MARICO LIMITED

(Incorporated in the Republic of India with limited liability under the Companies Act, 1956)

Marico Limited (the "Company") is issuing 2,900,000 Equity Shares of face value Rs.10 each at a price of Rs. 522 per Equity Share, including a premium of Rs. 512 per Equity Share, aggregating Rs. 1,513.8 million of proceeds to the Company.

ISSUE IN RELIANCE UPON CHAPTER XIII-A OF THE SEBI GUIDELINES

THIS OFFERING AND THE DISTRIBUTION OF THIS PLACEMENT DOCUMENT IS BEING DONE IN RELIANCE UPON CHAPTER XIII-A OF THE SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000, AS AMENDED (THE "SEBI GUIDELINES"). THIS PLACEMENT DOCUMENT IS PERSONAL TO EACH PROSPECTIVE INVESTOR, AND DOES NOT CONSTITUTE AN OFFER OR INVITATION OR SOLICITATION OF AN OFFER TO THE PUBLIC OR TO ANY OTHER PERSON OR CLASS OF INVESTORS.

Invitations, offers and sales of Equity Shares shall only be made pursuant to the Placement Document, Confirmation of Allocation Note and the Application Form. For further details see *"Issue Procedure"*. The distribution of this Placement Document or the disclosure of its contents without our prior consent to any person, other than Qualified Institutional Buyers (as defined in the SEBI Guidelines) and persons retained by Qualified Institutional Buyers to advise them with respect to their purchase of Equity Shares, is unauthorized and prohibited. Each prospective investor, by accepting delivery of this Placement Document agrees to observe the foregoing restrictions, and to make no copies of this Placement Document or any documents referred to in this Placement Document.

This Placement Document has not been and will not be registered as a prospectus with the Registrar of Companies in India, and will not be circulated or distributed to the public in India.

Investments in equity and equity-related securities involve a degree of risk and prospective investors should not invest any funds in this Issue unless they are prepared to take the risk of losing all or part of their investment. Investors are advised to read the risk factors carefully before making an investment decision in respect of this Issue. Each prospective investor is advised to consult its advisers about the particular consequences to it of an investment in the Equity Shares to be issued pursuant to the Placement Document.

The information on the Company's website or any website directly or indirectly linked to such websites does not form part of this Placement Document and prospective investors should not rely on such information.

Applications shall be made for the listing of the Equity Shares on the Bombay Stock Exchange Limited (the "BSE") and the National Stock Exchange of India Limited (the "NSE" and, together with the BSE, the "Stock Exchanges"). The Stock Exchanges assume no responsibility for the accuracy of any statements made, opinions expressed or reports contained herein. Admission of the Equity Shares to trading on the Stock Exchanges should not be taken as an indication of the merits of the Company or the Equity Shares.

YOU MAY NOT AND ARE NOT AUTHORIZED TO (1) DELIVER THE PLACEMENT DOCUMENT TO ANY OTHER PERSON OR (2) REPRODUCE SUCH PLACEMENT DOCUMENT IN ANY MANNER WHATSOEVER. ANY DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SEBI GUIDELINES OR OTHER APPLICABLE LAWS OF INDIA AND OTHER JURISDICTIONS.

A copy of the Preliminary Placement Document has been delivered to the Stock Exchanges. A copy of the Placement Document will be filed with the Stock Exchanges. A copy of the Placement Document will also be delivered to the Securities and Exchange Board of India (the "SEBI") for record purposes.

THIS PLACEMENT DOCUMENT HAS BEEN PREPARED BY THE COMPANY FOR PROVIDING INFORMATION IN CONNECTION WITH THE PROPOSED ISSUE OF THE EQUITY SHARES DESCRIBED IN THIS PLACEMENT DOCUMENT.

The Equity Shares have not been and will not be registered under the United States Securities Act of 1933, as amended (the ''Securities Act'') and, subject to certain exceptions, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Equity Shares are being offered and sold (a) in the United States only to persons reasonably believed to be qualified institutional buyers (as defined in Rule 144A under the Securities Act) pursuant to Section 4(2) of the Securities Act and (b) outside the United States in reliance on Regulation S. See *"Selling Restrictions"*.

This Placement Document is dated December 2, 2006.

Joint Global Coordinators and Joint Bookrunners
(arranged in alphabetical order only)

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NOTICE TO INVESTORS

We accept responsibility for the information contained in this Placement Document and to our best knowledge and belief, having made all reasonable enquiries, we confirm that this Placement Document contains all information with respect to us and the Equity Shares, which is material in the context of this Issue. The statements contained in this Placement Document relating to us and the Equity Shares are, in every material respect, true and accurate and not misleading, the opinions and intentions expressed in this Placement Document with regard to us and the Equity Shares are honestly held, have been reached after considering all relevant circumstances, are based on information available to us at present and are based on reasonable assumptions. There are no other facts in relation to us and the Equity Shares, the omission of which would, in the context of the Issue, make any statement in this Placement Document misleading in any material respect. Further, all reasonable enquiries have been made by us to ascertain such facts and to verify the accuracy of all such information and statements. The Joint Global Coordinators and Joint Bookrunners have not separately verified the information contained in this Placement Document (financial, legal or otherwise). Accordingly, neither the Joint Global Coordinators and Joint Bookrunners nor any member, employee, counsel, officer, director, representative, agent or affiliate of the Joint Global Coordinators and Joint Bookrunners makes any express or implied representation, warranty or undertaking, and no responsibility or liability is accepted, by the Joint Global Coordinators and Joint Bookrunners, as to the accuracy or completeness of the information contained in this Placement Document or any other information supplied in connection with the Equity Shares. Each person receiving this Placement Document acknowledges that such person has not relied on the Joint Global Coordinators and Joint Bookrunners nor on any person affiliated with the Joint Global Coordinators and Joint Bookrunners in connection with its investigation of the accuracy of such information or its investment decision, and each such person must rely on its own examination of the Company and the merits and risks involved in investing in the Equity Shares. Prospective investors should not construe anything in this Placement Document as legal, business, tax, accounting or investment advice.

No person is authorized to give any information or to make any representation not contained in this Placement Document and any information or representation not so contained must not be relied upon as having been authorized by or on our behalf or the Joint Global Coordinators and Joint Bookrunners. The delivery of this Placement Document at any time does not imply that the information contained in it is correct as at any time subsequent to its date.

The Equity Shares have not been approved, disapproved or recommended by the U.S. Securities and Exchange Commission, any state securities commission in the United States or the securities commission of any non-U.S. jurisdiction or any other U.S. or non-U.S. regulatory authority. None of these authorities has passed on or endorsed the merits of this offering or the accuracy or adequacy of this Placement Document. Any representation to the contrary is a criminal offence in the United States and may be a criminal offence in other jurisdictions.

The distribution of this Placement Document and the issue of the Equity Shares in certain jurisdictions may be restricted by law. As such, this Placement Document does not constitute, and may not be used for or in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation. In particular, no action has been taken by us or the Joint Global Coordinators and Joint Bookrunners, which would permit an offering of the Equity Shares or distribution of this Placement Document in any jurisdiction, other than India. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly, and neither this Placement Document nor any offering materials in connection with the Equity Shares may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

In making an investment decision, investors must rely on their own examination of the Company and the terms of this Issue, including the merits and risks involved. Investors should not construe the contents of this Placement Document as legal, tax, accounting or investment advice. Investors should consult their own counsel and advisors as to business, legal, tax, accounting and related matters concerning this offering. In addition, neither we nor the Joint Global Coordinators and Joint Bookrunners are making any representation to any offeree or purchaser of the Equity Shares regarding the legality of an investment in the Equity Shares by such offeree or purchaser under applicable legal, investment or similar laws or regulations. Each purchaser of the Equity Shares in this offering is deemed to have acknowledged, represented and agreed that it is eligible to invest in India and in the Company under Indian law, including Chapter XIII-A of the SEBI Guidelines and is not prohibited by the SEBI or any other statutory authority from buying, selling or dealing in securities. Each purchaser of Equity Shares in this offering also acknowledges that it has been afforded an opportunity to request from us and review information relating to us and the Equity Shares.

This Placement Document contains summaries of certain terms of certain documents, but reference is made to the actual documents, copies of which will be made available upon request during the offering period for physical inspection at our Registered Office located at Mumbai, Maharashtra, India, subject to applicable confidentiality restrictions. All such summaries are qualified in their entirety by this reference.

Under Regulation 15A(1) of the Securities Exchange Board of India (Foreign Institutional Investors) Regulation, 1995, as amended, foreign institutional investors as defined under SEBI Guidelines, or their sub-accounts (together referred to as "FIIs"), may issue, deal in or hold, off-shore derivative instruments such as participatory notes, equity linked notes or any other similar instruments against Equity Shares allocated in this offering (all such off-shore derivative instruments referred to herein as "P-Notes"). P- Notes have not been and are not being offered or sold pursuant to this Placement Document. Neither this document nor the Placement Document contains or contained any information concerning P-Notes or the issuer(s) of any P-Notes, including, without limitation, any information regarding any risk factors relating thereto.

Any P-Notes that may be issued are not securities of the Company and do not constitute any obligations of, claim on, or interests in the Company. The Company has not participated in any offer of any P-Notes, or in the establishment of the terms of any P-Notes, or in the preparation of any disclosure related to any P-Notes. Any P-Notes that may be offered are issued by, and are solely the obligations of, third parties that are unrelated to the Company. The Company and its affiliates do not make any recommendation as to any investment in P-Notes and do not accept any responsibility whatsoever in connection with any P-Notes.

Any P-Notes that may be issued are not securities of the Joint Global Coordinators and Joint Bookrunners and do not constitute any obligations of, or claim on the Joint Global Coordinators and Joint Bookrunners.

Prospective investors interested in purchasing any P-Notes have the responsibility to obtain adequate disclosure as to the issuer(s) of any P-Notes and the terms and conditions of any such P-Notes from the issuer(s) of such P-Notes. Neither SEBI nor any other regulatory authority has reviewed or approved any P-Notes or any disclosure related thereto. Prospective investors are urged to consult with their own financial, legal, accounting and tax advisors regarding any contemplated investment in P-Notes, including whether P-Notes are issued in compliance with applicable laws and regulations.

NOTICE FOR NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ("RSA 421-B") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

DISCLAIMER CLAUSE OF THE STOCK EXCHANGES

As required, a copy of the Preliminary Placement Document has been submitted to the Stock Exchanges. The Stock Exchanges do not in any manner:

1. warrant, certify or endorse the accuracy or completeness of any of the contents of the Preliminary Placement Document;

2. warrant that this Company's Equity Shares will be listed or will continue to be listed on the Stock Exchanges; or

3. take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

and it should not for any reason be deemed or construed to mean that the Preliminary Placement Document has been cleared or approved by the Stock Exchanges. Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to an independent inquiry, investigation and analysis and shall not have any claim against the Stock Exchanges whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

PRESENTATION OF FINANCIAL INFORMATION AND USE OF MARKET DATA

We prepare our financial statements in accordance with Indian GAAP. Indian GAAP differs significantly in certain respects from IFRS and U.S. GAAP. We do not provide a reconciliation of our financial statements to IFRS or U.S. GAAP financial statements or a summary of the principal differences between Indian GAAP, IFRS and U.S. GAAP relevant to our business. See *"Risk Factors -Significant differences exist between Indian GAAP and other accounting principles with which investors may be more familiar."* In this Placement Document, any discrepancies in any table between the totals and the sum of the amounts listed are due to rounding.

All references to "you" are to the prospective investors in the Equity Shares. References in this Placement Document to "India" are to the Republic of India and the "Government" are to the Governments of India, central or state, as applicable.

We publish our financial statements in Rupees. This Placement Document contains translations of certain Rupee amounts into U.S. dollar amounts at specified rates solely for the convenience of the reader. These translations should not be construed as representations that the Rupee amounts represent such U.S. dollar amounts or could be, or could have been, converted into U.S. Dollars at the rates indicated or at all. Unless otherwise indicated, all translations from Rupees to U.S. Dollars have been made on the basis of the noon buying rate in New York City for cable transfers in Rupees, as certified for customs purposes by the Federal Reserve Bank of New York ("Noon Buying Rate") on September 29, 2006 of Rs. 45.95= US$1.00.

Unless stated otherwise, the financial data in this Placement Document is derived from our consolidated financial statements prepared in accordance with Indian GAAP. Our Fiscal / Financial year commences on April 1 and ends on March 31 of the next year, so all references to a particular Fiscal are to the twelve-month period ended on March 31 of that year.

INDUSTRY AND MARKET DATA

Information regarding market position, growth rates and other industry data pertaining to our business contained in this Placement Document consists of estimates based on data reports compiled by professional organizations and analysts, data from other external sources and our knowledge of markets in which we compete. The statistical information included in this Placement Document has been reproduced from various trade, industry and government publications and websites. This data is subject to change and cannot be verified with complete certainty due to limits on the availability and reliability of the raw data and other limitations and uncertainties inherent in any statistical survey. In many cases, there is no readily available external information (whether from trade or industry associations, government bodies or other organizations) to validate market-related analyses and estimates, so we have relied on internally developed estimates. While we have compiled, extracted and reproduced this data from external sources, including third parties, trade, industry or general publications, we accept responsibility for accurately reproducing such data. However, neither we nor the Joint Global Coordinators and Joint Bookrunners have independently verified this data and neither we nor the Joint Global Coordinators and Joint Bookrunners make any representation regarding the accuracy of such data. Similarly, while we believe our internal estimates to be reasonable, such estimates have not been verified by any independent sources and neither we nor the Joint Global Coordinators and Joint Bookrunners can assure potential investors as to their accuracy.

FORWARD-LOOKING STATEMENTS

All statements contained in this Placement Document that are not statements of historical fact constitute "forward-looking statements." All statements regarding our expected financial condition and results of operations, business, plans and prospects are forward-looking statements. These forward-looking statements include statements as to our business strategy, our revenue and profitability, planned projects and other matters discussed in this Placement Document regarding matters that are not historical facts. These forward-looking statements and any other projections contained in this Placement Document (whether made by us or any third party) are predictions and involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other projections. All forward looking statements are subject to risks, uncertainties and assumptions about us that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause actual results to differ materially from our expectations include, among others

- the continuing success of our business model;
- our ability to build strong brands and maintain leadership position in them;
- our ability to manage changing consumer tastes and preferences;
- our ability to manage our growth effectively;
- our ability to finance our business and growth, and obtain financing on favourable terms;
- our ability to compete effectively, particularly in new markets and businesses;
- our ability to integrate the businesses / companies we acquire;
- our ability to comply with international and domestic regulatory requirements; and
- changes in interest rates, exchange rates and other micro and macroeconomic factors.

Investors can generally identify forward-looking statements by terminologies such as "aim", "anticipate", "believe", "expect", "estimate", "intend", "objective", "plan", "project", "shall", "will", "will continue", "will pursue" or other words or phrases of similar import. Similarly, statements that describe our strategies, objectives, plans or goals are also forward-looking statements. All forward looking statements are subject to risks, uncertainties and assumptions about us that could cause actual results to differ materially from those contemplated by the relevant statement.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under *"Management's Discussion and Analysis of Financial Condition and Results of Operations," "Industry"* and *"Business".*

The forward-looking statements contained in this Placement Document are based on the beliefs of management, as well as the assumptions made by and information currently available to management. Although we believe that the expectations reflected in such forward-looking statements are reasonable at this time, we cannot assure investors that such expectations will prove to be correct. Given these uncertainties, investors are cautioned not to place undue reliance on such forward-looking statements. If any of these risks and uncertainties materialize, or if any of our underlying assumptions prove to be incorrect, our actual results of operations and/or financial condition could differ materially from that described herein as anticipated, believed, estimated or expected. All subsequent written and oral forward-looking statements attributable to us are expressly qualified in their entirety by reference to these cautionary statements.

ENFORCEMENT OF CIVIL LIABILITIES

We are a limited liability Company incorporated under the laws of India. All or substantially all of our Directors and senior management are residents of India and all or substantially all of our assets (excluding the assets of our foreign Subsidiaries) and the assets of our Directors and senior management are located in India. As a result, it may not be possible for investors to effect service of process upon us or such persons outside India, or to enforce judgments obtained against such parties outside India.

Recognition and enforcement of foreign judgments is provided for under Section 13 and Section 44A of the Code of Civil Procedure, 1908, of India ("Civil Code") on a statutory basis. Section 13 of the Civil Code provides that foreign judgments shall be conclusive regarding any matter directly adjudicated upon, except:

- where the judgment has not been pronounced by a court of competent jurisdiction;
- where the judgment has not been given on the merits of the case;
- where it appears on the face of the proceedings that the judgment is founded on an incorrect view of international law or a refusal to recognize the law of India in cases to which such law is applicable;
- where the proceedings in which the judgment was obtained were opposed to natural justice;
- where the judgment has been obtained by fraud; and
- where the judgment sustains a claim founded on a breach of any law then in force in India.

Under the Civil Code, a court in India shall, upon the production of any document purporting to be a certified copy of a foreign judgment, presume that the judgment was pronounced by a court of competent jurisdiction, unless the contrary appears on record.

India is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments. Section 44A of the Civil Code provides that where a foreign judgment has been rendered by a superior court, within the meaning of such Section, in any country or territory outside India which the Government has by notification declared to be a reciprocating territory, it may be enforced in India by proceedings in execution as if the judgment had been rendered by the relevant court in India. However, Section 44A of the Civil Code is applicable only to monetary decrees not being of the same nature as amounts payable in respect of taxes, other charges of a like nature or of a fine or other penalties.

The United Kingdom, Singapore and Hong Kong have been declared by the Central Government to be reciprocating territories for the purposes of Section 44A, but the United States has not been so declared. A judgment of a court of a country, which is not a reciprocating territory, may be enforced only by a suit upon the judgment and not by proceedings in execution. Such a suit has to be filed in India within two years from the date of the judgment in the same manner as any other suit filed to enforce a civil liability in India. Execution of a judgment or repatriation outside India of any amounts received is subject to the approval of the RBI. It is unlikely that a court in India would award damages on the same basis as a foreign court if an action was brought in India. Furthermore, it is unlikely that an Indian court would enforce foreign judgments if that court were of the view that the amount of damages awarded was excessive or inconsistent with public policy. A party seeking to enforce a foreign judgment in India is required to obtain approval from the RBI to repatriate outside India any amount recovered pursuant to the execution of such a judgment.

DEFINITIONS AND ABBREVIATIONS

General Terms

Term	Description
"Marico Limited" or "Marico" or "the Company" or "our Company" or "we" or "us" or "our"	Refers to Marico Limited and where the context requires, Marico together with its Subsidiaries.
Allocated / Allocation	The determination of QIBs and number of Equity Shares to be allocated to each QIB for the purposes of inviting submission of Application Forms, done in consultation with the Joint Global Coordinators and Joint Bookrunners and in compliance with Chapter XIII-A of the SEBI Guidelines.
Allotment	Unless the context otherwise requires, the allotment of Equity Shares to the successful Investors pursuant to the Issue.
Application Form	The form pursuant to which the QIBs who have been allocated Equity Shares after discovery of the Issue Price apply for the Allotment of the Equity Shares Allocated.
Articles/Articles of Association	Articles of Association of our Company.
Auditors	RSM & Co.
Bid	An indication of QIBs' interest, including all revisions and modifications of interest, as provided in the Bid cum Revision Form to subscribe for our Equity Shares under this Issue.
Bid Closing Date	December 1, 2006.
Bid Opening Date	November 30, 2006.
Bid cum Revision Form	The form pursuant to which a QIB shall submit a Bid.
Board of Directors/Board	The board of directors of our Company or a committee constituted thereof, unless otherwise specified.
BOLT	BSE On-Line Trading.
CAN/Confirmation of Allocation Note	Note or advice or intimation to QIBs inviting such QIBs to submit an Application Form for Allotment of Equity Shares after discovery of the Issue Price.
Companies Act	The Companies Act, 1956 as amended from time to time.
Cut-off Price	The Issue Price, which shall be finalized by us in consultation with the Joint Global Coordinators and Joint Bookrunners.
Depository	A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time.
Depositories Act	The Depositories Act, 1996, as amended from time to time.
Depository Participant	A depository participant as defined under the Depositories Act.
Director(s)	Director(s) on the Board of our Company, unless otherwise specified.
Equity Shares	Our equity shares of face value of Rs. 10 each, unless specified otherwise in the context thereof.
FEMA	The Foreign Exchange Management Act, 1999, as amended from time to time, and the regulations framed thereunder.
FII	Foreign Institutional Investor (as defined under the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995) registered

Term	Description
	with SEBI under applicable laws in India.
Floor Price	Rs. 517.39 per Equity Share, which has been calculated in accordance with clause 13A.3 of the SEBI Guidelines.
Joint Global Coordinators and Joint Bookrunners	Citigroup Global Markets India Private Limited and Kotak Mahindra Capital Company Limited.
Investors	Any prospective investor who makes a Bid pursuant to the terms of the Preliminary Placement Document.
Issue	The offer and sale of Equity Shares to Qualified Institutional Buyers, pursuant to Chapter XIII-A of the SEBI Guidelines. The Equity Shares are being offered and sold (a) in the United States only to persons reasonably believed to be qualified institutional buyers (as defined in Rule 144A under the Securities Act) pursuant to Section 4(2) of the Securities Act and (b) outside the United States in reliance on Regulation S.
Issue Price	A price per Equity Share of Rs. 522.
Issue Size	The issue of 2,900,000 Equity Shares aggregating to Rs. 1,513.8 million.
Memorandum/ Memorandum of Association	The Memorandum of Association of our Company.
Mutual Fund	A mutual fund registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996.
Pay-in Date	The last date specified in the CAN sent to QIBs, as applicable.
Preliminary Placement Document	The Preliminary Placement Document dated November 29, 2006, issued in accordance with Chapter XIII-A of the SEBI Guidelines.
Placement Document	The Placement Document dated December 2, 2006 issued in accordance with Chapter XIII-A of the SEBI Guidelines.
Promoter(s)	Harsh Mariwala and Kishore Mariwala.
QIBs or Qualified Institutional Buyers	A Qualified Institutional Buyer as defined under clause 2.2.2B (v) of the SEBI Guidelines or if the context may require a qualified institutional buyer as defined in Rule 144A under the Securities Act.
Registrar of Companies	Registrar of Companies, Mumbai, Maharashtra.
Regulation S	Regulation S under the Securities Act.
Relevant Date	October 25, 2006 (i.e., the day which is thirty days prior to the date on which the meeting of general body of shareholders was held viz., November 24, 2006, in terms of sub-section (1A) of Section 81 of the Companies Act, 1956).
SEBI Guidelines	The SEBI (Disclosure and Investor Protection) Guidelines, 2000 issued by SEBI, as amended, including instructions and clarifications issued by SEBI from time to time.
SEBI Act	The Securities and Exchange Board of India Act, 1992, as amended from time to time.
Stock Exchanges	NSE and BSE.
Subsidiaries	Marico Bangladesh Limited (**"MBL"**), MBL Industries Limited (**"MBLIL"**, a wholly owned Subsidiary of MBL), Kaya Skin Care Limited **("KSCL"),** Marico Middle East FZE (**"MME"**)**,** Kaya Middle East FZE (**"KME"**, a wholly owned Subsidiary of MME), Sundari LLC (**"Sundari"**) and MEL Consumer Care S.A.E. (**"MELCC"**, a wholly owned Subsidiary of MME).

Abbreviations

Abbreviation	Full Form
AGM	Annual General Meeting of the Company.
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India.
BOIL	The Bombay Oil Industries Limited.
BSE	Bombay Stock Exchange Limited.
CAGR	Compounded Annual Growth Rate.
CDSL	Central Depository Services Limited.
CII	Confederation of Indian Industry.
CSD	Canteen Stores Department.
C&F	Carrying and Forwarding.
DIPP	Department of Industrial Policy & Promotion, Ministry of Commerce & Industry, Government of India.
DTAT	Double Taxation Avoidance Treaty.
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortization
EGM	Extraordinary General Meeting.
EPS	Earnings Per Share.
FDI	Foreign Direct Investment.
FICCI	Federation of Indian Chambers of Commerce and Industry.
FIPB	Foreign Investment Promotion Board.
FMCG	Fast Moving Consumer Goods.
FY/ Fiscal	Financial year/ Fiscal year.
Financial year /Fiscal year	Period of twelve months ending March 31 of that particular year, unless otherwise stated.
GAAP	Generally Accepted Accounting Principles.
GDP	Gross Domestic Product.
GoI	Government of India.
ICAI	Institute of Chartered Accountants of India.
IFRS	International Financial Reporting Standards.
IPR	Intellectual Property Rights.
I.T. Act	The Income Tax Act, 1961, as amended from time to time.
IT	Information Technology.
ITES	Information Technology Enabled Services.
Ltd.	Limited.
MAT	Minimum Alternate Tax.
MNC	Multi-National Corporation.

Abbreviation	Full Form
MOU	Memorandum of Understanding.
Mn / mn	Million.
NAV	Net Asset Value.
NSDL	National Securities Depository Limited.
NSE	National Stock Exchange of India Limited.
p.a.	per annum.
P/E	Price/Earnings Ratio.
PAN	Permanent Account Number.
PAT	Profit After Tax.
PLR	Prime Lending Rate.
RBI	The Reserve Bank of India.
RoC	The Registrar of Companies, Mumbai, Maharashtra.
SAARC	South Asian Association for Regional Co-operation.
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act, 1992.
SEC	U.S. Securities Exchange Commission.
Securities Act	U.S. Securities Act of 1933, as amended.
Takeover Code	SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.
U.S.	United States.
YoY	Year-on-Year.

SUMMARY OF BUSINESS

The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information and the financial statements that appear elsewhere in this Placement Document. In addition, you should carefully consider the risks discussed under "Risk Factors" for an understanding of the risks associated with the purchase of our Equity Shares.

Overview

We are one of the leading Indian business groups operating in the beauty and wellness segments of the FMCG industry offering products and services in hair care, health care and skin care to consumers in India and abroad.

Our business is segregated into i) "Consumer Products" business including various branded products in coconut oil, premium refined edible oils, hair oils, other hair care products and functional foods which is further, divided into domestic business and international business; and ii) "Others" which includes skin care services and products sold under the Kaya brand and Sundari spa skin care products.

We focus on branded products and our key brands and brand extensions include Parachute, Saffola, Kaya, Hair & Care and Mediker, which have significant market shares in their product categories. We recently acquired two brands, Nihar in February 2006, from Hindustan Lever Limited and Fiancée, a leading Egyptian brand, in September 2006.

Our Promoters are Mr. Harsh Mariwala and Mr. Kishore Mariwala, who together with the promoter group hold 66.62% of the shareholding of our Company as on September 30, 2006. We were incorporated on October 13, 1988 as Marico Foods Ltd. Our name was changed to Marico Industries Ltd. with effect from October 31, 1989. In April 1990, we commenced our commercial operations by taking over the business of the consumer products division of BOIL. On April 25, 2005, we changed our name to Marico Limited.

Our total income in Fiscal 2006 was Rs. 11,474.8 million derived principally from the sale of branded products and services. Over a period of three years from Fiscal 2004 to Fiscal 2006, our total income has grown at a CAGR of 13.7%.

Strengths

We believe that we are well positioned to sustain the existing leadership position in key markets as well as to exploit significant growth opportunities that exist in the expanding FMCG sector, in India and abroad. We have identified the following competitive advantages that are relevant to our business.

- Strong brand identity;
- Wide distribution reach;
- Innovation and product development;
- Cost management;
- Highly qualified employee base and proven management team.

Strategy

Our overall business goal is to maintain and build upon our position as a leading FMCG player in product categories in which we operate. We intend to achieve this by implementing the following key strategies:

- Expand the size of the market for our dominant brands
- Increase market share
- Roll out new products and services in existing and new business segments
- Expand geographical reach
- Pursue inorganic growth

RECENT DEVELOPMENTS

Acquisition of Fiancée brand

In September 2006, we entered the ‘pre and post wash hair-care market’ in Egypt by acquiring Fiancée, a brand owned by the Egypt-based Ready Group in an all cash transaction. The brand has a significant market share in the segments of hair creams and gels. In addition, the brand also covers some other products in the shampoo and skin care segments.

As part of this acquisition, we also entered into an agreement to purchase 100% of the shares in the Egyptian American Investment and Industrial Development Company, the operating company for the branded products, for USD 35.1 million. The brand acquisition was made by our Subsidiary, Marico Middle East FZE. The total consideration is linked to the achievement of target revenue from sales of the products under the brand during the period September 14, 2006 to March 13, 2007. In case target sales are not achieved, the total consideration will be reduced in proportion to the final sales figure. The maximum consideration we may have to pay is USD 35.1 million. No additional consideration is payable in the event that the sales during the relevant period exceed the target. Upon execution of the documents, we made a payment of the first tranche of the consideration of USD 17.6 million. The second (and final) tranche falls due in March 2007.

We believe that the consideration works out to a multiple to earnings in an acceptable range, given the strength of the brand in the Egyptian market and the potential for growth in the future.

Issue of preference share capital

On November 10, 2006, we issued and allotted to Kotak Mahindra Prime Ltd. 150 million 9.75% redeemable preference shares of face value Rs. 10 each, aggregating Rs.1,500 million. The preference shares were issued under a share subscription agreement signed between us and Kotak Mahindra Prime Ltd.

On November 30, 2006, pursuant to a right to seek redemption at the end of any calendar month, Kotak Mahindra Prime Ltd. issued a redemption notice for 75 million preference shares aggregating Rs. 750 million. We redeemed these shares on November 30, 2006. We accounted for the redemption by creating a Capital Redemption Reserve (“CRR”) on our balance sheet, in accordance with Section 80 of the Companies Act. The redemption did not have an impact on our results of operations or on our reporting of those results. We expect to account for further redemptions of the remaining outstanding preference shares in the same manner. We do not expect further redemption to have an impact on the results of our operations or on our reporting of those results.

Evaluation of Acquisition Opportunities

We continuously evaluate acquisition opportunities that arise in business segments in which we operate. We are currently evaluating certain acquisition opportunities concerning brands and businesses in India and in two other countries. In connection with a potential transaction, an advance of USD 5.0 million has been extended by us to an overseas party, that gives us the right to conduct due diligence. There is an understanding that the advance will be either adjusted against the consideration for the potential transaction as may be agreed between the parties after completion of due diligence, or will be refunded with interest if the transaction is not consummated. However, we have not entered into any definitive commitment or binding agreement for any acquisition or any strategic relationship.

SUMMARY OF THE ISSUE

The following is a general summary of the terms of the Issue:

Issuer	Marico Limited
Issue Size	2,900,000 Equity Shares of the Company of face value Rs. 10 each
Issue Price	Rs. 522 per Equity Share
Eligible Investors	QIBs as defined in clause 2.2.2B (v) of the SEBI Guidelines
Equity Shares issued and outstanding immediately prior to and after the Issue	58,000,000 Equity Shares issued and outstanding immediately prior to the Issue. Immediately after the Issue, 60,900,000 Equity Shares will be issued and outstanding.
Listing	We shall make applications to each of the Stock Exchanges for listing of the Equity Shares on the Stock Exchanges.
Lock-up	We, our Promoters and promoter group with shareholding of more than 1% have agreed, subject to certain exemptions and except with the prior consent of the Joint Global Coordinators and Joint Bookrunners, during the period beginning from the date of the Placement Document and continuing to and including the date 180 days after the date of the Placement Document (the "Lock-up Period"), not to offer, sell, contract to sell, grant any option to purchase, make any short sale or otherwise dispose off, directly or indirectly (otherwise than by way of pledge) any Equity Shares or any other securities of the Company substantially similar to the Equity Shares, including, but not limited to options, warrants or other securities that are convertible into or exchangeable for, or that represent the right to receive, Equity Shares or any such substantially similar securities. This restriction does not apply to the Equity Shares being offered and sold in this Issue. The restrictions contemplated above do not apply to (a) any Equity Shares issued pursuant to our employee benefit schemes, including an employee share option plan and an employee share option scheme, (b) any Equity Shares issued pursuant to any acquisition or merger or such other strategic initiatives.
Selling and Transfer Restrictions	**The Equity Shares being allotted pursuant to this Issue are subject to various selling and transfer restrictions. Among other restrictions, Equity Shares may not be offered, sold, pledged or otherwise transferred for a period of one year from the date of Allotment except on a recognized stock exchange in India. See "Selling Restrictions".**
Use of Proceeds	The net proceeds to the Company of this Issue (after deduction of issue expenses) are expected to be approximately Rs. 1,477 million. Such proceeds are intended to be used for capital expenditure, working capital, and for general corporate purposes, including strategic initiatives, such as strategic relationships, investments or acquisitions and improving our leveraging strength by repayment of loans.

RISK FACTORS

This offering involves a high degree of risk. You should carefully consider the risks described below before making an investment decision. If any of the risks described below actually occur, our business, prospects, financial condition and results of operation could be seriously harmed, the trading price of our shares could decline and you may lose all or part of your investment

We depend heavily on "Parachute" coconut oil. Any factor adversely affecting this product will negatively impact our profitability.

For the six months period ending September 30, 2006, Parachute coconut oil contributed 42.1% of our total income. While our dependence on Parachute coconut oil has been steadily declining with increasing contributions primarily from Saffola, products in our hair oils portfolio and our international business, any drop in the sales of Parachute coconut oil or any other factor that negatively affects the product will adversely affect our market share, business and financial performance.

Change in the classification of coconut oil for excise duty purposes will adversely impact earnings and financial performance.

The manufacture of coconut oil, which contributes a significant proportion of our total income and profitability, is presently liable to excise duty at zero rate based on the current excise tariff and classification of the product. The excise tariff or classification of our coconut oil products may undergo changes because of either a statute change or a different interpretation being placed by the excise authorities. Any such change that increases the amount of excise duty payable on these products will adversely impact our profitability.

Our major brands command a pricing premium in the market and inability to maintain the premium may adversely affect earnings.

Our major brands, including Parachute and Saffola, command a pricing premium in their respective market segments. However, new or intensified competition, a significant increase in the input costs and / or a decrease in the premium commanded for these brands will adversely affect our business and financial performance.

The value of our brands, and our sales, could be adversely impacted if they are associated with negative publicity.

Our success depends on our ability to maintain the brand image of our existing products and effectively build up brand image for new products and brand extensions. This is particularly relevant for Parachute, Saffola and their extensions, which for the six months ended September 30, 2006 constituted 48.0% and 13.6% of our total income, respectively. Product quality issues, real or imagined, or allegations of product defects, even when false or unfounded, could tarnish the image of the affected brands and may cause consumers to choose other products. In addition, because of changing government regulations or implementation thereof, allegations of product contamination or lack of consumer interest in certain products, we may be required from time to time to recall products entirely or from specific markets. Any negative publicity regarding us, our brands or our products, including those arising from concerns regarding quality, or any other event affecting product or service quality or otherwise, could adversely affect our reputation, results of operations and financial condition.

We are subject to risks associated with our international operations, which could negatively affect our sales to customers in foreign countries as well as our operations and assets in such countries.

During the six months ended September 30, 2006, we derived approximately 11.7% of our total sales and services from customers located outside India. In addition, we have substantial assets located outside India and use non-Indian third-party suppliers. As a result, we are subject to numerous risks and uncertainties relating to international sales and operations, including but not limited to:

- difficulties and costs associated with complying with, and enforcing remedies under, a variety of laws, treaties and regulations;
- different regulatory structures and unexpected changes in regulatory environments; political and economic instability, including the possibility of civil unrest;
- tax rates that may exceed those in India and earnings that may be subject to withholding requirements, incremental taxes upon repatriation and potentially negative consequences from changes in tax laws;

- the imposition of tariffs, quotas, trade barriers, other trade protection measures and import or export licensing requirements;
- increased costs, disruptions in shipping or reduced availability of freight transportation;
- and the impact of currency exchange rate fluctuations between the Rupee and foreign currencies.

The occurrence of any of these events in the markets where we operate or in other developing markets could jeopardize or limit our ability to transact business in those markets and could adversely affect our revenues and operating results.

The availability of spurious, look-alikes, counterfeit products primarily in our domestic market, could lead to losses in revenues and harm the reputation of our products.

We are exposed to the risk that entities in India and elsewhere could pass off their products as ours, including spurious or pirated products. For example, certain entities could imitate our brand name, packaging material or attempt to create look-alike products. This would not only reduce our market share due to replacement of demand for our products, whereby we may not be able to recover our initial development costs or experience loss in revenues, but could also harm the reputation of our brands. The proliferation of unauthorized copies of our products, and the time lost in defending claims and complaints about spurious products could decrease the revenue we receive from our products and have a material adverse effect on our reputation, business, financial condition and results of operations.

Failure to successfully identify and conclude acquisitions or manage the integration of the businesses acquired or the performance of such businesses being below expectations may cause profitability and operations to suffer.

We have identified inorganic growth as one of our avenues for growth and have undertaken five acquisitions since May 2005. We intend to make acquisitions and enter into strategic relationships in the future as part of our strategy in India and overseas. We may not be able to identify or conclude appropriate or viable acquisitions in a timely manner. Further, the acquisitions may not necessarily contribute to our profitability and may divert management attention or require us to assume a high level of debt or contingent liabilities. In addition, we may experience difficulty in integrating operations and harmonizing cultures leading to a non-realisation of anticipated synergies or efficiencies from such acquisitions. These difficulties could disrupt our ongoing business.

The launch of new products that prove to be unsuccessful could impact our growth plans and may adversely impact earnings.

We have identified new product introductions in our selected business segments as one of the avenues for growth. Each of the elements of the new product initiatives carries significant risks, as well as the possibility of unexpected consequences, including:

- the acceptance of the new product initiatives by our retail customers may not be as high as we anticipate;
- sales of the new products to our retail customers may not be as high as we anticipate for a number of factors including product pricing;
- our marketing strategies for the new products may be less effective than planned and may fail to effectively reach the targeted consumer base or engender the desired consumption and the rate of purchases by our consumers may not be as high as we anticipate;
- we may incur costs exceeding our expectations as a result of the continued development and launch of the new products;
- we may experience a decrease in sales of certain of our existing products as a result of the introduction of related new products;
- any delays or other difficulties impacting our ability, or the ability of our third party manufacturers and suppliers, to manufacture, distribute and ship products in a timely manner in connection with launching the new product initiatives.

Each of the risks referred to above could delay or impede our ability to achieve our growth objectives or we may not be successful in achieving our growth objectives at all, through these means, which could have a material adverse effect on our business, results of operations and financial condition.

We may not be successful in implementing our business strategies.

The success of our business will depend substantially on our ability to implement our business strategies effectively or at all. Even if we have successfully executed our business strategies in the past, there is no guarantee that we can implement the same on time and within the estimated budget, or that we will be able to meet the expectations of our targeted customers.

Our inability to manage growth could disrupt our business and reduce our profitability.

A principal component of our strategy is to continue to grow by expanding the size and geographical scope of our existing businesses, as well as the development of new businesses. This growth strategy will place significant demands on our management, financial and other resources. It will require us to continuously develop and improve our operational, financial and internal controls. Continuous expansion increases the challenges involved in financial management, recruitment, training and retaining high quality human resources, preserving our culture, values and entrepreneurial environment, and developing and improving our internal administrative infrastructure. Any inability on our part to manage such growth could disrupt our business prospects, impact our financial condition and adversely affect our results of operations.

If we fail to keep pace with the rapid changes in the industry and market it would result in a decline in demand for our products and revenues.

The markets in which we operate are characterised by rapid change and frequent new product introductions. Customer preferences in this market are difficult to predict, and changes in those preferences or the introduction of new products by our competitors could put our products at a competitive disadvantage. We are susceptible to reduced consumer demand for our products particularly coconut oil due to changes in consumer preferences.

Any delay in our reactions to changes in market conditions may affect the competitiveness of our products, thereby reducing our market share, which would result in a decline in our revenues.

We face significant competition that may adversely affect our competitive position and financial performance.

We operate in a competitive retail environment, both in India and in our international operations. There are several strategies adopted by our competitors to increase their market shares through advertising, pricing, channel discounts, quality, service, multi location operations, new product introductions and distribution reach, among others.

In order to protect our existing market share or capture market share in this highly competitive retail environment, we may be required to increase expenditure for advertising, promotions and to introduce and establish new products. Due to inherent risks in the marketplace associated with advertising and new product introductions, including uncertainties about trade and consumer acceptance, increased expenditure may not prove successful in maintaining or enhancing our market share and could result in lower profitability. In addition, we may incur increased credit and other business risks as a result of competing for customers in a highly competitive retail environment.

In addition, we compete against a number of multinational manufacturers and marketers, some of which are larger and have substantially greater resources than us, and which may therefore have the ability to spend more aggressively on advertising and marketing and have more flexibility to respond to changing business and economic conditions than us.

In the event we are unable to keep pace with our current or future competition on any of the above factors, our business and financial performance could be adversely affected.

We have not yet obtained registration of some of our trademarks and this may affect our business operations

We are heavily dependent on our brands and their brand equity. Many of our brands have been registered in India under the Trade Marks Act, 1999. However, we have not yet obtained registration of some of our brands such as Nihar and applications for registration are pending. Further, we have not yet obtained overseas trademark registration for some of our brands, under which we sell products abroad. We may not be able to prevent infringement of our trademarks and a passing off action may not provide sufficient protection. Additionally, we may be required to litigate to protect our brands, which may adversely affect our business operations.

Growing penetration of emerging retail formats such as supermarket / hypermarket chains in India may adversely impact our margins.

India has witnessed the emergence of new supermarket / hypermarket chains in the recent past. While the current share of our revenues through these chains is not significant, it is expected that this may rise significantly in the next few years, especially in the larger cities. In general, the trade margins/discounts expected by supermarket chains is higher than traditional retail outlets. With the growth in these retail formats in India, we will have to increase the marketing of our products through this channel and possibly at lower margins, which may adversely impact our margins.

We depend heavily on our channel partners such as distributors and retailers and failure to manage the distribution network efficiently will adversely affect our performance.

We have developed a strong network of distributors and retailers both in India and certain overseas markets. We are dependent on these channel partners for the distribution of our products. While relationships with them have been good, we have no standing contracts with any of these channel partners and most of these distributors and retailers function independently. There can be no assurance that we will be successful in continuing to receive uninterrupted, high quality of service from these channel partners for all our current and future products.

Shortfall in supply of input materials may affect our business and financial performance and price increases would increase operating costs and may reduce profits.

Substantially all our raw materials are purchased from third parties. We do not have any long-term supply contracts with respect to our raw material requirements and the majority of the raw materials utilized by us is agricultural or are otherwise naturally occurring materials. The availability of agricultural raw materials is subject to many risks, including agricultural disease, insect or animal infestation, adverse weather conditions, adverse ground conditions and natural and other disasters. Certain agricultural raw materials, particularly safflower seeds / oil are available only at specific times during a year due to the seasonality of growing periods and harvest times in India. Though, we import safflower seeds / oil from other producing countries to ensure availability throughout the year, there can be no assurance that we will be able to do so in future. In addition, the available amounts of raw materials may not adjust in response to increasing demand.

Further, raw materials are subject to price volatility caused by factors including commodity market fluctuations, the quality and availability of supply, currency fluctuations, consumer demand and changes in governmental agricultural programs. Raw material price increases result in corresponding increases in our raw material costs.

We rely on the adequate and timely availability of key input materials. Any significant change in the cost structure or disruption in supply may affect the pricing and supply of products. If we are not able to increase our product prices to significantly offset increased raw material costs, or if unit volume sales are significantly reduced, it could have a negative impact on our profitability. This may adversely affect our business and financial performance.

As a manufacturing business, our success depends on the continuous supply and transportation of our products from our manufacturing units to our distributors and customers, which are subject to various uncertainties and risks.

We depend on air or sea borne freight, rail and trucking to deliver our products from our manufacturing facilities to our distributors and customers. We rely on third parties to provide such services. Disruptions of transportation services because of weather-related problems, strikes, inadequacies in the road infrastructure and port facilities, or other events could impair our procurement of raw materials and our ability to supply our products to our customers. Any such disruptions could materially and adversely affect our business, financial condition and results of operations.

Certain manufacturing and other operations are being conducted on premises that have been taken on lease. Our inability to seek renewal/extension of such lease terms may cause disruption in our operations.

Certain premises on which we operate are taken on lease or leave and license agreements with various third parties. We may also enter into such transactions with third parties in future. Any adverse impact on the title, ownership rights, development rights of the owners from whose premises we operate or breach of the contractual terms of such leave and license agreements or any inability to renew the said leases / leave and license agreements on terms acceptable to us may impede our business operations.

Our success depends on our management team and an inability to retain and attract talented staff may adversely affect our business.

Our success is substantially dependent on the expertise and services of our management team. The loss of the services of key personnel may have an adverse effect on our business, financial condition and results of operations. Further, an increase in the rate of attrition of experienced employees, would adversely affect our growth strategy. We operate in a highly dynamic industry and there can be no assurance that we will be successful in recruiting and retaining a sufficient number of personnel with requisite skills to replace those personnel who leave. Further, our inability to attract and retain fresh talent could also hamper our ability to grow.

We may face labor disruptions that would interfere with our operations.

We are exposed to the risk of strikes and other industrial actions. In January 2005 we became engaged in a dispute with a trade union in connection with wages for workers at our Goa unit, which resulted in disruption to our business. This dispute was subsequently resolved.

As of September 30, 2006, we employed over 1,700 full-time employees in India and abroad. While we believe our relationship with our employees is currently good, we cannot guarantee that we will not experience further strike, work stoppage or other industrial action in the future. Also, we cannot guarantee you that significant suppliers or transportation providers which we use will not experience any strikes, work stoppages or other industrial action in the future either. Any such event could disrupt our operations, possibly for a significant period of time, result in increased wages and other costs and otherwise have a material adverse effect on our business, results of operations or financial condition. See *"Business — Employees."*

We rely on our information technology systems in managing our supply chain, production process, logistics and other integral parts of our business.

Since our operations are substantially information technology driven, the importance of information technology systems to our business is paramount. We are heavily reliant on our information technology systems in connection with order booking, procurement of raw materials, accounting, production and distribution. Any failure in our information technology systems could result in business interruption, adversely impacting our reputation and weakening of our competitive position and could have a material adverse effect on our financial condition and results of operations.

Income tax exemptions may not be available in future and this will affect our post-tax profits.

Our effective rate of income tax has increased from about 11.3% for the six months ended September 30, 2005 to about 20% for the six months ended September 30, 2006. This is mainly on account of the reduction in the tax exemption on the profits derived from our coconut oil plant in Pondicherry from 100% in Fiscal 2006 to 30% in Fiscal 2007. Our coconut oil plant in Goa that currently enjoys a 30% tax exemption on profits derived by it will not be eligible for any tax exemption from Fiscal 2008 which may increase our effective tax rate further. Any significant changes in the composition of our business, especially as a result of acquisitions, could also change our effective tax rate. There can be no assurance that we will be successful in maintaining the effective rate of tax around the current level. For details please see *"Management's Discussion and Analysis of Financial Condition and Results of Operations"*

Inability to raise adequate additional capital on acceptable terms may impact our growth plans.

We may require additional capital for implementation of our strategies including acquisitions. The implementation of these strategies may have to be financed through incremental capital either in the form of debt or equity where internal accruals and existing lines of credit do not suffice. Market conditions may not be conducive for us to raise such incremental capital on terms acceptable to us. This could impact our growth plans and our financial performance.

Some of our Subsidiaries have incurred losses in the past three years

Our Subsidiaries, KSCL and Sundari, have incurred losses in the past three years and we are required to fund their operations. We cannot guarantee that their financial condition will improve or that we will not be required to continue funding them. Further, their losses will impact our consolidated financials adversely. In addition, we cannot guarantee that our other Subsidiaries will make profits or that our investments in our Subsidiaries would be recoverable.

Restrictive covenants in loan and lease documents may affect our business operations.

There are restrictive covenants in agreements we have entered into with various banks and financial institutions for short term and long term borrowings and for other business requirements. These restrictive covenants require us to obtain either prior permission of such banks or financial institutions or require us to inform them of various activities, including, among others, alteration of our capital structure, raising of fresh capital, undertaking new projects or undertaking any merger, amalgamation, restructuring or change in management. Although we have received consent from our lenders for this Issue, these restrictive covenants may also affect some of the rights of our shareholders, including payment of dividends in the event of default. Additionally, these covenants could affect our flexibility and delay certain corporate finance activities.

We face the risk of potential liabilities from lawsuits or claims by consumers.

We face the risk of legal proceedings and claims being brought against us by various entities including consumers and government agencies for various reasons including for defective products sold or services rendered. If some or all of these lawsuits or claims succeed it could adversely affect our business and financial performance. This may result in liabilities and/or financial claims against us as well as loss of business and reputation.

Our contingent liabilities could adversely affect our financial condition.

As at September 30, 2006, we have the following contingent liabilities, not provided for:

in Rs. million

Particulars	Amount
Claims against us not acknowledged as debt	30.2
Guarantees given on behalf of constituents:	
In India	29.5
Outside India	344.5
Other items for which we are contingently liable	154.7
Total	**558.9**

If any of these contingent liabilities materialise it could adversely affect our business and our financial performance.

Our Company is a party to a number of legal proceedings

We are involved in certain legal proceedings which are pending at different levels of adjudication before various courts and tribunals. Should any new developments arise, such as a change in Indian law or rulings against us by appellate courts or tribunals, we may need to make provisions in our financial statements, which could increase our expenses and our current liabilities. We can give no assurance that these legal proceedings will be decided in our favour. Further, we may not be able to quantify all the claims in which we are involved. Any adverse decision may affect our business and results of operations.

There can be no assurance that the provisions we have made for litigation will be sufficient or that further litigation will not be brought against us in the future. Failure to successfully defend these or other claims or if our current provisions prove to be inadequate, our business and results of operations could be adversely affected. For more information regarding litigation, please refer to the section titled “Legal Proceedings”.

We may be required to take additional write downs in connection with our Intellectual Property Rights (IPR) or our other intangible assets.

We believe the carrying cost of intangible assets such as brands on the balance sheet may not necessarily be a true reflection of their worth and value. We believe it is not appropriate to carry acquired IPR on our balance sheet at historical costs, given the fact that we do not assign any value to IPR that we have developed ourselves.

Our policy has been therefore to adjust the carrying costs of acquired IPR such as trademarks, and copyrights, directly against net worth, as soon as feasible. Such an adjustment of IPR results in a leaner and cleaner balance sheet comprising only or largely tangible assets. It also creates a level playing field between the acquired brands and the home-grown brands which do not appear in the balance sheet anyway.

We have made five brand acquisitions since May 2005, relating to various IPR in India and overseas. We intend to continue to acquire brands in the business segments that we operate in as defined in our business strategy. It would be our intent to adjust the cost of all acquired IPR directly against net worth, in accordance with such regulatory provisions as may be applicable then.

Such events may require us to recognize increased levels of write downs or incur charges to recognize the adjustment of intangibles against net worth.

The Promoters and promoter group will exercise significant control on us and may continue to do so as long as they own a majority of the Equity Shares, and the other shareholders will be unable to affect the outcome of shareholder voting during such time.

As at September 30, 2006 our Promoters and promoter group own 66.62% of our paid-up share capital and after completion of the Issue will continue to hold significant shareholding in us. So long as the Promoters and promoter group own a majority of the Equity Shares, they will be able to elect the entire board of directors and remove any director, by way of a resolution approved by a simple majority of shareholders in a general meeting. The Promoters and promoter group will be able to control most matters affecting us, including the appointment and removal of officers; business strategy and policies; any determinations with respect to mergers, business combinations and acquisitions or dispositions of assets; dividend payout; and capital structure and financing. Further, the extent of Promoters and promoter group shareholding may result in delay or prevention of a change of management or control of the Company, even if such a transaction may be beneficial to the other shareholders.

Regulatory changes may adversely affect our performance or financial conditions

Regulatory changes relating to business segments in which we operate in India and overseas, including tax incentives that are available to us can have a bearing on our business. In particular, the taxation system within the country still remains complex. Each state in India has different local taxes and levies including sales tax and octroi. Further, changes in these local taxes and levies may impact our profits and profitability. Any negative changes in the regulatory conditions in India or our other geographic markets could adversely affect our business operations or financial conditions.

Compliance with, and changes in, safety, health and environmental laws and regulations may adversely affect our results of operations and financial condition.

