PROFILE OF HINDUSTAN LEVER LIMITED
CHAPTER IV
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INTRODUCTION

This chapter deals with history and growth of the Hindustan Lever Ltd, production performance i.e. Home Personal Care, Foods & Beverages, Industrial & Agricultural, Sales Details, Export Performance, Consumer Connectivity, Awards and Achievements, Quality Certificates, Future Plans, Management of the Organization and Area of Operation.

HISTORY AND GROWTH OF THE COMPANY

In 1888, less than four years after William Hesketh Lever launched Sunlight Soap in England, his newly-founded company, Lever Brothers, started exporting the revolutionary laundry soap to India.

By the time the company merged with the Netherlands-based Margarine Unie in 1930 to form Unilever, it had already carved a niche for itself in the Indian market. Coincidentally, Margarine Unie also had a strong presence in India, to which it exported Vanaspati (hydrogenated edible fat).

A year after the merger, Unilever set up the Hindustan Vanaspati Manufacturing Company, its first subsidiary in India and went on to strengthen its position by establishing two more subsidiaries, Lever Brothers India Limited and United Traders Limited, soon afterwards. The three companies, which marketed Soaps, Vanaspati and Personal Products, merged in 1956 to form Hindustan Lever, in which Unilever has a 51% stake.
Hindustan Lever Limited (HLL) is India's largest fast moving consumer goods company, with leadership in Home and Personal Care Products, Foods and Beverages and Speciality Chemicals.

The leading business magazine, *Forbes Global*, has placed Hindustan Lever at the top among the best consumer household products companies worldwide for the current year. "Reflecting the compounding buying power in emerging markets, the company that tops this year's A-list of household products is neither American, nor European, but Indian," said *Forbes*.

The international magazine *Far Eastern Economic Review* has, for the fourth successive year, rated HLL as India's most respected company. Leading national publications, like *The Economic Times*, have also rated HLL as one of India's most respected companies.

The vision that inspires HLL's 36,000 employees, including about 1,300 managers, is to "meet everyday needs of people everywhere- to anticipate the aspirations of consumers and customers and to respond creatively and competitively with branded products and services which raise the quality of life". This objective is achieved through the 110 brands that the company markets.

It is an ethos HLL shares with its parent company, Unilever, which holds 51% of the equity. A fortune 500 transnational, Unilever sells over 1000 Foods and Home and Personal Care brands through 300 subsidiary companies in 88 countries world-wide with products on sale in a further 70. Unilever's foods and home and personal care brands are chosen by individual consumers 150 million times a day. Unilever is the number one consumer goods company in the world in market competitiveness, according to a survey of leading international corporations by Prof. Jean-Claude Larreche of the international business school, INSEAD.
MERGERS AND TAKEOVERS

1888 Lever soap, ‘Sunlight’, introduced in India through Imports.

1918 Vanaspati (hydrogenated edible fat) launched through imports.

1930 Unilever created through the merger of Lever Brothers, UK, and Margarine Unie, Netherlands.

1931 Unilever registers company in India Hindustan Vanaspati Manufacturing company (HVM)—for local manufacture of Vanaspati.

1933 Lever Brothers India Limited (LBIL) incorporated in India to manufacture Soaps.

1935 United Traders Limited (UTL) incorporated in India to market Personal Products.

1956 The three subsidiaries, HVM, LBIL and UTL, merge to form Hindustan Lever Ltd. (HLL)

1958 Hindustan Lever Research Centre starts functioning

1979 Chemicals complex commissioned at Haldia, West Bengal.

1993 HLL’s largest competitor, Tata Oil Mills Company (TOMCO), merges with the company.

➢ Erstwhile Brooke Bond India acquires
   Kissan Business from the UB Group and
   Dollops icecream business from Cadbury


1996  HLL and associate company, Brooke Bond Lipton India Limited, India’s biggest in Food and Beverages, merge.


1998  Group company, Pond’s India Ltd, merges with HLL. HLL acquires Lakme brand, factories and Lakme Ltd’s 50% equity in Lakme Lever Ltd. HLL acquires manufacturing rights of Kwality icecream. Appellate Authority of Government of India absolves HLL of insider trading charges, made by SEBI in 1997, in the BBLIL merger.

1999  Amalgamation of Industrial Perfumes Limited (IPL) with Hindustan Lever Limited.

2000  Acquisition of 74% stake in Modern Food Industries (India) Limited (MFIL)
PERFORMANCE OF HLL

HLL has entered virtually every arena in the fast moving consumer goods market through organic growth, diversification, mergers and acquisitions. Today, the company markets more than 110 brands, in 950 packs, the products are sold in one million retail outlets, directly covering India’s entire urban population and about 50,000 villages. A satellite-based communication system supports supply chain management.

HLL has achieved market leadership in soaps and detergents as well as hair and skin care products and is the second largest manufacturer of dental care products. HLL is also market leader in tea, processed coffee, ice cream and frozen desserts, tomato-based products, jams and squashes.

HLL’s gross turnover in 1997 was 83.4 billion and the Profit After Tax was Rs. 5.8 billion. The contribution to the exchequer is Rs. 16.40 billion. The breakthroughs at the Hindustan Lever Research Centre have contributed greatly to the company’s success. The Research Centre, which is the largest in India’s private sector, gives HLL an edge over competitors by coming out with innovate products and processes, many of which are patented.

