DIRECTORS' REPORT AND MANAGEMENT DISCUSSION & ANALYSIS

To the Members,

Your Company's Directors are pleased to present the 76th Annual Report of the Company along with the audited accounts for the fifteen month period ended 31st March, 2009.

You are aware that the Accounting year of the Company was changed from Calendar Year (January-December) to Financial Year (April-March), to avoid duplication in preparation and audit of accounts under the Companies and Income Tax Acts. This change simplifies the process, thereby saving cost and time. Consequently, **the current Annual Accounts and Report of the Company are for a period of fifteen months, from 1st January, 2008 to 31st March, 2009; these figures, therefore, are not comparable with those of previous year ended 31st December, 2007.**

1. FINANCIAL PERFORMANCE

1.1. Results

Rs. lakhs

	Fifteen Months Period ended 31st March, 2009	Twelve Months Period ended 31st December, 2007
Turnover, net of excise	20239,33	13675,43
Profit before tax	3025,12	2146,33
Net profit	2496,45	1925,47
Dividend (including tax on distributed profits)	(1912,29)	(2331,62)
Transfer to General Reserve	(250,00)	(200,00)
Profit & Loss account balance carried forward	531,66	197,50

1.2. Category wise Turnover

Rs. lakhs

	Fifteen Months Period ended 31st March, 2009		Twelve Months Period ended 31st December, 2007	
	Sales	Others*	Sales	Others*
Soaps and Detergents	9770,26	110,30	6328,80	71,13
Personal Products	5272,31	95,13	3614,76	71,83
Beverages	2272,29	22,17	1520,40	20,23
Foods	791,25	19,45	532,98	7,13
Ice Creams	229,44	5,70	158,49	3,01
Exports	1567,29	8,41	1342,26	6,71
Others	344,41	16,56	184,56	42
Less : Inter segment revenue	(7,92)		(6,82)	-
Total	**20239,33**	**277,72**	**13675,43**	**180,46**

*Other revenue represents service income from operations, relevant to the respective businesses

1.3. Summarised Profit and Loss Account

Rs. lakhs (except EPS)

	Fifteen Months Period ended 31st March, 2009	Twelve Months Period ended 31st December, 2007
Net sales	20239,33	13675,43
Other operational income	362,23	193,66
Total	20601,56	13869,09
Operating costs and expenses	(17561,37)	(11796,77)
PBDIT	**3040,19**	**2072,32**
Depreciation	(195,30)	(138,36)
PBIT	**2844,89**	**1933,96**
Interest Income (net)	180,23	212,37
PBT	**3025,12**	**2146,33**
Taxation	(524,41)	(403,21)
PAT (before exceptional items)	**2500,71**	**1743,12**
Exceptional items (net of tax)	(4,26)	182,35
Net profit	**2496,45**	**1925,47**
Basic EPS (Rs.)	11.46	8.73

For the fifteen month period ended 31st March, 2009, the Company registered an overall turnover growth of 48%; Profit After Tax registered a growth of 43% and Net Profit (after Exceptional Items) by 30%. Basic Earnings Per Share for the period 2008-09 was Rs 11.46.

2. DIVIDEND

Directors are pleased to recommend a final dividend of Rs.4/- per equity share of the face value of Re. 1/- for the period ended 31st March, 2009. The interim dividend of Rs. 3.50 per equity share was paid on 18th August, 2008.

The final dividend, subject to approval at the AGM on 3rd July, 2009, will be paid to the shareholders whose names appear on the Register of Members with reference to the book closure from 16th June, 2009 to 2nd July, 2009 (inclusive of both dates)

The total dividend for the period including the proposed final dividend amounts to Rs. 7.50 per share and will absorb Rs. 1912.13 crores including Dividend Distribution Tax of Rs. 277.76 crores.

3. RESPONSIBILITY STATEMENT

The Directors confirm that:

- in the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made from same;
- 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;
- they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- they have prepared the annual accounts on a going concern basis.

4. MANAGEMENT DISCUSSION & ANALYSIS

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

4.1 Economy and Markets

World economy was severely impacted by the US financial crisis, with its contagion effect across countries. Global trade was affected with reduced exports from Developing & Emerging (D & E) countries like India and China.

India was one of the few large economies that registered a robust growth in GDP at 7% for 2008-09. Country benefited from a near normal monsoon, reflecting in agriculture growing by 2.6%. Rural economy was also buoyed by Government spendings, employment schemes and higher food prices. While services sector continued to grow at a healthy rate, industrial production registered significant slow down, impacted by the global recession. Country's GDP growth for the second half of 2008-09 was lower compared to the first half.

Slow down was witnessed in capital goods, consumer durables, automotives, aviation and the like, although FMCG markets somewhat held their value growth levels. There was pressure on volumes in categories like Soaps and Detergents, with signs of downtrading across segments. Government including Reserve Bank of India, launched fiscal and monetary measures to boost credit, investment and consumption. FMCG sector benefited from significant reduction in excise duty rates on finished goods.

The year 2008 also witnessed high levels of volatility in commodity prices, essentially led by petroleum crude. Vegetable fats, chemicals and packaging materials also reflected this price volatility, causing stress in business planning processes. Wholesale price inflation touched high levels during the year, before decelerating sharply towards the later part of the year under review.

Your Company's good performance for the period 2008-09 has to be seen in the context of above economic background.

PERFORMANCE OF DIVISIONS/ CATEGORIES

Some highlights are given below in respect of each of the business categories of the Company. Increase / growth percentages refer to a period of 15 months over the base of 12 months.

4.2 Home & Personal Care Business (HPC)

The business comprises Personal Wash, Fabric Wash, Household Care and Personal Care categories.

The business recorded a growth of 51%. This was broad based and across categories and was achieved in the face of two major challenges;

- Competition continued to be intense, both from existing and new players. Your Company responded through increased brand investments, value enhancing innovations and powerful market activation.
- Volatile commodity markets with petroleum crude prices at c.$ 90 per barrel at the beginning of 2008 peaking to $ 147 per barrel before dropping to levels of c.$ 50. The severe impact of cost inflation was felt in inputs like vegetable oils, laundry chemicals, packaging and freight. Robust planning systems and strong dynamic performance management processes helped the business manage this volatility. Judicious and sensible price increases, together with continued aggressive cost savings programme enabled competitiveness of Company's brands in the market place. Benefit due to reduction in excise duty rates from 14% to 8% in two phases (in December 2008 and February 2009) was pooled and passed on to consumers through price reduction in select packs.

Potential for growth in all categories of Home and Personal Care is high, given the current low levels of per capita consumption. Directors believe that sustained investments behind brands by way of technology, innovations and consumer communication will benefit the business in creating value.

