

*“We do not inherit the world from our ancestors.
We borrow it from our children.”*



HINDUSTAN LEVER LIMITED
Report and Accounts 2002

Our Corporate Purpose

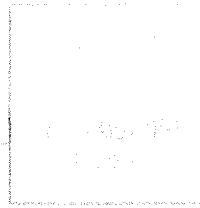
Our purpose in Hindustan Lever is to meet the everyday needs of people everywhere - to anticipate the aspirations of our consumers and customers and to respond creatively and competitively with branded products and services which raise the quality of life.

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 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.



Our approach to Corporate Social Responsibility (CSR) is rooted in the belief that "to succeed requires the highest standards of corporate behaviour towards our employees, consumers and the societies and world in which we live".

Our growth and profitability are sustained by our adherence to our corporate purpose and to our code of business principles.

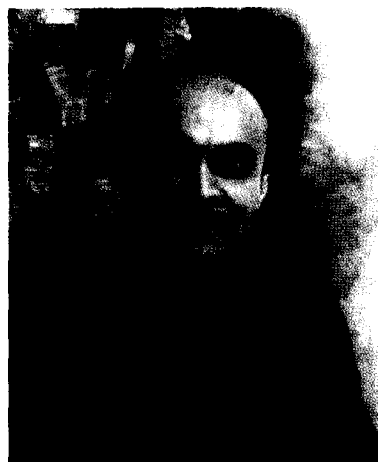
Our CSR philosophy is embedded in our commitment to all stakeholders - our consumers, our employees, the environment and the society that we operate in. It is this commitment we believe, that will deliver sustainable profitable growth.

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Chairman's Letter



Economic Situation

Economic growth in India had slowed to about 4% in 2002-03. This is below the 6% level of the late 90's and well short of the target of 8%. Consumer spending is gradually picking up in urban India but overall demand conditions continue to be difficult as the agricultural sector has actually declined by 3.1%, thus severely affecting rural demand. Competition is also intensifying in every category.

It is in this context that we had defined a new strategy in early 2001. Our results in 2002 have been encouraging in the face of a challenging market scenario. Net Profit (before exceptional items) has grown by over 11% to Rs. 1717 crores. More importantly, our operating margin has increased by 390 basis points resulting in an operating profit growth of 16.6%. Return on Net Worth continues to be high at 48%. Our overall performance is also

reflected in the increase of Economic Value Added (EVA) to Rs. 1236 crores from Rs. 1080 crores in 2001. A recent study done by B.T. – Stern Stewart has ranked HLL as the No. 1 in Market Value Added and in EVA.

Our strategy had identified three key thrusts with the overall objective of driving sustainable profitable growth. One key thrust was to drive growth by focusing on our Power brands. I am particularly enthused by our performance in Home and Personal Care (HPC) business. For the last three quarters now, the HPC business has recorded a growth of over 5% led by its power brands; and this in a market which declined by 3%. Going forward we continue to invest in our power brands through improved product quality as well as brand communication.

A second key thrust was to improve the profitability of our foods business. Our results in this area have been very good. Our gross margins in Beverages and Foods have improved by about 5% and we have significantly reduced our losses in Icecreams and Culinary Products. I believe our various food businesses are now much more "fit for growth" as they have the margin profile to sustain marketing investment.

Our third thrust was to secure the long-term future of non-FMCG businesses. After several moves in 2001, we divested the Seeds and Diversey Lever businesses during 2002. Over the last couple of years we have secured good value for our divestments while

ensuring a very good future for these businesses. Our portfolio is now very focused - 86% of our sales is the FMCG business and balance is largely Core Exports. This focused portfolio I believe will enable us to drive sustainable growth.

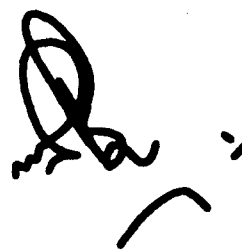
In addition we have continued to focus on operational efficiencies and cost reduction. The supply chain has been further strengthened to deliver improved customer service while simultaneously lowering costs. We have also leveraged Information Technology to move towards a shared services model. This has been implemented successfully in Beverages, where all our accounting is centralized in one location. We are now in the process of creating a national centre for Sales Accounting. We have also launched a comprehensive programme to improve customer service to a changing profile of trade - we call this the "HLL Way of Sales". Through this we are now able to leverage concern scale both in Modern trade and Rural India. We are also utilizing IT in our sales operations to drive secondary sales and improve our speed of response. Lastly and most importantly, we have continued our emphasis on building an Enterprise Culture through several initiatives like Coaching, 360 feedback, Open Job Postings and rigorous performance management. Hindustan Lever has yet again been nominated as the No. 1 Employer of Choice and we continue to attract the best talent. I believe building leadership and a culture of openness

is an important enabler for organizational excellence and we will continue to invest in building our rich human capital further.

As we look ahead, we are committed to driving growth through a steady delivery of innovations on our power brands that will truly delight the consumers. We are confident that we are strengthening our core capabilities in several areas as outlined above which will surely contribute to future growth and cost competitiveness.

