

vitality



HINDUSTAN LEVER LIMITED
REPORT AND ACCOUNTS 2003

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.

Meeting everyday needs of people everywhere

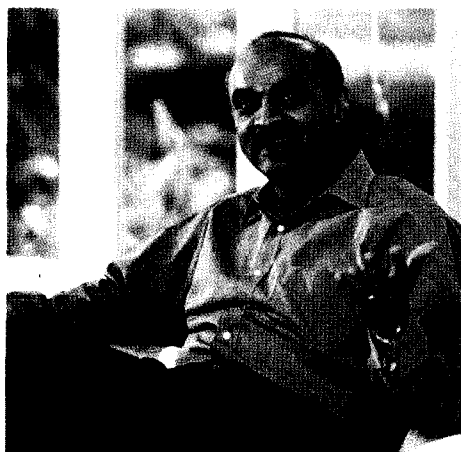
Our consumers are the inspiration behind our very purpose.

Our understanding of consumers comes from our long and rich history in India. We are committed to fulfilling their aspirations with our wide range of products and services. Our brands are household names across rural and urban India. Powered by deep consumer insight and global technology, our brands strive to exceed the expectations of a billion Indians, with exciting innovations that provide great value.

As India's leading consumer goods company, it is our endeavour to delight our consumers, to build a place for our brands in every Indian's life, to create enduring relationships in meeting the everyday needs of people everywhere, and enabling them to get more out of life.

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Chairman's Statement

Dear Shareholders,

The economic and consumer landscape in India is changing rapidly and for the better. The explosion of choices in recent years has provided new excitement for consumers. The reduction in interest rates has made access to housing, durables and other desired goods and services much easier. This multitude of new choices has led to a shift in consumer spending patterns, leading to stagnation of FMCG markets in recent years. I believe this stagnation is only a transitory phenomenon. FMCG is only 4-5% of the overall household spend and with low per capita consumption, the

opportunity for growth is huge. Brilliant marketing, creating innovative products that attract consumers and deliver great value will drive growth of the FMCG market. Hindustan Lever with its trusted brands and strong marketing capabilities is well poised to realise this huge opportunity.

EXCITING OPPORTUNITY FOR GROWTH

You will recall the strategy we had outlined in early 2001. In the last 3 years, we have made good progress and delivered profitable growth through focus. We have divested our non-core businesses and focused the company on FMCG. The non-FMCG business is now only 8% of the company against 24% three years ago.

FOCUSED COMPANY; POWERFUL BRANDS

We have also focused our brand portfolio and now have 35 powerful brands across categories which cater to consumers across various income segments.

We have considerably improved the shape of our Foods business, with gross margin improvement of about 13% in the last 3 years. The improved margin profile now enables us to invest strongly behind our foods brands. In the last 3 years we have made a foray into several new areas and seeded our new ventures. Ayush our Ayurveda brand, Max Confectionery and Hindustan Lever Network are all initiatives that will give us rich dividends in the future. Our continued focus on operational efficiencies and cost reduction has resulted in very good improvement in our operating margins. Operating margins in the last 3 years have improved 610 basis points and increased to over 21% in 2003. We remain committed to delivering excellent value to our shareholders. EPS in 2003 was a strong Rs. 8.05 against Rs. 5.95 in 2000. Dividend per share in 2003 was Rs. 5.50, up from Rs. 3.50 in 2000. In addition, we have returned cash of Rs. 1928 Crores to our shareholders through the Bonus Debenture scheme. Economic Value Added (EVA), which is a good measure of value creation, increased to Rs. 1429 Crores in 2003 a growth of 19% per annum in the last 3 years.

REWARDING SHAREHOLDERS



EPS



DIVIDEND

As we enter the next phase of our strategy, our opportunity is to realise the tremendous growth prospects that the Indian market presents. Consumer aspirations are growing and they want to look good, feel good and get more out of life. Hindustan Lever's brands in Home and Personal Care and Foods are strongly positioned to fulfill these growing aspirations. In this scenario, we will

SHAREHOLDER VALUE THROUGH OUTSTANDING CONSUMER VALUE

create shareholder value by delivering outstanding consumer value. As the largest FMCG player with trusted brands, we will drive the agenda for our categories. We

will deliver a continuous stream of consumer relevant innovation across our brands. We have invested in superior quality for our brands improving performance, sensorials and packaging. Competitive pricing is another critical success factor. We have made some of our leading brands more affordable, bringing them within reach of the masses with attractive low price points. We have already made most of the required investments in upgrading quality and in ensuring competitive pricing. These should enable us to accelerate growth into the future. Given the scope of the opportunity in India, we are witnessing a heightened degree of competition and will continue to take all steps to defend and build our market position for the long-term. The higher investments required for our brands and fighting competition require us to focus relentlessly on cost reduction. We have identified a specific 'Ten Point Program' for rebuilding margins. We will leverage our scale fully in supply chain, logistics and buying to drive lower costs. The program will bring all round focus on operational efficiencies and costs and is an important building block.

