



Hindustan Unilever Limited

ANNUAL REPORT 2013-14

MAKING SUSTAINABLE LIVING COMMONPLACE





OUR PURPOSE TO MAKE SUSTAINABLE LIVING COMMONPLACE

We work to create a better future every day, with brands and services that help people feel good, look good and get more out of life.

Our first priority is to our consumers – then customers, employees, suppliers and communities. When we fulfil our responsibilities to them, we believe that our shareholders will be rewarded.

Unilever Sustainable Living Plan (USLP)

Our Annual Report 2013-14 is complemented by the Business Responsibility Report and also the online Unilever Sustainable Living Report - India 2013 Progress Report published in April 2014. This details performance against our USLP targets for the period 1 January to 31 December 2013 except where indicated otherwise. The online report carries a wealth of information on our approach to running a responsible business. See www.hul.co.in/sustainable-living-2014/





WE MEET EVERY DAY NEEDS
FOR NUTRITION, HYGIENE
AND PERSONAL CARE WITH
BRANDS THAT HELP PEOPLE
FEEL GOOD, LOOK GOOD AND
GET MORE OUT OF LIFE.

While growing our business we will reduce our environmental footprint and increase our positive social impact.

We will lead for responsible growth, inspiring people to take small everyday actions that will add up to a big difference. We will grow by winning shares and building markets everywhere.

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HINDUSTAN UNILEVER AT A GLANCE

WHO WE ARE

Hindustan Unilever Limited is one of the leading fast-moving consumer goods companies in India. We own some of the best-known and best-loved brands like Dove, Surf, Kissan, Bru and Pureit. We are passionate about them and proud of the way they help people get more out of life.

WHAT WE DO

We build our brands and develop our products through extensive consumer insight, relentless innovation, and crystal-clear design and marketing. This is a powerful blend that helps us excite and inspire our customers and consumers. We are committed to making sustainable living commonplace and work to develop new ways of doing business that will reduce our environmental footprint and increase our positive social impact.

OPERATIONAL HIGHLIGHTS

Despite a challenging environment, we delivered broad-based growth and margin improvement by stepping up investment in brands and innovations, while driving cost savings and operational efficiencies with even greater rigour. We delivered competitive and profitable growth:

- Domestic consumer business grew 9% with an underlying volume growth of 4%.
- Operating margin expanded +40 bps.
- Strong track record of cash generation was sustained with cash from operations at over Rs. 5,000 crores, up Rs. 462 crores over the previous year.
- Total dividend of Rs. 13.00 per share was declared for the Financial Year.

SEGMENTAL PERFORMANCE

SEGMENTAL REVENUE (%)



■ Soaps and Detergents	49.0
■ Personal Products	29.1
■ Beverages	11.9
■ Packaged Foods	5.9
■ Others	4.1

SEGMENTAL RESULTS (%)



■ Soaps and Detergents	40.1
■ Personal Products	46.4
■ Beverages	13.0
■ Packaged Foods	1.4
■ Others	-0.8



OUR KEY PERFORMANCE INDICATORS

We report our performance against key financial and non-financial performance indicators below. The Directors' Report starting on page 30 gives details of our performance in each of the business segments and functions. Details of the progress made on the Unilever Sustainable Living Plan (USLP) commitments are given on the page 16 and 17.

FINANCIAL

NET REVENUE	OPERATING PROFIT	EPS (BASIC)	CASH FROM OPERATIONS
2013-14 Rs. 28,019 crores The domestic consumer business grew by 9% with 4% underlying volume growth in a challenging environment	2013-14 Rs. 4,215 crores Operating profit grew by 12% with operating margins improving +40 bps	2013-14 Rs. 17.88 per share Last year basic EPS: Rs. 17.56 per share	2013-14 Rs. 5,000+ crores Cash from operations was up Rs. 462 crores over the previous year

NON-FINANCIAL

MANUFACTURING			
2013 27% 2012: 22% Reduction in CO ₂ per tonne of production compared to 2008 baseline	2013 37% 2012: 29% Reduction in water use per tonne of production compared to 2008 baseline	2013 >84% 2012: 77% Reduction in total waste per tonne of production compared to 2008 baseline	2013 35 2012: 31 Factories with 100% zero non-hazardous waste to landfill

