Marico – Information Update for Q1FY19 (Quarter ended June 30, 2018)

Executive Summary: Consolidated Results

Particulars (INR Cr)	Q1FY19	Growth
Revenue from Operations	2,027	20%
EBITDA	355	9%
EBITDA Margin (%)	17.5%	Down 170 bps
Profit After Tax	256	10%
India Volume Growth (%)		12.4%
Overall Volume Growth (%)		10.4%

FY19 began on a promising note as the Company witnessed a broad-based recovery in volumes. A lower base also benefited the growth numbers. Revenue from Operations at INR 2,027 crore (USD 302 million), grew by 20% YoY. The India business volumes grew by 12.4%, while the International business posted a constant currency growth of 7% (volume growth of 3%). In addition, value growth was driven by price hikes taken in the Coconut Oil portfolio to counter the steep increase in copra prices. Gross margins (down 523 bps YoY) continued to remain under pressure owing to inflationary cost environment.

Other highlights relating to the performance are as follows:

- Sustained offtake growth coupled with market share gains in 90% of the portfolio on a MAT basis affirmed the underlying strength of the franchise.
- **Rural growth (28%) outpaced urban growth (16%) for the fourth straight quarter.** The momentum in **Modern Trade and E-Commerce** also sustained. **CSD** grew 15%, despite muted pickup in Saffola Edible Oils and Value-Added Hair Oils in this channel.
- **Parachute Rigids** grew by 9% in volumes. With a volume market share of ~59%, the Coconut Oil franchise continued to gain market share on a MAT basis as offtakes grew ahead of the category.
- Robust recovery in **Value Added Hair Oils** (VAHO) led the franchise to 15% volume growth. The portfolio consolidated its volume market share at ~34% and value market share at ~26% (June 2018 MAT).
- **Saffola Edible Oils** posted a volume growth 10% on the back of focused marketing & promotion initiatives. The Company will continue its efforts towards revitalizing this segment through the year so it can revert to growing in line with the medium term aspiration. **Healthy Foods** continued its good run, posting a growth of 23% in value terms. **Saffola Masala Oats** consolidated its value market share at 69% (June 2018 MAT) in the flavoured oats category.
- **Premium Hair Nourishment** and **Male Grooming** posted a strong performance during the quarter.
- Exciting innovations in Healthy Foods, Hair Nourishment and Male Grooming were rolled out.
- All international regions, except South-East Asia, grew steadily in constant currency terms.
- **Advertising & Sales Promotion** spends in the India business was up 14% in Q1FY19 on a comparable basis.
- **EBITDA margin** contracted by 170 bps YoY to 17.5%, but stayed within the guided range for the medium term.

Summary of value growth across Businesses:

Categories/Businesses	Q1FY19	Share of Group's FY18 Turnover
FMCG Business	**20%**	
India	23%	78%
International	9%	22%

Market Shares in Key Categories - Basis Moving Annual Total (MAT) – June 2018

Brand & Territory	~MS%	Rank	Brand & Territory	~MS%	Rank
^Coconut Oils (India)	59%	1st	^Parachute Coconut Oil (Bangladesh)	87%	1st
^Saffola – Super Premium Refined Oils in Consumer Packs (India)	70%	1st	^Post wash Leave-on Serums (India)	81%	1st
^Value Added Hair Oils (India)	34%	1st	*Hair Creams/Gels (India)	63%	1st
^Value Added Hair Oils (Bangladesh)	21%	2nd	*X-Men Male Shampoo (Vietnam)	39%	1st
*X-Men Male Deodorants (Vietnam)	29%	2nd	*Saffola Oats (India)	29%	2nd

^Volume Market Share ***Value Market Share**

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India Business

The FMCG Business in India achieved a turnover of INR 1,628 crore (USD 243 million), a growth of 23% over the same period last year.

Volume growth during the quarter was 12.4%, on the back of wide-ranging recovery in volumes across portfolios. Value growth for the quarter was also driven by price hikes taken in the Coconut Oil portfolio to counter the significant copra price inflation in FY18.

The operating margin during Q1FY19 was **19.0%** before corporate allocations as against 21.8% for the same period last year. Pressure on margins sustained due to consumption of higher cost copra inventory during the quarter, which was partially offset by the price increases in Parachute Rigids and tighter cost management. A&P spends in the India business was up 14% during the quarter on a comparable basis. The Company will continue to focus on a balanced approach towards volume growth and profitable margins. In the medium term, the Company would be comfortable at 20% plus EBITDA margins.

The table below summarizes volume and value growths across key segments:

Categories	Q1FY19		% of FY18 India Business Turnover
	Value Growth	Volume Growth	
Parachute Coconut Oil (Rigid packs)	38%	9%	36%
Value Added Hair Oils portfolio	12%	15%	26%
Saffola (Refined Edible Oil)	9%	10%	18%

Parachute Coconut Oil: Volume growth restored; Medium term growth guidance retained

In Q1FY19, Parachute Rigids (packs in blue bottles) posted a volume growth of 9%, higher than the medium term guidance due to low base in the corresponding quarter last year. The portfolio grew 38% in value terms owing to price hikes taken during the previous year. The Coconut Oil franchise (includes Nihar Naturals and Oil of Malabar) strengthened its leadership on the back of healthy offtake growth, holding a volume market share of 59% (June 2018 MAT).

Of the total coconut oil market, approximately 30-35% in volume terms is in loose form. This loose component provides headroom for growth to branded players. The Company's flagship brand Parachute, being the market leader, is well placed to capture a significant share of this growth potential on a sustainable basis. The Company operates in a band of gross margin per unit and will take judicious pricing decisions to maintain a sweet spot between volume growth and margins. The Company would continue to exercise a bias for franchise expansion as long as margins remain within a band. Towards that end, we will continue to invest behind brand building and tactical inputs to remain competitive. Therefore, the Company expects to deliver 5-7% volume CAGR over the medium term.

Saffola: Marginal Recovery in Edible Oils; Foods continue healthy run

After a challenging FY18, the Saffola refined edible oils franchise grew 10% in volume terms. The franchise gained traction in Modern Trade and E-Commerce. In addition to tactical inputs towards improving the consumer value proposition, the Company upped media investments in the brand during the quarter.