We have built several new capabilities which position us strongly. The supply chain and IT capabilities that we have built over the years enable us to deliver excellent customer service and lower our costs. We are leveraging HLL scale in Modern Trade and rural India, and are developing new channels in Out-of-Home and Direct Marketing. We have geared our marketing resources to separately focus on innovation and activation. People are our greatest asset and we continue our emphasis on building an Enterprise Culture throughout the company. Development of our people is highest priority.

Now that we have focussed the company on the FMCG business and a portfolio of powerful brands, we have simplified the organisation. We have integrated our businesses into 2 divisions – Home and Personal Care (HPC) and Foods. HPC Division comprises Detergents, Personal

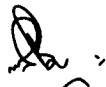
Products and HPC Export businesses and Foods Division comprises the Beverages, Processed Foods, Ice cream, Confectionery and Beverages

SIMPLER ORGANISATION

Export businesses. This divisional organisation provides us higher degree of empowerment, speed and simplicity. The structure also enables optimal allocation of resources and harnessing of synergy benefits. The new HLL is thus better poised to address the exciting opportunities that the future presents.

We are committed to delivering outstanding consumer value through our strong brands and our committed people. Our strengthened organisation and execution capabilities place us well to realise the potential of our brands. Rewarding you, our shareholders is our prime objective and we are confident of delivering outstanding value to you.

With best wishes,



M. S. Banga
Chairman



Beauty is more than skin deep. It is every woman's desire to look beautiful, feel good and get the confidence to do more with life.

And this is a timeless aspiration. Our consumers have entrusted us

with their most precious aspiration and our wide array of beauty products fulfills this.

Our range of Personal Care products has some of India's most trusted

brands. Lux is the quintessential brand of stars and Lakme sets fashion

Fair & Lovely

trends, adding glamour to life. Fair & Lovely

empowers women to change their destiny,

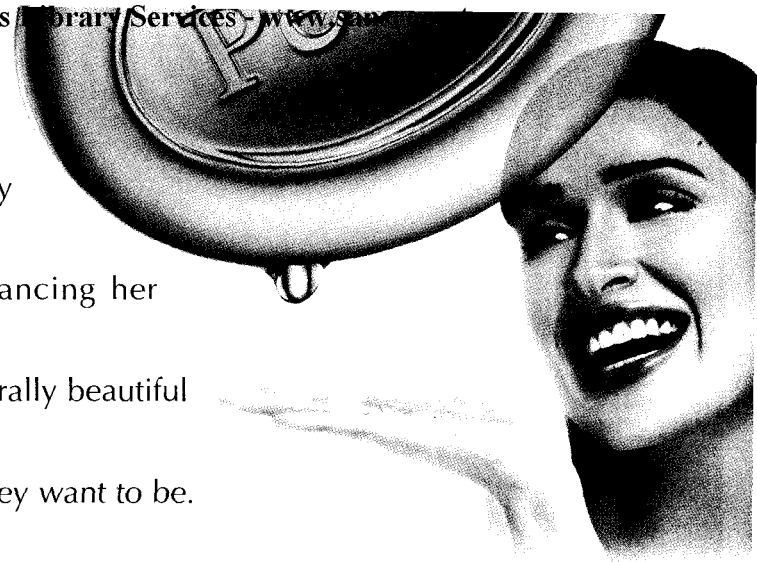


LAKME

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while Aviance offers customised beauty solutions to the discerning woman, enhancing her individual look. And Sunsilk gives you naturally beautiful hair. Ponds makes women as beautiful as they want to be.



