Report of the Directors and Management Discussion & Analysis

1. PERFORMANCE OF THE COMPANY

1.1 Results

Your Company's performance during 2003 is summarised below :

Rs. Lakhs

	2003	2002
Gross turnover	**11096,02**	10951,61
Turnover, net of excise	**10138,35**	9954,85
Profit before tax	**2244,95**	2197,12
Tax on profits	**(440,61)**	(465,80)
Exceptional Items	**(32,55)**	38,42
Net profit	**1771,79**	1 769,74
Dividend (incl. tax on distributed profits)	**(1973,35)**	(1154,55)
Transfer to General Reserve	**(178,00)**	(177,00)
Profit & Loss Account balance carried forward	**818,61**	1198,16

Net Turnover for the year increased by 1.8%. The continuing business turnover (after adjusting for disposals and discontinued businesses) recorded a growth of 4.3%.

1.2 Summarised Profit and Loss Account

Rs. Lakhs

For the year ended 31 December	2003	2002	Growth %
Net sales	**10138,35**	9954,85	1.8
Other income	**459,83**	384,55	19.6
Total income	**10598,18**	10339,40	2.5
Operating expenses	**(8161,68)**	(7999,00)	2.0
PBDIT	**2436,50**	2340,40	4.1
Depreciation	**(124,78)**	(134,10)	(6.9)
PBIT	**2311,72**	2206,30	4.8
Interest	**(66,77)**	(9,18)	627.3
Profit Before Taxation (PBT) and exceptional items	**2244,95**	2197,12	2.2
Taxation : Current tax	**(427,36)**	(458,94)	(6.9)
Taxation : Deferred tax	**(60,94)**	(20,91)	191.4
Taxation adjustments of previous years (net)	**47,69**	14,05	239.4
Profit After Taxation (PAT) and before exceptional items	**1804,34**	1731,32	4.2
Exceptional items (net of tax)	**(32,55)**	38,42	(184.7)
Net profit	**1771,79**	1769,74	0.1

2. RESPONSIBILITY STATEMENT

The Directors confirm :

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

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

c) that they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1 956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

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

3. CORPORATE GOVERNANCE

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

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

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

4. MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

Similar to the practice adopted in the year 2002, this Report includes MD&A as appropriate so that duplication and overlap between Directors Report and a separate MD&A is avoided. The entire material is thus provided in a composite and comprehensive document.

5. PERFORMANCE HIGHLIGHTS FOR PRODUCT CATEGORIES

5.1 Home and Personal Care Business

5.1.1 Soaps & Detergents

The market conditions continued to be sluggish in 2003 with continued down trading. Significant investments were made to kickstart growth in Premium Laundry and Personal Wash categories, enhancing consumer value and quality.

Lux & Lifebuoy recorded strong growth, increasing market shares and further consolidating the leadership positions in the Personal Wash category.

A number of innovations were launched in the Laundry portfolio. Rin Supreme Bar was relaunched with a 'No Mud Residue' proposition entailing significant investment in product quality. Surf Excel was relaunched with proprietary technology. The new Surf Excel Quickwash reduces time taken for rinsing by as much as 50%, thus saving significantly on water used in Laundry. This is a technological breakthrough, with enormous consumer benefit. Wheel continued its momentum growing by a strong 7% and consolidating its position as the largest laundry brand in the country.

From the cost perspective, 2003 was a difficult year, primarily due to significant rise in oil prices and firming up of international cargo rates. Use of alternative materials and cost effectiveness programmes helped mitigate the impact of cost increases. Savings generated through these initiatives were re-invested in superior quality and competitive pricing. Operating margins were thus lower in 2003 compared to 2 002.

New manufacturing plants commissioned in the last few years are performing well and related supply chain and tax benefits are fully being realised. Total Productive Maintenance (TPM) continues to be a thrust area in manufacturing. Nine units have cleared the Level One TPM award. Productivity, Quality and Safety continue to be the focus areas across manufacturing sites in the country. The supply chain is being strengthened further to improve customer service. Towards this modernisation & mechanisation of the Distribution Centres at key sites was undertaken during the year.

Vasishti Detergents Limited (VDL)

VDL continued to produce soaps and detergents for the Company. In the current year it improved its productivity and significantly contributed in servicing demand for low unit packs. VDL received the Level 1 TPM Award and Unilever Gold Award for safety in the current year.

5.1.2 Personal Products

The Personal Products business had an excel lent year, with strong growth across categories and brands. The sales value grew by 15% led by growth in volumes. Continued focus on innovation, and appropriate pricing were the key growth drivers. The business aggressively pursued cost effectiveness programs, which helped neutralise the impact of price reductions. Driving affordability continued to be a key thrust for the business.

The Oral Care Category had a very good year with Pepsodent continuing to increase its market shares, despite stiff competition from established and new low price players. New attractive price points were pioneered to stimulate consumption resulting in encouraging volume growth. Pepsodent was relaunched in with improved formulation, and a new "Family Flavour" variant was introduced. A new 25 gram pack priced at Rs.5 was launched, and is doing well especially in rural markets.

The Hair Care category recorded good growth, led by a surge in the 50p and Re.1 sachet packs, and the small 40 ml bottle pack priced at Rs.10 - a first in the market. Sunsilk was relaunched with international packaging, improved formulations and new variants, and has seen very good consumer response. Your Company is confident that the strategy of focussing on sachets and the low priced bottle packs, along with brand building activities on Sunsilk and Clinic, will lead to growth in this category.

The Skin Care category recorded excellent growth for the third consecutive year. Fair & Lovely, Pond's and Vaseline, all recorded double digit growth. The category continued its focus on innovation and strong market activation. A new variant of Fair & Lovely - the 'Anti-Marks' cream was launched and has been received well. Pond's Talcum Powder was relaunched with unique, consumer-friendly packaging, and the results are very encouraging. The price of the small 20g pack was reduced from Rs.6.50 to Rs.5 to enlarge user base in the rural areas. Pond's Cold Cream continued to grow in volumes and value, with good sales in rural markets. The Vaseline brand grew strongly led by the Rs.5 pack.

