



MARICO'S BUSINESS DIRECTION : 2010

We commit ourselves to improving the quality of people's lives, in as many parts of the world, through fast moving branded consumer goods - primarily in Nature Care and Health Care.

In the Nature Care Business : we would offer brands that enhance the appeal and nourishment of hair and skin through distinctive products, largely based on the goodness of coconut and other natural substances.

In the Health Care Business : we would make available a variety of branded products needed for healthy living; drawn from agriculture and offered both in natural and processed forms.

In the International Business : we would develop a franchise for our brands, in parts of the world beyond the sub-continent.

We will aim to be a leader in each of the businesses; by heightened sensitivity to consumer needs, setting new standards in the delivery and quality of products and through processes of continuous learning and improvement.

We will share our prosperity amongst members, shareholders and associates who contribute in improving Marico's Equity and Market Value. We will acquire the stature of a friendly corporate citizen, contributing to the betterment of neighbourhood communities, where we are significantly present.



MARICO'S VALUES

Our values are preferred practices that will be employed
in pursuit of our Business Direction, captured in the acronym

COME WIN.

On one hand, it is an invitation to excel.
On the other, it sums up the philosophy that will guide our success.

CONSUMERS

For they are the reason we exist.

MEMBERSHIP

For a sense of ownership empowers us.

EXCELLENCE

For it unleashes our potential.

WEALTH

For on it hinges our growth.

INNOVATION

For it gives wings to ideas.



CONSUMERS

The wealth of the Company is created by the patronage of consumers. The primary focus of our efforts will be to understand what adds greatest value to them. We will understand and respond to changing needs and desires of the consumer; and translate these into marketable products and an ever-expanding base of loyal consumers, with speed and a quality of response that surpasses the competition.

MEMBERSHIP

Wholesome membership is when a person brings his or her entire being into the organisation. We will allow space for diversity and encourage genuine expression of feelings, opinions and view points. Equally important is the ability to listen without bias and alter one's view based on soundness. Inter-personal transactions will be characterised by trust, empathy, faith, fairness and respect. Membership gives each member a role in articulating and shaping the destiny of the organisation which in turn builds commitment and ownership. We will encourage teamwork and a shared approach to results as it promotes synergy, removes communication barriers and improves the overall quality of decisions and performance. Public acknowledgement creates recognition and also spurs others. We will spontaneously recognise and appreciate both individuals and teams for their contributions reflected in rising standards of performance.

EXCELLENCE

We will focus on policies and practices where people produce consistently superior performance and where people are encouraged to discover their untapped potential. Competent members will be careered through increased and varied role responsibilities. They will be attractively compensated based on personal and collective accomplishment.

WEALTH

All our efforts must culminate in the creation of wealth. We will do so by continuously adding value in everything we do through a variety of methods. We will use resources productively, eliminate waste, reduce cycle times and costs and enhance the consumer base.

INNOVATION

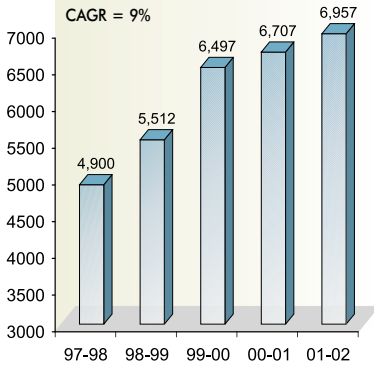
The future of our organisation rests on our willingness to experiment, push in new and untested directions, think in uncommon ways and take calculated risks. Continuous improvement should be a part of everyday work. We must also innovate to achieve dramatic results. Members will be encouraged to experiment and take calculated risks where necessary. We acknowledge that failure is inherent in any new initiative. We will commit resources for experimentation and invest in processes for reviewing and sharing of learning.



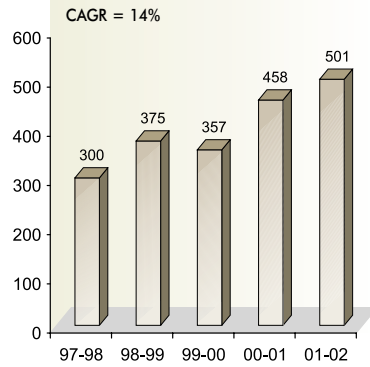
PERFORMANCE AT A GLANCE

The Graphs shown below analyse the financial performance of Marico Industries Limited together with its subsidiary, Marico Bangladesh Limited

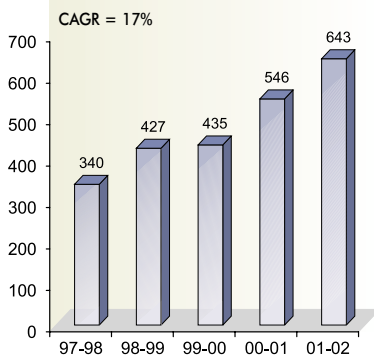
Sales & Service (Rs. Million)



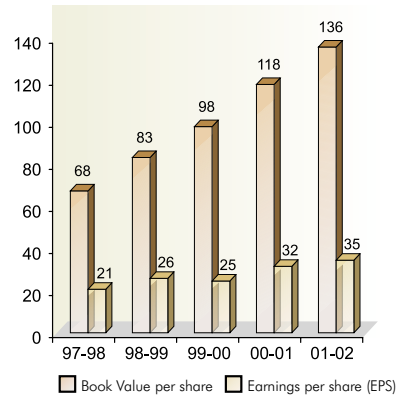
Net Profits (Rs. Million)



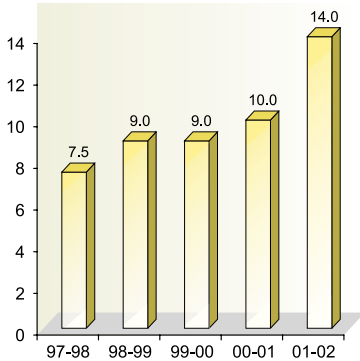
Cash Profits (Rs. Million)



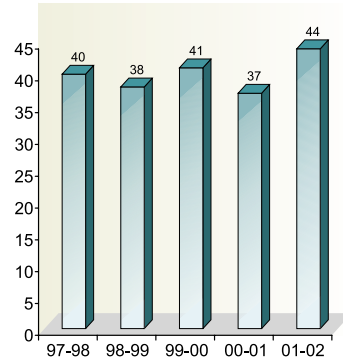
Book Value Per Share and EPS (Rs.)



Dividend Per Share (Rs.)



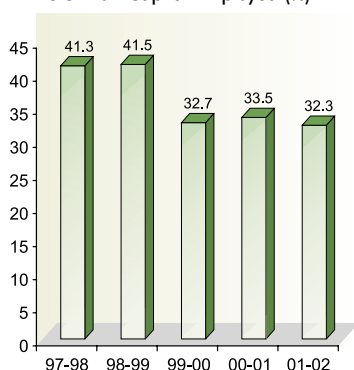
Dividend Payout (%)



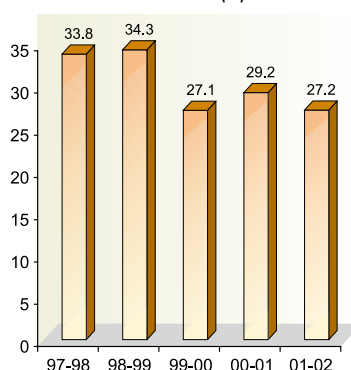


PERFORMANCE AT A GLANCE

Return on Capital Employed (%)



Return on Net Worth (%)



Economic Value Added Analysis

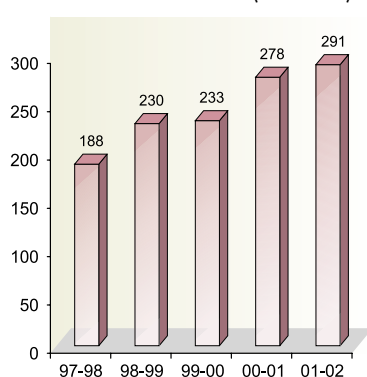
Economic Value Added represents the value added by a business enterprise to its shareholders by generating operating profits in excess of the cost of capital employed in the business. This concept is increasingly being deployed to understand and evaluate financial performance.

(Amount in Rs. Million)

For the year ended March 31, 2002, Marico's Economic Value Added was Rs. 291 million as compared to Rs. 278 million in the previous year.

Over the past 5 years Marico's Economic Value Added has grown at a CAGR of 12%.

Economic Value Added (Rs. Million)



Year ended March 31	1998	1999	2000	2001	2002
a. Average Capital Employed	1,027	1,152	1,345	1,602	1,916
b. Average Debt/ Total Capital (%)	13.5	5.0	2.1	2.2	2.3
c. Cost of Equity (%)	17.5	16.3	13.2	13.1	15.0
d. Cost of Debt (Post Tax) (%)	9.4	8.5	7.1	6.5	-
e. Weighted Average Cost of Capital (%)	16.4	15.9	13.1	13.0	14.7
f. Profit After Current Tax (excl. extraordinary items)	300	375	375	458	530
g. Add : Interest Post Tax	57	38	34	27	42
h. Net Operating Profit After Tax	357	413	409	485	572
i. Less : Cost of Capital	169	183	176	207	281
j. Economic Value Added	188	230	233	278	291
k. % to Capital Employed	18.3	19.9	17.3	17.3	15.2



10 YEARS' HIGHLIGHTS

The highlights pertain to the financial performance of Marico Industries Limited together with its subsidiary, Marico Bangladesh Limited

Amount in Rs. Million

Year ended March 31	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Sales & Services	2,103	2,364	2,833	3,486	4,097	4,900	5,512	6,497	6,707	6,957
Profit before Interest & Tax (PBIT)	204	207	252	364	353	424	477	458	537	619
Operating Profit before Tax	148	149	191	268	277	365	440	426	501	578
Extraordinary / Exceptional items	-	-	-	29	14	-	-	(18)	-	-
Profit before Tax (PBT)	148	149	191	297	291	365	440	408	501	578
Profit after Tax (PAT)	62	64	118	212	215	300	375	357	458	501
Cash Profits (PAT + Depreciation)	79	81	150	238	246	340	427	435	546	643
Economic Value Added										
(Refer Performance at a glance)	58	48	90	125	87	188	230	233	278	291
Net Fixed Assets	110	167	270	404	453	605	694	953	1,274	1,413
Investments	-	7	22	23	8	-	-	-	-	-
Net Current Assets	145	159	230	634	524	463	540	502	475	669
Total Capital Employed	255	333	522	1,061	985	1,068	1,235	1,455	1,749	2,082
Share Capital	45	45	45	145	145	145	145	145	145	145
Reserves	82	140	252	515	653	834	1,065	1,277	1,568	1,827
Net Worth	127	185	297	660	798	979	1,210	1,422	1,713	1,972
Borrowed Funds	128	148	225	401	187	89	25	33	36	50
Deferred Tax Liability	-	-	-	-	-	-	-	-	-	60
Total Funds Employed	255	333	522	1,061	985	1,068	1,235	1,455	1,749	2,082
Profit before Tax to Turnover (%)	7.0	6.3	6.7	8.5	7.1	7.4	8.0	6.3	7.5	8.3
Profit after Tax to Turnover (%)	2.9	2.7	4.2	5.2	4.9	6.1	6.8	5.5	6.8	7.2
Return on Net Worth (%)										
(PAT / Average Net Worth)	65.6	41.0	49.0	44.3	29.5	33.8	34.3	27.1	29.2	27.2
Return on Capital Employed (%)										
(PBIT* / Average Total Capital Employed)	98.6	70.4	58.9	46.0	34.5	41.3	41.5	32.7	33.5	32.3
Net Cash Flow from Operations per share (Rs.)										
(Refer Cash Flow Statement)	-	-	17.0	1.8	19.7	28.7	15.4	30.6	37.7	45.1
Earning per Share (EPS) (Rs.)										
(PAT / No. of Equity Shares)	13.8	14.1	26.3	12.6	13.9	20.7	25.9	24.6	31.6	34.5
Economic Value Added per share (Rs.)										
(Refer Performance at a glance)	12.9	10.7	20.0	8.6	6.0	13.0	15.8	16.1	19.2	20.1
Dividend per share (Rs.)	2.0	1.2	1.5	2.5	5.0	7.5	9.0	9.0	10.0	14.0
Debt / Equity	1.01	0.80	0.76	0.61	0.23	0.09	0.02	0.02	0.02	0.03
Book Value per share (Rs.)										
(Net Worth / No. of Equity Shares)	28.2	41.1	66.0	45.5	55.0	67.5	83.4	98.1	118.1	136.0
Sales to Average Capital Employed @	8.3	7.1	5.4	3.3	4.2	4.6	4.8	4.8	4.2	3.6
Sales to Average Net Working Capital #	17.8	15.6	14.6	8.1	7.1	9.9	11.0	12.5	13.8	12.2

* PBIT includes extraordinary items

@ Average Capital Employed = (Opening Capital Employed + Closing Capital Employed)/2

Average Net Working Capital = (Opening Net Current Assets + Closing Net Current Assets)/2



CONSOLIDATED QUARTERLY FINANCIALS

2001-02

(Amount in Rs. Million)

Particulars	Three Months Ended				Annual FY 02
	Jun. 30, 01	Sep. 30, 01	Dec. 31, 01	Mar. 31, 02	
Total Revenue	1,528	1,727	1,829	1,886	6,970
Total Expenditure	1,356	1,538	1,643	1,671	6,208
Finance Charges	8	13	12	8	41
Gross profit after finance charges but before depreciation and taxation	164	176	174	207	721
Depreciation	22	28	28	65	143
Profit before taxation	142	148	146	142	578
Provision for current taxation	11	11	13	13	48
Profit after current taxation	131	137	133	129	530
Provision for deferred taxation	3	7	14	36	60
Excess income tax provision of earlier year written back	-	-	-	31	31
Profit after tax	128	130	119	124	501
Earnings per share - Annualised (Rs.)	35.3	35.9	32.8	34.2	34.5
Interim Dividends declared per share (Rs.)	2.5	3.0	3.5	5.0	14.0

2000-01

(Amount in Rs. Million)

Particulars	Three Months Ended				Annual FY 01
	Jun. 30, 00	Sep. 30, 00	Dec. 31, 00	Mar. 31, 01	
Total Revenue	1,501	1,666	1,733	1,835	6,735
Total Expenditure	1,331	1,494	1,588	1,697	6,110
Finance Charges	10	9	9	7	35
Gross profit after finance charges but before depreciation and taxation	160	163	136	131	590
Depreciation	28	22	20	19	89
Profit before taxation	132	141	116	112	501
Provision for current taxation	11	12	13	7	43
Profit after current taxation	121	129	103	105	458
Provision for deferred taxation	-	-	-	-	-
Profit after tax	121	129	103	105	458
Earnings per share - Annualised (Rs.)	33.4	35.6	28.4	29.0	31.6
Interim Dividend declared per share (Rs.)	4.0	-	-	-	4.0
Final Dividend declared per share (Rs.)	-	-	-	6.0	6.0
Total Dividend declared per share (Rs.)	4.0	-	-	6.0	10.0



MARICO'S PRESENCE IN THE SUB-CONTINENT





DIRECTORS' REPORT

To the Members

Your Board of Directors is pleased to present the Fourteenth Annual Report together with audited accounts of your Company for the year ended March 31, 2002 ('the year under review', 'the year' or 'FY02').

FINANCIAL RESULTS - AN OVERVIEW

	Rs. million	
	Year ended March 31, 2002	2001
Sales and Other Income	<u>6710.1</u>	<u>6579.9</u>
Profit before tax	565.7	498.8
Less: Provision for Tax for the current year	43.5	42.5
Less: Profit after Tax for the current year	522.2	456.3
Less: Provision for Deferred Tax	60.0	—
Add: Excess Income Tax Provision of earlier year written back	31.0	—
Profit after Tax	493.2	456.3
Add : Surplus brought forward	683.5	493.8
Profit available for Appropriation	<u>1176.7</u>	<u>950.1</u>
Appropriations :		
Interim dividends	203.0	58.0
Final dividend (proposed)	—	87.0
	203.0	145.0
Tax on dividend	<u>13.3</u>	<u>21.6</u>
	216.3	166.6
Transfer to General Reserve	50.0	100.0
Surplus carried forward	910.4	683.5
	<u>1176.7</u>	<u>950.1</u>

DISTRIBUTION TO SHAREHOLDERS

DIVIDENDS

Your Board has, during the year under review, declared interim dividends aggregating 140 % (as under) against a total Dividend of 100% (40% interim, 60% final) for the year ended March 31, 2001 (FY01).

First Interim	25 %
Second Interim	30 %
Third Interim	35 %
Fourth Interim	50 %

Thus, the payout of dividend (inclusive of tax payable by your Company) as a proportion to Profit after Deferred Tax has moved up significantly from 37% to 44%.

Your Company's current policy on Dividends reflects the Board's confidence in the future profitability of the business and in the ability of the business to provide returns to the shareholders with sustained regularity on the strength of the relative stability of distributable earnings from quarter to quarter.





DIRECTORS' REPORT

Your Board is of the view that depending upon the need to deploy the free cash from business operations into alternative uses such as acquisitions and alliances and subject to fiscal effectiveness, it would strive to maintain this approach towards distribution to its shareholders.

The proposals contained in the Union Budget for 2002-03 sought to shift the incidence of tax on dividends from the Company to the shareholders in respect of any dividend declared, paid, or distributed by the Company after March 31, 2002. In addition, tax would need to be deducted at source from dividend being paid to shareholders. In order to safeguard the interest of shareholders against this impending tax liability, your Board had at its meeting on March 5, 2002 approved declaration of a fourth interim dividend of 50% to be paid before March 31, 2002. This was based on a verbal advice by The Stock Exchange, Mumbai (BSE) relaxing the requirements of notice period for fixation of record date. However, the stock exchanges later informed your Company that there could be no relaxation on the requirement of notice period for fixation of record date, and accordingly your Board on March 7, 2002 revoked the fourth interim dividend declared.

The Union Budget proposals on tax deduction at source (TDS) on dividend provide that for dividend payments made till May 31, 2002, tax would need to be deducted at source only if the amount of the dividend exceeds Rs. 2500. As against this, after June 1, 2002, TDS would be applicable to all dividend paid regardless of the quantum. A final dividend can be paid only after approval of members at the Annual General Meeting scheduled on July 18, 2002. Therefore, in order that the payment of dividend is made before May 31, 2002 so that small shareholders do not suffer any TDS, your Board declared a fourth interim dividend instead of a final dividend.

ISSUE OF BONUS SHARES

Your Company's Net Worth as on March 31, 2002 is Rs. 1963 million comprising equity capital of Rs. 145 million and Reserves and Surplus of Rs. 1818 million. Out of the Reserves and Surplus, Rs. 1816 million comprise free reserves i.e. reserves, which can be capitalised into equity shares. The book value of your Company's shares is Rs. 135 per share, which is more than 3 times the book value of Rs. 46 per share as of June 1995 when a bonus issue was last made.

After a brief blip during 1999-00, the profitability track record of your Company has regained consistency (for 10 consecutive quarters in a row, your Company has posted growth in profitability in the quarter as compared to the corresponding quarter of the previous year). Hence the Board has reasonable confidence in increasing the equity capital which requires to be serviced after declaring a bonus.

