DIRECTORS' REPORT

To the Members

Your Board of Directors ('Board') is pleased to present the Twenty Fourth Annual Report of your Company, Marico Limited, for the year ended March 31, 2012 ('the year under review', 'the year' or 'FY12').

In line with the requirements of the Listing Agreement with the Bombay Stock Exchange and National Stock Exchange, 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 2011 – March 2012 in respect of Marico Consolidated comprising **Domestic Consumer Products Business** under Marico Limited (Marico) in India, **International Consumer Products Business** comprising exports from Marico and operations of its overseas subsidiaries and the **Skin Solutions Business** of Kaya in India and overseas. The consolidated entity has been referred to as 'Marico' or 'Group' or 'Your Group' in this discussion.

FINANCIAL RESULTS - AN OVERVIEW

	Rs. Crore Year ended March 31, 2012	2011
Consolidated Summary Financials for the Group		
Revenue from Operations	4008.3	3135.0
Profit before Tax	400.3	376.4
Profit after Tax	317.1	286.4
Marico Limited – financials		
Revenue from Operations	**2970.3**	**2350.4**
Profit before Tax	**399.3**	**374.6**
Less: Provision for Tax for the current year	62.7	59.2
Profit after Tax for the current year	336.6	315.3
Add : Surplus brought forward	602.5	382.6
Profit available for Appropriation	**939.1**	**697.9**
Appropriations:		
Distribution to shareholders	**43.0**	**40.5**
Tax on dividend	7.0	6.7
	50.0	47.2
Transfer to General Reserve	**33.7**	**31.5**
Debenture Redemption Reserve	**20.0**	**16.7**
Surplus carried forward	**835.4**	**602.5**
Total	**939.1**	**697.9**

DISTRIBUTION TO EQUITY 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.

Marico has identified acquisitions as one of its avenues to pursue growth. In February 2012, your Company entered into an agreement to acquire the Personal Care business of Paras Pharmaceuticals from Reckitt Benckiser, Singapore. This transaction is expected to be completed by May 2012. Since April 2005, the Group has consummated 11 acquisitions including two each in India, Bangladesh, Egypt and South Africa and one each in Malaysia, Singapore and Vietnam. As part of its growth agenda, Marico would continue to explore new acquisition opportunities in the focus categories of skin care, hair care and functional food in the emerging markets of Asia and Africa to supplement its organic growth. These would create a need for additional funds. Your Company therefore intends to remain conservative in the quantum of dividend payout in the near future.

DIRECTORS' REPORT

Your Company's distribution to equity shareholders during FY 12 comprised the following:

First interim dividend of 30% on the equity base of Rs 61.49 Crore

Second interim dividend of 40% on the equity base of Rs. 61.49 Crore

The total equity dividend for FY12 at 70.0% is thus slightly higher compared to the dividend paid during FY11. The total dividend (including dividend tax) was Rs. 50.0 Crore (about 15.8 % of the Group PAT).

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

REVIEW OF OPERATIONS

Your Group continued to focus on expanding its consumer franchise. During FY12 Marico registered revenue from operations of INR 4008 Crore, a growth of 28% over the previous year. This was contributed by 17% expansion in volumes (includes 6% inorganic growth) accompanied by 11% through price increases and sales mix. The top line increase was accompanied by a bottom-line growth of 11%. Profit After Tax (PAT) including exceptional / extra-ordinary items during the year was at INR317 Crore as against INR 286 Crore in FY11. The growth in profits does not mirror the growth in top line due to inflationary pressures faced by the Company during the year. The Company consciously decided to absorb a part of the increase in input costs in order to maintain and grow its long term consumer franchise. Further, the financial statements of FY12 and FY11 include certain exceptional items. The growth in PAT after excluding the impact of such exceptional items is a healthy 25%.

During the year, Marico extended its record of year on year quarterly growth.

The company has demonstrated steady growth on both the top line and the bottom line. Over the last 5 years, they have grown at a Compounded Annual Growth Rate of 21% and 23% respectively.

