HINDUSTAN LEVER LIMITED

Report and Accounts 2001

Our Corporate Purpose

Our purpose in Hindustan Lever is to meet the everyday needs of people everywhere - to anticipate the aspirations of our consumers and customers and to respond creatively and competitively with branded products and services which raise the quality of life.

Our deep roots in local cultures and markets are our unparalleled inheritance and the foundation for our future growth. We will bring our wealth of local knowledge and international expertise to the service of our consumers.

Our long-term success requires a total commitment to exceptional standards of performance and productivity, to working together effectively and to a willingness to embrace new ideas and learn continuously.

We believe that to succeed requires the highest standards of corporate behaviour towards our employees, consumers and the societies and world in which we live.

This is Hindustan Lever's road to sustainable, profitable growth for our business and long-term value creation for our shareholders and employees.

In 2001, we aligned all our resources to our biggest and most powerful assets - ***our power brands.*** Relentless focus on our power brands is the best way to deliver growth in an era of demanding consumers and intensified competition. Growth that would create value - ***value for our consumers*** by delivering a deeply satisfying experience every time they buy our brands. And through this, value for every one of ***our stakeholders*** - our channel partners, our suppliers, our shareholders and the outside community that we are all a part of.

Feel the Pulse is about helping each and every person within HLL develop an insightful understanding and a personal experience of consumers and our key channel partners and suppliers. This experience and understanding will lead to a true outward focus and ensure that our decisions and actions on our power brands are fully aligned with the needs of our consumers. In meeting these consumer needs, we will involve and leverage the strengths of our suppliers and channel partners.

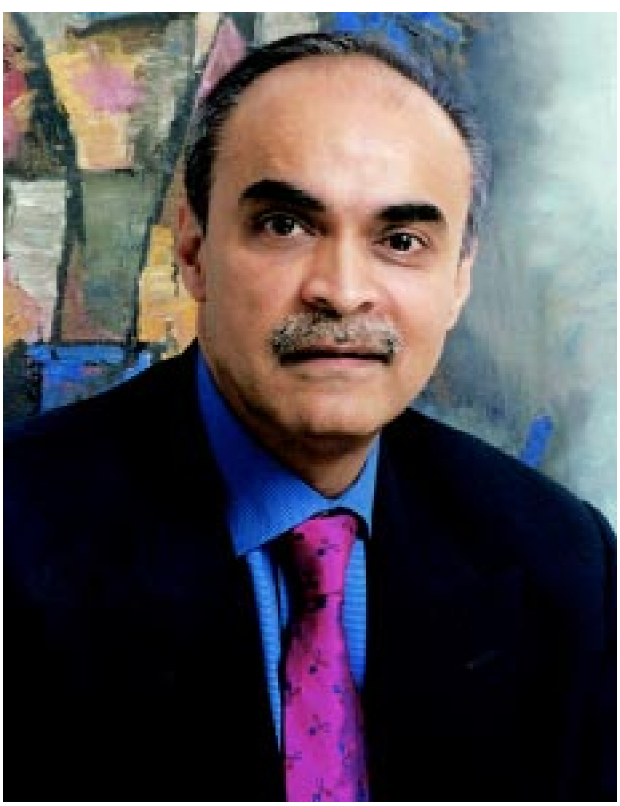
November 2001 *: In what was the largest and most efficiently co-ordinated acts in HLL history, every one of our* ***1500 managers*** *stepped out from their offices into streets and towns all over India. In three days, we met* ***2000 consumers****,* ***3000 retailers****,* ***300 stockists*** *and* ***62 suppliers****. Unexpected observations, insightful implications and innovative business ideas were recorded meticulously by every single individual for future use by businesses within the company. Going forward, this will be repeated every year to become a way of life at HLL.*

Contents

Chairman's letter

Dear Shareholders,

2001 has been a difficult year for India. Economic growth has slowed from 6.4% last year to 4% in 2000/2001 and is well below the targeted level of 8%. The Agricultural sector has now been stagnant for the past two years resulting in a severe slowdown in rural demand. The industrial sector has also slowed significantly - the Index of Industrial Production has grown by merely 2.3% from April till Dec. 2001; indeed December saw the growth rate fall to just 1.6%. Consumer spending is down due to a lack of confidence in the economy and a general feeling of instability -there is no feelgood factor.



Anticipating this slowdown, your company had developed a new strategy at the end of 2000. Our overall objective is to sustain profitable growth in slowing markets with intensifying competition. This strategy had three key elements: first, we would drive growth in our FMCG businesses, especially Home and Personal Care by focusing on 30 Power Brands out of a total of 110 brands. Our Power Brands were chosen on the basis of their absolute size, brand strength and relevance, competitive advantage and most importantly, potential for growth. We would concentrate our resources -

financial and people - on creating and supporting consumer relevant innovation for these brands. Second, we would improve the profitability of our foods businesses by restructuring the portfolio and reducing costs - these businesses must earn their fair share. Third, our non-FMCG businesses were increasingly facing global competition in a more open Indian market - we would take appropriate steps to ensure their long-term future while securing value for you.

Three key strategic objectives :

1. Profitable growth of our FMCG categories.
2. Improving the profitability of our foods business through strategic initiatives.
3. Securing the future of our non-FMCG business and ensuring value for shareholders.

I am happy to state that we have made very good progress in implementing this strategy in all three areas. This is borne out by our overall results in these difficult days. Net Profits have grown by over 25% to Rs.1641 crores in 2001 with a corresponding increase in earnings per share to Rs.7.46 in 2001. Profits before depreciation, interest and taxes (PBDIT) have risen by 16% to Rs.2096 crores in 2001. Return on net worth has increased to 53.9% in 2001.

Even by very conservative calculations, your Company's economic value added (EVA) has risen by over 25% from Rs.858 crores in 2000 to Rs.1080 crores in 2001. This performance has been reflected in the increase in total dividend from Rs.3.50 per share in 2000 to Rs.5.00 in 2001.

I would also like to update you on the progress on our new strategy. Firstly, our power brands grew by 6.5% - almost double the overall growth rate of 3.5%. In most Home and Personal Care categories our market shares increased as our Power Brands grew faster than the market - for example in toothpaste, our Closeup and

Pepsodent Power Brands' growth of 8% was much higher than the market growth of 2.4%. In some cases we grew while the market declined - for example in personal wash our power brands grew by 5.3% in a market that declined by 9.3%. We achieved this by improving quality and better brand advertising and promotion. Most of our brands are today much stronger than they were a year ago.

Secondly , we have made excellent progress in improving the profitability of our foods business. Overall profits have doubled in one year, albeit on a small base. This has been driven by a 5% increase in gross margins led by our largest category-Beverages. They achieved this by focussing on the most profitable brands as well as very innovative improvements in the supply chain. I must however add that we still have a lot to do in this area especially in turning around our ice-cream business as well as some of our other food categories.

Thirdly, several steps have been taken to secure the long-term future of our non-FMCG businesses. The Nickel Catalyst and Adhesives businesses were divested to ICI and the Animal Feeds business to Godrej Agrovet. We have also divested 51% of our flavour and fragrance division to ICI through a joint venture. We have continued this thrust in 2002. In March Quarter of 2002, the Seeds business has been divested to a joint venture with Emergent Genetics. In June Quarter, the divestment of Industrial Detergents business - Diversey Lever, will also be completed. In each case the buyer is a major

Facts in brief

1. Net Profit growth by 25%
2. Corresponding increase in EPS
3. PBDIT rise by 16%
4. Return on net worth up to 53.9%

player in the field with access to world class scale and technology, thereby providing the best possible future for these businesses. We have also ensured that you get good value from these divestments. Our management will now be able to focus even more strongly on growing our Power Brands.

I would also like to highlight two other key initiatives - the first is the continued drive to reduce costs throughout the Company. We are bringing down supply chain costs through use of Information Technology to connect the entire supply chain. Our objective is to move to making today what we sold yesterday, thereby significantly reducing inventory and costs through total supply chain. We are also leveraging our scale to optimise media and logistic costs and relentlessly controlling overheads. In addition we have taken several steps to increase the speed of decision making and action. We have created smaller category business units and driven empowerment and decision making closer to the coalface. Management rewards have also been increasingly linked with performance.

All in all, I believe we have a robust strategy and are concentrating on implementing it with excellence. In doing so, we are fortunate to have excellent and dedicated employees, a vast network of trade and supplier partners as well as the goodwill of millions of consumers who believe in our brands. All these will enable us to continue to grow value for you into the future.

With best wishes,

M.S. Banga
Chairman

Growth Through Focus - Power Brands


Sales growth %
8
7
6
5
4
3
2
1
0
-1
-2
6.5
-1.1
Power Brands
Other Brands


Operating Profit growth %
10
8
6
4
2
0
9.7
8.1
Power Brands
Other Brands

"Sitting in a lab does not give us any idea of what we can give to the consumer"
- Aniket Gandhi, Development Manager

Consumer Connectivity

Across the length and breadth of HLL, we are creating a truly consumer focused organisation. Whether a factory manager, a marketeer or a commercial manager, the consumer is at the heart of all that we do. Being consumer focused means genuinely understanding the consumer in her own environment, understanding her deepest concerns, her aspirations, her moments of joy. Our challenge and mission is to then use this understanding on our power brands to deliver value.

To every mother her success is measured by the development and progress of her child. Scientific studies have shown that iodine deficiency hinders the mental development of children. This insight was at the heart of the development process for our salt business. HLL has now developed technology that enables Annapurna salt to retain the right iodine content through the storage, shipment and cooking process unlike other competitive brands which lose iodine. By leveraging this technology through every element of the mix, Annapurna has become not just the largest selling branded salt in India but has doubled its profitability as well.

"'Vijeta' scheme has resulted in a family of wholesalers.
I am lucky to be a Vijeta member. My business has increased
and I have got extra benefits and profits"
- Prashant, NCC Sales & Service

Retail Reach

At HLL, we have segmented the over 1 million channel partners that we directly reach, into five key segments - Wholesale, Key Accounts, Modern Retail, Mass Retail and Rural. Understanding and being sensitive to the differing needs, differing growth levers and differing characteristics of each of these segments is enabling us to put in place a differentiated and targeted service mix. Through this, we will deliver superior value both for own business as well as for our channel partners.

The Wholesale channel helps our brands reach three times the number of retailers that we are able to directly reach. HLL has understood that retained earnings and strong relationships are the levers for building preference amongst Wholesalers. Using this understanding, the 'Vijeta' programme was rolled out by the Detergents business across the country. 'Vijeta' leveraged the concept of loyalty points from the airline industry to deliver a customised service and reward mix for the Wholesale trade. More, viewing the Wholesale trade as part of the extended family of HLL has built strong ties with the company. This has helped Wheel, one of our strongest wholesale brands, record the highest ever growth during the course of 2001.

"Before Continuous Replenishment System, we had stock levels of as high as 10 days to 2 weeks. Now it has come down to 5 to 7 days. This has definitely released my money."
- Gautam Gohil, Stockist

Stockist Network

The 4500 Redistribution Stockists of HLL are an extension of our business system. The stockist is at the front end of our operations, in touch with retailers, in touch with the market. Our growth is linked to the growth and health of our stockist. Strengthening his operational efficiencies and unlocking his energies and time, to focus on the market place where growth will come from, will deliver value for him and for HLL - A win-win in its entirety.

Since 2001, through RS-Net a Web enabled customer management system, HLL has established two way connectivity with 1200 stockists accounting for almost 50% of our turnover. Using this infrastructure, HLL has implemented a continuous replenishment based ordering and selling system that is beginning to eliminate inefficiencies in stockist inventory holding - quantity and quality. More, the elimination of the need for manual intervention in the customer management process has increased our sales force time spent in the market by upto 30 percent. Within the Personal Products business, Mumbai city where RS-Net has been operational for almost a year was the fastest growing metro in the country last year.

"Feel the Pulse visit to our unit was an excellent opportunity for us to share thoughts. It was clearly a forum for mutual understanding."
- K N Lakshmanan, Caress Cosmetics

Supplier Partnership

Our goal is to have suppliers who can operate with maximum efficiency, and interface seamlessly with us, all the time. This will reduce cost in their supply chain and consequently reduce cost in ours. Unlocking efficiencies and eliminating unnecessary costs will result in shared prosperity - for the supplier, and for us. This is the best way to strengthen our partnership.

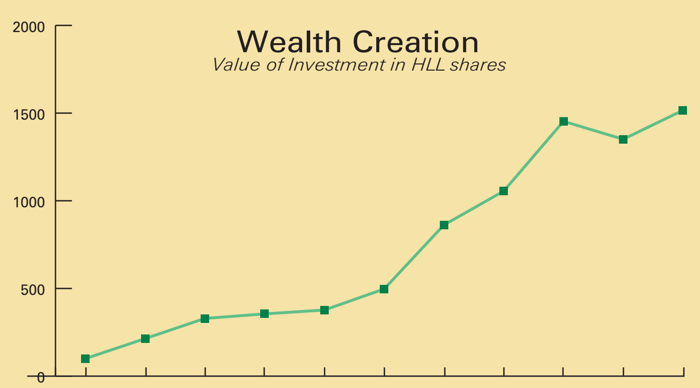
At HLL, we seek to build with our suppliers, a partnership that can leverage their enormous knowledge and help create sustainable value for both of us.

HLL has linked the entire physical flow of materials to a zero based inventory norm managed by suppliers - A Vendor Managed Inventory (VMI) process. A supplier website (Supplier Net) has been created to enable transactions, information flow and performance review on a single virtual platform. This has enabled inventories at the optimal level at the right place to replenish consumption. This virtual window has enabled our beverages business to unlock inefficiencies and dramatically improve its profitability.

"Hindustan Lever meets the needs of lower middle class to higher upper class.
I am proud to be a shareholder of this company."
- P Ghorawat, Shareholder since 1978.

Shareholder Satisfaction

Since 1956, Indian shareholders have invested and shared in the prosperity and growth of the company - our family of shareholders has grown steadily and is now over 3,00,000 strong, across the country. HLL has consistently endeavoured to understand and meet shareholder needs of wealth creation and financial security. The recent proposal for the issue of bonus debentures is an innovative example of how HLL has sought to reward its shareholders. The confidence that has been reposed in HLL's management by shareholders is truly something that all of us within HLL are proud of and feel deeply responsible for.



An investment of Rs. 100 in Jan 1992 in HLL shares is worth Rs. 1516 in Jan 2002.

"Project Shakti has given me a means of livelihood. I am delighted"
- Vijaylakshmi, Project Shakti Deale, Aregudum, Nalgonda District

Community Commitment

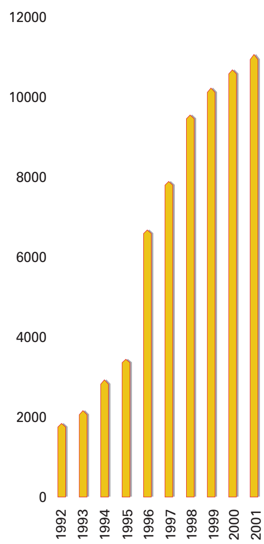
HLL remains deeply committed to contributing to the broader society in which we operate. Whether it is rural development, education, reconstruction aid from natural calamities or providing help to destitute children, HLL leads and supports several pioneering efforts in these areas. These efforts will continue and gain momentum. Momentum that will be sustained by creating a true win-win partnership between HLL and the extended community that we belong to.

Project Shakti seeks to create a sustainable partnership between HLL and our low income rural consumers through providing them access to micro-credit, an opportunity to direct this credit into investment opportunities as our distributors and reward for growth and enterprise through shared profits. The Rural cell within HLL has worked closely with self help groups, NGO's and governmental bodies in Andhra Pradesh through 2001 to put in place a comprehensive experiment in training these self help groups. This has given us the confidence to make a scalable impact on rural development as we go forward.

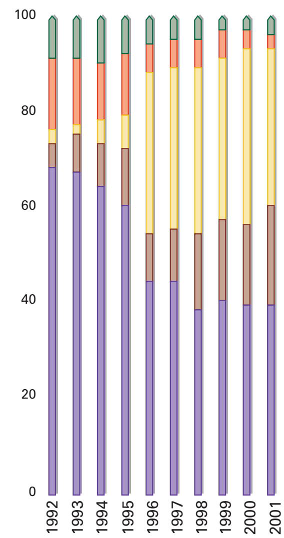
2001 Highlights

- Net sales up by 3.5 per cent – from Rs.10,604 crores in 2000 to Rs.10,972 crores in 2001. Of this, net sales of Powerbrands grew by 6.5 per cent
- Profits before depreciation, interest and taxes (PBDIT) up by 15.9 per cent – from Rs.1,809 crores in 2000 to Rs.2,096 crores in 2001
- Profits before tax (PBT) up by 16.7 per cent – from Rs.1,665 crores in 2000 to Rs.1,943 crores in 2001
- Net profit up by 25.3 per cent – from Rs.1,310 crores in 2000 to Rs.1,641 crores in 2001
- Return on net worth (RONW) up from 52.6 per cent in 2000 to 53.9 per cent in 2001
- Earnings per share (EPS) up by 25.2 per cent – from Rs.5.95 in 2000 to Rs.7.46 in 2001
- Total dividend up from Rs.3.50 per share of Re.1 in 2000 to Rs.5 in 2001
- Seven new manufacturing units commissioned in record time, with an investment of Rs.162 crores. Three factories received the 'TPM Excellence Award' from JIPM, Japan
- Operating profits in foods doubled in 2001, and gross margins increased by 5 percentage points
- New confectionery venture took off, and occupied No.1 position in its segment in Tamil Nadu within six months

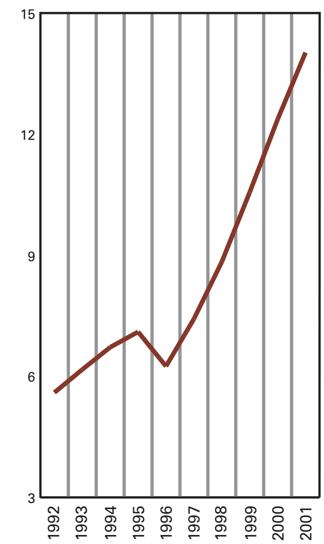
Charts : 1992 - 2001



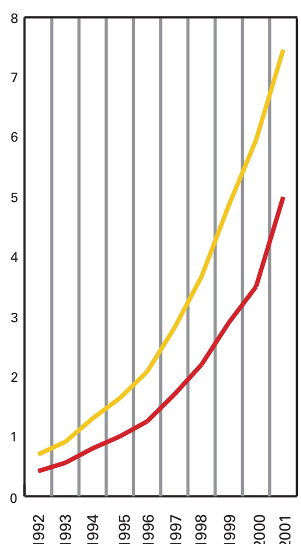
Net Sales
(Rs. Crores)



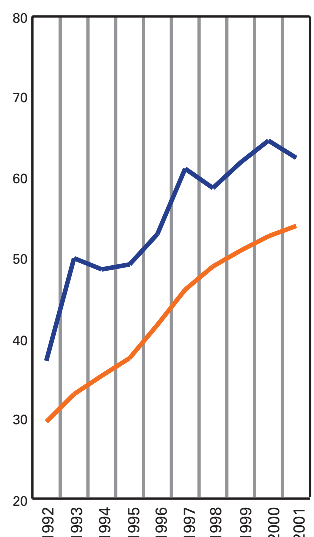
By Segment as % of Sales
(Percentage)



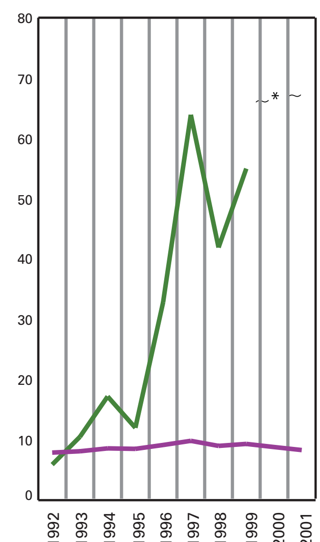
PAT as % of Sales
(Percentage)



Earnings & Dividend per Shares
(Rs.)



R.O.C.E. / R.O.N.W.
(Percentage)

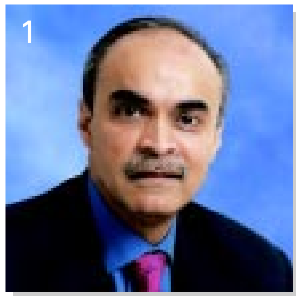


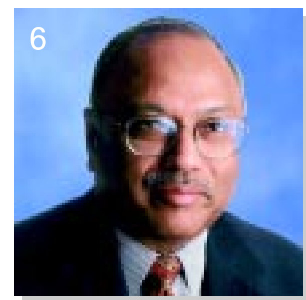
Asset Turnover
(No. of Times)

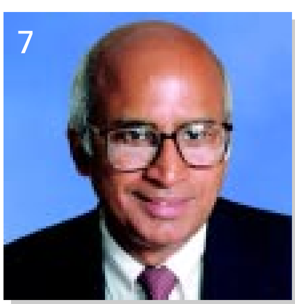
	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Net Sales (Rs. Crores)	1,757	2,063	2,826	3,367	6,600	7,820	9,482	10,142	10,604	10,972
By Segment as % of Sales										
Soaps, Detergents & Household Care	69	68	65	61	45	45	39	41	40	40
Personal Products	5	8	9	12	10	11	16	17	17	21
Foods	3	2	5	7	34	34	35	34	37	33
Chemicals, Agri, Fertilizer & Animal Feeds	15	14	12	13	6	6	6	6	4	3
Others	8	8	9	7	5	4	4	2	2	3
PAT / Sales (%)	5.60	6.17	6.72	7.10	6.25	7.42	8.83	10.55	12.35	14.04
E.P.S. of Re. 1 @	0.70	0.91	1.30	1.64	2.08	2.81	3.67	4.86	5.95	7.46
D.P.S. of Re. 1 @	0.42	0.56	0.80	1.00	1.25	1.70	2.20	2.90	3.50	5.00
R.O.C.E. (%)	37.14	49.91	48.52	49.14	52.91	61.06	58.65	61.84	64.55	62.40
R.O.N.W. (%)	29.55	33.00	35.29	37.48	41.62	46.00	48.89	50.87	52.65	53.93
Fixed Assets Turnover (times)	7.89	8.11	8.59	8.51	9.15	9.84	9.00	9.33	8.81	8.31
Working Capital Turnover (times)	5.9	10.5	17.2	12.0	32.8	63.9	41.9	54.17	~*	~

@ Adjusted for bonus issue.
* Denotes working capital is negative.

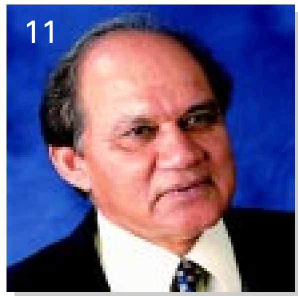
Board of Directors and Management Committee







1.	M.S. Banga	*Chairman*
2.	M.K. Sharma	*Vice Chairman*
3.	A. Narayan	*Independent, Non-Executive Director*
4.	V. Narayanan	*Independent, Non-Executive Director*
5.	D. S. Parekh	*Independent, Non-Executive Director*
6.	C. K. Prahalad	*Independent, Non-Executive Director*
7.	S. Ramadorai	*Independent, Non-Executive Director*
8.	A. S. Abhiraman	*Research*
9.	A. Adhikari	*Personal Products*



10. V. Balaraman	*Exports*
11. S. K. Dhall	*Plantations*
12. G. Kapur	*Foods*
13. A. K. Mathur	*Chemicals & Agri.*
14. J. H. Mehta	*Ice Creams*
15. S. Ravindranath	*Beverages*
16. D. Sehgal	*New Ventures & Marketing Services*
17. G. Singh	*Human Resource, Technology & Corporate Affairs*
18. D. Sundaram	*Finance*
19. A. Weijburg	*Detergents*

Board of Directors

Directors

M.S. Banga	*Chairman*
M.K. Sharma	*Vice Chairman*
A. Narayan*	
V. Narayanan*	
D.S. Parekh*	
C. K. Prahalad*	
S.Ramadorai*	
G. Singh	
D. Sundaram	
A. Weijburg	

** Independent, Non-Executive Directors*

Management Committee

M.S. Banga	*Chairman*
M.K. Sharma	*Vice Chairman, Legal & Secretarial*
A.S. Abhiraman	*Research*
A. Adhikari	*Personal Products*
V. Balaraman	*Exports*
S.K. Dhall	*Plantations*
G. Kapur	*Foods*
A.K. Mathur	*Chemicals & Agri.*
J.H. Mehta	*Ice Creams*
S. Ravindranath	*Beverages*
D. Sehgal	*New Ventures & Marketing Services*
G. Singh	*Human Resource, Technology & Corporate Affairs*
D. Sundaram	*Finance*
A. Weijburg	*Detergents*

Company Secretary

O.P. Agarwal

Auditors

A.F. Ferguson & Co.
Lovelock & Lewes

Bankers

State Bank of India
Standard Chartered Grindlays Bank
Citibank N. A.
Hongkong & Shanghai Banking Corporation
Bank of America
Deutsche Bank
ABN-AMRO Bank
Punjab National Bank
Corporation Bank
HDFC Bank
ICICI Bank

Solicitors

Crawford Bayley & Co.

Registered Office

Hindustan Lever House
165/166, Backbay Reclamation
Mumbai 400 020

Report of the Directors

1. 2001 IN RETROSPECT

The past year has been a difficult one for India. Economic growth has slowed with two consecutive bad agricultural years impacting rural demand adversely. Industrial growth is also at its lowest for several years. Consumer spending is declining as overall confidence in the economy is low and there is a widespread sense of instability.

The overall effect of this has been a slowing of market growths across the FMCG categories. Competition has also intensified. The combined effect of these two factors has resulted in some of our markets even declining in value.

Anticipating this, your Company developed a new strategy with three clear thrusts – (i) to lead growth of the FMCG businesses, especially Home and Personal Care by focussing on 30 Power Brands out of a total of 110 brands; (ii) to improve the profitability of the Foods business; and (iii) to secure the future of the non-FMCG businesses while securing shareholder value for these.

Very good progress was made in implementing all three thrusts as borne out by the excellent results achieved in difficult market conditions in the face of intense competition.

2. PERFORMANCE OF THE COMPANY

2.1 Results

Your Company's performance during 2001 is summarised below :

(Rs. Lakhs)

	2001	2000
Gross turnover	**11781,30**	11392,14
Turnover, net of excise	**10971,90**	10603,79
Profit before tax	**1943,37**	1665,09
Tax on profits	**(402,42)**	(355,00)
Exceptional Income	**100,36**	Nil
Net profit	**1641,31**	1310,09
Taxation adjustments of previous years	**(1,01)**	17,23
Dividend (incl. tax on distributed profits)	**(1158,31)**	(942,36)
Transfer to General Reserve	**(165,00)**	(135,00)
Profit & Loss Account balance carried forward	**(759,98)**	(442,99)

2.2 Key Ratios

The underlying performance can be ascertained from the following key ratios :

	2001	2000
Earnings per share (Rs.)	**7.46 (per share of Re. 1/- each)**	5.95 (per share of Re. 1/- each)
Dividend per share (Rs.)	**5.00 (per share of Re. 1/- each)**	3.50 (per share of Re. 1/- each)
Return on Net Worth (%)	**53.9**	52.6

2.3 Turnover

Turnover for the year increased by 3.42% gross and 3.47% net. The sales of products in different categories, net of excise, appears below:

Rs. Lakhs

	2001		2000	
	Sales	***Others****	*Sales*	*Others**
Soaps, Detergents and Scourers	**4284,76**	**1,067**	4169,19	656
Personal Products	**2212,08**	**586**	1763,87	575
Beverages	**1414,27**	**455**	1546,17	689
Foods	**794,20**	**—**	777,21	—
Ice Creams	**156,57**	**529**	163,91	475
Exports**	**1750,62**	—	1771,82	—
AFS	**Not applicable**		71,41	—
Others	**359,40**	**2,779**	340,22	1,512
Total	**10971,90**	**5,416**	10603,79	3,907
Total Segmental Revenue	**11026,06**		10642,86	

* Sales figures of 2001 not aligned to the sales figures of 2000 as reported last year, in view of the modified reporting pattern in compliance with the segmental reporting requirement of the listing agreement pursuant to SEBI regulations.

Accordingly sales figures of 2000 as appearing in the Report and Accounts of 2000 have been translated into the new format for the sake of comparative analysis.

* The other revenue represents service income from operations, appropriated to the relevant businesses.

** Export sales represents the cumulative revenue as allocated to the individual businesses for the exports arising from the said businesses.

Report of the Directors

3. RESPONSIBILITY STATEMENT

The Directors confirm :

a) that in the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same;

b) that they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profits of the Company for that period;

c) that they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

d) that they have prepared the annual accounts on a going concern basis.

4. CORPORATE GOVERNANCE

Certificate dated May 20, 2002 of the auditors of your Company regarding compliance of the conditions of Corporate Governance as stipulated in Clause 49 of the listing agreement with stock exchanges, is enclosed.

Your Company has been practicing the principles of good corporate governance over the years.

The Board of Directors supports the broad principles of corporate governance. In addition to the basic governance issues, the board lays strong emphasis on transparency, accountability and integrity.

5. PRODUCT CATEGORIES

5.1 Soaps & Detergents

The overall market growth for Soaps & Detergents was sluggish during the year with a sharp decline in the Popular & Premium segments of the market. In particular, rural markets where the business has a traditionally strong presence performed poorly following decline in the agricultural growth. The discount segment continued to face severe price-led competition. Against this background, the business registered a relatively better performance in terms of growth. Major investments were made behind quality enhancements of key brands like Lux, Surf and Wheel during the year with clear consumer benefits. These were backed by some strong consumer promotions during the year including multi-packs. Lifebuoy Active was launched during the year and in a short time, the brand grew handsomely with a 3.7% share of the segment. This helped offset the decline of Lifebuoy Carbolic. Major investments have been planned to retain and grow the Lifebuoy franchise in 2002.

Overall, Power Brands grew significantly ahead of the market and are poised well for a stronger performance once the market turns around with the impending economic revival. Innovation will continue to drive growth in the following year, with several projects in the pipeline.

Major initiatives to improve distribution reach, particularly in the rural markets, were undertaken during the year to build upon the competitive advantage that the business currently holds in sales and distribution. Significant investments were also made in networking & Information Technology (IT) to manage supply chain more efficiently and make a quantum improvement in the customer service levels. Project LEAP which brings together the combined strength of IT, Sales and Commercial to deliver better customer service and make the entire supply chain – including the back end systems connected with suppliers of materials – respond faster to the short term changes in the market place, has been implemented towards the end of the year in the Soaps business and the initial results were encouraging. The focus in 2002 will be to stabilise the system and prepare for rolling it out to other businesses.

A few highlights of the 2001 brand performance are :

— With Wheel and Rin, the business not only recorded brand leadership again after a decade but also captured No. 2 slot in Laundry.

— Lux recorded its highest ever share in the last 24 months.

— Wheel Green Powder shares are at their highest in 24 months.

— Surf Excel has reached its highest value share ever.

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The business also created new benchmarks in capacity creation with 4 new plants (2 for NSD Bars, 1 for Soaps and 1 for NSD Powders) being commissioned in record time. These factories have stabilised very quickly giving significant supply chain and tax benefits to the business. Safety and Environmental compliance continue to be focus areas within the business, and major investments have been made behind TPM processes in the factories to improve the productivity of operations.

Superior Technology in the business repertoire will be leveraged to deliver improved quality at lower cost to achieve profitable growth.

The business sees a big opportunity in market growth in the medium to long term, particularly in the rural areas, and has initiated programmes to drive consumption of soaps in the context of the increased awareness of health and hygiene. For the year 2002, market growth which is linked to the turnaround of the economy remains the major risk factor.

Vasishti Detergents Limited (VDL)

The Associate Company continues to manufacture Soaps and Detergents for your Company. The supply arrangements have however been restructured and VDL now operates as a 'converter' of finished goods for a conversion charge, where raw materials and packing materials are provided by your Company, as against the past arrangement where VDL was acting as a 'supplier' of finished goods to the Company by way of an outright sale. The new arrangement is expected to improve the efficiency and benefit both the Companies.

SC Johnson Products Pvt. Ltd. (SCJ) (Formerly Lever Johnson (Consumer Products) Pvt. Ltd.)

After a careful evaluation of the performance of this Joint Venture (JV), the JV partners have decided to demerge the disinfectant business into a separate Company, Toc Disinfectants Ltd. with identical shareholding pattern. While SCJ will provide leadership, technology and marketing support for the insect control and air care, HLL will provide leadership, technology and marketing support for the disinfectant business, the sharper focus is expected to improve the performance of the insect control, air care and disinfectant business of the JV. It is the intent that over time SCJ will assume majority control of the demerged company while HLL Group will gain majority control in the Resultant Company, i.e. Toc Disinfectants Limited.

5.2 Personal Products

Personal products has had a good year in 2001, with double digit growth. This was achieved by focussing on the core brands and investing in building their equity. In spite of slow market growths, your Company increased its investments in innovation, research and advertising on its big brands resulting in growth ahead of the market.

The Hair Category had another year of growth, with high quality relaunches of Clinic Plus, Clinic All Clear and Sunsilk. The packaging of Sunsilk and All Clear bottles were changed in line with international developments, while a new stand-up pack was launched in the mid-price segment. Your Company entered the nascent category of hair colourants, with the launch of Sunsilk hair colours in the metros. In order to address the opportunity at the low price end of sachets, Lux sachets were launched at prices of Re.1 and Re. 0.50, and these have met expectations.

The Skincare Category had a very good year, with Fair & Lovely as star performer in 2001. In Fair & Lovely, the launches in 2001 included a fairness soap, a dark circle under eye cream, and sachet with a recloseable cap. The main Fair & Lovely cream brand was also relaunched with improved packaging and communication. All these initiatives, alongwith investments in advertising and rural penetration, led to high growth for the franchise through the year.

The Pond's brand returned to double-digit growth after a slowdown for 2 years, with comprehensive relaunches to its talc as well as skincare ranges. The growth was achieved by improvement in the functionality of products, packaging and impactful market activity. A new talc variant, Ponds Light n' Fresh, and a new mini Cold Cream jar priced at Rs.5 were successfully launched in 2001. The skin range of Lakme was renovated and strengthened and a premium new product, Lakme Fair Perfect, was introduced towards the end of 2001.

In the Oral Category, Pepsodent was relaunched and emerged much stronger in 2001 as a result of innovation, advertising and marketplace activation. The introduction of value packs as well as new advertising helped increase

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market shares for Pepsodent. Your Company decided to de-prioritize the toothpaste brand Aim, in order to focus all efforts on Pepsodent and Close-Up – this strategy has been successful as demonstrated by the growth and brand building that has been achieved in the second half of 2001.

In the Deodorants business, Axe continued on a high growth path, with many imaginative market activities and new introductions in 2001. Rexona was relaunched with international packaging and has achieved salience on the 24 hours delivery of deo benefits.

Colour cosmetics saw many innovations on both Lakme and Elle 18 including a new range of colours based on the Lakme India Fashion Week.

Your Company acquired the assets and liabilities of its colour cosmetics, fragrances and personal care business from Lakme Lever Ltd. at net book value, with effect from 31.3.2001. Post merger, Aviance business continued to focus on direct marketing of personal care products to gain better understanding of this channel.

Supply chain and sourcing efficiencies led to significant cost reduction, whilst quality improvement came through technologies and innovations. Your Company continues to focus on low unit price packs, which provide the consumer with quality products at low put-down prices. A new Personal Products factory was commissioned in Doom Dooma in Assam, to cater to the growing market demand.

Indexport Ltd

This 100% subsidiary continued the oil operations. Nihar Perfumed Coconut Oil continued to grow well, while Clinic All Clear Dandruff Oil registered substantial growth of more than 50%. Nihar Amla Oil was also launched around the end of the year, to exploit opportunities in this segment of hair oils.

Kimberly Clark Lever Limited

This joint venture had satisfactory performance during the year. The Joint Venture continues to be the market leader in infant care products (diapers) and continues to make progress in feminine care products (sanitary napkins).

5.3 Beverages (Tea/Instant Tea and Coffee)

Indian Packet Tea market had another challenging year in 2001 as the bearish sentiment in commodity continued for the third successive year. Easy availability of loose tea at low prices, coupled with the reduced purchasing capacity, particularly among consumers depending upon agricultural income, led to significant downtrading. Overall packet tea market declined by over 6%.

Your Company continued to follow its long term strategy of upgrading the portfolio by focussing innovation and marketing efforts only on Power brands. Non core brands with un-viable margins have been rationalised, leading to a decline in overall turnover.

The marketing strategy focussed on high impact communication and innovative market activation. "Ustaad Zakir Hussain's Challenge" further strengthened the position of Taj Mahal as the best tea. Taj Mahal recorded good growth in a difficult year. Innovative market activation in Taaza generated unprecedented excitement in the market place, resulting in higher volumes. In the mass market, the challenge is to establish a profitable business by effectively competing with loose tea and low priced regional brands. Your Company has been investing significant sums in Research and Development, to gain leading edge knowledge on tea and developing products with functional benefits relevant for these consumers. A1 was relaunched in Maharashtra with a faster infusing, stronger tea, with encouraging consumer response. In Karnataka, a variant of A1, fortified with vitamins, was test marketed in the latter part of the year.

Share of Throat of Tea as a category has not been growing in the last few years particularly among the youth. A number of micro-level activities have been undertaken to drive aggressive growth in the Out of Home channels and create new consumption occasions for Tea.

Lipton Ice, Unilever's globally successful brand in the soft drinks category, with its unique positioning of 'Pleasure, excitement and goodness' has met with encouraging response in the selected markets where the same has been introduced. Out of Home and Lipton Ice, will be major contributors in our future growth.

Profitability of the Beverages business improved significantly by over 850 basis points at gross margin level. This has been achieved by upgrading the brand

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portfolio and re-engineering the supply chain. A number of initiatives in sourcing, blending, manufacturing and distribution were taken to compress supply chain lead time, leading to significant improvement in quality, particularly on freshness parameter. Manufacturing locations have been reconfigured and modernised to optimise total systems cost. These steps, in addition to bringing down costs, helped the business to manage its operations with negative working capital.

Coffee business had another outstanding year and recorded excellent growth, both in top line and bottom line. Bru was successfully relaunched with a significantly improved product and excellent communication to build a modern, youthful image for the brand. The mix has been well received in the marketplace.

Plantations

The Year 2001 for the plantations business was a Quality Growth year. South Indian tea factories were upgraded to enable production of Assam type of teas (i.e. the non-reconditioned type of manufacture). This initiative was successful in meeting the milestone quality levels, that of Assam. As on date 70% of total production in South India has been converted to this type of manufacture. This has achieved a better blend fit for South Indian teas in the packet tea brands of Beverages, even as our South Indian garden teas continue to get premium prices in the auctions.

Doom Dooma Division in Assam registered record crops for the year while tea quality showed significant improvement.

The gardens of Rossell Industries Ltd. (RIL), a Group subsidiary, showed noteworthy improvements in quality as well. More than two-thirds of the production found a 'home' in the premium blends of Beverages Division. Crops recorded were 10% over the previous year, an increase not matched by any in an industry where many gardens have not shown any growth at all. The year saw most of RIL's production going into HLL tea packets.

In Assam, concentrating on improving land and labour productivity, controlled costs. Remarkably, costs took a downward route overriding an industry wide wage increase in Assam of 15% effective from 1st May 2001. Semi-mechanical harvesting, with plucking shears, was extended to all tea area in Doom Dooma Division, where the high tea clone percentage with its amenable morphology took to this method of harvesting well. Shearing contributes to improved earnings for the workers even as harvesting costs come down. While this initiative was driven, close attention was paid to its impact on the quality of raw material, as that remains the key to quality of the final product. Along with this various agronomic practices are constantly being fine-tuned to deliver quality at lesser cost.

The Division has taken on board, in a very focussed manner, the Unilever driven Sustainable Agriculture Project. Unilever's commitment to creating economic value hand in hand with ensuring that its operations/activities are not responsible for any adverse impact on the environment, or on the local communities in which it operates, and a focus on the use of renewable resources in preference to non-renewable ones constitute the key elements of sustainable development. Applying this to agriculture is very relevant when one sees that 70% of the Company's products come from agricultural raw materials. Plantations has incorporated the process of moving to a measurable index made up of ten identified indicators of sustainability that include impact of its activities on soil, climate, water, the local economy, value creation and the use of renewable resources. Progress made includes crop protection with environmentally safe chemicals, rationalization of chemical fertilizer complemented with increasing use of organic manure, vermiculture, and moving towards renewable firewood by replacing coal. Extensive interaction has been set up with stakeholding communities including the initiating of fish farms and other activities that would involve villages in the vicinity of the estates. Stakeholder endorsement of the initiatives has made progress with keeping in regular touch with various NGOs and experts.

Safety, Health and Environment standards continue to be the best in the industry with the Accident Frequency rate being 0.05 (for 2001) compared to 0.08 in the previous year. The training and dissemination of information to move towards Framework Standards implementation has made much progress and the Division is poised to improve even further on its safety record.

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Supply chain integration with Beverages Division was further strengthened using almost all the teas produced for your Company's brands well backed by the benefits arising from innovations and product development. The South Indian tea industry is in the midst of challenging times with changing markets and the opening up of the world economy. In Assam too the impact of these worldwide changes have been felt on tea prices. Our gardens have focussed on upgrading quality to fit into the packet tea business' premium blends and on keeping costs at the lowest in the industry.

5.4 Specialty Chemicals, Bulk Chemicals and Fertilisers

While the stagnation in the global market continued in the Specialty and Aroma Chemicals segment, your Company was able to create new opportunities for growth by tapping the export market. Refined Glycerine operations had an excellent year with a double digit volume growth. Sustained focus and export initiatives helped achieve a growth of 60% in Nickel Catalyst exports. A sharper portfolio focus, rationalisation of manufacturing facilities and aggressive cost reduction programme helped Aroma Chemicals operations to fight the pressure on margins. Substantial growth across segments helped Functional Bio-Polymer division to grow by an impressive 29%.

The Fertiliser and Bulk Chemicals operations continued to be part of Hind Lever Chemicals Limited (HLCL) in which your Company holds 50% equity. Own manufactured volumes of Fertiliser grew by an impressive 26% and the Bulk Chemicals operations grew by 10%. HLCL reduced their dependence on low margin traded fertiliser operations. Aggressive cost reduction programme helped the business to improve their profitability. The unaudited results for the 12 months ending December, 2001 of HLCL reported a PBT of Rs.46 Crs compared to Rs.32 Crs reported for the 12 months ending December, 2000.