Lakme also recorded strong growth in both Colour Cosmetics and Skin Care. Several new introductions were successful, prominent amongst them the Lakme Face Magic Souffle, Lakme Wintercare Lotions and the 'True Wear' range of nail enamel. The Lakme Beauty Salon business expanded its network to 57 locations, with continued focus on staff training, improving quality of service and gaining customer loyalty. In the Deodorants and Male Toiletries category, Rexona and Axe saw focussed marketing activities. Rexona was relaunched with international quality packaging and fragrances and Axe continued to grow in the male toiletry range. Deodorant brands continue to be severely impacted by the huge presence of imported 'grey' products in the market. This phenomenon has not only resulted in revenue leakage to the Government, but also adversely impacts the image of your Company's brands in the market place.

Your Company had launched the Lever Ayush range of Ayurvedic products in 2002, aimed at providing health and beauty benefits by bringing together the authentic knowledge of Ayurveda and the efficacy of modern science. These products are based on unique formulations endorsed by the reputed Arya Vaidya Pharmacy, Coimbatore and rigorous test protocols. The Lever Ayush brand is now gaining ground in select geographies. The Ayush brand experience is being enhanced further through the Ayush Therapy Centres.

Relentless focus on cost reduction programmes resulted in significant benefits. Your Company was able to achieve several breakthroughs in factory efficiencies, resulting in significant productivity gains and conversion cost, optimisation. In 2003, a 'Supplier Quality Upgradation and Integration Programme' was launched with good results. The benefits of this programme have been shared with the concerned vendors. A new Toothpaste Unit was commissioned in Doom Dooma - Assam, and operations were stabilised within four months despite the turbulence in Assam. The Personal Product factories continue to pursue TPM and are according high priority to quality and Safety across all sites.

Indexport Ltd.

Indexport Ltd. which is a 100% subsidiary of your Company performed well with good gains in the value added hair oils range, led by Nihar.

Kimberly - Clark Lever Private Ltd.

Kimberly - Clark Lever Private Ltd. (KCLL), the joint venture between your Company and Kimberly Clark, continued its excellent performance. KCLL recorded good sales growth led by higher volumes. Profit before taxes increased strongly due to the combined effect of turnover growth and operational efficiencies. KCLL is the market leader in the growing diapers market, and the year saw a successful relaunch of the Huggies diapers range. Kotex brand of sanitary napkins made good progress during 2003.

5.1.3 Home and Personal Care (HPC) Exports

HPC Exports achieved a good growth of 7% in 2003 - despite a sharp appreciation of the Rupee against the Dollar. Growth was fuelled by an upturn in Skin Care exports, particularly Fair & Lovely and Dove range. Pears Soap grew through focussed sales and marketing efforts in key markets including the U.K., U.S.A. and the Middle East. During the year sourcing to Unilever companies accounted for over 80% of HPC Exports.

5.2 Beverages

5.2.1 Tea, Instant Tea and Coffee

The packet tea market declined by 10% during the year. Easy availability of loose tea at record low prices led to further proliferation of low priced regional brands and downtrading from packet tea to loose tea.

Your company continued its focus on building a strong branded Beverages business. Brooke Bond Master brand was launched during the year with a significantly improved mix. The launch was supported by high impact communication. The sub-brands viz. Taj, Red Label, 3 Roses and Taaza were positioned under the Brooke Bond Master brand. A number of micro marketing activities were implemented to build Brooke Bond as a mega brand nationally. These efforts were successful and all the sub-brands grew well.

Lipton, the globally successful brand led our foray into the youth and natural drinks segment. Lipton Ice Tea was launched in Bangalore and Chennai with world class visibility and wide distribution. The Lipton brand achieved significant growth.

Instant Coffee continued its record of excel lent growth with Bru gaining sales well ahead of the market. The growth has been achieved through geographical expansion, introduction of affordable consumer packs and innovative market activation.

The business continued to focus driving growth in Out-of-Home channels through Vending and Hot Tea operations. The results were very encouraging and the channel registered handsome growth.

5.2.2 Plantations

2003 was another challenging year for the tea plantation industry. Abundant supplies and slow-down in exports continue to adversely impact the prices. This has affected the viability of the business. The profitability was further eroded by high labour cost and associated social cost.

In this context your company focussed on improving productivity and quality in Assam and South India to ensure better product mix and improved quality.

The Sustainable Agriculture Project continues to progress well. The project focusses on using renewable resources in preference to non-renewable ones. The project includes soil improvement practices, reducing our dependence on inorganic fertilizers with use of organic and bio-fertilizers and use of relatively safe pesticides. Thiashola Tea Estate in South India, was certified as 'Organic' by IMO, Switzerland during the year. In the area of community development, a third school for physically and mentally challenged children called 'Anbagam' or 'Shelter of Love' was opened in Daverashola Group in South India.

Rossell Industries Limited (RIL)

Rossell Industries Limited had another challenging year like the rest of the tea plantation industry. The company was impacted by weak tea prices and higher costs.

5.2.3 Beverages Exports

Beverages exports business of your company had an excel lent year with sales growth of 1 8%. This was achieved despite appreciation in the Rupee and the political tensions in the Middle East. Most of the exports were in value added tea bags and packet tea exported to developed markets like the USA, Australia, Japan, UAE and South East Asian countries. The world class-manufacturing unit in Pune has developed capabilities to supply tea bags to any part of the world at competitive costs. This has helped us in expanding our consumer base significantly. Reflecting the success of the Iced Tea business globally, our Instant Tea Unit in Etah recorded handsome growth and doubled its customer base. Leading edge capabilities have been developed in sourcing and blend development at the Tea Excellence Centre in Kolkata to develop products for any international market. This will help us in aggressively seeking opportunities to grow our value added export business in the years to come. 3-in-1 tea premix facilities have stabilised at Cochin and are regularly servicing customers in the South East Asian regions. Coffee beans export continued to be a thrust area, and your Company has become one of the top three exporters in the country. During the year sourcing to Unilever companies accounted for over 70% of Beverage Exports.

