AUDITORS' REPORT

TO THE BOARD OF DIRECTORS OF MARICO INDUSTRIES LIMITED

1. We have examined the attached consolidated balance sheet of Marico Industries Limited and its subsidiaries, Marico Bangladesh Limited, MBL Industries Limited, Kaya Skin Care Limited and Sundari LLC, (collectively referred to as 'Marico group') as at March 31, 2004, and also the consolidated profit and loss account and the cash flow statement for the year ended on that date annexed thereto (collectively referred to as 'consolidated financial statements'). These consolidated financial statements are the responsibility of the Marico Industries Limited's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

3. We did not audit the financial statements of Marico Bangladesh Limited and MBL Industries Limited, whose financial statements reflect total assets of Rs. 168,778,656 (comprising 5.54 % of group assets) as at March 31, 2004 and total revenues of Rs. 407,698,860 (comprising 4.57 % of group revenue) and cash flows (net inflow) amounting to Rs 69,166,785 for the year ended March 31, 2004. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of these subsidiaries, is based solely on the report of the other auditors.

4. As stated in note 4, the separate financial statements of Sundari LLC, whose financial statements reflect total assets of Rs. 65,533,211 (comprising 2.15 % of group assets) as at March 31, 2004 and total revenues of Rs. 25,085,496 (comprising 0.28 % of group revenue) and cash flows (net outflow) amounting to Rs. 28,868,535 for the year ended March 31, 2004 have not been audited and, therefore, our opinion insofar as it relates to the amounts included in the consolidated financial statements in respect of the subsidiary, is based solely on the unaudited separate financial statements prepared by the subsidiary.

5. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Marico Industries Limited and its subsidiaries Kaya Skin Care Limited, Marico Bangladesh Limited and MBL Industries Limited, and the unaudited separate financial statements of Sundari LLC included in the consolidated financial statements.

6. On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of Marico Industries Limited, Kaya Skin Care Limited, Marico Bangladesh Limited, MBL Industries Limited and the unaudited separate financial statements of Sundari LLC, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

   a. in the case of the consolidated balance sheet, of the state of affairs of Marico group as at March 31, 2004;

   b. in the case of the consolidated profit and loss account of the profit for the year ended on that date; and

   c. in the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

For RSM & Co.

Chartered Accountants

Vijay N. Bhatt

Partner (F-36647)

Place : Mumbai

Date : April 21, 2004

BALANCE SHEET

	SCHEDULE	As at March 31, 2004 Rs. million	2003 Rs. million
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Capital	A	290.000	580.000
Advance against equity		2.012	–
Reserves and surplus	B	1,552.242	1,349.725
		1,844.254	**1,929.725**
MINORITY INTEREST		**18.749**	**30.874**
LOAN FUNDS			
Secured loans	C	–	–
Unsecured loans	D	110.648	119.900
		110.648	**119.900**
DEFERRED TAX LIABILITY		**62.447**	**60.887**
		2,036.098	**2,141.386**
APPLICATION OF FUNDS			
FIXED ASSETS	E		
Gross block		1,751.730	1,514.126
Less : Depreciation, amortisation and impairment		724.067	576.899
Net block		1,027.663	937.227
Capital work–in–progress		96.892	119.788
		1,124.555	1,057.015
INVESTMENTS	F	**4.768**	**138.954**
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	G	998.168	905.964
Sundry debtors	H	345.280	273.402
Cash and bank balances	I	340.151	253.251
Loans and advances	J	220.996	332.632
		1,904.595	1,765.249
Less: CURRENT LIABILITIES AND PROVISIONS			
Current Liabilities	K	880.667	727.600
Provisions	L	122.216	99.099
		1,002.883	826.699
NET CURRENT ASSETS		**901.712**	**938.550**
MISCELLANEOUS EXPENDITURE	M	**5.063**	**6.867**
(to the extent not written off or adjusted)			
		2,036.098	**2,141.386**
Notes	R		

As per our attached report of even date

For RSM & Co.
Chartered Accountants

VIJAY N. BHATT
Partner (F-36647)

Place : Mumbai
Date : April 21, 2004

For and on behalf of the Board of Directors

HARSH MARIWALA — Chairman and Managing Director
BIPIN SHAH — Director and Chairman of Audit Committee
MILIND SARWATE — Chief Financial Officer
DEV BAJPAI — General Manager - Legal and Company Secretary