5.5 Foods

Kissan

The Culinary Products business of your Company that has been operating under the Kissan brand name in Ketchups, Jams and Cold Beverages categories has been strengthened with the amalgamation of the Bestfoods business during the year. One of the drivers for growth in these categories is increased penetration among consumers. This process has been facilitated by the withdrawal of excise duty on these categories by the Government in the Union budget 2001. During the year 2001, new campaigns were launched for Ketchups and Jams and these have shown positive results in second half of 2001. The outlook for 2002 is optimistic.

As part of the continuing efforts at improving the robustness of the supply chain, both in terms of cost effectiveness and in terms of stock freshness, your Company is in the process of optimising production sites on a regional basis. As part of this exercise, the factory at Zahura, Punjab was restructured in 2001. The reconfigured supply chain will considerably enhance the operational efficiency of the business in the coming years.

Bestfoods

Bestfoods business was successfully integrated with focus being on growing the Knorr brand and improving profitability significantly. The focussed thrust behind Knorr brand resulted in doubling of its turnover in one year. The profitability of the business was improved by streamlining the supply chain and restructuring some of the operations.

The salt factory at Gandhidham (Gujarat) had undergone extensive damage during the Earthquake in Jan 2001 and this was restructured in an amicable manner during the year.

Spreads, Cooking Products and Bakery Fats

The turnover of the Spreads, Cooking category and bakery fats business of your Company grew by 21% during the year 2001. The business continued to focus on margin improvements and was able to achieve significantly higher operating profit compared to the previous year.

The edible oils and fats market in 2001 was subjected to considerable uncertainty due to a series of changes in import duty. Further, there was a sharp increase in competition in the area of vanaspati and refined oils, with a number of new international players entering the field. Despite this, Dalda Vanaspati was able to increase its market share from 25.7% in 2000 to 29.0% in 2001 in consumer packs vanaspati market.

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The business is now firmly focussed on innovation and differentiative products. Dalda Activ, a healthier product than traditional vanaspati, consolidated its position during the year. The test market in Tamil Nadu for Dalda Classic, a cooking product with a delicious aroma, met with encouraging results. The Company also launched its initiative in the Spreads area with the test launch of Kissan Choco Kick and Honey Kick in select markets.

Popular Foods

The Popular Foods Business operates in 2 categories, Salt and Wheat Flour.

Annapurna Atta is fortified with iron and vitamins. Chapatis made from Annapurna Atta (300 gms) can meet a consumer's total iron requirement for a day. The benefit is specifically relevant in our country since 60% of children and women are iron deficient**.**

During the year, Annapurna atta was relaunched using patented technology which delivers softer and tastier chapatis. Annapurna continues to maintain its dominating No.1 position in the branded atta market despite the entry of several new players.

In line with its strategy to provide value added products, Annapurna Ready to Eat chapatis were launched in Mumbai in December 2001. These chapatis are fully cooked and can be consumed after a simple 10 second heating. The Company is in the process of extending this product to other metro cities.

During the year, Annapurna salt was relaunched backed by a path breaking new technology which allows it to prevent loss of iodine in salt during storage, transit and Indian cooking conditions. Your Company has filed for a patent for this new technology. With this launch, Annapurna salt is now the only salt in the market in which the iodine content is retained at incorporation levels. Annapurna salt has now become the largest branded salt in the market.

Modern Food Industries (India) Limited (MFIL)

The Modern Foods business, despite the large number of small players and highly fragmented market with low entry barrier, has been able to gain a market share of 7%. This is attributable to growing trends in urbanization and changing food habits. Synergies from integrated wheat procurement and processing, improvement in quality, extended distribution and introduction of value added products at the premium end augur well for future growth of this business. Reducing conversion costs at own factories continue to be a key challenge for this business.

During the year, Modern Brand extended geographically to 25 new towns. Modern Milk Classic was successfully launched across the country in the premium segment. Further supply chain initiatives and synergies in sourcing, have led to improvement in operating margins. Besides significant investments are underway behind modernization of plants and market development.

5.6 Ice Creams

Your Company's ice cream business passed through a challenging year in 2001, with the worst weather conditions the industry has ever faced which led to a decline in market value. Focussing on key brands, the portfolio gained significant value share in large ice cream markets, like Delhi and Mumbai, despite aggressive low price competition.

The Company's market initiatives were concentrated on developing a new channel, and strengthening franchises of select brands. The Kwality Wall's Soft ice cream (Softies), sold through tamper-proof machines, has been extended to all key cities. It has received a very encouraging response.

In the traditional impulse and take-home segments, initiatives were concentrated on Cornetto, targeted at young adults, and Max, targeted at children. The business worked to the strategy of introducing strongly differentiated products, based on local preferences and affordability. Accordingly offerings, like Kwality Wall's Sundae tubs with delicious sauces, Max 123, Cornetto Snackers and Feast Snacko, were launched in all key markets.

The manufacturing strategy, covering regional factories, was further honed to drastically reduce supply chain costs, while maintaining strict international hygiene standards. The business is geared to consolidating its cost competitiveness by focussing on the power brand, Kwality Wall's, and driving it through differentiated

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products, target geographies and new channel development.

5.7 Exports

The exports business for the group registered a strong growth of 11% over the previous period in manufactured exports. In line with the stated policy last year, your Company has consciously scaled down traded exports by over 40% this year. The growth in manufactured exports was largely led by aggressive growth of value added sea food products, and home and personal care products. Your Company including its subsidiaries continued to show a very strong foreign exchange surplus of Rs. 668 Crores.

The Company will work aggressively to grow exports of key consumer goods categories by acting as a sourcing partner for Unilever Companies abroad and by focussing on value added products in certain key categories where India has a competitive advantage. Traded Exports will be completely phased out in the year 2002.

Hindustan Lever Ltd., was accorded the prestigious status of *Golden Super Star Trading House*, given the outstanding Exports performance over the last 3 terms. For the third successive year, your Company received the prestigious *GLOBOIL Award for outstanding performance in exports of Castor Seeds, Castor Oil and derivatives*. Your Company is already India's largest exporter of tea, and home and personal care products, and value added marine products. HLL has been selected by The *Marine Products Export Development Authority for the Export Award* for 2000-2001 as the largest exporter overall and the largest exporter of value added products in the sea food category.

The home and personal care export business growth of 38% this year was propelled primarily through an increase in oral care and skin care exports. Two new plants were set up in record time to cater to increased exports of Fair & Lovely and for manufacturing of liquid detergents and household care products for the South East Asian markets. HLL has secured a 10000 Ton business in liquid laundry and household products from South East Asia and supplies have commenced in the last quarter of 2001. The Fair & Lovely business had a healthy growth of 15% in volumes driven by sustained sales campaign in South East Asia. Several new products such as Dove Body Lotion, Dove Body Wash, Fair & Lovely Under Eye Cream were manufactured / launched for the first time in the Middle East. Pepsodent Whitening toothpaste was launched in Kazakhstan. Domex Lemon variant was launched in the Philippines. Your Company has successfully set up direct marketing arrangements for the Pears range of products in the US and is in the process of setting up similar arrangements in a few select countries.

The Beverages division exported higher volumes of both tea and coffee compared to the previous period. However, given the depressed prices of tea and coffee, the division registered a drop of 2% in value terms over the previous period. During the year, Unilever Russia, our single largest customer has decided to start manufacturing on shore, on account of the high import duty differentials between garden teas and packed tea into that country. Since the full impact of this will be felt in 2002, your Company has taken proactive steps to compete and win the tea bags business of Unilever Australia and the United States of America. Production against these orders is expected to commence in the second half of 2002. The new business secured will be the high value categories of tea bags in various packing formats as also normal black tea, herbals, infusions and flavored tea. A new EOU is being set up in Pune to cater to the needs of this business.

The Marine Division registered a very substantial increase of 60% in exports over the previous period. Growth came from the new business of salad shrimps and pasteurized crabs from the factories taken on Wet Lease from the Amalgam Group in the previous period. Your Company is already one of Asia's largest exporter of fish protein isolates. During the year, the division commenced exports of value added products in the fish protein isolates category, i.e. imitation crabsticks. Your Company proposes to exit the non value added sea catch business in 2002, which accounted for 8% of the divisions turnover in 2001. The division now has a wide range of value added sea food products and this constitutes a focus area for exports growth for your Company.

The first ever Website for Castor viz. Castorworld.com was formally launched by your Company early this year. This has opened up new markets. Early this year, the business has entered into direct sales in the U.S. market

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through a successful new distribution set-up. Your Company has also commenced and is focussing on higher exports of specialty oils and derivatives. Slowdown in the global economy had an adverse impact on the business in the latter half of the year under review. Chemical industry, the major castor consuming industry, continues to pass through a difficult period as a result of the economic slowdown and this is likely to be a setback to ambitious plans ahead of the business in the year 2002.

The rice business faced acute low priced competition from Pakistan basmati in the Gulf and European markets. Several initiatives were undertaken to move the business into more stable and profitable segments in the rice category. The basmati rice brand Gold Seal Indus Valley is being relaunched in the Gulf and other markets starting Jan 2002. The product developed in-house has improved delivered aroma and new packaging. The business entered into a collaborative farming arrangement (with farmers in Punjab spread over 150 villages and 8000 acres of farmland) to be able to offer "Seed to Shelf" traceability. Avenues are being explored to exploit this proposition on product authenticity during the year 2002. Post the earthquake in Kandla, in an effort to improve operating efficiency and control on quality, the production facilities were integrated into a single complex at Rai in Haryana during 2001.

The Company has exited the Glass Thermometer business during the year, owing to the worldwide decline in demand and issues regarding disposal of Mercury.

The Mushrooms division continued to face stiff Chinese competition, affecting selling prices. In an effort to improve the performance, the business is exploring possibilities of developing new customers and new markets.

Leather exports registered a strong growth of 40% in 2001. Significant growth has come through the addition of new customers in Italy, Germany, and the UK. The Division consolidated its position with Hush Puppies licensees in Middle-East and Canada. Significant progress was also made towards entering the US market with the development of a new range of products. A whole new range of leathers were developed, and this helped in offering a range of products to the customers.

5.8 New Ventures

Project Millennium had identified several new growth opportunities for your Company. The New Ventures group was charged with the responsibility of rigorously assessing these opportunities, incubating and testing the selected growth initiatives. This involved a detailed and rigorous assessment of the markets, consumer understanding, and identification and planned build-up of new capabilities required, as well as current capabilities leveraged, and market testing. After a rigorous review, the following New Ventures were shortlisted for implementation.

— Confectionery

— Health Care

— E-tailing

— Rural Connectivity

Detailed status for each of these are given below:

Confectionery

Your Company entered the confectionery market in 2001. The consumer response to the entry has been excellent. This is Company's first foray into the Rs.2000 crore confectioneries market. Your Company is also the first company within Unilever to market sugar confectioneries. Max, which has already carved a niche in the ice cream category in India, is focussed all over the world on children. In confectioneries too, children are a key segment. Therefore, Max was extended to confectioneries, in line with Company's strategy of leveraging brands across relevant categories.

Besides the equity of Max as a brand, the businesses used capabilities of and understanding within different HLL categories to seed and establish the confectioneries operation. These include a deep insight into children's preferences acquired through existing categories like ice cream, culinary products and oral care; the company's well-penetrated distribution network; experience gained in hair care in low-unit price packs like sachets; and a cost-effective manufacturing strategy mastered in the detergents business.

These strengths, together enable the Company to market Max confectioneries at prices as low as 25 paise and 50 paise. The range comprises three different products: *ChocoMax*, a delicious candy with milky chocolate taste

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at 50 paise; *Max Magic*, a single candy with two distinct flavors, one inside and one outside, for 50 paise; and *Max Masti*, a plain fruit candy with the taste of real fruit at 25 paise.

Following a successful test-market in Tamil Nadu between May and September 2001, the product was rolled out to other regions. With excellent consumer response, it is well positioned to become a favourite brand of children across the country.

Health Care

The New Ventures team has spent 2001 in scoping out the opportunity and preparing an entry strategy to exploit the health care opportunity. The entry mix will be rigorously tested in 2002 after which a decision on further extension and rollout would be taken.

E-Tailing

The e-tailing initiative was launched in a pilot in 2001. The service is branded Sangam Direct and is geared towards meeting the bulk grocery needs of consumers. In addition to a commerce-enabled web-site, a web-enabled call centre has also been set up to receive orders through the telephone. The initial response in the pilot is satisfactory. The testing period for the service will continue before a final decision on this business can be taken.

Rural Connectivity

The Rural Connectivity team working with NGOs and Self Help Groups evolved a model that would carry both our brands and their communication to inaccessible parts of rural India. Project Shakti was launched in Nalgonda district of Andhra Pradesh as a pilot. Initial response to this initiative has been good and market shares have shown a handsome increase across categories, in the pilot areas. Currently Project Shakti is operational through 400 Self-Help Groups and the intention is to extend its reach during 2002.

5.9 Agri Business – Seeds and Plant growth nutrients

Agri business had another good year of excellent growth in volumes and turnover. Sales growth of over 35% helped the business to cross the Rs.100 Cr turnover mark and became one of the top seeds company in the country. The continued focus on Hybrid seeds helped the business to maintain its strong market share.

6. RESEARCH & DEVELOPMENT AND TECHNOLOGY

Hindustan Lever Research Centre (HLRC) has been a source of several technological breakthroughs and has been providing technological backup for novel products developed and launched by your Company.

Fundamental research in the area of particulate soil-fabric-wash liquor interactions has led to filing of several patents during 2001 which deal with breakthrough avenues to improve detergency. Novel detergent bars and next generation pre-treatment products have also been developed. In Soaps, new understanding about network forming structurants has enabled creation of novel bars with unique sensory feel, significantly milder to skin, and ability to deliver functional actives onto skin or hair. In Home Care, technology to enhance performance of dish wash bar was developed and is being implemented. Research in Biology of Skin Pigmentation has provided new patented actives for Fair and Lovely, one of which has been the basis of its relaunch during the year.

Indepth studies in the area of physiology of Tea Plant and processing of Black Tea have provided unique capability to deliver superior teas in the brands, as well for vastly improving the quality of tea produced in South Indian Plantations of the Company.

It was demonstrated that significant loss of iodine occur between the point of manufacture of iodized salt and consumption by consumers. A breakthrough and exclusive patented technology to stabilize iodine in salt was developed and a plant designed and commissioned paving the way for launch of Annapurna iodized salt with stable iodine. The science and technology of a wheat based “active” for enhancing taste of chapati was also developed.

Several new technologies have been developed and implemented in the area of specialty chemicals. Exclusive technologies to manufacture high performance wet-end additive and surface sizing additive for paper (Biopolymers) improving the quality of paper in paper mills was developed and implemented. Technology for a

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higher value specialty grade castor oil was developed and implemented.

Hindustan Lever Research Foundation: As part of the process to relaunch the Ph.D. program with a clear mandate to strengthen it, a committee chaired by Dr Bhivgude, Head, Dept of Life Sciences of Bombay University visited the Andheri Lab. The final plan will be drafted at HLRC in collaboration with Bombay University.

7. ENVIRONMENT, SAFETY AND ENERGY CONSERVATION

Safety and environment management continues to be a key result area for your Company. The Corporate Vision for Safety envisages "Zero Accidents" as the only acceptable standard of performance. Accident frequency rates during 2001 were maintained at a level much lower than industry average and one of the best amongst Unilever companies worldwide. With a view to raise safety to a new level, several initiatives have been put in place which ensures participation of all employees at the shop floor level. The Company has adopted a Framework of Standards aligned to ISO 14001 / OHSAS 18001 standards to ingrain positive safety culture across the organisation. The integration of safety, health and environment management of newly acquired sites in Modern Foods Industries Ltd is progressing as per schedule with consolidation of basic safety systems. Kandla factory received the coveted Unilever Premier Safety Award for the best safety performance in the Unilever world. This is the fourth year in a row when one of the company's sites has received this honour. Additionally, 28 other units received the Unilever Gold, Silver and Bronze Awards and Certificates of Excellence through continuous improvement in their safety performance. Yavatmal factory received the prestigious award from Vidharbha Industrial Safety Committee for its exemplary safety performance. In order to share good safety management practices, all the units in Pondicherry participated in a safety exhibition organised by local Safety Forum.

Through ongoing programmes of continuous reduction of the environmental impact of operations, the environmental load of key parameters, already well below the statutory requirements, has reduced further. Annual reduction targets for individual manufacturing sites are monitored for adherence on a monthly basis. In key areas of national priority such as energy and water, your Company has recorded further reductions in specific consumption of 5% and 15% respectively over 2000, through productivity improvements, inducting novel processing routes and adopting clean technologies and recycling / reuse where feasible. The experience gained in vermi-culture and vermi-composting in the Tea Plantations group is now being extended to other manufacturing sites to convert domestic wastes into value added fertiliser supplement for cultivation.

In March 2001, Company faced an allegation of pollution due to mercury waste from its Thermometer factory at Kodaikanal. In order to comprehensively address the allegation, your Company stopped manufacturing operation immediately and engaged internationally renowned environmental consultants M/s. URS Dames & Moore to assess the impact, if any and suggest suitable remedial measures. Results of this study indicated that there was no significant impact on the environment. Further, your Company carried out a comprehensive health check for all its employees at Kodaikanal. These checks have confirmed that there has been no adverse impact on the health of employees due to handling of mercury and mercury bearing materials and wastes in the plant. Company worked very closely with concerned authorities and local bodies and have shared the results of these studies. As a part of business restructuring, Company has however decided to discontinue this operation and a detailed plan has been worked out for safe disposal of the plant machinery and mercury bearing materials & wastes in accordance with the applicable regulations.

8. SUPPLY CHAIN INITIATIVES

During 2001, there were several new initiatives in the area of supply chain, aimed at improving effectiveness and efficiencies. Stock availability and customer service levels improved due to better connectivity, and implementation of relevant IT solutions. A drive was undertaken to improve 'time to market', and this yielded good results. A tie-up with Indian Railways helped move stocks in safe and secure condition to different parts of the country. Reliable forwarding service providers were developed for safe and timely delivery of 'small parcels'.

Report of the Directors

As a result of the above initiatives, your Company was able to supply stocks more frequently to the trade, maintain freshness of stocks, and improve order processing efficiencies. A pilot project on continuous replenishment was carried out in Mumbai, and the results have been encouraging. Another pilot was conducted in the Personal Wash business to set up an 'end to end supply chain management system', which has also produced significant improvement in service levels and optimisation of stock levels. Your Company will be rolling out these initiatives nationally across all FMCG businesses in the year 2002.

In the area of buying, the Vendor Certification Program was continued, and several vendors were certified for implementation of quality systems, and zero defect track record. Your Company was able to achieve significant buying efficiencies and cost reduction through strategic tie-ups for key raw and packing materials, joint development efforts to reduce input costs, locational synergies, and import substitution. Several small scale industries and ancillary units have been developed to support your Company's operations. Your Company also undertook a 'Partner in progress' initiative, under which more than 500 managers visited about 65 suppliers to develop meaningful ways of improving the quality of the supply chain through mutually rewarding partnerships.

9. PERSONNEL

Harmonious Employee Relations prevailed during 2001 with Long Term Settlements signed in 10 of our units consequent to bi-lateral negotiations with the employee representatives. As has been our approach, all these settlements were based on the principle of mutual gains, sharing of productivity improvements achieved in these units, which have helped us to remain competitive in the market place. In an attempt to further align the interests of shareholders and employees we have piloted a stock grant scheme in a few of our units.

The restructuring programme based on our Long Term Business Strategy continued to be pursued and where suitable redeployment of employees was not possible they have been offered voluntary separation option, which as usual was well above the statutory provisions, keeping in line with our philosophy of being fair and humane in all our dealings with employees.

The Total Productive Maintenance (TPM) programme continued to be a key driver for establishing the "Enterprise Culture" in our manufacturing units to achieve sustained high-performance through the creative excellence of all our employees. During 2001 three more of our factories have achieved the Level 1 certification for TPM awarded by Japan Institute of Plant Maintenance, taking the total number of factories in the Company to have achieved this distinction to 4.

Providing a solid edifice for the high performance culture in your Company is its strong value system. During the last year we have reaffirmed our commitment to the Company values of Action, Courage, Caring and Truth. A number of initiatives to reinforce these values at all levels in the organisation have been started. 360 degree feedback and Coaching have been adopted as tools for leadership development.

10. AMALGAMATION OF INTERNATIONAL BESTFOODS LIMITED (IBFL) AND AVIANCE LIMITED

Following approval of the members at the Court Convened meeting held on June 22, 2001, the Hon'ble High Court of Judicature at Bombay on September 5, 2001 passed orders confirming the Scheme of Amalgamation of International Bestfoods Limited and Aviance Limited, which became effective from September 26, 2001 with retrospective effect from July 1, 2001 being the Appointed Date under the Scheme of Amalgamation. Accordingly 6,48,723 equity shares of Re. 1/- each were issued and allotted to the shareholders of IBFL pursuant to the Scheme which provided for the Company to issue shares in the ratio of two equity shares of the Company of Re. 1/- each for every three shares of Rs. 10/- each of IBFL. The shares held by the Company in IBFL aggregating to approx. 83.36% of its capital were cancelled as per the Scheme. No shares of the Company were issued to the members of Aviance, a 100% subsidiary of the Company upon amalgamation and all shares of Aviance Limited stand cancelled in terms of the Scheme.

11. ROSSELL INDUSTRIES LIMITED

During the year Rossell Industries Limited (RIL) became a subsidiary of your Company consequent to Lipton

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India Exports Limited (LIEL), a 100% subsidiary of your Company raising its shareholding in RIL to 60,02,708 equity shares of Rs. 10/- each constituting 59.62% of the issued and the paid up capital. The above together with 37,00,000 equity shares of Rs. 10/- each constituting 36.56% of the issued and paid up capital of RIL held by UOHBV raised the promoter shareholding in RIL to 95.89%. LIEL has initiated steps to delist the Company in compliance with SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and the process is expected to be completed during the year 2002.

12. MODERN FOOD INDUSTRIES (INDIA) LIMITED (MFIL)

Your Company had acquired 74% equity in this subsidiary, being the first case of disinvestment by the Government. The Balance 26% equity continued to be held by the Government. Company has now received a communication from the Government that it desires to sell its remaining 26% equity in the Company by exercising its 'put' option. Accordingly, your Company is progressing acquisition of the remainder 26% equity from the Government with a view to make it a wholly owned subsidiary of the Company. The acquisition of 26% equity is expected to entail an investment of approx. Rs. 45 Crores, subject to such adjustment as may be actually agreed between the parties to resolve the due diligence and completion issues arising from the transaction.

13. DIVESTMENTS

13.1 Quest Joint Venture

Pursuant to a joint venture arrangement with ICI India Limited and Quest International BV, the flavours and fragrances business of the Quest Division of Hindustan Lever Limited was transferred to Quest International India Limited in which ICI India and Quest International BV together hold 51% and the balance 49% is held by the Company. The joint venture combines ICI India's long standing knowledge of India, HLL's detailed understanding of Indian consumers' preferences coupled with Quest International's consumer understanding, technological and creative expertise.

The joint venture would however, exclude the aroma chemicals business of HLL and the erstwhile Industrial Perfumes Limited which continues to be carried on as a division of HLL.

13.2 Adhesives

Your Company sold its Adhesives Business, a sub-unit of Specialty Chemicals Division for a consideration of Rs. 9 Crores to ICI India Limited.

This transfer of Adhesives Business with an annual turnover (including captive consumption) of around Rs. 10 Crores to ICI secures the future of this Business since ICI Plc through its subsidiary National Starch is a major global player in Adhesives Business.

13.3 Nickel Catalyst

During the year, your Company also sold its Nickel Catalyst business, a sub-unit of Specialty Chemicals Division for a consideration of Rs. 21 Crores on a 'going concern basis' which involved ICI taking over the manufacturing facilities relating to Nickel Catalyst operations located as part of Taloja Factory (near Mumbai) alongwith the services of 17 related employees. This transfer resulted in a profit of around Rs.12.5 Crores to the Company apart from securing the future of this business and the related employees in the hands of ICI.

13.4 Exit from Joint Venture with Godrej Agrovet

The members will recall that your Company entered into a joint venture with Godrej Agrovet Limited (GAVL), a subsidiary of Godrej Soaps Limited and a leading player in the animal feeds and agricultural inputs market such that 74% stake in Gold Mohur Foods & Feeds Limited (GFFL), a subsidiary of the Company was transferred to GAVL with 26% stake continuing to remain with the Company effective 1st January, 2001. Subsequently, in terms of the said agreement the balance 26% was also transferred by the Company to GAVL with effect from September 20, 2001, to enable GFFL to become a wholly owned subsidiary of GAVL. Accordingly, GAVL was transformed into a 100% Godrej Group Company with effect from the said date.

13.5 Paras Extra Growth Seeds Limited

Pursuant to approval of the members through a postal

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ballot conducted in February 2002, your Company transferred its undertaking engaged in the Seeds business to its subsidiary Paras Extra Growth Seeds Limited (formerly named as Grand Food and Catering Consultants Limited) on a "going concern" basis. The seeds business employed approx. 45 people and had a turnover of approx. Rs. 101 Crores in 2001. The Company realised a gross consideration of Rs. 115 Crores by way of transfer and sale of the seed business.

In order to pay for the part of the purchase consideration, the capital base of Paras Extra Growth Seeds Limited was expanded and 74% of its equity was issued and allotted to India Seeds Holdings Limited (ISHL), a Company incorporated in Mauritius engaged in the seed and biotechnology industry. Your Company has subscribed to additional equity in the expanded capital base of Paras Extra Growth Seeds Limited, at par to retain 26% stake in the Company, which would in due course be disposed of to the new promoters, ISHL or their nominees.

13.6 Diversey Lever Business

Pursuant to the approval of the members for the transfer and sale of Company's Industrial and institutional cleaning business popularly known as Diversey Lever, forming part of its Detergents Business, the Company transferred in May 2002, this business to Johnson Wax Professional Pvt. Ltd. a 100% subsidiary of SC Johnson Commercial Markets Inc. USA for a consideration of Rs. 56 Crores. The Business employs approx. 65 people and had a turnover of approx. Rs. 27 Crores in 2001.

13.7 Lever Gist Brocades — Yeast Operations

Based on the joint review with the JV partner, DSM of Netherlands, your Company agreed to exit the yeast operations carried through Lever Gist Brocades Limited as the operations were found unviable with no significant long term growth opportunities. Consequently the unit has been transferred to Burns Philp India Limited.

13.8 Pond's Exports Limited

Pursuant to the approval granted at the Annual General Meeting of the Company held on June 22, 2001, the leather business of the Company was transferred to Pond's Exports Limited, a 100% subsidiary, on and from 31.3.2002. This would facilitate formation of a joint venture or a possible divestment at a future date to a party which could leverage the strength of this business more effectively.

13.9 Mushrooms Business

Likewise, it is also proposed to pursue the approval granted by the shareholders for transfer of the Mushrooms business to one of the Company's subsidiaries. This is expected to be actioned shortly.

14. ISSUE OF BONUS DEBENTURES

Your Company had formulated a Scheme under Section 391 of the Companies Act for issue of bonus Debentures by drawing upon the General Reserves of the Company which have been created through retained earnings/ undistributed profits of the Company. An amount of approx. Rs. 1320 Crores from the General Reserves was proposed to be utilised for issue and allotment of Debentures of the face value of Rs. 6/- each which were to be issued and allotted to the existing members of the Company by way of bonus Debentures in the ratio of one fully paid Debenture of Rs. 6/- each for every Re. 1/- equity share held in the Company on a record date to be fixed by the Board after the Scheme is sanctioned by the Bombay High Court. Such issue and allotment of Debentures would be considered as a 'deemed dividend' under the provisions of the Income Tax Act and the Scheme contemplated that the Company would bear and pay, dividend distribution tax at 10.2% on the said issue of Debentures from the General Reserves. Thus a total amount of approx. Rs. 1455 Crores was proposed to be utilised from the General Reserves.

The detailed terms and conditions of the Scheme have already been communicated to the Members as set out in the Explanatory Statement to the Notice of the Court Convened Meeting, held on December 12, 2001 and hence are not being repeated in this Report. While the Members approved of the Scheme on December 12, 2001 by an overwhelming majority and the Scheme was awaiting sanction of the Hon'ble High Court of Judicature at Bombay, the Finance Bill 2002, as approved by both Houses of Parliament, made significant changes in the tax laws.

Due to these changes, instead of a uniform rate of 10.2%

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as dividend distribution tax proposed to be absorbed by the Company on the entire issue of bonus Debentures, the Company will now be required to make Tax Deduction at Source (TDS) at varying rates on these Debentures and members may have additional liability for tax on the Debentures over and above the TDS depending upon the tax slabs applicable to them. In order to have a clearer picture on the tax provisions applicable to Debentures, further progress on the Scheme was put on hold. The Finance Bill 2002 now has received approval of both the Houses of Parliament with the provisions on taxability of dividends, including deemed dividends at the hands of the shareholders being retained.

In the circumstances, the Board at its meeting held on May 20, 2002 decided to make certain changes to the Scheme with a view to ensure that the promised benefits are made available to the Members in a fair and equitable manner, in the light of the revised tax regime. The following are the salient features of the revised Scheme:

— The face value of the Debentures at Rs. 6/- and the ratio of issue, i.e. one bonus Debenture of Rs. 6/- each for every equity share of Re.1/- held by the members by utilising the General Reserves of the Company are being retained.

— Similarly the interest on Debentures has been retained at 9% per annum payable in arrears.

— The General Reserve will however not be debited to the extent of approx. Rs. 135 Crores, being dividend distribution tax payable @ 10.2% on "deemed dividend" as contemplated in the original Scheme since dividend distribution tax is no longer applicable.

— Instead the Company, under the Scheme, intends to declare a Special Dividend of Rs. 2.76 for every share of Re.1/- held by the members involving a pay out of approx. Rs. 608 Crores. This Special Dividend will be payable by reference to the same Record Date as may be fixed for allotment of bonus Debentures and is proposed to be absorbed by the Profit & Loss Account Balance which as of December 31, 2001 stands at Rs. 759.98 Crores.

Accordingly in comparison to the earlier Scheme, adjusting for the non-applicability of the dividend distribution tax, the Company is committing itself to an incremental outlay of about Rs. 473 Crores under the revised Scheme.

— Tax Deduction at Source at applicable rates (varying from Nil to 31.5%) would be made from the bonus Debentures constituting deemed dividend and on the quantum of Special Dividend treating the two as an integrated transaction involving payout of deemed dividend/ Special Dividend aggregating to Rs. 8.76 per share of Re. 1/- each to the Members. While the face value of the Debentures will be uniform at Rs. 6.00, the entire TDS on Rs. 8.76 per share will be made from the Special Dividend of Rs. 2.76 per share. Balance of Special Dividend, if any, would be paid to the members. All members would be able to discharge their tax liability on the bonus Debentures and Special Dividend both in terms of TDS and the Advance Tax payment from and out of the quantum of Special Dividend.

— The Debentures would be redeemed after 18 months in one installment instead of redemption in two equal installments after 24 and 36 months as was originally proposed. This has been proposed in recognition of the fact that significant time has already elapsed since the Scheme was originally formulated.

— The grant price of the Options issued to the Management Employees will be reduced by Rs. 8.76 to reflect the exceptional nature of the payment. Further these Options will not qualify either for the Bonus Debentures or the Special Dividend.

— Such other changes as the Board in its discretion may decide to implement to reflect the exceptional nature of the Scheme, in the light of changes proposed as above.

Other terms & conditions of the original Scheme are proposed to be retained. Since the proposed changes are material and significant, the revised Scheme would be presented as a new Scheme for consideration by the Members and the Hon'ble High Court of Judicature at Bombay.

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15. EMPLOYEE STOCK OPTION PLAN (ESOP)

Pursuant to approval granted by the members to "2001 HLL Stock Option Plan" at the Annual General Meeting of the Company held on June 22, 2001, the Company in consultation with the Compensation Committee of the Board, granted HLL Stock Options to 320 managerial employees and 4 wholetime directors of the Company for the accounting period ending 31.12.2001, aggregating in all to 24,75,100 equity shares of Re. 1/- each at the price of Rs. 217.45 per share, being the closing price at the Bombay Stock Exchange on July 24, 2001, the date of the Grant.

Likewise, at the recommendation of the Compensation Committee of the Board, Company granted HLL stock options to 303 managerial employees and 4 wholetime directors of the company for the Accounting year ending 31.12.2002 aggregating in all to 32,33,601 equity shares of Re. 1/- each at the price of Rs. 210.35 per share being the closing price at the BSE on April 23, 2002, the date of the Grant.

Details of the shares issued under ESOP, as also the disclosures in compliance with clause 12 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 are set out in the Annexure to this Report.

None of the management employee or wholetime director have received options exceeding 5% of the value of the options issued for the years ending December 2001 or December 2002.

Likewise, no employee has been issued share options, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of Grant.

Since the Scheme as formulated by the Company provides for a minimum of three year period for vesting of the options, the stock options granted during the year 2001/ 2002 have not yet vested in any employee or director and consequently, there is no occasion for any employee or director to exercise such options. In the circumstances, there is neither any dilution in EPS, nor has any consideration been received by the Company for grant of options as above for the year 2001 and 2002.

16. GUJARAT EARTHQUAKE RELIEF

Large parts of Gujarat State were hit by a devastating earthquake on January 26, 2001 which severely impacted the region with loss of life and property at an unprecedented scale. Your Company has strong links with the region with its manufacturing facilities located at Kandla and Chorwad and its sales and distribution set up across the State. Since the Company's manufacturing facilities had been designed and built having taken adequate precautions for possible earthquakes since Kandla falls in Seismic zone prone to earthquakes, there was no significant damage to Company's plant and machinery, though there were some damages to the buildings and structures. The Company put in place a disaster management plan, both in relation to its own operations and to assist the society to cope up with the tragedy. Company was able to recommence production within 3-4 weeks and the entire factory operations were stabilised within eight weeks.

On the social front, the Company acted at four levels –

- It provided immediate relief in terms of sending required material to the staff, workmen and the community at large. This included tents, blankets, lanterns, food stuff and essential medicines. An estimated expenditure of 0.18 Crore was incurred towards this.
- A water supply scheme to the nearby villages involving an outlay of about Rs. 8.6 Lakhs was commenced and continued for six months until the normal water supply to these villages was restored.
- Company embarked upon a programme to restructure and repair of houses of its employees through a Scheme funded by the Company and its employees.
- Company has also decided to rebuild a new village named Yashoda Dham near Nani Chirai. The project envisages construction of 289 houses for the villagers whose dwellings were destroyed in the Earthquake. This is being done in a participatory process with Shri Vivekanand Research & Training Institute (VRTI) , a Non-Governmental Organisation

Report of the Directors

and in collaboration with the Government of Gujarat and Gram Navrachana Samiti. Company expects to fund this project to the extent of Rs. 3.75 Crores, the balance coming from the State Government and the contributions from Company's employees.

17. INFORMATION TECHNOLOGY

Your Company has continued to leverage on Information Technology and progressed its strategic investments in this area.

Technology investments to upgrade internal planning systems have progressed satisfactorily during the year. This capability would synchronize daily production and distribution with day to day customer off-take – unlocking significant benefits in terms of supply chain efficiency and customer service.

Stockists at major towns are now connected through internet enabling them to transact directly and plan collaboratively for market activities. This technology has enabled your Company to pilot successfully the concept of continuous replenishment of stocks. This concept is being actively extended to cover more Stockists in 2002 calling for one of the largest IT implementation efforts across the country. A mobile handheld IT capability has been developed to enhance salesmen productivity and coverage. This is also poised for a phased roll out during 2002.

Many of our major Suppliers are connected with the Company during the year. They have direct visibility on phased material requirements, which will help to achieve a continuous replenishment of input material.

Your Company plans to simplify internal transaction processing systems, which are currently operating at over 200 locations. Company will leverage Information Technology to simplify and re-engineer the processes and operate them out of a central location. This calls for upgrading Company's existing computers into a powerful central computing facility and enhancing connectivity through wide area network for higher reliability and bandwidth. All this will significantly enhance your Company's agility and effectiveness.

Your Company has invested on superior information storage and retrieval capability using "Datawarehousing" techniques. This will provide need-based consistent and quality management information from a single source.

Your Company has deployed Internet enabled technologies for Voice and Video conferencing capabilities. We have set up 15 Video-conferencing studios. They enable virtual meetings and instant communication at much lower cost.

Knowledge Management had received a major attention during the year. Intranet web sites on packaging development, consumer behaviour, commercial information, etc. are some of the major initiatives launched during the year to leverage collective internal knowledge.

Your Company will continue the IT investment in the above strategic areas, simplifying processes to reduce costs, leveraging quality information to enhance decision effectiveness, connecting with business partners to achieve enhanced supply chain efficiencies and customer service.

18. FINANCE & ACCOUNTS

Cash generation during the year continued to be very good due to strong business performance, enhanced capability of the supply chain and efficient collection system. The Company follows a conservative investment policy based on safety, liquidity and return. Return on the cash surplus was significantly improved by investing in a judicious mix of instruments in a benign interest environment. Your Company continues to enjoy P1+ rating by CRISIL for its commercial paper programme. However no commercial paper was placed during the year.

The total amount of fixed deposits as of 31st December, 2001 was Nil. Deposits amounting to Rs. 65.30 Lakhs were unclaimed by depositors as at 31st December, 2001. Your Company has sent reminders to these depositors to complete the procedural formalities for repayments.

In terms of the provisions of Investor Education and Protection Fund (awareness and protection of investor) Rules 2001, no unpaid/unclaimed dividends were required to be transferred during the year to the Investor Education and Protection Fund.

Pursuant to directions from the Department of Company Affairs for appointment of Cost Auditors, your Company appointed M/s. N.I. Mehta & Co., as the Cost Auditor for the Soaps and Detergents, Cosmetics and Personal Products and Vanaspati businesses.

Report of the Directors

The Report and Accounts of the subsidiary companies are annexed to this Report along with the statement pursuant to Section 212 of the Companies Act, 1956. However, in the context of mandatory requirement to present consolidated accounts, which provides members with a consolidated position of the Company including subsidiaries, at the first instance, members are being provided with the Report and Accounts of the Company treating these as abridged accounts as contemplated by Section 219 of the Companies Act, 1956. Members desirous of receiving the full Report and Accounts including the Report and Accounts of the subsidiaries will be provided the same on receipt of a written request from them. This will help save considerable cost in connection with printing and mailing of the Report and Accounts.

19. DIVIDEND

An interim dividend of Rs. 2.50 per share of Re. 1/- each for the year 2001, amounting to Rs. 55014.88 Lakhs, was declared by the Board of Directors in July 2001. The Directors now recommend to the Annual General Meeting, the declaration of a final dividend for the year ended December 31, 2001 of a further amount of Rs. 2.50 per share of Re.1/- each amounting to Rs. 55031.09 Lakhs.

20. DEPOSITORY SYSTEM

As the members are aware, your Company's shares are tradable compulsorily in electronic form and your Company has established connectivity with both the depositories, i.e. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). In view of the numerous advantages offered by the Depository system, members are requested to avail of the facility of dematerialisation of the Company's shares on either of the Depositories as aforesaid.

21. DIRECTORS

Mr. H.R. Khusrokhan did not offer himself for re-appointment at the last AGM due to his other commitments and he therefore ceased to be a director.

Mr. Aditya Narayan was appointed as a non-wholetime Director during the year to hold office till the conclusion of the ensuing Annual General Meeting (AGM).

Mr. S. Ramadorai has been appointed as a non-wholetime Director in May 2002 to hold office till the conclusion of the ensuing AGM.

Notices together with money deposits have been received from members pursuant to Section 257 of the Companies Act 1956 proposing Mr. Aditya Narayan and Mr. S. Ramadorai for appointment as Directors of the Company at the ensuing AGM.

In accordance with the Articles of Association of your Company, all the Directors of your Company will retire at the ensuing Annual General Meeting and, being eligible, offer themselves for re-election.

22. AUDITORS

The joint auditors, M/s. A.F. Ferguson & Co. and M/s. Lovelock & Lewes retire and offer themselves for re-appointment.

23. APPRECIATION

Your directors take this opportunity to thank all employees for rendering impeccable service to every constituent of the Company's customers and shareholders. Your directors also wish to place on record their appreciation to employees at all levels for their hard work, dedication and commitment. The enthusiasm and unstinting efforts of the employees have enabled the Company to remain at the forefront of the industry despite increased competition from several existing and new players.

On behalf of the Board

M.S. Banga
Chairman

Mumbai
May 20, 2002

ANNEXURE TO THE DIRECTORS' REPORT 2001

Disclosure pursuant to the provisions of Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999

		Stock Option 2001	Stock Option 2002
a)	Options granted	24,75,100 equity shares of Re. 1/- each valued at 5382.11 L	32,33,601 equity shares of Re. 1/- each valued at Rs. 6801.88 L
b)	The Pricing Formula	Closing market price as on the date of option grant - 24.7.2001 Rs. 217.45	Closing market price as on the date of option grant - 23.4.2002 Rs. 210.35
c)	Options vested	NA – since options not exercisable before the expiry of three years from the grant of option (24.7.2001)	NA – since options not exercisable before the expiry of three years from the grant of option (23.4.2002)
d)	Options exercised	NA	NA
e)	The total number of shares arising as a result of exercise of option	24,75,100 equity shares of Re. 1/- each	32,33,601 equity shares of Re. 1/- each
f)	Options lapsed	15,500 equity shares of Re. 1/- each	—
g)	Variation of terms of options	NA	NA
h)	Money realised by exercise of options	NA	NA
i)	Total number of options in force	24,59,600 equity shares of Re. 1/- each	—
j)	Employee-wise details of options granted to :		
	i) Senior managerial personnel	Details in enclosed Appendix	Details in enclosed Appendix
	ii) Any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year	NA	NA
	iii) Identified employees who were granted option during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	NA	NA
k)	Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with International Accounting Standard (IAS) 33	NA – Since no options have been exercised till date.	NA – Since no options have been exercised till date.

APPENDIX

List of Senior Management Employees to whom Stock Options were granted pursuant to the "2001 HLL Stock Option Plan"

Name of the Manager	Stock Options granted	
	2001	**2002**
M.S. Banga	66400	**115340**
M.K. Sharma	24800	**32215**
Gurdeep Singh	24800	**32215**
D. Sundaram	37200	**40270**
A.S. Abhiraman	NA	**16108**
Arun Adhikari	24800	**32215**
Satish K. Dhall	24800	**32215**
Gunender Kapur	24800	**40270**
Anoop K. Mathur	12400	**32215**
J.H. Mehta	24800	**16108**
S. Ravindranath	24800	**32215**
Dalip Sehgal	12400	**24170**
C.V. Natraj	24800	**NA**
V. Balaraman	12400	**NA**

Management Discussion and Analysis

2001 was a year many would like to forget. It began with the catastrophic Gujarat earthquake on 26 January and ended with the terrorist attack on Parliament on 13 December. There was also the impact of 11 September, intensified terrorist activities and the gathering of war clouds.