BETTER LIVELIHOODS	SUSTAINABLE SOURCING	HEALTH AND WELL-BEING
2013 65,000 2012: 48,000 No. of Shaktiammas (women Shakti Entrepreneurs) selling our products	2013 80% 2012: 60% Tomatoes used in Kissan ketchup sourced sustainably	2013 58 MILLION 2012: 47 Million People reached with Lifebuoy Handwashing Programme since 2010

FINANCIAL PERFORMANCE

10 YEAR RECORD

Standalone

Rs. crores

Statement of Profit & Loss	2004	2005	2006	2007	2008-09 (15 months)	2009-10	2010-11 ^	2011-12 ^	2012-13 ^	2013-14 ^
Gross Sales*	10,888.38	11,975.53	13,035.06	14,715.10	21,649.51	18,220.27	20,285.44	22,800.32	26,679.76	28,947.06
Other Income	318.83	304.79	354.51	431.53	589.72	349.64	627.38	659.08	1,210.73	1,231.87
Interest	(129.98)	(19.19)	(10.73)	(25.50)	(25.32)	(6.98)	(0.24)	(1.24)	(25.15)	(36.03)
Profit Before Taxation @	1,505.32	1,604.47	1,861.68	2,146.33	3,025.12	2,707.07	2,730.20	3,350.16	4,349.48	4,799.71
Profit After Taxation @	1,199.28	1,354.51	1,539.67	1,743.12	2,500.71	2,102.68	2,153.25	2,599.23	3,314.35	3,555.32
Earnings Per Share of Re. 1	5.44	6.40	8.41	8.73	11.46	10.10	10.58	12.46	17.56	17.88
Dividend Per Share of Re. 1	5.00	5.00	6.00	9.00#	7.50	6.50	6.50	7.50	18.50#	13.00

* Sales before Excise Duty Charge @ Before Exceptional/Extraordinary items ^ 2010-11, 2011-12, 2012-13 and 2013-14 based on Revised Schedule VI

Includes Special Dividend

Balance Sheet	2004	2005	2006	2007	2008-09 (15 months)	2009-10	2010-11^	2011-12^	2012-13^	2013-14^
Fixed Assets	1,517.56	1,483.53	1,511.01	1,708.14	2,078.84	2,436.07	2,457.86	2,362.92	2,508.54	2,741.84
Investments	2,229.56	2,014.20	2,413.93	1,440.80	332.62	1,264.08	1,260.67	2,438.21	2,330.66	3,094.12
Net Deferred Tax	226.00	220.14	224.55	212.39	254.83	248.82	209.66	214.24	204.78	161.73
Net Assets/(Liabilities) (Current and Non-current)	(409.30)	(1,355.31)	(1,353.40)	(1,833.57)	(182.84)	(1,365.45)	(1,268.67)	(1,502.44)	(2,369.96)	(2,720.64)
	3,563.82	2,362.56	2,796.09	1,527.76	2,483.45	2,583.52	2,659.52	3,512.93	2,674.02	3,277.05
Share Capital	220.12	220.12	220.68	217.74	217.99	218.17	215.95	216.15	216.25	216.27
Reserves & Surplus	1,872.59	2,085.50	2,502.81	1,221.49	1,843.52	2,365.35	2,443.57	3,296.78	2,457.77	3,060.78
Loan Funds	1,471.11	56.94	72.60	88.53	421.94	-	-	-	-	-
	3,563.82	2,362.56	2,796.09	1,527.76	2,483.45	2,583.52	2,659.52	3,512.93	2,674.02	3,277.05

^ 2010-11, 2011-12, 2012-13 and 2013-14 based on Revised Schedule VI

Segment-Wise Sales (%)	2004	2005	2006	2007	2008-09 (15 months)	2009-10	2010-11	2011-12	2012-13	2013-14
Soaps and Detergents	45	45	47	47	49	48	46	48	49	49
Personal Products	26	28	29	29	29	30	32	31	31	29
Beverages and Packaged Foods	24	22	20	21	19	20	20	19	18	18
Others	5	5	4	3	3	2	2	2	2	4

