



Marico Limited Q2 FY2016 Post Results Analyst
Conference Call
November 04, 2015



MANAGEMENT:

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ANALYST:

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Moderator: Ladies and gentlemen, good day and welcome to Marico Q2 FY2016 post results analyst conference call, hosted by Ambit Capital. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing *0 and then 00 on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rakshit Ranjan from Ambit Capital. Thank you and over to you, Sir!

Rakshit Ranjan: Good evening everybody. Welcome to Marico's conference call. We have with us the senior management of Marico, led by Saugata Gupta, Managing Director and CEO and Mr. Vivek Karve, Chief Financial Officer. I would now like to hand the floor over to Mr. Gupta who will take you through the highlights of Marico's performance during the quarter and then we will open the call for Q&A. Over to you Sir!

Saugata Gupta: Good evening everybody and thank you for joining the call. Overall a moderate quarter for the Indian business in volume terms along with strong earnings while the international business continues to be disappointing with respect to volume growth while margins continued to be strong in the international business, but I must say a lot of good work has been done in both the units and given the visibility of September and October we believe that Q3 and the second half performance will be much better in both the Indian and international markets. I will speak about this later.

In the last quarter, we clocked a 5.5% volume growth in the Indian business, which was lower than our targeted 7% to 8% and I must say that it has been a little disappointing for me, while 97% of a portfolio continued to garner market share. Urban consumption continued to be challenging. There was a bit up a slowdown in rural consumption and I believe that it is a mixture of the lower system liquidity and perhaps sentiments due to lower rainfall in some of our markets. We are however more optimistic about an urban recovery in the second half which should get accelerated with the implementation of pay commission and OROP recommendations in the first half of the next year. We will continue to watch rural closely.

Let me talk about the hits and misses in the Indian business last quarter. Our core categories of Parachute Rigids and hair oils continued to do well both in volumes and market share. We have proactively run some temporary price off promotions in the latter part of Q2 which have been now converted into a price drop of 6% in October I recall in the last two deflationary cycles we did not take proactive action and we got impacted in volume drops and perhaps market share losses so, this will help us to maintain the volume growth and going into Q3.

The hair oil portfolio continues to do well. It missed the 10% growth mark going to some shift in festive sales, which we garnered this time during October. There have been a slew of new



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product launches to drive rural growth, urban premiumisation and a much stronger national participation in the hair fall category. All these initiatives are expected to drive good double-digit growth during the next few quarters along with both value and volume share gains which we continued to have in the last three years.

Saffola performance continued to be muted, but after a series of different experiments, we have finally concluded on three big initiatives that will turnaround the brand and we do have the visibility of September and October performance to be confident about a better performance in the coming quarters. The three initiatives are differential regional pricing in Saffola Gold in regional markets, offering an aggressive entry point pricing for consumers to trade up to Saffola Tasty variant in the south and active variant in the rest of the country and targeting a new set of consumers through Saffola active advertising into the brand. The recent increase in import duties has also made the price premium for Saffola more attractive to consumers. As regards the Paras portfolio ,gel continued to do well in terms of driving market growth and share. The revamp of the Livon serum portfolio got delayed and has been executed this quarter. Post our success in gel, we plan to drive a similar penetration and category growth initiative in serum through a better product, refreshed packaging, sachet which is a LUP pack and new communication with our new brand ambassador, Kangana Ranaut.

As regards Livon Hair Gain, where we are facing a huge counterfeit challenges, especially in the e-commerce challenge. We have introduced the significant amount of security measures in the packaging, which should sort out the problem in the coming month. We are also working on revamping the entire deo portfolio shortly. We expect the youth portfolio to get back into growth in the second half, but that is not good enough. Going forward, we plan to play a bigger role in both male grooming and leave-in serum market through better innovation. We also made a long-term strategic investment in the salon product segment in India. We believe this is our future growth engine and we should participate through startup incubation model in this segment rather than integrating this into our own organization. Besides product sales, this participation will give us a foothold to tap influencers, gather better insights and even do some prototypes.

In the international business, our efforts to build a robust organic growth model are beginning to bear fruit and it will show itself in our performance in the second half. I must admit it has taken more time than we had originally envisaged. We have finally got stability in the Egypt business and the new GTM has settled down from September. Middle East continues to stage a smart recovery. We should get further accelerated with our new restage. In Bangladesh, we have taken price reduction in Parachute, which we could not push into the market because of significant quantity of higher price stocks in the market and therefore that is one of the reasons for the deceleration, which you witnessed in Q2, but I think once the new product, new price settles into the market, we should see growths in Q3. South East Asia is also in a correction mode with a slew of innovation and increased investments and the transition to the new management has been completed.



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In all the markets, there has been a significant revamp of the core portfolio and there will be a significant activity of both renovation and innovation over the next few quarters. Since most of the capability issues are in the process of being sorted out and we have attached a presentation separately to cover all the innovation and restages, which we are doing in both the Indian and the international portfolio. Once the international business gets stabilized over the next few quarters, we plan to refocus on inorganic growth opportunity especially in some of the geographies of interest. As you are aware, we now have a dedicated cell for driving strategy and M&A and looking at new horizon to project directly reporting to me.

For the balance, our effort will be to secure higher volume growth by ploughing back a significant portion of our input cost gains into both pricing and A&P. As you may notice, we spend 30% more A&P in Q2 which is back-loaded in the quarter and it will have flow through impact in Q3. We have very exciting pipeline of innovation and renovation of our core products in all the markets and we will be able to aggressively invest behind them. Some of the work we have done in the five areas of transformation especially in sales in India is expected to bear fruit in terms of growth outcomes over the coming quarters. While maintaining annual margin of 17%, we are planning to drive at least a 8% volume growth in Indian business and a double-digit constant currency value growth in international business in the second half of the year. At this volume growth level even after deflationary impact on a topline, our earning growth will continue to be good and we have modeled is that if we can deliver 7% to 8% volume growth with the A&P and the pricing pass through our earning growth will continue to be very good.

Personally, I must say that I am far more confident now, than I was perhaps three months ago about the recovery, because we have proactively initiated a lot of corrective measures in our business in addition to the lower second half base of the last year. As you may be aware, because of movement to order management we have done 40 crore stock correction in Q4 in India business last year and Bangladesh was also wash out because of the political disturbances and of course Egypt, there was a GTM disruption. So the base of the second half was also pretty low.