As a company engaged in the manufacture of hair care, health care and skin care products, we are subject to a broad range of safety, health and environmental laws and regulations in the jurisdictions in which we operate. For instance, our production facilities located in India and the disposal and storage of raw materials, chemicals and waste water from such production facilities are subject to Indian laws and Government regulations on safety, health and environmental protection. All these laws and regulations impose controls on our noise emissions, air and water discharges, on the storage, handling, discharge and disposal of chemicals, employee exposure to hazardous substances and other aspects of our operations and products. While we believe we are in compliance in all material respects with all applicable safety, health and environmental laws and regulations, the discharge of our raw materials that are chemical in nature or of other hazardous substances or other pollutants into the air, soil or water may nevertheless cause us to be liable to the Government of India or the State Governments where we operate or to third parties. In addition, we may be required to incur costs to remedy the damage caused by such discharges, pay fines or other penalties or close down the production facilities for non-compliance.

Our insurance coverage may not adequately protect us against possible risk of loss.

While we believe that we maintain insurance coverage in amounts consistent with industry norms, our insurance policies do not cover all risks and are subject to exclusions and deductibles. If any or all of our production facilities are damaged in whole or in part and our operations are interrupted for a sustained period, there can be no assurance that our insurance policies will be adequate to cover the losses that may be incurred as a result of such interruption or the costs of repairing or replacing the damaged facilities. If we suffer a large uninsured loss or any insured loss suffered by us significantly exceeds our insurance coverage, our business, financial condition and results of operations may be materially and adversely affected. See *"Business — Insurance."*

We have entered into, and will continue to enter into, related party transactions.

We have in the course of our business entered into transactions with related parties that include our Promoters and companies forming part of our promoter group. We have also acquired selected assets and liabilities from certain of our promoter group companies. For more information regarding our related party transactions, see *"Related Party Transactions"* contained in our restated financial statements included in this Placement Document. Further, our business is expected to involve transactions with such related parties, in the future.

Any future issuance of Equity Shares by us or the issue of stock options under an employee stock option plan may dilute the investor's shareholding or adversely affect trading price of the Equity Shares.

Any future issuance of Equity Shares by us or the issue of stock options under an employee stock option plan could dilute the investor's shareholding. Additionally, sales of our Equity Shares by the Promoters could also have an adverse affect on the trading price of the Equity Shares. Such events could also impact our ability to raise capital through an offering of our securities. In addition, any perception by investors that such issuances or sales might occur could also affect the trading price of the Equity Shares.

Significant fluctuations in certain foreign currency exchange rates can have an adverse impact on our financial performance.

A part of our revenues are earned in currencies such as US Dollars, Bangladeshi Taka and UAE Dirhams. With the recent acquisition of the Fiancée brand in Egypt, we will also earn revenues in Egyptian Pounds. Any expansion into new geographies and undertaking of new projects also exposes us to additional foreign currency risks associated with such diversification. We also import some of our input materials into India in foreign currencies including US Dollars and Australian Dollars. While we may undertake appropriate foreign exchange hedging from time to time, any significant fluctuations in these currencies can have an adverse impact on our financial performance.

External Risk Factors

Terrorist attacks and other acts of violence or war involving India, Bangladesh, Egypt or other countries could adversely affect the financial markets, result in a loss of business confidence and adversely affect our business, results of operations and financial condition.

Terrorist attacks and other acts of violence or war, including those involving India, Bangladesh, Egypt or other countries where we operate may adversely affect Indian and worldwide financial markets. These acts may also result in a loss of business confidence and have other consequences that could adversely affect our business, results of operations and financial condition. Increased volatility in the financial markets can have an adverse impact on the economies of India and other countries, including economic recession.

Force majeure events, particularly those affecting the states where our facilities are located, could adversely affect our business.

We are headquartered in the state of Maharashtra and our facilities are located across India. In addition we have / depend upon manufacturing facilities in significant measure in Bangladesh and Egypt. It is possible that earthquakes, cyclones, floods, or other natural or man-made disasters in India or these countries, particularly those that directly affect the areas in which our facilities and other operations are located, could result in substantial damage to the manufacturing facilities and other assets and adversely affect our operations and financial results.

Our business is subject to adverse impact of economic and political conditions.

Global economic and political factors that are beyond our control, influence our forecasts and directly affect performance. These factors include interest rates, rates of economic growth, fiscal and monetary policies of governments, inflation, deflation, consumer credit availability, consumer debt levels, tax rates and policy, unemployment trends, terrorist threats and activities, worldwide military and domestic disturbances and conflicts, and other matters that influence consumer confidence, spending and tourism. Increasing volatility in financial markets may cause these factors to change with a greater degree of frequency and magnitude.

Changes in the economic and political conditions and policy changes in other countries where we have significant operations such as Bangladesh, in the Middle East and Egypt can adversely affect our operations and financial results.

After this Issue, our Equity Shares may experience price and volume fluctuations.

The offer price of the Equity Shares in this Issue will be determined by us in consultation with the Joint Global Coordinators and Joint Bookrunners, based on the Bids received in compliance with Chapter XIII-A of the SEBI Guidelines, and it may not necessarily be indicative of the market price of the Equity Shares after this Offering is complete. You may be unable to resell your Equity Shares at or above the offer price and, as a result, you may lose all or part of your investment.

The price of the Equity Shares may fluctuate after this Offering as a result of several factors, including volatility in the Indian and global securities markets, the results of our operations, the performance of our competitors, developments in the Indian FMCG sector, adverse media reports on us or the Indian FMCG industry, changes in the estimates of our performance or recommendations by financial analysts, significant developments in India’s economic liberalization and deregulation policies, and significant development in India’s fiscal regulations.

Conditions in the Indian securities market may affect the price or liquidity of the Equity Shares.

The Indian securities markets are smaller and may be more volatile than securities markets in more developed economies. The regulation and monitoring of Indian securities markets and the activities of investors, brokers and other participants differ, in some cases significantly, from those in Europe and the U.S. Indian stock exchanges have in the past experienced substantial fluctuations in the prices of listed securities.

Indian stock exchanges have, in the past, experienced problems that have affected the market price and liquidity of the securities of Indian companies, such as temporary exchange closures, broker defaults, settlement delays and strikes by brokers. In addition, the governing bodies of the Indian stock exchanges have from time to time restricted securities from trading, limited price movements and increased margin requirements. Further, disputes have occurred on occasion between listed companies and the Indian stock exchanges and other regulatory bodies that, in some cases, have had a negative effect on market sentiment. If similar problems occur in the future, the market price and liquidity of the Equity Shares could be adversely affected. For example in May 2006, the Indian Stock Exchanges witnessed substantial volatility. The BSE and NSE halted trading on May 22, 2006 after the respective indices fell more than 10%. A closure of, or trading stoppage on, either the BSE or the NSE could adversely affect the trading price of the Equity Shares. Historical trading prices, therefore, may not be indicative of the prices at which the Equity Shares will trade in the future.

The mechanism of Qualified Institutional Placement ("QIP") has been recently introduced and hence the process is new.

The SEBI has introduced the mechanism of QIP by an amendment to the SEBI Guidelines dated May 8, 2006 to provide for speedy and effective institutional placements by listed Indian companies. However, this mechanism and its efficiency have not yet been established. QIBs are thus advised to make their own judgment about investment through this mechanism.

There are restrictions on daily movements in the price of the Equity Shares, which may adversely affect a shareholder's ability to sell, or the price at which it can sell Equity Shares at a particular point in time.

We are subject to a daily "circuit breaker" imposed by all stock exchanges in India, which does not allow transactions beyond specified increases or decreases in the price of the Equity Shares. This circuit breaker operates independently of the index-based market-wide circuit breakers generally imposed by SEBI on Indian stock exchanges. The percentage limit on our circuit breakers is set by the stock exchanges based on the historical volatility in the price and trading volume of the Equity Shares.

The stock exchanges do not inform us of the percentage limit of the circuit breaker in effect from time to time and may change it without our knowledge. This circuit breaker limits the upward and downward movements in the price of the Equity Shares. As a result of this circuit breaker, no assurance may be given regarding your ability to sell your Equity Shares or the price at which you may be able to sell your Equity Shares at any particular time.

There is no guarantee that the Equity Shares will be listed on the BSE and the NSE in a timely manner or at all.

In accordance with Indian law and practice, permission for listing of the Equity Shares will not be granted until after those Equity Shares have been issued and allotted. Approval will require all other relevant documents authorizing the issuing of Equity Shares to be submitted. There could be a failure or delay in listing the Equity Shares on the BSE and/or the NSE. Any failure or delay in obtaining the approval would restrict your ability to dispose off your Equity Shares.

Significant differences exist between Indian GAAP and other accounting principles with which investors may be more familiar. Under Indian GAAP, in respect of certain of our financial periods, our audited consolidated financial statements include unaudited financial information for certain of our subsidiaries.

Our financial statements are prepared in conformity with Indian GAAP. Indian GAAP differs in certain significant respects from IFRS, U.S. GAAP and other accounting principles and accounting standards with which prospective investors may be familiar with in other countries. We do not provide a reconciliation of our financial statements to IFRS or U.S. GAAP or a summary of principal differences between Indian GAAP, IFRS and U.S. GAAP relevant to our business. Furthermore, we have not quantified or identified the impact of the differences between Indian GAAP and IFRS or between Indian GAAP and U.S. GAAP as applied to our financial statements. As there are significant differences between Indian GAAP and IFRS and between Indian GAAP and U.S. GAAP, there may be substantial differences in our results of operations, cash flows and financial position if we were to prepare our financial statements in accordance with IFRS or U.S. GAAP instead of Indian GAAP. The significant accounting policies applied in the preparation of our Indian GAAP financial statements are as set forth in notes to our financial statements included in this Placement Document. Prospective investors should review the accounting policies applied in the preparation of our financial statements, and consult their own professional advisors for an understanding of the differences between Indian GAAP and IFRS and between Indian GAAP and U.S. GAAP and how they might affect the financial information contained in this Placement Document.

In accordance with Indian GAAP, our audited consolidated financial statements as at and for the six-month periods ended September 30, 2006 and 2005 include only unaudited financial statement information in respect of Marico Bangladesh Limited (MBL), our direct subsidiary, and MBL Industries Limited, a direct subsidiary of

MBL, both of which conduct their business in Bangladesh. It is our practice not to audit the interim financial statements of these subsidiaries. Also in accordance with Indian GAAP, our audited consolidated financial statements as at and for the six-month periods ended September 30, 2006 and 2005 and the years ended March 31, 2006, 2005 and 2004 include only unaudited financial statement information in respect of our direct subsidiary Sundari LLC, which operates in the United States. As a result of the above, 7.5% of our total group assets and 6.3% of our total group revenues were unaudited as at and for the six-month period ended September 30, 2006; 8.0% of our total group assets and 5.5% of our total group revenues were unaudited as at and for the six-month period ended September 30, 2005; and less than 3% of our total group assets and less than 1% of our total group revenues were unaudited in each of Fiscals 2004, 2005 and 2006.

Any downgrading of India's debt rating by an independent agency may harm our ability to raise debt financing.

Any adverse revisions to India's credit ratings for domestic and international debt by international rating agencies may adversely affect our ability to raise additional financing and the interest rates and other commercial terms at which such additional financing is available. This could have a material adverse effect on our capital expenditure plans, business and financial performance.

You may be subject to Indian taxes arising out of capital gains.

Under current Indian tax laws and regulations, capital gains arising from the sale of shares in an Indian Company are generally taxable in India. Any gain realised on the sale of listed equity shares on a stock exchange held for more than 12 months will not be subject to capital gains tax in India if the Securities Transaction Tax ("STT") has been paid on the transaction. The STT will be levied on and collected by a domestic stock exchange on which equity shares are sold. Any gain realised on the sale of equity shares held for more than 12 months to an Indian resident, which are sold other than on a recognised stock exchange and as result of which no STT has been paid, will be subject to capital gains tax in India. Further, any gain realised on the sale of listed equity shares held for a period of 12 months or less will be subject to capital gains tax in India. For more information, see *"Taxation"* in this Placement Document.

Capital gains arising from the sale of our Equity Shares will be exempt from tax in India in cases where such exemption is provided under the tax treaty between India and the country of which the seller is a resident. Generally, Indian tax treaties, including those with the United States, do not limit India's ability to impose tax on capital gains. As a result, residents of countries such as the United States may be liable for tax in India, as well as in their own jurisdictions on gain upon a sale of our Equity Shares.

For more information, see *"Taxation"* in this Placement Document.

Your ability to acquire and sell Equity Shares is restricted by the distribution and transfer restrictions set forth in Placement Document.

No actions have been taken to permit a public offering of the Equity Shares in any jurisdiction including India. As such, the Equity Shares have not and will not be registered under the U.S. Securities Act, any state securities laws or the law of any jurisdiction other than India. Furthermore, the Equity Shares are subject to restrictions on transferability and resale. You are required to inform yourself about and observe these restrictions, which are set forth in this Placement Document under the heading "Selling Restrictions". We, our representatives and our agents will not be obligated to recognize any acquisition, transfer or resale of the Equity Shares made other than in compliance with the restrictions set forth herein.

MARKET PRICE INFORMATION

As of October 31, 2006, 58 million of our Equity Shares were issued and outstanding.

Our Equity Shares are listed and traded on the BSE and the NSE. As our Equity Shares are actively traded on the BSE and the NSE, our stock market data has been given separately for each of these Stock Exchanges.

A. The following tables set forth the reported high and low closing prices of our Equity Shares on the BSE and the NSE and the number of Equity Shares traded on the days such high and low prices were recorded, for Fiscals 2004, 2005 and 2006.

CLOSING PRICE FOR EQUITY SHARES
BSE

Year ending March 31	High (Rs.)	Date of High	Volume on date of high (no. of shares)	Low (Rs.)	Date of Low	Volume on date of low (no. of shares)	Average price for the year (Rs.)*
2004	142.07	March 16, 2004	116,806	74.05	April 1, 2003	1,000	99.35
2005	250.65	February 22, 2005	151,250	119.40	July 6, 2004	1,441	156.30
2006	564.50	March 27, 2006	10,002	236.35	April 19, 2005	3,183	317.09

** Average of the daily closing prices*
Source: Bloomberg

NSE

Year ending March 31	High (Rs.)	Date of High	Volume on date of high (no. of shares)	Low (Rs.)	Date of Low	Volume on date of low (no. of shares)	Average price for the year (Rs.)*
2004	142.00	March 16, 2004	320,026	74.03	April 1, 2003	13,416	99.36
2005	250.85	February 22, 2005	542,948	118.70	May 17, 2004	30,033	156.19
2006	564.90	March 27, 2006	29,775	235.70	May 6, 2005	27,758	317.13

** Average of the daily closing prices*
Source: Bloomberg

B. The following tables set forth the reported high and low closing prices of our Equity Shares on the BSE and the NSE, the number of Equity Shares traded on the days such high and low prices were recorded and the volume of securities traded in each month during the six months preceding the Date of filing of Placement Document.

CLOSING PRICES FOR EQUITY SHARES, VOLUMES TRADED

BSE

Month, Year	High (Rs.)	Date of High	Volume on date of high (no. of shares)	Low (Rs.)	Date of Low	Volume on date of low (no. of shares)	Average price (Rs.)*	Total Volume of Securities Traded (no. of Shares)
May 2006	545.85	May 1, 2006	1,775	452.55	May 31, 2006	1,915	507.92	178,237
June 2006	446.05	June 30, 2006	101,688	344.85	June 8, 2006	11,153	413.77	539,505
July 2006	499.75	July 6, 2006	8,398	444.05	July 24, 2006	1,632	474.71	302,342
August 2006	511.05	August 16, 2006	56,439	485.40	August 11, 2006	2,517	499.56	298,546
September 2006	527.25	September 15, 2006	1,433	505.65	September 26, 2006	1,832	516.16	257,295
October 2006	527.30	October 31, 2006	2,835	511.40	October 19, 2006	16,812	518.87	517,620
November 2006	529.50	November 1, 2006	4,623	496.80	November 20, 2006	29,707	515.04	446,141

* *Average of the daily closing prices*
Source: Bloomberg

NSE

Month, Year	High (Rs.)	Date of High	Volume on date of high (no. of shares)	Low (Rs.)	Date of Low	Volume on date of low (no. of shares)	Average price (Rs.)*	Total Volume of Securities Traded (no. of Shares)
May 2006	549.05	May 1, 2006	3,322	456.40	May 31, 2006	6143	508.82	371,137
June 2006	440.80	June 25, 2006	1,583	343.45	June 8, 2006	50176	414.23	437,796
July 2006	500.70	July 5, 2006	13,591	440.65	July 1, 2006	80816	474.15	516,573
August 2006	512.90	August 21, 2006	11,055	485.40	August 11, 2006	59308	499.76	664,269
September 2006	529.15	September 15, 2006	7,649	506.30	September 25, 2006	39896	517.49	398,920
October 2006	528.65	October 31, 2006	6,798	509.45	October 19, 2006	5866	520.03	457,208
November 2006	529.75	November 1, 2006	4,890	500.35	November 22, 2006	10,048	514.84	542,501

* *Average of the daily closing prices*
Source: Bloomberg

C. VOLUMES OF BUSINESS TRANSACTED.

(Rs. million)

Particulars	**Volume of Securities Traded (NSE)**	**Volume of Securities Traded (BSE)**
Fiscal 2004	802.4	1895.8
Fiscal 2005	1282.8	2300.8
Fiscal 2006	2738.6	2762.7
May 2006	90.5	191.8
June 2006	230.3	180.5
July 2006	138.1	241.5
August 2006	590.2	951.8
September 2006	133.3	206.4
October 2006	267.5	236.4
November 2006	229.5	280.7

Source: Bloomberg

The market price of our Equity Shares on October 19, 2006, the date immediately after the date on which the resolution of our Board of Directors approving the Issue was passed, was Rs. 511.40 per Equity Share on the BSE and Rs. 509.45 per Equity Share on the NSE.

Note: On April 21, 2004, our shareholders approved the issue of bonus shares at a rate of 1 share for every 1 share held as on that date. The market price information mentioned above takes into account the impact of this bonus issue.

EXCHANGE RATES

Fluctuations in the exchange rate between the Rupee and the U.S. dollar will affect the U.S. dollar equivalent of the Rupee price of the Equity Shares on the Stock Exchanges.

The following table sets forth, for the periods indicated, certain information with respect to the exchange rate between the Rupee and the U.S. dollar (in Rupees per U.S. dollar) for the periods indicated based on the noon buying rate in New York City for cable transfers of Rupees as certified for customs purposes by the Federal Reserve Bank of New York. On an average annual basis, the Rupee declined against the U.S. dollar from 1980 until 2002. In 1991, the Central Government adjusted the Rupee downward by an aggregate of approximately 20% against the U.S. dollar as part of an economic package designed to overcome an external payments crisis. In 1994, the Rupee was permitted to float fully for the first time.

No representation is made that the Rupee amounts actually represent such U.S. dollar amounts or could have been or could be converted into U.S. Dollars at the rates indicated, any other rate or at all. Unless otherwise indicated, all translations from Rupees to U.S. Dollars made elsewhere in this Placement Document have been made on the basis of the Noon Buying Rate on September 29, 2006 of Rs.45.95 = US$1.00.

Exchange Rate – Rs. Per US$

Period	Price			
	At Period End	Average	High	Low
Year ended March 31, 2004	43.40	45.96	47.46	43.40
Year ended March 31, 2005	43.62	44.86	46.45	43.27
Year ended March 31, 2006	44.48	44.17	46.26	43.05
April 2006	44.86	44.82	45.09	44.39
May 2006	46.22	45.20	46.22	44.69
June 2006	45.87	45.89	46.25	45.50
July 2006	46.49	46.37	46.83	45.84
August 2006	46.43	46.45	46.61	46.32
September 2006	45.95	46.01	46.38	45.74
October 2006	44.90	45.36	45.97	44.90
November 2006	44.59	44.73	45.26	44.46

USE OF PROCEEDS

The total proceeds of the Issue will be Rs. 1,513.8 million. After deducting the issue expenses of approximately Rs. 36.7 million, the net proceeds of the Issue will be approximately Rs. 1,477 million.

Purpose of Issue

Subject to compliance with applicable laws and regulations, we intend to use the net proceeds received from the Issue for capital expenditure, working capital and for general corporate purposes, including strategic initiatives, such as strategic relationships, investments or acquisitions and improving our leveraging strength by repayment of loans. As of the date of this Placement Document, we have not entered into any definitive commitment or binding agreement for any material acquisition or strategic relationship.

In accordance with the policies instituted by our Board, our management will have flexibility in deploying the proceeds received by us from the Issue. Pending utilization for the purpose described above, we intend to temporarily invest funds in creditworthy instruments, including money market mutual funds and deposits with banks. Such investments would be in accordance with the investment policies as approved by the Board from time to time.

CAPITALIZATION

The following table shows as at September 30, 2006:

- our actual capitalization;
- our adjusted capitalization, to give effect to the outstanding preference shares of face value of Rs. 10 each issued on November 10, 2006.
- our adjusted capitalization, to give effect to the outstanding preference shares of face value of Rs. 10 each issued on November 10, 2006 and the issuance and sale of Equity Shares by us in this Issue at a price of Rs. 522 per Equity Share.

This table should be read in conjunction with our consolidated audited financial statements as of and for the half-year ended September 30, 2006, the related notes thereto, *"Management's Discussion and Analysis of Financial Condition and Results of Operations"* and the other financial information contained elsewhere in this Placement Document.

	As at September 30, 2006		As at September 30, 2006		As on September 30, 2006	
	Actual		As adjusted for the outstanding preference shares (discussed below)		As adjusted for the Issue and the outstanding preference shares	
	(Rs. Millions)	(US$ millions)	(Rs. Millions)	(US$ millions)	(Rs. Millions)	(US$ millions)
Loan Funds						
Secured Loans	470.6	10.2	470.6	10.2	470.6	10.2
Unsecured Loans	2,485.1	54.1	2,485.1	54.1	2,485.1	54.1
Total Debt	**2,955.7**	**64.3**	**2,955.7**	**64.3**	**2,955.7**	**64.3**
Shareholders' funds						
Equity Share Capital of par value Rs. 10 each outstanding	580.0	12.6	580.0	12.6	609.0	13.3
Preference share capital of face value Rs. 10 each			750.0*	16.3*	750.0*	16.3*
Reserves and surplus	2433.4	53.0	2,433.4	53.0	3,918.2	85.3
Total Shareholders' Funds	**3,013.4**	**65.6**	**3,763.4**	**81.9**	**5,277.2**	**114.9**
Total Capitalization	**5,969.1**	**129.9**	**6,719.1**	**146.2**	**8,232.9**	**179.2**

*Outstanding as on December 1, 2006.

As on October 31, 2006 our total debt outstanding was Rs.3,017.0 million.

At the meeting held on November 24, 2006 our shareholders approved the implementation of an Employee Stock Options Scheme (ESOS). The shareholder approval envisages issue of options to our employees and employees of our Subsidiaries, not exceeding 5% of the issued equity shares of the Company.

Statement of changes in Equity Share capital and redeemable preference share capital as on September 30, 2006

1. Statement of Changes in Equity Share Capital as on September 30, 2006

Date of allotment	No. of Equity Shares Allotted	Issue Price (Rs.)	Cumulative paid-up capital at the respective year end (Rs.)	Remarks
13-10-1988	70	10	700	Initial Subscription to the Memorandum of Association for cash
19-03-1990	8,99,930	10	90,00,000	Issued to Bombay Oil Industries Limited for cash
16-11-1992	3,00,000	10	1,20,00,000	Rights issue to Promoters for cash
21-12-1992	3,00,000	10	1,50,00,000	Rights issue to Promoters and others for cash
26-03-1993	30,00,000	-	4,50,00,000	Bonus Shares (2:1)
17-08-1995	90,00,000	-	13,50,00,000	Bonus Shares (2:1)
17-04-1996	10,00,000	175	14,50,00,000	Initial Public Offering
23-08-2002	1,45,00,000	-	29,00,00,000	Bonus Shares (1:1)
11-05-2004	2,90,00,000	-	58,00,00,000	Bonus Shares (1:1)

Outstanding balance of Equity Share capital of face value of Rs.10 as at September 30, 2006 is Rs. 580,000,000

2. Statement of Changes in Preference Share Capital as on September 30, 2006

Date of allotment	No. of Preference Shares Allotted	Face Value (Rs.)	Issue Price (Rs.)	Total preference share capital	Remarks
30-09-2002	2,90,00,000	10	10	29,00,00,000	8% Redeemable Preference Shares were issued as Bonus. This was fully redeemed on March 29, 2004

Issue of preference shares

On November 10, 2006, we issued and allotted to Kotak Mahindra Prime Ltd. 150 million 9.75% redeemable preference shares of face value Rs. 10 each, aggregating Rs.1,500 million. The preference shares were issued under a share subscription agreement signed between us and Kotak Mahindra Prime Ltd.

On November 30, 2006, pursuant to a right to seek redemption at the end of any calendar month, Kotak Mahindra Prime Ltd. issued a redemption notice for 75 million preference shares aggregating Rs. 750 million. We have redeemed these shares on November 30, 2006. For further details, see the section entitled, see “Recent Developments”

DIVIDEND POLICY

Under the Companies Act, an Indian company pays dividends upon a recommendation by its board of directors and approval by a majority of the shareholders, who have the right to decrease but not to increase the amount of the dividend recommended by the board of directors. Under the Companies Act, dividends may be paid out of profits of a company in the year in which the dividend is declared, or out of the undistributed profits, or reserves, of previous Fiscals or out of both.

We do not have any formal dividend policy. The declaration and payment of dividends will be recommended by our Board of Directors and approved by our shareholders, at their discretion, and will depend on a number of factors, including but not limited to our profits, capital requirements, cash flows and overall financial condition.

We have been declaring dividends on a quarterly basis since the first quarter of Fiscal 2002. The aggregate dividends declared by us on Equity Shares during the last three Fiscals are as follows:

	Fiscal 2006	Fiscal 2005	Fiscal 2004
Face value of Equity Shares (Rs. per share)	10	10	10
Number of Equity Shares outstanding (nos. in million)	58.0	58.0*	29.0
Dividend (Rs. in million)	359.6	310.3	246.5
Dividend Tax (Rs. in million)	50.4	41.4	31.6
Dividend per Equity Share (Rs.)	6.2	5.35	8.5
Dividend Rate (%)	62.0	53.5	85.0

* On April 21, 2004 our shareholders approved the issue of bonus shares at a rate of 1 share for every 1 share held as of that date. Accordingly, the number of Equity Shares increased from 29 million to 58 million.

We had issued 8% redeemable preference shares on September 30, 2002 as bonus shares, which were redeemed on March 24, 2004. The aggregate dividends declared by us on these preference shares in Fiscal 2004 were Rs. 23.2 million, which was paid on August 16, 2003. Amounts paid as dividends in the past are not necessarily indicative of our dividend policy or dividend amounts, if any, in the future.

Dividends are payable within 30 days of approval by shareholders at our AGM. The Articles of Association also give the Board the discretion to declare and pay interim dividends without shareholder approval at an AGM. When dividends are declared, all the shareholders who appear in the share register as on the ‘‘record date’’ or “book closure date” are entitled to the dividend declared by us. Any shareholder, who ceases to be a shareholder prior to the record date or becomes a shareholder after the record date, will not be entitled to the dividend declared by us.

Currently, we pay a dividend distribution tax of 12.50%, a surcharge of 10.00% on the dividend distribution tax and an educational cess of 2% on both the tax and the surcharge. These taxes are not payable by the shareholders nor are they withheld or deducted from the dividend payments set forth above. For further details, see the section entitled *“Taxation”*.

OUR SELECTED HISTORICAL FINANCIAL INFORMATION

The selected historical financial information as of and for the three years ended March 31, 2006 and the six-month periods ended September 30, 2006 and 2005 set forth below is for Marico Limited and its Subsidiaries on a consolidated basis, and has been derived from the Company's consolidated, audited financial statements included elsewhere in this Placement Document. The financial information included in this Placement Document does not reflect our results of operations, financial position and cash flows for the future, and our past operating results, financial position and cash flows are no guarantee of our future financial performance. The Company's audited financial statements are prepared and presented in accordance with Indian GAAP. For a summary of the Company's significant accounting policies and the basis of the presentation of our financial statements, please refer to the notes to the audited financial statements included in this Placement Document.

In accordance with Indian GAAP, our audited consolidated financial statements as at and for the six-month periods ended September 30, 2006 and 2005 include only unaudited financial statement information in respect of Marico Bangladesh Limited (MBL), our direct subsidiary, and MBL Industries Limited, a direct subsidiary of MBL, both of which conduct their business in Bangladesh. It is our practice not to audit the interim financial statements of these subsidiaries. Also in accordance with Indian GAAP, our audited consolidated financial statements as at and for the six-month periods ended September 30, 2006 and 2005 and the years ended March 31, 2006, 2005 and 2004 include only unaudited financial statement information in respect of our direct subsidiary Sundari LLC, which operates in the United States. As a result of the above, 7.5% of our total group assets and 6.3% of our total group revenues were unaudited as at and for the six-month period ended September 30, 2006; 8.0% of our total group assets and 5.5% of our total group revenues were unaudited as at and for the six-month period ended September 30, 2005; and less than 3% of our total group assets and less than 1% of our total group revenues were unaudited in each of Fiscals 2004, 2005 and 2006.

The selected historical financial information set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Company's audited financial statements included in this Placement Document.

SUMMARISED BALANCE SHEET INFORMATION

	As at September 30			As at March 31		
	2006	2006	2005	2006	2005	2004
	US $ in mn	Rs. mn		Rs. mn		
SOURCES OF FUNDS						
SHAREHOLDERS' FUNDS						
Capital	12.6	580.0	580.0	580.0	580.0	290.0
Advance against equity						2.0
Reserves and surplus	53.0	2,433.4	1,834.1	2,034.8	1,589.2	1,552.4
	65.6	**3,013.4**	**2,414.1**	**2,614.8**	**2,169.2**	**1,844.4**
MINORITY INTEREST						18.7
LOAN FUNDS						
Secured loans	10.2	470.6	32.5	2,032.5	32.5	-
Unsecured loans	54.1	2,485.1	303.5	365.5	624.7	110.6
	64.3	2,955.7	336.0	2,398.0	657.2	110.6
DEFERRED TAX LIABILITY (NET)	2.8	127.5	47.8	82.8	60.5	62.4
	132.7	6,096.6	2,797.9	5,095.6	2,886.9	2,036.1
APPLICATION OF FUNDS						
GOODWILL ON CONSOLIDATION	0.4	16.7	16.9	16.7	16.7	-
FIXED ASSETS						
Gross block	141.0	6,484.8	2,334.1	4,761.5	2,139.7	1,751.8
Less: Depreciation, amortisation and impairment	33.1	1,527.8	984.3	1,289.4	864.6	724.2
Net block	107.9	4,957.0	1,349.8	3,472.1	1,275.1	1,027.6

Capital work-in-progress	6.9	318.7	133.3	340.6	184.0	96.9
	114.8	5,275.7	1,483.1	3,812.7	1,459.1	1,124.5
INVESTMENTS	0.2	9.2	228.7	184.7	124.2	4.8
CURRENT ASSETS, LOANS AND ADVANCES						
Inventories	43.9	2,018.1	1,235.4	1,322.9	1,196.8	998.1
Sundry debtors	15.0	689.3	587.1	514.6	491.8	345.3
Cash and bank balances	6.5	299.4	399.6	414.6	338.2	340.2
Loans and advances	11.4	522.3	424.8	531.2	400.6	221.0
	76.8	3,529.1	2,646.9	2,783.3	2,427.4	1,904.6
Less:						
CURRENT LIABILITIES AND PROVISIONS						
Current Liabilities	54.0	2,481.0	1,437.7	1,507.9	993.7	880.7
Provisions	5.5	255.0	143.1	196.4	150.6	122.2
	59.5	2,736.0	1,580.8	1,704.3	1,144.3	1,002.9
NET CURRENT ASSETS	17.3	793.1	1,066.1	1,079.0	1,283.1	901.7
MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)		1.9	3.1	2.5	3.8	5.1
	132.7	6,096.6	2,797.9	5,095.6	2,886.9	2,036.1

SUMMARISED PROFIT & LOSS INFORMATION

	For the six months ended September 30			Fiscal		
	2006	**2006**	**2005**	**2006**	**2005**	**2004**
	US$ in mn	**Rs. mn**		**Rs. mn**		
INCOME:						
Sales	157.0	7,212.3	5,257.6	11,000.8	9,913.8	8,840.2
Less: Excise Duty	0.3	11.7	5.9	13.1	52.1	52.8
	156.7	7,200.6	5,251.7	10,987.7	9,861.7	8,787.4
Income from services	6.7	307.0	206.0	451.7	208.7	63.4
Total Sales and Services	163.4	7,507.6	5,457.7	11,439.4	10,070.4	8,850.8
Other income	0.2	11.3	25.8	35.4	16.1	29.0
	163.6	7,518.9	5,483.5	11,474.8	10,086.5	8,879.8
EXPENDITURE:						
Cost of materials	84.2	3,870.6	2,982.5	6,116.9	6,282.9	5,576.5
Manufacturing and other expenses	53.7	2,469.0	1,869.9	3,879.4	2,904.3	2,528.8
Finance charges	2.3	105.2	14.7	50.5	20.0	11.7
Depreciation, amortisation and impairment	5.2	237.8	140.6	446.7	147.8	128.3
Amortisation of Miscellaneous Expenditure	-	0.7	0.7	1.3	1.3	1.3
	145.4	6,683.3	5,008.4	10,494.8	9,356.3	8,246.6
PROFIT BEFORE TAXATION AND MINORITY INTEREST	18.2	835.6	475.1	980.0	730.2	633.2
Minority interest in losses of Subsidiaries	-	-	-	-	(8.0)	(17.6)
Last years shares in losses of Kaya transferred to goodwill	-	-	-	-	(4.7)	-
PROFIT BEFORE TAXATION AND AFTER MINORITY INTEREST	18.2	835.6	475.1	980.0	742.9	650.8
Provision for taxation - Current Tax	2.6	120.3	53.9	97.6	63.9	59.6
- MAT Credit	1.0	46.8	-	(65.8)	-	-

	For the six months ended September 30			Fiscal		
	2006	2006	2005	2006	2005	2004
	US$ in mn	Rs. mn		Rs. mn		
Sub Total	3.6	167.1	53.9	31.8	63.9	59.6
- Fringe Benefit Tax	0.3	15.0	14.4	24.7	-	-
- Deferred Tax - Debit/ (Credit)	1.0	44.7	(3.2)	31.9	(1.9)	1.6
Short / (Excess) income tax provision of earlier years	1.0	45.0	-	22.8	(20.5)	-
PROFIT AFTER TAXATION AND MINORITY INTEREST	12.3	563.8	410.0	868.8	701.4	589.6
Balance brought forward as on April 1	36.9	1,695.4	1,368.3	1,368.3	1,157.3	980.8
PROFIT AVAILABLE FOR APPROPRIATION	49.2	2,259.2	1,778.3	2,237.1	1,858.7	1,570.4
Appropriations						
Interim dividends	3.6	165.3	150.8	359.6	310.3	246.5
Tax on interim dividends	0.5	23.3	21.1	50.4	45.6	33.2
Tax on redemption of 8% Redeemable Preference shares	-	-	-	-	-	37.1
Preference Dividend	-	-	-	-	-	23.2
Tax on Preference dividend	-	-	-	-	-	3.0
General reserve	1.3	58.0	46.9	98.9	73.8	58.0
Tax Holiday Reserve	0.4	17.5	21.1	32.7	60.7	18.6
Share of minority interest in loss	-	-	-	-	-	(6.5)
BALANCE CARRIED TO THE BALANCE SHEET	43.4	1,995.2	1,538.4	1,695.5	1,368.3	1,157.3
BASIC AND DILUTED EARNINGS PER SHARE PRE BONUS ISSUE	0.2	9.72	7.07	14.98	12.09	19.42
BASIC AND DILUTED EARNINGS PER SHARE POST BONUS ISSUE	0.2	9.72	7.07	14.98	12.09	9.71
EBITDA	25.5	1,168.0	605.3	1,443.1	883.2	745.5
EBITDA as % of Total Sales and Services	15.6%	15.6%	11.1%	12.6%	8.8%	8.4%

Note: EBITDA is defined as earnings excluding other income before depreciation/amortisation, gains or losses from extra ordinary items, interest and taxation. Our definition of EBITDA may differ from similarly titled calculations of other companies. EBITDA is not an Indian GAAP, U.S. GAAP or IFRS measure. You should not consider EBITDA as an alternative to net income/(loss) or cash flows from operating activities as an indicator of our operating performance or as a measure of liquidity. EBITDA does not represent funds available for management's discretionary use.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

In this section, references to "we", "us", "our" or "the Company" refer to Marico Limited and its Subsidiaries on a consolidated basis unless stated otherwise.

You should read the following discussion of our financial condition and results of operations together with our audited financial statements as of and for the three years ended March 31, 2006, March 31, 2005 and March 31, 2004 and the six-month periods ended September 30, 2006 and 2005, prepared and presented in accordance with Indian GAAP and included elsewhere in this Placement Document. The financial information used in this section is derived from the Company's audited consolidated financial statements prepared as per Indian GAAP. Indian GAAP differs in certain significant respects from IFRS, U.S. GAAP and other accounting principles and auditing standards with which prospective investors may be familiar with in other countries. We do not provide a reconciliation of our financial statements to IFRS or U.S. GAAP or a summary of principal differences between Indian GAAP, IFRS and U.S. GAAP that may be relevant to our business. Furthermore, we have not quantified or identified the impact of the differences between Indian GAAP and IFRS or between Indian GAAP and U.S. GAAP as applied to our financial statements. As there are significant differences between Indian GAAP and IFRS and between Indian GAAP and U.S. GAAP, there may be substantial differences in our results of operations, cash flows and financial position if we were to prepare our financial statements in accordance with IFRS or U.S. GAAP instead of Indian GAAP. The significant accounting policies applied in the preparation of our Indian GAAP financial statements are as set forth in notes to our financial statements included in this Placement Document. Prospective investors should review the accounting policies applied in the preparation of our financial statements, and consult their own professional advisors for an understanding of the differences between Indian GAAP and IFRS and between Indian GAAP and U.S. GAAP and how they might affect the financial information contained in this Placement Document. Certain financial information set forth in the following discussion, including, volume and value growth of products and other analyses is based on internal management reports and information and is not based on or derived from the audited financial statements.

In accordance with Indian GAAP, our audited consolidated financial statements as at and for the six-month periods ended September 30, 2006 and 2005 include only unaudited financial statement information in respect of Marico Bangladesh Limited (MBL), our direct subsidiary, and MBL Industries Limited, a direct subsidiary of MBL, both of which conduct their business in Bangladesh. It is our practice not to audit the interim financial statements of these subsidiaries. Also in accordance with Indian GAAP, our audited consolidated financial statements as at and for the six-month periods ended September 30, 2006 and 2005 and the years ended March 31, 2006, 2005 and 2004 include only unaudited financial statement information in respect of our direct subsidiary Sundari LLC, which operates in the United States. For further details, see *"Our Selected Historical Financial Information"* and the Auditors' Report included elsewhere in this document.

Overview

We are one of the leading Indian business groups operating in the beauty and wellness segments of the FMCG industry offering products and services in hair care, health care and skin care to consumers in India and abroad. Our income from sales and services in Fiscal 2006 was Rs. 11,439.4 million derived principally from the sale of branded products and services. Most of our brands and brand extensions (including Parachute, Saffola, Kaya, Hair & Care, Revive and Mediker) have significant market shares in their respective product categories and many of our brands occupy leadership positions in their respective product or service segments. Additionally, we recently acquired two brands, namely, Nihar in February 2006, from Hindustan Lever Limited and Fiancée, a leading Egyptian brand in the hair care segment, in September 2006 from the Ready Group. Our income from sales and services outside India for Fiscal 2006 was Rs. 1,283.3 million. Our branded products are present largely in the countries in the "SAARC" region, the Middle East and Egypt. Our presence in the skin care services segment, through Kaya, has been growing, and there were, as at October 31, 2006, 47 Kaya Skin Clinics in India and the UAE, while the Sundari range of skin care products is sold in the US and other countries.

We divide our business into the following business segments for the purpose of presenting and analyzing our financial information:

(a) Consumer Products, including sales of our various branded products in coconut oil, premium refined edible oils, hair oils, anti-lice treatments, fabric care products, edible salt, functional foods, processed foods, soaps, baby care products and additional similar consumer product segments. Sales revenue derived from distribution of our alliance with Indo Nissin Foods Limited for distribution of Top Ramen range of Noodles are also included in this segment; and

(b) Others, including the skin care services and products sold through Kaya Skin Clinics under the Kaya brand, and Sundari spa skin care products.

Our total sales and services income for the six month period ending September 30, 2006 was Rs. 7,507.6 million, representing a growth of 37.6% over the six month period ending September 30, 2005. Net profit (profit after taxation and minority interest) for the six month period ending September 30, 2006 was Rs. 563.8 million registering an increase of 37.5% over the six months ending September 30, 2005. Total sales and services for Fiscal 2006 and Fiscal 2005 have grown at the rates of 13.6% and 13.8%, respectively, and net profit has increased by 23.9% in Fiscal 2006 and 19.0% in Fiscal 2005, respectively.

Factors Affecting Our Results of Operations

Various factors have affected the results of our operations in the past and may continue to do so in the future, including:

Competition – There is generally increasing competitive pressure in most segments of the industry in which we operate, which makes our goals of increasing market shares and broadening our consumer base a continuing challenge. Increasing competitive pressures may also impact our ability to improve realisations from our products and services. We need to respond to competitive business strategies adopted by other players and consequently our costs, including advertising and sales promotion expenses.

Unfair Competition - We, like many other players in the branded FMCG segment, face various forms of unfair competition, including sale of duplicates, clones and pass-offs.

Supermarket and Hypermarket Chains in India - The FMCG industry in India has been witnessing the emergence of newer channels of distribution, such as direct marketing and new supermarket and hypermarket chains. With urban consumers becoming more affluent, younger on average and more aspirational, and with supermarkets emerging in cities across the country, penetration of supermarkets is likely to continue to increase. This provides the opportunity to improve supply chain efficiencies and the visibility of our brands, however it also puts pressure on our margins as volume purchases from large supermarket chains increases their bargaining position.

Raw Materials Availability and Seasonality - Adequate availability of key raw materials at the right prices and throughout the year is crucial for our operations. Any disruption in the supply, or increase in the costs, of such materials could affect our ability to reach our consumers with a successful value proposition and satisfy existing demand. A substantial portion of our raw materials include commodity crops whose availability may be seasonal and may be subject to harvests and other natural and manmade fluctuations in supply. The copra supply required to manufacture coconut oil is generally available regardless of season. Safflower, however, grows in a short season early in the calendar year in India and is subject to wide variations in crop size and, consequently, price. Safflower seasonality affects our ability to meet the demand for our safflower oil-based products during the second half of the calendar year and increases variations in our working capital needs over the course of the calendar year as we must buy safflower more heavily during its growing season even though sales of our safflower products are spread more evenly throughout the year. We currently import safflower oil from Latin America and other places outside India in order to help ensure regular supply for our operations. We have also begun working with Australian farmers to create an additional source of safflower seeds supply for our needs. Other commodities that we use in our manufacturing processes may also be subject to seasonality.

Regulatory Changes - Regulatory changes, especially fiscal changes and changes related to food and cosmetics laws in India and overseas, can have a bearing on our business especially in respect of new business lines and new business opportunities. Changes in tax incentives in India or our other geographic markets could affect our results or operations.

Indirect Taxation on our Products and services

Our products and services are subject to indirect taxation such as sales tax, value added tax, excise duty and service tax. Our current indirect taxation profile is based on current tariff classifications and the current tariff rates. Classifications or tariff rates or both may change from time to time. If such revision is adverse, our results of operations may be correspondingly affected. For instance, our Uttaranchal units I, II and III are eligible for a 100% excise benefit for 10 years ending Fiscal 2013, Fiscal 2014 and Fiscal 2016, respectively. Any changes in government policies impacting such incentives could have a material adverse impact on our results of operations in the future.

Excise on Coconut Oil

The manufacture of coconut oil contributes a significant proportion of our total income and profitability, and at present does not attract excise duty due to the current excise tariff and classification of the product. The excise tariff or classification may undergo changes, because of either a statute change or a different interpretation being adopted by excise authorities. Any such change that increases the amount of excise duty payable on these products will adversely impact our profitability. We may, however, restructure our business to mitigate the whole or a part of the impact of any such change.

Macroeconomic Factors - Macroeconomic factors such as a recession or any other economic instability, political uncertainty, social upheavals or acts of God affecting India or our other geographic markets could influence our performance. Further, fluctuations in crude oil prices, rising interest rates and inflation could affect our margins.

Monsoon - Rainfall may continue to affect us and our performance. While a mild monsoon season can help set the tone for a good year, a bad monsoon season could impact the purchasing power of consumers, particularly in rural areas.

Policy of write-off of acquired brands

In our portfolio of brands, acquired brands include Nihar, Camelia, Magnolia, Aromatic, Manjal, and Fiancée. We have written-off the cost of acquired brands against eligible reserves and surplus in the past.

We believe the carrying cost of intangible assets such as brands (IPR) on the balance sheet may not necessarily be a true reflection of their worth and value. We believe it is not appropriate to carry acquired IPR on our balance sheet at historical costs, given the fact that we do not assign any value to IPR that we have developed ourselves.

Our policy has therefore been to adjust the carrying costs of acquired IPR such as trademarks, and copyrights, directly against net worth, as soon as feasible. Such an adjustment of IPR results in a leaner and cleaner balance sheet comprising only or largely tangible assets. It also creates a level playing field between the acquired brands and the home-grown brands which do not appear in the balance sheet anyway.

We have made five brand acquisitions since May 2005, relating to various IPR in India and overseas. We intend to continue to acquire brands in the business segments that we operate in as defined in our business strategy. It would be our intent to adjust the cost of all acquired IPR directly against net worth, in accordance with such regulatory provisions as may be applicable then.

Exercising our call right in Sundari LLC

We hold 75.5% of the interests in Sundari LLC, our Subsidiary incorporated in the USA. Pursuant to Article 8.4 of the Amended and Restated Operating Agreement dated February 26, 2003 executed between us and Adil & Associates LLC, as well as Shantih LLC, which governs issues relating to the day-to-day operations of Sundari LLC and other rights and obligations, we have the right on or after September 30, 2006 to acquire the entire interest held by Shantih LLC (24.5%) in Sundari LLC. We began the process of exercising our right.

For more information on these and other factors that have affected or may affect our results of operations, financial condition or business, please refer to the section titled *"Risk Factors"*.

Results of Operations – Overview

Total Income

Our total income consists of the following:

1) Sale of products comprising

   a) Sales from "Consumer Products", including coconut oil, premium refined edible oils, hair oils, anti-lice treatments, fabric care products, edible salt, functional foods, processed foods, soaps, baby care products and additional similar consumer products, and by-products and scrap sales.

   b) Sales and income from "Other" products including skin care products sold through Kaya Skin Clinics under the Kaya brand, and Sundari spa skin care products.

2) Income from services offered at the Kaya Skin Care Clinics and income from our distribution alliance with Indo Nissin Foods Limited.

3) Other Income, which principally includes profits on the sale of investments, dividends and miscellaneous income.

The following table sets out the breakup of our total sales and services by business segment and geographic markets for the six months ending September 30, 2006, the six months ending September 30, 2005 and Fiscals 2006, 2005 and 2004:

In Rs. mn

	Six months ending September 30, 2006	**Six months ending September 30, 2005**	**Fiscal 2006**	**Fiscal 2005**	**Fiscal 2004**
Segment					
Consumer Products	7,135.8	5,214.7	10,898.7	9,807.0	8,759.5
Others	371.8	243.0	540.7	263.4	91.3
Total Sales and Services	**7,507.6**	**5,457.7**	**11,439.4**	**10,070.4**	**8,850.8**

In Rs. mn

	Six months ending September 30, 2006	**Six months ending September 30, 2005**	**Fiscal 2006**	**Fiscal 2005**	**Fiscal 2004**
Location					
India	6,630.0	4,905.0	10,156.1	8,909.9	8,064.8
Overseas	877.6	552.7	1,283.3	1,160.5	786.0
Total Sales and Services	**7,507.6**	**5,457.7**	**11,439.4**	**10,070.4**	**8,850.8**

Total Sales and Services by Business Segment

The "Consumer Products" business segment has accounted for 99.0%, 97.4%, 95.3% and 95.0% of the total sales and services income of the Company for the Fiscals 2004, 2005 and 2006 and the six months ending September 30, 2006, respectively.

The "Others" (principally skin care) segment has been growing at a relatively faster rate than consumer products, with its share of total sales and service income increasing to 1%, 2.6%, 4.7% and 5.0% for the Fiscals 2004, 2005 and 2006, and the six months ending September 30, 2006, respectively.

The Consumer Products business segment registered a growth of 12.0% in Fiscal 2005 as compared to Fiscal 2004, 11.1% in Fiscal 2006 as compared to Fiscal 2005 and 36.8% in the six month period ended September 30, 2006 as compared to the six month period ended September 30, 2005.

The “Others” (principally skin care) segment, starting from a low base, registered a growth of 188.5% in Fiscal 2005 as compared to Fiscal 2004, 105.3% in Fiscal 2006 as compared to Fiscal 2005 and 53% for the six month period ended September 30, 2006 as compared to the six month period ended September 30, 2005.

Total Sales and Services by Geographical Market

Domestic sales have contributed 91.1%, 88.5%, 88.8% and 88.3% of total sales and services in Fiscals 2004, 2005 and 2006, and the six months ending September 30, 2006, respectively.

The contribution of overseas sales and services income to total sales and services income has been increasing as a percentage of total sales and services income. The share of overseas sales and services income was 8.9% in Fiscal 2004, 11.5% in Fiscal 2005, 11.2% in Fiscal 2006 and 11.7% in the six months ending September 30, 2006. The steady increase in the share of overseas sales and services income has been largely achieved through improvements in market shares of existing products, introduction of new products relevant to our consumers overseas, growth in our operations in Bangladesh including the acquisitions of soap brands and geographical expansion across various countries. We acquired the Egyptian brand Fiancée in September 2006. Our sales and services income for any of the periods up to the half year ended September 30, 2006, do not include any sales of products under the brand Fiancée.

Domestic sales and services income grew at the rate of 10.5% in Fiscal 2005 as compared to Fiscal 2004, 14% in Fiscal 2006 as compared to Fiscal 2005 and 35.2% during the six month period ended September 30, 2006 as compared to the six month period ended September 30, 2005.

Overseas sales and services income has grown at a rate of 47.6% in Fiscal 2005 as compared to Fiscal 2004, 10.6% in Fiscal 2006 as compared to Fiscal 2005 and 58.8% during the six month period ended September 30, 2006 as compared to the six month period ended September 30, 2005.

Other Income

Other income principally includes profits on the sale of investments, dividends and miscellaneous income.

Other income accounted for 0.3%, 0.2%, 0.3% and 0.2 % of total income in Fiscals 2004, 2005 and 2006, and the six months ending September 30, 2006, respectively.

Expenses

The following table sets out our expenses and certain other profit-and-loss-account line items as a percentage of our total income for the periods indicated:

In Rs. Mn.