Place : Mumbai
Date : April 21, 2004

PROFIT AND LOSS ACCOUNT

	SCHEDULE	For the year ended March 31, 2004 Rs. million	2003 Rs. million
INCOME:			
Sales		8,873.957	7,752.812
Less : Excise Duty		49.830	9.353
		8,824.127	7,743.459
Income from services		63.460	11.946
Total Sales		8,887.587	7,755.405
Other income	N	28.975	111.592
		8,916.562	7,866.997
EXPENDITURE			
Cost of materials	O	5,755.635	5,020.022
Manufacturing and other expenses	P	2,386.561	1,977.770
Finance charges	Q	11.616	10.857
Depreciation and amortisation	E	128.222	219.696
Amortisation of Miscellaneous Expenditure		1.344	0.073
		8,283.378	7,228.418
PROFIT BEFORE TAXATION AND MINORITY INTEREST		**633.184**	**638.579**
Minority interest in losses of subsidiaries		(17.578)	(1.239)
PROFIT BEFORE TAXATION AND AFTER MINORITY INTEREST		**650.762**	**639.818**
Provision for current taxation		59.625	77.572
PROFIT AFTER CURRENT TAX		**591.137**	**562.246**
Provision for deferred taxation		1.560	0.853
Excess income tax provision of earlier year written back		–	0.850
PROFIT AFTER TAXATION AND MINORITY INTEREST		**589.577**	**562.243**
Balance brought forward		980.836	918.906
PROFIT AVAILABLE FOR APPROPRIATION		**1,570.413**	**1,481.149**
APPROPRIATIONS			
Interim dividends		246.500	79.750
Tax on interim dividends		33.183	–
Tax on redemption of 8% Redeemable Preference shares		37.156	–
Preference Dividend		23.200	11.632
Tax on Preference dividend		2.973	–
Proposed final dividend		–	58.000
Tax on proposed final dividend		–	7.431
Capital Redemption Reserve		–	290.000
General reserve		57.998	53.500
Tax Holiday Reserve		18.639	–
Share of Minority interest in losses of subsidiaries		(6.539)	–
BALANCE CARRIED TO THE BALANCE SHEET		**1,157.303**	**980.836**
PRE BONUS BASIC AND DILUTED EARNINGS PER SHARE		**19.43**	**18.99**
POST BONUS BASIC AND DILUTED EARNINGS PER SHARE		**9.71**	**9.49**
Notes	R		

As per our attached report of even date

For RSM & Co.
Chartered Accountants

VIJAY N. BHATT
Partner (F-36647)

Place : Mumbai
Date : April 21, 2004

For and on behalf of the Board of Directors

HARSH MARIWALA Chairman and Managing Director
BIPIN SHAH Director and Chairman of Audit Committee
MILIND SARWATE Chief Financial Officer
DEV BAJPAI General Manager - Legal and Company Secretary

Place : Mumbai
Date : April 21, 2004

CASH FLOW STATEMENT

			For the year ended March 31, 2004 Rs. million	2003 Rs. million
A	**CASH FLOW FROM OPERATING ACTIVITIES**			
	Net Profit before tax		**633.184**	**638.579**
	Adjustments for:		–	–
	Depreciation and amortisation		128.222	219.696
	Finance charges		25.559	19.077
	Interest income		(13.943)	(8.220)
	Loss on sale of asset		3.846	1.077
	Loss (Income) from investments		1.113	–
	Dividend income on investments		(13.020)	–
	Amortisation of miscellaneous expenditure		1.345	0.073
	Cumulative exchange differences		(16.785)	(2.352)
			116.337	229.351
	Operating profit before working capital changes		**749.521**	**867.930**
	Adjustments for:			
	Increase/ (Decrease) in Inventories		92.204	86.573
	Increase/ (Decrease) in Sundry Debtors		71.878	(33.743)
	Increase/ (Decrease) in Loans and Advances		(89.129)	135.861
	(Increase)/ Decrease in Current Liabilities		(159.827)	(41.355)
			(84.874)	147.336
	Cash generated from Operations		**834.395**	**720.594**
	Payment of deferred sales tax loan		–	–
	Income tax paid (net of refunds)		37.119	75.090
NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES		**A**	**797.276**	**645.504**
B	**CASH FLOW FROM INVESTING ACTIVITIES**			
	(Purchase) of Fixed Assets		(257.340)	(318.355)
	(Purchase) / Sale of Investments		133.073	(138.877)
	Dividebd Income on Investments		13.020	–
	Amalgamation of group Co.		0.202	–
	Sale of Fixed Assets		15.990	8.252
	Miscellaneous expenditure		–	(6.940)
	Interest income		13.943	8.220
NET CASH INFLOW / (OUTFLOW) FROM INVESTING ACTIVITIES		**B**	**(81.112)**	**(447.700)**

CASH FLOW STATEMENT

		SCHEDULE	For the year ended March 31, 2004 Rs. million	2003 Rs. million
C	**CASH FLOW FROM FINANCING ACTIVITIES**			
	Advance agains equity in Subsidiary		2.012	–
	Equity capital in Subsidiary		12.000	32.105
	(Repayment of borrowing)/Amount borrowed		(1.063)	78.226
	Finance charges		(25.559)	(19.077)
	Redemption of Pref Shares		(290.000)	–
	Dividend paid (including tax on dividends)		(326.654)	(163.882)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES		**C**	**(629.264)**	**(72.628)**
NET INCREASE / (DECREASE) IN CASH & CASH EQUIVALENTS		**A+B+C**	**86.900**	**125.176**
	Cash and cash equivalents – opening balance		**253.251**	**128.075**
	Cash and cash equivalents – closing balance		**340.151**	**253.251**

As per our attached report of even date

For RSM & Co.
Chartered Accountants

VIJAY N. BHATT
Partner (F-36647)

Place : Mumbai
Date : April 21, 2004

For and on behalf of the Board of Directors

HARSH MARIWALA — Chairman and Managing Director
BIPIN SHAH — Director and Chairman of Audit Committee
MILIND SARWATE — Chief Financial Officer
DEV BAJPAI — General Manager - Legal and Company Secretary