Before I end I would like to inform you that in the Asia Money Corporate Governance Poll where 350 analysts and investors participated in, we have been voted as a best domestic company for corporate governance in India. I would like to profusely thank all of you for your support and it is certainly raises the bar for us. We are very privileged to receive this recognition and what I can assure is my team and myself will continue to focus and strive hard to meet your high expectation in this area. Thank you once again it means a lot to us and I am happy to take your questions.

Moderator:

Thank you very much. We will now begin the question and answer session. The first question is from the line of Prakash Kapadia from Anived PMS. Please go ahead.



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Prakash Kapadia: Thanks for taking my question Sir. Two questions from my side; in our effort to increase contribution from Active and Tasty in our edible oil sales, is there any margin impact on our edible oil portfolio because I would guess Gold would be a much superior margin product, if you can throw some light on that?

Saugata Gupta: I think it is a very spot-on question. What we have done is in terms of gross margins, we have ensured that is neutral across all variants before we started supporting Active, but you must realize that Active is going to bring in a new set of consumers and therefore it is expected to drive incremental growth, but what we have ensured is given the current mix and given the current commodity pricing at least in the next 6 months to 12 months it is margin neutral.

Prakash Kapadia: Sir, any sense on Saffola Total? How has the response been at least in key metros and modern trade?

Saugata Gupta: I think it is a topline product and as I said that given the fact that urban consumption has been a little sluggish so far. We got a very moderate growth on Saffola Total; however, we strongly believe that as of variant it is superior to some of the other premium species and we will continue to support this brand, but certainly you will see in the next one year more significant innovation of Saffola in the premium and which we have neither done in product and packaging over the last three years.

Prakash Kapadia: Sir, historically in a deflationary environment, unorganized players has really affected the coconut oil portfolio. This time around we have done really well. Congrats on that. So, just wanted to get your sense, is it just the pricing action or is there something else behind this sustained growth? And do you still maintain, we can grow at least 6%, 8% over the medium term for Parachute?

Saugata Gupta: I think two things that were different. What we used to do in the last two cycles of the deflation, I think one happened in 2008 and another in 2012. We did not take pricing action, because as you know Parachute is a mass distributed product and the chain, the entire distribution chain, right down to the last outlet in the rural can be three to four months. So, it takes three to four months to get the impact. I think what we did was after getting I think we learnt after two mistakes and we now have a very sophisticated pricing model where irrespective of whether we are seeing a volume impact in the market we take a pricing actually and this model has been backtested for the last eight to nine years over three, four inflationary cycles and three deflationary cycles. We have taken a proactive call. Number two, if you really look at it in the last couple of years, our market share has improved I think in the seven years, eight years, market share has improved from 50 to 57, we have much more stronger rurally in the rural areas and therefore I think, yes, we are far better positioned now to face this deflation than what we were and I think the other big thing is that I think given our sales and distribution system of far more sensitive this time than by we are complacent and perhaps in the last two times or not taking those proactive calls.



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- Prakash Kapadia:** So, the IT initiatives also would have contributed in terms of analytics or some kind of decision-making?
- Saugata Gupta:** No, this is a different thing. We now have a very robust pricing model for Parachute and Saffola where we know the premium and yield points and therefore to price, so lot of times we are taking pricing cost based on the model as opposed to what we are seeing in the market, because sometimes the impact there could be lag affect.
- Prakash Kapadia:** Understood. Thanks Sir, that is from my side, all the best.
- Moderator:** Thank you. The next question is from the line of Naveen Kulkarni from Phillip Capital. Please go ahead.
- Naveen Kulkarni:** Thanks for taking my question. My first question is on the gross margin. You said that there were some bit of promotional activity which has now been converted to price cut for Parachute brand. So, if we had converted it into price cut in this quarter only, what would be the impact on gross margin? That is one. Second is what kind of price cut are we looking at for Bangladesh? And third is with the price cuts that have already been initiated, do you think more will come in the subsequent quarters considering that raw material prices continue to remain as they are?
- Saugata Gupta:** It is like this. As far as gross margin is concerned, I do not see significant impact in the gross margin in Q3, because as I said that some has been temporary promotions in Q2 and in Q3 it has been converted into a 6% price cut across the portfolio in Parachute. In Bangladesh, we have already taken around 3% price drop and we might take more, because we believe that we will rather drive volumes and that in the case of Bangladesh also I believe that if we keep that unsustainable price to branded, it will get reversed and lose component will go up in that market, besides of course the stagnant market share in Bangladesh. As regards further pricing action if at all I think we will wait and watch. As I said we now have fairly sophisticated model and we will not be shy of taking any price cut, but I think our entire impact is to get back volume growth and continue to deliver a 17% operating margin for the business for annualized basis.
- Naveen Kulkarni:** So, in terms of the advertising and promotional spend, if you could give some kind of indicative growth rates in terms of how promotional has grown and how much advertising would have grown? If we understand it correctly, with the price cuts in the next quarter, then probably the promotional activity will be much lower. So, overall, A&P spend should be lower, is that understanding correct?
- Saugata Gupta:** The way to look at it is I think this quarter what we did was 60% of the gains which we had ploughed it towards promotions, especially mostly towards A&P and some to pricing. You are absolutely right. We will have bigger impact of the pricing component to A&P. Having said that



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we will have significant increase hopefully in A&P in H2. What happens if we can start getting 8% growth, the incremental gross margins from that will fund the incremental A&P by itself.

Naveen Kulkarni:

Thanks a lot. If I have more questions, I will come back in the queue. Thanks.

Moderator:

Thank you. The next question is from the line of Manoj Menon from Deutsche Bank. Please go ahead.

Manoj Menon:

Congratulations on an excellent volume performance in Parachute. The question actually pertains to the light hair oil thought process strategy, which you are pursuing currently, the new ingredient-based strategy. If you could comment about your experience till now in some of those products like tender coconut or any such ones or even Aloe Vera which you launched a couple of months back. So how do you expect this to pan out considering that you actually got your Shanti Amla part absolutely right? It is in that context, the expectations are fairly high on this side.

