UNCOMMON SENSE

MARICO

ANNUAL REPORT 2003/04

Apply conventional thinking and you'll only come up with conventional solutions. But open your mind, and you'll find a world of opportunities opening up before you.

UNCOMMON SENSE

COMPANY INFORMATION

BOARD OF DIRECTORS
Harsh Mariwala, Chairman & Managing Director
Bipin Shah, Chairman of Audit Committee
Kishore Mariwala
Nikhil Khattau
Atul Choksey
Rajeev Bakshi

TOP MANAGEMENT TEAM
Harsh Mariwala, Chairman & Managing Director
Pradeep Mansukhani, Chief Executive Officer - Sales & Manufacturing
Rakesh Pandey, Chief Executive Officer - Kaya
Milind Sarwate, Chief Financial Officer
Shyam Sutaria, General Manager - International Business Group

GENERAL MANAGER - LEGAL & COMPANY SECRETARY
Dev Bajpai

BANKERS
State Bank of Saurashtra
Citibank N.A.
Standard Chartered Bank
ICICI Bank Ltd.
HDFC Bank Ltd.

AUDITORS
RSM & Co., Chartered Accountants

INTERNAL AUDITORS
Aneja Associates, Chartered Accountants

REGISTERED OFFICE
Rang Sharda, Krishnachandra Marg,
Bandra Reclamation, Bandra (West),
Mumbai 400 050

PRESENCE IN THE SUB-CONTINENT
Factories - 8
Regional Offices - 4
Depots - 30

WEBSITES
www.maricoindia.com
www.healthykhana.com

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CHAIRMAN'S LETTER TO SHAREHOLDERS

Dear Shareholders,

The year 2003-04 was yet another year of sustained growth in topline and bottomline. It signified continued success in your Company's journey of moving up the value chain.

As one looks back, one can see that Marico has come a long way since the early 1990s when the FMCG business of the erstwhile Bombay Oil Industries was spun off as a separate company, with just two major brands: Parachute and Saffola. Even then, we had a clear growth vision, built around improving the quality of people's lives - their personal well-being and healthy living. Over the years, our 'Uncommon Sense' has enabled us to keep delivering in that direction.

We now have 12 brands. And we continue to explore new opportunities to create new brands and businesses that add value to their consumers and to Marico. Kaya, the skin care services business, is one such example.

We have also grown from being Indian to Global. International Business, now at 9% of turnover, is an important constituent of our growth strategies. Marico's products are now present in 18 countries, with local operations in Bangladesh, and a recently acquired US-based range of ayurvedic skin care products, Sundari.

Over the past 4 years, we have etched out a solid and enviable record of consecutive quarters of year on year growth - 14 in topline and 18 in net profits. Our return on capital employed has consistently been above 30%. Operating margins as a percentage of capital employed have been moving up, leading to an increasing Economic Value Added, year after year. And payout to shareholders has risen to over 50%.

We have thus moved up - from commodity conversion to technologically superior products and services. From Low Value Add to High Value Add, Hair Oils to Personal Care - hair care and skin care, Edible Oils to Healthy Oils and Foods, and from a local to a global presence.

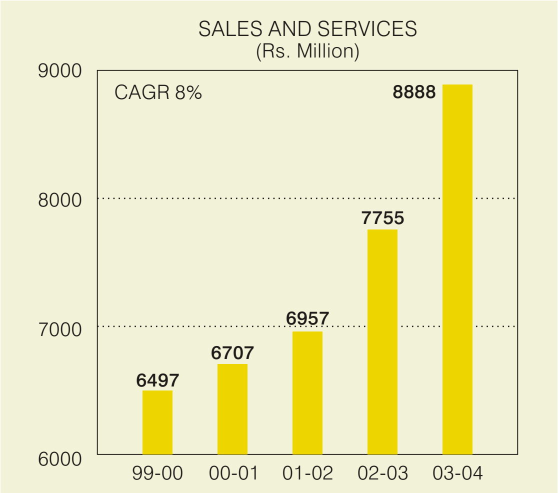
Over the years, we have built a stimulating and meritocratic work culture that empowers people, promotes team building and encourages new ideas. Your continued support to our professional management team will spur it to continuously strive to greater heights of glory, making Marico a frontrunner among India's leading global FMCG Groups.

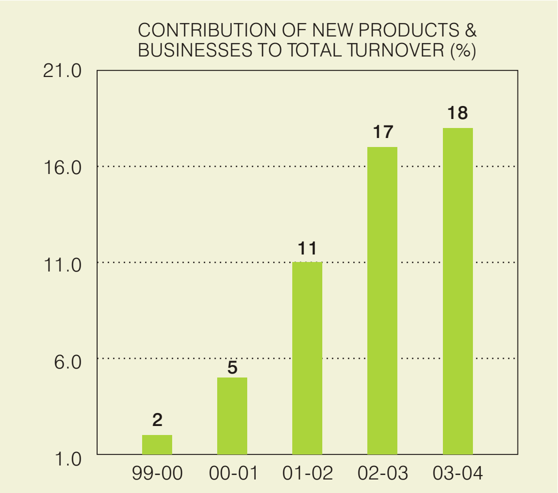
I am sure 2004-2005 will see Marico move further ahead in its journey from Good to Great!

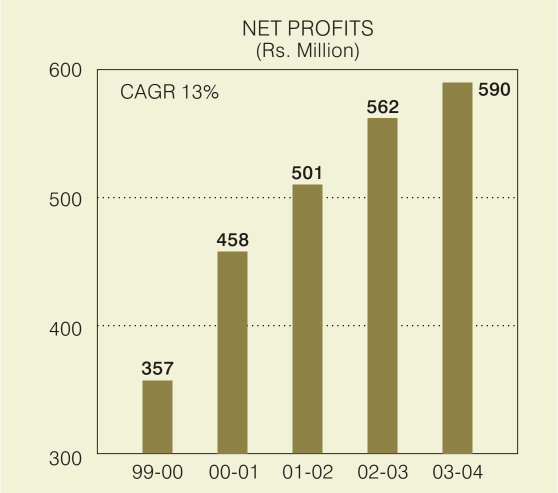
With warm regards.

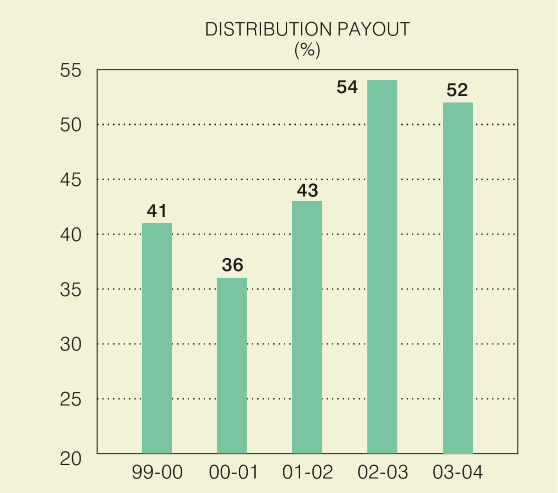
Harsh Mariwala
Chairman and Managing Director

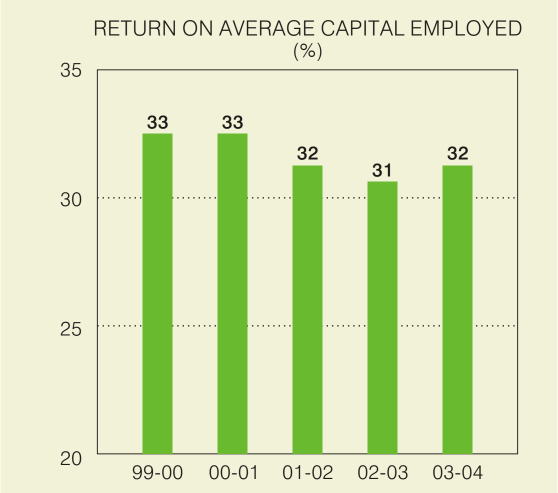
MARICO CONSOLIDATED PERFORMANCE AT A GLANCE

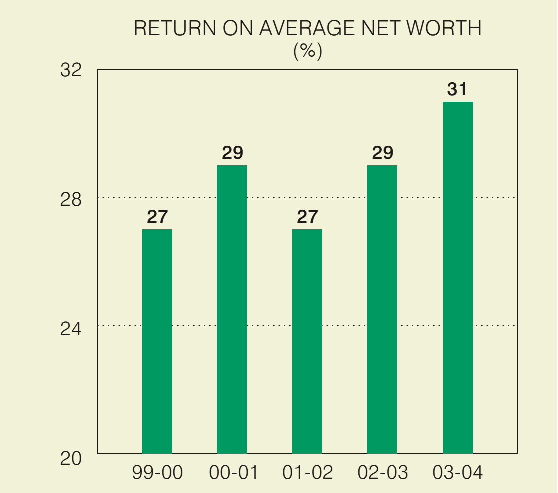










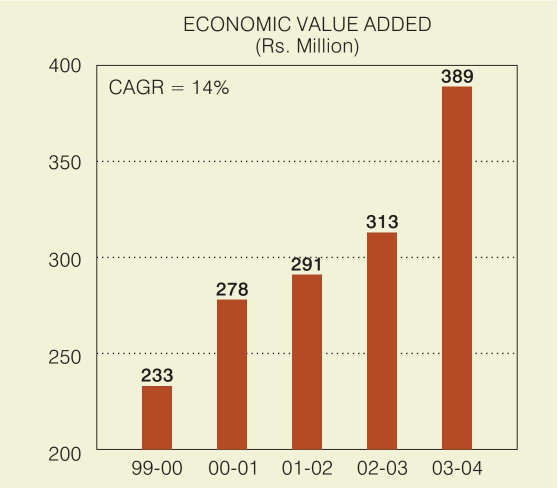


ECONOMIC VALUE ADDED ANALYSIS

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.

For the year ended March 31, 2004, Marico's Economic Value Added was Rs. 389 million as compared to Rs. 313 million in the previous year.

Over the past 5 years, Marico's Economic Value Added has grown at a CAGR of 14%.



ECONOMIC VALUE ADDED - OVER THE YEARS

(Amount in Rs. Million)

Year ended March 31,	**2000**	**2001**	**2002**	**2003**	**2004**
Average Capital Employed	1,345	1,602	1,916	2,093	2,089
Average Debt / Total Capital (%)	2.1	2.2	2.3	3.9	5.5
Cost of Equity (%)	13.2	13.1	15.0	13.0	11.0
Cost of Debt (Post Tax) (%)	7.1	6.5	-	1.0	1.1
Weighted Average Cost of Capital (%)	13.1	13.0	14.7	12.5	10.5
Profit After Tax (excl. Extraordinary Items)	375	458	530	562	591
Add : Interest Post Tax	34	27	42	12	16
Net Operating Profit After Tax	409	485	572	574	608
Less : Cost of Capital	176	208	281	261	218
Economic Value Added	**233**	**278**	**291**	**313**	**389**
% to Average Capital Employed	17.3	17.3	15.2	14.9	18.6

OUR BUSINESS DIRECTION 2010

We commit ourselves to improving the quality of people's lives in several parts of the world, through branded Fast Moving Consumer Products and Services in Personal and Health Care.

We shall offer brands that enhance the appeal and nourishment of hair and skin through distinctive products and services based on the goodness of coconut, other natural substances, and the underlying science of hair care and skin care.

We shall make available brands that contribute to healthy living, through, both products drawn from agriculture offered in natural and processed forms, and services.

We shall develop, in parts of the world beyond the Indian Sub-continent, a franchise for our branded products and services.

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

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

OUR 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.

WHAT DOES IT TAKE TO CREATE A WORLD-CLASS CHAIN OF SKIN CLINICS?

YEARS OF EXPERTISE
IN HAIR OILS.

When an FMCG company known for its oils, ventures into the uncharted territory of skin care services, the reaction, predictably, is: 'It doesn't make sense'.

But apply uncommon thinking and you'll see, it makes perfect sense.

At Marico, we believe there's only one reason for a brand to exist: fulfilling a sharply-focussed consumer need.

As dominant players in hair oils, understanding consumer needs is the core of our business. Precisely why we launched advanced skin care services offered through world-class skin clinics.

We studied the consumer habits of the urban Indian woman. She had moved up from 'feel good' cosmetic creams to 'do good' high-performance skin creams. Clearly, she was seeking visible results. Skin care services seemed a natural progression.

At the same time, the world was witnessing a revolution in skin care. Internationally, there was a growing trend in skin clinics, which further reaffirmed our belief.

Here was an opportunity waiting to be tapped. And we rose to the challenge. With a clear focus on growing the nascent category of 'skin care services', a dedicated team, and a service-oriented approach, we were able to offer world-class skin care customised to Indian skin through an independent subsidiary, Kaya Skin Care Ltd.

Thanks to our uncommon sense approach, we now have a new line of business. And it's showing visible results: 10,000 satisfied customers, and 13 Kaya Skin Clinics across Mumbai, Delhi and Dubai. All in a matter of 16 months.


HOW DID WE EXPAND THE PARACHUTE BRAND?
SIMPLE, WE SOLD IT TO PEOPLE WHO NEVER USE COCONUT OIL.

How do you push up sales of a powerful brand like Parachute?

Common sense would say, take your brand to untapped new markets where coconut hair oil is a deep-rooted habit.

We did quite the contrary. We targetted a market that's averse to using coconut oil: the Gulf.

Asians and Arabs in the Gulf, we found, were heavy users of hair creams instead.

A remarkable opportunity for Marico. For here was a market with a high disposable income, and one that appreciated the virtues of coconut.

In short, a market ready for Parachute Hair Cream. All the goodness of coconut oil, in a format consumers found less heavy and sticky - and were more comfortable using.

With vivid displays on supermarket shelves, and aggressive sampling and promotions to induce trials, Parachute Hair Cream cornered 15% of the market share in the UAE - within 30 months. Surprising even our global competitors.

An uncommon result, don't you think?


YOU SEE
AN AGE-OLD
HABIT OF
OILING
HAIR.
WE SEE AN
OPPORTUNITY
TO DOUBLE
THE ANTI-LICE
MARKET.

When we acquired Mediker, it was a 30 year-old brand that hadn't been growing. The market for anti-lice treatment hadn't been growing either.

The challenge before us was daunting: How do you grow a stagnating brand in a market that wasn't growing?

Until now, Mediker was only available in a shampoo formulation. Mothers resisted using it on their children's hair as it was seen to be strong and medicated.

And that's where we spotted the opportunity. Oiling a child's hair is a frequent practice among traditional Indian mothers. It is believed to have a nourishing and cooling effect - and to restrict the movement of lice.

Could we leverage this insight to our advantage? We got a firm nod from our marketing team.

After intensive R&D, we came up with a product that was more in line with the consumer habit of oiling hair: a herbal remedy for lice control in a gentler, more natural oil format.

And that is how Mediker Anti-Lice Oil found its way into traditional Indian households. Within a year of its launch, the Mediker franchise volume had more than doubled - without affecting shampoo sales. Growing the branded anti-lice category to double its size.

MANAGEMENT DISCUSSION AND ANALYSIS

In line with international practice, Marico has been reporting consolidated results taking into account the results of its subsidiaries. This Discussion therefore covers the financial results and other developments during April '03 - March '04 (FY04) in respect of Marico Consolidated - Marico Industries Limited together with its subsidiaries Marico Bangladesh Limited (MBL), MBL Industries Limited (MBLIL), Kaya Skin Care Limited (KSCL) and its joint venture, Sundari LLC (Sundari) and Sundari Spa LLC. The consolidated entity has been, in this Discussion, referred to as 'Marico' or 'Your Company' or 'Group' or 'Your Group'.

Some statements in this Discussion describing the projections, estimates, expectations or outlook may be forward looking. Actual results may, however, differ materially from those stated on account of various 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 constraints.

INDUSTRY STRUCTURE AND DEVELOPMENT

In accordance with its Business Direction, Marico is committed to improving the quality of people's lives through its offerings of branded products and services. Your Company thus operates in two industries: Branded Products - the Fast Moving Consumer Goods (FMCG) industry and Branded Services (Skin Care Services 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 India, with an annual estimated turnover of Rs. 480,000 million.

MARICO IS COMMITTED TO IMPROVING THE QUALITY OF PEOPLE'S LIVES THROUGH BRANDED PRODUCTS AND SERVICES.

The FMCG industry typically is characterised by branding and product differentiation. However, over the last few years, differentiation has reduced due to lower innovation. This has led to emergence of smaller regional players who offer good quality products at reasonable price points. This has led to intensifying competition in the industry. Consumer insight into expressed and latent needs, innovation and cost control have assumed larger importance.

Another characteristic of this industry is presence of a large unorganised sector, especially in rural India, offering products in loose unbranded form. Of late, the FMCG industry has been witnessing emergence of newer channels of distribution like Direct Marketing, large organised retail chains, etc. Such developments are a fallout of the changing needs of Indian consumers.

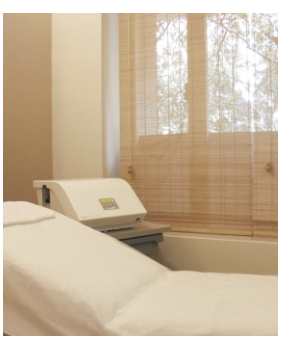
Your Company has leveraged its core competitive advantages of Branding, Innovation, Distribution and Cost Management in delivering higher value add to its consumers. It has deployed innovation to create product differentiation that enhances the brand equity.

Marico's portfolio of products, has, over the years, created enduring value for its consumers. In the process, it has consolidated its presence in the market. In all its key categories of coconut oils, hair oils, anti-lice treatment, fabric care and premium refined edible oils, Marico has built significant market shares. During FY04, Marico has kept pace with the momentum of growth achieved in the past couple of years, with double-digit growth in topline and bottomline.

Marico's presence overseas (comprising exports from India and local operations in a foreign country) is entirely in branded FMCG products. Your Company's products reach 18 countries, mainly in the SAARC and the Gulf. With FY04 turnover of about Rs. 750 million, Marico is one of the largest Indian FMCG companies in terms of overseas size of their franchise.

Holism, wellness and using natural products are now significant global trends. Skin care in the US is a large US$ 7 billion market. Of this, US$ 2 billion is attributable to the prestige skin care business, which is growing at the rate of 20% p.a. Spa is another segment that has grown very fast in the last three to five years. The market size of products used or sold in spas is now around US$ 1.5 billion. Thus, there is a good potential for a skin care brand like Sundari, which focusses on selling Ayurvedic skin care products through Spas and Internet.

Over the years, especially the last 5 years or so, due to structural changes in the demographic profile of the Indian population, 'skin care' as a segment has gained importance. The modern-day consumer wants a healthy skin. She is looking for skin care offerings, both products and services that are safe and scientific. The current structure of the skin care services industry is fragmented with local brands catering to local needs. There are very few corporate service providers. Marico's Kaya Skin Clinics attempt to fill this need gap with US FDA approved cosmetic dermatological procedures that enhance the quality, look and feel of Indian skin.



OPPORTUNITIES AND THREATS

Your Company continuously seeks new opportunities in expanding its current portfolio of branded products and services, through constant gathering of new insights in consumer preferences.

On the macro economic front, India has been witnessing structural changes that open up new avenues for growth. The percentage of youth in the total population has grown significantly, with 55% of the total population being in the age group of 25-55. A new consuming class has emerged due to the rise of the service sector, and has unique needs. There is an increasing demand in the wellness categories (skin care and health care). All these have led to opportunities in various sectors of the Indian Economy. Your Company is evolving strategies to exploit these opportunities and grow its businesses in the hair care, health care and skin care segments.

A good monsoon in 2003 and predictions of a normal monsoon in 2004 have created opportunities for Marico to convert consumers of loose unbranded products to branded Marico products, as the real income of the Indian population is expected to grow.

With increasing popularity of wellness categories like skin care products and services and healthy foods, Marico sees an opportunity to create new businesses in skin care and health care. It has already established itself in high-end skin care services through its Kaya Skin Clinics. Your Company would leverage this early mover advantage to garner a significant pie of the overall skin care services market.

Marico's refined edible oil brands of Saffola and Sweekar already offer value-added healthy oils to health conscious consumers. Marico will aggressively pursue various prototypes in the category of heath care products, and create brands with enduring value-generating apparatus.

Advancements in Information Technology will allow Marico's supply chain to reach even more consumers. In the process, it will also enhance the efficiency of the sales and marketing system.

Competition remains an ambient threat in any industry, especially in the FMCG sector, and has to be tackled on an ongoing basis. Product differentiation through genuine value add holds the key for survival and growth. Marico has been innovating in the fields of product formulation, packaging, distribution etc. It has been introducing packs at various price points to address the different needs of consumers across income segments. In categories such as edible oils, where the market has witnessed crowding, Marico has been focussing on profitable growth, rather than running only after volumes.

WITH INCREASING POPULARITY IN SKIN CARE PRODUCTS & SERVICES AND HEALTH FOODS, MARICO SEES AN OPPORTUNITY TO CREATE NEW BUSINESSES IN SKIN AND HEALTH CARE.

Shifts in consumer habits may have an impact on your Company, and Marico has recognised the same. Your Company has and will invest substantially in consumer education to ensure growth of its franchise, and has begun investing in newer categories in hair care and skin care.

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 recession, inadequate rainfall, subdued demand, political uncertainty and social upheavals, acts of God may affect the business of your Company as also the industry at large.

With increasing competitive pressures 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.

While a big rural franchise holds the key for many a FMCG player, changes in the purchasing power of the rural masses affect the overall business, as the rural incomes are closely linked to monsoons.

Adequate availability of key raw materials at the right prices is crucial for your Company. Any disruption in the supply or violent changes in the cost structure could affect your Company's ability to reach its consumers with the right value proposition.

Besides these, regulatory changes, especially fiscal and food-related also have a bearing on the business performance, especially new opportunities.

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

Forays in new business areas and new product offerings would carry the associated business risks. However, more astute management of financial and human resources could help contain the attendant risks.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Your Company has a well-established and comprehensive internal control structure across the value chain to ensure that all assets are safeguarded and protected against loss from unauthorised use or disposition, that transactions are authorised, recorded and reported correctly and that operations are conducted in an efficient and cost effective manner. The key constituents of the internal control system are:

- Establishment and review of business plan.
- Identification of key risks and opportunities.
- Policies on operational and strategic risk management.
- Clear and well-defined organisation structure and limits of financial authority.
- Continuous identification of areas requiring strengthening of internal controls.
- Operating procedures to ensure effectiveness of business processes.
- System of monitoring compliance with statutory regulations.
- Well-defined principles and procedures for evaluation of new business proposals/capital expenditures.
- A robust management information system.
- A robust internal audit and review system - Aneja Associates, Mumbai, a firm of Chartered Accountants, being the Internal Auditors.

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 auditors 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 continued to track the effectiveness of controls across all operating centres, using a measure called Control Effectiveness Index (CEI). CEI is a proprietary methodology developed and deployed by the Internal Auditors in Marico. Under this system, a score on CEI is calculated based on status of control in each functional area.