On the economic front, the scenario was equally gloomy. The general economic slowdown, which began in 2000, gathered momentum in 2001. GDP growth for 2001 will be less than 2000. No doubt, the sudden scaling down of GDP growth for 2000-2001 from 5.2% to 4% by the Central Statistical Organisation may create an illusion of growth for the year. Almost anyone in business will agree that 2001 was a much tougher year than before. Indeed, it may turn out to be the worst year since 1994.

Corporate earnings fell both in the manufacturing and the services sector. A survey of 1,603 manufacturing companies by the Confederation of Indian Industry reveals a 9% decline in post-tax profits for April-September 2001, and a 3% decline for 401 service sector companies. Stock prices, too, have taken a beating: the BSE Sensex lost almost 700 points during the year.

It is being claimed that agriculture has done relatively well in 2001. This may be so. However, it is important to note that higher growth, if any, will have occurred after two very poor years. In any event, this growth is yet to translate to higher agricultural income. Hindustan Lever's market research and sales data suggest that rural demand is still sluggish and subdued.

General uncertainty and lack of consumer confidence have taken their toll on Hindustan Lever. Market growth has slowed down, and several product categories witnessed negative growth in volumes. After the scorching 15 to 20% growth of the 1990s, when the fast moving consumer goods (FMCG) sector truly lived up to its name, the FMCG market actually declined by 4.1% in November 2001. Not surprisingly, Hindustan Lever's sales grew by just 3.5% in 2001 as against 4.5% in 2000 and 7.0% in 1999.

Notwithstanding such challenges, we have reasons to feel proud about our performance in 2001.

— Sales of the 30 Power Brands grew by 6.5% versus 3.5% growth in aggregate net sales.

— Profits before depreciation, interest and taxes (PBDIT) rose by 15.9%, from Rs. 1,809 crore in 2000 to Rs. 2,096 crore in 2001.

— Profits before tax and exceptional items (PBT) increased by 16.7%, from Rs. 1,665 crore in 2000 to Rs. 1,943 crore in 2001.

— Net profit went up by 25.3%, from Rs. 1,310 crore in 2000 to Rs. 1,641 crore in 2001.

— Return on net worth (RONW) grew from 52.6% in 2000 to 53.9% in 2001.

— Earnings per share (EPS) rose by 25.2%, from Rs. 5.95 in 2000 to Rs. 7.46 in 2001.

Table 1 shows the growth in sales versus post-tax profit over the last five years.

Table 1: Profit growth has consistently outstripped sales growth

Years	Sales (Rs. Crore)	Sales growth	Post-tax profits (Rs. Crore)	Profit growth
1997	7820	18.5%	580	40.4%
1998	9482	21.3%	837	44.3%
1999	10142	7.0%	1070	27.8%
2000	10604	4.5%	1310	22.4%
2001	10972	3.5%	1541	17.6%

These results strengthen our conviction that the strategy adopted for Hindustan Lever is correct and, even under difficult conditions, is delivering the desired results.

As shareholders may remember, the Company's strategy was enunciated in early 2001, and consisted of three key objectives:

— To focus on the profitable growth of 30 Power Brands, which account for more than 80% of the Company's FMCG business.

— To enhance the profitability of the Foods business.

— To secure the long-term future of the Company's non-FMCG businesses.

In the course of this chapter, we will discuss how the Company is pursuing these objectives, what are their results, and why we believe that this strategy will enable it to leverage opportunities and minimise threats. We shall begin with products and markets, move on to operations, and then discuss the financials.

PRODUCTS AND MARKETS

Soaps and Detergents

Hindustan Lever has a near 60% market share in toilet soaps and over 40% market share in detergents. The soaps and detergents business contributes to 39% of the Company's total net sales. In value terms, this segment grew by 2.8% from Rs. 4,169 crore in 2000 to Rs. 4,285 crore in 2001 (excluding service income from operations amounting to Rs. 6.56 crore in 2000 and Rs. 10.67 crore in 2001).

Clearly, such growth is not good enough at the aggregate level, and reflects sluggish demand. Most segments saw shrinking markets; and all players engaged price discounting and "two-for-one" type schemes were used to push volumes, often at the expense of value. In such a difficult environment, Hindustan Lever succeeded in out-performing the market for most sub-categories. As Chart A shows, this is particularly true for Power Brands.

Chart A : Power Brands beat market growth

During the year, as part of the Power Brands strategy, substantial investments were made to enhance quality of major brands such as Lux, Surf and Wheel. These quality improvements have been backed by strong consumer promotions and communications. The results are beginning to show. During 2001, Lux achieved its highest market share of the last two years; Surf Excel reached its highest value share ever; and, driven by the performance of Wheel and Rin, the Company achieved brand leadership in the fabric wash segment.

Another important development was the launch of Lifebuoy Active in 2001. In a short time, it was able to garner a 3.7% share of the segment — which partly offset the decline of Lifebuoy Carbolic. Major investments have been planned to retain and grow the Lifebuoy franchise in 2002.

There is a widespread belief that, in many consumer categories, the rural market is getting saturated — and that it will no longer be possible to achieve high rates of sales growth. Notwithstanding the current slowdown, we believe otherwise. To us, soaps and detergents are potentially high growth segments, particularly in rural India. For instance, the fact that Hindustan Lever enjoys a 60% share in the soap market has to be tempered by the reality that its soaps are used only for 20% of all bathing occasions in the country. 60% multiplied by 20% is 12% — hardly a case of market saturation.

Thus, far from being saturated, the potential is enormous. We have initiated programmes to drive up the consumption of soaps by creating an increased awareness of health and hygiene. In 2001, we also undertook several initiatives to improve the distribution network and reach, particularly in rural markets. Significant investments have been made in networking and IT to manage supply chain more efficiently and substantially improve levels of customer service.

Having said that, it should be recognised that for 2002, market growth will depend on overall economic turnaround and higher rural incomes. This is, therefore, a short-term risk factor. To a lesser extent, imports constitute a threat for the premium segment. However, at current tariff levels, domestic industry is well protected from legal imports. However, industry will need to be watchful of unauthorised grey imports. While price competition at the discount end constitutes another challenge, we believe that Hindustan Lever has the ability and the marketing strength to meet this threat.

During the year Company has commissioned two NSD Bar plants at Daman and Sumerpur respectively, one NSD powder plant at Haldia and one toilet soap plant at Goa.

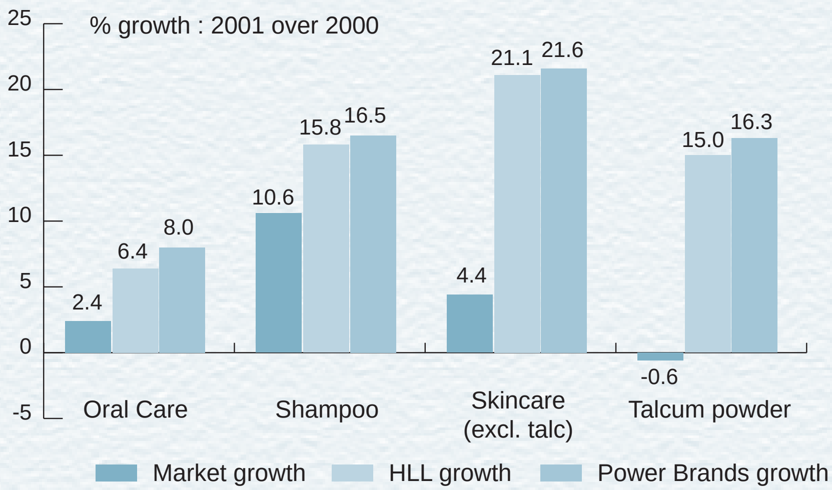
Personal Products

This business which contributes approx. one-fifth to the Company's total net sales comprises of oral care with 36% market share in toothpaste, hair care (64.5% market share in shampoos) and skin care (54% market share in skin creams).

Oral care products, hair care products, skin care products, deodorants, colour cosmetics and talcum powder constitute the Company's personal products business. Despite sluggish market conditions, this business registered a double-digit growth in 2001, and accounted for 20.2% of total net sales of Hindustan Lever during the year. Sales grew by over 25% from Rs. 1,764 crore for 2000 to Rs. 2,212 crore for 2001 (excluding service income from operations amounting Rs. 5.75 crore in 2000 and Rs. 5.86 crore in 2001). Figures for 2001 include the colour cosmetics, fragrances and other personal products businesses of Lakme Lever Limited and Aviance Limited with effect from April 1, 2001 and July 1, 2001 respectively.

As Chart B shows, the strategy of focussing on Power Brands is reaping dividends in this segment as well — they ensured that the Company's sales grew at a faster rate than the market.

Chart B: Again, Power Brands drive growth



During 2001, many of the Company's major brands such as Sunsilk and Clinic in hair care, Fair & Lovely and Ponds in skin care, and Pepsodent in oral care were made more contemporary and successfully re-launched.

In the hair care category, Clinic Plus, Clinic All Clear and Sunsilk were re-launched and the packaging of the Sunsilk and All Clear bottles was changed in line with international developments. The Company also entered the category of hair colourants, with the launch of Sunsilk hair colours in the metros. Simultaneously, Lux sachets were launched at prices of Re.1 and Re. 0.50 to tap the low price end of the sachet market.

In skin care, the Fair & Lovely franchise was strengthened through investments in advertising, increased rural penetration and new launches. The main brand, Fair & Lovely cream, was also re-launched with improved packaging and communication. Other launches included a fairness soap, a cream for removing under eye dark circle, and a sachet with a re-usable cap.

The Pond's brand recorded a double-digit growth after a gap of two years, with comprehensive re-launches of its talc and skin care ranges. A new talc variant, Ponds Light n' Fresh, and a new mini Cold Cream were successfully launched in 2001.

The skin care range of Lakme was renovated and strengthened, and a new premium product, Lakme Fair Perfect, was introduced towards the end of 2001.

In the oral care category, Pepsodent was relaunched and emerged much stronger in 2001. Introduction of value packs as well as new advertising helped increase this brand's market share. Simultaneously, we decided to de-prioritise the toothpaste brand called Aim, in order to focus all our efforts on Pepsodent and Close-Up. Market data shows that this strategy has been successful in the second half of 2001.

Apart from strengthening the Power Brands, the Company followed a strategy of reducing costs and improving quality in the personal products business. Supply chain and sourcing efficiencies led to significant cost reduction, while quality improvement came through new technologies and innovations. While the outlook for this segment is dependent on overall market conditions, we believe that the initiatives taken in 2001 and continued in 2002 will enable Hindustan Lever to continue on the high growth path in this business.

During the year Company has commissioned a personal products factory at Doom Dooma in Assam.

Foods

As discussed earlier, improving profitability of the Foods business is an important strategic objective of the Company. Sales from the Foods business grew by 2.2% to Rs. 794 crore for 2001 from Rs. 777 crore in 2000, and accounted for 7.2% of the Company's total sales. Although small in comparison with most of Hindustan Lever's other businesses, absolute profit from Foods has doubled in 2001, and gross margins have improved by 5 percentage points. However, we still have a long way to go.

— **Culinary Products**

An established brand name in the culinary products segment, Kissan is the leader in jams and squashes, with over 75% of market share in each, and is one of the two dominant players in the ketchup market. However, market conditions were very poor in 2001, which took its toll on the Company's business as well. Total jam sales fell by 7.8%, and the Company too registered a 3.4% decline in the segment. In the case of ketchup, Hindustan Lever fared worse than the market. The Company's sales fell by 8.6%, versus the industry's negative growth of 0.8%.

The market for squashes, as a whole, faces a threat with competition from carbonated soft drinks and ready-to-drink fruit juices. In ketchups, the threat comes from low cost local players. Even so, we are quite upbeat about the prospects of ketchup and jams. The Company launched new campaigns for these products during the year that yielded satisfactory results during the second half of 2001. For instance, the launch of our "All Fruit No Sugar" jams is creating a new high value segment, which ought to expand in the years to come.

To improve and reconfigure the supply chain, we are in the process of optimising production sites on a regional basis. As part of this exercise, the factory at Zahura, Punjab was restructured in 2001. This exercise will continue across other regions, and should enhance operational efficiency in the coming years.

It is our belief that the culinary business will be strengthened with the amalgamation of the business of International Best Foods with Hindustan Lever. Bestfood's Knorr brand doubled its turnover during 2001, and its profitability was improved by streamlining supply chain and restructuring some of its operations. The focus on growing the Knorr brand and improving profitability will continue throughout 2002.

— **Spreads, Cooking Products Category and Bakery Fats**

Sales turnover of the spreads, cooking category and bakery fats business grew by 20.7 % during 2001. The business continued to focus on margin improvements, and was able to achieve higher operating profit compared to the previous year.

The edible oils and fats market in 2001 was subjected to uncertainty due to changes in the import duties by the Government of India. Moreover, there was an increase in competition in vanaspati and refined oils, with a number of new international players entering the field.

Despite these pressures, the Company did well — once again thanks to the Power Brand strategy. Although the overall vanaspati market shrank by 2.6% in 2001, Hindustan Lever managed to grow at an impressive 17.8%. Consequently, Dalda Vanaspati increased its market share from 25.7% in 2000 to 29.0% in 2001.

We are now focussing on innovative and distinctive products. Dalda Activ, a healthier product than traditional vanaspati, consolidated its position during the year. The test market for Dalda Classic, a cooking product with a delicious aroma, met with encouraging results. The Company also launched its initiative in the flavoured spreads area with the test launch of Kissan Choco Kick and Honey Kick in select markets.

— **Popular Foods**

This business comprises branded wheat flour and salt, both of which are sold under the Annapurna name. This is a very tough market, and the Company did not perform as well as it should have. To be sure, Annapurna still continued as the market leader in the branded atta market in 2001. However, against an overall market growth of 9.1% in 2001, Annapurna atta posted a sales decline of 15.4%. The Company is determined to reverse this trend in 2002.

During 2001, an improved Annapurna atta was relaunched using patented technology. Moreover, to enter the higher value niche, Annapurna Ready to Eat chapatis were launched in Mumbai in December 2001. These chapatis are fully cooked and can be consumed after heating for only ten seconds. We are in the process of extending this product to other metro cities.

Annapurna salt has also not fared as well as it should. Although the overall market for salt in India grew by 4.7% in 2001, Annapurna salt saw a sales decline of 5.1%. Again, this is something that will have to be rectified during 2002.

During the year 2001, the popular foods business focussed on improving its profitability in line with the three-pronged strategy of the Company. This yielded good results with improvement in gross margins and operating margins.

A major technological development was the Company's use of a new proprietary technology, which prevents loss of iodine in salt during storage, transit and Indian cooking conditions. Hindustan Lever has filed for a patent for this technology in India and abroad. Annapurna salt was re-launched in 2001 incorporating this iodine preserving technology — which makes it the only salt in the market that retains its iodine content.

Beverages

Hindustan Lever's Beverages business consists of tea and coffee, and accounts for 12.9% of the total net sales. The Company's beverage sales declined by 8.5%, from Rs.1,546 crore in 2000 to Rs. 1,414 crore in 2001 (excluding service income from operations amounting to Rs. 6.89 crore in 2000 and Rs. 4.55 crore in 2001).

This decline was largely due to the Indian market for packet tea shrinking by 6.4 %, with Hindustan Lever's sales falling by 11.7%. In large part, this was due to challenging business environment in 2001. The bearish sentiment in the commodity continued for the third successive year. Easy availability of loose tea at low prices, coupled with reduced purchasing capacity among consumers depending upon agricultural income, led to significant down-trading. The Company also chose to rationalise non-core brands with unviable margins. In 2001, the fall in sales of these brands were not countered by adequate sales growth of the core brands.

Notwithstanding the poor overall market sentiment in tea, Hindustan Lever continued to follow its long-term strategy of upgrading the portfolio by focussing its innovation and marketing efforts only on the Power Brands. The Taj Mahal brand was able to clock good growth in a difficult year and innovative marketing efforts for Taaza resulted in higher volumes. Indeed, the decline in sales growth for the Power Brands was less than the decline of the Indian packet tea market.

In the mass market, the challenge is to establish a profitable business by effectively competing with loose tea and low-priced regional brands. To do so, we have invested significant sums in research and development with the objective of developing products with functional benefits relevant to the consumer. During 2001, the brand A1 was re-launched in Maharashtra as a stronger tea; and in Karnataka, a variant of A1, which contains vitamins, was test marketed in the latter part of the year.

In the last few years, packet tea has not grown in term of ''share of throat'', particularly among youth. We have, thus, embarked on a strategy of creating new consumption occasions for tea, and growing the Out of Home channels. Lipton Ice, Unilever's soft drink ice-tea brand, has been introduced in select markets and is expected to be a contributor in the future growth of Hindustan Lever's beverage business.

Notwithstanding the decline in sales, profitability of the Beverages business improved significantly by over 850 basis points at the gross margin level. In part, this has been driven by excellent results in the coffee business. Against a drop of 2.7% in the overall India coffee market, Hindustan Lever registered 13.7% growth in sales — with Power Brands growing by 20.6%. Bru was successfully re-launched with a significantly improved product and a new communication strategy to build a modern and youthful image for the brand.

Improved profitability of the Beverages business has been achieved by upgrading the brand portfolio and re-engineering the supply chain. A number of initiatives in sourcing, blending, manufacturing and distribution were taken to compress supply chain lead time, which resulted in significant improvements in quality (particularly freshness) and costs. Manufacturing locations have been reconfigured and modernised to optimise total systems cost. These steps, in addition to bringing down overhead costs, helped the business to manage its operations with negative working capital.

During the year two new manufacturing locations were commissioned at Khalilabad and Silvassa.

Ice Creams

Accounting for 1.4% of the Company's total net sales, ice cream sales have declined by 4.5% from Rs. 164 crore in 2000 to Rs. 157 crore for 2001. This excludes service income from operations amounting to Rs. 4.75 crore in 2000 and Rs. 5.29 crore in 2001. Moreover, Company continued to make losses in 2001 in the Ice creams business, which amounted to Rs. 26.5 crore.

Although the Company's Kwality Wall's is the market leader in the organised sector with a share of over 50%, the consumption of ice creams is virtually stagnant in this sector, and the per capita consumption is very low compared to most other developing countries. Moreover, adverse weather conditions in 2001, aggressive low price competition and poor cold chain infrastructure also impacted growth as well as profits.

During 2001, we focussed on developing a new channel and strengthening the franchises of select brands. Kwality Wall's softies have now been introduced in all key cities, as were clearly differentiated products based on local preferences and affordability. Kwality Wall's Sundae tubs with different sauces, Max 123, Cornetto Snackers and Feast Snacko were launched in all key markets.

The Company has put in place a new strategy for turning around the ice cream business and this will be implemented in 2002. The strategy will cover product portfolio rationalisation, supply chain optimisation and cost reduction, sourcing arrangements and distribution reach, while strictly maintaining international hygiene standards.

Exports

Manufactured exports turnover of Hindustan Lever and its subsidiaries grew by 11% in 2001. In line with the decision to phase out traded exports, the Company consciously scaled these down by over 40%; and they will be further rationalised in 2002. Because of the reduction of traded exports, Hindustan Lever's total exports declined by 1.2%, from Rs. 1,772 crore in 2000 to Rs. 1,751 crore in 2001.

We are India's largest exporter of tea, soap detergents and personal products and value added marine products, and have been accorded the status of Golden Super Star Trading for outstanding export performance over the last three years. We have also received the GLOBOIL Award for outstanding performance in exports of castor seeds, castor oil and derivatives.

Exports of soaps, detergents and personal products grew by 38% during the year, largely on account of increase in oral care and skin care exports. Two new plants have been commissioned to cater to increased exports of Fair & Lovely and to manufacture liquid care and household care products for the South East Asian markets. Several new products such as Dove Body Lotion, Dove Body Wash and Fair & Lovely under eye cream were launched for the first time in the Middle East and a Pepsodent Whitening toothpaste was launched in Kazakhstan. We have also entered into direct marketing arrangements for the Pears range of soaps in the US and are in the process of setting up similar arrangements in a few select countries. In 2001, we secured a 10,000 ton liquid detergents order from South East Asia, and supplies commenced in the last quarter.

Although the Beverages division exported higher volumes of both tea and coffee in 2001 over 2000, the depressed prices of tea and coffee led to a 2% drop in value terms over the previous year. During 2001, Russia — Hindustan Lever's single largest customer of packet tea — decided to start manufacturing in the country. The full impact of the loss of this business will be felt in 2002. However, to compensate for this loss, we have secured orders to supply tea bags to Unilever Australia. Production against these orders are expected to commence in the second half of 2002. A new EOU is being set up in Pune to cater to the needs of this business.

The Company's Marine division registered a 60 % increase in exports, with growth coming from the new business of salad shrimps and pasteurised crabs. The division now has a wide range of value added sea food products, which constitutes a focus area for exports growth. Accordingly, we propose to exit the non-value added sea catch business in 2002.

Rice exports faced severe low priced competition from Pakistan basmati in the Gulf and European markets. Our basmati rice brand, Gold Seal Indus Valley, has been re-launched in the Gulf and other markets from January 2002.

Leather exports registered a strong growth of 40% in 2001, driven by new customers in Italy, Germany, and the UK. The division consolidated its position with Hush Puppies licensees in Middle East and Canada. Progress was also made towards entering the US market, with the development of a new range of products.

Summary of Business Operations

The above discussion highlights the difficult domestic market environment in which Hindustan Lever has to compete. Growth across almost all product categories was sluggish and in several cases negative. However, a few things stand out. First, Hindustan Lever was able to out-perform the market in most cases. Second, its investments in improving quality and enhancing advertising of the Power Brands is paying off: in many categories, the Power Brands grew significantly faster than the market. Third, and most important, with the exception of the ice creams, all other businesses have generated and maintained a steady growth in operating profits. "More from Less" – the Company's strategy of focussing on fewer businesses, products and brands and investing disproportionately larger resources in them — has clearly worked in 2001.

MERGERS

Inorganic growth has been an integral part of Hindustan Lever's strategy. In 2001, the amalgamation of International Bestfoods Ltd (IBFL) with Hindustan Lever was confirmed by the Mumbai High Court. Shareholders of IBFL received two shares of Re.1 each of Hindustan Lever for every three shares of Rs. 10 each held in IBFL. The merger resulted in another powerful brand, Knorr joining the Company's stable, and strengthening the culinary business. The turnover of Knorr doubled in 2001, and its profitability was improved by streamlining supply chain and restructuring some of its operations. We will keep on growing this brand and significantly improving its profitability.

This merger also coincided with the amalgamation of yet another wholly owned subsidiary of the Company, Aviance Limited, to consolidate its personal products range with that of Company's personal products business and thereby facilitate long term growth and viability of these businesses and realise the benefits of greater synergy between these overlapping businesses.

During the year Rossell Industries Limited (RIL), which has seven tea gardens spread over a planted area in excess of 3000 hectares, became a subsidiary of Hindustan Lever consequent to Lipton India Exports Limited (LIEL), a 100% subsidiary of Hindustan Lever raising its shareholding in RIL to 60,02,708 equity shares of Rs. 10/- each constituting 59.62% of the issued and the paid up capital. The above together with 37,00,000 equity shares of Rs. 10/- each constituting 36.56% of the issued and paid up capital of RIL held by UOHBV raised the promoter shareholding in RIL to 95.89%. LIEL has initiated steps to delist the Company in compliance with SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and the process is expected to be completed during the year 2002.

The Company acquired from Lakme Lever Limited, its wholly owned subsidiary, with effect from March 31, 2001 the assets and liabilities of its colour cosmetics, fragrances and personal care business at net book value.

DIVESTMENTS AND JOINT VENTURES

As mentioned earlier, one of the three key strategic objectives of the Company is to secure the long-term future of the Company's non-FMCG businesses. Operationally, this translates to seeking the main players in such industries, and then either divesting to them or creating joint ventures with them. We believe that such a strategy serves two purposes: it allows Hindustan Lever to focus on FMCG, and it ensures that the non-core businesses are run by the best in the industry.

Keeping this in mind, on 20 September 2001, the Company transferred its remaining 26% stake in Gold Mohur Foods and Feeds Limited (GMFFL) — a Company focussing on animal feeds and agricultural inputs — to its erstwhile joint venture partner, Godrej Agrovet Limited (GAVL). Thus, Hindustan Lever exited from this business, and GMFFL became a 100% Godrej group subsidiary.

We also entered into an agreement with ICI India Limited for the sale of our adhesives business, which was a unit of

Hindustan Lever's Specialty Chemicals Division. We entered into a similar arrangement with ICI India Limited for the sale of the nickel catalyst business on a 'going concern basis' — which involved ICI taking over the manufacturing facilities located at Taloja (near Mumbai) along with the services of 17 employees.

Moreover, following a joint venture arrangement with ICI India Limited and Quest International BV, the flavours and fragrances business of the Quest Division was transferred to Quest International India Limited — a Company in which ICI India and Quest International BV together hold 51%, with the balance 49% being held by Hindustan Lever. This joint venture, however, excludes Hindustan Lever's aroma chemicals business and the erstwhile Industrial Perfumes Limited, which continues as one of our divisions.

We have also proposed to transfer our undertaking engaged in the seeds business to its subsidiary, Paras Extra Growth Seeds Limited (formerly named as Grand Food and Catering Consultants Limited) on a going concern basis. The idea is to segregate this business into a separate entity, so that as and when we can identify a suitable technology partner, we can quickly execute a joint venture agreement. On 12 December 2001, Hindustan Lever initiated this process through postal ballot on an ordinary resolution. The result of the ballot was announced on 18 February 2002, which overwhelmingly approved the transfer.

The Seeds and Plant Growth Nutrient business was transferred in the first quarter of 2002 and a Joint Venture partner with 74% shareholding has been inducted.

INFORMATION TECHNOLOGY

Over the last several years, information technology has been an integral part of the Company's operations and in 2001, too, we continued our investments in this area.

All Hindustan Lever stockists in major towns are now connected on-line with the Company, and this has enabled direct transactions and collaborative planning for market activities. It has also allowed the Company to successfully pilot the concept of continuous replenishment of stocks — and, in what will be one of the largest IT implementations in the country, this practice is now being extended to cover more stockists in 2002. Symmetrically, we have established connectivity with major suppliers during 2001. These vendors now have direct access to the Company's material requirements and stock levels, and this connectivity will help in achieving continuous replenishment of input materials. Our new stockist-to-supplier connectivity is dealt with in greater detail in the section on supply net.

In another radically new initiative, a mobile handheld IT capability has been developed to enhance salesman productivity and coverage. This, too, is poised for roll-out during 2002.

Technology investments to upgrade internal planning systems have progressed well during the year. Internal IT will synchronise daily production and distribution with day-to-day customer offtake — and thus unlock substantial benefits in supply chain efficiencies and customer services. Moreover, the Company is simplifying internal transaction processing systems, which are currently spread over 200 locations. The idea is to leverage IT capabilities to simplify and re-engineer processes, and operate from a central location. This calls for upgrading Hindustan Lever's existing computer network and enhancing its Wide Area Network for higher reliability and bandwidth.

Communication and knowledge management are two other important applications of IT. We use internet enabled technologies for voice and video conferencing capabilities. In the course of the year, we set up 15 video-conferencing studios, to enable virtual meetings and instant communication at much lower costs. Knowledge management, too, has received major attention during the year. To leverage collective internal knowledge, intranet web sites on packaging development, consumer behaviour and commercial information have been launched.

Hindustan Lever will continue IT investments in strategic areas and use IT to simplify processes, reduce costs, leverage quality information and connect with business partners to achieve enhanced supply chain efficiencies and customer service.

SUPPLY NET

The marketing capabilities of Hindustan Lever are well known. What is not so well known is that our marketing prowess is backed by probably the best supply chain system in the country, which keeps costs and inventory under control and makes us extremely competitive in the market place.

We are now poised to seamlessly connect our stockists and suppliers through an end-to-end supply net. Named "Project Leap", this supply chain initiative leverages next generation technology and new business processes and represents one of the largest B2B e-commerce initiatives ever undertaken in India. It will reach towns in the country which lack even local internet infrastructure. Project Leap is expected to become fully operational across most businesses.

The objective of Project Leap is to catalyse Hindustan Lever's growth by ensuring that the right product is available at the right place in the right quantities, on a continuous replenishment basis. It begins with the supplier, runs through the factories and depots and reaches up to the redistribution stockists (RSs).

RSNet is the front-end initiative of Project Leap, connecting stockists through an Internet based system. It provides linkages with RSs' transaction systems, enables monitoring of stocks and secondary sales, and optimises RS orders and inventories. This has been already extended to more than 1,000 soaps, detergents and personal care stockists — and accounts for nearly half the turnover of that business. Information on secondary sales from Gandhidham to Guwahati is now available on the RSNet every day.

Backing this up is the internal network planner and optimiser. It handles the complex task of managing the planning, production and distribution requirements on an integrated basis. Already implemented in a part of the home and personal care business, it will handle the complex task of deciding what pack must be produced where, and to what location it should be dispatched to meet the orders generated on RSNet in the most cost effective manner.

This new model will help ascertain the daily stock positions at each point in the supply chain, project stock requirements at these points, plan for replenishment — and do so with complete transparency across the supply chain. An upshot of this is that the Company will be able to do production planning on a continuous basis. Instead of planning for every month, the Company will be able to plan for every day, and even for every shift, in line with an overall optimisation strategy.

The last leg of Project Leap is Supplier Net, which links the suppliers into the chain. Suppliers get access to the inventory levels of raw materials and packaging materials at the factories, as well as projected requirements. They will also have full online access to scheduled orders, receipts of supplies sent, quality control status at the factories, and payment cleared.

NEW VENTURES

In today's business environment, companies have to constantly reinvent themselves, evaluate their business portfolios and explore new growth avenues. A couple of years ago, Hindustan Lever had initiated Project Millennium, which identified several new growth opportunities for the Company. These opportunities were assessed by the Company's New Ventures Group on the basis of market potential, consumer preferences, and current and future capabilities of the Company.

Hindustan Lever's strength lies in brand building, distribution, consumer research and marketing, rural marketing, logistics and supply chain management. Therefore, we have short-listed four ventures that leverage all or most of these strengths. These are:

— **Confectionery**

Hindustan Lever entered the Rs.2,000 crore confectionery market for the first time in 2001. In line with the Company's strategy of leveraging brands across product categories, the Max brand — which is already a great favourite of children when they buy ice cream — has been extended to the confectioneries business. We are marketing Max candies at prices as low as 25 paise and 50 paise. Today, there are three products: ChocoMax, a 50 paise candy with a milky chocolate taste; Max Magic, a 25 paise candy with two distinct tastes; and MaxMasti, a 25 paise plain fruit candy.

These were first launched in Tamil Nadu. In a short span of time, they have emerged as the market leader in the state for their segment. Following this successful test-marketing in Tamil Nadu, the products have been launched in other parts of the country.

Hindustan Lever's successful entry into the confectionery market can be attributed to its insight into children's preferences, acquired through existing categories such as ice cream, culinary products and oral care; experience of selling low unit price packs gained in the hair care business; a well-established distribution network; and a cost-effective manufacturing strategy mastered in the detergents business.

The entry in this market is also significant, as this is the first time that a Unilever group Company is marketing sugar confectioneries. Unilever has a globally well established brand, Max, which is associated world-wide with children. What we have done is to extend this brand to confectioneries. This is an example of leveraging global brands to create local businesses.

— **Health Care**

Our New Ventures team has spent 2001 in mapping out the opportunity and preparing an entry strategy for the growing healthcare business. The entry mix will be rigorously tested in 2002, after which we will take a decision on further extension and rollout.

— **E-Tailing**

A pilot e-tailing initiative was launched in 2001 through a wholly owned subsidiary, Indexport Limited. Branded as Sangam Direct, it is geared towards meeting the bulk grocery needs of consumers. In addition to a B2C commerce-enabled web site, a web-enabled call centre has also been set up to receive orders through the telephone. The initial response for the pilot has been satisfactory, and the testing period for the service will continue before a final business decision is taken.

— **Rural Connectivity**

The Company's rural connectivity team, working with NGOs and Self Help Groups, evolved a model that would carry both Hindustan Lever's brands and their communication to inaccessible parts of rural India. Project Shakti was launched in Nalgonda district of Andhra Pradesh as a pilot. Initial response to this initiative has been good, and the Company's market shares have shown a significant increase across categories in the pilot areas. Currently Project Shakti is operational through 400 Self Help Groups, and we intend to extend its reach during 2002.

HUMAN RESOURCES

The Company considers the quality of its human resources to be its most important asset and constantly endeavors to attract and recruit best possible talent and to retain, nurture and groom it to meet its current and future needs. The Company currently has approximately 31800 employees. It places great emphasis on training and development of employees at all levels and seeks to achieve more close alignment between their objectives and the strategic objectives of the business through intensive communication of the corporate strategic objectives to all its employees. While constantly endeavouring to change and adapt to meet the aspirations and expectations in a highly competitive environment, the Company seeks to deeply embed across the organisation and imbibe in all its employees the core values of Action, Courage, Caring and Truth.

FINANCIALS

Despite a difficult year for the Indian economy, Hindustan Lever has succeeded in achieving good results for 2001. Turnover, net of excise, (or net sales) increased by almost 3.5%, from Rs. 10,604 crore in 2000 to Rs. 10,972 crore in 2001. Profits before depreciation, interest and taxes (PBDIT) increased by 15.9%, from Rs. 1,809 crore in 2000 to Rs. 2,096 crore in 2001. Profits before taxes and exceptional items (PBT) rose by 16.7%, from Rs. 1,665 crore in 2000 to Rs. 1,943 crore in 2001. Net profit increased by 25.3%, from Rs. 1,310 crore in 2000 to Rs.1,641 crore in 2001. Table 2 summarises the results.

Table 2: Summarised profit and loss account of Hindustan Lever (in Rs. Crore)

For the year ended 31 December	2001	2000	Rate of growth
Net sales	**10971.90**	**10603.79**	**3.5%**
Other income	381.79	345.07	
Total income	**11353.69**	**10948.86**	**3.7%**
Operating expenses	(9257.91)	(9139.68)	1.3%
PBDIT	**2095.77**	**1809.18**	**15.9%**
Depreciation	(144.66)	(130.94)	
PBIT	**1951.11**	**1678.24**	**16.3%**
Interest	(7.74)	(13.15)	
Profit before taxation (PBT) and exceptional items	**1943.37**	**1665.09**	**16.7%**
Taxation: current tax	(397.69)	(355.00)	
Taxation: deferred tax	(4.73)	—	
Profit after taxation (PAT) and before exceptional items	**1540.95**	**1310.09**	**17.6%**
Exceptional items (net of tax)	100.36	—	
Net profit	**1641.31**	**1310.09**	**25.3%**

The table clearly shows why Hindustan Lever has been able to increase its profits at a faster rate than growth in net sales. The key to it lies in keeping a very tight control on costs.

Net sales grew by 3.5%, while the growth in operating expenses was limited to 1.3%. Not only did operating expenses grow at a rate less than net sales, but it was also significantly less than the annual rate of inflation. Efficient supply chain management coupled with lower input prices actually reduced cost of goods sold by 1.4% — from Rs. 6,443 crore in 2000 to Rs. 6,354 crore in 2001. This is an example of our strategy of getting "More from Less". Staff costs fell by 3.7% — from Rs. 614 crore in 2000 to Rs. 592 crore in 2001, aided by lower restructuring costs. Securing the future of non-core businesses played a role in reducing this element of cost; it also added over Rs. 100 crore to Net Profit in the form of exceptional income.

Thanks to these results, return on net worth (RONW) has increased from 52.6% in 2000 to 53.9% in 2001. Earnings per share (EPS) has risen by 25.2% — from Rs. 5.95 in 2000 to Rs. 7.46 in 2001. Total dividend has increased from Rs. 3.50 per share of Re. 1 in 2000 to Rs.5 in 2001. Table 3 gives RONW, return on capital employed (ROCE) and EPS over the last five years.

Table 3: RONW, ROCE and EPS for the last five years

For the year ended 31 December	1997	1998	1999	2000	2001
RONW	46.0%	48.9%	50.9%	52.6%	53.9%
ROCE	61.1%	58.7%	61.8%	64.5%	62.4%
EPS of Re.1 (adjusted for bonus, if any), in rupees	2.81	3.67	4.86	5.95	7.46

Economic Value Added (EVA)

EVA is increasingly being used to measure the performance of companies. It is the residual income after charging the Company for the cost of capital provided by lenders and shareholders. EVA represents the value added to a Company's investors — produced by generating operating profits in excess of the cost of capital employed in the business.

EVA = Net Operating Profit after Taxes (NOPAT) – Cost of Capital Employed (COCE), and COCE = Weighted average cost of capital (WACC) (x) Average capital employed. Table 4 gives the EVA for Hindustan Lever over the last five years.

Table 4: EVA for Hindustan Lever in the last five years (Rs. crore)

Years	EVA	Average capital employed	EVA as % of capital employed
1997	365	1287	28.4%
1998	548	1652	33.2%
1999	694	2070	33.5%
2000	858	2389	35.9%
2001	1080	2816	38.4%

Note that these calculations have been made under very conservative assumptions. A detailed note on EVA is given in page 30.

SEGMENT-WISE RESULTS

Hindustan Lever has identified seven business segments in line with the Accounting Standard on Segment Reporting (AS-17). These are: (i) soaps and detergents, (ii) personal products, (iii) beverages, (iv) foods, including oils and fats, culinary, and branded staples, (v) ice creams, (vi) exports, and (vii) others, including chemicals and agri-products. Table 5 gives the audited financial results of these segments.

Table 5: Segment revenue, results and capital employed

For the year ended 31 December 2001	Rs. Crores
Segment Revenue (Sales plus income from services)	
Soaps and detergents	4295.43
Personal products	2217.94
Beverages	1418.82
Foods	794.20
Ice creams	161.86
Exports	1750.62
Others	654.73
Total	11293.60
Less: inter-segment revenue	(267.54)
Net sales/income from operations	**11026.06**
Consisting of:	
a) Net sales	*10971.90*
b) Service income from operations	*54.16*
Segment Results (PBIT)	
Soaps and detergents	978.63
Personal products	670.14
Beverages	173.59
Foods	6.92
Ice creams	(26.52)
Exports	82.04
Others	24.59
Total	1909.39

	Rs. Crores
Less: interest expense	(7.74)
Add: unallocable income net of other unallocable expenses	41.72
Total profits (PBT)	1943.37
Capital employed in segments (segment assets less liabilities) – as at 31 December 2001	
Soaps and detergents	66.10
Personal products	(46.24)
Beverages	(33.53)
Foods	45.98
Ice creams	47.45
Exports	275.40
Others	154.01
Total Capital employed in segments	509.17
Add: unallocable corporate assets less Corporate liabilities	2534.53
Total capital employed in Hindustan Lever	**3043.70**

Note: For greater detail, please see the segment accounts given in the financial statements accompanying the audited Profit and Loss Account and Balance Sheet.

BONUS DEBENTURES

Thanks to a record of profitable growth year after year, Hindustan Lever's reserves have steadily increased over time. The Company's operations are not capital intensive, and the investments required for enabling future growth are modest in relation to turnover and profits. Moreover, the Company has leveraged IT and supply chain efficiencies to significantly reduce its working capital requirements.

We, therefore, concluded that our general reserves are more than what we need for future expansion as well as acquisition; and our cash resources are well in excess of our operational needs.

Since the returns from any prudent treasury operation are significantly less than Hindustan Lever's operational profits, it was clear that investing a growing corpus of reserves in government securities and safe corporate debt instruments would inevitably result in declining return on overall capital employed —more so in a regime of falling interest rates.

Given the ever growing reserves of the Company and conscious of the need to reward shareholders, Hindustan Lever decided to offer its shareholders bonus debentures. Consequently, on 5 November 2001, the Company proposed to issue over 220 crore bonus debentures worth Rs. 1,320.75 crore. At a face value of Rs. 6, these debentures will carry a coupon rate of 9% per year. The instrument is rated, secured, non-convertible, and redeemable in two equal instalments of Rs. 3 each — the first after two years of the date of allotment, and the second after three years. Shareholders will be issued one such bonus debenture for every share held.

The Company's net worth will come down because of this issue. All else being equal, this should significantly increase Hindustan Lever's RONW in 2002 and thereafter. More significantly, the bonus debentures will have returned a part of your Company's wealth back to you, without sacrificing any growth or investment opportunities in the future. Due to changes in taxation regime announced by the 2002 budget, the Company has modified the Scheme which will now be carried forward for approval of members and sanction by the Court. Full details have been set out in the Directors' Report.

RISK AND INTERNAL ADEQUACY

Hindustan Lever has a low debt equity ratio and is well placed to take care of its borrowings. Although it is a large net foreign exchange earner — almost Rs. 1,597 crore in 2001 — the transactions are suitably covered, and there are no materially significant exchange rate risks associated with the Company.

The Company's internal control systems are more than adequate, and are routinely tested and certified by our statutory as well as internal auditors. Moreover, the Company continuously upgrades these systems in line with best international practices.

For a FMCG Company like Hindustan Lever, the really significant risk factor is the state of the economy. If the economy grows at a rapid pace, so do we. If it doesn't, it becomes very difficult for Hindustan Lever to drive sales and profits.

Our outlook for the economy in 2002 is cautious, and we are not projecting a GDP growth of more than 5%. Our plans for business development, revenue generation and profit growth are based on this very low-key estimate. If reforms kick in and generate 6% growth or more, and if agricultural incomes pick up, then Hindustan Lever should do even better. As Indians, we all want higher growth. But shareholders should rest assured that we are not counting on it in our corporate planning. If higher growth occurs, it will be the icing on the cake.

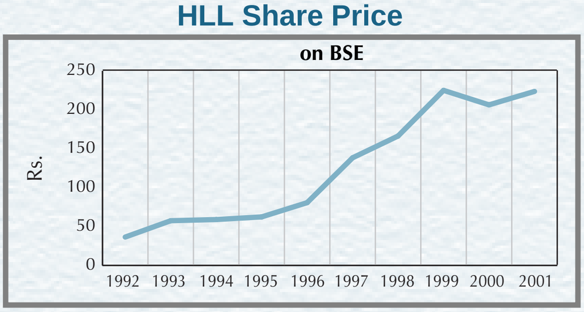
CAUTIONARY STATEMENT

Statements in this Management Discussion and Analysis describing the Company's objectives, projections, estimates and expectations may constitute "forward looking statements" within the meaning of applicable laws and regulations. Actual results might differ materially from those either expressed or implied.

