marico

ANNUAL REPORT 2005-06

UNCOMMON SENSE

UNCOMMON SENSE

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.

COMPANY INFORMATION

BOARD OF DIRECTORS

Harsh Mariwala, Chairman & Managing Director
Bipin Shah, Chairman of Audit Committee
Rajeev Bakshi
Atul Choksey
Nikhil Khattau
Rajen Mariwala (Appointed w.e.f. April 27, 2005)
Jacob Kurian (Appointed w.e.f. July 26, 2005)
Hema Ravichandar (Appointed w.e.f. July 26, 2005)

MANAGEMENT TEAM

Harsh Mariwala, Chairman & Managing Director
Pankaj Bhargava, Chief - HR
Saugata Gupta, Chief - Sales & Marketing
Vinod Kamath, Chief - Supply Chain & IT
Rakesh Pandey, Chief Executive Officer - Kaya
Milind Sarwate, Chief Financial Officer
Vilas Shirhatti, Chief - Technology
Vijay Subramaniam, Chief Executive Officer - International Business

COMPANY SECRETARY

Milind Sarwate

AUDIT COMMITTEE

Bipin Shah, Chairman
Rajeev Bakshi, Member
Nikhil Khattau, Member
Jacob Kurian, Member
Hema Ravichandar, Member
Milind Sarwate, Secretary to the Committee
Harsh Mariwala, Permanent Invitee

CORPORATE GOVERNANCE COMMITTEE

Hema Ravichandar, Chairperson
Rajeev Bakshi, Member
Jacob Kurian, Member
Milind Sarwate, Secretary to the Committee
Harsh Mariwala, Permanent Invitee

SHAREHOLDERS' COMMITTEE

Nikhil Khattau, Chairman
Rajen Mariwala, Member
Milind Sarwate, Secretary to the Committee

BANKERS

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

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 - 31

WEBSITES

www.maricoindia.com
www.kayaclinic.com
www.sundari.com
www.saffolalife.com

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CHAIRMAN'S LETTER TO SHAREHOLDERS
A PERSONAL MESSAGE

Dear Shareholders,

I am pleased to communicate with you at the end of yet another successful year for Marico.

Continued Journey of Sustainable Profitable Growth

It was last year that we crossed the milestone of Rs. 1000 crore turnover. We have built on that achievement to post, for 2005-06, a turnover of Rs. 1144 crore (a growth of 14%) and a Profit After Tax (PAT) of Rs. 87 crore (a growth of 24%).

We have based our growth strategy on two pillars - sustainability and profitability. While the flagship brands post impressive growth to provide the core profitability, we also ensure sustainability by continuously tapping opportunities for new products and services. During 2005-06, prototypes saw us enter contiguous categories and develop brand extensions. We expect to convert these into successful national launches in the near future.

Acquisitions

Besides organic growth, we have also been open to exploring acquisitions in the chosen strategic turfs of Beauty and Wellness. Thus, during 2005-06, Marico successfully concluded four strategic brand acquisitions.

The acquisition of Camelia and Aromatic helped Marico Bangladesh Limited enter the Taka 6000 million (Rs. 420 crore) soaps market in Bangladesh. We also entered the soap market in India through the acquisition of the herbal soap brand Manjal, which has a strong franchise in Kerala. During February 2006, we acquired from Hindustan Lever Limited, Nihar, the coconut oil and perfumed coconut oil brand. This has further helped consolidate Marico's presence in coconut oil and increase market share to about 60%. Nihar has also brought strong distribution synergies that other Marico brands can leverage.

Margin Improvement

Your Company's products have enjoyed an improved pricing power, indicating stronger brand equity. This, along with its culture of prudent cost management, systematic improvement in efficiencies and favourable commodity prices has led to a marked improvement in operating margins. The Kaya business, too, contributed in margin improvement, as it achieved cash break-even, confirming our belief in the endeavour.

The Road Ahead

Over the past 15 years, your Company has grown in turnover from about Rs. 100 crore to cross the landmark of Rs. 1000 crore. We have now set our sights on making the next Rs. 1000 crore much faster. Our confidence to deliver stems from the foundation of an unshakeable consumer franchise, strong brands, a wide distribution network and a committed management.

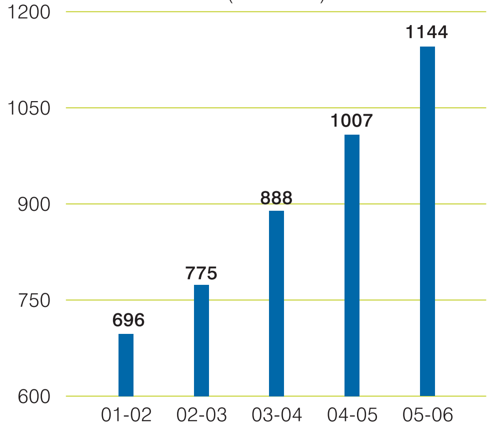
Thank you, Marico shareholders, for placing faith in the Company. Thanks also to all members of the Marico team and all our business associates for their contribution to Marico's success. I look forward to continued support from all as we steer the Company faster ahead on the path of sustainable profitable growth.

With best wishes for a rewarding year,

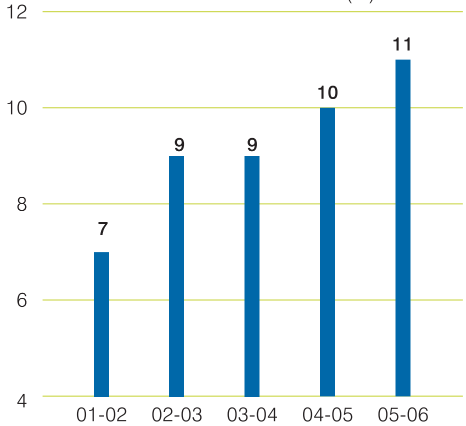
Harsh Mariwala
Chairman and Managing Director

MARICO CONSOLIDATED
PERFORMANCE AT A GLANCE

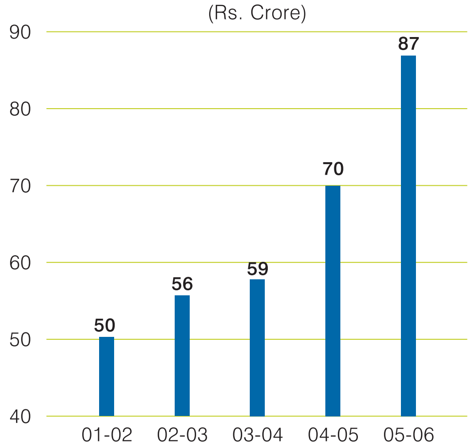
SALES AND SERVICES
(Rs. Crore)



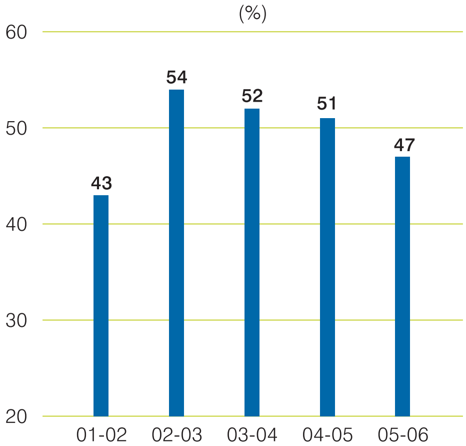
SHARE OF INTERNATIONAL BUSINESS
IN GROUP TURNOVER (%)



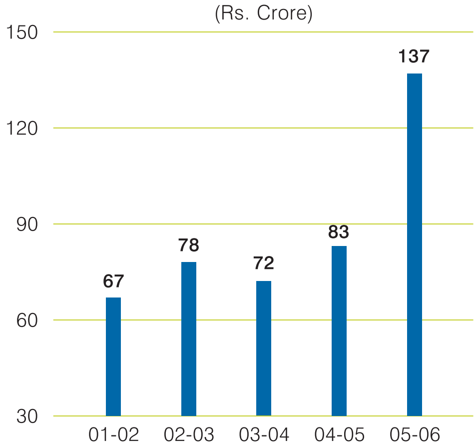
NET PROFITS
(Rs. Crore)



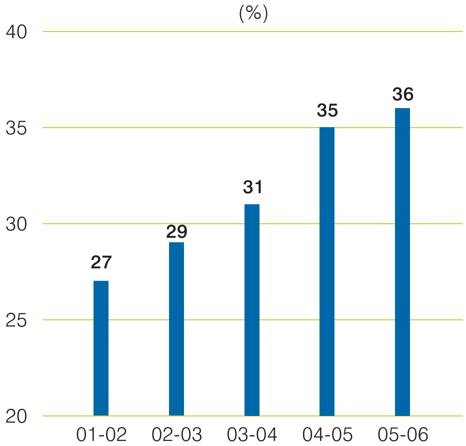
DISTRIBUTION PAYOUT
(%)



CASH PROFITS
(Rs. Crore)



RETURN ON AVERAGE NET WORTH
(%)



ECONOMIC VALUE ADDED ANALYSIS

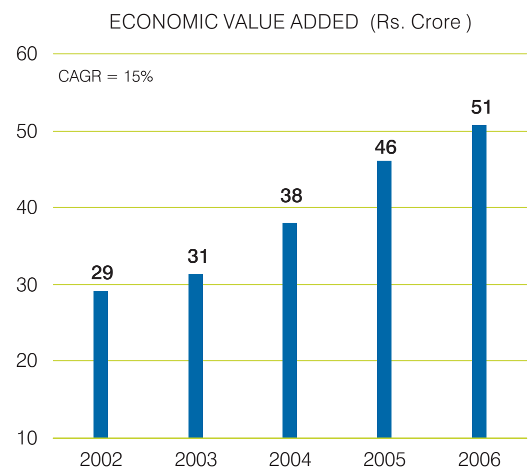
Economic Value Added (EVA) represents the value added by a business enterprise to its shareholders by generating post tax operating profits in excess of the cost of capital employed in the business.

EVA is based on the idea that a business must cover both the operating costs and the capital costs. EVA is an estimate of true 'economic' profit, that is, the amount by which operating earnings exceed or fall short of the required minimum rate of return for shareholders and lenders at comparable risk.

This concept is increasingly being deployed to understand and evaluate financial performance of companies the world over.

For the year ended March 31, 2006, Marico's Economic Value Added was Rs. 51 crore as compared to Rs. 46 crore in the previous year.

Over the past 5 years, Marico's Economic Value Added has grown at a compounded annual growth rate (CAGR) of 15%.



ECONOMIC VALUE ADDED - OVER THE YEARS

(Amount in Rs. Crore)

Year ended March 31,	**2002**	**2003**	**2004**	**2005**	**2006**
Cost of Capital					
Average Capital Employed	192	209	209	241	399
Average Debt / Total Capital (%)	2.3	3.9	5.5	16.0	38.3
Cost of Equity (%)	15.0	13.0	11.0	12.0	13.8
Cost of Debt (Post Tax) (%)	-	1.0	1.1	3.7	4.6
Weighted Average Cost of Capital (%)	14.7	12.5	10.5	10.8	10.3
Economic Value Added					
Profit After Tax (excl. Extraordinary Items)	53	56	59	70	87
Add : Interest Post Tax	4	1	1	2	5
Net Operating Profit After Tax	57	57	60	72	92
Less : Cost of Capital	28	26	22	26	41
Economic Value Added	**29**	**31**	**38**	**46**	**51**
% to Capital Employed	15.2	14.9	18.3	18.4	12.7

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 neighbourhood communities, where we are significantly present.

OUR VALUES

Our values are preferred practices that will be employed in pursuit of our Business Direction. They sum up the philosophy that will build the culture to drive business growth.

OPPORTUNITY SEEKING: Identifying weak opportunity / discontinuity signals in the environment to generate growth options.

BIAS FOR ACTION: Preference for quick thoughtful action as opposed to delayed action through analysis.

CONSUMER CENTRIC: Keeping the consumer as the focus and a partner in creating and delivering solutions.

EXCELLENCE: Continuous improvement of performance standards and capability building for sustained long-term success.

INNOVATION: Experimentation and calculated risk-taking, to increase success probability of radical / pioneering ideas to get quantum results.

OPENNESS & TRANSPARENCY: Allowing diversity of opinion by listening without bias, giving and receiving critique, with mutual respect and trust for the other.

GLOBAL OUTLOOK: Sensitivity and adaptability to gender and cultural diversity and learning from them.

BOUNDARYLESSNESS: Seeking support and influencing others beyond the function and organisation to achieve a better outcome / decision without diluting one's accountability.

OPPORTUNITY SEEKING

Opportunities lie all around us in the form of unstated needs of consumers, changes in trends, attitudes and habits of people. Very often, they are first visible as weak signals, and those who read them early on will gain an advantage over the rest. These signals need to be identified and converted to possibilities for business growth. Higher the number of opportunities converted, higher will be the growth options for our people.

BIAS FOR ACTION

Bias for action is a preference for action over deep analysis. When action is the identity, much more is likely to get done in an organisation. In times where change happens at a rapid pace, an agility of mind is extremely important to keep winning. It is about the ability to move ahead inspite of doubt, of moving ahead even when 100% data is not available by using gut. It is however, not about rash actions without investing any time to think through or doing reasonable inquiry.

CONSUMER CENTRIC

The wealth of the company is created by the trust of its consumers. In the final analysis it is this trust that compensates us materially and intellectually. The consumer must therefore be the primary focus of all the efforts. Members and associates must design their output in ways that add value to the consumer.

EXCELLENCE

Only organisations that set world-class standards, will survive in the future. We will focus on practices that encourage and sustain rising standards of performance, and builds on the pool of our talented members. Members will be encouraged to continuously benchmark against the best and continuously strive to be better than the best.

INNOVATION

The future of the organisation rests on the willingness to experiment, push in new and untested directions, and think in uncommon ways to take calculated risks. We innovate when we do something in ways that are distinctive / pioneering and gives dramatic results. Fear of failure should not be the reason to avoid trying something different or new. More often than not, we fear change because of the unpredictability of the outcome. Experimentation helps build predictability of results. It helps us stimulate an idea on a small scale, and learn about possible pitfalls before going the whole way.

OPENNESS AND TRANSPARENCY

Openness is a value that helps build a culture of trust and synergy. It is only when there is trust that the culture can be apolitical, ideas can be exchanged freely without any fear and experimentation can flourish. It is also in this environment that people will feel free to build on each other, and collectively we will achieve more than individual effort.

GLOBAL OUTLOOK

Becoming a global player requires a deep understanding of the global markets, ability to deal with people of diverse cultures, and ability to compete effectively in those markets.

BOUNDARYLESSNESS

Boundarylessness, like openness helps build a culture where we can leverage the collective wisdom to get synergies. This is assuming higher degree of criticality in the world where it is difficult for one person to know all, and the interdependency amongst functions is increasing.

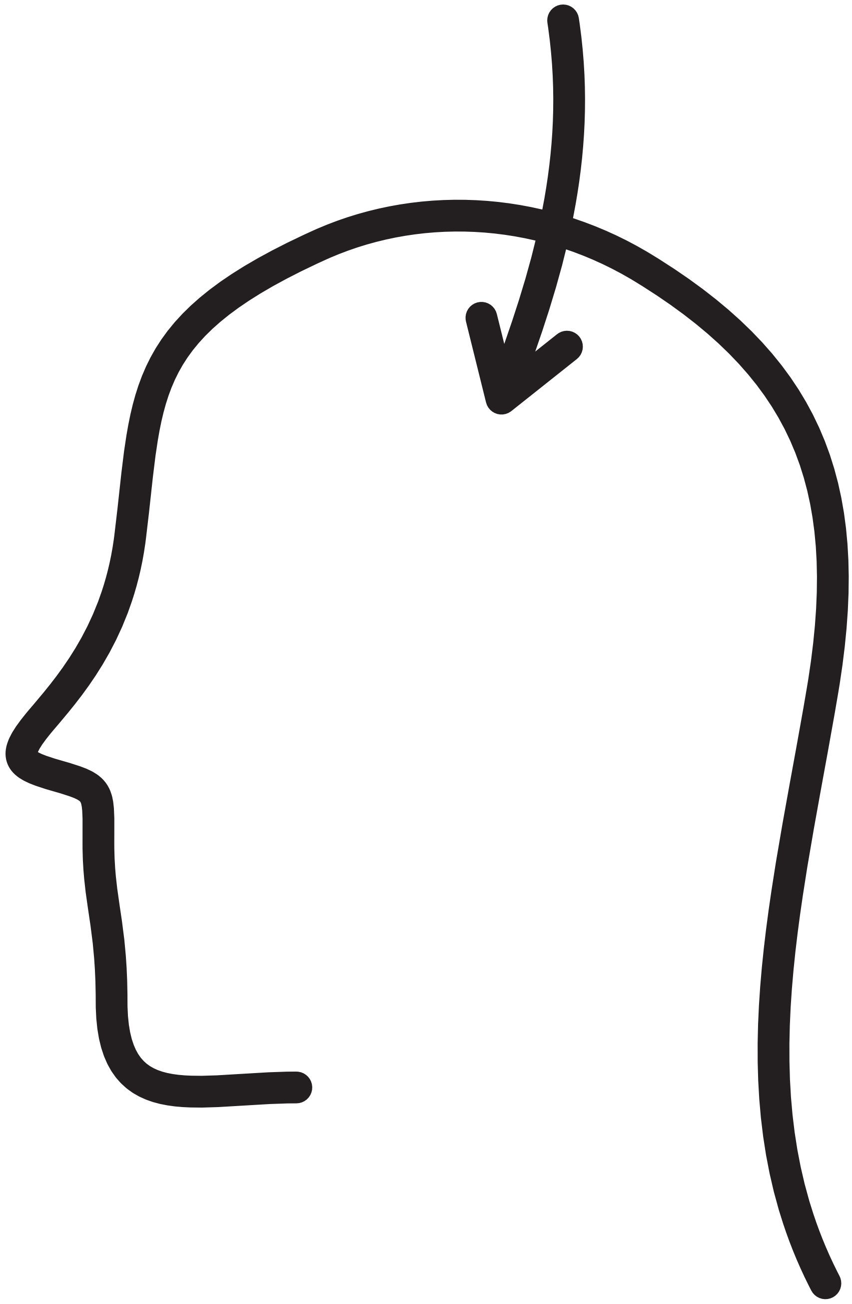
CONSUMERS WERE SEEKING ADVANCED HAIR CARE PRODUCTS.

Naturally, we gave them a 50 year old brand.

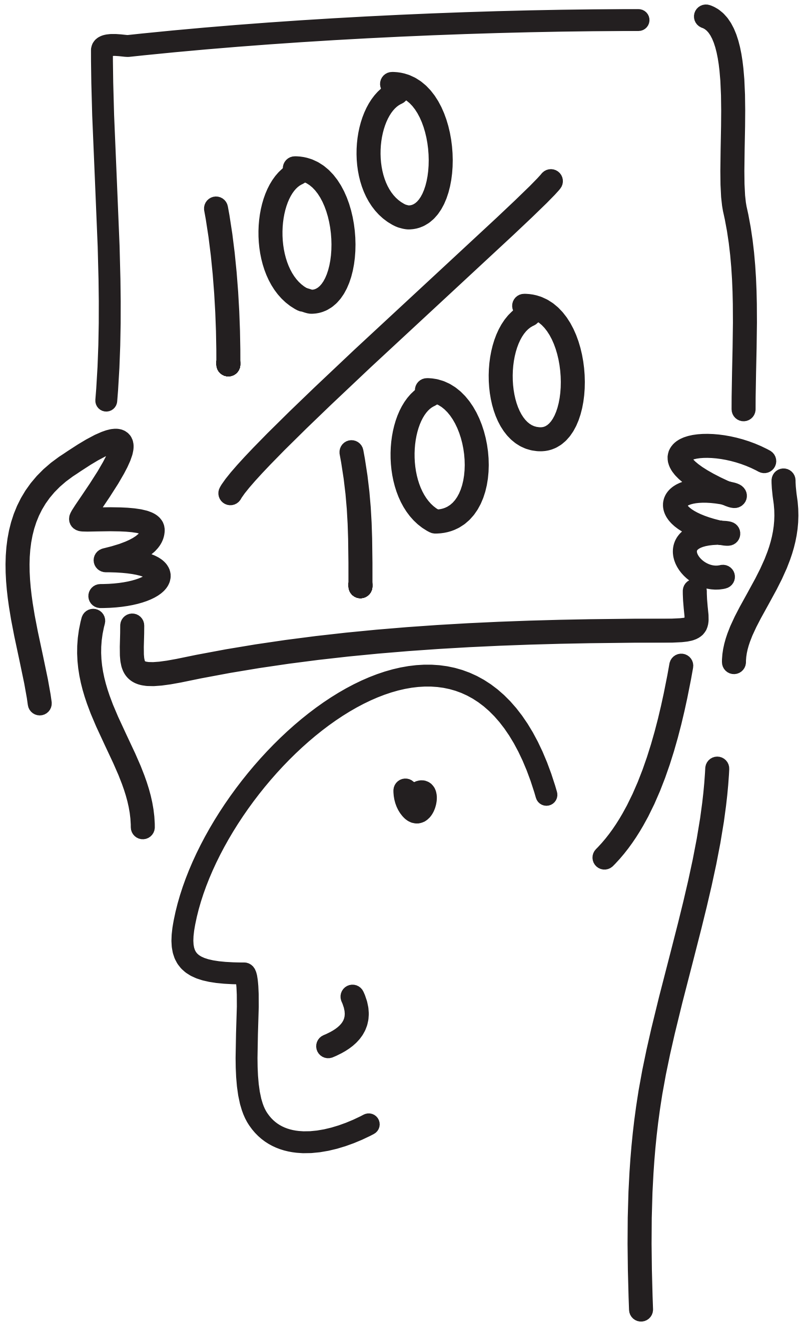
Parachute enjoys a 50-year equity with its consumers. But as consumer preferences evolve rapidly, so is the brand. New categories are opening up. New consumer segments are emerging. And with it, the opportunity to leverage the brand. By extending the Parachute brand, we've been able to address new consumer segments with advanced hair care products that they are seeking. Taking the nourishment of coconut oil to consumers with brands like Parachute Advansed, Parachute Jasmine, Parachute Hair Perfect Moisturiser, Parachute After Shower Cream and Parachute Therapie. In the process, expanding the market.

IT'S EASY TO PENETRATE INTERNATIONAL MARKETS.

You have to start here.



For over 50 years, we've been creating products by tapping into the minds of consumers. Overseas markets are no different. We study the habits of native populations, then create products specifically suited to their habits and lifestyles. With good results. We've cornered one-fifth of the hair cream market in the UAE, Parachute coconut oil leads with a 50% share in Bangladesh, and Sundari competes in the $ 2 billion US market for spa products. All of which has taken our international business to Rs. 128 crore.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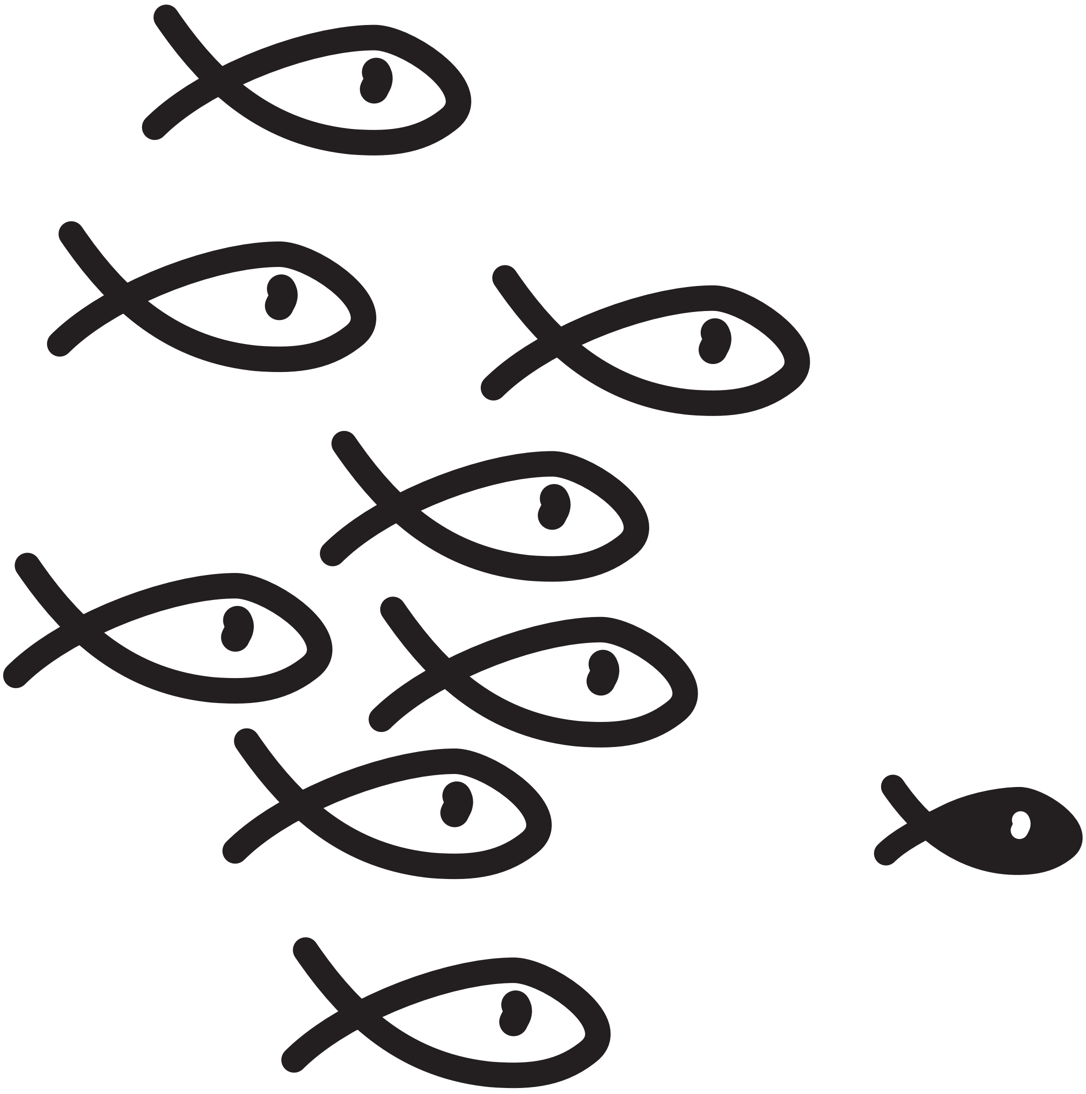
THERE'S ONLY ONE WAY TO DOMINATE A CATEGORY.