With a Bonus issue in the ratio of 1:1, the number of shares available for trading in the market will go up from the current level of 14.5 million to 29 million. Similarly, the non-promoter holding which currently is about 5 million shares will go up to 10 million shares.

If approved at the Annual General Meeting, the bonus shares shall be allotted to the shareholders in the proportion of one equity share for every one existing equity share held by the shareholders on the record date to be fixed later.

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
- Human Resources and Industrial Relations
- Discussion on financial performance with respect to operational performance
- Segment-wise performance
- Outlook

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



DIRECTORS' REPORT

REVIEW OF OPERATIONS

Your Company clocked, against the backdrop of de-growth in the FMCG industry, a turnover of Rs. 6710 million for FY02, a growth of 2.0% over FY01. Profit before Tax (PBT) at Rs. 566 million for the year increased by 13.4% over FY01. Profit after Tax (PAT) before deferred taxation provision went up by 14.5% to Rs. 522 million. PAT after considering charge on account of deferred taxation (made for the first time in FY02) was at Rs. 493 million, a growth of 8.1%.

During FY02, the volumes of your Company's Coconut Oil Franchise (Parachute and Oil of Malabar (OOM)) were held at FY01 level, despite a slump in the Coconut Oil (CNO) market. Parachute continued to be the market leader in both, the urban and rural markets. For the 12 month period ended February 2002, while the market grew at 1%, your Company's CNO franchise recorded a growth of 4% (Source : ORG Retail Data).

Non-Fabric Care products (comprising coconut oils and hair care products) in Nature Care Division recorded a volume growth of 6% for FY02 over the previous year while Fabric Care volumes rose by 18%. Hair Oil franchise of your Company continued its good run and for the year posted a volume growth of 88% over FY01. Saffola franchise rose by 8% in volumes, while Sweekar Sunflower Oil de-grew in volumes.

New products launched by your Company in the recent past performed satisfactorily and now contribute 12% to the overall turnover.

During FY02, your Company consolidated its market shares. Key brands improved their share over the levels prevailing during FY01. The CNO franchise continued to be the market leader while in the ROCP segment, your Company held the No. 1 / No. 2 slots for most part of FY02.



INTERNATIONAL BUSINESS

During the year the International Business, on a consolidated basis, grew 29% over the previous year. The operations of Marico Bangladesh Limited (MBL), the wholly owned subsidiary of your Company, have now fully stabilised. MBL has performed well both in terms of turnover and profit, clocking a turnover of Rs. 246 million for the year ended March 31, 2002, a 93% growth over the previous year, with Profit after Tax of Rs. 7.3 million.

CAPACITY

The Coconut Oil manufacturing unit, set up at Pondicherry with an annual capacity of 18000 MT at an estimated capital cost of Rs. 120 million, commenced commercial operations in March 2002. The operations are under stabilisation.

Your Company set up a manufacturing unit at Daman for manufacture of Personal Care products including Mediker. The unit set up at a cost of about Rs. 10 million, commenced commercial production in March 2002.

RESEARCH & DEVELOPMENT (R & D)

Your Company continues to sustain its focus on R&D efforts, based on the strong belief that focused R&D will help create several "seeds", based on product and packaging innovations, leading to enhanced consumer benefits.

Your Company spent Rs. 1.5 million on capital expenditure on R&D as against Rs. 0.7 million during the previous year. Revenue expenditure on R&D was Rs. 24.9 million as against Rs. 36.4 million in the previous year.

INTELLECTUAL PROPERTY RIGHTS

Your Company, like many other players in the branded FMCG segment, has been facing the menace of unfair competition, manifesting itself in the form of duplicates, clones and pass offs. Your Company has initiated



DIRECTORS' REPORT

various counter measures to combat this menace by way of technology innovations and also field level action.

Your Company owns all its nine brands viz. Parachute, Saffola, Sweekar, Hair & Care, Revive, Sil, Oil of Malabar, Shanti and Mediker and their extensions.

DEPOSITORY SYSTEM

Your Company's shares have been made available for dematerialisation through the National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). As of March 31, 2002, 83.1% of the shares of your Company have been dematerialised.

PUBLIC DEPOSITS

Fixed Deposits were not accepted during the year. Further 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 however unclaimed as on March 31, 2002.

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:

1. 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;
2. 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, 2002 and the profits of your Company for the year ended March 31, 2002;
3. 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;
4. The Annual Accounts have been prepared on a going concern basis;
5. 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.

COMMUNITY DEVELOPMENT

Your Company is committed to development of the community in which it functions and has taken up projects for building and maintenance of public infrastructure.

During the year, your Company sponsored the development of a promenade on Carter Road in Bandra, a western suburb of Mumbai as its contribution towards protecting Mumbai's waterfronts. As part of this project your Company developed the entire garden area. Over 40 different types of palms were planted at the promenade, which makes it distinctive among all public areas greened by corporates. Your Company also launched a pilot project to regenerate the mangroves along the coast to aid ecological preservation. In addition your Company also sponsored various cultural, educational & entertainment programmes for young & old at the amphitheatre situated near the promenade. Your Company invested about Rs. 3 million on this project during the year.



DIRECTORS' REPORT

In addition your Company continued to contribute to development of public facilities and other social causes like health camps, scholarships, donations to schools etc., in other towns where its factories are located. Your Company will continue such efforts in future also.

DIRECTORS

Mr. Cyril S. Shroff, Director resigned from the office of Director with effect from September 29, 2001. Your Board places on record its appreciation for the valuable contribution provided by Mr. Shroff during his tenure.

Pursuant to Section 260 of the Companies Act, 1956, your Board had appointed Mr. Nikhil N. Khattau and Mr. Atul C. Choksey as Additional Directors on the Board of your Company on July 25, 2001 and October 23, 2001 respectively. Mr. Khattau and Mr. Choksey hold office upto the date of ensuing Annual General Meeting and have to be appointed in the Annual General Meeting. Notices under Section 257 of the Companies Act, 1956 proposing their appointment have been received.

Mr. Kishore V. Mariwala, Director of your Company, retires by rotation as per Section 256 of the Companies Act, 1956 and being eligible offers himself 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 your Company.

The Report and Accounts of Marico Bangladesh Limited (MBL), your Company's subsidiary, referred to in Section 212 (1) of the Act and the statement pursuant to Section 212(1)(e) of the Act have been annexed. Given in addition are Consolidated Accounts for your Company, which comprise the Accounts of Marico Industries Limited as also Marico Bangladesh Limited for the year ended March 31, 2002.



AUDITORS

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

ACKNOWLEDGEMENT

Your Board wishes to place on record its appreciation of the co-operation and support received from all members of the Marico organisation, as also the support and assistance received from the Central Government, various State Governments, Trade and Industry Associations, Bankers, Vendors, C&F Agents, Distributors and other business associates. Your Company looks forward to continued support of all these partners in progress.

On behalf of the Board of Directors

Place: Mumbai
Date: April 18, 2002

Harsh C. Mariwala
Chairman and Managing Director



ANNEXURE TO THE DIRECTORS' REPORT

MANAGEMENT DISCUSSION AND ANALYSIS

In line with international practice, Marico now reports Consolidated results - taking into account the results of its wholly owned subsidiary in Bangladesh. This Discussion therefore covers the financial results and other developments during April 01 - March 02 in respect of Marico Consolidated - Marico Industries Limited together with its wholly owned subsidiary Marico Bangladesh Limited (MBL). The consolidated entity has been in this Discussion, referred to as 'Marico' or 'Your Company'.

Some statements in this Discussion describing the projections, estimates, expectations or outlook may be forward looking. Actual results may differ materially from those stated on account of factors such as changes in government regulations, tax regimes, economic developments within India and the countries within which your Company conducts its business, exchange rate and interest rate movements, impact of competing products and their pricing, product demand and supply.

INDUSTRY STRUCTURE AND DEVELOPMENT

Your Company belongs to the Fast Moving Consumer Goods (FMCG) industry. The FMCG industry comprises segments such as Personal Care, Soaps and Detergents, Skin care, Oral care, Health and Hygiene products, Hair Care, Coconut oil, Refined Edible oils, Foods and Beverages, Dairy products, etc.

The FMCG industry is one of the largest in the country, with an annual estimated turnover of Rs. 300,000 million.

In accordance with its Business Direction, your Company is committed to improving the quality of people's lives through fast moving branded consumer goods. These goods are primarily in the categories of Nature Care and Health Care, with a product range that encompasses Coconut Oil, Value Added Hair Oils, Anti Lice Treatment / Oil, Refined Edible Oils in consumer packs, Fabric Starch, Processed Foods etc.

Marico's brand portfolio comprises Parachute, Saffola, Sweekar, Hair & Care, Revive, Sil, Oil of Malabar, Shanti and Mediker and their extensions. Your company offers a basket of products, catering to the unique consumption habits of Indians. Over the years, Marico has built a significant market share in a few product categories.

Marico has leveraged its distribution strength by entering into Distribution alliances. Currently it has a marketing and distribution alliance with Indo Nissin Foods Limited for distribution of instant noodles (Top Ramen instant noodles) and a distribution arrangement with Procter & Gamble Home Products Ltd. and Procter & Gamble Hygiene & Healthcare Ltd. for distribution in India of some of its brands (Old Spice, Pampers and Ariel Detergent Bar).

Marico's presence overseas (whether as exports from India or as local operations in a foreign country) is entirely in branded FMCG products. With the turnover from overseas presence at Rs. 496 million during FY02, Marico would be one of the top few Indian FMCG Companies in terms of overseas presence.

Marico's business model is based on focused growth across all its brands / territories driven by continuously improving value propositions to consumers, market expansion and widening its retail reach. The model ensures that Marico is present in unique / ethnic Indian product categories.

Almost all the segments that your Company is in are characterised by a large unorganised sector comprising local and regional players, which is yet to be tapped by nationally available branded products. Another characteristic has been the scope offered by the vast rural population in India, where branded products are yet to make the same headway as they have made in urban areas.



ANNEXURE TO THE DIRECTORS' REPORT

Your Company has constantly been directing its efforts and resources towards conversion of loose oil consumers to the users of branded oil through its product innovations and increased market coverage especially in the rural areas.

In the year under review, there has been a slow down in the economy with major sectors reporting negligible or negative growths. The FMCG industry, too, has been adversely affected by this recessionary trend. Amidst this your Company has continued to grow, though at a small rate.



OPPORTUNITIES AND THREATS

The segments in which your Company operates have been registering growths, despite an overall slowdown scenario. It is therefore expected that when the economy revives, these segments will respond much more positively to your Company's brand building efforts, innovation initiatives, new product launches and increased market coverage especially the rural market. A reviving economy would, thus, be an opportunity.

Since a major portion of your Company's segments is still dominated by the unorganised sector, there are opportunities in converting the consumers of non-branded goods (e.g. loose Coconut Oil) into branded goods consumers (e.g. Parachute Coconut Oil). At the same time, changes in consumer habits have to be closely and continuously monitored.

Moving consumers from low-end commodity based products to high-end value added branded products is also an opportunity area.

Despite the competition and influence of external economic factors like the slowdown etc., your Company has continued to grow and maintain its market leadership. Competition remains a threat, which needs to be tackled on a continuous basis.

Your Company, like many other players in the branded FMCG segment, has been facing the menace of unfair competition, manifesting itself in the form of duplicates, clones and pass offs. Your Company has initiated various measures to combat this menace by way of technology innovations and also field level action.

RISKS AND CONCERNS

Macro-economic factors like the slow down, sluggish demand conditions, unforeseen political and social upheavals, natural calamities are likely to affect the business of your Company as also the Industry at large.

Shifts in consumer habits, too, are a risk area. With competition intensifying in all segments of the industry, increasing the market shares and the consumer base is a continuing challenge. Developments in technology - both 'hard' (Product / Packaging development) as also 'soft' (Information, Human Resource management) - are other critical areas.

Penetration in the rural market is crucial for increasing the base of the users of branded goods. Rural demand conditions therefore affect the overall business.

Since raw materials form an important component of your Company's value chain, cost and availability of some of the key raw materials are an area of concern.

Besides these, changes in legislation, especially fiscal and food related, also have a bearing on the business performance.



ANNEXURE TO THE DIRECTORS' REPORT

Your Company has however not been significantly impacted by these risk / concern factors due to the equity commanded by its brands, product differentiation, proactive action towards anticipated hindrances, technological superiority and the strong distribution network.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Your Company has a well-established and comprehensive system of internal controls across the value chain. The key constituents of the internal control system are:

- Structured organisational framework
- Continuous identification of areas requiring strengthened controls
- Policies on operational and strategic risk management
- Operating procedures to ensure effectiveness of business processes
- Compliance monitoring and review system
- A robust management information system
- Well-defined principles and procedures for evaluation of new propositions

Your Company has set up a system of internal audit conducted through Aneja Associates, Mumbai, a firm of Chartered Accountants. Internal Audits are undertaken on a continuous basis covering various areas across the value chain like manufacturing, operations, sales and distribution, marketing, finance etc. Reports of the internal auditor are regularly reviewed by the management and corrective action initiated to strengthen the controls and enhance the effectiveness of the existing systems. Summaries of the reports are presented to the Audit Committee of the Board.

During the year, your Company implemented ERP (Enterprise Resource Planning) solution – SAP R/3 and SCM (Supply Chain Management) solution – APO. These tools will aid building an efficacious real time information system to aid the decision making process and also help exercise better controls.

HUMAN RESOURCE / INDUSTRIAL RELATIONS

Marico is a professionally managed company that has built for itself a stimulating work culture that empowers people, promotes team building and encourages new ideas. This has, over the years, enabled Marico to grow its stature as one of the few successful Indian FMCG Companies. Marico was awarded the National Award for outstanding work in HRD by National HRD Network in 1994 as also the award for Top Performing Global Growth Company from India at the World Economic Forum in 1997.

Marico aims to be the leader in each of its businesses; by heightened sensitivity to consumer needs, setting new standards in the delivery and quality of products and through processes of continuous learning and improvement. Human Resource programmes and initiatives are therefore aligned to meet the business needs.

Human Resources are vital for achievement of Marico's business objectives. Your Company therefore provides its employees with an open environment, empowerment at even basic levels and a challenging job content. Your Company's Human Resource initiatives are directed towards developing processes that integrate an individual's need for holistic growth by focusing on personal and career development.

Your Company has a unique process of performance enhancement through deployment of MBR (Management By Results) to create an environment of challenge and provide opportunities for realisation of optimum performance.

As on March 31, 2002, the employee strength of your Company was 1032. The average age of the employees of your Company is 32 years.

Industrial relations have by and large remained cordial throughout the year.



ANNEXURE TO THE DIRECTORS' REPORT

FINANCIAL PERFORMANCE WITH REFERENCE TO OPERATIONAL PERFORMANCE

Amidst the recessionary trend in the FMCG industry, Marico recorded a turnover of Rs. 6957 million for FY02, a growth of 3.7% over FY01. Profit before Tax (PBT) at Rs. 578 million for the year increased by 15.4% over FY01. Profit after Tax (PAT) before deferred taxation provision went up by 15.8% to Rs. 530 million. PAT after considering charge on account of deferred taxation (made for the first time in FY02) was at Rs. 501 million, a growth of 9.4%.

Sales Value growth for the year at 3.7% would have been higher but for the following:

- The realisations of Coconut Oil were lower in FY02 compared to FY01 e.g. the Maximum Retail Price (MRP) of the largest selling pack (Parachute 200 ml bottle) in FY02 was lower at an average of Rs. 23.8 as compared to Rs. 24.5 during FY01.
- Sales of Procter & Gamble (P&G) products declined considerably in FY02, primarily because P&G during the second half of FY01 withdrew the brands Clearasil, Ultra Clearasil (divested) and Camay Soap (discontinued) from the Distribution Agreement.
- Leveraging the Supply Chain Management tool of the SAP Suite (APO), Marico rationalised the stock levels at most of its distributors' locations through a de-stocking initiative towards the end of FY02.



This impacted to some extent the sales by your Company to its distributors towards the end of FY02.

The above impacts were offset by higher realisations in refined edible oils during FY02, consequent to increase in the custom duty rates post Union Budget 2001 and a handsome growth in sales of hair oils.

During FY02, the volumes of Marico's Coconut Oil Franchise (Parachute and OOM) were held at FY01 level, despite the distributor stock level rationalisation discussed above. Parachute continued to be the market leader in both, the urban and rural markets. For the 12 month period ended February 2002, while the Coconut Oil (CNO) market grew at 1%, Marico's CNO franchise recorded a growth of 4% (Source : ORG Retail Data).

Non-Fabric Care products (comprising coconut oils and hair care products) in Nature Care Division recorded a volume growth of 6% for FY02 over the previous year, while Fabric Care volumes rose by 18%.

Hair Oil franchise of your Company continued its good run and for the year posted a volume growth of 88% over FY01, on a base, which although growing rapidly was still small.

Saffola franchise rose by 8% in volumes, while Sweekar Sunflower Oil de-grew in volumes.

New products launched by your Company in recent past performed satisfactorily and now contribute 12% to the overall turnover.

During FY02, Marico consolidated its market shares. Key brands improved their share over the levels prevailing during FY01. CNO franchise continued to be the market leader while in the ROCP segment, your Company held the No. 1 / No. 2 slots for most part of FY02.



ANNEXURE TO THE DIRECTORS' REPORT

BRANDS

BRAND BUILDING STRATEGY

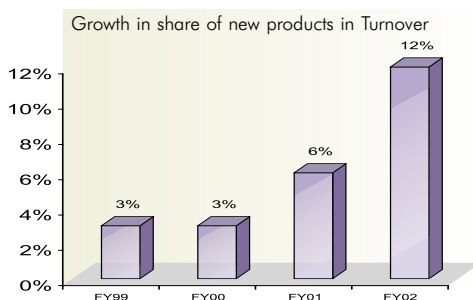
Your Company's brand building strategy comprises –

- Creating a slew of new ideas through continuous innovation.
- Identifying a few “big bets” out of these ideas through prototyping, a process, wherein the new ideas are tested comprehensively on a smaller scale, with an objective of improving their success potential when scaled up. This helps de-risk your Company since only the successful products are launched on a large scale.
- Focussing and supporting the “big bets” with commensurate share of mind, scale of resources and appropriate demand creation campaigns for new products.
- Continuous innovation in the areas of product formulation and packaging to further enhance the value added to the consumer.

Your Company has accordingly been spending substantially on new products like Jasmine, Shanti Amla, Saffola Kardi-Corn blended oil etc. Thus, for FY02, the Advertising & Sales Promotion (ASP) expenditure on new products was at 28% of the total ASP as compared to 23% in FY01.

The higher spending has spurred the turnover of new products - share of new products in the total turnover went up to around 12% of total sales in FY02 as against 6% in FY01. New products now contribute Rs. 800 million to Marico's turnover.

With the consumer franchise for Marico's new products having been established, the ASP spends on such products have been progressively falling. The Sales to ASP Ratio of Marico's new products has thus moved up from 2 to 5, indicating increasing effectiveness of the brand building efforts.



As a matter of strategy, your Company has been realigning the composition of its ASP expenditure and has been increasing the advertising portion (which relates the demand creation efforts directly to the consumers) and reducing the expenditure on sales promotion (which can be a tactical tool in pushing sales up). On the backdrop of a recessionary economic environment during FY02, most FMCG companies attempted to drive growth through schemes / consumer offers. Contrary to industry trend, Marico concentrated more on brand development through advertising instead of consumer offers. In the process, the sales promotion expenditure in FY02 was significantly pared as compared to FY01. Consequently, the overall ASP to Sales ratio was lower at 8.5% in FY02 as compared to 12.2% in FY01.

