DIRECTORS' REPORT

To the Shareholders

Your Board of Directors ('Board') is pleased to present the Twenty Sixth Annual Report of your Company, Marico Limited, for the year ended March 31, 2014 ('the year under review', 'the year' or 'FY14').

In line with the requirements of the Listing Agreement with BSE Limited and the National Stock Exchange of India Limited, your Company has been reporting consolidated results – taking into account the results of its subsidiaries. This report, therefore, covers the financial results and other developments during April 2013 – March 2014 in respect of Marico Consolidated comprising the unified FMCG business under Marico Limited ('Marico') in India and overseas. The consolidated entity has been referred to as 'Marico' or 'Group' or 'Your Group' in this report.

FINANCIAL RESULTS - AN OVERVIEW

	Rs. Crore Year ended March 31, 2014	2013
Consolidated Summary Financials for the Group		
Revenue from Operations	**4686.52**	**4596.18**
Profit before Tax	694.58	551.88
Profit after Tax	485.38	395.86
Marico Limited – financials		
Revenue from Operations	**3682.58**	**3407.10**
Profit before Tax	717.27	541.99
Less: Provision for Tax for the current year	140.05	112.90
Profit after Tax for the current year	577.22	429.09
Add : Surplus brought forward	1162.84	835.43
Profit available for Appropriation	**1740.06**	**1264.52**
Appropriations:		
Distribution to shareholders	**257.95**	**32.24**
Tax on dividend	9.37	5.23
	267.31	37.47
Transfer to General Reserve	**57.72**	**42.91**
Debenture Redemption Reserve	**20.86**	**21.30**
Surplus carried forward	**1394.18**	**1162.84**
Total	**1740.07**	**1264.52**

DISTRIBUTION TO EQUITY SHAREHOLDERS

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

Keeping in mind the increase in the profits made by the Company over the last five years and in an endeavor to maximize the returns to its shareholders, the Company increased its dividend payout during the year to 350% as compared to 100% during FY13. Your Company's distribution to equity shareholders during FY14 comprised the following:

First interim dividend of 75% on the equity base of Rs 64.48 Crore.

Second interim dividend of 100% on the equity base of Rs. 64.48 Crore.

Third interim dividend (A special onetime Silver Jubilee Dividend to commemorate 25 years since incorporation) of 175% on the equity base of Rs.64.48 Crore.

The total equity dividend for FY14 (including dividend tax) aggregated to Rs. 229.6 Crore. The overall dividend payout ratio hence is 47.3% as compared to 19.3% during FY13. Excluding the one-time dividend, the payout ratio for the year is 24.1%.

DIRECTORS' REPORT

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

During FY14 Marico posted revenue from operations of INR 4,687 Crore, a growth of 10% over the previous year. This was contributed by 6% expansion in volumes accompanied by 4% price increases and improvement in sales mix. The business reported bottom line of INR 485 Crore, growth of 12% over last year. The growth in PAT after excluding the impact of certain one-time accounting adjustments made in FY13 is 19%.

During FY14, the Company has received 900% dividend from Marico Bangladesh Limited on which income tax charge of INR 34.5 Crore has been accounted in the books. This has increased the effective tax rate (ETR) for the year. Profit growth excluding this tax impact is 26% for FY14.

The company has demonstrated steady growth on both the top line and the bottom line. Over the last 5 years, the topline has grown by 16% and bottom line by 21% at a Compounded Annual Growth Rate.

Domestic FMCG Business: Marico India

The Domestic FMCG Business achieved a turnover of INR 3,519 Crore during FY14, a growth of about 8% over FY13. This was mainly led by volume growth of 6% in an environment of subdued demand. The Company's brands have continued to improve their market shares.

Parachute coconut oil in rigid packs, the focus part of its portfolio, grew by 4% in volume as compared to FY13. During the 12 month period ended March 2014 Parachute along with Nihar improved its market share marginally over the same period last year to 56%.

Marico's value added hair oil brands (Parachute Advansed, Nihar Naturals and Hair & Care) grew by 11% in volumes during the year. Marico continues to gain market share and has emerged as a clear market leader with 28% share (for 12 months ended March 2014) in the INR 4500 Crore (USD 834 million) market. Nihar Shanti Amla continues to gain market share and achieved a volume market share of about 30% for the 12 months ended March 2014 in the Amla hair oils category (FY13: 25%).

