
HUL at 75 – Earning the love and respect of India

was the subject of the speech,
delivered by Mr. Harish Manwani,
Chairman, Hindustan Unilever Limited,
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INTRODUCTION

A special year

This is a special year for us. We complete 75 years of corporate existence in India. A milestone such as this is rare even in the lifetime of a company. I am honoured and privileged to be speaking to you on this momentous occasion.

In our 75th year, as we chart the course ahead, it is a good time to look back at our roots. It is a time to reflect on our glorious past and also look forward to the promising future ahead. The progress and evolution of this company, its brands and its people in many ways reflect the changing social and economic landscape of India. The success and progress of Hindustan Unilever has been closely intertwined with the development and progress of the country and its people.

Hindustan Unilever is India's largest Fast Moving Consumer Goods company. In the 75 years of our journey in India, we have produced many things, from soaps to soups, which millions of Indians have enjoyed and delighted in every day and continue to do so. Our brands touch the lives of more than 700 million Indians. Over the years, we have delivered consistent growth and returns becoming a company with a turnover of over Rs. 13,000 crore. But what makes us 'really' proud is not just 'What' we have achieved but more importantly 'How' we have achieved it.

Since its inception in 1933, Hindustan Unilever has always lived by a

single belief that 'What is good for India is good for HUL.' This belief continues and will continue to be our guiding principle in everything that we do now and in the future.

It has delivered not just shareholder value but an enabling vision for our company – *To earn the love and respect of India by making a real difference to every Indian.* Having reached out for this ideal, we as a company strive to preserve it and grow it because for us this is the true measure of success.

OUR JOURNEY SO FAR

If it's good for India, it's good for us

Our journey in India began in the year 1933. The milestone is recorded in the Gazetteer of India (Maharashtra State, Greater Bombay district, Volume II, published by the Government of Maharashtra) in the following words:

"...the establishment of soap factories by the Lever brothers...in 1933-34 gave new dimensions to the industry, with which imports of soap fell down."

So it may be said that from our very inception, we brought "new dimensions" to the industry in which we operate. Throughout its history, the company embraced the needs of the country as its own. In the process, it was moulded and shaped to become better and stronger.

Take the events of the 1970s. The Government of India in its endeavour to strengthen the economy and catalyse local industry

decided to focus on investments in high technology areas. HUL recognised the need of the nation and embraced it with zest and commitment.

We started with a sodium tri-polyphosphate or STPP plant in 1979. It was a convergence of interests. For the government it meant an impetus to the domestic chemicals sector which was technology intensive. For us it was backward integration as STPP was a vital ingredient in detergents. It opened entirely new learnings for us. This was followed by a complex fertiliser di-ammonium phosphate plant which catered to the country's need for quality fertilizers to boost its agricultural productivity.

Our technological prowess helped us significantly in responding to various issues of national interest and indeed provide consumers with breakthrough solutions. For example, in the late 1960s, when the country was faced with the balance of payments crisis, HUL embarked on an import substitution drive. It made a technological breakthrough by substituting edible oils with non-edible oils, such as rice bran and castor, in soap making. This helped to save precious foreign exchange for the country, as edible oils had to be imported. This technology was also a strong competitive advantage that helped the company to consolidate its pre-eminence in the soaps business in the country.

More recently, HUL has launched Pureit, the most advanced in-home water purification system in the world. Pureit is a combination of breakthrough technologies and provides water that is 'as safe as boiled water' without the hassles of boiling and without needing

electricity or continuous tap water supply. It gives water that is free from harmful viruses, bacteria, parasites and pesticides.

Availability of safe drinking water is a widespread problem in India. At an initial cost of only Rs.1800 and an on-going cost of just 20 paise per litre, Pureit puts safe drinking water within the reach of every Indian home. It has already protected the lives of four million Indians. Pureit is being rolled out nationally this year and this will enable us to make a real difference to people across the country. Pureit, we believe, will make a significant contribution to addressing this very basic national need.

Another challenge that the country has faced and continues to face is balanced economic development and ensuring that growth is more inclusive. While the need was obvious, the challenges were considerable. The company once again responded to this national need in its characteristic manner. We diversified our manufacturing base by setting up our units in remote and rural areas as a means of catalyzing development of backward regions and enhancing livelihoods.

As part of this endeavour, we set up a factory in 1976 on the outskirts of Jammu. The challenges of doing so at a place where there was no basic infrastructure were significant. This was a place where even plumbers, mechanics and odd job helpers were not readily available. It was inaccessible except by jeep over bumpy terrain from the Jammu railway station. The very concept of turning up for work everyday was unfamiliar. Yet, that factory set a trend – we built, others followed; we benefited and so did the entire geography

around our factory.

