DIRECTOR'S REPORT

To the Members

Your Board of Directors ('Board') is pleased to present the Twenty Fifth Annual Report of your Company, Marico Limited, for the year ended March 31, 2013 ('the year under review', 'the year' or 'FY13').

In line with the requirements of the Listing Agreement with the BSE Limited and National Stock Exchange of India Limited, your Company has been reporting consolidated results – taking into account the results of its subsidiaries. This discussion therefore covers the financial results and other developments during April 2012 – March 2013 in respect of Marico Consolidated comprising **Domestic Consumer Products Business** under Marico Limited (Marico) in India, **International Consumer Products Business** comprising exports from Marico and operations of its overseas subsidiaries and the **Skin Solutions Business** of Kaya in India and overseas. The consolidated entity has been referred to as 'Marico' or 'Group' or 'Your Group' in this discussion.

FINANCIAL RESULTS - AN OVERVIEW

	Rs. Crore Year ended March 31, 2013	2012
	2013	**2012**
Consolidated Summary Financials for the Group		
Revenue from Operations	4596.2	3979.7
Profit before Tax	551.9	400.3
Profit after Tax	395.9	317.1
Marico Limited – financials		
Revenue from Operations	**3407.1**	**2965.3**
Profit before Tax	542.0	399.3
Less: Provision for Tax for the current year	112.9	62.7
Profit after Tax for the current year	429.1	336.6
Add : Surplus brought forward	835.4	602.5
Profit available for Appropriation	**1264.5**	**939.1**
Appropriations:		
Distribution to shareholders	**32.2**	**43.0**
Tax on dividend	5.2	7.0
	37.4	50.0
Transfer to General Reserve	**42.9**	**33.7**
Debenture Redemption Reserve	**21.3**	**20.0**
Surplus carried forward	**1162.8**	**835.4**
Total	**1264.5**	**939.1**

DISTRIBUTION TO EQUITY SHAREHOLDERS

Your Company's distribution policy has aimed at sharing your Company's prosperity with its shareholders, through a formal earmarking / disbursement of profits to shareholders.

Keeping in mind the increase in the profits made by the Company over the last five years and in an endeavor to maximize the returns to its shareholders, the Company increased its dividend payout favourably during the year to 100% as compared to 70% during FY12. Your Company's distribution to equity shareholders during FY13 comprised the following:

First interim dividend of 50% on the equity base of Rs 64.46 Crore

Second interim dividend of 50% on the equity base of Rs. 64.48 Crore

The total equity dividend for FY13 was at 100% amounting to (including dividend tax) Rs. 74.93 Crore. The overall dividend payout ratio hence is 19.3% as compared to 15.8% during FY12.

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MANAGEMENT DISCUSSION AND ANALYSIS

An Annexure to this Report contains a detailed Management Discussion and Analysis, which, inter alia, covers the following:

- Industry structure and development
- Opportunities and Threats
- Risks and Concerns
- Internal control systems and their adequacy
- Discussion on financial and operational performance
- Segment-wise performance
- Outlook

In addition, a Review of Operations of your Company has been given in this report.

REVIEW OF OPERATIONS

During FY13 Marico registered revenue from operations of INR 4,596 Crore, a growth of 15% over the previous year. This was contributed by 12% expansion in volumes (includes 4% inorganic growth) accompanied by 3% through price increases and sales mix. The top line increase was accompanied by a bottom-line growth of 25%. Profit After Tax (PAT) including exceptional items during the year was at INR 396 Crore as against INR 317 Crore in FY12. The financial statements of FY13 and FY12 include certain exceptional items. The growth in PAT after excluding the impact of such items is healthy 18%. The details about the exceptional items is provided under section "Results of Operations".

The Company has demonstrated steady growth on both the top line and the bottom line. Over the last 5 years, they have grown at a Compounded Annual Growth Rate of 19% each.

Consumer Products Business: India

The Consumer Products Business in India (CPB) achieved a turnover of INR 3,253 Crore during FY13, a growth of about 18% over FY12. The organic domestic volume growth was about 11% in an environment of subdued demand. The healthy volume growth reflects strong equity of the Company's brands in consumers' minds.

Marico participates in the INR 2800 crore (USD 518 million) branded coconut oil market through Parachute, Nihar and Oil of Malabar. Parachute coconut oil in rigid packs, the focus part of its portfolio, grew by 10% in volume as compared to FY12. During the 12 month period ended March 2013 Parachute along with Nihar improved its market share by about 240 basis points (bps) over the same period last year to 57.6%

Marico's hair oil brands (Parachute Advansed, Nihar and Hair & Care) have performed well over the past few years. These brands continued to record very healthy growths and market share gains during FY13. The volume growth rate was 24% for FY13. Marico's basket of hair oil brands achieved market leadership position in the Value Added Hair Oils space and now have about 27% share (for 12 months ended March 31, 2013) in the INR 4500 crore (USD 834 million) market. This compares to a share of about 17%-18% about 5-6 years ago.

