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, 2007, the Profit and Loss Account and Cash Flow Statement of the Company for the year ended on that date (all together referred to as 'financial statements'). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, 2003, ('Order'), issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956 ('the Act'), and on the basis of such checks of the books and records as we considered necessary and appropriate and according to the information and explanations given to us during the course of the audit, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.

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

   a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

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

   c. the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

   d. in our opinion, the financial statements dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;

   e. on the basis of the written representations received from the directors, and taken on record by the Board of Directors, we report that none of the directors are disqualified as at March 31, 2007 from being appointed as a director under clause (g) of sub-section (1) of Section 274 of the Act;

   f. in our opinion and to the best of our information and according to the explanations given to us, the said financial statements, read with the notes thereon, give the information required by the Act in the manner so required and, give a true and fair view in conformity with the accounting principles generally accepted in India;

      i. in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2007;

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

      iii. in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For RSM & Co.
Chartered Accountants

VILAS Y. RANE
Partner (F-33220)

Place: Mumbai
Date: May 18, 2007

ANNEXURE TO AUDITORS' REPORT

(Referred to in our Report of even date)

(i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.

(b) The fixed assets are physically verified in a phased manner which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets and no material discrepancies were noticed on such verification during the year.

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

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

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

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

(iii) According to information and explanations given to us, the Company has neither granted nor taken any loans, secured or unsecured to/from companies, firms, or other parties covered in the register maintained under section 301 of the Act. Accordingly, clauses (b), (c), (d), (f) and (g) of paragraph 4(iii) of the said Order are not applicable.

(iv) In our opinion, and according to the information and explanations given to us, the Company has adequate internal control procedures commensurate with the size of the Company and nature of its business for the purchase of inventory and fixed assets and with regard to the sale of goods and services. Further based on our examination and according to the information and explanation given to us, we have neither come across nor have we been informed of any continuing failure to correct major weakness in the aforesaid internal control system.

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

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

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

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

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

(ix) (a) According to the information and explanations given to us, the Company is regular in depositing undisputed statutory dues including provident fund, investors education and protection fund, employees' state insurance, income tax, sales tax, service tax, wealth tax, custom duty, excise duty, cess and any other statutory dues as applicable with the appropriate authorities during the year, and there were no such outstanding dues as at March 31, 2007 for a period exceeding six months from the date they became payable.

ANNEXURE TO AUDITORS' REPORT

(b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of wealth tax, service tax, excise duty and cess which have not been deposited on account of any dispute. The particulars of sales tax, income tax and custom duty as at March 31, 2007 which have not been deposited on account of dispute are as follows :

Nature of dues	Amount Rs. Crore	Forum where dispute is pending
Sales tax	1.73	Appellate Authority- upto Commissioner's Level
	0.11	Appellate Authority- Tribunal
Income tax	0.10	Commissioner of Income Tax (Appeals)
Customs duty	0.09	Commissioner (Excise & Customs)

(x) The Company does not have any accumulated losses as at the year end, and has not incurred any cash losses during the financial year and the immediately preceding financial year.

(xi) On the basis of our examination and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to any Bank. The Company has not obtained any borrowings from financial institutions and by way of debentures.

(xii) As the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities, clause (xii) of the Order is not applicable.

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

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

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

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

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

(xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act during the year.

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

(xx) The Company has made qualified institutional placement of equity shares during the year and has disclosed on the end use of money raised and the same has been verified by us.

(xxi) To the best of our knowledge and belief, and according to the information and explanations given to us, there have been no cases of fraud on or by the Company noticed or reported during the year.

For RSM & Co.
Chartered Accountants

VILAS Y. RANE
Partner (F-33220)

Place: Mumbai
Date: May 18, 2007

BALANCE SHEET

	SCHEDULE	As at March 31, 2007 Rs. Crore	2006 Rs. Crore
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Capital	A	60.90	58.00
Reserves and surplus	B	122.59	219.36
		183.49	**277.36**
LOAN FUNDS			
Secured loans	C	50.48	203.25
Unsecured loans	D	116.77	20.12
		167.25	**223.37**
DEFERRED TAX LIABILITY (NET)		–	**8.28**
(Refer Note 14, Schedule R)			
		350.74	**509.01**
APPLICATION OF FUNDS			
FIXED ASSETS	E		
Gross block		213.87	402.11
Less : Depreciation, amortisation and impairment		118.81	112.56
Net block		95.06	289.55
Capital work-in-progress		8.97	18.97
Asset held for disposal		3.83	0.03
		107.86	**308.55**
INVESTMENTS	F	**80.91**	**36.39**
DEFERRED TAX ASSET (NET)		115.02	–
(Refer Note 14, Schedule R)			
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	G	196.21	119.59
Sundry debtors	H	41.29	49.60
Cash and bank balances	I	24.80	28.08
Loans and Advances:			
- Subsidiaries [Refer Note 12 (ii), Schedule R]		54.84	85.17
- Others	J	54.22	42.90
		371.36	325.34
Less: CURRENT LIABILITIES AND PROVISIONS			
Current Liabilities	K	311.64	140.78
Provisions	L	12.77	20.49
		324.41	161.27
NET CURRENT ASSETS		**46.95**	**164.07**
		350.74	**509.01**
Additional information to Account	Q		
Notes	R		

As per our attached report of even date

For RSM & Co.
Chartered Accountants

VILAS Y. RANE
Partner (F-33220)

Place : Mumbai
Date : May 18, 2007

For and on behalf of the Board of Directors

HARSH MARIWALA Chairman and Managing Director
BIPIN SHAH Director and Chairman of Audit Committee
VINOD KAMATH Chief - Finance & IT
VINOD KAUSHAL Company Secretary

Place : Mumbai
Date : May 18, 2007

PROFIT AND LOSS ACCOUNT

	SCHEDULE	For the year ended March 31, 2007 Rs. Crore	2006 Rs. Crore
INCOME :			
Sales		1,362.44	1,039.57
Less : Excise Duty		2.33	1.31
		1,360.11	1,038.26
Income from services		11.56	6.65
Total Sales and Services		**1,371.67**	**1,044.91**
Other income	M	4.22	3.71
		1,375.89	**1,048.62**
EXPENDITURE :			
Cost of materials	N	749.58	574.06
Manufacturing and other expenses	O	428.74	331.75
Finance charges [net]	P	11.60	0.61
Depreciation, amortisation & impairment	E	35.19	33.23
		1,225.11	**939.65**
PROFIT BEFORE TAXATION		**150.78**	**108.97**
Provision for taxation : - Current tax		16.57	9.02
- MAT credit		(6.90)	(6.58)
Sub Total		**9.67**	**2.44**
- Fringe benefit tax		3.00	2.20
- Deferred tax - debit/ (credit)		15.76	3.19
Short income tax provision of earlier years		6.19	2.28
PROFIT AFTER TAXATION		**116.16**	**98.86**
Balance brought forward as on April 1		191.36	143.39
PROFIT AVAILABLE FOR APPROPRIATION		**307.52**	**242.25**
APPROPRIATIONS			
Interim dividends (subject to deduction of tax where applicable)		39.06	35.96
Tax on interim dividends		5.48	5.04
Preference dividend		1.65	–
Tax on preference dividend		0.23	–
Capital redemption reserve		180.00	–
General reserve		11.62	9.89
BALANCE CARRIED TO THE BALANCE SHEET		**69.48**	**191.36**
BASIC AND DILUTED EARNINGS PER SHARE		**1.94**	**1.70**
Additional information to Account	Q		
Notes to Account	R		

As per our attached report of even date

For RSM & Co.
Chartered Accountants

VILAS Y. RANE
Partner (F-33220)

Place : Mumbai
Date : May 18, 2007

For and on behalf of the Board of Directors

HARSH MARIWALA Chairman and Managing Director
BIPIN SHAH Director and Chairman of Audit Committee
VINOD KAMATH Chief - Finance & IT
VINOD KAUSHAL Company Secretary

