CROSSING THE 1000 CRORE MARK

UNCOMMON SENSE

ANNUAL REPORT 2004 - 05

marico

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
Nikhil Khattau
Atul Choksey
Rajeev Bakshi
Rajen Mariwala (Appointed w.e.f. April 27, 2005)

Kishore Mariwala (Until April 27, 2005)
Vinita Bali, Additional Director
(Until November 21, 2004)

TOP MANAGEMENT TEAM
Harsh Mariwala, Chairman & Managing Director
Arnab Banerjee, Chief Executive Officer - Sundari & Head - New Business Development
Pankaj Bhargava, Chief - HR
Saugata Gupta, Chief - Marketing
Vinod Kamath, Chief - Commercial & IT
Pradeep Mansukhani, Chief Executive Officer - Sales & Manufacturing
Rakesh Pandey, Chief Executive Officer - Kaya
Milind Sarwate, Chief Financial Officer
Shyam Sutaria, Chief Executive Officer - International Business Group

HEAD - 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.saffolalife.com

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CHAIRMAN'S LETTER TO SHAREHOLDERS
A PERSONAL MESSAGE

Dear Shareholders

The year 2004-05 marks an important new milestone in Marico's 15-year journey. The Marico Group has crossed the Rs.1000 crore mark - a significant achievement for an Indian FMCG enterprise.

Not many would know that Marico was spun off as a new company from the consumer products division of The Bombay Oil Industries Limited, with just two brands - Parachute and Saffola. Back then, Marico's turnover was Rs.100 crore. It has come a long way since.

Over the past 15 years, Marico has built new brands, created new categories, dominated markets with shares close to 100%, moved up from products to services, taken its brands to 24 countries across the world, and built a powerful franchise of 13 crore loyal consumers.

During this period, it has progressed from being a largely industrial enterprise to a more consumer-focussed entity, creating enduring value for its consumers through a wide range of products and services.

Today, Marico's turnover comes from 12 brands across products and services in the area of beauty and wellness. Investments in brand building have enabled these brands to occupy leadership positions in their respective categories - while new brands are continuously being developed.

Thanks to its loyal consumer franchise and the nature of its businesses, Marico continues to prosper along a path of sustained profitable growth – both, within the Indian subcontinent, and beyond.

Your Company has established markets overseas, taking its products and services to 24 countries across the world. In the early nineties, Marico expanded its network to the Middle East, setting up a strong marketing and distribution base in the Gulf, and later in the decade, set up a wholly-owned subsidiary in Bangladesh, cornering 50% of the market for coconut oil. Then in 2002, Marico acquired controlling interest in Sundari LLC, a US based ayurvedic skin care company. During 2004-05, Marico's International Business turnover touched Rs. 100 crore - representing 10% of the Group's turnover.

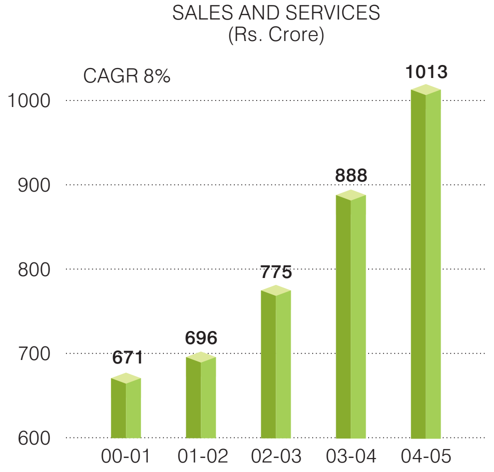
From a strength of about 200 employees in its early days, the Marico Group has grown to a team of 1300. Continuous investments in processes and people, and developing a distinct work culture, ensure that the company is managed by a team of highly motivated, enthusiastic individuals. Besides, Marico has developed a strong network of vendors, solution providers and associates - who will continue to partner its progress and drive future growth.

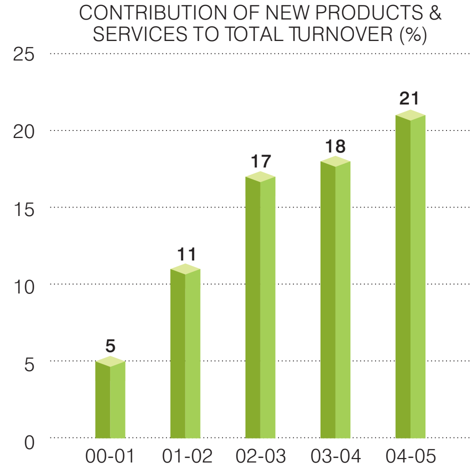
Your Company is built on a foundation of strong brands, a committed management, a powerful network of associates, and an unshakeable consumer franchise. I look forward to your continued support in taking your company well beyond the Rs. 1000 crore mark.

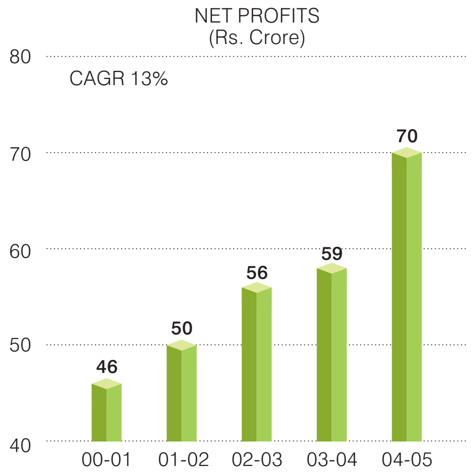
With warm regards,

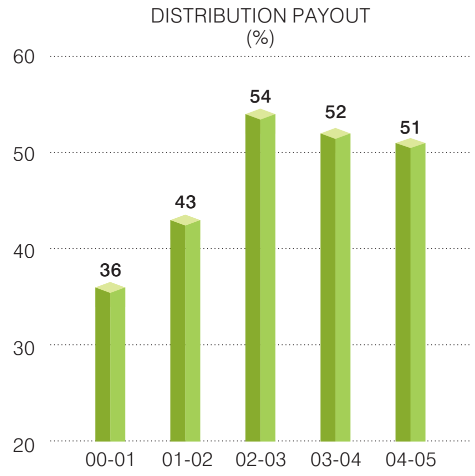
Harsh Mariwala
Chairman and Managing Director

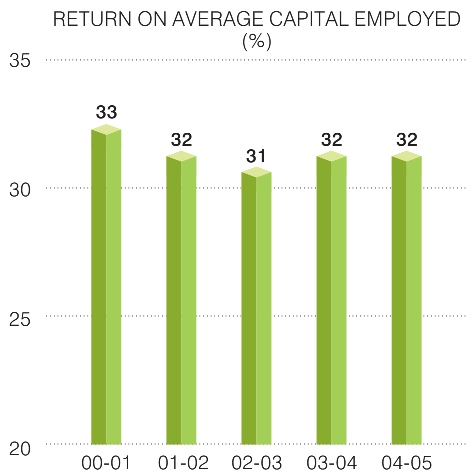
MARICO CONSOLIDATED PERFORMANCE AT A GLANCE

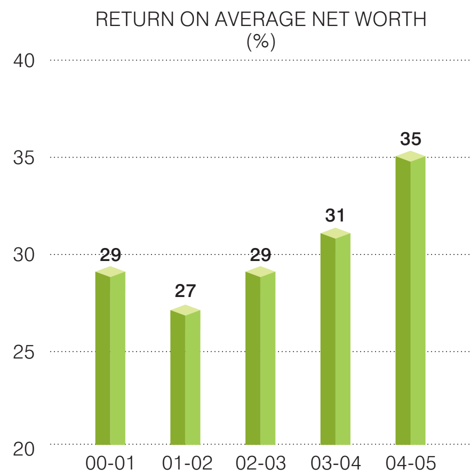










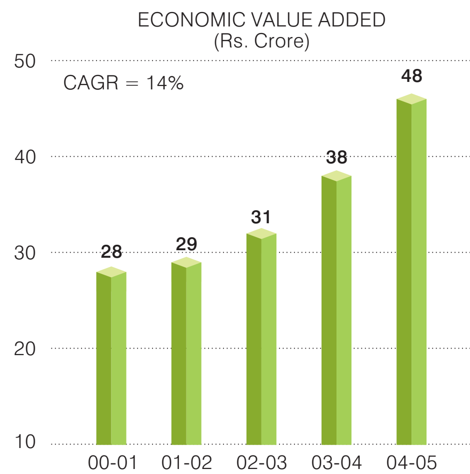


ECONOMIC VALUE ADDED ANALYSIS

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, 2005, Marico's Economic Value Added was Rs. 48 crores as compared to Rs. 38 crores 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. Crore)

Year ended March 31,	**2001**	**2002**	**2003**	**2004**	**2005**
Average Capital Employed	160	192	209	209	225
Average Debt / Total Capital (%)	2.2	2.3	3.9	5.5	14.5
Cost of Equity (%)	13.1	15.0	13.0	11.0	12.0
Cost of Debt (Post Tax) (%)	6.5	-	1.0	1.1	3.7
Weighted Average Cost of Capital (%)	13.0	14.7	12.5	10.5	10.8
Profit After Tax (excl. Extraordinary Items)	46	53	56	59	70
Add : Interest Post Tax	3	4	1	1	2
Net Operating Profit After Tax	49	57	57	60	72
Less : Cost of Capital	21	28	26	22	24
Economic Value Added	**28**	**29**	**31**	**38**	**48**
% to Average Capital Employed	17.3	15.2	14.9	18.3	21.1

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 or 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 in improving our Equity and Market Value. We shall acquire the stature of a friendly corporate citizen, contributing to the betterment of neighborhood 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.

HOW DOES

A COMPANY REACH ONE OUT OF EVERY 8 INDIANS?

PENETRATE EVERY INDIAN TOWN WITH
A POPULATION OVER 20,000?

CONVERT A LOOSELY SOLD COMMODITY INTO THE
WORLD'S LARGEST COCONUT OIL BRAND?

TURN AN OLD INDIAN HABIT INTO A NEW CATEGORY?

EXTEND ITS FRANCHISE TO 24 COUNTRIES?

REWARD ITS SHAREHOLDERS
17 QUARTERS IN A ROW?

HOW DOES A COMPANY REACH RS.1000 CRORE?

HOW
DO YOU BUILD
A POWERFUL
FRANCHISE OF

13 CRORE
LOYAL CONSUMERS?

CHANGE THE BOTTLE.

When coconut oil of dubious quality was being dispensed ‘loose’, Marico saw a distinct possibility of building a brand based on quality and purity: Parachute. Rather than chasing the bulk market, we visualised a national market for small consumer packs - retailed from any outlet that sold toilet soaps. Parachute has grown to become the world’s largest packaged coconut oil brand. With Saffola, Marico took the health platform, creating a unique ‘health oil’ segment. Whether it’s appealing to health-conscious consumers with healthy blends like Saffola Gold, or reaching out to the rural masses with a lower priced Parachute Mini, Marico continues to find new ways to extend its franchise of loyal consumers.

OLD HABIT?

OR NEW CATEGORY?

Common sense says: compete in a category and you'll only corner a share of the market. Marico adopted an altogether different strategy: identifying categories that others did not see, based on a deep understanding of Indian consumers and their habits. An age-old habit of starching fabric in hot water presented an opportunity to create a whole new category for instant cold water starch: Revive. With Mediker, we created another new category: anti-lice oil. Both Revive and Mediker have become dominant players in their respective categories, with market shares close to 100%.

JUST WHAT YOU'D EXPECT OUR 90 DERMATOLOGISTS TO DELIVER:

HIGHER MARGINS.

Frankly, an FMCG enterprise has no business being in skin care services. But Marico has changed the paradigm - with Kaya. In barely 3 years, our skin care services business has grown to 34 clinics across 11 cities in India and the UAE - with 90 dermatologists providing customized skin solutions to over 40,000 satisfied customers, using the finest cosmetic dermatology procedures available internationally. Whether it's moving up from products to services, or delivering higher value to our consumers with premium value-added products, it's all part of our strategy to move up the value chain. Clearly, Marico has been focusing on growing its high-margin portfolio - and services, we knew, provided higher margins. This year, our high margin portfolio contributed 71% to our total turnover. Obviously, our thinking is showing visible results.

THE BEST WAY

TO GROW

IS TO FOCUS ON
YOUR HOME TURF.

WE WENT TO

24 COUNTRIES INSTEAD.

Marico has developed a significant franchise beyond the Indian subcontinent - across 24 countries. At Rs.100 crore, its international business represents 10% of the group's turnover. In Bangladesh, Parachute Oil leads with a 50% market share. In the Gulf, Parachute Hair Cream has cornered 14% of the hair cream market. Kaya has established base in Dubai. And in the US, Sundari is all set to corner a share of the US$ 2 billion market for spa products. So why did Marico turn to overseas markets? Simple, we went wherever we saw an opportunity. We found that the habits of the Indian diaspora in the Gulf were no different from Indians living here - an opportunity to build a strong base for Parachute. We appealed to the native Arabs with products that they were seeking: hair creams. And the back-to-nature movement in the US presented the perfect opportunity for an Indian company to target the spa market with Ayurvedic skin care products: Sundari.

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 '04 - March '05 (FY05) in respect of Marico Consolidated - Marico 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). The consolidated entity has been, in this discussion, referred to as 'Marico' or 'The Company' or 'The 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

Marico is committed, in accordance with its Business Direction, to improving the quality of people's lives through its offerings of branded products and services. The 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, Home Care, 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. 500 billion.

WITH FY05 TURNOVER OF OVER RS. 1 BILLION, MARICO IS ONE OF THE LARGEST INDIAN FMCG COMPANIES IN TERMS OF OVERSEAS SIZE OF FRANCHISE.

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 the presence of a large unorganised sector, especially in rural India, offering products in loose unbranded form.

Of late, the FMCG industry has been witnessing the 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. With the urban consumers becoming richer, younger and more aspirational, organized retailing is on the rise. With several malls and supermarkets springing up in cities across the country, organized retail penetration is likely to show a marked increase from its current estimated level of around 3%. Whilst on the one hand this puts pressure on margins as collective bargaining from retail chains increases, it also provides the opportunity to improve supply chain efficiencies and visibility of brands.

Marico has leveraged its core competitive advantages of Branding, Innovation, Distribution, Cost Management, and Research & Development 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 FY05, Marico has kept pace with the momentum of growth achieved in the past few 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 & services. The Company's products reach 24 countries, mainly in the SAARC and the Gulf. With FY05 turnover of over Rs. 1 billion, Marico is one of the largest Indian FMCG companies in terms of overseas size of its 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 over the past few years. The market size of products used or sold in spas could be in the region of US$ 2 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 past 5 years or so, owing 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 as also products that enhance the quality, look and feel of Indian skin.

OPPORTUNITIES AND THREATS

Marico 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. The Company is evolving strategies to exploit these opportunities and grow its businesses in the beauty and wellness segments.

With increasing popularity of beauty and wellness segments - 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. The Company would leverage this early mover advantage to garner a significant share of the overall skin care services and products pie.

Marico's refined edible oil brands - 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 making continuous improvements, innovating in the fields of product formulation, packaging, distribution etc. It has introduced 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 chasing volumes.

THE HIGH MARGIN PORTFOLIO NOW CONSTITUTES 71% OF MARICO'S TURNOVER, UP FROM 66% LAST YEAR.

Shifts in consumer habits may have an impact on the Company, and Marico has recognised the same. The 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.

Marico, 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. The 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 recession, inadequate rainfall, subdued demand, political uncertainty, social upheavals and acts of God may affect the business of the 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, although the linkage may be wearing off to some extent.

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

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

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

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

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Marico 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, the 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.

The SAP suite of ERP (SAP R/3, SCM, APO) provides a 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.

Human Resource programmes and initiatives in Marico are aligned to meet the business needs. The 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.

Marico 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.

The Company believes that engaging people leads to better performance as also proved by 'Gallup' - a research organisation of international repute, through research done over 20 years. It has therefore taken an active step in enhancing engagement in the organisation from its current levels, and the process is being partnered with Gallup India. The process involves measuring engagement levels, respective teams discussing the scores and action planning to improve the engagement in the teams. 2005 is the year where we have concluded the 4th Gallup Q12 engagement survey. Over the years, the overall engagement scores for the Company have increased year on year, which was a result of the actions taken based on the survey results. This is also reflected in the Company's performance over the years.

As on March 31, 2005, the employee strength of the Company was 1300.

Employee relations throughout the year were supportive of business performance.

MARICO'S NEW IDENTITY

Solidity, freshness of thinking and vitality of spirit

The most visible form of Marico's corporate identity, its logo, was adopted during 1989. Since then, over the past 15 years, Marico has progressed from being a largely industrial enterprise to a more consumer-focussed FMCG, bringing value to the consumer across a wider range of products and services in the beauty and wellness space, through 12 brands.

Apart from its quintessential FMCG products, Marico offers consumers allied services in hair care (around brands such as Parachute Advansed, Silk-n-Shine) and health care (around brands such as Saffola). In skin care, Marico has invested in and promoted a new line of business under the brand 'Kaya Skin Clinic'. Overseas, it has acquired a holding in Sundari LLC, a skin care products business, catering to another service industry - the Spa business. All in all, there has been a significant increase in the range of offerings to the consumer - far beyond industrial products.

This establishment of a wider connect with the consumer beyond mere sale of industrial products has prompted Marico to drop the word 'Industries' from its name. The new name 'Marico Limited' reflects the extended range of its business better.

THE NEW IDENTITY REFLECTS THE NEW MARICO - SOLIDITY, FRESHNESS OF THINKING AND VITALITY OF SPIRIT.

While Marico had moved with the times, its identity had not. The logo still reflected its industrial past, and not who Marico is today. The Company has therefore adopted a new logo to reflect its new identity, which is friendlier, more contemporary and more in keeping with the times.

The new identity is a natural progression for Marico, stylistically reflecting the nature of its businesses and all that Marico stands for today: a consumer-friendly company that brings beauty and wellness to every home.

This is reflected in its lettering style, which is much softer. The trust mark (the symbol M) retains its basic strength - the pillars, symbolic of a company built on solidity and commitment, while the fresh green leaves bring to life Marico's focus on beauty and wellness.

The new identity thus reflects the new Marico - solidity, freshness of thinking and vitality of spirit.

TURNOVER GROWTH MOMENTUM TAKES MARICO BEYOND RS. 1000 CRORE

A turnover landmark

During Q4 FY05, Marico reached another milestone in its journey. The Marico Group turnover crossed the landmark of Rs. 1000 crore. The turnover for the full year, at Rs. 1013 crore, recorded a growth of 14% over the previous year. Profit before tax at Rs. 74.3 crore grew by 14% over FY04 and Profit after tax at Rs. 70.1 crore rose by 19%. We started 15 years ago in 1990 with 2 brands, a turnover of about Rs. 100 crore and a team of 200. Over a decade and a half, the Company has stayed focussed on building brands and gathering new insights in consumer preference. This has led it to grow its basket of brands to 12 through new launches and acquisitions, and move beyond products to solutions including services. Today a team of 1300 highly committed members manages its Rs. 1000 crore business. This journey has taken Marico beyond the shores of India to markets in Asia and other parts of the world, with manufacturing operations in Bangladesh; Kaya Skin Clinic offerings in Dubai, and the acquisition of a majority stake in a US based company - Sundari LLC.

All this has been managed along with consistent growth in profits and dividend, to reward the shareholders. The Board of Marico Limited, at its meeting held on April 27, 2005, declared a fourth interim dividend of 17.5% on its equity share capital of Rs. 58 crore - a payout of 51% for the year. Q4 FY05 was the 17th consecutive quarter of dividend distribution.

CONSUMER PRODUCTS BUSINESS

Sustained volume growth across categories

Over the past few years, Marico has endeavoured to move up the value chain with consistent and derisked growth strategies. It has realigned its portfolio, enabling increased focus on high margin products and businesses. These now constitute 71% of Marico’s total turnover, up from 66% last year. Sales of the low margin portfolio degrew 7% as resources and mind share were consciously focussed on high margin businesses. Brand building efforts too were directed towards the high margin portfolio - nearly 95% of the total advertising and sales promotion spends were allocated to this portfolio.

During FY05, volumes for Marico’s Consumer Products business grew by 8% with the High Margin Portfolio growing by 16%.

Domestic FMCG Business

On the back of its relaunch in FY04, the flagship brand Parachute grew by 8% in volume terms. Marico's Coconut Oil franchise now enjoys an all-India market share of over 50%. The Hair Care range (Parachute Jasmine, Shanti Amla, Mediker and Hair & Care being the key elements) grew by a strong 14% in volume and 19% in value terms. In the Premium Refined Oils market, the Saffola franchise clocked a record growth of 18% in volumes aided by healthy volumes in its blends, namely Saffola Tasty and Saffola Gold, which was launched in FY05. Sweekar, a non-focus brand, declined by 9% in volume. Revive, operating in the fabric care segment, held its volumes. In the anti-lice market, Marico continued to be the only organized national player, with its offering of Mediker, in shampoo and oil formats. Parachute Sampoorna, Parachute Advansed, Silk-n-Shine and Saffola Gold were launched during the year and performed in line with expectations.

Stronger Flagships and growing portfolio of New Products and Prototypes

Over the past few years, Marico has expanded its basket of new products and services across a broad range, while strengthening its flagships - Parachute and Saffola. This has been achieved while maintaining a record of several consecutive quarters of growth in financials, denoting a balance between caution and risk taking.

Marico's new product portfolio in the Consumer Products business - Silk-n-Shine, Parachute Sampoorna, Parachute Advansed and Saffola Gold in domestic and Parachute Cream, Parachute Gold and Beliphool in international - contributed a healthy 19% to the Consumer Products turnover.

A few 'brand stories' follow:

Parachute

Marico continues to hold its dominance in the Coconut Oil Category with Parachute, which was relaunched in Q4 FY04. The new packaging introduced in the second half of FY04 has been well received by consumers. During the year, the Company undertook micro-marketing initiatives in selected markets where there was a scope of increasing its market share. Despite strong competitive players both in the organized and unorganized sector, the overall volume market share has moved above 50%. The total franchise (including flexi packs) marked a growth of 6% over the previous year.

Saffola

During the year, the Company launched Saffola Gold, a blend of refined kardi oil and refined ricebran oil. The brand franchise has successfully handled an important restructuring in recent times. From a single oil (safflower or kardi) that was offered under the Saffola brand till September 1999, it now has 3 variants: Saffola Refined Kardi (Safflower) Oil, Saffola Kardi Corn Tasty Blend and Saffola Gold. While launching the new variants and creating sub-brands, cannibalization within the Saffola franchise has been contained quite well. The franchise grew by a healthy 18% in volume terms during FY05. Saffola furthered its objective of creating awareness for health and heart care through a few specific initiatives - national roll out of Saffola, Dial-a-Dietician Service, and the launch of a new website www.saffolalife.com

Investments in the brand continued during the year. Saffola's brand building initiatives received a few accolades during FY05. Saffola advertising was rated amongst the best advertising for 2004-05 by ABBY. Saffola also won an award in the Food Category in the 1st FMCG Consumer Reaction Award 2005.

Hair & Care

Hair & Care was relaunched in Dec. '04 with a new formulation. It has been enriched with herbal proteins, extracted from neem and tulsi. This process has been developed and patented by Marico. The product has been repositioned as an expert on nonstickiness, with a claim of 'Upto 50% less sticky than other oils'. This relaunch is expected to strengthen Marico's hold over the Non-sticky Hair Oils segment.

Silk-n-Shine

With Silk-n-Shine, Marico had entered yet another new segment in Hair Care - Hair Potion. It was successfully prototyped in Kolkatta last year and was nationally rolled out in Q2 FY05. Silk-n-Shine adopted an innovative strategy for branding with its association with the popular programme 'Indian Idol' on Sony Entertainment Television. Through the programme, Silk-n-Shine achieved high visibility for the brand and innovatively showcased the effectiveness of the product. The brand has already captured significant market share (30%) of the post-wash hair conditioner market. In February 2005, Marico introduced a small pack at a Rs. 25 price point. This pack is expected to break clutter at the retail level by making the category accessible to the mass market.

Parachute Sampoorna

Parachute Sampoorna is a unique combination of Coconut Oil (for nourishment) with Almond Protein (for strength) and Hibiscus (for shine and lustre). After meeting the action standards of the prototype in Maharashtra, Sampoorna was scaled up nationally with strong above-the-line support. It has been the pivot for driving growth for Hair Oils in the Value Added Coconut Oil category. The Parachute Sampoorna advertisement has been widely appreciated by consumers and media, as a refreshingly different campaign. At the Ad Review 2004 organised by Ad Club Mumbai, Sampoorna was chosen for the best evocative ad in the personal care / cosmetics category.

In the Value Added Coconut Oil (VACNO) category, Marico's brands comprising Parachute Jasmine, Parachute Sampoorna and Parachute Advansed are now at the No.1 position, commanding 34% of the total market share.

Parachute Advansed

Parachute Advansed, a 100% Coconut Hair Oil fortified with Coconut Milk Proteins, was launched nationally in June 2004. The brand seeks to leverage the goodness of coconut in nourishment of hair. The Company's extensive research shows that oiling hair with coconut oil before a wash with shampoo significantly lowers hair damage and loss of hair protein than when coconut oil is not applied. This is because coconut oil penetrates the hair shaft to a far greater extent than most other oils. This research has been leveraged by the Company to launch a campaign to make Parachute relevant to the young consumer by contexting it to shampoo. Apart from a television commercial campaign, the Company followed a 360 degree approach by addressing the consumer through radio, outdoor and on-ground activities such as the 'One-hour Chumpi Kiya Van Challenge', a programme called 'Hair Treats' to communicate the benefits of oiling through beauticians and sponsoring the Parachute Advansed Miss Kerala. These efforts are expected to lead to an increase in the market size.

Shanti Amla Badam

Shanti Amla, Marico's offering in the Amla Hair Oil category, today enjoys a market share of 13%. It was initially launched on a platform of 'goodness of Amla at an amazingly affordable price'. In order to improve the value proposition, Marico has developed a variant of Shanti Amla - Amla Hair Oil reinforced with Badam. This value added product was prototyped in the state of Punjab and after meeting the action standards, has been rolled out nationally in April 2005.

Mediker Plus Anti Lice Oil

In Q4 FY05, Marico expanded the Mediker product range with the introduction of Mediker Plus Anti-Lice Oil in the Southern Market. Mediker Plus has been launched with a strong benefit of One Hour - Lice Out, providing a perceptibly efficacious solution to the consumer.

The annualized turnover of the new products in the Consumer Products Business is now about Rs. 135 crore, contributing about 14% to the Consumer Products turnover.

New 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. This approach has now stabilized. In addition to the prototypes of Parachute Sampoorna, Parachute Advansed and Silk-n-Shine, which were later launched during FY05, Marico is currently prototyping Parachute Advansed After Shower Cream and Saffola Daily Health Prototype in Mumbai.

International FMCG Business

FY05 was yet another year of strong growth for Marico's international FMCG business. The sales turnover of international FMCG business grew by 29% to Rs. 96 crore over the FY04 base of Rs. 74 crore.

In Bangladesh, Parachute Coconut Oil consolidated its market leadership and crossed 50% market share in March '05. Parachute Cream continued to grow in the Gulf countries - volumes doubled during FY05. Parachute Sampoorna and Hair Tonic were two new products launched in the Gulf markets. Marico has also achieved the One Star Export House Status.

The aggregate international business of Marico, comprising the FMCG business, Kaya in UAE and Sundari in the US now stands at Rs. 103 crore and thus contributes over 10% of the Group turnover.

ACQUISITION OF BRANDS BY MARICO BANGLADESH LTD.

Marico Bangladesh Limited (MBL), the Bangladesh-based wholly owned subsidiary of Marico Limited, acquired the Toilet Soap brands 'Camelia' and 'Magnolia', from Marks and Allys Limited (MAL), another Bangladeshi Personal Care Products Company, in April 2005, for an undisclosed consideration. These brands have an aggregate turnover of about Taka 5.6 crore in toilet soaps in Bangladesh. They are also present in a minor manner, through extensions across talcum powder, petroleum jelly and amla hair oil. Camelia's brand equity owes its strength to the quality of the soap, primarily its fragrance, which has a strong recall amongst consumers.

The acquisition envisages Marico outsourcing the manufacture of the soaps to MAL, while continuing to draw on MAL's research and development. It also involves a suitable non-compete covenant by MAL.

Marico believes that this acquisition will help the Group to develop a broader Personal Care franchise amongst the Bangladeshi consumers, who have already made Parachute a market leader with 51% share in the Coconut Oil category. It will also help MBL to further strengthen its distribution network, which, at about 2.6 lac outlets, is already amongst the widest in Bangladesh.

COST STRUCTURE FOR THE CONSUMER PRODUCTS BUSINESS

% to Sales & Services (net of excise)	FY05	FY04
Material Cost (Raw + Packaging)	62.4	64.6
Advertising & Sales Promotion (ASP)	9.7	8.2
Personnel Costs	4.3	4.8
Depreciation	1.2	1.3
Other Expenses	13.8	13.0
Operating Costs	91.4	91.9
Net Operating Margin (PBIT)	8.6	8.1
PBDIT margins	9.8	9.4
Gross Margins (PBDIT before ASP)	19.5	17.6
Operating ROCE (%)	42.5	40.9

Notes:

1) Margins have been computed without including 'Other Income', major components of which are lease rental Rs. 0.56 cr. (previous year Rs. 0.5 cr.), exchange rate difference loss Rs. 0.23 cr. (previous year gain Rs. 0.1 cr), profit on sale of investment Rs. 0.35 cr. (previous year loss Rs. 0.1 cr.) and dividend income Rs. 0.44 cr. (previous year Rs. 1.3 cr.)

2) Advertising and Sales Promotion (ASP) has shown a significant increase of 32% in FY05 as compared to FY04, owing largely to increased spends on new products (65%) and increased investment in flagship brands. Also Marico continues to follow a contrarian strategy of focusing more on the advertisement (A) part of ASP (about 80% as compared to the industry number of only around 60%), as compared to the Sales Promotion (SP) part. We believe that focusing on demand creation in a consumer-centric manner is more important than 'buying sales' through consumer offers. Our ASP has therefore always comprised a judicious mix of both, A & SP.

3) Marico prices its products based on the value it provides to the consumer, targeting a certain margin per unit of volume. Therefore, Marico's operating margins are reasonably insulated from commodity price fluctuations, although commodity prices can influence turnover value for Marico. Therefore, instead of analyzing operating margins as a percentage of sales, it may be more logical to analyze operating ROCE.

4) The Consumer Products business comprises operations in India (Marico Ltd.) and Bangladesh (Marico Bangladesh Ltd, along with its subsidiary - MBL Industries Limited). 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.

VALUE ADDED TAX (VAT)

VAT is finally being implemented in 21 states across the nation. This has been a major sales tax reform initiative since Independence and the trader community is still to come to terms with this new reality. As a result, VAT has evoked a mixed response, with traders in a few states going on day strikes. The matter is however expected to stabilise over the next couple of months as the benefits of VAT become clearer. Marico's turnover in the first quarter of FY06, like all other industry players, is likely to be impacted by the uncertainty caused by VAT. The Company expects the sales to be impacted to the tune of 10-15% in April. Marico is however watching the market responses closely to ensure that the demand is not affected and that the supplies to the market are smooth.

CAPITAL UTILISATION

Over the years, Marico has been maintaining its Return on Capital Employed (ROCE) at levels above 30%. FY05 was no exception. Given below is a snapshot of various capital efficiency ratios for Marico:

Ratio	FY05	FY04
Return on Capital Employed		
• Marico Group	32%	33%
• Consumer Products	38%	38%
Return on Net Worth (Group)	35%	34%
Working Capital Ratios (Consumer Products)		
• Debtors Turnover (Days)	13	13
• Inventory Turnover (Days)	39	39
• Net Working Capital Turnover (Days)	38	33
Economic Value Added (Group)		
• Rs. Crore	48	38
• % to Capital Employed	21%	18%
Debt: Equity (Group)	0.16	0.06
Finance Costs to Turnover (%) (Group)	0.2%	0.1%

Balance Sheet for the Consumer Products Business Rs. Crore

	March 31, 2005	March 31, 2004
SOURCES OF FUNDS		
Shareholders' Funds	236.1	191.9
Borrowings	43.7	9.4
Deferred Income Tax Provision	6.0	6.2
TOTAL	285.8	207.5
APPLICATION OF FUNDS		
Deployed in Business		
Net Fixed Assets	93.6	91.1
Investments	28.2	13.0
Current Assets	238.4	187.3
Less: Current Liabilities	117.6	100.2
Net Working Capital	120.8	87.1
Operating Capital Employed	242.6	191.2
Financial Assets	43.2	16.3
TOTAL	285.8	207.5

NEW BUSINESSES - KAYA SKIN CARE

The Indian Skin Care solutions business is growing fast with increased awareness and demand for cosmetic enhancement. With advancement in medical technology, safe and effective procedures are available that enhance the look and feel of the skin. Kaya Skin Clinic attempts to fill the existing need gap in the Skin Care solutions business in India. It offers scientific, unisex dermatological procedures using US FDA approved technology.

