Marico – Information Update for Q1FY20 (Quarter ended June 30, 2019)

Executive Summary: Consolidated Results

Particulars (INR Cr)	Q1FY20	Growth
Revenue from Operations	2,166	7%
EBITDA	462	26%
EBITDA Margin (%)	21.3%	Up 324 bps
Profit After Tax (excluding one-time exceptional item)	320	26%
India Volume Growth (%)		6%
Overall Volume Growth (%)		6%

In Q1FY20, the Company delivered strong earnings growth on the back of resilient volume growth, amidst moderation in the overall demand environment in the domestic market. Revenue from Operations grew by 7% YoY to INR 2,166 crores (USD 314 million), with an underlying domestic volume growth of 6% and constant currency growth of 7% in the international business. There was a one-time trade inventory correction in the Gulf business. Adjusting for the same, constant currency growth in the International business stood at 9%. Easing raw material costs in the domestic and key overseas markets led to gross margin expansion by 524 bps on a year-on-year basis. However, EBITDA margin expanded by 324 bps, as the Company stepped up A&P spends by 32% to support its core and new franchises. Consequently, both EBITDA and PAT (excluding one-time exceptional item) grew 26%.

Other highlights relating to the performance are as follows:

- The core franchises continued to lead category growth and gain market share during the quarter.
- In the traditional channel, growth was led by **rural,** while the new-age channels of **Modern Trade** and **E-Commerce** continued their stellar run. **CSD** sales grew for the third quarter in row, but should be monitored over the next few quarters for a definitive trend to emerge.
- **Parachute Rigids** registered a strong volume growth of 9%. However, with deflation in copra prices setting in, the low margin non-focused Coconut Oil brands posted a double-digit decline in volumes.
- **Value Added Hair Oils** registered 7% volume growth, lagging behind the medium term aspiration, as growth in the premium segments of the hair oil category visibly slowed in a subdued demand environment. Notwithstanding the same, the Company continued to strengthen its market position by gaining ~148 bps in volume share and 120 bps in value share during the quarter.
- **Saffola Edible Oils** grew 3% in volumes. We remain cautiously optimistic for the franchise.
- **Foods** grew 38% in value terms. **Saffola Masala Oats** strengthened its dominance with a value market share to 75% (June 2019 MAT) in the flavored oats category. The response to **Saffola FITTIFY Gourmet** and **Coco Soul** ranges has been positive.
- **Premium Hair Nourishment** grew 28%, led by growth in Livon Serums. **Male Grooming (ex-deodorants)** grew in double digits.
- Bangladesh (11% cc growth) and Vietnam (11% cc growth) led the growth in the International business, while the rest of the geographies had a subdued quarter.
- **Advertising & Sales Promotion** spends, at 10.1% of sales in Q1FY20, was up 32% YoY.
- **EBITDA margin in Q1FY20 was at 21.3%,** expanded by 324 bps YoY.

Summary of value growth across Businesses:

Categories/Businesses	Q1FY20	Share of Group's FY19 Turnover
FMCG Business	7%	
India	6%	78%
International	9%	22%

Market Shares in Key Categories in the India Business - Basis Moving Annual Total (MAT) – June 2019

Brand & Territory	~MS%	Rank	Brand & Territory	~MS%	Rank
^Coconut Oils (India)	60%	1st	^Value Added Hair Oils (India)	34%	1st
^Saffola – Super Premium Refined Oils in Consumer Packs (India)	73%	1st	^Post wash Leave-on Serums (India)	63%	1st
*Saffola Oats (India)	30%	2nd	*Hair Gels/Waxes/Creams (India)	60%	1st

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

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India Business

In Q1FY20, the domestic business clocked a turnover of INR 1,731 crore (USD 249 million), a growth of 6% on a year-on-year basis, led entirely by volumes. The operating margin improved to 22.6% (before corporate allocations) in Q1FY20 as against 19.5% in Q1FY19, which was mainly attributable to a benign input cost environment, while the Company ramped up investments in brand building to strengthen the core portfolio and back the multitude of new products launched in the last year.