Place : Mumbai
Date : May 18, 2007

CASH FLOW STATEMENT

			For the year ended March 31, 2007 Rs. Crore	2006 Rs. Crore
A)	**CASH FLOW FROM OPERATING ACTIVITIES**			
	Net Profit before tax		**150.78**	**108.97**
	Adjustments for:			
	Depreciation, amortisation and impairment		35.19	33.23
	Finance charges		20.01	5.02
	Interest income		(8.41)	(4.41)
	Loss/(Profit) on sale of assets		2.80	(0.49)
	Profit on sale of investments		(0.81)	(0.73)
	Dividend income		(0.80)	(0.56)
	Provision for doubtful debts/ advances		0.23	–
			48.21	32.06
	Operating profit before working capital changes		**198.99**	**141.03**
	Adjustments for:			
	(Increase)/ Decrease in inventories		(76.62)	(7.11)
	(Increase)/ Decrease in Sundry debtors		8.20	(3.02)
	(Increase)/ Decrease in Loans and advances		(2.55)	(2.01)
	Increase/(Decrease) in Current liabilities and provisions		160.77	51.27
			89.80	39.13
	Cash generated from Operations		288.79	180.16
	Income tax paid (net of refunds)		(21.84)	(10.15)
	NET CASH INFLOW FROM OPERATING ACTIVITIES		**266.95**	**170.01**
B)	**CASH FLOW FROM INVESTING ACTIVITIES**	**A**		
	Purchase of fixed assets		(285.59)	(244.51)
	Sale/(purchase) of Investment (net)		19.29	(5.33)
	Sale of fixed assets		0.14	3.99
	Investment in subsidiaries		(63.00)	(1.23)
	Loans and advances repaid by /(given to) Subsidiary		30.33	(28.43)
	Dividend received		0.09	0.56
	Interest received from Subsidiaries		4.10	–
	Interest received from others		2.31	0.34
	NET CASH OUTFLOW FROM INVESTING ACTIVITIES	**B**	**(292.33)**	**(274.61)**

CASH FLOW STATEMENT

			For the year ended March 31, 2007 Rs. Crore	2006 Rs. Crore
C)	**CASH FLOW FROM FINANCING ACTIVITIES**			
	Proceeds from fresh issue of equity share capital		151.39	–
	Proceeds from fresh issue of Preference share capital		180.00	–
	Preference share capital redeemed		(180.00)	–
	Share issue expenses		(5.90)	–
	Borrowing taken/(repaid)		(56.12)	159.34
	Finance charges		(19.82)	(5.09)
	Equity dividend paid (Inclusive of Dividend distribution tax)		(45.57)	(39.38)
	Preference Dividend paid (Inclusive of Dividend distribution tax)		(1.88)	–
	NET CASH INFLOW FROM FINANCING ACTIVITIES	**C**	**22.10**	**114.87**
D)	**NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS**	**A + B + C**	**(3.28)**	**10.27**
E)	**Cash and cash equivalents - opening balance**		**28.08**	**17.81**
F)	**Cash and cash equivalents - closing balance**		**24.80**	**28.08**

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

VILAS Y. RANE
Partner (F-33220)

Place : Mumbai
Date : May 18, 2007

For and on behalf of the Board of Directors
HARSH MARIWALA Chairman and Managing Director
BIPIN SHAH Director and Chairman of Audit Committee
VINOD KAMATH Chief - Finance & IT
VINOD KAUSHAL Company Secretary

Place : Mumbai
Date : May 18, 2007

SCHEDULES TO BALANCE SHEET

	As at March 31, 2007 Rs. Crore	2006 Rs. Crore
SCHEDULE 'A'		
SHARE CAPITAL		
AUTHORISED:		
650,000,000 (60,000,000) Equity shares of Re. 1 each (Rs. 10 each)	65.00	60.00
150,000,000 (Nil) Preference shares of Rs. 10 each (Nil)	150.00	–
	215.00	**60.00**
ISSUED AND SUBSCRIBED :		
609,000,000 (58,000,000) Equity shares of Re. 1 each (Rs. 10 each) fully paid up	60.90	58.00
The above includes :		
(a) 290,000,000 (29,000,000) equity shares issued as fully paid bonus shares by capitalisation of capital redemption reserve of Rs. 290,000,000 (Rs. 290,000,000)		
(b) 265,000,000 (26,500,000) equity shares issued as fully paid bonus shares by capitalisation of General Reserve of Rs. 265,000,000 (Rs. 265,000,000)		
150,000,000 (Nil) 9.75% Redeemable Preference shares of Rs. 10 each fully paid up	150.00	–
Less: Redeemed during the year	(150.00)	–
	–	–
30,000,000 (Nil) 9.95% Redeemable Preference shares of Rs. 10 each fully paid up	30.00	–
Less: Redeemed during the year	(30.00)	–
	–	–
	60.90	**58.00**
SCHEDULE 'B'		
RESERVES AND SURPLUS		
CAPITAL REDEMPTION RESERVE		
As on April 1	–	–
Add : Created on redemption of Redeemable Preference shares	180.00	–
Less : Utilised for adjustment of intangible assets(Net of deferred tax adjustment) in terms of the Scheme (Refer Note 5, Schedule R)	(180.00)	–
As on March 31	–	–
SHARE PREMIUM ACCOUNT		
As on April 1	–	–
Add : On fresh issue of shares	148.49	–
Less : Utilised for adjustment of intangible assets(Net of deferred tax adjustment)	(129.09)	–
in terms of the Scheme (Refer Note 5, Schedule R)	–	–
Less : Share issue expenses	(5.90)	–
As on March 31	13.50	–
GENERAL RESERVE		
As on April 1	27.99	17.16
Add : Transfer from Profit and Loss Account	11.62	9.89
Adjustment of deferred tax on impaired assets	–	0.95
As on March 31	39.61	28.00
PROFIT AND LOSS ACCOUNT	69.48	191.36
	122.59	**219.36**
SCHEDULE 'C'		
SECURED LOANS		
Term loan from bank	–	200.00
Working capital finance from banks	50.48	3.25
(Secured by hypothecation of stocks in trade and debtors)		
	50.48	**203.25**

SCHEDULES TO BALANCE SHEET

	As at March 31, 2007 Rs. Crore	As at March 31, 2006 Rs. Crore
SCHEDULE 'D'		
UNSECURED LOANS		
From banks (short term)	116.77	20.12
	116.77	**20.12**

SCHEDULE 'E'

FIXED ASSETS

Amount in Rs. Crore

PARTICULARS	GROSS BLOCK				DEPRECIATION / AMORTISATION					NET BLOCK	
	As at March 31, 2006	Additions	Deductions/ Adjustments	**As at March 31, 2007**	As at March 31, 2006	For the year	Deductions/ Adjustments	**As at March 31, 2007**	Provision for impairment as at March 31, 2007 (See note 2 below)	**As at March 31, 2007**	As at March 31, 2006
Tangible assets											
Freehold land (Note 4)	1.21	0.01	0.14	1.08	–	–	–	–		1.08	1.21
Leasehold land (Note 4)	1.79	–	(0.04)	1.83	0.12	0.03	0.01	0.14		1.69	1.67
Buildings (Note 4)	37.56	0.77	(0.10)	38.43	6.24	1.02	(0.01)	7.27		31.16	31.32
Plant and machinery (Note 4)	122.78	17.63	8.14	132.27	83.94	9.04	2.79	90.19	8.36	33.72	31.20
Furniture and fittings	4.61	1.46	1.76	4.31	1.93	0.74	0.38	2.29		2.02	2.68
Vehicles	0.82	–	0.03	0.79	0.33	0.07	0.01	0.39		0.40	0.49
Intangible assets											
– Trademarks and copyrights (Note 5&6)	194.60	274.74	445.20	24.14	3.29	19.79	22.48	0.60		23.54	191.31
– Business and commercial rights (Note 5)	2.01	–	1.85	0.16	0.10	0.20	0.24	0.06		0.10	1.91
– Other intangibles (Note 5)	26.85	–	26.85	–	0.51	2.53	3.04	–		–	26.34
– Computer software	9.88	0.98		10.86	8.46	1.05	–	9.51		1.35	1.42
TOTAL	**402.11**	**295.59**	**483.83**	**213.87**	**104.92**	**34.47**	**28.94**	**110.45**	**8.36**	**95.06**	**289.55**
As on 31st March, 2006	170.42	237.17	5.48	402.11	76.07	30.83	1.98	104.92	7.64		
Capital work–in–progress (at cost) including advances on capital account (see note 5)										8.97	18.97
Asset held for disposal										3.83	0.03
										107.86	**308.55**