HLL has over 36,000 employees, and has created 2 lakhs indirect jobs. Its operations are spread across 70 locations in India. There are over 50 factories, of which 28 are in backward areas. The operations involve 2000 suppliers and associates and 7000 Stockiest and agents.

In addition to gaining leadership in Indian markets, HLL has emerged as a major Exporter. It is a Super Star Trading House, an honour that only seven Indian companies enjoy. With a portfolio of soaps, detergents, tea, tomato-based products, cosmetics, agri-products, leather products and marine
products, HLL's Export turnover in 1996 was over Rs. 11.52 billion and its net foreign exchange earning was Rs.2 billion.

Notes

i. The Scheme of Amalgamation of Industrial Perfumes Limited (IPL) with Hindustan Lever Limited (HLL), effective 1st January, 1999, was completed on 9th February, 2000. Consequently, the figures for the fourth quarter as well as for the year ended 31st December 1999 include those of the erstwhile IPL, after adjustments for intra-company transactions. Hence the figures for the year are not comparable to those of the previous period.

ii. Market conditions were tough and competition was severe. Despite this, the business continued to make good progress. The domestic Home and Personal Care (HPC) business comprising Soaps, Detergents, Household Care and Personal Products grew ahead of the market and registered a 12.9% increase in sales during the year. Sales of the Food categories, excluding Tea and Oils & Fats, showed a growth of 18.5% comprising Ice Creams (+10%), Branded Staples (+67%), Coffee (+7%) and Culinary (+3%). Despite difficult international trading conditions, especially in Russia, a major market for the Company's products, Exports did well. Tactical export opportunities were exploited and this helped to register a growth of 20%.

The decline in domestic tea sales was arrested during the second half of the year. Sales of Oils and Fats, were, however, adversely impacted (-20%) due to the Unprecedented fall in commodity oil prices and de-stocking by the trade in a bearish market.
(iii) Improved operating margins were achieved through lower consuming costs, supply chain efficiencies and planned cost savings.

(iv) Business restructuring costs amounting to Rs. 9055 lakhs were incurred during the year, including Rs. 1555 lakhs during the fourth quarter. This is lower than the estimated annual costs of Rs. 10000 lakhs indicated at the end of the third quarter.

(v) The Company’s preparedness for Y2K ensured smooth transition.

(vi) Project Millennium, a key organisational initiative for future growth, made good progress and implementation will commence in 2000.

(vii) The text of the above statement was taken on record at the Board Meeting held on 23rd February, 2000.

**PRODUCTION PERFORMANCE**

**Soaps and Detergents**

HLL recorded yet another year of good growth in soaps, detergents and household care products through sustained innovation, improved distribution reach and supply chain initiatives, to improve customer service. Volume grew at twice the level of market growth, in competitive environment.

The portfolio of personal wash products was further strengthened with the launch of Salvon, a premium ‘family health’ soap and Liril Rainfresh, targeted at today’s youth. Key brands – Lux, Jai and Breeze were re-launched with improved formulations and packaging, and consumer activities were initiated on Dove, Breeze continued to perform well in the mass market.
In fabric wash, the focus was on driving value up gradation at the premium end. The re-launch of ‘Surf Excel’ on the ‘Perfect Clean’ platform has further consolidated leadership in the growing concentrates segment. The launch of Rin Supreme powder extended the ‘Whitest White’ propositions to Powders. Rin Shakti performed strongly, as did Wheel, which continued to grow strongly, and has now been further strengthened with a new active system which gives significant improvement in performance. Vim Bar performed exceptionally well, growing by 50%.

Distribution reach is a key strength of business. Operation Streamline, initiated last year, further increased rural coverage through the addition of over 6,000 village outlets. This resulted in an increased contribution to rural markets.

The modern trade (the advent of Super Market) is becoming increasingly significant in certain cities, and this trend is likely to continue in the future. HLL will focus on building partnership with such customers for mutual benefits.

Supply chain innovations like continuous replenishment systems, strategic partnership alliances with key vendors, regionalised sourcing, flexibility and judicious input cost management helped the business to further improve service levels and rationalize costs. HLL has increased the usage for cost-effective rail container transport over long distance, in association with the state-owned container corporation of India(CONCOR).

In manufacturing, the focus on improved productivity, quality, energy conservation, safety and environment protection continued. Total productive maintenance (TPM) is being implemented in our major factories. Chhindwara
factory received the Indian Merchants chamber’s Ramakrishna Bajaj National Quality Award Certificate.

As part of the plan to further improve consumer connectivity, HLL has opened its first consumer dialogue cell ‘Hello Hindustan’ at Bangalore. This cell will receive feedback on the telephone, post and e-mail, and will respond promptly and use the database to understand consumer needs better.

The Diversey Lever Industrial hygiene business performed very well, recording a sales growth of 25%. The food and beverage hygiene segment of the business effectively met the emerging needs of beverage industry. Inspite of low hotel occupancy, the institutional and laundry business also grew strongly through the successful introduction of a new generation of floor cleaning machines and chemicals under the TASKI brand.

The joint venture Company, Lever Johnson consumer products Limited re-launched, Domex All-purpose Domestic cleaner and phenolic 2-in-1 Cleaner with better formulations and packaging. The distribution of Raid coils and mats and the Glade range of airfresheners was extended nationally. However the insect control business of HLL’s joint venture has had major environmental difficulties. There are severe restrictions by way of trade licensing of insect repellent products, and this continuous to a major constraint on the growth of our Raid mats and coil business. HLL is not aware of any benefits that have been derived from trade licensing of this category. HLL believes that this issue must be resolved as soon as possible in the larger consumer interest, since India accounts for 12% of world’s reported cases of malaria outside Africa and ready access to such preventive measures will go a long way in reducing/containing the growing incidence of malaria in the country.

