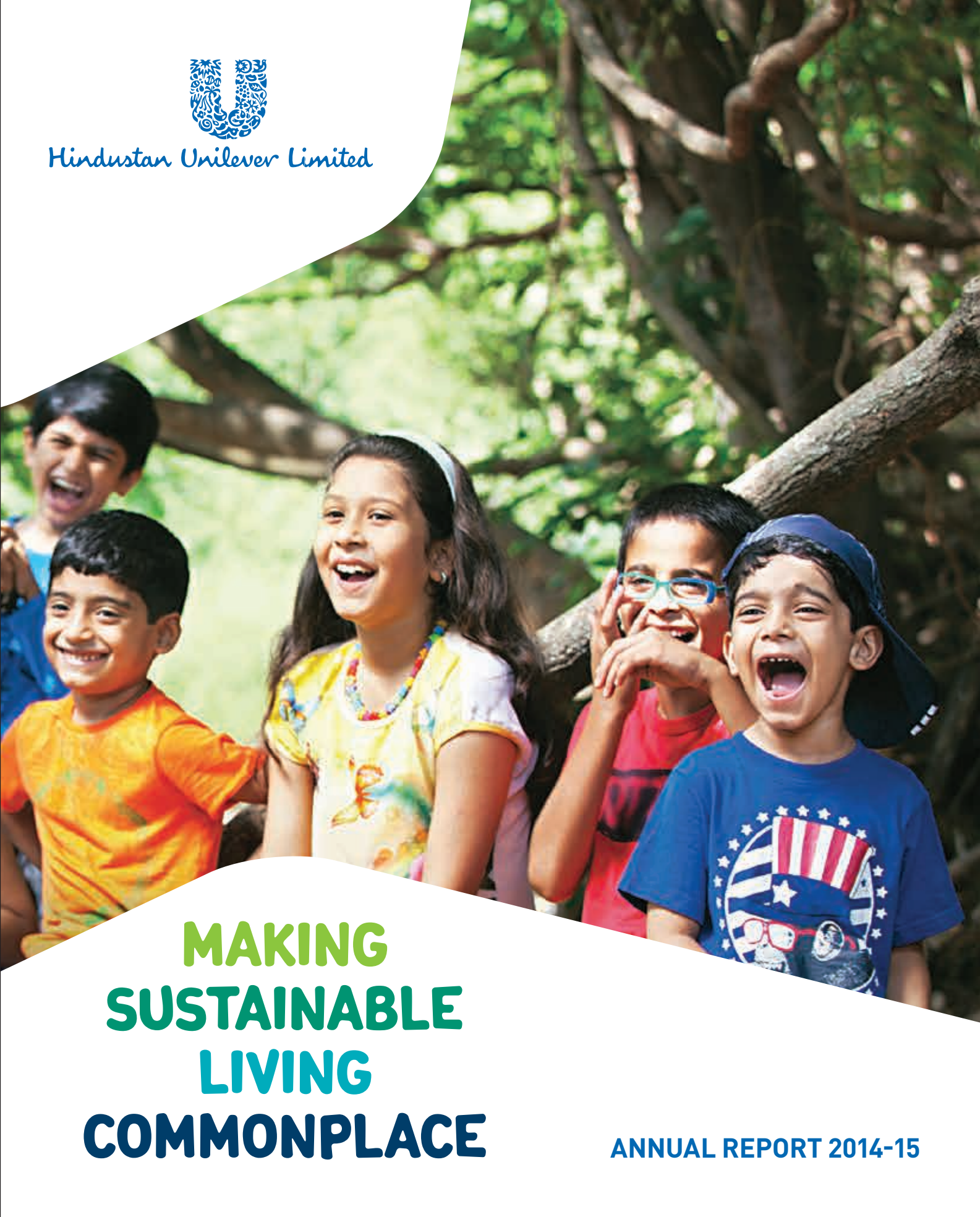




Hindustan Unilever Limited



**MAKING
SUSTAINABLE
LIVING
COMMONPLACE**

ANNUAL REPORT 2014-15



UNILEVER SUSTAINABLE LIVING PLAN (USLP)

The USLP is our key differentiator. It is our blueprint to drive sustainable growth and has three big goals, i.e. improving the health and well-being of more than a billion people, reducing the environmental

footprint of the making and use of our products, and enhancing the livelihoods of millions of people across our value chain.

