DIRECTORS' REPORT

and Management Discussion and Analysis

To the Members,

Your Company's Directors are pleased to present the 79th Annual Report of the Company, along with Audited Accounts for the financial year ended 31st March, 2012.

1. FINANCIAL PERFORMANCE (STANDALONE)

1.1 Results (see para 1.4)

Rs. Crores

	For the year ended 31st March, 2012	For the year ended 31st March, 2011
Revenue from operations, net of excise	**22,116.37**	19,735.51
Profit before exceptional items and tax	**3,350.16**	2,730.20
Profit for the year	**2,691.40**	2,305.99
Dividend (including tax on distributed profits)	**(1,883.90)**	(1,641.96)
Transfer to General Reserve	**(269.14)**	(230.60)
Profit & Loss Account balance carried forward	**1,773.96**	1,235.60

1.2 Category wise Turnover (see para 1.4)

Rs. Crores

	For the year ended 31st March, 2012		For the year ended 31st March, 2011	
	Sales	Others*	Sales	Others*
Soaps and Detergents	**10,488.38**	**147.90**	8,683.88	117.18
Personal Products	**6,746.95**	**98.91**	5,750.68	99.71
Beverages	**2,577.02**	**40.41**	2,309.23	37.27
Packaged Foods	**1,341.93**	**17.53**	1,162.28	16.15
Others (including Exports, Chemicals, Water etc.)	**581.32**	**55.04**	1,474.94	64.37
Total	**21,735.60**	**359.79**	**19,381.01**	**334.68**

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

1.3 Summarised Profit and Loss Account (see para 1.4)

Rs. Crores

	For the year ended 31st March, 2012	For the year ended 31st March, 2011
Sale of products less excise duty	**21,735.60**	**19,381.01**
Other operational income	**380.77**	354.50
Total Revenue	**22,116.37**	**19,735.51**
Operating Costs	**(18,825.03)**	(17,057.12)
PBDIT	**3,291.34**	**2,678.39**
Depreciation	**(218.25)**	(220.83)
PBIT	**3,073.09**	**2,457.56**
Other Income (net)	**277.07**	272.64
Profit before exceptional item	**3,350.16**	**2,730.20**
Exceptional Item	**118.87**	206.83
PBT	**3,469.03**	**2,937.03**
Taxation	**(777.63)**	(631.04)
Profit for the year	**2,691.40**	**2,305.99**
Basic EPS (Rs.)	**12.46**	**10.58**

1.4 Demerger of FMCG Exports Business

In order to fully exploit the opportunity in exports market and to provide necessary focus, flexibility and speed to the business, the Board of Directors had approved in-principle a Scheme of Arrangement for transfer of the FMCG Exports Business Division (demerged business undertaking) of the Company into its wholly owned subsidiary, Unilever India Exports Limited ('UIEL'), on 9th May, 2011 which subsequently was approved by the shareholders on 28th July, 2011. The Hon'ble High Court of Bombay sanctioned the said Scheme with the appointed date of 1st April, 2011. Accordingly, the financial results of the demerged business undertaking do not form part of the audited results of the Company for the year ended 31st March, 2012. However, the audited results of the Company for the year ended 31st March, 2011 included the results of the said demerged business undertaking and hence, to that extent, previous year figures are not comparable with the current year figures. The results of the Company excluding the results of the demerged business undertaking for both the years are given below:

Rs. Crores

	For the year ended 31st March, 2012	For the year ended 31st March, 2011
Revenue from operations, net of excise	**22,116.37**	18,796.24
Profit before exceptional items and tax	**3,350.16**	2,654.48
Profit for the year	**2,691.40**	2,246.19

2. DIVIDEND

Your Directors are pleased to recommend final dividend of Rs. 4.00 per equity share of face value of Re.1/- each for the year ended 31st March, 2012. The interim dividend of Rs. 3.50 per equity share was paid on 22nd November, 2011.

The final dividend, subject to approval of shareholders at the Annual General Meeting on 23rd July, 2012, will be paid to the shareholders whose names appear in the Register of Members as on the date of book closure i.e. from Friday, 6th July, 2012 to Friday, 20th July, 2012 (inclusive of both dates).

The total dividend for the financial year including the proposed final dividend amounts to Rs. 7.50 per equity share and will absorb Rs. 1,883.90 Crores including Dividend Distribution Tax of Rs. 262.96 Crores.

3. CHANGE OF THE REGISTERED OFFICE

In January 2010, your Company inaugurated the new Corporate Office named 'Campus' at Andheri, Mumbai. The Board of Directors at their meeting held on 31st October, 2011, approved the change of Registered Office of the Company to Unilever House, B. D. Sawant Marg, Chakala, Andheri East, Mumbai 400 099 from the earlier office at 165/166 Backbay Reclamation, with effect from 1st January, 2012.

4. RESPONSIBILITY STATEMENT

The Directors confirm that:

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

- they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profits of the Company for that period;
- they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- they have prepared the annual accounts on a going concern basis.

5. MANAGEMENT DISCUSSION AND 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.

5.1 Economy and Markets

The after effects of the global financial crisis of 2008 have continued to cast their shadow on the economies around the world even now. The crisis brought to fore the vulnerabilities of the systems of regulation and operation of the financial and fiscal processes. The unprecedented scale of fiscal stimulus that was required to manage this crisis has meant that bringing the fiscal deficit back to acceptable levels is an equally daunting challenge.

For India, the weak external demand conditions have been exacerbated by the high crude oil prices. Slow export growth and rising import bill have led to rising current account deficit. The Union Budget for 2012-13 indicated the need for strong measures to revert to a fiscal adjustment path. Central Government subsidies were to be capped at 2% of GDP and some measures to widen tax net were taken.

The area in which there has been relief is the decline in inflation rate from the near double digit rates seen in the past two years. Although there are risks associated with the petroleum sector prices and some of the food sector prices, the non-food manufactured products prices have shown deceleration.

The opening up and expansion of the economy, rising income levels and changing consumer beliefs and behaviours have led to an increase in consumption. This represents a tremendous opportunity for your Company.

Your Company's performance for the year 2011-12 has to be viewed in the context of the aforesaid economic and market environment.

Performance of Businesses and Categories

Some highlights are given below in respect of each of the business categories of the Company.

5.2 Home & Personal Care Business (HPC)

The HPC business consists of Fabric Wash, Household Care, Personal Wash and Personal Products which includes categories like toothpaste, shampoo, skin care, deodorants and colour cosmetics. During the year, the HPC business registered double digit volume growth and a robust price growth, leading to a value growth of 19.4%.

The opportunity for growth in India continues to be immense across all HPC categories and your Company believes that market development is critical for sustained growth. While focusing on the core categories, your Company has invested heavily in the 'Categories of tomorrow'. Your Company delivered double digit growth in the highly competitive scenario, with new entrants in the market and brands being launched every quarter. Your Company maintained marketing and trade spends at competitive levels throughout the year. After the successful interventions in rural marketing under 'Khushiyon Ki Doli' programme in 2010, the programme was extended to five more states, viz. West Bengal, Bihar, Maharashtra, Andhra Pradesh and Uttar Pradesh, in 2011. This multi brand campaign helped cover around 70,000 villages, 4 lakh retailers and 250 lakh consumers. 'Khushiyon Ki Doli' is a cost efficient rural brand activation module, which assisted in increasing reach of various Home and Personal Care brands such as *Wheel*, *Surf Excel*, *Vim*, *Fair & Lovely*, *Sunsilk*, *Lifebuoy* and *Closeup*.

Volatile and rapidly changing commodity markets, including vegetable oil and crude oil, coupled with fluctuating currency markets posed a major challenge during the year. The impact of cost inflation was felt in inputs such as palm oil, laundry chemicals, packaging and freight cost. The business was managed dynamically with increased frequency of cost and pricing review and aggressive cost saving programmes, which helped to minimise the cost impact.