HLL is in dialogue with the concerned authorities to overcome what can only be termed a “relic of history”!
Beverages (Tea/Instant Tea and Coffee)

The packet tea industry went through a difficult period from mid 1998 to mid 1999, consequent to the introduction of a discriminatory excise duty at eight percent in the Union budget for 1998-99. This adversely impacted volumes. The duty was subsequently withdrawn from March 1999. However, recovery has been slow and the performance of the business was below expectation.

During the year, HLL took a number of initiatives based on an aggressive innovation programme to reverse the downward trend in volumes. Lipton Tiger, a popular tea mixture, which was launched in select markets in 1998, was successfully extended to more geographies. Lipton Taaza was relaunched in a new Nitrogen flushed pack, which helps to retain freshness for a longer period.

The Brooke Bond Tea and Health information Centre, which was established in Bangalore in 1998, made considerable progress during the year. Tea fortified with Vitamins was developed and launched in the form of Brooke Bond A1 power. This product aims to deliver health and rejuvenation at an affordable price. The launch of Tea in a tablet form is yet another innovation to deliver superior consumer value.

The business is confident of growing its packet tea business through innovation coupled with an aggressive marketing and rural distribution drive.

Out-of-home has been identified as an important channel to drive growth. Our current initiatives has helped us to establish a strong presence in this segment. Distribution width has been increased with the coverage of Hot Tea Shops and an increased number of vending machines.
The domestic coffee business achieved excellent growth in volumes and profits. Bru expresso, an innovative coffee pre-mix which delivers a creamy, frothy coffee cup, was launched during the year. In order to strengthen the share in the premium segment of the roasted and ground coffee market, a new product, Brooke Bond Green Label Classic, was launched. This product contains 90% premium coffee and 10% chicory, and delivers a superior cup.

**Plantations**

The plantation Division, which has 15 gardens and factories distributed between South India and Assam, performed well, despite an unprecedented drought in Assam.

The Venniar Estate garden in Tamil Nadu, achieved the highest yield per hectare in the country i.e. 5221 Kg. per hectare, which is the second highest yield, perhaps worldwide.

The improved harvesting methods and manpower inputs showed an overall upgradation in the labour productivity levels of the Division.

While a large portion of the volumes produced were put through the supply chain to support HLL's packet tea brands, the quantities offered in the South India Auctions also fetched premium prices. The year also witnessed strengthening of export markets for the premium high-grown orthodox teas of our Thiashola Estate.

The tea plantation industry faced major challenges during 1999. E.g. an excise duty on bulk tea @ Rs. 2/- per Kg., the absence of Russian Participation in South Indian Auctions (resulting in a significant fall of CTC tea auction prices by upto Rs. 12/- per Kg.), an unprecedented increase in plantation labour wages in Tamil Nadu, an increase in the cost of food grain subsidy provided to
workers in Assam, and a rise in fuel costs. Despite these constraints the plantation division maintained its profitability through upgradation of land and labour productivity, and the effective management of costs.

The plantation division’s commitment towards social engineering continued to be a business priority. The centers for special education of handicapped children- Ankur in Assam and Kappagam in Tamil Nadu – are outstanding examples for the industry. Ankur was conferred the prestigious World aware Business Award for Social progress by HRH the princess Royal on 14.1.1999.

**Personal Products**

Despite a sluggish market, HLL’s personal products business achieved an impressive volume growth, through market share gain in all major categories. As market leader in many of its product categories, the business continued to focus on penetration and market building activities.

The Toothpaste business recorded further progress in volumes and market share. The re-launch of Pepsodent with superior functionality and the launch of Close-up Oxyfresh, strengthened the portfolio.

The Shampoo business grew strongly, achieving historically high levels of volumes and shares, with both its main brands – Clinic and Sunsilk – growing significantly. Investment in this category continues with a view to improving consumer value and to maintain our strong relationship position.

The Pears Naturals range of skin care products were introduced. Pond’s Cold cream and Dreamflower Body Lotion were re-launched. The Lakme range of Skin care products were added to HLL’s portfolio and was re-launched successfully with superior products and propositions.
Although in its infancy at present, the deodorant business, in which Unilever has global leadership grew strongly. The introduction of Axe, the premier brand for men worldwide, as well as strengthening of the Rexona range contributed strongly. The Calvin Klein range of fragrances was launched as a top end prestige business. Both the deodorants and the Prestige Categories have a tremendous future.

Business growth was ably supported by major strides in technology and innovation. Breakthrough technology in product formulations based on superior consumer understanding helped the business introduce products which are relevant for the Indian market.

In the area of supply-chain, several initiatives are in place to reduce cost as well as to further improve customer service levels.

During the year, Aviance Limited, a subsidiary of HLL diversified into direct marketing and launched Aviance beauty Solutions. The Aviance range of products is formulated and tested at the Unilever Beauty and Skincare Research Centre, USA. Aviance comprises an excellent range of advanced, beauty and skincare products specifically suited for Indian women, and are available exclusively through trained consultants. The business has received an encouraging response from the market for all its products.

Toothbrushes recorded strong growth, despite severe competition from the unbranded segment. Value-added Oils did well, positioned on various platforms such as anti-dandruff, fragrance and grooming. Further variants were added to Denim for male toiletries, to give greater depth and width to the range.