The Company will continue to focus on a balanced approach towards volume growth and healthy profitability. The Company would aim to maintain EBITDA margins at 20% plus in the India business over the medium term.

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

Categories	Q1FY20		% of FY19 India Business Turnover
	Value Growth	Volume Growth	
Parachute Coconut Oil (Rigid packs)	8%	9%	38%
Value Added Hair Oils	11%	7%	25%
Saffola (Refined Edible Oil)	6%	3%	17%

Coconut Oil: Strong quarter for the flagship brand

Parachute Rigids posted volume growth of 9% in Q1FY20. Brand volume offtakes grew at 3x of that of the category, resulting in volume market share gain of 246 bps during the quarter. Tactical inputs to maintain the value proposition enabled accelerated activation in non-core markets. On the other hand, the low margin non-focused brands witnessed a double-digit decline in a correcting copra price environment. Overall, the volume market share of the Coconut Oil franchise (includes Nihar Naturals and Oil of Malabar) rose to 60% (June 2019 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, given the market construct and brand equity, the Company expects to deliver 5-7% volume CAGR in Parachute Rigids over the medium term.

Saffola: Slow start for Edible Oils; Foods marches on; Prototyped Saffola Perfect Nashta, a ready to cook Indian breakfast range, in Delhi

Saffola refined edible oils grew by 3% in volume terms, slowed down further by sluggishness in the traditional urban channel. Growth during the quarter was led by the new-age channels of Modern Trade and E-Commerce. The brand also gained significant traction from the step up in media spends that accompanied a new campaign for the mainstay variant, Saffola Gold. Launched at the start of the calendar year, the campaign messaging was shaped to succinctly communicate its heart health credentials. "Saffola wala khana" suggests that the one need not hold back on his favourite dishes as long it is cooked in Saffola due to the benefits of lower oil absorption and blend of two oils.

While the renewed communication seems to have resonated with the consumer, differential packs/pricing introduced met with a mixed response. We continue to roll out incremental marketing initiatives to accelerate growth, but still remain cautiously optimistic on the franchise.

Consequently, the brand consolidated its volume market share in the super premium refined edible oils segment at ~73% volume market share (June 2019 MAT).

The **Foods** franchise posted value growth of 38% in Q1FY20. The value market share of **Saffola Masala Oats** strengthened to ~75% in the flavoured oats category (June 2019 MAT), accompanied by a significant increase in overall penetration, especially in metro cities of Mumbai and New Delhi. The brand also gained significant traction in Modern Trade and E-Commerce. We continue to expand 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 300 vending machines, reaching ~200,000 consumers across 200 commercial establishments in these cities.

The response to the **'Saffola FITTIFY Gourmet'** and **Coco Soul** range launched last year has been positive. We will continue to invest towards market development and scale up of the same.

Further, during the quarter, the Company prototyped ***Saffola Perfect Nashta***, comprising a range of 3-minute ready-to-cook mixes of traditional Indian breakfasts such as idli, dosa, upma (semolina) and poha (rice flakes), with a perfect balance of traditional spices fortified with 5 essential nutrients. The range is being test marketed in Modern Trade and select General Trade channels in Delhi.

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

Value Added Hair Oils: Getting back on track; transient weakness in the premium segment

Value Added Hair Oils grew by 7% in volume terms, short of medium term aspiration, due to the underperforming premium segment as growth in the sub-category visibly slowed in a subdued demand environment. Overall, the franchise gained 148 bps in volume market share and 120 bps in value market share during the quarter. On a MAT basis, the Company consolidated its market leadership with volume share at ~34% and value share at ~27%.

Nihar Naturals Shanti Amla Badam has been the leading hair oil in volume sales among all sub-brands in Value Added Hair Oils category. The brand gained 176 bps in volume share (MAT June 2019) in the Amla Hair Oils category.