5.2.4 Pepsi Foods - Strategic Alliance

Your company and Pepsi have formed a strategic alliance that pools the respective strengths of both companies. The alliance will advance Lipton's position in the Indian RTD tea market, a fast-growing beverage category. From your company's perspective, the alliance is in line with the company's growth strategy to move in new channels and drive new categories for sustained future growth.

5.3 Foods

The Foods business of your company is now focussed on two brands - Kissan, the kids and family nutrition brand and Knorr Annapurna, the culinary brand. The Kissan range was re-launched and performed well across categories with increase in sales and market share. Knorr Annapurna Salt was also successfully relaunched resulting in good growth in a competitive market. Knorr Annapurna Salt is the only salt with stable iodine that does not get lost in storage and most cooking conditions. Innovations such as Kissan Greedy Bistix, Kissan Mr. Fruit, Knorr Annapurna Soupy Snax were launched during 2003 and met with success. With strengthened brands and successful innovations, the business is poised to grow well into the future.

Modern Foods Industries (India) Ltd. (MFIL)

The Bread business of MFIL continued to grow in 2003. MFIL has developed and introduced Atta Bread, a wholesome nutritional offering with the goodness of Atta under the Kissan brand. Despite raw material price increases, the bread business improved gross margins through focussed supply chain initiatives and improvement in manufacturing efficiencies. The company was adversely impacted by the cessation of the Supplementary Nutritional Foods (SNF) business, due to discontinuance of orders from

UP and Rajasthan state governments. Consequently the Delhi SNF unit has been closed.

5.4 Ice Creams

The Ice Cream business launched a range of differentiated products backed by innovation and aggressive activation in 2003. Simultaneously it sustained its focus on the supply chain, further improving the cost structure. This is in line with the business strategy focussing on the Power Brand Kwality Wall's, differentiated products, concentration on key markets and a re-engineered supply chain.

The Ice Cream industry was impacted by a severe winter at the beginning of the year and by the nationwide transport strike in the peak season of April. The business continued the excitement in the market in the second half of the year by launching new products. Among the major launches of the year were premium products, like Viennetta Cappucino Nut, Double Sundaes, Super Cornetto Triple Choc, and Feast Almond Fudge. Kwality Wall's Max, for children, was relaunched with exciting offerings, like Rainbow and Twister, backed by an exciting activation 'Bano Toonstar'. The market has responded well to the initiatives.

Merry Weather Food Products Limited

Merry Weather Foods Products Limited posted a profit (before exceptional) of Rs. 26 lakhs (2002 Rs. 85 lakhs). Overall sales have declined to Rs.6,27 lakhs (2002 Rs. 6,98 lakhs).

5.5 Speciality Exports

In the backdrop of difficult export market conditions caused by significant rupee appreciation, lower export incentives and low cost Chinese competition, the Speciality Exports (continuing) business declined during the year.

The performance by individual businesses is summarised below:

5.5.1 Marine

The Marine business declined by 6% largely on account of rupee appreciation and market conditions. Whereas the Marine industry reported a decline in Exports by nearly 20%, your company sales in dollar terms were maintained. The company's share of Indian Marine Exports increased to over 5%. Several new geographies like Australia, Taiwan, Greece and Bulgaria and many new customers in the US were added during the year.

The Amalgam seafood business was acquired during 2003 and has since been fully integrated. Your Company is now fully represented on the entire Indian coastline with sourcing network and production facilities on East as well as on West Coast. The Amalgam business recorded good growth in dollar terms during 2003.

The Surimi business declined due to recession and low prices in Japan in the second half of 2003. The second crabsticks line was successfully commissioned in Chorwad factory. The Crabsticks business recorded good growth.

The Shrimps manufacturers in the US have filed a suit in the US for levying anti dumping duty on shrimp import from 6 countries including India. The company is taking steps to defend its position.

5.5.2 Agri & Castor

Due to drought in 2002, the year 2003 witnessed an all time low crop of castor oil and highly volatile prices in the first half of 2003. In this context your Company focussed on export of Oil and Derivatives. The business recorded good growth, led by excellent performance in Derivatives. Your Company was awarded the Globoil Gold award for the year ending 31st March, 2003.

5.5.3 Rice

The Rice business performed very well recording good growth. The branded business is developing well and yielded good results. Your company continues to focus its efforts in growing high value added segment.

The popular brand 'Rozana' , launched in 2002, was rolled out and recorded excellent growth during the year. A new product, 9-minute Basmati Rice Meal Kits was launched in the Middle East with several variants. This is a high value added product providing the consumer an opportunity to prepare Basmati based products in 9 minutes and has been well received in the market. The flagship brand 'Gold Seal Indus Valley Rice' continued to do well.

Your Company has undertaken Contract farming in Punjab for Rice and procured over 5000 tons of paddy through this route during the year. This has given an edge in maintaining seeds to shelf tractability as well as achieving dis-intermediation.

5.5.4 Leather - Pond's Exports Limited

Despite a decline in Leather Upper exports and a flat performance in Footwear exports from India, the business delivered a strong performance, growing by 11% during 2003. Anticipating the changes in market conditions, several new customers were added, both in Footwear and Upper divisions. A significant improvement due to cost efficiencies was achieved in margins across both business segments.

The productivity level in the Footwear factory has increased and the new product and design development has remained the focus throughout the year. New ranges of Ladies sandals and children shoes have been added to the product portfolio.

5.5.5 Mushrooms - KICM (Madras) Limited

An MOU was signed to transfer the business to a NRI based in the US, effective from August 1, 2003. Subsequently, the FIPB approval has been received. The business is in the process of being transferred.

5.6 New Ventures

5.6.1 Confectionery

The Confectionery business was consolidated in 2003.

The Max confectionery portfolio was strengthened with several initiatives. ToffyMax in two flavours and MaxMint was launched and, MaxCrackler, a well-differentiated poping candy at Rs.2 price point was test marketed. The Max brand is continuing to gain in strength in the Hard Boiled Candy market.

