Report of the Directors and Management Discussion & Analysis

1. PERFORMANCE OF THE COMPANY

1.1 Results

Your Company's performance during 2004 is summarised below :

Rs. Lakhs

	2004	2003
Gross turnover	**10888,38**	11096,02
Turnover, net of excise	**9926,95**	10138,35
Profit before tax	**1505,32**	2244,95
Tax on profits	**(306,05)**	(440,61)
Exceptional Items	**(1,93)**	(32,55)
Net profit	**1197,34**	1771,79
Dividend (incl. tax on distributed profits)	**(1246,15)**	(1973,35)
Transfer to General Reserve	**(125,00)**	(178,00)
Profit & Loss Account balance carried forward	**644,80**	818,61

1.2 Key Ratios

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

	2004	2003
Earnings per share (Rs.)	**5.44 (per share of Re. 1/- each)**	8.05 (per share of Re. 1/- each)
Dividend per share (Rs.)	**5.00 (per share of Re. 1/- each)**	5.50 (per share of Re. 1/- each)
Return on Net worth (%)	**57.2**	82.8

1.3 Turnover

Gross turnover for the year declined by 1.9 % and net turnover declined by 2.1% primarily due to business disposals. The sales of products in different categories, net of excise, appears below:

Rs. Lakhs

	2004		2003	
	Sales	**Others***	Sales	Others*
Soaps, Detergents & Scourers	**4447,98**	**22,76**	4357,51	21,92
Personal Products	**2434,83**	**37,41**	2376,57	33,61
Beverages	**1192,89**	**1,66**	1184,18	—
Foods	**285,07**	**—**	601,80	66
Ice Creams	**87,74**	**1,20**	91,74	1,65
Exports	**1249,02**	**—**	1225,10	—
Others	**229,42**	**45,31**	301,45	49,28
Total	**9926,95**	**108,34**	10138,35	107,12

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

1.4 Summarised Profit and Loss Account

Rs. Lakhs

For the year ended 31 December,	**2004**	2003	Growth%
Net sales	**9926,95**	10138,35	(2.1)
Other income	**318,83**	459,83	(30.7)
Total income	**10245,78**	10598,18	(3.3)
Operating expenses	**(8489,58)**	(8161,68)	4.0
PBDIT	**1756,20**	2436,50	(27.9)
Depreciation	**(120,90)**	(124,79)	(3.1)
PBIT	**1635,30**	2311,71	(29.3)
Interest	**(129,98)**	(66,76)	94.7
Profit Before Taxation (PBT) and exceptional items	**1505,32**	2244,95	(32.9)
Taxation : Current tax	**(266,00)**	(427,36)	(37.8)
Taxation : Deferred tax	**(54,74)**	(60,94)	(10.2)
Taxation adjustments of previous years (net)	**14,69**	47,69	(69.2)
Profit After Taxation (PAT) and before exceptional items	**1199,27**	1804,34	(33.5)
Exceptional items (net of tax)	**(1,93)**	(32,55)	(94.1)
Net profit	**1197,34**	1771,79	(32.4)

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, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

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

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 practicing the principles of good corporate governance over the years.

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

4. MANAGEMENT DISCUSSION AND ANALYSIS (MD & A)

As in the previous year, this Report includes MD & A as appropriate so that duplication and overlap between Directors' Report and a separate MD & A is avoided and the entire material is provided in a composite and comprehensive document.

5. PRODUCT CATEGORIES

During the year, your Company undertook a re-organisation of its business structure and formed two Divisions by way of integration of the Personal Products and Detergents businesses into (i) Home and Personal Care (HPC) Division and integration of the Beverages, Foods, and Ice Cream businesses into (ii) Foods Division. New ventures, Speciality Exports and Plantation continued to operate outside these two Divisions.

This report records the business performance of your Company in a simplified structure with a sharper focus on key brands and categories.

5.1 Home and Personal Care Business

The Home and Personal Care (HPC) business had a challenging year, with intense competitive pressures. During the year 2004 sales grew by 2.2%, which was below plans but broadly in line with the HPC market growth of 2.5%. The market was sluggish for most part of the year, with most categories recording negative to flat growth till September 2004 - it is only in the last quarter that the HPC market witnessed about 5% growth in volumes and value. The key strategic thrusts of your Company's HPC business during 2004 were : accelerate volume growth, continued innovation and activation on the brands, competitive pricing and increased brand investments.

5.1.1 Soaps and Detergents

In the Soaps and Detergents segment, your Company grew top-line by 2.1%, but declined in segment profits by 28.8% over 2003. Segment margins dropped from 24.8% in 2003 to 17.3% in 2004.

In the beginning of the year, there was intense competitive activity in the Fabric Wash category which started off with a round of sharp price cutting, followed by increased advertising and promotional spends. Determined to meet any competitive threat, your Company responded to these developments with a clear plan to protect the consumer franchise market shares. Prices of Surf Excel and Surf Excel Blue powders were dropped to match competition, which led to much lower realisations, partly compensated by volume growth. Significant investments were made in product innovations and quality, such as upgradation of the active detergent bases, perfume improvements and packaging presentations. Surf was relaunched as Surf Excel Blue with improved product performance at lower prices. Surf Excel Quick Wash was introduced with low foaming properties that enables consumers to wash clothes effectively with substantial reduction in water usage. This product has been a big success in water scarce areas such as Tamil Nadu and Andhra Pradesh.Your Company is confident that this consumer-relevant and environment-friendly innovation will find greater acceptance throughout the country.

The unique 'zero mineral' detergent bar Rin Supreme continued to grow strongly, backed by great product performance and advertising. In the last quarter, Rin Shakti was relaunched as Rin Advanced, with improved quality and packaging appeal – the initial consumer response to this campaign has been positive. Consequently, the Rin franchise grew in value terms despite competitive pressures. Your Company's No.1 Brand Wheel – the common man's detergent, maintained its consistent growth record, gaining significantly in volumes and value. True to its promise of delivering good value for money, Wheel was significantly improved in quality terms, especially in detergency. Wheel Active continued to gain consumer acceptance, and helped sustain the growth momentum of this large brand, especially in geographies where its market shares were traditionally lower.

