DIRECTORS’ REPORT

To the Members

Your Board of Directors (‘Board’) is pleased to present the Seventeenth Annual Report of your Company, Marico Limited for the year ended March 31, 2005 (‘the year under review’, ‘the year’ or ‘FY05’).

In line with international practice, your Company has been reporting consolidated results – taking into account the results of its subsidiaries. This discussion therefore covers the financial results and other developments during April 04 – March 05 in respect of Marico Consolidated – Consumer Products [Marico Limited together with its subsidiaries – Marico Bangladesh Limited (MBL), MBL Industries Limited (MBLIL)], Skin Care [Kaya Skin Care Limited (KSCL)] and Global Ayurvedics [its joint venture, Sundari LLC (Sundari)]. The consolidated entity has been, in this Discussion, referred to as ‘Marico’ or ‘Group’ or ‘Your Group’.

FINANCIAL RESULTS - AN OVERVIEW

<table>
<thead>
<tr>
<th></th>
<th>Rs. Crore</th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Consolidated Summary Financials for the Group</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales and Services</td>
<td>1012.8</td>
<td>888.4</td>
<td></td>
</tr>
<tr>
<td>Profit before Tax</td>
<td>74.2</td>
<td>65.1</td>
<td></td>
</tr>
<tr>
<td>Profit after Tax</td>
<td>70.2</td>
<td>59.0</td>
<td></td>
</tr>
<tr>
<td><strong>Summary Financials for the Consumer Products Business</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales and Services</td>
<td>986.4</td>
<td>879.3</td>
<td></td>
</tr>
<tr>
<td>Profit before Tax</td>
<td>87.4</td>
<td>73.3</td>
<td></td>
</tr>
<tr>
<td>Profit after Tax</td>
<td>83.4</td>
<td>67.2</td>
<td></td>
</tr>
<tr>
<td><strong>Marico Limited – Financials</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales and Services</td>
<td>947.8</td>
<td>847.3</td>
<td></td>
</tr>
<tr>
<td>Profit before Tax</td>
<td>77.6</td>
<td>63.4</td>
<td></td>
</tr>
<tr>
<td>Less: Provision for Tax for the current year</td>
<td>6.0</td>
<td>5.2</td>
<td></td>
</tr>
<tr>
<td>Profit after Tax for the current year</td>
<td>71.6</td>
<td>58.2</td>
<td></td>
</tr>
<tr>
<td>Less: Provision for Deferred Tax Liability / (Deferred Tax Asset)</td>
<td>(0.2)</td>
<td>0.2</td>
<td></td>
</tr>
<tr>
<td>Add: Excess income tax provision of earlier years written back</td>
<td>2.0</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td><strong>Profit after Tax</strong></td>
<td>73.8</td>
<td>58.0</td>
<td></td>
</tr>
<tr>
<td>Add: Surplus brought forward</td>
<td>112.1</td>
<td>94.1</td>
<td></td>
</tr>
<tr>
<td><strong>Profit available for Appropriation</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>185.9</td>
<td>152.1</td>
<td></td>
</tr>
</tbody>
</table>

** Appropriations:**

<table>
<thead>
<tr>
<th></th>
<th>Rod. Crore</th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distribution to shareholders</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interim dividends</td>
<td>31.0</td>
<td>24.7</td>
<td></td>
</tr>
<tr>
<td>Preference dividend</td>
<td>–</td>
<td>2.3</td>
<td></td>
</tr>
<tr>
<td></td>
<td>31.0</td>
<td>27.0</td>
<td></td>
</tr>
<tr>
<td>Tax on dividend</td>
<td>4.1</td>
<td>3.5</td>
<td></td>
</tr>
<tr>
<td>Tax on redemption of bonus preference shares</td>
<td>–</td>
<td>3.7</td>
<td></td>
</tr>
<tr>
<td></td>
<td>35.1</td>
<td>34.2</td>
<td></td>
</tr>
</tbody>
</table>

Transfer to General Reserve  

<table>
<thead>
<tr>
<th></th>
<th>Rod. Crore</th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surplus carried forward</td>
<td>143.4</td>
<td>112.1</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>185.9</td>
<td>152.1</td>
<td></td>
</tr>
</tbody>
</table>
DIRECTORS’ REPORT

DISTRIBUTION TO SHAREHOLDERS

Your Company’s Distribution Policy has aimed at sharing your Company’s prosperity with its shareholders, through a formal earmarking / disbursement of profits to shareholders.