OUR PURPOSE

OUR PURPOSE IS TO MAKE SUSTAINABLE LIVING COMMONPLACE. WE SEE IT AS THE BEST, LONG-TERM WAY FOR OUR BUSINESS TO GROW.

Our clear Purpose helps us to remain distinct in the eyes of consumers, retailers and suppliers.

It also means we can set an ambitious Vision – to double the size of the business whilst reducing our environmental footprint and increasing our positive social impact.

To meet our growth ambition we invest in people whose talent will help us win through our brands and innovation, unrivalled execution in the market place and a relentless focus on continuous improvement for greater efficiency.

Our environmental and social ambitions are driven through the Unilever

Sustainable Living Plan (USLP), which has economic benefits and operates across all our brands, markets and our entire value chain.

Even when markets are tough we cannot ignore sustainability. If we did, this would diminish the future resilience of Hindustan Unilever Limited (HUL) for its long-term shareholders. We would miss out on the growing consumer preference for goods that do not damage the environment or exploit people.

Our entire business would rely on increasingly rare and expensive raw materials, pushing up our costs. Without more efficient use of energy our production costs would increase while we

would miss considerable savings from more sustainable packaging and less waste.

We would also risk the disapproval of governments, regulators and NGOs, and our brands could suffer reputational damage, representing serious economic loss to the business.

That's why sustainability is at the heart of everything we do to ensure we have a viable long-term business that is attractive to investors.

ONLINE

You can find more information about Hindustan Unilever Limited online at www.hul.co.in. For the latest information on the USLP visit www.hul.co.in/sustainable-living-2015.

CONTENTS

Overview

- 02 Hindustan Unilever at a Glance
- 04 Financial Performance
- 05 Performance Trends
- 06 Chairman's Statement
- 07 Board of Directors
- 08 About Us
- 10 Our Business Model
- 11 Delivering Value
- 12 Our Brands
- 14 Our People
- 16 Our Operations
- 18 Unilever Sustainable Living Plan
- 20 Management Committee

Reports

- 21 Notice of the Annual General Meeting
- 26 Profile of Directors
(seeking Appointment / Re-appointment)
- 28 Directors' Report and Management
Discussion and Analysis
- 66 Corporate Governance Report
- 86 Secretarial Standards Report
Secretarial Audit Report

Financial Statements

Standalone Financial Statements

- 88 Economic Value Added
- 90 Independent Auditors' Report
- 94 Balance Sheet
- 95 Statement of Profit and Loss
- 96 Cash Flow Statement
- 98 Notes

Consolidated Financial Statements

- 145 Independent Auditors' Report
- 152 Balance Sheet
- 153 Statement of Profit and Loss
- 154 Cash Flow Statement
- 156 Notes
- 198 Form AOC-1

Shareholder information

- 200 Investor Safeguards
- 201 Corporate Information
 - Proxy Form

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, Lifebuoy, 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 developing new

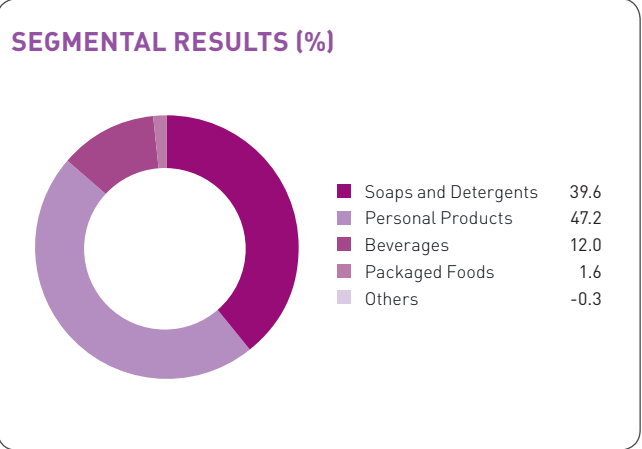
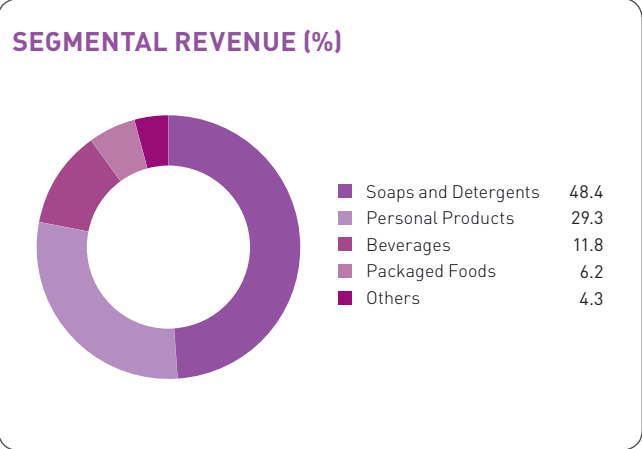
ways of doing business that will reduce our environmental footprint and increase our positive social impact.