'Kaya' marked Marico's entry into the skin care solutions business. It attempted to leverage Marico's strengths in the Personal Care business and an in-depth understanding of the needs of the Indian consumer and her/his desire to enhance her/his natural beauty with the best cosmetic dermatology procedures available internationally.

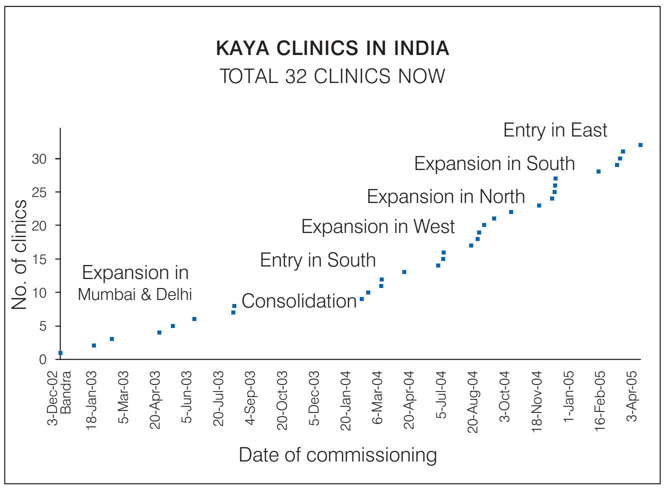
The Kaya concept has been well received by the target consumers. In just over 2 years, Kaya has grown into a 34-clinic strong skin care chain - across 11 cities in India and UAE.

It seeks to create a differentiation as a corporate service provider - offering a safe, efficacious and credible Skin Care Services range at multiple locations. This would be in contrast with the large number of small 'singular' clinics currently present in this segment.

Kaya targets high-end customers in SEC A1 and A2 with an age group of 16-60 years across metros and mini metros in the country. The objective is to provide result-oriented, personalized, non-surgical skin solutions in a serene Zen like environment.

All services at Kaya begin with a 'skinscription' - an in-depth analysis of a client's skin and a treatment plan customized to each skin type prescribed by a Kaya Skin Advisory (KSA) certified dermatologist. The treatments available include services segregated into three distinct categories - Enhancement services, Problem-Solution services and Anti-aging services.

All the services offered at Kaya Skin Clinic are designed and supervised by a distributed team of over 90 dermatologists, and carried out by certified skin practitioners, each with more than 300 hours of training.



As part of a complete solution set, Kaya has launched a range of skincare products, which are the result of extensive skin-care research in derma-cosmetic laboratories based in France, UK

& USA. These are not only used during the skin care services but are also available for post service usage as a follow up to the service undertaken at the clinic. All Kaya Skin Clinic Products are dermatologically tested and approved for Indian Skin by the Kaya Skin Advisory. The key products are Skin Lightening Complex, Lighten and Smooth Under-eye gel, Daily Moisturizing Sunscreen and Recharging Night Crème.

The base clientele at Kaya has now gone beyond 40,000 - 97% of Kaya's clientele rate Kaya's services between good and excellent. The financial model has also started showing results with the operational break even of each clinic being reached within 6 to 9 months of operation. The capital expenditure for a typical clinic ranges from Rs. 1 crore to Rs. 1.5 crore, the annual turnover potential being in a similar ballpark.

Marico's entry in the Skin Care Services business was also driven by the opportunity to be the first mover in yet another category, leveraging the access that Marico has to advancements in medical technology, which offer revolutionary products and deliver superior results. The Kaya Skin Clinics have filled the vacant space of providing high quality, credible and safe cosmetic dermatology based skin care and would gain from being the first mover. They also fit in with Marico's philosophy of aiming to provide solutions suitable to Indian consumers - we have taken additional care to ensure that the machines are suitable to Indian skin.

During FY05, the Kaya business reached a turnover of Rs. 20.9 crore, of which Rs. 8.4 crore was attained in the fourth quarter. On an annualised basis, Kaya's turnover based on current clinic build up would be about Rs. 30-35 crore. As the business continued to be in the investment phase, the loss for the year was Rs. 7.9 crore.

NEW BUSINESSES - SUNDARI

For FY05, Sundari reached a turnover of Rs. 5.5 crore and the loss before tax was at Rs. 5.3 crore.

Marico acquired a controlling stake in Sundari LLC in Q4 FY03. Over the last two years, it has worked upon the model. Sundari has adopted the strategy of identifying big prospective spa clients in order to create an opportunity to convert a good proportion of these prospects into business. The spa products market is estimated to be about US$ 2 billion in the USA. Sundari can find a niche in this market, positioning itself as an ayurvedic skincare brand. The Spa opportunity has a lag time of 6 to 9 months from the time a prospect is approached till the time an order is bagged. Sundari would thus continue to be in the investment phase. During the year, Sundari acquired some prestigious accounts such as Marriott (the spa at Camelback Inn, Star Pass and Desert Ridge), Canyon Ranch - Lennox, Ritz Carlton, Abhasa Spa - Waikiki in the USA and Four Seasons - Maldives & Langkawi, Westin - Bangkok, The Oberoi - Mauritius, Legian - Bali in Asia, among others.

There has also been a focussed effort in the area of cost management. This would help improve product margins and in the process bring down the pressure on the overall bottom line. Sundari has also been concentrating on new products development. In the recent past Sundari has been able to roll out 5 new products in the US market.

Some of the likely growth drivers for Sundari are:

- Entry into big accounts in the spa channel - especially destination spas.
- Quick scale up in the international business through full service distributors in the Asian markets.
- New product development so that Sundari

can address customer needs especially in destination spas.

- Enhancing the Sundari experience, through uniquely developed protocols for administration in spas.

Overall, the strategy for growth appears to be in place for the Sundari business.

SHAREHOLDER VALUE RELATED POLICIES & PRACTICES

Payout - Distribution of profits to shareholders

Marico's distribution policy, which aims at sharing Marico's prosperity with its shareholders, through a formal earmarking / disbursement of profits to shareholders, has, in the recent past, been characterized by the following:

- Payout increasing from year to year and, to the extent feasible, also from quarter to quarter in a year.
- Regular dividend - every quarter reflecting the confidence to sustain continuous distribution.
- Innovation through use of special instruments as and when feasible.
- Use of distribution to increase liquidity on the Stock Exchanges.

Marico's cash profits have continued to grow and provide a logical support to its practice of declaring a dividend every quarter. Marico will continue with its policy of declaring multiple dividends every year, while continuously identifying innovative means of rewarding its shareholders. The endeavor will be to keep a high payout - about 50%, subject to financial requirements of its business.

CHANGES IN THE BOARD OF DIRECTORS

Mr. Kishore Mariwala, Director of the Company since its inception, has stepped down, upon completing 70 years of age earlier this year. In the vacancy caused by his resignation, the Board has appointed Mr. Rajen Mariwala, as a Director. Rajen, 42, holds a degree in Masters in Chemical Engineering (M. Chem. Engg.) from Cornell University, USA, Ithaca, New York following a degree in Bachelor of Chemical Engineering (B.Tech Chem. Engg.) from A. C. College of Technology, Anna University, Chennai. He is the Managing Director of Hindustan Polyamides & Fibres Ltd. (HPFL), a leading exporter of speciality chemicals, primarily those used for fragrances and personal care products. With a turnover of about Rs. 80 crore, HPFL exports more than 90% of its products all over the globe - its client list covers most of the ten largest manufacturers of fragrance compounds globally. Rajen is a member of the Young Presidents Organization and an active member of The Indian Chemical Manufacturers Association.

OUTLOOK

Sustainable profitable growth has been the pivot around which Marico's strategies have evolved. FY05 saw Marico reach two important milestones in this journey:

- Group Turnover reaching the Rs. 1000 crore mark and
- International Business Turnover reaching the Rs. 100 crore mark

The next phase of Marico's growth journey will build on this and will be centered on the following:

- Continued Investment in new products, creating a pipeline of new product ideas through prototypes in India and abroad.
- Realigning the portfolio towards higher value add.
- Accelerating, judiciously, the entrepreneurial foray into services through Kaya Skin Clinics.

On behalf of the Board of Directors

Harsh Mariwala
Chairman & Managing Director

Place: Mumbai Date: April 27, 2005

AUDITORS' REPORT

TO THE BOARD OF DIRECTORS OF MARICO LIMITED

1. We have examined the attached consolidated balance sheet of Marico 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, 2005, 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 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. 23.61 Crore (comprising 5.95 % of group assets) as at March 31, 2005 and total revenues of Rs. 53.84 Crore (comprising 5.31 % of group revenue) and cash flows (net inflow) amounting to Rs. 4.65 Crore for the year ended March 31, 2005. 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.10.72 Crore (comprising 2.70 % of group assets) as at March 31, 2005 and total revenues of Rs. 5.45 Crore (comprising 0.54 % of group revenue) and cash flows (net outflow) amounting to Rs. 0.40 Crore for the year ended March 31, 2005 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 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 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, 2005;

   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 27, 2005

BALANCE SHEET

	SCHEDULE	As at March 31, 2005 Rs. Crore	2004 Rs. Crore
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Capital	A	58.00	29.00
Advance against equity		–	0.20
Reserves and surplus	B	158.92	155.24
		216.92	**184.44**
MINORITY INTEREST		**–**	**1.87**
LOAN FUNDS			
Secured loans	C	3.25	–
Unsecured loans	D	51.18	11.06
		54.43	**11.06**
DEFERRED TAX LIABILITY (NET)		**6.05**	**6.24**
(Refer Note 13, Schedule R)			
		277.40	**203.61**
APPLICATION OF FUNDS			
GOODWILL ON CONSOLIDATION		**1.67**	**–**
(Refer Note 15, Schedule R)			
FIXED ASSETS	E		
Gross block		213.96	175.17
Less : Depreciation, amortisation and impairment		86.45	72.41
Net block		127.51	102.76
Capital work-in-progress		18.40	9.69
		145.91	**112.45**
INVESTMENTS	F	**12.42**	**0.48**
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	G	119.68	99.81
Sundry debtors	H	37.90	34.53
Cash and bank balances	I	33.81	34.02
Loans and advances	J	46.82	22.10
		238.21	190.46
Less: CURRENT LIABILITIES AND PROVISIONS			
Current Liabilities	K	106.13	88.07
Provisions	L	15.06	12.22
		121.19	100.29
NET CURRENT ASSETS		**117.02**	**90.17**
MISCELLANEOUS EXPENDITURE	M	**0.38**	**0.51**
(to the extent not written off or adjusted)			
		277.40	**203.61**
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 27, 2005

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 Head - Legal and Company Secretary

Place : Mumbai
Date : April 27, 2005

PROFIT AND LOSS ACCOUNT

	SCHEDULE	For the year ended March 31, 2005 Rs. Crore	2004 Rs. Crore
INCOME:			
Sales		997.11	887.40
Less : Excise Duty		5.21	5.28
		991.90	882.12
Income from services		20.87	6.34
Total Sales		**1,012.77**	**888.46**
Other income	N	1.61	2.90
		1,014.38	**891.36**
EXPENDITURE:			
Cost of materials	O	629.02	575.56
Manufacturing and other expenses	P	295.43	238.36
Finance charges	Q	2.00	1.17
Depreciation, amortisation and impairment	E	14.78	12.82
Amortisation of Miscellaneous Expenditure		0.13	0.13
		941.36	**828.04**
PROFIT BEFORE TAXATION AND MINORITY INTEREST		**73.02**	**63.32**
Minority interest in losses of subsidiaries		(0.80)	(1.76)
Goodwill on consolidation (Refer Note 15, Schedule R)		(0.47)	–
PROFIT BEFORE TAXATION AND AFTER MINORITY INTEREST		**74.29**	**65.08**
Provision for taxation : - current tax		6.39	5.96
- deferred taxation debit / (credit)		(0.19)	0.16
Excess income tax provision of earlier year written back		(2.05)	–
PROFIT AFTER TAXATION AND MINORITY INTEREST		**70.14**	**58.96**
Balance brought forward		115.73	98.08
PROFIT AVAILABLE FOR APPROPRIATION		**185.87**	**157.04**
APPROPRIATIONS			
Interim dividends		31.03	24.65
Tax on interim dividends		4.56	3.32
Tax on redemption of 8% Redeemable Preference shares		–	3.71
Preference Dividend		–	2.32
Tax on Preference dividend		–	0.30
Proposed dividend		–	–
Tax on proposed dividend		–	–
General reserve		7.38	5.80
Tax Holiday Reserve		6.07	1.86
Share of Minority interest in loss		–	(0.65)
BALANCE CARRIED TO THE BALANCE SHEET		**136.83**	**115.73**
PRE BONUS BASIC AND DILUTED EARNINGS PER SHARE		**12.09**	**19.43**
POST BONUS BASIC AND DILUTED EARNINGS PER SHARE		**12.09**	**9.71**
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 27, 2005

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 Head - Legal and Company Secretary

Place : Mumbai
Date : April 27, 2005

CASH FLOW STATEMENT

			For the year ended March 31, 2005 Rs. Crore	2004 Rs. Crore
A)	**CASH FLOW FROM OPERATING ACTIVITIES**			
	Net Profit before tax		**73.02**	**63.32**
	Adjustments for:			
	Depreciation and amortisation (Including amortisation of miscellaneous expenditure)		14.91	12.95
	Finance charges		3.34	2.56
	Interest income		(1.34)	(1.39)
	Loss on sale of asset		0.05	0.38
	Profit on sale of investments		(0.35)	0.11
	Dividend income on investments		(0.44)	(1.30)
	Provision for Doubtful debts		0.10	0.52
	Effect of exchange differences on translation of foreign currency cash and cash equivalents		0.24	(1.68)
			16.51	12.15
	Operating profit before working capital changes		**89.53**	**75.47**
	Adjustments for:			
	Increase/ (Decrease) in Inventories		19.88	9.22
	Increase/ (Decrease) in Sundry Debtors		3.38	7.71
	Increase/ (Decrease) in Loans and Advances		21.50	(8.91)
	(Increase)/ Decrease in Current Liabilities		(18.64)	(15.98)
			26.12	(7.96)
	Cash generated from Operations		**63.41**	**83.43**
	Income tax paid (net of refunds)		11.02	3.71
	NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES	**A**	**52.39**	**79.72**
B)	**CASH FLOW FROM INVESTING ACTIVITIES**			
	Purchase of Fixed Assets		(49.70)	(25.73)
	Purchase of Investments		(12.41)	–
	Sales of Investment		0.82	13.31
	Dividend income		0.44	1.30
	Amalgamation of Group Copmanies		–	0.02
	Sale of Fixed Assets		1.42	1.60
	Interest income		0.94	1.39
	NET CASH INFLOW / (OUTFLOW) FROM INVESTING ACTIVITIES	**B**	**(58.49)**	**(8.11)**

CASH FLOW STATEMENT

			For the year ended March 31, 2005 Rs. Crore	2004 Rs. Crore
C)	**CASH FLOW FROM FINANCING ACTIVITIES**			
	(Repayment of borrowing)/Amount borrowed		43.37	(0.11)
	Equity capital in subsidiary		–	1.20
	Advance against equity in Subsidiary		(0.20)	0.20
	Finance charges		(3.27)	(2.56)
	Redemption of Preference Shares		–	(29.00)
	Unclaimed Dividend paid		(0.28)	–
	Unclaimed Redeemed 8% Preference Share Capital paid		(0.65)	–
	Dividend paid (including tax on dividends)		(32.20)	(32.65)
	NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	**C**	**6.77**	**(62.92)**
D)	**Effect of exchange differences on translation of foreign currency cash and cash equivalents**	**D**	**(0.88)**	**–**
E)	**NET INCREASE / (DECREASE) IN CASH & CASH EQUIVALENTS**	**A+B+C+D**	**(0.21)**	**8.69**
F)	**Cash and cash equivalents - opening balance**		**34.02**	**25.33**
G)	**Cash and cash equivalents - closing balance**	**E+F**	**33.81**	**34.02**

As per our attached report of even date

For RSM & Co.
Chartered Accountants

VIJAY N. BHATT
Partner (F-36647)

Place : Mumbai
Date : April 27, 2005

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 Head - Legal and Company Secretary

Place : Mumbai
Date : April 27, 2005

SCHEDULES TO BALANCE SHEET

	As at March 31, 2005 Rs. Crore	As at March 31, 2004 Rs. Crore
SCHEDULE 'A'		
SHARE CAPITAL		
AUTHORISED:		
60,000,000 (30,000,000) Equity shares of Rs. 10 each	60.00	30.00
Nil (30,000,000) Preference shares of Rs. 10 each	–	30.00
	60.00	**60.00**
ISSUED AND SUBSCRIBED:		
58,000,000 (29,000,000) Equity shares of Rs. 10 each fully paid up	58.00	29.00
The above includes:		
a) 29,000,000 (Nil) equity shares issued as fully paid bonus shares by capitalisation of capital redemption reserve of Rs. 29.00 Crore. (Rs. Nil)		
b) 26,500,000 (26,500,000) equity shares issued as fully paid bonus shares by capitalisation of General Reserve of Rs. 26.50 Crore. (Rs. 26.50 Crore.)		
	58.00	**29.00**
SCHEDULE 'B'		
RESERVES AND SURPLUS		
CAPITAL REDEMPTION RESERVE		
As on April 1, 2004	29.00	1.00
Add:Created on redemption of 8% Redeemable Preference Shares	–	28.00
Less:Utilised for issue of bonus equity shares	29.00	–
	–	29.00
GENERAL RESERVE		
As on April 1st, 2004	9.78	36.13
Add : Transfer from Profit and Loss Account	7.38	5.80
Created on transfer of net assets on amalgamation	–	0.02
	17.16	41.95
Less : Preference Share Capital	–	28.00
Adjustment of impaired value of fixed assets	–	4.17
	17.16	9.78
TAX HOLIDAY RESERVE	7.30	1.88
CUMMULATIVE EXCHANGE DIFFERENCES (Translation adjustments)	(2.37)	(1.15)
PROFIT AND LOSS ACCOUNT	136.83	115.73
	158.92	**155.24**
SCHEDULE 'C'		
SECURED LOANS		
Working capital finance from banks	3.25	–
(Secured by hypothecation of stocks in trade and debtors)		
	3.25	**–**

SCHEDULES TO BALANCE SHEET

	As at March 31, 2005 Rs. Crore	As at March 31, 2004 Rs. Crore
SCHEDULE 'D'		
UNSECURED LOANS		
From Banks (Short term)	49.50	9.45
Other Loans	1.68	1.61
	51.18	**11.06**

SCHEDULE 'E'
FIXED ASSETS

Amount in Rs. Crores

PARTICULARS	GROSS BLOCK				DEPRECIATION/AMORTISATION					NET BLOCK	
	As at March 31, 2004	Additions	Deductions	As at March 31, 2005	As at March 31, 2004	For the year	Deductions/ Adjustments	As at March 31, 2005	Provision for Impairment (See note 2 below)	As at March 31, 2005	As at March 31, 2004
Freehold land	1.21	–	–	1.21	–	–	–	–	–	1.21	1.21
Leasehold land	1.15	0.64	–	1.79	0.08	0.03	–	0.11	–	1.68	1.07
Buildings	37.39	3.13	0.01	40.51	4.97	0.90	0.01	5.86	–	34.65	32.42
Plant and machinery	114.36	28.82	1.98	141.20	53.89	11.07	0.65	64.32	5.24	71.65	56.30
Furniture and fittings	4.91	6.67	0.04	11.54	1.10	0.68	0.01	1.77	–	9.77	3.81
Vehicles	1.27	0.11	0.12	1.26	0.31	0.15	0.05	0.41	–	0.85	0.96
Intangible assets											
– Trademarks and copyrights	7.27	–	0.04	7.23	0.52	0.48	0.00	1.00	–	6.23	6.75
– Business & commercial rights & Technical know–how	0.16	–	–	0.16	0.03	0.01	–	0.04	–	0.12	0.12
– Computer software	7.45	1.63	0.02	9.06	7.33	0.40	0.02	7.71	–	1.35	0.12
TOTAL	**175.17**	**41.00**	**2.21**	**213.96**	**68.23**	**13.72**	**0.74**	**81.21**	**5.24**	**127.51**	**102.76**
Previous Year	151.41	28.02	4.26	175.17	57.69	12.82	2.28	68.23	4.17		
Capital work–in–progress (at cost) including advances on capital account										18.40	9.69
										145.91	**112.45**

Notes :

1. Gross block includes – Freehold Land Rs.0.44 crores (Rs.0.31 crores) and buildings Rs.1.69 crores (Rs.1.69 crores) pending execution of conveyance.

   – Plant and Machinery of Rs.1.77 crores (Rs.2.15 crores) and Rs.3.95 crores (Rs.3.95 crores) being assets given on operating lease and finance lease respectively prior to April 1, 2001.

2. Includes impairment for the year Rs. 1.06 Cr. (Rs. Nil) charged to profit and loss account under “Depreciation, amortisation and impairment”

SCHEDULES TO BALANCE SHEET

	As at March 31, 2005 Rs. Crore	2004 Rs. Crore
SCHEDULE 'F'		
INVESTMENTS (Non Trade)		
LONG TERM INVESTMENTS - UNQUOTED / AT COST		
Government Securities :		
National Savings Certificates (Deposited with Government authorities)	0.01	0.01
	0.01	**0.01**
CURRENT INVESTMENTS - LOWER OF COST AND NAV		
Investment in Mutual Fund Units		
(at cost or NAV whichever is lower)		
Prudential ICICI Liquid Daily Dividend Reinvestment Fund	–	0.00
Nil (650) Units of Rs. 10 each fully paid		
Birla Cash Plus - Sweep Dividend Plan	–	0.47
Nil (466,225) Units of Rs. 10 each fully paid		
Prudential ICICI Floating Rate Plan C - Growth option	4.00	–
3,868,920 (Nil) Units of Rs. 10 each fully paid		
Birla Cash Sweep Plan 664 a/c	0.36	–
358,226.5 (Nil) Units of Rs. 10 each fully paid		
Birla Cash Sweep Plan 884 a/c	0.91	–
902,520.4 (Nil) Units of Rs. 10 each fully paid		
Reliance Medium Term Fund - Growth Plan - Bonus Option	7.14	–
2,036,689.5 (Nil) Units of Rs. 10 each fully paid		
	12.41	**0.47**
	12.42	**0.48**

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

Name of the Scheme	**No. of Units Purchased**	**Sold**
HSBC-Institutional Plus -Daily Dividend	33,304,714	33,304,714
HSBC-Institutional Plus - Growth	6,901,702	6,901,702
Kotak Liquid (Institutional)-Daily Dividend	16,014,147	16,014,147
Kotak Liquid (Institutional - Growth)	16,231,189	16,231,189
DSP Merrill Lynch Liquidity Fund Daily Dividend	37,586,772	37,586,772
DSP Merill Lynch Liquidity Fund- Growth	3,186,808	3,186,808
Templeton Floating - Weekly Dividend Reinvestment	248,860	248,860
Templeton- Dividend Reinvestment(float)	10,741,247	10,741,247
Templeton floating- Growth option	7,819,596	7,819,596
Grindlays Cash Fund -Institutional Plan C - Daily Dividend	27,645,242	27,645,242
Grindlays Floating Rate- Institutional Plan B-Daily Dividend	11,896,613	11,896,613
Grindlays Floating -Institutional Plan C- Daily Dividend	12,011,427	12,011,427
Grindlays Floating Rate -Institutional Plan C - Growth	9,594,857	9,594,857
Grindlays Cash Fund - Institutional Plan C - Growth	19,797,828	19,797,828
Grindlays Floating Rate Fund- Super Institutional Plan C- Daily Dividend	50,414,267	50,414,267
PRU ICICI Liquid -Growth	20,650,623	20,650,623
Prudential ICICI Floating Rate Plan C - Growth option	17,305,132	13,436,211
Prudential ICICI - Daily Dividend	5,449,014	5,449,663

SCHEDULES TO BALANCE SHEET

Name of the Scheme	No. of Units Purchased	Sold
Tata Liquid Super High Investment Fund-Daily Dividend	5,618,090	5,618,090
Tata Liquid Super High Investment Fund-Daily Dividend	37	37
TATA LIQUID Super High Investment Fund - Appreciation	2,427,584	2,427,584
Birla Cash Sweep Plan 664 a/c	36,578,119	36,219,937
Birla Cash Sweep Plan 884 a/c	77,686,585	77,250,244
Reliance - Retail Option - Growth Option	734,795	734,795
Reliance Fixed Monthly Plan - 15	5,000,000	5,000,000
Reliance Fixed Monthly Plan - 16	5,023,250	2,036,690
Reliance Fixed Monthly Plan - 17	3,013,950	3,013,950
Reliance Mutual Treasury Plan- Institutional Plan - Weekly Div Option	11,614,648	11,614,648
Reliance Mutual Treasury Plan- Institutional Plan - Growth Plan	7,030,238	7,030,238
Reliance Mutual Treasury Fund Retail - Growth Plan - Bonus Option	9,783,642	2,795,326
HDFC Cash Management - Daily Dividened	13,406,098	13,406,098
HDFC -Growth	2,205,497	2,205,497
JM Financial Mutual Fund FMP-Growth Option	2,000,000	2,000,000

		As at March 31, 2005 Rs. Crore	2004 Rs. Crore
SCHEDULE 'G'			
INVENTORIES			
(As valued and certified by the management)			
Raw materials		48.05	36.59
Packing materials		17.33	12.24
Work-in-process		11.78	15.26
Finished products		36.09	31.89
Stores, spares and consumables		4.04	1.90
By-products		1.21	0.32
Goods in Transit		1.18	1.61
		119.68	**99.81**
SCHEDULE 'H'			
SUNDRY DEBTORS			
Unsecured			
Over six months	- Considered good	0.71	0.03
	- Considered doubtful	1.97	1.57
		2.68	1.60
Less: Provision for doubtful debts		1.97	1.57
		0.71	0.03
Other Debts	- Considered good	37.19	34.50
	- Considered doubtful	–	0.04
		37.19	34.54
Less: Provision for doubtful debts		–	0.04
		37.19	34.50
		37.90	**34.53**

SCHEDULES TO BALANCE SHEET

	As at March 31, 2005 Rs. Crore	2004 Rs. Crore
SCHEDULE 'I'		
CASH AND BANK BALANCES		
Cash on hand	0.42	0.17
Balances with scheduled banks:		
Fixed deposits (Deposited with Sales Tax Authorities Rs. 0.10 Cr. (Rs. 0.14 Cr.)	15.07	7.39
Margin accounts (Against letters of credit and Bank guarantees)	1.50	1.50
Current accounts	16.82	24.96
	33.81	**34.02**

	2005 Rs. Crore	2004 Rs. Crore
SCHEDULE 'J'		
LOANS AND ADVANCES		
(Unsecured-considered good, unless otherwise stated)		
Inter corporate deposits	9.00	–
Advances recoverable in cash or in kind or for value to be received - considered good	24.01	11.10
Deposits	8.90	9.39
Balances with central excise authorities	0.13	0.05
Interest accrued but not due on loans	0.40	–
Income tax payments, net of provision	4.38	1.56
	46.82	**22.10**

	2005 Rs. Crore	2004 Rs. Crore
SCHEDULE 'K'		
CURRENT LIABILITIES		
Sundry creditors	94.39	77.72
Other liabilities	9.34	6.98
Book overdraft	0.70	0.59
Security deposits	1.32	1.54
Interest accrued but not due on loans	0.15	0.08
Unclaimed Dividend	0.21	0.48
Unclaimed Redeemed 8% Preference Share Capital	0.02	0.68
	106.13	**88.07**

	2005 Rs. Crore	2004 Rs. Crore
SCHEDULE 'L'		
PROVISIONS		
Leave encashment	3.49	4.04
Interim Dividend	10.15	7.25
Tax on Interim Dividend	1.42	0.93
	15.06	**12.22**

	2005 Rs. Crore	2004 Rs. Crore
SCHEDULE 'M'		
MISCELLANEOUS EXPENDITURE		
Deferred Revenue Expenditure	0.38	0.51
	0.38	**0.51**

SCHEDULES TO PROFIT AND LOSS ACCOUNT

SCHEDULE 'N'
OTHER INCOME

	For the year ended March 31, 2005 Rs. Crore	2004 Rs. Crore
Income from current investments		
Profits on sale of units of mutual funds	0.35	–
Dividend	0.44	1.30
Miscellaneous income (Refer Note 6, Schedule R)	0.82	1.60
	1.61	**2.90**

SCHEDULE 'O'
COST OF MATERIALS

	For the year ended March 31, 2005 Rs. Crore	2004 Rs. Crore
Raw materials consumed	471.90	428.95
Packing materials consumed	95.97	80.82
Stores and spares consumed	10.03	5.86
Purchase for resale	53.92	59.74
(Increase)/Decrease in stocks		
Opening stocks		
Work-in-process	15.26	17.44
By-products	0.31	1.53
Finished products	31.89	28.68
Less :		
Closing stocks		
Work-in-process	11.78	15.26
By-products	1.21	0.31
Finished products	37.27	31.89
	(2.80)	**0.19**
	629.02	**575.56**

SCHEDULES TO PROFIT AND LOSS ACCOUNT

	For the year ended March 31, 2005 Rs. Crore	2004 Rs. Crore
SCHEDULE 'P'		
MANUFACTURING AND OTHER EXPENSES		
Employees' costs:		
Salaries, wages and bonus	43.72	40.11
Contribution to provident fund and other funds	3.76	3.52
Welfare expenses	3.78	2.91
	51.26	46.54
Power, fuel and water	4.42	4.11
Contract manufacturing charges	13.25	19.21
Rent and storage charges	6.10	4.43
Repairs to Buildings	2.45	1.75
Repairs to Machinery	3.56	2.77
Repairs Others	0.68	0.51
Freight, forwarding and distribution expenses	56.44	34.58
Advertisement and sales promotion	102.56	75.20
Rates and taxes	0.49	0.34
Sales tax and cess	10.43	9.06
Provision for doubtful debts and advances	0.10	0.52
Printing, stationery and communication expenses	6.00	4.90
Travelling, conveyance and vehicle expenses	10.97	9.11
Royalty	0.20	–
Insurance	1.17	1.06
Miscellaneous expenses	25.35	24.27
(Refer Note 7, Schedule R)		
	295.43	**238.36**
SCHEDULE 'Q'		
FINANCE CHARGES		
Interest on		
Fixed period loans	0.53	0.18
Other loans	0.78	0.30
Bank and other financial charges	2.03	2.08
	3.34	2.56
Less : Interest income	1.34	1.39
(Tax deducted at source Rs. 0.09 Crore (Rs. 0.12 Crore))		
	2.00	**1.17**

NOTES TO THE ACCOUNTS

SCHEDULE 'R'

NOTES:

1) The Group and nature of its operations:

Marico 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. Marico has the following subsidiaries:

- Marico Bangladesh Limited in Bangladesh which manufactures and sells branded coconut oil in Bangladesh;
- MBL Industries Limited, a wholly owned subsidiary of Marico Bangladesh Limited which also sells branded coconut oil and hair oils in Bangladesh;
- Kaya Skin Care Limited which provides skin care services and sells products through Kaya Skin Clinics;
- Sundari LLC, United States, a joint venture, carrying on ayurvedic skin care products business under the brand name SUNDĀRI;

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 Limited, its subsidiaries and joint venture. The results of subsidiaries/joint ventures acquired during the year are included from the date of acquisition of a controlling interest. Any changes during the year, in the company's shareholding in its subsidiaries / joint ventures is recognized while consolidating the results of its subsidiaries / joint venture. All inter-company transactions are eliminated and the consolidated financial statements have been prepared using uniform accounting policies; except that in case of MBL, MBLIL and Sundari LLC, deferred tax asset / liability has not been accounted for. The consolidated amount of deferred tax liability represents 1.52% (2.05%) of total consolidated liabilities of the group as at year-end.