During FY 05, your Company’s distribution to shareholders has comprised the following on the equity base of Rs. 58 crore:

• First interim dividend of 10%
• Second interim dividend of 12%
• Third interim dividend of 14%
• Fourth interim dividend of 17.5%

The total dividend payout for FY05 (including dividend tax) was Rs. 35.1 Crore (a little over 51% of Group’s PAT).

Your Company has declared dividends every quarter for the past 17 consecutive quarters now.

MANAGEMENT DISCUSSION AND ANALYSIS

An Annexure to this Report contains a detailed Management Discussion and Analysis, which, inter alia, covers the following:

• Industry structure and development
• Opportunities and Threats
• Risks and Concerns
• Internal control systems and their adequacy
• Discussion on financial and operational performance
• Segment-wise performance
• Outlook

In addition, a Review of Operations of your Company has been given in this report.

REVIEW OF OPERATIONS

The cornerstone of Marico’s growth endeavor has been a focus on sustainable profitable growth through:

• strengthening its consumer products business across a pipeline of new products and geographies and
• nurturing and growing its new skin care solutions businesses,

while maintaining its record of consistency in financial results.

The objective of sustainable and profitable growth is being driven through focus on the following enablers:

DOMESTIC CONSUMER PRODUCTS BUSINESS

• Sustained Volume Growth across categories in High Margin Products
• Successful realignment of the Portfolio along higher margin lines
• Consolidation of Market shares
• Stronger Flagship brands - Parachute & Saffola
• Growing portfolio of New Products- already launched as also those under prototypes

INTERNATIONAL CONSUMER PRODUCTS BUSINESS

Sustained Growth through expansion in newer segments and territories.

SKIN CARE BUSINESS

Consolidation of investments in Kaya and Sundari

These initiatives helped your Company deliver consistent performance during FY05, when:

• The High Margin Product portfolio grew by 18%
• Market shares in key categories were consolidated further – Parachute reaching 50% mark both in India as well as Bangladesh
• New products performed well – registering a growth in excess of 20% in Marico’s Consumer Product Business
• A quick build up was achieved in Kaya
• Record of relentless year-on-year growth in topline and bottomline was extended.
DIRECTORS’ REPORT

MILESTONES

In the process, your Group achieved two important milestones in its journey – overall turnover reaching Rs. 1000 Crore and the International Business touching the Rs. 100 Crore mark - now at 10% of Group Turnover.

CONSUMER PRODUCT BUSINESS

In the Domestic market, the flagship brands Parachute Coconut Oil and Saffola range of premium refined edible oils performed very well. Parachute rose by 8% in volume terms while Saffola franchise increased its volumes by 18%. The Hair Care range (Parachute Jasmine, Shanti Amla, Mediker and Hair & Care being the key elements) grew by a strong 14% in volume and 19% in value terms. New products – Parachute Sampoorna, Silk-n-Shine, Saffola blends, performed, by & large, in accordance with expectations.

INTERNATIONAL FMCG BUSINESS

FY05 was yet another year of growth for Marico’s International FMCG business. The sales turnover of International FMCG business grew by 29% to Rs. 96 Crore over the FY04 base of Rs. 74 Crore.

In Bangladesh, Parachute Coconut Oil consolidated its market leadership and crossed 50% market share in March ’05. Parachute Cream continued to grow in the Gulf countries - Volumes doubled during the FY05.