Marico's innovation initiatives continued to produce improved product formulations and packaging, thereby providing increasingly greater value to consumers.

Continuing with its innovation strategy aimed at conversion of loose oil consumers to packaged oils, your Company, during FY02, introduced two new flexi packs of Parachute Coconut Oil – a “Super” pack available in quantities of 50 ml and 100 ml and a bottle-shaped 6-ml “Mini” pack. Available to consumers at lower price points, these



ANNEXURE TO THE DIRECTORS' REPORT

packs are expected to broad-base Marico's consumer franchise. With superior packaging technology, the packs are expected to help Marico's drive in combating unfair competition from look-a-likes. Consumer response for these two packs has been very encouraging.

MARKET SHARES

Marico's brand building initiatives have translated into steadily rising market shares (ORG Urban Retail Data) of most of Marico's brands. A snapshot for the 12-month period ended February 2002 with comparative figures for the corresponding period of the previous year is as follows:

Brand	Category	Market Share %		Current Market Rank
		Mar 01- Feb 02	Mar 00- Feb 01	
Parachute & Oil of Malabar (OOM)	Coconut Oils	55.4	54.5	1
Saffola & Sweekar	Refined Oils in Consumer Packs (ROCP)	12.0	13.0	2
Total Hair Oils	Hair Oils	11.6	7.2	2
Hair & Care	Non-Sticky Hair Oils (NSHO)	21.2	19.8	2
Parachute Extensions	Value Added Coconut Oils	19.5	11.3	2
Shanti Amla	Amla Hair Oils	8.0	-	3

Marico's continued efforts in building the Parachute Brand have yielded results. The market share for the period Mar-01 to Feb-02 at 55.4% has shown an improvement over 54.5% during the corresponding period last year. In the recently concluded A&M Survey on India's Top Brands, Parachute was ranked 26th, an improvement over its earlier rank of 42nd.

In terms of sales value, however, the CNO franchise de-grew by 7%, for reasons stated earlier in this annexure.

Marico's Hair Oil franchise comprising Hair & Care, Parachute Jasmine, Parachute Enrich and Shanti Amla recorded a sizeable growth in both volumes and value. Volumes grew by 88% and sales value by 42% in FY02 over FY01. Aided by the robust volume performance, the market share of Marico's hair oil franchise went up from 7.2% during FY01 to 11.6% in FY02. The ranking has also improved from 5th to 2nd in FY02.

After its re-launch in the second quarter of FY02, Mediker Anti Lice Treatment has been performing well. Response from consumers has been positive.

The ROCP Franchise - Saffola Kardi Oil, Saffola Kardi - Corn Blended Oil, Sweekar Sunflower Oil, Sweekar Groundnut Oil and Sweekar Soya Oil, grew by 16% in value terms. Saffola franchise grew by 21% in value terms and 8% in volumes aided by a sustained growth in Saffola Kardi - Corn blend, launched last year. Sweekar franchise also grew by 12% in value terms although there was de-growth in volumes. Consequently, the ROCP volumes shrunk by 6%.

Post Union Budget 2001, the custom duty rate on imported Sunflower Oil (SFO) increased substantially (to 75%) while duty hike for other oils like Soya (45%) was not so steep. This resulted in the relative price of SFO being higher than other oils, resulting in a shift in the consumer preference towards cheaper oils. This resulted in shrinkage of the share of SFO in the overall ROCP Market by around 4%. Your Company is however, attempting to focus on maintaining the margins on its SFO brand through product differentiation. As part of this strategy, during the third quarter of FY02, your Company introduced Sweekar Low Absorb Oil - India's





ANNEXURE TO THE DIRECTORS' REPORT

first low absorb oil. Food cooked in this absorbs less oil providing the consumers the twin benefits of health and economy. University Department of Chemical Technology (UDCT), an institute of international repute has verified the claim.

NEW PRODUCTS

Parachute Jasmine has been increasing its market share ever since its launch early last year, touching 26% in February 2002. Its market share in the Value Added Coconut Oil market was at 16.3% for the period Mar01 - Feb02 as compared to 4.5% during the corresponding period in FY01. Volumes almost tripled in FY02 compared to FY01.

Shanti Amla, launched in fourth quarter of FY01, continued to perform well. Positioned on the value-for-money platform - "Goodness of Amla at an amazingly affordable price", the brand's market share has been growing steadily ever since its launch. The brand has mopped up a market share of 9% by February 2002 in a market, which was hitherto dominated by a single player. Its market share in the Amla Oil market was at 8% for the period Mar01 - Feb02.

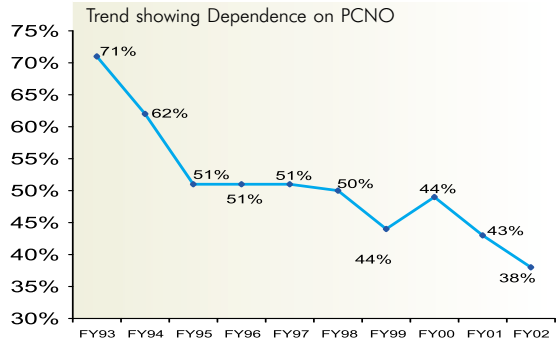
Saffola Kardi - Corn blend, rolled out nationally early last year continued its growth run in FY02. The volumes almost doubled during the year while the sales value grew by 118%. By February 2002, the brand had garnered a market share of 3.3%.

In the third quarter of FY02, Marico commenced marketing of Saffola Olive Oil in India in partnership with Rafael Salgado of Spain (a leading international brand). Recently, The Advertising Agencies Association of India (AAAI) announced Triple A awards for Outstanding Advertising in 2001. Saffola Olive Oil advertising campaign won the Silver Trophy in the "Food and Beverages" category.

QUALITY OF EARNINGS

New products launched by your Company last year performed well during FY02. The share of new products in the total turnover almost doubled to around 12% of total sales in FY02 as against 6% in FY01.

With continued success of new products, Marico's dependence on its flagship brand, Parachute, has steadily reduced - from 70%-75% of turnover in the early 90's to about 38% now. The graph alongside shows Marico's dependence on Parachute over the years.



Supported by a satisfactory volume performance over the years, Marico has been able to record consistent financial performance. Fourth quarter of FY02 is the 10th consecutive quarter in which your Company has posted growth in PBT over the corresponding quarter of previous year.

INTERNATIONAL BUSINESS

International business, which grew by 29% on a consolidated basis over FY01 aided by continued growth in SAARC countries, now forms 7.1% of turnover - up from 5.7% in FY01 and 3% in FY00.



ANNEXURE TO THE DIRECTORS' REPORT

As part of its strategy of consolidating its presence in Bangladesh, your Company is in the process of establishing manufacturing operations in Bangladesh. The project is expected to be fully implemented by end of first half of FY03. With this, the operations in Bangladesh would be self-sufficient for catering to the requirements in the domestic market.

COST STRUCTURE

	% to Sales & Services	
	FY02	FY01
Raw and Packing Materials	62.5	60.1
Advertising & Sales Promotion (ASP)	8.5	12.2
Personnel Costs	4.7	4.4
Depreciation	2.0	1.3
Other Expenses	13.6	14.3
Operating Costs	<u>91.3</u>	<u>92.4</u>
Net Operating Margin (PBIT)	8.7	7.6
Cash Operating Margin (PBDIT)	10.8	8.9
Finance Cost	0.6	0.5

Notes:

1. Margins have been computed without including "Other Income", major components of which are lease rentals - Rs. 7 million (Previous year Rs. 8 million) (not necessarily one-time), insurance claims – Rs. 3 million (Previous year Rs. Nil) (not necessarily one-time). If these were included, the net operating margins would have been 8.9% (FY02) and 8% (FY01).
2. Effective April 1, 2001, Marico has changed its accounting policy for valuation of inventory (raw materials, packing materials and stores and spares) from First In First Out (FIFO) basis to Weighted Average Costing, in line with the best practices for working in an ERP based environment. Had this change not been made, the valuation of inventory at the end of FY02 and consequently the net operating profit for the year would have been higher by Rs. 7 million. The net operating margin without considering this additional charge works out to 8.8% for FY02 as against 7.6% for FY01.
3. Accounting Standard 26 on Intangible Assets issued by the Institute of Chartered Accountants of India becomes mandatory with effect from April 1, 2003. However, your Company decided to adopt this standard from FY02 and accordingly amortised certain Trademarks & Copyrights, which were hitherto not amortised. Accordingly, an amount of Rs. 16 million was amortised during the year. Further, your Company has increased the rate of depreciation on some of its assets, especially computers and packaging machinery so that the assets are depreciated over their economic life. This resulted in an additional charge of Rs. 19 million for the year. Had both these changes not been made, the net operating profit for the year would have been higher by Rs. 36 million. The net operating margin without considering this additional charge works out to 9.2% for FY02 as against 7.6% for FY01.
4. If adjustments were made for all the above points (Notes 1 to 3), the net operating margin would have been 9.5% for FY02 as against 8% for FY01.





ANNEXURE TO THE DIRECTORS' REPORT

5. Raw material costs were higher during FY02 as compared to FY01. The increase in edible oil prices during the year was to a large extent offset by the ability of the brands to correspondingly increase the MRP. Average copra prices in FY02 were, however, lower as compared to FY01.
6. Advertising and Sales Promotion (ASP) expenditure was lower in FY02 as compared to last year. However, your Company continues to invest a significant and increasing portion of its total ASP expenditure in new products, which has helped these products post significant growth (explained earlier in this annexure).
7. Finance Costs increased in FY02 primarily due to increase in capital employed in Information Technology initiatives (ERP/SCM/BIW/MI-NET) and the Pondicherry Project, the benefits from which are scheduled to start accruing over a period of time.

CAPITAL UTILISATION

ROCE for FY02 was 32.3% compared to 33.5% in FY01. The fall in ROCE is attributable largely to the increase in capital employed owing to investments in Information Technology initiatives (ERP/SCM/BIW/MI-NET) and the Pondicherry Project, the benefits from which are scheduled to start accruing over a period of time. The annualised Return on Net worth (RONW) at 27.2% during FY02 was lower as compared to 29.2% during FY01 for similar reasons.

The capital turnover ratios for the year were satisfactory. The receivables turnover ratio was 18 days (FY01: 22 days) while the inventory turnover ratio was at 40 days (FY01: 32 days). Turnover as number of days of net working capital was at 30 days (FY01: 27 days).

The Debt: Equity ratio as at March 31, 2002 continued to be at a very low level – 0.02 at the end of FY01 going up marginally to 0.03 at the end of FY02.

INNOVATION

Marico's innovation initiatives continued to produce improved product formulations and packaging during FY02. Sweekar Low Absorb Sunflower Oil, Parachute 50-ml & 100-ml "Super" pack and Parachute 6-ml bottle-shaped "Mini" pack are recent examples. Aimed at providing the consumers the twin benefits - the assurance of a genuine product (these packs are technologically superior, making any duplication very difficult) and convenience (these packs are easier to carry and store), both the packs provide a higher value to the consumers for the price that they pay.

The innovation initiatives have been recognised in terms of various awards won by your Company during the year - the World Star Packaging Award for Saffola 15 litre Jar with easy dispenser tap and Parachute Easy Jar (Kamaal Ka Dhakkan).

STRUCTURAL EFFICIENCY IMPROVEMENTS

Following a successful "go live" at all its locations, the Company has stabilised its operations on the SAP Suite (R/3 representing the Enterprise Resource Planning tool and APO representing the Supply Chain Management tool). Marico has also deployed a business intelligence tool - BIW (Business Information Warehouse) as an accessory to R/3 and APO. These tools will benefit your Company in the form of reduced costs & cycle times in the years to come.

In recognition of the successful ERP/SCM implementation of SAP R/3 & APO, your Company received the SAP STAR Installation Award from SAP India Private Limited. Awarded every three years to about 10 companies, chosen out of its total installation base of about 250 companies, the STAR Installation Award recognises



ANNEXURE TO THE DIRECTORS' REPORT

those select few organisations which innovatively use SAP as a strategic tool for organisational transformation, display a vision to anticipate opportunities and constantly strive to improve their competitive advantage to achieve and hold their leadership positions.

In order to reap maximum benefits from its sales and distribution network, Marico embarked on an internet-enabled application - Mi-Net - to establish a network between Marico and its distributors through a web interface. This project is aimed at providing real time information on the status of various business operations between Marico and its distributors. This initiative is expected to provide business benefits in the form of increased penetration by the sales force, reduced communication costs, reduced working capital requirements, etc. The project went live on April 1, 2002 with connectivity to Marico's urban distributors. The rural distribution network is expected to go live shortly. The business benefits are expected to accrue over a period of time.



The Company continues its focus on the 'Total Cost Management' (TCM) initiative. New areas are being continuously identified in order to maximise gains and mitigate pain areas for the business, with a clear emphasis on institutionalisation of TCM. TCM gains are expected to accrue over a period of time.

SEGMENTAL PERFORMANCE

Your Company has reported segmental performance for FY02 in compliance with the mandatory Accounting Standard 17 issued by The Institute of Chartered Accountants of India as also with the terms of the Listing Agreements with the Stock Exchanges.

Your Company's financial reporting is organised into two major operating divisions:

- Nature Care (CNO Franchise, hair oils and fabric care)
- Health Care (other edible oils (other than Coconut oil), processed foods (including Top Ramen and Sil) and salt)

The residual primary reportable segment comprises International Business and Distribution.

For the year ended March 31, 2002, the Nature care segment clocked a turnover of Rs. 3729 million with a direct profit before interest and tax (Direct PBIT) of Rs. 749 million. This translates into a return of 75% on the closing direct capital employed of Rs. 1000 million.

The Health Care segment turnover was Rs. 2542 million, the direct PBIT being Rs. 257 million, a return of 41.5% on the closing direct capital employed of Rs. 619 million.

OUTLOOK

Raw material prices are expected to be, by and large, higher during the coming year as compared to the year under review.

The new product performance is expected to provide a fillip to the turnover growth, pushing it into double-digit percentage for the year. PBT is expected to grow in line with growth in the turnover.

On behalf of the Board of Directors

Place: Mumbai
Date: April 18, 2002

Harsh C. 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

During the year energy conservation efforts in your Company were concentrated on the two main sources of energy used in your Company – Power and Steam. The steps taken for conservation of Steam and Power are given below:

i. Power

- Installation of additional Capacitor Banks to optimise usage of Capacitors, resulting in a more efficient power factor and thus reducing power consumption.
- Implementation of recommendations arising out of energy audits, such as carrying out necessary changes to Flat Belt, etc.
- Changes in process parameters to reduce power consumption.
- Consideration of energy efficiency levels in the design and selection of motors and rationalising motor capacity based on machine capacity.
- Optimum selection of motor ratings for Presses and Material Handling System.
- Frequency variation of drives for saving on power while operating expellers and conveyors.
- Installation of Automatic Power Factor Controller.

ii. Steam

- Conducted a thermographic study with Indian Institute of Production Management, Orissa, for identifying hot spots in energy lines, where energy is lost / wasted and implementing corrective steps based on the same.
- Study of steam lines in the plant and subsequently rationalising these lines for energy efficiency and insulation of pipes in all areas to eliminate steam losses.
- Replacing steam line gaskets to eliminate steam leakages.
- Introduction of steam Proportional Integral Derivative Control Valve to control flow of steam as per exact requirement.
- Re-designing the Boiler for optimising steam requirements.
- Rain Water Harvesting for conserving water.
- Recycling of Condensate.
- Installation of air preheater in baggase boiler and Thermic Fluid heater.
- Installation of agro waste boiler and Thermic Fluid heater.

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

B. Research & development

The details of Research & Development are given in Enclosure 'B'.

ANNEXURE TO THE DIRECTORS' REPORT

C. Foreign Exchange earnings and outgo:

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

ENCLOSURE 'A'

Power and Fuel Consumption

	For the year ended March 31,	
	2002	2001
1. Electricity		
a. Purchased units (Kwh)	6,183,506.500	6,032,805.000
Amount (Rs. Million)	23.224	22.050
b. Own Generation		
i. Through Diesel Generator (Kwh)	1,267,737.850	1,321,373.000
Amount (Rs. Million)	7.451	7.220
Average Rate (Rs./Unit)	5.877	5.460
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)	1,422.807	1,798.970
Amount (Rs. Million)	16.765	22.090
Average Rate (Rs./KL)	11,783.263	12,284.000
4. Other Internal Generation (excludes HSD used for electricity generation)		
L.D.O./H.S.D.		
Quantity (KL)	422.591	528.560
Amount (Rs. Million)	6.792	8.200
Average rate (Rs./Kl)	16,072.595	15,514.000
5. Baggase Consumption		
Quantity (KG)	3,053.778	Nil
Amount (Rs. Million)	3.088	Nil
Average Rate (Rs./KG)	1,011.267	Nil
Consumption per unit of production of edible oils		
	<u>Unit</u>	
Electricity	Kwh	113.917
Coal	MT	Nil
Furnace oil	KL	0.022
L.D.O./H.S.D.	KL	0.005
Baggase	KG	0.250
Consumption per unit of production of processed foods		
	<u>Unit</u>	
Electricity	Kwh	94.353
Coal	MT	Nil
Furnace oil	KL	Nil
L.D.O./H.S.D.	KL	0.105

ANNEXURE TO THE DIRECTORS' REPORT

ENCLOSURE 'B'

Research & Development

1. Specific areas in which R & D was carried out by your Company:
 - Technology selection and absorption towards converting agricultural and natural ingredients into consumer benefits and solutions.
 - Packaging development towards enhancing customer value in terms of convenience and product assurance
 - Development of new products, line extensions, and new processes.
2. Benefits derived as a result of above R & D:
 - New products were launched to address niche consumer benefits and solutions.
 - Better cost structures were achieved through selections in packing materials, application of appropriate technologies, and process optimisation.
 - Leveraged innovations in packaging towards extending brand value and consumer benefits.

Your Company continues to seek new consumer needs and solutions through its R & D efforts.

3. Expenditure on R & D:

	Rs. Million
a) Capital	1.5
b) Recurring	24.9
Total	26.4
c) Total R & D expenditure as a Percentage to Sales & Services	0.39

On behalf of the Board of Directors

Place: Mumbai
Date: April 18, 2002

Harsh C. Mariwala
Chairman and Managing Director

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

I. PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

(I) BASIC PHILOSOPHY

Corporate Governance encompasses laws, procedures, practices and implicit rules that determine a management's ability to take sound decision 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 off 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.

(II) CORNERSTONES

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

a) **Generative Transparency and Openness in Information Sharing:**

Marico believes that sharing and explaining all relevant information on your 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 making 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.

b) **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.

c) **Value-adding Checks and 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.

(III) BOARD / COMMITTEE PROCEEDINGS

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

(IV) OTHER SIGNIFICANT PRACTICES

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

a) **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.

