



Hindustan Unilever Limited

Annual Report 2010-11

# Growing Sustainably



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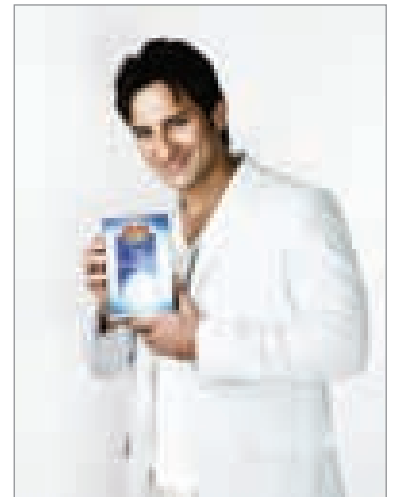
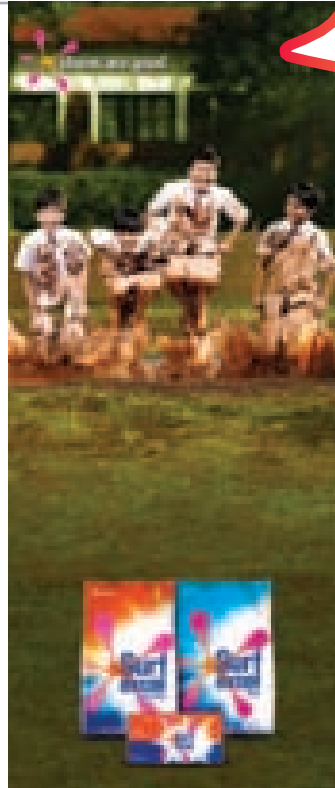
# Our Mission

We work to create a better future every day.

We help people feel good, look good and get more out of life with brands and services that are good for them and good for others.

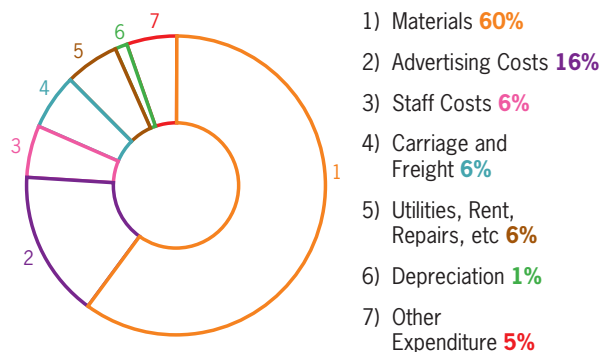
We will inspire people to take small, everyday actions that can add up to a big difference for the world.

We will develop new ways of doing business with the aim of doubling the size of our Company while reducing our environmental impact.

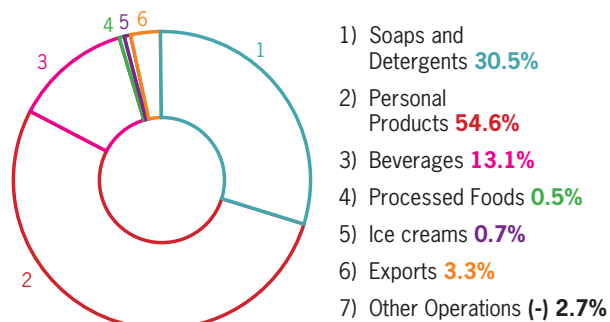




## TOTAL EXPENDITURE



## SEGMENTAL RESULTS\*



\* Excludes unallocated expenditure, Taxation charge & Financial income





# Financial Performance

## 10 year track record

Standalone

Rs. Crores

Profit & Loss Account	2001	2002	2003	2004	2005	2006	2007	2008-09 (15 months)	2009-10	2010-11
Gross Sales*	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	20,305.54
Other Income	381.79	384.54	459.83	318.83	304.79	354.51	431.53	589.72	349.64	586.04
Interest	(7.74)	(9.18)	(66.76)	(129.98)	(19.19)	(10.73)	(25.50)	(25.32)	(6.98)	(0.24)
Profit Before Taxation @	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	2,730.18
Profit After Taxation @	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	2,153.25
Earnings Per Share of Re. 1#	7.46	8.04	8.05	5.44	6.40	8.41	8.73	11.46	10.10	10.58
Dividend Per Share of Re. 1#	5.00	5.16	5.50	5.00	5.00	6.00	9.00	7.50	6.50	6.50