4.2.1 Soaps & Detergents

Soaps and Detergents category recorded a robust sales growth of 54% with a slight drop in annual segmental margin by 20 bps. This needs to be seen in the backdrop of high and volatile input costs and competitive pressures. With the softening of crude oil prices and the consequent easing of input material costs, product prices have been recalibrated to enhance market competitiveness and grow volumes.

Fabric Wash continued its growth momentum despite experiencing severe cost pressures. All brands across price segments, Surf, Rin, Sunlight and Wheel delivered strong value and volume growth. Wheel became the largest detergent brand of India with annual turnover exceeding Rs. 2000 crores. Wheel Gold was successfully launched, providing better wash performance at affordable prices to drive upgradation of consumers. Surf franchise continued to do well with both, bar and powder, reporting growth. Rin Powder was re-launched during the year with superior formulation and proposition, and was extended to washing machine segment with the launch of Rin Matic. Sunlight grew well in its stronghold markets.

Cost pressure in the category was managed through judicious price increases on premium products, but price point affordability was retained in mass segment for the low income consumers by appropriately adjusting fill levels.

In Household Care, Vim liquid, a convenient premium dish wash product was re-launched in a highly efficient gel formulation; it is receiving good consumer response. In surface cleaning, Domex continued to grow and doubled sales. Strong marketing activities established Domex as a powerful proposition for floor and toilet cleaning.

Personal Wash category faced a steep rise in vegetable/palm oil prices during the course of the year. Competition from existing and new players has been intense.

The category was managed through multi-pack offerings, consumer promotions and moderate price increase in low unit price packs. Lifebuoy grew on the back of small and multi packs. Re-launch of Lux in variants like Strawberry and Peach supported by a new thematic communication enabled the brand to grow well. Dove and Pears grew ahead of the market in the premium category. We will leverage all our brands in this category to drive growth.

4.2.2 Personal Products

Personal Products include categories like hair care, skin care, toothpaste and brush, deodorants and colour cosmetics.

In Hair Care, HUL maintained the leadership position in Shampoo with its powerful brand portfolio, addressing consumer needs across the income pyramid. Price points were carefully maintained in the context of inflationary pressures. The premium Dove shampoo and conditioners range launched during 2007, reported very good growth through a combination of high quality advertising and actions in the market place. Clinic Plus continued to grow and strengthened its position as the single largest shampoo brand. Sunsilk range was re-launched with further improvements to product quality and packaging. Clinic All Clear is being re-launched to regain its earlier position. Rapid progress is being achieved in driving the emerging and high potential hair conditioner segment.

Skin Care category continued to witness intense activities in the market across income segments. Share of high value premium products is also increasing; this has excellent potential for HUL through Pond's top end products. In mass skin lightening category, Fair & Lovely delivered strong growth. A consumer friendly pack format at affordable price was introduced; this will help to upgrade sachet users to tube format. In premium category, Pond's increased its consumer base with good offerings in anti-ageing and skin lightening segments. Modern Trade and specialist distribution channels helped in upgrading consumers to premium products.

Lakmé Skin Care range performed well. Vaseline launched newer formulations in body lotions offering relevant consumer benefits like moisturisation. Talcum powders continued to do well.

In Oral category, Close-up performed very well, led by the re-launch in September 2008, recording growth ahead of the market for the third year in a row. Pepsodent underperformed and appropriate actions are being taken to drive the performance of the brand in 2009.

The Lakmé range of Colour Cosmetics grew well. New innovations like aqua shine lip colour, summer and winter collections were well received by the consumers. Lakmé Fashion Week continues to be a signature campaign for the brand.

In countries like India, Deodorants business has excellent potential for growth given the low user base currently. Investment behind Axe Deodorant was significantly enhanced. Special edition packs and memorable media campaigns support the brand. The category, however, continues to suffer from duplicates and illegal imports. We are addressing this issue holistically through consumer information and working with industry bodies for effective enforcement of laws by agencies concerned. Going forward, we will deploy the totality of the portfolio to sustain growth of this key category.

Kimberly Clark Lever Pvt Ltd (KCLL)

KCLL is a Joint Venture between HUL (50% equity) and Kimberly Clarke Corp., USA (50% equity) and is engaged in infant care and feminine care products under brands like Huggies and Kotex. These products are sold through HUL distribution system and delivered a good underlying volume growth. New products were introduced at different price points for further developing the market. The Joint Venture is profitable and has been paying dividends for the past few years.

4.3 Foods

HUL's Foods portfolio comprises Beverages (Tea and Coffee), Processed Foods (Kissan, Knorr and Annapurna range of products), Ice Cream and Bakery products (Modern Foods).

The business sustained its growth momentum of the last three years. The growth has been broad based, competitive and profitable. Delivering product freshness continued to receive utmost priority and several actions have been taken to further reinforce the work already done.

Beverages like Tea and Coffee are well entrenched habits among Indian consumers with further potential for higher per capita consumption. However, processed foods is a small fraction of the large foods market and hence offers huge potential for companies like HUL. The processed foods opportunity is at an inflexion point in India. With a formidable array of brands (across hot and cold formats, in-house and out-of-home segments), strong research, development and technology support from Unilever and your Company's intimate understanding of Indian consumers, we are well positioned to benefit from the thrust on Foods categories.

4.3.1 Processed Foods

Kissan is one of the most trusted Foods brands among Indian consumers. The growth in Kissan portfolio, supported by successful innovations, was good. Jam squeeze launched in September quarter was attractive to children. New packaging formats in Ketchup such as value packs and kids friendly upside down squeezable pack were received very well. Kissan continued to maintain its leadership position in Jams and achieved strong shares in Ketchup segment.

The Knorr proposition was extended through Indian range of soups and ready to cook recipes. These have been well received in the market.

The staples business (Annapurna salt and flour) was impacted in the first half of 2008 on account of supply issues. These have since been addressed, helping the business achieve good growth. There has been a significant improvement in the profitability of the business on the back of supply chain savings and improved product mix. 'Amaze' brain food is in test market phase in three Southern states.

4.3.2 Beverages

Consumers of Tea continued to upgrade from loose tea to branded packet tea, which now accounts for some 40% of total domestic tea consumption. Packet Tea market remains extremely competitive. The tea business delivered well with good volume gains and further strengthened its value leadership position. The market shares increased across brands. Focussed marketing initiatives undertaken in key geographies have delivered good results. Tea prices continued to rule high necessitating selective price increases across packs and brands. Margins were managed through a combination of pricing and supply chain cost savings.

3 Roses Mindsharp was launched to offer the consumer the goodness of ayurvedic ingredients like brahmi and badam which help to achieve relaxed yet alert state of mind. Taj tea bags were relaunched in Ginger, Cardamom and Lemon flavours. The business is currently test marketing a new product under the brand 'Brooke Bond Sehatmand', offering nutritional benefits like vitamins to tea consumers. Lipton has been relaunched and continues to grow strongly in the out of home segment through acquisition of new accounts and expansion of vending machines, gaining a wider national footprint.