OPERATIONAL HIGHLIGHTS

Despite the challenging environment, we have delivered another year of strong performance with broad-based growth ahead of the market and sustained margin improvement. We remained focused on strengthening the core of our business through innovation, leading market development and continuous improvement of our executional capabilities. Our strategy is well on track as we delivered on our goals of consistent, competitive, profitable and responsible growth.

- Domestic Consumer business grew by 10% with 5% underlying volume growth, both ahead of market.
- Profit before interest and tax (PBIT) grew by 17% with PBIT margin improving +90 bps, even as we sustained competitive investment behind our brands.
- The strong track record of cash generation was maintained as cash from operations exceeded Rs. 5,000 crores for yet another year.
- Total dividend of Rs. 15 per share was declared for the Financial Year.
- We continued to make good progress on our sustainability priorities.

SEGMENTAL PERFORMANCE



OUR KEY PERFORMANCE INDICATORS

We report our performance against key financial and non-financial performance indicators below. The Directors'

Report starting on page 28 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 pages 18 and 19.

FINANCIAL

NET REVENUE

2014-15

Rs. 30,806

crores

The Domestic Consumer business grew by 10% with 5% underlying volume growth in a challenging environment

OPERATING PROFIT

2014-15

Rs. 4,922

crores

Operating profit grew by 17% with operating margins improving +90 bps

EPS (BASIC)

2014-15

Rs. 19.95

per share

Last year basic EPS: Rs. 17.88 per share

CASH FROM OPERATIONS

2014-15

Rs. 5,000+

crores

Cash from operations was up Rs. 42 crores over the previous year

NON-FINANCIAL

MANUFACTURING

2014

37%

2013: 27%

Reduction in CO₂ per tonne of production compared to 2008 baseline

2014

44%

2013: 37%

Reduction in water use per tonne of production compared to 2008 baseline

2014

88%

2013: >84%

Reduction in total waste per tonne of production compared to 2008 baseline

2014

38

2013: 35

Manufacturing units with 100% zero non-hazardous waste to landfill

BETTER LIVELIHOODS

2014

>70,000

2013: 65,000

No. of Shakti Ammas (women Shakti Entrepreneurs) empowered

SUSTAINABLE SOURCING

2014

85%

2013: 80%

Tomatoes used in Kissan ketchup sourced sustainably

HEALTH AND WELL-BEING

2014

63 MILLION

2013: 58 million

People reached with Lifebuoy Handwashing Programme since 2010

FINANCIAL PERFORMANCE

10 YEAR RECORD

Standalone

Rs. crores

Statement of Profit and Loss	2005	2006	2007	2008-09 (15 months)	2009-10	2010-11 ^	2011-12 ^	2012-13 ^	2013-14 ^	2014-15 ^
Gross Sales*	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	32,086.32
Other Income	304.79	354.51	431.53	589.72	349.64	627.38	659.08	1,210.73	1,231.87	1,253.51
Interest	(19.19)	(10.73)	(25.50)	(25.32)	(6.98)	(0.24)	(1.24)	(25.15)	(36.03)	(16.82)
Profit Before Taxation @	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	5,523.12
Profit After Taxation @	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	3,842.86
Earnings Per Share of Re. 1	6.40	8.41	8.73	11.46	10.10	10.58	12.46	17.56	17.88	19.95
Dividend Per Share of Re. 1	5.00	6.00	9.00#	7.50	6.50	6.50	7.50	18.50#	13.00	15.00

* Sales before Excise Duty Charge @ Before Exceptional/Extraordinary items ^ Based on Revised Schedule VI # Includes Special Dividend

