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UNCOMMON SENSE

ANNUAL REPORT 2005-06

UNCOMMON SENSE

Apply conventional thinking and you'll only
come up with conventional solutions.
But open your mind, and you'll find a world
of opportunities opening up before you.

INFORMATION

BOARD OF DIRECTORS

Harsh Mariwala, Chairman & Managing Director
Bipin Shah, Chairman of Audit Committee
Rajeev Bakshi
Atul Choksey
Nikhil Khattau
Rajen Mariwala (Appointed w.e.f. April 27, 2005)
Jacob Kurian (Appointed w.e.f. July 26, 2005)
Hema Ravichandar (Appointed w.e.f. July 26, 2005)

MANAGEMENT TEAM

Harsh Mariwala, Chairman & Managing Director
Pankaj Bhargava, Chief - HR
Saugata Gupta, Chief - Sales & Marketing
Vinod Kamath, Chief - Supply Chain & IT
Rakesh Pandey, Chief Executive Officer - Kaya
Milind Sarwate, Chief Financial Officer
Vilas Shirhatti, Chief - Technology
Vijay Subramaniam, Chief Executive Officer
- International Business

COMPANY SECRETARY

Milind Sarwate

AUDIT COMMITTEE

Bipin Shah, Chairman
Rajeev Bakshi, Member
Nikhil Khattau, Member
Jacob Kurian, Member
Hema Ravichandar, Member
Milind Sarwate, Secretary to the Committee
Harsh Mariwala, Permanent Invitee

CORPORATE GOVERNANCE COMMITTEE

Hema Ravichandar, Chairperson
Rajeev Bakshi, Member
Jacob Kurian, Member
Milind Sarwate, Secretary to the Committee
Harsh Mariwala, Permanent Invitee

SHAREHOLDERS' COMMITTEE

Nikhil Khattau, Chairman
Rajen Mariwala, Member
Milind Sarwate, Secretary to the Committee

BANKERS

State Bank of Saurashtra
Citibank N.A.
Standard Chartered Bank
ICICI Bank Limited
HDFC Bank Limited

AUDITORS

RSM & Co., Chartered Accountants

INTERNAL AUDITORS

Aneja Associates, Chartered Accountants

REGISTERED OFFICE

Rang Sharda, Krishnachandra Marg,
Bandra Reclamation, Bandra (West),
Mumbai 400 050

PRESENCE IN THE SUB-CONTINENT

Factories - 8
Regional Offices - 4
Depots - 31

WEBSITES

www.maricoindia.com
www.kayaclinic.com
www.sundari.com
www.saffolalife.com

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A PERSONAL MESSAGE

Dear Shareholders,

I am pleased to communicate with you at the end of yet another successful year for Marico.

Continued Journey of Sustainable Profitable Growth

It was last year that we crossed the milestone of Rs. 1000 crore turnover. We have built on that achievement to post, for 2005-06, a turnover of Rs. 1144 crore (a growth of 14%) and a Profit After Tax (PAT) of Rs. 87 crore (a growth of 24%).

We have based our growth strategy on two pillars - sustainability and profitability. While the flagship brands post impressive growth to provide the core profitability, we also ensure sustainability by continuously tapping opportunities for new products and services. During 2005-06, prototypes saw us enter contiguous categories and develop brand extensions. We expect to convert these into successful national launches in the near future.

Acquisitions

Besides organic growth, we have also been open to exploring acquisitions in the chosen strategic turfs of Beauty and Wellness. Thus, during 2005-06, Marico successfully concluded four strategic brand acquisitions.

The acquisition of Camelia and Aromatic helped Marico Bangladesh Limited enter the Taka 6000 million (Rs. 420 crore) soaps market in Bangladesh. We also entered the soap market in India through the acquisition of the herbal soap brand Manjal, which has a strong franchise in Kerala. During February 2006, we acquired from Hindustan Lever Limited, Nihar, the coconut oil and perfumed coconut oil brand. This has further helped consolidate Marico's presence in coconut oil and increase market share to about 60%. Nihar has also brought strong distribution synergies that other Marico brands can leverage.

