DIRECTORS' REPORT

and Management Discussion and Analysis

To the Members,

Your Company's Directors are pleased to present the 80th Annual Report of the Company, along with Audited Accounts, for the financial year ended 31st March, 2013.

1. FINANCIAL PERFORMANCE (STANDALONE)

1.1. Results

(Rs. crores)

	For the year ended 31st March, 2013	For the year ended 31st March, 2012
Revenue from operations, net of excise	25,810.21	22,116.37
Profit before exceptional items and tax	4,349.48	3,350.16
Profit for the year	3,796.67	2,691.40
Dividend (including tax on distributed profits)*	(4,655.68)	(1,883.90)
Transfer to General Reserve	(379.67)	(269.14)
Profit & Loss Account balance carried forward	535.28	1,773.96

* During the year, the Board of Directors declared a Special Dividend of Rs. 8.00 per Equity Share, which was paid out of the accumulated Profit & Loss Account balance and exceptional income generated in the first half of the financial year 2012-13.

1.2. Category wise Turnover

(Rs. crores)

	For the year ended 31st March, 2013		For the year ended 31st March, 2012	
	Sales	**Others***	Sales	Others*
Soaps and Detergents	12,460.96	240.86	10,488.38	147.90
Personal Products	7,309.10	162.56	6,486.45	98.91
Beverages	2,913.67	60.99	2,577.02	40.41
Packaged Foods	1,473.86	31.88	1,341.93	17.53
Others (including Exports, Chemicals, Infant Care Products, Water, etc.)	1,048.79	43.99	841.82	55.04
Total	**25,206.38**	**540.28**	**21,735.60**	**359.79**

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

1.3. Summarised Profit and Loss Account

(Rs. crores)

	For the year ended 31st March, 2013	For the year ended 31st March, 2012
Sale of products less excise duty	25,206.38	21,735.60
Other operational income	603.83	380.77
Total Revenue	**25,810.21**	**22,116.37**
Operating Costs	(21,806.46)	(18,825.03)
Profit Before Depreciation, Interest, Tax (PBDIT)	**4,003.75**	**3,291.34**
Depreciation	(236.02)	(218.25)
Profit Before Interest & Tax (PBIT)	**3,767.73**	**3,073.09**
Other Income (net)	581.75	277.07
Profit before exceptional items	**4,349.48**	**3,350.16**
Exceptional items	608.40	118.87
Profit Before Tax (PBT)	**4,957.88**	**3,469.03**
Taxation	(1,161.21)	(777.63)
Profit for the year	**3,796.67**	**2,691.40**
Basic EPS (Rs.)	**17.56**	**12.46**

2. DIVIDEND

Your Directors are pleased to recommend a Final Dividend of Rs. 6.00 per equity share of face value of Re. 1/- each for the year ended 31st March, 2013. The Interim Dividend and Special Dividend of Rs. 4.50 and Rs. 8.00 per equity share, respectively, were paid on 16th November, 2012.

The Final Dividend, subject to approval of Members at the Annual General Meeting on 26th July, 2013, will be paid to the Members whose names appear in the Register of Members, as on the date of book closure, i.e. from Friday, 12th July, 2013 to Friday, 26th July, 2013 (inclusive of both dates). The total dividend for the financial year, including the proposed Final Dividend, amounts to Rs. 18.50 per equity share and will absorb Rs. 4,655.68 crores, including Dividend Distribution Tax of Rs. 655.69 crores.

3. RESPONSIBILITY STATEMENT

The Directors confirm that:

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

4. MANAGEMENT DISCUSSION AND ANALYSIS

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

4.1. Economy and Markets

The global economy continues to be sluggish with a moderation in growth in China adding to the continuation of the crisis in the European Union and the United States being unable to show clear signs of economic recovery. The global economy seems fragile with revival of economic activity not yet discernible.

Within the domestic economy, growth slowed much more than anticipated, with the GDP growth for fiscal year 2012-13 being pegged at 5.0%, the lowest in a decade. Inflation, which remained high through most part of the year, eroded domestic consumer savings and curtailed consumption reflecting in slowing market growth. The slowdown was particularly stark in discretionary categories which were further accentuated by slowdown in modern trade on the back of stores rationalisation by certain retailers.

Your Company's performance for the year 2012-13 has to be viewed in the context of the aforesaid economic and market environment.

Performance of Businesses and Categories

4.2. Home & Personal Care (HPC)

The Home & Personal Care (HPC) business consists of Personal Wash, Fabric Wash, Household Care and Personal Products, which includes categories like Skin Care, Hair Care, Oral Care, Deodorants and Colour Cosmetics. During the year, HPC business registered a robust volume and price growth, leading to a value growth of 16.5%.

The opportunity for growth in India continues to be immense across all HPC categories. This fact is also reflected in high levels of competitive intensity in the market place. Your Company believes that unwavering defence of market shares in core categories as well as market development to build segments of future is critical for sustained growth and long term value creation. While focusing on the core categories, your Company has also invested significantly in the segments of future, the segments which are expected to drive future growth. Rural continues to be a key area of focus for your Company, with the 'Khushiyon Ki Doli' programme continuing across the States of West Bengal, Bihar, Maharashtra, Andhra Pradesh and Uttar Pradesh. 'Khushiyon Ki Doli' is a cost efficient, rural brand activation module, which assists in increasing the reach of various HPC brands, such as Wheel, Surf Excel, Vim, Fair & Lovely, Sunsilk, Lifebuoy and Closeup.

In a highly competitive scenario, where new brands and offerings are entering the market almost every quarter, your Company delivered double digit growth driven by innovations and maintenance of marketing and trade investments at competitive levels throughout the year. Your Company has also significantly stepped up investment in Digital Media, which is expected to be the media channel of the future. Your Company continued to leverage and benefit from the various inputs from Unilever across various aspects of the business, including technology, innovation and communication.

Volatile and rapidly changing commodity markets, including vegetable oil and crude oil, coupled with fluctuating currency markets continued posing a major challenge during the year. Cost inflation impacted several input costs, such as laundry chemicals and supply chain costs. Even in this challenging environment, your Company delivered profit growth through robust cost saving programmes and dynamic pricing without compromising on the competitiveness of brand investments, both in terms of technology as well as advertising and promotion.

4.2.1. Soaps and Detergents

Soaps and Detergents turnover grew by 18.8% on the back of strong underlying volume growth and pricing actions.

Personal Wash category recorded strong, double digit growth during the year, driven by robust volume growth resulting from strong marketing plans, consumer centric activations, effective pricing and sustained high levels of distribution. The growth was broad based and across every segment of the category, led by Dove, Lux and Lifebuoy. The category growth was witnessed not only in the core bars business but also in personal wash liquids, through penetration and increased consumption. Focus on cost efficiencies and mix improvements driven by premiumisation helped the Company improve category margins.

Fabric Wash category recorded another successful year with consistent volume growth despite steep increase in input costs. The category margins were sustained by excellent execution of cost saving programmes and dynamic management of pricing actions. The focus on innovations resulted in successful launches / re-launches in brands like Surf Excel and Rin. These brands continued to lead category premiumisation by delivering double digit volume growth. Speed to market was a key focus for the Fabric Wash business. Various initiatives across the Fabric Wash category ensured that the products are competitively priced and the right mix is available in the relevant markets. Comfort continued to drive market development and build the fabric conditioner market. Your Company will continue to focus on driving innovations, exercising control over costs across the value chain and delivering effective communication to win in Fabric Wash category.