Balance Sheet	2005	2006	2007	2008-09 (15 months)	2009-10	2010-11^	2011-12^	2012-13^	2013-14^	2014-15^
Fixed Assets	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	2,936.54
Investments	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	3,277.93
Net Deferred Tax	220.14	224.55	212.39	254.83	248.82	209.66	214.24	204.78	161.73	195.96
Net Assets (Current and Non-current)	(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)	(2,685.65)
	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	3,724.78
Share Capital	220.12	220.68	217.74	217.99	218.17	215.95	216.15	216.25	216.27	216.35
Reserves and Surplus	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	3,508.43
Loan Funds	56.94	72.60	88.53	421.94	-	-	-	-	-	-
	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	3,724.78

^ Based on Revised Schedule VI

Segment-Wise Sales [%]	2005	2006	2007	2008-09 (15 months)	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Soaps and Detergents	45	47	47	49	48	46	48	49	49	49
Personal Products	28	29	29	29	30	32	31	31	29	29
Beverages and Packaged Foods	22	20	21	19	20	20	19	18	18	18
Others	5	4	3	3	2	2	2	2	4	4

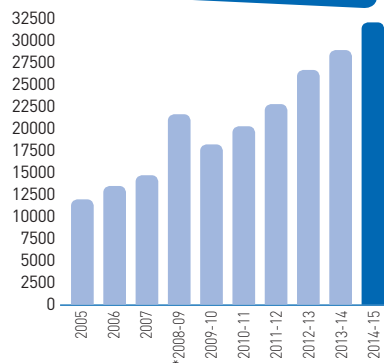
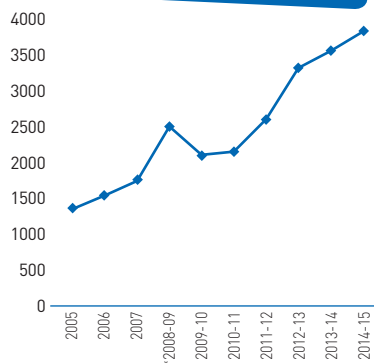
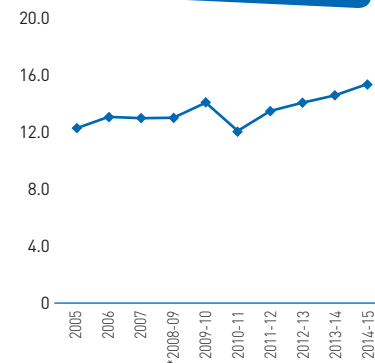
Key Ratios and EVA	2005	2006	2007	2008-09 (15 months)	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
EBIT [% of Gross Sales]	12.3	13.1	13.1	13.1	14	12.1	13.5	14.1	14.6	15.3
Fixed Asset Turnover (No. of Times)	8.1	8.6	8.6	8.3*	7.5	8.3	9.6	10.6	10.6	10.9
PAT / Gross Sales [%]	11.3	11.8	11.8	11.6	11.5	10.6	11.4	12.4	12.3	12.0
Return on Capital Employed [%]	68.7	67.0	78.0	107.5*	103.8	87.5	96.8	109.1	130.2	127.7
Return on Net Worth [%]	61.1	68.1	80.1	103.6*	88.2	74.0	77.7	94.7	104.1	99.5
Economic Value Added (EVA) (Rs. crores)	1014	1126	1314	2154	1791	1750	2250	2926	3147	3380