Create your own.

Rather than trying to shore up market share in a cluttered category, we identify new categories based on native Indian consumer habits - and create value-added products in those categories. A harried housewife with no time on her hands became the target consumer for instant starch, while an age-old habit of oiling hair presented an opportunity to double the anti-lice market. Both Mediker and Revive dominate their categories with nearly 100% market share. While Saffola and Kaya are leaders in their categories.



WHO SAYS RESPONSIBILITY COMES WITH AGE?

Our youngest brand manager is only 25.

What drives those remarkable brand successes at Marico? Fresh thinking. Our brands demand it. Our culture demands it. We want people to bring fresh perspectives to the table - so they can create and implement their own brands. Our organization is structured to encourage people to make significant contributions, while they are young and unbridled. We devolve responsibility early. And we have no more than 5 levels between the MD and a blue-collared workman. Naturally, we're brimming over with ideas.

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 05 to March 06 (FY06) in respect of Marico Consolidated - Marico Limited (ML) together with its subsidiaries Marico Bangladesh Limited (MBL), MBL Industries Limited (MBLIL), Kaya Skin Care Limited (KSCL), Marico Middle East FZE (MME) with its subsidiary Kaya Middle East FZE (KME) and ML's 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 the Group conducts its business, exchange rate and interest rates 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. 60,000 crore.

In recent times, the Indian economy has shown robust growth, with the GDP increasing by 6% to 8% every year - the second fastest growth amongst emerging economies. Overall economic growth has been accompanied by increased disposable incomes both in the urban and rural markets. A growing middle class has resulted in a sharp increase in the numbers of 'first time' users of FMCG products. The Indian consumer confidence is one of the highest in the world. This has clearly begun to benefit the FMCG sector, in which, many companies had experienced a rather sluggish growth in the few years prior to 2005.

Attitudes towards money have also been undergoing a change. Indians are more willing to take debt, and the use of credit cards is growing exponentially. Consumers however seek value for money and the challenge for companies is to ensure affordability in order to gain critical mass. Competition from regional players and the unorganized sector is ever increasing. FMCG companies must therefore find innovative ways to differentiate their product and service offerings and at the same time, reduce costs.

In recent years, the Indian rural market has acquired significance. By sheer size, it offers a huge untapped potential to all FMCG players. The existing brand choices in rural India are half of what are available in the urban areas. However, inadequate infrastructure makes the cost of accessing these markets high.

Greater governmental focus on this sector in the coming years should see a positive shift in favour of FMCG companies, given that most derive around 35% of their sales from rural areas.

In urban India, retailing has experienced a revolution over the last few years. The share of organized modern trade at present is 3% of the total FMCG sales. Although small, this is expected to grow rapidly with large corporate houses in the country entering this space. Gradually, FDI in retail is also expected to be permitted in the country, which would attract overseas retailers, to participate in one of the fastest growing consumer booms today. Modern trade will bring better shelf visibility and merchandising options for FMCG products, resulting in greater consumer interaction with products. Companies will also leverage information technology to create supply chain synergies.

Over the years, especially the last 5 years or so, owing to structural changes in the demographic profile of the Indian population, skin care as a segment has gained importance. Consumers are 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.

The developments in the industry have set a new direction for growth for the FMCG companies. Marico has worked hard in improving its strengths in the critical competitive advantage areas of Branding, Innovation, Distribution, Cost Management and Research & Development, to deliver higher value add to its consumers. Marico's portfolio of products, has, over the years created enduring value for its consumers in consumer products as well as skin care segments. In the process, it has consolidated its presence in the market in India as well as overseas.

OPPORTUNITIES AND THREATS

The consumption potential of India, is, by itself, one of the largest FMCG opportunities. The branded FMCG consumption per capita is low as compared to the world average. Opportunities exist in various segments of the market.

At the upper end of the spectrum are aspirational categories, with very low penetration as compared to that in other emerging markets, indicating the possibility of high-paced growth. Skin care beyond fairness and male grooming products are examples. Discerning consumers are willing to pay a price for superior products and service experiences. Marico has already established itself in high-end skin care cosmetological solutions through Kaya Skin Clinics, where it remains the only significant organized player. Marico also made its foray in the male grooming segment with the launch of Parachute After Shower Cream.

Overall prosperity has begun to see a rise in the disposable income in the hands of the middle class. By virtue of the sheer numbers of this consuming segment, demand for FMCG products has seen a significant upturn. These consumers seek value - desired benefit at an affordable price. Marico has in place a process for continuously gathering and distilling new consumer insights to develop new products and product delivery forms.

In the less affluent segment, there exists the aspiration to use branded products that are functional. FMCG companies are looking at tapping households with low per capita disposal incomes. For instance, Parachute coconut oil has a 20 ml pack priced at Rs. 5 or a single use blister pack priced at just Re.1. These are expected to create conversions from unbranded usage to branded consumption.

India's leadership in the ITES sector and the BPO boom has seen the emergence of a new consuming group - young consumers, with large disposable incomes that can be spent at their discretion. Marico is tapping this new class of consumers who are experimentative and are looking for newer products, with offerings for the youth such as Silk-n-Shine and Hair Perfect Lotion.

India is seeing an alarming increase in heart-related conditions. Deaths on account of cardio-vascular diseases in India are projected to be much higher than the world average. High fat diets and recent trends in lifestyle are contributory factors. With growing awareness amongst consumers, a large potential exists to market products and solutions that aid in living a healthy lifestyle. Saffola which enjoys a 'good for the heart' equity, has launched a roti mix which is a functional food aimed at helping in the management of cholesterol.

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 addition 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.

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.

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. The Company will continue to invest in newer categories in its selected space of beauty and wellness.

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.

Indian agriculture and economy have become resilient over the years, and the dependence of Indian agriculture on monsoon has come down to some extent. However, the psychological impact of monsoon still remains at the same level as earlier. A good monsoon sets the tone for a feel good year and a bad monsoon spreads gloom. This is relevant for buying sentiment amongst consumers and to that extent, the success or failure of monsoon may affect the FMCG sector.

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 plans
- 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
- Systems of monitoring compliance with statutory regulations
- Well-defined principles and procedures for evaluation of new business proposals/capital expenditure
- A robust management information system
- A robust internal audit and review system

M/s Aneja Associates, Chartered Accountants have been appointed to carry out the Internal Audit for Marico. The work of internal auditors is coordinated by an internal team at Marico. This combination of Marico's internal team and expertise of Aneja Associates ensures independence as well as effective value addition.

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 RESOURCE / INDUSTRIAL RELATIONS

Marico is a professionally managed company that has built for itself a stimulating work culture that empowers people, promotes team building and encourages new ideas.

Great people resources deliver great results. The Company lays emphasis on hiring right. Its managerial talent is sourced from the country's premium technical and business schools and from amongst those with the country's premier professional qualifications. The Company believes in providing challenge and early responsibility at work that serves to keep team members enthused and motivated. Co-creation of the common values and alignment with the long-term business direction of the Company helps each individual relate his/her role and contribution to the over-arching Company objectives.

Many of the human resource programmes and initiatives in Marico are aligned to meet the business needs. The Company has been able to create a favourable work environment that motivates performance. Marico has a unique process of performance enhancement through deployment of MBR (Management By Results) to create an environment of challenge and stretch. It is also linked to a variable element of performance-based compensation.

Marico's open environment fosters an exchange of ideas and views across the organization and facilitates the flow of information. Members have space for diversity of opinions notwithstanding hierarchical positions and know that their opinions count.

The Company believes in investing in people to develop and expand their capability. Marico's strategies are based, inter alia, on processes of continuous learning and improvement. Personal development plans focus upon how each individual's strengths can best be leveraged so as to help each one to deliver to his / her full potential. External training programmes and cross-functional exposure often provide the extra edge.

The Company continues to measure and act upon improving the "engagement levels" of its teams. 2006 is the year where we have concluded the 5th Gallup Q12 engagement survey. Over the years, the overall engagement scores for the Company have increased year on year. This is also reflected in the Company's performance over the years.

As on March 31, 2006, the employee strength of Marico Limited was 1075 and that of the entire Group was 1560.

Employee relations throughout the year were supportive of business performance.

MARICO GROWTH STORY

Sustained Growth

Marico's Consumer Products Business grew by 11% during FY06 as compared to the previous year. Sales for the group grew by 14% over FY05. Its focus brands portfolio in Consumer Products recorded a revenue growth of 17% during the year.

Marico has also been nurturing the skin care services business of Kaya and the skin care spa products business of Sundari. Together with these, the growth in focus brands was 20% during FY06.

During FY06, the focus brands turnover comprised 76% of the Group turnover as against 72% in FY05. A few quarters ago, the Company decided not to focus on one of its larger brands, Sweekar. Investments behind the brand have been minimal. This conscious strategy has resulted in a decline in Sweekar's revenue by about 12% in FY06 over FY05.

Domestic FMCG Business

In the domestic market, the flagship brand, Parachute Coconut Oil, continued to have a good run. Volume sales of Parachute in rigid packs in FY06 grew by 8.5%.

The focus segment of the Hair Care range (Parachute Jasmine, Shanti Badam Amla, and Hair & Care being the key elements) grew by 23% in volume and by 35% in value. Mediker, the Company's offering in the anti-lice market, grew its franchise by 20% in volume terms.

In the premium refined oils market, Saffola, the Company's second flagship, grew its franchise by 10% in volumes. Revive, operating in the fabric care segment, held its volumes with a modest growth of 2%.

International FMCG Business

During FY06, Marico's International FMCG business grew by 23% over the previous year with a turnover of Rs. 117 crore.

Parachute Hair Cream has clearly become the lead brand for Marico in the Gulf. It has established itself as the No. 2 player in UAE and has begun to make good progress in supermarkets in the Kingdom of Saudi Arabia. Parachute Coconut Oil continues to be the leader in the category. Marico's hair oils and Parachute Hamaam Zait Cream too have begun expanding their franchise in the region.

In Bangladesh, Parachute Coconut Oil continues to dominate the category with over 50% market share. It has enhanced its reach to over 3 lakh retail outlets.

During Q4 FY06, Marico Bangladesh Limited relaunched the soap brand Camelia that it had acquired earlier in the year. This is being supported by a new advertising campaign.

Marico's growing portfolio: Prototypes and New Launches

In order to generate additional sources of growth in the coming years, Marico as an FMCG company must create a healthy pipeline of new products. To identify scalable marketing and product propositions, Marico has been following a prototyping approach to test a few hypotheses in a low-cost fail-fast model before any decision to scale up is taken. The Company has thus introduced a slew of prototypes, in the overall space of beauty and wellness - these may be in contiguous categories or in new ones.

During Q2 FY06, the Company commenced its prototype of "Sparsh", in the Rs. 250 crore baby oil segment in Andhra Pradesh. Sparsh is positioned on the long-lasting goodness of nature, enriched with "Tulsi" and "Turmeric". Apart from media communication, the brand is being supported through celebrity endorsements, advertorials in the press, visibility and sampling campaigns, doctor detailing and other on-ground activation. Having met prototype action standards, Sparsh has been rolled out nationally.

During Q4 FY06 Marico entered the premium cosmetic segment with Parachute Therapie - a high-end efficacious hair fall solution. User trials have shown that hair fall reduction is visible in 45 days. The product was born out of intensive in-house company research. The active ingredient is a unique blend of proteins, vitamins, minerals and herbs and comes with the trust of a Parachute guarantee. Parachute Therapie is currently being prototyped in the city of Mumbai.

Trends in Indian lifestyle and the South Asian genetic make-up make India a potentially very large market for products aimed at assisting prevention of heart-related conditions. Saffola has long enjoyed a strong "good for the heart" equity amongst consumers. During Q4 FY06, Saffola began prototyping its first non-oil extension in functional foods. Saffola Atta Mix is a proprietary food that is completely natural and enriched with the goodness of oats, barley, soya protein and fibre. The atta mix is to be added to flour for making rotis and helps in the management of cholesterol. Saffola Atta Mix is being prototyped in Mumbai. Feedback from the prototype will be watched and analyzed over the next few months.

During Q4 FY06, the Company launched another soap prototype in West Bengal - Parachute Jasmine, a bath soap with coconut milk and the alluring fragrance of jasmine. For now, the Company intends to follow a cautious regional strategy in soaps rather than a mainline national strategy that may require disproportionate spends to gain market share.

The Company will continue to introduce new prototypes during FY07.

ACQUISITIONS

Acquisition of Camelia by Marico Bangladesh Limited

Marico Bangladesh Limited acquired the toilet soap brand Camelia from Mark and Allys Limited, another Bangladeshi personal care products company in April 2005. Camelia's brand equity owes its strength to the quality of the soap, primarily its fragrance, which has a strong recall amongst consumers.

Acquisition of Aromatic by Marico Bangladesh Limited

In early October 2005, Marico Bangladesh Limited acquired the toilet soap brand "Aromatic" from Aromatic Cosmetics Limited. Aromatic, the soap brand has an aggregate turnover of about Taka 30 crore in Bangladesh with a market share of around 5%.

The acquisition of Aromatic will now enable MBL to strengthen its presence in the soaps category that is estimated to be about Taka 600 crore. MBL enjoys a strong distribution reach of about 3 lakh outlets through Parachute. The soap brands Aromatic and Camelia can ride this network.

Acquisition of Manjal

During the first week of January 2006, Marico acquired the Rs. 9 crore herbal bath soap brand Manjal from Oriental Extractions Pvt. Ltd. The brand enjoys a strong equity in Kerala on account of its unique turmeric-based formulation that provides a superior bathing experience. Manjal has now been extended to Tamil Nadu, where the concept of applying turmeric is quite prevalent.

Acquisition of Nihar

In February 2006, Marico acquired the

brand Nihar from Hindustan Lever Limited for a consideration of Rs. 227 crore, inclusive of transaction costs.

Nihar adds about 8% points to Marico's share in the coconut oil category. During the first full year of operation in FY07, the brand is expected to deliver about Rs. 120 crore of turnover, about 10% of Marico's current revenue. (During Q4 FY06, Nihar contributed Rs. 6.7 crore to Marico's turnover.)

Marico will follow a twin brand strategy - invest behind and promote both Parachute and Nihar in the coconut oil category, and Parachute Jasmine and Nihar Perfumed Oil in the perfumed coconut oil category. Over the next few months, it plans to conduct prototypes and experiments in the market place before firming up its long-term strategy in these two product categories.

Apart from the incremental turnover and profits that this acquisition directly brings, Marico expects to derive significant synergies, as under:

- Nihar's distribution reach, particularly in Bihar and Jharkhand will give other Marico brands a larger base to ride on.
- The incremental throughput increases the turnover of Marico's distributors and their earning potential through Marico, leading to increased trade equity for Marico.
- Marico also expects to derive backroom cost advantages, given Marico's scale of operations and its high focus on coconut oil and hair oils.

At the PBDIT level, Marico will benefit, as operating margins in Nihar are higher than the current average margins of Marico. While the depreciation on the intangibles will also provide a tax shield, there would be a hit on account of depreciation charged in the books of account. As a result, in the short run, Nihar's contribution to Marico's PAT is likely to be modest.

A FEW BRAND STORIES

Parachute

Parachute continued its dominance over the branded coconut oils market. The package of initiatives including micro marketing and surround activities is paying off. Marico has launched packs at low price points in order to facilitate the conversion of loose oil users of coconut oil to Parachute and grow the market. While material costs were lower this year than in the previous year, Parachute had opted to retain its retail prices and expand margins. This has been ploughed back into investments in new products and prototypes as well as in brand building for some of the other brands in Marico's portfolio.

During FY06, volumes in Parachute's rigid packs grew by 8.5% over FY05. In the 12 months to March 06, Parachute's volume market share (including flexi packs) was 50%.

In February 2006, Marico acquired Nihar to add to its coconut oil portfolio. Together with Oil of Malabar, the Company now enjoys over 60% volume share in the Rs. 800 crore branded coconut oil market.

Saffola

Saffola, Marico's refined edible oil brand operating in the premium ROCP (Refined Oil in Consumer Packs) category is strongly positioned on the 'good for heart' platform. During the year, the brand launched its three variants with LoSorb Technology, which makes oil more stable during deep-frying. It is also shown to absorb less into fried food. This has been supported by clutter

breaking and insightful advertising on television, endorsement by celebrity chef Sanjeev Kapoor, a reality show on FM Radio - with Jaggu, a leading radio jockey, including Saffola in his weight-loss programme, in-shop and outdoor promotion.

During the year, Saffola's advertising campaign bagged the Grand Effie given by the Ad Club of Bombay for advertising effectiveness for the best advertising across categories. During FY06, the Saffola franchise comprising refined safflower oil and the two blends, Saffola Tasty Blend and Saffola Gold registered a volume growth of 10%.

Hair Oils

During the year, the Company has focused on rigid pack sales of its hair oil portfolio. Since its relaunch on the "most non-sticky" platform, Hair & Care has been witnessing increased offtakes. More recently, a new campaign to cue a combination of style and nourishment has also met with a positive market response. Its share in the non-sticky hair oils market for the 12 months to March 06 was about 15%.

Shanti Amla was relaunched in the April 06 with the added ingredient of badam. The brand has been gradually regaining lost market share. For the 12 months to March 06, its share was 11%.

In the perfumed coconut hair oils market, Marico's share was significantly bolstered with the acquisition of Nihar from Hindustan Lever Ltd. in February 2006. Meanwhile Parachute Jasmine has also been doing well with its market share in total value-added coconut oil category at 29% for FY06. Together with Nihar, Marico commands 77% of the perfumed coconut oil market (rigid packs share for the 12 months ended March 2006). During the year, Marico discontinued the marketing of Parachute Sampoorna whose performance was below expectations.

Mediker

Mediker remains the only significant player in the anti-lice shampoo and oil treatment market. The franchise grew by about 20% in volumes. Marico's R&D has developed an efficacious, all natural substitute to the chemical, permethrin, for its anti-lice brand, Mediker. This new formulation is used for both the oil and the shampoo format. After a successful prototype in Maharashtra, it has been launched nationally. The 100% natural formulation has given the brand significant potential distribution gains. As a drug license is no longer required, the Company can take Mediker to several new outlets. The brand's reach is expected to increase by over 20%. Apart from advertising support, awareness campaigns, activation programmes in small towns and school contact programmes have played their part expanding the franchise.

Parachute After Shower Cream

Parachute After Shower Cream is Marico's first foray into the men's grooming segment. The non-sticky and fragrant hair cream with coconut milk proteins to provide nourishment has been well received by consumers. The brand proposition of "Style on ... Everyday" endorsed by one of India's young cricket sensations, Yuvraj Singh, brings alive the brand imagery well. The brand is being supported by communication through various media, trial generation activities and comprehensive retail visibility. During the year and within 6 months of its launch, the brand notched up a market share of over 30% in the hair cream market.

Cost Structure for the Consumer Products Business

% to Sales & Services (net of excise)	FY06	FY05
Material Cost (Raw + Packaging)	54.5	62.7
Advertising & Sales Promotion (ASP)	11.8	9.2
Personnel Costs	5.7	4.3
Depreciation	2.8	1.2
Other Expenses	14.2	14.0
Operating Costs	89.0	91.3
Net Operating Margin (PBIT)	11.0	8.7
PBDIT Margins	13.8	9.9
Gross Margins (PBDIT before ASP)	25.6	19.1

Notes:

1) Margins have been computed without including "Other Income", major components of which are lease rental Rs. 0.57 crore (previous year: Rs. 0.56 crore), profit on sale of investment Rs. 0.73 crore (previous year: Rs. 0.35 crore), exchange rate gain Rs. 0.49 crore (previous year: Nil) and insurance claims Rs. 0.23 crore (previous year: Rs. 0.17 crore), dividend income Rs. 0.56 crore (previous year: Rs. 0.44 crore), profit on sale of assets Rs. 0.48 crore (Rs. 0.03 crore).

2) The Company has invested part of the incremental margins earned into brand building ASP - both to strengthen established brands and to support new ones.

3) The increase in personnel costs to sales is on account of the annual increase in employee salaries in April 2005 and a provision for the Company's performance-based incentive scheme for its employees.

4) Depreciation is higher during FY06 on account of a change in the method of computing depreciation on plant and machinery from Straight Line Method (SLM) to Written Down Value (WDV). Consequently, there is a one time additional charge (pertaining to earlier years) of Rs. 14.0 crore.

5) The Consumer Products Business comprises operations in India (Marico Limited) and Bangladesh (Marico Bangladesh Limited, along with its subsidiary MBL Industries Limited). Skin Care Services and Global Spa Products are still evolving; hence their cost structures have not been discussed here, as these may not yet be capable of meaningful analysis and projection.

6) Previous year figures have been regrouped/restated wherever necessary.

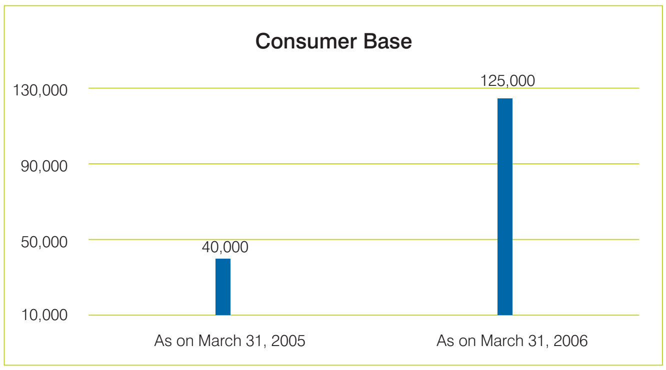
Balance Sheet for the Consumer Products Business Rs. Crore

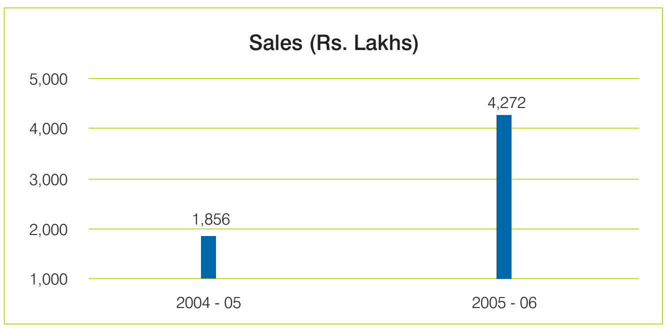
	March 31, 2006	March 31, 2005
SOURCES OF FUNDS		
Shareholders' Funds	301.6	236.1
Borrowings	238.1	55.3
Deferred Tax Liability	8.3	6.0
TOTAL	**548.0**	**297.4**
APPLICATION OF FUNDS		
Net Fixed Assets	325.0	102.3
Investments	16.0	7.1
Current Assets	324.3	252.7
Less: Current Liabilities	157.4	110.9
Net Working Capital	166.9	141.8
Operating Capital Employed	507.9	251.2
Financial Assets	40.1	46.2
TOTAL	**548.0**	**297.4**

Kaya Skin Clinic

During the course of FY06, Kaya has expanded to reach consumers in 16 cities in India through a network of 42 clinics. In addition Kaya is present through 2 clinics in Dubai and 1 in Abu Dhabi. The Kaya consumer base in India has increased to over 125,000.

The graphs given below show the growth in Kaya's performance in India.





In the cities where it is present, the brand has built for itself a good salience and a very positive imagery. This is being currently reinforced with brand building efforts focussed around the brand Kaya without specific reference to a service.

Kaya markets a range of products to complement the services it offers. Earlier this year, these began being manufactured in India, which has helped the same high quality of product being made available at more affordable prices. The share of product sales in Kaya revenues has reached about 10%. Kaya products are retailed through Kaya Skin Clinics. Growth in product sales helps in enhancement of revenues from the clinics, as they are not subject to room / machine capacity constraints.

Kaya has prototyped and plans to scale up new services created and tested by Kaya Skin Advisory, comprising a panel of its dermatologists. Kaya Advanced Facial, a one-hour protocol with unique features including no-reuse 100% disposable elements, has received a very positive feedback. Another service that has scaled up is the Kaya Age-Control non-surgical solution. It adopts a holistic approach that delivers visible results in helping the skin to look younger and healthier. Both these have received a positive consumer response and are being extended to more clinics.

During FY06, Kaya more than doubled its turnover to Rs. 48 crore. It had an operating PBIT of Rs. (12.7) crore. Based on the now reasonable experience with the Kaya business model, Marico has been reviewing the depreciation policy relating to some of the Kaya assets and accordingly making changes. This has caused the depreciation numbers during FY06 to be significantly higher as compared to FY05.