Coffee business led by Bru Instant Coffee registered a good growth in 2008. Bru was re-launched in the second half of 2008 focussing on aroma delivery (through aroma lock) and improved sensorials, backed by strong media campaigns and trade activations program. Cappuccino business continued to add new consumers in non-south geographies both in hot and ice cool variants. We will continue to focus on building growth in Instant Coffee, consolidate our position in 'roast and ground' segment and drive premiumisation of the portfolio.

Out-of-home consumption is one of the key value drivers for the business, by providing consumers with a refreshing experience of branded beverages while they are out of home – at work or wait or play. We will continue to drive aggressive growth in this channel through required investments.

4.3.3 Ice Creams

Ice Cream business sustained its growth momentum and delivered strongly; both impulse and take home segments delivered well. Underlying profitability continued to improve with increasing scale and better operational efficiencies. The business fully uses its unlimited access to Unilever's portfolio of brands and innovations to offer exciting products, suitable to Indian consumers.

Gelato, a premium take home product was introduced with two variants – Tiramisu and Nochiola and has shown encouraging results. Further, a range of innovations in Cornetto such as 'Almond Praline' and 'Choco Brownie' has been introduced in the impulse segment; Cornetto cone variants called 'Black Forest' and 'Strawberry Tease Cake' were launched successfully. Attention to expansion of cabinets infrastructure for increasing availability, improved customer service and strong brand communication have ensured that the business continues to perform well.

4.3.4 Bakery (Modern Foods)

Bakery (bread and cakes) grew strongly through a combination of higher volumes, better product mix and judicious pricing. Profitability has also improved over the years. Merger synergies are being realised through centralised buying for key materials and adoption of good manufacturing practices.

4.4 Exports Business

Continuing portfolio of Exports comprising FMCG and Specialty Exports grew strongly. Margins improved reflecting the benefits of a rationalised product portfolio and appropriate restructuring. All categories recorded good value growth leveraging on the high commodity prices. Your Company also earned the reputation for delivering excellent levels of customer service.

HPC Exports reported handsome growth driven by Skin and Hair categories. Investments in Kandla unit helped to develop the site into a world class competitive sourcing location for HPC products, particularly high range Skin Care products. Kandla unit secured international certification from US FDA and the Canadian Ministry of Health. Skin care exports to Arabia, Malaysia and Sri Lanka performed very well, thanks to good demand. Oral turnover growth was flat as toothpaste sourcing for Europe dried up following their move of on-shore production. Pears franchise continued its good performance across many countries.

Foods and Beverages exports improved its profitability with parts of portfolio rationalised, mainly by way of stoppage of Bulk tea and raw coffee bean exports. The continuing businesses performed well; value added tea bags segment grew strongly. Efforts to increase the coverage of Instant Tea exports to Europe were successful. Export of 3 in 1 tea premix to Arabia has also been received well. Culinary products like soups and jams show promise with turnover doubling, albeit on a small base.

In Specialty Exports, Marine business reported profits, benefiting from very favourable market conditions for Surimi. Crabstick business continued steady growth and profitability with a widened customer base. Rice business reported good growth of turnover and profits driven by strong brand positions in Indus Valley and Rozana especially in the Gulf markets.

Your Company will continue to focus on value added FMCG exports and drive international competitiveness to deliver growth.

Leather (Pond's Exports Limited)
Leather Exports had a difficult year due to forex volatility and recessionary conditions in Europe. India's competitive advantages of good quality leather and the ability to service small orders were neutralised by China's significant cost advantages and a well developed market for components. The shoe-upper business continued to deliver profits. In the shoes segment, major markets in the European Union were price sensitive, with some key customers switching to low cost locations. In order to achieve cost competitiveness and remain viable, the Company has taken steps to restructure the high cost manufacturing facility at Puducherry. Collaboration with a Design Centre in China to provide a stream of new designs and cost effective components has been helpful.

HUL shareholders have already approved the divestment of this business, but we are yet to find a suitable buyer. In the meantime, steps are being taken continuously to improve the performance and profitability of the business.

4.5 Water

Pureit is a unique in-home drinking water purification system, offering water 'as safe as boiled', thereby protecting children and families from waterborne diseases. It is the only purifier in the world that provides this level of safety without depending on cooking gas, electricity and pressurised tap water, and is affordably priced.

Following awards for Pureit during the year reflect the high public recognition for the same:

- Golden Peacock product innovation award,
- Innovation award in India from the United Kingdom Trade and Investment organisation, and
- Water Digest award supported by UNESCO for the best domestic non-electric water purifier.

Pureit has been nationally extended with its footprint in 28 states. The business has developed a unique customer acquisition system and strong capabilities in supply chain and customer service. More than one million units of Pureit were sold during the period of April 2008 to March 2009; sales turnover of the business was Rs. 190 crores for this period. The business is in an investment phase, we continue to commit resources in this business, mainly to fund brand development and sales infrastructure. The potential for the business is high given the critical need for clean water at low cost.

4.6 Hindustan Unilever Network

The strategy of the network is redefined in line with its vision of empowering modern Indian woman by serving her with superior beauty and healthcare products through customised and professional services.

Accordingly the network channel has been repositioned, to offer premium products in the two growing categories of Beauty Solutions and Health & Wellness, under two core brands viz. Aviance and Ayush respectively. This is an important channel and the key challenge to drive the business to scale through outstanding execution remains.

4.7 Beauty & Wellness Division

Growing disposable income and changing lifestyles in urban India have led to greater awareness about personal grooming, health and wellness. The emerging trends augur well, for Beauty and Wellness services sector, presenting a large and exciting opportunity. We currently operate in this segment through a largely franchised network of Lakmé Beauty Salons and Ayush Therapy Centers.

We have licensed 'Lakmé' and 'Lever Ayush' brands to, 'Lakme Lever Private Limited', a subsidiary Company. This creates the necessary focus for the services business and nurtures a dedicated customer service mindset. Lakme Lever Private Limited will evaluate options towards developing a uniquely different, new business model for this opportunity, with singularity of purpose and dedicated focus. In the meanwhile the existing network of franchisees would continue to grow in the segment.

5. CUSTOMER MANAGEMENT

There was a special focus on further improving customer management systems across all trade channels to drive Company's growth agenda. This required consolidating our strong position with customers and channels in general trade. A pilot project in Mumbai Metro on customer consolidation was successfully executed. This enables an efficient back-end and a world class front-end and facilitates increased speed to deliver innovations and activation schemes to market. The concept of a 'zero inventory model' which reduces customers' investment and improves logistical efficiencies was also part of the pilot project.