The Saffola refined edible oils franchise grew by about 7% in volume terms during FY13 compared to FY12. The deceleration in the growth can be attributed to two reasons: a softer demand environment in premium packaged foods that are discretionary in nature and inflation in the safflower oil and rice bran oil being at significantly higher levels compared to inflation in sunflower oil. This had led to expansion in premium of Saffola vis-à-vis the other refined edible oils. Though the Company doesn't believe that Saffola's existing consumers are down trading there is a deceleration in the rate at which new consumers are upgrading into the Saffola brand, leading to a lower growth rate. The Company has initiated some price reduction in select packs in order to bring the premium back to sustainable levels.

Saffola oats, including its savory variants, are now available on a national basis. Saffola has an exit market share of

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about 13% by volume in the Oats category and has emerged as the number two player in the category showing a fast paced growth of 30% per annum. Besides offering oats Saffola strengthened its position in the breakfast category by introducing Muesli on a national basis. The market size of Muesli is estimated to be around INR 80 crore to INR 100 crore (USD 14.8 million to USD 18.5 million) growing rapidly at rates in excess of 40%. Saffola Muesli has already become a number 3 player with an exit market share of about 9%.

Parachute Advansed Body Lotion has achieved a market share of over 7% (moving 12 months basis) within a short period of time and has become the number 3 participant in the market. The brand gained about 320 bps in market share during the current season as compared to the last season.

The acquired portfolio of the youth brands has completed its first financial year in Marico's hands (even though this year was of 9 months as the transaction was completed in end of May 2012). The overall performance thus far is tracking better than the company's acquisition assumptions. The turnover achieved from the youth brands during the year was INR 139 crore (USD 25.7 million), a growth of 18% over the corresponding period in FY12.

International FMCG Business

The year FY13 has been a mixed year for the international FMCG business. The overall business environment in international business remained challenging throughout the year. There were some pockets of the business that performed well whereas at the same time some faced challenges. The overall performance was subdued during the year mainly on account of de-growth in Middle East region.

During FY13, the Company's international business recorded a turnover growth of 8% over FY12. Without considering the impact of adverse performance in GCC region, the international business grew by 17%.

Kaya

Kaya offers skin care solutions - its technology led cosmetic dermatological services and products through 105 clinics: 83 in India across 26 cities and 18 in the Middle East in addition to the 4 DRx clinics and medispas in Singapore and Malaysia.

During the year FY13, Kaya achieved a turnover of INR 336 crore (USD 62.2 million) registering a growth of about 21% over FY12. The Kaya business in India and in the Middle East achieved same store sales growth of about 12% during FY13 as compared to FY12. Amidst an environment where the discretionary spends are witnessing a deceleration in growth rates Kaya business has continued to report growth.

During FY13, Kaya recorded a loss of about INR 18.5 crore (USD 3.4 million) at the PBIT level. This compares with a loss of INR 30.8 crore (USD 5.7 million) at PBIT level for FY12 (this includes a financial hit of INR 13 crores of one-time adjustment in Kaya Middle East). The losses for the year FY13 also include a financial hit amounting to INR 15 crore (USD 2.8 million) on account of impairment of certain clinics in India and Middle East which are not performing as per expectation.

Taking the objective of increasing the product sales further, Kaya has introduced a new concept in the month of December 2012 called "Kaya Skin Bar". The Company now has three such stores opened in Delhi and Bangalore. The Company plans to prototype this concept with 4 or 5 stores and depending upon the response it will decide the future course of action.

OTHER CORPORATE DEVELOPMENTS

Completion of acquisition of Personal Care brands of Paras Pharmaceuticals from Reckitt Benckiser

Marico completed the acquisition of Halite Personal Care India Private Limited (the Company that owned personal care brands of Paras Pharmaceuticals Limited) from Reckitt Benckiser on May 29, 2012. This acquisition gave Marico an access to the male grooming brands Set Wet and Zatak and the post wash hair serum brand Livon. This acquisition is in line with the strategy to strengthen our participation in categories of hair care, skin care and male grooming. The

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acquired business operates in categories such as Hair creams/gels, Leave-on conditioner and Deodorants. While this acquisition gives your Company a leadership position in the categories of hair creams and gels and Leave-on conditioners, it also provides an entry into the fast growing deodorant category. The Company also expects to leverage synergies in the areas of buying (input materials and media) and distribution. There are also reverse distribution synergies of the acquired portfolio with Marico's existing portfolio as the acquired portfolio gives Marico an access to the chemist and cosmetic channel of distribution in a much larger way. This year, the Company focused on integrating the operations into its own manufacturing, sales and distribution network. The integration process was successful and now complete.