Saugata Gupta:

I see it in three different components. I think one is at the bottom, which is conversion from loose mustard, which was earlier, going to only Amla. I think the significant part of the consumers wanted the mustard sensorial and therefore the value-added mustard oil which we have launched and successfully prototyped in Rajasthan and scaled up in the Hindi speaking markets where mustard is used for multifarious use, I think that is one part of it. The second part of it is I would say the hair fall. Hair fall is the big segment, which unfortunately we have not been able to capitalize and it was a miss as far as innovation is concerned in the north part of the country. We have successful franchise of ayurvedic hair oil which is a very efficacious product and which is expected to deliver at least 60 Crores to 65 Crores sales in the three southern states. So we are prototyping this new ayurvedic gold, sensorially we have ensured that this is far more appealing to the set of consumers in the north and west and other Hindi speaking markets of the country. These are very efficacious products and we intend to play on a significant role and do aggressive investment behind driving the anti-hairfall category. As you know that one of the biggest drivers of premiumisation and specificity of benefits in the value-added hair oil is hair fall, only a hair fall product problem solution can be delivered by a leave-in product. No wash off product can do anything on hair fall, although they are making some claims, which I believe consumers don't buy into. As regards to the third area, which is people are looking at a fine balance between sensorial and nourishment that is where Aloe Vera is placed and technically if you look at the Almond category growth, Almond grew because it managed to deliver a very fine balance between sensorial and nourishment and therefore Aloe Vera plays in that role and the fourth area which we have not yet done something but we intend to place in the premiumisation for people who have lapsed out of the category, but one far more modern and contemporary format. So, unlike a seed based or single play, which a lot of other players do. We want to have far more consumer need backward broader participation strategy to aggressively garner both volume and value share, which we have been garnering in the last three to five years.



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Manoj Menon: Understood, very clear. Sir, just one follow-up, if I may, on the hair fall part of the variant, is it that the marketing thought process needs to be different considering that it is a specific problem solutions sort of a thought process? So, what I mean is that would there be a challenge over a period of time to actually consumer lapsing out of the category and you will have to continuously recruit new consumers, because that is fundamentally different from the typical FMCG thought-process?

Saugata Gupta: You are obviously right. It is a leaky bucket in terms of people have the problem, the consumer get into the brand and leave out, but what we have seen in the south where the hair oiling habit is prevalent, I think there is consumer stickiness where the current oil is replaced if there is efficacy which is proven. I think our endeavor is we as an organization believe in that you promise what you deliver and deliver what you promise, so we have designed the product, they deliver the efficacy and we do not want to be gimmicky in terms of advertising and making certain claims where the produce does not deliver. So, even if it is a problem solution product and people leave after the problem is solved, it is good, because at the end of the day if we look at the biggest problem today as far as hair care regimen is concerned, it is ultimately dandruff and hair fall. And therefore, hair fall solution can only come from the hair oil. Let me also tell you, a shampoo does not solve the dandruff problem. Dandruff problem is a scalp problem; a shampoo washes out the flakes of dandruff. So, I think tomorrow there could be a solution to dandruff coming from the leave-in product also.

Manoj Menon: Understood. Thank you so much. All the very best Sir.

Moderator: Thank you. The next question is from the line of Arnav Mitra from Credit Suisse. Please go ahead.

Arnav Mitra: On the Parachute volume growth this quarter, so would you say that because you took these promotions towards the end there was some pipeline filled in wholesale and therefore the growth could go down next quarter because 11% is a very high number given what you have been delivering in the last two, three years at a quarterly level?

Saugata Gupta: I think we should not look at a quarter, but as long as we continued to deliver 7% to 8%, I will be happy. I think what gives us the little bit of a fillip is, we took much more proactive action sometimes even compared to unorganized players also at this time on pricing, having learned the lesson in the past two deflationary cycles.

Arnav Mitra: If I look at the second quarter, there is a negative pricing of around 1.5% between the value and the volume growth. So as you go into the third quarter, what is your sense of what is going to be the negative component of pricing, because a part of it was already there in the promotions that you were running, but how much incremental negative is it going to get in the second half?



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Saugata Gupta: I would think 2% to 3% that is the fair kind of deflation to expect, because that will pan right through the quarter.

Arnav Mitra: On the value-added oil side, so on Amla, I think, it seems that your market shares are now kind of plateaueing off at the 37%, that kind of level. So is it now that you would look at the second leg there where you would want to take up the value or the margins there, or do you still think that it is too early to say that the shares are plateaueing out there?

Saugata Gupta: I would not like to comment on this as I said our endeavor is to ensure that we continue to get overall, now continue to gain market share overall. In terms of strategic intent, I would like to leave it for people to guess.

Arnav Mitra: On Saffola, just you made a comment that at an overall level there is actually despite you running, say, differential things at an overall level, the pricing remains approximately the same across the country on an average?

Saugata Gupta: What we are doing is, we have differential pricing in different regions depending on the species and depending on variant we are pushing in that particular region. So for example, for Tasty variant, we will have two sets of pricing and Gold, we will have two sets of pricing.

Arnav Mitra: Sure. My question was that, as a company, are you seeing a drop in realization per litre on Saffola nationally because of the strategy that you are taking, or is it that there are drops in some places, but being compensated in other areas?

Saugata Gupta: So far it will be very marginal; however, obviously realization of Tasty and active, it is little lower than Gold, but at a gross margin percentage level, they are margin neutral and if Tasty and active can give me the incremental growth to push us towards 7% to 8% and may be 10% it does not matter.

Arnav Mitra: Lastly on Bangladesh, this 11% decline seems almost like a business disruption in a FMCG kind of business. So would you say that it is - is it loss of consumer off-take or is it channel because as you said, you took pricing, but there was old stock in the market? How would you split this decline because it seems very high for a normal category like coconut oil?

Saugata Gupta: Let me address this in three things. I think first let me tell everything is not because of the environment. Is our GTM and our capability at full potential? Answer is no and we are taking corrective actions and sales and marketing capability as a part of the overall exercise in international business, so that is number one and that could have contributed to something. As regards the issue on the 11% decline let me just tell you what exactly happened. This quarter also had the two Eid holidays, unlike last year where the Eid holidays, one fell in Q2 and another fell in Q3 and we took the price drop. We had significant amount of stock of the old price and we



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have to take a blackout simply because of the fact that if we had tried to push the reduced price stuff into the market, we would have been forced to take back the higher price stocks. So, I think we took what I call temporary black out and we have got I think more accentuated because of the holiday season, the Eid holiday which came in sometime in September. So I think one in July and one was in September. So I think that was the issue. Now, I believe and we have the visibility of October that will get back into growth; however, we have a more bigger challenge in Bangladesh given the fact that unless we accelerate this process in terms of the revitalization of the other part of the portfolio, because currently the dependence on Parachute which is relatively saturated continues to be high. So that challenge is something a medium term challenge, which we have to overcome.

Arnav Mitra: So broadly you are saying primary would have been much more effective than secondary because of the blackout period in Bangladesh?

Saugata Gupta: Even secondary has got affected simply because of the fact that the trade was holding a large part of higher priced stocks and it would have been not prudent to push this, because that would have to led us taking a hit in terms of trying to take back or doing a temporary price reduction of the higher price.