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 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. Tangible assets

Depreciation is provided on straight line basis at higher of the rates, based on useful lives of the assets as estimated by the management every year or those stipulated by the respective statutes in India, 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 fair 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 transactions during the year are recorded at the exchange rate prevailing on the date of the transaction.
- Foreign currency assets and liabilities are translated at the period end exchange rate. All outstanding forward exchange contracts, to the extent of the underlying assets or liabilities are also translated at the period end exchange rate. 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 inception of a forward contract is recognized as income or expense and is amortized over the life of the contract.

NOTES TO THE ACCOUNTS

- Non-monetary foreign currency items are carried at cost / fair value and accordingly the investments in shares of foreign subsidiaries are expressed in Indian currency at the rate of exchange prevailing at the time when the original investments are made or fair values determined.

(k) Accounting for taxes on income

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

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

3) Subsidiaries

(i) List of subsidiaries

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

(ii) The Consolidated financial statements include the audited accounts of Kaya Skin Care Limited for the year ended March 31, 2005.

(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 Limited. However, for the purpose of consolidation, MBL and MBLIL have prepared financial statements for the year ended March 31, 2005, 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	75.5 (63)

(ii) The statutory accounting year of Sundari LLC is January to December every year, which is different from that of Marico Limited. However, for the purpose of consolidation Sundari LLC has prepared financial statements for the year ended March 31, 2005 which have not been audited.

(iii) In compliance with the requirements of revision to AS 27 “Financial Reporting of Interests in Joint Ventures” issued by the Institute of Chartered Accountants of India, which comes into effect in respect of all accounting periods commencing on or after April 1, 2004, the company has consolidated the results of Sundari LLC in accordance with the requirements of AS 21 (Consolidated Financials Statements).

5) a) Contingent liabilities not provided for in respect of:

(i) Counter guarantee given to banks on behalf of other companies Rs. 2.95 Crore (Rs. 5.31 Crore).

(ii) Sales tax/cess claims disputed by the Company Rs. 3.66 Crore (Rs. 3.72 Crore).

(iii) Income tax and interest demand disputed by the Company Rs. 7.45 Crore (Rs. 4.40 Crore).

(iv) Claims against the Company not acknowledged as debts Rs. 3.03 Crore (Rs. 3.30 Crore).

(v) Bills discounted with banks by the Company Rs. 21.34 Crore (Rs. Nil)

b) Letter of credit Rs. 2.24 Crore (Rs. Nil)

NOTES TO THE ACCOUNTS

6) Miscellaneous income includes lease income Rs. 0.56 Crore (Rs. 0.48 Crore), insurance claims Rs. 0.17 Crore (Rs. 0.27 Crore) and profit on sale of assets Rs. 0.03 Crore (Rs. Nil).

7) Miscellaneous expenses (net off write back of earlier years' provisions no longer required – Rs. 2.28 Crore (Rs. Nil)), include commission and brokerage Rs. 1.72 Crore (Rs. 1.37 Crore), donations Rs. 0.17 Crore (Rs. 0.07 Crore), loss on sale/discarding of assets Rs.Nil (Rs. 0.38 Crore), loss on sale of current investments Rs. Nil (Rs. 0.11 Crore), audit fees Rs. 0.22 Crore (Rs. 0.15 Crore), tax audit fees Rs. 0.03 Crore (Rs. 0.01 Crore), payment to auditors for other services Rs. 0.25 Crore (Rs. 0.09 Crore) and reimbursement to auditors for out-of-pocket expenses Rs. 0.01 Crore. (Rs. 0.004 Crore).

8) Research and development expenses aggregating Rs. 2.94 Crore (Rs. 2.10 Crore) have been included under the relevant heads in the profit and loss account.

9) Exchange loss (net) aggregating Rs. 0.23 Crore (Rs. 1.10 Crore) has been included under the relevant heads in the profit and loss account.

10) Based on the criteria prescribed under Accounting Standard 28 (AS 28) "Impairment of Assets" issued by the Institute of Chartered Accountants of India, which has become mandatory with effect from April 1, 2004, the Company identified certain plant and machinery with WDV of Rs. 1.06 Crore (Rs. 4.23 Crore) as on March 31, 2005 as 'impaired fixed assets'. The recoverable amount of such assets being estimated at net realisable value on disposal aggregated Rs. Nil (Rs. 0.06 Crore). The net amount of Rs. 1.06 Crore (Rs. 4.17 Crore) has been provided for and included under "Depreciation, amortisation and Impairment" in the Profit & Loss Account. The net impairment loss of Rs. 4.17 Crore as on March 31, 2004 was adjusted against General Reserve as at that date, in accordance with the transitional provision of AS28.

11) The details of provisions as required by the provisions of Accounting Standard 29 "Provisions, Contingent Liabilities and Contingent Assets" are as under;

Rs. Crore

Nature of provision	Leave encashment	Provision for Tax
Opening Balance	4.04	63.99
Additional provisioning (Including increases to existing provisioning)	–	6.05
Amounts used during the year	–	–
Amounts reversed during the year	(0.56)	(2.25)
Closing Balance	3.49	67.79

12) Additional information on assets taken on lease:

	For the year ended March 31, 2005 Rs. Crore	2004 Rs. Crore
(i) In respect of assets taken on finance lease prior to April 1, 2001:		
Lease rental charges for the year	–	0.30
Cost of assets	–	0.12
Future lease rental obligation	–	–
(ii) In respect of assets taken on operating lease after March 31, 2001:		
Lease rental charges for the year	0.70	0.21
Future lease rental obligation payable		
- not later than one year	0.73	0.44
- later than one year but not later than five years	0.57	0.84
Total	**2.00**	**1.49**

NOTES TO THE ACCOUNTS

13) Break-up of deferred tax liability:

	As at March 31, 2005 Rs. Crore	2004 Rs. Crore
Deferred tax asset:		
Provision for doubtful debtors/advances that are deducted for tax purposes when written off	0.66	0.73
Liabilities that are deducted for tax purpose when paid	3.26	2.32
Total Deferred tax asset	3.92	3.05
Deferred tax liability:		
Additional depreciation on fixed assets for tax purposes due to higher tax depreciation rates	9.96	9.29
Total Deferred tax liability	9.96	9.29
Net Deferred tax liability	**6.05**	**6.24**

14) Earnings per share:

	For the year ended March 31, 2005 Rs. Crore	2004 Rs. Crore
Profit after taxation	70.14	58.96
Less : Preference dividends	–	2.62
Profit available for equity shareholders	70.14	56.34
Equity shares outstanding as at the year end	58,000,000	29,000,000
Bonus shares allotted during the year ended March 31, 2005	–	29,000,000
Weighted average number of equity shares used as denominator for calculating basic and diluted earnings per share	58,000,000	58,000,000
Nominal value per equity share	10	10
Pre Bonus Basic and diluted earnings per equity share	12.09	19.43
Post Bonus Basic and diluted earnings per equity share	12.09	9.71

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 for the year ended March 31, 2004, is after considering bonus shares, which was approved by the members at the Extra-ordinary General Meeting held on April 21, 2004.

15) In accordance with the Accounting Standard 21, the share of minority interest in the equity upto the time of acquisition has been recorded in the books as goodwill. The goodwill arising from the current year's losses has been written off. The goodwill arising out of opening equity balance is shown in the Balance Sheet.

16) Segment Information

Marico has three business segments - Consumer Products (comprising consumer product business of Marico Limited and Marico Bangladesh Limited alongwith its wholly owned subsidiary MBL Industries Limited), Skin Care (comprising Kaya Skin Care Limited and skin care business of Marico Limited in Dubai) and Global Ayurvedics (Sundari 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 and Global ayurvedics

NOTES TO THE ACCOUNTS

(Rs. Crore)

	Consumer Products	Others	Total
Segment revenue			
External sales	986.43	26.34	1012.77
	(879.33)	(9.13)	(888.46)
Inter-segment sales	–	–	–
	(–)	(–)	(–)
Total revenue	**986.43**	**26.34**	**1012.77**
	(879.33)	(9.13)	(888.46)
Segment Result	**89.41**	**(14.39)**	**75.02**
	(73.93)	(-)(9.45)	(64.48)
Unallocated corporate expenses			–
			(–)
Operating profit			75.02
			(64.48)
Interest expenses			3.34
			(2.56)
Interest income			1.34
			(1.39)
Net profit before tax ,minority interest and goodwill			73.02
			(63.32)
Minority interest in losses			0.80
			(1.76)
Goodwill on consolidation			0.47
			(–)
Net profit before tax and after minority interest			**74.29**
			(65.08)
Other information			
Segment assets	331.69	66.90	398.59
	(266.56)	(37.34)	(303.90)
Unallocated Corporate assets			–
			(–)
Total assets	**331.69**	**66.90**	**398.59**
	(266.56)	**(37.34)**	**(303.90)**
Segment liabilities	175.88	5.79	181.67
	(113.60)	(3.99)	(117.59)
Unallocated Corporate liabilities			–
			(–)
Total liabilities	**175.88**	**5.79**	**181.67**
	(113.60)	(3.99)	(117.59)
Capital expenditure	18.63	22.63	40.99
	(11.55)	(16.47)	(28.02)
Depreciation, impairment and amortisation	11.45	3.46	14.91
	(11.33)	(1.62)	(12.95)

i. Secondary Segment Information

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

NOTES TO THE ACCOUNTS

Geographical Segments	Composition
Domestic	All over India
International	Primarily Middle East, SAARC countries and USA

Sales revenue by geographical market

Locations	Amount (Rs. Crore.)
India	896.72
	(810.16)
Others (Middle East, SAARC countries and USA)	116.05
	(78.60)
Total	**1012.77**
	(888.46)

Carrying amount of assets and capital expenditure by geographical locations

	India (Rs. Crore)	Others (Rs. Crore)	Total (Rs. Crore)
Carrying amount of assets	355.56	43.03	398.59
	(293.82)	(10.08)	(303.90)
Capital expenditure	39.14	1.85	40.99
	(24.41)	(3.62)	(28.02)

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 intangibles, fixed assets, inventories, debtors, cash and bank balances 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 loan funds, deferred tax liability, creditors and other liabilities.

17) Related Party disclosures

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

Nature of transactions	**March 31, 2005 (Rs. Crore)**	**March 31, 2004 (Rs. Crore)**
Remuneration for the year	1.10	0.89

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

19) 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	Head - Legal and Company Secretary

Place: Mumbai

Date: April 27, 2005

DIRECTORS' REPORT

To the Members

Your Board of Directors ('Board') is pleased to present the Seventeenth Annual Report of your Company, Marico Limited for the year ended March 31, 2005 ('the year under review', 'the year' or 'FY05').

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 04 – March 05 in respect of Marico Consolidated – **Consumer Products** [Marico Limited together with its subsidiaries – Marico Bangladesh Limited (MBL), MBL Industries Limited (MBLIL)], **Skin Care** [Kaya Skin Care Limited (KSCL)] and **Global Ayurvedics** [its joint venture, Sundari LLC (Sundari)]. The consolidated entity has been, in this Discussion, referred to as 'Marico' or 'Group' or 'Your Group'.

FINANCIAL RESULTS - AN OVERVIEW

Rs. Crore

	For the year ended March 31, 2005	2004
Consolidated Summary Financials for the Group		
Sales and Services	1012.8	888.4
Profit before Tax	74.2	65.1
Profit after Tax	70.2	59.0
Summary Financials for the Consumer Products Business		
Sales and Services	986.4	879.3
Profit before Tax	87.4	73.3
Profit after Tax	83.4	67.2
Marico Limited – Financials		
Sales and Services	**947.8**	**847.3**
Profit before Tax	**77.6**	**63.4**
Less: Provision for Tax for the current year	6.0	5.2
Profit after Tax for the current year	71.6	58.2
Less: Provision for Deferred Tax Liability / (Deferred Tax Asset)	(0.2)	0.2
Add: Excess income tax provision of earlier years written back	2.0	–
Profit after Tax	**73.8**	**58.0**
Add: Surplus brought forward	112.1	94.1
Profit available for Appropriation	**185.9**	**152.1**
Appropriations:		
Distribution to shareholders		
Interim dividends	31.0	24.7
Preference dividend	–	2.3
	31.0	27.0
Tax on dividend	4.1	3.5
Tax on redemption of bonus preference shares	–	3.7
	35.1	**34.2**
Transfer to General Reserve	**7.4**	**5.8**
Surplus carried forward	**143.4**	**112.1**
Total	**185.9**	**152.1**

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.

During FY 05, your Company's distribution to shareholders has comprised the following on the equity base of Rs. 58 crore:

- First interim dividend of 10 %
- Second interim dividend of 12 %
- Third interim dividend of 14 %
- Fourth interim dividend of 17.5%

The total dividend payout for FY05 (including dividend tax) was Rs. 35.1 Crore (a little over 51% of Group's PAT).

Your Company has declared dividends every quarter for the past 17 consecutive quarters now.

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

The cornerstone of Marico's growth endeavor has been a focus on sustainable profitable growth through:

- strengthening its consumer products business across a pipeline of new products and geographies and
- nurturing and growing its new skin care solutions businesses,

while maintaining its record of consistency in financial results.

The objective of sustainable and profitable growth is being driven through focus on the following enablers:

DOMESTIC CONSUMER PRODUCTS BUSINESS

- Sustained Volume Growth across categories in High Margin Products
- Successful realignment of the Portfolio along higher margin lines
- Consolidation of Market shares
- Stronger Flagship brands - Parachute & Saffola
- Growing portfolio of New Products- already launched as also those under prototypes

INTERNATIONAL CONSUMER PRODUCTS BUSINESS

Sustained Growth through expansion in newer segments and territories.

SKIN CARE BUSINESS

Consolidation of investments in Kaya and Sundari

These initiatives helped your Company deliver consistent performance during FY05, when :

- The High Margin Product portfolio grew by 18%
- Market shares in key categories were consolidated further – Parachute reaching 50% mark both in India as well as Bangladesh
- New products performed well – registering a growth in excess of 20% in Marico's Consumer Product Business
- A quick build up was achieved in Kaya
- Record of relentless year - on - year growth in topline and bottomline was extended.

DIRECTORS' REPORT

MILESTONES

In the process, your Group achieved two important milestones in its journey – overall turnover reaching Rs. 1000 Crore and the International Business touching the Rs. 100 Crore mark - now at 10% of Group Turnover.

CONSUMER PRODUCT BUSINESS

In the Domestic market, the flagship brands Parachute Coconut Oil and Saffola range of premium refined edible oils performed very well. Parachute rose by 8% in volume terms while Saffola franchise increased its volumes by 18%. The Hair Care range (Parachute Jasmine, Shanti Amla, Mediker and Hair & Care being the key elements) grew by a strong 14% in volume and 19% in value terms. New products – Parachute Sampoorna, Silk-n-Shine, Saffola blends, performed, by & large, in accordance with expectations.

INTERNATIONAL FMCG BUSINESS

FY05 was yet another year of growth for Marico's International FMCG business. The sales turnover of International FMCG business grew by 29% to Rs. 96 Crore over the FY04 base of Rs. 74 Crore.

In Bangladesh, Parachute Coconut Oil consolidated its market leadership and crossed 50% market share in March '05. Parachute Cream continued to grow in the Gulf countries - Volumes doubled during the FY05.

During the year, your Company went ahead with two prototypes - Parachute Advansed After Shower Cream – an entry into the growing male hair grooming market and Saffola Daily Health functional foods - aimed at prevention and better management of chronic lifestyle disorders like diabetes. Your Company seeks to leverage the brand equity of its flagship brands – Parachute and Saffola – to strengthen the product proposition of these two prototypes.

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 a market shares well over 50%, while your Company's hair oil franchise is a clear No. 2.

MBL Industries Limited (MBLIL)

MBLIL, a wholly owned subsidiary of MBL, continued to perform well in its business of selling branded Coconut Oil and Hair Oils under the Parachute umbrella.

Increase in shareholding in Subsidiaries

During the year, your Company increased its shareholding in both the new businesses - Kaya and Sundari:

- From 86.4% to 100% in Kaya Skin Care Limited and
- From 63% to 75.5% in Sundari LLC.

Kaya Skin Care Limited

During the year the skin care business of Kaya Skin Clinics grew to 34 Clinics – 32 in India and 2 in the UAE. With a base of over 40,000 satisfied customers, the business is poised to enter a profitable growth phase during FY06. During FY05, the Kaya business reached a turnover of Rs. 18.6 Crore, of which Rs. 8 Crore was clocked in the fourth quarter. As the business continued to be in investment phase, the loss for the year was Rs. 7.2 Crore.

Sundari LLC

During the year, Sundari LLC concentrated on the Spa channel. Sundari adopted the strategy of identifying big prospective Spa clients in order to create an opportunity to convert a good proportion of these prospects into business. In the International market, Sundari commenced scoping in a big way and is currently in the process of appointing full service distributors, in the South East Asia region.

For FY05, Sundari reached a turnover of Rs. 5.5 Crore. The focus on business building saw the operations result in a planned loss before tax at Rs. 5.3 Crore.

Sundari Spa LLC, a wholly owned subsidiary of Sundari LLC, which did not have any operations, has been dissolved in March 2005.

DIRECTORS' REPORT

OTHER CORPORATE DEVELOPMENTS

Corporate Name and Logo Change

Your Company's logo - the most visible part of its corporate identity – was first adopted in 1989. Since then - over the past 15 years - Marico has evolved into a more consumer-friendly FMCG Company, providing enduring value to its consumers through a wide range of products and services comprising 12 brands in the areas of beauty and wellness.

Apart from its quintessential FMCG business, Marico offers consumers allied services in the area of skin care with a new line of business under the brand 'Kaya Skin Clinics'. Overseas, Marico successfully markets Ayurvedic skin care products to spas in the US through Sundari LLC.

Today, Marico's scope of business goes far beyond industrial products. Changing its name from 'Marico Industries Limited' to 'Marico Limited' was thus a natural progression towards a new name, which better reflects the extended range of its business.

But while Marico has always moved with the times, its identity had not. The logo was still rooted in the past. It did not reflect who we are today.

Marico has therefore adopted a new logo to reflect its new identity. A logo, which stylistically brings out the nature of its businesses - and all that Marico stands for today. A logo, which is friendlier, more contemporary, more in keeping with the times.

The much softer lettering style and the fresh green leaves bring to life Marico's focus on beauty and wellness. The trust mark- the symbol M- retains its basic strength – the pillars, symbolic of a company built on solidity and commitment.

Marico's new identity reflects the freshness of thinking and the vitality of spirit of a solid Company.

Acquisition by Marico Bangladesh Limited in April 2005

In April 2005, Marico Bangladesh Limited (MBL), the Bangladesh-based wholly owned subsidiary of your Company, has acquired from Marks and Allys Limited (MAL) another Bangladeshi Personal care product company, the Toilet Soap brands "Camellia" and "Magnolia". These brands have an aggregate turnover of about Taka 50 million in Toilet soaps in Bangladesh. They are also present in a minor manner, through extensions, across talcum powder, petroleum jelly and amla hair oil. Camellia's brand equity owes its strength to the quality of the soap, primarily its fragrance, which has a strong recall amongst consumers.

The acquisition envisages Marico outsourcing the manufacture of the soaps to MAL, while continuing to draw on MAL's research and development. It also involves a suitable non-compete covenant by MAL.

Your Company believes that this acquisition will help the Group to develop a broader Personal Care franchise amongst the Bangladeshi consumers, who have already made Parachute a market leader with over 50 % share in the Coconut Oil category. It will also help MBL to further strengthen its distribution network, which, at 250,000 outlets, is already amongst the widest in Bangladesh.

MANUFACTURING CAPACITY

The first hair oil unit at Dehradun in Uttaranchal had gone into production during the previous year. During FY05, the second unit also commenced commercial operations. Most of the hair oil production is now being carried out in these two units, which are supplemented by a few of contract manufacturing facilities.

In the fourth quarter of the year, workers at your Company's Goa plant (manufacturing Coconut Oil) went on strike as the negotiations, arbitrated by the Labour commissioner, (that were on for the preceding six months), failed. The strike continued throughout the fourth quarter. Your Company has continued negotiations with its workers' union and a resolution is expected in the near future. The short-term impact of this development is expected to be manageable as your Company has been servicing its markets through its other plants.

RESEARCH & DEVELOPMENT

Your Company's Research and Development (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.

DIRECTORS' REPORT

Your Company spent Rs. 1.1 Crore on capital expenditure on R&D as against Rs. 0.2 Crore during the previous year. Revenue expenditure on R&D was Rs. 2.9 Crore as against Rs. 2.1 Crore in FY04.

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

Your Company's R&D centre continues to be recognized by the Council for Scientific and Industrial Research (CSIR). During the year, the R&D centre was shifted to a new premise, which offers modern facilities.

As a consumer-centric Company, your Company's research and development activities are focused on the continuous ascertainment of what the consumer needs are and how they are evolving. Therefore, apart from the back room research and development work, which centers around laboratory development of new products and services ideas, your Company has also developed and deployed a robust process for gathering consumer insights. We believe that such front room research is as vital as the back room research in ensuring that the Company has a continuous pipeline of new product and service ideas. This two pronged approach towards research and development synergises company-wide efforts for coverage of all opportunities.

PUBLIC DEPOSITS

During the year, your Company neither invited nor accepted any deposits from the public. There were no outstanding public deposits at the end of this or the previous year.

DIRECTORS' RESPONSIBILITY STATEMENT

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

(i) in preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same;

(ii) they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of your Company as at March 31, 2005 and the profit of your Company for the year ended March 31, 2005;

(iii) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities;

(iv) they have prepared the annual accounts on a going concern basis.

Further, your Directors also confirm that 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 report on Corporate Governance has been provided as a separate part of this Report.

CORPORATE SOCIAL RESPONSIBILTIES

Innovation for India - Marico Foundation

Your Company continues to contribute to the Innovation for India – Marico Foundation.

The Foundation was created in March 2003 under the stewardship of Dr. Ramesh Mashelkar (Director General, CSIR), with a single mission: to fuel innovation in India. The goal is to put India on the global map by leveraging Indian knowledge and know-how. By arming ourselves with two things: (i) a belief that innovation is possible and is the way to leapfrog India into the centre-stage of global business leadership, and (ii) a framework to leverage innovation for quantum growth. Marico and Erehwon (a Bangalore based Innovation Consulting firm) spearhead the Foundation.

DIRECTORS' REPORT

The members of its governing council are:

Dr. (Prof.) Ramesh Mashelkar (Chairman)	Director General, CSIR
Anu Aga	Chairperson, Thermax
Arun Maira	Chairman, Boston Consulting Group, India
Ashwin Dani	Vice Chairman and Managing Director, Asian Paints
Dorab Sopariwala	Consultant
Harsh Mariwala	Chairman and Managing Director, Marico
Jerry Rao	Chairman and CEO, Mphasis BFL
K V Mariwala	Ex-Director, Marico
Rajiv Narang	Chairman and Managing Director, Erehwon
Ranjan Kapur	Ex-Chairman, O&M India
Tony Joseph	Consulting Editor, Business World

The Innovation for India – Marico Foundation has sponsored studies for Challenger Innovation cases in the spaces of Business as also Social Life. These studies bring out live examples of how Challenger Leadership can bring about a transformation and lead to quantum shifts in results. A unique feature of these transformational cases is the durability of the transformation –even after the Challenger leader moves away from the scene, the transformation is sustained. The Foundation offers Challenger Presentation/ Talks based on the Business / Social Innovation Case studies. Such talks have received excellent responses at various Corporate and Industry fora.

In addition to the time spent by senior Managers of the Company on the work relating to the Foundation, your Company spent an amount of Rs. 9 Lac by way of revenue expenditure for the foundation.

More details on the Foundation are available at www.innovation4india.org.

Other Initiatives

Your Company is committed to development of the community in which it functions. 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 in the Company's neighbourhood.

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

Your Company will continue these efforts in future also.

DIRECTORS

Directors retiring by rotation

Mr. Nikhil Khattau and Mr. Rajeev Bakshi, Directors of the Company, retire by rotation as per Section 256 of the Companies Act, 1956 and being eligible offer themselves for re-appointment.

Changes in the Board of Directors

The Board of Directors of your Company had appointed Ms. Vinita Bali as an Additional Director on July 21, 2004. Later, Ms. Bali had expressed her inability to continue on the Board of your Company. Your Board accepted her resignation with effect from November 21, 2004. Your Directors place on record their appreciation of her contribution to the Company's business plans and directions during her tenure as a Director.

Mr. Kishore Mariwala, one of the Directors of your Company, had expressed a desire to step down from the Board (consequent to his reaching the age of 70 earlier during the year under review) and accordingly submitted his resignation at the Board meeting held on April 27, 2005. His resignation has been accepted by the Board. Your Directors would like to place on record their sincere appreciation of the valuable services rendered by Mr. Kishore Mariwala. Mr. Kishore Mariwala is one of the co-founders of Marico Limited and his strategic inputs and direction over the last 17 years have been instrumental in building the Marico Group to its present strength and size.

DIRECTORS' REPORT

In the casual vacancy that has arisen because of Mr. Mariwala's resignation, Mr. Rajen Mariwala has been appointed as a Director in casual vacancy. Mr. Rajen Mariwala, 42, is a Masters in Engineering from Cornell University, USA and has been the Managing Director of Hindustan Polyamides and Fibres Limited. He brings with him a rich experience of over 16 years in leading a competitive global business in specialty chemicals. He holds office upto the date of the ensuing Annual General Meeting of your Company and is eligible to be appointed as a Director.

ADDITIONAL STATUTORY INFORMATION

Information under Section 217(1)(e) of the Act read with the Companies (Disclosure of Particulars in the Report of 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 from time to time, 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 Marico Bangladesh Limited, MBL Industries Limited and Sundari LLC, 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 Limited as also Marico Bangladesh Limited, MBL Industries Limited, Kaya Skin Care Limited and Sundari LLC.

AUDITORS

Your Company's Auditors, RSM & Co., Chartered Accountants, retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness for re-appointment.

Aneja Associates (Aneja), a leading Chartered Accountant firm specialising in risks and controls, has been associated with your Company as its internal auditors. They have been partnering with your Company in the area of risk management and internal controls systems. Your Company has re-appointed Aneja as its internal auditor for the year 2005-06.

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, as also 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 27, 2005

HARSH MARIWALA
Chairman and Managing Director

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 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 implemented during FY 05 are listed below:

- Installation of Servo Stabiliser for Voltage Control
- Installation of HIG Efficiency pumps
- Process equipment standardisation
- Cake disintegrator motor – leading to reduction in units consumed
- VFD (Variable Frequency Drive) Installation for Expeller
- Right Sizing of motors to reduce losses
- Use of Fireside chemicals in boiler to improve efficiency
- Reuse of steam condensate
- Process heat recovery in refinery
- Optimisation of air requirement in filling
- Power factor improvement through reduction in minimum demand
- Removal of cake moisturizing pump leading to saving in energy

Your Company continued its journey towards relentless effective utilization of energy. Significant reduction in power consumption has been achieved and rationalisation efforts will continue.

The details of total energy consumption and energy consumption per unit 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:

   R &D's main thrust during the year was to strengthen the current portfolio of products and also to look for new opportunities to satisfy the consumer needs more effectively. Numerous initiatives, which were earlier planned or initiated this year, progressed well to generate consumer appealing, functional products. Some of these initiatives were:

   - Development of new technology platforms to support the consumer needs more effectively
   - Development of new products, line extensions, and new processes based on consumer understanding to meet the unmet consumer aspirations
   - Creation of a knowledge base in the area of traditional Indian wisdom
   - Evaluation of natural herbs for proprietary, patentable hair & skin products, with sponsorship from Department of Science & Technology (DST)
   - Generation of consumer insights through rigorous and intense consumer interactions to make product more relevant and appropriate to consumers
   - Skill building towards evaluation of products for better success in the market
   - Working with premier research institutions to stay in tune with and assimilate the frontiers of research
   - Work on Product and Process patents

ANNEXURE TO THE DIRECTORS' REPORT

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

- Various SKUs were developed under the hair oils & edible oils franchises;
- A few National launches
  - Hair & Care with herbal protein – Non-greasy hair oil with goodness of herbal proteins
  - Hair & Care's Silk-n-Shine hair potion – an innoative product to make hair tangle-free, soft and shiny
  - Mediker 4 Sunday pack to drive effective consumer usage
  - Parachute Advansed Coconut Oil – Goodness of Coconut Oil in perfume and packaging with a greater appeal to the consumer
  - Shanti Amla Badam Oil – A new hair oil composition fortified with Badam oil and Amla aimed at making hair lustrous, shiny and healthy.
  - Parachute Sampoorna – Hair oil with nutritional properties of hibiscus and almond.
- Following prototypes were carried out during the year -
  - Mediker+ Antilice oil for South – Sensorially improved to satisfy the needs of consumers from Southern India.
  - Parachute Aftershower Cream – All-day grooming cream for men based on Coconut Oil to delivering its goodness.
  - Functional foods – Functional additives under Saffola brand for managing lifestyle conditions such as diabetes and cholesterol launched
  - New innovative packaging for Saffola 1 Lt pouch pack
  - Numerous innovative packaging options to offer better shelf display value

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

3. Expenditure on R & D:

			(Rs. Crore)
		2004-05	**2003-04**
a)	Capital	1.1	0.2
b)	Recurring	2.9	2.1
	Total	**4.0**	**2.3**
c)	Total R & D expenditure as % to Sales & Services	0.4	0.3
d)	Total R & D expenditure as % to PBT	5.4	4.0

II Technology absorption, adaptation and innovation

Your Company's R & D continued to work towards continous innovation in process, product & packaging technology to offer to consumers value for money with delightful sensorials. As a result of these efforts, a few new products and prototypes were launched (as detailed above under R & D). R & D's focus also resulted in innovative packages being offered to consumers, for example, new innovative pouch pack for Saffola 1 Ltr. SKU.

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 27, 2005

HARSH MARIWALA

Chairman and Managing Director

ANNEXURE TO THE DIRECTORS' REPORT

ENCLOSURE 'A'

Power & Fuel Consumption

Note: The numbers given below relate to own manufacturing facilities of the Company.		For the year ended March 31, 2005	2004
1. Electricity			
a. Purchased units (Kwh)		8,395,548.00	7,326,049.58
Amount (Rs. Crore)		2.87	2.77
b. Own Generation			
i. Through Diesel Generator (Kwh)		412,906.00	737,066.30
Amount (Rs. Crore)		0.34	0.49
Average Rate (Rs. / Unit)		8.26	6.68
ii. Through Steam Generator (Kwh)		50,239.00	Nil
Amount (Rs. Crore)		Nil	Nil
Average Rate (Rs. / Unit)		Nil	Nil
2. Coal			
Quantity (MT)		Nil	Nil
Amount (Rs. Crore)		Nil	Nil
Average Rate (Rs. / Ton)		Nil	Nil
3. Furnace oil			
Quantity (KL)		667.84	658.94
Amount (Rs. Crore)		0.98	0.92
Average Rate (Rs. / KL)		14,639.26	14,021.05
4. Other Internal Generation (excludes HSD used for electricity generation)			
L.D.O / H.S.D.			
Quantity (KL)		119.87	130.61
Amount (Rs. Crore)		0.27	0.25
Average Rate (Rs. / KL)		22,645.67	19,192.55
5. Baggase Consumption			
Quantity (KG)		10,622.60	10,386.96
Amount (Rs. Crore)		1.30	1.03
Average Rate (Rs. / KG)		1,220.04	990.15
Consumption per unit of production of edible oils	Unit		
Electricity	Kwh	108.84	121.55
Coal	MT	Nil	Nil
Furnace oil	KL	0.01	0.01
L.D.O./H.S.D.	KL	0.00	0.00
Baggase	KG	0.30	0.34
Consumption per unit of production of processed foods	Unit		
Electricity	Kwh	94.98	93.68
Coal	MT	Nil	Nil
Furnace oil	KL	Nil	Nil
L.D.O./H.S.D.	KL	0.09	0.09
Consumption per unit of production of Hair Oils	Unit		
Electricity	Kwh	93.53	85.88
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	174.16	196.21
Coal	MT	Nil	Nil
Furnace oil	KL	Nil	Nil
L.D.O./H.S.D.	KL	Nil	Nil

CORPORATE GOVERNANCE REPORT

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

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

I. PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

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 making maximum appropriate disclosures without jeopardising the Company's strategic interests and as also internally in the Company's relationship with its employees and in the conduct of its business. Such transparency and openness is however judiciously 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 the conduct of the Board and Committee proceedings is explained in detail later on in this report.