While all these investments in the Fabric Wash category have affected profitability, the actions have paid off since your Company has gained volume market shares and maintained value market shares despite aggressive competitive attack. Category volumes grew by 4.3% on a large base of nearly a million tons, and value growth was lower but still positive.

In the Toilet Soaps category, there was intense competition from local and regional players, some of whom are engaged in 'commoditisation' of this category. The first half of the year saw very high costs of vegetable oils in the global and local markets, which put immense pressure on profitability. In the later part of 2004, however, oil prices eased. Your Company made substantial investments in this key category, with positive results in 2004.

The flagship brand Lifebuoy continued to record double-digit growth, on the back of market share and volume gains. Lifebuoy which was transformed from a carbolic soap into a modern toilet soap in 2002 has been growing ever since. During 2004, Lifebuoy was relaunched in the first quarter with a unique shape, improved packaging and competitive price. Significant advertising spends on this brand, coupled with product and packaging upgradations, led to a strong top-line growth and gains in market share.

The other main soap brand Lux also saw significant innovations. Lux International was relaunced with improved formulation and in carton packing, and Lux Pink was relaunced in an appealing shape and packaging, enriched with 'skin care' ingredients. However, Lux faced severe competitive pressures from several brands, as a result of which the brand was flat in top-line. Hamam was relaunched in Tamil Nadu with an improved formulation, enriched with Aloe Vera and other natural extracts. This initiative saw a dramatic consumer acceptance and volume growth. Dove, a highly successful international brand, almost doubled its volumes after your Company introduced a 75g pack priced at Rs. 25, and focussed on distribution and shelf availability across towns. Pears, the original glycerine soap, recorded double-digit growth once more aided by the introduction of a new 'Germ Shield' variant.

As a result of your Company's focus on supply chain efficiencies and improved mixes, inherent margins in Toilet Soaps continue to be healthy. These have been ploughed back into advertising as part of the strategy to build brands and to stem the 'commoditisation' of this category. While the top-line has grown marginally in 2004, your Company is confident that this strategy will pay off in the long run.

In the Dish Wash category, Vim continued to grow on the back of the consumer relevant 'polycoat' innovation in select geographies. Vim faces competition from several regional players, but continues to be a strong market leader.

5.1.2 Personal Products

In the Personal Products segment, your Company grew top-line by 2.6%, but declined in segment profits by 8.7% over 2003. Segment margins dropped from 36.7% in 2003 to 32.7% in 2004. Your Company gained significant market shares in Skin Care and recorded small gain in Toothpaste, but lost in Shampoos and Talcum Powders. The Personal Products segment also witnessed intense competition from both MNC and local players in all categories.

In Oral Care, the toothpaste market, which has been stagnating for more than two years, is now showing signs of growth especially in rural areas. Pepsodent continued to increase volumes driven by low unit price packs (Rs. 10 and Rs. 5) despite stiff competition from established and new low-cost players. Pepsodent Whitening was launched with 'Perlite' – this product performs exceedingly well in preventing yellowing of teeth and has been well received by consumers. Close Up, however, declined in volumes and in market share. To revive this brand, Close Up was relaunched with Vitamins and Fluoride and in an attractive packaging.

In the Hair Care category, your Company has three main brands, viz., Clinic Plus, Clinic All Clear and Sunsilk. Prices of large shampoo bottles were dropped from March 2004 and greater focus put on low price sachets to stimulate consumption. Led by a huge surge in offtakes of the 50p and Re.1 sachet packs and the Rs. 5 / Rs.10 small bottle packs, shampoo volumes grew by over 25%. However, value growth was affected due to pricing impact. Clinic Plus, the family health brand, was relaunched on the platform of "5 benefits". Clinic All Clear, the anti-dandruff shampoo, was relaunched with an international mix and in a uniquely shaped bottle ; for the first time, a 'shaped' sachet was also introduced at an affordable price of Rs. 2. Your Company is confident that the strategy of focussing on growth in sachets and the low priced bottle packs, along with substantial investments in brand building activities, will help in building market share.

For the Skin Care category, it was another good year. The category growth was all-round with all 3 brands registering growths – Fair & Lovely, Pond's and Vaseline. A new variant of Fair & Lovely – the 'Oil Control Gel' was launched in the second quarter, and has been received well by consumers. A unique top-end range of skin care products under the umbrella of Fair & Lovely Perfect Radiance was also launched and is now sold in 500 exclusive counters in select cities. Fair & Lovely continued to gain market share, thanks to the continued growth in the sachet pack (Rs. 5) volumes and consumer acceptance of the variants.

Pond's Talcum Powder, which was relaunched in 2003 with a unique, consumer-friendly packaging, had another year of good growth in a stagnant market. The Rs. 5 mini Talcum pack led the growth in rural markets. Pond's Cold Cream continued to grow in volumes and value, with good offtakes coming from the mini Rs.5 pack in rural markets. The Vaseline brand saw a repeat of strong growth in both Lotions and Petroleum Jellies, helped by the introduction of a mini Rs. 5 Lotion pack and a successful relaunch of the Petroleum Jelly in a new attractive packaging.

Lakme had another great year of growth in both Colour Cosmetics and Skin Care. Several new introductions contributed to the brand's continued growth, notable amongst them being Lakme Sun Protection range, Jewel Sindoor, Dual Definition Lipcolor and Shimmer Eye Cube. Lakme Radiant, a popular face powder compact, was relaunched in an attractive packaging. The Lakme beauty salon business grew by 43% through increased footfalls in the existing salons and expansion of the network to 78 locations. The Lakme India Fashion Week was once again a big success, with participation by leading Indian fashion designers, huge media coverage and growing public interest in the event.

In the Deodorants and Male Toiletries category, both Rexona and Axe were severely impacted by the presence of imported 'grey' products in the market. Your Company is planning strong anti-grey actions to grow these strong Deodorant brands.

5.1.3 Customer Management

Your Company took major initiatives in the area of customer management and market activation. The focus of the sales force was redirected towards improving the quality of merchandising. This was done through training programmes, more empowerment of people, setting new standards in merchandising and changes in the field force incentive plans. All these changes have led to a marked improvement in the quality of market activation and customer management and better discipline in sales promotions. Roll out of RSNet, the tool for electronic connectivity, led to timely information on stockist inventories. As a result, your Company was able to implement a phased reduction in stockist holdings with faster rotation of stocks and increased frequency and reliability of order servicing.