Consumer Products Business: India

The Consumer Products Business in India (CPB) achieved a turnover of INR 2766 Crore during FY12, a growth of about 37% over FY11 (excluding turnover from Sweekar which was divested in March 2011 from the base. If sales of Sweekar were to be included in the base the growth would be 26%). The turnover growth reflected healthy demand and continued business momentum manifest in a volume growth of about 14% over FY11.

Parachute, Marico's flagship brand, continued to expand its franchise during the year. Parachute coconut oil in rigid packs, the focus part of its portfolio, grew by 11% in volume as compared to FY11. Small packs helped in driving this volume growth. Also, owing to the inflationary environment in the key input prices of coconut oil the competitive environment (specially the local/regional players) during the last few quarters has been soft thereby resulting in Marico's brands gaining market share. Its share during the 12 months ended March '12 was 55%.

DIRECTORS' REPORT

Marico offers its consumers a basket of value added hair oils for their pre-wash and post wash hair conditioning, nourishment and grooming needs (Key brands being Parachute Advansed hair oil, Parachute Advansed Cooling oil, Parachute Jasmine non sticky hair oil, Parachute Advansed Ayurvedic Hair Oil, Nihar Naturals perfumed hair oil, Hair & Care nourishing non sticky hair oil, and Nihar Shanti Badam Amla hair oil). During the year, Marico's hair oil brands recorded healthy growth and the portfolio as a whole grew by about 24% in volume terms over FY11.

Marico's premium refined edible oils brand Saffola grew by about 11% in volume terms compared to FY11. The brand's strong heart health equity is now being leveraged through functional food extensions in breakfast cereal and low glycemic index rice.

Marico has been constantly investing in a healthy pipeline of new products. During the year your Company launched savory oats under Saffola and Body Lotion under Parachute Advansed.

International FMCG Business

From a single digit share in FY05, about 24% of the group's turnover is now contributed by Marico's International FMCG business. Its key geographical presence is in Bangladesh, MENA (Middle East and North Africa), South Africa and South East Asia.

During FY12, the company's international business recorded a turnover growth of 30% over FY11. During the year, your Company also successfully integrated the 85% acquisition of International Consumer Products (ICP) in Vietnam.

Marico has entered new geographies as well as scaled up presence in Nepal/Bhutan, Malaysia and Myanmar. During the year, your Company has used the connect & develop model of faster innovation to launch an exciting new range of water gels, Ice gels & Rave Gels, Wax and Clay under Code 10 within six months of opportunity identification. We have also started using ICP as a sourcing base for the Malaysian market.

Myanmar tripled its base in FY12 with both the Nourishment (Parachute Advansed) and Male grooming (Code 10) business showing good traction. In the process we have gained significant market share. The Group expects to scale up this business significantly in the coming year(s).

Kaya

Kaya offers its technology led cosmetic dermatological services through 107 clinics: 82 in India across 26 cities and 19 in the Middle East, 2 in Dhaka and 4 clinics through Derma Rx in Singapore and Malaysia.

During FY12, Kaya's skin solutions business achieved a turnover of INR 279 Crore, recording a revenue growth of ~33% over FY11. On an overall basis Kaya made a loss of INR 29.1 Crore at PBIT level. During the year Kaya initiated a change in its positioning from 'cure' to 'cure + care'. The new services introduced to take care of regular skin care needs received good traction. The focus on increasing revenue from products, led by introducing products from the Derma Rx range into the clinics in India has resulted in the contribution from the sales of products increasing from 13% to about 23%. These initiatives also helped Kaya business in India and Middle East to achieve the same clinic growth of 15%. Sustaining same store growth would reinforce Marico's belief in the Kaya Business model, especially as we perceive a significant long term opportunity in skin care solutions.

OTHER CORPORATE DEVELOPMENTS

Acquisition of Personal Care brands of Paras Pharmaceuticals from Reckitt Benckiser

Marico has entered into an agreement to acquire the erstwhile personal care business of Paras Pharmaceuticals Limited from Reckitt Benckiser, Singapore. Upon completion of this transaction, Marico shall own well known brands such as Set Wet, Livon, Zatak. The transaction is expected to be completed in the month of May 2012. This acquisition is in line with the strategy to strengthen our participation in categories of hair care, skin care and male grooming. The acquired business operates in categories such as Hair creams/gels, Leave-on conditioner and Deodorants. While your Company already participates in hair creams and gels and Leave-on conditioners, the acquisition provides an entry into the fast growing deodorant category. The Company also expects to leverage synergies in buying (input materials and media) and distribution of the acquired portfolio with Marico's existing portfolio.