5.6.2 HLL Network

Your company took a strong initiative in the Rs. 1 800 crore Direct Selling channel with the launch of Hindustan Lever Network in early 2003. Hindustan Lever Network, built on the learnings acquired in Aviance business for over 4 years, is now a multi-category network marketing business opportunity for male and female entrepreneurs. With Hindustan Lever Network, your company expanded its presence into 8 new categories during the year backed by a New Age Compensation plan for rewarding its Consultants and several other support initiatives. Based on the superior consumer understanding as well as access to world class technology, over 25 new products were launched during the year across Home Care, Laundry Care, Oral Care, Confectionery, Personal Wash, Consumer Health Care and other categories. These new launches generated high consumer acceptance across the country.

The number of service centres trebled from 13 to 42 and the number of towns covered increased from 525 in 2002 to over 1400 in 2003. Capabilities in Information Technology, Supply Chain and Banking were further upgraded to provide superior service to our Consultants and achieve sustainable competitive advantage.

Hindustan Lever Network has progressed very well with manifold sales growth and trebling of the consultant base.

5.6.3 Rural connectivity

Project Shakti is an initiative to create income-generating capabilities for underprivileged rural women. Under this initiative, women Self-Help Groups (SHGs) are trained to sell our products in their villages and neighboring businesses. For the SHG women this translates into critically needed sustainable income contributing to better living standards and prosperity. For us, it provides access into hitherto unexplored rural hinterlands.

This model was piloted in Andhra Pradesh in 2001. In 2003 it was extended to over 2,800 Shakti Entrepreneurs covering over 12,000 villages in 105 districts in Andhra Pradesh, Karnataka, Gujarat, Madhya Pradesh & Chattisgarh.

State Governments as well as NGO's are actively involved with your company in the implementation of this project. The response has been encouraging. A typical Shakti entrepreneur earns an income in excess of Rs.1000 per month on a sustainable basis. As most of these women are from below the poverty line, and live in extremely small villages (less than 2000 population), this earning is very significant and is almost double of their past household income. For most of these families, Project Shakti is creating opportunities to live in conditions of dignity with real freedom from want.

Your Company piloted 'Shakti Pracharini' - a programme aimed at improving the health and hygiene standards in the rural community. Women from the villages are trained to become health and hygiene communicators, spreading the message of the need for improved hygiene habits amongst the rural community. Your company is also piloting *'i-Shakti'* - an IT-based rural information service - in 8 villages in Nalgonda district of Andhra Pradesh. Step by step, Project Shakti is unleashing the potential of rural women and thus changing their lives.

5.6.4 E-tailing

The new direct to consumer e-tailing initiative, SangamDirect, has made significant progress during 2003. Over 35,000 families in suburban Mumbai have now tried the shopping service. Sangam services orders placed by customers on phone or email, within 24 hours, through a modern call centre and a distribution centre.

Through Sangam, the customer gets a unique convenience benefit, which is increasingly relevant in the urban areas. For the Company, this initiative provides strong growth potential. The direct contact with the customer also enables the Company to anticipate and meet the customers' needs for products and services.

5.7 Chemicals and Fertilisers

5.7.1 Speciality Chemicals

The market for Speciality Chemicals remained depressed and as a result sales was flat. Continuing fall in prices led by low cost imports and custom duty reduction had added to a over supply situation and erosion of margins. However through sharp focus on costs and margins, business profitability was significantly improved.

5.7.2 Fertilisers and Bulk Chemicals Business - Hind Lever Chemicals Limited (HLCL)

The Fertilizers and Bulk Chemicals business operations continued to be part of Hind Lever Chemicals Ltd. (HLCL) in which your Company holds 50% equity. Consequent to the decision of the Board of HLCL to merge with Tata Chemicals Limited, the Shareholders and Secured Creditors of HLCL have approved the Scheme of Amalgamation of the Company with Tata Chemicals Ltd. at the Court convened meeting held on 11th July, 2003. The Company is awaiting the approval of the Scheme by the H'ble Punjab & Haryana High Court after which the Scheme shall be operative from the Appointed date of 1st April 2002. The H'ble High Court at Mumbai has already granted its approval to Tata Chemicals Limited for the aforesaid merger.

6. SWOT ANALYSIS FOR THE COMPANY

Strengths :

Strong and well differentiated brands with leading share positions. Brand portfolio includes both global Unilever brands and local brands of specific relevance to India.

Consumer understanding and systems for building consumer insight.

Strong R&D capability, well linked with business.

Integrated supply chain and well spread manufacturing units.

Distribution structure with wide reach, high quality coverage and ability to leverage scale.

Ability to deliver Cost Savings.

Access to Unilever global technology capability and sharing of best practices from other Unilever companies.

High quality manpower resources.

Weaknesses :

Complex supply chain configuration, very large numbers of SKU's with dispersed manufacturing locations.

Price positioning in some categories allows for low price competition.

High Social costs (housing, foodgrains & firewood, health and other welfare measures) in the plantation business.

Threats :

Increased consumer spends on education, consumer durable, entertainment, travel etc. resulting in lower share of wal let for FMCG.

Aggressive price competition from local and multinational players.

Grey imports.

Spurious/counterfeit products in rural areas and small towns.

Changes in fiscal benefits.

Unfavourable raw material prices in oils, tea commodity etc.

Opportunities :

Brand growth through increased consumption depth and frequency of usage across all categories.

Market and brand growth through increased penetration especially in rural areas.

Upgrading consumers through innovation to new levels of quality and performance.

Emerging Modern Trade for introduction of more upmarket Personal Care products.

Growing consumption in Out of Home categories.

Establishing HLL as a sourcing hub for Unilever companies in various countries.

Leveraging the latest IT technology.

7. RESEARCH & DEVELOPMENT AND TECHNOLOGY

Research and Development continues to be key to deliver superior consumer value through new technologies for all our brands. Differentiation of products in performance, and in cost, constitutes the prime focus of this effort and a number of innovations have been rolled out and more are in the pipeline. A series of short, medium and long-term technology projects is being pursued vigorously and these are aligned with the business and consumer requirements. Some highlights for 2003 are :

Technology to improve the economy of dish wash bars was developed and is in test-market.

Superior performance skin-lightening cream was launched. This product was the result of our deep understanding of skin pigmentation and sun protection.