Household Care category recorded robust volume and value growth during the year through focused innovation in the portfolio to provide greater consumer value. Vim bar continues to delight consumers by delivering superior performance and new offerings like the Anti-Germ Bar and the Monthly Tub Pack. Vim liquid continues to develop the liquid dish wash category driven by superior product quality and strong advertising. It has effectively accomplished the dual job of growing the liquids market by reaching out to more households, while increasing consumption in existing households. Domex continued to provide clean and germ free toilets to the consumers.

4.2.2. Personal Products

Personal Products categories comprise Skin Care, Hair Care, Oral Care, Deodorants and Colour Cosmetics. In a challenging economic environment where growth rates slowed down during the year, the Personal Products categories delivered good turnover growth of 12.7%, led by strong underlying volume growth.

Skin Care category registered double digit growth during the year in a challenging market context. New segments like Face Washes, Body Lotions, Skin Lightening and Anti Ageing witnessed robust growth. Pond's Skin Lightening, Pond's Anti Ageing and Lakmé Perfect Radiance, which were re-launched during the year, registered a strong double digit growth. Fair & Lovely was also re-launched during the year and has strengthened its market leadership in a slowing mass skin lightening segment. The second half of the year witnessed double digit growth in winter products, such as Pond's Body Lotion and Cold Cream and Vaseline Body Lotions and Petroleum Jelly.

In Hair Care category, your Company registered robust double digit growth during the year. Your Company has strengthened its position in the premium segment with the launch of TRESemmé range of shampoos and conditioners. Dove continues to lead the growth agenda and has consistently gained market share. The brand has also made a foray into the premium hair oil segment with the launch of Elixir range of oils, which has been received well in the market. Sunsilk grew strongly on the back of effective communication. Clinic Plus, with the help of a strong re-launch in first half of the year, continues to be the largest shampoo brand in the category. Your Company continued its focus on market development by investing strongly behind the emerging high potential hair conditioners segment, thereby growing ahead of the market.

Oral Care category delivered strong volume led double digit growth. Your Company continued to focus on strengthening the Oral Care brands and the portfolio. Pepsodent stepped up its play in the Advanced Care segment with the launch of the Expert Protection range, which has helped in the premiumisation of the brand. Closeup was re-launched during the year and a new flavour variant, Closeup Eucalyptus Mint, was introduced to add to its product portfolio. Your Company has also put in place a robust plan to strengthen the toothbrushes portfolio with launches at both the premium as well as the mass end of the market.

Your Company continued to strengthen its Deodorant portfolio by introducing Lux in the fast growing women's deodorant segment. Axe launched a new variant Axe Apollo, which received strong initial response with a first of its kind promotional campaign, where 'Consumers of Axe Apollo stand a chance to win a trip to space'. Dove deodorant, which was re-launched with added skincare benefits, has been well received by the consumers. The brand continues to have a strong focus on modern trade as a channel. 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.

Lakmé Colors delivered double digit value growth in the year, driven by strong innovations and expansion of the beauty advisory channel. Lakmé Colors portfolio has been built on four platforms, viz. Core, Absolute, 9 to 5 and Elle 18. The core segment's growth was led by strong performance in Face products where Lakmé Radiance Compact and Lakmé Perfecting Liquid Foundation particularly performed well. The Nail portfolio grew on the back of solid sales performance in Color Crush and nail enamel remover. Absolute, the top-end long-wear makeup with wide range of products in eye, nail, face and lip, continues to drive relevance and premiumisation. During the year, the 9 to 5 portfolio was further strengthened with the launch of Eyeconic Kajal. Elle 18 was re-launched towards the end of the year to rebuild itself as a brand targeting the younger beauty aspirants.

4.3. Foods & Beverages (F&B)

The Foods & Beverages (F&B) portfolio of your Company comprises Tea, Coffee, Processed Foods, Frozen Desserts, Bakery products and Out of Home operations, including BRU World Café.

During the year, F&B business delivered double digit growth with an appropriate balance of volume, price and mix. The 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 newer offerings that can best fulfil existing and emerging consumer needs. Your Company continues to focus on driving availability and distribution alongside building salience for its brands through micro-marketing initiatives in core categories. In addition, your Company is driving upgradation across categories with strong research and development support from Unilever and an intimate understanding of Indian consumer and customer needs.

The F&B business was faced with multiple challenges during the year, including high competitive intensity from multinational, national as well as local players in many categories, significant commodity cost inflation across the spectrum and a general slowdown in consumer spends due to impact of high food inflation. Your Company has proactively managed the challenges by responding through value enhancing innovations, consumer centric value packs, judicious price increases and aggressive cost saving programmes.

4.3.1. Beverages

During the year, the tea market grew in volume and value for the second consecutive year driven by upgradation. The commodity prices showed steep increase in latter part of the year. In this context, your Company recorded competitive and profitable growth. This was achieved largely through a combination of brand building efforts on the lead brands in our portfolio, supplemented by strong on-ground efforts to expand distribution and penetration.

Taj Mahal and Lipton continue to drive premiumisation and market development through formats like Tea bags and Iced tea powder enabling your Company to build leadership in these segments of the future. Taaza was re-launched with a new proposition which propelled the brand's growth in latter half of the year. Red Label and 3 Roses witnessed third consecutive year of volume and value growth ahead of market. All brands of your Company showcase the inherent goodness of tea. While Red Label and 3 Roses bring out the health benefits of flavonoids, Taaza focuses on improving concentration power through theanine.

The Instant Coffee market grew strongly during the year with commodity prices witnessing an unprecedented increase. In this context, your Company recorded strong growth, led by the core franchise. Your Company expanded the premium BRU Exotica coffee range with the launch of Guatemala (freeze dried coffee), supported by appropriate media activations.

Your Company's Out of Home business performed well during the year and continues to have high growth potential. Investments are being stepped up in the business, portfolio and 'Go to Market' capabilities. Your Company is expanding the business into new geographies and segments like hotels, restaurants and catering. Your Company continues to explore the Out of Home consumption opportunity through its BRU World Cafe outlets in Mumbai.

4.3.2. Packaged Foods

Kissan, which continues to remain one of the most trusted brands among Indian consumers, consolidated its offerings during the year. Ketchups continued to lead with strong underlying volume growth, helping your Company gain market share. The Kissanpur campaign, spread across print, digital and on-ground activations, was highly successful and went on to win many media and creative awards, such as the Grand Prix at Spikes Asia and bronze at Emvies and Effies.

Your Company maintained its strong position in the soups segment through Knorr. The instant soups range, targeted for the young adults, performed well. Your Company is committed to drive market expansion in the category. Knorr Soupy Noodles has been restaged towards the end of the year with a superior offering.

The staples business, through Annapurna, grew well despite the challenges posed by the rising commodity costs. Your Company will continue to focus on key geographies and optimise costs to further enhance the profitability of the portfolio.

The Food Ambassadors programme has significantly strengthened your Company's capability to engage consumers at the point of sale, which has increased trials of new offerings. Your Company will continue to leverage this platform to connect with consumers.

Bakery business (Modern Foods) sustained its performance and continued to deliver strong underlying growth with profit improvement from distribution expansion, scale and better operational efficiencies. The new products and offerings in adjacent categories, like cakes, cookies, idli/dosa batter, dry mix powders and others have contributed well to the growth.

Frozen Desserts

The Kwality Wall's business had a good year in a challenging market environment on the back of exciting innovations launched at the onset of the summer season. The three key platforms; Cornetto, Paddle Pop and Selection Take Home Tubs, which are popular among youth, children and families respectively, continued to perform well and delivered double digit growth. During the year, your Company successfully launched a new brand Fruttare, an ice candy 'made with real fruits' in three variants, Mango, Grape and Litchi. Selection range of in-home tubs was re-launched with exciting western flavours and new Indian flavours under the Shahi Delights platform. In addition, the innovations under Cornetto, Paddle Pop and Kulfeez also performed well, helping the category deliver higher growth. Your Company continued to focus on expansion of Swirl's parlours across the country. This helped to create over 10 million 'happiness moments', while serving unique offerings through Kwality Wall's Swirl's outlets.