Preferential Allotment of Equity Shares to part fund the acquisition of Personal care business of Paras Pharmaceuticals

The shareholders of the Company, at their meeting held on May 2, 2012, approved issue of equity shares on preferential allotment basis aggregating Rs. 50,000 lacs at a price of Rs. 170 per equity share to two overseas investors for funding a part of the Halite acquisition. Subsequently, the Company allotted 29,411,764 equity shares of face value of Re. 1 each at a share premium of Rs. 169 each to these investors on May 16, 2012. This resulted in increase of equity share capital by Rs. 294.12 lacs and securities premium reserve by Rs. 49,705.88 lacs. The proceeds of the issue together with internal accruals were infused by Marico as equity investment in MCCL. MCCL utilized the equity proceeds for acquiring 100% equity stake in Halite on May 29, 2012.

Restructuring of businesses, corporate entities and organization

The Board of Directors of Marico Limited, at its meeting held on 7th January 2013, passed a resolution approving restructuring of Marico's businesses, corporate entities and organization, effective April 1, 2013.

This restructuring is a proactive step to build on Marico's sustained value creation, taking into account

- the increasing convergence of businesses in Consumer Products in India (Current CPB) and the International Business Group (Current IBG) and
- Kaya's distinct potential to create value as an independent business.

Marico Limited is currently the apex corporate entity, which effectively owns all businesses in the group. The objective is to create two separate companies through partitioning of the current Marico Limited, into an FMCG Business Company which is Marico Limited and Marico Kaya Enterprises Limited (MaKE), a newly formed Skin Care Solutions Business Company for this purpose.

As a consideration, the shareholders of Marico Limited as on the record date shall be issued 1 share of MaKE with a face value of Rs. 10 each for every 50 shares of Marico with a face value of Re. 1 each. Consequently, the shareholding structure of MaKE will mirror the shareholding structure of Marico Limited.

The Corporate Entity restructuring is subject to shareholders, creditors, lenders and other contractual, statutory and regulatory approvals as may be required.

Subsidiaries of the Company

With effect from March 15, 2013, Marico Innovation Foundation (MIF), a company registered under Section 25 of the Companies Act, 1956, as a company limited by guarantee not having share capital, became a wholly owned subsidiary of the Company. MIF was set up with an objective to fuel innovation and promote application of qualified innovation in all forms of businesses, educational, social, cultural, and creative and sports related enterprises. Your Company would continue to make contributions towards CSR through the activities of MIF.

Halite Personal Care India Private Limited (Halite), a step down subsidiary of the Company, is under voluntary liquidation. On January 18, 2013, the shareholders of Halite passed a special resolution for voluntarily liquidation and appointment of a liquidator. The liquidator distributed the assets of Halite in species to its only shareholder Marico Consumer Care Limited, a wholly owned subsidiary of your Company.

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MCCL Capital Reduction Scheme

The shareholders of MCCL, at their meeting held on April 1, 2013 decided to adjust the carrying costs of acquired intellectual property right upon voluntary liquidation of Halite, directly against net worth of the company, in accordance with the provisions of Section 78 (read with Sections 100 to 103) of the Companies Act, 1956. The said capital reduction is subject to the approval of the Hon'ble High Court of Judicature at Bombay. MCCL has filed a petition in this regard with the High Court.

Transfer of KME ownership from MME to DIAL

To align the shareholding in Kaya's skin care business so as to integrate the ownership under Kaya Limited in view of the proposed de-merger in Kaya's skin care business from the Company, the shareholders of Marico Middle East FZE at their meeting held on March 18, 2013 approved disinvestment of 100% stake in Kaya Middle East FZE to Derma Rx International Aesthetics Pte. Ltd (DIAL) for a consideration of 55,050,000 UAE Dirhams. The disinvestment was effected through a share purchase agreement between MME and DIAL dated February 7, 2013 subject to approval from Hamriyah Free Zone Authority (HFZA). Post approval it will become a subsidiary of DIAL.

