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SCHEME OF ARRANGEMENT

AMONGST

HINDUSTAN UNILEVER LIMITED

AND

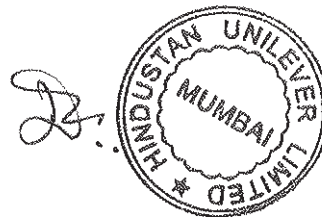
ITS MEMBERS

UNDER SECTIONS 391 TO 394 OF THE COMPANIES ACT, 1956

PART A - GENERAL

1. Introduction

- 1.1 Hindustan Unilever Limited is a public limited company, originally incorporated under the Indian Companies Act, 1913 and continuing its existence under the Act (as defined hereinafter) and having its registered office at Unilever House, B. D. Sawant Marg, Chakala, Andheri (East) Mumbai 400 099 (the "Company"). The Company is one of India's leading fast moving consumer goods ("FMCG") companies and has been present in India for more than 80 years. The Company is engaged in various businesses including manufacture, marketing, distribution and/or sale of soaps, detergents, personal care products, beverages, processed foods, etc. in domestic and export markets. The equity shares of the Company are listed on BSE Limited and on the National Stock Exchange of India Limited.
- 1.2 The Company's portfolio includes, *inter alia*, the following brands: Lux, Lifebuoy, Surf Excel, Rin, Wheel, Fair & Lovely, Pond's, Vaseline, Lakmé, Dove, Clinic Plus, Sunsilk, Pepsodent, Closeup, Axe, Brooke Bond, Bru, Knorr, Kissan, Kwality Wall's and Pureit. The Company has been able to build large brands, 16 (sixteen) brands of the Company featured in the 'Most Trusted Brands' 2014 edition and 10 (ten) brands of the Company featured in BrandZ™ Top 50 Most Valuable Indian Brands.
- 1.3 The Company has demonstrated consistent growth, sustained improvement in profitability and robust cash generation over the years. The key financial highlights that demonstrates strong operating performance of the Company are as follows :



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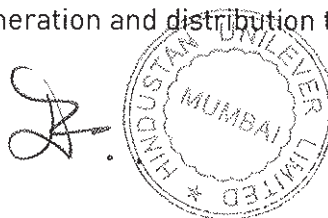
Parameter	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15
Gross Sales (Rs. Crores)	20,285.44	22,800.32	26,679.76	28,947.06	32,086.32
EBIT (% of Gross Sales)	12.1%	13.5%	14.1%	14.6%	15.3%
Return on Capital Employed	88%	97%	109%	130%	128%
Cash generated from operations^ (Rs. Crores)	2,551.80	3,543.85	4,546.05	5,007.87	5,049.35
Earnings Per Share (Rs.)	10.58	12.46	17.56	17.88	19.95
Dividend Per Share (Rs.)	6.50	7.50	18.50*	13.00	15.00
Capex (Rs. Crores)	311	310	409	527	526
Capex as % of Gross Sales	1.5%	1.4%	1.5%	1.8%	1.6%
Dividend Payout Ratio#	71.2%	70.0%	122.6%	84.6%	89.9%

^ Cash generated from operations before working capital changes+ Adjustment for working capital changes,

* Includes Special Dividend of Rs 8 per share

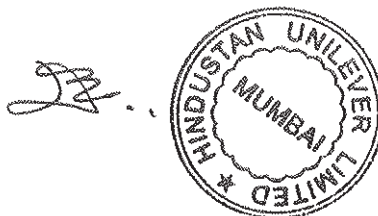
Inclusive of Dividend Distribution Tax (DDT)

- 1.4 The Company has a strong track record of paying regular dividends to its shareholders. The Company has declared cumulative dividends (including dividend distribution tax) to the tune of Rs. 15,335.73 Crores (Fifteen Thousand Three Hundred Thirty Five Crores and Seventy Three Lakhs only) during the period from Financial Year 2010-11 to Financial Year 2014-15.
- 1.5 The Company follows a distributed and asset-light manufacturing model with capacity enhancements being managed judiciously through a combination of productivity improvements to existing assets and addition of new assets through fresh capital expenditure. The Company incurred a cumulative capital expenditure of Rs. 2083.60 Crores (Two Thousand Eighty Three Crores and Sixty Lakhs only) during the period from Financial Year 2010-11 to Financial Year 2014-15 which is only 1.6% of cumulative gross sales during the same period.
- 1.6 The robust growth in sales, strong margin profile and low capital expenditure requirement for continuing operations has helped the Company maintain a strong track record of operating cash generation and distribution to its shareholders.