The Saffola refined edible oils franchise grew by about 9% in volume terms during FY14 compared to FY13 reporting an improvement in performance albeit on a lower base. During the year, the Company revamped one of its existing variants i.e., New Saffola with an improved and top of the line offering for modern day needs "Saffola Total". The brand maintained its leadership position in the super premium refined edible oils segment with a market share of about 55% during the 12 months ended March 2014.

Saffola plain and savory oats represents Marico's healthy foods franchise. Saffola has a market share of over 14% by volume in the oats category and has emerged as the number two player in the category. Saffola Oats has increased its market share by about 24 bps as compared to last year. Saffola Oats crossed Rs. 50 Crore landmark in top line during the year under review. The Company expects to continue the robust growth in Oats.

Parachute Advansed Body Lotion has achieved a market share of over 6% (moving 12 months basis) and is the number 3 participant in the market. The Company launched India's first unique multi-dimensional 'spray-on' body lotion. The new launch will be extensively supported with heavy media and visibility support.

The acquired portfolio of the youth brands grew by 16% in value terms during the year over FY13. The Company has established a leadership position in the Hair Gels and Post Wash Leave-on conditioner market with about 33% and 82% share respectively. Set Wet and Zatak increased its market share marginally in the deodorants segment to 5% for 12 months ended March 2014, in this crowded category. In February, Set Wet launched a new variant Set Wet Infinity, a non-aerosol perfume spray with 'no-gas' formulation.

The Company has entered into the fastest growing creams segment of Hair Colour category by introducing Livon Conditioning Cream Colour in January 2014. Entry into the hair colour category not only strengthens the Company's hair care portfolio in India but also establishes our presence in categories which are replicable in other geographies.

In partnership with Union Swiss, the Company has introduced Bio-Oil in India. Union Swiss is a privately owned MNC based in South Africa. Marico will be marketing and distributing its flagship brand, Bio-Oil, in India. With presence in 76 countries, Bio-Oil is the No.1 selling product to improve appearance of scars and stretch marks. Having Bio-Oil in the portfolio will further strengthen Marico's presence in channels such as chemists and modern trade.

International FMCG Business: Marico International

The international business reported a topline growth of 16% during FY14 albeit 10% of it came from favorable foreign exchange movement. The overall volume growth in international business was 5%. It was a mixed bag for the international business. Business in Vietnam and Egypt grew in double digits while growth in Bangladesh was in single digit due to political instability in the country. Your Group has managed to cut back its losses in the Middle East region substantially and the geography is showing early signs of revival.

OTHER CORPORATE DEVELOPMENTS

Organizational Changes

Marico's Board of Directors, on March 25, 2014, approved the appointment of Mr. Saugata Gupta, CEO Marico Limited as Managing Director and CEO. Mr. Saugata Gupta has been inducted into the Company's Board of Directors effective April 1, 2014. Mr. Harsh Mariwala, previously Chairman & Managing Director, has been re-designated as Non-Executive Director. He will continue to act as Chairman of the Board and will guide the MD & CEO on long term strategy and direction.

The Board, at its meeting held on April 30, 2014, approved appointment of Mr. Vivek Karve, previously EVP and Head Corporate Finance, as the Chief Finance Officer of the Company effective April 1, 2014, in place of Mr. Milind Sarwate who moved on.

Demerger of Kaya Business

The Kaya Business, earlier a part of Marico, has been demerged effective October 17, 2013, with April 1, 2013 as the Appointed Date. Pursuant to the De-merger Scheme, the transfer of Kaya Business to Marico Kaya Enterprises Limited ("MaKE") has been accounted by the Company by recording the transfer of the relevant assets and liabilities of the Kaya Business at their book values as of the appointed date. In accordance with the scheme approved by the Hon'ble High Court of Bombay, the excess of book value of assets over liabilities has been adjusted against Securities Premium Reserve.