Place : Mumbai
Date : April 21, 2004

SCHEDULES TO BALANCE SHEET

	2004 Rs. million	2003 Rs. million
	As at March 31,	
SCHEDULE 'A'		
SHARE CAPITAL		
AUTHORISED:		
30,000,000 (30,000,000) Equity shares of Rs. 10 each	300.000	300.000
30,000,000 (30,000,000) Preference shares of Rs. 10 each	300.000	300.000
	600.000	**600.000**
ISSUED AND SUBSCRIBED:		
29,000,000 (29,000,000) Equity shares of Rs. 10 each fully paid up	290.000	290.000
Nil (29,000,000) 8% Redeemable Preference shares of Rs. 10 each fully paid up (redeemable on or before October 1, 2005)	–	290.000
	290.000	**580.000**
SCHEDULE 'B'		
RESERVES AND SURPLUS		
CAPITAL RESERVE		
As per last balance sheet	–	2.500
Less : Utilised for issue of bonus 8% Redeemable Preference Shares	–	2.500
	–	–
CAPITAL REDEMPTION RESERVE		
As per last balance sheet	9.985	–
Add : Created on issue of 8% Redeemable Preference Shares	–	290.000
Created on redemption of 8% Redeemable Preference Shares	280.015	–
Less : Adjustment of carrying amount of intangible assets	–	280.015
	290.000	9.985
SHARE PREMIUM ACCOUNT		
As per last balance sheet	–	165.000
Less : Adjustment of carrying amount of intangible assets	–	165.000
	–	–
GENERAL RESERVE		
As per last balance sheet	361.327	740.327
Add : Transfer from Profit and Loss Account	57.998	53.500
Created on transfer of net assets on amalgamation (Note 11)	0.202	–
	419.527	793.827
Less : Utilised for issue of bonus equity shares	–	145.000
Utilised for issue of bonus 8% Redeemable Preference Shares	–	287.500
Utilised for creation of Capital Redemption Reserve on Redemption of 8%	–	–
Preference Share Capital	280.015	–
Adjustment of impaired value of fixed assets	41.742	–
	97.770	**361.327**
TAX HOLIDAY RESERVE	18.639	–
CUMMULATIVE EXCHANGE DIFFERENCES	(11.469)	(2.423)
(Translation adjustments)		
Balance in **PROFIT AND LOSS ACCOUNT**	1,157.303	980.836
	1,552.242	**1,349.725**

SCHEDULES TO BALANCE SHEET

	As at March 31, 2004 Rs. million	2003 Rs. million
SCHEDULE 'C'		
SECURED LOANS		
Working capital finance from banks	–	–
(Secured by hypothecation of stocks in trade and debtors)		
	–	–
SCHEDULE 'D'		
UNSECURED LOANS		
From Banks (Short term)	94.530	102.200
Other Loans	16.118	16.637
Deferred sales tax loan	–	1.063
(Amount repayable within one year Rs. Nil (Rs. Nil))		
	110.648	**119.900**

SCHEDULE 'E'

FIXED ASSETS

Rs. million

PARTICULARS	GROSS BLOCK				DEPRECIATION/AMORTISATION					NET BLOCK	
	As at March 31, 2003	Additions	Deductions	**As at March 31, 2004**	As at March 31, 2003	For the period	Deductions/ Adjustments	**As at March 31, 2004**	Provision for Impairment	**As at March 31, 2004**	As at March 31, 2003
Freehold land	10.731	1.387	–	12.118	–	–	–	–	–	12.118	10.731
Leasehold land	11.264	0.220	–	11.484	0.646	0.162	–	0.808	–	10.676	10.618
Buildings	358.561	15.391	0.024	373.928	41.952	7.736	0.007	49.681	–	324.247	316.609
Plant and machinery	950.397	225.784	32.549	1,143.632	450.271	110.550	21.949	538.872	41.742	563.018	500.127
Furniture and fittings	18.352	31.118	0.378	49.092	8.754	2.281	–	11.035	–	38.057	9.598
Vehicles	12.613	3.990	3.860	12.743	2.545	1.160	0.612	3.093	–	9.650	10.068
Intangible assets											
– Trademarks and copyrights	78.538	–	5.820	72.718	0.437	5.041	0.228	5.250	–	67.468	78.101
– Business & commercial rights	1.560	–	–	1.560	0.240	0.078	–	0.318	–	1.242	1.320
– Computer software	72.109	2.346	–	74.455	72.054	1.214	–	73.268	–	1.187	0.055
TOTAL	1,514.125	280.236	42.631	1,751.730	576.899	128.222	22.796	682.325	41.742	1,027.663	937.227
Previous year	1,877.993	223.668	587.535	1,514.126	490.395	219.696	133.192	576.899	–		
Capital work–in–progress (at cost) including advances on capital account										96.892	119.788
										1,124.555	**1,057.015**

Notes :

1. Gross block includes – Freehold Land Rs. 3.037 million (Rs. 3.037 million) and buildings Rs. 16.940 million (Rs. 16.940 million) pending execution of conveyance.

   – Plant and Machinery of Rs. 21.464 million (Rs. 21.464 million) and Rs. 39.500 million (Rs. 39.500 million) being assets given on operating lease and finance lease respectively prior to April 1, 2001.

2. Plant and Machinery includes Rs. 17.600 million (Rs. 17.600 million) being cost of asset taken on finance lease after April 1, 2001. Net carrying value as on March 31, 2004 – Rs. 1.034 million (Rs. 7.700 million).