Parachute Advansed Aloe Vera Enriched Coconut Hair Oil now scaled up to a pan-India level, continued its accelerated growth trend. The brand garnered sizeable market share in its key markets and we will continue to aggressively invest for growth.

Nihar Naturals Sarson Kesh Tel garnered volume market share of 13% in the perfumed mustard oil category. The brand strategically capitalized on the equity of Nihar Naturals Shanti Amla Badam to build reach. The Company will continue to invest behind the brand as it taps into the sizeable unorganized mustard oil market.

During the quarter, **Hair & Care** was relaunched in its classical pack and fragrance in prototype markets and subsequently extended across the country. This move is expected to rejuvenate the brand and regain its identity as the preferred non-sticky hair oil among consumers. **Hair & Care Dry Fruit Oil** gained traction on the back of a multimedia campaign that championed the proposition "2X better than Almond Oil" in the launch markets.

In addition to driving premiumisation and scaling up new launches, the Company also stepped up participation in the bottom of the pyramid segment through **Nihar Naturals Shanti Jasmine** and **Nihar Naturals Gold**.

We expect to drive double digit volume growth in the Value Added Hair Oils franchise over the medium term on the back of these measures.

Premium Hair Nourishment: Sustained momentum in Livon Serums

Premium Hair Nourishment grew 28% in Q1FY20 in value terms.

Livon Serums continued to grow healthily during the quarter. The 2.5 ml sachet pack (priced at INR 3) is clearly emerging as the key trial pack by reaching 150,000 stores. With the addition of new variants - **Livon Colour Protect Serum**, **Livon Serum for Dry & Unruly Hair** and **Livon Shake & Spray Serum**, the brand is tapping into a new pool of consumers by addressing credible hair needs and truly owning 'salon finish' as a benefit. Contribution of these new variants has been on the rise. We continued to witness healthy growth in General Trade and exponential growth in Modern Trade and E-Commerce.

With a dominant volume share of **~63%** (June 2019 MAT) in the leave-in conditioners category, the Company continues to focus on innovation and consumer engagement to drive category growth.

True Roots Botanical Hair Tonic has not met action standards so far. We will continue to invest towards visibility and focused GTM to drive growth in select markets.

Parachute Coconut Crème Oil has gained consumer acceptance in its launch markets. We believe that establishing category relevance would be the key growth driver for this brand and we will continue to direct our efforts towards the same.

Male Grooming: Flat quarter; medium term potential intact

The Male Grooming franchise had a flat quarter due to a weak performance in deodorants. We do not expect any medium term concerns, given the healthy traction in hair gels, hair waxes and the Set Wet Studio X range. The Excluding deodorants, the Male Grooming franchise posted double digit value growth.

Set Wet Hair Gels continued to register high offtakes on the back of its **57% value market share**. **Set Wet Hair Waxes** witnessed good traction and gained share in the overall styling segment.

The digital campaign for **Set Wet Studio X** (including the **Charcoal range**) has been generating healthy conversions.

Parachute Advansed Men Hair Cream was seen gaining traction in the E-Commerce channel. The Company has planned focused initiatives to accelerate growth of this franchise.

Premium Skin Care: Focus on GTM

In the last quarter, the Company had introduced the **Kaya Youth O2** range, marking its entry into the premium skincare space. The range includes **Day Cream, Face Wash, Face Wipes and Micellar Water**. The brand proposition of **'boosting oxygen for youthful glowing skin'** has been created on an exciting and unique concept of **#Skin Pranayam**.

The range has a presence in General Trade in Mumbai, Modern Trade in the top 8 metros and E-commerce across India, within 4 months of launch. The response has been encouraging with products like Face Wash, Face Wipes and Day Cream generating good offtakes, especially in Modern Trade. Additionally, a beauty advisor program has been rolled out in around 70 stores, which has helped the brand gain visibility. The program would be scaled up going forward with the expansion in range. The Company has an exciting innovation line-up for the brand.

