



Hindustan Unilever Limited

Serving our consumers,  
today and tomorrow

Annual Report 2009-10



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# Serving our consumers, today and tomorrow

Hindustan Unilever is India's largest Fast Moving Consumer Goods Company. We meet everyday needs of millions of Indians, right from the morning cup of tea to brushing at bedtime. Our brands touch the lives of more than 700 million Indians.

It is this relationship with our consumers that we would like to build upon and strengthen. We will continue to straddle the consumer price pyramid to meet the needs and aspirations of diverse consumers across India.

Our stated strategy is to grow our business competitively, profitably and sustainably. The key pillars to achieving this are:

- ❑ Winning with brands and innovation
- ❑ Winning in the market place
- ❑ Winning through continuous improvement
- ❑ Winning with people

During the year, we have made significant progress on each of these thrust areas. We are well placed to leverage the tremendous opportunity in a fast growing market like India by serving and delighting our consumers.







## Chairman's Letter

Dear Shareholders,

My warm greetings to all of you.

The year 2009-10 has been yet another challenging year for the global markets. The resilience shown by the Indian economy in this challenging context is particularly heartening. This bodes well for the long-term growth prospects of India which continues to be amongst the high growth economies in the world today. However, there are still some pressure points which need to be addressed to sustain this high growth. One of the key immediate issues is food inflation which has remained at high levels for over a year. This, along with firming up of commodity costs has created an inflationary business environment.

FMCG markets continued to grow albeit at a slower pace. In addition, the strong growth potential of the Indian market has attracted many new competitors resulting in a substantial increase in the competitive intensity across categories. This has resulted in aggressive pricing actions

as well as heightened media and trade spends. We have taken decisive actions to defend our leadership position and to further strengthen our competitiveness, through a combination of innovation, right pricing and competitive levels of advertising investment. These timely actions have resulted in an acceleration of volume growth through the year.

In this challenging environment, your Company registered an overall growth of 6.4% in 2009-10 while the domestic consumer business grew by nearly 9%. The growth momentum improved through the year with double-digit volume growth in the last quarter. During the year, operating margin was improved by 15 basis points compared to the previous year, despite a significant increase in investment behind brand support. Over the last five years, your Company has performed well with a CAGR of 10% for total sales and 11.5% for FMCG sales.



Our growth strategy has been consistent through this period. We continue leveraging our deep consumer insights and strong portfolio of brands to drive penetration and increase consumption. At the same time, we are building new capabilities and expanding our portfolio to win with consumers, categories, segments and channels of the future. We have stepped up innovations not just in our core categories but also in the emerging segments of tomorrow. We are driving market development of new categories like Hair Conditioners, Deodorants and Soupy Snacks. Equally, we have been strengthening our go-to-market capability, aiming to significantly increase our rural and urban distribution. This will substantially improve the availability

Your Company has always stood for sustainable development. I am pleased to inform you that this year we are publishing our first sustainability report. This will showcase the Company's positive impact on the economy, society and the environment. I firmly believe that as we create a sustainable model that works for consumers, customers and communities, the business and its shareholders will be rewarded.

In conclusion, I wish to reiterate that we remain committed to competitive, profitable and sustainable growth. We also believe that the significant longer term opportunity in India will result in a substantial step-up in competitive intensity.



of our products across the length and breadth of the country and further strengthen our consumer base.

Our continued efforts in reducing our cost base have helped us support the increased investment behind our brands and at the same time sustain the profitability of the business. These efforts included leveraging the scale of Unilever in global procurement to manage commodity costs. Your Company has received enormous support from Unilever over the years and will continue to leverage Unilever's brands, technologies, business processes, global scale and best practices.

During the year, Unilever launched a renewed, bold vision for the Company – to double the size while improving its environmental footprint. Your Company will continue to benefit from the high priority that Unilever places on Developing and Emerging markets which now account for half of the global business.

We will strongly defend our leadership positions while at the same time invest for the future. Our portfolio of brands, our people and our focus on continuous improvement through the business will remain our source of competitive advantage.

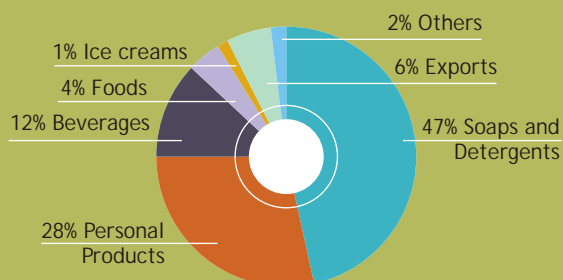
I take this opportunity to thank you for your continued support and look forward to the same in the future.