CORPORATE GOVERNANCE

- ◆ Financial results are posted on the Intranet accessed by employees.
- ◆ Financial results are published in leading newspapers.
- ◆ Stock exchanges are informed of all material developments.

b) **Ownership Separated from Management:**

- ◆ 4 out of 5 directors are non-executive and 3 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 the Company securities in addition to concerned Securities and Exchange Board of India (SEBI) regulations.
- ◆ Senior management personnel are present at meetings so that the Board/Committees can seek explanations from them.

c) **Checks & Balances:**

- ◆ All directors are provided with complete information relating to operations and the Company finances to enable them to participate effectively in Board discussions.
- ◆ Administrative Committee covers routine transactional issues.
- ◆ Investment and Borrowing Committee covers management of funds.
- ◆ Audit Committee covers 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 specialisation.
- ◆ 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 is placed before the board at every meeting.
- ◆ Committees are chaired by independent directors to check control systems and review them.

d) 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.

CORPORATE GOVERNANCE

- e) 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 / Committee Meetings.
- f) 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.

(V) 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 C. Mariwala	Chairman & Managing Director
Mr. Kishore V. Mariwala	Non-Executive Director
Mr. Bipin R. Shah	Non-Executive and Independent Director
Mr. Nikhil N. Khattau	Non-Executive and Independent Director
Mr. Atul C. Choksey	Non-Executive and Independent Director

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

Six Board Meetings were held during the period April 01, 2001 to March 31, 2002. They were held on April 23, 2001, July 25, 2001 (First Meeting), July 25, 2001 (Second Meeting), October 23, 2001, January 24, 2002 and March 5, 2002. The attendance record of all directors is as follows: -

Names	No. of Board Meetings		Attendance at	Remarks
	Held	Attended	Last AGM	
Mr. Harsh C. Mariwala	6	6	Yes	—
Mr. Kishore V. Mariwala	6	6	Yes	—
Mr. Bipin R. Shah	6	6	Yes	—
Mr. Nikhil N. Khattau	6	3	Not Applicable	Was appointed on July 25, 2001
Mr. Atul C. Choksey	6	2	Not Applicable	Was appointed on October 23, 2001
Mr. Cyril S. Shroff	6	Nil	No	Relinquished the office of Director with effect from September 29, 2001

CORPORATE GOVERNANCE

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

Name	Number of Outside Directorships held	Number of Committee Memberships held	Number of Committees in which Director is a Chairperson
Mr. Harsh C. Mariwala	5	3	Nil
Mr. Kishore V. Mariwala	5	3	1
Mr. Bipin R. Shah	10	7	3
Mr. Nikhil N. Khattau	1	2	Nil
Mr. Atul C. Choksey	13	Nil	Nil

III. AUDIT COMMITTEE

(I) **Constitution:**

The Audit Committee was 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.

The Audit Committee comprises the following :

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

(II) The terms of reference of the Audit Committee are as stated in the Corporate Governance Code and include:

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

CORPORATE GOVERNANCE

(III) Committee Meetings and Attendance of Directors

The first meeting of the Committee was held on April 23, 2001. The Committee was reconstituted by the Board at its meeting held on April 18, 2002. The Committee held its meeting on April 23, 2001 (as required under Section 292 A of the Companies Act, 1956), October 23, 2001 (for considering half-yearly results), March 20, 2002.

The attendance record of directors at the Audit Committee meetings is as follows:

Name	No. of Audit Committee Meetings	
	Held	Attended
Mr. Kishore V. Mariwala	3	3
Mr. Bipin R. Shah	3	3
Mr. Nikhil N.Khattau	3	2
Mr. Cyril S. Shroff	3	Nil

(1 meeting held before appointment)
(2 meetings held after resignation)

IV. REMUNERATION COMMITTEE

(I) Constitution:

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

The Remuneration Committee comprises the following :

Mr. Bipin R. Shah	-	Chairman
Mr. Kishore V. Mariwala	-	Member
Mr. Atul C. Choksey	-	Member
Mr. Dev Bajpai	-	Secretary to the Committee

(II) The terms of reference of the Remuneration Committee are as stated in the Code for Corporate Governance.

Although as per the requirements of the Listing Agreement the constitution of this committee is non-mandatory, your Company has constituted this Committee for deriving benefits from its deliberations.

(III) Remuneration paid to Non-Executive Directors for the Financial Year 2001 - 02 is as under:

Name	Remuneration (payable annually) Rs.	Sitting Fees Rs.
Mr. Kishore V. Mariwala	1,85,000	50,000
Mr. Bipin R. Shah	1,65,000	45,000
Mr. Nikhil N. Khattau	96,667	25,000
Mr. Atul C. Choksey	50,000	10,000
Mr. Cyril S. Shroff	Nil	Nil

CORPORATE GOVERNANCE

V. SHAREHOLDERS' COMMITTEE

(I) **Constitution:**

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

The Shareholders' Committee comprises the following :

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

(II) The terms of reference of the Shareholders' Committee are to specifically look into the redressal of shareholders' and investors' complaints with respect to transfer of shares, non-receipt of annual report, non-receipt of declared dividends etc.

(III) **Committee Meetings:**

The first meeting of the Committee was held on March 20, 2002. All the members of the Committee attended this meeting.

(IV) **Status Report of Investor Complaints as on March 31, 2002**

No. of Complaints Received	-	10
No. of Complaints Resolved	-	10
No. of Complaints Pending	-	NIL

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

VI. GENERAL BODY MEETINGS

YEAR	VENUE	DATE	TIME
1998-99	M.C. Ghia Hall, Bhogilal Hargovindas Building, 18/20, Kaikhushru Dubash Marg, Mumbai - 400 001	June 22, 1999	3:00 p.m.
1999-00	'Centrum', MVIRDC World Trade Centre, Cuffe Parade, Colaba, Mumbai - 400 005	July 25, 2000	4:00 p.m.
2000-01	'Centrum', MVIRDC World Trade Centre, Cuffe Parade, Colaba, Mumbai - 400 005	July 25, 2001	2:00 p.m.

CORPORATE GOVERNANCE

There was no other General Body Meeting in the last three years and no resolution was put to vote through postal ballot.

VII. DISCLOSURES

There were no material related party transactions with subsidiary or other associates during this financial year.

There has not been any non-compliance, penalties or strictures imposed on your Company by the Stock Exchanges, SEBI 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. The half-yearly reports are not sent to households of shareholders.

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

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

IX. GENERAL SHAREHOLDER INFORMATION

Annual General Meeting - Date, Time and Venue : Thursday, July 18, 2002.

Time : 2.00 p.m.

'Centrum', MVIRDC World Trade Centre-1, Cuffe Parade, Colaba, Mumbai - 400 005

Financial Year : April 01, 2001 - March 31, 2002

Book Closure Date : July 12, 2002 (Friday) - July 18, 2002 (Thursday)

Dividend Payment Date : August 23, 2001 (First Interim Dividend)
November 16, 2001 (Second Interim Dividend)
February 18, 2002 (Third Interim Dividend)
May 18, 2002 (Fourth Interim Dividend)

CORPORATE GOVERNANCE

Listing on Stock Exchanges : Listed on The Stock Exchange, Mumbai and The National Stock Exchange of India Limited.

Listing fees for the Financial Year 2002-03 have been paid.

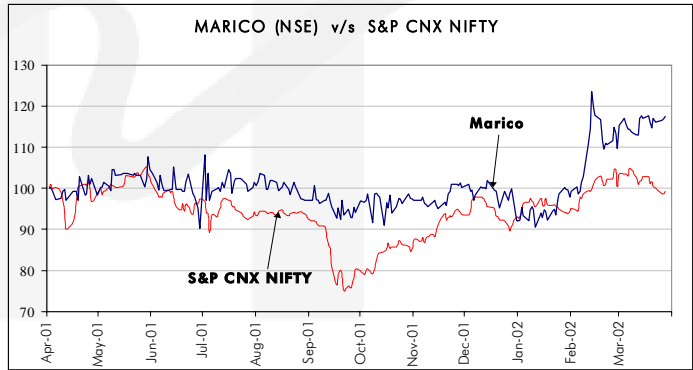
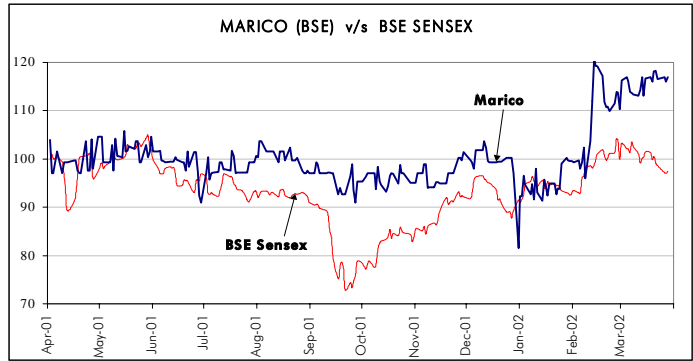
Stock Code : 531642

Market Price Data :

Month	The Stock Exchange, Mumbai (BSE)		The National Stock Exchange (NSE)	
	(In Rs.)		(In Rs.)	
	High	Low	High	Low
April-01	239.00	220.00	239.95	220.00
May-01	240.00	220.00	244.95	221.10
June-01	232.00	206.00	238.20	204.00
July-01	238.65	217.00	245.10	200.00
Aug-01	235.00	220.00	248.50	219.10
Sep-01	230.00	206.25	228.25	190.00
Oct-01	225.00	200.00	230.00	204.00
Nov-01	229.00	203.05	233.95	215.00
Dec-01	237.90	177.00	236.05	215.00
Jan-02	229.90	202.45	235.00	205.00
Feb-02	285.00	217.25	286.00	209.00
Mar-02	269.75	249.00	270.00	251.25

CORPORATE GOVERNANCE

Performance in comparison :
BSE Sensex & S & P CNX Nifty



Share Transfer System : Transfers 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 Consultants Limited, 7, Andheri Industrial Estate, Off Veera Desai Road, Andheri (West), Mumbai – 400 058.

CORPORATE GOVERNANCE

Distribution of Shareholding as on March 31, 2002 :

No. of Equity Shares held	No. of Shareholders	No. of Shares held	Percentage of Shareholding
0-50	1150	30,316	0.21
51-500	1997	326,980	2.26
501-1000	141	121,444	0.84
1001-5000	85	191,111	1.32
5001-10000	19	144,697	1.00
10001-50000	25	750,226	5.17
50001 & Above	30	12,935,226	89.20
Total	<u>3447</u>	<u>14,500,000</u>	<u>100.00</u>

Categories of Shareholding as on March 31, 2002 :

Category	No. of Shareholders	No. of Shares held	Percentage of Shareholding
Promoters	25	9,378,215	64.68
Unit Trust of India	1	1,677,357	11.57
Mutual Funds	6	252,458	1.74
Insurance Companies	5	704,902	4.86
Banks & Other Financial Institutions	2	3,150	0.02
Public/Private Limited Companies	217	406,086	2.80
FII's	9	930,849	6.42
NRIs and OCBs	26	48,675	0.34
Resident Individuals/Trusts/HUFs	3156	1,098,308	7.57
Total	<u>3447</u>	<u>14,500,000</u>	<u>100.00</u>

Dematerialisation of Shares and Liquidity : As on March 31, 2002, 83.1% 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 your 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 : Your Company has not issued any GDR / ADR / Warrants or any convertible instruments, conversion date and impact on equity convertible instruments so far.

Plant Locations : Kanjikode, Goa, Pondicherry, Daman, Jalgaon and Saswad

CORPORATE GOVERNANCE

Address for correspondence : **Shareholding related queries / Change of Address**

Company's Registrar & Transfer Agent:

M/s. Karvy Consultants Limited

7, Andheri Industrial Estate, Off Veera Desai Road,
Andheri (West), Mumbai – 400 058, India.

General Correspondence

Marico Industries Limited, Rang Sharda, Krishnachandra
Marg, Bandra Reclamation, Bandra (West), Mumbai – 400
050.

On behalf of the Board of Directors

Place : Mumbai

Dated: April 18, 2002

Harsh C. Mariwala

Chairman and Managing Director

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, 2002 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

Place : Mumbai

Dated: April 18, 2002

NATRAJ RAMKRISHNA

Partner

AUDITORS' REPORT

To,

The Members of Marico Industries Limited

1. We have examined the attached Consolidated Balance Sheet as at March 31, 2002, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year then ended (together referred to as 'consolidated financial statements') of Marico Industries Limited and its subsidiary, Marico Bangladesh Limited (together referred to as 'Group').
2. These consolidated financial statements are the responsibility of the Marico Industries Limited's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material mis-statements. 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 signified estimates made by management, as well as evaluating the overall consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.
3. As stated in Note 3 to the accounts, the separate financial statements of the subsidiary, whose financial statements reflect total assets of Rs. 53.684 million (comprising 3.80% of group total assets) as at March 31, 2002 and total revenue of Rs. 247.713 million (3.55% of group total revenue) for the year then ended have not been audited and, therefore, our opinion, insofar as it relates to the amounts included in the consolidated financial statements in respect of the subsidiary, is based solely on the unaudited separate financial statements prepared by the subsidiary.
4. We report that the consolidated financial statements have been prepared by the Group in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Marico Industries Limited and the unaudited financial statements of the subsidiary included in the consolidated financial statements.
5. On the basis of the information and explanations given to us and on the consideration of the separate audit report on audited financial statements of Marico Industries Limited and the unaudited financial statements of its subsidiary, we are of the opinion that:
 - (a) the Consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of Marico Industries Limited and its subsidiary as at March 31, 2002;
 - (b) the Consolidated Profit and Loss Account gives a true and fair view of the consolidated results of operations of Marico Industries Limited and its subsidiary for the year then ended; and
 - (c) the Consolidated Cash Flow Statement gives a true and fair view of the cashflows of Marico Industries Limited and its subsidiary for the year then ended.

for **RSM & Co.**
Chartered Accountants

Place : Mumbai
Dated: April 18, 2002

NATRAJ RAMKRISHNA
Partner

BALANCE SHEET

	SCHEDULE	As at March 31,	
		2002	2001
		Rs.million	Rs.million
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Capital	A	145.000	145.000
Reserves and surplus	B	1,826.664	1,568.137
		<u>1,971.664</u>	<u>1,713.137</u>
LOAN FUNDS			
Secured loans	C	—	—
Unsecured loans	D	50.468	36.381
		<u>50.468</u>	<u>36.381</u>
DEFERRED TAX LIABILITY			
		<u>60.034</u>	<u>—</u>
		<u>2,082.166</u>	<u>1,749.518</u>
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross block	E	1,848.131	1,519.593
Less : Depreciation and amortisation		490.396	326.138
Net block		1,357.735	1,193.455
Capital work-in-progress		54.964	80.590
		<u>1,412.699</u>	<u>1,274.045</u>
INVESTMENTS			
	F	0.077	0.076
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	G	819.391	697.550
Sundry debtors	H	307.140	427.175
Cash and bank balances	I	128.075	46.739
Loans and advances	J	210.936	173.533
		<u>1,465.542</u>	<u>1,344.997</u>
Less: CURRENT LIABILITIES AND PROVISIONS			
Current liabilities	K	761.772	754.203
Provisions	L	34.380	115.397
		<u>796.152</u>	<u>869.600</u>
NET CURRENT ASSETS			
		<u>669.390</u>	<u>475.397</u>
		<u>2,082.166</u>	<u>1,749.518</u>
Notes to the accounts	Q		

As per our attached report of even date

FOR RSM & Co.

Chartered Accountants

NATRAJ RAMKRISHNA
Partner

MILIND SARWATE
Chief Financial Officer

DEV BAJPAI
General Manager - Legal
and Company Secretary

For and on behalf of the Board of Directors

K.V. MARIWALA
Director

H.C. MARIWALA
Chairman and
Managing Director

Place : Mumbai

Dated : April 18, 2002

Place : Mumbai

Dated : April 18, 2002

PROFIT AND LOSS ACCOUNT

		For the year ended March 31,	
		2002	2001
SCHEDULE		Rs.million	Rs.million
INCOME			
Sales and services		6,956.517	6,707.290
Other income	M	13.000	27.347
		6,969.517	6,734.637
EXPENDITURE			
Cost of materials	N	4,405.302	4,097.065
Manufacturing and other expenses	O	1,802.821	2,012.105
Finance charges	P	40.683	35.193
Depreciation and amortisation		142.345	88.947
		6,391.151	6,233.310
PROFIT BEFORE TAXATION		578.366	501.327
Provision for current taxation		48.780	43.806
PROFIT AFTER CURRENT TAX		529.586	457.521
Provision for deferred taxation		59.984	—
Excess income tax provision of earlier year written back		31.000	—
PROFIT AFTER TAXATION		500.602	457.521
Balance brought forward		684.615	493.728
PROFIT AVAILABLE FOR APPROPRIATION		1,185.217	951.249
APPROPRIATIONS			
Interim dividend (Subject to deduction of tax where applicable)		203.000	58.000
Tax on interim dividends		13.311	12.760
Proposed final dividend		—	87.000
Tax on proposed dividend		—	8.874
General reserve		50.000	100.000
BALANCE CARRIED TO THE BALANCE SHEET		918.906	684.615
BASIC AND DILUTED EARNINGS PER SHARE		34.52	31.55
Notes to the accounts	Q		

As per our attached report of even date

FOR RSM & Co.