Further, pursuant to the scheme, as on the Record Date i.e. November 5, 2013, every shareholder holding 50 fully paid equity shares with a face value of Re. 1 each in Marico Limited has been allotted 1 fully paid equity share of MaKE with a face value of Rs. 10 and a premium of Rs. 200 each . MaKE submitted the Listing application along with the Information Memorandum to the Stock Exchanges on March 14, 2014 for seeking relaxation from SEBI. In April 2014, MaKE has received the necessary relaxations from SEBI and will now proceed with completing other listing formalities.

Accordingly, the financial results of the Kaya Business do not form part of the audited consolidated financial results for the year ended March 31, 2014. However, the audited consolidated financial results of previous year include the results of Kaya Business and accordingly, to that extent, are not comparable with the results for the year ended March 31, 2014.

DIRECTORS' REPORT

Final Distribution of Halite Assets to MCCL

The shareholders of Halite Personal Care Private Limited ("Halite"), a wholly owned step-down subsidiary of your Company, vide a special resolution at their extra ordinary general meeting held on January 18, 2013, resolved that the company be voluntarily liquidated. The shareholders also appointed a liquidator. In view of the liquidation, the liquidator, on March 25, 2013, distributed the assets of Halite to MCCL, being the sole shareholder of Halite. MCCL took over assets of Halite at fair values, determined by an independent valuer, where applicable. On distribution, MCCL received assets in excess of its Equity investment in Halite, resulting in profit of Rs. 5.91 Crore as mentioned below, which was shown as an exceptional item in the Statement of Profit and Loss for the year ended March 31, 2013.

During the year under review, a final meeting of the shareholders of Halite was held on January 15, 2014 to approve the Statement of Accounts (stating the manner in which liquidation was conducted) prepared by the Liquidator. Further assets were distributed on the said date as below. The liquidation proceedings are now pending before the Official Liquidator.

(Rs. Crore)

Particulars	As at March 31, 2014	As at March 31, 2013
Tangible assets (net)	–	0.73
Intangible assets	–	729.80
Distribution of other assets and liabilities (net)	0.03	–
Cash and bank balance	0.45	20.98
Total	**0.48**	**751.51**
Less: Value of equity investments in Halite in books of MCCL	–	(745.60)
Excess of assets taken over on investment	**0.48**	**5.91**
Classified as exceptional item (Refer Note 39)	–	5.91
Classified as Miscellaneous income	0.48	–

MCCL Capital Reduction Scheme

During the year under review, the Honourable Bombay High Court vide its order dated June 21, 2013 approved the Scheme of Capital Reduction pertaining to Marico Consumer Care Limited (MCCL) (a wholly owned subsidiary of your Company). Accordingly intangible assets aggregating Rs. 723.72 Crore were adjusted against the Share Capital and Securities Premium Reserves in accordance with the provisions of Section 78 (read with sections 100 to 103) of the Companies Act, 1956.

Marico Employee Stock Option Scheme 2007

In pursuance of shareholders' approval obtained on November 24, 2006, your Company had formulated and implemented an Employee Stock Options Scheme (the Scheme) for grant of Employee Stock Options (ESOS) to certain employees of the Company and its subsidiaries. The Corporate Governance Committee ('Committee') of the Board of Directors of your Company is entrusted with the responsibility of administering the Scheme and in pursuance thereof, the Committee has granted 1,13,76,300 stock options (as at March 31, 2014) comprising about 1.76% of the current paid up equity capital of the Company as at March 31, 2014. An aggregate of 212,600 options were outstanding as on March 31, 2014. Additional information on ESOS as required by Securities and Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 is annexed and forms part of this report.

None of the Non-executive Directors (including Independent Directors) have received any stock options in pursuance of the above Scheme. Likewise, no employee has been granted stock options, during the year equal to or exceeding 0.5% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant.

The Company's Auditors, M/s. Price Waterhouse, have certified that the Scheme has been implemented in accordance with the SEBI Guidelines and the resolution passed by the shareholders at the Extra-Ordinary General Meeting held on November 24, 2006.

During the year the Company approved Marico Employee Stock Option Scheme 2014 ("Marico ESOS 2014") for grant of 300,000 employee stock options to the Chief Executive Officer of the Company at an exercise price of Re. 1 per option. This does not have any impact on current financial statement as the grant date is April 1, 2014.

