved, resulting in better performance. The resultant product improvements have been made within tight cost regimes.

In popular foods, the area of focus was *Chapatis*. Efforts were made to understand what makes *Chapatis* softer and identifying wheat types responsible for softness. Issues relating to the stability of Iodine in salt were addressed.





consumer research

At HLL, every activity starts with the consumer. 'Consumer Windows' a massive research initiative takes HLL employees into consumer homes to personally see, discuss and understand usage habits, evaluate products and identify new ideas that are acted upon by research teams...

consumer connect

In tea, the programme was focussed to understand what impacts tea colour, aroma and taste to make better blends; also to examine how nutrition in tea can be improved and enhanced.

An improved process for the manufacture of coffee-chicory products was commercialised, leading to market share gains.

Novel methods of processing tomatoes are being investigated to significantly reduce losses and the capital costs associated with conventional processing methods.

A significant breakthrough was achieved in the case of ice-creams, where our scientists developed a eutectic mixture which acts as a refrigeration "battery" and thus enables subambient temperature distribution/vending of ice creams.

In personal products, Fair & Lovely continues to be the single most important area of focus. 1999 has seen evidence of novel approaches that have given our scientists greater confidence to believe we may be able to "control", rather than only "lighten" skin colour.

Important partnerships were forged with institutions such as Indian Institute of Science (Bangalore), Indian Institutes of Technology (Delhi & Mumbai), All India Institute of Medical Sciences (Delhi), National Chemical Laboratory (Pune), and the Department of Physics, University of Pune.

4.2 Hindustan Lever Research Foundation

The two Hindustan Lever Research Foundation funded projects at the JN University, New Delhi and the MS Swaminathan Research Foundation at Chennai have continued to progress very well. The PhD programme has also functioned smoothly with all the scholars completing their work assignments.

4.3 Technology collaboration with Unilever

Following upon the proposal outlined in last year's Directors Report, your Company concluded a technology and knowhow collaboration agreement with Unilever Plc., after securing the

requisite approvals and permissions from the Reserve Bank of India and the Government of India. The agreement, which commenced from September 1, 1999, is for a period of 24 years and envisages a royalty of one per cent on domestic and exports sales of relevant products, covered by the Agreement.

5. NOTES ON PRODUCT GROUPS

5.1 Soaps & Detergents

Your Company recorded yet another year of good growth in soaps, detergents and household care products through sustained innovation, improved distribution reach and supply chain initiatives, to improve customer service. Volumes grew at twice the level of market growth, in a competitive environment.

The portfolio of personal wash products was further strengthened with the launch of Savlon, a premium 'family health' soap and Liril Rainfresh, targetted at today's youth. Key brands – Lux, Jai and Breeze were relaunched with improved formulations and packaging, and consumer activities were initiated on Dove. Breeze continued to perform well in the mass market.

In Fabric Wash, the focus was on driving value upgradation at the premium end. The relaunch of Surf Excel on the 'perfect clean' platform has further consolidated leadership in the growing concentrates segment. The launch of Rin Supreme powder extended the 'Whitest White' proposition to powders. Rin Shakti performed strongly, as did Wheel, which continued to grow strongly, and has now been further strengthened with a new active system which gives significant improvement in performance. Vim Bar performed exceptionally well, growing by 50%.

Distribution reach is a key strength of the business. Operation Streamline, initiated last year, further increased rural coverage through the addition of over 6,000 village outlets. This resulted in an increased contribution from rural markets.