Several programmes have been initiated to improve servicing to valued retail customers and improve the quality of activation at the Point of Purchase. Your Company's relationship with key customers such as Canteen Stores Department, Food World, Subiksha, Nilgiris, Big Bazaar, etc. was improved through focussed Modern Trade channel teams. The Company is well placed to partner with the growing Modern Trade. A dedicated Rural Channel team was set up with a separate field force and stockist network to cover the rural markets, which offer tremendous growth potential. A depot modernisation plan was initiated to automate warehousing operations and make them more efficient and customer-oriented – 9 depots have been modernised, and the balance will be covered in the next 2 years.

5.1.4 Supply Chain

In a year marked by sharp escalations in petroleum / petrochemical costs, retail price reduction and changing mix in favour of low priced packs, your Company's sharp focus on cost reduction programmes resulted in significant benefits. Your Company benefited from Unilever's global strengths, which led to significant buying cost advantages. Strategic alliances with many international and local vendors led to development of new technologies, new materials and joint cost reduction programmes, the benefits of which were shared between your Company and the vendors. Your Company was able to achieve several breakthroughs in factory efficiencies, resulting in significant productivity gains and conversion cost optimisation.

Two new factories were commissioned towards end 2004 at a total cost of Rs. 220 crores - a 100,000 TPA Soaps and Detergents factory at Barotiwala in Himachal Pradesh and a 50,000 TPA Personal Products factory at Haridwar in Uttaranchal. Several vendors have also set up supporting ancillary units in these two locations, which has led to significant employment generation. These two factories will help reduce overall supply chain costs in the northern region through scale efficiencies and fiscal benefits.

5.1.5 Indexport Ltd.

Indexport Ltd., which is a 100% subsidiary of your Company continued its focus on Filtered oils and Value added Hair Oils. Nihar Filtered Coconut Oil sales grew on the back of firm commodity prices. The value added Hair Oils range, under the Nihar brand name, grew significantly in volumes, value and profitability.

5.1.6 Kimberly - Clark Lever Pvt. Ltd.

Kimberly - Clark Lever Pvt. Ltd. (KCLL), the joint venture between your Company and Kimberly Clark Corporation, USA, had another year of outstanding performance. Turnover grew by 27% led by 24% growth in volumes. Profit before taxes increased by 25%, helped by turnover growth and operational efficiencies. Huggies is the market leader in the diapers market, and grew volumes by 36% and value by 31%. In the sanitary napkins category, Kotex faced severe competition from the market leader but still grew volumes by 19% and value by 20%, aided by Kotex Active in premium segment and Kotex Style in discount segment.

5.2 Foods

Following the re-organisation in April 2004, Processed Foods and Beverages businesses were integrated.

To derive full benefits of the integration and maximise supply chain synergies, significant initiatives were undertaken during the year. The entire supply chain of foods, including the sales force were integrated.

The ice creams factory at Nasik is being equipped with facilities for producing squashes and jams thereby upgrading the foods supply chain to world class standards and optimising cost. This along with other this initiatives will enhance flexibility, contribute to the growth plan and create centres of excellence in manufacturing.

A shared service for planning, sourcing and production scheduling has been established in Bangalore to ensure inventory management based on replenishment principles across the entire supply chain. This, in addition to ensuring freshness of product to consumers and high level of customer service, will also optimise stock levels leading to cost reduction.

The highlights of the individual categories are given below :

5.2.1 Tea

The strategy of the Tea business to deliver profitable growth through two MEGA brands, viz. Brooke Bond and Lipton, delivered good results for the second year. Your Company strengthened its dominance in packet tea market by building on the successful Brooke Bond launch of 2003, following a focussed strategy of strengthening the three sub-brands of Brooke Bond and expanding its presence to cover white spaces. High impact market activation at state levels and providing accessibility through consumer value packs helped in increasing Brooke Bond market share and its continued strong growth.

The Lipton brand targeted at modern young consumers was aggressively expanded in the Out Of Home (OOH) segment. Lipton Ice Tea was successfully test marketed in Bangalore and Chennai. With a proven mix, it is planned to expand its presence aggressively, leveraging the strength of the partnership with Pepsi. Your Company has identified the OOH Channel as one of the growth drivers of the Beverages business. Having recorded aggressive growth for the last two years, the channel will now be used to drive growth for the entire Beverages and Foods categories.

5.2.2. Coffee

Coffee business had another exciting year. The instant coffee category registered strong growth aided by the relaunch of Bru with a new high impact identity backed by communication and modern pack formats. The brand franchise was further strengthened with the filter coffee brand, Deluxe Green Label being relaunched as Bru Roast & Ground. The change has been well received by consumers and is expected to drive growth and enhanced imagery for the brand. The year also witnessed the launch of Bru Malabar Roast & Ground in select geographies for discerning consumers of coffee. Growth in the year was also contributed by superior activation post the relaunch, penetration building activities and brand investment in strategic channels like OOH.

5.2.3 Processed Foods

The business had a very challenging year. A series of steps were taken to reduce trade stocks significantly in order to improve customer service and the freshness of products delivered to the consumer. Though this has affected the results of the business, it has not impacted the competitive position. Market shares across categories show an improvement over previous year inspite of severe competition from low-cost and multinational players.

With a strong innovation plan and a streamlined supply chain, the business is confident of improved performance in 2005.

5.2.4 Modern Food Industries (India) Limited

The Bread business continued to focus on profitable growth and margin improvement. There was an improvement in bread gross margin over 2003 by 140 basis points after absorbing the impact of sustained key input price increases during the year. To improve margins, a number of loss making SKUs/routes were rationalised/discontinued. In line with its business strategy, the management is focussed on turning around the bread business with restructuring of loss making units. The Company's reported sales were lower due to the cessation of the Supplementary Nutritional Foods business in Uttar Pradesh and Rajasthan. The business model moved from ancillary to franchisee units to improve operational efficiency, reduce costs through a more efficient and leaner organisation.