Arnav Mitra: Just one more question if I may on the Sarson, now that you have decided to roll it out in other states in the Hindi belt, if you could just share some of the feedback of the prototype and what kind of run rate could you look at based on whatever feedback you have got here?

Saugata Gupta: Well I can say that the prototype exceeded action standards in both in terms of trials & repeats and in terms of market share uptick and we believe that this could be a future big bet if we execute it well.

Arnav Mitra: Thanks so much, Saugata. All the best.

Moderator: Thank you. The next question is from the line of Vivek Maheshwari from CLSA. Please go ahead.

Vivek Maheshwari: Good evening everyone. First question, Saugata, on the outlook that you have given for second half, you are sounding quite optimistic whereas your press release, for example, talks about pressures in rural and rural growth being converging with urban almost after several years. What is giving you this confidence for second half? I understand the base is supportive as far as volumes is concerned. But you have a headwind of big price cuts also and whatever commentary that we have heard from other management, things are not looking as good, right? So, other than hope, is there anything concrete that you are looking at, which is why you are so optimistic



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Saugata Gupta:

Let us break it up into India and international. As far as the India is concerned, I think what we are talking about is moving that 6 to 8 or 9 and as I said you must look the fact that, quarter four base was low. In terms of innovation if you see the innovation pipeline and the kind of new products which we have launched and some of the renovation we have done that is extremely power packed and I believe if you move the advertising needle and as I said a significant portion of the increased A&P was back loaded into September, which will have a flow through. I think if you execute this thing well it will move up volume growth up to 6% to 8% and we are saying that is the delta. Yes, I think rural is a big challenge, but we believe that urban consumption is expected to pick up. I do not think we are expecting a significant increase and I think you must realize, if you look at the run rate in terms of the base, which was there in Q4, it was pretty subdued because of the Rs.40 Crore correction. Coming to the international business, which is around 24% of the entire business, I think we have done long-term systemic correction, so therefore, Egypt is back on track, I think Gulf with the restage is faring well and Bangladesh as you know one is we should get back growth with the pricing cut and as I said last year quarter four was very subdued because huge political disturbances. So, therefore, it's a combination of base effect & a significant impact in terms of new products especially in the value added hair oil space in hair fall and value-added mustard oil, Saffola getting back into growth and the youth at least getting back into a very moderate growth from the negative, so if you see the combination of the ask which we are doing is very realistic bottom-up and personally, I don't normally live on hope.

Vivek Maheshwari:

That is good to know. Second, 30% A&P rise, would it be, so a lot of these have gone into new launches or you would have invested equally on Parachute? Will there be a step up over the base portfolio or the bulk of increase is in new categories?

Saugata Gupta:

No, I will tell you, I think, what we are doing is essentially we believe that as far as Saffola is concerned and Parachute Rigids is concerned pricing is good enough. So, there is no incremental A&P is going towards it. The entire incremental A&P, we are focusing our incremental A&P what we call a volume accelerator in India and international, so all the incremental A&P will go towards mostly in terms of NPD in India. And in international there are three big restages, one is we are doing a restaging of Hair Code. If you had seen the presentation which we have circulated and so Hair Code in Egypt, now that the GTM, I think GTM transformations project seems to have stabilized. The second one is restage in the Gulf and we are also investing in no gas and the new shampoo variant in Vietnam, so there is this one-fourth, so I would say that a significant portion of this is going behind what I called a volume accelerators, I do not see any incremental A&P going behind the core because the core we believe has been taken care of through pricing itself.

Vivek Maheshwari:

Third thing, the 6% price cut, I have seen in your presentation or in your release, the RM trend, the copra price trend, but 6%, is it just because you are worried about competition want to stay competitive or is it because you are seeing action on the ground from other competitors or local



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players? And if that is the case, is there any merit in looking at the pouches again as a focus area, because these will still give you incremental rupees or your worry is that there can be a potential down trading, so two parts to my question on this one?

Saugata Gupta:

As I said I think for the first time in the last, I think five years without taking feedback from the field or taking feedback from what competitors are doing, we have proactively taken it because we believe that we have tested this model with 10 years of data is to proactively take it irrespective of whether the impact has happened or not and I think this will bear fruit. As regards to the other pouch packs is concerned, I think they continue to be low focused because we do not want short term volume because the margin and the volumes of that will not be sustainable, yes you are absolutely right, there is an opportunity play, but I would rather focus our energies behind driving, you know, growth in Parachute Rigids and the value-added part of the business.

Vivek Maheshwari:

Last question, August last year you had unveiled a medium-term game plan where you had shared aspirations to double your topline. With the kind of inflation debt that has played out in the last 12 months, how do you see that game plan over the next three years now?

Saugata Gupta:

I think, as I said that, yes, I mean if the deflationary thing continues it is going to be delayed, but I think more than anything else I think the entire aspiration was to make the organization future ready. One of the biggest learnings when we moved to our Rs.1000 Crores to the Rs.5000 Crores journey was that we did not build capability a head of growth and therefore, we were incremental in terms of being carrying forward. The change which we have brought about is we painted the organization, what the organization would like to be in 2018 and 2019 and we wanted to go what I would call future backwards, or building capability ahead of growth, because we believe the complexity increases at an exponential rate compared to the turnover which is much more linear. I want to see a much more robust organization in the five areas of transformation we have enlisted and if they are, and they need to be top quartile globally amongst CPG players. I would be much more happy now if because of inflation and deflation if the target gets pushed by one year so be it, but I think we need to concentrate that how do we get back 8% to 10% volume growth, 80% to 90% of portfolio gaining market share and having a strong robust organization with a right portfolio, great talent and in terms of market leadership in all the market and best-in class processes and governance. To me, I will be much more happier if the 2018 becomes 2019 it does not matter.

Vivek Maheshwari:

Sorry, just one more on the financials. Staff cost and other expenses, Vivek, were up only 3% and 6% respectively. Can you throw some light on both these sets?

Vivek Karve:

That was primarily because of the lower provisions on account of both, on account of staff and variable incentive.

Saugata Gupta:

With 5% volume growth, you do not get too much variable incentive.