This system has helped strengthen controls in the Company through improved awareness among the role holders. Between 2002-03 and 2003-04, the overall CEI for the Company has increased from 77% to 90%. The CEI was also extended during the year as a system of self-assessment of functional areas by key operating persons.

The SAP suite of ERP (SAP R/3, SCM, APO) provides real time check on various transactions emanating from various business processes of the Company. Mi-Net, the web-enabled architecture that links Marico to its biggest business associates, namely its distributors also helps the Company exercise similar controls over its sales system.

HUMAN RESOURCES / 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. In FY04, your Company was ranked 15th among 120 companies in a survey conducted by Grow Talent and Business World on Great Places to Work.

Human Resource programmes and initiatives in Marico are aligned to meet the business needs. Your Company believes in investing in people to develop and expand their capability. The Company has been able to create a favourable work environment that motivates performance, customer focus and innovation. Marico's strategies are based, inter alia, on processes of continuous learning and improvement.

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.

Your Company believes that engaging people will lead to better performance as proved by the worldwide research by Gallup, a research organisation of international repute. It has therefore taken an active step in enhancing engagement in the organisation from its current levels. It will track the engagement levels using the Gallup Q12 questionnaire. In the last two surveys done, your Company showed an increase in its engagement. The engagement scores placed your Company in the top 33% of the companies worldwide with high engagement scores. There were 7 teams, which are amongst the best-engaged teams in the world. These teams have also been high performing teams.

As on March 31, 2004, the employee strength of your Company was 1012. The average age of the employees of your Company is 33 years.

Employee relations throughout the year were supportive of business performance across all locations.

FINANCIAL PERFORMANCE WITH REFERENCE TO OPERATIONAL PERFORMANCE

Marico has, over the past three years, focussed on moving up the value chain with consistent and derisked growth strategies. The endeavour has been towards:

- Continuously improving the quality of its earnings, by a step up in value added products and services, and
- Extending further its remarkable record in consistently growing financial parameters.

FY04 saw Marico accomplish both objectives, through

- Realignment of its portfolio, enabling increased focus on high margin products and businesses, yielding a growth of 13% for its high margin portfolio, while market shares in key categories grew.
- Significant investment in new products and businesses - at both prototype and national launch stages - leading to new products performing well and two new businesses Kaya and Sundari getting established.

Against the backdrop of a lacklustre year for the FMCG industry, despite a significant growth in national income, Marico continued its growth rally as its consumer-centric approach provided a natural hedge against competitive pressures.

The Consumer Products business posted a turnover of Rs. 8796 million for FY04 - up 13% over FY03, PBT of Rs. 733 million - up 14% over FY03 and PAT of Rs. 672 million - up 19% over FY03. The Marico Group turnover for the year was Rs. 8888 million, a growth of 15% over FY03. The Group PBT was Rs. 651 million, a growth of 2% while PAT was Rs. 590 million, a growth of 5%. During the year, your Company continued its investment in its two new businesses: Kaya Skin Care Services and Sundari range of Ayurvedic Skin Care Products.

The fourth quarter of FY04 (Q4 FY04) was in fact the 14th consecutive quarter of year on year growth in Turnover and 18th consecutive quarter of year on year growth in Profits.

DURING FY04, MARICO SHARPENED ITS FOCUS ON ITS HIGH MARGIN PORTFOLIO AND REDUCED FOCUS ON ITS LOW MARGIN PORTFOLIO.

Market shares of all product categories except edible oils improved during the 12 months ended February '04. In the crowded edible oils segment, Marico continued with its strategy of profitable growth. New products - Parachute Jasmine, Shanti Amla, Mediker Anti-lice Oil, Saffola blends, Parachute Gold, Parachute Hair Cream and Parachute Beliphool - continued their good run. The annualised turnover of these new products in the Consumer Products portfolio is now at Rs. 1500 million, contributing about 18% to the total turnover of Marico's Consumer Products Business.

In Bangladesh, Parachute Coconut Oil consolidated its market leadership further - a market share of over 42%, up from 31% for FY03. Marico's hair oil franchise was a clear No. 2. Parachute Gold Perfumed Hair Oil and Parachute Hair Cream posted impressive growths in volumes in the Gulf market. The international business group contributed to about 10% of Marico's Consumer Products business.

The new businesses - Skin Care Services (Kaya Skin Clinics) and Global Ayurvedics (Sundari) - grew on planned lines.

CONSUMER PRODUCTS BUSINESS

Successful realignment of portfolio along higher margin lines

During FY04, your Company sharpened its focus on the high margin portfolio and consciously reduced focus on its low margin portfolio. Volumes of the consciously defocussed low margin portfolio degrew by 14% on account of discontinuance of products such as Sweekar Soya (FY03 sales Rs. 15 crore), Distribution of P & G Products (FY03 turnover Rs. 15 crore).

Brand building efforts were directed towards the high margin portfolio - nearly 95% of the total advertising & sales promotion spends were allocated to this portfolio. As a result, contribution of High Margin Portfolio to total turnover increased from 59% in FY03 to 64% in FY04.

Sustained volume growth across categories

The High Margin Portfolio of the domestic consumer product business grew by 12% in FY04. Parachute Coconut Oil volumes grew by 3%. Most of the growth came from the high margin part of the Parachute Coconut Oil franchise. Hair oil volumes in FY04 grew by 21%, led by a 33% growth in Parachute Jasmine. Mediker franchise grew by 67% in FY04 aided by more than doubling of Mediker Anti-Lice Oil volumes. In Fabric Care, Revive held its volumes. In a stagnant Premium Refined Oils market, Saffola (Kardi Oil and blends) grew by 6% in FY04. Sweekar volumes grew by 6% during the year.

Consolidation of market shares

Market Shares in key categories consolidated during FY04. Given below are the urban market shares (source: A.C. Neilsen) for the 12-month period ended February 29, 2004.

Category	Brand	Market Share %		Rank
		Mar '03 - Feb '04	Mar '02 - Feb '03	
Coconut Oils	Parachute & Oil of Malabar	57.0	55.4	1
Hair Oils	Jasmine, Shanti Amla, Hair & Care	17.8	16.6	2
Premium Refined Oils in Consumer Packs (ROCP)	Saffola & Sweekar (Sunflower Oil)	14.5	17.0	3

Market shares grew consistently in the coconut oil segment, while in the hair oils market, Marico was a clear No. 2 during FY04. In value-added coconut oils, Parachute Jasmine reached a market share of 28.4%, up from 27.3% in FY03. In Amla hair oils, Shanti Amla was a stronger No. 2 with a share of 14.8%, up from 13.2%. In its ROCP portfolio, while Marico continued to reduce its focus on low margin oils, Saffola blends continued their domination over competition and retained their no. 1 position. Mediker and Revive franchises held their domination of the respective categories, with market shares close to 100%.

Stronger Flagship Brands: Parachute & Saffola

Parachute relaunch

Parachute was relaunched nationally in December 2003 and received a very positive response. The new Parachute is seen as young and vibrant. With a sleeker pack and pearlised look, Parachute has elevated itself to a 'modern' brand that appeals to the young audience. The relaunch has immensely helped growth in the franchise: within 2 months of the relaunch, Parachute's market share has jumped by more than 4% points.

Saffola campaign

Throughout the year, Marico supported the brand Saffola with various brand-building activities like sponsorship of the World Heart Day, working through the Saffola Healthy Heart Foundation etc. A new Saffola TV campaign was launched to strengthen the bond between Saffola, the healthy oil, and Heart Care. These initiatives have helped consolidate the brand loyalty that Saffola already enjoys.

Growing portfolio of new products: already launched as also those under prototypes

Products already launched

Marico's new product portfolio in the domestic consumer product business - Parachute Jasmine, Shanti Amla, Mediker Anti-lice Oil and Saffola blends - continued to make a healthy contribution to Marico's turnover. These new products' volumes grew by 6% in FY04. A substantial portion of Marico's ASP spend was allocated towards new products - 47% for FY04 (as against 45% for FY03). The success of this strategy is evident in Marico's new product successes.

Mediker Oil Franchise has more than doubled

Mediker is the undisputed leader in the anti-lice treatment category, now also available as Mediker Oil where, within a year of its launch, volumes have more than doubled. The usage levels of branded lice solutions, amongst lice sufferers, have jumped from 10% to 20% in just one year. All this has been achieved through unique advertising, highlighting the natural ingredients and communicating newly tapped insights such as 'Lice = mother's social embarrassment' and home-to-home selling. Through various marketing programmes & PR campaigns, mothers are being educated about the gravity of the lice problem and the contemporary remedies available under the Mediker franchise. These brand-building efforts have helped broadbase the franchise.

New products in the international business did very well

Parachute Cream, launched in the Gulf countries, grew its volumes by 85% during the year, and now has a market share of 13%. Parachute Gold, a light perfumed hair oil, also performed well. In Bangladesh, Parachute Beliphool, a perfumed hair oil, continued its good performance, helping the hair oil portfolio consolidate its No. 2 position.

Prototypes

To identify scalable marketing and product propositions, Marico follows the 'prototype' methodology, which allows the company to test a few hypotheses on a low-cost, fail-fast model before any decision for scale up is taken. During the year, Marico prototyped: Parachute Sampoorna, Saffola Gold, Hair & Care's Silk-n-Shine, Shanti Maha Thanda and Parachute Shampoo.

Parachute Sampoorna

After Parachute Jasmine, Parachute Sampoorna is Marico's second offering in the value-added coconut oil segment. Parachute Sampoorna leverages Parachute's coconut equity. The product formulation of Parachute Sampoorna is unique since it combines Coconut Oil (for nourishment) with Almond Protein (for strength) and Hibiscus (for shine and lustre). This prototype in the state of Maharashtra has met the action standards and will be ready for a scale up.

Saffola Gold

Marico's Saffola franchise has evolved over a period of time. It started with Saffola safflower oil, which earned the brand loyalty of health conscious consumers. The blends introduced over the last 2 to 3 years have been successful in extending this loyalty to health conscious and cost conscious consumers. Continuing with its strategy to provide healthy oils, Marico during Q4 FY04 launched Saffola Gold prototype in Punjab. Saffola Gold is a healthy blend of rice bran oil and safflower oil with oryzanol and Vitamin E additives. Progress of this prototype is on the desired lines and the product is likely to be rolled out nationally in Q1 FY05.

Silk-n-Shine

As a part of its strategy to move up the value chain through addition of new categories to its existing hair care business, Marico has entered the promising segment of post-wash hair conditioners - with a new sub-brand Silk-n-Shine under the Hair & Care franchise. Silk-n-Shine is a unique hair potion with the goodness of Fruit Vitamins targetted at today's woman, who spends a lot of her time outdoors and is seeking a solution to bad hair days - where the hair looks dry, rough or tangled. Dry and rough hair gets tangled, leading to other problems like painful combing, hair breakage etc. Silk-n-Shine with its 3-step action detangles and conditions hair, giving it a soft and silky look all day long. It works on hair to: a) coat every strand b) detangle hair and c) make

hair soft and silky. The brand promise is transformation - from dry, rough, tangled hair to tangle-free soft silky hair - in minutes. Silk-n-Shine is available in a contemporary bottle with two pack sizes: 50 ml and 100 ml. The packaging reflects the youthfulness of the brand. Marico is prototyping Silk-n-Shine in West Bengal.

Shanti Maha Thanda

Marico had earlier prototyped Shanti Thanda, a cooling oil. Based on the consumer insights gathered through this, a new product Shanti Maha Thanda with a changed product formulation, packaging and positioning, is being prototyped. Shanti Maha Thanda is now positioned on the platform of 'Maha Thandak'. A new advertising campaign will also be unveiled to support the product proposition. Marico is currently prototyping this product in Madhya Pradesh and Chattisgarh.

Shampoo prototype

During the year, as part of Marico's structured efforts at a continuous move up the value chain, Marico initiated a prototype for a possible entry in the Hair Wash segment through Parachute Shampoo. Marico is quite conscious of the fact that shampoo is a crowded and extremely competitive category, currently witnessing a price war, and hence Marico's offering must carry the differentiation necessary to break the clutter. The prototype's focus is therefore to zone in on a clear USP. In view of rapid changes taking place in the competitive environment, Marico has decided to extend the prototype for a longer period of time.

Sustained growth in international business

In Bangladesh, Marico's wholly owned subsidiary, Marico Bangladesh Ltd., is the market leader in coconut oils, with a trailing 12-month market share of 42% for Parachute. During FY04, volumes of Parachute Coconut Oil increased by 23% over FY03.

In the Gulf, notwithstanding competition from global brands, Marico ranks among the top three hair oil brands with a market share of more than 10%. Parachute Hair Cream launched in UAE in October 2000 has done well to reach a market share of 13% and a market ranking of 3rd in a short while. Parachute Gold, light perfumed hair oil, targetted at locals, also performed satisfactorily.

NEW BUSINESSES

Kaya: Skin Care Services

During Q4 FY04, 3 more Kaya Skin Clinics were opened - 2 in Mumbai (at Worli and Andheri, Lokhandwala) and 1 in Delhi (Noida), taking the total to 13 clinics - 7 in Mumbai, 4 in Delhi and 2 in Dubai. So far, over 10,000 clients have visited the clinics in India and rated the services as either 'Excellent' or 'Good'. On a scale of 1 to 5, the service rating is 4.44. The perception that skin care services are only meant for females is undergoing a change, evident from the fact that 17% of the Kaya clientele is now male, from 9% few months ago.

Clinics in Mumbai and Delhi achieved clinic level cash break even, while progress of clinics in Dubai was on desired lines. During the year, 2 new services were introduced, taking the total tally to 13 value adding services. The Kaya business clocked a total turnover of Rs. 5 crore for the year.

Marico has been following a 'saturation strategy' for its Kaya business. It will first tap as much potential as feasible in the two big metros of Mumbai and Delhi before moving to other cities and towns in other parts of India, primarily South India. This is likely to lead to a doubling of the number of Kaya clinics in India.

Marico's investment in Kaya will continue during FY05, with the addition of new clinics and services.

SO FAR, OVER 10,000 CLIENTS HAVE VISITED KAYA CLINICS IN INDIA AND RATED THE SERVICES 'EXCELLENT' OR 'GOOD'.

Sundari: Global Ayurvedics

This nascent business in the US is being nurtured in a cautiously focussed and derisked manner by using newer channels of distribution and launching new products. The channel strategy for spas and internet has started paying off. New distributors are being identified for international distribution. The network of international business in the Middle East will be leveraged to distribute Sundari products. The focus on cost rationalisation has started yielding results. On the whole, while the strategic pivots are being put in place, the business will remain in the investment phase for quite some time.

FINANCIAL ANALYSIS

Capital Utilisation

Over the years, Marico has been maintaining its Return on Capital Employed at levels above 30%. For FY04 also, the ROCE of the Consumer Products business was 35% and the Return on Net Worth (RONW) was at 35% (Both numbers are after considering the deployment in Financial Assets). The capital turnover ratios for the year were also satisfactory. Debtors' turnover ratio was at 13 days, while the inventory turnover ratio was at 39 days (last year - 40 days). Net Working Capital as number of days of turnover was maintained at 41 days. Economic Value Added was higher at Rs. 469 million, a growth of 49% over FY03. For Marico Group, after considering the deployment in Financial Assets, ROCE was at 32% and RONW at 31%. As on March 31, 2004, the Debt : Equity Ratio was quite low at 0.06. Finance costs for FY04 continued to be low at 0.1% of the turnover.

Marico's consumer products business is not capital-intensive and is not likely to require significant investment in the near future, except for routine capital expenditure (e.g. investments in machinery for innovative packaging) and new office premises in Mumbai. These - net of the sale value of the existing premises - may be in the region of Rs. 100 million.

Balance sheet for the consumer products business **Rs. Million**

	March 31, 2004	March 31, 2003
SOURCES OF FUNDS		
Shareholders' Funds	1919	1932
Borrowings	94	103
Deferred Income Tax Provision	62	61
TOTAL	**2075**	**2096**
APPLICATION OF FUNDS		
Deployed in Business		
Net Fixed Assets	911	977
Investments	131	55
Current Assets	1841	1662
Less: Current Liabilities	1003	828
Net Working Capital	838	834
Deployed in Financial Assets	195	230
TOTAL	**2075**	**2096**

Net current assets have gone up in line with increase in turnover; capital turnover ratios have improved.

The operating net working capital turnover ratios have either improved or been maintained.

Cost structure for the consumer products business

The consumer products business comprises operations in India (Marico Industries Ltd) and Bangladesh (Marico Bangladesh Ltd, along with its subsidiary MBL Industries Limited).

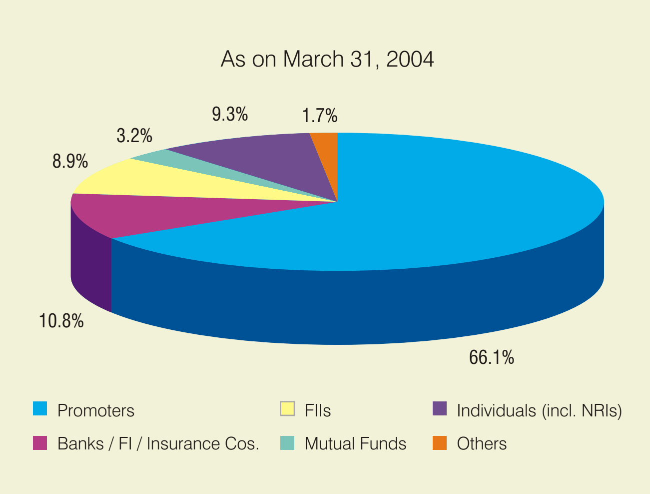
% to Sales & Services (net of excise)	FY04	FY03
Material Cost (Raw + Packaging)	64.5	64.0
Advertising & Sales Promotion (ASP)	8.2	8.3
Personnel Costs	4.8	4.5
Depreciation	1.3	2.8
Other Expenses	13.1	13.4
Operating Costs	**91.9**	**93.0**
Net Operating Margin (PBIT)	8.1	7.0
PBDIT Margins	9.4	9.8
Operating Capital Employed (Rs. Million)	1873	1973
Operating ROCE (%)	39.0	33.0

Notes:

1. Margins have been computed without including 'Other Income', major components of which are lease rentals - Rs. 49 million (previous year Rs. 36 million) (not necessarily one-time), dividend Rs. 130 million (previous year nil) (not necessarily one-time), loss on sale of investment - Rs. 11 million (previous year profit - Rs. 64 million) and exchange rate gain - Rs.15 million (previous year nil), gain on pre-payment of sales tax liability on a discounting basis under a package incentive scheme of the Government of Maharashtra - Rs. nil (previous year Rs. 32 million) (one time), compensation towards termination of the distribution arrangement with Procter & Gamble - of Rs. nil (previous year Rs. 46 million) (one time).
2. Higher depreciation charge during FY03 is attributable to revision in useful life of certain software and IT assets and 100% amortisation of Mealmaker brand and associated IPR. If one excludes this extraordinary charge, the net operating margin for FY03 would have been 8%.
3. The PBDIT as a percentage to sales may appear to have marginally fallen. This has to be viewed in the context of increase in the sales realisation per unit of volume, which gives rise to a statistical phenomenon of a fall in the margin per rupee of sales. Also in the framework of Marico's performance management, margins are viewed firstly as rupees per unit of volume and secondly as a proportion of capital engaged. On both these counts, there has been an improvement. Hence the apparent fall in the operating margin percentage does not hold out any major concern. In fact, the operating ROCE (PBIT excluding other income as a percentage of operating capital employed) has jumped from 33% in FY03 to 39% in FY04.
4. Prices of most of the commodity raw materials remained firm during FY04, in line with the commodity cycle globally witnessed. Since Marico's brand equity generally enables it to protect its margins per unit of volume and per unit of capital, commodity price fluctuations do not typically cause any great concerns for Marico's profitability.
5. ASP to Sales ratio at 8.2% was maintained at last year's level. In absolute terms, Marico made substantial investments in brand building for its flagships as well as the new product portfolio.
6. Skin Care Services and Global Ayurvedics are still evolving; hence their cost structures have not been discussed here, as these may not yet be capable of meaningful analysis and projection.

SHAREHOLDING PATTERN AND SHARE PERFORMANCE ON STOCK EXCHANGES

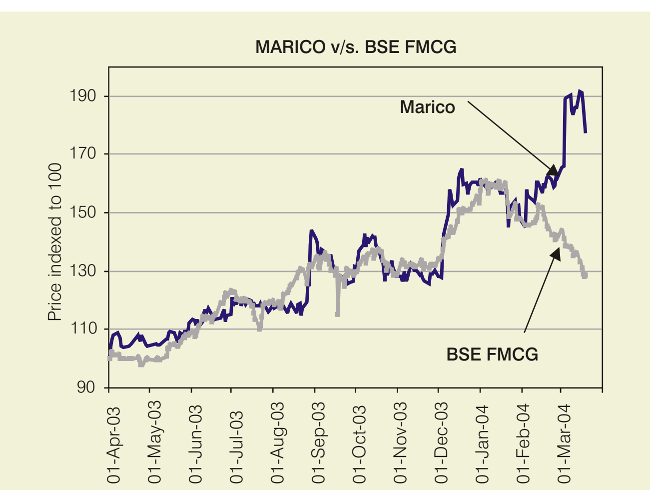
There has been a significant shift in the shareholding of Unit Trust of India in Marico during FY04. UTI, which held 10.9% of the total shareholding as on March 31, 2003 divested 5.4% during the year. Almost 2% of this divestment has been picked up by individuals which indicates rising retail interest in the Marico scrip. The



composition of free float has also changed. A year ago, the free float of about 10 million shares was held by about 5,000 shareholders, the largest one holding 10.9%. As of now, a similar free float is held by about 11,000 shareholders, the largest holding 5.5%. Directionally, wider dispersal of the free float is expected to improve liquidity perception of the scrip.

Share price performance

Marico's market capitalisation improved from Rs. 4290 million as on March 31, 2003 to Rs. 7570 million as on March 31, 2004, a rise of 76%. The total number of shareholders during the year has gone up to 11279 from 5046 as on March 31, 2003. Individuals now constitute 9.3% of the total equity, which shows that the retail interest in the Marico scrip has been increasing.



The average daily volume on BSE as well as NSE has been rising, especially after announcement of 1:1 Equity Bonus. The combined volume has steeply risen in FY04 - about 130,000 shares per day during March '04 as compared to about 10,000 per day last year. The number during Q4 FY04 was about 63,000 per day. The graph shows performance of the Marico scrip vis-à-vis BSE FMCG index. Marico has clearly outperformed BSE FMCG index during Q4 FY04.

OUTLOOK:
WHERE ARE WE GOING?

Over the past few years, Marico has strengthened its business fundamentals by investing in new products and businesses, realigning its portfolio and creating a pipeline of new business and product ideas through prototypes. With this, Marico is well placed to take advantage of the favourable macro economic situation.

In categories where higher value add can be offered and hence higher margins claimed, Marico's approach will be to expand the market and also Marico's market share. In categories with high margins but relatively low market share for Marico, we would go for de-risked growth. Marico has already focussed on de-risked growth in other areas, there being a clear defocus on low/moderate margin categories.