We are investing heavily in state-of-the-art IT application systems in Sales and Distribution to substantially improve speed of information, quality of service and productivity of human resources. Distributors' salesmen were equipped with Hand Held Terminals to simplify the processes of order taking, billing and order delivery. This gives them more time to focus on the core job of selling.

Towards the end of 2008, your Company also started the process of rejuvenating its long standing and successful rural distribution system. With the significant improvements in rural economy and infrastructure, we are positioning ourselves well to serve the trade more efficiently. The process of bringing more and more outlets under direct coverage was successfully piloted. The objective is to offer the right assortment of products to the rural consumers in line with their changing requirements and aspirations. This enables the Company to leverage its product portfolio fully by staying closer to the rural trade channels.

Modern Trade has expanded rapidly across the country in the past few years, although there is some consolidation taking place recently. This retail format provides consumers with a different shopping experience. Therefore, the Company is committing resources to understand the changing shopping habits and to deliver appropriate solutions to grow the business across categories. We continued to build capabilities and improve processes in this domain. We lead many initiatives in customer service, category management and merchandising to deliver best in class practices. As Modern Trade in India is evolving rapidly, we need to win at the point-of-purchase with shoppers and deliver highest quality service to Modern Trade customers. The joint venture with Smollans Holdings of South Africa is helping us develop and increase the capabilities required to meet the overall merchandising demands in Modern Trade. They bring world class execution excellence and build the right capabilities to win in Modern Trade.

The emerging hybrid customer structure (comprising General Trade, Modern Trade and Specialised Stores) requires new 'route to market' approaches to service customers and distributors. Your Company is equipping itself with capabilities and revitalised distribution and customer service network to face the challenges of the evolving new market dynamics.

5.1 Project Shakti

Project Shakti is a rural initiative of your Company that targets small villages typically with a population of less than 5000. It empowers women in rural markets, while contributing well as a sales channel and is a great example of 'Doing Well by Doing Good'.

The specific objectives of Shakti are:

- Reach new consumers in small rural villages
- Develop/grow markets through consumer education programs
- Empower women through creation of employment opportunities for them
- Build a sustainable business model

Project Shakti benefits the business by significantly enhancing its direct rural reach, and by helping the Company's brands to touch the lives of people hitherto untouched.

Shakti is built on Shakti Entrepreneurship program and Shakti Vani program.

Shakti Entrepreneur program creates a win-win model by enhancing the efficacy of the micro-credit as an institution to alleviate poverty; this is done by providing appropriate investment opportunities and sustainable income for the recipients. Micro-credit enables rural women to become direct-to-home distributors in rural markets with significant retained earnings. This benefits rural consumers also by giving them access to some of India's most trusted brands at affordable prices. Significant investment is made in building the capability of Shakti entrepreneurs through classroom and on-the-job training programmes. This helps build confidence and develop the business acumen necessary to run a micro-enterprise. In addition, your Company invests significantly in creating rural activation models which expose rural consumers to Company's brands.

Your Company is working on bringing efficiencies in this model by creating 'communities' within the Shakti family. Groups of Shakti Entrepreneurs are organised into 'Kuls' (communities). These communities are provided monthly forums for interaction where the concept of 'each one help one' is practised. The idea is to build on collective synergies of Shakti Entrepreneurs and to help them manage their business independently. This is in line with the long term goal of developing entrepreneurs out of women in rural areas. This is currently being piloted in Karnataka.

Pureit has been launched on a pilot basis in the Shakti channel. This pilot has started in Andhra Pradesh where Shakti was born nine years ago. Shakti Ammas would offer Pureit water purifiers to households in their villages. By doing so, rural consumers will now have access to a high quality water purification system at affordable price. Shakti entrepreneurs will get yet another sustainable source of income.

Shakti Vani program focuses on building awareness about health and hygiene in the rural community. Vanis are trained communicators who target congregations like village schools and 'mohallas' and engage with key opinion leaders of villages like the sarpanch, the school teacher etc. 'Vani' has emerged as a unique rural communication vehicle using the principle of one-to-one contact which is successful in driving important messages on sanitation, good hygiene practices and women empowerment. Brand messages are a part of these which create a potential platform for brands to communicate with rural consumers.

By the end of the year 2008, Shakti network had grown to more than 45,000 Shakti Ammas covering 100,000 plus villages across 15 states in the country and reaching over 3 million homes.

6. SUPPLY CHAIN

We continued our journey towards delivering the vision of world class service at the lowest imaginable cost. Winning with Customers through outstanding customer service is a key thrust towards realisation of this vision.

Deployment of advanced IT solutions on the back of a strong suite of SAP application systems led to significant improvements in planning and logistics. The manufacturing teams focussed on increasing operational flexibility and improving reliability to deliver better service with lesser assets. These initiatives resulted in improved customer service levels measured as 'Customer Case Filled On Time' (CCFOT) through the year. Several organised retailers have acknowledged our excellent customer service performance.

A relentless focus on eliminating waste and hidden costs from all operations led to significant supply chain savings which helped the business in dealing with severe cost and inflationary pressures. Multi-functional teams worked together to drive cost reduction programmes spanning across all facets of the business. Empowered teams led initiatives to reduce specific energy consumption and also piloted the use of sustainable alternative bio-fuels at several sites, resulting in appreciable savings in energy costs. Buying function delivered outstanding efficiencies and reduction in procurement costs, fully leveraging the benefits of scale and synergy through Unilever's global buying network.

We also executed appropriate capital expenditure investments in creating capacity to enable future growth, and to de-bottleneck existing assets to run them efficiently; principles of Total Productive Maintenance were applied. This resulted in increase in asset productivity levels.

7. RESEARCH & DEVELOPMENT

Your Company continues to benefit from the strong foundation and long tradition of Research & Development (R & D) which differentiates us from many others. These benefits flow not only from work done in Research Centres in India, but also from the centres of Unilever's global research work. With the world class facilities and a superior science and technology culture, we are able to attract the best of talent to provide significant technology differentiation to our products and processes.

The R & D labs in Mumbai and Bangalore are aligned significantly to Unilever's global R & D. Many of the projects which are run out of these centers are of global relevance and with a strong focus on needs of this region and the overall D & E World.

There are several exciting innovations that are in the pipeline now in Water, Laundry, Skin, Oral Care, Beverages, Savoury, Ice Cream etc. These technological innovations cover the whole spectrum of consumer income segments. A series of new and superior products were launched helped by the formidable global research and development activities. A range of Pond's top end products with anti-ageing and skin lightening benefits was introduced using technology developed at the global R & D centre. The R & D team also developed products to address specific requirements of Indian consumers like Lifebuoy range with improved hygiene benefits and Wheel detergents requiring less effort for cleaning. The R & D team responded very quickly to the increase in cost of various inputs during the year and your Company realised significant benefits. Ice Cream team helped to launch a slew of new variants. Based on unique consumer insight, Foods R & D came up with an innovative design for packaging of Kissan Jam in Squeeze Tubes. Development of Knorr Indian Mealmakers and Indian Style Soups launched in several variants also demonstrates the interconnected nature of R & D and business.