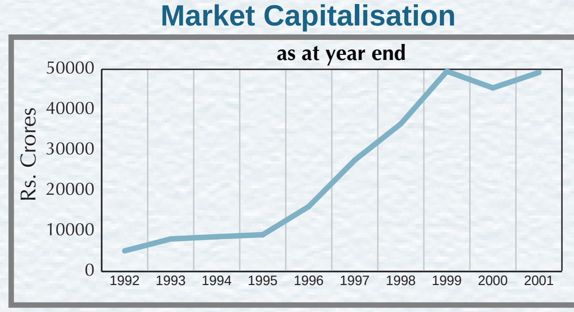
10 YEAR RECORD

Rs. Lakhs	1992	1993	1994	1995	1996	1997	1998	1999	2000	**2001**
Profit and Loss Account										
Sales	1757,03	2063,17	2826,48	3366,95	6600,11	7819,71	9481,85	10142,49	10603,79	**10971,90**
Other Income	12,00	29,76	56,21	66,70	118,08	183,87	244,74	318,98	345,07	**381,79**
Interest	(32,19)	(27,23)	(29,54)	(20,15)	(57,00)	(33,89)	(29,28)	(22,39)	(13,15)	**7,74**
Profit before taxation @	165,98	222,77	302,71	372,22	605,25	850,25	1130,44	1387,94	1665,09	**1943,37**
Profit after taxation @	98,48	127,27	189,96	239,22	412,70	580,25	837,44	1069,94	1310,09	**1540,95**
EPS of Re. 1 (adjusted for bonus)	0.70	0.91	1.30	1.64	2.08	2.81	3.67	4.86	5.95	**7.46**
DPS of Re. 1 (adjusted for bonus)	0.42	0.56	0.80	1.00	1.25	1.70	2.20	2.90	3.50	**5.00**
Balance Sheet										
Fixed Assets	222,75	254,34	328,90	395,56	721,71	794,09	1053,77	1087,17	1203,47	**1320,06**
Investments	12,24	50,95	191,45	122,83	328,77	531,57	697,51	1006,11	1769,74	**1635,93**
Net Current Assets	298,58	195,60	342,02	457,67	378,67	122,42	226,06	187,25	(373,38)	**(75,04)**
Net Deferred tax	—	—	—	—	—	—	—	—	—	**246,48**
	533,57	500,89	862,37	976,06	1429,15	1448,08	1977,34	2280,53	2599,83	**3127.43**
Share Capital	139,99	139,99	146,99	145,84	199,17	199,17	219,57	220,06	220,06	**220,12**
Reserves & Surplus	193,31	245,69	391,27	492,44	792,36	1062,33	1493,46	1883,20	2268,16	**2823,57**
Share Premium Suspense Account	—	—	177,57	177,57	177,57	—	—	—	—	**—**
Loan Funds	200,27	115,21	146,54	160,21	260,05	186,58	264,31	177,27	111,61	**83,74**
	533,57	500,89	862,37	976,06	1429,15	1448,08	1977,34	2280,53	2599,83	**3127,43**

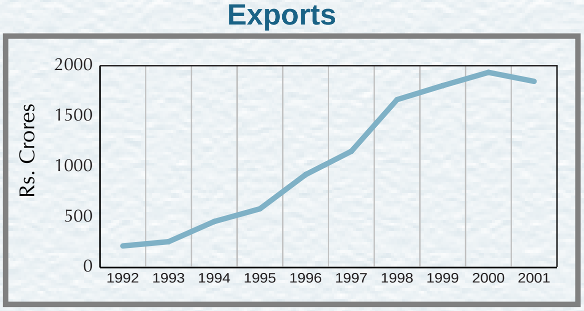
HLL Share Price



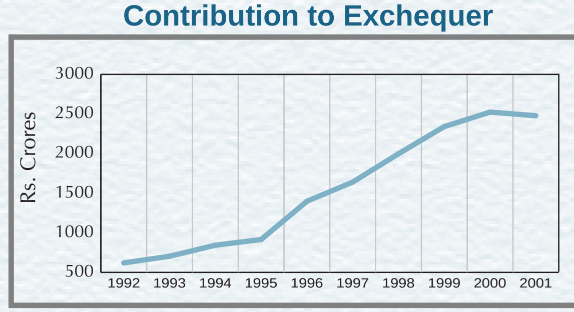
Market Capitalisation



Exports



Contribution to Exchequer



	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
HLL Share Price on BSE (Rs. per Share of Re. 1) *	36.50	57.50	59.00	62.40	80.70	138.35	166.35	225.00	206.35	223.65
Market Capitalisation (Rs. Crores)	5,110	8,049	8,604	9,100	16,073	27,555	36,525	49,513	45,409	49,231
Exports (Rs. Crores)**	214	258	456	582	921	1,152	1,664	1,803	1,934	1,845
Contribution to Exchequer (Rs. Crores)	620	704	843	915	1,398	1,640	2,062	2,341	2,524	2,478

@ Before exceptional items
* Based on year-end closing prices quoted in the Bombay Stock Exchange, adjusted for bonus shares
** Includes exports made by subsidiaries

Corporate Governance

Hindustan Lever believes that for a company to succeed on a sustained basis, it must maintain global standards of corporate conduct towards its employees, consumers and society. To that end, we as a company have always focused on good corporate governance – which is a key driver of sustainable corporate growth and long term value creation for our shareholders.

At Hindustan Lever, we view corporate governance in its widest sense, almost like a trusteeship. Corporate governance is not simply a matter of creating checks and balances; it is about creating an outperforming organisation, which leads to increasing employee and customer satisfaction and shareholder value. The primary objective is to create and adhere to a corporate culture of conscience and consciousness, transparency and openness; and to develop capabilities and identify opportunities that best serves the goal of value creation.

We believe that a company needs to leverage resources to translate opportunities into reality; to infuse people with a vision which sparks dynamism and entrepreneurship, creates a system of succession which combines stability with flexibility and continuity with change.

Above all else, corporate governance must balance individual interest with corporate goals and operate within accepted norms of propriety, equity, fair play and a sense of justice. Achieving this balance depends upon how accountable and transparent companies are. Accountability improves decision making. Transparency helps to explain the rationale behind decisions, and thereby builds stakeholder confidence.

In India, the corporate governance initiative was pioneered in 1998 by the Confederation of Indian Industry (CII) through its publication *Desirable Corporate Governance: A Code*. Thereafter, the Securities and Exchange Board of India (SEBI) constituted a committee to promote and raise corporate governance standards for listed companies. On 25 January 2000, SEBI considered the report of this committee, and decided to make amendments to the listing agreement to incorporate the key recommendations. Consequently, a new Clause 49 has been introduced in the listing agreement with Indian stock exchanges, which sets out the norms and disclosures that have to be made on the corporate governance front. In this Report, Hindustan Lever confirms its compliance with the corporate governance criteria as required by Clause 49.

BOARD OF DIRECTORS

a) Composition of the Board

During the year 2001, the Board of Directors of Hindustan Lever was in the process of being restructured to comply with the requirement that if the Chairman is a Wholetime Director, 50 per cent of the Board must consist of Non-executive, Independent Directors. For the year ended 31 December 2001, the Board consisted of nine Directors, of which five, including the Chairman, were Whole-time Executive Directors, while four were Non-executive, Independent Directors. Details are given in Table 1. The fact that the Board was short of one independent Director was reported every quarter to SEBI and the relevant stock exchanges.

The reason for this non-compliance has to do with the historical composition of Hindustan Lever's Board, which was overwhelmingly dominated by Executive Directors. Maintaining a 50:50 parity between Executive and Independent Directors without making the size of the Board too unwieldy required the resignation of some Executive Directors. It can be appreciated that in a professionally managed Company like Hindustan Lever, such a process required some time. Moreover, the Company wanted Non-executive Directors who would be not only truly independent and add real value to the Company, but also have the stature and expertise commensurate with the size and goodwill of Hindustan Lever. This process, too, has taken time. Hence, as on 31 December 2001, Hindustan Lever was one short of the required minimum number of Non-executive Directors.

However, we are pleased to report that between the end of financial year 2001 and now, the Company has succeeded in selecting the fifth Non-executive Independent Director. Mr. S. Ramadorai has been appointed as an Additional Director with effect from 20 May, 2002. He will hold office until the conclusion of the coming Annual General Meeting, where he will offer himself as a candidate for election to the Board.

b) Number of Board Meetings

Hindustan Lever held eight Board meetings during the year ended 31 December 2001. These were on 15 February, 28 March, 24 April, 29 June, 24 July, 26 September, 16 October and 12 December. The maximum interval between any two meetings was 65 days.

c) Directors' attendance record and directorships held

See Table 1 for details.

Table 1: Details about Hindustan Lever's Board of Directors

Name of Director	Position	Board meetings held during the year	Board meetings attended during the year	Whether attended last AGM	Directorships in other public limited companies incorporated in India*
M.S. Banga	Executive Chairman and Whole-time Director	8	8	Yes	3 (0)
M.K. Sharma	Executive Vice- Chairman and Whole-time Director (Legal and Secretarial)	8	8	Yes	6 (2)
D.S. Parekh	Non-executive and independent	8	4	Yes	14 (8)
V. Narayanan	Non-executive and independent	8	5	Yes	14 (8)
C.K. Prahalad	Non-executive and independent	8	2	No	NIL
H.R. Khusrokhan***	Non-executive and independent	3	2	No	1 (1)
A. Narayan**	Non-executive and independent	5	3	NA	1 (1)
S. Ramadorai****	Non-executive and independent	NA****	NA****	NA****	NA****
G. Singh	Executive and Whole-time Director (Human Resource, Technology & Corporate Affairs)	8	5	Yes	3 (1)
D. Sundaram	Executive and Whole-time Director (Finance & Information Technology)	8	8	Yes	1 (0)
A.C. Weijburg	Executive and Whole-time Director (Detergents)	8	5	Yes	NIL

Notes: * Figures in ( ) denotes listed companies. ** Appointed with effect from 29 June 2001. *** Ceased to be a director with effect from 22 June 2001. **** Appointed with effect from 20 May 2002. Independent Director means a Director who, apart from receiving a Director's remuneration, does not have any other material pecuniary relationship or transactions with the company, its promoters, its management, or its subsidiaries, which in the judgement of the Board may affect the independence of judgement of the Director.

None of the Directors is a member of more than 10 Board-level committees, or a Chairman of more than five such committees, as required under Clause 49 of the listing agreement.

d) Information supplied to the Board

Among others, this includes:

— review of annual operating plans of businesses, capital budgets, updates,

— quarterly results of the Company and its operating divisions or business segments,

— minutes of meeting of audit committee and other committees,
— information on recruitment and remuneration of senior officers just below the Board level,
— materially important show cause, demand, prosecution and penalty notices,
— fatal or serious accidents or dangerous occurrences,
— any materially significant effluent or pollution problems,
— any materially relevant default in financial obligations to and by the company or substantial non-payment for goods sold by the company,
— any issue which involves possible public or product liability claims of a substantial nature,
— details of any joint venture or collaboration agreement,
— transactions that involve substantial payment towards goodwill, brand equity or intellectual property,
— significant labour problems and their proposed solutions,
— significant development on the human resources and industrial relations fronts,
— sale of material nature of investments, subsidiaries, assets, which is not in the normal course of business,
— quarterly details of foreign exchange exposure and the steps taken by management to limit the risks of adverse exchange rate movement and
— non-compliance of any regulatory or statutory provision or listing requirements as well as shareholder services such as non-payment of dividend and delays in share transfer.

The Board of Hindustan Lever is routinely presented with all information under the above heads whenever applicable and materially significant. These are submitted either as part of the agenda papers well in advance of the Board meetings or are tabled in the course of the Board meetings.

e) Directors with materially significant related party transactions, pecuniary or business relationship with the Company

There have been no materially significant related party transactions, pecuniary transaction or relationships between Hindustan Lever and its Directors that may have potential conflict with the interests of the Company at large.

f) Remuneration of Directors: sitting fees, salary, perquisites and commissions

Table 2 gives the details of the remuneration package of Directors and their relationships with each other.

Table 2: Remuneration paid or payable to Directors during the year 2001 (in Rupees)

Name of Director	Relationship with other Directors	Sitting fees	Commission on profits	Salary	Contribution to PF	Perquisites	Total
M.S. Banga	None	NA	8830950	4586550	1610100	841986	15869586
M.K. Sharma	None	NA	7238400	3752850	1318950	515134	12825334
D.S. Parekh	None	19000	500000	NA	NA	NA	519000
V. Narayanan	None	31000	500000	NA	NA	NA	531000
C.K. Prahalad	None	30000	500000	NA	NA	NA	530000
A. Narayan*	None	45000	254795	NA	NA	NA	299795
H.R. Khusrokhan**	None	6000	235616	NA	NA	NA	241616
G. Singh	None	NA	4421250	3075000	899550	657361	9053161
D.Sundaram	None	NA	6339000	3169500	1141020	318932	10968452
A.C. Weijburg	None	NA	6339000	3169500	Nil	1313037	10821537

Notes: * Appointed with effect from 29 June 2001. ** Ceased to be a director with effect from 22 June 2001. The commission for the year ended 31 December 2001 will be paid after adoption of accounts by shareholders at the Annual General Meeting to be held on 26 June 2002. Sitting fee also includes payment for Board-level committee meetings.

The above excludes provisions for/contribution to employee retirement/post retirement and other employee benefits which are based on actuarial valuation done on an overall Company basis.

g) Remuneration of Directors: Employee stock options

The 68th Annual General Meeting of Hindustan Lever, held on 22 June 2001 approved a resolution to grant stock options to employees (2001 HLL Stock Option Scheme) for a total of one crore equity shares of the Company of the face value of Re.1 each, estimated to be spread out over the next four to five years. This is a tiny fraction of the paid up capital of the Company, which consists of over 220 crore shares of Re.1 each. The objective of the plan is to attract, encourage, reward and retain key managerial talent throughout Hindustan Lever. Whole time Directors of the Company are also covered by this stock option plan. Non-executive Directors are, at present, not eligible for the grant of any stock options.

Table 3 gives the number of options granted to the Whole-time Directors under this scheme.

Table 3: Stock options granted to the Whole-time Directors

Name of Director	Number of options granted under 2001 HLL Stock Option Scheme	
	For the year 2001	For the year 2002
M.S. Banga	66400	115340
M.K. Sharma	24800	32215
G. Singh	24800	32215
D. Sundaram	37200	40270
A.C. Weijburg	Nil	Nil

h) Committees of the Board

Audit Committee

The audit committee of Hindustan Lever performs the following functions:

— overseeing the Company's financial reporting process and disclosure of financial information to ensure that the financial statement is correct, sufficient and credible;

— recommending the appointment and removal of external auditor, fixation of audit fee and approval for payment of any other services;

— reviewing with management the annual financial statement before submission to the Board;

— reviewing with the management and external and internal auditors, the adequacy of internal control systems;

— reviewing the adequacy of internal audit function;

— discussing with internal auditors any significant finding and follow up on such issues;

— reviewing the findings of any internal investigations by the internal auditors in matters where there is suspected fraud or irregularity, or a failure of internal control systems of a material nature and then reporting such matters to the Board;

— discussing with external auditors before the audit commences on the nature and scope of audit, as well as having post-audit discussion to ascertain any area of concern;

— reviewing the Company's financial and risk management policies; and

— examining reasons for substantial default in the payment to depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors, if any.

Set up in July 2000, Hindustan Lever's audit committee was reconstituted during the year because Mr. H.R. Khusrokhan ceased to be Director of the Company with effect from 22 June 2001. It now consists of three Non-executive and Independent Directors — Mr. V. Narayanan (Chairman), Mr. A. Narayan and Prof. C.K. Prahalad. Mr. A. Narayan was appointed to the committee from 29 June 2001. All members of the audit committee are knowledgeable in project finance, accounts and company law. Minutes of each audit committee meeting are placed before and discussed in the full Board.

The audit committee met three times during the year: 14 February 2001, 23 July 2001 and 12 December 2001. Table 4 gives attendance record.

Table 4: Attendance record of audit committee members

Name of Director	No. of Meetings	Meetings attended
V. Narayanan	3	3
C.K. Prahalad	3	2
H.R. Khusrokhan*	1	1
A. Narayan**	2	2

Notes: * Ceased to be Director with effect from 22 June 2001. ** Appointed with effect from 29 June 2001.

In addition to the areas noted above, Hindustan Lever's audit committee looks into controls and security of the Company's critical IT applications, the internal and control assurance audit reports of all major divisions and profit centres and deviations from the code of business principles, if any.

Remuneration and Compensation Committees

Hindustan Lever's remuneration policy is based on three tenets: pay for responsibility, pay for performance and potential and pay for growth. The Company's remuneration committee is vested with all the necessary powers and authority to ensure appropriate disclosure on the remuneration of Whole-time Directors and to deal with all elements of remuneration package of all such Directors. This includes details of fixed components and performance linked incentives, stock options, service contracts and notice periods.

The committee was reconstituted during the year because of Mr. H.R. Khusrokhan ceasing to be a Director with effect from 22 June 2001. It now consists of three Non-executive and Independent Directors – Mr. D.S. Parekh (Chairman), Prof. C.K. Prahalad and Mr. A. Narayan. The remuneration committee met twice during the year: 24 July 2001 and 12 December 2001.

Table 5 gives the attendance record of the members of the remuneration committee.

Table 5: Attendance record of remuneration committee members

Name of Director	No. of Meetings	Meetings attended
D.S. Parekh	2	2
C.K. Prahalad	2	2
A. Narayan	2	2

The three members of the remuneration committee along with Mr. M.S. Banga (Chairman and Whole-time Director) and Mr. G. Singh (Whole-time Director) comprise the compensation committee of the Company. The compensation committee administers the stock option plan of the Company.

Shareholder/Investor Grievances Committee

The Shareholder/Investor grievances committee specifically looks into redressing of shareholders and investors' complaints such as transfer of shares, non-receipt of shares, non-receipt of declared dividends and to ensure expeditious share transfer process. This committee was also reconstituted during the year as Mr. H.R. Khusrokhan ceased to be a Director with effect from 22 June 2001. It now comprises Mr. A. Narayan (Chairman, Independent Director), Mr. M.K. Sharma (Vice-Chairman and Whole-time Director) and Mr. D. Sundaram (Whole-time Director). The committee met twice during the year: 24 July 2001 and 16 October 2001. Table 6 gives the attendance record.

Table 6: Attendance record of investor grievances committee members

Name of Director	No. of Meetings	Meetings attended
A. Narayan	2	2
M.K. Sharma	2	2
D. Sundaram	2	2

MANAGEMENT

a) **Management discussion and analysis**

This annual report has a detailed chapter on management discussion and analysis.

b) **Disclosures by management to the Board**

All details relating to financial and commercial transactions where Directors may have a potential interest are provided to the Board, and the interested Directors neither participate in the discussion, nor do they vote on such matters.

SHAREHOLDERS

a) Disclosures regarding appointment or re-appointment of Directors

According to the Articles of Association of Hindustan Lever, all Directors retire every year and, if eligible, offer themselves for re-election at every Annual General Meeting (AGM). All the Directors are eligible and are offering themselves for re-election. Mr. A. Narayan was inducted with effect from 29 June 2001 and Mr. S. Ramadorai from 20 May 2002, such Non-executive, Independent Additional Directors to hold office until the conclusion of the forthcoming AGM. Their candidature for election will be proposed to shareholders at the AGM in accordance with the provisions of the Companies Act, 1956.

Given below are the abbreviated resumes of the Directors of Hindustan Lever:

— **M.S. Banga** (46) is the Chairman and a Whole-time Director of Hindustan Lever. A gold medallist from IIT-Delhi and IIM-Ahmedabad, he joined Hindustan Lever as a Management Trainee in 1977. After various assignments in the marketing and sales functions in India and a stint with Lever Brothers UK, Mr. Banga took charge of the Company's Personal Products Division in 1993, and joined the Management Committee in February 1995. He was appointed as a Director of the Company in August 1995. In December 1998, Mr. Banga moved to Unilever in London as Senior Vice-President with world-wide responsibility for the Hair and Oral Care categories. He returned to India in April 2000 as the Chairman of Hindustan Lever.

— **M.K. Sharma** (53) is the Vice Chairman and a Whole-time Director of Hindustan Lever. After graduating in Political Science, he completed his L.L.B from the University of Lucknow. He then went on to do a Post-graduate Diploma in Personnel Management from the Department of Business Management, Delhi University, and a Diploma in Labour Law from the Indian Law Institute, Delhi. After working for six years with the DCM group, Mr. Sharma joined Hindustan Lever in 1974 as Legal Manager. He was inducted on the Board of the Company as Director (Legal and Secretarial) in August 1995, and has been the Vice Chairman since May 2000.

— **D.S. Parekh** (57) is a B.Com and holds a FCA degree from England and Wales. Mr. Parekh has held senior positions in Grindlays and Chase Manhattan. He is the Executive Chairman of Housing Development Finance Corporation Ltd. Mr. Parekh joined the Board of Hindustan Lever in May 1997.

— **V. Narayanan** (65) is a M.Sc. (Chem) from Madras University. He was the Chairman and Managing Director of erstwhile Pond's (India) Ltd., and is presently the Chairman of the Academy of Management Excellence, an institution engaged in management training. He joined the Board of Hindustan Lever in August 1987.

— **C.K. Prahalad** (60) is the Harvey C. Fruehauf Professor of Business Administration at the University of Michigan at Ann Arbor, USA. He received his Doctor of Business Administration from the Harvard Business School. Prof. Prahalad specialises in corporate strategy, and has authored several books and numerous articles in reputed journals. His contribution to business strategy is globally recognised. He joined the Board of Hindustan Lever in April 2000.

— **A. Narayan** (49) is a B.Tech from IIT-Kanpur and holds a L.L.B degree from Kanpur University. He also holds a M.S. from University of Rochester, USA and participated in a Senior Executive Programme at the Manchester Business School, UK. Mr. Narayan joined ICI India in August 1973. He was appointed as Managing Director of ICI India in August 1996, a post he holds till date. He joined the Board of Hindustan Lever in June 2001.

— **G. Singh** (57) is a B.Tech from IIT-Delhi. He joined Hindustan Lever as a Technical Management Trainee in September 1966. Mr. Singh was appointed as Vice President, Detergents (Technical) in 1990. From 1993 to 1998, he was seconded as Technical Director to the Lever Division of Gessy Lever in Brazil. He returned to India in August 1998 in his current position as Director, Human Resources, Technology and Corporate Affairs.

— **D. Sundaram** (49) joined Hindustan Lever in 1975 after qualifying as a cost accountant from ICWA. Having worked in various capacities within the Company, he was seconded to Unilever, London for the period 1990-93. On his return to India, he was the financial member of the TOMCO Integration Team and then became the Finance Director of Brooke Bond Lipton India Ltd., in March 1994. After another round of secondment to Unilever, London as Senior Vice President Finance (Central Asia and Middle East Group) during 1996-99, he returned to Hindustan Lever in May 1999 to take up his current position as Director, Finance and IT.

— **A.C. Weijburg** (54) joined Unilever, South Africa in 1971, after a B.A. in Economics from the University of South Africa. He has occupied several positions within the Unilever Group, such as Marketing and Sales Director (Lever Netherlands), Chairman (Lever Denmark), Managing Director (Lever Sweden), Managing Director (Lever Deutschland) and Chairman (Lever Brothers, UK). Mr. Weijburg joined Hindustan Lever in February 1999 as Director, Detergents and Regional Category Leader for Asia for Laundry and Household Cleaners.

— **S. Ramadorai** (57) is the CEO of Tata Consultancy Services; Chairman of Tata Technologies Ltd. and Chairman of CMC Ltd. Holder of a Bachelor degree in Physics from Delhi University; a Bachelor of Engineering degree in Electronics and Telecommunications from Indian Institute of Science, Bangalore; and a Masters degree in Computer Science from the University of California, USA, Mr. Ramadorai took the Senior Executive Development Program at MIT's Sloan School of Management in 1993. Mr. Ramadorai joined the Board of Hindustan Lever in May 2002.

Particulars of Directorships of other Companies and Memberships of other Committees are given in the Annexure hereto.

b) Communication to shareholders

Hindustan Lever has its own web-site and all vital information relating to the Company and its performance, including quarterly results, official press releases and presentation to analysts are posted on the web-site. The Company's web-site address is www.hll.com.

The quarterly, half-yearly and annual results of the Company's performance are published in leading newspapers such as *Times of India, Economic Times* and *Business Standard*.

c) Investor grievances

As mentioned earlier in this chapter, the Company has constituted a Shareholder/ Investors' Grievances Committee for redressing shareholders and investors' complaints. The status on complaints is reported to the Board of Directors as an agenda item. Mr. O.P. Agarwal, Company Secretary, is the compliance officer.

d) Share transfers

All share transfers are handled in-house by Hindustan Lever's Investor Service Department, which is registered with the SEBI as a Category 2 Registrar.

e) Details of non-compliance

Barring the Company's inability to add an extra Non-executive Independent Director to its Board during the year ended 31 December 2001, there have been no instances of non-compliance on any matter relating to the capital market or the listing agreements. As mentioned earlier, in the year 2002 the Company has appointed a new Non-executive and Independent Additional Director and, thus, it now complies with the requirement of the Board consisting of at least 50 per cent Non-executive or Independent Directors.

f) General Body Meetings

Details of the last three annual general meetings are given in Table 7.

Table 7: Date, time and venue of the last three AGMs

Financial year (ended)	Date	Time	Venue
31 December 1998	21 May 1999	1500 hrs	Birla Matushri Sabhagar, Marine Lines, Mumbai 400 020
31 December 1999	25 April 2000	1500 hrs	Birla Matushri Sabhagar, Marine Lines, Mumbai 400 020
31 December 2000	22 June 2001	1430 hrs	Birla Matushri Sabhagar, Marine Lines, Mumbai 400 020

g) Postal ballots

For the year ended 31 December 2001, there have been no ordinary or special resolutions passed by the Company's shareholders through postal ballot. However, on 12 December 2001, Hindustan Lever initiated the process of postal ballot by sending out a draft ordinary resolution to all its shareholders regarding the transfer of its seeds business to its subsidiary, Paras Extra Growth Seeds Ltd. Completed postal ballot forms were returned to the scrutiniser on or before 30 January 2002 and the result of the postal ballot was announced on 18 February 2002 — which overwhelmingly approved the ordinary resolution.

Further on 8 May 2002, the shareholders have approved, by an overwhelming majority of 99.89% votes, the disposal of the Company's business of industrial and institutional cleaning, popularly known as Diversey Lever, to Johnson Wax Professional Private Limited pursuant to Section 192 A of the Companies Act, 1956, by means of Postal ballot through an Ordinary Resolution.

Other information

— Mr. A. Narayan is the Managing Director of ICI India Limited.

  * HLL and ICI India Limited are joint venture partners in a company called Quest International India Limited. This joint venture was formed before Mr. Narayan joined HLL's Board.

  * ICI India Limited also bought Hindustan Lever's adhesives and nickel catalyst operations in 2001. The consideration received by Hindustan Lever for these two transactions were not materially significant. Mr. Narayan did not participate in any discussions on the sale transactions of nickel catalyst and adhesives operations.

— In line with the approval of the Government, royalty payable to Unilever PLC for the year 2001 @ 1% of qualifying turnover amounts to Rs. 49.55 Crores.

Auditors' certificate on corporate governance

As required by Clause 49 of the Listing Agreement, the auditors' certificate is given as an annexure to the Directors' Report.

ANNEXURE

PARTICULARS OF DIRECTORSHIPS OF OTHER COMPANIES AND MEMBERSHIPS OF OTHER COMMITTEES

	Other Directorships		Other Committee Memberships		
Name of the Director	**Name of the Company**	**Position**	**Name of the Company**	**Committee**	**Position**
M S BANGA	Indexport Limited Kimberly Clark Lever Limited Lever India Exports Limited SC Johnson Products Pvt. Ltd. Digital Securities Pvt. Ltd.	Chairman Chairman Chairman Chairman Chairman	NIL		
M K SHARMA	Vasishti Detergents Limited Hindlever Chemicals Limited Indexport Limited Lever India Exports Limited Hind Lever Trust Limited Toc Disinfectants Limited	Chairman Director Director Director Director Director	Vasishti Detergents Limited Hindlever Chemicals Limited	Investor Grievances Audit, Remuneration & Investor Grievances	Chairman Member
A NARAYAN **	ICI India Limited	Managing Director	NIL		
V NARAYANAN	Pond's Exports Limited MM Forgings Limited UCAL Fuel Systems Limited Glaxo SmithKline Pharmaceuticals Ltd. Samtel Colour Limited FAL Industries Limited Rane Madras Limited Samcor Glass Limited Sitagita.com Limited Lafarge India Limited Foster's India Limited Sundaram Fasteners Limited Bata India Limited Chemplast Sanmar Limited	Chairman Chairman Director Director Director Director Director Director Director Director Director Director Director Director	MM Forgings Limited Glaxo SmithKline Pharmaceuticals Ltd. Chemplast Sanmar Ltd. FAL Industries Limited Bata India Limited UCAL Fuel Systems Ltd. Rane Madras Limited Sundaram Fasteners Ltd. MM Forgings Limited Chemplast Sanmar Limited	Audit Audit Audit Audit Audit Audit Audit Audit Investor Grievances Share Transfer	Chairman Member Chairman Member Member Chairman Chairman Member Member Member
C K PRAHALAD	NIL		NIL		
D S PAREKH	Housing Development Finance Corporation Ltd. Infrastructure Development and Finance Co. Ltd. Glaxo SmithKline Pharmaceuticals Ltd. Burroughs Wellcome (India) Ltd. HDFC Asset Management Co. Ltd. HDFC Standard Life Insurance Co. Ltd. Mahindra and Mahindra Ltd. Hindustan Oil Exploration Corporation Ltd. ICI India Ltd. Castrol India Ltd. The Indian Hotels Co. Ltd. Mahindra Telecommunications Ltd. National Stock Exchange of India Ltd. Steel Authority of India Ltd.	Chairman Chairman Chairman Chairman Chairman Chairman Director Director Director Director Director Director Nominee Director Nominee Director	Glaxo SmithKline Pharmaceuticals Ltd. Mahindra & Mahindra Ltd. ICI India Ltd. Castrol India Ltd. Infrastructure Development and Finance Co. Ltd. Burroughs Wellcome (India) Ltd. The Indian Hotels Co. Ltd.	Audit Audit Audit & Remuneration Audit Compensation Audit Audit	Chairman Chairman Chairman Member Chairman Member Member Member
S RAMADORAI ****	TATA Industries Limited Tata Infotech Limited Tata Elxsi (India) Limited Tata Internet Services Limited Tata Technologies WTI Advanced Technology Ltd. Aerospace Systems Private Limited Global Procurement Consultants Limited Investor Services of India Limited	Director Director Vice Chairman Director Chairman Director Director Director Director	Tata Infotech Ltd. Tata Technologies Ltd.	Remuneration Audit Remuneration	Member Chairman Chairman

	Other Directorships		Other Committee Memberships		
Name of the Director	**Name of the Company**	**Position**	**Name of the Company**	**Committee**	**Position**
	Engineering Analysis Center of Excellence Pvt. Ltd.	Director			
	Airline Financial Support Services (India) Pvt. Ltd.	Director			
	eBIZ Solutions Limited	Director			
	Nelito Systems Limited	Director			
	Aviation Software Development Consultancy India Ltd.	Director			
	CMC Limited	Chairman			
	Jataayu Software (P) Ltd.	Director			
G SINGH	Hindlever Chemicals Limited	Director		NIL	
	Sivalik Cellulose Limited	Chairman			
	Levers Associated Trust Ltd.	Director			
D SUNDARAM	Quest International India Limited	Director		NIL	
A C WEIJBURG	SC Johnson Products Pvt. Ltd.	Director		NIL	

** Appointed with effect from 29 June 2001. **** Appointed with effect from 20 May 2002.

ANNEXURE TO THE REPORT OF THE DIRECTORS

CERTIFICATE FROM AUDITORS REGARDING COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

To the Shareholders of Hindustan Lever Limited

We have examined the compliance of conditions of Corporate Governance by Hindustan Lever Limited, for the year ended on 31st December, 2001, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement, except that for the year ended 31st December, 2001, the number of independent directors in the Board of Directors was lower than 50 per cent of the total strength of the Board of Directors required under Sub-clause I (A) of Clause 49 of the Listing Agreement. However, the company has inducted one more independent director into the Board on 20th May, 2002, to comply with the said Sub-clause.

We state that in respect of investor grievances received during the year ended 31st December, 2001, no investor grievances are pending against the Company for a period exceeding one month as per records maintained by the Company which are presented to the Shareholders/Investor Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For A.F. Ferguson & Co.
Chartered Accountants

A.K. Mahindra
(Partner)

For Lovelock & Lewes
Chartered Accountants

Thomas Mathew
(Partner)

Mumbai : 20th May, 2002

Additional Shareholder Information

Annual General Meeting

Date	:	26 June 2002
Venue	:	Birla Matushri Sabhagar, Marine Lines, Mumbai - 400 020
Time	:	15:00 hours

Financial Calendar

Financial year: 1 January to 31 December

For the year ended 31 December 2001, results were announced on:

– 24 April 2001: First quarter
– 24 July 2001: Half yearly
– 16 October 2001: Third quarter
– 22 January 2002: Fourth quarter and annual.

For the year ended 31 December 2002, results will be announced on:

– 15 April 2002: First quarter (Already announced)
– 22 July 2002: Half yearly
– 16 October 2002: Third quarter
– 28 January 2003: Fourth quarter and annual.

Book Closure

The book closure period was from 16 April 2002 to 30 April 2002, inclusive of both days.

Dividend Date

An interim dividend of Rs. 2.50 per share was declared on 24 July 2001 and paid on 17 August 2001. A final dividend of Rs. 2.50 per share was recommended on 22 January 2002 and, subject to approval from the shareholders at the AGM, will be paid on 28 June 2002.

Listing

The company's shares are listed and traded on the stock exchanges at Ahmedabad, Bangalore, Chennai, Cochin, Delhi, Kolkata, Guwahati and Mumbai, as well as the National Stock Exchange.

Stock Codes

Name of the Stock Exchange	Stock Code
The Stock Exchange, Mumbai	500696
National Stock Exchange	HINDLEVER
Madras Stock Exchange	HLV
Cochin Stock Exchange	HLV
Guwahati Stock Exchange	794
Bangalore Stock Exchange	HINDLEVER
Ahmedabad Stock Exchange	HINDLEVER
Delhi Stock Exchange	100018
Calcutta Stock Exchange	100052

The ISIN Number of Hindustan Lever (or demat number) on both the NSDL and the CDSL is INE030A01027.

Stock Data

Tables 1 and 2 respectively give the monthly high and low prices and volumes of Hindustan Lever at The Stock Exchange, Mumbai (BSE) and the National Stock Exchange (NSE) for the year ended December 31, 2001.

Table 1: Monthly share price data and volumes, BSE

Month, 2001	High	Low	Volumes
January	216.2	193.8	52,557,584
February	229.4	199.4	78,059,304
March	232.8	210.1	29,169,608
April	221.5	207.0	18,310,495
May	216.5	197.8	13,678,346
June	206.3	183.9	17,282,476
July	224.5	197.1	17,228,514
August	223.5	210.4	9,231,387
September	220.1	187.9	22,694,481
October	230.3	208.6	25,960,383
November	220.4	210.1	10,212,748
December	223.7	209.9	9,991,764

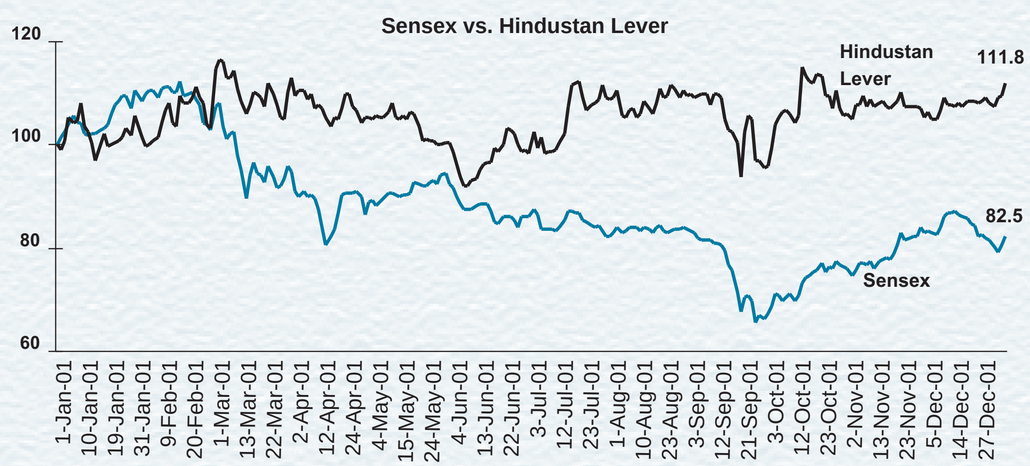
Note : High and low are in rupees per traded share. These are simple, un-weighted averages. Volume is the total monthly volume of trade (in numbers) in Hindustan Lever shares on the BSE.

Table 2: Monthly share price data and volumes, NSE

Month, 2001	High	Low	Volumes
January	216.5	194.0	56,948,035
February	229.7	200.0	81,667,199
March	231.1	210.1	34,629,822
April	222.3	206.4	21,931,405
May	215.5	198.0	13,705,221
June	206.7	183.1	20,817,807
July	224.8	197.3	24,563,586
August	223.7	210.9	14,272,873
September	219.9	188.1	31,151,323
October	229.8	208.3	32,942,671
November	220.5	210.2	12,905,823
December	223.0	209.7	14,991,605

Note: High and low are in rupees per traded share. These are simple, un-weighted averages. Volume is the total monthly volume of trade (in numbers) in Hindustan Lever shares on the NSE.

Chart A plots Hindustan Lever's share prices with the BSE Sensex for 2001.



Both BSE Sensex and Hindustan Lever share prices are indexed to 100 based on 1 January 2001

Capital appreciation of Hindustan Lever shares

How have long term shareholders of HLL fared vis-à-vis the Sensex? Table 3 gives the closing share price on the first day of trading for every calendar year since 1995 (adjusted to the face value of Re.1 per share). If someone bought a Hindustan Lever share on 2 January 1995 and held on to it until 1 January 2002, then that person will have enjoyed a capital appreciation of almost 274 per cent. Compared to that, the BSE-Sensex would deliver (-) 17 per cent. As Table 3 shows, irrespective of which year a person bought Hindustan Lever shares, it has roundly out-performed the Sensex.

Table 3: Value appreciation for Hindustan Lever shareholders

Date of purchase	HLL share price (Rs.)	HLL appreciation	BSE-Sensex	Sensex appreciation
2-Jan-95	59.00	273.7%	3932	-17.4%
1-Jan-96	62.20	254.5%	3128	3.8%
1-Jan-97	81.70	169.9%	3261	-0.5%
1-Jan-98	139.43	58.14%	3695	-12.2%
1-Jan-99	165.25	33.4%	3060	6.1%
3-Jan-00	239.12	-7.8%	5375	-39.6%
1-Jan-01	200.00	9.3%	3955	-17.9%
1-Jan-02	220.50		3246	

Note: All comparisons are with respect to 1 January 2002 (the reference date).

Distribution of shareholding

Tables 4 and 5 gives the distribution pattern of shareholding of Hindustan Lever as on 31 December 2001.

Table 4: Distribution of shareholding by size class, 31 December 2001

Number of shares of Re.1 each	Number of shareholders	Number of shares held	Shareholding %
Up to 5000	342121	253352658	11.51%
5001 - 10000	11856	82612664	3.75%
10001 - 20000	5096	70126224	3.19%
20001 - 30000	1216	29405460	1.34%
30001 - 40000	442	15250367	0.69%
40001 - 50000	217	9653593	0.44%
50001 - 100000	318	21615384	0.98%
100001 and above	333	1715474775	77.93%
Shares in Transit		3752668	0.17%
Total	**361599**	**2201243793**	**100.00%**

Table 5: Distribution of shareholding by ownership, 31 December 2001

Category	Shares held (nos.)	% of holding
Unilever and its associates	1134849460	51.55%
Subtotal	**1134849460**	**51.55%**
Foreign Banks	368381	0.02%
Foreign Financial Institutions	276228308	12.55%
Foreign Nationals	33980	0.00%
Non-Resident Indians	5683773	0.26%
Overseas Corporate Bodies	164626	0.01%
Subtotal	**282479068**	**12.83%**
Bodies Corporate	16058833	0.73%
General Insurance Corporation of India	135426217	6.15%
Government Companies	128523	0.01%
Industrial Development Bank of India	5980	0.00%
Life Insurance Corporation of India	68145105	3.10%
Mutual Fund	11919755	0.54%
Nationalised Banks	1907922	0.09%
Trusts	260023	0.01%
Unit Trust of India	71372255	3.24%
Subtotal	**305224613**	**13.87%**
Resident Individuals	474806729	21.57%
Subtotal	**474806729**	**21.57%**
Directors and their Relatives	131255	0.01%
Subtotal	**131255**	**0.01%**
In transit	3752668	0.17%
Total	**2201243793**	**100.00%**

Shares held in physical and dematerialised form

As on 31 December 2001, 39.41 per cent of Hindustan Lever's shares were held in dematerialised form and the rest in physical form. It needs to be said that Unilever and its affiliates own 51.55 per cent of the company's shares, which are all held in physical form. If these shares were to be excluded from the total number of shares, then dematerialised shares account for 81.34 per cent of the remainder.

Outstanding GDRs/ADRs/Warrants/Convertible Instruments and their impact on equity

Not applicable for Hindustan Lever.

Details of public funding obtained in the last three years

Not applicable, as Hindustan Lever has not obtained any public funding in the last three years.

Mergers and acquisitions

Since the mid-1990s, Hindustan Lever's growth has been both organic and through mergers and acquisitions. Table 6 gives relevant data on such mergers from 1992 for the benefit of shareholders.