Your Directors believe that sustained investments behind brands by way of technology, innovation, consumer communication and continued focus on market development will benefit the business in creating long-term value.

5.2.1 Soaps and Detergents

In Soaps and Detergents category, value grew by 20.8% on the back of strong underlying volume growth and pricing actions.

Fabric Wash recorded another successful year of growth, with the highest ever volumes. In spite of steep increase in input costs, the margins were sustained by excellent execution of pricing decisions and cost saving programmes.

The focus on innovations resulted in successful execution of projects in brands like *Surf Excel* Quickwash Powder and *Surf Excel* Bar. In fabric conditioners, *Comfort* Green with 99% Anti-Bacterial Action was launched to give additional benefit of bacteria free clothes. *Rin* Perfect Shine, a fabric whitener, was launched as the latest addition to Fabric Wash portfolio. Speed to market was the key focus for laundry business. Various initiatives across the Fabric Wash category ensured that the products are right priced in the right markets at the right time. Your Company will continue to focus on Fabric Wash business by driving innovation, control over costs across the value chain and relevant communication.

Household Care products recorded double digit volume growth during the period. *Vim* bar continues to perform well. *Vim* Liquid also witnessed sustained growth on the basis of good quality and strong advertising. The brand entered the Guinness Book of World Records for washing 15,000 plates with one 500ml bottle. *Domex* continued on its journey to provide better and germ free toilets to the Indian consumer. Household products business is focused on innovation in the portfolio to give more value to consumers.

Personal Wash category recorded robust growth during the year. This was driven through innovations across the portfolio, such as re-launch of *Lux* and new campaigns in *Dove*, *Pears* and *Lifebuoy*, backed by strong micro marketing plans. Incorporating learnings from the past and focusing on cost efficiencies, the Company was able to grow the category profitably, despite significant volatility in commodity costs during the first half of the year and increasing foreign exchange rates during the second half of the year. The growth was broad-based and across every segment of the category. The growth was witnessed not only in core bars business but also through penetration and consumption of personal wash liquids.

5.2.2 Personal Products

Personal Products categories comprises Hair Care, Skin Care, Oral Care, Deodorants and Colour Cosmetics. The Personal Products category grew by 17.3% during the year, led by strong underlying volume growth.

Hair Care category recorded robust volume and value growth during the year. This was largely driven through increased consumption and premiumisation. Your Company had a strong year, strengthening its position by becoming the market leader in the hair conditioner category along with maintaining its leadership in shampoos. *Dove* continues to lead the premiumisation agenda and has consistently gained market share. *Clinic Plus* continues to be the largest shampoo brand in the category. *Clear* led the anti-dandruff agenda with a comprehensive re-stage in the first half of the year, with the brand showing strong early signs of growth. Your Company continued its focus on market development by investing strongly behind the nascent but emerging high potential hair conditioners segment, thus growing ahead of the market.

Skin Care category had a strong year, led by strong growth in the core brands. *Fair & Lovely*, *Pond's* and *Vaseline* grew strongly in double digits. The growth was further aided by good traction that was witnessed in new segments like Anti Ageing and Premium Lip Care. Some of the skin lightening segments your Company entered in the last two years, like Healthy White Body Lotion and White Beauty Cream, have achieved good share of market and continued to grow very well. *Vaseline* Body Lotion was re-launched with a breakthrough moisturising technology and *Dove* Body Lotion range was introduced during the year; both the offerings performed exceedingly well. In this segment, your Company has the right portfolio to take full advantage of the India growth opportunity.

Your Company embarked on a plan to accelerate Oral Care business growth and strategic actions were put into market during the year. *Pepsodent* Gum Care credentials were further strengthened with a comprehensive restage in the second half of the year. *Closeup* continued to build its freshness credentials and grew in line with the market. The toothbrush market has witnessed intense competition during the year and your Company has put in place robust actions to compete in this fast growing market.

Lakmé Colours performed strongly in 2011-12, driven on the back of strong innovations and a revamp of the retail front-end consumer experience. The core segment was strengthened by building Perfect Radiance Compact to become a key focus pack in the face segment. The nail portfolio was further strengthened by introduction of Color Crush. *Lakmé* is rapidly premiumising the brand by offering added benefits and superior formats with the launch of its long wear make-up line, 'Absolute'. Absolute, is a high performance long wear make-up range with world class products that last up to 16 hours. *Elle18* has delivered a strong 29% growth in 2011-12.

Deodorants business continued to witness aggressive growth. Your Company continued its market leadership with a comprehensive restage of stronger *Axe* range and launch of *Denim* deodorants. Your Company has leveraged digital media to build over 2 million strong community and has leveraged gaming and viral campaigns to drive high levels of interaction between consumers and the brand. The category has significant potential for growth in future. Your Company is now poised to capitalise in this emerging category with its comprehensive portfolio of *Axe*, *Denim*, *Dove* and *Sure* by straddling the pyramid and meeting different needs of different consumers in the segment.

Your Company currently imports a large portion of deodorants in the aerosol form. Unilever is in the process of implementing a project to establish a world class deodorants manufacturing facility in India and this plant will provide regular supply of high quality deodorant products to service markets across the world, including India.

Kimberly Clark Lever Private Limited (KCL)

KCL is a Joint Venture between your Company and Kimberly-Clark Corporation, USA. The primary product category for KCL is infant care diapers and this business registered double digit growth during the year. The year witnessed the national launch of *Huggies* Diaper Pants, *Huggies* Natural Baby Wipes and the limited edition *Huggies* Jeans Diaper Pants.

This category has huge potential for growth in the context of the low levels of penetration of infant care diapers in the Country. This growth opportunity has attracted increased levels of competitive intensity in the recent past with multinationals making significant investments in India. KCL is committed to participate effectively in this growth opportunity and will bring regular innovations to the market, which will call for sustained investments in the short to medium term.

5.3 Foods

The Foods portfolio of your Company comprises Beverages (Tea and Coffee), Processed Foods (*Kissan*, *Knorr* and *Annapurna* range of products), Frozen Desserts, Bakery products (Modern Foods) and Out of Home operations including *Bru* World Café.

During the year, Foods business has delivered good double digit growth across the portfolio. Your Company added incremental growth and consumers through many relevant and successful innovations in Beverages, Frozen Desserts and Processed Foods. Your Company has continued its focus on availability expansion across trade channels and micro-marketing initiatives in core categories to increase consumption and penetration. Packaged Food category continues to represent a significant consumer and business opportunity, given the shifts in the income pyramid, increase in working women, growing health concerns and need for taste with convenience. Your Company is consistently focused on developing more offerings that can best fulfill existing and emerging consumer needs.

The Foods business was faced with multiple challenges during the year, including high competitive intensity from multinational, national as well as local players in many categories and significant food inflation across the spectrum. Your Company has proactively managed the challenges by responding through increased brand investments, value enhancing innovations, consumer centric value packs, judicious price increases and aggressive cost saving programmes.

5.3.1 Processed Foods

Kissan continues to remain one of the most trusted brands among Indian consumers. *Kissan* registered strong double digit growth during the year, led by volume growth. In ketchups your Company continued to grow shares. *Kissan*'s new foray into creamy spreads is being nurtured in emerging channels.

Your Company maintained its value leadership in the soups segment through *Knorr*. Through launch of an affordable range and instant soups for the young adults, your Company plans to drive market expansion. *Knorr* Soupy Noodles continued to be the highlight of the Packaged Foods business. The Company has managed to double the business during the year as the product has received good response from consumers across all the markets. Your Company will continue to invest in this category and focus on consumer relevant innovations in future.

The staples business, through *Annapurna*, has registered a modest performance during the year. Your Company will continue to focus on key geographies and optimising costs to further enhance the profitability of the portfolio.

During the year, the Company has significantly strengthened its capability to engage consumers at the point of sale by setting up the food ambassadors programme across the top food stores in the Country; this has encouraged trials of all new innovations from the category.