During the year, input costs put significant pressure on profitability. The robust and well rounded portfolio and strong innovations have helped the business to take prudent price increases. Availability and visibility are the category's most important growth drivers. Your Company continues to invest in more freezer deployment and usage of information technology to enhance availability and to drive better asset utilisation.

4.4. Water

Pureit continues to strengthen its position in a slowing consumer durables market. During the year, Pureit's new product innovations focused on driving superior functionality and aesthetics with the launch of Pureit Advanced and Pureit Marvella UV. Pureit Advanced was launched with a breakthrough design that promised a double protection functional benefit. It has become the new benchmark for superiority in the non-electric purifier segment thereby further strengthening

Pureit's market position. The launch of Pureit Marvella UV was another testimony to Pureit's pioneering innovativeness. This purifier comes equipped with a unique feature of an Advance Alert System for filter change. This feature is in line with Pureit's product philosophy of delivering safe drinking water till the very last drop. In addition, Pureit Marvella UV is the first UV purifier to have a built-in storage of five litres of purified water, thereby giving consumers an easy way to manage the uncertainty relating to water supply and electricity. During the year, your Company focused on building distribution reach for its range of purifiers in different retail formats across the country. Substantial progress was made in evolving the business model to make it more scalable.

4.5. Exports Business

FMCG Exports (Unilever India Exports Limited)

In order to fully exploit the opportunity in exports market and to provide necessary focus, flexibility and speed to the business, the FMCG Exports Business Division of the Company was transferred to a wholly owned subsidiary, Unilever India Exports Limited ('UIEL') consequent to a Scheme of Arrangement. The Exports business has successfully re-cast itself into two units; one focused on driving cross border sourcing to Unilever companies and the other leveraging the equity of locally developed brands among the ethnic diaspora in international markets. The strategy of a dedicated business unit driving distribution of locally developed brands, such as Kissan, BRU, Brooke Bond, Lakmé, Pears have yielded strong growth in these brands in its first year.

The Home and Personal Care segment in the exports business witnessed a stable year, driven primarily by Skin Care and Hair Care categories leading to a moderate growth in volume and core operating profit. Brands like Pears and BRU have also registered healthy growth in the focused markets through strong advertising and activation support. The Foods and Beverages segment of the business witnessed a modest growth. The tea bags category maintained strong sales in Australia and the United States. Instant Coffee sales remained steady. The profitability for the overall segment improved, with export incentives being extended to conventional tea, instant tea and instant coffee.

Non-FMCG Exports

In the specialty business, which continued to be part of your Company post the above mentioned demerger, rice registered a strong double digit growth with dedicated focus on expanding geographies, seeding opportunities and marketing / brand building support.

Leather (Pond's Exports Limited)

The Leather business performed well with improved operating profitability and robust sales growth. This performance was achieved through new product designs, excellent customer service, world class quality and cost innovations.

4.6. Beauty & Wellness (Lakme Lever Private Limited)

Lakme Lever Private Limited (LLPL), a wholly owned subsidiary of the Company, has 185 salons, of which 46 are Company owned / managed and 139 are franchisee salons. LLPL delivered double digit salon growth for the third consecutive year although expansion slowed down. During the year, Lakmé Absolute Salon, the defining salon experience with exclusive bespoke services across Skin and Hair, was opened in New Delhi and Bangalore. LLPL created a focused cross functional 'New Salon Team' to accelerate the expansion of new salons. LLPL is investing in improving customer service and building delightful imagery to support the Lakmé PROstylist proposition. Your Company will continue to support LLPL to drive growth in this attractive market opportunity.

4.7. Hindustan Unilever Network

Hindustan Unilever Network business consists of three major brands Aviance (Personal Care), Lever Ayush (Health Care) and Lever Home (Fabric Wash, Household Care and Toothpaste). Your Company has made significant improvements in re-positioning the portfolio from the mass market to the Prestige and Premium segments. This has been accomplished through an improved business partner profile. Your Company continues to invest in on-ground activation and training.

4.8. Kimberly Clark Lever Private Limited (KCL)

KCL is a Joint Venture between your Company and Kimberly-Clark Corporation, USA, with infant care diapers as its primary product category. The year witnessed the re-launch of Huggies Diapers and Huggies Wonder Pants with improved product features and performance, which has been well received in the market. Low levels of penetration in India's infant care diapers markets offer significant growth potential for this category. This growth opportunity has attracted increased levels of competitive intensity in the recent past with multinationals making significant investments in India. With a view to participate effectively in this growth opportunity, KCL aims to bring in regular innovations to the market through sustained and appropriate investments in the short to medium term. Your Company continues to be committed to make appropriate investments in this business.

5. CUSTOMER DEVELOPMENT

During the year, your Company ensured that it continues to build on its reputation of a distribution and execution powerhouse with a best in class quality and a vast distribution network of more than 2,500 re-distribution stockists.

Your Company has undertaken some important initiatives during the year to become more customer centric and win in the market place. These initiatives include establishing dedicated call centres for distributors as well as retailers to reach out to the Company. The call centres set up for retailers have helped millions of outlet owners reach out directly to the Company. The calls received from retail outlets provide useful insights and help the Company understand issues and opportunities in the market place better and address them effectively. Your Company has also launched a structured Consumer & Customer License programme, under which Company employees spend time with the customers to understand their needs better. These initiatives have helped in keeping the consumers and customers at the heart of your Company's business model.

During the year, your Company set up a state-of-the-art Customer Insight and Innovation Centre (CiiC) at Mumbai, the latest among seven such centres across Unilever worldwide. This centre is equipped with the latest technologies to help us work closely with our distributive and modern trade partners to develop sharp and incisive shopper insights and platforms to win with shoppers.

Your Company further strengthened the Perfect Stores programme to drive superior availability and visibility of its products at the market place. The Perfect Stores programme has proven to deliver higher growth and share for the business. Your Company continues to make good progress in covering more stores under the Perfect Stores programme.

Modern Trade, which is the growth channel for the future, continues to be a focus area for your Company. The relentless focus on joint business planning and ensuring best in class on-shelf availability to grow the business together was appreciated by modern trade customers. Your Company was awarded the 'Best Supplier' by leading modern trade customers for yet another year.

Leveraging the rural distribution network of the Company, the rollout of Telecom Distribution alliance with Tata Teleservices Limited (TTSL) into 13 Telecom Circles nationally for the distribution of telecom products, was completed during the year. The Company is now distributing these products in more than 95,000 telecom outlets through over 720 rural distributors. This distribution alliance has helped the Company further drive rural growth with enhanced earning potential for its channel partners, rural distributors and Shakti entrepreneurs.

5.1. Project Shakti

Your Company continued to drive its rural coverage agenda through Project Shakti, which now has 48,000 Shakti entrepreneurs (Shakti ammas) complemented by over 30,000 Shaktimaans, the male members of Shakti amma's family. Shakti ammas have proved successful in increasing the Company's presence in rural areas, building strong local relationships with consumers, thereby encouraging brand loyalty. Shakti ammas are also acting as your Company's ambassadors to spread awareness of health and hygiene in deep rural India with limited media reach. At the same time, Shaktimaans distribute Company products on bicycles, covering over 135,000 villages in 15 States and serving 3.3 million households.

