

DIRECTORS' REPORT

To the Members

Your Board of Directors ('Board') is pleased to present the Sixteenth Annual Report of your Company, Marico Industries Limited for the year ended March 31, 2004 ('the year under review', 'the year' or 'FY04').

In line with international practice, 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' 03 – March' 04 in respect of Marico Consolidated – Consumer products (Marico Industries Limited together with its subsidiaries – Marico Bangladesh Limited (MBL), MBL Industries Limited (MBLIL)), Skin Care Services (Kaya Skin Care Limited (KSCL)) and Global Ayurvedics (its joint venture, Sundari LLC (Sundari) and Sundari Spa LLC). The consolidated entity has been, in this Discussion, referred to as 'Marico' or 'Group' or 'Your Group'.

FINANCIAL RESULTS - AN OVERVIEW

	Rs. million	
	For the year ended March 31,	
	2004	2003
SUMMARY FINANCIALS FOR THE CONSUMER PRODUCTS BUSINESS		
Sales and Services	8796.3	7753.3
Profit before Tax	733.3	641.9
Profit after Tax	672.1	564.4
CONSOLIDATED SUMMARY FINANCIALS FOR THE GROUP		
Sales and Services	8887.6	7755.4
Profit before Tax	650.8	639.8
Profit after Tax	589.6	562.2
MARICO INDUSTRIES LIMITED – FINANCIALS		
Sales and Services	8475.8	7382.7
Profit before Tax	633.8	590.3
Less: Provision for Tax for the current year	52.3	59.5
Profit after Tax for the current year	581.5	530.8
Less: Provision for Deferred Tax	1.6	0.9
Add: Excess income tax provision of earlier year written back	–	0.9
Profit after Tax	580.0	530.8
Add: Surplus brought forward	940.9	910.4
Profit available for Appropriation	1520.9	1441.2
Appropriations:		
Interim dividends	246.5	79.8
Preference dividend	23.2	11.6
Final dividend (proposed)	–	58.0
	269.7	149.4
Tax on dividend	34.6	7.4
Tax on redemption of bonus preference shares	37.1	–
	341.4	156.8
Transfer to General Reserve	58.0	53.5
Capital Redemption Reserve	–	290.0
Surplus carried forward	1121.5	940.9
Total	1520.9	1441.2

DIRECTORS' REPORT

DISTRIBUTION TO 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.

Your Company's Distribution Policy so far has been characterized by the following:

- Increasing payout
- Regular distribution reflecting the confidence to sustain continuous distribution
- Innovative options (e.g. issue of Bonus Redeemable Preference shares)
- Use of distribution to increase liquidity on the Stock Exchanges (through bonus equity shares)

Your Company's distribution to shareholders during FY 04 has comprised:

- First interim dividend of 15 % on the equity base of Rs. 290 million
- Second interim dividend of 20 % on the equity base of Rs. 290 million
- Third interim dividend of 25 % on the equity base of Rs. 290 million
- Fourth interim dividend of 25 % on the pre-bonus equity base of Rs. 290 million.
- Preference dividend of 8% on the Bonus Redeemable Preference Shares of Rs. 290 million
- Early redemption of 8% Bonus Redeemable Preference Shares of Rs. 290 million
- Bonus equity shares in the ratio of 1: 1 aggregating Rs. 290 million

The total dividend payout for FY04 (including dividend tax) was Rs. 304 million (52% of PAT).

Your Company has thus declared dividends every quarter for 13 consecutive quarters now.

Your Company will continue with its policy of declaring multiple dividends every year, while continuously identifying innovative means of rewarding its shareholders. The endeavour will be to keep a high payout- in the region of 50 % plus, subject, of course, to financial requirements of its core business. In line with its philosophy of continually sharing its prosperity with shareholders through innovative means, Marico will also keep exploring new ways of improving liquidity in its scrip on the stock exchanges.

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

In the last three years your Group had focussed on changing the character of its business by moving up the value chain. FY04, which was an important year in this journey, saw your Group–

- Realign its portfolio in favour of High margin products and businesses
- Invest significantly in new products and businesses.
- Prototype new product ideas

DIRECTORS' REPORT

These initiatives helped your Company deliver consistent performance during FY04-

- High margin portfolio grew by 14 %
- Market shares in key categories grew
- New products performed well
- Two new business – Kaya and Sundari were established
- Record of Y-o-Y growth in topline and bottomline improved further

Your Company extended its track record of consistent growth with yet another sustained all round performance during FY04.

CONSUMER PRODUCT BUSINESS

The flagship brand Parachute Coconut Oil was relaunched nationally in Dec 03. This market leader received a very positive response. Within 2 months of relaunch it managed to add more than 4% points of the market share. Your Company's hair oil volumes in FY04 grew by 21% led by 34% growth in Parachute Jasmine and consolidated its 2nd position in the market share rankings. In Anti-lice products, Mediker franchise (Mediker Anti Lice Oil & Mediker Anti Lice Treatment) grew by 67% in FY04. Within a year of its launch, Mediker Oil volumes more than doubled. In Fabric Care, Revive continued its dominance.

Your Company's new product portfolio comprising Parachute Jasmine, Shanti Amla, Mediker Oils and Saffola blends continued to make healthy contribution to your Company's turnover.

During the year, your Company experimented with five prototypes- Parachute Sampoorna (a value added coconut hair oil), Saffola Gold (a blend of safflower & rice bran oil), Hair & Care's Silk-n-Shine hair potion Shanti Thanda and Parachute Shampoo. Depending on the results of these prototypes, your Company will roll out plans to go national.

During FY04, growth in the International business was aided by focussed marketing and sales & distribution initiatives, which yielded positive results in terms of growing market standing in the Gulf. Parachute Gold Perfumed Hair Oil and Parachute Hair Cream posted impressive growths in volumes in the Gulf market.

SUBSIDIARIES

Marico Bangladesh Limited

Marico Bangladesh Limited (MBL), the 100% subsidiary of your Company, consolidated its presence in Bangladesh further. Parachute coconut oil is now market leader in Bangladesh with market shares well over 40%, while your Company's hair oil franchise is a clear No. 2.

MBL Industries Limited was formed as a wholly owned subsidiary of MBL in August 2003, largely for dealing with your Company products which are not yet manufactured by MBL.

New Businesses of Kaya Skin Care Limited and Sundari LLC

During the previous year, your Company had entered skin care businesses through Kaya Skin Care Limited and Global Ayurvedics- Sundari LLC. During this year, your Company made further investments in these businesses so as to enable them to get established & grow.

Kaya Skin Care Limited

The Kaya skin care services business has grown well during the year with 11 clinics – 7 in Mumbai and 4 in Delhi. Over 10,000 clients have visited the clinics in India and rated the services as either "Excellent" or "Good". On a scale of 1 to 5, the service rating is 4.44. The perception that skin care services are only meant for females is undergoing a change, which is evident from the fact that 17% of the Kaya clientele is now males, from 9% last year. It is expected that the investment phase will continue for the next few quarters.

DIRECTORS' REPORT

Sundari LLC

When your Company acquired Sundari LLC last year, its net worth was a negative of about Rs. 50 million. It was dependent on a single channel viz. retail sales. Focus on cost control was low and new product launches had slowed down. After the acquisition, your Company rationalised the existing channel, developed two new channels viz. Spas & Internet. It realigned the product portfolio and brought in focus on cost management. A new products pipeline is now in place. Your Company also appointed a full time Chief Operating Officer in June' 03. All this has started yielding results. On the whole, while the strategic pivots are getting in place, the business continues to be in the investment phase.

While the new ventures are expected to shore up the topline in the short run, their positive impact on bottom line will be felt only with a lag. Your Company recognizes that at this crucial juncture in its move up the value chain, excessive focus on short-term financial targets is likely to distract it from the long-term strategic objectives of establishing itself on a firm footing in new businesses.

The combined annualized turnover of all new products and new businesses is now at Rs. 1600 million, contributing about 18% of the total turnover of Marico Group.

OTHER CORPORATE DEVELOPMENTS

Changes in shareholding in Subsidiaries

Almost until the end of Q4 FY04, your Company held 100% of the issued share capital of Kaya, although Kaya Skin Care Limited has been originally envisaged to be a 76:24 joint venture between Marico and Adil & Associates LLC. At the end of the year, however, consequent to allotment of equity to Adil & Associates LLC, your Company held 86% of Kaya's equity with the balance 14% with Adil. The consolidated financials of Marico Group comprise Marico's share of Kaya's, as also Sundari's financial results for the year ended March 31, 2004.

A few changes are expected in the shareholding of Sundari LLC, which may result in, in minor changes in Marico's shareholding, currently at 63%.

Merger of four investment companies belonging to the promoter group with MIL

During the current year, four investment companies belonging to the promoter group and holding shares in your Company had approached your Company for a merger of these companies with your Company. The equity and preference shareholders of Marico Industries Limited at the extraordinary general meeting held on January 2, 2004 under the directive of Bombay High Court, approved the proposal to merge four investment companies of the Promoter Group into Marico. The Bombay High Court has sanctioned the scheme and accordingly all assets of the investment companies have been transferred at their book values (assets Rs.0.2 crore and liabilities Rs. Nil) to Marico Industries Ltd. with retrospective effect from November 15, 2003. The merger has not resulted in any change in the share capital of your Company or shareholding of the Promoter Group in your Company. The Promoter Group has borne all direct and consequential costs of the merger. The merger has, therefore, not had any impact either on the business of your Company or on the interests of other shareholders.

CAPACITY

Leveraging the recent de-reservation of the hair oil industry, your Company was one of the first FMCG players to set up a hair oil unit in Uttaranchal. This unit which commenced commercial operations in December 2003, has stabilised. The second unit is expected to go live shortly. In addition to excise and income tax exemptions, these units will help streamline supply chain management for hair oils.

RESEARCH & DEVELOPMENT (R & D)

Your Company's R&D team continued to develop new products, renovate existing ones and improve production facilities, packaging systems and processes. Your Company also worked closely with research laboratories of national and international repute for new product development.

Your Company spent Rs. 1.7 million on capital expenditure on R&D as against Rs. 1.7 million during the previous year. Revenue expenditure on R&D was Rs. 24 million as against Rs. 22 million in FY03.

In the future, thrust will continue to be on quality to identify ways to optimise costs and develop new products with focus on consumer needs.

DIRECTORS' REPORT

DEPOSITORY SYSTEM

Your Company's shares have been made available for dematerialization through the National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). As of March 31, 2004, 95.41% of the shares in your Company have been dematerialized.