During the year, your Company went ahead with two prototypes - Parachute Advanced After Shower Cream – an entry into the growing male hair grooming market and Saffola Daily Health functional foods - aimed at prevention and better management of chronic lifestyle disorders like diabetes. Your Company seeks to leverage the brand equity of its flagship brands – Parachute and Saffola – to strengthen the product proposition of these two prototypes.

SUBSIDIARIES

Marico Bangladesh Limited

Marico Bangladesh Limited (MBL), the 100% subsidiary of your Company, consolidated its presence in Bangladesh further. Parachute Coconut Oil is now market leader in Bangladesh with a market share well over 50%, while your Company’s hair oil franchise is a clear No. 2.

MBL Industries Limited (MBLIL)

MBLIL, a wholly owned subsidiary of MBL, continued to perform well in its business of selling branded Coconut Oil and Hair Oils under the Parachute umbrella.

Increase in shareholding in Subsidiaries

During the year, your Company increased its shareholding in both the new businesses - Kaya and Sundari:

- From 86.4% to 100% in Kaya Skin Care Limited and
- From 63% to 75.5% in Sundari LLC.

Kaya Skin Care Limited

During the year the skin care business of Kaya Skin Clinics grew to 34 Clinics – 32 in India and 2 in the UAE. With a base of over 40,000 satisfied customers, the business is poised to enter a profitable growth phase during FY06. During FY05, the Kaya business reached a turnover of Rs. 18.6 Crore, of which Rs. 8 Crore was clocked in the fourth quarter. As the business continued to be in investment phase, the loss for the year was Rs. 7.2 Crore.

Sundari LLC

During the year, Sundari LLC concentrated on the Spa channel. Sundari adopted the strategy of identifying big prospective Spa clients in order to create an opportunity to convert a good proportion of these prospects into business. In the International market, Sundari commenced scoping in a big way and is currently in the process of appointing full service distributors, in the South East Asia region.

For FY05, Sundari reached a turnover of Rs. 5.5 Crore. The focus on business building saw the operations result in a planned loss before tax at Rs. 5.3 Crore.

Sundari Spa LLC, a wholly owned subsidiary of Sundari LLC, which did not have any operations, has been dissolved in March 2005.
OTHER CORPORATE DEVELOPMENTS

Corporate Name and Logo Change

Your Company’s logo - the most visible part of its corporate identity – was first adopted in 1989. Since then - over the past 15 years - Marico has evolved into a more consumer-friendly FMCG Company, providing enduring value to its consumers through a wide range of products and services comprising 12 brands in the areas of beauty and wellness.

Apart from its quintessential FMCG business, Marico offers consumers allied services in the area of skin care with a new line of business under the brand ‘Kaya Skin Clinics’. Overseas, Marico successfully markets Ayurvedic skin care products to spas in the US through Sundari LLC.

Today, Marico’s scope of business goes far beyond industrial products. Changing its name from ‘Marico Industries Limited’ to ‘Marico Limited’ was thus a natural progression towards a new name, which better reflects the extended range of its business.

But while Marico has always moved with the times, its identity had not. The logo was still rooted in the past. It did not reflect who we are today.

Marico has therefore adopted a new logo to reflect its new identity. A logo, which stylistically brings out the nature of its businesses - and all that Marico stands for today. A logo, which is friendlier, more contemporary, more in keeping with the times.

The much softer lettering style and the fresh green leaves bring to life Marico’s focus on beauty and wellness. The trust mark - the symbol M - retains its basic strength – the pillars, symbolic of a company built on solidity and commitment.

Marico’s new identity reflects the freshness of thinking and the vitality of spirit of a solid Company.

Acquisition by Marico Bangladesh Limited in April 2005

In April 2005, Marico Bangladesh Limited (MBL), the Bangladesh-based wholly owned subsidiary of your Company, has acquired from Marks and Allys Limited (MAL) another Bangladeshi Personal care product company, the Toilet Soap brands “Camellia” and “Magnolia”. These brands have an aggregate turnover of about Taka 50 million in Toilet soaps in Bangladesh. They are also present in a minor manner, through extensions, across talcum powder, petroleum jelly and amla hair oil. Camellia’s brand equity owes its strength to the quality of the soap, primarily its fragrance, which has a strong recall amongst consumers.