The journey we started with Jammu, continues till date. Today, we have over 40 factories across India from Doom Dooma in the East to Dapada in the West and Pondicherry in the South to our most recent ones at Baddi and Uttaranchal in the North. Additionally, the company encouraged recruitment only from the local areas to increase employment opportunities in these backward regions. Once again this was a conscious choice. These actions have helped to create enormous goodwill for the company locally and more importantly create strong roots within the communities.

When self reliance was the national priority, and the need was to grow exports, HUL was at the forefront. HUL exports grew at a compounded rate of 69% from 1968 to 1972, when the country's total exports grew 8% over the same period. In 1973, our then Chairman, the late Vasant G Rajadhyaksha, noted: “India will have achieved *swavalambanam* (self-reliance) when it can freely buy from whichever country it chooses the goods, services and technologies it requires and can pay for them in free foreign exchange it has earned by the sale of its products and skills in the international markets.”

This approach of the company was evident in several other business fronts. HUL was the first multinational company to open ownership to the public when it diluted its shareholding in 1956. As the company floated shares in India for the first time, one newspaper described the stock as “not commercial but gilt edged”. The successful listing was not only a reflection of the confidence reposed by the people in the company but also a recognition of its long term commitment to India.

While the listing helped to create and share wealth in a more inclusive manner, it also helped the company to integrate its operations with the country and create a stake for the public at large in the company's commercial interests. It was a win-win partnership.

Through the years in India, HUL faced many challenges. It is how the company handled these challenges, and turned them into opportunities, that set HUL apart. Challenges brought out the best in the company, throwing up creative and pioneering win-win solutions that benefited not just the bottom-line but all stakeholders and in the process the country and the society at large.

These are but select snapshots from our long history. They illustrate our belief that our business concerns are locked in with national concerns. We thrive when the people we serve thrive and so our growth is inseparably linked to the cause of national growth and our progress to the country's progress.

TALENT IS OUR KEY

Character to match capabilities

A lot of what we do and how we do is in great measure a reflection of our parentage. Unilever recognised very early on, way back in the 1930s, that its operations in India would have to embrace the fundamental ideas and aspirations that underlie the awakening feeling of nationhood in India.

The first step towards this 'Indianization' of the company started with

recruiting and grooming local talent to takeover responsibility for running the company. The first Indian to rise to chairmanship, was the late Mr Prakash Tandon, who was recruited in 1937. By 1944, 15 out of 57 people in the company's management were Indians and by the time Mr Tandon took charge in 1961, 191 out of 205 managers were Indians.

This transition was a long and arduous journey, driven perseveringly through Unilever's commitment to groom the best talent locally without compromising on quality. In 1955, the company started its management training scheme with the express purpose of training and grooming future leaders to run the company. It came to be recognised as amongst the foremost institutions of corporate management training in the country. This talent was the very best to be had, comparable to their peers across Unilever globally. As Mr Turner, the then chairman of HUL, referred in his prescient speech at the company's AGM in 1959, they were "Homespun but very excellently spun."

We have come a long way from those early days. Our talent is recognised across Unilever globally. Today, more than 10% of our Indian managers work for Unilever in various countries, including senior management roles. This success of Indian talent for Unilever globally is in no small measure on account of the strong foundations that were laid in the early years of the organisation. Equally, HUL emerged as the fountainhead for managerial and leadership talent for industry at large in India.

In 2007, your company was accorded a significant recognition. HUL

was ranked fourth in a list of “Top Companies for Leaders” in a global survey by Hewitt Associates and its partners, Fortune magazine and The RBL Group. This is indeed a good measure of our people strength.

People are the heart of our business. At the heart of our success and our progress. Harnessing, developing and rewarding their skills, energy and commitment is our priority. The culture of integrity and meritocracy is woven into the fabric of the organisation. This is best reflected in the conversation in 1965 between the then Unilever Chairman Lord George Cole and a young manager in India. As was customary for a Unilever Chairman visiting India, Lord Cole had addressed the staff at the Head Office in Bombay and thrown the floor open for questions.

“Sir, what are the criteria for appointments to the Board?” the young manager asked the Chairman. “I’m glad you are thinking so far ahead,” Lord Cole replied. And he added: “The criteria for Board appointments are contribution, competence and character. The last takes precedence over the first two.”

Both contribution and competence can be measured as objective parameters, and indeed they are rigorously measured at our company. But character can only be gauged, evaluated and moulded with time. It is on display best when the times tend to be at their worst. So it is one of our most important yardsticks.