PUBLIC DEPOSITS

Fixed deposits were not accepted during the year. There were no outstanding fixed deposits at the end of the year. Deposits amounting to Rs. 0.03 million relating to 2 matured deposits were paid to the respective depositors / their legal heirs as the case may have been.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956 (the Act) amended as per 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.

Appropriate accounting policies have been selected and applied consistently, and reasonable and prudent judgement 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, 2004 and the profits of your Company for the year ended March 31, 2004.

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.

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

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

CORPORATE SOCIAL RESPONSIBILITIES

Your Company is committed to development of the community in which it functions and during the year has in addition to projects for building and maintaining the public infrastructure, started work on promoting innovation in the business, education and social areas.

Innovation has been one of the main building blocks for Your Company's growth. Your Company believes that as a Corporate Citizen it has an opportunity and an obligation to contribute to the Nation by playing an active and larger role in the area of innovation. It therefore set up a foundation under the name "Innovation for India – Marico Foundation" in FY03. The purpose of the foundation is to promote Challenger Leadership in the country with innovative focus – primarily in 3 sectors – Business, Educational and Social. The activities of the Marico Innovation Foundation are being carried out under the stewardship of Dr. R.A. Mashelkar, Chief of the Council for Scientific and Industrial Research.

During FY04, the Foundation began the work of propagating the findings of the research over the last year. The findings have thus far been shared at many reputed fora like the AIMA conference, CII conference, etc. The findings were also shared at sessions conducted by business education institutes like Indian Institute of Management, Indian School of Business, etc. The Foundation also resolved to share the finding with interested corporates in the form of a workshop. The intent is to generate some fund that can be used for future research. Thus far it has conducted two workshops. The Foundation has also resolved to conduct research in the social & education sector in order to bring insights that can influence the community at large. That work has also commenced. The plan for the next year is to expand the reach to a larger business community through a set of multiple fora.

DIRECTORS' REPORT

During the year, your Company continued its sponsorship of the promenade on Carter Road in Bandra, a western suburb of Mumbai as its contribution towards protecting Mumbai's waterfronts.

Like in the past your Company also contributed to development of public facilities like road repairs, installation of digital traffic signal countdown timers and other social causes like health camps, scholarships, donations to schools, etc. in other towns where its units are located. Your Company will continue these efforts in future also.

DIRECTORS

Mr. Bipin Shah and Mr. Atul Choksey, Directors of the Company, retire by rotation as per Section 256 of the Companies Act, 1956 and being eligible offer themselves for re-appointment.

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.

The Company has, in accordance with the disclosure requirements contained in Section 212 (1) of the Companies Act, 1956 annexed the required documents concerning its subsidiary companies. In case of three of the Company's subsidiary companies namely Sundari LLC, Marico Bangladesh Limited and MBL Industries Limited, which have been incorporated outside India, the said documents comprise those compiled by these companies in accordance with the legal provisions of the respective countries where they have been incorporated. However, for facilitating better appreciation, the financial figures in the accounts of these companies have also been disclosed in Indian Rupees.

Given in addition are Consolidated Accounts for your Company, which comprise the financials of Marico Industries Limited as also Marico Bangladesh Limited, MBL Industries Limited, Kaya Skin Care Limited, Sundari LLC and Sundari Spa LLC.

AUDITORS

RSM & Co., Chartered Accountants, retire at the ensuing Annual General Meeting and have confirmed their eligibility for reappointment.

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 distributors, shareholders, bankers and all other business associates, and looks forward to continued support of all these partners in progress.

On behalf of the Board of Directors

Place: Mumbai

Date : April 21, 2004

Harsh Mariwala

Chairman and Managing Director

ANNEXURE TO THE DIRECTORS' REPORT

Disclosure of particulars with respect to conservation of Energy, Research & Development expenditure and Foreign Exchange earnings and outgo as required under 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 utilisation of energy in every manufacturing unit of the Company. A number of energy conservation measures which were taken for energy conservation are listed below:

- Process equipment rationalization to enhance throughputs and reduce power and fuel consumption
- Installation of Variable Frequency Drives for power optimization
- Installation of Energy saving lights

Your Company's journey on effective utilization of energy continues. Significant reduction in power consumption has been achieved and further rationalisation will continue in the future also.

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

B. Research & Development

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

- Evaluation of natural herbs for application in hair & skin products, with sponsorship from Department of Science & Technology (DST)
- Continuous innovation in process, product & packaging technology to offer better consumer value and reduce costs
- Development of new products, line extensions and new processes
- Creating a knowledge base in the area of traditional Indian wisdom
- Skill building towards evaluation of products for better efficacy and superior consumer attributes
- Product and Process patents
- Development of technology platforms to support the new businesses of the organisation

2. Benefits derived as a result of above R & D:

- Parachute was relaunched nationally in December 03 with a sleeker pack and a pearlised look;
- Various SKUs were developed under the hair oils & edible oils franchises;
- Following prototypes were carried out during the year -
 - ❖ Saffola Gold- a healthy blend of rice bran oil and safflower oil with oryzanol and Vitamin E additives.
 - ❖ Hair & Care's Silk n Shine hair potion- a post wash hair conditioner with the goodness of fruit vitamins
 - ❖ Shanti Maha Thanda- based on the consumer insights gathered through the Shanti Thanda prototype, Shanti Maha Thanda with a changed product formulation, packaging and the positioning is being prototyped.
 - ❖ Parachute Shampoo- a natural shampoo in an innovative and first-of-its kind blister pack.

Your Company continues to identify new consumer needs and provide solutions through R & D.

3. Expenditure on R & D:

	2003-04	2002-03
a) Capital	1.7	1.7
b) Recurring	24.0	22.1
Total	25.7	23.8
c) Total R & D expenditure as % to Sales & Services	0.30	0.32

(Rs. Million)

C. Foreign Exchange earnings and outgo:

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

On behalf of the Board of Directors

Place: Mumbai

Harsh Mariwala

Date : April 21, 2004

Chairman and Managing Director

ANNEXURE TO THE DIRECTORS' REPORT

ENCLOSURE 'A'

Power & Fuel Consumption		For the year ended March 31,	
		2004	2003
1.	Electricity		
a.	Purchased units (Kwh)	7,326,049.583	6,057,067.000
	Amount (Rs. Million)	27.676	23.432
b.	Own Generation		
i.	Through Diesel Generator (Kwh)	737,066.300	1,929,786.150
	Amount (Rs. Million)	4.925	11.761
	Average Rate (Rs. / Unit)	6.682	6.095
ii.	Through Steam Generator (Kwh)	Nil	Nil
	Amount (Rs. Million)	Nil	Nil
	Average Rate (Rs. / Unit)	Nil	Nil
2.	Coal		
	Quantity (MT)	Nil	Nil
	Amount (Rs. Million)	Nil	Nil
	Average Rate (Rs. / Ton)	Nil	Nil
3.	Furnace oil		
	Quantity (KL)	658.935	692.259
	Amount (Rs. Million)	9.239	9.481
	Average Rate (Rs. / KL)	14,021.051	13,695.792
4.	Other Internal Generation (excludes HSD used for electricity generation)		
	L.D.O / H.S.D.		
	Quantity (KL)	130.608	173.436
	Amount (Rs. Million)	2.507	3.005
	Average Rate (Rs. / KL)	19,192.552	17,326.083
5.	Baggase Consumption		
	Quantity (KG)	10,386.960	10,158.815
	Amount (Rs. Million)	10.285	10.024
	Average Rate (Rs. / KG)	990.150	986.697
	Consumption per unit of production of edible oils		
		Unit	
	Electricity	Kwh	121.546
	Coal	MT	Nil
	Furnace oil	KL	0.010
	L.D.O./H.S.D.	KL	0.001
	Baggase	KG	0.343
	Consumption per unit of production of processed foods		
		Unit	
	Electricity	Kwh	93.675
	Coal	MT	Nil
	Furnace oil	KL	Nil
	L.D.O./H.S.D.	KL	0.093
	Consumption per unit of production of Hair Oils		
		Unit	
	Electricity	Kwh	85.879
	Coal	MT	Nil
	Furnace oil	KL	Nil
	L.D.O./H.S.D.	KL	Nil
	Consumption per unit of production of Formulations		
		Unit	
	Electricity	Kwh	196.210
	Coal	MT	Nil
	Furnace oil	KL	Nil
	L.D.O./H.S.D.	KL	Nil

CORPORATE GOVERNANCE REPORT

I. PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

This report on Corporate Governance is divided into the following parts:

- Philosophy on Code of Corporate Governance
- Board of Directors
- Audit Committee
- Remuneration Committee
- Shareholders' Committee
- General Body Meetings
- Disclosures
- Means of Communication
- General Shareholder Information

Basic Philosophy

Corporate Governance encompasses laws, procedures, practices and implicit rules that determine a management's ability to take sound decisions vis-à-vis all its stakeholders – in particular, its shareholders, creditors, the State and employees. There is a global consensus on the objective of Good Corporate Governance: Maximising long-term shareholder value.

Since shareholders are residual claimants, this objective follows from a premise that in well-performing capital and financial markets, whatever maximises shareholder value must necessarily maximise corporate value, and best satisfy the claims of creditors, employees and the State.

A Company which is proactively compliant with the law and which adds value to itself through Corporate Governance initiatives would also command a higher value in the eyes of present and prospective shareholders.

Marico therefore believes that Corporate Governance is not an end in itself but is a catalyst in the process towards maximisation of shareholder value. Therefore, shareholder value as an objective is woven into all aspects of Corporate Governance the underlying philosophy, development of roles, creation of structures and continuous compliance with standard practices.

Corporate Governance as a concept has gained considerable importance of late, primarily because of the proposal to enshrine many of the accepted good governance principles into corporate law. For Marico, however, good corporate governance has been a cornerstone of the entire management process, the emphasis being on professional management, with a decision making model based on decentralisation, empowerment and meritocracy.

Cornerstones

Marico thus follows Corporate Governance Practices around the following philosophical cornerstones:

Generative Transparency and Openness in Information sharing

Marico believes that sharing and explaining all relevant information on the Company's policies and actions to all those to whom it has responsibilities, with transparency and openness, generates an ambience which helps all stakeholders to take informed decisions about the Company. This reflects externally in means maximum appropriate disclosures without jeopardising the Company's strategic interests and as also internally in the Company's relationship with its employees and in the conduct of its business. Such transparency and openness is however tempered with discretion to ensure that the Company's strategic interests and competitive position are not compromised.