SCHEDULES TO BALANCE SHEET

	As at March 31, 2004 Rs. million	2003 Rs. million
SCHEDULE 'F'		
INVESTMENTS (At Cost, Non Trade)		
LONG TERM – UNQUOTED		
Government Securities:		
National Savings Certificates (Deposited with Government authorities)	0.079	0.079
	0.079	**0.079**
CURRENT – UNQUOTED		
Investment in Mutual Fund Units		
Prudential ICICI Liquid Fund – Growth Option Nil (2,115,723) Units of Rs. 10 each fully paid	–	31.375
Prudential ICICI Liquid Daily Dividend Reinvestment Fund 650 (Nil) Units of Rs. 10 each fully paid	0.008	–
HDFC Mutual Fund – HLFG Liquid Fund Growth Scheme Nil (3,497,470) Units of Rs. 10 each fully paid	–	42.000
IDBI – Principal Cash Management Fund – Liquid option growth plan Nil (4,202,634) Units of Rs. 10 each fully paid	–	50.000
Grindlays Cash Fund – Growth Option Nil (1,377,685) Units of Rs. 10 each fully paid	–	15.500
Birla Cash Plus – Sweep Dividend Plan 466,225 (Nil) units of Rs. 10 each fully paid	4.681	–
	4.689	**138.875**
	4.768	**138.954**

Note : Units of Mutual Funds purchased and sold during the year

Name of the Scheme	**No. of Units in million**	**No. of Units in million**
Alliance Mutual Fund Scheme – Cash Manager Growth Scheme	–	451.011
Prudential ICICI Liquid Fund – Growth Scheme	–	12.197
Zurich India Liquidity Fund –Savings Plan –Growth Scheme	–	12.454
HDFC Liquid Fund – Growth Scheme	–	9.276
Kotak Mahindra Liquid Institutional Plan–Growth Scheme	29.571	7.481
IDBI – Principal Cash Management Fund	5.006	13.976
Grindlays Cash Fund – Growth Option	43.120	27.637
Prudential ICICI Liquid Daily Reinvestment Fund	45.400	–
HDFC Cash Management Fund	8.193	–
Birla Cash Plus – Sweep Dividend Plan	27.578	–
JM Mutual Fund – Fortnightly Dividend Reinvestment	0.088	–
TITMA Weekly Dividend Reinvestment Option	0.075	–
DSPML Liquidity Fund – Daily Dividend Option	18.513	–
Deutsche Short Maturity Fund – Weekly Dividend	2.029	–
Kotak Bond Short Term Plan – Dividend	5.018	–
Reliance Fixed Term Scheme – Growth Option	3.000	–
Reliance Treasury Plan–Weekly Dividend Option	0.213	–
Reliance Fixed term scheme – Growth Option	2.000	–
Templeton Short Term Income Fund	3.008	–
HSBC Cash Fund	8.750	–

SCHEDULES TO BALANCE SHEET

		As at March 31, 2004 Rs. million	2003 Rs. million
SCHEDULE 'G'			
INVENTORIES			
(As valued and certified by the management)			
Raw materials		365.889	287.012
Packing materials		122.386	126.163
Work-in-process		152.647	174.405
Finished products		318.905	286.897
Stores, spares and consumables		19.049	16.170
By-products		3.146	15.317
Goods in Transit		16.146	–
		998.168	**905.964**

		As at March 31, 2004 Rs. million	2003 Rs. million
SCHEDULE 'H'			
SUNDRY DEBTORS			
Unsecured			
Over six months	- Considered good	0.266	6.517
	- Considered doubtful	15.651	12.337
		15.917	18.854
Less: Provision for doubtful debts		15.651	12.337
		0.266	**6.517**
Other Debts	- Considered good	345.014	266.885
	- Considered doubtful	0.418	0.455
		345.432	267.340
Less: Provision for doubtful debts		0.418	0.455
		345.014	**266.885**
		345.280	**273.402**

	As at March 31, 2004 Rs. million	2003 Rs. million
SCHEDULE 'I'		
CASH AND BANK BALANCES		
Cash on hand	1.737	2.040
Balances with scheduled banks:		
Fixed deposits (Rs. 1.414 million (Rs. 2.041 million) lodged with Government authorities)	73.855	52.041
Margin accounts (Against letters of credit and bank guarantees)	14.939	3.358
Current accounts	249.620	195.812
	340.151	**253.251**

SCHEDULES TO BALANCE SHEET

		As at March 31, 2004 Rs. million	2003 Rs. million
SCHEDULE 'J'			
LOANS AND ADVANCES			
(Unsecured–considered good, unless otherwise stated)			
Loans		–	–
Inter corporate deposits		–	75.000
Advances recoverable in cash or in kind			
or for value to be received	- considered good	111.003	131.088
	- considered doubtful	–	3.176
		111.003	134.264
Less: Provision for doubtful advances		–	3.176
		111.003	131.088
Deposits		93.887	87.394
Balances with central excise authorities		0.460	0.997
Income tax payments, net of provision		15.646	38.153
		220.996	**332.632**
SCHEDULE 'K'			
CURRENT LIABILITIES			
Sundry creditors		777.198	643.335
(includes Rs. Nil (Rs. 4.714 million) being lease rental obligations repayable beyond one year.)			
Other liabilities		75.755	67.983
Security deposits		15.366	15.535
Interest accrued but not due on loans		0.767	0.747
Unclaimed Dividend		4.826	–
Unclaimed Redeemed 8% Preference Share Capital		6.755	–
		880.667	**727.600**
SCHEDULE 'L'			
PROVISIONS			
Leave encashment		40.427	33.668
Interim dividend		72.500	–
Tax on interim dividend		9.289	–
Proposed final dividend		–	58.000
Tax on proposed final dividend		–	7.431
		122.216	**99.099**
SCHEDULE 'M'			
MISCELLANEOUS EXPENDITURE			
Deferred Revenue Expenditure		5.063	6.867
		5.063	**6.867**

SCHEDULES TO PROFIT AND LOSS ACCOUNT

	For the year ended March 31, 2004 Rs. million	2003 Rs. million
SCHEDULE 'N'		
OTHER INCOME		
Miscellaneous income	28.975	111.592
	28.975	**111.592**

