

REPORT AND ACCOUNTS 2005



HINDUSTAN LEVER LIMITED



Our Corporate Purpose

Our mission is to add vitality to life. We meet everyday needs for nutrition, hygiene and personal care with brands that help people feel good, look good and get more out of life.

Our deep roots in local cultures and markets give us our strong relationship with consumers and are the foundation for our future growth. We will bring our wealth of knowledge and international expertise to the service of local consumers - a truly multi-local multinational.

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

To succeed also requires, we believe, the highest standards of corporate behaviour towards everyone we work with, the communities we touch, and the environment on which we have an impact.

This is our road to sustainable, profitable growth, creating long-term value for our shareholders, our people, and our business partners.

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Letter From The Chairman

Dear Shareholders,

At the outset, I thank all of you for the privilege given to me to serve as the Chairman of Hindustan Lever Limited. I am also pleased to report a good performance in 2005 by your Company, returning to robust topline growth after a gap of some years.

Indian economy continued to perform well with real GDP growth of 8% in 2005-06 and remained one of the fastest growing economies of the world. Many of the economic parameters remain strong and positive. FMCG segment, which witnessed a scenario of poor or no growth in the past few years, began to change for the better, with good growth numbers posted across various categories from the last quarter of 2004 onwards and throughout 2005. Independent market research numbers put FMCG value growth for 2005 at 5%.


On the back of a strong revival in FMCG markets, and with active marketing, sales and innovation inputs, your Company reported a sales growth of 11% in 2005. FMCG categories performed even better at 13% with both HPC and Foods delivering good numbers. Your Company continued to sharpen its competitiveness by substantially

strengthening the brand portfolio and delighting the consumers with better overall value. Brands are a significant asset of the Company; substantially higher levels of investment in advertising and promotions behind our brands helped deliver category growth well ahead of the market. Many of our brands gained shares in an intensely competitive scenario, supported by high quality innovation crafted jointly by our marketing and technical teams. Brands like Lux, Clinic All Clear, Brooke Bond Red Label Nature Care, Surf Excel, Knorr Soups are excellent examples of the power of such innovation.

Building strong capabilities is an important agenda for your Company. This calls for continuous revamp of business processes, HR capabilities and leveraging of economies of scale. 'One HLL' approach in sales and customer development was implemented, involving consolidation of the function and re-deployment of its resources towards active demand generation at the Point of Purchase, both in rural and urban markets. This played a critical role in driving the growth agenda of the Company.

Your Company benefits substantially from linkages to Unilever and access to its intellectual and human capital. These linkages help the Company to drive innovations, and bring "best in class" processes in various functions like Finance, IT, HR and Supply Chain; these help significantly to upgrade organisational capabilities and our competitiveness in the market place.

Many of you are aware of the progress we have made in New Ventures. Shakti has proven to be an excellent initiative, with the symbiotic relationship benefiting 'Shaktiammas' and the Company. This is poised to be scaled up further. HL Network recorded good progress, with more work to be done in bringing out the business leadership potential of many of our consultants. Water business deepened its learnings further through the test market in Chennai and Pureit will be gradually extended to other cities.



In 2005, Unilever reorganised its business globally, resulting in the creation of a new Regional and Category structure. Asia Africa (AA) is one of the three regions for which I am responsible. AA is the home for some three-fourth of World's population with immense growth potential for the future. HLL is an important part of Unilever's AA business and is recognized as a key priority for Unilever given the strong growth in the economy and HLL's pre-eminent position in the market. Your Company has much to offer to other parts of AA and equally, benefits enormously from being part of this fast growing Region.

Arising from the new organisational structure for Unilever, HLL has revamped its top management organisation. Douglas Baillie has taken over as the CEO of your Company with a reconstituted Management Committee (MC). This MC reflects a mix of business responsibilities for HPC, Foods and Exports and Functional responsibilities on a "One HLL" basis for HR/Legal, Finance/IT, Supply Chain and Customer Development. I am sure that the new MC, under the able and experienced leadership of Douglas Baillie, will deliver well for all the stakeholders of the Company.

Profitable competitive growth calls for achieving Market Leadership, Cost Leadership and Thought Leadership to deliver it. Team HLL is determined to drive this agenda and deliver superior shareholder value.