The acquisition envisages Marico outsourcing the manufacture of the soaps to MAL, while continuing to draw on MAL’s research and development. It also involves a suitable non-compete covenant by MAL.

Your Company believes that this acquisition will help the Group to develop a broader Personal Care franchise amongst the Bangladeshi consumers, who have already made Parachute a market leader with over 50 % share in the Coconut Oil category. It will also help MBL to further strengthen its distribution network, which, at 250,000 outlets, is already amongst the widest in Bangladesh.

MANUFACTURING CAPACITY

The first hair oil unit at Dehradun in Uttaranchal had gone into production during the previous year. During FY05, the second unit also commenced commercial operations. Most of the hair oil production is now being carried out in these two units, which are supplemented by a few of contract manufacturing facilities.

In the fourth quarter of the year, workers at your Company’s Goa plant (manufacturing Coconut Oil) went on strike as the negotiations, arbitrated by the Labour commissioner, (that were on for the preceding six months), failed. The strike continued throughout the fourth quarter. Your Company has continued negotiations with its workers’ union and a resolution is expected in the near future. The short-term impact of this development is expected to be manageable as your Company has been servicing its markets through its other plants.

RESEARCH & DEVELOPMENT

Your Company’s Research and Development (R&D) team continued to develop new products, renovate existing ones and improve production facilities, packaging systems and processes. Your Company also worked closely with research laboratories of national and international repute for new product development.
DIRECTORS’ REPORT

Your Company spent Rs. 1.1 Crore on capital expenditure on R&D as against Rs. 0.2 Crore during the previous year. Revenue expenditure on R&D was Rs. 2.9 Crore as against Rs. 2.1 Crore in FY04.

In the future, thrust will continue to be on quality, identification of new ways to optimise costs and development of new products with focus on consumer needs.

Your Company’s R&D centre continues to be recognized by the Council for Scientific and Industrial Research (CSIR). During the year, the R&D centre was shifted to a new premise, which offers modern facilities.

As a consumer-centric Company, your Company’s research and development activities are focused on the continuous ascertainment of what the consumer needs are and how they are evolving. Therefore, apart from the back room research and development work, which centers around laboratory development of new products and services ideas, your Company has also developed and deployed a robust process for gathering consumer insights. We believe that such front room research is as vital as the back room research in ensuring that the Company has a continuous pipeline of new product and service ideas. This two pronged approach towards research and development synergises company-wide efforts for coverage of all opportunities.

PUBLIC DEPOSITS

During the year, your Company neither invited nor accepted any deposits from the public. There were no outstanding public deposits at the end of this or the previous year.

DIRECTORS’ RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956 (the Act), the Directors confirm that:

(i) in preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same;

(ii) they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of your Company as at March 31, 2005 and the profit of your Company for the year ended March 31, 2005;

(iii) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities;

(iv) they have prepared the annual accounts on a going concern basis.

Further, your Directors also confirm that the observations of the Auditors in their report to the members have been adequately dealt with in the relevant notes to the accounts. Hence, no additional explanation is considered necessary.

CORPORATE GOVERNANCE

A report on Corporate Governance has been provided as a separate part of this Report.

CORPORATE SOCIAL RESPONSIBILITIES

Innovation for India - Marico Foundation

Your Company continues to contribute to the Innovation for India – Marico Foundation.