Constructive Separation of Ownership and Management

Marico believes that constructive separation of the Management of the Company from its owners results in maximising the effectiveness of both, by sharpening their respective accountability.

CORPORATE GOVERNANCE REPORT

Value-adding Checks & Balances

Marico relies on a robust structure with value adding checks and balances designed:

- ❖ To prevent misuse of authority
- ❖ To facilitate timely response to change and
- ❖ To ensure effective management of risks, especially those relating to statutory compliance.

At the same time, the structure provides scope for adequate executive freedom, so that bureaucracies do not take value away from the Governance Objective.

Board / Committee Proceedings

The process of conduct of the Board and Committee proceedings is explained in detail later in on this report.

Other Significant Practices

The other significant Corporate Governance Practices followed by Marico are listed below:

Information Sharing

- ❖ Operational performance details are circulated through press releases/analyst updates
- ❖ All material information is included in the Annual Report.
- ❖ All relevant information is also posted on the corporate Website.
- ❖ Financial results are posted on the Intranet for employees.
- ❖ Financial results are published in leading newspapers.
- ❖ Stock exchanges are informed of all material developments

Ownership Separated from Management

- ❖ 5 out of 6 directors are non-executive and 4 are independent as per the requirement of listing agreement.
- ❖ No material related party transactions exist except with wholly owned subsidiary.
- ❖ All directors and employees are required to comply with internal code of conduct (share dealing rules) for trading in company securities in addition to concerned SEBI regulations.
- ❖ Senior management personnel are present at meetings so that the Board/Committees can seek explanations from them.

Checks & Balances

- ❖ All directors are provided with complete information relating to operations and company finances to enable them to participate effectively in board discussions.
- ❖ Administrative committee covers on routine transactional issues.
- ❖ Investment and borrowing committee covers management of funds.
- ❖ Audit committee covers to internal control systems, financial reporting and compliance issues.
- ❖ Remuneration committee covers remuneration of executive directors.
- ❖ Share transfer committee covers transfer formalities and other share-related procedures.
- ❖ Shareholders' committee covers redressal of investor grievances.
- ❖ Each non-executive director brings value through specialization.
- ❖ Constituted committees meet frequently to review operations.
- ❖ Directorships held are within the ceiling limits specified.
- ❖ Committee memberships and chairmanship of directors are within overall limits.
- ❖ Statutory compliance report alongwith a Compliance Certificate is placed before the Board at every meeting.
- ❖ Committees are chaired by independent directors to check control systems and review them.

CORPORATE GOVERNANCE REPORT

- ❖ All Directors endeavour to attend all the Board/Committee meetings as also the Annual General Meeting, which is generally held on the same day as the Board Meeting in July. The chairman of the Audit Committee attends the Annual General Meeting to answer queries, if any, on accounts.
- ❖ The Chairman of the Board / Committee, in consultation with the Chief Financial Officer and the Company Secretary, formalises the agenda for each of the Board Meetings.
- ❖ The Board/Committee, at its discretion, invites the concerned Chief Executive Officer or Manager of the Company and / or outside Advisors to any meeting(s) of the Board/Committee.
- ❖ The composition of the Audit Committee has been changed during the year to further strengthen the same with the inclusion of two more independent Directors who bring rich industry experience generally and FMCG experience in particular.
- ❖ The Audit Committee has, during the year considered all important Company policies having a financial or control angle viz: materials, risk management, internal controls, compliances across the Company. It has regularly monitored the effectiveness of policies, need for strengthening internal controls, etc.

Future Plans

Recognising the evolving nature of principles and practices relating to corporate governance, the Board plans to soon constitute a Corporate Governance Committee with the responsibility of annually reviewing the Company's Corporate Governance practices, and recommend for approval to the Board any improvements considered appropriate.

II. BOARD OF DIRECTORS

(I) Composition and category of Directors :-

Name	Category
Mr. Harsh Mariwala	Chairman & Managing Director
Mr. Kishore Mariwala	Non-Executive
Mr. Bipin Shah	Non-Executive and Independent
Mr. Nikhil Khattau	Non-Executive and Independent
Mr. Atul Choksey	Non-Executive and Independent
Mr. Rajeev Bakshi	Non-Executive and Independent

(II) Attendance of each Director at the Board meetings and the last Annual General Meeting:-

Six meetings of the Board of Directors were held during the period April 01, 2003 to March 31, 2004 viz: April 21, 2003; May 8, 2003; July 17, 2003; October 22, 2003; January 21, 2004 and March 15, 2004. The attendance record of all directors is as under: -

Names of Directors	No. of Board Meetings		Attendance at Last AGM	Remarks
	Held	Attended		
Mr. Harsh Mariwala	6	6	Yes	—
Mr. Kishore Mariwala	6	6	Yes	—
Mr. Bipin Shah	6	6	Yes	—
Mr. Nikhil Khattau	6	4	Yes	—
Mr. Atul Choksey	6	3	No	—
Mr. Rajeev Bakshi	6	4	No	—

CORPORATE GOVERNANCE REPORT

(III) Number of Board or Board committees of which a Director is a member or chairperson:-

Director	Number of Outside Directorships held	Number of Committee Memberships	Number of Committees in which Chairperson
Mr. Harsh Mariwala	3	1	1
Mr. Kishore Mariwala	5	2	1
Mr. Bipin Shah	6	4	3
Mr. Nikhil Khattau	—	3	Nil
Mr. Atul Choksey	11	Nil	Nil
Mr. Rajeev Bakshi	1	1	Nil

III. AUDIT COMMITTEE

Constitution:

The Audit Committee constituted by the Board of Directors at its meeting held on January 23, 2001, in accordance with Section 292 A of the Companies Act, 1956, was re-constituted during the financial year with resignation of Mr. Atul Choksey from the Committee at the meeting of the Board of Directors held on July 17, 2003.

The Audit Committee comprises the following Directors:

Mr. Bipin Shah	-	Chairman
Mr. Nikhil Khattau	-	Member
Mr. Kishore Mariwala	-	Member
Mr. Rajeev Bakshi	-	Member
Mr. Dev Bajpai	-	Secretary to the Committee

The terms of reference of the Audit Committee are as stated in the Corporate Governance Code and includes:

1. Discussions with auditors periodically about internal control systems, scope of audit including the observations of the auditors.
2. Review the half-yearly and annual financial statements before submission to the Board.
3. Ensuring compliance with internal control systems.
4. Seeking information from any employee.
5. Obtaining external Legal/Professional advice.
6. Inviting external experts, if necessary.
7. Investigation into any activity referred to it.
8. Recommending the appointment and remuneration of Auditors.

The Committee had 3 meetings during the financial year viz: April 21, 2003 (for considering the Annual Financial Results), October 22, 2003 (for considering audited half-yearly financial results) and January 21, 2004 (for considering Accounting issues for the financial year and Internal Audit findings).

Names of Directors	No. of Audit Committee Meetings	
	Held	Attended
Mr. Kishore Mariwala	3	3
Mr. Bipin Shah	3	3
Mr. Nikhil Khattau	3	1
Mr. Rajeev Bakshi	3	2
Mr. Atul Choksey	3	1*

* resigned at the Board meeting held on July 17, 2003

CORPORATE GOVERNANCE REPORT

IV. REMUNERATION COMMITTEE

Constitution:

The Remuneration Committee was constituted by the Board of Directors at its meeting held on October 23, 2001. The Remuneration Committee was re – constituted by the Board of Directors at its meeting held on April 21, 2004.

The Remuneration Committee now comprises the following Directors:

Mr. Bipin Shah	-	Chairman
Mr. Kishore Mariwala	-	Member
Mr. Nikhil Khattau	-	Member
Mr. Dev Bajpai	-	Secretary to the Committee

The terms of reference of the Remuneration Committee are as stated in the Code.

There was one meeting of the Remuneration Committee during the financial year.

Names of Directors	No. of Remuneration Committee Meetings	
	Held	Attended
Mr. Kishore Mariwala	1	1
Mr. Bipin Shah	1	1

Although as per the requirements of the Listing Agreement the constitution of this committee is non-mandatory the Company has constituted this Committee.

Remuneration paid to Non-Executive Directors for the Financial Year 2003-2004 is as under:

Name	Remuneration (payable annually) (Rs.)	Sitting Fees (Rs.)
Mr. Kishore Mariwala	1,85,000	50,000
Mr. Bipin Shah	1,85,000	50,000
Mr. Nikhil Khattau	96,666	25,000
Mr. Atul Choksey	75,833	20,000
Mr. Rajeev Bakshi	1,10,000	30,000

The remuneration paid to Mr. Harsh Mariwala, Chairman & Managing Director, for the financial year 2003-04 is as under:

Name	Salary and Perquisites (Rs.)	Annual Performance Incentive (Rs.)
Mr. Harsh Mariwala	89,32,153	—

V. SHAREHOLDERS' COMMITTEE

Constitution:

The Shareholders' Committee was constituted by the Board of Directors at its meeting held on October 23, 2001.

The terms of reference of the Shareholders' committee are to specifically look into the redressal of shareholders' and investors' complaints like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends etc.

The Shareholders' Committee comprises the following Directors:

Mr. Kishore Mariwala	-	Chairman
Mr. Nikhil Khattau	-	Member
Mr. Dev Bajpai	-	Secretary to the Committee

There was no meeting of the Committee during the financial year 2003-2004.

CORPORATE GOVERNANCE REPORT

Status Report of Investor Complaints as on March 31, 2004

No. of Complaints Received	-	2
No. of Complaints Resolved	-	2
No. of Complaints Pending	-	NIL

All valid requests for share transfer received during the year have been acted upon by the Company and no such transfer is pending.

VI. GENERAL BODY MEETINGS

Annual General Meetings

YEAR	VENUE	DATE	TIME
2001	'Centrum', MVIRDC World Trade Centre, Cuffe Parade, Colaba, Mumbai – 400 005	July 25, 2001	2:00 p.m.
2002	'Centrum', MVIRDC World Trade Centre, Cuffe Parade, Colaba, Mumbai – 400 005	July 18, 2002	2:00 p.m.
2003	'Kohinoor Hall', Kohinoor Corner, Opposite Siddhivinayak Mandir, Veer Savarkar Marg, Prabhadevi, Mumbai – 400025	July 17, 2003	9.00 a.m.