In order to further strengthen the rural coverage and streamline the supply chain network, your Company has deployed a low cost mobile IT solution for Shakti programme, during the year. This is a mini ERP (Enterprise Resource Planning) package run on an entry level smart phone to help the Shakti entrepreneurs manage their enterprise better. The package is now being used by over 40,000 Shakti entrepreneurs across the country. This solution is available in eight languages and allows the Shakti entrepreneurs to book orders and manage inventory. The application also provides updates on the promotions and offers. The information received through this solution provides business insights which helps recommend categories to be driven in lower population markets. This application will equip your Company to become more organised and scientific in its sales and distribution planning in rural India.

6. SUPPLY CHAIN

Your Company's Supply Chain agenda for the year was focused on strengthening five key areas: Customer Service Excellence, Focus on Consumer & Customer Quality, Robust Supply Chain Saving Programme, Turbo-Charging TPM (Total Productivity Management) and Partner to Win through Continuous Improvement, Teaming and Collaboration.

Your Company has made significant progress in its vision to deliver outstanding customer service and enable sustainable growth. The service delivery standards improved steadily with CCFOT (Customer Case Fill on Time) increasing to 93%. The Customer Satisfaction Survey Scores and Best Supplier recognition from customers have been encouraging and suggest that the actions taken by your Company are in the right direction. Modern Trade OSA (On-Shelf Availability) has further improved during the year. Your Company has embedded Sales and Operation Planning Process (S&OP) and Innovation Process Management (IPM) as business enabler and is adding value to the business.

The quality performance measured as Consumer Relevant Quality Standard (CRQS) has shown 50% improvement over last year. Quality continues to be a major focus area, with a thrust on design quality improvement and new quality standards implementation for warehousing and transportation. The consumer care lines have been improved and are being used as channels to engage with consumers.

Your Company has a robust Supply Chain savings programme with continuous focus on end-to-end Supply Chain cost reduction through new technologies, alternative sources of energy, efficient processes and methods. During the year, your Company has delivered 5% saving in Supply Chain cost with sourcing network optimisation, logistic efficiency through improved utilisations, factory production cost reduction through improvement in energy efficiency, technical efficiencies, wastage reduction and yield improvement.

The TPM journey, with strong focus on autonomous maintenance, preventive maintenance, focused improvement and strong circle engagements, has helped the Company improve employee engagement, efficiency and derive competitive advantage. The performance across PQCDSM (Productivity, Quality, Cost, Delivery, Safety, and Morale) is showing sustained improvement.

Your Company has progressed on the long term plan to create capacities through efficiency improvement, speed improvement and high speed technologies to support volume growth while managing costs. Your Company has successfully executed all capacity creation projects on time to ensure smooth delivery during the year.

There has been a 15% improvement in innovation OTIF (On Time in Full) with more than 150 innovation networks being executed during the year touching more than 50% of the product portfolio. The focus on better and faster innovation and capability development has significantly helped the Company launch innovations first time right. Your Company has identified beauty, foods, modern trade and rural as key capabilities to win in the future and the supply chain function has significantly improved capability and skill building in these areas during the year.

The Partner to Win programme with supplier and business partners in procurement function focuses on reducing lead time, decreasing procurement cost, improving reliability and work on new innovation. Your Company leverages benefits of scale and synergy through Unilever's global buying network.

7. RESEARCH & DEVELOPMENT

Your Company continues to derive sustainable benefit from the strong foundation and long tradition of Research & Development (R&D) which differentiates it from many others. New products, processes and benefits flow from work done in various Unilever R&D Centres across the globe as well as in the Research Centres in India. The R&D labs in Mumbai and Bangalore are aligned to Unilever's global R&D. Many of the projects run out of these centres are of global relevance and have a strong focus on the needs of this region and the overall Developing & Emerging (D&E) world. With the world class facilities and a superior science and technology culture, your Company is able to attract the best talent to provide significant technology differentiation to its products and processes.

Your Company's R&D programmes 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 areas of Home & Personal Care, Foods & Beverages and Water Purification. The R&D group also comprises critical functional capability teams in the areas of Regulatory, Clinicals, Patents, Digital R&D, Product & Environment Safety and Open Innovation.

During the year, your Company introduced several innovations in Soaps and Detergents category. In Wheel, a new surfactant was introduced to enhance superior performance and quality. Surf Excel Blue was re-launched with significantly improved efficacy. Household Care launched Domex toilet cleaner in a child safe pouch form to make hygiene more affordable. New water saving rinse aids 'Magic' and 'Comfort One Rinse' were introduced in a test market.

In Personal Care category, particularly Skin Care, the key deliveries during the year were PPARs (Peroxisome Proliferation-Activated Receptor) and a new modified sunscreen system. Both of these products were launched as world's first skin and spot lightening cream sensory, with SPF20 under Pond's White Beauty. The PPARs, along with next-generation instant optics, were also launched as a part of the new Fair & Lovely Advanced Multivitamin formula.

In Hair Care category, Clinic Plus was re-launched with improved formulation that provides enhanced wet and dry conditioning and a significantly superior hair fall reduction benefit. A colour rescue variant in Dove, specially formulated for care of coloured hair was introduced. TRESemmé, an international salon brand, with a formulation tailored for Indian hair and endorsed by salon professionals, was launched for the first time in India. The entire range of Sunsilk was re-launched with enhanced benefits and premium packaging. At the end of the year, premium hair oil under Dove, comprising a special, light and non-sticky nourishing formula with precious oils and real flowers, was launched.

In Oral Care category, Pepsodent Expert Protection was launched in the premium segment with a new regime based claim, 'action of toothpaste, mouthwash and floss in one tube'. Closeup was re-launched with a new anti-malodour agent and new claims, such as 3X more fresh breath for 12 hours.

The year witnessed several new R&D innovations in Beverages category. Brooke Bond Taaza was re-launched with new proposition, packaging and a superior product delivery aimed at enhancing economy of use for consumer. Lipton Iced tea powder mixes were revamped with new product and packaging. Taj Mahal leaf tea range was extended to new geographies with location specific blends.

The Foods R&D team has continued to focus on delivering winning formulations and product superiority. A new variant called 'Sweet & Spicy' was launched under Kissan ketchups, which is a winning formulation when compared in blind with other products in the market by consumers. In the Jams portfolio of Kissan, a new pack at an affordable price of Rs. 5/- was introduced to drive penetration in the category. In Frozen Desserts category, a new variant of Cornetto, 'Pistachio' was also developed and launched. Premium single origin, freeze dried coffee range under BRU was expanded with the launch of a new unique variant, Guatemala. R&D along with supply chain and procurement teams, also focused on developing innovative end-to-end solutions to proactively manage commodity cost pressures.

In Water business, advanced Pureit with significantly enhanced design was launched. A long life battery kit was also launched for Pureit during the year. The year also witnessed the launch of a reverse osmosis based water purifier, Pureit Marvella UV.

R&D has further contributed to the Company's sustainability agenda by enabling significant reduction in packaging material consumption through several material efficiency initiatives. Your Company's R&D is also working on novel technologies to help save substantial amount of water.

With strong scientific expertise and the potential to deliver high value technologies, India continues to occupy a premier position in Unilever R&D. Your Company is well placed to meet the challenges emanating from the increased competition intensity and the opportunities to drive faster growth on the back of strong support from R&D as well as brand development capabilities.

