

## Report of the Audit Committee of Marico Limited

### Members:

Mr. Nikhil Khattau	Chairman
Mr. B. S. Nagesh	Member
Ms. Hema Ravichandar	Member
Mr. Rajendra Mariwala	Member

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### 1. Background

The Board of Directors of Marico Limited ('the Company') in their meeting held on 7<sup>th</sup> January, 2013 approved the demerger of the skin care business of Kaya Limited housed in the Company into Marico Kaya Enterprises Limited ('Marico Kaya')<sup>1</sup>, a wholly owned subsidiary of the Company, as per the terms and conditions mentioned in the Draft Scheme of Arrangement ('the Scheme'). The members of the Audit Committee of the Company were also present in the above Board Meeting.

As required under clause 24(f) of the Listing Agreement, the Company has filed the Scheme along with other necessary information / documents with the BSE Limited and National Stock Exchange of India Limited.

Recently, SEBI vide its circular No. CIR/CFD/DIL/5/2013 ('Circular') dated 4<sup>th</sup> February, 2013 has amongst other requirements sought a report from the Audit Committee of the listed entity recommending the Scheme taking into consideration, inter alia, the valuation report.

In view of the above Circular, members of the Audit Committee of the Company once again discussed and approved the proposed demerger vide a resolution passed by circulation on 14<sup>th</sup> February, 2013, and have made this report, after perusing the following necessary documents:

- 1) Draft Scheme of Arrangement;
- 2) Share Entitlement Report dated 7<sup>th</sup> January, 2013 issued by Grant Thornton India LLP for issue of shares pursuant to the Scheme;
- 3) Fairness Opinion dated 7<sup>th</sup> January, 2013 issued by M/s. Keynote Corporate Services Limited on the fairness of the Share Entitlement Report and
- 4) Certificates obtained from the statutory auditors of the Company and Marico Kaya on the accounting treatment prescribed in the Scheme.

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<sup>1</sup> Marico Kaya was incorporated on 19<sup>th</sup> January, 2013



This report of the Audit Committee is made in order to comply with the requirements of the Circular.

## 2. Proposed Scheme of Arrangement

2.1 The Audit Committee noted that the Company operates its skin care solutions segment through Kaya Limited and the management of the Company is of the view that segregation of the Kaya Business from the Company, inter alia, would lead to the following benefits:

- 1) Efficient and focused management of the Kaya Business segment;
- 2) Unlocking value for the shareholders of the Company and
- 3) Increase flexibility for value extraction and fund raising.

2.2 The salient features of the Scheme are as under:

- The Scheme provides for demerger of the skin care business of Kaya Limited housed in the Company into Marico Kaya, a wholly owned subsidiary of the Company
- The Appointed Date for the Scheme is fixed as 1<sup>st</sup> April, 2013
- The following share entitlement ratio was approved by the Board of Directors of the Company based on the Share Entitlement Report obtained from M/s. Grant Thornton India LLP and the Fairness Opinion of M/s. Keynote Corporate Services Limited, Category 1 Merchant Bankers:

*"1 (One) fully paid-up Equity Share of INR 10 (Rupees Ten) each of Marico Kaya shall be issued and allotted per share for every 50 (Fifty) fully paid-up Equity Shares of INR 1 (Rupee One) each held in Marico."*

The shares of Marico Kaya would be issued at a premium of INR 200 per share.

- Upon the Scheme becoming effective, the existing equity shares held by the Company in Marico Kaya would stand cancelled without any payment
- Post demerger, the shareholders of the Company shall hold shares in Marico Kaya in the same proportion as in the Company.
- Equity shares issued by Marico Kaya to the shareholders of the Company pursuant to the Scheme would be listed on BSE Limited and National Stock Exchange of India Limited.



2.3 The Audit Committee noted that as per the report of Grant Thornton India LLP, since Marico Kaya shall be a 100% subsidiary of the Company prior to the proposed demerger and the shareholders of the Company shall hold shares in Marico Kaya in the same proportion as in the Company, the proposed demerger will be value neutral to the Company and its shareholders.

2.4 The Audit Committee noted that the Company and Marico Kaya have obtained a certificate from their respective statutory auditors providing comments on the accounting treatment prescribed in the Scheme.

### 3. Recommendations of the Audit Committee

Based on the Share Entitlement Report of Grant Thornton India LLP and the Fairness Opinion of M/s. Keynote Corporate Services Limited, the Audit Committee recommends the Draft Scheme, which has also been approved by the Board of Directors of the Company and by the Audit Committee vide a resolution passed by circulation on 14<sup>th</sup> February, 2013, for favourable consideration by the stock exchanges and the SEBI.

Date: 19<sup>th</sup> February, 2013

Place: Mumbai



**Nikhil Khattau**  
**Chairman**

