DIRECTORS' REPORT
and Management Discussion and Analysis

To the Members,

Your Company's Directors are pleased to present the 81st Annual Report of the Company, along with Audited Accounts, for the financial year ended 31st March, 2014.

1. FINANCIAL PERFORMANCE (STANDALONE)

1.1. Results

(Rs. crores)

	For the year ended 31st March, 2014	For the year ended 31st March, 2013
Revenue from operations, net of excise	28,019.13	25,810.21
Profit before exceptional items and tax	4,799.71	4,349.48
Profit for the year	3,867.49	3,796.67
Dividend (including tax on distributed profits)*	(3,272.97)	(4,655.68)
Transfer to General Reserve	(386.75)	(379.67)
Profit & Loss Account balance carried forward	743.05	535.28

* In the year 2012-13, the Board of Directors declared a Special Dividend of Rs. 8.00 per Equity Share.

1.2. Category Wise Turnover

(Rs. crores)

	For the year ended 31st March, 2014		For the year ended 31st March, 2013	
	Sales	Others*	Sales	Others*
Soaps and Detergents	13,460.98	222.43	12,460.96	240.86
Personal Products	7,979.81	141.10	7,309.10	162.56
Beverages	3,275.12	36.74	2,913.67	60.99
Packaged Foods	1,620.75	27.55	1,473.86	31.88
Others (including Exports, Chemicals, Infant Care Products, Water, etc.)	1,071.63	84.67	1,048.79	43.99
TOTAL	**27,408.29**	**512.49**	**25,206.38**	**540.28**

* Others include service income from operations, relevant to the respective businesses.

1.3. Summarised Profit and Loss Account

		(Rs. crores)
	For the year ended 31st March, 2014	For the year ended 31st March, 2013
Sale of products less excise duty	**27,408.29**	25,206.38
Other operational income	**610.84**	603.83
Total Revenue	**28,019.13**	**25,810.21**
Operating Costs	**(23,543.87)**	(21,806.46)
Profit Before Depreciation, Interest, Tax (PBDIT)	**4,475.26**	4,003.75
Depreciation	**(260.55)**	(236.02)
Profit Before Interest & Tax (PBIT)	**4,214.71**	3,767.73
Other Income (net)	**585.00**	581.75
Profit before exceptional items	**4,799.71**	4,349.48
Exceptional items	**228.68**	608.40
Profit Before Tax (PBT)	**5,028.39**	4,957.88
Taxation	**(1,160.90)**	(1,161.21)
Profit for the year	**3,867.49**	3,796.67
Basic EPS (Rs.)	**17.88**	17.56

2. DIVIDEND

Your Directors are pleased to recommend a Final Dividend of Rs. 7.50 per equity share of face value of Re. 1/- each for the year ended 31st March, 2014. The Interim Dividend of Rs. 5.50 per equity share was paid on 15th November, 2013.

The Final Dividend, subject to approval of Members at the Annual General Meeting on 30th June, 2014, will be paid on or after 4th July, 2014 to the Members whose names appear in the Register of Members, as on the date of book closure, i.e. from Friday, 13th June, 2014 to Monday, 30th June, 2014 (inclusive of both dates). The total dividend for the financial year, including the proposed Final Dividend, amounts to Rs. 13.00 per equity share and will absorb Rs. 3,272.97 crores, including Dividend Distribution Tax of Rs. 461.54 crores.

3. RESPONSIBILITY STATEMENT

The Directors confirm 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;
- they have selected such accounting policies and applied them consistently and made judgments 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;
- 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; and
- they have prepared the annual accounts on a going concern basis.

MANAGEMENT DISCUSSION AND ANALYSIS

In order to avoid duplication between the Directors' Report and the Management Discussion and Analysis, we present below a composite summary of performance of the various businesses and functions of the Company.

4. ECONOMY AND MARKETS

The year witnessed divergent growth globally, led by strengthening of the US economy, uneven and subdued growth in the Euro area and Japan coupled with a slowdown in Developing & Emerging markets.

In the domestic market, growth continued to be muted with the second successive year of sub 5% GDP growth. The year saw steep currency depreciation in an environment where industrial activity remained in contraction mode, consumption demand continued to weaken, while lacklustre capital goods production pointed to stalled investment demand.

With sluggish growth across the larger economy, further compounded by high consumer inflation and weak sentiment, market growth across FMCG categories moderated throughout the year in both volume and value terms. The discretionary categories and premium segments were particularly under pressure. The operating context for the year was challenging, given the backdrop of a market slowdown, a volatile input cost environment and heightened competitive intensity.

Your Company's performance for the year 2013-14 has to be viewed in the context of aforesaid economic and market environment.

5. PERFORMANCE OF BUSINESSES AND CATEGORIES

5.1. Home & Personal Care (HPC)

The Home & Personal Care (HPC) business consists of Soaps, Detergents, Household Care and Personal Products, which includes categories like Skin Care, Hair Care, Oral Care, Colour Cosmetics and Deodorants. During the year, the HPC business registered robust growth ahead of market.

The opportunity for growth in India continues to be immense across all HPC categories. This fact is also reflected in high levels of competitive intensity in the marketplace. Your Company believes that both unwavering focus on competitive growth in core categories as well as market development to build segments of future are critical for sustained growth and long term value creation. While focusing on the core categories, your Company has also invested significantly in the segments of future, i.e. the segments which are expected to drive future growth.

Rural continues to be a key area of focus for your Company. During the year, your Company reached out to 8,500 villages across India with an ambition to improve the health and hygiene of children, through school contact and *Mohalla* programmes. At the School Contact Programme, your Company's brands, Lifebuoy and Pepsodent, encouraged and educated children on the importance and correct method of handwashing and brushing their teeth. In the *Mohalla* programme, your Company demonstrated to consumers the benefits and usage of new and emerging categories, such as facewash, hair conditioners and fabric conditioners.

In a highly competitive scenario, where new brands and offerings are entering the market almost every quarter, your Company delivered competitive growth, driven by innovation, sharper in-market execution, competitive marketing and trade investments behind the brands. Your Company sustained strong focus on innovation across the portfolio and continued to delight consumers with a range of exciting offerings launched during the year. Your Company has also significantly stepped up investment in Digital Media, which is expected to be the media channel of the future. Your Company continued to leverage and benefit from the inputs received from Unilever across various aspects of the business, including technology, innovation and communication.

Volatile and rapidly changing commodity markets, including vegetable oil and crude oil, coupled with depreciating currency markets continued posing a major challenge during the year. There were also regulatory changes in the space of media availability, leading to more efficient media buying and better deployment of non-TV led media. Even in this challenging environment, your Company delivered profitable growth through robust cost-saving programmes and judicious pricing, without compromising on the competitiveness of brand investments, both in terms of technology as well as advertising and promotion.

5.1.1. Soaps and Detergents

The Soaps and Detergents segment delivered healthy volume led turnover growth of 8.0% during the year. Further, growth during the year was profitable as segmental profit increased by 10.5%, through a mix of cost savings, supply chain efficiencies and judicious pricing.

Soaps category recorded a very successful year with strong volume growth in a market which saw an overall decline in volumes. The growth was driven by prompt and decisive pricing actions on Lifebuoy, Lux, Breeze and Dove, which gained consumer franchise. These actions were supported by consumer centric activations, effective advertising and sustained high levels of distribution. The growth was witnessed not only in the core bars business, but also in the liquids portfolio, led by Lifebuoy Handwash, where your Company continues to invest behind developing the market through a mix of building penetration and increasing consumption.

Detergents category recorded another year of steady growth with a good balance of price and volume growth. Notwithstanding a challenging economic environment, where category growth slowed and the rate of premiumisation came off, for your Company the performance in the category continued to be led by the premium end. Surf continued to lead category premiumisation with double digit growth, buoyed by the continuing momentum on Surf Excel Easy Wash, since its relaunch in the previous year. The performance in Rin was led by the bars portfolio while powders were re-launched towards the end of the year, with an improved product and new thematic communication. Wheel's performance progressively stepped up over the year, with the second half benefiting from the re-launch of the powders portfolio as significant investments were made to deliver a superior formulation resulting in quality enhancement for the segment. The brand was further supported by a range of impactful activation including the Gold Coin programme, which was well received. The emerging market development categories of Machine Wash (with Surf Excel Matic) and Fabric Conditioners (with Comfort) continued to perform well. Besides, your Company also initiated the creation of Detergent Liquid market in India with the launch of Surf Excel Detergent Liquid. Your Company will continue to focus on driving innovations, exercising cost control across the value chain and delivering effective communication to win in the Detergents category.

Household Care category delivered double digit growth during the year on the back of robust volumes. Vim, which continues to delight consumers through superior product quality and strong advertising, is now a Rs. 1000+ crore brand. Innovations, such as the Anti-Germ mix (bar and liquids) and the monthly tub pack, continue to drive consumption and premiumisation in urban India. At the same time, strengthening the presence across key price points in dishwash bars helped reach new consumers in rural India. Domex strengthened the toilet cleaning business through the launch of an innovative product, Domex Zero Stain. The innovation, aimed at hygiene conscious users who have high incidence of stain problem in toilets, has helped fuel brand growth. Domex Toilet Academy (DTA) programme was launched during the year with an aim to eradicate open defecation by building toilets and improving sanitation facilities. Through the right partnerships, DTA is helping promote the importance of safe and hygienic sanitation practices in local communities.

5.1.2. Personal Products

Personal Products categories comprise Skin Care, Hair Care, Oral Care, Colour Cosmetics and Deodorants. In a challenging market environment, where the growth of discretionary categories has been particularly under pressure, the Personal Products segment delivered a healthy turnover growth of 9.2%. Segmental profit was up by 6.1%, as your Company continued to invest for competitive growth in its core categories, whilst building the segments of the future.

Skin Care category registered good growth in a slowing market. Fair & Lovely was re-launched with a new mix - the 'Best Ever' Fair & Lovely - a product that was tailor-made to deliver superior skin lightening results in India. Fair & Lovely registered a step up in its growth trajectory post the re-launch. Vaseline Healthy White, with a proposition of not just giving moisturisation but also instant and lasting skin whitening, was very successful, resulting in double-digit growth for the brand. Dove and Lakmé also grew very well during the year, powered by strong marketing inputs. Lakmé delivered a strong performance during the year on the back of a range of exciting innovations that were launched. Lakmé skin forayed into the anti-aging segment with the launch of Youth Infinity skin cream. In addition, under Lakmé, a new Complexion Care (CC) cream was introduced, the Perfect Radiance range was relaunched and the facial cleansing portfolio was revamped with the addition of new Clean Up range. Pond's launched BB+ cream in India to leverage on the global beauty trend catering to consumers looking for instant optical radiance.