With warm regards,

Harish Manwani

# Financial Highlights and Brands

## SEGMENTAL REVENUE



## NET SALES

Rs. 17,524 crs

## EPS (BASIC)

Rs. 10.10

## NET PROFIT

Rs. 2,202 crs

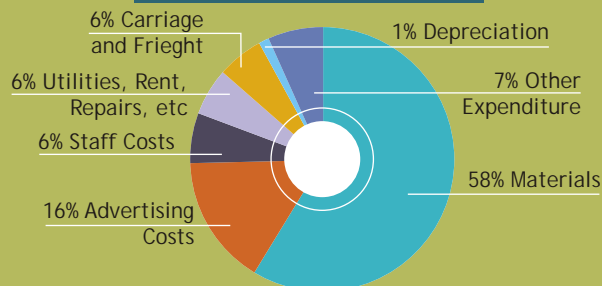
## EVA

Rs. 2,096 crs

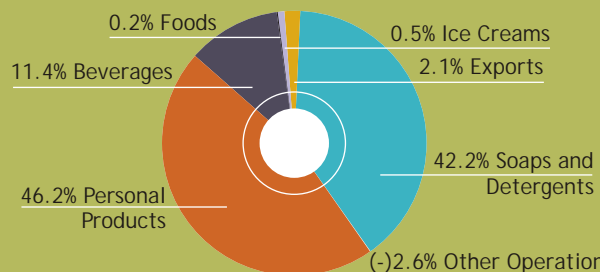




## TOTAL EXPENDITURE



## SEGMENTAL RESULT\*



\* Excludes net Unallocated expenditure, Taxation charge & net Financial items



# Financial Performance 10 year track record

	2000	2001	2002	2003	2004	2005	2006	2007	2008-09 (15 Months)	2009-10 (12 Months)
Rs. crores										
Profit & Loss Account										
Gross Sales*	11,392.14	11,781.30	10,951.61	11,096.02	10,888.38	11,975.53	13,035.06	14,715.10	21,649.51	18,220.27
Other Income	345.07	381.79	384.54	459.83	318.83	304.79	354.51	431.53	589.72	349.64
Interest	(13.15)	(7.74)	(9.18)	(66.76)	(129.98)	(19.19)	(10.73)	(25.50)	(25.32)	(6.98)
Profit Before Taxation @	1,665.09	1,943.37	2,197.12	2,244.95	1,505.32	1,604.47	1,861.68	2,146.33	3,025.12	2,707.07
Profit After Taxation @	1,310.09	1,540.95	1,731.32	1,804.34	1,199.28	1,354.51	1,539.67	1,743.12	2,500.71	2,102.68
Earnings Per Share of Re. 1#	5.95	7.46	8.04	8.05	5.44	6.40	8.41	8.73	11.46	10.10
Dividend Per Share of Re. 1#	3.50	5.00	5.16	5.50	5.00	5.00	6.00	9.00	7.50	6.50
Balance Sheet										
Fixed Assets	1,203.47	1,320.06	1,322.34	1,369.47	1,517.56	1,483.53	1,511.01	1,708.14	2,078.84	2,436.07
Investments	1,769.74	1,635.93	2,364.74	2,574.93	2,229.56	2,014.20	2,413.93	1,440.80	332.62	1,264.08
Net Deferred Tax	-	246.48	269.92	267.44	226.00	220.14	224.55	212.39	254.83	248.82
Net Current Assets	(373.38)	(75.04)	(239.83)	(368.81)	(409.30)	(1,355.31)	(1,353.40)	(1,833.57)	(182.84)	(1,365.45)
	2,599.83	3,127.43	3,717.17	3,843.03	3,563.82	2,362.56	2,796.09	1,527.76	2,483.45	2,583.52
Share Capital	220.06	220.12	220.12	220.12	220.12	220.12	220.68	217.74	217.99	218.17
Reserves & Surplus	2,268.16	2,823.57	3,438.75	1,918.60	1,872.59	2,085.50	2,502.81	1,221.49	1,843.52	2,365.35
Loan Funds	111.61	83.74	58.30	1,704.31	1,471.11	56.94	72.60	88.53	421.94	-
	2,599.83	3,127.43	3,717.17	3,843.03	3,563.82	2,362.56	2,796.09	1,527.76	2,483.45	2,583.52

