

UNCOMMON SENSE

ANNUAL REPORT 2006-07

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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.



COMPANY INFORMATION

BOARD OF DIRECTORS

Harsh Mariwala, Chairman & Managing Director
Bipin Shah, Chairman of Audit Committee
Rajeev Bakshi
Atul Choksey
Nikhil Khattau
Anand Kripalu (appointed w.e.f. April 26, 2007)
Jacob Kurian
Rajen Mariwala
Hema Ravichandar

MANAGEMENT TEAM

Harsh Mariwala, Chairman & Managing Director
Saugata Gupta, Chief Executive Officer
- Consumer Products
Vinod Kamath, Chief - Finance & IT
Rakesh Pandey, Chief Executive Officer - Kaya
Vilas Shirhatti, Chief - Technology
Vijay Subramaniam, Chief Executive Officer
- International Business
Milind Sarwate, Chief - HR & Strategy

COMPANY SECRETARY

Vinod Kaushal

AUDIT COMMITTEE

Bipin Shah, Chairman
Nikhil Khattau, Member
Rajen Mariwala, Member
Vinod Kaushal, 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
Vinod Kaushal, 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 - 32

WEBSITES

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

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CHAIRMAN'S LETTER TO SHAREHOLDERS 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

The Marico Group has crossed the milestones of Rs. 1500 crore in turnover and Rs. 100 crore in profits. During 2006-07 we achieved a turnover of Rs. 1557 crore (a growth of 36%) and a Profit After Tax (PAT) of Rs. 113 crore (a growth of 30%). While part of the growth resulted from acquisitions we made, organic growth from our existing business was a healthy 22%. Growth came from all our business segments, namely consumer products in India and overseas, the Kaya skin business and the Sundari global ayurvedics business.

Your Company's products have enjoyed an improved pricing power, indicating stronger brand equity. This has enabled the Company to plough back monies into brand building efforts, both for its flagship brands and for nurturing new franchises that will become future growth engines. Marico's focus on higher margin business together with its culture of prudent cost management and systematic improvement in efficiencies has led to an improvement in operating margins.

Acquisitions

Besides organic growth, your Company has also been open to exploring acquisitions in the chosen strategic turfs of beauty and wellness. Having acquired Nihar and Manjal during the fourth quarter of the previous year, Marico successfully concluded two more strategic acquisitions during 2006-07.

Marico entered the Egyptian hair care market with the acquisition of two Egyptian brands, Fiancée in September 2006 followed by HairCode in December 2006. These brands give Marico a market share of over 50% in the Rs 170 crore pre-and-post-wash hair care segment in Egypt.

The process of integration of these acquisitions is on track.

A year of recognition

Marico has been recognised as one of the eight Indian companies that are part of Standard & Poor's list of 300 mid-size companies across 37 countries in the latest **S&P Global Challengers List**. This selection is an affirmation of the Marico growth story that has been unfolding in the recent past. S&P has now showcased our track record of sustainable profitable growth at the global level.

Parachute, our flagship brand, won the prestigious **The Gulf Marketing Review (GMR) Awards 2006**, for outstanding marketing achievement in the Middle East. In India, at the India Brand Summit 2006, Marico won the **Brand Leadership Award** in the FMCG category.

Looking Ahead

Your Company is well poised to leverage its consumer franchise, strong brands, wide distribution and committed management to embark upon its next phase of growth. My team and I look forward to the challenges of this task before us.