5.2.5 Ice Creams

Ice Cream business focussed on innovations based on the twin principles of affordability and excitability, to further strengthen the Kwality Walls brand. Key launches included Cornetto at Rs. 15 in select geographies, Feast Crunchy Chocobar at Rs. 12, Lime Punch at Rs. 10 and Sunshine Zing cone at Rs. 10, thereby making the Kwality Walls brand experience accessible to more consumers through break-through cost reengineering and value delivery. In the take-home range, Viennetta vanilla-chocolate variant and new value-added multi-sensorial products such as Cake Crème and Chocolate Xcess, all at a price point of Rs. 99 were introduced. A unique Black Forest Sundae was launched in select geographies with a 100% vegetarian cake. The innovation of 100% vegetarian cake was also extended to the ever-popular Cassatta at a price point of Rs. 25. The response to all these innovations has been very good.

The business accelerated the new channel development work by rolling out more parlours across the country.

Availability and expansion, both in retail and mobile vending channels was accorded high priority with innovative low cost, low power consuming freezers and attractive visibility.

With an exciting range of innovations and its continued focus on cost and supply chain management the business is poised for improved performance in 2005.

5.2.6 Merryweather Food Products Limited

The sales for the year grew by 24% to Rs. 7.78 crores. The Company posted a profit after tax of Rs. 1.47 crores. The profit after tax improved due to better performance and also due to surplus on disposal of fixed assets.

5.3. Plantations

After four years of continuous fall, the tea prices reversed the trend in 2004, with the auction prices of both North and South Indian teas witnessing substantial improvement. Consequently, the business witnessed a growth of 7.6% in sales value. While improved realisations helped in containing losses, the rigidities in the cost structure (mainly labour costs which include social costs such as housing, education, health, foodgrains and firewood and other welfare measures) continue to affect the viability of the business.

The business continued its focus on improving productivity and quality. Crop levels improved in Assam while owing to bad weather there was a decline in South Indian crop. Certification to meet UQCSRM standards of Unilever was awarded to two factories, further enhancing quality assurance standards. Cordial industrial relations were maintained throughout the year.

The business also progressed initiatives under the Corporate Social Responsibility (CSR) project. A "Rickshaw Bank Project" providing alternative sources of employment to the local community was launched in Assam. Formation of Self-Help Groups (SHGs) was facilitated through active involvement with local communities. These form the vehicle through which employment and means of livelihood generating schemes such as Poultry, Piggeries et al. Unilever driven Sustainable Agriculture Project aimed at creating economic value through operations/activities that do not cause adverse impact on the environment, or on the local communities in which we operate, progressed during the year. The improvement plan outlined the increased use of renewable energy, Integrated Pest Management practices, organic fertilizers, etc. Vermi-compost, produced in-house, Bio fertilizer and Bio pesticides used in Thiashola Estate, which is 100% organic went hand in hand with compliance with EU and Unilever norms on pesticide usage with regular residue analyses ensuring consumer safety of the product.

Improved water management systems were implemented in all drought-prone units in plantations in consultation with BAIF Development Foundation, Pune. Renewable energy from self-generated fuelwood and wind-power has progressed well.

Environmental Audit Protocol was developed in-house and audits are being carried out. The South India Team won the runner up prize in the Unilever photo competition during the year for the category "Environmental Care".

With several indigenous tree saplings planted out to enhance tree cover, your Company has worked with Nature Conservation Foundation, Mysore (NCF) in conserving biodiversity of the local forests, which included setting up rain forest species nurseries with different indigenous and endangered species. To involve the local tea firms and educate local population in environment conservation, company managers actively participated in establishing the Anamallai Bio diversity Conservation Association (ABCA).

5.3.1 Rossell Industries Limited

The Company incurred a Net Loss of Rs. 11.37 crores during the year 2004 as compared to a Net Loss of Rs. 26.35 crores during the year 2003. Net Sales during the year under review grew by 27% at Rs. 40.68 crores as compared to Rs. 32.07 crores in the previous year, aided by improved auction prices despite a marginal decline in sales volumes.

5.4 Speciality Exports

5.4.1 Castor

Castor business registered a significant top-line growth of 43%, driven entirely by higher volumes. In particular, the Derivatives business, identified as the growth engine, registered excellent top and bottom line growth of well over 100%, through expansion in customer base, superior customer service and improved portfolio. The bulk oil business also grew 35%.

5.4.2 Marine

Marine Products exports business maintained its shares despite tough conditions caused by declining US dollar and imposition of anti-dumping duty in the US on shrimp exports from 6 countries, including India. The handsome growth of 20% in European market helped the business to absorb the effect of disruption of business caused by anti-dumping duty in the US.

Several new customers were added in Europe whereas new markets developed include Greece, Romania, Belgium and Holland for crabsticks and Korea, Japan, Denmark, South Africa, Norway, Poland and Australia for shrimps.

Supplies to Supermarket chains started during the year includes Auchan in Spain, Jetro in the US and E Le Clerc in France. Unilever sourcing was extended to countries like Italy and Germany, in addition to Spain.

The Crabsticks facility at Chorwad has been awarded the accredition by the British Retail Consortium thereby enabling us to enter the highly competitive UK market. Overall your Company maintained Number One position in Marine Exports from India.

5.4.3 Rice

In the Rice Exports, Rozana brand grew by 65% in the Popular segment. The branded business now constitutes over 30% of the total Rice Exports business.

Rice Meal Kits, the 9-minute basmati recipe in the value-added products category was extended to the US during the year.

5.4.4 Pond's Exports Limited - Leather

Leather business under Pond's Exports Ltd. (a 100% subsidiary of your Company) grew 13% over 2003 in a declining market. Both, Full Shoes as well as Uppers businesses achieved growth. The exit of Clarks, a large Uppers customer from India was well managed. This was replaced with customers like Eram from France and Richter from Austria. In Shoes, the business extended to children and ethnic segment during the year with supplies started to new customers, Primigi in Italy and Eegim in Holland.

The Goverment of India awarded the National Safety Award under the Scheme 3 & 4 of the National Safety Awards (NSA) to the Footwear Factory at Pondicherry for the year 2003. The Uppers business received second position and a certificate of merit in Footwear Components exports for the year 2003-04 from the Council of Leather Exports (CLE).