We also understand that we are rooted in India and our systems, practices and people must at the core reflect this. We have to

sincerely and authentically be who we are. We are proud to hold that we have the soul of a middle class company. That is who we are, and our people reflect this ethos.

THE ROAD AHEAD

Organising to win

We have had 75 glorious years in this country. Our challenge today, is that we should continue to remain just as relevant and just as strong in the next 75 years. There are many challenges that we must address if we are to achieve this. The first and foremost is performance.

Growth is a reflection of our relevance to society. And growth is the key to sustainable long-term value creation. We recognize this. In an increasingly globalised and competitive landscape, where battles are being fought and won with global scale and know-how, your company, being part of Unilever, a \$55 billion global company with operations in 100 countries, has a distinct advantage. An advantage that is being further augmented by the business transformation that Unilever has undertaken in the last few years.

In 2005, Unilever embarked on a new business model – ‘One Unilever’. One that leverages our global scale with sharper strategic clarity and focus on operational excellence. One of the key priorities for Unilever is the fast growing Developing and Emerging (D&E) markets like India. Unilever has a long standing history in these markets, which account for 44% of its business and expected to go

up to 50% by 2010.

The center of economic gravity is moving towards the D&E world and Unilever is well poised to leverage this opportunity through its unique global-local model. Our global scale gives us the ability to leverage brands, technologies, research and development across countries and regions and bring the scale and might of a global organisation into every market that we operate in. Our local roots provide us a deep understanding of local consumers, customers and communities to ensure that our products are relevant to their needs and aspirations.

Let me give you two contrasting examples of how this has made a big difference to our business in India. First, the Laundry category. Unilever sells more laundry washes than any other company in the world. And India is a big laundry market where Unilever has clear leadership. But also one where we faced a considerable competitive threat a few years back. By bringing together the very best of a brand portfolio that covers all relevant price points, our local 'go to market' capability and our global category expertise, we have grown the market and our shares, while rebuilding our profitability.

Another example is our response to the growing modern trade in India. General trade has always been the dominant retail channel in India, and it is destined to remain so for many years to come. But the modern trade is growing and it is therefore strategically important that we should complement our undoubted strength in general trade with an equivalent capability with organised retailers. Our business has made great strides over the past couple of years in customer

management. The 'One Unilever' organisation means that there is a single interface with our trade customers. And the business has drawn on expertise that exists across Unilever to develop tailored strategies for the emerging trade channels.

This has also brought about a step change in the performance of your company. We have recorded double-digit growth over the past three years with a steady improvement in operating margin. The business transformation underway gives us further tailwind to the strong growth opportunity in the Indian market. India presents us with enormous opportunities across all socio-economic segments. India has low levels of consumption compared to even other D&E markets. So competing for non-consumption itself will drive huge growth for HUL. A case in point is skin care, where HUL has 55% market share and a market with 1/25 of the per capita expenditure in Thailand. If we can just retain the 55% market share and work to develop and expand the market, it would mean phenomenal growth for us. Clearly, HUL is on the cusp of a huge opportunity.

Our value creating model is simple – to serve our vast and diverse consumer base and in the process achieve consistent, competitive and profitable growth. That is our long-term growth recipe.

We are not in any doubt that respect comes from delivering consistent high performance. An organisation which lags in performance will never be respected. And only an organisation that has earned 'Respect' can aspire to earn the 'Love' of the people.

CONTINUING THE LEGACY

Making a real difference

If Respect comes from 'What' we do, Love comes from 'How' we conduct our business. While we need to deliver a level of performance which is absolutely essential to be competitive in a market like India, we also need to keep in mind what our stakeholders are looking for from a business like ours beyond just the delivery of financial metrics. What are their expectations, their needs and their aspirations? For this we need to be conscious of the context in which we are operating and the requirements of the country.

So what is this context that we operate in today? India's economy is on the fulcrum of an ever increasing growth curve. With positive indicators such as a stable 8% annual GDP growth, increasing consumer demand and a rapid rise in foreign direct investment in the recent years, India has emerged as the second fastest growing major economy in the world.

A constellation of positive circumstances are converging to make India one of the largest economies of the world in the foreseeable future. Rarely, has there been a time when the Indian industry and Indians in general have felt more confident or optimistic as they are today. India is well on its way to take its rightful place on the global stage. And even as all of this is true, the opposite is equally true.