The brand consolidated its leadership position in the super premium refined edible oils segment with ~70% volume market share (June 2018 MAT).

The growing consumer trend towards healthier culinary choices and the strong brand equity continue to lend confidence in the medium term potential of the franchise. To overcome the near term challenges, we have made tweaks in our variant communication, market/channel/media prioritization and pricing strategies. We are confident that these initiatives will bear fruit through the current year.

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The **Healthy Foods** franchise grew by 23% in value terms. **Saffola Masala Oats (SMO)** maintained its momentum, on the back of focused inputs and a renewed promotional campaign, continuing to dominate the flavoured oats category with a value market share of ~69%.

During the quarter, the Company prototyped **Saffola Masala Oats with Multigrain Crunchies**, a first-of-its-kind innovation in the category, and also launched two new variants– **Lemony Twist** & **Mint Chutney**.

We are expanding the prototyping of **Saffola Masala Oats vending machines** in corporate offices, gyms and hospitals in Mumbai, Pune and New Delhi. We have placed more than 200 vending machines currently, reaching ~100,000 consumers across 120 commercial establishments in these cities. Also, **Saffola Masala Cuppa Oats** have been placed in out of home (OOH) locations in Mumbai, in addition to trade. These initiatives fuel consumer trials and repeats.

The initial response to **Saffola Active Soups,** launched in FY18, has met our action standards.

We believe that future growth will come from expanding the category through continuous innovation in product and packaging and the Company is taking definitive steps towards the same.

Value Added Hair Oils: Strong volume growth trajectory sustained; Innovation engines rolls on

In Q1FY19, Value Added Hair Oils registered a volume growth of 15%. Strong offtake growth led the Company to consolidate its market leadership with a volume share of ~34% and value share of ~26% (June 2018 MAT).

Effective July 1, the Company has increased retail prices by ~7% in Value-Added Hair Oils portfolio on a weighted average basis to absorb the input cost push.

Nihar Naturals Shanti Amla Badam is ranked first in volume sales amongst all sub-brands in the Hair Oil category at the All India level (Urban+Rural) for the MAT period ended 30th June 2018.* The brand extended its market leadership in volume terms within the Amla hair oil category. The renewed advertising campaign and the association of the brand with a societal purpose augmented the brand image. The Company also initiated its flagship micromarketing activity, **School Contact Program**, in about 2000 villages across the states of Uttar Pradesh, Bihar, Madhya Pradesh & Chattisgarh. By consistently increasing the number of rural consumers the brand touches, its market share is expected to strengthen in the coming months.

Nihar Naturals Shanti Jasmine Coconut Hair Oil was launched in Maharashtra, Chhatisgarh, Madhya Pradesh and Gujarat. The initial reaction to the product has been encouraging.

The Company will continue to invest behind **Nihar Naturals Sarson Kesh Tel,** which taps into the sizeable unorganised mustard oil market. The Company's rural GTM initiatives hold it in good stead to make the most of this opportunity.

During the quarter, the Company launched a new-age hair nourishment product range - **Parachute Advansed Coconut Crème Oil Pre-Wash Hair Nourisher, Parachute Advansed Coconut Crème Intense Nourishment Shampoo** and **Parachute Advansed Coconut Serum Oil** to capture the pre-wash, in-wash and post wash hair nourishment needs of consumers who usually neglect their hair health for want of time. The pre-wash hair nourisher (available in a crème format) is a blend of the goodness of both, coconut oil and coconut milk, providing the requisite hair nourishment in 30 mins. This is accompanied by the shampoo and post wash serum to complete the hair care cycle. The range is initially being prototyped on E-Commerce and in modern trade chains in top cities in Karnataka.

Parachute Advansed Aloe Vera Enriched Coconut Hair Oil continued its good run in Q1FY19. The brand has made good progress in its chosen markets of Maharashtra, Tamil Nadu, Andhra Pradesh, Telangana and Karnataka. The Company will continue aggressively investing behind the brand in these key markets in FY19.

Premium Hair Nourishment: All-round growth; Innovation in Serums to further expand the category

In Q1FY19, Premium Hair Nourishment (Livon and H&C Silk n Shine) grew 67% in value terms on a comparable basis. **Livon Serums** continued the momentum from H2FY18 into this year, registered strong growth during the quarter. With a reach of more than 1 lac stores, sachets are emerging as a key pack in ensuring accessibility and are generating more than 70% of brand trials. Livon Serums continued to witness higher growth in Modern Trade and E-Commerce.

The new marketing campaign for Livon Serums - **'Salon in my bag'** – launched in January 2018, focused on delivering salon finish hair on demand for millennials. With a media plan focusing on creating impact, the campaign reached out to more than 20 mn girls in age group of 18-35 across all youth channels & digital platforms like Facebook, Instagram & YouTube.

Being the market leader with a volume share of ~81% (June 2018 MAT) in Post wash Leave-on Serums, the Company will focus on driving category growth through innovation and consumer engagement.

Livon Hair Gain Tonic, backed by its new marketing campaign - "Improves hair density in 45 days", has been received well. The Company also launched a shampoo under the brand in an exclusive E-Commerce combo pack on Amazon, priced at INR 899.

Male Grooming: Both Hair Gels and Deodorants post strong growth; Set Wet Studio X, an expert range of male grooming products, launched exclusively on the Digital platform

In Q1FY19, Male Grooming grew 44% in value terms on a comparable basis.

The value market share of **Set Wet Hair Gels** currently stands at ~59%, constituting circa 60% of total Male Grooming Portfolio.

The recently launched affordable pocket spray, **Set Wet Blast** (priced at INR 49), has been gaining traction across all the launch markets. Given the positive response, the brand will be extended to other markets.

The Company launched its first exclusively digital brand, **Set Wet Studio X,** in May 2018, to introduce a premium range of men's grooming products, spanning 7 product categories – Shampoo, Bodywash, Facewash, Wax, Pomade, Hair & Beard Serum and Perfume. Post launch, the brand has shown encouraging results.

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The initial response to **Set Wet Hair Waxes,** launched in FY18, has been satisfactory. The product has been launched on E-Commerce and in select regions of Mumbai, Punjab, Delhi, Kerala, NER and Haryana.

On gaining significant traction in Karnataka and Kerala, **Parachute Advansed Men Range** has been extended to Maharashtra and Andhra Pradesh as well.

