

DIRECTORS' REPORT

To the Members

Your Board of Directors ('Board') is pleased to present the Twenty Second Annual Report of your Company, Marico Limited (Your Company), for the year ended March 31, 2010 ('the year under review', 'the year' or 'FY10').

In line with the requirements of the Listing Agreement with the Bombay Stock Exchange and National Stock Exchange, 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 FY10 in respect of Marico Consolidated comprising– **Domestic Consumer Products Business** under Marico Limited in India, **International Consumer Products Business** comprising exports from Marico Limited and operations of its overseas subsidiaries and the **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, | |
| | 2010 | 2009 |
| Consolidated Summary Financials for the Group | | |
| Sales and Services | 2660.8 | 2388.4 |
| Profit before Tax | 297.9 | 229.6 |
| Profit after Tax | 231.7 | 188.7 |
| Marico Limited Financials | | |
| Sales and Services | 2024.3 | 1917.5 |
| Profit before Tax | 292.6 | 171.0 |
| Less: Provision for Tax | 57.5 | 28.9 |
| Profit After Tax | 235.0 | 142.1 |
| Add : Surplus brought forward | 233.1 | 151.9 |
| Profit available for Appropriation | 468.1 | 294.0 |
| Appropriations: | | |
| Distribution to shareholders | 40.21 | 39.89 |
| Tax on dividend | 6.83 | 6.78 |
| | 47.04 | 46.67 |
| Transfer to General Reserve | 23.5 | 14.2 |
| Debenture Redemption Reserve | 15.0 | – |
| Surplus carried forward | 382.6 | 233.1 |
| Total | 468.1 | 294.0 |

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.

Marico has identified acquisitions as one of its avenues to pursue growth. Since April 2005, the Group has consummated 8 acquisitions including two each in India, Bangladesh and Egypt and one each in South Africa and Malaysia. As part of its growth agenda, Marico would continue to explore new acquisition opportunities. These would call for additional funding.

As indicated last year, your Company intends to be more conservative in the quantum of dividend payout in the near future.

Your Company's distribution to equity shareholders during FY 10 comprised the following:

First interim dividend of 30% on the equity base of Rs. 60.92 Crore

Second interim dividend of 36% on the equity base of Rs. 60.93 Crore

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The total equity dividend for FY10 at 66.0% is thus at par with the dividend paid during FY09. The total dividend (including dividend tax) was Rs. 47 crore (about 20 % of the group PAT).

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

Marico achieved a strong growth of 11% in revenue over the previous year and registered a topline of Rs 2661 crore during FY10. Almost the entire growth was organic growth, with volume led growth of 14% while the remaining came from price increases and sales mix. All its businesses, those of consumer products in India, international business and Kaya skin solutions contributed to the overall growth of the group.

The top line increase was accompanied by a bottom-line growth of 23%, after considering the impact of extra-ordinary / exceptional items. Profit After Tax (PAT) including exceptional / extra-ordinary items during the year was at Rs 232 crore as against Rs. 189 crore in FY09. The financials for FY10 include certain exceptional items of Rs 9.79 crores (Rs 4.05 crore on account of foreign currency translation reserves consequent to sale of membership interest in Sundari LLC and Rs 5.73 crore on account of closure of Kaya Life clinics in India and Gulf) while the financials of FY 09 include certain exceptional items (loss on sale of membership interest in Sundari LLC). Had it not been for these items, the PAT for FY10 would have been Rs 242 crore, a growth of 30% over FY09 (exceptional items excluded from the comparable figure in the previous year).

During the year, Marico extended its record of year on year quarterly growth.

Q4FY10 was on a Y-o-Y basis:

- The 38th consecutive Quarter of growth in Turnover and
- The 42nd consecutive Quarter of growth in Profits

The company has demonstrated steady growth on both the top line and bottom line. Over the last 5 years, they have grown at a Compounded Annual Growth Rate of 21% and 27% respectively.

