# BE MORE. EVERY DAY.

Annual Report 2010-11

marico

# COMPANY INFORMATION

### BOARD OF DIRECTORS
Harsh Mariwala, Chairman & Managing Director
Nikhil Khattau, Chairman of Audit Committee
Rajeev Bakshi
Atul Choksey
Anand Kripalu
Rajen Mariwala
Hema Ravichandar
B. S. Nagesh (w.e.f. July 16, 2010)

### MANAGEMENT TEAM
Harsh Mariwala, Chairman & Managing Director
Saugata Gupta, Chief Executive Officer,
Consumer Products Business
Ajay Pahwa, Chief Executive Officer - Kaya
Milind Sarwate, Group Chief Financial Officer
& Chief Human Resources Officer
Vijay Subramanian, Chief Executive Officer,
International Business

### COMPANY SECRETARY
Hemangi Wadkar

### AUDIT COMMITTEE
Nikhil Khattau, Chairman
Rajen Mariwala, Member
Hema Ravichandar, Member
B. S. Nagesh, Member (w.e.f. July 16, 2010)
Hemangi Wadkar, Secretary to the Committee
Harsh Mariwala, Permanent Invitee

### CORPORATE GOVERNANCE COMMITTEE
Hema Ravichandar, Chairperson
Rajeev Bakshi, Member
Anand Kripalu, Member
Milind Sarwate, Secretary to the Committee
Harsh Mariwala, Permanent Invitee

### SHAREHOLDERS' COMMITTEE
Nikhil Khattau, Chairman
Rajen Mariwala, Member
Hemangi Wadkar, Secretary to the Committee

### BANKERS
Axis Bank Limited
Barclays Bank PLC
Citibank N.A.
HDFC Bank Limited
ICICI Bank Limited
Kotak Mahindra Bank Limited
Standard Chartered Bank
State Bank of India
HSBC Limited

### AUDITORS
Price Waterhouse, Chartered Accountants

### INTERNAL AUDITORS
Aneja Associates, Chartered Accountants

### REGISTERED OFFICE
Rang Sharda, Krishnachandra Marg,
Bandra Reclamation, Bandra (W), Mumbai 400 050

### OUR PRESENCE
Factories - 15 (8 in India and 7 overseas)
Regional Offices – 4 in India
Depots – 32 in India

### WEBSITES
www.marico.com
www.maricobd.com
www.kayaclinic.com
www.parachuteadvansed.com
www.parachutearabia.com
www.saffolalife.com
www.haircodeworld.com
www.icpvn.com
www.maricoinnovationfoundation.org

TO TRANSFORM IN
A SUSTAINABLE MANNER,
THE LIVES OF
ALL THOSE WE TOUCH,
**BY NURTURING**
**AND EMPOWERING THEM**
TO MAXIMIZE THEIR
TRUE POTENTIAL.

# INDEX

# CHAIRMAN'S LETTER TO SHAREHOLDERS
# A PERSONAL MESSAGE

Dear Shareholders,

We have just closed a rather challenging year for FMCG companies, including Marico. FY11 witnessed high inflation, particularly food inflation, unprecedented cost push, especially in one of your Company's key input materials - copra, a rise in interest rates and strengthening of the Indian Rupee against the US Dollar. In addition, there was political unrest in North Africa and the Middle East region – one of the key markets for your Company's international business operations.

Notwithstanding the challenges of the year, I am happy to state that your Company turned in a good performance. Revenue during the year grew by 18% over FY10 and Net Profit was higher by 24%. This makes it a 5-year CAGR of 22% in Revenue and 27% in Net Profits.

Growth in Marico's top line was supported by robust volume growths across its franchises of coconut oil, value added hair oil and premium refined edible oils in India as well as its international FMCG business. In the Kaya business, whilst there was a same clinic sales decline in the first half of the year, this trend was reversed to deliver same clinic sales growth in the second half. Your Company, therefore, has stayed the course of franchise expansion across its businesses. In addition to this organic growth, Marico made acquisitions during the year, adding new franchises to its portfolio. Your Company has expanded the footprint of its skin aesthetics business to Singapore through the acquisition of Derma Rx. In South Africa, it made a bolt-on acquisition, adding the Ingwe range of immuno boosters, to complement the existing Hercules business. In February 2011, Marico took up 85% stake in International Consumer Products Corporation, a leading FMCG company in Vietnam, operating primarily in the male grooming segment of the Vietnamese market. In line with its strategy to execute its plans for the wellness segment in India through Saffola, your Company rationalized its portfolio by divesting the non-focus refined edible oil brand 'Sweekar'.

Marico continued on its journey to live its purpose – its reason to exist beyond making profit – by focusing on sustainable profitable growth, it has enhanced shareholder value. Saffola launched a campaign, 'know your heart's age', around World Heart Day this year, to raise awareness about heart health amongst consumers. The Company facilitated lifestyle management programs for its employees, many of whom have benefited by feeling healthier and being more productive. Your Company continues to work with its associates through initiatives such as improving productivity of safflower farmers and providing inputs to distributors to enhance their returns on investment. Marico has been contributing towards propagating innovation in India, through the Marico Innovation Foundation. Your Company's 'Think Fresh Be Green' initiative aims to ensure it behaves responsibly with respect to the environment and institutionalizes a 'green mindset' amongst its members. The Company would continue to aim at managing the mutual interests of all its interdependent stakeholders.

Thank you for placing faith in the Company. I wish to thank all members of the Marico team and all our business associates for their contribution to Marico's success. I look forward to your continued support and co-operation.

With warm regards,

**Harsh Mariwala**
**Chairman and Managing Director**

OUR CONSUMERS
ALWAYS THANK US FOR THEIR
GREAT HAIR AND SKIN.
**BUT WHAT'S
EVEN MORE BEAUTIFUL,
IS THEIR CONFIDENCE.**

---

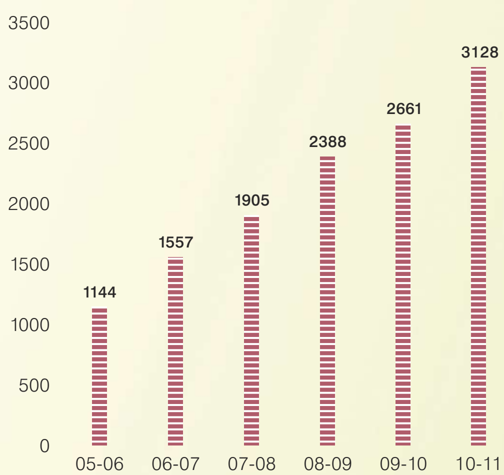
Our premium hair and skin care brands
do just what they should: make a consumer's confidence shine.

# THE NATURAL RESULT OF TRYING TO BE MORE, EVERY DAY. YOU GROW MORE, EVERY YEAR.

Marico's growth in 2010-2011 bears out our single-minded purpose: to create and deliver more and more value to our stakeholders – our consumers, members, partners, shareholders and society.

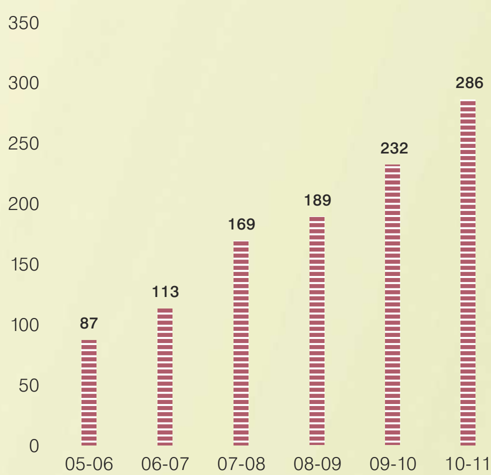
## SALES AND SERVICES

(Rs. Crore)



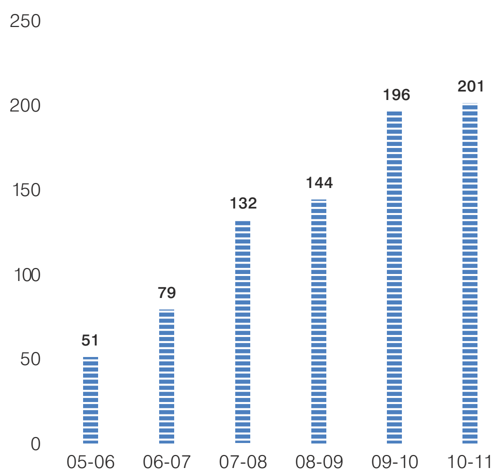

## NET PROFIT

(Rs. Crore)



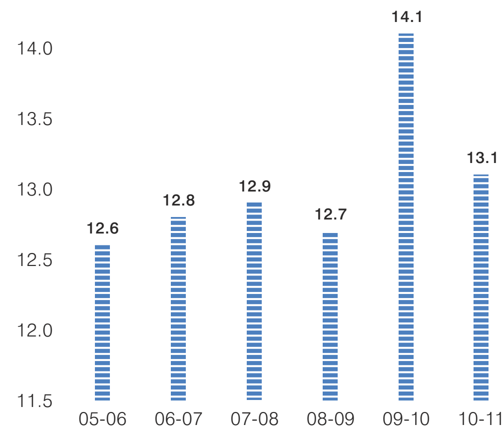
## ECONOMIC VALUE ADDED

(Rs. Crore )



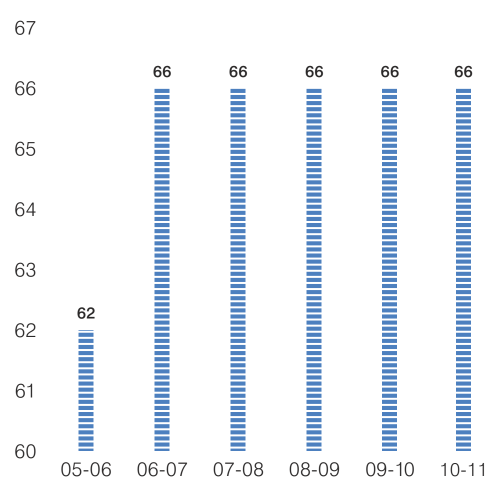

## EBIDTA MARGINS

(%)



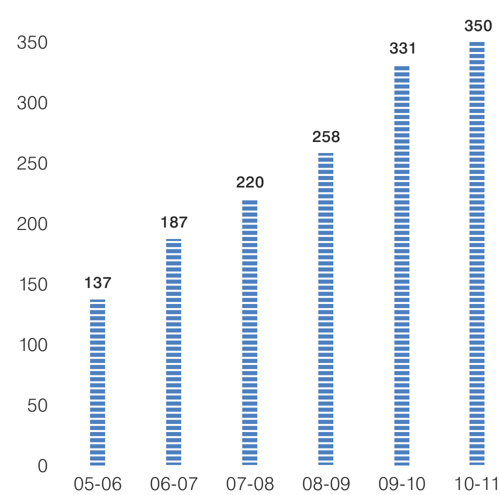

## DIVIDEND DECLARED

(%)




## CASH PROFITS

(Rs. Crore)



# SUSTAINABLE WEALTH CREATION

| Investment | Through | Shares | Value (in Rs.) | Indexed Value |
|---|---|---|---|---|
| April 1996 - Original Purchase | IPO | 100 | 17,500 | 100 |
| August 2002 | Bonus (Equity 1:1) | 100 | - | - |
| September 2002 | Bonus (Preference 1:1) | 200 | - | - |
| May 2004 | Bonus (Equity 1:1) | 200 | - | - |
| February 2007 | Share Split (10:1) | 4,000 | - | - |
| **Holdings and Cost as on March 31, 2011** | | **4,000** | **17,500** | **100** |
| **Return** | **Through** | **Shares** | **Value (in Rs.)** | **Indexed Value** |
| March 31, 2011 | Market value | 4,000 | 555,000 | 3,171 |
| March 2004 | Redemption proceeds of Bonus Preference shares | 200 | 4,000 | 23 |
| April 1996 - March 2010 | Dividend Received*# | - | 26,338 | 151 |
| **Gross Returns** | | | **585,338** | **3,345** |
| **Compound Annual Return since IPO** | | | **31%** | **31%** |

* Dividends are inclusive of those received on Bonus Preference Shares
# Subject to taxes as applicable

# WE KNOW EXACTLY HOW TO SAFEGUARD OUR CONSUMERS' HEALTH. BY MAKING OUR WAY INTO THEIR HEARTS.

Marico's Saffola is firmly
established as 'the heart of a healthy family',
and India's leading health food brand.

# MANAGEMENT DISCUSSION AND ANALYSIS

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 the period April 2010-March 2011, with respect to Marico Consolidated comprising Domestic Consumer Products Business under Marico Limited (Marico) in India, International Consumer Products Business comprising exports from Marico and the operations of its overseas subsidiaries and the skin care 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.

Some statements in this discussion describing 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 rate movements, impact of competing products and their pricing, product demand and supply constraints.

**INDUSTRY STRUCTURE, OPPORTUNITIES AND THREATS**

India's Fast Moving Consumer Goods (FMCG) sector is estimated to be about INR 1300 billion having shown an annual growth of about 11% per annum over the last decade. Robust growth in India's Gross Domestic Product (GDP), growing urbanization, evolving consumer lifestyles and increased income in rural areas are some of the key drivers of growth. The FMCG segment includes products like soaps, detergents, oral care, hair care and skin care products, food and beverages, oils and dairy products.

Opportunities are opening up for FMCG marketers in India in various household income segments. The affluent, comprising about 1% of the population, are willing to buy premium products for their emotional value or exclusivity. The upper middle class, comprising about 2% of the population, may aspire to emulate the affluent. These two segments are driving the fast growth of premium and masstige products. While they make up a small proportion of the consuming base in the country, their numbers are expanding rapidly and are expected to double over the next decade. The numbers in the middle class are expected to expand significantly over the next decade. Comprising about 11% of the population today, this segment is likely to grow to nearly 30% by 2020. These consumers are becoming more aware about products and their benefits and taking informed decisions. While price is important, the consumer also demands value. Finally, there is the Bottom of the Pyramid (BOP) opportunity in India. These consumers are largely rural, spending on essentials with very little demand for expensive lifestyle products. These markets have hitherto been poorly served owing to infrastructural constraints.

India's demographic dividend is highlighted by the fact that it has 17% of the world's population and that half of these people are below the age of 25. With a median age of 25 years, increasing numbers are joining the Indian workforce. Whereas China's dependency ratio bottoms in the next five years, for India it's likely to bottom out only in 2040. India's share in world consumer spending is set to increase from 1.9% in 2005 to 3.1% in 2020. (Source: Technopak) Income in the hands of younger consumers with a higher propensity to spend, is providing buoyancy to the economy while opening up new categories in the FMCG space. With more women joining India's workforce, FMCG marketers are finding opportunities to introduce products in the convenience and health foods segments. While spending on women's personal care products is also becoming far more acceptable and guilt-free.

Rapid shifts in income profiles are leading to an evolution of product categories. At the higher income levels, there is a need for more sophistication and customization to individual tastes. Personal preferences also drive multiple brand purchases within households, unlike the earlier trend of using only a single brand or product. Therefore, marketers are introducing several variants of products to cater to a wider set of preferences. Products are also being segmented to cater separately to the needs of men, women and children. Mass customization is likely to intensify with FMCG players profiling potential buyers by attributes such as age, region, skin type and ethnic background.

Consumers are steadily shifting from low prices to a price-plus platform. They now tend to balance price with quality, convenience, consistency, innovation and shopping experience. The quality conscious consumer is willing to pay a premium for effective solutions, improved services and a superior experience. The focus of marketers is to provide consumers with a holistic solution for their needs in the form of a consolidated offering of various products and services.

India's FMCG market can be divided into two segments – urban and rural. The urban segment is characterized by high penetration levels and higher spending propensity of the urban resident as compared to his rural counterpart. The trend towards urbanization continues, with migration of rural citizens to urban areas. The number of urban towns has increased significantly, estimated at 53% over the last two decades.

Rural India accounts for 70% of India's population and is estimated to account for 56% of national income and 64% of expenditure. This market is seeing significant income growth and employment diversity for the first time in its history. Income derived directly from agriculture has reduced to around 40% with farmers often multi-tasking. However, the indirect dependence of the rural economy on agriculture is still high. Infrastructural investments in roads, railways and telecom have led to improved connectivity in rural India with a positive impact on growth, employment, education and health care. The Government's initiatives such as National Rural Employment Guarantee Act (NREGA), other employment generation schemes, waiver of loans and managing minimum support prices of select agricultural output are resulting in higher disposable incomes and consumption trends in rural India. The most recent initiative of providing a Unique Identification Number (UID) will further strengthen the position of people living in rural areas. Rural markets comprise about 34% of the total FMCG market. In recent times, the growth rate has overtaken that of the urban markets. Category penetration, however, still remains low, providing significant headroom for growth. With organized FMCG players accessing these markets, rural consumers are becoming increasingly brand conscious. However affordability remains a challenge, giving rise to a large market for small size SKUs.

India is currently going through a socio-economic change; the country is witnessing an expansion of existing markets and the creation of many new ones. The beauty products market is expected to grow by 15%-20% in the future as a result of the changing socio-economic status of Indian consumers, especially women. Better paying jobs and exposure to fashion and beauty trends in the developed world through television and other media have resulted in changing tastes and choices. Middle class women are more conscious of their appearance and are willing to spend more on enhancing it. Modernization has led to changing aspirations where the need to be considered good-looking, well-groomed and stylish has taken on a newfound importance. This has changed the mindset of saving for future. Accordingly, people are spending more on consumption. As a result, hair care and skin care products are expected to show healthy growth. Indian men are also becoming conscious about their appearance, creating a market for male grooming products. There is also an increased awareness about good health practices. Sedentary lifestyles and unhealthy habits have led to the rise of lifestyle-related diseases such as diabetes and heart problems. Increased awareness is leading to a demand for healthier products with lower calories, less sugar, lower glycemic index, higher nutritional content and higher fiber.

Though there has been a growth in modern retail format stores in India, a significant share of business is still generated through the 'mom and pop' store (kirana) format. With better infrastructure aiding access to the rural economy, it is likely that 'mom and pop' stores will remain the chief point of interface of the FMCG companies with the retail consumer. Organized retail comprises about 5% of FMCG business, but is expected to grow rapidly and expand its share over the next few years, reaching 11% by 2015 and nearly 30% by 2020. The share of certain categories such as processed foods and beverages is expected to grow rapidly within organized retail. Several formats exist within organized retail such as hyper marts, supermarkets and cash-and-carry (wholesale). It is expected that formats will evolve and new formats may come up in the future. There has been a rise in private labels and these could provide tough competition, particularly to players that are not differentiated and relatively weaker brands. Organized retail is also expected to make investments in information technology to optimize supply chain efficiencies. This will also require strong backward integration with distributors and manufacturers.

India Incorporated is looking to grow inorganically. It is important to go global, not only to create multiple growth engines, but also to create reverse learning for the home market. The year gone by has seen a number of overseas acquisitions made by Indian FMCG companies. Also, the emerging economies in Asia and Africa have low-to-medium penetrations in some of the FMCG categories. This signifies considerable headroom for growth in the mid-term. Favorable macro-economic factors, changing attitudes of the consumers and progressive policies of governments also make these markets attractive destinations. Typically, gestation periods .tend to be longer as one needs to go up the learning curve in a new market. Some of them also offer inorganic entry possibilities that can create access to mainstream distribution, manufacturing and talent. This can speed up one's learning curve as long as there is a strategic fit with the target.

## RISKS & CONCERNS

### Input Costs

Domestic commodity prices are often linked to international indices and volatility in these benchmarks could cause fluctuations in the domestic input prices.

The past 2-3 years have witnessed wide fluctuations in the prices of commodities. Crude oil touched a record high of USD 140 per barrel in FY09 before crashing to below USD 50 per barrel in FY10 and then again breaching USD 100 per barrel during the second half of FY11. Volatility was consequently experienced in other commodities –

in crude derivatives like liquid paraffin and high density polyethylene (HDPE) as well as edible oils.

Input costs comprise nearly 60% of the production costs in the FMCG sector. Inflationary trends in the input costs could create a strain on the operating margins of the FMCG companies. Brands with greater equity may find it easier to adjust prices in line with movements in input costs.

**Pricing Power**

The equity of a brand generally allows the organization to pass on the impact of any increase in cost structure to the consumers. However, considering the uncertainty in the environment, rising competitive pressures as well as the longer term objective of expanding consumer franchise, part of the increased cost structure may be absorbed by the organizations.

**Discretionary spending / Down trading**

In situations of economic duress, items which are in the nature of discretionary spending are the first to be curtailed. This is relevant for the lifestyle solutions offered by companies. In an extended recession, down trading from branded products to non-branded ones could also occur and affect the financial performance of the Company.

**Competition**

The FMCG environment in India and overseas is competition-intensive and companies need to focus on branding, product development, distribution and innovation to ensure their survival. Product innovations help to gain market, while advertising and sales promotion creates visibility for the product. Such expenditures carry the inherent risk of failure. Counter campaigning by competitors could also reduce the efficacy of promotions. Similarly, aggressive pricing stances by competition have the potential of creating a disruption.

**Product innovations and new product launches**

The success rate for new product launches in the FMCG sector is low. New products may not be accepted by the consumer or may fail to achieve the targeted sales volume or value. Cost overruns and cannibalization of sales in existing products cannot be ruled out. Marico has adopted the prototyping approach to new product introductions that helps maintain a healthy pipeline and at the same time limits the downside risks.

**Currency Risk**

The Marico Group has a significant presence in the Indian subcontinent, including Bangladesh, South East Asia, MENA (Middle East & North Africa) and South Africa. The Group is therefore exposed to a wide variety of currencies like the US Dollar, South African Rand, Bangladeshi Taka, UAE Dirham, Egyptian Pound, Malaysian Ringgit, Singapore Dollar and Vietnamese Dong. Import payments are made in various currencies including but not limited to the US Dollar, Australian Dollar and Malaysian Ringgit.

As the Group eyes expansion into new geographical territories, the exposure to foreign currency fluctuation risk may increase. Significant fluctuation in these currencies could impact the company's financial performance. The Company is, however, conservative in its approach and is likely to use simple hedging mechanisms.

**Funding costs**

Though the sector is not capital intensive, fund requirements arise on account of inventory position building or capital expenditure undertaken. In addition, growth through acquisitions may also contribute towards leveraging the company's balance sheet. Changes in the interest regime and in the terms of borrowing will impact the financial performance of the Group.

### Acquisitions

This may take the form of purchasing the brands or purchase of stake in another company and is used as a means of gaining access to new markets or categories, of increasing market share or eliminating competition. Acquisitions may divert management attention or result in increased debt burden on the parent entity. It may also expose the company to country specific risk. Integration of operations and cultural harmonization may also take time, thereby deferring benefits of synergies of unification. Marico is keen on exploring acquisitions in its core segments of beauty and wellness, where it believes it can add value.

### FMCG market in Bangladesh

Bangladesh has a demographic profile very similar to that of India. A population in excess of 150 million and a developing economy provide the perfect consumer base for the FMCG sector to flourish. The GDP has grown at 6-7% over the last few years and it is amongst the Next 11 (N11) countries identified by Goldman Sachs as having high potential. Political instability may, however, be a cause for concern for companies operating in Bangladesh.

### FMCG markets in Middle East and North Africa (MENA)

The market offers a curious mix of local and expatriate populations, who are not averse to the idea of indulgence/extravagance. This provides FMCG companies opportunities to offer branded solutions tailored to the needs of the consumer in the region. The Egyptian economy has embraced liberalization in the recent past, thereby opening the doors for foreign direct investment and paving the path to economic growth. It features amongst the Goldman Sachs list of N11 countries. A steadily-growing population and a developing economy provide a good base for FMCG companies. Penetration levels in hair grooming and skin care products are modest.

During the last few months of FY11, the MENA region has witnessed socio-political unrest. This has had an adverse impact on the economy. Whilst the situation is moving towards normalcy in Egypt, conditions remain serious in other countries. It is likely that uncertainty may prevail over the region for a substantial part of the calendar year 2011. Once the situation returns to normal, however, the potential for growth in the region remains high.

### FMCG markets in South Africa

The South African economy is a productive and industrialized economy that exhibits many characteristics associated with developing countries, including a division of labour between formal and informal sectors and an uneven distribution of wealth and income. The economic measures such as Black Economic Empowerment (BEE), adopted by the Government to ensure growth and equitable distribution of wealth, have been very effective. South Africa's ascension into BRICS recognizes the country's potential, placing it alongside the leading economies of tomorrow. With 6% of Africa's population, it accounts for 25% of the continent's GDP. South Africa also forms the gateway to the rest of sub-Saharan Africa. Africa is the fastest growth region after China and India, boasting unexploited mineral wealth, 60% of the world's uncultivated agricultural land and the youngest age profile of any continent.

### FMCG markets in Vietnam

Vietnam is one of the fastest-growing countries in South East Asia, with a GDP growth of about 6%. The demographics of the country are very promising, with a young population providing an opportunity for FMCG companies to grow rapidly. Vietnam finds place in the Goldman Sachs list of N11 countries as a frontier market, indicating an opportunity to invest but with lower market capitalization and liquidity. The currency, Vietnamese Dong (VND), however, has shown relative weakness to the US Dollar in recent times.

## 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 unauthorized use or disposition, that transactions are authorized, 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 organization 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 and finance. The 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.

## HUMAN RESOURCES

Marico is a professionally managed organization with a flat hierarchy, which empowers people and fosters a culture of innovation. The organization believes that great people deliver great results and lays emphasis on hiring right and retaining key talent. The company maintains a strong business linkage to all human resource processes and initiatives.

Marico recruits its talent from the country's premier technical and business schools, with the long-term perspective of grooming its next-generation leaders. The organization believes in providing challenge and early responsibility at work, keeping team members enthused and motivated.

Hiring right is the first step, often by tapping into the networks of existing members. A strong referral mechanism operates under the brand name ‘Tareef’ (Talent referred by Mariconians). This benefits the organization in two ways: the talent referred is usually of a higher calibre than personnel sourced through other means and it also results in substantial cost savings in the recruitment process.

Marico ensures that its work environment is challenging and motivating, through its Management by Results policy. This includes performance-based compensation, along with other measures that help enhance performance.

The organization believes in investing in people to develop and expand their capability. Personal development plans focus on how each individual's strengths can be leveraged to maximize his or her potential. External training programmes and cross functional exposure often provide the extra edge. In line with the company's philosophy of valuing internal talent first, a structured internal job posting mechanism - MINTOS (Marico Internal Talent Opportunity Scheme) provides an internal forum for members to benefit from opportunities within the organization.

Marico has a holistic member well-being program, which includes the physical, emotional and financial aspects of an employee's well-being. Its initiatives are many: a Member Assistance Program in association with www.1to1help.net, a counseling service run by a team of qualified and experienced counselors; a physical well-being program that provides personalized diet, lifestyle and physical training by a panel of health experts; and financial well-being through customized financial planning programs.

Marico continually strives to increase the engagement levels of its teams. The Gallup Survey keeps the organization updated on its success at building engagement across the organization as well as in each of its teams.

Through 'Values Workshops', Marico disseminates its core values to all its members, building commitment and helping teams work with a corporate focus.

‘Popcorn with Harsh’ sessions, giving members the opportunity to interact directly with the Chairman and Managing Director, Harsh Mariwala, continue to leverage the strengths of Marico's leaders, helping them mentor Mariconians and coach the leaders of the future.

Specific initiatives are underway to standardize Marico HR practices across its international locations – the Middle East, Bangladesh, Egypt and South Africa.

Employee relations throughout the year were supportive of business performance. As on March 31, 2011, the employee strength of Marico Ltd. was 996 and that of the entire group was 2277.

**CORPORATE SOCIAL RESPONSIBILITY**

Marico believes in aligning the interest of all stakeholders in the environment in which it operates – its shareholders, consumers, members, associates, government and society. Promoting conscious capitalism is an important step towards fulfilling the Company's purpose. Marico has chosen the following areas of focus to make its contributions towards society and to function responsibly is respect of the impact its operations have on the environment.

**1. Marico Innovation Foundation**

Marico instituted the Marico Innovation Foundation (www.maricoinnovationfoundation.org) in 2003, to provide a framework to the Industry and Social Sector to leverage innovation for quantum growth. The overall approach of the Foundation is to be a catalyst that concentrates on creation of knowledge through research, knowledge dissemination & recognition through its Innovation for India Awards.

The Foundation has drawn insights from Indian organizations that have challenged convention and achieved quantum growth through innovation – organizations that have considered ideas and not resources as their key competitive advantage. Its social innovation research seeks to highlight inspiring work that brings insight into what differentiates social innovation which if scaled up, has the power to address some of the fundamental problems in the country. One of Foundation's popular researches resulted in a best seller

# WE SET UP OUR INNOVATION FOUNDATION FOR ONE SIMPLE REASON. WE WANT YOU TO CHANGE THE WORLD.

The Marico Innovation Foundation isn't about us.
It's about recognizing and mentoring upcoming innovators
and supporting ideas that can transform lives.

Marico Innovation Foundation

publication 'Making Breakthrough Innovation Happen: How 11 Indians pulled off the impossible'. This publication is a culmination of a six year joint discovery effort to identify genuine breakthrough innovations from within India and then uncover cutting edge insights into; 'what these innovators did differently to make the impossible happen'. The other knowledge building initiatives of the foundation include alliances between top Indian Business Schools and Indian organizations for a 2-month elective 'live' course on Applied Innovation.

To extend the Marico Innovation Foundation's catalytic approach towards Innovation, it organises 'Innovation Workshop for Social Enterprises'. The purpose of these workshops is to enable social organizations to apply innovation as a key tool to significantly increase their social impact and scale programs. The 3-day workshop focuses on innovation tools, knowledge sharing from successful case studies, addressing primary challenges in applying innovation and helping social enterprises identify and put together an innovative roadmap to scale up and create greater impact. After the workshop, organizations are selected for a 12-18 month innovation incubation program.

Through the knowledge dissemination mechanism the Foundation is able to propagate the findings of the researches through large-scale mass platforms across India. It has shared its learning at business schools, industry fora and management associations to help take other organizations to take quantum leaps instead of going through the process of rediscovery. In addition its Innovation Exchange is a portal that brings the entire Innovation Ecosystem including researchers, innovators, entrepreneurs and academia across industry along with investors and mentors together onto one single platform. This is an initiative in association with the Indian Institute of Management, Ahmedabad (IIM–A) and the Department of Science and Technology, Government of India.

To recognize and applaud outstanding leadership with a focus on innovation, the Marico Innovation Foundation institutionalized Innovation for India Awards in 2006. These Awards acknowledge & foster leadership with innovative focus in various Business & Social sectors. From 2010 a new category - Public Governance, has been introduced to recognize innovations where the Central or State government or any wing of the government including public-private partnership has innovated. The intent of the Awards is to reward projects and businesses that make a real difference to India and the community at large. Based on the criteria of uniqueness, impact and scalability, 'India's Best Innovations' are declared biennially. Since 2006, 32 innovators have been recognized. Bharti Airtel and Tata Nano were recognized as Global Game Changers for their spirit of innovation.

An eminent Governing Council chaired by Dr. R A Mashelkar FRS, CSIR Bhatnagar Fellow steers the work of the Foundation.

**2. Sustainability Initiatives**

Marico's sustainability efforts are aimed towards conserving the ecology, whilst institutionalizing a 'green mindset' amongst Mariconians. Marico has successfully implemented over 50 ideas in the areas of energy, water and paper usage reduction in the last 2 years. The ideas varied from process changes in manufacturing to investing in equipment that would reduce energy consumption to reduced usage of plastic.

We have gained considerable momentum in our efforts to reduce our carbon footprint, most of our strategies and processes today undergo a Green filter, as we intrinsically evaluate the environmental implications of all initiatives.

Highlighted below are some key initiatives that had a significant positive impact on the environment.

**Energy**

- Leveraged the latest technology to reduce power consumption in our datacenter
- Improved truck loading efficiency at our factories leading to reduced fuel consumption
- Designed the new plant at Baddi in an energy-efficient manner. Learning from here is being replicated across all manufacturing locations
- Installed variable frequency drives to reduce energy consumption at our Pondicherry factory
- Use of bio mass fuel for boilers

**Water**

- Reduction of water consumption at Jalgaon plant by about 36%
- Rainwater harvesting across manufacturing sites
- Drip irrigation system installed at the Jalgaon factory

**Paper**

- Use of recycled paper at Kaya Skin Clinic

**Plastic**

- Reduction in PVC Consumption by 90% in plastic bottles

The 'Think Fresh, Be Green' initiative aims to build a Green culture at Marico. Tree plantations on birthdays, using video conferencing to reduce travel, celebrating festivals in an eco-friendly way are part of the culture. We have also institutionalized a Green Score Card which measures progress on our Green journey through member feedback. Teams that have made significant contributions to our sustainability journey are recognized every year at the annual Organisation Communication event.

We conducted sessions for our C&FA agents (depots) on the need and benefits of going Green, which has led to considerable savings for the organisation. More importantly however, it has increased the saliency of the need to adopt sustainable work practices amongst our associates.

Our achievements in this space have been recognized through numerous awards,

- Marico (Kanjikode) was conferred with the Kerala State Energy Conservation Commendation Award 2010, in the large-scale energy consumers category.
- Marico won 'Silver' at the Greentech Environment Excellence Award 2010, in the FMCG sector.
- Marico bagged the Runners-up trophy at the G-CUBE
- Marico (Jalgaon) won the Good Green Governance Award.

**3. Safety**

Marico places prime importance on the safety & health of all its members.

In pursuit of a hazard and incident-free work environment, we have defined an Environmental & Occupational Health & Safety (EOHS) policy, which guides systematic efforts to continually upgrade our systems, impart relevant training and improve communication system to handle emergency situations.

Some of the initiatives we have taken are:

- Marico Factories are certified for OHSAS 18001:2007 by certifying body DNV. We have recently undergone an ISO: 14001 and OHSAS: 18001 (EOHS) audit by an external agency.

- Safety Councils at our plants, periodically review accidents, safety records and issues related to safety, health and work environment.
- In factories, every major project is routed through the Safety department.
- We have installed diesel engines for the operation of the fire hydrant systems, in case of power failures.
- All plants hold annual safety weeks that aim to increase awareness of potential hazards and serve as a refresher for key safety procedures.
- Emergency preparedness and response procedures are tested regularly by conducting mock drills.
- Members undergo Safety Training as part of their induction. Health and safety seminars are conducted for contract workers.
- Reinforcement training like Fire fighting is compulsory at least once a year; other training is imparted as per a training calendar.

In recognition of our achievement Marico plants at Jalgoan, Goa, Poanta Sahib and Kanjikode have won the Greetech Award for Safety.

**4. Other Initiatives**

Most of these initiatives have been primarily in the areas of Education and Training and support for local communities.

**Education & Training:**

Marico's factories and depots are present in rural areas, where there is an opportunity for the Company to give back to the society by empowering the younger generation. Keeping this in mind, Marico has donated books, stationery, study material, clothes and emergency lamps and aided renovation at various local government schools.

In order to give students an industry perspective, Marico collaborated with the local institutes to offer training programs to students. These include training sessions on Supply Chain & TPM. Several plant visits were organized for government primary schools.

Marico also conducted a training programme on FSSC for Food Safety Officers, all across India. It covered about 650 Food Safety Officers.

Marico Bangladesh has organized communities under the Community based organization. It educates and guides the community in solving problems faced by them in areas of coconut production and development and conversion of the coconuts to copra. It has also worked towards establishment of other businesses that complement copra supply to augment income of the participating groups.

Awareness sessions for the local communities were organized; Aids Awareness programme for truck drivers by Pondicherry AIDS Control Committee at the Pondicherry factory. In addition, parenting sessions were held for workers' family members at some of the factories.

**Support for Local Communities:**

As part of our contributions to the local communities in which we are present Marico has contributed towards participation in blood donation camps at factory locations in India and overseas, conducted skin care camps for Helpage India by dermatologists from Kaya, provided financial support for weather risk insurance to farmers and helped in the renovation exercise of the local police station in Egypt.

This year, Marico members also participated in the week-long Joy of Giving Initiative, to promote 'Giving'.

**Joy of Giving:**

Joy of Giving Week is a not-for-profit organization, run and managed by a group of volunteers, that promotes 'Giving' in any form- Money, Resources, Skills, Time. Marico organized a series of activities at its various locations, during the week of September 26–October 2, 2010. These included:

**Vastra Samman & Toy Bank:** A week long collection drive that encouraged members to donate old clothes, toys, books and stationery. The donated items were in turn distributed to rural areas and villages, through the NGO Goonj and Toy Bank. Members donated enthusiastically for this cause.

**Make A Wish Foundation:** The foundation collects monetary donations, in order to fulfill wishes of children facing life threatening diseases. Members contributed generously to this cause. A variety of wishes were fulfilled; holiday with family, owning a doll set, a computer and many more.

**Crafts Bazaar:** Marico organized a day-long Crafts Bazaar at several of its locations. It invited NGOs that support Women Empowerment, Children and Education to set up stalls at its office premises. This gave the NGOs a platform to not only display but also sell their products; the key objective being to raise funds that would in turn be ploughed back into the NGO, to further support their individual causes.

## THE MARICO GROWTH STORY

Marico achieved a turnover of INR 3128 crore during FY11, a growth of 18% over FY10. The volume growth underlying this revenue growth was healthy at 12%. Profit after Tax (PAT) for FY11 was INR 286 crore, a growth of 24% over FY10. Over the past 5 years, the top line and bottom line have grown at a compounded average growth rate (CAGR) of 22% and 27% respectively.

## CONSUMER PRODUCTS BUSINESS (INDIA)

### Parachute & Nihar in India

Parachute, Marico's flagship brand, continued to expand its consumer franchise during the year. Parachute coconut oil in rigid packs, the focus part of its portfolio, grew by ~10% in volume as compared to FY10.

The year saw an unprecedented increase in the price of copra - dried coconut kernel, the raw material input for coconut oil. The average prices in FY11 were higher than in FY10 by ~45%. This rise can be primarily attributed to the spiraling of the global Palm Kernel oil table. (While pure coconut oil is the preferred cooking medium in parts of the country, it may be substituted with palm kernel oil when palm kernel oil prices remain at a normal discount to coconut oil. When palm kernel rises to close the gap, consumers may switch to coconut oil, thus increasing its demand and consequently the market rates).

The Company took price increases to pass on most of the cost push to its consumers. However, with the rapid upward spiral of costs, retail price increases lagged behind, resulting in some compression in margins. The Company implemented retail price increases in a phased manner from August 2010 to February 2011, taking a cumulative increase of about 32%. This unprecedented price increase, in the overall context of inflation in the country, has led to a modest volume growth of ~5% in H2FY11. However, at the same time, the Company has prioritized expansion of its consumer franchise. Consequently, it did not pass on the entire cost inflation; particularly in its 'recruiter packs', the smaller stock keeping units (SKUs).

# PROTECTING. NOURISHING. ENHANCING.
# IF IT COMES FROM MARICO, IT HAS TO DO MORE.

With heart-friendly foods, nourishing hair oils and high-performance grooming aids, Marico ensures that its brands deliver the maximum value possible to its consumers.

The Company will maintain its bias to grow volumes and in the event of a decline in copra prices could thus be expected to pass back some of the decline in input costs to consumers, particularly in the smaller packs. It may, however, hold on to a portion of the softening of input costs so as to regain a part of the margin drop in coconut oil during FY11.

Parachute's volume market share during the 12 months ended March 2011 was ~45.8%. Together with Nihar and Oil of Malabar, Marico's volume share in the INR 1900 crore branded coconut oil segment in India was ~52.6%.

**Saffola**

Over the years, Saffola has created a very strong franchise for itself in the super premium refined edible oils market. It continues to leverage its 'good for heart' equity, riding the trend of increasing concern for overall health and heart health in India. Several households have adopted Saffola in order to lead a healthier lifestyle (a preventive measure as opposed to being largely doctor-recommended). With the introduction of blends (currently Saffola refined oil is offered to consumers in four blends), the Company has been able to bring Saffola to its consumers at a range of price points. Given that the brand has a healthy consumer retention rate, an increased household base is expected to create a larger long term franchise for the brand.

During this year's World Heart Day, Saffola launched its 'Young at Heart' campaign, partnering leading hospitals, diagnostic centers and dietician teams to educate consumers about their 'heart age'. Aided by this initiative, the Saffola refined oils franchise continued its healthy growth. Saffola grew by ~16% in volume terms during FY11 compared to FY10. It maintained its leadership position in the super premium refined edible oils market, with a market share of ~52.1% during the 12 months ended March 2011.

During FY11, while average market prices of safflower oil remained flat, those of rice bran oil were up ~21% as compared to FY10. The Company took price increases in select packs to compensate for this cost push.

In the longer term, Saffola would like to establish itself as a leading healthy lifestyle brand. It has commenced its journey in the foods space, and plans to have a basket of offerings that provides healthy food options throughout the day. In line with this strategy, the Company introduced Saffola Oats in the month of June 2010. The product prototyped primarily in the Modern Trade format in select cities across India and has received a good response. The oats market in India is valued at INR 120-140 crore and is growing at a healthy rate of ~40%. While the category has seen the recent entry of a few players, the nascent market and trend towards wellness and health foods provides room for all players to participate in this category growth. Saffola will also play a role in expanding the market.

During Q4FY10, Saffola Arise was launched across key Saffola markets. The performance so far has been encouraging in the West and South India markets, where short grain rice is popular. Repeat purchases of Saffola Arise are taking place and the brand is also receiving the support of influencers such as nutritionists. During Q4FY11, two more variants, Basmati Gold and Premium Grain (long grain rice) were introduced to strengthen the brand's position in the North, where the longer grain is preferred.

The packaged rice market in India is ~INR 400 Crore and is growing at over 20%. With its innovative health positioning, Saffola hopes to create a sizable franchise for itself over the next two to three years.

### Hair Oils

Marico offers its consumers a basket of value-added hair oils for their pre-wash and post-wash hair conditioning, nourishment and grooming needs. In the INR 3000 crore branded hair oils market, hair oiling remains a deeply ingrained hair conditioning habit across the Indian sub-continent. With rising incomes in India, there are opportunities to serve consumers looking for value-added options to their hair oiling needs.

During the year, all Marico's hair oil brands recorded healthy growth. The company's hair oils portfolio in rigid packs grew by ~24% over FY10 in volume terms, with most variants clocking a growth of over 20%. Moreover, the introduction of new sub-segments in Marico's portfolio, such as Parachute Advansed Ayurvedic Hot Oil, Parachute Advansed Cooling Oil and Parachute Advansed Ayurvedic Hair Oil has grown the overall hair oils franchise by bringing specificity and creating more occasions for use.

Marico's hair oils franchise has achieved market share gains during FY11. Its volume market share during the 12 months ended March 2011, was 23%. The share is, however, on an increasing trend, having reached ~25% in recent months. Five years ago, the company's share was about 17%. These market share gains have been achieved through providing consumers with specific solutions, product innovations, packaging re-staging, participation in more sub-segments of the value-added hair oils category, continued media support to some of the brands and penetrative pricing action in others.

### Prototypes & New Launches

Marico, being an FMCG company, has to generate a healthy pipeline of new products to create growth engines for the future. In order to identify scalable marketing and product propositions, Marico follows a prototyping approach in a low-cost, fail-fast model to test the products before launching.

In order to invest in new product initiatives, Marico follows a Strategic Funding (SF) approach. Marico defines SF as the negative contribution a product makes after providing for material costs, variable manufacturing and distribution costs and advertising and sales promotion expenditure for the product. Each year, the company budgets for a certain percentage of its Profit Before Tax to be available towards strategic funding for new products and businesses. All new product ideas fight for these resources. As the company's bottom line grows, the SF pie grows larger. This provides sufficient investments towards creating future growth engines and at the same time puts an overall ceiling to the SF at the group level.

During the year, the Company continued the process of prototyping and launching. Parachute Advansed Ayurvedic Hair Oil is being prototyped in Tamil Nadu, while Parachute Advansed Body Lotion in being prototyped in West Bengal. Both have received a positive response. The Company is also prototyping Saffola Oats in the Organized Trade channel across India and certain ‘mom and pop’ stores in Southern India. The response has exceeded expectations. Saffola Arise was launched in January 2010. During the year, two more variants, Basmati and Premium Grain were introduced.

### International FMCG Business

Marico's International FMCG business (with key geographical constituents being Bangladesh, MENA (Middle East and North Africa), South Africa and South East Asia) comprised 23% of the Marico Group's turnover in FY11. The Company's international business continued to grow handsomely and registered a growth of 22% in FY11. The business growth (excluding foreign currency impact) was, however, higher

# HAIR QUALITY DIFFERS WIDELY ACROSS SOUTH-EAST ASIA & AFRICA. THE HAIR CARE PROVIDER, HOWEVER, STAYS THE SAME.

Acquiring some leading local brands and adapting some from its Indian portfolio, Marico holds the dominant position in ethnic hair care and male grooming, across South-east Asia and Africa.

at 27% comprising 17% volume growth, 8% pricing and the balance coming from the new business in Vietnam. These growth rates would have been higher had the MENA region not seen political unrest in Q4FY11.

### Bangladesh

In Bangladesh, Parachute continues to play out its market expansion strategy by converting loose oil to packed branded coconut oil while maintaining its strong leadership position. It continued to ride on the growth momentum backed by strong thematic campaigns and new launches. The brand has gone from strength to strength and was recognized as the 2nd most trusted brand in Bangladesh across categories last year. (Source: A C Neilsen)

The Company is building on its strategy of leveraging the extensive distribution network created by Parachute. Hair Code hair dye has achieved about 29% value market share, establishing itself as a strong number 2 player. In the value added hair oils space, Parachute Advansed Beli, a light hair oil with a floral fragrance, is showing a positive trend while the recently launched Parachute Advansed Cooling Oil has seen encouraging results in the market. The response to Saffola refined edible oil, introduced in Bangladesh in FY11, is in line with expectations. This makes us confident of achieving continued strong growth in Bangladesh, through these new categories that complement the growth of the flagship, Parachute.

### MENA (Middle East and North Africa)

Revenue for this region in FY11 was flat as compared to FY10. Growth during the first three quarters of the year was unfortunately negated by a fourth quarter that was badly impacted by the political unrest in the region. Marico has created a manufacturing hub for MENA in Egypt. The supply chain was adversely impacted for about 5-6 weeks. While this stabilized towards the end of Q4FY11, the situation in other parts of the region remains uncertain. While we believe the long term trends for personal care products in the region remain positive, the growth in the immediate future may be unpredictable. In the near term, the company will be cautious about the overall level of investment in advertising. Meanwhile it is also working on alternative sourcing options in order to de-risk its supply chain operations.

### South Africa

The South African business continued to grow handsomely and recorded a growth of ~33%, aided by the acquisition of Ingwe. The organic growth during the year was 24%. Caivil and Black Chic, the two lead brands, have been growing steadily and improving their market shares in the ethnic hair care market in South Africa.

### Malaysia

Marico's Malaysian business has grown at a very healthy growth rate and has responded well to the brand re-stage and the renewed thrust to distribution for Code 10. The initiatives of integrating distribution and managing the transition in manufacturing were completed as planned.

### Entry into Vietnam

Marico increased its commitment to the South-east Asian market by taking up 85% equity in International Consumer Products Corporation (ICP), one of the most successful Vietnamese FMCG companies. ICP was founded in 2001, by Dr. Phan Quoc Cong and his partner. Its brands (X-Men, L'Ovite, Thuan Phat and others) have a significant presence across the personal care, beauty cosmetics and sauces/condiments categories. X-Men is a leading player in the male grooming segment in Vietnam and is the 2nd Most Trusted Personal Care brand in the country. With over 35% market share, it leads the men's shampoo category. L'Ovite, the company's premium cosmetics brand, ranks amongst the top 5 premium cosmetics brands in Vietnam. The investment was funded entirely through debt.

The ICP numbers were consolidated with the Marico Group financials for the period February 18 to March 31, 2011 and contributed ~INR 15 crore to the Group's top line for FY11.

**Kaya Skin Clinic**

Kaya was the first organized player in the segment of cosmetic dermatology in India, and now enjoys a large first mover advantage in the segment. During FY11, Kaya's skin solutions business achieved a turnover of INR 239 crore, recording a revenue growth of ~31% over FY10, boosted by the acquisition of Singapore-based Derma Rx in May 2010. On an overall basis, Kaya made a loss of INR 2.30 crores at PBT level.

The Kaya business without Derma Rx achieved a revenue growth of ~7% over FY10. Same clinic growth during the year was 2%. The Kaya business (excluding Derma Rx) incurred a PBT loss of INR 14.1 crore. (These numbers are before considering the impact of exceptional and one time items explained in the notes to the financial statements).

While Kaya had experienced same clinic decline in revenue during H1FY11, the trend was reversed during H2FY11. It recorded a same clinic year-on-year growth of ~8% in the second half of the year.

Kaya introduced services priced at INR 990 for a single session to serve as traffic builders. These were accompanied by easy upgradable offers. They were backed by advertising on radio and press as well as robust digital and CRM plans. The change in media strategy from TV to radio and press has resulted in better utilization of resources. Kaya will continue to use consumer promotions in the future in the form of loyalty and referral offers.

Four new advanced skin care products from the Derma Rx range addressing acne and skin ageing concerns were launched. The response to these products has been encouraging. The share of products to total turnover has increased to ~17% in H2FY11 compared to ~13% earlier. This is in line with the Company's strategy to increase the share of products to about 20%-22% in the next 2 years. The Company will continue to introduce more products in India in a phased manner. Derma Rx products are in the process of being introduced in the Middle East too. The process has got delayed owing to regulatory procedural issues. It is expected that these products can be introduced in the clinics in the Middle East by Q2FY12. The Company believes that introduction of these products makes the range of products at Kaya more complete. These products will set a new standard for acne and pigmentation management in India. Higher product sales will generate more through-put from the clinics and help improve their ROCE.

Kaya now offers its technology-led cosmetic dermatological services through 103 clinics: 81 in India across 26 cities, 16 in the Middle East and 2 in Bangladesh, in addition to the 4 clinics and medispas in Singapore and Malaysia through Derma Rx.

# WORLD-CLASS CLINICS.
# CUSTOMIZED SKINCARE SOLUTIONS.
# CUTTING-EDGE TECHNOLOGY.
# NATURALLY, OUR CUSTOMERS ARE GLOWING.