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- 1.7 The Company has net cash & cash equivalent and investments of Rs. 5,161 Crores (Five Thousand One Hundred Sixty One Crores only) as on 31 March 2015. The Company does not have any secured or unsecured loans, fixed deposits or preference shares which entail repayment obligations.
- 1.8 The Company has built up significant reserves from its retained profits by way of transfer to its General Reserves (*as defined hereinafter*). While the excess reserves can be profitably utilized for the Company's overall growth strategy, the Board of Directors (*as defined hereinafter*) of the Company is of the view that even after considering the foreseeable investments required for such opportunities over the next few years, the funds represented by the General Reserves are in excess of the Company's current and anticipated operational needs.
- 1.9 In view of the Company's strong cash flow delivery and the accumulated General Reserves being more than what is needed to fund growth, along with a view to providing greater flexibility for the utilisation of such funds, the Company now proposes to transfer the amount lying to the credit of the General Reserves to the 'Profit and Loss Account' to enable, *inter alia*, Payout to the Members (*as defined hereinafter*), in such manner and to such extent, as the Board (*as defined hereinafter*), in its sole discretion, may decide, from time to time and in accordance with the provisions of the Act and other applicable laws.
- 1.10 In view of the aforesaid and in the interest of transparency and good corporate governance, the Company has proposed this Scheme of Arrangement between the Company and its Members under Sections 391 to 394 of the Act, pursuant to which and upon its coming into effect, the entire amount of Rs. 2,187.33 Crore (Rupees Two Thousand One Hundred Eighty Seven Crores and Thirty Three Lakhs only) lying in the General Reserves of the Company, as of the Appointed Date (*as defined hereinafter*), be credited to the balance of the 'Profit and Loss Account' of the Company, to enable, *inter alia*, Payout to its Members as per the discretion of the Board (regarding the mode, quantum and time of such Payout, subject to consideration of all relevant factors), from time to time in accordance with the provisions of the Act and other applicable laws, pursuant to Sections 391 to 394 and other relevant provisions of the Act, and various other matters consequential to or otherwise integrally connected with the above.
- 1.11 The Scheme is divided into the following parts:
- (a) **Part A**, which deals with the introduction and definition and sets out the share capital and details of reserves and surplus of the Company;
 - (b) **Part B**, which deals with utilisation and reclassification of amounts standing to the credit of the General Reserves for the purpose of Payout to Members, as per the discretion of the Board of Directors, from time to time; and
 - (c) **Part C**, which deals with the general terms and conditions.



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2. **Definition and Interpretation**

2.1 In this Scheme, unless inconsistent with the subject or context, the following expressions shall have the following meanings:

“**Act**” means the Companies Act, 2013 (to the extent of the sections thereof that have been brought into force) and the Companies Act, 1956 (to the extent of the sections thereof that have not been repealed);

“**Appointed Date**” means opening of business on 1st April, 2015, or such other date as may be determined by the Board of Directors of the Company;

“**Board of Directors**” or “**Board**” means the Board of Directors of the Company and shall include a Committee duly constituted and authorised for the purposes of matters pertaining to the Scheme and/or any other matter relating thereto;

“**Capital Reserves**” means and includes the capital reserves, capital redemption reserve and the securities premium account as reflected in the accounts of the Company;

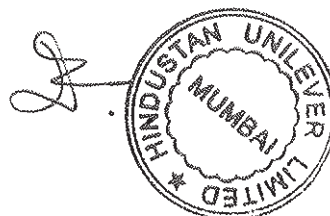
“**Company**” shall have the meaning assigned to it in Clause 1.1;

“**Effective Date**” means the last of the dates on which all the conditions and matters referred to in Clause 7 of this Scheme occur or have been fulfilled or waived in accordance with this Scheme. References in this Scheme to date of ‘coming into effect of the Scheme’ or ‘effectiveness of the Scheme’ shall mean the Effective Date;

“**General Reserves**” means and includes the General Reserves of the Company which have been built primarily through transfer of retained undistributed profits, pursuant to the provisions of the Companies Act, 1956 and the erstwhile rules notified thereunder, namely, the Companies (Transfer of Profits to Reserves) Rules, 1975 and which forms a part of the revenue reserves of the Company, as reflected in the accounts of the Company;

“**Governmental Authority**” means any applicable Central, State or Local Government, legislative body, regulatory or administrative authority, agency or Commission, including a Stock Exchange or any Court, Tribunal, Board, Bureau, instrumentality, judicial or arbitral body;