Hair Care delivered a strong year of volume led broad based double digit growth. Dove, Sunsilk and Clinic Plus grew in double digits during the year. The TRESemmé proposition of 'Salon like hair, at home everyday' has been well received by consumers. The brand which was introduced in September 2012 has made very good progress and been instrumental in accelerating the premiumisation agenda. The fact that the brand neared the significant milestone of Rs. 100 crores of annual turnover in its very first full year post launch is an example of efficiently leveraging the global Unilever portfolio to win locally with consumers. In addition, your Company launched Toni&Guy, another premium brand from the global Unilever hair portfolio. It is the first time that your Company launched the brand through e-commerce. Going forward, Toni&Guy will be rolled out in select stores across India. Your Company continued to focus on market development by investing strongly behind the emerging high potential hair conditioners segment, thereby growing ahead of the market.

In Oral Care, significant investments were made to sustain competitive position in the category, as competitive intensity stepped up dramatically in the course of the year. Your Company continued to focus on strengthening the Oral Care brands and the portfolio, despite the intense competitive pressure. Pepsodent Germicheck was re-launched during the year with an improved formulation with better germ attack power. Pepsodent also continued to strengthen its expertise and authority credentials through the Expert Protection range and with a strong dental community programme. The growth in Closeup continued to be led by a range of exciting activations. Your Company has also significantly revamped its toothbrushes business model by pruning and sharpening the portfolio during the year.

In the Deodorant portfolio, through Axe, your Company continued to deploy exciting innovations and impactful campaigns. The 'AXE Blast' campaign, endorsed by a popular Bollywood youth icon, was well received by consumers. Your Company has strong innovation plans for the forthcoming year in this category. Your Company currently imports a large portion of deodorants in the aerosol form. Unilever is in the process of implementing a project to establish a world class deodorants manufacturing facility in India. This facility will provide a regular supply of high quality deodorant products to cater to markets across the world, including India.

Lakmé Colours has had an exceptional year with high double digit growth. The reinvention of the brand as 'Pro-stylist' across makeup, skin and salon has brought its expert credentials to the forefront through premium innovations in skin care and makeup. In makeup, your Company has launched the 9 to 5 platform - to address working women, many first to market innovations under Absolute like Gel nails and Face Stylist and limited editions like Pop Tints. The premium segment contribution for makeup has grown particularly well in the last two years. The Lakmé brand has seen a step up in investments and all key innovations have been executed through the beauty advisory channel, where expansion of footprint and activation through bringing the brand proposition alive at retail has contributed to the market development. Lakmé has also leveraged the digital communication channel, through 'how to' videos, to educate consumers on using makeup and adopting new regimes in skin care.

5.2. Foods & Beverages (F&B)

The Foods & Beverages (F&B) portfolio of your Company comprises Tea, Coffee, Processed Foods, Frozen Desserts, Ice Creams, Bakery products and Out of Home operations, including BRU World Café.

During the year, F&B business delivered strong double digit growth in a challenging market context. This was driven by a single minded focus on the core brands and driving market development across key categories. The Packaged Food category continues to represent a significant consumer and business opportunity, given the shifts in the income pyramid, increase in working women, growing health concerns and the need for taste with convenience. Your Company is consistently focused on developing newer offerings that can best fulfil existing and emerging consumer needs. Your Company continues to focus on driving availability and distribution, alongside building salience for its brands and relevance. In addition, your Company is driving upgradation across categories with strong research and development support from Unilever and a deep insight into Indian consumer and customer needs.

5.2.1. Beverages

The Beverages segment delivered 12.4% turnover growth in the year, well ahead of the market, on the back of a strong double digit performance in Tea. This was accompanied by a significant step up in segmental profits which increased by 22.4%.

At the onset of the year, the Packet Tea market witnessed steep commodity inflation which drove market to volume decline. Despite this environment, your Company delivered competitive and profitable growth. The double digit growth across all brands was driven by a strengthened mix and focused in-market activities.

Your Company drove its five leading brand positions across India, with all brands recording healthy volume growth and growing across major geographies. Across both the premium and popular price segments, brands grew competitively. Taj Mahal and 3 Roses continued to drive premiumisation and Red Label and Taaza offered unbranded tea users a good mix of superior, great tasting tea and value. Taj Mahal and Lipton continued to grow the tea bags market through market development. Your Company strengthened its position in every segment of tea bags market, particularly flavoured and green tea.

The Instant Coffee market was challenged for growth in the context of steep commodity inflation in the previous year with the accompanying drop in consumption, particularly in the core South markets. In this context, your Company's focus was to drive back lapsers to the category, through enhanced product experience and market development efforts. Your Company also continued to drive BRU Gold – a premium offering, targeted at new age consumers of coffee in the non-traditional markets. BRU Gold met with good success as the franchise grew competitively ahead of markets.

5.2.2. Packaged Foods

The Packaged Foods segment of your Company comprises culinary products such as jams, ketchups and squashes under Kissan; soups, soupy noodles and meal makers under Knorr; branded staples (atta and salt) under Annapurna; bakery products under Modern; and frozen desserts / ice creams under Kwality Wall's and Magnum. The segment delivered 10.0% turnover growth with a segmental profit growing by 65.5% during the year, as your Company continued to drive efficiencies and mix, while continuing to invest in building this business.

Kissan sustained its strong, consistent performance, delivering another year of double digit growth, driven by impactful activation around unlocking everyday relevance. A strong insight of the 'Tiffin-moment' being a stress point in the mother's life resulted in a solution in the form of 'Kissan Rolls', where mothers could give their kids healthy vegetables made tastier with Kissan in the form of a roll. This singular message, along with our reiteration of the fact that Kissan is made from 100% tomatoes through 'Kissanpur', made Kissan the brand of choice. During the year, Kissan moved up 70 places in India's Most Trusted Brands. The consumer preference, along with a strong distribution increase across both Ketchup and Jam, resulted in the business growing significantly faster than the market.

The performance of Knorr in the year was led by Soups, with the convenient Instant Soups single serve format doing particularly well. Your Company has increased the focus on core soup markets and ensured that the brand salience is at its highest in these markets. Your Company also invested behind the instant 'cup-a-soup' range, as this portfolio is driving growth for the soups category, given its consumer offering of tasty and healthier products, at a very affordable price. Knorr Soupy Noodles was restaged at the start of the year. The Knorr Meal Maker portfolio was also re-launched and has met with an encouraging initial response.

During the year, your Company focused on growing the Annapurna business profitably. Towards achieving this objective, your Company made sharp choices on the brand's footprint and improved its cost structure. As a result, there is a significant progress in brand profitability, which now allows your Company to be competitive and invest back in the brand.

Your Company also significantly focused on young nascent experiential marketing. Given that most of the play is in market development categories, it is critical that consumers sample your Company's products and discover the great taste and convenience that the products offer.

Modern Foods, a portfolio of Bakery Foods, continued its momentum delivering strong double digit growth with improved profitability. Your Company stepped up distribution network in new geographies and this initiative has yielded encouraging results. Key innovations like Oats and Ragi Wheat Bread, festive Cakes and Cookies, coupled with improved operational efficiencies contributed well to the growth and profitability of the Modern Foods business.

During the year, the Frozen Desserts business faced a challenging external environment with slowing discretionary spends and a shorter season. But with long term positive outlook, your Company continued investing behind the distribution expansion and building big brands. Cornetto grew ahead of market on the back of distribution and strong communication. Cornetto also remained at the forefront of your Company's digital strategy. Cornetto's Facebook page was adjudged as No.1 in India by an advertising magazine. Magnum, Unilever's most premium ice cream brand, was test piloted in Chennai during 2013 and met with a very good response. Magnum was rolled out to four more cities in the beginning of 2014. Modern Trade performance has been very good in Ice Creams as your Company strengthened its position in this key channel. During the year, your Company also rolled out Perfect Stores programme, a first for the category and the performance across these stores has been leading overall category growth. Availability and visibility are still the core drivers of the business and your Company continued investing behind them. Your Company is driving efficiencies in the business, particularly in asset management and infrastructure, while stepping up investments behind big impulse brands, viz. Magnum, Cornetto and Paddle Pop.

5.3. Water

Pureit is the world's largest selling range of water purifiers in non-pitcher and non-faucet mount segment. Pureit was ranked as the most trusted brand in water purifiers in Brand Equity's 2013 Most Trusted Brands Survey. The brand continues to strengthen its position in a slowing and weak consumer durables market. During the year, Pureit's new product innovations focused on driving superior functionality and aesthetics at a lower cost, with the launch of Pureit Marvella Slim RO, a premium water purifier at an affordable price. Pureit Marvella Slim RO has helped Pureit strengthen its position in the electric water purifier segment. The launch of 'Save 3 Gas Cylinders' communication for storage purifiers was another testimony to Pureit's pioneering innovativeness in terms of driving market development of water purifiers by establishing cost and convenience advantage over conventional methods of purification. Pureit associated with Miss India World 2013 winners, to spread awareness about the importance of safe drinking water under its 'Unilever Pureit Protecting Lives Programme'. During the year, your Company focused on widening its distribution reach for its range of purifiers in different retail formats across the country. Substantial progress was made in evolving the Germkill kits business for storage purifiers and also improving in-store execution for the premium range of purifiers. The focus on driving category premiumisation continues with the launch of Pureit Ultima UV + RO towards the end of the year. The product, which by far is the most premium offering from Pureit, offers advanced technology and superior aesthetics met with a very encouraging response from consumers in the early days since its launch.

5.4. Exports Business

FMCG Exports (Unilever India Exports Limited)

Unilever India Exports Limited (UIEL) is a wholly owned subsidiary of your Company, engaged in FMCG Exports business. The focus of the FMCG exports operation is two-fold (a) to develop overseas markets by driving distribution of ethnic brands, such as Kissan, BRU, Brooke Bond, Lakmé, Pears among the Indian diaspora in international markets, (b) to effectively provide cross border sourcing of FMCG products to other Unilever companies across the world.