Consumer Products Business: India

Parachute, Marico's flagship brand, continued to expand its franchise during the year. Parachute coconut oil in rigid packs, the focus part of its portfolio, grew by over 10% in volume as compared to FY09. Similarly Nihar in rigid packs grew at about 9% in volume terms. Marico offers its consumers a basket of value added hair oils for their pre-wash and post wash hair conditioning, nourishment and grooming needs (key brands being Parachute Advanced coconut hair oil, Parachute Jasmine non sticky coconut hair oil, Nihar Naturals perfumed coconut hair oil, Hair & Care nourishing non sticky hair oil, Hair & Care Almond Gold and Shanti Badam Amla hair oil). During the year, all the aforesaid hair oils brands recorded healthy growth and the portfolio as a whole grew by about 16% in volume over FY09.

Further, Marico has been constantly investing in a healthy pipeline of new products. During the year your company launched new prototypes. These included Saffola Arise – lower Glycemic Index (GI) rice, Parachute Advanced Ayurvedic Hot Oil, Parachute Advanced Ayurvedic Cooling Oil and Nihar Cooling Oil.

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International FMCG Business

From a single digit share in FY05, about 23% of the group's turnover is now contributed by Marico's International FMCG business. Its key geographical presence is in Bangladesh, MENA (Middle East and North Africa) and South Africa.

In January 2010, Marico established an entry into the South East Asian region through the acquisition of the hair styling brand Code 10 in Malaysia.

During FY10, Your Group's international business crossed the Rs 600 crore mark in turnover, a growth of 36% over FY09. Much of this growth was derived from consumer franchise expansion – about 21%, accompanied by price led growth of 9%. An additional 6% growth was on account of favourable foreign exchange rates.

Kaya

Kaya is the first organized player in the segment of cosmetic dermatology and now enjoys a large first mover advantage in the segment in India. During FY10, Kaya opened its first clinic in Dhaka, Bangladesh. It now offers its technology led cosmetic dermatological services through 101 clinics: 87 in India across 27 cities and 13 in the Middle East in addition to the most recent one in Dhaka. Kaya also introduced many new products during the year, details whereof are given in the Annexure to this Report.

Kaya's offering are in the nature of discretionary spends. Apart from the impact of the overall economic downturn, the Kaya skin business in India faced two adverse developments during the first half of FY10. The outbreak of swine flu, though temporary, led to a drop in customer appointments particularly in cities such as Pune and Bangalore where the incidence of the outbreak was more acute. The introduction of service tax in the Union Budget in an already unfavorable ambience made growth more challenging. While there was some improvement in the macro environment in the latter part of the year, Kaya continued to experience a decline in same clinic revenue (revenue from clinics that have been in existence for over a year) in India. In addition to the above, opening of 31 new clinics in last two years which in normal course would have required 3-4 years to achieve profitability as well as provision of a significant one time costs resulting from strategic decisions to close down Kaya Life centers (details whereof are given below) and 7 Kaya Skin Clinics by June 30, 2010 resulted in net worth of Kaya Limited turning negative as on March 31, 2010.

Kaya had launched the Kaya Life prototype to offer customers holistic weight Management solutions and had opened 5 'Kaya Life' centres in Mumbai and 1 centre in the Middle East during the past 3 years. While clients had been experiencing effective results on both weight loss and inch loss, the prototype had less than expected progress in building a sustainable business model. Hence, the Management took a strategic decision of closing down the centres in March, 2010. Consequently, the Group has made an aggregate provision of Rs. 5.74 Crore for the year ended March 31, 2010 towards impairment of assets and other related estimated liabilities.

Kaya is a fairly young business - only 7 years since its inception. The business has been able to ramp up its presence to 87 clinics in India across 27 cities and 13 clinics in the Middle East and a large customer base with significant long term growth potential. We have already experienced, in a few accounting periods, profitability at both clinic level and regional level. We therefore believe that the losses during FY10 are not reflective of future trends and the Kaya business model continues to be robust and offers significant long term growth opportunities. Further, the operations of Kaya are expected to improve significantly due to positive changes in economic environment, maturity of new clinics, renewed focus on reducing the time to scale up revenues in new clinics, improve capacity utilizations in existing ones and add to Kaya's range of service and product offerings and anticipated savings resulting from restructuring of operations.