“**High Court**” shall mean the High Court of Judicature at Bombay having jurisdiction in relation to the Company and shall include the National Company Law Tribunal, as applicable, or such other forum or authority as may be vested with any of the powers of a High Court for the purposes of Sections 391 to 394 of the Companies Act, 1956 or Sections 230 to 232 of the Companies Act, 2013, as may be applicable;



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"Member" means every person holding shares of the Company at the relevant time and the term "Members" shall be construed accordingly;

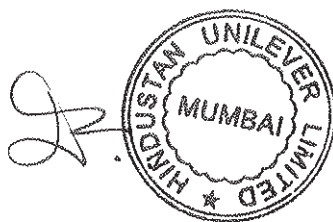
"Registrar of Companies" means the Registrar of Companies, Maharashtra;

"Scheme" mean this Scheme of Arrangement, as amended or modified in accordance with the provisions hereof;

"SEBI" means the Securities and Exchange Board of India; and

"SEBI Scheme Circular" means Circular No. CIR/CFD/CMD/16/2015 dated November 30, 2015 on Scheme of Arrangement by Listed Entities, and shall include any statutory modifications, re-enactment or amendments thereof.

- 2.2 References to clauses, sub-clauses and recitals, unless otherwise provided, are to clauses, sub-clauses and recitals of and to this Scheme.
- 2.3 The headings herein shall not affect the construction of this Scheme.
- 2.4 Any phrase introduced by the terms 'including', 'include', 'in particular' or any similar expression shall be construed as illustrative and shall not limit the sense of the words preceding those terms.
- 2.5 Unless the context otherwise requires:
- (i) the singular shall include the plural and vice versa; and references to one gender include all genders; and
 - (ii) references to any law or to any provision thereof shall include references to any such law or to any provision thereof as it may, after the date hereof, from time to time, be amended, supplemented or re-enacted, or to any law or any provision which replaces it, and any reference to a statutory provision shall include any subordinate legislation made from time to time under that provision.
- 2.6 Reference to a person includes any individual, firm, body corporate (whether incorporated or not), Governmental Authority, or any joint venture, association, partnership, works council or employee representatives body (whether or not having separate legal personality).



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3. **Share Capital and General Reserves**

3.1 The Share Capital structure of the Company as on 31st March 2015 is as under:

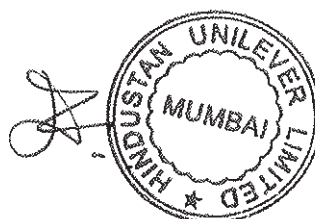
A. Authorised Share Capital	Amount in Rs.
2,250,000,000 equity shares of Re. 1 each	2,250,000,000
Total	2,250,000,000

B. Issued and Subscribed Share Capital	Amount in Rs.
2,216,583,827 equity shares of Re. 1 each	2,216,583,827
Total	2,216,583,827

C. Fully Paid-up Share Capital	Amount in Rs.
2,163,464,851 equity shares of Re. 1 each	2,163,464,851
Total	2,163,464,851

* *The difference between total issued and subscribed share capital and fully paid up share capital of the Company is due to the buyback made from open market as per special resolutions passed through postal ballot on 14th September 2007 and 26th July 2010. The total number of shares bought back under the scheme was 30,235,772 and 22,883,204 respectively.*

** *During the period 1st April 2015 to 31st December, 2015, the Company has issued 405,971 equity shares under its employee stock option schemes. Accordingly, as on 31st December, 2015, the issued capital and paid up capital of the Company was 2,216,989,798 equity shares of Re. 1/- each and 2,163,870,822 equity shares of Re. 1/- each respectively.*



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- 3.2 The details of employee stock option schemes of the Company as on 31st March 2015 are as follows:

Sr. No.	Name of the Employee Stock Option Scheme	Options Outstanding	Vesting Condition	Exercise Period
1.	2001 HLL Stock Option Plan	23,100	3 years from date of grant	7 years from date of vesting
2.	2006 HLL Performance Share Scheme	364,566	3 years from date of grant	3 months from date of vesting
3.	2012 HUL Performance Share Scheme	747,221	3 years from date of grant	3 months from date of vesting

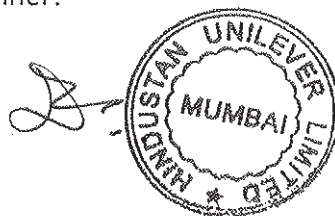
During the period 1st April, 2015 to 31st December, 2015, the Company has issued 405,971 equity shares under the ESOP Scheme

Exercise of any balance outstanding stock options may result in an increase in the issued, subscribed and paid-up share capital of the Company.