Key Ratios and EVA	2004	2005	2006	2007	2008-09 (15 months)	2009-10	2010-11	2011-12	2012-13	2013-14
EBIT as % of Sales	13.4	12.3	13.1	13.1	13.1	14.1	12.1	13.5	14.1	14.6
Fixed asset Turnover (No. of Times)	7.2	8.1	8.6	8.6	8.3*	7.5	8.3	9.6	10.6	10.6
PAT / Sales (%)	11.0	11.3	11.8	11.8	11.6	11.5	10.6	11.4	12.4	12.3
Return on Capital Employed (%)	45.9	68.7	67.0	78.0	107.5*	103.8	87.5	96.8	109.1	130.2
Return on Net Worth (%)	57.2	61.1	68.1	80.1	103.6*	88.2	74.0	77.7	94.7	104.1
Economic Value Added (EVA) (Rs. crores)	886	1,014	1,126	1,314	2,154	1,791	1,750	2,250	2,926	3,147

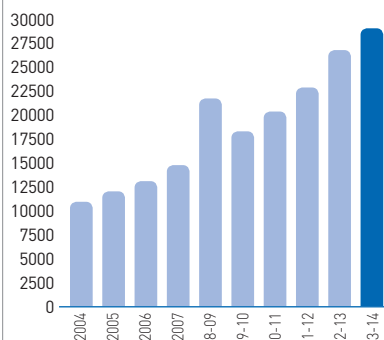
* Shown on annualised basis

Others	2004	2005	2006	2007	2008-09 (15 months)	2009-10	2010-11	2011-12	2012-13	2013-14
HUL Share Price on BSE (Rs. Per Share of Re. 1)*	143.50	197.25	216.55	213.90	237.50	238.70	284.60	409.90	466.10	603.65
Market Capitalisation (Rs. crores)	31,587	43,419	47,788	46,575	51,770	52,077	61,459	88,600	100,793	130,551
Contribution to Exchequer (Rs. crores)	2,674	2,638	2,813	3,133	4,429	3,704	3,953	4,839	6,365	6,680

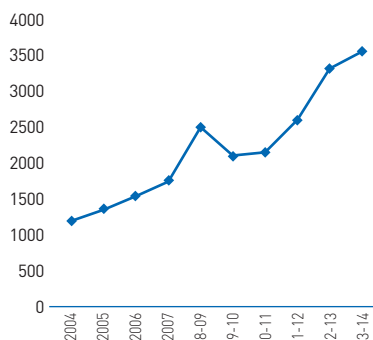
* Based on year-end closing prices quoted in the Bombay Stock Exchange

PERFORMANCE TRENDS

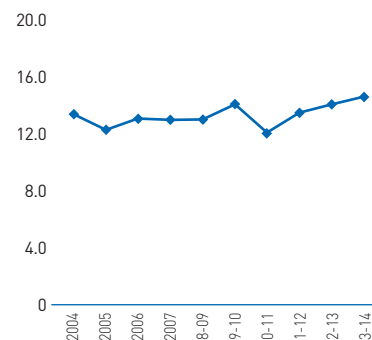
Gross Sales (Rs. crores)



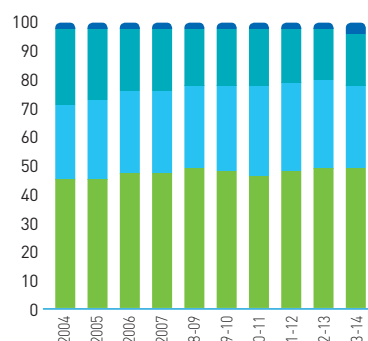
Profit After Tax (Rs. crores)



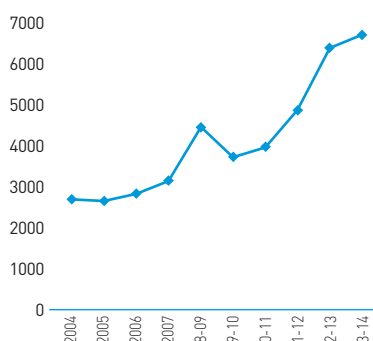
EBIT (% of Sales)