Other Significant Practices

Other significant Corporate Governance Practices followed by Marico are listed below:

Information Sharing

- Operational performance details are circulated through Media releases /Information updates useful to analysts amongst others.
- 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.
- No related party transactions exist except for those with subsidiaries and for remuneration to Chairman and Managing Director. These can be referred to in notes to Accounts annexed to the financial statements for the year ended March 31, 2005.
- 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.
- As and when required, senior management personnel are present at Board / Committee meetings so that the Board/ Committees can seek and get explanations as required 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.
- Proceedings of Board are logically segregated and matters are delegated to committees as under:
  - Administrative Committee covers routine transactional issues.
  - Investment and Borrowing Committee covers management of funds.
  - Audit Committee covers internal control systems, financial reporting and compliance issues.
  - Remuneration Committee covers remuneration of Executive Directors.
  - Share Transfer Committee covers transfer formalities and other share-related procedures.
  - Shareholders' Committee covers redressal of investor grievances.
  - Constituted Committees meet frequently to review operations.

CORPORATE GOVERNANCE REPORT

- Each Non-Executive Director brings value through a specialization.
- Directorships held are within the ceiling limits specified.
- Committee memberships and chairmanship of directors are within overall limits.
- Statutory compliance report along with a Compliance Certificate is placed before the Audit Committee / Board at every meeting.
- Audit Committee is chaired by Independent Director to check control systems and review them.
- All Directors endeavour to attend all the Board / Committee meetings as also the Annual General Meeting. 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 Senior Manager of the Company and / or outside Advisors to any meeting(s) of the Board / Committee.
- 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

The Board of Directors is being reconstituted. Once the reconstituted Board is in place, a Corporate Governance Committee will be constituted with the responsibility of annually reviewing the Company's Corporate Governance practices, and recommending for approval to the Board any improvements considered appropriate.

This Committee will reckon the evolving nature of principles and practices relating to corporate governance and also oversee the implementation of the measures envisaged to ensure compliance with the amended provisions of Clause 49 of the standard Listing Agreement. Meanwhile, we have commenced a phased compliance with the revised Clause 49 of the Listing Agreement, the effective date of which is extended to December 31, 2005.

II. BOARD OF DIRECTORS

(I) Composition and categories of Directors (As on April 27, 2005):-

Name	Category
Mr. Harsh Mariwala	Chairman & Managing Director (Promoter)
Mr. Kishore Mariwala	Non-Executive (Promoter) (Resigned w.e.f April 27, 2005)
Mr. Rajen Mariwala	Non-Executive (Promoter) (Appointed w.e.f April 27, 2005)
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 :

Four meetings of the Board of Directors were held during the year April 1, 2004 to March 31, 2005 viz: April 21, 2004; July 21, 2004; November 8, 2004; January 24, 2005. The attendance record of all directors is as under: -

CORPORATE GOVERNANCE REPORT

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

(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	4	2	2
Mr. Kishore Mariwala	4	3	1
Mr. Bipin Shah	4	4	2
Mr. Nikhil Khattau	2	2	Nil
Mr. Atul Choksey	11	Nil	Nil
Mr. Rajeev Bakshi	1	2	Nil

*includes Committee Membership(s) / Chairmanship(s) with Marico. Membership(s) / Chairmanship(s) of Remuneration Committee is / are excluded as per amended Clause 49 of the Listing Agreement.

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 by the Board of Directors on April 27, 2005, consequent to the resignation of Mr. Kishore Mariwala and appointment of Mr. Rajen Mariwala as Director in the resulting casual vacancy.

The Audit Committee now comprises the following Directors (All Non-Executive):

Mr. Bipin Shah – Chairman
Mr. Nikhil Khattau – Member
Mr. Rajeev Bakshi – Member
Mr. Rajen Mariwala – 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 periodic financial statements before submission to the Board.
3. Ensuring compliance with internal control systems.
4. Seeking information from any employee.
5. Obtaining external Legal / Professional advice.
6. Inviting external experts, if necessary.
7. Investigation into any activity referred to it.
8. Recommending the appointment and remuneration of Auditors.

CORPORATE GOVERNANCE REPORT

The Committee had 3 meetings during the Financial Year 2004-05 viz. April 21, 2004 (for considering the Annual Financial Results), November 8, 2004 (for considering audited half-yearly financial results) and January 24, 2005 (for considering Accounting issues for the financial year and Internal Audit findings).

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

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 and also on April 27, 2005 consequent to the resignation of Mr. Kishore Mariwala and appointment of Mr. Rajen Mariwala as Director in the resulting casual vacancy.

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

The Remuneration Committee now comprises the following Directors (All Non-Executive):

Mr. Bipin Shah - Chairman

Mr. Nikhil Khattau - Member

Mr. Rajen Mariwala - Member

Mr. Dev Bajpai - Secretary to the Committee

The terms of reference of the Remuneration Committee includes review of the remuneration of Executive Directors.

No meeting of the Committee was held during the Financial Year 2004-05.

Remuneration paid to Non-Executive Directors for the Financial Year 2004-05 is as under:

Name	Remuneration (payable annually) (Rs.)	Sitting Fees (Rs.)
Mr. Kishore Mariwala	1,65,000	35,000
Mr. Bipin Shah	1,65,000	35,000
Mr. Nikhil Khattau	1,65,000	35,000
Mr. Atul Choksey	1,25,000	20,000
Mr. Rajeev Bakshi	1,51,667	25,000

The remuneration to Mr. Harsh Mariwala, Chairman & Managing Director, for the Financial Year 2004-05 is as under:

Name	Salary and Perquisites (Rs.)	Annual Performance Incentive (Rs.)
Mr. Harsh Mariwala	92,01,949	17,98,875

For any termination of service contract, the Company / the Executive Director is required to give a notice of three months.

CORPORATE GOVERNANCE REPORT

REMUNERATION POLICY OF THE COMPANY IS AS FOLLOWS

Remuneration Policy for Executive Director

The Marico Board presently consists of only one Executive Director namely Mr. Harsh Mariwala, Chairman & Managing Director. Therefore, the remuneration policy for Executive Directors presently covers only the Chairman & Managing Director.

The remuneration of the Chairman & Managing Director is governed by the agreement dated April 23, 2001 executed between the Company and Mr. Harsh Mariwala in terms of his appointment as the Managing Director as approved by the shareholders in their meeting held on July 25, 2001. The terms of this agreement have already been shared with the members. A summary of Mr. Mariwala's remuneration for the year under review and the previous year has been given in the notes to Accounts in Schedule R. It can be observed that the remuneration comprises of two broad terms – Fixed Remuneration and Variable Remuneration in the form of performance incentive.

Revisions, if any, in the remuneration to the Chairman & Managing Director are deliberated upon by the Remuneration Committee of the Board. Based on recommendations of the Remuneration Committee, the Board decides on the revision subject to shareholders approval. The next revision is due in July 2006.

Remuneration Policy for Non-Executive Directors

Non-Executive Directors of a Company's Board of Directors can add substantial value to the Company through their contribution to the Management of the Company. In addition, they can safeguard the interests of the investors at large by playing an appropriate control role. For best utilizing the Non-Executive Directors, Marico has constituted certain Committees of the Board, viz. Audit Committee, Remuneration Committee and Shareholders' Committee.

Non-Executive Directors bring in their long experience and expertise to bear on the deliberations of the Marico Board and its Committees. Although the Non-Executive Directors would contribute to Marico in several ways, including off-line deliberations with the Managing Director, the bulk of their measurable inputs come in the form of their contribution to Board / Committee meetings. Marico therefore has a structure for remuneration to Non-Executive Directors, linked to their attendance at Board / Committee meetings.

The shareholders of the Company had on July 25, 2000 approved payment to Non-Executive Directors for a period of five years up to the limits of 3% of the net profits of the Company calculated in accordance with the provisions of the Companies Act, 1956. The Board of Directors was allowed freedom, within this limit, to decide the mode, the quantum, the recipients and the frequency of payment of such remuneration.

V. SHAREHOLDERS' COMMITTEE

Constitution:

The Shareholders' Committee was constituted by the Board of Directors at its meeting held on October 23, 2001 and was re – constituted on April 21, 2004 and also on April 27, 2005, consequent to the resignation of Mr. Kishore Mariwala and appointment of Mr. Rajen Mariwala as Director in the resulting casual vacancy. Mr. Nikhil Khattau is appointed as Chairman of the Committee with effect from April 27, 2005.

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 dividends etc.

The Shareholders' Committee now comprises the following Directors (All Non-Executive):

Mr. Nikhil Khattau - Chairman

Mr. Rajen Mariwala - Member

Mr. Dev Bajpai - Secretary to the Committee

No meeting of the Committee was held during the Financial Year 2004-05.

Name and Designation of Compliance Officer:

Mr. Dev Bajpai – Head -Legal and Company Secretary

CORPORATE GOVERNANCE REPORT

Status Report of Investor Complaints for the year ended March 31, 2005

No. of Complaints Received - 81

No. of Complaints Resolved - 81

No. of Complaints Pending - NIL

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

VI. GENERAL BODY MEETINGS

Annual General Meetings

YEAR	VENUE	DATE	TIME
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 – 400 025	July 17, 2003	9.00 a.m.
2004	'Kohinoor Hall', Kohinoor Corner, Opposite Siddhivinayak Mandir, Veer Savarkar Marg, Prabhadevi, Mumbai – 400 025	July 21, 2004	9.00 a.m.

Details of Special Resolution passed at any of the previous three Annual General Meetings

A Special Resolution was passed for issue of Bonus shares in the Annual General Meeting held on July 18, 2002.

Postal Ballot

Postal Ballot process was undertaken by the Company for the purpose of obtaining the approval of the Shareholders by way of a Special Resolution for the change of name of the Company from 'Marico Industries Limited' to 'Marico Limited'. Mr. D. B. Dixit was appointed as the Scrutinizer for the postal ballot process. The last date for receiving the postal ballot forms was the closing hours of April 6, 2005. The Scrutinizer submitted his report to the Chairman on April 8, 2005. The voting pattern on the Postal Ballot was as follows:

Particulars	No. of Postal Ballot Forms	No. of Shares	% of total valid votes cast
(a) Total postal ballot forms received	177	41,256,959	–
(b) Less: Invalid postal ballot forms	4	355	–
(c) Net valid postal ballot forms	173	41,256,604	100.00
(d) Postal ballot forms with assent for the Resolution	172	41,256,529	100.00
(e) Postal ballot forms with dissent for the Resolution	1	75	0.00

The Chairman announced the result of the postal ballot process on April 11, 2005. All the statutory formalities relating to the name change have been duly complied with. The name of your Company stands changed from 'Marico Industries Limited' to 'Marico Limited' with effect from April 25, 2005.

VII. DISCLOSURES

There has not been any non-compliance, penalties or strictures imposed on the Company by the Stock Exchanges, SEBI or any other statutory authority, on any matter relating to the capital markets during the last three years.

During the year 2004-05, there were no materially significant related party transactions i.e. transactions of the Company of material nature, with its subsidiaries, promoters, the Directors or the management or their relatives etc. that may have potential conflict with the interest of the Company at large.

CORPORATE GOVERNANCE REPORT

VIII. MEANS OF COMMUNICATION

Quarterly, Half-Yearly and Annual results are being published in an English financial daily (Free Press Journal) and a vernacular newspaper (Navashakti). In addition, the consolidated financial results are also published.

All official news releases and financial results are communicated by the Company through its corporate website - **www.maricoindia.com.** Presentations made to Institutional Investors / Analysts are also put up on the website for wider dissemination.

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

IX. GENERAL SHAREHOLDER INFORMATION

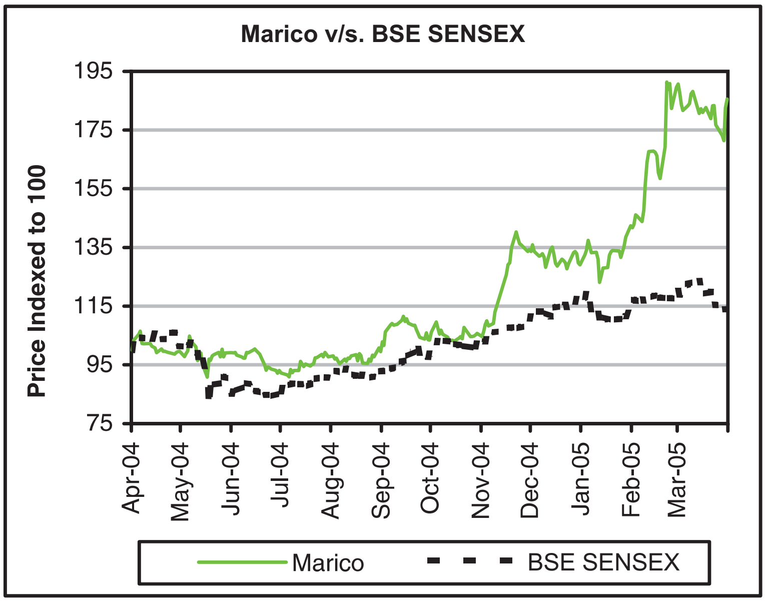
Annual General Meeting – Date, Time and Venue	:	9.30 a.m. on Tuesday, July 26, 2005 'Kohinoor Hall', Kohinoor Corner, Opposite Siddhivinayak Mandir, Veer Savarkar Marg, Prabhadevi, Mumbai – 400 025
Financial Year	:	April 1 - March 31
Book Closure Date	:	Tuesday, July 5, 2005 to Thursday, July 7, 2005, both days inclusive.
Dividend Payment Date	:	August 20, 2004 (1st Interim Equity Dividend 2004-05) December 3, 2004(2nd Interim Equity Dividend 2004-05) February 18, 2005 (3rd Interim Equity Dividend 2004-05) May 19, 2005 (4thInterim Equity Dividend 2004-05)
Listing on Stock Exchanges	:	Listed on The Stock Exchange, Mumbai. (BSE): Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001. The National Stock Exchange of India Limited. (NSE) : Exchange Plaza, Bandra Kurla Complex, Mumbai - 400 051. Listing fees for the Financial Year 2005-06 have been paid.
Stock /Scrip Code	:	BSE – 531642 NSE – MARICOIND
ISIN Number	:	INE 196A01018
Unique Identification Number	:	100067223
Market Price Data	:	

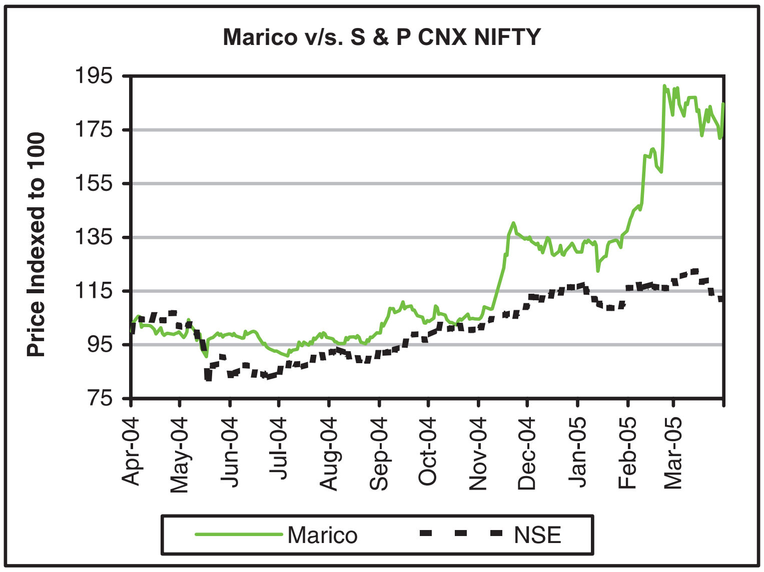
Month	The Stock Exchange, Mumbai (BSE) (In Rs.)		National Stock Exchange (NSE) (In Rs.)	
	High	Low	High	Low
April-04	141	119	142	120
May-04*	138	100	138	100
June-04	133	118	135	119
July-04	133	118	131	113
Aug-04	132	122	132	122
Sep-04	147	132	147	131
Oct-04	149	133	150	134
Nov-04	189	137	188	137
Dec-04	180	167	179	166
Jan-05	187	161	186	155
Feb-05	257	181	256	181
Mar-05	259	211	258	222

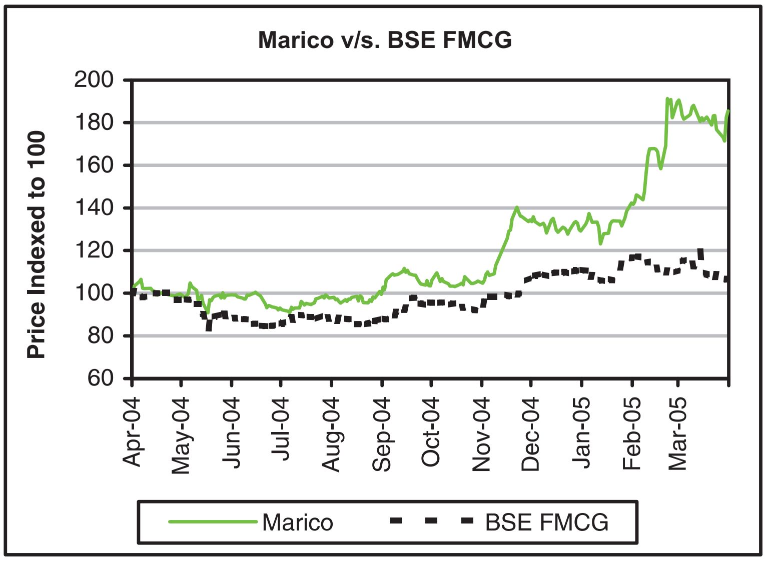
Note : During the year your Company declared a bonus issue of equity shares in the ratio of 1:1 the record date for which was May 7, 2004. In order to facilitate correct comparision, the market price data prior to the record date has been suitably adjusted.

CORPORATE GOVERNANCE REPORT

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







CORPORATE GOVERNANCE REPORT

Share Transfer System : Transfers in physical form are registered by the Registrar and Share Transfer Agents immediately on receipt of completed documents and certificates are issued within one month of date of lodgement of transfer.

Invalid share transfers are returned within 15 days of receipt.

The Share Transfer Committee generally meets on fortnightly basis, as may be warranted by the number of 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, generally within 20 days.

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

Distribution of Shareholding as on March 31, 2005 :

No. of Equity Shares held	No. of Shareholders	No. of Shares held	Percentage of Shareholding
0-50	3,114	96,758	0.17
51-500	5,790	1,208,904	2.08
501-1000	576	454,657	0.78
1001-5000	479	1,046,096	1.80
5001-10000	45	322,430	0.56
10001-50000	53	1,295,445	2.23
50001 & Above	74	53,575,710	92.37
Total	**10,131**	**58,000,000**	**100.00**

Categories of Shareholding as on March 31, 2005 :

Category	No. of Share holders	No. of Shares held	Percentage of Shareholding
Promoters	31	38,640,652	66.62
Foreign Institutional Investors	22	7,016,494	12.10
NRIs and OCBs	159	258,439	0.45
Insurance Companies, Banks and other Financial Institutions	8	3,178,596	5.48
Mutual Funds, including Unit Trust of India	17	3,274,571	5.65
Public / Private Ltd. Companies	379	1,006,812	1.74
Resident Individuals, Trusts and In Transit	9,515	4,624,436	7.95
Total	**10,131**	**58,000,000**	**100.00**

CORPORATE GOVERNANCE REPORT

Dematerialisation of Shares and Liquidity	:	As on March 31, 2005, 96.27 % of shareholding was held in dematerialised form with National Securities Depository Limited and Central Depository Services (India) Limited. In terms of the notification issued by SEBI, trading in the equity shares of the Company is permitted only in dematerialised form with effect from May 31, 1999.
Outstanding GDR / ADR / Warrants or any convertible instruments, conversion date and impact on equity	:	The Company has not issued any GDR / ADR / Warrants or any convertible instruments.
Plant Locations	:	Kanjikode, Jalgaon, Saswad, Goa, Pondicherry, Daman and Dehradun
Address for correspondence	:	**Shareholding related queries** Company's Registrar & Transfer Agent: M/s Karvy Computershare Private Limited 7, Andheri Industrial Estate, Off Veera Desai Road, Andheri (West), Mumbai – 400 058, India. **General Correspondence** Marico Limited: "Rang Sharda", Krishnachandra Marg, Bandra Reclamation, Bandra (West), Mumbai – 400 050.

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To

The Members of

Marico Limited

We have examined the compliance of conditions of corporate governance by Marico Limited for the year ended on March 31, 2005 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 27, 2005

AUDITORS' REPORT

TO THE MEMBERS OF MARICO LIMITED

1. We have audited the attached Balance Sheet of **Marico Limited** ('the Company') as at March 31, 2005, the Profit and Loss Account and 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, ('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, 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, Profit and Loss Account and Cash Flow Statement 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 at March 31, 2005 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, 2005;

      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 the 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 27, 2005

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 in a phased manner which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets and no 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) According to information and explanations given to us, the Company has not granted or taken any loans, secured or unsecured to/from companies, firms, or other parties covered in the register maintained under section 301 of the Act. Accordingly, clauses (b), (c), (d), (f) and (g) of Paragraph 4(iii) of the said Order relating to the rate of interest and other terms and conditions of loans, regularity of receipt/repayment of principal and interest, and steps for recovery of overdue amount in excess of Rupees one lakh 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 with regard to the sale of goods and services. Further based on our examination and according to the information and explanation given to us, we have neither come across nor have we been informed of any major weakness in internal control system.

(v) According to information and explanations given to us and based on the disclosure of interest made by the directors of the Company, there are no particulars of contracts or arrangements referred to in section 301of the Act which need to be entered in the register required to be maintained under that section.

(vi) In our opinion, and according to the information and explanations given to us, the Company has not accepted any deposits from the public as per the directives issued by the Reserve Bank of India and the provisions of section 58A, 58AA and any other relevant provisions of the Act and the rules framed there under.

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

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

(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, Service tax Wealth Tax, Custom duty, Excise duty, Cess and any other statutory dues with the appropriate authorities during the year, and there were no such outstanding dues as at March 31, 2005 for a period exceeding six months from the date they became payable.

ANNEXURE TO AUDITORS' REPORT

(b) As at March 31, 2005 according to the records of the Company, the following are the particulars of disputed dues on account of sales tax, income tax, custom duty, wealth tax, excise duty and cess matters that have not been deposited:

Name of the Statue	Amount Rs. Crores	Forum where dispute is pending
Sales Tax	1.33	Appellate Authority- upto Commissioner's Level
	0.58	Appellate Authority- Tribunal

(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 financial institutions and 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 Company in its own name has held the investments.

(xv) In our opinion and 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 year. Accordingly, clause (xvi) of the Order is not applicable.

(xvii) In our opinion and according to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that the Company has not, prima facie, used the funds borrowed on short term basis for long term investments.

(xviii) In our opinion and according to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.

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

(xx) 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 27, 2005

BALANCE SHEET

	SCHEDULE	As at March 31, 2005 Rs. Crore	2004 Rs. Crore
SOURCE OF FUNDS			
SHAREHOLDERS' FUNDS			
Capital	A	58.00	29.00
Reserves and surplus	B	160.54	150.93
		218.54	**179.93**
LOAN FUNDS			
Secured loans	C	3.25	–
Unsecured loans	D	49.14	9.38
		52.39	**9.38**
DEFERRED TAX LIABILITY (NET)		**6.05**	**6.24**
(Refer Note 13, Schedule R)			
		276.98	**195.55**
APPLICATION OF FUNDS			
FIXED ASSETS	E		
Gross block		170.41	152.48
Less : Depreciation, amortisation and impairment		81.30	70.32
Net block		89.11	82.16
Capital work-in-progress		11.65	7.60
		100.76	**89.76**
INVESTMENTS	F	**29.09**	**14.43**
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	G	112.47	94.71
Sundry debtors	H	35.36	33.46
Cash and bank balances	I	17.80	23.66
Loans and Advances - Subsidiaries		58.08	16.80
(Refer Note 9(ii), Schedule R)			
Loans and Advances - Others	J	39.05	20.62
		262.76	189.25
Less: CURRENT LIABILITIES AND PROVISIONS			
Current Liabilities	K	100.57	85.67
Provisions	L	15.06	12.22
		115.63	97.89
NET CURRENT ASSETS		**147.13**	**91.36**
		276.98	**195.55**
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 27, 2005

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 Head - Legal and Company Secretary

Place : Mumbai
Date : April 27, 2005

PROFIT AND LOSS ACCOUNT

	SCHEDULE	For the year ended March 31, 2005 Rs. Crore	2004 Rs. Crore
INCOME :			
Sales		949.26	850.38
Less : Excise Duty		5.21	5.28
		944.05	845.10
Income from services		3.74	2.18
Total Sales		**947.79**	**847.28**
Other income	M	5.90	4.44
		953.69	**851.72**
EXPENDITURE :			
Cost of materials	N	602.70	559.05
Manufacturing and other expenses	O	261.37	217.42
Finance charges	P	0.43	0.82
Depreciation, amortisation & impairment	E	11.60	11.05
		876.10	**788.34**
PROFIT BEFORE TAXATION		**77.59**	**63.38**
Provision for taxation : - current tax		6.05	5.23
- deferred tax - Debit / (Credit)		(0.20)	0.15
Excess income tax provision of earlier years written back		(2.05)	–
PROFIT AFTER TAXATION		**73.79**	**58.00**
Balance brought forward		112.15	94.09
PROFIT AVAILABLE FOR APPROPRIATION		**185.94**	**152.09**
APPROPRIATIONS			
Interim dividends (subject to deduction of tax where applicable)		31.03	24.65
Tax on interim dividends		4.15	3.16
Tax on redemption of 8% Redeemable Preference shares		-	3.72
Preference dividend		-	2.32
Tax on preference dividend		-	0.29
General reserve		7.38	5.80
BALANCE CARRIED TO THE BALANCE SHEET		**143.38**	**112.15**
BASIC AND DILUTED EARNINGS PER SHARE BEFORE BONUS ISSUE		**12.72**	**19.10**
BASIC AND DILUTED EARNINGS PER SHARE AFTER BONUS ISSUE		**12.72**	**9.55**
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 27, 2005

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 Head - Legal and Company Secretary

Place : Mumbai
Date : April 27, 2005

CASH FLOW STATEMENT

		For the year ended March 31, 2005 Rs. Crore	2004 Rs. Crore
A) CASH FLOW FROM OPERATING ACTIVITIES			
Net Profit before tax		**77.59**	**63.38**
Adjustments for:			
Depreciation and amortisation		11.60	11.05
Finance charges		3.03	2.30
Interest income		(2.60)	(1.48)
(Profit)/loss on sale of asset		(0.03)	0.38
(Profit)/loss on sale of investments		(0.35)	0.12
Dividend income on investments		(4.53)	(2.81)
Provision for Doubtful debts		0.10	0.52
Cumulative exchange differences		0.23	(0.84)
		7.45	9.24
Operating profit before working capital changes		**85.04**	**72.62**
Adjustments for:			
Increase/ (Decrease) in Inventories		17.75	5.86
Increase/ (Decrease) in Sundry Debtors		2.31	8.73
Increase/ (Decrease) in Loans and Advances		16.98	12.76
(Increase)/ Decrease in Current Liabilities		(15.47)	(17.76)
		21.57	9.59
Cash generated from Operations		63.47	63.03
Income tax paid (net of refunds)		5.40	2.47
NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES	A	**58.07**	**60.56**
B) CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Fixed Assets		(22.68)	(9.83)
Purchase of Investments		(15.13)	13.32
Sales of Investment		0.82	–
Dividend income		4.53	2.81
Amalgamation of Group Copmanies		–	0.02
Sale of Fixed Assets		0.12	0.93
Interest income		2.55	1.48
NET CASH INFLOW / (OUTFLOW) FROM INVESTING ACTIVITIES	B	**(29.79)**	**8.73**

CASH FLOW STATEMENT

		For the year ended March 31, 2005 Rs. Crore	2004 Rs. Crore
C) CASH FLOW FROM FINANCING ACTIVITIES			
Amount Borrowed / (Amount repaid)		42.77	(0.11)
Loans and advances to Subsidiary		(41.28)	–
Finance charges		(2.93)	(2.30)
Redemption of Preference Shares		–	(29.00)
Unclaimed Dividend paid		(0.27)	–
Unclaimed Redeemed 8% Preference Share Capital paid		(0.65)	–
Dividend paid (including tax on dividends)		(31.78)	(32.51)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	**C**	**(34.14)**	**(63.92)**
D) NET INCREASE / (DECREASE) IN CASH & CASH EQUIVALENTS	**A+B+C**	**(5.86)**	**5.37**
E) CASH AND CASH EQUIVALENTS - OPENING BALANCE		**23.66**	**18.29**
F) CASH AND CASH EQUIVALENTS - CLOSING BALANCE	**D+E**	17.80	23.66

As per our attached report of even date

For RSM & Co.
Chartered Accountants

VIJAY N. BHATT
Partner (F-36647)

Place : Mumbai
Date : April 27, 2005

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 Head - Legal and Company Secretary

Place : Mumbai
Date : April 27, 2005

SCHEDULES TO BALANCE SHEET

	As at March 31, 2005 Rs. Crore	2004 Rs. Crore
SCHEDULE 'A'		
SHARE CAPITAL		
AUTHORISED:		
60,000,000 (30,000,000) Equity shares of Rs. 10 each	60.00	30.00
Nil (30,000,000) Preference shares of Rs. 10 each	–	30.00
	60.00	**60.00**
ISSUED AND SUBSCRIBED:		
58,000,000 (29,000,000) Equity shares of Rs. 10 each fully paid up	58.00	29.00
The above includes :		
(a) 29,000,000 (Nil) equity shares issued as fully paid bonus shares by capitalisation of capital redemption reserve of Rs.29.00 Crore. (Rs. Nil)		
(b) 26,500,000 (26,500,000) equity shares issued as fully paid bonus shares by capitalisation of General Reserve of Rs. 26.50 Crore. (Rs. 26.50 Crore)	**58.00**	**29.00**
SCHEDULE 'B'		
RESERVES AND SURPLUS		
CAPITAL REDEMPTION RESERVE		
As per last balance sheet	29.00	1.00
Add : Created on redemption of 8% Redeemable Preference shares	–	28.00
Less : Utilised for issue of bonus equity shares	29.00	–
	–	29.00
GENERAL RESERVE		
As per last balance sheet	9.78	36.13
Add : Transfer from Profit and Loss Account	7.38	5.80
Created on transfer of net assets on amalgamation	–	0.02
Less : Utilitsed for creation of capital redemption reserve	–	28.00
Adjustment of impaired value of fixed assets	–	4.17
	17.16	9.78
PROFIT AND LOSS ACCOUNT	143.38	112.15
	160.54	**150.93**
SCHEDULE 'C'		
SECURED LOANS		
Working capital finance from banks	3.25	–
(Secured by hypothecation of stocks in trade and debtors)		
	3.25	–
SCHEDULE 'D'		
UNSECURED LOANS		
From Banks (Short term)	49.14	9.38
	49.14	**9.38**

SCHEDULES TO BALANCE SHEET

SCHEDULE 'E'
FIXED ASSETS

(Amount in Rs. Crore)

PARTICULARS	GROSS BLOCK				DEPRECIATION/AMORTISATION					NET BLOCK	
	As at March 31, 2004	Additions	Deductions	As at March 31, 2005	As at March 31, 2004	For the year	Deductions/ Adjustments	As at March 31, 2005	Provision for Impairment (See note 2 below)	As at March 31, 2005	As at March 31, 2004
Freehold land	1.21	–	–	1.21	–	–	–	–	–	1.21	1.21
Leasehold land	1.15	0.64	–	1.79	0.08	0.02	–	0.10	–	1.69	1.07
Buildings	37.36	3.12	0.01	40.47	4.96	0.89	0.00	5.85	–	34.62	32.40
Plant and machinery	101.81	12.66	0.59	113.88	52.55	8.94	0.56	60.93	5.23	47.71	45.10
Furniture and fittings	2.44	0.80	0.01	3.23	0.98	0.25	0.00	1.23	–	2.00	1.45
Vehicles	0.93	–	0.08	0.85	0.21	0.08	0.03	0.26	–	0.59	0.72
Intangible assets											
– Business & commercial rights	0.16	–	–	0.16	0.03	0.01	–	0.04	–	0.12	0.12
– Computer software	7.42	1.42	0.02	8.82	7.33	0.35	0.02	7.66	–	1.17	0.10
TOTAL	**152.48**	**18.64**	**0.71**	**170.41**	**66.14**	**10.54**	**0.61**	**76.07**	**5.23**	**89.11**	**82.17**
Previous year	141.85	14.20	3.57	152.48	57.34	11.05	2.25	66.14	4.17		
Capital work–in–progress (at cost) including advances on capital account										11.65	7.60
										100.76	**89.76**

Notes :

1. Gross block includes – Freehold Land Rs. 0.31 Crore. (Rs. 0.31 Crore) and buildings Rs. 1.69 Crore (Rs. 1.69 Crore) pending execution of conveyance.
   – Plant and Machinery of Rs.2.15 Crore (Rs. 2.15 Crore) and Rs. 3.95 Crore. (Rs. 3.95 Crore) being assets given on operating lease and finance lease respectively prior to April 1, 2001.