5.5 New Ventures

5.5.1 Water

Your Company has developed Pureit, the most advanced water purifier in the world. It is the only water purifier giving water as safe as boiled water without boiling and without needing electricity or continuous tap water supply at an affordable price. Pureit has Germkill Battery™ that gives water free from viruses, bacteria and parasites. It therefore provides 100% protection from all diseases like jaundice, diarrhoea, typhoid and cholera that come from drinking water. Pureit also removes pesticides that may be present in drinking water. For protection against viruses, bacteria, parasites and getting microbiologically safe drinking water, Pureit meets the germkill standard of the toughest regulatory agency in the USA, the EPA.

Pureit is a combination of unique technological breakthroughs and a team of over 100 Indian and international experts from HLRC and Unilever Research Centers have devoted over five years to develop this. The performance of Pureit has also been tested by leading scientific and medical institutions in India and abroad.

Consumers get six liters water that is as safe as boiled water for just one rupee. A unique business model involving setting-up of Pureit Safe Water Zone has been developed. In Pureit Safe Water Zone, consumers go through an experiential process giving one to one brand interaction. Pureit has been initially launched in Chennai and the response has been encouraging.

5.5.2 Hindustan Lever Network

Hindustan Lever Network is a multi-category business opportunity in the area of network marketing. In 2004, Hindustan Lever Network has become a lead network marketing business in the area of Home and Personal Care.

Based on superior consumer understanding and Unilever's world class technology, eleven new products were launched during the year. In addition, Aviance hair care range was relaunched as a unique 3-step hair care regime. The rapid pace of innovation ensured product sales more than doubled over previous year. The business now has a full line Home and Personal Care portfolio under four brands viz. Aviance, Denim Xclusive, Leverhome and Ayush Spa.

With induction of over 113,000 new consultants into the network the consultant base increased to 350,000. A vibrant training organization with a capacity to train 35,000 persons per month is in place providing customized training to the consultants across the country. Hindustan Lever Network is now present in over 220 locations across the country servicing over 1400 towns.

During 2005, Hindustan Lever Network would further build the channel capability. In addition, capabilities in Training, Information Technology, Supply Chain would be further upgraded to achieve sustainable competitive advantage.

5.5.3 Project Shakti

70% of Indian population lives in 627,000 villages and these markets with their large population present a significant opportunity for your Company. Over two thirds of these villages are not easily accessible due to poor infrastructure and lack of business viability. 'Shakti' is a unique, win-win programme addressing this opportunity. 'Shakti' operates through 3 initiatives :

Livelihood Model provides micro-enterprise opportunities for women from Self Help Groups (SHG's) making them direct-to-home distributors of HLL. Partnerships with several NGOs and support from state governments have been key enablers for the programme. This initiative is now operational in 12 states across the country. Currently, over 13,000 women entrepreneurs cover over 50,000 villages, earning an average income of Rs. 700/- per month, doubling their household income. By end of 2005, there will be 20,000 Shakti Entrepreneurs reaching out to over 80,000 small villages.

Shakti Vani is a communication initiative that seeks to improve the standard of living in the rural community. Village women are trained as 'Vanis' and disseminate information on basic hygiene practices, adoption of which will dramatically improve the health & hygiene standards in the villages. Shakti Vani currently covers 10,000 villages in Madhya Pradesh and Karnataka, and is being rolled out to other parts of the country in 2005.

iShakti is a rural community portal that provides relevant and valuable information for the rural populace. Information is available on areas such as agriculture, health and hygiene, education, veterinary, legal, employment, etc. thus filling the information gap that exists in the villages and unlocking rural productivity and prosperity. The site is completely in local language with text to voice facility enabling even the illiterate to get benefit of information. Currently over 400 iShakti kiosks are functional and by end of 2005 this would be scaled up to over 3,000 kiosks.

'Shakti' provides significant benefits for all its participants. For the SHG women, it provides a stable, sustainable source of income. For villagers, this channel has become a source of genuine and correctly priced products. Access to basic health and hygiene information through Shakti Vani and other relevant information through iShakti is improving living standards and unlocking rural prosperity in the villages. For your Company this initiative provides discontinuous increase in rural distribution doubling the rural coverage.

By end of 2005, 'Shakti' programme will significantly impact lives of over 100 million rural Indians.

5.5.4 Consumer Health Care

The Ayush range of Ayurvedic products offer health and beauty benefits by combining ancient Ayurvedic knowledge with clinical efficacy of modern science. These unique formulations have cleared rigorous test protocols and are backed by endorsement from the reputed Arya Vaidya Pharmacy, Coimbatore. In addition to gaining deep knowledge of Ayurveda, the business has built a strong technological foundation for Ayurvedic product development and safety clearance protocols along with sourcing and testing of herbs. This would be leveraged to develop Ayush range of products for future.

The business is developing strongly on three legs of traditional retail, direct selling and health & wellness services. Ayush is the first Ayurvedic brand to get into Therapy centers. Ayush Therapy Centers show promising signs of an independent business opportunity and 15 Ayush Therapy Centers have been launched across 7 cities of Chennai, Bangalore, Mumbai, Hyderabad, Goa, Pune and Delhi. Ayush Spa range was extended in direct selling channel through HL Network and has received excellent response. The launch of Ayush Poshak Rasayana and Ayush Pure Herbs would enable further gains in this channel. In traditional retail, the brand is doing well in select parts of the country. Based on the learning a stronger mix is being reworked to develop a Master Brand spanning across Personal Care segment.

5.5.5 SangamDirect

SangamDirect, the direct to consumer e-tailing initiative services orders placed by customers on phone or e-mail within 24 hours. It was further scaled up in Mumbai and a state of the art call center and pick-n-pack facility was put in place to achieve superior service levels at optimal costs.

Sangam offers a unique convenience benefit to customers, which is increasingly relevant in urban areas. Over 100,000 families have already tried out the convenience offered by Sangam. For your Company, this initiative provides strong growth potential. In the context of modernising retail sector in the country, Sangam's direct contact with customer enables your Company to anticipate customer needs better.