Particulars	Six Months ending Sept. 30,2006	Six Months ending Sept. 30,2005	FY 06	FY 05	FY 04
Total Income	**7,518.9**	**5,483.5**	**11,474.8**	**10,086.5**	**8,879.8**
Expenditure:					
Cost of Materials	3,870.6	2,982.5	6,116.9	6,282.9	5,576.5
% of Total Income	*51.5%*	*54.4%*	*53.3%*	*62.3%*	*62.8%*
Manufacturing and Other Expenses	2,469.0	1,869.9	3,879.4	2,904.3	2,528.8
% of Total Income	*32.8%*	*34.1%*	*33.8%*	*28.8%*	*28.5%*
A. Advertisement and Sales Promotion Expenses	965.8	621.8	1,387.8	968.3	718.2
% of Total Income	*12.8%*	*11.3%*	*12.1%*	*9.6%*	*8.1%*
B. Employees' Cost	420.5	382.7	783.4	512.6	465.4
% of Total Income	*5.6%*	*7.0%*	*6.8%*	*5.1%*	*5.2%*
C. Administrative, Selling and Other Expenses	772.7	633.8	1,230.4	1,017.8	905.2
% of Total Income	*10.3%*	*11.6%*	*10.7%*	*10.1%*	*10.2%*
D. Other Manufacturing Expenses	310.0	231.6	477.8	405.6	440.0
% of Total Income	*4.1%*	*4.2%*	*4.2%*	*4.0%*	*5.0%*
Finance Charges	105.2	14.7	50.5	20.0	11.7
% of Total Income	*1.4%*	*0.3%*	*0.4%*	*0.2%*	*0.1%*
Depreciation and Amortisation	238.5	141.3	448.0	149.1	129.6
% of Total Income	*3.2%*	*2.6%*	*3.9%*	*1.5%*	*1.5%*
Total Expenditure	**6,683.3**	**5,008.4**	**10,494.8**	**9,356.3**	**8,246.6**
% of Total Income	***88.9%***	***91.3%***	***91.5%***	***92.8%***	***92.9%***
Profit Before Taxation and Minority Interest	**835.6**	**475.1**	**980.0**	**730.2**	**633.2**
% of Total Income	***11.1%***	***8.7%***	***8.5%***	***7.2%***	***7.1%***
Minority Interest and Goodwill	-	-	-	(12.7)	(17.6)
PBT after minority interest	**835.6**	**475.1**	**980.0**	**742.9**	**650.8**
% of Total Income	***11.1%***	***8.7%***	***8.5%***	***7.4%***	***7.3%***
Provision for Taxation:					
Current Tax with MAT credit	167.1	53.9	31.8	63.9	59.6
Fringe Benefit Tax	15.0	14.4	24.7	-	-
Deferred Tax (Net)	44.7	(3.2)	31.9	(1.9)	1.6
Prior Year's Income tax	45.0	-	22.8	(20.5)	-
Profits after Tax	**563.8**	**410.0**	**868.8**	**701.4**	**589.6**
% of Total Income	***7.5%***	***7.5%***	***7.6%***	***7.0%***	***6.6%***

Cost of Materials

Cost of materials includes consumption of raw materials, packing material, stores and spares, the purchase of finished goods and increases or decreases in stocks of finished goods, by-products and work-in-process. Cost of materials as a percentage of sales has shown a declining trend over the years and specifically has decreased from

62.8% of total income in Fiscal 2004 to 51.5% of total income in the six months ending September 30, 2006, largely due to our maintaining the Parachute coconut oil retail price at the prevailing levels despite lower copra prices. We believe, it also reflects our conscious strategy to focus on the portfolio of products contributing to higher margin. As a result, growth in lower margin brands such as Sweekar has been de-emphasised and sales of such brands have been stagnant. In addition to focusing on the high margin products in our consumer products portfolio, the significant increase in Kaya operations, characterized by higher gross margins, has resulted in lower material costs as a percentage of our sales. Furthermore, our efforts for cost management over the years by improving material yields and packaging design and configuration have also helped in bringing down the ratio of material costs to sales.

Advertisement and Sales Promotion Expenses

Our advertisement and sales promotion (ASP) expenses have increased from 8.1% of total income in Fiscal 2004 to 12.8% in the six months ending September 30, 2006. We have stepped up our expenditure on ASP as a percentage of sales. We have been investing part of the incremental margins earned on our products and services in brand building, advertising and sales promotion - both to strengthen established brands and to support new ones. We have been focusing on demand creation in a consumer-centric manner rather than spending on sales promotions.

Employees' Costs

Our employees' costs include salaries, wages, bonus and gratuity, contribution to provident and other funds and staff welfare scheme expenses. We have an extensive process of performance 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. It is also linked to a variable element of Company-performance-based and individual-performance-based compensation. As a result, based on the degree of achievement of set targets, our staff costs can vary from year to year. Our higher staff costs, as a consequence of higher variable pay in Fiscal 2006 relates to our better performance that year. In addition, the costs of attracting and retaining the best talent are rising, and this may continue to push up our employees' costs in the future.

Administrative, Selling and Other Expenses

Administrative, selling and other expenses consists mainly of freight, forwarding and distribution expenses, carrying and forwarding agents' expenses, redistribution expenses, sales tax and cess, royalty and other administrative expenses such as rent and storage charges, lease rentals, repairs to buildings, other repairs, rates and taxes, traveling, insurance, printing, stationery and communication expenses and other miscellaneous expenses. These expenses have increased generally in line with the increase in our scale of operations.

Other Manufacturing Expenses

Other Manufacturing Expenses include power, fuel and water expenses, repairs to machinery and contract manufacturing charges. These expenses have decreased from 5.0% of total income in Fiscal 2004 to 4.1% for the six months ending September 30, 2006, due to increases in production at our factories, as we have shifted production of our hair oils franchise through subcontractors to our own manufacturing location at Dehradun. We believe manufacturing costs at our own factories are usually lower as compared to production through sub-contractors. Other Manufacturing generally registers an increase during periods of new product introductions, because we usually manufacture new products at subcontracting locations which cost us more than our in-house operations.

Finance Charges

Finance charges include interest on loans and other financial charges. Our borrowings increased in Fiscal 2006, largely on account of the term loan we availed for financing the acquisition of Nihar. Subsequently, we also borrowed to partially fund our acquisition of the brand Fiancée in September 2006.

Depreciation, Amortisation and Impairment

Generally, depreciation costs increase based on the capital expenditure we incur. We recently acquired the brands Camelia, Magnolia, Aromatic, Manjal, Nihar and Fiancée, on which amortisation will accrue as per the policy specified below.

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

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

i.	Technical know how	6 years
ii.	Non-compete covenants	Non-compete period (not exceeding 10 years)

For more information on our depreciation policies, please refer to the paragraph titled Significant Accounting Policies mentioned in this section

Our depreciation expenses in the coming years are expected to increase due to amortization on brands acquired and depreciation on ongoing fixed asset additions, such as for new Kaya Skin Clinics, as well as for other regular capital expenditure.

Taxes

Taxes include Income Tax, Minimum Alternative Tax (MAT) credits, Deferred Taxes and Fringe Benefit Taxes. In recent years, we have had a low effective tax rate, close to the MAT rate. As the section 80 (IB) tax benefit period is exhausted at some of our plants over the few years, our effective tax rate is expected to rise. During the six months ending September 30, 2006, the effective income tax rate was 20%. Our production facilities located at Goa, Pondicherry and Uttaranchal (Unit I, II and III) are eligible for deduction under Section 80IA/80IB/80IC. We however cannot assure you that such fiscal incentives would not be withdrawn or reduced in the future. The table below sets forth the extent of profits exempt from Income Tax at each of our factories eligible for exemption under Section 80IA/80IB/ as is applicable at present.

Assessment Year	Eligibility for Deduction under Section 80IA / 80IB / 80IC						
	Kanjikode	Goa	Pondichery	Daman	Uttaranchal - I	Uttaranchal - II	Uttaranchal - III
1994 - 95	30%	-	-	-	-	-	-
1995 - 96	30%	-	-	-	-	-	-
1996 - 97	30%	-	-	-	-	-	-
1997 - 98	30%	-	-	-	-	-	-
1998 - 99	30%	100%	-	-	-	-	-
1999 - 00	30%	100%	-	-	-	-	-
2000 - 01	30%	100%	-	-	-	-	-
2001 - 02	30%	100%	-	-	-	-	-
2002 - 03	30%	100%	100%	100%	-	-	-
2003 - 04	30%	30%	100%	100%	-	-	-
2004 - 05	-	30%	100%	100%	100%	-	-
2005 - 06	-	30%	100%	100%	100%	100%	-
2006 - 07	-	30%	100%	100%	100%	100%	-
2007 - 08	-	30%	30%	30%	100%	100%	100%
2008 - 09	-	-	30%	30%	100%	100%	100%
2009 - 10	-	-	30%	30%	30%	100%	100%
2010 - 11	-	-	30%	30%	30%	30%	100%
2011 - 12	-	-	30%	30%	30%	30%	100%
2012 - 13	-	-	-	-	30%	30%	30%
2013 - 14	-	-	-	-	30%	30%	30%
2014 - 15	-	-	-	-	-	30%	30%
2015 - 16	-	-	-	-	-	-	30%
2016 - 17	-	-	-	-	-	-	30%

Net Profit

Net profit refers to our profit after taxation and minority interest, as per our audited financial statements.

The six months ending September 30, 2006 compared with the six months ending September 30, 2005

Total Income

Our total income increased by 37.1%, to Rs. 7,518.9 million in the six months ending September 30, 2006 from Rs. 5,483.5 million in the six months ending September 30, 2005.

Income from sales of products increased by 37.1%, from Rs. 5,251.6 million in the six months ending September 30, 2005 to Rs. 7,200.6 million in the six months ending September 30, 2006. Of this growth of 37.1%, organic and inorganic growth contributed 22% and 15.1% respectively.

This increase was principally due to:

1) Growth in domestic sales comprising mainly of
    a) Volume growth of 12.1% in total Parachute coconut oil sales;
    b) Volume growth of 83.3% in the hair oils category, principally due to the inclusion of volumes from Nihar for the six months ending September 30, 2006;
    c) Volume growth of 17.2 % in the premium refined edible oils category represented by Saffola; and
    d) Inorganic growth from the recent acquisitions of Nihar and Manjal.

2) Growth in international business of 54.6%, largely achieved by all round growth in the Middle East markets principally in hair creams, growth in our Bangladesh sales both of existing products and through sales of products from the recently acquired brands Camelia and Aromatic and improvement in Sundari turnover.

Income from services increased by 49%, from Rs. 206.0 million in the six months ending September 30, 2005 to Rs. 307.0 million in the six months ending September 30, 2006 principally on account of increase in reach of Kaya Services. We offered services through 46 Kaya clinics as at September 30, 2006, up from 41 clinics as at September 30, 2005.

Expenses

Cost of Material increased by 29.8% to Rs. 3,870.6 million for the six month period ended September 30, 2006 from Rs. 2,982.5 million for the six month period ended September 30, 2005, primarily due to an increase in raw material consumed due to volume growth in the sales of our products. The increase was partially offset by lower copra prices and our focus on high margin products and services, particularly our Kaya business. These factors along with our maintaining the prevailing retail price of Parachute coconut oil despite a reduction in copra prices contributed largely to the cost of materials as a percentage of our total income decreasing from 54.4% for the six months ended September 30, 2005 to 51.5% for the six months ended September 30, 2006.

Advertisement and sales promotion costs increased by 55.3% to Rs. 965.8 million for the six month period ended September 30, 2006 from Rs. 621.8 million for the six month period ended September 30, 2005, primarily due to the fact that we continued to invest part of the incremental product margins earned in brand building advertising and sales promotion with a view to strengthening established brands and supporting new ones such as Sparsh, Parachute After Shower, Parachute Hair Perfect and Manjal.

Employee costs increased by 9.9% to Rs. 420.5 million for the six month period ended September 30, 2006 from Rs. 382.7 million for the six month period ended September 30, 2005. The increase in employees’ costs by 9.9 % largely represents the annual increments.

Administrative, selling and other costs increased by 21.9% to Rs. 772.6 million for the six month period ended September 30, 2006 from Rs. 633.8 million for the six month period ended September 30, 2005, partially due to a 28.4% increase in freight expenses from Rs. 221.5 million for the six month period ended September 30, 2005 to Rs. 284.3 million for the six month period ended September 30, 2006. In general, selling costs increased in line with the increase in sales.

Other manufacturing expenses increased by 33.8% to Rs. 310.0 million for the six month period ended September 30, 2006 from Rs. 231.7 million for the six month period ended September 30, 2005, primarily due to the increased level of activity on account of higher sales and our foray into a number of new product categories and brand extensions that are manufactured by sub-contract manufacturers.

Finance charges increased significantly to Rs. 105.2 million for the six month period ended September 30, 2006 from Rs. 14.7 million for the six month period ended September 30, 2005, principally on account of the term loans taken by us to finance the acquisitions of Nihar and Fiancée.

Depreciation, amortization and impairment charges increased by 68.8% to Rs. 238.5 million for the six month period ended September 30, 2006 from Rs. 141.3 million for the six month period ended September 30, 2005, primarily due to amortization of the acquired brands Nihar, Manjal, Aromatic and Fiancée.

Profit before Taxation and Minority Interest

Profit before taxation and minority interest increased by 75.9% to Rs. 835.6 million, from Rs. 475.1 million for the six months ending September 30, 2006.

Taxes

Current Taxes increased by 210% to Rs. 167.1 million in the six month period ended September 30, 2006 Rs.53.9 million in the six month period ended September 30, 2005. Our tax rate has increased substantially due to the phasing out of the section 80 IB benefits available at our Pondicherry plant whereby 30% of profits are exempt from tax now as against 100% during the earlier period.

Fringe Benefit Taxes increased by 4.2% to Rs. 15 million in the six month period September 30, 2006 from Rs. 14.4 million in the six month period September 30, 2005 in line with the increase in activities attracting fringe benefit tax

We had a deferred tax debit of Rs. 44.7 million in the six month period September 30, 2006 in comparison to deferred tax credit of Rs. 3.2 million for the six month period September 30, 2005 primarily on account of the Nihar brand acquisition.

Net Profit after Taxation and Minority Interest

Net profit after taxation and minority interest increased by 37.5% to Rs. 563.8 million, or 7.5% of total income, in the six months ending September 30, 2006, from Rs. 410 million or 7.5% of total income, in the six months ending September 30, 2005.

Fiscal 2006 compared with Fiscal 2005

Total Income

Our total income increased by 13.8% to Rs. 11,474.8 million in Fiscal 2006 from Rs. 10,086.5 million in Fiscal 2005.

Income from sales of products increased by 11.4%, from Rs. 9,861.7 million in Fiscal 2005 to Rs. 10,987.7 million in Fiscal 2006.

This increase was principally due to:

1) Growth in domestic sales through our focus brands, mainly due to:
   a) Volume growth of 11.4% in Parachute coconut oil sales
   b) Volume growth of 10.1% in the premium refined edible oil category represented by Saffola.

2) Growth in international business by 8.5%, was largely achieved through increased sales in Bangladesh led by Parachute coconut oil as well as the sales of the soap brands acquired during the year. This was complemented by market share increases in key products such as Parachute Hair Cream in the Middle East which responded well to our increased advertising including a new campaign featuring the celebrity Zainab.

Income from services increased by 116.4 %, from Rs. 208.7 million in Fiscal 2005 to Rs. 451.7 million in Fiscal 2006. This increase was on account of a significant increase in the Kaya Business. Kaya Skin Clinics expanded from 34 as at March 31, 2005 to 45 clinics as at March 31, 2006.

Cost of material reduced by 2.6% to Rs. 6,116.9 million in Fiscal 2006 from Rs. 6,282.9 million in Fiscal 2005, despite an increase in sales volume, primarily due to subdued prices of copra and safflower oil. This together with our focus on high margin products and services, particularly our Kaya business, along with the retention of our retail prices per unit on Parachute coconut oil resulted in our cost of materials as a percentage of our total income decreasing from 62.3% in Fiscal 2005 to 53.3% in Fiscal 2006.

Advertisement and sales promotion costs increased by 43.3% to Rs. 1,387.8 million in Fiscal 2006 from Rs. 968.3 million in Fiscal 2005, primarily on account of investing part of the incremental product margins earned in brand building advertising and sales promotion with a view to strengthening existing brands such as Parachute Advansed and Saffola, and supporting new ones such as Parachute After Shower hair cream and Sparsh. During Fiscal 2006,we also launched a new campaign for Hair & Care and relaunched Shanti Amla. In addition, we stepped up our advertising and sales promotion expenditure for our international consumer products during Fiscal 2006.

Employee costs increased by 52.8% to Rs. 783.4 million in Fiscal 2006 from Rs. 512.6 million in Fiscal 2005. The higher staff costs in 2006 were in line with our better performance, and the increase is principally on account of higher disbursements towards the variable component of compensation.

Administrative, selling and other costs increased by 20.9% to Rs. 1,230.4 million in Fiscal 2006 from Rs. 1017.8 million in Fiscal 2005, partially due to a 13.9% increase in freight expenses from Rs. 378.3 million in the Fiscal 2005 to Rs. 430.8 in Fiscal 2006. The increase in these costs is also on account of the increase in fixed costs of the Kaya business.

Other manufacturing expenses increased by 17.8% to Rs. 477.8 million in Fiscal 2006 from Rs. 405.6 million in Fiscal 2005, primarily due to higher use of subcontractors for new products and also a marginal increase in the power and fuel costs.

Finance charges increased significantly to Rs. 50.5 million in Fiscal 2006 from Rs. 20.0 million in Fiscal 2005, principally on account of the term loan taken to finance the acquisition of Nihar.

Depreciation, amortization and impairment charges increased significantly to Rs. 448.0 million in Fiscal 2006 from Rs. 149.1 million in Fiscal 2005, primarily due to amortization of acquired brands Nihar, Manjal, Camelia, Aromatic and depreciation on additional fixed assets. Moreover, we changed the method of computing depreciation on plant and machinery from Straight Line Method (SLM) to Written Down Value (WDV) method during Fiscal 2006. The increase in depreciation includes an amount of Rs. 140.1 million resulting from this change and pertaining to depreciation for previous years.

Profit before Taxation and Minority Interest

Profit before taxation and minority interest increased by 34.2%, from Rs. 730.2 million in Fiscal 2005 to Rs. 980.0 million in Fiscal 2006.

Taxes

Current Taxes decreased by 50.2% to Rs. 31.8 million in Fiscal 2006 from Rs. 63.9 million in Fiscal 2005, largely on account of creation of MAT credit of Rs. 65.8 million.

Fringe Benefit Taxes became applicable from Fiscal 2006 and we incurred expense of Rs. 24.7 million towards this account.

Net Profit after Taxation and Minority Interest

Net profit after taxation and minority interest increased by 23.9% to Rs. 868.8 million, or 7.6% of total income, in Fiscal 2006, from Rs. 701.4 million, or 7% of total income, in Fiscal 2005.

Fiscal 2005 compared with Fiscal 2004

Total Income

Our total income increased by 13.6% to Rs. 10,086.5 million in Fiscal 2005 from Rs. 8,879.8 million in Fiscal 2004.

Income from sales of products increased by 12.2%, from Rs. 8,787.2 million in Fiscal 2004 to Rs. 9,861.7 million in Fiscal 2005.

This increase was principally due to:

1. Growth in domestic sales through our focus brands, mainly due to
   a) Volume growth of 5.2% in Parachute coconut oil sales
   b) Volume growth of 6.1% in the hair oil segment.
   c) Volume growth of 14.3% in the premium refined edible oil category represented by Saffola.

2. Growth in international business by 45.9%, achieved through improved operations both in the Middle East and Bangladesh.

Income from services provided by Kaya Skin Clinics increased by 229.2% on a low base, from Rs. 63.4 million in Fiscal 2004 to Rs. 208.7 million in Fiscal 2005.

Expenses

Cost of material increased by 12.7% to Rs. 6,282.9 million in Fiscal 2005 from Rs. 5,576.5 million in Fiscal 2004. This was on account of the increase in raw materials consumed in line with higher sales volumes as well as an increase in the cost of copra. However, we were able to pass on a substantial part of the impact of the increase in copra costs by increasing the retail prices of Parachute coconut oil, which enjoys a very strong brand equity with its consumers. In percentage terms the raw material costs to total income did not change significantly.

Advertisement and sales promotion costs increased by 34.8% to Rs. 968.3 million in Fiscal 2005 from Rs. 718.2 million in Fiscal 2004, primarily on account of advertising and sales promotion expenses with a view to strengthening existing brands such as, Hair & Care, and Saffola and supporting new ones such as Hair & Care Silk-n-Shine and Parachute Sampoorna.

Employee costs increased by 10.1% to Rs. 512.6 million in Fiscal 2005 from Rs. 465.4 million in Fiscal 2004. The increase in employee costs by 10.1% largely represents annual increments.

Administrative, selling and other costs increased by 12.4% to Rs. 1017.8 million in Fiscal 2005 from Rs. 905.2 million in Fiscal 2004. The increase in costs was in line with the increase in total income.

Other manufacturing expenses decreased by 7.8% to Rs. 405.6 million in Fiscal 2005 from Rs. 440 million in Fiscal 2004, primarily due to a shift in production of hair oils from sub-contractors to our own manufacturing facility in Uttaranchal.

Finance charges increased by 70.9% to Rs. 20.0 million in Fiscal 2005 from Rs. 11.7 million in Fiscal 2004, primarily due to LIBOR-based short term loans we availed of for working capital purposes.

Depreciation, amortization and impairment charges increased by 15.1% to Rs. 149.1 million in Fiscal 2005 from Rs. 129.6 million in Fiscal 2004, primarily due to our investments at our manufacturing plants in Uttaranchal.

Profit before Taxation and Minority Interest

Profit before taxation and minority interest increased by 15.3% from Rs. 633.2 million in Fiscal 2004 to Rs. 730.2 million in Fiscal 2005.

Taxes

Current Taxes increased by 7.2% to Rs. 63.9 million in Fiscal 2005 from 59.6 million in Fiscal 2004.

Net Profit after Taxation and Minority Interest

Net profit after taxation and minority interest increased by 19.0% to Rs. 701.4 million, or 7% of total income, in Fiscal 2005, from Rs. 589.6 million, or 6.6% of total income, in Fiscal 2004.

Liquidity and Capital Resources

We broadly define liquidity as our ability to generate sufficient funds from both internal and external sources to meet our obligations and commitments. In addition, liquidity includes the ability to obtain appropriate equity and debt financing and loans and to convert into cash those assets that are no longer required to meet existing strategic and financial objectives. Therefore, liquidity cannot be considered as separate from capital resources that consist of current or potentially available funds for use in achieving long-range business objectives and meeting debt service and other commitments.

We have historically financed our working capital, capital expenditure and brand acquisitions primarily through funds generated from our operations and financing from banks and other financial institutions in the form of term loans and working capital facilities. Our business requires a significant amount of working capital. In many cases, significant amounts of our working capital are required to finance the purchase of materials. In addition, we need to retain sufficient leeway in our leveraged position to raise funds for acquisitions. We believe that we will have sufficient capital resources from our operations, net proceeds of this Issue and other offerings of securities and other loans and borrowings to meet our capital requirements for at least the next 12 months.

Cash flows

The table below summarizes our cash flows for the six month period ended September 30, 2006; six month period ended September 30, 2005, Fiscal 2006, 2005 and 2004:

Rs. mn

	For six months ended		For Fiscal ended		
	September 30, 2006	**September 30, 2005**	**March 31, 2006**	**March 31, 2005**	**March 31, 2004**
Net Cash Inflow/(Outflow) from Operating Activities	1,140.3	729.3	1,646.6	411.2	797.3
Net Cash Inflow/(Outflow) from Investing Activities	(1,495.2)	(251.5)	(2,832.4)	(584.9)	(81.1)
Net Cash Inflow/(Outflow) from Financing Activities	227.9	(413.7)	1,281.9	180.5	(629.2)
Net Increase/(Decrease) in Cash and Cash equivalents	(115.2)	61.4	76.4	(2.0)	86.9

Operating Activities

Net cash generated from operating activities increased to Rs. 1,140.3 million in six month period ended September 30, 2006 as compared to Rs. 729.3 million in six month period ended September 30, 2005. Our operating profit increased from Rs. 619.4 million in six month period ended September 30, 2005 to Rs. 1173.0 million in six month period ended September 30, 2006. Our working capital change was a decrease of Rs. 55.9 million in six month period ended September 30, 2006 as compared to a decrease of Rs.147.1 million in six month period ended September 30, 2005.

Net cash generated from operating activities increased to Rs. 1,646.6 million in Fiscal 2006 as compared to Rs. 411.2 million in Fiscal 2005. Our operating profit increased from Rs. 892.9 million in Fiscal 2005 to Rs. 1,461.6 million in Fiscal 2006. Our working capital change was a decrease of Rs. 293.4 million in Fiscal 2006 in comparison to an increase of Rs. 371.5 million in Fiscal 2005.

Net cash generated from operating activities decreased to Rs. 411.2 million in Fiscal 2005 as compared to Rs. 797.3 million in Fiscal 2004. Our operating profit increased from Rs. 771.6 million in Fiscal 2004 to Rs. 892.9 million in Fiscal 2005. Our working capital change was an increase of Rs. 371.5 million in Fiscal 2005 in comparison to a decrease of Rs. 62.8 million in Fiscal 2004.

Investing Activities

Net cash used in investing activities increased to Rs. 1,495.2 million in the six-month period ended September 30, 2006 as compared to Rs. 251.5 million in six month period ended September 30, 2005. Purchase of fixed assets increased from Rs. 196.4 million in the six-month period ended September 30, 2005 to 1694.9 million in the six month period ended September 30, 2006 due to the acquisition of the Fiancée business.

Net cash used in investing activities increased to Rs. 2,832.4 million in Fiscal 2006 from Rs. 584.9 million in Fiscal 2005. This was primarily due to the acquisitions of the brands Nihar, Manjal, Aromatic and Camelia, the amount of which increased from Rs. 497.0 million in Fiscal 2005 to Rs. 2,844.5 million in Fiscal 2006.

Net cash used in investing activities increased to Rs. 584.9 million in Fiscal 2005 from Rs.81.1 million in Fiscal 2004. This was due an increase in purchase of fixed assets from Rs. 257.3 million in Fiscal 2004 to Rs. 497.0 million in Fiscal 2005 largely comprising investment in Kaya clinics and investment in our plant at Uttaranchal.

Financing Activities

Net cash generated from financing activities increased to Rs. 227.9 million in six month period ended September 30, 2006 as compared to net cash used of Rs. 413.7 million in six month period ended September 30, 2005. Our borrowings increased by Rs. 557.7 million in six month period ended September 30, 2006 compared to repayment of borrowings of Rs. 208.5 million in six month period ended September 30, 2005. Our finance charges increased from Rs. 19.7 million in six month period ended September 30, 2005 to Rs. 108.4 million in six month period ended September 30, 2006.

Net cash generated from financing activities increased to Rs. 1,281.9 million in Fiscal 2006 from Rs. 180.5 million in Fiscal 2005. Our borrowings increased from Rs. 546.5 million in Fiscal 2005 to Rs. 1,740.8 million in Fiscal 2006 mainly to fund the acquisition of Nihar.

Net cash generated from financing activities increased to Rs. 180.5 million in Fiscal 2005 as compared net cash used of Rs. 629.2 million in Fiscal 2004. Our borrowings increased to Rs. 546.5 million in Fiscal 2005 in comparison to repayments of Rs. 1.1 million in Fiscal 2004.

Working Capital Needs

The major component of Working Capital is Inventories comprising Raw Materials, Packing Materials, Work In Process, Finished Goods, Stores, Spares and Consumables and By Products. The Raw Materials inventory varies based on seasonality and items such as safflower have to be stocked based on availability. In addition, the arrival of import consignments in bulk for commodities such as safflower and coconut oil tends to sharply increase the inventory holdings. The Company also builds up inventory positions based on its views from time-to-time of prices of various commodities.

The rest of the components of working capital, including domestic debtors and creditors are relatively stable. The Company has a fund based working capital limit from its consortium bankers of Rs. 700 million to manage day-to-day fluctuations in the working capital.

Indebtedness

As of September 30, 2006, we had total outstanding indebtedness of Rs. 2,955.7 million. The following table presents our indebtedness and certain of its characteristics:

Lender	Type of Debt	Amount- of Debt Outstanding Rs. Mn	Interest	TERMS	Repayment Schedule
Kotak Mahindra Bank	Short Term Loan	750.0	8.1%	Unsecured- One Year loan with quarterly put/call option	Payable on 16th August 2007
HDFC Bank	Short Term Loan	250.0	MIBOR + 180 bps	Unsecured- One Year loan with daily put/call option	Payable on 16th August 2007
HDFC Bank	Short Term Loan	500.0	MIBOR + 190 bps	Unsecured- One Year loan with daily put/call option	Payable on 5th September 2007
Standard Chartered Bank	Short Term Loan	750.0	8.85%	Unsecured- Three months loan	Payable on 16th October 2006
Citibank	Short Term Loan	141.9	10.75%	Loan taken by MBL in Bangladesh	Facility for 360 days
Loan to Sundari LLC from Sundari Promoters	Term Loan	16.5	3.5% - 4%	Loan repayable with Moratorium of 36 months from Feb 2006	Payable in February 2009
Colgate Palmolive (India) Limited	Inter Corporate Deposit	50.0	7.15%	Unsecured- Payable on 30 days + 2 days call notice	Repayment on call basis
Consortium Bankers (State Bank of Saurashtra, Citibank, HDFC Bank, ICICI Bank, Standard Chartered)	Working Capital	495.9	Varying from Bank to Bank	Secured against Stocks and Book Debts except for 24.5 million which is unsecured. Fund based working capital limit of Rs. 700 million available in India	Facility for one year
Bill discounting from banks	Working Capital	1.4	Varying from Bank to Bank	Bill discounted with Banks	Facility for 90 days
Total		**2,955.7**			

For details on preference shares please refer to section entitled “Recent Developments”.

The agreements relating to certain of our indebtedness impose certain restrictive covenants on us, including for example prohibitions on large-scale mergers or reconstructions without prior lender consent.

The total debt outstanding as on October 31, 2006 is Rs. 3,017.0 million. The loans stated above have been primarily raised for financing the acquisition of brands and for working capital purposes. The Company is in the process of working out a long term structure for the short term loans.

Capital Expenditures

Our capital expenditure would include expenditure on new Kaya Skin Clinics and fixed assets in India and overseas. While the regular capital expenditure would be funded through our internal cash accruals, any further large size acquisitions may involve raising further capital through a mix of debt and equity including preference shares. In March 2005, we entered into a memorandum of understanding to acquire a plot of land for construction of a new office building. We intend to construct the office building on the said land over the next two years.

Contingent Obligations

As of September 30, 2006, we had the following contingent liabilities that have not been provided for:

Rs. mn

Particulars	Amount
Claims against the Company not acknowledged as debt	30.2
Guarantees given on behalf of constituents:	
In India	29.5
Outside India	344.5
Other items for which the Company is contingently liable	154.7
Total	**558.9**

The guarantees given on behalf of constituents refer to corporate guarantees given by Marico Limited in favour of lenders for loans taken by its Subsidiaries, Kaya Skin Care Limited and Marico Bangladesh Limited.

Off-Balance Sheet Arrangements

We do not have any material off-balance sheet arrangements.

Events after September 30, 2006

On November 10, 2006, we issued and allotted to Kotak Mahindra Prime Ltd. 150 million 9.75% redeemable preference shares of face value Rs. 10 each, aggregating Rs.1,500 million. The preference shares were issued under a share subscription agreement signed between us and Kotak Mahindra Prime Ltd.

On November 30, 2006, pursuant to a right to seek redemption at the end of any calendar month, Kotak Mahindra Prime Ltd. issued a redemption notice for 75 million preference shares aggregating Rs. 750 million. We redeemed these shares on November 30, 2006. We accounted for the redemption by creating a Capital Redemption Reserve ("CRR") on our balance sheet, in accordance with Section 80 of the Companies Act. The redemption did not have an impact on our results of operations or on our reporting of those results. We expect to account for further redemptions of the remaining outstanding preference shares in the same manner. We do not expect further redemption to have an impact on the results of our operations or on our reporting of those results.

Summary of Significant Accounting Policies

(a) Basis of preparation of financial statements

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

(b) Consolidation

The consolidated financial statements include the financial statements of Marico Limited and our Subsidiaries. The results of Subsidiaries are included from the date of acquisition of a controlling interest. Any changes during the period, in our shareholding in our Subsidiaries are recognized while consolidating the results of our Subsidiaries. All inter-company transactions are eliminated and the consolidated financial statements have been prepared using uniform accounting policies, except that in case of our Subsidiaries

i) deferred tax asset / liability has not been accounted for.

ii) Depreciation in respect of Plant and Machinery (except items specified in note (d)(I)(ii) below) is provided on straight-line method instead of written down value method.

The assets and liabilities of foreign companies are translated at the period end exchange rate and all the items in the profit and loss account are translated at the average annual exchange rate. The resultant translation gains and losses are shown separately as 'Cumulative exchange difference (translation differences)' under Reserves and Surplus.

(c) Fixed assets

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

(d) Depreciation/Amortisation

1. Tangible assets

i. Depreciation is provided on straight line basis at the higher of the rates, based on useful lives of the assets as estimated by the management every year or those stipulated by the respective statues in India, UAE, Bangladesh and the United States, if any.

ii. In Marico Limited, depreciation on plant and machinery (other than items such as computer hardware, moulds, laser machines at Kaya Clinics and technologically advanced machinery, which are depreciated on straight line basis at rates higher than those statutorily prescribed) is provided on written down value basis.

2. Intangible assets

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

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

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

(e) Investments

1. 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.
2. Current investments are valued at lower of cost and fair value, computed individually for each investment.

(f) Inventories

1. Raw material, packing material, stores, spares and consumables are valued at cost.
2. Work-in-process and finished products are valued at lower of cost and net realisable value.
3. By-products and unserviceable/damaged finished products are valued at net realisable value.
4. Cost is ascertained on weighted average method and in case of work-in-process includes appropriate production overheads and in the case of finished products includes appropriate production overheads and excise duty.

(g) Research and development

Capital expenditure on research and development is allocated to fixed assets. Revenue expenditure is charged to the profit and loss account in the year in which it is incurred.

(h) Revenue recognition

1. Sales are recognised at the point of despatch of goods to the customers and stated net of trade discount and exclusive of sales tax but inclusive of excise duty.
2. Agency commission is recognised upon effecting sales on behalf of the principal.
3. Interest and other income are recognised on accrual basis.
4. Revenue from services is recognized on rendering of the service.

(i) Retirement benefits

Marico Limited has various 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 period-end by an independent actuary.

Kaya Skin Care Limited has provided provident fund scheme as retirement benefit for the employees. Provident fund contributions are made to the Regional Provident Fund Office and charged to revenue every year. During the period Kaya Skin Care Limited has also provided for the liability on account of leave encashment and gratuity. The Gratuity fund is yet to be formed.

(j) Foreign currency transactions

1) Foreign currency transactions during the period are recorded at the exchange rate prevailing on the date of the transaction.
2) Foreign currency assets and liabilities are translated at the period end exchange rate. All outstanding forward exchange contracts, to the extent of the underlying assets or liabilities are also translated at the period end exchange rate. Resultant gains or losses are recognised in the profit and loss account other than the exchange rate differences relating to fixed assets which are adjusted against the carrying cost of corresponding fixed assets. In case of forward contracts, 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.
3) All outstanding forward contracts, open beyond the underlying assets or liabilities are marked to market at the period end on the basis of the forward rate available on the reporting date for the remaining maturity of the contracts and the contracted forward rates.
4) 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

(k) Accounting for taxes on income

1) Interim period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is , the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.
2) 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.

(l) Deferred revenue expenditure is amortised over a period of 5 years.

(m) Liabilities relating to Contract manufacturers

We have from time to time, utilized contractors to manufacture products, either on principal-to-principal basis or through process contracts. While the agreements with such contractors would vary from case to case, we generally agree to bear the incidence of tax on the transaction for purchase of finished products or processing charges. There may be cases where the contractor has been served with show cause notices by the Excise authorities.

Our policy is to account for such demands (as contingent liabilities or otherwise, as may be appropriate) on the happening of all of the following events:

(1) final adjudication of the demands made by Excise Authorities
(2) the contractor incurring a liability,
(3) the contractor serving a valid claim on us claiming a reimbursement of the taxes actually paid by it

We have not received any claim or notice from any of our sub contractors to date.

Quantitative and Qualitative Disclosure about Market Risk

We are exposed to market risk from changes in commodity prices, foreign exchange rates and interest rates.

1) Commodity Price Risk

We are exposed to the risk of fluctuation in the prices of commodities such as copra, safflower oil, sunflower oil and liquid paraffin. We currently do not have any hedging mechanisms in place in respect of any of the commodities we purchase.

2) Exchange Rate Risk

We face exchange rate risk owing to the fact that we have exports, imports, expenditure and income in currencies other than Indian Rupee, which are subject to fluctuations against the Rupee depending on market conditions. We have investments in our Subsidiaries in Bangladesh, the United States, Egypt and the UAE, which expose us to currency risk in respect of the Bangladeshi Taka, US Dollar, Egyptian Pound and UAE Dirham. While we report our consolidated financial statements in Indian Rupees, results of our overseas Subsidiaries are prepared in the local currency. Any fluctuations in the local currency of such overseas Subsidiaries in relation to the Indian rupee will impact the presentation of our consolidated financial performance. Additionally, we have short-term loans denominated in US Dollars. Since interest and principal repayments on these loans must be paid in US Dollars, we are additionally exposed to the risk of Rupee fluctuation against the US Dollar. In respect of raw materials and other imports, we are exposed to multiple currencies, including the Euro and the Australian Dollar. Appreciation or depreciation of the Rupee in relation to any of these currencies could cause us to recognize foreign exchange losses, or gains. In accordance with our foreign exchange risk management policy, we enter into Rupee forward contracts and option structures for hedging purpose only to mitigate the risk of changes in foreign exchange rates.

3) Interest Rate Risk

Changes in interest rates or resets of interest rates with respect to borrowings we have made under variable interest rates may affect our net financial income and expenses. On September 30, 2006, we had loans amounting to Rs. 2,955.7 million, in outstanding principal amount out of which 29.8% were at variable interest rates.

INDUSTRY

Introduction

The Fast Moving Consumer Goods (FMCG) sector in India is the fourth largest sector in the Indian economy with a present market size in excess of USD 13.1 billion. (Source: www. ibef.org). It is a key component of India's GDP and is a significant direct and indirect employer accounting for 5% of the total factory employment in the country. (Source: www.ciionline.org). The sector also creates employment for three million people in downstream activities, much of which is disbursed in small towns and rural India. Low-priced products contribute the majority of the sales volume and lower and middle income groups account for over 60% of the sector's sales. Moreover, rural markets account for approximately 56% of the total domestic FMCG demand. The sector has strong links with agriculture and around 71% of the sales come from agro-based products. It is a significant value creator with a market capitalization second only to the IT sector and is a key contributor to the exchequer. (Source: www.ciionline.org).

The table below depicts the significant use of FMCG products by rural households.

Category	Rural HH consuming the product* (%)
Toilet soaps	99.2
Washing cakes/bars	97.8
Washing powder/liquids	94.5
Hair wash preparations	76.3
Coconut oil	81.2
Toothpastes	70.9
Toothpowder	60.1
Skin creams	60.3
Packaged tea	94.7
Edible oil	95.9

* This survey took into account all rural households that have used the product atleast once during the past 12 months

Source: AC Nielsen ORG-MARG.

The Indian FMCG industry is characterized by a well-established distribution network, intense competition between the organized and unorganized sector and low operation costs. The FMCG market is set to increase from US$ 11.6 billion in 2003 to US$ 33.4 billion in 2015. (Source: www.ibef.org). Penetration level as well as per capita consumption in most product categories like skin care and shampoo in India is low indicating a large untapped market potential. The burgeoning Indian population particularly the middle class and the rural segments, present an opportunity to the manufacturers of branded products.

It is estimated that India's per capita consumption as reflected in the table below will equal existing China's level in 2015 and Brazil's in 2025 and hence provide a growth potential in the FMCG sector.

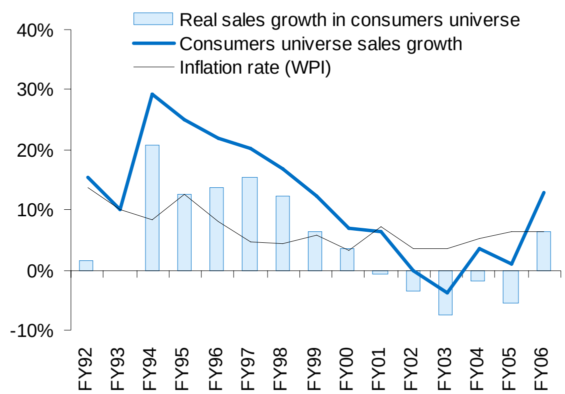
	per capita consumption (PCC) in retail value (Rs) - 2005			Growth (%) required to match current PCC in		
	India	China	Brazil	China 2005-15	Brazil 2016-25	Brazil 2005-25
Personal wash	44	26	204	(3.8)	24.2	9.3
Fabric wash	61	91	513	5.4	20.2	
Skin care	13	122	305	26.6	10.8	
Hair care	35	57	831	6.3	32.3	
Oral Hygiene	22	35	235	6.1	22.4	
Hair color	4	-	274			24.5
Dairy products	96	191	2,606	8.5	31.3	
Tobacco	135	2,066	1,283	33.0	(3.6)	13.2
Biscuits	30	70	818	10.0	29.3	

* PCC retail value converted from US $ to Rs

** The required growth calculation builds in a 1-1.4% annual population growth as projected in the BRICS report

Source: Valuing long-term growth – February 23, 2006.

The FMCG sector, after a slump in the early part of the current decade, has shown signs of revival as can be seen from the chart below.



Source: Office of the Economic Adviser, Ministry of Industry, Government of India

Constituent Segments

The main segments of the FMCG sector are:

- Personal Care: This segment comprises oral care, hair care, skin care, cosmetics and toiletries, deodorants, perfumes, paper products and others.
- Household Care: The household care segment comprises household cleaners, toilet cleaners, air fresheners, insecticides, mosquito repellents, metal polish and others.
- Packaged Food and Beverages: The products that comprise this segment are health beverages, soft drinks, staples, cereals, bakery products, snack foods, dairy products and others.

Chief Characteristics of the Industry

a) *Importance of Brand Building*

Creation of a strong brand is essential for FMCG companies and considerable money and effort is expended in the development of brands. A thorough understanding of the needs of the consumer is key to creating and offering differentiated products. FMCG players must develop insights into the needs of their customers. This forms the basis of FMCG strategy, including design of the product, its delivery format, pricing and communication. Some brands enjoy a first mover advantage, having built strong consumer loyalty with consistent quality over long periods of time. Others have created brand value through innovative product offerings with superior functional attributes supported by strong advertising and sales promotion campaigns.

The price the consumer is willing to pay is a function of the perceived value of physical attributes such as the product, its packaging and its availability as well as the image built around the brand. The initial period in the life of a brand is likely to require higher expenditures on advertising and sales promotion as the brand owner attempts to create a positioning for the brand in the mind of the consumer. In the first year of launch, advertising and sales promotion costs can be as high as 50% to 100% of revenue. As brands get stronger, they are able to command a better price and reduce the proportion of advertising support to maintenance levels, thereby enhancing margins and profitability. A portfolio with some strong brands enables a FMCG company to invest in new brands and thus create a pipeline of new brands and products for the future.

In the face of intensifying competition, continuous efforts at brand building through advertising and sales promotion and other surround activities are important for FMCG players. This helps in maintaining and gaining market share.

Brand building, positioning and brand extensions typically play a key role in the success of a product in the FMCG sector. Occasionally, products are re-launched by repositioning the brands to re-start the life cycle of a product and extract better value from it.

b) *Cost Factors*

Materials costs and marketing and advertising are the primary costs incurred by a company in the FMCG sector. In certain segments, companies that have a large scale of operations are able to negotiate lower input costs of raw materials. In packing material, the industry has seen several innovations to provide superior and more convenient packaging at lower packing material costs.

Given the importance of branding in the industry, advertising and sale promotion expenses comprise a significant element of cost. Sustained investment over a period of time is required to create an association in the mind of the consumer. Companies with a focus on building strong consumer franchises and creating a demand for their brands would usually spend a larger proportion of the advertising and sales promotion costs on above-the- line advertising. A more short-term measure would be to spend a larger proportion on sales promotion and channel discounts to create a sales push.

By and large, the industry is characterized by relatively low manufacturing costs. Manufacturing processes are typically simple. Investments in manufacturing assets are also relatively low, yielding a high turnover to investment ratio. Moreover, as the highest value addition comes in the process of branding, companies can avail themselves of third party manufacturing facilities, thus reducing their investments in fixed assets further. In the recent past however, FMCG companies have availed themselves of certain excise and income tax concessions by setting up their own manufacturing facilities in designated tax free zones.

c) *Extensive Distribution Networks*

Delivering products to the point of consumer demand is a key determinant of success in the FMCG industry. The strength of the distribution network helps a brand to grow volumes through increased penetration levels. Given the size of the Indian sub-continent, any national player must establish a wide distribution network. The key constituents within the distribution chain are the company's C&F agents, distributors, wholesalers and retailers. These market intermediaries ensure widespread presence for the brand so that the products are available to consumers where they want them.

d) *Large Un-organized Sector*

Factors like low entry barriers in terms of low capital investment, fiscal incentives from government and low brand awareness in small towns and in rural India have led to the mushrooming of a strong unorganized sector in India offering localized brands as well as products in a loose unbranded form. Typically products from unorganized players are priced lower to entice consumers and also offer higher margins to stockists and intermediaries in order to provide a sales push.

Additionally, organized sector players face revenue losses due to fake and counterfeit products produced by the unorganized sector players. Some estimates suggest that the FMCG sector may be losing between 10% to 30% of its business to fake and counterfeit goods.

e) *New Retail Formats*

Of late the Indian FMCG industry has witnessed the emergence of newer forms of distribution through the advent of modes such as hypermarkets / supermarkets / large-scale retail malls which offer a wide range of products at discounted rates; and through direct selling and multi-level marketing which typically involves sales through agents instead of the usual bulk / small-scale retailer. While such newer distributions channels have an impact on the conventional retail margins, they would have the advantage of allowing greater penetration of products and could lead to an overall increase in revenues for the sector.

FMCG market in Bangladesh

Bangladesh, India's neighbour in the East, has similar consumer habits as that in India. A population of around 147 million provides a large concentration of consumers within its borders. As a developing economy, with a large part of the population with modest incomes, the country provides an opportunity of value for money for

FMCG products. In recent years the GDP growth rate has been at about 6%, which is expected to translate into greater disposal income in the hands of the consuming masses.

FMCG market in Egypt

A process of economic liberalisation, inflow of foreign capital and investments in infrastructure are seeing a healthy trend in the economy in Egypt. The GDP is growing at a rate of about 5.5%. The improving economic environment is reflected in a more buoyant stock market. As income levels rise, consumption of FMCG products is expected to show an increasing trend. Egypt has a population of about 77 million, but most of this is concentrated in a few cities in the Nile Delta and along the banks of the river Nile. This makes distribution in the country relatively easy. The market for FMCG products is segmented into premium imported brands; high end brands from MNCs based in Egypt; and mass market local brands. Each brand finds its value position in one of these segments.

Key Drivers and Trends in the FMCG Industry

a) Large Untapped Rural Market

Despite the Indian rural market constituting more than half the demand in the Indian FMCG market, the sheer size of the Indian rural markets still offers a large untapped growth potential for FMCG companies. In terms of brand choices, rural India has access to only about half the branded products that are available to the urban consumer. However, despite the alluring prospect of a large untapped market, a variety of factors have posed difficulties in harnessing this market such as inadequate infrastructure facilities including roads and power, a strong un-organized sector, heavy dependence on external factors such as monsoons, a low per capita disposable income and seasonal consumption linked to harvests, festivals and similar events. However with the Government's push to improve the rural infrastructure, the potential of these markets that can be tapped by the FMCG sector may improve in the future.

b) Economic Growth

In recent times, the Indian economy has shown robust growth. The broad thrust of the reforms process continues and growth in several sectors has been high. At 6% to 8% of GDP, the Indian economy is expected to be one of the fastest amongst emerging economies. This has clearly begun to benefit the FMCG sector in which many companies had experienced a rather sluggish growth in the few years prior to 2005. During the financial year 2004-2005, the sector experienced a growth of about 6%. The overall economic growth has been accompanied by increased disposable incomes both in the urban and rural markets.

c) Burgeoning Middle Class

India has begun to see a rise in the disposable income in the hands of the middle class. By virtue of the sheer numbers of this consuming segment, demand for FMCG products has seen a significant upturn. Attitudes towards money have also been undergoing a change. Indians are becoming more willing to take on debt. The use of credit cards is growing exponentially, leading to "consumerism". Consumers however seek value for money and the challenge for companies is to ensure affordability in order to gain critical mass. Also, competition from regional players and the unorganized sector is ever increasing. FMCG companies must therefore find innovative ways to differentiate their product offerings and at the same time to reduce cost.

All this has opened up several opportunities and challenges for FMCG companies. At the upper end of the spectrum are aspirational categories with very low penetration as compared to other emerging markets indicating the possibility of high paced growth. Colour cosmetics, premium skin care and male grooming products are a few examples. Discerning consumers are willing to pay a higher price for superior products. These categories may continue to see a plethora of launches including the introduction of imported brands. Companies will have to invest in establishing their brands and in some cases even educate consumers on product features.

d) Retail Expansion

Retailing has experienced a revolution over the last few years. On the one hand there are chains, which are focused on greater affordability delivered through squeezing efficiencies from the supply chain.

The value that consumers are being offered through a discount as compared to a neighborhood store is significant and the future will see the expansion of this concept. On the other hand, we are observing the emergence of the large modern retail format. Whilst this is not significant as a percentage of FMCG sales today, this share will increase manifold, as has happened elsewhere in the world. Gradually, foreign direct investment in retail is expected to be permitted, which would attract overseas retailers, to participate in one of the fastest growing consumer markets today. FMCG players would have to upgrade their skills in merchandizing and shelf management as the open formats allow more interaction between the consumer and the products. This provides an opportunity for new brands / products to be picked up by the experimental consumer. Companies can also leverage information technology to create supply chain synergies.

e) Working Women

There are an increasing number of women managing their homes as well as their work. They are willing to pay a premium for products that provide convenience. Packaged foods should continue to witness increased demand in the coming years. FMCG players would however have to develop innovative products that suit the Indian palate. The branded snacks category has seen fast paced growth in the recent past. The trend towards living healthy lifestyles, taking to various forms of exercise, be it mere walking or going to a gym, has also led to less guilt associated with occasional indulgence. The branded snacks category will leverage this together with the possibility of introducing healthy snack products without compromising taste.

f) Emergence of Young Working Class

India’s leadership in the ITES sector and the BPO boom has given rise to large numbers of young consumers, who typically live with their families and have large disposable incomes that can be spent at their discretion. These young consumers are experimental and willing to try new products. Capturing insights into their needs and synthesizing these into actionable strategies and final product formats is important for FMCG players. This may lead to the launch of many youth products over the next few years.

g) Branded Solutions Sector

The rising disposable income level in India has also seen the emergence of lifestyle solutions offerings. Brands of gymnasia, spas and health clinics are becoming established in large cities as well as resort locations. Consumers are willing to pay significant premiums for efficacious solutions and better services levels. Apart from using personal grooming products, consumers are also using services for their hair care and skin care needs. Advances in the area of cosmetology, have made it possible to leverage technology and medical science to offer solutions to address health based grooming needs. The industry is still in its nascent stage in India and is poised for rapid growth.

Summary

The overall possible increase in consumption provides a large opportunity for FMCG companies. The task of winning over consumers by drawing them to a particular brand and retaining them however remains challenging. Constant interaction with consumers and gleaning specific insights that convert into products and product delivery is a key ingredient to successfully tapping this opportunity. Cutting through the confusion of advertisements, will require communication to be that much more distinctive. The companies in the FMCG sector that will achieve success in the future are likely to be those that focus on meeting the consumer’s stated and unstated needs and at the same time are able to communicate effectively.

BUSINESS

Overview

We are one of the leading Indian business group operating in the beauty and wellness segments of the FMCG industry offering products and services in hair care, health care and skin care to consumers in India and abroad.

Our business is segregated into "Consumer Products" business, which is further, divided into domestic business and international business, and "Others".

a) "Consumer Product" business, includes sales of our various branded products in coconut oil, premium refined edible oils, hair oils, anti-lice treatments, functional foods, processed foods, soaps, baby care products and similar consumer products. This business is conducted by us and through our wholly owned Subsidiaries MBL, MBLIL, MME and MELCC.

b) The "Others" portion of our business, includes the skin care services and products sold through Kaya Skin Clinics under the Kaya brand, and operated through KSCL and KME, which are our wholly owned Subsidiaries. It also includes Sundari spa skin care products sold through Sundari, in which we hold 75.5% shareholding.

