




**HINDUSTAN LEVER LIMITED**  
Report and Accounts 2001

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## *Our Corporate Purpose*

ur 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 for our future growth. We will bring our wealth of local knowledge and international expertise to the service of our 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.



In 2001, we aligned all our resources to our biggest and most powerful assets - **our power brands**. Relentless focus on our power brands is the best way to deliver growth in an era of demanding consumers and intensified competition. Growth that would create value - **value for our consumers** by delivering a deeply satisfying experience every time they buy our brands. And through this, value for every one of **our stakeholders** - our channel partners, our suppliers, our shareholders and the outside community that we are all a part of.

Feel the Pulse is about helping each and every person within HLL develop an insightful understanding and a personal experience of consumers and our key channel partners and suppliers. This experience and understanding will lead to a true outward focus and ensure that our decisions and actions on our power brands are fully aligned with the needs of our consumers.

In meeting these consumer needs, we will involve and leverage the strengths of our suppliers and channel partners.

**November 2001** : In what was the largest and most efficiently co-ordinated acts in HLL history, every one of our **1500 managers** stepped out from their offices into streets and towns all over India. In three days, we met **2000 consumers, 3000 retailers, 300 stockists and 62 suppliers**. Unexpected observations, insightful implications and innovative business ideas were recorded meticulously by every single individual for future use by businesses within the company. Going forward, this will be repeated every year to become a way of life at HLL.

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## Chairman's letter

*Dear Shareholders,*

2001 has been a difficult year for India. Economic growth has slowed from 6.4% last year to 4% in 2000/2001 and is well below the targeted level of 8%. The Agricultural sector has now been stagnant for the past two years resulting in a severe slowdown in rural demand. The industrial sector has also slowed significantly - the Index of Industrial Production

has grown by merely 2.3% from April till Dec. 2001; indeed December saw the growth rate fall to just 1.6%. Consumer spending is down due to a lack of confidence in the economy and a general feeling of instability -there is no feelgood factor.

Anticipating this slowdown, your company had developed a new strategy at the end of 2000. Our overall objective is to sustain profitable growth in slowing markets with intensifying competition. This strategy had three key elements: first, we would drive growth in our FMCG businesses, especially Home and Personal Care by focusing on 30 Power Brands out of a total of 110 brands. Our Power Brands were chosen on the basis of their absolute size, brand strength and relevance, competitive advantage and most importantly, potential for growth. We would concentrate our resources -



financial and people - on creating and supporting consumer relevant innovation for these brands. Second, we would improve the profitability of our foods businesses by restructuring the portfolio and reducing costs - these businesses must earn their fair share. Third, our non-FMCG businesses were increasingly facing global competition in a more open Indian market - we would take appropriate steps to ensure their long-term future while securing value for you.

I am happy to state that we have made very good progress in implementing this strategy in all three areas. This is borne out by our overall results in these difficult days. Net Profits have grown by over 25% to Rs.1641 crores in 2001 with a corresponding increase in earnings per share to Rs.7.46 in 2001. Profits before depreciation, interest and taxes (PBDIT) have risen by 16% to Rs.2096 crores in 2001. Return on net worth has increased to 53.9% in 2001.



### Three key strategic objectives :

1. Profitable growth of our FMCG categories.
2. Improving the profitability of our foods business through strategic initiatives.
3. Securing the future of our non-FMCG business and ensuring value for shareholders.

Even by very conservative calculations, your Company's economic value added (EVA) has risen by over 25% from Rs.858 crores in 2000 to Rs.1080 crores in 2001. This performance has been reflected in the increase in total dividend from Rs.3.50 per share in 2000 to Rs.5.00 in 2001.

I would also like to update you on the progress on our new strategy. Firstly, our power brands grew by 6.5% - almost double the overall growth rate of 3.5%. In most Home and Personal Care categories our market shares increased as our Power Brands grew faster than the market - for example in toothpaste, our Closeup and

Pepsodent Power Brands' growth of 8% was much higher than the market growth of 2.4%. In some cases we grew while the market declined - for example in personal wash our power brands grew by 5.3% in a market that declined by 9.3%. We achieved this by improving quality and better brand advertising and promotion. Most of our brands are today much stronger than they were a year ago.