On April 30, 2014, the Corporate Governance Committee and the Board of Directors approved formulation of a new ESOP Plan for further grant of ESOPs to the Managing Director & CEO on an annual basis as a part of a long term incentive plan of the MD & CEO on a similar basis as Marico ESOS 2014, for which approval of the shareholders is being sought in the accompanying Notice of the 26th Annual General Meeting.

Marico Employees Stock Appreciation Rights Plan, 2011

Your Company had implemented a long term incentive plan namely, Marico Stock Appreciation Rights Plan, 2011 **('STAR Plan')** in the previous financial years for the welfare of its employees and those of its subsidiaries. Pursuant to the STAR Plan the Corporate Governance Committee of the Board of Directors notifies various Schemes granting Stock Appreciation Rights (STARs) to certain eligible employees. Each STAR is represented by one equity share of the Company. The eligible employees are entitled to receive excess of the maturity price over the grant price in respect of such STARs subject to fulfillment of certain conditions and subject to deduction of tax. The Corporate Governance Committee notified Scheme IV on December 2, 2013 and 1,079,000 STARs were granted under the Scheme. The vesting date of STARs granted under Scheme IV is November 30, 2016. The Company also granted 202,300 additional STARs under Scheme III on the same date. As on March 31, 2014, an aggregate of 31,05,900 STARs were outstanding.

Exemption from attaching the Balance Sheets, etc. of the Subsidiary Companies with the Balance Sheet of the Company

The Ministry of Corporate Affairs ("MCA") has vide its circular no. 02/2011 dated February 8, 2011, granted a general exemption under Section 212(8) of the Companies Act from attaching copies of the Balance Sheet, Profit and Loss Accounts, Directors' Report and Auditors' Report of its subsidiary companies with the Balance Sheet of the Company, subject to fulfillment of certain conditions.

In terms of the said circular, copies of the Balance Sheet, Profit and Loss Account, Report of the Board of Directors and the Report of the Auditors of the Subsidiary Companies have not been attached to the Balance Sheet of the Company. The Company has presented Consolidated Financial Statements comprising Marico Limited and its subsidiaries duly audited by the Statutory Auditors of the Company. The Consolidated Financial Statements prepared by the Company are in compliance with the Accounting Standard AS-21 as prescribed by the Companies (Accounting Standards) Rules, 2006 and the Listing Agreement with the Stock Exchanges. The statement required under Section 212 of the Companies Act, 1956 is attached to the annual accounts of the Company. The Annual Accounts and related documents of all the Subsidiary Companies shall be made available for inspection to the shareholders of the Company and its subsidiaries at the Registered Office of the Company from Monday to Friday during the hours between 11.00 a.m. and 1.00 p.m. The Company will also make available physical copies of such documents upon request by any shareholder of the Company or its subsidiaries interested in obtaining the same and the same would also be made available on the website of the Company.

PUBLIC DEPOSITS

There were no outstanding Public deposits at the end of this or the previous year. The Company did not accept any public deposits during the year.

DIRECTORS' RESPONSIBILITY STATEMENT

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

- In preparation of the Annual Accounts of your Company, the Accounting Standards, laid down by the Institute of Chartered Accountants of India from time to time, have been followed and that no material departures have been made from the same;

- Appropriate accounting policies have been selected and applied consistently, and reasonable and prudent judgment and estimates have been made so as to ensure that the accounts give a true and fair view of the state of affairs of your Company as at March 31, 2014 and the profits of your Company for the year ended March 31, 2014;
- 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 fraud and other irregularities;
- The annual accounts have been prepared on a going concern basis;

CORPORATE GOVERNANCE

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

DIRECTORS

Directors retiring by rotation

The relevant provisions of the Companies Act, 2013 were notified and made effective from April 1, 2014. In terms of Section 149(14) of the Companies Act, 2013, Independent Directors are not liable to retire by rotation. Accordingly, Mr. Rajen Mariwala, Non-Executive Director of the Company is liable to retire by rotation at this 26th Annual General Meeting and being eligible offers himself for re-appointment.

Appointment of Independent Directors

With the notification of the Companies Act, 2013 and the amended Clause 49 of the Listing Agreement with the Stock Exchanges, Independent Directors who have served as such for 5 years or more with the Company can be re-appointed for another term of maximum 5 years only. All Independent Directors on your Company's Board, except Mr. B S Nagesh, have already served a term of 5 years or more. Accordingly, your Board proposes re-appointment of all Independent Directors for a term of 5 years at the ensuing Annual General Meeting subject to your approval.