India now occupies a premier position in the global R & D domain for Unilever, performing leading research and development work to advance its brands and categories. A testimony of the high quality research done by Indian labs is the recent selection of Bangalore lab as one of the six major Discover Research Centers for Unilever globally. In addition to the professional growth of people and creation of new products, their global role also facilitates further advances, through synergistic links to the other major Unilever laboratories.

8. ENVIRONMENT, SAFETY AND HEALTH /ENERGY CONSERVATION

Your Company continues to focus on the vision of an 'injury free' organisation. In 2008, the safety agenda consisted of three key thrusts:

- an ongoing behavioural safety initiative,
- a renewed focus on systems and processes, and
- a road safety programme covering all employees.

The behavioural safety programme has now been in place for more than three years and continues to deliver strong results. Several measures have been implemented to revitalise safety systems and processes especially across the extended supply chain operations – in co-packing locations and in distribution centres. Road safety was also a key thrust during the year. Employees across the Company were trained and educated about road safety. In several locations, your Company has actively engaged with local administration authorities to mitigate hazards. These efforts have led to a substantial improvement in safety performance across the Company.

The environmental agenda was marked by a shift towards reducing environmental impact of Company's operations. During the year, four sites recorded water positive status. This was achieved through a combination of water conservation, rain water harvesting and water recycling. Four sites modified their boilers to use bio-fuels, resulting in significant environmental benefits.

The information required under Section 217(1)(e) of the Companies Act, 1956, read with the Companies

(Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is appended hereto and forms part of this report.

9. HUMAN RESOURCES

The Human Resources (HR) agenda for the year 2008 was focused on strengthening three key areas – completing the second phase of the HR Transformation (HRT) programme that had been initiated in 2007, building organisational and individual capabilities and significantly enhancing people productivity to drive sustainable business growth.

HRT is a business change programme and impacts ways of working. At the core of this programme are world class IT enabled processes to efficiently manage Human Resources transactions. The programme also aligns HR systems and processes in a similar way across Unilever. In 2008, the HRT journey moved to the next phase of implementation; line organisation is taking over management of transactions for their teams themselves which was previously done by HR Manager. The technology applications are available on a 'self-service' portal which increase the productivity of every line manager and HR Manager by freeing up their time from managing routine and transactional workload. HRT has been a big journey of change and your Company is on course to go live with this change in 2009.

The belief that 'great people create great organisations' has been at the core of the Company's approach to its people. Your Company made significant investments for training in the areas of marketing excellence, customer service and building capabilities for organised retail trade. Large number of training programmes were delivered through classrooms, new capability building courses and external learning sessions. Our e-learning platform introduced in 2007 offers a bouquet of 3000+ courses via internet. This continues to provide employees access to learning anywhere, anytime. In its second year itself, with over 25000 course registrations by our employees, we have set a benchmark.

During 2008, TPM gained further momentum through TPMedge initiative. This is aimed at distilling TPM best practices and Unilever business processes into an effective blend for Every Day Great Execution (EDGE). The focus is equally on enlisting more and more shopfloor ownership for sustaining TPM processes across all our operations. The TPMedge process is designed around a system of monthly self-assessments and quarterly central assessments of the health of on-ground TPM systems. These assessments now form the centre piece of continuous improvement efforts.

There was practically no loss of mandays due to industrial relations issues. Seventeen productivity linked long term settlements were signed through the process of collective bargaining involving over 5000 employees. All these settlements were signed with zero disruption to business activity reflecting the maturity of workmen collectively. In 2008, four manufacturing units were restructured and another two went through a consolidation. The process of redeployment/rehabilitation was undertaken with utmost concern for our people.

Your Company was conferred HR Excellence Award by the CII Western Region for the year, wherein we have set some new benchmarks in CII's assessment for the award. During the year, HUL was ranked as the 'Dream Employer' across top management and technical schools in India, a testimony to your Company's strong leadership development practices.

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

10. INFORMATION TECHNOLOGY

Your Company believes that Information Technology is a source of competitive advantage and has therefore continued to invest in the same.

Information technology in the area of sales and customer development has been one of the key thrusts. All Redistribution Stockists operate on a common transaction system fully integrated with Company's systems. This capability enables to collaborate with customers on a near on-line basis and significantly improves field execution and customer service. In 2008, the Company implemented a handheld based selling system across nearly 10000 distributors' salesmen. In Modern Trade, the IT platforms were leveraged to closely engage with this emerging Channel to increase efficiencies and service levels.

We have also completed the implementation of an enterprise-wide SAP capability. This was accompanied by significant re-engineering and simplification of the underlying business processes. All Company customers can now place replenishment orders on SAP. It also provides capability for supply chain optimisation across a large and complex manufacturing and distribution network. Additionally, it supports a comprehensive data warehouse with real-time information across all our operations. The end-to-end SAP capability will be the platform for further business process innovation and increased speed of response.

Towards realising the ambition of a chequeless organisation, we have implemented both e-collection (from sales) and e-payments (for purchases) with steadily increasing coverage. These have increased speed and service substantially while simplifying processes.

We continue to invest in IT infrastructure to support all business applications. A robust virtual private network using MPLS technology, is supplemented by VSATs for the remote locations. We have leveraged the expanded telecom footprint in the country to provide high bandwidth terrestrial links to all operating units. Video conferencing is extensively used to collaborate across locations while reducing travel costs.

Information Security and reliable disaster recovery management continue to be a critical focus area – especially as most business processes become fully IT-enabled. We carry out regular exercises to reassure ourselves on the same.

11. FINANCE AND ACCOUNTS

Focus on cash generation continued and we delivered a strong operating cash flow during the period. This was driven by good business performance, underlying efficiencies and cost savings across the supply chain and a continued efficient collection system. The 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. In a volatile financial environment, towards the December quarter of 2008, surplus funds were invested in bank fixed deposits.

Capital Expenditure during the fifteen month period was at Rs. 609 crores (2007, Rs. 372 crores) and was in the areas of capacity expansion, information technology, energy and other cost savings.

The total amount of fixed deposits taken by the Company as of 31st March, 2009 was Nil. There was no outstanding towards unclaimed deposits payable to depositors as on 31st March, 2009.

In terms of the provisions of Investor Education and Protection Fund (Awareness and Protection of Investor) Rules, 2001, Rs. 285 lakhs of unpaid/unclaimed dividends, interest on debentures and deposits were transferred during the year to the Investor Education and Protection Fund.