With advanced technology, customized skin care services and world-class clinics at destinations across the country and overseas, Kaya Ltd. brings radiant skin and unbounded confidence to over a million people every year - making it India's leading cosmetic dermatology chain and one of the largest in the world.

### COST STRUCTURE FOR MARICO GROUP
### (before exceptional and one time adjustments)

| % to Sales & Services (net of excise) | FY11 | FY10 |
|---|---|---|
| Material Cost (Raw + Packaging) | 51.2 | 47.4 |
| Advertising & Sales Promotion (ASP) | 11.0 | 13.2 |
| Personnel Costs | 7.3 | 7.3 |
| Other Expenses | 16.6 | 16.8 |
| PBDIT Margins | 13.9 | 15.3 |
| Gross Margins (PBDIT before ASP) | 24.9 | 28.5 |

Notes:

1. The above ratios are before exceptional and one time items included in the financials for the period.

2. The year witnessed steep inflation in prices of input materials. Market prices of Copra, the input for coconut oil, which accounts for ~40% of the Group's raw material cost, was ~45% higher than in FY10. Market prices of Safflower Oil were flat whereas prices of Rice Bran Oil were up by 21% compared to the previous year. The Company chose to pass on a part of the input cost increase to consumers.

3. With increased input costs and retail prices, while the company may maintain its absolute margin per unit at around the last three years' average, the higher sales realization base will reflect a lower margin in percentage terms.

4. Increases in ASP, personnel costs and other expenses have not kept pace with the 18% revenue growth leading to some decline in percentage terms. During Q4FY11, the company took a conservative approach to ASP spends in MENA. In Kaya there was a change in strategy to focus on press and digital media instead of television advertizing. In the domestic consumer products business, the phasing between quarters saw a lower spend in Q4FY11.

### CAPITAL UTILIZATION

Over the years, Marico has been maintaining a healthy Return on Capital Employed (ROCE). Given below is a snapshot of various capital efficiency ratios for Marico Group:

| Ratio | FY11 | FY10 |
|---|---|---|
| Return on Capital Employed | 22% | 34.4% |
| Return on Net Worth | 36.5% | 41.8% |
| Working Capital Ratios | | |
| • Debtors Turnover (Days) | 20 | 18 |
| • Inventory Turnover (Days) | 61 | 54 |
| • Net Working Capital Turnover (Days) | 69 | 57 |
| Debt: Equity | 0.78 | 0.74 |
| Finance Costs to Turnover (%) | 1.3 | 1.0 |

*Turnover Ratios calculated on the basis of average balances

1. There has been a decline in the Group's ROCE in FY11 compared to FY10 mainly on account of the investments made in Vietnam.

2. There has been an increase in NWC level mainly due to an increase in inventory on account of inflation in input prices.

3. As of March 31, 2011 the Marico Group had a net debt of INR 500 crore (~USD 111 mio) {Gross INR 772 crore (~USD 171.5 mio)}. Of the gross debt, about INR 554 crore (~USD 123.1 mio) is denominated in foreign currency. About INR 222 crore (~USD 49.3 mio) of the foreign currency debt is repayable within a year. Other than INR 50 crore (~USD 11.1 mio) debt, the balance debt of INR 168 crore (~USD 37.3 mio) denominated in Indian Rupees is payable within a year. The average cost of the debt is ~5.0 %. The company may roll over some of the loans when they fall due during the year or redeem investments for repayment. Marico has adequate cash flows to maintain healthy debt service coverage.

4. The Company periodically reviews and hedges the variable interest liability for long

term loans using Interest Rate Swaps.

5. The Company had decided to adopt Accounting Standard (AS) 30 in FY10 – Financial Instruments: Recognition & Measurement issued by The Institute of Chartered Accountants of India. Accordingly the net unrealized gains or losses in respect of outstanding derivative instruments and foreign currency loans at the period end which qualify for hedge accounting are reflected in the 'Hedge Reserve Account', which will get recognized in the Profit and Loss account when the underlying transaction or forecast revenue arises.

## SHAREHOLDER VALUE

### Pay out – distribution of profit to shareholders

Over the past few years, Marico has made acquisitions, including a majority stake in International Consumer Products (ICP), Vietnam in February 2011. The company financed the same through issue of fresh equity, borrowings from banks and internal cash generation. Marico has focused on deploying its resources in avenues which will result in maximization of shareholder value. Continuing with this policy, the Board of Directors of Marico has decided to follow a conservative dividend policy, till we are able to deploy the funds in attractive growth opportunities. The broad direction is to maintain the absolute amount of dividend as paid out in the previous year. On a growing profit base, the pay out ratio would be lower. However, if we do not find any suitable avenue to deploy funds in the near term, we will repay the debt on the balance sheet and re-look at the dividend payout ratios.

### Dividend declared

At its meetings held on October 26, 2010 and May 2, 2011, the Board of Directors had declared interim dividends of 30% and 36% respectively. With this, the cumulative dividend declared for the year is 66%. This corresponds to a dividend payout ratio of 16.5% (inclusive of dividend distribution tax).

## RESULTS OF OPERATIONS – AN OVERVIEW

Marico achieved a turnover of Rs. 3128 crore during FY11, a growth of 18% over FY10. The volume growth underlying this revenue growth was healthy at 12%.

Profit after tax (PAT) for FY11 was 286 crore, a growth of 24% over FY10. These results include the following items that are not strictly comparable with FY10. Each of these items is explained in detail in the Notes to the Consolidated Annual Financial Statements:

- Reversal of Excise Duty Provision of Rs. 29.4 crore made during FY10 towards contingent excise duty obligation in respect of dispatches of coconut oil in packs up to 200 ml (Please refer to Note 27, Schedule R);
- Profit on divestment of edible oil brand ‘Sweekar’ amounting to Rs. 50 crore (Please refer to Note 14 (b), Schedule R);
- Impact of change in accounting estimates relating to revenue recognition in Kaya amounting to Rs. 31.32 crore (Please refer to Note 16, Schedule R );
- Impairment Provision impact of Rs. 7.74 crore as a result of impairment testing at clinic level at Kaya Skin clinics in India (Please refer to Note 14 (d), Schedule R);
- Impairment of tangible and intangible assets relating to the business of Fiancée amounting to Rs. 22.7 crore (Please refer to Note 14(c), Schedule R) and
- Amortization of Intangible assets (brands) held by overseas subsidiaries amounting to Rs. 9.5 crore (Please refer to Note 15, Schedule R).

Also, there is an increase in depreciation by

Rs. 3.09 crore as a result of review of remaining useful life of certain assets at Kaya Skin clinics.

Similarly there were certain one-time items included in FY10 results which are not strictly comparable such as Write-off of Translation Reserve pertaining Sundari business amounting to Rs. 4.1 crore and closure costs of Kaya Life Centres amounting to Rs. 5.7 crore.

If these items were to be ignored, the Sales and PAT for the year under review would have been higher at Rs. 3157 crore, a growth of 19% over FY10, and Rs. 300 crore, a growth of 15% over FY10, respectively.

Marico has kept up its track record of quarterly growth. Q4FY11 was in Y-o-Y terms, the:

- 42nd consecutive Quarter of growth in Turnover and
- 46th consecutive Quarter of growth in Profits

Over the past 5 years, the Sales and PAT have grown at a compounded annual growth rate of 22% and 27% respectively

**TOTAL INCOME**

**Our total income consists of the following**

1. Sale of products comprising
   a. Sales from 'Consumer Products' including coconut oil, value added hair oils, premium refined edible oils, anti-lice treatments, fabric care, edible salt, functional foods, hair creams & gels, shampoos, hair straightners and other similar consumer products, by-products, and scrap sales.
   b. Sale and income from other products including skin care products sold through Skin Care Clinics under the brand Kaya and Derma Rx.
2. Income from services offered at the Skin Care Clinics under the brand Kaya and Derma Rx
3. Other Income, primarily includes profits on sale of investments, dividends, interest and miscellaneous income.

The following table shows the details of income from sales and services for FY11 and FY10

INR crore

| Particulars | FY 10-11 | FY 09-10 |
|---|---|---|
| Net Sales / Income from Operations | 3128.31 | 2660.75 |
| Other Income | 27.88 | 18.26 |
| Total | 3156.19 | 2679.01 |

There has been around 18% growth in Net Sales/Income from Operations on account of 17% growth in Consumer Products Business in India, 22% growth in Consumer Products Business outside India and 12% in Kaya. There was a one-off revenue adjustment in Kaya amounting to INR 31.32 crore (Please refer to Note 16, Schedule R). The growth before this one off adjustment is higher at 19%.

The underlying Volume growth in the Consumer Products Business was healthy at 12% at Group level as a result of 11% growth in Consumer Products Business in India and 19% growth in Consumer Products Business outside India.

Other income principally accounts for profit on sales of investment, interest and dividend income arising largely from investment of short term surpluses.

## EXPENSES

The following table sets the expenses and certain other profit and loss account line items for the years FY11 and FY10:

INR crore

| Particulars | FY 2010-11 | FY 2009-10 |
|---|---|---|
| Total Income | 3156.19 | 2679.01 |
| Expenditure | | |
| Cost of Materials | 1617.94 | 1261.60 |
| % of Total Income | 51.3% | 47.1% |
| Employees Cost | 230.37 | 190.12 |
| % of Total Income | 7.3% | 7.1% |
| Advertisement and Sales Promotion | 345.98 | 351.11 |
| % of Total Income | 11.0% | 13.1% |
| Depreciation, Amortisation and Impairment | 70.80 | 60.06 |
| % of Total Income | 2.2% | 2.2% |
| Other Expenditure | 524.24 | 482.78 |
| % of Total Income | 16.6% | 18.0% |
| Finance Charges | 39.33 | 25.68 |
| % of Total Income | 1.2% | 1.0% |
| Total Expenses before exceptional items | 2828.66 | 2371.36 |
| % of Total Income | 89.6% | 88.5% |
| PBT before Exceptional Items | 327.53 | 307.65 |
| % of Total Income | 10.4% | 11.5% |
| Exceptional Items | (48.91) | (9.78) |
| Profit Before Tax | 376.44 | 297.86 |
| % of Total Income | 11.9% | 11.1% |
| Tax | 84.99 | 64.32 |
| Profit after tax before Minority Interest | 291.45 | 233.54 |
| % of Total Income | 9.2% | 8.7% |
| Minority Interest | 5.01 | 1.87 |
| Profit after Tax | 286.44 | 231.67 |
| % of Total Income | 9.1% | 8.6% |

### Cost of Materials

Cost of material includes consumption of raw material, packing material, purchase of finished goods for sale and increase or decrease in the stocks of finished goods, by-products and work in progress. There was an overall inflationary environment seen in input cost prices during FY11. As a result, the Company's material cost as a percentage to total income has increased. This is largely on account of unprecedented inflation seen in prices of Copra, an important ingredient for the Company. The market prices of copra were higher by 45% compared to the previous year. Prices of other input materials also saw an increase. Rice bran oil for instance was higher by 21%, Liquid Paraffin by 36% and HDPE by 6%. The Company maintained its thrust on volume growth and therefore chose not to pass on the entire input cost push to the consumers.

### Employee Cost

Employee cost includes salaries, wages, bonus and gratuity, contribution to provident and other funds and staff welfare schemes expenses. We have an extensive process of performance management enhancement through the deployment of MBR (Management by Results), which is intended to create an environment where employees are encouraged to challenge and stretch themselves. Linked to this is a variable compensation element based on the Company's target achievement and the individual's performances against goals identified. The increase in employee costs is primarily on account of normal annual compensation revisions and increase in headcount.

### Advertisement and Sales Promotion

Our advertisement and sales promotion (ASP) expenses in FY11 were slightly lower than that in FY10. In the Consumer Products Business in India there was a conscious strategy to do fewer but bigger new product launches. In addition the overall cost push in materials also led to some moderation in the ASP spends. In Kaya we have gone back to localised and more effective advertisement in Print and Radio as against TV earlier. During Q4FY11 advertising expenditure in MENA was curtailed owing to the political unrest in the region.

### Depreciation, amortisation and impairment

Generally, depreciation costs increase based on the capital expenditure we incur.

Depreciation expense has increased compared to FY10 mainly on account of certain one off adjustments during FY11

- In line with the Indian Accounting Standards the Company has commenced amortisation of Brands held by some of the overseas subsidiaries. This expense however will be continued going forward (Please refer to Note 15, Schedule R).

### Other Expenses

Other expenses include items such as Freight & Forwarding, Selling and Distribution, Rent and other expenses mainly fixed in nature. There is a decline seen in the other expenses as a percentage to sales mainly due to the fact that the Excise Duty Provision of Rs. 29.4 crore made during FY10 towards possible excise duty obligation in respect of dispatches of coconut oil in packs up to 200 ml was reversed in FY11 (Please refer to Note 27, Schedule R). In addition inflation in other expenses has not kept pace with the inflationary growth in top line.

### Finance Charges

Financial charges include interest on loans and other financial charges. There is an increase in finance costs owing partly to an increase in the overall interest rate regime and partly on account of increased borrowings. Borrowings are higher primarily on account of the acquisitions of Derma Rx, Ingwe and shares in ICP as well as higher inventory owing to inflation in input costs.

**Exceptional Items**

There were some items which are exceptional in nature and hence detailed separately on the face of Profit and Loss account. These are explained in Note 14 of Schedule R of the Consolidated Financial Statements.

**Tax**

Taxes comprise Income Tax and Deferred Tax. There has not been any significant change in the effective tax rate for the year FY11 compared to FY10.

## BALANCE SHEET

**Statement of Assets and Liabilities - Consolidated Financials**

INR crore

| Particulars | As at March 31, 2011 | As at March 31, 2010 |
|---|---|---|
| SOURCES OF FUNDS | | |
| **Shareholders' Funds** | | |
| Share Capital | 61.44 | 60.93 |
| Reserves and surplus | 854.05 | 593.03 |
| | **915.49** | **653.96** |
| **Minority Interest** | 21.88 | 12.54 |
| **Loan Funds** | 771.82 | 445.87 |
| **Total** | **1709.19** | **1112.37** |
| APPLICATION OF FUNDS | | |
| **Goodwill on Consolidation** | 397.60 | 85.03 |
| **Fixed Assets (Net)** | 489.74 | 399.66 |
| **Investments** | 89.16 | 82.71 |
| **Deferred Tax Asset (Net)** | 30.11 | 61.63 |
| **Current Assets, Loans and Advances** | | |
| Inventories | 601.13 | 444.81 |
| Sundry Debtors | 187.98 | 150.69 |
| Cash and bank balances | 213.09 | 111.46 |
| Loans and Advances | 206.06 | 190.00 |
| | **1208.27** | **896.96** |
| **Less: Current Liabilities and Provisions** | | |
| Current Liabilities | 440.46 | 336.86 |
| Provisions | 65.23 | 76.76 |
| | **505.69** | **413.62** |
| **Net Current Assets** | **702.58** | **483.34** |
| **Total** | **1709.19** | **1112.37** |

### Shareholders Funds

This comprises the paid up share capital and reserves & surplus. There has been an increase in the share capital on account of stock options exercised by the employees under the ESOP Scheme. (Note 21) to the Financial Statements provides further details of stock options issued, exercised and pending to be exercised.

### Minority Interest

Minority Interest represents the share of Consolidated profits attributable to non-Marico shareholders in Marico Bangladesh Limited and International Consumer Products Corporation:

1. The Company's Bangladesh subsidiary, Marico Bangladesh Limited, had listed 10% of its equity share capital on the Dhaka Stock Exchange in September 2009 by issuing fresh shares to public in that country;

2. The Company acquired 85% stake in International Consumer Products Corporation (ICP) in Vietnam and started consolidating it with effect from February 18, 2011. The balance 15% shareholding continues to be with one of the sellers.

### Loan Funds

Loan funds include borrowings which are payable after one year or more from the date of the balance sheet. These include a judicious blend of borrowings in local and foreign currency. There has been an increase in the loan funds due to various acquisitions made by the Company during the year primarily funded through debt.

### Goodwill on Consolidation

Goodwill on consolidation represents the consideration paid to acquire companies in excess of their net assets.

1. In May 2010, a wholly owned subsidiary of Kaya Limited, Derma Rx International Aesthetics Pte. Ltd. acquired 100% equity stake in DRx Clinic Pte. Ltd., The DRx Medispa Pte. Ltd., DRx Investment Pte. Ltd. and DRx Aesthetics Sdn. Bhd in Singapore.

2. Further in February 2011, Marico Limited acquired 85% equity stake in International Consumer Products Corporation, Vietnam.

### Fixed Assets

Fixed assets represent investments made by the Company in tangible assets such as Buildings, Plant & Machinery, Furniture & Fixtures etc. Apart from normal yearly capital expenditure, the increase is largely on account of trade marks and fixed assets of Derma Rx and ICP which were acquired during the year.

### Investments

Investments comprise funds parked in short term and long term instruments like Mutual Funds. A substantial part of the investments is parked in short term instruments. There has not been any significant variation in the balances as on March 2011 compared to March 2010.

### Deferred Tax Asset (DTA)

Deferred Tax Asset represents the timing differences resulting due to variations in the treatment of items as per Income Tax Act, 1961 and Indian GAAP.

The amount of deferred tax asset has come down on account of two main reasons

- The Company had adjusted in the Books of Account the value of Intangible Assets against the Capital Redemption Reserve and Securities Premium Account under the Capital Restructuring Scheme in an earlier year and hence created a DTA. As the Written Down Value of those Intangible Assets as per Taxation books is coming down the DTA is getting reversed.
- The Company has made a DTA on the excise

duty liability on coconut oil packs below 200 ml. This provision has been reversed during FY11 and hence the corresponding DTA created on this unpaid liability is also reversed.

**Inventory**

Inventory includes the stocks of raw material, packing material, work in process and finished goods held for sale in ordinary course of business. Inventory days have increased on account of cost push in input material which was not completely passed on to the consumers in order to focus on growing the long term consumer franchise of the company's brands. The Company has also built up stocks of finished goods to service the Q1FY12 sales plans.

**Sundry Debtors**

Sundry Debtors include the monies to be received from its customers against sales made to them. The industry norm for debtors in international markets is higher as compared to India. With an increase in the share of international business in the company's sales mix the debtors' days has trended upwards.

**Cash and Bank balance**

This include amounts lying in Cash and with the Company's bankers. There is an increase in the cash balances primarily due to increase in retained cash earnings in Marico Bangladesh Limited and Derma Rx.

**Loans and Advances**

Loans and advances include the amounts paid by the Company recoverable in cash or in kind. These include amounts such as security deposits, advances paid to suppliers in select cases etc. There has not been any material change in the position.

**Current Liabilities**

Current liabilities mainly comprise the amounts payable by the Company for the purchase of various input materials and services. Increase in current liabilities is in line with growth in the business. Further, impact of change in accounting estimates relating to revenue recognition in Kaya amounting to Rs. 31.32 crore also lead to increase in current liabilities. A part of the increase is also attributed to consolidation of overseas acquisition made by the Company.

**Provisions**

Provision include liabilities on account of items such as Income tax, Leave encashment, Gratuity etc. It also includes amounts that are acknowledged by the Company as Debts but not been transferred to the credit of that specific vendor. Compared to March 31, 2010, there have been two significant movements in the Provisions:

1. Reduction due to reversal of excise duty provision relating to FY10 on pack size up to 200 ml – Rs. 29.4 crore (Please refer to Note 27, Schedule R of the Consolidated Financials) and

2. Increase due to accounting of contingent consideration in respect of Derma Rx acquisition – Rs. 43.8 Crore (Please refer to Note 18, Schedule R of the Consolidated Financials).

**OTHER DEVELOPMENTS**

**Acquisition of Derma Rx**

In May 2010, Kaya Limited, Marico's wholly owned subsidiary delivering skin care solutions in India, acquired the skincare aesthetics business of the Singapore-based Derma Rx Asia Pacific Pte Ltd. (Drx AP). Derma Rx offers solutions to its customers through four clinics and medispas located in Singapore and Kuala Lumpur (Malaysia). This acquisition gives Kaya access to a range of highly efficacious skin care products, some of which have been introduced in India and are in the process of being introduced in the Middle East.

### Acquisition of the brand 'Ingwe'

Marico, through its wholly owned subsidiary Marico South Africa (Pty) Ltd (MSA), acquired the brand 'Ingwe' from the South Africa-based Guideline Trading Company in August 2010. The product range comprises immuno boosters focused on the ethnic consumer in South Africa. The acquisition of Ingwe brings in a range of products that complements that of MSA's brand, Hercules.

### Marico's entry into Vietnam

Marico strengthened its foot hold in South-East Asia by taking up 85% equity in International Consumer Products Corporation (ICP), one of the most successful Vietnamese FMCG companies, in February 2011. ICP was founded in 2001 by Dr. Phan Quoc Cong and his partner. Its brands (X-Men, L'Ovite, Thuan Phat and others) have a significant presence across the personal care, beauty cosmetics and sauces/condiments categories. X-Men is a leading player in the male grooming segment in Vietnam and has been rated the 2nd Most Trusted Personal Care brand in the country. With over 35% market share, it leads the men's shampoo category. L'Ovite, the company's premium cosmetics brand, ranks amongst the top 5 premium cosmetics brands in Vietnam.

### Divestment of brand 'Sweekar'

Marico divested its refined sunflower oil brand 'Sweekar' to Cargill India Private Limited (Cargill) in March 2011. This is in line with the Company's focus on the wellness platform through its healthy refined edible oils and functional foods brand Saffola.

### Marico Employee Stock Option Scheme 2007 and STAR

Marico has an Employee Stock Options Scheme (the Scheme) for grant of Employee Stock Options (ESOS) to certain employees. The Corporate Governance Committee ('Committee') of the Board of Directors is entrusted with the responsibility of administering the Scheme and has granted 1,13,76,300 stock options (as at March 31, 2011) comprising about 1.85% of the current paid-up equity capital of the Company. 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 the Directors' 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) at the time of grant.

Our 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.

### OUTLOOK

- Fundamentals in place to leverage India growth story
- New product pipeline being made robust – scalability a key objective
- Continued growth in international business, near term MENA environment uncertain
- Kaya India showing early signs of recovery

Marico will continue to focus on its long term strategic objectives, with a bias towards franchise expansion in its businesses. In coconut oils in India, we will aim to grow the market through low-unit size packs. We expect to achieve volume growth of 6% to 8% per annum in the medium term. In hair oils in India, Marico will focus on share gain through introduction of differentiated and innovative products, providing specificity to consumers, accompanied by effective communication. Successful execution of this strategy is expected to result in annual volume growth of 15% to 17% over the next 2-3 years. The Company's efforts in expanding rural reach is also expected to contribute towards franchise expansion in coconut oils and hair oils. Saffola is riding a trend in healthy living being adopted by the Indian consumer. The brand expects to continue to grow its basket of premium refined edible oil by about 15% in volume each year. In addition Marico plans to build a sizeable business in the healthy foods space by leveraging Saffola's health equity.

In the international consumer products business, Marico will focus on growing the categories where it has significant market share - coconut oil in Bangladesh and male hair grooming in MENA and Vietnam. We will complement the growth of Parachute Coconut Oil in Bangladesh with the introduction of other products. In South Africa, we will work on increasing share in key categories, and over the medium term expand our footprint to other parts of sub-Saharan Africa. In the immediate term, our approach in MENA will be cautious. However, our current penetration levels indicate positive long term potential in this market. Code 10 in Malaysia is expected to continue at a very healthy growth rate, albeit on a small base. In Vietnam, we will focus on the process of integration. The business is expected to grow in healthy double digits, though the bottom line may be modest owing to the conscious strategy of higher investments in advertising during the year.

The Kaya skin business in India is showing early signs of recovery, having posted growth at same clinic level in H2FY11. In the short term therefore, we will work on improving its revenue streams from the existing clinics in India and bring the business back on the growth track. We will continue to invest in new clinic growth through expansion in the Middle East. It has taken Kaya longer to achieve profitability than what we had earlier anticipated. The long-term attractiveness of the business, however, remains intact.

The medium to long-term outlook on all the three businesses remains positive. Marico will thus focus on strengthening the building blocks for future value creation - strong equities for its existing brands amongst its consumers, volume growths, robust new product pipelines and competitive supply chain effectiveness.

On Behalf of the Board of Directors

Harsh Mariwala
Chairman & Managing Director

Place: Mumbai
Date: May 2, 2011

# AUDITORS' REPORT

**THE BOARD OF DIRECTORS OF MARICO LIMITED**

1. We have audited the attached consolidated balance sheet of **Marico Limited** (The "Company") and its subsidiaries, hereinafter referred to as the "Group" (refer Note 2 of Schedule R to the attached consolidated financial statements) as at March 31, 2011, the related consolidated Profit and Loss account and the consolidated Cash Flow statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These consolidated 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 the 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. We did not audit the financial statements of thirteen subsidiaries included in the consolidated financial statements, which constitute total assets of Rs. 488.02 crores and net assets of Rs 337.07 crores as at March 31, 2011, total revenue of Rs. 715.87 crores, net profit of Rs. 59.52 crores and net cash inflows amounting to Rs. 87.61 crores for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us and our opinion on the consolidated financial statements to the extent they have been derived from such financial statements is based solely on the report of such other auditors.

4. We have relied on the unaudited financial statements of six subsidiary companies and a subsidiary firm included in consolidated financial statements, which constitute total assets of Rs.136.40 crores and net assets of Rs. 81.99 crores as at March 31, 2011, total revenues of Rs. 89.49 crores, net profit of Rs. 8.34 crores and net cash inflows amounting to Rs. 5.47 crores for the year then ended. These unaudited financial statements as approved by the respective Board of Directors of these companies and firm have been furnished to us by the Management and our report in so far as it relates to the amounts included in respect of these subsidiaries is based solely on such approved unaudited financial statements.

5. We report that the consolidated financial statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standard (AS) 21 - Consolidated Financial Statements, notified under sub-section 3C of Section 211of the Companies Act, 1956.

6. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components of the Group as referred to in para 3 and 4 above, and to the best of our information and according to the explanations given to us, in our opinion, the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
   (a) in the case of the consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2011;
   (b) in the case of the consolidated Profit and Loss account, of the profit of the Group for the year ended on that date: and
   (c) in the case of the consolidated Cash Flow statement, of the cash flows of the Group for the year ended on that date.

**For Price Waterhouse**
Chartered Accountants
Firm Registration Number: 301112E

**Vilas Y. Rane**
Partner
Membership Number: F-33220

Date : Mumbai
Place : May 2, 2011

# BALANCE SHEET

| | SCHEDULE | As at March 31, 2011 Rs. Crore | 2010 Rs. Crore |
|---|---|---|---|
| **SOURCES OF FUNDS** | | | |
| **SHAREHOLDERS' FUNDS** | | | |
| Share Capital | A | 61.44 | 60.93 |
| Reserves and surplus | B | 854.04 | 593.03 |
| | | **915.48** | **653.96** |
| **MINORITY INTEREST** | | **21.88** | **12.53** |
| **LOAN FUNDS** | | | |
| Secured loans | C | 425.03 | 114.20 |
| Unsecured loans | D | 346.80 | 331.68 |
| | | **771.83** | **445.88** |
| | | **1,709.19** | **1,112.37** |
| **APPLICATION OF FUNDS** | | | |
| **GOODWILL ON CONSOLIDATION** | E | **397.59** | **85.03** |
| **FIXED ASSETS** | F | | |
| Gross block | | 761.51 | 529.18 |
| Less : Depreciation, amortisation and impairment | | 336.55 | 242.41 |
| Net block | | 424.96 | 286.77 |
| Capital work-in-progress | | 64.60 | 112.90 |
| Asset held for disposal | | 0.18 | 0.01 |
| | | **489.74** | **399.68** |
| **INVESTMENTS** | G | **88.98** | **82.71** |
| **DEFERRED TAX ASSET (NET)** | | **30.11** | **61.63** |
| (Refer Note 13 (a), Schedule R) | | | |
| **CURRENT ASSETS, LOANS AND ADVANCES** | | | |
| Inventories | H | 601.13 | 444.81 |
| Sundry debtors | I | 187.97 | 150.69 |
| Cash and bank balances | J | 213.09 | 111.46 |
| Loans and Advances | K | 218.11 | 189.99 |
| | | 1,220.30 | 896.95 |
| **Less: CURRENT LIABILITIES AND PROVISIONS** | | | |
| Current Liabilities | L | 409.80 | 336.87 |
| Provisions | M | 107.73 | 76.76 |
| | | 517.53 | 413.63 |
| **NET CURRENT ASSETS** | | **702.77** | **483.32** |
| | | **1,709.19** | **1,112.37** |
| **Notes to accounts** | R | | |

As per our attached report of even date

**For Price Waterhouse**
Chartered Accountants
Firm Registration No. 301112E

**VILAS Y. RANE**
Partner
Membership No. F-33220
Place : Mumbai
Date : May 2, 2011

**For and on behalf of the Board of Directors**

**HARSH MARIWALA** Chairman and Managing Director
**NIKHIL KHATTAU** Director and Chairman of Audit Committee
**MILIND SARWATE** Group Chief Financial Officer and Chief Human Resource Officer
**HEMANGI WADKAR** Company Secretary & Compliance Officer

Place : Mumbai
Date : May 2, 2011

# PROFIT AND LOSS ACCOUNT

| | SCHEDULE | For the year ended March 31, 2011 Rs. Crore | 2010 Rs. Crore |
|---|---|---|---|
| **INCOME :** | | | |
| Sales | | 2,997.14 | 2,501.14 |
| Less : Excise Duty | | 0.98 | 1.05 |
| | | 2,996.16 | 2,500.09 |
| Income from services (Refer Note 16, Schedule R) | | 132.15 | 160.67 |
| **Total Sales and Services** | | **3,128.31** | **2,660.76** |
| Other income | N | 27.90 | 18.26 |
| | | **3,156.21** | **2,679.02** |
| **EXPENDITURE :** | | | |
| Cost of materials | O | 1,667.11 | 1,302.07 |
| Manufacturing and other expenses | P | 1,051.45 | 983.54 |
| Finance charges | Q | 39.33 | 25.69 |
| Depreciation, amortisation and impairment (Refer Note 14, Schedule R) | F | 70.80 | 60.06 |
| | | **2,828.69** | **2,371.36** |
| **PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEMS** | | **327.52** | **307.66** |
| Exceptional Items - Income/(expense) (Net) (Refer Note 14 (a), Schedule R) | | 48.91 | (9.79) |
| **PROFIT BEFORE TAXATION AND MINORITY INTEREST** | | **376.43** | **297.87** |
| Provision for taxation - Current Tax | | 96.92 | 63.83 |
| - MAT Credit (entitlement) / utilisation | | (43.55) | (2.55) |
| - Fringe Benefit Tax | | – | (0.01) |
| - Deferred Tax - debit / (credit) | | 31.61 | 3.06 |
| | | 84.98 | 64.33 |
| **PROFIT AFTER TAXATION AND BEFORE MINORITY INTEREST** | | **291.45** | **233.54** |
| Minority interest in (profit) / loss of subsidiaries | | (5.01) | (1.87) |
| **PROFIT AFTER TAXATION AND AFTER MINORITY INTEREST** | | **286.44** | **231.67** |
| Balance brought forward as on April 1 | | 452.95 | 314.04 |
| **PROFIT AVAILABLE FOR APPROPRIATION** | | **739.39** | **545.71** |
| **APPROPRIATIONS** | | | |
| Interim dividend | | 40.54 | 40.21 |
| Tax on interim dividend | | 6.65 | 6.83 |
| Minority Share in accumulated profits (Refer Note 29, Schedule R) | | (0.49) | 7.22 |
| Debenture Redemption Reserve | | 16.67 | 15.00 |
| General Reserve | | 31.53 | 23.50 |
| **BALANCE CARRIED TO THE BALANCE SHEET** | | **644.49** | **452.95** |
| **EARNINGS PER SHARE (Face Value Re. 1)** | | | |
| **BASIC** | | **4.68** | **3.80** |
| **DILUTED** | | **4.65** | **3.79** |
| (Refer Note 20 of Schedule R) | | | |
| **Notes to account** | R | | |

As per our attached report of even date

| | | |
|---|---|---|
| **For Price Waterhouse** | **For and on behalf of the Board of Directors** | |
| Chartered Accountants | **HARSH MARIWALA** | Chairman and Managing Director |
| Firm Registration No. 301112E | **NIKHIL KHATTAU** | Director and Chairman of Audit Committee |
| | **MILIND SARWATE** | Group Chief Financial Officer and Chief Human Resource Officer |
| **VILAS Y. RANE** | | |
| Partner | **HEMANGI WADKAR** | Company Secretary & Compliance Officer |
| Membership No. F-33220 | | |
| Place : Mumbai | Place : Mumbai | |
| Date : May 2, 2011 | Date : May 2, 2011 | |

# CASH FLOW STATEMENT

| | | For the year ended March 31, 2011 Rs. Crore | 2010 Rs. Crore |
|---|---|---|---|
| A | **CASH FLOW FROM OPERATING ACTIVITIES** | | |
| | **PROFIT BEFORE TAXATION AND AFTER EXCEPTIONAL ITEMS** | **376.43** | **297.87** |
| | **Adjustments for:** | | |
| | Depreciation, amortisation and impairment | 70.80 | 60.06 |
| | Provision for impairment of assets of Kaya Life centres (Refer Note 14 (f), Schedule R) | – | 2.91 |
| | Provision for impairment of assets of Kaya Clinincs (Refer Note 14 (d), Schedule R) | 7.74 | – |
| | Provision for impairment on assets written back as no longer required / on discard of assets. | (3.95) | (1.20) |
| | Provision for impairment of Goodwill and FIANCEE Trademark (Refer Note 14 (c), Schedule R) | 22.70 | – |
| | Profit on sale of Sweekar Brand (Refer Note 14 (b), Schedule R) | (50.00) | – |
| | Impaired Capital advance assets written off | 3.92 | – |
| | Provision for contingencies (Refer Note 27, Schedule R) | – | 29.35 |
| | Reversal of provision for contingencies (Refer Note 14 (a) and 27, Schedule R) | (29.35) | – |
| | Finance charges | 39.33 | 25.69 |
| | Interest income | (16.21) | (11.07) |
| | Loss / (Profit) on sale of assets - (net) | (0.01) | 1.16 |
| | (Profit) / Loss on sale of investments | (0.40) | (0.02) |
| | Dividend income | (2.44) | (2.49) |
| | Employee stock compensation expense | 0.06 | 0.08 |
| | (Write back) / Provision for doubtful debts, advances and deposits | (0.05) | (4.67) |
| | | 42.14 | 99.80 |
| | **Operating profit before working capital changes** | **418.57** | **397.67** |
| | Adjustments for: | | |
| | (Increase) / Decrease in inventories | (156.32) | (105.77) |
| | (Increase) / Decrease in sundry debtors | (37.31) | (34.15) |
| | (Increase) / Decrease in loans and advances | 14.28 | (56.88) |
| | Increase / (Decrease) in current liabilities and provisions | 67.62 | 68.10 |
| | | (111.73) | (128.70) |
| | **Cash generated from Operations** | **306.85** | **268.97** |
| | Taxes paid (net of refunds) | (78.31) | (62.87) |
| | **NET CASH INFLOW FROM OPERATING ACTIVITIES** | **228.54** | **206.10** |
| B | **CASH FLOW FROM INVESTING ACTIVITIES** | | |
| | Purchase of fixed assets (includes assets of newly acquired subsidiaries) | (184.12) | (156.35) |
| | Sale of fixed assets | 3.22 | 3.75 |
| | Proceed from divestment of Sweekar Brand | 50.00 | – |
| | Effect of translation differences on fixed assets | (1.01) | 3.93 |
| | (Purchase) / Sale of investments (net) | (5.86) | (70.58) |
| | Goodwill on consolidation* | (277.59) | – |
| | Dividend income received | 2.44 | 2.49 |
| | Interest received | 17.43 | 9.39 |
| | **NET CASH OUTFLOW FROM INVESTING ACTIVITIES** | **(395.49)** | **(207.37)** |

# CASH FLOW STATEMENT

| | | | For the year ended March 31, 2011 Rs. Crore | 2010 Rs. Crore |
|---|---|---|---|---|
| C | **CASH FLOW FROM FINANCING ACTIVITIES** | | | |
| | Proceeds from issuance of Share Capital on exercise of stock option | | 28.59 | 1.83 |
| | Proceeds from issuance of equity shares by a subsidiary company | | – | 19.99 |
| | Issue / (Redemption) of commercial papers (net) | | 58.90 | (14.46) |
| | Inter-Corporate deposits taken / (repaid) | | – | (5.00) |
| | Increase in Minority Interest | | 5.32 | – |
| | Issue of Debentures | | 50.00 | 30.00 |
| | Other borrowings (repaid) / taken (net) | | 219.22 | 70.13 |
| | Finance charges paid | | (38.84) | (27.17) |
| | Equity dividend paid (inclusive of dividend distribution tax) | | (47.06) | (47.21) |
| | Dividend paid to Minority shareholder | | (0.48) | – |
| | **NET CASH INFLOW / (OUTFLOW) FROM FINANCING ACTIVITIES** | | **275.65** | **28.11** |
| D | **Effect of exchange difference on translation of foreign currency cash and cash equivalents** | | **(9.03)** | **(3.98)** |
| E | **NET INCREASE IN CASH & CASH EQUIVALENTS** | (A+B+C+D) | **99.67** | **22.86** |
| F | **Cash and cash equivalents - opening balance (as at April 1)** | | **111.19** | **88.33** |
| G | **Cash and cash equivalents - closing balance (as at March 31)** | | **210.86** | **111.19** |
| | Cash and cash equivalents at the year end comprise of : | | | |
| | Cash and Bank Balances | | 213.09 | 111.46 |
| | Book Overdraft | | (2.23) | (0.27) |
| | **Total** | | **210.86** | **111.19** |

* Represents excess of purchase price paid over the net assets value of a subsidiary acquired.

**Notes**

1 The above Cash Flow statement has been prepared under the indirect method as set out in Accounting Standard 3 (AS 3) 'Cash Flow Statements' as specified in Companies (Accounting Standards) Rules , 2006

2 Cash and Cash Equivalents - Closing balance includes balances aggregating to Rs.4.56 Crore (Rs.4.33 Crore) with scheduled banks in fixed deposits and Margin accounts which is pledged against the bank guarantees and deposit with sales tax authorities, which are not available for use by the Company.

3 The figures for the previous year have been regrouped where necessary to conform to current period's classification.

As per our attached report of even date
**For Price Waterhouse**
Chartered Accountants
Firm Registration No. 301112E

**VILAS Y. RANE**
Partner
Membership No. F-33220
Place : Mumbai
Date : May 2, 2011

**For and on behalf of the Board of Directors**
**HARSH MARIWALA** Chairman and Managing Director
**NIKHIL KHATTAU** Director and Chairman of Audit Committee
**MILIND SARWATE** Group Chief Financial Officer and Chief Human Resource Officer
**HEMANGI WADKAR** Company Secretary & Compliance Officer

Place : Mumbai
Date : May 2, 2011

# SCHEDULES TO BALANCE SHEET

| | As at March 31, 2011 Rs. Crore | As at March 31, 2010 Rs. Crore |
|---|---|---|
| **SCHEDULE 'A'** | | |
| **SHARE CAPITAL** | | |
| **AUTHORISED** | | |
| 650,000,000 (650,000,000) Equity shares of Re. 1 each (Re. 1 each) | 65.00 | 65.00 |
| 150,000,000 (150,000,000) Preference shares of Rs. 10 each (Rs.10 each) | 150.00 | 150.00 |
| | **215.00** | **215.00** |
| **ISSUED AND SUBSCRIBED** | | |
| 614,399,550 (609,325,700) Equity shares of Re. 1 each (Re. 1 each) fully paid up (Refer Note 21 (a), Schedule R) | 61.44 | 60.93 |
| | **61.44** | **60.93** |
| **SCHEDULE 'B'** | | |
| **RESERVES AND SURPLUS** | | |
| **SECURITIES PREMIUM ACCOUNT** | | |
| As on April 1 | 31.29 | 13.50 |
| Add : Receipt on exercise of Employees stock options (Refer Note 21 (a), Schedule R) | 28.08 | 1.79 |
| Add : Transfer from Employee Stock option reserve | 0.12 | 0.01 |
| Add : Receipt on fresh issue of shares by a subsidiary company | – | 15.99 |
| As at the year end | 59.49 | 31.29 |
| **GENERAL RESERVE** | | |
| As on April 1 | 91.66 | 68.16 |
| Add : Transfer from Profit and Loss account | 31.53 | 23.50 |
| As at the year end | 123.19 | 91.66 |
| **EMPLOYEE STOCK OPTION RESERVE** (Refer Note 21 (a), Schedule R) | | |
| As on April 1 | 0.15 | 0.07 |
| Add : Additions | 0.08 | 0.24 |
| | 0.23 | 0.31 |
| Less : Transferred to Securities Premium account | 0.12 | 0.01 |
| Less : Forfeited / Lapsed | 0.04 | 0.15 |
| As at the year end | 0.07 | 0.15 |
| **DEBENTURE REDEMPTION RESERVE** | | |
| As on April 1 | 15.00 | – |
| Add : Transfer from Profit and Loss account | 16.67 | 15.00 |
| As at the year end | 31.67 | 15.00 |
| **FOREIGN CURRENCY TRANSLATION RESERVE** (Translation adjustments) | | |
| As on April 1 | (0.83) | 3.15 |
| Adjustments during the year (net) | (9.03) | (3.98) |
| As at the year end | (9.86) | (0.83) |
| **HEDGE RESERVE ACCOUNT** (Refer Note 19 (c), Schedule R) | | |
| As on April 1 | 2.81 | (6.26) |
| Adjustments during the year | 2.18 | 9.07 |
| As at the year end | 4.99 | 2.81 |
| **PROFIT AND LOSS ACCOUNT** | 644.49 | 452.95 |
| | **854.04** | **593.03** |

# SCHEDULES TO BALANCE SHEET

| | As at March 31, 2011 Rs. Crore | As at March 31, 2010 Rs. Crore |
|---|---|---|
| **SCHEDULE 'C'** | | |
| **SECURED LOANS** | | |
| Term Loan from banks | 74.25 | – |
| Secured by (i) fixed charge over all the fixed property and assets of one of the subsidiaries, namely, Derma – Rx International Asthetics Pte. Ltd. (DIAL) including all machinery and equipment of its subsidiaries; (ii) shares held by DIAL in each of its subsidiaries; (iii) shares held by Kaya Limited in DIAL and (iv) Corporate guarantee of Marico Limited | | |
| (Amount repayable within one year Rs. Nil) | | |
| Secured Redeemable Non-Convertible Debentures (NCD) | 30.00 | 30.00 |
| (Refer Note 26 (a), Schedule R) | | |
| (Secured against first pari passu charge over land and building situated at Andheri (East), Mumbai) | | |
| External commercial borrowings from banks | | |
| a) Secured by hypothecation of plant and machinery | 39.01 | 61.76 |
| (Amount repayable within one year Rs. 22.29 Crore (Rs 22.46 Crore) | | |
| b) Secured by (i) Pledge of shares of International Consumer Products Corporation (a Subsidiary company) ; (ii) First ranking pari passu charge over all current and future plant and machinery and (iii) Mortgage on the land and building currently provided as security to NCD holders, post the repayment of the NCD immediately and, in any event, within 90 days from such repayment. The documentation for creation of charge is under progress. | 240.76 | – |
| (Amount repayable within one year Rs. Nil) | | |
| | 279.77 | 61.76 |
| Working capital finance from banks | 41.01 | 22.44 |
| (Secured by hypothecation of stocks in trade and debtors) | | |
| | **425.03** | **114.20** |
| **SCHEDULE 'D'** | | |
| **UNSECURED LOANS** | | |
| From banks: | | |
| Short term | 185.20 | 288.37 |
| Other loans | 18.61 | 9.22 |
| Commercial Papers (Redeemable within a year): | | |
| Face Value | 95.00 | 35.00 |
| Less : Deferred interest | 2.01 | 0.91 |
| | 92.99 | 34.09 |
| (Maximum amount outstanding during the year Rs.146.00 Crore (Rs.104.51 Crore)) | | |
| Redeemable Non-convertible Debentures (Refer Note 26 (b), Schedule R) | 50.00 | – |
| | **346.80** | **331.68** |
| **SCHEDULE 'E'** | | |
| **GOODWILL ON CONSOLIDATION** | | |
| Goodwill on consolidation (Refer Note 17 and 18, Schedule R) | 406.41 | 85.03 |
| Less : Provision for impairment (Refer Note 14 (c), Schedule R) | 8.82 | – |
| | **397.59** | **85.03** |

# SCHEDULES TO BALANCE SHEET

## SCHEDULE 'F'

## FIXED ASSETS

Rs. Crore

| PARTICULARS | GROSS BLOCK | | | | | DEPRECIATION / AMORTISATION | | | | | | NET BLOCK | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | As at April 1, 2010 | Acquisition (Refer note 5 below) | Additions | Deductions/ adjustments (Refer note 7 below) | As at March 31, 2011 | As at April 1, 2010 | Acquisition (Refer note 5 below) | For the Year (Refer note 2, 3 and 4 below) | Deductions/ adjustments (Refer note 7 below) | As at March 31, 2011 | Provision for impairment as at March 31, 2011 (See note 2 and 3 below) | As at March 31, 2011 | As at March 31, 2010 |
| **Tangible Assets** | | | | | | | | | | | | | |
| Freehold land | 5.35 | – | 0.01 | 0.01 | 5.35 | – | – | – | – | – | – | 5.35 | 5.35 |
| Leasehold land | 14.26 | 4.86 | 8.25 | 0.24 | 27.13 | 0.60 | 0.13 | 0.31 | (0.01) | 1.05 | – | 26.08 | 13.66 |
| Buildings (Note 1) | 86.53 | 8.18 | 55.07 | 2.97 | 146.81 | 18.27 | 5.37 | 5.87 | 1.73 | 27.78 | – | 119.03 | 68.26 |
| Plant and machinery (Note 1) | 301.31 | 16.44 | 84.63 | 16.31 | 386.07 | 168.48 | 9.40 | 44.22 | 9.78 | 212.32 | 14.24 | 159.51 | 121.53 |
| Furniture and fittings | 37.87 | 2.01 | 10.26 | 3.23 | 46.91 | 14.73 | 1.46 | 5.70 | 1.06 | 20.83 | 2.11 | 23.97 | 22.28 |
| Vehicles | 4.13 | – | 0.97 | (0.37) | 5.47 | 1.62 | 0.52 | 0.97 | 0.38 | 2.73 | – | 2.74 | 2.51 |
| **Intangible Assets** | | | | | | | | | | | | | |
| - Trademarks and copyrights (Note 6 below) | 60.72 | 0.16 | 56.82 | (3.88) | 121.58 | 7.91 | – | 11.95 | (0.01) | 19.87 | 16.20 | 85.51 | 50.57 |
| - Other intangibles | 1.50 | 0.04 | – | 0.02 | 1.52 | 0.76 | 0.05 | 0.30 | 0.02 | 1.09 | – | 0.43 | 0.74 |
| - Computer software | 17.51 | 2.32 | 1.26 | 0.42 | 20.67 | 15.63 | 1.35 | 1.46 | 0.11 | 18.33 | – | 2.34 | 1.87 |
| **TOTAL** | **529.18** | **34.01** | **217.27** | **18.95** | **761.51** | **228.00** | **18.28** | **70.78** | **13.06** | **304.00** | **32.55** | **424.96** | **286.77** |
| **As on March 31, 2010** | **456.88** | **–** | **101.06** | **28.76** | **529.18** | **194.45** | **–** | **49.63** | **16.08** | **228.00** | **14.41** | **286.76** | **–** |
| Capital work-in-progress (at cost) including advances on capital account | | | | | 66.47<br>*(115.79) | | | | | – | 1.86<br>*(2.89) | 64.60 | <br>*(112.90) |
| Asset held for disposal | | | | | 0.18<br>*(0.01) | | | | | – | – | 0.18 | 0.01 |
| | | | | | | | | | | | **34.41** | **489.74** | **399.68** |

**Notes:**

1. Gross block includes: - Buildings Rs.0.10 Crore (Rs. 0.10 Crore) where conveyance has been executed, pending registration
   - Plant and Machinery of Rs. Nil (Rs. 3.95 Crore) being assets given on finance lease prior to April 1, 2001.
2. "Depreciation, amortisation and provision for impairment" for the year:
   a) includes impairment provision in respect of capitalised assets Rs.0.02 Crore (Rs. 7.54 Crore) and Capital work in progress Rs.Nil. (Rs. 2.89 Crore).
   b) includes impairment loss written off during the year Rs. Nil (5.13 Crore).
3. Provision for impairment as at March 31, 2011:
   a) includes impairment as mentioned in 2(a) above and is net of reversal of provision no longer required Rs. Nil (Rs. 1.20 Crore) and adjustment on sale / discard of the related assets Rs. 4.39 Crore (Rs. 0.13 Crore).
   b) includes provision for impairment of assets of Rs.21.62 Crore (2.91 Crore), which is included under 'Exceptional items' in the Profit and Loss account.(Refer Note 14 (c) ,(d) and (f) respectively, Schedule R)
4. Depreciation for the year includes accelerated depreciation charged Rs. 3.09 Crore (Rs. 1.56 Crore) due to revision of estimated useful life of certain assets
5. Acquisitions in Gross block and Depreciation / amortisation represents original costs and accumulated depreciation, respectively for assets of subsidiaries acquired during the year.
6. Trademarks of Rs. 71.68 Crore (Rs. 47.42 Crore) are pending registration.
7. Deductions / adjustment of Gross block ,depreciation and Provision for Impairment includes translation difference of Rs. 1.01 Crore (Rs. 3.93 Crore).