The Foundation was created in March 2003 under the stewardship of Dr. Ramesh Mashelkar (Director General, CSIR), with a single mission: to fuel innovation in India. The goal is to put India on the global map by leveraging Indian knowledge and know-how. By arming ourselves with two things: (i) a belief that innovation is possible and is the way to leapfrog India into the centre-stage of global business leadership, and (ii) a framework to leverage innovation for quantum growth. Marico and Erehwon (a Bangalore based Innovation Consulting firm) spearhead the Foundation.
DIRECTORS’ REPORT

The members of its governing council are:

Dr. (Prof.) Ramesh Mashelkar (Chairman) Director General, CSIR
Anu Aga Chairperson, Thermax
Arun Maira Chairman, Boston Consulting Group, India
Ashwin Dani Vice Chairman and Managing Director, Asian Paints
Dorab Sopariwala Consultant
Harsh Mariwala Chairman and Managing Director, Marico
Jerry Rao Chairman and CEO, Mphasis BFL
K V Mariwala Ex-Director, Marico
Rajiv Narang Chairman and Managing Director, Erewhon
Ranjan Kapur Ex-Chairman, O&M India
Tony Joseph Consulting Editor, Business World

The Innovation for India – Marico Foundation has sponsored studies for Challenger Innovation cases in the spaces of Business as also Social Life. These studies bring out live examples of how Challenger Leadership can bring about a transformation and lead to quantum shifts in results. A unique feature of these transformational cases is the durability of the transformation – even after the Challenger leader moves away from the scene, the transformation is sustained. The Foundation offers Challenger Presentation/Talks based on the Business / Social Innovation Case studies. Such talks have received excellent responses at various Corporate and Industry fora.

In addition to the time spent by senior Managers of the Company on the work relating to the Foundation, your Company spent an amount of Rs. 9 Lac by way of revenue expenditure for the foundation.

More details on the Foundation are available at www.innovation4india.org.

Other Initiatives

Your Company is committed to development of the community in which it functions. During the year, your Company continued its sponsorship of the promenade on Carter Road in Bandra, a western suburb of Mumbai, as its contribution towards protecting Mumbai’s waterfronts in the Company’s neighbourhood.

Like in the past, your Company also contributed to development of public facilities, in other towns where its units are located like road repairs, installation of digital traffic signal countdown timers and other social causes like health camps, scholarships, donations etc.

Your Company will continue these efforts in future also.

DIRECTORS

Directors retiring by rotation

Mr. Nikhil Khattau and Mr. Rajeev Bakshi, Directors of the Company, retire by rotation as per Section 256 of the Companies Act, 1956 and being eligible offer themselves for re-appointment.

Changes in the Board of Directors

The Board of Directors of your Company had appointed Ms. Vinita Bali as an Additional Director on July 21, 2004. Later, Ms. Bali had expressed her inability to continue on the Board of your Company. Your Board accepted her resignation with effect from November 21, 2004. Your Directors place on record their appreciation of her contribution to the Company’s business plans and directions during her tenure as a Director.

Mr. Kishore Mariwala, one of the Directors of your Company, had expressed a desire to step down from the Board (consequent to his reaching the age of 70 earlier during the year under review) and accordingly submitted his resignation at the Board meeting held on April 27, 2005. His resignation has been accepted by the Board. Your Directors would like to place on record their sincere appreciation of the valuable services rendered by Mr. Kishore Mariwala. Mr. Kishore Mariwala is one of the co-founders of Marico Limited and his strategic inputs and direction over the last 17 years have been instrumental in building the Marico Group to its present strength and size.
DIRECTORS’ REPORT

In the casual vacancy that has arisen because of Mr. Mariwala’s resignation, Mr. Rajen Mariwala has been appointed as a Director in casual vacancy. Mr. Rajen Mariwala, 42, is a Masters in Engineering from Cornell University, USA and has been the Managing Director of Hindustan Polyamides and Fibres Limited. He brings with him a rich experience of over 16 years in leading a competitive global business in specialty chemicals. He holds office up to the date of the ensuing Annual General Meeting of your Company and is eligible to be appointed as a Director.