DIRECTORS' REPORT

Preferential Allotment of Equity Shares to part fund the acquisition of Personal care business of Paras Pharmaceuticals

Your Company, considering its medium term funds requirements, will be issuing additional equity shares amounting to INR 500 Crore preferential basis. The shareholders of the Company have accorded necessary approval for the preferential issue of equity shares at their extra-ordinary general meeting held on May 2, 2012. The allotment will be made on a preferential basis to Indivest Pte. Ltd. (an affiliate of Government of Singapore Investment Corporation Pte Ltd) and Baring India Private Equity Fund III Listed Investments Limited in the ratio of 3:1. These funds shall be used to fund part of the purchase consideration for the proposed acquisition of Paras personal care business by the Company. The issue is placed at a price of Rs. 170 per share. Your Company was able to get a premium of about 2.5% over the SEBI floor price. The receipt of funds and allotment of shares is expected to take place during May. 2012.

Marico Employee Stock Option Scheme 2007

In pursuance of shareholders' approval obtained on November 24, 2006, your Company formulated and implemented an Employee Stock Options Scheme (the Scheme) for grant of Employee Stock Options (ESOS) to certain employees of the Company and its subsidiaries. The Corporate Governance Committee ('Committee') of the Board of Directors of your Company is entrusted with the responsibility of administering the Scheme and in pursuance thereof, the Committee has granted 1,13,76,300 stock options (as at March 31, 2012) comprising about 1.85% of the current paid up equity capital of the Company as at March 31, 2012. An aggregate of 7,78,313 options were outstanding as on March 31, 2012. Additional information on ESOS as required by Securities and Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 is annexed and forms part of this report.

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

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

Marico Employees Stock Appreciation Rights Plan, 2011

Your Company had implemented a long term incentive plan namely, Marico Stock Appreciation Rights Plan, 2011 **('STAR Plan')** in the previous financial year for the welfare of its employees and those of its subsidiaries. Pursuant to the STAR Plan the Corporate Governance Committee of the Board of Directors notifies various Schemes granting Stock Appreciation Rights (SARs) to certain eligible employees. Each SAR is represented by one equity share of the Company. The eligible employees are entitled to receive excess of the maturity price over the grant price in respect of such SARs subject to fulfillment of certain conditions and subject to deduction of tax. During the financial year under review the Corporate Governance Committee notified Scheme II on December 1, 2011 under the STAR Plan granting additional SARs to certain eligible employees. The vesting date of the SARs granted under Scheme II is November 30, 2014. As on March 31, 2012, an aggregate of 41,46,600 SARs were outstanding.

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

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

In terms of the said circular, copies of the Balance Sheet, Profit and Loss Account, Report of the Board of Directors and the Report of the Auditors of the Subsidiary Companies have not been attached to the Balance Sheet of the Company. The Company has presented Consolidated Financial Statements comprising Marico Limited and its subsidiaries duly audited by the Statutory Auditors of the Company. The Consolidated Financial Statements prepared by the Company are in compliance with the Accounting Standard AS-21 as prescribed by the Companies (Accounting Standards) Rules, 2006 and the Listing Agreement with the Stock Exchanges. The statement required under Section 212 of the Companies Act, 1956 is attached to the annual accounts of the

DIRECTORS' REPORT

Company. The Annual Accounts and related documents of all the Subsidiary Companies shall be made available for inspection to the shareholders of the Company and its subsidiaries at the Registered Office of the Company from Monday to Friday during the hours between 11.00 a.m. and 1.00 p.m. The Company will also make available physical copies of such documents upon request by any Member of the Company or its subsidiaries interested in obtaining the same and the same would also be made available on the website of the Company.