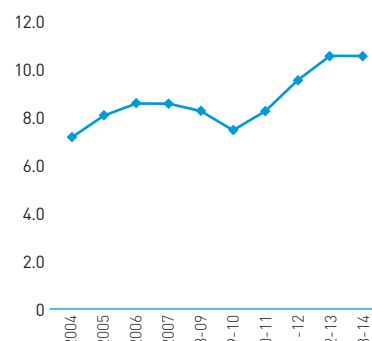
Segment Wise Sales (%)



Contribution to Exchequer (Rs. crores)

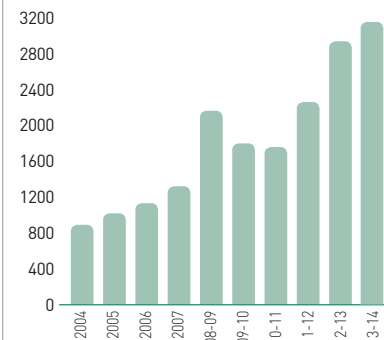


Fixed Assets Turnover (No. of times)



- Soaps and Detergents
- Personal Products
- Beverages and Packaged Foods
- Others

Economic Value Added (EVA) (Rs. crores)

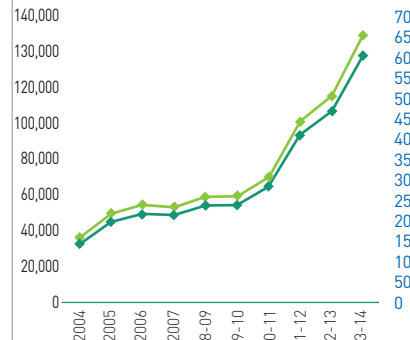


Earnings and Dividend Per Share (Rs.)



- Earnings per share
- Dividend per share

Market Capitalisation and HUL Share Price



- Market capitalisation (Rs. crores)
- HUL share price (Rs.)

* Figures are for 15 months period

Includes Special Dividend

Based on year-end closing prices quoted in the Bombay Stock Exchange.

CHAIRMAN'S STATEMENT

Dear Shareholders,

The financial year ended March 2014 was another successful year, where despite a challenging environment, our business grew well ahead of competition. Several innovations were launched to meet the emerging needs and aspirations of our consumers. We expanded our reach and further strengthened our distribution so that we can serve our consumers better with our wide range of product offerings. At the same time, we continued to make significant progress on our Unilever Sustainable Living Plan.

During the year, Unilever increased its stake in your Company from 52.48% to 67.25% through an open offer. The open offer reflects Unilever's confidence in the long term growth opportunity of the Indian market and more importantly its strong commitment to investing and driving the growth of your Company.

The business environment continued to remain muted. Despite the Indian economy witnessing a slowdown, your Company delivered healthy results. Our domestic consumer business grew by 9% with 4% underlying volume growth which was ahead of the market. Profit before interest

and tax (PBIT) grew by 12% with PBIT margin improving 40 bps. Profit after tax but before exceptional items, PAT (bei), grew by 7% to Rs. 3,555 crores with Net Profit at Rs. 3,867 crores growing 2%. Net Profit growth was impacted by the significant property sale in the previous year. Cash generated from operations at over Rs. 5,000 crores for the year, was up Rs. 462 crores over the previous year. With the final dividend of Rs. 7.50 per share proposed by the Board of Directors and an interim dividend of Rs. 5.50 per share already paid, the total dividend for the financial year ending 31 March 2014 amounts to Rs. 13.00 per share.

Innovations touched most of our product portfolio and delivered strong growth. We launched a host of innovations across our businesses by leveraging Unilever's global portfolio of brands, research and technology. Surf Excel launched the first main-wash liquid detergent in May. Domex Zero Stain was launched reinstating the cleaning properties of Domex. In personal care we launched the 'Best Ever' Fair & Lovely, Pond's BB+ cream, Lakmé CC cream and Vaseline Healthy White. Hair Care and Skin Care brands were premiumised with Lakmé Pro-Stylist, TRESemmé and Toni&Guy being some of the innovations this year. In beverages, green tea was added to the Lipton and Taj Mahal range. Magnum, Unilever's most premium ice cream brand globally, was launched in Chennai in 2013 and has been extended to more cities this year. Pureit, launched the best in class water purifier, Pureit Ultima RO + UV. The dual technology of RO + UV removes harmful chemicals like lead, arsenic and mercury, ensuring that the water is always pure and safe for drinking.