The Company will aim to build a consistent value growth trajectory in this portfolio in FY19.

Input Costs and Pricing

During the quarter, the average market price of copra was up 42% Y-o-Y, but down 6% sequentially.

Other key inputs - Rice Bran Oil, Safflower Oil, Liquid Paraffin (LLP) and HDPE (a key ingredient in packaging material) were up 18%, 26%, 12% and 22%, respectively, on a Y-o-Y basis as both the edible oils and crude oil price tables moved up.

The Company derives comfort and confidence from the pricing power that its brands enjoy. The Company would continue to exercise a bias for franchise expansion as long as margins remain within a band and do not fall below a threshold at the overall business level.

Markets/Distribution Channels

In Q1FY19, rural growth continued to outpace urban growth. Rural sales grew by 28% while urban sales grew by 16% in value terms.

Modern Trade (11% of the India turnover in FY18) grew by 39% in Q1FY19, fueled by factors such as a comfortable and modern shopping experience, access to diverse categories as well as a wide variety of brands under a single roof and attractive prices. CSD (7% of the India turnover in FY18) grew 15%.

With the growing relevance of the Digital marketplace, E-commerce (over 1% of India Turnover in FY18) has become an integral pivot of growth. This business more than quadrupled during the quarter, albeit on a low base.
E-Commerce is expected to contribute more than 2% of the India Business in FY19.

International Business

The summary of top line performance of the International Business is as under:

Particulars	Q1FY19
Turnover (INR Crore)	399
Reported Growth	9%
Constant Currency Growth	7%
Exchange Rate impact	2%

During the quarter, Marico's International business grew by 7% in constant currency terms (volume growth of 3%). The operating margin (before corporate allocations) was at **20.0%** in Q1FY19 against 20.9% in Q1FY18. The drop in profitability was gross margin led due to input cost pressures in the Bangladesh business. The Company aims to maintain international margins at ~16-17% and continue to invest and plough back savings to drive growth.

Bangladesh (45% of the International Business)

In Bangladesh, topline grew by 9% in Q1FY19 (volumes flat) in constant currency terms.

Parachute Coconut Oil had a flattish quarter in constant currency terms, while maintaining the leadership position with ~87% volume market share. While the category has matured in this market, the Company is confident of growing this franchise at a single digit constant currency growth over the medium term on the back of its dominant position.

The non-Coconut oil portfolio in Bangladesh grew by 50% in constant currency terms in Q1FY19. This was led by growth in Value added Hair Oils, driven by the flagship brand, Parachute Advansed Beliphool Coconut Hair Oil and

Parachute Advansed Extra Care Enriched Coconut Hair Oil. Currently in a firm second position with a market share of ~23%, we aim to gain market leadership in this category in the medium term. Saffola Edible Oil and Set Wel Gels also responded well during the quarter.

Consequently, the non-coconut oil portfolio contributed to 26% of the total business in Bangladesh in FY18 as compared to 10% in the past. The non-Coconut oil portfolio is likely to become ~30-35% over next 2-3 years. Therefore, the Company is confident of delivering a double-digit constant currency growth in the medium term in this geography.

South East Asia (26% of the International Business)

Business in South East Asia (mainly Vietnam and Myanmar) remained muted in Q1FY19 in constant currency terms.

Vietnam was flattish in constant currency terms in Q1FY19 led by a decline in the Foods business. The Home and Personal Care (HPC) business broke the trend of the last few quarters and demonstrated positivity in Q1FY19 to grow at 4% in constant currency terms. This was led by the largest category i.e. male shampoos, which grew at 9% in constant currency terms. The flagship brand 'X-Men' maintained its leadership position in the segment.

Myanmar also had a lackluster quarter due to supply constraints. The near term prospects remain strong.

Middle East and North Africa (MENA) (14% of the International Business)

The MENA Business posted a volume led recovery, growing 17% in Q1FY19 in constant currency terms. Both Egypt and the Middle East businesses posted double-digit constant currency growth during the quarter. However, the macros continue to be tough. As a result, we remain cautiously optimistic about the medium term outlook on these markets.

South Africa (9% of the International Business)

While the standalone business declined in constant currency terms, the South Africa business (including Isoplus) posted a growth of 7% in Q1FY19 in constant currency terms.

New Country Development & Exports (5% of the International Business)

With expansion in adjacent markets such as Sri Lanka, Nepal, Bhutan, exports to diaspora and other markets generated revenues of ~USD 11 million in FY18. This business grew by 5% in Q1FY19 in constant currency terms. The Company remains positive on the future prospects of this business.

Note: The country wise contribution to International Business revenue is based on FY18 turnover.

OPERATING MARGIN STRUCTURE FOR MARICO LIMITED (CONSOLIDATED)

% to Revenues (including excise duty)	Q1FY19	Q4FY18	Q1FY18	FY18
Material Cost (Raw + Packaging)	57.7	53.4	52.5	53.0
Advertising & Sales Promotion (ASP)	8.2	8.0	9.7	9.2
Personnel Costs	5.7	7.0	6.4	6.7
Other Expenses	10.9	14.6	12.2	13.1
PBDIT margins	17.5	17.0	19.2	18.0
PBDIT before ASP	25.7	25.0	28.9	27.2

(a) The average market price of Copra was 42% higher on a Y-o-Y basis. Rice Bran Oil, Safflower Oil, Liquid Paraffin (LLP) and HDPE were up 18%, 26%, 12% and 22% respectively. The consumption prices may differ from market prices depending on the stock positions the Company has taken.

(b) ASP spends to sales ratio during the quarter was 8.2%. Comparable ASP (adjusting for input tax credit not available in the base quarter) for Q1FY18 is 8.8% of Sales. The Company has been driving improvements in the efficiency of A&P spends, the significant impact of which will be felt in the coming quarters. In the medium term, ASP will be stepped up to circa 10% of Sales to support forthcoming innovations.

(c) Personnel Costs grew by 6%, on account of annual salary revisions, offset by a lower provision for Stock Appreciation Rights (STAR) in Q1FY19.

(d) Other expenses are not comparable on a YoY basis as expenses in Q1FY19 are recognized in the P&L, net of taxes (under the GST regime), which was not allowed in the erstwhile tax regime. On adjusting for the same, Other Expenses was higher by 16% in Q1FY19 on a YoY basis.