***** represents previous year figures

# SCHEDULES TO BALANCE SHEET

| | As at March 31, 2011 Rs. Crore | 2010 Rs. Crore |
|---|---|---|
| **SCHEDULE 'G'** | | |
| **INVESTMENTS (Non Trade)** | | |
| **LONG TERM** | | |
| **- UNQUOTED, AT COST** | | |
| Government Securities : | | |
| National Savings Certificates (Deposited with Government authorities) | 0.01 | 0.01 |
| | **0.01** | **0.01** |
| **- QUOTED, AT COST** | | |
| Indian Infrastructure Finance Company Limited | 10.21 | 10.21 |
| 1,000 (1000) Unsecured, 6.85% Non-convertible, tax-free Bonds of face value of Rs. 100,000 each , guaranteed by Government of India, redeemable on 22nd January 2014. | | |
| Grameenphone Ltd. | 0.82 | 0.82 |
| 170,229 (170,229) equity shares of Bangladesh Taka 10 each fully paid | | |
| | **11.03** | **11.03** |
| **CURRENT INVESTMENTS - UNQUOTED, LOWER OF COST AND FAIR VALUE** | | |
| Birla Sun Life Cash Manager - Institutional Plan - Growth | 10.00 | – |
| 6,087,057 (Nil) Units of Rs. 10 each fully paid | | |
| Fidelity Ultra Short Term Debt Fund Institutional Plan - Growth | – | 10.00 |
| NIL (8,399,009) Units of Rs. 10 each fully paid | | |
| Templeton India Ultra Short Bond Fund Super Institutional Plan - Growth | 7.50 | – |
| 5,921,645 (Nil) Units of Rs. 10 each fully paid | | |
| Templeton India Ultra Short Bond Fund Super Institutional Plan - Growth | 2.50 | – |
| 1,987,297 (Nil) Units of Rs. 10 each fully paid | | |
| Birla Sun Life Dynamic Bond Fund Retail - Monthly Payout | – | 2.02 |
| NIL (1,940,982) Units of Rs. 10 each fully paid | | |
| Birla Sunlife Saving Fund Institutional Plan - Growth | – | 3.50 |
| NIL (2,002,208) Units of Rs. 10 each fully paid | | |
| Kotak Flexi Debt Scheme Institutional Plan - Growth | – | 10.05 |
| NIL (8,878,078) Units of Rs. 10 each fully paid | | |
| ICICI Prudential Flexible Income Premium Institutional Plan -Growth | – | 9.85 |
| NIL (575,207) Units of Rs. 100 each fully paid | | |
| LIC MF Savings Plus Fund Institutional Plan - Growth | – | 10.28 |
| NIL (7,029,097) Units of Rs. 10 each fully paid | | |
| Templeton India STIR Plan - Weekly Dividend Reinvestment | – | 3.14 |
| NIL (29,243) Units of Rs. 1000 each fully paid | | |
| Tata Treasury Manager Institutional Plan - Growth | – | 10.09 |
| NIL (96,376) Units of Rs. 1000 each fully paid | | |
| Reliance Money Manager Retail - Daily Dividend Reinvestment | – | 0.10 |
| NIL (826) Units of Rs. 1000 each fully paid | | |
| IDFC Money Manager Fund - TP - Institutional Plan C - Growth | 10.00 | 2.60 |
| 8,583,470 (2,380,321) Units of Rs. 10 each fully paid | | |
| UTI Floating Rate Fund - Short Term Plan - Institutional Plan - Growth | – | 10.04 |
| NIL (97,076) Units of Rs. 1000 each fully paid | | |
| UTI Treasury Advantage Fund - Growth | 10.00 | – |
| 75,743 (Nil) Units of Rs. 10 each fully paid | | |
| BPBIGICICI Prudential Btended Plan B | 10.16 | – |
| Institutional Growth option II | | |
| 9,659,482 (Nil) Units of Rs. 10 each fully paid | | |
| DWS Money plus Fund - Institutional Plan - Growth | 10.16 | – |
| 9,865,755 (Nil) Units of Rs. 10 each fully paid | | |
| HDFC Floating Rate Income Fund - Short Term Plan - Wholesale option - Growth | 9.50 | – |
| 5,678,049 (Nil) Units of Rs. 10 each fully paid | | |
| JPMorgan India Short Term Income Fund - Growth | 8.12 | – |
| 7,612,090 (Nil) Units of Rs. 10 each fully paid | | |
| | **77.94** | **71.67** |
| | **88.98** | **82.71** |

## SCHEDULES TO BALANCE SHEET

| | As at March 31, 2011 Rs. Crore | 2010 Rs. Crore |
|---|---|---|
| **Notes:** | | |
| **1) Cost / Market Value of Quoted/ Unquoted Investments** | | |
| Aggregate value of Quoted Investments: | | |
| Cost | 11.03 | 11.03 |
| Market Value | 10.00 | 13.90 |
| Aggregate value of Unquoted Investments: | | |
| Cost | 77.95 | 71.68 |

**2) Units of Mutual Funds purchased and sold during the year**

| Name of the Scheme | Face Value | No. of Units | Purchase Cost Rs. Crore |
|---|---|---|---|
| ICICI Prudential Flexible Income Premium - Institutional Plan - Daily Dividend Reinvestment | 100 | 4,112,281 | 43.48 |
| Prudential ICICI Liquid Plan Super Institutional Plan - Daily Dividend Reinvestment | 100 | 3,204,562 | 32.05 |
| ICICI Prudential Flexible Income Premium - Institutional Plan -Growth | 100 | 1,183,510 | 20.35 |
| Prudential ICICI Liquid Plan Super Institutional Plan - Growth | 100 | 1,909,741 | 26.14 |
| BPBID ICICI Prudential - Blended Plan B - Institutional - Dividend | 10 | 4,853,323 | 5.03 |
| BPBIG ICICI Prudential Blended Plan B - Institutional Growth Option II | 10 | 9,659,482 | 10.16 |
| Fortis Money Plus - Institutional Plan - Daily Dividend Reinvestment | 10 | 10,014,509 | 10.02 |
| Fortis Overnight Fund - Institutional Plan - Daily Dividend Reinvestment | 10 | 1,999,577 | 2.00 |
| BNP Paribas Overnight Fund - Institutional Plan - Daily Dividend Reinvestment | 10 | 13,128,445 | 13.13 |
| Tata Floater Fund - Daily Dividend Reinvestment | 10 | 22,849,287 | 22.93 |
| Tata Treasury Manager Super High Investment Plan - Growth | 1,000 | 96,376 | 10.09 |
| Tata Treasury Manager Super High Investment Plan-Daily Dividend Reinvestment | 1,000 | 58,346 | 6.50 |
| Tata Floater Fund - Growth | 10 | 11,730,072 | 16.50 |
| TATA Liquid Fund - Super Institutional Plan - Growth | 1,000 | 121,165 | 21.00 |
| Kotak Flexi Debt Scheme - Institutional Plan - Daily Dividend Reinvestment | 10 | 14,109,459 | 20.79 |
| Kotak Flexi Debt Scheme - Institutional Plan - Growth | 10 | 8,878,078 | 10.05 |
| Kotak Liquid Fund - Institutional Plan - Growth | 10 | 5,392,244 | 10.12 |
| Kotak Liquid Fund - Institutional Plan - Daily Dividend Reinvestment | 10 | 27,388,595 | 39.45 |
| Kotak Floater - Short term - Daily Dividend | 10 | 4,969,342 | 5.03 |
| Kotak Floater - Long term - Daily Dividend | 10 | 8,002,417 | 8.07 |
| LIC Saving Plus Fund - Institutional Plan - Daily Dividend Reinvestment | 10 | 18,297,307 | 18.30 |
| LIC MF Liquid Fund - Daily Dividend Reinvestment | 10 | 10,019,800 | 11.00 |
| LIC Saving Plus Fund - Institutional Plan - Growth | 10 | 7,029,097 | 10.28 |
| LIC Floating Rate Fund - Institutional Plan - Growth | 10 | 6,800,931 | 10.30 |
| LIC MF Liquid Fund - Growth | 10 | 6,106,415 | 10.35 |
| LIC MF Income plus Fund - Daily Dividend Reinvestment | 10 | 6,754,301 | 6.75 |
| DWS Ultra Short Term Fund - Institutional Daily Dividend Reinvestment | 10 | 10,030,384 | 10.05 |
| DWS Insta Cash Plus Fund - Super Institutional Plan - Growth | 100 | 8,290,155 | 10.00 |
| DWS Insta Cash Plus Fund - Institutional Plan - Daily Dividend Reinvestment | 100 | 7,023,486 | 7.05 |
| DWS Treasury Fund - Cash - Institutional Plan - Daily Dividend Reinvestment | 10 | 10,103,620 | 10.15 |
| DWS Money plus Fund - Institutional Plan Growth | 10 | 9,865,755 | 10.15 |

| Name of the Scheme | Face Value | No. of Units | Purchase Cost Rs. Crore |
|---|---|---|---|
| HDFC Cash Management Fund - Treasury Advantage Plan - Wholesale - Daily Dividend Reinvestment | 10 | 16,996,629 | 17.05 |
| HDFC Liquid Fund Premium Plan - Daily Dividend Reinvestment | 10 | 10,604,873 | 13.00 |
| HDFC Floating Rate Income Fund- Short term Fund- Wholesale Plan- Growth | 10 | 10,086,119 | 10.17 |
| HDFC Floating Rate Income Fund - Short Term Plan - Wholesale option - Growth | 10 | 5,678,049 | 9.50 |
| JP Morgan India Treasury Fund - Super Institutional Plan- Daily Dividend Reinvestment | 10 | 12,027,801 | 12.04 |
| JP Morgan India Liquid Fund- Super Institutional Plan-Daily Dividend Reinvestment | 10 | 4,497,034 | 4.50 |
| JP Morgan India Treasury Fund- Super Institutional Plan-Growth | 10 | 5,285,735 | 6.50 |
| JP Morgan India Liquid Fund- Super Institutional Plan-Growth | 10 | 4,098,730 | 5.00 |
| JP Morgan India Short Term Income Fund - Weekly Dividend | 10 | 10,104,722 | 10.13 |
| JP Morgan India Short Term Income Fund - Growth | 10 | 7,612,090 | 8.12 |
| IDFC Money Manager Fund - Treasury Plan - Super Institutional Plan C - Daily Dividend Reinvestment | 10 | 5,612,381 | 5.61 |
| IDFC Money Manager Fund - Treasury Plan - Super Institutional Plan C - Growth | 10 | 10,963,791 | 12.60 |
| IDFC Money Manager - Treasury Plan - Plan C - Daily Dividend | 10 | 10,171,080 | 10.17 |
| Reliance Money Manager - Institutional Plan - Daily Dividend Reinvestment | 1,000 | 65,068 | 6.52 |
| Reliance Money Manager - Retail - Growth | 1,000 | 826 | 0.10 |
| Reliance Medium Term Fund - Retail Plan - Growth Plan | 10 | 1,830,688 | 3.50 |
| Reliance Medium Term Fund - Daily Dividend Reinvestment | 10 | 17,273,151 | 29.53 |
| Reliance Money Manager - Institutional Plan - Growth Option | 1,000 | 68,485 | 8.60 |
| Reliance Liquid Fund - Institutional Plan - Daily Dividend Reinvestment | 10 | 981,301 | 1.50 |
| Reliance Monthly Interval Fund - Series II - Institutional Dividend plan | 10 | 10,040,662 | 10.04 |
| Reliance Liquidity Fund - Daily Dividend Reinvestment | 10 | 3,498,599 | 3.50 |
| Reliance Liquid Fund - Cash Plan - Daily Dividend Reinvestment | 10 | 9,678,426 | 10.78 |
| Fidelity Ultra Short Term Debt Fund - Institutional Plan - Growth | 10 | 8,399,010 | 10.00 |
| Templeton India Short Term Income Retail Plan - Weekly Dividend Reinvestment | 1,000 | 29,702 | 3.21 |
| Templeton India Treasury Management Account Super institutional Plan - Daily Dividend Reinvestment | 1,000 | 109,939 | 11.00 |
| Templeton India Ultra Short Bond Fund Super Institutional Plan Daily Dividend Reinvestment | 10 | 30,186,837 | 30.22 |
| Templeton India Treasury Management Account - Super Institutional Plan - Daily Dividend Reinvestment | 1,000 | 59,967 | 6.00 |
| Templeton India Ultra Short Bond Fund Super Institutional Plan - Growth | 10 | 5,921,645 | 7.50 |
| Templeton India Ultra Short Bond Fund Institutional Plan - Growth | 10 | 1,987,297 | 2.50 |
| Birla Sunlife Saving Fund - Institutional Plan - Daily Dividend Reinvestment | 10 | 30,471,103 | 30.49 |
| Birla Sunlife Saving Fund - Institutional Plan - Growth | 10 | 2,002,208 | 3.50 |
| Birla Sunlife Cash Plus - Institutional Plan -Daily Dividend Reinvestment | 10 | 4,990,873 | 5.00 |
| Birla Sun Life Cash Manager - Institutional Plan - Growth | 10 | 13,390,621 | 21.50 |
| Birla Sun Life Cash Manager - Institutional Plan - Daily Dividend Reinvestment | 10 | 2,753,354 | 2.75 |
| Birla Sun Life Dynamic Bond Fund - Retail Plan - Monthly Dividend | 10 | 1,940,982 | 2.02 |
| UTI Floating Rate Fund - Short Term Plan - Institutional Plan - Growth | 1,000 | 97,076 | 10.04 |
| UTI Liquid Cash Plan Institutional - Growth Option | 1,000 | 7,976 | 1.25 |
| UTI Liquid Cash Plan Institutional - Daily Income Option - Reinvestment | 1,000 | 93,457 | 9.53 |
| UTI Floating Rate Fund - Short term plan - Daily Dividend | 1,000 | 96,466 | 9.65 |
| UTI Treasury Advantage Fund - Growth | 1,000 | 75,743 | 10.00 |

# SCHEDULES TO BALANCE SHEET

| | As at March 31, 2011 Rs. Crore | 2010 Rs. Crore |
|---|---|---|
| **SCHEDULE 'H'** | | |
| **INVENTORIES** | | |
| (Refer Note 3 (i), Schedule R, for basis of valuation) | | |
| Raw materials | 210.39 | 188.19 |
| Packing materials | 73.57 | 54.45 |
| Work-in-process | 93.05 | 62.56 |
| Finished products | 197.83 | 118.96 |
| Stores, spares and consumables | 14.87 | 13.45 |
| By-products | 1.91 | 1.15 |
| Goods in Transit | | |
| - Raw materials | 9.40 | 5.75 |
| - Finished products | 0.11 | 0.30 |
| | 9.51 | 6.05 |
| | **601.13** | **444.81** |

| | 2011 Rs. Crore | 2010 Rs. Crore |
|---|---|---|
| **SCHEDULE 'I'** | | |
| **SUNDRY DEBTORS** | | |
| Unsecured | | |
| Over six months - Considered good | 2.95 | 0.01 |
| - Considered doubtful | 2.99 | 3.81 |
| | 5.94 | 3.82 |
| Less: Provision for doubtful debts | 2.99 | 3.81 |
| | 2.95 | 0.01 |
| Other Debts - Considered good | 185.02 | 150.68 |
| - Considered doubtful | 0.99 | 0.16 |
| | 186.01 | 150.84 |
| Less: Provision for doubtful debts | 0.99 | 0.16 |
| | 185.02 | 150.68 |
| | **187.97** | **150.69** |

| | 2011 Rs. Crore | 2010 Rs. Crore |
|---|---|---|
| **SCHEDULE 'J'** | | |
| **CASH AND BANK BALANCES** | | |
| Cash on hand | 2.55 | 1.53 |
| Remittances in transit | 5.12 | 0.36 |
| Balances with scheduled banks: | | |
| Fixed deposits (Rs.0.28 Crore (Rs. 0.24 Crore) deposited with sales tax authorities and against bank gurantees, Rs.0.18 Crore (Rs. Nil) is pledged with bank as collateral for banking facilities) | 141.91 | 86.43 |
| Margin accounts (against bank guarantees) | 4.09 | 4.09 |
| Current accounts * | 58.87 | 18.90 |
| Balances with non-scheduled banks: | | |
| Current accounts | 0.55 | 0.15 |
| | **213.09** | **111.46** |

* Includes balances in Unclaimed dividend account and Unclaimed Preference Share Capital Rs. 0.26 Crore (Rs. 0.26 Crore)

# SCHEDULES TO BALANCE SHEET

| | As at March 31, 2011 Rs. Crore | 2010 Rs. Crore |
|---|---|---|
| **SCHEDULE 'K'** | | |
| **LOANS AND ADVANCES** | | |
| (Unsecured - considered good, unless otherwise stated) | | |
| Advances recoverable in cash or in kind or for value to be received | | |
| - considered good | 81.33 | 81.56 |
| - considered doubtful | – | 0.06 |
| | 81.33 | 81.62 |
| Less: Provision for doubtful advances | – | 0.06 |
| | 81.33 | 81.56 |
| Deposits | | |
| - Considered good | 37.46 | 31.54 |
| - Considered doubtful | 1.00 | 1.00 |
| | 38.46 | 32.54 |
| Less: Provision for doubtful deposits | 1.00 | 1.00 |
| | 37.46 | 31.54 |
| Intercorporate Deposits | – | 18.49 |
| Balances with central excise authorities | 0.47 | 1.06 |
| Interest accrued on loans / deposits | 2.80 | 4.02 |
| Gratuity | – | 0.82 |
| Fringe benefit tax payments, net of provisions | 0.55 | 0.55 |
| MAT Credit Entitlement | 95.50 | 51.95 |
| | **218.11** | **189.99** |
| **SCHEDULE 'L'** | | |
| **CURRENT LIABILITIES** | | |
| Sundry creditors | | |
| - Due to Micro and Small Enterprises | 1.53 | – |
| - Others | 306.46 | 309.58 |
| Other liabilities | 47.84 | 19.21 |
| Advances received from customers | 47.82 | 4.08 |
| Book Overdraft | 2.23 | 0.27 |
| Security deposits | 0.25 | 1.10 |
| Interest accrued but not due on loans | 3.41 | 2.37 |
| Unclaimed Dividend | 0.23 | 0.23 |
| Unclaimed Redeemed 8% Preference Share Capital | 0.03 | 0.03 |
| | **409.80** | **336.87** |
| **SCHEDULE 'M'** | | |
| **PROVISIONS** | | |
| Income tax (net of payments) | 22.72 | 4.01 |
| Leave encashment | 8.36 | 8.26 |
| Gratuity | 5.47 | 2.68 |
| Long term service benefits | – | 1.88 |
| Contingencies (Refer Note 27, Schedule R) | – | 29.35 |
| Others (Refer Note 28, Schedule R) | 45.40 | 4.92 |
| Interim dividend | 22.11 | 21.93 |
| Tax on interim dividend | 3.67 | 3.73 |
| | **107.73** | **76.76** |

# SCHEDULES TO BALANCE SHEET

| | For the year ended March 31, 2011 Rs. Crore | 2010 Rs. Crore |
|---|---|---|
| **SCHEDULE 'N'** | | |
| **OTHER INCOME** | | |
| Income from current investments | | |
| Profits on sale of units of mutual funds | 0.40 | 0.02 |
| Dividend on investment in liquid mutual funds | 2.45 | 2.49 |
| Interest income on loans, deposits, etc. | 16.21 | 11.07 |
| (Tax deducted at source Rs. 1.62 Crore (Rs.0.64 Crore)) | | |
| Miscellaneous income | 8.84 | 4.68 |
| (Refer Note 8, Schedule R) | | |
| | **27.90** | **18.26** |
| **SCHEDULE 'O'** | | |
| **COST OF MATERIALS** | | |
| Raw materials consumed | 1,440.74 | 1,049.42 |
| Packing materials consumed | 270.54 | 216.06 |
| Stores and spares consumed | 49.19 | 40.47 |
| Purchase for resale | 16.57 | 12.47 |
| **(Increase)/Decrease in stocks** | | |
| Opening stocks | | |
| - Work-in-process | 62.56 | 51.18 |
| - By-products | 1.15 | 1.42 |
| - Finished products | 119.26 | 114.02 |
| Less : | | |
| Closing stocks | | |
| - Work-in-process | 93.05 | 62.56 |
| - By-products | 1.91 | 1.15 |
| - Finished products | 197.94 | 119.26 |
| | (109.93) | (16.35) |
| | **1,667.11** | **1,302.07** |

# SCHEDULES TO PROFIT AND LOSS ACCOUNT

| | For the year ended March 31, 2011 Rs. Crore | 2010 Rs. Crore |
|---|---|---|
| **SCHEDULE 'P'** | | |
| **MANUFACTURING AND OTHER EXPENSES** | | |
| Employees' costs : | | |
| - Salaries, wages and bonus | 202.38 | 171.68 |
| - Contribution to provident fund and other funds | 10.01 | 6.53 |
| - Long term service benefits | 3.04 | 1.88 |
| - Employee stock compensation expense | 0.06 | 0.08 |
| - Welfare expenses | 14.88 | 13.05 |
| | **230.37** | **193.22** |
| Power, fuel and water | 13.89 | 10.68 |
| Contract manufacturing charges | 104.33 | 86.25 |
| Rent and storage charges | 59.92 | 50.42 |
| Repairs : | | |
| - Buildings | 9.21 | 7.99 |
| - Machinery | 10.96 | 8.69 |
| - Others | 3.81 | 2.74 |
| Freight, forwarding and distribution expenses | 131.50 | 102.79 |
| Advertisement and sales promotion | 345.98 | 351.12 |
| Rates and taxes | 2.68 | 2.26 |
| Provision for contingencies - Excise Duty (Refer Note 27, Schedule R) | – | 29.35 |
| Sales tax and cess | 11.59 | 19.15 |
| Commission to selling agents | 5.82 | 5.12 |
| Bad debts | 0.11 | 8.43 |
| Less : Provision for doubtful debts utilised | – | (6.63) |
| | **0.11** | **1.80** |
| Provision for doubtful debts, advances and deposits | 0.02 | 1.96 |
| Printing, stationery and communication expenses | 12.41 | 11.15 |
| Travelling, conveyance and vehicle expenses | 31.64 | 30.64 |
| Royalty | 0.29 | 0.42 |
| Insurance | 2.55 | 2.61 |
| Auditors' remuneration | | |
| - Audit fees | 1.73 | 0.87 |
| - Tax Audit fees | 0.10 | 0.10 |
| - Other services | 0.97 | 0.60 |
| - Out of pocket expenses | 0.01 | 0.01 |
| Exchange losses (net) | 2.18 | 3.55 |
| Miscellaneous expenses (Refer Note 9, Schedule R) | 69.38 | 60.05 |
| | **1,051.45** | **983.54** |
| **SCHEDULE 'Q'** | | |
| **FINANCE CHARGES** | | |
| Interest on | | |
| - Fixed period loans | 14.73 | 10.50 |
| - Other loans | 4.10 | 4.60 |
| - Debentures | 2.50 | 2.23 |
| Bank and other financial charges | 18.00 | 8.36 |
| | **39.33** | **25.69** |

# NOTES TO ACCOUNTS TO THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

## SCHEDULE 'R'

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 is referred as 'Marico' or 'Group'. Marico 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, Hair & Care, Revive, Shanti, Oil of Malabar, Mediker, Manjal. Marico's international portfolio includes brands like Fiancée, HairCode, Camelia, Aromatic, Caivil, Hercules, Black Chic, Ingwe, Code 10, X-men, L'Ovite and Thuan Phat. It is present in Skin Care solutions business under the brand name Kaya in India and international markets and the brand name Derma Rx in Singapore and Malaysia.

2) Subsidiaries considered in Consolidated Financial Statements:

(i) List of subsidiary companies

| Name of the Company | Country of incorporation | Percentage of ownership interest |
|---|---|---|
| Kaya Limited | India | 100 (100) |
| Marico Bangladesh Limited (MBL) | Bangladesh | 90 (90) |
| MBL Industries Limited (MBLIL) (Through Marico Middle East FZE) | Bangladesh | 100 (100) |
| Marico Middle East FZE (MME) | UAE | 100 (100) |
| Kaya Middle East FZE (KME) (Through Marico Middle East FZE) | UAE | 100 (100) |
| MEL Consumer Care SAE (MELCC) (Through Marico Middle East FZE) | Egypt | 100 (100) |
| Egyptian American Investment & Industrial Development Company (EAIIDC) (Through Marico Middle East FZE) | Egypt | 100 (100) |
| Marico Egypt Industries Company (MEIC) (Through MEL Consumer Care SAE) | Egypt | 100 (100) |
| Sundari LLC. (upto June 8, 2009) | United States of America | Nil (100) |
| Marico South Africa Consumer Care (Pty) Ltd. (MSACC) | South Africa | 100 (100) |
| Marico South Africa (Pty) Ltd. (MSA) (Through Marico South Africa Consumer Care (Pty) Ltd.) | South Africa | 100 (100) |
| CPF International (Pty) Ltd. (CPF) (Through Marico South Africa (Pty) Ltd.) | South Africa | 100 (100) |
| Marico Malaysia Sdn. Bhd. (MMSB) (Through Marico Middle East FZE) (w.e.f December 4, 2009) | Malaysia | 100 (100) |
| Derma – Rx International Aesthetics Pte. Ltd. (DIAL) (w.e.f. May 22, 2010) | Singapore | 100 (Nil) |
| The DRx Clinic Pte. Ltd. (DCPL) (Through Derma – Rx International Aesthetics Pte. Ltd.) (w.e.f. May 25, 2010) | Singapore | 100 (Nil) |
| The DRx Medispa Pte. Ltd. (DMSPL) (Through Derma – Rx International Aesthetics Pte. Ltd.) (w.e.f. May 25, 2010) | Singapore | 100 (Nil) |
| DRx Investments Pte. Ltd. (DIPL) (Through Derma – Rx International Aesthetics Pte. Ltd.) (w.e.f. May 25, 2010) | Singapore | 100 (Nil) |
| DRx Meditech Pte. Ltd. – (w.e.f. from May 25, 2010 and upto February 28, 2011 – merged with Derma-Rx International Aesthetics Pte. Ltd. w.e.f. March 1, 2011) | Singapore | – |
| DRx Aesthetics Sdn. Bhd. (DASB) (Through Derma – Rx International Aesthetics Pte. Ltd.) (w.e.f. May 25, 2010) | Malaysia | 100 (Nil) |
| International Consumer Products Corporation (ICP) (w.e.f. February 18, 2011) | Vietnam | 85 (Nil) |
| Beaute Cosmetique Societe Par Actions (BCS) (Through International Consumer Products Corporation) (w.e.f. February 18, 2011) (99% equity held by ICP) | Vietnam | 84.15 (Nil) |
| Thuan Phat Foodstuff Joint Stock Company (TPF) (Through International Consumer Products Corporation) (w.e.f. February 18, 2011) (87% equity held by ICP) | Vietnam | 73.95 (Nil) |

# NOTES TO ACCOUNTS TO THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

ii) List of Subsidiary firm

| Name of the Company | Country of incorporation | Percentage of ownership interest |
|---|---|---|
| Wind Company (Through MEL Consumer Care SAE) | Egypt | 99 (99) |

(iii) The effect of the subsidiaries formed / acquired during the year is as under:

Rs. Crore

| Name of Subsidiary | Net Profit | Net Assets |
|---|---|---|
| Derma – Rx International Aesthetics Pte. Ltd. and its subsidiaries | 5.95 | 2.10 |
| International Consumer Products Corporation and its subsidiaries | 0.22 | 40.38 |
| **Total** | **6.17** | **42.48** |

3) Summary of Significant Accounting Policies:

(a) Basis of preparation of Financial Statements

The financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles ("GAAP") under the historical cost convention on an accrual basis, except for certain financial instruments which are measured at fair values, and are in conformity with mandatory accounting standards, as prescribed by the Companies (Accounting Standards) Rules, 2006, the provisions of the Companies Act, 1956 and guidelines issued by the Securities and Exchange Board of India (SEBI).

(b) Basis of preparation of Consolidated Financial Statements

The Consolidated Financial Statements relate to the Company and its subsidiaries. The consolidated financial statements have been prepared on the following basis:

i) In respect of Subsidiary companies, the financial statements have been consolidated on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and unrealised profits / losses on intra-group transactions as per Accounting Standard (AS 21) "Consolidated Financial Statements". The results of subsidiaries are included from the date of acquisition of a controlling interest.

ii) In case of foreign subsidiaries, being Non-Integral Foreign Operations, revenue items are consolidated at the average rate prevailing during the year. All asset and liabilities are converted at the rate prevailing at the end of the year. The resultant translation gains and losses are shown separately as 'Foreign Currency Translation Reserve (Translation adjustments)' under 'Reserves and Surplus'.

iii) The excess of cost to the Group of its investment in subsidiary companies over its share of equity and reserves of its subsidiary companies at the dates on which investments are made, is recognized in the financial statements as Goodwill, which is tested for impairment at every balance sheet date. The excess of Group's share of equity and reserves of its subsidiary companies over the cost of acquisition is treated as Capital Reserve.

iv) Minority interests in the net assets of consolidated subsidiaries consist of the amount of equity attributable to the minority shareholders at the dates on which investments are made by the Company in the subsidiary companies and further movements in their share in the equity, subsequent to the dates of investments.

v) The Consolidated Financial Statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company's separate financial statements, except for :

1. In case of all subsidiaries, except Plant & Machinery of Marico Egypt Industries Company, depreciation in respect of Factory Building and Plant & Machinery is provided on Straight Line Basis instead of Written Down Value Basis as followed by Marico Limited (except items specified in note 3(e)(I)(a) below). The total amount of net block of these items of fixed assets represents 15.99% of the total consolidated net block of fixed assets of the Group as at the year end.

# NOTES TO ACCOUNTS TO THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

2. In case of Marico Middle East FZE, Marico Malaysia Sdn. Bhd., The DRx Clinic Pte. Ltd., The DRx Medispa Pte. Ltd. and DRx Aesthetics Sdn. Bhd., costs of inventories are ascertained on FIFO instead of weighted average basis. These inventories represent 0.25 % of the total consolidated inventories of the group as at the year end.

3. In case of certain subsidiaries referred in note 3 (l) below, leave encashment and gratuity is provided on arithmetical basis instead of actuarial basis. These liabilities represent 49.83 % of the total consolidated gratuity and leave encashment liability of the Group as at the year end.

(c) Use of estimates

The preparation of the financial statements in conformity with GAAP requires Management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosure relating to contingent assets and liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Examples of such estimates include provisions for doubtful debts, future obligations under employee retirement benefit plans, income taxes, the useful lives and provision for impairment of fixed assets and intangible assets.

Management believes that the estimates used in the preparation of financial statements are prudent and reasonable. Future results could differ from these estimates.

(d) Fixed assets, intangible assets and capital work-in-progress

Fixed assets and intangible assets are stated at cost of acquisition less accumulated depreciation and impairments, if any. Cost includes taxes, duties, freight and other incidental expenses related to acquisition and installation. Borrowing costs attributable to acquisition, construction of a qualifying asset (i.e. an asset requiring substantial period of time to get ready for intended use) are capitalized in accordance with the requirements of Accounting Standard 16 (AS 16), "Borrowing Costs" mandated by Rule 3 of the Companies (Accounting Standards) Rules 2006. Other pre-operative expenses for major projects are also capitalised, where appropriate.

Capital work-in-progress comprises outstanding advances paid to acquire fixed assets and cost of fixed assets that are not yet ready for their intended use at the year end.

(e) Depreciation and amortisation

I. <u>Tangible assets</u>

a. Depreciation in respect of assets of Indian entities viz, Marico Limited and Kaya Limited 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 considered for the following items are higher than the rates stipulated in Schedule XIV to the Companies Act, 1956:

| Asset class | Particulars | Rates |
|---|---|---|
| Plant and Machinery | Computer hardware and related peripherals | 33.33% |
| | Moulds | 16.21% |
| | Office equipment | 10 % - 50% |
| | Technologically advanced machinery | 14.29% - 33.33% |
| Furniture and Fittings | Furniture and fittings (including lease hold improvements) | 11.11% - 12.5% |
| Vehicles | Vehicles | 20% |
| Leasehold land | Leasehold land | Lease period |

## NOTES TO ACCOUNTS TO THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

b. Depreciation in respect of assets of foreign subsidiaries is provided based on useful life of the assets as estimated by the management here under:

| Asset class | Rates |
|---|---|
| Buildings | 4% - 20% |
| Plant and Machinery | 6.67% - 50% |
| Furniture and fittings (including leasehold improvements) | 6.67% - 50% |
| Vehicles | 10% - 33% |

c. In Marico Limited, depreciation on Factory Building and Plant and Machinery (other than items referred in item I(a) above which are depreciated on straight line basis) is provided on written down value basis. Depreciation on all assets of MEIC is provided on written down value basis. Depreciation on other assets of Marico Limited and on all assets of other subsidiaries is provided on straight line basis.

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

II. Intangible assets

Intangible assets are amortized over their respective individual estimated useful lives on a straight line basis but not exceeding the period given here under:

| | |
|---|---|
| Trademarks, copyrights and business and commercial rights and other intangibles | 7 to 10 years |
| Computer software | 2 to 3 years |

(f) Assets taken on lease

(i) In respect of finance lease arrangements, the assets are capitalized and depreciated. Finance charges are charged off to the Profit and Loss account of the year in which they are incurred.

(ii) Operating lease payments are recognized as expenditure in the Profit and Loss account as per the terms of the respective lease agreement.

(g) Assets given on lease

The Company has given Plant and Machinery on an operating lease basis. Lease rentals are accounted on accrual basis in accordance with the respective lease agreements.

(h) Investments

(i) Long term investments are valued at cost. Provision for diminution, if any, in the value of investments is made to recognize a decline in value, other than temporary.

(ii) Current investments are valued at lower of cost and fair value, computed individually for each investment. In case of investments in mutual funds which are unquoted, net asset value is taken as fair value.

(i) Inventories

(i) Raw material, packing materials, stores, spares and consumables are valued at lower of cost and net realizable value. However, these items are considered to be realizable at cost if the finished products in which they will be used are expected to be sold at or above cost.

(ii) Work-in-process and finished products are valued at lower of cost and net realizable value.

(iii) By-products and unserviceable/damaged finished products are valued at net realizable value.

(iv) Cost is ascertained on weighted average method and in case of work-in-process includes appropriate production overheads and in case of finished products includes appropriate production overheads and excise duty, wherever applicable. In case of Marico Middle East FZE, Marico Malaysia Sdn. Bhd., The DRx Clinic Pte. Ltd., The DRx Medispa Pte. Ltd. and DRx Aesthetics Sdn. Bhd., costs of inventories are ascertained on FIFO instead of weighted average basis.

# NOTES TO ACCOUNTS TO THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

(j) Research and development

Capital expenditure on research and development is capitalised and depreciated as per the accounting policy mentioned in para 3(e) above. Revenue expenditure is charged off in the year in which it is incurred.

(k) Revenue recognition

(i) Domestic sales are recognized at the point of dispatch of goods to the customers, which is when risks and rewards of ownership are passed to the customers and stated net of trade discount and exclusive of sales tax and excise duty.

(ii) Export sales are recognised based on the date of bill of lading except sales to Nepal which are recognized when the goods cross the Indian territory, which is when risks and rewards of ownership are passed to the customers.

(iii) Revenue from services is recognized on rendering of the services and is recorded net of discount and service tax.

(iv) Interest and other income are recognised on accrual basis.

(l) Retirement and other benefits to employees

(i) The Group has various schemes of employee benefits as per applicable Local Laws of the respective countries, namely, provident fund, superannuation fund, gratuity, leave encashment and contributions to government social insurance system. Provident, superannuation and gratuity funds (wherever funded) are administered through trustees/Regional Provident Fund and the Group's contribution thereto is charged to revenue every year. In case of provident fund, the Company has an obligation to make good the shortfall if any, between return on investment by the trust and government administered interest rates. Leave encashment and gratuity are provided on the basis of actuarial valuation as at the year end by an independent actuary except that in case of Marico Bangladesh Limited, Marico Middle East FZE, Kaya Middle East FZE and MEL Consumer Care SAE liability on account of gratuity and in case of Marico Bangladesh Limited, Marico Middle East FZE, Marico Egypt Industries Company, Wind Co., Marico South Africa (Pty) Ltd., International Consumer Products Corporation, Beauté Cosmétique Societé Par Actions, Thuan Phat Foodstuff Joint Stock Company, liability on account of leave encashment is provided on arithmetical basis instead of actuarial basis.

(ii) Long term service benefits

Liability on account of long term service benefits is determined and provided on the basis of an independent actuarial valuation.

(m) Foreign currency transactions

(i) Transactions in foreign currencies are recognized at the prevailing exchange rates on the transaction dates. Realized gains and losses on settlement of foreign currency transactions are recognized 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 differences except those qualifying for hedge accounting are recognised in the Profit and Loss account.

(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. Exchange differences on such contracts are recognized in the Profit and Loss account in the year in which they arise.

(iv) The Company uses forward and options contracts to hedge its risks associated with foreign currency transactions relating to certain firm commitments and forecasted transactions. The Company also uses Interest Rates Swap contracts to hedge its interest rate risk exposure. The Company designates these as Cash Flow Hedges. These contracts are marked to market as at the year end and resultant exchange differences, to the extent they represent effective portion of the hedge, are recognized directly in 'Hedge Reserve account'. The ineffective portion of the

# NOTES TO ACCOUNTS TO THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

same is recognized immediately in the Profit and Loss account.

(v) Exchange differences taken to Hedge Reserve account are recognised in the Profit and Loss account upon crystallization of firm commitments or occurrence of forecasted transactions or upon discontinuation of hedge accounting resulting from expiry / sale / termination of hedge instrument or upon hedge becoming ineffective.

(n) Accounting for taxes on income

(i) Current income tax expense comprises taxes on income from operations in India and in foreign jurisdictions. Income tax payable in India is made, based on the tax payable under the Income Tax Act, 1961. Minimum Alternative 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 be able to avail the said credit against normal tax payable during the period of ten 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 deferred tax assets are recognised only when there is a reasonable certainty of their realization.

(o) Impairment

The Company reviews the carrying values of tangible and intangible assets for any possible impairment at each balance sheet date. An impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of net selling price and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value at appropriate discount rates. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount.

(p) Employee Stock Option Plan

In respect of stock options granted pursuant to the Company's Employee Stock Option Scheme, the intrinsic value of the options (excess of market value of shares over the exercise price of the option at the date of grant) is recognised as Employee compensation cost over the vesting period.

(q) Employee Stock Appreciation Rights Scheme

In respect of Employee Stock appreciation rights granted pursuant to the Company's Employee Stock Appreciation Rights Scheme, the intrinsic value of the rights (excess of market value as at the year end and the market price on the date of grant) is recognised as Employee compensation cost over the vesting period.

(r) Contingent Liabilities

Contingent Liabilities are disclosed in respect of possible obligations that arise from past events but their existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or where any present obligation cannot be measured in terms of future outflow of resources or where a reliable estimate of the obligation cannot be made. A Provision is made based on a reliable estimate when it is probable that an outflow of resources embodying economic benefits will be required to settle an obligation and in respect of which a reliable estimate can be made. Provision is not discounted and is determined based on best estimate required to settle the obligation at the year end date. Contingent Assets are not recognized or disclosed in the financial statements.

4) The audited consolidated financial results for the year ended March 31, 2011 comprised the audited financial results of Marico Limited, Kaya Limited, Marico Bangladesh Limited, MBL Industries Limited, Marico Middle East FZE, Kaya Middle East FZE, Marico South Africa Consumer Care (Pty) Ltd., Marico South Africa (Pty) Ltd., CPF International (Pty) Ltd., Marico Malaysia Sdn. Bhd., Derma Rx International Aesthetics Pte. Ltd., The DRx Clinic Pte. Ltd., The DRx Medispa Pte. Ltd., DRx Investments Pte. Ltd. and DRx Aesthetics Sdn. Bhd. and unaudited results of MEL Consumer Care SAE, Egyptian American

# NOTES TO ACCOUNTS TO THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Investment & Industrial Development Company, Marico Egypt Industries Company, Wind Company, International Consumer Products Corporation, Beauté Cosmétique Societé Par Actions and Thuan Phat Foodstuff Joint Stock Company which have been approved by the respective Board of Directors of these companies.

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

(i) Disputed tax demands/ claims:

(Rs. Crore)

| | March 31, 2011 | March 31, 2010 |
|---|---|---|
| Sales tax | 17.61 | 6.08 |
| Service tax | 0.37 | 0.38 |
| Customs duty | 0.40 | 0.40 |
| Agricultural Produce Marketing cess | 8.14 | 7.93 |
| Employees State Insurance Corporation | 0.13 | 0.13 |
| Excise duty on Subcontractors | 0.29 | 0.24 |
| Lease termination cost | 0.11 | 2.00 |

(ii) Excise duty on CNO dispatches Rs. 210.74 Crore (Rs. 131.57 Crore) (Refer note 27 below)

(iii) Claims against the Company not acknowledged as debts Rs. 1.38 Crore (Rs. 1.03 Crore)

(iv) Possible indemnification obligations under the Deed of Assignment for assignment of "Sweekar" brand, in the event Company is unable to reinstate the trademark registration number in the records of the trademark registry within a period of six months from the date of execution of the deed - Rs. 4.00 Crore (Refer note 14 (b) below).

b) (i) Corporate guarantees given to banks on behalf of subsidiaries for credit and other facilities granted by banks Rs. 137.44 Crore (Rs. 41.40 Crore). The credit and other facilities availed by the subsidiaries as at the year end is Rs. 59.04 Crore (Rs. 7.02 Crore).

(ii) Stand by Letter of Credit given to banks on behalf of subsidiaries for credit and other facilities granted by banks Rs. 108.47 Crore (Rs. 76.46 Crore). The credit and other facilities availed by the subsidiaries as at the year end is Rs. 96.65 Crore (Rs. 54.14 Crore).

(iii) Bank guarantees given to statutory authorities Rs. 12.52 Crore (Rs. 7.23 Crore).

(iv) Contingent consideration for acquisition of skin care business of Derma Rx. Rs.10.60 Crore (Rs. Nil) (Refer note 18 below)

c) Amount outstanding towards Letters of Credit Rs. 29.20 Crore (Rs. 12.71 Crore).

6) Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 62.87 Crore (Rs. 22.11 Crore) net of advances.

7) Borrowing costs capitalized during the year amount to Rs. 0.56 Crore (Rs. 2.83 Crore).

8) Miscellaneous income includes lease income Rs. 0.39 Crore (Rs. 0.43 Crore) and export subsidy Rs. 6.54 Crore (Rs. 2.10 Crore).

9) Miscellaneous expenses include labour charges Rs 5.43 Crore (Rs. 2.78 Crore), training and seminar expenses Rs. 6.10 Crore (Rs. 4.62 Crore), outside services Rs. 2.60 Crore (Rs. 17.69 Crore) , professional charges Rs. 24.01 Crore (Rs. 19.11 Crore), donations Rs. 0.08 Crore (Rs. 0.44 Crore), loss on sale / disposal/discard of assets (net) Rs. Nil (Rs. 1.16 Crore) , Leakage and Damage expenses of Rs. 2.27 Crore (Rs. 9.66 Crore) and impaired assets/capital advances written off Rs. 3.92 Crore (Rs. Nil) and are net of excess provisions no longer required written back Rs. 1.96 Crore (Rs. 7.88 Crore) [including Impairment provision of Rs. 1.03 Crore (Rs. 1.20 Crore) written back upon sale/discard of related assets and written off impaired capital advance/assets].

10) Research and Development expenses aggregating Rs. 7.81 Crore (Rs. 8.04 Crore) have been included under the relevant heads in the Profit and Loss account.

# NOTES TO ACCOUNTS TO THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

11) Additional information on assets taken on lease:

The Company's significant leasing arrangements are in respect of residential flats, office premises, Skin clinics, warehouses, vehicles etc taken on lease. The arrangements range between 11 months to 9 years and are generally renewable by mutual consent or mutually agreeable terms. Under these arrangements refundable interest-free deposits have been given.

(Rs. Crore)

| | March 31, 2011 | March 31, 2010 |
|---|---|---|
| Lease rentals recognised in the Profit and loss account | 60.18 | 36.85 |
| **In respect of assets taken on non cancelable operating lease:** | | |
| **Lease obligations** | | |
| Future minimum lease rental payments payable | | |
| - not later than one year | 29.17 | 23.93 |
| - later than one year but not later than five years | 79.80 | 77.46 |
| - later than five years | 1.70 | 4.79 |
| **Total** | **110.67** | **106.18** |

12) Additional information on assets given on operating lease:

The Company has given on lease certain Plant & Machinery for a lease period ranging between 1 to 3 years. These arrangements are in the nature of cancelable lease and are generally renewable by mutual consent or mutual agreeable terms.

Fixed Asset given on operating lease as at March 31, 2011 and 2010

(Rs. Crore)

| | Cost | Accumulated Depreciation | Net Book Value |
|---|---|---|---|
| Plant and Machinery | 2.03 | 1.94 | 0.09 |
| | (2.03) | (1.92) | (0.11) |

The aggregate depreciation charged on the above assets during the year ended March 31, 2011 amounted to Rs. 0.02 Crore (Rs. 0.03 Crore).

(Rs. Crore)

| | March 31, 2011 | March 31, 2010 |
|---|---|---|
| Lease rental income recognised in the Profit and Loss account. | 0.39 | 0.43 |

13) a) Break-up of deferred tax asset:

(Rs. Crore)

| | March 31, 2011 | March 31, 2010 |
|---|---|---|
| **Deferred Tax Asset:** | | |
| Provision for doubtful debtors/advances that are deducted for tax purposes when written off | 1.17 | 2.68 |
| On intangible assets adjusted against Capital Redemption Reserve and Securities Premium Account under the Capital Restructuring Scheme implemented in an earlier year | 36.53 | 48.91 |
| Liabilities / Provisions that are deducted for tax purposes when paid : | | |
| - Provision for contingencies–Excise (refer Note 27 below) | – | 9.75 |
| - Provision for others | 3.55 | 2.68 |
| Others | 2.76 | 2.94 |
| Total Deferred tax asset | 44.01 | 66.96 |
| **Deferred Tax Liability:** | | |
| Additional depreciation on fixed assets for tax purposes due to higher tax depreciation rates | 13.90 | 5.33 |
| Total Deferred tax liability | 13.90 | 5.33 |
| **Deferred Tax Asset (net)** | **30.11** | **61.63** |

# NOTES TO ACCOUNTS TO THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

b) MAT Credit includes Rs. Nil (Rs. 2.67 Crore) on account of prior year adjustments.

14) a) The Exceptional items stated in the Profit and Loss account are as under:

(Rs. Crore)

| | March 31, 2011 | March 31, 2010 |
|---|---|---|
| Profit on divestment of "Sweekar" brand [refer note (b) below] | 50.00 | NIL |
| Reversal of provision for excise duty [refer note 27 below] | 29.35 | NIL |
| Provision for impairment of goodwill and intangible assets relating to "Fiancee" trademark [refer note (c) below] | (22.70) | NIL |
| Provision for impairment relating to Kaya Skin clinics in India [refer note (d) below] | (7.74) | NIL |
| Effect of divestment of Sundari [refer note (e) below] | NIL | (4.05) |
| Provision relating to closure of 'Kaya Life' centers [refer note (f) below] | NIL | (5.74) |
| **Total Income/(Expense)** | **48.91** | **(9.79)** |

b) During the year, on March 25, 2011, the Company divested its edible oil brand "Sweekar" to Cargill India Private Limited for a consideration of Rs. 50.00 Crore. The divestment comprised assignment of trademark, designs, copyrights as also a non-compete agreement and limited period licensing for some of the intellectual rights. Profit before tax arising from this divestment aggregating Rs. 50.00 Crore has been included under the head "Exceptional Items" in the Profit and Loss account.

c) During the year, Marico has recognized impairment of goodwill and intangible assets comprising of Trademark relating to Fiancée business, which is used by Egyptian American Investment & Industrial Development Company, having regard to the impairment indicators such as losses incurred in the Fiancée business due to multiple factors like shifting consumer habits, trade issues, weakening brand strength, etc. The Company has considered 'Fianćee business' as the relevant cash generating unit and its value in use has been determined for the purpose of impairment testing applying a pre-tax discount rate of 19%. Accordingly, a provision of Rs. 22.70 Crore comprising Rs. 8.82 Crore towards goodwill on consolidation and Rs. 13.88 Crore towards Impairment of Fiancée Trademark is recognized and included in "Exceptional Items" in the Profit and Loss account.

d) During the year, Kaya Limited has carried out impairment testing at the clinic level, which the management considers as the relevant cash generating unit. While the overall future potential of the business as a whole is promising, for some of the clinics likely future performance is not adequate to justify and cover the value in use. This resulted in an impairment provision of Rs. 7.74 Crore which is included in "Exceptional Items" in the Profit and Loss account. The Company has considered a pre-tax discount rate of 17.68% for determining value in use.

e) During the previous year, upon completion of necessary compliances under FEMA regulations, the Company divested its stake in Sundari LLC (Sundari) on June 8, 2009. Sundari ceased to be subsidiary of the Company from the said date. Accordingly, the financial statements of Sundari were consolidated with that of Marico Limited for the period from April 1, 2009 to June 8, 2009. The net effect of the divestment of Rs. 4.05 Crore was included in "Exceptional items" in the Profit and Loss account.

f) During the previous year, Kaya Ltd., had launched the Kaya Life prototype for holistic weight management solutions, however, the prototype had less than expected progress in building a sustainable business model. The management took a strategic decision of closing down the centres. Consequently, the Company made an aggregate provision of Rs. 5.74 Crore towards impairment of assets of Rs. 2.91 Crore and other related estimated liabilities of Rs. 2.83 Crore towards employees' separation, lease termination costs and customer refund relating to these centres. The net effect of the impairment of Rs. 5.74 Crore was included in "Exceptional items" in the Profit and Loss account .

# NOTES TO ACCOUNTS TO THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

15) Intangible Assets namely Brands and Intellectual Property Rights represented by Trademarks etc. are owned by certain foreign subsidiaries of the Company. The management believes that these intangible assets have indefinite useful life. These companies are not amortizing the said assets in accordance with the requirements of the applicable local accounting standards in which their standalone financial statements are prepared.

Under Indian GAAP, under which the Consolidated Financial Statements are prepared, such intangible assets are required to be amortized over a period of 10 years. However, while preparing the Consolidated Financial Statements for the year ended March 31, 2010, the Company had continued the policy adopted by the overseas subsidiaries and accordingly had not amortized these intangible assets.

During the year, the Company has reviewed this policy and has decided to amortize these intangible assets over a period of 10 years so as to align the policy with the Indian Accounting Standards. Accordingly, an amount of Rs. 9.53 Crore has been amortized in the Consolidated Financial Statements and is included in "Depreciation, Amortization and Impairment".