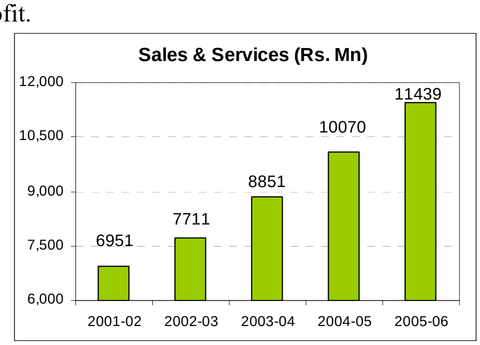
We focus on branded products and our key brands and brand extensions include Parachute, Saffola, Kaya, Hair and Care and Mediker, which have significant market shares in their product categories. We recently acquired two brands, Nihar in February 2006, from Hindustan Lever Limited and Fiancée, a leading Egyptian brand, in September 2006.

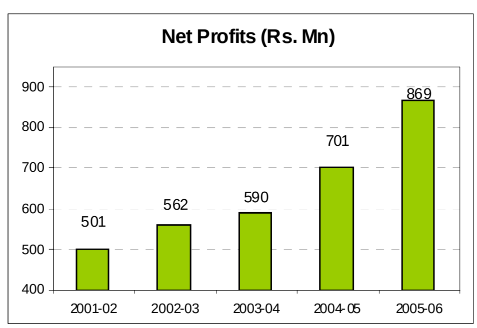
Our branded products are present in countries in the SAARC region, significantly in Bangladesh, the Middle East and Egypt. Our presence in the skin care services business, through Kaya, has been growing, and there are, as at October 31, 2006, 43 Kaya Skin Clinics in India and 4 in the UAE, while the Sundari range of spa skin care products is present in the US and other countries. Our international consumer products business constituted 10.2% and 10.4% of our total sales and services income for Fiscal 2006 and for the six month ended September 30, 2006 respectively.

We manufacture our products through 7 manufacturing plants in India and one in Bangladesh. As part of our acquisition of the Fiancée business, we will also acquire its manufacturing facilities in Cairo. We market our products in India through 30 carrying and forwarding ("C&F") agents servicing approximately 3,600 distributors and stockists. We sell our products in Bangladesh through a network of approximately 300,000 outlets.

Our Promoters are Mr. Harsh Mariwala and Mr. Kishore Mariwala, who together with the promoter group hold 66.62% of the shareholding of our Company as on September 30, 2006. We were incorporated on October 13, 1988 as Marico Foods Ltd. Our name was changed to Marico Industries Ltd. with effect from October 31, 1989. In April 1990, we commenced our commercial operations by taking over the business of the consumer products division of the BOIL. On April 25, 2005, we changed our name to Marico Limited.

Our total income in Fiscal 2006 was Rs. 11,474.8 million derived principally from the sale of branded products and services. Over a period of three years from Fiscal 2004 to Fiscal 2006, our total income has grown at a CAGR of 13.7%. The last six months ended September 30, 2006 have witnessed a consolidated revenue growth of 37.6% compared to the same period in the prior year. During the period of three years from Fiscal 2004 to Fiscal 2006, our PAT grew from Rs. 589.6 million to Rs. 868.8 million, registering a CAGR of 21.4%. For the six months ended September 30, 2006 the PAT was Rs. 563.8 million, registering a growth of 37.5% over same period of previous year. We achieved our twenty-fourth consecutive quarter of year-on-year (YOY) growth in total income in the second quarter of Fiscal 2007 and our twenty-eight consecutive quarter of YOY growth in net profit.





Competitive Advantages

We believe that we are well positioned to sustain the existing leadership position in key markets as well as to exploit significant growth opportunities that exist in the expanding FMCG sector, in India and abroad. We have identified the following sources of competitive advantage that are relevant for our business.

Strong brand identity

We have a portfolio of strong brands such as Parachute, Saffola, Kaya, Hair and Care, Nihar, Fiancée and Mediker. A number of our brands occupy leadership positions in their respective product market segments in India and overseas.

Parachute coconut oil commands 48.1% market share of the total branded coconut oil market in India for the 12 months period ending September 30, 2006. It has built equity with consumers in India over decades. Saffola, a premium refined edible oil enjoys substantial brand equity for its perceived health benefits. Both Parachute and Saffola were amongst India's 100 Most Trusted Brands in the Brand Equity Survey (The Economic Times, February 2006) and were ranked twenty-nineth and ninety-third, respectively, in the survey. We have successfully leveraged our existing brand equity in Parachute and Saffola to introduce and establish new products and extensions such as Parachute Jasmine, Parachute After Shower hair cream and Saffola blended oils.

Some of the other brands in our portfolio such as Revive and Mediker enjoy dominance in their respective categories.

At the India Brand Summit 2006 awards, we were presented the award for Brand Leadership in the FMCG category. We were adjudged one of India's 10 best marketers by Business Today in its annual listing of best marketers in September 2006. Additionally, in a recent survey by Reader's Digest Indian edition in 2006, Indian consumers voted Saffola Gold the "Most Trusted Brand" in the cooking oil category.

Wide distribution reach

We have over the years established a strong distribution network in India with 30 C&F agents servicing approximately 3,600 distributors and stockists. These distributors either directly or through wholesalers reach about 2.5 million retail outlets in India. (Source A.C. Nielsen report for September, 2006) In addition in Bangladesh, we have built a strong distribution network extending to around 300,000 outlets as at September 30, 2006. (Source: A.C. Nielsen)

Simultaneously with the expansion of our distribution network, we have also focused on improving the productivity of our sales and distribution system. We have made investments in information technology to improve connectivity, ensure speedier processing of information and provide for data-based decision-making. Moreover, we have linked our major distributors through a web-enabled architecture. This helps in implementing a Vendor Managed Inventory (VMI) system that benefits both us as well as the distributor.

The system enables us to structure our production and procurement better because of the visibility of the stock in the distributor system and the ability to analyze past data, whereas the distributor can effectively operate with lower levels of stock, which translates into a lower investment and better returns for the distributor.

Innovation and product development

We believe we have fostered a culture of experimentation wherein employees are encouraged to constructively challenge the status quo and assume leadership and responsibility. Members of our relevant teams undergo competency building training programs to gain better insight into consumer needs.

This has led to innovations such as:

- Parachute wide mouth jar with a flip top to enable all-season usage;
- the Parachute blister pack, which has encouraged loose oil consumers to shift to branded oils;
- the use of LoSorb in Saffola;
- refined edible oil blends such as corn and safflower oil and rice bran and safflower oil, leading to franchise expansion;
- the all-natural formulation of Mediker anti-lice oil, which resulted in the expansion of our market for the product.

We have a strong research and development (R&D) team comprising over 30 scientists and technicians from various disciplines as at September 30, 2006. The R&D team aims at formulating innovative products and packaging concepts into aesthetically appealing product offerings for the benefit of end consumers. This has enabled us to successfully diversify into various new product categories such as:

- a premium range of skin care products (anti-aging, skin whitening, sun protection, anti-acne and others) under the brand Kaya;
- contemporary hair care products such as hair creams, lotions, conditioners, and gels for domestic and international markets;
- "*problem solution*" offerings such as anti-dandruff oil and cream, anti-lice oil and an anti-hair-fall treatment
- a range of infant products branded as Sparsh; and
- functional foods to complement the Indian staple diet, such as Atta-mix for cholesterol management.

Cost Management

We seek to continuously improve efficiencies and costs across the value chain from sourcing of the raw materials to the supply of products to consumers. A structured process is followed for identifying project ideas, testing hypotheses, establishing prospects, implementing improvements and sustaining benefits. Cross-functional collaborations occur across the value chain to ensure that all aspects of changes proposed are considered. Certain areas identified by us for cost reduction projects include packaging design, raw material management, improving yields, tax structuring and structuring of financial transactions. We set cost improvement targets each year and offer performance based incentives to key managers.

Highly qualified employee base and proven management team

We believe that a competent employee base is a key competitive advantage. As at September 30, 2006, we employed a work force of over 1700 full-time employees in India and abroad. Of our managers and other senior team members, approximately 80% hold post graduation qualifications. Our senior management team has wide relevant industry experience. Five of the eight senior management team members have been with us for over eight years. The skills and diversity of our employees gives us the flexibility to respond best to the needs of customers. We are dedicated to the development of expertise and know-how of our employees and continue to invest in them through training and skills.

Our well-qualified and experienced management team has played a key role in the development of good corporate governance, effective internal controls and accounting policies, strong employee relations, and stable supply chain relationships.

Business Strategy

Our overall business goal is to maintain and build upon our position as a leading FMCG player in product categories in which we operate. We intend to achieve this by implementing the following key strategies:

Expand the size of the market for our dominant brands

We intend to expand the size of the market in which our dominant brands Parachute, Saffola and Mediker operate. Initiatives include:

- for Parachute, we have implemented a strategy to shift consumer preference from use of non-branded coconut oil to branded coconut oil by introducing the brand at low price points such as Re 1, Rs. 5 and Rs. 10. A similar strategy of low unit price packs intended to encourage uses of unbranded coconut oil to shift to branded coconut oil has been introduced in Bangladesh as well.
- for Saffola, we are attempting to expand the overall Saffola franchise through campaigns aimed at educating the consumer about health and heart care. Saffola’s strategy involves creation of several touch points with the consumer to reinforce the message of health care through television and press advertising, outdoor hoardings, on ground activities such as blood check up camps and a diet advice service.
- for Mediker, we have introduced an all natural formulation of the product which has encouraged consumers who would otherwise be reluctant to use a chemical formulation for their lice treatment. This enabled the brand to be sold from stores that do not require a license to sell drugs, thereby increasing our reach and accessibility.

With this we expect our dominant brands to continue showing growth and generate resources to nurture new growth engines.

Increase market share

In categories where we face significant competition such as hair oils and hair creams in India and in the Middle East, our focus is on increasing market share. We intend to achieve this by differentiating our products from those of our competitors, adopting more effective communication strategies and leveraging our current distribution reach. We believe improved consumer insight through frequent consumer interactions and innovation in delivering products and solutions will help in improving our market share.

For instance, for Parachute hair cream, the use of celebrity endorsement has resulted in achieving the largest market share in the UAE. We intend to replicate these efforts in other markets in the Middle East. In addition to increase our market share in the hair oil category we have positioned Hair & Care as less sticky product addressing a need for a light yet nourishing hair oil.

Roll out new products and services in existing and new business segments

In the past we have been able to successfully introduce and establish new products in new or existing segments. Parachute Jasmine perfumed hair oil and Saffola Gold, a refined rice bran oil and refined safflower oil blend are examples in the domestic consumer products business. Kaya has established strong brand equity in the skin care solutions business. We intend to continuously evaluate changing tastes and preferences of consumers and prototype new propositions with the goal of creating a pipeline of new products and services in India and overseas.

This process of gaining consumer insight will be supported by our strong R & D team. We also plan to leverage our current leadership in certain product categories, our brand equity and our wide distribution reach to help us successfully launch and support new brands, products and services.

Expand geographical reach

Since the early nineties we have pursued a strategy of introducing our products in the international markets. We currently have a significant presence in Bangladesh and the Middle East where we have progressively grown our product offerings and strengthened our distribution network which has led to an increase in our international business. We plan to expand into new geographical markets where we see opportunities in the business segments in which we operate. In September 2006 we entered the Egyptian hair care market through the acquisition of the Fiancée brand.

Pursue inorganic growth

We have identified inorganic growth as one of the avenues for our future growth and have undertaken five acquisitions since May 2005. We intend to continue to make acquisitions and enter into strategic relationships in the future as part of our strategy in India and overseas. We continuously evaluate acquisition opportunities that arise in business segments in which we operate, both in India and overseas.

We are currently evaluating certain acquisition opportunities concerning brands and businesses in India and in two other countries. In connection with a potential transaction, an advance of US$ 5.0 million has been extended by us to an overseas party, that gives us the rights to conduct due diligence. There is an understanding that the advance will be either adjusted against the consideration for the potential transaction as may be agreed between the parties after completion of due diligence, or will be refunded with interest if the transaction is not consummated. At this stage, we have not entered into any definitive commitment or binding agreement for any acquisition or any strategic relationship.

While targeting a robust topline growth, we will continue to realign our portfolio in favour of focus brands. Sweekar for instance may receive lower management focus. This increases our challenge of growing at the pace at which we intend.

Business Description

Our business can be broadly divided into the following:

A. Consumer products:

1. Domestic
2. International

B. Others
1. Kaya
2. Sundari

A. Consumer products:

1. Domestic business

Our domestic consumer products business is focused on branded consumer products in the following segments:

a) Coconut oil;
b) Premium refined edible oils;
c) Hair oils;
d) Anti-lice treatment; and
e) Others

a) Coconut Oil

The branded coconut oil business in India is valued at about Rs. 10,700 million (source: A.C. Nielsen). Branded coconut oil has consistently been our maximum revenue generator. We market the coconut oil through the Parachute brand. Coconut oil is produced from crushing dry copra, which is the shelled inner tender portion of the coconut and expelling oil from the copra. The pure coconut oil obtained is thereafter filled into packs of various sizes, without, additives or further treatments.

Parachute, the dominant brand in this product category, has been the flagship of our business. Parachute has over the years been the branded coconut oil market leader, with an approximately 48.1% national market share for the 12 months ended September 30, 2006 in the coconut oil category. (source: A.C. Nielsen).

Over the past three Fiscals, Parachute coconut oil sales volumes have grown at a CAGR of 8.2%. During the six months ending September 2006, Parachute coconut oil sales volumes grew by 12.1%. Its market share has grown from 45.6% in Fiscal 2004 to 48.1% for the twelve month period ending September 2006 (source: A.C. Nielsen) and the six months ended September 30, 2006, Parachute contributed 36.5% to our sales and services.

Our main competition in the coconut oil product category is principally restricted to brands such as Shalimar in eastern India and VVD in southern India. Both these brands are largely confined to their respective regions. The market share of Parachute is set out in the table below:

Year ended March 31	% market share of Parachute by sales volume
2004	45.6%
2005	50.5%
2006	49.2%

(Source: A.C. Nielsen)

There also exists a large market for unbranded loose coconut oil the precise size of which is difficult to ascertain. We have been following a strategy of converting unbranded loose oil users into consumers of packaged branded coconut oil, highlighting, in particular, the susceptibility of loose oil to contamination and adulteration. Further, recognizing the loose oil consumers' aspiration to shift to branded products and to facilitate easier assimilation into the branded market, we have introduced packs at low price points including packs at Re. 1, Rs. 5 and Rs. 10.

We believe that Parachute coconut oil enjoys strong brand equity with consumers, which enables it to be sold at a higher margin than it might be otherwise. In the Brand Equity Survey (The Economic Times, February 2006), of India's 100 "Most Trusted Brands", Parachute ranked twenty-ninth.

We have used the Parachute coconut oil brand to implement a number of paradigm shifts in this product category. Apart from the transition from bulk packs to retail packs, we also managed to create a shift from tin packs to high density polyethylene (HDPE) packs. This not only helped reduce the cost of packaging material but also simultaneously provided an opportunity to improve the aesthetics of the pack.

In February 2006, we acquired Nihar Brand from Hindustan Lever Limited for a consideration of approximately Rs. 2,270 million, inclusive of transaction costs. This acquisition has enabled us to further strengthen our position in the coconut oil and perfumed coconut hair oils product category. Nihar had a market share of 8.1% in the coconut oil market for the twelve month period ending September 30, 2006. We expect to derive the following synergies from the Nihar acquisition:

- the presence of Nihar in the regions in which it has been distributed and sold, particularly in Bihar and Jharkhand in eastern India, should give our other brands a larger distribution base in those regions.
- the incremental throughput of the Nihar brand increases turnover for our distributors and their earning potential through us, leading to increased trade equity for us.
- various cost synergies, given our increased scale of operations and our high degree of focus on coconut oil.

Post the acquisition of Nihar, Hindustan Lever Limited entered into a non-compete agreement with us in India and other countries in which we acquired the Nihar trademark for a period of 5 years ending February 2011.

During the first half of Fiscal 2007, Nihar Coconut Oil contributed Rs. 350.5 million to our total income.

We intend to follow a twin brand strategy in which we will invest in and promote both Parachute and Nihar. Besides Parachute and Nihar, we have a third brand in our coconut oil portfolio, Oil of Malabar, with sales of Rs. 107.9 million in Fiscal 2006. Our coconut oil brands comprising Parachute, Nihar and Oil of Malabar had a market share of 57.6% in the coconut oil category for the twelve month period ending September, 2006. Source: A.C.Neilsen.

b) Premium Refined Edible Oils

Various refined oils used in India include safflower oil, sunflower oil, groundnut oil, corn oil, cottonseed oil, mustard oil, soyabean oil, rice bran oil and others. We offer the consumers refined edible oils in the premium segment through our two brands Saffola and Sweekar.

We source safflower seeds as well as raw safflower oil from suppliers in India and overseas. The safflower crop is subject to a short growing season in India and to swings in volumes and prices. Therefore, over the years, we have sought to reduce the risks of safflower procurement by identifying sources of supply from North and South America and through a process of contract farming in Australia.

Saffola enjoys substantial brand equity for its perceived health benefits. We believe that the high content of poly-unsaturated fatty acids (PUFA) in safflower oil helps in the management of cholesterol in the body. Recently, we introduced Saffola with LoSorb Technology, a product variation that makes the oil more stable during deep-frying and likely to be absorbed in lesser amounts by foods fried in the oil.

We have added variants to Saffola refined safflower oil and have two Saffola blends in our portfolio, Saffola Tasty, a blend of refined corn oil and refined safflower oil, and Saffola Gold, a blend of refined rice bran oil and refined safflower oil. Due to lower raw material costs, we are able to offer blended oils at lower prices than Saffola refined safflower oil. This enables us to reach a wider base of consumers and expand our Saffola franchise.

Saffola is at the premium end of the consumer packed refined oil market. We intend to focus on promoting the niche of perceived health benefits that Saffola occupies. Saffola's marketing programme includes marketing the product to doctors who may then recommend the product to their patients. We also use a 360-degree marketing approach for Saffola, reaching consumers through various media. On-ground events, such as health runs and blood check-up camps, are complemented by advice through a "Dial-a-Dietician" programme. Different media such as press, radio, out-door billboard hoardings and television have been used to communicate with the consumer. At the Ad Club of Bombay Effie awards in October 2005, Saffola won the Gold for advertising effectiveness as well as the Grand Effie – Brand of the Year.

Over the past three Fiscals Saffola sales have grown in volume terms at a CAGR of 12.2%. During Fiscal 2006, Saffola sales volumes grew by 10.1% over Fiscal 2005, and for the six months ended September 30, 2006 they grew by 17.2% over the corresponding period in the previous year. We do not face any significant competition in the refined safflower oil product category or in the blends with refined safflower oil category. For the six months ended September 30, 2006, Saffola contributed 13.4% to our total sales and services.

We also market the refined sunflower oil, Sweekar. Since the potential for differentiation in the sunflower oil market is not high, brand building in the category is difficult. We therefore, do not consider Sweekar a focus brand.

c) Hair Oils

We have a range of hair oils that are positioned based on certain consumer benefits. The range comprises:

- Parachute Advansed, a refined coconut hair oil with added fragrance that helps to protect protein in hair from possible damage caused by shampoos, hair colours and other treatments
- Parachute Jasmine and Nihar perfumed hair oils, which are light coconut-based oils with floral perfumes
- Hair & Care, a light styling hair oil that provides nourishment
- Shanti Amla, with amla (gooseberry) and almond extracts

Our portfolio caters to a relatively wide spectrum of consumers and each of these oils addresses a different consumer segment.

Our market share in the hair oils segment has grown from 17.8% in Fiscal 2004 to 21.9% in six months ending September, 2006 (Source: A.C.Nielsen). We focus on marketing products in PET (Poly Ethylene Teraphthalate) and PVC (Poly Vinyl Chloride) packs which provide us better margins than pouch packs. During the three year period to Fiscal 2006, our rigid packs in hair oils achieved a CAGR of 11.7% in sales volume. During the six months ended September 30, 2006, sales volumes for the hair oils portfolio grew by 83.3% over the corresponding period in the previous year. Hair oils contribute about 12.8% to our total sales and services. The domestic hair oils market is led by Dabur Ltd.

The acquisition of Nihar, including its perfumed coconut hair oil variant, has bolstered our position in the perfumed coconut oils segment where, with Parachute Jasmine and Nihar products, we now have a dominant market share.

Our market share details of in the Indian hair oils market have been set out in the table below:

Period	% market share of Marico
Fiscal 2004	17.8%
Fiscal 2005	18.2%
Fiscal 2006	18.3%
Six months ending September 30, 2006	21.9%

(Source: A.C. Nielsen)

d) Anti-Lice Treatment

We dominate the anti-lice treatment product market in India through our brand Mediker. We acquired the Mediker brand from Procter & Gamble Hygiene & Health Care Ltd. during Fiscal 2000. Post the acquisition of Mediker, Procter & Gamble India Limited entered into a non-compete agreement with us establishing that Procter & Gamble Limited and all its affiliates will not use an identical anti-lice formulation in India for a period of 10 years ending Fiscal 2010.

When acquired, Mediker was a sold in a shampoo format. However, since hair oiling, in India, has been a more prevalent habit than shampooing we launched Mediker in a hair oil format as well. In Fiscal 2006, we developed and launched an all-natural formulation for Mediker. This enabled the brand to be sold from stores that do not require a license to sell drugs, thereby increasing its reach and accessibility. Advertising of the brand has been supported by on-ground activities such as lice check-up camps for children. Since acquiring the brand, Mediker sales volumes have more than doubled. In the five years to Fiscal 2006, sales volumes have grown at a CAGR of 29.9%. Mediker contributes about 1.8% to our total sales and services.

e) Others: Prototypes and New Launches

We have over the years realized that in order to grow and generate additional sources of revenue it needs to maintain a healthy pipeline of new products. To identify new and scalable marketing and product propositions, we follow a prototyping approach that allows us to test hypotheses in a 'low-cost, fail-fast model' before any decision to scale up is taken. We have introduced a number of successful prototypes using this format.

In Fiscal 2005, Hair & Care Silk-n-Shine, a hair conditioner with fruit vitamins in the post-wash hair conditioner category, was rolled out nationally. This was our introduction to the post-wash hair care market, which is currently one of the fastest growing hair care categories in India.

During Fiscal 2006, we expanded our Parachute After Shower hair cream to a pan-India platform. It is our first foray into the men's grooming segment. The brand slogan of "Style on… Everyday" is endorsed by one of India's young cricketers, Yuvraj Singh, and is central to the brand imagery of this product. Encouraged by consumer response to this product, we have recently launched an anti-dandruff variant of the hair cream. Parachute After Shower competes with Brylcream. During the 12 months up to September 2006, it had a market share of 38.1% in the hair cream market in India. (Source: A.C. Nielsen)

The Sparsh baby range has been launched with a natural-ingredient led positioning. The range of offerings comprises baby oil, baby soap and a baby cream. We have undertaken brand awareness activities through polio immunization drives and 'World Breast Feeding Week'. We face strong competition in the Rs. 2,700 million baby oils, soaps and creams market (Source: A.C. Nielsen) from Johnson & Johnson, Dabur and Wipro.

During the fourth quarter of Fiscal 2006, we entered the premium cosmetic segment with a prototype of "Parachute Therapie", a high-end hair loss treatment. This product is sold over the counter. The product was developed through in-house company research. Parachute Therapie was prototyped in Mumbai and has been recently rolled out in other cities in India.

Saffola enjoys substantial brand equity for its perceived health benefits. During the fourth quarter of Fiscal 2006, Saffola began prototyping its first non-oil brand extension in functional foods. "Saffola Atta Mix" is a proprietary food that is natural and enriched with oats, barley, soya protein and fiber. The mix is to be added to flour for making rotis, a common Indian home made bread. Saffola Atta Mix is being prototyped in Mumbai.

In January 2006, we entered the personal soaps category in India with the acquisition of Manjal, a turmeric-based herbal soap brand in Kerala from Oriental Extractions Private Limited. The brand leverages an existing habit in South India of using turmeric for skin care. Post the acquisition of Manjal, Oriental Extractions Private Limited entered into a non-compete agreement with us for a period of 20 years ending Fiscal 2026. We have entered into an agreement with Oriental Extractions Private Limited to pay them 9.15% of the net realization up to Rs. 100 million plus 0.35% of the net realization in excess of Rs. 100 million in the state of Kerala and 0.35% of the net realization from sales other than in Kerala.

Additionally, during Fiscal 2006, we launched Parachute Jasmine, a prototype bathing soap with coconut milk and the fragrance of jasmine in West Bengal. Based on the response received, we decided to extend Parachute Jasmine soap to Maharashtra, another region where Parachute Jasmine brand enjoys strong consumer equity. At present, we intend to follow a cautious regional strategy in soaps rather than a mainline national strategy that may require disproportionate spending in order to gain market share.

Parachute Hair Perfect Moisturiser was launched in Andhra Pradesh as a prototype in April 2006. This offering from Parachute is targeted at young consumers who are increasingly adopting new hair care formats such as leave-in conditioners.

With these initiatives we aim at increasing the market share of our new products. The introduction of new products and brands acquired has reduced our dependence on our established products. Our reducing dependence on the sales of our flagship Parachute coconut oil product in India is demonstrated in the table below:

Period	**Parachute total sales in India (in Rs. million)**	**Parachute % contribution to total sales and services**
Fiscal 2004	3,848.1	43.5%
Fiscal 2005	4,340.2	43.1%
Fiscal 2006	4,877.5	42.6%
Six months ending September 30, 2006	2,736.8	36.5%

The Consumer Products business has its share of products that do not perform satisfactorily. While we have had several product successes, we have nevertheless decided from time-to-time to discontinue products that did not meet expectations. Amongst the products discontinued during the last few years are Parachute Sampoorna, Parachute Anti-Dandruff Hair Oil, Saffola Olive Oil, Shanti Thanda, Sweekar refined groundnut oil and Sweekar refined soyabean oil. We may also divest some of our current brands such as Sweekar, SIL (processed foods) and MealMaker (extruded soya protein).

2. **International Business**

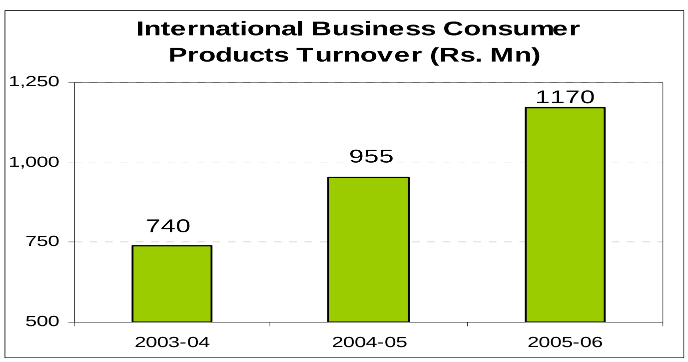
We commenced our international operations in the early 1990s. We initially targeted expatriate Indian consumers in the markets of the Middle East. Many first generation Indians were already aware of our brands such as Parachute. In January 1996, we established a branch office in Dubai to provide a thrust to our marketing efforts in the region. Over a period of time, we have been able to gain insights about the local consumers and launched products targeted at them.

We have also developed and launched products specifically for international markets and consumers outside India. Parachute hair cream was first developed for the Middle East market and Hamaam Zait is still marketed exclusively in the Middle East. In the second quarter of Fiscal 2007, a range of hair gels branded 'Go Get Noticed' was launched in the UAE. The range includes three variants of the product – Extra Hold, Normal Hold and Wet Look.

In the mid 1990s we entered the Bangladesh market. Consumer habits in India's neighboring countries are similar to those in India. We entered the Bangladesh market by introducing Parachute coconut oil and hair oils. Encouraged by the response, we set up a wholly owned Subsidiary, Marico Bangladesh Limited (MBL) in Bangladesh. MBL also has a wholly owned Subsidiary in Bangladesh, MBLIL Ltd. In 1999, MBL invested in manufacturing facilities in Bangladesh by putting up a plant for blending, filling and packing at Mouchak.

We have established a strong distribution network in Bangladesh of approximately 300,000 outlets. In order to leverage this reach, we have decided to add products to our portfolio that could be channeled through the network. In line with this and in order to get a foothold in the toilet soaps market, MBL acquired the brands Camelia and Magnolia from Marks and Allys and another soap brand Aromatic from Aromatic Cosmetics Ltd, during Fiscal 2006.

During the last three Fiscals ended March 31, 2006, our international business has grown at a CAGR of 25.74% in Rupee value terms. Its share in our sales and service income has grown from 8.4% in Fiscal 2004 to 10.2% in Fiscal 2006.



One of the avenues for growth envisaged by us is geographical expansion into new territories. We have identified Egypt as a market with potential in the hair care and skin care business. In September 2006, we entered the 'pre and post wash hair-care market' in Egypt by acquiring the brand Fiancée, hitherto owned by the Egypt-based Ready Group. The brand has a significant market share in the segments of hair creams and gels . Besides, it also has some other products in shampoo and skin care segment.

This all cash transaction envisages purchase of the trademark Fiancée and an agreement to purchase 100% shares in the company Egyptian American Investment and Industrial Development Company. The acquisition of the company's shares will provide us access to the supply chain infrastructure as well as the income tax exemption that the company enjoys until 2010.

The brand acquisition was made by our Subsidiary, Marico Middle East FZE. The total consideration is linked to the achievement of target revenue from sales of the products under the brand during the period September 14, 2006 to March 13, 2007. In case target sales are not achieved, the total consideration will be reduced in proportion to the final sales figure. The maximum consideration we may have to pay is USD 35.1

million. No additional consideration is payable in the event that the sales during the relevant period exceed the target. Upon execution of the documents, we made a payment of the first tranche of the consideration of USD 17.6 million. The second (and final) tranche falls due in March 2007.

We believe that the consideration works out to a multiple to earnings in an acceptable range, given the strength of the brand in the Egyptian market and the potential for growth in the future.

Until such time as we acquire the shares of the aforesaid company in Egypt, we will transact business through the Egypt based wholly owned Subsidiary of MME and MELCC. MELCC will source finished products on a sub-contract basis.

Other Brands in our Consumer Products Portfolio (Domestic and International)

We market a range of brands in India and the overseas markets. The focus brands have been discussed in the section above. The other brands in our portfolio are described in the following section. Each of these brands generates revenues that are less than 2% of our sales and services.

Revive: Revive is a cold water instant fabric starch, which introduced a much more convenient way of starching clothes as compared to the traditional method of using boiled starch. We believe that Revive has no significant competition in the fabric starch category.

Saffola Salt: We produce Saffola Salt plus and therefore leverage the health-brand Saffola through a product formulation, which has 10% less sodium that ordinary salt.

Sil: In 2000, we acquired the brand Sil from Kanmoor Foods Ltd. Under the brand name Sil, we market a range of processed foods including jams, sauces, baked beans in tomato sauce, sweet corn soup and mayonnaise.

Variants in the International markets: In our international markets in the Middle East and Bangladesh, we market a number of variants of our hair oils and hair creams such as:

- Parachute Sampoorna hair oil, a coconut oil with herbal ingredients
- Parachute Lite Non Sticky Coconut Hair Oil
- Parachute Beliphool hair oil, a coconut based light hair oil with the fragrance of jasmine
- Parachute Amla Hair oil, a coconut oil with amla (gooseberry)
- Parachute Amla hair cream
- Parachute Amla hair lotion

B. Others

1. **Kaya**

Kaya Skin Care Limited has been incorporated as our wholly-owned Subsidiary to operate skin care solution clinics and distribute Kaya-branded products. With increased awareness and demand for cosmetic enhancement and advancements in medical technology, procedures are now available that enhance the look and feel of the skin. Kaya Skin Clinics attempt to fill an existing gap we perceive in the skin care solutions business in India by offering scientific, unisex dermatological procedures using US Food and Drug Administration (FDA) approved technologies. In early 2006, Kaya prototyped hair-loss prevention programs and products in its clinics at Bangalore. Encouraged by the response, we are now offering Kaya's hair-care solutions in Mumbai, Chennai, Delhi and Kolkata.

Kaya also markets a range of products to complement the services it offers. While initially the products were imported, in Fiscal 2006 we commenced manufacturing these products in India. Product sales constitute approximately 9.5% of total revenue of Kaya-Skin Care Limited. Kaya products are retailed only through Kaya Skin Clinics.

Kaya has expanded its operations in India from 11 clinics in 2 cities as at March 31, 2004 to 43 clinics in 16 cities as at October 31, 2006. In addition, we operate four Kaya-branded clinics in the UAE. Since inception in December 2002 over 1,80,000 customers have consulted a dermatologist in a Kaya Skin Clinic in India.

We own all equipment used in the Kaya Skin Clinics and our team manages the operations. All our Kaya Skin Clinic premises are leased. We do not currently intend to, adopt a franchisee model for our clinics as we are primarily focused on establishing high quality systems within this business to build brand equity in our clinics and products.

During Fiscal 2006, Kaya more than doubled its Fiscal 2005 income, to Rs. 477.1 million. In the six months ended September 30, 2006, Kaya has earned an income of Rs. 333.4 million, which is 4.4% of our sales and services. Having established our clinics in select cities throughout India, we intend to consolidate our brand and position in this market. However, we intend to establish new clinics in the Middle East during the course of Fiscal 2007.

2. **Sundari**

In the quarter ended March 31, 2003, we acquired a controlling stake in Sundari LLC, a company incorporated in the US, which owns the Sundari line of spa skin care products. We currently own 75.5% of Sundari's equity share capital and intend to acquire the remaining stake in this business. Sundari's product line includes cleansers, moisturizers, essential oils and other skin care products. Sundari focuses on high-end spas in the United States and countries in the Asia-Pacific region. Sundari's efforts are currently focused towards building critical mass in the business. However, lead times to develop relationships with new spas are expected to be long. Sundari also retails its products via the Internet in the United States. In Fiscal 2006 and the six months ended September 30, 2006, Sundari achieved sales of Rs. 63.6 million, and Rs. 38.3 million and made a net loss of Rs. 91.1 million and Rs. 29.0 million, respectively.

Disclosure policy on strategic initiatives

We have identified inorganic growth as one of the avenues for our future growth and have undertaken five acquisitions since May 2005. We intend to continue to make acquisitions and enter into strategic relationships in the future as part of our strategy in India and overseas. We continuously evaluate acquisition opportunities that arise in business segments in which we operate, both in India and overseas.

We are currently evaluating certain acquisition opportunities concerning brands and businesses in India and in two other countries. In connection with a potential transaction, an advance of US$ 5.0 million has been extended by us to an overseas party, that gives us the rights to conduct due diligence. There is an understanding that the advance will be either adjusted against the consideration for the potential transaction as may be agreed between the parties after completion of due diligence, or will be refunded with interest if the transaction is not consummated. At this stage, we have not entered into any definitive commitment or binding agreement for any acquisition or any strategic relationship.

While targeting a robust topline growth, we will continue to realign our portfolio in favour of focus brands. Sweekar for instance may receive lower management focus.

To rationalize our portfolio of products and brands in tune with our long-term objective of sustainable profitable growth and to further this objective, we may access various intermediaries, scan the market for strategic initiatives or initiate negotiations with potential targets. Such efforts may result in our initiating negotiations with the targets, with an ultimate objective of consummating the intended transaction in India or overseas.

At any given point in time, there may be several such targets and / or intermediaries and our interaction with each of them may be at different stages of completion, with varying degrees of probabilities of consummation of any potential transaction. In this regard, we follow a disclosure policy in accordance with which any information about any such potential transaction is made public only upon the actual consummation of the transaction and not through any prior or premature communication. We believe that such a policy is sound for the following reasons:

a. Any premature communication may create expectations which may not be sustained if no transaction takes place eventually
b. Such a communication may alert our competitors and help them in approaching the same target, because of which our chances of success in the potential transaction may diminish or vanish.
c. Any premature communication will be violative of such confidentiality agreements, as we may have entered into with the intermediaries or the targets, which prohibit us from disclosing information about the prospective transaction prematurely.

In line with this policy, we have not made any specific disclosure of:

a. any dialogue or negotiation which may be going on with any intermediaries or targets,
b. any intermediate documentation that may have been executed
c. any payments that may have been made under such intermediate documentation.

Manufacturing

We have the capability to manufacture large product volumes to service our markets. Each month we produce over 70 million packs of our various brand offerings. Our various manufacturing facilities, and the products manufactured at these facilities are as follows:

Sr. No	Location	Products Manufactured	Year of commencement
1	Khandepar, Ponda, Goa	Edible grade coconut oil under brand name "Parachute"	1997
2	Kanjikode, Kerala	Edible grade oils under brand names "Parachute" and "Oil of Malabar"	1993
3	Thirubuvanai, Pondicherry	Edible grade coconut oil under brand name “Parachute”	2002
4	Jalgaon, Maharashtra	Refined edible oils under brand name "Saffola" and "Sweekar"	1990
5	Saswad, Maharashtra	Processed foods (jams, sauces, canned products) under brand name "Sil"	2000
6	Daman	Hair oils under brand names "Parachute Advansed", “Parachute Jasmine”, “Shanti” and “Hair & Care”	2002
7	Selakui, Dehra Dun, Uttranchal- Unit 1, 2and 3	Hair oils and cosmetics	2003, 2004 and 2006
8	Kaliakoir Mouchak, Gazipur, Bangladesh	Edible grade coconut oil under brand name "Parachute	2002

As part of our acquisition agreement for the Fiancée business, we will also acquire its manufacturing facilities in Cairo.

In addition, we subcontract the manufacture of certain products and packaging, along with certain specialized services, such as filling containers, to third party manufacturers.

We have invested in an enterprise resource management system to help us manage our demand and supply planning. Systems have been implemented to ensure that most activities follow standard operating procedure. We have also trained our teams in and implemented techniques such as Total Productivity Maintenance (TPM) and 6-Sigma to help ensure high standards of reliability and predictability. Plant quality assurance teams help ensure the desired quality levels for both input materials and final products. They are assisted by our investment in appropriate technology.

We have engaged a firm of internal auditors that periodically assesses adherence to systems and policies. The internal auditors work in conjunction with our internal team to ensure high degrees of compliance and adherence to the formulated policy.

Raw Materials

Raw materials comprised 51.5% of our total income for the half-year ended September 30, 2006. Our major raw materials are copra, coconut oil, safflower seeds, safflower oil, rice bran oil, corn oil, sunflower oil and liquid paraffin.

We procure copra from the southern Indian states of Kerala, Tamil Nadu, Karnataka and Andhra Pradesh. Coconuts are a perennial crop with availability throughout the year. Coconut palms have a long life, bearing fruit over several years and year-to-year sowing thus does not impact availability.

We are one of the largest buyers of copra in the country and have a procurement office in Calicut, Kerala to purchase copra. Strategic direction is developed by a commodities team headquartered at Mumbai. Vendors and brokers are certified and empanelled by us and we enter into arrangements with these vendors and brokers for supplies complying with certain quality specifications at an agreed rate. We have opened Copra Collection centres managed by our agents to directly purchase Copra from farmers. The terms of payment provide variable credit of up to ten days.

We import coconut oil from South East Asia under an advance license, which entitles us to import coconut oil of a quantity linked equivalent to our exports without the payment of import customs duty. Imported coconut oil is usually cheaper than coconut oil in India.

We procure safflower seeds and oil from India, principally from the states of Maharashtra, Andhra Pradesh and Karnataka. Safflower is a seasonal crop in India, with most of the supplies being available during the months February to July. Thereafter, there are limited supplies until the next season. In our endeavour to ensure adequate supplies at optimal prices during the lean season, we have identified sources of supply from overseas, including from Mexico and Latin America. We have also entered into a contract farming arrangement to source safflower seeds from Australia. With these initiatives, we now have multiple sources of supply spread over four continents and both hemispheres. We believe that this is likely to ensure adequate supplies of safflower for the Saffola franchise and at the same time reduce the build-up of raw material inventory during the period February to July each year.

We procure other raw and refined oils such as sunflower oil, corn oil and rice bran oil. Sunflower oil is sourced principally from Maharashtra, Andhra Pradesh, Karnataka and Punjab. Corn oil is procured largely from Gujarat while rice bran oil is procured principally from Punjab, Chattisgarh and West Bengal . In the past we have met part of our sunflower oil requirements through imports. We may do so in the future based on prevailing comparative costs between the domestic and overseas sources of supply. We buy our liquid paraffin from four suppliers based in India.

Marketing and Sales

Brand building is one of our key competitive advantages. We attract high quality talent from the country's premier business schools and from industry. Over a period of time we have built substantial brand equity for our products and services as a result of the efforts of our marketing team. Many of our brands occupy either a number one or a number two position in terms of market share. At the India Brand Summit 2006, we were presented with the Brand Leadership award in the FMCG category. We were adjudged one of India's 10 best marketers by Business Today in its annual listing of best marketers in September 2006.

We invest in Advertisement and Sales Promotion (ASP) to build awareness and "stickiness" for our brands in the minds of consumers. During Fiscal 2006, ASP expenditure constituted 12.1% of our revenue and in the half year ended September 30, 2006 it was 12.8% of our revenue. ASP is incurred both on strengthening established brands and nurturing new ones. We use various media such as television, radio, press, outdoor hoardings and the Internet to communicate with our consumers. This helps us establish several touch points with them. In the recent past we have effectively used celebrity endorsements for our brands such as Dia Mirza and Asin for Parachute Advansed, Yuvraj Singh for Parachute After Shower in India, Katrina Kaif for Hair & Care Silk n Shine, Zainab for Parachute hair cream in the Middle East and Sonali Bendre for our Sparsh range of baby products. We also conduct several on ground activities such as sponsorships of health runs by Saffola, sponsoring a polio immunization drive for our baby products and sponsoring lice check up camps in schools for Mediker.

We consciously focus on above the line advertising using various media to communicate directly with consumers and create consumer pull as opposed to a strategy of offering discounts and free promotional material along with the sale of our products. We believe that this strategy is more effective in the long term, and more in line with the brand positioning of our products.

Distribution

We have, over the years, established a strong distribution network in India. As at September 30, 2006 we had 30 C&F agents servicing approximately 3,600 distributors and stockists. These distributors either directly or through wholesalers reach about 2.5 million retail outlets in India. (Source A.C. Nielsen report for September 2006). In addition in Bangladesh, we have built a strong distribution network extending to approximately 300,000 outlets, as at September 30, 2006

In India, we classify our distributors as "normal distributors" and "super-distributors". Super-distributors are those who service retail outlets in the smaller towns in rural India through stockists. Periods of credit extended to normal distributors are 3 days while the credit extended to super-distributors is 12 days. About 21% of our sales come from super-distributors. Sales to the Canteen Stores Department (CSD), of the Indian armed forces procurement division, comprise about 4.5% of our revenues. The credit extended to CSD is 45 days.

We have 6 regional offices, each headed by a regional sales manager and supported by more than 35 area sales managers and over 180 territory sales officers/executives. Besides our distributors also have their own field force to service retail outlets.

India has in the recent past witnessed the emergence of new supermarket / hypermarket chains. While the current share of our revenues through these chains is not significant, it is expected that this may rise significantly in the next few years, especially in the larger cities. In general, the trade margins/discounts expected by supermarket chains are higher than traditional retail outlets. However, new supermarket/hypermarket chains generally provide an opportunity for better merchandising and visibility and cost savings through direct sales rather than through intermediaries and rationalization of packaging. As the presence and importance of new supermarket/hypermarket chains increases, we must, and intend to, adapt our distribution and selling strategies to take advantage of new benefits and seek to maintain and strengthen our brands and our sales. The open format of new supermarket / hypermarket chains provides an opportunity for consumer interaction with products. This is expected to help some of our new products such as Parachute Therapie and Saffola Atta Mix as consumers will be able to read product labels and appreciate the various value-adding differences of many of our products.

Distribution alliance with Indo-Nissin Food Limited

In September, 1998 we entered into an alliance with Indo-Nissin Foods Limited to distribute their range of instant noodles and cup noodles under the brand Top Ramen in India. The distribution agreement was renewed in March 2002 and the current agreement is due for renewal in March 2007. The company earns a distribution fee of 2.5% for CSD and 6% for others in addition to being reimbursed for certain expenses as agreed.

Human Resources

We are a professionally managed company that has sought to build for itself a stimulating work culture that empowers people, promotes team building, encourages new ideas and motivates performance. We believe in meritocracy and this policy commences with hiring individuals with the right expertise and experience while ensuring that progress in the organisation is not dependent solely on tenure.

In Fiscal 2006, we concluded the 5th Gallup Q12 engagement survey, which analyses the engagement levels of employees within the organisation. Our overall engagement scores in the Gallup Q12 engagement survey have, on a scale of 5, grown from 3.74 in 2002 to 3.97 in 2006. Our human resource programmes and initiatives are aligned to meet our business needs and the challenges faced by professionals in the organisation. We seek performance enhancement through deployment of the "Management By Results" process, in order to create an environment of challenge and stretch. We also have a performance-based compensation system.

At the meeting held on November 24, 2006, our shareholders have authorised the formulation and implementation of an Employee Stock Options Scheme (ESOS). Ownership of equity in the Company is another tool through which we aim to keep our employees highly motivated to perform. The shareholder approval envisages the issue of options not exceeding 5% of the paid up Equity Share Capital of the Company. A committee of the Board of Directors will finalize all relevant details of the scheme, including the appraisal process for determining eligibility, the vesting period and exercise prices.

As at September 30, 2006, we had over 1,700 employees in India and abroad. Workers at our factories are members of different unions. Workers comprise around 19% of our employee strength. In January 2005 we became engaged in a dispute with a trade union in connection with wages for workers at our Goa unit, which resulted in disruption to our business. This dispute was subsequently resolved. Our employee relationships are currently amicable.

Competition

In some of our product categories such as hair oil and refined sunflower oil we operate in a highly competitive market. We have significant market share in coconut oil and refined safflower oil and its blends. The following table shows our principal competitors and our market share: -

Category	Our Brands	Principal Competitors	Our Market Share for the six month ended September 06
Coconut Oil	Parachute, Nihar and Oil of Malabar	Shalimar and VVD	56.9%
Hair Oil	Parachute Advanced, Parachute Jasmine, Hair & Care, Shanti Amla, Nihar	Dabur, Dey`s Medical, Bajaj	21.9%
Refined Safflower Oil and blends with refined Safflower Oil	Saffola	No significant competition	99.4%

(Source: A.C. Nielsen)

Insurance

We maintain insurance for a variety of risks, including, among others, for risks relating to fire, burglary and certain other losses and damage to buildings, plants, machinery, inventory and office equipment, loss of cash in transit and loss or damage of incoming and outgoing materials and finished goods by water, road and railway. In addition, we carry accident and medical insurance for our Indian operations.

Awards and Recognition

Over the years, our in various functions has been recognized through a number of awards & recognition. Some of these are listed below.

Human Resources

- National Award for Best HRD Practices from Indian Society for Training and Development in 1992.
- National Award for Outstanding work in HRD from National HRD Network in 1994.
- Innovative HR Practice Award at Asia Pacific HR Conference in 1999.
- Best Project Award in Lakshya on the job achievers contest at PGDIE, NITIE in 2003.

Top-performing Global Growth Company

- Top-performing Global Growth Company from India, World Economic Forum in 1997

SAP Awards

- SAP Star installation award from SAP in 2001
- Intelligent Enterprise Award from Computer Associates in Retail and Consumer Products category for implementation of SAP R/3, APO and BIW in record time

Supply Chain Excellence Award

- SPJIMR Supply Chain Excellence Award from S. P. Jain Institute of Management and Research – Mumbai in 2004
- "On The Job Achievers" award in the Supply Chain module of Lakshya 2006 for VMI initiative instituted by NITIE.

Indian Manufacturing Excellence Award

- Indian Manufacturing Excellence Corporate Gold Award for Process Industry in 2005 from Frost and Sullivan

Marketing Awards for Saffola

2004-05

- Grand Effie - Brand of the Year from Effies, that rewards the advertising effectiveness of the communication done on the brand

2005-06

- Gold for Media Strategy, Press Innovation, Radio Innovation, Out of Home Innovation, Cinema Activation and Silver for Never Used Before Medium from Amoeba, Madison Awards that recognize and reward innovative use of media done across companies,
- Gold for Radio and Peoples choice award and Silver for Best Strategy and Cinema Activation from, Emvies that rewards best media strategies and innovations across India,
- Reader's Digest Gold Award in Cooking Oil Category for most Trusted brand as voted by consumers.

2006-07

- Silver at the Effies for "Abhi to Main Jawan Hoon" campaign in the consumer products category

Retail Award

- Kaya Skin Clinic won the Retailer of the Year Award in the Beauty and Health category at the India Retail Summit in the years 2005 and 2006.

Packing Innovation Awards

- Asia Star 2000 award for Saffola 15 litre jar with "Easy Dispenser" Tap from The Asian Packaging Federation, 2000
- Asia Star 2000 award for Parachute Wide Mouth All Season "Easy Jar " from The Asian Packaging Federation, 2000
- World Star 2001 award for Saffola 15 litre jar with "Easy Dispenser" Tap from World Packaging Organisation, 2001
- World Star 2001 award for Parachute Wide Mouth All Season "Easy Jar " from World Packaging Organisation, 2001
- India Star in 2000, 2002 and 2004 from Indian Institute of Packaging, 2002
- World Star award for Packaging excellence for Parachute Mini Pack from World Star, in 2002
- Asia Star 2004 for Parachute Spin Welded Cream jar from The Asian Packaging Federation

Properties

We own or lease the following properties in India:

Location	Nature of Right in the Property	Address	Use of Property	Termination Date of Rights in Property
Dehradun	Leased	B2, UPSTDC Ltd. Area Vikasnagar, Selaqui, Dehradun, Uttaranchal	Factory	December 8, 2093
Dehradun	Owned	1011/1, M.C.H.T., S.I, Region, Vikasnagar, Dehradun, Uttaranchal	Factory	-
Dehradun	Leased	Plot No. D-7, UPSIDC Indl. Area Selakui, Dehradun - 248197, Uttaranchal	Factory	May 4, 2011
Kerala	Owned	Survey No. 854/1A, IE, IC, 2, 3; 853/1, 2, 819/1, 864/2B, 4, 7, 8, 2A, 3A, 3C and 10 A Pudusssery Central Village, Palghat Taluk, Palghat District - 678 621 Kerala	Office	-
Goa	Owned	Plot No. 71 and 72/1, Khanderpar, Ponda, Goa	Factory	-
Delhi	Owned	3rd Floor, Plot No. 5 Local DDA Commercial Shopping Centre Okhla Phase - II	Regional Sales Office	-
Calcutta	Owned	Krishna Bldg. No. 416, 4th Floor, 224, A.J. C. Bose Road, Kolkata-700017	Regional Sales Office	-
Mumbai	Owned	Rang Sharda premises - 2nd floor (2AB), Bandra Reclamation, Bandra (W), Mumbai - 400050	Corporate Office	-
Mumbai	Owned	Rang Sharda premises - 4th floor Bandra Reclamation, Bandra (W)	Corporate Office	-

		(4AB), Mumbai - 400050		
Mumbai	Owned	Rang Sharda premises - 5th floor (5A), Bandra Reclamation, Bandra (W), Mumbai - 400050	Corporate Office	-
Mumbai	Owned	Rang Sharda premises - 5th floor (5B), Bandra Reclamation, Bandra (W), Mumbai - 400050	Corporate Office	-
Saswad	Owned	Khallad Village Post Taluka Purandhar Saswad, Pune - 412 301	Factory	-
Jalgaon	Leased	Plot No. E-10, MIDC (Addl. Industrial Area, Ajanta Road, Jalgaon	Factory	September 30, 2073
Daman	Leased	Marico Limited Survey No. 697/7, 1-A Maharani Indl. Estate Dabhel, Nani Daman Daman - 396210	Factory	February 10, 2009
Andheri , Mumbai	Leased	Marico Limited G/C, Dalia Industrial Estate, Modi House, 2nd Floor, Off. Link Road Andheri (W), Mumbai - 400 058	Regional Sales Office	March 31, 2007
Pondichery	Leased	Marico Limited Plot No. SP - 15, PIPDIC Electronic Park Mannadipet, Thirubhuvanai Pondicherry - 17	Factory	September 18, 2100
Kalina, Mumbai	Leased	Bombay College of Pharmacy 2nd Floor, C.S.T Road Kalina Santacruz (East) Mumbai -400098	R & D Centre	April 30, 2007
Maharashtra Educational Trust, Bandra Reclamation, Mumbai	Leased	Marico Finance Office, Mumbai Educational Trust Building, 6th floor, Gen. A.V.Vaidya Marg, Opposite Lilavati Hospital, Bandra Reclamation, Bandra (W), Mumbai 400 050	Corporate Office	January 17, 2007
Calicut	Leased	38/6578, Silk Street, Kozhikode, Kerala	Office	October 30, 2007

We operate our Kaya business through 43 clinics in India and 4 in the Middle East in properties taken on leave and license agreements between Kaya and the individual landlords. These leave and license agreements are generally long term with the term of the leave and license varying from 3 years (with a renewable option) to 9 years. All these agreements are terminable only at the option of the licensee (Marico) and after giving a notice of three months.

