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	For the year ended March 31, 2006 Rs. Crore	2005 Rs. Crore
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	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**

	2006 Rs. Crore	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**

	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	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	As at March 31, 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