Your Company had entered into a Technical Collaboration Agreement (TCA) and a Trade Mark License Agreement (TMLA) with Unilever. The TCA provided for payment of 1% royalty on net sales of specific products, manufactured with technical inputs developed by Unilever. The TMLA provided for the payment of trademark royalty at the rate of 1% of net sales on specific brands, where Unilever owns the trade mark in India. Given that the pace of innovations and the scope of services have expanded over the years and that Unilever's global resources are providing greater expertise, superior innovations and scale advantage for all Unilever entities, your Company is enjoying the benefits of an increasing stream of new products and innovations, backed by technology and know-how from Unilever. Your Company is also receiving support and guidance to drive functional excellence in marketing, supply management, media buying, IT, etc., which helps your Company to remain competitive and further step-up its overall business performance.

Unilever is committed to ensuring that the support in terms of new products, innovations, technologies and services is commensurate with the needs of your Company and enables it to win in the market place. Given the need for increased levels of service and the consequent additional costs, your Company has entered into a new agreement with Unilever in order to ensure a fair recovery of costs by Unilever. In terms of the new agreement, the existing royalty cost of c. 1.4% of turnover will increase, in a phased manner, to a royalty cost of c. 3.15% of turnover no later than the financial year ending 31st March 2018, i.e. a total estimated increase of 1.75% of turnover.

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, 2013, are as follows:

- Capital Expenditure : 1.67 crores
- Revenue Expenditure : 35.66 crores

8. ENVIRONMENT, SAFETY, HEALTH AND ENERGY CONSERVATION

Your Company continues to focus on the vision of being an 'Injury Free' and 'Zero Environment Incident' organisation. A behavioural safety programme was deployed across the Company as the core of our safety journey. This has been supplemented by a consistent focus on prevention of hand-in-machine and slip-trip-fall injuries at workplace and multiple initiatives for improving road safety. In 2012, the safety incident rate measured as total recordable frequency rate (TRFR) decreased by 61% over 2008 baseline.

The behavioural safety model has now been customised as BeSafE and will be launched company-wide in latter half of the year. Your Company has taken safety programmes to the families and homes of employees, through 'Beyond Work Safety' campaigns, which have been very well received. Your Company continues to benchmark itself with the units known for best safety performance in the country and across Unilever. Your Company has received many awards from the Government and independent organisations for its safety practices.

Your Company continues to make excellent contribution to the Unilever Sustainable Living Plan, where Unilever's vision is to double the size of its business while reducing the overall impact on environment and improving its positive social impact. Your Company has been taking steps to reduce electricity and water consumption in its manufacturing processes as well as control waste generation. The key actions in this direction include:

- Use of biomass fired boilers and hot air generators, which reduce consumption of fossil fuels like coal and furnace oil.
- Use of plant waste / by-products like spent tea leaves and coffee beans as fuel.
- Shift to cleaner sources of energy like natural gas and other renewable sources, wherever available.

- Adoption of energy efficient technology, like LED lights, high efficiency motors, electronic drives / inverters, screw compressors.

Your Company has reduced CO_2 emissions (per tonne of production) in India by 22% compared to 2008 baseline. Use of renewable energy has increased to 15% of the total consumption. Your Company has reduced water usage in manufacturing operations by 29% compared to 2008 baseline. Rainwater harvesting has been implemented in 22 units to recharge up to 3,32,000 KL /annum ground water. In addition, rainwater recycling being done at seven sites of your Company has reduced up to 51,000 KL / annum of freshwater usage. Total 31 sites became 'zero-discharge site' i.e. 79% of our sites do not discharge any liquid effluent.

In all Company units, recyclable waste e.g. packaging material, empty raw material containers, spent lubricants, project scrap, etc. are systematically segregated and tracked for effective recycling. More than 98% of total waste is recycled in environment friendly ways. Total waste per tonne from the manufacturing sites has reduced by 77% against the 2008 baseline.

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.

9. 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 shopfloor.

Your Company's employer brand has been built with high levels of rigour and thoroughness through a large number of student interactions and qualitative and quantitative analysis of the responses. Your Company is widely acclaimed for its people development practices and has reinforced its position in this area. This, coupled with the ability to attract best talent, gives a competitive edge to the organisation. Your Company, for the fourth consecutive year, retained its position as the Dream Employer with students of top business schools. Your Company was voted to this position from a mix of FMCG, Consulting, Financial Services organisations, etc. Your Company has also been voted as the No. 1 Employer for Mid Career recruits in a survey conducted amongst active job candidates in the FMCG sector.

Your Company has a vision to improve its Gender Balance and the roadmap involves a four pronged approach:

- Increasing the number of female talent through proactive market mapping.
- Staying connected with our stakeholders through digital recruitment campaigns.
- Creating a culture of inclusion.
- Leveraging visible leadership role models.

The enablers for these could be as varied as flexi time to agile working to customised solutions for women who come back from maternity breaks. 'Career by Choice', a unique re-hire programme, provides a platform for women looking for real opportunities to work flexibly and part time for live business projects. With these enablers and focused plans, your Company has witnessed 8% shift in the Gender Balance Ratio over the last two years.

The initial part of the journey for Talent and Organisation Assessment was undertaken successfully. Your Company has now institutionalised the next phase of the Talent and Organisation Assessment charters, which will take-off during 2013 and chart out the best practices for each stream. The aim is to meet the requirements of the current talent pool and to enhance the Company's future readiness.

In addition to building core capabilities in marketing, sales and distribution, your Company is investing in the areas of beauty, foods, digital, e-commerce, frontline capabilities and crafting brands for life, to win in the future. Your Company has developed comprehensive plans in each of these key areas that are customised to suit the present and future business needs. In addition to building capabilities, your Company has also identified two key behaviours, Bias for Action and Consumer and Customer Centricity that will supplement the capabilities to achieve business goals. In order to drive Bias for Action, your Company has developed Project Sunset which is an online platform for speedy resolutions of issues within the Company and has a satisfaction score of over 88% from internal employees. To drive Consumer and Customer Centricity, your Company has undertaken a number of activities to regularly communicate with and reach out to its consumers and has a well defined programme to capture insights from its consumers.

Your Company undertook intensive training programmes through a combination of face-to-face and virtual learning approaches. Over 41,600 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 capabilities in digital and social media to find new platforms for brands to engage more effectively with Indian consumers.

The Global People Survey is a part of the Unilever Employee Insight Programme, which aims to give a voice to the Company's people and provides a vehicle to make their views heard. The Survey also provides regular, meaningful and actionable feedback to the leaders in the organisation. It has questions spread across several dimensions in the areas such as Strategic Leadership, Immediate Boss Effectiveness and Engagement. Feedback from this survey forms the basis of holistic engagement plans, which are reviewed regularly. As per Global People Pulse Survey 2012, India features in the top 25 countries across Unilever. An extremely favourable 91% of employees expressed pride to work for your Company. This is 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. Sparkle has been a pioneering tool in the area of workmen capability development that promotes higher transparency and focused training intervention linked to individual and business needs. The tool has delivered results for over two years now and your Company has successfully completed appraisals, thereby identifying top performers and completing skill gap analysis of over 10,000 workmen online. 'Sparkle' has been recognised as a best practice and adopted for a global roll-out. 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.

10. INFORMATION TECHNOLOGY (IT)

Your Company continues to invest in IT, leveraging it as a source of competitive advantage. The enterprise wide SAP platform, the backbone of IT, encompasses all core business processes in your Company and also provides a comprehensive data warehouse with analytics capability that help in better and speedier decisions. SAP is used to collaborate with the suppliers and customers. Supply Chain optimisation, enabled by the IT capability, remains a source of significant value. Your Company continuously invests in upgrading the SAP platform to leverage the latest functionality and technology enhancements to deliver business efficiencies.