Table 6: Details of mergers and acquisitions

Merging company	Merged with	Appointed date	Effective date	Date of allotment	Share ratio	Value of fraction (Rs.)
Kothari General Foods Corporation Ltd.	Brooke Bond India Ltd.	1-Jan-92	1-Jan-92	30-Jun-92	21:1	7.00
Tea Estates India Ltd.	Brooke Bond India Ltd.	1-Jan-93	1-Jun-93	24-Aug-93	10:12	35.25
Doom Dooma India Ltd.	Brooke Bond India Ltd.	1-Jan-93	1-Jun-93	24-Aug-93	10:11	35.25
Kissan Products Ltd.	Brooke Bond India Ltd.	1-Apr-93	20-Jan-94	22-Jan-94	1:100	Not applicable
Lipton India Ltd	Brooke Bond India Ltd., [name changed to Brooke Bond Lipton India Ltd (BBLIL)]	1-Jul-93	9-Mar-94	16-May-94	10:9	48.99
The Tata Oil Mills Company Ltd.	Hindustan Lever Ltd.	1-Apr-93	28-Dec-94	5-Apr-95	15:2	38.86
BBLIL	Hindustan Lever Ltd.	1-Jan-96	21-Mar-97	16-May-97	20:9	52.82
Pond's (India) Ltd.	Hindustan Lever Ltd.	1-Jan-98	15-Oct-98	3-Mar-99	4:3	525.00
Industrial Perfumes Ltd.	Hindustan Lever Ltd.	1-Jan-99	9-Feb-00	23-Feb-00	5:2	Not applicable
International Bestfoods Ltd.	Hindustan Lever Ltd.	1-Jun-01	26-Sep-01	20-Oct-01	3:2*	73.84

Notes: *Swap based on Rs.10 share of International Bestfoods Ltd. for Re.1 share of Hindustan Lever.

Investor services

All share transfers and related operations are conducted in-house by Hindustan Lever's Investor Service Department, which is registered with the SEBI as a Category 2 Registrar. Under the overall supervision of Mr. O.P. Agarwal, Company Secretary, it is a well equipped department which endeavours to provide efficient and timely services to its shareholders in share transfers and related operations.

a) Address for correspondence

The Investor Service Department operates from CBD Belapur, Navi Mumbai with Mr. S.C. Desai as the Unit Head. However, an extended counter facility has been provided at the Registered Office of Hindustan Lever to attend to shareholders' queries and for accepting letters and documents from the shareholders.

Investor correspondence should be addressed to:

Hindustan Lever Limited, Investor Service Department, "Dakshina", 3rd Floor, Plot No. 2, Sector 11, CBD Belapur, Navi Mumbai 400 614. Tel: 022-7575570 (5 lines), Fax: 022-7575473.

For any general assistance at the Registered Office, investors may call on:

Tel: 022-2827361/2827285/2827557. Fax: 022-2026712.

b) Investor Survey

A questionnaire was sent with the Report and Accounts 2000, to all the shareholders to evaluate the performance of the Investor Service Department on a scale of 0 (poor) to 4 (excellent). Responses were received from 2531 shareholders, who gave an overall rating of 2.8 ("very good"). Various suggestions received from the shareholders were duly considered and appropriate action was taken on the merits. The Investor Service Department would welcome suggestions that will further help improving its services to the shareholders.

c) Web-site (www.hll.com)

In the new web-site rolled out in 2001, more than 50 frequently asked questions on various topics related to transfers and transmission of shares, dematerialisation, nomination, change of address, loss of share certificates, dividend and sub-division of share certificates, have been put for the benefit of the shareholders. In addition, various downloadable forms required to be executed by the shareholders have also been included in the web-site. A special facility has also been provided for shareholders to send in their suggestions/grievances, which are immediately responded to.

d) Exchange of shares of Rs.10 with shares of Re.1

After the sub-division of Hindustan Lever's shares of Rs.10 each into shares of Re.1 each, the company sent circulars to all the shareholders holding Rs.10 shares in physical form to exchange these for Re.1 share certificates.

Although a large number of such shareholders have done the exchange, there are still many who have not. They are requested to forward their old share certificates of the shares of Rs.10 each (which are no longer tradeable) at the Navi Mumbai address stated above, along with a request letter signed by all holders.

e) Electronic Clearing Services (ECS) for payment of dividend

ECS facility is presently available at Ahmedabad, Bangalore, Chennai, Delhi, Hyderabad, Kolkata, Mumbai and Pune. To avoid the risk of loss/interception of dividend warrants in postal transit and/or fraudulent encashment, shareholders are requested to avail of ECS facility — where dividends are directly credited in electronic form to their respective bank accounts. This also ensures faster credit of dividend. The ECS application form can be obtained either from Navi Mumbai Office or the Registered Office of the company.

Shareholders located in places where ECS facility is not available, may submit their bank details. This will enable Hindustan Lever to incorporate this information on the dividend warrants and thus prevent fraudulent encashment.

f) Shares held in electronic form

Shareholders holding shares in electronic form may note that :

i) Instructions regarding bank details which they wish to have incorporated on their dividend warrants must be submitted to their depository participants. As per the regulations of NSDL and CDSL, the company is obliged to print the bank details on the dividend warrants, as furnished by these depositories to the Company.

ii) Instructions already given by them for shares held in physical form will not be automatically applicable to the dividend paid on shares held in electronic form. The Company, unfortunately, cannot entertain any request from shareholders for deletion or change of bank details already printed on dividend warrants and has to abide by the information received from the depositories.

iii) Instructions regarding change of address, nomination and power of attorney should be given directly to the depository participants. The Company cannot entertain any such requests directly from the shareholders.

iv) Hindustan Lever provides ECS facility for shares held in electronic form and for reasons mentioned earlier, shareholders may wish to avail of this facility.

g) Unclaimed dividends

Under the Companies Act, 1956, dividends that are unclaimed for a period of seven years automatically get transferred to the Investor Education and Protection Fund administered by the Central Government. Table 7 gives the dates of dividend declaration or payment since 1995 and the corresponding dates when unclaimed dividends are due to be transferred to the Central Government. Table 8 gives the unclaimed dividend amount since 1995.

Table 7: Dates of transferring unclaimed dividends to the Central Government

Year	Dividend number	Type	Date of declaration / payment	Date due for transfer to Central Government
1995	40I	Interim	16-Oct-1995	26-Nov-2002
1995	40F	Final	28-Jun-1996	8-Aug-2003
1996	41I	Interim	4-Nov-1996	15-Dec-2003
1996	41F	Final	24-Jul-1997	3-Sep-2004
1997	42I	Interim	4-Nov-1997	15-Dec-2004
1997	42F	Final	15-May-1998	25-Jun-2005
1998	43I	Interim	4-Nov-1998	15-Dec-2005
1998	43F	Final	21-May-1999	1-Jul-2006
1999	44I	Interim	18-Oct-1999	28-Nov-2006
1999	44F	Final	25-April-2000	05-Jun-2007
2000	45I	Interim	19-Oct-2000	29-Nov-2007
2000	45F	Final	22-Jun-2001	2-Aug-2008
2001	46I	Interim	24-Jul-2001	22-Aug-2008

Table 8: Unclaimed dividends as on 31 December 2001

Div no.	Type	No. of warrants issued	No. of warrants unclaimed	% unclaimed	Amount of dividend (Rs. lakhs)	Dividend unclaimed (Rs. lakhs)	% unclaimed
40I	Interim	239511	6593	2.8	7292	15.82	0.2
40F	Final	234560	9377	4.0	7292	49.14	0.7
41I	Interim	229116	9767	4.3	8736	68.07	0.8
41F	Final	402956	19855	4.9	12946	229.60	1.7
42I	Interim	391195	20693	5.3	14938	133.03	0.9
42F	Final	339301	17486	5.2	18921	136.83	0.6
43I	Interim	330371	17127	5.2	19119	135.27	0.7
43F	Final	354211	17195	4.9	27227	183.02	0.7
44I	Interim	346323	17261	4.1	26348	170.28	0.6
44F	Final	353016	15579	4.4	37410	210.60	0.6
45I	Interim	374828	22038	5.9	33009	233.50	0.7
45F	Final	373306	20241	5.4	44012	284.34	0.6
46I	Interim	369667	21928	5.9	55015	353.88	0.6

Note : The above excludes information pertaining to the erstwhile Tata Oil Mills Company Limited, Brooke Bond Lipton India Limited and Pond's (India) Limited.

h) Number and nature of complaints regarding shares

Complaints have reduced substantially. Chart B shows the decline over the last four years. Table 9 gives the data on complaints regarding shares during the year ended 31 December 2001.

Chart B : Complaints are going down

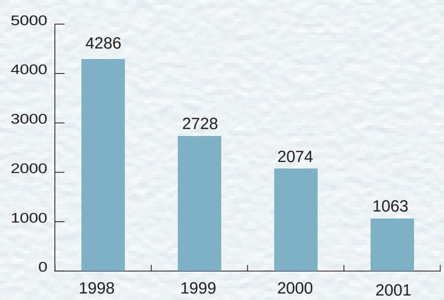


Table 9: Details of complaints regarding shares for the year 2001

Nature of complaint	Number of complaints	Number redressed
Non-receipt of dividend	407	407
Non-receipt of shares lodged for transfer	495	490
Others	161	159
Total	**1063**	**1056**

All seven complaints that could not be redressed by 31 December 2001 have been subsequently resolved.

Significant Accounting Policies

Basis for Preparation of Accounts

The accounts have been prepared to comply in all material aspects with applicable accounting principles in India, the Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.

Revenue Recognition

Sales are recognised when goods are supplied and are recorded net of trade discounts, rebates, sales taxes and excise duties but include, where applicable, export incentives such as duty drawbacks and premiums on sale of import licences. It does not include inter-divisional transfers.

Income from Property Development Activity is recognised under the completed contract method and in terms of arrangements with developers, where applicable.

Incomes from services rendered are booked based on agreements/arrangements with the concerned parties.

Interest on investments are booked on a time proportion basis taking into account the amounts invested and the rate of interest.

Dividend incomes on investments are accounted for when the right to receive the payment is established.

Expenditure

Expenses are accounted for on accrual basis and provision is made for all known losses and liabilities.

Advertising expenses are charged against the profit of the year to which the activities relate.

Revenue expenditure on research and development is charged against the profit of the year in which it is incurred.

Capital expenditure on research and development is shown as an addition to fixed assets.

Goodwill and other Intangible Assets

Trademarks acquired after 1st January, 1998 are amortised over a period of 4 years. Other intangible assets including goodwill are written off in the year in which they are incurred.

Fixed Assets

Fixed assets are stated at cost less depreciation except in the case of certain Land and Development in the Tea Estates Division shown at revalued amount. In Tea/Coffee estates, the cost of extension planting of cultivable land including cost of development is capitalised.

Depreciation is provided (except in the case of leasehold land which is being amortised over the period of the lease) on the straight line method and at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956. However,

— certain employee perquisite-related assets are depreciated over four to six years, the period of the perquisite scheme.

— computers and related assets are depreciated over four years and

— certain assets of the cold chain are depreciated over seven years.

Assets identified and evaluated technically as obsolete and held for disposal are stated at their estimated net realisable values.

Investments

Investments are classified into current and long-term investments. Current investments are stated at the lower of cost and fair value. Long-term investments are stated at cost. A provision for diminution is made to recognise a decline, other than temporary, in the value of long-term investments.

Inventories

Inventories are valued at the lower of cost, computed on a weighted average basis, and estimated net realisable value, after providing for cost of obsolescence and other anticipated losses, wherever considered necessary. Finished goods and work-in-progress include costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Sundry Debtors and Loans and Advances

Sundry Debtors and Loans and Advances are stated after making adequate provisions for doubtful balances.

Retirement / Post Retirement Benefits

Contributions to defined contribution schemes such as Provident Fund and Family Pension Fund are charged to the profit and loss account as incurred. The Company also provides retirement / post-retirement benefits in the form of gratuity, pensions, leave encashment and medical. Such benefits are provided for based on valuations, as at the balance sheet date, made by independent actuaries.

Taxes on Income

Current tax is determined as the amount of tax payable in respect of taxable income for the period.

Deferred tax is recognised, subject to the consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets are not recognised on unabsorbed depreciation and carry forward of losses unless there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

Foreign Currency Translations

Foreign currency assets and liabilities covered by forward contracts are stated at the forward contract rates while those not covered by forward contracts are restated at rates ruling at the year end. Exchange differences relating to fixed assets are adjusted in the cost of the asset. Any other exchange differences are dealt with in the profit and loss account.

Segment Reporting

The accounting policies adopted for segment reporting are in line with the accounting policies of the Company with the following additional policies for segment reporting.

a) inter segment revenue have been accounted for based on the transaction price agreed to between segments which is primarily market led.

b) Revenue and expenses have been identified to segments on the basis of their relationship to the operating activities of the segment. Revenue and expenses, which relate to the enterprise as a whole and are not allocable to segments on a reasonable basis, have been included under "Unallocated corporate expenses".

Profit and Loss Account for the year ended 31st December, 2001

Figures in brackets represent deductions

		Notes	2001 Rs. lakhs	2000 Rs. lakhs
INCOME				
Sales		1	**10971,89.69**	10603,78.96
Other income		2	**381,79.05**	345,07.30
Total			**11353,68.74**	10948,86.26
EXPENDITURE				
Operating expenses		3-5	**(9257,91.13)**	(9139,68.37)
Depreciation			**(144,65.97)**	(130,93.85)
Interest		6	**(7,74.42)**	(13,14.73)
Total			**(9410,31.52)**	(9283,76.95)
PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEMS			**1943,37.22**	1665,09.31
Taxation for the year	- current tax	9	**(397,69.00)**	(355,00.00)
	- deferred tax		**(4,73.00)**	—
PROFIT AFTER TAXATION AND BEFORE EXCEPTIONAL ITEMS			**1540,95.22**	1310,09.31
Exceptional items (net of tax)		13	**100,36.13**	—
NET PROFIT			**1641,31.35**	1310,09.31
Taxation adjustments of previous years (net)		17	**(1,01.36)**	17,23.07
Balance brought forward			**442,98.62**	192,84.19
Release from Investment Allowance Reserve			**—**	18.00
Available for distribution			**2083,28.61**	1520,34.57
Dividends :				
On equity shares: Interim - Rs. 2.50 per share - declared on 24th July, 2001			**(550,14.88)**	(330,08.93)
Interim dividend payable to the shareholders of the erstwhile International Bestfoods Limited pursuant to the Scheme of Amalgamation			**(16.22)**	—
Final - Rs. 2.50 per share - proposed			**(550,31.09)**	(440,11.90)
Tax on distributed profits [after considering credit of Rs. 54,57.48 lakhs (2000 - charge of Rs. 6.47 lakhs) pertaining to the previous year]			**(57,68.86)**	(172,15.12)
Transfer to General Reserve			**(165,00.00)**	(135,00.00)
Balance carried forward			**759,97.56**	442,98.62

For notes, statements, additional information, segment information and accounting policies
See pages : 4 to 6, 18 to 26 and 1

Signatures to pages : 2, 4 to 6, 18 to 26 and 1

As per our report attached to the balance sheet

For A.F. FERGUSON & CO.
Chartered Accountants

A.K. Mahindra
(Partner)

For LOVELOCK & LEWES
Chartered Accountants

Thomas Mathew
(Partner)

Mumbai : 22nd January 2002

M.S. Banga	*Chairman*
M.K. Sharma	*Vice Chairman*
D. Sundaram	*Finance Director*
D.N. Mehta	*Group Controller*
O.P. Agarwal	*Company Secretary*

Mumbai : 22nd January 2002

Balance Sheet as at 31st December, 2001

Figures in brackets represent deductions

	Schedule		2001 Rs. lakhs		2000 Rs. lakhs
SOURCES OF FUNDS					
Shareholders' funds					
Capital	1	**220,12.44**		220,05.95	
Reserves and surplus	2	**2823,56.74**	**3043,69.18**	2268,16.28	2488,22.23
Loan funds					
Secured loans	3	**43,04.39**		69,21.55	
Unsecured loans	4	**40,69.47**	**83,73.86**	42,39.49	111,61.04
			3127,43.04		2599,83.27
APPLICATION OF FUNDS					
Fixed assets					
Gross block		**1935,87.62**		1668,73.65	
Depreciation		**(726,34.20)**		(594,94.99)	
Net block	5	**1209,53.42**		1073,78.66	
Capital work-in-progress		**110,52.60**	**1320,06.02**	129,68.06	1203,46.72
Investments	6		**1635,93.12**		1769,74.26
Current assets, loans and advances					
Inventories	7	**1240,03.62**		1182,10.47	
Sundry debtors	8	**424,78.47**		264,50.97	
Cash and bank balances	9	**913,15.69**		522,08.45	
Other current assets	10	**50,61.56**		48,53.17	
Loans and advances	11	**798,18.70**		744,08.89	
		3426,78.04		2761,31.95	
Current liabilities and provisions					
Liabilities	12	**(2410,41.86)**		(2234,28.49)	
Provisions	13	**(1091,40.42)**		(900,41.17)	
		(3501,82.28)		(3134,69.66)	
Net current assets			**(75,04.24)**		(373,37.71)
Deferred Tax					
Deferred Tax Assets	14	**349,61.26**		—	
Deferred Tax Liabilities	15	**(103,13.12)**	**246,48.14**	—	—
			3127,43.04		2599,83.27

For schedules, contingent liabilities, additional information, segment information and accounting policies
See pages : 7 to 17, 24 to 26 and 1

Signatures to pages : 3, 7 to 17, 24 to 26 and 1

As per our report attached

For A.F. FERGUSON & CO.
Chartered Accountants

A.K. Mahindra
(Partner)

For LOVELOCK & LEWES
Chartered Accountants

Thomas Mathew
(Partner)

Mumbai : 22nd January 2002

M.S. Banga — *Chairman*
M.K. Sharma — *Vice Chairman*
D. Sundaram — *Finance Director*
D.N. Mehta — *Group Controller*
O.P. Agarwal — *Company Secretary*

Mumbai : 22nd January 2002

Notes to Profit and Loss Account

		2001 Rs. lakhs	2000 Rs. lakhs
INCOME			
1.	**Sales**	**11781,29.57**	11392,13.62
	Less: Excise duty	**(809,39.88)**	(788,34.66)
		10971,89.69	10603,78.96
	Sales include duty drawback and licence premium on exports	**26,26.28**	19,62.47
2.	**Other income**		
	Income from services rendered	**54,15.81**	39,07.39
	Interest received - bank and other accounts (gross)	**86,85.58**	93,42.52
	(Tax deducted at source Rs. 16,48.43 lakhs; 2000 - Rs. 21,05.09 lakhs)		
	Interest received - non trade (gross) (Note 7)	**105,40.84**	115,67.41
	(Tax deducted at source Rs. 9,16.18 lakhs; 2000 - Rs. 7,59.64 lakhs)		
	Dividend income - subsidiaries - long term (gross)	**18,19.72**	45,53.97
	(Tax deducted at source Rs. 11.49 lakhs; 2000 - Rs. 10.53 lakhs)		
	Dividend income - trade - long term (gross)	**9,41.63**	11,08.41
	Dividend income - non trade - long term (gross)	**13,80.05**	13,26.51
	Dividend income - non trade - current (gross)	**21,43.86**	—
	Surplus on disposal of investment (net) (Note 8)	**44,49.44**	—
	Miscellaneous income	**28,02.12**	27,01.09
		381,79.05	345,07.30
OPERATING EXPENSES			
3.	**Materials consumed and Purchase of goods**		
	Raw materials consumed	**3202,07.53**	3135,10.79
	Packing materials consumed	**647,49.16**	610,66.76
	Purchase of goods	**2499,74.55**	2613,34.55
4.	**General expenditure**		
	Salaries, wages, bonus, etc. including compensation under voluntary separation schemes	**504,57.36**	524,94.74
	Contribution to provident and other funds	**51,18.41**	56,17.18
	Workmen and staff welfare expenses	**35,94.93**	33,23.28
	Processing charges	**147,21.93**	103,17.05
	Consumption of stores and spare parts	**32,23.58**	29,73.34
	Repairs and maintenance — Buildings	**17,98.57**	17,21.79
	— Plant	**41,07.60**	39,51.01
	— Others	**9,38.03**	7,28.42
	Power, light, fuel and water	**152,76.71**	139,94.71
	Rent	**67,69.24**	51,88.77
	Rates and taxes — Excise duty	**8,34.78**	(10.98)
	— Others	**102,91.10**	81,77.24
	Insurance	**6,90.98**	6,40.75
	Advertising and sales promotion	**823,81.76**	696,58.08
	Carriage and freight	**465,86.07**	446,06.50
	Agents' commission and brokerage	**11,92.37**	12,68.13
	Provision for doubtful debts and advances (net)	**65.96**	6,54.23
	Travelling and motor car expenses	**119,16.02**	107,45.20
	Deficit on fixed assets sold, scrapped, etc. (net)	**8,38.22**	17,07.57
	Deficit on disposal of investments (net) (Note 8)	**—**	1,19.89
	Miscellaneous expenses (Note 12)	**322,24.48**	345,05.32
	Expenses shared by certain current and erstwhile subsidiary companies for use of common facilities	**(26,31.54)**	(27,09.70)
5.	**Stocks**		
	Opening stocks : — Work-in-progress	**49,27.71**	42,67.71
	— Processed chemicals	**14,23.42**	10,16.92
	— Finished goods	**575,55.13**	663,66.38
	Adjustment to stocks :		
	— As at 1st April, 2000, of the exports business undertaking acquired	**—**	6,39.00
	— As at 31st March, 2001, of the Quest Business [Note : 15 (ii)]	**(4,68.73)**	—
	— As at 1st July, 2001, of the International Bestfoods Limited and Aviance Limited [Note : 14]	**6,80.64**	—
	— As at 10th Dec., 2001, of the Nickel Catalyst Business [Note : 15 (iii)]	**(59.16)**	—
	— As at 28th Dec., 2001, of the Adhesives Business [Note : 15 (iii)]	**(25.07)**	—
	Closing stocks : — Work-in-progress	**(47,71.85)**	(49,27.71)
	— Processed chemicals	**(10,87.20)**	(14,23.42)
	— Finished goods	**(577,11.56)**	(575,55.13)
		9257,91.13	9139,68.37

Notes to Profit and Loss Account

6. Interest paid on bank and other accounts Rs. 7,70.47 lakhs (2000 - Rs. 12,96.05 lakhs) and on debentures and fixed loans Rs. 3.95 lakhs (2000 - Rs. 18.68 lakhs).

7. Interest received - non trade (gross) comprise Rs. 3,76.77 lakhs (2000 - Rs. 48.40 lakhs) and Rs. 101,64.07 lakhs (2000 - Rs. 115,19.01 lakhs) in respect of long term and current investments respectively.

8. Surplus/Deficit on disposal of investments (net) comprise :

– a profit on disposal of current investments (net) Rs. 58,60.02 lakhs (2000 - Rs. 1,41.81 lakhs).

– a loss on disposal of long term investments (net) Rs. 14,10.58 lakhs (2000 - Rs. 21.92 lakhs).

9. i) The tax year for the Company being the year ending 31st March, the provision for taxation for the year is the aggregate of the provision made for the three months ended 31st March, 2001 and the provision based on the figures for the remaining nine months up to 31st December, 2001, the ultimate tax liability of which will be determined on the basis of the figures for the period 1st April, 2001 to 31st March, 2002.

ii) During the year, the Company has, for the first time, adopted the Accounting Standard 22 "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India. Consequently, the Company recorded the cumulative net deferred tax credit at 31st December, 2000 of Rs. 203,60.99 lakhs as an addition to General Reserve on 1st January, 2001. Further the deferred tax credit for the year of Rs. 42,87.14 lakhs (including Rs. 47,60.14 lakhs under exceptional items) for the year has been recognised in the profit and loss account.

10. The net difference in foreign exchange (i.e. the difference between the spot rates on the dates of the transactions, and the actual rates at which the transactions are settled/appropriate rates applicable at the year end) credited to the Profit and Loss Account is Rs. 1,59.10 lakhs (2000 - credit Rs. 1,52.05 lakhs).

			2001 Rs. lakhs	2000 Rs. lakhs
11.	**Operating expenses include**			
	A)	Auditors' remuneration and expenses		
		i) Audit fees	**1,36.50**	1,15.50
		ii) Tax audit fees	**68.25**	57.75
		iii) Fees for management services	**15.99**	43.50
		iv) Fees for other services	**1,91.95**	2,70.47
		v) Reimbursement of out-of-pocket expenses	**89.46**	1,05.97
	B)	Payments to Cost auditors		
		i) Cost audit fees	**4.73**	4.20
		ii) Reimbursement of out-of-pocket expenses	**2.02**	1.22
	C)	Research and Development expenses	**37,24.03**	41,68.34

12. Miscellaneous expenses

i) includes provision for estimated losses on disposal of fixed assets rendered surplus of Rs.19,89.00 lakhs (2000 - Rs.5,75.32 lakhs)

ii) is net of credit for write back of provision on diminution in value of long term investments Rs. 29,50.00 lakhs (net) (2000 - charge of Rs.30,50.00 lakhs)

iii) include charge in respect of excess of cost over fair value of current investments (net) Rs. 4.78 lakhs (2000 - Rs.2,51.24 lakhs).

13. Exceptional Items

		2001	2000
i)	Transfer of Trademarks pertaining to Animal Feeds business	22,59.49	—
ii)	Profit arising from the sale of the Quest Flavours and Fragrances Business, etc. (Refer Note 15 (ii) below)	119,86.00	—
iii)	Profit arising from the sale of the Nickel Catalyst and Adhesives Businesses	17,14.14	—
	Total exceptional income	**159,59.63**	
iv)	Costs incurred, etc. for discontinuance of the Thermometer operations	(11,00.00)	—
v)	Provision for estimated losses on disposal of fixed assets consequent to the restructuring of Culinary manufacturing operations	(19,24.75)	—
vi)	Provision for estimated costs on restructuring of the Ice Cream operations	(43,04.23)	—
vii)	Provision for additional liability for retirement/post retirement benefits and other employee benefits arising from reduction in interest rates and consequent review of assumptions used for actuarial valuations	(63,28.76)	—
	Total exceptional expenditure	**(136,57.74)**	—
	Net	**23,01.89**	—
	Taxation on the above - Credit on current tax	1,07.10	—
	- Credit on deferred tax	47,60.14	—
viii)	One time reduction in tax liability arising from the amalgamation of International Bestfoods Limited with the Company	28,67.00	—
	Total tax credit	**77,34.24**	—
	Exceptional items (net of tax)	**100,36.13**	—

Notes to Profit and Loss Account

14. **Amalgamation of International Bestfoods Limited (IBL) and Aviance Limited (Aviance) with the Company :**

i) Pursuant to the Scheme of Amalgamation of the erstwhile IBL and Aviance with the Company, as approved by the shareholders in the Court-convened meeting held on 22nd June, 2001 and subsequently sanctioned by the Hon'ble High Court of Bombay on 5th September, 2001 the assets and liabilities of the erstwhile IBL and Aviance were transferred to and vested in the Company with retrospective effect from 1st July, 2001. The Scheme has, accordingly, been given effect to in these accounts.

ii) The operations of IBL include the manufacture and sale of culinary products and branded staple products. The operations of Aviance include the purchase and sale of personal products.

iii) The Amalgamation has been accounted for under the "pooling of interests" method as prescribed by Accounting Standard (AS-14) issued by the Institute of Chartered Accountants of India. Accordingly, the assets, liabilities and other reserves of the erstwhile IBL and Aviance as at 1st July, 2001 have been taken over at their book values subject to adjustments made for the differences in the accounting policies between the two companies, and/or as specified in the Scheme of Amalgamation. Accordingly, Rs. 200,72.02 lakhs has been debited to the General Reserve taken over.

iv) Pursuant to the Scheme referred to in (i) above, 6,48,723 equity shares of Re. 1 each have been issued to the shareholders of IBL.

v) Figures for the current year include figures for the erstwhile IBL and Aviance for the period from 1st July, 2001. The current year's figures are accordingly, not comparable to those of the previous year.

15. i) The Company acquired at cost, the assets and liabilities of Lakme Lever Limited (LLL), an erstwhile subsidiary company, as at 31st March, 2001. LLL had been engaged in the manufacture and marketing of Personal Products.

ii) The Quest Flavours and Fragrances business was sold to Lakme Lever Limited (LLL), a subsidiary company (since renamed as Quest International India Limited), effective 1st April, 2001, consequent to an agreement having been entered into with the ICI Group. In terms of the agreement, the shareholding of HLL in LLL has been reduced, and to 49% in July 2001. Profit arising from these transactions (including Rs. 39,89.20 lakhs as surplus on disposal of long term investment) amounting to Rs. 119,86.00 lakhs (net of tax Rs. 119,86.00 lakhs) has been accounted for as exceptional item.

iii) The Nickel Catalyst Business and Adhesives Business were sold to ICI Limited effective 10th December, 2001 and 28th December, 2001 respectively.

iv) In view of the sale/transfer of the aforesaid businesses, to/from the Company, the previous year figures are to that extent not comparable.

16. The cost incurred to date and the work-in-progress as at 31st December, 2001, for property development activity are as under :

		2001	2000
		Rs. lakhs	Rs. lakhs
Transfer from fixed assets / Capital work-in-progress		**3,77.86**	2,52.45
Add : Construction cost	**3,18.25**		1,05.54
Power, light, fuel and water	**8.75**		1.08
Rates and taxes - others	**3.17**		0.91
Miscellaneous expenses	**13.55**		17.88
		3,43.72	1,25.41
Property Development Activity - Work-in-progress as at 31st December		**7,21.58**	3,77.86

17. Taxation adjustments of previous years include interest, etc.

18. Previous year's figures have been regrouped wherever necessary to conform to this year's classification.

Schedules to Balance Sheet

		2001 Rs. lakhs	2000 Rs. lakhs
1.	**CAPITAL**		
	Authorised		
	2,25,00,00,000 equity shares of Re. 1 each	**225,00.00**	225,00.00
	Issued and subscribed		
	2,20,12,43,793 (2000 - 2,20,05,95,070) equity shares of Re. 1 each fully called and paid up	**220,12.44**	220,05.95
	Of the above shares		
	(i)1,13,48,49,460 (2000 - 1,13,48,49,470) shares of Re. 1 each are held by Unilever PLC., the holding company, and its subsidiaries including 79,48,06,750 (2000 - 79,48,06,750) shares of Re. 1 each held by Unilever PLC.		
	(ii) 79,19,31,203 (2000 - 79,12,82,480) shares of Re. 1 each are allotted as fully paid up pursuant to a contract for a consideration other than cash. These include 6,48,723 shares issued during the year pursuant to the Scheme of Amalgamation with the erstwhile International Bestfoods Limited.		
	(iii)1,31,68,54,620 (2000 - 1,31,68,54,620) shares of Re. 1 each are allotted as fully paid up bonus shares by way of capitalisation of share premium and accumulated profits.		
		220,12.44	220,05.95

The Company has granted 24,75,100 share options under the Company's Employees' Stock Option Scheme. These options will vest in 2004.

Also see Schedule 17

2. RESERVES AND SURPLUS

Rs. lakhs

	As at 31st December, 2000	Adjustments on amalgamation (b)	Additions	Deductions	As at 31st December, 2001
CAPITAL RESERVES					
Capital Reserve	1,26.30	2,19.63	—	—	**3,45.93**
Capital Subsidy	3,15.93	—	—	—	**3,15.93**
Capital Redemption Reserve	1,15.00	—	—	—	**1,15.00**
Share Premium Account	194,94.16	68,31.97	—	—	**263,26.13**
Revaluation Reserve	66.59	—	—	—	**66.59**
Other Reserves (c)	2,51.05	—	—	—	**2,51.05**
Total Capital Reserves	203,69.03	70,51.60	—	—	**274,20.63**
REVENUE RESERVES					
Export Profit Reserve	12,21.00	0.95	—	—	**12,21.95**
Development Allowance Reserve	26.72	—	—	—	**26.72**
General Reserve	1609,00.91	(200,72.02)	(a) 165,00.00 (d) 203,60.99	—	**1776,89.88**
Total Revenue Reserves	1621,48.63	(200,71.07)	368,60.99	—	**1789,38.55**
PROFIT AND LOSS ACCOUNT BALANCE	442,98.62	—	(a) 759,97.56	(b) (442,98.62)	**759,97.56**
TOTAL RESERVES - 31st December, 2001	**2268,16.28**	**(130,19.47)**	**1128,58.55**	**(442,98.62)**	**2823,56.74**
- 31st December, 2000	1883,19.85	—	577,98.62	(193,02.19)	**2268,16.28**

(a) Transfer from profit and loss account.
(b) Reserves (net of adjustments) of the erstwhile International Bestfoods Limited and Aviance Limited taken over (See 14 of Notes to Profit and Loss Account).
(c) Not available for capitalisation/declaration of dividend/share valuation.
(d) Deferred Tax adjustment on initial adoption.

Schedules to Balance Sheet

		2001 Rs. lakhs	2000 Rs. lakhs
3. SECURED LOANS			
Bank Overdrafts			
– secured by hypothecation of stocks, book debts, etc.		**24,70.09**	44,62.26
	A	**24,70.09**	44,62.26
Term Loans			
Secured by a pari passu charge on certain current assets			
– From Financial Institutions		—	1.90
	B	—	1.90
Other Loans and Advances			
– Secured by a first charge on certain movable and immovable fixed assets and second charge on current assets		**18,11.20**	24,06.05
– Secured by charges on certain assets		**23.10**	51.34
	C	**18,34.30**	24,57.39
	Total (A+B+C)	**43,04.39**	69,21.55
4. UNSECURED LOANS			
Other Loans and Advances			
– from banks		—	10,90.22
– from others		**40,69.47**	31,49.27
(repayable before 31st December, 2002 - Rs. 3,33.01 lakhs; 2000 - Rs. 11,03.77 lakhs)		**40,69.47**	42,39.49

Schedules to Balance Sheet

5. FIXED ASSETS

Rs. lakhs

	GROSS BLOCK					DEPRECIATION					NET BLOCK	
	Cost/ Valuation at 31st December, 2000	Cost as at 1st July, taken over consequent to amalgamation (c)	Additions	Deductions/ Transfers	**Cost/ Valuation at 31st December, 2001**	As at 31st December, 2000	Depreciation as at 1st July, taken over consequent to amalgamation (c)	Additions	Deductions/ Transfers	**As at 31st December, 2001**	**As at 31st December, 2001**	As at 31st December, 2000
Land — Freehold	36,68.47	96.15	4,02.22	(65.91)	**41,00.93**	—	—	—	—	**—**	**41,00.93**	36,68.47
— Leasehold	25,24.43	1.90	84.63	(0.70)	**26,10.26**	1,53.62	0.74	22.76	(0.13)	**1,76.99**	**24,33.27**	23,70.81
Buildings (a)	363,41.06	5,89.67	80,04.31	(11,49.44)	**437,85.60**	62,37.15	72.21	9,74.79	(2,66.85)	**70,17.30**	**367,68.30**	301,03.91
Railway sidings	1.35	—	—	—	**1.35**	1.34	—	0.01	—	**1.35**	**—**	0.01
Plant & machinery	877,61.23	8,36.42	189,77.38	(62,03.84)	**1013,71.19**	349,19.92	3,17.62	70,13.43	(23,98.93)	**398,52.04**	**615,19.15**	528,41.31
Furniture, fittings & office equipment	188,14.01	3,77.20	29,04.43	(14,84.77)	**206,10.87**	88,03.54	1,73.25	23,55.87	(10,98.80)	**102,33.86**	**103,77.01**	100,10.47
Trademarks	130,74.08	31,05.79	—	—	**161,79.87**	83,42.16	19,43.43	36,56.74	—	**139,42.33**	**22,37.54**	47,31.92
Motor vehicles	46,89.02	1,41.41	4,82.62	(3,85.50)	**49,27.55**	10,37.26	34.91	4,42.37	(1,04.21)	**14,10.33**	**35,17.22**	36,51.76
Total — 2001	**1668,73.65**	**51,48.54**	**308,55.59**	**(92,90.16)**	**1935,87.62**	**594,94.99**	**25,42.16**	**144,65.97**	**(38,68.92)**	**726,34.20**	**1209,53.42**	1073,78.66
— 2000	1481,06.06	—	244,54.26	(56,86.67)	1668,73.65	497,87.23	—	130,93.85	(33,86.09)	594,94.99	1073,78.66	

NOTES :

(a) Buildings include Rs. 2.57 lakhs (2000 - Rs. 2.57 lakhs) being the value of shares in co-operative housing societies.

(b) The title deeds of immovable properties aggregating Rs. 30,16.74 lakhs (2000 - Rs. 29,63.11 lakhs), acquired on transfer of businesses / undertakings are in the process of being transferred in the name of the Company.

(c) Taken over, pursuant to the Scheme of Amalgamation of International Bestfoods Limited and Aviance Limited with the Company (See note 14 of Notes to Profit and Loss Account).

(d) Capital expenditure commitments - Rs. 58,39.14 lakhs (2000 - Rs. 127,58.00 lakhs).

(e) (i) Under the Gudalur Janmam Estates (Abolition and Conversion into Ryotwari) Act, 1969, the right and title to certain leasehold land may be altered at a later date, the nature and effect of which cannot be ascertained at present. However, appropriate steps have been taken to protect the Company's interest.

(ii) Under the Tamil Nadu Land Reforms (Fixation of Ceiling of Land) Act, 1961, the Company has to surrender 6,107.68 acres of surplus land (Cost Rs. 1.95 lakhs) to the Authorities and the case for determination of 297.50 acres as surplus land (Cost Rs. 0.10 lakh) has been remanded to the Authorities by the Special Land Reforms Appellate Tribunal for re-examination. Adjustment in the accounts will be made as and when the exact compensation receivable for surplus land is determined.

(iii) Compensation in respect of 1,398.78 hectares of undeveloped land acquired by the Government of Assam under the Assam Fixation of Ceiling of Land Holdings Act, 1956 and disputed by the Company will be accounted for as and when received.

Schedules to Balance Sheet

6. INVESTMENTS

(Long term, Unquoted, unless otherwise stated)

			2001 Rs. lakhs	2000 Rs. lakhs
A. INVESTMENTS IN GOVERNMENT SECURITIES				
		7 Year National Savings Certificates - II Issue	**1.89**	2.93
		6 Year National Savings Certificates - VIII Issue	**—**	0.60
		Government of India stock of the face value of Rs. 404,74.00 lakhs (2000 - Rs. 769,98.25 lakhs) (current investments) (quoted)	**468,88.72**	788,49.41
		Treasury Bills of the face value of Rs. 15,00.00 lakhs (2000 - Rs. 60,00.00 lakhs) (current investments)	**13,80.02**	54,83.40
		Indira Vikas Patra	**1.02**	1.09
		TOTAL - A	**482,71.65**	843,37.43
B. INVESTMENTS IN SUBSIDIARY COMPANIES AT COST SHARES				
Indexport Limited	25,10,000	Equity shares of Rs.10 each fully paid	**2,51.00**	2,51.00
Levers Associated Trust Ltd.	100	Ordinary shares of Rs.10 each fully paid	**0.01**	0.01
Levindra Trust Limited	100	Ordinary shares of Rs.10 each fully paid	**0.01**	0.01
Hindlever Trust Limited	100	Ordinary shares of Rs.10 each fully paid	**0.01**	0.01
Nepal Lever Limited	7,36,560	Equity shares of Nepalese Rs.100 each fully paid	**4,60.00**	4,60.00
Lever India Exports Ltd.	30,000	Equity shares of Rs.100 each fully paid	**70.35**	70.35
International Fisheries Ltd.	2,96,240	Equity shares of Rs.100 each fully paid	**2,94.73**	2,94.73
Lipton India Exports Ltd.	4,80,000	Equity shares of Rs. 100 each fully paid	**24.00**	24.00
Bon Limited	10,003	Equity shares of Rs. 10 each fully paid	**1.00**	1.00
Aviance Limited	—	(2000 - 1000) Equity shares of Rs. 100 each fully paid (Shares extinguished pursuant to the Scheme of Amalgamation : see 14 of Notes to Profit and Loss Account)	**—**	1.00
Daverashola Tea Company Ltd.	12,000	Ordinary shares of Rs.100 each fully paid	**12.00**	12.00
Thiashola Tea Company Ltd.	35,000	Ordinary shares of Rs.10 each fully paid	**3.50**	3.50
The Doolia Tea Company Ltd.	1,500	Ordinary shares of Rs.100 each fully paid	**0.91**	0.91
Merryweather Food Products Ltd.	4,96,000	Equity shares of Rs. 100 each fully paid	**5,08.00**	5,08.00
	3,50,000	Cumulative redeemable preference shares of Rs. 100 each fully paid	**3,50.00**	3,50.00
Gold Mohur Foods & Feeds Ltd.	—	(2000 - 21,58,010) Equity shares of Rs. 10 each fully paid (Sold during the year)	**—**	43,12.79
Quest International India Limited (formerly Lakme Lever Ltd.)*		(2000 - 20,99,999) Equity shares of Rs. 100 each fully paid	**—**	101,22.62
Pond's Exports Limited	2,00,003	Equity shares of Rs. 10 each fully paid	**20.00**	20.00
KICM (Madras) Limited	5,840	Equity shares of Rs.100 each fully paid	**11,70.58**	11,70.58
Paras Extra Growth Seeds Ltd. (formerly Grand Foods & Catering Consultants Limited)	1,19,900	(2000 - 1,20,000) Equity shares of Rs. 10 each fully paid (100 shares sold during the year)	**1,22.28**	1,22.38
Modern Food Industries India Limited (MFIL)	1,09,187	Equity shares of Rs.1,000 each (Amount of Rs. 1,70.00 lakhs received towards Post Closing Adjustments in terms of the Share Purchase Agreement for disinvestment of Government Equity in MFIL)	**113,33.72**	115,03.72
International Bestfoods Limited	—	(2000 - Nil) Equity shares of Rs. 10 each fully paid (48,76,028 shares purchased for Rs. 66,12.83 lakhs during the year and extinguished pursuant to the Scheme of Amalgamation : see 14 of Notes to Profit and Loss Account)	**—**	—
		TOTAL - B	**146,22.10**	292,28.61

*Reclassified to Trade Investments subsequent to reduction in stake in the Company during the year.