Marico Employee Stock Option Scheme 2007

In pursuance of shareholders' approval obtained on November 24, 2006, your Company formulated and implemented an Employee Stock Options Scheme (the Scheme) for grant of Employee Stock Options (ESOS) to certain employees of the Company and its subsidiaries. The Corporate Governance Committee ('Committee') of the Board of Directors of your Company is entrusted with the responsibility of administering the Scheme and in pursuance thereof, the Committee has granted 1,13,76,300 stock options (as at March 31, 2013) comprising about 1.76% of the current paid up equity capital of the Company as at March 31, 2013. An aggregate of 3,52,665 options were outstanding as on March 31, 2013. Additional information on ESOS as required by Securities and Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 is annexed and forms part of this Report.

None of the Non-executive Directors (including Independent Directors) have received stock options in pursuance of the above Scheme. Likewise, no employee has been granted stock options, during the year equal to or exceeding 0.5% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant.

The Company's Auditors, M/s. Price Waterhouse, have certified that the Scheme has been implemented in accordance with the SEBI Guidelines and the resolution passed by the members at the Extra-Ordinary General Meeting held on November 24, 2006.

Marico Employees Stock Appreciation Rights Plan, 2011

Your Company had implemented a long term incentive plan namely, Marico Stock Appreciation Rights Plan, 2011 ('STAR Plan') in the previous financial year for the welfare of its employees and those of its subsidiaries. Pursuant to the STAR Plan the Corporate Governance Committee of the Board of Directors notifies various Schemes granting Stock Appreciation Rights (STARs) to certain eligible employees. Each STAR is represented by one equity share of the Company. The eligible employees are entitled to receive excess of the maturity price over the grant price in respect of such STARs subject to fulfillment of certain conditions and subject to deduction of tax. During the financial year under review the Corporate Governance Committee notified Scheme III on December 7, 2012 under the STAR Plan granting additional STARs to certain eligible employees. The vesting date of the STARs granted under Scheme III is November 30, 2015. As on March 31, 2013, an aggregate of 58,79,800 STARs were outstanding.

Exemption from attaching the Balance Sheets, etc. of the Subsidiary Companies with the Balance Sheet of the Company

The Ministry of Corporate Affairs ("MCA") has vide its circular no. 02/2011 dated 8th February, 2011, granted a general exemption under Section 212(8) of the Companies Act from attaching copies of the Balance Sheet, Statement of Profit

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and Loss, Directors' Report and Auditors' Report of its subsidiary companies with the Balance Sheet of the Company, subject to fulfillment of certain conditions.

In terms of the said circular, copies of the Balance Sheet, Statement of Profit and Loss, Report of the Board of Directors and the Report of the Auditors of the Subsidiary Companies have not been attached to the Balance Sheet of the Company. The Company has presented Consolidated Financial Statements comprising Marico Limited and its subsidiaries duly audited by the Statutory Auditors of the Company. The Consolidated Financial Statements prepared by the Company are in compliance with the Accounting Standard AS-21 as prescribed by the Companies (Accounting Standards) Rules, 2006 and the Listing Agreement with the Stock Exchanges. The statement required under Section 212 of the Companies Act, 1956 is attached to the annual accounts of the Company. The Annual Accounts and related documents of all the Subsidiary Companies shall be made available for inspection to the shareholders of the Company and its subsidiaries at the Registered Office of the Company from Monday to Friday during the hours between 11.00 a.m. and 1.00 p.m. The Company will also make available physical copies of such documents upon request by any Member of the Company or its subsidiaries interested in obtaining the same and the same would also be made available on the website of the Company.

PUBLIC DEPOSITS

There were no outstanding Public deposits at the end of this or the previous year. The Company did not accept any public deposits during the year.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956 (the Act) amended by the Companies (Amendment) Act, 2000, the Directors confirm that:

- In preparation of the Annual Accounts of your Company, the Accounting Standards, laid down by the Institute of Chartered Accountants of India from time to time, have been followed and that no material departures have been made from the same;
- Appropriate accounting policies have been selected and applied consistently, and reasonable and prudent judgment and estimates have been made so as to ensure that the accounts give a true and fair view of the state of affairs of your Company as at March 31, 2013 and the profits of your Company for the year ended March 31, 2013;
- Proper and sufficient care has been taken for maintenance of appropriate accounting records in accordance with the provisions of the Act for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities;
- The annual accounts have been prepared on a going concern basis;
- The observation(s) and qualification(s) of the Auditors in their report to the Members have been adequately dealt with in the relevant notes to the accounts. Hence no additional explanation is considered necessary.

CORPORATE GOVERNANCE

A report on Corporate Governance has been provided as a separate part of this Report.

DIRECTORS

Directors retiring by rotation

Mr. Rajen Mariwala and Mr. Atul Choksey, Directors of the Company, are liable to retire pursuant to the provisions of Section 256 of the Companies Act, 1956 respectively and being eligible offer themselves for re-appointment.