Pilot scale testing of patented and novel fabric washing technology is in progress.

Development of a fabric washing powder, which requires much less water to achieve high quality cleaning of fabrics.

Technological interventions in the manufacturing process which helped us reduce the cost of production of refined iodised salt.

Generation of high quality scientific understanding of wheat variants and various aspects of wheat processing constitute an on-going activity. The knowledge is utilised for commercial benefit by creating options for efficient and cost-effective sourcing and upgradation of quality.

Strengthening of scientific rigour and establishing the focus on high impact projects were the highlights of HLL R&D function in 2003 and they will continue in the future. Underpinned by depth of knowledge in science and depth of passion for delivering superior technology, these projects are aligned to increase substantially the consumer value for your Company's brands.

Hindustan Lever Research Foundation (HLRF)

A "pilot" Ph.D. programme, with industry-university partnership, is being initiated. The goal is to establish an appropriate framework for industry-university partnership for a Ph.D. programme that would offer high value to the students and the partnering institutions.

With a substantial part of its endowment from HLRF, partnership with UICT-Mumbai, and efforts of several current and former HLL managers, an annual scientific conference has been instituted in memory of former Research Director, Sri KKG Menon. It was inaugurated in 2003, with a visionary address by Dr. Mashelkar, Director General of CSIR.

8. ENVIRONMENT, SAFETY AND ENERGY CONSERVATION

Occupational Safety and Environment Management is an important area for your Company and continued to be under sharp focus throughout the year. The only acceptable standard of Safety performance for your Company envisions "zero accidents". During 2003, Accident Frequency Rate, already one of the lowest amongst Unilever Companies worldwide, reduced further to 0.06 per 1,00,000 man-hours.

To achieve the next level of safety excellence on a sustainable basis, the company is focussing on the behavioural aspects of safety. For this purpose, the company has engaged M/s. DuPont - a global organisation reputed for its exemplary safety performance. This will also serve to reinforce the implementation of Unilever's Framework of Standards aligned to international standards of ISO 14001

/ OHSAS 1 8001. During the year, 15 sites received coveted Unilever Gold/Silver/Bronze awards of Excellence through continuous improvement in their safety performance. The Detergent and Tea Units at Pondicherry received Safety Awards from Government of Pondicherry.

Our ongoing programmes for continuous reduction of the environmental impact of operations have further reduced the environmental load of key parameters. These continue to remain well below the statutory requirements. Your Company has recorded further reduction in specific energy consumption of 8% over 2002, through productivity improvements, induction of innovative energy-efficient processes technologies and recycling/reuse of energy stream where feasible. To conserve ground water, your Company has embarked on rainwater harvesting projects at the manufacturing sites. Other sustainability projects such as greening of barren land in and around factories, vermi-composting of wastes into value added fertiliser supplement for cultivation and sustainable agricultural practices in Tea plantations are progressing well.

As reported earlier, your company had engaged internationally renowned environmental consultants M/s. URS Dames & Moore to verify and assess impact of the operations of Kodaikanal factory (its operation was stopped since March 2001 following an allegation of pollution). The study indicated that there was no significant impact on environment. Further a comprehensive health check of all its employees at Kodaikanal confirmed that there has been no adverse impact on the health of the employees. Moreover, all mercury and mercury bearing scrap and solid waste from the Effluent Treatment Plant have been re-exported in May 2003 to a reputed US recycler for recovery and disposal in accordance with the international Basel convention guidelines and applicable regulations.

9. PERSONNEL

Employee relations continued to be cordial and harmonious, rooted in the philosophy of bilateralism. In 2003, productivity linked long term settlements were signed with employees' representatives through bilateral negotiations in 1 8 of our units including those covered by the All India Brooke Bond Employees' Federation. In general, our employees and their representatives have shown a high degree of maturity and responsibility in responding to the changing needs of business and prevailing economic/market conditions. However, at our Garden Reach Factory, following in-discipline over a prolonged period in the factory, we were compelled to enforce a 6-month lockout which was eventually lifted in end September following a tripartite agreement under the aegis of the Honourable Labour Minister of West Bengal.

To remain competitive in the changing business context, restructuring of our units continued, with the company applying its usual humane and fair approach. Wherever possible, redeployment of the surplus employees has been pursued, with those remaining availing of a social security package well above the statutory norms to the mutual benefit of all concerned.

The Total Productive Maintenance (TPM) journey has continued with discipline and rigour, leading to both increased transformational involvement of the employees on the shopfloor as also in our manufacturing units. Building on this success, TPM has now been adopted in our Sales establishments as well and we are confident that this will lead to a significant improvement in performance . In 2003, five more factories of the company achieved the Level 1 TPM Certification awarded by the Japan Institute of Plant Maintenance. Our focus on building high performance culture continues and considerable time and effort has been devoted on specific interventions to develop leadership engagement and to institute team working for delivery of business performance as key initiatives of our transformation agenda. These have already begun to positively impact both the organisation culture and business performance.

10. ACQUISITIONS AND DISPOSALS

10.1 Acquisitions

10.1.1 Amalgam - Marine Business :

Your company acquired Marine business from the Amalgam group of companies on 28th March, 2003 by way of a slump sale of Assets of the frozen seafood's business including the facilities for cooked shrimps and pasteurised crabmeat on a going concern basis effective 1st January, 2003.

10.2 Disposals

10.2.1 Oils and Fats Business :

In line with Company's business strategy to exit non-value added business, the Edible Oils and Fats business of your company comprising manufacture and marketing of Vanaspati (Hydrogenated Fats), Refined Oils and Bakery Fats was sold to Bunge Agribusiness India Private Limited on a going concern basis. The transaction was by way of slump sale including the manufacturing facility at Trichy, Tamil Nadu, together with approx. 300 employees directly relevant to the business with continuity of service and full protection to existing terms and conditions. This also involved assignment of well known brands like Dalda and its various extensions, Masterline, Gold Seal, Silver Seal, Marvo, Biskin and Lily in India and Nepal. Your Company would however, continue to distribute the products of the business post divestment through a distribution arrangement with Bunge for a fee.