Had the Company continued to follow the policy of not amortizing such intangible assets as in the previous year, the "Depreciation, Amortization and Impairment" for the year would have been lower by Rs. 9.53 Crore and the carrying value of the said intangible assets and the Profit before tax for the year each would have been higher by Rs. 9.53 Crore.

16) The service revenue of Kaya Skin Care business (Kaya Limited and Kaya Middle East FZE) includes packaged services in which the consideration is collected upfront towards services to be availed by the customers over a period of time covered by the package. These advances are non-refundable. However, due to inadequate measuring tools to record actual availment of services by customers against each package, these companies had been recognizing revenue on an estimated basis. During the year, the companies have been able to develop and deploy Point of Sale (POS) software to track the availment of services by customers against these packages and have accordingly refined the said policy so as to align the recognition of revenue with the services rendered. Accordingly, during the year, an amount of Rs. 35.30 Crore collected upto March 31, 2011 in respect of which services are pending to be rendered as at the year end has been deferred for recognition, and is reflected as Advances received from customers under the head "Current Liabilities". Had these companies not made the said refinement of the accounting estimates, revenue from sale of services and consolidated profit before tax would have been higher by Rs. 31.32 Crore and advances received from customers would have been lower by an equivalent amount.

17) During the year, on February 18, 2011, Marico Limited acquired controlling equity stake in International Consumer Products Corporation (ICP), a company incorporated in Vietnam and its subsidiaries. The acquisition resulted in Goodwill of Rs. 221.63 Crore arising on consolidation.

18) During the year, Derma Rx International Aesthetics Pte. Ltd. (DIAL), which was incorporated in Singapore as wholly owned subsidiary of Kaya Limited, acquired the skin care business of Derma Rx in Singapore and Malaysia. The acquisition comprised of 100% equity stake in DRx Clinic Pte. Ltd., DRx Meditech Pte. Ltd., The DRx Medispa Pte. Ltd., DRx Investment Pte. Ltd., and DRx Aesthetics Sdn. Bhd. and associated Intellectual Property Rights etc. from Derma Rx (Asia Pacific) Pte. Ltd. for a consideration of Rs. 90.94 Crore comprising cost of Investment Rs. 45.49 Crore and cost of Trademark and other Intellectual Property Rights of Rs. 45.45 Crore . The agreement also envisages a contingent consideration of Rs. 54.39 Crore which is payable over the three years period commencing from May 25, 2010 upon achievement of certain milestones such as turnover, profits etc.

Based on the assessment of the performance of Derma Rx business since the acquisition, the management has assessed that it is more than probable that a consideration of Rs. 43.79 Crore would be payable. Accordingly, the Company has considered the provision of the said amount as part of the cost of acquisition. The balance of contingent consideration of Rs. 10.60 Crore is considered as 'Contingent Liability'. The above acquisition has resulted in Goodwill of Rs. 99.75 Crore arising on consolidation.

# NOTES TO ACCOUNTS TO THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

19) a) The total derivative instruments outstanding as on March 31, 2011 are Plain Forwards, Plain Vanilla Option contracts and an Interest rate swap:

| | March 31, 2011 | | March 31, 2010 | |
|---|---|---|---|---|
| | Notional amount in Foreign currency | Equivalent amount in at the year end (Rs. Crore) | Notional amount in Foreign currency | Equivalent amount in at the year end (Rs. Crore) |
| **Forward contracts outstanding*** | | | | |
| Exports: | | | | |
| - in USD | 6,000,000 | 26.75 | 4,250,000 | 19.09 |
| Foreign currency loans: | | | | |
| - in USD | 12,308,344 | 54.88 | 11,847,085 | 53.21 |
| Creditors: | | | | |
| - in USD | 5,000,000 | 22.29 | 2,057,775 | 9.24 |
| - in AUD | 297,898 | 1.37 | Nil | Nil |
| Advance receivable: | | | | |
| - in AUD | Nil | Nil | 600,000 | 2.47 |
| Loan to subsidiary: | | | | |
| - in ZAR | 19,000,000 | 84.71 | Nil | Nil |
| **Options Contracts outstanding** | | | | |
| Exports: | | | | |
| - in USD | Nil | Nil | 7,250,000 | 32.57 |

* Converted into the exchange rate at the year end.

** Out of the forward contracts outstanding as on March 31, 2011, USD 11,000,000 (USD 6,307,775), AUD 297,898 (AUD 600,000), having fair value of Rs. 52.01 Crore(Rs. 31.19 Crore) and all outstanding option contracts as on March 31, 2011, having fair value of Rs. Nil (Rs. 1.01 Crore) have been designated as Cash Flow hedges.

- The Company has entered into Interest rate swap of **USD 8,750,000** (USD 4,583,333), for hedging its interest rate exposure on borrowings in foreign currency which has a fair value of **Rs. 0.34 Crore** (Rs. 0.63 Crore).

- The Cash flows are expected to occur and impact the Profit and Loss account within the period of 1 year except interest rate swap, in respect of which Cash Flows are expected to occur and impact the Profit and Loss account within the period of 1 to 2 years (1 to 3 years).

- All the derivative contracts entered by the Company were for hedging purpose and not for any speculative purpose.

# NOTES TO ACCOUNTS TO THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

b) Net foreign currency exposures not hedged as at the year end are as under:

| | | March 31, 2011 | | March 31, 2010 | |
|---|---|---|---|---|---|
| | Currency | Amount in Foreign Currency | Equivalent amount at the year end (Rs.Crore) | Amount in Foreign Currency | Equivalent amount at the year end (Rs.Crore) |
| **a. Amount receivable in foreign currency on account of following :** | | | | | |
| - Export of goods | AED | 4,988 | 0.01 | 4,988 | 0.01 |
| | USD | Nil | Nil | 21,003 | 0.09 |
| **b. Amount (payable) /receivable in foreign currency on account of following :** | | | | | |
| (i) Import of goods and Services | AED | 65,000 | 0.08 | 45,075 | 0.06 |
| | AUD | Nil | Nil | 188,288 | 0.61 |
| | EUR | 27,380 | 0.17 | (93,550) | (0.57) |
| | CHF | Nil | Nil | 20,600 | 0.09 |
| | GBP | Nil | Nil | 291 | 0.01 |
| | USD | 187,448 | 0.84 | (789,791) | (3.55) |
| | CHF | Nil | Nil | (24,160) | (0.10) |
| | GBP | Nil | Nil | (9,842) | (0.07) |
| | SGD | 121 | 0.01 | Nil | Nil |
| (ii) Capital imports | CHF | 680 | 0.01 | 680 | 0.01 |
| | GBP | 800 | 0.01 | 800 | 0.01 |
| (iii) Loan payables * | USD | (12,308,344) | (54.88) | Nil | Nil |
| **c. Bank balances** | USD | 518,470 | 2.31 | 152,925 | 0.69 |
| | EUR | Nil | Nil | 1,600 | 0.01 |
| | OMR | 115,147 | 1.33 | 22,097 | 0.26 |
| | SAR | 109,632 | 0.13 | 285,300 | 0.36 |
| | VND | 2,089,000 | 0.01 | Nil | Nil |
| **d. Other receivables / (payables)** | USD | 8,288 | 0.04 | 190,320 | 0.85 |
| | AED | (4,447) | (0.01) | 147,273 | 0.18 |
| | OMR | 4,694 | 0.05 | 2,089 | 0.02 |
| | SAR | 302,470 | 0.34 | 120,665 | 0.15 |
| | EUR | 600 | 0.01 | 1,324 | 0.01 |
| **Total** | | | **(49.55)** | | **(0.87)** |

*excludes Loans payable of Rs. 279.77 Crore [USD 62,750,000] (Rs. 61.76 Crore [USD 13,750,000]) assigned to hedging relationship against highly probable forecast sales. The Cash flows are expected to occur and impact the Profit and Loss account within the period of 1 to 6 years.

c) Pursuant to the Announcement of the Institute of Chartered Accountants of India's (ICAI) "Accounting for Derivatives" on encouraging the early adoption of Accounting Standard (AS) 30, "Financial Instruments: Recognition and Measurement", the Company had in previous year ended March 31, 2009, decided an early adoption of AS 30 to the extent it does not conflict with existing mandatory accounting standards and other authoritative pronouncements, Company Law and other regulatory requirements. Accordingly the net unrealized gain Rs. 4.99 Crore (Rs. 2.81 Crore) in respect of outstanding derivative instruments and foreign currency loans at the year end which qualify for hedge accounting, is standing in the 'Hedge Reserve account', which would be recognized in the Profit and Loss account when the underlying transaction or forecast revenue arises, as against the earlier practice of recognizing the same in the Profit and Loss account.

# NOTES TO ACCOUNTS TO THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

20) Earnings per share:

| | March 31, 2011 | March 31, 2010 |
|---|---|---|
| **Profit after taxation / Profit available to equity share holders (Rs. Crore)** | **286.44** | **231.67** |
| Equity shares outstanding as at the year end | 614,399,550 | 609,325,700 |
| Weighted average number of equity shares used as denominator for calculating basic earnings per share | 612,569,618 | 609,150,561 |
| Weighted average number of equity shares used as denominator for calculating diluted earnings per share | 615,400,555 | 611,557,579 |
| Nominal value per equity share | Re. 1 | Re. 1 |
| **Basic earnings per equity share** | **Rs. 4.68** | **Rs. 3.80** |
| **Diluted earnings per equity share*** | **Rs. 4.65** | **Rs. 3.79** |

*Diluted EPS has been calculated after taking into account options granted to certain eligible employees as referred in note 21 below.

21) a) Employee Stock Option Scheme 2007

The Corporate Governance Committee of the Board of Directors of Marico Limited has granted Stock Options to certain eligible employees pursuant to the Marico 'Employees Stock Options Scheme 2007'. Each option represents 1 equity share in the Company. The Vesting period and the Exercise Period both range from 1 year to 5 years. Pursuant to exercise of 5,073,850 (325,700) options during the year, the issued and subscribed share capital has increased by Rs. 0.51 Crore (Rs. 0.03 Crore) to Rs. 61.44 Crore (Rs. 60.93 Crore) and Securities Premium account has increased by Rs. 28.20 Crore (Rs. 1.80 Crore). The options outstanding as on the Balance sheet date correspond to about 0.39% (1.28%) of the current paid up equity capital of the Company.

| Number of options granted, exercised and forfeited | March 31, 2011 | March 31, 2010 |
|---|---|---|
| Options outstanding at beginning of the year | 7,816,800 | 8,339,600 |
| Granted | Nil | 1,332,100 |
| Less : Exercised | 5,053,850 | 325,700 |
| Forfeited / Lapsed | 354,900 | 1,529,200 |
| Options outstanding at the end of the year | 2,388,050 | 7,816,800 |

The Company has applied the intrinsic value based method of accounting for determining compensation cost for its stock based compensation plan and has accordingly accounted Rs. 0.04 Crore (Rs. 0.08 Crore) under the 'intrinsic value' method. Had the Company considered 'fair value' method for accounting of compensation cost the Company's net income and Basic and Diluted earnings per share as reported would have reduced to the pro-forma amounts as indicated:

(Rs. Crore)

| Particulars | March 31, 2011 | March 31, 2010 |
|---|---|---|
| Net Profit after tax as reported | 286.44 | 231.67 |
| Less : Stock-based employee compensation expense | 1.76 | 3.91 |
| Adjusted pro-forma | 284.68 | 227.76 |
| Basic earnings per share as reported | Rs. 4.68 | Rs. 3.80 |
| Pro-forma basic earnings per share | Rs. 4.65 | Rs. 3.74 |
| Diluted earnings per share as reported | Rs. 4.65 | Rs. 3.79 |
| Pro-forma diluted earnings per share | Rs. 4.63 | Rs. 3.72 |

b) The Corporate Governance Committee has granted stock appreciation rights to certain eligible employees pursuant to the Company's Employee Stock Appreciation Rights Scheme, 2011("Scheme") . The vesting period under the Scheme is from March 28, 2011 to September 30, 2013. Under the Scheme, the respective employees are entitled to receive excess of the maturity price over the grant price subject to fulfillment of certain conditions. The stock appreciation rights equivalent to 2,874,000 shares were granted to employees which were outstanding as at the year end and difference between the market price of Company's shares as at the year end and the grant price is recognized over the vesting period amounting to Rs. 0.02 Crore in the Profit and Loss account.

# NOTES TO ACCOUNTS TO THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

22) Segment Information

The Group regards business segment as the primary segment. The composition of this segment is given below.

| Business segments | Type of products and services |
|---|---|
| Consumer Products | Coconut oils, other edible oils, hair oils and other hair care products, male grooming products, fabric care products, healthy foods, soaps, health care products, female beauty care products. |
| Others | Skin care and Global ayurvedics (up to June 8, 2009) |

a. "Consumer Products" segment comprises consumer product business of Marico Limited, Marico Bangladesh Limited, MBL Industries Limited, Marico Middle East FZE, MEL Consumer Care SAE, Marico Egypt Industries Company, Egyptian American Investment & Industrial Development Company, Wind Company, Marico South Africa Consumer Care (Pty) Limited, Marico South Africa (Pty) Limited, CPF International (Pty) Limited, Marico Malaysia Sdn. Bhd, International Consumer Prouducts, Beauté Cosmétique Societé Par Actions and Thuan Phat Foodstuff Joint Stock Company.

b. "Skin care" segment comprises operations of Kaya Limited, Kaya Middle East FZE, Kaya operations of Marico Bangladesh Limited, Derma – Rx International Aesthetics Pte. Ltd., The DRx Clinic Pte. Ltd., The DRx Medispa Pte. Ltd., DRx Investments Pte. Ltd. and DRx Aesthetics Sdn. Bhd.

c. "Global Ayurvedics" comprised the business of (Sundari LLC.) (up to June 8, 2009)

i) Primary segment information

(Rs. Crore)

| | Consumer Products | Others | Total |
|---|---|---|---|
| Segment revenue | 2,920.38<br>(2,475.04) | 207.93<br>(185.72) | 3,128.31<br>(2,660.76) |
| Segment result<br>Profit / (loss) | 380.30<br>(337.91) | (32.49)<br>(-)(18.12) | 347.81<br>(319.79) |
| Unallocable expenses | –<br>– | –<br>– | –<br>– |
| Unallocable income | | | 2.85<br>(2.49) |
| Interest expenses | | | 39.33<br>(25.69) |
| Interest income | | | 16.21<br>(11.07) |
| Profit before tax, 'Exceptional items' and minority interest | | | 327.52<br>(307.66) |
| Exceptional Items Income / (expense) (net) | 56.65<br>– | (7.74)<br>(-)(9.79) | 48.91<br>(-)(9.79) |
| Profit before tax and minority interest | | | 376.43<br>(297.87) |
| Taxation on the above | | | 84.98<br>(64.33) |
| Net profit after tax and before minority interest | | | 291.45<br>(233.54) |
| Minority interest in losses / (profits) of subsidiaries | | | (5.01)<br>(-)(1.87) |

# NOTES TO ACCOUNTS TO THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

| | Consumer Products | Others | Total |
|---|---|---|---|
| **Profit after taxation and minority interest** | | | **286.44** |
| | | | **(231.67)** |
| **Other information** | | | |
| Segment assets | 1,518.85 | 348.18 | 1,867.03 |
| | (1,046.78) | (174.24) | (1,221.02) |
| Unallocable assets | | | 359.70 |
| | | | (304.98) |
| **Total assets** | | | **2,226.73** |
| | | | (1,526.00) |
| Segment liabilities | 367.02 | 120.23 | 487.25 |
| | (366.49) | (27.37) | (393.86) |
| Unallocable liabilities | | | 824.00 |
| | | | (478.18) |
| **Total liabilities** | | | **1,311.25** |
| | | | **(872.04)** |
| Capital expenditure | 154.45 | 6.28 | * 217.26 |
| | (73.13) | (27.93) | (101.06) |
| Depreciation, impairment and amortization | 43.65 | 27.15 | ** 70.80 |
| | (42.97) | (17.09) | (60.06) |

* excludes assets acquired on acquisition of new subsidiaries

** excludes provision for impairment of Rs. 21.62 Crore (Rs. Nil) reflected in “Exceptional items”

ii) Secondary Segment Information

The Group has identified geographical markets as the Secondary segment.

| Geographical Segments | Composition |
|---|---|
| Domestic | All over India |
| International (others) | Primarily Middle East, SAARC countries, Egypt, Malaysia, South Africa, Singapore and Vietnam. |

| | Domestic (Rs.Crore) | Others (Rs.Crore) | Total (Rs.Crore) |
|---|---|---|---|
| Revenue | 2,290.69<br>(2,001.38) | 837.62<br>(659.38) | 3,128.31<br>(2,660.76) |
| Carrying amount of assets | 1,261.92<br>(1,146.49) | 964.82<br>(379.51) | 2,226.73<br>(1,526.00) |
| Capital expenditure | 140.96<br>(56.59) | 76.31<br>(44.47) | 217.26<br>(101.06) |

iii) Notes to Segmental information:

a) Segment revenue and expense: Revenues and expenses directly attributable to segments are reported under each reportable segment. Revenue and expenses which relate to Group as whole and are not allocable to a segment on reasonable basis, have been disclosed under ‘Unallocable’.

b) 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. Segment liabilities include all operating liabilities of the segment comprising creditors and other liabilities. Investments, taxes and other assets and liabilities which are not allocable to segment on reasonable basis, have been disclosed under ‘Unallocable’.

# NOTES TO ACCOUNTS TO THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

23) Related Party Disclosures

Enterprise over which Key Managerial Personnel exercise significant influence:

The Bombay Oil Private Limited

(Rs. Crore)

| | March 31, 2011 | March 31, 2010 |
|---|---|---|
| **Nature of transactions** | | |
| **Transactions during the year** | | |
| 1) Rent Paid | 0.15 | 0.90 |
| 2) Payment made on behalf of the entity | Nil | 1.20 |
| 3) Recovery of payment made on behalf of the entity | 1.20 | Nil |
| **Balances** | | |
| 1) Sundry Creditors | 0.01 | Nil |
| 2) Loans and advances | Nil | 0.30 |

Key management personnel and their relatives:

i) Whole-time director: Harsh Mariwala, Chairman and Managing Director

(Rs. Crore)

| Nature of transactions: | March 31, 2011 | March 31, 2010 |
|---|---|---|
| Remuneration for the year | 3.58 | 3.03 |

ii) Employee: Rishabh Mariwala, son of Harsh Mariwala

(Rs. Crore)

| Nature of transactions: | March 31, 2011 | March 31, 2010 |
|---|---|---|
| Remuneration for the year | 0.13 | 0.11 |

24) Managerial Remuneration:

(Rs. Crore)

| | March 31, 2011 | March 31, 2010 |
|---|---|---|
| Payments and provisions on account of remuneration to Chairman and Managing Director included in the Profit and Loss account | | |
| Salary | 2.26 | 1.96 |
| - Contribution to provident and pension funds | 0.26 | 0.23 |
| - Other perquisites | 0.09 | 0.08 |
| - Annual performance incentives | 0.97 | 0.76 |
| | **3.58** | **3.03** |
| Remuneration to non-whole time directors (including Sitting fees) | 0.46 | 0.25 |

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 lump sum 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.

25) The Guidance Note on implementing AS 15, Employee benefits (revised 2005) issued by Accounting Standards Board (ASB) states that benefits involving employer-established provident funds, which require interest shortfalls to be recompensed, are to be considered as defined benefit plans. Pending the issuance of the guidance note from the Actuarial Society of India, the Company's actuary has expressed an inability to reliably measure provident fund liabilities. Accordingly, the Company has accounted for the same as a defined contribution plan. However, as permitted by the circular number 2009/104919 issued by the Employees' Provident Fund Organization, the interest shortfall can be adjusted against the Reserve available with the

# NOTES TO ACCOUNTS TO THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

trust. Based on the unaudited financial statements of the fund as at March 31, 2011, the Reserve available with the fund are adequate to cover interest shortfalls arising till the said date. Hence no provision for liability is required to be created on such interest shortfall as on March 31, 2011.

26) a) Secured Debentures represents 300 8.25% Rated Taxable Redeemable Non-convertible Debentures of Face Value Rs. 0.10 Crore each, aggregating to Rs. 30.00 Crore which were issued on May 8, 2009 and are redeemable at par after 3 years. As per the terms of the issue Put / Call option is available with the Investor / Company at the end of 2 years. These debentures are listed on the National Stock Exchange.

b) During the year, on March 30, 2011, The Company has issued 500 10.05% Rated Taxable Unsecured Redeemable Non-convertible Debentures of Face value of Rs. 0.10 Crore each aggregating to Rs. 50.00 Crore which are redeemable at par after 30 months. These debentures have been listed on the National Stock Exchange after the Balance Sheet date.

27) During the year ended March 31, 2010, the Company had made a provision of Rs. 29.35 Crore towards 75% of possible excise duty obligation which may arise in the event of unfavorable outcome of the matter in respect of coconut oil packed in container size up to 200ml and cleared on and after June 3, 2009, which is being contested by the Company. Based on the facts of the case and the legal opinion obtained in this regard, the Company had made an assessment that the probability of success in the matter is more likely than not. In terms of Accounting Standard (AS) 29 "Provisions, Contingent Liabilities and Contingent Assets", the possible obligation on this account could be in the nature of contingent liabilities, which need not be provided for in the accounts. Pending outcome of the matter, the Company had made the aforesaid provision in the accounts for the year ended March 31, 2010. The Management had, while finalizing financial results for the quarters ended June 30, 2010, September 30, 2010 and December 31, 2010 continued to make provision on the said basis and had provided Rs. 26.61 Crore for the first nine months ended December 31, 2010.

The Auditors had qualified their audit report for the year ended March 31, 2010 and the limited review reports for the said quarters to the effect that the said provisioning was not in accordance with the requirements of AS 29.

As at March 31, 2011, the Company has reviewed the matter again and has taken a legal opinion, which has reaffirmed the earlier assessment that the probability of success in the matter is more likely than not. Considering the continued strength of the Company's case, the Company has, during the year, reversed the entire provision of Rs. 29.35 Crore and Rs. 26.61 Crore made during the year ended March 31, 2010 and during the nine months ended December 31, 2010 respectively, having regard to the fact that the said provision was not in accordance with the requirements of AS 29. The reversal of the provision pertaining to the year ended March 31, 2010 aggregating to Rs. 29.35 Crore has been included under the head "Exceptional Items" in the Profit and Loss account. Further, deferred tax asset of Rs. 9.75 Crore created during the year ended March 31, 2010 has been reversed and included in Deferred Tax charge for the year in the Profit and Loss account. Provisions of Rs. 26.61 Crore made in the first nine months ended December 31, 2010 were reversed in the quarter ended March 31, 2011, which has no impact for the results of the full year ended March 31, 2011. Consequentially, the possible excise duty obligation of Rs. 88.97 Crore for clearances made after June 03, 2009 till March 31, 2011 and Rs. 121.77 Crore for clearances made prior to June 03, 2009 has been disclosed as Contingent Liability to the extent of the time horizon covered by show-cause notices issued by the excise department within the normal period of one year (from the date of clearance) under the excise laws.

Had the Company continued to make provisions on the same basis as in the previous year, the Profit before tax and Exceptional Items for the year would have been lower by Rs.37.38 Crore. Further, balances as at March 31, 2011 in Deferred Tax Asset and Provisions would have been higher by Rs. 21.65 Crore and Rs. 66.73 Crore respectively and balance in Reserve and Surplus would have been lower by Rs. 45.08 Crore.

The Company will continue to review this matter during the coming accounting periods based on the developments on the outcomes in the pending cases and the legal advice that it may receive from time to time.

# NOTES TO ACCOUNTS TO THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

28) Other Provisions in schedule 'M' includes:

(Rs. Crore)

| | Lease termination cost* | Employees termination cost* | Customers Refunds* | Site restoration Cost** | Contingent Consideration (Refer note 18) | Total |
|---|---|---|---|---|---|---|
| Opening Balance | 2.44 | 0.27 | 0.82 | 1.39 | Nil | 4.92 |
| Add: Provisions made | Nil | Nil | Nil | Nil | 43.79 | 43.79 |
| Less: Provisions utilized/ | | | | | | |
| Reversed | 2.22 | 0.27 | 0.82 | Nil | Nil | 3.31 |
| **Closing Balance** | **0.22** | Nil | Nil | **1.39** | **43.79** | **45.40** |

Notes:

* Above provisions, represent estimates made for probable liability arising on account of closure of Kaya Life operations and close down of seven clinics of Kaya Skin. Provision for lease termination cost is towards locking period rent which is recognized to the extent its more than probable that outflow of resources will be required to settle the transactions. The balance amount is treated as contingent in nature.

** A provision for site restoration cost is recognized for the estimates made for probable liability towards the restoration of these premises at the end of lease period.

29) Minority share in accumulated profits of Rs. 0.49 Crore represents adjustment relating to the earlier year.

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

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

**Signatures to Schedules A to R**

As per our attached report of even date

**For Price Waterhouse**
Chartered Accountants
Firm Registration No. 301112E

**VILAS Y. RANE**
Partner
Membership No. F-33220
Place : Mumbai
Date : May 2, 2011

**For and on behalf of the Board of Directors**

**HARSH MARIWALA** Chairman and Managing Director
**NIKHIL KHATTAU** Director and Chairman of Audit Committee
**MILIND SARWATE** Group Chief Financial Officer and Chief Human Resource Officer
**HEMANGI WADKAR** Company Secretary & Compliance Officer

Place : Mumbai
Date : May 2, 2011

# DIRECTORS' REPORT

To the Members

Your Board of Directors ('Board') is pleased to present the Twenty Third Annual Report of your Company, Marico Limited, for the year ended March 31, 2011 ('the year under review', 'the year' or 'FY11').

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 2010 – March 2011 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 **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<br>Year ended March 31,<br>2011 | <br><br>2010 |
|---|---|---|
| **Consolidated Summary Financials for the Group** | | |
| Sales and Services | 3128.3 | 2660.8 |
| Profit before Tax | 376.4 | 297.9 |
| Profit after Tax | 286.4 | 231.7 |
| **Marico Limited – financials** | | |
| **Sales and Services** | **2346.9** | **2024.3** |
| **Profit before Tax** | **374.6** | **292.6** |
| Less: Provision for Tax for the current year | 59.2 | 57.5 |
| **Profit after Tax for the current year** | **315.3** | **235.0** |
| Add : Surplus brought forward | 382.61 | 233.1 |
| **Profit available for Appropriation** | **697.9** | **468.1** |
| Appropriations : | | |
| **Distribution to shareholders** | **40.5** | **40.2** |
| Tax on dividend | 6.7 | 6.8 |
| | 47.2 | 47.0 |
| **Transfer to General Reserve** | **31.5** | **23.5** |
| **Debenture Redemption Reserve** | **16.7** | **15.0** |
| **Surplus carried forward** | **602.5** | **382.6** |
| **Total** | **697.9** | **468.1** |

## 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. 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. These would call for additional funding.

As indicated last year, your Company intends to be more conservative in the quantum of dividend payout in the near future.

Your Company's distribution to equity shareholders during FY 11 comprised the following:

First interim dividend of 30% on the equity base of Rs 61.41 Crore

Second interim dividend of 36% on the equity base of Rs. 61.45 Crore

The total equity dividend for FY11 at 66.0% is thus at par with the dividend paid during FY10. The total dividend (including dividend tax) was Rs. 47.2 crore (about 16.5 % of the group PAT).

# DIRECTORS' REPORT

## MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

## REVIEW OF OPERATIONS

Marico achieved a strong growth of 18% in revenue over the previous year and registered a top line of Rs 3128 crores during FY11. A substantial part of the growth was organic growth, with 12% volume led growth while the remaining came from price increases and sales mix. The top line increase was accompanied by a bottom-line growth of 24%, after considering the impact of extra-ordinary / exceptional items. Profit After Tax (PAT) including exceptional / extra-ordinary items during the year was at Rs 286.4 crore as against Rs. 232 crore in FY10. The financials for FY11 include certain exceptional items of Rs 48.9 crores (Rs 29.4 Cr on account of write back of provision towards contingent excise duty liability provided in FY10, Rs. 50 Cr on account of profit on sale of Sweekar intellectual property rights, Rs. 7.7 Cr on account of impairment of clinic assets in Kaya Limited and Rs 22.7 Cr on account of impairment of intangibles related to Fiancée business) while the financials of FY 10 include certain exceptional items . The exceptional items have been explained in detail in the Management Discussion and Analysis, which is an integral part of this Report. Had it not been for these items, the PAT for FY11 would have been Rs. 256.3 Cr, a growth of 6% over FY10 (extraordinary items excluded from the comparable figure in the previous year).

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

**Q4FY11 was on a Y-o-Y basis:**

- The 42nd consecutive Quarter of growth in Turnover and
- The 46th consecutive Quarter of growth in Profits

The company has demonstrated steady growth on both the top line and bottom line. Over the last 5 years, they have grown at a Compounded Annual Growth Rate of 22 % and 27% respectively

**Consumer Products Business: India**

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 8% in volume as compared to FY10. Coconut oil category as a whole grew by 5% in volume as compared to FY10. The volume growth have been lower than expected due to steep rise in the input prices due to which the Company took the prices up of the Products. 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, Nihar Naturals perfumed hair oil, Hair & Care nourishing non sticky hair oil, Hair & Care Almond Gold and Shanti Badam Amla hair oil). During the year, all Marico's hair oil brands recorded healthy growth and the portfolio as a whole grew by about 23% in volume terms over FY10. Super Premium edible oils brand Saffola grew by about 16% in volume terms compared to FY10. These growths were aided by introduction of new products.

Marico has been constantly investing in a healthy pipeline of new products. During the year your company launched new prototypes. These included variants of Saffola Rice Arise (Basmati and Long grain) – lower GI rice, Parachute Advansed Ayurvedic hair fall solution and Parachute Advansed Body Lotion.

# DIRECTORS' REPORT

**International FMCG Business**

From a single digit share in FY05, about 23% 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), Malaysia, South Africa and Vietnam.

Marico's South African subsidiary acquired the healthcare brand "Ingwe". Its product portfolio complements the existing healthcare brand Hercules. In February 2011, Marico strengthened its entry into the South East Asian region through the acquisition of International Consumer Products in Vietnam.

During FY11, the company's international business recorded a turnover growth of 22% over FY10. Much of this growth was derived from consumer franchise expansion – about 19%, accompanied by price led growth of 8%. However, this was impacted adversely by forex appreciation of 5%. Political disturbance in the MENA region adversely effected the growth of the international business in Q4 of FY11.

**Kaya**

Kaya is the first organized player in the segment of cosmetic dermatology and now enjoys a large first mover advantage in the segment in India. It now offers its technology led cosmetic dermatological services through 103 clinics: 81 in India across 26 cities and 16 in the Middle East, 2 in Dhaka and 4 clinics through Derma Rx in Singapore and Malaysia.

During the year Kaya acquired Singapore based skin care solutions business Derma Rx. This gave Kaya an access to an advanced skin care market in terms of a wide bouquet of products and technology capable of being transported across geographies.

Kaya's offering are in the nature of discretionary spends. We had seen a down turn in Kaya's performance in FY10 due to some external and internal factors. While external macro environment is picking up we had identified customer retention and share of product sales as key issues to be addressed internally during FY11. There were efforts put to tackle these issues. Kaya has seen a reasonable success as a result of these measures taken.

Our overall experience with Kaya Skin care business has been encouraging. This is a fairly young business- only 8 years since its inception. We have already experienced, in a few accounting periods, profitability at both clinic level and regional level. Marico's belief in the Kaya Business model is therefore intact, especially as we perceive the long term opportunity in skin care solutions to be significant.

## OTHER CORPORATE DEVELOPMENTS

**Acquisition of Derma Rx**

Kaya Limited, Marico's wholly owned subsidiary delivering skin care solutions in India acquired the cosmetic dermatological business of the Singapore based Derma Rx Asia Pacific Pte Ltd (DRx AP). This acquisition provides Kaya access to a range of highly efficacious skin care products. These products are capable of being transported across geographies. Some of these products have already been introduced in India and are in the process of being introduced in the Middle East. We believe that it will help in increasing the share of products to total revenue of Kaya.

**Acquisition of the Brand "Ingwe"**

Marico, through its wholly owned subsidiary, Marico South Africa (Pty) Ltd acquired the brand "Ingwe" from South Africa based Guideline Trading Company. The range comprises immuno boosters focused on the ethnic consumer in South Africa. The acquisition of Ingwe brings in a range of products that complements that of MSA's brand Hercules.

**Acquisition of the International Consumer Products (ICP)**

Marico strengthened its foot hold in South East Asia by taking up 85% equity in International Consumer Products Corporation (ICP), one of the most successful Vietnamese FMCG companies. ICP was founded, in 2001, by Dr. Phan Quoc Cong and his partner. Its brands (X-Men, L'Ovite, Thuan Phat and others) have a significant presence across personal care, beauty cosmetics and sauces / condiments categories. X-Men is a leading player in the male grooming segment in Vietnam and is the 2nd Most Trusted Personal Care brand in the country. With over 35% market share, it leads the men's shampoo category. L'Ovite, the company's premium cosmetics brand ranks amongst the top 5 premium cosmetics brands in Vietnam.

# DIRECTORS' REPORT

**Divestment of Brand "Sweekar"**

Marico divested its refined sunflower oil brand "Sweekar" to Cargill India private Limited (Cargill). This is in line with Company's focus towards wellness platform through Saffola and thus focusing on healthy edible oils and functional foods.

**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, 2011) comprising about 1.85% of the current paid up equity capital of the Company. 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**

During the financial year under review, the Board of Directors of your Company implemented a long term incentive plan namely, Marico Stock Appreciation Rights Plan, 2011 **('STAR Plan')** for the welfare of its employees and those of its subsidiaries.

The purposes envisaged in the STAR Plan and the various schemes thereunder are:

a. To promote amongst Members the desired behavior for meeting long term business objectives of Marico Group

b. To enable retention of desired Members in Marico Group

c. To enable attraction of talent especially to challenging roles

d. To provide a wealth building dimension to the remuneration structure

The Corporate Governance Committee of the Board of Directors has granted stock appreciation rights to certain eligible employees pursuant to the Company's Employee Stock Appreciation Rights Scheme, 2011("Scheme"), which is notified under the STAR Plan . The vesting period under the Scheme is from March 28, 2011 to September 30, 2013. Under the Scheme, the respective employees are entitled to receive excess of the maturity price over the grant price subject to fulfilment of certain conditions. The stock appreciation rights equivalent to 2,874,000 shares were granted to employees which were outstanding as on March 31, 2011.

**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 seeking an exemption from attaching copies of the Balance Sheet, Profit and Loss Accounts, Directors' Report and Auditors' Report of its subsidiary companies. With reference to the application, the Ministry of Corporate Affairs has granted a general exemption subject to fulfillment of certain conditions.

In terms of the said exemption granted by the Ministry of Corporate Affairs; 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. However, the statement required under section 212 of the Companies Act, 1956 is attached. The Company will make these documents / details available upon request by any member of the Company interested in obtaining the same and same would also be made available on its website. The Consolidated Financial Statements prepared by the Company pursuant to Accounting Standard AS-21 as prescribed by the Companies (Accounting Standards) Rules, 2006, include financial information of its subsidiaries.

# DIRECTORS' REPORT

## 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.

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, 2011 and the profits of your Company for the year ended March 31, 2011.

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 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.

## GROUP

Pursuant to intimation from Promoters of your Company, the names of Promoters and companies comprising 'Group' as defined in the Monopolies and Restrictive Trade Practices Act, 1969, have been disclosed in the Annual Report of your Company for the purpose of Regulation 3(1)(e) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

## DIRECTORS

### Directors retiring by rotation

Mr. Nikhil Khattau and Ms. Hema Ravichandar, 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

Mr. B. S. Nagesh was appointed with effect from July 16, 2010 as a Non-executive and Independent Director in casual vacancy created by resignation of Director, Mr. Bipin Shah. Mr. Nagesh would hold office as Director of the Company up to the conclusion of the Annual General Meeting to be held for the Financial Year 2011-12.

Mr. Harsh Mariwala the Managing Director of your Company was re-appointed as the Managing Director by the Board of Directors at its meeting held on January 27, 2011 for a further period of 3 years with effect from April 1, 2011, subject to the approval of the Shareholders at the ensuing Annual General Meeting.

### Change in the Company Secretary & Compliance Officer

Ms Rachana Lodaya ceased to be the Company Secretary & Compliance Officer with effect from October 27, 2010 and Ms. Hemangi Wadkar was appointed as the Company Secretary & Compliance Officer of the Company in her place with effect from that date.

## 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,

# DIRECTORS' REPORT

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.

## 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.

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 2010-11.

## 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 2, 2011

**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 FY 11 are listed below:

- Installations of VFD at turn table and shrink tunnels to lower the power consumption.
- Re-engineering of air distribution system to avoid losses and optimization of compressor uses enabling power saving.
- Replacement of 250w mercury lamps with 80w & 36w CFL lamps thus reducing the overall power consumption for illumination in plant.
- Conversion of DC motors to AC motors in all shrink tunnels which reduced power consumption.
- Re-designing of by product conveying system by eliminating one of the conveyor reducing power consumption.
- Elimination of cooling fans from shrink tunnels thus eliminating 4 cooling fans from system.
- Replacement of FO with Diesel resulting in reduction of SFC.
- Reduction in SPC through six sigma project by lowering watts/bottle at one of the blow molding unit.
- Modification of compressor system by changing the pulley to improve the efficiency by 10 % at one of the blow molding unit.
- Installation of flash steam recovery system, enabling the increase of feed water temperature by 10°C, there by reducing the FO consumption and thus carbon emission.
- Optimized the oil heating in the pre filtration sump, thus reducing the FO consumption and thus carbon emission.
- Re aligned and modified the steam distribution system and condensate recovery system, there by reducing transmission losses of steam supply and increasing the condensate recovery by 5%.
- Reengineered the copra conditioner designs for increased heat transfer efficiency, which will reduce the need for higher cooking and in turn save FO.
- Optimized the copra particle size and process parameters enabled to reduce the heating area by 15%, inturn resulted in FO savings.
- Automated CC bit conveyor and Cake overflow conveyor enabling optimized usage, thus saving power.
- Through integration of conveying system, removed copra parallel conveyor enabling power saving.
- Redesigned the raw material handling system and eliminated belt conveyor resulting in power savings.
- Roof replaced with adequate translucent sheet in process area enabling utilizing natural light during day time.
- Replaced 250 KW motor with 185 KW motor for first stage expeller, 72000 units of power saved.
- Replaced high pressure mercury vapour lamps with CFL lamps in production area -13699 units of power saved.
- Eliminated one 2.2 KW expeller blower - 10560 units of power saved.
- Thru be green drive Pondy plant
    - o Saved 35904 KWh of Power
    - o Saved 50 KL of fuel
    - o 33.36 T Co2 emission reduced
- Saved 3055 KL of water.
- At Jalgaon- Earlier we were using a tunnel consuming 18.182 KW of power which is very high. Replaced the Tunnel with another one consuming only 8 KW of power, hence saving 10.182 KW of Energy.

# ANNEXURE TO THE DIRECTORS' REPORT

- In Acid Oil Plant at Jalgaon- A, B, C vessel bottom was having 2'' line which had 11 bends. And sludge transfer time from Vessel to 4th pond was 16hr/batch, No. of batches in a month = 50 , electricity consumption = 3200 KWA
- At Jalgaon- We were using CFL 32 lights 32 KW- Used 6 Tube lights of 23 Watts instead of these 32 CFLs.

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:

   Innovation is one of the key pivots for growth at Marico. Over the years, there has been substantial progress made to understand the consumer needs gap, sensorial delights of the products and the consumer differentiable functional benefits and, finally blending these to offer the products with consumer delight and value for money. The progress made in developing consumer-product interactions has helped significantly to generate the apt combinations of different sensories. The consumer relevant clinical protocols created in understanding efficacy of the products has enabled in creation of unique products. The continuous benchmarking of competition and its products has created the benchmarks which helped to make differentiated products. Along with the product development, the following research areas were explored to provide the right science base for the products and regulatory environment.

   - Basic research programs to understand physiology of hair and skin.
   - The new active systems based on the principles of Ayurveda.
   - New Active systems based on local traditional herbs and natural products from different geographies – Middle east, Egypt, Bangladesh, South Africa.
   - Developing newer formats and platforms for hair care and styling products to suit needs in various IBG countries – (hair styling - waxes, clays, water gels, mousse, etc. and hair care / grooming – serums, aerosol, atomizers etc)
   - Creating a knowledge base on food nutrition and lifestyle diseases.
   - Information sharing programs with doctors for hair oiling and heart care.
   - New design techniques based on six sigma for creating formulations.
   - Collaborate with external partners- Academic institutes, research centers, International testing labs and suppliers – for development of new technologies.
   - Collaborating with scientists of repute and functional experts for updating the science base with Company.
   - Having a research advisory committee of domain experts who can provide direction to basic science program.
   - Having a rigorous product integrity system which can ensure that the product developed in adherence to the regulatory frameworks of the country (and countries within the IBG domain)

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

   New SKUs were developed under the various categories in which Marico operates.

   A few domestic launches include:

   - Parachute Advansed Ayurvedic Hair oil
   - Parachute Advansed body lotion

# ANNEXURE TO THE DIRECTORS' REPORT

- Nihar Naturals Almond Hair oil
- Parachute advansed cooling oil (improved sensory)
- Saffola oats
- Arise Basmati and long grain rice

International business group launched the following products across geographies:

- Burgundy Hair Color – Hair Code Bangladesh
- Chocolate Flavored Castor Oil – Hercules South Africa
- Re-engineering of Hair Code creams for greater sensory and efficacy – Egypt
- Re-launch of Code 10 gel and creams after transfer of technology (manufacturing of product and packaging) to new vendors and in new smaller skus

Kaya too launched new products and services this year which include:

- India launch of Derma RX products
  - o Antox Vit C formula
  - o Blemish Control Formula
  - o Comedone Control Serum
  - o Sweat proof sunscreen SPF 30
- Launch of Aqua Radiance services based on the innovative Jet Peel platform

A lot of work has been directed towards the optimization of formulations and also packaging options to deliver the enhanced primary features. These were done without changing the benefit and aesthetics delivery. This has resulted in good amount of savings.

Major emphasis was also placed on gearing up the organization to face the dynamic, rapidly changing regulatory environment. The experts from Marico served on many committees which were enacting the new food and cosmetic laws. This was initiated to ensure that Marico has freedom to operate in the categories of the interest without any compromise on regulatory laws.

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)

| | 2010-11 | 2009-10 |
|---|---|---|
| a) Capital | 17.70 | 0.1 |
| b) Recurring | 7.53 | 7.5 |
| **Total** | **25.23** | **7.6** |
| c) Total R & D expenditure as % to Sales & Services | 1.08 | 0.4 |
| d) Total R & D expenditure as % to PBT | 9.43 | 2.6 |

# 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 collaborations with academic institutions were initiated to understand the skin and hair biology. These programs have helped in understanding the science behind many product efficacies. A few technologies were developed within R & D were, like low GI process for basmati rice, a natural based synergistic active system for hair fall, a functional body lotion, Henna colored hair dye, Innovative use of the Jet Peel technology to increase penetration of skin care actives. There has been impetus to scout for technologies available with the suppliers/ specialty chemical manufacturers/collaborators to improve the efficacy of the products to deliver best value for money to consumers.

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 of Marico Limited.

**On behalf of the Board of Directors**

Place : Mumbai
Date : May 2, 2011

**HARSH MARIWALA**
Chairman and Managing Director

## 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, for the year ended March 31, 2011, as stipulated in Clause 49 of the Listing Agreement 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 Agreement.

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.**
Chartered Accountants
Firm Registration Number: 301112E

**Vilas Y. Rane**
Partner
Membership No: F-33220

Address:
252 Veer Savarkar Marg
Shivaji Park, Dadar (W)
Mumbai – 400 028

Place: Mumbai
Date: May 2, 2011

# ANNEXURE TO THE DIRECTORS' REPORT 2011

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, 2011) | 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, 2011: 23,88,050 options aggregating to about 0.39% of the paid-up capital of the Company) |
| b) | The pricing formula | The Exercise Price of the options shall be lower of the following:<br>i) 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,<br>Or<br>ii) 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, 2011) | 63,95,835 |
| d) | Options exercised (as at March 31, 2011) | 53,99,550 |
| e) | The total number of shares arising as a result of exercising of option (as at March 31, 2011) | 53,99,550 |
| f) | Options lapsed/forefeited (as at March 31, 2011) | 35,88,700 |
| g) | Variation of terms of options | -N.A.- |
| h) | Money realised by exercise of options (as at March 31, 2011) | Rs. 28,59,19,620 |
| i) | Total number of options in force (as at March 31, 2011) | 23,49,185 |
| j) | Employee wise details of options granted to : (as at March 31, 2011) | |
| i) | Senior Managerial Personnel | A summary• of options granted to senior managerial personnel are as under :<br>No. of employees covered – 63 (Sixty Three)<br>No. of options granted to such personnel – 65,05,935 (Sixty Five Lac Five Thousand and Nine Hundred and Thirty Five Only)<br>• Only summary given due to sensitive nature of information |
| ii) | any other employee who receives a grant in any one year of options amounting to 5% or more of option granted during the year | -N.A.- |
| iii) | identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant | -N.A.- |
| k) | Diluted Earnings per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with the Accounting Standard (AS) 20' Earnings per Share | Rs. 5.76 |

# ANNEXURE TO THE DIRECTORS' REPORT 2011

| | | | |
|---|---|---|---|
| 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. 1.73 Crores |
| | 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. 1.77 crore the Profit Before Tax would be lower by the same amount and Earning Per Share by Rs. 5.73 |
| 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. 74.17<br>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<br>i) risk – free interest rate<br>ii) expected life of options<br>iii) expected volatility<br>iv) expected dividends<br>v) Closing Market price of share on date of option grant | Intrinsic Value Method |

# ANNEXURE TO THE DIRECTORS' REPORT 2011

## 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 2011 | 2010 |
|---|---|---|---|
| **1. Electricity** | | | |
| a. Purchased units (Kwh) | | 9,946,291 | 7,538,935 |
| Amount (Rs. Crore) | | 4.43 | 3.14 |
| Average Rate (Rs. / Unit) | | 4.46 | 4.17 |
| b. Own Generation | | | |
| i. Through Diesel Generator (Kwh) | | 3,652,696 | 3,168,345 |
| Amount (Rs. Crore) | | 4.66 | 3.10 |
| Average Rate (Rs. / Unit) | | 12.76 | 9.78 |
| ii. Through Steam Generator (Kwh) | | – | – |
| Amount (Rs. Crore) | | – | – |
| Average Rate (Rs. / Unit) | | – | – |
| **2. Coal** | | – | – |
| **3. Furnace oil** | | | |
| Quantity (KL) | | 2,755.30 | 627.37 |
| Amount (Rs. Crore) | | 9.17 | 1.72 |
| Average Rate (Rs. / KL) | | 33,284.44 | 27,493.24 |
| **4. Other Internal Generation** (excludes HSD used for electricity generation) | | | |
| L.D.O / H.S.D. | | – | – |
| Quantity (KL) | | 430.65 | 137.82 |
| Amount (Rs. Crore) | | 1.45 | 0.43 |
| Average Rate (Rs. / KL) | | 33,714.71 | 31,008.42 |
| **5. Baggase Consumption** | | | |
| Quantity (MT) | | 12,503.81 | 14,138.56 |
| Amount (Rs. Crore) | | 2.74 | 3.48 |
| Average Rate (Rs. / MT) | | 2,189.66 | 2,462.18 |
| **Consumption per unit of production of edible oils** | | | |
| | Unit | | |
| Electricity | Kwh | 127.86 | 117.04 |
| Coal | MT | – | – |
| Furnace oil | KL | 0.03 | 0.01 |
| L.D.O./H.S.D. | KL | – | – |
| Baggase | KG | 0.38 | 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 | 50.51 | 37.91 |
| Coal | MT | – | – |
| Furnace oil | KL | – | – |
| L.D.O./H.S.D. | KL | – | – |
| **Consumption per unit of production of Formulations** | | | |
| | Unit | | |
| Electricity | Kwh | – | – |
| Coal | MT | – | – |
| Furnace oil | KL | – | – |
| L.D.O./H.S.D. | KL | – | – |

# 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 is proactively compliant with the law and which adds value to itself through Corporate Governance initiatives would also command a higher value in the eyes of present and prospective shareholders.

Marico therefore believes that Corporate Governance is not an end in itself but is a catalyst in the process towards maximisation of shareholder value. Therefore, shareholder value as an objective is woven into all aspects of Corporate Governance - the underlying philosophy, development of roles, creation of structures and continuous compliance with standard practices.

Corporate Governance as a concept has gained considerable importance of late, primarily because of the proposal to enshrine many of the accepted good governance principles into corporate law. For Marico, however, good corporate governance has been a cornerstone of the entire management process, the emphasis being on professional management, with a decision making model based on decentralisation, empowerment and meritocracy. Together, the management & Board ensure that Marico remains a company of uncompromised integrity and excellence.

**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.

The Board and its Audit Committee are periodically presented with all the information under risks management at group level and the progress on the risk responses.

The Company has an internal audit system commensurate with the size of the Company and the nature of its business. The Audit Committee of the Board has the ultimate authority and responsibility to select, evaluate and, where appropriate, replace the independent auditor in accordance with the law. All possible measures must be taken by the committee to ensure the objectivity and independence of the independent auditor. The Committee, independent of the executive director and promoter directors of the Company, holds periodic one to one discussions with the Internal Auditors to review the scope and findings of audit and to ensure adequacy of internal audit system in the Company.

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

**Cornerstones**

Marico thus follows Corporate Governance Practices around the following philosophical cornerstones:

**Generative Transparency and Openness in Information sharing**

Marico believes that sharing and explaining all relevant information on the Company's policies and actions to all those to whom it has responsibilities, with transparency and openness, generates an ambience which helps all stakeholders to take informed decisions about the Company. This reflects externally in making maximum appropriate disclosures without jeopardising the Company's strategic interests as also internally in the Company's relationship with its employees and in the conduct of its business.