Kaya now plans to consolidate upon its clinics opened in India. High importance is attached to ensuring quality of service delivered and uniformity of experience across the entire chain of clinics. No clinics are therefore likely to be opened over the next six months or so.

The Company expects Kaya to be PBT positive during the year FY07.

Sundari

In the spa skin care products business, Sundari has been focussing on Tier 1 spas in the United States and Asia Pacific countries. The brand now has a presence in a number of trophy accounts such as Canyon Ranch (Tucson and Lenox), Hyatt Stillwater Spa (Bonita Springs), Spa Atlantic Starwood Luxury Collection (Fort Lauderdale) and JW Marriott Starr Pass (Tucson) in the USA. In Asia, Sundari has added Raffles, Four Seasons, The Oberoi and Westin to its client list. Besides USA and Asia, Sundari is being launched in Western Europe.

The Company is also working on expanding its range of product offerings. During the year, Asia Spa Magazine nominated Sundari for the 'Spa Products of the Year' award. Readers of American Spa Magazine have nominated Sundari amongst the final list of Favourite Spa Products.

However, cycle times from lead generation to bagging an order are long. The business is therefore taking longer than earlier anticipated to reach critical mass. The Company expects the business to remain in the investment phase over FY07.

CAPITAL UTILIZATION

Over the years, Marico has been maintaining its Return on Operating Capital Employed (ROCE) at levels above 30%. Given here is a snapshot of various capital efficiency ratios for Marico:

Ratio	FY06	FY05
Return on Operating Capital Employed		
• Marico Group	31%	38%
• Consumer Products	34%	43%
Return on Net Worth (Group)	40%	38%
Working Capital Ratios (Group)		
• Debtors Turnover (Days)	14	15
• Inventory Turnover (Days)	40	40
• Net Working Capital Turnover (Days)	41	42
Economic Value Added (Group)		
• Rs. Crore	51	46
• % to Capital Employed	13	19
Debt: Equity (Group)	0.92	0.30
Finance Costs to Turnover (%) (Group)	0.4%	0.2%

The Capital Employed as of March 31, 2006 is higher owing largely to the addition of the intangible asset on account of the acquisition of Nihar. This has also impacted the ROCE of the Consumer Products Business as the brand was acquired in February 2006 and has had only a few weeks of operation during the financial year.

SHAREHOLDER VALUE RELATED POLICIES AND 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 characterised by the following:

- Payout increasing from year to year and to the extent feasible
- Relentless regular dividend every quarter reflecting the confidence to sustain continuous distribution

Marico's cash profits have continued to grow and provide a logical support to its practice of declaring a dividend every quarter. The endeavor will be to keep a high payout around current levels of 47%, subject to financial requirements of its core business.

Dividend declared

At its meetings held in July, October, December 2005 and April 2006, the Board of Directors of Marico Limited, had declared interim dividends of 12%, 14%, 16% and 20% respectively on the equity base of Rs. 58 crore.

Raising long-term funds / balance sheet restructuring

The acquisition of the brand Nihar has been currently funded by a short-term loan. The Company would like to maintain its debt: equity ratio within prudent limits and also retain the flexibility to act speedily on future acquisition opportunities. The Board of Directors has therefore recommended raising long-term funds through issue of equity and/or preference shares on a rights and/or private placement basis, subject to the approval of the Company's shareholders. The aggregate issue size and pricing will be determined closer to the issue.

OUTLOOK

During FY06, Marico's revenues grew by 14% over the pervious year to reach Rs. 1144 crore. In achieving a CAGR of 13% topline growth over the last 5 years, Marico's strategies have been built around the pivot of sustainable profitable growth. Consequently, its PAT has recorded a CAGR of 15% during the same period.

Over the next 3 to 5 years, the Company aims to sharply change its trajectory of growth.

- In categories where Marico holds a leadership position, it will focus on growing the category. This would include the coconut oil market both in India and in Bangladesh as well as the niche premium refined oil segment through Saffola.
- In the hair oils segment, where Marico is number 2, the focus will be on increasing market shares. Improved consumer insights through frequent consumer interactions and innovativeness in delivering products and solutions to meet consumer needs would

ensure this.

- In the recent past, the Company has introduced a number of prototypes. It would continue to invest in new products, creating a pipeline of new product ideas through prototypes in India and abroad in its chosen areas of Beauty and Wellness.
- While continuing to maintain the growth momentum in the current territories of its International Business, the Company will explore expansion into new geographies as well, through organic and inorganic means.
- Kaya has established a presence in 16 cities in India and 2 in the Gulf. Over the next few years, Marico will look at taking Kaya to more locations.
- During FY06, the Group made four acquisitions, two in India and two in Bangladesh. Marico will continue to be open to other acquisitions Indian and Global - in the space of Beauty and Wellness.

While targeting a robust topline growth, Marico will continue to realign its portfolio in favour of focus brands. This increases the challenge of growing at the pace the Company has set for itself as a target.

Growth in the focussed portfolio would help in bringing sustainability to the Company's margin profile. FY06 witnessed a robust growth in Marico's operating margins. This was contributed to, in large measure, by significantly higher margins in Parachute. The Company will therefore have to sustain this for a few more quarters with an appropriate pricing strategy to suit the competitive landscape. As a market leader, the brand would also play its role of market expansion. The new products that Marico prototypes and rolls out are expected to earn higher margins eventually. In the near term however, gross profits from the established brands would have to be ploughed back into supporting and nurturing these. For Kaya, the Company will target a breakeven on the brand in FY07 although it will be some time before it recovers its accumulated losses. The Sundari business is not expected to break even in the immediate future.

With the scope of Marico's international business increasing, the Company is faced with the challenge of managing its foreign exchange exposure. This is particularly true of the business in Bangladesh, where the Taka continues to depreciate against the US Dollar.

In recent years, the Company has had a low effective tax rate, close to the Minimum Alternate Tax (MAT) rate. As the 80IB tax benefit period gets exhausted at some of its plants, the effective tax rate for Marico is expected to rise gradually over the next 3 to 4 years. However, the acquisition of Nihar provides Marico with a tax break. With this and other measures that the Company may put in place, it is expected that increases in the effective tax rate can be contained.

Marico has availed of a short-term loan facility to fund a large part of the acquisition. Over the next few months, the Company plans to review its financing pattern and may substitute the short-term loan with a mix of debt and equity so as to keep the leverage within prudent levels (less than 1.0). While doing so, the Company may explore the opportunity of restructuring its balance sheet so that it can continue with its policy of not maintaining goodwill / intangible assets on its books of account.

Marico would thus continue its journey on the path of sustainable profitable growth built on a foundation of strong brands, an unshakeable consumer franchise and a committed management.

On behalf of the Board of Directors

Harsh Mariwala
Chairman & Managing Director

Place: Mumbai Date: April 20, 2006

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, Sundari LLC, Marico Middle East FZE and Kaya Middle East FZE (collectively referred to as 'Marico Group') as at March 31, 2006, and also the Consolidated Profit and Loss Account and the Consolidated 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, MBL Industries Limited, Marico Middle East FZE and Kaya Middle East FZE, whose financial statements reflect total assets of Rs. 44.22 crore (comprising 8.68 % of Group assets) as at March 31, 2006 and total revenues of Rs. 65.52 crore (comprising 5.71 % of Group revenue) and cash flows (net outflow) amounting to Rs. 1.99 crore for the year ended March 31, 2006. 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 of Schedule "R" to the consolidated financial statements, the separate financial statements of Sundari LLC, whose financial statements reflect total assets of Rs.11.19 crore (comprising 2.20 % of Group assets) as at March 31, 2006 and total revenues of Rs. 6.36 crore (comprising 0.55 % of Group revenue) and cash flows (net outflow) amounting to Rs. 0.18 crore for the year ended March 31, 2006 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, MBL Industries Limited, Marico Middle East FZE and Kaya Middle East FZE 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, Marico Middle East FZE and Kaya Middle East FZE 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 confirmity 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, 2006;

   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 20, 2006

BALANCE SHEET

	SCHEDULE	As at March 31, 2006 Rs. Crore	2005 Rs. Crore
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Capital	A	58.00	58.00
Reserves and surplus	B	203.48	158.92
		261.48	**216.92**
LOAN FUNDS			
Secured loans	C	203.25	3.25
Unsecured loans	D	36.55	62.47
		239.80	**65.72**
DEFERRED TAX LIABILITY (NET)		**8.28**	**6.05**
(Refer note 14, Schedule R)			
		509.56	**288.69**
APPLICATION OF FUNDS			
GOODWILL ON CONSOLIDATION		**1.67**	**1.67**
FIXED ASSETS	E		
Gross block		476.14	213.96
Less : Depreciation, amortisation and impairment		128.93	86.45
Net block		347.21	127.51
Capital work-in-progress		34.06	18.40
		381.27	**145.91**
INVESTMENTS	F	**18.47**	**12.42**
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	G	132.29	119.68
Sundry debtors	H	51.46	49.18
Cash and bank balances	I	41.46	33.82
Loans and advances	J	53.12	40.06
		278.33	242.74
Less: CURRENT LIABILITIES AND PROVISIONS			
Current liabilities	K	150.79	99.37
Provisions	L	19.64	15.06
		170.43	114.43
NET CURRENT ASSETS		**107.90**	**128.31**
MISCELLANEOUS EXPENDITURE	M	**0.25**	**0.38**
(to the extent not written off or adjusted)			
		509.56	**288.69**
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 20, 2006

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 & Company Secretary

Place : Mumbai
Date : April 20, 2006

PROFIT AND LOSS ACCOUNT

	SCHEDULE	2006 Rs. Crore	2005 Rs. Crore
		For the year ended March 31,	
INCOME:			
Sales		1,100.08	991.38
Less : Excise duty		1.31	5.21
		1,098.77	986.17
Income from services		45.17	20.87
Total Sales and Services		**1,143.94**	**1,007.04**
Other income	N	3.54	1.61
		1,147.48	**1,008.65**
EXPENDITURE :			
Cost of materials	O	611.69	628.29
Manufacturing and other expenses	P	387.94	290.43
Finance charges	Q	5.05	2.00
Depreciation, amortisation and impairment	E	44.67	14.78
Amortisation of miscellaneous expenditure		0.13	0.13
		1,049.49	**935.63**
PROFIT BEFORE TAXATION AND MINORITY INTEREST		**98.00**	**73.02**
Minority interest in losses of subsidiaries		–	(0.80)
Goodwill on consolidation		–	(0.47)
PROFIT BEFORE TAXATION AND AFTER MINORITY INTEREST		**98.00**	**74.29**
Provision for taxation – Current tax		9.76	6.39
– MAT credit		(6.58)	–
Sub Total		**3.18**	**6.39**
– Fringe benefit tax		2.47	–
– Deferred tax – debit / (credit)		3.19	(0.19)
Short / (excess) income tax provision of earlier years		2.28	(2.05)
PROFIT AFTER TAXATION AND MINORITY INTEREST		**86.88**	**70.14**
Balance brought forward as on April 1, 2005		136.83	115.73
PROFIT AVAILABLE FOR APPROPRIATION		**223.71**	**185.87**
APPROPRIATIONS			
Interim dividends		35.96	31.03
Tax on interim dividends		5.04	4.56
General reserve		9.89	7.38
Tax holiday reserve		3.27	6.07
BALANCE CARRIED TO THE BALANCE SHEET		**169.55**	**136.83**
BASIC AND DILUTED EARNINGS PER SHARE		**14.98**	**12.09**
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 20, 2006

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 & Company Secretary

Place : Mumbai
Date : April 20, 2006

CASH FLOW STATEMENT

		For the year ended March 31, 2006 Rs. Crore	2005 Rs. Crore
A)	**CASH FLOW FROM OPERATING ACTIVITIES**		
	Net Profit Before Tax	**98.00**	**73.02**
	Adjustments for:		
	Depreciation and amortisation (including amortization of miscellaneous expenditure)	44.80	14.91
	Finance charges	6.37	3.34
	Interest income	(1.32)	(1.34)
	(Profit)/loss on sale of asset	(0.48)	0.05
	Profit on sale of investments	(0.73)	(0.35)
	Dividend income on investments	(0.56)	(0.44)
	Provision for doubtful debts	0.08	0.10
	Cumulative exchange differences	(0.31)	0.24
		47.85	16.51
	Operating profit before working capital changes	**145.85**	**89.53**
	Adjustments for:		
	(Increase)/ decrease in inventories	(12.61)	(19.87)
	(Increase)/ decrease in sundry debtors	(2.36)	(14.66)
	(Increase)/ decrease in loans and advances	(9.90)	(14.74)
	Increase/ (decrease) in current liabilities	54.52	11.88
		29.65	(37.39)
	Cash generated from Operations	**175.50**	**52.14**
	Income tax paid (net of refunds)	10.84	11.02
	NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES A	**164.66**	**41.12**
B)	**CASH FLOW FROM INVESTING ACTIVITIES**		
	Purchase of fixed assets	(284.45)	(49.70)
	Purchase of investments	(5.32)	(11.59)
	Dividend income	0.56	0.44
	Sale of fixed assets	4.90	1.42
	Interest income	1.07	0.94
	NET CASH INFLOW / (OUTFLOW) FROM INVESTING ACTIVITIES B	**(283.24)**	**(58.49)**

CASH FLOW STATEMENT

			For the year ended March 31, 2006 Rs. Crore	2005 Rs. Crore
C)	**CASH FLOW FROM FINANCING ACTIVITIES**			
	Amount borrowed		174.08	54.65
	Advance against equity in subsidiary		–	(0.20)
	Finance charges		(6.51)	(3.27)
	Unclaimed dividend paid		(0.03)	(0.28)
	Redeemed 8% preference share capital		–	(0.65)
	Dividend paid (including tax on dividends)		(39.35)	(32.20)
	NET CASH INFLOW / (OUTFLOW) FROM FINANCING ACTIVITIES	**C**	**128.19**	**18.05**
D)	**Effect of exchange difference on translation of foreign currency cash and cash equivalents**	**D**	**(1.97)**	**(0.88)**
E)	**NET INCREASE / (DECREASE) IN CASH & CASH EQUIVALENTS**	**A+B+C+D**	**7.64**	**(0.20)**
F)	**CASH AND CASH EQUIVALENTS - OPENING BALANCE**		**33.82**	**34.02**
G)	**CASH AND CASH EQUIVALENTS - CLOSING BALANCE**		**41.46**	**33.82**

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

VIJAY N. BHATT
Partner (F-36647)

Place : Mumbai
Date : April 20, 2006

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 and Company Secretary

Place : Mumbai
Date : April 20, 2006

SCHEDULES TO BALANCE SHEET

	As at March 31, 2006 Rs. Crore	2005 Rs. Crore
SCHEDULE 'A'		
SHARE CAPITAL		
AUTHORISED:		
60,000,000 (60,000,000) equity shares of Rs. 10 each	60.00	60.00
	60.00	**60.00**
ISSUED AND SUBSCRIBED :		
58,000,000 (58,000,000) equity shares of Rs. 10 each fully paid up	58.00	58.00
	58.00	**58.00**
SCHEDULE 'B'		
RESERVES AND SURPLUS		
CAPITAL REDEMPTION RESERVE		
As on April 1, 2005	–	29.00
Less : Utilised for issue of bonus equity shares	–	29.00
	–	–
GENERAL RESERVE		
As on April 1, 2005	17.15	9.78
Add : Transfer from Profit and Loss Account	9.89	7.38
Adjustment of defered tax on impaired assets	0.95	–
	27.99	17.16
TAX HOLIDAY RESERVE	9.97	7.30
CUMMULATIVE EXCHANGE DIFFERENCES	(4.03)	(2.37)
(Translation adjustments)		
PROFIT AND LOSS ACCOUNT	**169.55**	**136.83**
	203.48	**158.92**
SCHEDULE 'C'		
SECURED LOANS		
Term loan from bank	200.00	–
(To be secured by pari passu charge on fixed assets and brands. The loan is repayable in 8 instalments beginning August 1, 2007. The company, however, has the option to make a premature repayment of the loan at the end of 2nd and 6th month from the date of drawdown of the loan, i.e., in April 2006 and August 2006.)		
Working capital finance from banks	3.25	3.25
(Secured by hypothecation of stocks in trade and debtors)		
	203.25	**3.25**
SCHEDULE 'D'		
UNSECURED LOANS		
From banks (short term)	34.77	60.78
Other loans	1.78	1.69
	36.55	**62.47**

SCHEDULES TO BALANCE SHEET

SCHEDULE 'E'
FIXED ASSETS

Amount in Rs. Crore

PARTICULARS	GROSS BLOCK				DEPRECIATION/AMORTISATION					NET BLOCK	
	As at March 31, 2005	Additions	Deductions/ Adjustments	As at March 31, 2006	As at March 31, 2005	For the year	Deductions/ Adjustments	As at March 31, 2006	Provision for impairment as at March 31 2006 (See note 2 below)	As at March 31, 2006	As at March 31, 2005
Tangible assets											
Freehold land	1.21	–	–	1.21	–	–	–	–	–	1.21	1.21
Leasehold land	1.79	–	–	1.79	0.10	0.02	–	0.12	–	1.67	1.68
Buildings	40.51	0.47	3.31	37.67	5.86	0.89	0.50	6.25	–	31.42	34.65
Plant and machinery	141.21	26.78	2.97	165.02	64.28	32.96	1.63	95.61	7.64	61.77	71.65
Furniture and fittings	11.53	7.62	0.10	19.05	1.81	2.31	0.04	4.08	–	14.97	9.77
Vehicles	1.26	–	0.06	1.20	0.41	0.16	0.02	0.55	–	0.65	0.85
Intangible assets (see note 3 below)											
– Trademarks and copyrights	7.23	194.60	(0.14)	201.97	1.00	3.77	(0.02)	4.79	–	197.18	6.23
– Business and commercial rights	0.16	1.85	–	2.01	0.04	0.06	–	0.10	–	1.91	0.12
– Other intangibles (see note 4 below)	–	35.91	0.31	35.60	–	1.15	0.02	1.13	–	34.47	–
– Computer software	9.06	1.56	–	10.62	7.71	0.95	–	8.66	–	1.96	1.35
TOTAL	**213.96**	**268.79**	**6.61**	**476.14**	**81.21**	**42.27**	**2.19**	**121.29**	**7.64**	**347.21**	**127.51**
Previous year	175.17	41.00	2.21	213.96	68.23	13.72	0.74	81.21	5.24		
Capital work–in–progress (at cost) including advances on capital account										34.06	18.40
										381.27	145.91

Notes :

1. Gross block includes:
   - Freehold land Rs. 0.30 crore (Rs. 0.30 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.
   - Trademarks Rs. 93.30 crore (Nil) pending registration.
2. Includes impairment for the year Rs. 2.40 crore (Rs. 1.06 crore) charged to Profit and Loss Account under "Depreciation, amortisation and impairment".
3. Intangible assets include Rs. 211.27 crore (Nil), which are to be offered as security for borrowing of Rs. 200.00 crore referred in Schedule C.
4. Other intangibles comprise non-compete fees for Manjal and Nihar, designs and know-how for Nihar.
5. Capital work–in–progress includes Rs. 11.73 crore (Nil) paid as advance towards acquisition of overseas trademarks.

SCHEDULES TO BALANCE SHEET

	As at March 31, 2006 Rs. Crore	2005 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 - UNQUOTED, LOWER OF COST AND NAV		
Investment in Mutual Fund Units		
Birla Mutual Fund - Folio No. 1009689027	1.91	–
1,901,366 (Nil) units of Rs. 10 each fully paid		
Prudential ICICI Floating Rate Plan D – Growth	0.49	–
479,931 (Nil) units of Rs. 10 each fully paid		
Tata Floating Rate Short Term Inst Plan	0.05	–
51,318 (Nil) units of Rs. 10 each fully paid		
Kotak FMP Series XX – Growth	3.00	–
3,000,000 (Nil) units of Rs. 10 each fully paid		
Kotak FMP Series XVI – Growth	3.00	–
3,000,000 (Nil) units of Rs. 10 each fully paid		
DSP Merrill Lynch Liquidity Fund – Inst – Growth	10.01	–
99,256 (Nil) units of Rs. 1,000 each fully paid		
Prudential ICICI Floating Rate Plan C – Growth Option	–	4.00
Nil (3,868,920) units of Rs. 10 each fully paid		
Birla Cash Sweep Plan 664 a/c	–	0.36
Nil (358,226.5) units of Rs. 10 each fully paid		
Birla Cash Sweep Plan 884 a/c	–	0.91
Nil (902,520.4) units of Rs. 10 each fully paid		
RMTF Retail – Growth Plan – Bonus Option (4038841574)	–	7.14
Nil (6,988,316) units of Rs. 10 each fully paid		
	18.46	**12.41**
	18.47	**12.42**

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

Name of the scheme	No. of Units Purchased	Sold
Birla Sweep Fund 664- Dividend Reinvestment	30,531,037	30,889,264
Prudential ICICI Liquid Plan Inst Plus - Growth Option	12,271,903	12,271,903
Prudential ICICI Floating Rate Plan C - Daily Dividend	8,037,062	8,037,062
Prudential ICICI Floating Rate Plan C - Growth	20,748,654	24,617,575
Prudential ICICI Liquid Fund - Daily Dividend Reinvestment	20,444,171	20,444,171
Prudential ICICI Liquid Fund Growth	9,899,849	9,899,849
Prudential ICICI Inst Liquid Plan- Super Inst Growth	5,009,549	5,009,549
RMTF - Retail Plan - Growth Plan - Bonus Option	–	6,988,316
Reliance Fixed Maturity Fund - Monthly Plan II - Series II - Dividend Option	1,000,000	1,000,000
RLF - Treasury Plan - Inst Option - Daily Dividend Option	1,505,734	1,505,734
RLF - Treasury Plan - Inst Option - Growth Option	862,027	862,027
RLF - Treasury Plan - Retail Option - Monthly Dividend Option	2,085,071	2,085,071
Reliance Floating Rate Fund - Daily Dividend Plan	2,289,603	2,289,603

SCHEDULES TO BALANCE SHEET

Name of the scheme	No. of Units Purchased	Sold
Reliance Floating Rate Fund - Growth Plan	1,353,274	1,353,274
Reliance Fixed Maturity Fund - Monthly Plan VI -Series II - Growth Option	3,000,000	3,000,000
Reliance Fixed Maturity Fund - Monthly Plan VII -Series II - Growth Option	3,015,330	3,015,330
Reliance Fixed Maturity Fund - Monthly Plan VIII -Series II - Growth Option	3,000,000	3,000,000
Reliance Fixed Maturity Fund - Monthly Plan IX -Series II - Growth Option	3,000,000	3,000,000
Reliance Fixed Maturity Fund - Quarterly Plan II - Series II - Growth Option	3,000,000	3,000,000
RMTF - Retail Plan - Growth Plan	777,647	777,647
Tata Liquid Super High Investment Fund-Daily Dividend	79,548	79,548
Tata Liquid Super High Investment Fund-Appreciation	188,161	188,161
UTI Floating Rate Fund - Short Term Plan (Growth Option)	9,014,830	9,014,830
UTI Liquid Cash Plan Inst - Growth Option	44,868	44,868
GCCD Grindlays - Super Inst Plan C - Daily Dividend	4,207,940	4,207,940
GCCG Grindlays Cash Fund - Super Inst Plan C -Growth	15,698,119	15,698,119
GFBD Grindlays Floating Rate - ST Inst Plan B - Daily Dividend	993,821	993,821
GFCD Grindlays Floating Rate -ST - Inst Plan C - Daily Dividend	5,142,645	5,142,645
G65 Standard Chartered Liquidity Manager - Growth	9,962,901	9,962,901
GFCG - Grindlays Floating Rate- ST- Super Inst Plan C - Growth	6,448,955	6,448,955
Kotak Floater Short Term - Weekly Dividend	7,817,134	7,817,134
Kotak Liquid (Inst Premium)- Daily Dividend	2,996,337	2,996,337
Kotak Liquid (Inst Premium)- Growth	17,172,286	17,172,286
Kotak Floater Short Term - Growth	7,178,919	7,178,919
Kotak Flexi Debt Scheme - Growth	955,521	955,521
Kotak FMP Series XII - Growth	1,000,000	1,000,000
Franklin Templeton - Daily Dividend Reinvestment	26,944	26,944
HSBC Floating Rate Short Term Fund - Inst Option	10,940,381	10,940,381
HSBC Cash Fund - Inst Plus - Growth	8,405,862	8,405,862
DSP Merrill Lynch Liquidity Fund - Regular - Growth	2,976,527	2,976,527
DSP Merrill Lynch Floating Rate Fund - Inst Plan - Growth	49,664	49,664
Principal Floating Rate Fund SMP - Inst Option - Growth Plan	8,778,220	8,778,220
Principal Deposit Fund (FMP- 3-20) 91 Days Plan Growth	2,000,000	2,000,000
Principal Cash Management Fund - Liquid Option - Inst Premium Plan - Growth Plan	6,221,560	6,221,560

	As at March 31, 2006 Rs. Crore	2005 Rs. Crore
SCHEDULE 'G'		
INVENTORIES		
(As valued and certified by the Management)		
Raw materials	46.04	48.05
Packing materials	20.22	17.33
Work-in-process	13.86	11.78
Finished products	42.91	36.09
Stores, spares and consumables	6.45	4.04
By-products	0.81	1.21
Goods in transit	2.00	1.18
	132.29	119.68