Chartered Accountants

NATRAJ RAMKRISHNA
Partner

MILIND SARWATE
Chief Financial Officer

DEV BAJPAI
*General Manager - Legal
and Company Secretary*

For and on behalf of the Board of Directors

K.V. MARIWALA
Director

H.C. MARIWALA
*Chairman and
Managing Director*

Place : Mumbai

Dated : April 18, 2002

Place : Mumbai

Dated : April 18, 2002

SCHEDULES TO BALANCE SHEET

	As at March 31, 2002 Rs.million	As at March 31, 2001 Rs.million
SCHEDULE 'A'		
SHARE CAPITAL		
AUTHORISED:		
29,900,000 Equity shares of Rs.10 each	299.000	299.000
10,000 14% Cumulative Redeemable Preference shares of Rs.100 each	1.000	1.000
	<u>300.000</u>	<u>300.000</u>
ISSUED AND SUBSCRIBED:		
14,500,000 Equity shares of Rs.10 each fully paid up, including 12,000,000 allotted as fully paid bonus shares by capitalisation of General Reserve	145.000	145.000
	<u>145.000</u>	<u>145.000</u>
SCHEDULE 'B'		
RESERVES AND SURPLUS		
CAPITAL RESERVE		
As per last balance sheet	2.500	2.500
SHARE PREMIUM ACCOUNT		
As per last balance sheet	165.000	165.000
GENERAL RESERVE		
As per last balance sheet	716.000	616.000
Add : Transfer from Profit and Loss Account	50.000	100.000
Less : Adjustments for :		
Deferred Taxation	0.050	--
Amortisation of intangibles	25.622	--
	<u>740.328</u>	<u>716.000</u>
CUMULATIVE EXCHANGE DIFFERENCES (Translation adjustments)		
	(0.070)	0.022
Balance in PROFIT AND LOSS ACCOUNT	918.906	684.615
	<u>1,826.664</u>	<u>1,568.137</u>
SCHEDULE 'C'		
SECURED LOANS		
Working capital finance from banks (Secured by hypothecation of stocks in trade and debtors)	--	--
	<u>--</u>	<u>--</u>

SCHEDULES TO BALANCE SHEET

As at
March 31,
2002
Rs. million

As at
March 31,
2001
Rs. million

SCHEDULE 'D'

UNSECURED LOANS

Commercial Paper

(Maximum amount outstanding during the year Rs 150 million (Rs Nil))

Deferred sales tax loan **50.468** 36.381

(Repayments commencing from the year 2006)

50.468 **36.381**

SCHEDULE 'E'

FIXED ASSETS

PARTICULARS	GROSS BLOCK				DEPRECIATION/AMORTISATION				NET Rs. million	
	As at March 31, 2001	Additions/ Adjustments	Deductions	As at March 31, 2002	As at March 31, 2001	For the period	Deductions	As at March 31, 2002	As at March 31, 2002	As at March 31, 2001
Freehold land	10.732	-	-	10.732	-	-	-	-	10.732	10.732
Leasehold land	3.244	7.965	-	11.209	0.362	0.126	-	0.488	10.721	2.882
Buildings	317.362	27.439	-	344.801	27.960	6.480	-	34.440	310.361	289.402
Plant and machinery	616.191	245.282	11.380	850.093	261.110	90.069	3.197	347.982	502.111	355.081
Furniture and fittings	14.825	0.668	0.138	15.355	6.004	1.195	0.059	7.140	8.215	8.822
Vehicles	5.070	2.973	3.176	4.867	1.642	0.566	0.455	1.753	3.114	3.428
Intangible assets										
- Trademarks and copyrights (Refer Note 3 below)	378.958	-	-	378.958	3.268	44.570	-	47.838	331.120	375.690
- Business & commercial rights	110.211	-	-	110.211	9.591	5.511	-	15.102	95.109	100.620
- Technical know-how	54.000	-	-	54.000	15.002	9.002	-	24.004	29.996	38.998
- Computer software	-	58.905	-	58.905	-	9.549	-	9.549	49.356	-
- Non-compete covenants	9.000	-	-	9.000	1.200	0.900	-	2.100	6.900	7.800
TOTAL	1,519.593	343.232	14.694	1,848.131	326.139	167.968	3.711	490.396	1,357.735	1,193.455
Capital work-in-progress (at cost) including advances on capital account									54.964	80.590
									1,412.699	1,274.045

- Notes : 1. Gross block includes: - Freehold Land Rs. 3.037 million (Rs. 3.037 million) and buildings Rs. 81.008 million (Rs. 192.312 million) pending execution of conveyance.
- Plant and Machinery Rs. 21.464 million (Rs. 21.464 million) and Rs. 39.500 million (Rs. 39.500 million) being assets given on operating lease and finance lease respectively prior to April 1, 2001.
2. Plant and Machinery includes Rs. 17.600 million being cost of asset taken on finance lease during the year. Net block as on March 31, 2002 - Rs.13.200 million.
3. Accumulated amortisation of Rs. 25.622 million upto March 31, 2001 adjusted against General Reserve.
4. Some Trademarks included in Trademarks and copyrights are registered. Other Trademarks and copyrights are at various stages of registration.

SCHEDULE 'F'

INVESTMENTS (At Cost, Non Trade)

LONG TERM - UNQUOTED

Government Securities :

National Savings Certificates (Deposited with Government authorities) **0.077** 0.076

0.077 **0.076**

Note : During the period Nil (548,270) units of Alliance Mutual Fund were purchased and sold.

SCHEDULES TO BALANCE SHEET

	As at March 31, 2002 Rs.million	As at March 31, 2001 Rs.million
SCHEDULE 'G'		
INVENTORIES		
(As valued and certified by the management - Note 2(e) of Schedule 'Q')		
Raw materials	275.554	349.921
Packing materials	93.989	87.758
Work-in-process	87.391	48.034
Finished products	344.413	196.913
Stores, spares and consumables	10.471	9.819
By-products	7.573	5.105
	<u>819.391</u>	<u>697.550</u>
SCHEDULE 'H'		
SUNDRY DEBTORS		
Unsecured		
Over six months -- Considered good	2.478	1.876
-- Considered doubtful	12.818	6.539
	<u>15.296</u>	<u>8.415</u>
Less: Provision for doubtful debts	12.818	6.539
	<u>2.478</u>	<u>1.876</u>
Other Debts -- Considered good	304.662	425.299
	<u>307.140</u>	<u>427.175</u>
SCHEDULE 'I'		
CASH AND BANK BALANCES		
Cash on hand	1.471	1.574
Balances with scheduled banks:		
Fixed deposits (Lodged with Government authorities)	1.360	1.424
Margin accounts (Against letters of credit and Bank guarantees)	3.358	1.984
Current accounts	121.886	41.757
	<u>128.075</u>	<u>46.739</u>

SCHEDULES TO BALANCE SHEET

**As at
March 31,
2002
Rs. million**

**As at
March 31,
2001
Rs. million**

SCHEDULE 'J'

LOANS AND ADVANCES

(Unsecured-considered good, unless otherwise stated)

Inter corporate deposits	2.000	2.000
Advances recoverable in cash or in kind or for value to be received — considered good	102.419	115.734
— considered doubtful	3.176	—
	<u>105.595</u>	<u>115.734</u>
Less: Provision for doubtful advances	3.176	—
	<u>102.419</u>	<u>115.734</u>
Deposits	60.608	49.801
Balances with central excise authorities	0.014	0.009
Income tax payments, net of provision	45.895	5.989
	<u>210.936</u>	<u>173.533</u>

SCHEDULE 'K'

CURRENT LIABILITIES

Sundry creditors (includes Rs 8.338 million (Rs. Nil) being lease rental obligations repayable beyond one year)	619.769	672.624
Other liabilities	40.445	46.182
Unclaimed dividend	0.942	0.394
Security deposits	28.116	35.003
Interim Dividend	72.500	—
	<u>761.772</u>	<u>754.203</u>

SCHEDULE 'L'

PROVISIONS

Income tax	6.110	0.835
Leave Encashment	28.270	18.688
Proposed Dividend	—	87.000
Tax on proposed dividend	—	8.874
	<u>34.380</u>	<u>115.397</u>

SCHEDULES TO PROFIT & LOSS ACCOUNT

	For the year ended March 31,	
	2002	2001
	Rs.million	Rs.million
SCHEDULE 'M'		
OTHER INCOME		
Income from current investments (Gross)	--	0.393
(Tax deducted at source Rs.Nil (Rs.Nil))		
Miscellaneous income	13.000	26.954
	<u>13.000</u>	<u>27.347</u>
SCHEDULE 'N'		
COST OF MATERIALS		
Raw Materials consumed	2,796.355	2,340.662
Packing Materials consumed	713.869	734.350
Stores and spares consumed	59.771	65.167
Purchase for resale	1,024.632	901.411
(INCREASE)/DECREASE IN STOCKS		
OPENING STOCKS:		
- Work-in-process	48.034	66.759
- By-products	5.105	3.260
- Finished products	196.913	235.508
Less :		
CLOSING STOCKS:		
- Work-in-process	87.391	48.034
- By-products	7.573	5.105
- Finished products	344.413	196.913
	<u>(189.325)</u>	<u>55.475</u>
	<u>4,405.302</u>	<u>4,097.065</u>

SCHEDULES TO PROFIT & LOSS ACCOUNT

	For the year ended March 31,	
	2002	2001
	Rs. million	Rs. million
SCHEDULE 'O'		
MANUFACTURING AND OTHER EXPENSES		
Employees' costs :		
Salaries, wages and bonus	265.931	242.357
Contribution to provident fund and other funds	36.070	28.587
Welfare expenses	24.165	26.226
	326.166	297.170
Power, fuel and water	34.890	38.314
Contract manufacturing charges	153.506	147.737
Rent and storage charges	47.137	51.451
Repairs to :		
Buildings	13.111	15.734
Machinery	21.721	18.654
Others	10.485	4.601
	45.317	38.989
Freight, forwarding and distribution expenses	298.692	312.952
Advertisement and sales promotion	590.835	819.782
Rates and taxes -- Excise duty	0.004	16.571
-- Others	5.173	2.549
Sales tax and cess	40.085	38.253
Provision for doubtful debts and advances	9.455	2.039
Printing, stationery and communication expenses	43.044	34.329
Travelling, conveyance and vehicle expenses	79.702	62.889
Insurance	9.166	6.272
Miscellaneous expenses	119.649	142.808
	1,802.821	2,012.105
 SCHEDULE 'P'		
FINANCE CHARGES		
Interest on fixed period loans	10.792	0.404
Other interest	12.070	19.118
Bank charges and others	23.318	25.353
	46.180	44.875
Less : Interest income	5.497	9.682
(Tax deducted at source Rs. 1.037 million (Rs. 1.715 million))	40.683	35.193

NOTES TO THE ACCOUNTS

SCHEDULE 'Q'

NOTES TO THE ACCOUNTS :

1. The Group and nature of its operations:

Marico Industries Limited and its wholly owned subsidiary, Marico Bangladesh Limited (together referred to as 'Marico' or 'Group') headquartered in Mumbai, India, carries on business in Fast Moving Consumer Goods. Marico manufactures and markets products under brands such as Parachute, Saffola, Sweekar, Hair & Care, Sil, Revive, Shanti, Oil of Malabar and Mediker. Marico's export markets comprise primarily The Middle East and SAARC countries. Marico has manufacturing facilities located at Goa, Kanjikode, Pondicherry, Daman, Jalgaon and Saswad supported by subcontracting units. Marico has a marketing and distribution alliance with Indo Nissin Foods Limited for distribution of Top Ramen instant noodles, and a distribution arrangement with Procter & Gamble Home Products Limited and Procter & Gamble Hygiene & Healthcare Limited for distribution of some of their products in India.

The consolidated financial statements combine the financial statements of Marico Industries Limited and its wholly owned subsidiary. The effects of all transactions between the above companies have been eliminated in full and the consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

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. 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

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

NOTES TO THE ACCOUNTS

II. Intangible Assets

(i) Management estimates that the economic value of Trademarks, Copyrights and Business & Commercial Rights, based on the value in use, far exceeds 20 years. However, as a matter of prudence, these Trademarks, Copyrights and Business & Commercial Rights are amortised over a period of 20 years.

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

Technical know how	6 years
Non-compete covenants	Non-compete period
Computer software	6 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 category wise.

(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 and Finished products includes appropriate production overheads.

(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 and exclusive of sales tax.

(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 Group has various schemes of retirement benefits, namely, Provident, Superannuation, Gratuity and Leave Encashment. Provident, Superannuation and Gratuity funds are administered through Trustees and the Group'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.

NOTES TO THE ACCOUNTS

(i) Foreign Currency Transactions

Current assets and current 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 difference relating to fixed assets which are adjusted against the carrying cost of corresponding fixed assets. Exchange differences arising on forward exchange contracts are recognised over the period of the contract.

(j) Government Grants

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

(ii) Government grant related to the 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 relevant statute.

(ii) Deferred tax on timing differences between taxable income and accounting income is accounted for, using the tax rates and the tax laws enacted or substantially enacted as on the balance sheet date. Deferred tax assets are recognised only to the extent that there is a reasonable certainty of realisation.

3. The statutory accounting year of the wholly owned subsidiary, Marico Bangladesh Limited, is October to September every year. However, for the purpose of consolidation the subsidiary has prepared accounts for the year ended March 31, 2002, which have not been audited.

4. Change in accounting policies during the year :

(i) To comply with Accounting Standard 22 (AS 22) on Accounting for taxes on income issued by the Institute of Chartered Accountants of India, the Group has provided for deferred tax liability of Rs. 59.984 million for the year ended March 31, 2002. Further, the deferred tax liability as on April 1, 2001 of Rs. 0.050 million has been adjusted against general reserve. Consequently, the profit for the year after taxation is lower by Rs. 59.984 million and reserves and surplus are lower by Rs. 60.034 million.

(ii) Accounting Standard 26 (AS 26) on Intangible Assets issued by the Institute of Chartered Accountants of India becomes mandatory with effect from April 1, 2003. However, the Group decided to adopt this standard from the current year and has amortised certain Trademarks and Copyrights, which were hitherto not amortised. Accordingly, an amount of Rs.16.497 million has been amortised during the year in respect of these assets. Further, the accumulated amortisation on these assets upto March 31, 2001 of Rs. 25.622 million has been adjusted against general reserve. Consequently, the profit for the year after taxation and reserves and surplus are lower by Rs.11.762 million and Rs. 37.385 million respectively.

(iii) The Group has changed the method of valuation of inventories from First-In-First Out (FIFO) method to weighted average method. Consequently, inventories and profit for the year after taxation are lower by Rs.7.369 million and Rs.6.806 million respectively.

NOTES TO THE ACCOUNTS

5. Contingent liabilities not provided for in respect of:

- (i) Counter guarantee given to banks on behalf of other companies Rs. Nil (Rs.5.480 million).
- (ii) Sales tax/cess claims Rs.15.613 million (Rs.25.646 million).
- (iii) Income tax and interest demand Rs.50.496 million (Rs.Nil).
- (iv) Claims against the group not acknowledged as debts Rs.1.032 million (Rs.0.889 million).
- (v) Estimated amount of contracts remaining to be executed on capital account not provided for Rs.5.311 million (Rs.18.044 million) net of advances.

6. Earnings per share:

For the year ended March 31,
2002 2001
Rs. million Rs. million

Numerator used for calculating basic and diluted earnings per share – Profit after taxation	500.602	457.521
Weighted average number of shares used as denominator for calculating basic and diluted earnings per share	14.500	14.500
Nominal value per share (Rs.)	10	10
Basic and diluted earnings per share (Rs.)	34.52	31.55

7. 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	8.990
	(8.652)
Cost of assets	25.219
	(30.396)
Future lease rental obligation	10.321
	(23.605)

- (ii) In respect of assets taken on finance lease during the year:

Finance charges for the year - Rs. 2.298 million.

Reconciliation of minimum lease payments and its present value :

	Minimum Lease Payments	Interest	(Rs.million) Present value of minimum lease Payments
Future lease rental obligation payable:			
- not later than one year	4.666	1.453	3.213
- later than one year but not later than five years	8.338	0.790	7.548
Total	<u>13.004</u>	<u>2.243</u>	<u>10.761</u>

NOTES TO THE ACCOUNTS

(iii) In respect of assets taken on operating lease during the year :

	(Rs. million)
Lease rental charges for the year	0.235
Future lease rental obligation payable	
– not later than one year	0.865
– later than one year but not later than five years.	1.952
Total	<u>3.052</u>

8. Break-up of deferred tax liability :

	(Rs. million)
Deferred tax asset :	
Provision for doubtful debtors/advances than are deducted for tax purposes when written off	11.461
Liabilities that are deducted for tax purpose when paid	21.247
Total Deferred tax asset	32.708
Deferred tax liability :	
Additional depreciation on fixed assets for tax purposes due to higher tax depreciation rates	92.742
Total Deferred tax liability	92.742
Net Deferred tax liability	60.034

9. Segment Information

For management purposes, the group is organised into two main operating divisions viz., Nature Care and Health Care. These divisions are the basis on which the group is reporting its primary segment information. The composition of these segments are given below:

<u>Business segments</u>	<u>Type of products and services</u>
Nature Care	Coconut oils, hair oils and fabric care products
Health Care	Other Edible oils (other than Coconut oils), processed foods (including marketing arrangement with Indo Nissin)
Others	International business and distribution

i. Primary Segment Information

Details	Rs. million			
	Nature Care	Health Care	Others	Total
Segment revenue				
External sales	3,626.511	2,501.009	828.997	6,956.517
Inter-segment sales	102.334	41.267	—	143.601
Total revenue	<u>3,728.845</u>	<u>2,542.276</u>	<u>828.997</u>	<u>7,100.118</u>

NOTES TO THE ACCOUNTS

	Nature Care	Health Care	Others	Rs.million Total
Segment result	749.302	257.341	38.166	1,044.809
Unallocated corporate expenses				425.760
Operating profits				619.049
Interest expenses				46.180
Interest income				5.497
Net profit				<u>578.366</u>
Other information				
Segment assets	1,351.006	848.764	202.419	2,402.189
Unallocated corporate assets				476.128
Total assets	<u>1,351.006</u>	<u>848.764</u>	<u>202.419</u>	<u>2,878.317</u>
Segment liabilities	350.796	229.115	100.146	680.057
Unallocated corporate liabilities				2,198.260
Total liabilities	<u>350.796</u>	<u>229.115</u>	<u>100.146</u>	<u>2,878.317</u>
Capital expenditure	212.635	44.451	2.571	
Depreciation and amortisation	73.866	21.840	1.071	

ii. Secondary Segment Information

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

Geographical Segments	Composition
India	—
Bangladesh	—
Rest of the world	Primarily to Middle East and SAARC countries

Sales Revenue

Locations	Rs. million
India	6,455.606
Bangladesh	300.355
Rest of the world	200.556
Total	6,956.517

NOTES TO THE ACCOUNTS

Carrying amount of assets and capital expenditure

	India	Bangladesh	Rest of the world	Rs. million Total
Carrying amount of segment assets	2,355.844	45.053	1.292	2,402.189
Capital expenditure	315.507	2.068	0.045	317.620

iii. Notes to Segmental information

- (i) Segment revenue and expense: Joint revenues and expenses are allocated to the business segments on a reasonable basis. All other segment revenue and expense are directly attributable to the segments.
- (ii) Segment Assets and Liabilities: Segment assets include all operating assets used by a segment comprising debtors, inventories, fixed assets and loans and advances. While most assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly is allocated to the segments on a reasonable basis. Segment liabilities include all operating liabilities of the segment comprising creditors and other liabilities.
- (iii) Inter segment transfers: Segment revenue, segment expenses and segment results include transfers between business segments, which are accounted for at cost.

10. Related Party disclosures

Whole-time director:

Harsh C. Mariwala, Chairman and Managing director

Remuneration paid during the year – Rs. 6.224 million (Rs. 6.338 million)

11. Previous year figures have not been audited. The figures in brackets represent those of the previous year. Previous year's figures have been regrouped wherever necessary to confirm to the current year's classification.

Signature to Schedules A to Q

For and on behalf of the Board of Directors

MILIND SARWATE
Chief Financial Officer

K.V. MARIWALA
Director

H.C. MARIWALA
*Chairman and
Managing Director*

DEV BAJPAI
*General Manager - Legal
and Company Secretary*

Place : Mumbai
Dated : April 18, 2002

CASH FLOW STATEMENT

Year ended
March 31,
2002
Rs.million

A. CASH FLOW FROM OPERATING ACTIVITIES

Net Profit before tax and prior period adjustments	578.366
Adjustments for :	
Depreciation and amortisation	142.345
Finance charges	46.180
Interest Income	(5.497)
Loss on sale of assets	1.335
Cumulative exchange differences (translation differences)	<u>(0.092)</u>
	184.271
Operating Profit before Working Capital changes	762.637
Adjustments for :	
Increase/(Decrease) in Inventories	121.841
Increase/(Decrease) in Sundry Debtors	(120.034)
Increase/(Decrease) in Loans & Advances	(1.880)
Decrease/(Increase) in Current Liabilities	<u>55.897</u>
	55.824
Cash generated from Operations	706.813
Income taxes paid (Net of refunds)	52.410
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	<u><u>654.403</u></u>

B. CASH FLOW FROM INVESTING ACTIVITIES

(Purchase) of Fixed assets	(317.604)
(Purchase)/Sale of Investments	(0.001)
Sale of Fixed assets	9.648
Interest income	6.120
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	<u><u>(301.837)</u></u>

CASH FLOW STATEMENT

		Year ended March 31, 2002 Rs.million
C. CASH FLOW FROM FINANCING ACTIVITIES		
(Repayment of Borrowings)/Amount borrowed		14.087
Finance charges		(46.180)
Dividend paid (including tax on dividends)		(239.137)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	C	<u>(271.230)</u>
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS	A + B + C	<u>81.336</u>
Cash and Cash Equivalents - Opening Balance		46.739
Cash and Cash Equivalents - Closing Balance		<u>128.075</u>

As per our attached report of even date
FOR RSM & Co.
Chartered Accountants

NATRAJ RAMKRISHNA
Partner

MILIND SARWATE
Chief Financial Officer

DEV BAJPAI
*General Manager - Legal
and Company Secretary*

Place : Mumbai
Dated : April 18, 2002

For and on behalf of the Board of Directors

K.V. MARIWALA
Director

H.C. MARIWALA
*Chairman and
Managing Director*

Place : Mumbai
Dated : April 18, 2002

AUDITORS' REPORT

To,

The Members of Marico Industries Limited

We have audited the attached Balance Sheet of **MARICO INDUSTRIES LIMITED** as at March 31, 2002 and the annexed Profit and Loss Account 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.