The Home and Personal Care segment in the exports business has witnessed a stable year, driven primarily by Soaps and Hair Care. Brands like Pears have registered healthy growth in the focused markets through strong advertising and activation support and have received strong accolades from the consumers in the UK market. For Unilever sourcing countries, Lifebuoy has delivered double digit growth post its launch across Asian markets. Fair & Lovely and Vaseline Jelly continue to show stable growth in the key geographies of the Middle East. The Foods & Beverages segment of the business witnessed a modest growth. Instant Tea / Packet Tea and premix witnessed strong double digit growth, whereas coffee sales remained steady. The profitability of the overall segment improved significantly with focused cost reduction programmes.

Non-FMCG Exports

In the specialty business, which continued to be a part of your Company post the demerger of FMCG Exports business to

UIEL, Rice maintained a flat performance, while continuing to focus on expanding geographies, seeding opportunities and marketing/ brand building initiatives to accelerate growth in the coming years.

Leather (Pond's Exports Limited)

The Leather business performed well with improved operating profitability and robust double digit sales growth. This performance was achieved through new product designs, excellent customer service, world class quality and cost innovations.

5.5. Beauty & Wellness (Lakme Lever Private Limited)

Lakme Lever Private Limited (LLPL), a wholly owned subsidiary of the Company, has 225 salons, of which 57 are Company owned / managed and 168 are franchisee salons. LLPL delivered double digit salon growth for the fourth consecutive year, although the market slowed down by consumers pulling back on discretionary spends. Net expansion improved from 8 salons in the previous year to 36 salons in this financial year. Innovations like the Perfect Radiance and Youth Infinity facial rituals have delighted consumers and driven growth. The flagship Lakmé Absolute Salon, which magnifies the backstage experience with professional styling expertise and bespoke beauty rituals, was launched in Mumbai. Your Company will continue to support LLPL to drive growth in this attractive market opportunity.

5.6. Hindustan Unilever Network

Hindustan Unilever Network business consists of three major brands, Aviance (Personal Care), Lever Ayush (Health Care) and Lever Home (Detergents, Household Care and Toothpaste).

The year has been extremely challenging for the entire direct selling industry, including for your Company, due to ambiguity on acceptable norms for direct selling in India. As responsible corporate citizens, your Company has always conducted its business within the framework of Indian law and has recently re-launched its compensation plan to be more competitive. Your Company is reviewing the strategy for this business.

5.7. Kimberly Clark Lever Private Limited (KCL)

KCL is a Joint Venture between your Company and Kimberly-Clark Corporation, USA, with infant care diapers as its primary product category. The year witnessed a strong growth delivery by Huggies brand led by Huggies Wonder Pants. The re-launched Huggies Wonder Pants with improved product features and performance had a good growth momentum throughout the year. The low penetration levels in India's infant care diapers markets offer significant growth potential for this category. This growth opportunity has attracted increased levels of competitive intensity in the recent past with multinationals making significant investments in India.

To participate effectively in this growth opportunity, KCL aims to bring in regular innovations to the market through sustained and appropriate investments in the short to medium term. As a Joint Venture partner, your Company remains committed to this business.

6. CUSTOMER DEVELOPMENT

During the year, your Company has undertaken and delivered several ambitious initiatives to reaffirm its position as a preferred channel partner for over 2,500 redistribution stockists and millions of retailers across the country.

Your Company has always strived to expand distribution to connect the shoppers and brands as widely as possible. During the year, your Company took an ambitious challenge of adding more outlets under its coverage expansion programmes and deployed innovative means, such as tele-calling to ensure sustainability of coverage and profitability of redistribution stockists. This resulted in improving the reach and distribution of the products, making brands more accessible to the shoppers. These initiatives would contribute significantly to the aim of winning in the marketplace in the years to come.

Your Company also undertook the initiative of expanding the number of stores compliant to the Perfect Stores programme, thereby significantly enhancing the quality of execution in the marketplace. The Perfect Stores programme has delivered business benefits in terms of faster growth, and your Company continues to expand the reach of the programme and strengthen the benefits delivered.

Your Company believes that winning with customers is a key enabler for winning in the marketplace and has a strong customer agenda in place to deliver high engagement levels with the customers. To invoke and scale the entrepreneurial spirit of customers and embed it into the ways of working, your Company launched a dedicated programme to identify, fund and rollout innovative business practices of customers. To take this programme further, there are events to provide a common forum for all customers to interact with the senior leadership of the Company, leading to a powerful exchange of ideas and a deep understanding of the customer at all levels in the organisation.

Your Company runs dedicated call centres for distributors as well as retailers, which enable them to connect directly with the Company anytime, thereby achieving world class customer service with a tremendous opportunity for getting customer insights. A mandatory customer immersion for Customer Development team gives them the opportunity to spend more than 50 hours with a variety of distributors and retailers, observing and interacting with them in their milieu to understand their needs better. These various initiatives have helped to keep the needs of the customer the guiding force for all your Company's activities.

Modern Trade, the growth channel for future, continues to be a focus area for your Company. Continuous focus on Joint Business Planning, ensuring best in class On Shelf Availability and delivering clutter breaking product launches, was appreciated by Modern Trade customers. Your Company was once again awarded the 'Best Supplier' by leading Modern Trade customers.

The year marked the first full year of operation for your Company's rural distribution alliance with Tata Teleservices for distributing their telecom products through the extensive distribution network of your Company. This alliance has helped in driving your Company's rural coverage expansion by enhancing the earning potential of our channel partners, including Shaktiammas. Your Company is now nationally distributing telecom products to 75,000 telecom outlets through 550 rural distributors.

Your Company had set up a state of the art Customer Insight and Innovation Centre (CiiC) last year to use insights and technology to gain a deeper understanding of shopper and customer needs. The CiiC was set up leveraging the knowledge and learnings from Unilever CiiC operations, set up previously in other parts of the world. Using technologies like interactive meeting rooms, smartboard, virtual reality, retail lab, eye tracking technology and mobile virtual reality solutions, your Company developed and executed differentiated channel and format strategies for both traditional channels and Modern Trade. CiiC set up by your Company is a unique centre for gathering insights, catering to both General and Modern Trade.

Your Company continues to focus and drive Project Shakti, the initiative for driving social responsibility and sustainability, aimed at enhancing livelihoods and building opportunities for small scale entrepreneurs.

7. SUPPLY CHAIN

Your Company's supply chain agenda remained focused on improving performance on service, quality and cost. This was delivered with speed and agility in a Supply Chain set-up, with the highest standards of safety and positive environmental impact.

Your Company made significant progress in its vision to deliver customer service excellence and enable sustainable growth. The service delivery standards improved steadily with CCFOT (Customer Case Fill-On-Time) increasing to 94% and Modern Trade OSA (On-Shelf Availability) touching an all time high of 96%. The customers have acknowledged this performance and have rewarded your Company with the best supplier recognitions. Your Company continued to strengthen the Sales and Operation Planning process (S&OP) and Innovation Process Management (IPM) to respond with speed and agility to the volatile market demands.

Your Company delivered quality improvement across the supply chain by focusing on better product design and implementing various quality improvement programmes. This resulted in 50% reduction in consumer complaints. Levercare helpline capabilities were improved to engage better with consumers.

Your Company has a strong supply chain savings programme, which is driven by various cross functional teams, such as R&D, Procurement, Manufacturing and Logistics. The robust savings programmes were driven through workshops, rigorous monthly reviews, project trackers and a strong ideas' funnel.

Your Company has started using renewable biomass as a fuel. Your Company is using locally available agri-waste like paddy straw, cotton stalks, sawdust and rice husk as fuel. These are helping local farming community to realise value out of material, which was otherwise wasted and burnt in fields, causing pollution. Besides, small local industries have come up to convert the biomass into briquettes.

Your Company continues to focus on water conservation by reducing ground water abstraction. This is done by lowering process related consumption and reuse of treated effluent through Reverse Osmosis and secondly recharging of ground water table through Rain Water Harvesting, installed at all units. These initiatives, collectively, are helping to improve availability of water for the communities around your Company's sites.

Your Company progressed well in implementing its long term manufacturing strategy, with efficient capacity creation and introducing new technologies to support volume growth. To achieve manufacturing excellence, your Company has embarked on the journey of World Class Manufacturing. This is an initiative launched across Unilever and your Company is drawing and executing learnings from the global programme, which focuses on identification, root cause analysis and elimination of non-value adding activities. This will lead to further improvement in efficiencies and cost performance. In the sites where the Company has already introduced World Class Manufacturing Programme, it has identified significant cost reduction opportunity in production costs, which are converted into projects and monitored closely.

There has been a 20% improvement in innovation OTIF (On Time in Full) with more than 100 innovation networks being executed during the year, touching about 60% of the product portfolio. The focus on bigger and faster innovation and capability development has significantly helped the Company launch innovations first time right.

The Partner to Win programme, developed by Unilever globally, aims at developing Joint Business Plans with suppliers and business partners. It has resulted in reduced lead time and costs and improved reliability and new innovation delivery.

8. RESEARCH & DEVELOPMENT

Your Company continues to derive sustainable benefit from the strong foundation and long tradition of Research & Development (R&D), which differentiates it from many others. New products, processes and benefits flow from work done in various Unilever R&D centres across the globe, as well as in the Research Centres in India. The R&D labs in Mumbai and Bengaluru are aligned to Unilever's global R&D. Many of the projects executed out of these centres are of global relevance, and have a strong focus on regional needs and the overall Developing & Emerging (D&E) world. With world class facilities and a superior science and technology culture, your Company is able to attract the best talent to provide a significant technology differentiation to its products and processes.

Your Company's R&D programmes are focused on the development of breakthrough and proprietary technologies with innovative consumer propositions. The R&D team of over 750 people comprises highly qualified scientists and technologists working in areas of Home & Personal Care, Foods & Beverages and Water Purification. The R&D group also comprises critical functional capability teams in the areas of Regulatory, Clinicals, Digital R&D, Product & Environment Safety and Open Innovation.