SCHEDULES TO BALANCE SHEET

		As at March 31, 2006 Rs. Crore	As at March 31, 2005 Rs. Crore
SCHEDULE 'H'			
SUNDRY DEBTORS			
Unsecured			
Over six months	- Considered good	1.03	0.71
	- Considered doubtful	2.05	1.97
		3.08	2.68
Less: Provision for doubtful debts		2.05	1.97
		1.03	0.71
Other debts - Considered good		50.43	48.47
		51.46	**49.18**

	As at March 31, 2006 Rs. Crore	As at March 31, 2005 Rs. Crore
SCHEDULE 'I'		
CASH AND BANK BALANCES		
Cash on hand	0.85	0.42
Cheques on hand	0.06	–
Balances with banks:		
Fixed deposits (deposited with Sales Tax authorities Rs. 0.10 crore (Rs. 0.10 crore))	10.11	15.07
Margin accounts (against bank guarantees)	1.49	1.50
Current accounts	28.95	16.83
	41.46	**33.82**

	As at March 31, 2006 Rs. Crore	As at March 31, 2005 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	31.36	15.21
Deposits	13.39	10.94
Balances with Central Excise authorities	0.40	0.13
Interest accrued but not due on loans / deposits	0.65	0.40
Income tax payments, net of provisions	0.33	4.38
Fringe benefit tax payments, net of provisions	0.38	–
MAT credit entitlement	6.58	–
Assets held for disposal	0.03	–
	53.12	**40.06**

SCHEDULES TO BALANCE SHEET

	As at March 31, 2006 Rs. Crore	2005 Rs. Crore
SCHEDULE 'K'		
CURRENT LIABILITIES		
Sundry creditors	140.60	94.39
Other liabilities	8.71	2.58
Book overdraft	–	0.70
Security deposits	1.26	1.31
Interest accrued but not due on loans	0.01	0.15
Unclaimed dividend	0.18	0.21
Unclaimed redeemed 8% preference share capital	0.03	0.03
	150.79	**99.37**
SCHEDULE 'L'		
PROVISIONS		
Leave encashment	6.41	3.48
Interim dividend	11.60	10.16
Tax on interim dividend	1.63	1.42
	19.64	**15.06**
SCHEDULE 'M'		
MISCELLANEOUS EXPENDITURE		
Deferred revenue expenditure	0.25	0.38
	0.25	**0.38**

SCHEDULES TO PROFIT AND LOSS ACCOUNT

	For the year ended March 31, 2006 Rs. Crore	2005 Rs. Crore
SCHEDULE 'N'		
OTHER INCOME		
Income from current investments		
Profits on sale of units of mutual funds	0.73	0.35
Dividend	0.56	0.44
Miscellaneous income	2.25	0.82
(Refer note 7, Schedule R)		
	3.54	**1.61**
SCHEDULE 'O'		
COST OF MATERIALS		
Raw materials consumed	483.25	525.53
Packing materials consumed	99.37	78.81
Stores and spares consumed	9.80	10.03
Purchase for resale	26.59	16.72
(Increase)/decrease in stocks		
Opening stocks		
- Work-in-process	11.78	15.26
- By-products	1.21	0.31
- Finished products	37.27	31.89
Less :		
Closing stocks		
- Work-in-process	13.86	11.78
- By-products	0.81	1.21
- Finished products	42.91	37.27
	(7.32)	(2.80)
	611.69	**628.29**

SCHEDULES TO PROFIT AND LOSS ACCOUNT

	For the year ended March 31, 2006 Rs. Crore	2005 Rs. Crore
SCHEDULE 'P'		
MANUFACTURING AND OTHER EXPENSES		
Employees' costs :		
Salaries, wages and bonus	69.13	43.72
Contribution to Provident Fund and other funds	3.59	3.76
Welfare expenses	5.62	3.78
	78.34	51.26
Power, fuel and water	5.12	4.42
Contract manufacturing charges	38.05	32.58
Rent and storage charges	8.58	6.10
Repairs to buildings	3.78	2.45
Repairs to machinery	4.61	3.56
Repairs others	1.08	0.68
Freight, forwarding and distribution expenses	43.08	37.83
Advertisement and sales promotion	138.78	96.83
(net of write back of previous year's provision no more required - Rs. 4.80 crore)		
Rates and taxes	0.74	0.49
Sales tax and cess	12.31	10.43
Provision for doubtful debts and advances	0.08	0.10
Printing, stationery and communication expenses	7.36	6.00
Travelling, conveyance and vehicle expenses	14.37	10.97
Royalty	0.19	0.20
Insurance	1.26	1.17
Miscellaneous expenses	30.21	25.36
(Refer note 8, Schedule R)		
	387.94	**290.43**
SCHEDULE 'Q'		
FINANCE CHARGES		
Interest on		
Fixed period loans	2.99	0.53
Other loans	1.47	0.78
Bank and other financial charges	1.91	2.03
	6.37	3.34
Less : Interest income on loans, deposits, etc.	1.32	1.34
(Tax deducted at source Rs. 0.08 crore (Rs. 0.09 crore))		
	5.05	**2.00**

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), Marico Middle East FZE (MME), Kaya Middle East FZE (KME – subsidiary of MME) and its joint venture Sundari LLC (Sundari) (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, Nihar, Saffola, Sweekar, Hair & Care, Sil, Revive, Shanti, Oil of Malabar, Mediker and Manjal. Marico's products reach its consumers through retail outlets serviced by Marico's distribution network comprising 6 regional offices, 31 carrying & forwarding agents, 1 consignment agent, 5 redistribution centers and about 3600 distributors spread all over India. The Company's overseas 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/ joint venture:

(i) Marico Bangladesh Limited in Bangladesh which manufactures and sells branded coconut oil in Bangladesh;

(ii) MBL Industries Limited, a wholly owned subsidiary of Marico Bangladesh Limited which also sells branded coconut oil and hair oils in Bangladesh;

(iii) Kaya Skin Care Limited which provides skin care services and sells products through Kaya Skin Clinics;

(iv) Sundari LLC, United States, a joint venture, carrying on ayurvedic skin care products business under the brand name SUNDĀRI;

(v) Marico Middle East FZE, in United Arab Emirates (UAE) set up for carrying on business, inter alia, in consumer products in the Middle East region;

(vi) Kaya Middle East FZE, a wholly owned subsidiary of Marico Middle East FZE set up for carrying on business, inter alia, in skin care services and products through Kaya Skin Clinics in the Middle East region.

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 venture are included from the date of acquisition of a controlling interest. All inter-company transactions are eliminated and the consolidated financial statements have been prepared using uniform accounting policies; except that in case of KSCL, MBL, MBLIL, Sundari LLC, MME and KME:

i) 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 1.22% (1.50%) of total consolidated liabilities of the Group as at year end.

ii) In case of KSCL, MBL, MBLIL and Sundari LLC, depreciation in respect of plant and machinery (except items specified in note 2(d)(I)(ii) below) is provided on Straight Line method instead of Written Down Value method. The total amount of net block of these items of fixed assets represents 1.42% of the total consolidated fixed assets of the Group at the year end.

The assets and liabilities of foreign companies are translated at the year 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.

NOTES TO THE ACCOUNTS

(c) Fixed assets

Fixed assets are stated at cost of acquisition less accumulated depreciation and 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. Other pre-operative expenses for major projects are also capitalised, where appropriate.

(d) Depreciation / Amortisation

I. Tangible assets

(i) Depreciation is provided on Straight Line basis at the 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.

(ii) In Marico Limited, depreciation on plant and machinery (other than items computer hardware, moulds, laser machines and other machines at Kaya Clinics and technologically advanced machinery, which are depreciated at Straight Line basis at rates higher than statutorily prescribed) is provided on Written Down Value basis.

II. Intangible assets

(i) Trademarks, copyrights and business and commercial rights are amortised over their estimated economic life, but not exceeding 10 years.

(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 (not exceeding 10 years)
Computer software	3 years

(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.

NOTES TO THE ACCOUNTS

(i) Retirement benefits

Marico Limited has various schemes of retirement benefits, namely, provident fund, superannuation fund, 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. During the year KSCL has also provided for the liability on account of leave encashment and gratuity. The gratuity fund is yet to be formed.

(j) 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 monetary assets and liabilities are translated at the year end exchange rate, and the resultant exchange difference is recognized in the Profit and Loss Account, except those relating to fixed assets acquired from outside India which are adjusted against the carrying cost of corresponding fixed assets.

(iii) In case of forward contracts, with underlying assets or liabilities, 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.

(iv) Forward exchange contracts entered into to hedge the foreign currency risks of a firm commitment or highly probable forecast transaction are marked to market as at the year end and the resultant exchange gains or loss is recognized in the Profit and Loss Account.

(v) Non-monetary foreign currency items which are carried in terms of historical cost are reported using the exchange rate at the date of the transaction.

(k) Accounting for taxes on income

(i) Provision for current tax is made, based on the tax payable under the relevant statute. Minimum Alternate Tax (MAT) credit, which is equal to the excess of MAT (calculated in accordance with provisions of section 115JB of the Indian Income Tax Act, 1961) over normal income tax is recognized as an asset by way of credit to the Profit and Loss Account only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period of seven succeeding assessment years.

(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 (100)
Marico Middle East FZE	UAE	100 (–)
Kaya Middle East FZE (Through Marico Middle East FZE)	UAE	100 (–)

NOTES TO THE ACCOUNTS

(ii) The consolidated financial statements include the audited accounts of Kaya Skin Care Limited for the year ended March 31, 2006, Marico Middle East FZE for the period from November 8, 2005 to March 31, 2006 and Kaya Middle East FZE for the period from December 25, 2005 to March 31, 2006.

(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, 2006, 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 (75.5)

(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, 2006 which have not been audited.

(iii) In compliance with the requirement 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 result of Sundari LLC in accordance with the requirements of AS 21 (Consolidated Financial Statements).

5) During the year, the Company made the following acquisitions:-

i) In January 2006, the herbal bath soap brand "Manjal" from Oriental Extractions Pvt. Ltd. for a total consideration of Rs. 7 crore, excluding transaction costs.

ii) In February 2006, from Hindustan Level Limited (HLL) assignable rights relating to the brand "Nihar" for a total consideration of Rs. 216 crore, excluding transaction costs. Such rights include all trademarks, copyrights, technical know-how and designs in India and specified overseas countries. In addition, HLL has agreed to not compete with Marico Ltd. in the coconut oil category for a period of five years.

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

(i) Counter guarantee given to banks on behalf of other companies Rs. 36.41 crore (Rs. 2.95 crore).

(ii) Sales tax / cess claims disputed by the Company Rs. 0.87 crore (Rs. 3.66 crore).

(iii) Income tax and interest demands raised by authorities and disputed by the Company Rs. 8.12 crore (Rs. 7.45 crore).

(iv) Claims of Custom authorities disputed by the Company Rs.1.84 crore (Nil).

(v) Claims against the Company not acknowledged as debts Rs. 3.01 crore (Rs. 3.03 crore).

(b) Amount outstanding towards letters of credit Rs. 0.32 crore (Rs. 2.24 crores).

7) Miscellaneous income includes lease income Rs. 0.57 crore (Rs. 0.56 crore), insurance claims Rs. 0.23 crore (Rs. 0.17 crore) and profit on sale of assets Rs. 0.48 crore (Rs. 0.03 crore).

8) Miscellaneous expenses (net off write back of earlier years' provisions no longer required – Rs. 4.50 crore (Rs. 2.28 crore), include commission and brokerage Rs. 6.24 crore (Rs. 1.72 crore), donations Rs. 0.38 crore (Rs. 0.17 crore), audit fees Rs. 0.23 crore (Rs. 0.22 crore), tax audit fees Rs. 0.07 crore (Rs. 0.03 crore), payment to auditors for other services Rs. 0.06 crore (Rs. 0.25 crore) and reimbursement to auditors for out-of-pocket expenses Rs. 0.01 crore (Rs. 0.01 crore).

9) Research and development expenses aggregating Rs. 3.28 crore (Rs. 2.94 crore) have been included under the relevant heads in the Profit and Loss Account.

10) Exchange gain (net) aggregating Rs.0.31 crore (Rs. (0.23) crore) has been included under the relevant heads in the Profit and Loss Account.

NOTES TO THE ACCOUNTS

11) During the year, Marico Limited changed its method of accounting depreciation on plant and machinery (other than computer hardware, moulds, laser machines and other machine at Kaya Clinics and technologically advanced machinery, which are depreciated at rates higher than statutorily prescribed on straigh line basis) from Straight Line basis to Written Down Value basis. As a result of this change,

- additional depreciation of Rs. 14.01 crore in respect of earlier years is charged to the Profit and Loss Account and included under "Depreciation, amortisation and impairment" of the current year,
- the depreciation for the year ended March 31, 2006 is higher by Rs. 0.90 crore, and
- deferred tax liability of Rs. 3.43 crore has been reversed as at March 31, 2006.

12) 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 had identified certain plant and machinery with WDV of Rs. 2.40 crore (Rs. 1.06 crore) as on March 31, 2006 as 'impaired fixed assets'. The said amount of Rs. 2.40 crore (Rs. 1.06 crore) had been provided for as impairment loss and included under "Depreciation, amortisation and impairment" in the Profit and Loss Account.

13) Additional information on assets taken on lease:

In respect of assets taken on operating lease after March 31, 2001:	**For the year ended March 31,**	
	2006	**2005**
	Rs. Crore	**Rs. Crore**
Lease payment for the year	1.36	1.16
Future minimum lease payment obligation payable		
- not later than one year	1.07	1.14
- later than one year but not later than five years	0.37	0.98
Total	**2.80**	**3.28**

14) Break-up of deferred tax liability:

	As at March 31,	
	2006	**2005**
	Rs. Crore	**Rs. Crore**
Deferred tax asset:		
Provision for doubtful debtors/advances that are deducted for tax purposes when written off	0.80	0.82
Liabilities that are deducted for tax purposes when paid	3.04	1.62
Total Deferred tax asset	3.84	2.44
Deferred tax liability:		
Additional depreciation on fixed assets for tax purposes due to higher tax depreciation rates	12.12	8.49
Total Deferred tax liability	12.12	8.49
Net Deferred tax liability	**8.28**	**6.05**

NOTES TO THE ACCOUNTS

15) Earnings per share:

	For the year ended March 31, 2006 Rs. Crore	2005 Rs. Crore
Profit after taxation	86.88	70.14
Equity shares outstanding as at the year end	58,000,000	58,000,000
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 (Rs.)	10	10
Basic and diluted earnings per equity share (Rs.)	14.98	12.09

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 and other hair care products, fabric care products, processed foods (including distribution alliance with Indo Nissin), soaps, baby care products.
Others	Skin care and global ayurvedics.

(Rs. Crore)

	Consumer Products	Others	Total
Segment revenue			
External sales	1089.87	54.07	1143.94
	(980.70)	(26.34)	(1007.04)
Inter-segment sales	–	–	–
	(–)	(–)	(–)
Total revenue	**1089.87**	**54.07**	**1143.94**
	(980.70)	**(26.34)**	**(1007.04)**
Segment result	**128.04**	**(24.99)**	**103.05**
	(89.41)	**(–)(14.39)**	**(75.02)**
Operating profit			103.05
			(75.02)
Interest expenses			6.37
			(3.34)
Interest income			1.32
			(1.34)

NOTES TO THE ACCOUNTS

(Rs. Crore)

	Consumer Products	Others	Total
Net profit before tax, minority interest and goodwill			98.00
			(73.02)
Minority interest in losses			–
			(0.80)
Goodwill on consolidation			–
			(0.47)
Net profit before tax and after minority interest			**98.00**
			(74.29)
Other information			
Segment assets	572.10	79.04	651.14
	(307.14)	(66.90)	(374.04)
Unallocated corporate assets			28.85
			(29.08)
Total assets	**572.10**	**79.04**	**679.99**
	(307.14)	**(66.90)**	**(403.12)**
Segment liabilities	382.37	8.34	390.71
	(159.30)	(5.79)	(165.09)
Unallocated corporate liabilities			27.80
			(21.11)
Total liabilities	**382.37**	**8.34**	**418.51**
	(159.30)	**(5.79)**	**(186.20)**
Capital expenditure	245.22	23.59	268.79
	(18.37)	(22.63)	(41.00)
Depreciation, impairment and amortisation	30.63	14.17	44.80
	(11.45)	(3.46)	(14.91)

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.

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

NOTES TO THE ACCOUNTS

Sales revenue by geographical market

Locations	Amount (Rs. Crore)
India	1015.61
	(890.99)
Others (Middle East, SAARC countries and USA)	128.33
	(116.05)
Total	**1143.94**
	(1007.04)

Carrying amount of assets and capital expenditure by geographical locations

	India (Rs. Crore)	Others (Rs. Crore)	Total (Rs. Crore)
Carrying amount of assets	608.72	71.27	679.99
	(360.09)	(43.03)	(403.12)
Capital expenditure	258.22	10.57	268.79
	(39.15)	(1.85)	(41.00)

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

	March 31, 2006 (Rs. Crore)	March 31, 2005 (Rs. Crore)
a) Whole-time Director: Harsh Mariwala, Chairman and Managing Director		
Nature of transactions:		
Remuneration for the year	1.05	1.10
Sale of residential premises	4.25	–
b) Employee: Rajvi Mariwala, daughter of Harsh Mariwala		
Nature of transactions:		
Stipend for the year	0.01	–

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 confirm 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 and Company Secretary

Place : Mumbai

Date : April 20, 2006

DIRECTORS' REPORT

To the Members

Your Board of Directors ('Board') is pleased to present the Eighteenth Annual Report of your Company, Marico Limited for the year ended March 31, 2006 ('the year' or 'FY06').

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 05 – March 06 in respect of Marico Consolidated – **Consumer Products** [Marico Limited together with its subsidiaries – Marico Bangladesh Limited (MBL), MBL Industries Limited (MBLIL), Marico Middle East, FZE (MME)] **Skin Care** [Kaya Skin Care Limited (KSCL), Kaya Middle East, FZE (KME) (a subsidiary of MME)] **Global Ayurvedics** [its joint venture, Sundari LLC (Sundari)]. The consolidated entity has been, in this discussion, referred to as 'Marico' or 'Group'.

FINANCIAL RESULTS - AN OVERVIEW

Rs. Crore

	Year ended March 31, 2006	2005
Consolidated Summary Financials for the Group		
Sales and services	1143.9	1007.0
Profit before tax	98.0	74.3
Profit after tax	86.9	70.1
Summary Financials for the Consumer Products Business		
Sales and services	1090.0	980.7
Profit before tax	123.2	87.4
Profit after tax	112.3	83.3
Marico Limited – Financials		
Sales and Services	**1044.9**	**942.1**
Profit before Tax	**109.0**	**77.6**
Less: Provision for tax for the current year	9.0	6.1
Profit after Tax for the current year	**100.0**	**71.5**
Less: Provision for deferred tax liability / (Deferred tax asset)	3.2	(0.2)
Less: Excess income tax provision of earlier years written back	2.3	(2.1)
Less: Fringe benefit tax	2.2	–
Less: MAT credit	(6.6)	–
Profit after Tax	**98.9**	**73.8**
Add: Surplus brought forward	143.4	112.2
Profit available for Appropriation	**242.3**	**186.0**
Appropriations:		
Distribution to shareholders	**36.0**	**31.1**
Tax on dividend	5.0	4.1
	41.0	**35.2**
Transfer to General Reserve	**9.9**	**7.4**
Surplus carried forward	**191.4**	**143.4**
Total	**242.3**	**186.0**

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.

DIRECTORS' REPORT

Your Company's distribution to shareholders during FY06 has comprised the following on the equity base of Rs. 58 crore:

- First interim dividend of 12 %
- Second interim dividend of 14 %
- Third interim dividend of 16 %
- Fourth interim dividend of 20%

The total dividend payout for FY06 (including dividend tax) was Rs. 41.0 crore (about 47% of the Group PAT).

Your Company has declared dividends every quarter for the past 21 consecutive quarters now.

MANAGEMENT DISCUSSION & ANALYSIS and REVIEW OF OPERATIONS

Given elsewhere in the Annual Report is 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

OTHER CORPORATE DEVELOPMENTS

Application to the Central Government for exemption from including Balance Sheets of the Subsidiary Companies

Your Company had applied to the Central Government under Section 212(8) of the Companies Act, 1956 seeking an exemption from attaching copies of the Balance Sheet, Profit and Loss Account, Directors' Report and Auditors' Report of its subsidiary companies.

In terms of approval granted by the Central Government vide order No. 47/69/2006-CL-III, copy of the Balance Sheet, Profit and Loss Account, Report of the Board of Directors and the Report of the Auditors of the Subsidiary Companies have not been attached with the Annual Report of the Company for the year 2005-06. However, the statement required under section 212 of the Companies Act, 1956 is attached. The Company will make available these documents / details upon request by any member of the Company interested in obtaining the same. The Consolidated Financial Statements pursuant to Accounting Standard AS-21 issued by the Institute of Chartered Accountants of India, presented by the Company includes the financial information of its subsidiaries.

Acquisitions

The acquisitions made by Marico Limited and its subsidiaries, have been dealt with separately in the Management Discussion and Analysis section of the Annual Report.

Research and 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.

Your Company spent Rs. 0.39 crore on capital expenditure on R&D as against Rs. 1.1 crore during the previous year. Revenue expenditure on R&D was Rs. 3.28 crore as against Rs. 2.9 crore in FY05.

The focus of the R & D function at Marico has been to convert the science of formulating and developing innovative products and packs into aesthetically appealing product offerings for the benefit of end consumers. This is achieved by networking closely with the brand management team within the organization for understanding articulated and unarticulated consumer needs and through external networking with various research institutes within and outside India for selection of appropriate technology. All the products

DIRECTORS' REPORT

are formulated to meet statutory requirements within India or relevant country specific mandatory needs. It has been our endeavour to offer products with proven efficacy and as such these products undergo rigorous clinical / efficacy / consumer testing before introducing them in the market place.

Your Company's R&D centre continues to be recognized by the Council for Scientific and Industrial Research (CSIR).

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

Change of Registrar and Transfer Agents (RTA)

The Company has intimated the shareholders about the change in RTA from Karvy Computershare Private Limited, Hyderabad to M/s Intime Spectrum Registry Limited (Intime), Mumbai. Intime has been appointed as your Company's RTA with effect from January 01, 2006. Your Company had made this move in view of the locational advantage of having the RTA in Mumbai and to facilitate a better interface and service to the shareholders.

Resignation of Company Secretary and new Appointment

Mr. Dev Bajpai resigned from the post of Head – Legal and Company Secretary, with effect from the close of working hours on February 3, 2006. Accordingly, he discontinues to act as the Compliance Officer of the Company from the said date.

Mr. Milind Sarwate, Chief Financial Officer of the Company, possessing the required qualification, was appointed as the Company Secretary and Compliance Officer of the Company upon Mr. Dev Bajpai's resignation.

The Board takes this opportunity to put on record its sincere thanks and appreciation for the services rendered by Mr. Dev Bajpai during his tenure.

Incorporation of two new Wholly Owned Subsidiaries in the Middle East

Your Company has incorporated Marico Middle East FZE on November 8, 2005, as a subsidiary of Marico Limited. Another company by the name Kaya Middle East FZE has been incorporated as a subsidiary of Marico Middle East FZE on December 25, 2005. These initiatives of your Company have enabled the Group to accentuate Marico's presence in the Middle East.

PUBLIC DEPOSITS

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

DIRECTORS' RESPONSIBILITY STATEMENT

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

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

Appropriate accounting policies have been selected and applied consistently, and reasonable and prudent judgement and estimates have been made so as to ensure that the accounts give a true and fair view of the state of affairs of your Company as at March 31, 2006 and the profits of your Company for the year ended March 31, 2006.

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

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

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

DIRECTORS' REPORT

CORPORATE GOVERNANCE

A report on Corporate Governance has been provided elsewhere in the Annual Report. The Auditors' Certificate on Corporate Governance forms an annexure to this report.

CORPORATE SOCIAL RESPONSIBILITY

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.

The members of its governing council are:

Dr. (Prof.) Ramesh Mashelkar	(Chairman) Director General, CSIR
Mrs. Anu Aga	Chairperson, Thermax
Mr. Ashwin Dani	Vice Chairman & Managing Director, Asian Paints (India) Ltd.
Mr. Tony Joseph	Editor, Businessworld
Mr. Ranjan Kapoor	Country Manager WPP
Mr. Arun Maira	Chairman, Boston Consulting Group, India
Mr. Harsh Mariwala	Chairman and Managing Director, Marico
Mr. K. V. Mariwala	Director, Hindustan Polyamides & Fibres Ltd.
Mr. Rajiv Narang	Chairman and Managing Director, Erehwon Consulting Pvt. Ltd.
Mr. Jerry Rao	Chairman and CEO, Mphasis BFL Ltd.
Mr. Dorab Sopariwala	Consultant

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. 18 lakhs by way of revenue expenditure for the foundation.

The Foundation has instituted an award called the "Innovation for India Award" in partnership with Business World. The purpose is to acknowledge and propagate innovations in the business & social sectors. This is a first of its kind in India and the response has been overwhelming with over 160 entries in both categories. The winners have been selected by a panel of eminent jury members and the final function will be held on June 23, 2006.

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

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 social causes like health camps, scholarships, donations etc.

Your Company will continue these efforts in future.