\* Sales before Excise Duty Charge @ Before Exceptional/Extraordinary Items # Adjusted for bonus

	2000	2001	2002	2003	2004	2005	2006	2007	2008-09 (15 Months)	2009-10 (12 Months)
Segment-wise Sales (%)										
Soaps, Detergents & Household Care	40	40	45	44	45	45	47	47	49	48
Personal Products	17	21	22	24	26	28	29	29	29	30
Foods	37	33	30	29	27	25	22	22	20	20
Chemicals, Agri, Fertilisers & Animal Feeds	4	3	2	2	1	1	1	1	1	0
Others	2	3	1	1	1	1	1	1	1	2
EBIT as % of Sales	12.3	14.0	17.6	18.4	13.4	12.3	13.1	13.1	13.1	14.1
Fixed Assets Turnover (No. of times)	9.5	8.9	8.3	8.1	7.2	8.1	8.6	8.6	8.3*	7.5
Economic Value Added (EVA) (Rs Crores)	858	1080	1236	1429	886	1014	1126	1314	2154	2096
PAT / Sales (%)	11.5	13.1	15.8	16.3	11.0	11.3	11.8	11.8	11.6	11.5
Return on Capital Employed (%)	64.6	62.4	59.4	60.2	45.9	68.7	67.0	78.0	107.5*	103.7
Return on Net Worth (%)	52.7	53.9	48.4	82.8	57.2	61.1	68.1	80.1	103.6*	88.2

\*Shown on an annualised basis

	2000	2001	2002	2003	2004	2005	2006	2007	2008-09 (15 Months)	2009-10 (12 Months)
HUL Share Price on BSE (Rs. Per Share of Re. 1)*	206.35	223.65	181.75	204.70	143.50	197.25	216.55	213.90	237.50	238.70
Market Capitalisation (Rs. Crores)	45,409	49,231	40,008	45,059	31,587	43,419	47,788	46,575	51,770	52,077
Exports (Rs. Crores)**	1,934	1,845	1,411	1,416	1,459	1,461	1,369	1,413	1,638	1,066
Contribution to Exchequer (Rs. Crores)	2,524	2,478	2,609	2,999	2,674	2,638	2,813	3,133	4,429	3,704

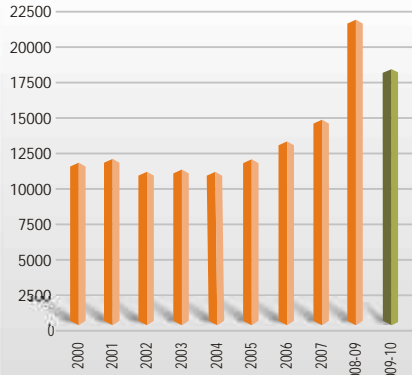
\* Based on year-end closing prices quoted in the Bombay Stock Exchange, adjusted for bonus shares

\*\* Includes exports made by subsidiaries

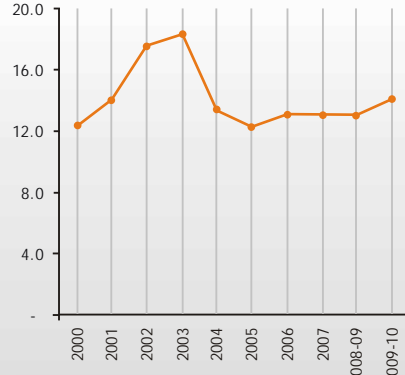


# Performance Trends

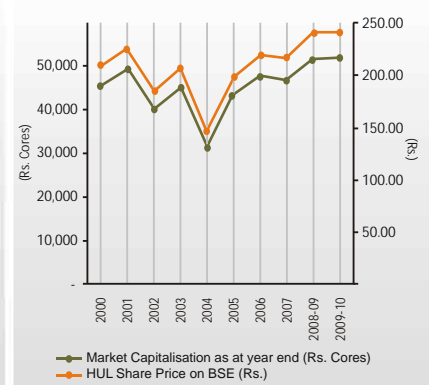
Gross Sales (Rs. crores)