10.2.2 Mushrooms Business - KICM (Madras) Limited

The Company had accepted an offer from two non-resident Indians (NRIs), namely Mr. Ramana Epparla and Mrs. Siva Epparla based in the United States of America for acquiring the mushroom business by purchasing 1 00% shareholding in KICM (Madras) Limited.

Mr. Ramana Epparla is currently the CEO & Chairman of Unifor Information Technologies Inc., USA (Unifor) and Bell Central Inc., USA ("Bell") with expertise in the information technology industry for over a decade. The divestment of Company's shareholding in KICM (Madras) Limited to the extent of 100% in favour of Mr. Ramana Epparla and Mrs. Siva Epparla as and by way of controlling stake is under progress.

11. ISSUE OF BONUS DEBENTURES

Pursuant to the Scheme of Arrangement between your Company and its members, as approved by the shareholders in the Court convened meeting held on 9th August, 2002 and subsequently sanctioned by the Honourable High Court of Mumbai on 1 9th December, 2002, alongwith the receipt of approval from Reserve Bank of India (RBI) on 9th April, 2003 the Board of Directors have :

allotted 9% Secured Redeemable Debentures of Rs. 6 each to the members in the ratio of one Debenture for every equity share of Re. 1/- each aggregating Rs. 1,321 crores effective 2nd July, 2003. These debentures carry an interest rate @ 9% p.a. payable annually and the first interest would fall due on 1st July, 2004. These are due for redemption on 1st January, 2005 alongwith the final interest.

paid a Special Dividend of Rs. 1.765 per share for every equity share of Re. 1/- each aggregating to Rs. 389 crores.

discharged the liability of Tax on Distributed profits on Bonus Debentures / Special Dividend @ 12.8125% aggregating to Rs. 219 crores.

12. EMPLOYEE STOCK OPTION PLAN (ESOP)

Stock Options for 2004 have not been granted as on the date of the Directors Report. These will be appropriately disclosed after such grant is made.

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

None of the management employee or wholetime director have received options exceeding 5% of the value of the options issued for the year ending December 2003.

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

Since the Scheme as formulated by the Company provides for a minimum of three year period for vesting of the options, the stock options granted during the year 2001, 2002 & 2003 would vest on or after 24th July, 2004, 23rd April, 2005 & 24th April, 2006 respectively. In the circumstances there is neither any dilution in the EPS nor any consideration has been received by the Company for grant of options as above for the years 2001, 2002 & 2003.

13. INTEGRATED RURAL DEVELOPMENT SCHEME AT SILVASSA

Your company along with the Pune based NGO Vanarai has undertaken an integrated village development programme at the Karchond village cluster at Silvassa. The programme aims to create a model village improving the socio-economic growth. The programme endeavours to improve agricultural yields by improving the all-round availability of water. This is intended to be followed-up with initiatives on health & nutrition and forestry management.

The preparatory work on the project was started in August 03. The project involves the various government and related bodies and the village community including the Gram Panchayat at Karchond. Subsequently a Participatory Rural Appraisal and a Baseline Survey of the entire population was carried out to identify the development priorities of the village. A group of villagers then travelled to Gawadewadi, the model village established by Vanarai near Pune, for an orientation into the self-help village development model.

A preliminary plan to build several watershed/conservation structures was made based on a land chain contour survey and accordingly, in the first phase a total of 18 watershed structures were made in the village cluster. The bund building activity was carried out under the guidance of Vanarai with active support from members from the village community by way of "Shramdaan". A self-help group of 13 land-owning farmers was formed to exploit the water reservoir thus created, and for the first time ever the villagers were able to plant a second crop in Nov-Dec 2003. Various local government bodies have evinced keen interest in the project and supported it through availability of pump sets and seeds at subsidised rates. The project focusses on improving agricultural techniques and launching fresh initiatives in the areas of health, nutrition and joint forestry management.

Through this programme, your Company aims to achieve a step-change in the economic status of the village. This will also encourage reversal of urban migration, which has been the bane of the local village economy in Silvassa.

14. INFORMATION TECHNOLOGY

Your Company continued to add value to the business through Information Technology. Key thrusts were in the area of sales, supply chain, management information, computing infrastructure and telecommunication.

Use of eCommerce to collaborate with key Customers and extending deployment of mobile computing to aid selling has helped to unlock time and energy for sales and improve customer service. IT has helped develop new channels like modern trade, focus on rural market and support various other sales initiatives. Information management technologies like data-warehousing and portals have enabled your company to access consumer research library with ease, closely track the effectiveness of marketing activities and structure appropriate support plans.

Enhanced connectivity coupled with group working tools has enabled effective working of multi functional teams separated geographically, improved project management and excellence in execution. Communication tools like web casting, video conferencing and net meeting have reduced the distance and cost while improving effectiveness.

IT has continued to help re-engineer supply chain in a major way, reducing costs and improving stock availability. The information systems now provide on-line visibility of stock levels across the supply chain and monitor supply chain performance measures in a transparent way. IT has helped to integrate all outsourced manufacturing facilities and to move into a common material planning capability directly integrating key Suppliers.

With enhanced connectivity and centralised application deployment, we are now able to drive our business processes more efficiently and track operating controls centrally. This has enabled the individual units to focus on operational excellence and provide enhanced agility in execution. The major landmark during the year has been creating the National Centre for Sales Commercial providing commercial processes to support all Sales Offices, Distribution Warehouses and Stockists. A similar shared service centre is being created to support all manufacturing units.

With increased IT sophistication and dependence, your company is conscious of the need to review and enhance information security and operational reliability. Detailed disaster recovery plans supported by periodic security drills are carried out to ensure that business operations are not hindered due to technology operational failures.

IT is recognised as a vital resource that adds enormous business value and competitive edge. We will continue to make further progress by embracing new ways of working and adopting IT as a strategic tool.