Margin Improvement

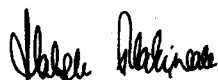
Your Company's products have enjoyed an improved pricing power, indicating stronger brand equity. This, along with its culture of prudent cost management, systematic improvement in efficiencies and favourable commodity prices has led to a marked improvement in operating margins. The Kaya business, too, contributed in margin improvement, as it achieved cash break-even, confirming our belief in the endeavour.

The Road Ahead

Over the past 15 years, your Company has grown in turnover from about Rs. 100 crore to cross the landmark of Rs. 1000 crore. We have now set our sights on making the next Rs. 1000 crore much faster. Our confidence to deliver stems from the foundation of an unshakeable consumer franchise, strong brands, a wide distribution network and a committed management.

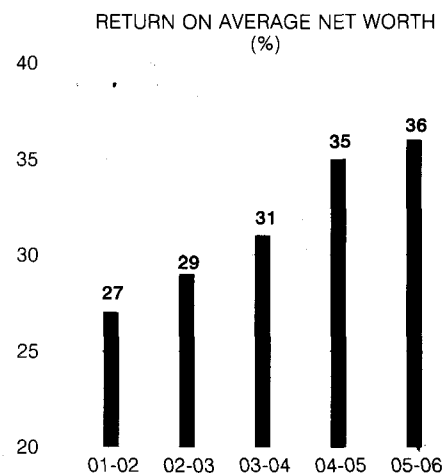
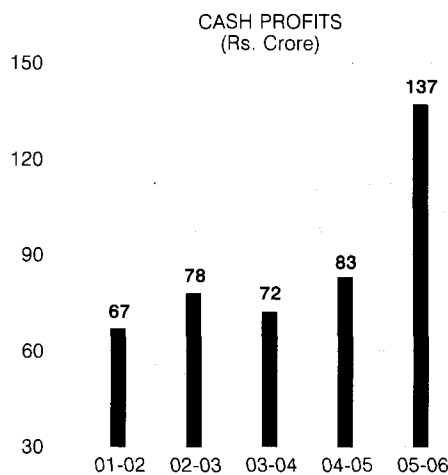
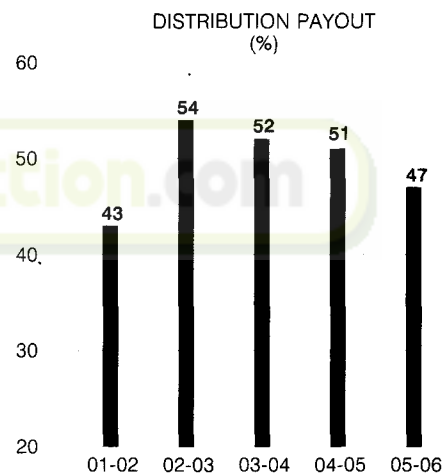
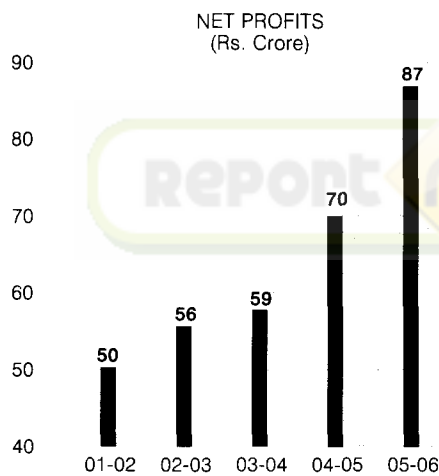
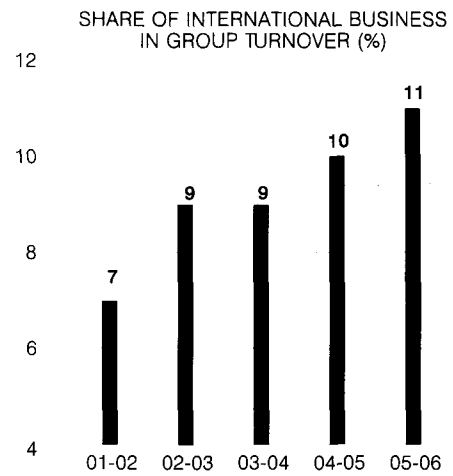
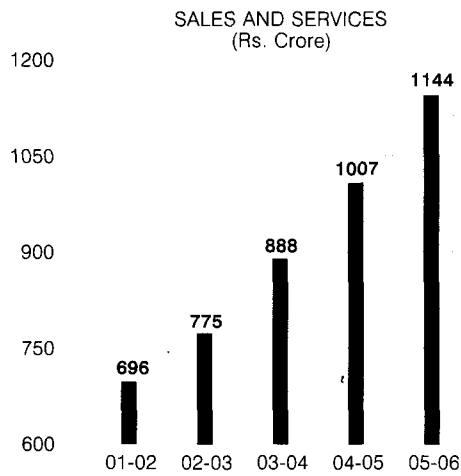
Thank you, Marico shareholders, for placing faith in the Company. Thanks also to all members of the Marico team and all our business associates for their contribution to Marico's success. I look forward to continued support from all as we steer the Company faster ahead on the path of sustainable profitable growth.