Secondly, we have made excellent progress in improving the profitability of our foods business. Overall profits have doubled in one year, albeit on a small base. This has been driven by a 5% increase in gross margins led by our largest

category-Beverages. They achieved this by focussing on the most profitable brands as well as very innovative improvements in the supply chain. I must however add that we still have a lot to do in this area especially in turning around our ice-cream business as well as some of our other food categories.

Thirdly, several steps have been taken to secure the long-term future of our non-FMCG businesses. The Nickel Catalyst and Adhesives businesses were divested to ICI and the Animal Feeds business to Godrej Agrovet. We have also divested 51% of our flavour and fragrance division to ICI through a joint venture. We have continued this thrust in 2002. In March Quarter of 2002, the Seeds business has been divested to a joint venture with Emergent Genetics. In June Quarter, the divestment of Industrial Detergents business - Diversey Lever, will also be completed. In each case the buyer is a major

#### **Facts in brief**

1. Net Profit growth by 25%
2. Corresponding increase in EPS
3. PBDIT rise by 16%
4. Return on net worth up to 53.9%

player in the field with access to world class scale and technology, thereby providing the best possible future for these businesses. We have also ensured that you get good value from these divestments. Our management will now be able to focus even more strongly on growing our Power Brands.

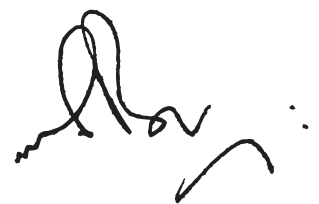
I would also like to highlight two other key initiatives - the first is the continued drive to reduce costs throughout the Company. We are bringing down supply chain costs through use of Information Technology to connect the entire supply chain. Our objective is to move to making today what we sold yesterday, thereby significantly reducing inventory and costs through total supply chain. We are also leveraging our scale to optimise media and logistic costs and relentlessly controlling overheads. In addition we have taken several steps to increase the speed of decision making

and action. We have created smaller category business units and driven empowerment and decision making closer to the coalface. Management rewards have also been increasingly linked with performance.

All in all, I believe we have a robust strategy and are concentrating on implementing it with excellence.

In doing so, we are fortunate to have excellent and dedicated employees, a vast network of trade and supplier partners as well as the goodwill of millions of consumers who believe in our brands. All these will enable us to continue to grow value for you into the future.

With best wishes,



M.S. Banga  
Chairman

# Growth Through Focus - Power Brands

Report

Brooke Bond  
**Red Label**

**BRU**

**Pears**

**LIFEBUOY**

**POND'S**

**LAKMÉ**

**Knorr**

**Vim**

**TAJ MAHAL**

**SUNSILK**

**Wheel**

**NIHAR**

**Kissan**

**Annapurna**

**Dalda**

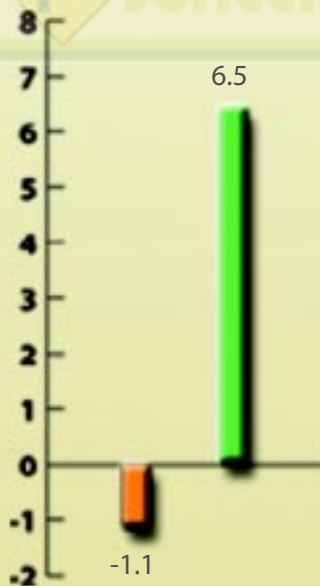




**pepsodent**

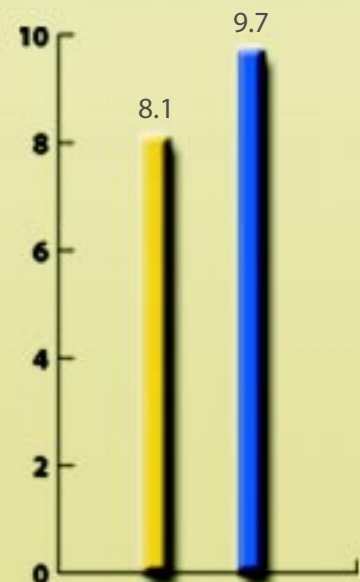
Sales growth %

■ Power Brands  
■ Other Brands



Operating Profit growth %

■ Power Brands  
■ Other Brands





*"Sitting in a lab does not give us any idea of what we  
can give to the consumer"*

*- Aniket Gandhi, Development Manager*