PUBLIC DEPOSITS

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

DIRECTORS' RESPONSIBILITY STATEMENT

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

- In preparation of the Annual Accounts of your Company, the Accounting Standards, laid down by the Institute of Chartered Accountants of India from time to time, have been followed and that no material departures have been made from the same;
- Appropriate accounting policies have been selected and applied consistently, and reasonable and prudent judgment and estimates have been made so as to ensure that the accounts give a true and fair view of the state of affairs of your Company as at March 31, 2012 and the profits of your Company for the year ended March 31, 2012;
- Proper and sufficient care has been taken for maintenance of appropriate accounting records in accordance with the provisions of the Act for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities;
- The annual accounts have been prepared on a going concern basis;
- The observation(s) and qualification(s) of the Auditors in their report to the Members have been adequately dealt with in the relevant notes to the accounts. Hence no additional explanation is considered necessary.

CORPORATE GOVERNANCE

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

DIRECTORS

Directors retiring by rotation

Mr. Anand Kripalu and Mr. B. S. Nagesh, Directors of the Company, are liable to retire pursuant to the provisions of Section 256 and 262 of the Companies Act, 1956 respectively and being eligible offer themselves for re-appointment.

ADDITIONAL STATUTORY INFORMATION

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

STATUTORY AUDITORS

M/s. Price Waterhouse, Chartered Accountants and Statutory Auditors of the Company retire at the ensuing Annual General Meeting and have confirmed their eligibility for re-appointment.

DIRECTORS' REPORT

COST AUDITORS

Your Company appointed M/s. Ashwin Solanki & Associates, Cost Accountants, Mumbai, to conduct the cost audit of the formulations for the Financial Year ended March 31, 2012. The Company has received necessary approval from Central Government for appointment of the Cost Auditor. The Cost Audit Report for the year ended March 31, 2012, will be submitted to the Central Government in due course.

INTERNAL AUDITORS

Aneja Associates, a Chartered Accountant Firm, has been associated with your Company as its internal auditor partnering your Company in the area of risk management and internal control systems. This role has now been taken over by Ernst & Young, a Chartered Accountants Firm, who have been appointed as the new internal auditor of the Company for the financial year 2012-13 and onward. Your Company places on record its sincere appreciation for the services rendered by Aneja Associates as internal auditors of the Company.

ACKNOWLEDGEMENT

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

On behalf of the Board of Directors

Place : Mumbai
Date : May 3, 2012

HARSH MARIWALA
Chairman and Managing Director

ANNEXURE TO THE DIRECTORS' REPORT

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

A. Conservation of Energy

Marico continued to emphasize on the conservation and optimal utilization of energy in every manufacturing unit of the Company. The energy conservation measures implemented during FY12 are listed below:

Plant - Kanjikode

- Installation of online load monitoring system which improved expeller load-ability thereby reducing power & fuel consumption by 21340 units & 2120 Litres.
- Steam usage optimization in second stage kettles by throttling valve with respect to feed temperature, thereby resulting in FO saving of 1500 Litres.
- Six sigma project completed on SPC reduction thereby reducing the SPC from 86 to 84 units per MT of copra.
- Filling Compressor usage optimization study conducted thereby arriving at effective combination of compressor for different matrix of line formation.
- Indicator system provided in second stage Expeller 118 to prevent idling thereby saving around 2500 units.
- Cylindrical capacitors installed on cutter motor thereby improving the motor Power factor from 0.64 to 0.89.
- Oil & foots conveyor interlocking done to prevent idling.
- Automation of RC02, resulting in a savings of 4900 units.
- RM section underground water seepage area corrected & seepage water used for Expeller shaft cooling.

Plant - Pondicherry

Pondicherry Power Task Force Energy Conservation Initiatives have resulted in a reduction of 668,000 Units/Year and reduction of 145 tons of CO2 emission through initiatives like:

- Changing the I Stage Expeller motor to 185KW from 250KW.
- First stage Recycle conveyor elimination – 2.2 KW.
- Boiler Feed water Pump auto cut-off automation.
- Reducing the number of lights in Amenity Hall, replaced with 40w tube light.

Pondicherry Plant Water Savings: 390 KL of water saved in the year through initiatives like:

- Redesigning the Cooling water line to eliminate Water Overflow during Power Failure.
- Recycling of soxlet water in lab.
- Reducing the water consumption in garden by Drip Irrigation.

Pondicherry Plant reduced consumption of plastic bags by 414 Kg during the year by using SS Containers for sampling instead of plastic bags.