Bakery (Modern Foods)

Bakery (bread and cakes) sustained its growth momentum and continued to deliver strong underlying growth and profit improvement through enhanced scale and better operational efficiencies. The new products in adjacent categories like Idli and Dosa batter and dry mix powders, launched during the year, were well received in select geographies.

5.3.2 Beverages

The tea market, which witnessed downtrading in 2010-11 stabilised in 2011-12. The market saw low single digit volume growth and close to double digit value growth. Commodity prices remained stable through most of the year. In this scenario, the business witnessed strong turnover growth which has been led by good underlying volume growth.

In 2011-12, most parts of the portfolio witnessed good performance. *3 Roses* had another year of strong growth strengthening its position in the southern part of India. *Red Label* witnessed second consecutive year of volume and value growth ahead of market, across geographies. Natural Care, a value added variant of *Red Label* and

3 Roses also grew well ahead of the market by building on the differentiated proposition of immunity. *Taj Mahal* and *Lipton* led the charge in the premium segment and witnessed both price and volume growth. Tea bags had a very successful year, with the launch of new flavoured and green tea bags under these two brands, enabling the Company to build leadership in the format of the future. *Lipton* Ice Tea was launched in ready to drink and powder formats to enter into the fast growing non-carbonated beverage market and to make the tea portfolio future ready.

Taaza sales, which witnessed a slow start in the first half, picked up the pace in the second half of the year. *Taaza* Gold was launched during the year, as a premium variant of *Taaza*, in its largest geographies and has received a very good response. A strong entry in the bottom of the pyramid and mid price segment was made in select geographies through relevant brands like *Taaza* Bachat, *Ruby*, *A1* and *Super*.

The Instant Coffee market registered strong double digit value and volume growth during the year. Sharp unprecedented inflation in coffee beans has moved up the overall price table in the market but a clear consumer shift in favour of coffee and a steadily evolving café culture continues to boost coffee consumption.

The year 2011-12 saw many firsts from the house of *Bru* starting with its entry into the premium freeze dried coffee segment with the launch of *Bru* Exotica, followed by the launch of pure coffee with *Bru* Gold. Your Company gained volume leadership with *Bru* in Instant Coffee segment. *Bru* also registered strong double digit value growth gaining value market share handsomely.

The Out of Home business continues to have high growth potential and has made very good progress during the year. Your Company has also entered into the retail services space with eight *Bru* World Cafés opened in Mumbai. Depending upon the response to these *Bru* World Cafés, a view will be taken on expanding and setting up more outlets.

5.3.3 Frozen Desserts

The *Kwality Wall's* business had an excellent year and the growth during the year was c. 13% higher than the average growth of the previous three years. The three key platforms; Cornetto, Paddle Pop and Selection Take Home Tubs, which are popular with youth, children and families respectively, continued to do well by delivering a high double digit growth. Innovations continued to help the category deliver a higher growth, particularly Cornetto Disc launched in the premium cones segment delivered excellent results. In addition, the innovations under Paddle Pop and Selection also did well and helped the category deliver a higher growth.

Cornetto Luv Reels (CLR), which is India's first internet and mobile based, crowd sourced movie talent hunt was scaled up and three movies were released under CLR 2. The campaign got a very positive response and continued to win accolades and prestigious awards. In Paddle Pop, where it is critical to have a portfolio across all child friendly price points, your Company had a very successful launch of Apple Grape Jelly, which became a rage amongst children. Paddle Pop Gaming League in its new avatar continued to do well by becoming the largest kids gaming league across the Country. Your Company also launched two popular flavours in the premium Selection range; 'Roasted Almond Choc' and 'Black Current and Raisins'. The Selection range continues to build consumption through activation during festivals and strengthening association with the 'Special Weekend Moments with your family'.

During the year your Company achieved another milestone by adding 88 Swirl's Parlors and crossing the 200 number of Parlors across the Country. This helped to create almost 7 million plus happiness moments, while serving unique offerings through the *Kwality Wall's* Swirl's outlets across the Country.

Availability and visibility are the most important drivers of growth for the category and your Company continues to invest in order to enhance availability through more freezer deployment and usage of information technology and analytics to drive better asset utilisation.

5.4 Exports Business

While the reported turnover was impacted by the transfer of the FMCG exports business to wholly owned subsidiary, Unilever India Exports Limited (UIEL), the underlying exports operations recorded 10% growth in turnover during the year.

The Home & Personal Care segment witnessed a good year driven primarily by Skin Care and Hair Care categories. *Pears* continued its good run and achieved a robust growth of 14%.

The Foods & Beverages segment witnessed an excellent year. The flagship Tea Bags category maintained strong sales in Australia and Japan. Sales of Instant Coffee remained steady, but the profits for the overall segment grew significantly, with export incentives being extended to conventional Tea, Instant Tea and recently to Instant Coffee. The Marine Exports segment significantly improved its profit compared to previous year, with focus on more profitable product portfolio. The Rice business also reported healthy growth in turnover and profits.

A robust value analysis, cost saving program, leveraging of government incentive for exports and a favorable exchange rate enabled your Company to improve margins. The business maintained high levels of customer service and product quality and rationalised working capital levels, thereby improving cash generation.

The demerger of FMCG exports business into UIEL was completed with all the requisite approvals from Members, statutory authorities and Hon'ble High Court. This demerger will enable the organisation to fully exploit the opportunity in export markets and to provide necessary focus, flexibility and speed to the business. Your Company will continue to provide the necessary support to UIEL to drive the growth of exports business.

Leather (Pond's Exports Limited)

The Leather business performed well to improve operating profitability and achieved a robust sales growth of 9%. This performance was achieved through new product designs, excellent customer service, world class quality and cost innovations.

5.5 Water

Pureit is a breakthrough range of drinking water purifiers that provides complete protection from harmful viruses and germs. *Pureit*'s germkill performance meets the stringent criteria of the Environmental Protection Agency (EPA), the regulatory agency in the USA. *Pureit* provides this high level of safety without needing electricity or continuous tap water supply. *Pureit* also comes equipped with an end-of-life indicator, and an auto-shut off system to further ensure complete safety for consumers.

During the year, your Company achieved another milestone in its mission of making safe drinking water available to every Indian with the launch of *Pureit* Intella at a very affordable price of Rs. 900/-. The Company also expanded the *Pureit* purifier portfolio with the launch of the premium '*Pureit* Marvella RO' which provides the additional consumer benefit of removing dissolved salts. This new and advanced purifier ensures consistent delivery of safe, pure and tasty drinking water through its unique 5-stage purification system. In addition, the advance alert systems warns the user for replacement of the RO membrane kit 15 days prior to the membrane shutting off. The business team has also made substantial progress in evolving a more scalable and viable distribution model.

Pureit has protected over six million homes across India. *Pureit* continued to receive a range of external awards including the Golden Peacock Award for innovation. This reflects the high regard in which the brand is held by the scientific community and the public at large.

5.6 Hindustan Unilever Network

Hindustan Unilever Network business consists of three major brands Aviance (Personal Care), Lever Ayush (Health Care) and Lever Home (Fabric Wash, House Hold Care and Toothpaste). Your Company has re-engineered the business both in terms of cost as well as the profile of business partner base and is now fit for growth. Your Company has registered strong growth in premium and prestige beauty & wellness segment and has successfully begun the repositioning of the portfolio from mass market to premium and prestige beauty & wellness segment. The Company, has now begun the process of accelerating top-line growth in a profitable manner through focus on on-ground activation, training and launch of differentiated innovations.

5.7 Beauty & Wellness

Lakme Lever Private Limited (LLPL), a wholly owned subsidiary of the Company, has substantially accelerated the expansion of salons in 2011 by opening 45 salons. During the year Lakmé Ivana, a new unisex salon format was launched and 8 such salons have been opened in this format. There are 174 Lakmé salons in aggregate, of which 43 are Company owned / managed and 131 are franchisee salons. Lakmé Academy was launched in collaboration with Pivot Point, world leaders in beauty education to ensure adequate supply of quality talent. Your Company will continue to support LLPL to drive growth in this attractive market opportunity.