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.

As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988, issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, 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.

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 and Profit and Loss Account dealt with by this report are in agreement with the books of account;
- d. in our opinion, the Profit and Loss Account and the Balance Sheet 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, 2002 from being appointed as a director under clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
- f. in our opinion and to the best of our information and according to the explanations given to us, the said financial statements give the information required by the Companies Act, 1956 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, 2002; and
 - ii. in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date.

for **RSM & Co.**
Chartered Accountants

Place : Mumbai
Dated: April 18, 2002

NATRAJ RAMKRISHNA
Partner

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in our report of even date)

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. 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 verification.
2. None of the fixed assets has been revalued during the year.
3. The stocks of finished goods, stores, spares parts and raw materials have been physically verified during the year by the management at reasonable intervals. In our opinion, the frequency of verification is reasonable.
4. The procedures for physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
5. The discrepancies noticed on verification between the physical stocks and the book records were not material.
6. On the basis of our examination of stock records, we are of the opinion that the valuation of the stocks is fair and proper in accordance with the normally accepted accounting principles. As stated in Note 3 (iii) of Schedule 'R' to the accounts, the Company has changed the method of valuation of inventories from First-In-First-Out (FIFO) Method to Weighted Average Method.
7. The Company has taken unsecured loans from a company listed in the register maintained under Section 301 of the Companies Act, 1956. In our opinion the rate of interest and other terms and conditions of the loan were not, prima facie, prejudicial to the interest of the Company. In terms of sub-section (6) of Section 370 of the Companies Act, 1956, provisions of this Section are not applicable to a company on or after October 31, 1998.
8. According to the information and explanations given to us, the Company has not granted any loans to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. In terms of sub-section (6) of Section 370 of the Companies Act, 1956, provisions of this Section are not applicable to a company on or after October 31, 1998.
9. In respect of loans and advances in the nature of loans given by the Company, parties are repaying the principal amounts as stipulated, together with interest, wherever applicable.
10. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of stores, raw materials including components, plant and machinery, equipment and other assets and with regard to sale of goods.
11. In our opinion and according to the information and explanations given to us, there are no transactions of purchases of goods and materials and sale of goods, materials and services, made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50,000/- or more in respect of each party.

ANNEXURE TO THE AUDITORS' REPORT

12. As explained to us, the Company has a regular procedure for the determination of unserviceable or damaged stores, raw materials, finished goods and provision for loss, wherever necessary, has been made in the accounts.
13. The Company does not have any deposits as defined under the provisions of Section 58A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975.
14. In our opinion, the Company has maintained reasonable records for the sale and disposal of realisable by-products. The Company has no significant realisable scrap.
15. In our opinion, the Company has an internal audit system commensurate with the size and the nature of its business.
16. We have broadly reviewed the books of account maintained by the Company in respect of formulations, 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 and are being made up. We have not, however made a detailed examination of the records with a view to determining whether they are accurate or complete.
17. According to the records of the Company, Provident Fund dues and Employees' State Insurance dues have been regularly deposited during the year with the appropriate authorities.
18. According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth-tax, sales-tax, custom duty and excise duty were outstanding as at March 31, 2002, for a period of more than six months from the date they became payable.
19. According to the information and explanations given to us, no personal expenses of employees or directors have been charged to revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practice.
20. The Company is not a sick industrial company within the meaning of clause (o) of sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
21. In respect of service activity of the Company, the nature of activity is such that the allocation of materials consumed and man hours utilised to the relative jobs are not considered necessary.
22. In respect of the trading activities of the Company, adequate provision has been made in the accounts for damaged goods.

for **RSM & Co.**
Chartered Accountants

Place : Mumbai
Dated: April 18, 2002

NATRAJ RAMKRISHNA
Partner

BALANCE SHEET

		As at March 31,	
		2002	2001
		Rs.million	Rs.million
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Capital	A	145.000	145.000
Reserves and surplus	B	1,818.246	1,566.975
		<u>1,963.246</u>	<u>1,711.975</u>
LOAN FUNDS			
Secured loans	C	—	—
Unsecured loans	D	50.468	36.381
		<u>50.468</u>	<u>36.381</u>
DEFERRED TAX LIABILITY			
		60.034	—
		<u>2,073.748</u>	<u>1,748.356</u>
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross block	E	1,844.534	1,518.050
Less : Depreciation and amortisation		489.352	325.865
Net block		1,355.182	1,192.185
Capital work-in-progress		54.964	80.590
		<u>1,410.146</u>	<u>1,272.775</u>
INVESTMENTS			
	F	8.708	8.707
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	G	819.300	697.550
Sundry debtors	H	291.642	423.014
Cash and bank balances	I	102.244	39.499
Loans and advances	J	201.225	172.489
		<u>1,414.411</u>	<u>1,332.552</u>
Less: CURRENT LIABILITIES AND PROVISIONS			
Current liabilities	K	731.247	751.116
Provisions	L	28.270	114.562
		<u>759.517</u>	<u>865.678</u>
NET CURRENT ASSETS			
		<u>654.894</u>	<u>466.874</u>
		<u>2,073.748</u>	<u>1,748.356</u>
Notes to the accounts	R		

As per our attached report of even date

FOR RSM & Co.

Chartered Accountants

NATRAJ RAMKRISHNA
Partner

MILIND SARWATE
Chief Financial Officer

DEV BAJPAI
General Manager - Legal
and Company Secretary

For and on behalf of the Board of Directors

K.V. MARIWALA
Director

H.C. MARIWALA
Chairman and
Managing Director

Place : Mumbai

Dated : April 18, 2002

Place : Mumbai

Dated : April 18, 2002

PROFIT AND LOSS ACCOUNT

	SCHEDULE	For the year ended March 31,	
		2002	2001
		Rs.million	Rs.million
INCOME			
Sales and services	Q	6,710.081	6,579.891
Other income	M	22.437	31.823
		<u>6,732.518</u>	<u>6,611.714</u>
EXPENDITURE			
Cost of materials	N	4,228.036	3,999.688
Manufacturing and other expenses	O	1,756.592	1,989.330
Finance charges	P	40.580	35.190
Depreciation and amortisation	E	141.572	88.696
		<u>6,166.780</u>	<u>6,112.904</u>
PROFIT BEFORE TAXATION		565.738	498.810
Provision for current taxation		43.500	42.500
PROFIT AFTER CURRENT TAXATION		522.238	456.310
Provision for deferred taxation		59.984	—
Excess income tax provision of earlier year written back		31.000	—
PROFIT AFTER TAXATION		493.254	456.310
Balance brought forward		683.475	493.799
PROFIT AVAILABLE FOR APPROPRIATION		1,176.729	950.109
APPROPRIATIONS			
Interim dividends (subject to deduction of tax wherever applicable)		203.000	58.000
Tax on interim dividends		13.311	12.760
Proposed final dividend		—	87.000
Tax on proposed dividend		—	8.874
General reserve		50.000	100.000
BALANCE CARRIED TO THE BALANCE SHEET		910.418	683.475
BASIC AND DILUTED EARNINGS PER SHARE		34.02	31.47

Notes to the accounts

R

As per our attached report of even date

FOR RSM & Co.

Chartered Accountants

For and on behalf of the Board of Directors

NATRAJ RAMKRISHNA
Partner

MILIND SARWATE
Chief Financial Officer

K.V. MARIWALA
Director

H.C. MARIWALA
*Chairman and
Managing Director*

DEV BAJPAI
*General Manager - Legal
and Company Secretary*

Place : Mumbai

Dated : April 18, 2002

Place : Mumbai

Dated : April 18, 2002

SCHEDULES TO BALANCE SHEET

	As at March 31, 2002 Rs.million	As at March 31, 2001 Rs.million
SCHEDULE 'A'		
SHARE CAPITAL		
AUTHORISED:		
29,900,000 Equity shares of Rs.10 each	299.000	299.000
10,000 14% Cumulative Redeemable Preference shares of Rs.100 each	1.000	1.000
	300.000	300.000
ISSUED AND SUBSCRIBED:		
14,500,000 Equity shares of Rs.10 each fully paid up, including 12,000,000 allotted as fully paid bonus shares by capitalisation of General Reserve	145.000	145.000
	145.000	145.000
 SCHEDULE 'B'		
RESERVES AND SURPLUS		
CAPITAL RESERVE		
As per last balance sheet	2.500	2.500
SHARE PREMIUM ACCOUNT		
As per last balance sheet	165.000	165.000
GENERAL RESERVE		
As per last balance sheet	716.000	616.000
Add : Transfer from Profit and Loss Account	50.000	100.000
Less : Adjustments for :		
Deferred Taxation (Note 3(i) of schedule 'R')	0.050	—
Amortisation of intangibles (Note 3(ii) of schedule 'R')	25.622	—
	740.328	716.000
PROFIT AND LOSS ACCOUNT	910.418	683.475
	1,818.246	1,566.975
 SCHEDULE 'C'		
SECURED LOANS		
Working capital finance from banks (Secured by hypothecation of stocks in trade and debtors)	—	—
	—	—

SCHEDULES TO BALANCE SHEET

As at
March 31,
2002
Rs. million

As at
March 31,
2001
Rs. million

SCHEDULE 'D'

UNSECURED LOANS

Commercial Paper

—

(Maximum amount outstanding during the year Rs. 150 million (Rs. Nil))

Deferred sales tax loan **50.468** 36.381

(Repayments commencing from the year 2006)

50.468 36.381

SCHEDULE 'E'

FIXED ASSETS

PARTICULARS	GROSS BLOCK				DEPRECIATION/AMORTISATION				NET BLOCK	
	As at March 31, 2001	Additions	Deductions	As at March 31, 2002	Up to March 31, 2001	For the year	Deductions	Up to March 31, 2002	As at March 31, 2002	As at March 31, 2001
Freehold land	10.732	—	—	10.732	—	—	—	—	10.732	10.732
Leasehold land	3.244	7.965	—	11.209	0.362	0.126	—	0.488	10.721	2.882
Buildings	317.362	27.439	—	344.801	27.960	6.480	—	34.440	310.361	289.402
Plant and machinery	615.187	243.839	11.380	847.646	260.961	89.510	3.197	347.274	500.372	354.226
Furniture and fittings	14.734	0.659	0.138	15.255	5.991	1.184	0.059	7.116	8.139	8.743
Vehicles	4.622	2.371	3.176	3.817	1.530	0.363	0.452	1.441	2.376	3.092
Intangible assets										
- Trademarks and copyrights (Refer Note 3(ii) of Schedule 'R')	378.958	—	—	378.958	3.268	44.570	—	47.838	331.120	375.690
- Business & commercial rights	110.211	—	—	110.211	9.591	5.511	—	15.102	95.109	100.620
- Technical know-how	54.000	—	—	54.000	15.002	9.002	—	24.004	29.996	38.998
- Computer software	—	58.905	—	58.905	—	9.549	—	9.549	49.356	—
- Non-compete covenants	9.000	—	—	9.000	1.200	0.900	—	2.100	6.900	7.800
TOTAL	1,518.050	341.178	14.694	1,844.534	325.865	167.195	3.708	489.352	1,355.182	1,192.185
PREVIOUS YEAR	1,182.483	372.989	37.422	1,518.050	251.125	88.696	13.956	325.865	54.964	80.590
CAPITAL WORK-IN-PROGRESS (AT COST) INCLUDING ADVANCES ON CAPITAL ACCOUNT									1,410.146	1,272.775
Notes : 1. Gross block includes: - Freehold Land Rs. 3.037 million (Rs. 3.037 million) and buildings Rs. 81.008 million (Rs. 192.312 million) pending execution of conveyance. - Plant and Machinery Rs. 21.464 million (Rs. 21.464 million) and Rs. 39.500 million (Rs. 39.500 million) being assets given on operating lease and finance lease respectively prior to April 1, 2001. 2. Plant and Machinery includes Rs. 17.600 million being cost of asset taken on finance lease during the year. Net block as on March 31, 2002 - Rs. 13.200 million. 3. Some Trademarks included in Trademarks and copyrights are registered. Others Trademarks and copyrights are at various stages of registration.										

SCHEDULE 'F'

INVESTMENTS (At Cost, Non Trade)

LONG TERM - UNQUOTED

Government Securities :

National Savings Certificates (Deposited with Government authorities) **0.077** 0.076

Subsidiary Company :

Marico Bangladesh Limited **8.631** 8.631

1,000,000 (1,000,000) equity shares of Taka 10 each fully paid up

8.708 8.707

Note : During the period Nil (548,270) units of Alliance Mutual Fund were purchased and sold.

SCHEDULES TO BALANCE SHEET

	As at March 31, 2002 Rs.million	As at March 31, 2001 Rs.million
SCHEDULE 'G'		
INVENTORIES		
(As valued and certified by the management - Note 2(e) of Schedule 'R')		
Raw materials	275.554	349.922
Packing materials	93.989	87.758
Work-in-process	87.391	48.034
Finished products	344.412	196.912
Stores, spares and consumables	10.381	9.819
By-products	7.573	5.105
	<u>819.300</u>	<u>697.550</u>
SCHEDULE 'H'		
SUNDRY DEBTORS		
Unsecured		
Over six months -- Considered good	2.478	1.876
-- Considered doubtful	12.818	6.539
	<u>15.296</u>	<u>8.415</u>
Less: Provision for doubtful debts	12.818	6.539
	<u>2.478</u>	<u>1.876</u>
Other Debts -- Considered good	289.164	421.138
	<u>291.642</u>	<u>423.014</u>
SCHEDULE 'I'		
CASH AND BANK BALANCES		
Cash on hand	1.317	1.574
Balances with scheduled banks:		
Fixed deposits (Lodged with Government authorities)	1.360	1.425
Margin accounts (Against letters of credit and Bank guarantees)	3.358	1.984
Current accounts	96.209	34.516
	<u>102.244</u>	<u>39.499</u>

SCHEDULES TO BALANCE SHEET

**As at
March 31,
2002
Rs. million**

**As at
March 31,
2001
Rs. million**

SCHEDULE 'J'

LOANS AND ADVANCES

(Unsecured-considered good, unless otherwise stated)

Inter corporate deposits	2.000	2.000
Advances recoverable in cash or in kind or for value to be received — considered good	93.138	114.691
— considered doubtful	18.366	—
	111.504	114.691
Less: Provision for doubtful advances	18.366	—
	93.138	114.691
Deposits	60.531	49.801
Balances with central excise authorities	0.014	0.008
Income tax payments, net of provision	45.542	5.989
	201.225	172.489

SCHEDULE 'K'

CURRENT LIABILITIES

Sundry creditors (includes Rs 8.338 million (Rs. Nil) being lease rental obligations repayable beyond one year)	589.244	669.591
Other liabilities	40.445	46.128
Unclaimed dividend	0.942	0.394
Security deposits	28.116	35.003
Interim dividend	72.500	—
	731.247	751.116

SCHEDULE 'L'

PROVISIONS

Leave encashment	28.270	18.688
Proposed dividend	—	87.000
Tax on proposed dividend	—	8.874
	28.270	114.562

SCHEDULES TO PROFIT & LOSS ACCOUNT

	For the year ended March 31,	
	2002	2001
	Rs.million	Rs.million
SCHEDULE 'M'		
OTHER INCOME		
Income from current investments (Gross)	—	0.393
(Tax deducted at source Rs.Nil (Rs.Nil))		
Miscellaneous income	22.437	31.430
	<u>22.437</u>	<u>31.823</u>
SCHEDULE 'N'		
COST OF MATERIALS		
Raw Materials consumed	2,796.355	2,340.661
Packing Materials consumed	713.869	734.350
Stores and spares consumed	59.771	65.167
Purchase for resale	847.366	804.035
(INCREASE)/DECREASE IN STOCKS		
OPENING STOCKS:		
- Work-in-process	48.034	66.759
- By-products	5.105	3.260
- Finished products	196.913	235.508
Less :		
CLOSING STOCKS:		
- Work-in-process	87.391	48.034
- By-products	7.573	5.105
- Finished products	344.413	196.913
	<u>(189.325)</u>	<u>55.475</u>
	<u>4,228.036</u>	<u>3,999.688</u>

SCHEDULES TO PROFIT & LOSS ACCOUNT

	For the year ended March 31,	
	2002	2001
	Rs.million	Rs.million
SCHEDULE 'O'		
MANUFACTURING AND OTHER EXPENSES		
Employees' costs :		
Salaries, wages and bonus	263.868	240.794
Contribution to provident fund and other funds	36.070	28.587
Welfare expenses	24.001	26.226
	323.939	295.607
Power, fuel and water	34.880	38.314
Contract manufacturing charges	153.506	147.737
Rent and storage charges	46.564	51.451
Repairs to :		
Buildings	13.111	15.734
Machinery	21.721	18.654
Others	10.267	4.601
	45.099	38.989
Freight, forwarding and distribution expenses	298.692	312.952
Advertisement and sales promotion	535.715	798.168
Rates and taxes -- Excise duty	0.004	16.571
-- Others	5.173	3.050
Sales tax and cess	40.084	38.253
Provision for doubtful debts and advances	24.645	2.039
Printing, stationery and communication expenses	42.693	34.330
Travelling, conveyance and vehicle expenses	78.719	62.889
Insurance	9.148	6.272
Miscellaneous expenses	117.731	142.708
	1,756.592	1,989.330
 SCHEDULE 'P'		
FINANCE CHARGES		
Interest on fixed period loans	10.792	0.405
Other interest	12.060	19.118
Bank charges and others	23.225	25.349
	46.077	44.872
Less : Interest income	5.497	9.682
(Tax deducted at source Rs. 1.037 million (Rs. 1.715 million))	40.580	35.190

ADDITIONAL INFORMATION

SCHEDULE 'Q'

A) DETAILS OF PRODUCTION, TURNOVER, PURCHASES, 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	Amount Rs.million		Quantity	Amount Rs.million	Quantity	Amount Rs.million	Quantity	Amount Rs.million
1	Raw/Refined oils (M.T.)		31.03.02	122,524 of oils	3,082.793	137.238	68,616.131	15,931.504	505.346	86,150.574	5,355.124	5,075.190	252.925
			31.03.01	97,180 of oils	3,691.393	169.488	71,428.417	12,691.832	355.171	87,289.302	5,223.380	3,082.793	137.238
2	Hair Oils (Note II) (K.L.)		31.03.02	—	427.556	34.563	—	—	—	5,711.334	615.190	573.750	36.368
			31.03.01	—	234.480	17.746	—	—	—	3,140.638	440.476	427.556	34.563
3	Others (Note III) (Includes processed foods and By-products)		31.03.02	—	—	30.217	—	—	342.020	—	728.297	—	62.692
			31.03.01	—	—	51.534	—	—	448.864	—	930.835	—	30.217
4	Service Income - commission		31.03.02	—	—	—	—	—	—	—	11.470	—	—
			31.03.01	—	—	—	—	—	—	—	12.200	—	—
TOTAL			31.03.02	—	—	202.018	—	—	847.366	—	6,710.081	—	351.985
			31.03.01	—	—	238.768	—	—	804.035	—	6,579.891	—	202.018

I) a) The auditors have relied on the installed capacities as certified by the management on a three shift basis, the certification 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 July 25, 1991.