2. Includes impairment for the year Rs. 1.06 Crore (Rs. Nil) charged to profit and loss account under ''Depreciation, amortisation and impairment''.

SCHEDULE 'F'
INVESTMENTS (Non Trade)

	As at March 31, 2005 Rs. Crore	2004 Rs. Crore
LONG TERM INVESTMENTS - UNQUOTED / AT COST		
Government Securities :		
National Savings Certificates (Deposited with Government authorities)	0.01	0.01
Subsidiary Companies :		
Marico Bangladesh Limited	0.86	0.86
1,000,000 (1,000,000) equity shares of Taka 10 each fully paid		
Kaya Skin Care Limited		
10,000,000 (7,600,000) equity shares of Rs. 10 each fully paid	10.00	7.60
Sundari LLC		
75,500 (63,000) units of USD 18.25 each fully paid	5.81	5.49
(Refer Note 20, Schedule R)		
	16.68	**13.96**

SCHEDULES TO BALANCE SHEET

	As at March 31, 2005 Rs. Crore	2004 Rs. Crore
CURRENT INVESTMENTS - UNQUOTED, LOWER OF COST AND NAV		
Investment in Mutual Fund Units		
Prudential ICICI Liquid Daily Dividend Reinvestment Fund	–	0.00
Nil (650) Units of Rs. 10 each fully paid		
Birla Cash Plus - Sweep Dividend Plan	–	0.47
Nil (466,225) units of Rs. 10 each fully paid		
Prudential ICICI Floating Rate Plan C - Growth option	4.00	–
3,868,920 (Nil) Units of Rs. 10 each fully paid		
Birla Cash Sweep Plan 664 a/c	0.36	–
358,226.5 (Nil) Units of Rs. 10 each fully paid		
Birla Cash Sweep Plan 884 a/c	0.91	–
902520.4 (Nil) Units of Rs. 10 each fully paid		
Reliance Medium Term Fund Retail - Growth Plan - Bonus Option	7.14	–
2,036,689.5 (Nil) units of Rs. 10 each fully paid		
	12.41	0.47
	29.09	14.43

Note : Units of Mutual Funds purchased and sold during the year	No. of Units Purchased	Sold
Name of the Scheme		
HSBC-Institutional Plus -Daily Dividend	33,304,714	33,304,714
HSBC-Institutional Plus - Growth	6,901,702	6,901,702
Kotak Liquid (Institutional)-Daily Dividend	16,014,147	16,014,147
Kotak Liquid (Institutional - Growth)	16,231,189	16,231,189
DSP Merrill Lynch Liquidity Fund Daily Dividend	37,586,772	37,586,772
DSP Merill Lynch Liquidity Fund- Growth	3,186,808	3,186,808
Templeton Floating - Weekly Dividend Reinvestment	248,860	248,860
Templeton- Dividend Reinvestment(float)	10,741,247	10,741,247
Templeton floating- Growth option	7,819,596	7,819,596

SCHEDULES TO BALANCE SHEET

	No. of Units	
	Purchased	Sold
Grindlays Cash Fund -Institutional Plan C - Daily Dividend	27,645,242	27,645,242
Grindlays Floating Rate- Institutional Plan B-Daily Dividend	11,896,613	11,896,613
Grindlays Floating -Institutional Plan C- Daily Dividend	12,011,427	12,011,427
Grindlays Flaoting Rate -Institutional Plan C - Growth	9,594,857	9,594,857
Grindlays Cash Fund - Institutional Plan C - Growth	19,797,828	19,797,828
Grindlays Floating Rate Fund- Super Institutional Plan C- Daily Dividend	50,414,267	50,414,267
PRU ICICI Liquid -Growth	20,650,623	20,650,623
Prudential ICICI Floating Rate Plan C - Growth option	17,305,132	13,436,211
Prudential ICICI - Daily Dividend	5,449,014	5,449,663
Tata Liquid Super High Investment Fund-Daily Dividend	5,618,090	5,618,090
Tata Liquid Super High Investment Fund-Daily Dividend	37	37
TATA LIQUID Super High Investment Fund - Appreciation	2,427,584	2,427,584
Birla Cash Sweep Plan 664 a/c	36,578,119	36,219,937
Birla Cash Sweep Plan 884 a/c	77,686,585	77,250,244
Reliance - Retail Option - Growth Option	734,795	734,795
Reliance Fixed Monthly Plan - 15	5,000,000	5,000,000
Reliance Fixed Monthly Plan - 16	5,023,250	2,036,690
Reliance Fixed Monthly Plan - 17	3,013,950	3,013,950
Reliance Mutual Treasury Plan- Institutional Plan - Weekly Dividend Option	11,614,648	11,614,648
Reliance Mutual Treasury Plan- Institutional Plan - Growth Plan	7,030,238	7,030,238
Reliance Mutual Treasury Fund Retail - Growth Plan - Bonus Option	9,783,642	2,795,326
HDFC Cash Management - Daily Dividend	13,406,098	13,406,098
HDFC -Growth	2,205,497	2,205,497
JM Financial Mutual Fund FMP-Growth Option	2,000,000	2,000,000

SCHEDULES TO BALANCE SHEET

	As at March 31, 2005 Rs. Crore	2004 Rs. Crore
SCHEDULE 'G'		
INVENTORIES		
(As valued and certified by the management)		
Raw materials	47.74	36.39
Packing materials	15.56	10.96
Work-in-process	11.78	15.22
Finished products	33.46	29.93
Stores, spares and consumables	2.72	1.90
By-products	1.21	0.31
	112.47	**94.71**

	As at March 31, 2005 Rs. Crore	2004 Rs. Crore
SCHEDULE 'H'		
SUNDRY DEBTORS		
Unsecured		
Over six months - Considered good	0.71	0.03
- Considered doubtful	1.97	1.56
	2.68	1.59
Less: Provision for doubtful debts	1.97	1.56
	0.71	0.03
Other Debts - Considered good	34.65	33.43
	35.36	**33.46**

	As at March 31, 2005 Rs. Crore	2004 Rs. Crore
SCHEDULE 'I'		
CASH AND BANK BALANCES		
Cash on hand	0.11	0.13
Balances with scheduled banks:		
Fixed deposits (Deposited with Sales Tax Authorities Rs. 0.10 Crore. (Rs. 0.14 Crore.))	2.64	0.64
Margin accounts (Against letters of credit and Bank guarantees)	1.49	1.49
Current accounts	13.56	21.40
	17.80	**23.66**

SCHEDULES TO BALANCE SHEET

	As at March 31, 2005 Rs. Crore	2004 Rs. Crore
SCHEDULE 'J'		
LOANS AND ADVANCES		
(Unsecured-considered good, unless otherwise stated)		
Inter corporate deposits	9.00	–
Advances recoverable in cash or in kind or for value to be received - considered good	19.18	10.14
Deposits	6.16	7.30
Balances with central excise authorities	0.13	0.04
Interest accrued but not due on loans	0.11	0.07
Income tax payments, net of provision	4.47	3.07
	39.05	**20.62**

	2005 Rs. Crore	2004 Rs. Crore
SCHEDULE 'K'		
CURRENT LIABILITIES		
Sundry creditors	90.28	75.19
Other liabilities	8.60	7.75
Security deposits	1.34	1.54
Interest accrued but not due on loans	0.12	0.03
Unclaimed Dividend	0.21	0.48
Unclaimed Redeemed 8% Preference Share Capital	0.02	0.68
	100.57	**85.67**

	2005 Rs. Crore	2004 Rs. Crore
SCHEDULE 'L'		
PROVISIONS		
Leave encashment	3.49	4.04
Interim dividend	10.15	7.25
Tax on interim dividend	1.42	0.93
	15.06	**12.22**

SCHEDULES TO PROFIT AND LOSS ACCOUNT

	For the year ended March 31, 2005 Rs. Crore	2004 Rs. Crore
SCHEDULE 'M'		
OTHER INCOME		
Income from investments		
Long Term Investment		
Dividend from subsidiary	4.09	1.51
Current Investment		
Profits on sale of units of mutual funds	0.35	–
Dividend	0.44	1.30
Miscellaneous income	1.02	1.63
(Refer Note 5, Schedule R)		
	5.90	**4.44**

	2005 Rs. Crore	2004 Rs. Crore
SCHEDULE 'N'		
COST OF MATERIALS		
Raw materials consumed	455.39	424.20
Packing materials consumed	89.36	76.25
Stores and spares consumed	7.36	5.80
Purchase for resale	51.58	51.25
(Increase)/Decrease in stocks		
Opening stocks		
- Work-in-process	15.22	17.44
- By-products	0.31	1.53
- Finished products	29.93	28.04
Less :		
Closing stocks		
- Work-in-process	11.78	15.22
- By-products	1.21	0.31
- Finished products	33.46	29.93
	(0.99)	**1.55**
	602.70	**559.05**

SCHEDULES TO PROFIT AND LOSS ACCOUNT

	For the year ended March 31, 2005 Rs. Crore	2004 Rs. Crore
SCHEDULE 'O'		
MANUFACTURING AND OTHER EXPENSES		
Employees' costs:		
Salaries, wages and bonus	35.42	35.09
Contribution to provident fund and other funds	3.67	3.50
Welfare expenses	3.05	2.65
	42.14	41.24
Power, fuel and water	3.97	3.87
Contract manufacturing charges	13.10	19.21
Rent and storage charges	4.03	3.02
Repairs to Buildings	1.18	1.36
Repairs to Machinery	3.38	2.63
Repairs - Others	0.50	0.47
Freight, forwarding and distribution expenses	56.11	33.68
Advertisement and sales promotion	91.21	68.79
Rates and taxes	0.40	0.29
Sales tax and cess	10.42	8.83
Provision for doubtful debts	0.10	0.52
Printing, stationery and communication expenses	4.80	4.29
Travelling, conveyance and vehicle expenses	9.06	8.03
Insurance	0.91	0.83
Miscellaneous expenses	20.06	20.35
(Refer Note 6, Schedule R)		
	261.37	217.42
SCHEDULE 'P'		
FINANCE CHARGES		
Interest on		
Fixed period loans	0.54	0.18
Other loans	0.76	0.22
Bank and other financial charges	1.73	1.90
	3.03	2.30
Less : Interest income on loans, deposits, etc.	2.60	1.48
(Tax deducted at source Rs. 0.09 Crore. (Rs. 0.23 Crore.)		
	0.43	0.82

SCHEDULES TO PROFIT AND LOSS ACCOUNT

ADDITIONAL INFORMATION

SCHEDULE 'Q'

Amount in Rs. Crore

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

Sr. No.	Particulars	Unit	Year ended March 31	Installed capacity (Note I)	Opening stock Quantity	Opening stock Amount Rs. Crore	Production Quantity	Purchases Quantity	Purchases Amount Rs. Crore	Turnover Quantity	Turnover Amount Rs. Crore	Closing stock Quantity	Closing stock Amount Rs. Crore
1	Raw/Refined Oils	(M.T.)	**2005**	**150,000**	**3,388.18**	**23.18**	**75,735.44**	**7,504.45**	**39.65**	**78,971.58**	**759.34**	**3,430.11**	**25.51**
			2004	124,320	3,074.32	20.42	73,583.19 (Note IV)	8,990.70	42.38	76,311.38	687.90	3,388.18	23.18
2	Hair Oils	(K.L.)	**2005**	**13,200**	**699.36**	**4.70**	**1,480.40**	**–**	**–**	**7,329.83**	**125.28**	**847.99**	**7.07**
			2004	–	859.01	5.92	700.00 (Note II)	–	–	6758.41	98.72	699.36	4.70
3	Others (Note III) (Incl processed foods		**2005**	–	–	**2.37**	–	3,346.54	**11.92**	–	**64.64**	–	**2.09**
	and By products)		2004	–	–	3.23	–	–	8.86	–	63.76	–	2.37
4	Service Income		**2005**	–	–	–	–	–	–	–	**3.74**	–	–
	- commission		2004	–	–	–	–	–	–	–	2.18	–	–
	TOTAL		**2005**			**30.24**			**51.58**		**953.00**		**34.67**
	TOTAL		2004			29.57			51.25		852.56		30.24

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 - **5,998.05 KL** (5,898.76 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 **7,355.57M.T.** (7,079.09 M.T.) and includes used for internal consumption **3,779 M.T.** (4,037 M.T.)

SCHEDULES TO PROFIT AND LOSS ACCOUNT

	For the year ended March 31,			
	2005		2004	
	Quantity M.T.	Value Rs.Crore	Quantity M.T.	Value Rs.Crore
SCHEDULE 'Q'				
B) RAW MATERIALS CONSUMED				
Oil seeds	82,959.04	307.48	73,681.07	271.23
Raw oils	33,139.31	144.03	32,428.36	116.33
Others	–	3.88	–	36.65
		455.39		**424.20**

	%	Value Rs. Crore	%	Value Rs. Crore
C) VALUE OF IMPORTED AND INDIGENOUS MATERIALS CONSUMED				
Raw materials				
Imported	13.36%	60.85	9.31%	39.48
Indigenous	86.64%	394.54	90.69%	384.73
	100.00%	**455.39**	**100.00%**	**424.20**
Stores, spares and chemicals				
Imported	–	–		–
Indigenous	100.00%	7.36	100.00%	5.80
	100.00%	**7.36**	**100.00%**	**5.80**
D) VALUE OF IMPORTS ON C.I.F. BASIS				
Raw material		42.37		29.14
Packing material		0.74		0.57
Capital goods		–		5.08
		43.11		**34.79**
E) EXPENDITURE IN FOREIGN CURRENCY				
Travelling and other expenses		4.67		1.98
Advertisement and sales promotion		9.64		6.46
		14.31		**8.44**
F) EARNINGS IN FOREIGN EXCHANGE				
F.O.B. Value of exports		47.23		33.61
Royalty		0.23		0.17
Dividend		4.09		1.51
Service Income		2.33		0.63
		53.88		**35.91**

NOTES TO THE ACCOUNTS

SCHEDULE 'R'

NOTES:

1) The Company and nature of its operations:

Marico Limited ('Marico' or 'the Company'), headquartered in Mumbai, Maharashtra, India, carries on business in Consumer Products and Skin Care. 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 branded coconut oil in Bangladesh;
- MBL Industries Limited, a wholly owned subsidiary of Marico Bangladesh Limited which also sells branded coconut oil and hair oils in Bangladesh.
- Kaya Skin Care Limited which provides skin care services and sells products through Kaya Skin Clinics;
- Sundari LLC, United States, a joint venture, carrying on ayurvedic skin care products business under the brand name SUNDĀRI;

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%
Technologically advanced machinery	- 10%

(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.

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 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 fair 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 dispatch of goods to the customers and stated net off trade discount and exclusive of sales tax but inclusive of excise duty.

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

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

(iv) 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

(i) Foreign currency transactions during the year are recorded at the exchange rate prevailing on the date of the transaction.

(ii) Foreign currency assets and liabilities are translated at the period end exchange rate. All outstanding forward exchange contracts, to the extent of the underlying assets or liabilities are also translated at the period end exchange rate. Resultant gains or losses are recognised in the profit and loss account other than the exchange

NOTES TO THE ACCOUNTS

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 inception of a forward contract is recognized as income or expense and is amortized over the life of the contract.

(iii) Non-monetary foreign currency items are carried at cost / fair value and accordingly the investments in shares of foreign subsidiaries are expressed in Indian currency at the rate of exchange prevailing at the time when the original investments are made or fair values determined.

(j) 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 on unabsorbed tax losses and unabsorbed tax depreciation are recognised only when there is a virtual certainty of their realisation. Other items are recognised only when there is a reasonable certainty of their realisation.

3) (a) Contingent liabilities not provided for in respect of:

(i) Counter guarantee given to banks on behalf of other companies Rs.2.95 Crore (Rs. 5.31 Crore).

(ii) Sales tax/cess claims disputed by the Company Rs. 3.66 Crore (Rs. 3.72 Crore).

(iii) Income tax and interest demand disputed by the Company Rs. 7.45 Crore (Rs. 4.40 Crore).

(iv) Claims against the Company not acknowledged as debts Rs. 3.03 Crore (Rs. 3.30 Crore).

(v) Bills discounted with banks by the Company Rs. 21.34 Crore (Rs. Nil)

(b) Amount outstanding towards Letter of Credit Rs. 2.24 Crore (Rs. Nil)

4) Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 1.82 Crore (Rs. 2.70 Crore) net of advances.

5) Miscellaneous income includes lease income Rs. 0.56 Crore (Rs. 0.48 Crore), Insurance claims Rs. 0.17 Crore (Rs. 0.27 Crore), profit on sale of assets Rs. 0.03 Crore (Rs. Nil), and royalty from subsidiary Rs. 0.23 Crore (Rs. 0.17 Crore).

6) Miscellaneous expenses (net off write back of earlier years' provisions no longer required – Rs. 2.28 Crore (Rs. Nil)) include commission and brokerage Rs. 1.72 Crore (Rs. 1.37 Crore), donations Rs. 0.17 Crore (Rs. 0.07 Crore), loss on sale/discarding of assets Rs. Nil (Rs. 0.38 Crore), loss on sale of current investments Rs. Nil (Rs. 0.11 Crore), audit fees Rs. 0.16 Crore (Rs. 0.15 Crore), tax audit fees Rs. 0.02 Crore (Rs. 0.02 Crore), payment to auditors for other services Rs. 0.07 Crore (Rs. 0.09 Crore) and reimbursement to auditors for out-of-pocket expenses Rs. 0.01 Crore (Rs. 0.05 Crore).

7) Research and development expenses aggregating Rs. 2.94 Crore (Rs. 2.08 Crore) have been included under the relevant heads in the profit and loss account.

8) Exchange loss (net) aggregating Rs. 0.23 Crore (Rs. 1.10 Crore) has been included under the relevant heads in the profit and loss account.

9) (i) Sundry Debtors include amount due from Marico Bangladesh Limited, a subsidiary company and a company under the same management Rs. 2.76 Crore (Rs. 1.46 Crore).

(ii) Loans and advances include amounts due from:

- Marico Bangladesh Limited, a subsidiary company and a company under the same management Rs. 0.40 Crore (Rs. 0.17 Crore) [Maximum amount due during the year Rs. 0.40 Crore (Rs. 0.17 Crore)].
- Kaya Skin Care Limited, a subsidiary company and a company under the same management Rs. 45.79 Crore (Rs. 10.91 Crore) [Maximum amount due during the year Rs. 46.18 Crore (Rs. 18.83 Crore)].
- Sundari LLC, a joint venture of the Company, Rs. 11.89 Crore (Rs. 5.82 Crore) [Maximum amount due during the year Rs. 12.42 Crore (Rs. 5.82 Crore)].

NOTES TO THE ACCOUNTS

10) Based on the criteria prescribed under Accounting Standard 28 (AS 28) "Impairment of Assets" issued by the Institute of Chartered Accountants of India, which has become mandatory with effect from April 1, 2004, the Company identified certain plant and machinery with written down value of Rs. 1.06 Crore (Rs. 4.23 Crore) as on March 31, 2005 as 'impaired fixed assets'. The recoverable amount of such assets being estimated at net realisable value on disposal aggregated Rs. Nil (Rs. 0.06 Crore). The net amount of Rs. 1.06 Crore (Rs. 4.17 Crore) has been provided for and included under "Depreciation, amortisation and Impairment" in the Profit & Loss Account. The net impairment loss of Rs. 4.17 Crore as on March 31, 2004 was adjusted against General Reserve as at that date, in accordance with the transitional provision of AS 28.

11) The details of provisions as required by the provisions of Accounting Standard 29 "Provisions, Contingent Liabilities and Contingent Assets" are as under;

Rs. Crore

Nature of provision	Leave encashment	Provision for Tax
Opening Balance	4.04	63.99
Additional provisioning (Including increases to existing provisioning)	–	6.05
Amounts used during the year	–	–
Amounts reversed during the year	(0.56)	(2.25)
Closing Balance	3.49	67.79

12) Additional information on assets taken on lease:

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

	For the year ended March 31,	
	2005 (Rs. Crore)	2004 (Rs. Crore)
Lease rental charges for the year	–	0.30
Cost of assets	–	0.12

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

	For the year ended March 31,	
	2005 (Rs. Crore)	2004 (Rs. Crore)
Lease rental charges for the year	0.70	0.21
Future lease rental obligation payable		
- not later than one year	0.73	0.44
- later than one year but not later than five years	0.57	0.84
Total	**2.00**	**1.49**

13) Break-up of deferred tax liability:

	As at March 31,	
	2005 (Rs. Crore)	2004 (Rs. Crore)
Deferred tax asset:		
Provision for doubtful debtors/advances that are deducted for tax purposes when written off	0.66	0.73
Liabilities that are deducted for tax purpose when paid	1.78	1.74
Total Deferred tax asset	2.44	2.47
Deferred tax liability:		
Additional depreciation on fixed assets for tax purposes due to higher tax depreciation rates	8.49	8.71
Total Deferred tax liability	8.49	8.71
Deferred tax liability (Net)	**6.05**	**6.24**

NOTES TO THE ACCOUNTS

14) Earnings per share:

	For the year ended March 31, 2005 (Rs. Crore)	2004 (Rs. Crore)
Profit after taxation	73.79	58.00
Less : Preference dividends	–	2.62
Profit available for equity shareholders	73.79	55.38
Equity shares outstanding as at the year end	58,000,000	29,000,000
Bonus shares allotted during the year ended March 31, 2005	–	29,000,000
Weighted average number of equity shares used as denominator for calculating basic and diluted earnings per share	58,000,000	58,000,000
Nominal value per equity share	10	10
Pre Bonus Basic and diluted earnings per equity share	12.72	19.10
Post Bonus Basic and diluted earnings per equity share	12.72	9.55

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 for the year ended March 31, 2004, is after considering bonus shares, which was approved by the members at the Extra-ordinary General Meeting held on April 21, 2004.

15) Segment Information

The company has two business segments – Consumer Products and Skin Care. 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

i. Primary Segment Information

(Rs. Crore)

	Consumer Products	Others	Total
Segment revenue			
External sales	945.46	2.33	947.79
	(846.94)	(0.63)	(847.57)
Inter-segment sales	–	–	–
	(–)	(–)	(–)
Total revenue	**945.46**	**2.33**	**947.79**
	(846.94)	(0.63)	(847.57)
Segment Result	**79.22**	**(1.20)**	**78.02**
	(64.66)	(-)(0.46)	(64.20)
Unallocated corporate expenses			–
			(–)
Operating profit			78.02
			(64.20)
Interest expenses			3.03
			(2.30)
Interest income			2.60
			(1.48)
Net profit			**77.59**
			(63.38)

NOTES TO THE ACCOUNTS

Other information			
Segment assets	383.98	8.63	392.61
	(289.13)	(4.31)	(293.44)
Unallocated Corporate assets			–
			(–)
Total assets	**383.98**	**8.63**	**392.61**
	(289.13)	(4.31)	(293.44)
Segment liabilities	174.06	–	174.06
	(289.13)	(4.31)	(293.44)
Unallocated Corporate liabilities			–
			(–)
Total liabilities	**174.06**	**–**	**174.06**
	(289.13)	(4.31)	(293.44)
Capital expenditure	17.64	0.99	18.63
	(11.07)	(3.13)	(14.20)
Depreciation, Amortisation And impairment	11.12	0.48	11.60
	(10.90)	0.16	(11.05)
Impaired value of fixed assets	(5.23)	(–)	(5.23)
	(4.17)	(–)	(4.17)

ii. 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.

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

Sales revenue by geographical market

Locations	Amount (Rs. Crore)
India	890.95
	(805.33)
Others (primarily Middle East and SAARC countries)	56.84
	(41.95)
Total	**947.79**
	(847.28)

Carrying amount of assets and capital expenditure by geographical locations

	India (Rs. Crore)	Others (Rs. Crore)	Total (Rs. Crore)
Carrying amount of assets	383.91	8.70	392.61
	(290.20)	(3.24)	(293.44)
Capital expenditure	17.59	1.04	18.63
	(11.07)	(3.13)	(14.20)

iii. Notes to Segmental information

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

NOTES TO THE ACCOUNTS

(ii) Segment Assets and Liabilities: Segment assets include all operating assets used by a segment comprising intangibles, fixed assets, inventories, debtors, cash and bank balance 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 loan funds, deferred tax liability creditors and other liabilities.

16) Related Party disclosures

Subsidiary: Marico Bangladesh Limited (100% holding by Marico Limited)

Nature of transactions:		March 31, 2005 (Rs. Crore)	March 31, 2004 (Rs. Crore)
i.	Sales	12.80	7.98
ii.	Royalty income	0.23	0.17
iii.	Dividend income	4.09	1.51
iv.	Debtors	2.76	1.46
v.	Loans & Advances (Royalty)	0.40	0.17
vi.	Investments (1,000,000 (1,000,000) Equity Shares of Taka 10 (Taka 10) each)	0.86	0.86
Subsidiary: Kaya Skin Care Limited (100% holding by Marico Limited)			
Nature of transactions:			
i.	Loans / Advances	45.79	10.91
ii.	Interest on Loans / Advance	1.74	0.30
iii.	Expenses allocated to the subsidiary	0.54	0.11
vii.	Investments (10,00,000 (7,600,000) Equity shares of Rs. 10 (Rs. 10) Each)	10.00	7.60
Joint Venture : Sundari LLC. (75.5% holding by Marico Limited)			
Nature of transactions:			
i.	Loans / Advances	11.89	5.82
ii.	Interest on Loans / Advances	0.25	0.10
viii.	Investments (75,500 (63,000)Equity Shares of USD 18.25 (USD 18.25) Each)	5.81	5.49
Whole-time director : Harsh Mariwala, Chairman and Managing Director			
Nature of transactions:			
Remuneration for the year		1.10	0.89

Other related parties where control exists, however, with whom the company did not have any transaction: MBL Industries Limited (100% subsidiary of Marico Bangladesh Limited)

17) Managerial Remuneration:

Payments and provisions on account of remuneration to Chairman and Managing Director included in profit and loss account

	March 31, 2005	March 31, 2004
Salary	0.60	0.60
Contribution to Provident and Pension Funds	0.16	0.16
Other Perquisites	0.16	0.13
Annual Performance Incentive	0.18	–
	1.10	0.89
Remuneration to non-wholetime directors	0.08	0.07

NOTES TO THE ACCOUNTS

Notes:

1. The above remuneration to Chairman and Managing Director does not include contribution to Gratuity Fund and provision for Leave encashment, as these are lumpsum amounts 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.

18) 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 total amount outstanding as on March 31, 2005 was at Rs. 0.19 Crore (Rs. 0.88 Crore). The various amounts due to SSI's where individual balances were outstanding for more than 30 days and included under sundry creditors aggregate Rs. 0.02 Crore (Rs. 0.10 Crore). The interest payable to SSI's as at March 31, 2005 is Rs. Nil (Rs. Nil). The names of such SSI suppliers are as under:

Eskay Flexible, Sri Ganesh Packaging Industries, Sri Datta Polymer, Indian Extrusion, Plastic Exportz, Sharayu Industries, Nirmal Offset, Quality Plascons, Swan Plastics PV.

19) As at March 31, 2005, the Company holds 100 % of the Equity Capital of Kaya Skin Care Limited (Kaya) at a cost of Rs. 10.00 Crore. The Company has also advanced to Kaya loans of Rs. 45.79 Crore.

Since the incorporation of Kaya during 2002-03, its business has been in a development phase. Encouraged by the consumer response to Kaya's pioneering offerings in products and services in the skin care category, it has focused on building the brand "Kaya" through brisk setting up of a large number of Clinics at several locations and has so far set up 32 clinics at 11 locations in about 28 months. In the process, Kaya has incurred significant set up costs, primarily advertisement and sales promotion, leading to losses, which have eroded its net worth as at March 31, 2005. However, Kaya's business is now expected to stabilize and break even at the Profit Before Interest and Tax level during 2005-06.

Based on the fundamentals of the Kaya business, the management is of the opinion that it is strategically desirable for Marico to continue to support Kaya through funding, including equity infusion, through either fresh funds or conversion of existing loans into equity. Having regard to this, the management perceives the erosion in Kaya's net worth as only a temporary diminution in value. Hence, no provision for diminution in value is considered necessary in respect of the Company's investment in Kaya or of the Loans given to Kaya.

20) As at March 31, 2005, the Company holds 75.5% of the interests in Sundari LLC (Sundari) at a cost of Rs. 5.81 Crore. The Company has also advanced to Sundari loans of Rs.11.89 Crore.

Since the Company acquired majority interests in Sundari during 2002-03, its business has been in a reconstruction and development phase. Given the unique nature of Sundari's offerings in the Premium Ayurvedic skin care category, it has focused on building business with spas in the USA and other countries, while restructuring operations to cut costs and establish a profitable business model. In the process, Sundari has continued to incur significant costs leading to losses, which have eroded its net worth as at March 31, 2005. However, Sundari expects to stabilize its operations in the near future and break even at the Profit Before Interest and Tax level in the coming two to three years.

Based on the fundamentals of the Sundari business, the management is of the opinion that it is strategically desirable for Marico to continue to support Sundari through funding, including equity infusion, through either fresh funds or conversion of existing loans into equity. Having regard to this, the management perceives the erosion in Sundari's net worth as only a temporary diminution in value and the Company continues to support Sundari as a strategic investment of long term nature. Hence, no provision for diminution in value is considered necessary in respect of the Company's investment in Sundari or of the Loans given to Sundari.

21) There are no dues payable to the Investor Education and Protection Fund as at March 31, 2005.

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

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

NOTES TO THE ACCOUNTS

23) 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, 2005

b) **Capital raised during the year:**

Public Issue	Nil
Bonus Issue	Rs. 29 Crore
Bonus Preference Shares	Nil
Rights Issue	Nil
Private placement	Nil

c) **Position of mobilisation and deployment of funds**

Total Liabilities	–	Rs. 392.61 Crore
Total Assets	–	Rs. 392.61 Crore

Sources of Funds (Amount in Rs. Crore)		**Application of Funds** (Amount in Rs. Crore)	
Paid up Capital	58.00	Net Fixed Assets	100.76
Reserves & Surplus	160.54	Investments	29.09
Secured Loans		Net Current Assets	147.13
Unsecured Loans	52.39	Misc. Expenditure	–
Deferred Tax Liability	6.05		
Accumulated losses	–		
	276.98		**276.98**

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

Turnover (Sales & Other Income)	953.69
Total Expenditure	876.10
Profit before Tax	77.59
Profit after Tax	73.79
Earnings per share (in Rs.)	12.72
Dividend rate (%)	53.5%

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 Schedule 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	Head - Legal and Company Secretary

Place : Mumbai
Date : April 27, 2005

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
Name of the holding company	Marico Limited	Marico Bangladesh Limited	Marico Limited	Marico Limited	Sundari LLC
Holding Company's interest	1,000,000 ordinary shares of Taka 10 each	100,000 ordinary shares of Taka 10 each	10,000,000 shares of Rs. 10 each	75,000 shares of USD 18.25 each	#
Extent of Holding	100%	100%	100%	75.5%	75.5%
The "financial year" of the subsidiary company ended on	September 30, 2004	September 30, 2004	March 31, 2005	December 31, 2004	December 31, 2004
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	Taka 4.40 crore (Rs. 3.22 crore)	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 10.29 crore (Rs. 7.52 crore)	Taka 1.19 crore (Rs. 0.87 crore)	Rs. -7.18 crore	USD -0.08 crore (Rs. -3.53 crore)	N.A.
* For the previous financial years since it became subsidiary	Taka 7.25 crore (Rs. 4.95 crore)	Taka 0.15 crore (Rs. 0.10 crore)	Rs. -4.81 crore	USD -0.07 million (Rs. -2.88 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

Sundari Spa LLC, a wholly owned subsidiary of Sundari LLC, was dissolved on March 22, 2005 since this company had no operations. Therefore, effective March 22, 2005 it ceased to be a subsidiary of both Sundari LLC and Marico Limited.