REGULATIONS AND POLICIES

The following description is a summary of the relevant regulations and policies applicable to us as prescribed by the central and state governments in India. The information detailed in this chapter has been obtained from publications available in the public domain. The regulations set out below are not exhaustive, are only intended to provide general information to investors and are neither designed nor intended to be a substitute for professional legal advice.

We are one of the leading Indian business groups operating in the beauty and wellness segments of the FMCG industry offering products and services in hair care, health care and skin care to consumers in India and abroad. The following is an overview of the important laws and regulations, which are relevant to our business.

Prevention of Food Adulteration Act, 1954

In order to sell foodstuffs in India, we are required to comply with the Prevention of Food Adulteration Act, 1954 (the "PFA"). The PFA is considered to be a consumer protection legislation, which has been designed to prevent, curb and check the adulteration of foodstuffs and to adequately punish the offenders. It covers various aspects of food processing such as food colour, preservatives, pesticide residues, packaging and labeling and regulation of sales. To give effect to the provisions of the PFA, the Prevention of Food Adulteration Rules, 1955 (the "PFA Rules") were promulgated. The enforcement of the PFA and the PFA Rules is entrusted to the Additional Director General of Health Services, Ministry of Health and Family Welfare, Government of India. Each State Government and Union Territory has created its own organization for implementation of the PFA and rules framed thereunder. The offence of adulteration under the PFA is a cognizable offence. A company may authorize any of its directors or managers (such manager being employed mainly in a managerial or supervisory capacity) to exercise all such powers and to take all such steps as maybe necessary and expedient to prevent the commission by a company of any offence under the PFA. If any offence is committed by a company under the PFA then the nominee shall be liable to be proceeded against and punished accordingly. The courts are empowered to impose penalties on the offenders for the contraventions of the provisions of the PFA. The procedure for the collection of samples, their analysis in the laboratory and timely report by the public analyst has been laid down in the PFA and the PFA Rules. The food inspectors appointed under the PFA are empowered to follow up cases of adulteration for which their powers and duties are prescribed. Provisions regarding search and seizure are also provided for in the PFA and the food inspector is empowered to break-open the package or door of any place. The liabilities of the manufacturers, dealers and retailers are also prescribed.

Labour Regulations

Employees Provident Funds and Miscellaneous Provisions Act, 1952

The Employees Provident Funds and Miscellaneous Provisions Act, 1952 (the "PF Act") is labour legislation which ensures compulsory provident fund, family pension fund and deposit linked insurance in factories and other establishments for the benefit of the employees. The rate of contribution has been fixed at 12%. Presently an employee at the time of joining the employment and getting wages up to Rs.6,500/- is required to become a member of the employees provident fund organization (the "EPFO"), established in accordance with the provisions of the PF Act. An employee is eligible for membership of fund from the very first date of joining such an establishment.

The PF Act inter alia provides for:

- grant of exemption from the operation of the scheme/s framed under the PF Act to an establishment, to a class of employees and to an individual employee, on certain conditions;
- appointments of inspector to secure compliance under the PF Act and the Schemes framed there under; and
- modes of recovery of monies due from employers.

The funds established under the PF Act vest in and are administered by the Central Board of Trustees constituted under the PF Act and functions within the overall regulatory control of the Central Government.

Factories Act, 1948

The Factories Act, 1948 (the "Factories Act") is the principal legislation governing the health, safety, welfare of workers and environmental sanitation in factories. However, it was not until 1987 that the elements of occupational health and safety, prevention and protection of workers employed in hazardous processes, were truly incorporated in the Factories Act. The Factories Act is enforced by the State Governments through their factory inspectorates. The Factories Act also empowers the State Governments to frame rules, so that the local conditions prevailing in the State are appropriately reflected in the enforcement.

Payment of Bonus Act, 1965

The Payment of Bonus Act, 1965 (the " Bonus Act") provides for payment of bonus irrespective of profit and makes payment of minimum bonus compulsory to those employees who draw a salary or wage up to Rs. 3,500 per month and have worked for a minimum period of 30 days in a year. The Bonus Act has created a right in every employee to receive bonus and it has become an implied term in a contract of employment. Bonus is calculated on the basis of the salary or wage earned by the employee during the accounting year. The minimum bonus to be paid to each employee is either 8.33% of the salary or wage or Rs.100, whichever is higher, and must be paid irrespective of the existence of any allocable surplus or profits. If the allocable surplus or profit exceeds minimum bonus payable, then the employer must pay bonus proportionate to the salary or wage earned during that period, subject to a maximum of twenty per cent of such salary or wage. Contravention of the Bonus Act by a company is punishable with imprisonment up to six months or a fine up to one thousand rupees or both against those individuals in charge at the time of contravention of the Bonus Act.

Industrial Disputes Act, 1947

The Industrial Disputes Act, 1947 (the "ID Act") provides the machinery and procedure for the investigation and settlement of industrial disputes and for providing certain safeguards to the workers. The ID Act aims to improve the service conditions of industrial labour. When a dispute exists or is apprehended, the appropriate government is empowered to refer the dispute to an authority mentioned under the ID Act in order to prevent the occurrence or continuance of the dispute. Reference may be made to a labour court, tribunal or arbitrator, as the case may be, to prevent a strike or lock out while a proceeding is pending. Wide powers have been given to the labour courts and tribunals under the ID Act while adjudicating a dispute to grant appropriate relief such as modification of contract of employment or to reinstate workmen with ancillary relief.

Payment of Gratuity Act, 1972

Under the Payment of Gratuity Act, 1972 (the "Gratuity Act"), an employee who has been in continuous service for a period of five years will be eligible for gratuity upon his resignation, retirement, superannuation, death or disablement. An employee in a factory is deemed to be in 'continuous service' for a period of at least two hundred and forty days in a period of twelve months or one hundred and twenty days in a period of six months immediately preceding the date of reckoning, whether or not such service has been interrupted during such period by sickness, accident, leave, absence without leave, lay-off, strike, lock-out or cessation of work not due to the fault of the employee. The maximum amount of gratuity payable under the Gratuity Act shall not exceed Rs.0.35 million.

Workmen's Compensation Act, 1923

Under the Workmen's Compensation Act, 1923, (the "WC Act") if personal injury is caused to a workman by accident during employment, his employer would be liable to pay him compensation. However, no compensation is required to be paid (i) if the injury does not disable the workman for three days, (ii) where the workman, at the time of injury, was under the influence of drugs or alcohol or (iii) where the workman willfully disobeyed safety rules.

Contract Labour (Regulation and Abolition) Act, 1970

We use the services of contractors who in turn employ contract labour whose number exceeds twenty in respect of some of the sites. Accordingly, we are regulated by the provisions of the Contract Labour (Regulation and Abolition) Act, 1970 (the "CLRA"), which requires us to be registered as a principal employer and prescribes certain obligations with respect to welfare and health of contract labourers.

The CLRA vests the responsibility on the principal employer of an establishment, to which the CLRA applies, to make an application to the concerned officer for registration of the establishment. In the absence of registration, contract labour cannot be employed in the establishment. Likewise, every contractor, to whom the CLRA applies, is required to obtain a license and not to undertake or execute any work through contract labour except under and in accordance with the license issued. To ensure the welfare and health of the contract labour, the CLRA imposes certain obligations on the contractor in relation to establishment of canteens, rest rooms, drinking water, washing facilities, first aid, other facilities and payment of wages. However, in the event the contractor fails to provide these amenities, the principal employer is under an obligation to provide these facilities within a prescribed time period. Penalties, including both fines and imprisonment, may be levied for contravention of the provisions of the CLRA.

Patents Act, 1970

In India, Patents are granted and protected under the Patents Act, 1970 ("Patents Act"). In 1995, under the General Agreement on Tariffs and Trade, India became a signatory to the Trade Related Agreement on Intellectual Property Rights which required India to recognize product and process patents. Product patents are therefore now recognized and patent protection is given for a period of 20 years under the Patents Act. The validity period of patent for these products is calculated from the date of applying for the patent, so once the provisions of products patents are implemented, the patent will be granted for the balance of the 20 year patent term from the date of filing of the application for pipeline protection. In case of infringement of process patents, in certain circumstances, the burden of proof may be transferred to the alleged infringer. The definition of 'inventive steps' in the Patents Act has been amended to exclude incremental improvements or 'evergreening' of patents. Under the amended Patents Act 'inventive steps' must involve a technical advance as compared to the existing knowledge or must have economic significance or both. Further, the invention must be 'non–obvious' to a person skilled in the art. Certain amendments were made to reduce ever greening of patents. Section 3 determines what are not patents. The proviso to Section 11A (7) has been introduced in the Patents Act to provide protection to those Indian enterprises which have made significant investment and have been producing and marketing a product prior to January 1, 2005 for which a patent has been granted through an application made under Section 5(2) of the Patents Act and have continued to manufacture the product covered by the patent on the date of grant of the patent. In such a case, the patent holder shall only be entitled to receive a reasonable royalty from such enterprises and cannot institute infringement proceedings against such enterprises.

Trademarks Act, 1999

The Trademarks Act, 1999 (the "TM Act") covers the registration and protection of all trademarks, which are defined as marks capable of being represented graphically and which are capable of distinguishing the goods or services of one person from those of the others and may include shape of goods, their packaging and combination of colours. A registered trademark is assignable and can be transmitted in accordance with the provisions of the TM Act. The TM Act specifies the procedure of registration, their correction, alteration or removal from the register, if necessary. Both the users and the owners are required to be registered on the payment of a prescribed fee. The Trade Mark Registry is a division of the Controller General of Patents, Designs and Trademarks. The registration of a trademark remains in force for a period of ten years and is renewable provided that the mark remains eligible for protection in accordance with the provisions of the Act. Only registered trademarks can be protected by an action for infringement which may result in penalty or imprisonment. An Intellectual Property Appellate Board ("Appellate Board") has been set up under the TM Act. The Appellate Board is not bound by the procedure laid down in the Civil Procedure Code, 1908 (Act 5 of 1908) but is guided by the principles of natural justice and shall be subject to the provisions of the TM Act and the Trade Marks Rules, 2002 (the "TM Rules").

Copyright Act, 1957

The Copyright Act, 1957 (the "CR Act") covers registration of copyrights of original literary, dramatic, musical and artistic works, cinematographic films and sound recordings. A copyright board ("Copyright Board") has been established under the CR Act, which ordinarily hears all proceedings instituted before it under the CR Act. The Copyright Board is deemed to be a Civil Court for the purposes of sections 345 and 346 of the Code of Criminal Procedure, 1973 and all proceedings before the Copyright Board are deemed to be judicial proceedings within the meanings of sections 193 and 228 of the Indian Penal Code, 1860. A copyright office shall be established under the immediate control of the Registrar of copyrights. Copyright shall subsist during the period of the lifetime of the author and until sixty years thereafter. Licensing and assignment of copyright is permitted in accordance with the provisions of the CR Act. To carry on the business of issuing and granting licenses, copyright societies have been set up. Infringement of copyright is civil or criminal offence under the CR Act depending on the circumstances. Police officers above the rank of sub inspector may seize without warrant all materials used for infringement. No Court inferior to that of a Metropolitan Magistrate or a Judicial Magistrate of the First Class is empowered to try an offence under the CR Act. The Copyright Rules, 1958 came into force along with the CR Act.

Designs Act, 2000

The Designs Act, 2000 (the "Designs Act") prohibits registration of designs, which lack novelty or originality and have been previously published in India or elsewhere. It also prohibits registration of designs which have been disclosed to the public anywhere in a tangible form before the date of filing or which are not significantly distinguishable from other designs or comprise scandalous or obscene matter. When a design is registered on the payment of the prescribed fees, the registered proprietor shall have a copyright on the design for a period of ten years which is subject to renewal in accordance with the provisions of the Designs Act. An interested person may ask for the cancellation of registration of the registered design on certain grounds prescribed under the Act. Piracy of registered designs is an offence under the Designs Act and contravention in terms of the Designs Act would lead to damages. Remedy in the form of injunction is also available to the registered holder. The Controller General of patents, designs and trademarks is the Controller of designs for the purposes of the Designs Act and has the powers of a Civil Court for the purposes of receiving evidence, administering oath, enforcing attendance of witnesses, compelling the discovery and production of documents etc. The Design Rules, 2001 were made in pursuance of the provisions of the Act.

Indian Environmental Regulations

India has a comprehensive environmental protection legal framework comprising three major statutes viz., a) the Water (Prevention and Control of Pollution) Act, 1974; b) the Air (Prevention and Control of Pollution) Act, 1981 and the c) Environment Protection Act, 1986. In order to achieve the objectives of control, and to abate and prevent pollution, Pollution Control Boards ("PCBs") vested with diverse powers have been set up in each state. The PCBs are responsible for setting the standards for pollution control, i.e., standards of clean air and water, directing the installation of pollution control devices in industries and are empowered to undertake investigations to ensure that industries are in compliance with the prescribed standards. These authorities are also empowered to conduct a search, seize and investigate if they are aware of or suspect pollution. All industries and factories are required to annually obtain consent from the PCBs in order to continue functioning. Consents indicate that the factory or industry in question is in compliance with the prescribed standards.

Under the Hazardous Waste Management Rules, 1989, made under the Environment Protection Act, the PCBs are empowered to grant authorization for collection, treatment, storage and disposal of hazardous waste, either to the occupier or the operator of the facility.

The Ministry of Environment and Forests looks into Environment Impact Assessment (EIA) and reviews proposals for expansion, modernization and setting up of projects based on the impact that such projects would have on the environment before granting clearances for the proposed projects.

Regulation of Foreign Investment

Foreign investment in India is governed primarily by the provisions of FEMA. The RBI, in exercise of its power under the FEMA, has notified the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 ("FEMA Regulations") to prohibit, restrict, regulate or transfer by or issue security to a person resident outside India. As laid down by the FEMA Regulations, no prior consent and approval is required from the RBI, for FDI under the "automatic route" within the specified sectoral caps. In respect of all industries not specified under the automatic route, and in respect of investment in excess of the specified sectoral limits under the automatic route, approval for such investment may be required from the FIPB and/or the RBI.

The Drugs and Cosmetics Act, 1940

The Drugs and Cosmetics Act, 1940 (“DCA”) and the Drugs and Cosmetics Rules, 1945 (the “DCA Rules”) regulate the import into, manufacture, distribution, and sale of drugs and cosmetics in India. The enforcement of the DCA and the DCA Rules is entrusted to the Director General of Health Services, Ministry of Health and Family Welfare, Government of India. The DCA imposes stringent penalties on persons indulging in the manufacture or sale of adulterated or spurious or drugs not of standard quality which are likely to cause death or grievous hurt to the user. DCA makes disclosure of ingredients of the drugs on the label of the container mandatory under section 18 (a)(iii) for the preservation of health and safety of the purchasers. Under the provisions of DCA the central government has the power to prohibit import or manufacture of drugs and cosmetics in the public interest where the government is satisfied that the use of any drug or cosmetic is likely to involve any risk to human beings or animals or that any drug does not have any therapeutic value claimed for it and that in the public interest it is necessary to prohibit the imports of such drugs or cosmetics. Inspectors have been appointed by the state and the central government under DCA to inspect and take samples of the drugs and cosmetics Where an offence is committed by the company, every person who at the time when the offence was committed, was in charge of, and was responsible to the company for the conduct of the business of the company, as well as the company is deemed to be guilty of the offence and is be liable to be proceeded and punished accordingly.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Our corporate governance bodies comprise the Board of Directors, the Audit Committee, the Corporate Governance Committee, the Shareholders Committee, the Administrative Committee, the Share Transfer Committee, the Securities Issue Committee and the Investment and Borrowing Committee.

The Board of Directors represents the interests of the shareholders and is responsible for our general management and approves our strategic and operational plans. The Board of Directors also has the overall responsibility regarding administration of our day-to-day activities.

In accordance with our Articles of Association, our Board shall consist of not less than three Directors and not more that twelve Directors, of which not less than two thirds of the total number of our Directors shall be persons whose period of office is liable to determination by retirement of Directors by rotation. We currently have eight Directors. The minimum and maximum number of Directors may be increased or decreased by an ordinary resolution of our shareholders, subject to the provisions of our Articles of Association and the Companies Act.

BOARD OF DIRECTORS

The Board has the ultimate responsibility of management and administration of our affairs unless otherwise directed by the Articles of Association, or Indian law. The following persons constitute our Board of Directors:

Sr. No.	Name	Designation
1.	Mr. Harsh Mariwala	Chairman and Managing Director, Executive Director
2.	Mr. Rajeev Bakshi	Non-Executive and Independent Director
3.	Mr. Atul Choksey	Non-Executive and Independent Director
4.	Mr. Nikhil Khattau	Non-Executive and Independent Director
5.	Mr. Jacob Kurian	Non-Executive and Independent Director
6.	Mr. Rajen Mariwala	Non-Executive Director
7.	Ms. Hema Ravichandar	Non-Executive and Independent Director
8.	Mr. Bipin Shah	Non-Executive and Independent Director

The business address of all our Directors is Rang Sharda, Bandra Reclamation, Bandra (West), Mumbai – 400050, India.

BRIEF BIOGRAPHY OF OUR DIRECTORS

Mr. Harsh C. Mariwala, Chairman and Managing Director

Mr. Harsh C. Mariwala holds a bachelor’s degree in commerce from Sydenham College, Mumbai. He started his career with BOIL in the year 1971. He took charge of the company's consumer products division in 1975 and acted as its Executive Director from 1980-1990. In 1990, Mr. Mariwala took over as our Vice Chairman and Managing Director and in April 2000 became the Chairman and Managing Director. He has been responsible for our transformation from a traditional commodity driven business to a leading FMCG business focusing on value-added products and services, both in India and abroad. Besides being the Chairman and Managing Director of Marico, he is on the Board of MIRC Electronics Limited among others. Mr. Mariwala is also the chairman of the FMCG committee of the CII.

Mr. Rajeev Bakshi, Non-Executive and Independent Director

Mr. Rajeev Bakshi has a Bachelor of Arts (Economics) honours degree from St. Stephens College, Delhi and an MBA degree from the Indian Institute of Management, Bangalore. At present Mr. Bakshi is the Chairman of PepsiCo India Holdings Pvt. Ltd. in India at which position he has the responsibility for the company's business in India, Nepal, Bhutan, Bangladesh and Sri Lanka. His other directorships include Cummins India Limited and Phillips India Limited. Mr. Bakshi has served Lakme India in a range of sales, marketing and general management assignments. Also, he has successfully handled several assignments with Cadbury Schweppes Limited in the capacity of Vice-President Sales and Marketing, with Cadbury India Limited as Regional Marketing Director, London, thereafter as Managing Director, India/South Asia and finally Managing Director, Cadbury (Pty), South Africa. He has been on our Board of Directors since October 17, 2002.

Mr. Atul C. Choksey, Non-Executive and Independent Director

Mr. Atul C. Choksey has a Bachelors degree in Chemical Engineering from Illinois Institute of Technology, Chicago, U.S.A and has also done management courses in finance, personnel, micro and macro economics, etc. He joined Asian Paints (India) Ltd as a Junior Executive in July, 1973. He was subsequently appointed as a Wholetime Director of Asian Paints (India) Ltd. with effect from May 1, 1979. He served as the Managing Director of Asian Paints (India) Ltd. from April 15, 1984 to August 22, 1997. He is the Chairman of APCO Group of Companies which comprises Apcotex Industries Ltd. and Apcon Enterprises Ltd. as well as other group companies. He, jointly with ANZ Grindlays Bank Ltd. (presently known as Standard Chartered Grindlays Bank) promoted ANZ Asset Management Co. Pvt Ltd. (presently known as Standard Chartered Asset Management Co. Pvt. Ltd.) of which he is also a Director. He is a member of the Asian Executive Board of the Wharton Business School of the University of Pennsylvania, Philadelphia, USA. From 1980 till 1997, he took active interest and held several positions in the Indian Paint Association (IPA) including the position of the President of that Association, a representative body of paint manufacturers in India. He was the President of Bombay Chamber of Commerce and Industry as well as Deputy President of Associated Chambers of Commerce and Industry of India for 1993 - 1994. He is also a Director on the Boards of Finolex Cables Ltd, CEAT Ltd and Cricket Club of India Ltd. He is also a Trustee of Shree Mahalakshmi Temple Trust. He also takes active interest in various religious and educational institutions. He has been on our Board of Directors since October 23, 2001.

Mr. Nikhil Khattau, Non-Executive and Independent Director

Mr. Nikhil Khattau is a Chartered Accountant from the Institute of Chartered Accountants of England and Wales. He started his career with Ernst and Young's Corporate Finance Practice in London and New York. Thereafter, he was associated with Sun F & C as the Chief Executive Officer. He has rich experience in the financial services industry and has over 15 years of experience in asset management business and emerging markets corporate finance. His Directorships include Nagpur Power and Industries Limited and Mid-Day Multimedia Limited. He has been on our Board of Directors since July 25, 2001.

Mr. Jacob Kurian, Non-Executive and Independent Director

Mr. Jacob Kurian has a Bachelor’s degree in Engineering (Electrical and Electronics) from the Regional Engineering College, University of Chennai and holds a Post Graduate Diploma in Management from the Xavier Labour Relations Institute (XLRI). His corporate experience of 26 years includes over 21 years of experience as a Tata Administrative Services Officer in the Tata Group. Since 2003, he has been the President of Sylvan Learning India, a part of one of the world’s leading education services company focused on post-secondary education. Mr. Kurian has been a member of the CII National Committee on Retailing and Marketing and the Tata Group Strategy Forum. He has been on our Board of Directors since July 26, 2005.

Mr. Rajen Mariwala, Non-Executive Director

Mr. Rajen Mariwala has a Masters degree in Chemical Engineering from Cornell University, USA. He is presently the Managing Director of Hindustan Polyamides and Fibres Limited, a leading exporter of specialty chemicals – specifically, chemicals for fragrances and personal care products. He brings with him a rich experience of over 16 years in leading a competitive global business in specialty chemicals. His other Directorship includes Patspin India Limited. He has been on our Board of Directors since April 27, 2005.

Ms. Hema Ravichandar, Non-Executive and Independent Director

Ms. Hema Ravichandar has a Bachelor’s degree in Arts (Economics) from the University of Chennai and a Post Graduate Diploma in Management from the Indian Institute of Management, Ahmedabad. Her experience of 23 years comprises corporate roles in Infosys Technologies Ltd. and Motor Industries Co. Ltd. (MICO), and as an entrepreneur Human Resources (HR) Consultant providing strategic HR advisory to organizations, across industry. Her experience spans across Change Management, Leadership Development and Human Resource Development. Ms. Ravichandar regularly speaks at several international and national conferences and is an Advisory Board Member of the National Human Resources Development Network. She was the Chairperson for the Conference Board USA’s HR Council of India. She has co-chaired the CII’s HR and IR (Southern Region) Subcommittee as also CII's National Conference on Leveraging Diversity and Managing Inclusion. She has been on our Board of Directors since July 26, 2005.

Mr. Bipin R. Shah, Non-Executive and Independent Director

Mr. Bipin R. Shah has a B.Com degree from Mumbai and is also a Chartered Accountant. He started his career in 1956 when he joined Hindustan Lever Limited (HLL) as a Management Trainee. After handling several commercial assignments in HLL between 1958 and 1978, Mr. Shah became the Director of HLL in 1979. In 1981, in addition to his directorship in HLL, he was appointed chairman of another Unilever subsidiary namely Lipton India Ltd. Mr. Shah retired from the Lever Group of Companies in 1992 and is presently the vice chairman of Indus Venture Management Ltd., a Venture Management Company. He has been a non-executive Director in several companies including CRISIL, which is a premier credit rating agency in India. He has been on our Board of Directors since April 17, 1996.

COMPENSATION AND BENEFITS IN KIND GRANTED TO THE DIRECTORS

Executive Directors:

The terms and conditions governing the appointment of Mr. Harsh Mariwala (Chairman and Managing Director) are contained in a resolution passed by the shareholders on June 15, 2006. Mr. Mariwala received a remuneration of approximately Rs. 9.5 million in the Fiscal 2006 along with an annual performance incentive of approximately Rs. 0.9 million.

Non-Executive Directors:

Directors	Sitting Fees paid during Fiscal 2006 (Rs.)
Mr. Rajeev Bakshi	35,000
Mr. Atul Choksey	20,000
Mr. Nikhil Khattau	45,000
Mr. Jacob Kurian	25,000
Mr. Rajen Mariwala	25,000
Ms. Hema Ravichandar	25,000
Mr. Bipin Shah	40,000

Compensation of Non Executive Directors

For the year ended March 31, 2006, we paid an aggregate compensation including sitting fees to our Non Executive Directors of Rs. 1.4 million.

Director's Interest

The total interests of the Directors in our Equity Shares as of September 30, 2006 are as mentioned below.

The shareholding of our Directors is as given below:

Shareholders	No. of Equity Shares held
Mr. Harsh Mariwala	2,278,980
Mr. Atul Choksey	6,000
Mr. Bipin Shah	4,400
Mr. Rajen Mariwala	7,06,320
Mr. Jacob Kurian	500
Total	**29,96,200**

The Directors are interested only to the extent of sitting fees, other remuneration paid to them and to the extent of Equity Shares held by them in us, if any. No sitting fee is paid to the Managing Director.

The Directors may also be regarded as interested in the shares, if any, held by or that may be subscribed by and allotted to the companies, firms and trust, in which they are interested as Directors, members, partners and/or trustees.

All Directors may be deemed to be interested in the contracts, agreements/arrangements entered into or to be entered into by us with any company in which they hold directorships or any partnership firm in which they are partners as declared in their respective declarations. Except as stated otherwise in this Placement Document, we have not entered into any contract, agreements or arrangements during the preceding two years from the date of the Placement Document in which the directors are interested directly or indirectly and no payments have been made to them in respect of these contracts, agreements or arrangements.

Corporate Governance

Our corporate governance policies recognise the accountability of the Board and the importance of making the Board transparent to all its constituents, including employees, customers, investors and regulatory authorities, and to demonstrate that the shareholders are the ultimate beneficiaries of our economic activities.

Our corporate governance framework is based on an effective independent board, the separation of the board's supervisory role from the executive management and the constitution of board committees, generally comprising a majority of independent directors, to oversee critical areas and functions of executive management.

Our corporate governance philosophy encompasses not only regulatory and legal requirements, such as the terms of listing agreements with stock exchanges, but also several voluntary practices aimed at a high level of business ethics, effective supervision and enhancement of value for all shareholders. The Board of Directors also functions through various committees such as the Audit Committee, the Corporate Governance Committee, the Shareholders Committee, the Administrative Committee, the Share Transfer Committee and the Investment and Borrowing Committee. These committees meet on a regular basis.

Board Committees

Audit Committee

The members of the Audit Committee are Mr. Bipin Shah (Chairman), Mr. Nikhil Khattau, Mr. Rajeev Bakshi, Mr. Jacob Kurian and Ms. Hema Ravichandar. Mr Harsh Mariwala is a permanent invitee and Mr. Milind Sarwate is the secretary to the committee.

The responsibilities of the Audit Committee include the following:

1. Periodic discussions with auditors about internal control systems and scope of audit including the observations of the auditors;
2. Review of the half-yearly and annual financial statements before submission to the Board;
3. Ensuring compliance with internal control systems;
4. Seeking information from any employee;
5. Obtaining external legal/professional advice;
6. Inviting external experts, if necessary;
7. Investigation into any activity referred to it;
8. Overseeing 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;
9. 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;
10. Approval of payment to statutory auditors for any other services rendered by the statutory Auditors;
11. Reviewing, with the management, the annual financial statements before submission to the Board for approval;
12. Reviewing, with the management, the quarterly financial statements before submission to the Board for approval;
13. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
14. Reviewing the adequacy of internal audit function, if any;
15. Discussion with internal auditors of any significant findings and follow-up thereon;
16. Reviewing the findings of any internal investigations by the internal auditors into matters wherein there is a fraud or irregularity suspected or a failure of internal control systems of a material nature and reporting the matter to the Board;

17. 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;
18. 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;
19. To review the functioning of the 'Whistle- Blower' mechanism;
20. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee; and
21. Reviewing the following:
    - Management discussion and analysis of financial condition and results of operations;
    - Statement of significant related party transactions (as defined by the audit committee) and submitted by the management;
    - Management letters / letters of internal control weaknesses issued by the statutory auditors;
    - Internal audit reports including reports relating to internal control weaknesses; and
    - The appointment, removal and terms of remuneration of the chief internal auditor.

Corporate Governance Committee

The members of the Corporate Governance Committee include Ms. Hema Ravichandar (Chairperson), Mr. Rajeev Bakshi and Mr. Jacob Kurian. Mr Harsh Mariwala is a permanent invitee and Mr. Milind Sarwate is the secretary to the committee.

The main purpose of this Committee is to oversee and ensure continuous improvement in our corporate governance practices. The Corporate Governance Committee also intends to review and oversee our remuneration strategy and performance management philosophy, especially for Directors and senior employees. Similarly, the Committee also intends to act as the Nomination Committee, with the details of this role being defined at an appropriate and relevant time in the future.

Shareholders Committee

The members of the Shareholders Committee are Mr. Nikhil Khattau (Chairman) and Mr. Rajen Mariwala.

The Shareholders Grievance Committee has been constituted in view of the corporate governance requirements under the listing agreement and looks into the redressal of shareholder grievances such as transfer of shares, and non-receipt of dividend, bonus and share certificates.

Administrative Committee

The members of the Administrative Committee include Mr. Harsh Mariwala (Chairman), Mr. Rajen Mariwala and Mr. Milind Sarwate.

The responsibilities of the Administrative Committee include the following:

1. To authorize the signing of applications for licenses / registrations under any and all statutes, whether Central, State, local body, Municipal Corporation or any other quasi-governmental body for all factories and other establishments of Marico anywhere in India or abroad;
2. To designate employees or any other person(s) as may be considered fit, as nominee(s) of Marico under the provisions of the Prevention of Food Adulteration Act, 1954 and also to withdraw / substitute the nomination as and when required;
3. To authorize / modify / withdraw authorizations for the operation of bank accounts of Marico;
4. To open / close / modify bank accounts;
5. To appoint advocate / counsel / attorney and execute *vakalatnama* for instituting or defending suits and to authorize the execution of affidavit, written statement, plaint or other writings;
6. To issue, modify, withdraw and revoke a power of attorney in favour of any employee of Marico and / or consultants / advocates;
7. To authorize signing of applications for telephone / fax / e-mail connections, including transfer of lines;
8. To approve and authorize execution of documents for, and on behalf of, us in respect of sales tax / income-tax / other matters;

9. To approve and authorize execution of routine agreements, conveyances, deeds and / or other writings for and on behalf of us; and
10. To authorize affixing of our common seal on any documents / agreements.

Share Transfer Committee

The members of the Share Transfer Committee include Mr. Harsh Mariwala (Chairman), Mr. Rajen Mariwala, Mr. Nikhil Khattau and Mr. Milind Sarwate.

The main responsibility of the committee includes issuing of new / duplicate share certificates, approving sub-division, consolidation of share certificates and approving the transfer and transmission of shares.

Investment and Borrowing Committee

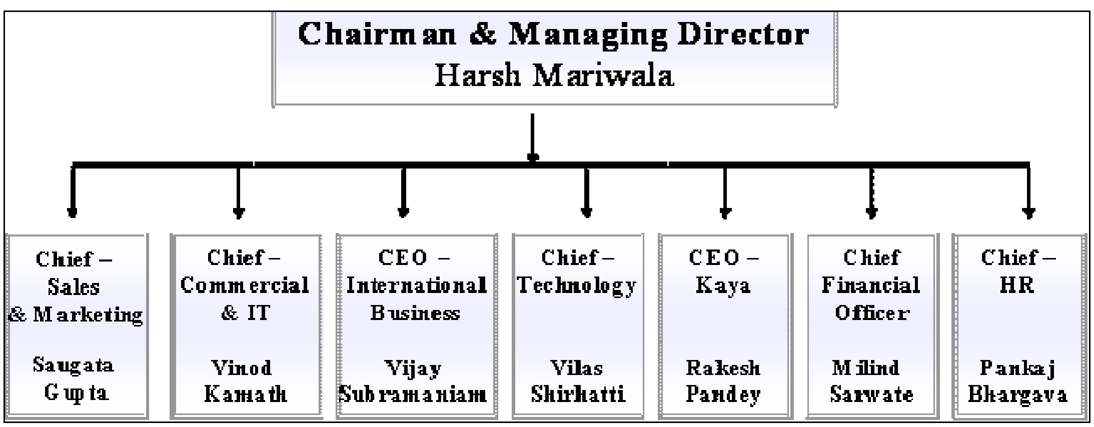
The members of the Investment and Borrowing Committee include Mr. Harsh Mariwala (Chairman), Mr. Milind Sarwate and Mr. Chaitanya Deshpande.

The responsibilities of the Investment and Borrowing Committee include the following:

1. Pursuant to Section 292 of the Companies Act, to borrow monies otherwise than on debentures from banks, financial institutions, mutual funds and / or from other sources subject to the limits delegated by the Board from time to time; and
2. Pursuant to Section 292 and Section 372A of the Companies Act:
   a) to invest funds of the Company in shares / master gain, master plus or other infrastructure bonds, units issued by the Unit Trust of India, mutual funds, financial institutions, debentures, commercial paper, treasury bills, equity or preference shares / debentures issued by other bodies corporate, certificates and deposits, etc., and/or
   b) to make loans and give guarantee or security subject to the limits delegated by the Board from time to time.

SENIOR MANAGEMENT

In addition to our Board as set forth above, the following form part of our senior management:



Mr. Pankaj Bhargava, Chief – Human Resources (HR)

Mr. Bhargava is a B. Tech. from IIT Bombay, and PGDM from IIM Calcutta, where he received a Gold Medal for excellence in Personnel from the Bengal Chamber of Commerce. He joined us in 1991 as Assistant Manager Personnel aligning our sales team with the organization culture and values and implementing a revised objective performance management system. In the roles of HR Manager and Organizational Development (OD) Manager, Mr. Bhargava was responsible for building the culture of innovation, leading the strategic business planning process, facilitating change in the organization, partnering the shift to aligning HR strategies to help businesses win as well as strengthening the core HR processes such as recruitment, compensation and induction.

Mr. Saugata Gupta, Chief – Sales and Marketing

Mr. Gupta is an alumnus of IIT Kharagpur (1989) and IIM Bangalore (1991). Initially, he had worked with Cadbury's for 9 year in various positions in sales and marketing, including a 1 year experience as a Brand Manager with Cadbury UK. His last assignment with Cadbury India was as Marketing Manager – Chocolates. At the end of the year 2000, he joined ICICI Prudential Life Insurance Limited as Chief Marketing Officer. He was a part of the start up top management team where he was in charge of brand and communication, product development, channel marketing, public relations (PR) and direct customer acquisition. He also handled customer service, group sales and business intelligence at various times during his 3 year tenure with ICICI Prudential Life Insurance Limited. Mr. Gupta joined us in January 2004 to head the marketing function. He is now responsible for both the sales and marketing functions.

Mr. Vinod Kamath, Chief – Supply Chain and IT

Mr. Kamath is a graduate in Mechanical Engineering from IIT Madras and a PGDM in Finance from IIM, Bangalore. He is responsible for sourcing, supply chain and IT. Mr. Kamath has been with us since 1993. He began his career with us as our Contract Manufacturing Manager, responsible for all third party operations post which he moved on to become the Materials Manager. In 1996 he moved to Goa to set up a plant for the manufacture of coconut oil as the Project Manager. Post commissioning of the plant he continued at Goa to head the unit. In 2000, Mr. Kamath was designated as the Project Head for Marico's SAP R3, APO and BIW implementation. Prior to joining us, he has worked with Asian Paints Limited in their Supply Chain function.

Mr. Rakesh Pandey, Chief Executive Officer – Kaya

Mr. Pandey is a graduate of the Institute of Technology, BHU and holds a B. Tech (Honours) in Chemical Engineering. He has also attended Management Development Programmes at University of Michigan (USA) and IIM-Ahmedabad.Mr. Pandey has over 25 years of experience in India and Europe in the areas of projects, manufacturing, business development, TQM, HR and business strategy. This includes stints at British Oxygen, UK, Indian Oxygen and Hindustan Lever Limited. Over the past 14 years in Marico, he has played varied roles that also included systematizing operations and heading HR and Quality. He established green field projects and leading edge quality and HR practices in the Company. He currently heads the Kaya business and Technology function for the Company.

Mr. Milind Sarwate, Chief Financial Officer

Mr. Sarwate has received B. Com. (Honours) in 1979 from the University of Bombay. Mr. Sarwate completed his professional education (Chartered Accountancy, Cost Accountancy and Company Secretaryship) in 1983-84, with high all India ranks. In 1996, he was selected for the CII-Fulbright Fellowship for Leadership in Management at the Carnegie Mellon University, Pittsburgh, Pennsylvania, U S A. Mr. Sarwate is a member of the FMCG Committee of the Confederation of Indian Industry (CII). He is also a member of the Board of Governors of the Mumbai Chapter of the Institute of Internal Auditors, Mr. Sarwate is a Non-Executive Director on the Boards of Geometric Software Solutions Company Limited (Geometric) (where he is also the Chairman of Audit Committee) and Hindustan Polyamides and Fibres Limited (HPFL). In the Marico group, Mr. Sarwate is on the boards of Marico Bangladesh Limited and MBL Industries Limited in Bangladesh and Marico Middle East FZE and Kaya Middle East FZE in the Middle East. Mr. Sarwate has been the Chief Financial Officer of Marico Limited, since 1998.

Mr. Vilas R. Shirhatti, Chief – Technology

Mr. Shirhatti is Bachelor of Science (Karnataka University, 1972), Master of Science (Karnataka University, 1974) and a Ph. D. from Pune University (1981). Mr. Shirhatti has around 32 years of experience in Research and Development. Some of the organizations he has worked with include National Institutes of Health and John Hopkins in USA, Dai-Ichi Karkaria, HLL, Colgate Palmolive, GE and Godrej Consumer Products. Prior to joining us in 2006, Mr. Shirhatti was Vice President – R&D with Godrej Consumer Products Limited.

Mr. Vijay S. Subramaniam, Chief Executive Officer – International Business

Mr. Subramaniam is a Bachelor of Engineering from University of Madras (1989) and holds a MMS degree from Jamnalal Bajaj Institute of Management Studies (1991). Mr. Subramaniam has over 15 years of experience in Marketing and Sales. He started his career with United Breweries in 1991 and 8 years later left to join Pepsi. Portfolios held by him include All India Marketing Manager in UB, and Vice President – Marketing, Colas, in

Pepsi. Prior to joining us in 2006, he was with Henkel India Limited as Head of Marketing for their Laundry and Homecare division.

Interest of our Senior Management

Except Mr. Harsh Mariwala, none of our senior management personnel have any interest in the Company other than to the extent of the remuneration or benefits to which they are entitled to, in accordance with their terms of appointment and reimbursement of expenses incurred by them during the ordinary course of business and to the extent of Equity Shares held by them in the Company, if any. The details of shareholding of the senior management as on September 30, 2006 is as follows:

S.N.	NAME	DESIGNATION	SHAREHOLDING
1	Vinod Kamath	Chief - Supply Chain and IT	0
2	Pankaj Bhargava	Chief – HR	0
3	Milind Sarwate	Chief Financial Officer and Company Secretary	2,600
4	Saugata Gupta	Chief - Sales and Marketing	700
5	Rakesh Pandey	CEO – Kaya Skin Care Limited	3,800
6	Vijay Subramaniam	Chief Executive Officer - International Business	0
7	Vilas Shirhatti	Chief Technology	0

Transactions with Senior Management

Except as stated otherwise in this Placement Document, we have not entered into any contract, agreements or arrangements during the preceding two years from the date of the Placement Document in which the senior management are interested directly or indirectly and no payments have been made to them in respect of such contracts, agreements or arrangements.

ORGANISATIONAL STRUCTURE AND PRINCIPAL SHAREHOLDERS

We were incorporated on October 13, 1988 as Marico Foods Limited. Our name was changed to Marico Industries Limited with effect from October 31, 1989. In April 1990, we commenced our commercial operations by taking over the business of the consumer products division of BOIL.

On April 25, 2005, we changed our name to Marico Limited to reflect the extended range of our business. Over the years we have evolved into a more consumer-centric FMCG company, providing enduring value to consumers through a wide range of products and have through our Subsidiaries, expanded into services in the areas of beauty and wellness.

We have a flat organizational structure with only few levels of reporting between the Managing Director and an operator on the shop floor. These comprise Chief, Partner, Manager, Executives and Junior Managers. In order to provide focus to our business operations, we have organized our businesses into the following business segments or profit centers:

a. Consumer Products, include sales of our various branded products in coconut oil, premium refined edible oils, hair oils, anti-lice treatments, fabric care products, edible salt, functional foods, processed foods, soaps, baby care products and additional similar consumer products segments revenue derived from distribution of our alliance with Indo Nissin Foods Limited and
b. Others, including the skin care services and products sold through Kaya Skin Clinics under the Kaya brand and Sundari spa skin care products.

Our the registered office is located at Rang Sharda, Krishnachandra Marg, Bandra Reclamation, Bandra (West), Mumbai – 400 050, India

OUR PRINCIPAL SHAREHOLDERS

The following table contains information as of September 30, 2006 concerning the ownership of our Equity Shares:

Shareholders	No. of Equity Shares held pre-Issue	% of pre-Issue capital
Promoter	2,918,206	5.03%
Promoter group		
1. Individuals/ HUFs	5,534,846	9.54%
2. Trusts	29,350,400	50.60%
3. Companies forming part of promoter group	837,200	1.44%
Total Promoter and promoter group shareholding	**38,640,652**	**66.62%**
Public		
Other Director and their Relatives	10,900	0.02%
Banks and Insurance Cos.	2,348,885	4.05%
Bodies Corporate	1,374,598	2.37%
UTI and Mutual Funds	4,315,351	7.44%
FII	7,700,127	13.28%
OCBs	-	-
NRIs	217,051	0.37%
Public	3,385,117	5.84%
Others (In transit)	7,319	0.01%
Total public shareholding	**19,359,348**	**33.38%**
Total	**58,000,000**	**100.00%**

As on September 30, 2006, our Promoters and promoter group held 66.62% of our Equity Share capital, which is as below

Name of entities	No. of Shares	% of pre-Issue capital
Promoters		
Harsh Mariwala	2,278,980	3.93%
Kishore Mariwala	639,226	1.10%
Total	2,918,206	5.03%
Promoter group		
HUFs		
Charandas Mariwala HUF	306,000	0.53%
Harsh Mariwala HUF	306,000	0.53%
Total	612,000	1.06%
Relatives of Promoter		
Hemlata C. Mariwala	703,980	1.21%
Hema K. Mariwala	312,614	0.54%
Archana H. Mariwala	1,230,000	2.12%
Rajen K Mariwala	706,320	1.22%
Anjali R Mariwala	370,800	0.64%
Ravindra K Mariwala	738,332	1.27%
Paula R Mariwala	370,800	0.64%
Rajvi Harsh Mariwala	110,000	0.19%
Rishabh Harsh Mariwala	110,000	0.19%
Priti G Shah	90,000	0.16%
Pallavi C Jaikishen	90,000	0.16%
Malika Chirayu Amin	90,000	0.16%
Total	4,922,846	8.49%
Trusts		
Harsh C. Mariwala jointly with Kishore V. Mariwala (For Gemini Family Trust)	7,337,600	12.65%
Harsh C. Mariwala jointly with Kishore V. Mariwala (For Valentine family Trust)	7,337,600	12.65%
Harsh C. Mariwala jointly with Kishore V. Mariwala (For Aquarius Family Trust)	7,337,600	12.65%
Harsh C. Mariwala jointly with Kishore V. Mariwala (For Taurus Family Trust)	7,337,600	12.65%
Total	29,350,400	50.60%
Companies forming part of the promoter group		
Arctic Inv. and Trading Pvt. Limited	837,200	1.44%
Total	837,200	1.44%
Total Promoter and promoter group shareholding	**38,640,652**	**66.62%**

ISSUE PROCEDURE

Below is a summary intended to present a general outline of the procedure relating to the bidding, payment, allocation and allotment of Equity Shares. The procedure followed in the Issue may differ from the one mentioned below and investors are assumed to have appraised themselves of the same from us or the Joint Global Coordinators and Joint Bookrunners. Investors are advised to inform themselves of any restrictions or limitations that may be applicable to them.

Qualified Institutional Placements

The Issue is being made in reliance upon Chapter XIII-A of the SEBI Guidelines through the recently introduced mechanism of Qualified Institutional Placements ("QIP") wherein a listed company may issue and allot Equity Shares/ Fully Convertible Debentures/ Partly Convertible Debentures or any other security (excluding warrants) on a private placement basis to Qualified Institutional Buyers ("QIBs") as defined in clause 2.2.2B (v) of the SEBI Guidelines and below.

We have applied for and received the approval of the Stock Exchanges under Clause 24 (a) of the listing agreements. We have also filed a copy of the Preliminary Placement Document with the Stock Exchanges.

Issue Procedure

1. The Joint Global Coordinators and Joint Bookrunners and we shall circulate the Preliminary Placement Document either in electronic form or physical form to the QIBs.

2. The Joint Global Coordinators and Joint Bookrunners shall deliver to the QIBs a Bid cum Revision Form. The list of QIBs to whom the Bid cum Revision Form is delivered shall be determined by the Joint Global Coordinators and Joint Bookrunners at their sole discretion.

3. QIBs may submit the Bids (including the revision of Bids) through the Bid cum Revision Form during the bidding period to the Joint Global Coordinators and Joint Bookrunners.

4. QIBs would have to indicate the following in the Bid:

   a. Name of the QIB to whom Equity Shares are to be allotted;

   b. Number of Equity Shares in which the QIB has interest; and

   c. Price at which they are agreeable to apply for the Equity Shares, provided that investors may also indicate that they are agreeable to submit a Bid at "Cut-off Price" which shall be any price as may be determined by us in consultation with the Joint Global Coordinators and Joint Bookrunners at or above the Floor Price.

   Note: Each sub account of an FII will be considered as an individual QIB and separate forms would be required from each such sub account for submitting Bids.

5. The Bid Closing Date shall be notified to the Stock Exchanges and the QIBs shall be deemed to have been given notice of the same.

6. Based on the Bids received, we shall decide the Issue Price, which shall be at or above the Floor Price, and the number of Equity Shares to be issued, in consultation with the Joint Global Coordinators and Joint Bookrunners. We shall notify the Stock Exchanges of the Issue Price. On determining Issue Price and the QIBs to whom Allocation shall be made, such QIBs shall be sent the Confirmation of Allocation Note ("CAN") inviting such QIBs to submit the Application Form. The CAN shall contain details like the number of Equity Shares allocated to the QIB, the details of the amounts payable by the QIB for Allotment of the Equity Shares in its name and the Pay-In Date as applicable to the respective QIB. The QIBs will also be sent a serially numbered Application Form and a serially numbered Placement Document either in electronic form or through physical delivery. Only QIBs that receive the CAN are invited to participate in this Issue. Ours and the Joint Global Coordinators and Joint Bookrunners' decisions in this regard shall be at their sole and absolute discretion.

7. QIBs would have to deliver the completed Application Form with annexures to the Joint Global Coordinators and Joint Bookrunners along with a cheque / confirmation of payment through electronic

transfer for the application monies to our designated bank account by the Pay- in-Date as specified in the CAN sent to the respective QIBs.

8. Upon receipt of the completed Application Forms and the application monies from the QIBs, we shall issue and allot the Equity Shares to the QIBs in accordance with the details provided in the Application Form. We shall not allot Equity Shares to more than 49 QIBs. We will intimate to the Stock Exchanges the details of the Allotment.

9. After passing the Allotment resolution and prior to crediting the Equity Shares into the depository participant accounts of the QIBs, we shall apply for in-principle approval of the Stock Exchanges for listing of the Equity Shares.

10. After receipt of the in-principle approval of the Stock Exchanges, we shall credit the Equity Shares into the depository participant accounts of the QIBs.

11. We shall then apply for the final trading and listing permissions from the Stock Exchanges.

12. The Equity Shares that have been so allotted and credited to the depository participant accounts of the QIBs shall be eligible for trading on the Stock Exchanges only upon the receipt of final trading and listing approvals from the Stock Exchanges.

13. The Stock Exchanges shall notify the final trading and listing permissions, which is ordinarily available on their websites. We shall not be responsible for any delay or non-receipt of the communication of the final trading and listing permissions from the Stock Exchanges or any loss arising from such delay or non-receipt. QIBs are advised to keep themselves apprised of the status of the receipt of the permissions from the Stock Exchanges or us.

Qualified Institutional Buyers

Only QIBs as defined in clause 2.2.2B (v) of the SEBI Guidelines are eligible to invest. Currently these include:

- public financial institutions as defined in section 4A of the Companies Act, 1956;
- scheduled commercial banks;
- mutual funds registered with SEBI ("Mutual Funds");
- foreign institutional investors registered with SEBI ("FIIs");
- multilateral and bilateral development financial institutions;
- venture capital funds registered with SEBI;
- foreign venture capital investors registered with SEBI;
- state industrial development corporations;
- insurance companies registered with Insurance Regulatory and Development Authority, India;
- provident funds with minimum corpus of Rs.250 million; and
- pension funds with minimum corpus of Rs.250 million.

Under clause 13A.2.4 of the SEBI Guidelines, no allotment shall be made, either directly or indirectly, to any QIB who is a promoter or any person related to the promoter(s) of the Company. For this purpose, any QIB who has all or any of the following rights shall be deemed to be related to promoters:

- rights under a shareholders' agreement or voting agreement entered into with promoters of the Company or persons related to the promoters of the Company;
- veto rights; or
- the right to appoint a nominee director on the board of the Company,

unless a QIB has acquired any of these rights in its capacity as a lender to the Company and such QIB does not hold any shares in the Company.

We and the Joint Global Coordinators and Joint Bookrunners are not liable for any amendments or modification or changes in applicable laws or regulations which may occur after the date of this Placement Document. QIBs are advised to make their independent investigations and satisfy themselves that they are eligible to Bid. QIBs are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Placement Document. Furthermore, QIBs are required to satisfy themselves that their Bids would not eventually result in triggering a tender offer under the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations.

Note: Affiliates or associates of the Joint Global Coordinators and Joint Bookrunners who are QIBs may participate in the Issue in compliance with applicable laws.

BIDDING

Bid cum Revision Form

QIBs shall only use the specified Bid cum Revision Form supplied by the Joint Global Coordinators and Joint Bookrunners in either electronic form or by physical delivery for the purpose of making a Bid (including revision of Bid) in terms of the Preliminary Placement Document.