OTHER CORPORATE DEVELOPMENTS

IPO - Marico Bangladesh Limited

Marico Bangladesh Limited (MBL), a wholly owned Subsidiary of Marico Limited, received approval of the Bangladesh Securities & Exchange Commission (SEC) for its proposal to make an Initial Public Offer (IPO) in Bangladesh. Accordingly, MBL issued a total of 3,150,000 ordinary shares (about 10% of MBL's expanded equity) of the face value of Taka 10 each at a price of Taka 90 per share. MBL's shares are listed on the Dhaka Stock Exchange and the Chittagong Stock Exchange. The proceeds of the IPO, aggregating to Taka 283.5 million are being utilized to strengthen MBL's financials to enable continued growth.

Acquisition of Brand 'Code 10'

Marico entered the Malaysian hair styling market through the acquisition of the brand Code 10 and related IPR from Colgate-Palmolive Company through Marico Malaysia Sdn Bhd, a wholly owned subsidiary of Marico Middle East FZE. The Code 10 range comprises

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hair creams and hair gels. Marico estimates the Malaysian hair styling market to be about RM 150 million in size. Code 10 is the number 3 player and enjoys a double digit market share.

Divestment of Sundari LLC

Your Company concluded divestment of its stake in Sundari LLC (Sundari) on June 8, 2009 upon completion of necessary compliances under FEMA regulations. Sundari ceased to be subsidiary of the Company from the said date. Accordingly, the financial statements of Sundari have been consolidated with that of Marico Limited for the period from April 1, 2009 to June 8, 2009. The net effect of the divestment of Rs. 4.05 crore is charged to the Profit and Loss account and reflected as an Exceptional Item.

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, 2010) comprising about 1.86% of the current paid up equity capital of the Company. 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.

Application to the Central Government for exemption from including Balance Sheets of the Subsidiary Companies

Your Company had applied to the Central Government under Section 212(8) of the Companies Act seeking an exemption from attaching copies of the Balance Sheet, Profit and Loss Accounts, Directors' Report and Auditors' Report of its subsidiary companies.

In terms of the approval granted by the Central Government for the financial year FY10; copies of the Balance Sheet, Profit and Loss Account, 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. However, the statement required under section 212 of the Companies Act, 1956 is attached. The Company will make these documents / details available upon request by any member of the Company interested in obtaining the same and same would also be made available on its website. The Consolidated Financial Statements prepared by the Company pursuant to Accounting Standard AS-21 as prescribed by the Companies (Accounting Standards) Rules, 2006, include financial information of its subsidiaries.

PUBLIC DEPOSITS

There were no outstanding Public deposits at the end of this or the previous financial 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, as prescribed by the Companies (Accounting Standards) Rules, 2006, from time to time have been followed. However, attention is drawn specifically to note 24 of Schedule R to the Stand-alone Financial Statements and note 22 of Schedule R to the Consolidated Financial Statements in this regard.

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, 2010 and the profits of your Company for the year ended March 31, 2010.

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 frauds and other irregularities.

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The annual accounts have been prepared on a going concern basis.

The qualification of the Auditors in their Report to the Members in connection with provision made by the Company towards contingencies on account of possible excise obligations on manufacture of pure coconut oil (CNO) is self-explanatory. Adequate explanations have been provided 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.

GROUP

Pursuant to intimation from Promoters of your Company, the names of Promoters and companies comprising 'Group' as defined in the Monopolies and Restrictive Trade Practices Act, 1969, have been disclosed in the Annual Report of your Company for the purpose of Regulation 3(1)(e) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

DIRECTORS

Directors retiring by rotation

Mr. Rajeev Bakshi and Mr. Rajen Mariwala, Directors of the Company, retire by rotation as per Section 256 of the Companies Act, 1956 and being eligible offer themselves for re-appointment.