The Sangam Direct operates as a part of Indexport Limited, a wholly owned subsidiary of your Company.

6. RESEARCH & DEVELOPMENT AND TECHNOLOGY

Technology continues to be a key differentiator for your Company's brands and the effort by our scientists and technologists continue to be focussed on creating business-sustainable value to the consumers, through speedy conversion of appropriate scientific ideas.

Development of a superior technology platform to address one of the key issues facing Indian consumers, viz., purity and safety of the water they drink, was one of the prime achievements in 2004. A novel and exclusive combination of technological propositions was developed for in-home purification of water and the product was test marketed successfully. This device was developed through over five years of R & D, with its performance conforming to the most stringent EPA specifications for purification of drinking water of unknown origin. The device requires no electricity or pressurised water. Several other technological options to purify water for safe consumption are being explored, with the goal to offer a range of convenience/affordability options to consumers.

A new environment friendly technology to clean fabrics was tested in pilot scale and options to take the technology forward to benefit consumers are being explored.

Technology to improve in-use economy to dish wash bars was developed earlier. Its implementation was further refined in 2004 and the product rolled out in many parts of India.

The focus of technology in the beverages area has been on developing effective methods to screen actives, especially those of ayurvedic/herbal origin, and provide additional health benefits to consumers through tea. Several technological refinements have been introduced in manufacturing of tea and coffee, saving cost and/or improving products.

Launch of a kids-nutrition initiative, sauces for regional tastes, and novel formats for jams and sweet bread accompaniments were some of the developments in Foods.

New developments in the area of Personal Wash products include mild soap bars and Personal Wash bars with specific skin health benefits. Skin-lightening continues to be an area of focus for research and a new formulation, based on Ayurvedic actives, was developed and launched. New research programs to improve skin and hair health have been initiated. An extensive research, combining the rich traditional knowledge in Ayurveda with the tools of modern science, has been launched. Work in this area is helping to rationalise therapeutic treatments and it is also expected to result in new propositions for skin/hair care and nutrition.

Overall, your Company is continuing to add value to its products and services through infusion of technology, built on a foundation that has been continuously broadened and strengthened.

7. ENVIRONMENT, SAFETY AND ENERGY CONSERVATION

Occupational Safety and Environment Management continues to be an important area for your Company and received focussed attention throughout the year. The only acceptable standard of Safety performance for your Company envisions "zero accidents". During 2004, Accident Frequency Rate, already one of the lowest amongst Unilever Companies worldwide, reduced further.

Your Company is on a unique safety journey with an intensive focus on behavioural aspects of safety, along with continual improvements in engineering controls and safety management systems. For this purpose, your Company engaged M/s. DuPont, a global organisation reputed for its exemplary safety performance. More than 1500 managers and officers have undergone rigorous training to inculcate the behavioural change that is required to accomplish sustained excellence. This will also serve to reinforce the implementation of Unilever's Framework of Standards aligned to international standards of ISO 14001 / OHSAS 18001 which has significantly progressed as measured through independent periodic audits. During the year, Khamgaon and Sayli factories received the highest safety honour for any site within the whole Unilever world – the Premier and Regional Safety Trophies – for their exemplary safety performance. Five other Units also received Unilever's Gold/ Silver Safety Trophies. Rajpura factory received the "Sreshtha Suraksha Puraskar" from National Safety Council of India for practicing the highest standards of safety.

Your Company's 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, with annual reduction targets for individual manufacturing sites monitored on a monthly basis. Your Company has recorded further reduction in specific energy consumption of 8% over 2003, through productivity improvements; induction of innovative energy-efficient process technologies, use of alternative sources of energy and recycling/reuse of energy stream where feasible. Recognising that fresh water is a national resource and in short supply in many parts of the country, your Company has developed a new detergent formulation - currently in the market - to significantly reduce use of water for washing at the consumer's end. To conserve ground water, your Company has progressed 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 have progressed well.

8. PERSONNEL

The Human Resource agenda 2004 focussed on reinforcing leadership engagement, achieving the productivity in the manufacturing units through the process of bilateral negotiations and improving team working culture across levels in the organisation.

A large number of managers in leadership positions were provided inputs and support to imbibe and practice an engaging style of leadership, which incorporates coaching of team members as a key element. These are critical steps to bring about the cultural change, which is aligned to the goal of being a "great place to work in". The culture of working in teams to achieve the priority business goals was driven with passion and commitment.

The TPM journey continued to make considerable impact at the manufacturing units. The adoption of TPM in sales establishments has also taken deep roots and Mumbai branch has achieved Level 1 certification as well. During the year 2004 six units achieved Level 1 (TPM Excellence Award) and three units achieved Level 2 (Consistency in TPM Excellence Awards). With this ninteen units of your Company are Level 1 certified and four units are Level 2 certified.

During the course of the year, productivity linked Long Term Settlement were signed in thirteen units through a process of bi-lateral negotiations with the employee representatives.

The different product categories have been re-organised into large business divisions - Home and Personal Care, which comprises erstwhile Detergents and Personal Products, Foods, which includes erstwhile Beverages, Processed & Popular Foods and Ice Creams. The movement of people and consequent achievement of synergies have been managed in a smooth and seamless manner.

9. ACQUISITIONS & DISPOSALS

9.1 Acquisitions

No business acquisition was made during the year.

9.2 Disposals

9.2.1 In line with the Company's business strategy to exit non-core businesses, the Company completed formalities for disposal of its Mushroom business which formed part of KICM (Madras) Ltd.

9.2.2 Your Company has disposed its balance shareholding in its Seeds business on and from 30th March, 2005.

9.2.3 Your Company's subsidiary Lipton India Exports Ltd. together with Unilever Overseas Holdings BV, the Netherland based wholly owned subsidiary of Unilever PLC, disposed off their respective holdings of 61,85,642 equity shares and 37,00,000 equity shares in Rossell Industries Ltd. (RIL) constituting approx. 97.5% of the total equity of RIL in favour of MK Shah Exports Ltd., an unlisted company engaged in the Tea Exports and Plantations business.