By making a Bid (including revision) for Equity Shares pursuant to the terms of the Preliminary Placement Document, the QIB will deemed to have made the following representations and warranties and the representations, warranties and agreements made under "Selling Restrictions":

1. The QIB confirms that it is a Qualified Institutional Buyer ("QIB") in terms of Clause 2.2.2B (v) and is eligible to participate in this Issue;

2. The QIB confirms that it is not a Promoter and is not a person related to the Promoters, either directly or indirectly and its Bid does not directly or indirectly represent our Promoter or promoter group;

3. The QIB confirms that it has no rights under a shareholders agreement or voting agreement with the Promoters or persons related to the Promoters, no veto rights or right to appoint any Nominee Director on the Board other than that acquired in the capacity of a lender which shall not be deemed to be a person related to the Promoters;

4. The QIB has no right to withdraw its Bid after the Bid Closing Date;

5. The QIB confirms that if allotted Equity Shares pursuant to the Placement Document, the QIB shall, for a period of one year from allotment, sell the Equity Shares so acquired only on the floor of the Stock Exchanges;

6. The QIB confirms that the QIB is eligible to Bid and hold Equity Shares so allotted and together with any Equity Shares held by the QIB prior to the Issue. The QIB further confirms that the holding of the QIB, does not and shall not, exceed the level permissible in accordance with any applicable regulations applicable to the QIB;

7. The QIB confirms that the Bids would not eventually result in triggering a tender offer under the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997; and

8. The QIB confirms that to the best of its knowledge and belief together with other QIBs in the Issue that belong to the same group or are under common control, the allotment to the QIB shall not exceed 50% of the Issue Size. For the purposes of this statement:

    a. The expression 'belongs to the same group' shall derive meaning from the concept of 'companies under the same group' as provided in sub-section (11) of Section 372 of the Companies Act, 1956; and

    b. "Control" shall have the same meaning as is assigned to it by clause (c) of Regulation 2 of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

Submission of Bid cum Revision Form

All Bid cum Revision Forms shall be duly completed with information including the name of the QIB, the price and the number of Equity Shares bid. The Bid cum Revision Form shall be submitted to the Joint Global Coordinators and Joint Bookrunners either through electronic form or through physical delivery at the following address:

Name:	Marico Limited	Marico Limited
Address:	c/o Citigroup Global Markets India Private Limited, 4th Floor, Bakhtawar, 229, Nariman Point Mumbai - 400021	c/o Kotak Mahindra Capital Company Limited, 3rd Floor, Bakhtawar, 229, Nariman Point Mumbai - 400021
Contact Person:	Abhishek Pandey	Karl Sahukar
Email:	www.marico.qip@citigroup.com	www.marico.qip@kotak.com

PRICING AND ALLOCATION

Build up of the Book

The QIBs shall submit their Bids (including the revision of their Bids) through the Bid cum Revision Form within the bidding period to the Joint Global Coordinators and Joint Bookrunners who shall maintain the Book. The Joint Global Coordinators and Joint Bookrunners shall not be required to provide any written acknowledgement of the same.

Price Discovery and Allocation

We, in consultation with the Joint Global Coordinators and Joint Bookrunners, shall finalize the Issue Price which shall be at or above the Floor Price.

After finalization of the Issue Price, we shall update the Preliminary Placement Document with the Issue details and file the same with the Stock Exchanges as the Placement Document.

Method of Allocation

We shall determine the Allocation for the purposes of inviting Application Forms in consultation with the Joint Global Coordinators and Joint Bookrunners in compliance with Chapter XIII-A of the SEBI Guidelines.

Bids received from the QIBs at or above the Issue Price shall be grouped together to determine the total demand. The Allocation to all such QIBs will be made at the Issue Price. Allocation shall be decided by us in consultation with the Joint Global Coordinators and Joint Bookrunners on a discretionary basis to a maximum of 49 QIBs. Allocation to Mutual Funds for up to a minimum of 10% of the Issue Size shall be undertaken subject to valid Bids being received at or above the Issue Price.

THE DECISION OF THE COMPANY AND THE JOINT GLOBAL COORDINATORS AND JOINT BOOKRUNNERS IN RESPECT OF ALLOCATION SHALL BE BINDING ON ALL QIBS. QIBS MAY NOTE THAT ALLOCATION OF EQUITY SHARES IS AT THE SOLE AND ABSOLUTE DISCRETION OF THE COMPANY AND QIBS MAY NOT RECEIVE ANY ALLOCATION EVEN IF THEY HAVE SUBMITTED VALID BIDS AT OR ABOVE THE ISSUE PRICE. NEITHER THE COMPANY NOR THE JOINT GLOBAL COORDINATORS AND JOINT BOOKRUNNERS IS OBLIGED TO ASSIGN ANY REASONS FOR SUCH NON-ALLOCATION.

Number of Allottees

The minimum number of allottees of Equity Shares shall not be less than:

(a) two, where the issue size is less than or equal to Rs.2.5 billion;

(b) five, where the issue size is greater than Rs.2.5 billion.

Provided that no single allottee shall be allotted more than 50% of the issue size.

Provided further that QIBs belonging to the same group or those who are under common control shall be deemed to be a single allottee for the purpose of this clause. For details of what constitutes "same group" or "common control" see "Bidding-Bid cum Revision Form". THE DECISION OF THE COMPANY AND THE JOINT GLOBAL COORDINATORS AND JOINT BOOKRUNNERS IN RESPECT OF ALLOTMENT SHALL BE FINAL AND BINDING ON ALL QIBS.

The maximum number of allottees of Equity Shares shall not be greater than 49 allottees.

Application Form and CAN

Based on the Bids received, we and the Joint Global Coordinators and Joint Bookrunners will, in our sole and absolute discretion, decide the list of QIBs to whom the CAN shall be sent inviting such QIBs to submit an Application Form containing details of the Equity Shares allocated to them and the details of the amounts payable by them for Allotment of the Equity Shares in their respective names. Additionally, the CAN would include details of the bank account(s) for transfer of funds if done electronically, address where the Application Form needs to be sent, Pay-In Date as well as the probable designated date ("Designated Date"), being the date of credit of the Equity Shares to the investor's account, as applicable to the respective QIBs. The dispatch of a CAN shall be deemed an invitation to the QIBs to submit an Application Form to apply for the Equity Shares so allocated and pay the entire Issue Price for such Equity Shares.

The eligible QIBs would also be sent a serially numbered Application Form along with a serially numbered Placement Document either in electronic form or by physical delivery.

QIBS WOULD NEED TO PROVIDE THEIR DEPOSITORY ACCOUNT DETAILS, THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE APPLICATION FORM. QIBS MUST ENSURE THAT THE NAME GIVEN IN THE APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. FOR THIS PURPOSE, SUB-ACCOUNTS OF A FII WOULD BE CONSIDERED AS AN INDEPENDENT QIB.

Each scheme or fund of a mutual fund will have to submit separate Application Forms. Demographic details like address, bank account etc. will be obtained from the Depositories in accordance with the demat account details given above.

By submitting the Application Form, the QIB will be deemed to have made the representations and warranties as specified under the section, **"BID CUM REVISION FORM" and further that such QIB shall not undertake any trade in the Equity Shares credited to its depository participant account until such time that the final listing and trading approval for the Equity Shares is issued by the Stock Exchanges.**

QIBs are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated / allotted to them pursuant to this Issue.

Submission of Application Form

All Application Forms duly completed along with payment and a copy of the PAN card or application for PAN shall be submitted to the Joint Global Coordinators and Joint Bookrunners, according to the details provided in the respective CANs.

The dispatch of the Placement Document and the CAN shall be deemed a valid, binding and irrevocable contract for the QIB to submit the Application Form and pay the entire Issue Price for all the Equity Shares allocated to such QIB.

Bank Account for Payment of Application Money

We have opened special bank accounts with Kotak Mahindra Bank Limited and Citibank N.A. in terms of the arrangement between us and the Banks. The QIB will be required to deposit the entire amount payable for the Equity Shares allocated to it by the Pay-In Date as mentioned in the respective CAN.

If the payment is not made favouring the Bank Account within the time stipulated in the CAN, the Bid of the QIB, the Application Form and the CAN is liable to be cancelled.

In case of cancellations or default by the QIBs, we and the Joint Global Coordinators and Joint Bookrunners have the right to reallocate the Equity Shares at the Issue Price among existing or new QIBs at their sole and absolute discretion.

Payment Instructions

- The payment of application money shall be made by the QIBs in the name of "Marico QIP Account" according to the payment instructions provided in the CAN.
- QIBs may make payment through cheques or electronic fund transfer.

Note: Payment of the amounts through outstation cheques are liable to be rejected. Payments through cheques should be only through high value cheques payable at Mumbai.

Designated Date and Allotment of Equity Shares

(a) Our Company will endeavor to complete the allotment of Equity Shares by the probable Designated Date for those QIBs who have paid subscription money as stipulated in the respective CANs. The Equity Shares will not be allotted unless the QIBs pay the Issue Price in the Bank Account as stated above.

(b) In accordance with the SEBI Guidelines, Equity Shares will be issued and allotment shall be made only in the dematerialized form to the allottees. Allottees will have the option to re-materialize the Equity Shares, if they so desire, according to the provisions of the Companies Act and the Depositories Act.

(c) We reserve the right to cancel the Issue at any time up to Allotment without assigning any reasons whatsoever.

(d) Post Allotment and credit of Equity Shares into the QIBs Depository Participant account, we would apply for final trading/listing approvals from the Stock Exchanges.

(e) The Payment Collection Bank shall not release the monies lying to the credit of the Special Account to us till such time that we deliver to the Payment Collection Bank the approval of the Stock Exchanges for the final listing and trading of the Equity Shares offered in this Issue.

(f) In the unlikely event of any delay in the Allotment or credit of Equity Shares, or receipt of trading or listing approvals or cancellation of the Issue, no interest or penalty would be payable by us.

Submission to SEBI

We shall submit the Placement Document to SEBI within 30 days of the date of Allotment for record purposes.

Other Instructions

Permanent Account Number or PAN

Where application(s) is/are for Rs..50,000 or more, the applicant should mention its Permanent Account Number (PAN) allotted under the I.T. Act. The copy of the PAN card or PAN allotment letter is required to be submitted with the Application Form. Applications without this information will be considered incomplete and are liable to be rejected. It is to be specifically noted that applicant should not submit the GIR number instead of the PAN as the Application Form is liable to be rejected on this ground.

Our Right to Reject Bids

We, in consultation with the Joint Global Coordinators and Joint Bookrunners, may reject Bids, in part or in full, without assigning any reasons whatsoever. The decision of the Company and the Joint Global Coordinators and Joint Bookrunners in relation to the rejection of a Bid shall be final and binding.

Equity Shares in dematerialized form with NSDL or CDSL

As per the provisions of section 68B of the Companies Act, the Allotment of Equity Shares in this Issue shall be only in a de-materialized form, (i.e., not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

(a) A QIB applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.

(b) Allotment to a successful QIB will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the QIB.

(c) Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the stock exchanges where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.

(d) The trading of the Equity Shares would be in dematerialized form only for all QIBs in the demat segment of the respective stock exchanges.

(e) We will not be responsible or liable for the delay in the credit of Equity Shares due to errors in the Application Form or on part of the QIBs.

Joint Global Coordinators and Joint Bookrunners

The Joint Global Coordinators and Joint Bookrunners have entered into a memorandum of understanding with the Company relating to their participation in the Issue. That memorandum of understanding provides that the Joint Global Coordinators and Joint Bookrunners' continued participation in the Issue is subject to the approval of certain legal matters by counsel and to other conditions. The Joint Global Coordinators and Joint Bookrunners will be reimbursed for expenses incurred in connection with the Issue and will be paid a fee for managing the Issue.

The Joint Global Coordinators and Joint Bookrunners have performed investment banking and advisory services for us from time to time for which they have received customary fees and expenses. The Joint Global Coordinators and Joint Bookrunners may continue to engage, from time to time, in transactions with and perform services for us in the ordinary course of their business. On November 10, 2006, we issued and allotted to Kotak Mahindra Prime Ltd., an affiliate of Joint Global Coordinator and Joint Bookrunner Kotak Mahindra Capital Company Limited, 150 million 9.75% redeemable preference shares of face value Rs. 10 each, aggregating Rs. 1,500 million. On November 30, 2006, pursuant to a right to seek redemption at the end of any calendar month, Kotak Mahindra Prime Ltd. issued a redemption notice for 75 million preference shares aggregating Rs. 750 million. We have redeemed these shares on November 30, 2006. For further details, see the section entitled, see "Recent Developments". We also have outstanding loans from Kotak Mahindra Bank Ltd. and from Citibank N.A., which are affiliates of our respective Joint Global Coordinators and Joint Bookrunners. For a further description of these loans, *see "Management's Discussion and Analysis of Financial Condition and Results of Operations".*

We have agreed to indemnify the Joint Global Coordinators and Joint Bookrunners against certain liabilities, including liabilities under the applicable Indian securities laws and the SEBI Guidelines, or to contribute to payments that the Joint Global Coordinators and Joint Bookrunners may be required to make because of any of those liabilities.

SELLING RESTRICTIONS

Certain Distribution and Solicitation Restrictions

The distribution of this Placement Document and the offer, sale or delivery of the Equity Shares is restricted by law in certain jurisdictions. Persons who come into possession of this Placement Document are advised to take legal advice with regard to any restrictions that may be applicable to them and to observe such restrictions. This Placement Document may not be used for the purpose of an offer or sale in any circumstances in which such offer or sale is not authorized or permitted.

Australia

This Placement Document is not a disclosure document under Chapter 6D of the Corporations Act 2001 (Cth) (the "Australian Corporations Act"), has not been lodged with the Australian Securities and Investments Commission and does not purport to include the information required of a disclosure document under the Australian Corporations Act. (i) The offer of Equity Shares under this Placement Document is only made to persons to whom it is lawful to offer Equity Shares without disclosure to investors under Chapter 6D of the Australian Corporations Act under one or more exemptions set out in Section 708 of the Australian Corporations Act; (ii) this Placement Document is made available in Australia to persons as set forth in clause (i) above; and (iii) by accepting this offer, the offeree represents that the offeree is such a person as set forth in clause (ii) above and agrees not to sell or offer for sale within Australia any Equity Share sold to the offeree within 12 months after their transfer to the offeree under this Placement Document.

European Economic Area (Members of the European Union, Iceland, Norway and Liechtenstein)

This Placement Document has not been submitted to the national securities regulator of any country in the European Economic Area for approval.

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), with effect from and including the date on which the Prospectus Directive is implemented in that Member State (the "Relevant Implementation Date"), Equity Shares may only be offered or sold in that Relevant Member State:

- at any time, to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- at any time, to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a balance sheet with a total balance of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, (in the case of (2) and (3) as shown in its last annual or consolidated accounts); or
- at any time, in any other circumstances which do not require the publication by us of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this paragraph, the expression an "offer of Equity Shares" in relation to any Equity Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Equity Shares to be offered so as to enable an investor to decide to purchase or subscribe the Equity Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

Hong Kong

No person may offer or sell the Equity Shares in Hong Kong by means of any document other than (1) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "SFO") and any rules made under the SFO or (2) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap. 32) of Hong Kong (the "CO") or which do not constitute an offer to the public within the meaning of the CO. Furthermore, no person may issue any advertisement, invitation or document relating to the Equity Shares, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Equity

Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of SFO and any rules made thereunder.

Japan

The Equity Shares have not been and will not be registered under the Securities and Exchange Law of Japan (Law No. 25 of 1948 as amended) (the “SEL”) and disclosure under the SEL has not been and will not be made with respect to the Equity Shares. Furthermore, the Equity Shares offered in this Issue have not been, directly or indirectly, offered or sold, and may not be, directly or indirectly, offered or sold, in Japan or to, or for the account or benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan) or to, or for the account or benefit of, any person for reoffering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except (1) pursuant to an exemption from the registration requirements of, or otherwise in compliance with, the SEL and (2) otherwise in compliance with any other relevant laws, regulations and governmental guidelines of Japan.

The Netherlands

The offer in the Netherlands of the Equity Shares included in this Issue is exclusively limited to professional market parties as defined in article 1a of the Exemption Regulation pursuant to the Securities Act 1995 (Vrijstellingsregeling Wet toezicht effectenverkeer 1995).

New Zealand

This Placement Document is not a prospectus. It has not been prepared or registered in accordance with the Securities Act 1978 of New Zealand (the “New Zealand Securities Act”). This Placement Document is being distributed in New Zealand only to persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money, within the meaning of section 3(2)(a)(ii) of the New Zealand Securities Act (“Habitual Investors”). By accepting this Placement Document, each investor represents and warrants that if it receives this Placement Document in New Zealand it is a Habitual Investor and it will not disclose this Placement Document to any person who is not also a Habitual Investor.

Singapore

This Placement Document has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Placement Document and any other document or material in connection with any offer or sale, or invitation for subscription or purchase, of the Equity Shares may not be circulated or distributed, nor may Equity Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to the persons in Singapore other than (1) to an institutional investor or other person specified in Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), (2) to a sophisticated investor, and in accordance with the conditions specified in Section 275 of the SFA or (3) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA. Where the Equity Shares are subscribed or purchased under Section 275 by a relevant person which is (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor, or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor; shares, debentures and units of shares and debentures of that corporation or the beneficiaries’ rights and interest in that trust shall not be transferable for six months after that corporation or that trust has acquired the Equity Shares under Section 275 except: (i) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (ii) where no consideration is given for the transfer; or (iii) by operation of law.

United Arab Emirates

This Placement Document is not intended to constitute an offer, sale or delivery of shares or other securities under the laws of the United Arab Emirates (the “U.A.E.”). The Equity Shares have not been and will not be registered under Federal Law No. 4 of 2000 Concerning the Emirates Securities and Commodities Authority and the Emirates Security and Commodity Exchange, or with the U.A.E. Central Bank, the Dubai Financial Market, the Abu Dhabi Securities market or with any other U.A.E. exchange.

The Issue, the Equity Shares and interests therein have not been and will not be approved or licensed by the U.A.E. Central Bank or any other relevant licensing authorities in the United Arab Emirates, and do not constitute a public offer of securities in the U.A.E. in accordance with the Commercial Companies Law, Federal Law No. 8 of 1984 (as amended) or otherwise.

This Placement Document is strictly private and confidential and is being distributed to a limited number of investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose. The interests in the Equity Shares may not be offered or sold directly or indirectly to the public in the U.A.E.

United Kingdom

Each of the Joint Global Coordinators and Joint Bookrunners has represented, warranted and agreed that:

- it has only communicated and caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "FSMA")) received by it in connection with the issue or sale of any Equity Shares included in this Issue in circumstances in which section 21(1) of the FSMA does not apply to us; and
- it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Equity Shares included in this Issue in, from or otherwise involving the United Kingdom.

United States

The Equity Shares have not been and will not be registered under the Securities Act or any state securities laws in the United States and may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable U.S. state securities laws.

In the United States, the Joint Global Coordinators and Joint Bookrunners will make offers and sales of the Equity Shares to "qualified institutional buyers" (as defined in Rule 144A under the Securities Act) in the United States pursuant to Section 4(2) of the Securities Act.

Certain Transfer Restrictions

Resales of Equity Shares by QIBs, except on recognized stock exchanges, are not permitted for a period of one year from the date of allotment, pursuant to Chapter XIII-A of the SEBI Guidelines. Because the following additional restrictions will apply, purchasers of Equity Shares are advised to consult their own legal counsel prior to making any offer, sale, resale, pledge or transfer of Equity Shares.

Equity Shares Sold within the United States

Each purchaser of the Equity Shares within the United States pursuant to Section 4(2) of the Securities Act, by accepting delivery of this Placement Document and those Equity Shares, will be deemed to have represented, agreed and acknowledged that:

(1) It is (a) an institutional investor that is a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act, (b) acquiring such Equity Shares for its own account or for the account of a "qualified institutional buyer", (c) not acquiring Equity Shares with a view to any distribution thereof and (d) aware, and each other account for which it is acquiring Equity Shares has been advised, that the sale of such Equity Shares to it is being made in reliance on an exemption from the registration requirements of the Securities Act.

(2) It understands that the Equity Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States and may not be offered, sold, pledged or otherwise transferred except (i) for a period of one year from the date of allotment, in an offshore transaction in accordance with Rule 903 or Rule 904, as applicable, of Regulation S and on a recognized stock exchange and (ii) thereafter (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believes is a qualified institutional buyer (within the meaning of Rule 144A under the Securities Act) purchasing for its own account or for the account of a qualified institutional buyer, (b) pursuant to an exemption from registration under the Securities Act provided by Rule 144 (if available) , (c) in an offshore transaction in accordance with Regulation S or

(d) pursuant to an effective registration statement under the Securities Act, in each case in accordance with any applicable securities laws of any state of the United States.

(3) It understands that Equity Shares purchased pursuant to Section 4(2) of the Securities Act (to the extent they are in certificated form), unless we determine otherwise in accordance with applicable law, will bear a legend substantially to the following effect:

"THESE EQUITY SHARES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OF THE UNITED STATES. BY ITS ACCEPTANCE OF ANY EQUITY SHARE, THE PURCHASER WILL BE DEEMED TO REPRESENT THAT IT IS NOT ACQUIRING EQUITY SHARES WITH A VIEW TO ANY DISTRIBUTION THEREOF AND THAT IT IS A "QUALIFIED INSTITUTIONAL BUYER" WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT AND IS EITHER PURCHASING THE EQUITY SHARES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A "QUALIFIED INSTITUTIONAL BUYER". THESE EQUITY SHARES MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (I) FOR A PERIOD OF ONE YEAR FROM THE DATE OF ALLOTMENT, IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904, AS APPLICABLE, OF REGULATION S AND ON A RECOGNIZED STOCK EXCHANGE AND (II) THEREAFTER (A) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A "QUALIFIED INSTITUTIONAL BUYER", (B) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), (C) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S OR (D) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALES OF THESE EQUITY SHARES."

(4) If it is acquiring any Equity Shares for the account of one or more qualified institutional buyers (as defined in Rule 144A under the Securities Act), it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

(5) We, the Joint Global Coordinators and Joint Bookrunners, their respective affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Regulation S Equity Shares

Each purchaser of Equity Shares outside the United States by accepting delivery of this Placement Document and those Equity Shares, will be deemed to have represented, agreed and acknowledged that:

(1) It is, or at the time the Equity Shares are purchased pursuant to Regulation S will be, the beneficial owner of such Equity Shares and (a) it is, and at the times the offer of Equity Shares was made to it and its buy order was originated was located outside the United States (within the meaning of Regulation S) and (b) it is not an affiliate of ours or a person acting on behalf of such an affiliate.

(2) It understands that the Equity Shares have not been and will not be registered under the Securities Act.

(3) We, the Joint Global Coordinators and Joint Bookrunners, our and their respective affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

INDIAN SECURITIES MARKET

The information in this section has been extracted from publicly available documents from various sources, including officially prepared materials from SEBI, BSE and the NSE, and has not been prepared or independently verified by us or the Joint Global Coordinators and Joint Bookrunners, or any of their respective affiliates or advisers.

The Indian Securities Market

India has a long history of organised securities trading. In 1875, the first stock exchange was established in Mumbai.

Stock Exchange Regulation

India's stock exchanges are regulated primarily by SEBI, as well as by the Government acting through the Ministry of Finance, Stock Exchange Division, under the Securities Contracts (Regulation) Act 1956 (''SCRA'') and the Securities Contracts (Regulation) Rules, 1957 (''SCRR''), which, along with the rules, bye-laws and regulations of the respective stock exchanges, regulate the recognition of stock exchanges, the qualifications for membership and the manner in which contracts are entered into and enforced between members.

The Securities and Exchange Board of India Act, 1992 granted powers to SEBI to regulate the Indian securities markets, including stock exchanges and other intermediaries in the capital markets, to promote and monitor self-regulatory organisations, to prohibit fraudulent and unfair trade practices and insider trading and to regulate substantial acquisitions of shares and takeovers of companies. SEBI has also issued guidelines and regulations concerning minimum disclosure requirements by public companies, rules and regulations concerning investor protection, insider trading, substantial acquisition of shares and takeovers of companies, buyback of securities, delisting of securities, employee stock option schemes, stockbrokers, underwriters, mutual funds, foreign institutional investors (''FIIs''), credit rating agencies and other capital market participants.

The Central Listing Authority of India (the ''CLA'') has been set up by SEBI and will begin to address the issue of multiple listing of the same security across various Indian stock exchanges. It also aims to bring about uniformity in the due diligence process by scrutinising all listing applications on any stock exchange in India. The functions of the CLA are enumerated in the SEBI (Central Listing Authority) Regulations, 2003, which, inter alia, include processing the application made by any body corporate, mutual fund or collective investment scheme, for the letter of recommendation for it to be listed at the stock exchange; making recommendations as to listing conditions, making suggestions with respect to investor protection development and regulation of the securities market and disclosures to be made in offering documents and any other functions that may be specified by SEBI from time to time.

Listing

The listing of securities on recognised Indian stock exchanges is regulated by the SCRA, the SCRR and the listing agreement of the respective stock exchanges, under which the governing body of each stock exchange is empowered to suspend trading of or dealing in a listed security for breach of our obligations under such agreement, subject to our receiving prior notice of such intent of the stock exchange.

A listed company can be delisted under the provisions of the SEBI (Delisting of Securities) Guidelines 2003, which govern voluntary and compulsory delisting of shares of Indian companies from the stock exchanges. SEBI has the power to direct the amendment of listing agreements and bye-laws of stock exchanges in India. Any amendment of the bye-laws by the stock exchanges on their own requires the prior approval of SEBI.

Disclosures under the Companies Act and Securities Regulations

Under the Companies Act, a public offering of securities in India must be made by means of a prospectus, which must contain information specified in the Companies Act and the SEBI (Disclosure and Investor Protection) Guidelines 2000, as amended. The prospectus must be filed with the Registrar of Companies having jurisdiction over the place where a company's registered office is situated, which in our case is currently the Registrar of Companies located in Mumbai. A company's directors and promoters may be subject to civil and criminal liability for misrepresentation in a prospectus. The Companies Act also sets forth procedures for the acceptance of subscriptions and the allotment of securities among subscribers and establishes maximum commission rates for the sale of securities. SEBI has issued detailed guidelines concerning disclosure by public listed companies and investor protection.

Public limited companies are required under the Companies Act and SEBI guidelines to prepare, file with the Registrar of Companies and circulate to their shareholders audited annual accounts which comply with the Companies Act's disclosure requirements and regulations governing their manner of presentation and which include sections pertaining to corporate governance, related party transactions and the management's discussion and analysis as required under the listing agreement. In addition, a listed company is subject to continuing disclosure requirements pursuant to the terms of its listing agreement with the relevant stock exchange. Accordingly, companies are now required to publish unaudited financial statements (subject to a limited review by our auditors) on a quarterly basis and are required to inform stock exchanges immediately regarding any stock price-sensitive information.

The ICAI and SEBI have implemented changes which require Indian companies to account for deferred taxation, to consolidate their accounts with subsidiaries, to provide sector reporting, to increase their disclosure of related party transactions from April 1, 2001 and to account for investments in associated companies and joint ventures in consolidated accounts and interim financial reporting from April 1, 2002.

Indian Stock Exchanges

There are now 23 stock exchanges in India. Most of the stock exchanges have their own governing board for self-regulation. A number of these exchanges have been directed by SEBI to file schemes for de-mutualisation as a measure of moving towards greater investor protection.

The BSE and NSE together hold a dominant position among the stock exchanges in terms of the number of listed companies, market capitalisation and trading activity.

The National Stock Exchange of India Limited

The NSE serves as a national exchange, providing nationwide on-line satellite-linked screen-based trading facilities with an electronic order-based trading system, and electronic clearing and settlement for securities, including government securities, debentures, public sector bonds and units. The principal aim of the NSE is to enable investors to buy or sell securities from anywhere in India and to serve as a national market for securities. Deliveries for trades executed ''on-market'' are settled through the National Securities Clearing Corporation Limited. The NSE does not categorise shares into groups as in the case of BSE, except in respect of the trade-to-trade category. Screen- based paperless trading and settlement is possible through the NSE from 333 cities in India. The NSE commenced operations in the wholesale debt market in June 1994, in capital markets in November 1994 and in derivatives in June 2000.

The average daily traded value of the capital market segment was Rs.68.73 billion for September 2006. As of September 30, 2006, the NSE had 957 trading members and 11,564 registered sub-brokers on the capital market segment and the wholesale debt market segment as of June 30, 2006. The NSE launched the NSE 50 Index, now known as S&P CNX NIFTY, on April 22, 1996 and the Mid-cap index on January 1, 1996. The securities in the NSE 50 Index are highly liquid. The market capitalisation of the NSE was Rs.29,941.32 billion on September 30, 2006. NSE has wholesale and retail debt trading segments. The average daily turnover in the Derivatives segment for the month of October 2006 was Rs. 252.83 billion.

The Bombay Stock Exchange Limited

The BSE, the oldest stock exchange in India, was established in 1875. It has evolved over the years into its present status as the premier stock exchange of India. As of September 30, 2006, the BSE had 904 members, comprising 180 individual members, 702 Indian companies and 22 foreign institutional investors. The BSE switched over to online trading (''BOLT'') from May 1995. Only a member of the BSE has the right to trade in the stocks listed on the BSE.

As of September 30, 2006, there were 4,801 listed companies trading on the BSE and the estimated market capitalisation of stocks trading on the BSE was Rs.31,856.80 billion. The average daily turnover on the BSE was Rs.34.11 billion in September 2006. The BSE has obtained SEBI approval to expand its BOLT network to more than 400 cities.

Derivatives trading commenced on the NSE in 2000. The BSE has wholesale and retail debt trading segments. Retail trading in government securities commenced in January 2003.

Takeover Code

Disclosure and mandatory bid obligations for listed Indian companies under Indian law are governed by the Takeover Code which prescribes certain thresholds or trigger points that give rise to these obligations, as applicable. The Takeover Code is under constant review by the SEBI and was last amended on August 21, 2006. The Takeover Code prescribes certain thresholds or trigger points that give rise to these obligations.

Certain important provisions of the Takeover Code are as follows:

- Any acquirer (meaning a person who, directly or indirectly, acquires or agrees to acquire equity shares or voting rights in a company, either by himself or with any person acting in concert) who acquires equity shares or voting rights that would entitle him to more than 5%, 10%, 14%, 54% or 74% of the equity shares or voting rights in a company (together with the company's equity shares or voting rights, if any, already held by him) is required to disclose the aggregate of his equity shareholding or voting rights in that company to the company (which in turn is required to disclose the same to each of the stock exchanges on which the company's equity shares are listed) and to each of the stock exchanges on which the company's equity shares are listed within two days of (a) the receipt of allotment information; or (b) the acquisition of equity shares or voting rights, as the case may be. The term "shares" has been defined under the Takeover Code to mean equity shares or any other security which entitles a person to acquire shares with voting rights.
- A person who, together with persons acting in concert with him, holds 15% or more but less than 55% of the equity shares or voting rights in any company is required to disclose any purchase or sale representing 2% of the equity shares or voting rights of that company (together with the aggregate shareholding after such acquisition or sale) to that company and the stock exchanges on which the company's equity shares are listed within two days of the purchase or sale and is also required to make annual disclosure of his holdings to that company (which in turn is required to disclose the same to each of the stock exchanges on which the company's equity shares are listed).
- Promoters or persons in control of a company are also required to make annual disclosure of their holding in the same manner. The company is also required to make annual disclosure of holdings of its promoters or persons in control as on March 31 of the respective year to each of the stock exchanges on which its equity shares are listed.
- An acquirer cannot acquire equity shares or voting rights which (taken together with existing equity shares or voting rights, if any, held by him or by persons acting in concert with him) would entitle such acquirer to exercise 15% or more of the voting rights in a company, unless such acquirer makes a public announcement offering to acquire a further minimum of 20% of the equity shares of the company at a price not lower than the price determined in accordance with the Takeover Code. A copy of the public announcement is required to be delivered, on the date on which such announcement is published, to SEBI, the company and the stock exchanges on which the company's equity shares are listed.
- No acquirer who, together with persons acting in concert with him, has acquired, in accordance with law, 15% or more but less than 55% of the shares or voting rights in a company, shall acquire, either by himself or through or with persons acting in concert with him, additional shares or voting rights that would entitle him to exercise more than 5% of the voting rights in any financial year ending March 31, unless such acquirer makes a public announcement offering to acquire a further minimum of 20% of the equity shares of the company at a price not lower than the price determined in accordance with the Takeover Code.
- No acquirer, who together with persons acting in concert with him holds, fifty five per cent. (55%) or more but less than seventy five per cent. (75%) of the of the shares or voting rights in a target company, shall acquire either by himself or through persons acting in concert with him any additional shares or voting rights therein, unless he makes a public announcement to acquire shares in accordance with these Regulations:
- Provided that in a case where the target company had obtained listing of its shares by making an offer of at least ten per cent. (10%) of issue size to the public in terms of clause (b) of sub-rule (2) of rule 19 of the Securities Contracts (Regulation) Rules, 1957, or in terms of any relaxation granted from strict enforcement of the said rule, this sub-regulation shall apply as if for the words and figures 'seventy five per cent. (75%)', the words and figures 'ninety per cent. (90%)' were substituted.
- Where an acquirer who (together with persons acting in concert with him) holds fifty five per cent. (55%) or more but less than seventy five per cent. (75%) of the shares or voting rights in a target company, is desirous of consolidating his holding while ensuring that the public shareholding in the

target company does not fall below the minimum level permitted by the Listing Agreement, he may do so only by making a public announcement in accordance with these regulations:

Provided that in a case where the target company had obtained listing of its shares by making an offer of at least ten per cent. (10%) of issue size to the public in terms of clause (b) of sub-rule (2) of rule 19 of the Securities Contracts (Regulation) Rules, 1957, or in terms of any relaxation granted from strict enforcement of the said rule, this sub-regulation shall apply as if for the words and figures 'seventy five per cent. (75%)', the words and figures 'ninety per cent. (90%)' were substituted."In addition, regardless of whether there has been any acquisition of equity shares or voting rights in a company, an acquirer cannot directly or indirectly acquire control over a company (for example, by way of acquiring the right to appoint a majority of the directors or to control the management or the policy decisions of the company) unless such acquirer makes a public announcement offering to acquire a minimum of 20% of the voting equity shares of the company. In addition, the Takeover Code introduces the "chain principle" by which the acquisition of a holding company will obligate the acquirer to make a public offer to the shareholders of each subsidiary company, which is listed.

The Takeover Code sets out the contents of the required public announcements as well as the minimum offer price.

The Takeover Code permits conditional offers as well as an acquisition and consequent delisting of the shares of a company and provides specific guidelines for the gradual acquisition of shares or voting rights. Specific obligations of the acquirer and the board of directors of the target company in the offer process have also been specified. Acquirers making a public offer are also required to deposit in an escrow account a percentage of the total consideration which amount will be forfeited in the event that the acquirer does not fulfil his obligations.

The general requirements to make such a public announcement do not, however, apply entirely to bailout takeovers when a promoter (i.e. a person or persons in control of the company, persons named in any offer document as promoters and certain specified corporate bodies and individuals) is taking over a financially weak company but not a "sick industrial company" pursuant to a rehabilitation scheme approved by a public financial institution or a scheduled bank. A "financially weak company" is a company which has at the end of the previous financial year accumulated losses which have resulted in the erosion of more than 50% but less than 100% of the total sum of its paid up capital and free reserves as at the end of the previous financial year. A "sick industrial company" is a company registered for more than five years, which has at the end of any financial year accumulated losses equal to or exceeding its entire net worth.

The Takeover Code, subject to certain conditions specified in the Takeover Code, exempts certain specified acquisitions from the requirement of making a public offer, including, among others, the acquisition of shares (1) by allotment in a public issue or a rights issue, (2) pursuant to an underwriting agreement, (3) by registered stockbrokers in the ordinary course of business on behalf of clients, (4) in unlisted companies, (5) pursuant to a scheme of reconstruction or amalgamation, (6) pursuant to a scheme under Section 18 of the Sick Industrial Companies (Special Provisions) Act, 1985, (7) resulting from transfers between companies belonging to the same group of companies or between promoters of a publicly listed company and relatives, (8) by way of transmission through inheritance or succession, (9) resulting from transfers by Indian venture capital funds or foreign venture capital investors registered with SEBI, to promoters of a venture capital undertaking or venture capital undertaking pursuant to an agreement between such venture capital funds or foreign venture capital investors with such promoters or venture capital undertaking, (10) by the Government of India controlled companies, unless such acquisition is made pursuant to a disinvestment process undertaken by the Government of India or a state government, (11) change in control by takeover/restoration of the management of the borrower company by the secured creditor in terms of the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, (12) acquisition of shares by a person in exchange of equity shares received under a public offer made under the Takeover Code and (13) in terms of guidelines and regulations relating to delisting of securities as specified by SEBI. The Takeover Code does not apply to acquisitions in the ordinary course of business by public financial institutions either on their own account or as a pledgee. An application may also be filed with the takeover panel seeking exception from the open offer requirements of the Takeover Code. In addition, the Takeover Code does not apply to the acquisition of Global Depository Receipts or American Depository Receipts so long as they are not converted into equity shares carrying voting rights.

Under the Takeover Code, the term "promoter" includes any person who is control of the company or any person identified as a promoter in any document for the offer of securities to the public or existing shareholders or in the shareholding information disclosed under the listing agreement, whichever is later, or any person named as a relating to or belonging to the promoter group as defined under the Takeover Code.

Insider Trading Regulations

The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations 1992 (''Insider Trading Regulations'') have been notified by SEBI to prevent insider trading in India by prohibiting and penalising insider trading in India. The Insider Trading Regulations prohibit an ''insider'' from dealing, either on his own behalf or on behalf of any other person, in the securities of a company listed on any stock exchange when in possession of unpublished price-sensitive information. The terms ''unpublished'' and ''price-sensitive information'' are defined in the Insider Trading Regulations. The insider is also prohibited from communicating, counseling or procuring, directly or indirectly, any unpublished price-sensitive information to any other person who whilst in possession of such unpublished price-sensitive information shall not deal in securities. The prohibition under the Insider Trading Regulations also extends to a company dealing in the securities of a company listed on any stock exchange whilst in the possession of unpublished price-sensitive information. It is to be noted that recently SEBI has amended the Insider Trading Regulations to provide certain defences to the prohibition on companies in possession of unpublished price-sensitive information dealing in securities.

The Insider Trading Regulations make it compulsory for listed companies and certain other entities associated with the securities market to establish an internal code of conduct to prevent insider trading and also to regulate disclosure of unpublished price-sensitive information within such entities so as to minimise misuse of such information. To this end, the Insider Trading Regulations provide a model code of conduct. Further, the Insider Trading Regulations specify a model code of corporate disclosure practices to prevent insider trading which must be implemented by all listed companies.

On a continuing basis, under the Insider Trading Regulations, any person who holds more than 5 per cent of the shares or of the voting rights in any listed company is required to disclose to the company,- the number of shares or voting rights held by him and any change in shareholding or voting rights,- (even if such change results in the shareholding falling below 5 per cent) if there has been change in such holdings from the last disclosure made, provided such change exceeds 2.0 per cent of the total shareholding or voting rights in the company. Such disclosure is required to be made within four working days of:

- the receipt of intimation of allotment of the shares; or
- the acquisition or the sale of the shares or voting rights, as the case may be.

Depositories

In August 1996, the Indian Parliament enacted the Depositories Act 1996 (the ''Depositories Act'') which provides a legal framework for the establishment of depositories to record ownership details and effect transfers in electronic book-entry form. SEBI has framed the Securities and Exchange Board of India (Depositories and Participants) Regulations 1996 which provide for the formation of such depositories, the registration of participants as well as the rights and obligations of the depositories, participants, the company, the beneficial owners and the issuers. The depository system has significantly improved the operations of the Indian securities markets.

Trading of securities in book-entry form commenced in December 1996. In January 1998, SEBI notified scripts of various companies for compulsory dematerialised trading by certain categories of investors such as foreign institutional investors and other institutional investors and has also notified compulsory dematerialised trading in specified scripts for all retail investors. SEBI has subsequently significantly increased the number of scripts in which dematerialised trading is compulsory for all investors. However, even in the case of scripts notified for compulsory dematerialised trading, investors, other than institutional investors, may trade in and deliver physical shares on transactions outside the stock exchange where there are no requirements to report such transactions to the stock exchange and on transactions on the stock exchange involving lots of less than 500 securities.

Transfers of shares in book-entry form require both the seller and the purchaser of the equity shares to establish accounts with depositary participants registered with the depositaries established under the Depositories Act. Upon delivery, the shares shall be registered in the name of the relevant depositary in our books and this depositary shall enter the name of the investor in its records as the beneficial owner, thus effecting the transfer of beneficial ownership. The beneficial owner shall be entitled to all rights and benefits of a shareholder and be subject to all liabilities in respect of his shares held by a depositary. Every person holding equity share capital of the company and whose name is entered as a beneficial owner in the records of the depository is deemed to be a member of the concerned company.

The Companies Act compulsorily provides that Indian companies making any initial public offerings of securities for or in excess of Rs.100 million should issue the securities in dematerialized form.

Derivatives (Futures and Options)

Trading in derivatives is governed by the SCRA, the SCRA Rules and the SEBI Act. The SCRA was amended in February 2000 and derivative contracts were included within the term "securities," as defined by the SCRA. Trading in derivatives in India takes place either on separate and independent derivatives exchanges or on a separate segment of an existing stock exchange. The derivative exchange or derivative segment of a stock exchange functions as a self regulatory organisation under the supervision of the SEBI. Derivatives products were introduced in phases in India, starting with futures contracts in June 2000 and index options, stock options and stock futures in June 2000, July 2001 and November 2001, respectively.

EXCHANGE CONTROLS

Restrictions on Conversion of Indian Rupees

There are restrictions on conversion of Rupees into U.S. Dollars. Before February 29, 1992, RBI determined the official value of the Rupee in relation to a weighted basket of currencies of India's major trading partners. In the February 1992 Union budget, a new dual exchange rate mechanism was introduced by allowing conversion of 60% of the foreign exchange received on trade or current account at a market-determined rate and the remaining 40% at the official rate. All importers were, however, required to buy foreign exchange at the market rate except for certain priority imports. In March 1993, the exchange rate was unified and allowed to float. In February 1994 and again in August 1994, RBI announced relaxations of the payment restrictions previously applicable to certain transactions. Since August 1994, the Central Government has substantially complied with its obligations to the International Monetary Fund, under which India is committed to refrain from using exchange restrictions on current international transactions as an instrument to manage the balance of payments. Effective July 1995, the process of current account convertibility was advanced by relaxing restrictions on foreign exchange for various purposes, such as foreign travel and medical treatment. The Central Government has also relaxed restrictions on capital account transactions by resident Indians since 1999. For example, resident Indians are now permitted to remit up to US$25,000 for any capital account transaction. In its Mid-Term Review of Annual Policy Statement, 2006, RBI proposed authorised dealers to freely allow remittances by individuals up to US$50,000 per calendar year for any permissible current account transactions.

DESCRIPTION OF THE SHARES

Set forth below is certain information relating to our share capital, including a brief summary of some of the provisions of our Memorandum and Articles of Association, the Companies Act and certain related legislation in India, all as currently in effect.

General

The authorized capital of our Company is Rs. 215,00,00,000 which is classified as follows:

(a) 6,50,00,000 equity shares of Rs. 10 each; and

(b) 15,00,00,000 preference shares of Rs. 10 each;

Dividend

Under the Companies Act, unless the Board recommends the payment of a dividend, the shareholders at a general meeting have no power to declare any dividend. Subject to certain conditions laid down in the Companies Act, no dividend can be declared or paid by a company for any financial year except out of the profits of the company determined in accordance with the provisions of the Companies Act or out of the undistributed profits or reserves of previous Fiscals or out of both, arrived at in accordance with the provisions of the Companies Act. Under our Articles of Association, the shareholders at a general meeting may declare a lower, but not higher, dividend than that recommended by the Board. Dividends are generally declared as a percentage of the par value of the shares. The dividend recommended by the Board and approved by the shareholders at a general meeting is distributed and paid to shareholders in proportion to the paid-up value of their shares as at the record date for which such dividend is payable. In addition, the Board may declare and pay interim dividends. Under the Companies Act, dividends can only be paid in cash to shareholders listed on the register of shareholders on the date which is specified as the ‘‘record date’’ or ‘‘book closure date’’. No shareholder is entitled to a dividend while unpaid calls on any of his Shares are outstanding.

Dividends must be paid within 30 days from the date of the declaration and any dividend that remains unpaid or unclaimed after that period must be transferred within seven days to a special unpaid dividend account held at a scheduled bank. Any money that remains unpaid or unclaimed for seven years from the date of such transfer must be transferred by us to the Investor Education and Protection Fund and thereafter any claim with respect thereto will lapse.

Under the Companies Act, a company may pay a dividend in excess of 10.0 percent in any year, out of the profits of that financial year only after it has transferred to its reserves a certain percentage of its profits for that year ranging between 2.5 per cent and 10.0 per cent depending on the percentage of dividend proposed to be declared in that year. The Companies Act further provides that if the profit for a year is insufficient, the dividend for that year may be declared out of accumulated profits from previous years which have been transferred to reserves, subject to certain conditions prescribed under the Companies Act.

Capitalisation of Reserves

Our Articles of Association permit a resolution of the shareholders in a general meeting to resolve in certain circumstances that certain amounts standing to the credit of certain reserves or securities premium can be capitalised by the issue of fully paid bonus shares or by crediting shares not fully paid-up with the whole or part of any sum outstanding. Bonus shares must be issued pro rata to the amount of capital paid-up on existing shareholdings.

Any issue of bonus shares would be subject to the guidelines issued by SEBI in this regard. The relevant SEBI guidelines prescribe that no company shall, pending conversion of convertible securities, issue any shares by way of bonus unless a similar benefit is extended to the holders of such convertible securities, through a proportionate reservation of shares. Further, in order to issue bonus shares a company should not have defaulted in the payment of interest or principal in respect of on existing debentures. The declaration of bonus shares in lieu of a dividend cannot be made. A bonus issue may be made out of free reserves built out of genuine profits or share premium collected in cash and not from reserves created by revaluation of fixed assets.

The issue of bonus shares must take place within six months from the date of approval by the Board or the shareholders, whichever is later.

Pre-emptive Rights and Alteration of Share Capital

Subject to the provisions of the Companies Act, we may increase our share capital by issuing new shares. Such new shares must be offered to existing shareholders registered on the record date in proportion to the amount paid-up on those Shares at that date. The offer shall be made by notice specifying the number of shares offered and the date (being not less than 15 days from the date of the offer) after which the offer, if not accepted, will be deemed to have been declined. After such date the Board may dispose of the Shares offered in respect of which no acceptance has been received, in such manner as they think most beneficial to us.

However, under the provisions of the Companies Act, new shares may be offered to any persons whether or not those persons include existing shareholders, if a special resolution to that effect is passed by the shareholders of the company in a general meeting. The present issue of the Equity Shares has been duly approved by a special resolution of our shareholders.

Our issued share capital may, among other things, be increased by the exercise of warrants attached to any of the company's securities entitling the holder to subscribe for shares.

Our Articles of Association provide that we may, increase, consolidate, sub-divide, reduce or otherwise alter our share capital subject to the provisions of the Companies Act.

Preference Shares

Preference share capital is that part of the paid-up capital of the company which fulfils both the requirements below:

- That with respect to dividends, it carries or will carry a preferential right to be paid a fixed amount or an amount calculated at a fixed rate; and
- With respect to capital, it carries or will carry on a winding-up of the company, a preferential right to be repaid the amount of the capital paid-up or deemed to have been paid-up, subject to the provisions of the Companies Act.

Under the Companies Act, we may issue redeemable preference shares but:

- no such shares may be redeemed except out of profits otherwise available for dividends or out of the proceeds of a fresh issue of shares made for the purposes of the redemption;
- no such shares may be redeemed unless they are fully paid;
- the premium, if any, payable on redemption shall have been provided for out of the company's profits or share premium account, before the shares are redeemed;
- where any such shares are redeemed otherwise than out of the proceeds of a fresh issue, there shall, out of profits which would otherwise have been available for dividends, be transferred to a reserve fund, to be called the Capital Redemption Reserve Account, a sum equal to the nominal amount of the shares redeemed; and
- the provisions of the Companies Act relating to the reduction of the share capital of a company shall apply as if such reserve account were paid-up share capital of such company.

General Meetings of Shareholders

In addition to any other meetings, general meetings of the company shall be held at such interval as are specified in Section 166 (1) of the Act and subject to the provisions of Section 166 (2) of the Act at such times and places as may be determined by the Board. Such general meeting shall be called Annual General Meeting. The Board may convene an extraordinary general meeting of shareholders when they deem necessary and shall convene such a meeting at the request of a shareholder or shareholders holding not less than 10 per cent of our issued paid-up capital.

Written notices convening a meeting setting out the date and place of the meeting and its agenda must be given to members at least 21 days prior to the date of the proposed meeting and where any special business is to be transacted at the meeting an explanatory statement shall be annexed to the notice as required under the Companies Act. A general meeting may be called after giving shorter notice if consent is received from all shareholders, in the case of an annual general meeting, and from shareholders holding not less than 95 per cent of such part of the paid-up capital of the company carrying a right to vote at the meeting, in the case of any other meeting. Currently, we give written notices to all members and, in addition, give public notice of general meetings of shareholders in a daily newspaper of general circulation in Maharashtra. Our general meetings are held in Mumbai, Maharashtra.

A company intending to pass a resolution relating to matters such as, but not limited to, an amendment in the objects clause of the Memorandum, a buy-back of shares under the Companies Act, the giving of loans or extending a guarantee in excess of limits prescribed under the Companies Act (and guidelines issued thereunder) may pass the resolution by means of a postal ballot instead of transacting the business in the general meeting of the company. A notice to all the shareholders must be sent along with a draft resolution explaining the reasons therefor and requesting them to send their assent or dissent in writing on a postal ballot within a period of 30 days from the date of such notice. The quorum for our general meetings is five shareholders personally present.

Voting Rights

At a general meeting upon a show of hands, every member holding shares and entitled to vote and present in person has one vote. Upon a poll, the voting rights of each shareholder entitled to vote and present in person or by proxy is in the same proportion to his share of the paid-up equity capital of the company.

Ordinary resolutions may be passed by simple majority of those present and voting. Special resolutions require that the votes cast in favour of the resolution must be at least three times the votes cast against the resolution. The Companies Act provides that to amend the Articles of Association, a special resolution is required to be passed in a general meeting.

A shareholder may exercise his voting rights by proxy to be given in the form required by our Articles of Association. The instrument appointing a proxy is required to be lodged with us at least 48 hours before the time of the meeting. A shareholder may, by a single power of attorney, grant a general power of representation regarding several general meetings of shareholders. Any shareholder may appoint a proxy. A corporate shareholder is also entitled to nominate a representative to attend and vote on its behalf at general meetings. A proxy may not vote except on a poll and does not have a right to speak at meetings. A shareholder which is a legal entity may appoint an authorised representative who can vote in all respects as if a member both on a show of hands and a poll.

The Companies Act allows us to issue shares with differential rights as to dividend, voting or otherwise, subject to certain conditions. In this regard, the law requires that for a company to issue shares with differential voting rights the company must have had distributable profits in terms of the Companies Act for a period of three financial years and the company must not have defaulted in filing annual accounts and annual returns for the immediately preceding three years. The Equity Shares issued under this Issue shall rank pari-passu to the existing Equity Shares of the Company.

Register of Shareholders and Record Dates

We are obliged to maintain a register of shareholders at our Registered Office in Mumbai or at some other place in the same city. We recognise as shareholders only those persons who appear on the register of shareholders and cannot recognise any person holding any share or part of it upon any express, implied or constructive trust, except as permitted by law. We shall not register a transfer of our shares or debentures , unless a proper instrument of transfer duly stamped and executed by or on behalf of the transferor and transferee and specifying the name, address and occupation, if any, of the transferee has been delivered to us along with the certificate and if no such certificate is in existence along with the letter of allotment of shares or debentures provided that where an application is made in writing to us by the transferee of the loss of share certificate or debenture certificate or letter of allotment together with the instrument of transfer duly stamped with a request to effect the transfer and the Board is satisfied of the same, the Board may register the transfer on such terms as to indemnity or otherwise as it may think fit. In respect of electronic transfers, the depository transfers shares by entering the name of the purchaser in its books as the beneficial owner of the shares. In turn, the name of the depository is entered into the company's records as the registered owner of the Shares. The beneficial owner is entitled to all the rights and benefits as well as the liabilities with respect to the Shares.