Return on Net Worth, Return on Capital Employed and Earnings Per Share (EPS) for the last four years and for the fifteen month period ended 31st March, 2009 are given below:

For the year	2004	2005	2006	2007	Period ended 31st March, 2009
Return on Net Worth (%)	57.2	61.1	68.1	80.1	103.6*
Return on Capital Employed (%)	45.9	68.7	67.0	78.0	107.5*
Basic EPS of Re.1 (after exceptional items)	5.44	6.40	8.41	8.73	11.46**

* Annualised numbers for proportionate period
** for fifteen month period

Key figures for 12 months ended April – March

As indicated earlier, the full year audited results for 15 month period ended 31st March, 2009 are not comparable with those for year ended 31st December, 2007. However, on a memorandum basis, for comparative purposes, unaudited results for 12 months ended 31st March, 2009 are given below:

- Net sales at Rs. 16476.75 crores (2007–08: 14266.94 crores) grew by 15.5%
- Profit from Operations before Interest and Exceptional items at Rs 2396.06 crores (2007–08: 2017 crores) grew by 18.8%
- Profit After Tax from ordinary activities before exceptional items at Rs 2065.20 crores (2007–08: 1795.5 crores) grew by 15%
- Net profit at Rs 2115.50 crores (2007–08: 1913.53 crores) grew by 10.6%

Segment-wise results

Your Company 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 Water. The audited financial results of these segments are given as part of financial statements.

12. MERGERS, ACQUISITIONS, JOINT VENTURES AND DISPOSALS

12.1 Demerger of immovable properties at Brookefields, Bangalore

We had taken shareholders' approval to the scheme of demerger covering transfer of certain immovable properties of the Company located at Brookefields, Bangalore to Brooke Bond Real Estates Private Limited, a subsidiary of the Company. The objective of the said demerger was to develop an IT and IT enabled Special Economic Zone at the Demerged Unit. The Company has received in-principle approval from the State Government of Karnataka for such a project. Further approvals are being sought, including that of Government of India. This project will be executed after all statutory approvals are obtained.

12.2 Amendment of the Shareholders' Agreement with CapGemini SA

In line with its strategy to focus on core areas, during October 2006, your Company divested its 51% controlling stake in the business (Capgemini Business Services (India) Limited) to CapGemini SA for a consideration of Rs 52 crores. Both parties have a put/call option for the balance 49% stake. In December, 2008 the parties agreed to extend the period of the options by one year from 31st March, 2009 to 31st March, 2010, being in the business and strategic interests of both parties.

12.3 Lakme Lever Private Limited

Lakme Lever Private Limited (LLPL), a 100% subsidiary of your Company has been formed to implement the potential beauty services opportunity for providing the necessary focus and developing a service culture. Transfer of a few own outlets from HUL to LLPL will be done during this year. Please refer to 4.7 above.

13. 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 Wholetime Directors has received options exceeding 5% of the value of the options issued for the year ending March 2009. Likewise, no employee has been issued share options, during the period year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant.

Pursuant to the approval of the members at the Annual General Meeting held on 29th May, 2006, the Company adopted the '2006 HLL Performance Share Scheme'. The Scheme has been registered with the Income Tax authorities in compliance with the relevant provisions of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. As per the terms of the Performance Share Scheme, employees are eligible for the award of conditional rights to receive equity shares of the Company at the face value of Re. 1/- per share. These awards will vest only on the achievement of certain performance criteria measured over a 3 year period. 148 employees including Wholetime Directors were awarded conditional rights to receive a total of 2,06,250 equity shares at the face value of Re. 1/-.

14. CORPORATE GOVERNANCE

Your Company has been practising the principles of good corporate governance over the years and lays strong emphasis on transparency, accountability and integrity. A separate section on Corporate Governance is given on page no. 46 of the Annual Report and a Certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement(s) with the Stock Exchange(s) and a certificate of the CEO & CFO in terms of sub-clause (v) of Clause 49 of Listing Agreement, inter alia, confirming the correctness of the financial statements, adequacy of the internal control measures and reporting of matters to the Audit Committee is annexed to the Corporate Governance Report.

14.1 Risk and Internal Adequacy

Your Company manages cash and cash flow processes assiduously involving all parts of the business.

There was net cash surplus of Rs. 1355 crores (net of short term export and other debts of Rs. 422 crores) as on 31 March, 2009. The Company's debt equity ratio is very low which provides ample scope to gear up the Balance Sheet should that need arise. Foreign exchange transactions are always fully covered with strict limits placed on the amount of exposure, if any at any point in time. There are no materially significant uncovered exchange rate risks in the context of Company's imports and exports. Company provides for 'mark to market' gains or losses at every quarter end in line with the requirements of AS-11. These are being highlighted separately every quarter.

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

Your Company has an elaborate process for Risk Management. This rests on the three pillars of Business Risk Assessment, Operational Controls Assessment and Policy Compliance at all levels through a 'positive assurance process'. Major risks identified are systematically addressed through mitigating actions on a continuing basis. These are discussed with both Management Committee (doubling up as Risk Committee) and Audit Committee. Some of the risks relate to economic volatility, competitive intensity, slower market growth and/ or downtrading and pressures on margins.

14.2 Outlook

It is believed that India's GDP will continue to grow robustly in the future, not withstanding the current and short term blips. FMCG categories have very good potential to grow, as the current per capita consumption levels are still low, compared even to some other Developing and Emerging economies like China, Indonesia, Thailand, etc. Participation by more players through competitive activities will only help expand the market for HUL's categories. Increased per capita income will also provide opportunities to consumers for brand experiences and up trading. While commodity costs are subdued at present, significant upward trends due to global triggers, could cause unit prices of products to rise and consequently slow down market growth. Your Company will continue to focus on both development and expansion of markets and share gains as appropriate to secure competitive growth. Underlying volume growth is a key requirement to deliver this. Managing margins through judicious pricing and sustained efficiencies and cost saving will receive constant attention.

14.3 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.

14.4 Subsidiary Companies

Lakme Lever Private Limited became the wholly owned subsidiary of the Company to operate in Beauty & Wellness segment through 'Lakmé Beauty Salons' and 'Ayush Therapy Centers', Brands 'Lakmé' and 'Lever Ayush' will be licensed to Lakme Lever Private Limited by HUL. A statement pursuant to Section 212 of the Companies Act, 1956 relating to Subsidiary Companies is attached to the accounts.

In terms of approval granted by the Central Government under Section 212(8) of the Companies Act, 1956, the Audited Statements of Accounts and the Auditors' Reports thereon for the fifteen month period ended 31st March, 2009 along with the Reports of the Board of Directors of the Company's subsidiaries have not been annexed. The Company will make available these documents upon request by any member of the Company interested in obtaining the same. However, as directed by the Central Government, the financial data of the subsidiaries have been furnished under 'Subsidiary Companies' Particulars' forming part of the Annual Report (Refer Page 150). Further, pursuant to Accounting Standard 21 issued by the Institute of Chartered Accountants of India, Consolidated Financial Statements presented by the Company in this Annual Report include the financial information of its subsidiaries.