ADDITIONAL STATUTORY INFORMATION

Information under Section 217(1)(e) of the Companies ('the Act') 1956 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 shareholders, any shareholder desirous of obtaining this information may write to the Company Secretary at the Registered Office of the Company.

STATUTORY AUDITORS

M/s. Price Waterhouse, Chartered Accountants and Statutory Auditors of the Company retire at the ensuing Annual General Meeting. In terms of Section 139 of the Companies Act, 2013, M/s. Price Waterhouse who have been the Statutory Auditors of the Company over the last seven years, are eligible for a further term of maximum three years from the date of this Annual General Meeting. Such appointment shall be subject to ratification by the shareholders at each of the subsequent Annual General Meetings held during their tenure as Auditors. Accordingly, your Directors recommend appointment of M/s. Price Waterhouse as the Statutory Auditors of the Company to hold office from the conclusion of this 26^{t}h Annual General Meeting until the conclusion of 29th Annual General Meetting. M/s. Price Waterhouse have confirmed their willingness and eligibility for such re-appointment.

COST AUDITORS

Your Company appointed M/s. Ashwin Solanki & Associates, Cost Accountants, Mumbai, to conduct the cost audit for the Financial Year ended March 31, 2014 with respect to the products falling under vegetable fats and oils, pharmaceutical products, cereals, flour and product of cereals, prepared food products, food residues or prepared animal feed, personal care products, soaps and cleansing agents and albuminoidal substances, starches, glues, enzymes category. The Company had received necessary approval from Central Government for appointment of the Cost Auditor. The Cost Audit Report for the year ended March 31, 2014 will be submitted to the Central Government in due course.

INTERNAL AUDITORS

Ernst & Young LLP, a Chartered Accountant Firm, has been associated with your Company from the financial year 2012-13 as Internal Auditor partnering your Company in the area of risk management and internal control systems.

ACKNOWLEDGEMENT

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

On behalf of the Board of Directors

Place : Mumbai
Date : April 30, 2014

Harsh Mariwala
Chairman

ANNEXURE TO THE DIRECTORS' REPORT

Disclosure of Particulars with respect to Conservation of Energy, Technology Absorption and Foreign Exchange earnings and outgo as required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

A. Conservation of Energy

Marico continued to emphasize on the conservation and optimal utilization of energy in every manufacturing unit of the Company. The energy conservation measures implemented during FY 14 are listed below:

Plant – Baddi

The Baddi team undertook the below initiatives to reduce their CO_2 footprint in a phased manner -

- Solid Fuel Boiler was installed in place of FO Boiler resulting in savings of 3000 T of FO worth 9.8Cr / 9300 T of CO_2
- Pressure transmitter installed in the deodorizing booster steam line which acts as an automatic controller to reduce the steam supply to booster. This led to a savings of 576 MT of steam per year and 1 Cr in cost of generation – 625 T of CO_2
- Improvements in power consumption of boiler via reduction of choking by installation of rotary valve in the bottom of the boiler bank hopper led to 120,000 units and 7.8 Lacs of savings PA.

Plant – Kanjikode

Initiatives taken in Kanjikode have led to reduction in overall CO_2 emissions by 14.3 T of CO_2 per year

- Improvements in the generation, distribution and utilization of steam has resulted a saving in furnace oil consumption by 3000 liters per annum which reduce CO_2 emission of 8.7 T of CO_2/Year.
- Replaced a higher capacity conveyor motor to lower HP in Tin filling line has resulted a saving of 2160 units per year which is equivalent to GHG emission of 2.2 T of CO_2/Year
- Installed VFD in the final filtration bagda (coconut cake) conveyor in Oil mill and optimized the running time which reduced energy consumption by 1868 units/year equivalent to GHG emission of 1.9T CO_2/Year.
- Replaced the existing 5.5TR Air condition system to 3TR split type system in the Administration department thereby saving 1460 units per year which is equivalent to GHG emission of 1.5 T CO_2/Year.

Plant – Perundurai

The following initiatives in Perundurai have led to reduction in copra crushing electricity consumption (SPC) by 5.7 units/T leading to annual reduction in electricity consumption by 79782 units.