Plant - Jalgaon

- Installed self start and stop timer for higher HP machines.
- Replacement of higher HP pump with lower HP pump basis energy audit data analysis.

ANNEXURE TO THE DIRECTORS' REPORT

  - o 10 HP blend transfer pump replaced with 3 HP Kirloskar pump.
  - o Cooling Tower Pump.
  - o Filling Day Tank Pump.
- Use of refined oil heat to heat boiler feed water to reduce energy consumption at boiler.
- Bleacher barometric pump stoppage.
- Restructuring of air compressors of refinery and filling for proper air utilization.
- Fitting solar lamp in factory premises.
- Reducing pipeline dimension where it is oversize to reduce power required.
- Replacing old high watt CFL by lower watt CFL and high illumination.

Plant – Paonta

- VFD installed in manufacturing vessels leading to batch time reduction and thereby reduction in energy consumption.
- Water harvesting done thereby returning 20% of ground water usage.
- Usage of treated ETP water for gardening purposes.
- Utilization of the compressed air in transfer pump for SNS thereby decreasing energy consumption.
- Translucent sheets used in roofing for proper utilization of sunlight for illumination.
- Installation of turbo ventilators for air ventilation instead of conventional air exhausts.
- Reducing the diesel consumption by introducing the heating rod for heating the LPG cylinders in the FT area.

Plant – Dehradun

- Usage of spent steam for heating RCNO in storage tanks during winters (14,580 units saved per annum).
- Introduction of online cap heater for flip top caps by removing the conventional off-line cap heater, and saving power.
- Through a lean sigma project optimized the Interplant movement from 265 to 133 average movements per month, thus saving fuel consumption reducing carbon foot-print.
- Replacement of 250w mercury lamps with 22 W CFL lamps.
- Reduced the batch manufacturing time of Nihar Shanti Badam batch by 20 minutes, thus saving the agitator running time for 20 mins for each batch. On an average 80 minutes of agitator running saved per manufacturing tank.
- Reduced the batch making time of Parachute Body lotion by 95 minutes for each bath, thus saving the use of homogenizer and the transfer activity, which in turn saved power.
- Insulation of steam and chiller pipeline in MGS location.
- Re-designed the blowing mechanism of the Hot Air Room and reduced the use of 2 heaters of 1 kw.

Plant - Goa

- Cooker 2 bypass activation resulting in reduction of installed load from 37 kw to 5.5 kw.
- Cake bagging conveyor modification to reduce installed load by 2.2 kw.
- Overflow bin deactivation leading to elimination of 1.5 kw motor.
- Using 3 machines to print 4 colors instead of 4 machines, saving 4 kw per line.

ANNEXURE TO THE DIRECTORS' REPORT

- Use of heat exchanger to heat oil.
- Condensate recovery system modification to avoid condensate loss due to overflow.

Plant – Baddi

- Furnace Oil usage reduction through initiatives like:
  - o Vacuum pump installation for both bleachers.
  - o Condensate recovery PPPU pump installation.
  - o DM plant installation.
  - o Usage of single booster in Deo for soft oils.
- Power usage reduction through initiatives like:
  - o Cooling Tower Fan Automation.
  - o Automation in Fat Trap.
  - o Using two PHE for Deo out cooling.

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

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

B. Technology Absorption

I. Research and Development (R&D)

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

In the past year, the thrust areas for R&D have been Consumer led Product innovation supported by top end science. R&D has invested considerable efforts in gaining relevant consumer insights for new categories like skin care and breakfast cereals. These insights have played a key role in generating differentiating sensories and creating unique sensorial signatures for the products. This has led to a greater consumer acceptance of these new products. The functionality of the products has been developed keeping the market benchmarks in sight. Supported by cutting edge research conducted both in house as well as in collaboration with universities and institutions across the globe, the products have surpassed the market leaders in terms of overall performance. Following are some of the new initiatives in R&D:

- Basic research: Programmes to understand hair health and skin moisturization. These programmes were focused on developing new models and screening various actives for efficacy.
- New benefits: Leveraging advanced instrumentation techniques, strong claims were generated for establishing new benefits of coconut based products in various conditions. These have positioned Marico products higher than competition benchmarks in terms of efficacy and value-for-money.
- Efficacious naturals: Naturals from Ayurveda have been known to be efficacious, however proving their efficacy and overcoming the negative sensories have been a challenge. The naturals programme at Marico R&D focused on generating efficacious natural actives for hair and skin care, proving their clinical efficacy and generating consumer acceptable sensories through use of perfumes and sensory modifiers.
- Novel delivery systems: While the quest for efficacious actives continues, their delivery into the desired site of action (ex hair follicles, deeper layers of skin) is equally important. Novel delivery systems is a technology area which focuses on enhancing the stability and delivery of actives in order to increase the efficacy of the product.

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- Open Innovation: Open Innovation has gained popularity recently as a way of fast tracking innovations. This journey has begun at Marico R&D by initiating networks with the open innovation community. These inputs are adding to the current pool of innovations developed in house.

2. Benefits derived as the result of the above efforts:
   - Technology based products leading to differentiation in the market.
   - Integration of Consumer Technology Insights into product development, leading to shorter product development time, creation of right sensories into the product and better success rate.
   - Stronger claims on existing and new products.
   - Co-creation of best in class products and solutions with experts

3. Future Plan of Action:

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

4. Expenditure on R&D:

(Rs. Crore)

	2011-12	2010-11
a) Capital	0.78	17.70
b) Recurring	6.37	7.53
Total	**7.15**	**25.23**
c) Total R & D expenditure as % to Sales & Services	0.24	1.08
d) Total R & D expenditure as % to PBT	1.79	6.74

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:

   The efforts to unravel the benefits of Hair oiling on the health of Hair and scalp were progressed with the help of many International Research agencies. Collaborations with many hair experts including Dermatologist contributed significantly to the understanding of biology of hair. All these efforts resulted in the creation of effective hair products. In order to create differentiated technical innovations, a problem solving tool, TRIZ was employed. R&D and manufacturing team was given hands-on training on the problems from their own area that led to a creation of a few innovative ideas which are being progressed. The efforts on Open Innovation have enabled spotting of a few ideas which can support current innovation journey. These ideas are currently been considered for feasibility.

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

   The evaluation of certain technologies in the area of Personal care and Foods is on.

C. Foreign Exchange Earnings and Outgo

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

On behalf of the Board of Directors

Place : Mumbai
Date : May 3, 2012

HARSH MARIWALA
Chairman and Managing Director

ANNEXURE TO THE DIRECTORS' REPORT

Auditors' Certificate regarding compliance of conditions of Corporate Governance

To the Members of Marico Limited

We have examined the compliance of conditions of Corporate Governance by Marico Limited ('the Company'), for the year ended March 31,2012, as stipulated in Clause 49 of the Listing Agreements of the said Company with stock exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination was carried out in accordance with the Guidance Note on Certification of Corporate Governance (as stipulated in Clause 49 of the Listing Agreement), issued by the Institute of Chartered Accountants of India and was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us,

We certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreements.

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

For Price Waterhouse
Firm Registration Number: 301112E
Chartered Accountants

Uday Shah
Partner
Membership Number: F-46061

Place: Mumbai
Date: May 3, 2012

ANNEXURE TO THE DIRECTORS' REPORT

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

Marico Employees Stock Option Scheme 2007 (ESOS 2007)