Variable Expenses have increased by 21% YoY, due to the combination of high volume growth and cost escalations.

Other expenses are likely to remain in the range of 12-14% of turnover in the medium term.

Other Expenses	Q1FY19	Q1FY18	% variation	% variation adjusting for exceptions (a-b)
Fixed	66.7	68.7	-3%	8%
Variable	155.7	137.9	13%	21%
Total	**222.4**	**206.6**	**8%**	**16%**

The detailed Financial Results and other related useful information are available on Marico's website – http://marico.com/india/investors/documentation/quarterly-updates

Capital Expenditure and Depreciation

The estimated capital expenditure in FY19 is likely to be around INR 125–150 crore (USD 19-23 million).

Depreciation during Q1FY19 was INR 22.4 crore (USD 3.3 million) compared to INR 21.1 crore (USD 3.1 million) in Q1FY18.

Direct Taxation

The Effective Tax Rate (ETR) in Q1FY19 was 26.0% as compared to 26.9% in Q1FY18. The expected ETR for FY19 is 26-27%.

It should be noted that this tax rate is basis the accounting charge in the P&L account. The Company will continue to pay basis MAT and therefore from the cash flow point of view, there is no change. The current MAT credit of about INR 1.8 Crore as of 30th June, 2018 is expected to be utilised by the Company over the next few years.

Capital Utilization (Marico Group)

Given below is a snapshot of various capital efficiency ratios for Marico:

Ratio	Q1FY19	Q1FY18
Return on Capital Employed	47.3%	48.2%
Return on Net Worth	38.2%	38.0%
Working Capital Ratios (Group)		
- Debtors Turnover (Days)	19	16
- Inventory Turnover (Days)	63	67
- Net Working Capital (Days) including surplus cash	50	48
Debt: Equity (Group)	0.12	0.10
Finance Costs to Turnover (%) (Group)	0.3%	0.2%

* Turnover Ratios calculated on the basis of average balances

1. The variation in ratios is due to:
   1. The fall in ROCE is because of decrease in EBIT margins on account of input cost push.
   2. Increase in debtor days and decrease in inventory days were on account of the steep increase in sales in the last month of Q1FY19 compared to the same month in the previous year.
   3. Increase in net working capital days is primarily on account of increase in Other Current Assets, which includes Input Tax Credit Receivable.

2. The Net Debt position of the Marico Group as of June 30,2018 is as below:

Particulars (INR Crores)	Jun 30, 2018	Mar 31, 2018	Jun 30, 2017
Gross Debt	327	311	268
Cash/Cash Equivalents and Investments (Marico India: INR 801 Crore & Marico International: INR 206 Crore)	1,007	649	1,022
Net Debt/(Surplus)	**(680)**	**(338)**	**(754)**
Foreign Currency Denominated out of the total gross debt	205	194	173
Foreign Currency Debt as a % age of Gross Debt	63%	62%	65%
Rupee Debt out of the total gross debt	122	117	95
Total Debt Payable within One year	310	291	268
Average Cost of Debt (%) : Pre tax	5.2%	4.9%	4.2%

The company may roll over some of the loans when they fall due during the year or redeem investments for repayment. Marico has adequate cash flows to maintain healthy debt service coverage.

3. During the current year, the Company continues to generate steady cash. The net surplus of the Group as at 30th June, 2018 is about **INR 680 Crore** (Gross debt of INR 327 Crore and Gross Investments of INR 1,007 Crore). The future growth strategy is anchored primarily in healthy organic growth. While the Company is open to strategic acquisitions, the leverage ratios are comfortable. In absence of any strategic acquisitions, company will continue to maintain a healthy dividend payout. The overall dividend payout ratio in FY18 stood at **78%** of the consolidated profit after tax.

Awards

Corporate Awards:

- Marico India moved up 8 places from last year to rank **32nd** in **India's Best Companies to Work For** in 2018 in a study conducted by Great Place to Work Institute and The Economic Times.
- Marico was recognized as one of the **Most Honored Companies** among Small and Mid - cap companies in India in the **All-Asia (ex-Japan) Executive Team Rankings 2018** by Institutional Investor.
  - **Mr. Saugata Gupta, MD & CEO,** was ranked **3rd Best CEO** among Small and Mid - cap companies in India
  - Marico ranked **1st in the 'Best Corporate Governance'** category among Small and Mid - cap companies in India
  - Marico ranked **1st in the 'Best Investor Relations Program'** category among Small and Mid - cap companies in India
  - Marico ranked **1st in the 'Environment, Social and Governance /Socially Responsible Investing Metrics'** category among Small and Mid - cap companies in India.
- Marico was also ranked **2nd** in the **'Best Investor Relations Program'** category among Consumer Staples companies in Asia in the **All-Asia (ex-Japan) Executive Team Rankings 2018** by Institutional Investor.
- Marico's **Consumer Services Cell Team** was recognized as one of the Most Innovative in the Consumer Care business at the Customer Experience Engagement Loyalty Congress and Awards (CXELA)

Individual Awards/Accolades:

- **Mr. Saugata Gupta, MD & CEO,** was recognized as one of India's Most Valuable CEOs in the large companies category by Business World.

3rd Sustainability Report

We are pleased to release the **Sustainability Report for the year 2017-18, "Right From The Roots"**, with the Q1FY19 Information Update. The report has been prepared in accordance with one of the most widely used international reporting frameworks - The Global Reporting Initiative (GRI) SRS guidelines (Core option). Our sustainability agenda constitutes six focus areas which are critical to our business viz., Sustainable Procurement, Product Responsibility, Future-ready Capability Building, Energy Management, Water Management and Waste Management. The Sustainability Report for the year 2017-18 is available on Marico's Website: www.marico.com.

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Marico's Growth Philosophy

Over the medium term, Marico aspires to be an admired emerging market MNC with leadership in two core categories of nourishment and male styling in following regions – South Asia, South East Asia, Middle East and North Africa and South Africa. Marico plans to meet this aspiration by seeking to win amongst consumers, trade and talent. Towards this goal, the Company has identified 5 areas of Transformation where it will develop top quartile capability, processes and execution excellence ahead of growth - Innovation, Go to Market transformation, Talent Value Proposition, IT & Analytics and Cost Management.