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.

$ The Company acquired a further stake of 14.6% in Kaya Skin Care Limited (current shareholding - 100%) on October 11, 2004 and a further stake of 12.5% in Sundari LLC (current shareholding 75.5%) on June 29, 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	Head - Legal and Company Secretary

Place : Mumbai
Date : April 27, 2005

Board of Directors	Mr. Harsh Mariwala, Chairman Mr. Milind Sarwate Mr. Shyam Sutaria Mr. Praveen Dalal, Executive Director (Appointed w.e.f. April 26, 2004) Mr. Moniruzzaman Khan (Appointed w.e.f. June 30, 2004) Mr. Samir Srivastav, Executive Director (Until April 26, 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 fifth Annual Report together with audited accounts of your Company for the year ended September 30, 2004.

FINANCIAL RESULTS

	(Taka Crore)		(Rs. Crore)*	
	2004	**2003**	**2004**	**2003**
Sales and Other Income	50.82	43.62	37.16	35.33
Profit before Tax & Exceptional items	14.85	9.30	10.86	7.53
Exceptional items	–	–	–	–
Profit before tax	**14.85**	**9.30**	**10.86**	**7.53**
Tax	(0.16)	(1.97)	(0.12)	(1.59)
Profit after Tax	**14.69**	**7.33**	**10.74**	**5.94**
Add : Surplus brought forward	7.25	1.68	5.30	1.36
Profit available for Appropriation	**21.94**	**9.01**	**16.04**	**7.30**
Appropriation:				
Tax Holiday Reserve	(5.84)	(1.75)	(4.27)	(1.42)
Dividend including dividend distribution tax	(4.40)	–	(3.22)	–
Surplus carried forward	**11.70**	**7.26**	**8.55**	**5.88**

* The exchange rate used is Rs. 0.73/Taka (Rs. 0.81/Taka)

SALES TURNOVER & PROFITABILITY

The year ended September 30, 2004 (FY04) has been a year of sustained volume growth. Turnover at Taka 50.82 Crore increased by 16 % over FY03. Profit before tax (PBT) at Taka 14.85 Crore and Profit after tax (PAT) at Taka 14.69 Crore showed impressive growths over the previous year. Parachute, your Company's flagship brand retained its number 1 position in the market and consolidated its presence further.

SUBSIDIARY

Your Company's subsidiary, MBL Industries Limited, performed well with a turnover of Taka 15.02 Crore, Profit Before Tax of Taka 1.95 Crore and Profit After Tax of Taka 1.19 Crore.

DIVIDEND

During the year, the Board of Directors of your Company declared two interim dividends for the year aggregating a payout of 440% (including dividend distribution tax).

DIRECTORS

During the year under review, Mr. Samir Srivastav resigned as Executive Director of your Company and two new Directors were inducted on to the Board – Mr. Praveen Dalal as Executive Director and Mr. Moniruzzaman Khan as Non–Executive Director. Mr. Praveen Dalal, 33, has done his Engineering from CRSCE, Haryana and is a management graduate from the Indian Institute of Management, Lucknow. He has around 10 years of experience in Sales and related functions at various levels in the Marico Group. Mr. Moniruzzaman Khan, 49, is the senior partner of Lee Khan & Associates, a leading solicitor firm in Bangladesh. He brings over 25 years of experience in the US and Bangladesh, of dealing with Corporate Laws. Mr. Praveen Dalal and Mr. Moniruzzaman Khan hold office as Directors till the expiry of the ensuing Annual General Meeting (AGM). The resolution seeking members approval for

DIRECTORS' REPORT

their appointment forms part of the Notice convening the AGM. Your Board places on record its appreciation for the contribution made by Mr. Samir Srivastav during his tenure.

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	**PRAVEEN DALAL**	**SHYAM SUTARIA**
Date: December 29, 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, 2004 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, 2004 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 the report are in agreement with the books of account.

Rahman Rahman Huq

Place : Dhaka
Date : December 29, 2004

Auditor

BALANCE SHEET

	Notes	As At September 30, 2004 Taka	2003 Taka	2004 Rs. Crores	2003 Rs. Crores
SOURCES OF FUNDS					
Shareholders equity:					
Share capital	4	10,000,000	10,000,000	0.73	0.81
Tax holiday reserve		75,956,809	17,500,000	5.55	1.42
Accumulated profit		116,992,722	72,543,058	8.55	5.88
Total		**202,949,531**	**100,043,058**	**14.85**	**8.11**
APPLICATION OF FUNDS					
Property, plant and equipment	5				
Cost		28,534,285	24,166,097	2.09	1.96
Less: Accumulated depreciation		9,774,290	5,868,253	0.71	0.48
		18,759,995	18,297,844	1.38	1.48
Investments		1,000,000	1,000,000	0.08	0.09
Current assets:					
Inventories	6	8,460,739	3,687,734	0.62	0.30
Goods in transit		10,501,725	12,507,000	0.77	1.01
Accrued interest		2,243,994	–	0.16	–
Trade debtors	7	24,805,562	25,272,255	1.81	2.05
Advances and deposits	8	98,209,948	55,253,485	7.18	4.48
Cash and bank balances	9	136,138,160	62,388,023	9.95	5.05
Total current assets		280,360,128	159,108,497	20.49	12.89
Less: Current liabilities and provisions:					
Liability for expenses	10	79,445,736	50,974,916	5.81	4.13
Liability for goods		3,698,931	–	0.27	–
Provision for income tax	11	2,233,662	14,408,408	0.16	1.17
Payable to holding company		10,501,725	12,507,000	0.77	1.01
Other liabilities	12	1,290,538	472,959	0.09	0.04
Total current liabilities		97,170,592	78,363,283	7.10	6.35
Net current assets		183,189,536	80,745,214	13.39	6.54
Total		**202,949,531**	**100,043,058**	**14.85**	**8.11**

The accompanying notes 1 to 20 form an integral part of these financial statements.

As per our separate report of even date

Rahman Rahman Huq

Auditor

Place: Dhaka
Date: December 29, 2004

For and on behalf of the Board of Directors

PRAVEEN DALAL
Executive Director

SHYAM SUTARIA
Director

Place: Dhaka
Date: December 29, 2004

* The exchange rate used to convert Taka to Rs. is Rs. 0.73 / Taka (Rs. 0.81 / Taka)

PROFIT AND LOSS ACCOUNT

		For the year ended September 30,			
		2004	2003	2004	2003
	Notes	Taka	Taka	Rs. Crores	Rs. Crores
Turnover		501,181,457	434,295,851	36.65	35.18
Cost of sales	13	(279,860,146)	(230,238,289)	(20.46)	(18.65)
Gross profit		**221,321,311**	**204,057,562**	**16.18**	**16.53**
General and administration expenses	14	(35,479,862)	(27,095,936)	(2.59)	(2.19)
Selling and distribution expenses	15	(44,362,850)	(85,930,713)	(3.24)	(6.96)
Net profit for the year		**141,478,599**	**91,030,913**	**10.35**	**7.38**
Other income		6,983,329	1,938,711	0.51	0.15
Net profit before taxation		**148,461,928**	**92,969,624**	**10.86**	**7.53**
Provision for taxation		(1,555,455)	(19,700,000)	(0.17)	(1.59)
Net profit after taxation		**146,906,473**	**73,269,624**	**10.74**	**5.94**
Tax holiday reserve		(58,456,809)	(17,500,000)	(4.27)	(1.42)
Dividend including dividend distribution tax		(44,000,000)	–	(3.22)	–
Profit brought forward		72,543,058	16,773,434	5.30	1.36
Profit carried forward to the balance sheet		**116,992,722**	**72,543,058**	**8.55**	**5.88**

The accompanying notes 1 to 20 form an integral part of these financial statements.

As per our separate report of even date
Rahman Rahman Huq

Auditor

Place: Dhaka
Date: December 29, 2004

For and on behalf of the Board of Directors

PRAVEEN DALAL Executive Director

SHYAM SUTARIA Director

Place: Dhaka
Date: December 29, 2004

* The exchange rate used to convert Taka to Rs. is Rs. 0.73 / Taka (Rs. 0.81 / Taka)

CASH FLOW STATEMENT

		For the year ended September 30, 2004 Taka	2003 Taka	2004 Rs. Crore	2003 Rs. Crore
A)	**Cash flows from operating activities**				
	Net profit/(loss) after tax	146,906,473	73,269,624	10.74	5.94
	Add : Depreciation (after adjustment)	3,906,037	3,605,358	0.29	0.29
		150,812,510	76,874,982	11.03	6.23
	Changes in working capital:				
	Current liabilities increased/(decreased)	18,807,309	51,541,084	1.38	4.17
	Current assets (increased)/decreased	(47,501,494)	(77,288,960)	(3.47)	(6.26)
	Cash generated from operation	122,118,325	51,127,106	8.93	4.14
	Net cash generated from operating activities	122,118,325	51,127,106	8.93	4.14
B)	**Cash flows from investing activities**				
	Acquisition of fixed assets	(4,368,188)	(13,523,921)	(0.32)	(1.10)
	Acquisition of shares in subsidiary	–	(999,960)	–	(0.08)
	Net cash generated from investing activities	(4,368,188)	(14,523,881)	(0.32)	(1.18)
C)	**Cash flows from financing activities**				
	Dividend paid including dividend distribution tax	(44,000,000)	–	(3.22)	–
D)	**Net increase in cash and cash equivalents (A+B+C)**	**73,750,137**	**36,603,225**	**5.39**	**2.96**
E)	**Opening cash and cash equivalents**	**62,388,023**	**25,784,798**	**4.56**	**2.09**
F)	**Closing cash and cash equivalent (D+E)**	**136,138,160**	**62,388,023**	**9.95**	**5.05**

The accompanying notes 1 to 20 form an integral part of these financial statements.

As per our separate report of even date
Rahman Rahman Huq

Auditor

Place: Dhaka
Date: December 29, 2004

For and on behalf of the Board of Directors

PRAVEEN DALAL
Executive Director

SHYAM SUTARIA
Director

Place: Dhaka
Date: December 29, 2004

* The exchange rate used to convert Taka to Rs. is Rs. 0.73 / Taka (Rs. 0.81 / Taka)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended September 30, 2004

Amount In Taka	Share capital	Tax holiday reserve	Proposed dividend	Unappropriated profit	Total
Balance at October 1, 2002	10,000,000	–	–	16,773,434	26,773,434
Net profit after tax for the year 2003	–	–	–	73,269,624	73,269,624
Transferred to tax holiday reserve	–	17,500,000	–	(17,500,000)	–
Balance at September 30, 2003	**10,000,000**	**17,500,000**	**–**	**72,543,058**	**100,043,058**
Net profit after tax for the year 2004	–	–	–	146,906,473	146,906,473
Transferred to tax holiday reserve	–	58,456,809	–	(58,456,809)	–
Proposed dividend including dividend distribution tax	–	–	44,000,000	(44,000,000)	–
Dividend paid	–	–	(44,000,000)	–	(44,000,000)
Balance at September 30, 2004	**10,000,000**	**75,956,809**	**–**	**116,992,722**	**202,949,531**

Amount in Rs. Crores	Share capital	Tax holiday reserve	Proposed dividend	Unappropriated profit	Total
Balance at October 1, 2002	0.81	–	–	1.36	2.17
Net profit after tax for the year 2003	–	–	–	5.93	5.93
Transferred to tax holiday reserve	–	1.42	–	(1.42)	–
Balance at 30 September 30, 2003	**0.81**	**1.42**	**–**	**5.88**	**8.10**
Net profit after tax for the year 2004	–	–	–	10.74	10.74
Transferred to tax holiday reserve	–	4.27	–	(4.27)	–
Proposed dividend including dividend distribution tax	–	–	3.22	(3.22)	–
Dividend paid	–	–	(3.22)	–	(3.22)
Balance at September 30, 2004	**0.73**	**5.55**	**–**	**8.55**	**14.84**

* The exchange rate used to convert Taka to Rs. is Rs. 0.73 / Taka (Rs. 0.81 / Taka)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2004

Note : The exchange rate used to convert Taka to Rs. is Rs. 0.73/ Taka (Rs. 0.81 / Taka)

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 Tk 10,000,000 divided into 1,000,000 ordinary shares of Tk 10 each. The company is a wholly owned subsidiary of Marico 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 Tk 1,000,000 divided into 100,000 ordinary shares of Tk 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 coconut oils, 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 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:

Airconditioner, refrigerator	15–20%
Vehicles	20%
Computer	15–33%
Factory building	15–20%
Factory equipment	15–20%
Furniture	15%
Laboratory equipment	15–33%
Moulds	15–20%
Office equipment	15%
Plant and machinery	15–20%
Fixtures	20%

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 year ended September 30, 2004 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 until the assessment is finalised by tax authorities. Adjustment, if any, arising out of assessment would be made in the year the assessment is completed.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2004

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.

3.8 Reporting period

Financial statements of the company cover the period from October 1, 2003 to September 30, 2004.

4. Share capital

	2004 Taka	2003 Taka	2004 Rs. Crores	2003 Rs. Crores
Authorised:				
1,000,000 Ordinary shares of Tk 10 each	10,000,000	10,000,000	–	–
Paid up:				
1,000,000 Ordinary shares of Tk 10 each fully paid up in cash	10,000,000	10,000,000	0.73	0.81

The shares are held by Marico 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
MBL Industries Limited	Directors	4	10	40
Add: Attributed profit of MBL Industries Limited				534
				574

5. Property, plant and equipment

Amount in Takas

Particulars	Cost			Depreciation			Net book value	
	As at Oct. 1, 2003	Addition during the year	As at Sept. 30, 2004	As at Oct. 1, 2003	Charged for the year	As at Sept. 30, 2004	As at Sept. 30, 2004	As at Sept. 30, 2003
Refrigerator, water coolers	446,950	26,000	472,950	85,498	67,476	152,974	319,976	361,452
Cars & jeeps	4,422,807	29,000	4,451,807	874,242	885,045	1,759,287	2,692,520	3,548,565
Computers	1,137,150	224,968	1,362,118	386,968	333,050	720,018	642,100	750,182
Factory building	30,000	73,458	103,458	1,500	8,173	9,673	93,785	28,500
Factory equipment	4,823,144	40,000	4,863,144	1,619,987	561,529	2,181,516	2,681,628	3,203,157
Furniture	2,386,730	76,390	2,463,120	573,818	323,050	896,868	1,566,252	1,812,911
Laboratory equipment	175,100	642,500	817,600	35,920	116,589	152,509	665,091	139,180
Moulds	1,841,405	946,648	2,788,053	1,009,347	178,535	1,187,882	1,600,171	832,058
Office equipments	1,478,135	224,015	1,702,150	354,817	213,566	568,383	1,133,767	1,123,318
Plant and machinery	7,424,676	2,034,640	9,459,316	926,156	1,215,654	2,141,810	7,317,506	6,498,521
Fixtures	–	50,569	50,569	–	3,370	3,370	47,199	–
Total	**24,166,097**	**4,368,188**	**28,534,285**	**5,868,253**	**3,906,037**	**9,774,290**	**18,759,995**	**18,297,844**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2004

Amount in Rs. Crores

Particulars	Cost			Depreciation			Net book value	
	As at Oct. 1, 2003	Addition during the year	As at Sept. 30, 2004	As at Oct. 1, 2003	Charged for the year	As at Sept. 30, 2004	As at Sept. 30, 2004	As at Sept. 30, 2003
Refrigerator, water coolers	0.04	0.00	0.04	0.01	0.00	0.01	0.03	0.03
Cars & jeeps	0.36	0.00	0.36	0.07	0.06	0.14	0.22	0.29
Computers	0.09	0.01	0.10	0.03	0.02	0.06	0.04	0.06
Factory building	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Factory equipment	0.39	0.00	0.39	0.13	0.03	0.17	0.23	0.26
Furniture	0.19	0.00	0.19	0.05	0.02	0.07	0.12	0.15
Laboratory equipment	0.01	0.03	0.04	0.00	0.01	0.01	0.03	0.01
Moulds	0.15	0.04	0.19	0.08	0.01	0.09	0.10	0.07
Office equipments	0.12	0.02	0.14	0.03	0.03	0.04	0.10	0.09
Plant and machinery	0.61	0.03	0.63	0.08	0.05	0.12	0.51	0.53
Fixtures	–	0.01	0.00	–	0.00	0.00	0.00	–
Total	**1.96**	**0.13**	**2.09**	**0.48**	**0.23**	**0.71**	**1.38**	**1.48**

6. Inventories

	2004 Taka	2003 Taka	2004 Rs. Crores	2003 Rs. Crores
Raw materials	4,667,769	2,192,892	0.34	0.18
Packing materials (bottles)	3,275,392	215,713	0.24	0.02
Packing materials (cartons)	–	119,700	–	0.01
Packing materials (caps)	–	1,102,000	–	0.09
Semifinished goods	517,578	–	0.04	–
Finished goods	–	57,429	–	0.00
	8,460,739	**3,687,734**	**0.62**	**0.30**

7. Trade debtors

Receivable from Kallol Traders Ltd. (KTL)	**24,805,562**	**25,272,255**	**1.81**	**2.05**

8. Advances and deposits

Advances:				
To EDL	44,180,694	44,180,694	3.23	3.58
For goods	35,665,160	1,834,055	2.61	0.15
For services	11,117,126	5,213,549	0.81	0.42
	90,962,980	51,228,298	6.65	4.15
Deposits:				
VAT current account	3,096,676	1,388,298	0.23	0.11
Supplementary duty	306,185	–	0.02	–
Security deposit	3,844,147	2,636,929	0.28	0.22
	7,247,008	4,025,227	0.53	0.33
	98,209,988	55,253,525	7.18	4.48

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2004

	2004 Taka	2003 Taka	2004 Rs. Crores	2003 Rs. Crores
9. Cash and bank balances				
Cash on hand	216,304	213,462	0.02	0.02
Fixed deposit with:				
Citibank N.A.	52,500,000	–	3.83	–
Standard Chartered Bank	53,411,266	–	3.91	–
	105,911,266	–	7.74	–
Cash at banks:				
Citibank N.A.	2,369,244	20,261,185	0.17	1.64
Standard Chartered Bank (Note 9.1)	27,641,346	41,913,376	2.02	3.39
	30,010,590	62,174,561	2.19	5.03
	136,138,160	**62,388,023**	**9.95**	**5.05**

9.1 Cash at Standard Chartered Bank

The company enjoys overdraft facilities with a limit of Tk 30,000,000 from Standard Chartered Bank, Dhaka which is secured against letter of credit for Tk 30,000,000 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.

	2004 Taka	2003 Taka	2004 Rs. Crores	2003 Rs. Crores
10. Liability for expenses				
Business promotion expenses	33,177,541	17,787,328	2.43	1.44
Advertisement expenses	6,000,000	17,100,001	0.44	1.39
Leakage and damange	2,604,033	–	0.19	–
Audit fees	282,925		265,000	0.02
Consulting fees	–	30,000	–	0.00
Legal charges	–	10,000	–	0.00
Royalty	3,572,260	–	0.26	–
Provision for claim	–	12,753,861	–	1.03
Creditors for supplies	29,266,105	–	2.14	–
Other expenses	4,542,872	3,028,726	0.33	0.25
	79,445,736	**50,974,916**	**5.81**	**4.13**
11. Provision for income tax				
Opening balance	14,408,408	10,725,006	1.05	0.87
Add: Provision for current taxation	1,555,455	19,700,000	0.11	1.59
	15,963,863	30,425,006	1.16	2.46
Less: Provision adjusted	–	10,032,966	–	0.81
	15,963,863	20,392,040	1.16	1.65
Less: Advance tax paid u/s 64	–	5,983,632	–	0.48
Tax paid u/s 74	13,207,017	–	0.97	–
Tax deducted at source	523,184	–	0.03	–
	13,730,201	5,983,632	1.00	0.48
	2,233,662	**14,408,408**	**0.16**	**1.17**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2004

12. Other liabilities

	2004 Taka	2003 Taka	2004 Rs. Crores	2003 Rs. Crores
Tax deducted from suppliers' bills	**1,290,538**	**472,959**	**0.09**	**0.04**

13. Cost of sales

	2004 Taka	2003 Taka	2004 Rs. Crores	2003 Rs. Crores
Purchase	274,034,324	247,322,328	20.03	20.03
Less: Price difference	–	21,039,920	–	1.70
Closing inventory	–	3,687,734	–	0.30
	–	24,727,654	–	2.00
	274,034,324	222,594,674	20.03	18.03
Add: Factory overhead	5,726,757	5,050,488	0.42	0.41
Carriage inward	99,065	2,593,127	0.01	0.21
	5,825,822	7,643,615	0.43	0.62
	279,860,146	**230,238,289**	**20.46**	**18.65**

14. General and administration expenses

	2004 Taka	2003 Taka	2004 Rs. Crores	2003 Rs. Crores
Salaries and allowances (Note 14.1)	12,924,711	12,255,029	0.95	0.99
Rent	746,509	841,497	0.05	0.07
Consulting fee	695,661	1,301,381	0.05	0.11
Security charges	320,942	378,416	0.02	0.03
Legal charges	10,000	124,000	0.00	0.01
Repair and maintenance	886,148	1,146,159	0.06	0.09
Communication expenses	1,878,474	1,438,092	0.14	0.12
Entertainment	337,728	373,758	0.02	0.03
Printing and stationery	446,099	237,029	0.03	0.02
Vehicle running expenses	2,448,751	1,412,605	0.18	0.11
Travelling and conveyance	2,657,050	2,963,329	0.19	0.24
Audit fees (Note 14.2)	350,600	169,288	0.03	0.01
Recruitment expenses	400	8,794	0.00	0.00
Subscription and donation	400	60,270	0.00	0.00
Fees, forms and renewals	188,415	342,485	0.01	0.03
Insurance premium	1,207,025	813,557	0.09	0.07
Books and periodicals	38,351	28,879	0.00	0.00
Crockeries and cutleries	–	6,454	–	0.00
Bank interest and charges	1,214,224	60,301	0.09	0.00
Medical expenses	1,038,497	7,747	0.08	0.00
Carriage outward	1,157,335	492,800	0.08	0.04
Fooding and lodging	780,487	386,976	0.06	0.03
Staff welfare expenses	952,595	176,399	0.07	0.01
Conference and training exp.	566,857	518,794	0.04	0.04
LC expenses	30,155	642,247	0.00	0.05
Electricity and gas charges	270,982	267,691	0.02	0.02
Loss on sale of assets	–	63,771	–	0.01
Royalty	2,505,908	1,066,352	0.18	0.09
Bad debt provision	–	(1,929,209)	–	(0.16)
Depreciation	1,825,558	1,441,045	0.13	0.12
	35,479,862	**27,095,936**	**2.59**	**2.19**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

14.1 Salaries and allowances

These include remuneration of Tk 2,511,910 to executive director for salaries and benefits.

	2004	2003	2004	2003
14.2 Auditors' remuneration	**Taka**	**Taka**	**Rs. Crores**	**Rs. Crores**
Statutory audit fee	78,375	75,000	0.01	0.01
Tax audit fee	97,050	94,288	0.01	0.01
Special audit fee	175,175	–	0.01	–
	350,600	**169,288**	**0.03**	**0.02**
15. Selling and distribution expenses				
Business promotion expenses	21,036,830	45,061,768	1.54	3.65
Advertisement	17,284,111	33,386,341	1.26	2.70
Market research expenses	2,034,163	2,594,931	0.15	0.21
Leakage and damages	4,007,746	4,887,673	0.29	0.40
	44,362,850	**85,930,713**	**3.24**	**6.96**

16. Related party transactions

Name of the related party	Nature of transactions	Equivalent Taka	Equivalent Rs Crores
Marico Ltd, India	Purchase of coconut oil	148,160,480	10.83
	Purchase of capital machineries	1,981,267	0.15
	Dividend remitted	40,000,000	2.92
		190,141,747	**13.90**

17. Number of employees

The number of employees engaged for the whole period or part thereof who received a total salary of Tk 36,000 and above was 22.

18. Tax holiday reserve

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

19. Import of capital machinery and raw materials

During the year import of raw material was worth US$ 2,668,711, production and spare parts US$ 7,534 and capital machinery US$ 36,273.54.

20. General

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

STATEMENT PURSUANT TO SECTION 186 (1)(E) OF THE COMPANIES ACT, 1994

Name of the subsidiary company	MBL Industries Limited	
Holding company's interest	100,000 ordinary shares of Taka 10 each	
Extent of holding	100%	
The "financial year" of the subsidiary company ended on	September 30, 2004	
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	
* for the previous financial years since it became subsidiary	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 1.19 Crore	(Rs. 0.87 Crore)#
* for the previous financial years since it became subsidiary	Taka 0.15 Crore	(Rs. 0.10 Crore)#
Net aggregate amount of the profits of the subsidiary after deducting its losses or vice versa :		
* for the subsidiary's aforesaid financial year	Taka 1.19 Crore	(Rs. 0.87 Crore)#
* for the previous financial years since it became subsidiary	Taka 0.15 Crore	(Rs. 0.10 Crore)#

The exchange rate used is Rs. 0.73 / Taka (Rs. 0.81 / Taka)

For and on behalf of the Board of Directors

Place: Dhaka
Date: December, 29 2004

PRAVEEN DALAL
Executive Director

SHYAM SUTARIA
Director

Board of Directors	Mr. Harsh Mariwala, Chairman Mr. Milind Sarwate Mr. Shyam Sutaria Mr. Praveen Dalal (Appointed w.e.f. April 26, 2004) Mr. Samir Srivastav (Until April 26, 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 second Annual Report together with audited accounts of your Company for the period ended September 30, 2004.

FINANCIAL RESULTS

	(Taka Crore)		(Rs. Crore)*	
Particulars	**2004**	**2003#**	**2004**	**2003#**
Sales and Other Income	15.02	2.05	10.98	1.66
Profit before Tax & Exceptional item	1.95	0.24	1.42	0.19
Exceptional items	–	–	–	–
Profit before tax	**1.95**	**0.24**	**1.42**	**0.19**
Provision for taxation	(0.76)	(0.09)	(0.55)	(0.07)
Profit after Tax	**1.19**	**0.15**	**0.87**	**0.12**
Add : Surplus brought forward	0.15	–	0.12	–
Surplus carried forward	**1.34**	**0.15**	**0.99**	**0.12**

* The exchange rate used is Rs. 0.73 / Taka (Rs. 0.81/Taka)

\# Your company was incorporated on August 4, 2003 and commenced operations soon after. As a result, the financial performance for 2003 pertains to about 2 months operations.

SALES TURNOVER & PROFITABILITY

During the year ended September 30, 2004 (FY04), your Company carried on with the business of selling branded coconut oil and hair oils under the brand name of Parachute. Your Company recorded a turnover of Taka 15.02 Crore on which it earned a profit before tax of Taka 1.95 Crore and a profit after tax of Taka 1.19 Crore.

DIVIDEND

No dividend is being proposed for this year.

DIRECTORS

During the year under review, Mr. Samir Srivastav resigned as Director from the Board of Directors of your Company and Mr. Praveen Dalal was appointed as Director on the Board. Mr. Praveen Dalal, 33, has done his Engineering from CRSCE, Haryana and is a management graduate from the Indian Institute of Management, Lucknow. He has around 10 years of experience in Sales and related functions at various levels in the Marico Group. Mr. Praveen Dalal holds office as Director till the expiry of the ensuing Annual General Meeting (AGM). The resolution seeking members approval for his appointment forms part of the Notice convening the AGM. Your Board places on record its appreciation for the contribution made by Mr. Samir Srivastav during his tenure.

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 the Board of Directors

Place: Dhaka	**PRAVEEN DALAL**	**SHYAM SUTARIA**
Date: December, 29 2004	Director	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, 2004 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, 2004 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 : December 29, 2004

Auditor

BALANCE SHEET

		As at September 30,			
	Notes	2004 Taka	2003 Taka	2,004 Rs. Crores	2003 Rs. Crores
SOURCES OF FUNDS					
Shareholders equity:					
Share capital	4	1,000,000	1,000,000	0.07	0.08
Accumulated profit		13,352,635	1,450,048	0.98	0.12
Total		**14,352,635**	**2,450,048**	**1.05**	**0.20**
APPLICATION OF FUNDS					
Property, plant and equipment	5				
Cost		118,000	–	0.01	–
Less: Accumulated depreciation		3,277	–	0.00	–
		114,723	–	0.01	–
Current assets, loans and advances:					
Trade debtors	6	17,288,063	6,524,522	1.26	0.53
Advances and deposits	7	230,094	–	0.02	–
Cash and cash equivalents	8	26,989,033	15,214,613	1.97	1.23
Income tax refundable/(payable)	9	1,872,116	(950,000)	0.14	(0.08)
Accrued interest	10	670,979	–	0.05	–
Total current assets		47,050,285	20,789,135	3.44	1.68
Current liabilities and provisions:					
Liability for expenses	11	10,321,206	1,050,000	0.75	0.08
Other liabilities	12	13,565	310,163	0.01	0.02
Trade creditors	13	22,477,602	16,978,924	1.64	1.38
Total current liabilities		32,812,373	18,339,087	2.40	1.48
Net current assets		14,237,912	2,450,048	1.04	0.20
Total		**14,352,635**	**2,450,048**	**1.05**	**0.20**

The accompanying notes 1 to 18 form an integral part of these financial statements.