15. FINANCE & ACCOUNTS

Your Company continued its strong cash generation driven by business performance. The enhanced capability of the supply chain and efficient collection system continue to facilitate cash generation. In the context of falling interest rate environment, your Company optimised the return on investments by deployment of cash surplus in a balanced portfolio of safe and liquid debt market instruments. The returns earned were higher than market benchmarks. Your Company continues to enjoy P1+ rating by CRISIL for its commercial paper programme. However, no commercial paper was placed during the year. The bonus debenture issue of your Company enjoys AAA rating by CRISIL and AAA (Ind) rating by Fitch.

The total amount of fixed deposits as of 31st December, 2003 was Nil. Deposits amounting to Rs. 1 6.53 lakhs were unclaimed by depositors as at 31st December, 2003. Your Company has sent reminders to these depositors to complete the procedural form alities for repayments.

In term s of the provisions of Investor Education and Protection Fund (awareness and protection of investor) Rules, 2001, Rs 95.84 lakhs of unpaid/unclaimed dividends and deposits were transferred during the year to the Investor Education and Protection Fund.

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

The Report and Accounts of the subsidiary companies are annexed to this Report along with the statement pursuant to Section 21 7 (2 A) and 21 7 (2 E) of the Companies Act, 1 956. However, in the context of mandatory requirement to present consolidated accounts, which provides members with a consolidated position of the Company including subsidiaries, at the first instance, members are being provided with the Report and Accounts of the Company treating these as abridged accounts as contemplated by Section 219 of the Companies Act, 1956. Members desirous of receiving the full Report and Accounts of the subsidiaries will be provided the same on receipt of a written request from them. This will help save considerable cost in connection with printing and mailing of the Report and Accounts.

Other Financial Information

RONW, ROCE, EPS and DPS for the last five years

For the year ended 31 December	1999	2000	2001	2002	**2003**
RONW	50.9%	52.6%	53.9%	48.4%	**82.8%**
ROCE	61.8%	64.5%	62.4%	59.4%	**60.2%**
EPS of Re.1	4.86	5.95	7.46	8.04	**8.05**
DPS of Re.1	2.90	3.50	5.00	5.50	**5.50**

Economic Value Added (EVA)

Economic Value Added for the last five years is given below :

Rs. Crores

Years	EVA	Average capital employed	EVA as % of capital employed
1999	694	2070	33.5
2000	858	2389	35.9
2001	1080	2816	38.4
2002	1236	3396	36.4
2003	1429	3780	37.8

The above EVA has been computed under well accepted conventions and assumptions. A detailed note on EVA is given in page F 38.

Segment-wise results

Hindustan Lever has identified seven business segments in line with the Accounting Standard on Segment Reporting (AS-17). These are: (i) Soaps and Detergents, (ii) Personal Products, (iii) Beverages, (iv) Foods, including Oils and Fats, Culinary, and Brand ed staples, (v) Ice creams, (vi) Exports, and (vii) Others, including Chemicals and Agri -Products. The Table below gives the audited financial results of these segments.

Segment revenue, results and capital employed

Rs. Crores

For the year ended 31 December	2003	2002
Segment Revenue (Sales plus Income from Services)		
Soaps and Detergents	**4,379.43**	4,385.02
Personal Products	**2,410.18**	2,095.05
Beverages	**1,184.17**	1,232.03
Foods	**602.46**	714.50
Ice creams	**93.39**	107.25
Exports	**1,246.31**	1,256.05
Others	**366.64**	343.77
Total	**10,282.58**	10,133.67
Less: Inter-segment revenue	**(37.11)**	(95.22)
Net Sales/Income from Operations	**10,245.47**	10,038.45
Consisting of		
a) Net Sales	**10,138.35**	9,954.85
b) Service income from operations	**107.12**	83.60
Segment Results (PBIT)		
Soaps and Detergents	**1,088.28**	1,134.49
Personal Products	**884.10**	760.05
Beverages	**224.84**	243.59
Foods	**0.56**	(28.92)
Ice creams	**0.39**	(14.39)
Exports	**61.53**	95.89
Others	**(15.00)**	(1.32)
Total	**2,244.70**	2,189.39
Less: Interest expense	**(66.76)**	(9.18)
Add: Unallocable income net of other unallocable expenses	**67.01**	16.91
Total Profit (PBT)	**2,244.95**	2,197.12

Capital employed in segments (Segment assets less liabilities)		
Soaps and Detergents	**162.37**	1 77.04
Personal Products	**212.30**	91.51
Beverages	**(32.22)**	(41.12)
Foods	**53.84**	(34.90)
Ice creams	**6.18**	(2.71)
Exports	**340.31**	265.04
Others	**119.45**	105.22
Total	**862.23**	560.08
Add: Unallocable corporate Assets less Liabilities	**1,276.50**	3,098.80
Total Capital Employed in Hindustan Lever Ltd.	**2,138.73**	3,658.88

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

Risk and Internal Adequacy

Your Company has a low debt equity ratio and is well placed to take care of its borrowings. Your Company is a large net foreign exchange earner and the transactions are suitably covered. There are no materially significant exchange rate risks associated with the Company.

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

For a FMCG company like Hindustan Lever, economic growth has a direct impact on its performance. Our outlook for the economy in 2004 is cautious, and we expect a GDP growth of about 6 - 7 per cent. Our plans for business development, revenue generation and profit growth factors in this GDP growth.

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. Actual results might differ materially from those either expressed or implied.

16. DIVIDEND

In the light of introduction of Dividend Distribution tax by the Finance Act, 2003 the Board reconsidered its recommendation for payment of a final dividend of Rs. 3/- per equity share of Re. 1/- each and ratified that the Final Dividend be recommended at Rs. 2.659 per equity share and an amount of Re. 0.341 be used for discharging the Dividend Distribution Tax liability @ 12.81%, thereby retaining the aggregate pay out at Rs. 3/- per share as originally recommended by the Board on January 29, 2003.

An interim dividend of Rs. 2.50 per share of Re. 1/- each amounting to Rs. 550.31 crores, was declared by the Board of Directors on July 31, 2003 and paid on August 28, 2003.

A final dividend of Rs. 3.00 per share, aggregating in all Rs. 660.37 crores was recommended on February 1 7, 2004.

17. DEPOSITORY SYSTEM

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

18. DIRECTORS

In view of his impending retirement from the services of the Company on attaining the age of superannnuation, Mr. Gurdeep Singh expressed his desire to step down from the Board of your Company during the year.