Court Convened General Meetings

YEAR	VENUE	DATE	TIME
2004	'Kohinoor Hall', Kohinoor Corner, Opp. Siddhivinayak Mandir, Veer Savarkar Marg, Prabhadevi, Mumbai - 400 025	January 2, 2004	9:00 a.m.
2004	'Kohinoor Hall', Kohinoor Corner, Opp. Siddhivinayak Mandir, Veer Savarkar Marg, Prabhadevi, Mumbai - 400 025	January 2, 2004	9:30 a.m.

Meetings of Equity Shareholder and 8% Redeemable Preference Shareholders were convened pursuant to the direction of the Hon'ble High Court of Judicature at Bombay to approve the Scheme of Amalgamation.

Postal ballot

No Postal Ballot was conducted during the year.

VII. DISCLOSURES

There has not been any non-compliance, penalties or strictures imposed on the company by the Stock Exchanges, Securities and Exchange Board of India or any other statutory authority, on any matter relating to the capital markets during the last three years.

VIII. MEANS OF COMMUNICATION

Quarterly, Half Yearly and Annual results are being published in a leading English financial daily and a vernacular newspaper. In addition the consolidated financial results are also being published. Your Company does not issue half-yearly reports to be sent to households of shareholders.

All official news releases and financial results are communicated by the company through its corporate website - www.maricoindia.com.

The Management Discussion and Analysis Report forms part of the Annual Report.

CORPORATE GOVERNANCE REPORT

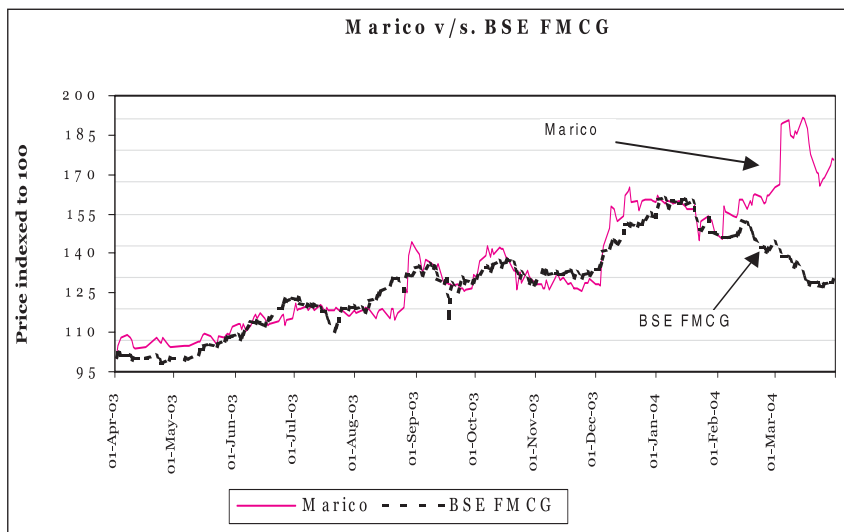
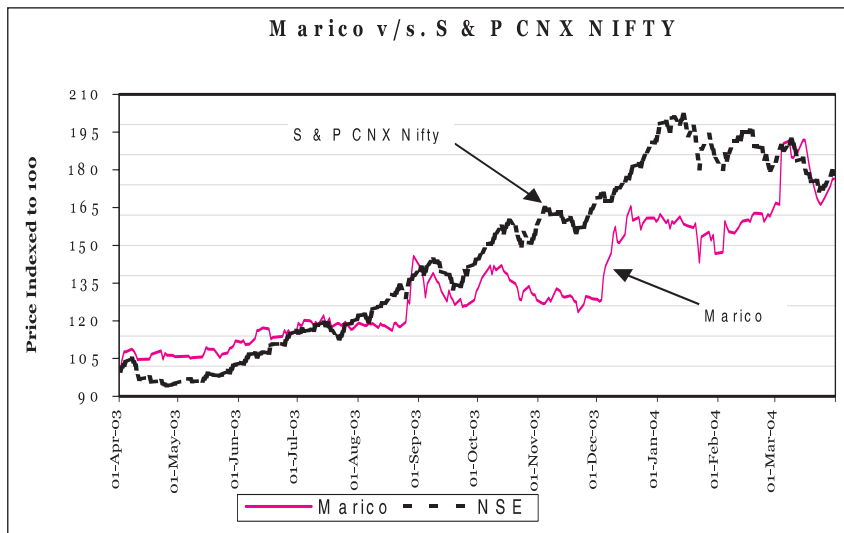
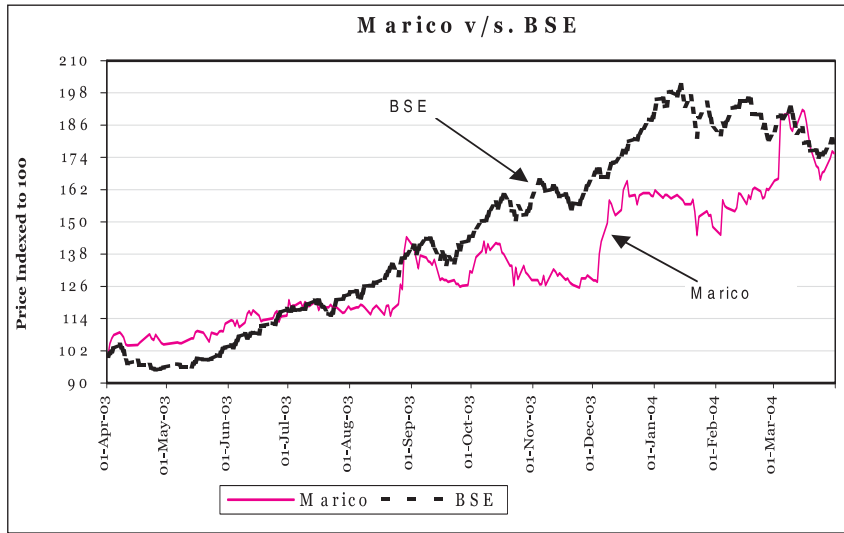
IX. GENERAL SHAREHOLDER INFORMATION

Annual General Meeting -	:	9.00 A.M. on Wednesday, July 21, 2004
Date, time and Venue	:	'Kohinoor Hall', Kohinoor Corner, Opp. Siddhivinayak Mandir, Veer Savarkar Marg, Prabhadevi, Mumbai - 400 025
Financial Year	:	April 01 - March 31
Book Closure Date	:	Tuesday, July 13, 2004 to Wednesday, July 21, 2004, both days inclusive.
Dividend Payment Date	:	August 16, 2003 (1 st Interim Equity Dividend 03-04) August 16, 2003 (8% Dividend on RePS 03-04) November 8, 2003 (2 nd Interim Equity Dividend 03-04) March 29, 2004 (3 rd Interim Equity Dividend 03-04) May 17, 2004 (4 th Interim Equity Dividend 03-04)
Listing on Stock Exchanges	:	Listed on The Stock Exchange, Mumbai and The National Stock Exchange of India Limited. Listing fees for the Financial Year 2004-05 have been paid.
Stock Code	:	531642
Market Price Data	:	

Month	The Stock Exchange, Mumbai (BSE) (In Rs.)		National Stock Exchange (NSE) (In Rs.)	
	High	Low	High	Low
	April-03	163.3	147.0	164.9
May-03	166.5	154.0	168.5	148.0
June-03	174.9	160.0	175.0	155.5
July-03	185.0	170.0	185.0	151.1
Aug-03	219.0	166.0	224.2	170.7
Sep-03	215.0	182.1	223.8	184.1
Oct-03	215.0	186.5	221.0	185.0
Nov-03	199.0	171.0	199.0	182.6
Dec-03	247.0	188.0	249.8	187.0
Jan-04	278.0	209.5	245.0	190.5
Feb-04	273.4	212.0	244.0	208.0
Mar-04	302.0	237.5	303.0	222.2

CORPORATE GOVERNANCE REPORT

PERFORMANCE IN COMPARISON: BSE SENSEX, S & P CNX NIFTY AND BSE FMCG



CORPORATE GOVERNANCE REPORT

Share Transfer System : Transfer in physical form are registered by the Registrar and Share Transfer Agents, M/s Karvy Consultants Limited within 30 days of the receipt of completed documents.

Invalid share transfers are returned within 15 days of receipt.

The Share Transfer Committee meets on Fortnightly basis (depending upon the Share Transfers received).

All requests for dematerialisation of shares are processed and the confirmation is given to respective Depositories i.e. National Securities Depository Limited and Central Depository Services (India) Limited.

Registrar & Transfer Agents : M/s Karvy Computershare Pvt. Ltd., 7, Andheri Industrial Estate, Off Veera Desai Road, Andheri (West), Mumbai – 400 058.

Distribution of Shareholding as on March 31, 2004 :

No. of Equity Shares held	No. of Shareholders	No. of Shares held	% of Shareholding
0-50	5,090	156,777	0.54
51-500	5,504	950,112	3.28
501-1000	352	276,915	0.95
1001-5000	234	502,772	1.73
5001-10000	18	125,031	0.43
10001-50000	31	873,139	3.01
50000 & Above	50	26,115,254	90.06
Total	11,279	29,000,000	100.00

Categories of Shareholding :

Category	No. of Share holders	No. of Shares held	Percentage of Shareholding
Promoters	31	19,164,742	66.09
Unit Trust of India	4	1,445,756	4.99
Mutual Funds	11	922,104	3.18
Insurance Companies	6	1,693,140	5.84
Banks & Other Financial Institutions	1	100	0.00
Public/Pvt. Ltd Companies	541	471,586	1.63
FIs	11	2,570,810	8.86
NRIs and OCBs	90	120,928	0.42
Resident Individuals	10,581	2,583,282	8.90
Trust	1	100	0.00
In Transit	2	27,452	0.09
Total	11,279	29,000,000	100.00

CORPORATE GOVERNANCE REPORT

Dematerialisation of Shares and Liquidity	:	As on March 31, 2004, 95.41 % of shareholding is held in Dematerialised form with National Securities Depository Limited and Central Depository Services (India) Limited. In terms of the notification issued by the Securities and Exchange Board of India (SEBI), trading in the equity shares of the Company is permitted only in dematerialised form w.e.f. May 31, 1999.
Outstanding GDR / ADR / Warrants or any convertible instruments, conversion date and impact on equity	:	Company has not issued any GDR / ADR / Warrants or any convertible instruments so far.
Plant Locations	:	Goa, Pondicherry, Kanjikode, Jalgaon, Saswad, Daman and Dehradun
Address for correspondence	:	<u>Shareholding related queries</u> Company's Registrar & Transfer Agent: M/s Karvy Computershare Limited 7, Andheri Industrial Estate, Off Veera Desai Road, Andheri (West), Mumbai – 400 058, India. <u>General Correspondence</u> Marico Industries Limited, Rang Sharda, Krishnachandra Marg, Bandra Reclamation, Bandra (West), Mumbai – 400 050

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To

The Members of
Marico Industries Limited

We have examined the compliance of conditions of corporate governance by Marico Industries Limited, for the year ended on March 31, 2004 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 RSM & Co.