II) Only produced by others - **5,857.528 KL** (3,333.714 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 **6,382.569 M.T.** (4,257.009 M.T.) and includes used for internal consumption **2,787.233 M.T.** (1,696.556 M.T.)

MARICO INDUSTRIES LIMITED
SCHEDULES TO PROFIT & LOSS ACCOUNT

	For the year ended March 31,			
	Quantity M.T.	2002 Value Rs.million	Quantity M.T.	2001 Value Rs.million
SCHEDULE 'Q'				
B) RAW MATERIALS CONSUMED				
Oil seeds	61005.963	1,339.542	60629.219	1,278.667
Raw oils	34498.392	1,323.894	31249.265	872.622
Others	—	132.918	—	189.372
		<u>2,796.354</u>		<u>2,340.661</u>
C) IMPORTED AND INDIGENOUS MATERIALS CONSUMED				
	%	Amount Rs.million	%	Amount Rs.million
Raw materials				
Imported	28.20	788.561	27.94	654.001
Indigenous	71.80	2,007.793	72.06	1,686.660
	<u>100.00</u>	<u>2,796.354</u>	<u>100.00</u>	<u>2,340.661</u>
Stores, Spares and Consumables				
Imported	—	—	—	—
Indigenous	100.00	59.771	100.00	65.167
	<u>100.00</u>	<u>59.771</u>	<u>100.00</u>	<u>65.167</u>
D) IMPORTS ON C.I.F. BASIS				
Raw material		352.838		578.868
Packing material		0.534		10.006
Capital goods		53.707		10.772
		<u>407.079</u>		<u>599.646</u>
E) EXPENDITURE IN FOREIGN CURRENCY				
Travelling and other expenses		15.765		18.431
Advertisement and sales promotion		58.050		47.326
		<u>73.815</u>		<u>65.757</u>
F) EARNINGS IN FOREIGN EXCHANGE				
F.O.B. value of exports		202.232		210.149
Royalty		10.714		4.476
		<u>212.946</u>		<u>214.625</u>
G) REMITTANCE IN FOREIGN CURRENCY ON ACCOUNT OF DIVIDENDS				
Final dividend - March 31, 2001 -				
1 shareholder on 933,300 shares		5.600		—
1st interim dividend - March 31, 2002 -				
1 shareholder on 933,300 shares		2.333		—
2nd interim dividend - March 31, 2002 -				
1 shareholder on 933,300 shares		2.800		—
3rd interim dividend - March 31, 2002 -				
3 shareholders on 934,900 shares		3.272		—

NOTES TO THE ACCOUNTS

SCHEDULE 'R'

NOTES TO THE ACCOUNTS :

1. The Company and nature of its operations:

Marico Industries Limited ('Marico' or 'The Company'), headquartered in Mumbai, India, carries on business in Fast Moving Consumer Goods. Marico manufactures and markets products under brands such as Parachute, Saffola, Sweekar, Hair & Care, Sil, Revive, Shanti, Oil of Malabar and Mediker. Marico's products reach its consumers through retail outlets serviced by Marico's distribution network comprising 6 regional offices, 32 carrying & forwarding agents, 2 consignment agents 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 and Saswad supported by subcontracting units. Marico has a marketing and distribution alliance with Indo Nissin Foods Limited for distribution of Top Ramen instant noodles, and a distribution arrangement with Procter & Gamble Home Products Limited and Procter & Gamble Hygiene & Healthcare Limited for distribution of some of their products in India.

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. 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 every year 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	- 25%
Technologically advanced Packing Machinery	- 20%

NOTES TO THE ACCOUNTS

- (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) Management estimates that the economic value of Trademarks, Copyrights and Business & Commercial Rights, based on the value in use, far exceeds 20 years. However, as a matter of prudence, these Trademarks, Copyrights and Business & Commercial Rights are amortised over a period of 20 years.
- (ii) Other intangible assets are amortised over the estimated economic useful life as assessed by the management, but not exceeding the period given hereunder:

Technical know how	6 years
Non-compete covenants	Non-compete period
Computer software	6 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 category wise.

(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 and Finished products includes appropriate production overheads.

NOTES TO THE ACCOUNTS

(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 and exclusive of sales tax.

(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.

(i) Foreign Currency Transactions

Current assets and current 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 difference relating to fixed assets which are adjusted against the carrying cost of corresponding fixed assets. Exchange differences arising on forward exchange contracts are recognised over the period of the contract.

(j) Government Grants

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

(ii) Government grant related to the 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.

(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 are recognised only to the extent that there is a reasonable certainty of realisation.

NOTES TO THE ACCOUNTS

3. Change in accounting policies during the year:

- (i) To comply with Accounting Standard 22 (AS 22) on Accounting for taxes on income issued by the Institute of Chartered Accountants of India, the Company has provided for deferred tax liability of Rs.59.984 million for the year ended March 31, 2002. Further, the deferred tax liability as on April 1, 2001 of Rs.0.050 million has been adjusted against General Reserve. Consequently, the profit for the year after taxation is lower by Rs.59.984 million and reserves and surplus are lower by Rs.60.034 million.
- (ii) Accounting Standard 26 (AS 26) on Intangible Assets issued by the Institute of Chartered Accountants of India becomes mandatory with effect from April 1, 2003. However, the Company decided to adopt this standard from the current year and has amortised certain Trademarks and Copyrights, which were hitherto not amortised. Accordingly, an amount of Rs.16.497 million has been amortised during the year in respect of these assets. Further, the accumulated amortisation on these assets upto March 31, 2001 of Rs.25.622 million has been adjusted against General Reserve. Consequently, the profit for the year after taxation and reserves and surplus are lower by Rs.11.762 million and Rs.37.385 million respectively.
- (iii) The Company has changed the method of valuation of inventories from First-In-First Out (FIFO) method to weighted average method. Consequently, inventories and profit for the year after taxation are lower by Rs.7.369 million and Rs.6.806 million respectively.

4. Contingent liabilities not provided for in respect of:

- (i) Counter guarantee given to banks on behalf of other companies Rs.Nil (Rs.5.480 million).
- (ii) Sales tax/cess claims disputed by the Company Rs.15.613 million (Rs.25.646 million).
- (iii) Income tax and interest demand disputed by the Company Rs.50.496 million (Rs.Nil).
- (iv) Claims against the Company not acknowledged as debts Rs.1.032 million (Rs.0.889 million).
- (v) Estimated amount of contracts remaining to be executed on capital account not provided for Rs.5.311 million (Rs.18.044 million) net of advances.

5. Miscellaneous Income includes lease income Rs.7.465 million (Rs.8.009 million), income from current investments Rs.0.025 million (Rs.0.032 million), profit on sale of current investment (net) Rs.Nil (Rs.0.323 million), royalty Rs.10.714 million (Rs.4.476 million) and compensation for termination of an arrangement Rs.Nil (Rs.4.400 million).

6. Miscellaneous expenses include commission and brokerage Rs. 6.274 million (Rs. 5.693 million), donations Rs.0.955 million (Rs.2.583 million), cash discount Rs.Nil (Rs.0.474 million), loss on sale/discarding of assets (net) Rs.1.335 million (Rs.10.477 million), audit fees Rs.1.103 million (Rs.0.866 million), tax audit fees Rs.0.158 million (Rs.0.105 million), payment to auditors for other services Rs.0.019 million (Rs.Nil), reimbursement to auditors for out-of-pocket expenses Rs.0.095 million (Rs.0.037 million).

NOTES TO THE ACCOUNTS

7. Research and development expenses aggregating Rs.24.927 million (Rs.36.408 million) have been included under the relevant heads in the Profit and Loss Account.
8. Exchange loss (net) aggregating Rs.1.031 million (gain Rs.7.140 million) has been included under the relevant heads in the Profit and Loss Account.
9. Loans and Advances include amounts due:
- from subsidiary company Rs.15.190 million (Rs.4.476 million).
 - from a private limited company in which directors of the Company are directors Rs.Nil (Rs.10.705 million).
10. Provision for current taxation is made in accordance with the provisions of Section 115 JB of the Income Tax Act, 1961.

11. 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	8.990
	(8.652)
Cost of assets	25.219
	(30.396)
Future lease rental obligation	10.321
	(23.605)

- (ii) In respect of assets taken on finance lease during the year:

Finance charges for the year- Rs. 2.298 million.

Reconciliation of minimum lease payments and its present value:

	Minimum Lease Payments	Interest	Rs.million Present value of minimum lease payments
Future lease rental obligation payable:			
- not later than one year	4.666	1.453	3.213
- later than one year but not later than five years	8.338	0.790	7.548
Total	<u>13.004</u>	<u>2.243</u>	<u>10.761</u>

- (iii) In respect of assets taken on operating lease during the year:

	Rs. million
Lease rental charges for the year	0.235
Future lease rental obligation payable	
- not later than one year	0.865
- later than one year but not later than five years	1.952
Total	<u>3.052</u>

NOTES TO THE ACCOUNTS

12. Break-up of deferred tax liability:

	Rs. million
Deferred tax asset:	
Provision for doubtful debtors/advances that are deducted for tax purposes when written off	11.461
Liabilities that are deducted for tax purpose when paid	<u>21.247</u>
Total Deferred tax asset	<u>32.708</u>
Deferred tax liability:	
Additional depreciation on fixed assets for tax purposes due to higher tax depreciation rates	92.742
Total Deferred tax liability	<u>92.742</u>
Net Deferred tax liability	<u>60.034</u>

13. Earnings per share:

	March 31, 2002	Rs. million March 31, 2001
Numerator used for calculating basic and diluted earnings per share – Profit after taxation	493.254	456.310
Weighted average number of shares used as denominator for calculating basic and diluted earnings per share	14.500	14.500
Nominal value of shares (Rs. per Share)	<u>10</u>	<u>10</u>
Basic and diluted earnings per share (Rs.)	<u>34.02</u>	<u>31.47</u>

14. Segment Information

The Company's financial reporting is organised into two major operating divisions viz. Nature Care and Health Care. These divisions are the basis on which the Company is reporting its primary segment information. The composition of these segments are given below:

<u>Business segments</u>	<u>Type of products and services</u>
Nature Care	Coconut oils, hair oils and fabric care products
Health Care	Other Edible oils (other than Coconut oils), processed foods (including marketing arrangement with Indo Nissin Foods Limited)
Others	International business and distribution

NOTES TO THE ACCOUNTS

i. Primary Segment Information (Rs. million)

	Nature Care	Health Care	Others	Total
Details				
Segment revenue				
External sales	3,626.512	2,501.009	582.561	6,710.082
Inter-segment sales	102.334	41.267	—	143.601
Total revenue	<u>3,728.846</u>	<u>2,542.276</u>	<u>582.561</u>	<u>6,853.683</u>
Segment Result				
Unallocated corporate expenses				425.760
Operating profits				606.318
Interest expenses				46.077
Interest income				5.497
Net profit				<u>565.738</u>
Other information				
Segment assets	1,351.006	848.764	157.367	2,357.137
Unallocated corporate assets	—	—	—	476.128
Total assets	<u>1,351.006</u>	<u>848.764</u>	<u>157.367</u>	<u>2,833.265</u>
Segment liabilities	350.797	229.115	46.462	626.374
Unallocated corporate liabilities				2,206.891
Total liabilities	<u>350.797</u>	<u>229.115</u>	<u>46.462</u>	<u>2,833.265</u>
Capital expenditure	212.635	44.451	0.503	
Depreciation and amortisation	73.866	21.840	0.299	

ii. Secondary Segment Information

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

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

Sales Revenue by geographical market

Locations	Rs. million
India	6,455.606
Others (primarily in The Middle East and SAARC countries)	254.475
Total	<u>6,710.081</u>

Carrying amounts of assets and capital expenditure

	Rs. million		
	India	Others	Total
Carrying amount - Segmental assets	2355.844	1.292	2357.136
Capital expenditure	315.507	0.045	315.552

iii. Notes to Segmental information

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

NOTES TO THE ACCOUNTS

(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.

(iii) Inter segment transfers: Segment revenue, segment expenses and segment results include transfers between business segments, which are accounted for at cost.

15. Related Party disclosures under Accounting Standard 18 (AS 18) issued by the Institute of Chartered Accountants of India

Wholly owned Subsidiary:

Marico Bangladesh Limited

	Rs. million	
Nature of transactions:	2001- 02	2000 - 01
(i) Royalty Income	10.714	4.476
(ii) Royalty receivable	15.190	4.476
(iii) Provision for royalty receivable	15.190	—

During the year, the Company has accrued royalty income of Rs. 10.714 million, upto December 31, 2001, based on an agreement with the subsidiary. However, the Board of Investment in Bangladesh did not approve the application for remittance of royalty by the subsidiary company in its current form and, therefore, the Company has made a provision of Rs.15.190 million (including Rs.4.476 million in respect of royalty accrued in previous year) against royalty receivable from the subsidiary. The subsidiary company is in the process of making a revised application with the concerned authorities for remittance of royalty.

Whole-time director:

Harsh C Mariwala, Chairman and Managing Director

Nature of transactions:	Rs. million
Remuneration for the year (Refer Note 16 (ii) below)	6.224

16. Managerial Remuneration:

(i) Statement of computation of net profits under Section 198 of the Companies Act, 1956 and the commission payable to Managing Director:

NOTES TO THE ACCOUNTS

	For the year ended March 31,	
	2002	2001
	Rs.million	Rs.million
Profit before taxation	565.738	498.810
<u>Add:</u>		
Directors' remuneration	6.721	6.338
Directors' sitting fees	0.100	0.024
Wealth Tax (Regrouping)	—	0.500
	572.559	505.672
<u>Less:</u>		
Profit on sale of investments (net)	—	0.323
Provision for diminution in value of investments written back	—	0.039
Profit as per Section 349 of the Companies Act, 1956	572.559	505.310
<u>Less :</u>		
Profit for the period July'01 to March'02	429.894	—
Profit for the period April'01 to June'01	142.665	—
Commission to Managing Director @ 1% of net profit for 3 months (12 months)	1.427	5.053
(ii) Payments and provisions on account of remuneration to Chairman and Managing Director included in Profit and Loss Account		
Salary	2.850	0.600
Commission	1.427	5.053
Contribution to Provident and Pension Funds	0.769	0.162
Other Perquisites	1.178	0.523
	6.224	6.338
(iii) Remuneration to Non-Wholetime Directors – Rs. 0.497 million (Rs. Nil).		

Notes:

1. Consequent to the Companies Amendment Act, 2000, adjustment has not been made for depreciation and profit/loss on sale of assets for the purposes of computation of profits under Section 349 of the Companies Act, 1956.
2. 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.

17. 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 and included under sundry creditors aggregate Rs.3.849 million (Rs.6.274 million). The names of such SSI suppliers where individual balances are in excess of Rs. 1 lakh and outstanding for more than 30 days are as under:

Niki Plast, Shree Mookambika Plast Pvt. Ltd., Servoplast, Bhavani Enterprises, Janani Printers, Neeljyot Plastics, Neil Extrulamipack Pvt. Ltd., Blow Containers, Himalaya Containers and Cartons Pvt. Ltd., Namokar Polymers Pvt. Ltd., Shabari Packaging Industries Pvt. Ltd., Premier Pack, CGK Automation, Preciplast, Shriram Plastics, Sarvotham Care Ltd., Excel Corrugated Boxes Pvt. Ltd.

18. The figures in brackets represent those of the previous year. Previous year's figures have been regrouped where necessary to conform to current year's classification.

NOTES TO THE ACCOUNTS

19. 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, 2002

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

Public Issue Nil
Bonus Issue Nil
Rights Issue Nil
Private placement Nil

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

Total Liabilities 2,833.265
Total Assets 2,833.265

Sources of Funds

Paid up Capital 145.000
Reserves & Surplus 1,818.246
Secured Loans Nil
Unsecured Loans 50.468
Deferred Tax Liability 60.034
Accumulated losses Nil

Application of Funds

Net Fixed Assets 1,410.146
Investments 8.708
Net Current Assets 654.894
Misc. Expenditure Nil

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

Turnover (Sales & Other Income) 6,732.518
Total Expenditure 6,166.780
Profit before Tax 565.738
Profit after Tax 493.254
Earnings per share (in Rs.) 34.02
Dividend rate (%) 140

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

Item Code No. (I.T.C. Code)	Product Description
151319.00	Coconut Oil
151219.01	Sunflower Oil
151219.02	Safflower Oil

Signature to Schedules A to R

For and on behalf of the Board of Directors

MILIND SARWATE
Chief Financial Officer

K.V. MARIWALA
Director

H.C. MARIWALA
*Chairman and
Managing Director*

DEV BAJPAI
*General Manager - Legal
and Company Secretary*

Place : Mumbai
Dated : April 18, 2002

CASH FLOW STATEMENT

	Year ended March 31, 2002 Rs.million	Year ended March 31, 2001 Rs.million
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax	565.738	498.810
Adjustments for :		
Depreciation and amortisation	141.572	88.696
Finance charges	46.077	44.872
Interest earned	(5.497)	(9.682)
Loss on sale of assets	1.335	10.477
Income from investments	--	(0.393)
Provision for diminution in value of investments written back	--	(0.039)
	<u>183.487</u>	<u>133.931</u>
Operating Profit before Working Capital changes	749.225	632.741
Adjustments for :		
Increase/(Decrease) in Inventories	121.750	237.227
Increase/(Decrease) in Sundry Debtors	(131.373)	61.137
Increase/(Decrease) in Loans & Advances	(10.193)	(103.230)
Decrease/(Increase) in Current Liabilities	83.335	(151.594)
	<u>63.519</u>	<u>43.540</u>
Cash generated from Operations	685.706	589.201
Income taxes paid (Net of refunds)	52.052	42.850
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	A <u>633.654</u>	<u>546.351</u>
B. CASH FLOW FROM INVESTING ACTIVITIES		
(Purchase) of Fixed assets	(315.552)	(433.071)
(Purchase)/Sale of Investments	(0.001)	0.348
Sale of Fixed assets	9.651	12.989
Interest earned	6.120	9.682
Income from investments	—	0.394
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	B <u>(299.782)</u>	<u>(409.658)</u>