ADDITIONAL STATUTORY INFORMATION

Information under Section 217(1)(e) of the Act read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is annexed and forms part of this Report. Information pursuant to Section 217(2A) of the Act read with the Companies (Particulars of Employees) Rules, 1975, as amended from time to time, forms part of this Report. Although in accordance with the provisions of Section 219(1)(b)(iv) of the Act such information has been excluded from the Report and Accounts sent to the Members, any member desirous of obtaining this information may write to the Company Secretary at the Registered Office of the Company.

The Company has, in accordance with the disclosure requirements contained in Section 212 (1) of the Companies Act, 1956, annexed the required documents concerning its subsidiary companies. In case of three of the Company’s subsidiary companies namely Marico Bangladesh Limited, MBL Industries Limited and Sundari LLC, which have been incorporated outside India, the said documents comprise those compiled by these companies in accordance with the legal provisions of the respective countries where they have been incorporated. However, for facilitating better appreciation, the financial figures in the accounts of these companies have also been disclosed in Indian Rupees.

Given in addition are Consolidated Accounts for your Company, which comprise the financials of Marico Limited as also Marico Bangladesh Limited, MBL Industries Limited, Kaya Skin Care Limited and Sundari LLC.

AUDITORS

Your Company’s Auditors, RSM & Co., Chartered Accountants, retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness for re-appointment.

Aneja Associates (Aneja), a leading Chartered Accountant firm specialising in risks and controls, has been associated with your Company as its internal auditors. They have been partnering with your Company in the area of risk management and internal controls systems. Your Company has re-appointed Aneja as its internal auditor for the year 2005-06.

ACKNOWLEDGEMENT

The Board takes this opportunity to thank all its employees for their dedicated service and firm commitment to the goals of the Company. The Board also wishes to place on record its sincere appreciation for the wholehearted support received from distributors, shareholders, bankers and all other business associates, as also from the neighbourhood communities of the various Marico locations. We look forward to continued support of all these partners in progress.

On behalf of the Board of Directors

Place: Mumbai
Date: April 27, 2005

HARSH MARIWALA
Chairman and Managing Director
ANNEXURE TO THE DIRECTORS’ REPORT


A. Conservation of Energy

Marico continued to emphasize on the conservation and optimal utilisation of energy in every manufacturing unit of the Company. A number of energy conservation measures which were implemented during FY 05 are listed below:

- Installation of Servo Stabiliser for Voltage Control
- Installation of HiG Efficiency pumps
- Process equipment standardisation
- Cake disintegrator motor – leading to reduction in units consumed
- VFD (Variable Frequency Drive) Installation for Expeller
- Right Sizing of motors to reduce losses
- Use of Fireside chemicals in boiler to improve efficiency
- Reuse of steam condensate
- Process heat recovery in refinery
- Optimisation of air requirement in filling
- Power factor improvement through reduction in minimum demand
- Removal of cake moisturizing pump leading to saving in energy

Your Company continued its journey towards relentless effective utilization of energy. Significant reduction in power consumption has been achieved and rationalisation efforts will continue.

The details of total energy consumption and energy consumption per unit are given in Enclosure ‘A’.

B. Technology Absorption

I Research and Development (R & D)

1. Specific areas in which R & D was carried out by your Company:

   R & D’s main thrust during the year was to strengthen the current portfolio of products and also to look for new opportunities to satisfy the consumer needs more effectively. Numerous initiatives, which were earlier planned or initiated this year, progressed well to generate consumer appealing, functional products. Some of these initiatives were:

   - Development of new technology platforms to support the consumer needs more effectively
   - Development of new products, line extensions, and new processes based on consumer understanding to meet the unmet consumer aspirations
   - Creation of a knowledge base in the area of traditional Indian wisdom
   - Evaluation of natural herbs for proprietary, patentable hair & skin products, with sponsorship from Department of Science & Technology (DST)
   - Generation of consumer insights through rigorous and intense consumer interactions to make product more relevant and appropriate to consumers
   - Skill building towards evaluation of products for better success in the market
   - Working with premier research institutions to stay in tune with and assimilate the frontiers of research
   - Work on Product and Process patents
ANNEXURE TO THE DIRECTORS’ REPORT