a)	Options granted (as at March 31, 2012)	11,376,300 options aggregating to about 1.85% of the paid-up equity capital of the Company (options, net of lapsed/forfeited/ exercised as at March 31, 2012: 778,313 options aggregating to about 0.13% of the paid-up capital of the Company)
b)	The pricing formula	The Exercise Price of the options shall be lower of the following: Average of the closing price for last 21 (twenty one) trading session(s) on National Stock Exchange (NSE) prior to the date on which the Corporate Governance Committee, grants the specific number of options to the employees, Or The closing price for the last session on National Stock Exchange (NSE) prior to the date on which the Corporate Governance Committee, grants the specific number of options to the employees.
c)	Options vested (as at March 31, 2012)	63,95,835
d)	Options exercised (as at March 31, 2012)	5,934,387
e)	The total number of shares arising as a result of exercising of option (as at March 31, 2012)	59,34,387
f)	Options lapsed/forfeited (as at March 31, 2012)	4,663,600
g)	Variation of terms of options	-N.A.-
h)	Money realised by exercise of options (as at March 31, 2012)	Rs. 30,881,792
i)	Total number of options in force (as at March 31, 2012)	778,313
j)	Employee wise details of options granted to : (as at March 31, 2012)	
	i) Senior Managerial Personnel	A summary¨ of options granted to senior managerial personnel are as under : No. of employees covered – 53 (Fifty Three) No. of options granted to such personnel(options, net of lapsed/ forfeited/exercised) – 778,313 (Seven Lac Seventy Eight Thousand Three Hundred and Thirteen only) ¨ Only summary given due to sensitive nature of information
	ii) any other employee who receives a grant in any one year of options amounting to 5% or more of option granted during the year	-N.A.-
	iii) identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant	-N.A.-

ANNEXURE TO THE DIRECTORS' REPORT

k)	Diluted Earnings per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with the Accounting Standard (AS) 20' Earnings per Share	Rs. 5.47
l)	i) Method of calculating employee compensation cost	The Company has calculated the employee compensation cost using the intrinsic value method of accounting for the options granted under the Scheme
	ii) Difference between the employee compensation cost so computed at (I) above and the employee compensation cost that shall have been recognised if it had used the fair value of the Options	Rs. 0.32Crores
	iii) The impact of this difference on the profits and on EPS of the Company	Had the Company considered 'fair value' method then the additional employee compensation cost would be Rs. 0.32crore the Profit Before Tax would be lower by the same amount and Earning Per Share by Re.0.01
m)	Weighted average exercise price and weighted average fair values of options (to be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock)	Weighted average Exercise Price : Rs. 56.98 Weighted average Fair Value of Option : Rs.24.9
n)	Description of method and significant assumptions used during the year to estimate the fair values of options	Intrinsic Value Method
	i) risk – free interest rate	
	ii) expected life of options	
	iii) expected volatility	
	iv) expected dividends	
	v) closing market price of share on date of option grant	

ANNEXURE TO THE DIRECTORS' REPORT ENCLOSURE 'A'

ENCLOSURE 'A'

Power & Fuel Consumption

Note: The numbers given below relate to the own manufacturing facilities of the company.		For the year ended March 31 2012	2011
1. Electricity			
a. Purchased units (Kwh)		12,246,583	9,946,291
Amount (Rs. Crore)		5.77	4.43
Average (Rs./ Unit)		4.71	4.46
b. Own Generation			
i. Through Diesel Generator (Kwh)		2,135,953	3,652,696
Amount (Rs. Crore)		3.00	4.66
Average Rate (Rs. / Unit)		14.07	12.76
2. Coal		–	–
3. Furnace oil			
Quantity (KL)		2,702.69	2,755.30
Amount (Rs. Crore)		11.92	9.17
Average Rate (Rs. / KL)		44,122.43	33,284.44
4. Other Internal Generation (excludes HSD used for electricity generation)			
L.D.O / H.S.D.		–	–
Quantity (KL)		542.28	430.65
Amount (Rs. Crore)		2.02	1.45
Average Rate (Rs. / KL)		37,163.82	33,714.71
5. Baggase Consumption			
Quantity (MT)		6,705.91	12,503.81
Amount (Rs. Crore)		1.49	2.74
Average Rate (Rs. / MT)		2,225.60	2,189.66
Consumption per unit of production of edible oils			
	Unit		
Electricity	Kwh	138.80	127.86
Coal	MT	–	–
Furnace oil	KL	0.03	0.03
L.D.O./H.S.D.	KL	–	–
Baggase	KG	0.50	0.38
Consumption per unit of production of processed foods			
	Unit		
Electricity	Kwh	–	–
Coal	MT	–	–
Furnace oil	KL	–	–
L.D.O./H.S.D.	KL	–	–
Consumption per unit of production of hair oils & other formulations			
	Unit		
Electricity	Kwh	44.96	50.51
Coal	MT	–	–
Furnace oil	KL	–	–
L.D.O./H.S.D.	KL	–	–