The Company announces its financial results each quarter, usually within a month of the end of the quarter. Apart from disclosing these in a timely manner to the stock exchanges, the Company also hosts the results on its website together with a detailed information update and media release discussing the results. The financial results are published in leading newspapers. Marico participates in analyst and investor conference calls, one-on-one meetings and investor conferences where analysts and fund managers get frequent access to the company's senior management. Presentations made by the Company at investor conferences are also uploaded on its website. Through these meetings, presentations and information updates the Company shares its broad strategy and business outlook. The Company also follows a practice of making public information on significant developments through immediate disclosure to the stock exchanges on which it is listed.

**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. Seven out of eight directors are non-executive and six of them are independent. The Board does not consist of representatives of creditors or banks. The Committees of the Board are chaired by Independent Directors.

No related party transactions exist except for those with subsidiaries/group companies and for remuneration to Chairman and Managing Director (CMD) and relatives of CMD. These can be referred to in Notes to Accounts annexed to the financial statements for the year ended March 31, 2011.

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 Marico's Unified Code Of Conduct (share dealing rules) for trading in Company's securities in addition to concerned SEBI regulations.

The Company's Internal and External auditors are not related to the Company.

# CORPORATE GOVERNANCE REPORT

### Accountability

The Board plays a supervisory role rather than an executive role. Members of the Board of Directors of the Company provide constructive critique on the operations of the Company. Each business unit is headed by a Chief Executive Officer who is responsible for its management and operation and is answerable to the Board.

The Audit Committee and the Board of Directors meet at least once every quarter to consider inter alia, the business performance and other matters of importance.

### Discipline

Marico's senior management understands and advocates the need for good corporate governance practices. The Company places significant emphasis on good corporate governance practices and endeavours to ensure that the same is followed at all levels across the Organisation.

The Company continues to focus on its core businesses of beauty and wellness. In its international business too it is focussed on growing in the Asian and African continents in the near term. This would result in the Company building depth in its selected segments and geographies rather than spreading itself thin.

The Company has always adopted a conservative policy with respect to debt. All actions having financial implications are well thought through. Funds are raised for financing activities which add to the business performance and not for the purpose of arbitrage. The Company has also stayed away from entering into exotic derivative products.

The Company has also followed a prudent dividend policy and has been declaring cash dividend on a regular basis thereby providing a regular return on investment to shareholders.

### Responsibility

The Group has put in place checks and balances to ensure orderly and smooth functioning of operations and also defined measures in case of transgressions by members.

There exists a Unified Code of Conduct which regulates the behaviour and conduct of the members of the Organisation. Swift action is taken against members found in violation of the code.

Purchase and sale of shares by members is governed by the Unified Code of Conduct to ensure transparency in trading by all members of the Organisation.

### Fairness

All actions taken are arrived after considering the impact on the interests of all stakeholders including minority shareholders. All shareholders have equal rights and can convene general meetings if they feel the need to do so. Investor Relations is given due priority. There exists a separate department for handling this function. Full disclosures are made in the general meeting of all matters. Notice of the meetings are comprehensive, the presentations made at the meetings are informative. Board remuneration does not rise faster than Company's profits.

### Social Awareness

The Company has an explicit policy emphasising ethical behaviour. It follows a strict policy of not employing the under-aged. The Company believes in equality of genders and does not practise any type of discrimination. All policies are free of bias and discrimination. Environmental responsibility is given high importance and measures have been taken at all locations to ensure that members are educated and equipped to discharge their responsibilities in ensuring the proper maintenance of the environment.

### Value-adding Checks & Balances

Marico relies on a robust structure with value adding checks and balances designed to:

- prevent misuse of authority
- facilitate timely response to change and
- ensure effective management of risks, especially those relating to statutory compliance

# CORPORATE GOVERNANCE REPORT

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:

**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.
  - Corporate Governance Committee (erstwhile Remuneration Committee) covers remuneration of Directors and their relatives, Corporate Governance policy and procedures and has been designated as the Compensation Committee for the purpose of administration and superintendence of the Marico Employees Stock Option Scheme 2007.
  - Share Transfer Committee covers transfer formalities and other share-related procedures.
  - Shareholders' Committee covers redressal of investor grievances.
  - Securities Issue Committee covers the matters relating to the issue and allotment of securities and allied matters.
  - Real Estate Projects Committee (erstwhile Committee for investing in new office premises) covers matters relating to transactions in real estate and allied matters.
  - Above constituted committees meet periodically 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 an 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/Committees, at their discretion, invite 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 and compliances across the Company. It has regularly monitored the effectiveness of policies, need for strengthening internal controls etc.

# CORPORATE GOVERNANCE REPORT

**Compliance with Clause 49 of the Listing Agreement**

The Company has complied with the provisions of Clause 49 of the Listing agreement (LA), as revised from time to time.

The Company already has a Unified Code of Conduct for the Board of Directors and Senior Members, and a Whistle Blower Policy in place.

The Unified Code of Conduct prescribes certain dos and don'ts to the Directors, Senior Management comprising 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 statutory requirements.

The CEO declaration has been included in the CEO Certificate given elsewhere in the Annual Report.

## II. BOARD OF DIRECTORS

(I) Composition and categories of Directors:

| Name | Category |
|---|---|
| Mr. Harsh Mariwala | Chairman and Managing Director (Promoter) |
| Mr. Rajeev Bakshi | Non-Executive and Independent |
| Mr. Atul Choksey | Non-Executive and Independent |
| Mr. Nikhil Khattau | Non-Executive and Independent |
| Mr. Anand Kripalu | Non-Executive and Independent |
| Mr. Rajen Mariwala | Non-Executive (Promoter) |
| Ms. Hema Ravichandar | Non-Executive and Independent |
| Mr. B. S. Nagesh* | Non-Executive and Independent |

*Member of the Board w.e.f July 16, 2010

No director is related to any other director on the Board in terms of the definition of 'Relative' given under the Companies Act, 1956 except Mr. Harsh Mariwala and Mr. Rajen Mariwala, who are related to each other as first cousins.

(II) Attendance of each Director at the Board meetings and the last Annual General Meeting:

Six meetings of the Board of Directors were held during the period April 01, 2010 to March 31, 2011 viz: April 28, 2010, July 16, 2010, July 28, 2010, September 10, 2010, October 26, 2010 and January 27, 2011. The attendance record of all directors is as under: -

| Names of Directors | No. of Board Meetings | | Attendance at Last AGM |
|---|---|---|---|
| | Held | Attended | |
| Mr. Harsh Mariwala | 6 | 6 | Yes |
| Mr. Rajeev Bakshi | 6 | 3 | No |
| Mr. Atul Choksey | 6 | 5 | No |
| Mr. Nikhil Khattau | 6 | 5 | No |
| Mr. Anand Kripalu | 6 | 4 | No |
| Mr. Rajen Mariwala | 6 | 4 | Yes |
| Ms. Hema Ravichandar | 6 | 5 | Yes |
| Mr. B. S. Nagesh | 6 | 4 | Yes |

# CORPORATE GOVERNANCE REPORT

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

| Director | Number of Outside Directorships ($) held | Number of Other Committee (*) Memberships | Number of Committees (*) in which Chairperson |
|---|---|---|---|
| Mr. Harsh Mariwala | 3 | Nil | 1 |
| Mr. Rajeev Bakshi | 2 | 1 | Nil |
| Mr. Atul Choksey | 8 | Nil | Nil |
| Mr. Nikhil Khattau | Nil | Nil | Nil |
| Mr. Anand Kripalu | 2 | Nil | Nil |
| Mr. Rajen Mariwala | 2 | Nil | Nil |
| Ms. Hema Ravichandar | 1 | Nil | Nil |
| Mr. B. S. Nagesh | 4 | Nil | Nil |

($) Excludes directorship in private limited companies, foreign companies and companies under Section 25 of the Companies Act, 1956

(*) Only two committees, namely, Audit Committee and Shareholders'/Investors' Grievance Committee have been considered as per Clause 49 of the Listing Agreement.

## 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 292A of the Companies Act, 1956. The Audit Committee was last re-constituted by the Board of Directors on July 16, 2010.

The Audit Committee now comprises of the following Members:

| | | |
|---|---|---|
| Mr. Nikhil Khattau | - | Chairman |
| Mr. Rajen Mariwala | - | Member |
| Ms. Hema Ravichandar | - | Member |
| Mr. B. S. Nagesh | - | Member |
| Ms. Hemangi Wadkar* | - | Secretary to the Committee |
| Mr. Harsh Mariwala | - | Permanent Invitee |

* Appointed as secretary to the Committee w.e.f October 27, 2010

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

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
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 the statutory auditors.

# CORPORATE GOVERNANCE REPORT

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 to be included in the Board's report in terms of clause (2AA) of Section 217 of the Companies Act, 1956
    b. Changes, if any, in accounting policies and practices and reasons for the same
    c. Major accounting entries involving estimates based on the exercise of judgement by management
    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, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
7. Reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.
8. Reviewing the adequacy of internal audit function, if any, 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. Discussion with internal auditors any significant findings and follow up there on.
10. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
11. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
12. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
13. To review the functioning of the Whistle Blower mechanism.
14. Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience & background, etc. of the candidate.
15. Reviewing mandatorily the following information:
    a. Management discussion and analysis of financial condition and results of operations;
    b. Statement of significant related party transactions, submitted by management;
    c. Management letters / letters of internal control weaknesses issued by the statutory auditors;
    d. Internal audit reports relating to internal control weaknesses; and
    e. The appointment, removal and terms of remuneration of the Chief internal auditor.

# CORPORATE GOVERNANCE REPORT

The Committee had 5 meetings during the period April 01, 2010 to March 31, 2011 viz: April 28, 2010, July 16, 2010, July 28, 2010, October 26, 2010 and January 27, 2011.

| Names of Directors | No. of Audit Committee Meetings | |
|---|---|---|
| | Held | Attended |
| Mr. Nikhil Khattau | 5 | 4 |
| Mr. Rajen Mariwala | 5 | 3 |
| Ms. Hema Ravichandar | 5 | 4 |
| Mr. B. S. Nagesh* | 5 | 3 |
| Mr. Harsh Mariwala | 5 | 5 |

* Appointed as a member w.e.f July 16, 2010

## IV. CORPORATE GOVERNANCE COMMITTEE

**Constitution:**

The Board of Directors had 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.

The Corporate Governance Committee reviews and oversees the Remuneration strategy and Performance Management Philosophy of Marico, especially for Directors and senior employees. The Committee has also been designated as the Compensation Committee for administration and superintendence of the Company's Employees Stock Option Scheme. 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 was last reconstituted by the Board of Directors on January 28, 2010.

The Corporate Governance Committee comprises of the following Directors:

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

The Corporate Governance Committee met four times during the period April 01, 2010 to March 31, 2011, viz: April 27, 2010, July 16, 2010, September 10, 2010 and January 26, 2011.

The Remuneration paid/payable to Non-Executive Directors for the Financial Year 2010-2011 is as under:

| Name | Remuneration (payable annually) (Rs.) | Sitting Fees (Rs.) |
|---|---|---|
| Mr. Rajeev Bakshi | 6,00,000 | 60,000 |
| Mr. Atul Choksey | 6,00,000 | 50,000 |
| Mr. Nikhil Khattau | 6,00,000 | 90,000 |
| Mr. Anand Kripalu | 6,00,000 | 80,000 |
| Mr. Rajen Mariwala | 6,00,000 | 70,000 |
| Ms. Hema Ravichandar | 6,00,000 | 1,20,000 |
| Mr. B. S. Nagesh | 4,25,806 | 70,000 |

# CORPORATE GOVERNANCE REPORT

The remuneration paid to Mr. Harsh Mariwala, Chairman & Managing Director, for the financial year 2010-2011 is as under:

| Name | Salary and Perquisites (Rs.) | Annual Performance Incentive (Rs.) |
|---|---|---|
| Mr. Harsh Mariwala | 2,34,47,579 | 97,27,301 |

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 Directors**

| Name of Non Executive Director | No. of Shares held (As on March 31, 2011) |
|---|---|
| Mr. Rajeev Bakshi | 0 |
| Mr. Atul Choksey | 12,000 |
| Mr. Nikhil Khattau | 0 |
| Mr. Anand Kripalu | 0 |
| Mr. Rajen Mariwala | 36,93,200 |
| Ms. Hema Ravichandar | 0 |
| Total | 37,05,200 |

## 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 (CMD). Therefore, the remuneration policy for executive directors presently covers only the CMD

The remuneration of the CMD was governed by the agreement dated June 28, 2006 executed between the Company and Mr. Harsh Mariwala. The said agreement was valid upto March 31, 2011. The terms of remuneration of CMD has been revised with effect from April 1, 2011 by the Board at its meeting held on January 27, 2011 based on the recommendation of the Corporate Governance Committee. The remuneration to the CMD comprises of two broad terms – Fixed Remuneration and Variable Remuneration in the form of performance incentive. The revised terms of remuneration are subject to the approval of the shareholders of the Company at this Annual General Meeting.

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

**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, based on engagement levels of the Board members linked to their attendance at Board/Committee Meetings.

The shareholders of the Company had on July 28, 2010 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 with a liberty to the Board of Directors to decide the mode, the quantum, the recipients and the frequency of payment of such remuneration within the said limit.

# CORPORATE GOVERNANCE REPORT

The Board has approved following remuneration structure for Non-Executive Directors (NEDs) for the Financial years 2010-11 and 2011-12 :

| Component | Amount |
|---|---|
| Fixed Remuneration | Rs. 6 lacs per director for whole year's directorship |
| Sitting fees to Board Members | Rs. 10000 per meeting physically attended |
| Sitting Fees to Board Committee Members | Rs. 10000 per meeting physically attended |
| Reimbursement of expenses | Actual expenses incurred on cost of travel, stay and local conveyance of outstation and local Directors, as may be applicable. |

## 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 July 24, 2008.

The terms of reference of the Shareholders' Committee are to specifically look into the redressal of shareholders' and investors' complaints relating to 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

Ms. Hemangi Wadkar* - Secretary to the Committee

* Appointed as secretary to the Committee w.e.f October 27, 2010

## VI. ADMINISTRATIVE COMMITTEE

**Constitution:**

The Administrative Committee was constituted by the Board of Directors at its meeting held on April 27, 1998 and was last re-constituted on November 5, 2009.

The terms of reference of the Administrative committee are to consider and dispose of any day-to-day matters, with a view to ensuring smooth operation and timely action/compliances. The Committee meets at frequent intervals and dispose matters which are of routine but urgent in nature without having to wait for the next board meeting or resorting of passing of circular resolutions.

The Administrative Committee now comprises the following members:

Mr. Harsh Mariwala - Chairman

Mr. Rajen Mariwala - Member

Mr. Milind Sarwate - Member

Mr. Vivek Karve - Member

Mr. Ravin Mody - Member

Ms. Hemangi Wadkar* - Secretary to the Committee

* Appointed as secretary to the Committee w.e.f October 27, 2010

The Administrative Committee met 20 (twenty times) during the period April 01, 2010 to March 31, 2011.

# CORPORATE GOVERNANCE REPORT

## VII. INVESTMENT AND BORROWING COMMITTEE

**Constitution:**

The Investment and Borrowing Committee was constituted by the Board of Directors at its meeting held on June 30, 1998 and was last re-constituted on October 28, 2009.

The terms of reference of the Investment and Borrowing Committee to invest, borrow or lend monies with a view to ensure smooth operation and timely action. The Committee could meet at frequent intervals and dispose matters which are of routine but urgent in nature without having to wait for the next board meeting or resorting of passing of circular resolutions.

The Investment and Borrowing Committee now comprises the following members:

| | | |
|---|---|---|
| Mr. Harsh Mariwala | - | Chairman |
| Mr. Milind Sarwate | - | Member |
| Mr. Chaitanya Deshpande | - | Member |
| Mr. Vivek Karve | - | Member |
| Ms. Hemangi Wadkar* | - | Secretary to the Committee |

* Appointed as secretary to the Committee w.e.f October 27, 2010

The Investment and Borrowing Committee met 11 (eleven) times during the period April 01, 2010 to March 31, 2011.

## VIII. SECURITIES ISSUE COMMITTEE

**Constitution:**

The Securities Issue Committee was constituted by the Board of Directors at its meeting held on April 20, 2006 and was last re-constituted on March 23, 2011.

The terms of reference of the Securities Issue Committee relates to overseeing all matters pertaining to issue of Securities, other matters incidental to the issue and all such acts/ powers as may be entrusted to it by the Board from time to time.

The Securities Issue Committee now comprises the following members:

| | | |
|---|---|---|
| Mr. Harsh Mariwala | - | Chairman |
| Mr. Milind Sarwate | - | Member |
| Mr. Chaitanya Deshpande | - | Member |
| Mr. Vivek Karve | - | Member |
| Mr. Ravin Mody | - | Member |
| Mr. Ankit Jain | - | Member |
| Ms. Hemangi Wadkar* | - | Secretary to the Committee |

* Appointed as secretary to the Committee w.e.f October 27, 2010

The Securities Issue Committee met twice during the period April 01, 2010 to March 31, 2011.

## IX. SHARE TRANSFER COMMITTEE

**Constitution:**

The Share Transfer Committee was constituted by the Board of Directors at its meeting held on April 20, 2006.

The terms of reference of the Securities Issue Committee to approve, transfer and transmission of shares and to approve sub-division, consolidation and issue of new/duplicate share certificates, whenever requested for by the shareholders of the Company.

# CORPORATE GOVERNANCE REPORT

The Share Transfer Committee now comprises the following members:

| | | |
|---|---|---|
| Mr. Harsh Mariwala | - | Chairman |
| Mr. Chaitanya Deshpande | - | Member |
| Ms. Hemangi Wadkar* | - | Member & Secretary to the Committee |

* Appointed as member and secretary to the Committee w.e.f October 27, 2010

The Share Transfer Committee met four times during the period April 01, 2010 to March 31, 2011.

**Name and Designation of Compliance Officer:**

Ms. Hemangi Wadkar was appointed as the Company Secretary & Compliance Officer w.e.f. October 27, 2010.

**Status Report of Investor Complaints for the year ended March 31, 2011**

| | | |
|---|---|---|
| No. of Complaints Received | - | 38 |
| No. of Complaints Resolved | - | 38 |
| 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.

## X. GENERAL BODY MEETINGS

**Annual General Meetings**

| YEAR | VENUE | DATE | TIME |
|---|---|---|---|
| 2008 | Mayfair Rooms, 'Mayfair South', 254- C, Dr. Annie Besant Road, Worli, Mumbai – 400 030 | July 24, 2008 | 2.30 p.m. |
| 2009 | Mayfair Rooms, 'Mayfair South', 254- C, Dr. Annie Besant Road, Worli, Mumbai – 400 030 | July 23, 2009 | 3.00 p.m. |
| 2010 | The National Stock Exchange of India Limited, 'NSE Auditorium', Ground Floor, Exchange Plaza, Bandra-Kurla Complex, Bandra (East), Mumbai – 400051 | July 28, 2010 | 3.30 p.m. |

## XI. 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 2010-2011, 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 mandatory and non-mandatory requirements of Clause 49 of the Listing Agreement**

The Company has complied with mandatory requirements of Clause 49 of the Listing Agreement requiring it to obtain a certificate from either the Auditors or Practising 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 from the auditors 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**

The scope of the Remuneration Committee was expanded and designated as the Corporate Governance Committee by the Board of Directors at its meeting held on October 25, 2005. A detailed note on the Committee is provided elsewhere in this report.

**Whistle Blower Policy**

We have established a mechanism for employees to report 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 victimization 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 Organization 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 organizational objectives and customers for whom we exist.

The Board and its Corporate Governance Committees are informed periodically on the matters reported with the Whistle Blower Ombudsman and the status of resolution of such cases.

## XII. MEANS OF COMMUNICATION

Quarterly, half-yearly and annual results for Marico Limited as also consolidated financial results for the Marico group are published in an English financial daily (Free Press Journal) and a vernacular newspaper (Navashakti).

All official news releases and financial results are communicated by the Company through its corporate website - www.marico.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.

## XIII. GENERAL SHAREHOLDER INFORMATION

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

**Ms. Hema Ravichandar**

Ms. Hema Ravichandar is a Bachelor of Arts (Economics) from the University of Chennai and holds a Post Graduate Diploma in Management from the Indian Institute of Management, Ahmedabad. Hema's experience of 28 years comprises corporate roles in Infosys Technologies Ltd. and Motor Industries Co. Ltd., and entrepreneurial stints in HR, across industries. Her experience spans Change Management, Leadership Development and Human Resource Development. In her last role as the Senior Vice President and Global Head of HR for the Infosys Group, she was responsible for staffing & recruitment, compensation and benefits, performance management, immigration, learning & development and organizational effectiveness. She currently provides Strategic HR Advisory to several multinational and Indian organizations. Hema has held several key industry positions. She was formerly the Chairperson for The Conference Board's HR Council of India and was a Member of the National Advisory Council of the National HRD Network of India. She has worked closely with industry bodies such as CII and NASSCOM on some of their key initiatives. She is a regular speaker at several international and national conferences and leading business schools. She has been on the Board of Directors of the Company since July 26, 2005.

**Mr. Nikhil Khattau**

Nikhil Khattau is an experienced banker, entrepreneur and venture capital investor who has built and invested in companies in India since 1995. Nikhil also has an additional 10 years of international work experience. Currently, he is a Managing Director of MF Advisors Pvt. Ltd. He sits on the boards of Consim Info Pvt. Ltd. (India's largest matrimony company), Geodesic Techniques (a speciality construction company) and Sohanlal Commodity Management (an agricultural logistics company). Nikhil is also on the national board of advisors of AIESEC (The International Association of Students of Economics and Management) in India. Nikhil was the founding CEO of SUN F&C Asset Management, one of the first private sector mutual fund companies in India. Nikhil's prior experience includes working for Ernst & Young's Corporate Finance and Audit practices in New York and London from 1986-1995, where he successfully advised a number of mid-market companies on their acquisition and divestment strategies. Nikhil received his bachelor's degree in commerce from Bombay University and is an associate of the Institute of Chartered Accountants in England and Wales.

# CORPORATE GOVERNANCE REPORT

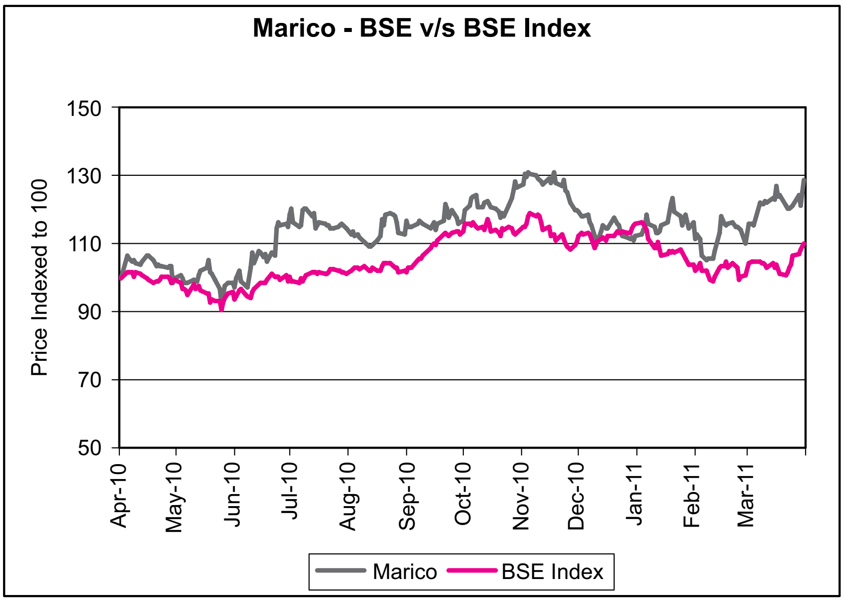
| | | |
|---|---|---|
| Annual General Meeting – Date, time and Venue | : | 3.30 p.m. on Wednesday, July 27, 2011<br>IES Management College & Research Centre, Gate No. 4, Seminar Hall, 6th Floor, Plot No. 791, S. K. Marg, VMDL Complex, Bandra Reclamation, Bandra (W), Mumbai – 400050 |
| Financial Year | : | April 01 - March 31 |
| Book Closure Date | : | Monday, July 25, 2011 to Wednesday, July 27, 2011, both days inclusive. |
| Dividend Payment Date | : | November 16, 2010 (1st Interim Equity Dividend 10-11)<br>May 23, 2011 (2nd Interim Equity Dividend 10-11) |
| Listing on Stock Exchanges | : | Bombay Stock Exchange Limited (BSE),<br>Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001.<br>The National Stock Exchange of India Limited (NSE),<br>Exchange Plaza, Bandra Kurla Complex, Mumbai 400 051.<br>Listing fees for Financial Year 2010-2011 has been paid. |
| Stock /Scrip Code | : | BSE – 531642<br>NSE – MARICO |
| ISIN number | : | INE 196A01026 |
| Company Identification Number (CIN) | : | L15140MH1988PLC049208 |
| Unique Identification Number | : | 100067223 |

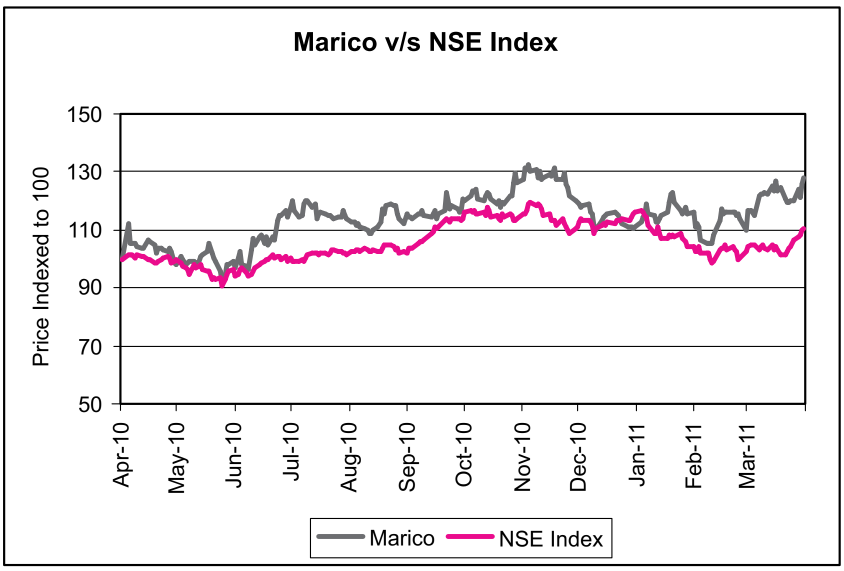
Market Price Data

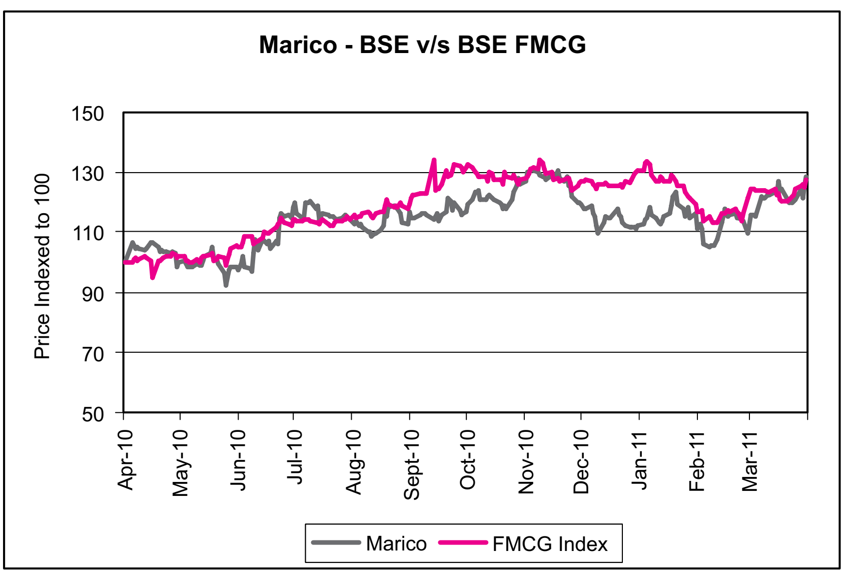
| Month | Bombay Stock Exchange Limited (BSE) (in Rs.) | | The National Stock Exchange of India Limited (NSE) (in Rs.) | |
|---|---|---|---|---|
| | High | Low | High | Low |
| April 2010 | 122.40 | 106.10 | 124.85 | 106.25 |
| May 2010 | 117.50 | 99.75 | 117.50 | 99.15 |
| June 2010 | 136.20 | 104.35 | 136.50 | 104.05 |
| July 2010 | 134.40 | 123.10 | 134.50 | 123.25 |
| August 2010 | 133.90 | 116.25 | 144.65 | 116.15 |
| September 2010 | 133.40 | 122.00 | 133.70 | 121.55 |
| October 2010 | 153.00 | 126.50 | 145.70 | 126.80 |
| November 2010 | 144.60 | 125.00 | 143.80 | 125.35 |
| December 2010 | 131.90 | 115.00 | 132.00 | 118.00 |
| January 2011 | 136.40 | 119.50 | 136.70 | 120.00 |
| February 2011 | 129.40 | 112.10 | 129.80 | 112.05 |
| March 2011 | 139.90 | 119.05 | 140.80 | 119.40 |

# CORPORATE GOVERNANCE REPORT

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



# CORPORATE GOVERNANCE REPORT

| | | |
|---|---|---|
| Share Transfer System | : | Transfers in physical form are registered by the Registrar and Share Transfer Agents immediately on receipt of completed documents and certificates are issued within one month of date of lodgement of transfer.<br>Invalid share transfers are returned within 15 days of receipt.<br>The Share Transfer Committee generally meets as may be warranted by the number of share transaction requests received by the Company.<br>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 Link Intime India Pvt Limited (erstwhile Intime Spectrum Registry Limited), (Unit: Marico Ltd.) C -13 Pannalal Silk Mills Compound, LBS Road, Bhandup (West), Mumbai 400 078 |

Distribution of Shareholding as on March 31, 2011 :

| No. of Equity Shares held | No. of Shareholders | % of Shareholders | No. of Shares held | % of Shareholding |
|---|---|---|---|---|
| 1- 500 | 26,601 | 82.68 | 3,159,561 | 0.51 |
| 501-1000 | 2,210 | 6.87 | 1,909,623 | 0.31 |
| 1001 -2000 | 1,176 | 3.66 | 1,970,268 | 0.32 |
| 2001-3000 | 400 | 1.24 | 1,060,550 | 0.17 |
| 3001-4000 | 625 | 1.94 | 2,428,320 | 0.40 |
| 4001- 5000 | 204 | 0.63 | 977,138 | 0.16 |
| 5001-10000 | 421 | 1.31 | 3,235,360 | 0.53 |
| 10001 & above | 538 | 1.67 | 599,658,730 | 97.60 |
| **Total** | **32,175** | **100.00** | **614,399,550** | **100.00** |

Categories of Shareholding as on March 31, 2011 :

| Category | No. of Shareholders | No. of Shares held | Percentage of Shareholding |
|---|---|---|---|
| Promoters | 28 | 386,376,520 | 62.88 |
| Foreign Institutional Investors | 107 | 159,191,646 | 25.91 |
| NRIs and OCBs | 684 | 2,059,390 | 0.34 |
| Insurance Companies, Banks and other Financial Institutions | 13 | 7,798,670 | 1.27 |
| Mutual Funds, including Unit Trust of India | 37 | 19,274,048 | 3.14 |
| Public / Private Ltd. Companies | 528 | 14,848,333 | 2.42 |
| Resident Individuals, Trusts and In Transit | 30,778 | 24,850,943 | 4.04 |
| **Total** | **32,175** | **614,399,550** | **100.00** |

# CORPORATE GOVERNANCE REPORT

| | | |
|---|---|---|
| Group coming within the definition of Group as defined in the Monopolies and Restrictive Trade Practices Act, 1969 (54 of 1969) | : | List of persons forming part of the same "Group" for the purposes of Regulation 3(1)(e)(i) of SEBI (Substantial Acquisition of Shares & Takeovers) Regulations, 1997:<br>1. Valentine Family Trust<br>2. Aquarius Family Trust<br>3. Taurus Family Trust<br>4. Gemini Family Trust<br>5. Harshraj C Mariwala HUF<br>6. Harsh C Mariwala & Family<br>7. Archana Mariwala & Family<br>8. Rajvi Harsh Mariwala & Family<br>9. Rishabh Harsh Mariwala & Family<br>10. Kishore V Mariwala & Family<br>11. Hema K Mariwala & Family<br>12. Rajen Mariwala & Family<br>13. Anjali R Mariwala & Family<br>14. Ravindra K Mariwala & Family<br>15. Paula R Mariwala & Family<br>16. Malika Chirayu Amin & Family<br>17. Pallavi C Jaikishen & Family<br>18. Preeti Gautam Shah & Family<br>19. The Bombay Oil Private Limited (erstwhile Bombay Oil Industries Pvt. Ltd.)<br>20. Arctic Investment and Trading Co. Pvt. Ltd<br>21. Hindustan Polyamides and Fibres Ltd |
| Dematerialization of Shares and Liquidity | : | As on March 31, 2011, 99.68% of shareholding was held in Dematerialised form with National Securities Depository Limited and Central Depository Services (India) Limited.<br>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, Goa, Pondicherry, Daman, Dehradun, Paonta Sahib and Baddi |

# CORPORATE GOVERNANCE REPORT

| | | |
|---|---|---|
| Address for correspondence | : | **Shareholding related queries**<br>Company's Registrar & Transfer Agent:<br>M/s Link Intime India Pvt Limited<br>(erstwhile Intime Spectrum Registry Limited)<br>Unit: Marico Limited<br>C -13 Pannalal Silk Mills Compound, LBS Road,<br>Bhandup (West), Mumbai 400 078<br>Tel.: 022 - 25946970, Fax: 022 - 25946969<br>E-mail: rnt.helpdesk@linkintime.co.in<br><br>**General Correspondence**<br>Marico Limited, Rang Sharda, Krishnachandra Marg,<br>Bandra Reclamation, Bandra (West), Mumbai – 400 050.<br>Tel.: 022 - 66480480, Fax:022 - 66490112/3/4<br>E-mail: milinvrel@maricoindia.net |

# CORPORATE GOVERNANCE REPORT

## 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, 2011, 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: May 2, 2011

## 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, 2011 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, illegal or violative of the Company's Code of Conduct.

(c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of the internal control systems of the Company pertaining to the financial reporting 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 over financial reporting during the year;

   (ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; 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 over financial reporting.

Yours truly,

**For Marico Limited**

**Harsh Mariwala**
Chairman and Managing Director

Place: Mumbai
Date: May 2, 2011

**For Marico Limited**

**Milind Sarwate**
Group Chief Financial Officer &
Chief Human Resources Officer

Place: Mumbai
Date: May 2, 2011

# AUDITORS' REPORT

TO THE MEMBERS OF MARICO LIMITED

1. We have audited the attached Balance Sheet of **Marico Limited** (the "Company") as at March 31,2011, and the related Profit and Loss account and Cash Flow statement for the year ended on that date (all together referred to as 'financial statements') annexed thereto, which we have signed under reference to this report. 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 the 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, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the "Order"), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:

   (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;

   (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

   (c) The Balance Sheet, Profit and Loss account and Cash Flow statement dealt with by this report are in agreement with the books of account;

   (d) In our opinion, the Balance Sheet, Profit and Loss account and Cash Flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;

   (e) On the basis of written representations received from the directors, as on March 31,2011 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31,2011 from being appointed as a director in terms of 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 together with the notes thereon and attached thereto give, in the prescribed manner, the information required by the Act, 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 31,2011;

      (ii) in the case of the Profit and Loss account, of the profit for the year ended on that date; and

      (iii) in the case of the Cash Flow statement, of the cash flows for the year ended on that date.

**For Price Waterhouse**
Chartered Accountants
Firm Registration Number: 301112E

**Vilas Y. Rane**
Partner
Membership Number: F-33220
Place : Mumbai
Date : May 2, 2011

# ANNEXURE TO AUDITORS' REPORT

**Referred to in Paragraph 3 of the Auditors' Report of even date to the members of Marico Limited on the financial statements for the year ended March 31, 2011.**

1. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.

   (b) The fixed assets are physically verified by the Management according to a phased programme designed to cover all the items over a period of two years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the Management during the year and no material discrepancies between the book records and the physical inventory have been noticed.

   (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed off by the Company during the year.

2. (a) The inventory has been physically verified by the Management during the year. In respect of inventory lying with third parties, these have substantially been confirmed by them. In our opinion, the frequency of verification is reasonable.

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

   (c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.

3. 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, paragraph 4(iii) (b), 4(iii) (c), 4(iii) (d), 4(iii) (f) and (iii) (g) of the Order are not applicable.

4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.

5. According to the information and explanations given to us, there have been no contracts or arrangements referred to in Section 301 of the Act during the year to be entered in the register required to be maintained under that Section. Accordingly, the question of commenting on transactions made in pursuance of such contracts or arrangements does not arise.

6. The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.

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

8. We have broadly reviewed the books of account maintained by the Company in respect of products where, pursuant to the Rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub-section (1) of Section 209 of the Act, and 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 determine whether they are accurate or complete.

9. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities.

# ANNEXURE TO AUDITORS' REPORT

(b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of dues of sales tax, customs duty and cess as at March 31, 2011 which have not been deposited on account of a dispute are as follows:

| Name of the Statute | Nature of dues | Amount (Rs. crore) | Period to which the amount relates | Forum where the dispute is pending |
|---|---|---|---|---|
| The Central Sales Tax Act and Local Sales Tax Acts | Sales tax including interest and penalty as applicable | 10.03 | 2005 -06 to 2009-10 | Additional Commissioner - Sales Tax Appeals |
| | | 0.65 | Various years | Deputy Commissioner – Sales Tax Appeals. |
| | | 0.13 | 2005-06 to 2006-07 | Joint Commissioner – Sales Tax Appeals |
| | | 2.58 | Various years | Sales Tax Tribunal |
| | | 0.53 | 2010 -11 | High Court – U.P |
| | | 0.17 | 2007-08 | Superintendent of Sales Tax |
| | | 0.57 | 2004-05 | Assistant Commissioner – Sales Tax Appeals |
| Maharashtra Agricultural Produce Marketing (Development & Regulation) Act, 1963 | Supervision charges | 1.04 | 2006 to 2010 | Mumbai High Court |
| Maharashtra Agricultural Produce Marketing (Development & Regulation) Act, 1963 | Agricultural Produce Marketing committee cess – Goa Bench | 8.13 | 1997 to 2011 | Mumbai High Court (Panji Bench) |
| The Indian Customs Act,1962 | Export cess | 0.09 | 2004 | Deputy Commissioner of Customs - Kolkatta |
| The Indian Customs Act,1962 | Redemption fine and penalty | 0.30 | 2002 to 2004 | Customs Excise and Service Tax Appellate Tribunal - Mumbai |
| The Indian Customs Act,1962 | Custom duty | 0.01 | 2008 | Assistant Commissioner of Customs - Mumbai |

10. The Company has no accumulated losses as at March 31, 2011 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.

11. According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.

12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

13. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company.

14. In our opinion the Company is not a dealer or trader in shares, securities, debentures and other investments.

15. 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 subsidiaries from banks during the year are not prejudicial to the interest of the Company.

16. In our opinion and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.

17. On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.

18. 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.

19. The Company has created security or charge in respect of secured debentures issued and outstanding at the year-end.

20. The Company has not raised any money by public issues during the year.

21. During the course of our examination of the books and records of the Company, carried out in accordance with the Generally Accepted Auditing Practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the Management.

**For Price Waterhouse**
Chartered Accountants
Firm Registration No. 301112E

**VILAS Y. RANE**
Partner
Membership No: F-33220

Mumbai
May 2, 2011

# BALANCE SHEET

| | SCHEDULE | As at March 31, 2011 Rs. Crore | 2010 Rs. Crore |
|---|---|---|---|
| **SOURCES OF FUNDS** | | | |
| **SHAREHOLDERS' FUNDS** | | | |
| Share Capital | A | 61.44 | 60.93 |
| Reserves and surplus | B | 811.68 | 510.73 |
| | | **873.12** | **571.66** |
| **LOAN FUNDS** | | | |
| Secured loans | C | 332.42 | 99.61 |
| Unsecured loans | D | 220.07 | 277.31 |
| | | **552.49** | **376.92** |
| | | **1,425.61** | **948.58** |
| **APPLICATION OF FUNDS** | | | |
| **FIXED ASSETS** | E | | |
| Gross block | | 421.20 | 294.45 |
| Less : Depreciation, amortisation and impairment | | 198.74 | 164.48 |
| Net block | | 222.46 | 129.97 |
| Capital work-in-progress | | 45.52 | 109.95 |
| Assets held for disposal | | 0.18 | 0.01 |
| | | **268.16** | **239.93** |
| **INVESTMENTS** | F | **470.36** | **209.11** |
| **DEFERRED TAX ASSET (NET)** | | **26.54** | **58.50** |
| (Refer Note 12 a, Schedule R) | | | |
| **CURRENT ASSETS, LOANS AND ADVANCES** | | | |
| Inventories | G | 454.22 | 369.90 |
| Sundry debtors | H | 118.98 | 94.51 |
| Cash and bank balances | I | 18.17 | 11.21 |
| Loans and Advances | J | 329.57 | 254.17 |
| | | **920.94** | **729.79** |
| **Less: CURRENT LIABILITIES AND PROVISIONS** | | | |
| Current Liabilities | K | 228.43 | 226.51 |
| Provisions | L | 31.96 | 62.24 |
| | | 260.39 | 288.75 |
| **NET CURRENT ASSETS** | | **660.55** | **441.04** |
| | | **1,425.61** | **948.58** |
| **Additional information to Accounts** | Q | | |
| **Notes to Accounts** | R | | |

As per our attached report of even date

**For Price Waterhouse**
Chartered Accountants
Firm Registration No. 301112E

**VILAS Y. RANE**
Partner
Membership No. F-33220
Place : Mumbai
Date : May 2, 2011

**For and on behalf of the Board of Directors**

| | |
|---|---|
| **HARSH MARIWALA** | Chairman and Managing Director |
| **NIKHIL KHATTAU** | Director and Chairman of Audit Committee |
| **MILIND SARWATE** | Group Chief Financial Officer and Chief Human Resource Officer |
| **HEMANGI WADKAR** | Company Secretary & Compliance Officer |

Place : Mumbai
Date : May 2, 2011

# PROFIT AND LOSS ACCOUNT

| | SCHEDULE | For the year ended March 31, 2011 Rs. Crore | 2010 Rs. Crore |
|---|---|---|---|
| **INCOME :** | | | |
| Sales | | 2,347.85 | 2,025.34 |
| Less : Excise Duty | | 0.98 | 1.05 |
| **Total Sales and Services** | | **2,346.87** | **2,024.29** |
| Other income | M | 25.17 | 22.06 |
| | | **2,372.04** | **2,046.35** |
| **EXPENDITURE :** | | | |
| Cost of materials | N | 1,364.30 | 1,085.10 |
| Manufacturing and other expenses | O | 641.12 | 625.17 |
| Finance charges | P | 29.92 | 18.30 |
| Depreciation, amortisation and impairment | E | 27.63 | 25.21 |
| | | **2,062.97** | **1,753.78** |
| **PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEMS** | | **309.07** | **292.57** |
| Exceptional Items - (Net) (Refer Note 13, Schedule R) | | (65.47) | – |
| **PROFIT BEFORE TAXATION** | | **374.54** | **292.57** |
| Provision for taxation : - Current Tax | | 70.81 | 55.20 |
| - MAT Credit (entitlement) / utilisation | | (43.55) | (2.55) |
| - Fringe Benefit Tax | | – | (0.01) |
| - Deferred Tax - debit / (credit) | | 31.96 | 4.91 |
| | | **59.22** | **57.55** |
| **PROFIT AFTER TAXATION** | | **315.32** | **235.02** |
| Balance brought forward as on April 1 | | 382.58 | 233.10 |
| **PROFIT AVAILABLE FOR APPROPRIATION** | | **697.90** | **468.12** |
| **APPROPRIATIONS** | | | |
| Interim dividend | | 40.54 | 40.21 |
| Tax on interim dividend | | 6.64 | 6.83 |
| Debenture Redemption Reserve | | 16.67 | 15.00 |
| General Reserve | | 31.53 | 23.50 |
| **BALANCE CARRIED TO THE BALANCE SHEET** | | **602.52** | **382.58** |
| **EARNINGS PER SHARE (FACE VALUE Re.1)** | | | |
| **- BASIC** | | **5.15** | **3.86** |
| **- DILUTED** | | **5.12** | **3.84** |
| (Refer Note 15 of Schedule R) | | | |
| **Additional information to Accounts** | Q | | |
| **Notes to Accounts** | R | | |

As per our attached report of even date

**For Price Waterhouse**
Chartered Accountants
Firm Registration No. 301112E

**VILAS Y. RANE**
Partner
Membership No. F-33220
Place : Mumbai
Date : May 2, 2011

**For and on behalf of the Board of Directors**
**HARSH MARIWALA** Chairman and Managing Director
**NIKHIL KHATTAU** Director and Chairman of Audit Committee
**MILIND SARWATE** Group Chief Financial Officer and Chief Human Resource Officer
**HEMANGI WADKAR** Company Secretary & Compliance Officer

Place : Mumbai
Date : May 2, 2011

# CASH FLOW STATEMENT

| | | For the year ended March 31, 2011 Rs. Crore | 2010 Rs. Crore |
|---|---|---|---|
| A | **CASH FLOW FROM OPERATING ACTIVITIES** | | |
| | **PROFIT BEFORE TAXATION AND AFTER EXCEPTIONAL ITEMS** | **374.54** | **292.57** |
| | **Adjustments for:** | | |
| | Depreciation, amortisation and impairment | 27.63 | 25.21 |
| | Provision for impairment on assets written back as no longer required / on discard of assets. | (1.03) | (1.20) |
| | Capital advances written off | 1.00 | – |
| | Provision for impairment of FIANCEE Trademark (Refer Note 26, Schedule R) | 13.88 | – |
| | Provision for contingencies (Refer Note 25, Schedule R) | – | 29.35 |
| | Reversal of provision for contingencies (Refer Note 25, Schedule R) | (29.35) | – |
| | Profit on divestment of Sweekar Brand (Refer Note 24, Schedule R) | (50.00) | – |
| | Finance charges | 29.92 | 18.30 |
| | Interest income | (5.18) | (5.60) |
| | Loss / (Profit) on sale of assets - (net) | (0.08) | (0.09) |
| | (Profit) / Loss on sale of investments (net) | (0.40) | (0.02) |
| | Dividend income | (6.82) | (7.18) |
| | Employee stock compensation expense | 0.06 | 0.08 |
| | Provision for doubtful debts, advances and deposits | (0.55) | 1.47 |
| | | (20.92) | 60.32 |
| | **Operating profit before working capital changes** | **353.62** | **352.89** |
| | Adjustments for: | | |
| | (Increase)/ Decrease in inventories | (84.32) | (96.21) |
| | (Increase)/ Decrease in sundry debtors | (23.93) | (33.93) |
| | (Increase)/ Decrease in loans and advances | 17.35 | (29.07) |
| | Increase/ (Decrease) in current liabilities and provisions | (0.38) | 31.78 |
| | | (91.28) | (127.43) |
| | **Cash generated from Operations** | **262.34** | **225.46** |
| | Taxes paid (net of refunds) | (67.50) | (52.31) |
| | **NET CASH INFLOW FROM OPERATING ACTIVITIES** | **194.84** | **173.15** |
| B | **CASH FLOW FROM INVESTING ACTIVITIES** | | |
| | Purchase of fixed assets | (69.88) | (101.16) |
| | Sale of fixed assets | 0.68 | 1.68 |
| | Proceeds from divestment of Sweekar Brand | 50.00 | – |
| | (Purchase) / Sale of investments (net) | (5.85) | (69.76) |
| | Investment in a Subsidiary | (254.98) | (26.76) |
| | Loans and advances repaid by subsidiaries | 149.19 | 46.66 |
| | Loans and advances given to subsidiaries | (197.84) | (61.70) |
| | Dividend income received | 6.82 | 7.18 |
| | Interest received | 4.26 | 5.38 |
| | **NET CASH OUTFLOW FROM INVESTING ACTIVITIES** | **(317.60)** | **(198.48)** |

# CASH FLOW STATEMENT

| | | For the year ended March 31, 2011 Rs. Crore | 2010 Rs. Crore |
|---|---|---|---|
| **C** | **CASH FLOW FROM FINANCING ACTIVITIES** | | |
| | Proceeds from issuance of Share Capital on exercise of stock option | 28.59 | 1.83 |
| | Issue / (Redemption) of commercial papers (net) | 58.90 | (14.46) |
| | Inter-Corporate deposits taken / (repaid) | – | (5.00) |
| | Issue of Debentures | 50.00 | 30.00 |
| | Other borrowings (repaid) / taken (net) | 68.84 | 67.62 |
| | Finance charges paid | (29.55) | (19.76) |
| | Equity dividend paid (inclusive of dividend distribution tax) | (47.06) | (46.67) |
| | **NET CASH INFLOW FROM FINANCING ACTIVITIES** | **129.72** | **13.56** |
| **D** | **NET INCREASE / (DECREASE) IN CASH & CASH EQUIVALENTS (A+B+C)** | **6.96** | **(11.77)** |
| E | Cash and cash equivalents - opening balance (as at April 1) | 11.21 | 22.98 |
| **F** | **Cash and cash equivalents - closing balance (as at March 31)** | **18.17** | **11.21** |

**Notes**

1 The above Cash Flow statement has been prepared under the indirect method as set out in Accounting Standard 3 (AS 3) 'Cash Flow Statements' as specified in Companies (Accounting Standards) Rules , 2006

2 Cash and Cash Equivalents - Closing balance include balances aggregating to Rs. 4.22 Crore (Rs. 4.19 Crore) with scheduled banks in fixed deposits and Margin accounts which is pledged against the bank guarantees and deposit with sales tax authorities, which are not available for use by the Company.