	For the year ended March 31, 2004 Rs. million	2003 Rs. million
SCHEDULE 'O'		
COST OF MATERIALS		
Raw materials consumed	4,289.529	3,524.669
Packing materials consumed	808.216	714.303
Stores and spares consumed	58.610	56.711
Purchase for resale	597.359	755.900
(Increase)/Decrease in stocks		
Opening stocks		
- Work-in-process	174.405	87.391
- By-products	15.317	7.573
- Finished products	286.897	350.094
Less:		
Closing stocks		
- Work-in-process	152.647	174.405
- By-products	3.146	15.317
- Finished products	318.905	286.897
	1.921	**(31.561)**
	5,755.635	**5,020.022**

SCHEDULES TO PROFIT AND LOSS ACCOUNT

	For the year ended March 31, 2004 Rs. million	2003 Rs. million
SCHEDULE 'P'		
MANUFACTURING AND OTHER EXPENSES		
Employees' costs:		
Salaries, wages and bonus	401.066	285.146
Contribution to provident fund and other funds	35.176	38.066
Welfare expenses	29.079	28.092
	465.321	351.304
Power, fuel and water	41.133	34.989
Contract manufacturing charges	192.140	155.542
Rent and storage charges	44.317	32.295
Repairs to: Buildings	17.471	13.239
Machinery	27.655	25.634
Others	5.093	7.711
	50.219	46.584
Freight, forwarding and distribution expenses	345.814	312.272
Advertisement and sales promotion	752.006	644.706
Rates and taxes - Excise duty	2.967	11.061
- Others	3.389	3.327
Sales tax and cess	90.568	73.907
Provision for doubtful debts and advances	5.215	-
Printing, stationery and communication expenses	48.987	41.620
Travelling, conveyance and vehicle expenses	91.113	78.566
Insurance	10.636	9.516
Miscellaneous expenses	242.736	182.081
	2,386.561	**1,977.770**
SCHEDULE 'Q'		
FINANCE CHARGES		
Interest on fixed period loans	1.826	0.102
Other interest	2.946	2.934
Bank and other financial charges	20.787	16.041
	25.559	19.077
Less: Interest income	13.943	8.220
(Tax deducted at source Rs. 2.274 million (Rs. 1.057 million))		
	11.616	**10.857**

NOTES TO THE ACCOUNTS

SCHEDULE 'R'

NOTES:

1) The Group and nature of its operations:

Marico Industries Limited (herein after referred to as 'the Company'), headquartered in Mumbai, India, together with its subsidiaries Marico Bangladesh Limited (MBL), MBL Industries Limited (MBLIL – subsidiary of Marico Bangladesh Limited), Kaya Skin Care Limited (KSCL) and its joint venture Sundari LLC (together referred to as 'Marico' or 'Group'), carries on business in Branded Fast Moving Consumer Goods and Branded Services. In India, Marico manufactures and markets products under the brands Parachute, Saffola, Sweekar, Hair & Care, Sil, Revive, Shanti, Oil of Malabar, Mealmaker and Mediker. Marico's products reach its consumers through retail outlets serviced by Marico's distribution network comprising 5 regional offices, 30 carrying & forwarding agents, 6 consignment agents, 5 redistribution centers and about 3600 distributors spread all over India. The Company's export markets comprise primarily the Middle East and SAARC countries. Marico has manufacturing facilities located at Goa, Kanjikode, Pondicherry, Daman, Jalgaon, Saswad and Dehradun supported by subcontracting units. Marico has a marketing and distribution alliance with Indo Nissin Foods Limited for Top Ramen instant noodles. The Company has the following subsidiaries

- Marico Bangladesh Limited in Bangladesh which manufactures and sells Coconut Oil in Bangladesh;
- Kaya Skin Care Limited (previously Kaya Aesthetics Limited) providing skin care services through Kaya Skin Clinics;
- Sundari LLC, United States, a joint venture, carrying on ayurvedic skin care products business under the brand name SUNDĀRI;
- MBL Industries Limited set up during the year as a wholly owned subsidiary of Marico Bangladesh Limited to carry on the business in Coconut Oil.

2) Summary of significant accounting policies:

(a) Basis of preparation of financial statements

The financial statements are prepared under the historical cost convention on an accrual basis and are in conformity with mandatory accounting standards.

(b) Consolidation

The consolidated financial statements include the financial statements of Marico Industries Limited, its subsidiaries and joint venture. The results of subsidiaries/joint venture acquired during the year are included from the date of acquisition of a controlling interest. All intercompany transactions are eliminated and the consolidated financial statements have been prepared using uniform accounting policies.

The assets and liabilities of foreign companies are translated at the period end exchange rate and all the items in the profit and loss account are translated at the average annual exchange rate. The resultant translation gains and losses are shown separately as 'Cumulative exchange difference (translation differences)' under Reserves and Surplus.

(c) Fixed assets

Fixed assets are stated at cost of acquisition less accumulated depreciation and/or at recoverable amount in case of an impairment. Cost includes taxes, duties, freight and other incidental expenses related to acquisition and installation. Interest on borrowing, to finance fixed assets during construction period is capitalised. Pre–operative expenses for major projects are also capitalised, where appropriate.

(d) Depreciation/Amortisation

I. <u>Tangible assets</u>

Depreciation is provided on straight line basis at higher of the rates, based on useful lives of the assets as estimated by the management every year or those stipulated by the respective statutes in India, Bangladesh and the United States.