Notes :

1. Gross block includes: -
   - Freehold Land Rs. 0.15 Crore (Rs. 0.30 Crore) and buildings Rs. 0.93 Crore (Rs. 1.69 Crore) where conveyance has been executed, pending registration.
   - Plant and Machinery of Rs. 2.15 Crore (Rs. 2.15 Crore) and Rs. 3.95 Crore (Rs. 3.95 Crore) being assets given on operating lease and finance lease respectively prior to April 1, 2001.
2. Includes impairment for the year Rs. 0.72 Crore (Rs. 2.40 Crore) charged to profit and loss account under "Depreciation, amortisation and impairment".
3. Additions to Plant and Machinery are net off Capital subsidy of Rs. 0.30 Crore (Nil).
4. Deductions /adjustments to Gross Block of Freehold Land,Leasehold Land and Building represents internal re-classification.
5. Deductions /adjustments to Gross Block and Depreciation/Amortisation of Intangible asset represent adjustments against Balance in Securities Premium and Capital Redemption Reserve Account in terms of the Court approval. (Refer Note 5, Schedule R)
6. Trademarks of Rs. 24.14 Crore (Rs. 93.30 Crore) are pending registration.
7. Other Intangibles comprises non-compete fees and know-how.

SCHEDULES TO BALANCE SHEET

	As at March 31, 2007 Rs. Crore	2006 Rs. Crore
SCHEDULE 'F'		
INVESTMENTS (Non Trade)		
LONG TERM - UNQUOTED / AT COST		
Government Securities :		
National Savings Certificates (Deposited with Government authorities)	0.01	0.01
Subsidiary Companies :		
Marico Bangladesh Limited	0.86	0.86
1,000,000 (1,000,000) equity shares of Taka 10 each fully paid		
Kaya Skin Care Limited	73.00	10.00
14,500,000 (10,000,000) equity shares of Rs. 10 each fully paid		
Sundari LLC	5.81	5.81
75,500 (75,500) units of USD 18.25 each fully paid		
Marico Middle East FZE	1.23	1.23
1 (1) equity share of UAE dirham 1,000,000 fully paid		
	80.90	**17.90**
CURRENT INVESTMENTS – UNQUOTED, LOWER OF COST AND FAIR VALUE		
Birla Sweep Fund 884 – Dividend Reinvestment	–	1.92
Nil (1,901,366) Units of Rs. 10 each fully paid		
Pru ICICI Floating Rate Plan D – Growth	–	0.49
Nil (479,931) Units of Rs.10 each fully paid		
DSP Merrill Lynch Liquidity Fund – Institutional – growth	–	10.02
Nil (99,256) Units of Rs. 1,000 each fully paid		
Kotak FMP series XVI – Growth	–	3.00
Nil (30,00,000) Units of Rs. 10 each fully paid		
Kotak FMP series XX – Growth	–	3.00
Nil (30,00,000) Units of Rs. 10 each fully paid		
Tata Floating Rate short term institutional plan	–	0.05
Nil(51,318) Units of Rs. 10 each fully paid		
	–	**18.48**
	80.91	**36.39**

SCHEDULES TO BALANCE SHEET

Note: Units of Mutual Funds purchased and sold during the year	No. of Units Purchased	Sold
Name of the scheme		
Birla Sweep Fund 664– Dividend Reinvestment	12,969,193	12,969,193
Birla Sweep Fund 884 – Dividend Reinvestment	60,655,100	62,556,466
Prudential ICICI Floating Rate Plan D – Growth	12,671,822	13,151,752
Prudential ICICI Institutional Liquid Plan– Super Institutional Growth	25,186,207	25,186,207
Pru ICICI Liquid Institutional Liquid Plan – Super Inst – Daily Dividend	14,207,322	14,207,322
Tata Liquid Super High Investment Fund–Appreciation	23,030	23,030
Tata Floating Rate Short Term Institutional Plan	5,704,574	5,755,892
Kotak Liquid (Institutional Premium)– Daily Dividend	8,571,239	8,571,239
Kotak Liquid (Institutional Premium)– Growth	18,761,108	18,761,108
Kotak Flexi Debt Scheme – Growth	8,463,258	8,463,258
Kotak Flexi Debt Scheme – Daily Dividend	3,392,708	3,392,708
Kotak FMP Series XX – Growth	–	3,000,000
Kotak FMP Series XVI – Growth	–	3,000,000
DSP Merrill Lynch Liquidity Fund – Institutional – Growth	48,771	148,027
Principal Floating Rate Fund SMP – Inst. Option – Growth Plan	11,129,352	11,129,352
Principal Cash Management Fund – Liquid Option – Inst Plan – Growth Plan	8,626,624	8,626,624
Principal Cash Management Fund – Liquid Option – Inst Premium Plan – Growth Plan	31,882,216	31,882,216
Principal Cash Management Fund – Liquid Option – Inst Plan – Dividend Reinvestment –Daily	1,499,887	1,499,887
DWS Insta Cash Plus Fund – Growth Option	4,215,143	4,215,143
DWS Money Plus Fund – Growth Option	4,918,987	4,918,987

	As at March 31, 2007 Rs. Crore	2006 Rs. Crore
SCHEDULE 'G'		
INVENTORIES		
(As valued and certified by the Management)		
Raw materials	70.55	45.54
Packing materials	28.64	18.53
Work–in–process	24.93	13.87
Finished products	67.93	37.59
Stores, spares and consumables	3.61	3.25
By–products	0.55	0.81
	196.21	**119.59**
SCHEDULE 'H'		
SUNDRY DEBTORS		
Unsecured		
Over six months – Considered good	–	0.99
– Considered doubtful	1.91	1.97
	1.91	2.96
Less: Provision for doubtful debts	1.91	1.97
	–	0.99
Other Debts – Considered good	41.29	48.61
– Considered doubtful	0.17	–
	41.46	48.61
Less: Provision for doubtful debts	0.17	–
	41.29	**49.60**

SCHEDULES TO BALANCE SHEET

	As at March 31, 2007 Rs. Crore	As at March 31, 2006 Rs. Crore
SCHEDULE 'I'		
CASH AND BANK BALANCES		
Cash on hand	0.29	0.26
Remittances in transit	0.20	–
Balances with scheduled banks:		
Fixed deposits (Deposited with sales tax authorities Rs.0.11 (Rs. 0.10))	0.67	0.66
Margin accounts (Against bank guarantees)	1.85	1.49
Current accounts	20.36	24.08
Balances with non – scheduled banks:		
Current accounts (Refer Note 11, Schedule R)	1.43	1.59
	24.80	**28.08**
SCHEDULE 'J'		
LOANS AND ADVANCES		
(Unsecured–considered good, unless otherwise stated)		
Advances recoverable in cash or in kind or for value to be received		
– considered good	22.56	22.27
– considered doubtful	0.11	–
	22.67	22.27
Less: Provision for doubtful advances	0.11	–
	22.56	22.27
Deposits	10.09	7.04
Balances with central excise authorities	0.21	0.40
Interest accrued on loans/deposits	0.29	0.19
Interest accrued on loans/advances to subsidiaries	7.17	5.29
Income tax payments, net of provision	–	0.75
Fringe benefit tax payments, net of provisions	0.42	0.38
MAT Credit Entitlement	13.48	6.58
	54.22	**42.90**
SCHEDULE 'K'		
CURRENT LIABILITIES		
Sundry creditors (Refer Note 22, Schedule R)	144.11	129.05
Due to subsidiary	143.43	–
Other liabilities	10.33	10.21
Security deposits	1.12	1.26
Interest accrued but not due on loans	0.24	0.05
Unclaimed Dividend	12.38	0.18
Unclaimed Redeemed 8% Preference Share Capital	0.03	0.03
	311.64	**140.78**
SCHEDULE 'L'		
PROVISIONS		
Income tax,net of advance tax	3.21	–
Leave encashment	6.81	6.29
Gratuity	2.75	0.97
Interim dividend	–	11.60
Tax on interim dividend	–	1.63
	12.77	**20.49**