2. Benefits derived as the result of the above efforts:
   - Various SKUs were developed under the hair oils & edible oils franchises;
   - A few National launches
     - Hair & Care with herbal protein – Non-greasy hair oil with goodness of herbal proteins
     - Hair & Care’s Silk-n-Shine hair potion – an innovative product to make hair tangle-free, soft and shiny
     - Mediker 4 Sunday pack to drive effective consumer usage
     - Parachute Advansed Coconut Oil – Goodness of Coconut Oil in perfume and packaging with a greater appeal to the consumer
     - Shanti Amla Badam Oil – A new hair oil composition fortified with Badam oil and Amla aimed at making hair lustrous, shiny and healthy.
     - Parachute Sampoorana – Hair oil with nutritional properties of hibiscus and almond.
     - Following prototypes were carried out during the year -
       - Mediker + Antilice oil for South – Sensorially improved to satisfy the needs of consumers from Southern India.
       - Parachute Aftershower Cream – All-day grooming cream for men based on Coconut Oil to delivering its goodness.
       - Functional foods – Functional additives under Saffola brand for managing lifestyle conditions such as diabetes and cholesterol launched
       - New innovative packaging for Saffola 1 Ltr pouch pack
       - Numerous innovative packaging options to offer better shelf display value

Your Company continues to identify new consumer needs and provide solutions through R & D.

3. Expenditure on R & D:

<table>
<thead>
<tr>
<th></th>
<th>2004-05</th>
<th>2003-04</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Capital</td>
<td>1.1</td>
<td>0.2</td>
</tr>
<tr>
<td>b) Recurring</td>
<td>2.9</td>
<td>2.1</td>
</tr>
<tr>
<td>Total</td>
<td>4.0</td>
<td>2.3</td>
</tr>
<tr>
<td>c) Total R &amp; D expenditure as % to Sales &amp; Services</td>
<td>0.4</td>
<td>0.3</td>
</tr>
<tr>
<td>d) Total R &amp; D expenditure as % to PBT</td>
<td>5.4</td>
<td>4.0</td>
</tr>
</tbody>
</table>

II Technology absorption, adaptation and innovation

Your Company’s R & D continued to work towards continuous innovation in process, product & packaging technology to offer to consumers value for money with delightful sensorials. As a result of these efforts, a few new products and prototypes were launched (as detailed above under R & D). R & D’s focus also resulted in innovative packages being offered to consumers, for example, new innovative pouch pack for Saffola 1 Ltr. SKU.

C. Foreign Exchange earnings and outgo:

The details of total exchange used and earned are provided in Schedule ‘Q’ of Notes to the Accounts.

On behalf of the Board of Directors

Place: Mumbai
Date: April 27, 2005

HARSH MARIWALA
Chairman and Managing Director
### ANNEXURE TO THE DIRECTORS’ REPORT

**ENCLOSURE ‘A’**

**Power & Fuel Consumption**

For the year ended March 31,

Note: The numbers given below relate to own manufacturing facilities of the Company.