- Vivek Maheshwari:** What about the other expenses, Vivek?
- Vivek Karve:** See, other expenses, we will have to break them down into fixed overhead and variable overhead, so if you look at the fixed overhead, in case of fixed overhead, if you just leave aside, the foreign currency related exchange hit, the fixed overheads have gone up actually by about 14% and as regards the other variable expenses are concerned, they have gone up by about 1% but it is very difficult to exactly marry this percentage increase to the volume growth because of either position building or position DOD.
- Vivek Maheshwari:** But it does not have any one-off or anything, right. This 1% increase is something that we can take?
- Vivek Karve:** This is all steady state, Vivek.
- Vivek Maheshwari:** Thank you very much and all the best.
- Moderator:** Thank you. The next question is from the line of Amit Sachdeva from HSBC. Please go ahead.
- Amit Sachdeva:** Thank you for taking my question. Good evening to everybody. Sir, one observation I make when I look at results of, say, broadly FY 2014, where we were grappling with the rise of copra prices and when I say, and coming out of this cycle, so congratulations, right, earning trajectory has been very good and volumes have been pretty decent for Parachute. But one thing I notice is that while the EBITDA margins, EBITDA growth was muted in that sort of quest of, in the face of copra pricing rising, Bangladesh was actually not given much cede and then margin continued to be very strong that funded strong earnings growth in that particular four, five quarters. And now that India has started seeing deflationary cycle where Bangladesh is late in sort of reacting to it. When you have a pricing model, say for, India, which sort has helped you manage this cycle really well, why not this was done for Bangladesh?
- Saugata Gupta:** You are absolutely right, we have not done, we had not done it for Bangladesh and I think perhaps we are complacent because of the fact of our, in terms of our dominant position in both in terms of loose to branded and our market share and in hindsight, I think it is a mistake and we should have taken that pricing call maybe one year before and this is something, which and it sometimes happens and I think in the earlier structure obviously Bangladesh was kind of cash cow for the entire international business, now in the new unified structure, I think this call should have been taken earlier and I completely accept the fact that we should have done it earlier.
- Amit Sachdeva:** But in that light suppose copra prices stay where they are there, then are you not looking at slightly tougher comps in FY 2017 then?
- Saugata Gupta:** See, I think yes and no, because I think one of the things we have to drive is the kind of volume growth, which is important in the business and I think as far as Bangladesh is concerned, you



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must realize that Bangladesh, also the other thing is Bangladesh input comes from Indonesia, which is not necessarily linked to Indian market conditions.

Amit Sachdeva:

Sir, just second bit on, if I may say, Saffola Oats have been roaring success in terms of how it has built up its position in a very short period of time. And I also read in a release that you expect that to become a bit neutral say in three years' time or so. And at Rs.125 Crores, can you share what margin it is making, and why is the large fixed expense that scale will offset that you would hopeful that this will or it's essentially a low margin category? Can you tell us that although the success of the category it seems is doing really well. But how much margin do you expect really from this category once it achieves certain scale and things? Could you share some, what has your experience been?

Saugata Gupta:

All I can say that, I think this is the Saffola extension and Saffola extension into foods. It has broken the first. I think what I call the trigger point. It makes a margin better than Saffola oil, so therefore it is value adding in that sense. As regards you know, food is a little more capital intensive, and number two with the efficiencies of scale, I think the two, three things happened and this is reason, one is in terms of raw material obviously you get much more advantages and scale advantage and tomorrow if this category grow big you can always look at, you know, in terms of setting up your own set up, which will have cost advantages. Number two is the A&P advantages arbitrage, which will you get. So whatever we have seen, we believe that in the next two years if you move it to Rs.200 Crores we breakeven in that.

Amit Sachdeva:

Sir, very quickly a last bit. Youth brands have been struggling for one reason or the other. And I see that there are some restages and relaunches due and A&P was thrown in behind Youth brands. But given the performance that we have seen this quarter, how can you sort of break this down into what we should expect going forward? Are there some wrong base effects here and what is really going on within the categories in terms of Livon and others?

Saugata Gupta:

Let me give a perspective when we, I think, when we acquired the Paras portfolio, we had three components, one is the Set Wet, which is a Livon serum and Livon Hair Gain and the third was Set Wet Deo, Set Wet and Zatak deo. There were 33% almost equal components. Deos made much lower margins, while gels and Livon portfolio made higher margins. In the Livon portfolio and the gel portfolio, we are market dealers, but the penetration was low and deos has a much more higher penetration, but was far more competitive. To give you a perspective, I think we took the wrong call in the first two years of where we invested behind deos to gain market share, which we are now defocused. We started driving gel, if you really look at gel, gel is one part of the male grooming and we believe that gel is only limited, while its penetration is low and we have driven, so the market which was declining has gone into growth plus we have gained I think 7% to 8% market share in gel in the last one year. So we have corrected, what I call, just to give a perspective because of the deos, and we did not have an answer for deos and I think we have performed, I would use the word horribly in deos, so deos actually, become only 20% of the



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entire thing, so gel is perhaps, gel and serum has become 80% component and they make higher margins, we have corrected the first component. Second component is serum. We have two parts, which is Livon Hair Gain and Livon serum. Livon Hair Gain, I think we need to have a different business model and we have faced huge counterfeit pressure and that is because during the pass-through between Paras to Reckitt Benckiser and Reckitt Benckiser to us, there is a leakage of a gold and therefore, we have had Youth counterfeit problems which we are sorted it out through certain securities measures and we have to be ahead of the curve. I think, because of the high stakes and the high pricing and especially a lot of counterfeiting is coming through market makers and market players in the e-commerce channel, which we have to tackle, so which we should be tackling. Livon serum, again low penetration category, relevance is low and it is a high margin and category was stagnant. We have just started the process with an improved product, improved packaging and I think in India, you have to not only drive affordability and also just not availability and relevant, but affordability by using a low unit pack. So we have launched a sachet in Livon. We have to wait and watch. If you can drive these two that itself will get into a moderate growth, but that is not enough, so we have to have a large play in male grooming because at the end of the day if you are saying you are participating in male grooming and gel is being used only by 16 to 18 years old, I do not think you can, a brand can live by catering to only an age group which is only in a three-year time span in life and the purchase lapses out of the brand, so we have to play a larger game plan in male grooming. Deo do you have answers right now? I think we are looking at a renovation, but we have to create this, what I call disruption, doing the same old thing will not give us growth. And we have not done a good job in Deo, so I think on the second half we have a modest kind of what I call aspiration to get it back into some single digit to 10% growth and then look next years to accelerating the growth.

Amit Sachdeva: Thanks so much. This is all from me. Thanks a lot.

Moderator: Thank you. The next question is from the line of Percy Pantaki from IIFL. Please go ahead.

Percy Pantaki: Sir, just wanted to understand on your parachute portfolio, do you run the risk of a similar thing, which happened in Bangladesh where you have taken price cuts, but there might still be the old stock, which is there in the market?

