

Year	2012-13
Turnover	BDT 612cr
Net Profit	BDT 87cr

Marico Bangladesh Limited

Q2 FY14 Update

1 out of every 2 Bangladeshis is a Marico consumer

The company's flagship brand *Parachute* is the world's largest coconut oil

Parachute recently celebrated its journey of 12 successful years in Bangladesh

In 2011, *Parachute* was awarded the title of "Best Brand" by Bangladesh Brand Forum and Nielsen

Superbrands voted *Parachute* a "Super Brand"

MBL was awarded "Second Best Multinational Corporation" by ICMAB in the area of cost and management accounting

Dhaka and Jessore depots of MBL received "Best VAT Payer" award from NBR

MBL's factory in Gazipur is ISO 9001, ISO 14001 and ISO 18001 certified

MBL's extensive distribution network reaches more than 7 lakh outlets throughout the country

Marico Bangladesh Limited reported a topline of BDT 182 crore in Q2 FY14, a growth of 1% over Q2 FY13. The profit after tax was BDT 33.5 crore, a growth of about 66% over Q2FY13.

The gross margin expanded by about 1600 bps out of which 600 bps was reinvested in brand building and launch of new products; after considering the increase in other expenses, the overall increase in the operating margin was 700 bps.

The cost structure is given later in this note for better appreciation of the increase in profits. .

Business Performance:

Even though the growth in sales was muted, the profit continued to grow as a result of benign input cost and a number of efforts taken by the Company, such as inventory management and cost control. The Company continued to maintain its market leadership in its core segment (i.e. coconut oil) and continued to expand its presence in other segments (i.e. value added hair oil and powdered hair dye).

A breakdown of the costs and margins for the Quarter ended September 30, 2013 (Q2 FY14) is given below:

Particulars	Q2 FY14	Q2 FY13	FY13	FY12
Cost of Sales	47%	63%	64%	76%
Marketing and S&D Expenses	20%	14%	12%	9%
Other Operating Expenses	13%	8%	8%	6%
Operating Margin	21%	14%	15%	9%
PBT	25%	16%	19%	12%
PAT	18%	11%	14%	9%

Performance of Different Segments:

The Company's flagship brand, *Parachute Coconut Oil*, grew marginally during the Quarter. However, the brand continues to dominate in the branded coconut oil market. Aided by the array of marketing communication activities surrounding its recent twelfth-year anniversary, *Parachute* is expected to replicate its past performance of steady growth in the remaining Quarters of the year.

MBL's Value Added Hair Oil (VAHO) segment continued its growth trajectory by reporting a growth of 8% in Q2. In July 2013, for the first time, MBL became the no. 1 player in the VAHO category, with a market share of around 20%. This marks an important milestone for MBL's future due to the sheer growth potential presented by the VAHO market.

VAHO growth was largely attributable to *Parachute Beliphool Lite*. It reported a robust underlying volume growth; turnover of *Beliphool* grew by a remarkable 18% in Q2FY14. The trend of double-digit growth figures for *Beliphool* is expected to continue in the upcoming Quarters due to several activations planned at both consumer and trade levels.

Other brands in the VAHO portfolio – namely, *Parachute Advanced*, *Parachute Cooling Hair Oil* and *Nihar* – have delivered muted results during the Quarter. However, with consumer awareness of these brands gradually improving, their prospects for the upcoming Quarters remain positive.

The Company's Hair Code portfolio (coupled with its newer variant Hair Code Active) continues to lead the powdered hair dye market with a market share of over 33%.

Dividend:

The Company declared 150% cash interim dividend in Q1 during the financial year 2013-14 which has been duly paid to shareholders. Second interim dividend at 200% has been declared while adopting Q2 results by the Board of Directors on October 23, 2013; this will be paid to the shareholders whose names appear in the CDBL database on the Record Date of November 06, 2013. With this, the Company has declared 350% cash dividend against last Financial Year's total cash dividend of 150%.

Outlook for the Upcoming Quarters:

There is an element of political uncertainty in the country. The feel good factor is therefore missing which is impacting the overall business. However, in terms of profitability metrics and deliverables, Marico Bangladesh Limited is poised to continue to deliver healthy performance.

The key focus for Marico Bangladesh Limited in the upcoming Quarters is to help build consumption of *Parachute* and drive the growth path on VAHO, particularly *Beliphool*. The Company shall continue to invest for its long-term growth potential.

October 23, 2013

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