In line with these directions, Marico as the market leader in most categories will focus on consumer education, strategic and long-term brand building and continuous maintenance of a pipeline of new products, prototypes, businesses and territories. A few fresh prototypes, across the Hair Care and Healthy Foods categories, are already on the anvil.

To reiterate, Marico's specific strategies will be similar to those outlined at the beginning of this discussion:

1. Constant realignment of portfolio along higher margin lines
2. Focus on sustained volume growth across categories, consolidation of market shares and stronger flagship brands
3. Growing portfolio of new products: already launched, as also those under prototypes
4. Sustaining growth in international business
5. Nurturing of new businesses of Kaya and Sundari

Innovation continues to be the most focussed of Marico's four sources of competitive advantage, the other three being Branding, Cost Management and Distribution. Structured efforts to further institutionalise innovation will continue throughout the year, with a strong belief that only an **uncommon sense** approach would enable Marico to get ahead of the common corporate crowd.

Marico is confident that with the broad-based nature of its growth strategies, the momentum of its growth will continue into the near future.

On behalf of the Board of Directors

Harsh Mariwala
Chairman & Managing Director

Place: Mumbai Date: April 21, 2004

AUDITORS' REPORT

TO THE BOARD OF DIRECTORS OF MARICO INDUSTRIES LIMITED

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

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

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

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

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

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

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

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

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

For RSM & Co.

Chartered Accountants

Vijay N. Bhatt

Partner (F-36647)

Place : Mumbai

Date : April 21, 2004

BALANCE SHEET

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

As per our attached report of even date

For RSM & Co.
Chartered Accountants

VIJAY N. BHATT
Partner (F-36647)

Place : Mumbai
Date : April 21, 2004

For and on behalf of the Board of Directors

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

Place : Mumbai
Date : April 21, 2004

PROFIT AND LOSS ACCOUNT

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

As per our attached report of even date

For RSM & Co.
Chartered Accountants

VIJAY N. BHATT
Partner (F-36647)

Place : Mumbai
Date : April 21, 2004

For and on behalf of the Board of Directors

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

Place : Mumbai
Date : April 21, 2004

CASH FLOW STATEMENT

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

CASH FLOW STATEMENT

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

As per our attached report of even date

For RSM & Co.
Chartered Accountants

VIJAY N. BHATT
Partner (F-36647)

Place : Mumbai
Date : April 21, 2004

For and on behalf of the Board of Directors

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

Place : Mumbai
Date : April 21, 2004

SCHEDULES TO BALANCE SHEET

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

SCHEDULES TO BALANCE SHEET

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

SCHEDULE 'E'

FIXED ASSETS

Rs. million

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

Notes :

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

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

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

SCHEDULES TO BALANCE SHEET

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

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

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

SCHEDULES TO BALANCE SHEET

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

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

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

SCHEDULES TO BALANCE SHEET

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

SCHEDULES TO PROFIT AND LOSS ACCOUNT

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

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

SCHEDULES TO PROFIT AND LOSS ACCOUNT

	For the year ended March 31, 2004 Rs. million	2003 Rs. million
SCHEDULE 'P'		
MANUFACTURING AND OTHER EXPENSES		
Employees' costs:		
Salaries, wages and bonus	401.066	285.146
Contribution to provident fund and other funds	35.176	38.066
Welfare expenses	29.079	28.092
	465.321	351.304
Power, fuel and water	41.133	34.989
Contract manufacturing charges	192.140	155.542
Rent and storage charges	44.317	32.295
Repairs to: Buildings	17.471	13.239
Machinery	27.655	25.634
Others	5.093	7.711
	50.219	46.584
Freight, forwarding and distribution expenses	345.814	312.272
Advertisement and sales promotion	752.006	644.706
Rates and taxes - Excise duty	2.967	11.061
- Others	3.389	3.327
Sales tax and cess	90.568	73.907
Provision for doubtful debts and advances	5.215	-
Printing, stationery and communication expenses	48.987	41.620
Travelling, conveyance and vehicle expenses	91.113	78.566
Insurance	10.636	9.516
Miscellaneous expenses	242.736	182.081
	2,386.561	**1,977.770**

	For the year ended March 31, 2004 Rs. million	2003 Rs. million
SCHEDULE 'Q'		
FINANCE CHARGES		
Interest on fixed period loans	1.826	0.102
Other interest	2.946	2.934
Bank and other financial charges	20.787	16.041
	25.559	19.077
Less: Interest income	13.943	8.220
(Tax deducted at source Rs. 2.274 million (Rs. 1.057 million))		
	11.616	**10.857**

NOTES TO THE ACCOUNTS

SCHEDULE 'R'

NOTES:

1) The Group and nature of its operations:

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

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

2) Summary of significant accounting policies:

(a) Basis of preparation of financial statements

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

(b) Consolidation

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

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

(c) Fixed assets

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

(d) Depreciation/Amortisation

I. <u>Tangible assets</u>

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

NOTES TO THE ACCOUNTS

II. Intangible Assets

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

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

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

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

(e) Investments

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

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

(f) Inventories

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

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

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

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

(g) Research and development

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

(h) Revenue recognition

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

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

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

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

(i) Retirement benefits

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

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

(j) Foreign currency transactions

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

NOTES TO THE ACCOUNTS

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

(k) Government grants

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

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

(l) Accounting for taxes on income

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

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

3) Subsidiaries

(i) List of subsidiaries

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

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

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

4) Joint ventures

(i) List of joint ventures

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

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

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

NOTES TO THE ACCOUNTS

5) Contingent liabilities not provided for in respect of:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTES TO THE ACCOUNTS

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

13) Additional information on assets taken on lease:

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

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

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

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

Reconciliation of minimum lease payments and its present value:

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

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

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

NOTES TO THE ACCOUNTS

14) Break–up of deferred tax liability:

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

15) Earnings per share:

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

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

16) Segment Information

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

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

NOTES TO THE ACCOUNTS

(Rs. million)

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

i. Secondary Segment Information

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

NOTES TO THE ACCOUNTS

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

Sales revenue by geographical market

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

Carrying amount of assets and capital expenditure by geographical locations

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

ii. Notes to Segmental information

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

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

17) Related Party disclosures

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

Nature of transactions:

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

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

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

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

Signatures to Schedules A to R

For and on behalf of the Board of Directors

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

Place : Mumbai

Dated : April 21, 2004

DIRECTORS' REPORT

To the Members

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

In line with international practice, your Company has been reporting consolidated results – taking into account the results of its subsidiaries. This Discussion therefore covers the financial results and other developments during April' 03 – March' 04 in respect of Marico Consolidated – **Consumer products** (Marico Industries Limited together with its subsidiaries – Marico Bangladesh Limited (MBL), MBL Industries Limited (MBLIL)), **Skin Care Services** (Kaya Skin Care Limited (KSCL)) and **Global Ayurvedics** (its joint venture, Sundari LLC (Sundari) and Sundari Spa LLC). The consolidated entity has been, in this Discussion, referred to as 'Marico' or 'Group' or 'Your Group'.

FINANCIAL RESULTS - AN OVERVIEW

Rs. million

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

DIRECTORS' REPORT

DISTRIBUTION TO SHAREHOLDERS

Your Company's Distribution policy has aimed at sharing your Company's prosperity with its shareholders, through a formal earmarking / disbursement of profits to shareholders.

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

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

An Annexure to this Report contains a detailed Management Discussion and Analysis, which, inter alia, covers the following:

- Industry structure and development
- Opportunities and Threats
- Risks and Concerns
- Internal control systems and their adequacy
- Discussion on financial and operational performance
- Segment-wise performance
- Outlook

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

REVIEW OF OPERATIONS

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

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

DIRECTORS' REPORT

These initiatives helped your Company deliver consistent performance during FY04-

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

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

CONSUMER PRODUCT BUSINESS

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

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

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

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

SUBSIDIARIES

Marico Bangladesh Limited

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

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

New Businesses of Kaya Skin Care Limited and Sundari LLC

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

Kaya Skin Care Limited

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

DIRECTORS' REPORT

Sundari LLC

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

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

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

OTHER CORPORATE DEVELOPMENTS

Changes in shareholding in Subsidiaries

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

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

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

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

CAPACITY

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

RESEARCH & DEVELOPMENT (R & D)

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

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

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

DIRECTORS' REPORT

DEPOSITORY SYSTEM

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

PUBLIC DEPOSITS

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

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956 (the Act) amended as per the Companies (Amendment) Act, 2000, the Directors confirm that:

In preparation of the Annual Accounts of your Company, the Accounting Standards laid down by the Institute of Chartered Accountants of India from time to time have been followed.

Appropriate accounting policies have been selected and applied consistently, and reasonable and prudent judgement and estimates have been made so as to ensure that the accounts give a true and fair view of the state of affairs of your Company as at March 31, 2004 and the profits of your Company for the year ended March 31, 2004.

Proper and sufficient care has been taken for maintenance of appropriate accounting records in accordance with the provisions of the Act for safeguarding the assets of your Company and for preventing and detecting frauds and other irregularities.

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

The observations of the Auditors in their report to the Members have been adequately dealt with in the relevant notes to the accounts. Hence no additional explanation is considered necessary.

CORPORATE GOVERNANCE

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

CORPORATE SOCIAL RESPONSIBILTIES

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

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

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

DIRECTORS' REPORT

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

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

DIRECTORS

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

ADDITIONAL STATUTORY INFORMATION

Information under Section 217(1)(e) of the Act read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is annexed and forms part of this Report. Information pursuant to Section 217(2A) of the Act read with the Companies (Particulars of Employees) Rules, 1975, as amended by the Companies (Particulars of Employees) Amendment Rules, 1999 forms part of this Report. Although in accordance with the provisions of Section 219(1)(b)(iv) of the Act such information has been excluded from the Report and Accounts sent to the Members, any member desirous of obtaining this information may write to the Company Secretary at the Registered Office of the Company.

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

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

AUDITORS

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

ACKNOWLEDGEMENT

The Board takes this opportunity to thank all its employees for their dedicated service and firm commitment to the goals of the Company. The Board also wishes to place on record its sincere appreciation for the wholehearted support received from distributors, shareholders, bankers and all other business associates, and looks forward to continued support of all these partners in progress.

On behalf of the Board of Directors

Place: Mumbai

Date : April 21, 2004

Harsh Mariwala

Chairman and Managing Director

ANNEXURE TO THE DIRECTORS' REPORT

Disclosure of particulars with respect to conservation of Energy, Research & Development expenditure and Foreign Exchange earnings and outgo as required under Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988.

A. Conservation of Energy

Marico continued to emphasize on the conservation and optimal utilisation of energy in every manufacturing unit of the Company. A number of energy conservation measures which were taken for energy conservation are listed below:

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

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

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

B. Research & Development

1. Specific areas in which R & D was carried out by your Company:
   - Evaluation of natural herbs for application in hair & skin products, with sponsorship from Department of Science & Technology (DST)
   - Continuous innovation in process, product & packaging technology to offer better consumer value and reduce costs
   - Development of new products, line extensions and new processes
   - Creating a knowledge base in the area of traditional Indian wisdom
   - Skill building towards evaluation of products for better efficacy and superior consumer attributes
   - Product and Process patents
   - Development of technology platforms to support the new businesses of the organisation
2. Benefits derived as a result of above R & D:
   - Parachute was relaunched nationally in December 03 with a sleeker pack and a pearlised look;
   - Various SKUs were developed under the hair oils & edible oils franchises;
   - Following prototypes were carried out during the year -
     - ❖ Saffola Gold- a healthy blend of rice bran oil and safflower oil with oryzanol and Vitamin E additives.
     - ❖ Hair & Care's Silk n Shine hair potion- a post wash hair conditioner with the goodness of fruit vitamins
     - ❖ Shanti Maha Thanda- based on the consumer insights gathered through the Shanti Thanda prototype, Shanti Maha Thanda with a changed product formulation, packaging and the positioning is being prototyped.
     - ❖ Parachute Shampoo- a natural shampoo in an innovative and first-of-its kind blister pack.

   Your Company continues to identify new consumer needs and provide solutions through R & D.
3. Expenditure on R & D: (Rs. Million)

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

C. Foreign Exchange earnings and outgo:

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

On behalf of the Board of Directors

Place: Mumbai
Date : April 21, 2004

Harsh Mariwala
Chairman and Managing Director

ANNEXURE TO THE DIRECTORS' REPORT

ENCLOSURE 'A'

Power & Fuel Consumption		For the year ended March 31, 2004	2003
1. Electricity			
a. Purchased units (Kwh)		7,326,049.583	6,057,067.000
Amount (Rs. Million)		27.676	23.432
b. Own Generation			
i. Through Diesel Generator (Kwh)		737,066.300	1,929,786.150
Amount (Rs. Million)		4.925	11.761
Average Rate (Rs. / Unit)		6.682	6.095
ii. Through Steam Generator (Kwh)		Nil	Nil
Amount (Rs. Million)		Nil	Nil
Average Rate (Rs. / Unit)		Nil	Nil
2. Coal			
Quantity (MT)		Nil	Nil
Amount (Rs. Million)		Nil	Nil
Average Rate (Rs. / Ton)		Nil	Nil
3. Furnace oil			
Quantity (KL)		658.935	692.259
Amount (Rs. Million)		9.239	9.481
Average Rate (Rs. / KL)		14,021.051	13,695.792
4. Other Internal Generation (excludes HSD used for electricity generation)			
L.D.O / H.S.D.			
Quantity (KL)		130.608	173.436
Amount (Rs. Million)		2.507	3.005
Average Rate (Rs. / KL)		19,192.552	17,326.083
5. Baggase Consumption			
Quantity (KG)		10,386.960	10,158.815
Amount (Rs. Million)		10.285	10.024
Average Rate (Rs. / KG)		990.150	986.697
Consumption per unit of production of edible oils			
	Unit		
Electricity	Kwh	121.546	129.354
Coal	MT	Nil	Nil
Furnace oil	KL	0.010	0.011
L.D.O./H.S.D.	KL	0.001	0.002
Baggase	KG	0.343	0.382
Consumption per unit of production of processed foods			
	Unit		
Electricity	Kwh	93.675	87.841
Coal	MT	Nil	Nil
Furnace oil	KL	Nil	Nil
L.D.O./H.S.D.	KL	0.093	0.105
Consumption per unit of production of Hair Oils			
	Unit		
Electricity	Kwh	85.879	Nil
Coal	MT	Nil	Nil
Furnace oil	KL	Nil	Nil
L.D.O./H.S.D.	KL	Nil	Nil
Consumption per unit of production of Formulations			
	Unit		
Electricity	Kwh	196.210	145.192
Coal	MT	Nil	Nil
Furnace oil	KL	Nil	Nil
L.D.O./H.S.D.	KL	Nil	Nil

CORPORATE GOVERNANCE REPORT

I. PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

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

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

Basic Philosophy

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

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

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

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

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

Cornerstones

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

Generative Transparency and Openness in Information sharing

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

Constructive Separation of Ownership and Management

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

CORPORATE GOVERNANCE REPORT

Value-adding Checks & Balances

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

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

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

Board / Committee Proceedings

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

Other Significant Practices

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

Information Sharing

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

Ownership Separated from Management

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

Checks & Balances

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

CORPORATE GOVERNANCE REPORT

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

Future Plans

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

II. BOARD OF DIRECTORS

(I) Composition and category of Directors :-

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

III. AUDIT COMMITTEE

Constitution:

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

The Audit Committee comprises the following Directors:

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

IV. REMUNERATION COMMITTEE

Constitution:

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

The Remuneration Committee now comprises the following Directors:

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

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

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

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

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

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

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

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

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

V. SHAREHOLDERS' COMMITTEE

Constitution:

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

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

The Shareholders' Committee comprises the following Directors:

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

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

CORPORATE GOVERNANCE REPORT

Status Report of Investor Complaints as on March 31, 2004

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

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

VI. GENERAL BODY MEETINGS

Annual General Meetings

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

Court Convened General Meetings

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

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

Postal ballot

No Postal Ballot was conducted during the year.

VII. DISCLOSURES

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

VIII. MEANS OF COMMUNICATION

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

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

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

CORPORATE GOVERNANCE REPORT

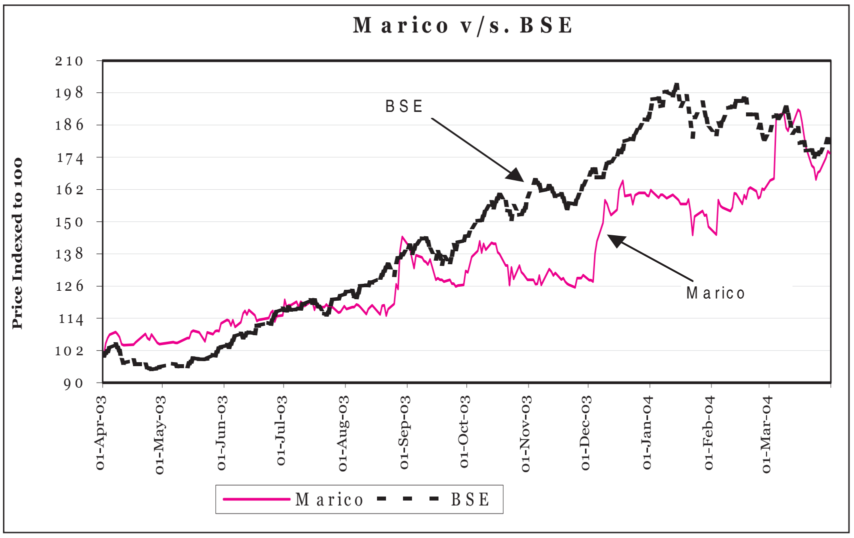
IX. GENERAL SHAREHOLDER INFORMATION

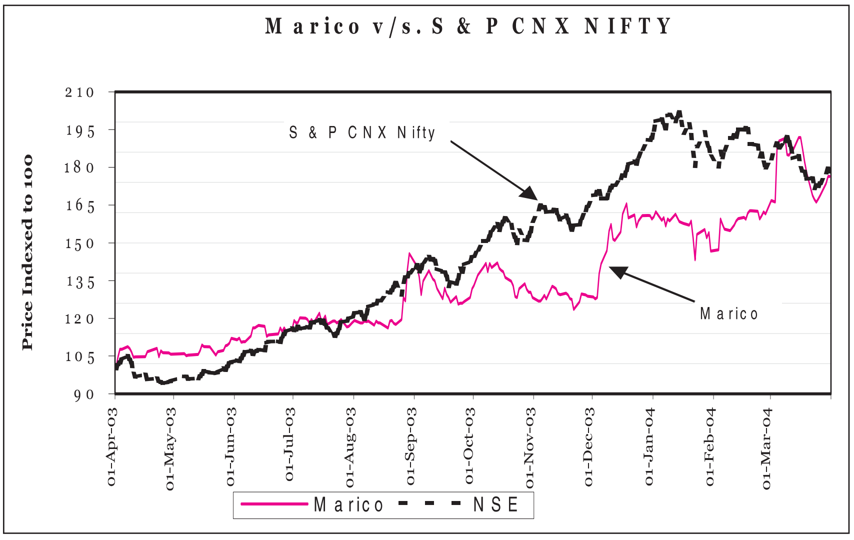
Annual General Meeting - Date, time and Venue	:	9.00 A.M. on Wednesday, July 21, 2004 'Kohinoor Hall', Kohinoor Corner, Opp. Siddhivinayak Mandir, Veer Savarkar Marg, Prabhadevi, Mumbai - 400 025
Financial Year	:	April 01 - March 31
Book Closure Date	:	Tuesday, July 13, 2004 to Wednesday, July 21, 2004,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

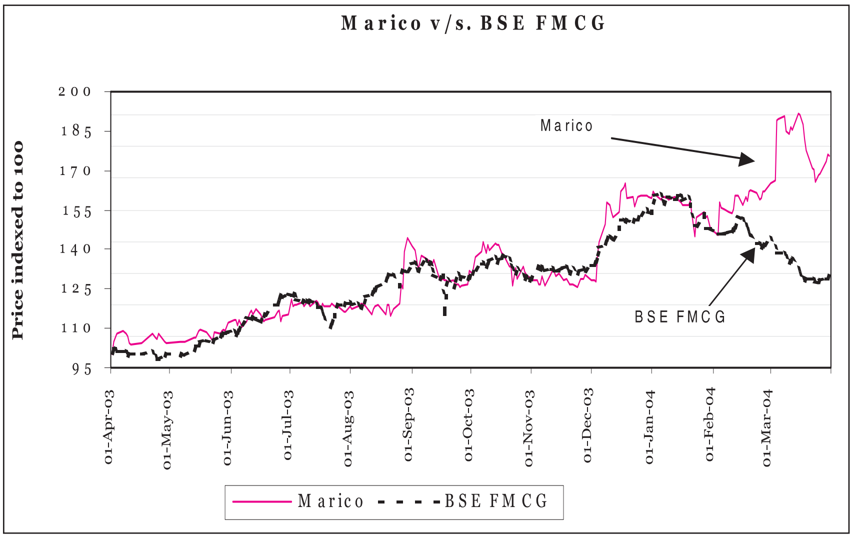
Month	**The Stock Exchange, Mumbai (BSE) (In Rs.)**		**National Stock Exchange (NSE) (In Rs.)**	
	High	**Low**	**High**	**Low**
April-03	163.3	147.0	164.9	146.0
May-03	166.5	154.0	168.5	148.0
June-03	174.9	160.0	175.0	155.5
July-03	185.0	170.0	185.0	151.1
Aug-03	219.0	166.0	224.2	170.7
Sep-03	215.0	182.1	223.8	184.1
Oct-03	215.0	186.5	221.0	185.0
Nov-03	199.0	171.0	199.0	182.6
Dec-03	247.0	188.0	249.8	187.0
Jan-04	278.0	209.5	245.0	190.5
Feb-04	273.4	212.0	244.0	208.0
Mar-04	302.0	237.5	303.0	222.2

CORPORATE GOVERNANCE REPORT

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







CORPORATE GOVERNANCE REPORT

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

Invalid share transfers are returned within 15 days of receipt.

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

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

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

Distribution of Shareholding as on March 31, 2004 :

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

Categories of Shareholding :

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

CORPORATE GOVERNANCE REPORT

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

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To

The Members of
Marico Industries Limited

We have examined the compliance of conditions of corporate governance by Marico Industries Limited, for the year ended on March 31, 2004 as stipulated in clause 49 of the Listing Agreement of the said Company with the stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in clause 49 of the listing agreement.