For the purpose of determining the shareholders, the register may be closed for periods not exceeding 45 days in any one year or 30 days at any one time at such times, as the Board may deem expedient in accordance with the provisions of the Companies Act. Under the listing agreements of the Stock Exchanges on which our outstanding Shares are listed, we may, upon at least 15 days' advance notice to such stock exchanges, set a record date and/or close the register of shareholders in order to ascertain the identity of shareholders. The trading of shares and the delivery of certificates in respect thereof may continue while the register of shareholders is closed.

Under the Companies Act, we are also required to maintain a register of debenture holders.

Annual Report and Financial Results

The Annual Report must be laid before the annual general meeting. The report includes financial information, a corporate governance section and management's discussion and analysis and is sent to the company's shareholders.

Under the Companies Act, we must file the Annual Report with the Registrar of Companies within seven months from the close of the accounting year or within 30 days from the date of the annual general meeting, whichever is earlier. As required under our listing agreements, copies are required to be simultaneously sent to the stock exchanges on which the Shares are listed. We must also publish our financial results in at least one English language daily newspaper circulating in the whole or substantially the whole of India and also in a newspaper published in the language of the region of our Registered Office.

We file certain information on-line, including our Annual Report, six-month and quarterly financial statements and the shareholding pattern statement, in accordance with the requirements of the listing agreements and as may be specified by the SEBI from time to time.

Transfer of Shares

Shares held through depositories are transferred in the form of book entries or in electronic form in accordance with SEBI regulations. These regulations provide the regime for the functioning of the depositories and their participants and set out the manner in which the records are to be kept and maintained and the safeguards to be followed in this system. Transfers of beneficial ownerships of shares held through a depository are exempt from stamp duty.

SEBI requires that for trading and settlement purposes shares should be in book-entry form for all investors, except for transactions that are not made on a stock exchange and transactions that are not required to be reported to the stock exchange.

Under the Companies Act, the shares of a public company are freely transferable unless such transfer of shares contravenes the SEBI provisions or the regulations issued under it or the Sick Industries Companies Act, 1985, ("SICA") or any other similar law, the Company Law Board may, on an application made by the company, a depository incorporated in India, an investor, SEBI or other parties, direct a rectification of the register of records. If a company without sufficient cause refuses to register a transfer of shares within two months from the date of which the instrument of transfer is delivered to the company, the transferee may appeal to the Company Law Board seeking to register the transfer. The Company Law Board may, in its discretion, issue an interim order suspending the voting rights attached to the relevant shares before completing its investigation of the alleged contravention. Under the Companies (Second Amendment) Act 2002, the Company Law Board will be replaced with the National Company Law Tribunal. Further, under the Sick Industrial Companies (Special Provisions) Repeal Act 2003, the SICA is sought to be repealed and the Board of Industrial and Financial Reconstruction, as constituted under the SICA, is to be replaced with the National Company Law Tribunal, set up under the Companies Act.

Pursuant to our listing agreements, in the event that a transfer of shares is not affected within one month or where we have failed to communicate to the transferee any valid objection to the transfer within the stipulated time period of one month, we are required to compensate the aggrieved party for the opportunity loss caused by the delay.

A transfer may also be by transmission. Subject to the provisions of the our Articles, any person becoming entitled to shares in consequence of the death, lunacy, bankruptcy or insolvency of any member or by any lawful means other than by a transfer in accordance with these presents, may, with the consent of the Board, upon producing such evidence that he sustains the character in respect of which he proposes to act under the Article, or his title, as the Board thinks sufficient, be registered as a member in respect of such shares, or may, subject to the regulations as to transfer contained in the Articles, transfer such shares.

Acquisition by the company of its own Shares

A company is prohibited from acquiring its own shares unless the consequent reduction of capital is effected by an approval of at least 75% of its shareholders, voting on it in accordance with the Companies Act and sanctioned by the High Court of competent jurisdiction. Subject to certain conditions, a company is prohibited from giving, whether directly or indirectly and whether by means of loan, guarantee, provision of security or otherwise, any financial assistance for the purpose of or in connection with a purchase or subscription made or to be made by any person for any shares in the company or its holding company. However, pursuant to certain amendments to the Companies Act, a company has been empowered to purchase its own shares or other specified securities out of its free reserves, the securities premium account, the proceeds of any shares or other specified securities (other than the kind of shares or other specified securities proposed to be bought back) subject to certain conditions, including:

- the buy-back should be authorised by the Articles of Association of the company;
- a special resolution has been passed by postal ballot authorising the buy-back;
- the buy-back is limited to 25 per cent of the total paid-up capital and free reserves;
- the debt owed by the company is not more than twice capital and free reserves after such buy-back; and
- the buy-back is in accordance with the Securities and Exchange Board of India (Buy-Back of Securities) Regulations 1998.

The second condition mentioned above would not be applicable if the buy-back is for less than 10 per cent of the total paid-up equity capital and free reserves of the company and provided that such buy-back has been authorised by the company's board. A company buying back its securities is required to extinguish and physically destroy the securities so bought back within seven days of the last date of completion of the buy-back. Further, a company buying back its securities is not permitted to buy back any securities for a period of one year from the buy-back or to issue securities for six months.

A company is also prohibited from purchasing its own shares or specified securities through any subsidiary company including its own subsidiary companies or through any investment company. Further a company is prohibited from purchasing its own shares or specified securities, if the company is in default in the repayment of deposit or interest, redemption of debentures or preference shares, in payment of dividend to a shareholder, in repayment of any term loan or interest payable thereon to any financial institution or bank or in the event of non-compliance with certain other provisions of the Companies Act.

TAXATION

Indian Income Taxation

The information provided below sets out the possible tax consequences available to shareholders in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of Equity Shares, under the current tax laws presently in force in India. It is not exhaustive or comprehensive and is not intended to be a substitute for professional advice. Investors are advised to consult their own tax consultant with respect to the tax implications of an investment in the Equity Shares particularly in view of the fact that certain recently enacted legislation may not have a direct legal precedent or may have a different interpretation of the benefits of which, which an investor can avail himself or herself.

YOU SHOULD CONSULT YOUR OWN TAX ADVISORS CONCERNING THE INDIAN TAX IMPLICATIONS AND CONSEQUENCES OF PURCHASING, OWNING AND DISPOSING OF EQUITY SHARES IN YOUR PARTICULAR SITUATION.

For these purposes, 'Non-Resident' means a person who is not a resident in India. For purposes of the Income Tax Act, 1961, an individual is considered to be a resident of India during any financial year if he or she is in India in that year for:

- a period or periods amounting to 182 days or more; or
- 60 days or more if within the four preceding years he/she has been in India for a period or periods amounting to 365 days or more; or
- 182 days or more, in the case of a citizen of India or a person of Indian origin living abroad who visits India and within the four preceding years has been in India for a period or periods amounting to 365 days or more; or
- 182 days or more, in the case of a citizen of India who leaves India for the purposes of employment outside India in any previous year and has within the four preceding years been in India for a period or periods amounting to 365 days or more.

A company is resident in India if it is formed and incorporated in accordance with the Companies Act and has its registered office in India or the control and management of its affairs is situated wholly in India. A firm or other association of persons is resident in India except where the control and management of its affairs is situated wholly outside India.

The following is based on the provisions of Indian tax laws as of the date hereof, which are subject to change, possibly on a retroactive basis.

This summary is not intended to constitute a complete analysis of the Indian tax consequences to any particular Non-Resident holders. Individual tax consequences of an investment in Equity Shares may vary for Non-Residents in various circumstances, and potential investors should therefore consult their own tax advisers as to the tax consequences of such purchase, ownership and disposition under the tax laws of India, the jurisdiction of their residence and any tax treaty between India and their country of residence. The Income Tax Act, 1961 is revised by the Finance Act every Fiscal. The Finance Act, 2006 has received Presidential assent and the summary below is based on the changes introduced by that Act.

Taxation of Dividends

We are liable to pay a "dividend distribution tax" currently at the rate of 12.5% (plus a surcharge of 10% and education cess at the rate of 2% on dividend distribution tax and surcharge) on the total amount distributed as a dividend. Dividends are not taxable in India in the hands of the recipients. Distributions to Non-Residents of bonus shares or rights to subscribe for equity shares made with respect to the Equity Shares are not subject to Indian tax.

Taxation of Capital Gains

Equity Shares held by a Non-Resident investor for a period of more than 12 months shall be treated as long-term capital assets. If the Equity Shares are held for a period of less than 12 months, the capital gain arising on the sale thereof is to be treated as short-term capital gain.

The amount of gain on the disposition of an equity share must be computed by converting the cost of acquisition and full value of the consideration received as a result of such disposition into the same foreign currency as was initially utilized for acquisition, and the capital gains so computed in foreign currency shall be reconverted into Rupees.

Generally, Double Taxation Avoidance Treaties ("DTATs") between India and other countries, including the U.S., the U.K. and Singapore, do not limit India's ability to impose tax on capital gains. However, capital gains on the sale of Equity Shares purchased in this Issue by residents of certain other countries will not be taxable in India by virtue of the provisions contained in the DTATs between India and such countries.

Long-Term Capital Gains

With effect from October 1, 2004, any gain realized by a Non-Resident from the sale of listed equity shares that have been held for more than 12 months ("long-term capital gain") is not subject to Indian capital gains tax if the sale is on a recognized stock exchange and Securities Transaction Tax ("STT") has been paid on the transaction. The STT is levied on and collected by a domestic stock exchange on which equity shares are sold, in case the contract is for delivery or transfer of the shares, at the rate of 0.125% from the seller and at the rate of 0.125 % from the purchaser on the total price at which the equity shares are sold. Any gain realized on the sale of listed equity shares held for more than 12 months otherwise than on a stock exchange and as a result of which no STT has been paid will be subject to Indian capital gains tax at the rate of 10% plus surcharge of 2.5% in case of non resident company and 10% in case of non resident individuals where income exceeds Rs.1 million. An education cess of 2.0% of the tax and surcharge, if applicable, is levied on both non resident companies and non resident individuals.

Short-Term Capital Gains

Non-Residents Generally: Capital gain realized in respect of equity shares held for 12 months or less (short-term gain), if the sale is made on a recognized stock exchange and on which STT is paid in the manner and rates set out above, is subject to tax at the rate of 10% plus a surcharge of 10% on income tax and an education cess at the rate of 2.0% of the tax and surcharge. In the event that sale is otherwise than on a stock exchange and as a result no STT is paid, short-term gain is subject to tax at variable rates with the maximum rate of 40% plus surcharge of 2.5% in case of non resident company and 30% in case of individual where income exceeds Rs.1 million and education cess at the rate of 2.0% of the tax and surcharge. The actual rate of tax on short-term gains depends on a number of factors, including the legal status of the Non-Resident holder and the type of income chargeable in India. The provisions of the Agreement for Avoidance of Double Taxation entered into by the Government with the country of residence of the Non-Resident investor will be applicable to the extent they are more beneficial to the Non-Resident investor.

Foreign Institutional Investors: If the Equity Shares held by FIIs are held by way of an investment, the gains, whether short term or long term, realized on the disposition of such equity shares will be computed as above. However, where the Equity Shares form a part of the FII's stock-in-trade, any income realized in the disposition of such Equity Shares will be treated as business profits, taxable in accordance with the DTATs between India and the country of residence of the FII. The nature of the Equity Shares held by the FII is usually determined on the basis of the substantial nature of the transactions, the manner of maintaining books of account, the magnitude of purchases and sales and the ratio between purchases and sales and the holding. If the income realized in the disposition of Equity Shares is chargeable to tax in India as business income, FIIs could claim rebate of the tax payable on such income with respect to STT paid on the purchase/sale of equity shares. Business profits may be subject to tax at the rate of 40 per cent (plus applicable surcharge and education cess).

FIIs should consult their own tax advisers as to the tax consequences of such purchase, ownership and disposition under the tax laws of India, the jurisdiction of their residence and any tax treaty between India and their country of residence.

Non-Resident Indians: The capital gains regime applicable to Non-Residents generally is also applicable to Non-Resident Indians.

Tax Deduction at Source

Generally, tax, surcharge and education cess on the capital gain if any, are withheld at the source by the purchaser/ person paying for the equity shares in accordance with the relevant provisions of the Income Tax Act, except capital gains arising to FIIs.

Capital Loss

In general terms, loss arising from a transfer of a capital asset in India can only be set off against capital gain. Since long-term capital gains on the sale of listed equity shares in respect of which STT has been paid is not liable to capital gain tax, it is doubtful whether any long-term capital loss arising on account of such sale would be allowed to be set off. A short-term capital loss can be set off against capital gain whether short term or long-term. To the extent that the loss is not absorbed in the year of transfer, it may be carried forward for a period of eight assessment years immediately succeeding the assessment year for which the loss was first determined by the tax authority and may be set off against the capital gains assessable for such subsequent assessment years. In order to set off a capital loss as above, the Non-Resident investor would be required to file appropriate and timely returns in India and undergo the usual assessment procedure.

Wealth Tax and Gift Tax

No Indian wealth tax or gift tax will be payable with respect to the Equity Shares.

The foregoing does not purport to be a complete analysis of the potential tax considerations relating to the Issue, and should not be construed as tax advice/opinion. Prospective investors should consult their own tax advisors as to the particular tax considerations applicable to them relating to the purchase, ownership and disposition of the Equity Shares, including the applicability of the local tax laws or non-tax laws, any changes in applicable tax laws and any pending or proposed legislation or regulations.

United States Federal Income Taxation

In General

The following is a summary of the material U.S. Federal income tax consequences of purchasing, owning and disposing of Equity Shares, but it does not purport to be a comprehensive description of all of the U.S. Federal income tax considerations that may be relevant to a particular person's decision to acquire Equity Shares. You should consult your own tax advisor concerning the U.S. Federal income tax consequences of your particular situation. The discussion applies to you only if you acquire the Equity Shares in this Offer and you hold the Equity Shares as capital assets for U.S. Federal income tax purposes (generally, for investment). This section does not apply to you if you are a member of a special class of holders subject to special rules, including:

- a dealer in securities or foreign currencies;
- a trader in securities that elects to use a mark-to-market method of accounting for your securities holdings;
- a bank or financial institution;
- a retirement plan;
- a tax-exempt organization;
- a regulated investment company, real estate investment trust, S corporation or partnership;
- a life insurance company;
- a holder liable for alternative minimum tax;
- a holder that actually or constructively owns 10% or more of the company's voting stock;
- a holder that holds Equity Shares as part of a straddle or a hedging or conversion transaction; or
- a U.S. holder whose functional currency is not the U.S. Dollar.

This section is based on the U.S. Internal Revenue Code of 1986, as amended, (the "Code") and its legislative history, existing and proposed U.S. Treasury regulations, published rulings and court decisions, all as in effect on the date of the Placement Document. These laws are subject to change or different interpretation, possibly on a retroactive basis.

You are a "U.S. holder" if you are a beneficial owner of Equity Shares and you are:

- a citizen or resident of the United States;
- a U.S. domestic corporation, or other entity treated as a domestic corporation for U.S. Federal income tax purposes;
- an estate whose income is subject to U.S. Federal income tax regardless of its source; or
- a trust if a U.S. court can exercise primary supervision over the trust's administration and one or more U.S. persons are authorised to control all substantial decisions of the trust.

If a partnership (including for this purpose any entity treated as a partnership for U.S. Federal income tax purposes) is a beneficial owner of the Equity Shares, the U.S. Federal income tax treatment of a partner in the partnership generally will depend on the status of the partner and the activities of the partnership. A holder of the Equity Shares that is a partnership and partners in such partnership should consult their own tax advisors about the U.S. Federal income tax consequences of purchasing, owning and disposing of the Equity Shares.

A “non-U.S. holder” is a beneficial owner of Equity Shares that is not a U.S. holder.

Passive Foreign Investment Company (“PFIC”) Considerations

Based on our current operations and projections, we do not believe that we are, or will become in the foreseeable future, a PFIC. The determination whether or not we are a PFIC is a factual determination that is made annually based on the types of income we earn and the value of our assets. If we currently are or were to be to become a PFIC, U.S. holders would be subject to special rules and potentially adverse U.S. Federal income tax consequences under the Code, which are not discussed in this summary.

Distributions

U.S. Holders. Under the U.S. Federal income tax laws, if you are a U.S. holder, you must include in your gross income the gross amount of any dividend paid by the company out of its current or accumulated earnings and profits (as determined for U.S. Federal income tax purposes). You must include the amount of any Indian tax withheld from the dividend payment in this gross amount even though you do not in fact receive it. The dividend is ordinary income that you must include in income when you receive the dividend, actually or constructively. Dividends received by a non-corporate U.S. holder during taxable years before 2011 will be taxed at a maximum rate of 15%, where certain holding period and other requirements are satisfied, if such dividends constitute qualified dividend income. Qualified dividend income includes dividends paid by a Qualified Foreign Corporation, and we believe that we are, and will continue to be, a Qualified Foreign Corporation. The dividend will not be eligible for the dividends-received deduction generally allowed to U.S. corporations in respect of dividends received from other U.S. corporations.

Dividends received generally will be income from non-U.S.-sources for foreign tax credit limitation purposes. Such non-U.S.-source income generally will be “passive income” or “financial services income” which is treated separately from other types of income for purposes of computing the foreign tax credit allowable to you. For taxable years beginning after December 31, 2006, “financial service income” will generally be treated as “general category income”, while “passive income” will generally be treated as “passive category income”. You should consult your own tax advisor to determine the foreign tax credit implications of owning the Equity Shares.

The amount of the dividend distribution that you must include in your income as a U.S. holder will be the U.S. Dollar value of the Rupee payments made, determined at the spot Rupee/U.S. Dollar exchange rate on the date the dividend distribution is includible in your income, regardless of whether the payment is in fact converted into U.S. Dollars. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date you include the dividend payment in income to the date you convert the payment into U.S. Dollars will be treated as ordinary income or loss. The gain or loss generally will be income or loss from U.S.-sources for foreign tax credit limitation purposes.

Distributions in excess of our current and accumulated earnings and profits (as determined for U.S. Federal income tax purposes) will be treated as a non-taxable return of capital to the extent of your basis in the Equity Shares and thereafter as capital gain.

Non-U.S. Holders. Dividends paid to non-U.S. holders generally will not be subject to U.S. Federal income tax unless the dividends are “effectively connected” with your conduct of a trade or business within the United States, and the dividends are attributable to a permanent establishment (or in the case of an individual, a fixed place of business) that you maintain in the United States if that is required by an applicable income tax treaty as a condition for subjecting you to U.S. Federal income taxation on a net income basis. In such cases, a non-U.S. holder generally will be subject to U.S. Federal income tax in the same manner as a U.S. holder. If you are a corporate non-U.S. holder, “effectively connected” dividends may, under certain circumstances, be subject to an additional “branch profits tax” at a 30% rate or a lower rate if you are eligible for the benefits of an income tax treaty that provides for a lower rate.

Sale, Exchange or Other Dispositions of Equity Shares

U.S. Holders. If you are a U.S. holder and you sell or otherwise dispose of your Equity Shares, you will recognise capital gain or loss for U.S. Federal income tax purposes equal to the difference between the U.S. Dollar value of the amount that you realise and your tax basis, determined in U.S. Dollars, in your Equity Shares. For tax years prior to 2011, capital gains of a non-corporate U.S. holder are generally taxed at a maximum rate of 15% where the property is held for more than one year. The gain or loss will generally be income or loss from U.S.-sources for foreign tax credit limitation purposes, unless it is attributable to an office or other fixed place of business outside the United States and certain other conditions are met. Your ability to deduct capital losses is subject to limitations.

Non-U.S. Holders. If you are a non-U.S. holder, you will not be subject to U.S. Federal income tax on gain recognised on the sale or other disposition of your Equity Shares unless:

- the gain is "effectively connected" with your conduct of a trade or business in the United States, and the gain is attributable to a permanent establishment (or in the case of an individual, a fixed place of business) that you maintain in the United States if that is required by an applicable income tax treaty as a condition for subjecting you to U.S. Federal income taxation on a net income basis; or
- you are an individual, you are present in the United States for 183 days or more in the taxable year of the sale and certain other conditions exist.

In the first case, the non-U.S. holder generally will be subject to U.S. Federal income tax in the same manner as a U.S. holder. In the second case, the non-U.S. holder will be subject to U.S. Federal income tax at a rate of 30% on the amount by which such the non-U.S. holder's U.S.-source capital gains exceed such non-U.S. holder's U.S.-source capital losses.

If you are a corporate non-U.S. holder, "effectively connected" gains that you recognise may also, under certain circumstances, be subject to an additional "branch profits tax" at a 30% rate or at a lower rate if you are eligible for the benefits of an income tax treaty that provides for a lower rate.

Backup Withholding and Information Reporting

If you are a non-corporate U.S. holder, information reporting requirements generally will apply to:

- dividend payments or other taxable distributions made to you within the United States; and
- the payment of proceeds to you from the sale of Equity Shares effected at a U.S. office of a broker.

Additionally, backup withholding at a current rate of 28% may apply to such payments if you are a non-corporate U.S. holder that:

- fails to provide an accurate taxpayer identification number;
- is notified by the U.S. Internal Revenue Service that you have failed to report all interest and dividends required to be shown on your U.S. Federal income tax returns; or
- in certain circumstances, fails to comply with applicable certification requirements.

If you are a non-U.S. holder, you are generally exempt from backup withholding and information reporting requirements with respect to dividend payments made to you outside the United States by us or another non-U.S. payor and other dividend payments and the payment of the proceeds from the sale of Equity Shares effected at a U.S. office of a broker, as long as:

- the income associated with such payments is otherwise exempt from U.S. Federal income tax; and
- the payor or broker does not have actual knowledge or reason to know that you are a U.S. person and you have furnished the payor or broker:
  - a U.S. Internal Revenue Service Form W-8BEN or an acceptable substitute form upon which you certify, under penalties of perjury, that you are a non-U.S. person; or
  - other documentation upon which it may rely to treat the payments as made to a non-U.S. person in accordance with U.S. Treasury regulations; or
- you otherwise establish an exemption.

Payment of the proceeds from the sale of Equity Shares effected at a foreign office of a broker generally will not be subject to information reporting or backup withholding. However, a sale of Equity Shares that is effected at a foreign office of a broker will be subject to information reporting and backup withholding if:

- the proceeds are transferred to an account maintained by you in the United States,
- the payment of proceeds or the confirmation of the sale is mailed to you at a United States address, or
- the sale has some other specified connection with the United States as provided in U.S. Treasury regulations,
- unless the broker does not have actual knowledge or reason to know that you are a U.S. person and the documentation requirements described above are met or you otherwise establish an exemption.

In addition, a sale of Equity Shares effected at a foreign office of a broker will be subject to information reporting if the broker is:

- a U.S. person;
- a Controlled Foreign Corporation for U.S. Federal income tax purposes;
- a foreign person 50% or more of whose gross income is effectively connected with the conduct of a U.S. trade or business for a specified three-year period; or
- a foreign partnership, if at any time during its tax year:
    - one or more of its partners are "U.S. persons", as defined in U.S. Treasury regulations, who in the aggregate hold more than 50% of the income or capital interest in the partnership; or
    - such foreign partnership is engaged in the conduct of a U.S. trade or business,

    unless the broker does not have actual knowledge or reason to know that you are a U.S. person and the documentation requirements described above are met or you otherwise establish an exemption. Backup withholding will apply if the sale is subject to information reporting and the broker has actual knowledge that you are a U.S. person.

You generally may obtain a refund of any amounts withheld under the backup withholding rules that exceed your U.S. Federal income tax liability by filing a refund claim with the U.S. Internal Revenue Service.

IN ACCORDANCE WITH IRS CIRCULAR 230, IN ORDER TO ENSURE COMPLIANCE WITH REQUIREMENTS IMPOSED BY THE U.S. INTERNAL REVENUE SERVICE, WE INFORM YOU THAT: (I) ANY U.S. FEDERAL TAX ADVICE CONTAINED IN THIS PLACEMENT DOCUMENT IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY ANY U.S. TAXPAYER FOR THE PURPOSE OF AVOIDING TAX PENALTIES UNDER THE CODE; (II) SUCH ADVICE WAS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED IN THIS PLACEMENT DOCUMENT; AND (III) YOU SHOULD CONSULT YOUR OWN TAX ADVISOR AS TO THE PARTICULAR TAX CONSIDERATIONS APPLICABLE TO YOU RELATING TO THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE EQUITY SHARES, INCLUDING THE APPLICABILITY OF U.S. FEDERAL, STATE AND LOCAL TAX LAWS OR NON-U.S. TAX LAWS, ANY CHANGES IN APPLICABLE TAX LAWS AND ANY PENDING OR PROPOSED LEGISLATION OR REGULATIONS.

LEGAL PROCEEDINGS

Except as described below, we are not involved in any material legal proceedings, and to the best of our knowledge and belief no proceedings are threatened, which may have, a material adverse effect on the business, properties, financial condition or operations of the Company. We believe that the number of proceedings in which we are involved is not unusual for a company of our size in the context of doing business in India.

(A) Criminal Proceedings

1. Rajeev Agencies had filed an application (Misc. Case No. 39 of 2003) under Section 156(3) of the Code of Criminal Procedure, 1973 against us, our nominees and Mr. Harsh Mariwala (hereinafter referred to as accused) stating that the accused had wrongfully detained 10 signed cheques and an amount of Rs. 50,000 and Rs. 0.2 million as security deposit and had disputed accounts. Rajeev Agencies had earlier instituted a civil suit (C.S. No. 117/2002) against us which is still pending before the Civil Judge for the said amount. The accused have filed a petition under Section 482 of the Criminal Procedure Code 1908, for quashing of the proceedings. The High Court of Uttaranchal has granted an ad interim injunction prohibiting further investigation under the F.I.R filed pursuant to the criminal complaint. The matter is pending.

2. There are various criminal proceedings instituted against us including our directors with respect to our products not meeting the requirements under the Prevention of Food Adulteration Act, 1954. The said matters are pending.

(B) Income Tax

1. We had purchased a leasehold property from Delfin Finance Limited. A statement in Form 37-I under the provisions of the Income Tax Act, 1961 signed by the transferor and the transferee was filed with the income tax department containing a declaration that no litigation relating to the property was pending. The tax department's valuation officer estimated the fair market value of the property as Rs.8.34 million which was higher than the sale consideration of Rs. 6.5 million. Consequently, the property lease has been cancelled and we will have to pay an amount of approximately Rs. 2 million to reacquire the lease. Thereafter, it was discovered that there was alitigation pending in relation to the property and therefore, the tax department filed a complaint against Delfin Finance Limited, us and our Directors including Mr. Harsh Mariwala. A discharge application has been moved by all our accused Directors on the ground that the factum of pending litigation relating to the said property was not known to them. The matter is pending.

2. The Commissioner of Income Tax made a demand of Rs. 22.2 million claming that overheads were not allocated in ratio of sales. The appellate authority confirmed the aforesaid demand and the department additionally levied a penalty of Rs. 22.2 million on us and initiated prosecution against us and our Directors. We have appealed against the demand and the penalty. The appeal is pending.

3. There are various proceedings against us involving an amount of Rs. 81.2 million for the assessment years 1992-93 to 2003-04, relating to allocation of expenses under section 80 IB of the Income Tax Act, 1961. Further additional interest and penalties may be levied.

4. We have received a demand notice for the assessment year 2001 –2002 demanding amount of Rs. 84.1 million. As per our computation Rs. 44.5 million is the correct amount payable to the income tax department. In this regard, we have already written a letter to the income tax department requesting for the rectification of the mistake. We have already provided for an amount of Rs. 45 million for the six month period ended September 30, 2006.

(C) Service Tax

The service tax authorities have issued various show cause notices to Kaya Skin Care Limited on the ground that the services offered by the Kaya Clinics fall under the category of beauty parlour services. We have replied to these show cause notices with some having been adjudicated in favour of Kaya Skin Care Limited and some show cause notices relating to demands in aggregate of Rs. 3.7 million are pending before the concerned authorities.

(D) Sales Tax

There are certain sales tax assessment proceedings pending against us at various stages. The total amount involved in these proceedings is Rs. 21.8 mn. Further, additional interest and penalties may be levied.

(E) Civil Proceedings

1. A Writ Petition (W. P. No. 252 of 2001) has been filed by us on August 16, 2001 in the High Court of Judicature at Bombay, challenging the market fee levied by Goa Agricultural Produce Market Committee (APMC) on copra for the period October 2000 to March 2001 for an amount of Rs. 2.8 million, which was later revised to Rs. 28.3 million for the period 1997-2001. The relevant entry in the schedule to the Goa Agricultural Produce Market Committee Act is "coconut" under the heading "oil seeds". The High Court granted us interim relief by ordering that our trucks would not be detained and no coercive steps would be taken for the recovery of demand subject to two conditions: (a) we would have to a produce bank guarantee of a sum of Rs.2.8 million in favour of Goa State Agricultural Marketing Board and (b) we would be required to file returns to the Goa State Agricultural Marketing Board periodically. The writ is pending hearing.
2. Around 1990-92, we along with our related entities Kanji Morarji and the BOIL purchased some properties from M/s. Rang Sharda.

   Subsequently, we purchased the premises owned by Kanji Morarji and BOIL. However, Rang Sharda refused to recognize the aforesaid transfers on the ground that the transfers were not inter-group transfer but a transfer between third parties for which we should pay transfer fees to Rang Sharda in accordance with the terms of the purchase agreements. Further, Rang Sharda also sought the revision of the amount of security deposit from us and interest compounded annually on increased amount of security deposit.

   We filed a civil suit (no. 1877 of 2001) against Rang Sharda Hotels Private Limited and Rang Sharda Pratishthan in the Bombay City Civil Court praying inter alia that Rang Sharda be directed to create a cooperative society as required under the provisions of the Maharashtra Ownership of Flats (Regulation of the Promotion of Construction, Sale, Management and Transfer) Act, 1963 for the management of the building in which the premises are located. The City Civil Court refused to grant ad interim relief by order dated February 21, 2002 against which we appealed in the High Court.

   Concurrently, Rang Sharda also filed a Civil Suit (Suit no.3681 of 2002) in the Bombay High Court, against us claiming that the purchase agreements entered into between Rang Sharda and us be terminated on grounds of certain alleged violations and sought an injunction seeking to restrain us from alienating the property. Both these matters were clubbed together and the same are pending.

   Rang Sharda has recently filed a civil suit (no. 2992 of 2006) and subsequently a notice of motion (no. 3663 of 2006) praying, amongst others, that Marico and certain other purchasers of premises, as above, be asked to restore the air handling unit rooms, which have been allegedly altered by Marico and others and be restrained from using these rooms.

INDEPENDENT ACCOUNTANTS

Our audited financial statements as of and for the three years ended March 31, 2006, 2005 and 2004 and half year periods September 30, 2006 and September 30, 2005 were prepared in accordance with the generally accepted accounting standards and accounting principles followed in India and are included in reliance on the report of M/s. RSM & Company, Chartered Accountants, given on the authority of such firm as experts in auditing and accounting.

GENERAL INFORMATION

1. We were incorporated as Marico Foods Limited on October 13, 1988. Subsequently on October 31, 1989 our name was changed to Marico Industries Limited. Finally, on April 25, 2005 our name was changed to Marico Limited

2. The Issue was authorized and approved by our Board of Directors on October 18, 2006 and approved by the shareholders in their meeting held on November 24, 2006.

3. We shall apply for in- principle approval to list the Equity Shares on the BSE and the NSE.

4. Copies of our Memorandum and Articles of Association will be available for inspection during usual business hours on any weekday (except Saturdays and public holidays) at our Registered Office.

5. We have obtained all consents, approvals and authorizations required in connection with this Issue.

6. There has been no significant change in our financial position since September 30, 2006, the date of our last published interim financial results except as disclosed in this Placement Document.

7. Except as disclosed in this Placement Document, there are no litigation or arbitration proceedings against or affecting us or our assets or revenues, nor are we aware of any pending or threatened litigation or arbitration proceedings, which are or might be material in the context of this Issue of Equity Shares.

8. Our auditors are M/s. RSM & Co., who have audited and reviewed the accounts for the half-year ended September 30, 2006 and for the half-year ended September 30, 2005 and for the Fiscal years 2006, 2005 and 2004 and have consented to the inclusion of their report in this Placement Document.

9. We confirm that we are in compliance with the minimum public shareholding requirements as required under the terms of the listing agreements with the Stock Exchanges

10. The Floor Price for the Issue is Rs. 517.39 per Equity Share.

INDEX TO FINANCIAL STATEMENTS

AUDITORS' REPORT

To The Board of Directors of
MARICO LIMITED

1. We have examined the attached Consolidated Balance Sheet of Marico Limited ('the Company') and its subsidiaries, Marico Bangladesh Limited, MBL Industries Limited, Kaya Skin Care Limited, Sundari LLC, Marico Middle East FZE and Kaya Middle East FZE (collectively referred to as 'Marico Group') as at September 30, 2006, September 30, 2005, March 31, 2006, March 31, 2005 and March 31, 2004, the Consolidated Profit and Loss Accounts and the Consolidated Cash Flow Statements for the half year ended September 30, 2006 and September 30, 2005, for the years ended March 31, 2006, March 31, 2005 and March 31, 2004 and the accompanying notes and schedules (together referred to as 'Consolidated Financial Statements'), as set out in the accompanying pages and expressed in Indian Rupees. These Consolidated Financial Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our examination.

2. The figures disclosed in these Consolidated Financial Statements are extracted from the audited accounts for each financial period/year comprised in the Consolidated Financial Statement on which we have issued audit reports, without restating corresponding previous year/period figures on account of changes in accounting policies.

3. We conducted our audit in accordance with the auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance 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.

4. We did not audit the financial statements of:

Year/Period ended	**Subsidiaries**	**Share of assets, revenues and cash flows**
September 30, 2006	Marico Middle East, FZE and Kaya Middle East, FZE	Total Assets: Rs. 1,589.9 million (18% of group assets) Total Revenues: Rs.37.7 million (0.50% of group revenue) Net Cash inflow: Rs. 29.9 million
March 31, 2006	Marico Bangladesh Limited, MBL Industries Limited, Marico Middle East, FZE and Kaya Middle East, FZE	Total Assets: Rs. 442.2 million (8.68% of group assets) Total Revenues: Rs. 655.2 million (5.71% of group revenues) Net Cash outflow: Rs. 19.9 million
March 31, 2005	Marico Bangladesh Limited and MBL Industries Limited	Total Assets: Rs. 236.1 million (5.95% of group assets) Total Revenues: Rs. 538.4 million (5.31% of group revenue) Net Cash inflow: Rs. 46.5 million
March 31, 2004	Marico Bangladesh Limited and MBL Industries Limited	Total Assets: Rs. 168.8 million (5.54% of group assets) Total Revenues: Rs. 407.6 million (4.57% of group revenues) Net Cash inflow: Rs. 69.1 million

These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of these subsidiaries, is based solely on the report of the other auditors.

5. The separate financial statements of

Year/Period ended	Subsidiaries	Share of assets, revenues and cash flows
September 30, 2006	Marico Bangladesh Limited, MBL Industries Limited and Sundari LLC	Total Assets: Rs. 664.5 million (7.52% of group assets) Total Revenues: Rs. 475.3 million (6.32% of group revenue) Net cash inflow: Rs. 11.6 million
September 30, 2005	Marico Bangladesh Limited, MBL Industries Limited and Sundari LLC	Total Assets: Rs. 382.6 million (8.85% of group assets) Total Revenues: Rs. 312.3 million (5.65% of group revenue) Net Cash outflow: Rs. 0.5 million
March 31, 2006	Sundari LLC	Total Assets: Rs. 111.9 million (2.20% of group assets) Total Revenues: Rs. 63.6 million (0.55% of group revenue) Net Cash outflow: Rs. 1.8 million
March 31, 2005	Sundari LLC	Total Assets: Rs. 107.2 million (2.70% of group assets) Total Revenues: Rs. 54.5 million (0.54% of revenue) Net Cash outflow: Rs. 4.0 million
March 31, 2004	Sundari LLC	Total Assets: Rs. 65.5 million (2.15% of group assets) Total Revenues: Rs. 25.1 million (0.28% of group revenue) Net Cash outflow: Rs. 28.9 million

have not been audited and, therefore, our opinion insofar as it relates to the amounts included in the consolidated financial statements in respect of these subsidiaries, is based solely on the unaudited separate financial statements prepared by the subsidiaries

6. Based on our audit and according to the explanations given to us, the attached Consolidated Financial Statements give a true and fair view in conformity with the generally accepted accounting principles in India:

(a) In the case of the Consolidated Balance Sheet, of the state of affairs of the Marico Group as at September 30, 2006, September 30, 2005, March 31, 2006, March 31, 2005 and March 31, 2004;

(b) In the case of the Consolidated Profit and Loss Account, of the results of operations of the Marico Group for the half year ended September 30, 2006 and September 30, 2005 and the years ended March 31, 2006, March 31, 2005 and March 31, 2004; and

(c) In the case of the Consolidated Cash Flow Statements, of the cash flows of the Marico Group for the half-year ended September 30, 2006 and September 30, 2005 and the years ended March 31, 2006, March 31, 2005 and March 31, 2004.

7. The amounts for the half year ended September 30, 2006 expressed in U.S. Dollars, provided as supplementary information solely for the convenience of the reader, have been translated on the basis of US$ 1 = Rs.45.95 in the Consolidated Financial Statements.

8. This report is intended solely for your information and for inclusion in the Placement Document in connection with the offering of equity shares of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For **RSM & Co.**
Chartered Accountants

Vilas Y. Rane
Partner (F-33220)
Mumbai: November 14, 2006

CONSOLIDATED BALANCESHEET

	SCHEDULE	As at September 30			As at March 31		
		2006	2006	2005	2006	2005	2004
		US $ in million	Rs. in millions		Rs. in millions		
SOURCES OF FUNDS							
SHAREHOLDERS' FUNDS							
Capital	A	12.6	580.0	580.0	580.0	580.0	290.0
Advance against equity							2.0
Reserves and surplus	B	53.0	2,433.4	1,834.1	2,034.8	1,589.2	1,552.4
		65.6	**3,013.4**	**2,414.1**	**2,614.8**	**2,169.2**	**1,844.4**
MINORITY INTEREST							18.7
LOAN FUNDS							
Secured loans	C	10.2	470.6	32.5	2,032.5	32.5	-
Unsecured loans	D	54.1	2,485.1	303.5	365.5	624.7	110.6
		64.3	2,955.7	336.0	2,398.0	657.2	110.6
DEFERRED TAX LIABILITY (NET) (Refer note 12 Schedule R)		2.8	127.5	47.8	82.8	60.5	62.4
		132.7	6,096.6	2,797.9	5,095.6	2,886.9	2,036.1
APPLICATION OF FUNDS							
GOODWILL ON CONSOLIDATION		0.4	16.7	16.9	16.7	16.7	
FIXED ASSETS	E						
Gross block		141.0	6,484.8	2,334.1	4,761.5	2,139.7	1,751.8
Less : Depreciation, amortisation and impairment		33.1	1,527.8	984.3	1,289.4	864.6	724.2
Net block		107.9	4,957.0	1,349.8	3,472.1	1,275.1	1,027.6
Capital work-in-progress		6.9	318.7	133.3	340.6	184.0	96.9
		114.8	5,275.7	1,483.1	3,812.7	1,459.1	1,124.5
INVESTMENTS	F	0.2	9.2	228.7	184.7	124.2	4.8
CURRENT ASSETS, LOANS AND ADVANCES							
Inventories	G	43.9	2,018.1	1,235.4	1,322.9	1,196.8	998.1
Sundry debtors	H	15.0	689.3	587.1	514.6	491.8	345.3
Cash and bank balances	I	6.5	299.4	399.6	414.6	338.2	340.2
Loans and advances	J	11.4	522.3	424.8	531.2	400.6	221.0
		76.8	3,529.1	2,646.9	2,783.3	2,427.4	1,904.6
Less:							
CURRENT LIABILITIES AND PROVISIONS							
Current Liabilities	K	54.0	2,481.0	1,437.7	1,507.9	993.7	880.7
Provisions	L	5.5	255.0	143.1	196.4	150.6	122.2
		59.5	2,736.0	1,580.8	1,704.3	1,144.3	1,002.9
NET CURRENT ASSETS		17.3	793.1	1,066.1	1,079.0	1,283.1	901.7
MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)	M		1.9	3.1	2.5	3.8	5.1
		132.7	6,096.6	2,797.9	5,095.6	2,886.9	2,036.1

CONSOLIDATED PROFIT & LOSS ACCOUNT

		Half year ended September 30			Year ended March 31		
	SCHEDULE	2006	2006	2005	2006	2005	2004
		US$ in millions	Rs. in millions		Rs. in millions		
INCOME :							
Sales		157.0	7,212.3	5,257.6	11,000.8	9,913.8	8,840.2
Less : Excise Duty		0.3	11.7	5.9	13.1	52.1	52.8
		156.7	7,200.6	5,251.7	10,987.7	9,861.7	8,787.4
Income from services		6.7	307.0	206.0	451.7	208.7	63.4
Total Sales and Services		163.4	7,507.6	5,457.7	11,439.4	10,070.4	8,850.8
Other income	N	0.2	11.3	25.8	35.4	16.1	29.0
		163.6	7,518.9	5,483.5	11,474.8	10,086.5	8,879.8
EXPENDITURE :							
Cost of materials	O	84.2	3,870.6	2,982.5	6,116.9	6,282.9	5,576.5
Manufacturing and other expenses	P	53.7	2,469.0	1,869.9	3,879.4	2,904.3	2,528.8
Finance charges	Q	2.3	105.2	14.7	50.5	20.0	11.7
Depreciation, amortisation and impairment	E	5.2	237.8	140.6	446.7	147.8	128.3
Amortisation of Miscellaneous Expenditure		-	0.7	0.7	1.3	1.3	1.3
		145.4	6,683.3	5,008.4	10,494.8	9,356.3	8,246.6
PROFIT BEFORE TAXATION AND MINORITY INTEREST		18.2	835.6	475.1	980.0	730.2	633.2
Minority interest in losses of subsidiaries						(8.0)	(17.6)
Last years shares in Losses of kaya transferred to Goodwill						(4.7)	
PROFIT BEFORE TAXATION AND AFTER MINORITY INTEREST		18.2	835.6	475.1	980.0	742.9	650.8
Provision for taxation - Current Tax		2.6	120.3	53.9	97.6	63.9	59.6
- MAT Credit		1.0	46.8		(65.8)		
Sub Total		3.6	167.1	53.9	31.8	63.9	59.6
- Fringe Benefit Tax		0.3	15.0	14.4	24.7		
- Deferred Tax - Debit/ (Credit)		1.0	44.7	(3.2)	31.9	(1.9)	1.6
Short / (Excess) income tax provision of earlier years		1.0	45.0		22.8	(20.5)	
PROFIT AFTER TAXATION AND MINORITY INTEREST		12.3	563.8	410.0	868.8	701.4	589.6
Balance brought forward as on April 1		36.9	1,695.5	1,368.3	1,368.3	1,157.3	980.8
PROFIT AVAILABLE FOR APPROPRIATION		49.2	2,259.3	1,778.3	2,237.1	1,858.7	1,570.4
APPROPRIATIONS							
Interim dividends		3.6	165.3	150.8	359.6	310.3	246.5
Tax on interim dividends		0.5	23.3	21.1	50.4	45.6	33.2
Tax on redemption of 8%							37.1

	Half year ended September 30			Year ended March 31		
SCHEDULE	**2006**	**2006**	**2005**	**2006**	**2005**	**2004**
	US$ in millions	**Rs. in millions**		**Rs. in millions**		
Redeemable Preference shares						
Preference Dividend						23.2
Tax on Preference dividend						3.0
General reserve	1.3	58.0	46.9	98.9	73.8	58.0
Tax Holiday Reserve	0.4	17.5	21.1	32.7	60.7	18.6
Share of minority interest in loss						(6.5)
BALANCE CARRIED TO THE BALANCE SHEET	43.4	1,995.2	1,538.4	1,695.5	1,368.3	1,157.3
BASIC AND DILUTED EARNINGS PER SHARE PRE BONUS ISSUE		9.72	7.07	14.98	12.09	19.42
BASIC AND DILUTED EARNINGS PER SHARE POST BONUS ISSUE		9.72	7.07	14.98	12.09	9.71

CASH FLOW STATEMENT

		Half year ended September 30			Year ended March 30		
		2006	2006	2005	2006	2005	2004
		US $ in million	Rs. in million		Rs. in million		
A	**CASH FLOW FROM OPERATING ACTIVITIES**						
	Net Profit before tax	18.2	835.6	475.1	980.0	730.2	633.2
	Adjustments for:						
	Depreciation / Amortisation	5.2	238.5	141.3	448.0	149.1	129.6
	Finance charges	2.5	112.9	20.0	63.7	33.4	25.6
	Interest income	(0.2)	(7.7)	(5.3)	(13.2)	(13.4)	(13.9)
	(Profit)/loss on sale of asset	-	(0.1)	(9.0)	(4.8)	0.5	3.8
	(Profit)/loss on sale of investments	(0.1)	(6.0)	(2.0)	(7.3)	(3.5)	1.1
	Dividend income on investments	(0.0)	(0.9)	(1.5)	(5.6)	(4.4)	(13.0)
	Provision for Doubtful debts	0.0	0.7	0.8	0.8	1.0	5.2
		7.4	337.4	144.3	481.6	162.7	138.4
	Operating profit before working capital changes	25.6	1,173.0	619.4	1,461.6	892.9	771.6
	Adjustments for:						
	Increase/ (Decrease) in Inventories	15.1	695.2	38.6	126.1	198.7	92.2
	Increase/ (Decrease) in Sundry Debtors	3.8	176.4	208.8	26.7	144.2	93.9
	Increase/ (Decrease) in Loans and Advances	1.1	49.0	(12.4)	99.0	147.4	(89.1)
	(Increase)/ Decrease in Current Liabilities and Provisions	(21.3)	(976.5)	(382.1)	(545.2)	(118.8)	(159.8)
		(1.3)	(55.9)	(147.1)	(293.4)	371.5	(62.8)
	Cash generated from Operations	26.9	1,228.9	766.5	1,755.0	521.4	834.4
	Income tax paid (net of refunds)	1.9	88.6	37.2	108.4	110.2	37.1
	NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES	**25.0**	**1,140.3**	**729.3**	**1,646.6**	**411.2**	**797.3**
B	**CASH FLOW FROM INVESTING ACTIVITIES**						
	Purchase of Fixed Assets	(36.9)	(1,694.9)	(196.4)	(2,844.5)	(497.0)	(257.3)
	Net Sales(Net Purchase) of Investments	4.0	181.6	(102.5)	(53.2)	(115.9)	-
	Dividend income	0.0	0.9	1.5	5.6	4.4	13.0
	Sale of Investment						133.1
	Amalgamation of Group Companies						0.2
	Sale of Fixed Assets	0.1	5.4	42.6	49.0	14.2	16.0
	Interest income	0.3	11.7	5.1	10.7	9.4	13.9
	Deferred revenue expenditure incurred		0.1	(1.8)			
	NET CASH INFLOW / (OUTFLOW) FROM INVESTING ACTIVITIES	**(32.6)**	**(1,495.2)**	**(251.5)**	**(2,832.4)**	**(584.9)**	**(81.1)**
C	**CASH FLOW FROM FINANCING ACTIVITIES**						
	Amount Borrowed / (Amount repaid)	12.1	557.7	(208.5)	1,740.8	546.5	(1.1)
	Finance charges	(2.4)	(108.4)	(19.7)	(65.1)	(32.7)	(25.6)
	Advance against equity in Subsidiary					(2.0)	2.0
	Redeemed Pref. Share Capital					(6.5)	
	Redemption of Pref Shares						(290.0)
	Equity capital in subsidiary						12.0
	Unclaimed Dividend increase/(paid)			(0.2)	(0.3)	(2.8)	
	Dividend paid (including tax on dividends)	(4.8)	(221.4)	(185.3)	(393.5)	(322.0)	(326.5)
	NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	**4.9**	**227.9**	**(413.7)**	**1,281.9**	**180.5**	**(629.2)**

		Half year ended September 30			Year ended March 30		
		2006	2006	2005	2006	2005	2004
		US $ in million	Rs. in million		Rs. in million		
D	**Effect of exchange differences on translation of foreign currency**	**0.2**	**11.8**	**(2.7)**	**(19.7)**	**(8.8)**	**(0.1)**
E	**NET INCREASE / (DECREASE) IN CASH & CASH EQUIVALENTS**	(2.5)	(115.2)	61.4	76.4	(2.0)	86.9
F	**Cash and cash equivalents - opening balance (As on April 1)**	9.0	414.6	338.2	338.2	340.2	253.3
G	**Cash and cash equivalents - closing balance**	**6.5**	**299.4**	**399.6**	**414.6**	**338.2**	**340.2**

Schedules to Balance sheet

	September 30			March 31		
	2006	2006	2005	2006	2005	2004
	US $ in millions	Rs. in millions		Rs. in millions		
SCHEDULE 'A'						
SHARE CAPITAL						
AUTHORISED						
Equity Shares	14.2	650.0	600.0	600.0	600.0	300.0
As at March 31, 2004 :						
30,000,000 equity shares of Rs. 10 each						
As at March 31, 2005 :						
60,000,000 equity shares of Rs. 10 each						
As at March 31, 2006 :						
60,000,000 equity shares of Rs. 10 each						
As at September 30, 2005 :						
60,000,000 equity shares of Rs. 10 each						
As at September 30, 2006 :						
65,000,000 equity shares of Rs. 10 each						
Preference Shares	32.6	1,500.0				300.0
As at March 31, 2004 :						
30,000,000 preference shares of Rs. 10 each						
As at September 30, 2006 :						
150,000,000 preference shares of Rs. 10 each						
	46.8	**2,150.0**	**600.0**	**600.0**	**600.0**	**600.0**
ISSUED AND SUBSCRIBED :						
Equity Shares	12.6	580.0	580.0	580.0	580.0	290.0
As at March 31, 2004 :						
29,000,000 equity shares of Rs. 10 each						
As at March 31, 2005 :						
58,000,000 equity shares of Rs. 10 each						
As at March 31, 2006 :						
58,000,000 equity shares of Rs. 10 each						
As at September 30, 2005 :						
58,000,000 equity shares of Rs. 10 each						
As at September 30, 2006 :						
58,000,000 equity shares of Rs. 10 each						
The above includes :						
29,000,000 equity shares issued IN 2004-05 as fully paid bonus shares by						
	12.6	**580.0**	**580.0**	**580.0**	**580.0**	**290.0**
SCHEDULE 'B'						
RESERVES AND SURPLUS						
CAPITAL REDEMPTION RESERVE						
As on April 1					290.0	10.0
Add : Created on issue of 8% Redeemable Preference Shares						280.0
Less : Utilised for issue of bonus equity shares					290.0	
						290.0

GENERAL RESERVE

	September 30			March 31		
	2006	2006	2005	2006	2005	2004
	US $ in millions	Rs. in millions		Rs. in millions		
As on April 1	6.1	279.9	171.5	171.5	97.8	361.3
Add : Transfer from Profit and Loss Account	1.3	58.0	46.9	98.9	73.8	58.0
Adjustment of deffered tax on impaired assets			9.5	9.5		0.2
	7.4	**337.9**	**227.9**	**279.9**	**171.6**	**419.5**
Less :						
Preference Share capital						280.0
Adjustment of impaired value of fixed assets						41.7
	7.4	**337.9**	**227.9**	**279.9**	**171.6**	**97.8**
Add: Adjustment on account of minority interest in accumulated losses of subsidiaries						
	7.4	**337.9**	**227.9**	**279.9**	**171.6**	**97.8**
TAX HOLIDAY RESERVE	2.7	125.1	92.2	99.7	73.0	18.8
CUMMULATIVE EXCHANGE DIFFERENCES (Translation adjustments)	(0.5)	(24.8)	(24.4)	(40.3)	(23.7)	(11.5)
PROFIT AND LOSS ACCOUNT	43.4	1,995.2	1,538.4	1,695.5	1,368.3	1,157.3
	53.0	**2,433.4**	**1,834.1**	**2,034.8**	**1,589.2**	**1,552.4**