Millions of Indians continue to live without access to basic health or livelihoods. The disparities in income are ever widening. While 340 million people have been added into the middle class in the last 13 years, the number of people below the poverty line continues to

remain unchanged at over 200 million for several decades now. Urban-rural divide is only increasing. At independence we had an urban-rural income ratio of 1.5:1 and today this is three times higher at 4.5:1. While, India produces amongst the most number of scientists, engineers and doctors in the world today, it is also home to 46% of the world's illiterates and to a high proportion of the world's out-of-school children and youth. There are a host of such problems.

Why is this important to us, as a corporate and to you as shareholders of this company? Because, we believe that each one of us has a role to play in addressing this. It is easy to say that it is the government's job. But the reality is that the government doesn't have a magic wand. And each one of us will have to contribute. For if we do not address these problems in a systematic and sustainable way, then the India story could derail.

We believe that we can contribute through both our business and the manner in which we conduct our business. As we call it, Doing Well and Doing Good. It is about integrating social good into business good. It is about contributing to social progress through business growth. This makes it scalable and more importantly sustainable.

I spoke to you about our Vision. It is to earn the love and respect of India by making a real difference to every Indian. Our strategy to deliver this is by integrating our social, economic and environmental agenda with our brands, our people and the way we operate. We have made specific choices which are based on the needs of the nation and the capabilities and skills we can bring to bear on these. We have identified five key platforms and have articulated goals,

both short term and long term goals, stretching to 2015.

On the social front, we will work in areas of health & nutrition and empowerment of women, our economic agenda will be driven towards enhancing livelihoods and the environmental agenda will focus on water conservation and cutting green house gases. We have developed specific programmes and initiatives to address each of these. While it is not possible to take you through the details of all these plans, what I will attempt to do is take you through some of the key initiatives that we have taken upon ourselves in 2008, our 75th year.

It is our endeavour this year to enhance livelihoods of 75,000 women in a sustainable manner. We intend to partner with NGOs to augment their efforts by bringing in technical and managerial expertise in this area. The other leg is Project Shakti, our rural distribution initiative. It has made a big difference already to 45,000 women across 15 states of India by providing them sustainable livelihoods. We are continuing to scale Project Shakti and our target is to cover five lakh villages across India by 2010. The possibilities of what we can do with such a unique and large social infrastructure are immense.

There are several other initiatives we are undertaking in order to enhance livelihoods. Kissan, our leading foods brand, is targeting to source agricultural raw materials from primary producers. Now, what makes it really special is that we intend to pass on the economic benefits of this backward integration back to the farmers. Such initiatives will go a long way towards providing sustainable livelihoods.

Similarly, we have made significant progress in our endeavour of reducing the usage of water and energy in our operations. For example, since 2002, we have reduced water usage per tonne by more than 50% in our manufacturing operations. The energy consumption per unit of production since 2004 has also come down by 32%. These are significant gains given our scale of manufacturing and operations. These efforts will continue. In fact, going forward we wish to become water positive across all our operations by 2015.

This year, we will initiate rain water harvesting activities around 10 of our units. We have already had progress on this. We have developed self-sustaining environmentally-friendly model for water and soil conservation through water harvesting in villages around our units at Silvassa and Khamgaon in Maharashtra. The secret of our success here was largely on account of the successful partnerships that we were able to forge with the local government, NGOs and the local community.

Another key initiative in this area is built around our commitment of reducing our carbon footprint. We have embraced Unilever's ambitious target of 25% reduction in CO₂ from energy in manufacturing operations per tonne of production by 2012, against a baseline of 2004. We have done some pioneering work in this area in India, again through our operations. HUL developed a new process of manufacturing soap based on 'Plough Share Mixer' technology. This eliminates the need for steam in soap making. Since soaps are a sizeable part of our business, the new technology cuts carbon emissions by 15,000 tons per year. As a result, we became the first Unilever business worldwide to be awarded carbon credits under the

Clean Development Mechanism scheme operated by the United Nations Framework Convention on Climate Change.

Each of these commitments and actions will give you a sense of the impact we intend to make and how we are integrating our social, economic and environmental agenda into how we choose to do our business. But the success of these commitments as much as our performance depends solely on our people.

As a commemoration of our 75th year, our employees have committed to volunteer one hour for everyday that Hindustan Unilever has been in this country. Collectively, this means 27,375 hours of volunteering to raise standards of hygiene, drive women's empowerment, to address the problem of child malnutrition and to provide education and training opportunities to the under-privileged. It is this which will truly embed our Vision into the DNA of the organisation. It is ultimately the commitment of our people to 'doing well and doing good' that will earn us the love and respect of India and guarantee the success of your company and its continued relevance for the next 75 years and beyond.

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Hindustan Unilever Limited

“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”