Chartered Accountants

Vijay N. Bhatt

Partner (F – 36647)

Place : Mumbai

Date : April 21, 2004

AUDITORS' REPORT

TO THE MEMBERS OF MARICO INDUSTRIES LIMITED

1. We have audited the attached Balance Sheet of **Marico Industries Limited** ('the Company') as at March 31, 2004, and also the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date (together referred to as 'financial statements'). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, ('CARO'), issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956 ('the Act'), and on the basis of such checks of the books and records as we considered necessary and appropriate and according to the information and explanations given to us during the course of the audit, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. in our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of those books;
 - c. the Balance Sheet, Profit and Loss Account and Cash Flow statement dealt with by this report are in agreement with the books of account;
 - d. in our opinion, the Balance Sheet, the Profit and Loss Account and Cash Flow Statement comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - e. on the basis of the written representations received from the directors, and taken on record by the Board of Directors, we report that none of the directors are disqualified as on March 31, 2004 from being appointed as a director under clause (g) of sub-section (1) of Section 274 of the Act;
 - f. in our opinion and to the best of our information and according to the explanations given to us, the said financial statements, read with the notes thereon, give the information required by the Act in the manner so required and, give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i. in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2004;
 - ii. in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
 - iii. in case of the Cash Flow statement, of the cash flows of the Company for the year ended on that date.

For RSM & Co.

Chartered Accountants

Vijay N. Bhatt

Partner (F-36647)

Place : Mumbai

Date : April 21, 2004

ANNEXURE TO AUDITORS' REPORT

(Referred to in our Report of even date)

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The fixed assets are physically verified by the management in a phased manner which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification during the year.
- (c) The Company has not disposed off a substantial part of fixed assets during the year, and accordingly, going concern is not affected.
- (ii) (a) As explained to us, physical verification of the inventory was carried out at reasonable intervals by the management.
- (b) In our opinion, and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
- (c) In our opinion, and according to the information and explanations given to us, the Company has maintained proper records of its inventory, and the discrepancies noticed on physical verification of inventory as compared to the book records were not material and have been properly dealt with in the books of account.
- (iii) In our opinion and according to the information and explanations given to us, the Company has not taken or granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, clauses (iii) (b), (iii) (c) and (iii) (d) of the Order are not applicable.
- (iv) In our opinion, and according to the information and explanations given to us, the Company has adequate internal control procedures commensurate with the size of the Company and nature of its business for the purchase of inventory and fixed assets and for the sale of goods. Further, based on our examinations and according to the information and explanations given to us, we have neither come across nor have we been informed of any major weakness in the internal control.
- (v) To the best of our knowledge and belief and according to the information and explanations given to us, there are no transactions that need to be entered into a register in pursuance of section 301 of the Act.
- (vi) The Company has not accepted any deposits from the public to which the directives issued by the Reserve Bank of India and the provisions of section 58A and 58AA of the Act and the rules framed thereunder are applicable.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the Company in respect to products, where pursuant to Rules made by the Central Government, the maintenance of cost records has been prescribed under section 209(1)(d) of the Companies Act, 1956. We are of the opinion that the prescribed accounts and records have been maintained. We have not, however, made a detailed examination of the records with a view to determining whether they are accurate or complete.
- (ix) (a) According to the information and explanations given to us, the Company is regular in depositing undisputed statutory dues including Provident Fund, Investors Education and Protection Fund, Employees' State Insurance, Income tax, Sales tax, Wealth Tax, Custom duty, Excise duty, Cess and any other statutory dues applicable to it, with the appropriate authorities during the year.

ANNEXURE TO AUDITORS' REPORT

- (b) According to the information and explanation given to us and the records of the Company as at March 31, 2004, disputed Sales Tax demand aggregating to Rs. 20,447,174 have not been deposited since the matters are pending with the requisite Sales Tax Appellate Authorities.
- (x) The Company does not have any accumulated losses as at the year end, and has not incurred any cash losses during the financial year and the immediately preceding financial year.
- (xi) On the basis of our examination and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to any bank. The Company has not obtained any borrowings from any financial institution or by way of debentures.
- (xii) As the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities, clause (xii) of the Order is not applicable.
- (xiii) Clause (xiii) relating to applicability of provisions for special statute applicable to Chit Fund, or relating to nidhi, mutual benefit funds/societies, is not applicable to the Company, in view of the nature of its business/activities during the year.
- (xiv) In respect of Company's dealing/trading in its investments, proper records have been maintained of transactions and contracts and timely entries have been made. The investments have been held by the Company in its own name.
- (xv) In our opinion and according to the information and explanations given to us, the Company has given guarantee for loans taken by others from banks, the terms and conditions whereof are not prejudicial to the interest of the Company.
- (xvi) The Company has not taken any term loans during the year. Accordingly, clause (xvi) of the Order is not applicable.
- (xvii) In our opinion, and on the basis of our examination and according to the information and explanations given to us, the Company has not, prima facie, used the funds borrowed on short term basis during the year for long term investment and vice versa.
- (xviii) The Company has not made any preferential allotment of shares or issued debentures or made any public issue during the year, and, accordingly, clauses (xviii), (xix) and (xx) of the Order are not applicable.
- (xix) To the best of our knowledge and belief, and according to the information and explanations given to us, there have been no cases of fraud on or by the Company noticed or reported during the year.

For RSM & Co.

Chartered Accountants

Vijay N. Bhatt

Partner (F-36647)

Place : Mumbai

Date : April 21, 2004

MARICO INDUSTRIES LIMITED

BALANCE SHEET

	SCHEDULE	As at March 31,	
		2004 Rs. million	2003 Rs. million
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Capital	A	290.000	580.000
Reserves and surplus	B	1,509.250	1,312.224
		<u>1,799.250</u>	<u>1,892.224</u>
LOAN FUNDS			
Secured loans	C	–	–
Unsecured loans	D	93.847	103.287
		<u>93.847</u>	<u>103.287</u>
DEFERRED TAX LIABILITY			
		62.447	60.887
		<u>1,955.544</u>	<u>2,056.398</u>
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross block	E	1,524.766	1,418.454
Less : Depreciation, amortisation and impairment		703.108	573.385
Net block		821.658	845.069
Capital work-in-progress		76.056	119.788
		<u>897.714</u>	<u>964.857</u>
INVESTMENTS			
	F	144.277	202.963
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	G	947.192	888.636
Sundry debtors	H	334.589	252.524
Cash and bank balances	I	236.593	182.895
Loans and advances	J	374.130	349.599
		<u>1,892.504</u>	<u>1,673.654</u>
Less: CURRENT LIABILITIES AND PROVISIONS			
Current Liabilities	K	856.735	685.977
Provisions	L	122.216	99.099
		<u>978.951</u>	<u>785.075</u>
NET CURRENT ASSETS			
		<u>913.553</u>	<u>888.578</u>
		<u>1,955.544</u>	<u>2,056.398</u>
Notes	R		

As per our attached report of even date

For RSM & Co.

Chartered Accountants

VIJAY N. BHATT

Partner (F-36647)

Place : Mumbai

Dated : 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

Dated : April 21, 2004

MARICO INDUSTRIES LIMITED

PROFIT AND LOSS ACCOUNT

	SCHEDULE	For the year ended March 31,	
		2004 Rs. million	2003 Rs. million
INCOME:			
Sales	Q	8,503.758	7,380.134
Less : Excise Duty		49.830	9.353
		8,453.928	7,370.781
Income from services	Q	21.823	11.946
Total Sales		8,475.751	7,382.727
Other income	M	44.401	110.516
		8,520.152	7,493.243
EXPENDITURE:			
Cost of materials	N	5,590.491	4,794.803
Manufacturing and other expenses	O	2,177.128	1,880.693
Finance charges	P	8.161	10.297
Depreciation and amortisation	E	110.535	217.140
		7,886.315	6,902.933
PROFIT BEFORE TAXATION		633.837	590.310
Provision for current taxation		52.300	59.500
PROFIT AFTER CURRENT TAX		581.537	530.810
Provision for deferred taxation		1.560	0.853
Excess income tax provision of earlier year written back		–	0.850
PROFIT AFTER TAXATION		579.977	530.807
Balance brought forward		940.912	910.418
PROFIT AVAILABLE FOR APPROPRIATION		1,520.889	1,441.225
APPROPRIATIONS			
Interim dividends (subject to deduction of tax where applicable)		246.500	79.750
Tax on interim dividends		31.583	–
Tax on redemption of 8% Redeemable Preference shares		37.156	–
Preference dividend		23.200	11.632
Tax on preference dividend		2.972	–
Proposed final dividend		–	58.000
Tax on proposed final dividend		–	7.431
Capital Redemption Reserve		–	290.000
General reserve		57.998	53.500
BALANCE CARRIED TO THE BALANCE SHEET		1,121.480	940.912
BASIC AND DILUTED EARNINGS PER SHARE BEFORE BONUS ISSUE		19.10	17.90
BASIC AND DILUTED EARNINGS PER SHARE AFTER BONUS ISSUE		9.55	8.95
Notes	R		

As per our attached report of even date

For RSM & Co.