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

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

For RSM & Co.
Chartered Accountants

Vijay N. Bhatt
Partner (F – 36647)

Place : Mumbai
Date : April 21, 2004

AUDITORS' REPORT

TO THE MEMBERS OF MARICO INDUSTRIES LIMITED

1. We have audited the attached Balance Sheet of **Marico Industries Limited** ('the Company') as at March 31, 2004, and also the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date (together referred to as 'financial statements'). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

3. As required by the Companies (Auditor's Report) Order, 2003, ('CARO'), issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956 ('the Act'), and on the basis of such checks of the books and records as we considered necessary and appropriate and according to the information and explanations given to us during the course of the audit, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments in the Annexure referred to above, we report that:

   a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

   b. in our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of those books;

   c. the Balance Sheet, Profit and Loss Account and Cash Flow statement dealt with by this report are in agreement with the books of account;

   d. in our opinion, the Balance Sheet, the Profit and Loss Account and Cash Flow Statement comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;

   e. on the basis of the written representations received from the directors, and taken on record by the Board of Directors, we report that none of the directors are disqualified as on March 31, 2004 from being appointed as a director under clause (g) of sub-section (1) of Section 274 of the Act;

   f. in our opinion and to the best of our information and according to the explanations given to us, the said financial statements, read with the notes thereon, give the information required by the Act in the manner so required and, give a true and fair view in conformity with the accounting principles generally accepted in India;

      i. in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2004;

      ii. in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and

      iii. in case of the Cash Flow statement, of the cash flows of the Company for the year ended on that date.

For RSM & Co.
Chartered Accountants

Vijay N. Bhatt
Partner (F-36647)

Place : Mumbai

Date : April 21, 2004

ANNEXURE TO AUDITORS' REPORT

(Referred to in our Report of even date)

(i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.

(b) The fixed assets are physically verified by the management in a phased manner which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification during the year.

(c) The Company has not disposed off a substantial part of fixed assets during the year, and accordingly, going concern is not affected.

(ii) (a) As explained to us, physical verification of the inventory was carried out at reasonable intervals by the management.

(b) In our opinion, and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.

(c) In our opinion, and according to the information and explanations given to us, the Company has maintained proper records of its inventory, and the discrepancies noticed on physical verification of inventory as compared to the book records were not material and have been properly dealt with in the books of account.

(iii) In our opinion and according to the information and explanations given to us, the Company has not taken or granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, clauses (iii) (b), (iii) (c) and (iii) (d) of the Order are not applicable.

(iv) In our opinion, and according to the information and explanations given to us, the Company has adequate internal control procedures commensurate with the size of the Company and nature of its business for the purchase of inventory and fixed assets and for the sale of goods. Further, based on our examinations and according to the information and explanations given to us, we have neither come across nor have we been informed of any major weakness in the internal control.

(v) To the best of our knowledge and belief and according to the information and explanations given to us, there are no transactions that need to be entered into a register in pursuance of section 301 of the Act.

(vi) The Company has not accepted any deposits from the public to which the directives issued by the Reserve Bank of India and the provisions of section 58A and 58AA of the Act and the rules framed thereunder are applicable.

(vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

(viii) We have broadly reviewed the books of account maintained by the Company in respect to products, where pursuant to Rules made by the Central Government, the maintenance of cost records has been prescribed under section 209(1)(d) of the Companies Act, 1956. We are of the opinion that the prescribed accounts and records have been maintained. We have not, however, made a detailed examination of the records with a view to determining whether they are accurate or complete.

(ix) (a) According to the information and explanations given to us, the Company is regular in depositing undisputed statutory dues including Provident Fund, Investors Education and Protection Fund, Employees' State Insurance, Income tax, Sales tax, Wealth Tax, Custom duty, Excise duty, Cess and any other statutory dues applicable to it, with the appropriate authorities during the year.

ANNEXURE TO AUDITORS' REPORT

(b) According to the information and explanation given to us and the records of the Company as at March 31, 2004, disputed Sales Tax demand aggregating to Rs. 20,447,174 have not been deposited since the matters are pending with the requisite Sales Tax Appellate Authorities.

(x) The Company does not have any accumulated losses as at the year end, and has not incurred any cash losses during the financial year and the immediately preceding financial year.

(xi) On the basis of our examination and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to any bank. The Company has not obtained any borrowings from any financial institution or by way of debentures.

(xii) As the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities, clause (xii) of the Order is not applicable.

(xiii) Clause (xiii) relating to applicability of provisions for special statute applicable to Chit Fund, or relating to nidhi, mutual benefit funds/societies, is not applicable to the Company, in view of the nature of its business/activities during the year.

(xiv) In respect of Company's dealing/trading in its investments, proper records have been maintained of transactions and contracts and timely entries have been made. The investments have been held by the Company in its own name.

(xv) In our opinion and according to the information and explanations given to us, the Company has given guarantee for loans taken by others from banks, the terms and conditions whereof are not prejudicial to the interest of the Company.

(xvi) The Company has not taken any term loans during the year. Accordingly, clause (xvi) of the Order is not applicable.

(xvii) In our opinion, and on the basis of our examination and according to the information and explanations given to us, the Company has not, prima facie, used the funds borrowed on short term basis during the year for long term investment and vice versa.

(xviii) The Company has not made any preferential allotment of shares or issued debentures or made any public issue during the year, and, accordingly, clauses (xviii), (xix) and (xx) of the Order are not applicable.

(xix) To the best of our knowledge and belief, and according to the information and explanations given to us, there have been no cases of fraud on or by the Company noticed or reported during the year.

For RSM & Co.
Chartered Accountants

Vijay N. Bhatt
Partner (F-36647)

Place : Mumbai
Date : April 21, 2004

BALANCE SHEET

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

As per our attached report of even date

For RSM & Co.
Chartered Accountants

VIJAY N. BHATT
Partner (F-36647)

Place : Mumbai
Dated : April 21, 2004

For and on behalf of the Board of Directors

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

Place : Mumbai
Dated : April 21, 2004

PROFIT AND LOSS ACCOUNT

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

As per our attached report of even date

For RSM & Co.
Chartered Accountants

VIJAY N. BHATT
Partner (F-36647)

Place : Mumbai
Dated : April 21, 2004

For and on behalf of the Board of Directors

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

Place : Mumbai
Dated : April 21, 2004

CASH FLOW STATEMENT

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

CASH FLOW STATEMENT

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

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

As per our attached report of even date

For RSM & Co.
Chartered Accountants

VIJAY N. BHATT
Partner (F-36647)

Place : Mumbai
Dated : April 21, 2004

For and on behalf of the Board of Directors

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

Place : Mumbai
Dated : April 21, 2004

SCHEDULES TO BALANCE SHEET

	As at March 31, 2004 Rs. million	2003 Rs. million
SCHEDULE 'A'		
SHARE CAPITAL		
AUTHORISED:		
30,000,000 (30,000,000) Equity shares of Rs. 10 each	300.000	300.000
30,000,000 (30,000,000) Preference shares of Rs. 10 each	300.000	300.000
	600.000	**600.000**
ISSUED AND SUBSCRIBED:		
29,000,000 (29,000,000) Equity shares of Rs. 10 each fully paid up	290.000	290.000
Nil (29,000,000) 8% Redeemable Preference shares of Rs. 10 each fully paid up (redeemable on or before October 1, 2005)	–	290.000
The above includes 26,500,000 (26,500,000) equity shares issued as fully paid bonus shares by capitalisation of general reserve of Rs. 265.000 million (Rs. 265.000 million) and preference shares issued as fully paid bonus shares by capitalisation of general reserves of Rs. Nil (287.500 million) and capital reserves of Rs. Nil (Rs. 2.500 million)	**290.000**	**580.000**

	2004 Rs. million	2003 Rs. million
SCHEDULE 'B'		
RESERVES AND SURPLUS		
CAPITAL RESERVE		
As per last balance sheet	–	2.500
Less : Utilised for issue of bonus 8% Redeemable Preference shares	–	2.500
	–	–
CAPITAL REDEMPTION RESERVE		
As per last balance sheet	9.985	–
Add : Created on issue of 8% Redeemable Preference shares	–	290.000
Created on redemption of 8% Redeemable Preference shares	280.015	–
Less : Adjustment of carrying amount of intangible assets	–	280.015
	290.000	9.985
SHARE PREMIUM ACCOUNT		
As per last balance sheet	–	165.000
Less : Adjustment of carrying amount of intangible assets	–	165.000
	–	–
GENERAL RESERVE		
As per last balance sheet	361.327	740.327
Add : Transfer from Profit and Loss Account	57.998	53.500
Created on transfer of net assets on amalgamation (Note 11)	0.202	–
Less : Utilitsed for creation of Capital Redemption Reserve	280.015	–
Utilised for issue of bonus equity shares	–	145.000
Utilised for issue of bonus 8% Redeemable Preference shares	–	287.500
Adjustment of impaired value of fixed assets	41.742	–
	97.770	**361.327**
Balance in **PROFIT AND LOSS ACCOUNT**	1,121.480	940.912
	1,509.250	**1,312.224**

SCHEDULES TO BALANCE SHEET

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

SCHEDULE 'E'

FIXED ASSETS

Rs. million

PARTICULARS	GROSS BLOCK				DEPRECIATION/AMORTISATION					NET BLOCK	
	As at March 31, 2003	Additions	Deductions	**As at March 31, 2004**	Up to March 31, 2003	For the period	Deductions/ Adjustments	**Up to March 31, 2004**	Provision for Impairment	**As at March 31, 2004**	As at March 31, 2003
Freehold land	10.731	1.387	–	**12.118**	–	–	–	–	–	**12.118**	10.731
Leasehold land	11.264	0.220	–	**11.484**	0.646	0.162	–	**0.808**	–	**10.676**	10.618
Buildings	358.245	15.368	–	**373.613**	41.898	7.736	–	**49.634**	–	**323.979**	316.348
Plant and machinery	937.222	112.758	31.860	**1,018.120**	448.032	99.411	21.927	**525.516**	41.742	**450.862**	489.190
Furniture and fittings	17.568	7.000	0.221	**24.347**	8.682	1.196	0.043	**9.835**	–	**14.512**	8.886
Vehicles	9.755	3.145	3.607	**9.293**	1.833	0.807	0.584	**2.056**	–	**7.237**	7.922
Intangible assets (Note 10d)											
– Business & commercial rights	1.560	–	–	**1.560**	0.240	0.078	–	**0.318**	–	**1.242**	1.319
– Computer software	72.109	2.122	–	**74.231**	72.054	1.145	–	**73.199**	–	**1.032**	0.055
TOTAL	**1,418.454**	**142.000**	**35.688**	**1,524.766**	**573.385**	**110.535**	**22.554**	**661.366**	**41.742**	**821.658**	**845.069**
Previous year	1,844.534	159.950	586.030	1,418.454	489.352	217.140	133.107	573.385	–		
Capital work–in–progress (at cost) including advances on capital account										76.056	119.788
										897.714	**964.857**

Notes :

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

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

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

SCHEDULES TO BALANCE SHEET

	As at March 31, 2004 Rs. million	2003 Rs. million
SCHEDULE 'F'		
INVESTMENTS (At Cost, Non Trade)		
LONG TERM – UNQUOTED		
Government Securities:		
National Savings Certificates (Deposited with Government authorities)	0.079	0.079
Subsidiary Companies:		
Marico Bangladesh Limited	8.631	8.631
1,000,000 (1,000,000) equity shares of Taka 10 each fully paid		
Kaya Skin Care Limited	76.000	0.500
7,600,000 (49,996) equity shares of Rs. 10 each fully paid		
Sundari LLC	54.878	54.878
63,000 (63,000) units of USD 18.25 each fully paid		
	139.588	**64.088**
CURRENT – UNQUOTED		
Investment in Mutual Fund Units		
Prudential ICICI Liquid Fund – Growth Option	–	31.375
Nil (2,115,723) Units of Rs. 10 each fully paid		
Prudential ICICI Liquid Daily Dividend Reinvestment Fund	0.008	–
650 (Nil) Units of Rs. 10 each fully paid		
HDFC Mutual Fund – HLFG Liquid Fund Growth Scheme	–	42.000
Nil (3,497,470) Units of Rs. 10 each fully paid		
IDBI – Principal Cash Management Fund – Liquid option growth plan	–	50.000
Nil (4,202,634) Units of Rs. 10 each fully paid		
Grindlays Cash Fund – Growth Option	–	15.500
Nil (1,377,685) Units of Rs. 10 each fully paid		
Birla Cash Plus – Sweep Dividend Plan	4.681	–
466,225 (Nil) units of Rs. 10 each fully paid		
	4.689	**138.875**
	144.277	**202.963**

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

SCHEDULES TO BALANCE SHEET

	As at March 31, 2004 Rs. million	2003 Rs. million
SCHEDULE 'G'		
INVENTORIES		
(As valued and certified by the management)		
Raw materials	363.946	286.317
Packing materials	109.567	116.084
Work-in-process	152.211	174.405
Finished products	299.272	280.430
Stores, spares and consumables	19.050	16.083
By-products	3.146	15.317
	947.192	**888.636**

	2004 Rs. million	2003 Rs. million
SCHEDULE 'H'		
SUNDRY DEBTORS		
Unsecured		
Over six months - Considered good	0.266	6.512
- Considered doubtful	15.593	12.328
	15.859	18.840
Less: Provision for doubtful debts	15.593	12.328
	0.266	6.512
Other Debts - Considered good	334.323	246.012
	334.589	**252.524**

	2004 Rs. million	2003 Rs. million
SCHEDULE 'I'		
CASH AND BANK BALANCES		
Cash on hand	1.283	1.543
Balances with scheduled banks:		
Fixed deposits (Rs.1.414 million (Rs. 2.041 million) lodged with Government authorities)	6.413	52.041
Margin accounts (Against letters of credit and bank guarantees)	14.939	3.358
Current accounts	213.958	125.953
	236.593	**182.895**

SCHEDULES TO BALANCE SHEET

	As at March 31, 2004 Rs. million	2003 Rs. million
SCHEDULE 'J'		
LOANS AND ADVANCES		
(Unsecured–considered good, unless otherwise stated)		
Advances and Loans to subsidiaries	166.274	32.891
Inter corporate deposits	–	75.000
Advances recoverable in cash or in kind		
or for value to be received – considered good	103.760	104.169
– considered doubtful	–	3.176
	103.760	107.345
Less: Provision for doubtful advances	–	3.176
	103.760	104.169
Deposits	72.961	78.296
Balances with central excise authorities	0.459	0.997
Income tax payments, net of provision	30.676	58.246
	374.130	**349.599**

	2004 Rs. million	2003 Rs. million
SCHEDULE 'K'		
CURRENT LIABILITIES		
Sundry creditors	751.915	603.651
(includes Rs. Nil (Rs. 4.714 million) being lease rental obligations repayable beyond one year)		
Other liabilities	77.873	65.492
Security deposits	15.366	15.536
Unclaimed Dividend	4.826	1.298
Unclaimed Redeemed 8% Preference Share Capital	6.755	–
	856.735	**685.977**

	2004 Rs. million	2003 Rs. million
SCHEDULE 'L'		
PROVISIONS		
Leave encashment	40.427	33.668
Interim dividend	72.500	–
Tax on interim dividend	9.289	–
Proposed final dividend	–	58.000
Tax on proposed final dividend	–	7.431
	122.216	**99.099**

SCHEDULES TO PROFIT AND LOSS ACCOUNT

	For the year ended March 31, 2004 Rs. million	2003 Rs. million
SCHEDULE 'M'		
OTHER INCOME		
Miscellaneous income	44.401	110.516
	44.401	**110.516**

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

SCHEDULES TO PROFIT AND LOSS ACCOUNT

	For the year ended March 31, 2004 Rs. million	2003 Rs. million
SCHEDULE 'O'		
MANUFACTURING AND OTHER EXPENSES		
Employees' costs:		
Salaries, wages and bonus	350.885	276.602
Contribution to provident fund and other funds	35.012	38.067
Welfare expenses	26.546	27.694
	412.443	342.363
Power, fuel and water	38.724	34.739
Contract manufacturing charges	192.140	155.147
Rent and storage charges	30.152	30.560
Repairs to: Buildings	13.569	13.113
Machinery	26.291	25.323
Others	4.735	5.463
	44.595	43.899
Freight, forwarding and distribution expenses	336.834	311.063
Advertisement and sales promotion	687.890	579.716
Rates and taxes - Excise duty	2.967	11.061
- Others	2.886	3.327
Sales tax and cess	88.274	73.907
Provision for doubtful debts and advances	5.215	–
Printing, stationery and communication expenses	42.868	40.070
Travelling, conveyance and vehicle expenses	80.278	74.316
Insurance	8.308	8.980
Miscellaneous expenses	203.554	171.545
	2,177.128	**1,880.693**

	2004 Rs. million	2003 Rs. million
SCHEDULE 'P'		
FINANCE CHARGES		
Interest on fixed period loans	1.826	0.101
Other interest	2.184	2.821
Bank and other financial charges	18.964	15.595
	22.974	18.517
Less : Interest income	14.813	8.220
(Tax deducted at source Rs. 2.274 million (Rs. 1.057 million))		
	8.161	**10.297**

SCHEDULES TO PROFIT AND LOSS ACCOUNT

ADDITIONAL INFORMATION

SCHEDULE 'Q'

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

Sr. No.	Particulars	Unit	Period ended	Installed capacity	Opening stock		Production	Purchases		Turnover		Closing stock	
					Quantity	Amount Rs.million	Quantity	Quantity	Amount Rs.million	Quantity	Amount Rs.million	Quantity	Amount Rs.million
				(Note I)			(Note IV)						
1	Raw/Refined Oils	(M.T.)	**31.03.2004**	**124,320 of Oils**	**3,074.318**	**204.237**	**73,583.190**	**8,990.701**	**423.836**	**76,311.380**	**6,878.961**	**3,388.183**	**231.761**
			31.03.2003	122,524 of Oils	4,625.760	252.925	61,628.622	9,096.810	392.421	76,609.804	5,958.049	3,074.318	204.237
2	Hair Oils (Note II)	(K.L.)	**31.03.2004**	–	**859.010**	**59.228**	**700.000**	–	–	**6,758.410**	**987.164**	**699.362**	**46.965**
			31.03.2003	–	573.750	36.368	–	–	–	5,498.995	753.181	859.010	59.228
3	Others (Note III) (Incl processed foods		**31.03.2004**	–	–	**32.281**	–	–	**88.637**	–	**637.633**	–	**23.692**
	and By products)		31.03.2003	–	–	62.692	–	–	147.132	–	668.903	–	32.281
4	Service Income		**31.03.2004**	–	–	–	–	–	–	–	**21.822**	–	–
	- commission		31.03.2003	–	–	–	–	–	–	–	11.947	–	–
	TOTAL		**31.03.2004**	–	–	**295.746**	–	–	**512.473**	–	**8,525.580**	–	**302.418**
	TOTAL		31.03.2003	–	–	351.985	–	–	539.553	–	7,392.080	–	295.746

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

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

II) Produced by others - **5,898.762 KL** (5,784.255 KL)

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

IV) The production of Raw/Refined Oils excludes processed by others **7,079.094** M.T. (7,429.492 M.T.) and includes used for internal consumption **4,037.04** M.T. (3,096.560 M.T.)

SCHEDULES TO PROFIT AND LOSS ACCOUNT

	For the year ended March 31,			
		2004		2003
	Quantity M.T.	Value Rs.million	Quantity M.T.	Value Rs.million
SCHEDULE 'Q'				
B) RAW MATERIALS CONSUMED				
Oil seeds	73,681.077	2,712.307	77,296.625	2,215.192
Raw oils	29,207.073	1,163.255	29,756.563	1,153.866
Others	–	366.486	–	153.496
		4,242.048		**3,522.554**

	%	Value Rs. million	%	Value Rs. million
C) VALUE OF IMPORTED AND INDIGENOUS MATERIALS CONSUMED				
Raw materials				
Imported	9.31	394.754	2.89	101.655
Indigenous	90.69	3,847.294	97.11	3,420.899
	100.00	**4,242.048**	**100.00**	**3,522.554**
Stores, spares and chemicals				
Imported	–	–	–	–
Indigenous	100.00	57.977	100.00	56.487
	100.00	**57.977**	**100.00**	**56.487**
D) VALUE OF IMPORTS ON C.I.F. BASIS				
Raw material		291.417		114.206
Packing material		5.669		5.360
Capital goods		50.826		29.162
Finished Goods for resale		–		4.011
		347.912		**152.739**
E) EXPENDITURE IN FOREIGN CURRENCY				
Travelling and other expenses		19.826		35.321
Advertisement and sales promotion		64.587		56.953
		85.413		**92.274**
F) EARNINGS IN FOREIGN EXCHANGE				
F.O.B. Value of exports		336.091		242.878
Royalty		1.694		–
Dividend		15.057		–
Service Income		6.289		–
		359.131		**242.878**

NOTES TO THE ACCOUNTS

SCHEDULE 'R'

NOTES:

1) The Company and nature of its operations:

Marico Industries Limited ('Marico' or 'the Company'), headquartered in Mumbai, Maharashtra, India, carries on business in Consumer Products and Skin Care Services. Marico manufactures and markets products under brands such as Parachute, Saffola, Sweekar, Hair & Care, Sil, Revive, Shanti, Oil of Malabar, Mealmaker and Mediker. Marico's products reach its consumers through retail outlets serviced by Marico's distribution network comprising 5 Regional offices, 30 Carrying & Forwarding agents, 6 consignment agents, 5 redistribution centers and about 3600 distributors spread all over India. The Company's export markets comprise primarily the Middle East and SAARC countries. Marico has manufacturing facilities located at Goa, Kanjikode, Pondicherry, Daman, Jalgaon, Saswad and Dehradun supported by subcontracting units. Marico has an alliance with Indo Nissin Foods Limited for distribution of Top Ramen instant noodles. Marico has the following subsidiaries:

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

2) Summary of significant accounting policies:

(a) Basis of preparation of financial statements

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

(b) Fixed assets

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

(c) Depreciation/Amortisation

I. Tangible assets

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

Computer hardware and related peripherals	- 33 1/3%
Technologically advanced packing machinery	- 20%

(ii) Extra shift depreciation is provided on "Plant" basis.

(iii) Assets given on finance lease prior to April 1, 2001 are depreciated over the primary period of the lease.

(iv) Assets individually costing Rs. 5,000 or less are depreciated fully in the year of acquisition.

(v) Leasehold land is amortised over the primary period of lease.

II. Intangible assets

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

NOTES TO THE ACCOUNTS

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

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

(d) Investments

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

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

(e) Inventories

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

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

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

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

(f) Research and development

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

(g) Revenue recognition

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

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

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

(h) Retirement benefits

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

(i) Foreign currency transactions

Foreign currency assets and liabilities are translated at forward cover rate or at the period end exchange rate, as applicable. Resultant gains or losses are recognised in the profit and loss account other than the exchange rate differences relating to fixed assets which are adjusted against the carrying cost of corresponding fixed assets. In case of forward contracts, the difference between the forward rate and the exchange rate on the date of the transaction is recognized as income or expense over the life of the contract.

(j) Government grants

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

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

(k) Accounting for taxes on income

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

NOTES TO THE ACCOUNTS

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

3) Contingent liabilities not provided for in respect of:

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

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

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

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

4) Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 27.077 million (Rs. 34.420 million) net of advances.

5) Miscellaneous income includes lease income Rs. 4.873 million (Rs. 3.617 million), profit on sale of assets Rs. 0.782 million (Rs. 0.097 million), income from current investments Rs 0.006 million (Rs. 0.009 million), profit on sale of current investments Rs. Nil (Rs. 6.422 million), dividend from subsidiary Rs. 15.057 million (Rs. Nil), royalty from subsidiary Rs. 1.694 million (Rs. Nil) and discount on prepayment of deferred sales tax liability Rs. Nil (Rs. 31.661 million).