Schedules to Balance sheet

	September 30			March 31		
	2006	2006	2005	2006	2005	2004
	US $ in millions	Rs. in millions		Rs. in millions		
SCHEDULE 'C'						
SECURED LOANS						
Term Loan from a Bank				2,000.0		
Working capital finance from banks	6.7	310.0	32.5	32.5	32.5	
(Secured by hypothecation of stocks in trade and debtors)						
Cash Credit Facility from banks	3.5	160.6				
(Secured by hypothecation of stocks in trade and debtors)						
	10.2	**470.6**	**32.5**	**2,032.5**	**32.5**	
SCHEDULE 'D'						
UNSECURED LOANS						
SHORT TERM						
Intercorporate deposits	1.1	50.0				
From Banks (Short term)	52.6	2,417.2	286.6	347.7	607.8	94.5
Other Loans	0.4	17.9	16.9	17.8	16.9	16.1
	54.1	**2,485.1**	**303.5**	**365.5**	**624.7**	**110.6**

SCHEDULE 'E' FIXED ASSETS

USD. in millions

PARTICULARS	GROSS BLOCK				DEPRECIATION/AMORTISATION					NET BLOCK	
	As at April 1	Additions	Deductions/ Adjustments	As at September 30	As at March 31	For the year	Deductions/ Adjustments	As at September 30		As at September 30	As at April 1
	2006			2006	2006			2006	Provisions for impairment 2006 (See note 2 below)	2006	2006
Tangible Assets											
Freehold land	0.3		0.0	0.3						0.3	0.3
Leasehold land	0.4	0.0	0.0	0.4	0.0	0.0	0.0	0.0		0.4	0.4
Buildings	8.2	0.1	(0.0)	8.3	1.4	0.1	(0.0)	1.5		6.8	6.8
Plant and machinery	35.9	2.9	(0.0)	38.8	20.8	1.7	0.0	22.5	1.7	14.6	13.5
Furniture and fittings	4.1	0.2	(0.0)	4.3	0.9	0.3	(0.0)	1.2		3.1	3.3
Vehicles	0.3	0.0	(0.0)	0.3	0.1	0.0	(0.0)	0.1		0.2	0.1
Intangible assets											
Trademarks and copyrights	44.0	34.0	(0.0)	78.0	1.0	2.5	(0.0)	3.5		74.5	42.9
Business & commercial rights	0.4			0.4	0.0	0.0		0.0		0.4	0.4
Other Intangibles	7.7		(0.1)	7.8	0.2	0.4	(0.0)	0.6		7.2	7.5
Computer software	2.3	0.1		2.4	1.9	0.1		2.0		0.4	0.4
TOTAL	103.6	37.3	(0.1)	141.0	26.3	5.1	(0.0)	31.4	1.7	107.9	75.7
Previous year	46.6	58.5	1.4	103.7	17.7	9.2	0.5	26.4	1.6	75.8	
Capital work-in-progress (at cost) including advances on capital account										**6.9**	**7.4**
										114.8	**83.1**

Notes:

1. Gross block includes: -
    - Freehold Land USD 0.0million and buildings USD 0.2 million where conveyance has been executed, pending registration
    - Plant and Machinery of USD 0.4 million and USD 0.9 million being assets given on operating lease and finance lease respectively prior to April 1, 2001.
2. Includes impairment for the year / period USD 0.1 million charged to profit and loss account under "Depreciation, amortisation and impairment"

SCHEDULE 'E' FIXED ASSETS

Rs. in millions

PARTICULARS	GROSS BLOCK				DEPRECIATION/AMORTISATION					NET BLOCK	
	As at April 1	Additions	Deductions/ Adjustments	As at September 30	As at April 1	For the year	Deductions/ Adjustments	As at September 30		As at September 30	As at April 1
	2006			2006	2006			2006	Provisions for impairment 2006 (See note 2 below)	2006	2006
Tangible Assets											
Freehold land	12.1		1.4	10.7						10.7	12.1
Leasehold land	17.9	1.4	1.0	18.3	1.3	0.1	0.1	1.3		17.0	16.6
Buildings	376.8	5.6	(1.0)	383.4	62.5	5.0	(0.1)	67.6		315.8	314.3
Plant and machinery	1,650.2	130.0	(0.2)	1,780.4	956.5	76.2	0.7	1,032.0	79.5	668.9	617.4
Furniture and fittings	190.6	10.8	(0.2)	201.6	40.5	12.4	(0.1)	53.0		148.6	150.1
Vehicles	12.0	0.8	(0.3)	13.1	5.5	0.8	(0.2)	6.5		6.6	6.5
Intangible assets											
Trademarks and copyrights	2,019.7	1,562.2	(0.5)	3,582.4	47.9	112.8	(0.5)	161.2		3,421.2	1,971.8
Business & commercial rights	20.1			20.1	1.0	1.2		2.2		17.9	19.1
Other Intangibles	356.0		(6.7)	362.7	11.3	19.9	(0.6)	31.8		330.9	344.7
Computer software	106.1	6.0		112.1	86.6	6.1		92.7		19.4	19.5
TOTAL	**4,761.5**	**1,716.8**	**(6.5)**	**6,484.8**	**1,213.1**	**234.5**	**(0.7)**	**1,448.3**	**79.5**	**4,956.9**	**3,472.1**
Previous year	2,139.7	2,687.9	66.1	4,761.5	812.3	422.7	21.9	1,213.1	76.3		
Capital work-in-progress (at cost) including advances on capital account										**318.7**	**340.6**
										5,275.6	**3,812.7**

Notes :

1. Gross block includes: -
   - Freehold Land Rs. 1.5million and buildings Rs. 9.3 million where conveyance has been executed, pending registration
   - Plant and Machinery of Rs. 19.8 million and Rs. 39.5 million being assets given on operating lease and finance lease respectively prior to April 1, 2001.
2. Includes impairment for the year / period Rs. 3.2 million charged to profit and loss account under "Depreciation, amortisation and impairment"

SCHEDULE 'E' FIXED ASSETS

Rs. in millions

PARTICULARS	**GROSS BLOCK**				**DEPRECIATION/AMORTISATION**					**NET BLOCK**	
	As at March 31	**Additions**	**Deductions/ Adjustments**	**As at September 30**	**As at March 31**	**For the Period**	**Deductions/ Adjustments**	**As at September 30**		**As at September 30**	**As at March 31**
	2005			**2005**	**2005**			**2005**	**Provisions for impairment 2005 (See note 2 below)**	**2005**	**2005**
Tangible Assets											
Freehold land	12.1			12.1						12.1	12.1
Leasehold land	17.9			17.9	1.0	0.1		1.1		16.8	16.9
Buildings	405.1	3.8	32.7	376.2	58.6	4.5	4.8	58.3		317.9	346.5
Plant and machinery	1,412.1	155.4	20.1	1,547.4	643.2	92.6	14.6	721.2	76.3	749.9	716.6
Furniture and fittings	115.4	39.8		155.2	17.8	10.3	(0.3)	28.4		126.8	97.6
Vehicles	12.6		0.1	12.5	4.1	0.8		4.9		7.6	8.5
Intangible assets											
Trademarks and copyrights	72.3		(0.4)	72.7	10.0	2.4	(0.1)	12.5		60.2	62.3
Business & commercial rights	1.6	41.6		43.2	0.4			0.4		42.8	1.2
Computer software	90.6	6.3		96.9	77.1	4.1		81.2		15.7	13.5
TOTAL	**2,139.7**	**246.9**	**52.5**	**2,334.1**	**812.2**	**114.8**	**19.0**	**908.0**	**76.3**	**1,349.8**	**1,275.2**
Previous year	1,751.8	410.0	22.1	2,139.7	682.5	137.2	7.4	812.3	52.3		
Capital work-in-progress (at cost) including advances on capital account										**133.3**	**184.0**
										1,483.1	**1,459.2**

Note :

1. Gross block includes: -
    - Freehold Land Rs. 1.5 million and buildings Rs. Nil pending execution of conveyance.
    - Plant and Machinery of Rs. 17.7 million and Rs. 39.5 million being assets given on operating lease and finance lease respectively prior to April 1, 2001.
2. Includes impairment for the half year Rs. 24.0 million charged to profit and loss account under "Depreciation, amortisation and impairment"

SCHEDULE 'E' FIXED ASSETS

Rs. in millions

PARTICULARS	GROSS BLOCK				DEPRECIATION/AMORTISATION					NET BLOCK	
	As at March 31	Additions	Deductions/ Adjustments	As at March 31	As at March 31	For the year	Deductions/ Adjustments	As at march 31		As at March 31,	
	2005			2006	2005			2006	Provisions for impairment 2006 (See note 2 below)	2006	2005
Tangible Assets											
Freehold land	12.1			12.1						12.1	12.1
Leasehold land	17.9			17.9	1.1	0.2		1.3		16.6	16.8
Buildings	405.2	4.7	33.1	376.8	58.6	8.9	5.0	62.5		314.3	346.6
Plant and machinery	1,412.1	267.8	29.7	1,650.2	643.2	329.6	16.3	956.5	76.3	617.4	716.6
Furniture and fittings	115.4	76.2	1.0	190.6	17.8	23.1	0.4	40.5		150.1	97.6
Vehicles	12.6		0.6	12.0	4.1	1.6	0.2	5.5		6.5	8.5
Intangible assets											
Trademarks and copyrights	72.3	1,946.0	(1.4)	2,019.7	10.0	37.7	(0.2)	47.9		1,971.8	62.3
Business & commercial rights	1.6	18.5		20.1	0.4	0.6		1.0		19.1	1.2
Other Intangibles		359.1	3.1	356.0		11.5	0.2	11.3		344.7	
Computer software	90.5	15.6		106.1	77.1	9.5		86.6		19.5	13.4
TOTAL	**2,139.7**	**2,687.9**	**66.1**	**4,761.5**	**812.3**	**422.7**	**21.9**	**1,213.1**	**76.3**	**3,472.1**	**1,275.1**
Previous year	1,751.8	410.0	22.1	2,139.7	682.5	137.2	7.4	812.3	52.3		
Capital work-in-progress (at cost) including advances on capital account										340.7	184.0
										3,812.8	1,459.1

Notes :

1. Gross block includes: - Freehold Land Rs. 3.0 million and buildings Rs. 16.9million pending execution of conveyance.
   - Plant and Machinery of Rs. 21.5 million and Rs. 39.5 million being assets given on operating lease and finance lease respectively prior to April 1, 2001.
   - Trademarks Rs. 933.0 million pending registration
2. Includes impairment for the year Rs. 24.0 million charged to profit and loss account under "Depreciation, amortisation and impairment"
3. Intangible assets include Rs. 2112.7 million, which are to be offered as security for borrowing of Rs. 2000.0 million referred in Schedule C.
4. Other Intangibles comprise non-compete fees for Manjal and Nihar, Designs and Know-How for Nihar
5. Capital work-in-progress includes Overseas Trademarks Rs. 117.3 paid as advance towards acquisition of overseas trademarks.

SCHEDULE 'E' FIXED ASSETS

Rs. in millions

PARTICULARS	GROSS BLOCK				DEPRECIATION/AMORTISATION					NET BLOCK	
	As at March 31	Additions	Deductions/ Adjustments	As at March 31	As at March 31	For the year	Deductions/ Adjustments	As at March 31		As at March 31,	
	2004			2005	2004			2005	Provisions for impairment 2005 (See note 2 below)	2005	2004
Tangible Assets											
Freehold land	12.1			12.1						12.1	12.1
Leasehold land	11.5	6.4		17.9	0.8	0.3		1.1		16.8	10.7
Buildings	374.0	31.3	0.1	405.2	49.7	9.0	0.1	58.6		346.6	324.3
Plant and machinery	1,143.7	288.2	19.8	1,412.1	5,39.0	1,10.7	6.5	643.2	52.3	716.6	563.0
Furniture and fittings	49.1	66.7	0.4	115.4	11.1	6.8	0.1	17.8		97.6	38.0
Vehicles	12.7	1.1	1.2	12.6	3.1	1.5	0.5	4.1		8.5	9.6
Intangible assets											
Trademarks and copyrights	72.7		0.4	72.3	5.2	4.8		10.0		62.3	67.5
Business & commercial rights	1.6			1.6	0.3	0.1		0.4		1.2	1.3
Computer software	74.4	16.3	0.2	90.5	73.3	4.0	0.2	77.1		13.4	1.1
TOTAL	**1,751.8**	**4,10.0**	**22.1**	**2,139.7**	**6,82.5**	**1,37.2**	**7.4**	**8,12.3**	**52.3**	**1,275.1**	**1,027.6**
Previous year	1,514.2	2,80.2	42.6	1,751.8	5,76.9	1,28.3	22.7	6,82.5	41.7		
Capital work-in-progress (at cost) including advances on capital account										184.0	96.9
										1,459.1	1,124.5

Notes :

1. Gross block includes: - Freehold Land Rs. 4.4 million and buildings Rs. 16.9million pending execution of conveyance.
   - Plant and Machinery of Rs. 17.7 million and Rs. 39.5 million being assets given on operating lease and finance lease respectively prior to April 1, 2001.
2. Includes impairment for the year Rs. 10.6 million charged to profit and loss account under "Depreciation, amortisation and impairment"

SCHEDULE 'E' FIXED ASSETS

Rs. in millions

PARTICULARS	GROSS BLOCK				DEPRECIATION/AMORTISATION					NET BLOCK	
	As at March 31	Additions	Deductions/ Adjustments	As at March 31	As at March 31	For the year	Deductions/ Adjustments	As at march 31		As at March 31,	
	2003			2004	2003			2004	Provisions for impairment 2004 (See note 2 below)	2004	2003
Tangible Assets											
Freehold land	10.7	1.4		12.1						12.1	10.7
Leasehold land	11.3	0.2		11.5	0.6	0.2		0.8		10.7	10.6
Buildings	358.6	15.4		374.0	42.0	7.7		49.7		324.3	316.6
Plant and machinery	950.4	225.8	32.5	1,143.7	450.3	110.6	21.9	539.0	41.7	563.0	500.1
Furniture and fittings	18.4	31.1	0.4	49.1	8.8	2.3	-	11.1		38.0	9.6
Vehicles	12.6	4.0	3.9	12.7	2.5	1.2	0.6	3.1		9.6	10.1
Intangible assets											
Trademarks and copyrights	78.5		5.8	72.7	0.4	5.0	0.2	5.2		67.5	78.1
Business & commercial rights	1.6			1.6	0.2	0.1		0.3		1.3	1.3
Computer software	72.1	2.3		74.4	72.1	1.2		73.3		1.1	0.1
TOTAL	**1,514.2**	**280.2**	**42.6**	**1,751.8**	**576.9**	**128.3**	**22.7**	**682.5**	**41.7**	**1,027.6**	**937.2**
Previous year	1,878.0	223.7	587.5	1,514.2	490.4	219.7	133.2	576.9			
Capital work-in-progress (at cost) including advances on capital account										96.9	119.8
										1,124.5	**1,057.0**

Note :

1. Gross block includes: - Freehold Land Rs. 3.0 million and buildings Rs. Nil pending execution of conveyance.

   - Plant and Machinery of Rs. 21.5 million and Rs. 39.5 million being assets given on operating lease and finance lease respectively prior to April 1, 2001.

2. Plant and Machinery includes Rs. 17.6 Million being cost of asset taken on finance lease after April 1, 2001. Net Carrying value as on March 31, 2004-Rs. 1.0 million.

Schedules to Balance sheet

	September 30			March 31		
	2006	2006	2005	2006	2005	2004
	US $ in millions	Rs. in millions		Rs. in millions		
SCHEDULE 'F'						
INVESTMENTS (Non Trade)						
LONG TERM - UNQUOTED /AT COST						
Government Securities :						
National Savings Certificates (Deposited with Government authorities)		0.1	0.1	0.1	0.1	0.1
		0.1	**0.1**	**0.1**	**0.1**	**0.1**
Investment in Mutual Fund Units						
Birla Cash Sweep Plan 664 a/c		0.8	17.8		3.6	
As at March 31, 2005 :						
358,226.5 Units of Rs. 10 each fully paid						
As at September 30, 2005 :						
1,771,149 Units of Rs. 10 each fully paid						
As at September 30, 2006 :						
79,589.32 Units of Rs. 10 each fully paid						
Birla Cash Sweep Plan 884 a/c	0.2	8.3			9.1	
As at March 31, 2005 :						
902,520.4 Units of Rs. 10 each fully paid						
As at September 30, 2006 :						
826340.56 Units of Rs. 10 each fully paid						
Pru ICICI Floating Rate Plan C - Growth			14.0		40.0	
As at March 31, 2005 :						
3,868,920 Units of Rs.10 each fully paid						
As at September 30, 2005 :						
1,337,300 Units of Rs.10 each fully paid						
Reliance Fixed monthly Plan -PlanVI-Growth			30.0			
3,000,000 Units of Rs.10 each fully paid						
Tata Liquid Super High Investment Fund-Appreciation			42.4			
33,952 Units of Rs.1,000 each fully paid						
UTI Floating Rate Fund - Short Term plan (Growth option)			15.9			
1,438,711 Units of Rs.10 each fully paid						
UTI Liquid Cash Plan Institutional - Growth Plan			46.9			
42,111 Units of Rs.1,000 each fully paid						
Kotak Flexi Debt Scheme - Growth			10.0			
955,521 Units of Rs.10 each fully paid						
Tata Floating Rate short term institutional plan			50.0			
4,740,733 Units of Rs.10 each fully paid						
BIRLA MUTUAL FUND - Folio No. 1009689027			1.6	19.1		
As at September 30, 2005 :						
160,093 Units of Rs.10 each fully paid						
As at March 31, 2006 :						
1,901,366 Units of Rs.10 each fully paid						

	September 30			March 31		
	2006	2006	2005	2006	2005	2004
	US $ in millions	Rs. in millions		Rs. in millions		
Pru ICICI Floating Rate Plan D - Growth 479,931 Units of Rs. 10 each fully paid				4.9		
Tata Floating Rate short term institutional plan 51,318 Units of Rs.10 each fully paid				0.5		
Kotak FMP series XX - Growth 3,000,000 Units of Rs. 10 each fully paid				30.0		
Kotak FMP series XVI - Growth 3,000,000 Units of Rs. 10 each fully paid				30.0		
DSP Merrill Lynch Liquidity Fund - Institutional - growth 99,256 Units of Rs. 1,000 each fully paid				100.1		
Reliance Medium Term Fund - Growth Plan - Bonus Option 2,036,689.5 units of Rs. 10 each fully paid					71.4	
Birla Cash Plus Sweep Plan Dividend 466,225 units of Rs. 10 each fully paid						4.7
	0.2	**9.1**	**228.6**	**184.6**	**124.1**	**4.7**
	0.2	**9.2**	**228.7**	**184.7**	**124.2**	**4.8**

Schedules to Balance sheet

SCHEDULE 'G'

INVENTORIES

(As valued and certified by the management)

	September 30			March 31		
	2006	2006	2005	2006	2005	2004
	US $ in millions	Rs. in millions		Rs. in millions		
Raw materials	14.2	652.3	367.1	460.4	480.5	365.9
Packing materials	7.1	325.2	171.8	231.6	173.3	122.4
Work-in-process	5.1	232.8	209.1	138.6	117.8	152.6
Finished products	15.3	707.8	432.4	399.7	360.9	318.9
Stores, spares and consumables	1.6	74.3	27.2	64.5	40.4	19.0
By-products	0.2	7.7	12.2	8.1	12.1	3.2
Goods in Transit	0.4	18.0	15.6	20.0	11.8	16.1
	43.9	**2,018.1**	**1,235.4**	**1,322.9**	**1,196.8**	**998.1**

	September 30			March 31		
	2006	2006	2005	2006	2005	2004
	US $ in millions	Rs. in millions		Rs. in millions		
SCHEDULE 'H'						
SUNDRY DEBTORS						
Unsecured						
Over six months - Considered good			0.1	10.3	7.1	0.3
- Considered doubtful	0.5	21.0	19.7	20.5	19.7	15.7
	0.5	21.0	19.8	30.8	26.8	16.0
Less: Provision for doubtful debts	0.5	21.0	19.7	20.5	19.7	15.7
			0.1	**10.3**	**7.1**	**0.3**
Other Debts - Considered good	15.0	689.3	587.0	504.3	484.7	345.0
- Considered doubtful		1.2				0.4
	15.0	690.5	587.0	504.3	484.7	345.4
Less: Provision for doubtful debts		1.2				0.4
	15.0	689.3	587.0	504.3	484.7	345.0
	15.0	**689.3**	**587.1**	**514.6**	**491.8**	**345.3**
SCHEDULE 'I'						
CASH AND BANK BALANCES						
Cash on hand	0.2	10.2	10.1	8.5	4.2	1.7
Cheques on hand				0.6		
Balances with scheduled banks:						
Fixed deposits	0.2	8.0	130.0	101.1	150.7	73.9
Margin accounts (Against Bank guarantees)	0.4	18.5	14.9	14.9	15.0	15.0
Current accounts	2.4	108.7	244.6	148.6	168.3	249.6
Balances with non-scheduled banks:						
Fixed Deposits	2.4	113.9				
Current Accounts	0.9	40.1		140.9		
	6.5	**299.4**	**399.6**	**414.6**	**338.2**	**340.2**

	September 30			March 31		
	2006	2006	2005	2006	2005	2004
	US $ in millions	Rs. in millions		Rs. in millions		
Schedules to Balance sheet						
SCHEDULE 'J'						
LOANS AND ADVANCES						
(Unsecured-considered good, unless otherwise stated)						
Loans						
Inter corporate deposits					90.0	
Advances recoverable in cash or in					152.1	
kind or for value to be received	7.6	348.5	310.6	313.6		111.0
Deposits	3.2	148.3	94.4	133.9	109.4	93.9
Balances with central excise authorities	0.1	3.7	2.6	4.0	1.3	0.5
Interest accrued but not due on loans / deposits	0.1	2.5	4.2	6.5	4.0	
Income tax payments, net of provision			12.7	3.3	43.8	15.6
Fringe benefit tax payments, net of provisions				3.8		
MAT Credit Entitlement	0.4	19.0		65.8		
Assets held for disposal		0.3	0.3	0.3		
	11.4	**522.3**	**424.8**	**531.2**	**400.6**	**221.0**
SCHEDULE 'K'						
CURRENT LIABILITIES						
Sundry creditors	50.4	2,315.6	1,310.8	1,406.0	943.9	777.2
Other liabilities	3.2	146.5	109.8	87.1	25.8	69.8
Book overdraft					7.0	5.9
Security deposits	0.3	12.0	13.0	12.6	13.1	15.4
Interest accrued on loans but not due	0.1	4.6	1.8	0.1	1.5	0.8
Unclaimed Dividend		2.0	2.0	1.8	2.1	4.8
Unclaimed Redeemed 8% Preference Share capital		0.3	0.3	0.3	0.3	6.8
	54.0	**2,481.0**	**1,437.7**	**1,507.9**	**993.7**	**880.7**
SCHEDULE 'L'						
PROVISIONS						
Income tax (net of payments)	1.8	81.5				
Fringe benefit tax (net of payments)	0.1	3.1				
Leave encashment	1.5	71.2	40.7	64.1	34.8	40.4
Interim Dividend	1.8	87.0	81.2	116.0	101.6	72.5
Tax on Interim Dividend	0.3	12.2	21.2	16.3	14.2	9.3
	5.5	**255.0**	**143.1**	**196.4**	**150.6**	**122.2**

Schedules to
Balance sheet

		September 30		March 31		
	2006	2006	2005	2006	2005	2004
	US $ in millions	Rs. in millions		Rs. in millions		
SCHEDULE 'M'						
MISCELLANEOUS EXPENDITURE						
Deferred Revenue Expenditure		1.9	3.1	2.5	3.8	5.1
		1.9	**3.1**	**2.5**	**3.8**	**5.1**

Schedules to Profit and loss account

	September 30			March 31		
	2006	2006	2005	2006	2005	2004
	US $ in millions	Rs. in millions		Rs. in millions		
SCHEDULE 'N'						
OTHER INCOME						
Income from current investments						
Profits on sale of units of mutual funds	0.1	6.0	2.0	7.3	3.5	
Dividend		0.9	1.5	5.6	4.4	13.0
Miscellaneous income	0.1	4.4	22.3	22.5	8.2	16.0
(Refer note 8,Schedule R)						
	0.2	**11.3**	**25.8**	**35.4**	**16.1**	**29.0**
SCHEDULE 'O'						
COST OF MATERIALS						
Raw materials consumed	66.4	3,054.9	2,492.0	4,832.5	5,255.3	4,713.3
Packing materials consumed	13.8	633.3	484.0	964.3	788.1	629.1
Stores and spares consumed	1.9	87.9	59.4	98.0	100.3	58.6
Purchase for resale	10.8	496.4	98.2	265.9	167.2	173.6
(Increase)/Decrease in stocks						
Opening stocks						
- Work-in-process	3.0	138.6	117.8	117.8	152.6	174.4
- By-products	0.2	8.1	12.1	12.1	3.1	15.3
- Finished products	8.7	399.7	372.7	372.7	318.9	286.8
Less :						
Closing stocks						
- Work-in-process	5.1	232.8	209.1	138.6	117.8	152.6
- By-products	0.2	7.7	12.2	8.1	12.1	3.1
- Finished products	15.3	707.8	432.4	399.7	372.7	318.9
	(8.7)	**(401.9)**	**(151.1)**	**(43.8)**	**(28.0)**	**1.9**
	84.2	**3,870.6**	**2,982.5**	**6,116.9**	**6,282.9**	**5,576.5**

Schedules to Profit and loss account

	September 30			March 31		
	2006	2006	2005	2006	2005	2004
	US $ in millions	Rs. in millions		Rs. in millions		
SCHEDULE 'P'						
MANUFACTURING AND OTHER EXPENSES						
Employees' costs :						
Salaries, wages and bonus	7.5	344.0	340.7	691.3	437.2	401.1
Contribution to provident fund and other funds	1.0	44.0	16.9	35.9	37.6	35.2
Welfare expenses	0.7	32.5	25.1	56.2	37.8	29.1
	9.2	420.5	382.7	783.4	512.6	465.4
Power, fuel and water	0.7	30.4	24.2	51.2	44.2	41.1
Contract manufacturing charges	5.6	258.5	189.2	380.5	325.8	371.2
Rent and storage charges	1.4	62.6	42.6	85.8	61.0	44.3
Repairs to Buildings	0.4	17.7	15.0	37.8	24.5	17.5
Repairs to Machinery	0.5	21.1	18.2	46.1	35.6	27.7
Repairs Others	0.1	5.8	5.5	10.8	6.8	5.1
Freight, forwarding and distribution expenses	6.2	284.3	221.5	430.8	378.3	345.8
Advertisement and sales promotion	20.9	965.8	621.8	1,387.8	968.3	718.2
Rates and taxes	0.3	13.8	2.3	7.4	4.9	3.4
Sales tax and cess	1.7	78.2	60.3	123.1	104.3	90.6
Provision for doubtful debts and advances		0.7	0.8	0.8	1.0	5.2
Printing, stationery and communication expenses	0.7	33.0	30.3	73.6	60.0	49.0
Travelling, conveyance and vehicle expenses	1.8	81.5	70.1	143.7	109.7	91.1
Royalty	0.1	3.7	1.0	1.9	2.0	
Insurance	0.2	8.3	6.0	12.6	11.7	10.6
Miscellaneous expenses	3.9	183.1	178.4	302.1	253.6	242.6
(Refer note 9, Schedule R)						
	53.7	**2,469.0**	**1,869.9**	**3,879.4**	**2,904.3**	**2,528.8**
SCHEDULE 'Q'						
FINANCE CHARGES						
Interest on						
Fixed period loans	1.9	83.3	2.1	29.9	5.3	1.8
Other loans	0.2	9.9	9.0	14.7	7.8	3.0
Bank and other financial charges	0.4	19.7	8.9	19.1	20.3	20.8
	2.5	112.9	20.0	63.7	33.4	25.6
Less : Interest income on loans, deposits, etc.	0.2	7.7	5.3	13.2	13.4	13.9
(Tax deducted at source : For the year ended March 31, 2004 : Rs. 2.3 milo For the year ended March 31, 2005 : Rs. 0.9 milo For the year ended March 31, 2006 : Rs. 0.8 milo For the half year ended September 30, 2005 : Rs. 0.9 milo For the half year ended September 30, 2006 : Rs. 0.8 milo)						
	2.3	**105.2**	**14.7**	**50.5**	**20.0**	**11.7**

NOTES TO ACCOUNTS

1) The Group and nature of its operations

Marico Limited (herein after referred to as 'the Company'), headquartered in Mumbai, India, together with its subsidiaries Marico Bangladesh Limited (MBL), MBL Industries Limited (MBLIL - subsidiary of Marico Bangladesh Limited), Kaya Skin Care Limited (KSCL) Marico Middle East FZE (MME), Kaya Middle East FZE (KME) and its joint venture Sundari LLC (together referred to as 'Marico' or 'Group'), carries on business in Branded Fast Moving Consumer Goods and Branded Services. In India, Marico manufactures and markets products under the brands Parachute, Nihar, Saffola, Sweekar, Hair & Care, Sil, Revive, Shanti, Oil of Malabar, Mediker and Manjal. Marico's products reach its consumers through retail outlets serviced by Marico's distribution network comprising 6 regional offices, 31 carrying & forwarding agents, 1 consignment agent, 5 redistribution centers and about 3600 distributors spread all over India. The Company's overseas markets comprise primarily the Middle East and SAARC countries. Marico has manufacturing facilities located at Goa, Kanjikode, Pondicherry, Daman, Jalgaon, Saswad and Dehradun supported by subcontracting units. Marico has a marketing and distribution alliance with Indo Nissin Foods Limited for Top Ramen instant noodles. Marico has the following subsidiaries/ joint venture:

- 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 SUNDÃRI;
- Marico Middle East FZE, in United Arab Emirates (UAE) set up for carrying on business, inter alia, in consumer products in the Middle East region
- Kaya Middle East FZE, a wholly owned subsidiary of Marico Middle East FZE set up for carrying on business, inter alia, in skin care services and products through Kaya Skin Clinics in the Middle East region.

2) Summary of significant accounting policies:

(a) Basis of preparation of financial statements

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

(b) Consolidation

The consolidated financial statements include the financial statements of Marico Limited, its subsidiaries and joint venture. The results of subsidiaries/joint venture are included from the date of acquisition of a controlling interest. All inter-company transactions are eliminated and the consolidated financial statements have been prepared using uniform accounting policies; except that:

iii) In case of KSCL, MBL, MBLIL and Sundari LLC, deferred tax asset / liability has not been accounted for.

iv) In case of KSCL, MBL, MBLIL and Sundari LLC, depreciation in respect of Plant & Machinery (except items specified in note 2(d)(I)(ii) below) is provided on Straight Line Method instead of Written down value method.

The assets and liabilities of foreign companies are translated at the year end exchange rate and all the items in the profit and loss account are translated at the average annual exchange rate. The resultant translation gains and losses are shown separately as 'Cumulative exchange difference (translation differences)' under Reserves and Surplus.

(c) Fixed assets

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

(d) Depreciation/Amortisation

i) Tangible assets

- Depreciation is provided on straight line basis at the higher of the rates, based on useful lives of the assets as estimated by the management every year or those stipulated by the respective statues in India, Bangladesh and the United States.

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

ii) Intangible assets

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

- 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 year

- Deferred revenue expenditure is amortised over a period of 5 years.

(e) Investments

i) Long term investments are valued at cost. Provision for diminution, if any, in the value of investments is made to recognise a decline, other than temporary.
ii) Current investments are valued at lower of cost and fair value, computed individually for each investment.

(f) Inventories

i) Raw material, packing material, stores, spares and consumables are valued at cost.
ii) Work-in-process and finished products are valued at lower of cost and net realisable value.
iii) By-products and unserviceable/damaged finished products are valued at net realisable value.
iv) Cost is ascertained on weighted average method and in case of work-in-process includes appropriate production overheads and in the case of finished products includes appropriate production overheads and excise duty.

(g) Research and development

Capital expenditure on research and development is allocated to fixed assets. Revenue expenditure is charged off in the year in which it is incurred.

(h) Revenue recognition

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

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

iii) Interest and other income are recognised on accrual basis.

iv) Revenue from services is recognized on rendering of the service.

(i) Retirement benefits

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

ii) Kaya Skin Care Limited has provided provident fund scheme as retirement benefit for the employees. Provident fund contributions are made to Regional Provident Fund Office and charged to revenue every year. During the year KSCL has also provided for the liability on account of leave encashment and gratuity. The Gratuity fund is yet to be formed.

(j) Foreign currency transactions

i) Foreign currency transactions during the year are recorded at the exchange rate prevailing on the date of the transaction.

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

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

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

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

(k) Accounting for taxes on income

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

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

3) Subsidiaries

(a) List of subsidiaries:

Name	Country of incorporation	Percentage of ownership interest As at Sep 30, 2006
Marico Bangladesh Limited	Bangladesh	100
MBL Industries Limited (Through Marico Bangladesh Limited)	Bangladesh	100
Kaya Skin Care Limited	India	100
Marico Middle East FZE	UAE	100
Kaya Middle East FZE (Through Marico Middle East FZE)	UAE	100

(b) The statutory accounting year of Marico Bangladesh Limited (MBL) and MBL Industries Limited (MBLIL) is October to September every year, which is different from that of Marico Limited. For the purpose of consolidation, MBL and MBLIL have audited financial statements for the year ended March 31, 2006, 2005 and 2004 and unaudited financial statements for the half year ended September 30, 2006 and September 30, 2005.

4) Joint ventures

(a) List of joint ventures:

Name	Country of incorporation	Percentage of ownership interest As at Sep 30, 2006
Sundari LLC.	United States of America	75.5

(b) The statutory accounting year of Sundari LLC is January to December every year, which is different from that of Marico Limited. However, for the purpose of consolidation Sundari LLC has prepared financial statements for the relevant period which have not been audited.

(c) In compliance with the requirement of revision to AS 27 'Financial Reporting of Interests in Joint Ventures' issued by the Institute of Chartered Accountants of India, which comes into effect in respect of all accounting periods commencing on or after April 1, 2004, the Company has consolidated the result of Sundari LLC in accordance with the requirements of AS 21 (Consolidated Financial Statements).

5) Contingent liabilities

		Sept 30 2006	Sept 30 2006	Sept 30 2005	March 31 2006	March 31 2005	March 31 2004
		(US $ Millions)	(Rs. Millions)				
(a)	**Contingent Liabilities not provided in respect of:**						
(i)	Counter Guarantees given to banks on behalf of subsidiaries	8.1	374.0	29.5	364.1	29.5	53.1
(ii)	Sales tax/cess claims disputed by the Company	0.5	21.8	35.5	8.7	36.6	37.2
(iii)	Income tax and interest demands raised by authorities & disputed by the Company	1.8	81.2	74.5	81.2	74.5	44.0
(iv)	Claims of custom authorities Disputed by the Company	1.0	48.0		18.4		
(v)	Claims against the Company not acknowledged as debts	0.7	30.2	36.5	30.1	30.3	33.0
(vi)	Service tax disputed by the Company	0.1	3.7				
(b)	**Amount outstanding towards Letter of Credit**	0.1	5.6		3.2	22.4	

6) Additional information on assets taken on lease

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

	Sept 30 2006	Sept 30 2006	Sept 30 2005	March 31 2006	March 31 2005	March 31 2004
	(US $ Millions)	(Rs. Millions)				
Lease rental payment for the year	0.1	6.7	3.6	13.6	11.6	2.1
Future minimum lease rental payment payable						
• not later than one year	0.2	9.4	7.3	10.7	11.4	4.4
• later than one year but not later than five years	0.4	16.9	3.3	3.7	9.8	8.3
Total	**0.7**	**33.0**	**14.2**	**28.0**	**32.8**	**14.8**

7) Based on the criteria prescribed under Accounting Standard 28 (AS 28) "Impairment of Assets" issued by the Institute of Chartered Accountants of India, which has become mandatory with effect from April 1, 2004, the Company had identified certain plant and machinery as 'impaired fixed assets'. The said amount had been provided for as impairment loss and included under "Depreciation, amortisation and Impairment" in the Profit & Loss Account.	0.1	3.2	24.0	24.0	10.6	42.3

8) Breakup of Miscellaneous income

	Sept 30 2006 (US $ Millions)	Sept 30 2006 (Rs. Millions)	Sept 30 2005	March 31 2006	March 31 2005	March 31 2004
Lease income	0.0	2.1	2.9	5.7	5.6	4.8
Insurance claims	0.0	1.5	1.0	2.3	1.7	2.7
Profit on sale of assets (net)	0.0	0.1	9.0	4.8	0.3	0.8
Interest Income on Tax refund	-	-	3.7	-	-	-

9) Breakup of Miscellaneous expenses

Net of write back of earlier year's provision no longer required
For the year ended March 31, 2006 : Rs. 45.0 milo
For the year ended March 31, 2005 : Rs. 22.8 milo

	Sept 30 2006 (US $ Millions)	Sept 30 2006 (Rs. Millions)	Sept 30 2005	March 31 2006	March 31 2005	March 31 2004
Commission and brokerage	0.8	38.4	7.0	62.4	17.2	13.7
Donations	0.0	0.6	1.9	3.8	1.7	0.7
Labour charges	0.2	8.5	6.2	13.5	11.8	7.8
Training and seminar expenses	0.3	12.1	15.1	24.1	24.2	17.6
Outside services	0.4	17.0	10.5	25.0	18.2	14.0
Professional charges	0.8	38.7	35.0	86.0	84.6	31.8
Loss on sale / discarding of Assets (net)	-	-	-	-	-	3.8
Audit fees	0.0	1.7	1.1	2.3	2.2	1.5
Tax audit fees	0.0	0.4	0.3	0.7	0.3	0.2
Payment to auditors for other Services	-	-	0.2	0.6	2.5	0.9
Reimbursement to auditors for out-of-pocket expenses	-	-	0.0	0.1	0.1	0.5
Loss on sale of current Investments	-	-	-	-	-	1.1

10)

	Sept 30 2006 (US $ Millions)	Sept 30 2006 (Rs. Millions)	Sept 30 2005	March 31, 2006	March 31, 2005	March 31, 2004
Research and development expenses included under the relevant heads in the profit and loss account.	0.3	13.8	10.9	32.8	29.4	24.0

11)

Exchange gain (net) included under the relevant heads in the profit and loss account.	(0.0)	(1.9)	5.6	3.1	(2.3)	(11.0)

12) Break-up of deferred tax liability

	Sept 30, 2006	Sept 30, 2006	Sept 30, 2005	March 31, 2006	March 31, 2005	March 31, 2004
	(US $ Millions)	(Rs. Millions)				
Deferred tax asset:						
Provision for doubtful debtors/advances that are deducted for tax purposes when written off	0.1	6.6	6.6	8.0	8.2	7.3
Liabilities that are deducted for tax purpose when paid	0.7	33.1	16.7	30.4	16.2	23.2
Total Deferred tax asset	0.8	39.7	23.3	38.4	24.4	30.5
Deferred tax liability:						
Additional depreciation on fixed assets for tax purposes due to higher tax depreciation rates	3.6	167.2	71.1	121.2	84.9	92.9
Total Deferred tax liability	3.6	167.2	71.1	121.2	84.9	92.9
Deferred tax liability (Net)	2.8	127.5	47.8	82.8	60.5	62.4

13) Earnings per share:

	Sept 30 2006	Sept 30 2006	Sept 30 2005	March 31, 2006	March 31, 2005	March 31, 2004
	(US $ Millions)	(Rs. Millions)				
Profit after taxation	12.3	563.8	410.0	868.8	701.4	589.6
Preference Dividend and Tax thereon	-	-	-	-	-	26.2
Profit after Tax and preference dividend	12.3	563.8	410.0	868.8	701.4	563.4
Equity shares outstanding as at the year end	58,000,000	58,000,000	58,000,000	58,000,000	58,000,000	29,000,000
Bonus shares allotted during the year	-	-	-	-	-	29,000,000
Weighted average number of equity shares used as denominator for calculating basic and diluted earnings per share	58,000,000	58,000,000	58,000,000	58,000,000	58,000,000	58,000,000
Nominal value per equity share		Rs.10.00	Rs.10.00	Rs.10.00	Rs.10.00	Rs.10.00
Basic and diluted earnings per equity share – pre bonus	USD. 0.2	Rs.9.72	Rs.7.07	Rs.14.98	Rs.12.09	Rs.19.42
Basic and diluted earnings per equity share – post bonus	USD. 0.2	Rs.9.72	Rs.7.07	Rs.14.98	Rs.12.09	Rs.9.71

In accordance with Accounting Standard 20 'Earning Per Share' issued by the Institute of Chartered Accountants of India the weighted average number of equity shares (the denominator) used for calculation of earnings per equity share for the year ended March 31, 2004, is after considering bonus shares, which was approved by the members at the Extra-ordinary General Meeting held on April 21, 2004.

14) Segment Information

Marico has three business segments - Consumer Products (comprising consumer product business of Marico Limited and Marico Bangladesh Limited alongwith its wholly owned subsidiary MBL Industries Limited), Skin Care (comprising Kaya Skin Care Limited and skin care business of Marico Limited in Dubai) and Global Ayurvedics (Sundari LLC.). Segment Revenue, Results and Capital Employed figures include the respective amounts identifiable to each of the segments. The composition of these segments is given below:

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

a. Primary Segment Information

For the half year ended:

	September 30, 2006			September 30, 2006			September 30, 2005		
	Consumer Products	**Others**	**Total**	**Consumer Products**	**Others**	**Total**	**Consumer Products**	**Others**	**Total**
	US $ In Millions			**Rs. In Millions**					
Segment revenue									
External sales	155.3	8.1	163.4	7,135.8	371.8	7,507.6	5,214.7	243.0	5,457.7
Inter-segment sales	-	-	-	-	-	-	-	-	-
Total revenue	155.3	8.1	163.4	7,135.8	371.8	7,507.6	5,214.7	243.0	5,457.7
Segment Result	21.9	(1.4)	20.5	1,004.3	(63.5)	940.8	621.2	(131.4)	489.8
Unallocated corporate expenses			-			-			-
Operating profit			20.5			940.8			489.8
Interest expenses			2.5			112.9			20.0
Interest income			0.2			7.7			5.3
Net profit before tax ,minority interest and goodwill			18.2			835.6			475.1
Minority interest in losses			-			-			-
Goodwill on consolidation			-			-			-
Net profit before tax and after minority interest			18.2			835.6			475.1

	September 30, 2006			September 30, 2006			September 30, 2005		
	Consumer Products	Others	Total	Consumer Products	Others	Total	Consumer Products	Others	Total
	US $ In Millions			Rs. In Millions					
Other information									
Segment assets	169.1	18.0	187.1	7,772.4	826.7	8,599.1	3,628.1	737.9	4,366.0
Unallocated Corporate assets			5.1			233.6			12.7
Total assets	169.1	18.0	192.2	7,772.4	826.7	8,832.7	3,628.1	737.9	4,378.7
Segment liabilities	92.6	22.9	115.5	4,262.5	1,046.7	5,309.2	1,695.1	78.7	1,773.8
Unallocated Corporate liabilities			8.3			382.6			190.9
Total liabilities	92.6	22.9	123.8	4,262.5	1,046.7	5,691.8	1,695.1	78.7	1,964.7
Capital expenditure	34.2	3.2	37.4	1,570.3	146.6	1,716.9	86.0	161.0	247.0
Depreciation, impairment and amortisation	4.1	1.1	5.2	187.7	50.7	238.4	57.4	83.8	141.2

For the year ended

	March 31, 2006			March 31, 2005			March 31, 2004		
	Consumer Products	Others	Total	Consumer Products	Others	Total	Consumer Products	Others	Total
	Rs. In Millions								
Segment revenue									
External sales	10898.7	540.7	11439.4	9807.0	263.4	10070.4	8759.5	91.3	8850.8
Inter-segment sales	-	-	-	-	-	-	-	-	-
Total revenue	10898.7	540.7	11439.4	9807.0	263.4	10070.4	8759.5	91.3	8850.8
Segment Result	1280.4	(-)249.9	1030.5	894.1	(143.9)	750.2	739.3	(94.5)	644.8
Operating profit			1030.5			750.2			644.8
Interest expenses			63.7			33.4			25.6
Interest income			13.2			13.4			13.9
Net profit before tax ,minority interest and goodwill			980.0			730.2			633.2
Minority interest in losses			-			8.0			17.6
Goodwill on consolidation			-			4.7			-
Net profit before tax and after minority interest			980.0			742.9			650.8
Other information									
Segment assets	5721.0	790.4	6511.4	3071.4	669.0	3740.4	2665.6	373.4	3039.0
Unallocated Corporate assets			288.5	-	-	290.8			
Total assets	**5721.0**	**790.4**	**6799.9**	**3071.4**	**669.0**	**4031.2**	**2665.6**	**373.4**	**3039.0**
Segment liabilities	3823.7	83.4	3907.1	1593.0	57.9	1650.9	1136.0	39.9	1175.9
Unallocated Corporate liabilities			278.0	-	-	211.1			
Total liabilities	3823.7	83.4	4185.1	1593.0	57.9	1862.2	1136.0	39.9	1175.9
Capital expenditure	2452.2	235.9	2687.9	183.7	226.3	410.0	115.5	164.7	280.2
Depreciation, Amortisation and impairment	306.3	141.7	448.0	114.5	34.6	149.1	113.3	16.2	129.5

b. **Secondary Segment Information**

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

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

For the half year ended

Sales revenue by geographical market

Locations	September 30, 2006 Amount US $ In Millions	September 30, 2006 Amount Rs. In Millions	September 30, 2005 Amount Rs. In Millions
India	144.3	6,630.0	4905.0
Others (Middle East, SAARC countries and USA)	19.1	877.6	552.7
Total	163.4	7,507.6	5457.7

Carrying amount of assets and capital expenditure by geographical locations

	September 30, 2006			September 30, 2006			September 30, 2005		
	India US $ In Millions	Others US $ In Millions	Total US $ In Millions	India Rs. In Millions	Others Rs. In Millions	Total Rs. In Millions	India Rs. In Millions	Others Rs. In Millions	Total Rs. In Millions
Carrying amount of assets	136.0	56.3	192.2	6,247.1	2,585.6	8,832.7	3,937.9	440.7	4378.6
Capital expenditure	2.3	35.0	37.4	107.5	1,609.3	1,716.9	172.7	74.3	247.0

For the year ended

Sales revenue by geographical market

Locations	March 31, 2006 Amount (Rs. Millions)	March 31, 2005 Amount (Rs. Millions)	March 31, 2004 Amount (Rs. Millions)
India	10156.1	8909.9	8064.8
Others (Middle East, SAARC countries and USA)	1283.3	1160.5	786.0
Total	11439.4	10070.4	8850.8

Carrying amount of assets and capital expenditure by geographical locations

	March 31, 2006			March 31, 2005			March 31, 2004		
	India (Rs. Millions)	**Others (Rs. Millions)**	**Total (Rs. Millions)**	**India (Rs. Millions)**	**Others (Rs. Millions)**	**Total (Rs. Millions)**	**India (Rs. Millions)**	**Others (Rs. Millions)**	**Total (Rs. Millions)**
Carrying amount of assets	6087.2	712.7	6799.9	3600.9	430.3	4031.2	2938.2	100.8	3039.0
Capital expenditure	2582.2	105.7	2687.9	391.4	18.5	409.9	244.1	36.2	280.2

c. 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.

15) Related party disclosures

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

Nature of transactions:	Sept 30, 2006 (US $ Millions)	Sept 30, 2006 (Rs. Millions)	Sept 30, 2005 (Rs. Millions)	March 31, 2006 (Rs. Millions)	March 31, 2005 (Rs. Millions)	March 31, 2004 (Rs. Millions)
Remuneration for the period	0.1	5.2	5.2	10.5	11.0	8.9
Sale of residential premises		-	-	42.5	-	-

b) Employee: Rajvi Mariwala, daughter of Harsh Mariwala

Nature of transactions:	Sept 30, 2006 (US $ Millions)	Sept 30, 2006 (Rs. Millions)	Sept 30, 2005 (Rs. Millions)	March 31, 2006 (Rs. Millions)	March 31, 2005 (Rs. Millions)	March 31, 2004 (Rs. Millions)
Stipend for the period	0.0	0.3	-	0.1	-	-

c) Employee: Rishabh Mariwala, son of Harsh Mariwala

Nature of transactions:	Sept 30, 2006 (US $ Millions)	Sept 30, 2006 (Rs. Millions)	Sept 30, 2005 (Rs. Millions)	March 31, 2006 (Rs. Millions)	March 31, 2005 (Rs. Millions)	March 31, 2004 (Rs. Millions)
Stipend for the period	0.0	0.2	-	-	-	-

16) The figures have been restated / regrouped wherever necessary.

17) Important notes for various years:

a) For the year ended March 31,2004

i. Scheme of Amalgamation: The Hon'ble High Court of Mumbai, on February 12, 2004 sanctioned the scheme of amalgamation of the four investment Companies viz. erstwhile Anandita Arnav Trading & Investment Private Limited, Madhav Nandini trading & Investment Private Limited, Rajvi Rishabh Trading & Investment Private Limited & Rishabh Harsh Trading & Investment Private Limited (Collectively herein after referred to as 'Transferor Companies') with the Company. The Scheme was earlier approved by the shareholders in the court-convened meeting held on January 2, 2004.

Upon the scheme became effective on filing the Court Order with Registrar of Companies and in accordance with the Scheme:

- all assets of the Transferor Companies (as there were no liabilities as at the effective date) were transferred at their book values to the Company.
- the investment in equity and preference share capital of the Company as it appears in the books of account of the Transferor Companies were cancelled and the Company allotted equivalent number of equity and preference shares to the

shareholders of the Transferor Companies, which, therefore did not result in any change in the share capital of the Company.

- the excess of net assets value of the Transferor Companies, transferred to the Company as reduced by the face value of shares issued by the Company and adjusted for cancellation of equity and preference share capital as mentioned above was credited to the General Reserve Account, which amounted to Rs. 0.2 million.

ii) During the year MBL changed its method of accounting for depreciation from WDV method to SLM. This change of method resulted in a change of depreciation of Rs. 0.3 million to profit and loss account.

iii) As per the meeting held on March 15, 2004 the board of director of Marico Limited recommended issue of bonus equity shares in the ratio of 1:1 aggregating if Rs.290.0 million. The share holders have approved the recommendation in the extra ordinary general meeting held on April 21, 2004.

b) For the year ended March 31, 2006

i) The Company made the following acquisitions:-

- In January 2006, the herbal bath soap brand “Manjal” from Oriental Extractions Pvt. Ltd. for a total consideration of Rs. 70 million, excluding transaction costs.

- In February 2006, from Hindustan Lever Limited (HLL) assignable rights relating to the brand “Nihar” for a total consideration of Rs. 2160 million, excluding transaction costs. Such rights include all Trademarks, Copyrights, Technical Know-How and Designs in India and specified overseas countries. In addition, HLL has agreed to not compete with Marico Limited in the coconut oil category for a period of five years.

ii) During the year, the Company revised the useful lives of plant and machinery and furniture and fixtures at the Kaya Skin Clinics in Dubai and has depreciated the unamortized depreciable amount as at April 1,2005 over the remaining useful life resulting in an additional charge of Rs. 5.6 million. Consequently, depreciation charge for the year is higher by 5.6 million and profit for the year is lower by an equivalent amount.

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

- additional depreciation of Rs. 140.1 million in respect of earlier years is charged to the profit and loss account & included under "Depreciation, amortisation and impairment" of the current year
- the depreciation for the year ended March 31, 2006 is higher by Rs.9.0 million and deferred tax liability of Rs.34.3 million has been reversed as at March 31, 2006.

c) **For the half year ended September 30, 2006**

Financials include exceptional / one-time items as under:

i) Reversal of Provision made in 2005-06,no longer considered necessary amounting to Rs. 91.0 million.

ii) A charge for an additional provision for Income tax on account of short provision of income tax of earlier years amounting to Rs. 45.0 million. This relates to financial year 2000-01 and has been deemed necessary in view of a judicial decision, considered to have a bearing on the stand earlier taken by the company in respect of certain deductions from taxable income.

Signatures to Schedules A to R

For and on behalf of the Board of Directors

HARSH MARIWALA	Chairman and Managing Director
BIPIN SHAH	Director and Chairman of Audit Committee
MILIND SARWATE	Chief Financial Officer and Company Secretary

Place: Mumbai
Date: November 14, 2006

REGISTERED OFFICE OF THE COMPANY

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