We remain committed to delivering sustainable profitable growth that in turn delivers value to you. And to do this while benefiting all our other stakeholders – our consumers, our employees and the society at large. I firmly believe that "What is good for India is good for HLL". Integrating the key objective of financial performance with benefits to the larger society is our approach to sustainable profitable growth of your company.

With best wishes,



M.S. Banga
Chairman

“ A business that makes nothing
but money,
is a poor kind of
business. ”

- Henry Ford

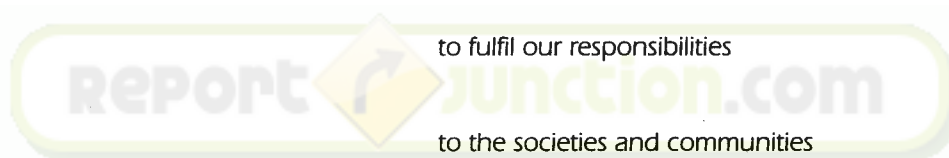


Commitment to Society

We strive to be

a trusted corporate citizen

and, as an integral part of society,



in which we operate.

- From the HLL Code of Business Principles



Contribution to Society

Empowerment of Women

*Creating income -
generating
opportunities for women.*

PROJECT SHAKTI, our rural initiative, seeks to empower underprivileged rural women by providing them the opportunity to generate income. But as importantly, what it provides them is newfound dignity and self-respect.

Supported by micro-credit, these women from Self Help Groups (SHGs) are HLL's rural direct-to-home distributors. This in turn helps us increase our reach, penetration and communication with rural consumers. This initiative has so far benefited women in 4750 villages in Andhra Pradesh, Karnataka & Gujarat touching about 7.5 million rural people. It has been widely supported by various developmental bodies and the government.

Our vision is to change the lives of women in one lakh villages by making them Shakti dealers. This provides economic opportunities for the underprivileged while creating a distribution and communication channel for our brands to access untapped rural markets with a consumer base of over 100 million rural Indians.

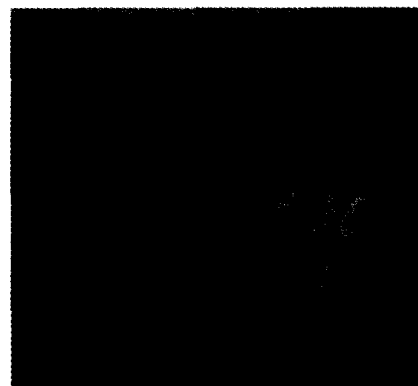
Rehabilitation

*Helping the underprivileged and
specially challenged children
lead a normal life.*

ASHA DAAN in Mumbai is a home for the poorest of the poor. Managed by the Missionaries of Charity, it is actively supported by and operates from premises given by us. It has been home to over 20,000 people since 1976. It provides care and compassion as well as food, shelter and medication to the homeless, sick, infants and HIV+ve patients.

Our projects - **ANKUR** in Doom Dooma Plantations - Assam, **KAPPAGAM** and **ANBAGGAM** in our Tamil Nadu plantations are aimed at physically and mentally challenged children. The projects provide educational, therapeutic, vocational and recreational inputs which help the children to be self-reliant and engage in some fruitful occupation.

Our projects have been widely appreciated and **ANKUR** has also received the Lawrie Group Worldaware Award for Social Progress from HRH Princess Royal in London.



Relief and Reconstruction

*Rebuilding lives –
reconstructing
an entire village.*

The earthquake in Gujarat in 2001 was devastating, affecting many people and also our factory at Kandla. The immense magnitude of the tragedy provoked us to extend help beyond our own operations in Kandla and we chose Nani Chirai, a completely wrecked village in Kutch district, for reconstruction.

We built YASHODADHAM with the help of NGO's and the villagers, with our financial assistance and our managers implementing the project on site. Spread over 26 acres, this new village is fully equipped with piped water, sanitation, underground drainage and electricity. It also has a school, a playground and a community centre. In Yashodadham, we have gone beyond financial help into active involvement in the design and construction of the new village.

Yashodadham is today a vibrant rural community with happy people secure in the comfort of their new homes. Responding when a community is in adversity, we believe, is the duty of a good corporate citizen.

Integrated Rural Development

*Improving
the quality of life
in backward areas.*

Providing development opportunities in backward areas is an important part of our philosophy. 28 of our plants are located in the most underdeveloped regions of India spread across 11 political states. Apart from providing local employment we have also made efforts in the development of surrounding villages through our INTEGRATED RURAL DEVELOPMENT (IRD) program.

Communities in over 500 backward villages adjacent to our plants in locations like ETAH and ORAI in Uttar Pradesh, have benefited through IRD. Our initiatives span adult literacy, animal husbandry, modern farming, infrastructure development, education and medical care.

IRD is also an integral part of our Business Leadership Training Program, enabling every trainee to get an in-depth understanding of rural lifestyles, conditions, opportunities and challenges. Our involvement through this has made all our managers more sensitive to the needs and aspirations of rural India.

“*Conservation is humanity caring for the future.*”

- Nancy Newhall