6. CUSTOMER MANAGEMENT

In 2011-12, your Company has built on the initiatives of the previous years and has further strengthened its reputation as an execution and distribution powerhouse. One of the key thrusts during the year was coverage expansion in the rural markets. The Shakti network has been leveraged to enroll 30,000 Shaktimaan who distribute in 100,000 new villages. The Company has added a million stores over the last two years to its coverage, thus doubling its direct coverage and tripling its rural coverage. Your Company has now built a clear distribution advantage with a direct reach of more than 2 million outlets.

The Perfect Store programme aimed at improving availability and visibility of Company's products at the point of purchase continued making good progress with over a million retail outlets being enrolled under this programme across urban and rural India. With a single minded focus on the Perfect Store programme, your Company converted 500,000 enrolled outlets into Perfect Stores during the year. It is now established that stores which are consistently Perfect grew sales well ahead of average retail growth and had higher market share growth for your Company's overall portfolio compared to overall share growth.

Your Company believes that the end consumer can be better served if the capabilities of the front-end resources on the ground get enhanced. With this objective in mind, work on a project to build a Human Resource Information System (HRIS) for 20,000 plus third party associates, who work in the market, was completed. This project is in the direction of improving the systems and processes and the capabilities of our associates and reaffirms your Company's commitment towards its customers and consumers.

The year also saw greater focus on customers to drive growth and ensure seamless working relationship with the partners. cross functional 'Customer Care' teams were deployed for the Modern Trade customers to drive higher levels of customer service and engagement, which resulted in overall customer delight. This initiative has given very good results and your Company was awarded the best supplier by almost all leading Modern Trade customers in this year. Your Company also developed 'Best-in-Class' sustainability initiatives with Walmart and Metro that helped bring alive the Unilever Sustainable Living Plan (USLP). The learnings of Modern Trade were extended to General Trade and a Joint Business Planning process with top customer was institutionalised under the umbrella of 'Unistar', a comprehensive customer reward and recognition program.

Your Company launched 'Customer Credo' across 2300 plus distributors to further improve customer connect and faster resolution of issues. Under this initiative, the Company proactively engaged with distributors and trade to get into the shoes of the customer and experience issues from their lens. This was supported with a resolution mechanism using 'Levercare', the customer helpline, taking customer centricity to the next level. The programme was christened 'Happy 2 Help' and is planned to be repeated once every quarter.

During the year, your Company piloted an alliance with Tata Teleservices Limited (TTSL) for the distribution of telecom products, leveraging its rural distribution footprint. The Company has scaled up the distribution alliance with TTSL to four states covering over 150 channel partners. This distribution arrangement is aimed at accelerating rural growth by enabling the Company to go deeper into rural India due to improved viability for channel partners. This initiative not only helps the Company build more stable Shakti entrepreneurs but also enables it to increase rural investments thereby unlocking growth in this channel.

6.1 Project Shakti

During the year, your Company further strengthened the Shakti initiative by extending the relationship with Shakti Amma to her family, through project Shaktimaan. Project Shaktimaan enrols the unemployed / under employed male members of the family to sell your Company's products into the satellite villages of Shakti. The initiative serves two convergent purposes – enhances the livelihood opportunity of the Shakti family and improves the quality and depth of your Company's distribution network. This initiative strengthens the philosophy behind Shakti, which comprises of:

- Leading market development
- Establish a suitable livelihood for the underprivileged
- Creating a self-sustaining business model
- Accessing markets beyond the reach of traditional distribution models

By the end of this year, the Shakti network has been leveraged to enroll 30,000 Shaktimaan who distribute in 100,000 new villages and the Shakti programme had spread to 500,000 outlets, adding another dimension to your Company's distribution and contributing to tripling the rural footprint.

7. SUPPLY CHAIN

During the year, your Company has made significant progress towards its vision of delivering outstanding customer service and enabling sustainable growth. The service delivery standards showed steady improvement with CCFOT (Customer Case Fill on Time) maintained at 90% and loss reduction by 20% in comparison to last year. The Customer Satisfaction (eQ) survey scores have been encouraging and suggest that the actions taken by the Company are in the right direction. With the help of a sustained improvement program, the Modern Trade OSA (On-Shelf Availability) has seen further improvement with a loss reduction of 25% in comparison to last year. Your Company has embedded Sales and Operation Planning Process (S&OP) ways of working as part of the organisation culture and this is adding value to the business.

The Quality performance measured as CCPMU (Consumer Complaints Per Million Units) has shown 12% reduction over last year. Quality continues to be a focus area with thrust on design quality improvement and new quality standard implementation for warehousing and transportation.

Your Company has a robust Supply Chain savings programme with continuous focus on end-to-end Supply Chain cost reduction with new technologies, processes and methods. During the year, your Company has delivered 6% saving in Supply Chain cost with factories delivering more than 8% saving with quantum improvement in technical efficiencies, wastage reduction and yield improvement.

The renewed focus on TPM (Total Productivity Management) and visible leadership commitment toward turbo charging TPM, through strong focus on autonomous maintenance, strong circle engagement, loss analysis and reduced losses to improve PQCDSM (Productivity, Quality, Cost, Delivery, Safety and Morale), have helped the Company to improve employee engagement, efficiency and derive competitive advantage.

In order to support the volume growth, your Company has progressed on the long-term plan to create capacities in line with demand so as to enable growth while managing costs. Your Company has successfully executed all capacity creation projects on time to ensure smooth delivery during the year. A number of projects on sustainable energy (bio-mass boilers), rain water harvesting and waste reduction projects like sludge digesters and vermi-composting have been initiated and commissioned across manufacturing sites.

There has been significant improvement in Innovation OTIF (On Time in Full) with more than 100 innovation networks being executed during the year. This ability of execution powerhouse is supporting business to delight consumers and customers and catering to growth.

The Procurement function of the Company has focused on 'Partner to Win' programme with supplier and business partners to reduce lead time, procurement cost, improving reliability and working on new innovation. Your Company also leverages benefits of scale and synergy through Unilever's global buying network.

8. RESEARCH, DEVELOPMENT AND INNOVATION

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 Developing & Emerging (D&E) world.

The R&D programmes of your Company are focused on development of breakthrough and proprietary technologies with innovative consumer propositions. The R&D team of over 750 people comprises highly qualified scientists and technologists working in the areas of Health and Hygiene, Laundry, Household Care, Skin Care, Water Purification, Beverages, Frozen Dessert and Naturals. The R&D group also comprises critical functional capability teams in the areas of Regulatory, Clinicals, Patents, Information Technology, Safety and Open Innovation functions.

On the back of strong R&D inventions, close to hundred new products were launched successfully in the market in 2011-12. In Skin Care, *Vaseline* Men range products with improved moisturising and skin lightening benefits were re-launched with distinctive packaging and formats. *Fair & Lovely* Spot Corrector Pen, *Pond's* White Beauty daily spot-less lightening cream with proprietary photo protection technology delivering SPF 20 PA++ and *Fair & Lovely* Anti-Marks were also introduced during the year. In Skin Cleansing, improved *Lux* and *Hamam* soaps, including a new variant on *Lux* (*Lux* Fresh) were launched with improved consumer benefits. *Lux* liquid hand wash and body wash were also introduced in the market along with a range of facial cleansing products of *Pond's*, *Fair & Lovely*, *Vaseline* and *Dove*.

New variants of *Dove* hair care range, including shampoo, conditioner and other post wash formats, were launched to meet the needs of different segments of the hair care market. *Clear* shampoo was re-launched with a superior formula and a separate range for men and women. *Pepsodent* Germicheck was re-launched with improved formulation during the year. *Pepsodent* Gumcare strengthened its position by highlighting the mechanism of action in communication. Fire-Freeze, the new dual-sensation extra-freshness variant of *Closeup* was introduced during the year.