3 The figures for the previous year have been regrouped where necessary to conform to current period's classification.

As per our attached report of even date

**For Price Waterhouse**
Chartered Accountants
Firm Registration No. 301112E

**VILAS Y. RANE**
Partner
Membership No. F-33220
Place : Mumbai
Date : May 2, 2011

**For and on behalf of the Board of Directors**

**HARSH MARIWALA** Chairman and Managing Director
**NIKHIL KHATTAU** Director and Chairman of Audit Committee
**MILIND SARWATE** Group Chief Financial Officer and Chief Human Resource Officer
**HEMANGI WADKAR** Company Secretary & Compliance Officer

Place : Mumbai
Date : May 2, 2011

# SCHEDULES TO BALANCE SHEET

| | As at March 31, 2011 Rs. Crore | 2010 Rs. Crore |
|---|---|---|
| **SCHEDULE 'A'** | | |
| **SHARE CAPITAL** | | |
| **AUTHORISED** | | |
| 650,000,000 (650,000,000) Equity shares of Re. 1 each (Re. 1 each) | 65.00 | 65.00 |
| 150,000,000 (150,000,000) Preference shares of Rs. 10 each (Rs.10 each) | 150.00 | 150.00 |
| | **215.00** | **215.00** |
| **ISSUED AND SUBSCRIBED** | | |
| 614,399,550 (609,325,700) Equity shares of Re. 1 each (Re. 1 each) fully paid up (Refer Note 17 (a), Schedule R) | 61.44 | 60.93 |
| The above includes: | | |
| (a) 290,000,000 equity shares issued as fully paid bonus shares by capitalisation of Capital Redemption Reserve. | | |
| (b) 265,000,000 equity shares issued as fully paid bonus shares by capitalisation of General Reserve | | |
| | **61.44** | **60.93** |
| **SCHEDULE 'B'** | | |
| **RESERVES AND SURPLUS** | | |
| **SECURITIES PREMIUM ACCOUNT** | | |
| As on April 1 | 15.30 | 13.50 |
| Add : Receipt on exercise of Employees stock options (Refer Note 17(a), Schedule R) | 28.08 | 1.79 |
| Add : Transfer from Employee stock option reserve | 0.12 | 0.01 |
| As at the year end | 43.50 | 15.30 |
| **GENERAL RESERVE** | | |
| As on April 1 | 91.66 | 68.16 |
| Add : Transfer from Profit and Loss account | 31.53 | 23.50 |
| As at the year end | 123.19 | 91.66 |
| **EMPLOYEE STOCK OPTION RESERVE** (Refer Note 17(a), Schedule R) | | |
| As on April 1 | 0.15 | 0.07 |
| Add : Additions | 0.08 | 0.24 |
| | 0.23 | 0.31 |
| Less : Transferred to Securities Premium account | 0.12 | 0.01 |
| Less : Forfeited / Lapsed | 0.04 | 0.15 |
| As at the year end | 0.07 | 0.15 |
| **DEBENTURE REDEMPTION RESERVE** | | |
| As on April 1 | 15.00 | – |
| Add : Transfer from Profit and Loss account | 16.67 | 15.00 |
| As at the year end | 31.67 | 15.00 |
| **FOREIGN CURRENCY TRANSLATION RESERVE** (Refer Note 28, Schedule R) | | |
| As on April 1 | 3.23 | (1.72) |
| Adjustments during the year | 2.51 | 4.95 |
| As at the year end | 5.74 | 3.23 |
| **HEDGE RESERVE ACCOUNT** (Refer Note 14 c, Schedule R) | | |
| As on April 1 | 2.81 | (6.26) |
| Adjustments during the year | 2.18 | 9.07 |
| As at the year end | 4.99 | 2.81 |
| **PROFIT AND LOSS ACCOUNT** | 602.52 | 382.58 |
| | **811.68** | **510.73** |

# SCHEDULES TO BALANCE SHEET

| | As at March 31, 2011 Rs. Crore | As at March 31, 2010 Rs. Crore |
|---|---|---|
| **SCHEDULE 'C'** | | |
| **SECURED LOANS** | | |
| Secured Redeemable Non-Convertible Debentures (NCD) (Refer Note 23 a, Schedule R) (Secured against first pari passu charge over Land and Building situated at Andheri (East), Mumbai) | 30.00 | 30.00 |
| From banks : | | |
| External commercial borrowings | | |
| a) Secured by hypothecation of Plant and Machinery (Amount repayable within one year Rs.22.29 Crore (Rs 22.46 Crore)) | 39.01 | 61.76 |
| b) Secured by (i) Pledge of shares of International Consumer Products Corporation (a Subsidiary company) ; (ii) First ranking pari passu charge over all current and future plant and machinery and (iii) mortgage on the land and building currently provided as security to NCD holders, post the repayment of the NCD immediately and, in any event, within 90 days from such repayment. The documentation for creation of charge is under progress. (Amount repayable within one year Rs. Nil) | 240.76 | – |
| Working capital finance (Secured by hypothecation of stocks in trade and debtors) | 22.65 | 7.85 |
| | **332.42** | **99.61** |
| **SCHEDULE 'D'** | | |
| **UNSECURED LOANS** | | |
| From banks : | | |
| Short term | 77.08 | 243.22 |
| Commercial Papers (Redeemable within a year) | | |
| Face Value | 95.00 | 35.00 |
| Less : Deferred interest | 2.01 | 0.91 |
| | 92.99 | 34.09 |
| (Maximum amount outstanding during the year Rs. 146.00 Crore (Rs. 104.51 Crore)) | | |
| Redeemable Non-Convertible Debentures (Refer Note 23 b, Schedule R) | 50.00 | – |
| | **220.07** | **277.31** |

## SCHEDULE 'E'

## FIXED ASSETS

Rs. Crore

| PARTICULARS | GROSS BLOCK | | | | DEPRECIATION/AMORTISATION | | | | | NET BLOCK | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | As at March 31, 2010 | Additions | Deductions/ Adjustments | As at March 31, 2011 | As at March 31, 2010 | For the Year (See note 2 and 4 below) | Deductions/ Adjustments | As at March 31, 2011 | Provision for impairment as at March 31, 2011 (See note 3 below) | As at March 31, 2011 | As at March 31, 2010 |
| **Tangible Assets** | | | | | | | | | | | |
| Freehold land | 2.48 | 0.01 | – | 2.49 | – | – | – | – | – | 2.49 | 2.48 |
| Leasehold land | 14.08 | 8.24 | – | 22.32 | 0.60 | 0.31 | – | 0.91 | – | 21.41 | 13.48 |
| Buildings (Note 1) | 51.07 | 54.66 | – | 105.73 | 14.77 | 3.84 | – | 18.61 | – | 87.12 | 36.30 |
| Plant and machinery (Note 1) | 179.66 | 68.88 | 7.88 | 240.66 | 117.96 | 19.13 | 6.71 | 130.38 | 4.61 | 105.67 | 56.67 |
| Furniture and fittings | 5.59 | 2.03 | 0.10 | 7.52 | 3.20 | 0.66 | 0.05 | 3.81 | – | 3.71 | 2.39 |
| Vehicles | 1.21 | – | 0.01 | 1.20 | 0.22 | 0.23 | 0.01 | 0.44 | – | 0.76 | 0.99 |
| **Intangible Assets** | | | | | | | | | | | |
| - Trademarks and copyrights [Note 3 (b) & 5] | 25.20 | – | – | 25.20 | 7.91 | 2.41 | – | 10.32 | 14.88 | – | 16.29 |
| - Computer software | 15.16 | 0.95 | 0.03 | 16.08 | 13.78 | 1.03 | 0.03 | 14.78 | – | 1.30 | 1.37 |
| **TOTAL** | **294.45** | **134.77** | **8.02** | **421.20** | **158.44** | **27.61** | **6.80** | **179.25** | **19.49** | **222.46** | **129.97** |
| As on March 31, 2010 | **262.16** | **36.64** | **4.35** | **294.45** | **140.96** | **20.23** | **2.75** | **158.44** | **6.04** | **129.97** | **–** |
| Capital work-in-progress (at cost) including advances on capital account | | | | 47.38 | | | | | 1.86 | 45.52 | – |
| | | | | * (112.84) | | | | | (2.89) | – | (109.95) |
| Asset held for disposal | | | | 0.18 | | | | | – | 0.18 | 0.01 |
| | | | | *(0.01) | | | | | – | – | – |
| | | | | | | | | | **21.35** | **268.16** | **239.93** |

**Notes :**

1. Gross block includes: - Buildings Rs.0.10 crore (Rs. 0.10 crore) where conveyance has been executed, pending registration
   - Plant and Machinery Rs. Nil (Rs. 3.95 crore) being assets given on finance lease prior to April 1, 2001.
2. "Depreciation, amortisation and provision for impairment" for the year includes impairment provision in respect of capitalised assets Rs.0.02 Crore (Rs. 2.08 Crore) and Capital work in progress Rs.Nil. (Rs. 2.89 Crore).
3. Provision for impairment as at March 31, 2011:
   a) includes impairment as mentioned in 2 above and is net of reversal of provision no longer required Rs. Nil (Rs. 1.20 Crore) and adjustment on sale / discard of the related assets Rs.1.46 Crore (Rs. 0.13 Crore).
   b) includes provision for impairment of assets of Rs.13.88 crore (Rs. Nil), which is included under 'Exceptional items' in the Profit and Loss account.(Refer Note 26, Schedule R)
4. Depreciation for the year includes accelerated depreciation charged Rs. Nil (Rs.1.56 Crore) due to revision of estimated useful life of certain assets
5. Trademarks of Rs. Nil (Rs.25.20 Crore) are pending registration.

***** represents previous year figures

# SCHEDULES TO BALANCE SHEET

| | As at March 31, 2011 Rs. Crore | 2010 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 |
| | 0.01 | 0.01 |
| **Subsidiary Companies :** | | |
| **Kaya Limited (Wholly Owned)** | 73.00 | 73.00 |
| 14,500,000 (14,500,000) equity shares of Rs. 10 each fully paid | | |
| **Marico Middle East FZE (Wholly Owned)** | 27.99 | 27.99 |
| 22 (22) equity share of UAE dirham 1,000,000 (1,000,000) fully paid | | |
| **Marico South Africa Consumer Care (Pty) Limited (Wholly Owned)** | 25.37 | 25.37 |
| 800 (800) equity shares of SA Rand 1.00 fully paid | | |
| **International Consumer Products Corporation** | 254.98 | – |
| 9,535,495 (Nil) equity shares of VND 10,000 fully paid | | |
| | 381.34 | 126.36 |
| **- QUOTED, AT COST** | | |
| **Subsidiary Company :** | | |
| **Marico Bangladesh Limited** | 0.86 | 0.86 |
| 28,350,000 (28,350,000) equity shares of Bangladesh Taka 10 each fully paid (Refer Note 2 below) | | |
| Others : | | |
| **Indian Infrastructure Finance Company Limited** | 10.21 | 10.21 |
| (1,000 Unsecured, 6.85% Non-convertible, tax-free Bonds of face value of Rs. 100,000/- each, guaranteed by Government of India, redeemable on 22nd January, 2014) | | |
| | 11.07 | 11.07 |
| **CURRENT INVESTMENTS - UNQUOTED, LOWER OF COST AND FAIR VALUE** | | |
| Birla Sun Life Cash Manager - Institutional Plan - Growth | 10.00 | – |
| 6,087,057 (Nil) Units of Rs. 10 each fully paid | | |
| Fidelity Ultra Short Term Debt Fund Institutional Plan - Growth | – | 10.00 |
| NIL (8,399,009) Units of Rs. 10 each fully paid | | |
| Templeton India Ultra Short Bond Fund Super Institutional Plan - Growth | 7.50 | – |
| 5,921,645 (Nil) Units of Rs. 10 each fully paid | | |
| Templeton India Ultra Short Bond Fund Super Institutional Plan - Growth | 2.50 | – |
| 1,987,297 (Nil) Units of Rs. 10 each fully paid | | |
| Birla Sun Life Dynamic Bond Fund Retail - Monthly Payout | – | 2.02 |
| NIL (1,940,982) Units of Rs. 10 each fully paid | | |
| Birla Sunlife Saving Fund Institutional Plan - Growth | – | 3.50 |
| NIL (2,002,208) Units of Rs. 10 each fully paid | | |
| Kotak Flexi Debt Scheme Institutional Plan - Growth | – | 10.05 |
| NIL (8,878,078) Units of Rs. 10 each fully paid | | |
| ICICI Prudential Flexible Income Premium Institutional Plan -Growth | – | 9.85 |
| NIL (575,207) Units of Rs. 100 each fully paid | | |
| LIC MF Savings Plus Fund Institutional Plan - Growth | – | 10.28 |
| NIL (7,029,097) Units of Rs. 10 each fully paid | | |
| Templeton India STIR Plan - Weekly Dividend Reinvestment | – | 3.14 |
| NIL (29,243) Units of Rs. 1000 each fully paid | | |
| Tata Treasury Manager Institutional Plan - Growth | – | 10.09 |
| NIL (96,376) Units of Rs. 1000 each fully paid | | |

# SCHEDULES TO BALANCE SHEET

| | As at March 31, 2011 Rs. Crore | 2010 Rs. Crore |
|---|---|---|
| Reliance Money Manager Retail - Daily Dividend Reinvestment | – | 0.10 |
| NIL (826) Units of Rs. 1000 each fully paid | | |
| IDFC Money Manager Fund - TP - Institutional Plan C - Growth | 10.00 | 2.60 |
| 8,583,470 (2,380,321) Units of Rs. 10 each fully paid | | |
| UTI Floating Rate Fund - Short Term Plan - Institutional Plan - Growth | – | 10.04 |
| NIL (97,076) Units of Rs. 1000 each fully paid | | |
| UTI Treasury Advantage Fund - Growth | 10.00 | – |
| 75,743 (Nil) Units of Rs. 10 each fully paid | | |
| BPBIG ICICI Prudential Blended Plan B - Institutional Growth Option II | 10.16 | – |
| 9,659,482 (Nil) Units of Rs. 10 each fully paid | | |
| DWS Money plus Fund - Institutional Plan Growth | 10.16 | – |
| 9,865,755 (Nil) Units of Rs. 10 each fully paid | | |
| HDFC Floating Rate Income Fund - Short Term Plan - Wholesale option - Growth | 9.50 | – |
| 5,678,049 (Nil) Units of Rs. 10 each fully paid | | |
| JPMorgan India Short Term Income Fund - Growth | 8.12 | – |
| 7,612,090 (Nil) Units of Rs. 10 each fully paid | | |
| | 77.94 | 71.67 |
| | **470.36** | **209.11** |

**Notes:**

**1) Cost / Market Value of Quoted/ Unquoted Investments**

| | 2011 | 2010 |
|---|---|---|
| Aggregate value of Quoted Investments: | | |
| Cost | 11.07 | 11.07 |
| Market Value | 1,154.80 | 812.01 |
| Aggregate value of Unquoted Investments: | | |
| Cost | 459.29 | 198.04 |

**2)** Equity shares of Marico Bangladesh Limited were listed on Dhaka Stock exchange on August 28, 2009.

**3)** Units of Mutual Funds purchased and sold during the year

| Name of the Scheme | Face Value Rs. | No. of Units | Purchase Cost Rs. Crore |
|---|---|---|---|
| ICICI Prudential Flexible Income Premium - Institutional Plan - Daily Dividend Reinvestment | 100 | 4,112,281 | 43.48 |
| Prudential ICICI Liquid Plan Super Institutional Plan - Daily Dividend Reinvestment | 100 | 3,204,562 | 32.05 |
| ICICI Prudential Flexible Income Premium - Institutional Plan -Growth | 100 | 1,183,510 | 20.35 |
| Prudential ICICI Liquid Plan Super Institutional Plan - Growth | 100 | 1,909,741 | 26.14 |
| BPBID ICICI Prudential - Blended Plan B - Institutional - Dividend | 10 | 4,853,323 | 5.03 |
| BPBIG ICICI Prudential Blended Plan B - Institutional Growth Option II | 10 | 9,659,482 | 10.16 |
| Fortis Money Plus - Institutional Plan - Daily Dividend Reinvestment | 10 | 10,014,509 | 10.02 |
| Fortis Overnight Fund - Institutional Plan - Daily Dividend Reinvestment | 10 | 1,999,577 | 2.00 |
| BNP Paribas Overnight Fund - Institutional Plan - Daily Dividend Reinvestment | 10 | 13,128,445 | 13.13 |
| Tata Floater Fund - Daily Dividend Reinvestment | 10 | 22,849,287 | 22.93 |
| Tata Treasury Manager Super High Investment Plan - Growth | 1000 | 96,376 | 10.09 |
| Tata Treasury Manager Super High Investment Plan-Daily Dividend Reinvestment | 1000 | 58,346 | 6.50 |

## SCHEDULES TO BALANCE SHEET

| Name of the Scheme | Face Value Rs. | No. of Units | Purchase Cost Rs. Crore |
|---|---|---|---|
| Tata Floater Fund - Growth | 10 | 11,730,072 | 16.50 |
| Tata Liquid Fund - Super Institutional Plan - Growth | 1000 | 121,165 | 21.00 |
| Kotak Flexi Debt Scheme - Institutional Plan - Daily Dividend Reinvestment | 10 | 14,109,459 | 20.79 |
| Kotak Flexi Debt Scheme - Institutional Plan - Growth | 10 | 8,878,078 | 10.05 |
| Kotak Liquid Fund - Institutional Plan - Growth | 10 | 5,392,244 | 10.12 |
| Kotak Liquid Fund - Institutional Plan - Daily Dividend Reinvestment | 10 | 27,388,595 | 39.45 |
| Kotak Floater - Short term - Daily Dividend | 10 | 4,969,342 | 5.03 |
| Kotak Floater - Long term - Daily Dividend | 10 | 8,002,417 | 8.07 |
| LIC Saving Plus Fund - Institutional Plan - Daily Dividend Reinvestment | 10 | 18,297,307 | 18.30 |
| LIC MF Liquid Fund - Daily Dividend Reinvestment | 10 | 10,019,800 | 11.00 |
| LIC Saving Plus Fund - Institutional Plan - Growth | 10 | 7,029,097 | 10.28 |
| LIC Floating Rate Fund - Institutional Plan - Growth | 10 | 6,800,931 | 10.30 |
| LIC MF Liquid Fund - Growth | 10 | 6,106,415 | 10.35 |
| LIC MF Income Plus Fund - Daily Dividend Reinvestment | 10 | 6,754,301 | 6.75 |
| DWS Ultra Short Term Fund - Institutional Daily Dividend Reinvestment | 10 | 10,030,384 | 10.05 |
| DWS Insta Cash Plus Fund - Super Institutional Plan - Growth | 100 | 8,290,155 | 10.00 |
| DWS Insta Cash Plus Fund - Institutional Plan - Daily Dividend Reinvestment | 100 | 7,023,486 | 7.05 |
| DWS Treasury Fund - Cash - Institutional Plan - Daily Dividend Reinvestment | 10 | 10,103,620 | 10.15 |
| DWS Money plus Fund - Institutional Plan Growth | 10 | 9,865,755 | 10.15 |
| HDFC Cash Management Fund - Treasury Advantage Plan - Wholesale - Daily Dividend Reinvestment | 10 | 16,996,629 | 17.05 |
| HDFC Liquid Fund Premium Plan - Daily Dividend Reinvestment | 10 | 10,604,873 | 13.00 |
| HDFC Floating Rate Income Fund- Short term Fund- wholesale Plan- Growth | 10 | 10,086,119 | 10.17 |
| HDFC Floating Rate Income Fund - Short Term Plan - Wholesale option - Growth | 10 | 5,678,049 | 9.50 |
| JP Morgan India Treasury Fund - Super Institutional Plan-Daily Dividend Reinvestment | 10 | 12,027,801 | 12.04 |
| JP Morgan India Liquid Fund- Super Institutional Plan-Daily Dividend Reinvestment | 10 | 4,497,034 | 4.50 |
| JP Morgan India Treasury Fund- Super Institutional Plan-Growth | 10 | 5,285,735 | 6.50 |
| JP Morgan India Liquid Fund- Super Institutional Plan-Growth | 10 | 4,098,730 | 5.00 |
| JP Morgan India Short Term Income Fund - Weekly Dividend | 10 | 10,104,722 | 10.13 |
| JP Morgan India Short Term Income Fund - Growth | 10 | 7,612,090 | 8.12 |
| IDFC Money Manager Fund - Treasury Plan - Super Institutional Plan C - Daily Dividend Reinvestment | 10 | 5,612,381 | 5.61 |
| IDFC Money Manager Fund - Treasury Plan - Super Institutional Plan C - Growth | 10 | 10,963,791 | 12.60 |
| IDFC Money Manager - Treasury Plan - Plan C - Daily Dividend | 10 | 10,171,080 | 10.17 |
| Reliance Money Manager - Institutional Plan - Daily Dividend Reinvestment | 1000 | 65,068 | 6.52 |
| Reliance Money Manager - Retail Plan - Growth | 1000 | 826 | 0.10 |
| Reliance Medium Term Fund - Retail Plan - Growth Plan | 10 | 1,830,688 | 3.50 |
| Reliance Medium Term Fund - Daily Dividend Reinvestment | 10 | 17,273,151 | 29.53 |
| Reliance Money Manager - Institutional Plan - Growth Option | 1000 | 68,485 | 8.60 |
| Reliance Liquid Fund - Institutional Plan - Daily Dividend Reinvestment | 10 | 981,301 | 1.50 |

# SCHEDULES TO BALANCE SHEET

| Name of the Scheme | Face Value Rs. | No. of Units | Purchase Cost Rs. Crore |
|---|---|---|---|
| Reliance Monthly Interval Fund - Series II - Institutional Dividend Plan | 10 | 10,040,662 | 10.04 |
| Reliance Liquidity Fund - Daily Dividend Reinvestment | 10 | 3,498,599 | 3.50 |
| Reliance Liquid Fund - Cash Plan - Daily Dividend Reinvestment | 10 | 9,678,426 | 10.78 |
| Fidelity Ultra Short Term Debt Fund - Institutional Plan - Growth | 10 | 8,399,010 | 10.00 |
| Templeton India Short Term Income Retail Plan - Weekly Dividend Reinvestment | 1000 | 29,702 | 3.21 |
| Templeton India Treasury Management Account Super institutional Plan - Daily Dividend Reinvestment | 1000 | 109,939 | 11.00 |
| Templeton India Ultra Short Bond Fund Super Institutional Plan Daily Dividend Reinvestment | 10 | 30,186,837 | 30.22 |
| Templeton India Treasury Management Account - Super Institutional Plan - Daily Dividend Reinvestment | 1000 | 59,967 | 6.00 |
| Templeton India Ultra Short Bond Fund Super Institutional Plan - Growth | 10 | 5,921,645 | 7.50 |
| Templeton India Ultra Short Bond Fund Institutional Plan - Growth | 10 | 1,987,297 | 2.50 |
| Birla Sunlife Saving Fund - Institutional Plan - Daily Dividend Reinvestment | 10 | 30,471,103 | 30.49 |
| Birla Sunlife Saving Fund - Institutional Plan - Growth | 10 | 2,002,208 | 3.50 |
| Birla Sunlife Cash Plus - Institutional Plan -Daily Dividend Reinvestment | 10 | 4,990,873 | 5.00 |
| Birla Sun Life Cash Manager - Institutional Plan - Growth | 10 | 13,390,621 | 21.50 |
| Birla Sun Life Cash Manager - Institutional Plan - Daily Dividend Reinvestment | 10 | 2,753,354 | 2.75 |
| Birla Sun Life Dynamic Bond Fund - Retail Plan - Monthly Dividend | 10 | 1,940,982 | 2.02 |
| UTI Floating Rate Fund - Short Term Plan - Institutional Plan - Growth | 1000 | 97,076 | 10.04 |
| UTI Liquid Cash Plan Institutional - Growth Option | 1000 | 7,976 | 1.25 |
| UTI Liquid Cash Plan Institutional - Daily Income Option - Reinvestment | 1000 | 93,457 | 9.53 |
| UTI Floating Rate Fund - Short term plan - Daily Dividend | 1000 | 96,466 | 9.65 |
| UTI Treasury Advantage Fund - Growth | 1000 | 75,743 | 10.00 |

# SCHEDULES TO BALANCE SHEET

| | As at March 31, 2011 Rs. Crore | As at March 31, 2010 Rs. Crore |
|---|---|---|
| **SCHEDULE 'G'** | | |
| **INVENTORIES** | | |
| (Refer Note 2 (h), Schedule R, for basis of valuation) | | |
| Raw materials | 160.88 | 161.46 |
| Packing materials | 55.67 | 46.04 |
| Work-in-process | 77.73 | 58.00 |
| Finished products | 152.39 | 98.89 |
| Stores, spares and consumables | 5.65 | 4.49 |
| By-products | 1.90 | 1.02 |
| | **454.22** | **369.90** |
| **SCHEDULE 'H'** | | |
| **SUNDRY DEBTORS** | | |
| Unsecured | | |
| Over six months- Considered good | 2.94 | – |
| - Considered doubtful | 2.99 | 3.54 |
| | 5.93 | 3.54 |
| Less: Provision for doubtful debts | 2.99 | 3.54 |
| | 2.94 | – |
| Other Debts - Considered good | 116.04 | 94.51 |
| | **118.98** | **94.51** |
| **SCHEDULE 'I'** | | |
| **CASH AND BANK BALANCES** | | |
| Cash on hand | 0.46 | 0.32 |
| Remittances in transit | 4.55 | 0.36 |
| Balances with scheduled banks: | | |
| Fixed Deposit | 0.13 | 0.10 |
| (Rs.0.13 Crore (Rs. 0.10 Crore) deposited with sales tax authorities and against bank gurantees and Rs.0.18 Crore (Rs Nil) is pledged with bank as collateral for banking facilities) | | |
| Margin accounts (against bank guarantees) | 4.09 | 4.09 |
| Current accounts * | 8.40 | 6.19 |
| Balances with non - scheduled banks: | | |
| Current accounts (Refer Note 9, Schedule R) | 0.54 | 0.15 |
| | **18.17** | **11.21** |

* Includes balances in Unclaimed dividend account and Unclaimed Preference Share Capital Rs. 0.26 Crore (Rs. 0.26 Crore)

# SCHEDULES TO BALANCE SHEET

| | As at March 31, 2011 Rs. Crore | 2010 Rs. Crore |
|---|---|---|
| **SCHEDULE 'J'** | | |
| **LOANS AND ADVANCES** | | |
| (Unsecured - considered good, unless otherwise stated) | | |
| Advances recoverable in cash or in kind or for value to be received | 35.87 | 57.69 |
| Loans and Advances to subsidiaries | 177.05 | 125.89 |
| Deposits | | |
| - Considered good | 18.38 | 12.55 |
| - Considered doubtful | 1.00 | 1.00 |
| | 19.38 | 13.55 |
| Less : Provision for doubtful deposits | 1.00 | 1.00 |
| | 18.38 | 12.55 |
| Balances with central excise authorities | 0.16 | 0.70 |
| Interest accrued on loans / deposits | 0.65 | 0.52 |
| Interest accrued on loans / advances to subsidiaries | 1.48 | 0.69 |
| Gratuity (Refer Note 20, Schedule R) | – | 0.82 |
| Income tax payments (net of provisions) | – | 2.88 |
| Fringe benefit tax payments (net of provisions) | 0.48 | 0.48 |
| MAT credit entitlement | 95.50 | 51.95 |
| | **329.57** | **254.17** |
| **SCHEDULE 'K'** | | |
| **CURRENT LIABILITIES** | | |
| Sundry creditors | | |
| - Due to Micro and Small Enterprises (Refer Note 22, Schedule R) | 1.53 | – |
| - Others | 201.02 | 209.08 |
| Due to subsidiaries | 0.32 | 1.58 |
| Other liabilities | 21.89 | 12.12 |
| Security deposits | 0.25 | 1.10 |
| Interest accrued but not due on loans | 3.16 | 2.37 |
| Unclaimed dividend | 0.23 | 0.23 |
| Unclaimed Redeemed 8% Preference Share Capital | 0.03 | 0.03 |
| | **228.43** | **226.51** |
| **SCHEDULE 'L'** | | |
| **PROVISIONS** | | |
| Income tax (net of tax payments) | 0.43 | – |
| Leave encashment | 5.57 | 5.35 |
| Gratuity (Refer Note 20, Schedule R) | 0.18 | – |
| Long term service benefits | – | 1.88 |
| Contingencies (Refer Note 25, Schedule R) | – | 29.35 |
| Interim dividend | 22.11 | 21.93 |
| Tax on interim dividend | 3.67 | 3.73 |
| | **31.96** | **62.24** |

# SCHEDULES TO BALANCE SHEET

| | For the year ended March 31, 2011 Rs. Crore | 2010 Rs. Crore |
|---|---|---|
| **SCHEDULE 'M'** | | |
| **OTHER INCOME** | | |
| Income from current investments : | | |
| Profit on sale of units of mutual funds | 0.40 | 0.02 |
| Dividend on Investment in liquid mutual funds | 2.34 | 2.49 |
| Income from long term investments : | | |
| Dividend from subsidiaries | 4.48 | 4.69 |
| (Tax deducted at source Rs. 0.47 Crore (Rs. 0.46 Crore)) | | |
| Interest income on loans, deposits, etc. | 5.18 | 5.60 |
| (Tax deducted at source Rs. 0.01 Crore (Rs. 0.03 Crore)) | | |
| Miscellaneous income | 12.77 | 9.26 |
| (Refer note 6, Schedule R) | | |
| | **25.17** | **22.06** |
| **SCHEDULE 'N'** | | |
| **COST OF MATERIALS** | | |
| Raw materials consumed | 1,096.33 | 830.60 |
| Packing materials consumed | 212.68 | 166.41 |
| Stores and spares consumed | 22.54 | 14.11 |
| Purchase for resale | 106.85 | 85.46 |
| **(Increase)/Decrease in stocks** | | |
| Opening stocks | | |
| - Work-in-process | 58.01 | 50.70 |
| - By-products | 1.02 | 1.37 |
| - Finished products | 98.89 | 94.37 |
| Less : | | |
| Closing stocks | | |
| - Work-in-process | 77.73 | 58.01 |
| - By-products | 1.90 | 1.02 |
| - Finished products | 152.39 | 98.89 |
| | (74.10) | (11.48) |
| | **1,364.30** | **1,085.10** |

# SCHEDULES TO PROFIT AND LOSS ACCOUNT

| | For the year ended March 31, 2011 Rs. Crore | 2010 Rs. Crore |
|---|---|---|
| **SCHEDULE 'O'** | | |
| **MANUFACTURING AND OTHER EXPENSES** | | |
| Employees' costs : | | |
| - Salaries, wages and bonus | 91.42 | 90.34 |
| - Contribution to provident fund and other funds | 6.10 | 4.20 |
| - Long term service benefits | 3.05 | 1.88 |
| - Employee stock compensation expense | 0.06 | 0.08 |
| - Welfare expenses | 7.59 | 6.61 |
| | 108.22 | 103.11 |
| Power, fuel and water | 9.49 | 5.24 |
| Contract manufacturing charges | 84.91 | 71.14 |
| Rent and storage charges | 24.05 | 22.80 |
| Repairs : | | |
| - Buildings | 2.59 | 2.07 |
| - Machinery | 6.30 | 4.72 |
| - Others | 1.77 | 1.75 |
| Freight, forwarding and distribution expenses | 108.58 | 82.32 |
| Advertisement and sales promotion | 213.65 | 221.65 |
| Rates and taxes | 1.07 | 0.82 |
| Provision for contingencies - Excise Duty (Refer note 25, Schedule R) | — | 29.35 |
| Sales tax and cess | 10.23 | 16.61 |
| Commission to selling agents | 3.23 | 3.42 |
| Provision for doubtful debts, advances and deposits * | (0.55) | 1.47 |
| Printing, stationery and communication expenses | 5.26 | 5.09 |
| Travelling, conveyance and vehicle expenses | 16.96 | 16.64 |
| Royalty | 0.29 | 0.42 |
| Insurance | 1.76 | 1.98 |
| Auditors' remuneration | | |
| - Audit fees | 0.46 | 0.39 |
| - Tax Audit fees | 0.09 | 0.08 |
| - Other services | 0.03 | 0.26 |
| - Out of pocket expenses | 0.01 | 0.01 |
| Exchange losses (net) | 1.82 | 4.90 |
| Miscellaneous expenses (Refer Note 7 , Schedule R) | 40.90 | 28.93 |
| | **641.12** | **625.17** |
| **SCHEDULE 'P'** | | |
| **FINANCE CHARGES** | | |
| Interest on | | |
| Fixed period loans | 13.68 | 10.50 |
| Other loans | 1.96 | 2.31 |
| Debentures | 2.50 | 2.23 |
| Bank and other financial charges | 11.78 | 3.26 |
| | **29.92** | **18.30** |

* Represent write back of doubtful debts net of provision for the year.

# SCHEDULES TO PROFIT AND LOSS ACCOUNT

ADDITIONAL INFORMATION

SCHEDULE 'Q'

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

Amount in Rs. Crore

| Sr No. | Particulars (UNIT) | Period Ended | Installed Capacity (Note I) | Opening Stock | | Production | Purchases | | Turnover | | Closing Stock | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Quantity | Amount | Quantity | Quantity | Amount | Quantity | Amount | Quantity | Amount |
| 1 | **Edible Oils (Note III) (M.T.)** | **31.03.2011** | **208,000** | **11,255.32** | **78.43** | **125,684.28** | **–** | **–** | **141,869.12** | **1,695.54** | **11,369.92** | **109.68** |
| | | 31.03.2010 | 170,000 | 9,320.97 | 68.34 | 117,485.47 | – | – | 131,780.03 | 1,476.61 | 11,255.32 | 78.43 |
| 2 | **Hair Oils (Note II) ( K.L.)** | **31.03.2011** | **161,000** | **1,891.39** | **15.72** | **22,397.07** | **–** | **–** | **24,750.80** | **476.41** | **3,412.24** | **38.33** |
| | | 31.03.2010 | 125,000 | 2,060.98 | 19.72 | 16,586.27 | – | – | 20,120.52 | 382.66 | 1,891.39 | 15.72 |
| 3 | **Oil Seeds (M.T.)** | **31.03.2011** | **–** | **–** | **–** | – | **15,933.63** | **89.07** | **15,933.63** | **92.31** | – | – |
| | | 31.03.2010 | – | – | – | – | 19,896.32 | 71.10 | 19,896.32 | 82.83 | – | – |
| 4 | **Others** [(Incl process foods and by products) and By products] | **31.03.2011** | **–** | – | **5.76** | – | – | **17.78** | – | **82.61** | – | **6.28** |
| | | 31.03.2010 | – | – | 7.68 | – | – | 14.36 | – | 82.19 | – | 5.76 |
| | **TOTAL** | **31.03.2011** | | | **99.91** | | | **106.85** | | **2,346.87** | | **154.29** |
| | | 31.03.2010 | | | 95.74 | | | 85.46 | | 2,024.29 | | 99.91 |

I) a) The auditors have relied on the installed capacities as certified by the management on a three shift basis, being technical in nature.

b) No licenses are required for products manufactured by the company as per Government of India Notification No. S.O.477(E). dated 25th July,1991.

II) Excludes production of hair Oil produced by others - 3,874.58 ( 3364.66 KL)

III) Excludes production of Edible Oil produced by others - 16,299.44 ( 16228.91 M.T. )

# SCHEDULES TO PROFIT AND LOSS ACCOUNT

| | For the year ended March 31, | | | |
|---|---|---|---|---|
| | 2011 | | 2010 | |
| | Quantity M.T. | Amount Rs. Crore | Quantity M.T. | Amount Rs. Crore |
| **SCHEDULE 'Q'** | | | | |
| **B) RAW MATERIALS CONSUMED** | | | | |
| Oil seeds (copra & kardi seeds) | 116,540 | 490.91 | 103,887 | 340.81 |
| Raw oils (other than copra & kardi seeds) | 78,372 | 412.77 | 74,212 | 347.43 |
| Others | – | 192.65 | – | 142.36 |
| | | **1,096.33** | | **830.60** |
| | % | Amount Rs. Crore | % | Amount Rs. Crore |
| **C) VALUE OF IMPORTED AND INDIGENOUS MATERIALS CONSUMED** | | | | |
| Raw materials | | | | |
| Imported | 5.27 | 57.74 | 9.96 | 82.77 |
| Indigenous | 94.73 | 1,038.59 | 90.04 | 747.83 |
| | **100** | **1,096.33** | **100.00** | **830.60** |
| Stores, spares and chemicals | | | | |
| Imported | – | – | – | – |
| Indigenous | 100.00 | 22.54 | 100.00 | 14.11 |
| | **100.00** | **22.54** | **100.00** | **14.11** |
| **D) VALUE OF IMPORTS ON C.I.F. BASIS** | | | | |
| Raw material | | 32.80 | | 84.45 |
| Packing material | | 2.70 | | 6.42 |
| Capital goods | | 0.16 | | 0.50 |
| Finished goods for resale | | 1.88 | | 3.20 |
| | | **37.54** | | **94.57** |
| **E) EXPENDITURE IN FOREIGN CURRENCY** | | | | |
| Travelling and other expenses | | 0.39 | | 0.43 |
| Advertisement and sales promotion | | 2.67 | | 5.62 |
| Interest on other loans | | 3.78 | | 1.31 |
| Miscellaneous expenses | | 8.64 | | 0.76 |
| | | **15.48** | | **8.12** |
| **F) EARNINGS IN FOREIGN EXCHANGE** | | | | |
| F.O.B. Value of exports | | 139.16 | | 130.64 |
| Royalty | | 6.84 | | 6.56 |
| Dividend | | 4.48 | | 4.69 |
| Interest | | 4.03 | | 4.41 |
| | | **154.51** | | **146.30** |

# NOTES TO THE ACCOUNTS

## SCHEDULE 'R'
## NOTES TO ACCOUNTS:

1) The Company and nature of its operations:

Marico Limited ('Marico' or 'the Company'), headquartered in Mumbai, Maharashtra, India, carries on business in Branded Consumer Products. Marico manufactures and markets products under brands such as Parachute, Nihar, Saffola, Hair & Care, Revive, Shanti, Oil of Malabar, Mediker and Manjal. Marico's products reach its consumers through retail outlets serviced by Marico's distribution network comprising regional offices, carrying & forwarding agents, redistribution centers and distributors spread all over India.

2) Summary of significant accounting policies:

(a) Basis of preparation of financial statements

The financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles ("GAAP") under the historical cost convention on an accrual basis, except for certain financial instruments which are measured at fair values and are in conformity with mandatory accounting standards, as prescribed by the Companies (Accounting Standards) Rules, 2006, the provisions of the Companies Act, 1956 and guidelines issued by the Securities and Exchange Board of India (SEBI).

(b) Use of estimates

The preparation of the financial statements in conformity with GAAP requires Management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Examples of such estimates include provisions for doubtful debts, future obligations under employee retirement benefit plans, income taxes, the useful lives and provision for impairment of fixed assets and intangible assets.

Management believes that the estimates used in the preparation of financial statements are prudent and reasonable. Future results could differ from these estimates.

(c) Fixed assets, intangible assets and capital work-in-progress

Fixed assets and intangible assets are stated at cost of acquisition, less accumulated depreciation and impairments, if any. Cost includes taxes, duties, freight and other incidental expenses related to acquisition and installation. Borrowing costs attributable to acquisition, construction of qualifying asset (i.e. an asset requiring substantive period of time to get ready for intended use) are capitalized in accordance with the requirements of Accounting Standard 16 (AS 16), "Borrowing Costs" mandated by Rule 3 of the Companies (Accounting Standards) Rules 2006. Other pre-operative expenses for major projects are also capitalised, where appropriate.

Capital work-in-progress comprises outstanding advances paid to acquire fixed assets and cost of fixed assets that are not yet ready for their intended use at the year end.

(d) Depreciation and 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 considered for the following items are higher than the rates stipulated in Schedule XIV to the Companies Act, 1956:

| | |
|---|---|
| Plant and Machinery: | |
| a) Computer hardware and related peripherals | - 33.33% |
| b) Moulds | - 16.21% |
| c) Office Equipment | - 10% to 50% |
| Furniture and Fittings: | - 12.50 % |
| Vehicles: | - 20 % |

# NOTES TO THE ACCOUNTS

(ii) Depreciation on factory building and plant and machinery (other than items specified in (i) above) 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 individually costing Rs. 5,000 or less are depreciated fully in the year of acquisition.

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

(vi) Fixtures in leasehold premises are amortised over the primary period of the lease.

(vii) Depreciation on additions / deletions during the year is provided from the month in which the asset is capitalized / up to the month in which the asset is disposed off.

II. Intangible assets

Intangible assets are amortised over their respective individual estimated useful lives on a straight line basis, but not exceeding the period given here under:

| | |
|---|---|
| Trademarks, copyrights and business & commercial rights | 10 years |
| Computer software | 3 years |

(e) Assets taken on lease

(i) In respect of finance lease arrangements, the assets are capitalized and depreciated. Finance charges are charged off to the Profit and Loss account of the year in which they are incurred.

(ii) Operating lease payments are recognized as expenditure in the Profit and Loss account as per the terms of the respective lease agreement.

(f) Asset given on lease

The Company has given Plant and Machinery on an operating lease basis. Lease rentals are accounted on accrual basis in accordance with the respective lease agreements.

(g) 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 in value, other than temporary.

(ii) Current investments are valued at lower of cost and fair value, computed individually for each investment. In case of investments in mutual funds which are unquoted, net asset value is taken as fair value.

(h) Inventories

(i) Raw materials, packing materials, stores, spares and consumables are valued at lower of cost and net realizable value. However, these items are considered to be realizable at cost if the finished products in which they will be used are expected to be sold at or above cost.

(ii) Work-in-process and finished products are valued at lower of cost and net realizable value.

(iii) By-products and unserviceable / damaged finished products are valued at net realizable value.

(iv) Cost is ascertained on weighted average method and in case of work-in-process includes appropriate production overheads and in case of finished products includes appropriate production overheads and excise duty, wherever applicable.

(i) Research and development

Capital expenditure on research and development is capitalised and depreciated as per the accounting policy mentioned in para 2(d) above. Revenue expenditure is charged off in the year in which it is incurred.

# NOTES TO THE ACCOUNTS

(j) Revenue recognition

(i) Domestic sales are recognised at the point of dispatch of goods to the customers, which is when risks and rewards of ownership are passed to the customers, and stated net of trade discount and exclusive of sales tax and excise duty.

(ii) Export sales are recognised based on the date of bill of lading except, sales to Nepal which are recognized when the goods cross the Indian territory, which is when risks and rewards of ownership are passed to the customers.

(iii) Revenue from services is recognized on rendering of the services.

(iv) Interest and other income are recognised on accrual basis.

(k) Retirement and other benefits to employees

– Gratuity

Liabilities with regard to the gratuity benefits payable in future are determined by actuarial valuation at each Balance Sheet date using the Projected Unit Credit method and contributed to Employees Gratuity Fund managed by HDFC Standard Life Insurance Limited. Actuarial gains and losses arising from changes in actuarial assumptions are recognised in the Profit and Loss account in the period in which they arise.

– Superannuation

The Company makes contribution to the Superannuation Scheme, a defined contribution scheme, administered by ICICI Prudential Life Insurance Company Limited.

– Leave encashment / Compensated absences

The Company provides for the encashment of leave with pay subject to certain rules. The employees are entitled to accumulate leave subject to certain limits, for future encashment / availment. The liability is provided based on the number of days of unutilized leave at each balance sheet date on the basis of an independent actuarial valuation.

– Provident fund

Provident fund contributions are made to a trust administered by the Company and are charged to the Profit and Loss account. The Company has an obligation to make good the shortfall if any, between return on investment by the trust and government administered interest rate.

– Long term service benefits

Liability on account of long term service benefits is determined and provided on the basis of an independent actuarial valuation.

(l) Foreign currency transactions

– Transactions in foreign currencies are recognized at the prevailing exchange rates on the transaction dates. Realized gains and losses on settlement of foreign currency transactions are recognized in the Profit and Loss account.

– Foreign currency monetary assets and liabilities at the year end are translated at the year end exchange rates and the resultant exchange differences except those qualifying for hedge accounting are recognised in the Profit and Loss account.

– 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. Exchange differences on such contracts are recognized in the Profit and Loss account in the year in which they arise.

– The Company uses forward and options contracts to hedge its risks associated with foreign currency transactions relating to certain firm commitments and forecasted transactions. The Company also uses Interest rates swap

# NOTES TO THE ACCOUNTS

contracts to hedge its interest rate risk exposure. The Company designates these as cash flow hedges. These contracts are marked to market as at the year end and resultant exchange differences, to the extent they represent effective portion of the hedge, are recognized directly in 'Hedge Reserve account'. The ineffective portion of the same is recognized immediately in the Profit and Loss account.

– Exchange differences taken to Hedge Reserve account are recognised in the Profit and Loss account upon crystallization of firm commitments or occurrence of forecasted transactions or upon discontinuation of hedge accounting resulting from expiry / sale / termination of hedge instrument or upon hedge becoming ineffective.

– 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.

– Exchange differences arising on monetary items that in substance form part of Company's net investment in a non-integral foreign operation are accumulated in a 'Foreign Currency Translation Reserve' until the disposal of the net investment. The same is recognized in the Profit and Loss account upon disposal of the net investment.

(m) Accounting for taxes on income

(i) Provision for current tax is made, based on the tax payable under the Income Tax Act, 1961. Minimum Alternative 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 be able to avail the said credit against normal tax payable during the period of ten 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 deferred tax assets are recognised only when there is a reasonable certainty of their realisation.

(n) Impairment

The Company reviews the carrying values of tangible and intangible assets for any possible impairment at each balance sheet date. An impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of net selling price and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value at appropriate discount rates. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount.

(o) Employee Stock Option Plan

In respect of stock options granted pursuant to the Company's Employee Stock Option Scheme, the intrinsic value of the options (excess of market value of shares over the exercise price of the option at the date of grant) is recognised as Employee compensation cost over the vesting period.

(p) Employee Stock Appreciation Rights Scheme

In respect of Employee Stock appreciation rights granted pursuant to the Company's Employee Stock Appreciation Rights Scheme, the intrinsic value of the rights (excess of market value as at the year end and the market price on the date of grant) is recognised as Employee compensation cost over the vesting period.

(q) Contingent liabilities

Contingent Liabilities are disclosed in respect of possible obligations that arise from past events but their existence will be confirmed by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company or where any present obligation cannot be measured in terms of future outflow of resources

# NOTES TO THE ACCOUNTS

or where a reliable estimate of the obligation cannot be made. A Provision is made based on a reliable estimate when it is probable that an outflow of resources embodying economic benefits will be required to settle an obligation and in respect of which a reliable estimate can be made. Provision is not discounted and is determined based on best estimate required to settle the obligation at the year end date. Contingent Assets are not recognized or disclosed in the financial statements.

(r) Share issue expenses

Expenses incurred on issues of shares are adjusted against securities premium.

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

(i) Disputed tax demands/ claims:

Rs. Crore

| | March 31, 2011 | March 31, 2010 |
|---|---|---|
| Sales tax | 17.24 | 6.08 |
| Customs duty | 0.40 | 0.40 |
| Agricultural Produce Marketing cess | 8.14 | 7.93 |
| Employees State Insurance Corporation | 0.13 | 0.13 |
| Excise duty on Subcontractors | 0.29 | 0.24 |

(ii) Excise duty on CNO dispatches Rs. 210.74 Crore (Rs.131.57 Crore) (Refer note 25 below)

(iii) Claims against the Company not acknowledged as debts Rs. 0.27 Crore (Rs.0.22 Crore)

(iv) Possible indemnification obligations under the Deed of Assignment for assignment of "Sweekar" brand, in the event the Company is unable to reinstate the trademark registration number in the records of the trademark registry within a period of six months from the date of execution of the deed - Rs. 4.00 Crore (Refer note 24 below).

b) (i) Corporate guarantees given to banks on behalf of subsidiaries for credit and other facilities granted by banks Rs. 137.44 Crore (Rs.41.40 Crore) . The credit and other facilities availed by the subsidiaries as at the year end is Rs. 59.04 Crore (Rs.7.02 Crore)

(ii) Stand by Letter of Credit given to banks on behalf of subsidiaries for credit and other facilities granted by banks Rs.108.47 Crore (Rs.76.45 Crore). The credit and other facilities availed by the subsidiaries as at the year end is Rs. 96.65 Crore (Rs. 54.14 Crore)

(iii) Bank guarantees given to statutory authorities Rs. 12.26 Crore (Rs.7.08 Crore)

c) Amount outstanding towards Letters of Credit Rs. Nil (Rs. 2.81 Crore)

4) Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 54.48 Crore (Rs. 21.22 Crore) net of advances.

5) Borrowing costs capitalized during the year amount to Rs. 0.42 Crore (Rs. 2.83 Crore).

6) Miscellaneous income includes lease income Rs. 0.39 Crore (Rs.0.43 Crore), profit on sale / disposal of assets (net) Rs. 0.08 Crore (Rs.0.09 Crore), royalty from subsidiaries Rs. 6.84 Crore (Rs. 6.56 Crore) and export subsidy Rs. 3.54 Crore (Rs.1.00 Crore).

7) Miscellaneous expenses include labour charges Rs. 4.53 Crore (Rs. 2.06 Crore), training and seminar expenses Rs. 4.62 Crore (Rs. 3.47 Crore), outside services Rs. 2.22 Crore (Rs. 2.21 Crore) and professional charges Rs. 18.34 Crore (Rs. 13.42 Crore),donations Rs. 0.04 Crore (Rs. 0.43 Crore) and capital advance written off Rs. 1.00 Crore and are net of excess provisions no longer required written back Rs. 1.96 Crore ( Rs. 7.54 Crore) [including Impairment provision of Rs. 1.03 Crore (Rs.1.20 Crore)].

8) Research and Development expenses aggregating Rs. 7.53 Crore (Rs. 7.54 Crore) have been included under the relevant heads in the Profit and Loss account.

# NOTES TO THE ACCOUNTS

9) Details of balances with non-scheduled banks are as under:

Rs. Crore

| Bank Name | Balance as on March 31, 2011 | Balance as on March 31, 2010 | Maximum balance during the year ended March 31, 2011 | Maximum balance during the year ended March 31, 2010 |
|---|---|---|---|---|
| Standard Chartered Bank – Dubai | 0.15 | 0.15 | 0.17 | 0.17 |
| HSBC Vietnam - Current Account | 0.39 | Nil | 250.40 | Nil |
| HSBC Vietnam - Capital Account | Nil | Nil | 162.56 | Nil |
| | **0.54** | **0.15** | | |

10) Additional information on assets taken on lease:

The Company's significant leasing arrangements are in respect of residential flats, office premises, warehouses, vehicles etc taken on lease. The arrangements range between 11 months to 3 years and are generally renewable by mutual consent or mutually agreeable terms. Under these arrangements refundable interest-free deposits have been given.