Your Company records its sincere appreciation to the long, dedicated and distinguished services of Mr. Gurdeep Singh. The Board also placed on record its appreciation for the valuable contributions made by Mr. Singh to the deliberations of the Board.

Mr. Aart C. Weijburg, Director -Detergents will be returning to Unilever after a stint of over five years with your Company. He has, therefore expressed his desire to step down from the Board of your Company, with effect from May 1, 2004.

Your Company records its sincere appreciation to the long, dedicated and distinguished services of Mr. Weijburg. The Board also placed on record its appreciation for the valuable contributions made by Mr. Weijburg to the deliberations of the Board.

Mr. Arun Adhikari - Executive Director Personal Products was appointed as an Additional Director with effect from May 1, 2004, to hold office till the conclusion of the forthcoming Annual General Meeting of the Company. The HPC Division formed by the integration of Company's Detergents and PP businesses will be headed by Mr. Adhikari as Managing Director - HPC Division.

Mr. S. Ravindranath - Executive Director Beverages was appointed as Additional Director with effect from May 1, 2004, to hold office till the conclusion of the forthcoming Annual General Meeting of the Company. The Foods Division formed by the integration of Company's Beverages, Culinary Products, Staple Foods, Icecreams and Confectionery businesses will be headed by

Mr. Ravindranath as Managing Director - Foods Division.

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

19. AUDITORS

M/s. A.F. Ferguson & Co. one of the joint statutory auditors of the Company, have expressed their intention to continue as the Control Assurance auditors of the Company and therefore do not seek re-election at the ensuing Annual General Meeting of the Company to act as the joint statutory auditor of the Company.

Your Company records its deepest sense of appreciation on the privilege enjoyed by the Company over long years of fruitful association with M/s A. F. Ferguson & Co., as the statutory auditors of the Company since its inception.

M/s. Lovelock & Lewes retire and offer themselves for re-appointment as the statutory auditors of the Company pursuant to Section 224 of the Companies Act, 1 956.

20. COMPANIES AUDITORS' REPORT ORDER, 2003 (CARO)

The Department of Company Affairs has replaced MAOCARO, 1988 with CARO, 2003. This order is applicable for all companies whose accounts are closed on or after 1st July, 2003. Considering the difficulties due to time constraints, department has said that though it would take a lenient view of any non-compliance by companies so long as they take 'serious efforts' to comply with the same. Accordingly your Company has requested the statutory auditors to communicate to management on compliance with the requirements of the said Order issued by the Central Government in terms of Sub-section (4A) of Section 227 of the Companies Act,1 956.

This report is given in page no. 53, 54 & 55.

21. APPRECIATION

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

22. TRADE RELATIONS

The Board desires to place on record its appreciation for the support and co-operation that the Company received from suppliers, redistribution stockists, retailers and others associated with the Company as its trading partners. The Company has always looked upon them as partners in its progress and has happily shared with them rewards of growth. It will be Company's endeavour to build and nurture strong links with trade based on mutuality, respect and co-operation with each other and consistent with consumer interest.

On behalf of the Board

M.S. **Banga**

Chairm an

Mumbai, April

29, 2004

ANNEXURE TO THE DIRECTORS' REPORT, 2003

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

		Stock Option 2001	StockOption2001StockOption2	Stock Option 2003
a)	Options granted	24,75,100 equity shares of Re. 1/- each valued at Rs. 5382.11 Lakhs	32,33,601 equity shares of Re. 1/- each valued at Rs. 6801.88 Lakhs	42,76,090 equity shares of Re. 1/- each valued at Rs. 5815.48 Lakhs
b)	The Pricing Form ula	Closing market price as on the date of option grant - 24.7.2001 Rs. 217.45	Closing market price as on the date of option grant - 23.4.2002 Rs. 210.35	Closing market price as on the date of option grant - 24.4.2003 Rs. 136.00
c)	Options vested	NA -Since options not exercisable before the expiry of three years from the grant of option (24.7.2001)	NA -Since options not exercisable before the expiry of three years from the grant of option (23.4.2002)	NA -Since options not exercisable before the expiry of three years from the grant of option (24 .4.2003)
d)	Options exercised	NA	NA	NA
e)	The total number of shares arising as a resu lt of exercise of option	24,75,100 equity shares of Re. 1/- each valued at Rs. 5382.11 Lakhs	32,33,601 equity shares of Re. 1/- each valued at Rs. 6801.88 Lakhs	42,76,090 equity shares of Re. 1/- each valued at Rs. 5815.48 Lakhs
f)	Options lapsed	1,95,300 equity shares of Re. 1/- each	1,93,413 equity shares of Re. 1/- each	88,605 equity shares of Re. 1/- each
g)	Variation of term s of options	NA	NA	NA
h)	Money realised by exercise of options	NA	NA	NA
i)	Total number of options in force	22,79,800 equity shares of Re. 1/- each	30,40,188 equity shares of Re. 1/- each	41,87,485 equity shares of Re. 1/- each
j)	Employee -wise details of options granted to : i) Senior managerial personnel			Details in Appendix NA
	ii) Any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year	NA	NA	NA
	iii) Identified employees who were granted option during any one year, equal to or exceeding 1 % of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	NA	NA	
k)	Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with International Accounting Standard (IAS) 33	NA - Since no options have been exercised till date.	NA - Since n o options have been exercised till date.	NA - Since no options have been exercised till date.

Note : i) Stock Option for 2004 have not been granted as on the date of the Directors' Report. These will be appropriately disclosed after such Grant is made,

ii) Option lapsed is as on December 31, 2003.

APPENDIX

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

Name of the Manager	Stock Options granted 2003
M.S. Banga	154000
M.K. Sharma	42880
Gurdeep Singh	42880
D. Sundaram	42880
A.S. Abhiraman	21440
Arun Adhikari	42880
Satish K. Dhall	42880
Gunender Kapur	53600
Anoop K. Mathur	32160
J. H. Mehta	32160
S. Ravindranath	53600
Dalip Sehgal	32160