This strategy will be executed synergistically under the 'One Marico' umbrella. As the Company scales up, it has to maintain a delicate balance between entrepreneurial way of working while continuing to strengthen governance and processes. The Company's focus will be on creating winning brands, winning culture and a winning talent pool to create a virtuous cycle of great talent and an enabling culture driving innovation driven growth.

Near Term / Medium Term Outlook

Marico India

- The Company had a positive opening to FY19 with all segments of the business heading in the right direction.
- The recent MSP hikes, farm loan waivers and the likelihood of normal Monsoons have strengthened the case for a sustained momentum in rural growth, as it outpaced urban growth in the last four quarters on the trot.
- The hyperinflation in copra kept margins in check through FY18 and Q1FY19. With a good start to the Monsoons, there is an expectation of the crop improving as we look ahead. Demand rationing as a result of high absolute prices & the seasonally higher supply have led to a modest correction in prices. While margins pressures may persist in the near term, it is expected to gradually ease from H2FY19. However, the cost push in other key inputs (Rice Bran Oil, LLP, HDPE and Safflower Oil) and increased ASP investment could mean that the operating margins of the India business stay at 20%+ levels.
- For FY19 and beyond, the Company retains the target of 8-10% volume growth, healthy market share gains on the back of increased investment in the core portfolio, aggressive new product launches, distribution expansion, judicious pricing and tighter cost management.
- In **Parachute Rigids**, the Company aims to grow volumes in the range of 5-7% in the medium term.
- In **Value Added Hair Oils**, the Company aims to growing this franchise at a double-digit volume growth on the back of growth in core portfolio, the drive towards premiumisation and scale-up of new launches.
- **Saffola Edible Oils** had a decent start in Q1. We believe that the recovery will be slower. The Company aims to revert to a healthy growth trajectory over the next 2-3 quarters, on the back of focused marketing and pricing & sales promotion initiatives. In the medium-term, the Company expects to get back to double-digit volume growth in this category.
- In **Healthy Foods**, the Company will continue to innovate aggressively to cater to the consumer need of tasty and healthy options and in the process maintain the healthy double-digit value growth momentum from this year. Investment in Revofit is expected to enhance our ability to improvement engagement with the health-seeking digital consumer.
- We expect to continue on the recovery path in the **Premium Hair Nourishment** and **Male Grooming portfolios** and build it into a growth engine for the future.
- In **Healthy Foods, Premium Hair Nourishment** and **Male Grooming,** we aim to deliver growth at 20% plus CAGR in the medium term.
- The Company will also gradually create dedicated premium product offerings suited to **Modern trade and E-commerce channels** to continue aggressively growing in these channels.
- The Company's **Go-To-Market (GTM)** strategy will be focused on improving the width and depth of its distribution. Strategic initiatives in sales and supply chain will aim at ushering in efficiencies in selling and GTM. The Company will renew its efforts towards enhancing its GTM capabilities in salons, pharmacy chains, cosmetics and specialty food outlets.

For further information / clarification, contact Marico on Tel (91-22) 6648 0480, E-mail: investor@marico.com

- The Company is focusing on **Digital initiatives** in a big way to improve consumer engagement, drive sales through E-commerce for internet-savvy consumers and build Data Analytics capabilities. Investment in Zed Lifestyle (who owns Beardo) is likely to enhance the capability in e-commerce and salons over the medium-term.
- The Company is aggressively investing in the E-Commerce business and expects it to contribute ~3% of the India business in the next couple of years.

Marico International

- Over the last three years, the company has systematically invested in the core international markets to strengthen both the brands and the organizational capability to handle growth. The company is confident that each of these markets is well-poised to capitalize on the market opportunities.
- The business in **Bangladesh** is likely to continue the momentum as the medium term macro prospects look promising. Therefore, the Company will continue to invest in brand building, Go to Market transformation and will diversify beyond Coconut Oil within its stated strategy.
- As a market leader, the **Vietnam** business will continue to invest in the male grooming category and excellence in sales and distribution systems. Myanmar and the rest of South East Asia is the new growth engine for future.
- In the **MENA** region, the Company will focus on getting its basics right by judiciously investing behind brands and Go-to-Market initiatives.
- The **South Africa** business will leverage the acquisition of Isoplus to gain scale and grow profitably.
- The Company will continue to invest in developing new countries and scale the business profitably.
- We expect to clock an organic double-digit constant currency growth in the near to medium term.
- We aim to maintain the guidance of 16-17% operating margins over the medium term.
- With considerable room for organic growth in the business, the Company will only be opportunistic with respect to acquisitions, which may either be immediately value accretive due to operating leverage or enable consolidation of leadership in existing categories.

Overall (India + International)

- The Company will aim for a volume growth of 8-10% and a topline growth of 13-15% (depending on inflation) in the medium term.
- Market growth initiatives in core categories and expansion into adjacent categories will be supported by investments in ASP at circa 10% of Sales, with a focus on brand building.
- The Company will aggressively drive efficiencies in A&P spends, sales and marketing spends and all other costs to extract savings that will be redeployed towards igniting profitable growth.
- Operating margin is expected to be maintained in a band of 17-18% over the medium term. In the near term, the Company has chosen to focus on volume growth and market share gains over short term profitability. However, we expect to meet our earnings growth guidance over the medium term.
- Marico believes that social, environmental and economic values are interlinked and we belong to an Interdependent Ecosystem comprising Shareholders, Consumers, Associates, Employees, Government, Environment and Society. Our stated purpose is to **"Make a Difference"** by ensuring a positive impact of our existence on all stakeholders. A firm has to work closely with its ecosystem to create a sustainable & inclusive growth for all. We have a focused approach in identifying sustainability goals in line with our business strategy and purpose. CSR initiatives are an integral part of our sustainability efforts and Marico is committed to making a sustainable impact on the society.

THANK YOU FOR YOUR PATIENT READING

Marico – Information Update for Q1FY19 (Quarter ended June 30, 2018)

Performance of Marico India and Marico International

In accordance with the revised Ind-AS, the Company has organized the business into two categories viz, India & International. Accordingly the Company has reported its segmental results for these categories.