Schedules to Balance Sheet

6. **INVESTMENTS (*Contd.*)**
(Long term, Unquoted, unless otherwise stated)

			2001 Rs. lakhs	2000 Rs. lakhs
		C. TRADE INVESTMENTS AT COST SHARES		
Hind Lever Chemicals Limited	68,92,800	Equity shares of Rs.10 each fully paid (quoted)	**52,41.85**	52,41.85
Dugdha Sahakari Kraya-Vikraya Samiti Limited	50	Shares of Rs.100 each fully paid	**0.05**	0.05
Hi Tech Surfactants Limited	58,400	Equity shares of Rs.10 each fully paid	**5.87**	5.87
Aquagel Chemicals Limited	37,040	Equity shares of Rs.100 each fully paid	**18.56**	18.56
Super Bazar Co-op. Stores Limited	1,000	Equity shares of Rs.10 each fully paid	**0.10**	0.10
Vashisti Detergents Limited	1,69,04,140	Equity shares of Rs.10 each fully paid (quoted)	**29,40.00**	29,40.00
Kimberly Clark Lever Limited	3,62,50,000	Equity shares of Rs.10 each fully paid	**36,25.00**	36,25.00
Snowman Frozen Foods Limited	38,32,000	Equity shares of Rs.10 each fully paid	**5,01.71**	5,01.71
Tasty Bite Eatables Limited	—	(2000 - 59,530) 10 years, 1% Non-cumulative Non-convertible Redeemable Preference shares of Rs.100 each (sold during the year)	**—**	12,20.37
Coffee Futures India Exchange Limited	1	Equity share of Rs.10,000 each fully paid	**0.10**	0.10
Lever Gist Brocades Limited	1,50,00,000	(2000 - 1,25,00,000) Equity shares of Rs.10 each fully paid (25,00,000 shares acquired during the year)	**15,00.00**	12,50.00
Quest International India Limited (formerly Lakme Lever Limited)*	14,11,200	(2000 - 20,99,999) Equity shares of Rs. 100 each fully paid (6,88,799 shares sold during the year)	**68,02.41**	—
Goldfield Fragrances Limited	24,000	Equity shares of Rs.10 each fully paid	**2.40**	2.40
		TOTAL - C	**206,38.05**	148,06.01

*Reclassified from Investment in subsidiary companies subsequent to reduction in stake in the Company during the year.

		D. NON-TRADE INVESTMENTS AT COST SHARES, DEBENTURES AND BONDS		
ICICI Limited	2,95,963	Equity shares of Rs.10 each fully paid (quoted)	**1,65.20**	1,65.20
	—	(2000 - 1,500) 11.90% Unsecured Bonds in the nature of Promissory note of the face value of Rs. 1,00,000 each (Redeemed during the year) (Current Investments)	**—**	14,92.09
	—	(2000 - 200) 10.50% Unsecured Bonds in the nature of Promissory note of the face value of Rs. 1,00,000 each (Redeemed during the year) (Current Investments)	**—**	1,95.10
	—	(2000 - 3,500) Unsecured non marketable deep discount bonds in the nature of Promissory note of the face value of Rs. 1,00,000 each (Redeemed during the year) (Current Investments)	**—**	19,84.50
	—	12.10% Unsecured bond in the nature of Non-transferable deposit receipt of Face value Rs. 50,00 lakhs (Redeemed during the year) (Current Investments)	**—**	50,00.00
	—	12.00% Unsecured bond in the nature of Non-transferable deposit receipt of Face value Rs. 75,00 lakhs (Redeemed during the year) (Current Investments)	**—**	75,00.00
	—	11.70% Unsecured bonds in the nature of Non-transferable deposit receipt of Face value Rs. 140,00 lakhs (Redeemed during the year) (Current Investments)	**—**	1,40,00.00

Schedules to Balance Sheet

6. INVESTMENTS (*Contd.*)
(Long term, Unquoted, unless otherwise stated)

			2001 Rs. lakhs	2000 Rs. lakhs
	—	11.60% Unsecured bonds in the nature of Non-transferable deposit receipt of Face value Rs. 15,00 lakhs (Redeemed during the year) (Current Investments)	—	15,00.00
	—	11.55% Unsecured bonds in the nature of Non-transferable deposit receipt of Face value Rs. 30,00 lakhs (Redeemed during the year) (Current Investments)	—	30,00.00
	—	11.45% Unsecured bonds in the nature of Non-transferable deposit receipt of Face value Rs. 30,00 lakhs (Redeemed during the year) (Current Investments)	—	30,00.00
	20,000	9.50% Unsecured Non Marketable Regular Income Bonds in the nature of Debentures of face value Rs. 1,00,000 each (Purchased during the year) (Current Investments)	**200,00.00**	—
	1	8.50% Non-transferable deposit receipt of Face value of Rs. 60,00 lakhs (Current Investments)	**60,00.00**	—
Mahanagar Telephone Nigam Limited	500	11.75% 14th A Series Taxable Government guaranteed Bonds of Rs. 100,000 each (Current Investments)	**5,00.37**	5,00.37
Indian Telephone Industries Limited	750	13.25% E Series Taxable Government guaranteed Bonds of Rs. 100,000 each (Current Investments)	**7,50.07**	7,64.60
Indian Railway Finance Corporation	70,000	9.00% Sixth E Series Tax Free Bonds of Rs. 1,000 each (Current Investments)	**7,00.05**	7,10.13
	20,000	9.00% Sixth E Series Tax Free Bonds of Rs. 1,000 each (Current Investments)	**2,00.02**	2,02.88
	50,000	9.00% Sixth C Series Tax Free Bonds of Rs. 1,000 each (Current Investments)	**5,00.05**	5,06.79
	1,00,000	10.50% Ninth M Series Tax Free Bonds of Rs. 1,000 each (Current Investments)	**10,00.10**	10,40.59
	—	(2000 - 10,000) 10.50% Eighth Series Tax Free Bonds of Rs. 1,000 each (Redeemed during the year) (Current Investments)	—	1,00.88
	—	(2000 - 1,00,000) 9.00% Sixth B Series Tax Free Bonds of Rs. 1,000 each (Redeemed during the year) (Current Investments)	—	10,13.80
	—	(2000 - 1,50,000) 9.00% Sixth A Series Tax Free Bonds of Rs. 1,000 each (Redeemed during the year) (Current Investments)	—	15,14.02
	3,00,000	10.50% Twelfth A Series Tax Free Secured Redeemable Non Convertible Bonds of Rs. 1,000 each (Purchased during the year) (Current Investments)	**30,00.00**	—
Titan Industries Limited	—	(2000 - 89) Equity shares of Rs.10 each fully paid (quoted) (sold during the year)	—	0.04
Housing Development Finance Corporation Limited	—	(2000 - 2,52,250) Equity shares of Rs.10 each fully paid (quoted) (sold during the year)	—	46.23
HDFC Bank Limited	—	(2000 - 1,000) Equity shares of Rs.10 each fully paid (quoted) (sold during the year)	—	0.10
SBI Home Finance Limited	1,44,200	(2000 - 1,50,000) Equity shares of Rs.10 each fully paid (quoted) (5,800 shares sold during the year)	**14.42**	15.00
Cadbury India Limited	—	(2000 - Nil) Equity shares of Rs.10 each fully paid (quoted) (115 shares acquired pursuant to merger of International Bestfoods Limited and sold during the year)	—	—
Godrej Foods Limited	—	(2000 - Nil) Equity shares of Rs.10 each fully paid (quoted) (100 shares acquired pursuant to merger of International Bestfoods Limited and sold during the year)	—	—

Schedules to Balance Sheet

6. INVESTMENTS (*Contd.*)
(Long term, Unquoted, unless otherwise stated)

			2001 Rs. lakhs	2000 Rs. lakhs
Maharashtra Krishna Valley Development Corporation	50	17.50% Secured Bonds of the face value of Rs. 1,00,000 each (Listed but not quoted)	**50.00**	50.00
Comfund Financial Services India Limited	2,40,000	Equity shares of Rs.10 each fully paid	**24.00**	24.00
Assam Bengal Cereals Limited	8,284	Equity shares of Rs.10 each fully paid	**0.83**	0.83
The Bengal Chamber of Commerce and Industry	14	6 1/2% Non-redeemable Registered Debentures (Face value Rs. 0.14 lakh)	**0.17**	0.17
Woodlands Hospital and Medical Research Centre Limited	1	5% Non-redeemable Registered Debenture stock (Face value Rs. 0.27 lakh)	**0.27**	0.27
	44	1/2% Debentures of Rs. 100 each (Face value Rs. 0.05 lakh : Cost Rs. 100)	**—**	—
Shillong Club Limited	56	5% Debentures of Rs.100 each (Cost Rs. Nil)	**—**	—
The Nilgiri Co-operative Enterprises Limited	200	Shares of Rs.100 each fully paid	**0.20**	0.20
Biotech Consortium India Limited	1,00,000	Equity shares of Rs.10 each fully paid	**10.00**	10.00
Scooters India Limited	10,000	Equity shares of Rs.10 each fully paid (listed but not quoted)	**1.00**	1.00
Corporation Bank	—	(2000 - 3,100) Equity shares of Rs.10 each fully paid (quoted) (sold during the year)	**—**	2.48
Annamallais Ropeway Company Limited	1,150	Ordinary shares of Rs. 100 each fully paid (Cost Rs. Nil)	**—**	—
Saraswat Co-operative Bank Limited	1,000	(2000 - Nil) Equity shares of Rs.10 each fully paid (Acquired pursuant to merger of International Bestfoods Limited)	**0.10**	—
State Bank of India	—	(2000 - 2,500) 13% Bonds of the face value of Rs. 1,000 each (Redeemed during the year)	**—**	25.00
Hindustan Lever Limited	—	(2000 - Nil) Equity shares of Re.1 each fully paid (quoted) (10 shares, cost Rs. 0.01 lakh held by International Bestfoods Limited and sold prior to the effective date of the Scheme of Amalgamation with the Company)	**—**	—
OTHERS				
Unit Trust of India	1,120	(2000 - 1,540 Units) Fully paid units of Venture Capital Unit Scheme, 1990 (VECAUS - II) of Rs. 100 each (420 Units redeemed during the year)	**1.12**	1.39
	5,00,00,000	Units of Rs.10 each under the Institutional Investor's Special Fund Units Scheme (IISFUS), 1997	**50,00.00**	50,00.00
	4,02,77,895	(2000 - 3,50,45,589) Units of Rs.10 each under the Monthly Income Plan, 1997 (52,32,306 units cumulated during the year)	**40,27.79**	35,04.55
	40,590	(2000 - Nil) Units of Rs.10 each under the Unit Scheme - 64 (Acquired pursuant to merger of International Bestfoods Limited) (current investment)	**2.44**	—
National Bank for Agriculture and Rural Development	1,06,705	(2000 - Nil) 8.50% Capital Gains Bonds of Rs.10,000/- each (Purchased during the year)	**106,70.50**	—
J. M. Mutual Fund	—	(2000 - 3,00,000) Units of Rs. 10 each fully paid (Redeemed during the year)	**—**	30.00
Prudential ICICI Mutual Fund	87,84,096	Units of Prudential ICICI Gilt Fund -Treasury Plan - Growth	**9,50.00**	9,50.00
DSP Merrill Lynch Mutual Fund	95,01,549	Units of DSP Merrill Lynch Govt. Securities Fund - Plan B - Growth	**10,00.00**	10,00.00
Prudential ICICI Mutual Fund	2,43,99,873	Units of Prudential ICICI Gilt Fund - Treasury Plan - Dividend (4,82,60,527 units purchased and 2,38,60,654 sold during the year) (Current Investments)	**25,00.00**	—

Schedules to Balance Sheet

6. INVESTMENTS (*Contd.*)
(Long term, Unquoted, unless otherwise stated)

			2001 Rs. lakhs	2000 Rs. lakhs
Prudential ICICI Mutual Fund	2,94,01,479	Units of Prudential ICICI Income Plan - Dividend (5,73,86,554 units purchased and 2,79,85,075 sold during the year) (Current Investments)	**30,00.00**	—
Standard Chartered Mutual Fund (Quarterly)	2,42,95,432	Units of Grindlays Super Saver Income Fund - Dividend (purchased during the year) (Current Investments)	**25,00.00**	—
Standard Chartered Mutual Fund (Half yearly)	—	Units of Grindlays Super Saver Income Fund - Dividend (2,31,48,148 units purchased and sold during the year) (Current Investments)	**—**	—
Zurich India Mutual Fund	2,85,71,429	Units of Zurich India High Interest Fund - Regular Dividend (5,67,14,018 units purchased and 2,81,42,589 sold during the year) (Current Investments)	**30,00.00**	—
Jardine Fleming Mutual Fund	93,72,071	Units of Jardine Fleming India Bond Fund - Income Plan - Dividend (purchased during the year) (Current Investments)	**9,86.88**	—
HDFC Mutual Fund	1,97,82,004	Units of HDFC Income Fund - Dividend (3,82,71,419 units purchased and 1,84,89,415 units sold during the year) (Current Investments)	**20,00.00**	—
Alliance Capital Mutual Fund	—	Units of Alliance Income Fund - Dividend (1,96,85,039 units purchased and sold during the year) (Current Investments)	**—**	—
HDFC Mutual Fund	2,04,13,597	Units of HDFC Liquid Fund - Dividend Plan (purchased during the year) (Current Investments)	**20,45.18**	—
Franklin Templeton Fund	4,13,79,546	Units of Templeton India Liquid Fund - Dividend Plan (purchased during the year) (Current Investments)	**41,38.78**	—
Alliance Capital Mutual Fund	1,00,152	Units of Alliance Cash Manager - Dividend (purchased during the year) (Current Investments)	**10,02.52**	—
Zurich India Mutual Fund	1,85,72,849	Units of Zurich India Liquidity Fund - Investment - Dividend (purchased during the year) (Current Investments)	**20,04.32**	—
Standard Chartered Mutual Fund	1,53,18,307	Units of Grindlays Cash Fund - Dividend (purchased during the year) (Current Investments)	**15,31.83**	—
Prudential ICICI Mutual Fund	3,45,33,313	Units of Prudential ICICI Liquid Plan - Dividend (purchased during the year) (Current Investments)	**40,83.11**	—
		TOTAL - D	**833,61.32**	548,52.21
		TOTAL - (A+B+C+D)	**1668,93.12**	1832,24.26
Provision for diminution in value of long term investments			**(33,00.00)**	(62,50.00)
		TOTAL	**1635,93.12**	1769,74.26
Aggregate book value of investments		Unquoted	**1082,91.92**	896,62.95
		Listed but not quoted	**51.00**	51.00
		Quoted - Market Value Rs. 593,84.74 lakhs (2000 - Rs. 969,96.66 lakhs)	**552,50.20**	872,60.31
		TOTAL	**1635,93.12**	1769,74.26

Schedules to Balance Sheet

			2001 Rs. lakhs	2000 Rs. lakhs
7.	**INVENTORIES (at lower of cost and net realisable value)**			
	Stores and spare parts, etc.		**28,80.87**	24,64.83
	Raw materials		**510,14.06**	462,45.27
	Packing materials		**58,16.50**	52,16.25
	Work-in-progress		**47,71.85**	49,27.71
	Processed chemicals		**10,87.20**	14,23.42
	Finished goods		**577,11.56**	575,55.13
	Property Development Activity - Work-in-progress (Refer 16 of Notes to Profit and Loss Account)		**7,21.58**	3,77.86
			1240,03.62	1182,10.47
8.	**SUNDRY DEBTORS (unsecured)**			
	Considered good			
	Over 6 months old	**7,81.74**		7,66.90
	Others	**416,96.73**		256,84.07
			424,78.47	264,50.97
	Considered doubtful			
	Over 6 months old	**36,63.75**		36,02.10
	Others	**1,49.31**		85.26
			38,13.06	36,87.36
			462,91.53	301,38.33
	Less : Provision for doubtful debts		**(38,13.06)**	(36,87.36)
			424,78.47	264,50.97
9.	**CASH AND BANK BALANCES**			
	Cash on hand		**1,41.39**	1,46.68
	With Scheduled banks – on current accounts		**222,21.47**	147,48.48
	– on deposit accounts		**689,44.64**	373,05.10
	Non-scheduled bank – on current account Nepal Grindlays Bank Limited (Maximum amount outstanding during the year Rs. 8.19 lakhs; 2000 - Rs. 8.19 lakhs)		**8.19**	8.19
			913,15.69	522,08.45
10.	**OTHER CURRENT ASSETS**			
	Income accrued on investments		**39,75.23**	46,44.12
	Dividends receivable from subsidiary companies		**6,00.00**	—
	Fixed assets held for sale (at net book value or estimated net realisable value, whichever is lower)		**4,86.33**	2,09.05
			50,61.56	48,53.17

Schedules to Balance Sheet

			2001 Rs. lakhs	2000 Rs. lakhs
11.	**LOANS AND ADVANCES**			
	(Unsecured, considered good unless otherwise stated)			
	Advances and loans to subsidiaries			
	Considered good (including Rs. 30,00.00 lakhs (2000 - Rs. 16,50.00 lakhs) secured by equitable mortgage on immovable properties)	**74,84.54**		76,84.99
	Considered doubtful	**3,00.00**		5,57.01
		77,84.54		82,42.00
	Less : Provision for doubtful advances	**(3,00.00)**		(5,57.01)
			74,84.54	76,84.99
	Advances recoverable in cash or in kind or for value to be received [including :-	**677,60.70**		629,46.53
	(i) Rs.182,10.17 lakhs (2000 - Rs. 188,14.64 lakhs) not due before 31st December, 2002;			
	(ii) Rs. 30.86 lakhs (2000 - Rs. 28.28 lakhs) due from officers of the Company - maximum amount due during the year Rs. 31.12 lakhs (2000 - Rs. 28.28 lakhs);			
	(iii) Rs. 4,55.00 lakhs (2000 - Rs. 5,90.30 lakhs) due from the directors of the Company - maximum amount due during the year Rs. 4,59.88 lakhs (2000 - Rs. 5,91.58 lakhs) and			
	(iv) Rs. 140,00.00 lakhs (2000 - Rs. 214,80.00 lakhs) on account of inter corporate deposits]			
	Considered doubtful	**56,76.16**		33,01.14
		734,36.86		662,47.67
	Less : Provision for doubtful advances	**(56,76.16)**		(33,01.14)
			677,60.70	629,46.53
	Deposits with Customs, Port Trust, Excise, etc.		**45,73.46**	37,77.37
			798,18.70	744,08.89
12.	**LIABILITIES**			
	Acceptances		**203,42.65**	242,36.22
	Sundry creditors (see Schedule 19)			
	Small Scale Industrial Undertakings	**55,85.30**		48,75.07
	Others	**2087,90.17**		1872,41.87
			2143,75.47	1921,16.94
	Advances and progress payments - Property Development Activity		**7,08.96**	3,04.19
	Security advances		**29,82.34**	38,78.58
	Dividends declared pending payment/encashment		**23,52.57**	23,53.16
	Interim dividend payable to shareholders of erstwhile International Bestfoods Ltd.		**16.22**	—
	Interest accrued but not due on loans		**2,63.65**	5,39.40
			2410,41.86	2234,28.49

Schedules to Balance Sheet

		2001 Rs. lakhs	2000 Rs. lakhs
13.	**PROVISIONS**		
	Current taxation (provision in excess of payments) includes tax on distributed profits	**51,88.81**	172,20.73
	Provision for retirement/post retirement benefits and other employee benefits	**351,71.17**	254,03.42
	Proposed dividend	**550,31.09**	440,11.90
	Other provisions	**137,49.35**	34,05.12
		1091,40.42	900,41.17
14.	**DEFERRED TAX ASSETS**		
	On employee separation and retirement	**146,79.97**	—
	On other timing differences	**117,09.24**	—
	On fiscal allowances on investments	**1,28.52**	—
	Other items	**84,43.53**	—
		349,61.26	—
15.	**DEFERRED TAX LIABILITIES**		
	On fiscal allowances on fixed assets	**103,13.12**	—
		103,13.12	—

16. Certain demands for increased wages, etc. received from workmen have been referred to adjudication. In the opinion of the Company's management, the ultimate liability to the Company, if any, with respect to such demands would not have material effect on the accounts.

17. Pursuant to the order passed by the Hon'ble High Court of Bombay dated 16th June, 1997, the erstwhile Pond's (India) Limited had, on 21st July, 1997, allotted 9,31,000 shares on preferential basis to M/s. Unilever Overseas Holdings BV at a price of Rs. 620/- per share and an amount of Rs. 610/- per share was credited to Share premium account in respect of these shares. These shares and the share premium thereon are subject to the conditions imposed by the Hon'ble High Court of Karnataka in its interim order dated 6th April, 1994 [Writ Petition No. 3863 of 1994] and are subject to the final orders that may be passed by the court on the writ petition. Likewise 9,31,000 bonus shares relating to the preferential allotment made to M/s. Unilever Overseas Holdings BV, are subject to the same terms and conditions applicable to the preferential allotment. In respect of the above, 1,39,65,000 shares of Re. 1 each fully paid up of the Company have been issued.

			2001 Rs. lakhs	2000 Rs. lakhs
18.	**CONTINGENT LIABILITIES**			
	(i)	Claims made against the Company not acknowledged as debts and other matters — gross Rs. 399,89.95 lakhs (2000 - Rs. 316,15.62 lakhs) net of tax :	**311,13.49**	226,49.01
	(ii)	Bills discounted but not matured	**74,64.88**	99,56.35
	(iii)	Guarantees given to banks, etc. in respect of third parties	**39,21.80**	49,67.71

19. The Company does not owe to any party a sum exceeding Rs. 1 lakh, which is outstanding for more than 30 days at the Balance Sheet date, computed on unit-wise basis. The above information and that given in Schedule 12 - "Liabilities" regarding small scale industrial undertakings has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.

20. Previous year's figures have been regrouped wherever necessary to conform to this year's classification.

Statements forming part of the Profit and Loss Account

		Licensed capacity		Installed capacity	
		2001	2000	**2001**	2000
		Tonnes	Tonnes	**Tonnes**	Tonnes
1.	**Licensed/Installed annual capacities :**				
	on single shift basis (unless otherwise stated)				
	Scheduled:				
	Processed triglycerides/				
	hydrogenated oils/vanaspati	**1,52,312**	1,52,312	**67,833**	1,10,714
	Soaps	**3,43,538**	3,43,538	**2,13,594**	2,46,532
	Synthetic detergents	**3,86,580**	3,84,080	**2,89,613**	2,57,421
	Personal products (h)	**1,92,564**	1,77,564	**73,959**	69,530
	Glycerine	**11,524**	11,524	**5,989**	7,368
	Fine chemicals (d)	**3,484**	3,484	**3,041**	4,978
	Organic Speciality Chemicals	**2,033**	367	**2,033**	367
	Ossein	**1,000**	1,000	**—**	—
	Di-calcium phosphate	**2,000**	2,000	**—**	—
	Dicamba herbicide	**333**	333	**—**	—
	Fabric softener	**2,833**	333	**4,281**	333
	Double or complex silicates	**—**	1,667	**—**	2,083
	Fatty acids	**93,000**	93,000	**44,166**	33,000
	Plant growth nutrient	**667**	667	**—**	—
	Plant growth nutrient (Kilo litres)	**200**	200	**200**	200
	Catalyst	**—**	800	**—**	1,000
	Fluid cracking catalyst (e)	**5,000**	5,000	**—**	6,250
	Oil milling - Oils	**19,438**	19,438	**—**	16,749
	- Oil seeds	**32,668**	32,668	**22,508**	35,208
	- Oil cakes etc.	**14,833**	14,833	**—**	15,021
	Industrial machinery (units) (e)	**24**	24	**—**	30
	Perfumery and cosmetic products (units) (e)	**30,00,000**	30,00,000	**3,750,000**	37,50,000
	Perfumery and cosmetic products	**362**	362	**500**	500
	Carpets, druggets and other floor coverings (pieces) (e)	**2,00,000**	2,00,000	**2,50,000**	250,000
	Packet Tea below 1kg. and tea bags (e)	**5,000**	5,000	**—**	—
	Instant Tea	**650**	650	**650**	650
	Footwear, shoe uppers and other components (pairs) (e)	**45,00,000**	45,00,000	**19,00,000**	19,00,000
	Functionalised biopolymer (e)	**7,875**	7,875	**7,550**	7,550
	Zeolites (e)	**5,000**	5,000	**—**	6,250
	Frozen Surimi, Fresh and Frozen fish, Mollusees etc.	**13,000**	13,000	**13,000**	13,000
	Prepared Glues and Adhesives	**—**	1,100	**—**	941
	Edible Groundnut Flour, Protein Foods, etc.	**7,667**	3,667	**3,796**	3,796
	Synthetic Beverages, Processed Foods, etc.	**44,901**	35,685	**42,266**	33,050
	Powdered Beverages	**2,500**	2,500	**2,500**	2,500
	Canned and Processed Fruits and Vegetable (h)	**20,900**	20,900	**47,054**	47,054
	Packaging machinery (units)	**5**	5	**45**	45
	Printing machinery (units)	**8**	8	**—**	8
	Gravure cylinders and components (units)	**875**	875	**—**	875
	Ice-cream/Frozen desserts (Mln. Kgs.) (j)	**22**	22	**8**	8
	Instant Foods	**500**	500	**—**	—
	Thermometer (Pieces)	**2,00,00,000**	2,00,00,000	**2,00,00,000**	2,00,00,000
	Mushroom (Drained Weight)	**4,267**	4,267	**2,700**	2,700
	Perfumery Compounds	**3,106**	3,106	**2,174**	2,174
	Flavouring Essences	**1,608**	1,608	**1,346**	1,496
	Non-scheduled :				
	Packed Tea	**N.A.**	N.A.	**3,15,500**	4,20,500
	Garden Tea	**N.A.**	N.A.	**Not Ascertainable**	Not Ascertainable
	Packed Coffee	**N.A.**	N.A.	**16,800**	16,800
	Margarine	**N.A.**	N.A.	**3,000**	3,000
	Scourers (f)	**N.A.**	N.A.	**6,800**	6,800
	Refined Oils	**N.A.**	N.A.	**1,070**	4,785

(a) N.A. - Not Applicable

(b) Licensed capacities include registered capacities for activities existing prior to the Industries (Development and Regulation) Act, 1951, and the Industrial Entrepreneurs Memorandum (IEM) filed with the Government and duly acknowledged by them under the Scheme of delicensing notified by the Government but excludes non-scheduled activities where IEMs have been filed in lieu of DGTD registrations.

Statements forming part of the Profit and Loss Account

1. Licensed/Installed annual capacities on single shift basis : *(Contd.)*

(c) The installed capacities are as per certificate given by a Director on which the auditors have relied.

(d) Fine Chemicals of different types, covered by separate industrial licenses/IEMs but having separate sub-limits, have been grouped together.

(e) The capacity mentioned is annual capacity based on maximum utilisation of plant and machinery.

(f) Scourers, being a non-scheduled activity, no industrial licence is required. However, under the Government Scheme of Single point clearance for Kandla Free Trade Zone, a licence for 1,667 tonnes per annum has been granted.

(g) Licensed and installed capacities for the year indicated above include those vested in the Company consequent to amalgamation of the erstwhile The Tata Oil Mills Company Limited (TOMCO). Necessary applications have been submitted to obtain endorsement of the name of the Company on these licenses. The said capacities are expressed on a single shift basis (as converted) based on 365 days working in a year.

Similarly, licensed and installed capacities for the year indicated above include those vested in the Company, consequent to the amalgamation of the erstwhile Brooke Bond Lipton India Limited (BBLIL). Necessary applications have been submitted to obtain endorsement of the name of the Company on these licenses.

Similarly, licensed and installed capacities for the year indicated above include those vested in the Company, consequent to the amalgamation of the erstwhile Pond's (India) Limited (PIL). Necessary applications have been submitted to obtain endorsement of the name of the Company on these licenses.

Similarly, licensed and installed capacities for the year indicated above include those vested in the Company, consequent to the acquisition on 1st January, 1996, of the Detergents business from Hind Lever Chemicals Limited. Necessary applications have been submitted to obtain endorsement of the name of the Company on these licenses.

Similarly, licensed and installed capacities for the year indicated above include those vested in the Company, consequent to the amalgamation of the erstwhile Industrial Perfumes Limited (IPL). Necessary applications have been submitted to obtain endorsement of the name of the Company on these licenses.

Similarly, installed capacities for the year indicated above include those vested in the Company, consequent to the transfer of tea export business of Lipton India Exports Limited to the Company.

Similarly, licensed and installed capacities for the year indicated above include those vested in the Company, consequent to the amalgamation of the erstwhile International Best Foods Limited (IBFL). Necessary applications have been submitted to obtain endorsement of the name of the Company on these licenses.

(h) Since our undertakings at Mumbai and Kolkata for manufacture of toilet preparations were in existence prior to the enactment of the Industries (Development and Regulation) Act, 1951, the Company was only required to obtain a Registration Certificate and later under an amendment of the Act in 1975, to apply for endorsement of capacity on the same. The capacities disclosed herein, as is done previously, are in accordance with the Company's submissions to the Government relating to its installed and productive capacities. The Government has during 1985, endorsed lower capacities aggregating 838 tonnes as against 3,005 tonnes claimed by the Company without a technical inspection of the Company's installed capacities and ignoring certain Letters of Approval/ Licences issued by the Government between 1951 and 1967. As provided under the law and the guidelines issued by the Government, the Company has represented to the Government and requested for a review of their decision based on technical inspection and earlier letters of approvals/licenses and that the endorsement be brought in line with the Company's claims. Government response is awaited.

In respect of Canned and Processed Fruits and Vegetables line of activity, vested in the Company consequent to the amalgamation of the erstwhile Brooke Bond Lipton India Limited (BBLIL), the Industrial Undertaking was established prior to the date when the Industries (Development and Regulation) Act, 1951 became applicable. Installed capacity stated above, is based on the advice to the erstwhile BBLIL, that its licensed capacity should be deemed to be the same as the installed capacity. A carry on business license for 20,900 tonnes was received during the year 1984 and the same is under the correspondence with the Government. In the case of Bhandup factory, taken over by the erstwhile BBLIL from Herbertsons Limited, and similarly vested in the Company, licensed capacity is not mentioned in the Certificate.

(i) In respect of the factories of the erstwhile TOMCO where there is no indication of quantitative capacities in the Registration Certificates, the installed capacities have been deemed to be the licensed capacities. In respect of the following units of the erstwhile TOMCO, communications have been received from the Government of India endorsing quantitative capacities on Registration Certificates for soaps and Glycerine as follows :

	Licensed Capacity included in the above statement for the unit		Quantity endorsed in Registration Certificate (expressed on Single Shift basis as converted)	
	Soaps Tonnes	Glycerine Tonnes	Soaps Tonnes	Glycerine Tonnes
Tatapuram	15,667	380	10,727	289
Calicut	—	149	—	34
Sewri	15,667	380	8,000	281

The erstwhile TOMCO had disputed the endorsed capacities and had made a representation to the Government that installed capacities of the respective unit should be treated as licensed capacities.

(j) Ice-creams and Frozen Desserts are alternate capacities.

Statements forming part of the Profit and Loss Account

2. Production

	2001 Tonnes	2000 Tonnes
Processed triglycerides/ hydrogenated oils/vanaspati	**55,066** **	59,899 **
Soaps	**3,16,803** **	3,05,085 **
Synthetic detergents	**6,29,019** **	4,51,022 **
Personal Products ('000 nos.)	**129,30,44**	113,82,29
Glycerine : Refined	**7,694**	6,210
Fine chemicals	**1,504** **	1,774 **
Silica	**119**	632
Plant growth nutrient	**230**	155
Catalyst	**804**	611
Carpets, druggets and other floor coverings (pieces)	**41,146**	25,260
Packed Tea	**1,08,608** **	1,07,209 **
Garden Tea	**20,869**	22,714
Instant Tea	**84**	543
Packed Coffee	**12,597** **	11,692 **
Footwear, shoe uppers and other components (pairs)	**21,83,220**	15,45,832
Functionalised biopolymers	**10,547**	8,865
Processed Foods	**14,170**	14,996
Canned and Processed Fruits and Vegetables	**25,519** **	35,813 **
Frozen Desserts (Million Ltrs.)	**7** **	8 **
Margarine	**9,270**	8,847
Animal Feeding Stuffs	**—**	81,632 **

** Includes :

(a) Third party processing : Processed triglycerides/hydrogenated oils/vanaspati - Nil (2000 - 2,578 tonnes), Soaps - 36,505 tonnes (2000 - 6,773 tonnes), Synthetic detergents - 2,48,748 tonnes (2000 - 1,22,605 tonnes), Fine Chemicals - Nil (2000 - 95 tonnes), Packed Tea - 20,957 tonnes (2000 - 26,999 tonnes), Packed Coffee - 4,678 tonnes (2000 - 3,498 tonnes), Animal Feeding Stuffs - Nil (2000 - 41,512 tonnes), Canned and Processed Fruits and Vegetables - 8,160 tonnes (2000 - 11,106 tonnes), Frozen Desserts - 1.6 million litres (2000 - 1.7 million litres).

(b) Processing in leased units : Soaps - 2,835 tonnes (2000 - 11,257 tonnes), Processed triglycerides / hydrogenated oil / vanaspati - 35,474 tonnes (2000 - 37,025 tonnes).

3. Sales (including exports)

	2001 Tonnes	2001 Rs. lakhs	2000 Tonnes	2000 Rs. lakhs
Soaps	**3,83,647**	**2089,08.55**	3,89,398	2106,14.76
	266 *		546 *	
Synthetic detergents	**8,91,901**	**1975,00.98**	8,35,583	1860,03.91
	678 *		279 *	
Personal Products ('000 nos.)	**481,17,64**	**2259,14.76**	406,21,36	1832,63.42
Garden Tea	**1,666**	**9,27.98**	5,905	30,22.92
	20,461 *		17,672 *	
Tea	**1,23,370**	**1614,96.96**	1,29,277	1679,02.38
Coffee	**26,772**	**296,91.05**	21,716	277,40.88
Frozen Desserts & Ice Creams (Million Ltrs)	**24**	**156,39.44**	24	163,90.81
Processed triglycerides/hydrogenated oils/vanaspati	**1,46,830**	**577,51.15**	1,49,011	607,19.73
	692 *		806 *	
Canned and Processed Fruits and Vegetables	**29,750**	**145,71.51**	34,358	135,53.59
Branded Staple Foods (a)	**3,74,409**	**243,14.14**	3,94,597	269,47.51
	891 *			
Speciality Chemicals (b), (d)	**17,228**	**140,37.71**	17,195	216,88.17
	9,455 *		7,216 *	
Animal Feeding Stuffs	**—**	**—**	90,889	71,40.67
Others (c)		**1464,35.46**		1353,90.21
		10971,89.69		10603,78.96

Notes :

(a) Branded staple foods includes wheat flour, iodised salt and rice in consumer packs.

(b) Speciality Chemicals comprises Glycerine, Fine Chemicals, Mixtures of Odoriferous substances, Silica, Catalyst, Fluid cracking catalyst, Functionalised biopolymers, Zeolite, Prepared glues & adhesives, Perfumery compounds, Flavouring essences and Oleo chemicals.

(c) Others includes Scourers, Seeds, Marine products, Dairy products, Agri commodities, Leather, Footwear, Garments, Carpets, Mushroom and Thermometers, etc.

(d) Excludes stocks transferred on sale of Nickel Catalyst, Adhesives and Quest businesses : Speciality Chemicals 537.40 tonnes; Rs. 5,52.96 lakhs.

* Figures denote quantities used for captive consumption/reprocessing.

Statements forming part of the Profit and Loss Account

	2001		2000		1999	
	Tonnes	**Rs. lakhs**	Tonnes	Rs. lakhs	Tonnes	Rs. lakhs
4. Closing stocks (including processed chemicals)						
Processed triglycerides/ hydrogenated oils/vanaspati	**9,471**	**31,51.24**	8,955	27,31.19	9,135	3280.59
Soaps	**28,564**	**121,73.44**	33,379	140,02.05	38,360	153,39.01
Synthetic detergents	**45,492**	**107,15.69**	50,155	98,55.22	55,113	100,02.75
Personal Products ('000 nos.)	**82,79,35**	**173,13.83**	53,66,86	147,54.42	66,24,16	169,62.46
Glycerine : Refined	**152**	**83.11**	175	1,36.54	667	3,97.50
Fine Chemicals	**214**	**7,19.66**	228	9,18.35	220	6,22.41
Plant growth nutrient	**37**	**28.00**	54	50.06	96	55.95
Catalyst	**23**	**40.93**	95	2,28.03	135	2,56.01
Tea	**6,669**	**45,64.98**	6,814	48,67.25	12,735	119,78.44
Coffee	**782**	**5,67.28**	896	7,57.60	1,158	12,29.00
Carpets (pieces)	**3,954**	**1,10.98**	4,997	1,10.38	3,560	59.86
Footwear (pairs)	**43,929**	**2,60.91**	45,301	2,84.17	35,835	1,91.39
Functionalised biopolymers	**594**	**1,58.77**	597	1,56.16	307	49.10
Silica	**—**	**—**	336	57.51	334	76.23
Others		**89,09.94**		100,69.62		68,82.60
		587,98.76		589,78.55		673,83.30

Note :

In addition :

(i) Stocks on 1st April, 2000 of the Lipton India Exports Limited, taken over consequent to the acquisition of the exports business undertaking : Tea - 551 Tonnes; Rs. 6,39.00 lakhs.

(ii) Stocks on 1st July, 2001 of the International Bestfoods Limited and Aviance Limited, taken over consequent to the Scheme of Amalgamation (See 14 of Notes to Profit and Loss Account) : Personal Products ('000 nos.) - 522; Rs. 1,91.16 lakhs, Others Rs. 4,89.48 lakhs.

	2001		2000	
	Tonnes	**Rs. lakhs**	Tonnes	Rs. lakhs
5. Raw materials consumed @				
Oils, fats and rosins	**2,48,141**	**498,08.34**	2,34,087	490,91.35
Chemicals and perfumes	**7,84,546**	**1104,58.00**	6,77,043	893,85.45
Tea and Green Leaf *	**2,28,950**	**812,74.66**	2,15,889	871,09.47
Coffee	**14,895**	**106,95.73**	16,215	118,64.92
Others		**679,70.80**		760,59.60
		3202,07.53		3135,10.79

* Includes Green Leaf plucked/purchased and consumed.

@ Relates to the Company's main products and principal raw materials.

		2001		2000	
		%	**Rs. lakhs**	%	Rs. lakhs
6. Value of imported and indigenous materials consumed					
Raw materials	- Imported	**14**	**442,68.80**	15	469,89.66
	- Indigenous	**86**	**2759,38.73**	85	2665,21.13
Spare parts and components (including stores)	- Imported	**6**	**1,94.58**	14	4,11.78
	- Indigenous	**94**	**30,29.00**	86	25,61.56

Statements forming part of the Profit and Loss Account

		2001 Rs. lakhs	2000 Rs. lakhs
7.	**Value of imports on CIF basis** (excluding purchases from canalising agencies and imported items purchased locally)		
	Raw and packing materials	**486,16.46**	471,62.11
	Spare parts and components	**5,00.63**	8,58.32
	Capital goods	**4,34.41**	7,45.11
		495,51.50	487,65.54

		2001 Tonnes	2001 Rs. lakhs	2000 Tonnes	2000 Rs. lakhs
8.	**Purchase of goods**				
	Soaps	**62,295**	**256,08.48**	79,878	262,88.05
	Synthetic detergents	**2,58,897**	**390,41.34**	3,79,882	545,48.50
	Personal Products ('000 nos.)	**380,94,47**	**683,09.17**	279,81,77	536,09.25
	Marine products	**15,003**	**325,99.03**	25,238	585,07.00
	Ice-creams (Million Ltrs)	**17**	**83,25.72**	16	76,78.74
	Others (agri commodities, scourers, edible oils and fats, etc.)		**760,90.81**		607,03.01
			2499,74.55		2613,34.55

		2001 Rs. lakhs	2000 Rs. lakhs
9.	**Earnings in foreign exchange**		
	Exports at FOB (including exports to Nepal and Bhutan)	**1656,62.31**	1692,06.28
	Royalty	**54.14**	97.95
	Others (income from services, freight, insurance, claims, etc.)	**116,88.57**	106,19.12
		1774,05.02	1799,23.35
10.	**Expenditure in foreign currency** (on payment basis) (subject to deduction of tax where applicable)		
	Know-how	**—**	68.40
	Consultancy	**4,64.64**	2,16.71
	Royalty	**51,40.44**	44,37.60
	Other matters :		
	(a) Imports of goods for resale	**41,32.09**	22,17.57
	(b) Others	**80,00.75**	65,10.19
		177,37.92	134,50.47
11.	**Net dividend remitted in foreign currency**		
	1999 Interim to one shareholder on 4,90,000 shares of Rs.10 each	**—**	58.80
	1999 Final to 7 shareholders on 11,34,84,946 shares of Rs.10 each	**—**	192,92.44
	2000 Interim to 7 shareholders on 1,13,48,49,460 shares of Re.1 each	**—**	170,22.74
	2000 Final to 7 shareholders on 1,13,48,49,460 shares of Re.1 each	**226,96.99**	—
	2001 Interim to 7 shareholders on 1,13,48,49,460 shares of Re.1 each	**283,71.24**	—
		510,68.23	363,73.98

12. Previous year's figures have been regrouped wherever necessary to conform to this year's classification.

Statements forming part of the Profit and Loss Account

		2001 Rs. lakhs	2000 Rs. lakhs
13.	**Directors' remuneration**		
	Salaries	**1,77.53**	2,17.65
	Performance Linked Bonus/Commission to Wholetime Directors	**3,31.69**	3,70.16
	Commission to Non-Wholetime Directors	**20.00**	16.67
	Contribution to provident fund	**49.70**	60.90
	Other perquisites	**36.46**	94.53
		6,15.38	7,59.91

Note :

Provisions for/contribution to employee retirement/post retirement and other employee benefits which are based on actuarial valuations done on an overall Company basis are excluded above.