With a view to impart greater focus and efficiency to the operations of "Lakme Lever", the business of the subsidiary was re-aligned with that of the
holding Company, HLL. In line with this, the skin and export business of “Lakme Lever” has now been undertaken directly by the Holding Company. This has led to the company reporting a lower turnover than the previous year. The thrust areas of colour cosmetics and perfumery products have performed well, and the overall results of the Lakme business show a significant improvement, compared to the previous year.

HLL’s joint venture, Kimberly Clark Lever Ltd., grew impressively in both volumes and turnover. The feminine hygiene care brand Kotex, continued to build on its strong value-for-money proposition, and grew in sales and market share. In infant care products, Huggies beltless diapers were introduced during the year. While the low cost Huggies nappi pads launched in 1998 continue to grow the bottom end of market by converting non-users, the beltless diapers are expected to shore-up the popular segment.

The business is fully geared to meet the rapid volume growth requirements as well as introducing state of the art, relevant offerings in both segments.

**Specialty Chemicals/ Bulk Chemicals And Fertilizers**

The business performed well despite a difficult growth environment for industrial products and strong import led competition. There were severe cost pressures. The business undertook various cost-effective initiatives, successfully increasing the basic resilience of the business to compete effectively.

The fragrance and flavours business carried on under the Quest India division of HLL, registered handsome growth over 1998. Both businesses achieved several new ‘wins’ during the year.
The biopolymers business increased its market share as trading conditions improved in the paper industry, thus maintaining market leadership in all essential categories. A significant breakthrough was achieved in nickel catalyst exports.

A multi product facility for the manufacture of adhesives, starches and fragrances commissioned in Daman, to provide additional capacity was fully established. In addition, the new flavours facility at Dabhel reached its peak capacity production during the year.

Consequent to Unilever’s disposal of its specialty Chemicals business to ICI, the business continues to evaluate various options to secure technology inputs in the future. This may result in one or more joint ventures or technology collaboration agreements with global leaders.

**Hind Lever Chemicals Limited (HLCL)**

HLCL raised a sum of Rs. 10237.76 Lakhs by a fresh issue of 22,25,600 shares of Rs. 10/- each at a premium of Rs.450/- per share, by private placement. This helped to finance investments in DAP, SSP and Sulphuric acid facilities and other related infrastructure at Haldia. HLL now owns 50% of the equity of HLCL, which has thus ceased to be a subsidiary of HLL. HLL will however continue to provide strategic direction to business of HLCL.

During 1999 HLCL achieved a turnover of Rs. 144458 Lakhs and PAT of Rs. 5367 Lakhs, and maintained its lead position as a leading DAP marketer in West Bengal and Bihar; it has expanded its marketing operations beyond Uttar Pradesh to Rajasthan, Haryana, Punjab and Madhya Pradesh.
Lever Gist Brocades, a 50:50 joint venture of HLL with the Bakery Ingredients Division of DSM of the Netherlands, further consolidated its market presence with an increase in volumes. There was a delay in stabilizing the manufacturing operations after the commissioning of the plant, but market activities were sustained, and the product portfolio expanded to include Compressed Yeast, launched in the western region. Market seeding was also undertaken in Nepal.

The business has yet to demonstrate sustained operational viability.

**Spreads & Cooking Products Category (SCC) & Bakery Fats**

The business increased volume despite very difficult market conditions. Low and falling raw material prices forced the business to discount market stocks, leading to financial loss. The reduction in raw material prices was at a level not seen before.

Dalda Vanaspati has maintained its market leadership in the category. Dalda Active/Feel Light, a superior and healthy alternative to Dalda vanaspati was introduced in UP in 1999. This product, a pioneering innovation in the vanaspati industry, offers the twin benefits of Dalda taste and better health.

The business continued to make good progress in its supply chain improvement efforts. Extremely tight pipeline stock management enabled the business to weather the unprecedented continuous fall in oil prices.

The masterline bakery fats business recorded strong growth in the volumes and share through successful product innovations, to meet the specialist requirements of bakers.
Frozen Desserts & Ice Cream

The ice cream industry had a difficult year due to adverse weather conditions and a pronounced decline in the premium urban consumer offtake. The profitability of the ice cream industry also received a further setback with the continuing escalation in indirect taxes. Over the last five years the excise duty has increased from Rs.2/- per ltr. (specific duty levy) in 1994 to a comparable rate of about Rs. 12/- in 1999. In such difficult circumstances, while the volume delivery and commercial performance was below expectation, the business was able to deliver "unit portions" growth of nearly nine percent by adopting a judicious pricing policy, especially for the impulse range. The three main brands grew by 13%.

The business continued to concentrate on innovations to deliver products at more affordable prices and increase the depth of distribution. Accordingly, Max Uno (Rs. 1/-) and Max Fun Joos (Rs. 2/-) were introduced to provide hygienic products at the lowest price points. This enabled the Max brand, which was launched in 1998, to become one of the most popular kids’ impulse brands. Other major products which were introduced were Feast Choco Rock, Choco Bar Junior and a successful rollout of Soft & creamy. Brand salience amongst youth received a fillip with Feast appearing in the top five recalled advertisements for teenagers, and Cornetto and Max being highly salient for youth and children.

The pace of innovation was maintained in distribution – related cold chain activity. This resulted in substantial reduction in supply chain costs. Mobile vending continues to receive meticulous attention as it will provide the impetus for further growth in the future.