SCHEDULES TO PROFIT AND LOSS ACCOUNT

	For the year ended March 31, 2007 Rs. Crore	2006 Rs. Crore
SCHEDULE 'M'		
OTHER INCOME		
Income from current investments		
Profits on sale of units of mutual funds	0.81	0.73
Dividend	0.09	0.56
Dividend from subsidiary	0.71	–
Miscellaneous income	2.61	2.42
(Refer note 6, Schedule R)		
	4.22	**3.71**
SCHEDULE 'N'		
COST OF MATERIALS		
Raw materials consumed	611.64	466.94
Packing materials consumed	124.72	89.97
Stores and spares consumed	11.77	8.34
Purchase for resale	42.59	14.63
(Increase)/Decrease in stocks		
Opening stocks		
– Work–in–process	13.87	11.78
– By–products	0.81	1.21
– Finished products	37.59	33.46
Less :		
Closing stocks		
– Work–in–process	24.93	13.87
– By–products	0.55	0.81
– Finished products	67.93	37.59
	(41.14)	**(5.82)**
	749.58	**574.06**

SCHEDULES TO PROFIT AND LOSS ACCOUNT

	For the year ended March 31, 2007 Rs. Crore	2006 Rs. Crore
SCHEDULE 'O'		
MANUFACTURING AND OTHER EXPENSES		
Salaries, wages and bonus	47.30	54.91
Contribution to provident fund and other funds	6.24	3.32
Welfare expenses	4.16	3.93
(Refer Note 15, Schedule R)		
	57.70	62.16
Power, fuel and water	4.97	4.13
Contract manufacturing charges	49.13	37.38
Rent and storage charges	7.96	4.21
Repairs :		
– Buildings	1.93	1.53
– Machinery	4.80	4.14
– Others	0.71	0.65
Freight, forwarding and distribution expenses	55.52	42.14
Advertisement and sales promotion (Refer Note 15, Schedule R)	173.58	123.92
Rates and taxes	0.60	0.54
Sales tax and cess	15.06	12.16
Commission to selling agents	2.53	2.02
Provision for doubtful debts and advances	0.23	–
Printing, stationery and communication expenses	4.13	4.98
Travelling, conveyance and vehicle expenses	12.88	10.90
Royalty	0.66	0.19
Insurance	1.43	1.02
Auditors' remuneration		
– Audit Fees	0.23	0.18
– Tax Audit Fees	0.07	0.06
– Others	0.33	0.02
– Out of pocket expenses	0.01	–
Miscellaneous expenses	34.28	19.42
(Refer Note 7, Schedule R)		
	428.74	**331.75**

	2007 Rs. Crore	2006 Rs. Crore
SCHEDULE 'P'		
FINANCE CHARGES		
Interest on		
Fixed period loans	12.57	2.13
Other loans	3.49	1.47
Bank and other financial charges	3.95	1.42
	20.01	5.02
Less : Interest income on loans, deposits, etc.	8.41	4.41
(Tax deducted at source Rs. 0.27 Crore (Rs 0.08 Crore))		
	11.60	**0.61**

ADDITIONAL INFORMATION

SCHEDULE 'Q'

Amount in Crore

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

Sr. No.	Particulars	Unit	Period ended	Installed capacity (Note I)	Opening stock Quantity	Opening stock Amount Rs. Crore	Production Quantity (Note IV)	Purchases Quantity	Purchases Amount Rs. Crore	Turnover Quantity	Turnover Amount Rs. Crore	Closing stock Quantity	Closing stock Amount Rs. Crore
1	Edible Oils (Note 1V)	(M.T.)	**31.03.2007**	**150000**	**4,910.11**	**24.71**	**93,931.30**	**1,847.30**	**14.41**	**101,314.31**	**1,029.71**	**7,365.74**	**51.51**
			31.03.2006	150000	3,430.11	25.51	66,403.40	948.25	3.95	85,686.04	856.84	4,910.11	24.71
2	Hair Oils (Note II)	(K.L.)	**31.03.2007**	**18000**	**1,148.65**	**9.96**	**10,821.70**	**1,676.54**	**15.18**	**13,220.68**	**207.84**	**1,328.45**	**11.74**
			31.03.2006	13200	847.99	7.07	7,572.25	–	–	7,686.98	116.22	1,148.65	9.96
3	Others (Note III) ('Incl process foods and by products)		**31.03.2007**	–	–	**3.73**	–	–	**13.00**	–	**122.56**	–	**5.23**
			31.03.2006	–	–	2.09	–	–	10.68	–	65.20	–	3.73
4.	Service Income		**31.03.2007**	–	–	–	–	–	–	–	**11.56**	–	–
	– commission		31.03.2006	–	–	–	–	–	–	–	6.65	–	–
	TOTAL		**31.03.2007**			**38.40**			**42.59**		**1,371.67**		**68.48**
			31.03.2006			34.67			14.63		1,044.91		38.40

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

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

II) Produced by others – **902.24 KL** (415.39 KL)

III) The Company deals in processed foods which are not packed in homogenous units, hence it is not practicable to furnish quantitative data.

IV) The production of Edible Oils excludes processed by others 7991.34 M.T. (19814.39 M.T.)

SCHEDULES TO PROFIT AND LOSS ACCOUNT

	For the year ended March 31,			
	2007		2006	
	Quantity M.T.	Value Rs. Crore	Quantity M.T.	Value Rs. Crore
SCHEDULE 'Q'				
B) RAW MATERIALS CONSUMED				
Oil seeds	127,950	346.91	94,649	267.49
Raw oils	37,645	162.20	32,529	130.42
Others	–	102.53	–	69.03
		611.64		**466.94**

	%	Value Rs. Crore	%	Value Rs. Crore
C) VALUE OF IMPORTED AND INDIGENOUS MATERIALS CONSUMED				
Raw materials				
Imported	4.17	25.53	2.20	10.27
Indigenous	95.83	586.11	97.80	456.67
	100.00	**611.64**	**100.00**	**466.94**
Stores, spares and chemicals				
Imported	–	–	–	–
Indigenous	100.00	11.77	100.00	8.34
	100.00	**11.77**	**100.00**	**8.34**
D) VALUE OF IMPORTS ON C.I.F. BASIS				
Imported		–		–
Raw material		15.19		10.61
Packing material		8.44		2.15
Capital goods		4.74		0.00
		28.37		**12.75**
E) EXPENDITURE IN FOREIGN CURRENCY				
Travelling and other expenses		1.47		1.01
Advertisement and sales promotion		12.88		18.90
		14.35		**19.91**
F) EARNINGS IN FOREIGN EXCHANGE				
F.O.B. Value of exports		72.64		61.40
Royalty		1.60		0.25
Dividend		0.71		0.00
Interest		6.01		1.01
Service Income		9.19		4.98
		90.15		**67.64**

NOTES TO THE ACCOUNTS

SCHEDULE 'R'

NOTES:

1) The Company and nature of its operations:

Marico Limited ('Marico' or 'the Company'), headquartered in Mumbai, Maharashtra, India, carries on business in Consumer Products and Skin Care. Marico manufactures and markets products under brands such as Parachute, Nihar, Saffola, Sweekar, Hair & Care, Sil, Revive, Shanti, Oil of Malabar, Mediker and Manjal. Marico's products reach its consumers through retail outlets serviced by Marico's distribution network comprising 6 regional offices, 31 carrying & forwarding agents, 1 consignment agent, 5 redistribution centers and about 3600 distributors spread all over India. The Company's overseas markets comprise primarily the Middle East, Egypt and SAARC countries. Marico has manufacturing facilities located at Goa, Kanjikode, Pondicherry, Daman, Jalgaon, Saswad and Dehradun supported by subcontracting units. Marico has an alliance with Indo Nissin Foods Limited for distribution of Top Ramen instant noodles. Marico has the following subsidiaries:

- Marico Bangladesh Limited in Bangladesh which manufactures and sells branded coconut oil in Bangladesh;
- MBL Industries Limited, a wholly owned subsidiary of Marico Bangladesh Limited which also sells branded coconut oil and hair oils in Bangladesh.
- Kaya Skin Care Limited which provides skin care services and sells products through Kaya Skin Clinics;
- Sundari LLC, United States, a joint venture, carrying on ayurvedic skin care products business under the brand name SUNDĀRI;
- Marico Middle East FZE, in United Arab Emirates(UAE) for carrying on business, inter alia, in consumer products in the Middle East region;
- Kaya Middle East FZE, a wholly owned subsidiary of Marico Middle East FZE for carrying on business, inter alia, in skin care services and products through Kaya Skin Clinics in the Middle East region;
- MEL Consumer Care SAE, in Egypt a wholly owned subsidiary of Marico Middle East FZE set up during the year for carrying on business of hair care in Egypt under Fiancée brand which was acquired during the year;
- Pyramid for Modern Industries, in Egypt a subsidiary firm acquired by MEL Consumer Care SAE set up during the year for carrying on business of hair care in Egypt under Haircode brand.

2) Summary of significant accounting policies:

(a) Basis of preparation of financial statements

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

(b) Fixed assets

Fixed assets are stated at cost of acquisition less accumulated depreciation and at recoverable amount in case of an impairment. Cost includes taxes, duties, freight and other incidental expenses related to acquisition and installation. Interest on borrowing to finance fixed assets during construction period is capitalised. Other pre–operative expenses for major projects are also capitalised, where appropriate.

(c) Depreciation/Amortisation

I Tangible assets

(i) Depreciation is provided at higher of the rates based on useful lives of the assets as estimated by the management or those stipulated in Schedule XIV to the Companies Act, 1956. The depreciation rates for the following items of plant and machinery that are higher than the rates stipulated in Schedule XIV to the Companies Act, 1956 are as follows:

NOTES TO THE ACCOUNTS

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

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

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

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

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

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

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

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

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

II Intangible assets

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

(ii) Other intangible assets are amortised over their estimated economic useful lives as estimated by the management, but not exceeding the period given hereunder:

Technical know how	6 years
Non–compete covenants	Non–compete period (not exceeding 10 years)
Computer software	3 years

(d) Investments

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

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

(e) Inventories

(i) Raw material, packing material, stores, spares and consumables are valued at cost.

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

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

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

(f) Research and development

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

NOTES TO THE ACCOUNTS

(g) Revenue recognition

(i) Domestic Sales are recognised at the point of dispatch of goods to the customers and stated net off trade discount and exclusive of sales tax but inclusive of excise duty.

(ii) Export sales are recognised based on bill of lading.

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

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

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

(h) Retirement benefits

The Company has various schemes of retirement benefits, namely, provident fund, superannuation fund, gratuity and leave encashment. Provident, superannuation and gratuity funds are administered through trustees and the Company's contribution thereto is charged to revenue every year. Leave encashment and gratuity are provided for on the basis of actuarial valuation as at the year end by an independent actuary.

(i) Foreign currency transactions

(i) Transactions in foreign currencies are recognised at the prevailing exchange rates on the transaction dates. Realised gains and losses on settlement of foreign currency transactions are recognised in the Profit and Loss account.

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

(iii) In case of forward contracts with underlying assets or liabilities, the difference between the forward rate and the exchange rate on the date of inception of a forward contract is recognized as income or expense and is amortized over the life of the contract.

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

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

(j) Accounting for taxes on income

(i) Provision for current tax is made, based on the tax payable under the Income Tax Act, 1961. Minimum 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 & Loss Account only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period of seven succeeding assessment years.

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

(k) 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. In assessing the recoverable amount, the estimated future cash flows are discounted to their present value at appropriate discount rates.

NOTES TO THE ACCOUNTS

(l) 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.

(m) Share Issue Expenses

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

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

(i) Counter guarantees given to banks on behalf of subsidiaries Rs.122.58 Crore (Rs. 36.41 Crore)

(ii) Sales tax/cess claims disputed by the Company Rs. 2.32 Crore (Rs. 0.87 Crore)

(iii) Income tax and interest demands raised by authorities and disputed by the Company Rs. 3.97 Crore (Rs. 8.12 Crore)

(iv) Claims of Custom authorities disputed by the Company Rs. 3.40 Crore (Rs. 1.85 Crore)

(v) Claims against the Company not acknowledged as debts Rs. 3.02 Crore (Rs. 3.01 Crore)

(b) Amount outstanding towards Letters of Credit Rs. 0.17 Crore (Rs. 0.33 Crore)

4) Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 3.47 Crore (Rs. 2.94 Crore) net of advances.

5) During the year the Company has carried out financial restructuring scheme ('Scheme') under the relevant provisions of the Companies Act, 1956. The Scheme was approved by the shareholders on February 8, 2007 and subsequently by the Hon'ble High Court vide its order dated March 23, 2007. The Scheme entails adjustment of carrying value of intangible assets such as trademarks, copyrights, business and commercial rights as on Jan 31, 2007 against the balance in securities premium account and capital redemption reserve account. Accordingly, the Company has adjusted carrying amount of the intangible assets amounting to Rs.448.15 Crore (including Rs. 236.77 Crore acquired during the year) and related deferred tax adjustment of Rs. 139.06 Crore (net adjustment Rs. 309.09 Crore) against balance in capital redemption reserve to the extent of Rs.180.00 Crore and securities premium account to the extent of Rs. 129.09 Crore.

The above accounting treatment has been adopted in terms of approval of the Hon'ble High Court and is different from the accounting treatment prescribed by Accounting Standard 26 on 'Intangible Asset' (AS 26) issued by the Institute of Chartered Accountants of India as per which intangible assets have to be amortised over its useful life.

Had the accounting treatment prescribed by the AS 26 been followed,

a. Gross block, accumulated depreciation and net block would have been Rs. 687.78 Crore, Rs. 152.53 Crore and Rs. 535.24 Crore as against the reported figures of Rs. 213.87 Crore, Rs. 118.81 Crore and Rs. 95.06 Crore respectively. Further there would have been net deferred tax liability of Rs. 26.45 Crore as against net deferred tax asset of Rs. 115.02 Crore carried in the Balance Sheet.

b. Amortisation for the year would have been higher by Rs. 7.96 Crore and profit before tax would have been lower by the corresponding amount. Further deferred tax charge for the year would have been higher by Rs. 2.41 Crore and the profit after tax would have been lower by Rs. 10.37 Crore.

c. The carrying balance of capital redemption reserve, securities premium and balance in profit and loss account would have been Rs. 180.00 Crore, Rs. 142.58 Crore and Rs. 59.11 Crore respectively as against reported figure of Rs. Nil, Rs. 13.50 Crore and Rs. 69.48 Crore respectively.

6) Miscellaneous income includes lease income Rs. 0.47 Crore (Rs. 0.57 Crore), Insurance claims Rs. 0.29 Crore (Rs. 0.22 Crore), profit on sale / disposal of assets (net) Rs. Nil (Rs. 0.49 Crore), Royalty from subsidiaries Rs. 1.60 Crore (Rs. 0.25 Crore).

7) Miscellaneous expenses include labour charges Rs. 1.52 Crore (Rs. 1.17 Crore), training & seminar expenses Rs. 1.87 Crore (Rs. 2.19 Crore), outside services Rs. 3.56 Crore (Rs. 2.10 Crore), professional charges Rs. 6.71 Crore (Rs. 6.32 Crore), donations Rs. 0.61 Crore (Rs. 0.38 Crore), loss on sale of assets (net) Rs. 2.80 Crore (Nil).

NOTES TO THE ACCOUNTS

8) Research and development expenses aggregating Rs. 3.74 Crore (Rs. 3.28 Crore) have been included under the relevant heads in the profit and loss account.

9) Exchange loss (net) aggregating Rs. 5.44 Crore (Rs. 0.49 Crore (gain – net)) has been included under miscellaneous expenses in the profit and loss account.