6) Miscellaneous expenses include commission and brokerage Rs. 13.726 million (Rs. 10.727 million), donations Rs. 0.657 million (Rs. 1.060 million), loss on sale/discarding of assets Rs. 4.576 million (Rs. 1.174 million), loss on sale of current investments Rs. 1.113 million (Rs. Nil), audit fees Rs. 1.512 million (Rs. 1.286 million), tax audit fees Rs. 0.162 million (Rs. 0.158 million), payment to auditors for other services Rs. 0.879 million (Rs. 1.203 million) and reimbursement to auditors for out-of-pocket expenses Rs. 0.043 million (Rs. 0.038 million).

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

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

9) (i) Debtors include amount due from Marico Bangladesh Limited, a subsidiary company and a company under the same management Rs. 14.550 million (Rs. 8.464 million).

(ii) Loans and advances include amounts due from:

- Marico Bangladesh Limited, a subsidiary company and a company under the same management Rs. 1.694 million (Rs. Nil) [Maximum amount due during the year Rs. 1.694 million (Rs. Nil)].
- Kaya Skin Care Limited, a subsidiary company and a company under the same management Rs. 109.068 million (Rs. 9.123 million) [Maximum amount due during the year Rs. 188.328 million (Rs. 9.123 million)].
- Sundari LLC, a joint venture of the Company, Rs. 58.194 million (Rs. 23.768 million) [Maximum amount due during the year Rs. 58.194 million (Rs. 23.768 million)].

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

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

NOTES TO THE ACCOUNTS

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

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

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

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

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

12) At its meeting held on March 15, 2004 the Board of Directors of Marico Industries Limited recommended issue of Bonus equity shares in the ratio of 1:1 aggregating Rs. 290.000 million. The shareholders have approved this recommendation in the Extraordinary General Meeting held on April 21, 2004.

13) Additional information on assets taken on lease:

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

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

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

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

Reconciliation of minimum lease payments and its present value:

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

NOTES TO THE ACCOUNTS

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

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

14) Break-up of deferred tax liability:

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

15) Earnings per share:

	March 31, 2004 (Rs. million)	March 31, 2003 (Rs. million)
Profit after taxation	579.977	530.807
Less : Preference dividends	26.173	11.632
Profit available for equity shareholders	553.804	519.175
Equity shares outstanding as at the year end	29.000	29.000
Bonus shares allotted during the year ending March 31, 2005	29.000	29.000
Weighted average number of equity shares used as denominator for calculating basic and diluted earnings per share	58.000	58.000
Nominal value per equity share (Rs.)	10	10
Pre Bonus Basic and diluted earnings per equity share (Rs.)	19.10	17.90
Post Bonus Basic and diluted earnings per equity share (Rs.)	9.55	8.95

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

NOTES TO THE ACCOUNTS

16) Segment Information

With effect from April 1, 2003, the Company re-organised its business into two segments - Consumer Products and Skin Care services. Segment Revenue, Results and Capital Employed figures include the respective amounts identifiable to each of the segments. The composition of these segments is given below:

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

i. Primary Segment Information

	Consumer Products (Rs. million)	Others (Rs. million)	Total (Rs. million)
Segment revenue			
External sales	8,469.461	6.290	8,475.751
	(7,382.727)	(-)	(7,382.727)
Inter-segment sales	–	–	–
	(–)	(–)	(–)
Total revenue	**8,469.461**	**6.290**	**8,475.751**
	(7,382.727)	(-)	(7,382.727)
Segment Result	**646.642**	**(4.644)**	**641.998**
	(600.607)	–	(600.607)
Unallocated corporate expenses			–
			(–)
Operating profit			**641.998**
			(600.607)
Interest expenses			22.974
			(18.517)
Interest income			14.813
			(8.220)
Net profit			**633.837**
			(590.310)
Other information			
Segment assets	**2,891.355**	**43.140**	**2,934.495**
	(2,841.474)	(–)	(2,841.474)
Unallocated Corporate assets			–
			(–)
Total assets	**2,891.355**	**43,140**	**2,934.495**
	(2,841.474)	(–)	(2,841.474)
Segment liabilities	**2,891.355**	**43.140**	**2,934.495**
	(2,841.474)	(–)	(2,841.474)
Unallocated Corporate liabilities			–
			(–)
Total liabilities	**2,891.355**	**43.140**	**2,934.495**
	(2,841.474)	(–)	(2,841.474)
Capital expenditure	110.665	31.335	142.000
	(156.277)	(3.675)	(159.952)
Depreciation and Amortisation	108.985	1.550	110.535
	(217.140)	(–)	(217.140)
Impaired value of fixed assets	41.742	–	41.742
	(–)	(–)	(–)

NOTES TO THE ACCOUNTS

ii. Secondary Segmental Information

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

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

Sales revenue by geographical market

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

Carrying amount of assets and capital expenditure by geographical locations

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

iii. Notes to Segment information

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

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

17) Related Party disclosures

Subsidiary: Marico Bangladesh Limited

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

NOTES TO THE ACCOUNTS

Subsidiary: Kaya Skin Care Limited

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

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

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

Whole-time director: Harsh Mariwala, Chairman and Managing Director

Nature of transactions:	March 31, 2004 (Rs. million)	March 31, 2003 (Rs. million)
Remuneration for the year	8.932	7.425

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

(i) MBL Industries Limited (100% subsidiary of Marico Bangladesh Limited)

(ii) Sundari Spa LLC (100% subsidiary of Sundari LLC)

18) Managerial Remuneration:

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

Notes:

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

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

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

NOTES TO THE ACCOUNTS

20) There are no dues payable to the Investor Education and Protection Fund as at March 31, 2004.

21) (a) The figures in brackets represent those of the previous year.

(b) The figures for the previous year have been regrouped where necessary to conform to current year's classification.

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

a) **Registration details :**

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

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

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

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

Total Liabilities	2,934.495
Total Assets	2,934.495

Sources of Funds		Application of Funds	
Paid up Capital	290.000	Net Fixed Assets	897.714
Reserves & Surplus	1,509.250	Investments	144.277
Secured Loans	–	Net Current Assets	913.553
Unsecured Loans	93.847	Misc. Expenditure	–
Deferred Tax Liability	62.447		
Accumulated losses	–		

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

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

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

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

Signatures to Schedules A to R

For and on behalf of the Board of Directors

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

Place : Mumbai

Dated : April 21, 2004

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

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

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

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

On behalf of Board of Directors

Place: Mumbai
Date: April 21, 2004

Harsh Mariwala
Chairman and Managing Director

Board of Directors	Harsh Mariwala, Chairman Milind Sarwate Shyam Sutaria Samir Shrivastav, Executive Director (Until April 20, 2004) Praveen Dalal, Executive Director (Appointed wef May 15, 2004)
Registered Office	272, Tejgaon Industrial Area, Dhaka – 1208, Bangladesh
Factory	Mouchak, Kaliakoir, Gazipur, Dhaka, Bangladesh
Auditors	Rahman Rahman Huq Chartered Accountants
Internal Auditors	Farhad Hussain & Co.
Bankers	Citibank N.A. Standard Chartered Bank
Legal Advisors	Lee, Khan & Partners 5/8, City Heart, 67 Naya Paltan, Dhaka-1000, Bangladesh
Distributor	Kallol Traders Limited 199, Tejgaon Industrial Area, Dhaka-1208, Bangladesh

DIRECTORS' REPORT

To,

The Members

The Board of Directors is pleased to present the fourth Annual Report together with audited accounts of your Company for the year ended September 30, 2003.

FINANCIAL RESULTS

	(Taka Million)		(Rs. Million)	
	2003	**2002**	**2003**	**2002**
Sales and Other Income	436.2	369.6	353.3	299.4
Profit before Tax & Exceptional items	93.0	26.6	75.3	21.5
Exceptional items	–	–	–	–
Profit before tax	**93.0**	**26.6**	**75.3**	**21.5**
Tax	(19.7)	(11.4)	(16.0)	(9.2)
Profit after Tax	**73.3**	**15.2**	**59.4**	**12.3**
Add : Surplus brought forward	16.8	1.6	13.6	1.3
Profit available for Appropriation	**90.1**	**16.8**	**73.0**	**13.6**
Appropriation:				
Tax Holiday Reserve	**(17.5)**	**–**	**(14.2)**	**–**
Surplus carried forward	**72.6**	**16.8**	**58.8**	**13.6**

SALES TURNOVER & PROFITABILITY

The year ended September 30, 2003 (FY03) has been a year of sustained volume growth. Turnover at Taka 434.3 million increased by 18 % over FY02. Profit before tax (PBT) at Taka 93.0 million and Profit after tax (PAT) at Taka 73.3 million showed impressive growths over the previous year.

NEW SUBSIDIARY

During the year, your Company incorporated a wholly owned subsidiary in August, 2003 in Bangladesh as MBL Industries Limited (MBLIL), to carry out trading operations.

DIVIDEND

No dividend is being proposed for this year.

AUDITORS

Messers Rahman Rahman Huq, Chartered Accountants, retire and being eligible offer themselves for re-appointment as Auditors of the Company.

HUMAN RESOURCES

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

ACKNOWLEDGEMENT

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

For and on behalf of Board of Directors

Place: Dhaka	**SAMIR SRIVASTAV**	**SHYAM SUTARIA**
Date: January 5, 2004	Executive Director	Director

AUDITORS' REPORT

To

The Shareholders of Marico Bangladesh Limited

We have audited the accompanying balance sheet of Marico Bangladesh Limited for the year ended September 30, 2003 and the related profit and loss account, statement of changes in shareholders' equity and cash flow statement 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 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.

In our opinion, the financial statements, prepared in accordance with Bangladesh Accounting Standards, give a true and fair view of the state of the affairs of the company and its subsidiary ("the group") for the year ended September 30, 2003 and of the results of its operations and 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 as well as the group's balance sheet and profit and loss account dealt with by tile report are in agreement with the books of account.

Rahman Rahman Huq

Place : Dhaka

Date : January 5, 2004

Auditor

BALANCE SHEET

	Notes	As At September 30, 2003 Taka	2002 Taka	2003 Rs. million	2002 Rs. million
SOURCES OF FUNDS					
Shareholders equity					
Share capital	4	10,000,000	10,000,000	8.100	8.100
Tax holiday reserve		17,500,000	–	14.175	–
Accumulated profit		72,543,058	16,773,434	58.759	13.586
Total		**100,043,058**	**26,773,434**	**81.034**	**21.686**
APPLICATION OF FUNDS					
Property, Plant and Equipment					
Cost	5	24,166,097	10,642,176	19.575	8.620
Less : Accumulated depreciation		5,868,253	2,262,895	4.753	1.833
		18,297,844	8,379,281	14.822	6.787
Investments		999,960	–	0.810	–
Current Assets					
Inventories	6	3,687,734	105,950	2.986	0.085
Goods in transit		12,507,000	–	10.131	–
Trade debtors	7	25,272,255	1,346,156	20.471	1.090
Advances and deposits	8	55,253,525	17,979,448	44.755	14.563
Cash and bank balances	9	62,388,023	25,784,798	50.534	20.886
Total current assets		159,108,537	45,216,352	128.877	36.624
Less : Current Liabilities and Provisions					
Liability for expenses	10	50,974,916	15,775,630	41.290	12.778
Provision for income tax	11	14,408,408	10,725,006	11.671	8.687
Payable to holding Company		12,507,000	–	10.131	–
Other liabilities	12	472,959	321,563	0.383	0.260
Total current liabilities		78,363,283	26,822,199	63.475	21.725
Net Current Assets		80,745,254	18,394,153	65.402	14.899
Total		**100,043,058**	**26,773,434**	**81.034**	**21.686**

The accompanying notes 1 to 19 form an integral part of these financial statements.

As per our separate report of even date

For and on behalf of the Board of Directors

Rahman Rahman Huq
Auditor

Samir Srivastav
Executive Director

Shyam Sutaria
Director

Place: Dhaka
Date: January 5,2004

Place: Dhaka
Date: January 5,2004

* The exchange rate used to convert Taka to Rs. is Taka 1 = Re. 0.81

CONSOLIDATED BALANCE SHEET

	Notes	As At September 30, 2003 Taka	Rs. million
SOURCES OF FUNDS			
Shareholders equity			
Share capital	4	10,000,000	8.100
Tax holiday reserve		17,500,000	14.175
Accumulated profit		73,993,048	59.934
		101,493,048	82.209
Minority interest	4a	98	0
Total		**101,493,146**	**82.209**
APPLICATION OF FUNDS			
Property, Plant and Equipment	5		
Cost		24,166,097	19.575
Less: Accumulated depreciation		5,868,253	4.753
		18,297,844	14.822
Current Assets			
Stock of spares	6	3,687,734	2.987
Goods in transit		12,507,000	10.130
Trade debtors	7a	31,796,777	25.755
Advances and deposits	8	55,253,525	44.755
Cash and bank balances	9a	77,602,636	62.858
Total current assets		180,847,672	146.485
Less: Current Liabilities and Provisions			
Liability for expenses	10a	69,003,840	55.893
Provision for income tax	11a	15,358,408	12.440
Payable to holding company		12,507,000	10.131
Other liabilities	12a	783,122	0.634
Total current liabilities		97,652,370	79.098
Net Current Assets		83,195,302	67.387
Total		**101,493,146**	**82.209**

The accompanying notes 1 to 19 form an integral part of these financial statements.

As per our separate report of even date

For and on behalf of the Board of Directors

Rahman Rahman Huq
Auditor

Samir Srivastav — Executive Director
Shyam Sutaria — Director

Place: Dhaka
Date: January 5,2004

Place: Dhaka
Date: January 5,2004

* The exchange rate used to convert Taka to Rs. is Taka 1 = Re. 0.81

PROFIT AND LOSS ACCOUNT

for the year ended September 30,

	Notes	2003 Taka Trading from 01.10.02 to 17.04.03	2003 Taka Mfg. from 27.10.02 to 30.09.03	2003 Taka Total	2002 Taka	2003 Rs. million	2002 Rs. million
Turnover		215,653,252	218,642,599	434,295,851	369,441,951	351.780	299.248
Cost of sales	13	(113,516,323)	(116,721,966)	(230,238,289)	(259,515,834)	(186.492)	(210.208)
Gross profit		**102,136,929**	**101,920,633**	**204,057,562**	**109,926,117**	**165.288**	**89.040**
General and administration expenses	14	(7,885,290)	(19,210,646)	(27,095,936)	(16,322,186)	(21.948)	(13.221)
Selling and distribution expenses	15	(43,930,338)	(42,000,375)	(85,930,713)	(67,117,482)	(69.604)	(54.365)
Net profit for the year		**50,321,301**	**40,709,612**	**91,030,913**	**26,486,449**	**73.735**	**21.454**
Other income		–	1,938,711	1,938,711	141,174	1.570	0.114
Net profit before taxation		**50,321,301**	**42,648,323**	**92,969,624**	**26,627,623**	**75.305**	**21.568**
Provision for taxation		(19,000,000)	(700,000)	(19,700,000)	(11,423,554)	(15.957)	(9.253)
Net profit after taxation		**31,321,301**	**41,948,323**	**73,269,624**	**15,204,069**	**59.348**	**12.314**
Tax holiday reserve		–	(17,500,000)	(17,500,000)	–	(14.175)	–
Profit brought forward		–	16,773,434	16,773,434	1,569,365	13.586	1.271
Profit carried forward to the balance sheet		**31,321,301**	**41,221,757**	**72,543,058**	**16,773,434**	**58.759**	**13.586**

The accompanying notes 1 to 19 form an integral part of these financial statements.
As per our separate report of even date

For and on behalf of the Board of Directors

Rahman Rahman Huq
Auditor

Samir Srivastav
Executive Director

Shyam Sutaria
Director

Place: Dhaka
Date: January 5,2004

Place: Dhaka
Date: January 5,2004

* The exchange rate used to convert Taka to Rs. is Taka 1 = Re. 0.81

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	for the year ended September 30, 2003 Taka	Rs. million
Turnover		454,782,533	368.374
Cost of sales	13a	(247,217,212)	(200.246)
Gross Profit		**207,565,321**	**168.128**
General and administration expenses	14a	(27,203,645)	(22.035)
Selling and distribution expenses	15a	(86,930,715)	(70.414)
Net profit for the year		**93,430,961**	**75.679**
Other income		1,938,711	1.570
Net profit before taxation		**95,369,672**	**77.249**
Provision for taxation		(20,650,000)	(16.727)
Net profit after taxation		**74,719,672**	**60.523**
Minority profit		(58)	–
Tax holiday reserve		(17,500,000)	(14.175)
Profit brought forward		16,773,434	13.586
Profit carried forward to the balance sheet		**73,993,048**	**59.934**

The accompanying notes 1 to 19 form an integral part of these financial statements.

As per our separate report of even date

For and on behalf of the Board of Directors

Rahman Rahman Huq
Auditor

Samir Srivastav — Executive Director
Shyam Sutaria — Director

Place: Dhaka
Date: January 5,2004

Place: Dhaka
Date: January 5,2004

* The exchange rate used to convert Taka to Rs. is Taka 1 = Re. 0.81

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

for the year ended September 30, 2003

In Taka	Share capital	Unappropriated profit	Total
Balance at 30 September 2001	10,000,000	1,569,365	11,569,365
Net profit after tax for the year 2002	–	15,204,069	15,204,069
Balance at 30 September 2002	**10,000,000**	**16,773,434**	**26,773,434**
Net profit after tax for the year 2003	–	73,269,624	73,269,624
Balance at 30 September 2003	**10,000,000**	**90,043,058**	**100,043,058**

In Rs. million	Share capital	Unappropriated profit	Total
Balance at 30 September 2001	8.100	1.272	9.372
Net profit after tax for the year 2002	–	12.314	12.314
Balance at 30 September 2002	**8.100**	**13.586**	**21.686**
Net profit after tax for the year 2003	–	59.348	59.348
Balance at 30 September 2003	**8.100**	**72.934**	**81.034**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

for the year ended September 30, 2003

In Taka	Share capital	Unappropriated profit	Total
Balance at 30 September 2002	10,000,000	16,773,434	26,773,434
Net profit after tax for the year 2003	–	74,719,672	74,719,672
Minority profit for the year 2003	–	(58)	(58)
Balance at 30 September 2003	**10,000,000**	**91,493,048**	**101,493,048**

In Rs. million	Share capital	Unappropriated profit	Total
Balance at 30 September 2002	8.100	13.586	21.686
Net profit after tax for the year 2003	–	60.523	60.523
Minority profit for the year 2003	–	–	–
Balance at 30 September 2003	**8.100**	**74.109**	**82.209**

* The exchange rate used to convert Taka to Rs. is Taka 1 = Re. 0.81

CASH FLOW STATEMENT

			for the year ended September 30,		
		2003	2002	2003	2002
		Taka	Taka	Rs. million	Rs. million
A) Cash Flow from Operating activities					
Net Profit / (loss) after tax		73,269,624	15,204,069	59.348	12.315
Add: Depreciation (after adjustment)		3,605,358	1,405,655	2.920	1.139
		76,874,982	**16,609,724**	**62.268**	**13.454**
Changes in working capital:					
Current liabilities increased / (decreased)		51,541,084	7,623,579	41.748	6.175
Current assets (increased) / decreased		(77,288,960)	1,978,302	(62.604)	1.602
Cash generated from operation		51,127,106	26,211,605	41.412	21.231
Net cash generated from operating activities	A	51,127,106	26,211,605	41.412	21.231
B) Cash flow from investing activities					
Acquisition of fixed assets		(13,523,921)	(7,257,058)	(10.954)	(5.878)
Acquisition of shares in subsidiary		(999,960)	–	(0.810)	–
Net cash generated from investing activities	B	(14,523,881)	(7,257,058)	(11.764)	(5.878)
C) Net increase in cash and cash equivalents	(A + B)	**36,603,225**	**18,954,547**	**29.648**	**15.353**
D) Opening cash and cash equivalents		**25,784,798**	**6,830,251**	**20.886**	**5.533**
E) Closing cash and cash equivalent	(C + D)	**62,388,023**	**25,784,798**	**50.534**	**20.886**

CONSOLIDATED CASH FLOW STATEMENT

		for the year ended September 30, 2003	
		Taka	Rs. million
A) Cash flow from operating activities			
Net profit/(loss) after tax		74,719,672	60.523
Add: Depreciation (after adjustment)		3,605,358	2.920
		78,325,030	**63.443**
Changes in working capital:			
Current liabilities increased/(decreased)		70,830,171	57.372
Current assets (increased)/decreased		(83,813,482)	(67.889)
Cash generated from operation		65,341,719	52.927
Net cash generated from operating activities	A	65,341,719	52.927
B) Cash flow from investing activities			
Acquisition of fixed assets		(13,523,921)	(10.954)
Minority interest		40	–
Net cash generated from investing activities	B	(13,523,881)	(10.954)
C) Net increase in cash and cash equivalent	(A+B)	**51,817,838**	**41.972**
D) Opening cash and cash equivalents		**25,784,798**	**20.886**
E) Closing cash and cash equivalent	(C+D)	**77,602,636**	**62.858**

* The exchange rate used to convert Taka to Rs. is Taka 1 = Re. 0.81

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2003

Note: The exchange rate used to convert Taka to Rs. is Taka 1 = Re. 0.81

1. Company profile

Marico Bangladesh Limited(MBL) 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.

1.1 Description of subsidiary MBL Industries Limited

MBL Industries Limited is a private limited company registered under the Companies Act, 1994 with an authorised capital of Taka 1,000,000 divided into 100,000 ordinary shares of Taka 10 each. Marico Bangladesh Limited acquired 99,996 ordinary shares of MBL Industries Limited on August 4, 2003.

2. Nature of business

The principal activities of the company are to manufacture, market and sell hair oils and other consumer products.

MBL has set up a manufacturing unit at Gazipur and went into commercial production from October 27, 2002 and from April 17, 2003 MBL discontinued its trading business. The land and factory building has been taken on lease and for this the company entered into a lease agreement on May 30, 2002 for a period of 5 years which is covered by tripartite agreement amongst Quality Chemical Industries Ltd., Marico Bangladesh Limited and Bangladesh Shilpa Bank.

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 MBL for its operation but 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 straight line method. Considering the estimated useful lives of the assets the following rates have been applied:

Plant and machinery	20% – 50%
Equipment	20% – 33.33%
Vehicle	20%
Furniture and fixture	15%

3.3 Basis of consolidation

These consolidated financial statements have been prepared in accordance with BAS no. 27. In respect of the subsidiary undertaking, audited financial statements for the period August 4, 2003 to September 30, 2003 have been used to draw up these financial statements.

3.4 Revenue recognition

Sales are recognized at the time of delivery of goods to the distributor and are exclusive of VAT.

3.5 Taxation

Provision for income tax is made on the basis of company's computation of fiscal profit untill the assessment is finalised by tax authorities. Adjustment, if any, arising out of assessment would be made in the year the assessment is completed.

3.6 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.

3.7 Stock and stores

These are valued at lower of average cost of material and net realizable value.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2003

3.8 Reporting period

Financial statements of the company cover the period from October 1, 2002 to September 30, 2003.

