



STRICTLY PRIVATE & CONFIDENTIAL

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Dear Sir,

Re: Recommendation of Share Entitlement Ratio for the purpose of proposed demerger of Kaya Business of Marico Limited into Marico Kaya Enterprises Limited

We refer to our Engagement Letter dated 2 January 2013 confirming our appointment for the recommendation of share entitlement ratio for the proposed demerger of Kaya business (as defined in the Draft Scheme of Arrangement and hereinafter referred to as "Kaya Business") of Marico Limited (hereinafter referred to as "Marico" or the "Company") into a new company with a proposed named of Marico Kaya Enterprises Limited (hereinafter referred to as "Marico Kaya") under the Draft Scheme of Arrangement under sections 391 to 394 read with sections 78, 100 to 103 and other applicable provisions of the Companies Act, 1956 (hereinafter referred to as "Draft Scheme") with effect from 1 April 2013 or such other date as may be fixed or approved by the High Court (hereinafter referred to as the "Appointed Date"). As per the terms of the engagement, we are enclosing our report as part of this letter.

I. SCOPE AND PURPOSE OF THE REPORT

We have been given to understand that as a part of a business restructuring exercise, the Management of Marico (hereinafter referred to as "Management") is considering a demerger of Kaya Business of Marico into Marico Kaya, a proposed subsidiary of Marico, on a going concern basis through a Draft Scheme with equity shares of Marico Kaya being issued to the equity shareholders of Marico.

Therefore, the Management has requested Grant Thornton India LLP to recommend the share entitlement ratio for the proposed demerger of Kaya Business of Marico into Marico Kaya with effect from the Appointed Date.

In the following paragraphs, we have summarized our recommendation of share entitlement ratio together with the limitations on our scope of work.



II. BACKGROUND INFORMATION

Marico is a fast moving consumer goods ("FMCG") company involved in manufacture, sale and distribution of consumer products and services in hair care, edible oils, skin care and healthy foods markets. The Company principally operates in India, South Africa, Bangladesh, the UAE, Malaysia, Nepal, Myanmar, the US, and Egypt. Marico, listed on Mumbai Stock Exchange and National Stock Exchange, is headquartered in Mumbai, Maharashtra, India.

Kaya Business constitutes the business of providing skin care services and solutions under the brand name of Kaya and Derma Rx in India and abroad and includes all the associated moveable and immovable properties and assets, liabilities, intellectual property rights, employees etc.

Marico Kaya is proposed to be a wholly owned subsidiary of Marico prior to the proposed demerger, and would function as a holding company for the Kaya Business of Marico post the demerger.

III. BASIS FOR DETERMINATION OF RATIO

We are given to understand by the Management that the demerger of Kaya Business will be as per requirement of the Section 2(19AA) of the Income tax Act, 1961. Accordingly, Marico will transfer the assets and liabilities of Kaya Business to Marico Kaya at its book value as appearing in the books of Marico. Further, the issue of shares of Marico Kaya to the shareholders of Marico will be at a premium arrived on the basis of such indicative transfer value of Kaya Business. The shareholders of Marico would be entitled to shares of Marico Kaya in the same proportion which they currently own directly in Marico.

IV. RECOMMENDED RATIO

We understand from the Management that Marico would infuse money to incorporate Marico Kaya against which Marico Kaya will issue the equity shares to Marico. Upon the Scheme becoming effective and upon the issue of shares by Marico Kaya to the shareholders of Marico, the existing equity shares held by Marico in Marico Kaya shall, without any application or deed, shall stand cancelled without any payment.

Post the proposed demerger of Kaya Business into Marico Kaya, the shareholders of Marico would be entitled to the same proportion of shares of Marico Kaya which they currently own directly in Marico.

Considering that Marico Kaya shall be a 100% subsidiary of Marico prior to the proposed demerger and the shareholders of Marico shall hold shares in Marico Kaya in the same proportion as in Marico, the proposed demerger of Kaya Business of Marico into Marico Kaya will be value-neutral to Marico and its shareholders.

Accordingly, the share entitlement ratio in the event of demerger of Kaya Business of Marico into Marico Kaya as suggested by the Management as under is fair:

1 (One) fully paid equity share of Face Value INR 10 (Rupees Ten) each of Marico Kaya for every 50 (Fifty) fully paid equity share of Face Value INR 1 (Rupee One) each held in Marico



V. SOURCES OF INFORMATION

For the purpose of this exercise, we have relied upon the following sources of information:

- Draft Scheme;
- Other information related to the Companies from the internet;
- Such other information and explanations as required and which have been provided by the Management.

V. CAVEATS

Provision of recommendation of share entitlement ratio described herein is area of our regular corporate advisory practice. The services do not represent accounting, audit, and financial due diligence review, consulting, transfer pricing or domestic tax-related services that may otherwise be provided by Grant Thornton India LLP.

We have relied on explanations and information provided by the Management and accepted the information provided to us as accurate. Although we have reviewed such data for consistency and reasonableness, we have not independently investigated or otherwise verified the data provided. Therefore, we assume no liability for the accuracy of the data.

The recommendation contained herein is not intended to represent the share entitlement ratio at any time other than the date of this report. We have no present or planned future interest in either the Company or its subsidiaries (if any) and the fee for this report is not contingent upon the share entitlement ratio reported herein.


Our recommendation analysis should not be construed as investment advice; specifically, we do not express any opinion on the suitability or otherwise of entering into this consolidation of business transaction.

VI. DISTRIBUTION OF REPORT

The report has been prepared exclusively for the Management of Marico and solely for the purpose of recommending a share entitlement ratio for the proposed demerger of Kaya Business of Marico into Marico Kaya. Hence, this report should not be used for any other purpose, whether in whole or in part without the prior written consent of Grant Thornton India LLP, to any other person and for any other purpose other than mentioned earlier in this report. However, we understand that you may share this report with your advisors supporting the proposed transaction as well as statutory authorities. Please note that we do not owe any duty of care or accept no responsibility to your advisors or any third party with regard to this report.

Yours faithfully,


GRANT THORNTON INDIA LLP

CERTIFIED TRUE COPY
For Marico Limited

Hemangi Ghag
Company Secretary