Input Costs and Pricing

During the quarter, the average market price of domestic copra was down 25% Y-o-Y. Other key input prices for the India business- Rice Bran Oil, Liquid Paraffin (LLP) and HDPE were down 12%, 1% and 21% respectively on a Y-o-Y basis. Safflower Oil was up 20%.

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

Rural led the growth in General Trade (GT). Rural GT grew by 6%, while urban GT was down 5%. We continue to take focused initiatives to improve the quality and effectiveness of distribution in rural. The new age channels of Modern Trade and E-Commerce have been driving growth in the urban sector. Modern Trade grew by 30%, while E-Commerce almost doubled. Modern Trade and E-commerce contributes 13% and 4% of the India business respectively. CSD also posted decent growth.

International Business

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

Particulars	Q1FY20
Turnover (INR Crore)	435
Reported Growth	9%
Constant Currency Growth	7%
Exchange Rate impact	2%

In Q1FY20, Marico's International business grew by 7% in constant currency terms led by double digit growth in the key markets of Bangladesh and Vietnam. Adjusting for a one-time trade inventory correction in the Gulf business, constant currency growth in the International business stood at 9%. Gross margin expansion in the Bangladesh business led to a rise in the operating margin of the international business from 20.3% in Q1FY19 to 25.6% in Q1FY20. However, margins should moderate as we will continue to invest and plough back savings to drive incremental growth. The Company aims to maintain international operating margin at circa 20% over the medium term.

Market Shares in Key International Markets - Basis Moving Annual Total (MAT) – June 2019

Brand & Territory	~MS%	Rank	Brand & Territory	~MS%	Rank
^Parachute Coconut Oil (Bangladesh)	84%	1st	^Value Added Hair Oils (Bangladesh)	22%	2nd
*X-Men Male Deodorants (Vietnam)	31%	2nd	*X-Men Male Shampoo (Vietnam)	38%	1st

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

Bangladesh (46% of the International Business)

The business in Bangladesh grew by 11% in Q1FY20 in constant currency terms.

Parachute Coconut Oil grew by 5% in constant currency terms, while maintaining the leadership position with ~84% volume market share. With the category having matured in this market, the Company should still be able to grow this franchise in single-digits on a constant currency basis over the medium-term on the back of its dominant position, distributive strength and consumption growth.

The non-Coconut oil portfolio in Bangladesh grew by 29% in Q1FY20 in constant currency terms. The inclusion of new brands namely, Nihar Naturals Joba Amla Oil & Parachute Advansed Aloe Vera, also contributed to the performance. With Value added Hair Oils spearheading this growth, the Company retained value market leadership in this category on MAT basis. The non-Coconut Oil portfolio in Bangladesh now constitutes nearly 30% of the total business in Bangladesh. The Company will leverage its strong distribution network and learnings from the India market to quickly scale up its new product introductions in Bangladesh. With this, the contribution of the non-coconut oil portfolio is likely to exceed 35% over next two years.

The implementation of the new VAT Act in Bangladesh is expected to accelerate the formalization of the economy and thereby benefit organized players.

We remain confident of delivering double-digit constant currency growth in this geography over the medium term.

South East Asia (26% of the International Business)

The South East Asia business (mainly Vietnam and Myanmar) grew by 8% in Q1FY20 in constant currency terms.

Vietnam posted growth of 11% in Q1FY20 in constant currency terms. Growth was led by the Home and Personal Care (HPC) business as the flagship brand, X-Men, maintained its leadership position in the segment. The Foods portfolio also rebounded. We expect to deliver steady constant currency growth in this geography over the medium term.

Middle East and North Africa (MENA) (15% of the International Business)

The MENA business declined in double-digits in Q1FY20 in constant currency terms, mainly on account of a one-time trade inventory correction in the Middle East business. Adjusting for the inventory correction, the MENA business grew by 2% in constant currency terms. Egypt had a flattish quarter. The volatile macro environment keeps us cautiously optimistic about the medium term outlook of these markets.

South Africa (8% of the International Business)

The South Africa business grew 6% in constant currency terms. In the context of the macro headwinds in the region, we expect this business to grow in low single digits in constant currency terms over the medium term.