During the year, *Surf* and *Wheel* range of detergents were re-launched with improved product propositions. New designs of *Pureit*, developed by R&D to the cater to needs of the mass market and premium consumers, were also launched during the year.

Foods R&D made significant contribution in 2011-12 to the Company's Foods & Beverages portfolio by delivering several innovations in the market. Among them were an exciting range of instant soups under *Knorr* with the great taste of soups and crunch of croutons. In the Instant Coffee segment, R&D delivered two major product and packaging innovations – *Bru* Gold, a premium agglomerated 100% instant coffee and *Bru* Exotica, a range of single origin freeze dried coffee, both packed in an innovative triangular glass bottle design. R&D contributed towards the re-launched formulation and packaging of *Kissan* tomato ketchups and Jams. In the Frozen Dessert segment, Unilever's flagship brand Fruttare made with real fruits was launched. A premium range of Selection Tubs was launched with a global packaging design and 3 new flavours. R&D made a significant contribution in developing a premium range of flavoured tea bags under the *Taj Mahal* brand and a range of ready to drink and ready to prepare ice tea under the *Lipton* brand.

R&D has further contributed to the sustainability agenda of the Company by enabling significant reduction in packaging material consumption through several material efficiency initiatives.

The continuous stream of innovative and technically advanced products launched in the market was a result of significant R&D investments and the scientific talent that the Company can attract and retain. With its strong scientific expertise and potential to deliver high value technologies, India continues to occupy a premier position in Unilever R&D. With the strong support from R&D as well as the brand development capabilities, your Company is well placed to meet the challenges arising from the increased competition intensity and the opportunities to drive faster growth. Your Company is working towards further strengthening the in-house scientific capabilities of the Indian R&D function and building new expertise bases to retain the competitive edge in the market place.

The details of expenditure on scientific research and development at the Company's in-house R&D facilities eligible for a weighted deduction under Section 35(2AB) of the Income Tax Act, 1961 for the year ended 31st March, 2012 are as under:

- Capital Expenditure : Rs. 1.88 Crores
- Revenue Expenditure : Rs. 22.91 Crores

9. ENVIRONMENT, SAFETY, HEALTH AND ENERGY CONSERVATION

Your Company continues to focus on the vision of being an 'Injury Free' and 'Zero Environment Incident' organisation. The behavioral safety programme is in place for more than seven years now. With increased focus on road safety campaigns, defensive driving training, hand in machine and other campaigns across units your Company has reduced accidents, measured as Total Recordable Frequency Rate (TRFR), significantly over the last 4 year period. The TRFR has come down by 46% in 2011 (in comparison to 2008 baseline) with 10.8% reduction in 2011 (in comparison to the previous year).

In line with targets of the Unilever Sustainable Living Plan (USLP), where Unilever's vision is to double the size of its business while reducing the overall impact on environment, your Company has steadily taken steps to reduce CO_2 emissions. In 2011, the CO_2 emission in Company units has reduced by 9.9% over 2010 and 14.7% over 2008 baseline. With respect to energy consumption, the Company's operations achieved 12% improvement over 2010 and 21.7% improvement over 2008 baseline. Your Company has also increased the use of renewable resources like bio-mass fuel. The renewable energy proportion has reached 13.7% of total energy consumption in 2011. With respect to water usage, your Company's operations achieved reduction of 10.1% over 2010 and by 21.5% over 2008 baseline. Rain Water Harvesting (RWH) has been implemented in more than 50% of the manufacturing units and 5 units of your Company have created the RWH potential to return more water to the ground than their water consumption and 33 manufacturing sites have been made zero discharge sites.

Your Company pursues a three pronged approach in waste management; Reduce, Reuse and Recycle.

- Reduce waste generation through technical interventions and optimisation of processes like CIP (Cleaning in Place), sludge digester and filter press at Effluent Treatment Plants.
- Reuse waste using new technologies of co-processing with cement manufacturers and generating fuel from waste.
- Recycle waste through initiative like vermi-composting project. This has been initiated at three sites to treat the Effluent Treatment Plant waste into manure. The manure is being used as fertiliser in the garden which is effective in disposing waste in a sustainable manner. In 2011, over 96% of waste generated was liquidated through sustainable recycling.

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

10. HUMAN RESOURCES

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

Your Company's employer brand has been built with high levels of rigor and thoroughness that has gone into making its consumer brands and reaching out to its customers. Your Company is widely acclaimed for its people development practices and has reinforced its position in this area in 2011-12. This, coupled with its ability to attract the best talent, gives a competitive edge to the organisation. Your Company, once again, retained its position as the No. 1 Employer Brand with campus students of top business schools in 2011 and was voted to this position from a mix of FMCG, Consulting, Financial Services organisations, etc.

Your Company has a vision to improve its Gender Balance, which requires an overhaul of your Company's policies and programmes to ensure alignment and support to our Gender Balance agenda. The roadmap involves a combination of bringing in women in adequate numbers and creating enablers to ensure a culture of inclusion. These enablers could be as varied as flexi time to agile working, to more open and visible leadership models. 'Career by Choice' is one such initiative which is a unique re-hire programme that will provide a platform for women looking for real opportunities to work flexibly and part time for live business projects.

The initial part of the journey for Talent and Organisation Assessment was undertaken successfully in 2010. Keeping in mind the needs and requirements of the current talent pool and also enhancing the Company's preparedness for the future, your Company has now institutionalised the next phase of the Talent and Organisation Assessment charters by charting out the best practices for each stream.

Your Company has identified Beauty, Foods, Modern Trade, Rural and Water as key capabilities in order to win in the future and our investment in capability building is focused on these in addition to our core capabilities in Marketing, Sales and Distribution. Your Company has also launched a programme in mid 2011 with an aim to build capability, manage performance and augment the levels of engagement for 3P sales associates to enable active presence at the Point of Purchase (PoP), which will be a source of sustainable competitive advantage in the long run. Your Company undertook intensive training programmes through a combination of face-to-face and virtual learning approaches. Over 35,000 e-learning registrations took place indicating that the spirit of 'learn where you are' is imbibed in employees of the Company. Your company is also investing in building capability in digital and social media to find new platforms for brands to engage with consumers in India more effectively.

The Global People Survey is a part of the Unilever Employee Insight Programme which aims to give a voice to the Company's people throughout the organisation and provide a vehicle to make the views of everybody heard, as also to provide leaders with regular, meaningful and actionable feedback. It has 112 questions spread across 20 dimensions in the area of Strategic Leadership at Unilever level, Strategic Leadership at Organisation level, Immediate Boss Effectiveness and Engagement. Feedback from this survey forms the basis of holistic engagement plans which are reviewed consistently. Global People Pulse Survey (2011) confirmed that India scores featured in the top 25 countries across Unilever. An extremely favorable 94% of employees said that they were proud to work for your Company. This was on account of a number of proactive and innovative initiatives to engage our employees, the most significant being continuous and consistent business linked engagement, a vision for the future of the business and clarity and transparency to individuals on their own careers. This is also in recognition of your Company's Performance Management and Reward processes which are geared towards building a performance and execution focused culture.

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

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

11. INFORMATION TECHNOLOGY

Your Company continues to invest in Information Technology, leveraging it as a source of competitive advantage.

The enterprise wide SAP platform forms the backbone of IT and encompasses all core business processes in the Company and also provides a comprehensive data warehouse with analytics capability that helps in better and speedier decisions. SAP is now used for collaboration with the suppliers and customers. Integrating systems with the key customers has allowed your Company to partner much more closely, leading to better customer service. Supply Chain optimisation, enabled by the IT capability, remains a source of significant value.

Your Company has institutionalised an extensive IT capability for customer development function to support execution in the front-end. All distributors run a standard distributor management system. The distributors' salesmen use handheld devices for accepting retail orders which enable faster tracking and real time sales information. Your Company has used analytics and the existing IT infrastructure to build a capability for an intelligent sales call. This gives your Company, the ability to customise the sales call for each outlet on a scientific basis. This has helped improve the effectiveness and efficiency of the sales process significantly.