4. Share capital

	2003 Taka	2002 Taka	2003 Rs. million	2002 Rs. million
Authorised:				
1,000,000 Ordinary shares of Taka 10 each	10,000,000	10,000,000	8.100	8.100
Paid up:				
1,000,000 Ordinary shares of Taka 10 each fully paid up in cash	10,000,000	10,000,000	8.100	8.100

The shares are held by Marico Industries Limited, India and its nominees.

4a. Minority interest

This represents the following:

Shares of	Shares held by	No. of shares	Value per share Taka	Total Taka	Total Rs. million
MBL Industries Limited	Directors	4	10	40	0
Add: Attributed profit of MBL Industries Limited				58	0
				98	0

5. Property, plant and equipment

Amount in Taka

Particulars	Cost				Depreciation				Net book value	
	As at Oct. 1, 2002	Addition during the year	Disposal during the year	As at Sept. 30, 2003	As at Oct. 1, 2002	Charged for the year	Adjusted for the year	As at Sept. 30, 2003	As at Sept. 30, 2003	As at Sept. 30, 2002
Plant and machinery	5,297,705	3,232,901	–	8,530,606	1,448,203	1,587,033	–	3,035,236	5,495,370	3,849,502
Vehicle	2,886,919	1,731,317	195,429	4,422,807	570,369	718,387	71,658	1,217,098	3,205,709	2,316,550
Equipments	2,183,556	7,088,880	–	9,272,436	200,945	1,157,234	–	1,358,179	7,914,257	1,982,611
Furniture and fixture	273,996	1,666,252	–	1,940,248	43,378	214,362	–	257,740	1,682,508	230,618
Total	**10,642,176**	**13,719,350**	**195,429**	**24,166,097**	**2,262,895**	**3,677,016**	**71,658**	**5,868,253**	**18,297,844**	**8,379,281**

Amount in Rs. million

Particulars	Cost				Depreciation				Net book value	
	As at Oct. 1, 2002	Addition during the year	Disposal during the year	As at Sept. 30, 2003	As at Oct. 1, 2002	Charged for the year	Adjusted for the year	As at Sept. 30, 2003	As at Sept. 30, 2003	As at Sept. 30, 2002
Plant and machinery	4.291	2.619	–	6.910	1.173	1.285	–	2.458	4.452	3.118
Vehicle	2.338	1.402	0.158	3.582	0.462	0.582	0.058	0.986	2.596	1.876
Equipment	1.769	5.742	–	7.511	0.163	0.937	–	1.100	6.411	1.606
Furniture and fixtures	0.222	1.350	–	1.572	0.035	0.174	–	0.209	1.363	0.187
Total	**8.620**	**11.113**	**0.158**	**19.575**	**1.833**	**2.978**	**0.058**	**4.753**	**14.822**	**6.787**

5.1 The depreciation method has been changed this year from reducing balance method to straight Line method and asset whose cost price was Tk 5000 (Rs. 4,050) at maximum has been fully depreciated.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2003

6. Inventories

	2003 Taka	2002 Taka	2003 Rs. million	2002 Rs. million
Spare parts	–	105,950	–	0.085
Raw materials	2,192,892	–	1.776	–
Packing materials (bottles)	215,713	–	0.175	–
Packing materials (cartons)	119,700	–	0.097	–
Packing materials (caps)	1,102,000	–	0.894	–
Finished goods	57,429	–	0.047	–
	3,687,734	**105,950**	**2.986**	**0.085**

7. Trade debtors

	2003 Taka	2002 Taka	2003 Rs. million	2002 Rs. million
Receivable from Kallol Traders Ltd. (KTL)	**25,272,255**	**1,346,156**	**20.471**	**1.090**

7a. Consolidated trade debtors

	2003 MBL Taka	2003 MBL Ind. Ltd. Taka	2003 Total Taka	2003 Total Rs. million
Receivable from KTL	**25,272,255**	**6,524,522**	**31,796,777**	**25.755**

8. Advances and deposits

	2003 Taka	2002 Taka	2003 Rs. million	2002 Rs. million
Advances:				
For goods	46,014,749	379,791	37.272	0.308
For services	5,213,549	16,306,218	4.224	13.208
	51,228,298	16,686,009	41.496	13.516
Deposits:				
VAT current account	1,388,298	554,639	1.125	0.449
Security deposit	2,636,929	738,800	2.136	0.598
	4,025,227	1,293,439	3.260	1.048
	55,253,525	**17,979,448**	**44.755**	**14.563**

9. Cash and bank balances

	2003 Taka	2002 Taka	2003 Rs. million	2002 Rs. million
Cash on hand	213,462	186,764	0.173	0.151
Cash at banks:				
Citibank N.A.	20,261,185	2,462,991	16.412	1.994
Standard Chartered Bank (Note 9.1)	41,913,376	23,135,043	33.950	18.739
	62,174,561	25,598,034	50.361	20.734
	62,388,023	**25,784,798**	**50.534**	**20.886**

9.1 Cash at Standard Chartered Bank

The company enjoys overdraft facilities with a limit of Taka 20,000,000 (Rs. 16.200 million) from Standard Chartered Bank, Dhaka which is secured against letter of credit for Taka 20,000,000 (Rs. 16.200 million) from Standard Chartered Bank/Standard Chartered Grindlays Bank, Mumbai, India, demand promissory note and letter of continuation for the same amount. However, the facility has not been availed during the year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2003

9a. Consolidated cash and bank balances

	2003 MBL Taka	2003 MBL Ind. Ltd. Taka	2003 Total Taka	2003 Total Rs. million
Cash on hand	213,462	33,790	247,252	0.200
Cash at banks:				
Citibank N.A.	20,261,185	–	20,261,185	16.412
Standard Chartered Bank	41,913,376	15,180,823	57,094,199	46.246
	62,174,561	15,180,823	77,355,384	62.658
	62,388,023	**15,214,613**	**77,602,636**	**62.858**

10. Liability for expenses

	2003 Taka	2002 Taka	2003 Rs. million	2002 Rs. million
Business promotion expenses	17,787,328	2,781,405	14.408	2.254
Advertisement expenses	17,100,001	3,438,160	13.851	2.785
Audit fees	265,000	75,000	0.215	0.061
Consulting fees	30,000	15,000	0.024	0.012
Legal charges	10,000	205,000	0.008	0.166
Provision for bad debt	–	2,465,950	–	1.997
Provision for claim	12,753,861	6,009,000	10.331	4.867
Other expenses	3,028,726	786,115	2.453	0.637
	50,974,916	**15,775,630**	**41.290**	**12.778**

10a. Consolidated liability for expenses

	2003 MBL Taka	2003 MBL Ind. Ltd. Taka	2003 Total Taka	2003 Total Rs. million
Payable to Ethical Drugs Ltd.	–	16,978,924	16,978,924	13.753
Business promotion expenses	17,787,328	1,000,000	18,787,328	15.218
Advertisement expenses	17,100,001	–	17,100,001	13.851
Audit fees	265,000	50,000	315,000	0.255
Consulting fees	30,000	–	30,000	0.024
Legal charges	10,000	–	10,000	0.008
Provision for claim	12,753,861	–	12,753,861	10.331
Other expenses	3,028,726	–	3,028,726	2.453
	50,974,916	**18,028,924**	**69,003,840**	**55.893**

11. Provision for income tax

	2003 Taka	2002 Taka	2003 Rs. million	2002 Rs. million
Opening balance	10,725,006	1,500,000	8.687	1.214
Add: Provision for current taxation	19,700,000	11,423,554	15.957	9.254
	30,425,006	12,923,554	24.645	10.468
Less: Provision adjusted	10,032,966	–	8.128	–
	20,392,040	12,923,554	16.518	10.468
Less: Advance tax paid	5,983,632	2,198,548	4.848	1.781
	14,408,408	**10,725,006**	**11.671**	**8.687**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2003

11a. Consolidated provision for income tax

	2003 MBL Taka	2003 MBL Ind. Ltd. Taka	2003 Total Taka	2003 Total Rs. million
Opening balance	10,725,006	–	10,725,006	8.687
Add: Provision for current tax	19,700,000	950,000	20,650,000	16.727
	30,425,006	950,000	31,375,006	25.414
Less: Provision adjusted	10,032,966	–	10,032,966	8.127
	20,392,040	950,000	21,342,040	17.287
Less: Advance tax paid	5,983,632	–	5,983,632	4.847
	14,408,408	**950,000**	**15,358,408**	**12.440**

12. Other liabilities

	2003 Taka	2002 Taka	2003 Rs. million	2002 Rs. million
Tax deducted from suppliers' bills	472,959	321,563	0.383	0.260

12a. Consolidated other liabilities

	2003 MBL Taka	2003 MBL Ind. Ltd. Taka	2003 Total Taka	2003 Total Rs. million
Tax deducted from suppliers	472,959	1,500	474,459	0.384
VAT payable	–	308,663	308,663	0.250
	472,959	**310,163**	**783,122**	**0.634**

13. Cost of sales

	2003 Trading from 1 Oct 2002 to 17 April 2003 Taka	2003 Manufacturing from 27 Oct 2002 to 30 Sep 2003 Taka	2003 Total Taka	2002 Taka	2003 Rs. million	2002 Rs. million
Purchase	134,556,243	112,766,085	247,322,328	385,269,281	200.331	312.068
Less: Price difference	21,039,920	–	21,039,920	126,154,816	17.042	102.185
Closing inventory	–	3,687,734	3,687,734	–	2.987	–
	21,039,920	3,687,734	24,727,654	126,154,816	20.029	102.185
	113,516,323	109,078,351	222,594,674	259,114,465	180.302	209.883
Add: Factory overhead	–	5,050,488	5,050,488	398,869	4.091	0.323
Carriage inward	–	2,593,127	2,593,127	2,500	2.100	0.002
	–	7,643,615	7,643,615	401,369	6.191	0.325
	113,516,323	**116,721,966**	**230,238,289**	**259,515,834**	**186.492**	**210.208**

13a. Consolidated cost of sales

	2003 MBL Taka	2003 MBL Ind. Ltd. Taka	2003 Total Taka	2003 Total Rs. million
Purchase	247,322,328	16,978,924	264,301,252	214.084
Less: Price difference	21,039,921	–	21,039,921	17.042
Closing inventory	3,687,734	–	3,687,734	2.987
	24,727,655	–	24,727,655	20.029
	222,594,673	16,978,924	239,573,597	194.055
Add: Factory overhead	5,050,488	–	5,050,488	4.091
Carriage inward	2,593,127	–	2,593,127	2.100
	7,643,615	–	7,643,615	6.191
	230,238,288	**16,978,924**	**247,217,212**	**200.246**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2003

14. General and administration expenses

	2003 Trading from 1 Oct 2002 to 17 April 2003 Taka	2003 Manufacturing from 27 Oct 2002 to 30 Sep 2003 Taka	2003 Total Taka	2002 Taka	2003 Rs. million	2002 Rs. million
Salaries and allowances(Note 14.1)	4,702,403	7,552,626	12,255,029	3,098,015	9.927	2.509
Rent	460,168	381,329	841,497	947,783	0.682	0.768
Consulting fee	91,037	1,210,344	1,301,381	642,500	1.054	0.520
Security charges	151,137	227,279	378,416	–	0.307	–
Legal charges	64,295	59,705	124,000	471,350	0.100	0.382
Repair and maintenance	657,199	488,960	1,146,159	2,139,978	0.928	1.733
Communication expenses	513,053	925,039	1,438,092	1,012,707	1.165	0.820
Entertainment	140,947	232,811	373,758	205,718	0.303	0.167
Printing and stationery	125,709	111,320	237,029	212,690	0.192	0.172
Vehicle running expenses	474,967	937,638	1,412,605	269,085	1.144	0.218
Travelling and conveyance	1,005,312	1,958,017	2,963,329	1,118,191	2.400	0.906
Audit fees	–	169,288	169,288	75,000	0.137	0.061
Recruitment expenses	2,143	6,651	8,794	113,406	0.007	0.092
Subscription and donation	76	60,194	60,270	130,490	0.049	0.106
Fees, forms and renewals	193,873	148,612	342,485	145,935	0.277	0.118
Insurance premium	–	813,557	813,557	152,246	0.659	0.123
Books and periodicals	6,106	22,773	28,879	12,946	0.023	0.010
Crockeries and cutleries	4,896	1,558	6,454	24,554	0.005	0.020
Bank interest and charges	16,653	43,648	60,301	165,990	0.049	0.134
Medical expenses	99	7,648	7,747	22,145	0.006	0.018
Carriage outward	94,868	397,932	492,800	103,032	0.399	0.083
Fooding and lodging	192,297	194,679	386,976	1,243,970	0.313	1.008
Staff welfare expenses	77,545	98,854	176,399	34,180	0.143	0.028
Conference and training exp.	234,628	284,166	518,794	57,620	0.420	0.047
LC expenses	–	642,247	642,247	51,050	0.520	0.041
Electricity and gas charges	91,070	176,621	267,691	–	0.217	–
Loss on sale of assets	48,379	15,392	63,771	–	0.052	–
Royalty	–	1,066,352	1,066,352	–	0.864	–
Bad debt provision	(1,463,571)	(465,638)	(1,929,209)	2,465,950	(1.563)	1.997
Depreciation	–	1,441,045	1,441,045	1,405,655	1.167	1.139
	7,885,289	**19,210,647**	**27,095,936**	**16,322,186**	**21.948**	**13.221**

14.1 Salaries and allowances:

These include remuneration of Tk 2,474,670 (Rs. 2.005 million) to executive director for salaries and benefits.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2003

14a. Consolidated general and administration expenses

	2003			2003
	MBL	MBL Ind. Ltd.	Total	Total
	Taka	Taka	Taka	Rs. million
Salaries and allowances	12,255,029	–	12,255,029	9.927
Rent	841,497	–	841,497	0.682
Consulting fee	1,301,380	–	1,301,380	1.054
Security charges	378,416	–	378,416	0.307
Legal charges	124,000	–	124,000	0.100
Repair and maintenance	1,146,159	–	1,146,159	0.928
Communication expenses	1,438,093	–	1,438,093	1.165
Entertainment	373,758	–	373,758	0.303
Printing and stationery	237,029	–	237,029	0.192
Vehicle running expenses	1,412,605	–	1,412,605	1.144
Travelling and conveyance	2,963,329	–	2,963,329	2.400
Audit fees	169,288	50,000	219,288	0.178
Recruitment expenses	8,794	–	8,794	0.007
Subscription and donation	60,270	–	60,270	0.049
Fees, forms and renewals	342,483	–	342,483	0.277
Insurance premium	813,557	–	813,557	0.659
Books and periodicals	28,879	–	28,879	0.023
Crockeries and cutleries	6,454	–	6,454	0.005
Bank interest and charges	60,302	–	60,302	0.049
Medical expenses	7,747	–	7,747	0.006
Carriage outward	492,800	–	492,800	0.399
Fooding and lodging	386,976	–	386,976	0.313
Staff welfare expenses	176,399	–	176,399	0.143
Conference and training exp.	518,794	–	518,794	0.420
LC expenses	642,247	–	642,247	0.520
Electricity and gas charges	267,691	–	267,691	0.217
Loss on sale of assets	63,771	–	63,771	0.052
Royalty	1,066,352	–	1,066,352	0.864
Bad debt provision	(1,929,209)	–	(1,929,209)	(1.563)
Depreciation	1,441,045	–	1,441,045	1.167
Preliminary expenses	–	57,710	57,710	0.048
	27,095,935	**107,710**	**27,203,645**	**22.035**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2003

15. Selling and distribution expenses

	2003 Trading from 1 Oct 2002 to 17 April 2003 Taka	2003 Manufacturing from 27 Oct 2002 to 30 Sep 2003 Taka	2003 Total Taka	2002 Taka	2003 Rs. million	2002 Rs. million
Business promotion expenses	28,884,930	16,176,838	45,061,768	39,457,969	36.500	31.961
Advertisement	10,381,112	23,005,229	33,386,341	23,024,918	27.043	18.650
Market research expenses	956,323	1,638,608	2,594,931	1,334,595	2.102	1.081
Leakage and damages	3,707,973	1,179,700	4,887,673	3,300,000	3.959	2.673
	43,930,338	**42,000,375**	**85,930,713**	**67,117,482**	**69.604**	**54.365**

15a. Consolidated selling and distribution expenses

	2003 MBL Taka	2003 MBL Ind. Ltd. Taka	2003 Total Taka	2003 Total Rs. million
Business promotion expenses	45,061,768	1,000,000	46,061,768	37.310
Advertisement	33,386,342	–	33,386,342	27.043
Market research expenses	2,594,932	–	2,594,932	2.102
Leakage and damages	4,887,673	–	4,887,673	3.959
	85,930,715	**1,000,000**	**86,930,715**	**70.414**

16. Number of employees

The number of employees engaged for the whole period or part thereof who received a total salary of Tk 36,000 (Rs. 0.029 million) and above was 23.

17. Tax holiday reserve

This reserve has been made as per section 46A (c) of Income Tax Ordinance 1984.

18. Import of capital machinery and raw materials

During the year import of raw material was worth US$ 977,631.20 (Tk 57,244,872)(Rs. 46.368 million) and capital machinery US$ 61,032.55 (Tk 3,573,750)(Rs.2.895 million).

19. General

Previous year's figures have been rearranged wherever considered necessary.

Board of Directors	Harsh Mariwala, Chairman Milind Sarwate Shyam Sutaria Samir Shrivastav, Director (Until April 20, 2004) Praveen Dalal, Director (Appointed w.e.f. May 15, 2004)
Registered Office	272, Tejgaon Industrial Area, Dhaka – 1208, Bangladesh
Auditors	Rahman Rahman Huq Chartered Accountants
Internal Auditors	Farhad Hussain & Co.
Bankers	Standard Chartered Bank
Legal Advisors	Lee, Khan & Partners 5/8, City Heart, 67 Naya Paltan, Dhaka-1000, Bangladesh
Distributors	Kallol Traders Limited 199, Tejgaon I/A, Dhaka-1208, Bangladesh.

DIRECTORS' REPORT

To,

The Members

The Board of Directors is pleased to present the first Annual Report together with audited accounts of your Company for the period ended September 30, 2003.

FINANCIAL RESULTS

MBL Industries Limited has successfully completed its first year of operations. The Company was incorporated on August 4, 2003 and commenced operations soon after. During almost two months of commercial operations your Company has reported a turnover of Taka 20.5 million and a profit after tax of Taka 1.5 million.

	(Taka Million) 2003	(Rs. Million) 2003
Sales and Other Income	20.5	16.6
Profit before Tax & Exceptional item	2.4	1.9
Exceptional items	–	–
Profit before tax	2.4	1.9
Provision for taxation	(0.9)	(0.7)
Profit after Tax	1.5	1.2

DIVIDEND

No dividend is being proposed for this year.

AUDITORS

Messers Rahman Rahman Huq, Chartered Accountants, retire and being eligible offer themselves for re-appointment as Auditors of the Company.

ACKNOWLEDGEMENT

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

For and on behalf of Board of Directors

Place: Dhaka
Date: January 5, 2004

SAMIR SRIVASTAV
Director

SHYAM SUTARIA
Director

AUDITORS' REPORT

To

The Shareholders of MBL Industries Limited

We have audited the accompanying balance sheet of MBL Industries Limited as of September 30, 2003 and the related profit and loss account, cash flow statement and the statement of changes in equity for the period 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 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.

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 as of September 30, 2003 and of the results of its operations and cash flow for the period 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

Place : Dhaka
Date : January 5, 2004

Auditor

BALANCE SHEET

	Notes	As at September 30, 2003 Taka	Rs. million
SOURCES OF FUNDS			
Shareholders equity			
Share capital	4	1,000,000	0.810
Accumulated profit		1,450,048	1.175
Total		**2,450,048**	**1.985**
APPLICATION OF FUNDS			
Current assets			
Trade debtors		6,524,522	5.285
Cash and bank balances	5	15,214,613	12.324
Total current assets		21,739,135	17.609
Less : Current liabilities and provisions			
Liability for expenses	6	18,028,924	14.603
Provision for income tax		950,000	0.770
Other liabilities	7	310,163	0.251
Total current liabilities		19,289,087	15.624
Net current assets		**2,450,048**	**1.985**

The accompanying notes 1 to 7 form an integral part of these financial statements.

As per our separate report of even date
Rahman Rahman Huq
Auditor

Place: Dhaka
Date: January 5,2004

For and on behalf of the Board of Directors

Samir Srivastav
Director

Shyam Sutaria
Director

Place : Dhaka
Date : January 5,2004

* The exchange rate used to convert Taka to Rs. is Rs. 0.81 / Taka

PROFIT AND LOSS ACCOUNT

	for the period ended September 30, 2003 Taka	Rs. million
Turnover	20,486,682	16.594
Purchase	(16,978,924)	(13.753)
Gross profit	3,507,758	2.841
General and administration expenses		
Audit fees	(50,000)	(0.040)
Preliminary expenses	(57,710)	(0.046)
	3,400,048	2.755
Selling and distribution expenses		
Business promotion expenses	(1,000,000)	(0.810)
Net profit before taxation	**2,400,048**	**1.945**
Provision for taxation	(950,000)	(0.770)
Net Profit carried forward to the balance sheet	**1,450,048**	**1.175**

The accompanying notes 1 to 7 form an integral part of these financial statements.

As per our separate report of even date

Rahman Rahman Huq
Auditor

Place: Dhaka
Date: January 5,2004

For and on behalf of the Board of Directors

Samir Srivastav
Director

Shyam Sutaria
Director

Place : Dhaka
Date : January 5,2004

* The exchange rate used to convert Taka to Rs. is Rs. 0.81 / Taka

CASH FLOW STATEMENT

			for the period ended September 30, 2003	
			Taka	Rs. million
A)	**Cash flows from operating activities**			
	Net profit/(loss) for the period		1,450,048	1.175
	Changes in working capital :			
	Current liabilities increase / (decrease)		19,289,087	15.624
	Current assets (increase) / decrease		(6,524,522)	(5.285)
	Cash generated from operations		14,214,613	10.339
	Net cash generated from operating activities	A	14,214,613	11.514
B)	**Cash flow from investing activities**			
	Share Capital		1,000,000	0.810
	Net cash generated from investing activities	B	1,000,000	0.810
C)	**Net increase in cash and cash equivalent**	(A+B)	**15,214,613**	**12.324**
D)	**Opening cash and cash equivalents**		–	–
E)	**Closing cash and cash equivalent**	(C + D)	**15,214,613**	**12.324**

* The exchange rate used to convert Taka to Rs. is Rs. 0.81 / Taka

STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY

for the period ended September 30, 2003

In Taka	Share capital	Unappropriated profit	Total
Net profit after tax for the year 2002	–	–	–
	–	–	–
Net profit after tax for the year 2003	1,000,000	1,450,048	2,450,048
	1,000,000	1,450,048	2,450,048

In Rs. million	Share capital	Unappropriated profit	Total
Net profit after tax for the year 2002	–	–	–
	–	–	–
Net profit after tax for the year 2003	0.810	1.175	1.985
	0.810	1.175	1.985

* The exchange rate used to convert Taka to Rs. is Rs. 0.81 / Taka

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2003

1. Company profile

MBL Industries Limited is a private limited company incorporated on August 4, 2003 in Bangladesh under the Companies Act 1994. The present authorised and paid up capital is Tk 1,000,000 divided into 100,000 ordinary shares of Taka 10 each. The company is a wholly owned subsidiary of Marico Bangladesh Limited.