The business will continue to focus on accelerated growth of the impulse segment, through more focussed brands and deliver affordable products
through appropriate innovation. This will provide the platform for a stronger performance in the years ahead.

**Canned and Processed Fruits and Vegetables (Culinary Products)**

The Kissan business consolidated the gains made in 1998.

The business held its strong position in jams and squashes. The “Jammy” campaign featuring Rahul Dravid was continued and contributed to the success of Kissan jams. A small sachet pack priced Rs. 2/- was also launched backed by a “Chotta Jammy” campaign. Despite a poor summer and heavy promotion spends by soft drinks, squashes showed good growth backed by the “Fruit Kick” campaign. A smaller pack size of “Fruit Kick” helped in attracting new users.

The business introduced a new variant of ketchup, Kissan “Tompudina”. This is in line with HLL’s strategy of providing a variety of tastes to consumers. A single use pack of tomato puree was introduced to give consumers, convenience and an affordable price.

During the year, the manufacturing operations were restructured to increase capital and labour productivity.

**Brands Staple Foods**

The popular Foods business comprising Kissan Annapurna products had an excellent year and continued to grow rapidly. Sales increased by over 50% and market shares increased across all urban and rural market.
Kissan Annapurna Salt offers a cleaner and healthier alternative to consumers. Use of superior technology with “Iodine K – 15” has ensured the right level of iodine which helps in the mental development of growing children. HLL continued to focus on market development and launched a 200 kg small pack at one end, and a 2 kg large pack at the other, to meet diverse requirements.

In its quest for market development and eliminating iodine deficiency, Kissan Annapurna continued its collaboration with the International Council for Control for Iodine Deficiency Disorders (ICCIDD) and continued to participate in several activities to educate consumers on the benefits of iodisation.

Kissan Annapurna wheat flour became the national volume leader within a year of national extension. 1999 was a landmark year in this category, with HLL launching a significant product innovation: Kissan Annapurna Fortified Atta that differentiates it effectively from chakki atta and other brands. 6 out of 10 children and many more women in India are deficient in iron. Kissan Annapurna Fortified Atta is enriched with extra iron and Vitamins to supplement these nutrients. The nutrition claims have been endorsed by an independent body, Protein Foods and Nutrition Development Association of India (PFNDAI). PFNDAI is a reputed non-profit organization founded in 1968 to address the food and nutrition related problems in India.

The wheat flour range was extended by launching Kissan Annapurna Rawa in Tamil Nadu and Kissan Annapurna Poori Atta in the large towns of the South. The response to these products has been good. HLL also entered a new staple category and launched Kissan Annapurna Basmati Rice in key metro cities.
HLL is currently test marketing Kissan Annapurna “Puff and Serve” chapatis. These are partially baked chapatis made at a state of the art modern plant. Great care has been taken to pack these chapatis under hygienic conditions. The chapatis have only to be heated, to puff up, and then ready to serve. ‘Puff and Serve’ chapatis are made from MP Sherbatti Wheat Blend Kissan Annapurna Atta – so the chapatis are soft and wholesome. The chapatis are distributed to select outlets everyday. They have a shelf life of four days. The primary target audience for these chapatis is working women.

The key task now for the Popular Foods business is to consolidate the gains made in the last two years. The business will continue to further accelerate upgradation of consumers to superior and relevant Kissan Annapurna products; these will be developed based on real consumer understanding, fundamental research and advanced technology.

The business caters to the “everyday” food habits of the population, and is poised to grow significantly in future years.

**Animal Feeds**

Animal feeds maintained its position as the leading feeds business in the country. The business increased volumes and market share. Volumes were particularly buoyant in the Poultry Feed segment and share improved significantly in the major poultry state of Andhra Pradesh, Tamil Nadu, Punjab and Haryana. The average realization, per tonne was, however, impacted by low commodity prices, particularly of soya extractions, a key raw material. OK and Gold Mohur cattle feeds were re-launched in the important Kerala market.
Capital productivity improved aided by improvements in the supply chain. The businesses recorded one of the highest returns on capital employed in recent years.

HLL's Animal Nutrition Innovation Center (ANIC), the largest of its kind in the feed industry in the country, produced a number of innovations which have been incorporated into products.

As already announced, the interest of the business will be best served by disposing it to a global feeds player. As a first step, the Company has secured shareholders' approval, at the Extraordinary General Meeting of the Company held on July 5, 1999, to transfer this business to a wholly owned subsidiary. This decision was implemented effective April 1, 2000.

**Agri Business – Seeds Plant Growth Nutrients**

The Agri Business recorded good growth both in turnover and profits. The business strengthened its position in the hybrid maize seeds segment. The cotton hybrid seed Paras ‘Brahma’ was ranked No. 1 in the industry for its performance and continued to delight farmers. The plant growth nutrient, Paras Photosynth however suffered a setback on the legal issue of classification as an insecticide. With the formalities now complete, plans are being firmed up for aggressive growth in this category.

Overall, the Paras brand of seeds has been firmly established amongst the market leaders in the industry.
SALES DETAILS

The sales of products in different category of HLL are given below.

- Soaps and detergents
- Beverages (tea/instant tea & coffee)
- Personal products
- Spreads & cooking products and bakery fats
- Animal feeding stuffs
- Speciality chemicals
- Frozen desserts & ice cream
- Branded staple foods (salt, atta, rice, etc.)
- Canned and processed fruits & vegetables (culinary products)
- Others (seeds, marine products, agri commodities, leather, footwear, garments, carpets etc.)