During the year, your Company introduced several innovations in Soaps and Detergents category. In Detergents category, Wheel and Rin were re-launched with enhanced and superior performing product in mass and mid-tier segment, respectively. Surf Excel launched the liquid detergent for fabric cleaning, thus initiating the creation of another sub-category of future. Comfort, the liquid fabric conditioner, continues to do well. In Household Care, Vim liquid launched a new premium anti-bacterial technology offering consumers with dual benefit of superior cleaning and assurance of hygiene in dishwashing. Domex launched its acid based variant under the name of Domex Zero Stain with superior claims like '7x Thicker formula'. The category also continues striving efforts to improve health and hygiene through various market development activities across product platforms.

In Skin category, Fair & Lovely successfully defended its 5-crore challenge campaign, demonstrating its product superiority and was re-launched with a 'Best Ever' formula, leveraging its advanced multivitamin technology. In addition, a new SPF15 vanishing cream variant, based on breakthrough sunscreen dispersion technology developed in-house, was launched for the first time under Fair & Lovely brand in a revolutionary pump tube – a first at this price point in the market. Vaseline Healthy White was re-launched with a new breakthrough multivitamin plus optics formula giving 4X instant whitening. Rexona was also re-launched with a new winning formula, based on superior skin feel and lathering.

Oral Care witnessed the launch of Pepsodent Germicheck, superior power toothpaste with breakthrough technology that maximises the bioavailability of Triclosan in plaque, thus providing 130% germ attack power compared to benchmark. This product delivers a benefit similar to a premium product, but at an affordable price. Clinical study supporting this technology has been published in the 'Journal of Clinical Dentistry' and an application for grant of a patent has also been filed. In the toothbrush segment, Pepsodent Flexi Action was re-launched with level filaments in different colours and a new variant, Pepsodent Sensitive was introduced with tapered filaments.

In Hair Care category, the Dove hair care range was re-launched; in particular, the Intense Repair variant was re-launched with keratin actives to provide superior damage repair and significantly smoother hair. A new split ends rescue variant of Dove shampoo and conditioner was launched that helped reduce split ends formation by four times. New variants of TRESemmé and Sunsilk shampoo and conditioner were launched with novel technology to specifically address problems of frizz and shape retention. TRESemmé range was made more accessible to consumers through the launch of a lower price sachet format. A premium variant of Clinic Plus oil was launched in the market, the product was designed with the right combination of oils, including almond oil, to be light and non-sticky and at the same time provides intense nourishment through rapid penetration into the scalp and hair fibre.

In Deo category, two new variants of Axe deodorant and one new variant of Lux deodorant were launched to widen the fragrance choice for consumers.

In Water business, your Company launched a reverse osmosis based purifier for the mass market 'Marvella Slim RO'. Your Company also launched Pureit Ultima RO+UV, a highly premium RO and UV based water purifier with a graphic (electronic) display of total dissolved solids level in input and output water and superior aesthetics.

The Foods R&D team focused on achieving a significant increase of the profitability of the Foods product portfolio in combination with a quality increase of product performance as experienced by consumers. This was achieved by applying new technologies and selection of superior raw materials, while maintaining cost levels as same or lower. Two key highlights were: first, the implementation of new tomato ketchup technology under Kissan (India being the first country within Unilever to implement this); second, the top two most selling Knorr soups were reformulated, resulting in an increased margin and scoring significantly superior in consumers' preference.

The year saw key strategic launches under tea brands contributing to good business growth. Improved product and new packaging were developed for Taaza tea re-launch. A new masala variant 'Taaza Masala Chaska' was launched with a product containing a unique spice mix that received very positive consumer feedback in testing. Taj Mahal tea blend was developed to meet the consumer expectations of 'perfect balance of strength and flavour'. A specially designed fresh green tea product was introduced under Lipton 'feel light and active' proposition. Lipton ice tea powders were restaged in the market with new claims on being more natural, made with real tea and real fruits. In coffee, premium single origin, freeze dried coffee range under BRU was expanded with the launch of a new unique variant, Guatemala. Product improvement for BRU Instant was implemented. Through R&D initiatives, cost savings were also delivered to manage commodity inflation.

In Ice Cream category, global iconic brand Magnum was launched in a test market in Chennai with three flavour variants – Classic, Almond, and Chocolate Truffle. In the Frozen Desserts category, several new variants were launched. These included Fruttare - Apple and Mixed Berry, Carte D'or – Rajbhog and Gajar Halwa, Creamy Delights – Pineapple and Litchi and Paddle Pop Jiggly Jelly.

R&D has further contributed to the Company's sustainability agenda by enabling significant reduction in packaging material consumption through several material efficiency initiatives. Packaging material usage was reduced by around 115 tonnes across Beverages and Ice Creams. Your Company's R&D is also working on novel technologies to help save substantial amount of water.

With strong scientific expertise and the potential to deliver high value technologies, India continues to occupy a premier position in Unilever R&D. Your Company is well placed to meet the challenges emanating from the increased competition intensity and the opportunities to drive faster growth on the back of a strong support from R&D as well as brand development capabilities.

Your Company had entered into a Technical Collaboration Agreement (TCA) and a Trade Mark License Agreement (TMLA) with Unilever. The TCA provided for payment of royalty on net sales of specific products, manufactured with technical inputs developed by Unilever. The TMLA provided for the payment of trademark royalty, as a percentage of net sales on specific brands, where Unilever owns the trade mark in India. Given that the pace of innovations and the scope of services have expanded over the years and that Unilever's global resources are providing greater expertise, superior innovations and scale advantage for all Unilever entities, your Company is enjoying the benefits of an increasing stream of new products and innovations, backed by technology and know-how from Unilever.

Your Company is also receiving support and guidance to drive functional excellence in marketing, supply management, media buying and IT, among others, which helps your Company to remain competitive and further step-up its overall business performance. Unilever is committed to ensuring that the support in terms of new products, innovations, technologies and services is commensurate with the needs of your Company and enables it to win in the marketplace.

The details of expenditure on scientific research and development at the Company's in-house R&D facilities eligible for a weighted deduction under Section 35(2AB) of the Income Tax Act, 1961 for the year ended 31st March, 2014, are as follows:

- Capital Expenditure : Rs. 5.64 crores
- Revenue Expenditure : Rs. 31.22 crores

9. ENVIRONMENT, SAFETY, HEALTH AND ENERGY CONSERVATION

Your Company has a vision of being an 'Injury Free' and 'Zero Environment Incident' organisation. The Compass, your Company's strategic framework, integrates Safety as a non-negotiable value. Over the past many years, your Company has been progressing well in terms of reducing injury frequency rates and has improved the safety record in factories and facilities.

The Company has developed safer systems and procedures for work by implementing Core Design principles (e.g. in projects, in facilities design, in process safety, etc.) rolling out up-to-date engineering standards and investing in hardware and safety infrastructure across sites.

Your Company also recognises that design and procedures are effective only when people choose to maintain and follow them. To achieve this objective, a behavioural safety programme BeSafE is being rigorously deployed across the Company. This programme is at the core of your Company's safety journey and has been created as a customised behavioural safety framework for Unilever, building upon the earlier DuPont model, which your Company had pioneered a decade ago in India. The safety incident rate measured as total recordable frequency rate (TRFR) was 66% of 2008 baseline.

Your Company actively promotes safety beyond the workplace through extensive 'Safe Travel' and 'Beyond Work Safety' initiatives, involving the employees' families across all sites. Several prestigious awards have been conferred upon your Company by national and international organisations of repute, both from government and non-government sectors in recognition of your Company's efforts in the sphere of Safety.

From sourcing to manufacturing or logistics, sustainability is embedded across all operations of your Company. The Company's environmental footprint is being monitored closely for all aspects of the manufacturing process. Benchmarking is done for resources consumed (like water, energy) and gaseous, liquid and solid emissions (like carbon dioxide, sulfur oxides, COD, solid waste). Your Company has worked on the following key areas:

- Fossil fuels are being replaced by biogenic fuels, wherever available, through investment in biomass fired boilers, hot air generators and thermic fluid heaters. This has reduced furnace oil, diesel and coal usage in units.
- The biogenic fuels also includes the use of plant waste / by-products like spent tea leaves and coffee beans as fuel. This enables disposal cost savings besides reducing fossil fuel usage.
- Tie-ups with potential suppliers of renewable sources of energy are being explored.
- Latest generation, energy efficient technology, like auto sensors, solar powered systems, LED lamps, high efficiency motors, inverter drives, screw compressors are being used.
- Rain Water Harvesting is in place at all manufacturing sites and the Company is now installing Rain Water Reuse facilities in several sites to further reduce water usage.

Your Company has reduced CO_2 emissions (per tonne of production) in India by 27% approximately, when compared to 2008 baseline. The use of renewable energy has increased to over 20% of the total consumption. Water consumption in manufacturing operations is reduced by over 37%, when compared to 2008 baseline.

Waste generation is minimised through the application of reduce, reuse and recycle principles across units. Recyclable waste, such as packaging material, empty raw material containers, spent lubricants, batteries, e-waste, project scrap, etc. are systematically segregated and recycled/ reused. Simple but effective facilities like installation of high pressure water jet setup for washing of empty chemicals drums ensure full recovery of material besides safe recycle. Over 99% of total waste is recycled in environment friendly ways. Total waste per tonne from manufacturing sites has reduced by 84% vis-a-vis 2008 baseline.

The information required under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 with respect to energy conservation is appended hereto and forms a part of this Report.

10. HUMAN RESOURCES

Your Company's Human Resource agenda for the year was focused on strengthening four key areas: building a robust and diverse talent pipeline, enhancing individual and organisational capabilities for future readiness, driving greater employee engagement and strengthening employee relations further through progressive people practices at the shopfloor.

Your Company is widely acclaimed for its people development practices and has reinforced its position in this area. This, coupled with the ability to attract best talent, provides a competitive edge to the organisation. According to the Campus Track Business School Survey 2013, conducted by Nielsen, your Company has been chosen as the preferred employer across all sectors for the 2014 graduating batch of B-School students. Your Company has also retained its position as the Dream Employer with students of top business schools for the fifth consecutive year.

Diversity and Inclusion is an important aspect of sustainable business growth and is referred to as Winning Balance. Over the last three years, there has been considerable momentum on this aspect through better appreciation of the business case and greater leadership involvement and engagement. Tools and capabilities like day care, technology that supports agile working, flexible work arrangements through part time working and career by choice programme and inclusiveness workshops have been embedded to enable and drive the Winning Balance. During the year, a Winning Balance Council was also established in the Company, comprising male and female leaders across functions, who champion and lead the plans. Your Company recognises men and women role models, who create a simple, respectful and flexible work environment for their teams, which inspires others to emulate them. With these enablers and focused plans, your Company has witnessed a 10% shift in the gender balance ratio over the last three years.