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

Balance Sheet	2001	2002	2003	2004	2005	2006	2007	2008-09 (15 months)	2009-10	2010-11
Fixed Assets	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	2,468.24
Investments	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	1,260.68
Net Deferred Tax	246.48	269.92	267.44	226.00	220.14	224.55	212.39	254.83	248.82	209.66
Net Current Assets	(75.04)	(239.83)	(368.81)	(409.30)	(1,355.31)	(1,353.40)	(1,833.57)	(182.84)	(1,365.45)	(1,304.66)
	<b>3,127.43</b>	<b>3,717.17</b>	<b>3,843.03</b>	<b>3,563.82</b>	<b>2,362.56</b>	<b>2,796.09</b>	<b>1,527.76</b>	<b>2,483.45</b>	<b>2,583.52</b>	<b>2,633.92</b>
Share Capital	220.12	220.12	220.12	220.12	220.12	220.68	217.74	217.99	218.17	215.95
Reserves & Surplus	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	2,417.97
Loan Funds	83.74	58.30	1,704.31	1,471.11	56.94	72.60	88.53	421.94	-	-
	<b>3,127.43</b>	<b>3,717.17</b>	<b>3,843.03</b>	<b>3,563.82</b>	<b>2,362.56</b>	<b>2,796.09</b>	<b>1,527.76</b>	<b>2,483.45</b>	<b>2,583.52</b>	<b>2,633.92</b>

Segment-wise Sales (%)	2001	2002	2003	2004	2005	2006	2007	2008-09 (15 months)	2009-10	2010-11
Soaps, Detergents & Household Care	40	45	44	45	45	47	47	49	48	46
Personal Products	21	22	24	26	28	29	29	29	30	32
Foods	33	30	29	27	25	22	22	20	20	20
Chemicals, Agri, Fertilisers & Animal Feeds	3	2	2	1	1	1	1	1	0	0
Others	3	1	1	1	1	1	1	1	2	2

Key ratios and EVA	2001	2002	2003	2004	2005	2006	2007	2008-09 (15 months)	2009-10	2010-11
EBIT as % of Sales	14.0	17.6	18.4	13.4	12.3	13.1	13.1	13.1	14.1	12.2
Fixed Assets Turnover (No. of times)	8.9	8.3	8.1	7.2	8.1	8.6	8.6	8.3*	7.5	8.2
PAT / Sales (%)	13.1	15.8	16.3	11.0	11.3	11.8	11.8	11.6	11.5	10.6
Return on Capital Employed (%)	62.4	59.4	60.2	45.9	68.7	67.0	78.0	107.5*	103.7	87.5
Return on Net Worth (%)	53.9	48.4	82.8	57.2	61.1	68.1	80.1	103.6*	88.2	74.0
Economic Value Added (EVA) (Rs Crores)	1080	1236	1429	886	1014	1126	1314	2154	1791	1750

\* Shown on an annualised basis

Others	2001	2002	2003	2004	2005	2006	2007	2008-09 (15 months)	2009-10	2010-11
HUL Share Price on BSE (Rs. Per Share of Re. 1)*	223.65	181.75	204.70	143.50	197.25	216.55	213.90	237.50	238.70	284.60
Market Capitalisation (Rs. Crores)	49,231	40,008	45,059	31,587	43,419	47,788	46,575	51,770	52,077	61,459
Exports (Rs. Crores)**	1,845	1,411	1,416	1,459	1,461	1,369	1,413	1,638	1,066	1,165
Contribution to Exchequer (Rs. Crores)	2,478	2,609	2,999	2,674	2,638	2,813	3,133	4,429	3,704	4,124

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

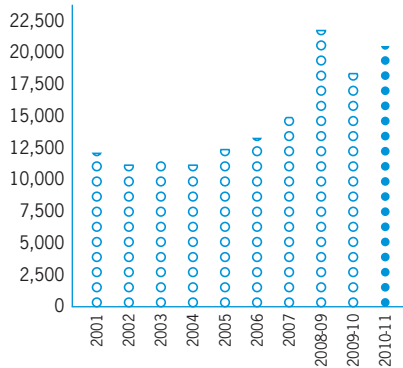
\*\* Includes exports made by subsidiaries



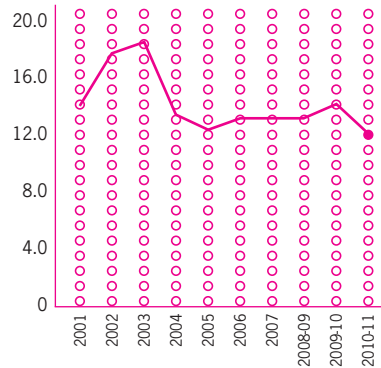
# Performance Trends

## Gross Sales

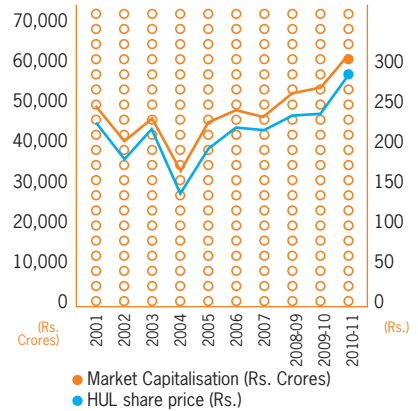
(Rs. Crores)