As per our separate report of even date

Rahman Rahman Huq

Auditor

Place: Dhaka

Date: December 29,2004

For and on behalf of the Board of Directors

PRAVEEN DALAL Director

SHYAM SUTARIA Director

Place : Dhaka

Date : December 29,2004

* The exchange rate used to convert Taka to Rs. is Rs. 0.73 / Taka (Rs. 0.81 / Taka)

PROFIT AND LOSS ACCOUNT

	Notes	For the year ended September 30, 2004 Taka	2003 Taka	2004 Rs. Crores	2003 Rs. Crores
Turnover		149,115,364	20,486,682	10.90	1.66
Cost of sales	14	(110,627,337)	(16,978,924)	(8.09)	(1.38)
Gross profit		**38,488,027**	**3,507,758**	**2.81**	**0.28**
General and administration expenses	15	(2,661,997)	(107,710)	(0.19)	(0.01)
Selling and distribution expenses	16	(17,384,160)	(1,000,000)	(1.27)	(0.08)
Net profit for the year		18,441,870	2,400,048	1.35	0.19
Other income		1,038,619	–	0.08	–
Net profit before taxation		**19,480,489**	**2,400,048**	**1.42**	**0.19**
Provision for taxation		(7,577,902)	(950,000)	(0.55)	(0.07)
Net profit after taxation		**11,902,587**	**1,450,048**	**0.87**	**0.12**
Profit brought forward		1,450,048	–	0.11	–
Net profit carried forward to the balance sheet		**13,352,635**	**1,450,048**	**0.98**	**0.12**

The accompanying notes 1 to 18 form an integral part of these financial statements

As per our separate report of even date
Rahman Rahman Huq

Auditor

Place: Dhaka
Date: December 29,2004

For and on behalf of the Board of Directors

PRAVEEN DALAL
Director

SHYAM SUTARIA
Director

Place : Dhaka
Date : December 29,2004

* The exchange rate used to convert Taka to Rs. is Rs. 0.73 / Taka (Rs. 0.81 / Taka)

CASH FLOW STATEMENT

			For the year ended September 30,			
			2004	2003	2004	2003
			Taka	Taka	Rs. Crores	Rs. Crores
A)	**Cash flow from operating activities**					
	Net profit/(loss) for the year		11,902,587	1,450,048	0.87	0.15
	Add: Depreciation (after adjustment)		3,277	–	0.00	–
			11,905,864	1,450,048	0.87	0.15
	Changes in working capital:					
	Current liabilities increase/(decrease)		13,523,286	19,289,087	0.99	1.56
	Current assets (increase)/decrease		(13,536,730)	(6,524,522)	(0.99)	(0.53)
	Cash generated from operation		11,892,420	14,214,613	0.87	1.15
	Net cash generated from operating activities		11,892,420	14,214,613	0.87	1.15
B)	**Cash flow from investing activities**					
	Acquisition of fixed assets		(118,000)	–	(0.01)	–
	Share capital		–	1,000,000	–	0.08
	Net cash generated from investing activities		(118,000)	1,000,000	(0.01)	0.08
C)	**Net increase in cash and cash equivalent**	**(A+B)**	**11,774,420**	**15,214,613**	**0.86**	**1.23**
D)	**Opening cash and cash equivalents**		**15,214,613**	**–**	**1.11**	**–**
E)	**Closing cash and cash equivalent**	**(C+D)**	**26,989,033**	**15,214,613**	**1.97**	**1.23**

As per our separate report of even date

Rahman Rahman Huq

Auditor

Place: Dhaka

Date: December 29,2004

For and on behalf of the Board of Directors

PRAVEEN DALAL — Director

SHYAM SUTARIA — Director

Place : Dhaka

Date : December 29,2004

* The exchange rate used to convert Taka to Rs. is Rs. 0.73 / Taka (Rs. 0.81 / Taka)

STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY

For the year ended September 30, 2004

Amount in Takas	Share capital	Unappropriated profit	Total
Net profit after tax for the year 2003	1,000,000	1,450,048	2,450,048
Balance at September 30, 2003	1,000,000	1,450,048	2,450,048
Net profit after tax for the year 2004	–	11,902,587	11,902,587
Balance at September 30, 2004	**1,000,000**	**13,352,635**	**14,352,635**

Amount in Rs. Crores	Share capital	Unappropriated profit	Total
Net profit after tax for the year 2003	0.08	0.12	0.20
Balance at September 30, 2003	0.08	0.12	0.20
Net profit after tax for the year 2004	–	0.86	0.86
Balance at September 30, 2004	**0.07**	**0.98**	**1.05**

* The exchange rate used to convert Taka to Rs. is Rs. 0.73 / Taka (Rs. 0.81 / Taka)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2004

Note : The exchange rate used to convert Taka to Rs. is Rs. 0.73 / Taka (Rs. 0.81 / Taka)

1. Company profile

MBL Industries Limited is a private limited company incorporated on 2 August 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 4 August 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 Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation. These are depreciated under straight line method to write off their cost over their useful lives. Rate of depreciation charged as follows:

Equipment 33.33%

Depreciation has been charged from the month of acquisition.

3.4 Taxation

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

3.5 Reporting currency and level of precision

The figures in the financial statements are denominated in Bangladesh taka, which have been rounded off to the nearest integer.

3.6 Reporting period

Financial statements of the company cover the period from October 1, 2003 to September 30, 2004.

4. Share capital

	As on September 30,			
	2004 Taka	2003 Taka	2004 Rs. Crores	2003 Rs. Crores
Authorised:				
100,000 Ordinary shares of Tk 10 each	**1,000,000**	**1,000,000**		
Paid up:				
100,000 Ordinary shares of Tk 10 each fully paid up in cash	1,000,000	1,000,000	0.07	0.08

At September 30, 2004, share holding position of the company was as follows:

	No. of shares	Taka
Marico Bangladesh Limited (MBL)	99,996	999,960
Held by Directors as nominees of MBL	4	40
	100,000	**1,000,000**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

5. Property, plant and equipments

Amount in Taka

Particulars	Cost			Depreciation			Net book value	
	As at Oct. 1 2003	Addition during the year	As at Sept. 30 2004	As at Oct. 1 2003	Charged for the year	As at Sept. 30 2004	As at Sept. 30 2004	As at Sept. 30 2003
Computers	–	106,000	106,000	–	2,944	2,944	103,056	–
Office equipments	–	12,000	12,000	–	333	333	11,667	–
Total	**–**	**118,000**	**118,000**	**–**	**3,277**	**3,277**	**114,723**	**–**

Amount in Rs Crores

Particulars	Cost			Depreciation			Net book value	
	As at Oct. 1 2003	Addition during the year	As at Sept. 30 2004	As at Oct. 1 2003	Charged for the year	As at Sept. 30 2004	As at Sept. 30 2004	As at Sept. 30 2003
Computers	–	0.008	0.008	–	0.001	0.001	0.007	–
Office equipments	–	0.001	0.001	–	0.000	0.000	0.001	–
Total	**–**	**0.009**	**0.009**	**–**	**0.001**	**0.001**	**0.008**	**–**

6. Trade Debtors

	2004 Taka	2003 Taka	2004 Rs. Crores	2003 Rs. Crores
Receivable from Kallol Traders Limited (KTL)	**17,288,063**	**–**	**1.26**	**–**

7. Advances and deposits

	2004 Taka	2003 Taka	2004 Rs. Crores	2003 Rs. Crores
Advances:				
For goods	31,000	–	0.00	–
For services	188,207	–	0.02	–
	219,207	–	0.02	–
Deposits:				
VAT current account	10,887	–	0.00	–
	230,094	**–**	**0.02**	**–**

8. Cash and cash equivalents

	2004 Taka	2003 Taka	2004 Rs. Crores	2003 Rs. Crores
Cash on hand	62,170	33,790	0.00	0.00
Fixed deposit with Standard Chartered Bank	20,467,640	–	1.50	–
Cash at banks:				
Standard Chartered Bank	6,459,223	15,180,823	0.50	1.23
	26,989,033	**15,214,613**	**1.97**	**1.23**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	2004 Taka	2003 Taka	2004 Rs. Crore	2003 Rs. Crore
9. Income tax refundable/(payable)				
Opening balance	(950,000)	–	(0.00)	–
Provision for current taxation	(7,577,902)	(950,000)	(0.55)	(0.08)
	(8,527,902)	(950,000)	(0.55)	(0.08)
Advance tax paid	10,400,018	–	0.76	–
	1,872,116	**(950,000)**	**0.21**	**(0.08)**
10. Accrued interest				
Interest on fixed deposit with bank	**670,979**	**–**	**0.05**	**–**
11. Liability for expenses				
Business promotion expenses	2,646,265	1,000,000	0.19	0.08
Advertisement expenses	4,809,396	–	0.35	–
Audit fees	104,500	50,000	0.01	0.00
Legal charges	308,663	–	0.02	–
Leakage and damage	2,452,382	–	0.18	–
	10,321,206	**1,050,000**	**0.75**	**0.08**
12. Other liabilities				
VAT payable	–	308,663	–	0.02
Tax deducted from suppliers bills	13,565	1,500	0.01	0.00
	13,565	**310,163**	**0.01**	**0.02**
13. Trade creditors				
Payable to Ethical Drugs Limited (EDL)	**22,477,602**	**16,978,924**	**1.64**	**1.38**
14. Cost of sales				
Purchase of finished goods	**110,627,337**	**169,978,924**	**8.09**	**1.38**
15. General and administrative expenses				
Salaries and allowances	646,485	–	0.05	–
Consulting fees	51,924	–	0.00	–
Legal charges	376,610	–	0.03	–
Repairs and maintenance	39,550	–	0.00	–
Communication expenses	7,228	–	0.00	–
Entertainment	9,483	–	0.00	–
Printing and stationery	15,443	–	0.00	–
Travelling and conveyance	112,797	–	0.01	–
Audit fees (Note 15.1)	214,000	50,000	0.02	0.00
Recruitment expenses	72,083	–	0.01	–
Bank interest and charges	8,317	–	0.00	–
Carriage outward	609,059	–	0.04	–
Staff welfare expenses	3,880	–	0.00	–
Conference and training expenses	27,717	–	0.00	–
Depreciation	3,277	–	0.00	–
Obsolete goods written off	464,144	–	0.03	–
Preliminary expenses	–	57,710	–	0.01
	2,661,997	**107,710**	**0.19**	**0.01**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	2004 Taka	2003 Taka	2004 Rs. Crore	2003 Rs. Crore
15.1 Auditors remuneration:				
Statutory audit	52,250	50,000	0.00	0.00
Taxation	52,250	–	0.00	–
Special audit	109,500	–	0.02	–
	214,000	**50,000**	**0.02**	**0.00**
16. Selling and distribution expenses				
Business promotion expenses	2,984,864	1,000,000	0.22	0.08
Advertisement	9,741,330	–	0.71	–
Market research expenses	2,205,584	–	0.16	–
Leakage and damages	2,452,382	–	0.18	–
	17,384,160	**1,000,000**	**1.27**	**0.08**

17. Number of employees

The number of employees engaged for the whole period or part thereof who received a total salary of Tk 36,000 and above was 3.

18. General

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

Board of Directors	Mr. Harsh Mariwala, Chairman
	Mr. Kishore Mariwala (Until April 27, 2005)
	Mr. Rakesh Pandey
	Dr. Ravi Mariwala (Appointed w.e.f April 27, 2005)
Company Secretary	Mr. Chirag Pandya (Appointed w.e.f October 11, 2004)
Registered Office	Rang Sharda, Krishnachandra 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 Second Annual Report together with audited accounts of your Company for the year ended March 31, 2005.

FINANCIAL RESULTS - AN OVERVIEW

During the year under review, your Company reported a turnover of Rs. 18.56 Crore and an operating loss of Rs. 7.18 Crore, as it continued to invest in the business.

	Year ended March 31,	
	2005	**2004**
Sales and Services	**18.56**	**4.47**
Loss Before Tax	7.18	4.81
Less : Provision for Current Tax for Current Period	–	–
Loss after Current Tax for current period	**7.18**	**4.81**
Add: Loss Brought Forward	4.81	–
Loss carried forward	**11.99**	**4.81**

DISTRIBUTION TO SHAREHOLDERS

No dividend is being proposed for the year.

REVIEW OF OPERATIONS

In FY04, your Company commenced operations under the banner of Kaya Skin Clinics, offering scientific, unisex dermatological procedures using US FDA approved technology.

Kaya Skin Care procedures are safe and efficacious. All the services offered at Kaya Skin Clinic are designed and supervised by a distributed team of 65 dermatologists and carried out by certified skin practitioners, each with more than 300 hours of training.

Kaya targets high-end customers in SEC A-1 and A-2 with age group of 16-60 years across metros and mini metros in the country. The objective is to provide result-oriented, personalized, non-surgical skin solutions in a serene Zen-like environment.

As part of the solutions, your Company has also launched a range of skin care products, which are the result of extensive skin-care research in derma-cosmetic laboratories based in France, UK & USA. These are not only used during the skin care services but are also available for post service usage as a follow up to the service undertaken at the clinic. All Kaya Skin Clinic Products are dermatological tested and approved for Indian Skin by the Kaya Skin Advisory. The key products are Skin Lightening Complex, Lighten and Smooth Under-eye gel, Daily Moisturizing Sunscreen and Recharging Night crème.

During the year, your Company expanded its operations and by end of the year, 32 Clinics were operational across 11 cities in India. The Kaya concept has been well received by the target consumers. The consumer base has grown beyond 40,000 and 97% of Kaya's clientele rate Kaya's services between good and excellent.

This quick ramp up of clinics resulted in a more than 4-times jump in the services turnover from Rs. 4.16 Crore during FY04 to Rs. 17.13 Crore in FY05. Your Company also sold skin care products aggregating Rs. 1.44 Crore (Rs. 0.30 Crore). The financial model has also started showing results with the operational break even of each clinic being reached within 9 months of operation.

The Kaya Skin Clinic venture is expected to contribute as a strong growth engine of the Marico Group for both top line and bottom line in the years to come. It would also help the Group to move up the value chain in the Personal Care business, through high value add solutions- both services and products in the skin care space.

DIRECTORS' REPORT

CHANGE IN SHAREHOLDING OF YOUR COMPANY

During the year your Company's holding company, Marico Limited purchased the balance 24% stake held by Adil & Associates LLC. Your Company is now a Wholly Owned Subsidiary of Marico Limited.

CONSERVATION OF ENERGY

Your Company's operations are not energy-intensive and as such at present no additional investments and proposals are contemplated for reduction of consumption of energy. However, your Company is conscious of the importance of conserving energy and continuous monitoring is done in each of the clinics to mitigate any wastage.

RESEARCH & DEVELOPMENT (R & D)

During the year under review, your Company continued its efforts to launch new products and services. A new service – Kaya Acne Free – was launched during the year as a result of these efforts. The R&D team also developed 5 new products and your Company also commenced manufacturing these at a new sub-contract location in India, during the year under review. No specific capital or revenue expenditure, was however, incurred on R&D.

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

Your Company invests actively in training its in-clinic staff to gain expertise of the equipment imported to impart the various skin care services. Such a training creates a learning curve, which helps the staff absorb any new techniques that may get introduced from time to time as and when a new service is introduced.

FOREIGN EXCHANGE EARNING AND OUTGO

Foreign exchange outgo during the period is as mentioned in schedule "K".

PUBLIC DEPOSITS

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

PARTICULARS OF EMPLOYEES

Your Company had no employee of the category indicated under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended from time to time. Your Company has therefore no particulars to disclose under these rules.

DIRECTORS' RESPONSIBILITY STATEMENT

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

(i) in preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same;

(ii) they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of your Company as at March 31, 2005 and the loss of your Company for the year ended March 31, 2005;

(iii) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities;

(iv) they have prepared the annual accounts on a going concern basis.

Further, your Directors also confirm that 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.

DIRECTORS' REPORT

DIRECTORS

Mr. Harsh Mariwala, Director of the Company, retires by rotation as per Section 256 of the Companies Act, 1956 and being eligible offers himself for re-appointment.

Mr. Kishore Mariwala, Director, resigned from the Board of Directors of your Company with effect from April 27, 2005. Your Board places on record its appreciation for the contribution made by Mr. Kishore Mariwala during his tenure. The Board of Directors appointed Dr. Ravi Mariwala as Director in casual vacancy occurred due to resignation of Mr. Kishore Mariwala. Dr. Ravi Mariwala (39 years of age) has done his Doctor of Philosophy in Chemical Engineering from University of Delaware, USA. He is presently Director of Hindustan Polymides & Fibres Limited and Scientific Precision Private Limited in India. He brings with him expertise in research and development. Dr. Ravi Mariwala holds office till conclusion of the ensuing Annual General Meeting and is eligible to be appointed as Director.

RE-CONSTITUTION OF AUDIT COMMITTEE

Consequent to the resignation of Mr. Kishore Mariwala as Director from the Board of Directors of the Company and appointment of Dr. Ravi Mariwala as a Director in the casual vacancy with effect from April 27, 2005, the Audit Committee was re-constituted on that date. The Audit Committee now comprises the following Directors:

Mr. Harsh Mariwala - Chairman of the Committee

Mr. Rakesh Pandey

Dr. Ravi Mariwala (w.e.f. April 27, 2005)

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 27, 2005

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, 2005, the Profit and Loss Account and 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, ('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 and subject to paragraph 4, 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 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, 2005 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, 2005;

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

      iii. in the 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 27, 2005

ANNEXURE TO AUDITOR'S 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 in a phased manner which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets and no 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 granted or taken any loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under section 301 of the Act. Accordingly, clauses (b), (c), (d), (f) and (g) of the Order are not applicable.

(iv) In our opinion, and according to the information and explanations given to us, the internal control procedures for the purchase of inventory and fixed assets and with regard to the sale of finished products and services need to be further strengthened so as to be commensurate with the size of the Company and nature of its business. In our opinion and based on verifications, there are no continuing failure to correct major weaknesses in the internal control system.

(v) According to information and explanations given to us and based on the disclosure of interest made by the directors of the Company, there are no particulars of contracts or arrangements referred to in section 301of the Act which need to be entered in the register required to be maintained under that section.

(vi) According to the information and explanations given to us, 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,58AA and any other relevant provisions of the Act and the rules framed thereunder are applicable.

(vii) In our opinion, the Company has an internal audit system commensurate with its size and the 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) (a) According to the information and explanations given to us, the Company is regular in depositing undisputed statutory dues including Provident Fund, Employees' State Insurance, Income tax, Sales tax, Wealth Tax, Custom duty, Cess and any other material statutory dues applicable to it during the year with the appropriate authorities and there were no such outstanding dues as at March 31, 2005 for a period exceeding six months from the date they became payable. As explained to us, the provisions of the Investors Education and Protection Fund and Excise duty are not applicable to the Company.

(b) There are no unpaid disputed amounts of Provident Fund, Employees' State Insurance, Income tax, Sales tax, Wealth Tax, Custom duty, Cess and any other statutory dues of the Company as at March 31, 2005.

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

ANNEXURE TO AUDITOR'S REPORT

(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.

(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 year.

(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.

(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 27, 2005

BALANCE SHEET

	SCHEDULE	As at March 31, 2005 Rs. Crore	2004 Rs. Crore
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share capital	A	10.00	8.80
Advance Against equity		–	0.20
LOAN FUNDS			
Unsecured loan	B	44.19	10.61
DEFERRED TAX LIABILITY		–	–
(Refer Note 9 to schedule L)			
		54.19	**19.61**
APPLICATION OF FUNDS			
FIXED ASSETS	C		
Gross block		33.68	13.34
Less : Depreciation and amortisation		3.24	0.95
Net block		30.44	12.39
Capital work-in-progress		6.75	2.09
		37.19	14.48
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	D	2.46	0.41
Cash and bank balances	E	0.84	0.03
Loans and advances	F	7.06	2.39
		10.36	2.83
Less: CURRENT LIABILITIES AND PROVISIONS			
Current liabilities	G	5.35	2.51
NET CURRENT ASSETS		5.01	0.32
Debit balance in Profit and Loss Account		11.99	4.81
		54.19	**19.61**
Notes	L		

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

VIJAY N. BHATT
Partner (F-36647)

Place : Mumbai
Date : April 27, 2005

For and on behalf of the Board of Directors

HARSH MARIWALA Chairman

RAKESH PANDEY Director

CHIRAG PANDYA Company Secretary

Place : Mumbai
Date : April 27, 2005

PROFIT AND LOSS ACCOUNT

	SCHEDULE	For the year ended March 31, 2005 Rs. Crore	2004 Rs. Crore
INCOME:			
Service Income		17.13	4.16
Sale of products		1.44	0.30
Other income		0.03	0.03
		18.60	**4.49**
EXPENDITURE:			
Cost of materials	H	3.25	0.88
Operating and other expenses	I	18.31	7.13
Finance charges	J	1.90	0.34
Depreciation and amortisation		2.32	0.95
		25.78	**9.30**
LOSS BEFORE TAXATION		**7.18**	**4.81**
Provision for taxation			
- Current		–	–
- Deferred (Refer note 9 to Schedule L)		–	–
LOSS AFTER TAXATION		**7.18**	**4.81**
Balance brought forward		4.81	–
LOSS CARRIED TO THE BALANCE SHEET		**11.99**	**4.81**
BASIC AND DILUTED EARNINGS PER SHARE		**(7.29)**	**(649.80)**
Notes	L		

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

VIJAY N. BHATT
Partner (F-36647)

Place : Mumbai
Date : April 27, 2005

For and on behalf of the Board of Directors

HARSH MARIWALA Chairman

RAKESH PANDEY Director

CHIRAG PANDYA Company Secretary

Place : Mumbai
Date : April 27, 2005

CASH FLOW STATEMENT

			For the year ended March 31, 2005 Rs. Crore	2004 Rs. Crore
A)	**CASH FLOW FROM OPERATING ACTIVITIES**			
	Net Profit before tax		(7.18)	(4.81)
	Adjustments for:			
	Depreciation and amortisation		2.32	0.95
	Finance charges		1.90	0.34
	Prior period adjustment to Gross Block (Refer note to Schedule C)		0.93	–
	Loss on sale of asset		0.07	–
			5.22	1.29
	Operating profit before working capital changes		(1.96)	(3.52)
	Adjustments for:			
	Increase/ (Decrease) in Inventories		2.05	0.41
	Increase/ (Decrease) in Loans and advances		4.67	2.39
	(Increase)/ Decrease in Current liabilities		(2.84)	(2.51)
			3.88	0.29
	NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES	**A**	**(5.84)**	**(3.81)**
B)	**CASH FLOW FROM INVESTING ACTIVITIES**			
	Purchase of Fixed assets		(26.20)	(15.43)
	Sale of Fixed assets		0.17	–
	NET CASH INFLOW / (OUTFLOW) FROM INVESTING ACTIVITIES	**B**	**(26.03)**	**(15.43)**
C)	**CASH FLOW FROM FINANCING ACTIVITIES**			
	Loan taken		33.58	10.61
	Equity raised		1.20	8.80
	Advance against equity		(0.20)	0.20
	Finance charges		(1.90)	(0.34)
	NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	**C**	**32.68**	**19.27**
	NET INCREASE / (DECREASE) IN CASH & CASH EQUIVALENTS	**A+B+C**	**0.81**	**0.03**
	Cash and cash equivalents - opening balance		0.03	–
	Cash and cash equivalents - closing balance		0.84	0.03

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

VIJAY N. BHATT
Partner (F-36647)

Place : Mumbai
Date : April 27, 2005

For and on behalf of the Board of Directors

HARSH MARIWALA Chairman

RAKESH PANDEY Director

CHIRAG PANDYA Company Secretary

Place : Mumbai
Date : April 27, 2005

SCHEDULES TO BALANCE SHEET

	As at March 31, 2005 Rs. Crore	2004 Rs. Crore
SCHEDULE 'A'		
SHARE CAPITAL		
AUTHORISED:		
10,000,000 Equity shares of Rs. 10 each	10.00	10.00
	10.00	**10.00**
ISSUED AND SUBSCRIBED :		
10,000,000 (8,800,000) Equity shares of Rs. 10 each fully paid up (Entire share capital (7,600,000 shares) is held by the holding company, viz. Marico Limited, including its nominees)	10.00	8.80
	10.00	**8.80**
SCHEDULE 'B'		
UNSECURED LOAN		
Loan from the holding company	44.19	10.61
	44.19	**10.61**

SCHEDULE 'C'

FIXED ASSETS

(Amount in Rs. Crore)

PARTICULARS	GROSS BLOCK				DEPRECIATION/AMORTISATION				NET BLOCK	
	As at April 1, 2004	Additions	Deductions / Adjustments	As at March 31, 2005	As at April 1, 2004	For the Year	Deductions / Adjustments	As at March 31, 2005	As at March 31, 2005	As at March 31, 2004
Plant and machinery	11.07	15.50	1.20	25.37	0.84	1.88	0.03	2.69	22.68	10.23
Furniture and fittings	2.24	5.83	–	8.07	0.10	0.40	–	0.50	7.57	2.14
Intangible assets										
- Computer software	0.03	0.21	–	0.24	0.01	0.04	–	0.05	0.19	0.02
TOTAL	**13.34**	**21.54**	**1.20**	**33.68**	**0.95**	**2.32**	**0.03**	**3.24**	**30.44**	**12.39**
Period ended 31.03.2004	–	13.34	–	13.34	–	0.95	–	0.95		
Capital work-in-progress (at cost) including advances on capital account									6.75	2.09
									37.19	**14.48**

Note: Deductions / Adjustments to gross block include prior period adjustment of Rs. 0.93 Crore (Rs. Nil) and depreciation is net of prior period adjustment of Rs.0.06 Crore (Nil) respectively.

SCHEDULES TO BALANCE SHEET

	As at March 31, 2005 Rs. Crore	2004 Rs. Crore
SCHEDULE 'D'		
INVENTORIES		
(At cost, valued and certified by the management)		
Raw materials	0.13	-
Packing materials	0.17	-
Finished products	0.84	0.19
Consumables	1.32	0.22
	2.46	**0.41**
SCHEDULE 'E'		
CASH AND BANK BALANCES		
Cash on hand	0.21	0.02
Balances with Scheduled banks:		
Current accounts	0.61	-
Fixed / Margin deposits (Against bank guarantees)	0.02	0.01
	0.84	**0.03**
SCHEDULE 'F'		
LOANS AND ADVANCES		
(Unsecured-considered good, unless otherwise stated)		
Advances recoverable in cash or in kind or for value to be received	2.62	0.64
Deposits	4.44	1.75
	7.06	**2.39**
SCHEDULE 'G'		
CURRENT LIABILITIES		
Sundry creditors	2.29	1.49
Advances received from customers	0.53	0.10
Book overdraft	0.70	0.59
Other liabilities	0.23	0.02
Interest accrued but not due on loans	1.60	0.31
	5.35	**2.51**

SCHEDULES TO PROFIT AND LOSS ACCOUNT

	For the year ended March 31, 2005 Rs. Crore	2004 Rs. Crore
SCHEDULE 'H'		
COST OF MATERIALS		
Purchase for resale	0.75	0.43
Raw materials consumed	0.21	–
Packing materials consumed	0.45	–
Consumables	2.49	0.64
(Increase)/Decrease in stocks		
Opening stocks		
- Finished products	0.19	–
Less:		
Closing stocks		
- Finished products	0.84	0.19
	(0.65)	(0.19)
	3.25	**0.88**
SCHEDULE 'I'		
OPERATING AND OTHER EXPENSES		
Employees' costs:		
Salaries, wages and bonus	4.49	1.54
Contribution to provident fund and other funds	0.09	0.02
Welfare expenses	0.58	0.15
	5.16	1.71
Payments to consultants	1.23	0.67
Travelling, conveyance and vehicle expenses	0.43	0.28
Electricity	0.39	0.19
Rent	1.85	1.11
Insurance	0.09	0.04
Repairs to Machinery	0.09	0.02
Repairs - Others	1.18	0.21
Advertisement and sales promotion	4.84	1.89
[includes prior period adjustment Rs. 0.93 Crore (Nil)]		
Contract manufacturing expenses	0.15	–
Rates and taxes	0.00	0.00
Printing, stationery and communication expenses	0.67	0.22
Legal and professional charges	1.63	0.37
Payment to Auditors	0.02	0.01
Freight	0.17	0.12
Miscellaneous expenses	0.41	0.29
	18.31	**7.13**
SCHEDULE 'J'		
FINANCE CHARGES		
Other interest	1.76	0.30
Bank and other financial charges	0.14	0.04
	1.90	**0.34**

SCHEDULES TO PROFIT AND LOSS ACCOUNT

ADDITIONAL INFORMATION

SCHEDULE 'K'

A) Details of Sale, Purchases, Opening Stock and Closing Stock

Sr No.	Particulars	Unit	Year/period ended	Opening Stock		Production	Purchases		Sale		Captive Consumption	Closing Stock	
				Quantity	Amount in Rs.crore	Quantity *	Quantity	Amount in Rs.crore	Quantity	Amount in Rs.crore	Quantity	Quantity	Amount in Rs.crore
1	Skin Care Products	Nos.	31.03.2005	2,146	0.19	86,228	11,348	0.75	16,972	1.44	25,637	57,113	0.84
			31.03.2004	–	–	–	5,000	0.43	2,683	0.30	171	2,146	0.19
2	Service Income		31.03.2005	–	–	–	–	–	–	17.13	–	–	–
			31.03.2004	–	–	–	–	–	–	4.16	–	–	–
TOTAL			31.03.2005	2,146	0.19	86,228	11,348	0.75	16,972	18.57	25,637	57,113	0.84
TOTAL			31.03.2004	–	–	–	5,000	0.43	2,683	4.46	171	2,146	0.19

* Processed by others 86,228 numbers (Nil)

	Year ended March 31,2005 Value in Rs. Crore	Period ended March 31, 2004 Value in Rs. Crore
SCHEDULE 'K'		
B) RAW MATERIALS CONSUMED		
Chemicals	0.21	–
	0.21	**–**

	%	Value in Rs.Crores	%	Value in Rs.Crores
C) VALUE OF IMPORTED AND INDIGENOUS MATERIALS CONSUMED				
Raw materials				
- Imported	–	–	–	–
- Indigenous	100.00%	0.21	–	–
	100.00%	**0.21**	**–**	**–**
Consumables				
- Imported	28.13%	0.70	61.92%	0.38
- Indigenous	71.87%	1.79	38.08%	0.24
	100.00%	**2.49**	**100.00%**	**0.64**

	Year ended March 31,2005	Period ended March 31, 2004
D) VALUE OF IMPORTS ON C.I.F. BASIS		
Raw Materials	0.06	–
Packing Materials	0.53	–
Consumables	1.96	0.56
Capital goods	6.60	5.24
	9.15	**5.80**
E) EXPENDITURE IN FOREIGN CURRENCY		
Travelling and other expenses	0.04	0.01
	0.04	**0.01**

NOTES TO THE ACCOUNTS

SCHEDULE 'L'

NOTES:

1) The Company and nature of its operations:

Kaya Skin Care 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 Limited. The current Kaya clinic set up includes 32 Kaya Skin Clinics operating across various cities in India.

2) Summary of significant accounting policies:

(a) Basis of preparation of financial statements

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

(b) Fixed assets

Fixed assets are stated at cost of acquisition less accumulated depreciation. Cost includes taxes, duties, freight and other incidental expenses related to acquisition and installation. Pre-operative expenses are also capitalised, where appropriate.

(c) Depreciation/Amortisation

1) Tangible assets

Depreciation is provided on straight line basis at higher of the rates based on useful lives of the assets as estimated by the management 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.

2) Intangible assets

Intangible assets comprise computer software which is amortised over the estimated economic useful life of three years as estimated by the management.

(d) Inventories

1) Raw material, packing material and consumables are valued at cost.

2) Work – in – process and finished products are valued at lower of cost and net realizable value.

3) Cost is ascertained on weighted average method and in case of finished products includes appropriate manufacturing charges and duties.

(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

1) Income from services is recognized on rendering of the service.

2) Sale of products is recognised on delivery of the products to the customers and is exclusive of sales tax.

(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.

NOTES TO THE ACCOUNTS

(h) Foreign currency transactions

- Foreign currency transactions during the year are recorded at the exchange rate prevailing on the date of the transaction.
- 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.

(i) Accounting for taxes on income

1) Provision for current tax is made, based on the tax payable under the Income Tax Act, 1961.

2) 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 on unabsorbed tax losses and unabsorbed tax depreciation are recognised only when there is a virtual certainty of realisation and other items are recognised when there is a reasonable certainty of realisation.

3) Contingent liabilities:

There are no contingent liabilities as at March 31, 2005 (Rs. Nil)

4) Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 0.78 Crore (Rs. 0.80 Crore) net of advances.

5) Miscellaneous income includes exchange rate gain (net) of Rs. Nil (Rs. 0.01 Crore.)

6) Miscellaneous expenses include donation Rs. 0.00 Crore (Rs. Nil), loss on sale of assets Rs. 0.07 Crore (Rs. Nil), exchange rate loss (net) Rs. 0.01 Crore (Rs. Nil).

7) Since the incorporation of the Company during 2002-03, the business of the Company has been in a development phase. Encouraged by the consumer response to the Company's pioneering offerings in products and services in the skin care category, the Company has focused on building the brand "Kaya" through brisk setting up of a large number of clinics at several locations and has so far set up 32 clinics at 11 locations in about 28 months. In the process, the Company has incurred significant set up costs, primarily advertisement and sales promotion, leading to losses, which have eroded the net worth of the Company as at March 31, 2005. Marico Limited, the Holding Company, will continue to support the Company through funding, including equity infusion, through either fresh funds or conversion of existing loans into equity as it is strategically desirable for Marico. The Company's business is now expected to stabilize and break even at the Profit before Interest and tax level during 2005-06.

Having regard to the above, the accounts of the Company have been prepared on a going concern basis and do not include any adjustments relating to the recoverability and classification of recorded assets or amounts and classification of liabilities that may be necessary if the Company is unable to continue as a going concern.

8) Provision for income tax is not made in view of assessable loss for the year.