With best wishes for a rewarding year,



Harsh Mariwala
Chairman and Managing Director

PERFORMANCE AT A GLANCE



ANALYSIS

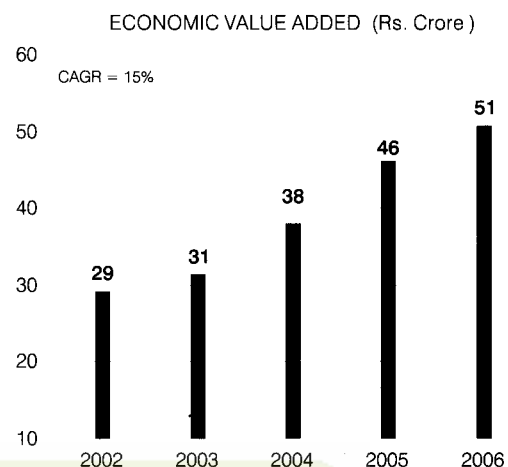
Economic Value Added (EVA) represents the value added by a business enterprise to its shareholders by generating post tax operating profits in excess of the cost of capital employed in the business.

EVA is based on the idea that a business must cover both the operating costs and the capital costs. EVA is an estimate of true 'economic' profit, that is, the amount by which operating earnings exceed or fall short of the required minimum rate of return for shareholders and lenders at comparable risk.

This concept is increasingly being deployed to understand and evaluate financial performance of companies the world over.

For the year ended March 31, 2006, Marico's Economic Value Added was Rs. 51 crore as compared to Rs. 46 crore in the previous year.

Over the past 5 years, Marico's Economic Value Added has grown at a compounded annual growth rate (CAGR) of 15%.



ECONOMIC VALUE ADDED - OVER THE YEARS

(Amount in Rs. Crore)

Year ended March 31,	2002	2003	2004	2005	2006
Cost of Capital					
Average Capital Employed	192	209	209	241	399
Average Debt / Total Capital (%)	2.3	3.9	5.5	16.0	38.3
Cost of Equity (%)	15.0	13.0	11.0	12.0	13.8
Cost of Debt (Post Tax) (%)	-	1.0	1.1	3.7	4.6
Weighted Average Cost of Capital (%)	14.7	12.5	10.5	10.8	10.3
Economic Value Added					
Profit After Tax (excl. Extraordinary Items)	53	56	59	70	87
Add : Interest Post Tax	4	1	1	2	5
Net Operating Profit After Tax	57	57	60	72	92
Less : Cost of Capital	28	26	22	26	41
Economic Value Added	29	31	38	46	51
% to Capital Employed	15.2	14.9	18.3	18.4	12.7

OUR BUSINESS DIRECTION 2010

We commit ourselves to improving the quality of people's lives in several parts of the world, through branded Fast Moving Consumer Products and Services in Personal and Health Care.

We shall offer brands that enhance the appeal and nourishment of hair and skin through distinctive products and services based on the goodness of coconut, other natural substances and the underlying science of hair care and skin care.

