



Hindustan Unilever Limited

Report and Accounts 2007





Feel good, look good and get more out of life.

**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 around the world 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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changing like you





Our journey began 75 years ago, in 1933, when the Company, was first incorporated. Today, Hindustan Unilever Limited is a pre-eminent corporation and its brands are household names across the country. Our brands and people have been our unparalleled strengths and they have delivered growth not only for us, but also for all our stakeholders.

We have always seen our role beyond just profit curves as we endeavour to earn the love and respect of every Indian. This is why social innovation remains at the center of our brands and business strategy. And it is with your continued support that we have progressed on the path of sustainable and profitable growth. After all, doing well and doing good are two sides of the same coin.





Dear Shareholders,

My warm greetings to all of you. Like you, I am proud that your Company celebrates the Platinum Jubilee Year in 2008; 75 glorious years of operations in India meeting every day needs for nutrition, hygiene and personal care that help people feel good, look good and get more out of life. Touching the lives of 700 million consumers is indeed a matter of great pride and joy.

In 2007, your Company migrated to its new name, Hindustan Unilever Limited - reflecting our Indian heritage and our global alignment with Unilever. The new logo is symbolic of the Company's mission of 'Adding Vitality to Life' and represents the Company's continued commitment to the local economy, our consumers, partners and employees.

India continues to be a high growth economy with exciting opportunities for all. The Indian economy is estimated to grow at about 8.7% in 2007-08 despite some head winds from a global slowdown. Agriculture has grown, albeit modestly, while industry and services sectors grew above 10%. Looking ahead, the overall growth story remains robust for the economy. However, inflationary pressures from petroleum crude, vegetable oils and food grains and uncertainties in the global economy need to be dynamically managed.

In 2007, HUL grew by 13.3%, the highest growth in the last few years. Your Company has seen accelerated double digit growth in the FMCG business for the third consecutive year, and steady improvement in operating margins in the face of high input cost inflation. Growth momentum was fuelled by sustained investments behind core brands and new categories, while a combination of cost effectiveness and judicious product pricing actions enabled us to manage the progression of our operating margins.

The FMCG market sustained a strong growth in 2007. In a highly competitive market, your Company maintained

## Letter from the Chairman

leadership across categories with sequential improvement in market share across quarters in most categories. The intensely contested categories of laundry and hair performed well with strong market shares, turnover growth and improved profitability. Your Company has a strong portfolio of brands straddling the entire income pyramid that addresses the needs of consumers at all levels. We continue to strengthen our portfolio of brands through technology led innovations, insightful consumer communication and strong distribution capabilities. Many of HUL's brands continued to grow strongly with brands like Wheel, Brooke Bond and Surf each exceeding turnover of Rs. 1,000 crores in 2007.

Our business strategy is routed in competitively growing our core business while nurturing and investing in new business opportunities. We are making substantial investments in the masstige skin care segment, processed foods and Pureit water business. Our water business has now been extended to 210 towns in 10 states and the progress is excellent. These new categories are based on changing consumer needs and provide exciting growth opportunities for the future.

We believe that excellence in execution is critical to our success. In fact, Every Day Great Execution (EDGE) is a theme driven throughout the Company as we continue to build capabilities and invest in infrastructure to effectively deal with customer service, emerging modern trade and front end sales and distribution capabilities.

Implementation of SAP, a powerful IT platform at the front end for Order to Cash processes has been completed successfully and provides seamless information on demand aggregation and servicing. SAP for supply chain and financial processes is in progress and will be rolled out in 2008.

Our continued commitment to 'Project Shakti' is strong. This is providing 45,000 rural women in more than 1,00,000 villages with a steady income opportunity while, at the same time, making HUL brands relevant and accessible to rural consumers in very small villages. Your Company continues to expand the coverage and scope of this project every year.