Changes in the Board of Directors

Mr. Bipin Shah and Mr. Jacob Kurian resigned from the Board of Directors of the Company with effect from close of business hours on January 28, 2010. The Board of Directors has accepted their resignation and would like to place on record their sincere appreciation of the valuable services rendered by Mr. Bipin Shah and Mr. Jacob Kurian.

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.

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.

Aneja Associates, a Chartered Accountant Firm, has been associated with your Company as its internal auditor. They have been partnering your Company in the area of strengthening the internal control systems through internal audits. Your Company has re-appointed Aneja Associates as its internal auditor for the year 2010-11.

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 28, 2010

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 FY 10 are listed below:
- Survey to assess "Green Quotient" (GQ) of all members was conducted during year across all locations
- Installed Material sensor with timer set to optimize the CC overflow bit conveyor running at Kanjikode plant
- Reduction of 10HP in the cooling tower pumps by using energy efficient pumps at Jalgaon Plant
- Standby pump of Cooling Tower replaced with energy efficient pump to avoid high power usage during the breakdown of other running pump at Jalgaon plant.
- Timer installed on Slurry vessel stirrer & caustic circulation pump for auto ON/OFF for intermittent operations.
- Elimination of running of one Cooling Fan of 10 HP at Jalgaon Plant by running one cooling tower for Refinery and VAM.
- Lights in the RM unloading area to be kept OFF during night across locations.
- Elimination of 3 HP pump for slurry pumping from slurry vessel to bleacher vessel at Jalgaon plant.
- Water collected from Roof water harvesting and used in processes at Jalgaon & Goa Plant results in Bore well water power savings.
- Installation of 300KVAR capacitor bank & APFC to maintain power factor at unity, it also helps in minimizing energy losses.
- Installed Material sensor on carton sealers to ensure they ran only when cartons are present at Kanjikode plant.
- Integration of two conveyors of filling line into one thus, eliminating the need for a 2 HP motor at Kanjikode plant
- Inclined chute provided to eliminate the Copra Feed belt conveyor.
- Replacement of street lights with CFL with Timer at Goa Plant

Marico Jalgaon has won the "10th CII National Award for Excellence in Energy Management". It has also been acknowledged as an "Energy Efficient Unit". 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:

R&D's main thrust during the year was to integrate the consumer delight and competitive differentiation in the design of the products. The designed products were based on the latent consumer needs and had the intended efficacy (product claims) which was proven through the robust data. The work included creation of niches in the current products as well as creation of new products with consumer perceivable differentiation. Some of the initiatives undertaken were:

- Basic research programs to understand physiology of hair and skin
- Develop new products based on the principles of Ayurveda.
- Development of functional food formats
- Consumer in sighting for product evaluation and design.
- Collaborate with external partners- Academic institutes, research centres and suppliers – for development of new technologies.

ANNEXURE TO THE DIRECTORS' REPORT

- Clinical and consumer testing for to substantiate the claims made on the products
- Creation of patentable technologies
- Green and sustainable packaging options

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

New SKUs were developed under the various categories in which Marico operates.

A few domestic launches include:

- Parachute Advansed Ayurvedic Hot Oil
- Parachute Advansed Ayurvedic Cooling Oil
- Parachute Ayurvedic Body Oil
- Saffola Arise rice
- Mediker Oil – Improved efficacy
- Parachute Sandalwood Soap.
- Parachute Advansed Starz Chocolate Shampoo

A lot of work has been directed towards the optimization of formulations and also packaging options to deliver the enhanced primary features. These were done without changing the benefit and aesthetics delivery. This has resulted in good amount of savings.

Major emphasis was also placed on gearing up the organization to face the dynamic, rapidly changing regulatory environment. The experts from Marico served on many committees which were enacting the new food and cosmetic laws. This was initiated to ensure that Marico has freedom to operate in the categories of the interest without any compromise on regulatory laws.