9.2.4 Your Company has approached the Members for their approval under Section 192A of the Companies Act, 1956 to transfer the Company's Tea Plantations, Doom Dooma Division in Assam and Tea Estates Division in Tamil Nadu to wholly owned subsidiaries. The rationale for this has been duly set out in the Explanatory Statements. These will be progressed in 2005, subject to necessary approval of the members through postal ballot.

10. MERGERS & AMALGAMATIONS

It is proposed that in order to simplify the Corporate structure, Lever India Exports Ltd., Lipton India Exports Ltd., Merryweather Food Products Ltd., International Fisheries Ltd. and TOC Disinfectants Ltd., the five subsidiaries of the Company be merged with the Company itself. Of these three, viz. Lever India Exports Ltd., Lipton India Exports Ltd. and Merryweather Food Products Ltd. are 100% subsidiaries while International Fisheries Ltd. and TOC Disinfectants Ltd. are over 99% subsidiaries. The proposed amalgamation is primarily designed for simplification and has no material impact either in terms of operations or in terms of capital structure of the Company.

11. EMPLOYEE STOCK OPTION PLAN (ESOP)

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 employees or whole-time directors have received options exceeding 5% of the value of the options issued for the year ending December 2004.

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 provides for a minimum of three year period for vesting of the options, the stock options granted during the year 2002 would be eligible for exercising on or after April 1, 2005.

12. TSUNAMI RELIEF

Your Company has always been a front runner in its call for national duty and caring for the community. Its employees not only donate generously, but also volunteer to take part in relief operations by committing their time and physical effort. This is in line with your Company's corporate value of "care" and our CSR mission which has become an integral part in our way of doing business.

Your Company has accordingly committed a total outlay of Rs. 8 crores for immediate relief and helping people to rehabilitate themselves so that they can resume their livelihood in the tsunami-hit areas of Pondicherry, Tamil Nadu and Kerala. Of this, Rs. 5 crores was provided for distribution of the Company's nutritional and personal hygiene products for immediate relief to the needy. Another Rs. 3 crores will be raised partly by contributions from company employees and the balance contribution from the Company to be used in collaboration with NGOs working with the community to provide the people, notably fishermen, with means of livelihood and help them back on their feet.

Employees of factories and offices in Pondicherry, Tamil Nadu and Kerala also provided necessary relief to the tsunami-hit people. The relief operations included, distribution of bread and biscuits in Pondicherry, cooked meals for families in Chennai, Nagapattinam, Cuddalore and Andamans.

13. INFORMATION TECHNOLOGY

Your Company has continued consolidating information technology investments to maximise business value.

Significant progress has been made during the year to strengthen use of technology for sales and field activities. More Stockists now leverage IT to collaborate with the company for replenishing their stocks and receiving web-based information on promotions, new product launches, order and billing status. Your Company has enhanced the power of datawarehouse through a delivery portal to give actionable information to field personnel on the move. IT is now enabling process changes in sales, reducing clerical efforts and releasing productive sales time.

During the year IT has enabled to realise greater value in Supply chain. Optimizing transportation of finished goods from factories to just-in-time warehouses and leveraging greater logistics synergy in the restructured HPC and Foods businesses have helped to improve stock availability while reducing supply chain costs. Key operational performance metrics are now tracked and published everyday, enhancing compliance with plans. IT has helped to centralise material planning and integrate seamlessly with planning for production. Supplier portal is used to collaborate with key suppliers and exchanging relevant data.

Your Company continued to invest in technology. The VSAT network is enhanced with new Ku band technology at lower operational costs. The leased lines in the core network have been replaced with a virtual private network using MPLS technology. This provides greater reliability, enables need based bandwidth usage at lower costs. The central computing power has been augmented to support increasing operational load.

IT is also extensively leveraged to enhance team working across multiple locations. Video conferencing facilities are established at all major locations.

The computing power is now spread across three data centers, optimising demand on network bandwidth while providing an adequate disaster recovery capability. High priority is given to information security. Specific exercises have been carried out to identify any vulnerability and plug them in a robust manner.

IT is exploited as a strategic tool to enhance business value and new ways of doing business.

14. SHARED SERVICES - INDIGO LEVER SHARED SERVICES LIMITED

Shared Services in Finance and Accounting continued to be a thrust area leading to improvements in quality and efficiency of the finance and accounting function. The National Centre for Sales Commercial in Chennai has brought significant process improvements and efficiencies in the sales accounting area. During the year, shared services for the manufacturing units in the HPC business was commenced at the centre in Bangalore. Shared services for the offices in Mumbai and Bangalore were also undertaken at the Bangalore centre. The Bangalore and Chennai shared service centres while offering a disaster recovery protection for each other, will continue to drive the adoption of shared finance and accounting services across the Company.

15. FINANCE & ACCOUNTS

Cash generation during the year continued to be very good arising from business performance, enhanced capability of the supply chain and efficient collection system. In the context of a significant increase in interest rates, your Company managed the investments prudently by deployment of cash surplus in a balanced portfolio of safe and liquid debt market instruments; 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 total amount of fixed deposits taken by the Company as of December 31, 2004 was Nil. Deposits amounting to Rs.14.10 lakhs were unclaimed by depositors as at December 31, 2004.

An amount of Rs. 1321 crores was disbursed by way of redemption of the Bonus Debentures of a face value of Rs. 6/- and an amount of Rs. 59.59 crores was disbursed by way of half-yearly interest at the rate of 9% p.a. on Bonus Debentures issued by the Company.

In terms of the provisions of Investor Education and Protection Fund (awareness and protection of investor) Rules 2001, Rs.182.51 lakhs of unpaid/unclaimed dividends, interest on debentures and deposits were transferred during the year to the Investor Education and Protection Fund.

RONW, ROCE and EPS for the last five years

For the year ended 31 December,	2000	2001	2002	2003	**2004**
RONW	52.7%	53.9%	48.4%	82.8%	**57.2%**
ROCE	64.6%	62.4%	59.4%	60.2%	**45.9%**
EPS of Re.1	5.95	7.46	8.04	8.05	**5.44**

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
2000	858	2389	35.9
2001	1080	2816	38.4
2002	1236	3396	36.4
2003	1429	3780	37.8
2004	887	3704	23.9

The above EVA has been computed under very conservative assumptions. A detailed note on EVA is given in page F38.