HUL continues to attract and retain high quality talent. Your Company has a proven track record of developing outstanding business leaders. Therefore, it is a matter of great pride that we have been recognized among the top 4 companies worldwide (and no. 1 in Asia) in the Global Top Companies for Leaders announced by Hewitt Associates in partnership with Fortune Magazine and RBL Group. This reinforces our commitment to continued excellence in the key area of talent and leadership development.

The coming years will see India emerge as a large economic power and in the process provide immense opportunities for economic well-being and social progress for her people. HUL has been an active participant in the Indian economy for the past 75 years. We will continue to be even more relevant in the next 75 years by sustaining superior business performance, predicated on exciting innovations, strong organisational capabilities, powerful brands and talented people. More importantly, we renew our pledge to continue to serve the hundreds of millions of our consumers and the communities in which we operate.

**I take this opportunity to thank you for continued support and commitment in 2007. I look forward to your active support in the exciting years ahead.**

With warm regards,



Harish Manwani





**Nitin Paranjpe**  
Executive Director,  
Home & Personal Care.

**Douglas Bellie**  
Chief Executive Officer  
& Managing Director.

**D. S. Parekh**  
Independent Director.

**A. Narayan**  
Independent Director.

**Harish Manwani**  
Non-Executive Chairman.

**C. K. Prahalad**  
Independent Director.

**D. Sundaram**  
Director,  
Finance & IT.

**Executive Director Legal &  
Company Secretary:**  
Ashok K. Gupta

**Registered Office:**  
165/168, Backbay Reclamation,  
Mumbai-400 020.

**Solicitors:**  
Crawford Bayley & Co.

**Auditors:**  
Lovell & Lawes

**Bankers:**

- + State Bank of India
- + Standard Chartered Bank
- + Citibank N. A.
- + Hongkong & Shanghai Banking Corporation
- + Bank of America
- + Deutsche Bank



## Management Committee



**S. Ramadorai**  
Independent Director.

**V. Narayanan**  
Independent Director.

**Sanjiv Kakkar**  
Executive Director,  
Sales & Customer Development.



**Douglas Baillic**  
Chief Executive Officer &  
Managing Director.



**D. Sundaram**  
Director,  
Finance & IT.



**Nitin Paranjpe**  
Executive Director,  
Home & Personal Care.



**Sanjiv Kakkar**  
Executive Director,  
Sales & Customer  
Development.



**Shrijaet Mishra**  
Executive Director,  
Foods.



**Dhaval Buch**  
Executive Director,  
Supply Chain.



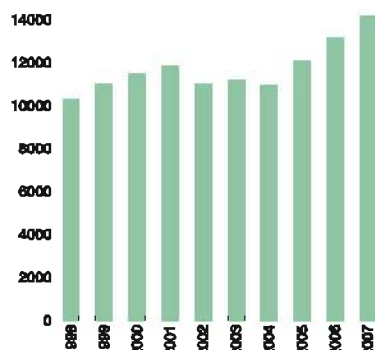
**Leena Nair**  
Executive Director,  
Human Resources.



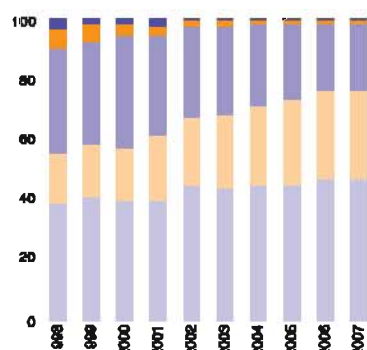
**Ashok K. Gupta**  
Executive Director,  
Legal.