Saugata Gupta: No, I think, we run, as you know, replenishment model in India and pipeline. So we have done and in fact most of the packs are new packs that is already in the market. So I must say that, you must realize, I think in India given our GTM maturity and supply chain effectiveness, these issues and the fact that we have gone through and learn through two deflationary cycles, we have managed it much better. I am glad to say in most of the SKUs the new price stocks are hitting the market and we actually had a very planned blackout period. I will tell you what happened in Bangladesh, the blackout period coincided with the festival season at the end of the quarter, so you are seeing that impact of that. While in India the blackout period actually happened a little bit in October, so we will be able to catch up with that in September and, sorry in November,

December. Number two; in India we had already taken priced up to promo. So it was a much smoother flow in the case of Bangladesh where high priced stocks, non-promo stocks were in the market.

Percy Pantaki: Right. Sir, secondly, just wanted to understand the copra price trajectory. I mean, are you seeing your Q3 copra prices would be similar to what you have seen in Q2?

Saugata Gupta: Maybe slightly bearish, but it is very difficult. Copra price is very, very difficult, I mean given our past experience, but indication is slight bearishness. I do not see any significant impact. I think we have to wait and watch for what happens, how the Northeast monsoon pans out and then we will be able to have a better visibility of copra prices in January, February.

Percy Pantaki: Lastly, Sir, given where copra prices are, let's say, they are only slightly bearish as you mentioned, given that slight bearishness pans out, do you think there is a second price cut in the offering or do you think the 6% is all that you need?

Saugata Gupta: This is at the current prices for quarter three, whatever we have a visibility; this is good enough, as I said that we will take the next call depending on the outlook in February.

Percy Pantaki: Okay, that is it from me Sir. Thanks.

Moderator: Thank you. The next question is from the line of Nitin Gosar from Religare Invesco. Please go ahead.

Nitin Gosar: Sir, just wanted to understand, on the Bangladesh revenue, where there was an 11% drop, can we segregate how much was coming in due to blackout and how much was due to the new prices that were introduced?

Saugata Gupta: It is very difficult and as I said that, let may be honest, I think we should have executed the price drop better and taken the decision earlier. So, I think it is very difficult to put a component to it and I think we have not managed that price drop in terms of the timing of the decision and also executed. So it is very difficult to actually attribute to it and we should have managed it better I think.

Nitin Gosar: Okay. On your Saffola pricing strategy, have you also done it in past in any of the brands earlier and if so, then, can you share the experience there?

Saugata Gupta: I did not get your question.

Nitin Gosar: Saffola edible oil where we are trying to go into regional pricing more, have you done it in past in any of the brand and if so, then what have been the experience there?



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- Saugata Gupta:** Yes, we have done it earlier also, and I think it was because the, see people upgrade from a certain specie to Saffola. Now that species can be different in different region and because of the dominant brand. So, we had done this before. We used to run, I think, differential pricing some seven, eight years ago, so we experiment with it and I think this seems to be working, but as I said that this time we got lucky because also the margin, its margin in terms of gross margin, it's equalized across all variant.
- Nitin Gosar:** Okay. And, sir, the last question is pertaining to the Saffola edible oil packaging. I guess, you mentioned that you're going ahead with some innovative packaging?
- Saugata Gupta:** No, we said that we have to do innovation in packaging on the premium end, which we have not done, I think Saffola is a brand where we have not done and we have to do it and you perhaps see something in the next six months to twelve months.
- Nitin Gosar:** Okay. And if at all that some kind of changes happen will be in the large packs?
- Saugata Gupta:** No, no, I am talking of innovation in packaging, need not be changing of your existing pack, but to give you one example, I mean, I think there could be today with the modern trade and this one, if you are premium oil you just can't be in standard packaging. That is what we are talking a about.
- Nitin Gosar:** Okay, got it. Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Manan Patel from Alder Capital. Please go ahead.
- Manan Patel:** I just have two basic questions for Vivek. One not pertaining to the quarter, but just in terms of the balance sheet, there still is a huge outstanding contingent liability pertaining to the excise duty. Can you just give us an update in terms of the status of that?
- Vivek Karve:** Yes sure, this contingent liability arose because of a Board circular, if you recollect, which was released by the Department in June 2009. Now this particular circular actually has now been withdrawn by the Department. So to that extent I think we would take a relook at the status of the contingent liability along with the auditor and as you know the contingent liability is typically not disclosed during the quarterly updates, it will be disclosed as part of the annual report, so probably we will see a different number in contingent liability when we report in the annual report.
- Manan Patel:** Okay. So this would be written back through the P&L or the balance sheet?
- Vivek Karve:** No, because the moment you said it's a contingent liability, it is contingent and hence not appearing on the balance sheet, so there is no question of any reversal as a result.



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- Manan Patel:** And the other bit, which I wanted to understand, was you have, I mean there is a slow progression towards the new accounting rules and regulations. Is there any likely change in terms of goodwill or other accounting practice that you are likely to see through which is running down the P&L or the balance sheet?
- Vivek Karve:** It is little early because we have started that particular project. Prima facie we don't see any significant impact, but I think as we get closer and as we understand the implications of the new index on Marico probably sometimes in January or February we will talk to the analyst and probably brief them about the exact impact on Marico.
- Manan Patel:** Okay. Fair enough. Thank you.
- Moderator:** Thank you. The next question is from the line of Nilai Shah from Morgan Stanley. Please go ahead.
- Nilai Shah:** Just one question from me, the 17% EBITDA margin aspiration, is it for fiscal 2016 or is it over the medium term?
- Saugata Gupta:** It is fiscal 2016, but we will like to maintain the 16 to 17 over the medium term.
- Nilai Shah:** And given that you had massive margin tailwinds for the first half of this fiscal, how does this remain in that ballpark? What are some of the drivers for the margin to be closer to 17% going forward also?
- Saugata Gupta:** I think what we have said is annualized basis, so we have, at the end of H1 we are at 17, I think as I had said that if we, the input savings will be distributed amongst pricing, A&P and some retention and if we can get our improved performance in volume growth in the India and the international business. In international business as I said you know that it is going to happen after sometime the incremental gross margin actually pays through and flows through directly into the, because the A&P increase will be certain fixed. So I think what we are indicating is we should be able to deliver a 17% annualized operating margin from this year and you are right, I think we have been given a guidance of 15% to 16, I think we would, we are slightly more, I think we would like to look at a 16% to 17% over the medium term now.
- Nilai Shah:** Okay. And any chance that the international business margins could slip from these levels, or you think that these margins can be maintained?
- Saugata Gupta:** Not really because I think the margins are, we have done a lot of structural changes both the integrations in terms of the way. And more and more integration that is happening with the Indian business in terms of sharing best practices, managing scale, we believe the international business will make, will be more efficient. In addition to that in some of the markets, which are subscale like Egypt and Vietnam, which currently have high fixed overheads, we have

deliberately done that as a policy that we want to have strong management, management bandwidth and drive capability ahead of growth. And if once we scale up, you will get scale advantages in some of these international businesses. Today in the international business, if you look at the structure and the cost structure only Bangladesh is in line with India. The others have a far bigger overhead where we have not capitalized on scale and I guess once we start doing a little more active cross pollination, I think we are driving the organization from complete independence to driving more interdependence. I believe we will start soon getting economies of scale and better scale, so international business say 16%, 17% is here to stay.