Rs. Crore

| | March 31, 2011 | March 31, 2010 |
|---|---|---|
| Lease rental payments recognised in the Profit and Loss account. | 19.57 | 9.26 |
| **In respect of assets taken on non cancelable operating lease:** | | |
| **Lease obligations** | | |
| Future minimum lease rental payments | | |
| - not later than one year | 1.18 | 1.16 |
| - later than one year but not later than five years | 0.96 | 0.88 |
| **Total** | **2.14** | **2.04** |

11) Additional information on assets given on operating lease:

The Company has given on lease certain plant & machinery for a lease period ranging between 1 to 3 years. These arrangements are in the nature of cancelable lease and are generally renewable by mutual consent or mutual agreeable terms.

Fixed Asset given on operating lease as at March 31, 2011 and March 31, 2010

Rs. Crore

| | Cost | Accumulated Depreciation | Net Book Value |
|---|---|---|---|
| Plant and Machinery | 2.03 | 1.94 | 0.09 |
| | (2.03) | (1.92) | (0.11) |

The aggregate depreciation charged on the above assets during the period ended March 31, 2011 amounted to Rs. 0.02 Crore (Rs. 0.03 Crore).

Rs. Crore

| | March 31, 2011 | March 31, 2010 |
|---|---|---|
| Lease rental income recognised in the Profit and loss account. | 0.39 | 0.43 |

# NOTES TO THE ACCOUNTS

12) a) Break-up of deferred tax asset:

Rs. Crore

| | March 31, 2011 | March 31, 2010 |
|---|---|---|
| **Deferred Tax Asset:** | | |
| Provision for doubtful debts / advances that are deducted for tax purposes when written off | 1.15 | 1.54 |
| On intangible assets adjusted against Capital Redemption Reserve and Securities Premium Account under the Capital Restructuring scheme implemented in an earlier year | 36.53 | 48.91 |
| Liabilities / Provisions that are deducted for tax purposes when paid: | | |
| - Provision for contingencies – Excise | Nil | 9.75 |
| (Refer Note 25 of Schedule R) | | |
| - Others | 2.50 | 2.54 |
| Total Deferred tax asset | 40.18 | 62.74 |
| **Deferred Tax Liability:** | | |
| Additional depreciation on fixed assets for tax purposes due to higher tax depreciation rates | 13.64 | 4.24 |
| Total Deferred tax liability | 13.64 | 4.24 |
| **Deferred Tax Asset (net)** | **26.54** | **58.50** |

b) MAT Credit includes Rs. Nil (Rs. 2.67 Crore) on account of prior year adjustments.

13) Details of Exceptional Items disclosed in the Profit and Loss account are as under:

Rs. Crore

| | March 31, 2011 | March 31, 2010 |
|---|---|---|
| Reversal of provision for excise duty (Refer Note 25 below) | 29.35 | Nil |
| Profit on divestment of “Sweekar” brand (Refer Note 24 below) | 50.00 | Nil |
| Provision for impairment of “Fiancée” trademark (Refer Note 26 below) | (13.88) | Nil |
| Loss on sale of investment in Sundari LLC. | Nil | 6.05 |
| Less: Withdrawals from the provisions made in earlier years | Nil | 6.05 |
| **Net income shown as Exceptional Items** | **65.47** | **Nil** |

14) Derivative Transactions:

a) The total derivative instruments outstanding as on year end March 31, 2011 are Plain Forwards and Interest rate swap:

| | March 31, 2011 | | March 31, 2010 | |
|---|---|---|---|---|
| | Notional Amount in Foreign Currency | Equivalent Amount in Rs. at the year end * (Rs. Crore) | Notional Amount in Foreign currency | Equivalent Amount in Rs. at the year end (Rs. Crore) |
| **Forward contracts outstanding** ** | | | | |
| Exports: | | | | |
| - in USD | 6,000,000 | 26.75 | 4,250,000 | 19.09 |
| Foreign currency loans: | | | | |
| - in USD | 12,308,344 | 54.88 | 11,847,085 | 53.21 |
| Creditors: | | | | |
| - in USD | 5,000,000 | 22.29 | 2,057,775 | 9.24 |
| - in AUD | 297,898 | 1.37 | Nil | Nil |

# NOTES TO THE ACCOUNTS

| | March 31, 2011 | | March 31, 2010 | |
|---|---|---|---|---|
| | Notional Amount in Foreign Currency | Equivalent Amount in Rs. at the year end * (Rs. Crore) | Notional Amount in Foreign currency | Equivalent Amount in Rs. at the year end (Rs. Crore) |
| Advance Receivable: | | | | |
| - in AUD | Nil | Nil | 600,000 | 2.47 |
| Loan to subsidiary: | | | | |
| - in ZAR | 19,000,000 | 12.51 | Nil | Nil |
| **Options Contracts outstanding** | | | | |
| Exports: | | | | |
| - in USD | Nil | Nil | 7,250,000 | 32.57 |

*Converted into the exchange rate at the year end.

**Out of the forward contracts outstanding as on March 31, 2011, USD 11,000,000 (USD 6,307,775), AUD 297,898 (AUD 600,000), having fair value of Rs. 52.01 Crore (Rs. 31.19 Crore) and all outstanding option contracts as on March 31, 2011, having fair value of Rs. Nil (Rs. 1.01 Crore ) have been designated as Cash Flow hedges.

- The Company has entered into Interest rate swap of USD 8,750,000 (USD 4,583,333), for hedging its interest rate exposure on borrowings in foreign currency which has a fair value of Rs. 0.34 Crore (Rs. 0.63 Crore).
- The Cash flows are expected to occur and impact the Profit and Loss account within the period of 1 year except interest rate swap, in respect of which Cash Flows are expected to occur and impact the Profit and Loss account within the period of 1 to 2 years (1 to 3 years).
- All the derivative contracts entered by the Company were for hedging purpose and not for any speculative purpose.

b) The Net foreign currency exposures not hedged as at the year end are as under:

| | Currency | March 31, 2011 | | March 31, 2010 | |
|---|---|---|---|---|---|
| | | Amount in Foreign Currency | Equivalent Amount in Rs. at the year end (Rs. Crore) | Amount in Foreign Currency | Equivalent Amount in Rs. at the year end (Rs. Crore) |
| **a. Amount receivable in foreign currency on account of following :** | | | | | |
| - Export of goods | AED | 4,988 | 0.01 | 4,988 | 0.01 |
| | USD | Nil | Nil | Nil | Nil |
| **b. Amount (payable) / receivable in foreign currency on account of following :** | | | | | |
| (i) Import of goods and services | AED | 65,000 | 0.08 | 45,075 | 0.06 |
| | AUD | Nil | Nil | 188,288 | 0.61 |
| | EUR | (5,038) | (0.03) | (5,303) | (0.03) |
| | CHF | Nil | Nil | 20,600 | 0.09 |
| | GBP | Nil | Nil | 291 | 0.01 |
| | SGD | 121 | 0.01 | Nil | Nil |
| | USD | Nil | Nil | Nil | Nil |
| (ii) Capital imports | CHF | 680 | 0.01 | 680 | 0.01 |
| | GBP | 800 | 0.01 | 800 | 0.01 |
| (iii) Loan payables * | USD | Nil | Nil | Nil | Nil |

# NOTES TO THE ACCOUNTS

| | Currency | March 31, 2011 | | March 31, 2010 | |
|---|---|---|---|---|---|
| | | Amount in Foreign Currency | Equivalent Amount in Rs. at the year end (Rs. Crore) | Amount in Foreign Currency | Equivalent Amount in Rs. at the year end (Rs. Crore) |
| **c. Bank Balances** | USD | 215,186 | 0.96 | 96,115 | 0.43 |
| | VND | 2,089,001 | 0.01 | Nil | Nil |
| **d. Other receivable / (Payable)** | USD | 8,288 | 0.04 | 14,368 | 0.06 |
| | AED | (4,447) | (0.01) | (4,447) | (0.01) |
| | EUR | 600 | 0.01 | Nil | Nil |
| **e. Other Loans and Advances to Subsidiaries including interest accrued** | AED | 2,290,417 | 2.78 | 2,274,527 | 2.78 |
| | TAKA | 120,335,640 | 7.40 | 63,726,807 | 4.11 |
| | USD | 313,727 | 1.40 | 209,641 | 0.94 |
| | ZAR | 62,312,333 | 41.01 | 61,183,253 | 37.73 |
| | EGP | 371,830 | 0.28 | 595,482 | 0.49 |
| | SGD | 64,175 | 0.23 | Nil | Nil |

*excludes Loans payable of **Rs. 279.77 Crore [USD 62,750,000]** (Rs. 61.76 Crore [USD 13,750,000]) assigned to hedging relationship against highly probable forecast sales. The Cash flows are expected to occur and impact the Profit and Loss account within the period of 1 to 6 years.

c) Pursuant to the Announcement of the Institute of Chartered Accountants of India's (ICAI) "Accounting for Derivatives" on encouraging the early adoption of Accounting Standard (AS) 30, "Financial Instruments: Recognition and Measurement", the Company had, during the year ended March 31, 2009, decided an early adoption of AS 30 to the extent it does not conflict with existing mandatory accounting standards and other authoritative pronouncements, Company Law and other regulatory requirements. Accordingly the net unrealised gain/(loss) of Rs. 4.99 Crore [P.Y Rs. 2.81 Crore] in respect of outstanding derivative instruments and foreign currency loans at the year end which qualify for hedge accounting, is standing in the 'Hedge Reserve Account', which would be recognised in the Profit and Loss account when the underlying transaction or forecast revenue arises.

15) Earnings per share:

| | March 31, 2011 | March 31, 2010 |
|---|---|---|
| **Profit after taxation / Profit available to equity share holders (Rs. Crore)** | **315.32** | **235.02** |
| Equity shares outstanding as at the year end | 614,399,550 | 609,325,700 |
| Weighted average number of equity shares used as denominator for calculating basic earnings per share | 612,569,618 | 609,150,561 |
| Weighted average number of equity shares used as denominator for calculating diluted earnings per share | 615,400,555 | 611,557,579 |
| Nominal value per equity share (Refer note below) | Re. 1 | Re. 1 |
| **Basic earnings per equity share** | **Rs. 5.15** | **Rs. 3.86** |
| ***Diluted earnings per equity share** | **Rs. 5.12** | **Rs. 3.84** |

*Diluted EPS has been calculated after taking into account options granted to certain eligible employees as referred in note 17 below.

# NOTES TO THE ACCOUNTS

16) Segment Information

The Company has only one reportable segment in terms of Accounting Standard 17 (AS 17) 'Segment Reporting' mandated by Rule 3 of the Companies (Accounting Standard) Rules 2006, which is manufacturing and sale of consumer products and geographical segments are insignificant.

17) a) Employee Stock Option Scheme 2007

The Corporate Governance Committee of the Board of Directors of Marico Limited has granted Stock Options to certain eligible employees pursuant to the Marico 'Employees Stock Options Scheme 2007'. Each option represents 1 equity share in the Company. The Vesting period and the Exercise Period both range from 1 year to 5 years. Pursuant to exercise of 5,073,850 (325,700) options during the year, the issued and subscribed share capital has increased by Rs. 0.51 Crore (Rs.0.03 Crore) to Rs. 61.44 Crore (Rs. 60.93 Crore) and Securities Premium account has increased by Rs. 28.20 Crore (Rs. 1.80 Crore) to Rs. 43.50 Crore (Rs. 15.30 Crore). The options outstanding as on the Balance sheet date correspond to about 0.39% (1.28%) of the current paid up equity capital of the Company.

| **Number of options granted, exercised and forfeited** | **March 31, 2011** | **March 31, 2010** |
|---|---|---|
| Options outstanding at beginning of the year | 7,816,800 | 8,339,600 |
| Granted | Nil | 1,332,100 |
| Less : Exercised | 5,073,850 | 325,700 |
| Forfeited / Lapsed | 354,900 | 1,529,200 |
| Options outstanding at the end of the year | 2,388,050 | 7,816,800 |

The Company has applied the intrinsic value based method of accounting for determining compensation cost for its stock based compensation plan and has accordingly accounted during the year Rs. 0.04 Crore (Rs. 0.08 Crore) as compensation cost under the 'intrinsic value' method. Had the Company considered 'fair value' method for accounting of compensation cost the Company's net income and Basic and Diluted earnings per share as reported would have reduced to the pro-forma amounts as indicated:

| **Particulars** | **March 31, 2011** | **March 31, 2010** |
|---|---|---|
| Net Profit after tax as reported (Rs. Crore) | 315.32 | 235.02 |
| Less : Stock-based employee compensation expense (Rs. Crore) | 1.76 | 3.91 |
| Adjusted pro-forma (Rs. Crore) | 313.56 | 231.11 |
| Basic earnings per share as reported | Rs. 5.15 | Rs. 3.86 |
| Pro-forma basic earnings per share | Rs. 5.12 | Rs. 3.79 |
| Diluted earnings per share as reported | Rs. 5.12 | Rs.3.84 |
| Pro-forma diluted earnings per share | Rs. 5.10 | Rs. 3.78 |

b) The Corporate Governance Committee has granted stock appreciation rights to certain eligible employees pursuant to the Company's Employee Stock Appreciation Rights Scheme, 2011("Scheme") . The vesting period under the Scheme is from March 28, 2011 to September 30, 2013. Under the Scheme, the respective employees are entitled to receive excess of the maturity price over the grant price subject to fulfillment of certain conditions. The stock appreciation rights equivalent to 2,874,000 shares were granted to employees which were outstanding as at the year end and difference between the market price of Company's shares as at the year end and the grant price is recognized over the vesting period amounting to Rs. 0.02 Crore in the Profit and Loss account.

# NOTES TO THE ACCOUNTS

18) Related Party disclosures :

a) Subsidiary: Marico Bangladesh Limited (90% holding by Marico Limited)

| | March 31, 2011 Rs. Crore | March 31, 2010 Rs. Crore |
|---|---|---|
| **Nature of transactions** | | |
| **Transactions during the year** | | |
| 1) Sales | 98.65 | 89.28 |
| 2) Royalty income | 3.68 | 2.95 |
| 3) Dividend income | 4.48 | 4.69 |
| 4) Sale of assets | Nil | 0.76 |
| **Balances** | | |
| 1) Debtors | 5.71 | 2.69 |
| 2) Investments | 0.86 | 0.86 |
| 3) Loans and advances | 7.58 | 4.32 |
| Maximum balance | 11.04 | 10.53 |
| 4) Corporate guarantees given to a bank | Nil | 33.40 |

b) Subsidiary: MBL Industries Limited (100% holding by Marico Middle East FZE)

| | March 31, 2011 Rs. Crore | March 31, 2010 Rs. Crore |
|---|---|---|
| **Nature of transactions** | | |
| **Transactions during the year** | | |
| 1) Sales | Nil | 0.56 |
| **Balances** | | |
| 1) Loan and advances | 0.22 | 0.23 |
| Maximum balance | 0.26 | 0.26 |

c) Subsidiary: Marico Middle East FZE (100% holding by Marico Limited)

| | March 31, 2011 Rs. Crore | March 31, 2010 Rs. Crore |
|---|---|---|
| **Nature of transactions** | | |
| **Transactions during the year** | | |
| 1) Sales | 27.29 | 33.35 |
| 2) Royalty income | 2.84 | 2.92 |
| 3) Interest income | 0.26 | 0.54 |
| 4) Payments made on behalf of Subsidiary | 0.81 | 0.38 |
| 5) Loans and advances recovered | 34.68 | 31.46 |
| 6) Loans and advances given | 30.33 | 21.19 |
| 7) Other expenses recovered by Subsidiary | Nil | 0.12 |
| 8) Stand by Letter of Credit issued to bank | 40.68 | 23.84 |
| 9) Investments | Nil | 26.76 |
| **Balances** | | |
| 1) Debtors | 10.76 | 7.87 |
| 2) Investments | 27.99 | 27.99 |
| 3) Loans and advances | 3.00 | 3.00 |
| Maximum balance | 31.47 | 25.65 |
| 4) Interest accrued on loans | 0.01 | 0.01 |
| Maximum Balance | 0.03 | 0.34 |
| 5) Stand by Letter of Credit issued to a bank | 106.02 | 67.47 |

# NOTES TO THE ACCOUNTS

d) Subsidiary: Kaya Limited (100% holding by Marico Limited)

| | March 31, 2011 Rs. Crore | March 31, 2010 Rs. Crore |
|---|---|---|
| **Nature of transactions** | | |
| **Transactions during the year** | | |
| 1) Payments made on behalf of Subsidiary (Net) | 8.43 | 3.06 |
| 2) Loans and advances given | 130.98 | 0.77 |
| 3) Loans and advances recovered | 103.13 | 22.97 |
| **Balances** | | |
| 1) Investments | 73.00 | 73.00 |
| 2) Loans and advances | 112.92 | 79.97 |
| Maximum balance | 186.70 | 79.97 |
| 3) Corporate guarantees given to a bank | 8.00 | 8.00 |

e) Subsidiary: Kaya Middle East FZE. (100% subsidiary of Marico Middle East FZE)

| | March 31, 2011 Rs. Crore | March 31, 2010 Rs. Crore |
|---|---|---|
| **Nature of transactions** | | |
| **Transactions during the year** | | |
| 1) Loans and advances recovered | 0.01 | 1.01 |
| 2) Payments made on behalf of Subsidiary | Nil | 0.01 |
| **Balances** | | |
| 1) Loans and advances | Nil | 0.01 |
| Maximum balance | 0.02 | 1.07 |

f) Subsidiary: Sundari LLC. (100% holding by Marico Limited upto June 8, 2009)

| | March 31, 2011 Rs. Crore | March 31, 2010 Rs. Crore |
|---|---|---|
| **Nature of transactions** | | |
| **Transactions during the year** | | |
| 1) Loss on sale of Investments | Nil | 6.05 |
| 2) Withdrawals from the provisions made in earlier years | Nil | 6.05 |
| 3) Sale of Investments | Nil | 0.01 |
| **Balances** | | |
| 1) Loans and advances | Nil | Nil |

# NOTES TO THE ACCOUNTS

g) Subsidiary: MEL Consumer Care (100% holding by Marico Middle East FZE)

| | March 31, 2011 Rs. Crore | March 31, 2010 Rs. Crore |
|---|---|---|
| **Nature of transactions** | | |
| **Transactions during the year** | | |
| 1) Repayment of amount due to subsidiary | 0.05 | Nil |
| 2) Recovery of Stand by Letter of Credit Charges | Nil | 0.02 |
| 3) Stand by Letter of Credit cancelled | Nil | 18.04 |
| 4) Loans and advances recovered | Nil | 0.40 |
| 5) Advances from Subsidiary | Nil | 0.07 |
| **Balances** | | |
| 1) Loans and advances | Nil | Nil |
| Maximum balance | Nil | 0.40 |
| 2) Due to Subsidiary | Nil | 0.05 |
| 3) Stand by Letter of Credit to a bank | Nil | 8.98 |

h) Subsidiary: Marico Egypt Industries Company (100% holding by MEL Consumer Care)

| | March 31, 2011 Rs. Crore | March 31, 2010 Rs. Crore |
|---|---|---|
| **Nature of transactions** | | |
| **Transactions during the year** | | |
| 1) Purchases | 1.18 | 1.76 |
| 2) Royalty income | 0.25 | 0.52 |
| 3) Payments made on behalf of Subsidiary | 0.44 | 0.09 |
| **Balances** | | |
| 1) Loans and advances | 0.67 | 0.61 |
| Maximum balance | 1.07 | 0.95 |
| 2) Due to Subsidiary | 0.31 | 1.10 |

i) Subsidiary : Egyptian American Investment & Industrial Development Company (100 % holding by Marico Middle East FZE)

| | March 31, 2011 Rs. Crore | March 31, 2010 Rs. Crore |
|---|---|---|
| **Nature of transactions** | | |
| **Transactions during the year** | | |
| 1) Royalty income | 0.07 | 0.17 |
| 2) Payments on behalf of Subsidiary | Nil | 0.09 |
| 3) Purchases | 0.56 | 1.54 |
| **Balances** | | |
| 1) Loans and advances | 0.07 | 0.26 |
| Maximum balance | 0.28 | 0.28 |
| 2) Due to Subsidiary | 0.10 | 0.43 |

# NOTES TO THE ACCOUNTS

j) Subsidiary: Marico South Africa Consumer Care (Pty) Limited (100 % holding by Marico Limited)

| | March 31, 2011 Rs. Crore | March 31, 2010 Rs. Crore |
|---|---|---|
| **Nature of transactions** | | |
| **Transactions during the year** | | |
| 1) Interest income | 3.77 | 3.87 |
| 2) Loans and advances given | 12.08 | Nil |
| **Balances** | | |
| 1) Investments | 25.37 | 25.37 |
| 2) Loans and advances | 52.04 | 37.01 |
| Maximum balance | 53.99 | 39.68 |
| 3) Interest accrued on Loans and Advances | 1.47 | 0.68 |
| Maximum balance | 1.47 | 1.98 |

k) Subsidiary: Marico South Africa (Pty) Limited (100 % holding by Marico South Africa Consumer Care (Pty) Limited)

| | March 31, 2011 Rs. Crore | March 31, 2010 Rs. Crore |
|---|---|---|
| **Nature of transactions** | | |
| **Transactions during the year** | | |
| 1) Payments made on behalf of Subsidiary | 0.06 | 0.24 |
| 2) Sale of assets | Nil | 0.25 |
| **Balances** | | |
| 1) Loans and advances | 0.06 | 0.48 |
| Maximum balance | 0.56 | 0.48 |
| 2) Corporate guarantees given to a bank | 44.58 | Nil |

l) Subsidiary: Marico Malaysia Sdn. Bhd. (100% holding by Marico Middle East FZE)

| | March 31, 2011 Rs. Crore | March 31, 2010 Rs. Crore |
|---|---|---|
| **Nature of transactions** | | |
| **Transactions during the year** | | |
| 1) Expenses paid on behalf of Subsidiary | 0.26 | Nil |
| 2) Standby Letter of Credit given to a bank | 2.23 | Nil |
| **Balances** | | |
| 1) Loans and advances | 0.26 | Nil |
| Maximum balance | 0.26 | Nil |
| 2) Stand by Letter of Credit given to a bank | 2.45 | Nil |

m) Subsidiary: International Consumer Products Corporation (85% holding by Marico Limited) (w.e.f. February 18, 2011)

| | March 31, 2011 Rs. Crore | March 31, 2010 Rs. Crore |
|---|---|---|
| **Nature of transactions** | | |
| **Transactions during the year** | | |
| 1) Investments | 254.98 | Nil |
| **Balances** | | |
| 1) Investments | 254.98 | Nil |

# NOTES TO THE ACCOUNTS

n) Subsidiary: Derma – Rx International Aesthetics Pte. Ltd. (100% holding by Kaya Limited) (w.e.f. May 22, 2010)

| | March 31, 2011 Rs. Crore | March 31, 2010 Rs. Crore |
|---|---|---|
| **Nature of transactions** | | |
| **Transactions during the year** | | |
| 1) Corporate guarantee commission Income | 0.23 | Nil |
| 2) Corporate guarantee given to a bank | 82.93 | Nil |
| **Balances** | | |
| 1) Loans and Advances | 0.23 | Nil |
| Maximum Balance | 0.23 | Nil |
| 2) Corporate guarantees given to a bank | 84.86 | Nil |

o) Subsidiary firm: Wind Company (99% stake by MEL Consumer Care SAE)

| | March 31, 2011 Rs. Crore | March 31, 2010 Rs. Crore |
|---|---|---|
| **Nature of transactions** | | |
| **Transactions during the year** | | |
| 1) Sales | 1.88 | 1.82 |
| 2) Sale of assets | Nil | 0.12 |
| **Balances** | | |
| 1) Debtors | Nil | 0.02 |

p) Enterprise over which Key Managerial Personnel exercise significant influence: The Bombay Oil Private Limited

| | March 31, 2011 Rs. Crore | March 31, 2010 Rs. Crore |
|---|---|---|
| **Nature of transactions** | | |
| **Transactions during the year** | | |
| 1) Rent Paid | 0.15 | 0.90 |
| 2) Payment made on behalf of the entity | Nil | 1.20 |
| 3) Recovery of payments made on behalf of the entity | 1.20 | Nil |
| **Balances** | | |
| 1) Sundry creditors | 0.01 | Nil |
| 2) Loans and advances | Nil | 0.30 |

q) Other related parties where control exists, however, with whom the Company did not have any transactions during the year:

1) CPF International (Pty) Limited (100% holding by Marico south Africa (Pty) Ltd)
2) The DRx Clinic Pte. Ltd. (100% holding by Derma – Rx International Aesthetics Pte. Ltd.) w.e.f. May 25, 2010
3) The DRx Medispa Pte. Ltd. (100% holding by Derma – Rx International Aesthetics Pte. Ltd.) w.e.f. May 25, 2010
4) DRx Investments Pte. Ltd. (100% holding by Derma – Rx International Aesthetics Pte. Ltd.) w.e.f. May 25, 2010
5) DRx Aesthetics Sdn. Bhd. (100% holding by DRx Investments Pte. Ltd.) w.e.f. May 25, 2010
6) DRx Meditech Pte. Ltd. (w.e.f. May 25, 2010 upto Feb 28, 2011 – merged with Derma – Rx International Aesthetics Pte. Ltd. w.e.f. March 1, 2011)
7) Beauté Cosmétique Societé Par Actions (99% holding by International Consumer Products Corporation) w.e.f. Feb 18, 2011
8) Thuan Phat Foodstuff Joint Stock Company (87% holding by International Consumer Products Corporation) w.e.f. Feb 18, 2011

# NOTES TO THE ACCOUNTS

Key management personnel and their relatives:

r) Whole-time director: Harsh Mariwala, Chairman and Managing Director

| Nature of transactions | March 31, 2011 Rs. Crore | March 31, 2010 Rs. Crore |
|---|---|---|
| Remuneration for the year | 3.58 | 3.03 |

s) Employee: Rishabh Mariwala, son of Harsh Mariwala

| Nature of transactions | March 31, 2011 Rs. Crore | March 31, 2010 Rs. Cror |
|---|---|---|
| Remuneration for the year | 0.13 | 0.11 |

19) Managerial Remuneration:

| Nature of transactions: | March 31, 2011 Rs. Crore | March 31, 2010 Rs. Crore |
|---|---|---|
| Payments and provisions on account of remuneration to Chairman and Managing Director included in the Profit and Loss account | | |
| Salary | 2.26 | 1.96 |
| Contribution to provident and pension funds | 0.26 | 0.23 |
| Other perquisites | 0.09 | 0.08 |
| Annual performance incentives | 0.97 | 0.76 |
| | 3.58 | 3.03 |
| Remuneration to non-whole time directors (including Sitting fees) | 0.46 | 0.25 |

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 lump sum 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.

20) The Following table sets forth the funded status of the plan and the amounts relating to gratuity and leave encashment recognized in the Company's Financials:

A. Defined Benefit plan (Gratuity):

| | March 31, 2011 Rs. Crore | March 31, 2010 Rs. Crore |
|---|---|---|
| **I. Actuarial assumptions for Gratuity benefits and Compensated absence for employees:** | | |
| Discount rate | 8.00% | 7.50% |
| Rate of return on Plan assets* | 8.00% | 8.50% |
| Future salary rise** | 10.00% | 10.00% |
| Attrition rate | 17.00% | 17.00% |
| Mortality | Published notes under the IC (1994-96) Mortality tables | |

*The expected rate of return on plan assets is based on expectation of the average long term rate of return expected on investment of the fund during the estimated term of the obligations.

**The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion, and other relevant factors such as supply and demand factors in the employment market. The expected rate of return on plan assets is based on the current portfolio of assets, investment strategy and market scenario.

## NOTES TO THE ACCOUNTS

| | | March 31, 2011 Rs. Crore | March 31, 2010 Rs. Crore |
|---|---|---|---|
| **II.** | **Changes in benefit obligations:** | | |
| | Liability at the beginning of the year | 10.57 | 9.56 |
| | Interest cost | 0.80 | 0.72 |
| | Current service cost | 1.42 | 1.38 |
| | Past service cost (non vested benefit) | Nil | Nil |
| | Past service cost (vested benefit) | Nil | Nil |
| | Benefits paid | (0.68) | (0.49) |
| | Actuarial (gain)/loss on obligations | (0.47) | (0.60) |
| | Liability at the end of the year | 11.64 | 10.57 |
| **III.** | **Fair value of plan assets :** | | |
| | Fair value of plan assets at the beginning of the year | 11.39 | 9.02 |
| | Expected return on plan assets | 0.91 | 0.79 |
| | Contributions | Nil | 0.54 |
| | Benefits paid | (0.68) | (0.49) |
| | Actuarial gain/(loss) on plan assets | (0.16) | 1.53 |
| | Fair value of plan assets at the end of the year | 11.46 | 11.39 |
| | Total Actuarial (gain)/loss to be recognized | (0.31) | (2.13) |
| **IV.** | **Actual return on plan assets** : | | |
| | Expected return on plan assets | 0.91 | 0.79 |
| | Actuarial gain/(loss) on plan assets | (0.16) | 1.53 |
| | Actual return on plan assets | 0.75 | 2.32 |

| | | | | March 31, | | |
|---|---|---|---|---|---|---|
| **V.** | **Amount recognised in the Balance Sheet** : | 2011 Rs. Crore | 2010 Rs. Crore | 2009 Rs. Crore | 2008 Rs. Crore | 2007 Rs. Crore |
| | Liability at the end of the year | 11.64 | 10.57 | 9.56 | 9.17 | 7.76 |
| | Fair value of plan assets at the end of the year | 11.46 | 11.39 | 9.02 | 9.05 | 5.01 |
| | Difference | 0.18 | (0.82) | 0.54 | 0.12 | 2.75 |
| | Unrecognised past service cost | Nil | Nil | Nil | Nil | Nil |
| | (Assets) / Liability recognised in the Balance Sheet | 0.18 | (0.82) | 0.54 | 0.12 | 2.75 |

| | | March 31, 2011 Rs. Crore | March 31, 2010 Rs. Crore |
|---|---|---|---|
| **VI.** | **Percentage of each category of plan assets to total fair value of plan assets:** | | |
| | Administered by HDFC Standard Life Insurance | 93.32% | 94.72% |
| | Special deposit scheme, Fixed deposit scheme and others | 6.68% | 5.28% |
| | Total | 100% | 100% |
| **VII.** | **Expenses recognised in the Profit and Loss account** : | | |
| | Current service cost | 1.42 | 1.38 |
| | Interest cost | 0.80 | 0.72 |
| | Expected return on plan assets | (0.91) | (0.79) |
| | Net actuarial (gain)/loss to be recognized | (0.31) | (2.13) |
| | Past service cost (non vested benefit) recognized | Nil | Nil |
| | Past service cost (vested benefit) recognized | Nil | Nil |
| | (Income) / Expense recognised in the Profit and Loss account | 1.00 | (0.82) |

## NOTES TO THE ACCOUNTS

| | | March 31, 2011 Rs. Crore | March 31, 2010 Rs. Crore |
|---|---|---|---|
| **VIII.** | **Balance Sheet reconciliation** | | |
| | Opening net liability | (0.82) | 0.54 |
| | (Income) / Expense as above | 1.00 | (0.82) |
| | Employers contribution | Nil | (0.54) |
| | Closing net liability | 0.18 | (0.82) |

| **IX.** | **Experience Adjustments** | March 31, 2011 Rs. Crore | March 31, 2010 Rs. Crore | March 31, 2009 Rs. Crore |
|---|---|---|---|---|
| | On Plan liability (gain) / loss | 0.17 | (0.34) | 1.93 |
| | On plan asset (loss) / gain | (0.16) | 1.53 | (0.46) |

As per actuarial valuation report, expected employer's contribution in next year Rs. 0.40 Crore (actual contribution in previous year Rs. Nil).

B. Privileged leave (Compensated Absence for Employees):

The Company permits encashment of privileged leave accumulated by its employees on retirement and separation. The liability for unexpired leave is determined and provided on the basis of actuarial valuation at the Balance Sheet date. The privileged leave liability is not funded.

Amount recognized in the Balance Sheet and movements in net liability:

| Particulars | March 31, 2011 Rs. Crore | March 31, 2010 Rs. Crore |
|---|---|---|
| Opening Balance of Compensated Absences (a) | 5.35 | 5.04 |
| Present value of Compensated Absences(As per actuary valuation) as at the year end (b) | 5.57 | 5.35 |
| (Excess)/ Unfunded liability of Compensated Absences recognized in the Profit and Loss account for the year (b-a) | 0.22 | 0.31 |

C. Defined contribution plan :

The Company has recognised Rs. 5.11 Crore (Rs. 5.03 Crore) towards contribution to provident fund, Rs 0.56 Crore (Rs. 0.64 Crore) towards contribution to superannuation fund and Rs. 0.23 Crore (Rs. 0.18 Crore) towards employee state insurance plan in Profit and Loss account.

21) The Guidance Note on implementing AS 15, Employee benefits (revised 2005) issued by Accounting Standards Board (ASB) states that benefits involving employer-established provident funds, which require interest shortfalls to be recompensed, are to be considered as defined benefit plans. Pending the issuance of the guidance note from the Actuarial Society of India, the Company's actuary has expressed an inability to reliably measure provident fund liabilities. Accordingly, the Company has accounted for the same as a defined contribution plan. However, as permitted by the circular number 2009/104919 issued by the Employees' Provident Fund Organization, the interest shortfall can be adjusted against the Reserve available with the trust. Based on the unaudited financial statements of the fund as at March 31, 2011, the Reserve available with the fund are adequate to cover interest shortfalls arising till the said date. Hence no provision for liability is required to be created on such interest shortfall as on March 31, 2011.

22) Dues payable to Micro and Small Enterprises which are outstanding for more than 45 days as at March 31, 2011 are as under:

| Particulars | March 31, 2011 Rs. Crore | March 31, 2010 Rs. Crore |
|---|---|---|
| Amount remaining unpaid to any supplier as at the end of the accounting year | 1.53 | Nil |
| Interest paid by the Company during the year under the Act | Nil | Nil |
| Interest due on principal amounts paid beyond the due date during the year but without the interest amounts under the Act | Nil | Nil |
| Interest accrued but not due | 0.01 | Nil |
| Interest due but not paid | 0.01 | Ni |

## NOTES TO THE ACCOUNTS

This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company.

23) a) Secured Debentures represent 300 8.25% Rated Taxable Redeemable Non- convertible Debentures of Face Value Rs. 10 lakhs each, aggregating to Rs. 30.00 Crore which were issued on May 8, 2009 and are redeemable at par after 3 years. As per the terms of the issue Put / Call option is available with the Investor / Company at the end of 2 years. These debentures are listed on the National Stock Exchange.

b) During the year, on March 30, 2011, The Company has issued 500 10.05% Rated Taxable Unsecured Redeemable Non-convertible debentures of face value of Rs. 10 lakhs each aggregating to Rs. 50.00 Crore which are redeemable at par after 30 months. These debentures have been listed on the National Stock Exchange after the Balance Sheet date.

24) During the year, on March 25, 2011, the Company divested its edible oil brand "Sweekar" to Cargill India Private Limited for a consideration of Rs. 50.00 Crore The divestment comprised assignment of trademark, designs, copyrights as also a non-compete agreement and limited period licensing for some of the intellectual rights. The profit arising from this divestment aggregating Rs. 50 Crore has been reflected as part of "Exceptional Items" in the Profit and Loss account (Refer Note 13 above).

25) During the year ended March 31, 2010, the Company had made a provision of Rs. 29.35 Crore towards 75% of possible excise duty obligation which may arise in the event of unfavorable outcome of the matter in respect of coconut oil packed in container size up to 200ml and cleared on and after June 3, 2009, which is being contested by the Company. Based on the facts of the case and the legal opinion obtained in this regard, the Company had made an assessment that the probability of success in the matter is more likely than not. In terms of Accounting Standard (AS) 29 "Provisions, Contingent Liabilities and Contingent Assets", the possible obligation on this account could be in the nature of contingent liabilities, which need not be provided for in the accounts. Pending outcome of the matter, the Company had made the aforesaid provision in the accounts for the year ended March 31, 2010. The Management had, while finalizing financial results for the quarters ended June 30, 2010, September 30, 2010 and December 31, 2010, continued to make provision on the said basis and had provided Rs. 26.61 Crore for the first nine months ended December 31, 2010.

The Auditors had qualified their audit report for the year ended March 31, 2010 and the limited review reports for the said quarter to the effect that the said provisioning was not in accordance with the requirements of AS 29.

As at March 31, 2011, the Company has reviewed the matter again and has taken a legal opinion, which has reaffirmed the earlier assessment that the probability of success in the matter is more likely than not. Considering the continued strength of the Company's case, the Company has, during the year, reversed the entire provision of Rs. 29.35 Crore and Rs. 26.61 Crore made during the year ended March 31, 2010 and during the nine months ended December 31, 2010 respectively, having regard to the fact that the said provision was not in accordance with the requirements of AS 29. The reversal of the provision pertaining to the year ended March 31, 2010 aggregating to Rs. 29.35 Crore has been included under the head "Exceptional Items" in the Profit and Loss account. Further, deferred tax asset of Rs. 9.75 Crore created during the year ended March 31, 2010 has been reversed and included in Deferred Tax charge for the year in the Profit and Loss account. Provisions of Rs. 26.61 Crore made in the first nine months ended December 31, 2010 were reversed in the quarter ended March 31, 2011, which has no impact for the results of the full year ended March 31, 2011.

Consequentially, the possible excise duty obligation of Rs. 88.97 Crore for clearances made after June 03, 2009 till March 31, 2011 and Rs. 121.77 Crore for clearances made prior to June 03, 2009 has been disclosed as Contingent Liability to the extent of the time horizon covered by show-cause notices issued by the excise department within the normal period of one year (from the date of clearance) under the excise laws.

Had the Company continued to make provisions on the same basis as in the previous year, the Profit before tax and Exceptional Items for the year would have been lower by Rs.37.38 Crore. Further, balances as at March 31, 2011 in Deferred Tax Asset and Provisions would have been higher by Rs. 21.65 Crore and Rs. 66.73 Crore respectively and balance in Reserve and Surplus would have been lower by Rs. 45.08 Crore.

The Company will continue to review this matter during the coming accounting periods based on the developments on the outcomes in the pending cases and the legal advice that it may receive from time to time.

# NOTES TO THE ACCOUNTS

26) During the year, the Company has recognized impairment of intangible assets comprising of Trademark relating to Fiancée brand, which is used by Egyptian American Investment & Industrial Development Company. The Company charges royalty from the said subsidiary for the use of Trademark. Having regard to the impairment indicators such as losses incurred in the Fiancée business due to multiple factors like shifting consumer habits, trade issues, weakening brand strength, etc , the Company has recognized a provision of Rs. 13.88 Crore towards Impairment of Fiancée Trademark, which is included in "Exceptional Items" in the Profit and Loss account. The Company has considered pre-tax discount rate of 19 % for determining value in use.

27) As at March 31, 2011, Marico Limited ("Marico") holds 100 % of the Equity Capital of Kaya Limited ("Kaya") at a cost of Rs.73.00 Crore (Rs.73.00 Crore). The Company has also advanced loans to Kaya of Rs. 112.92 Crore (Rs. 79.97 Crore). As per the latest audited financial statements, Kaya has negative net-worth as at March 31, 2011. The management believes that these losses are not reflective of future trends and operations of the Company and the Kaya business model continues to be robust and offers significant long term growth opportunities. Further, the operations of Kaya are expected to improve significantly due to positive changes in the economic environment, focus on same store growth, expansion of Kaya's range of services and product offerings, savings resulting from cost management initiatives and leveraging the synergies from the acquisition of Derma Rx business in Singapore (by its wholly owned subsidiary) and by increasing the share of product sales in the total business.

Having regard to the above factors, and based on the fundamentals of Kaya and its future business plans, the management is of the opinion that it is strategically desirable for Marico to continue to support Kaya through funding (equity / debt infusion), through either fresh funds or conversion of existing loans into equity. Accordingly, the management perceives that the erosion in the value of investments in Kaya is not other than temporary. Hence, no provision for diminution in value is considered necessary in respect of the Company's investments in Kaya or of the loans and advances given to Kaya.

28) The Company has advanced long term loan to its wholly owned subsidiary Marico South Africa Consumer Care (Pty) Limited which is outstanding at the year ended March 31, 2011. The operations of the said subsidiary are classified as 'Non – integral foreign operations'. Accordingly, as per the requirements of Accounting Standard 11 'The effect of changes in Foreign Exchange Rates', exchange gain of Rs. 5.74 Crore (Rs. 3.23 Crore) arising on revaluation of the said loan is accumulated in 'Foreign Currency Translation Reserve', to be recognized as income or expenses in the Profit and Loss account upon disposal of the net investment in said subsidiary.

29) The following amounts are payable towards the Investors Education and Protection Fund account as on March 31, 2011:

| Payables | March 31, 2011 Rs. Crore | March 31, 2010 Rs. Crore |
|---|---|---|
| Third interim dividend of year 2003-04 | 0.01 | Nil |
| Preference Shares redemption | 0.02 | Nil |

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

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

Signatures to Schedules A to R

As per our attached report of even date

**For Price Waterhouse**
Chartered Accountants
Firm Registration No. 301112E

**VILAS Y. RANE**
Partner
Membership No. F-33220

Place : Mumbai
Date : May 2, 2011

**For and on behalf of the Board of Directors**

**HARSH MARIWALA** Chairman and Managing Director

**NIKHIL KHATTAU** Director and Chairman of Audit Committee

**MILIND SARWATE** Group Chief Financial Officer and Chief Human Resource Officer

**HEMANGI WADKAR** Company Secretary & Compliance Officer

Place : Mumbai
Date : May 2, 2011

# 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, 2011 |

| **b) Capital raised during the year:** | **Rs. Crore** |
|---|---|
| Public Issue | Nil |
| Bonus Issue | Nil |
| Bonus Preference Shares | Nil |
| Rights Issue | Nil |
| Private placement | Nil |

* Issue of shares upon exercise of Options under Employee Stock Option Schemes: Rs. 0.51 Crore

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

| | | |
|---|---|---|
| Total Liabilities | — | Rs. 1425.61 Crore |
| Total Assets | — | Rs. 1425.61 Crore |

| **Sources of Funds** | **(Rs. Crore)** | **Application of Funds** | **(Rs. Crore)** |
|---|---|---|---|
| Paid up Capital | 61.44 | Net Fixed Assets | 268.16 |
| Reserves & Surplus | 811.68 | Investments | 470.36 |
| Secured Loans | 332.42 | Net Current Assets | 660.55 |
| Unsecured Loans | 220.07 | Deferred Tax Asset | 26.54 |
| Deferred Tax Liability | Nil | | |
| Accumulated losses | Nil | | |
| **Total Sources** | 1,425.61 | **Total Application** | 1,425.61 |

| **d) Performance of the Company:** | **(Rs. Crore)** |
|---|---|
| Turnover (Sales & Other Income) | 2,372.04 |
| Total Expenditure | 2,062.97 |
| Profit before Tax | 374.54 |
| Profit after Tax | 315.32 |
| Earnings per share (in Rs.) | 5.15 |
| Dividend rate (%) | 65.99% |

**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 Schedules A to R

**For and on behalf of the Board of Directors**

| | |
|---|---|
| **HARSH MARIWALA** | Chairman and Managing Director |
| **NIKHIL KHATTAU** | Director and Chairman of Audit Committee |
| **MILIND SARWATE** | Group Chief Financial Officer and Chief Human Resource Officer |
| **HEMANGI WADKAR** | Company Secretary & Compliance Officer |

Place : Mumbai
Date : May 2, 2011

* Amount in Crore

# STATEMENT PURSUANT TO SECTION 212(1)(e) OF THE COMPANIES ACT, 1956.

| Name of the subsidiary company | Marico Bangladesh Limited | | MBL Industries Limited # | | Kaya Limited | | Marico Middle East FZE | | Kaya Middle East FZE # | | MEL Consumer Care SAE # | | Egyptian American Investment and Industrial Development Company # | | Marico South Africa Consumer Care (Pty) Limited | | Marico South Africa (Pty) Limited # | | CPF International (Pty) Limited # | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Name of the holding company | Marico Limited | | Marico Middle East FZE | | Marico Limited | | Marico Limited | | Marico Middle East FZE | | Marico Middle East FZE | | Marico Middle East FZE | | Marico Limited | | Marico South Africa Consumer Care (Pty) Limited | | Marico South Africa (Pty) Limited | |
| Reporting Currency | BDT | Rs. | BDT | Rs. | Rs. | Rs. | AED | Rs. | AED | Rs. | EGP | Rs. | EGP | Rs. | ZAR | Rs. | ZAR | Rs. | ZAR | Rs. |
| Exchange Rate | | 0.615 | | 0.615 | | 1.000 | | 12.139 | | 12.139 | | 7.483 | | 7.483 | | 6.582 | | 6.582 | | 6.582 |
| Holding Company's interest | 28,350,000 ordinary shares of Taka 10 each, fully paid up | | 100,000 ordinary shares of Taka 10 each, fully paid up | | 14,500,000 ordinary shares of Rs. 10 each, fully paid up | | 22 ordinary share of AED 1,000,000 each, fully paid up | | 1 Equity share of AED 1,50,000 fully paid up | | 250 Equity share of EGP 1,000 fully paid up | | 68,920 ordinary shares of EGP 100 each, fully paid up | | 800 ordinary shares of ZAR 1 each, fully paid up | | 500,000 ordinary shares of ZAR 0.01 each, fully paid up | | 100 ordinary shares of ZAR 1 each, fully paid up | |
| Extent of Holding as on 31st March 2011 | 90% | | 100% | | 100% | | 100% | | 100% | | 100% | | 100% | | 100% | | 100% | | 100% | |
| The "financial year" of the subsidiary company ended on | March 31,2011 | | September 30, 2010 | | March 31, 2011 | | March 31, 2011 | | March 31, 2011 | | March 31, 2011 | | December 31, 2010 | | March 31, 2011 | | March 31, 2011 | | March 31, 2011 | |
| | Amount in Crore | | Amount in Crore | | Amount in Crore | | Amount in Crore | | Amount in Crore | | Amount in Crore | | Amount in Crore | | Amount in Crore | | Amount in Crore | | Amount in Crore | |
| | BDT | Rs. | BDT | Rs. | Rs. | Rs. | AED | Rs. | AED | Rs. | EGP | Rs. | EGP | Rs. | ZAR | Rs. | ZAR | Rs. | ZAR | Rs. |
| 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 | 7.09 | 4.36 | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| For the previous financial years since it became subsidiary | 17.04 | 10.71 | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | 1.37 | 7.31 |
| 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 | 96.15 | 59.13 | (0.62) | (0.38) | (41.26) | (41.26) | (1.20) | (14.55) | (0.82) | (10.00) | (0.07) | (0.49) | (0.33) | (2.47) | (0.03) | (0.18) | (0.17) | (1.11) | - | - |
| For the previous financial years since it became subsidiary | 112.65 | 72.26 | (2.29) | (1.57) | (25.02) | (25.02) | 1.60 | 20.26 | (0.49) | (6.11) | (1.20) | (10.25) | (1.57) | (14.91) | (0.30) | (1.18) | (0.34) | (2.21) | 0.01 | 0.01 |
| 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 | NA | | NA | | NA | | NA | | NA | | NA | | NA | | NA | | NA | | NA | |
| Material changes, if any, between the end of the financial year of the subsidiary and that of the holding company | NA | | NA | | NA | | NA | | NA | | NA | | NA | | NA | | NA | | NA | |

# STATEMENT PURSUANT TO SECTION 212(1)(e) OF THE COMPANIES ACT, 1956.

* Amount in Crore

| Name of the subsidiary company | Marico Egypt Industries Company# | | Marico Malaysia Sdn. Bhd# | | Derma Rx International Aesthetics Pte. Ltd # | | The DRx Clinic Pte. Ltd # | | The DRx Medispa Pte. Ltd # | | DRx Investments Pte. Ltd # | | DRx Aesthetics Sdn Bhd # | | International Consumer Products Corporation # | | Beauté Cosmétique Societé Par Actions # | | Thuan Phat Foodstuff Joint stock Company # | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Name of the holding company | MEL Consumer Care SAE | | Marico Middle East FZE | | Kaya Liminted | | Derma Rx International Aesthetics Pte. Ltd | | Derma Rx International Aesthetics Pte. Ltd | | Derma Rx International Aesthetics Pte. Ltd | | DRx Investments Pte. Ltd | | Marico Limited | | International Consumer Products Corporation | | International Consumer Products Corporation | |
| Reporting Currency | EGP | Rs. | MYR | Rs. | SGD | Rs. | SGD | Rs. | SGD | Rs. | SGD | Rs. | MYR | Rs. | VND | Rs. | VND | Rs. | VND | Rs. |
| Exchange Rate | | 7.483 | | 14.747 | | 35.357 | | 35.357 | | 35.357 | | 35.357 | | 14.747 | | 0.002133 | | 0.002133 | | 0.002133 |
| Holding Company's interest | 1,228,769 Equity shares of EGP 10 each, fully paid | | 17,660,240 Equity shares of MYR 1 each, fully paid | | 7,000,000 Equity shares of SGD 1 each fully paid up | | 100,000 Equity shares of SGD 1 each fully paid up | | 100,000 Equity shares of SGD 1 each fully paid up | | 748,343 Equity shares of SGD 1 each fully paid up | | 990,000 Equity shares of MYR 1 each fully paid up | | 11,217,760 Equity shares of VND 10,000 each fully paid up | | 2,000,000 Equity shares of VND 10,000 each fully paid up | | 3,140,000 Equity shares of VND 10,000 each fully paid up | |
| Extent of Holding as on 31st March 2011 | 100% | | 100% | | 100% | | 100% | | 100% | | 100% | | 100% | | 85% | | 99% | | 87% | |
| The "financial year" of the subsidiary company ended on | December 31, 2010 | | March 31, 2011 | | March 31, 2011 | | March 31, 2011 | | March 31, 2011 | | March 31, 2011 | | March 31, 2011 | | December 31, 2010 | | December 31, 2010 | | December 31, 2010 | |
| | Amount in Crore | | Amount in Crore | | Amount in Crore | | Amount in Crore | | Amount in Crore | | Amount in Crore | | Amount in Crore | | Amount in Crore | | Amount in Crore | | Amount in Crore | |
| | EGP | Rs. | MYR | Rs. | SGD | Rs. | SGD | Rs. | SGD | Rs. | SGD | Rs. | MYR | Rs. | VND | Rs. | VND | Rs. | VND | Rs. |
| Net aggregate amount of the subsidiary company's profits/(losses) dealt with in the holding company's accounts | | | | | | | | | | | | | | | | | | | | |
| For the subsidiary's aforesaid financial year | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| For the previous financial years since it became subsidiary | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | 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 | 1.43 | 10.72 | (0.20) | (2.92) | 0.01 | 0.14 | 0.28 | 9.79 | 0.09 | 3.02 | (0.01) | (0.02) | 0.03 | 0.50 | 1,233.68 | 2.63 | 448.19 | 0.96 | (217.17) | (0.46) |
| For the previous financial years since it became subsidiary | 3.15 | 26.71 | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA | 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 | NA | | NA | | NA | | NA | | NA | | NA | | NA | | on February 18, 2011, Marico Limited acquired controlling equity stake | | on February 18, 2011, Marico Limited acquired controlling equity stake in ICP | | on February 18, 2011, Marico Limited acquired controlling equity stake in ICP | |
| Material changes, if any, between the end of the financial year of the subsidiary and that of the holding company | NA | | NA | | NA | | NA | | NA | | NA | | NA | | NA | | NA | | NA | |

# STATEMENT PURSUANT TO SECTION 212(1)(e) OF THE COMPANIES ACT, 1956.

The Indian rupee equivalents of the figures given in foreign currencies in the accounts of the subsidiary companies, have been given based on the exchange rates as on March 31, 2011.
# By virtue of Section 4 (1) (c) of the Companies Act, 1956,

a) MBL Industries Limited (MBLIL) is a subsidiary of the Company as Marico Middle East FZE, a subsidiary of the Company, holds 100% stake in MBLIL,

b) Kaya Middle East FZE (KME), MEL Consumer Care SAE (MELCC) and Egyptian American Industrial and Investment Development Company (EAIIDC) are subsidiaries of the company as Marico Middle East FZE, a subsidiary of the Company, holds 100% stake in KME, MELCC and EAIIDC,

c) Marico South Africa (Pty) Limited (MSA) is a subsidiary of the company as Marico South Africa Consumer Care (Pty) Limited (MSACC), a subsidiary of the Company, holds 100% stake in MSA,

d) CPF International (Pty) Limited (CPF) is a subsidiary of the Company, as MSA which holds 100% stake in CPF is a 100% subsidiary of MSACC, which is a 100% subsidiary of the Company,

e) Marico Egypt Industries Company is a subsidiary of the the Company, as MELCC which holds 100% stake in MEIC is a 100% subsidiary of MME, which is a 100% subsidiary of the Company.

f) Derma Rx International Aesthetics Pte. Ltd (DIAL) is a subsidiary of the the Company, as Kaya Limited (KAL) , a subsidiary of the Company, holds 100% stake in DIAL.

g) The DRx Clinic Pte. Ltd (DCPL), The DRx Medispa Pte. Ltd (DMSPL), DRx Investments Pte. Ltd (DIPL) are subsidiaries of the company, as DIAL which holds 100% stake in DCPL, DMSPL, DIPL, is a 100% subsidiary of KAL , which is a 100% subsidiary of the Company,

h) DRx Aesthetics Sdn Bhd (DASB) is a subsidiary of the Company, as DIPL which holds 100% stake in DASB is a 100% subsidiary of DIAL, which is a 100% subsidiary of the Company,

i) Beauté Cosmétique Societé Par Actions (BCS) and Thuan Phat Foodstuff Joint stock Company (TP) are subsidiaries of the Company, as International Consumer Products Corporation (ICP) which holds 99% stake in BCS and 87% stake in TP, is a subsidiary in which the Company hold 85% stake.