- During plant capacity expansion from 50 TPD to 120 TPD the team ensured that only 72% extra electrical load is added to the existing system. This was achieved through optimization of conveyers, pumps and other equipment.
    - o Using the same pre breaker and grinder saving 25 HP of a motor running.
    - o Elimination of 1 cake discharge conveyer having load of 2 HP through re orienting the existing conveyer to carry cake from both second stage expellers.
    - o Elimination of 1st stage cooker feed conveyer having 3 HP motor by modifying the elevator discharge chute.

To tide over power shortage lasting for 8 hours per day, 3P electricity purchase through a dedicated feeder forming a consortium of companies was initiated and electricity was bought from a Co- Generation capacity. This led to elimination of usage of Diesel Generator leading to reduction in overall CO_2 emissions by 16.26 T of CO_2 in 2013-14, with annual potential being at 40 T.

Plant – Pondicherry

Pondicherry Power Task Force Energy Conservation Initiatives have resulted in a reduction of 14423 Units/Year and reduction of 357 tons of CO_2 emission through following initiatives:

- Boiler Fuel changed from Diesel to Briquette (Compressed Agro Waste)
- Variable Frequency Drive installed for Cooker for Power reduction
- Installation of Solar powered lights in parts of the factory premises and LED lights as a green initiative

Plant – Jalgaon

The Jalgaon Team undertook twin initiatives to reduce their footprint. The below segments enabled a saving of 8110 units for a month of operations and 97320 units PA.

For Power Consumption reduction

- Use of energy efficient pumps for cleaner liquids
- Variable Frequency Drive installation done for centrifugal flow
- Replacement of equipment through kaizen like Boiler and TF heater rotary feeder for fuel feeding to less energy consuming equipment
- Air leakage audit done and gaps closed.

For Fuel Consumption reduction

- Steam trap auditing and rectification for better efficiency
- Temperature monitoring and rectification for heat exchangers for better efficiency
- Usage of Briquettes as a fuel which has higher Calorific value and very less amount of moisture.

Marico continued its journey towards effective utilization of energy. Significant reduction in power consumption has been achieved and rationalization efforts will continue.

The details of total energy consumption and energy consumption per unit of production are given in Enclosure ‘A’.

B. Technology Absorption

I. Research and Development (R&D)

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

In the past year, R&D has done considerable work to expand our understanding in Hair, Skin and Male grooming categories in Personal care and also in Healthy food formats. As these categories have witnessed increased competition from Local as well as International players, the benchmarks in the product performance have changed in big leaps. The entries of technologically stronger players have upped the benchmark of product performance. The group has spent considerable time to understand the state of competitive intensity and consumer shifts. We also needed to create different benchmarks for the products as we operated in international countries where the product performances were significantly different than India. Healthy formats, both in edible oils as well as in breakfast cereals space were invented. The health benefits for lifestyle diseases were delivered through the designer edible oils formats. We concentrated on three areas

- Competitive Scenario: In our categories, competitive insighting was done in terms of understanding product efficacy and sensorial. This has paid good dividends in creating products which performed better than the identified competition.
- Product in-sighting: A strong impetus was put on understanding consumer habits and usage towards the products. This was done through consumer research for the targeted consumer segments. These efforts enabled creation of products with right functionality and appropriate sensorial, creating differentiated products than the existing competition. This approach has been unique in creation of products which satisfied the un-met as well as under-met needs of consumers securing sustainable win.
- Efficacy: Efficacious active systems were created at functionally differentiated levels and also incorporated in products to be discernible to consumers. This has created good consumer loyalty in consumers both in the personal care as well as food formats. Several edible oil variants stand testimony to this.

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

- Product format with differentiable functionality and appropriate sensorials.
- Competitive watch for targeted response in time and custom-made product.
- Creation of new technology platforms to address un-met as well as under-met consumer needs.
- “Outside-in-approach” through collaboration to build science platforms.
- Creation of healthy food formats with Indian tastes

3. Future Plan of Action:

Your Company’s R&D will work towards continuous innovation in process, product & packaging technology to offer consumers value for money with delightful new product concepts, sensorial and product efficacy in “Beauty and wellness space”.