The Talent and Organisation Assessment was undertaken successfully in 2013 and key business charters based on findings have been institutionalised. These charters are owned by your Company's leadership team and will take off during 2014. These interventions will allow your Company to have a robust people plan to guide your Company not just for immediate performance, but to also ensure that the Company is future ready.

In addition to building core capabilities in marketing, sales and distribution, your Company is investing in the areas of beauty, foods, rural, digital, e-commerce, customer/ shopper marketing and market development, to win in the future. Your Company has developed comprehensive plans in each of these key areas that are customised to suit the present and future business needs. Besides, your Company has also identified three key behaviours, Growth Mindset, Bias for Action and Consumer and Customer Centricity that will supplement the capabilities to achieve business goals. To drive Bias for Action, your Company has been driving a change in the way it makes decisions by (i) Generating insights, where attention is required (ii) Getting the right leadership attention to road blocks and (iii) Facilitating faster decision making. Project Sunset is an online platform for speedy resolutions of road blocks within the

Company. Your Company also launched 'Sunset Talks', a two weeks intensive idea generation campaign on simplification that received overwhelming employee participation and response. To drive Consumer and Customer Centricity, your Company has undertaken multiple initiatives to regularly communicate with and reach out to its consumers and has a well defined programme to capture consumer insights.

Your Company undertook intensive training programmes through a combination of face-to-face and virtual learning approaches. Over 28,000 man-days invested in classroom training and about 38,000 e-learning registrations, indicate that the spirit of 'learn where you are' is imbibed in employees of the Company. Your Company is also investing in building capabilities in digital and social media to find new platforms for brands to engage more effectively with Indian consumers.

The Global People Survey is a part of the Unilever employee insight programme, which aims to give voice to the Company's people and provides a vehicle to make their views heard. The Survey also provides regular, meaningful and actionable feedback to the leaders in the organisation. It has questions spread across several dimensions in the areas, such as Strategic Leadership, Immediate Boss Effectiveness and Engagement. Feedback from this survey forms the basis of holistic engagement plans, which are reviewed regularly. As per the Global People Pulse Survey 2013, engagement in your Company has witnessed a 3% improvement over the last year. There has been recognition of your Company's People Management and Reward and Recognition practices, which are geared towards building a performance focused culture.

Your Company has been investing in progressive employee relations practices to build capability at the grassroot level. 'Sparkle' is a centrally hosted intranet based tool that supports skill mapping, skill assessment, performance assessment, gap analysis and enables training plan identification, which is customised according to the priority areas of each workman. Sparkle has been a pioneering tool in the area of workmen capability development that promotes higher transparency and focused training intervention linked to individual and business needs. The tool has delivered results for over three years, and your Company has successfully completed appraisals, thereby identifying top performers and completing skill gap analysis of over 10,000 workmen online. Sparkle has been recognised as a best practice and adopted for a global roll-out. Business Linked Engagement and TPM Edge programmes continued with full focus and rigour during the year and delivered significant improvement in factory operations.

Information as per Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, forms part of this Report. However, as per the provisions of Section 219(1)(b)(iv) of the Act, the Report and Accounts are being sent excluding the statement containing the particulars to be provided under Section 217(2A) of the Act. Any Member interested in obtaining such particulars may inspect the same at the Company's Registered Office or write to the Company Secretary for a copy thereof.

11. INFORMATION TECHNOLOGY (IT)

Your Company continues to invest in IT, leveraging it as a source of competitive advantage. The enterprise wide SAP platform, the backbone of IT, encompasses all core business processes in your Company. It also provides a comprehensive data warehouse with analytical capability that facilitates better and faster decisions. Your Company has leveraged the SAP platform to aid business priorities and improve efficiencies both within the Company as well as by collaborating with suppliers and customers. Your Company is also using latest technology offerings like in-memory computing to significantly improve process efficiencies and unlock time of employees.

Your Company has institutionalised an extensive IT capability for Customer Development function to support front-end execution. All distributors run a standard distributor management system. The sales representatives and field based sales personnel have been equipped with mobility devices for effective and efficient on-ground execution. The available data is mined using analytical tools to fine tune the selling process at each and every outlet. This capability, which has been used for the urban markets has also been extended to rural markets. The existing technology backbone was leveraged to provide for a low cost mobile phone based solution that significantly saved distribution costs.

Your Company is investing in capabilities that will help reach out and engage with end consumers, using low cost mobile technology. These capabilities will not only increase the number of consumers that can be reached, especially in rural areas, but also dramatically change the way in which your Company engages with them in a personalised manner using mobile telephony as a medium. Capabilities that have been built in this area will help your Company learn more about the end users across multiple brands as well as communicate with them directly about customised offers.

IT tools and solutions are being used across the organisation to make employees more productive and efficient. Employees have been equipped with personal computing tools and technologies that allow them to communicate and collaborate more efficiently and in a more agile manner.

Your Company continues to invest in IT infrastructure to support business applications and has leveraged India's expanded telecom footprint to provide high bandwidth terrestrial links to all operating units. Your Company also uses software as a service to provide agile and cost effective IT capabilities in select areas.

As the IT systems and related processes get embedded in the ways of working of the organisation, there is a continuous focus on IT security and reliable disaster recovery management processes to ensure all critical systems are always available. These are periodically reviewed, upgraded and tested for efficacy, adequacy, security and reliability.

12. FINANCE AND ACCOUNTS

Your Company continued to focus on cash generation. The focus on managing optimal levels of inventory, sound business performance, operating efficiencies and cost savings across the organisation helped generate healthy cash flows. Your Company managed investments prudently by deploying cash surplus in a balanced portfolio defined to offer primacy to safety and liquidity of the investments.

The finance function of the Company took a significant step forward by consolidating the work done on Finance Transformation last year to further build capabilities and to get the business future ready. Your Company's success depends upon being able to decouple transaction volume growth from business growth and thereby reduce the cost, complexity and time of transaction processing. The key building blocks to the transformation programme were Procure to Pay, Zero Based Controls, Record to Report Transformation and My Business Information Projects.

Procure to Pay project aimed to move the needle on services to suppliers from vendor satisfaction to vendor delight. This year, your Company standardised and centralised invoice processing, query management and payments processing from more than 40 locations to one payment excellence centre, thereby delighting business partners. The programme also delivers a capability to steer continuous improvement programmes from the global centre of excellence in Bengaluru, thereby landing a six sigma level efficiency in transactional processes.

Zero Based Controls project completely revamped the traditional control monitoring methods to a cutting edge automated cockpit flagging exceptions to the control environment. This enables exception based monitoring, while tightening the cost of control. This year, your Company standardised the financial controls across geographies, leveraged technology to automate more than half of the key controls and set up a leading edge monitoring and reporting capability in Bengaluru. This now enables a focused review of the risk areas and a constructive effort to remediate the exceptions, if any.

Record to Report Transformation project aims at creating one financial reporting excellence centre at Bengaluru. Your Company has already taken the first step in this journey. Your Company is confident of making significant progress in the times to come, thereby future proofing the organisation. This project will enable faster reporting and accelerate results release to the market.

My Business Information initiative is a stepping stone to the next generation information analytics. This goes with the principle of converting data into information and information into insights seamlessly, at a click, to expedite business decision making. This year, your Company took a giant leap of moving from a multitude of ad hoc reports at multiple places to one centralised information repository, thereby ensuring one version of a report. In parallel, your Company achieved standardisation of reports and over 90% reduction in the number of reports. This means fewer and better quality reports and more time released for investment on value added analysis. Such information on-the-go makes business partnering more effective, simpler and a richer role for finance, while providing relevant information for speedy business decision making.

Your Company continued with various simplification initiatives commenced last year by disproportionately investing in IT. This has resulted in release of time occupied by non-value adding tasks while giving significant savings in audit efforts.

While driving the transformation agenda, your Company's finance team also continued to focus on delivering excellence on Financial Accounting and Reporting. This year, your Company won the esteemed 'Silver Shield' from the Institute of Chartered Accountants of India for excellence in financial reporting for the Annual Report 2012-13. Your Company is committed to increase the efficiency and effectiveness of the finance function in general and core areas of accounting, reporting and controls in particular. This appreciation further strengthens the resolve to raise the bar and set higher standards of excellence, transparency and ease in reporting.

Capital Expenditure during the year was at Rs. 526.50 crores (Rs. 409.34 crores in the previous year).

During the year, your Company has not accepted any fixed deposits and there was no outstanding towards unclaimed deposit payable to depositors as on 31st March, 2014. In terms of the provisions of Investor Education and Protection Fund (Awareness and Protection of Investors) Rules, 2001, Rs. 3.57 crores of unpaid / unclaimed dividends were transferred during the year to the Investor Education and Protection Fund.

Return on Net Worth, Return on Capital Employed and Earnings Per Share (EPS) for the last four years and for the year ended 31st March, 2014, are given below:

Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Return on Net Worth (%)	88.2	74.0	77.7	94.7	**104.1**
Return on Capital Employed (%)	103.8	87.5	96.8	109.1	**130.2**
Basic EPS (after exceptional items) (Rs.)	10.10	10.58	12.46	17.56	**17.88**

Segment-wise Results

Your Company has identified five business segments, in line with the Accounting Standard on Segment Reporting (AS-17), which comprise: (i) Soaps and Detergents, (ii) Personal Products, (iii) Beverages, (iv) Packaged Foods, including Culinary, Branded Staples, Frozen Dessert and Ice Cream and (v) Others, including Exports, Chemicals, Water Business, Infant Care Products, etc. The audited financial results of these segments are provided as a part of financial statements.

12.1. Risk and Internal Adequacy

Your Company has an elaborate Risk Management procedure, which is based on three pillars: Business Risk Assessment, Operational Controls Assessment and Policy Compliance processes. Some of the risks relate to competitive intensity and cost volatility. Major risks identified by the businesses and functions are systematically addressed through mitigating actions on a continuing basis. These are discussed with both Management Committee and Audit Committee.