DIRECTORS' REPORT

DIRECTORS

Directors retiring by rotation

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

Changes in the Board of Directors

At its meeting held on July 26, 2005, the Board of Directors appointed Mr. Jacob Kurian and Ms. Hema Ravichandar as Additional Directors on the board of your Company. Their appointment has brought in rich experience and expertise in the field of Change Management, Leadership Development, Human Resource Development, Retailing and Marketing & Corporate Strategy. Their term expires at the ensuing Annual General Meeting and being eligible they offer themselves for appointment as directors liable to retire by rotation.

ADDITIONAL STATUTORY INFORMATION

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

Your Company has in accordance with the disclosure requirements contained in Sec 212 (1) (e) of the Companies Act, 1956 annexed the required statement concerning its subsidiaries companies. In case of five of the subsidiary companies, namely MBL, MBLIL, KME FZE, MME FZE and Sundari LLC incorporated outside India, the data is on the basis of the accounts compiled by these companies in accordance with the legal provisions of the respective country where they have been incorporated. For facilitating better appreciation, the financial figures in the statement have also been disclosed in Indian Rupees.

AUDITORS

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

Aneja Associates, a Chartered Accountant firm, has been associated with your Company as its internal auditor. They have been partnering your Company in the area of risk management and internal control systems. Your Company has re-appointed Aneja Associates as its internal auditor for the year 2006-07.

ACKNOWLEDGEMENT

The Board takes this opportunity to thank all its employees for their dedicated service and firm commitment to the goals of the Company. The Board also wishes to place on record its sincere appreciation for the wholehearted support received from shareholders, distributors, bankers and all other business associates, 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 20, 2006

HARSH MARIWALA

Chairman and Managing Director

ANNEXURE TO THE DIRECTORS' REPORT

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

A. Conservation of Energy

Marico continued to emphasize on the conservation and optimal utilisation of energy in every manufacturing unit of the Company. A number of energy conservation measures which were implemented during FY 06 are listed below:

- Use of VFD in cooling tower fan to optimise load condition during usage.
- Aligning the cake cooler to the elevator thereby removing two conveyors from the system.
- Eliminating the idle running of induced draft fan before cyclone separator.
- Eliminating the idle running of FOT pump by inter connection.
- Reducing the start up power losses by logical sequencing.
- Use of static mixer for caustic lye mixing.
- Use of recovery heat exchanger to reduce cooling tower load.
- Reduction of refinery start up and shutdown time.
- Optimum use of compressed air capacity for filling section requirement.
- Enhanced condensate recovery system by including off process vessels to the system.
- Optimisation of PRV setting to reduce line losses.
- Introduced a PHE to acid oil plant to reduce heating time.
- Automation of syntex tank with raw water pump to avoid overflow and motor running continuously.
- Reduction in street lights / alternate lamps ON.
- Use of VFD to optimise expeller load.
- Removal of lighting transformer.

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 of production are given in Enclosure 'A'.

B. Technology Absorption

I. Research and Development (R&D)

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

   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 competencies in new areas like Soap and Skin Care
   - Development of new products, line extensions, and new processes based on consumer understanding to meet the unmet consumer aspirations

ANNEXURE TO THE DIRECTORS' REPORT

- 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

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

- Various SKUs were developed under the hair oils & edible oils franchises.
- A few domestic launches include:
  - Sparsh Baby Oil
  - Mediker Natural Oil
  - Mediker Natural Shampoo
  - Parachute Jasmine Soap
  - Parachute Therapie Hair Fall Solution
  - Parachute Advansed Hair Perfect Lotion
  - Parachute Advansed After Shower Anti-dandruff Cream
  - Various products were launched under the Kaya business to provide effective solutions in skin care
- Numerous innovative packaging options to offer better shelf display value.
- The international business saw the launch of:
  - 3 variants in Camelia soap range.
  - Various product and pack developments were undertaken in the current year to strengthen the business. These would translate into launches in the coming year.

Your company continues to identify new consumer needs and provide them through R&D.

3. Future Plan of Action:

Your Company's R&D will work towards continuous innovation in process, product & packaging technology to offer to consumers value for money with delightful sensorials.

4. Expenditure on R & D:

(Rs. Crore)

	2005-06	2004-05
a) Capital	0.4	1.1
b) Recurring	3.3	2.9
Total	**3.7**	**4.0**
c) Total R & D expenditure as % to Sales & Services	0.4	0.4
d) Total R & D expenditure as % to PBT	3.4	5.2

ANNEXURE TO THE DIRECTORS' REPORT

II. Technology absorption, adaptation and innovation

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

   Various technologies were adopted in packaging towards providing better cost optimization and shelf appeal of the products. e.g.: Parachute Therapie Hair Fall Solution carton, Parachute Advansed After Shower jar.

   Our innovations in the baby category have translated into innovative baby oil designed to meet consumer needs.

   Similarly, innovations in the hair care segment have resulted in the unique offering in the form of the product Parachute Advansed Hair Perfect Lotion and Parachute Advansed After Shower Cream.

2. Imported technology (imported during the last 5 years reckoned from the beginning of this financial year):

   Not Applicable

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 20, 2006

HARSH MARIWALA

Chairman and Managing Director

II. 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, 2006 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 20, 2006

ANNEXURE TO THE DIRECTORS' REPORT

ENCLOSURE 'A'

Power and Fuel Consumption

		For the year ended March 31, 2006	2005
Note: The numbers given below relate to own manufacturing facilities of the Company.			
1. Electricity			
a. Purchased units (Kwh)		8,447,966.33	8,395,548.00
Amount (Rs. Crore)		2.20	2.87
b. Own Generation			
i. Through Diesel Generator (Kwh)		484,864.78	412,906.00
Amount (Rs. Crore)		0.47	0.34
Average Rate (Rs. / Unit)		9.70	8.26
ii. Through Steam Generator (Kwh)		15,291.00	50,239.00
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)		824.01	667.84
Amount (Rs. Crore)		1.56	0.98
Average Rate (Rs. / KL)		18,948.84	14,639.26
4. Other Internal Generation (excludes HSD used for electricity generation)			
L.D.O / H.S.D.			
Quantity (KL)		142.66	119.87
Amount (Rs. Crore)		0.40	0.27
Average Rate (Rs. / KL)		27,874.43	22,645.67
5. Baggase Consumption			
Quantity (KG)		11,002.85	10,622.60
Amount (Rs. Crore)		1.49	1.30
Average Rate (Rs. / KG)		1,352.01	1,220.04
Consumption per unit of production of Edible Oils			
	Unit		
Electricity	Kwh	314.05	108.84
Coal	MT	Nil	Nil
Furnace oil	KL	0.03	0.01
L.D.O. / H.S.D.	KL	0.00	0.00
Baggase	KG	0.34	0.30

ANNEXURE TO THE DIRECTORS' REPORT

	Unit	For the year ended March 31, 2006	2005
Consumption per unit of production of Processed Foods			
Electricity	Kwh	95.06	94.98
Coal	MT	Nil	Nil
Furnace oil	KL	Nil	Nil
L.D.O. / H.S.D.	KL	0.19	0.09
Consumption per unit of production of Hair Oils			
Electricity	Kwh	148.79	93.53
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			
Electricity	Kwh	174.16	174.16
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 / Corporate Governance 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 proactively complies with the law and 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 with the revised clause 49 of the listing agreement, which has become mandatory from January 1, 2006. 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.

Risk Assessment and Risk Mitigation Framework

Marico believes that:

- Risks are an integral part of any business environment and it is essential that we create structures that are capable of identifying and mitigating them in a continuous and vibrant manner.
- Risks are multi-dimensional and therefore have to be looked at in a holistic manner, straddling both, the external environment and the internal processes.

Marico's Risk Management processes therefore envisage that all significant activities are analysed keeping in mind the following types of risks:

❖ Business Risks

❖ Controls Risks

❖ Governance Risks

CORPORATE GOVERNANCE REPORT

This analysis is followed by the relevant Function(s) in Marico tracking the risk elements, both internal and external, and reporting status at periodic management reviews. This is aimed at ensuring that adequate checks and balances are in place with reference to each significant risk.

We believe that this framework ensures a unified and comprehensive perspective.

As the Marico Group expands its operations, we would endeavor to increase the role of institutionalized comprehensive risk management frame-works, which runs on pre-aligned guidelines and rules, over and above simple and intuitive approaches.

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, creates and maintains an environment 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.

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.

CORPORATE GOVERNANCE REPORT

Ownership Separated from Management

❖ 7 out of 8 directors are non-executive and 6 are independent.

❖ All related party transactions are periodically placed before Board and approved. These can be referred to in Notes to Accounts annexed to the financial statements for the year ended March 31, 2006.

❖ 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.

❖ 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.

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 (renamed as Corporate Governance 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.

❖ Each Non-executive Director brings value through a specialisation.

❖ 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 managers 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.

Reconstitution of the Board

The reconstitution of the Board of Directors and various committees has been effected during the year. After such reconstitution, a Corporate Governance Committee has been constituted. One of the roles of the Corporate Governance Committee is the role played earlier by the erstwhile Remuneration Committee (which is no more a separate Committee). The Corporate Governance Committee is entrusted with the responsibility of annually reviewing the Company's Corporate Governance practices, and recommending for approval to the Board any improvements considered appropriate.

CORPORATE GOVERNANCE REPORT

Compliance with revised Clause 49 of the Listing Agreement

The Company has complied with the revised clause 49 of the Listing agreement.

During the year, the Company laid down and adopted a Code of Conduct for the Board of Directors and senior members, as also a Whistle Blower Policy.

The Code of Conduct prescribes certain dos and don'ts to the Directors, senior management comprising of the key personnel of the Company and other employees of the Company to promote ethical conduct in accordance with the stated values of Marico and also to meet the prescribed statutory requirements.

The CEO declaration regarding compliance by Board Members and senior management personnel with the Company's Code of Conduct has been included elsewhere in this Report.

II. BOARD OF DIRECTORS

(I) Composition and categories of Directors (As on April 20, 2006):-

Name	Category
Mr. Harsh Mariwala	Chairman & Managing Director (Promoter)
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
Mr. Jacob Kurian	Non-Executive and Independent (Appointed w.e.f. July 26, 2005)
Ms. Hema Ravichandar	Non-Executive and Independent (Appointed w.e.f. July 26, 2005)

(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 period April 01, 2005 to March 31, 2006 viz.: April 27, 2005; July 26, 2005; October 25, 2005 and January 24, 2006. The attendance record of all directors is as under: -

Names of Directors	No. of Board Meetings		Attendance at Last AGM	Remarks
	Held	Attended		
Mr. Harsh Mariwala	4	4	Yes	–
Mr. Kishore Mariwala	4	1	NA	Resigned w.e.f. April 27, 2005
Mr. Rajen Mariwala	4	3	Yes	Appointed w.e.f. April 27, 2005
Mr. Bipin Shah	4	4	Yes	–
Mr. Nikhil Khattau	4	4	No	–
Mr. Atul Choksey	4	4	No	–
Mr. Rajeev Bakshi	4	3	No	–
Mr. Jacob Kurian	4	3	NA	Appointed w.e.f. July 26, 2005
Ms. Hema Ravichandar	4	3	NA	Appointed w.e.f. July 26, 2005

CORPORATE GOVERNANCE REPORT

(III) Number of Board or Board Committees of which a Director is a member or Chairperson (Membership(s) / Chairmanship(s) of Audit Committee and Shareholders Committee is only considered as per Clause 49 of the Listing Agreement)

Director	Number of Outside Directorships held	*Number of Committee Memberships	*Number of Committees in which Chairperson
Mr. Harsh Mariwala	4	2	2
Mr. Rajen Mariwala	2	2**	Nil
Mr. Bipin Shah	2	3	1
Mr. Nikhil Khattau	2	2	1
Mr. Atul Choksey	10	Nil	Nil
Mr. Rajeev Bakshi	2	3	Nil
Mr. Jacob Kurian	Nil	1***	Nil
Ms. Hema Ravichandar	Nil	1***	Nil

*includes committee Membership(s) / Chairmanship(s) with Marico Limited

**was member of Audit Committee of Board of Marico Limited until October 25, 2005

***appointed as members of Audit Committee of Board of Marico Limited w.e.f. October 25, 2005

III. AUDIT COMMITTEE

Constitution:

The Audit Committee was constituted by the Board of Directors at its meeting held on January 23, 2001, in accordance with Section 292 A of the Companies Act, 1956.

During the year, the Audit Committee was re-constituted by the Board of Directors on October 25, 2005. The Audit Committee now comprises the following Members:

Mr. Bipin Shah	-	Chairman
Mr. Nikhil Khattau	-	Member
Mr. Rajeev Bakshi	-	Member
Mr. Jacob Kurian	-	Member
Ms. Hema Ravichandar	-	Member
Mr. Milind Sarwate	-	Secretary to the Committee
Mr. Harsh Mariwala	-	Permanent Invitee

The terms of reference of the Audit Committee are as stated in Clause 49 of the Standard Listing Agreement, Section 292 A of the Companies Act, 1956 and includes:

1. Review of the financial reporting process of the Company.
2. Recommending to the Board, the appointment, re-appointment and if required the replacement or removal of the statutory auditor and the fixation of audit fees.
3. Approval of payment to statutory auditors for any other services rendered by statutory auditors.
4. Reviewing with the Management the annual financial statements before submission to the Board for approval with particular reference to:
   a) Matters required to be included in the Director's responsibility statement.
   b) Changes if any in the accounting policies and practices and reasons for the same.
   c) Major accounting entries involving estimates based on the exercise of judgement by the Management.

CORPORATE GOVERNANCE REPORT

d) Significant adjustments made in the financial statements arising out of audit findings.

e) Compliance with listing and other legal requirements relating to financial statements.

f) Disclosure of any related party transactions.

g) Qualifications in the draft Audit Report.

5. Reviewing, with the Management, the quarterly financial statements before submission to the Board for approval.

6. Reviewing, with the Management, performance of statutory and internal auditors, adequacy of the internal control systems.

7. Review of management letters issued by statutory auditors.

8. Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.

9. Discussing with the internal auditors any significant findings and followup there on.

10. Reviewing the findings of any internal investigations by the internal auditors.

11. Discussion with statutory auditors before commencement of the audit about the nature and scope of audit and concern areas if any post audit.

12. To look into substantial defaults in the payment to depositors, debenture holders, shareholders and creditors.

13. To review the functioning of the Whistle Blower mechanism.

14. Reviewing mandatorily the following:

a) Management Discussion and Analysis of financial condition and results of operations;

b) Statement of significant related party transactions;

c) The appointment, removal and terms of remuneration of the Chief Internal Auditor.

The Committee had 4 meetings during the period April 01, 2005 to March 31, 2006 viz.: April 27, 2005; July 26, 2005; October 25, 2005 and January 24, 2006.

Names of Directors	No. of Audit Committee Meetings	
	Held	Attended
Mr. Kishore Mariwala*	4	1
Mr. Bipin Shah	4	4
Mr. Nikhil Khattau	4	4
Mr. Rajeev Bakshi	4	3
Mr. Rajen Mariwala**	4	2
Mr. Jacob Kurian***	4	1
Ms. Hema Ravichandar***	4	1

*Resigned w.e.f. April 27, 2005

**ceased as member on October 25, 2005

***Appointed as member on October 25, 2005

IV. REMUNERATION COMMITTEE / CORPORATE GOVERNANCE COMMITTEE

Constitution:

The Board of Directors at its meeting held on October 25, 2005, renamed the Remuneration Committee as the Corporate Governance Committee with terms of reference relating to overseeing and continuously improving the Corporate Governance policies and practices in the Company. The primary purpose of the Corporate Governance Committee is "to enable" the Board function effectively in strategic and core issues of management.

CORPORATE GOVERNANCE REPORT

With the formation of this Committee, there would be no separate Remuneration Committee and the Corporate Governance Committee itself will review and oversee the Remuneration strategy and Performance Management Philosophy of Marico, especially for Directors and senior employees. Similarly, the Committee will also act as the Nomination Committee, with the details of this role being defined at an appropriate and relevant time in the future.

The Corporate Governance Committee now comprises the following Directors:

Ms. Hema Ravichandar	-	Chairperson
Mr. Rajeev Bakshi	-	Member
Mr. Jacob Kurian	-	Member
Mr. Milind Sarwate	-	Secretary to the Committee
Mr. Harsh Mariwala	-	Permanent Invitee

The Corporate Governance Committee (erstwhile Remuneration Committee) had met 3 times on April 27, 2005, July 26, 2005 and on January 24, 2006.

The remuneration paid to Non-executive Directors for the financial year 2005-2006 is as under:

Name	Remuneration (payable annually) (Rs.)	Sitting Fees (Rs.)
Mr. Kishore Mariwala	61,250	15,000
Mr. Rajen Mariwala	1,45,000	25,000
Mr. Bipin Shah	1,65,000	40,000
Mr. Nikhil Khattau	1,85,000	45,000
Mr. Atul Choksey	1,25,000	20,000
Mr. Rajeev Bakshi	1,85,000	35,000
Mr. Jacob Kurian	1,55,000	25,000
Ms. Hema Ravichandar	1,55,000	25,000

The remuneration paid to Mr. Harsh Mariwala, Chairman & Managing Director, for the financial year 2005-2006 is as under:

Name	Salary and Perquisites (Rs.)	Annual Performance Incentive (Rs.)
Mr. Harsh Mariwala	94,69,912	9,11,901

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

Shareholding of Non Executive Diretors

Name of Non Executive Director	No. of Shares held (As on March 31, 2006)
Mr. Rajeev Bakshi	–
Mr. Atul Choksey	6,000
Mr. Nikhil Khattau	–
Mr. Jacob Kurian	500
Mr. Rajen Mariwala	7,06,320
Mrs. Hema Ravichandar	–
Mr. Bipin Shah	4,400
Total	**7,17,220**

CORPORATE GOVERNANCE REPORT

REMUNERATION POLICY OF THE COMPANY

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. The terms of this agreement have already been shared with the members. The remuneration to Chairman & Managing Director comprises of two broad terms – fixed remuneration and variable remuneration in the form of performance incentive.

The performance incentive is based on internally developed a detailed performance related matrix which is verified by HR department.

A proposal relating to his re-appointment as Managing Directors, on revised terms has been scrutinised by the Corporate Governance Committee of the Board, as also by the Board. After the approval of the shareholders, the proposal will be implemented.

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. Corporate Governance Committee, Audit 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 26, 2005 approved payment to Non-executive Directors for a period of five years up to a limit 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 last re-constituted on 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. Milind Sarwate	-	Secretary to the Committee

During the financial year 2005-2006, one meeting of the Committee was held on April 27, 2005.

Name and Designation of Compliance Officer:

Mr. Milind Sarwate, Chief Financial Officer & Company Secretary

CORPORATE GOVERNANCE REPORT

Status Report of Investor Complaints for the year ended March 31, 2006

No. of Complaints Received	-	77
No. of Complaints Resolved	-	77
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
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.
2005	'Kohinoor Hall', Kohinoor Corner, Opposite Siddhivinayak Mandir, Veer Savarkar Marg, Prabhadevi, Mumbai - 400 025	July 26, 2005	9.30 a.m.

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

A special resolution was passed for payment of remuneration to Non-executive Directors in the Annual General Meeting held on July 26, 2005.

Postal ballot

A special resolution for change in name of the Company to "Marico Limited" was passed by the Company through Postal Ballot process in the year 2004-05. The details of the said postal ballot exercise were disclosed in the previous year's Corporate Governance Report.

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 2005-2006, there were no materially significant related party transactions i.e. transactions of the company of material nature, with its promoters, the directors or the Management, their subsidiaries or relatives etc. that may have potential conflict with the interest of Company at large.

The Company has a well-defined Whistle Blower Policy and it is fully implemented by the Management.

No personnel has been denied access to the Audit Committee.

Compliance with non-mandatory requirements of Clause 49 of the Listing Agreement

Clause 49 of the Listing Agreement mandates us to obtain a certificate from either the Auditors or practicing Company Secretaries regarding compliance of conditions of Corporate Governance as stipulated in this clause and annex the certificate with the Directors' Report, which is sent annually to all the shareholders of the Company. We have obtained a certificate to this effect and the same is given as an annexure to the Directors' Report.

The clause further states that the non-mandatory requirements may be implemented as per our discretion. However, the disclosures of the compliance with mandatory requirements and adoption (and compliance) / non-adoption of the non-mandatory requirements shall be made in the section on Corporate Governance of the Annual Report. We comply with the following non-mandatory requirements:

CORPORATE GOVERNANCE REPORT

Remuneration Committee

We renamed the Remuneration Committee as the Corporate Governance Committee. A detailed note on the Committee is provided elsewhere in this report.

Whistle Blower Policy

We have established a mechanism for employees to report to the Management concerns about unethical behaviour, actual or suspected fraud or violation of our Code of Conduct or Ethics Policy. This mechanism also provides for adequate safeguards against victimisation of employees who avail of the mechanism and also provide for direct access to the Chairman of the Audit Committee in exceptional cases. The guidelines are meant for all members of the Organisation from the day they join and are designed to ensure that they may raise any specific concern on integrity, value adherence without fear of being punished for raising that concern. The guidelines also cover our associates who partner us in our organisational objectives and customers for whom we exist.

VIII. MEANS OF COMMUNICATION

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

Details of Directors seeking appointment / re-appointment at the forthcoming Annual General Meeting

Mr. Bipin Shah

Mr. Bipin Shah (74 years) was first appointed on the Board of the Company on April 17, 1996. He is a Bachelor of Commerce and a Chartered Accountant by profession. He has a rich experience in company management in commercial and financial matters. His other directorships includes Dolphin Offshore Enterprises Ltd. and Kotak Mahindra Asset Management Company Ltd. His Committee memberships in other public limited companies include Shareholder's Grievance Committee of Dolphin Offshore Enterprises (I) Ltd. and Audit Committee of Kotak Mahindra Asset Management Company Ltd. He holds 4400 shares of the Company.

Mr Atul Choksey

Mr. Atul Choksey (54 years) was first appointed on the Board of the Company on October 23, 2001. He has done his Bachelor's in Chemical Engineering from Illinois Institute of Technology, Chicago, U.S.A. and has also done management courses in Finance, Personnel, Micro and Macro Economics, etc. He is the Chairman of APCO group of companies which consists of Apcotex Industries Ltd. and Apco Exnterprises Ltd. as well as other group companies. He also holds directorships in Ceat Ltd., Mazda Colours Ltd., Finolex Cables Ltd., Standard Chartered Asset Management Company P. Ltd. and Cricket Club of India. He also takes active interest in various religious and educational institutions. He brings to the Board a rich experience in project planning and execution, marketing and general management. He holds 6000 shares of the Company.

Mr. Jacob Kurian

Mr. Jacob Kurian (50 years) was appointed as the Additional Director on the Board of the Company on July 26, 2005. He holds Bachelor's degree in Engineering (Electrical & Electronics) from the Regional Engineering College, University of Chennai and a Post Graduate Diploma in Management from the Xavier Labour Relations Institute. He brings to the Board a varied experience in retailing, marketing and corporate strategy formulation. He holds 500 shares of the Company.

Ms. Hema Ravichandar

Ms. Hema Ravichandar (45 years) was appointed as the Additional Director on the Board of the Company on July 26, 2005. She holds a Bachelor's degree in Arts (Economics) from the University of Chennai and a Post Graduate Diploma in management

CORPORATE GOVERNANCE REPORT

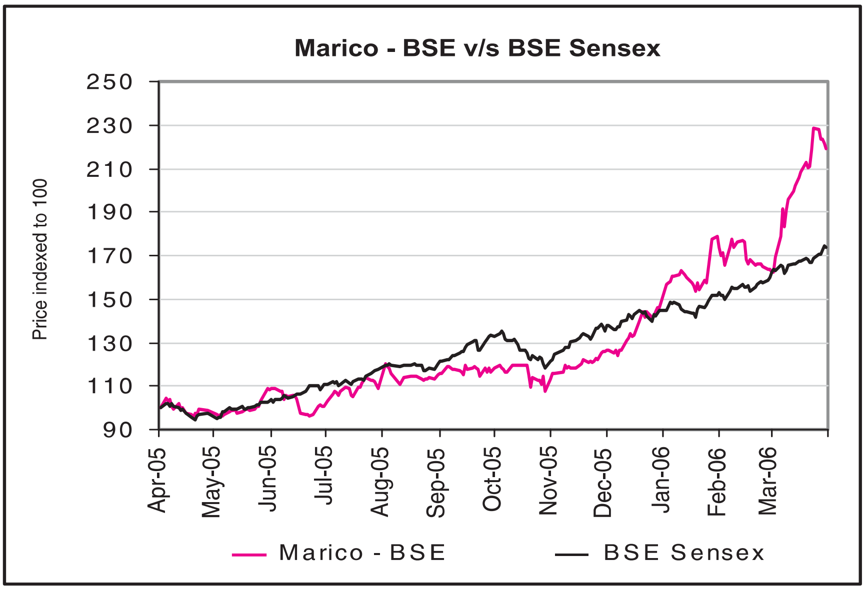
from the Indian Institute of Management, Ahmedabad. Her experience of 22 years comprises corporate roles in Infosys Technologies Ltd. and Motor Industries Co. Ltd., and an entrepreneurial stint in an HR consulting venture she set up independently to service clients across industries. She is also on the Board of Feedback Business Consulting P. Ltd. She brings to the Board a rich experience in change management, leadership development and human resource development. She does not have any shareholding in the Company.