15. CORPORATE SOCIAL RESPONSIBILITY

Your Company strongly believes that growth has not only to be profitable and competitive, but also sustainable in a socially relevant way. Our sustainability agenda therefore seeks to address issues of Hygiene, Nutrition, Enhancement of livelihoods, Reduction of greenhouse gases and water footprint. These social, environment and economic agenda are integrated and well woven into the brands, people and the business of the Company. The strategy is to grow markets in a responsible manner and to create a wider positive impact through brands. We believe that 'doing well' and 'doing good' are two sides of the same coin and it would work towards realising the vision of making a real difference to every Indian.

We have made significant progress on the environment front over the past few years. Your Company has reduced water usage per tonne by more than 26% in its manufacturing operations since 2004. The Company aims to become water positive across all its operations by 2015. The energy consumption per unit of production since 2004 has also come down by 34%. We have exceeded the target of 25% reduction in CO2 (Green House gases) in manufacturing operations per tonne of production against a baseline of 2004. We have taken a lead in sustainable agricultural sourcing; 10 Indian tea estates have been provided with the Rainforest Alliance certification. Handwash programme driven by Lifebuoy and safe drinking water through the innovation of Pureit have made significant impact in the area of health and hygiene.

To commemorate your Company's 75th year, employees of the Company had committed to volunteer one hour for everyday that Hindustan Unilever has been in the country, which amounted to 27,375 hours of voluntary work. During the year, with an overwhelming response, the employees undertook volunteering and community service totaling more than 48,000 hours and addressed some of the issues facing our country. In partnership with DHAN foundation, your Company has also enhanced the livelihoods of 75,000 women in southern India.

Your Company has contributed 10,000 kits worth Rs. 60 lakhs as the first instalment of relief material for the immediate relief of the flood affected families of Araria District in Bihar. The kit contained essential items such as utensils, clothes, blankets and other useful material. A sum of Rs.84 lakhs was contributed jointly by HUL and its employees to rehabilitate the underprivileged amongst the flood-affected families in the village of Jorgawan, Madhepura District, Bihar. The Project aims at providing long-term housing and livelihood aid to the people in a phased manner, through a strategic alliance among HUL, ACC and Habitat International.

Your Company believes that the long-term growth and success of the business goes hand in hand with ensuring a sustainable future for the planet and helping society to prosper. Increasingly we find that we can only achieve our goal to deliver Competitive, Profitable and Sustainable Growth of our Business by providing superior and safe products, reach new consumers and markets in ways that help address in our small way some of India's major challenges like poverty, health, climate change and demographic shifts.

16. BOARD OF DIRECTORS

At an Extraordinary General Meeting held on 4th April, 2008, Mr. Nitin Paranjpe was appointed as the Managing Director and CEO of the Company to succeed Mr. Douglas Baillie, who stepped down as a CEO to join the Unilever Executive, taking on the role of President, Western Europe. The Board places on record their appreciation for the distinguished services rendered by Mr. Douglas Baillie during his tenure with the Company.

Consequent to his appointment as Chairman, Unilever Russia, Ukraine and Belarus (RUB), Mr. Sanjiv Kakkar stepped down as an Executive Director, Sales & Customer Development w.e.f. 1st September, 2008. The Board places on record their appreciation for the valuable contribution made by Mr. Sanjiv Kakkar while leading the Foods business and then the Customer Development function of the Company.

Dr. R. A. Mashelkar was appointed as Non Executive Independent Director of the Company in the Annual General Meeting held on 4th April, 2008. Mr. Dhaval Buch, Executive Director Supply Chain, was appointed as an Additional Director on the Board with effect from 4th April, 2008 and Mr. Gopal Vittal, Executive Director Home & Personal Care, was appointed as an Additional Director on the Board with effect from 1st September, 2008 in accordance with Section 269 and Article 111 of the Articles of Association.

Mr. D. Sundaram, Director Finance and IT was elevated as the Vice Chairman with effect from 4th April, 2008. He will not be seeking re–appointment in the ensuing Annual General Meeting as he has decided to retire from the services of the Company at the Annual General Meeting. The Board places on record their appreciation for the valuable services rendered by Mr. D. Sundaram during his long innings with HUL, including as a member of the Board for the past ten years.

To fill up the vacancy caused by the retirement of Mr. D. Sundaram, it is proposed to appoint Mr. Sridhar Ramamurthy as Executive Director Finance and IT of the Company.

Notices have been received from members pursuant to Section 257 of the Companies Act, together with necessary deposits proposing the appointments of Mr. Dhaval Buch, Mr. Gopal Vittal and Mr. Sridhar Ramamurthy as Wholetime Directors on the Board.

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

17. MANAGEMENT COMMITTEE

The day-to-day management affairs of the Company are vested with the Management Committee which is subjected to the overall superintendence and control of the Board. The Management Committee is headed by Mr. Nitin Paranjpe, as the Chief Executive Officer, and has functional/business heads as its members.

Mr. Gopal Vittal, Executive Director, Home & Personal Care was appointed as the member of the Management Committee with effect from 1st September, 2008. Mr. Hemant Bakshi moved from his role as Regional Category Vice President, Skin, South Asia, Unilever, to take over from Mr Sanjiv Kakkar as Executive Director, Sales & Customer Development in the Management Committee with effect from 1st September, 2008.

18. 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.

19. APPRECIATIONS AND ACKNOWLEDGEMENTS

Directors wish to place on record their deep appreciation to employees at all levels for their hard work, dedication and commitment. The enthusiasm and unstinting efforts of the employees have enabled the Company to remain at the forefront of the industry.

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

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

Directors also take this opportunity to thank all investors, clients, vendors, banks, regulatory and government authorities and stock exchanges, for their continued support.

On behalf of the Board

Harish Manwani
Chairman

Mumbai
10th May, 2009

DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

Canned and processed fruits and vegetables		15 Months ended 31st March, 2009	12 Months ended 31st December, 2007
A POWER AND FUEL CONSUMPTION			
1 Electricity			
(a) Purchased			
Unit	Lakh KWH	40.48	23.39
Total Amount	Rs.Lakhs	210.73	116.59
Rate / Unit	Rs.	5.21	4.99
(b) Own Generation			
(i) Through own generator			
Unit	Lakh KWH	1.82	–
Unit per ltr of diesel oil	KWH	2.50	–
Cost per unit	Rs.	15.50	–
(ii) Through steam turbine / generator		Nil	Nil
2 Furnace Oil			
Quantity	KL	1,000.34	644.00
Total Cost	Rs.Lakhs	307.46	152.43
Average Rate	Rs. / KL	30,735.96	23,669.80
B CONSUMPTION PER UNIT OF PRODUCTION			
Electricity	KWH/Tonne	249.62	145.70
Furnace Oil	Lts/Tonne	61.69	40.12

DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION

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

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

2 Benefits derived as a result of the above R&D and Future plans of action

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

Rs. lakhs

3 Expenditure of R&D	15 Months ended 31st March, 2009	12 Months ended 31st December, 2007
(a) Capital	14,80	9,42
(b) Recurring	74,47	49,39
(c) Total	89,27	58,81
(d) Total R & D expenditure as a percentage of total turnover	0.44%	0.43%

TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION

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

The Company maintains interaction with Unilever internationally.
This is facilitated through a well co-ordinated management exchange programe.