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 more than USD 10 million in FY19. The business grew by 16% in constant currency terms during the quarter. The Company remains positive on the future prospects of this business, as it incubates new geographies to expand its franchise.

Note: The country wise contribution to International Business revenue is based on FY19 turnover.

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Operating Margin Structure for Marico Limited (Consolidated)

% to Revenues	Q1FY20	Q4FY19	Q1FY19	FY19
Material Cost (Raw + Packaging)	52.5	50.9	57.7	54.8
Advertising & Sales Promotion (ASP)	10.1	9.5	8.2	9.0
Personnel Costs	5.9	7.2	5.7	6.4
Other Expenses	10.2	13.9	10.4	11.8
PBDIT margins	21.3	18.3	18.1	18.1
PBDIT before ASP	31.4	27.8	26.3	27.1

(a) In Q1FY20, the average market price of domestic copra was 25% lower on a Y-o-Y basis. On a YoY basis, Rice Bran Oil, Liquid Paraffin (LLP) and HDPE prices were down 12%, 1% and 21%respectively. The consumption prices may differ from market prices depending on the stock positions the Company has taken.

(b) ASP spends, up 32% on a YoY basis, was at 10.1% of sales in Q1FY20. ASP spends will be circa 10% of Sales on an annualized basis in the medium term.

(c) Personnel Costs was up 11% due to annual salary revisions.

(d) The other expenses include certain items which are variable in nature (almost 3/4th of other expenses). In light of accounting treatment on adoption of AS 116, other expenses would be lower and are likely to remain in the range of 11-13% of turnover in the medium term.

Other Expenses	Q1FY20	Q1FY19	% variation
Fixed	56	54	3%
Variable	166	156	6%
Total	**222**	**210**	**6%**

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 FY20 is likely to be around INR 125–150 crore (USD 18-21 million). Depreciation during Q1FY20 was INR 35 crore compared to INR 31 crore in Q1FY19. The increase was on account of capitalization of capacity additions in some of the domestic manufacturing facilities during the year.

Direct Taxation

The Effective Tax Rate (ETR) was 25.6% in Q1FY20 as compared to 25.9% in Q1FY19. The expected ETR for FY20 is circa 25%. 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 189 crores as of 30th June, 2019 and is expected to be utilized by the Company over the next few years.

Exceptional Item

In Q1FY20, the Company recognized an exceptional item, amounting to INR 19 crores, as expenses towards Voluntary Retirement Scheme offered to the employees on the close of operations at the manufacturing plant at Kanjikode (Kerala).

Impact of Ind AS-116

Ind AS 116 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognizes depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion. The accounting treatment has no impact on the actual cash flows of a Company.

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In order to facilitate a like-to-like comparison, Marico has restated the financials for the comparative quarters as reported in the statutory disclosures, including the last financial year (FY19). **As per the restated financials, EBITDA margin stands revised upwards by 50-60 bps in the reported periods.**

The impact of Ind AS 116 on the Company's consolidated financial statements for the reported periods is as under:

(in INR crores)	Q1 FY20	Q1 FY19	FY 19
Increase in Depreciation and Amortization expense	9	9	36
Reduction in other Expenses	(12)	(12)	(47)
Increase in Interest Cost	4	4	16
Increase in EBITDA	12	12	47

Capital Utilization (Marico Consolidated)

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

Ratio	Q1FY20	Q1FY19
Return on Capital Employed	52.0%	48.1%
Return on Net Worth	40.9%	38.4%
Working Capital Ratios (Group)		
- Debtors Turnover (Days)	26	19
- Inventory Turnover (Days)	58	63
- Net Working Capital (Days)	36	41
Debt: Equity (Group)	0.11	0.12
Finance Costs to Turnover (%) (Group)	0.5%	0.5%

* Turnover Ratios has been calculated on the basis of average balances

1. The variation in ratios is due to:
    1. Lower inventory turnover was on account of reduction in buildup of key raw materials coupled with deflation.
    2. Higher receivables turnover was due to increase in revenue contribution from MT and E-Commerce and higher receivables from CSD.
    3. Higher payables on account of supply chain financing initiatives led to a decrease in net working capital days.