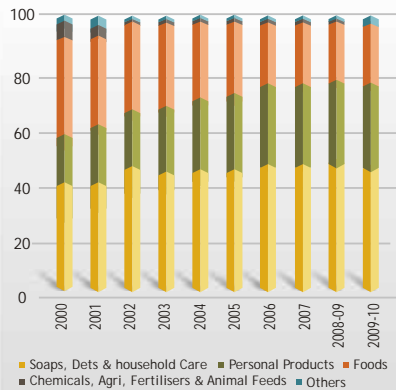
EBIT as % of Sales



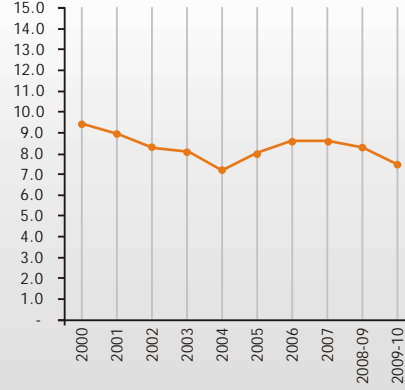
Market Capitalisation and HUL Share Price



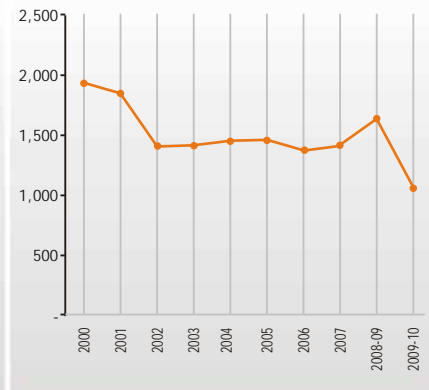
Segment-wise Sales (%)



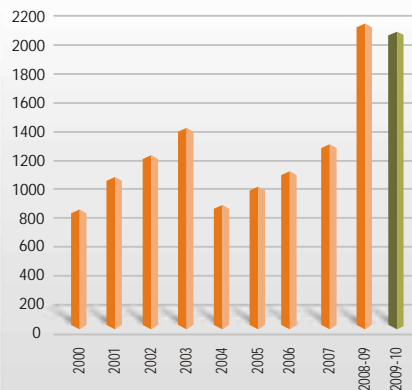
Fixed Assets Turnover (No. of times)



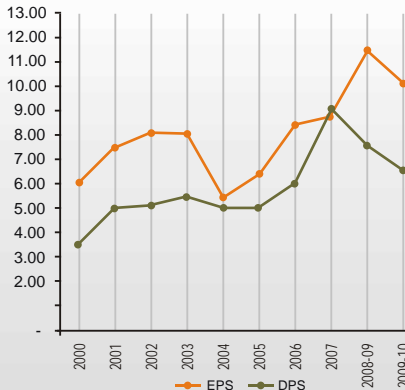
Exports (Rs. crores)



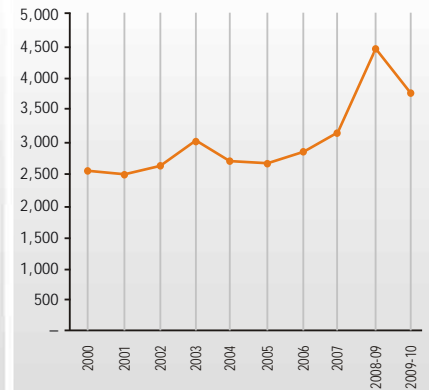
Economic Value Added (EVA) (Rs. crores)



Earnings & Dividend Per Share (Rs.)



Contribution to Exchequer (Rs. crores)





# Winning with brands and innovation

Brands and innovation are at the heart of everything we do. We believe that our brands remain fresh, young and relevant if we are constantly innovating behind them. Innovation in terms of products, propositions, communication and even media deployment. As incomes and aspirations change, consumer habits, attitudes and behaviour change too. This constant change is something that we are obsessed about. An obsession to ensure that our portfolio of brands is evolving continuously to exploit these changes.



To do this successfully, consumer understanding is vital. We are constantly observing where and how consumers shop for and use our brands. It is this undying curiosity that enables us to be clear about what our brands need to do.

We use this clarity to shape our innovation programme by developing products and solutions that are relevant for consumers in India. We leverage Unilever's global technology expertise and the research and development capabilities in India to bring innovative products that meet the needs of consumers within India.

Some of our major innovations this year have been: Pureit Compact-in-home

water purifier – an affordable safe drinking water solution for low-income consumers priced at Rs. 1,000, Knorr Soupy noodles – providing wholesome nutrition to children's fun snacking moments, Brooke Bond Sehatmand tea – offering combined benefits of health with immunity for low-income rural consumers and the launch of Cif multi-purpose cleaner.

Equally, there have been several innovations on our existing big brands that delivered significant superior product and consumer experience. These included the relaunch of Lux, Wheel, Clinic Plus, Hamam, Liril and Pears.