4. Expenditure on R&D:

(Rs. Crore)

Particulars	As at March 31, 2014	As at March 31, 2013
a) Capital	1.66	0.86
b) Recurring	16.57	5.95
Total	**18.23**	**6.81**
c) Total R & D expenditure as % to Sales & Services	0.49	0.20
d) Total R & D expenditure as % to PBT	2.54	1.26

II. Technology absorption, adaptation and innovation

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

During this year, the team invested substantial efforts in collaborating with external research community and vendors under open innovation program. Special efforts were devoted towards creating new technologies in the area of perfumes, hair fall actives and skin care. The efforts have yielded in improving current products with the use of new technologies to stay ahead of competition in efficacy. Currently there are many technologies under assessment for several consumer benefits. During the year, the focus has been placed on delivering health through technologies in edible oils. Several collaborations have significantly contributed in this journey. The Research Advisor Committee established a few years back has given impetus to the science journey. All of this has made a huge impact on the quality of products in terms of benefit level and shorter development time.

ANNEXURE TO THE DIRECTORS' REPORT

2. Imported technology:

A few technologies have been sourced through the Open Innovation model. These technologies are being offered by the International suppliers to the manufacturers at large. Marico R & D is working with these suppliers to create modified versions of the technologies which will be appropriate to the targeted consumers.

C. Foreign Exchange Earnings and Outgo

CIF value of imports

	As at March 31,	
	2014 Rs. Crore	**2013 Rs. Crore**
Raw materials	140.00	149.22
Packing materials	5.46	1.18
Capital goods	3.59	0.36
Stock - in - trade (Traded goods)	1.37	0.15
Total	**150.42**	**150.91**

Expenditure in foreign currency

	As at March 31,	
	2014 Rs. Crore	**2013 Rs. Crore**
Travelling and other expenses	0.65	0.50
Advertisement and sales promotion	6.10	5.19
Interest on other loans	11.48	11.19
Miscellaneous expenses	2.07	2.19
Total	**20.30**	**19.07**

Earnings in foreign currency

	As at March 31,	
	2013 Rs. Crore	**2012 Rs. Crore**
FOB value of exports	162.76	138.59
Royalty	6.78	6.08
Dividend	202.99	18.71
Interest	1.49	4.10
Corporate guarantee income	0.74	0.70
Total	**374.76**	**168.18**

On behalf of the Board of Directors

Place : Mumbai — **Harsh Mariwala**

Date : April 30, 2014 — **Chairman**

ANNEXURE TO THE DIRECTORS' REPORT

Auditors' Certificate regarding compliance of conditions of Corporate Governance

To the Shareholders of Marico Limited

We have examined the compliance of conditions of Corporate Governance by Marico Limited ('the Company'), for the year ended March 31, 2014, as stipulated in Clause 49 of the Listing Agreements of the said Company with stock exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination was carried out in accordance with the Guidance Note on Certification of Corporate Governance (as stipulated in Clause 49 of the Listing Agreement), issued by the Institute of Chartered Accountants of India and 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 the above mentioned Listing Agreements.

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

For Price Waterhouse
Firm Registration Number: 301112E
Chartered Accountants

Uday Shah
Partner
Membership Number: F-46061

Place: Mumbai
Date: April 30, 2014

ANNEXURE TO THE DIRECTORS' REPORT

Disclosure pursuant to the provisions of the Securities and Exchange Board of India
(Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999

Marico Employee Stock Option Scheme 2007 (ESOS 2007)