Chartered Accountants

VIJAY N. BHATT

Partner (F-36647)

Place : Mumbai

Dated : 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

Dated : April 21, 2004

CASH FLOW STATEMENT

		For the year ended March 31,	
		2004	2003
		Rs. million	Rs. million
A	CASH FLOW FROM OPERATING ACTIVITIES		
	Net Profit before tax	633.837	590.310
	Adjustments for:		
	Depreciation and amortisation	110.535	217.140
	Finance charges	22.974	18.517
	Interest income	(14.813)	(8.220)
	Loss on sale of asset	3.795	1.077
	Loss (Income) from investments	1.113	–
	Dividend income on investments	(28.076)	–
	Cumulative exchange differences	(8.378)	–
		<u>87.150</u>	<u>228.514</u>
	Operating profit before working capital changes	720.987	818.824
	Adjustments for:		
	Increase/ (Decrease) in Inventories	58.556	69.336
	Increase/ (Decrease) in Sundry Debtors	82.065	(39.118)
	Increase/ (Decrease) in Loans and Advances (**)	127.601	135.670
	(Increase)/ Decrease in Current Liabilities	(177.518)	(32.652)
		<u>90.704</u>	<u>133.236</u>
	Cash generated from Operations	630.283	685.588
	Income tax paid (net of refunds)	24.730	71.354
	NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES	A	
		<u><u>605.553</u></u>	<u><u>614.234</u></u>
B	CASH FLOW FROM INVESTING ACTIVITIES		
	(Purchase) of Fixed Assets	(98.267)	(224.776)
	(Purchase) / Sale of Investments	133.073	(194.255)
	Dividend income on investments	28.076	–
	Amalgamation of Group Companies	0.202	–
	Sale of Fixed Assets	9.339	6.832
	Interest income	14.813	8.220
	NET CASH INFLOW / (OUTFLOW) FROM INVESTING ACTIVITIES	B	
		<u><u>87.236</u></u>	<u><u>(403.979)</u></u>

MARICO INDUSTRIES LIMITED

CASH FLOW STATEMENT

	SCHEDULE	For the year ended March 31,	
		2004 Rs. million	2003 Rs. million
C CASH FLOW FROM FINANCING ACTIVITIES			
(Repayment of borrowing)/Amount borrowed		(1.063)	52.795
Finance charges		(22.974)	(18.517)
Redemption of Preference Shares		(290.000)	–
Dividend paid (including tax on dividends)		(325.054)	(163.882)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	C	(639.091)	(129.604)
NET INCREASE / (DECREASE) IN CASH & CASH EQUIVALENTS	A+B+C	53.698	80.651
Cash and cash equivalents - opening balance		182.895	102.244
Cash and cash equivalents - closing balance		236.593	182.895

** Change in Loans & Advances excludes Equity Shares worth Rs 75.500 million received in lieu of Loans given to Subsidiary.

As per our attached report of even date

For RSM & Co.

Chartered Accountants

VIJAY N. BHATT

Partner (F-36647)

Place : Mumbai

Dated : 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

Dated : April 21, 2004

SCHEDULES TO BALANCE SHEET

	As at March 31,	
	2004	2003
	Rs. million	Rs. million
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
	<u>600.000</u>	<u>600.000</u>
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
The above includes 26,500,000 (26,500,000) equity shares issued as fully paid bonus shares by capitalisation of general reserve of Rs. 265.000 million (Rs. 265.000 million) and preference shares issued as fully paid bonus shares by capitalisation of general reserves of Rs. Nil (287.500 million) and capital reserves of Rs. Nil (Rs. 2.500 million)		
	<u>290.000</u>	<u>580.000</u>
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	–
Less : Utilised for creation of Capital Redemption Reserve	280.015	–
Utilised for issue of bonus equity shares	–	145.000
Utilised for issue of bonus 8% Redeemable Preference shares	–	287.500
Adjustment of impaired value of fixed assets	41.742	–
	<u>97.770</u>	<u>361.327</u>
Balance in PROFIT AND LOSS ACCOUNT	1,121.480	940.912
	<u>1,509.250</u>	<u>1,312.224</u>

MARICO INDUSTRIES LIMITED

SCHEDULES TO BALANCE SHEET

	As at March 31,	
	2004	2003
	Rs. million	Rs. million
SCHEDULE 'C'		
SECURED LOANS		
Working capital finance from banks (Secured by hypothecation of stocks in trade and debtors)	–	–
	<u>–</u>	<u>–</u>
	<u>–</u>	<u>–</u>
SCHEDULE 'D'		
UNSECURED LOANS		
From Banks (Short term)	93.847	102.224
Deferred sales tax loan	–	1.063
(Amount repayable within one year Rs. Nil (Rs. Nil))		
	<u>93.847</u>	<u>103.287</u>

SCHEDULE 'E'

FIXED ASSETS

Rs. million

PARTICULARS	GROSS BLOCK				DEPRECIATION/AMORTISATION				Provision for Impairment	NET BLOCK	
	As at March 31, 2003	Additions	Deductions	As at March 31, 2004	Up to March 31, 2003	For the period	Deductions/ Adjustments	Up to March 31, 2004		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	358.245	15.368	–	373.613	41.898	7.736	–	49.634	–	323.979	316.348
Plant and machinery	937.222	112.758	31.860	1,018.120	448.032	99.411	21.927	525.516	41.742	450.862	489.190
Furniture and fittings	17.568	7.000	0.221	24.347	8.682	1.196	0.043	9.835	–	14.512	8.886
Vehicles	9.755	3.145	3.607	9.293	1.833	0.807	0.584	2.056	–	7.237	7.922
Intangible assets (Note 10d)											
– Business & commercial rights	1.560	–	–	1.560	0.240	0.078	–	0.318	–	1.242	1.319
– Computer software	72.109	2.122	–	74.231	72.054	1.145	–	73.199	–	1.032	0.055
TOTAL	1,418.454	142.000	35.688	1,524.766	573.385	110.535	22.554	661.366	41.742	821.658	845.069
Previous year	1,844.534	159.950	586.030	1,418.454	489.352	217.140	133.107	573.385	–		
Capital work-in-progress (at cost) including advances on capital account										76.056	119.788
										<u>897.714</u>	<u>964.857</u>

Notes :

- 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.
- 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	2003
	Rs. million	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
Subsidiary Companies:		
Marico Bangladesh Limited	8.631	8.631
1,000,000 (1,000,000) equity shares of Taka 10 each fully paid		
Kaya Skin Care Limited	76.000	0.500
7,600,000 (49,996) equity shares of Rs. 10 each fully paid		
Sundari LLC	54.878	54.878
63,000 (63,000) units of USD 18.25 each fully paid		
	139.588	64.088
CURRENT – UNQUOTED		
Investment in Mutual Fund Units		
Prudential ICICI Liquid Fund – Growth Option	–	31.375
Nil (2,115,723) Units of Rs. 10 each fully paid		
Prudential ICICI Liquid Daily Dividend Reinvestment Fund	0.008	–
650 (Nil) Units of Rs. 10 each fully paid		
HDFC Mutual Fund – HFLG Liquid Fund Growth Scheme	–	42.000
Nil (3,497,470) Units of Rs. 10 each fully paid		
IDBI – Principal Cash Management Fund – Liquid option growth plan	–	50.000
Nil (4,202,634) Units of Rs. 10 each fully paid		
Grindlays Cash Fund – Growth Option	–	15.500
Nil (1,377,685) Units of Rs. 10 each fully paid		
Birla Cash Plus – Sweep Dividend Plan	4.681	–
466,225 (Nil) units of Rs. 10 each fully paid		
	4.689	138.875
	144.277	202.963
	No. of units	No. of units
	(in million)	(in million)
Note: Units of Mutual Funds purchased and sold during the year		
Name of the Scheme		
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	2003
	Rs. million	Rs. million
SCHEDULE 'G'		
INVENTORIES		
(As valued and certified by the management)		
Raw materials	363.946	286.317
Packing materials	109.567	116.084
Work-in-process	152.211	174.405
Finished products	299.272	280.430
Stores, spares and consumables	19.050	16.083
By-products	3.146	15.317
	<u>947.192</u>	<u>888.636</u>
SCHEDULE 'H'		
SUNDRY DEBTORS		
Unsecured		
Over six months - Considered good	0.266	6.512
- Considered doubtful	15.593	12.328
	<u>15.859</u>	<u>18.840</u>
Less: Provision for doubtful debts	15.593	12.328
	0.266	6.512
Other Debts - Considered good	334.323	246.012
	<u>334.589</u>	<u>252.524</u>
SCHEDULE 'I'		
CASH AND BANK BALANCES		
Cash on hand	1.283	1.543
Balances with scheduled banks:		
Fixed deposits (Rs.1.414 million (Rs. 2.041 million) lodged with Government authorities)	6.413	52.041
Margin accounts (Against letters of credit and bank guarantees)	14.939	3.358
Current accounts	213.958	125.953
	<u>236.593</u>	<u>182.895</u>

SCHEDULES TO BALANCE SHEET

	As at March 31,	
	2004	2003
	Rs. million	Rs. million
SCHEDULE 'J'		
LOANS AND ADVANCES		
(Unsecured—considered good, unless otherwise stated)		
Advances and Loans to subsidiaries	166.274	32.891
Inter corporate deposits	—	75.000
Advances recoverable in cash or in kind		
or for value to be received – considered good	103.760	104.169
– considered doubtful	—	3.176
	<u>103.760</u>	<u>107.345</u>
Less: Provision for doubtful advances	—	3.176
	<u>103.760</u>	<u>104.169</u>
Deposits	72.961	78.296
Balances with central excise authorities	0.459	0.997
Income tax payments, net of provision	30.676	58.246
	<u>374.130</u>	<u>349.599</u>
SCHEDULE 'K'		
CURRENT LIABILITIES		
Sundry creditors	751.915	603.651
(includes Rs. Nil (Rs. 4.714 million) being lease rental obligations repayable beyond one year)		
Other liabilities	77.873	65.492
Security deposits	15.366	15.536
Unclaimed Dividend	4.826	1.298
Unclaimed Redeemed 8% Preference Share Capital	6.755	—
	<u>856.735</u>	<u>685.977</u>
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
	<u>122.216</u>	<u>99.099</u>

SCHEDULES TO PROFIT AND LOSS ACCOUNT

	For the year ended March 31,	
	2004 Rs. million	2003 Rs. million
SCHEDULE 'M'		
OTHER INCOME		
Miscellaneous income	44.401	110.516
	<u>44.401</u>	<u>110.516</u>
SCHEDULE 'N'		
COST OF MATERIALS		
Raw materials consumed	4,242.048	3,522.554
Packing materials consumed	762.470	706.984
Stores and spares consumed	57.977	56.487
Purchase for resale	512.473	539.553
(Increase)/Decrease in stocks		
Opening stocks		
- Work-in-process	174.405	87.391
- By-products	15.317	7.573
- Finished products	280.430	344.413
Less :		
Closing stocks		
- Work-in-process	152.211	174.405
- By-products	3.146	15.317
- Finished products	299.272	280.430
	<u>15.523</u>	<u>(30.775)</u>
	<u>5,590.491</u>	<u>4,794.803</u>