The Company's internal control systems are commensurate with the nature of its business and the size and complexity of its operations. These are routinely tested and certified by Statutory as well as Internal Auditors and cover all offices, factories and key business areas. Significant audit observations and follow up actions thereon are reported to the Audit Committee. The Audit Committee reviews adequacy and effectiveness of the Company's internal control environment and monitors the implementation of audit recommendations, including those relating to strengthening of the Company's risk management policies and systems.

Your Company manages cash and cash flow processes assiduously, involving all parts of the business. There was a net cash surplus of Rs. 2,220.97 crores, as on 31st March, 2014. The Company's low debt equity ratio provides ample scope for gearing the Balance Sheet, should the need arise. Foreign Exchange transactions are fully covered with strict limits placed on the amount of uncovered exposure, if any, at any point in time. There are no materially significant uncovered exchange rate risks in the context of Company's imports and exports. The Company accounts for mark-to-market gains or losses every quarter end, in line with the requirements of Accounting Standard 11.

13. LEGAL, COMPLIANCE AND BRAND PROTECTION

Your Company continued to focus on the key areas and projects within the legal and compliance functions, which include transiting to a workflow based compliance software tool 'Self-Compli'. This tool enables compliances to be made and tracked by factories and offices of your Company across the country. In the area of Brand Protection, during the year, your Company has taken significant actions against counterfeits, fakes and other forms of unfair competition, under the Company's programme of Combating Unfair Competition. The focus on litigation management continued this year with significant number of disposal of litigation recorded, as in past years, and fewer litigations added during the year.

14. MERGERS, ACQUISITIONS, JOINT VENTURES AND DISPOSALS

Consequent to the approval of shareholders in the year 2007, the Company has transferred Marine Exports business to M/s. Gadre Marine Exports Private Limited, as a going concern, pursuant to a Business Purchase Agreement entered between the parties in July 2013.

15. OPEN OFFER

On 30th April, 2013, Unilever PLC as Acquirer along with Unilever NV as person acting in concert made an announcement for Open Offer for acquiring 48.70 crore shares, aggregating to 22.52% of the total Share Capital of the Company, from the public shareholders at the offer price of Rs. 600 per share.

In accordance with the requirements of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, a Committee of Independent Directors was constituted by the Board, comprising all Independent Directors of the Company, for providing reasoned recommendation on the Open Offer to the shareholders of the Company. The Independent Directors

Committee made its recommendation to the shareholders on 18th June, 2013 and the same was published in the newspapers in accordance with requirements of the regulations.

The tendering period of the Open Offer was from 21st June, 2013 to 4th July, 2013. At the end of the tendering period, Unilever acquired additional 31,95,63,398 shares in the Open Offer, thereby increasing the shareholding in the Company from 52.48% to 67.25% of the total Share Capital of the Company.

16. SUSTAINABLE LIVING

Sustainability is at the core of your Company's way of doing business. It guides your Company on the path to achieve long term success in a world where the battle for resources is escalating. In this direction, Unilever globally has set out the 'Unilever Sustainable Living Plan' (USLP), which embeds sustainability in its business model. The USLP sets out to decouple growth from environmental impact, while enhancing positive social impact.

USLP has three big global goals to achieve:

- Improving Health and Well-being - By 2020 we will help more than a billion people take action to improve their health and well-being.
- Reducing Environmental Impact - By 2020 our goal is to halve the environmental footprint of the making and use of our products as we grow our business.
- Enhancing Livelihoods - By 2020 we will enhance the livelihoods of millions of people as we grow our business.

The Plan is distinctive:

- It spans the entire portfolio of brands and all countries in which Unilever sells its products.
- It has a social and economic dimension – your Company's products make a difference to health and well-being and its business supports the livelihoods of many people.
- When it comes to the environment, your Company works across the entire value chain – from the sourcing of raw materials to the delivery of products to the consumers.

In the third year of the Plan, your Company made steady progress to achieve the big goals. Your Company also involved consumers this year to become a part of the USLP community through Project Sunlight www.projectsunlight.co.in launched globally.

In the area of health and hygiene, your Company reached 58 million people through Lifebuoy Handwashing Programme since 2010. In area of sanitation, your Company launched Domex Toilet Academy programme with an aim to eradicate open defecation by building toilets and improving sanitation facilities. The academy made Junapani, a village in Wardha district in Maharashtra, free of open defecation by setting up 80 toilets by the end of 2013. Your Company made a good progress in its journey to provide safe drinking water through Pureit water purifier. Nearly, 57.5 million lives were protected by Pureit globally by the end of 2013.

In the area of nutrition and health, your Company made a good progress on lowering the levels of salt, trans fat and calories in its portfolio. In 2013, 70% of your Company's Foods portfolio (by volume) was compliant to 5 gm salt per day target. Currently, all the Kissan ketchup variants and Knorr soups meet the interim target of 6 gm salt per day.

In the area of environmental impact, CO_2 emissions per tonne of production reduced by 27% in 2013 compared to the 2008 baseline. Water usage per tonne in your Company's manufacturing operations reduced by 37% compared to the 2008 baseline. In 2013, of the total 38 sites, 33 sites became zero-discharge sites, an addition of three sites compared to that of last year. Reduction in total waste per tonne from our manufacturing sites was more than 84% over 2008 baseline. More than 99% of total waste was recycled in environment friendly ways.

Under sustainable sourcing, your Company continued to work with suppliers, local government and farmers to sustainably source agricultural raw materials. A total of 86 tea estates in Assam, Darjeeling and Tamil Nadu were certified 'Sustainable Estates' by the Rainforest Alliance™ by the end of 2013. Your Company made good progress on sustainable sourcing of fruits and vegetables and sourced 80% of tomatoes used in Kissan Ketchup from sustainable sources in India. 100% of palm oil volumes procured for India was covered by 'Green Palm' certificates.

The water conservation initiatives of Hindustan Unilever Foundation (HUF) resulted in the creation of collective and cumulative water potential of more than 24 billion litres. More than 95,000 man-days of labour was created directly due to HUF projects and agriculture production enhanced by more than 3,500 tonnes.

Project Shakti, your Company's initiative which aims to empower underprivileged women in rural areas has further increased livelihood opportunities for over 17,000 new Shakti Entrepreneurs (Shaktiammas) appointed during the year. Your Company now has 65,000 Shakti Entrepreneurs complemented by over 50,000 Shaktimaans, the male members of Shaktiamma's family. Your Company continues to empower Shaktiammas, while increasing their family household income. Your Company provided training on basic accounting, selling skills, health & hygiene and relevant IT skills to Shakti Entrepreneurs and equipped them with smartphones which have been enabled with a mini Enterprise Resource Package (ERP). The application provides updates on promotions, offers and facilitates selling to the small retailers, using relevant business insights. These insights help retailers to stock in their outlets suitable products. The initiative has helped Shaktiammas to take and bill orders, manage inventory and drive better distribution efficiencies in driving their business. These Shakti Entrepreneurs cover over 160,000 villages in 16 states and serve over 4 million households.

In 2013, your Company launched 'Prabhat' (Dawn) - a USLP linked programme, which is a part of its long term effort to engage with and contribute to the development of local communities around its manufacturing sites. Prabhat focuses on health and hygiene, livelihoods and water conservation initiatives, which are fully aligned to the USLP priorities. Prabhat was launched in nine manufacturing locations across India – Haridwar, Pondicherry, Silvassa, Khamgaon, Goa, Nasik, Orai, Chhindwara and Etah.

As evident from the above initiatives, your Company's progress to deliver on USLP has been consistent. In 2013, Unilever undertook an in-depth review with every product category and business function and identified actions that will help drive sustainable growth. This year, your Company has expanded Enhancing Livelihoods to cover three big themes under the pillar – Fairness in the Workplace, Enhancing Women's Lives and Inclusive Business.

Your Company has shared its progress on Unilever Sustainable Living Plan in India which is made available on the website of the Company, www.hul.co.in. Your Company has also released the Business Responsibility Report that describes the initiatives undertaken in line with the key principles enunciated in the 'National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business' framed by the Ministry of Corporate Affairs. The report is made available on your Company's website, www.hul.co.in, and forms a part of this Annual Report. The Business Responsibility Report shall be kept open for inspection at the Registered Office of the Company. If a Member is interested in obtaining a hard copy of the Business Responsibility Report, they may write to the Investor Service Department at the Registered Office of the Company.

17. EMPLOYEE STOCK OPTION PLAN (ESOP)

Details of the shares issued under Employee Stock Option Plan (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 (SEBI (ESOP) Guidelines), are set out in the Annexure to this Report. No employee has been issued share options, during the year, equal to or exceeding 1% of the issued capital of the Company at the time of grant.

Pursuant to the approval of the Members at the Annual General Meeting held on 23rd July, 2012, the Company adopted the '2012 HUL Performance Share Scheme' in place of '2006 HLL Performance Share Scheme'. The Scheme has been registered with the Income Tax authorities, in compliance with the relevant provisions of SEBI (ESOP) Guidelines. In accordance with the terms of the Performance Share Plan, employees are eligible for award of conditional rights to receive equity shares of the Company at the face value of Re. 1/- each. These awards will vest only on the achievement of certain performance criteria measured over a period of three years.

Under the said Plan, eligible Managers were given Conditional Performance Grant of shares of Unilever and the Company in the ratio of 52:48, to mirror the shareholding of the Company, where Unilever held 52% shareholding. During the year, the Nomination and Remuneration Committee and the Board of Directors approved the consequential change in ratio of share grant to reflect the new shareholding pattern post open offer by Unilever. The ratio of reward based on performance was accordingly revised to 67:33 instead of 52:48.

During the year, 209 employees, including Whole time Directors, were awarded conditional rights to receive 2,87,573 Equity Shares at the face value of Re. 1/- each. It comprises conditional grants made to eligible managers covering performance period from 2013 to 2015 and from 2014 to 2016.

18. CORPORATE GOVERNANCE

Your Company is renowned for exemplary governance standards since inception and continues to lay a strong emphasis on transparency, accountability and integrity. In 2011, your Company received the National Award for Excellence in Corporate Governance instituted by the Institute of Company Secretaries of India, in recognition of its Corporate Governance practices. In 2012, Investor Relations Global Rankings (IRGR) ranked your Company amongst the top five companies across the globe for Best Corporate Governance. In 2013, at the Asian Centre for Corporate Governance and Sustainability Awards, your Company won the award for Best Audit Committee.