FIGURE 1
SEGMENT OF SALES OF HLL IN THE PRE AND POST TAKE OVER PERIODS
EXPORT PERFORMANCE

India’s export growth has decelerated to 4% p.a., from a growth level of 20% p.a., in the recent past. With an uncertain Rupee-exchange rate being projected, the outlook for the Indian Exports remains difficult.

Despite this deceleration, HLL (including its subsidiaries) continued its growth and achieved record exports of Rs. 1152 crores. This performance was spearheaded by growth in almost all commodity groups, led by Beverages which increased by more than 60% and the Home and Personal Care categories which increased by over 20%. HLL continued to enjoy the status of a “Super Star Trading House”.

Exports of beverages have been one of the key focus areas of HLL. Major in-roads have been made in the CIS and CEE Countries. Brooke Bond Red Label is set to become the “No.1 Brand” in these regions, and Lipton Yellow Label variants also performed strongly. Specialty Tea exports to Japan and Instant Tea to various world markets have continued to do well. Instant Coffee and Green Coffee recorded impressive growth. HLL has invested in world class technology intensive teabag facilities, in its 100% Export Oriented Unit located in Pune (Maharastra).

HLL continues to focus on expanding its exports into branded products, while entering new markets for world class brands like ‘Fair & Lovely’ skin cream, ‘Pears’ glycerine soap, ‘Brooke Bond Red Label’ tea, ‘Lipton Yellow Label’ tea, ‘Pepsodant’ toothpaste and toothbrushes, ‘Gold Seal Indus Valley’ basmati rice, etc. These value added products enjoy leading market positions in several markets.
Today, as new millennium has dawned, HLL’s commitment to meet the everyday needs of Indian consumers, everywhere, is further strengthened. Regular consumer contact programmes and tapping the vast potential of internet as a communication medium keeps HLL in constant touch with changing consumer behaviour. Indeed, finding newer ways of staying in touch with consumer is the cornerstone of HLL’s strategy.

AWARDS AND ACHIEVEMENTS

HLL received the Union Government’s Trophy for outstanding Export performance from Dr. Shankar Dayal Sharma, the Hon’ble former President of India, in recognition of its performance. HLL also received award from the Basic Chemicals, Pharmaceuticals & Cosmetics Export Promotion Council as India’s largest Exporter of Castor Oil, Soaps & Cosmetics. HLL received an award of Largest Exporter of Rice Bran extractions from Solvent Extractors Association of India.

In recognition of the continuous achievement of high performance in agri products HLL received the President’s Award for outstanding performance in Agri commodities for the year 1994-95, and Solvent Extractors’ Association Award for being the highest exporter of Rice Bran Extractions during 1996-97.

HLL continued to hold the highest export recognition status of “Super Star Trading House” and also received the Government of India’s Award for outstanding Export performance and the chemical top exporter award in the Cosmetics and Toiletries categories.

HLL received the Globoil Gold Award for outstanding performance in the export of castor seeds, castor oil and its derivatives HLL also received the
In views of the poor results, HLL had to exit from the catfish project set up at Thanjavur. The wool-on leather project at Marungur in Tamil Nadu also faces an uncertain future due to financial difficulties of the original buy-back collaborator. HLL is in the process of finalizing the disposal of this Unit, while ensuring the interest of all employees. Figure 2 shows the export of HLL in the pre and post take over periods.

FIGURE 2
EXPORTS OF HLL IN THE PRE AND POST TAKE OVER PERIODS

With its continued focus on the international market, HLL is confident of playing a leading role in the national activity of increasing foreign exchange earnings.
The exports business ended 1999 on a satisfactory note, despite difficult market condition in Russia, one of the largest markets of HLL. Exports grew 20% in 1999, largely led by aggressive growth in traded and own marine products, castor oil and its derivatives and home and personal care products. HLL (incl. Subsidiaries) also showed a very healthy positive foreign exchange surplus, which grew, by 13% to Rs. 936 crores.

In the home and personal products segment, several new initiatives have been taken. Pears volumes have grown sharply and the oral care business substantially diversified, with entry into a number of few markets. Exports of home care products to the Philippines have commenced and developmental work is underway for the production of the entire range of skin creams, lotions and petroleum jelly for export to the Middle East.

Raw coffee volumes grew by more than 100% in 1999, however instant coffee volumes were adversely affected due to the difficult Russian situation.

1999 was one of the best year for the marine business. The fish protein isolate business, started in 1995, is now showing promise, and plans have been made for further growth. Traded exports grew by 26%.

Exports of full shoes have grown steadily and this is seen as an area of future growth.

The agri product exports business grew by 26%. HLL is one of the largest players in the world market.

Tea volumes in “Lipton India Exports” suffered because of the Russian economic crisis. Given this difficult situation, the overall export performance for the year was satisfactory. A number of steps including maintaining cost-competitiveness by supplying at lower prices, commencement of low-unit-price
packs and maximization of consignment sales helped to protect overall volumes. Bulk tea volumes declined because of the imposition of a higher duty for imports into Egypt, from outside the COMESA region. However specialty tea volumes to Japan and far-east have helped in offsetting the loss of the Egyptian business.

Taking into account change in the business environment, considerable synergies can be realised if the tea export business is integrated with the beverages business of HLL. Accordingly HLL is in the process of acquiring the tea export business of Lipton India Exports Ltd.

The year 1999 was a record year for “Lever India Exports” in terms of volume growth for the flagship brand “Fair & Lovely”: +33%. This was achieved through a multi-pronged strategy of consolidating existing markets and extending into newer markets.