MARICO INDUSTRIES LIMITED

SCHEDULES TO PROFIT AND LOSS ACCOUNT

	For the year ended March 31,	
	2004	2003
	Rs. million	Rs. million
SCHEDULE 'O'		
MANUFACTURING AND OTHER EXPENSES		
Employees' costs:		
Salaries, wages and bonus	350.885	276.602
Contribution to provident fund and other funds	35.012	38.067
Welfare expenses	26.546	27.694
	<u>412.443</u>	<u>342.363</u>
Power, fuel and water	38.724	34.739
Contract manufacturing charges	192.140	155.147
Rent and storage charges	30.152	30.560
Repairs to: Buildings	13.569	13.113
Machinery	26.291	25.323
Others	4.735	5.463
	<u>44.595</u>	<u>43.899</u>
Freight, forwarding and distribution expenses	336.834	311.063
Advertisement and sales promotion	687.890	579.716
Rates and taxes - Excise duty	2.967	11.061
- Others	2.886	3.327
Sales tax and cess	88.274	73.907
Provision for doubtful debts and advances	5.215	-
Printing, stationery and communication expenses	42.868	40.070
Travelling, conveyance and vehicle expenses	80.278	74.316
Insurance	8.308	8.980
Miscellaneous expenses	203.554	171.545
	<u>2,177.128</u>	<u>1,880.693</u>
SCHEDULE 'P'		
FINANCE CHARGES		
Interest on fixed period loans	1.826	0.101
Other interest	2.184	2.821
Bank and other financial charges	18.964	15.595
	<u>22.974</u>	<u>18.517</u>
Less : Interest income	14.813	8.220
(Tax deducted at source Rs. 2.274 million (Rs. 1.057 million))		
	<u>8.161</u>	<u>10.297</u>

SCHEDULES TO PROFIT AND LOSS ACCOUNT

ADDITIONAL INFORMATION
SCHEDULE 'Q'

A) Details of Production, Turnover, Opening Stock and Closing Stock

Sr. No.	Particulars	Unit	Period ended	Installed capacity (Note I)	Opening stock		Production Quantity (Note IV)	Purchases		Turnover		Closing stock	
					Quantity	Rs.million		Quantity	Rs.million	Quantity	Rs.million	Quantity	Rs.million
1	Raw/Refined Oils	(M.T.)	31.03.2004	124,320	3,074,318	204,237	73,583,190	8,990,701	423,836	76,311,380	6,878,961	3,388,183	231,761
				of Oils									
			31.03.2003	122,524	4,625,760	252,925	61,628,622	9,096,810	392,421	76,609,804	5,958,049	3,074,318	204,237
				of Oils									
2	Hair Oils (Note II)	(K.L.)	31.03.2004	-	859,010	59,228	700,000	-	-	6,758,410	987,164	699,362	46,965
			31.03.2003	-	573,750	36,368	-	-	-	5,498,995	753,181	859,010	59,228
3	Others (Note III)		31.03.2004	-	-	32,281	-	-	88,637	-	637,633	-	23,692
	(Incl processed foods and By products)		31.03.2003	-	-	62,692	-	-	147,132	-	668,903	-	32,281
4	Service Income - commission		31.03.2004	-	-	-	-	-	-	-	21,822	-	-
			31.03.2003	-	-	-	-	-	-	-	11,947	-	-
	TOTAL		31.03.2004	-	-	295,746	-	-	512,473	-	8,525,580	-	302,418
	TOTAL		31.03.2003	-	-	351,985	-	-	539,553	-	7,392,080	-	295,746

I) a) The auditors have relied on the installed capacities as certified by the management on a three shift basis, the certificate being technical in nature.

b) No licenses are required for products manufactured by the company as per Government of India Notification No. S.O.477(E), dated 25th July, 1991.

II) Produced by others - **5,898.762 KL** (5,784,255 KL)

III) The Company deals in processed foods which are not packed in homogenous units, hence it is not practicable to furnish quantitative data.

IV) The production of Raw/Refined Oils excludes processed by others **7,079.094 M.T.** (7,429,492 M.T.) and includes used for internal consumption **4,037.04 M.T.** (3,096,560 M.T.)

SCHEDULES TO PROFIT AND LOSS ACCOUNT

	For the year ended March 31,			
	2004		2003	
	Quantity	Value	Quantity	Value
	M.T.	Rs.million	M.T.	Rs.million
SCHEDULE 'Q'				
B) RAW MATERIALS CONSUMED				
Oil seeds	73,681.077	2,712.307	77,296.625	2,215.192
Raw oils	29,207.073	1,163.255	29,756.563	1,153.866
Others	–	366.486	–	153.496
		<u>4,242.048</u>		<u>3,522.554</u>
	%	Value	%	Value
		Rs. million		Rs. million
C) VALUE OF IMPORTED AND INDIGENOUS MATERIALS CONSUMED				
Raw materials				
Imported	9.31	394.754	2.89	101.655
Indigenous	90.69	3,847.294	97.11	3,420.899
	<u>100.00</u>	<u>4,242.048</u>	<u>100.00</u>	<u>3,522.554</u>
Stores, spares and chemicals				
Imported	–	–	–	–
Indigenous	100.00	57.977	100.00	56.487
	<u>100.00</u>	<u>57.977</u>	<u>100.00</u>	<u>56.487</u>
D) VALUE OF IMPORTS ON C.I.F. BASIS				
Raw material		291.417		114.206
Packing material		5.669		5.360
Capital goods		50.826		29.162
Finished Goods for resale		–		4.011
		<u>347.912</u>		<u>152.739</u>
E) EXPENDITURE IN FOREIGN CURRENCY				
Travelling and other expenses		19.826		35.321
Advertisement and sales promotion		64.587		56.953
		<u>85.413</u>		<u>92.274</u>
F) EARNINGS IN FOREIGN EXCHANGE				
F.O.B. Value of exports		336.091		242.878
Royalty		1.694		–
Dividend		15.057		–
Service Income		6.289		–
		<u>359.131</u>		<u>242.878</u>

NOTES TO THE ACCOUNTS

SCHEDULE 'R'

NOTES:

1) The Company and nature of its operations:

Marico Industries Limited ('Marico' or 'the Company'), headquartered in Mumbai, Maharashtra, India, carries on business in Consumer Products and Skin Care Services. Marico manufactures and markets products under brands such as 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 an alliance with Indo Nissin Foods Limited for distribution of Top Ramen instant noodles. Marico 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; and
- 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 and Hair Oils.

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) 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.

(c) Depreciation/Amortisation

I. Tangible assets

- (i) Depreciation is provided on straight line basis at higher of the rates based on useful lives of the assets as estimated by the management or those stipulated in Schedule XIV to the Companies Act, 1956. The depreciation rates based on management estimates that are higher than the rates specified in Schedule XIV to the Companies Act, 1956 are as follows:

Computer hardware and related peripherals - 33 1/3%

Technologically advanced packing machinery - 20%

- (ii) Extra shift depreciation is provided on "Plant" basis.
- (iii) Assets given on finance lease prior to April 1, 2001 are depreciated over the primary period of the lease.
- (iv) Assets individually costing Rs. 5,000 or less are depreciated fully in the year of acquisition.
- (v) Leasehold land is amortised over the primary period of lease.

II. Intangible assets

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

NOTES TO THE ACCOUNTS

- (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 years

(d) 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.

(e) 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.

(f) 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.

(g) Revenue recognition

- (i) Sales are recognised at the point of despatch of goods to the customers and stated net of trade discount, 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.

(h) 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.

(i) 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 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.

(j) 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.

(k) Accounting for taxes on income

- (i) Provision for current tax is made, based on the tax payable under the Income-tax Act, 1961.

NOTES TO THE ACCOUNTS

- (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) 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).
- 4) Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 27.077 million (Rs. 34.420 million) net of advances.
- 5) 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), dividend from subsidiary Rs. 15.057 million (Rs. Nil), royalty from subsidiary Rs. 1.694 million (Rs. Nil) and discount on prepayment of deferred sales tax liability Rs. Nil (Rs. 31.661 million).
- 6) Miscellaneous expenses include commission and brokerage Rs. 13.726 million (Rs. 10.727 million), donations Rs. 0.657 million (Rs. 1.060 million), loss on sale/discarding of assets Rs. 4.576 million (Rs. 1.174 million), loss on sale of current investments Rs. 1.113 million (Rs. Nil), audit fees Rs. 1.512 million (Rs. 1.286 million), tax audit fees Rs. 0.162 million (Rs. 0.158 million), payment to auditors for other services Rs. 0.879 million (Rs. 1.203 million) and reimbursement to auditors for out-of-pocket expenses Rs. 0.043 million (Rs. 0.038 million).
- 7) 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.
- 8) 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.
- 9) (i) Debtors include amount due from Marico Bangladesh Limited, a subsidiary company and a company under the same management Rs. 14.550 million (Rs. 8.464 million).
- (ii) Loans and advances include amounts due from:
- Marico Bangladesh Limited, a subsidiary company and a company under the same management Rs. 1.694 million (Rs. Nil) [Maximum amount due during the year Rs. 1.694 million (Rs. Nil)].
 - Kaya Skin Care Limited, a subsidiary company and a company under the same management Rs. 109.068 million (Rs. 9.123 million) [Maximum amount due during the year Rs. 188.328 million (Rs. 9.123 million)].
 - Sundari LLC, a joint venture of the Company, Rs. 58.194 million (Rs. 23.768 million) [Maximum amount due during the year Rs. 58.194 million (Rs. 23.768 million)].
- 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 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 as net realisable value on disposal aggregates 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 so been reduced by Rs. 41.742 million.

NOTES TO THE ACCOUNTS

- 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 hereinafter 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 investments 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.
- 12) At its meeting held on March 15, 2004 the Board of Directors of Marico Industries Limited recommended issue of Bonus equity shares in the ratio of 1:1 aggregating Rs. 290.000 million. The shareholders have approved this recommendation in the Extraordinary General Meeting held on April 21, 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 (6.363)	0.039 (0.851)	3.622 (5.512)
- later than one year but not later than five years	— (3.661)	— (0.039)	— (3.622)
Total	3.661 (10.024)	0.039 (0.889)	3.622 (9.135)

NOTES TO THE ACCOUNTS

(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)

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	579.977	530.807
Less : Preference dividends	26.173	11.632
Profit available for equity shareholders	553.804	519.175
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 (Rs.)	10	10
Pre Bonus Basic and diluted earnings per equity share (Rs.)	19.10	17.90
Post Bonus Basic and diluted earnings per equity share (Rs.)	9.55	8.95

In accordance with Accounting Standard 20 'Earning Per Share' issued by the Institute of Chartered Accountants 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.