The company started commercial operation from August 4, 2003.

2. Nature of business

The principal activity of the company is marketing and selling coconut oil.

3. Principal accounting policies

3.1 Basis of accounting

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

3.2 Revenue recognition

Sales are recognized at the time of delivery of goods to the distributor and are exclusive of VAT.

3.3 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 authorities. Adjustment, if any, arising out of the assessment would be made in the year the assessment is completed.

3.4 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.

3.5 Reporting period

Financial statements of the company cover the period from August 4, 2003 to September 30, 2003.

		As on September 30, 2003	
4. Share capital		**Taka**	**Rs. Million**
Authorised:			
100,000 Ordinary shares of Tk 10 each.		1,000,000	0.810
Paid up:			
100,000 Ordinary shares of Tk 10 each fully paid up in cash.		1,000,000	0.810
At September 30, 2003, share holding position of the company was as follows:			
	No. of shares		
Marico Bangladesh Limited (MBL)	99,996	999,960	0.810
Held by Directors as nominees of MBL	4	40	0
		1,000,000	**0.810**
5. Cash and bank balances			
Cash on hand		33,790	0.027
Cash at bank: Standard Chartered Bank		15,180,823	13.397
		15,214,613	**12.324**

* The exchange rate used to convert Taka to Rs. is Rs. 0.81 / Taka

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2003

	As on September 30, 2003	
6. Liability for expenses		
	Taka	**Rs. Million**
Payable to creditors	16,978,924	13.753
Business Promotion expenses	1,000,000	0.810
Audit fees	50,000	0.040
	18,028,924	**14.603**
7. Other liabilites		
Tax deducted at source from suppliers bill	1,500	0.001
VAT payable	308,663	0.250
	310,163	**0.251**

* The exchange rate used to convert Taka to Rs. is Rs. 0.81 / Taka

Board of Directors	Harsh Mariwala, Chairman Kishore Mariwala Rakesh Pandey, Chief Executive Officer
Registered Office	Rang Sharda, K. C. Marg, Bandra Reclamation, Bandra (W), Mumbai – 400 050
Auditors	RSM & Co., Chartered Accountants
Internal Auditors	Aneja Associates, Chartered Accountants
Bankers	Citibank N.A.
Website	www.kayaclinic.com

DIRECTORS' REPORT

To the Members

Your Board of Directors ('Board') is pleased to present the First Annual Report together with audited accounts of your Company for the period ended March 31, 2004 ('the period under review', 'the period' or 'FY04').

FINANCIAL RESULTS - AN OVERVIEW

Your Company was incorporated on March 27, 2003 and it commenced commercial operations on April 8, 2003. During the period under review (i.e., March 27, 2003 to March 31, 2004), your Company reported a turnover of Rs. 45.2 million and an operating loss of Rs. 48.1 million, as it invested in the business of Kaya Skin Clinics.

	Rs. million
Sales and Services	**45.2**
Loss before Tax	48.1
Less: Provision for Current Tax for the current period	–
Loss after Current Tax for the current period	48.1
Less: Provision for Deferred Tax	–
Loss after Tax	**48.1**
Loss carried forward	48.1

DISTRIBUTION TO SHAREHOLDERS

No dividend is being proposed for this period.

REVIEW OF OPERATIONS

Through its Kaya Skin Clinics, your Company focuses on providing highly scientific US FDA approved cosmetic dermatological procedures that enhance the skin health and also consequently the look & feel of the skin in a serene Zen- like ambience, while maintaining international standards of Hygiene and Service. The skin treatments offered at every Clinic are a blend of clinical and aesthetic care. Every clinic is supported by in-clinic dermatologists, who first assess the client's skin for undertaking skin treatment and then recommend a customised skin care regime.

Various services rendered by Kaya during the year can be categorized as under:

1) Permanent Hair reduction

2) Other value adding services: these include anti-ageing treatments like Photo Facial™, Non-surgical face-lift, BOTOX® & Fillers

3) Other Enhancement Services: these include Skin Polishing & Brightening, Kaya Glow, Glycolic Peels, Acne Scar/Pigmentation Reduction, Kaya Face & Eye Rejuvenator

Eleven Kaya Skin Clinics were opened during the period under review – 7 in Mumbai and 4 in Delhi.

Your Company's Client base has grown to over 10,000 customers and is growing steadily. Service Quality Customer feedback Scores in all clinics are at Excellent Level - Score of 4.4 on a scale of 1 to 5.

RESEARCH & DEVELOPMENT (R & D)

There has been no specific expenditure made on R & D as this was the first year of operations. All the services were launched after due trials internally at Kaya's Training Centre. A few new services are under development.

PUBLIC DEPOSITS

During the period, your Company did not accept any Public Deposits.

FOREIGN EXCHANGE EARNING AND OUTGO

There was no foreign exchange earning during the period. Foreign exchange outgo during the period is as mentioned in schedule "J" of Notes to the Accounts.

DIRECTORS' REPORT

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956 (the Act) amended as per the Companies (Amendment) Act, 2000, the Directors confirm that:

In preparation of the Accounts of your Company, the Accounting Standards laid down by the Institute of Chartered Accountants of India from time to time have been followed.

Appropriate accounting policies have been selected and applied consistently, and reasonable and prudent judgement and estimates have been made so as to ensure that the accounts give a true and fair view of the state of affairs of your Company as at March 31, 2004 and the loss of your Company for the period ended March 31, 2004.

Proper and sufficient care has been taken for maintenance of appropriate accounting records in accordance with the provisions of the Act for safeguarding the assets of your Company and for preventing and detecting frauds and other irregularities.

The Accounts have been prepared on a going concern basis.

The observations of the Auditors in their report to the Members have been adequately dealt with in the relevant notes to the accounts. Hence no additional explanation is considered necessary.

AUDITORS

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

ACKNOWLEDGEMENT

The Board takes this opportunity to thank all its employees for their dedicated service and firm commitment to the goals of the Company. The Board also wishes to place on record its sincere appreciation for the wholehearted support received from distributors, bankers and all other business associates and looks forward to continued support of all these partners in progress.

On behalf of the Board of Directors

Place : Mumbai
Date : April 19, 2004

Harsh Mariwala
Chairman

AUDITORS' REPORT

TO THE MEMBERS OF KAYA SKIN CARE LIMITED

1. We have audited the attached Balance Sheet of **Kaya Skin Care Limited** ('the Company') as at March 31, 2004, and also the Profit and Loss Account of the Company for the period ended on that date (together referred to as 'financial statements'). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

3. As required by the Companies (Auditor's Report) Order, 2003, ('Order'), issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956 ('the Act'), and on the basis of such checks of the books and records as we considered necessary and appropriate and according to the information and explanations given to us during the course of the audit, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments in the Annexure referred to above, we report that:

   a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

   b. in our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of those books ;

   c. the Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;

   d. in our opinion, the Balance Sheet and the Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;

   e. on the basis of the written representations received from the directors, and taken on record by the Board of Directors, we report that none of the directors are disqualified as on March 31, 2004 from being appointed as a director under clause (g) of sub-section (1) of Section 274 of the Act;

   f. in our opinion and to the best of our information and according to the explanations given to us, the said financial statements, read with the notes thereon, give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;

      i. in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2004; and

      ii. in the case of the Profit and Loss Account, of the loss of the Company for the period ended on that date.

For RSM & Co.
Chartered Accountants

Vijay N. Bhatt
Partner (F-36647)

Place : Mumbai
Date : April 19, 2004

ANNEXURE TO AUDITORS' REPORT

(Referred to in our Report of even date)

(i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.

(b) All the assets have been physically verified by the management during the period and no discrepancies were noticed on such verification.

(c) The Company has not disposed off a substantial part of fixed assets during the period, and accordingly, going concern is not affected.

(ii) (a) As explained to us, physical verification of the inventory was carried out at reasonable intervals by the management.

(b) In our opinion, and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.

(c) In our opinion, and according to the information and explanations given to us, the Company has maintained proper records of its inventory, and the discrepancies noticed on physical verification of inventory as compared to the book records were not material and have been properly dealt with in the books of account.

(iii) In our opinion and according to the information and explanations given to us, the Company has not taken or granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.

(iv) In our opinion, and according to the information and explanations given to us, the Company has adequate internal control procedures commensurate with the size of the Company and nature of its business for the purchase of inventory and fixed assets and with regard to the sale of finished products.

(v) To the best of our knowledge and belief and according to the information and explanations given to us, there are no transactions that need to be entered into a register in pursuance of section 301of the Act.

(vi) The Company has not accepted any deposits from the public to which the directives issued by the Reserve Bank of India and the provisions of section 58A and 58AA of the Act and the rules framed thereunder are applicable.

(vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

(viii) The Central Government has not prescribed maintenance of cost records under section 209(1)(d) of the Act for any of the activities of the Company.

(ix) According to the information and explanations given to us, the Company is regular in depositing undisputed statutory dues including Provident Fund, Income tax, Sales tax, Wealth Tax, Custom duty, Cess and any other statutory dues with the appropriate authorities and there were no such outstanding dues as at March 31, 2004 for a period exceeding six months from the date they became payable. As explained to us, the Investors Education and Protection Fund, Employees' State Insurance and Excise duty are not applicable to the Company.

(x) Since the Company has been registered for a period of less than five years, clause (x) of the Order is not applicable.

(xi) On the basis of our examination and according to the information and explanations given to us, the Company has not taken any loans from financial institutions, banks or debenture holders and hence the question of default in repayment of dues does not arise.

(xii) As the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities, clause (xii) of the Order is not applicable.

ANNEXURE TO AUDITORS' REPORT

(xiii) Clause (xiii) relating to applicability of provisions for special statute applicable to Chit Fund, or relating to nidhi, mutual benefit funds/societies, is not applicable to the Company, in view of the nature of its business/activities during the year.

(xiv) The Company is not dealing or trading in shares, securities, debentures and other investments.

(xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.

(xvi) The Company has not taken any term loans during the period.

(xvii) In our opinion, and on the basis of our examination and according to the information and explanations given to us, the Company has not used the funds borrowed on short term basis for long term investment and vice versa.

(xviii) The Company has not made any preferential allotment of shares or issued debentures or made any public issue during the period, and, accordingly, clauses (xviii), (xix) and (xx) of the Order are not applicable.

(xix) To the best of our knowledge and belief, and according to the information and explanations given to us, there have been no cases of fraud on or by the Company noticed or reported during the period.

For RSM & Co.
Chartered Accountants

Vijay N. Bhatt
Partner (F-36647)

Place : Mumbai
Date : April 19, 2004

BALANCE SHEET

	SCHEDULE	As at March 31, 2004 Rs. million
SOURCES OF FUNDS		
SHAREHOLDERS' FUNDS		
Share capital	A	88.000
Advance Against equity		2.012
		90.012
Unsecured loan		**109.068**
		199.080
APPLICATION OF FUNDS		
FIXED ASSETS	B	
Gross block		133.385
Less : Depreciation and amortisation		9.457
Net block		123.928
Capital work-in-progress		20.836
		144.764
CURRENT ASSETS, LOANS AND ADVANCES		
Inventories	C	4.084
Cash and bank balances	D	0.306
Loans and advances	E	23.945
		28.335
Less: CURRENT LIABILITIES AND PROVISIONS		
Current liabilities	F	22.100
		22.100
NET CURRENT ASSETS/ LIABILITIES		**6.235**
Debit balance in Profit & Loss Account		48.081
		199.080
Notes	K	

As per our attached report of even date

For RSM & Co.
Chartered Accountants

VIJAY N. BHATT
Partner (F-36647)

Place : Mumbai
Dated : April 19, 2004

For and on behalf of the Board of Directors

HARSH MARIWALA - Chairman

RAKESH PANDEY - Director

Place : Mumbai
Dated : April 19, 2004

PROFIT AND LOSS ACCOUNT

	SCHEDULE	For the period Mar 27, 2003 to March 31, 2004 Rs. million
INCOME:		
Service Income		41.637
Sale of traded products		3.589
Other income		0.220
		45.446
EXPENDITURE:		
Cost of materials	G	8.804
Operating and other expenses	H	71.826
Finance charges	I	3.440
Depreciation and amortisation	B	9.457
		93.527
LOSS BEFORE TAXATION		**48.081**
Provision for taxation		
- Current		–
- Deferred		–
LOSS AFTER TAXATION		**48.081**
LOSS CARRIED TO THE BALANCE SHEET		**48.081**
Loss per share basic & diluted face value of share Rs. 10/-		649.80
Notes	K	

As per our attached report of even date

For RSM & Co.
Chartered Accountants

VIJAY N. BHATT
Partner (F-36647)

Place : Mumbai
Dated : April 19, 2004

For and on behalf of the Board of Directors

HARSH MARIWALA - Chairman

RAKESH PANDEY - Director

Place : Mumbai
Dated : April 19, 2004

SCHEDULES TO BALANCE SHEET

	As at March 31, 2004 Rs. million
SCHEDULE 'A'	
SHARE CAPITAL	
AUTHORISED:	
10,000,000 Equity shares of Rs. 10 each	100.000
	100.000
ISSUED AND SUBSCRIBED :	
8,800,000 Equity shares of Rs. 10 each fully paid (Of the above, 7,600,000 shares are held by the holding Company, viz. Marico Industries Limited, including its nominees)	88.000
	88.000

SCHEDULE 'B'

FIXED ASSETS

Rs. million

PARTICULARS	GROSS BLOCK				DEPRECIATION/AMORTISATION				NET BLOCK
	As at March 31, 2003	Additions	Deductions	As at March 31, 2004	As at March 31, 2003	For the period	Deductions/ Adjustments	As at March 31, 2004	As at March 31, 2004
Plant and machinery	–	110.742	–	110.742	–	8.431	–	8.431	102.311
				–					
Furniture and fittings	–	22.419	–	22.419	–	0.958	–	0.958	21.461
				–					
Intangible assets									
– Computer software	–	0.224	–	0.224	–	0.068	–	0.068	0.156
TOTAL	**–**	**133.385**	**–**	**133.385**	**–**	**9.457**	**–**	**9.457**	**123.928**
Capital work–in–progress (at cost) including advances on capital account									20.836
									144.764

	As at March 31, 2004 Rs. million
SCHEDULE 'C'	
INVENTORIES	
(At cost, valued and certified by the management)	
Finished products	4.084
	4.084

SCHEDULES TO BALANCE SHEET

	As at March 31, 2004 Rs. million
SCHEDULE 'D'	
CASH AND BANK BALANCES	
Cash on hand	0.256
Fixed deposits	0.050
	0.306

	As at March 31, 2004 Rs. million
SCHEDULE 'E'	
LOANS AND ADVANCES	
(Unsecured-considered good, unless otherwise stated)	
Advances recoverable in cash or in kind or for value to be received	6.488
Deposits	17.457
	23.945

	As at March 31, 2004 Rs. million
SCHEDULE 'F'	
CURRENT LIABILITIES	
Sundry creditors	14.871
Advances received from customers	1.042
Book overdraft	5.938
Other liabilities	0.249
	22.100

SCHEDULES TO PROFIT AND LOSS ACCOUNT

	For the period Mar 27, 2003 to March 31, 2004 Rs. million
SCHEDULE 'G'	
COST OF MATERIALS	
Materials consumed	6.394
Purchase for resale	6.494
(Increase)/Decrease in stocks	
Opening stocks	
- Finished products	–
Less :	
Closing stocks	
- Finished products	4.084
	8.804
SCHEDULE 'H'	
OPERATING AND OTHER EXPENSES	
Employees' costs :	
Salaries, wages and bonus	15.409
Contribution to provident fund and other funds	0.164
Welfare expenses	1.486
	17.059
Payment to consultants	6.727
Travelling, conveyance and vehicle expenses	2.824
Electricity	1.890
Rent	11.148
Insurance	0.375
Repairs to :Machinery	0.183
Others	2.117
	2.300
Advertisement and sales promotion	18.934
Rates and taxes	0.555
Printing, stationery and communication expenses	2.249
Legal & Professional charges	3.699
Payment to Auditors	0.108
Security Charges	1.164
Miscellaneous expenses	2.794
	71.826
SCHEDULE 'I'	
FINANCE CHARGES	
Other interest	3.028
Bank and other financial charges	0.412
	3.440

SCHEDULES TO PROFIT AND LOSS ACCOUNT

SCHEDULES TO PROFIT AND LOSS ACCOUNT

ADDITIONAL INFORMATION

SCHEDULE 'J'

A) DETAILS OF PRODUCTION, SALE, PURCHASES, OPENING STOCK AND CLOSING STOCK

Sr No.	Particulars	Unit	Period Ended	Opening Stock Quantity	Opening Stock Amount Rs.million	Purchases Quantity	Purchases Amount Rs.million	Sale Quantity	Sale Amount Rs.million	Consumption Quantity	Consumption Amount Rs.million	Closing Stock Quantity	Closing Stock Amount Rs.million
1	Skin Care Products		31.03.2004	–	–	160,941.000	12.887	2,683.000	3.589	86,500.000	6.394	71,758.000	4.084
2	Service Income		31.03.2004	–	–	–	–	–	41.637	–	–	–	–
	TOTAL		31.03.2004	–	–	160,941.000	12.887	2,683.000	45.226	86,500.000	6.394	71,758.000	4.084

	Period ended March 31, 2004 Quantity Nos	Value Rs. million
B) MATERIALS CONSUMED		
Skin Care Products	86,500.000	6.394
	86,500.000	6.394
	%	Value Rs.
C) VALUE OF IMPORTED AND INDIGENOUS MATERIALS CONSUMED		
Imported	61.92%	3.959
Indigenous	38.08%	2.435
	100.00%	6.394
D) VALUE OF IMPORTS ON C.I.F. BASIS		
Capital goods		52.419
Finished Goods		5.614
		58.033
E) EXPENDITURE IN FOREIGN CURRENCY		
Travelling and other expenses		0.087
		0.087

NOTES TO THE ACCOUNTS

SCHEDULE 'K'

NOTES:

1) The Company and nature of its operations:

Kaya Skin Care Limited (Previously Kaya Aesthetics Limited) ('Kaya' or 'the Company'), headquartered in Mumbai, India, carries on skin care business through Kaya Skin Clinics. The clinics offer skin care service using scientific, US FDA approved dermatological procedures. Kaya Skin Care Limited is a subsidiary of Marico Industries Limited. The current Kaya clinic set up includes 11 Kaya Skin Clinics operating across Delhi and Mumbai.

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

1) Tangible assets

Fixed assets are stated at cost of acquisition less accumulated depreciation. 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 are also capitalised, where appropriate.

2) Intangible assets

Intangible assets are amortised over their estimated economic useful lives as estimated by the management, but not exceeding the period given hereunder:

Computer software	3 years

(c) Depreciation/Amortisation

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

Computer hardware and related peripherals, etc.	- 33 1/3%
Technologically advanced machinery	- 10%

Assets individually costing Rs.5,000 or less are depreciated fully in the year of acquisition.

(d) Inventories

Finished products are valued at lower of cost and net realisable value.

NOTES TO THE ACCOUNTS

(e) 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.

(f) Revenue recognition

- Income from services is recognized on rendering of the service.
- Sale of products is recognised on delivery of the products to the customers.

(g) Retirement benefits

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

(h) Foreign currency transactions

Foreign currency assets and liabilities are translated at forward cover rate or at the period end exchange rate, as applicable. Resultant gains or losses are recognised in the profit and loss account other than the exchange rate differences relating to fixed assets which are adjusted against the carrying cost of corresponding fixed assets. In case of forward contracts, the difference between the forward rate and the exchange rate on the date of the transaction is recognized as income or expense over the life of the contract.

(i) 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 other than on unabsorbed tax losses and unabsorbed tax depreciation are recognised only when there is a reasonable certainty of realisation. Deferred tax assets on unabsorbed tax losses and unabsorbed tax depreciation are recognised only when there is a virtual certainty of realisation.

3) Contingent liabilities :

There are no contingent liabilities as at March 31, 2004.

4) Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 8.043 million net of advances.

5) Miscellaneous income includes exchange rate gain of Rs. 0.086 million.

6) In terms of the Joint Venture agreement and approval from Foreign Investment Promotion Board (FIPB) dated December 4, 2003 the Company has allotted 1.200 million shares of Rs. 10/- each aggregating Rs. 12.000 million to the Joint Venture partner viz., M/s. Adil & Associates, LLC ('AA') on March 31, 2004. The balance amount of Rs. 2.012 million received from AA has been shown as advance against equity pending FIPB approval for further increase in equity.

7) In view of loss for the period, no provision is made for income tax.

NOTES TO THE ACCOUNTS

8) Earnings per share:

	March 31, 2004 (Rs. million)
Profit after taxation	(48.081)
Equity shares outstanding as at the year end	8.800
Weighted average number of equity shares used as denominator for calculating basic and diluted earnings per share	0.074
Nominal value per equity share (Rs.)	10.000
Basic and diluted earnings per equity share (Rs.)	(649.80)

9) In view of the mandatory accounting standard AS 22 " Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India, applicable to the Company, deferred tax is accounted as under:

	March 31, 2004 (Rs. million)
Deferred tax liability arising on account of additional depreciation on fixed assets for tax purposes due to higher tax depreciation rates	5.807
Less : Set off of deferred tax asset on carried forward business tax losses and unabsorbed depreciation to the extent of deferred tax liability	5.807
Balance as on March 31, 2004	–

10) The financial statements are drawn for the period from March 27, 2003 (Date of Incorporation) to March 31, 2004, being the first reporting period after the incorporation of the Company. Also, consequently there are no pervious year figures.

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

a) **Registration details:**

Registration No.	:	11-139763
State code	:	11
Balance Sheet Date	:	March 31, 2004

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

Public Issue	Nil
Bonus Issue	Nil
Bonus Preference Shares	Nil
Rights Issue	Nil
Private placement	87.500
Subscription to the Memorandum	0.500

NOTES TO THE ACCOUNTS

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

Total Liabilities	221.180
Total Assets	221.180

Sources of Funds		**Application of Funds**	
Paid up Capital	88.000	Net Fixed Assets	144.764
Advance against equity	2.012	Investments	Nil
Reserves & Surplus	Nil	Net Current Assets	6.235
Secured Loans	Nil	Misc. Expenditure	Nil
Unsecured Loans	109.068	Debit Balance in Profit & Loss A/c	Nil
Deferred Tax Liability	Nil		
Accumulated losses	(48.081)		

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

Turnover (Sales & Other Income)	45.446
Total Expenditure	93.527
Profit before Tax	(48.081)
Profit after Tax	(48.081)
Earnings per share (in Rs.)	(649.80)
Dividend rate (%)	Nil

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

Item Code No. (I.T.C. Code)	Product Description
N.A.	Skin care services

Signatures to Schedules A to K
For and on behalf of the Board of Directors

HARSH MARIWALA - Chairman

RAKESH PANDEY - Director

Place: Mumbai
Dated: April 19, 2004

Board of Managers	Harsh Mariwala
	Abel Halpern
	Asif Adil (resigned w.e.f. June 17, 2004)
	Arnab Banerjee (nominee of Marico Industries Ltd.)
	(appointed w.e.f. June 14, 2004)
	Vinita Bali (nominee of Marico Industries Ltd.)
	(appointed w.e.f. June 14, 2004)
Management Team	Rahul Koul, Chief Operating Officer
Principal / Corporate Office	379, West Broadway, Suite 404,
	New York, NY 10012, USA
Independent Accountants	R. Rehani & Co.
	Certified Public Accountants, P.C.
	225 West 34th Street Suite 1404A
	New York, NY 10122, USA
Bankers	JP Morgan Chase
	Citibank NA
Website	www.sundari.com

REPORT OF BOARD OF MANAGERS

To,

The Members

Your Board take pleasure in presenting the First Annual Report together with audited accounts of your Company for the period ended December 31, 2003.