Nilai Shah: Sure. Sir, just one more question, in terms of the Shanti Amla business and you've driven that very well, it was driven initially by pricing. There seems to be other players who are now attacking the CNO portfolio with a similar strategy, so any thoughts on competition in this particular space at this point in time in the VAHO as well as the CNO business?

Saugata Gupta: So, I think, obviously we believe, if it affects we will respond, I think, so that is much I can say, I would not be able to talk for it, but I think we are cognizant of any competitive activity and we will be fiercely protecting our market shares.

Nilai Shah: Thank you so much.

Moderator: Thank you. The next question is from the line of Ashish Upaganlawar from Elara Capital. Please go ahead.

Ashish Upaganlawar: Yes, question on the new initiatives that you're taking in Sarson Tel and ayurvedic and Aloe Vera and everything else, so, Sir, could you give us a sense of what the kind of market potential or current market size that we are trying to target here, rough numbers would do it?

Saugata Gupta: No actually I think it is very difficult, the mustard oil there is a significant loose pool and I believe it is large. As far as ayurvedic, as far as hair fall is concerned, just to give you a perspective, I think, what is the hair fall market? I think it is around Rs.900 Crores. It is right now Rs.900 Crores. And we want to be and it is growing and we want to be a significant player in that.

Ashish Upaganlawar: Okay. Sir, what would be the kind of number on loose oil Sarson, I mean that number would be...

Saugata Gupta: Very difficult, you know, it is like how much goes into cooking, how much they put on body and how much on hair, it is very difficult to calculate, but whatever estimates we have, it is I think, it is significant, but I do not want to put a number, it is very difficult.

Ashish Upaganlawar: Okay. Secondly I wanted to understand the stake that you have picked up in xxx. I mean what is the objective that we are trying to achieve? You mentioned a couple of points at the initial remarks, but a detailing would help us.



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Saugata Gupta: I think it is a small initiative right now, I think it is, what we intend to do, I think we believe that as a major player in this segment, I think this is the point of interest. People today, I think, in terms of there are a convergence in terms of hair care between at home and at a salon. The salon is a big influence in influencing hair care habits, adopting hair care products, it is a channel, which is growing fast, instead of doing, starting to do internally where we might not have capability, we have taken a stake with a startup person. He has a background of working in this kind of business comes from a very, very high pedigree and he has experience in salon products and running a salon business, we have taken a stake. Currently there has been prototyping in the Eastern part of India with skin care products, we believe that we can participate through hair care and also use this experiment and stake in using, learning about consumers, doing inciting, trying to see if you can this as a influencer channel. So it is an experiment, we want to encourage innovation in this organization in a different kind of way and I think the incubation model is a much better model where it is out rather than getting into the, because this kind of small initiative, if it is, basically being a integrated into the organization it will not get focus.

Ashish Upaganlawar: Okay. Sir, finally I read in your investor update on Project ONE that the Company kind of in the process of merging these outlets with distributors and there is some cost reduction that you were trying to achieve here. I mean what is the kind of thing that we're doing here?

Saugata Gupta: If you look at a new portfolio essentially chemist, cosmetic and food, so we started out in the six metros, where we are going to get, I think Rs.75 Crores in annualized basis. Obviously when you start a new initiative, you have to subsidize it, we believe now the business has stabilized, so therefore, we will withdraw the subsidy gradually and whatever savings we have will be plowed back and with some incremental investments to next set of towns, which we will start, I think from quarter four onwards. And that will take another one year to stabilize, so we are going up in a phased manner, invest, take out the subsidy, get a cost of sale in line with this one, using that money to go to the next set of towns and the portfolio, which we are selling here is much more value added then what we sell in the main grocery channel.

Ashish Upaganlawar: Okay, fine. Thank you so much.

Moderator: Thank you. The next question is from the line of Harit Kapoor from IDFC Securities. Please go ahead.

Harit Kapoor: Yes, Hi, good evening. I just had one question, in your initial remarks you spoke about the focus on inorganic opportunities also going forward. So, I just wanted, since you really haven't spoken about this in a while, yet the focus will be inorganic opportunities as well. Just wanted your sense on whether you will stick to Asia and Africa, what categories, broader categories that you're going to look at and what's the thought process going forward?



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Saugata Gupta:

I think the strategy remains intact. We will continue to be in emerging markets of Asia and Africa where we have young population, low penetration of categories where most of the categories are in the bottom of an S curve, a per capita of say \$6000. So those things remain intact, I think largely we will be into, if you really look at all these opportunities in hair nourishment, male grooming, we are, I think skin care is an adjacency category or adjacencies. We believe that there could be opportunities whether it is an East Africa or South East Asia we were not doing it because we wanted the, in the international business organic growth capability, so that inorganic growth does not become an escape button for not doing organic growth. We believe that at the end of March or June in the next six to nine months we will have a stable organic growth business in international with a strong foundation, which was lacking. And I think we can refocus and I think we have a significant cash reserve. We will be far most within acquisition because now that, I mean done a lot of acquisition, we know what to do and what not to do and therefore, we will start looking at opportunities. In some of the countries, as you know there is also, the economy is soft, there is apparently devaluation in some of the economy, so that could be attractive opportunity, which are there for long-term, so may be you will, I think in the last one or two years we have not focused on that, so obviously it will take time to certify, but least we now have an active person with huge experience in, I think Southeast Asia especially consumer practice will look into this and I think as we always believe that if we have dedicated focus, I think results happens. And we expect some results in the next 12 months.

Harit Kapoor:

Understood. That is it from me. Thank you.

Moderator:

Thank you. The next question is from the line of Koustubh Pawaskar from Sharekhan. Please go ahead.