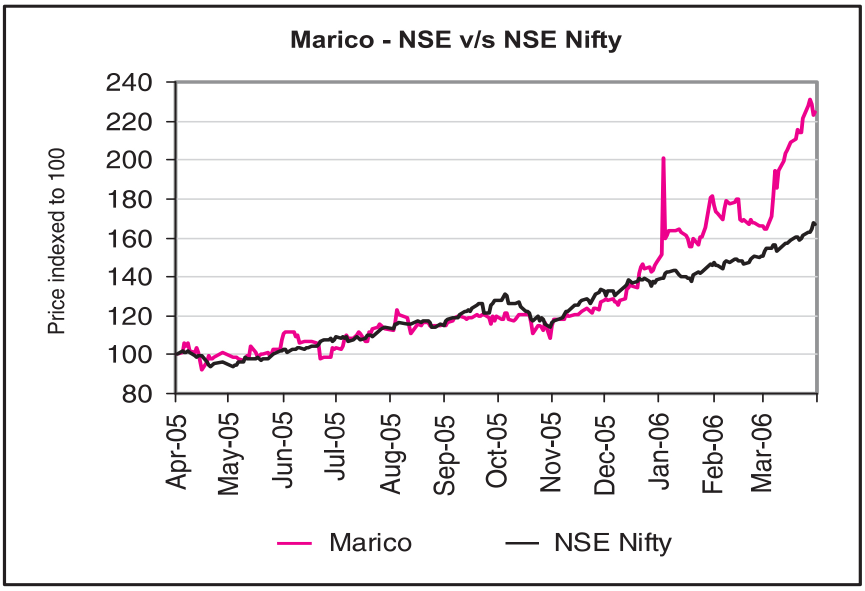
Annual General Meeting – Date, Time and Venue	:	9.15 a.m. on Tuesday, July 25, 2006 Indian Education Society, Gate No. 6, Manik Sabha Griha , Opposite Leelavati Hospital, Bandra Reclamation, Bandra (W), Mumbai 400 050
Financial Year	:	April 01 - March 31
Book Closure Date	:	Wednesday, June 28, 2006 to Friday, June 30, 2006, both days inclusive.
Dividend Payment Date	:	August 23, 2005 (1st Interim Equity Dividend 2005-06) November 21, 2005 (2nd Interim Equity Dividend 2005-06) February 20, 2006 (3rd Interim Equity Dividend 2005-06) May 12, 2006 (4th Interim Equity Dividend 2005-06)
Listing on Stock Exchanges	:	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 Financial Year 2006-07 have been paid.
Stock / Scrip Code	:	BSE – 531642 NSE – MARICO
ISIN Number	:	INE 196A01018
Unique Identification Number	:	100067223
Market Price Data	:	

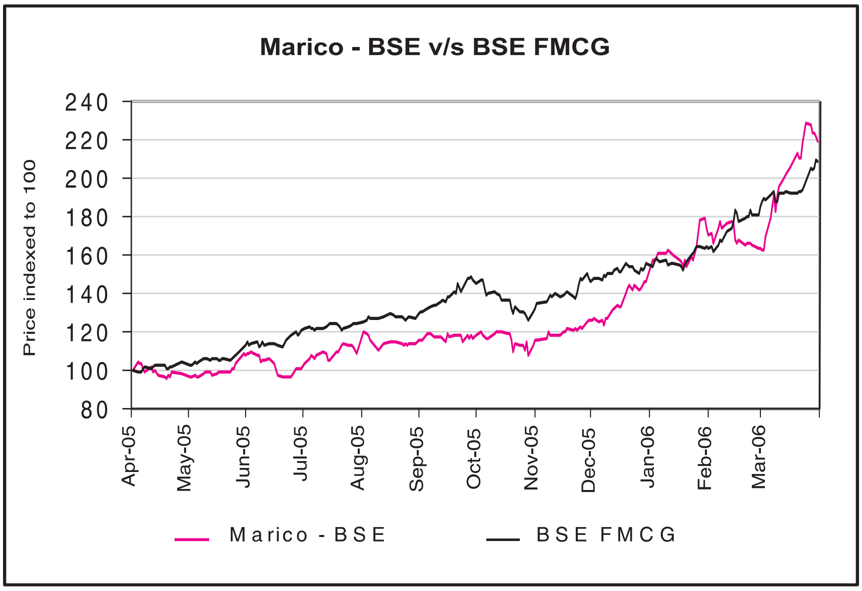
Month	The Stock Exchange, Mumbai (BSE) (In Rs.)		National Stock Exchange (NSE) (In Rs.)	
	High	Low	High	Low
Apr-05	266.00	234.00	265.95	225.00
May-05	275.00	232.20	275.00	232.10
Jun-05	274.25	235.70	277.00	237.00
Jul-05	295.00	249.00	294.00	248.10
Aug-05	300.00	265.00	304.75	266.50
Sep-05	298.00	268.70	299.50	270.00
Oct-05	302.75	263.00	303.50	261.60
Nov-05	316.80	282.00	319.00	281.00
Dec-05	370.00	299.00	370.90	297.00
Jan-06	464.00	366.15	459.90	370.50
Feb-06	449.90	391.55	446.00	394.50
Mar-06	578.00	398.00	579.00	395.10

CORPORATE GOVERNANCE REPORT

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







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 Intime Spectrum Registry Limited, C -13 Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (West), Mumbai - 400 078 .

Distribution of Shareholding as on March 31, 2006 :

No. of Equity Shares held	No. of Shareholders	No. of Shares held	Percentage of Shareholding
0-50	4,030	1,11,943	0.19
51-500	4,975	10,44,672	1.80
501-1000	514	4,05,392	0.70
1001-5000	437	9,36,781	1.62
5001-10000	54	3,74,861	0.65
10001-50000	37	8,78,993	1.52
50001 & Above	74	5,42,47,358	93.53
Total	**10,121**	**5,80,00,000**	**100.00**

Categories of Shareholding as on March 31, 2006 :

Category	No. of Shareholders	No. of Shares held	Percentage of Shareholding
Promoters	31	3,86,40,652	66.62
Foreign Institutional Investors	23	79,98,758	13.79
NRIs and OCBs	200	2,18,071	0.38
Insurance Companies, Banks and other Financial Institutions	9	27,81,186	4.80
Mutual Funds, including Unit Trust of India	18	34,99,771	6.03
Public / Private Ltd. Companies	388	11,26,099	1.94
Resident Individuals, Trusts and In Transit	9,452	37,35,463	6.44
Total	**10,121**	**5,80,00,000**	**100.00**

CORPORATE GOVERNANCE REPORT

Dematerialisation of Shares and Liquidity	:	As on March 31, 2006, 96.32 % 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 Intime Spectrum Registry Limited Unit: Marico Limited C -13 Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (West), Mumbai - 400 078 **General Correspondence** Marico Limited, Rang Sharda, Krishnachandra Marg, Bandra Reclamation, Bandra (West), Mumbai - 400 050.

CHIEF EXECUTIVE OFFICER (CEO) DECLARATION

This is to confirm that the Company has adopted a Code of Conduct for its Board Members and senior management. This Code of Conduct is available on the Company's website.

I confirm that the Company has in respect of the financial year ended March 31, 2006, received from the senior management team of the Company and the Members of the Board a declaration of compliance with the Code of Conduct as applicable to them.

For the purpose of this declaration, senior management team means personnel as specified in the Annexure to the Code of Conduct.

HARSH MARIWALA

Chairman and Managing Director

Place : Mumbai
Date : April 20, 2006

CHIEF EXECUTIVE OFFICER (CEO) AND CHIEF FINANCIAL OFFICER (CFO) CERTIFICATION

We, to the best of our knowledge and belief, hereby certify that:

(a) We have reviewed the financial statements and cash flow statement for the year ended March 31, 2006 and to the best of our knowledge and belief:

(i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

(ii) These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

(b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year, which are fraudulent or illegal or violative of the Company's policies.

(c) We accept responsibility for establishing and maintaining internal controls and that we have evaluated the effectiveness of the internal control systems of the Company and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.

(d) We have indicated to the auditors and the Audit Committee:

(i) significant changes in internal control during the year;

(ii) significant changes in accounting policies during the year and that the same have been disclosed in the Notes to the Accounts; and

(iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the Management or an employee having a significant role in the Company's internal control system.

Yours truly,

For Marico Limited

HARSH MARIWALA
Chairman & Managing Director

Place : Mumbai
Date : April 20, 2006

For Marico Limited

MILIND SARWATE
Chief Financial Officer

Place : Mumbai
Date : April 20, 2006

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, 2006, the Profit and Loss Account and Cash Flow Statement of the Company for the year ended on that date (all 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. 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.

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 financial statements 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, 2006 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, 2006;

      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 20, 2006

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 material discrepancies were noticed on such verification during the year.

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

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

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

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

(iii) According to information and explanations given to us, the Company has neither granted nor 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 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 continuing failure to correct major weakness in the aforesaid internal control system.

(v) (a) According to information and explanations given to us and based on the disclosure of interest made by the directors of the Company, the particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section.

(b) According to information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rs. 5 lakhs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.

(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 products where, pursuant to Rules made by the Central Government of India, the maintenance of cost records has been prescribed under section 209(1)(d) of the Act. We are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determining whether they are accurate or complete.

(ix) (a) According to the information and explanations given to us, the Company is regular in depositing undisputed statutory dues including provident fund, investors education and protection fund, employees' state insurance, income tax, sales tax, service tax, wealth tax, custom duty, excise duty, cess and any other statutory dues as applicable with the appropriate authorities during the year, and there were no such outstanding dues as at March 31, 2006 for a period exceeding six months from the date they became payable.

ANNEXURE TO AUDITORS' REPORT

(b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of income tax, wealth tax, service tax, excise duty and cess which have not been deposited on account of any dispute. The particulars of sales tax and custom duty as at March 31, 2006 which have not been deposited on account of dispute are as follows :

Nature of dues	Amount Rs. Crore	Forum where dispute is pending
Sales tax	1.22	Appellate Authority- upto Commissioner's Level
	0.12	Appellate Authority- Tribunal
Customs duty	0.09	Custom Excise and Service Tax Appellate 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 preceeding 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) The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company.

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

(xv) In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Company, for loans taken by subsidiary from banks during the year are not prejudicial to the interest of the Company.

(xvi) In our opinion and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained.

(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, there are no funds raised on a short term basis which have been used for long term investment.

(xviii) 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 during the year.

(xix) The Company has not issued debentures during the year.

(xx) The Company has not raised any money by public issue during the year.

(xxi) 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 20, 2006

BALANCE SHEET

	SCHEDULE	As at March 31, 2006 Rs. Crore	2005 Rs. Crore
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Capital	A	58.00	58.00
Reserves and surplus	B	219.36	160.55
		277.36	**218.55**
LOAN FUNDS			
Secured loans	C	203.25	3.25
Unsecured loans	D	20.26	60.78
		223.51	**64.03**
DEFERRED TAX LIABILITY (NET)		**8.28**	**6.05**
(Refer Note 15, Schedule R)			
		509.15	**288.63**
APPLICATION OF FUNDS			
FIXED ASSETS	E		
Gross block		402.11	170.42
Less : Depreciation, amortisation and impairment		112.56	81.31
Net block		289.55	89.11
Capital work-in-progress		18.97	11.65
		308.52	**100.76**
INVESTMENTS	F	**36.39**	**29.09**
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	G	119.59	112.47
Sundry debtors	H	49.53	46.69
Cash and bank balances	I	28.08	17.81
Loans and advances - Subsidiaries [refer Note 13(ii), Schedule R]		84.52	56.08
Loans and advances - Others	J	43.79	34.63
		325.51	267.63
Less: CURRENT LIABILITIES AND PROVISIONS			
Current liabilities	K	141.75	93.79
Provisions	L	19.52	15.06
		161.27	108.85
NET CURRENT ASSETS		**164.24**	**158.78**
		509.15	**288.63**
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 20, 2006

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 & Company Secretary

Place : Mumbai
Date : April 20, 2006

PROFIT AND LOSS ACCOUNT

			For the year ended March 31,	
		SCHEDULE	2006 Rs. Crore	2005 Rs. Crore
INCOME :				
Sales			1,039.57	943.53
Less : Excise duty			1.31	5.21
			1,038.26	938.32
Income from services			6.65	3.74
Total Sales and Services			**1,044.91**	**942.06**
Other income		M	3.71	5.90
			1,048.62	**947.96**
EXPENDITURE :				
Cost of materials		N	574.06	601.96
Manufacturing and other expenses		O	331.75	256.36
Finance charges		P	0.61	0.42
Depreciation, amortisation & impairment		E	33.23	11.60
(Refer Notes 5, 6 and 7, Schedule R)			**939.65**	**870.37**
PROFIT BEFORE TAXATION			**108.97**	**77.59**
Provision for taxation :	- Current tax		9.02	6.05
	- MAT credit		(6.58)	–
	Sub Total		2.44	6.05
	- Fringe benefit tax		2.20	–
	- Deferred tax - debit/ (credit)		3.19	(0.20)
Short / (excess) income tax provision of earlier years			2.28	(2.05)
PROFIT AFTER TAXATION			**98.86**	**73.79**
Balance brought forward as on April 1, 2005			143.39	112.15
PROFIT AVAILABLE FOR APPROPRIATION			**242.25**	**185.94**
APPROPRIATIONS				
Interim dividends (subject to deduction of tax where applicable)			35.96	31.03
Tax on interim dividends			5.04	4.14
General reserve			9.89	7.38
BALANCE CARRIED TO THE BALANCE SHEET			**191.36**	**143.39**
BASIC AND DILUTED EARNINGS PER SHARE			**17.04**	**12.72**
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 20, 2006

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 & Company Secretary

Place : Mumbai
Date : April 20, 2006

CASH FLOW STATEMENT

			For the year ended March 31, 2006 Rs. Crore	2005 Rs. Crore
A)	**CASH FLOW FROM OPERATING ACTIVITIES**			
	Net Profit Before Tax		**108.97**	**77.59**
	Adjustments for:			
	Depreciation and amortisation		33.23	11.60
	Finance charges		5.02	3.02
	Interest income		(4.41)	(2.60)
	(Profit) / loss on sale of asset		(0.49)	(0.03)
	(Profit) / loss on sale of investments		(0.73)	(0.35)
	Dividend income on investments		(0.56)	(4.53)
	Provision for doubtful debts		–	0.10
	Cumulative exchange differences		0.45	0.23
			32.51	7.44
	Operating profit before working capital changes		**141.48**	**85.03**
	Adjustments for:			
	(Increase) / decrease in inventories		(7.11)	(17.75)
	(Increase) / decrease in sundry debtors		(3.42)	(13.59)
	(Increase) / decrease in loans and advances		(2.87)	(10.22)
	Increase / (decrease) in current liabilities		51.27	8.71
			37.87	(32.85)
	Cash generated from Operations		179.35	52.18
	Income tax paid (net of refunds)		(10.15)	(5.40)
	NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES	**A**	**169.20**	**46.78**
B)	**CASH FLOW FROM INVESTING ACTIVITIES**			
	Purchase of fixed assets		(244.50)	(22.68)
	(Purchase) / sale of investment		(5.32)	(14.31)
	Dividend income		0.56	4.53
	Sale of fixed assets		3.99	0.12
	Interest income		0.34	2.55
	NET CASH INFLOW / (OUTFLOW) FROM INVESTING ACTIVITIES	**B**	**(244.93)**	**(29.79)**

CASH FLOW STATEMENT

		For the year ended March 31, 2006 Rs. Crore	2005 Rs. Crore
C) CASH FLOW FROM FINANCING ACTIVITIES			
Investment in subsidiary		(1.23)	–
Amount borrowed / (repaid)		159.48	54.07
Loans and advances to subsidiary		(27.78)	(41.28)
Finance charges		(5.09)	(2.93)
Unclaimed dividend paid		(0.03)	(0.27)
Unclaimed redeemed 8% preference share capital paid		–	(0.65)
Dividend paid (including tax on dividends)		(39.35)	(31.78)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	**C**	**86.00**	**(22.84)**
D) NET INCREASE / (DECREASE) IN CASH & CASH EQUIVALENTS	**A+B+C**	**10.27**	**(5.85)**
E) CASH AND CASH EQUIVALENTS - OPENING BALANCE		**17.81**	**23.66**
F) CASH AND CASH EQUIVALENTS - CLOSING BALANCE		**28.08**	**17.81**

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

VIJAY N. BHATT
Partner (F-36647)

Place : Mumbai
Date : April 20, 2006

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 & Company Secretary

Place : Mumbai
Date : April 20, 2006

SCHEDULES TO BALANCE SHEET

	As at March 31, 2006 Rs. Crore	As at March 31, 2005 Rs. Crore
SCHEDULE 'A'		
SHARE CAPITAL		
AUTHORISED:		
60,000,000 (60,000,000) equity shares of Rs. 10 each	60.00	60.00
	60.00	**60.00**
ISSUED AND SUBSCRIBED :		
58,000,000 (58,000,000) equity shares of Rs. 10 each fully paid up	58.00	58.00
The above includes :		
(a) 29,000,000 (29,000,000) equity shares issued as fully paid bonus shares by capitalisation of capital redemption reserve of Rs. 290,000,000 (Rs. 290,000,000)		
(b) 26,500,000 (26,500,000) equity shares issued as fully paid bonus shares by capitalisation of General Reserve of Rs. 265,000,000 (Rs. 265,000,000)		
	58.00	**58.00**
SCHEDULE 'B'		
RESERVES AND SURPLUS		
CAPITAL REDEMPTION RESERVE		
As on April 1, 2005	–	29.00
Less : Utilised for issue of bonus equity shares	–	29.00
	–	–
GENERAL RESERVE		
As on April 1, 2005	17.16	9.78
Add : Transfer from profit and loss account	9.89	7.38
Adjustment of deferred tax on impaired assets	0.95	–
	28.00	17.16
PROFIT AND LOSS ACCOUNT	191.36	143.39
	219.36	**160.55**
SCHEDULE 'C'		
SECURED LOANS		
Term loan from bank	200.00	–
(To be secured by pari passu charge on fixed assets and brands. The loan is repayable in 8 instalments beginning August 1, 2007. The company, however, has the option to make a premature repayment of the loan at the end of 2nd and 6th month from the date of drawdown of the loan, i.e., in April 2006 and August 2006.)		
Working capital finance from banks	3.25	3.25
(Secured by hypothecation of stocks in trade and debtors)		
	203.25	**3.25**
SCHEDULE 'D'		
UNSECURED LOANS		
From banks (short term)	20.26	60.78
	20.26	**60.78**

SCHEDULES TO BALANCE SHEET

SCHEDULE 'E'

FIXED ASSETS

Amount in Rs. Crore

PARTICULARS	GROSS BLOCK				DEPRECIATION / AMORTISATION					NET BLOCK	
	As at March 31, 2005	Additions	Deductions/ Adjustments	**As at March 31, 2006**	As at March 31, 2005	For the year	Deductions/ Adjustments	**As at March 31, 2006**	Provision for impairment as at March 31, 2006 (See note 2 below)	**As at March 31, 2006**	As at March 31, 2005
Tangible assets											
Freehold land	1.21	–	–	1.21	–	–	–	–	–	1.21	1.21
Leasehold land	1.79	–	–	1.79	0.10	0.02	–	0.12	–	1.67	1.69
Buildings	40.47	0.36	3.27	37.56	5.85	0.87	0.48	6.24	–	31.32	34.62
Plant and machinery	113.88	11.06	2.16	122.78	60.93	24.49	1.48	83.94	7.64	31.20	47.71
Furniture and fittings	3.23	1.40	0.02	4.61	1.23	0.71	0.01	1.93	–	2.68	2.00
Vehicles	0.85	–	0.03	0.82	0.26	0.08	0.01	0.33	–	0.49	0.59
Intangible assets (see note 3 below)											
– Trademarks and copyrights	–	194.60	–	194.60	–	3.29	–	3.29	–	191.31	–
– Business and commercial rights	0.16	1.85	–	2.01	0.04	0.06	–	0.10	–	1.91	0.12
– Other intangibles (see note 4 below)	–	26.85	–	26.85	–	0.51	–	0.51	–	26.34	–
– Computer software	8.83	1.05	–	9.88	7.66	0.80	–	8.46	–	1.42	1.17
TOTAL	**170.42**	**237.17**	**5.48**	**402.11**	**76.07**	**30.83**	**1.98**	**104.92**	**7.64**	**289.55**	**89.11**
Previous year	152.48	18.64	0.70	170.42	66.14	10.54	0.61	76.07	5.24		
Capital work–in–progress (at cost) including advances on capital account (see note 5)										18.97	11.65
										308.52	**100.76**

Notes :

1. Gross block includes: -
   - Freehold land Rs. 0.30 crore (Rs. 0.30 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.
   - Trademarks Rs. 93.30 crore (Nil) pending registration.
2. Includes impairment for the year Rs. 2.40 crore (Rs. 1.06 crore) charged to profit and loss account under "Depreciation, amortisation and impairment".
3 Intangible assets include Rs. 211.27 crore (Nil), which are to be offered as security for borrowing of Rs. 200.00 crore referred in Schedule C.
4. Other intangibles comprise non-compete fees for Manjal and Nihar, designs and know-how for Nihar.
5. Capital work-in-progress includes Rs. 11.73 crore (Nil) paid as advance towards acquisition of overseas trademarks.

SCHEDULES TO BALANCE SHEET

	As at March 31, 2006 Rs. Crore	2005 Rs. Crore
SCHEDULE 'F'		
INVESTMENTS (Non Trade)		
LONG TERM - 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	10.00	10.00
10,000,000 (10,000,000) equity shares of Rs. 10 each fully paid		
Sundari LLC	5.81	5.81
75,500 (75,500) units of USD 18.25 each fully paid		
Marico Middle East LLC	1.23	–
1 (Nil) equity share of UAE Dirham 150,000 fully paid		
	17.91	16.68
CURRENT INVESTMENT – UNQUOTED, LOWER OF COST AND NAV		
Investment in Mutual Fund Units		
Birla Mutual Fund - Folio No. 1009689027	1.92	–
1,901,366 (Nil) units of Rs. 10 each fully paid		
Prudential ICICI Floating Rate Plan D – Growth	0.49	–
479,931 (Nil) units of Rs. 10 each fully paid		
Tata Floating Rate Short Term Inst Plan	0.05	–
51,318 (Nil) units of Rs. 10 each fully paid		
Kotak FMP Series XX – Growth	3.00	–
3,000,000 (Nil) units of Rs. 10 each fully paid		
Kotak FMP Series XVI – Growth	3.00	–
3,000,000 (Nil) units of Rs. 10 each fully paid		
DSP Merrill Lynch Liquidity Fund – Inst – Growth	10.02	–
99,256 (Nil) units of Rs. 1,000 each fully paid		
Prudential ICICI Floating Rate Plan C – Growth Option	–	4.00
Nil (3,868,920) units of Rs. 10 each fully paid		
Birla Cash Sweep Plan 664 a/c	–	0.36
Nil (358,226.5) units of Rs. 10 each fully paid		
Birla Cash Sweep Plan 884 a/c	–	0.91
Nil (902,520.4) units of Rs. 10 each fully paid		
RMTF Retail – Growth Plan – Bonus Option (4038841574)	–	7.14
Nil (6,988,316) units of Rs. 10 each fully paid		
	18.48	**12.41**
	36.39	**29.09**

SCHEDULES TO BALANCE SHEET

Note: Units of Mutual Funds purchased and sold during the year	No. of Units Purchased	Sold
Name of the scheme		
Birla Sweep Fund 664- Dividend Reinvestment	30,531,037	30,889,264
Prudential ICICI Liquid Plan Inst Plus - Growth Option	12,271,903	12,271,903
Prudential ICICI Floating Rate Plan C - Daily Dividend	8,037,062	8,037,062
Prudential ICICI Floating Rate Plan C - Growth	20,748,654	24,617,575
Prudential ICICI Liquid Fund - Daily Dividend Reinvestment	20,444,171	20,444,171
Prudential ICICI Liquid Fund Growth	9,899,849	9,899,849
Prudential ICICI Inst Liquid Plan- Super Inst Growth	5,009,549	5,009,549
RMTF - Retail Plan - Growth Plan - Bonus Option	–	6,988,316
Reliance Fixed Maturity Fund - Monthly Plan II - Series II - Dividend Option	1,000,000	1,000,000
RLF - Treasury Plan - Inst Option - Daily Dividend Option	1,505,734	1,505,734
RLF - Treasury Plan - Inst Option - Growth Option	862,027	862,027
RLF - Treasury Plan - Retail Option - Monthly Dividend Option	2,085,071	2,085,071
Reliance Floating Rate Fund - Daily Dividend Plan	2,289,603	2,289,603
Reliance Floating Rate Fund - Growth Plan	1,353,274	1,353,274
Reliance Fixed Maturity Fund - Monthly Plan VI -Series II - Growth Option	3,000,000	3,000,000
Reliance Fixed Maturity Fund - Monthly Plan VII -Series II - Growth Option	3,015,330	3,015,330
Reliance Fixed Maturity Fund - Monthly Plan VIII -Series II - Growth Option	3,000,000	3,000,000
Reliance Fixed Maturity Fund - Monthly Plan IX -Series II - Growth Option	3,000,000	3,000,000
Reliance Fixed Maturity Fund - Quarterly Plan II - Series II - Growth Option	3,000,000	3,000,000
RMTF - Retail Plan - Growth Plan	777,647	777,647
Tata Liquid Super High Investment Fund-Daily Dividend	79,548	79,548
Tata Liquid Super High Investment Fund-Appreciation	188,161	188,161
UTI Floating Rate Fund - Short Term Plan (Growth Option)	9,014,830	9,014,830
UTI Liquid Cash Plan Inst - Growth Option	44,868	44,868
GCCD Grindlays - Super Inst Plan C - Daily Dividend	4,207,940	4,207,940
GCCG Grindlays Cash Fund - Super Inst Plan C -Growth	15,698,119	15,698,119
GFBD Grindlays Floating Rate - ST Inst Plan B - Daily Dividend	993,821	993,821
GFCD Grindlays Floating Rate -ST - Inst Plan C - Daily Dividend	5,142,645	5,142,645
G65 Standard Chartered Liquidity Manager - Growth	9,962,901	9,962,901
GFCG - Grindlays Floating Rate- ST- Super Inst Plan C - Growth	6,448,955	6,448,955
Kotak Floater Short Term - Weekly Dividend	7,817,134	7,817,134
Kotak Liquid (Inst Premium)- Daily Dividend	2,996,337	2,996,337
Kotak Liquid (Inst Premium)- Growth	17,172,286	17,172,286
Kotak Floater Short Term - Growth	7,178,919	7,178,919
Kotak Flexi Debt Scheme - Growth	955,521	955,521
Kotak FMP Series XII - Growth	1,000,000	1,000,000
Franklin Templeton - Daily Dividend Reinvestment	26,944	26,944
HSBC Floating Rate Short Term Fund - Inst Option	10,940,381	10,940,381
HSBC Cash Fund - Inst Plus - Growth	8,405,862	8,405,862
DSP Merrill Lynch Liquidity Fund - Regular - Growth	2,976,527	2,976,527
DSP Merrill Lynch Floating Rate Fund - Inst Plan - Growth	49,664	49,664
Principal Floating Rate Fund SMP - Inst Option - Growth Plan	8,778,220	8,778,220
Principal Deposit Fund (FMP- 3-20) 91 Days Plan Growth	2,000,000	2,000,000
Principal Cash Management Fund - Liquid Option - Inst Premium Plan - Growth Plan	6,221,560	6,221,560