New products were launched under the Kaya business to provide effective solutions in skin care. These include

- Whitening Moisturiser SPF 20
- Revitalising Face wash
- Skin Relief After Shave Gel
- Intense Hydration Body Lotion
- Daily Use Body Lotion
- Hydra Cleanse Makeup Remover

Indigenisation of the existing products was undertaken. These included glycolic and salicylic peels which are currently used in the clinics.

In the International business, various product and pack developments were undertaken during FY10 to strengthen business.

Indigenous technologies were developed for manufacturing many of the existing products locally. The packaging cost saving efforts delivered excellent results in different countries.

Marico's R&D has been granted 10 patents so far and 20 are under process.

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, sensorials and product efficacy.

ANNEXURE TO THE DIRECTORS' REPORT

4. Expenditure on R & D:

| | (Rs. Crore) | |
|---|-------------|------------|
| | 2009-10 | 2008-09 |
| a) Capital | 0.1 | 0.3 |
| b) Recurring | 7.5 | 5.7 |
| Total | 7.6 | 6.0 |
| c) Total R & D expenditure as % to Sales & Services | 0.4 | 0.3 |
| d) Total R & D expenditure as % to PBT | 2.6 | 3.4 |

II. Technology absorption, adaptation and innovation

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

Various technologies were adopted in formulations, processes and packaging towards providing better sensorials, performance, cost optimization, shelf appeal and usage convenience. E.g.: Hot Oil as a new concept giving completely different sensorials, Cooling oil with nourishment, Saffola Arise, new concept in functional foods.

- Imported technology (imported during the last 5 years reckoned from the beginning of this financial year):

Not Applicable

C. Foreign Exchange Earnings and Outgo

The details of total exchange used and earned are provided in Schedule Q of Notes to the Accounts of Marico Limited.

On behalf of the Board of Directors

Place : Mumbai
Date : April 28, 2010

HARSH MARIWALA
Chairman and Managing Director

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To

The Members of Marico Limited

We have examined the compliance of conditions of corporate governance by Marico Limited for the year ended on March 31, 2010 as stipulated in clause 49 of the Listing Agreement of the said Company with the stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination 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 clause 49 of the Listing Agreement.

We state that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Shareholders' Committee.

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

For Price Waterhouse

Chartered Accountants
Firm Registration No. 301112E

VILAS Y. RANE

Partner
Membership No. (F-33220)

Place : Mumbai
Date : April 28, 2010

ANNEXURE TO THE DIRECTORS' REPORT 2010

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 Employees Stock Option Scheme 2007 (ESOS 2007)

| | | |
|------|--|---|
| a) | Options granted (as at March 31, 2010) | 11,376,300 options aggregating to about 1.86% of the paid-up equity capital of the Company (options, net of lapsed/forfeited as at March 31, 2010: 7,816,800 options aggregating to about 1.28% of the paid-up capital of the Company) |
| b) | The pricing formula | The Exercise Price of the options shall be lower of the following: <ul style="list-style-type: none"> <li style="margin-left: 20px;">i) 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, <li style="margin-left: 40px;">Or <li style="margin-left: 20px;">ii) 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, 2010) | 615,000 |
| d) | Options exercised (as at March 31, 2010) | 325,700 |
| e) | The total number of shares arising as a result of exercising of option | 325,700 |
| f) | Options lapsed | 3,233,800 |
| g) | Variation of terms of options | -N.A.- |
| h) | Money realised by exercise of options | Rs. 18,267,874 |
| i) | Total number of options in force | 7,816,800 |
| j) | Employee wise details of options granted to : (as at March 31, 2010) | |
| i) | Senior Managerial Personnel | A summary* of options granted to senior managerial personnel are as under: No. of employees covered – 85 (Eighty Five) No. of options granted to such personnel – 7,816,800 (Seventy Eight Lac Sixteen Thousand and Eight 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.- |
| 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.- |