NOTES TO THE ACCOUNTS

II. Intangible Assets

(i) Trademarks, copyrights and business & commercial rights are amortised over their estimated economic life based on their value in use.

(ii) Other intangible assets are amortised over their estimated economic useful lives as estimated by the management, but not exceeding the period given hereunder:

Technical know how	6 years
Non–compete covenants	Non–compete period
Computer software	3 year

(iii) Deferred revenue expenditure is amortised over a period of 5 years.

(e) Investments

(i) Long term investments are valued at cost. Provision for diminution, if any, in the value of investments is made to recognise a decline, other than temporary.

(ii) Current investments are valued at lower of cost and market value, computed individually for each investment.

(f) Inventories

(i) Raw material, packing material, stores, spares and consumables are valued at cost.

(ii) Work–in–process and finished products are valued at lower of cost and net realisable value.

(iii) By–products and unserviceable/damaged finished products are valued at net realisable value.

(iv) Cost is ascertained on weighted average method and in case of work–in–process includes appropriate production overheads and in the case of finished products includes appropriate production overheads and excise duty.

(g) Research and development

Capital expenditure on research and development is allocated to fixed assets. Revenue expenditure is charged off in the year in which it is incurred.

(h) Revenue recognition

(i) Sales are recognised at the point of despatch of goods to the customers and stated net of trade discount and exclusive of sales tax but inclusive of excise duty.

(ii) Agency commission is recognised upon effecting sales on behalf of the principal.

(iii) Interest and other income are recognised on accrual basis.

(iv) Revenue from services is recognized on rendering of the service.

(i) Retirement benefits

The Company has various schemes of retirement benefits, namely, provident, superannuation, gratuity and leave encashment. Provident, superannuation and gratuity funds are administered through trustees and the Company's contribution thereto is charged to revenue every year. Leave encashment and gratuity are provided for on the basis of actuarial valuation as at the year–end by an independent actuary.

Kaya Skin Care Limited has provided provident fund scheme as retirement benefit for the employees. Provident fund contributions are made to Regional Provident Fund Office and charged to revenue every year.

(j) Foreign currency transactions

Foreign currency assets and liabilities are translated at forward cover rate or at the period end exchange rate, as applicable. Resultant gains or losses are recognised in the profit and loss account other than the exchange rate differences relating to fixed assets which are adjusted against the carrying cost of corresponding fixed assets. In case of forward

NOTES TO THE ACCOUNTS

contracts, the difference between the forward rate and the exchange rate on the date of the transaction is recognized as income or expense over the life of the contract.

(k) Government grants

(i) Government grant related to the total investment in an undertaking is treated as capital reserve.

(ii) Government grant related to a specific fixed asset is reduced from the cost of the asset.

(l) Accounting for taxes on income

(i) Provision for current tax is made, based on the tax payable under the relevant statute.

(ii) Deferred tax on timing differences between taxable income and accounting income is accounted for, using the tax rates and the tax laws enacted or substantially enacted as on the balance sheet date. Deferred tax assets other than on unabsorbed tax losses and unabsorbed tax depreciation are recognised only when there is a reasonable certainty of their realisation. Deferred tax assets on unabsorbed tax losses and unabsorbed tax depreciation are recognised only when there is a virtual certainty of their realisation.

3) Subsidiaries

(i) List of subsidiaries

Name	Country of incorporation	Percentage of ownership interest
Marico Bangladesh Limited	Bangladesh	100
Kaya Skin Care Limited	India	86.4
MBL Industries Limited	Bangladesh	100 (Through Marico Bangladesh Limited)

(ii) The Consolidated financial statements include the audited accounts of Kaya Skin Care Limited for the period March 27, 2003 (date of incorporation) to March 31, 2004.

(iii) The statutory accounting year of Marico Bangladesh Limited (MBL) and MBL Industries Limited (MBLIL) is October to September every year, which is different from that of Marico Industries Limited. However, for the purpose of consolidation, MBL has prepared financial statements for the year ended March 31, 2004 and MBLIL for the period August 4, 2003 (date of incorporation) to March 31, 2004, which have been audited.

4) Joint ventures

(i) List of joint ventures

Name	Country of incorporation	Percentage of ownership interest
Sundari LLC	United States of America	63

(ii) The statutory accounting year of Sundari LLC is January to December every year, which is different from that of Marico Industries Limited. However, for the purpose of consolidation Sundari LLC has prepared financial statements for the year ended March 31, 2004 which have not been audited.

(iii) The limited revision to AS 27 "Financial Reporting of Interests in Joint Ventures" issued by the Institute of Chartered Accountants of India requires that the jointly controlled entity which is subsidiary of the Company within the meaning of Accounting Standard 21 "Consolidated Financial Statements" shall be consolidated in accordance with AS 21. This revision comes into effect in respect of accounting periods commencing on or after April 01, 2004. However, the Company has decided to adopt this revision from the current year, and accordingly has consolidated results of Sundari LLC too, in addition to its other subsidiaries.

NOTES TO THE ACCOUNTS

5) Contingent liabilities not provided for in respect of:

   (i) Counter guarantee given to banks on behalf of other companies Rs. 53.125 million (Rs. 8.203 million).

   (ii) Sales tax/cess claims disputed by the Company Rs. 37.202 million (Rs. 47.147 million).

   (iii) Income tax and interest demand disputed by the Company Rs. Nil (Rs. 6.366 million).

   (iv) Claims against the Company not acknowledged as debts Rs. 33.028 million (Rs. 32.324 million).