NOTES TO THE ACCOUNTS

16) Segment Information

With effect from April 1, 2003, the Company re-organised its business into two segments - Consumer Products and Skin Care services. 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:

<u>Business segments</u>	<u>Type of products and services</u>
Consumer Products	Coconut oils, other edible oils, hair oils, fabric care products, processed foods (including distribution alliance with Indo Nissin)
Others	Skin care services

i. Primary Segment Information

	Consumer Products (Rs. million)	Others (Rs. million)	Total (Rs. million)
Segment revenue			
External sales	8,469.461 (7,382.727)	6.290 (-)	8,475.751 (7,382.727)
Inter-segment sales	- (-)	- (-)	- (-)
Total revenue	8,469.461 (7,382.727)	6.290 (-)	8,475.751 (7,382.727)
Segment Result	646.642 (600.607)	(4.644) -	641.998 (600.607)
Unallocated corporate expenses			- (-)
Operating profit			641.998 (600.607)
Interest expenses			22.974 (18.517)
Interest income			14.813 (8.220)
Net profit			633.837 (590.310)
Other information			
Segment assets	2,891.355 (2,841.474)	43.140 (-)	2,934.495 (2,841.474)
Unallocated Corporate assets			- (-)
Total assets	2,891.355 (2,841.474)	43.140 (-)	2,934.495 (2,841.474)
Segment liabilities	2,891.355 (2,841.474)	43.140 (-)	2,934.495 (2,841.474)
Unallocated Corporate liabilities			- (-)
Total liabilities	2,891.355 (2,841.474)	43.140 (-)	2,934.495 (2,841.474)
Capital expenditure	110.665 (156.277)	31.335 (3.675)	142.000 (159.952)
Depreciation and Amortisation	108.985 (217.140)	1.550 (-)	110.535 (217.140)
Impaired value of fixed assets	41.742 (-)	- (-)	41.742 (-)

NOTES TO THE ACCOUNTS

ii. Secondary Segmental 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.

<u>Geographical Segments</u>	<u>Composition</u>
Domestic	All over India
Exports	Primarily to Middle East and SAARC countries

Sales revenue by geographical market

Locations	Amount (Rs. million)
India	8,056.299 (7,118.569)
Others (primarily to Middle East and SAARC countries)	419.452 (264.158)
Total	<u>8,475.751</u> <u>(7,382.727)</u>

Carrying amount of assets and capital expenditure by geographical locations

	India (Rs. million)	Others (Rs. million)	Total (Rs. million)
Carrying amount of assets	2,902.112 (2,840.361)	32.383 (1.113)	2,934.495 (2,841.474)
Capital expenditure	110.665 (159.641)	31.335 (0.311)	142.000 (159.952)

iii. Notes to Segment 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

Subsidiary: Marico Bangladesh Limited

Nature of transactions:

	March 31, 2004 (Rs. million)	March 31, 2003 (Rs. million)
i. Sales	79.758	17.389
ii. Royalty income	1.694	–
iii. Dividend income	15.057	–
iv. Debtors	14.550	8.464
v. Loans & Advances	1.694	–
vi. Investments (1,000,000 (1,000,000) Equity Shares of Taka 10 (Taka 10) each)	8.631	8.631

NOTES TO THE ACCOUNTS

Subsidiary: Kaya Skin Care Limited

Nature of transactions:	March 31, 2004 (Rs. million)	March 31, 2003 (Rs. million)
i. Loans / Advances	109.068	9.123
ii. Interest on Loans / Advance	3.017	–
iii. Expenses allocated to the subsidiary	1.100	–
iv. Investments (7,600,000 (49,996) Equity shares of Rs. 10 (Rs. 10) Each)	76.000	0.500

Joint Venture (63 % holding by Marico): Sundari LLC

Nature of transactions:	March 31, 2004 (Rs. million)	March 31, 2003 (Rs. million)
i. Loans / Advances	58.194	23.768
ii. Interest on Loans / Advances	0.988	0.056
iii. Investments (63,000 (63,000)Equity Shares of USD 18.25 (USD 18.25)Each)	54.878	54.878

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

Other related parties where control exists, however, with whom the company did not have any transaction:

- (i) MBL Industries Limited (100% subsidiary of Marico Bangladesh Limited)
- (ii) Sundari Spa LLC (100% subsidiary of Sundari LLC)

18) Managerial Remuneration:

	For the year ended March 31,	
	2004 (Rs. million)	2003 (Rs. million)
Payments and provisions on account of remuneration to Chairman and Managing Director included in profit and loss account		
Salary	6.000	4.080
Contribution to Provident and Pension Funds	1.620	1.102
Other Perquisites	1.312	2.243
	<u>8.932</u>	<u>7.425</u>
Remuneration to non-wholetime directors	0.652	0.710

Notes:

1. The above remuneration to Chairman and Managing Director does not include contribution to Gratuity Fund as this contribution is a lumpsum amount for all relevant employees based on actuarial valuation.
2. Since no commission is payable during the year, computation of net profits for the year under section 198 of the Companies Act, 1956 has not been given.

- 19) The Company deals with several Small Scale Industrial (SSI) undertakings on mutually accepted terms and conditions. Based on the records of the Company and the information received from SSI suppliers, the various amounts due to SSI's where individual balances outstanding for more than 30 days and included under sundry creditors aggregate Rs.1.016 million (Rs. 17.468 million). There is no interest payable to SSI's as at March 31, 2004. The names of such SSI suppliers are as under:

Columbia Petrochem Pvt. Ltd., Suryodaya Blending Pvt. Ltd., Eskay Flexible, Vishwanath Packaging Industries, Raviraj Industries, Arvind Cans Limited, Vee Yes Engineering, Sri Ganesh Packaging Industries, Anmol Poly Products, Badkur Polycan Industries, Blow Containers, Refine Marketing Pvt Ltd., Complement Marketing, Pratik Enterprises, Pilot Plastics Pvt Ltd., Swan Plastics, Sri Datta, Marian, Adinath Foods Industries and Sai Cartons.

NOTES TO THE ACCOUNTS

- 20) There are no dues payable to the Investor Education and Protection Fund as at March 31, 2004.
- 21) (a) The figures in brackets represent those of the previous year.
 (b) The figures for the previous year have been regrouped where necessary to conform to current year's classification.

22) Information pursuant to Part IV of Schedule VI to the Companies Act, 1956 :

a) **Registration details :**

Registration No.	:	11-49208
Balance Sheet Date	:	March 31, 2004

b) **Capital raised during the year :** (Amount in Rs. million)

Public Issue	:	Nil
Bonus Issue	:	Nil
Bonus Preference Shares	:	Nil
Rights Issue	:	Nil
Private placement	:	Nil

c) **Position of mobilisation and deployment of funds :** (Amount in Rs. million)

Total Liabilities	2,934.495
Total Assets	2,934.495

Sources of Funds

Paid up Capital	290.000
Reserves & Surplus	1,509.250
Secured Loans	–
Unsecured Loans	93.847
Deferred Tax Liability	62.447
Accumulated losses	–

Application of Funds

Net Fixed Assets	897.714
Investments	144.277
Net Current Assets	913.553
Misc. Expenditure	–

d) **Performance of the Company** (Amount in Rs. million)

Turnover (Sales & Other Income)	8,520.152
Total Expenditure	7,886.315
Profit before Tax	633.837
Profit after Tax	579.977
Earnings per share (in Rs.)	9.55
Dividend rate (%)	85%

e) **Generic names of the three principal products/services of the Company :**

Item Code No. (I.T.C. Code)	Product Description
1513 11 00	Coconut Oil
1512 19 10	Sunflower Oil
1512 19 30	Safflower Oil

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

MARICO INDUSTRIES LIMITED

**STATEMENT PURSUANT TO SECTION 212 (1) (E)
OF THE COMPANIES ACT, 1956**

Name of the subsidiary company	Marico Bangladesh Limited	MBL Industries Limited ##	Kaya Skin Care Limited	Sundari LLC	Sundari Spa LLC
Holding Company's interest	1,000,000 ordinary shares of Taka 10 each	100,000 ordinary shares of Taka 10 each	7,600,000 shares of Rs. 10 each	63,000 shares of USD 18.25 each	#
Extent of Holding	100%	100%	86.4%	63%	63%
The "financial year" of the subsidiary company ended on	September 30, 2003	September 30, 2003	March 31, 2003	December 31, 2003	December 31, 2003
Net aggregate amount of the subsidiary company's profits/(losses) dealt with in the holding company's accounts					
* For the subsidiary's aforesaid financial year	Nil	Nil	Nil	Nil	Nil
* For the previous financial years since it became subsidiary	Nil	Nil	Nil	Nil	Nil
Net aggregate amount of the subsidiary company's profits/(losses) not dealt with in the holding company's accounts					
* For the subsidiary's aforesaid financial year	Taka 73.27 million (Rs. 59.56 million)	Taka 1.45 million (Rs. 1.14 million)	Rs. 48.08 million	USD -0.87 million (Rs. -40.50 million)	N.A.
* For the previous financial years since it became subsidiary	Taka 90.04 million (Rs. 70.74 million)	Taka 1.45 million (Rs. 1.14 million)	Rs. 48.08 million	USD -0.87 million (Rs. -39.64 million)	N.A.
Changes, if any, in the holding company's interest in the subsidiary between the end of the financial year of the subsidiary and that of the holding company	Nil	Nil	Nil	Nil	Nil
Material changes, if any, between the end of the financial year of the subsidiary and that of the holding company	Nil	Nil	Nil	Nil	Nil

By virtue of Section 4 (1) (c) of the Companies Act, 1956, Sundari Spa LLC is a subsidiary of the Company as Sundari LLC, a subsidiary of the Company, holds 100% of the interests in Sundari Spa LLC.

By virtue of Section 4 (1) (c) of the Companies Act, 1956, MBL Industries Limited is a subsidiary of the Company as Marico Bangladesh Limited, a subsidiary of the Company, holds 100% of the interests in MBL Industries Limited.

On behalf of Board of Directors

Place: Mumbai
Date: April 21, 2004

Harsh Mariwala
Chairman and Managing Director