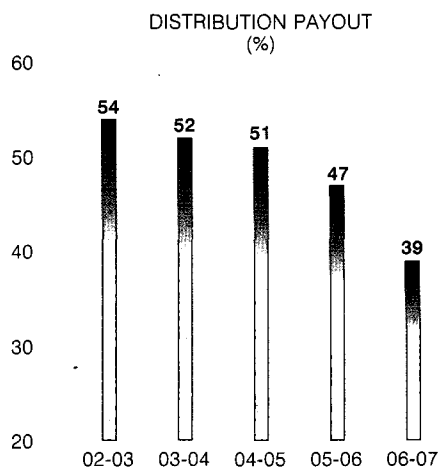
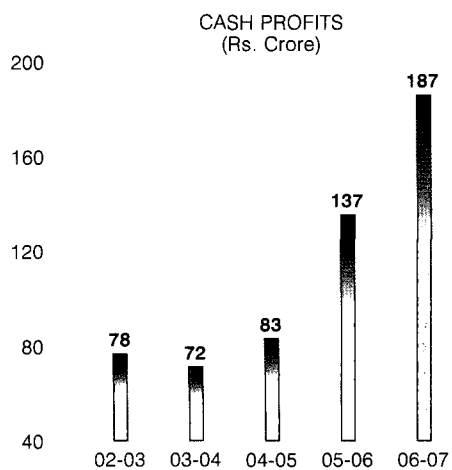
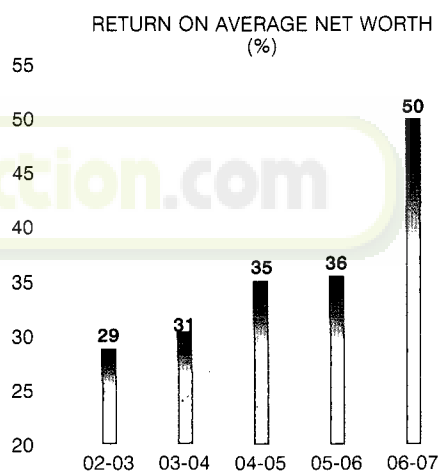
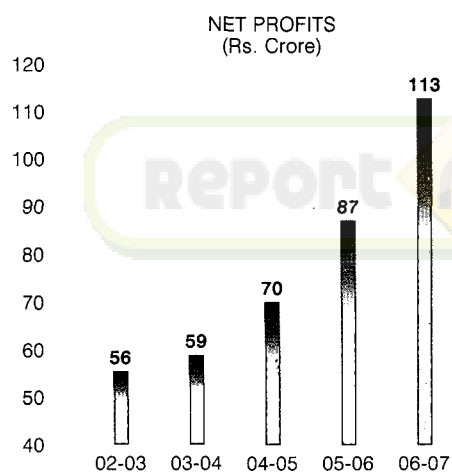
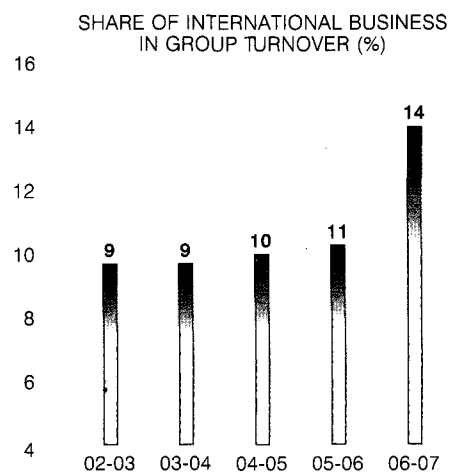
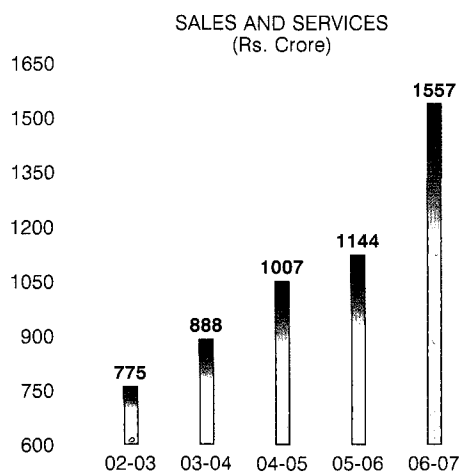
Thank you for placing faith in the Company. Thanks also to all members of the Marico team and all our business associates for their contribution to Marico's success. I look forward to continued support from all as we steer the Company further ahead on the path of sustainable profitable growth.

With best wishes for a rewarding year,



Harsh Mariwala
Chairman and Managing Director

MARICO CONSOLIDATED PERFORMANCE AT A GLANCE



ECONOMIC VALUE ADDED ANALYSIS

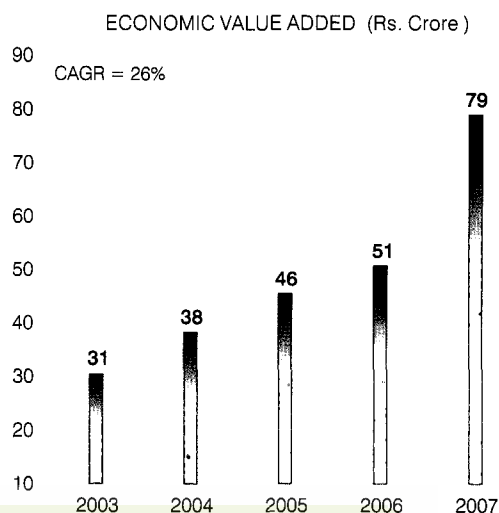
Economic Value Added (EVA) represents the value added by a business enterprise to its shareholders by generating post tax operating profits in excess of the cost of capital employed in the business.

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, 2007, Marico's Economic Value Added was Rs. 79 crore as compared to Rs. 51 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 26%.



ECONOMIC VALUE ADDED - OVER THE YEARS

(Amount in Rs. Crore)

Year ended March 31,	2003	2004	2005	2006	2007
Cost of Capital					
Average Capital Employed	209	209	241	399	476
Average Debt / Total Capital (%)	3.9	5.5	16.0	38.3	51.5
Cost of Equity (%)	13.0	11.0	12.0	13.8	12.7
Cost of Debt (Post Tax) (%)	1.0	1.1	3.7	4.6	7.7
Weighted Average Cost of Capital (%)	12.5	10.5	10.8	10.3	10.1
Economic Value Added					
Profit After Tax (excl. Extraordinary Items)	56	59	70	87	105
Add : Interest Post Tax	1	1	2	5	22
Net Operating Profit After Tax	57	60	72	92	127
Less : Cost of Capital	26	22	26	41	48
Economic Value Added	31	38	46	51	79
% to Capital Employed	14.9	18.3	18.4	12.7	16.6

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 & receiving critique, with mutual respect and trust for the other.

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

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