ANNEXURE TO THE DIRECTORS' REPORT

- k) Diluted Earnings per Share (EPS) pursuant to issue of shares on exercise of Options calculated in accordance with the Accounting Standard (AS) 20' Earnings per Share
Rs. 3.84
- 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. 3.91 Crores
- 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. 3.91 Crores the Profit Before Tax would be lower by the same amount and Earning Per Share by Re.0.06
- 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. 62.15
Weighted average Fair Value of Option : Rs. 23.35
- 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
As per Annexure I
- ii) expected life of options
As per Annexure I
- iii) expected volatility
As per Annexure I
- iv) expected dividends
As per Annexure I
- v) Closing Market price of share on date of option grant
As per Annexure I

Annexure I

| | 21-Apr-09 | | 19-Jun-09 | | 28-Jan-10 | |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| | Vesting 1 | Vesting 2 | Vesting 1 | Vesting 2 | Vesting 1 | Vesting 2 |
| Risk free Interest Rate (%) | 5.72 | 5.78 | 6.18 | 6.18 | 6.61 | 7.27 |
| Expected life of Options (years) | 3.53 | 3.69 | 3.69 | 3.69 | 3.51 | 5.51 |
| Expected Volatility (%) | 38.87 | 38.22 | 38.35 | 38.35 | 35.94 | 35.94 |
| Expected Dividends (%) | 1.39 | 1.39 | 1.39 | 1.39 | 1.2 | 1.2 |
| Closing Price as on Date of Grant (Rs.) | 64.05 | 64.05 | 71.9 | 71.9 | 98.55 | 98.55 |

ANNEXURE TO THE DIRECTORS' REPORT 2010

ENCLOSURE 'A'

Power & Fuel Consumption

| | | For the year ended March 31 | |
|--|--|-----------------------------|-----------|
| | | 2010 | 2009 |
| Note: The numbers given below relate to the own manufacturing facilities of the Company. | | | |
| 1. | Electricity | | |
| a. | Purchased units (Kwh) | 7,538,935 | 8,621,052 |
| | Amount (Rs. Crore) | 3.14 | 3.47 |
| | Average Rate (Rs. / Unit) | 4.17 | 4.02 |
| b. | Own Generation | | |
| i. | Through Diesel Generator (Kwh) | 3,168,345 | 2,800,842 |
| | Amount (Rs. Crore) | 3.10 | 2.83 |
| | Average Rate (Rs. / Unit) | 9.78 | 10.09 |
| ii. | Through Steam Generator (Kwh) | – | – |
| | Amount (Rs. Crore) | – | – |
| | Average Rate (Rs. / Unit) | – | – |
| 2. | Coal | – | – |
| 3. | Furnace oil | | |
| | Quantity (KL) | 627 | 641 |
| | Amount (Rs. Crore) | 1.72 | 1.98 |
| | Average Rate (Rs. / KL) | 27,493.24 | 30,975.27 |
| 4. | Other Internal Generation (excludes HSD used for electricity generation) | | |
| | L.D.O / H.S.D. | | |
| | Quantity (KL) | 138 | 242 |
| | Amount (Rs. Crore) | 0.43 | 0.74 |
| | Average Rate (Rs. / KL) | 37,008.42 | 30,463.34 |
| 5. | Baggase Consumption | | |
| | Quantity (MT) | 14,139 | 12,953 |
| | Amount (Rs. Crore) | 3.48 | 1.77 |
| | Average Rate (Rs. / MT) | 2,462.18 | 1,366.48 |
| Consumption per unit of production of edible oils | | | |
| | | Unit | |
| Electricity | Kwh | 117 | 119 |
| Coal | MT | – | – |
| Furnace oil | KL | 0.01 | 0.01 |
| L.D.O./H.S.D. | KL | – | – |
| Baggase | KG | 0.38 | 0.36 |
| Consumption per unit of production of hair oils & other formulations | | | |
| | | Unit | |
| Electricity | Kwh | 38 | 50 |
| Coal | MT | – | – |
| Furnace oil | KL | – | – |
| L.D.O./H.S.D. | KL | – | – |