2 Benefits derived as a result of the above efforts

The benefits have been covered in the Director's report.

3 Imported Technology

(a)	Technology imported	- Cosmetic products
(b)	Year of import	- 2001
(c)	Has technology been fully absorbed	- No

Rs. lakhs

FOREIGN EXCHANGE EARNINGS & OUTGO	15 Months ended 31st March, 2009	12 Months ended 31st December, 2007
Foreign exchange earnings	1941,89.37	1483,70.72
Foreign exchange outgo	2731,91.49	1975,94.75

DISCLOSURE PURSUANT TO THE PROVISIONS OF SECURITIES AND EXCHANGE BOARD OF INDIA (EMPLOYEE STOCK OPTION SCHEME AND EMPLOYEE STOCK PURCHASE SCHEME) GUIDELINES, 1999

	Stock Option 2001	Stock Option 2002	Stock Option 2003	Stock Option 2004	Stock Option 2005
a) Options granted	24,75,100 equity shares of Re. 1/- each valued at Rs. 53.82 crores	32,33,601 equity shares of Re. 1/- each valued at Rs. 68.02 crores	42,76,090 equity shares of Re. 1/- each valued at Rs. 58.16 crores	16,30,450 equity shares of Re. 1/- each valued at Rs. 20.95 crores	15,47,700 equity shares of Re. 1/- each valued at Rs. 20.44 crores
b) The pricing formula	Closing market price as on the date of option grant - 24.7.2001 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	Average of highs and lows for two week period preceding the date of option grant – 30.6.2004 Rs 128.47	Closing market price, prior to the date of meeting of the Board of Directors in which the options were granted – 26.5.2005 Rs. 132.05
c) Options vested	Options vested after three years from date of grant (24.7.2001)	Options vested after three years from date of grant (23.4.2002)	Options vested after three years from date of grant (24.4.2003)	Options vested after three years from date of grant (30.06.2004)	Options vested after three years from date of grant (27.05.2005)
d) Options exercised (as at March 31, 2009)	7,86,195 equity shares of Re 1/- each	11,36,548 equity shares of Re 1/- each	23,54,435 equity shares of Re 1/- each	6,69,206 equity shares of Re 1/- each	4,73,200 equity shares of Re 1/- each
e) The total number of shares arising as a result of exercise of option	7,86,195 equity shares of Re 1/- each	11,36,548 equity shares of Re 1/- each	23,54,435 equity shares of Re 1/- each	6,69,206 equity shares of Re 1/- each	4,73,200 equity shares of Re 1/- each
f) Options lapsed (as at March 31, 2009)	8,65,900 equity shares of Re 1/- each	9,04,320 equity shares of Re 1/- each	6,18,345 equity shares of Re 1/- each	3,33,500 equity shares of Re 1/- each	2,58,500 equity shares of Re 1/- each
g) Variation of terms of options:	NA	NA	NA	NA	NA
h) Money realised by exercise of options	Rs 8.26 crores	Rs 10.61 crores	Rs 7.33 crores	Rs 5.66 crores	Rs 6.25 crores
i) Total number of options in force (as at March 31, 2009)	8,23,005 equity shares of Re 1/- each	11,92,733 equity shares of Re 1/- each	13,03,310 equity shares of Re 1/- each	6,27,744 equity shares of Re 1/- each	8,16,000 equity shares of Re 1/- each
j) Employee wise details of options granted to :					
i) Senior managerial personnel:	–	–	–	–	–
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;	NIL	NIL	NIL	NIL	NIL
iii) Identified employees who were granted option during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant.	NIL	NIL	NIL	NIL	NIL
k) Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard (AS) 20 'Earnings Per Share'.	24,12,722 equity shares of Re 1/- each were issued pursuant to the exercise of stock options by employees as per the '2001 HLL Stock Option Plan' . The consequent dilution in Earnings Per Share of 2009 is less than 1 paise				

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 to Stock Option 2004	Stock Option 2005
l)	i) Method of calculation of employee compensation cost	Stock Option 2001 to Stock Option 2004	The Company has calculated the employee compensation cost using the intrinsic value method of accounting to account for Options issued under the '2001 HLL Stock Option Plan'. The Stock -Based as per the intrinsic value method for the year 2005 is Nil
	ii) Difference between the employee compensation cost so computed at (i) above and the employee compensation cost that shall have been recognised if it had used the fair value of the Options		Rs.6.73 Crores
	iii) The impact of this difference on profits and on EPS of the Company		The effect of adopting the fair value method on the net income and earnings per share of 2005 is presented below:

Net Income	Rs.Crores
As reported	14,08.11
Add: Intrinsic value Compensation Cost	Nil
Less: Fair Value Compensation Cost	6.73
Adjusted Net Income	14,01.38
Earnings Per Share (Basic and Diluted)	**(Rs.)**
- As reported	6.40
- As adjusted	6.37

		Stock Option 2001 to Stock Option 2004	Stock Option 2005
m)	Weighted average exercise price and weighted average fair value	NA	NA
n)	Fair value of Options based on Black Scholes methodology		
	Assumptions		
	Risk free rate	7.25%	
	Expected life of options	7 years	
	Expected Volatility (based on daily market closing price from 3 years -2003 to 2005)	30.04%	
	Expected Dividends	Rs 5.00 per share	
	Closing market price of share on date of option grant	Rs 138.20	

Notes: (i) The '2001 HLL Stock Option Plan' has been discontinued by the Company from 2006.

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

Performance Share Plan :

In 2008-09 as per terms of the '2006 HLL Performance Share Scheme' employees were awarded conditional right to receive 2,06,250 equity shares of the Company at face value of Re.1/- each. These awards will vest only on achievement of the performance criteria measured over a 3 year period. The list of senior management who were awarded conditional rights under the plan is given below:

Name of the Manager	Performance Shares Awarded in 2008
Nitin Paranjpe	9,900
D. Sundaram	3,300
Dhaval Buch	3,300
Shrijeet Mishra	2,750
Gopal Vittal	4,400
Ashok Gupta	2,200
Leena Menon	2,750
Hemant Bakshi	2,200
Sanjiv Kakkar	5,500