- 3.3 The Reserves and Surplus of the Company, including the General Reserves, as per the audited Balance Sheet of the Company as of the Appointed Date, are as under:

	Rs. Crores
Total Reserves & Surplus	3508.43
General Reserves <i>(as defined and referred to in this Scheme)</i>	2187.33
Other reserves and surplus not forming part of the reclassification specified in Part B of this Scheme	
Capital Reserve	4.22
Capital Redemption Reserve	6.46
Securities Premium Account	81.16
Revaluation Reserve	0.67
Employee Stock Options Outstanding Account	42.80
Capital Subsidy	6.19
Other Reserves	2.51
Surplus in Statement of Profit and Loss	1177.09

- 3.4 The Scheme does not seek to reduce or otherwise alter the issued, subscribed and paid-up share capital of the Company in any manner and the same will, therefore, remain unaltered as a result of the Scheme. Similarly, the Scheme does not affect the Capital Reserves in any manner.



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PART B - RECLASSIFICATION AND UTILISATION OF THE GENERAL RESERVES AND PAYOUT TO MEMBERS

4. Reclassification and utilisation of the General Reserves

4.1 The General Reserves of the Company, as on the Appointed Date being Rs. 2,187.33 Crore (Rupees Two Thousand One Hundred Eighty Seven Crores and Thirty Three Lakhs only) have been, primarily, built up over the years through the transfer of profits to the reserves by the Company (prior to declaration of dividend) in accordance with the provisions of the Companies Act, 1956 and the erstwhile rules notified thereunder, namely, the Companies (Transfer of Profits to Reserves) Rules, 1975.

4.2 Upon this Scheme becoming effective and with effect from the Appointed Date, the entire amount of Rs. 2,187.33 Crore (Rupees Two Thousand One Hundred Eighty Seven Crores and Thirty Three Lakhs only) standing to the credit of the General Reserves of the Company shall be reclassified and credited to the 'Profit and Loss Account' of the Company, and subsequent thereto, such amounts credited to the 'Profit and Loss Account' of the Company shall be reclassified as and constitute accumulated profits of the Company for the previous financial years, arrived at after providing for depreciation in accordance with the provisions of the Act and remaining undistributed in the manner provided in the Act and other applicable laws. It is clarified that such amounts shall be available for utilisation by the Company in relation to any Payout in the manner set out in Clause 5 below.

5. Payout of Surplus Funds to Members

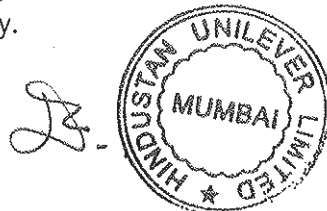
5.1 Upon the Scheme becoming effective and subsequent to the reclassification of the amounts standing to the credit of the General Reserves and credit thereof to the 'Profit and Loss Account' pursuant to Clause 4 of the Scheme, the amount so credited shall be paid out to the Members of the Company, from time to time, by the Board of Directors, at its sole discretion, in such manner, quantum and at such time as the Board of Directors may decide (each such event constituting a "Payout").

5.2 Each Payout of surplus funds (including the quantum, manner and timing thereof) shall be undertaken in accordance with the provisions of the Act, the Scheme and other applicable laws, taking into account all relevant factors including applicable regulatory and fiscal considerations, the nature and quantum of each Payout and subject to payment of applicable taxes.

6. Accounting Treatment

6.1 Upon this Scheme becoming effective and with effect from the Appointed Date:

The entire amount of Rs. 2,187.33 Crore (Rupees Two Thousand One Hundred Eighty Seven Crores and Thirty Three Lakhs only) standing to the credit of the General Reserves of the Company shall be reclassified and credited to the 'Profit and Loss Account' of the Company.



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6.2 For the removal of doubt, it is expressly recorded and clarified that the transfer of amounts standing to the credit of the General Reserves and utilisation of such amounts through each Payout, shall not in any manner involve distribution of Capital Reserves or revenue reserves other than the General Reserves.

7. Scheme Conditional On

7.1 The Scheme is conditional on and subject to:

- (a) the Scheme being approved by the requisite majority of the Members of the Company as required under the Act, unless such meeting is otherwise dispensed with by the High Court;
- (b) the High Court having accorded its sanction to the Scheme;
- (c) the approval/comments of SEBI in terms of the SEBI Scheme Circular being obtained upon this Scheme being sanctioned by the High Court, if applicable;
- (d) such other approvals and sanctions of any Governmental Authority as may be required in respect of the Scheme being obtained; and
- (e) the certified copy of the order of the High Court approving the Scheme being filed with the Registrar of Companies.