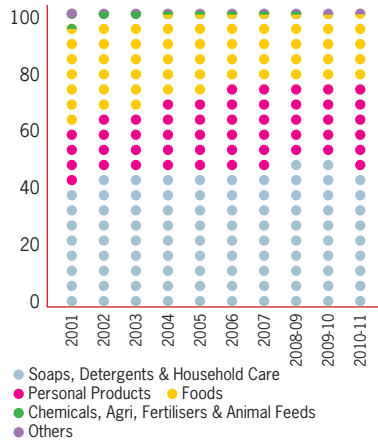
## EBIT as % of Sales



## Market Capitalisation and HUL Share Price

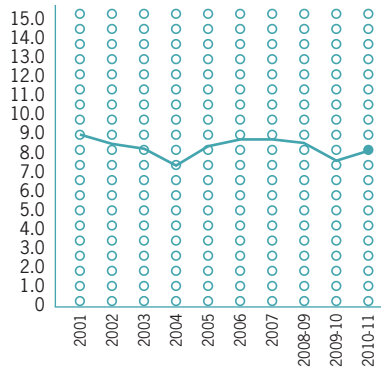


## Segment-wise Sales (%)



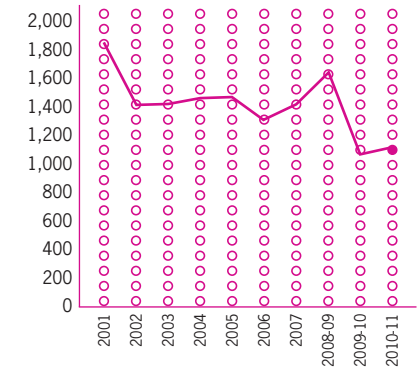
## Fixed Assets Turnover

(No. of times)



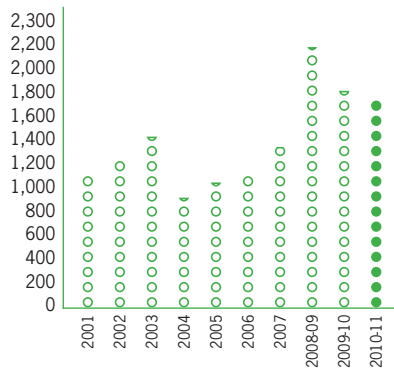
## Exports

(Rs. Crores)



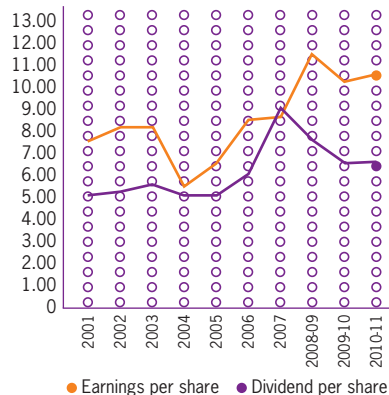
## Economic Value Added (EVA)

(Rs. Crores)



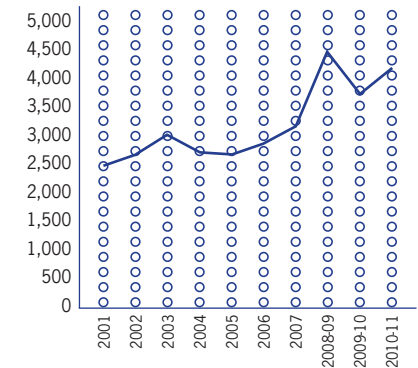
## Earnings & Dividend per Share

(Rs.)



## Contribution to Exchequer

(Rs. Crores)







## Chairman's Letter

Dear Shareholders,

The year 2010-11 has been an eventful and satisfying year for the business. We managed to grow in volumes and strengthen our position in a tough and competitive environment. We ended March 2011 with five consecutive quarters of double-digit volume growth, a feat not achieved in the last 10 years. While we are pleased with our achievements, the business is not complacent. It remains focused on the road ahead – simultaneously addressing the challenges of today while investing in the opportunities of tomorrow.