Your Company has institutionalised an extensive IT capability for Customer Development function to support front-end execution. All distributors run a standard distributor management system. The salesmen of the distributors 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 enables your Company to customise sales call for each outlet on a scientific basis, thus helping to significantly improve the effectiveness and efficiency of the sales process.

Your Company is leveraging GIS (Geographic Information System) based mapping technology to aid planning for coverage expansion drives in urban and rural markets. The capability allows field personnel to identify pockets for coverage and also evaluate their attractiveness to help derive coverage plans.

Your Company is further enhancing IT capabilities built for rural expansion to equip Shakti ammas with low cost mobile technology to help them work in a more controlled and efficient manner. This technology now allows your Company to standardise selling processes across the Shakti network and also track outlet sales information which can be leveraged through analytics to further aid the selling process.

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 uses software as a service to provide agile and 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, upgraded and tested for efficacy, adequacy, security and reliability.

11. FINANCE AND ACCOUNTS

Your Company continued to focus on cash generation. The focus on managing optimal levels of inventory, sound business performance, operating efficiencies and cost savings across the organisation helped generate healthy cash flows. Your Company managed investments prudently by deploying cash surplus in a balanced portfolio defined to offer primacy to safety and liquidity of the investments. Capital Expenditure during the year was at Rs. 409.34 crores (Rs. 310.01 crores in the previous year).

The Finance function of your Company has initiated a multi-fold transformation programme, aligned to the ambition to be the Best Finance Team in the Industry. During the year, multiple finance processes across accounting and reporting, controls and information management were reviewed and work streams were defined to implement global best practices. Significant broad-based progress has been made on this agenda during the year. Project 'Parivartan' delivered a further step up in the efficiency of the Purchase to Pay process along with a corresponding improvement in vendor satisfaction. This is now being driven to the next level of simplifying and centralising end-to-end invoice processing. Project 'My Business Information' took an ambitious goal of revamping your Company's information management function. Significant steps are underway towards further exploring this space to get increased information insights to drive growth, margins and cash.

In the initial phase of the project 'Effective Financial Controls and Reporting' (EFCR), the finance control environment has been streamlined and strengthened with 50% of key controls being automated by further leveraging SAP. Similarly, significant process and technology interventions were taken up to achieve over 25% reduction in time consumed on annual closing processes. The EFCR Project aims to simplify, standardise and automate processes whilst driving value beyond transaction processing. Your Company also focused on simplifying banking processes by driving a reduction in the number of bank accounts operated across the Company. This has helped to streamline banking operations, strengthen controls and optimise cash utilisation. All these initiatives will lead to a transformation of the finance function to world class standards, thereby ensuring operational excellence.

Your Company has not accepted any fixed deposits during the year and there was no outstanding towards unclaimed deposit payable to depositors as on 31st March, 2013. In terms of the provisions of Investor Education and Protection Fund (Awareness and Protection of Investors) Rules, 2001, Rs. 3.13 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, 2013, are given below:

Particulars	Period ended 31st March, 2009	2009-10	2010-11	2011-12	**2012-13**
Return on Net Worth (%)	103.6*	88.2	74.0	77.7	94.7
Return on Capital Employed (%)	107.5*	103.8	87.5	96.8	109.1
Basic EPS (after exceptional items) (Rs.)	11.46**	10.10	10.58	12.46	17.56

* 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, Water Business, Infant Care Products, etc. The audited financial results of these segments are provided as a part of financial statements.

11.1. Risk and Internal Adequacy

Your Company has an elaborate Risk Management procedure, which is based on three pillars: Business Risk Assessment, Operational Controls Assessment and Policy Compliance processes. Some of the risks relate to competitive intensity and cost volatility. 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.

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 manages cash and cash flow processes assiduously involving all parts of the business. There was a net cash surplus of Rs. 1,707.89 crores, as on 31st March, 2013. The Company's low debt equity ratio 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. The Company accounts for mark-to-market gains or losses every quarter end, in line with the requirements of AS-11.

12. LEGAL, COMPLIANCE AND BRAND PROTECTION

Your Company continued to focus on the key areas and projects within the legal and compliance functions, which include transiting to a workflow based software tool 'Self-Compli'. This tool enables compliances to be made and tracked by factories and offices of your Company across the country. In the area of Brand Protection, your Company has taken significant actions against counterfeits, fakes and other forms of unfair competition, during the year, under the Company's programme of Combating Unfair Competition.

13. MERGERS, ACQUISITIONS, JOINT VENTURES AND DISPOSALS

Your Company entered into a Share Purchase Agreement with the promoters of Aquagel Chemicals Private Limited (ACPL) for acquisition of additional 74% of equity share capital of ACPL. ACPL is engaged in the business of manufacturing soaps and detergents. Prior to acquisition, it was a third party manufacturing unit. Your Company earlier held 26% of ACPL's equity share capital. Consequent to the acquisition of remaining 74% of the equity share capital, ACPL became a wholly owned subsidiary of the Company with effect from 1st April, 2013.

14. SUSTAINABLE LIVING

Sustainability is at the core of your Company's way of doing business. It guides your Company on the path to achieve long term success in a world where the battle for resources can only escalate. In this direction, Unilever globally has set out the 'Unilever Sustainable Living Plan' (USLP), which embeds sustainability in its business model. The USLP sets out to decouple growth from environmental impact, while at the same time, increase positive social impact.

USLP has three big goals to achieve by 2020:

- Help more than 1 billion people improve their health and well-being.
- Halve the environmental footprint of our products.
- Source 100% of our agricultural raw materials sustainably and enhance the livelihoods of people across our value chain.

Supporting these goals are seven commitments underpinned by targets spanning your Company's social, environmental and economic performance across the value chain. In the second year of the Plan, your Company made steady progress to achieve these goals.

In the area of health and hygiene, your Company reached over 17 million people through Lifebuoy Handwashing programmes in 2012. Through continuous and focused efforts under the Handwashing initiative, your Company has reached 47 million people since 2010. Your Company's Pureit water purifier continued to fight the menace of diarrhoeal diseases. More than 45 million people gained access to safe drinking water from Pureit globally by the end of 2012.

Your Company made good progress under its Nutrition Enhancement Programme to lower the levels of salt, saturated fat, trans fat and sugar in its Foods and Beverages portfolio. By the end of 2012, 66% of Foods portfolio (by volume) was compliant with the 5g per day salt target. Your Company's portfolio is virtually free from trans fats originating from partially hydrogenated vegetable oil. For example, the Frozen Desserts portfolio is fully compliant and does not use any raw materials containing partially hydrogenated oil. More than 60% of the products in Frozen Desserts for children contain 110 kilocalories or fewer per portion, meeting the interim 2012 target.

In the area of environment impact, your Company worked to further reduce its environmental impact on four priority areas across the value chain – greenhouse gases, water, waste and sourcing. CO_2 emissions per tonne of production reduced by 22% compared to the 2008 baseline. This was achieved through several environment friendly initiatives in your Company's manufacturing operations such as usage of biomass boilers, thermic fluid heaters and hot air generators at factory sites. These projects helped increase the share of renewable energy to 19% by 2012.

Water usage in your Company's manufacturing operations reduced by 29% compared to the 2008 baseline. Your Company has launched innovations that help consumers use less water in laundry process through products like Magic water saver and Comfort One Rinse fabric conditioner. Magic saves upto three buckets of water per wash while Comfort One Rinse saves two buckets of water per wash.

In the area of waste management, your Company continued to focus on reducing, reusing and recycling waste. Reduction in total waste per tonne from your Company's manufacturing sites was 77% against 2008 baseline. A total of 31 factories of your Company became 100% zero non-hazardous waste to landfill.