- + ABN-AMRO Bank
- + Punjab National Bank
- + Corporation Bank
- + HDFC Bank
- + ICICI Bank
- + Union Bank of India

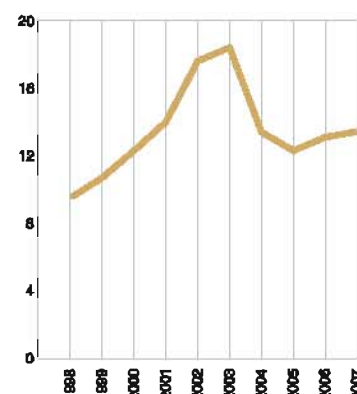
# Performance Trends 1998-2007



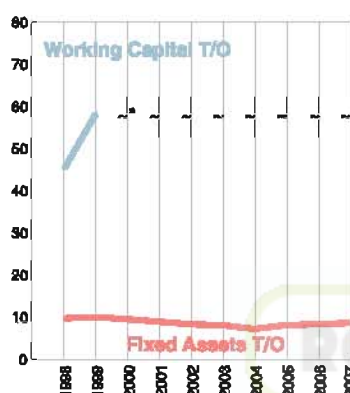
Gross Sales  
(Rs. Crores)



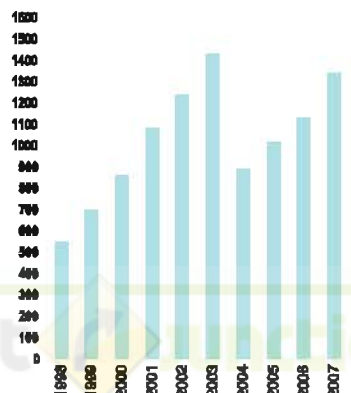
By Segment as % of Sales



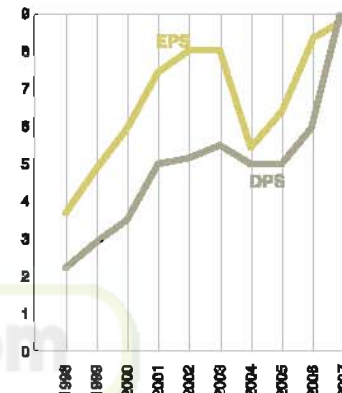
EBIT as % of Sales



Fixed Asset Turnover  
(No. of Times)



Economic Value Added (EVA)  
(Rs. Crores)



Earnings & Dividend per Share  
(Rs.)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Gross Sales (Rs. Crores)</b>	10215	10918	11392	11781	10952	11096	10888	11976	13035	14757
<b>By Segment % of Sales</b>										
Soaps, Detergents & Household Care	39	41	40	40	45	44	45	45	47	47
Personal Products	16	17	17	21	22	24	26	28	29	29
Foods	35	34	37	33	30	29	27	25	22	22
Chemicals, Agri, Fertilisers & Animal Feeds	6	6	4	3	2	2	1	1	1	1
Others	4	2	2	3	1	1	1	1	1	1
<b>EBIT as % of Sales</b>	9.5	10.7	12.3	14.0	17.6	18.4	13.4	12.3	13.1	13.4
<b>Fixed Assets Turnover (times)</b>	9.7	10.0	9.5	8.9	8.3	8.1	7.2	8.1	8.6	8.6
<b>Working Capital Turnover (times)</b>	45.2	58.3	~*	~	~	~	~	~	~	~
<b>Economic Value Added (EVA) (Rs. Crores)</b>	548	694	858	1,080	1,236	1,429	887	1,014	1,125	1,340
<b>E.P.S. of Re. 1 @</b>	3.67	4.86	5.95	7.46	8.04	8.05	5.44	6.40	8.41	8.73
<b>D.P.S. of Re. 1 @</b>	2.20	2.90	3.50	5.00	5.16	5.50	5.00	5.00	6.00	9.00
<b>P.A.T./Sales (%)</b>	8.2	9.8	11.5	13.1	15.8	16.3	11.0	11.3	11.8	12.0
<b>R.O.C.E. (%)</b>	58.7	61.8	64.6	62.4	59.4	60.2	45.9	68.7	67.0	79.4
<b>R.O.N.W. (%)</b>	48.9	50.9	52.7	53.9	48.4	82.8	57.2	61.1	68.1	80.1

@ Adjusted for bonus issue

\* Denotes working capital is negative