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 Culinary and Branded 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,	**2004**	2003
Segment Revenue (Sales plus Income from Services)		
Soaps and Detergents	**4,470.74**	4,379.43
Personal Products	**2,472.24**	2,410.18
Beverages	**1,194.55**	1,184.18
Foods	**285.07**	602.46
Ice Creams	**88.94**	93.39
Exports	**1,249.02**	1,225.10
Others	**300.15**	387.84
Total	**10,060.71**	10,282.58
Less : Inter-segment revenue	**(25.42)**	(37.11)
Net Sales/Income from Operations	**10,035.29**	10,245.47
Consisting of		
a) Net Sales	**9,926.95**	10,138.35
b) Service income from operations	**108.34**	107.12
Segment Results (PBIT)		
Soaps and Detergents	**775.06**	1,088.28
Personal Products	**807.50**	884.10
Beverages	**238.71**	224.84
Foods	**(81.76)**	0.56
Ice creams	**(4.69)**	0.39
Exports	**39.62**	61.53
Others	**(32.87)**	(15.00)
Total	**1,741.57**	2,244.70
Less : Interest expense	**(129.98)**	(66.76)
Add : Unallocable income net of other unallocable expenses	**(106.27)**	67.01
Total Profit (PBT)	**1,505.32**	2,244.95
Capital employed in segments (Segment assets less liabilities)		
Soaps and Detergents	**276.86**	162.37
Personal Products	**291.72**	212.30
Beverages	**(21.18)**	(32.22)
Foods	**13.10**	53.84
Ice Creams	**(0.38)**	6.18
Exports	**448.56**	340.31
Others	**63.43**	119.45
Total	**1,072.11**	862.23
Add : Unallocable corporate Assets less Liabilities	**1,020.60**	1,276.50
Total Capital Employed in Hindustan Lever Ltd.	**2,092.71**	2,138.73

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

Hindustan Lever 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.

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

For a FMCG company economic growth has a direct impact on its performance. Your Company's outlook for the economy in 2005 is optimistic, and your company expects a GDP growth of about 6-7% subject however to the vagaries of Monsoon and or other unanticipated developments. Your Company's 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

Out of the Net Profit of Rs.1197.34 crores for the year, an amount of Rs.125 crores was transferred to General Reserve as per the Companies (Transfer of Profits to Reserves) Rules, 1975. The Board of Directors at the meeting held on February 11, 2005, recommended a final dividend of Rs. 2.50 per share of Re. 1/- each for the year 2004 subject to approval of the shareholders. This final dividend together with the interim dividend of Rs. 2.50 per share of Re. 1/- each, which was paid to the shareholders on July 29, 2004 amounts to a total dividend of Rs. 5.00 per share. Total payout during the year including distribution tax amounts to Rs. 1246.15 crores. This involves a draw down of Rs.173.81 crores from the profit and loss account carried forward from previous years.

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). SEBI has directed that 'No Custody Charge' shall be levied on any investor who would be opening a demat account on or after 1st February 2005. This is an added benefit over and above the existing 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

Mr. Harish Manwani, President – Asia & Africa of Unilever has been co-opted as an Additional Director on the Board of the Company on and from April 29, 2005.

Mr. Manwani is 51 years old and holds a Bachelor's degree in Statistics and Economics and a Master's degree in Management Studies from the Jamnalal Bajaj Institute in Mumbai. He joined the Company as a Management Trainee in June 1976 and has held various positions within your Company. In 1995, he was appointed to the your Company's Board and assumed responsibility as Director - Personal Products. In 2000, he moved to Unilever in London as Senior Vice President for the global Oral and Hair Care categories. Subsequently he became Business Group President for Latin America and then for North America for the HPC Business.

In April 2005, Mr. Manwani was appointed as President Asia and Africa part of the 8-member Unilever Executive team which has responsibilities for the Company's worldwide operations.

Mr. Manwani would hold office till the conclusion of the AGM. The requisite notices, together with necessary deposits have been received from members pursuant to Section 257 of the Companies Act, 1956 proposing Mr. Manwani as a Director of the Company at the ensuing AGM.

In accordance with the Articles of Association of your Company, all the Directors of your Company except Mr. Arun Adhikari and Mr. S. Ravindranath, the two Managing Directors who have a five-year term effective May 1, 2004, will retire at the ensuing Annual General Meeting and being eligible offer themselves for re-election, save and except, Mr. M.S. Banga, who has decided not to seek re-election consequent to his move to Unilever as President – Foods and would step down from the Chairmanship of your Company at the conclusion of the AGM.

Mr. M.S. Banga had an illustrious career with your Company since 1977 when he joined as Management Trainee. He held diverse positions and joined the Board in August 1995 as Director in charge of Detergents business. After a brief stint with Unilever during 1999-2000, Mr. Banga returned to your Company as Executive Chairman, which position he held till June 30, 2004, after which he became Non-Executive Chairman of your Company. Mr. Banga has served your Company with great distinction during a period when India was opening upto global markets and your Company faced significant competitive challenges both from domestic and international players. Mr. Banga implemented a strategy which involved focussing your Company on certain power brands, improve the profitability of its Foods Business and to find appropriate homes for its non-core businesses and exit from the same while realising good value for shareholders. He also took decisive steps to simplify the organisation.

The Board places on record its appreciation for the distinguished and meritorious service rendered by Mr. Banga in his capacity as Executive Chairman and later as Non-Executive Chairman of your Company and wishes him success in his future endeavours.

19. AUDITORS

M/s. Lovelock & Lewes, statutory auditors of the Company retire and offer themselves for re-appointment as the statutory auditor of the Company pursuant to Section 224 of the Companies Act, 1956.

20. APPRECIATION

Your Directors 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 your Company to remain at the forefront of the industry despite increased competition from several existing and new players.

21. TRADE RELATIONS

The Board desires to place on record its appreciation for the support and co-operation that your Company received from suppliers/redistribution stockists, retailers and others associated with your Company as its trading partners. Your Company has always looked upon them as partners in its progress and has happily shared with them rewards of growth. It will be your 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
Chairman

Mumbai,
May 4, 2005