SCHEDULES TO BALANCE SHEET

	As at March 31, 2006 Rs. Crore	2005 Rs. Crore
SCHEDULE 'G'		
INVENTORIES		
(As valued and certified by the Management)		
Raw materials	45.54	47.74
Packing materials	18.53	15.56
Work-in-process	13.87	11.78
Finished products	37.59	33.46
Stores, spares and consumables	3.25	2.72
By-products	0.81	1.21
	119.59	**112.47**

	As at March 31, 2006 Rs. Crore	2005 Rs. Crore
SCHEDULE 'H'		
SUNDRY DEBTORS		
Unsecured		
Over six months - Considered good	0.99	0.71
- Considered doubtful	1.97	1.97
	2.96	2.68
Less: Provision for doubtful debts	1.97	1.97
	0.99	0.71
Other Debts - Considered good	48.54	45.93
	49.53	**46.64**

	As at March 31, 2006 Rs. Crore	2005 Rs. Crore
SCHEDULE 'I'		
CASH AND BANK BALANCES		
Cash on hand	0.26	0.11
Balances with scheduled banks:		
Fixed deposits (deposited with Sales Tax authorities Rs. 0.10 crore (Rs. 0.10 crore))	0.66	2.65
Margin accounts (against bank guarantees)	1.49	1.49
Current accounts	24.08	11.08
Balances with non - scheduled banks:		
Current accounts (refer Note 12, Schedule R)	1.59	2.48
	28.08	**17.81**

SCHEDULES TO BALANCE SHEET

	As at March 31, 2006 Rs. Crore	2005 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	23.13	12.81
Deposits	7.04	6.15
Balances with Central Excise authorities	0.40	0.13
Interest accrued on loans / deposits	0.19	0.11
Interest accrued on loans / advances to subsidiaries	5.29	1.96
Income tax payments, net of provision	0.75	4.47
Fringe benefit tax payments, net of provisions	0.38	–
MAT credit entitlement	6.58	–
Assets held for disposal	0.03	–
	43.79	**34.63**
SCHEDULE 'K'		
CURRENT LIABILITIES		
Sundry creditors	133.60	90.27
Other liabilities	6.63	1.83
Security deposits	1.26	1.33
Interest accrued but not due on loans	0.05	0.12
Unclaimed dividend	0.18	0.21
Unclaimed redeemed 8% preference share capital	0.03	0.03
	141.75	**93.79**
SCHEDULE 'L'		
PROVISIONS		
Leave encashment	6.29	3.49
Interim dividend	11.60	10.15
Tax on interim dividend	1.63	1.42
	19.52	**15.06**

SCHEDULES TO PROFIT AND LOSS ACCOUNT

	For the year ended March 31, 2006 Rs. Crore	2005 Rs. Crore
SCHEDULE 'M'		
OTHER INCOME		
Income from investments		
Long term investment		
Dividend from subsidiaries	–	4.09
Current investment		
Profits on sale of units of mutual funds	0.73	0.35
Dividend	0.56	0.44
Miscellaneous income	2.42	1.02
(Refer Note 8, Schedule R)		
	3.71	**5.90**

	2006 Rs. Crore	2005 Rs. Crore
SCHEDULE 'N'		
COST OF MATERIALS		
Raw materials consumed	466.94	514.12
Packing materials consumed	89.97	72.21
Stores and spares consumed	8.34	7.36
Purchase for resale	14.63	9.26
(Increase) / decrease in stocks		
Opening stocks		
- Work-in-process	11.78	15.22
- By-products	1.21	0.31
- Finished products	33.46	29.93
Less :		
Closing stocks		
- Work-in-process	13.87	11.78
- By-products	0.81	1.21
- Finished products	37.59	33.46
	(5.82)	**(0.99)**
	574.06	**601.96**

SCHEDULES TO PROFIT AND LOSS ACCOUNT

SCHEDULE 'O'
MANUFACTURING AND OTHER EXPENSES

	For the year ended March 31, 2006 Rs. Crore	2005 Rs. Crore
Employees' costs :		
Salaries, wages and bonus	54.91	35.42
Contribution to provident fund and other funds	3.32	3.67
Welfare expenses	3.93	3.05
	62.16	42.14
Power, fuel and water	4.13	3.97
Contract manufacturing charges	37.38	32.43
Rent and storage charges	4.21	4.03
Repairs to buildings	1.53	1.18
Repairs to machinery	4.14	3.38
Repairs - others	0.65	0.50
Freight, forwarding and distribution expenses	42.14	37.50
Advertisement and sales promotion (net of write back of previous year's provision no more required - Rs. 4.80 crore)	123.92	85.49
Rates and taxes	0.54	0.40
Sales tax and cess	12.16	10.42
Provision for doubtful debts	–	0.10
Printing, stationery and communication expenses	4.98	4.80
Travelling, conveyance and vehicle expenses	10.90	9.06
Royalty	0.19	–
Insurance	1.02	0.91
Miscellaneous expenses (Refer Note 9, Schedule R)	21.70	20.05
	331.75	**256.36**

SCHEDULE 'P'
FINANCE CHARGES

	2006 Rs. Crore	2005 Rs. Crore
Interest on		
Fixed period loans	2.13	0.53
Other loans	1.47	0.76
Bank and other financial charges	1.42	1.73
	5.02	3.02
Less : Interest income on loans, deposits, etc. (Tax deducted at source Rs. 0.08 crore (Rs.0.09 crore))	4.41	2.60
	0.61	**0.42**

SCHEDULES TO PROFIT AND LOSS ACCOUNT

ADDITIONAL INFORMATION

SCHEDULE 'Q'

Amount in Crore

A) DETAILS OF PRODUCTION, TURNOVER, OPENING STOCK AND CLOSING STOCK

Sr. No.	Particulars	Unit	Period ended	Installed capacity (Note I)	Opening stock Quantity	Opening stock Amount Rs. Crore	Production Quantity (Note IV)	Purchases Quantity	Purchases Amount Rs. Crore	Turnover Quantity	Turnover Amount Rs. Crore	Closing stock Quantity	Closing stock Amount Rs. Crore
1	Edible Oils	(M.T.)	**31.03.2006**	**150,000 of Oils**	**3,430.11**	**25.51**	**66,403.40**	**948.25**	**3.95**	**85,686.04**	**856.84**	**4,910.11**	**24.71**
			31.03.2005	150,000 of Oils	3,388.18	23.18	75,735.44	–	–	78,971.58	750.31	3,430.11	25.51
2	Hair oils (Note II)	(K.L.)	**31.03.2006**	**13,200**	**847.99**	**7.07**	**7,572.25**	**–**	**–**	**7,686.98**	**116.22**	**1,148.65**	**9.96**
			31.03.2005	13,200	699.36	4.70	1,480.40	–	–	7,329.83	124.06	847.99	7.07
3	Others (Note III) (Incl. processed foods		**31.03.2006**	–	–	**2.09**	–	**–**	**10.68**	–	**65.20**	–	**3.73**
	and by - products)		31.03.2005	–	–	2.36	–	–	9.26	–	63.95	–	2.09
4	Service income		**31.03.2006**	–	–	–	–	–	–	–	**6.65**	–	–
	- commission		31.03.2005	–	–	–	–	–	–	–	3.74	–	–
	TOTAL		**31.03.2006**			**34.67**			**14.63**		**1,044.91**		**38.40**
			31.03.2005			30.24			9.26		942.06		34.67

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 July 25th,1991.

II) Produced by others - **415.39 KL** (5,998.05 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 M.T. 19,814.39 M.T. (7,355.57 M.T.).

SCHEDULES TO PROFIT AND LOSS ACCOUNT

	For the year ended March 31, 2006 Quantity M.T.	2006 Value Rs. Crore	2005 Quantity M.T.	2005 Value Rs. Crore
SCHEDULE 'Q'				
B) RAW MATERIALS CONSUMED				
Oil seeds	94,649.39	267.49	82,959.04	307.48
Raw oils	32,528.54	130.42	33,139.31	144.03
Others	–	69.03	–	62.61
		466.94		**514.12**

	%	Value Rs. Crore	%	Value Rs. Crore
C) VALUE OF IMPORTED AND INDIGENOUS MATERIALS CONSUMED				
Raw materials				
Imported	2.20	10.27	13.36	60.85
Indigenous	97.80	456.67	86.64	453.27
	100.00	**466.94**	**100.00**	**514.12**
Stores, spares and chemicals				
Imported	–	–	–	–
Indigenous	100.00	8.34	100.00	7.36
	100.00	**8.34**	**100.00**	**7.36**
D) VALUE OF IMPORTS ON C.I.F. BASIS				
Raw material		10.61		42.37
Packing material		2.15		0.74
		12.76		**43.11**
E) EXPENDITURE IN FOREIGN CURRENCY				
Travelling and other expenses		1.01		4.67
Advertisement and sales promotion		18.90		9.64
		19.91		**14.31**
F) EARNINGS IN FOREIGN EXCHANGE				
F.O.B. Value of exports		61.40		47.23
Royalty		0.25		0.23
Dividend		–		4.09
Service income		4.98		2.33
Interest		1.01		0.25
		67.64		**54.13**

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, Nihar, Saffola, Sweekar, Hair & Care, Sil, Revive, Shanti, Oil of Malabar, Mediker and Manjal. Marico's products reach its consumers through retail outlets serviced by Marico's distribution network comprising 6 regional offices, 31 carrying and forwarding agents, 1 consignment agent, 5 redistribution centers and about 3600 distributors spread all over India. The Company's overseas 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:

(i) Marico Bangladesh Limited in Bangladesh which manufactures and sells branded coconut oil in Bangladesh;

(ii) MBL Industries Limited, a wholly owned subsidiary of Marico Bangladesh Limited which also sells branded coconut oil and hair oils in Bangladesh;

(iii) Kaya Skin Care Limited which provides skin care services and sells products through Kaya Skin Clinics;

(iv) Sundari LLC, United States, a joint venture, carrying on ayurvedic skin care products business under the brand name SUNDÃRI;

(v) Marico Middle East FZE, in United Arab Emirates(UAE) set up during the year for carrying on business, inter alia, in consumer products in the Middle East region;

(vi) Kaya Middle East FZE, a wholly owned subsidiary of Marico Middle East FZE set up during the year for carrying on business, inter alia, in skin care services and products through Kaya Skin Clinics in the Middle East region.

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 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. Other pre–operative expenses for major projects are also capitalised, where appropriate.

(c) Depreciation / Amortisation

I. Tangible assets

(i) Depreciation is provided 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 for the following items of plant and machinery that are higher than the rates stipulated in Schedule XIV to the Companies Act, 1956 are as follows:

a) Computer hardware and related peripherals	– 33 1/3%
b) Technologically advanced packing machinery	– 20%
c) Laser machines at Kaya Skin Clinics	– 14%
d) Other machines at Kaya Skin Clinics	– 10%
e) Moulds	–16.21%
f) Technologically advanced machinery	– 10%

NOTES TO THE ACCOUNTS

(ii) Depreciation on plant and machinery (other than items specified in (i) above, which are depreciated on Straight Line basis at rates higher than those statutorily prescribed) is provided on Written Down Value basis. Depreciation on all other assets is provided on Straight Line basis.

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

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

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

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

(vii) Furniture and fixtures in leasehold premises are amortised over the primary period of lease.

(viii) Depreciation on additions during the year is charged / provided from the month in which the asset is capitalised.

(ix) Depreciation on deletions during the year is charged / provided upto the month prior to the month in which the asset is disposed off.

II. Intangible assets

(i) Trademarks, copyrights and business and commercial rights are amortised over their estimated economic life, but not exceeding 10 years.

(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 (not exceeding 10 years)
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.

NOTES TO THE ACCOUNTS

(h) Retirement benefits

The Company has various schemes of retirement benefits, namely, provident fund, superannuation fund, 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) Transactions in foreign currencies are recognised at the prevailing exchange rates on the transaction dates. Realised gains and losses on settlement of foreign currency transactions are recognised in the Profit and Loss Account.

(ii) Foreign currency monetary assets and liabilities at the year end are translated at the year end exchange rates, and the resultant exchange difference is recognised in the Profit and Loss Account, except those relating to acquisition of fixed assets, which are included in the cost of the fixed assets.

(iii) In case of forward contracts with underlying assets or liabilities, 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.

(iv) Forward exchange contracts entered into to hedge the foreign currency risks of a firm commitment or a highly probable forecast transaction are marked to market as at the year end and the resultant exchange gain or loss is recognised in the Profit and Loss Account.

(v) 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. Minimum Alternate Tax (MAT) credit, which is equal to the excess of MAT (calculated in accordance with provisions of section 115JB of the Income Tax Act, 1961) over normal income tax is recognized as an asset by crediting the Profit and Loss Account only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period of seven succeeding assessment years.

(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 guarantees given to banks on behalf of subsidiaries Rs. 36.41 crore (Rs. 2.95 crore).

(ii) Sales tax / cess claims disputed by the Company Rs. 0.87 crore (Rs. 3.66 crore).

(iii) Income tax and interest demands raised by authorities and disputed by the Company Rs. 8.12 crore (Rs. 7.45 crore).

(iv) Claims of Custom authorities disputed by the Company Rs. 1.84 crore (Nil).

(v) Claims against the Company not acknowledged as debts Rs. 3.01 crore (Rs. 3.03 crore).

(b) Amount outstanding towards Letters of Credit Rs. 0.32 crore (Rs. 2.24 crore).

4) Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 2.94 crore (Rs. 1.82 crore) net of advances.

5) During the year, the Company revised the useful lives of plant and machinery and furniture and fixtures at the Kaya Skin Clinics in Dubai and has depreciated the unamortized depreciable amount as at April 1, 2005 over the remaining useful life resulting in an additional charge of Rs. 0.56 crore. Consequently, depreciation charge for the year is higher by Rs. 0.56 crore and profit for the year is lower by an equivalent amount.

NOTES TO THE ACCOUNTS

6) During the year, the Company changed its method of accounting depreciation on plant and machinery referred in note 2(c)(I)(ii) from Straight Line basis to Written Down Value basis. As a result of this change,

- additional depreciation of Rs. 14.01 crore in respect of earlier years is charged to the Profit and Loss Account and included under "Depreciation, amortisation and impairment" of the current quarter,
- the depreciation for the year ended March 31, 2006 is higher by Rs. 0.90 crore, and
- deferred tax liability of Rs. 3.43 crore has been reversed as at March 31, 2006.

7) Based on th criteria prescribed under Accounting Standard 28 (AS 28) "Impairment of Assets" issued by the Insitute of Chartered Accountants of India, which has become mandatory with effect from April 1, 2004, the Company had identified certain plant and machinery with Written Down Value of Rs. 2.40 crore (Rs. 1.06 crore) as on March 31, 2006 as 'impaired fixed assets' and provided for the same as impairment loss and included under "Depreciation, amortisation and impairment" in the Profit and Loss Account.

8) Miscellaneous income includes lease income Rs. 0.57 crore (Rs. 0.56 crore), insurance claims Rs. 0.22 crore (Rs. 0.17 crore), profit on sale / disposal of assets (net) Rs. 0.49 crore (Rs. 0.03 crore), and royalty from subsidiary Rs. 0.25 crore (Rs. 0.23 crore).

9) Miscellaneous expenses (net of write back of earlier years' provisions no longer required – Rs. 4.50 crore (Rs. 2.28 crore)) include commission and brokerage Rs. 2.01 crore (Rs. 1.72 crore), donations Rs. 0.38 crore (Rs. 0.17 crore), audit fees Rs. 0.18 crore (Rs. 0.16 crore), tax audit fees Rs. 0.06 crore (Rs. 0.02 crore), payment to auditors for other services Rs. 0.07 crore (Rs. 0.07 crore) and reimbursement to auditors for out–of–pocket expenses Rs. 0.01 crore (Rs. 0.01 crore).

10) Research and development expenses aggregating Rs. 3.28 crore (Rs. 2.94 crore) have been included under the relevant heads in the Profit and Loss Account.

11) Exchange gain (net) aggregating Rs. 0.49 crore (Rs. 0.23 crore loss) has been included under the relevant heads in the Profit and Loss Account.

12) Details of balances with non–scheduled banks are as under:

(Rs. Crore)

Bank Name	Balance as on March 31, 2006	Balance as on March 31, 2005	Maximum Balance during the year ended March 31, 2006	Maximum Balance during the year ended March 31, 2005
Karur Vysya Bank	0.41	–	1.00	–
Janata Sahakari Bank	–	0.01	0.01	0.04
Lakshmi Vilas Bank	0.52	1.54	12.74	13.36
Standard Chartered Bank – Dubai	0.56	0.41	0.81	1.66
Mashreq Bank – Dubai	0.10	0.52	2.48	0.85

13) (i) Sundry debtors include amount due from Marico Bangladesh Limited, a subsidiary company and a company under the same management Rs. 5.97 crore (Rs. 2.76 crore).

(ii) Loans and advances to subsidiaries comprise amounts due from:

- Kaya Skin Care Limited, a subsidiary company and a company under the same management Rs. 64.00 crore (Rs. 44.19 crore) [Maximum amount due during the year Rs. 64.00 crore (Rs. 44.19 crore)].
- Sundari LLC, a joint venture of the Company, Rs. 20.42 crore (Rs. 11.89 crore) [Maximum amount due during the year Rs. 20.42 crore (Rs. 11.89 crore)].
- Marico Middle East FZE, a subsidiary company and a company under the same management Rs. 0.05 crore (Nil) [Maximum amount due during the year Rs. 0.05 crores (Nil)].

NOTES TO THE ACCOUNTS

- Kaya Middle East FZE, a subsidiary and a company under the same management Rs. 0.05 crore (Nil) [Maximum amount due during the year Rs. 0.05 crore (Nil)].

(iii) Interest accrued on loans and advances to subsidiaries comprise amounts due from:

- Kaya Skin Care Limited, a subsidiary company and a company under the same management Rs. 3.91 crore (Rs. 1.60 crore) [Maximum amount due during the year Rs. 3.91 crore (Rs. 1.60 crore)].
- Sundari LLC, a joint venture of the Company, Rs. 1.38 crore (Rs. 0.36 crore) [Maximum amount due during the year Rs. 1.38 crore (Rs. 0.36 crore)].

(iv) Loans and advances include amounts due from:

- Marico Bangladesh Limited, a subsidiary company and a company under the same management Rs. 0.65 crore (Rs. 0.40 crore) [Maximum amount due during the year Rs. 0.65 crore (Rs. 0.40 crore)].

14) Additional information on assets taken on lease:

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

	March 31, 2006 (Rs. Crore)	March 31, 2005 (Rs. Crore)
Lease rental payments for the year	0.78	0.70
Future minimum lease payment obligation payable		
– not later than one year	0.52	0.73
– later than one year but not later than five years	0.07	0.57
Total	**1.37**	**2.00**

15) Break–up of deferred tax liability:

	March 31, 2006 (Rs. Crore)	March 31, 2005 (Rs. Crore)
Deferred tax asset:		
Provision for doubtful debtors / advances that are deducted for tax purposes when written off	0.80	0.82
Liabilities that are deducted for tax purpose when paid	3.04	1.62
Total Deferred tax asset	**3.84**	**2.44**
Deferred tax liability:		
Additional depreciation on fixed assets for tax purposes due to higher tax depreciation rates	12.12	8.49
Total Deferred tax liability	12.12	8.49
Deferred tax liability (Net)	**8.28**	**6.05**

16) Earnings per share:

	March 31, 2006 (Rs. Crore)	March 31, 2005 (Rs. Crore)
Profit after taxation	98.86	73.79
Equity shares outstanding as at the year end	58,000,000	58,000,000
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 (Rs.)	10	10
Basic and diluted earnings per equity share (Rs.)	**17.04**	**12.72**

NOTES TO THE ACCOUNTS

17) 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 and other hair care products, fabric care products, processed foods (including distribution alliance with Indo Nissin), soaps, baby care products.
Others	Skin Care

i. Primary Segment Information

(Rs. Crore)

	Consumer Products	Others	Total
Segment revenue			
External sales	1039.92	4.99	1044.91
	(939.73)	(2.33)	(942.06)
Inter–segment sales	–	–	–
	(–)	(–)	(–)
Total revenue	**1039.92**	**4.99**	**1044.91**
	(939.73)	**(2.33)**	**(942.06)**
Segment result	**113.84**	**(4.26)**	**109.58**
	(79.22)	**(–)(1.20)**	**(78.02)**
Operating profit			109.58
			(78.02)
Interest expenses			5.02
			(3.02)
Interest income			4.41
			(2.6)
Net profit			**108.97**
			(77.59)
Other information			
Segment assets	634.39	7.18	641.57
	(359.77)	(8.63)	(368.40)
Unallocated corporate assets			28.85
			(29.08)
Total assets	**634.39**	**7.18**	**670.42**
	(359.77)	**(8.63)**	**(397.48)**
Segment liabilities	364.77	0.49	365.26
	(157.83)	(–)	(157.83)
Unallocated corporate liabilities			27.80
			(21.10)
Total liabilities	**364.77**	**0.49**	**393.06**
	(157.23)	**(–)**	**(178.93)**
Capital expenditure	235.71	1.46	237.17
	(17.65)	(0.99)	(18.64)
Depreciation, amortisation and impairment	29.42	3.81	33.23
	(11.12)	(0.48)	(11.6)
Impaired value of fixed assets	5.24	2.40	7.64
	(5.24)	(–)	(5.24)

NOTES TO THE ACCOUNTS

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	972.89
	(885.22)
Others (primarily Middle East and SAARC countries)	72.02
	(56.84)
Total	**1044.90**
	(942.06)

Carrying amount of assets and capital expenditure by geographical locations

	India (Rs. Crore)	**Others (Rs. Crore)**	**Total (Rs. Crore)**
Carrying amount of assets	639.04	31.38	670.42
	(388.78)	(8.7)	(397.48)
Capital expenditure	235.50	1.67	237.17
	(17.60)	(1.04)	(18.64)

iii. Notes to segmental information

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

(ii) Segment assets and liabilities: Segment assets include all operating assets used by a segment comprising 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.