Computation of net profits in accordance with Section 198 of the Companies Act, 1956 and the commission payable to Directors

		2001 Rs. lakhs		2000 Rs. lakhs
Net Profit after taxation		**1641,31.35**		1310,09.31
Add :				
Depreciation (as per accounts)	**144,65.97**		130,93.85	
Directors' remuneration	**6,15.38**		7,59.91	
Directors' fees	**1.35**		0.32	
Provision for doubtful debts and advances (net)	**65.96**		6,54.23	
Book deficit on fixed assets sold, scrapped, etc. (net)	**8,38.22**		17,07.57	
Surplus on disposal of investments (net)	**(44,49.44)**		1,19.89	
Provision for diminution in value of Investments and excess of cost over fair value of current investments (net), included in miscellaneous expenses	**(29,45.22)**		33,01.24	
Provision for estimated losses on disposal of fixed assets, included in miscellaneous expenses	**19,89.00**		5,75.32	
Taxation for the year (after considering in exceptional items)	**325,07.76**		355,00.00	
		430,88.98		557,12.33
		2072,20.33		1867,21.64
Less :				
Depreciation under Section 350	**139,89.93**		128,24.31	
Profit on sale/transfer of business, etc; included in exceptional items	**159,59.63**		—	
Deficit on disposal of fixed assets (net) under Section 349	**29,77.63**		20,78.90	
		329,27.19		149,03.21
Net profit for Section 198 of the Companies Act, 1956		**1742,93.14**		1718,18.43
Commission to Non-Wholetime Directors at 1%		**17,42.93**		17,18.18
Commission to 5 Wholetime Directors for 12 months each at 1% limited to 5% for all Wholetime Directors		**87,14.66**		85,90.92
Commission payable for the period		**3,51.69**		3,86.83

Segment Information for the Year Ended 31st December, 2001
Information About Primary Business Segments

Rs. lakhs

	Soaps and Detergents	Personal Products	Beverages	Foods	Ice Creams	Exports	Other Operations	Eliminations	Consolidated
REVENUE									
External Revenue	4295,43.36	2217,94.49	1418,81.72	794,19.72	161,85.71	1750,62.14	387,18.36		
Intersegment Revenue							267,54.69	(267,54.69)	
Total Revenue (see Note 3 below)	4295,43.36	2217,94.49	1418,81.72	794,19.72	161,85.71	1750,62.14	654,73.05	(267,54.69)	**11026,05.50**
RESULT									
Segment result	978,62.56	670,14.35	173,58.71	6,92.02	(26,51.98)	82,04.51	15,98.65	8,60.69	1909,39.51
Un-allocated expenditure net of un-allocated income									(287,34.21)
Operating Profit									**1622,05.30**
Interest expenses									
Interest/dividend income and surplus on disposal of investments									(7,74.42)
(net) (net of provision for diminution in long term investments and mark down of current investments)									329,06.34
Taxation for the year									(402,42.00)
Profit after taxation and before exceptional items									**1540,95.22**
Exceptional items - income and expenditure (Segment)				(19,24.75)	(43,04.23)		126,00.14		63,71.16
Exceptional items - income and expenditure (Unallocated/Corporate)									(40,69.27)
- Tax credit									77,34.24
Net Profit									**1641,31.35**
OTHER INFORMATION									
Segment assets	1167,48.61	395,53.28	395,63.10	208,71.35	120,76.33	487,52.86	242,80.04	8,60.69	3027,06.26
Unallocated corporate assets									3705,32.18
Total assets									**6732,38.44**
Segment Liabilities	(1101,38.65)	(441,76.89)	(429,16.02)	(162,73.74)	(73,31.64)	(212,12.91)	(97,39.77)		(2517,89.62)
Unallocated corporate liabilities									(1170,79.64)
Total liabilities									**(3688,69.26)**
Capital expenditure	183,00.86	26,87.68	14,64.29	4,91.91	50.26	14,53.47	8,19.57		
Depreciation	37,93.86	34,09.50	7,32.93	9,41.47	10,09.00	9,58.25	7,90.26		
Non-cash expenses other than depreciation	9,71.42	6,31.99	5,78.92	63.20	4.26	59.74	(1,46.32)		

Segment Information for the Year Ended 31st December, 2001
Information about Secondary Business Segments

Revenue by Geographical Market

	Rs. lakhs
India	9304,67.45
Outside India	1721,38.05
Total	**11026,05.50**

	Carrying Amount of Segment Assets	Additions to Fixed Assets and Intangible Assets
India	3010,48.39	252,68.04
Outside India	16,57.87	—
Total	**3027,06.26**	**252,68.04**

Notes :

1. **Business Segments**

The Company has considered business segment as the primary segment for disclosure. The products included in each of the reported domestic business segments are as follows :

- **Soaps and Detergents** include soaps, detergent bars, detergent powders, detergent liquids, scourers, etc.
- **Personal Products** include products in the categories of Oral Care, Skin Care (excluding soaps), Hair Care, Deodorants, Talcum Powder, Colour Cosmetics, etc.
- **Beverages** include tea and coffee.
- **Foods** include Oils and Fats, Branded Staples (Atta, Salt, etc.), Culinary Products (tomato based products, fruit based products, soups, etc.).
- **Ice Creams** include Ice Creams and Frozen Desserts.
- **Others** include Plantations, Chemicals, Agri seeds, Property Development, etc.

Segement Revenue relating to each of the above domestic business segments includes Income from Services provided, where applicable.

In addition, the Company's **Exports** business segment includes sales of Marine Products, Leather Products, Castor, Mushrooms etc. as well as sales of Soaps and Detergents, Personal Products, Beverage and Foods etc. by the Exports Division.

The above business segments have been identified considering :
a) the nature of products and services
b) the differing risks and returns
c) the organisation structure, and
d) the internal financial reporting systems.

2. **Geographical Segments**

The geographical segments considered for disclosure are as follows:
- **Sales within India** includes sales to customers located within India.
- **Sales outside India** includes sales to customers located outside India.

3. **Revenue comprise**

	Rs. lakhs
Sales	10971,89.69
Income from services rendered (included in Other Income)	54,15.81
	11026,05.50

Statement Pursuant to Part IV of the Companies Act, 1956
Balance Sheet Abstract and Company's General Business Profile

I.	**REGISTRATION DETAILS**	
	Registration No.	11-2030
	State Code	11
	Balance Sheet Date	31.12.2001
II.	**CAPITAL RAISED DURING THE YEAR (AMOUNT IN RS. THOUSANDS)**	
	Public Issue	Nil
	Rights Issue	Nil
	Bonus Issue	Nil
	Private Placement	Nil
III.	**POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMOUNT IN RS. THOUSANDS)**	
	Total Liabilities	67323844
	Total Assets	67323844
	SOURCES OF FUNDS	
	Paid-up Capital	2201244
	Reserves and Surplus	28235674
	Secured Loans	430439
	Unsecured Loans	406947
	APPLICATION OF FUNDS	
	Net Fixed Assets	13200602
	Investments	16359312
	Net Current Assets	(750424)
	Deferred Tax	2464814
	Misc. Expenditure	Nil
	Accumulated Losses	Nil
IV.	**PERFORMANCE OF COMPANY (AMOUNT IN RS. THOUSANDS)**	
	Turnover (Total Income)	113536874
	Total Expenditure	94103152
	Profit/(Loss) Before Tax and Exceptional Items	19433722
	Profit/(Loss) After Tax and Exceptional Items	16413135
	Earnings Per Share (in Rs.)	7.46
	Dividend Rate (%)	500
V.	**GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF THE COMPANY (AS PER MONETARY TERMS)**	
	Item Code No. (ITC Code)	34.01
	Product Description	Soap
	Item Code No. (ITC Code)	34.02
	Product Description	Detergents
	Item Code No. (ITC Code)	09.02
	Product Description	Tea

Report of the Auditors to the Shareholders

We have audited the attached balance sheet of Hindustan Lever Limited as at 31st December, 2001 and also the profit and loss account of the Company for the year ended on that date, annexed thereto, and report that :

(1) As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, of India, we give in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.

(2) Further to our comments in the Annexure referred to in paragraph (1) above :

(a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

(b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books;

(c) the balance sheet and the profit and loss account dealt with by this report are in agreement with the books of account;

(d) in our opinion, the profit and loss account and the balance sheet comply with the Accounting Standards specified by the Institute of Chartered Accountants of India, referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;

(e) on the basis of the written representations received from the directors, and taken on record by the Board of the Directors, we report that none of the directors is disqualified as on 31st December, 2001 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;

(f) in our opinion and to the best of our information and according to the explanations given to us, the accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view :

(i) in the case of the balance sheet, of the state of affairs of the Company as at 31st December, 2001

and

(ii) in the case of the profit and loss account, of the profit for the year ended on that date.

For A.F. FERGUSON & CO.
Chartered Accountants

For LOVELOCK & LEWES
Chartered Accountants

A.K. Mahindra
(Partner)

Thomas Mathew
(Partner)

Mumbai : 22nd January, 2002

Annexure to the Auditors' Report

(Referred to in Paragraph (1) thereof)

(1) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets. All the fixed assets have not been verified by the management during the year but, according to the information and explanations given to us, there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies between the book records and the physical inventory have been noticed in respect of the assets physically verified.

(2) None of the fixed assets have been revalued during the year.

(3) The stocks of finished goods, stores, spare parts and raw materials have been physically verified by the management during the year. In respect of stocks lying with third parties, these have substantially been confirmed by them. In our opinion, the frequency of the verification is reasonable.

(4) In our opinion and according to the information and explanations given to us, the procedures of physical verification of stocks followed by the management were found reasonable and adequate in relation to the size of the Company and the nature of its business.

(5) The discrepancies noticed on verification between the physical stocks and the book records were not material in relation to the operations of the Company.

(6) On the basis of our examination of stock records, in our opinion, the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.

(7) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956, where the rate of interest and other terms and conditions are, in our opinion, prima facie prejudicial to the interest of the Company. In terms of sub-section (6) of Section 370 of the Companies Act, 1956, provisions of the Section are not applicable to a Company on or after 31st October, 1998.

(8) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956, where the rate of interest and other terms and conditions are, in our opinion, prima facie prejudicial to the interest of the Company. In terms of sub-section (6) of Section 370 of the Companies Act, 1956, provisions of the Section are not applicable to a Company on or after 31st October, 1998.

(9) In respect of loans and advances in the nature of loans given by the Company, where stipulations have been made, the parties are generally repaying the principal amounts as stipulated or as rescheduled and have also been regular in the payment of interest where applicable.

(10) In our opinion and according to the information and explanations given to us, having regard to the explanations that some of the items are of a special nature for which alternative quotations are not available, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of stores, raw materials including components, plant and machinery, equipment and other assets, and for the sale of goods.

(11) In our opinion and according to the information and explanations given to us, no goods and materials, aggregating during the year to Rs. 50,000 or more in respect of each party, were purchased and no goods, materials and services, aggregating during the year to Rs. 50,000 or more in respect of each party, were sold, in pursuance of contracts or arrangements entered in the Register maintained under Section 301 of the Companies Act, 1956.

(12) As explained to us, the Company has a regular procedure for the determination of unserviceable or damaged stores, raw materials and finished goods. Adequate provision has been made in the accounts for the loss arising on the items so determined.

(13) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A of the Companies Act, 1956, and the Companies (Acceptance of Deposits) Rules, 1975, with regard to deposits accepted from the public.

(14) In our opinion, reasonable records have been maintained by the Company for the sale and disposal of realisable tea waste, by-products and scrap, where significant.

(15) In our opinion, the Company has an adequate internal audit system commensurate with its size and nature of its business.

(16) We have broadly reviewed the books of account maintained by the Company in respect of products where, pursuant to the Rules made by the Central Government, the maintenance of cost records has been prescribed under Section 209(1)(d) of the Companies Act, 1956. We are of the opinion that prima facie the prescribed accounts and records have been maintained and are being made up. We have not, however, made a detailed examination of the records with a view to determining whether they are accurate or complete.

(17) According to the information and explanations given to us and according to the records of the Company, Provident Fund and Employees' State Insurance (ESI) dues, where applicable, have been regularly deposited during the year with appropriate authorities.

(18) According to the information and explanations given to us, there were no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and excise duty which have remained outstanding as at 31st December, 2001 for a period of more than six months from the date they became payable.

(19) According to the information and explanations given to us and the records of the Company examined by us, no personal expenses have been charged to revenue account.

(20) The Company is not a sick industrial company within the meaning of clause (o) of sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.

(21) In respect of the Company's service activities, we further report that :

(a) there is a reasonable system of recording receipts, issues and consumption of materials and stores, where applicable, and allocating material consumed to the relative jobs;

(b) there is a reasonable system of allocating man-hours utilised, where applicable, to the relative jobs;

(c) there is a reasonable system of authorisation at proper levels, and an adequate system of internal control, on the issue of stores and allocation of stores and labour to jobs;

commensurate with the size of the Company and nature of its business.

(22) As explained to us, in respect of the trading activities of the Company, damaged goods have been determined and adequate provision has been made in the accounts for the loss arising on the items so determined.

For A.F. FERGUSON & CO.	For LOVELOCK & LEWES
Chartered Accountants	*Chartered Accountants*
A.K. Mahindra	Thomas Mathew
(Partner)	*(Partner)*

Mumbai : 22nd January, 2002

Cash Flow Statement for the year ended 31st December, 2001

			2001 Rs. lakhs	2000 Rs. lakhs
A.	**Cash Flow from Operating Activities :**			
	Profit before taxation and exceptional items		**1943,37.22**	1665,09.31
	Adjustments for :			
	Depreciation	**144,65.97**		130,93.85
	Foreign Exchange	**2.23**		(2.43)
	Gain on sale of fixed assets held for disposal	**(44.07)**		(5,34.71)
	Surplus/Deficit on disposal of investments (net)	**(44,49.44)**		1,19.89
	Provision for diminution in value of investments and excess of cost over fair value of current investments (net)	**(29,45.22)**		33,01.24
	Deficit on disposal of fixed assets (net)	**8,38.22**		17,07.57
	Interest income	**(192,26.42)**		(209,09.93)
	Dividend income	**(62,85.26)**		(69,88.89)
	Interest expenditure	**7,74.42**		13,14.73
			(168,69.57)	(88,98.68)
	Operating Profit before Working Capital Changes		**1774,67.65**	1576,10.63
	Adjustments for :			
	Trade and Other Receivables	**(197,68.01)**		(181,05.01)
	Inventories	**(62,80.57)**		130,03.20
	Trade Payables and Other Liabilities	**242,63.01**		109,89.70
			(17,85.57)	58,87.89
	Cash generated from operations		**1756,82.08**	1634,98.52
	Income Taxes paid (net of refunds)		**(445,94.69)**	(275,76.81)
	Cash flow before exceptional items		**1310,87.39**	1359,21.71
	Payment made in respect of discontinuance of Thermometer operations included in exceptional items		**(3,41.69)**	—
	Net Cash from Operating Activities - A		**1307,45.70**	1359,21.71
B.	**Cash Flow from Investing Activities :**			
	Purchase of fixed assets	**(288,82.22)**		(241,52.33)
	Sale of fixed assets	**38,46.26**		5,33.42
	Purchase of investments	**(3428,62.81)**		(3764,26.82)
	Sale of investments	**3565,74.86**		3010,40.72
	Transfer of Animal Feeds Trademark - exceptional item	**22,59.49**		—
	Consideration received on sale of Animal Feeds undertaking (net) (net of cash and cash equivalent transferred)	**—**		2,73.71
	Consideration paid on acquisition of exports business undertaking	**—**		(24,01.95)
	Consideration received on sale of Business (Note 3 and 4 below) (net of cash and cash equivalent transferred)	**112,00.00**		—
	Interest received	**209,21.14**		182,37.15
	Dividend received	**56,26.41**		69,35.63
	Net Cash from/used in Investing Activities - B		**286,83.13**	(759,60.47)
C.	**Cash Flow from Financing Activities :**			
	Dividends paid	**(990,26.78)**		(697,54.47)
	Tax on distributed profits	**(101,02.38)**		(113,83.54)
	Interest paid	**(4,98.67)**		(10,95.76)
	Bank overdrafts (net)	**(19,92.17)**		(55,43.96)
	Proceeds from borrowings	**3,06.41**		3,12.26
	Repayments of borrowings	**(93,17.77)**		(13,34.58)
	Net Cash used in Financing Activities - C		**(1206,31.36)**	(888,00.05)
	Net Increase/(decrease) in Cash and Cash equivalents (A+B+C)		**387,97.47**	(288,38.81)
	Cash and Cash equivalents as at 1st January (Opening Balance)		**522,05.55**	810,44.36
	Cash and Cash equivalents as at 1st July, 2001 of the erstwhile International Bestfoods Limited and Aviance Limited taken over on amalgamation (Note 2 below)		**3,11.99**	—
	Cash and Cash equivalents as at 31st December (Closing Balance)		**913,15.01**	522,05.55

See notes attached (page 29)

Per our report attached

For A.F. FERGUSON & CO.
Chartered Accountants

A.K. Mahindra
(Partner)

For LOVELOCK & LEWES
Chartered Accountants

Thomas Mathew
(Partner)

Mumbai : 22nd January, 2002

M.S. Banga — *Chairman*
M.K. Sharma — *Vice Chairman*
D. Sundaram — *Finance Director*
D.N. Mehta — *Group Controller*
O.P. Agarwal — *Company Secretary*

Mumbai : 22nd January, 2002

2001

Notes to the Cash Flow Statement for the year ended 31st December, 2001

		2001 Rs. lakhs	2000 Rs. lakhs
1.	Cash and cash equivalents include :		
	Cash and bank balances	**913,15.69**	522,08.45
	Unrealised gain on foreign currency cash and cash equivalents	**(0.68)**	(2.90)
	Total cash and cash equivalents	**913,15.01**	522,05.55

2. The amalgamation of the erstwhile International Bestfoods Limited (IBF) and Aviance Limited with the Company is a non-cash transaction. (Refer 14 of Notes to Profit and Loss Account). During the year shares aggregating Rs. 66,12.83 lakhs had been purchased for cash in IBF, consequent to which IBF became a subsidiary of the Company.

3. Details of purchase consideration on transfer of businesses, considered under exceptional items to ICI Limited (ICI) :

	2001 Rs. lakhs
Receivable from ICI for transfer of undertakings relating to the Nickel Catalyst and Adhesives businesses (including Rs. 6,71.31 lakhs towards net current assets)	26,91.31
Cash and cash equivalent received as at 31st December, 2001 from ICI	9,00.00
Balance Receivable	**17,91.31**

	2001 Rs. lakhs
4. Consideration received on sale of Quest Flavours and Fragrances Businesses (including Rs. 23,15.79 lakhs towards net current assets) included in exceptional items	103,00.00

5. In view of notes 3 and 4, the current year's figures are not comparable with those of the previous year.

6. The cash flow statement has been prepared in accordance with the requirements of Accounting Standard-3 - "Cash Flow Statement" issued by the Institute of Chartered Accountants of India and the Listing Agreement with stock exchanges.

7. Previous year's figures have been regrouped wherever necessary to conform to this year's classification.

Auditors' Report

We have examined the attached Cash Flow Statement of Hindustan Lever Limited for the year ended 31st December, 2001. The statement has been prepared by the Company in accordance with the listing requirements of the listing agreements with the Stock Exchanges and is based on and derived from the audited accounts of the Company for the year ended 31st December, 2001.

For A.F. FERGUSON & CO.
Chartered Accountants

A.K. Mahindra
(Partner)

For LOVELOCK & LEWES
Chartered Accountants

Thomas Mathew
(Partner)

Mumbai : 22nd January, 2002

Additional Information : Economic Value Added (EVA)

What is EVA?

*Traditional approaches to measuring "Shareholders' Value Creation" have used parameters such as earnings capitalisation, market capitalisation and present value of estimated future cash flows. Extensive equity research has now established that it is not earnings *per se*, but VALUE which is important. A new measure called "Economic Value Added" (EVA) is increasingly being applied to understand and evaluate financial performance.

***EVA**	**=**	**Net Operating Profit after Taxes (NOPAT) - Cost of Capital Employed (COCE),** where ,
NOPAT	=	Profits after depreciation and taxes but before interest costs. NOPAT thus represents the total pool of profits available on an ungeared basis to provide a return to lenders and shareholders, and
COCE	=	Weighted average cost of capital (WACC) **(x)** Average capital employed.

*Cost of debt is taken at the effective rate of interest applicable to an "AAA" rated company like HLL with an appropriate mix of short, medium and long-term debt, net of taxes. We have considered a pre-tax rate of 12% for 2001after taking into account the trends over the years.

*Cost of equity is the return expected by the investors to compensate them for the variability in returns caused by fluctuating earnings and share prices.

Cost of equity = Risk-free return equivalent to yield on long term Government bonds (taken at 9.5% for 2001)

(+)

Market-risk premium (taken at 9%) **(x)** Beta variant for the Company, (taken at 0.8) where the Beta is a relative measure of risk associated with the Company's shares as against the market as a whole.

Thus HLL's cost of equity = 9.5% + 9% (x) 0.8 = 16.7%

What does EVA show?

EVA is residual income after charging the Company for the cost of capital provided by lenders and shareholders. It represents the value added to the shareholders by generating operating profits in excess of the cost of capital employed in the business.

When will EVA increase?

EVA will increase if :

a. Operating profits can be made to grow without employing more capital, i.e. greater efficiency.
b. Additional capital is invested in projects that return more than the cost of obtaining new capital, i.e. profitable growth.
c. Capital is curtailed in activities that do not cover the cost of capital, i.e., liquidate unproductive capital.

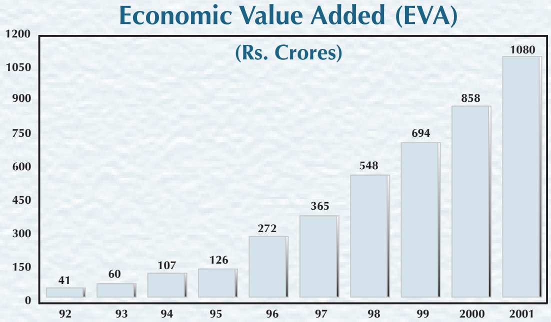
EVA in practice at Hindustan Lever Ltd.

In Hindustan Lever, the goal of sustainable long-term value creation for our shareholders is well understood by all the business groups. Measures to evaluate business performance and to set targets take into account this concept of value creation.

EVA Trends : 1992-2001 (Unaudited)

(Rs. crores)	1992	1993	1994	1995	1996	1997	1998	1999	**2000**	**2001**
Cost of Capital Employed (COCE)										
1. Average Debt	169	135	97	110	156	160	165	162	93	**50**
2. Average Equity	312	359	462	588	815	1127	1487	1908	2296	**2766**
3. Average Capital Employed : (1) + (2)	481	494	559	698	971	1287	1652	2070	2389	**2816**
4. Cost of Debt, post-tax %	6.76	6.76	7.36	7.56	7.88	8.82	9.10	8.61	8.46	**7.72**
5. Cost of Equity %	19.70	19.70	19.70	19.70	19.70	19.70	19.70	19.70	19.70	**16.70**
6. Weighted Average Cost of Capital % (WACC)	15.15	16.17	17.57	17.79	17.80	18.34	18.64	18.83	19.27	**16.54**
7. COCE : (3) x (6)	73	80	98	124	173	236	308	390	460	**466**
Economic Value Added (EVA)										
8. Profit after tax, before exceptional items	98	127	190	239	413	580	837	1070	1310	**1541**
9. Add : Interest, after taxes	16	13	15	11	32	21	19	14	8	**5**
10. Net Operating Profits After Taxes (NOPAT)	114	140	205	250	445	601	856	1084	1318	**1546**
11. COCE, as per (7) above	(73)	(80)	(98)	(124)	(173)	(236)	(308)	(390)	(460)	**(466)**
12. EVA : (10) - (11)	41	60	107	126	272	365	548	694	858	**1080**

Economic Value Added (EVA)



2001

Significant Accounting Policies

Basis for preparation of accounts

The accounts have been prepared to comply in all material aspects with applicable accounting principles in India, the Accounting Standards issued by the Institute of Chartered Accountants of India.

Revenue Recognition

Sales are recognised when goods are supplied and are recorded net of trade discounts, rebates, sales taxes and excise duties but include, where applicable, export incentives such as duty drawbacks and premiums on sale of import licences. It does not include inter-divisional transfers.

Income from Property Development activity is recognised under the completed contract method and in terms of arrangements with developers, where applicable.

Incomes from services rendered are booked based on agreements/arrangements with the concerned parties.

Interest on investments are booked on a time proportion basis, taking into account the amounts invested and the rate of interest.

Dividend incomes on investments are accounted for when the right to receive the payment is established.

Expenditure

Expenses are accounted for on accrual basis and provision is made for all known losses and liabilities. Advertising expenses are charged against the profit of the year to which the activities relate.

Revenue expenditure on research and development is charged against the profit of the year in which it is incurred. Capital expenditure on research and development is shown as an addition to fixed assets.

Goodwill and other Intangible Assets

Trademarks acquired after 1st January,1998 are amortised over a period of 4 years. Other intangible assets including goodwill are written off in the year in which they are incurred. Goodwill arising on consolidation in accordance with AS-21 is amortised over 4 years at quarterly rests, commencing from the quarter of recognition of goodwill.

Fixed Assets

Fixed assets are stated at cost less depreciation except in the case of certain Land and Development in the Tea Estates Division and Land, Buildings and Plant and Machinery in Rossell Industries Limited are shown at revalued amount. In Tea/Coffee estates, the cost of extension planting of cultivable land including cost of development is capitalised.

Depreciation is provided (except in the case of leasehold land which is being amortised over the period of the lease) on the Straight Line Method (SLM) and at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956. However,

– certain employee perquisite- related assets are depreciated over four to six years, the period of the perquisite scheme
– computers and related assets are depreciated over four years
– certain assets of the cold chain are depreciated over seven years and
– assets of Lever India Exports Limited (LIEL) are depreciated on the Written Down Value Method (WDV). The difference between the SLM and WDV basis is not significant.

Assets identified and evaluated technically as obsolete and held for disposal are stated at their estimated net realisable values.

Investments

Investments are classified into current and long-term investments. Current investments are stated at the lower of cost and fair value. Long-term investments, including in Joint Ventures and Associates, are stated at cost. A provision for diminution is made to recognise a decline, other than temporary, in the value of long-term investments.

Inventories

Inventories are valued at the lower of cost, computed on a weighted average basis, and estimated net realisable value, after providing for cost of obsolescence and other anticipated losses, wherever considered necessary. Finished goods and work-in-progress include costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Sundry Debtors and Loans and Advances

Sundry Debtors and Loans and Advances are stated after making adequate provisions for doubtful balances.

Retirement/Post Retirement Benefits

Contributions to defined contribution schemes such as Provident Fund and Family Pension Fund are charged to the profit and loss account, as incurred. The Company also provides retirement / post-retirement benefits in the form of gratuity, pensions, leave encashment and medical. Such benefits are provided for based on valuations, as at the balance sheet date, made by independent actuaries.

Taxes on Income

Current tax is determined as the amount of tax payable in respect of taxable income for the period.

Deferred tax is recognised, subject to the consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets are not recognised on unabsorbed depreciation and carry forward of losses unless there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

Foreign Currency Translations

Foreign currency assets and liabilities covered by forward contracts are stated at the forward contract rates, while those not covered by forward contracts are restated at rates ruling at the year end. Exchange differences relating to fixed assets are adjusted in the cost of the asset. Any other exchange differences are dealt with in the profit and loss account.

Segment Reporting

The accounting policies adopted for segment reporting are in line with the accounting policies adopted in consolidated financial statements, with the following additional policies being considered for segment reporting :

a) Inter segment revenue has been accounted for based on the transaction price agreed to between segments which is primarily market-led.
b) Revenue and expenses have been identified to segments on the basis of their relationship to the operating activities of the segment.

Revenue and expenses, which relate to the enterprise as a whole and are not allocable to segments on a reasonable basis, have been included under "Unallocated corporate expenses".

Profit and Loss Account for the year ended 31st December, 2001

(Figures in brackets represent deductions)

	Notes	2001 Rs. lakhs
INCOME		
Sales	1	11554,25.10
Proceeds realised towards land and development rights (net of proportionate cost of land and development rights Rs. 55.00 lakhs)		3,41.42
Other income	2	385,85.01
Total		**11943,51.53**
EXPENDITURE		
Operating expenses	3 - 5	(9832,55.30)
Depreciation/Amortisation (net of transfer from revaluation reserve Rs. 90.08 lakhs)		(202,63.13)
Interest	6	(12,31.37)
Total		**(10047,49.80)**
PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEMS		**1896,01.73**
Taxation for the year		
– current tax	9	(417,00.24)
– deferred tax		(3,21.35)
PROFIT AFTER TAXATION AND BEFORE EXCEPTIONAL ITEMS		**1475,80.14**
Exceptional items (net of tax)	13	100,73.63
PROFIT AFTER EXCEPTIONAL ITEMS		**1576,53.77**
Taxation adjustments of previous years (net)	16	(6.23)
NET PROFIT		**1576,47.54**
– Concern Share		**1576,35.55**
– Minority		**11.99**
Balance brought forward (after considering adjustments on acquisitions Rs. 89,23.32 lakhs debit)		405,12.28
Available for distribution		**1981,59.82**
Dividends :		
On equity shares :		
Interim		(550,14.88)
Interim dividend payable to the shareholders of the erstwhile International Bestfoods Limited pursuant to the Scheme of Amalgamation.		(16.22)
Final - proposed		(550,94.39)
Tax on distributed profits [after considering credit of Rs. 54,57.48 lakhs]		(59,31.04)
Transfer to General Reserve		(167,33.00)
Balance carried forward		**653,70.29**

For notes, statements, additional information, segment information accounting policies and cash flow statement See pages : 34,35,42 to 46 and 31

As per our report attached to the balance sheet

For A.F. FERGUSON & CO.
Chartered Accountants

A.K. Mahindra
(Partner)

For LOVELOCK & LEWES
Chartered Accountants

Thomas Mathew
(Partner)

Mumbai : 22nd January, 2002

Signatures to pages : 32,34,35,42 to 46 and 31

M.S. Banga — *Chairman*
M.K. Sharma — *Vice Chairman*
D. Sundaram — *Finance Director*
D.N. Mehta — *Group Controller*
O.P. Agarwal — *Company Secretary*

Mumbai : 22nd January, 2002

Balance Sheet as at 31st December, 2001

(Figures in brackets represent deductions)

	Schedule		2001 Rs. lakhs
SOURCES OF FUNDS			
Shareholders' funds			
Capital	1	220,12.44	
Reserves and surplus	2	2924,53.92	
			3144,66.36
Minority Interests			
Capital		9,10.42	
Reserves and surplus		17,09.14	
			26,19.56
Loan funds			
Secured loans	3	59,68.71	
Unsecured loans	4	42,85.83	102,54.54
			3273,40.46
APPLICATION OF FUNDS			
Fixed assets			
Gross block		2306,00.28	
Depreciation		(839,68.86)	
Net block	5	1466,31.42	
Capital work-in-progress		112,25.19	1578,56.61
Investments	6		1584,83.60
Current assets, loans and advances			
Inventories	7	1304,13.24	
Sundry debtors	8	468,70.62	
Cash and bank balances	9	943,24.97	
Other current assets	10	46,34.18	
Loans and advances	11	739,32.77	
		3501,75.78	
Current liabilities and provisions			
Liabilities	12	(2531,46.23)	
Provisions	13	(1116,19.76)	
		(3647,65.99)	
Net current assets			(145,90.21)
Deferred Tax			
Deferred Tax Assets	14	362,38.84	
Deferred Tax Liabilities	15	(106,48.38)	
			255,90.46
			3273,40.46

For schedules, contingent liabilities, additional information, segment information, accounting policies and cash flow statement See pages : 36 to 41, 44 to 46 and 31

Signatures to pages : 33, 36 to 41, 44 to 46 and 31

As per our report attached

For A.F. FERGUSON & CO.
Chartered Accountants

A.K. Mahindra
(Partner)

For LOVELOCK & LEWES
Chartered Accountants

Thomas Mathew
(Partner)

Mumbai : 22nd January, 2002

M.S. Banga — *Chairman*
M.K. Sharma — *Vice Chairman*
D. Sundaram — *Finance Director*
D.N. Mehta — *Group Controller*
O.P. Agarwal — *Company Secretary*

Mumbai : 22nd January, 2002

Notes to Profit and Loss Account

			2001 Rs. lakhs
INCOME			
1.	**Sales**		12363,11.54
	Less : Excise duty		(808,86.44)
			11554,25.10
	Sales include duty drawback and licence premium on exports		26,26.28
2.	**Other income**		
	Income from services rendered		54,18.86
	Interest received - bank and other accounts (gross) (Tax deducted at source Rs.14,99.18 lakhs)		79,77.71
	Interest received - non trade (gross) (Note 7) (Tax deducted at source Rs. 9,19.34 lakhs)		115,46.90
	Dividend income - trade - long term (gross)		9,87.38
	Dividend income - non trade - long term (gross)		13,80.05
	Dividend income - non trade - current (gross)		21,43.86
	Surplus on disposal of investments (net) (Note 8)		67,96.01
	Miscellaneous income		23,34.24
			385,85.01
OPERATING EXPENSES			
3.	**Materials consumed and Purchase of goods**		
	Raw materials consumed		3358,58.43
	Packing materials consumed		717,76.56
	Purchase of goods		2541,28.84
4.	**General expenditure**		
	Salaries, wages, bonus, etc. including compensation under voluntary separation schemes		578,29.16
	Contribution to provident and other funds		63,10.48
	Workmen and staff welfare expenses		41,55.22
	Processing charges		158,03.53
	Consumption of stores and spare parts		36,39.45
	Repairs and maintenance	- Buildings	20,01.23
		- Plant	44,31.05
		- Others	10,37.11
	Power, light, fuel and water		171,79.24
	Rent		69,31.08
	Rates and taxes	- Excise duty	13,34.42
		- Others	108,65.78
	Insurance		7,45.65
	Advertising and sales promotion		859,00.33
	Carriage and freight		493,95.83
	Agents' commission and brokerage		13,85.16
	Provision for doubtful debts and advances (net)		1,05.82
	Travelling and motor car expenses		122,71.51
	Deficit on fixed assets sold, scrapped, etc. (net)		8,50.12
	Miscellaneous expenses (Note 12)		375,89.85
	Expenses shared by the erstwhile subsidiary company for use of common facilities		(7,33.13)
5.	**Stocks**		
	Opening stocks :	- Work-in-progress	51,82.46
		- Processed chemicals	14,23.42
		- Finished goods	627,39.14
	Adjustment to stocks :		
		- As at 1st April, 2001, of the International Bestfoods Limited	7,69.76
		- As at 10th December, 2001, of the Nickel Catalyst Business [Note : 14 (ii)]	(59.16)
		- As at 28th December, 2001, of the Adhesives Business [Note : 14 (ii)]	(25.07)
		- As at 31st March, 2001, of the Quest Business [Note : 14 (i)]	(4,68.73)
	Closing stocks :	- Work-in-progress	(50,05.84)
		- Processed chemicals	(10,87.20)
		- Finished goods	(610,06.20)
			9832,55.30

6. Interest paid on bank and other accounts Rs. 12,23.13 lakhs and on debentures and fixed loans Rs. 8.24 lakhs

7. Interest received - non trade (gross) comprise Rs. 3,86.51 lakhs and Rs. 111,60.39 lakhs in respect of long term and current investments respectively.

8. Surplus on disposal of investments (net) comprise:
- a profit on disposal of current investments (net) Rs. 60,87.36 lakhs
- a profit on disposal of long term investments (net) Rs. 7,08.65 lakhs

9. i) The tax year for the companies incorporated in India being the year ending 31st March, the provision for taxation for the year of these companies is the aggregate of the provision made for the three months ended 31st March, 2001 and the provision based on the figures for the remaining nine months up to 31st December, 2001, the ultimate tax liability of which will be determined on the basis of the figures for the period 1st April, 2001 to 31st March, 2002. The tax year for Nepal Lever Limited is the year ending 15th July.

ii) During the year, the companies have, for the first time, adopted the Accounting Standard 22 "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India. Consequently, the cumulative net deferred tax credit at 31st December, 2000 of Rs. 211,51.66 lakhs has been recorded as an addition to General Reserve on 1st January, 2001. Further the deferred tax credit for the year of Rs. 44,38.79 lakhs (including Rs. 47,60.14 lakhs under exceptional items) for the year has been recognised in the profit and loss account.

10. The net difference in foreign exchange (i.e. the difference between the spot rates on the dates of the transactions, and the actual rates at which the transactions are settled/appropriate rates applicable at the year end) credited to the Profit and Loss Account is Rs. 2,66.77 lakhs.

Notes to Profit and Loss Account

		2001 Rs. lakhs
11.	**Operating expenses include**	
	A) Auditors' remuneration and expenses	
	i) Audit fees	1,61.98
	ii) Tax audit fees	80.81
	iii) Fees for management services	15.99
	iv) Fees for other services	1,96.26
	v) Reimbursement of out-of-pocket expenses	92.29
	B) Payments to Cost auditors	
	i) Cost audit fees	4.73
	ii) Reimbursement of out-of-pocket expenses	2.02
	C) Research and Development expenses	37,79.04

12. Miscellaneous expenses :

i) include provision for estimated losses on disposal of fixed assets rendered surplus of Rs.19,89.00 lakhs

ii) include provision on diminution in value of long term investments Rs. 14,50.00 lakhs (net)

iii) is net of credit in respect of excess of cost over fair value of current investments (net) Rs. 1.29 lakhs.

		2001 Rs. lakhs
13.	**Exceptional Items**	
	i) Profit on sale/Transfer of Trademarks pertaining to Animal Feeds business	22,96.99
	ii) Profit arising from the sale of the Quest Flavours and Fragrances Business, etc. (Refer Note 14 (i) below)	119,86.00
	iii) Profit arising from the sale of the Nickel Catalyst and Adhesives Businesses.	17,14.14
	Total exceptional income	**159,97.13**
	iv) Costs incurred for discontinuance of the Thermometer operations	(11,00.00)
	v) Provision for estimated losses on disposal of fixed assets consequent to the restructuring of culinary manufacturing operations	(19,24.75)
	vi) Provision for estimated costs on asset write-off and related restructuring of the Ice Cream operations	(43,04.23)
	vii) Provision for additional liability for retirement/post retirement benefits and other employee benefits arising from reduction in interest rates and consequent review of assumptions used for actuarial valuations	(63,28.76)
	Total exceptional expenditure	**(136,57.74)**
	Net	**23,39.39**
	Taxation on the above - Credit on current tax	1,07.10
	- Credit on deferred tax	47,60.14
	viii) One time reduction in tax liability arising from the amalgamation of International Bestfoods Limited with Hindustan Lever Limited	28,67.00
	Total tax credit	**77,34.24**
	Exceptional items (net of tax)	**100,73.63**

14. i) The Quest Flavours and Fragrances business was sold to Lakme Lever Limited (LLL), (since renamed as Quest International India Limited), effective 1st April, 2001, consequent to an agreement having been entered into with the ICI Group. In terms of the agreement the shareholding in LLL has since been reduced to 49%. Profit arising from these transactions (including Rs. 39,89.20 lakhs as surplus on disposal of long term investment) amounting to Rs.119,86.00 lakhs (net of tax Rs. 119,86.00 lakhs) has been accounted for as exceptional item.

ii) The Nickel Catalyst Business and Adhesives Business were sold to ICI Limited effective 10th December, 2001 and 28th December, 2001 respectively.

15. The cost incurred to date and the work in progress as at 31st December, 2001 for property development activity are as under :

		Rs. Lakhs
Transfer from fixed assets/Capital work-in-progress		3,77.86
Add: Construction cost	3,18.25	
Power, light, fuel and water	8.75	
Rates and taxes - others	3.17	
Miscellaneous expenses	13.55	
		3,43.72
Property Development Activity - Work-in-progress as at 31st December, 2001		**7,21.58**

16. Taxation adjustments of previous years include interest, etc.

17 The consolidated financial statements have been prepared in accordance with Accounting Standard 21 (AS 21) - "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India. As this is the first year of adoption of AS-21, figures for the previous year and movement in share of Minority Interests have not been presented.

The subsidiaries considered in the consolidated financial statements are :

Name of the Company	Country of Incorporation	% voting power held as at 31st December, 2001
Lipton India Exports Limited	India	100
Indexport Limited	India	100
Bon Limited	India	100
Nepal Lever Limited	Nepal	80
Lever India Exports Limited	India	100
Merryweather Food Products Limited	India	100
International Fisheries Limited	India	99.98
KICM (Madras) Limited	India	100
Modern Food Industries (India) Limited	India	74
Daverashola Tea Company Limited	India	100
Thiashola Tea Company Limited	India	100
The Doolia Tea Company Limited	India	100
Rossell Industries Limited (Shares held by Lipton India Exports Limited) (became subsidiary during the year)	India	59.32
Paras Extra Growth Seeds Limited (formerly known as Grand Food & Catering Consultants Limited)	India	100
Levers Associated Trust Limited	India	100
Levindra Trust Limited	India	100
Hindlever Trust Limited	India	100

In addition, the following former subsidiary companies have been considered in the Consolidated Financial Statements for the period that they were subsidiary companies during the year.

Lakme Lever Limited (since renamed as Quest International India Limited; HLL shareholding reduced to 49%)	India
Aviance Limited (Amalgamated with HLL effective 1st July, 2001)	India
International Bestfoods Limited (Acquired during the year and amalgamated with HLL effective 1st July, 2001)	India

Schedules to Balance Sheet

	2001 Rs. lakhs
1. CAPITAL	
Authorised	
2,25,00,00,000 equity shares of Re. 1 each	225,00.00
Issued and subscribed	
2,20,12,43,793 equity shares of Re.1 each fully called and paid up	220,12.44
Of the above shares	
(i) 1,13,48,49,460 Shares of Re. 1 each are held by Unilever PLC., the holding company, and its subsidiaries including 79,48,06,750 shares of Re. 1 each held by Unilever PLC.	
(ii) 79,19,31,203 Shares of Re. 1 each are allotted as fully paid up pursuant to a contract for a consideration other than cash. These include 6,48,723 shares issued during the year pursuant to the Scheme of Amalgamation with the erstwhile International Bestfoods Limited.	
(iii) 1,31,68,54,620 Shares of Re. 1 each are allotted as fully paid up bonus shares by way of capitalisation of share premium and accumulated profits.	
	220,12.44

Hindustan Lever Limited has granted 24,75,100 share options under the Company's Employees' Stock Option Scheme. These options will vest in 2004.