INR Crore

Particulars	Q1FY19	Q1FY18
1. Segment Revenue		
i. India	1,628	1,328
ii. International	399	365
2. Segment Result		
(Profit before Interest and Tax and exceptional items)		
i. India	298	275
ii. International	79	74
3. Segment Result as % of Segment Revenue (PBIT)		
i. India	18.3%	20.7%
ii. International	19.9%	20.2%
3. Capital Employed (Segment Assets - Segment Liabilities)		
i. India	1,311	1,028
ii. International	717	629

Note 1: The Segment Result as a % of Segment Revenue of the India business decreased in Q1FY19 due to significant increase in the input costs.

Note 2: The increase in capital employed in India business is due to higher inventory on account of inflation in copra and other key input prices as well as position build up in key commodities.

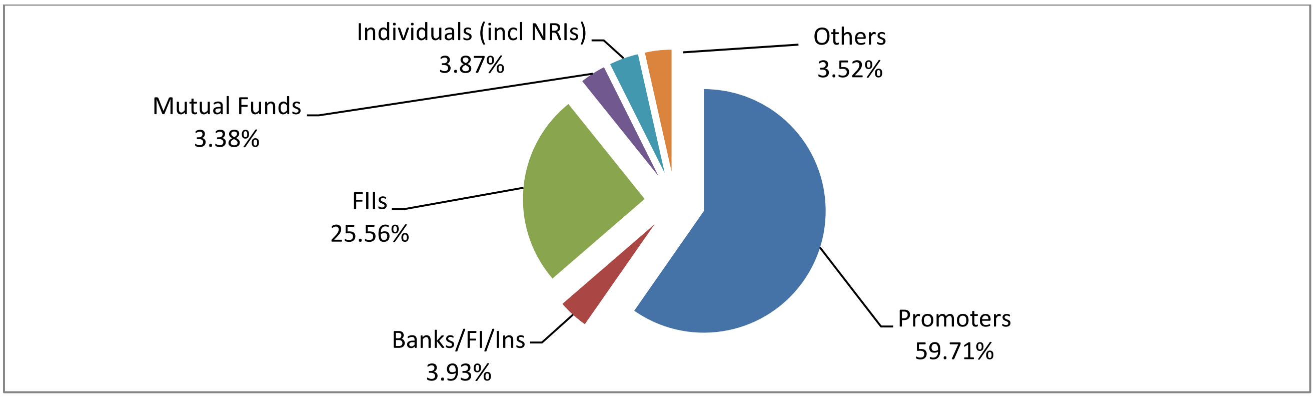
Note 3: PBIT pertains to Profit before Interest and Tax directly attributable to both the segments. Corporate taxes, interest income and interest expense are kept unallocated for the purpose of segment reporting. Accordingly, the segment capital employed does not reflect the assets and liabilities corresponding to above income and expenses. Goodwill has been allocated to respective businesses.

 For further information / clarification, contact Marico on Tel (91-22) 6648 0480, E-mail: investor@marico.com

Marico – Information Update for Q1FY19 (Quarter ended June 30, 2018)

Annexure 1-A: SHAREHOLDING PATTERN

The Shareholding pattern as on June 30, 2018 is as given in the graph below:

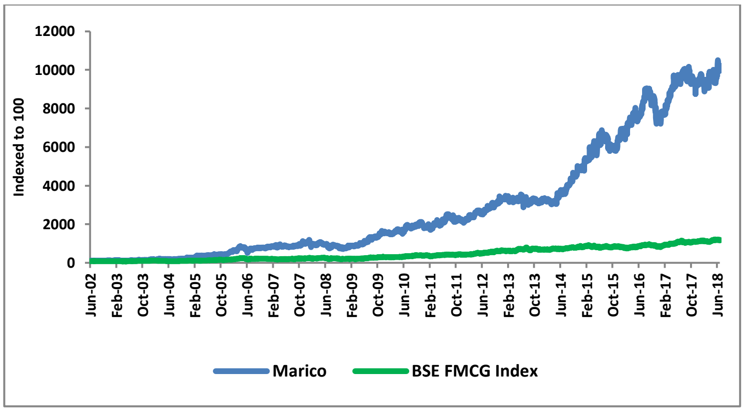


Details of ESOPs as on June 30, 2018:

Details of the Plan	Total Options Granted	Options Forfeited	Options Exercised	Options pending to be exercised
Schemes under the Marico Employee Stock Option Plan, 2016	2,549,130	57,240	Nil	2,491,890

Options pending to be exercised are less than 0.2% of the issued share capital.

Annexure 1-B: SHARE PERFORMANCE ON STOCK EXCHANGES



- Marico's long term performance on the exchange vis-a-vis its peer group is depicted in the graph alongside.
- Marico's market capitalization stood at INR 42,812 crore (USD 6.3 billion) on June 30, 2018. The average daily volume on BSE and NSE during Q1FY19 was about 1,713,795 shares.

For further information / clarification, contact Marico on Tel (91-22) 6648 0480, E-mail: investor@marico.com

Annexure 1-C: Average Market Prices of Input materials

(Based on simple average of the daily market prices. Company's actual procurement prices may differ.)

Month	Rs/100KG COCHIN CN OIL	Rs/100KG COPRA CALICUT	Rs/10KG KARDI OIL JALNA*	Rs/10KG RICE BRAN	Rs /LT LIQUID PARAFFIN	Rs / KG HDPE*
Apr-17	12,938	9,189	1,046	587	43	100
May-17	12,658	9,081	1,015	549	42	102
Jun-17	12,700	9,048	1,050	532	41	102
Jul-17	13,338	9,617	1,216	547	39	101
Aug-17	14,472	10,560	1,320	578	39	97
Sep-17	15,996	11,826	1,302	610	38	97
Oct-17	16,078	12,043	1,287	563	42	99
Nov-17	16,936	12,513	1,281	597	46	99
Dec-17	19,132	14,172	1,409	583	48	101
Jan-18	19,187	14,433	1,474	583	50	106
Feb-18	18,938	14,021	1,454	591	47	115
Mar-18	17,378	12,637	1,313	620	47	118
Apr-18	18,363	13,629	1,312	639	47	118
May-18	18,081	13,002	1,319	652	47	126
Jun-18	17,139	12,150	1,288	678	48	127
Q1FY19 vs Q1FY18	40%	42%	26%	18%	12%	22%
Q1FY19 vs Q4FY18	-3%	-6%	-8%	10%	-2%	9%

*For Kardi Oil Jalna and HDPE, the prices are inclusive of taxes as applicable.