In our endeavour to serve the consumers in the farthest corners of India, we further

expanded our direct retail reach and strengthened our in store execution. We extended our Perfect Stores programme to 1 million stores by the end of 2013. The on-shelf availability in modern trade touched an all-time high with many of our key customers recognising us as the Supplier of Choice.

In 2013, we significantly increased our Shakti network adding over 17,000 Shakti Entrepreneurs (Shaktiammas). Project Shakti now has over 65,000 Shakti Entrepreneurs complemented by over 50,000 Shaktimaans, the male members of the Shakti family who distribute Company products on bicycles.

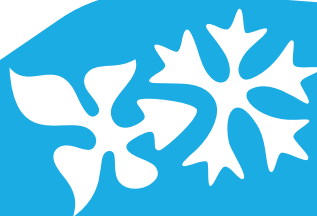
It was once again 'business unusual on costs' across the board with significant savings in Supply Chain and Overheads and improvements in the effectiveness of our Trade and Marketing spends. These savings helped to sustain competitive investments behind our brands and deliver a steady improvement in the operating margin.

We made good progress on the Unilever Sustainable Living Plan. In line with our belief of doing well by doing good, we launched the 'Perfect Village' programme across eight states. Under this initiative, we created awareness about health and wellbeing among rural consumers and at the same time, improved the availability of our products in these villages. The Lifebuoy Handwashing Programme now touches 58 million consumers in India.

Lifebuoy's 'Help a Child Reach 5' Handwashing Programme was launched in Thesgora, a village in Madhya Pradesh, last year. With our interventions, the incidence of diarrhoea dropped significantly. This campaign is now being



1



BOARD OF DIRECTORS

extended to many other villages in Madhya Pradesh and Bihar.

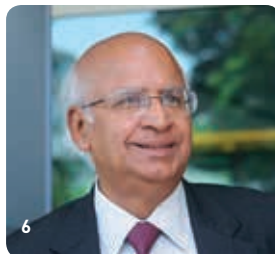
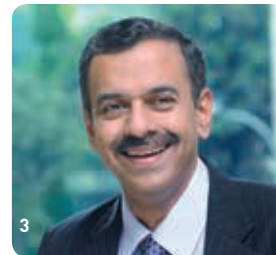
Domex, our leading toilet cleaner brand, announced the launch of Domex Toilet Academy (DTA). DTA's ambition is to help reduce the incidence of open defecation and increase access to improved sanitation by educating people about the importance of safe and hygienic sanitation practices.

In our factories, for every tonne of production in 2013 we reduced CO₂ emissions by 27% compared to 2008 baseline. Use of renewable energy increased to more than 20% of the total consumption and water usage in manufacturing operations reduced by 37% compared to 2008 baseline. Employing the 'Reduce, Reuse and Recycle' principle, 99% of total waste was recycled, reducing the total waste per tonne from manufacturing sites by 84% against 2008 baseline. HUL factories with 100% zero non-hazardous waste to landfill increased to 35.

To renew and reconnect our brands to the larger purpose of serving society, we launched Project Sunlight in November 2013. Project Sunlight is our long term initiative to motivate millions to live sustainably, by inspiring them to create a brighter future for our children. It aims to build momentum behind a growing community of people who believe it is possible to build a world where everyone lives well and sustainably, without compromising the needs of future generations.