Also see Schedule 16

2. RESERVES AND SURPLUS

Rs. lakhs

	As at 31st December 2000	Adjustments on acquisition (b)	Additions	Deductions	As at 31st December 2001
CAPITAL RESERVES					
Capital Reserve	1,33.83	2,41.51	—	—	**3,75.34**
Capital Subsidy	3,17.16	—	—	—	**3,17.16**
Capital Redemption Reserve	1,15.00	—	—	—	**1,15.00**
Share Premium Account	213,20.08	79,17.88	—	—	**292,37.96**
Revaluation Reserve	66.59	49,19.66	—	(90.08)	**48,96.17**
Other Reserves (d)	2,51.05	—	—	—	**2,51.05**
Total Capital Reserves	222,03.71	130,79.05	—	(90.08)	**351,92.68**
REVENUE RESERVES					
Investment Allowance Reserve	1.20	—	—	—	**1.20**
Export Profit Reserve	12,25.45	0.95	—	—	**12,26.40**
Development Allowance Reserve	26.72	—	—	—	**26.72**
General Reserve	1652,55.74	(110,23.35)	(a) 167,33.00	—	**1923,45.77**
			(e) 211,51.66	—	
			(f) 2,28.72	—	
Total Revenue Reserves	1665,09.11	(110,22.40)	381,13.38	—	**1936,00.09**
PROFIT AND LOSS ACCOUNT BALANCE	494,35.60	(89,23.32)	(a) 653,70.29	(c) (405,12.28)	**653,70.29**
TOTAL	**2381,48.42**	**(68,66.67)**	**1034,83.67**	**(406,02.36)**	**2941,63.06**
Less : Minority Interests in reserves and surplus					**(17,09.14)**
TOTAL RESERVES - 31st December, 2001					**2924,53.92**

(a) Transfer from profit and loss account
(b) Reserves (net of adjustments) represents amounts taken over on acquisition of Shares in International Bestfoods Limited and Rossell Industries Limited
(c) Transfer to profit and loss account
(d) Not available for capitalisation/declaration of dividend/share valuation
(e) Deferred Tax adjustment on initial adoption
(f) Adjustments on consolidation (net)

		2001 Rs. lakhs
3. SECURED LOANS		
Bank Overdrafts		
– secured by hypothecation of stocks, book debts, etc.		41,34.41
	A	**41,34.41**
Other Loans and Advances		
– Secured by a first charge on certain movable and immovable fixed assets and second charge on current assets		18,11.20
– Secured by charges on certain assets		23.10
	B	**18,34.30**
	Total (A+B)	**59,68.71**
4. UNSECURED LOANS		
Overdrawn bank balances		1,64.49
Other loans and advances		
– from others		41,21.34
(repayable before 31st December, 2002 - Rs. 3,48.65 lakhs)		
		42,85.83

Schedules to Balance Sheet

5. FIXED ASSETS

Rs. lakhs

	GROSS BLOCK					DEPRECIATION					NET BLOCK
	Cost/ Valuation at 31st December, 2000	Cost taken over consequent to acquisition (c)	Additions	Deductions/ Transfers	**Cost/ Valuation at 31st December, 2001**	As at 31st December, 2000	Depreciation taken over consequent to acquisition (c)	Additions	Deductions/ Transfers	**As at 31st December, 2001**	**As at 31st December, 2001**
Goodwill on consolidation	89,69.52 (d)	—	75,88.77	—	**165,58.29**	—	—	50,25.18	—	**50,25.18**	**115,33.11**
Land - Freehold	52,88.58	96.15	4,18.49	(65.91)	**57,37.31**	—	—	—	—	**—**	**57,37.31**
- Leasehold	25,96.58	43,87.93	84.63	(14.62)	**70,54.52**	1,70.36	0.74	23.98	(2.69)	**1,92.39**	**68,62.13**
Buildings	396,58.96	41,83.81	83,60.50	(13,44.48)	**508,58.79**	70,91.94	13,94.78	11,90.24	(4,31.38)	**92,45.58**	**416,13.21**
Railway sidings	1.35	—	—	—	**1.35**	1.34	—	0.01	—	**1.35**	**—**
Plant & machinery	920,99.30	25,83.98	194,29.66	(64,96.63)	**1076,16.31**	373,38.98	11,25.04	74,78.82	(26,34.08)	**433,08.76**	**643,07.55**
Furniture, fittings & office equipment	192,14.86	5,24.64	29,55.38	(15,25.21)	**211,69.67**	89,78.56	2,33.09	24,22.50	(11,10.94)	**105,23.21**	**106,46.46**
Trademarks	132,24.08	31,05.79	—	(1,50.00)	**161,79.87**	84,54.66	18,64.47	37,35.70	(1,12.50)	**139,42.33**	**22,37.54**
Motor vehicles	48,36.02	4,76.16	5,39.91	(4,27.92)	**54,24.17**	11,31.63	2,60.43	4,76.78	(1,38.78)	**17,30.06**	**36,94.11**
Total - 2001	**1858,89.25**	**153,58.46**	**393,77.34**	**(100,24.77)**	**2306,00.28**	**631,67.47**	**48,78.55**	**203,53.21**	**(44,30.37)**	**839,68.86**	**1466,31.42**

NOTE :

a) Capital expenditure commitments - Rs.58,62.66 lakhs.

b) The title deeds of immovable properties aggregating Rs.30,95.76 lakhs, acquired on transfer of businesses/undertakings are in the process of being transferred in the name of the respective Companies.

c) Taken over, pursuant to acquisition of shares in International Bestfoods Limited and Rossell Industries Limited.

d) Unamortised balance of Goodwill on consolidation as on 31st December, 2000.

Schedules to Balance Sheet

			2001 Rs. lakhs
6. INVESTMENTS (Long term, Unquoted, unless otherwise stated)			
A. INVESTMENTS IN GOVERNMENT SECURITIES			
		7 Year National Savings Certificates - II Issue	2.00
		6 Year National Savings Certificates - VIII Issue	0.01
		12 Year Post Office National Defence Certificates	0.12
		Government of India stock of the face value of Rs. 468,28.00 lakhs (current investments) (quoted)	537,30.69
		Government of India stock of the face value of Rs. 3.25 lakhs (quoted)	3.24
		Treasury Bills of the face value of Rs. 15,00.00 lakhs (current investments)	13,80.02
		Indira Vikas Patra	1.02
		TOTAL - A	**551,17.10**
B. TRADE INVESTMENTS AT COST SHARES			
Hind Lever Chemicals Limited	68,92,800	Equity shares of Rs.10 each fully paid (quoted)	52,41.85
Dugdha Sahakari Kraya-Vikraya Samiti Limited	50	Shares of Rs.100 each fully paid	0.05
Hi Tech Surfactants Limited	58,400	Equity shares of Rs.10 each fully paid	5.87
Aquagel Chemicals Limited	37,040	Equity shares of Rs.100 each fully paid	18.56
Super Bazar Co-op. Stores Ltd.	1,000	Equity shares of Rs.10 each fully paid	0.10
Vashisti Detergents Ltd.	1,69,04,140	Equity shares of Rs.10 each fully paid (quoted)	29,40.00
Kimberly Clark Lever Ltd.	3,62,50,000	Equity shares of Rs.10 each fully paid	36,25.00
Snowman Frozen Foods Ltd.	38,32,000	Equity shares of Rs.10 each fully paid	5,01.71
Coffee Futures India Exchange Ltd.	1	Equity share of Rs.10,000 each fully paid	0.10
Lever Gist Brocades Limited	1,50,00,000	Equity shares of Rs.10 each fully paid	15,00.00
Quest International India Limited (formerly Lakme Lever Limited)*	14,11,200	Equity shares of Rs. 100 each fully paid	68,02.41
Goldfield Fragrances Ltd.	24,000	Equity shares of Rs.10 each fully paid	2.40
Lever Johnson (Consumer Products) Private Limited	2,75,00,000	Equity shares of Rs. 10 each fully paid	55,00.00
ABC Tea Workers Welfare Services	13,926	Equity shares of Rs.10 each fully paid	1.39
Project India Blend Limited	1,00,000	Equity shares of Rs.10 each fully paid	10.00
*Reclassified from Investment in subsidiary companies subsequent to reduction in stake in the Company during the year			
		TOTAL - B	**261,49.44**
C. NON-TRADE INVESTMENTS AT COST SHARES, DEBENTURES & BONDS			
ICICI Limited	2,95,963	Equity shares of Rs.10 each fully paid (quoted)	1,66.04
	20,000	9.50% Unsecured Non Marketable Regular Income Bonds in the nature of Debentures of face value Rs.1,00,000 each (Current Investments)	200,00.00
	1	8.50% Non-transferable deposit receipt of Face value of Rs. 60,00 lakhs (Current Investments)	60,00.00
	205	Bonds of Rs.10,000 each	4.03
Mahanagar Telephone Nigam Limited	500	11.75% 14th A Series Taxable Government guaranteed Bonds of Rs. 1,00,000 each (Current Investments)	5,00.37
Indian Telephone Industries Limited	750	13.25% E Series Taxable Government guaranteed Bonds of Rs. 1,00,000 each (Current Investments)	7,50.07
Indian Railway Finance Corporation	70,000	9.00% Sixth E Series Tax Free Bonds of Rs. 1,000 each (Current Investments)	7,00.05
	20,000	9.00% Sixth E Series Tax Free Bonds of Rs. 1,000 each (Current Investments)	2,00.02
	50,000	9.00% Sixth C Series Tax Free Bonds of Rs. 1,000 each (Current Investments)	5,00.05
	1,00,000	10.50% Ninth M Series Tax Free Bonds of Rs. 1,000 each (Current Investments)	10,00.10

Schedules to Balance Sheet

6. INVESTMENTS (*Contd.*)
(Long term, Unquoted, unless otherwise stated)

			2001 Rs. lakhs
	3,00,000	10.50% Twelfth A Series Tax Free Secured Redeemable Non Convertible Bonds of Rs. 1,000 each (Current Investments)	30,00.00
SBI Home Finance Limited	1,44,200	Equity shares of Rs.10 each fully paid (quoted)	14.42
Ranbaxy Laboratories Limited	200	Equity shares of Rs.10 each fully paid (quoted)	0.60
Sterling Holiday Resorts	—	Sterling Holiday Resorts Time Shares	0.67
Maharashtra Krishna Valley Development Corporation	50	17.50% Secured Bonds of the face value of Rs. 1,00,000 each (Listed but not quoted)	50.00
Comfund Financial Services India Limited	2,40,000	Equity shares of Rs.10 each fully paid	24.00
Assam Bengal Cereals Limited	8,284	Equity shares of Rs.10 each fully paid	0.83
The Bengal Chamber of Commerce & Industry	14	6 1/2% Non-redeemable Registered Debentures. (Face value Rs. 0.14 lakh)	0.17
Woodlands Hospital and Medical Research Centre Limited	1	5% Non-redeemable Registered Debenture stock (Face value Rs. 0.27 lakh)	0.27
	44	1/2% Debentures of Rs 100 each (Face value Rs. 0.05 lakh : Cost Rs. 100).	
Shillong Club Limited	56	5% Debentures of Rs.100 each (Cost Rs. Nil)	—
	1	5% Registered Debentures of Rs.10,200 fully paid	—
East India Clinic Limited	1	5% Registered Debentures of Rs.17,750 fully paid	—
The Nilgiri Co-operative Enterprises Ltd.	200	Shares of Rs. 100 each fully paid	0.20
Biotech Consortium India Limited	1,00,000	Equity shares of Rs. 10 each fully paid	10.00
Scooters India Limited	10,000	Equity shares of Rs. 10 each fully paid (listed but not quoted)	1.00
Annamallais Ropeway Company Ltd.	1,150	Ordinary shares of Rs. 100 each fully paid (Cost Rs. Nil)	—
Saraswat Cooperative Bank Limited	2,005	Equity shares of Rs. 10 each fully paid (1000 shares acquired pursuant to merger of International Bestfoods Limited)	0.20
OTHERS			
Unit Trust of India	1,120	Fully paid units of Venture Capital Unit Scheme, 1990 (VECAUS - II) of Rs. 100 each	1.12
	5,00,00,000	Units of Rs.10 each under the Institutional Investor's Special Fund Units Scheme (IISFUS), 1997	50,00.00
	4,02,77,895	Units of Rs.10 each under the Monthly Income Plan, 1997	40,27.79
	40,590	Units of Rs.10 each under the Unit Scheme - 64 (Acquired pursuant to merger of International Bestfoods Limited) (current investment)	2.44
	5,000	Master Gain 92 units of Rs. 10 each	0.50
National Bank for Agriculture and Rural Development	1,06,705	8.50% Capital Gains Bonds of Rs. 10,000/- each	106,70.50
Prudential ICICI Mutual Fund	87,84,096	Units of Prudential ICICI Gilt Fund - Treasury Plan - Growth	9,50.00
DSP Merrill Lynch Mutual Fund	95,01,549	Units of DSP Merrill Lynch Govt Securities Fund - Plan B-Growth	10,00.00
Prudential ICICI Mutual Fund	2,43,99,873	Units of Prudential ICICI Gilt Fund - Treasury Plan - Dividend (Current Investments)	25,00.00
Prudential ICICI Mutual Fund	2,94,01,479	Units of Prudential ICICI Income Plan - Dividend (Current Investments)	30,00.00
Standard Chartered Mutual Fund (Quarterly)	2,42,95,432	Units of Grindlays Super Saver Income Fund - Dividend (Current Investments)	25,00.00
Zurich India Mutual Fund	2,85,71,429	Units of Zurich India High Interest Fund - Regular Dividend (Current Investments)	30,00.00
Jardine Fleming Mutual Fund	93,72,071	Units of Jardine Fleming India Bond Fund - Income Plan - Dividend (Current Investments)	9,86.88
HDFC Mutual Fund	1,97,82,004	Units of HDFC Income Fund - Dividend (Current Investments)	20,00.00

Schedules to Balance Sheet

6. INVESTMENTS (*Contd.*)
(Long term, Unquoted, unless otherwise stated)

			2001 Rs. lakhs
HDFC Mutual Fund	2,04,13,597	Units of HDFC Liquid Fund - Dividend Plan (Current Investments)	20,45.18
Franklin Templeton Fund	4,13,79,546	Units of Templeton India Liquid Fund - Dividend Plan (Current Investments)	41,38.78
Alliance Capital Mutual Fund	1,00,152	Units of Alliance Cash Manager - Dividend (Current Investments)	10,02.52
Zurich India Mutual Fund	1,85,72,849	Units of Zurich India Liquidity Fund - Investment - Dividend (Current Investments)	20,04.32
Standard Chartered Mutual Fund	1,53,18,307	Units of Grindlays Cash Fund - Dividend (Current Investments)	15,31.83
Prudential ICICI Mutual Fund	3,45,33,313	Units of Prudential ICICI Liquid Plan - Dividend (Current Investments)	40,83.11
		TOTAL - C	**833,68.06**
		TOTAL - (A+B+C)	**1646,34.60**
		Provision for diminution in value of long-term investments	**(61,51.00)**
		TOTAL	**1584,83.60**
Aggregate book value of investments		Unquoted	963,35.76
		Listed but not quoted	51.00
		Quoted - Market Value Rs. 663,42.63 lakhs	620,96.84
		TOTAL	**1584,83.60**

7. INVENTORIES
(at lower of cost and net realisable value)

Stores and spare parts, etc.	33,24.54
Raw materials	524,74.01
Packing materials	66,88.43
Work-in-progress	50,05.84
Processed chemicals	10,87.20
Finished goods	610,06.20
Property Development Activity - Work-in-progress (Refer 15 of Notes to Profit and Loss Account)	7,21.58
Land Development rights	1,05.44
	1304,13.24

8. SUNDRY DEBTORS (unsecured)

Considered good		
Over 6 months old	7,93.51	
Others	460,77.11	
		468,70.62
Considered doubtful		
Over 6 months old	42,57.88	
Others	12,05.10	
		54,62.98
		523,33.60
Less : Provision for doubtful debts		(54,62.98)
		468,70.62

9. CASH AND BANK BALANCES

Cash on hand		2,34.30
With Scheduled banks	- on current accounts	244,51.36
	- on deposit accounts	692,21.04
Balance with other banks		4,18.27
		943,24.97

Schedules to Balance Sheet

			2001 Rs. lakhs
10.	**OTHER CURRENT ASSETS**		
	Income accrued on investments		41,47.85
	Fixed assets held for sale (at net book value or estimated net realisable value, whichever is lower)		4,86.33
			46,34.18
11.	**LOANS AND ADVANCES**		
	(Unsecured, considered good unless otherwise stated)		
	Advances recoverable in cash or in kind or for value to be received [including :	689,10.74	
	(i) Rs. 18,210.17 lakhs not due before 31st December, 2002;		
	(ii) Rs. 14,000.00 lakhs on account of inter corporate deposits		
	Considered doubtful	58,94.74	
		748,05.48	
	Less : Provision for doubtful advances	(58,94.74)	
			689,10.74
	Deposits with Customs, Port Trust, Excise, etc.		45,79.50
	Current taxation (payments in excess of provisions)		4,42.53
			739,32.77
12.	**LIABILITIES**		
	Acceptances		207,92.16
	Sundry creditors (See Schedule 18)		
	Small Scale Industrial Undertakings	61,51.20	
	Others	2191,71.75	
			2253,22.95
	Advances and progress payments - Property Development Activity		7,21.76
	Security advances		30,67.24
	Dividends declared pending payment/encashment		29,59.50
	Interim dividend payable to shareholders of the erstwhile International Bestfoods Limited		16.22
	Interest accrued but not due on loans		2,66.40
			2531,46.23
13.	**PROVISIONS**		
	Current taxation (provisions in excess of payments) including tax on distributed profits		55,72.31
	Provision for retirement/post retirement benefits and other employee benefits		371,79.75
	Proposed dividend		550,94.39
	Other provisions		137,73.31
			1116,19.76
14.	**DEFERRED TAX ASSETS**		
	On employee separation and retirement		146,79.97
	On other timing differences		117,09.24
	On fiscal allowances on investments		1,28.52
	Other items		97,21.11
			362,38.84
15.	**DEFERRED TAX LIABILITIES**		
	On fiscal allowances on fixed assets		106,48.38
			106,48.38

16. Pursuant to the order passed by the Hon'ble High Court of Bombay dated 16th June, 1997, the erstwhile Pond's (India) Limited had, on 21st July, 1997 allotted 9,31,000 shares on preferential basis to M/s. Unilever Overseas Holdings BV at a price of Rs. 620/- per share and an amount of Rs.610/- per share was credited to the Share premium account in respect of these shares. These shares and the share premium thereon are subject to the conditions imposed by the Hon'ble High Court of Karnataka in its interim order dated 6th April, 1994 [Writ Petition No. 3863 of 1994] and are subject to the final orders that may be passed by the court on the writ petition. Likewise 9,31,000 bonus shares relating to the preferential allotment made to M/s. Unilever Overseas Holdings BV, are subject to the same terms and conditions applicable to the preferential allotment. In respect of the above, 1,39,65,000 shares of Re. 1 each fully paid up of Hindustan Lever Limited have been issued.

17.	**CONTINGENT LIABILITIES**	**Rs. lakhs**
(i)	Claims made against Companies not acknowledged as debts and other matters - gross Rs. 446,85.46 lakhs	345,35.39
(ii)	Bills discounted but not matured	90,91.25
(iii)	Guarantees given to banks, etc. in respect of third parties	63,28.76

18. The companies do not owe to any party a sum exceeding Rs.1 lakh which is outstanding for more than 30 days at the Balance Sheet date. The above information and that given in Schedule 12 - "Liabilities" regarding small scale industrial undertakings has been determined to the extent such parties have been identified on the basis of information available with the respective Companies. This has been relied upon by the auditors.

19. Since the consolidated accounts have been prepared for the first time, the comparable figures for the previous year have not been presented (Refer Note 17 to Profit and Loss Account).

Statements forming part of the Profit and Loss Account

		2001 Tonnes
1.	**Production**	
	Processed triglycerides/hydrogenated oils/vanaspati	68,516**
	Soaps	3,28,339**
	Synthetic detergents	6,35,529**
	Personal Products ('000 nos.)	136,10,15
	Glycerine : Refined	7,694
	Fine chemicals	1,504
	Silica	119
	Plant growth nutrient	230
	Catalyst	804
	Carpets, druggets and other floor coverings (pieces)	41,146
	Packed Tea	1,08,694**
	Garden Tea	28,531
	Instant Tea	84
	Packed Coffee	12,597**
	Footwear, shoe uppers and other components (pairs)	21,83,220
	Functionalised biopolymers	10,547
	Processed Foods	17,703
	Canned and Processed Fruits and Vegetables	25,519**
	Frozen Desserts (Million Ltrs.)	10**
	Bread, Buns & Cakes (Lakhs - Standard Loaves of 400 grams)	1,442**
	Margarine	9,270
	Supplementary Nutritional Food	69,365
	Biscuits	292**
	Fruit Juice & Soft Drinks (Crates of 4.8 Ltrs)	4,133

** Includes :

(a) Third party processing : Processed triglycerides/hydrogenated oils/vanaspati - 7,032 tonnes, Soaps - 36,505 tonnes, Synthetic detergents - 2,48,748 tonnes, Packed Tea - 20,957 tonnes, Packed Coffee - 4,678 tonnes, Canned and Processed Fruits and Vegetables - 8,160 tonnes , Frozen Desserts - 1.6 million litres, Bread, Buns & Cakes - 23 tonnes, Biscuits - 292 tonnes.

(b) Processing in leased units: Soaps - 2,835 tonnes, Processed triglycerides/hydrogenated oils/ vanaspati - 35,474 tonnes.

		Tonnes	Rs. Lakhs
2.	**Sales (including exports)**		
	Soaps	3,84,678 266 *	2099,70.45
	Synthetic detergents	9,01,073 678 *	1988,12.40
	Personal Products ('000 nos.)	509,08,49 144 *	2466,53.59
	Garden Tea	2,754 20,461 *	14,56.41
	Tea	1,23,486	1617,96.94
	Coffee	26,772	296,91.05
	Frozen Desserts & Ice Creams (Million Ltrs)	24	166,13.65
	Processed triglycerides/hydrogenated oils/vanaspati	1,61,351 692 *	679,84.67
	Canned and Processed Fruits and Vegetables	29,756	145,74.33
	Branded Staple Foods (a)	3,74,409 891 *	243,14.14
	Speciality Chemicals (b),(d)	17,228 9,455 *	140,37.71
	Bread, Buns, Cakes & Rusk (Lakhs - Standard Loaves of 400 gms)	2,208	137,06.94
	Supplementary Nutritional Food	68,176	84,68.12
	Others (c)		1473,44.70
			11554,25.10

Notes :

(a) Branded staple foods includes wheat flour, iodised salt and rice in consumer packs.

(b) Speciality Chemicals comprises Glycerine, Fine Chemicals, Mixtures of Odoriferous substances, Silica, Catalyst, Fluid cracking catalyst, Functionalised biopolymers, Zeolite, Prepared glues and adhesives, Perfumery compounds, Flavouring essences and Oleo chemicals.

(c) Others includes Scourers, Seeds, Marine products, Dairy products, Agri commodities, Leather, Footwear, Garments, Carpets, Mushroom and Thermometers, etc.

(d) Excludes stocks transferred on sale of Nickel Catalyst, Adhesives and Quest businesses : Speciality Chemicals 537.40 tonnes; Rs. 5,52.96 lakhs.

* Figures denote quantities used for captive consumption/reprocessing/sales promotion.

Statements forming part of the Profit and Loss Account

		2001 Tonnes	2001 Rs. lakhs
3.	**Closing stocks (including processed chemicals)**		
	Processed triglycerides/hydrogenated oils/vanaspati	11,861	44,15.22
	Soaps	29,024	123,27.92
	Synthetic detergents	45,860	107,66.66
	Personal Products ('000 nos.)	84,61,13	186,01.58
	Glycerine : Refined	152	83.11
	Fine Chemicals	214	7,19.66
	Plant growth nutrient	37	28.00
	Catalyst	23	40.93
	Tea	6,923	47,13.05
	Coffee	782	5,67.28
	Carpets (pieces)	3,954	1,10.98
	Footwear (pairs)	43,929	2,60.91
	Functionalised biopolymers	594	1,58.77
	Others		92,99.33
			620,93.40
4.	**Raw materials consumed @**		
	Oils, fats and resins	2,57,114	529,08.05
	Chemicals and perfumes	7,92,330	1140,39.58
	Tea and Green Leaf *	2,20,675	755,06.30
	Coffee	14,895	106,95.73
	Others		827,08.77
			3358,58.43

* Includes Green Leaf plucked/purchased and consumed.
@ Relates to the companies' main products and principal raw materials.

		Rs. lakhs
5.	**Value of imports on CIF basis** (excluding purchases from canalising agencies and imported items purchased locally)	
	Raw and packing materials	536,51.25
	Spare parts and components	5,83.52
	Capital goods	4,35.10
		546,69.87

		Tonnes	Rs. lakhs
6.	**Purchase of goods**		
	Soaps	54,871	224,08.64
	Synthetic detergents	2,58,897	390,41.34
	Personal Products ('000 nos.)	402,12,13	710,45.06
	Marine products	15,003	325,99.03
	Ice-creams (Million Ltrs)	14	68,75.90
	Others (agri commodities, scourers, edible oils and fats, etc.)		821,58.87
			2541,28.84

		Rs. lakhs
7.	**Earnings in foreign exchange**	
	Exports at FOB (including exports to Nepal and Bhutan)	1788,52.47
	Royalty	54.14
	Others (income from services, freight, insurance, claims, etc.)	116,88.57
		1905,95.18
8.	**Expenditure in foreign currency** (on payment basis) (subject to deduction of tax where applicable)	
	Consultancy	4,64.64
	Royalty	53,78.48
	Other matters :	
	(a) Imports of goods for resale	41,38.98
	(b) Others	81,10.30
		180,92.40
9.	**Directors' remuneration**	
	Salaries	1,98.23
	Performance Linked Bonus/Commission to Wholetime Directors	3,31.69
	Commission to Non-Wholetime Directors	20.00
	Contribution to provident fund	54.31
	Other perquisites	37.96
	Directors' fees	1.35
		6,43.54

Note : Provisions for/contribution to employee retirement/post retirement and other employee benefits which are based on actuarial valuations done on an overall company basis are excluded above.

10. Since the consolidated accounts have been prepared for the first time, the comparable figures for the previous year have not been presented. (Refer Note 17 of Profit and Loss Account).

Cash Flow Statement for the year ended 31st December, 2001

			2001 Rs. lakhs
A.	**Cash Flow from Operating Activities :**		
	Profit before taxation and exceptional items		1896,01.73
	Adjustments for :		
	Depreciation/Amortisation	202,63.13	
	Foreign Exchange	2.94	
	Gain on sale of fixed assets held for disposal	(29.10)	
	Surplus on disposal of investments (net)	(67,96.01)	
	Provision for diminution in value of investments and excess of cost over fair value of current investments (net)	14,48.71	
	Deficit on disposal of fixed assets (net)	8,50.12	
	Interest income	(195,24.61)	
	Dividend income	(45,11.29)	
	Interest expenditure	12,31.37	
			(70,64.74)
	Operating Profit before Working Capital Changes		1825,36.99
	Adjustments for :		
	Trade and Other Receivables	(128,74.25)	
	Inventories	(38,12.79)	
	Trade Payables and Other Liabilities	183,30.42	
			16,43.38
	Cash generated from operations		1841,80.37
	Income Taxes paid (net of refunds)		(470,74.33)
	Cash flow before exceptional items		1371,06.04
	Payment made in respect of discontinuance of Thermometer operations included in exceptional items		(3,41.69)
	Net Cash from Operating Activities - A		**1367,64.35**
B.	**Cash Flow from Investing Activities :**		
	Purchase of fixed assets	(287,05.01)	
	Sale of fixed assets	34,21.77	
	Purchase of investments	(3287,40.31)	
	Sale of investments	3387,26.49	
	Sale/Transfer of Animal Feeds Trademark - exceptional item	23,34.49	
	Consideration received on sale of Business (Note 3 and 4 below) (net of cash and cash equivalent transferred)	112,00.00	
	Interest received	213,69.38	
	Dividend received	44,52.43	
	Net Cash from in Investing Activities - B		**240,59.24**
C.	**Cash Flow from Financing Activities :**		
	Dividends paid	(990,69.54)	
	Tax on distributed profits	(102,03.36)	
	Interest paid	(7,67.14)	
	Bank overdrafts (net)	(31,30.79)	
	Proceeds from borrowings	3,06.41	
	Repayments of borrowings	(132,59.37)	
	Net Cash used in Financing Activities - C		**(1261,23.79)**
	Net Increase in Cash and Cash equivalents (A+B+C)		**346,99.80**
	Cash and Cash equivalents as at 1st January (Opening Balance)		**590,92.38**
	Cash and Cash equivalents of the erstwhile International Bestfoods Limited and Rossell Industries Limited acquired (Note 2 below)		5,28.94
	Cash and Cash equivalents as at 31st December (Closing Balance)		**943,21.12**

See notes attached (page 45)

Notes to the Cash Flow Statement for the year ended 31st December, 2001

		2001 Rs. lakhs
1.	Cash and cash equivalents include :	
	Cash and bank balances	943,24.97
	Unrealised gain on foreign currency cash and cash equivalents	(3.85)
	Total cash and cash equivalents	943,21.12

2. Investments were made to acquire subsidiaries viz., erstwhile International Bestfoods Limited (since merged with Hindustan Lever Limited) and Rossell Industries Limited for an aggregate purchase consideration in cash of Rs. 159,47.20 lakhs.

3.	Details of purchase consideration on transfer of businesses, considered under exceptional items to ICI Limited (ICI) :	
	Receivable from ICI for transfer of undertakings relating to the Nickel Catalyst and Adhesives businesses (including Rs. 671.31 lakhs towards net current assets)	26,91.31
	Cash and cash equivalent received as at 31st December, 2001 from ICI	9,00.00
	Balance Receivable	17,91.31
4.	Consideration received on sale of Quest Flavours and Fragrances Businesses (including Rs. 23,15.79 lakhs towards net current assets) included in exceptional items	103,00.00

5. The cash flow statement has been prepared in accordance with the requirements of Accounting Standard-3 - "Cash Flow Statement" and Accounting Standard-21 - "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India. As this is the first year of adoption of AS 21, the figures of the previous year have not been given.

Segment Information for the Year Ended 31st December, 2001
Information About Primary Business Segments

Rs. lakhs

	Soaps and Detergents	Personal Products	Beverages	Foods	Ice Creams	Exports	Other operations	Eliminations	Consolidated
REVENUE									
External Revenue	4295,43.36	2407,83.63	1418,81.72	1045,83.81	171,60.68	1844,74.46	428,12.72		
Intersegment Revenue							371,47.86	(371,47.86)	
Total Revenue (see Note 3 below)	4295,43.36	2407,83.63	1418,81.72	1045,83.81	171,60.68	1844,74.46	799,60.58	(371,47.86)	**11612,40.38**
RESULT									
Segment result	978,62.56	706,25.98	173,68.85	(23,61.51)	(21,49.73)	111,34.84	22,58.36	8,60.69	1956,00.04
Un-allocated expenditure net of un-allocated income									(341,50.14)
Operating Profit									**1614,49.90**
Interest expenses									
Interest/dividend income and surplus on disposal of investments									(12,31.37)
(net) (net of provision for diminution in long term investments and mark down of current investments)									293,83.20
Taxation for the year									(420,21.59)
Profit after taxation and before exceptional items									**1475,80.14**
Exceptional items - income and expenditure (Segment)				(19,24.75)	(43,04.23)		126,00.14		63,71.16
Exceptional items - income and expenditure (Unallocated/Corporate)									(40,31.77)
- Tax credit									77,34.24
Taxation adjustments of previous years (net)									(6.23)
Net Profit									**1576,47.54**
OTHER INFORMATION									
Segment assets	1167,48.61	428,75.89	396,43.60	269,58.12	127,26.60	507,24.62	369,82.42	8,60.69	3275,20.55
Unallocated corporate assets									3752,34.28
Total assets									**7027,54.83**
Segment Liabilities	(1101,38.65)	(464,32.40)	(435,45.84)	(220,46.14)	(76,98.91)	(232,19.69)	(111,54.12)		(2642,35.75)
Unallocated corporate liabilities									(1214,33.16)
Total liabilities									**(3856,68.91)**
Capital expenditure	183,00.86	26,87.68	14,64.29	6,18.81	67.28	15,67.87	11,47.46		
Depreciation/Amortisation	37,93.86	34,40.82	7,32.93	12,56.35	11,65.77	10,12.16	11,18.20		
Non-cash expenses other than depreciation/amortisation	9,71.42	6,35.56	5,78.92	1,07.98	41.14	56.56	(1,46.32)		

Segment Information for the Year Ended 31st December, 2001
Information about Secondary Business Segments

Revenue by Geographical Market

	Rs. lakhs
India	9767,81.17
Outside India	1844,59.21
Total	**11612,40.38**

	Carrying Amount of Segment Assets	Additions to Fixed Assets and Intangible Assets
India	3216,88.46	257,74.25
Outside India	58,32.09	80.00
Total	**3275,20.55**	**258,54.25**

Notes :

1. Business Segments

The business segment has been considered as the primary segment for disclosure. The products included in each of the reported domestic business segements are as follows :

- **Soaps and Detergents** include soaps, detergent bars, detergent powders, detergent liquids, scourers, etc.
- **Personal Products** include products in the categories of Oral Care, Skin Care (excluding soaps), Hair Care, Deodorants, Talcum Powder, Colour Cosmetics, etc.
- **Beverages** include tea and coffee.
- **Foods** include Oils and Fats, Branded Staples (Atta, Salt, etc.), Culinary Products (tomato based products, fruit based products, soups, etc.), Wheat based products (Bread, Supplementary Nutritional Products etc.).
- **Ice Creams** include Ice Creams and Frozen Desserts.
- **Others** include Plantations, Chemicals, Agri seeds, Property Development, etc. and the operations of Nepal Lever Limited, Nepal.

Segment Revenue relating to each of the above domestic business segments includes Income from Services provided, where applicable.

In addition, the **Exports** business segment includes sales of Marine Products, Leather Products, Castor, Mushrooms etc. as well as sales of Soaps and Detergents, Personal Products, Beverage and Foods etc. by the Exports Division.

The above business segments have been identified considering :
a) the nature of products and services
b) the differing risks and returns
c) the organisation structure, and
d) the internal financial reporting systems.

2. Geographical Segments

The geographical segments considered for disclosure are as follows:
- **Sales within India** includes sales to customers located within India.
- **Sales outside India** includes sales to customers located outside India.

3. Revenue comprise

	Rs. lakhs
Sales	11554,25.10
Proceeds realised towards land and development rights	3,96.42
Income from services rendered (included in Other Income)	54,18.86
	11612,40.38

Auditors' Report

Report of the auditors to the Board of Directors of Hindustan Lever Limited.

We have audited the attached consolidated balance sheet of Hindustan Lever Limited and its subsidiaries as at 31 December, 2001, and also the related profit and loss account and the cash flow statement for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Nepal Lever Limited, Ponds Exports Limited and Paras Extra Growth Seeds Limited, subsidiaries, for the year ended 31 December 2001. These statements were audited by other auditors whose reports have been furnished to us, and our opinion, so far as it relates to these companies is based solely on the reports of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

We report that the consolidated financial statements have been prepared by the company in accordance with the requirements of Accounting Standard - 21 'Consolidated Financial Statement' issued by the Institute of Chartered Accountants of India, on the basis of the individual financial statements of Hindustan Lever Limited and its subsidiary companies included in the aforesaid consolidation.

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to above give a true and fair view of the financial position of Hindustan Lever Limited and its subsidiaries as at 31 December 2001 and of the results of their operations and their cash flows for the year then ended in conformity with generally accepted accounting principles in India.

For A.F. FERGUSON & CO.
Chartered Accountants

A.K. Mahindra
(Partner)

Mumbai : 22nd January, 2002

For LOVELOCK & LEWES
Chartered Accountants

Thomas Mathew
(Partner)

Statement Pursuant to Section 212 of the Companies Act, 1956

Name of the Subsidiary Company	Financial Year Ending of the Subsidiary	Number of Shares Held	Extent of Holding	For Financial Year of the Subsidiary		For the Previous Financial Years since it became a subsidiary	
				Profits/(losses) so far it concerns the members of the Holding Company and not dealt with in the books of Account of the Holding Company (Except to the extent dealt with in Col. 6)	Profits/(losses) so far it concerns the members of the Holding Company and dealt with in the books of Account of the Holding Company	Profits/(losses) so far it concerns the members of the Holding Company and not dealt with in the books of Account of the Holding Company (Except to the extent dealt with in Col. 8)	Profits/(losses) so far it concerns the members of the Holding Company and dealt with in the books of Account of the Holding Company
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
				Rs. lakhs	Rs. lakhs	Rs. lakhs	Rs. lakhs
Lipton India Exports Limited	31.12.2001	4,80,000	100.00%	4,11.42	—	248,20.12	136,80.00
Indexport Limited	31.12.2001	25,10,000	100.00%	5,68.46	—	102,46.04	60,86.75
Bon Limited	31.12.2001	10,003	100.00%	7.64	—	51.87	—
Nepal Lever Limited - (Nepalese Rs.)	15.07.2001 (Ashaad 31, 2058)	7,36,560	80.00%	5,44.35	3,67.55	26,72.59	4,41.93
- (Indian Rs.)				3,40.22	2,29.72	16,70.37	2,76.04
Lever India Exports Limited	31.12.2001	30,000	100.00%	21,63.39	15,90.00	111,49.59	86,61.00
Merryweather Food Products Limited	31.12.2001	8,46,000	100.00%	16.52	—	(3,88.78)	—
International Fisheries Limited	31.12.2001	2,96,240	99.98%	7.87	—	(5,24.15)	—
KICM (Madras) Limited	31.12.2001	5,840	100.00%	1,36.93	—	2,84.91	—
Modern Food Industries (India) Limited	31.12.2001	1,09,187	74.00%	(27,44.21)	—	(11,87.56)	
Paras Extra Growth Seeds Limited	31.12.2001	1,19,900	99.92%	10.88	—	4.96	
Daverashola Tea Company Limited	31.12.2001	12,000	100.00%	2.29	—	11.63	—
Pond's Exports Limited	31.12.2001	2,00,003	100.00%	(2.14)	—	4.95	—
Thiashola Tea Company Limited	31.12.2001	35,000	100.00%	0.97	—	5.27	—
The Doolia Tea Company Limited	31.12.2001	1,500	100.00%	0.06	—	0.47	—
Rossell Industries Limited	31.12.2001	60,02,708	59.32%	4,78.30	—	—	—

Changes in Company's interest in Nepal Lever Limited between 16th July, 2001 to 31st December, 2001 : **NIL**
Material Changes between 16th July, 2001 and 31st December, 2001 in respect of the fixed assets of, investments of, moneys lent and moneys borrowed (other than meeting current liabilities) by Nepal Lever Ltd : **NIL**

Note : Hindustan Lever Limited held the whole of the paid-up capital of Levers Associated Trust Limited, Levindra Trust Limited and Hindlever Trust Limited which were non-profit making organisations.

M. S. Banga — *Chairman*
M. K. Sharma — *Vice Chairman*
D. Sundaram — *Finance Director*
D. N. Mehta — *Group Controller*
O. P. Agarwal — *Company Secretary*

Mumbai : 22nd January, 2002

Code of Business Principles

Standard of Conduct

Unilever Group of Companies in India conduct their operations with honesty, integrity and openness, and with respect for the human rights and interests of their employees.

We shall similarly respect the legitimate interests of those with whom we have relationships.

Obeying the Law

Unilever companies and employees are required to comply with the laws and regulations of the countries in which we operate.

Employees

We are committed to diversity in a working environment where there is mutual trust and respect and where everyone feels responsible for the performance and reputation of our company.

We will recruit, employ and promote employees on the sole basis of the qualifications and abilities needed for the work to be performed.

We are committed to safe and healthy working conditions for all employees. We will not use any form of forced, compulsory or child labour.

We are committed to working with employees to develop and enhance each individual's skills and capabilities.

We respect the dignity of the individual and the right of employees to freedom of association.

We will maintain good communications with employees through company based information and consultation procedures.

Consumers

We are committed to providing branded products and services which consistently offer value in terms of price and quality, and which are safe for their intended use. Products and services will be accurately and properly labelled, advertised and communicated.

Shareholders

We will conduct our operations in accordance with internationally accepted principles of good corporate governance. We will provide timely, regular and reliable information on our activities, structure, financial situation and performance to all shareholders.

Business Partners

We are committed to establishing mutually beneficial relations with our suppliers, customers and business partners.

In our business dealings we expect our partners to adhere to business principles consistent with our own.

Community Involvement

We strive to be a trusted corporate citizen and, as an integral part of society, to fulfill our responsibilities to the societies and communities in which we operate.

Public Activities

Unilever companies are encouraged to promote and defend their legitimate business interests.

We will co-operate with governments and other organisations, both directly and through bodies such as trade associations, in the development of proposed legislation and other regulations which may affect legitimate business interests.

Unilever companies neither support political parties nor contribute to the funds of groups whose activities are calculated to promote party interests.

The Environment

We are committed to making continuous improvements in the management of our environmental impact and to the longer-term goal of developing a sustainable business.

We will work in partnership with others to promote environmental care, increase understanding of environmental issues and disseminate good practice.

Innovation

In our scientific innovation to meet consumer needs we will respect the concerns of our consumers and of society. We will work on the basis of sound science, applying rigorous standards of product safety.

Competition

We believe in vigorous yet fair competition and support the development of appropriate competition laws. Unilever companies and employees will conduct their operations in accordance with the principles of fair competition and all applicable regulations.

Business Integrity

Unilever companies do not give or receive, whether directly or indirectly, bribes or other improper advantages for business or financial gain. No employee may offer, give or receive any gift or payment which is, or may be construed as being, a bribe. Any demand for, or offer of, a bribe must be rejected immediately and reported to management.

The companies' accounting records and supporting documents must accurately describe and reflect the nature of the underlying transactions. No undisclosed or unrecorded account, fund or asset will be established or maintained.

Conflicts of Interest

All Unilever employees are expected to avoid personal activities and financial interest which could conflict with their responsibilities to the company.

Unilever employees must not seek gain for themselves or others through misuse of their positions.

Compliance - Monitoring - Reporting

Compliance with these principles is an essential element in our business success. The Boards of Unilever Companies are responsible for ensuring these principles are communicated to, and understood and observed by, all employees.

Day-to-day responsibility is delegated to the senior management of the operating companies. They are responsible for implementing these principles, if necessary through more detailed guidance tailored to local needs.

Assurance of compliance is given and monitored each year. Compliance with the Code is subject to review by the Board supported by the Audit Committee of the Board and the Corporate Risk Committee.

Any breaches of the Code must be reported in accordance with the procedures specified. The Boards will not criticise management for any loss of business resulting from adherence to these principles and other mandatory policies and instructions.

The Board expects employees to bring to their attention, or to that of senior management, any breach or suspected breach of these principles.

Provision has been made for employees to be able to report in confidence and no employee will suffer as a consequence of doing so.

Clinic
BRU
Fair & Lovely
Superior Pepsodent
SUNSILK
RIN
Brooke Bond Red Label
Knorr
New Close up
Brooke Bond Taj Mahal
A1
LAKMÉ
Vim
Surf
Breeze
Wheel
LIFEBUOY
POND'S
Lipton Taaza
LUX
Dalda
Kwality Wall's
Kissan
modern
Pears
Brooke Bond 3 ROSES
NIHAR
Annapurna