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, 2005	March 31, 2004
(in Rs. Crore)	(in Rs. Crore)	Deferred tax
liability arising on account of additional depreciation on fixed assets for tax purposes due to higher tax depreciation rates	1.47	0.58
Less : Set off of deferred tax asset on carried forward business tax losses and unabsorbed depreciation to the extent of deferred tax liability	1.47	0.58
Balance as on March 31, 2005	–	–

NOTES TO THE ACCOUNTS

10) Earnings per share:

	March 31, 2005 (in Rs. Crore)	March 31, 2004 (in Rs. Crore)
Profit/ (loss) after taxation	(7.18)	(4.81)
Equity shares outstanding as at the year end	1.00	0.88
Weighted average number of equity shares used as denominator for calculating basic and diluted earnings per share	0.99	0.01
Nominal value per equity share (Rs.)	10	10
Basic and diluted earnings per equity share (Rs.)	(7.29)	(649.80)

11) The Company is engaged in providing specialized skin care services, which as per Accounting Standard – 17 'Segment Reporting' issued by the Institute of the Chartered Accountants of India, is considered the only reportable business segment. There is no geographical segment, since the Company operates only in India.

12) Related Party disclosures

Holding Company: Marico Limited

Nature of transactions:		March 31, 2005 (in Rs. Crore)	March 31, 2004 (in Rs. Crore)
i.	Unsecured loan	44.19	10.61
ii.	Interest accrued but not due	1.60	0.31
iii.	Interest on Loans / Advance	1.74	0.31
iv.	Expenses allocated from holding company	0.54	0.11
v.	Equity Share Capital		
	[1,000,000 (7,600,000) Equity shares of Rs. 10 (Rs. 10) each]	10.00	7.60

Shareholder: M/s. Adil & Associates, LLC *

Nature of transactions:

	March 31, 2005 (in Rs. Crore)	March 31, 2004 (in Rs. Crore)
Equity Share Capital		
(Nil (1,200,000) Equity shares of Rs. 10 (Rs. 10) Each)	Nil	1.20

* The shareholding acquired by the holding company during the year.

Other related parties which are companies under the same management, however, with whom the Company did not have any transactions:

a) Marico Bangladesh Limited (fellow subsidiary)

b) MBL Industries Limited (fellow subsidiary)

c) Sundari Spa LLC (fellow subsidiary)

d) Rakesh Pandey (Director and Manager)

13) The figures in brackets represent those of the previous period which consists of March 27, 2003 to March 31, 2004. The figures for the previous period have been regrouped where necessary to confirm to current year classification.

NOTES TO THE ACCOUNTS

14) 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, 2005

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

Public Issue	Nil
Bonus Issue	Nil
Bonus Preference Shares	Nil
Rights Issue	Nil
Private placement	1.20

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

Total Liabilities	59.54
Total Assets	59.54

Sources of Funds		**Application of Funds**	
Paid up Capital	10.00	Net Fixed Assets	37.19
Advance against equity	Nil	Investments	Nil
Reserves & Surplus	Nil	Net Current Assets	5.01
Secured Loans	Nil	Misc. Expenditure	Nil
Unsecured Loans	44.19	Debit Balance in Profit & Loss A/c	11.99
Deferred Tax Liability	Nil		

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

Turnover (Sales & Other Income)	-	18.60
Total Expenditure	-	25.78
Profit/ (loss) before Tax	-	(7.18)
Profit/ (loss) after Tax	-	(7.18)
Earnings per share (in Rs.)	-	(7.29)
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 Schedule A to L

For and on behalf of the Board of Directors

HARSH MARIWALA	Chairman
RAKESH PANDEY	Director
CHIRAG PANDYA	Company Secretary

Place : Mumbai
Date : April 27, 2005

Board of Managers	Mr. Harsh Mariwala Mr. Abel Halpern (Until March 1, 2005) Mr. Arnab Banerjee (nominee of Marico Limited) Ms. Vinita Bali (Until November 21, 2004) Mr. Asif Adil (Until June 18, 2004)
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

REPORT OF BOARD OF MANAGERS

To,

The Members

Your Board takes pleasure in presenting the Second Annual Report together with audited accounts of your Company for the year ended December 31, 2004.

FINANCIAL RESULTS

	(USD Crore)*		(Rs. Crore)	
	2004	2003#	2004	2003#
Sales	0.11	0.07	5.02	3.25
Gross Profit	0.06	0.04	2.71	1.85
Net Operating Profit	(0.11)	(0.08)	(5.05)	(3.91)

* The exchange rate used for conversion of figures in USD to Rs. is Rs.44.73/USD (Rs. 46.55/USD)

Your company commenced operations on February 27,2003. As a result, the figures pertain to a period of 10 months of operation.

REVIEW OF OPERATIONS

During FY04, the business continued to operate under an Investment Phase and as a result, Sundari reported an operating loss.

After it started focusing on the Spa channel, your Company has been able to get an entry into the top notch Spas across US. Focussed efforts are on to expand the Sundari net into the Spa channel. Sundari has adopted the strategy of identifying big prospective Spa clients in order to create an opportunity to convert a good proportion of these prospects into business. Sundari has been in the business for the last five years and after Marico acquired a controlling stake last year, there has been a focussed effort in the area of cost management. These efforts would help improve product margins and in the process bring down the pressure on the overall bottomline. Your Company has also been concentrating on new products development; leveraging Marico's R&D in India. In the recent past Sundari has been able to roll out 5 new products in the US market. In the International market, Sundari has commenced scoping and is in the process of appointing full service distributors.

As Sundari plans for its future, the likely growth drivers for Sundari are:

1. Entry into big accounts in the spa channel – especially destination spas
2. Quick scale up in the international business through full service distributors in the Asian markets
3. New Product development so that Sundari can address customer needs especially in destination spas
4. Enhancing Sundari experience, through uniquely developed protocols for administration in Spas

Overall, the strategy for growth appears to be in place for your Company's business. The Spa opportunity has a lag time of 6 to 9 months from the time a prospect is approached till the time an order is bagged. The business would therefore have to focus on both growth and cost management simultaneously to ensure derisked growth.

SHAREHOLDING AND MANAGEMENT

During the year under review, your Company's holding company, Marico Limited, further increased its stake in your Company from 63% to 75.5%.

To adequately support Sundari's expansion and profitability, Mr. Arnab Banerjee has been nominated as the Manager in charge of the overall operations of Sundari business with effect from June 14, 2004. He is supported by Mr. Rahul Koul, who looks after the US operations and Mr. Samir Srivastava, who looks after the international portfolio. Mr. Rahul Koul is further supported by a team of senior and middle managers.

The Board composition further witnessed changes in the form of exits. Ms. Vinita Bali who was appointed as a Manager on June 14, 2004 expressed her desire to discontinue and resigned with effect from November 21, 2004. Mr. Asif Adil and Mr. Abel Halpern, Board members since inception, also resigned with effect from June 18, 2004 and March 01, 2005 respectively. Your Board places on record its appreciation for the contribution made by them during their tenure.

REPORT OF BOARD OF MANAGERS

SUBSIDIARY

Sundari Spa LLC, a wholly owned subsidiary of your Company, which did not have operations has been dissolved in March 2005.

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 : March 31, 2005

HARSH MARIWALA

INDEPENDENT ACCOUNTANTS' REPORT

The Members

Sundari LLC.

We have audited the accompanying balance sheet of Sundari LLC. as at December 31, 2004 and the related statements of members' capital, operations and cash flows for the period February 27, 2003 (inception) to December 31, 2004. 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, 2004 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 25, 2005

BALANCE SHEET

ASSETS

	As At December 31, 2004 USD	2003 USD	2004 Rs. Crores	2003 Rs. Crores
Current assets :				
Cash	54,515	119,273	0.24	0.56
Accounts receivable : less				
allowance for doubtful accounts $15,500	312,667	85,614	1.40	0.40
Inventories – notes 2 & 3	540,912	569,729	2.42	2.65
Other current assets and prepaid expenses	3,993	17,333	0.02	0.08
Total current assets	912,087	791,949	4.08	3.69
Property and equipment : – notes 2 & 4				
At cost less accumulated depreciation of $ 3,192	39,586	32,673	0.18	0.15
Other assets :				
Trademark, net of amortisation – note 2	1,450,284	1,560,432	6.49	7.26
Deferred costs – note 2	93,040	122,420	0.42	0.57
Security deposits	30,952	10,850	0.15	0.05
Total current assets	1,574,276	1,693,702	7.04	7.88
TOTAL ASSETS	**2,525,949**	**2,518,324**	**11.30**	**11.72**

LIABILITIES AND MEMBERS' EQUITY

	2004 USD	2003 USD	2004 Rs. Crores	2003 Rs. Crores
Current liabilities :				
Accounts payable and accrued expenses	105,437	189,438	0.47	0.87
Customers' credit balances	10,267	8,830	0.05	0.04
Due to members	–	1,466	–	0.01
Total current liabilities	115,704	199,734	0.52	0.92
Commitments – note 7				
Long –term liabilities :				
Loans payable – members – note 5	2,221,573	1,000,000	9.94	4.66
Notes payable – others – note 6	389,012	358,744	1.74	1.67
Total long–term liabilities	2,610,585	1,358,744	11.68	6.33
Total members capital	(200,341)	959,846	(0.90)	4.47
TOTAL LIABILITIES AND MEMBERS' EQUITY	**2,525,948**	**2,518,324**	**11.30**	**11.72**

See accompanying notes and accountants' report

* The exchange rate used for converting amounts in USD to INR is Rs. 44.73 / USD. (Rs. 46.55 / USD)

STATEMENT OF MEMBERS' CAPITAL

	As At December 31, 2004			
Amount in USD	**Marico**	**Shantih LLC.**	**Adil & Associates**	**Total**
Balance at February 27, 2003	–	–	–	–
Capital contributions	1,150,000	538,492	136,905	1,825,397
Net loss for the year	(545,297)	(255,338)	(64,916)	(865,551)
Balance at December 31, 2003	**604,703**	**283,154**	**71,989**	**959,846**
Capital contributions	120,443	(91,249)	(29,194)	–
Net loss for the year	(804,617)	(312,775)	(42,795)	(1,160,187)
Balance at December 31, 2004	**(79,471)**	**(120,870)**	**–**	**(200,341)**

Amount in Rs. Crores	**Marico**	**Shantih LLC.**	**Adil & Associates**	**Total**
Balance at February 27, 2003				
Capital contributions	5.35	2.51	0.64	8.50
Net loss	(2.54)	(1.19)	(0.30)	(4.03)
Balance at December 31, 2003	**2.81**	**1.32**	**0.34**	**4.47**
Capital contributions	0.54	(0.41)	(0.13)	–
Net loss for the year	(3.71)	(1.45)	(0.21)	(5.37)
Balance at December 31, 2004	**(0.36)**	**(0.54)**	**–**	**(0.90)**

See accompanying notes and accountants' report

* The exchange rate used for converting amounts in USD to INR is Rs. 44.73 / USD. (Rs. 46.55 / USD)

STATEMENT OF OPERATIONS

	For the year ended December 31,			
	2004 USD	2003 USD	2004 Rs. Crores	2003 Rs. Crores
Net Sales	**1,121,787**	**697,858**	**5.02**	**3.25**
Cost of sales	516,935	300,445	2.31	1.40
Gross profit	**604,852**	**397,413**	**2.71**	**1.85**
Operating Expenses :				
Selling, general and administrative	1,548,986	1,114,478	7.10	5.19
Depreciation	9,602	3,524	0.04	0.02
Amortisation	139,529	117,594	0.62	0.55
	1,698,117	1,235,596	7.76	5.76
Net operating loss	**(1,093,265)**	**(838,183)**	**(5.05)**	**(3.91)**
Other income and (expenses):				
Interest income	538	10,266	–	0.05
Interest expense	(67,460)	(26,826)	(0.32)	(0.12)
Assets written off	–	(10,808)	–	(0.05)
	(66,922)	(27,368)	(0.32)	(0.12)
Net loss	**(1,160,187)**	**(865,551)**	**(5.37)**	**(4.03)**

See accompanying notes and accountants' report

* The exchange rate used for converting amounts in USD to INR is Rs. 44.73 / USD. (Rs. 46.55 / USD)

STATEMENT OF CASH FLOWS

	For the year ended December 31,			
	2004 USD	2003 USD	2004 Rs. Crores	2003 Rs. Crores
Increase (decrease) in cash and cash equivalent:				
A) Cash flows from operating activities:				
Net loss	(1,160,187)	(865,551)	(5.37)	(4.03)
Adjustments to reconcile net loss to cash provided by operating activities:				
Depreciation and amortisation	149,131	121,118	0.66	0.57
Assets written off	–	10,808	–	0.05
Changes in assets and liabilites:				
Accounts receivable	(227,053)	(77,529)	(0.86)	–
Inventory	28,817	(247,854)	0.13	(1.00)
Other current assets	13,340	(17,333)	0.06	–
Cash at acquisition	–	7,244	–	–
Account payable and accrued expenses	(84,001)	(606,018)	(0.38)	(3.00)
Customer's credit balances	1,437	8,830	0.01	–
			–	
Net cash used in operating activities	**(1,278,516)**	**(1,666,285)**	**(5.75)**	**(7.41)**
B) Cash flows applied to investing activities:				
Acquisition of property and equipment	(16,516)	(2,653)	(0.07)	–
Security deposits	20,101	(3,255)	0.09	–
Deferred costs	–	(146,905)	–	(1.00)
Net cash applied to investing activities	**(36,617)**	**(152,813)**	**(0.16)**	**(1.00)**
C) Cash flows provided by (applied to) financing activities:				
MembeRs. Crores' capital contribution	–	1,286,905	–	6.00
Loans payable to membeRs. Crores	1,221,573	1,000,000	5.46	5.00
Decrease in short–term loans	30,268	(350,000)	0.14	(2.00)
Due to membeRs. Crores	(1,466)	1,466	(0.01)	–
Net cash provided by financing activities	**1,250,375**	**1,938,371**	**5.59**	**9.00**
D) Increase in cash (A + B + C)	**(64,758)**	**119,273**	**(0.32)**	**0.59**
E) Cash – beginning of year	**119,273**	**–**	**0.56**	**–**
F) Cash – end of year (D + E)	**54,515**	**119,273**	**0.24**	**0.56**
Supplementary disclosures:				
Interest paid	938	487	–	–
Taxes paid	–	–	–	–

See accompanying notes and accountants' report

* The exchange rate used for converting amounts in USD to INR is Rs. 44.73 / USD. (Rs. 46.55 / USD)

NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2004

Note : The exchange rate used for converting amounts in USD to INR is Rs. 44.73 / USD. (Rs. 46.55 / USD)

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 of:

	2004 USD	2003 USD	2004 Rs. Crores	2003 Rs. Crores
Deferred compensation	86,707	114,088	0.39	0.53
Deferred organisation costs	6,333	8,332	0.03	0.04
	93,040	**122,420**	**0.42**	**0.57**

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.

Note 3 - Inventories

Inventories at December 31 consist of:	2004 USD	2003 USD	2004 Rs. Crores	2003 Rs. Crores
Packaging	235,603	279,889	1.05	1.30
Finished Goods	305,309	289,840	1.37	1.35
	540,912	**569,729**	**2.42**	**2.65**

NOTES TO FINANCIAL STATEMENTS - DECEMBER 31, 2004

Note 4 - Property and equipment:

Major classifications of property and equipment and their respective depreciable life are as follows:

	Estimated useful lives - Years	2004 USD	2003 USD	2004 Rs. Crores	2003 Rs. Crores
Equipment	5	31,053	21,031	0.14	0.10
Furniture & fixtures	7	10,574	8,520	0.05	0.04
Leasehold improvements	5	6,646	6,646	0.03	0.03
Website	3	4,440	–	0.02	–
		52,713	36,197	0.24	0.17
Less: Accumulated depreciation and amortisation		13,127	3,524	0.06	0.02
		39,586	**32,673**	**0.18**	**0.15**

Note 5 - Loans payables - members

Loans payable to Marico Limited, a member, bears interest at Libor plus 1.5%. During the period ended December 31,2004, the company provided $14,464 ($ 673,299) 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 2004, the company provided $11,875 ($ 552,781) interest on these notes. The notes are unsecured.

Note 7 - Commitments:

The company leases office space and showroom under an operating lease in September 2005. As at December 31, 2004 the future minimum and annual lease payments were as follows:

For December 31,	2004 USD	2003 USD	2004 Rs. Crores	2003 Rs. Crores
2004	–	74,312	–	0.35
2005	67,484	5,978	0.30	0.03
	67,484	**80,290**	**0.30**	**0.38**

SCHEDULES OF SUPPLEMENTARY INFORMATION

	For the year ended December 31,			
	2004	2003	2004	2003
	USD	USD	Rs. Crores	Rs. Crores
Cost of Sales:				
Opening inventory	569,729	–	2.55	–
Purchases	192,546	583,234	0.86	2.71
Manufacturing and Processing	125,463	231,164	0.56	1.08
Other Costs	170,109	55,776	0.76	0.26
	318,009	870,174	1.42	4.05
Less : Inventory - end	540,912	569,729	2.42	2.65
Total Cost of sales	**516,935**	**300,445**	**2.31**	**1.40**
Selling, general and administrative expenses:				
Payroll and benefits	513,556	395,344	2.30	1.84
Rent	67,115	62,634	0.30	0.29
Utilities	6,064	4,888	0.03	0.02
Telephone	27,295	17,620	0.12	0.08
Insurance	26,599	16,548	0.12	0.08
Bank and Credit Card fees	17,559	11,158	0.08	0.05
Office supplies and expenses	37,524	21,305	0.17	0.10
Computer supplies and expenses	2,426	3,499	0.01	0.02
Relocation expenses	9,147	5,000	0.04	0.02
Repairs and maintenance	158,813	7,289	0.88	0.03
Professional fees	505	212,307	–	0.99
Business taxes	9,540	3,959	0.04	0.02
Postage and delivery	26,335	17,587	0.12	0.08
Freelance sales force	317,502	41,903	1.42	0.20
Marketing & promotion	57,001	52,041	0.25	0.24
Public relations	65,302	47,652	0.29	0.22
Product development	9,340	105,797	0.04	0.49
Website - internet	185,938	13,519	0.83	0.06
Travel and entertainment	6,000	71,128	0.03	0.33
Auto expenses	5,425	3,300	0.02	0.02
Total Selling, general and administrative expenses	**1,548,986**	**1,114,478**	**7.10**	**5.18**

10 YEARS' HIGHLIGHTS

The highlights pertain to the financial performance of Marico Consolidated

Amount in Rs. Crore

Year ended March 31,	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Sales & Services	**348.6**	**409.7**	**490.0**	**551.2**	**649.7**	**670.7**	**695.7**	**775.5**	**888.5**	**1,012.8**
Profit before Interest & Tax (PBIT)	36.4	35.3	42.4	47.7	45.8	53.7	61.9	65.1	66.3	76.3
Operating Profit before Tax	26.8	27.7	36.5	44.0	42.6	50.1	57.8	64.0	65.1	74.3
Extraordinary / Exceptional items	2.9	1.4	-	-	(1.8)	-	-	-	-	-
Profit before Tax (PBT)	**29.7**	**29.1**	**36.5**	**44.0**	**40.8**	**50.1**	**57.8**	**64.0**	**65.1**	**74.3**
Profit after Tax (PAT)	21.2	21.5	30.0	37.5	35.7	45.8	50.1	56.2	59.0	70.2
Cash Profits (PAT + Depreciation)	23.8	24.6	34.0	42.7	43.5	54.6	70.3	78.2	71.8	84.9
Economic Value Added (Refer Management Discussion)	**12.5**	**8.7**	**18.8**	**23.0**	**23.3**	**27.8**	**29.1**	**31.3**	**38.2**	**48.0**
Goodwill on consolidation	-	-	-	-	-	-	-	-	-	1.7
Net Fixed Assets	40.4	45.3	60.5	69.4	95.3	127.4	141.3	105.7	112.5	145.9
Investments	2.3	0.8	-	-	-	0.0	0.0	13.9	0.5	12.4
Net Current Assets	63.4	52.4	46.3	54.0	50.2	47.5	66.9	93.9	90.2	117.4
Miscellaneous Expenditure	-	-	-	-	-	-	-	7	5	0.4
Total Capital Employed	**106.1**	**98.5**	**106.8**	**123.5**	**145.5**	**174.9**	**208.2**	**214.2**	**203.6**	**277.4**
Equity Share Capital	14.5	14.5	14.5	14.5	14.5	14.5	14.5	29.0	29.0	58.0
Advance against Equity	-	-	-	-	-	-	-	-	0.2	-
Preference Share Capital	-	-	-	-	-	-	-	29.0	-	-
Reserves	51.5	65.3	83.4	106.5	127.7	156.8	182.7	135.0	155.2	158.9
Net Worth	**66.0**	**79.8**	**97.9**	**121.0**	**142.2**	**171.3**	**197.2**	**193.0**	**184.4**	**216.9**
Minority Interest	-	-	-	-	-	-	-	3.1	1.9	-
Borrowed Funds	40.1	18.7	8.9	2.5	3.3	3.6	5.0	12.0	11.1	54.4
Deferred Tax Liability	-	-	-	-	-	-	6.0	6.1	6.2	6.1
Total Funds Employed	**106.1**	**98.5**	**106.8**	**123.5**	**145.5**	**174.9**	**208.2**	**214.2**	**203.6**	**277.4**
Profit before Tax to Turnover (%)	8.5	7.1	7.4	8.0	6.3	7.5	8.3	8.2	7.3	7.3
Profit after Tax to Turnover (%)	5.2	4.9	6.1	6.8	5.5	6.8	7.2	7.2	6.6	6.9
Return on Net Worth (%) (PAT / Average Net Worth)	44.3	29.5	33.8	34.3	27.1	29.2	27.2	28.8	31.2	35.0
Return on Capital Employed (PBIT* / Average Total Capital Employed)	**46.0**	**34.5**	**41.3**	**41.5**	**32.7**	**33.5**	**32.3**	**30.8**	**31.7**	**31.7**
Net Cash Flow from Operations per Share (Rs.) (Refer Cash Flow Statement)##	1.8	19.7	28.7	15.4	30.6	37.7	45.1	22..3	13.7	9.0
Earning per Share (EPS) (Rs.) (PAT / No. of Equity Shares)##	**12.6**	**13.9**	**20.7**	**25.9**	**24.6**	**31.6**	**34.5**	**19.0**	**9.7**	**12.1**
Economic Value Added per Share (Rs.) (Refer Management Discussion)##	8.6	6.0	13.0	15.8	16.1	19.2	20.1	10.8	6.6	8.3
Dividend per Share (Rs.) ##	2.5	5.0	7.5	9.0	9.0	10.0	14.0	4.8	4.3	5.4
Debt / Equity	**0.61**	**0.23**	**0.09**	**0.02**	**0.02**	**0.02**	**0.03**	**0.06**	**0.06**	**0.16**
Book Value per Share (Rs.) (Net Worth / No. of Equity Shares) ##	**45.5**	**55.0**	**67.5**	**83.4**	**98.1**	**118.1**	**136.0**	**66.5**	**31.8**	**37.4**
Sales to Average Capital Employed @	3.3	4.2	4.6	4.8	4.8	4.2	3.6	3.7	4.3	4.2
Sales to Average Net Working Capital #	8.1	7.1	9.9	11.0	12.5	13.8	12.2	9.6	9.7	9.8

* 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 2003-04 and 2004-05 is re-calculated on enhanced equity share capital of Rs. 58 crores (5.8 crore shares)
Note: 1 Crore equals 10 million

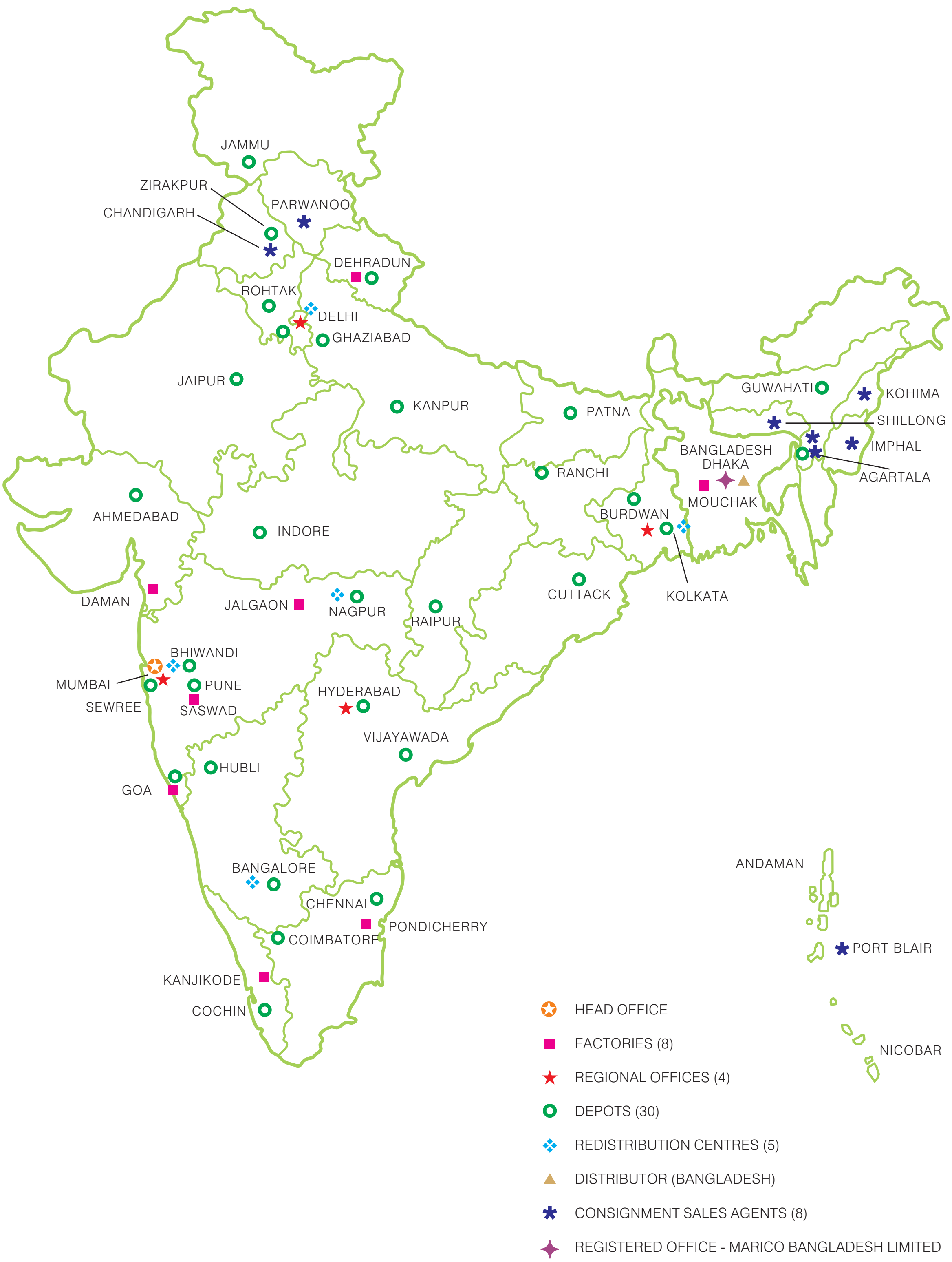
CONSOLIDATED QUARTERLY FINANCIALS

2004-05					(Amount in Rupees Crore)
Particulars	Three Months Ended				Annual
	Jun. 30, '04	**Sept. 30, '04**	**Dec. 31, '04**	**Mar. 31, '05**	**FY05**
Total Revenue	244.2	255.9	260.6	253.7	1,014.4
Total Expenditure	221.8	234.5	236.9	231.3	924.5
Finance Charges	0.4	0.6	0.5	0.6	2.1
Gross Profit after Finance Charges but before Depreciation and Taxation	22.0	20.8	23.2	21.8	87.8
Depreciation & Amortisation	3.1	3.1	3.5	5.1	14.8
Profit before Tax	**18.9**	**17.7**	**19.7**	**16.7**	**73.0**
Minority Interest	(0.6)	(0.6)	0.4	(0.5)	(1.3)
Profit before Tax after Minority Interest	**19.5**	**18.3**	**19.3**	**17.2**	**74.3**
Provision for Tax (Current)	1.5	2.7	1.5	0.7	6.4
Profit after Tax (Current)	**18.0**	**15.6**	**17.8**	**16.5**	**67.9**
Provision for Tax (Deferred Taxation)	1.1	(0.6)	0.1	(0.7)	(0.2)
Excess Income Tax provision of earlier years written back	-	-	-	2.1	2.1
Profit after Tax	**17.0**	**16.3**	**17.7**	**19.3**	**70.2**
Equity Share Capital	**58.0**	**58.0**	**58.0**	**58.0**	**58.0**
Earnings per Share - Annualised (Rs.)	11.72	11.22	12.17	13.28	12.09
Dividend declared per Share (Rs.)	1.00	1.20	1.40	1.75	5.35

2003-04					(Amount in Rupees Crore)
Particulars	Three Months Ended				Annual
	Jun. 30, '03	**Sept. 30, '03**	**Dec. 31, '03**	**Mar. 31, '04**	**FY04**
Total Revenue	209.9	223.0	232.6	225.8	891.4
Total Expenditure	189.7	203.6	212.3	208.3	813.9
Finance Charges	0.5	0.3	0.0	0.4	1.2
Gross Profit after Finance Charges but before Depreciation and Taxation	19.7	19.2	20.2	17.1	76.3
Depreciation & Amortisation	3.1	3.4	3.4	3.2	13.0
Profit before Tax	**16.7**	**15.8**	**16.8**	**14.0**	**63.3**
Minority Interest	(0.5)	(0.4)	(0.4)	(0.4)	(1.8)
Profit before Tax after Minority Interest	**17.2**	**16.3**	**17.3**	**14.4**	**65.1**
Provision for Tax (Current)	2.5	2.0	1.8	(0.3)	6.0
Profit after Tax (Current)	**14.7**	**14.3**	**15.5**	**14.7**	**59.1**
Provision for Tax (Deferred Taxation)	0.5	0.7	0.7	(1.8)	0.2
Profit after Tax	**14.2**	**13.6**	**14.7**	**16.4**	**59.0**
Dividend on Redeemable Preference Share Capital	2.6	-	-	-	2.6
Profit after Tax after Preference Dividend	**11.6**	**13.6**	**14.7**	**16.4**	**56.3**
Equity Share Capital	**29.0**	**29.0**	**29.0**	**29.0**	**29.0**
Earnings per Share - Annualised (Rs.) #	9.77	9.37	10.17	11.32	9.71
Dividend declared per Share (Rs.)	1.50	2.00	-	5.00*	8.50

For a meaningful comparison of EPS, the EPS numbers of 2003-04 are re-computed on an enhanced equity share capital of Rs. 58 crores.
* 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. 29 crore.

OUR PRESENCE IN THE SUB-CONTINENT



KNOW MARICO BETTER

Parachute is the world's largest packaged coconut oil brand.

Marico uses 1 out of every 20 coconuts grown in India, and 3 nuts of every coconut tree in India.

---

1 out of every 8 Indians is a Marico consumer.

Marico brands enjoy a leadership position (No.1 or No.2) in their respective catagories.

Marico is now No.2 in the hair oil market (up from No.5) with the success of new products - Parachute Jasmine and Parachute Sampoorna.

Marico sells over 6.3 crore consumer packs to over 13 crore consumers every month.

Marico reaches over 17 lac retail outlets, out of which 11 lac are direct 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 18 quarters and profits for the past 22 quarters.

Marico has been distributing dividend every quarter for the past 17 quarters in a row.

Marico's ROCE has been consistently above 30% for the past decade.

Parachute (46th) and Saffola (92nd) are amongst India's 100 Most Trusted Brands (Brand Equity Survey - The Economic Times - Dec.'04)


Hair Care


New
REVIVE
SUPER STRONG
INSTANT STARCH
New
REVIVE
INSTANT STARCH


BEST EVER
Saffola
Gold


Parachute
Sampoorna


Parachute
Intensive Care Coconut Hair Cream


शान्ति
आँवला


Mediker
Anti-lice Treatment
4 Sundays to Freedom
SAFE


Hair Care
Silk-n-Shine
hair potion with fruit-vitamins


Parachute
Advansed
STRENGTHENS HAIR


SWEEKAR


Parachute
Jasmine
NON-STICKY
COCONUT HAIR OIL


Mediker

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Designed by Alok Nanda and Company. Printed by Dhote Offset Technokrafts Pvt. Ltd.