Your Company is further enhancing IT capabilities built for rural expansion to equip Shakti Ammas using low cost mobile technology in order to make their market working more controlled and efficient. This is one of the key enablers that will allow to leverage our rural distribution to other partnerships in the future.

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

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

12. FINANCE AND ACCOUNTS

Your Company's continued focus on cash generation resulted in a strong operating cash flow during the year; driven by good business performance, efficiencies and cost savings across the Supply Chain and continued focus on working capital management. Your Company managed investments prudently by deploying cash surplus in a balanced portfolio of safe and liquid instruments. Capital Expenditure during the year was at Rs. 310.01 Crores (last year - Rs. 311.31 Crores). This was primarily in the areas of capacity expansion, consolidation of operations, information technology, energy and other cost savings.

The finance team of your Company has undertaken a programme to strengthen the processes across transactions, accounting, reporting and information to support the Company's growth plans. One of the significant projects that has been implemented during the financial year is 'Project Parivartan' which was aimed at transforming the payment process. This project, aimed at simplifying the payments process and improving payment efficiency, has been implemented and rolled out across all units of the Company and has shown a significant improvement in efficiency levels. Similar projects are underway in the area of accounting, reporting and information management which will move the Company's processes to world class levels and support the growth plans of the Company. These programmes are aligned with the overall finance programme within Unilever.

The Company has not accepted any fixed deposits during the year. There was no outstanding towards unclaimed deposit payable to depositors as on 31st March, 2012.

In terms of the provisions of Investor Education and Protection Fund (Awareness and Protection of Investors) Rules, 2001, Rs. 7.76 Crores of unpaid / unclaimed dividends and interest / redemption of debentures were transferred during the year to the Investor Education and Protection Fund.

Return on Net Worth, Return on Capital Employed and Earnings Per Share (EPS) for the last four years and for the year ended 31st March, 2012 are given below:

	2007	Period ended 31st March, 2009	2009-10	2010-11	2011- 12
Return on Net Worth (%)	80.1	103.6*	88.2	74.0	**77.7**
Return on Capital Employed (%)	78.0	107.5*	103.8	87.5	**96.8**
Basic EPS (after exceptional items) (Rs.)	8.73	11.46**	10.10	10.58	**12.46**

* Annualised numbers for proportionate period

** for fifteen month period

Segment-wise results

Your Company has identified five business segments in line with the Accounting Standard on Segment Reporting (AS-17), which comprise: (i) Soaps and Detergents, (ii) Personal Products, (iii) Beverages, (iv) Packaged Foods, including culinary, branded staples and frozen dessert and (v) Others, including Exports, Chemicals and Water. The audited financial results of these segments are given as part of financial statements.

12.1 Risk and Internal Adequacy

Your Company manages cash and cash flow processes assiduously involving all parts of the business. There was a net cash surplus of Rs. 1,830.04 Crores as on 31st March, 2012. The Company's debt equity ratio is very low which provides ample scope for gearing the Balance Sheet, should that need arise. Foreign Exchange transactions are fully covered with strict limits placed on the amount of uncovered exposure, if any, at any point in time. There are no materially significant uncovered exchange rate risks in the context of Company's imports and exports. Company accounts for mark-to-market gains or losses every quarter end in line with the requirements of AS-11.

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

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

13. DEMERGER

Consequent to the approval of the Members in the Court Convened Meeting held on 28th July, 2011 and approval of the Hon'ble High Court at Bombay, the Scheme of Arrangement for transfer of certain assets, liabilities and properties of FMCG Exports Business Division of the Company to its wholly owned subsidiary, Unilever India Exports Limited was made effective 1st January 2012.

14. CORPORATE SOCIAL RESPONSIBILITY

Sustainability has always been integral to your Company's way of doing business. In November 2010, Unilever launched the Sustainable Living Plan, which puts sustainability at the heart of its business strategy. The central objective of the Unilever Sustainable Living Plan is to decouple growth from environmental footprint, while at the same time increasing your Company's positive social impacts. The Unilever Sustainable Living Plan (USLP) has three significant outcomes by 2020:

- Help more than a billion people to improve their health and well-being
- Halve the environmental footprint of our products
- Source 100% of our agricultural raw materials sustainably

Underpinning these three broad goals are around 60 time bound targets spanning our social, economic and environmental performance across the value chain – from the sourcing of raw materials all the way through to the use of products in the home.

The Unilever Sustainable Living Plan represents a long term goal and progress in 2010-11 has already been encouraging. By the end of 2011, for example, almost two-thirds of the palm oil used in products globally was being purchased from certified sources. In India, 60% of tomatoes are sourced sustainably.

Pureit in-home water purifier delivers safe water, without requiring running water or electricity, and at a low cost, to over 30 million people in India. In 2010-11, *Lifebuoy's* hygiene programme reached more than 30 million people in India, spreading hygiene awareness and encouraging behaviour change.

Your Company has taken steps to ensure that the food brands have a better nutritional profile. Around 60% of the major food and beverage brands, viz. *Brooke Bond, Bru, Knorr, Kissan* and *Kwality Wall's*, comply with the 'Healthy Choice' guidelines as on date.

In 2011, your Company reduced CO_2 emissions by 14.7% (per tonne of production over 2008 baseline); water use by 21.5%; and waste by 52.8% in factories in India. Your Company has improved CO_2 efficiency in transportation by 17.8% despite significant increase in volumes. During the year, the Frozen Dessert business has deployed over 23,775 environment friendly HC-based freezers in its fleet.

Your Company has extended the Shakti initiative by adding 30,000 Shaktimaan (male family members of existing Shakti entrepreneurs who have enrolled for the programme), to sell the products by visiting the surrounding villages on bicycles.

Even though the Company is making changes across the length and breadth of its business, much remains to be done. The Company has to develop products and processes that enable growth in a resource stressed world, and encourage behaviour and habits that help people live sustainably. While your Company has an ambitious and challenging agenda, it certainly doesn't have all the answers. What it knows, is that it requires all of us to work together for achieving a sustainable future.

Your Company is also working in partnership with governments and NGOs to implement water conservation projects in more than 180 villages in 17 districts of India. By 2015, your Company aims to create water conservation capacity of a hundred billion litres to enable a better future for a million people.

In April 2012, your Company has released India progress report on Unilever Sustainable Living Plan as well as a report on your Company's community water conservation projects.

15. 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.

No employee has been issued share options, during the year, equal to or exceeding 1% of the issued capital of the Company at the time of grant.

Pursuant to the approval of the Members at the Annual General Meeting held on 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 Plan, 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 period of 3 years. During the year 168 employees, including Wholetime Directors, were awarded conditional rights to receive a total of 4,12,633 equity shares at the face value of Re. 1/- each. The above mentioned comprises of conditional grants made to eligible managers covering performance period 2012-14.

The '2006 HLL Performance Share Scheme' was introducted as a measure to reward and motivate employees as also to attract the talent and retain the key employees. On a review of the operating experience of the said scheme and bearing in mind the charges in the global trends on management rewards, it is proposed to revise the approach of award of share options under the scheme by adopting a revised '2012 HUL Performance Share Scheme'.

16. CORPORATE GOVERNANCE

Your Company is renowned for exemplary governance standards since inception and continues to lay a strong emphasis on transparency, accountability and integrity. In the year 2011 your Company received the ICSI National Award for Excellence in Corporate Governance, in recognition of its Corporate Governance practices.

A separate report on Corporate Governance is provided at page no. 50 of this annual report together with a Certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the Stock Exchange(s). A certificate of the CEO and CFO of the Company in terms of sub-clause (v) of Clause 49 of Listing Agreement, inter alia, confirming the correctness of the financial statements, adequacy of the internal control measures and reporting of matters to the Audit Committee is also annexed.