* Shown on annualised basis

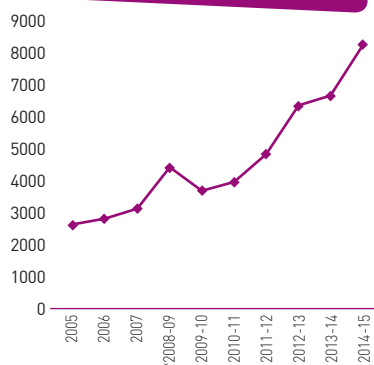
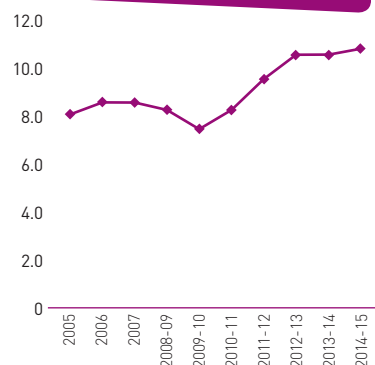
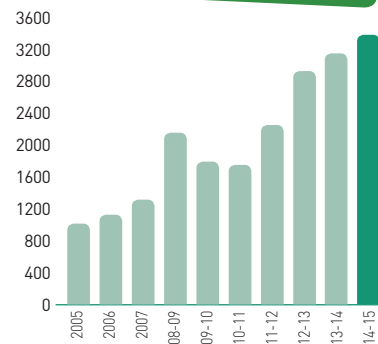
Others	2005	2006	2007	2008-09 (15 months)	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
HUL Share Price on BSE (Rs. Per Share of Re. 1)*	197.25	216.55	213.90	237.50	238.70	284.60	409.90	466.10	603.65	872.90
Market Capitalisation (Rs. crores)	43,419	47,788	46,575	51,770	52,077	61,459	88,600	1,00,793	1,30,551	1,88,849
Contribution to Exchequer (Rs. crores)	2,638	2,813	3,133	4,429	3,704	3,953	4,839	6,365	6,680	8,309

* Based on year-end closing prices quoted in the BSE Limited.

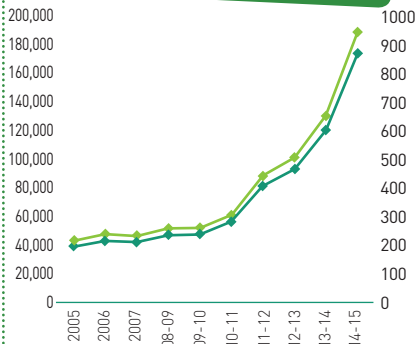
PERFORMANCE TRENDS

Gross Sales (Rs. crores)

Profit After Tax (Rs. crores)

EBIT (% of Sales)

Segment Wise Sales (%)


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

Contribution to Exchequer (Rs. crores)

Fixed Assets Turnover (No. of times)

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

CHAIRMAN'S STATEMENT



Dear Shareholders,

In Financial Year 2014-15, your Company delivered a robust performance despite considerable headwinds. The business continued to focus on the delivery of consistent, competitive, profitable and responsible growth. This was another year of exciting innovations, further improvement in execution and sustained focus on operational efficiencies. Our performance was anchored in the Unilever Sustainable Living Plan (USLP) and we made considerable progress on our sustainability agenda.

We delivered broad-based growth along with significant margin improvement. Our Domestic Consumer business grew by 10% with 5% underlying volume growth, both ahead of market. Profit before interest and tax (PBIT) grew by 17% with PBIT margin improving +90 bps. Profit after tax but before exceptional items, PAT (bei), grew by 8% to Rs. 3,843 crores, impacted by the higher tax rate. Net Profit at Rs. 4,315 crores was up 12%, aided by the exceptional income arising from property related sales. The strong track record of cash generation was sustained as cash from operations exceeded

Rs. 5,000 crores for the second successive year. With a final dividend of Rs. 9 per share proposed by the Board of Directors and an interim dividend of Rs. 6 per share, the total dividend for the financial year ending 31st March 2015 amounts to Rs. 15 per share.

In 2014, we launched 'Dial Up the Big Q', an initiative to further step up quality of our execution across all the levers of our business, i.e. brands and innovation, go-to-market, continuous cost improvement and our talent agenda.

We accelerated our pace of innovation whilst delivering a significant improvement in the success rate and 'on-time in-full' delivery of key projects. In Personal Care, Axe launched a range of body perfumes – Axe Signature, TRESemmé continued the premiumisation agenda with two new launches, Closeup launched Diamond Attraction in the premium whitening segment and Pond's launched the men's range of products. In Home Care, Surf Excel re-launched Easy Wash detergent and Surf bar, Vim introduced a new tub format for its dish wash bar and Pureit launched Ultima with RO+UV technology. In Beverages, Taj Mahal launched 'Flavour of Darjeeling' in the premium tea segment and the re-launch of Lipton green tea met with resounding success.

In line with our underlying objective of serving diverse consumers and customers across channels and geographies, we reorganised our go-to-market operations from the traditional four sales branches to 14 consumer clusters. We also added a fifth branch in Central India to accelerate our growth in this relatively under-penetrated but high-growth market. We call this initiative 'Winning In Many Indias'.