6) Miscellaneous income includes lease income Rs. 4.873 million (Rs. 3.617 million), profit on sale of assets Rs. 0.782 million (Rs. 0.097 million), income from current investments Rs 0.006 million (Rs. 0.009 million) profit on sale of current investments Rs. Nil (Rs. 6.422 million) and discount on prepayment of deferred sales tax liability Rs. Nil (Rs. 31.661 million).

7) Miscellaneous expenses include commission and brokerage Rs. 13.726 million (Rs. 10.727 million), donations Rs. 0.713 million (Rs. 1.146 million), loss on sale/discarding of assets Rs. 4.628 million (Rs. 1.174 million), loss on sale of current investments Rs. 1.113 million (Rs. Nil), audit fees Rs. 1.692 million (Rs. 1.508 million), tax audit fees Rs. 0.189 million (Rs. 0.157 million), payment to auditors for other services Rs. 0.883 million (Rs. 1.496 million) and reimbursement to auditors for out–of–pocket expenses Rs. 0.042 million (Rs. 0.038 million).

8) Research and development expenses aggregating Rs. 24.019 million (Rs. 22.098 million) have been included under the relevant heads in the profit and loss account.

9) Exchange loss (net) aggregating Rs. 10.982 million (Rs. 1.505 million) has been included under the relevant heads in the profit and loss account.

10) Accounting Standard 28 (AS 28) "Impairment of Assets" issued by the Institute of Chartered Accountants of India becomes mandatory with effect from April 1, 2004. However, the Company has decided to adopt this standard from the current year. Accordingly, based on the criteria prescribed under AS 28, the Company conducted a review of all the fixed assets and identified certain plant and machinery (WDV as on March 31, 2004 Rs. 42.342 million) as 'impaired fixed assets'. The recoverable amount of such assets being estimated at net realisable value on disposal aggregated Rs. 0.600 million.

    In accordance with the transitional provision of AS 28, the above impairment loss of Rs. 41.742 million has been adjusted against General Reserve as at March 31, 2004. Consequently, the Reserves and Surplus as at March 31, 2004 have been reduced by Rs. 41.742 million.

11) The Hon'ble High Court of Mumbai, on February 12, 2004 sanctioned the scheme of amalgamation of the four investment Companies namely erstwhile Anandita Arnav Trading & Investment Private Limited, Madhav Nandini Trading & Investment Private Limited, Rajvi Rishabh Trading & Investment Private Limited & Rishabh Harsh Trading & Investment Private Limited (Collectively herein after referred to as 'Transferor Companies') with the Company. The Scheme was earlier approved by the shareholders in the court–convened meeting held on January 2, 2004.

    Upon the scheme becoming effective on filing the Court Order with Registrar of Companies and in accordance with the Scheme:

    (i) all assets of the Transferor Companies (as there were no liabilities as at the effective date) were transferred at their book values to the Company;

    (ii) the investment in equity and preference share capital of the Company as it appears in the books of account of the Transferor Companies were cancelled and the Company allotted equivalent number of equity and preference shares to the shareholders of the Transferor Companies, which, therefore did not result in any change in the share capital of the Company;

    (iii) the excess of net assets value of the Transferor Companies, transferred to the Company as reduced by the face value of shares issued by the Company and adjusted for cancellation of equity and preference share capital as mentioned above was credited to the General Reserve Account, which amounted to Rs. 0.202 million.

NOTES TO THE ACCOUNTS

12) During the year, Marico Bangladesh Limited changed its method of accounting for Depreciation from Written Down Value method to Straight Line Method. This change of method resulted in a charge of depreciation of Rs. 0.254 million to the Profit and Loss Account for the year ended March 31, 2004.

13) Additional information on assets taken on lease:

i) In respect of assets taken on finance lease prior to April 1, 2001:

	(Rs. Million)
Lease rental charges for the year	2.953
	(7.832)
Cost of assets	1.161
	(11.563)
Future lease rental obligation	Nil
	(3.787)

(ii) In respect of assets taken on finance lease after March 31, 2001:

Finance charges for the year– Rs. 1.730 million (Rs 1.156 million).

Reconciliation of minimum lease payments and its present value:

	Minimum lease Payments (Rs. million)	Interest (Rs. million)	Present value of minimum lease payments (Rs.million)
Future lease rental obligation payable:			
– not later than one year	3.661	0.039	3.622
	(6.363)	(0.851)	(5.512)
– later than one year but not later than five years	–	–	–
	(3.661)	(0.039)	(3.622)
Total	**3.661**	**0.039**	**3.622**
	(10.024)	(0.889)	(9.135)

(iii) In respect of assets taken on operating lease after March 31, 2001:

	(Rs. million)
Lease rental charges for the year	2.058
	(0.109)
Future lease rental obligation payable	
– not later than one year	4.391
	(0.264)
– later than one year but not later than five years	8.355
	(0.264)
Total	**14.804**
	(0.637)

NOTES TO THE ACCOUNTS

14) Break–up of deferred tax liability:

	March 31, 2004 Rs. million	March 31, 2003 Rs. million
Deferred tax asset:		
Provision for doubtful debtors/advances that are deducted for tax purposes when written off	7.304	5.562
Liabilities that are deducted for tax purpose when paid	17.406	16.492
Total Deferred tax asset	24.710	22.054
Deferred tax liability:		
Additional depreciation on fixed assets for tax purposes due to higher tax depreciation rates	87.157	82.941
Total Deferred tax liability	87.157	82.941
Net Deferred tax liability	62.447	60.887

15) Earnings per share:

	March 31, 2004 Rs. million	March 31, 2003 Rs. million
Profit after taxation	589.577	562.243
Less : Preference dividends	26.173	11.632
Profit available for equity shareholders	563.404	550.611
Equity shares outstanding as at the year end	29.000	29.000
Bonus shares allotted during the year ending March 31, 2005	29.000	29.000
Weighted average number of equity shares used as denominator for calculating basic and diluted earnings per share	58.000	58.000
Nominal value per equity share	10	10
Pre Bonus Basic and diluted earnings per equity share (Rs.)	19.43	18.99
Post Bonus Basic and diluted earnings per equity share (Rs.)	9.71	9.49

In accordance with Accounting Standard 20 'Earning Per Share' issued by the Institute of Chartered Accountant of India the weighted average number of equity shares (the denominator) used for calculation of earnings per equity share is after considering bonus shares, which has been approved by the members in the Extra–ordinary General Meeting held on April 21, 2004.

16) Segment Information

With effect from April 1, 2003, Marico re–organised its business into three segments – Consumer Products (comprising consumer product business of Marico Industries Limited and Marico Bangladesh Limited alongwith its wholly owned subsidiary MBL Industries Limited), Skin Care services (comprising Kaya Skin Care Limited and skin care business of Marico Industries Limited in Dubai) and Global Ayurvedics (Sundari LLC. and Sundari Spa LLC.). Segment Revenue, Results and Capital Employed figures include the respective amounts identifiable to each of the segments. The composition of these segments is given below:

Business segments	Type of products and services
Consumer Products	Coconut oils, other edible oils, hair oils, fabric care products, hair creams, processed foods (including distribution alliance with Indo Nissin Foods Limited)
Others	Skin care services and Global ayurvedics

NOTES TO THE ACCOUNTS

(Rs. million)

	Consumer Products	Others	Total
Segment revenue			
External sales	8,796.253	91.334	8,887.587
	(7,753.268)	(2.137)	(7,755.405)
Inter–segment sales	–	–	–
	(–)	(–)	(–)
Total revenue	8,796.253	91.334	8,887.587
	(7,753.268)	(2.137)	(7,755.405)
Segment Result	**739.287**	**(94.487)**	**644.800**
	(652.626)	(–)(3.189)	(649.437)
Unallocated corporate expenses			–
			(–)
Operating profit			644.800
			(649.437)
Interest expenses			25.559
			(19.077)
Interest income			13.943
			(8.220)
Net profit before tax and minority interest			633.184
			(638.579)
Minority interest in losses			17.578
			(1.239)
Net profit before tax and after minority interest			**650.762**
			(639.818)
Other information			
Segment assets	2,665.578	373.404	3,038.982
	(2,825.613)	(142.472)	(2,968.085)
Unallocated			
Corporate assets			–
			(–)
Total assets	**2,665.578**	**373.404**	**3,038.982**
	(2,825.613)	(142.472)	(2,968.085)
Segment liabilities	3,006.627	32.355	3,038.982
	(2,904.102)	(63.983)	(2,968.085)
Unallocated			
Corporate liabilities			–
			(–)
Total liabilities	**3,006.627**	**32.355**	**3,038.982**
	(2,904.102)	(63.983)	(2,968.085)
Capital expenditure	115.516	164.720	280.236
	(139.284)	(84.385)	(223.669)
Depreciation and	113.400	16.166	129.566
Amortisation	(219.191)	(0.578)	(219.769)

i. Secondary Segment Information

The Company's operating divisions are managed from India. The principal geographical areas in which the Company operates are India, Middle East and SAARC countries.

NOTES TO THE ACCOUNTS

Geographical Segments	Composition
Domestic	All over India
Exports	Primarily to Middle East and SAARC countries

Sales revenue by geographical market

Locations	Amount (Rs. million)
India	8,101.524
	(7,118.569)
Others (primarily to Middle East and SAARC countries)	786.062
	(636.836)
Total	8,887.587
	(7,755.405)

Carrying amount of assets and capital expenditure by geographical locations

	India (Rs. million)	Others (Rs. million)	Total (Rs. million)
Carrying amount of assets	2,938.225	100.757	3,038.982
	(2,840.361)	(127.724)	(2,968.085)
Capital expenditure	244.050	36.186	280.236
	(159.641)	(64.027)	(223.668)

ii. Notes to Segmental information

(i) Segment revenue and expense: Joint revenues and expenses are allocated to the business segments on a reasonable basis. All other segment revenue and expense are directly attributable to the segments.

(ii) Segment Assets and Liabilities: Segment assets include all operating assets used by a segment comprising debtors, inventories, fixed assets and loans and advances. While most assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly is allocated to the segments on a reasonable basis. Segment liabilities include all operating liabilities of the segment comprising creditors and other liabilities.

17) Related Party disclosures

Whole–time director: Harsh Mariwala, Chairman and Managing director

Nature of transactions:

	March 31, 2004 Rs. million	March 31, 2003 Rs. million
Remuneration for the year	8.932	7.425

18) The figures in brackets represent those of the previous year.

19) Previous year figures include the results of Sundari LLC. for the period February 27, 2003 to March 31, 2003, and are to that extent not comparable with the current year figures.

20) The figures for the previous year have been restated / regrouped where necessary to conform to current year's classification.

Signatures to Schedules A to R

For and on behalf of the Board of Directors

HARSH MARIWALA	Chairman and Managing Director
BIPIN SHAH	Director and Chairman of Audit Committee
MILIND SARWATE	Chief Financial Officer
DEV BAJPAI	General Manager - Legal and Company Secretary

Place : Mumbai

Dated : April 21, 2004