a)	Options granted (as at March 31, 2014)	11,376,300 options aggregating to about 1.85% of the paid-up equity capital of the Company (options, net of lapsed/forfeited/ exercised as at March 31, 2014: 212,600 options aggregating to about 0.03% of the paid-up capital of the Company)
b)	The pricing formula	The Exercise Price of the options shall be lower of the following: Average of the closing price for last 21 (twenty one) trading session(s) on National Stock Exchange (NSE) prior to the date on which the Corporate Governance Committee, grants the specific number of options to the employees, Or The closing price for the last session on National Stock Exchange (NSE) prior to the date on which the Corporate Governance Committee, grants the specific number of options to the employees.
c)	Options vested (as at March 31, 2014)	68,66,635
d)	Options exercised (as at March 31, 2014)	64,61,235
e)	The total number of shares arising as a result of exercising of option (as at March 31, 2014)	64,61,235
f)	Options lapsed/forfeited (as at March 31, 2014)	47,02,465
g)	Variation of terms of options	-N.A.-
h)	Money realised by exercise of options (as at March 31, 2014)	Rs. 56,41,298
i)	Total number of options in force (as at March 31, 2014)	2,12,600
j)	Employee wise details of options granted to : (as at March 31, 2014)	
	i) Senior Managerial Personnel	A summary* of options granted to senior managerial personnel are as under : No. of employees covered – 7 (Seven) No. of options granted to such personnel(options, net of lapsed/ forfeited/exercised) – 4,05,300 (Four Lakh Five Thousand Three Hundred) *Only summary given due to sensitive nature of information
	ii) any other employee who receives a grant in any one year of options amounting to 5% or more of option granted during the year	-N.A.-
	iii) identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant	-N.A.-

k)	Diluted Earnings per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with the Accounting Standard (AS) 20' Earnings per Share	Rs. 8.95
l)	i) Method of calculating employee compensation cost	The Company has calculated the employee compensation cost using the intrinsic value method of accounting for the options granted under the Scheme
	ii) Difference between the employee compensation cost so computed at (i) above and the employee compensation cost that shall have been recognised if it had used the fair value of the Options	Nil
	iii) The impact of this difference on the profits and on EPS of the Company	Had the Company considered 'fair value' method then the additional employee compensation cost would be NIL, the Profit Before Tax would be lower by the same amount and Earning Per Share by NIL
m)	Weighted average exercise price and weighted average fair values of options (to be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock)	Weighted average Exercise Price : Rs. 55.74 Weighted average Fair Value of Option : Rs.22.46
n)	Description of method and significant assumptions used during the year to estimate the fair values of options i) risk – free interest rate ii) expected life of options iii) expected volatility iv) expected dividends v) closing market price of share on date of option grant	Intrinsic Value Method

ANNEXURE TO THE DIRECTORS' REPORT ENCLOSURE 'A'

Power & Fuel Consumption

Note: The number given below relate to the own manufacturing facilities of the Company

			For the year ended March 31	
			2014	**2013**
1.	Electricity			
a.	Purchased units (Kwh)		1,29,07,947	1,38,86,537
	Amount (Rs. Crore)		8.68	7.41
	Average (Rs./ Unit)		6.72	5.33
b.	Own Generation			
i.	Through Diesel Generator (Kwh)		20,43,757	17,81,465
	Amount (Rs. Crore)		3.46	2.91
	Average Rate (Rs. / Unit)		16.94	16.31
2.	Furnace oil			
	Quantity (KL)		931	3,671
	Amount (Rs. Crore)		4.7	17.9
	Average Rate (Rs. / KL)		50,125	48,759
3.	Other Internal Generation (excludes HSD used for electricity generation)			
	L.D.O / H.S.D.			
	Quantity (KL)		190.6	465.8
	Amount (Rs. Crore)		1.0	2.1
	Average Rate (Rs. / KL)		52,533	45,127
4.	Baggase Consumption			
	Quantity (MT)		4,326.5	5,916.5
	Amount (Rs. Crore)		1.2	1.6
	Average Rate (Rs. / MT)		2,784.8	2,711.0
5.	Briquette Consumption			
	Quantity (MT)		2,572	-
	Amount (Rs. Crore)		1.33	-
	Average Rate (Rs. / MT)		5,179.67	-
6.	Rice Husk Consumption			
	Quantity (MT)		9,628	-
	Amount (Rs. Crore)		5	-
	Average Rate (Rs. / MT)		5,063.67	-
	Consumption per unit of production of edible oils			
		Unit		
	Electricity	Kwh	141.95	128.78
	Furnace oil	KL	0.01	0.03
	L.D.O./H.S.D.	KL	0.00	0.00
	Baggase	MT	0.36	0.52
	Briquette	MT	0.22	-
	Rice Husk	MT	0.30	-
	Consumption per unit of production of Hair Oils and other formulations			
		Unit		
	Electricity	Kwh	48.07	37.69
	Furnace oil	KL	0.00	-