We shall make available brands that contribute to healthy living, through, both products drawn from agriculture offered in natural or processed forms, and services.

We shall develop, in parts of the world beyond the Indian Sub-Continent, a franchise for our branded products and services.

We shall aim to be a leader in each of our businesses through heightened sensitivity to consumer needs, setting new standards in the delivery and quality of products and services and processes of continuous learning and improvement.

We shall share our prosperity amongst members, shareholders and associates, who contribute in improving our Equity and Market Value. We shall acquire the stature of a friendly corporate citizen, contributing to the betterment of neighbourhood communities, where we are significantly present.

OUR VALUES

Our values are preferred practices that will be employed in pursuit of our Business Direction. They sum up the philosophy that will build the culture to drive business growth.

OPPORTUNITY SEEKING: Identifying weak opportunity / discontinuity signals in the environment to generate growth options.

BIAS FOR ACTION: Preference for quick thoughtful action as opposed to delayed action through analysis.

CONSUMER CENTRIC: Keeping the consumer as the focus and a partner in creating and delivering solutions.

EXCELLENCE: Continuous improvement of performance standards and capability building for sustained long-term success.

INNOVATION: Experimentation and calculated risk-taking, to increase success probability of radical / pioneering ideas to get quantum results.

OPENNESS & TRANSPARENCY: Allowing diversity of opinion by listening without bias, giving and receiving critique, with mutual respect and trust for the other.

GLOBAL OUTLOOK: Sensitivity and adaptability to gender and cultural diversity and learning from them.

BOUNDARYLESSNESS: Seeking support and influencing others beyond the function and organisation to achieve a better outcome / decision without diluting one's accountability.

OPPORTUNITY SEEKING

Opportunities lie all around us in the form of unstated needs of consumers, changes in trends, attitudes and habits of people. Very often, they are first visible as weak signals, and those who read them early on will gain an advantage over the rest. These signals need to be identified and converted to possibilities for business growth. Higher the number of opportunities converted, higher will be the growth options for our people.

BIAS FOR ACTION

Bias for action is a preference for action over deep analysis. When action is the identity, much more is likely to get done in an organisation. In times where change happens at a rapid pace, an agility of mind is extremely important to keep winning. It is about the ability to move ahead inspite of doubt, of moving ahead even when 100% data is not available by using gut. It is however, not about rash actions without investing any time to think through or doing reasonable inquiry.

CONSUMER CENTRIC

The wealth of the company is created by the trust of its consumers. In the final analysis it is this trust that compensates us materially and intellectually. The consumer must therefore be the primary focus of all the efforts. Members and associates must design their output in ways that add value to the consumer.

EXCELLENCE

Only organisations that set world-class standards, will survive in the future. We will focus on practices that encourage and sustain rising standards of performance, and builds on the pool of our talented members. Members will be encouraged to continuously benchmark against the best and continuously strive to be better than the best.

INNOVATION

The future of the organisation rests on the willingness to experiment, push in new and untested directions, and think in uncommon ways to take calculated risks. We innovate when we do something in ways that are distinctive / pioneering and gives dramatic results. Fear of failure should not be the reason to avoid trying something different or new. More often than not, we fear change because of the unpredictability of the outcome. Experimentation helps build predictability of results. It helps us stimulate an idea on a small scale, and learn about possible pitfalls before going the whole way.

OPENNESS AND TRANSPARENCY

Openness is a value that helps build a culture of trust and synergy. It is only when there is trust that the culture can be apolitical, ideas can be exchanged freely without any fear and experimentation can flourish. It is also in this environment that people will feel free to build on each other, and collectively we will achieve more than individual effort.

GLOBAL OUTLOOK

Becoming a global player requires a deep understanding of the global markets, ability to deal with people of diverse cultures, and ability to compete effectively in those markets.

BOUNDARYLESSNESS

Boundarylessness, like openness helps build a culture where we can leverage the collective wisdom to get synergies. This is assuming higher degree of criticality in the world where it is difficult for one person to know all, and the interdependency amongst functions is increasing.