In order to expand the exports portfolio, “Lever India Exports” has commenced the production of shower gels and facial cleansers, under the Pears brand. Initial sales have been made to the South East Asian markets and the response have been positive. It is proposed to extend the Pears facial cleanser to the North American market. HLL has also secured firm orders for supply of a range of skin care products to the Gulf countries.

CONSUMER CONNECTIVITY

Consumer Connectivity is a passion with Hindustan Lever Limited (HLL). Ongoing research allows the company to develop insights into consumer tastes, preferences and needs. These insights are converted into a continuous stream of consumer relevant products. An efficient, cost effective supply chain ensures the availability of these products across length and breadth of this country, whether in or out of home.
Silver Shield from FIEO for its outstanding export performance in the Superstar Trading House category for the year 1996-97.

**QUALITY CERTIFICATES**

The export division continues to strive for manufacturing excellence. In 1996 Footwear factory in Pondicherry and Instant Coffee plant in Mysore received ISO 9002 certification. The soaps, cosmetics and rice Manufacturing units at Kandla and the tea unit in Pune, already hold this certification. Operations at the Sarimi fish paste plant in Veravel, Gujarat have been stabilized and the necessary quality parameters achieved. The plant has received the Prestigious certification of the “Zenkama” the All Japan Kamaboko (Fish products) Makers Association. This plant is the second rich facility in the world to be so recognized.

HLL achieved substantial exports during the year 1994 the leveraging cost competitiveness and international quality standards achieved in STPP, Aroma chemicals and BioPolymer businesses. The biopolymer unit at Pondicherry was awarded ISO 9002 accreditation which will provide major impetus to the export of biopolymer products.

With the merger of Pond’s (India) Ltd., business synergies are being leveraged to maximize returns for the entire portfolio, particularly the common categories.

The first paste (Sarimi) plant in Chorwad (Gujarat) has been awarded ISO 9002 certification, and also approved by the European Union Commission for supplies to quality conscious continental customers.
With continuing focus on values addition, relevant innovation, Modern technology, branding superior customer service, and new market penetration, HLL firmly believes that it is well poised to meet the challenges of the international market place, and capture new opportunities.

**FUTURE PLAN**

HLL is to meet the everyday needs of people everywhere to anticipate the aspirations of our consumers and customers and to respond creatively and competitively with branded products and services which raise the quality of life.

HLL deep roots in local cultures and markets are our unparalleled inheritance and the foundation of our future growth. We will bring our wealth of knowledge and international expertise to the service of local consumers.

The long terms success requires a total commitment to exceptional standards of performance and productivity to working together effectively and to a willingness to embrace new ideas and learn continuously.

HLL believes that to succeed requires the highest standards of corporate behaviour towards its employees, consumers and the societies and world.

This is HLL road to sustainable, profitable growth for the business and long term value creation for the shareholders and employees.

**Consumer Research**

At HLL, every activity starts with the consumer. "Consumer Windows" a massive research initiative takes HLL employees into consumer homes to
personally see, discuss and understand usage habits, evaluate products and identify new ideas that are acted upon by research teams.

**Product Development**

Insights gained from consumer research are used to develop products which cater to the Indian consumer’s preferences and tastes. Innovation Centers along with our research center lead this effort.

**Winning Propositions**

Responding to consumer needs, HLL has launched winning propositions like ready to cook chapatis and fortified atta, for the discerning women, providing her nutrition, taste and convenience, minus the effort.

**Innovating For Local Tastes And Global Choices**

On the one hand, HLL develops innovative products customised to local palates, bringing products like ketchup in unique flavours like Tom-imli, Tom-chi and Tom-pudina and on the other hand, they provide global choices to the aspiring consumer. HLL has recently launched the Calvin Klein range of products in premier outlets across India.

**Out Of Home Product Availability**

Consumer now can enjoy their favourite Taj Tea located at airports, railway stations and other public places all over India.
Being Where the Consumer is

While walls ice-cream carts carry cooling delights right into beaches, parks and other spots where consumers gather.

In-home Consultation

Well trained beauty consultants visit consumers at home to advise, demonstrate and make available the Aviance range of beauty products.

Connecting on the Net

The power, reach and instant connectivity of the internet is also harnessed to connect with the consumer. Websites such as pondsinstitute.india.com provide the consumer with information and advice also display product choices.

Consumer Interactivity

Popular programmes like Close-up Web Antakshari are now exploiting the Internet as a new medium for consumer interaction.

Creating ‘Hungama’

Exciting events, like Valentine Day celebrations, are organised to tap the enthusiasm of the young generation-giving them both the product and the experience they are looking for.
The circle is completed with consumer feedback. Hello Hindustan, a new initiative piloted in Bangalore, provides a direct help line for soaps and detergents consumers, inviting feedback that is analyzed, responded to and acted upon.

**MANAGEMENT OF THE ORGANISATION**

The company is headed by the chairman who is assisted by 10 directors and one company secretary. The accounts of the company are audited by two auditors appointed by the company.

**AREA OF OPERATION**

HLL has got 38 factories all over India, located in Punjab, Uttar Pradesh, Maharashtra, West Bengal, Gujarat, Karnataka, Andhra Pradesh, Kerala, Tamil Nadu, Pondicherry.

Two research centres in Mumbai and Tamil Nadu. HLL has established its Sales/branch office in five places all over India and Project/ Office Unit in two places, Both are in Maharashtra. Corporate office is located in Mumbai and Bangalore.