Under the USLP, your Company has committed to source 100% of its agricultural raw materials sustainably. By 2012, your Company sourced 70% of its agricultural raw materials sustainably. All of the palm oil was from sustainable sources and 100% of palm oil volumes of India were covered by 'Green Palm' certificates by end of 2012. During the year, over 60% of tomatoes used in Kissan Ketchup in India were from sustainable sources. Your Company aims to source 100% of tomatoes from sustainable sources by 2015. Your Company entered into a public-private partnership with the Maharashtra Government for sustainable sourcing of tomatoes locally. For this project, the Government of Maharashtra registered 618 farmers who grow tomatoes over 1,208 acres.

Enhancing livelihoods of hundreds of thousands of people by 2020 is another goal the USLP aims to achieve. Your Company has a wide range of initiatives from sourcing to distribution focused on improving livelihoods of small-scale entrepreneurs. Project Shakti is your Company's flagship rural distribution initiative that focuses on enhancing livelihoods in small villages. Project Shakti has 48,000 Shakti entrepreneurs (called Shakti ammas) in 15 States. The details of Project Shakti is provided at para 5.1 of this report.

As evident from the above initiatives, your Company's progress to deliver on USLP has been consistent. However, USLP is ambitious and your Company has much more to do. Your Company continues to strive to deliver the stretching goals.

In April 2013, your Company released Unilever Sustainable Living Plan India Progress Report. This report shares the results of your Company's journey so far and chronicles the steps taken to deliver growth that is competitive, profitable and sustainable. You can view this report on our website www.hul.co.in.

The Securities and Exchange Board of India (SEBI) vide its circular dated 13th August, 2012, has mandated the top 100 listed companies, as on 31st March, 2012, to submit a Business Responsibility Report as part of the Annual Report of the Company. The Business Responsibility Report describes the initiatives taken by the Company in line with the key principles enunciated in the 'National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business' framed by the Ministry of Corporate Affairs (MCA). In line with Green Initiative, the Business Responsibility Report of the Company for the year 2012-13 is made available on the website of the Company www.hul.co.in and forms part of this Annual Report. The Business Responsibility Report shall be kept open for inspection at the Registered Office of the Company. The Company will also make available a printed copy of the Business Responsibility Report upon request by any Member of the Company interested in obtaining the same. A Member interested in obtaining the hard copy may write to the Investor Service Department at the Registered Office of the Company.

15. EMPLOYEE STOCK OPTION PLAN (ESOP)

Details of the shares issued under Employee Stock Option Plan (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 23rd July, 2012, the Company adopted the '2012 HUL Performance Share Scheme' in place of the existing '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. In accordance with the terms of the Performance Share Plan, employees are eligible for award of conditional rights to receive equity shares of the Company at the face value of Re. 1/- each. These awards will vest only on the achievement of certain performance criteria measured over a period of 3 years. During the year, 204 employees, including Wholetime Directors, were awarded conditional rights to receive 4,19,408 Equity Shares at the face value of Re. 1/- each. It comprises conditional grants made to eligible managers covering performance period from 2012 to 2014 and from 2013 to 2015.

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 2011, your Company received the National Award for Excellence in Corporate Governance instituted by the Institute of Company Secretaries of India, in recognition of its Corporate Governance practices. In 2012, Investor Relations Global Rankings (IRGR) ranked your Company amongst top five companies across the globe for Best Corporate Governance. In 2013, at the Asian Centre for Corporate Governance and Sustainability Awards, your Company won the award for Best Audit Committee.

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 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 Nomination 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. 66 to 67 of this Annual Report.

17. OUTLOOK

Global economic activity remains subdued amidst signs of diverging growth paths across major economies. While near term risks to global financial stability are retreating, the global economic climate continues to be volatile and uncertain.

For India, economic activity is expected to show a modest improvement over last year, with a pick-up likely only in the second half of the year. Conditional upon a normal monsoon, agricultural growth could return to trend levels while the outlook for industrial activity remains subdued. Accordingly, the RBI projects a baseline GDP growth for 2013-14 at 5.7%. Upside pressures on inflation, both at wholesale and retail levels, remain high stemming from elevated food inflation, ongoing administered fuel price revisions and volatility in exchange rates.

FMCG markets are expected to grow; however, uncertain global economic environment, inflation and competitive intensity continue to pose challenges. While the near term conditions pose a challenge for the economy, the medium to longer term secular trends based on rising incomes, aspirations, low consumption levels, etc. are positive and an opportunity for the FMCG sector in general and for your Company in particular.

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

As a part of the initiatives in the area of Corporate Social Responsibility, your Company had promoted a Section 25 Company 'Hindustan Unilever Vitality Foundation' now known as 'Hindustan Unilever Foundation' (HUF) to work in the areas of social, economic and environment development. During the year, your Company acquired additional equity share capital of HUF to make it a subsidiary of the Company.

Pursuant to the Share Purchase Agreement entered into with the promoters of Aquagel Chemicals Private Limited (ACPL), as detailed in Para 13, ACPL has become a wholly owned subsidiary of the Company with effect from 1st April, 2013.

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, 2013, 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 this 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 include the financial information of its subsidiaries.

19. BOARD OF DIRECTORS

Dr. Sanjiv Misra was appointed as an Additional Director on the Board of the Company with effect from 8th April, 2013, in accordance with Section 260 and Article 111 of Articles of Association of the Company. Pursuant to Section 257 of the Companies Act, 1956, notices have been received from Members, together with necessary deposits, proposing the appointment of Dr. Sanjiv Misra as a Non-Executive Independent Director on the Board of the Company.

Dr. R. A. Mashelkar has attained the age of seventy years and in accordance with the Company policy, will be retiring at the conclusion of the ensuing Annual General Meeting by not offering himself for re-appointment as a Director. Dr. Mashelkar was appointed as an Independent Director of the Company in April 2008 and has served as a member of the Audit Committee, Nomination and Remuneration Committee and Corporate Social Responsibility Committee of the Company. The Board places on record its deep appreciation for the distinguished service rendered by Dr. Mashelkar during his tenure as a Director of the Company.

In accordance with the Articles of Association of the Company, all other Directors, except for the 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 of the Company is 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. Leena Nair, Executive Director, Human Resources was elevated to the position of SVP Leadership and Organisation Development, Unilever PLC. Mr. B. P. Biddappa joined the Management Committee of the Company as Executive Director, Human Resources in place of Ms. Leena Nair. Mr. B. P. Biddappa joined the Company in 1992 and has worked in a variety of roles within Unilever. Before joining the Management Committee of the Company, Mr. Biddappa was the Vice President, Human Resources - Supply Chain, Asia, Africa and Russia.

21. AUDITORS

M/s. Lovelock & Lewes, Statutory Auditors of the Company retire and offer themselves for re-appointment as the Statutory Auditors 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 as industry leaders.

Your Directors would also like to acknowledge the excellent contribution by Unilever to your Company in providing 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 its 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 the Company's endeavour to build and nurture strong links with the trade based on mutuality of benefits, respect for and co-operation with each other, consistent with consumer interests.

The Directors also take this opportunity to thank all Investors, Clients, Vendors, Banks, Government and Regulatory Authorities and Stock Exchanges, for their continued support.