Annexure 1-D: Movements in Maximum Retail Prices (MRP) in key SKUs

Month	50 ml PCNO	100 ml PCNO	250 ml PCNO	500 ml PCNO	1 Ltr Saffola Total	1 Ltr Saffola Tasty	1 Ltr Saffola Gold	1 Ltr Saffola Active
Apr-17	20	32	83	159	195	135	150	130
May-17	20	32	83	159	195	140	155	135
Jun-17	20	32	83	159	195	140	155	135
Jul-17	20	32	83	159	195	140	155	135
Aug-17	20	32	83	159	195	130	150	130
Sep-17	20	32	83	159	195	130	150	130
Oct-17	20	36	89	175	195	130	150	130
Nov-17	20	36	89	175	195	130	150	130
Dec-17	20	36	89	175	195	130	150	130
Jan-18	20	39	105	199	195	130	150	130
Feb-18	20	39	105	199	195	130	150	130
Mar-18	20	39	105	199	195	130	150	130
Apr-18	20	39	105	199	195	130	150	130
May-18	20	39	105	199	200	135	150	130
Jun-18	20	39	105	199	200	135	150	130

Note: Prices of Saffola Tasty are applicable to all regions of India excluding South.

Annexure 1-E: Key Consumer Offers during the Quarter for India Business

Coconut Oil					
Parachute Rigids	20% Extra	500 ml	May	Extra Volume	National
Saffola Edible Oils					
Saffola Active	INR 20 off	1 ltr	April	Price-off	National – Modern Trade
Saffola Total	1 ltr Free	5 ltr	May	Extra Volume	National
Healthy Foods					
Saffola Masala Oats	1 pack free with 4 Packs	39 gm	April	Extra Volume	National – General Trade
Value Added Hair Oils					
Nihar Naturals	20 ml Free	100 ml	June	Extra Volume	National
Nihar Naturals	20% Extra	200 ml	April	Extra Volume	National
Nihar Naturals	50 ml Free	200 ml	June	Extra Volume	National
Parachute Jasmine	Soap Free	90 ml	May	Free Item	National
Nihar Shanti Amla	Soap Free	190 ml	June	Free Item	National
Hair & Care	20% Extra	100 ml	June	Extra Volume	National
Hair & Care	Soap Free	300 ml	June	Free Item	National

Annexure 2: Profile giving Basic / Historical Information

Marico is a leading Indian Group in Consumer Products in the Global Beauty and Wellness space. Marico's Products in Hair care, Skin Care, Health Care and Male Grooming generated a turnover of about INR 63.3 billion (USD 982 Million) during 2017-18. Marico markets well-known brands such as Parachute, Saffola, Hair & Care, Parachute Advansed, Nihar Naturals, Mediker, Revive, Set Wet, Livon, Fiancée, HairCode, Caivil, Black Chic, Isoplus, Code 10, Ingwe, X-Men, and Thuan Phat. 90% of Marico's portfolio of brands occupies leadership positions in their respective categories. Marico's products are present in Bangladesh, other SAARC countries, the Middle East, Egypt, South and Sub-Saharan Africa, Malaysia, Myanmar and Vietnam.

Marico's own manufacturing facilities in India are located at Kanjikode, Perundurai, Puducherry, Paonta Sahib, Baddi, Jalgaon, and Guwahati and are supported by subcontracting units. Marico's subsidiaries, Marico Bangladesh Limited, MEL Consumer Care & Partners (Wind Co.), Marico South East Asia Corporation (erstwhile International Consumer Products Corporation) have their manufacturing facilities at Mouchak and Shirir Chala, near Gazipur in Bangladesh, Sadaat City, Egypt, Ho Chin Min City, Vietnam and Phú Quốc Island, Vietnam respectively.

Marico was incorporated in 1988 and during 1990 took over the then 40-year old consumer products business of The Bombay Oil Industries Limited. It made its initial public offer for equity shares in March 1996.

Reach

Marico today touches the lives of 1 out of every 3 Indians. Marico sells over 15.5 crore packs every month through about 4.7 million retail outlets services by its nationwide distribution network comprising 4 Regional Offices, 31 carrying & forwarding agents (CFAs) and about 5,600 distributors and stockists. Marico's distribution network covers almost every Indian town with population over 10,000.

The table below provides an indicative summary of Marico's Distribution Network in India

	Urban	Rural
Sales Territories	253	52
Town's covered	600	53,000
Distributor	740	-
Super Distributor	-	140
Stockists	-	4,694

Marico – Information Update for Q1FY19 (Quarter ended June 30, 2018)

Financial Highlights

Particulars (INR/crores)	FY14	FY15	FY16	FY17	FY18
Revenue from Operations	4,687	5,733	6,024	5,936	6,333
Material Cost	2,399	3,119	3,078	2,849	3,359
Personnel Cost	285	325	373	404	422
ASP	561	650	693	659	586
Other Costs	693	769	829	864	828
Profit Before Tax	695	822	1,029	1,150	1,117
Net Profit (PAT)	485	573	711	799	814
Earnings per Share (INR)	7.5	8.9	5.5*	6.2*	6.3*
Book Value per Share (INR)	21.1	28.3	15.6*	18.0*	19.7*
Net Worth	1,361	1,825	2,017	2,326	2,543
EBITDA%	16.0%	15.2%	17.5%	19.5%	18.0%
ROCE %	32%	39%	45%	47%	42%

Note: FY13 includes Kaya.
FY16 and onwards, financials are as per IND – AS and hence not comparable with earlier years.
*EPS and Book Value per Share for FY16 and onwards has been calculated on the post bonus number of shares.

Mode of Issue of this update

We have issued this Information Update, first to the Stock Exchanges, posted it on Marico's website and then sent it to the financial community members who are on Marico's regular mailing list.