2. The Net Debt position of the Marico Group as of June 30, 2019 is as below:

Particulars (INR Crores)	Jun 30, 2019	Mar 31, 2019	Jun 30, 2018
Gross Debt	333	347	327
Cash/Cash Equivalents and Investments (Marico India: INR 1,210 Crore & Marico International: INR 247 Crore)	1,457	960	1,007
Net Debt/(Surplus)	**(1,123)**	**(613)**	**(680)**
Foreign Currency Denominated out of the total gross debt	209	219	205
Foreign Currency Debt as a % age of Gross Debt	63%	63%	63%
Rupee Debt out of the total gross debt	124	128	122
Total Debt Payable within One year	320	333	310
Average Cost of Debt (%) : Pre tax	4.8%	4.8%	5.2%

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 June 30, 2019 was about **INR 1,123 Crore** (Gross debt of INR 333 Cr. & Gross Investments of INR 1,457 Cr). 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, the Company will

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continue to maintain a healthy dividend payout. The overall dividend payout ratio in FY19 stood at **76%** of the consolidated profit after tax (excluding tax adjustment for earlier years).

CSR and Sustainability Initiatives

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. We have a focused approach in identifying sustainability goals in line with our business strategy and purpose. As a result, the Company has identified six focus areas to channelize its efforts– **Responsible Resource Consumption, Climate Change, Sustainable Supply Chain, Product Responsibility, Community Development** and **Future-Ready Capability Building**. CSR initiatives are also an integral part of our sustainability efforts and Marico is committed to making a sustainable impact on the society.

The Company published its maiden Integrated Report for FY2018-19, thereby embarking on a new corporate reporting journey that aims to articulate how the organization creates value using both financial and non-financial resources. The same is available on the Company website here.

Taking ahead our sustainability focus and climate action, we are implementing projects at two of our manufacturing units to replace fossil fuel and grid electricity with biomass and solar roof-top energy sources respectively. We have augmented our flagship program 'Kalpavriksha' which has now touched over 100+ villages and imparted trainings for 4,000+ farmers. In our pursuit to be a water steward organization, Marico has executed a Memorandum of Undertaking with the Government of Maharashtra and has adopted Jalgaon district in the state of Maharashtra under the 'Galmukt Dharan Galyukt Shivar' (silt free dam, silt enriched farm) Yojana (scheme). The work has commenced to remove silt in over 130+ water bodies, thereby creating additional water holding capacities for domestic and agriculture needs.

Awards

- Marico was bestowed with the **Leaders Award – Mega Large Business, FMCG Sector**, at the Sustainability 4.0 Awards, 2019, by **Frost and Sullivan** and **The Energy and Resources Institute (TERI).**
- For the **Saffola*life*** initiative, Marico was awarded with the **"Eat Right Awards"** in the Community Outreach and Product categories by **Food Safety and Standards Authority of India (FSSAI)** for exemplary food safety initiatives.
- Marico's **Saffola*life*** and **Nihar Natural Shanti Badam Amla** were awarded for **Innovative Use of Print** and **Cause Marketing**, respectively, at GOAFEST 2019, which celebrates the best advertising and media initiatives by brand and agencies in India.
- Marico was presented with the **Milestone Merit Award** in both leadership and workforce categories for outstanding customer orientation and quality management at the Indian Merchant Chambers' Ramakrishna Bajaj National Quality Awards.

Marico's Growth Philosophy

Over the medium term, Marico aspires to be an admired emerging market MNC with leadership in the core categories of leave-in hair nourishment, foods and male styling in the 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. The Company has identified the following key strategic drivers for achieving this goal - grow the core, build new engines of growth, premiumise the play and commitment to sustainability. Further, we have identified the five key enablers for executing this strategy and will strive to develop top quartile capability in these areas namely, Innovation, Go to Market transformation, Talent & Culture, Digital, Analytics & Automation 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.