Our continued focus on cost effectiveness and improving operational efficiencies

resulted in significant savings across the board. These savings helped to sustain competitive investments behind our brands and at the same time contributed to the steady improvement in our operating margins.

We continued to drive our USLP agenda and made significant progress in the areas of improving health and well-being, reducing environmental impact and enhancing livelihoods.

Since 2010, Lifebuoy has helped 63 million people through its handwashing programme and Pureit has partnered with Micro Finance Institutions to provide safe drinking water cumulatively to over three lakh low income families in urban slums and remote rural areas.

On the environmental front, we made substantial progress on waste management in our factories and water conservation through the Hindustan Unilever Foundation (HUF). All our factories became zero non-hazardous waste to landfill sites and nearly 100% of our manufacturing waste in factories was recycled. HUF has so far initiated 18 projects across India in partnership with NGOs, government agencies and local communities to address the issue of depleting water resources. These projects have the potential of conserving 100 billion litres of water and generate seven lakh person days of employment.

Project Shakti continues to enhance livelihoods in remote villages across India through micro-enterprise opportunities. By the end of 2014, we empowered over 70,000 women entrepreneurs (Shakti Ammas) and they were complemented by 48,000 'Shaktimaans', the male members of the Shakti families. Through another project, Prabhat, we are serving communities around our factories by creating awareness about health and

hygiene, building water conservation capacities and improving livelihoods through skill development programmes.

These initiatives, along with several others, reaffirm our belief that addressing societal needs and business growth go hand-in-hand.

Our people are our biggest asset. I firmly believe that the growth of our business is intrinsically linked with the growth of our people. We have always encouraged diversity, agility and a performance-driven organisational culture in which people give their best and feel proud to be part of a successful and caring company. Our work ethics and culture of leadership development has enabled us to attract and build the finest talent in the industry across all levels of the organisation. In 2014, we were once again declared the 'Dream Employer' by students across top business schools and we retained our position as the 'No. 1 Employer Brand'.

I would like to thank each and every one of our employees whose commitment and passion made 2014 yet another successful year for the Company.

I would also like to thank you, all our shareholders, for your continued support in our journey.

Best Regards,



Harish Manwani
Chairman

BOARD OF DIRECTORS



- 1 Mr. Harish Manwani**
Chairman
- 2 Mr. Sanjiv Mehta**
Managing Director and
Chief Executive Officer
- 3 Mr. P. B. Balaji**
Executive Director,
Finance and 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
- 9 Ms. Kalpana Morparia**
Independent Director

ABOUT US

THIS SECTION EXPLAINS OUR BUSINESS – HOW AND WHERE WE MAKE OUR PRODUCTS, HOW WE TAKE THEM TO MARKET AND HOW WE ENSURE THAT OUR BRANDS REMAIN OUR CONSUMERS' CHOICE.

1. CONSUMERS



INSIGHTS FOR INNOVATION

A fundamental requirement at HUL is to understand our consumers. We use focus groups and quantitative studies and spend time with consumers in stores and in their homes to find out what is important to them so we can create products they need and want. Our Consumer Care line, Levercare, is also a rich source of information. We engage with our consumers through digital communications and social media. We use all these data to identify and anticipate future consumer trends and gain a competitive edge.



2. INNOVATION



TECHNOLOGY AT WORK

Research and Development (R&D) is an engine of sustainable growth. At HUL, we benefit from Unilever's global R&D expertise. There are 6,000 R&D professionals in Unilever globally, who are responsible for building brands through benefit-led innovation, which is unlocked through science and technology. This includes looking at long-term emerging science and transforming science into technologies which are used to design branded products.



4. SOURCING



SUSTAINABLE SOURCING

A dedicated team is responsible for HUL's procurement programme, including agricultural raw materials. In 2014, we rolled out our Responsible Sourcing Policy (RSP) as part of our commitment to business integrity, openness, respect for universal human rights and core labour principles.



3. COLLABORATION



PARTNER TO WIN

To meet our Vision we know we must work in partnership with others, such as suppliers, agencies, academia, governments and NGOs.

The big development in 2014 has been the launch of the Partner To Win 2020 programme to create a supplier ecosystem where partners work with us and each other to create breakthroughs in products or packaging to deliver the capacity, innovation and sustainable solutions to meet our growth ambition.

**700
TONNES**

LESS PLASTIC USE

Design and material optimisation implemented across categories to reduce packaging waste