18) Related party disclosures

	March 31, 2006 (Rs. Crore)	**March 31, 2005 (Rs. Crore)**
a) Subsidiary: Marico Bangladesh Limited (100% holding by Marico Limited)		
Nature of transactions:		
Balances		
Debtors	5.97	2.76
Loans and advances (Royalty)	0.65	0.40
Investments (1,000,000 (1,000,000) equity shares of Taka 10 (Taka 10) each)	0.86	0.86
Corporate guarantee given to bank	33.46	–

NOTES TO THE ACCOUNTS

	March 31, 2006 (Rs. Crore)	March 31, 2005 (Rs. Crore)
Transactions during the year		
Sales	15.46	12.80
Royalty income	0.25	0.23
Dividend income	–	4.09
Corporate guarantee given to bank	33.46	–
b) Subsidiary: Marico Middle East FZE (100% holding by Marico Limited)		
Nature of transactions:		
Balances		
Investments (1 (Nil) equity shares of UAE UAE Dirhams 1 million each)	1.23	–
Loan and advances	0.05	–
Advance received	0.11	–
Transactions during the year		
Investments (1 (Nil) equity shares of UAE UAE Dirhams 1 million each)	1.23	–
Loans and advances	0.05	–
Advance taken	0.11	–
c) Subsidiary: Kaya Skin Care Limited (100% holding by Marico Limited)		
Nature of transactions:		
Balances		
Balance of loans / advances	64.00	44.19
Interest accrued on loans	3.91	1.60
Investments (10,000,000 (10,000,000) equity shares of Rs. 10 (Rs. 10) each)	10.00	10.00
Corporate Guarantee given to bank	2.95	2.95
Transactions during the year		
Interest on loans / advance	2.98	1.74
Expenses allocated to the subsidiary	0.54	0.54
Advances given during the year (net of repayment)	18.98	29.25
Sales of goods	–	–
Professional services availed	0.12	–
d) Subsidiary : Kaya Middle East FZE (100% subsidiary of Marico Middle East FZE)		
Nature of transactions:		
Balances		
Loans and advances	0.05	–
Transactions during the year		
Loans and advances	0.05	–

NOTES TO THE ACCOUNTS

	March 31, 2006 (Rs. Crore)	March 31, 2005 (Rs. Crore)
e) Joint Venture : Sundari LLC		
(75.5% holding by Marico Limited)		
Nature of transactions:		
Balances		
Loans and advances	20.42	11.89
Interest accrued on loans and advances	1.38	0.36
Investments (75,500 (75,500) equity shares of USD 18.25 (USD 18.25) each)	5.81	5.81
Transactions during the year		
Loans and advances	7.96	6.33
Expenses incurred on behalf and hence allocated	0.24	0.06
Interest on loans and advances	1.01	0.25
f) Whole-time director: Harsh Mariwala, Chairman and Managing Director		
Nature of transactions:		
Remuneration for the year	1.05	1.10
Sale of residential premises	4.25	–
g) Employee: Rajvi Mariwala, daughter of Harsh Mariwala		
Nature of transactions:		
Stipend for the year	0.01	–

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)

19) Managerial Remuneration:

	For the year ended March 31, 2006 (Rs. Crore)	2005 (Rs. Crore)
Payments and provisions on account of remuneration to Chairman and Managing Director included in Profit and Loss Account		
Salary	0.87	0.60
Contribution to Provident and Pension Funds	0.07	0.16
Other perquisites	0.01	0.16
Annual performance incentive	0.10	0.18
	1.05	1.10
Remuneration to Non–wholetime Directors	0.12	0.08

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.

NOTES TO THE ACCOUNTS

20) Derivative transactions -

- The total derivative instruments outstanding as on March 31, 2006 (3 nos.) are of one kind i.e. participative and variable strip contracts amounting to USD 3.6 million.
- All the option contracts entered into by the company during the year were for hedging purpose and not for any speculative purpose.

There are no unhedged net foreign currency exposures outstanding as on March 31, 2006.

21) 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, 2006 was at Rs. 0.83 crore (Rs. 0.19 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. 0.02 crore). The interest payable to SSI's as at March 31, 2006 is Nil (Nil). The names of such SSI suppliers are as under:

Raviraj Plastochems, Chiranjeev Industries Ltd., Shivam Enterprises, Aishwarya Industries, Blow Containers, Galaxy Surfactants Ltd., Sai Plastics, Sri Ganesh Packs, V. I. Plastic Industries, Vignesh Plastics, Bhavani Enterprises, Janani Printers, Paras Polycontainers Pvt. Ltd., Apogee Plastics Pvt. Ltd., Moreshwar Industries, Sree Mookambika Polymers, Anmol Poly Products, Kris Plastics Pvt. Ltd., Complement Marketing Pvt. Ltd., Sigma Pack, Interlabels Industries Ltd., Indian Extrusion, Swan Plastics Pvt. Ltd., Badkur Polycans Industries Ltd., Sharyu Industries, Nikita Plast, Pilot Plastics Pvt. Ltd., Indian Extrusions, Eskay Flexible Packaging, Pratik Enterprises, Refine Marketing Pvt. Ltd., R.S. Polymers, Niki Plast, Shree Ganesha Packaging Industries.

22) During the year, the company made the following acquisitions:–

In January 2006, Marico acquired the Herbal Bath soap brand "Manjal" from Oriental Extractions Pvt. Ltd. for a total consideration of Rs. 7 crore, excluding transaction costs.

In February 2006, Marico purchased from Hindustan Lever Limited (HLL) assignable rights relating to the Brand Nihar for a total consideration of Rs. 216 crore, excluding transaction costs. Such rights include all trademarks, copyrights, technical know–how and designs in India and specified overseas countries. In addition, HLL has agreed to not compete with Marico in the coconut oil category for a period of five years.

23) As at March 31, 2006, the Company holds 100 % of the equity capital of Kaya Skin Care Limited (Kaya) at a cost of Rs. 10.0 crore. The Company has also advanced to Kaya loans (including interest accrued thereon) of Rs. 67.91 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 setting up of a large number of clinics at several locations and has so far set up 42 clinics in 16 cities. 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, 2006. There were significant improvements in operations during the year. Kaya's business is now expected to stabilize and break even at the profit before interest and tax level during 2006–07.

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 / debt 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.

24) As at March 31, 2006, 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 (including interest accrued thereon) of Rs. 21.80 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. As a result of these steps, there were improvements in operations of the company and in the process, sales grew although at a modest rate of 16% over the previous year. Sundari expects to stabilize its operations in the foreseeable 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 / debt 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.

25) There are no dues payable to the Investor Education and Protection Fund as at March 31, 2006.

NOTES TO THE ACCOUNTS

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

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

27) 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, 2006

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

Public issue	:	Nil
Bonus issue	:	Nil
Bonus preference shares	:	Nil
Rights issue	:	Nil
Private placement	:	Nil

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

Total Liabilities	:	Rs. 670.42 Crore
Total Assets	:	Rs. 670.42 Crore

Sources of Funds	(Amount in Rs. Crore)	**Application of Funds**	(Amount in Rs. Crore)
Paid up capital	58.00	Net fixed assets	308.52
Reserves and surplus	219.36	Investments	36.39
Secured loans	203.25	Net current assets	164.24
Unsecured loans	20.26		
Deferred tax liability	8.28		
Accumulated losses	–		
Total Sources	**509.15**	**Total Application**	**509.15**

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

Turnover (Sales and other income)	:	1048.62
Total Expenditure	:	939.65
Profit before tax	:	108.97
Profit after tax	:	98.86
Earnings per share (in Rs.)	:	17.04
Dividend rate (%)	:	62.00%

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 & Company Secretary

Place : Mumbai
Date : April 20, 2006

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	Marico Middle East FZE	Kaya Middle East FZE#
Name of the holding company	Marico Limited	Marico Bangladesh Limited	Marico Limited	Marico Limited	Marico Limited	Marico Middle East FZE
Holding Company's interest	1,000,000 ordinary shares of Taka 10 each, fully paid up	100,000 ordinary shares of Taka 10 each, fully paid up	10,000,000 ordinary shares of Rs. 10 each, fully paid up	75,500 shares of USD 18.25 each, fully paid up	1 ordinary share of AED 1,000,000 fully paid up	1 ordinary share of AED 1,50,000 fully paid up
Extent of Holding	100%	100%	100%	75.5%	100.0%	100.0%
The "financial year" of the subsidiary company ended on	September 30, 2005	September 30, 2005	March 31, 2006	December 31, 2005	March 31, 2006	March 31, 2006
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 4.13 crore (Rs. 2.96 crore)	Nil	Nil	Nil	Nil	Nil
• For the previous financial years since it became subsidiary	Taka 4.40 crore (Rs. 3.15 crore)	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 11.52 crore (Rs. 8.26 crore)	Taka 0.61 crore (Rs. 0.44 crore)	Rs.–11.61 crore	USD –0.15 crore (Rs.–6.64 crore)	*	*
• For the previous financial years since it became subsidiary	Taka 11.70 crore (Rs. 8.39 crore)	Taka 1.34 crore (Rs. 0.96 crore)	Rs.–12.00 crore	USD –0.15 crore (Rs.–6.64 crore)	NA	NA
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	NA	Nil	NA	NA
Material changes, if any, between the end of the financial year of the subsidiary and that of the holding company	Acquisition of soap brand from Aromatic Cosmetic Ltd. resulting to: Asset under contruction Taka 20.24 crore (Rs. 14.51 crore) Increase in other assets Taka 5.00 crore (Rs. 3.56 crore) Increase in intangible Taka 1.50 crore (Rs. 1.08 crore)	Nil	NA	Nil	NA	NA

* The amont is in hundreds and thus negligible for consideration.

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 and Kaya Middle East FZE is a subsidiary of the company as Marico Middle East FZE, a subsidiary of the Company, holds 100% of the interests in Kaya Middle East FZE.

The foreign exchange rate used for converting amounts in Taka, USD and AED to INR is Rs. 0.717/Taka, Rs. 44.27/USD and Rs.12.15/AED respectively.

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 and Company Secretary

Place : Mumbai
Date : April 20, 2006

STATEMENT PURSUANT TO SECTION 212 (8) OF THE COMPANIES ACT, 1956

As per AS-21 issued by the Institute of Chartered Accountants of India, the financial statements of the Company reflecting the consolidation of the accounts of its subsidiary companies to the extent of equity holding of the company in these companies are included in this Annual Report.

In terms of approval granted by the Central Government, Dept. of Company Affairs vide Approval letter no. 47/69/2006 dated March 27, 2006 u/s 212 (8) of the Companies Act, 1956, copy of the Balance Sheet, Profit and Loss Account, report of the Board of Directors and the report of the auditors of the subsidiary companies have not been attached to this Annual Report. The accounts of these companies have been seperately audited as per Generally Accepted Accounting Principles / Practices as applicable in their respective jurisdiction of the country of incorporation. A statement pursuant to the above order giving details of subsidiaries is attached herewith:

(Amount in Crore)

Name of the subsidiary company	Marico Bangladesh Limited	MBL Industries Limited	Kaya Skin Care Limited	Sundari LLC	Marico Middle East FZE	Kaya Middle East FZE
Capital	Taka 1.00 (Rs. 0.72)	Taka 0.10 (Rs. 0.07)	Rs. 10.00	USD 0.18 (Rs. 7.97)	AED 0.10 (Rs. 1.22)	AED 0.02 (Rs. 0.24)
Reserves	Taka 30.82 (Rs. 22.10)	Taka 1.95 (Rs. 1.40)	Rs. –23.61	USD –0.40 (Rs. –17.71)	*	*
Total Assets	Taka 43.75 (Rs. 31.37)	Taka 5.87 (Rs. 4.21)	Rs. 59.77	USD 0.29 (Rs. 12.83)	AED 0.10 (Rs. 1.22)	AED 0.03 (Rs. 0.36)
Total Liabilities	Taka 11.93 (Rs. 8.55)	Taka 3.82 (Rs. 2.74)	Rs. 73.38	USD 0.51 (Rs. 22.58)	*	AED 0.01 (Rs. 0.12)
Details of Investment (Excluding Investment in Subsidiaries)	Nil	Nil	Nil	Nil	Nil	Nil
Turnover	Taka 67.84 (Rs. 48.64)	Taka 14.99 (Rs. 10.75)	Rs. 42.72	USD 0.14 (Rs. 6.20)	Nil	Nil
Profit / Loss Before Tax	Taka 15.69 (Rs. 11.25)	Taka 1.02 (Rs. 0.73)	Rs. –11.34	USD –0.20 (Rs. –8.85)	*	*
Provision for Tax	Taka 0.04 (Rs. 0.03)	Taka 0.41 (Rs. 0.30)	Rs. 0.27	Nil	Nil	Nil
Profit / Loss After Tax	Taka 15.65 (Rs. 11.22)	Taka 0.61 (Rs. 0.44)	Rs. –11.61	USD –0.20 (Rs. –8.85)	*	*
Proposed Dividend including Dividend declared during the year	Taka 4.13 (Rs. 2.96)	Nil	Nil	Nil	Nil	Nil

* The amount is in hundreds and thus negligible for consideration.

The foreign exchange rate used for converting amounts in Taka, USD and AED to INR is Rs. 0.717/Taka, Rs. 44.27/USD and Rs.12.15/AED respectively.

The amounts given in the table above are from the annual accounts made for the respective financial year end for each of the companies.

Undertaking:

We undertake that the annual accounts of the subsidiary companies and the related detailed information will be made available to the investors, who seek such information, at any point of time. The annual accounts of the subsidiary companies will also be kept for inspection by the investor in the Registered / Head office of Marico and that of subsidiary companies concerned.

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 and Company Secretary

Place : Mumbai
Date : April 20, 2006

10 YEARS' HIGHLIGHTS

The highlights pertains to the financial performance of Marico Consolidated **Amount in Rs. Crore**

Year ended March 31,	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Sales & Services	**409.7**	**490.0**	**551.2**	**649.7**	**670.7**	**695.7**	**775.5**	**888.5**	**1,007.0**	**1,143.9**
Profit before Interest & Tax (PBIT)	35.3	42.4	47.7	45.8	53.7	61.9	65.1	66.3	76.3	103.0
Profit before Tax	27.7	36.5	44.0	42.6	50.1	57.8	64.0	65.1	74.3	98.0
Extraordinary / Exceptional items	1.4	–	–	(1.8)	–	–	–	–	–	–
Profit before Tax (PBT)	**29.1**	**36.5**	**44.0**	**40.8**	**50.1**	**57.8**	**64.0**	**65.1**	**74.3**	**98.0**
Profit after Tax (PAT)	21.5	30.0	37.5	35.7	45.8	50.1	56.2	59.0	70.1	86.9
Cash Profits (Profit after Current Tax + Depreciation + Amortisation)	24.6	34.0	42.7	43.5	54.6	67.2	78.2	72.1	82.8	137.2
Economic Value Added	**8.7**	**18.8**	**23.0**	**23.3**	**27.8**	**29.1**	**31.3**	**38.2**	**46.0**	**50.7**
Goodwill on consolidation	–	–	–	–	–	–	–	–	1.7	1.7
Net Fixed Assets	45.3	60.5	69.4	95.3	127.4	141.3	105.7	112.4	145.9	381.3
Investments	0.8	–	–	–	0.0	0.0	13.9	0.5	12.4	18.5
Net Current Assets	52.4	46.3	54.0	50.2	47.5	66.9	93.9	90.2	128.3	107.9
Miscellaneous Expenditure	–	–	–	–	–	–	0.7	0.5	0.4	0.3
Total Capital Employed	**98.5**	**106.8**	**123.5**	**145.5**	**174.9**	**208.2**	**214.2**	**203.6**	**288.7**	**509.6**
Equity Share Capital	14.5	14.5	14.5	14.5	14.5	14.5	29.0	29.0	58.0	58.0
Advance against Equity	–	–	–	–	–	–	–	0.2	–	–
Preference Share Capital	–	–	–	–	–	–	29.0	–	–	–
Reserves	65.3	83.4	106.5	127.7	156.8	182.7	135.0	155.2	158.9	203.5
Net Worth	**79.8**	**97.9**	**121.0**	**142.2**	**171.3**	**197.2**	**193.0**	**184.4**	**216.9**	**261.5**
Minority Interest	–	–	–	–	–	–	3.1	1.9	–	–
Borrowed Funds	18.7	8.9	2.5	3.3	3.6	5.0	12.0	11.1	65.7	239.8
Deferred Tax Liability	–	–	–	–	–	6.0	6.1	6.2	6.1	8.3
Total Funds Employed	**98.5**	**106.8**	**123.5**	**145.5**	**174.9**	**208.2**	**214.2**	**203.6**	**288.7**	**509.6**
Profit before Tax to Turnover (%)	7.1	7.4	8.0	6.3	7.5	8.3	8.2	7.3	7.4	8.6
Profit after Tax to Turnover (%)	4.9	6.1	6.8	5.5	6.8	7.2	7.2	6.6	7.0	7.6
Return on Net Worth (%) (PAT / Average Net Worth **)	29.5	33.8	34.3	27.1	29.2	27.2	28.8	31.2	35.0	36.3
Return on Capital Employed (PBIT#/Average Total Capital Employed *)	**34.5**	**41.3**	**41.5**	**32.7**	**33.5**	**32.3**	**30.8**	**31.7**	**31.0**	**25.8**
Net Cash Flow from Operations per share (Rs.) (Refer Cash Flow Statement)##	19.7	28.7	15.4	30.6	37.7	45.1	22.3	13.7	7.1	28.4
Earning per Share (EPS) (Rs.) (PAT / No. of Equity Shares)##	**13.9**	**20.7**	**25.9**	**24.6**	**31.6**	**34.5**	**19.0**	**9.7**	**12.1**	**15.0**
Economic Value Added per share (Rs.)##	6.0	13.0	15.8	16.1	19.2	20.1	10.8	6.6	7.9	8.7
Dividend per share (Rs.) ##	5.0	7.5	9.0	9.0	10.0	14.0	4.8	4.3	5.4	6.2
Debt / Equity	**0.23**	**0.09**	**0.02**	**0.02**	**0.02**	**0.03**	**0.06**	**0.06**	**0.30**	**0.92**
Book Value per share (Rs.) (Net Worth / No. of Equity Shares) ##	**55.0**	**67.5**	**83.4**	**98.1**	**118.1**	**136.0**	**66.5**	**31.8**	**37.4**	**45.1**
Sales to Average Capital Employed *	4.2	4.6	4.8	4.8	4.2	3.6	3.7	4.3	4.1	2.9
Sales to Average Net Working Capital ***	7.1	9.9	11.0	12.5	13.8	12.2	9.6	9.7	9.2	9.7

PBIT includes extraordinary items

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

** Average Net Worth = (Opening Net Worth + Closing Net Worth)/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 crore (5.8 crore shares)

Note : 1 crore equals 10 million

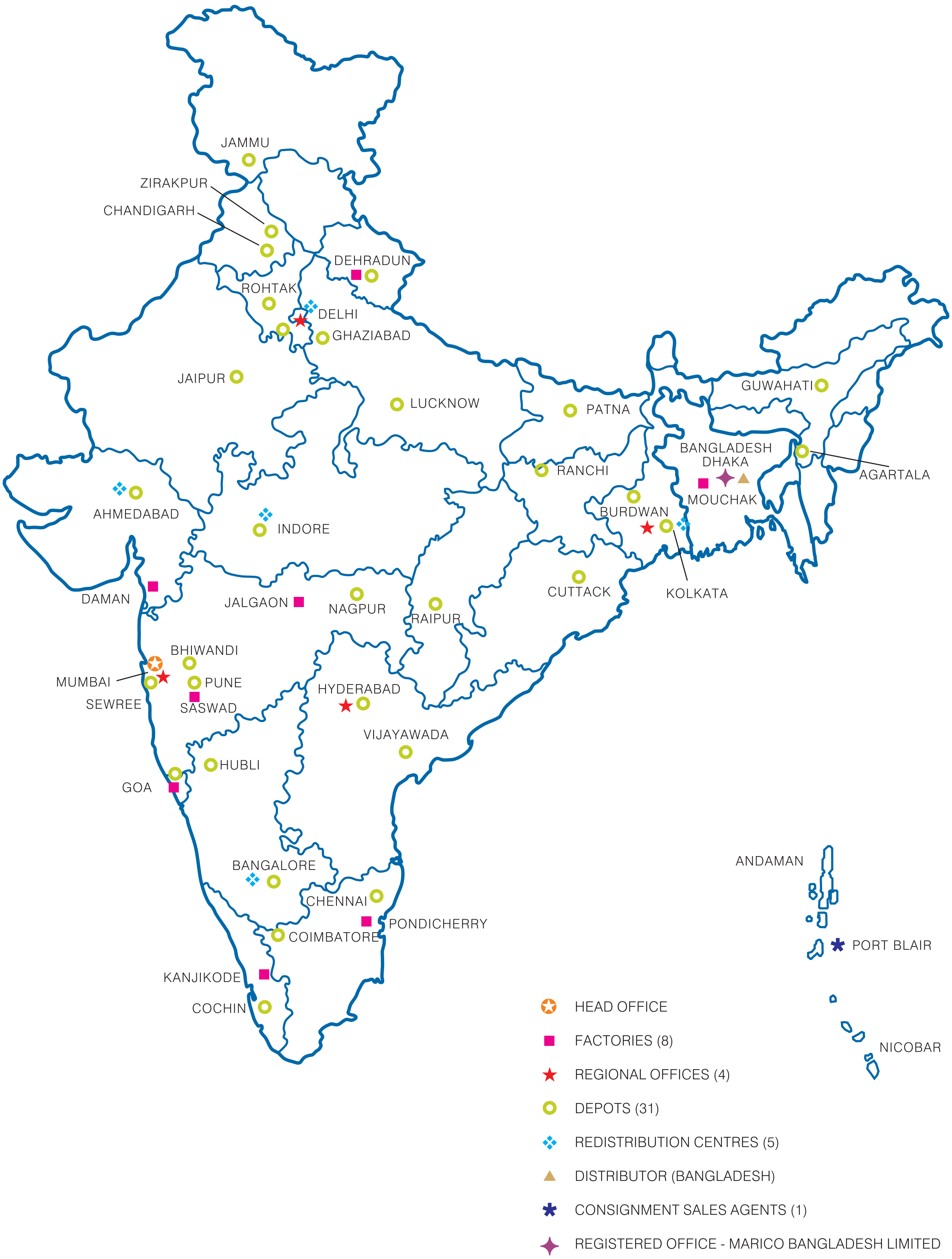
CONSOLIDATED
QUARTERLY FINANCIALS

2005-06					(Amount in Rs. Crore)
Particulars	**Three Months Ended**				**Annual**
	Jun. 30, 05	**Sept. 30, 05**	**Dec. 31, 05**	**Mar. 31, 06**	**FY 06**
Total Revenue	272.6	276.5	300.6	297.9	1,147.5
Total Expenditure	241.2	245.0	252.9	260.7	999.8
Finance Charges	0.8	0.6	1.3	2.3	5.0
Gross profit after Finance Charges but before Depreciation and Taxation	30.5	30.9	46.4	34.9	142.7
Depreciation & Amortisation	6.4	7.4	20.6	10.2	44.7
Profit before Tax	**24.1**	**23.4**	**25.8**	**24.7**	**98.0**
Provision for Tax (Current)	2.7	2.7	6.8	(2.4)	9.8
MAT Credit	–	–	–	(6.6)	(6.6)
Fringe Benefit Tax	0.7	0.8	0.7	0.4	2.5
Profit after Tax (Current)	**20.7**	**20.0**	**18.4**	**33.3**	**92.4**
Provision for Tax (Deferred Taxation)	(0.1)	(0.3)	(3.5)	7.0	3.2
Excess Income Tax provision of earlier years written back	–	–	–	2.3	2.3
Profit after Tax	**20.8**	**20.2**	**21.9**	**24.0**	**86.9**
Equity Share Capital	**58.0**	**58.0**	**58.0**	**58.0**	**58.0**
Earnings per share –Annualised (Rs.)	14.32	13.95	15.11	16.54	14.98
Dividend declared per share (Rs.)	1.20	1.40	1.60	2.0	6.2

2004-05					(Amount in Rs. Crore)
Particulars	**Three Months Ended**				**Annual**
	Jun. 30, 04	**Sept. 30, 04**	**Dec. 31, 04**	**Mar. 31, 05**	**FY 05**
Total Revenue	243.4	255.2	259.8	250.3	1,008.7
Total Expenditure	221.1	234.1	236.3	227.4	918.9
Finance Charges	0.4	0.6	0.4	0.6	2.0
Gross profit after Finance Charges but before Depreciation and Taxation	22.0	20.5	23.0	22.3	87.8
Depreciation & Amortisation	3.1	2.8	3.3	5.6	14.8
Profit before Tax	**18.9**	**17.7**	**19.7**	**16.7**	**73.0**
Minority interest & Goodwill on consolidation	(0.6)	(0.6)	0.4	(0.5)	(1.3)
Profit before Tax after minority interest & goodwill	**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)	**18.1**	**15.6**	**17.7**	**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**	**16.2**	**17.7**	**19.3**	**70.1**
Equity Share Capital	**58.0**	**58.0**	**58.0**	**58.0**	**58.0**
Earnings per share –Annualised (Rs.)	11.72	11.21	12.17	13.28	12.09
Dividend declared per share (Rs.)	1.00	1.20	1.40	1.75	5.35

Note: The numbers of all quarters of current and previous year have been regrouped as per the final regrouping of audited accounts for the year ended March 31, 2006.

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 25 coconuts grown in India, and 3 nuts of every coconut tree in India.

Marico is No. 2 in the hair oil market (up from No. 3 in 2001) with Hair & Care, Parachute Jasmine, Shanti Amla and Nihar Naturals.

Marico brands enjoy a leadership position (No.1 and No. 2) in most of its categories.

1 out of every 10 Indians is a Marico consumer.

Marico sells over 70 million consumer packs every month.

Marico reaches over 1.7 million retail outlets.

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

Overseas sales franchise of Marico's consumer products business is one of the largest among Indian companies.

Marico's turnover and profit have been consistently growing over the corresponding quarter of the previous year, for the past several quarters.

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

Marico ranks amongst the top 200 corporate houses in India in terms of ROCE.

Parachute (29th) and Saffola (93rd) are amongst India's 100 Most Trusted Brands (Brand Equity Survey - The Economic Times Feb '06).

Saffola has been voted as the 'Brand of the Year' twice in the last 12 years (Ad Club 1994 and Grand Effie 2005).

Kaya has been voted as the 'Retailer of the Year' in the category of beauty and wellness at the India Retail Summit 2005.

YOU BECOME A MARICO CONSUMER FROM THE TIME YOU ARE BORN
AND REMAIN ONE ALL THROUGH YOUR LIFE.

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