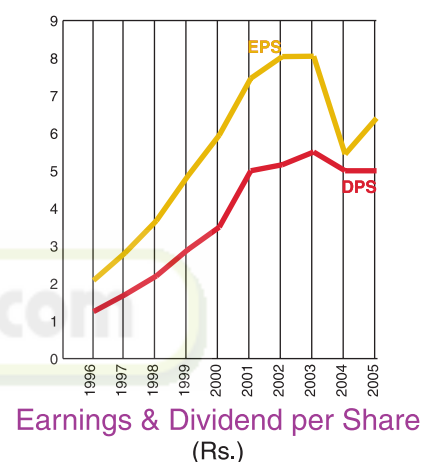
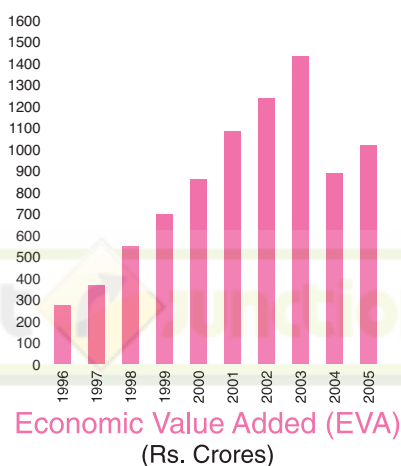
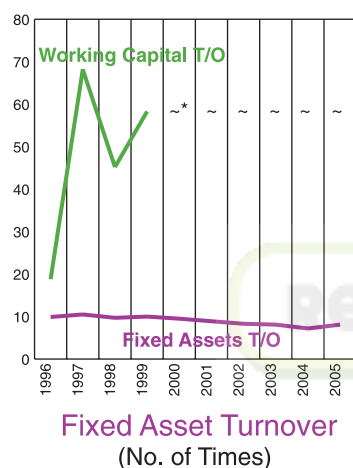
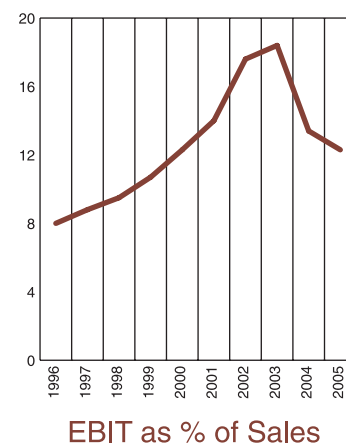
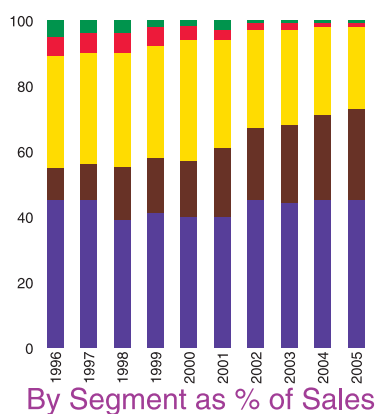
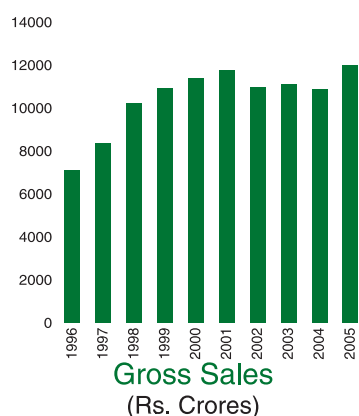
I thank you all for your continued support to the Company.

With my best wishes to all of you,



Harish Manwani

Performance Trends 1996-2005



	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Gross Sales (Rs. Crores)	7120	8343	10215	10918	11392	11781	10952	11096	10888	11976
By Segment % of Sales										
Soaps, Detergents & Household Care	45	45	39	41	40	40	45	44	45	45
Personal Products	10	11	16	17	17	21	22	24	26	28
Foods	34	34	35	34	37	33	30	29	27	25
Chemicals, Agri, Fertilisers & Animal Feeds	6	6	6	6	4	3	2	2	1	1
Others	5	4	4	2	2	3	1	1	1	1
EBIT as % of Sales	8.0	8.8	9.5	10.7	12.3	14.0	17.6	18.4	13.4	12.3
Fixed Assets Turnover (times)	9.9	10.5	9.7	10.0	9.5	8.9	8.3	8.1	7.2	8.1
Working Capital Turnover (times)	18.8	68.2	45.2	58.3	~*	~	~	~	~	~
Economic Value Added (EVA) (Rs. Crores)	272	365	548	694	858	1,080	1,236	1,429	887	1,014
E.P.S. of Re. 1 @	2.08	2.81	3.67	4.86	5.95	7.46	8.04	8.05	5.44	6.40
D.P.S. of Re. 1 @	1.25	1.70	2.20	2.90	3.50	5.00	5.16	5.50	5.00	5.00
P.A.T./Sales (%)	5.8	7.0	8.2	9.8	11.5	13.1	15.8	16.3	11.0	11.3
R.O.C.E. (%)	52.9	61.1	58.7	61.8	64.6	62.4	59.4	60.0	45.9	68.7
R.O.N.W. (%)	41.6	46.0	48.9	50.9	52.7	53.9	48.4	82.8	57.2	61.1

@ Adjusted for bonus issue

* Denotes working capital is negative

Board of Directors



Harish Manwani
Chairman



Douglas Baillie
Chief Executive Officer &
Managing Director



M. K. Sharma
Vice Chairman



S. Ravindranath
Managing Director
Foods



D. Sundaram
Director
Finance & IT

V.P. Legal and Company Secretary
Ashok K. Gupta

Registered Office
Hindustan Lever House,
165/166, Backbay Reclamation
Mumbai - 400 020

Solicitors
Crawford Bayley & Co.

Auditors
Lovelock & Lewes



A. Narayan
Director



V. Narayanan
Director



D. S. Parekh
Director



C. K. Prahalad
Director



S. Ramadorai
Director

Bankers

- State Bank of India
- Standard Chartered Bank
- Citibank N. A.
- Hongkong & Shanghai Banking Corporation
- Bank of America
- Deutsche Bank
- ABN-AMRO Bank
- Punjab National Bank
- Corporation Bank
- HDFC Bank
- ICICI Bank

Management Committee

Douglas Baillie

Chief Executive Officer &
Managing Director



M. K. Sharma

Vice Chairman



S. Ravindranath

Managing Director
Foods



D. Sundaram

Director
Finance & IT



Dhaval Buch

Executive Director
Supply Chain



Sanjay Dube

Executive Director
Sales & Customer
Development



Anoop Mathur

Executive Director
Speciality Exports



Nitin Paranjpe

Executive Director
Home & Personal Care