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ADDITIONAL STATUTORY INFORMATION

Information under Section 217(1)(e) of the Act read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is annexed and forms part of this Report. Information pursuant to Section 217(2A) of the Act read with the Companies (Particulars of Employees) Rules, 1975, as amended by the Companies (Particulars of Employees) Amendment Rules, 1999 forms part of this Report. Although in accordance with the provisions of Section 219(1)(b)(iv) of the Act such information has been excluded from the Report and Accounts sent to the Members, any member desirous of obtaining this information may write to the Company Secretary at the Registered Office of the Company.

STATUTORY AUDITORS

M/s. Price Waterhouse, Chartered Accountants and Statutory Auditors of the Company retire at the ensuing Annual General Meeting and have confirmed their eligibility for re-appointment.

COST AUDITORS

Your Company appointed M/s. Ashwin Solanki & Associates, Cost Accountants, Mumbai, to conduct the cost audit for the Financial Year ended March 31, 2013 with respect to the products falling under Pharmaceutical, Edible Oil seeds and Oils (including Vanaspati) and packaged foods category. The Company has received necessary approval from Central Government for appointment of the Cost Auditor. The Cost Audit Report for the year ended March 31, 2013, will be submitted to the Central Government in due course.

INTERNAL AUDITORS

Ernst & Young LLP, a Chartered Accountant Firm, has been associated with your Company from the financial year 2012-13 as its internal auditor partnering your Company in the area of risk management and internal control systems.

ACKNOWLEDGEMENT

The Board takes this opportunity to thank all its employees for their dedicated service and firm commitment to the goals of the Company. The Board also wishes to place on record its sincere appreciation for the wholehearted support received from shareholders, distributors, bankers and all other business associates, and from the neighbourhood communities of the various Marico locations. We look forward to continued support of all these partners in progress.

On behalf of the Board of Directors

Place : Mumbai
Date : April 30, 2013

HARSH MARIWALA
Chairman and Managing Director

ANNEXURE TO THE DIRECTORS' REPORT

Disclosure of Particulars with respect to Conservation of Energy, Technology Absorption and Foreign Exchange earnings and outgo as required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

A. Conservation of Energy

Marico continued to emphasize on the conservation and optimal utilization of energy in every manufacturing unit of the Company. The energy conservation measures implemented during FY13 are listed below:

Plant - Kanjikode

- Installation of VFD in copra silo outlet to ensure optimum load-ability thereby reducing power consumption by 84,000 units.
- Copra cutter process improvement led to significant productivity improvement and utilization, resulting in reduction of SPC by 3.5 units/MT copra; thereby reducing power consumption by 73,500 units and GHG emission by 75,600 $KgCO_2$/year.
- A sensor based control was installed in copra cooking kettle to cut off electricity supply when the kettle is not loaded leading to reduction in power consumption by 3,750 units.
- Installation of Solar powered lights in parts of the factory premises and LED lights as a green initiative.

Plant - Pondicherry

- Pondicherry Power Task Force Energy Conservation Initiatives have resulted in a reduction of 1,06,620 Units/Year and reduction of 95 tons of CO_2 emission through following initiatives:
  - o Maintaining the power factor @ 0.99 by maintaining the capacitor bank and received 4% initiative from EB
  - o Conversion of CFL from Sodium Vapor Lamp in Oil Mill.
  - o CRT Monitor to LED conversion in Plant.
  - o Level controller in the first compartment of cooker.
- Improvement in productivity led to reduction in SPC by 52,930 units.

Plant - Jalgaon

- Pump rating rationalized basis usage for various pumps used for water pumping as well as oil pumping.
- Installation of VFD on boiler feed belt to reduce rpm from 1440 to 800 rpm.
- Temperature controller installed on cooling tower.

Plant – Paonta

- VFD installed in manufacturing vessels leading to batch time reduction and thereby reduction in energy consumption.
- Water harvesting done thereby returning 20% of ground water usage.
- Usage of treated ETP water for gardening purposes.
- Utilization of the compressed air in transfer pump for SNS thereby decreasing energy consumption.
- Transfer of SNS/Livon bulk from storage tanks to day tanks through gravity without any transfer pump thereby eliminating the energy use.
- Translucent sheets used in roofing for proper utilization of sunlight for illumination.
- Installation of turbo ventilators for air ventilation instead of conventional air exhausts.
- Reducing the diesel consumption by introducing the heating rod for heating the LPG cylinders in the FT area.