On behalf of the Board

Harish Manwani
Chairman

Mumbai, 29th April, 2013

Annexure to the Directors' Report

Disclosure of Particulars with Respect to Conservation of Energy

		Canned and processed fruits and vegetables		Tea	
		For the year ended 31st March, 2013	For the year ended 31st March, 2012	**For the year ended 31st March, 2013**	For the year ended 31st March, 2012
A POWER AND FUEL CONSUMPTION					
1 Electricity					
(a) Purchased					
Unit	Lakh KWH	65.97	68.35	38.94	42.51
Total Cost	Rs. lakhs	524.08	435.43	286.83	265.33
Rate / Unit	Rs.	7.94	6.37	7.37	6.24
(b) Own Generation					
(i) Through own generator					
Unit	Lakh KWH	1.78	0.88	4.14	3.80
Unit per ltr of diesel oil	KWH	2.49	2.47	9.98	9.62
Rate / Unit	Rs.	18.49	16.84	14.59	13.57
(ii) Through steam turbine / generator		NIL	NIL	NIL	NIL
2 Furnace Oil					
Quantity	KL	930.60	1,260.14	-	-
Total Cost	Rs.lakhs	407.93	566.77	-	-
Rate / Unit	Rs. / KL	43,834.56	44,976.63	-	-
3 Other / Internal Generation					
Natural Gas					
Quantity	('000 Scm)			20,645	23,643
Total Cost	Rs.lakhs			14	16
Rate / Unit	Rs. / ('000 Scm)			69	67
Agro Waste					
Quantity	(Tons)	1,249.87	358.56		
Total Cost	Rs.lakhs	67.22	18.81		
Rate / Unit	Rs. / Kg	5.38	5.25		
B CONSUMPTION PER UNIT OF PRODUCTION					
Electricity	(Kwh/Tonne)	195.72	270.72	31.21	35.35
Furnace Oil	(Lts/Tonne)	27.61	49.91	-	-

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 plans 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, 2013	For the year ended 31st March, 2012
(a)	Capital	8.07	5.84
(b)	Recurring	104.39	155.39
(c)	Total	112.46	161.23
(d)	Total R& D Expenditure as a percentage of total turnover	0.44%	0.73%

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

FOREIGN EXCHANGE EARNINGS & OUTGO

Rs. crores

	For the year ended 31st March, 2013	For the year ended 31st March, 2012
Foreign exchange earnings	654.80	489.80
Foreign Exchange outgo	3345.38	2,192.79

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	Closing market price as on the date of option grant - 23.04.2002	Closing market price as on the date of option grant - 24.04.2003	Average of highs and lows for two week period preceding the date of option grant- 30.06.2004	Closing market price, prior to the date of meeting of the Board of Directors in which the options were granted- 26.05.2005
	Rs. 217.45	Rs. 210.35	Rs. 136.00	Rs. 128.47	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 March 31, 2013)	15,90,600 equity shares of Re.1/- each	23,21,221 equity shares of Re.1/- each	36,44,320 equity shares of Re.1/- each	11,57,650 equity shares of Re.1/- each	11,06,700 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	23,21,221 equity shares of Re.1/- each	36,44,320 equity shares of Re.1/- each	11,57,650 equity shares of Re.1/- each	11,06,700 equity shares of Re.1/- each
f) Options lapsed (as at March 31, 2013)	8,84,500 equity shares of Re.1/- each	9,12,380 equity shares of Re.1/- each	6,31,770 equity shares of Re.1/- each	3,36,800 equity shares of Re.1/- each	2,75,700 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	NIL	Rs. 0.33 crores	Rs. 4.98 crores	Rs. 1.01 crores	Rs. 1.00 crore
i) Total number of options in force (as at March 31, 2013)	NIL equity shares of Re.1/- each	NIL equity shares of Re.1/- each	NIL equity shares of Re.1/- each	1,36,000 equity shares of Re.1/- each	1,65,300 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 HUL Performance Share Scheme							2012 HUL Performance Share Scheme
	2006	2007	2008	2009	2010	2011	2012	2013
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 2,13,098 equity shares of Re.1/- each valued at Rs.2.13 lakhs	Conditional grant of 3,38,731 equity shares of Re.1/- each valued at Rs.3.39 lakhs	Conditional grant of 3,22,568 equity shares of Re.1/- each valued at Rs.3.23 lakhs	Conditional grant of 3,55,573 equity shares of Re.1/- each valued at Rs.3.56 lakhs	Conditional grant of 4,71,465 equity shares of Re.1/- each valued at Rs.4.71 lakhs	Conditional grant of 3,68,023 equity shares of Re.1/- each valued at Rs.3.68 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/-	Book value of Re.1/-
c) Options vested	2,55,166 options vested	2,66,180 options vested	1,64,303 options vested	2,19,977 options vested	2,37,194 options vested	Options will vest after 3 years from the date of grant	Options will vest after 3 years from the date of grant	Options will vest after 3 years from the date of grant
d) Options exercised (as at March 31, 2013)	2,55,166 equity shares of Re.1/- each	2,64,530 equity shares of Re.1/- each	1,60,800 equity shares of Re.1/- each	2,19,977 equity shares of Re.1/- each	1,78,057 equity shares of Re.1/- each	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	1,60,800 equity shares of Re.1/- each	2,19,977 equity shares of Re.1/- each	1,78,057 equity shares of Re.1/- each	NIL	NIL	NIL
f) Options lapsed (as at March 31, 2013)	NIL	1,650 equity shares of Re.1/- each	3,503 equity shares of Re.1/- each	NIL	NIL	NIL	NIL	NIL
g) Variation of terms of options	NA	NA	NA	NA	NA	NA	NA	NA
h) Money realised by exercise of options during the year	0	0	0	Rs. 2.20 lakhs	Rs. 1.78 lakhs	NIL	NIL	NIL
i) Total number of options in force (as at March 31, 2013)*	NIL	NIL	NIL	NIL	Conditional grant of 1,04,420 equity shares of Re.1/- each	Conditional grant of 3,01,687 equity shares of Re.1/- each	Conditional grant of 4,40,327 equity shares of Re.1/- each	Conditional grant of 3,68,023 equity shares of Re.1/- each

* Adjusted for options forfeited.

DETAILS OF OPTIONS GRANTED DURING THE YEAR ENDED 31ST MARCH, 2013

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 2013, Nitin Paranjpe-Managing Director & CEO was awarded 17,434 shares (4.7%) and Sridhar Ramamurthy - Executive Director (Finance & IT) and CFO was awarded 9,080 shares (2.5%).
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. 17.55
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 "2012 HUL 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. 0.99 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 2012-13 is presented below:

Net Income	Rs. crores
As reported	3,796.67
Add: Difference between Intrinsic value and Fair Value Calculation	0.99
Adjusted Net Income	3797.66

Earnings Per Share (Basic & Diluted) (Rs.)

	Basic EPS	Diluted EPS
-As reported	17.56	17.55
-As adjusted	17.57	17.56

DETAILS OF OPTIONS GRANTED DURING THE YEAR ENDED 31ST MARCH, 2013 (CONTD.)

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

Assumptions

Risk free rate	8.23% for 2012 and 7.79% for 2013
Expected life of options	3.125 years for each plan
Volatility	25.81% for 2012 and 23.38% for 2013
Expected Dividends	Rs. 8.50 per share
Closing market price of share on date of option grant	Rs. 383.70 for 2012 and Rs. 458.60 for 2013

Notes:

(i) Pursuant to approval of the Members at the Annual General Meeting of the Company held on 23rd July, 2012, the Company had adopted a revised Scheme "2012 HUL Performance Share Scheme" in place of the existing "2006 HLL Performance Share Scheme".

(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 of the Manager	Performance shares awarded
Nitin Paranjpe	17,434
Sridhar Ramamurthy	9,080
Hemant Bakshi	9,080
Pradeep Banerjee	4,775
Dev Bajpai	4,775
Geetu Verma	4,775
Manish Tiwary	7,163