The Ministry of Corporate Affairs, Government of India introduced the Corporate Governance Voluntary Guidelines, 2009. These guidelines have been issued with the view to provide Corporate India a framework to govern themselves voluntarily as per the highest standards of ethical and responsible conduct of business. The recommendation of the Voluntary Guidelines pertaining to separation of offices of the Chairman and the CEO, constitution of Audit Committee and Remuneration Committee, Risk Management framework, are already practised by your Company. Your Company has been in substantial compliance of these guidelines.

During the year Secretarial Audit and Secretarial Standards Audit were carried out. The detailed reports on the same are given at page nos. 67 to 69 of this annual report.

17. OUTLOOK

The fiscal year 2011-12 witnessed slowdown of economic activities particularly industrial output. Inflation also remained at elevated level throughout the fiscal year. Private investment has declined in its pace of growth considerably affecting the growth rate of the economy. Higher spending on subsidies on account of oil and fertilisers widened the fiscal deficit of the centre more than the budget estimates.

The RBI has projected a GDP growth of 7.2% for 2012-13 whereas the Economic Survey 2011-12 projected a GDP growth of 7.6%. All these projections point to continuation or improvement over the pace of economic activity of the previous year. Combined with a lower inflation rate, the prognosis for the new financial year is one of improved performance on growth front. Stable external conditions and a favourable monsoon would be critical to the realisation of these projections. The growth prospects for agriculture in 2012-13 will hinge on the performance of monsoon.

FMCG markets are expected to grow, however uncertain global economic environment, inflation and adverse impact of rupee depreciation and competitive intensity continue to pose challenges for the future. While the near term conditions pose a challenge for the economy, the medium to longer term trends based on rising incomes, aspirations, low consumption levels, etc. are positive and an opportunity for the Company.

17.1 Cautionary Statement

Statements in this report, particularly those which relate to Management Discussion and Analysis, describing the Company's objectives, projections, estimates and expectations, may constitute 'forward looking statements' within the meaning of applicable laws and regulations and actual results might differ materially from those either expressed or implied.

18. SUBSIDIARY COMPANIES

A statement pursuant to Section 212 of the Companies Act, 1956 relating to Subsidiary Companies is attached to the accounts.

In terms of General Exemption, under Section 212(8) of the Companies Act, 1956, granted by Ministry of Corporate Affairs vide its circular no. 02/2011 dated 8th February, 2011 and in compliance with the conditions enlisted therein, the Audited Statement of Accounts, Auditors' Reports thereon and the Reports of the Board of Directors of the Company's subsidiaries for the financial year ended 31st March, 2012 have not been annexed. The Annual Accounts and related documents of the Subsidiary Companies shall be kept open for inspection at the Registered Office of the Company. The Company will also make available these documents upon request by any Member of the Company interested in obtaining the same. However, as directed by the said circular, the financial data of the Subsidiaries have been furnished under 'Subsidiary Companies Particulars' forming part of the Annual Report (refer page no. 150). Further, pursuant to Accounting Standard AS-21 issued by the Institute of Chartered Accountants of India, Consolidated Financial Statements presented by the Company in this Annual Report includes the financial information of its subsidiaries.

19. BOARD OF DIRECTORS

Mr. Deepak Parekh, Independent Director and Chairman of the Audit Committee of the Company, stepped down from the Board of the Company with effect from 27th December, 2011, after a tenure lasting more than 14 years. The Board acknowledges and places on record its deep appreciation for the contribution made by Mr. Deepak Parekh as an Independent Director and the Chairman of the Audit Committee of the Company.

Mr. Gopal Vittal, Executive Director, Home & Personal Care resigned from the Board of the Company with effect from 20th January, 2012, to pursue opportunities outside Unilever. The Board acknowledges and places on record its appreciation for the contribution made by Mr. Gopal Vittal as a Wholetime Director on the Board of the Company.

Mr. O. P. Bhatt was appointed as an Additional Director on the Board of the Company with effect from 20th December, 2011, in accordance with Section 260 and Articles of Association of the Company. Notices have been received from Members pursuant to Section 257 of the Companies Act, 1956 together with necessary deposits proposing the appointment of Mr. O. P. Bhatt as Non-Executive Independent Director on the Board of the Company.

The Members of the Company in the Extraordinary General Meeting held on 4th April, 2008 had appointed Mr. Nitin Paranjpe as a Managing Director and Chief Executive Officer (CEO) of the Company for a period of five years, with effect from 4th April, 2008. The current term of office of Mr. Nitin Paranjpe as a Managing Director and CEO of the Company is due to expire on 3rd April, 2013. It is proposed to re-appoint Mr. Nitin Paranjpe as the Managing Director and CEO for a further period of five years commencing from 4th April, 2013.

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.

20. 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.

During the year, Ms. Geetu Verma joined the Management Committee of the Company as Executive Director – Foods to succeed of Mr. Shrijeet Mishra, who resigned from the services of the Company.

Mr. Hemant Bakshi, who earlier held the position of Executive Director - Sales and Customer Development, was appointed as Executive Director - Home & Personal Care of the Company. Mr. Hemant Bakshi has succeeded Mr. Gopal Vittal, Executive Director - Home & Personal Care, who ceased to be the member of the Management Committee consequent to his resignation.

Mr. Manish Tiwary was appointed as a member of the Management Committee as Executive Director - Sales and Customer Development. Before being appointed to the Management Committee, Mr. Manish Tiwary was Vice President, Modern Trade of the Company.

21. 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.

22. APPRECIATIONS AND ACKNOWLEDGEMENTS

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

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

The Board places on record their appreciation for the support and co-operation your Company has been receiving from its suppliers, redistribution stockists, retailers, business partners and others associated with the Company as its trading partners. Your Company looks upon them as partners in its progress and has shared with them the rewards of growth. It will be Company's endeavor 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.

The 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

1st May, 2012
Mumbai

Harish Manwani
Chairman

Annexure to the Directors' Report

Disclosure Of Particulars With Respect To Conservation Of Energy

	Canned and processed fruits and vegetables		For the year ended 31st March, 2012	For the year ended 31st March, 2011
A	**POWER AND FUEL CONSUMPTION**			
1	**Electricity**			
	(a) Purchased			
	Unit	Lakh KWH	**68.35**	53.65
	Total Amount	Rs. Lakhs	**435.43**	309.49
	Rate / Unit	Rs.	**6.37**	5.77
	(b) Own Generation			
	(i) Through own generator			
	Unit	Lakh KWH	**0.88**	0.87
	Unit per ltr of diesel oil	KWH	**2.47**	2.74
	Cost per unit	Rs.	**16.84**	14.79
	(ii) Through steam turbine / generator		**Nil**	Nil
2	**Furnace Oil**			
	Quantity	KL	**1,260.14**	1,139.23
	Total Cost	Rs.Lakhs	**566.77**	392.03
	Average Rate	Rs. / KL	**44,976.63**	34,411.88
B	**CONSUMPTION PER UNIT OF PRODUCTION**			
	Electricity	Kwh/Tonne	**270.72**	281.08
	Furnace Oil	Lts/Tonne	**49.91**	59.69

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

3. Expenditure of R&D

	Rs. Crores For the year ended 31st March, 2012	Rs. Crores For the year ended 31st March, 2011
(a) Capital	**5.84**	5.79
(b) Recurring	**155.39**	93.57
(c) Total	**160.69**	99.36
(d) Total R& D Expenditure as a percentage of total turnover	**0.73%**	0.50%

TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION

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

The Company maintains interaction with Unilever internationally.