The plantation Division distributes between South India and Assam. HLL has 15 gardens, one rural development in Uttar Pradesh.

Table 4.1 shows the information regarding shareholders of Hindustan Lever Limited.
It may be observed from Table 4.1 that the information regarding shareholders of HLL has also hiked from 159,210 in 1993 to 338,967 in 2000.

Figure 3 shows the Hindustan Lever Limited share price in the pre and post takeover periods.
FIGURE 3

HLL SHARE PRICE IN THE PRE AND POST TAKEOVER PERIODS

HLL Share Price

Rs.

90 91 92 93 94 95 96 97 98 99

TOMCO BBLIL PIL IPL LLL KICM

Year
TABLE 4.2

INFORMATION REGARDING QUARTERLY SHARE PRICE OF HLL

<table>
<thead>
<tr>
<th>Quarterly share price of HLL</th>
<th>1998 Rs.</th>
<th>1999 Rs.</th>
<th>Absolute increase or decrease in 1999 Rs.</th>
<th>Percentage increase or decrease in 1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mar. 31</td>
<td>1586</td>
<td>2264</td>
<td>+ 678</td>
<td>+ 42.75</td>
</tr>
<tr>
<td>June 30</td>
<td>1510</td>
<td>2380</td>
<td>+ 870</td>
<td>+ 52.29</td>
</tr>
<tr>
<td>Sept. 30</td>
<td>1681</td>
<td>2560</td>
<td>+ 879</td>
<td>+ 52.29</td>
</tr>
<tr>
<td>Dec. 31</td>
<td>1664</td>
<td>2250</td>
<td>+ 586</td>
<td>+ 35.22</td>
</tr>
</tbody>
</table>


It is obvious from Table 4.3 that the information regarding quarterly share price of HLL, while compared in the year 1998 and 1999 the share price percentage have registered increases in the year 1999. This shows that the share price has improved.
### TABLE 4.3
INFORMATION REGARDING SEGMENT-WISE SALES (NET AND EXCISE) OF HINDUSTAN LEVER LIMITED

(Rs. in Lakhs)

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Segment-wise sales (Net of Excise)</th>
<th>1998</th>
<th>1999</th>
<th>Absolute increase (+) or Decreases (-) 1999 Rs.</th>
<th>% of increase / decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Rs. Lakhs</td>
<td>% Total</td>
<td>Rs. Lakhs</td>
<td>% Total</td>
</tr>
<tr>
<td>1.</td>
<td>Soap</td>
<td>2015.36</td>
<td>17.8</td>
<td>2159.29</td>
<td>19.7</td>
</tr>
<tr>
<td>2.</td>
<td>Synthetic Detergents</td>
<td>1563.81</td>
<td>13.8</td>
<td>1761.86</td>
<td>16.1</td>
</tr>
<tr>
<td>3.</td>
<td>Personal Products</td>
<td>1870.78</td>
<td>16.6</td>
<td>2083.93</td>
<td>19.0</td>
</tr>
<tr>
<td>4.</td>
<td>Tea</td>
<td>2078.63</td>
<td>18.4</td>
<td>1734.08</td>
<td>15.8</td>
</tr>
<tr>
<td>5.</td>
<td>Coffee</td>
<td>221.29</td>
<td>2.0</td>
<td>254.24</td>
<td>2.3</td>
</tr>
<tr>
<td>6.</td>
<td>Frozen Desserts &amp; Ice creams</td>
<td>155.41</td>
<td>1.4</td>
<td>171.26</td>
<td>1.6</td>
</tr>
<tr>
<td>7.</td>
<td>Oil, Fats and Dairy Products</td>
<td>779.42</td>
<td>6.9</td>
<td>750.28</td>
<td>6.9</td>
</tr>
<tr>
<td>8.</td>
<td>Blanded Staple foods</td>
<td>160.20</td>
<td>1.4</td>
<td>217.93</td>
<td>2.0</td>
</tr>
<tr>
<td>9.</td>
<td>Canned &amp; Processed fruits and vegetables</td>
<td>118.92</td>
<td>1.1</td>
<td>122.79</td>
<td>1.1</td>
</tr>
<tr>
<td>10.</td>
<td>Speciality Chemicals</td>
<td>252.88</td>
<td>2.2</td>
<td>232.98</td>
<td>2.1</td>
</tr>
<tr>
<td>11.</td>
<td>Bulk Chemicals and fertilizers</td>
<td>874.60</td>
<td>7.7</td>
<td>3.14</td>
<td>-</td>
</tr>
<tr>
<td>12.</td>
<td>Animal feeding stuffs</td>
<td>278.16</td>
<td>2.5</td>
<td>332.17</td>
<td>3.0</td>
</tr>
<tr>
<td>13.</td>
<td>Others</td>
<td>925.56</td>
<td>8.2</td>
<td>1127.57</td>
<td>10.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>11295.02</strong></td>
<td><strong>100.0</strong></td>
<td><strong>10951.52</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

It may be observed from Table 4.2 that the information regarding segment-wise sales are compared in the year 1998 and 1999 have registered the nine sample products namely soaps, synthetic detergents, personal products, coffee, frozen desserts and ice-creams, branded staple foods, canned and processed fruits and vegetable annual feedings stuffs and other products increases in the year 1999. while the percentage have plummeted in case of tea, oilfats, speciality chemicals and bulk chemicals and fertilizers. This shows that the better sales position of nine out of thirteen segment-wise sales has improved.