ANNEXURE TO THE DIRECTORS' REPORT

- Faster heating of pasteurized water through direct heating method, thus overall KW consumption reduction.
- MALT pouch packaging changed from single trek to multi trek, thus reduce the energy and manpower.
- Cap Bowl feeder pneumatic splashes done on sensor to reduce the overall air usage thus effectively reducing overall air consumption.

Plant – Dehradun

- Usage of spent steam for heating RCNO in storage tanks during winters (14,580 units saved per annum).
- Introduction of online cap heater for flip top caps by removing the conventional off-line cap heater, and saving power.
- Through a lean sigma project optimized the Interplant movement from 265 to 133 average movements per month, thus saving fuel consumption reducing carbon foot-print.
- Replacement of 250W mercury lamps with 22W CFL lamps.
- Reduced the batch manufacturing time of Nihar Shanti Badam batch by 20 minutes, thus saving the agitator running time for 20 mins for each batch. On an average 80 minutes of agitator running saved per manufacturing tank.
- Reduced the batch making time of Parachute Body lotion by 95 minutes for each bath, thus saving the use of homogenizer and the transfer activity, which in turn saved power.
- Insulation of steam and chiller pipeline in MGS location.
- Re-designed the blowing mechanism of the Hot Air Room and reduced the use of 2 heaters of 1KW.
- Non insulated Batch oil transfer Tanker insulation done to prevent from freezing during winters reducing electric energy required for heat tracing and melting of bulk oil.
- Common preblend in bulk for batch manufacturing to saving time and energy for 4 batches of Nihar Shanti Badam.
- Lux level improvement on shopfloor through glass pan window through utilization of natural light.
- LLP flushing gun for CIP of batch oil change overs made, thus reducing the cycle time and LLP quantity required for flushing.
- Localized Shanti badam manufacturing to avoid tanker transfer hence reducing the carbon footprint.
- Installation of roof extractors for better natural light and air circulation thus to avoid electricity consumption by exhaust fans.
- Horizontal stack packed deployment for all EBM bottles leading to higher space and vertical height, truck loadibility, cost of corrugated boxes.

Plant - Goa

- The following energy conservation initatives led to reduction of 49,798 units of electricity consumption :
    - Installation of VFD for Cooker 2 Motor thus by reducing Motor rating from 37KW to 7.4KW with speed reduction.
    - Pre-breaker Motor size reduction from 22KW to 11KW.
    - Compressor usage reduction from 173.5 CFM to 105 CFM reducing 15KW.
    - Reducing C21 Motor size from 2.2KW to 1.5KW.
    - SPC reduction in Filling from 40 units /KL to 23 Units / KL with changing line configuration.

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Plant – Baddi

- Furnace Oil quality improvement through initiatives like :
  - o Installation of Bomb calorimeter for CV measurement of Furnace Oil.
  - o Installation of PHE for heating oil in Post bleaching by using heat of deodorized oil thus saving steam consumption by 1 MT per day.
  - o Changing refining process of KO Oleic from chemical refining and thus saving 5 litres/MT of Furnace oil for KO Oleic.
- Power usage reduction through initiatives like:
  - o VFD installation on Cooling tower motor thereby savings of 25 KW/Hr.

Plant - Perundurai

- Elimination of over flow conveyers for both first stage and second stage expellers by providing instrumentation controls on cookers and bins and erection of energy efficient conveying systems in copra raw material handling section led to savings of 2 units per MT of copra, thereby reducing electricity consumption by 5,100 units per month.
- Idle running of plant machinery eliminated by automation and PLC with SCADA resulting is reduction of electricity consumption by 1,200 Units per month.
- Boiler improvements by way of condensate recovery and design changes have resulted in higher efficiency leading to reduction in SFC by 5%, thereby reducing fuel consumption by 1085 liters per month.
- Other energy conservation initiatives include design of plant to make use of natural lighting and automatic lighting systems.

Marico continued its journey towards effective utilization of energy. Significant reduction in power consumption has been achieved and rationalization efforts will continue.

The details of total energy consumption and energy consumption per unit of production are given in Enclosure 'A'.

B. Technology Absorption

I. Research and Development (R&D)

1. Specific areas in which R&D was carried out by your Company:

   In the past year, R&D has done considerable work to generate indepth insights in Male grooming and post wash hair care category. This insighting was done to create new business opportunities in the recently acquired business of male grooming category. The group also invested substantial efforts to understand the evolving hair care space in terms of products and solutions. These insights provided triggers for development of new products which found relevance in consumers evolving lifestyle.