**For and On behalf of Board of Directors**

| | |
|---|---|
| **HARSH MARIWALA** | Chairman and Managing Director |
| **NIKHIL KHATTAU** | Director and Chairman of Audit Committee |
| **MILIND SARWATE** | Group Chief Financial Officer and Chief Human Resource Officer |
| **HEMANGI WADKAR** | Company Secretary & Compliance Officer |

Place : Mumbai
Date : May 2, 2011

# 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 companies are included in the report.

In terms of approval granted by the Central Government, Dept. of Company Affairs vide Approval letter no. 47/313/2010-CL-III dated May 10, 2010 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 separately 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 the subsidiaries is attached herewith:

**(Amount in Crore)**

| Sr. No. | Name of the subsidiary company | Reporting Currency | Exchange Rate | Capital | Reserves | Total Assets | Total Liabilities | Details of Investment (Excluding Investment in Subsidiaries) | Turnover | Profit / ( Loss) Before Tax | Provision for Tax | Profit / (Loss) After Tax | Proposed Dividend including Dividend declared during the year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Marico Bangladesh Limited | BDT | – | 31.50 | 214.76 | 461.31 | 215.05 | 2.96 | 820.40 | 143.73 | 40.49 | 103.24 | 11.03 |
| | | Rs. | 0.615 | 19.37 | 132.08 | 283.70 | 132.25 | 1.82 | 504.55 | 88.39 | 24.90 | 63.49 | 6.78 |
| 2 | MBL Industries Limited | BDT | – | 0.10 | 2.50 | 3.17 | 0.57 | – | 1.78 | (0.61) | 0.01 | (0.62) | – |
| | | Rs. | 0.615 | 0.06 | 1.54 | 1.95 | 0.35 | – | 1.10 | (0.37) | 0.01 | (0.38) | – |
| 3 | Kaya Skin Care Limited | Rs. | – | 14.50 | (56.14) | 112.41 | 154.05 | – | 105.12 | (41.27) | (0.01) | (41.26) | – |
| | | Rs. | 1.000 | 14.50 | (56.14) | 112.41 | 154.05 | – | 105.12 | (41.27) | (0.01) | (41.26) | – |
| 5 | Marico Middle East FZE | AED | – | 2.20 | (0.10) | 13.07 | 10.72 | – | 9.98 | (1.20) | – | (1.20) | – |
| | | Rs. | 12.139 | 26.71 | (1.24) | 158.65 | 130.19 | – | 121.16 | (14.55) | – | (14.55) | – |
| 6 | Kaya Middle East FZE | AED | – | 0.02 | (1.32) | 4.54 | 1.56 | – | 4.65 | (0.82) | – | (0.82) | – |
| | | Rs. | 12.139 | 0.18 | (16.00) | 55.14 | 18.95 | – | 56.47 | (10.00) | – | (10.00) | – |
| 7 | MEL Consumer Care SAE | EGP | – | 0.03 | (0.90) | 2.98 | 3.85 | – | – | (0.07) | – | (0.07) | – |
| | | Rs. | 7.483 | 0.19 | (6.71) | 22.29 | 28.81 | – | – | (0.49) | – | (0.49) | – |
| 8 | Egyptian American Investment and Industrial Development Company | EGP | – | 0.69 | (1.38) | 1.55 | 2.24 | – | 2.21 | (0.32) | 0.01 | (0.33) | – |
| | | Rs. | 7.483 | 5.16 | (10.31) | 11.61 | 16.77 | – | 16.50 | (2.46) | 0.01 | (2.47) | – |
| 9 | Marico South Africa Consumer Care (Pty) Limited | ZAR | – | 0.01 | 4.05 | 12.19 | 8.13 | – | – | (0.03) | – | (0.03) | – |
| | | Rs. | 6.582 | 0.01 | 26.68 | 80.22 | 53.53 | – | – | (0.18) | – | (0.18) | – |
| 10 | Marico South Africa (Pty) Limited | ZAR | – | 0.01 | 0.32 | 10.77 | 10.45 | – | 13.78 | (0.14) | 0.03 | (0.17) | – |
| | | Rs. | 6.582 | 0.01 | 2.12 | 70.88 | 68.75 | – | 90.71 | (0.92) | 0.19 | (1.11) | – |
| 11 | CPF International (Pty) Limited | ZAR | – | 0.01 | (0.01) | – | - | – | – | – | – | - | – |
| | | Rs. | 6.582 | 0.01 | (0.01) | – | - | – | – | – | – | - | – |
| 12 | Marico Egypt Industries Company | EGP | – | 1.23 | 4.33 | 7.63 | 2.07 | – | 9.13 | 1.43 | – | 1.43 | – |
| | | Rs. | 7.483 | 9.19 | 32.38 | 57.09 | 15.52 | – | 68.35 | 10.72 | – | 10.72 | – |
| 13 | Marico Malaysia Sdn. Bhd. | MYR | – | 1.77 | (0.20) | 2.00 | 0.43 | – | 1.13 | (0.20) | – | (0.20) | – |
| | | Rs. | 14.747 | 26.04 | (2.92) | 29.48 | 6.36 | – | 16.70 | (2.92) | – | (2.92) | – |
| 14 | Derma Rx International Aesthetics Pte. Ltd. | SGD | – | 0.70 | 0.01 | 4.22 | 3.51 | – | 0.17 | 0.01 | – | 0.01 | – |
| | | Rs. | 35.357 | 24.75 | 0.14 | 149.17 | 124.28 | – | 6.00 | 0.14 | – | 0.14 | – |
| 15 | The DRx Clinic Pte. Ltd. | SGD | – | 0.01 | 0.16 | 0.35 | 0.18 | – | 1.12 | 0.32 | 0.04 | 0.28 | – |
| | | Rs. | 35.357 | 0.35 | 5.48 | 12.20 | 6.36 | – | 39.53 | 11.48 | 1.69 | 9.79 | – |
| 16 | The DRx Medispa Pte. Ltd. | SGD | – | 0.01 | (0.12) | 0.24 | 0.35 | – | 0.68 | 0.11 | 0.02 | 0.09 | – |
| | | Rs. | 35.357 | 0.35 | (4.33) | 8.53 | 12.51 | – | 23.91 | 4.06 | 0.69 | 3.37 | – |
| 17 | DRx Investments Pte. Ltd. | SGD | – | 0.07 | (0.07) | 0.01 | 0.01 | – | – | (0.01) | – | (0.01) | – |
| | | Rs. | 35.357 | 2.65 | (2.63) | 0.04 | 0.02 | – | – | (0.02) | – | (0.02) | – |
| 18 | DRx Aesthetics Sdn. Bhd. | MYR | – | 0.10 | (0.26) | 0.04 | 0.20 | – | 0.12 | 0.03 | 0.01 | 0.03 | – |
| | | Rs. | 14.747 | 1.46 | (3.86) | 0.61 | 3.02 | – | 1.82 | 0.51 | 0.01 | 0.50 | – |
| 19 | International Consumer Products Corporation | VND | – | 11,217.76 | 12,470.69 | 27,577.07 | 3,888.62 | – | 39,087.05 | 1,710.81 | 477.13 | 1,233.68 | – |
| | | Rs. | 0.002133 | 23.93 | 26.60 | 58.82 | 8.29 | – | 83.37 | 3.65 | 1.02 | 2.63 | |
| 20 | Beauté Cosmétique Societé Par Actions | VND | – | 2,000.00 | 250.51 | 3,274.99 | 1,024.48 | – | 8,630.71 | 625.79 | 177.60 | 448.19 | – |
| | | Rs. | 0.002133 | 4.27 | 0.53 | 6.99 | 2.19 | – | 18.41 | 1.33 | 0.38 | 0.95 | – |
| 21 | Thuan Phat Foodstuff Joint stock Company | VND | – | 3,140.00 | 374.29 | 6,082.46 | 2,568.17 | – | 7,700.35 | (189.66) | 27.51 | (217.17) | – |
| | | Rs. | 0.002133 | 6.698 | 0.798 | 12.974 | 5.478 | | 16.425 | (0.40) | 0.06 | (0.46) | – |

The amounts given in the table above are from the annual accounts made for the respective financial year end for each of the companies.
The Indian rupee equivalents of the figures given in foreign currencies in the accounts of the subsidiary companies, have been given based on the exchange rates as on March 31, 2011.

Undertaking:

We undertake that the annual accounts of the subsidiary companies and the related detailed information will be made available to the shareholders, 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 Board of Directors**

**HARSH MARIWALA** Chairman and Managing Director
**NIKHIL KHATTAU** Director and Chairman of Audit Committee
**MILIND SARWATE** Group Chief Financial Officer and Chief Human Resource Officer
**HEMANGI WADKAR** Company Secretary & Compliance Officer

Place : Mumbai
Date : May 2, 2011

# 10 YEARS HIGHLIGHTS

The highlights pertain to the financial performance of Marico Consolidated — Amount in Rs. Crore

| Year ended March 31, | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Sales & Services** | **695.7** | **775.5** | **888.5** | **1,007.0** | **1,143.9** | **1,556.9** | **1,905.0** | **2,388.4** | **2,660.8** | **3,128.3** |
| EBITDA | 74.8 | 75.7 | 74.5 | 88.3 | 144.3 | 198.7 | 246.4 | 304.0 | 375.1 | 409.8 |
| Profit before Interest & Tax (PBIT) | 61.9 | 64.9 | 64.5 | 75.0 | 103.1 | 156.7 | 225.1 | 280.4 | 333.3 | 366.9 |
| Profit before Tax | 57.8 | 63.8 | 63.3 | 73.0 | 98.0 | 136.0 | 194.5 | 244.7 | 307.7 | 327.6 |
| Extraordinary / Exceptional items | - | - | - | - | - | (14.0) | (10.6) | 15.0 | 9.8 | (48.9) |
| **Profit before Tax (PBT)** | **57.8** | **64.0** | **65.1** | **74.3** | **98.0** | **150.1** | **205.0** | **229.6** | **296.0** | **376.5** |
| Profit after Tax (PAT) | 50.1 | 56.2 | 59.0 | 70.1 | 86.9 | 112.9 | 169.1 | 188.7 | 231.7 | 291.5 |
| Cash Profits (Profit after Current Tax + Depreciation + Amortisation) | 67.2 | 78.2 | 72.1 | 82.8 | 137.2 | 187.1 | 220.1 | 258.4 | 294.8 | 350.4 |
| **Economic Value Added** | **29.1** | **31.3** | **38.2** | **46.0** | **50.7** | **79.3** | **131.5** | **144.4** | **196.0** | **201.0** |
| Goodwill on consolidation | - | - | - | 1.7 | 1.7 | 45.0 | 84.2 | 85.0 | 85.0 | 397.6 |
| Net Fixed Assets | 141.3 | 105.7 | 112.5 | 145.9 | 381.3 | 165.4 | 257.3 | 311.1 | 399.7 | 489.7 |
| Investments | 0.0 | 13.9 | 0.5 | 12.4 | 18.5 | 0.0 | 0.01 | 13.0 | 82.7 | 89.2 |
| Net Current Assets | 66.9 | 93.9 | 90.2 | 128.3 | 107.7 | 117.7 | 233.0 | 355.3 | 483.3 | 702.6 |
| Miscellaneous Expenditure | - | 0.7 | 0.5 | 0.4 | 0.3 | 0.1 | - | - | - | - |
| Deferred Tax Asset | - | - | - | - | - | 115.2 | 98.2 | 64.1 | 61.6 | 30.1 |
| **Total Capital Employed** | **208.2** | **214.1** | **203.6** | **288.7** | **509.4** | **443.3** | **672.7** | **828.5** | **1,112.4** | **1,709.2** |
| Equity Share Capital | 14.5 | 29.0 | 29.0 | 58.0 | 58.0 | 60.9 | 60.9 | 60.9 | 60.9 | 61.4 |
| Advance against Equity | - | - | 0.2 | - | - | - | - | - | - | - |
| Preference Share Capital | - | 29.0 | - | - | - | - | - | - | - | - |
| Reserves | 182.7 | 135.0 | 155.2 | 158.9 | 203.5 | 131.5 | 253.7 | 392.6 | 593.0 | 854.1 |
| **Net Worth** | **197.2** | **193.0** | **184.4** | **216.9** | **261.5** | **192.4** | **314.6** | **453.5** | **654.0** | **915.5** |
| Minority interest | - | 3.1 | 1.9 | - | - | 0.0 | 0.1 | - | 12.5 | 21.9 |
| Borrowed Funds | 5.0 | 12.0 | 11.1 | 65.7 | 239.7 | 251.0 | 358.0 | 375.0 | 445.9 | 771.8 |
| Deferred Tax Liability | 6.0 | 6.1 | 6.2 | 6.1 | 8.3 | - | - | - | - | - |
| **Total Funds Employed** | **208.2** | **214.1** | **203.6** | **288.7** | **509.4** | **443.3** | **672.7** | **828.5** | **1,112.4** | **1,709.2** |
| EBITDA Margin (%) | 10.8 | 9.8 | 8.4 | 8.8 | 12.6 | 12.8 | 12.9 | 12.7 | 14.1 | 13.1 |
| Profit before Tax to Turnover (%) | 8.3 | 8.2 | 7.3 | 7.4 | 8.6 | 9.6 | 10.8 | 9.6 | 11.1 | 12.0 |
| Profit after Tax to Turnover (%) | 7.2 | 7.2 | 6.6 | 7.0 | 7.6 | 7.3 | 8.9 | 7.9 | 8.7 | 9.3 |
| Return on Net Worth (%) (PAT / Average Net Worth $) | 27.2 | 28.8 | 31.2 | 35.0 | 36.3 | 49.7 | 66.7 | 49.1 | 41.8 | 37.1 |
| **Return on Capital Employed (PBIT* / Average Total Capital Employed @)** | **32.3** | **30.8** | **31.7** | **31.0** | **25.8** | **35.8** | **40.3** | **37.4** | **34.2** | **25.7** |
| Net Cash Flow from Operations per share (Rs.) (Refer Cash Flow Statement)##, ### | 4.5 | 2.2 | 2.7 | 0.7 | 2.8 | 3.1 | 2.3 | 3.0 | 3.4 | 4.4 |
| **Earning per Share (EPS) (Rs.) (PAT / No. of Equity Shares)##, ###** | **3.5** | **1.9** | **2.0** | **1.2** | **1.5** | **1.9** | **2.8** | **3.1** | **3.8** | **4.7** |
| Economic Value Added per Share (Rs.)##, ### | 2.0 | 1.1 | 1.3 | 0.8 | 0.9 | 1.3 | 2.2 | 2.4 | 3.2 | 3.3 |
| Dividend per Share (Rs.)##, ### | 1.4 | 0.5 | 0.4 | 0.5 | 0.6 | 0.7 | 0.7 | 0.7 | 0.7 | 0.8 |
| **Debt / Equity** | **0.0** | **0.1** | **0.1** | **0.3** | **0.9** | **1.3** | **1.1** | **0.8** | **0.7** | **0.8** |
| **Book Value per Share (Rs.) (Net Worth / No. of Equity Shares)##, ###** | **13.6** | **6.7** | **6.4** | **3.7** | **4.5** | **3.2** | **5.2** | **7.4** | **10.7** | **14.9** |
| Sales to Average Capital Employed @ | 3.6 | 3.7 | 4.3 | 4.1 | 2.9 | 3.3 | 3.4 | 3.2 | 2.7 | 2.2 |
| Sales to Average Net Working Capital # | 12.2 | 9.6 | 9.7 | 9.2 | 9.7 | 13.8 | 10.9 | 8.1 | 6.3 | 5.3 |

* 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 2004-05 is re-calculated on enhanced equity share capital of Rs. 58 crores (5.8 crore shares)
### Previous year figures have been recomputed based on the post split face value of Re. 1
Note: 1 crore equals 10 million

# CONSOLIDATED QUARTERLY FINANCIALS

| 2010-11 | | | | | (Amount in Rupees Crore) |
|---|---|---|---|---|---|
| **Particulars** | **Three Months Ended** | | | | **Annual** |
| | **Jun. 30, 10** | **Sept. 30, 10** | **Dec. 31, 10** | **Mar. 31, 11** | **FY 11** |
| Total Revenue | 791.7 | 783.1 | 824.6 | 756.7 | 3,156.2 |
| Total Expenditure | 673.0 | 668.5 | 708.5 | 668.6 | 2,718.6 |
| Finance Charges | 7.0 | 6.5 | 7.6 | 18.2 | 39.3 |
| Gross profit after Finance Charges but before Depreciation and Taxation | 111.7 | 108.1 | 108.5 | 69.9 | 398.3 |
| Depreciation & Amortisation | 12.0 | 14.0 | 14.6 | 30.2 | 70.8 |
| **Profit before Taxation and Exceptional Item** | **99.7** | **94.2** | **93.9** | **39.8** | **327.5** |
| Exceptional Item | (8.8) | (8.2) | (9.6) | 75.5 | 48.9 |
| **Profit before Tax** | **90.9** | **86.0** | **84.3** | **115.3** | **376.4** |
| Minority Interest & Goodwill on consolidation | 1.0 | 1.8 | 1.5 | 0.8 | 5.0 |
| Profit before Tax after minority interest & goodwill | 89.9 | 84.2 | 82.9 | 114.4 | 371.4 |
| Provision for Tax (Current) | 22.9 | 24.0 | 20.3 | 29.7 | 96.9 |
| MAT Credit | (6.7) | (11.6) | (15.1) | (10.2) | (43.6) |
| Fringe Benefit Tax | - | - | - | - | - |
| **Profit after Tax (Current)** | **73.7** | **71.7** | **77.6** | **94.9** | **318.1** |
| Provision for Tax (Deferred Taxation) | 0.0 | 0.2 | 8.1 | 23.3 | 31.6 |
| **Profit after Tax** | **73.7** | **71.6** | **69.5** | **71.6** | **286.4** |
| **Equity Share Capital** | **60.9** | **61.4** | **61.4** | **61.4** | **61.4** |
| Earnings per Share - (Rs.) | 1.2 | 1.2 | 1.1 | 1.2 | 4.7 |

| 2009-10 | | | | | (Amount in Rupees Crore) |
|---|---|---|---|---|---|
| **Particulars** | **Three Months Ended** | | | | **Annual** |
| | **Jun. 30, 09** | **Sept. 30, 09** | **Dec. 31, 09** | **Mar. 31, 10** | **FY 10** |
| Total Revenue | 699.9 | 697.8 | 675.2 | 607.6 | 2,680.4 |
| Total Expenditure | 600.3 | 597.2 | 570.8 | 517.3 | 2,285.6 |
| Finance Charges | 8.6 | 5.6 | 6.4 | 5.0 | 25.7 |
| Gross profit after Finance Charges but before Depreciation and Taxation | 91.0 | 95.0 | 98.0 | 85.2 | 369.1 |
| Depreciation & Amortisation | 9.9 | 17.9 | 16.6 | 15.7 | 60.1 |
| **Profit before Taxation and Exceptional Item** | **81.1** | **77.1** | **81.4** | **69.5** | **309.1** |
| Exceptional Item | 4.1 | - | - | 5.7 | 9.8 |
| **Profit before Tax** | **77.0** | **77.1** | **81.4** | **63.8** | **299.3** |
| Minority Interest & Goodwill on consolidation | - | 0.1 | 0.9 | 0.9 | 1.9 |
| Profit before Tax after minority interest & goodwill | 77.0 | 77.0 | 80.5 | 62.9 | 297.4 |
| Provision for Tax (Current) | 18.4 | 14.5 | 18.2 | 12.8 | 63.8 |
| MAT Credit | (0.5) | 1.6 | (1.1) | (2.5) | (2.6) |
| Fringe Benefit Tax | - | - | - | - | - |
| **Profit after Tax (Current)** | **59.1** | **61.0** | **63.5** | **52.6** | **236.1** |
| Provision for Tax (Deferred Taxation) | 3.1 | (2.8) | 1.3 | 1.5 | 3.1 |
| **Profit after Tax** | **56.0** | **63.8** | **62.2** | **51.1** | **233.1** |
| **Equity Share Capital** | **60.9** | **60.9** | **60.9** | **60.9** | **60.9** |
| Earnings per Share - (Rs.) | 0.9 | 1.0 | 1.0 | 0.8 | 3.8 |

Note: Previous period / year figures have been regrouped / restated wherever necessary.

# NOTICE

**NOTICE** is hereby given that the Twenty Third Annual General Meeting of Marico Limited will be held on Wednesday, July 27, 2011 at 3.30 p.m. at IES Management College & Research Centre, Gate No.4, Seminar Hall, 6th Floor, Plot No.791, S K Marg, VMDL Complex, Bandra Reclamation, Bandra (W) Mumbai – 400050 to transact the following business:

**ORDINARY BUSINESS**

1. To receive, consider and adopt the audited Balance Sheet as at March 31, 2011 and the Profit and Loss Account of the Company for the year ended on that date together with the Reports of the Directors and the Auditors.
2. To confirm interim dividends of Re. 0.30 and Re.0.36 per equity share of Re. 1 each, declared for the financial year ended March 31, 2011.
3. To appoint a Director in place of Ms. Hema Ravichandar, who retires by rotation, and being eligible, offers herself for re-appointment.
4. To appoint a Director in place of Mr. Nikhil Khattau, who retires by rotation, and being eligible, offers himself for re-appointment.
5. To re-appoint M/s. Price Waterhouse, Chartered Accountants, as Statutory Auditors and fix their remuneration for the financial year ending March 31, 2012.

**SPECIAL BUSINESS**

6. Re-appointment of Mr. Harsh Mariwala as the Managing Director of the Company

   To consider and, if thought fit, to pass, with or without modification, the following resolution as an **ORDINARY RESOLUTION**:

   **"RESOLVED THAT** pursuant to Sections 198, 269, 309 and 310 read with Schedule XIII and all other applicable provisions of the Companies Act, 1956 ("the Act"), the rules and regulations enacted under the Act, including any statutory modification(s) or re-enactment thereof, for the time being in force :

   a) approval of the Company be and is hereby accorded for reappointment of Mr. Harsh Mariwala as the Managing Director of the Company for a period of 3 (three) years with effect from April 1, 2011 on the terms and conditions as set out in the Explanatory Statement annexed to this Notice;

   b) the Board of Directors of the Company (hereinafter called "the Board" which term shall be deemed to include any Committee which the Board may have constituted or hereinafter constitute to exercise its powers including the power conferred by this resolution), be and are hereby severally authorized to :

      (i) alter or vary the terms and conditions of the said appointment, with the prior consent of Mr. Harsh Mariwala, provided however, that the altered or varied remuneration shall not exceed the maximum limits for payment of managerial remuneration as may be specified in the Act including any statutory modification(s) or re-enactment thereof, for the time being in force;

      (ii) authorize any individual Director or Company Secretary or any Officer or Manager of the Company jointly or severally to execute any document(s) and/or to take such decisions or actions as may be necessary to give effect to the foregoing;

      (iii) settle any question, difficulty or doubt, that may arise in giving effect to this resolution;

      (iv) do all such acts, deeds, matters and things, as it may in its absolute discretion deem necessary and think fit to give effect to this resolution;

      (v) delegate all or any of the powers herein conferred to any Committee of Directors or any other Officer(s) of the Company."

**NOTES:**

1. **A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company. The instrument appointing the proxy must be deposited at the registered office of the Company not less than 48 hours before the commencement of the meeting.**

# NOTICE

2. Members/proxies should bring duly filled attendance slips sent herewith to attend the meeting.

3. The Register of Members and Share Transfer Books of the Company will remain closed from Monday, July 25, 2011 to Wednesday, July 27, 2011, both days inclusive, for the purpose of the Annual General Meeting.

4. All dividends declared for and upto the 3rd interim equity dividend 2003-04 on equity shares of the Company & preference shares redemption amount, which remained unclaimed for a period of seven years as per Section 205A of the Companies Act, 1956 (the Act), have been transferred to the Investor Education and Protection Fund (IEPF) established by the Central Government under Section 205C of the Act.

   Members, who have not yet encashed their dividend warrant(s), for any dividends declared after the aforesaid dividends, are requested to forward their claims to the Company at its registered address mentioned below.

   It may be noted that once the unclaimed dividend is transferred to the IEPF, as above, no claim shall lie against the Company or the aforesaid Fund in respect of such amount.

5. Members whose shareholding is in the electronic mode are requested to direct change of address notifications and updations of bank mandates (details of bank name and account no.) to their respective Depository Participants. Members other than those holding shares in electronic mode are requested to direct change of address notification and updation of bank mandates, if any, to the Registrar and Share Transfer Agents, M/s Link Intime India Pvt. Limited (Unit: Marico Ltd.), C -13 Pannalal Silk Mills Compound, LBS Road, Bhandup (West), Mumbai 400 078. Tel.: 022-25946970, Fax: 022-25946969, E-mail id: rnt.helpdesk@linkintime.co.in

6. Additional information on Directors seeking re-election at the Annual General Meeting is available in the Corporate Governance Report forming part of the Annual Report for the year 2010 - 11.

7. In compliance with the Secretarial Standards and as a good governance practice, your Company does not give gifts to its members and also does not offer its products at discounted rates. However, your Company is committed to shareholders' wealth maximization through superior performance reflected in corporate benefits like dividend and increased market capitalization.

8. Your Company seeks your support to the "Green Initiative" of the Ministry of Corporate Affairs ("MCA") introduced on April 21, 2011. The Company has already approached the members for their consent to allow paperless compliances by serving documents through electronic mode. We propose to send documents like the notice calling the general meetings, audited financial statements, directors' report, auditors' report, etc. in electronic form, at the email address provided by you and/or made available to us by the Depositories.

   Members holding shares in demat mode who have not registered their e-mail address are requested to register the same with their respective Depository Participants. Members holding shares in physical form are requested to provide with their email address to the Company or M/s. Link Intime India Pvt. Ltd, the Registrar & Share Transfer Agents.

   For the members who desire to receive the documents mentioned above in physical form, they may request the Company in writing for the same. The Company shall upon receiving such request furnish free of cost copies of such documents requested for.

   We solicit and appreciate members' support to the "Green Initiative" taken by MCA and your Company's desire to participate in such initiatives.

Place: Mumbai
Date: May 2, 2011

By Order of the Board
For **MARICO LIMITED**

**Registered Office:**

"Rang Sharda"
Krishnachandra Marg, Bandra Reclamation,
Bandra (West), Mumbai - 400 050

**Hemangi Wadkar**
**Company Secretary and**
**Compliance Officer**

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**

**ITEM NO. 6**

**Re-appointment of Mr. Harsh Mariwala as the Managing Director of the Company**

Mr. Harsh Mariwala has been the Managing Director of the Company (MD) in terms of various successive agreements between the Company and the MD, since July 1, 1991. Mr. Mariwala was last appointed as the MD vide a resolution passed by the Shareholders of the Company through Postal Ballot, results whereof were declared on June 15, 2006, for a period of 5 years with effect from April 1, 2006. The said appointment was valid upto March 31, 2011.

The Board of Directors at its meeting held on January 27, 2011 has re-appointed Mr. Harsh Mariwala as the MD for a further period of 3 years with effect from April 1, 2011 subject to the approval of the Shareholders inter alia on the following terms and conditions :

**I. REMUNERATION**

The MD shall be entitled to remuneration as under:

**A. FIXED REMUNERATION AND PERQUISITES**

**A. 1. FIXED REMUNERATION**

The Corporate Governance Committee may, from time to time and in consultation with the MD, fix the exact remuneration under this head, within the following band-that is not less than Rs. 275 Lacs and not more than Rs. 525 Lacs per annum comprising of:

A.1.a) Basic Salary of not less than Rs. 18 Lacs per month

A.1.b) Other Items, comprising the following:

(i) Contribution to Provident Fund at the applicable rate

(ii) Contribution to Pension Fund/ Superannuation Fund at the applicable rate, not exceeding Rs. 1 Lac or such other amount as may be agreed between the Company and the MD

(iii) Leave Travel Allowance according to the Company's policy

**A. 2. PERQUISITES**

A.2.a) Fully furnished rent free accommodation or HRA (All repairs to house, including insurance, gas, electricity, water etc. to be borne by the Company)

A.2.b) Use of 2 cars to be provided by the Company, along with driver, insurance, petrol, maintenance and garage rent.

**B. VARIABLE REMUNERATION**

B.1. Incentive payable annually in accordance with the Company's Incentive Scheme, from time to time, which currently is subject to a limit of 50% of the Fixed Remuneration

**C. OTHER ITEMS TO BE INCURRED BY THE COMPANY WITHOUT LIMITS ON ACTUALS**

C.1. Reimbursement of Medical expenses incurred by the MD and his family (the Company may take a medical insurance policy in which case the cost of the premium will be charged as a part of the remuneration)

C.2. Personal accident insurance of an amount commensurate with the MD's earnings

C.3. Use of such Communication facilities, as may be required, at the residence of Mr. Harsh Mariwala – including but not limited to Telephones (land lines/mobiles), Faxes, Computers/Laptops and Internet connection

C.4. Membership and Use of not more than 4 corporate/ health clubs

C.5. Other benefits, schemes, privileges and amenities such as housing loans and other loans at concessional rate of interest, credit cards, etc. as may be granted from time to time to the employees of the Company, in accordance with the relevant schemes. Housing and other loans shall be governed by such regulations as may be applicable

C.6. Leave / Leave Encashment on cessation of service, as per Rules of the Company

C.7. Gratuity at the rate of fifteen days' salary for every completed year of service since the date on which Mr. Harsh Mariwala was first appointed as the Managing Director i.e. since July 1, 1991, payable on cessation of service on any ground;

Provided that the Gratuity for each term shall be calculated separately based on the salary drawn last at the end of each term.

For the purpose of payment of gratuity, Mr. Harsh Mariwala shall be deemed to be in continuous employment of the Company from the date of his first appointment up to the date of cessation of his office.

It is clarified that reimbursement of entertainment, Traveling and any other expenses actually incurred for the business of the Company shall not form a part of the remuneration.

**II. OTHER PROVISIONS RELATED TO REMUNERATION:**

**1. Minimum Remuneration :**

If in any financial year during the tenure of the Managing Director, the Company has no profits or its profits are inadequate, the Company shall pay to him remuneration by way of salary and perquisites as specified above as minimum remuneration subject to the limits laid down and in the manner as stipulated in Schedule XIII to the Companies Act, 1956, as in force and as amended from time to time.

**2. Maximum Remuneration :**

Except with the permission of the Central Government, remuneration to the Managing Director shall not exceed the limits specified under the provisions of Section 198, 309, 310 & Schedule XIII to the Companies Act, 1956.

**3. Disentitlements :**

The Managing Director shall not be entitled:

a. To supplement his earnings under the Agreement with any buying or selling commission involving the Company's transactions.

b. To sitting fees for attending Meetings of the Board of Directors of the Company or any Committee or Committees thereof.

c. To Employee Stock Option Scheme (ESOS)/ Employee Stock Purchase Scheme (ESPS), as may be formed and announced by the Company, from time to time, through which shares may be allotted to employees.

**4. Demise of the Director :**

In case of the demise of Mr. Harsh Mariwala during the course of his employment, the Company shall pay to his legal heirs, salary and other emoluments due to him together with any such further sum as the Board of Directors in its sole discretion, may determine.

The proposed remuneration of the MD is within the limits prescribed under Part II Section I of Schedule XIII of the Companies Act, 1956.

The terms of remuneration of MD has the approval of the Corporate Governance Committee (erstwhile Remuneration Committee) of the Board of Directors of the Company.

The terms of re-appointment of Mr. Harsh Mariwala as MD and the payment of remuneration to him as stated here may be treated as an Abstract under Section 302 of the Companies Act, 1956.

A copy of the draft Agreement to be executed with Mr. Harsh Mariwala is available for inspection by the Members of the Company at the Registered Office of the Company on all working days of the Company, between 10.00 a.m. and 1.00 p.m.

None of the Directors of the Company except Mr. Harsh Mariwala is in any way concerned or interested in this resolution.

Place: Mumbai
Date: May 2, 2011

**Registered Office:**

"Rang Sharda"
Krishnachandra Marg, Bandra Reclamation,
Bandra (West), Mumbai - 400 050

By Order of the Board
For **MARICO LIMITED**

**Hemangi Wadkar**
**Company Secretary and**
**Compliance Officer**

marico

# MARICO LIMITED

Registered Office: "Rang Sharda", Krishnachandra Marg, Bandra Reclamation, Bandra (West), Mumbai - 400 050.

**ATTENDANCE SLIP**

**TWENTY THIRD ANNUAL GENERAL MEETING ON WEDNESDAY, JULY 27, 2011 AT 3.30 P.M.**

Regd. Folio No. / DP Client ID

No. of shares held

I certify that I am a registered shareholder / proxy for the registered shareholder of the Company.

I hereby record my presence at the **TWENTY THIRD ANNUAL GENERAL MEETING** of the Company to be held at IES Management College & Research Centre, Gate No.4, Seminar Hall, 6th Floor, Plot No.791, S K Marg, VMDL Complex, Bandra Reclamation, Bandra (W) Mumbai – 400050 at 3.30 p.m. on Wednesday, July 27, 2011.

Member's / Proxy's name in **BLOCK** letters

Member's / Proxy's signature

**Note :** Please fill in the attendance slip and hand it over at the entrance of the Meeting Hall.

---

marico

# MARICO LIMITED

Registered Office : "Rang Sharda", Krishnachandra Marg, Bandra Reclamation, Bandra (West), Mumbai - 400 050.

**PROXY FORM**

**TWENTY THIRD ANNUAL GENERAL MEETING ON WEDNESDAY, JULY 27, 2011 AT 3.30 P.M.**

Regd. Folio No. / DP Client ID

No. of shares held

I/We________________________________ of________________________ being

a member / members of the above-named Company hereby appoint ______________________________

of____________________or failing him______________________________________

of______________________as my/our proxy to vote for me/us on my/our behalf at the **TWENTY THIRD ANNUAL GENERAL MEETING** of the Company to be held at IES Management College & Research Centre, Gate No.4, Seminar Hall, 6th Floor, Plot No.791, S K Marg, VMDL Complex, Bandra Reclamation, Bandra (W) Mumbai – 400050 at 3.30 p.m. on Wednesday, July 27, 2011. and at any adjournment(s) thereof.

Signed this ______ day of __________________ 2011

Signature ___________ Affix One Rupee Revenue Stamp ___________

Notes:

1. A Member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself.
2. A Proxy need not be a Member.
3. This form in order to be effective must be duly stamped, completed and signed and must be deposited at the Registered Office of the Company, not later than 48 hours before the commencement of the meeting.

Dear Shareholder(s),

**Sub: Dividend Disbursement through National Electronic Clearing Service (NECS)**

Currently, as per directive from Securities and Exchange Board of India, all companies use Electronic Clearing Service (ECS) facility introduced by Reserve Bank of India (RBI) for disbursing dividends. In this system, the shareholder's bank account is directly credited under advice to the shareholder.

As advised by the Reserve Bank of India (RBI), the remittance of money through ECS is proposed to be replaced by National Electronic Clearing Service (NECS). The advantages of NECS over ECS include faster credit of remittances to beneficiary's account, coverage of more branches as also ease of operation.

NECS essentially operates on the new and unique bank account number, allotted by banks post implementation of Core Banking Solutions (CBS) for centralized processing of inward instructions and efficiency in handling bulk transactions.

Please follow the below mentioned procedure for updating your new CBS bank account number:

**A. For shareholders holding shares in Demat form**

In case you hold your shares in Demat form, please furnish your new Bank Account Number allotted to you by your bank after implementation of CBS, along with a photocopy of a cheque pertaining to the concerned account, to your Depository Participant (DP).

**Please do not send the same to the company or to the R&T Agent.**

**B. For shareholders holding shares in physical form**

In case you hold your shares in physical form, please furnish the new Bank Account Number allotted to you by your bank after implementation of CBS, in the form printed overleaf.

**Please do not e-mail or fax the same.**

**In your own interest please comply with the above requirement at the earliest possible,** so that the bank details are updated before the payment of future dividends.

If you do not provide your new bank account number, allotted after implementation of CBS by your Bank, then please note that ECS to your old account may either be rejected or returned, which will delay the payment of dividend to you.

In case you have already provided your new bank account number, this communication may be ignored. Assuring you of our best services at all times.

Yours faithfully,

**For Marico Limited**

**Hemangi Wadkar**
**Company Secretary & Compliance Officer**

***To be filled, signed and returned in original by a shareholder holding shares in physical form. Shareholders holding shares in demat form are requested to give the bank details to their DP and not to the Company.***

M/s Link Intime India Pvt Limited
Unit: Marico Limited
C -13 Pannalal Silk Mills Compound,
LBS Road, Bhandup (West),
Mumbai 400 078.

Tel.: 022 - 25946970

Dear Sirs,

**Sub: Updation of new bank account number for dividend payment through NECS**

This has reference to your communication regarding National Electronic Clearing Service (NECS), printed overleaf. Since banks have changed the customer account number post migration to Core Banking Solution (CBS), I request you to update the bank details against my folio as per details given below:

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Folio No.** | | | | | | | | | |
| **No. of Shares** | | | | | | | | | |
| **First Holder's Name** | | | | | | | | | |
| **Contact Telephone Number (with STD code)** | | | | | | | | | |
| **Personal E-mail ID** | | | | | | | | | |
| **New Account no. after implementation of CBS** | | | | | | | | | |
| **Bank Name** | | | | | | | | | |
| **Bank Branch & Address** | | | | | | | | | |
| **9 Digit Bank Code No. (as printed on the cheque leaf)** | | | | | | | | | |
| **RTGS / NEFT IFSC Code (as printed on the cheque leaf)** | | | | | | | | | |

*(A cancelled cheque leaf from the cheque book issued by bank for the operation of the above account is enclosed )*

If the payment transaction is delayed or not effected at all for any reason(s) beyond the control of the Company, I would not hold the company responsible.

Yours truly,

(Signature of first named shareholder)

# AWARDS & ACKNOWLEDGEMENTS

**Manufacturing & Supply Chain**

- IMC Ramkrishna Bajaj National Quality Award (RBNQA) 2009 – Outstanding Achievement Trophy.
- 'Food Supply Chain Innovative Company of the Year' Award at the KPMG – Supply Chain Leadership Council Food, Retail, Logistics and Packaging Awards
- IMC Ramkrishna Bajaj National Quality Award (RBNQA) 2010 (Certificate of Merit).
- Kerala State Safety Award 2010 in the food product category.
- 'Rajiv Gandhi National Quality Commendation Certificate 2009' in the large-scale manufacturing industry - Food & Drug Category.
- Third highest honor 'Quest for Excellence' at the International Asia Pacific Quality Awards (IAPQA).
- Greentech Safety Silver Award 2010, for outstanding achievement in Safety Management, in the FMCG sector.
- 'Gold Award' at the prestigious Economic Times 'India Manufacturing Excellence Awards' 2010 in partnership with Frost & Sullivan.

**Sustainability**

- Kerala State Energy Conservation Commendation Award 2010, in the large scale energy consumers category.
- 'Silver' at the Greentech Environment Excellence Award 2010, in the FMCG sector.
- Runners-up trophy at the G-CUBE
- Good Green Governance Award.

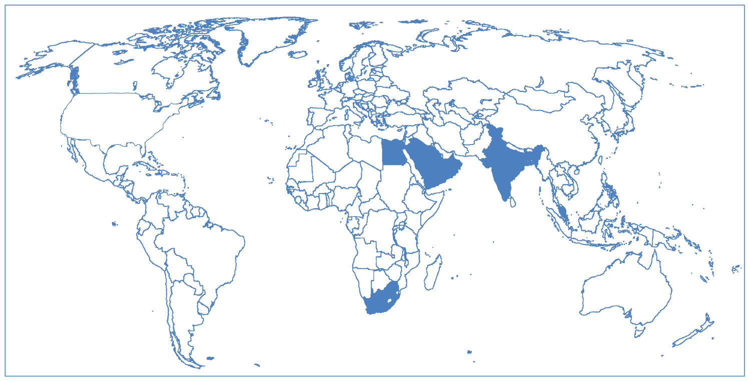
**IT**

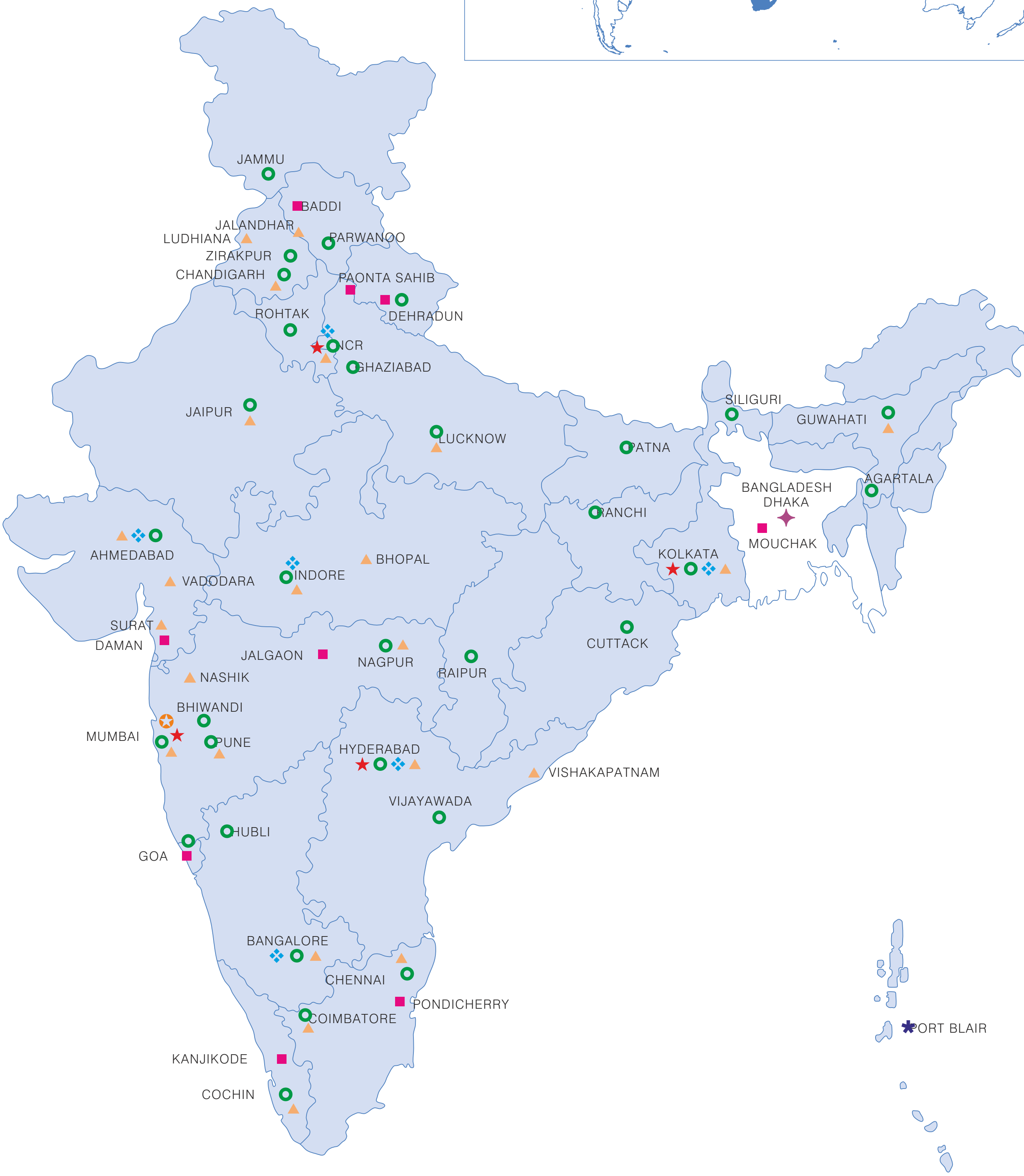
- Adjudged as one of the Top 5 winners of the most prestigious CIO ASIA 100 Award 2011.
- Great Minds Challenge for Business Award – 2010' in the Business Analytics category.
- NASSCOM CNBC TV18 - IT User Award 2010, for excellence in IT application, in the manufacturing category.
- 2 EDGE Awards – the Diamond EDGE Award for 'Mobile–based solution for boosting productivity of farmers' and another EDGE Award for the 'Darpan' project.
- Intelligent Enterprise Award 2010' in the Retail and Consumer Products category.
- Marico's IT Head (Girish Rao) was awarded the CIO 100 Award 2010
- Red Hat Consumer Showcase Award 2010, for pioneering the use of open source.

**HR**

- All India Management Association (AIMA) - Indian Oil Corporation Ltd. (IOCL) Award for 'Best Motivational Practice' in the manufacturing sector.

# OUR PRESENCE






HEAD OFFICE
FACTORIES
REGIONAL OFFICES
DEPOTS
REDISTRIBUTION CENTRES
CONSIGNMENT SALES AGENTS
REGISTERED OFFICE - MARICO BANGLADESH LIMITED
KAYA CLINICS (SOUTH - 20; WEST- 33; NORTH - 22; EAST- 6)


Saffola stands for healthy living and achieves it through the creation of healthy food products, which are good for you.


Parachute Advansed stands for care & nurturance and fulfills the needs of its myriad consumers through its various offerings


Kaya's range of services and skin care products, developed with world-class technology and years of expertise.

# A PRODUCT PORTFOLIO THAT'S ALWAYS GETTING WIDER, STRONGER, BETTER.
# BECAUSE AT MARICO, IF IT'S GOOD ENOUGH, IT'S TIME TO DO MORE.

Every brand in Marico's portfolio continuously evolves – offering more products, increased benefits, enhanced performance. In the process, delivering more value to the consumer.

Marico's international brands have a strong presence in the male grooming portfolio and ethnic segment in South-East Asia and Africa.

Registered Office:

Marico Limited
Rang Sharda, Krishnachandra Marg,
Bandra Reclamation, Bandra (West),
Mumbai 400 050, India.
Tel: (91-22) 6648 0480.
Fax: (91-22) 6649 0112.
Email: milinvrel@maricoindia.net

www.marico.com
www.maricobd.com
www.kayaclinic.com
www.parachuteadvansed.com
www.parachutearabia.com
www.saffolalife.com
www.haircodeworld.com
www.icpvn.com
www.maricoinnovationfoundation.org