Marico Investor Relations Team

Pawan Agrawal Executive Vice President & Head – Finance & Investor Relations (pawan.agrawal@marico.com)
Harsh Rungta Manager – Investor Relations (harsh.rungta@marico.com)

Marico – Information Update for Q1FY19 (Quarter ended June 30, 2018)

Contents of this Update

Financial results as per Ind-AS w.e.f. 1st April 2016 and other developments during the quarter under review for the Marico Group – Marico Limited, Marico Bangladesh Limited, Marico Bangladesh Industries Limited, Marico Middle East FZE, Marico South Africa Consumer Care (Pty) Limited, Marico South Africa (Pty) Limited, MEL Consumer Care SAE, Egyptian American Company for Investment and Industrial Development SAE, Marico Egypt Industries Company, Marico for Consumer Care Products SAE (MEL Consumer Care & Partners – Wind, a partnership firm got converted into a joint stock company w.e.f. 19th December, 2017), Marico Malaysia Sdn. Bhd., Marico South East Asia Corporation, Marico Consumer Care Limited, Zed Lifestyle Pvt. Ltd. and Revolutionary Fitness Private Limited.

1. A Profile containing basic/historical information on Marico.

In this note, figures mentioned in INR are converted to USD basis INR/USD of 67.1, being the average rate for the quarter.

We recommend that readers refer to the Marico Group financials to get a better appreciation of the business performance. A copy of the latest Annual Audited Financial Results of Marico Limited (Standalone and Consolidated) is available on Marico's website.

Disclosure of Information, Communication with Investors / Analysts / Financial Community

Marico issues fresh information updates, like the one you are reading now, on the day it declares its Quarterly Financial Results. Some forward looking statements on projections, estimates, expectations, outlook etc. are included in such updates to help investors / analysts get a better comprehension of the Company's prospects and make informed investment decisions.

Actual results may, however, differ materially from those stated on account of factors such as changes in government regulations, tax regimes, economic developments within India and the countries within which the Company conducts its business, exchange rate and interest rate movements, impact of competing products and their pricing, product demand and supply constraints.

*The calculation is based in part on data reported by Nielsen through its Retail Index Service for the Hair Oil category at sub brand level for the 52 week period ending June 30th 2018, for All India level (U+R). (Copyright © 2018, the Nielsen Company.)

All the aforesaid information is also available on Marico's Website: www.marico.com. In view of this, information contained in such updates is made public and thus not therefore constitutes unpublished price sensitive information under the SEBI (Prohibition of Insider Trading) Regulations, 1992.

Marico holds periodic meetings/ conference calls, from time to time, with individual members of the financial community.

New Product Launches and Brand Restages in the last 12 months

Appended to Q1FY19 Information Update

India

Parachute Advansed Coconut Crème Oil Range

Pre-Wash Hair Nourisher

(Provides Nourishment in 30 mins)

Intense Nourishment Shampoo

Serum Oil

- Launched in Q1FY19, a new-age hair nourishment product range to capture the pre-wash, in-wash and post wash hair nourishment needs of consumers who usually neglect their hair health for want of time.

Set Wet Studio X Range

- *Co-created by top celeb stylist Aalim Hakim, an expert grooming range for men who want to sport the celebrity look everyday.*
- *Marico's first exclusive brand for the digital platform – currently launched only on Amazon in May 2018.*

Set Wet Hair Waxes

- *Water and oil based Set Wet Hair Waxes allow restyling of hair*
- *Works well with hair of varied lengths and for every kind of hair style*
- *Launched in select regions of Mumbai, Punjab, Delhi, Kerala and Haryana in December 2017. Also available on E-Commerce*
- *Two variants – Matte Magic and Glaze Amaze*
- *Available in 25 gm and 75 gm packs at INR 75 and INR 225 respectively*

Saffola Masala Oats - New Variants

Current Variants

New variants added in Q1FY19

Multigrain Crunchies

- *Introduced new variants suited to Indian palate*
- *Also launched **Multigrain Crunchies** to add a crunch to a serving of Savoury Oats*

Saffola Masala Oats - Ready to Eat

Saffola Savoury Oats – Cuppa Oats – Launched in Q2FY18

- *Introduced the cup version of the Saffola Savoury Oats*
- *Ready to Eat in 2 minutes after boiling water is added*
- *Launched in 2 flavours - **Classic Masala** & **Chinese***
- *Also placed in out of home (OOH) locations*

Saffola Masala Oats – Dispensing Machine

- *First of its kind Hot Food Dispenser in the country dishing out ready-to-eat oats and soups in under a minute.*
- *200+ machines prototyped, reaching ~100,000 consumers across 120 commercial establishments in Mumbai, New Delhi and Pune.*
- *Marks the brand's entry into the OOH (out of home) channel with twin objectives of :*
  - *Increase in the penetration of the product; and*
  - *Indirect positive rub-off on the retail sales of the parent brand.*

Saffola Active Soups

Extended Saffola's footprint in the space of Weight management & Fitness with the launch of a range of Soups in November 2017.Currently being prototyped in Mumbai.

- ***Tasty, High Fibre Soups*** *– 5x Fibre than other soups, thereby boosting metabolism and helping one stay fit.*
- ***5 Flavours*** *- Tangy Tomato, Creamy Sweet Corn, Fiery Hot & Sour, Garden Vegetables and Simmering Manchow.*
- ***2 Formats*** *- Single-serve Instant Soup sachets at a price point of INR 10 and Multi-serve Ready-to-Cook Soup packs for INR 55 (4 serves).*

Saffola Aura – Edible Oils

Saffola Aura

Launched with objective to build a significant presence in Super premium Oils by driving penetration amongst Conscious Counters

- *Available in two variants:*
    - ***Extra Virgin variant** – Suitable for applications such as salad dressing and bread dipping*
    - ***Refined variant** - Suitable for applications such as sautéing, stir frying and grilling*

Coco Soul Cold Pressed Virgin Coconut Oil

Company's First Organic Super Food

- *Cold Pressed. Unrefined. No Trans-Fat.*
- *Helps Support Cognitive Function. Aids Digestion. Boosts energy and helps maintain weight*
- *Currently launched exclusively in E-Commerce*

International

X-Men - Vietnam

X-Men is the market leader in Male Shampoos and the No. 2 player in Deodorants.

We relaunched the range with a more youthful, explorative and energized image while retaining its equity of "The Real Man"

- *New packaging across categories (variants renamed to Wood, Fire, Water and Metal)*
- *Water Shower Gel – a new product launch with the same fragrance as the Water shampoo*

Thank You

To be continued as we look ahead…