10) Based on the criteria prescribed under Accounting Standard 28 (AS 28) "Impairment of Assets" issued by the Institute of Chartered Accountants of India, the Company had identified certain plant and machinery with written down value of Rs. 0.72 Crore (Rs. 2.40 Crore) as on March 31, 2007 as 'impaired fixed assets'. The said amount of Rs. 0.72 Crore (Rs. 2.40 Crore) had been provided for as impairment loss and included under "Depreciation, amortisation and Impairment" in the Profit & Loss Account.

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

(Rs. Crore)

Bank Name	Balance as on March 31, 2007	Balance as on March 31, 2006	Maximum Balance during the year ended March 31, 2007	Maximum Balance during the year ended March 31, 2006
Karur Vysya Bank	0.31	0.41	13.14	1.00
Janata Sahakari Bank	0.05	–	0.06	0.01
Lakshmi Vilas Bank	0.14	0.52	4.66	12.74
Standard Chartered Bank – Dubai	0.39	0.56	3.02	0.81
Mashreq Bank – Dubai	0.54	0.10	3.25	2.48

12) (i) Sundry Debtors include amount due from companies under the same management:

- Marico Bangladesh Limited Rs. 2.66 Crore (Rs. 5.97 Crore).
- Marico Middle East FZE Rs. 3.80 Crore (Rs. Nil).
- Kaya Skin Care Limited Rs. 0.12 Crore (Rs. Nil).

(ii) Loans and advances to subsidiaries and companies under same management comprise amounts due from:

- Kaya Skin Care Limited Rs. 6.08 Crore (Rs. 64.00 Crore) [Maximum amount due during the year Rs. 67.59 Crore (Rs. 64.00 Crore)].
- Sundari LLC, Rs. 25.44 Crore (Rs. 20.42 Crore) [Maximum amount due during the year Rs. 25.44 Crore (Rs. 20.42 Crore)].
- Marico Middle East FZE Rs. 20.56 Crore (Rs. 0.05 Crore) [Maximum amount due during the year Rs. 182.65 Crore (Rs. 0.05 Crore)].
- Kaya Middle East FZE Rs.Nil (Rs. 0.05 Crore) [Maximum amount due during the year Rs. 0.06 Crore (Rs. 0.06 Crore)].
- Marico Bangladesh Limited Rs. 1.98 Crore (Rs. 0.65 Crore) [Maximum amount due during the year Rs. 1.98 Crore (Rs.0.65 Crore)].
- MEL Consumer Care SAE Rs. 0.56 Crore (Rs. Nil) [Maximum amount due during the year Rs. 0.56 Crore (Rs. Nil)]
- Pyramid for Modern Industries Rs. 0.22 Crore (Rs. Nil) [Maximum amount due during the year Rs. 0.22 Crore (Rs. Nil)]

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

- Sundari LLC Rs. 2.93 Crore (Rs. 1.38 Crore) [Maximum amount due during the year Rs. 2.93 Crore (Rs. 1.38 Crore)].
- Marico Middle East FZE Rs. 4.23 Crore (Rs. Nil) [Maximum amount due during the year Rs. 4.23 Crore (Rs. Nil)]
- Kaya Skin Care Limited Rs.Nil (Rs. 3.91 Crore) [Maximum amount due during the year Rs. 3.91 Crore (Rs. 3.91 Crore)]

NOTES TO THE ACCOUNTS

13) Additional information on assets taken on lease:

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

	For the year ended March 31, 2007 (Rs. Crore)	2006 (Rs. Crore)
Lease rental payment for the year	0.73	0.78
Future minimum lease rental payment payable		
– not later than one year	0.39	0.52
– later than one year but not later than five years	0.44	0.07
Total	**0.83**	**0.59**

14) Break–up of deferred tax liability:

	March 31, 2007 (Rs. Crore)	March 31, 2006 (Rs. Crore)
Deferred tax asset:		
Provision for doubtful debtors/advances that are deducted for tax purposes when written off	0.84	0.80
On Intangible assets adjusted against Capital Redemption Reserve and Securities premium account under the Capital Restructuring scheme (Refer Note 5 above)	114.90	Nil
Liabilities that are deducted for tax purpose when paid	3.25	3.04
Total Deferred tax asset	118.99	3.84
Deferred tax liability:		
Additional depreciation on fixed assets for tax purposes due to higher tax depreciation rates	3.97	12.12
Total Deferred tax liability	3.97	12.12
Deferred tax liability/(asset)	**(115.02)**	**8.28**

15) The above financials include exceptional items stated in the profit and loss account:

- Employees' cost is net of write back of provisions of earlier year Rs. 9.13 Crore (Rs. Nil), which are no longer required.
- Advertisement and sales promotion is net of write back of provision of earlier year Rs. 4.90 Crore (Rs. 4.80 Crore), which are no longer required.
- Write back of earlier years' provision of miscellaneous expenses no longer required Rs. Nil (Rs. 4.50 Crore).

16) Derivative transactions –

- The total derivative instruments outstanding as on March 31, 2007 are of one kind i.e. Plain Forwards amounting to USD 2.00 million (participative and variable strip contracts of USD 3.60 million were outstanding as on March 31, 2006).
- All the option contracts entered by the company during the year (and in previous year) were for hedging purpose and not for any speculative purpose.
- There are no un–hedged net foreign currency exposures outstanding as on March 31, 2007/March 31, 2006.

17) Earnings per share:

	For the year ended March 31, 2007 (Rs. Crore)	2006 (Rs. Crore)
Profit after taxation	**116.16**	**98.86**
Less: Preference dividend including tax thereon	1.88	–
Profit available to equity share holders	114.28	98.86
Equity shares outstanding as at the year ended	609,000,000	580,000,000
Weighted average number of equity shares used as denominator for calculating basic and diluted earnings per share	589,666,667	580,000,000
Nominal value per equity share (Refer note below)	Re. 1	Re. 1
Basic and diluted earnings per equity share	**Rs. 1.94**	**Rs.1.70**

NOTES TO THE ACCOUNTS

During the year, the Company has effected a 1:10 share split. Accordingly, the number of shares outstanding as at the year end is increased on account of the share split. The computations of basic and diluted earning per share are adjusted retrospectively for all periods presented to reflect this change in share capital.

18) Segment Information

The Company has two business segments – Consumer Products and Skin Care. Segment Revenue, Results and Capital Employed figures include the respective amounts identifiable to each of the segments. The composition of these segments is given below:

Business segments	Type of products and services
Consumer Products	Coconut oils, other edible oils, hair oils and other hair care products, fabric care products, processed foods (including distribution alliance with Indo Nissin), soaps, baby care products.
Others	Skin Care

i. Primary Segment Information

Rs. Crore)

	Consumer Products	Others	Total
Segment revenue			
External sales	1,362.20	9.47	1,371.67
	(1,039.92)	(4.99)	(1,044.91)
Inter–segment sales	–	–	–
	(–)	(–)	(–)
Total revenue	**1,362.20**	**9.47**	**1,371.67**
	(1,039.92)	**(4.99)**	**(1,044.91)**
Segment Result	**167.33**	**(4.95)**	**162.38**
	(113.85)	**(–4.27)**	**(109.58)**
Unallocated Corporate Expenses			–
			(–)
Operating profit			162.38
			(109.58)
Interest expenses			20.01
			(5.02)
Interest income			8.41
			(4.41)
Net profit before tax			**150.78**
			(108.97)
Other information			
Segment assets	631.92	8.49	640.41
	(634.25)	(7.18)	(641.43)
Unallocated Corporate assets			34.74
			(28.85)
Total assets	**631.92**	**8.49**	**675.15**
	(634.25)	**(7.18)**	**(670.28)**
Segment liabilities	478.87	0.01	478.88
	(364.63)	(0.49)	(365.12)
Unallocated Corporate liabilities			12.78
			(27.80)
Total liabilities	**478.87**	**0.01**	**491.66**
	(364.63)	**(0.49)**	**(392.92)**
Capital expenditure	293.56	2.03	295.59
	(235.71)	(1.46)	(237.17)
Depreciation, Amortisation and impairment	33.75	1.44	35.19
	(29.42)	(3.81)	(33.23)
Impaired value of fixed assets	5.96	2.40	8.36
	(5.24)	(2.40)	(7.64)