Koustubh Pawaskar:

Thanks for giving me the opportunity. Sir, my question is on your international business. Sir, when do we expect Egypt to get into the positive growth trajectory since whatever the distribution realignment? It's been almost one and half years. Secondly, when can we see Southeast Asia business to perform, to get back in the growth trajectory? Sir, this is my first question.

Saugata Gupta:

Okay, as far Egypt is concerned, I think I already articulated that, we believe that the GTM stability has happened from September onward, so you can and we have the visibility of October and what the quarter three pans out so can you see good growth in Egypt in the second half and definitely in quarter three and quarter four. Southeast Asia I think it is a mixture of, you are taking some actions, but if you look at the CPG growth in Southeast Asia in most of the categories have been really muted. So the question is how do we move it to at least a 10%, so hopefully we will see some growth, but you might not be able to see heavy growth in Southeast Asia business, so I think that should be, that is kind of the flavor I can give you.



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- Koustubh Pawaskar:** Right, sir. And Sir, in Africa also we were planning to expand into other geographies. So what is the progress in Africa, in which markets you have managed to expand your business?
- Saugata Gupta:** We have started in Kenya. Again, as I said, I think, we are going about slowly methodically, we believe that we do not want kind of cowboy approach in going into new markets through container modes, but work through market development. So we have done Kenya. We will now do I guess Tanzania and Uganda that adjacent areas get some scale, invest behind marketing development which we have done. We have started with the South African portfolio, but we believe that there is opportunity for other categories like male grooming in these markets. We also looking at, we are still doing some export business in some of the other market, but we will do market development in some of other countries in Sub-Saharan Africa. So, you will see a modest African business sometime definitely on an annualized basis next year.
- Koustubh Pawaskar:** Okay, sir. And sir, my next question is on your mass skin care body lotion. In this quarter it has got a growth of around 21%. So, since the skincare category is itself is under pressure, so what has helped you to grow by 21% in this particular segment?
- Saugata Gupta:** I think we have not done any magic, it is, let me, we are very insignificant player at 6%, so that base correction or this one. I think the question is the season how much do we grow. I think our endeavor is to show some good growth in this season, but you are absolutely right. The category is taking pressure, the category growth is very, very muted, so our endeavor is to grow during the period, so that 20% given our low base is actually nothing significant actually.
- Koustubh Pawaskar:** Okay. But since the season will start, so have you started seeing any kind of a pipeline filling at the wholesale level?
- Saugata Gupta:** I think it's early days yet, but I think as I said our endeavor is to show growth during the season, I think that is much more critical.
- Koustubh Pawaskar:** Okay, thanks.
- Moderator:** Thank you. Ladies and gentlemen, we will take a last question from the line of Prashant Kutty from Emkay Global. Please go ahead.
- Prashant Kutty:** Thank you, sir. Just one question on the Saffola business, I believe a part of the strategy, which you are referred to...
- Saugata Gupta:** Can you speak a bit loudly please, I cannot hear sorry.
- Prashant Kutty:** Can you hear me Sir?
- Saugata Gupta:** Yes, thank you very much.



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Prashant Kutty: So just in terms of Saffola as a part of our strategy in terms of accelerating growth, I guess one of the things, which we also haven't spoken about in, the last quarter was the differential pricing strategy, but just want to know because if you look at the quarter growth it still hasn't seen that peak out. What gives you the confidence in terms of probably achieving the number over the, let's say, coming year? Yes, we do understand that there is a base effect, which is there, but that apart, if you could just probably give us some sense on that?

Saugata Gupta: I think we declared an intention on doing a differential pricing strategy, we started the process sometime end June. We did some of the experiment, some failed, and some succeeded, so we now know where the differential pricing strategy works, where it does not work. So we are focusing our energies to that. Secondly, as I said that, obviously I think one other thing that was impacting a lot of domestic edible oil players was I think some of the imports which were cheap imports and I think the government has taken a very right step and actually ensuring that giving a level playing field with a duty. So that has made also that relative attractiveness and I think the third thing, which is a differentiated one is that we have supported, we have not supported our entry point brand in the last four, five years, we have been only supporting Gold. We have been supporting Active, which we started in end September and which is going to continue and we believe that Active will Active and Tasty will attract the different set of consumers than gold. Gold attracts a very top-end health-conscious consumer who anyway consumes very less oil, while Tasty and Active attracts a slightly heavier consumer and is slightly mass-end.

Prashant Kutty: Sir, is there a case, because in fact if you look at this quarter, you've also seen, the competitor also is actually seeing a fairly decent volume growth number. Is it a safe assumption to make over here that probably the growth rates in the, I mean, the low growth rates that you're referring to as far as the ROCP category is concerned, it's somewhere plateaued out and probably you should be looking at a better trajectory as far as the overall category itself is concerned?

Saugata Gupta: Yes, you are absolutely right. I think your premium ROCP will move up. I think also premium ROCP, given the modern trade dependence and other things, is also linked to urban consumption. So therefore, if urban consumption moves up, premium ROCP will move up and if you look at last year's quarterly growth, the slow down started happening in some end quarter two and it panned out to quarter three and quarter four.

Prashant Kutty: Okay, great. And, Sir, any, any sense of, any ad spend intensity or promotional intensity increasing over here out of proportion as far as this category is concerned? One is that now you're seeing the growth probably improving or something of that sort as far as the?

Saugata Gupta: As long as I think the pricing is right I do not think there will be, because a lot of players do not make margins in this category, I do not think significant spending is going to increase.

Prashant Kutty: Okay, great, Sir. Thank you, Sir. And all the very best to you.



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Saugata Gupta: Thank you.

Moderator: Ladies and gentleman that was the last question. I now hand the conference over to Mr. Rakshit Ranjan from Ambit Capital for closing comments. Thank you and over to you Sir!

Rakshit Ranjan: Thank you. On behalf of Ambit, I thank the senior management team of Marico and all the participants on the call. I would now like to hand the call to Mr. Saugata for any closing remarks. Please, sir.

Saugata Gupta: I just wanted to thank you for participating on this call and your patient listening. As I said that yes, I think we are in terms of the consumption headwinds, we believe that perhaps the worst is over and also as I said that the base will correct itself and we are hopeful of a better quarter and I said then the hope based on the fact that it is a delta shift, we are not looking at something stupendous here, but definitely in international business, because we have corrected them, systemic correction. So, thank you once again and I wish you a very happy festive season and thank you very much. Good night.

Moderator: Thank you very much. Ladies and gentlemen on behalf Ambit Capital that concludes this conference call. Thank you for joining us. You may now disconnect.