All these brands have been built on a combination of foresight, technology, research

and constant innovation, making them leaders in the market. We are devoted to the celebration of life, to make our consumers look good, feel good and get more out of life.



aviance
BEAUTY SOLUTIONS



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beauty



health &



Good health is a universal desire. And personal and home hygiene is the foundation to ensuring good health. Our

brands provide healthy and clean living for families, while making the daily chores of the housewife easier. Lifebuoy

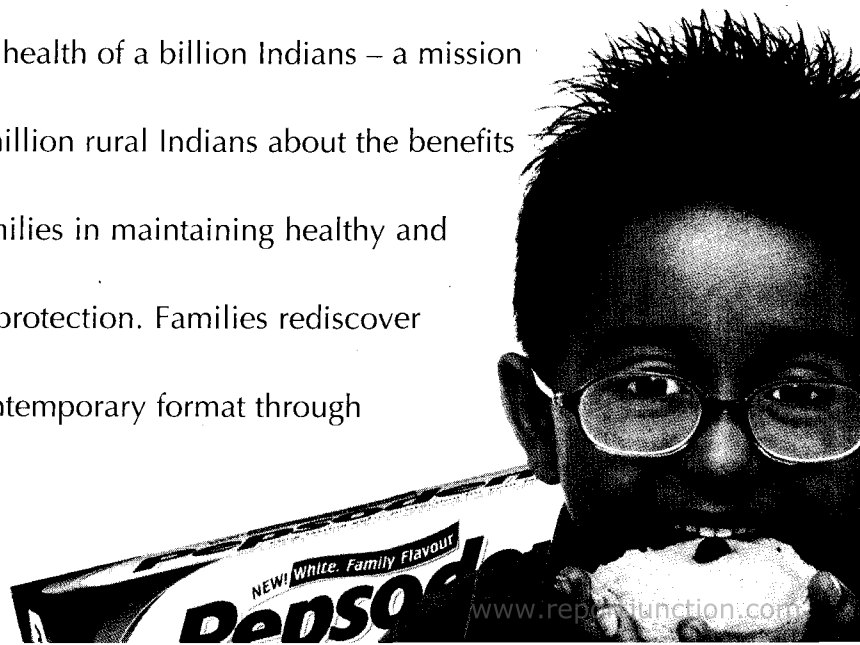
strives to secure the health of a billion Indians – a mission

that has inspired us to educate over 70 million rural Indians about the benefits

of personal hygiene. Pepsodent helps families in maintaining healthy and

clean teeth by offering unbeatable germ protection. Families rediscover

the age old tradition of ayurveda in a contemporary format through



hygiene



Ayush which offers authentic ayurvedic products and therapies.

LEVER
ayush™

Surf Excel allows mothers the freedom to let their children play,

get dirty and enjoy childhood without worrying about stains. Domex and Vim take care



of the cleanliness and hygiene in kitchens and homes. We constantly

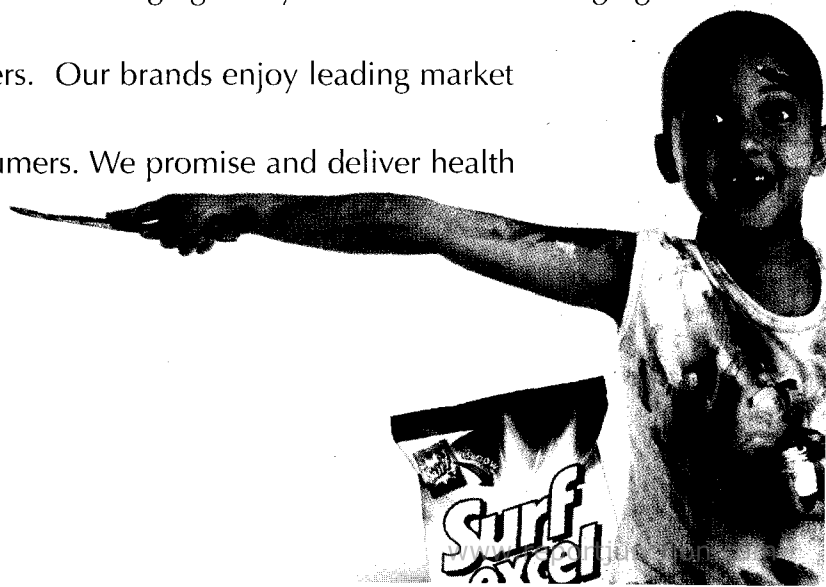
adapt our products to the changing lifestyles and the ever-changing

needs of our consumers. Our brands enjoy leading market

positions and strong trust of our consumers. We promise and deliver health

and hygiene solutions, enabling our

consumers to get more out of life.



refresh



Every effort in the way of life requires a pit stop - to refresh, rejuvenate and restore the energy required to enjoy the richness life has to offer. Our consumers enjoy a variety of refreshment

options from our Food and Beverages portfolio - choices for all seasons and people everywhere.

Be it tea, coffee, squashes, or ice-creams, we have a wide range that refreshes people all over India, from adults to children, from families to individuals.

Brooke Bond with its rich heritage of tea offers Taj Mahal, Red Label, 3 Roses and Taaza - brands that add cheer to life