   Following are some of the new initiatives in R&D:

   - Consumer Insighting: The quest to understand consumer sensory relating to product usage and benefits was continued by employing newer techniques. This has yielded positive results in creating sensorially differentiable products.
   - Research for New benefits: The thrust on generation of basic science to explore and unravel newer hair and skin care benefits of actives continued. Collaborations with international institutes have played a major role in the successful outcome in product development.
   - Open Innovation: The approach to engage the scientific community at large to cocreate new products was continued. Several collaborations with individuals as well as companies were established to create new science and products.

ANNEXURE TO THE DIRECTORS' REPORT

2. Benefits derived as the result of the above efforts:
   - Products based on consumer insights to build consumer appeal.
   - Focus on competition to benchmark the benefit delivery.
   - Creation of new technology platforms to address unmet as well as under-met consumer needs.
   - Collaborations with experts led to substantial progress in the science journey.
   - Co-creation of best in class products and solutions with experts.
3. Future Plan of Action:

   Your Company's R&D will work towards continuous innovation in process, product & packaging technology to offer consumers value for money with delightful new product concepts, sensorial and product efficacy.
4. Expenditure on R&D:

(Rs. Crore)

	2012-13	2011-12
a) Capital	0.86	0.78
b) Recurring	5.95	6.37
Total	**6.81**	**7.15**
c) Total R & D expenditure as % to Sales & Services	0.20	0.24
d) Total R & D expenditure as % to PBT	1.26	1.79

II. Technology absorption, adaptation and innovation

1. Efforts, in brief, made towards technology absorption, adoption and innovation and benefits derived as a result of the same:

   During this year, the team invested substantial efforts in collaborating with external research community under open innovation program. Special efforts were taken to identify new technologies which can step jump the new benefits levels in skin and hair products. The collaboration with national and international universities has enabled creation of new technology platforms. The Research Advisor Committee established a few years back has given impetus to the science journey. All of this has made a huge impact on the quality of the products in terms of benefit level and shorter development time.
2. Imported technology:

   A few technologies have been sourced through the Open Innovation model. These technologies are being offered by the international suppliers to the manufacturers at large. Marico R&D is working with these suppliers to create modified versions of the technologies which will be appropriate to the Marico products.

C. Foreign Exchange Earnings and Outgo

CIF value of imports

	As at March 31, 2013 Rs. Crore	As at March 31, 2012 Rs. Crore
Raw materials	149.22	131.89
Packing materials	1.18	2.2
Capital goods	0.36	1.17
Stock - in - trade (Traded goods)	0.15	1.09
Total	**150.91**	**136.35**

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Expenditure in foreign currency

	As at March 31,	
	2013 Rs. Crore	**2012 Rs. Crore**
Travelling and other expenses	0.50	0.65
Advertisement and sales promotion	5.19	4.78
Interest on other loans	11.19	8.01
Miscellaneous expenses	2.19	1.13
Total	**19.07**	**14.57**

Earnings in foreign currency

	As at March 31,	
	2013 Rs. Crore	**2012 Rs. Crore**
FOB value of exports	138.59	192.35
Royalty	6.08	7.62
Dividend	18.71	19.89
Interest	4.10	4.09
Corporate guarantee income	0.70	0.77
Total	**168.18**	**224.72**

On behalf of the Board of Directors

Place : Mumbai
Date : April 30, 2013

HARSH MARIWALA
Chairman and Managing Director

ANNEXURE TO THE DIRECTORS' REPORT

Auditors' Certificate regarding compliance of conditions of Corporate Governance

To the Members of Marico Limited

We have examined the compliance of conditions of Corporate Governance by Marico Limited ('the Company'), for the year ended March 31,2013, as stipulated in Clause 49 of the Listing Agreements of the said Company with stock exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination was carried out in accordance with the Guidance Note on Certification of Corporate Governance (as stipulated in Clause 49 of the Listing Agreement), issued by the Institute of Chartered Accountants of India and was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us,

We certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreements.

We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For Price Waterhouse
Firm Registration Number: 301112E
Chartered Accountants

Uday Shah
Partner
Membership Number: F-46061

Place: Mumbai
Date: April 30, 2013

ANNEXURE TO THE DIRECTORS' REPORT

Disclosure pursuant to the provisions of the Securities and Exchange Board of India

(Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999

Marico Employee Stock Option Scheme 2007 (ESOS 2007)

a)	Options granted (as at March 31, 2013)	11,376,300 options aggregating to about 1.85% of the paid-up equity capital of the Company (options, net of lapsed/forfeited/exercised as at March 31, 2013: 352,665 options aggregating to about 0.05% of the paid-up capital of the Company).
b)	The pricing formula	The Exercise Price of the options shall be lower of the following: Average of the closing price for last 21 (twenty one) trading session(s) on National Stock Exchange (NSE) prior to the date on which the Corporate Governance Committee, grants the specific number of options to the employees, Or The closing price for the last session on National Stock Exchange (NSE) prior to the date on which the Corporate Governance Committee, grants the specific number of options to the employees.
c)	Options vested (as at March 31, 2013)	6,673,835
d)	Options exercised (as at March 31, 2013)	6,360,035
e)	The total number of shares arising as a result of exercising of option (as at March 31, 2013)	6,360,035
f)	Options lapsed/forfeited (as at March 31, 2013)	4,702,465
g)	Variation of terms of options	-N.A.-
h)	Money realised by exercise of options (as at March 31, 2013)	Rs. 24,624,228
i)	Total number of options in force (as at March 31, 2013)	3,13,800
j)	Employee wise details of options granted to : (as at March 31, 2013)	
	i) Senior Managerial Personnel	A summary* of options granted to senior managerial personnel are as under : No. of employees covered – 11 (Eleven) No. of options granted to such personnel(options, net of lapsed/forfeited/exercised) – 751,400 (Seven Lac Fifty One Thousand Four Hundred only) *Only summary given due to sensitive nature of information
	ii) any other employee who receives a grant in any one year of options amounting to 5% or more of option granted during the year	-N.A.-

ANNEXURE TO THE DIRECTORS' REPORT

	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	-N.A.-
k)	Diluted Earnings per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with the Accounting Standard (AS) 20' Earnings per Share	Rs. 6.69
l)	i) Method of calculating employee compensation cost	The Company has calculated the employee compensation cost using the intrinsic value method of accounting for the options granted under the 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	Rs. 0.31 Crore
	iii) The impact of this difference on the profits and on EPS of the Company	Had the Company considered 'fair value' method then the additional employee compensation cost would be Rs. 0.31 Crore the Profit Before Tax would be lower by the same amount and Earning Per Share by Re.0.0048
m)	Weighted average exercise price and weighted average fair values of options (to be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock)	Weighted average Exercise Price : Rs. 57.85 Weighted average Fair Value of Option : Rs.25.77
n)	Description of method and significant assumptions used during the year to estimate the fair values of options	Intrinsic Value Method
	i) risk – free interest rate	
	ii) expected life of options	
	iii) expected volatility	
	iv) expected dividends	
	v) closing market price of share on date of option grant	

ANNEXURE TO THE DIRECTORS' REPORT ENCLOSURE 'A'

ENCLOSURE 'A'

Power & Fuel Consumption

			For the year ended March 31	
Note: The numbers given below relate to the own manufacturing facilities of the Company.			2013	2012
1.	Electricity			
	a. Purchased units (Kwh)		13,886,537	12,246,583
	Amount (Rs. Crore)		7.41	5.77
	Average Rate (Rs./ Unit)		5.33	4.71
	b. Own Generation			
	i. Through Diesel Generator (Kwh)		1,781,465	2,135,953
	Amount (Rs. Crore)		2.91	3.00
	Average Rate (Rs./ Unit)		16.31	14.07
2.	Coal		–	–
3.	Furnace oil			
	Quantity (KL)		3,670.74	2,702.69
	Amount (Rs. Crore)		17.90	11.92
	Average Rate (Rs./ KL)		48,758.94	44,122.43
4.	Other Internal Generation (excludes HSD used for electricity generation)			
	L.D.O / H.S.D.		–	–
	Quantity (KL)		465.84	542.28
	Amount (Rs. Crore)		2.10	2.02
	Average Rate (Rs./ KL)		45,126.56	37,163.82
5.	Baggase Consumption			
	Quantity (MT)		5,916.53	6,705.91
	Amount (Rs. Crore)		1.60	1.49
	Average Rate (Rs./ MT)		2,711.02	2,225.60
	Consumption per unit of production of edible oils			
		Unit		
	Electricity	Kwh	128.78	136.03
	Coal	MT	–	–
	Furnace oil	KL	0.08	0.03
	L.D.O./H.S.D.	KL	–	–
	Baggase	KG	0.52	0.50
	Consumption per unit of production of processed foods			
		Unit		
	Electricity	Kwh	–	–
	Coal	MT	–	–
	Furnace oil	KL	–	–
	L.D.O./H.S.D.	KL	–	–
	Consumption per unit of production of hair oils & other formulations			
		Unit		
	Electricity	Kwh	37.69	44.96
	Coal	MT	–	–
	Furnace oil	KL	–	–
	L.D.O./H.S.D.	KL	–	–