We continue to focus on attracting, retaining and developing the best talent. This year, we retained our position as the No. 1 Employer Brand among premier business school students for the third successive year and as a 'Dream Employer' for the fifth consecutive year. This comes as an endorsement of our people agenda which provides strong support networks, mentoring and learning

- 1 **Mr. Harish Manwani**
Chairman
- 2 **Mr. Sanjiv Mehta**
Managing Director and
Chief Executive Officer
- 3 **Mr. Sridhar Ramamurthy**
Executive Director, Finance & IT
and Chief Financial Officer
- 4 **Mr. Pradeep Banerjee**
Executive Director,
Supply Chain
- 5 **Mr. Aditya Narayan**
Independent Director
- 6 **Mr. S. Ramadorai**
Independent Director
- 7 **Mr. O. P. Bhatt**
Independent Director
- 8 **Dr. Sanjiv Misra**
Independent Director



experiences to develop successful business leaders.

In October 2013, Sanjiv Mehta took over your Company's leadership baton from Nitin Paranjpe, who after leading HUL successfully since 2008, was promoted to the Unilever Leadership Executive as President Home Care. I would like to take this opportunity to thank Nitin for his outstanding contribution to HUL. Sanjiv is a proven business leader with rich experience of leading Unilever companies across Developing & Emerging markets and I am confident that he will take HUL to greater heights.

In the year ahead, the business environment will continue to remain challenging and competitive intensity is

likely to remain high. With our purpose driven brands, passionate employees and your continued support, I am confident that we will continue to deliver growth that is consistent, competitive, profitable and responsible.

I would like to thank you, all our shareholders, for your trust and your wholehearted support.

Best Regards,

Harish Manwani
Chairman

OUR BUSINESS MODEL

SUSTAINABLE LIVING

For us, sustainable, equitable growth is the only acceptable business model. Business needs to be a regenerative force in the system that gives it life. For example, by reducing waste we create efficiencies and reduce costs, helping to improve margins while reducing risk. Meanwhile, looking at more sustainable ways of developing products, sourcing and manufacturing opens up opportunities for innovation while improving the livelihoods of our suppliers.

Our USLP is the means by which we seek to achieve sustainable growth. The USLP has three big global goals:

IMPROVING HEALTH AND WELL-BEING

By 2020 we will help more than a billion people take action to improve their health and well-being.

REDUCING ENVIRONMENTAL IMPACT

By 2020 our goal is to halve the environmental footprint of the making and use of our products as we grow our business.

ENHANCING LIVELIHOODS

By 2020 we will enhance the livelihoods of millions of people as we grow our business.

See page 16



OUR BRANDS

Strong brands and innovation are central to our ambition to deliver consistent, competitive, profitable and responsible growth. We are investing in brand equity, finding and strengthening the connections between consumers and the products they buy. Strong brand equities enable us to create efficiencies by focusing on fewer, bigger projects that enhance margins. And we are seeking superior products which consumers will prefer, driving profitable growth.

See page 10



OUR PEOPLE

Sustainable, profitable growth can be achieved with the right people working in an organisation that has a culture where performance is aligned with values. We are an agile and diverse business with people motivated by doing good while doing well. We are building capability and leadership among our people and attracting some of the best talent in the marketplace.

See page 12



OUR OPERATIONS

On any given day 2 billion consumers use Unilever products. We want to reach many more, by developing innovative products that address different consumer needs at different price points. To do this, we use our global scale to help deliver sustainable, profitable growth by seeking to add value at every step in the value chain by enhancing product quality and customer service and rolling out innovations faster across markets.

See page 14

Our business model is designed to deliver sustainable growth. For us, sustainability is integral to how we do business. In a world where temperatures are rising, water is scarce, energy is expensive, sanitation is poor in many areas, and food supplies are uncertain and expensive, we have both a duty and an opportunity to address these issues in the way we do business.

OUR COMPASS STRATEGY

We call our business strategy document 'the Compass', since it sets out a constant path for Unilever for the long term. First developed in 2009, it was sharpened in 2012 but its core elements remained the same. The Compass sets out our ambitious Vision and Purpose, and defines four non-negotiable commitments within the business that we believe will help us achieve both: winning with brands and innovation; winning in the marketplace; winning through continuous improvement; and winning with people. Our Statement of Purpose is also the title of our Annual Report.

The Compass gives life to our determination to build a sustainable business for the long term and to find new ways to operate that do not just take from society and the environment. This is captured in the Unilever Sustainable Living Plan (USLP).