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Electricity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. Purchased units (Kwh)</td>
<td>8,395,548.00</td>
<td>7,326,049.58</td>
</tr>
<tr>
<td>Amount (Rs. Crore)</td>
<td>2.87</td>
<td>2.77</td>
</tr>
<tr>
<td>b. Own Generation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>i. Through Diesel Generator (Kwh)</td>
<td>412,906.00</td>
<td>737,066.30</td>
</tr>
<tr>
<td>Amount (Rs. Crore)</td>
<td>0.34</td>
<td>0.49</td>
</tr>
<tr>
<td>Average Rate (Rs. / Unit)</td>
<td>8.26</td>
<td>6.68</td>
</tr>
<tr>
<td>ii. Through Steam Generator (Kwh)</td>
<td>50,239.00</td>
<td>Nil</td>
</tr>
<tr>
<td>Amount (Rs. Crore)</td>
<td>Nil</td>
<td>Nil</td>
</tr>
<tr>
<td>Average Rate (Rs. / Unit)</td>
<td>Nil</td>
<td>Nil</td>
</tr>
<tr>
<td><strong>2. Coal</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quantity (MT)</td>
<td>Nil</td>
<td>Nil</td>
</tr>
<tr>
<td>Amount (Rs. Crore)</td>
<td>Nil</td>
<td>Nil</td>
</tr>
<tr>
<td>Average Rate (Rs. / Ton)</td>
<td>Nil</td>
<td>Nil</td>
</tr>
<tr>
<td><strong>3. Furnace oil</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quantity (KL)</td>
<td>667.84</td>
<td>658.94</td>
</tr>
<tr>
<td>Amount (Rs. Crore)</td>
<td>0.98</td>
<td>0.92</td>
</tr>
<tr>
<td>Average Rate (Rs. / KL)</td>
<td>14,639.26</td>
<td>14,021.05</td>
</tr>
<tr>
<td><strong>4. Other Internal Generation (excludes HSD used for electricity generation)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>L.D.O / H.S.D.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quantity (KL)</td>
<td>119.87</td>
<td>130.61</td>
</tr>
<tr>
<td>Amount (Rs. Crore)</td>
<td>0.27</td>
<td>0.25</td>
</tr>
<tr>
<td>Average Rate (Rs. / KL)</td>
<td>22,645.67</td>
<td>19,192.55</td>
</tr>
<tr>
<td><strong>5. Baggase Consumption</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quantity (KG)</td>
<td>10,622.60</td>
<td>10,386.96</td>
</tr>
<tr>
<td>Amount (Rs. Crore)</td>
<td>1.30</td>
<td>1.03</td>
</tr>
<tr>
<td>Average Rate (Rs. / KG)</td>
<td>1,220.04</td>
<td>990.15</td>
</tr>
<tr>
<td>Consumption per unit of production of edible oils</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electricity (Kwh)</td>
<td>108.84</td>
<td>121.55</td>
</tr>
<tr>
<td>Coal (MT)</td>
<td>Nil</td>
<td>Nil</td>
</tr>
<tr>
<td>Furnace oil (KL)</td>
<td>0.01</td>
<td>0.01</td>
</tr>
<tr>
<td>L.D.O./H.S.D. (KL)</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Baggase (KG)</td>
<td>0.30</td>
<td>0.34</td>
</tr>
<tr>
<td>Consumption per unit of production of processed foods</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electricity (Kwh)</td>
<td>94.98</td>
<td>93.68</td>
</tr>
<tr>
<td>Coal (MT)</td>
<td>Nil</td>
<td>Nil</td>
</tr>
<tr>
<td>Furnace oil (KL)</td>
<td>Nil</td>
<td>Nil</td>
</tr>
<tr>
<td>L.D.O./H.S.D. (KL)</td>
<td>Nil</td>
<td>Nil</td>
</tr>
<tr>
<td>Consumption per unit of production of Hair Oils</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electricity (Kwh)</td>
<td>93.53</td>
<td>85.88</td>
</tr>
<tr>
<td>Coal (MT)</td>
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<td>Nil</td>
</tr>
<tr>
<td>Furnace oil (KL)</td>
<td>Nil</td>
<td>Nil</td>
</tr>
<tr>
<td>L.D.O./H.S.D. (KL)</td>
<td>Nil</td>
<td>Nil</td>
</tr>
<tr>
<td>Consumption per unit of production of Formulations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electricity (Kwh)</td>
<td>174.16</td>
<td>196.21</td>
</tr>
<tr>
<td>Coal (MT)</td>
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<td>Nil</td>
</tr>
<tr>
<td>Furnace oil (KL)</td>
<td>Nil</td>
<td>Nil</td>
</tr>
<tr>
<td>L.D.O./H.S.D. (KL)</td>
<td>Nil</td>
<td>Nil</td>
</tr>
</tbody>
</table>