A separate report on Corporate Governance is provided at page no. 54 of this Annual Report, together with a Certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the Stock Exchange(s). A Certificate of the CEO and CFO of the Company in terms of sub-clause(v) of Clause 49 of Listing Agreement, inter alia, confirming the correctness of the financial statements, adequacy of the internal control measures and reporting of matters to the Audit Committee, is also annexed.

The Ministry of Corporate Affairs has made majority of the provisions of the Companies Act, 2013 effective from 1st April, 2014. The new act is a positive step towards strengthening corporate governance regime in the country. Your Company is already in substantial compliance of most of the governance requirements provided under the new law. Your Company has proactively adopted provisions related to formation of Nomination and Remuneration

Committee and Corporate Social Responsibility Committee, ahead of implementation of the new law. Your Company is committed to embrace the new law in letter and spirit.

During the year, Secretarial Audit and Secretarial Standards Audit were carried out. The detailed reports on the same are given at page nos. 74 and 75 of this Annual Report.

19. OUTLOOK

Global economic indicators are expected to improve, led by positive prospects in advanced economies. Despite a strengthening external demand, uncertainty continues to loom large on the economic horizon of some emerging economies owing to domestic fragilities. The global economic climate continues to be volatile, uncertain and prone to geo-political risks.

For India, economic activity is expected to improve modestly, driven by global economic revival and moderation in inflation. Upside pressures on inflation and consumption, hinge on the vagaries of the monsoon and the pace of revival of the investment climate will determine to a very large extent India's economic performance, going forward.

FMCG markets are expected to grow; however, uncertain global economic environment, inflation and competitive intensity continue to pose challenges. While the near term conditions pose a challenge for the economy, the medium to longer term secular trends based on rising incomes, aspirations, low consumption levels, etc. are positive and an opportunity for the FMCG sector, in general and for your Company, in particular.

19.1. Cautionary Statement

Statements in this Report, particularly those which relate to 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 and actual results might differ

20. SUBSIDIARY COMPANIES

A statement pursuant to Section 212 of the Companies Act, 1956, relating to Subsidiary Companies, is attached to the Accounts. In terms of General Exemption, under Section 212(8) of the Companies Act, 1956, granted by Ministry of Corporate Affairs vide its circular no. 02/2011 dated 8th February, 2011, and in compliance with the conditions enlisted therein, the Audited Statement of Accounts, Auditors' Reports thereon and the Reports of the Board of Directors of the Company's subsidiaries for the financial year ended 31st March, 2014, have not been annexed. The Annual Accounts and related documents of the Subsidiary Companies shall be kept open for inspection at the Registered Office of the Company. The Company will also make available these documents upon request by any Member of the Company interested in obtaining the same. However, as directed by the said circular, the financial data of the subsidiaries have been furnished under 'Subsidiary Companies Particulars' forming part of this Annual Report (refer page no. 164). Further, pursuant to Accounting Standard (AS-21) issued by the Institute of Chartered Accountants of India, Consolidated Financial Statements presented by the Company in this Annual Report include the financial information of its subsidiaries.

21. BOARD OF DIRECTORS

Consequent to his elevation as President, Home Care, Unilever, Mr. Nitin Paranjpe stepped down as Managing Director and Chief Executive Office of your Company. Mr. Sanjiv Mehta was appointed as the Managing Director and Chief Executive Office of your Company to succeed Mr. Nitin Paranjpe with effect from 10th October 2013. Mr. Sanjiv Mehta was appointed as an Additional Director on the Company's Board with effect from 1st October, 2013 and the Managing Director and Chief Executive Officer with effect from 10th October, 2013, after obtaining requisite approvals of the Members and the Central Government.

The Board places on record its deep sense of appreciation for the outstanding contribution made by Mr. Nitin Paranjpe as the Managing Director and Chief Executive Office of the Company.

Mr. Sridhar Ramamurthy, Executive Director, Finance & IT and Chief Financial Officer, has been elevated as the Senior Vice President, Finance for the Global Markets and he will be part of the Global Markets Executive of Unilever. Consequently, Mr. Sridhar Ramamurthy will cease to be a Director of the Company with effect from 30th June, 2014 and will not offer himself for re-appointment at the forthcoming Annual General Meeting. It is proposed to appoint Mr. P. B. Balaji as Executive Director, Finance & IT and Chief Financial Officer with effect from 1st July, 2014 to succeed Mr. Sridhar Ramamurthy subject to obtaining requisite approvals of the Members and the Central Government.

The Board places on record its appreciation for the distinguished service and contribution made by Mr. Sridhar Ramamurthy as Executive Director, Finance & IT and Chief Financial Officer of the Company.

As per the provisions of the Companies Act, 2013, Independent Directors are required to be appointed for a term of five consecutive years and shall not be liable to retire by rotation. Accordingly, resolutions proposing appointment of Independent Directors form part of the Notice of the Annual General Meeting. All other Directors, except the Managing Director, will retire at the ensuing Annual General Meeting and, being eligible, offer themselves for re-election.

22. MANAGEMENT COMMITTEE

The day-to-day management of the Company is vested with the Management Committee, which is subjected to the overall superintendence and control of the Board. The Management Committee is headed by the Chief Executive Officer and has Functional / Business Heads as its members.

During the year, Mr. Nitin Paranjpe, Managing Director, Chief Executive Officer was elevated to the position of President, Home Care, Unilever and Mr. Sanjiv Mehta succeeded him and joined the Management Committee in his capacity as Managing Director and Chief Executive Officer with effect from 10th October, 2013.

Mr. Sridhar Ramamurthy, Executive Director, Finance & IT and Chief Financial Officer, has been elevated to the position of Senior Vice President, Finance for the Global Markets in Unilever and Mr. P. B. Balaji will join the Management Committee when he joins the Company as Executive Director, Finance & IT and Chief Financial Officer with effect from 1st July, 2014 to succeed Mr. Sridhar Ramamurthy.

23. AUDITORS

The term of office of M/s. Lovelock & Lewes, as Statutory Auditors of the Company will expire with the conclusion of forthcoming Annual General Meeting of the Company. M/s. Lovelock & Lewes has been Statutory Auditors of your Company since 1997.

The Board of Directors of the Company have, subject to approval of the Members, decided to make a change in the Statutory Auditors. This change is in order to remain at the forefront of good governance and in recognition of regulatory changes in India. This change is also in line with the change in auditors for Unilever globally. A special notice has, accordingly, been received from Unilever PLC in its capacity as Member of the Company, proposing a resolution at the forthcoming Annual General Meeting for appointment of M/s. BSR & Co. LLP as Statutory Auditors of the Company in place of the M/s. Lovelock & Lewes, being the retiring Auditor.

A resolution proposing appointment of M/s. BSR & Co. LLP as the Statutory Auditors of the Company pursuant to Section 139 of the Companies Act, 2013 forms part of the Notice.

M/s. Lovelock & Lewes, over many years, have successfully met the challenge that the size and scale of the Company's operations pose for auditors and have maintained the highest level of governance, rigour and quality in their audit. The Board place on record its appreciation for the services rendered by M/s. Lovelock and Lewes as the Statutory Auditors of the Company.

24. APPRECIATIONS AND ACKNOWLEDGEMENTS

Your Directors place on record their deep 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 as industry leaders.

Your Directors would also like to acknowledge the excellent contribution by Unilever to your Company in providing the latest innovations, technological improvements and marketing inputs across almost all categories, in which it operates. This has enabled the Company to provide higher levels of consumer delight through continuous improvement in existing products and introduction of new products.

The Board places on record its appreciation for the support and co-operation your Company has been receiving from its suppliers, redistribution stockists, retailers, business partners and others associated with the Company as its trading partners. Your Company looks upon them as partners in its progress and has shared with them the rewards of growth. It will be the Company's endeavour to build and nurture strong links with the trade based on mutuality of benefits, respect for and co-operation with each other, consistent with consumer interests.

The Directors also take this opportunity to thank all Investors, Clients, Vendors, Banks, Government and Regulatory Authorities and Stock Exchanges, for their continued support.

On behalf of the Board

Harish Manwani

Mumbai, 28th April, 2014 Chairman

Annexure to the Directors' Report

Disclosure of Particulars with Respect to Conservation of Energy

		Canned and processed fruits and vegetables		Tea	
		For the year ended 31st March, 2014	For the year ended 31st March, 2013	**For the year ended 31st March, 2014**	For the year ended 31st March, 2013
A POWER AND FUEL CONSUMPTION					
1 Electricity					
(a) Purchased					
Unit	Lakh KWH	**70.70**	65.97	**34.73**	38.94
Total Cost	Rs. lakhs	**557.71**	524.08	**254.16**	286.83
Rate / Unit	Rs.	**7.89**	7.94	**7.32**	7.37
(b) Own Generation					
(i) Through own generator					
Unit	Lakh KWH	**1.29**	1.78	**3.68**	4.14
Unit per ltr of diesel oil	KWH	**2.50**	2.49	**2.94**	2.49
Cost per unit	Rs.	**13.98**	18.49	**18.78**	14.59
(ii) Through steam turbine / generator		**NIL**	NIL	**NIL**	NIL
2 Furnace Oil					
Quantity	KL	**1,129.86**	930.60	**-**	-
Total Cost	Rs. lakhs	**579.23**	407.93	**-**	-
Rate / Unit	Rs./ KL	**51,265.67**	43,834.56	**-**	-
3 Other / Internal Generation					
Natural Gas					
Quantity	('000 Scm)	**-**	-	**34,795.00**	20,645.35
Total Cost	Rs. lakhs	**-**	-	**25.52**	14.22
Rate / Unit	Rs./('000 Scm)	**-**	-	**73.34**	69.00
Agro Waste					
Quantity	(Tonnes)	**1,429.13**	1,249.87	**-**	-
Total Cost	Rs. lakhs	**80.79**	67.22	**-**	-
Rate / Unit	Rs./ Kg	**5.65**	5.38	**-**	-
B CONSUMPTION PER UNIT OF PRODUCTION					
Electricity	(Kwh/Tonne)	**164.75**	195.72	**23.37**	31.21
Furnace Oil	(Lts/Tonne)	**26.33**	27.61	**-**	-

DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION

1. Specific areas in which R&D carried out by the Company

- New product / process development
- Quality enhancement to achieve International Standards
- Technology Upgradation
- Speciality ingredients from natural sources
- Development and evaluation of alternative raw materials
- Project of Global relevance

2. Benefits derived as a result of the above R&D and future plans of action:

The benefits and future plan of action have been been discussed in details in the Director's report

3. Expenditure of R&D

Rs. crores

		For the year ended 31st March, 2014	For the year ended 31st March, 2013
(a)	Capital	17.30	8.07
(b)	Recurring	73.64	104.39
(c)	Total	90.94	112.46
(d)	Total R& D Expenditure as a percentage of total turnover	0.32%	0.44%

TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION

1. Efforts, in brief, made towards technology absorption, adoption and innovation:

The Company maintains interaction with Unilever internationally.