CASH FLOW STATEMENT

	Year ended March 31, 2002 Rs. million	Year ended March 31, 2001 Rs. million
C. CASH FLOW FROM FINANCING ACTIVITIES		
(Repayment of Borrowings)/Amount borrowed	14.087	3.542
Finance charges	(46.077)	(44.872)
Dividend paid (including tax on dividends)	(239.137)	(159.282)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	<u>(271.127)</u>	<u>(200.612)</u>
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS	A + B + C <u>62.745</u>	<u>(63.919)</u>
Cash and Cash Equivalents - Opening Balance	39.499	103.418
Cash and Cash Equivalents - Closing Balance	<u>102.244</u>	<u>39.499</u>

For and on behalf of the Board of Directors

MILIND SARWATE
Chief Financial Officer
DEV BAJPAI
*General Manager - Legal
and Company Secretary*

K.V. MARIWALA
Director

H.C. MARIWALA
*Chairman and
Managing Director*

Place : Mumbai
Dated : April 18, 2002

AUDITORS' CERTIFICATE

We have examined the attached Cash Flow Statement of Marico Industries Ltd. for the year ended March 31, 2002. The statement has been prepared by the Company in accordance with the requirements of Clause 32 of the Listing Agreement with the stock exchanges and is based on and in agreement with the corresponding Profit and Loss Account and Balance Sheet of the Company covered by our report dated April 18, 2002 to the members of the Company.

for RSM & Co.
Chartered Accountants

Place : Mumbai
Dated : April 18, 2002

NATRAJ RAMKRISHNA
Partner

MARICO INDUSTRIES LIMITED
STATEMENT PURSUANT TO SECTION 212 (1) (e)
OF THE COMPANIES ACT, 1956

1. Name of the subsidiary company	Marico Bangladesh Limited
2. Holding Company's interest	1,000,000 ordinary shares of Taka 10 each
3. Extent of Holding	100%
4. The "financial year" of the subsidiary company ended on	September 30, 2001
5. Net aggregate amount of the Subsidiary company's profits/ (losses) dealt with in the holding company's accounts	
<ul style="list-style-type: none"> • For the subsidiary's aforesaid financial year 	Nil
<ul style="list-style-type: none"> • For the previous financial years since it became subsidiary 	Nil
6. Net aggregate amount of the subsidiary company's profits/ (losses) not dealt with in the holding company's accounts	
<ul style="list-style-type: none"> • For the subsidiary's aforesaid financial year 	Taka 1.12 million (Rs. 0.96 million)
<ul style="list-style-type: none"> • For the previous financial years since it became subsidiary 	Taka 1.57 million (Rs. 1.35 million)
7. 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
8. Material changes, if any, between the end of the financial year of the subsidiary and that of the holding company	Nil

On behalf of the Board of Directors

Place: Mumbai

Date: April 18, 2002

Harsh C. Mariwala

Chairman and Managing Director

MARICO BANGLADESH LIMITED

Board Of Directors	Harsh Charandas Mariwala Milind Sarwate Shyam Sutaria Samir Srivastav, Executive Director
Registered Office	272, Tejgaon Industrial Area, Dhaka – 1208, Bangladesh
Auditors	Rahman Rahman Huq Chartered Accountants
Bankers	Citibank N. A. Standard Chartered Grindlays Bank
Legal Advisors	Lee Khan & Associates
Distributor	Kallol Distribution Limited 199, Tejgaon Industrial Area, Dhaka – 1208, Bangladesh

MARICO BANGLADESH LIMITED
DIRECTORS' REPORT

To The Members

Your Board of Directors is pleased to present the Second Annual Report together with audited accounts of your Company for the year ended September 30, 2001.

FINANCIAL RESULTS

	2001	(Million Taka) 2000
Turnover	205.6	<u>74.7</u>
Profit before Tax and Exceptional Items	1.1	<u>0.8</u>
Exceptional Items	1.5	<u>--</u>
Profit before Tax	2.6	<u>0.8</u>
Provision for tax	(1.5)	<u>(0.3)</u>
Profit after Tax	1.1	<u>0.5</u>
Add: Surplus brought forward	0.5	<u>--</u>
Profit available for appropriation	1.6	<u>0.5</u>
Surplus carried forward	1.6	<u>0.5</u>

SALES TURNOVER AND PROFITABILITY

The year ended September 30, 2001 (FY01) has been a year of sustained volume growth. Turnover at Taka 205.6 million posted an impressive increase of 175% over period ended September 30, 2000 (FY00). Profit after Tax (PAT) for FY01 grew by 120% to Taka 1.1 million. Profit before Tax (PBT) grew by 225% to Taka 2.6 million.

DIVIDEND

In order to conserve resources for growth, no dividend is being proposed for this year.

AUDITORS

M/s. Rahman Rahman Huq, Chartered Accountants, retire and being eligible offer themselves for re-appointment as Auditors of your Company.

HUMAN RESOURCES

Your Board wishes to place on record its appreciation of the co-operation and support received from all members of the Marico organisation.

ACKNOWLEDGEMENT

Your Board acknowledges the continued support and assistance received from the Government of Bangladesh, Bankers, Vendors, Distributor and other business associates and looks forward to continued support of all these partners in progress.

For and on behalf of the Board of Directors

Place: Dhaka
Date: March 25, 2002

SAMIR SRIVASTAV SHYAM SUTARIA
Director *Director*

MARICO BANGLADESH LIMITED
AUDITORS' REPORT

We have audited the accompanying balance sheet of Marico Bangladesh Limited for the year ended September 30, 2001 and the related profit and loss account and cash flows for the year then ended. The preparation of these financial statements is the responsibility of the Company's management. Our responsibility is to express an independent opinion on these financial statements based on our audit.

We conducted our audit in accordance with Bangladesh Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statement. 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.

In our opinion, the financial statements, prepared in accordance with Bangladesh Accounting Standards, give a true and fair view of the state of the Company's affairs for the year ended September 30, 2001 and of the results of its operations and its cash flow for the year then ended and comply with the Companies Act, 1994 and other applicable laws and regulations.

We also 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 and made due verification thereof;
- b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appeared from our examination of those books; and
- c) the Company's balance sheet and profit and loss account dealt with by the report are in agreement with the books of account.

RAHMAN RAHMAN HUQ
Auditor

Place: Dhaka

Date: March 25, 2002

MARICO BANGLADESH LIMITED
BALANCE SHEET

		As at September 30,	
SOURCES OF FUNDS	Notes	2001 Taka	2000 Taka
SHAREHOLDERS' EQUITY			
Share capital	4	10,000,000	10,000,000
Accumulated profit		1,569,365	450,159
		<u>11,569,365</u>	<u>10,450,159</u>
APPLICATION OF FUNDS			
FIXED ASSETS			
	5		
Cost		3,385,118	1,424,586
Less: Accumulated depreciation		857,240	162,803
		<u>2,527,878</u>	<u>1,261,783</u>
PRELIMINARY EXPENSES		—	96,470
CURRENT ASSETS			
Stock of spares		105,950	—
Trade debtors		21,088,168	2,629,856
Advances and deposits	6	2,335,441	9,910,371
Cash and bank balances	7	6,830,251	1,529,581
		<u>30,359,810</u>	<u>14,069,808</u>
LESS: CURRENT LIABILITIES AND PROVISIONS			
Temporary loan		2,000,000	—
Liability for expenses	8	17,830,607	3,205,317
Provision for income tax	9	1,500,000	20,242
Royalty payable	10	—	1,493,218
Liability for other finance		(12,284)	259,125
		<u>21,318,323</u>	<u>4,977,902</u>
NET CURRENT ASSETS		<u>9,041,487</u>	<u>9,091,906</u>
		<u>11,569,365</u>	<u>10,450,159</u>

As per our separate report of even date

For and on behalf of the Board of Directors

RAHMAN RAHMAN HUQ
Auditor

SAMIR SRIVASTAV
Director

SHYAM SUTARIA
Director

Place: Dhaka

Date: March 25, 2002

MARICO BANGLADESH LIMITED
PROFIT AND LOSS ACCOUNT

		For the year ended September 30, 2001	For the period ended September 30, 2000
	Notes	Taka	Taka
Turnover		205,617,942	74,660,892
Cost of sales	11	(154,501,380)	(63,495,346)
Gross profit		51,116,562	11,165,546
General and administration expenses	12	(4,729,196)	(1,533,495)
Selling and distribution expenses	13	(45,261,378)	(8,881,786)
NET PROFIT FOR THE YEAR		1,125,988	750,265
Write back of old provision for royalty		1,493,218	—
NET PROFIT BEFORE TAXATION		2,619,206	750,265
Provision for taxation		(1,500,000)	(300,106)
NET PROFIT AFTER TAXATION		1,119,206	450,159
Profit brought forward		450,159	—
Profit carried forward to the balance sheet		1,569,365	450,159

As per our separate report of even date

RAHMAN RAHMAN HUQ
Auditor

For and on behalf of the Board of Directors

SAMIR SRIVASTAV
Director

SHYAM SUTARIA
Director

Place: Dhaka

Date: March 25, 2002

MARICO BANGLADESH LIMITED
NOTES TO THE FINANCIAL STATEMENTS

1. COMPANY PROFILE

Marico Bangladesh Limited is a private limited company incorporated on September 6, 1999 in Bangladesh under the Companies Act, 1994. The present authorised and paid up capital is Taka 10,000,000 divided into 1,000,000 ordinary shares of Taka 10 each. The Company is a wholly owned subsidiary of Marico Industries Limited, India.

The Company started commercial operation from January 30, 2000.

2. NATURE OF BUSINESS

The principal activity of the Company is marketing and selling of Parachute brand coconut oil in Bangladesh.

3. PRINCIPAL ACCOUNTING POLICIES

3.1 Basis of accounting

These accounts have been prepared in accordance with Bangladesh Accounting Standards (BAS).

3.2 Fixed assets and depreciation

Fixed assets related to plant and machinery have been procured by Ethical Drugs Ltd. (EDL) on behalf of Marico Bangladesh Ltd. (MBL) for its operation. However, under the arrangement between MBL and EDL, the ownership of the assets remained with MBL and has been accounted for accordingly.

Fixed assets are stated at cost less accumulated depreciation. Depreciation has been charged on reducing balance method on fixed assets except vehicle which is depreciated on straight line method. Considering the estimated useful life of the assets the following rates have been applied:

Plant and machinery	50% (Previous Period : 20%)
Equipment	20% - 33.33%
Vehicle	20%
Furniture and fixture	15%

3.3 Revenue recognition

Sales are recognised at the time of delivery of goods to the distributor and are exclusive of Value Added Tax (VAT).

3.4 Taxation

Provision for income tax is made on the basis of Company's computation of fiscal profit until the assessment has been finalised by tax authority. Adjustment, if any, arising out of the assessment would be made in the year the assessment is completed.

3.5 Reporting currency and level of precision

The figures in the financial statements are denominated in Bangladesh Taka, which have been rounded off to the nearest integer. Earlier period's comparative figures have been restated as necessary and represent 12 months and 25 days for the period ended September 30, 2000.

3.6 Reporting period

Financial statements of the Company cover the period from October 1, 2000 to September 30, 2001.

MARICO BANGLADESH LIMITED
NOTES TO THE FINANCIAL STATEMENTS

4. SHARE CAPITAL

	As at September 30,	
	2001	2000
	Taka	Taka
Authorised:		
1,000,000 Ordinary shares of Taka 10 each	<u>10,000,000</u>	<u>10,000,000</u>
Paid-up:		
1,000,000 Ordinary shares of Taka 10 each fully paid-up in cash	<u>10,000,000</u>	<u>10,000,000</u>
The shares are held by Marico Industries Limited, India and its nominees.		

5. FIXED ASSETS

Taka

Particulars	Cost			Depreciation			Net book value	
	As at Oct. 1, 2000	Additions during the year	As at Sept. 30, 2001	As at Oct. 1, 2000	Charge for the year	As at Sept. 30, 2001	As at Sept. 30, 2001	As at Sept. 30, 2000
Plant and machinery	647,092	1,435,392	2,082,484	64,709	508,715	573,424	1,509,060	582,383
Vehicle	505,000	525,140	1,030,140	75,750	136,009	211,759	818,381	429,250
Equipment	164,948	-	164,948	14,805	34,712	49,517	115,431	150,143
Furniture and fixture	107,546	-	107,546	7,539	15,001	22,540	85,006	100,007
Total	1,424,586	1,960,532	3,385,118	162,803	694,437	857,240	2,527,878	1,261,783

Depreciation on Plant and Machinery has been charged this year @ 50% (Previous Peiord : 20%) due to revised estimated useful life, as per management discussion, which has resulted in increase in depreciation by Taka 305,229 for the year.

6. ADVANCES AND DEPOSITS

Advances:

For goods	663,061	8,792,320
For services	<u>1,454,375</u>	<u>1,030,000</u>
	<u>2,117,436</u>	<u>9,822,320</u>

Deposits:

VAT current account on Coconut Oil	176,005	40,551
Security deposits for mobile phone	<u>42,000</u>	<u>47,500</u>
	<u>218,005</u>	<u>88,051</u>
	<u>2,335,441</u>	<u>9,910,371</u>

MARICO BANGLADESH LIMITED
NOTES TO THE FINANCIAL STATEMENTS

	2001	As at September 30, 2000
	Taka	Taka
7. CASH AND BANK BALANCES		
Cash on hand	67,825	31,319
Cash at banks:		
Citibank N.A.	930,376	1,498,262
Standard Chartered Grindlays Bank Ltd. (Note 7.1)	5,832,050	—
	6,762,426	1,498,262
	6,830,251	1,529,581

7.1 Cash at Standard Chartered Grindlays Bank Ltd.

The Company enjoys overdraft facilities with a limit of Taka 5,000,000 from Standard Chartered Grindlays Bank Ltd., Dhaka which is secured against corporate guarantee from Marico Industries Ltd., India and hypothecation over stocks and book debts limited to Taka 5,000,000 and bears interest at the rate of 12% per annum.

8. LIABILITY FOR EXPENSES

Payable to Ethical Drugs Limited	2,771,038	—
Business promotion expenses	14,956,813	3,007,416
Market research expenses	—	98,450
Audit fees	65,000	35,000
Consulting fees	—	15,000
Legal charges	10,000	10,000
Other expenses	27,756	39,451
	17,830,607	3,205,317

9. PROVISION FOR INCOME TAX

Opening balance	20,242	—
Add: Provision for current taxation	1,500,000	300,106
	1,520,242	300,106
Less: Advance tax paid	20,242	279,864
	1,500,000	20,242

10. ROYALTY PAYABLE

In view of the objection raised by the Board of Investment, the royalty agreement signed with Marico Industries Ltd., India has been rescinded.

11. COST OF SALES

	For the year ended September 30, 2001	For the period ended September 30, 2000
	Taka	Taka
Purchase	161,444,191	63,095,346
Less: Discount	7,671,888	—
	153,772,303	63,095,346
Add: Carriage inward	729,077	400,000
	154,501,380	63,495,346

MARICO BANGLADESH LIMITED
NOTES TO THE FINANCIAL STATEMENTS

12. GENERAL AND ADMINISTRATION EXPENSES

	For the year ended September 30, 2001	For the period ended September 30, 2000
	Taka	Taka
Salaries and allowances (Note 12.1)	1,732,833	200,010
Rent	510,133	293,711
Consulting fee	180,000	150,000
Legal charges	117,950	113,000
Repairs and maintenance	177,262	103,311
Communication expenses	240,927	108,551
Entertainment expenses	133,076	62,957
Printing and stationery	39,356	71,886
Fuel and lubricants	80,428	40,644
Travelling and conveyance	275,454	65,326
Auditors' remuneration	65,000	35,000
Recruitment expenses	—	33,120
Employees' income tax	—	27,967
Subscription	27,100	22,000
Fees, forms and renewals	85,747	15,969
Insurance premium	14,392	15,415
Books and periodicals	—	4,348
Crockeries and cutleries	—	3,200
Bank interest and charges	59,830	1,805
Medical expenses	29,565	1,248
Utilities	—	626
Boarding and lodging	125,469	—
Training expenses	43,621	—
Miscellaneous expenses	146	598
Preliminary expenses written off	96,470	—
Depreciation	694,437	162,803
	<u>4,729,196</u>	<u>1,533,495</u>

12.1 Salaries and allowances

This includes remuneration of executive director of Taka 1,509,009 for salaries, allowances and bonus.

13. SELLING AND DISTRIBUTION EXPENSES

Business promotion expenses	24,461,888	3,962,308
Advertisement	19,563,375	2,944,810
Royalty	—	1,493,218
Market research expenses	1,236,115	481,450
	<u>45,261,378</u>	<u>8,881,786</u>

14. NUMBER OF EMPLOYEES

The number of employees engaged for the whole year or part thereof who received a total salary of Taka 36,000 and above was 4.

15. GENERAL

Previous year's figures have been rearranged wherever considered necessary to conform to current year's presentation.

MARICO BANGLADESH LIMITED
CASH FLOW STATEMENT

	For the year ended September 30, 2001	For the period ended September 30, 2000
	Taka	Taka
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net profit before taxation	2,619,206	750,265
Depreciation on fixed assets	694,437	162,803
Preliminary expenses	96,470	(96,470)
Changes in current assets	(10,989,332)	(12,540,227)
Changes in current liabilities	14,860,663	4,957,660
Income tax paid	(20,242)	(279,864)
NET CASH FROM OPERATING ACTIVITIES (A)	<u>7,261,202</u>	<u>(7,045,833)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Fixed assets purchased	(1,960,532)	(1,424,586)
NET CASH USED IN INVESTING ACTIVITIES (B)	<u>(1,960,532)</u>	<u>(1,424,586)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issue of shares	—	10,000,000
NET CASH USED IN FINANCING ACTIVITIES (C)	<u>—</u>	<u>10,000,000</u>
NET CASH AND CASH EQUIVALENTS (A+B+C)	5,300,670	1,529,581
Cash and cash equivalents at beginning of the year/period	1,529,581	—
Cash and cash equivalents at end of the year/period	<u>6,830,251</u>	<u>1,529,581</u>

As per our separate report of even date

For and on behalf of the Board of Directors

RAHMAN RAHMAN HUQ
Auditor

SAMIR SRIVASTAV
Director

SHYAM SUTARIA
Director

Place: Dhaka

Date: March 25, 2002



MARICO - KNOW YOUR COMPANY BETTER...

Parachute is perhaps the world's largest Packaged Coconut Oil brand.

Parachute ranks 26th among India's top 60 brands according to A&M (Year : 2002).

Quantity of Parachute Coconut Oil sold in India is more than 75% of the aggregate quantity of shampoos sold in India.

Marico uses one out of every 25 coconuts grown in India.

Parachute's 'Kamaal ka Dhakkan' and the 15-litre jars of Sweekar and Saffola have won World Star Packaging award for packaging innovation.

Success of Parachute Jasmine and Shanti Amla catapults Marico to No. 2 from No. 5 in less than a year in the Hair Oil market.

Marico has one of the most profitable edible oil businesses in India.

Most of Marico's brands are either No. 1 or No. 2 in their respective categories.

The Overseas business of Marico's branded products would be one of the top few Indian FMCG Companies.

Marico's distribution network covers every Indian town with a population over 20,000.

Marico reaches 1.6 million retail outlets.

Marico sells over 35 million consumer packs every month.

One out of every ten Indians is a Marico customer.

For the past ten consecutive quarters, Marico's PBT has been growing over the corresponding quarter of previous year.

Marico's ROCE has been consistently above 30% for the last ten years.

Marico ranks 32nd in Super 100 of Business India on the ROCE parameter.