7.2 The approval of the Scheme by the Members shall be deemed to be sufficient for the purposes of effecting the re-classification of the amounts standing to the credit of the General Reserves and credit thereof to the 'Profit and Loss Account' and no further resolution under any other applicable provisions of the Act would be required to be separately passed.

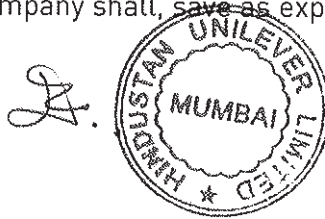
7.3 In the event of this Scheme failing to take effect by 31st March 2017 or such later date as may be agreed by the Board of Directors, this Scheme shall stand revoked, cancelled and be of no effect and become null and void, and in that event, no rights and liabilities shall accrue to, or, be incurred inter se between the Company and any other person and the Company shall bear and pay the costs, charges and expenses for and/or in connection with the Scheme

PART C - GENERAL TERMS AND CONDITIONS

8. Upon this Scheme becoming effective, the Balance Sheet of the Company, as on the Appointed Date, shall be reorganized in accordance with the terms of this Scheme.

9. Dividends

9.1 Nothing contained herein shall be construed as restricting the Company from being entitled to declare and pay dividends, whether interim or final, to its shareholders whether during the pendency of the Scheme or otherwise and the holders of the shares of the Company shall, save as expressly provided otherwise



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in this Scheme, continue to enjoy their existing rights under the Articles of Association, including the right to receive dividends, if any.

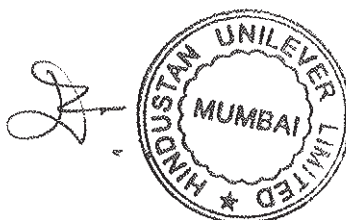
- 9.2 It is clarified that the aforesaid provisions in Clause 9.1 in respect of declaration of dividend are enabling provisions only and shall not be deemed to confer any right on any member of the Company to demand or claim any dividends which, subject to the provisions of the said Act, shall be entirely at the discretion of the Board of Directors and subject to the approval, if required, of the Members.

10. Applications

The Company shall make necessary applications before the High Court for the sanction of this Scheme under Sections 391 to 394 of the Act and any other applicable provisions of law.

11. Modifications to the Scheme

- 11.1 The Company (acting through its Board of Directors) may, in its full and absolute discretion:
- (a) assent to any alteration(s) or modification(s) to this Scheme which the High Court and/or any other Governmental Authority may deem fit to approve or impose and to do all acts, deeds and things as may be necessary, desirable or expedient for the purposes of this Scheme;
 - (b) give such directions as it may consider necessary to settle any question or difficulty arising under the Scheme or in regard to, and of the meaning or interpretation of the Scheme, or implementation thereof, or in any matter whatsoever connected therewith (including any question or difficulty arising as a result of inadequacy of information provided by a Member or in connection with any deceased or insolvent Member of the Company), or to review the position relating to the satisfaction of various conditions to the Scheme and if necessary, to waive any of those (to the extent permissible under law), or, that otherwise as may be considered to be in the best interest of the Company and its Members and do all acts, deeds and things as may be necessary, desirable or expedient for giving effect to the Scheme;
 - (c) modify, vary or withdraw this Scheme prior to the Effective Date in any manner at any time;
 - (d) any modification to the Scheme by the Company, after receipt of sanction by the High Court, shall be made only with the prior approval of the High Court.



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12. Severability

12.1 The provisions contained in this Scheme are inextricably inter-linked with the other provisions and the Scheme constitutes an integral whole. The Scheme would be given effect to only if is approved in its entirety unless specifically agreed otherwise by the Board of Directors of the Company.

12.2 If any part of this Scheme is found to be unworkable for any reason whatsoever, the same shall not, subject to the decision of the Company, affect the validity or implementation of the other parts and/or provisions of this Scheme.

13. Tax related provisions

Every Payout shall be subject to payment or deduction at source of applicable taxes as per applicable law.

14. Costs

All costs, charges and expenses of the Company in relation to or in connection with the Scheme and of carrying out and implementing/ completing the terms and provisions of the Scheme and/ or incidental to the completion thereof in pursuance of the Scheme, shall be borne and paid by the Company.

15. Binding Effect

This Scheme when sanctioned by the High Court and upon effectiveness shall be binding on the Company, all its creditors, Members and all other persons, notwithstanding anything to the contrary in any other instrument, deed or writing.