FINANCIAL RESULTS

Sundari LLC., has completed its first year of operations. Your Company was incorporated in January, 2003 in the state of Delaware and commenced operations on February 27, 2003 as the corporate vehicle for the strategic alliance amongst Marico Industries Limited, Shantih LLC. and Adil & Associates LLC. During the ten months of commercial operations your Company has reported a turnover of USD 0.7 million and an operating loss of USD 0.8 million.

	(USD Million)	(Rs. Million)
	2003	2003
Sales	0.7	32.6
Gross Profit	0.4	18.6
Net Profit	(0.8)	(37.2)

REVIEW OF OPERATIONS

During the year, your Company focussed on adding new channels of distribution, new product development and cost control. Your Company has reduced its focus on the retail channel, since it requires high marketing support and has decided to focus on the Spa and the Internet channels. The strategy for Spas and Internet has started paying off. New distributors are being identified for international distribution. The focus on cost management has helped reduce costs in many areas. As the strategic pivots are being put in place, the business is likely to remain in the investment phase for quite some time.

MANAGEMENT

During the year under review, Ms. Christy Turlington, co-founder and Manager of the Company resigned from her office. Also, Ms. Ayla Hussain, Chief Executive Officer and Manager of the Company resigned in her capacities as office bearer and Board member of the Company. Your Board places on record its appreciation for the contribution made by Ms. Turlington and Ms. Hussain during their tenure.

Mr. Rahul Koul has been nominated as the Chief Operating Officer of your Company by Marico Industries Limited in terms of the Amended & Restated Operating Agreement amongst Marico Industries Limited, Shantih LLC., Sundari LLC. & Adil & Associates LLC.

DIVIDEND

Considering the financial position of the Company and in order to conserve resources for growth, no dividend is being proposed for this year.

INDEPENDENT ACCOUNTANTS

Messers R. Rehani & Co., Certified Public Accountants, have been appointed as Independent Accountants of the Company.

ACKNOWLEDGEMENT

The Board of Managers acknowledges the support and assistance received from Bankers, Vendors, Distributors and other business associates and looks forward to continued support of all these partners in progress.

For and on behalf of Board of Managers

Place: Mumbai

Date : April 20, 2004

HARSH MARIWALA

INDEPENDENT ACCOUNTANTS' REPORT

The Members

Sundari LLC.

We have reviewed the accompanying balance sheet of Sundari LLC. as at December 31, 2003 and the related statements of members' capital, operations and cash flows for the period February 27, 2003 (inception) to December 31, 2003. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the 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 referred to above present fairly, in all material respects the financial position of Sundari LLC. as at December 31, 2003 and results of its operations and its cash flows for the period then ended in conformity with principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

R. Rehani & Co.

Certified Public Accountants, P.C.

New York, New York

February 12, 2004

BALANCE SHEET

ASSETS

	As At December 31, 2003	
	Amount (USD)	Amount (Rs. Million)
Current assets		
Cash	119,273	5.552
Accounts receivable		
less: allowance for doubtful accounts $15,500	85,614	3.985
Inventories (notes 2 & 3)	569,729	26.521
Other current assets and prepaid expenses	17,333	0.807
Total current assets	791,949	36.865
Property and equipment : (notes 2 & 4)		
At cost less accumulated depreciation		
of $ 3,192	32,673	1.521
Other assets		
Trademark, net of amortisation - note 2	1,560,432	72.638
Deferred costs - note 2	122,420	5.699
Security deposits	10,850	0.505
Total current assets	1,693,702	78.842
TOTAL ASSETS	**2,518,324**	**117.228**
LIABILITIES AND MEMBERS' EQUITY		
Current liabilities		
Accounts payable and accrued expenses	189,438	8.818
Customers' credit balances	8,830	0.411
Due to members	1,466	0.068
Total current liabilities	199,734	9.297
Commitments (note 7)		
Long -term liabilities		
Loans payable - members - note 5	1,000,000	46.550
Notes payable - others - note 6	358,744	16.700
Total long-term liabilities	1,358,744	63.250
Total members' capital	959,846	44.681
TOTAL LIABILITIES AND MEMBERS' EQUITY	**2,518,324**	**117.228**

See accompanying notes and accountants' report

* The exchange rate used for conversion of figures in USD to Rs. is Rs. 46.55 / USD.

STATEMENT OF MEMBERS' CAPITAL

As at December 31, 2003

Amount in USD

	Marico Industries Limited	Shantih LLC.	Adil & Associates LLC.	Total
Balance at February 27, 2003	–	–	–	–
Capital contributions	1,150,000	538,492	136,905	1,825,397
Net loss	(545,297)	(255,338)	(64,916)	(865,551)
Balance at December 31, 2003	604,703	283,154	71,989	959,846

Amount in Rs. Million

	Marico Industries Limited	Shantih LLC.	Adil & Associates LLC.	Total
Balance at February 27, 2003	–	–	–	–
Capital contributions	53.532	25.067	6.373	84.972
Net loss	(25.383)	(11.886)	(3.022)	(40.291)
Balance at December 31, 2003	28.149	13.181	3.351	44.681

See accompanying notes and accountants' report

* The exchange rate used for conversion of figures in USD to Rs. is Rs. 46.55 / USD.

STATEMENT OF OPERATIONS

	For The Period February 27, 2003 (Inception) To December 31, 2003	
	Amount (USD)	Amount (Rs. Million)
Net Sales	697,858	32.486
Cost of sales	300,445	13.986
Gross profit	397,413	18.500
Operating Expenses :		
Selling, general and administrative	1,114,478	51.879
Depreciation	3,524	0.164
Amortisation	117,594	5.474
	1,235,596	57.517
Net operating loss	(838,183)	(39.017)
Other income and (expenses):		
Interest income	10,266	0.478
Interest expense	(26,826)	(1.249)
Assets written off	(10,808)	(0.503)
	(27,368)	(1.274)
Net loss	**(865,551)**	**(40.291)**

See accompanying notes and accountants' report

* The exchange rate used for conversion of figures in USD to Rs. is Rs. 46.55 / USD.

STATEMENT OF CASH FLOWS

	For The Period February 27, 2003 (Inception) To December 31, 2003	
	Amount (USD)	Amount (Rs. Million)
Increase / (decrease) in cash and cash equivalent		
Cash flows from operating activities		
Net loss	(865,551)	(40.291)
Adjustments to reconcile net loss to cash provided by operating activities		
Depreciation and amortisation	121,118	5.638
Assets written off	10,808	0.503
Changes in assets and liabilites		
Accounts receivable	(77,529)	(3.609)
Inventory	(247,854)	(11.538)
Other current assets	(17,333)	(0.807)
Cash at acquisition	7,244	0.337
Account payable and accrued expenses	(606,018)	(28.210)
Customer's credit balances	8,830	0.411
Net cash used in operating activities	(1,666,285)	(77.566)
Cash flows applied to investing activities		
Acquisition of property and equipment	(2,653)	(0.123)
Security deposits	(3,255)	(0.152)
Deferred costs	(146,905)	(6.838)
Net cash applied to investing activities	(152,813)	(7.113)
Cash flows provided by (applied to) financing activities		
Members' capital contribution	1,286,905	59.905
Loans payable to members	1,000,000	46.550
Decrease in short-term loans	(350,000)	(16.292)
Due to members	1,466	0.068
Net cash provided by financing activities	1,938,371	90.231
Increase in cash	119,273	5.552
Cash - beginning of year	–	–
Cash - end of year	119,273	5.552
Supplementary disclosures		
Interest paid	487	0.023
Taxes paid	–	–

See accompanying notes and accountants' report

* The exchange rate used for conversion of figures in USD to Rs. is Rs. 46.55 / USD.

NOTES TO FINANCIAL STATEMENTS - DECEMBER,31 2003

Note 1 - Operations

In January 2003 Sundari LLC. (the company) was established to acquire the assets and liabilities of Shantih LLC.,which was founded in 1998. The company is a Limited Liability Company registered in the state of Delaware. The company markets and distributes skin care products under the brand name of "Sundari" to be sold to prestigious outlets.

Note 2 - Summary of significant accounting policies

a) Inventories:

Inventories are stated at lower of average cost or market.

b) Property and equipment:

Property and equipment is stated at cost less accumulated depreciation. Depreciation is provided over the useful lives of assets using the straight-line method.

c) Cash and cash equivalents:

For the purpose of statement of cash flows, the company considers investments in highly liquid debt instruments with maturity of three months or less to be cash-equivalents.

d) Concentration of risk:

The company maintains its cash in bank deposits at high credit quality institutions. At times during the year the company maintained certain bank accounts in excess of the federally insured limits.

e) Use of estimates:

The preparation of financial statements in confirmity with generally accepted accounting principles requires management to make estimates that affect the amounts reported in financial statements and accompanying notes. Actual results could differ from the estimates.

f) Income Taxes:

The company is limited liability taxed as partnership in which all elements of income and deduction are included in tax returns of members of the company. The company is subject to New York unincorporated business tax.

g) Deferred costs:

Deferred costs are being amortised over 60 months, and net of amortization comprise

	Amount (USD)	Amount (Rs. Million)
Deferred Compensation	114,088	5.311
Deferred organisation costs	8,332	0.388
	122,420	**5.699**

h) Intangibles:

Trademark - represents amount paid for purchase of the trademark "Sundari" and has been determined by reducing the acquisition price by the difference of net assets as reduced by the net liabilities taken over. Trademark is being written off over a period of 15 years.

* The exchange rate used for conversion of figures in USD to Rs. is Rs. 46.55 / USD.

NOTES TO FINANCIAL STATEMENTS - DECEMBER,31 2003

Note 3 - Inventories

Inventories at December 31,2003 consist of:

	Amount (USD)	Amount (Rs. Million)
Packaging	279,889	13.029
Finished Goods	289,840	13.492
	569,729	**26.521**

Note 4 - Property and equipment

Major classifications of property and equipment and their respective depreciable life are as follows:

	Estimated useful lives-Years	Amount (USD)	Amount (Rs. Million)
Equipment	5	21,031	0.979
Furniture & fixtures	7	8,520	0.397
Leasehold improvements	5	6,646	0.309
		36,197	1.685
Less: accumulated depreciation and amortisation		3,524	0.164
		32,673	**1.521**

Note 5 - Loans payables - members

Loans payable to Marico Industries Limited, a member, bears interest at Libor plus 1.5%. During the period ended December 31,2003, the company provided $14,464 (Rs. 0.673 million) interest on the loan. The loan is unsecured.

Note 6 - Notes payable - others

Notes payable to a founder member of Shantih LLC. , are due February 26, 2006 and bear interest at 3.5% to 4%. During the period ended 2003, the company provided $11,875 (Rs. 0.553 million) interest on these notes. The notes are unsecured.

Note 7 - Commitments

The company leases office space and showroom under an operating lease expiring in September 2005. As at December 31, 2003 the future minimum and annual lease payments were as follows:

December 31,	Amount (USD)	Amount (Rs. Million)
2004	74,312	3.459
2005	5,978	0.279
	80,290	**3.738**

* The exchange rate used for conversion of figures in USD to Rs. is Rs. 46.55 / USD.

SCHEDULES OF SUPPLEMENTARY INFORMATION

	For The Period February 27, 2003 (Inception) To December 31, 2003	
	Amount (USD)	Amount (Rs. Million)
Cost of Sales		
Purchases	583,234	27.150
Manufacturing and Processing	231,164	10.761
Other Costs	55,776	2.596
	870,174	40.507
Less Inventory - end	569,729	26.521
Total Cost of sales	300,445	13.986
Selling, general and administrative expenses		
Payroll and benefits	395,344	18.402
Rent	62,634	2.916
Utilities	4,888	0.228
Telephone	17,620	0.820
Insurance	16,548	0.770
Bank and Credit Card fees	11,158	0.519
Office supplies and expenses	21,305	0.992
Computer supplies and expenses	3,499	0.163
Relocation expenses	5,000	0.233
Repairs and maintenance	7,289	0.339
Professional fees	212,307	9.883
Business taxes	3,959	0.184
Postage and delivery	17,587	0.819
Freelance sales force	41,903	1.951
Marketing & promotion	52,041	2.423
Public relations	47,652	2.218
Product development	105,797	4.925
Website - internet	13,519	0.629
Travel and entertainment	71,128	3.311
Auto expenses	3,300	0.154
Total Selling, general and administrative expenses	**1,114,478**	**51.879**

* The exchange rate used for conversion of figures in USD to Rs. is Rs. 46.55 / USD.

10 YEARS' HIGHLIGHTS

The highlights pertain to the financial performance of Marico Consolidated

Amount in Rs. Million

Year ended March 31,	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Sales & Services	**2,833**	**3,486**	**4,097**	**4,900**	**5,512**	**6,497**	**6,707**	**6,957**	**7,755**	**8,888**
Profit before Interest & Tax (PBIT)	252	364	353	424	477	458	537	619	651	662
Operating Profit before Tax	191	268	277	365	440	426	501	578	640	651
Extraordinary / Exceptional items	-	29	14	-	-	(18)	-	-	-	-
Profit before Tax (PBT)	**191**	**297**	**291**	**365**	**440**	**408**	**501**	**578**	**640**	**651**
Profit after Tax (PAT)	118	212	215	300	375	357	458	501	562	590
Cash Profits (PAT + Depreciation)	150	238	246	340	427	435	546	703	782	721
Economic Value Added (Refer Management Discussion)	**90**	**125**	**87**	**188**	**230**	**233**	**278**	**291**	**313**	**389**
Net Fixed Assets	270	404	453	605	694	953	1,274	1,413	1057	1125
Investments	22	23	8	-	-	-	-	-	139	5
Net Current Assets	230	634	524	463	540	502	475	669	939	901
Miscellaneous Expenditure	-	-	-	-	-	-	-	-	7	5
Total Capital Employed	**522**	**1,061**	**985**	**1,068**	**1,235**	**1,455**	**1,749**	**2,082**	**2,142**	**2,036**
Equity Share Capital	45	145	145	145	145	145	145	145	290	290
Advance against Equity	-	-	-	-	-	-	-	-	-	2
Preference Share Capital	-	-	-	-	-	-	-	-	290	-
Reserves	252	515	653	834	1,065	1,277	1,568	1,827	1350	1552
Net Worth	**297**	**660**	**798**	**979**	**1,210**	**1,422**	**1,713**	**1,972**	**1,930**	**1,844**
Minority Interest	-	-	-	-	-	-	-	-	31	19
Borrowed Funds	225	401	187	89	25	33	36	50	120	111
Deferred Tax Liability	-	-	-	-	-	-	-	60	61	62
Total Funds Employed	**522**	**1,061**	**985**	**1,068**	**1,235**	**1,455**	**1,749**	**2,082**	**2,142**	**2,036**
Profit before Tax to Turnover (%)	6.7	8.5	7.1	7.4	8.0	6.3	7.5	8.3	8.2	7.3
Profit after Tax to Turnover (%)	4.2	5.2	4.9	6.1	6.8	5.5	6.8	7.2	7.2	6.6
Return on Net Worth (%) (PAT / Average Net Worth)	49.0	44.3	29.5	33.8	34.3	27.1	29.2	27.2	28.8	31.2
Return on Capital Employed (PBIT* / Average Total Capital Employed)	**58.9**	**46.0**	**34.5**	**41.3**	**41.5**	**32.7**	**33.5**	**32.3**	**30.8**	**31.7**
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	22.3	27.9
Earning per Share (EPS) (Rs.) (PAT / No. of Equity Shares)##	**26.3**	**12.6**	**13.9**	**20.7**	**25.9**	**24.6**	**31.6**	**34.5**	**19.0**	**19.4**
Economic Value Added per share (Rs.) (Refer Management Discussion)##	20.0	8.6	6.0	13.0	15.8	16.1	19.2	20.1	10.8	13.4
Dividend per share (Rs.) ##	1.5	2.5	5.0	7.5	9.0	9.0	10.0	14.0	4.8	8.5
Debt / Equity	**0.76**	**0.61**	**0.23**	**0.09**	**0.02**	**0.02**	**0.02**	**0.03**	**0.06**	**0.06**
Book Value per share (Rs.) (Net Worth / No. of Equity Shares) ##	**66.0**	**45.5**	**55.0**	**67.5**	**83.4**	**98.1**	**118.1**	**136.0**	**66.5**	**63.6**
Sales to Average Capital Employed @	5.4	3.3	4.2	4.6	4.8	4.8	4.2	3.6	3.7	4.3
Sales to Average Net Working Capital #	14.6	8.1	7.1	9.9	11.0	12.5	13.8	12.2	9.6	9.7

* 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

Per share information for 2002-03 and 2003-04 is calculated on enhanced equity share capital of Rs. 290 Million (29 million shares)

CONSOLIDATED QUARTERLY FINANCIALS

2003-04					(Amount in Rupees Million)
Particulars	**Three Months Ended**				**Annual**
	Jun. 30, 03	**Sept. 30, 03**	**Dec. 31, 03**	**Mar. 31, 04**	**FY04**
Total Revenue	2,099	2,230	2,326	2,262	8,917
Total Expenditure	1,897	2,036	2,123	2,086	8,142
Finance Charges	5	3	-	4	12
Gross Profit after Finance Charges but before Depreciation and Taxation	197	191	203	172	763
Depreciation & Amortisation	31	34	34	31	130
Profit before Tax	**166**	**157**	**169**	**141**	**633**
Minority Interest	(5)	(5)	(4)	(4)	(18)
Profit before Tax after Minority Interest	**171**	**162**	**173**	**145**	**651**
Provision for Tax (Current)	25	20	18	(3)	60
Profit after Tax (Current)	**146**	**142**	**155**	**148**	**591**
Provision for Tax (Deferred Taxation)	5	7	7	(18)	1
Profit after Tax	**141**	**135**	**148**	**166**	**590**
Dividend on Redeemable Preference Share Capital	23	-	-	-	23
Profit after Tax after Preference Dividend	**118**	**135**	**148**	**165**	**566**
Equity Share Capital	**290**	**290**	**290**	**290**	**290**
Earnings per Share - Annualised (Rs.)	16.3	18.6	20.4	22.7	19.4
Interim Dividend declared per share (Rs.)*	1.5	2.0	-	5.0	8.5
Total Dividend per share (Rs.)	1.5	2.0	-	5.0	8.5

*This consists of 3rd interim dividend of Rs. 2.5 per share and 4th interim dividend of Rs. 2.5 per share on the pre- bonus equity share capital of Rs. 290 million.

2002-03					(Amount in Rupees Million)
Particulars	**Three Months Ended**				**Annual**
	Jun. 30, 02	**Sept. 30, 02**	**Dec. 31, 02**	**Mar. 31, 03**	**FY03**
Total Revenue	1,824	1,962	2,062	2,020	7,868
Total Expenditure	1,614	1,762	1,776	1,846	6,998
Finance Charges	5	4	3	(1)	11
Gross Profit after Finance Charges but before Depreciation and Taxation	205	196	283	175	859
Depreciation	37	36	113	34	220
Profit before Tax	**168**	**160**	**170**	**141**	**639**
Minority Interest	-	-	-	(1)	(1)
Profit before Tax after Minority Interest	**168**	**160**	**170**	**142**	**640**
Provision for Tax (Current)	18	13	22	25	78
Profit after Tax (Current)	**150**	**147**	**148**	**117**	**562**
Provision for Tax (Deferred Taxation) net off write backs	15	17	9	(41)	-
Profit after Tax	**135**	**130**	**139**	**158**	**562**
Dividend on Redeemable Preference Share Capital	-	-	12	-	12
Profit after Tax after Preference Dividend	**135**	**130**	**127**	**158**	**550**
Equity Share Capital	**145**	**290**	**290**	**290**	**290**
Earnings per Share - Annualised (Rs.)	37.2	18.0	17.6	21.8	19.0
Interim Dividend declared per share (Rs.) **	0.75	1.00	1.00	-	2.75
Final Dividend declared per share (Rs.)	-	-	-	2.00	2.00
Total Dividend declared per share (Rs.)	0.75	1.00	1.00	2.00	4.75

** The first interim dividend of Rs. 1.5 per share was declared on the pre-bonus equity share capital of Rs. 145 million. In order to facilitate correct comparison, the dividend per share for this first interim dividend has been worked out with reference to the enhanced equity share capital of Rs. 290 million.

OUR PRESENCE IN THE SUB-CONTINENT

MORE ABOUT MARICO

Parachute is the world's largest packaged coconut oil brand.

Marico uses 1 out of every 25 coconuts grown in India, and 3 nuts of every coconut tree in India.

1 out of every 10 Indians is a Marico consumer.

Marico's brands enjoy a leadership position (No. 1 or No. 2) in their respective categories.

Marico is now No. 2 in the hair oil market (up from No. 5) with the success of new products - Parachute Jasmine and Shanti Amla.

Marico sells over 56 million consumer packs every month.

Marico reaches over 1.2 million retail outlets.

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

Overseas sales franchise of Marico's consumer products is one of the largest among Indian companies.

Marico's turnover and profits have been consistently growing over the corresponding quarter of the previous year - turnover for the past 14 quarters and profits for the past 18 quarters.

Marico has been distributing dividend every quarter for the past 13 quarters in a row.

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

Marico ranks 15th among the top 200 corporate houses in India in terms of ROCE (Business India Survey - November 2003).

Parachute (30th) and Saffola (80th) are amongst India's 100 Most Trusted Brands (Brand Equity Survey - The Economic Times - December 2003).

Some statements in this Annual Report describing the projections, estimates, expectations or outlook may be forward looking. Actual results may, however, differ materially from those stated on account of various 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 constraints.


Saffola
The Heart of a Healthy Family
Salt Plus


New
REVIVE
INSTANT STARCH


Saffola
Gold


Sampoorna


Parachute
Intensive Care Coconut Hair Cream


शान्ति


Mediker


Saffola
The Heart of a Healthy Family


Silk-n-Shine


Parachute
100% Pure Coconut Oil


SWEEKAR


Parachute
Jasmine
NON-STICKY COCONUT HAIR OIL


Mediker


Saffola
Tasty Blend

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