This is facilitated through a well co-ordinated management exchange programme.

2. Benefits derived as a result of the above efforts:

The benefits have been covered in the Directors' Report.

3. Imported Technology:

(a) Technology imported
(b) Year of import
(c) Has technology been fully absorbed

} Continuous Import from Unilever under technical collaboration agreement

FOREIGN EXCHANGE EARNINGS & OUTGO

Rs. crores

	For the year ended 31st March, 2014	For the year ended 31st March, 2013
Foreign exchange earnings	547.91	654.80
Foreign Exchange outgo	3,132.40	3345.38

Annexure to the Directors' Report

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

	2001 HLL Stock Option Plan				
	2001	2002	2003	2004	2005
a) Options granted	24,75,100 equity shares of Re. 1/- each valued at Rs. 53.82 crores	32,33,601 equity shares of Re. 1/- each valued at Rs. 68.02 crores	42,76,090 equity shares of Re. 1/- each valued at Rs. 58.16 crores	16,30,450 equity shares of Re. 1/- each valued at Rs. 20.95 crores	15,47,700 equity shares of Re. 1/- each valued at Rs. 20.44 crores
b) The pricing formula	Closing market price as on the date of option grant - 24.07.2001	Closing market price as on the date of option grant - 23.04.2002	Closing market price as on the date of option grant - 24.04.2003	Average of highs and lows for two week period preceding the date of option grant - 30.06.2004	Closing market price, prior to the date of meeting of the Board of Directors in which the options were granted - 26.05.2005
	Rs. 217.45	Rs. 210.35	Rs. 136.00	Rs. 128.47	Rs. 132.05
c) Options vested	Options vested after three years from date of grant (24.07.2001)	Options vested after three years from date of grant (23.04.2002)	Options vested after three years from date of grant (24.04.2003)	Options vested after three years from date of grant (30.06.2004)	Options vested after three years from date of grant (27.05.2005)
d) Options exercised (as at March 31, 2014)	15,90,600 equity shares of Re. 1/- each	23,21,221 equity shares of Re. 1/- each	36,44,320 equity shares of Re. 1/- each	12,24,750 equity shares of Re. 1/- each	11,55,600 equity shares of Re. 1/- each
e) The total number of shares arising as a result of exercise of option	15,90,600 equity shares of Re. 1/- each	23,21,221 equity shares of Re. 1/- each	36,44,320 equity shares of Re. 1/- each	12,24,750 equity shares of Re. 1/- each	11,55,600 equity shares of Re. 1/- each
f) Options lapsed (as at March 31, 2014)	8,84,500 equity shares of Re. 1/- each	9,12,380 equity shares of Re. 1/- each	6,31,770 equity shares of Re. 1/- each	3,36,800 equity shares of Re. 1/- each	2,75,700 equity shares of Re. 1/- each
g) Variation of terms of options	Reduction in exercise price by Rs. 8.76 per share	Reduction in exercise price by Rs. 8.76 per share	Reduction in exercise price by Rs. 8.76 per share	NA	NA
h) Money realised by exercise of options during the year	Nil	Nil	Nil	Rs. 0.86 crores	Rs. 0.65 crores
i) Total number of options in force (as at March 31, 2014)	Nil equity shares of Re. 1/- each	Nil equity shares of Re. 1/- each	Nil equity shares of Re. 1/- each	68,900 equity shares of Re. 1/- each	1,16,400 equity shares of Re. 1/- each

	2006 HUL Performance Share Scheme								2012 HUL Performance Share Scheme
	2006	2007	2008	2009	2010	2011	2012	2013	2014
a) Options granted	Conditional grant of 3,49,750 equity shares of Re.1/- each valued at Rs. 3.49 lakhs	Conditional grant of 2,35,950 equity shares of Re.1/- each valued at Rs. 2.35 lakhs	Conditional grant of 2,13,098 equity shares of Re. 1/- each valued at Rs. 2.13 lakhs	Conditional grant of 3,38,731 equity shares of Re. 1/- each valued at Rs. 3.39 lakhs	Conditional grant of 3,22,568 equity shares of Re. 1/- each valued at Rs. 3.23 lakhs	Conditional grant of 3,55,573 equity shares of Re. 1/- each valued at Rs. 3.56 lakhs	Conditional grant of 4,71,465 equity shares of Re. 1/- each valued at Rs. 4.71 lakhs	Conditional grant of 3,93,441 equity shares of Re. 1/- each valued at Rs. 3.93 lakhs	Conditional grant of 2,62,155 equity shares of Re. 1/- each valued at Rs. 2.62 lakhs
b) The pricing formula	Book value of Re. 1/-	Book value of Re. 1/-	Book value of Re. 1/-	Book value of Re. 1/-	Book value of Re. 1/-	Book value of Re. 1/-	Book value of Re. 1/-	Book value of Re. 1/-	Book value of Re. 1/-
c) Options vested	2,55,166 options vested	2,66,180 options vested.	1,64,303 options vested	2,19,977 options vested	2,86,039 options vested	3,55,555 options vested	Options will vest after 3 years from the date of grant	Options will vest after 3 years from the date of grant	Options will vest after 3 years from the date of grant
d) Options exercised (as at March 31, 2014)	2,55,166 equity shares of Re. 1/- each	2,64,530 equity shares of Re. 1/- each	1,60,800 equity shares of Re. 1/- each	2,19,977 equity shares of Re. 1/- each	2,86,039 equity shares of Re. 1/- each	NIL	NIL	NIL	NIL
e) The total number of shares arising as a result of exercise of option	2,55,166 equity shares of Re. 1/- each	2,64,530 equity shares of Re. 1/- each	1,60,800 equity shares of Re. 1/- each	2,19,977 equity shares of Re. 1/- each	2,86,039 equity shares of Re. 1/- each	NIL	NIL	NIL	NIL
f) Options lapsed (as at March 31, 2014)	NIL	1,650 equity shares of Re. 1/- each	3,503 equity shares of Re. 1/- each	NIL	NIL	NIL	NIL	NIL	NIL
g) Variation of terms of options	NA	NA	NA	NA	NA	NA	NA	NA	NA
h) Money realised by exercise of options during the year	0	0	0	0	Rs. 1.08 lakhs	NIL	NIL	NIL	NIL
i) Total number of options in force (as at March 31, 2014)*	NIL	NIL	NIL	NIL	NIL	Conditional grant of 41,282 equity shares of Re. 1/- each (5,836 shares forfeited due to resignation)	Conditional grant of 4,01,877 equity shares of Re. 1/- each (69,588 shares forfeited due to resignation)	Conditional grant of 3,72,902 equity shares of Re. 1/- each (20,539 shares forfeited due to resignation)	Conditional grant of 2,62,155 equity shares of Re. 1/- each

* Adjusted for options forfeited

Annexure to the Directors' Report

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

DETAILS OF OPTIONS GRANTED DURING THE YEAR ENDED 31ST MARCH, 2014

j) Employee wise details of options granted to:	
i) Senior managerial personnel:	Refer Note iii
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;	Under Performance Share Plan 2014, Sanjiv Mehta - Managing Director & CEO was awarded Nil shares (nil%) and Sridhar Ramamurthy - Executive Director (Finance & IT) and CFO was awarded 6,285 shares (2.40%).
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.	Nil
k) Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard (AS) 20 'Earnings Per Share'.	Rs. 17.87
l) i) Method of calculation of employee compensation cost	The Company has calculated the employee compensation cost using the intrinsic value method of accounting to account for Options issued under the "2012 HUL Performance Share Scheme".
ii) Difference between the employee compensation cost so computed at (i) above and the employee compensation cost that shall have been recognised if it had used the fair value of the Options	Gain of Rs. 1.03 crores
iii) The impact of this difference on profits and on EPS of the Company	The effect of adopting the fair value method on the net income and earnings per share of 2013-14 is presented below:

Net Income	Rs. crores
As reported	3,867.49
Add: Difference between Intrinsic value and Fair Value Calculation	1.03
Adjusted Net Income	3,868.52

Earnings Per Share (Basic & Diluted) (Rs.)

	Basic EPS	Diluted EPS
-As reported	17.88	17.87
-As adjusted	17.89	17.88

DETAILS OF OPTIONS GRANTED DURING THE YEAR ENDED 31ST MARCH, 2014

m) Weighted average exercise price and weighted average fair value	Exercise Price is Re. 1/-
n) Fair value of Options based on Black Scholes methodology	

Assumptions

Risk free rate	7.79% for 2013 and 8.85% for 2014
Expected life of options	3.125 years for each plan
Volatility	23.38% for 2013 and 25.56% for 2014
Expected Dividends	Rs. 11.50 per share
Closing market price of share on date of option grant	Rs. 458.60 for 2013 and Rs. 557.25 for 2014

Notes:

(i) Pursuant to approval of the Members at the Annual General Meeting of the Company held on 23rd July, 2012, the Company had adopted a revised Scheme "2012 HUL Performance Share Scheme".

(ii) The Pricing Formula adopted by the Company for 'Employees Stock Option Plan' for the years 2001 to 2005, was based on the "Market Price" as defined in SEBI (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999, and Maximum number of options to be issued per employee in a fiscal year did not exceed 0.01% of the outstanding issued share capital, as expressed in Clause 11 of the '2001 HLL STOCK OPTION PLAN' in the line with Clause 6.2(h) of SEBI (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guideline 1999.

(iii) Details of Options granted to senior managerial personnel.

Name of the Manager	Performance shares awarded
Sanjiv Mehta	Nil
Sridhar Ramamurthy	6,285
Pradeep Banerjee	3,451
Hemant Bakshi	6,285
Dev Bajpai	4,313
Geetu Verma	3,451
Manish Tiwary	4,313