NOTES TO THE ACCOUNTS

ii. Secondary Segment Information

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

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

Sales revenue by geographical market

Locations	Amount (Rs. Crore)
India	1,281.89
	(972.89)
Others (primarily Middle East and SAARC countries)	89.78
	(72.02)
Total	**1,371.67**
	(1,044.91)

Carrying amount of assets and capital expenditure by geographical locations

	India (Rs. Crore)	Others (Rs. Crore)	Total (Rs. Crore)
Carrying amount of assets	623.43	51.72	675.15
	(638.90)	(31.38)	(670.28)
Capital expenditure	30.26	265.33	295.59
	(235.50)	(1.67)	(237.17)

iii. Notes to Segmental information

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

(ii) Segment Assets and Liabilities: Segment assets include all operating assets used by a segment comprising intangibles, fixed assets, inventories, debtors, cash and bank balances and loans and advances. While most assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly is allocated to the segments on a reasonable basis. Segment liabilities include all operating liabilities of the segment comprising loan funds, deferred tax liability, creditors and other liabilities.

19) Related Party disclosures

	March 31, 2007 (Rs. Crore)	March 31, 2006 (Rs. Crore)
a) Subsidiary: Marico Bangladesh Limited (100% holding by Marico Limited)		
Nature of transactions:		
Balances		
Debtors	2.66	5.97
Loans & Advances	1.98	0.65
Investments [100,000 (100,000)] Equity Shares of Taka 10 (Taka 10) Each)	0.86	0.86
Corporate guarantee given to a bank	32.63	33.46
Transactions during the year		
Sales	18.54	15.46
Royalty income	0.35	0.25
Corporate guarantee given to bank	Nil	33.46
Dividend income	0.71	Nil
Sale of moulds	0.01	Nil
Guarantee commission receivable	0.27	Nil

NOTES TO THE ACCOUNTS

		March 31, 2007 (Rs. Crore)	March 31, 2006 (Rs. Crore)
b)	**Subsidiary: Marico Middle East FZE (100% holding by Marico Limited)**		
	Nature of transactions:		
	Balances		
	Investments (1 (1) Equity Shares of UAE UAE Dirhams 1 million each)	1.23	1.23
	Debtors	3.80	Nil
	Loan given	20.10	0.05
	Interest Accrued on loan	4.23	Nil
	Loan taken	143.59	Nil
	Other Receivable	0.46	Nil
	Advance received	NIL	0.11
	Corporate guarantee given to bank	87.00	Nil
	Investments (Nil (1) Equity Shares of UAE UAE Dirhams 1 million each)	Nil	1.23
	Sales	9.74	Nil
	Interest accrued on loan	4.35	Nil
	Advance received	0.07	Nil
	Advance given	Nil	0.05
	Advance taken	Nil	0.11
	Royalty income	0.46	Nil
	Loan given – net repayment	19.16	Nil
	Brand acquisition	238.76	Nil
c)	**Subsidiary: Kaya Skin Care Limited (100% holding by Marico Limited)**		
	Nature of transactions:		
	Balances		
	Balance of loans / advances	6.08	64.00
	Interest accrued on loans	Nil	3.91
	Investments [145,00,000 (10,000,000) Equity shares of Rs.10 (Rs.10) Each]	73.00	10.00
	Corporate guarantee given to bank	2.95	2.95
	Debtors	0.12	Nil
	Transactions during the year		
	Interest on Loans	Nil	2.98
	Receipt of interest on Loans	3.91	Nil
	Payment made on behalf of subsidiary	4.30	0.54
	Expenses incurred by subsidiary	2.42	Nil
	Advances given during the year (net of repayment)	Nil	18.98
	Advances repaid during the year	59.51	Nil
	Sales of goods	0.01	Nil
	Sales of Fixed asset	0.12	Nil
	Purchase of goods	0.09	Nil
	Professional Services availed	Nil	0.12
	Purchase of Fixed Assets	0.20	Nil
	Investment in shares	63.00	Nil

NOTES TO THE ACCOUNTS

		March 31, 2007 (Rs. Crore)	March 31, 2006 (Rs. Crore)
d)	**Subsidiary : Kaya Middle East FZE.**		
	(100% subsidiary of Marico Middle East FZE)		
	Nature of transactions:		
	Balances		
	Balance of Loans / Advances	Nil	0.06
	Due to Subsidiaries	0.15	Nil
	Loans and Advances given	Nil	0.06
	Loans and Advances Received/Adjusted	0.06	Nil
e)	**Joint Venture : Sundari LLC. (75.5% holding by Marico Limited)**		
	Loans and Advances	25.44	20.42
	Interest accrued on loans and advances	2.93	1.38
	Investments (75,500 (75,500)Equity		
	Shares of USD 18.25 (USD 18.25) Each)	5.81	5.81
	Loans and Advances	5.69	7.96
	Expenses incurred on behalf of joint venture	0.10	0.24
	Interest on loans and advances	1.65	1.01
f)	**Subsidiary : MEL Consumer Care (100% holding by Marico Middle East)**		
	Balance of loans and advances	0.56	Nil
	Royalty income	0.56	Nil
g)	**Subsidiary : Pyramid For Modern Industries**		
	(99% holding by MEL Consumer Care)		
	Royalty receivables	0.22	Nil
	Royalty income	0.22	Nil
	Key management personnel and their relatives:		
h)	**Whole–time director: Harsh Mariwala, Chairman and Managing Director**		
	Remuneration for the year	1.70	1.05
	Sale of residential premises	Nil	4.25
i)	**Employee: Rajvi Mariwala, daughter of Harsh Mariwala**		
	Remuneration for the year	0.07	0.01
j)	**Employee: Rishabh Mariwala, son of Harsh Mariwala**		
	Remuneration for the year	0.03	Nil

Other related parties where control exists, however, with whom the company did not have any transaction:

MBL Industries Limited (100% subsidiary of Marico Bangladesh Limited)

20) Managerial Remuneration:

	March 31, 2007 (Rs. Crore)	March 31, 2006 (Rs. Crore)
Payments and provisions on account of remuneration to		
Chairman and Managing Director included in profit and loss account		
Salary	1.28	0.87
Contribution to provident and pension funds	0.15	0.07
Other perquisites	0.05	0.01
Annual performance incentives	0.22	0.10
	1.70	1.05
Remuneration to non–wholetime directors	0.20	0.12

Notes:

1. The above remuneration to Chairman and Managing Director does not include contribution to Gratuity Fund and provision for Leave encashment, as these are lumpsum amounts for all relevant employees based on actuarial valuation.
2. Since no commission is payable during the year, computation of net profits for the year under section 198 of the Companies Act, 1956 has not been given.

NOTES TO THE ACCOUNTS

21) The Accounting Standard 15 (Revised) issued by the Institute of Chartered Accountants of India on 'Employee Benefit' has been revised and is mandatorily applicable in respect of accounting year commencing on or after December 7, 2006. The Company has preponed the application of the Standard and had made provision for gratuity and leave encashment expenses based on the revised Standard. As confirmed by the Actuary, the said change has no effect on provisions made for the year or charge of gratuity and leave encashment to profit and loss account and there are no transitionary differences to be adjusted against opening reserves. The disclosure requirement of the revised standard are given hereunder:

A. Gratuity benefits:

	Year Ended March 31, 2007
Actuarial assumptions :	
Discount Rate	7%
Rate of Return on Plan Assets	8%
Future Salary Rise	15%
Attrition Rate	15%
Table showing change in Benefit Obligation :	**Rs. Crore**
Liability at the beginning of the year	5.58
Interest cost	0.40
Current service cost	0.98
Past service cost (non vested benefit)	–
Past service cost (vested benefit)	–
Benefit paid	(0.81)
Actuarial (gain)/loss on obligations	1.61
Liability at the end of the year	7.76
Fair Value of Plan Assets :	
Fair value of plan assets at the beginning of the year	5.58
Expected Return on plan assets	0.38
Contributions	–
Benefit paid	(0.81)
Actuarial gain/(loss) on plan Assets	(0.14)
Fair value of plan assets at the end of the year	5.01
Total Actuarial gain/(loss) to be recognised	(1.75)
Actual Return on Plan Assets :	
Expected return on plan assets	0.38
Actuarial gain/(loss) on plan assets	(0.14)
Actual return on plan assets	0.24
Amount Recognised in the Balance Sheet :	
Liability at the end of the year	7.76
Fair value of plan assets at the end of the year	5.01
Difference	2.75
Unrecognised past service cost	–
Amount recognised in the balance sheet	2.75
Expenses Recognised in the Income Statement :	
Current service cost	0.98
Interest cost	0.40
Expected return on plan assets	(0.38)
Net actuarial (gain)/loss to be recognised	1.75
Past service cost (non vested benefit) recognised	–
Past service cost (vested benefit) recognised	–
Expense recognised in P & L	2.75
Balance Sheet Reconciliation	
Opening net liability	–

NOTES TO THE ACCOUNTS

		Year Ended March 31, 2007
	Expense as above	2.75
	Employers contribution	
	Amount recognised in balance sheet	2.75
B.	Leave encashment :	
	Actuarial assumptions :	
	Discount rate	7%
	Rate of return on plan assets	8%
	Future salary rise	15%
	Attrition rate	15%
	Table showing Change in Benefit Obligation:	**Rs. Crore**
	Liability at the beginning of the year	5.62
	Interest cost	0.38
	Current service cost	2.38
	Past service cost (non vested benefit)	–
	Past service cost (vested benefit)	–
	Benefit paid	(1.78)
	Actuarial (gain)/loss on obligations	0.21
	Liability at the end of the year	6.81
	Table of Fair Value of Plan Assets :	
	Fair value of plan assets at the beginning of the year	–
	Expected return on plan assets	–
	Contributions	1.78
	Benefit paid	(1.78)
	Actuarial gain/(loss) on plan assets	–
	Fair value of plan assets at the end of the year	–
	Total actuarial gain/(loss) to be recognised	(0.21)
	Actual Return on Plan Assets :	
	Expected return on plan assets	–
	Actuarial gain/(loss) on plan assets	–
	Actual return on plan assets	–
	Amount Recognised in the Balance Sheet :	
	Liability at the end of the year	6.81
	Fair value of plan assets at the end of the year	–
	Difference	6.81
	Unrecognised past service cost	–
	Amount recognised in the balance sheet	6.81
	Expenses Recognised in the Income Statement :	
	Current service cost	2.38
	Interest cost	0.38
	Expected return on plan assets	–
	Net actuarial (gain)/loss to be recognised	0.21
	Past service cost (non vested benefit) recognised	–
	Past service cost (vested benefit) recognised	–
	Expense recognised in P & L	2.97
	Balance Sheet Reconciliation	
	Opening net liability	5.62
	Expense as above	2.97
	Employers contribution	(1.78)
	Amount recognised in balance sheet	6.81

NOTES TO THE ACCOUNTS

22) The Company deals with several Small–Scale Industrial (SSI) undertakings on mutually accepted terms and conditions. Based on the records of the Company and the information received from SSI suppliers, the total amount outstanding as on March 31, 2007 was at Rs. 0.72 Crore (Rs. 0.83 Crore). The various amounts due to SSI's where individual balances were outstanding for more than 30 days and included under sundry creditors aggregate Rs. 0.01 Crore (Rs. 0.02 Crore). The interest payable to SSI's as at March 31, 2007 Rs.Nil (Rs. Nil). The names of such SSI suppliers are as under:

    Raviraj Plastoch, Shivam Enterprise, Aishwarya Industries, Blow Containers, Sai Plastics, Sri Ganesh Packs, V.I.Plastic, Vignesh Plastics, Bhavani Enterpri, Janani Printers, Apogee Plastics, Moreshwar Industries, Anmol Poly Produ, Complement Marke, Sigma Pack, Kris Plastics PV, Pilot Plastics, Indian Extrusion, Eskay Flexible P, Pratik Enterprise, Refine Marketing, Niki Plast, Sharyu Industries.

23) As at March 31, 2007, the Company holds 100 % of the Equity Capital of Kaya Skin Care Limited (Kaya) at a cost of Rs. 73.00 Crore (Rs. 10.00 Crore). The Company has also advanced loans to Kaya of Rs. 6.08 Crore (Rs. 67.91 Crore). Based on the audited financials of Kaya, there has been an erosion in the value of investments in Kaya.

    Since the incorporation of Kaya during 2002–03, its business has been in a development phase. Encouraged by the consumer response to Kaya's pioneering offerings in products and services in the skin care category, it has focused on building the brand "Kaya" through setting up of a large number of Clinics at several locations and has so far set up 43 clinics. In the process, Kaya has incurred significant set up costs, primarily advertisement and sales promotion, leading to losses. There were significant improvements in operations during the year and the Company has also infused equity into Kaya. Kaya's business is now expected to stabilize and break even during 2007–08.

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

24) As at March 31, 2007, the Company holds 75.5% of the interests in Sundari LLC (Sundari) at a cost of Rs. 5.81 Crore. The Company has also advanced to Sundari loans (including interest accrued thereon) of Rs. 28.37 Crore (Rs. 21.79 Crore). The company is having negative net worth.

    Since the Company acquired majority interests in Sundari during 2002–03, it has been woking upon making improvements in the business model. Given the unique nature of Sundari's offerings in the Premium Ayurvedic skin care category, it has focused on building business with spas in the USA and other countries, while restructuring operations to cut costs and establish a profitable business model. As a result of these steps, there were improvements in operations of the company and in the process, sales grew by 28% during 2006 –07. In the process the losses were also cut down by 27%. Sundari expects to stabilize its operations in the foreseeable future and break even at the Profit before Interest and tax level in the coming two to three years.

    Based on the fundamentals of the Sundari business, the management is of the opinion that it is strategically desirable for Marico to continue to support Sundari through funding, including equity / debt infusion, through either fresh funds or conversion of existing loans into equity. Having regard to this, the management perceives that the Sundari business has long term potential that is waiting to be unlocked and accordingly the Company continues to support Sundari as a strategic investment. Having regard to these factors the Company does not regard current diminution in value of investment to be of permanent nature and hence, no provision for diminution in value is considered necessary in respect of the Company's investment in Sundari or of the loans and advances given to Sundari.

25) There are no dues payable to the Investor Education and Protection Fund as at March 31, 2007.

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

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

NOTES TO THE ACCOUNTS

27) Information pursuant to Part IV of Schedule VI to the Companies Act, 1956 :

a) **Registration details:**

Registration No. : 11–49208

Balance Sheet Date : March 31, 2007

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

Public Issue	Nil
Bonus Issue	Nil
Bonus Preference Shares	Nil
Rights Issue	Nil
Private placement	Rs 151.38 Crore (inclusive of securities premium)

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

Total Liabilities – Rs. 675.15 Crore

Total Assets – Rs. 675.15 Crore

Sources of Funds	(Amount in Rs. Crore)	**Application of Funds**	(Amount in Rs. Crore)
Paid up Capital	60.90	Net Fixed Assets	107.86
Reserves & Surplus	122.59	Investments	80.91
Secured Loans	50.48	Net Current Assets	46.95
Unsecured Loans	116.77	Deferred Tax Asset	115.02
Deferred Tax Liability	–		
Accumulated losses	–		
Total Sources	**350.74**	**Total Application**	**350.74**

d) **Performance of the Company**

	(Amount in Rs. Crore)
Turnover (Sales & Other Income)	1,375.89
Total Expenditure	1,225.11
Profit before Tax	150.78
Profit after Tax	116.16
Earnings per share (in Rs.)	1.94
Dividend rate (%)	65.50%

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
BIPIN SHAH	Director and Chairman of Audit Committee
VINOD KAMATH	Chief - Finance & IT
VINOD KAUSHAL	Company Secretary

Place: Mumbai
Date: May 18, 2007