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

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

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

3. Imported Technology:

(a) Technology imported (b) Year of import (c) Has technology been fully absorbed	} Continuous Import from Unilever under technical collaboration agreement

FOREIGN EXCHANGE EARNINGS & OUTGO	Rs. Crores For the year ended 31st March, 2012	Rs. Crores For the year ended 31st March, 2011
Foreign Exchange Earnings	**495.75**	1,428.24
Foreign Exchange Outgo	**2,198.72**	2,645.01

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

	2001 HLL Stock Option Plan				
	2001	**2002**	**2003**	**2004**	**2005**
a) Options granted	24,75,100 equity shares of Re. 1/- each valued at Rs. 53.82 crores	32,33,601 equity shares of Re. 1/- each valued at Rs. 68.02 crores	42,76,090 equity shares of Re. 1/- each valued at Rs. 58.16 crores	16,30,450 equity shares of Re. 1/- each valued at Rs. 20.95 crores	15,47,700 equity shares of Re. 1/- each valued at Rs. 20.44 crores
b) The pricing formula	Closing market price as on the date of option grant - 24.07.2001 Rs. 217.45	Closing market price as on the date of option grant - 23.04.2002 Rs. 210.35	Closing market price as on the date of option grant - 24.04.2003 Rs. 136.00	Average of highs and lows for two week period preceding the date of option grant- 30.06.2004 Rs 128.47	Closing market price, prior to the date of meeting of the Board of Directors in which the options were granted-26.05.2005 Rs. 132.05
c) Options vested	Options vested after three years from date of grant (24.07.2001)	Options vested after three years from date of grant (23.04.2002)	Options vested after three years from date of grant (24.04.2003)	Options vested after three years from date of grant (30.06.2004)	Options vested after three years from date of grant (27.05.2005)
d) Options exercised (as at 31st March, 2012)	15,90,600 equity shares of Re 1/- each	23,05,101 equity shares of Re 1/- each	32,53,000 equity shares of Re 1/- each	10,79,106 equity shares of Re 1/- each	10,30,900 equity shares of Re 1/- each
e) The total number of shares arising as a result of exercise of option	15,90,600 equity shares of Re 1/- each	23,05,101 equity shares of Re 1/- each	32,53,000 equity shares of Re 1/- each	10,79,106 equity shares of Re 1/- each	10,30,900 equity shares of Re 1/- each
f) Options lapsed (as at 31st March, 2012)	8,84,500 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	2,66,900 equity shares of Re 1/- each
g) Variation of terms of options	Reduction in exercise price by Rs. 8.76 per share	Reduction in exercise price by Rs. 8.76 per share	Reduction in exercise price by Rs. 8.76 per share	NA	NA
h) Money realized by exercise of options during the year	Rs 9.68 crores	Rs 15.62 crores	Rs 4.21 crores	Rs 1.88 crores	Rs 2.16 crores
i) Total number of options in force (as at 31st March, 2012)	Nil equity shares of Re.1/- each.	24,180 equity shares of Re 1/- each	4,04,745 equity shares of Re 1/- each	2,17,844 equity shares of Re 1/- each	2,49,900 equity shares of Re 1/- each

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

	2006 HLL Performance Share Scheme						
	2006	2007	2008	2009	2010	2011	2012
a) Options granted	Conditional grant of 3,49,750 equity shares of Re.1/- each valued at Rs. 3.49 lakhs	Conditional grant of 2,35,950 equity shares of Re.1/- each valued at Rs. 2.35 lakhs	Conditional grant of 2,06,250 equity shares of Re.1/- each valued at Rs.2.06 lakhs	Conditional grant of 3,33,811 equity shares of Re.1/- each valued at Rs.3.33 lakhs	Conditional grant of 2,87,934 equity shares of Re.1/- each valued at Rs.2.88 lakhs	Conditional grant of 3,38,905 equity shares of Re.1/- each valued at Rs.3.39 lakhs	**Conditional grant of 4,12,633 equity shares of Re.1/- each valued at Rs.4.12 lakhs**
b) The pricing formula	Book value of Re.1	Book value of Re.1	Book value of Re.1	Book value of Re.1	Book value of Re.1	Book value of Re.1	**Book value of Re.1**
c) Options vested	2,55,166 options vested on 01.11.2009	2,66,180 options vested on 01.05.2010	1,57,455 options vested on 20.03.2011	Options will vest after 3 years from the date of grant (11.05.2009)	Options will vest after 3 years from the date of grant (29.03.2010)	Options will vest after 3 years from the date of grant (29.03.2011)	**Options will vest after 3 years from the date of grant (17.02.2012)**
d) Options exercised (as at 31st March, 2012)	2,55,166 equity shares of Re.1/ each	2,64,530 equity shares of Re.1/ each	1,53,952 equity shares of Re.1/- each.	NIL	NIL	NIL	**NIL**
e) The total number of shares arising as a result of exercise of option	2,55,166 equity shares of Re.1/ each	2,64,530 equity shares of Re.1/ each	1,53,952 equity shares of Re.1/- each.	NIL	NIL	NIL	**NIL**
f) Options lapsed (as at 31st March, 2012)	NIL	1,650 equity shares of Re 1.- each	52,308 equity shares of Re 1.- each	68,990 equity shares of Re 1.- each	NIL	NIL	**NIL**
g) Variation of terms of options	NA	NA	NA	NA	NA	NA	**NA**
h) Money realised by exercise of options during the year	NIL	NIL	1.54 lakhs	NIL	NIL	NIL	**NIL**
i) Total number of options in force (as at 31st March, 2012)	NIL	NIL	NIL	Conditional grant of 2,64,821 equity shares of Re.1/- each	Conditional grant of 2,87,934 equity shares of Re.1/- each	Conditional grant of 3,38,905 equity shares of Re.1/- each	**Conditional grant of 4,12,633 equity shares of Re.1/- each**

DETAILS OF OPTIONS GRANTED DURING THE YEAR ENDED 31ST MARCH, 2012

j) Employee wise details of options granted to:	
i) Senior managerial personnel:	Refer Note iii
ii) any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year;	Under Performance Share Plan 2012, Nitin Paranjpe-Managing Director and CEO was awarded 30,212 shares (7.3%) and Sridhar Ramamurthy-Executive Director (Finance & IT) and CFO was awarded 12,085 shares (2.9%).
iii) Identified employees who were granted option during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant.	Nil
k) Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard (AS) 20 'Earnings Per Share'.	Rs. 12.45
l) i) Method of calculation of employee compensation cost	The Company has calculated the employee compensation cost using the intrinsic value method of accounting to account for Options issued under the "2006 HLL Performance Share Scheme".
ii) Difference between the employee compensation cost so computed at (i) above and the employee compensation cost that shall have been recognised if it had used the fair value of the Options	Gain of Rs. 0.95 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 2011-12 is presented below:

Net Income	Rs. Crores
As reported	2,691.40
Add: Difference between Intrinsic value and Fair Value Calculation	0.95
Adjusted Net Income	2692.35

		(Rs.)
Earnings Per Share (Basic & Diluted)	Basic EPS	Diluted EPS
-As reported	12.46	12.45
-As adjusted	12.46	12.46

DETAILS OF OPTIONS GRANTED DURING THE YEAR ENDED 31ST MARCH, 2012 (Contd.)

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

Assumptions

Risk free rate	7.78% for 2011 and 8.23% for 2012
Expected life of options	3.125 years for each plan
Volatility	30.86% for 2011 and 25.81% for 2012
Expected Dividends	Rs. 7.50 per share
Closing market price of share on date of option grant	Rs.276.70 for 2011 and Rs. 383.70 for 2012

Notes:

i) Pursuant to approval of the Members at the Annual General Meeting of the Company held on 29th May, 2006, the Company had adopted a revised Scheme "2006 HLL Performance Share Scheme" in place of the existing "2001 HLL Stock Option Plan".

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

iii) Details of Options granted to senior managerial personnel.

Name	Performance shares awarded
Nitin Paranjpe	**30,212**
Sridhar Ramamurthy	**12,085**
Leena Nair	**9,555**
Pradeep Banerjee	**5,460**
Hemant Bakshi	**15,104**
Dev Bajpai	**5,460**
Geetu Verma	**5,460**
Manish Tiwary	**8,190**