The current environment presents a host of challenges. Commodity and food inflation appear sticky and GDP growth may moderate in the near term. Competitive pressures will be on the rise as newer entrants seek a slice of India's long term growth potential. None of these challenges are new; they have stayed with us in some form through the last year. Our ability to steer through these conditions and lead the market is reflected in the numbers we delivered.

During the year, the domestic consumer business grew 10.9 per cent driven by a strong 13 per cent volume growth. PBIT margins declined by 190 basis points on account of higher input cost inflation and 60 basis points increase in brand investment. Net Profit increased by 4.7 per cent to Rs. 2306 crore for the full year.

The business saw growth across all segments. The Home and Personal Care business grew by 9.8 per cent with competitive growth in both Laundry and Personal Wash. Personal Products business grew strongly at 15.7 per cent. Growth was broad based across categories with Skin Care delivering a particularly strong performance. The Foods business grew 13.4 per cent. Red Label tea was re-launched and continued to deliver double-digit growth. Our water purifier brand, Pureit, grew strongly and continued to expand its franchise with product offerings across multiple price points. Pureit now protects 4.5 million homes.

Your Company has a strong portfolio of brands straddling the entire consumer pyramid. We are well placed to maximise on the opportunity in a growing market like India. We will continue to strengthen this advantage with excellence in execution, a sharp focus on the needs of our consumers and continuous improvement in our distribution reach.

During 2010-11, we significantly increased our direct retail coverage by adding over 600,000 outlets. This meant tripling our direct coverage in rural India, contributing to 50 per cent of our rural growth. Project Shaktimaan, the second phase of Project Shakti was launched and was a key enabler for this rural expansion.

In addition to expansion of outlets, we also improved the quality of our visibility and the availability of our products. This was called the 'Perfect Stores' programme and we kick-started it with Mission Bushfire, which saw all our employees go out into the market in a focused five-day programme that transformed 14,000 kirana stores across India into 'Perfect Stores'.

13% ↑

Volume  
growth

9.8% ↑

Home and Personal Care Business

↑ 15.7%

Personal Products

13.4% ↑

Foods Business





**4.5 million**  
homes protected by Pureit



We significantly increased our direct retail coverage by adding over 600,000 outlets. This meant tripling our direct coverage in rural India.



At a time when input costs remain high and price volatility brings added challenges, we will continue to focus on the best value for our consumers and customers through innovations and strong cost efficiency programmes. We see these as key drivers of value creation for our business.

While we manage our business dynamically to deliver consistent and profitable growth, we also recognise that responsible growth is as important. In 2010, Unilever launched the Unilever Sustainable Living Plan globally. The Unilever Sustainable Living Plan seeks to double the size of the Company while reducing its environmental impact. In an increasingly resource-constrained world, this decoupling of growth from the impact on the planet is the model that consumers will ultimately demand.

In addition to halving the overall environmental impact, the Unilever Sustainable Living Plan commits to helping more than a billion people to improve their health and well-being and sourcing 100% of the agriculture-based materials sustainably. We aim to achieve this across the whole value chain, with specific, time-bound commitments and with the active participation of our partners. The Unilever Sustainable Living Plan will help us deliver growth while ensuring security of resources, reducing costs, building sustainability into our brand proposition and will keep us the preferred choice of consumers and customers. Our vision for responsible growth builds on our firm belief that we do well when our interests are aligned with the needs of the society we serve.

People are at the heart of our business. Our deep commitment to people and our ability to offer them exciting opportunities enables us to attract the best talent that gives us the competitive edge. Throughout 2010-11, we strengthened our Employer Brand and continued to retain our number one position with the top business schools we visit. We can hire and retain the best talent because of the value systems we uphold; it is the foundation on which we have built this business.

And as we reach out for the next phase of growth, I look forward to your continued support.

With warm regards,



**Harish Manwani**



## Winning with Brands and Innovations



Brands and innovations are the lifeblood of our business. Our success in the market rests on how we deploy these assets. Through our brands we keep pace with changes in consumer lifestyles and aspirations at all income levels. We rely on consumer insight and the use of breakthrough technology to deliver bigger and better innovations into the market faster, supported by the very best marketing.

Our aim is to give consumers an unbeatable product experience. We are investing in our formulations and constantly assessing our product performance in order to drive consumer preference in blind product tests. We're doing this both for our innovations and for our existing mixes.



Some of our key product innovations in 2010-11 have been: Rin detergent powder that now comes with a patented technology that promises better whiteness, Dove Shampoo in superior packaging, Pond's Dreamflower talc in a new fragrance and Brooke Bond Sehatmand, which delivers vitamins in tea.