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Near Term / Medium Term Outlook

Marico India

- The sector has witnessed progressive moderation in the overall demand environment since the late stages of the last quarter, which may extend into the immediate near term. However, the various structural measures announced in the Union Budget and likelihood of a near normal monsoon, coupled with fiscal prudence and moderate inflation, keep us optimistic of a recovery in consumption and investment in the overall economy over the medium term.
- Despite the current backdrop, the Company will continue to actively invest behind future engines of growth and drive premiumisation across its portfolio in our endeavor to build franchises that deliver sustainable and profitable growth. With core portfolios poised to deliver stable growth over the medium term, we expect a significant shift in new product contribution to ramp it up further, especially with the new age channels of Modern Trade and E-Commerce flourishing.
- The India business registered a volume growth of 6% in Q1FY20. Over the medium term, the Company will aim to deliver 8-10% volume growth coupled with healthy market share gains, on the back of increased investment in the core portfolio, aggressive new product launches, distribution expansion & judicious pricing.
- Copra prices have corrected in line with expectations and should stay benign unless monsoons disappoint. The Company has delivered its highest ever operating margin in the current quarter, on account of sharp gross margin expansion which was only partly offset by higher ad spends. While margins may not sustain at these levels, we expect a healthy improvement in the full-year operating margins over the last year.
- **Parachute Rigids** had a robust 9% volume growth in Q1FY20. Given the market construct and strong brand equity, the Company aims to grow volumes in the range of 5-7% over the medium term.
- **Value Added Hair Oils** fell short of medium term expectations with 7% volume growth in Q1FY20. The Company aims to drive double-digit volume growth in this franchise over the medium term on the back of growth in the core portfolio, the drive towards premiumisation, scale-up of new launches and active participation in bottom of the pyramid.
- **Saffola Edible Oils** volumes grew by 3% in Q1FY20. We aim to deliver high single digit volume growth over the medium term in this franchise.
- In **Foods**, the Company will continue to innovate and launch tasty and healthy dietary options for the consumer, thereby maintaining 20% plus CAGR over the medium term.
- We aim to build **Premium Hair Nourishment**, **Male Grooming and Skin Care** into growth engines of the future and expect to deliver value growth of 20% plus CAGR over the medium term in these portfolios.
- The Company will also gradually create dedicated premium product offerings suited to **Modern Trade and E-commerce channels** to continue growing aggressively 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 is renewing its efforts towards enhancing its GTM capabilities in salons, pharmacy chains, cosmetics and specialty food outlets. **Kaya Youth O2**, **Saffola FITTIFY Gourmet** and **Coco Soul** have been conscious attempts in this direction.
- 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. E-commerce now contributes ~4% of the India business. With the Company steadily creating a portfolio suited to this channel and investing aggressively behind enhancing capabilities, we expect E-Commerce to contribute atleast 5% of the India business by the end of FY20.

Marico International

- Over the last few 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 the key markets are 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 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. Towards portfolio diversification, the business has already launched a female grooming range under a new brand 'Sedure'. **Myanmar** and the **rest of South East Asia** are growth engines of the future.
- In the **MENA** region, the Company will focus on getting the basics right by judiciously investing behind brands and Go-to-Market initiatives.
- The **South Africa** business has been subdued by macroeconomic headwinds and resultant sluggishness in demand. We are cautious on the near term outlook of the business, but expect to protect the core franchise of ethnic hair care and health care over the medium term.
- The Company will continue to invest in developing new countries and scale the business profitably.
- We expect to clock an organic broad-based double-digit constant currency growth over the medium term.
- We aim to maintain operating margins at circa 20% 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) over the medium term. However, we expect volume and value growth in FY20 to be in high single digits.
- Investments towards brand building will be stepped up to support market growth initiatives in core categories and expansion into adjacent categories. The Company will also aggressively invest behind the recent innovations and a visibly strong pipeline for the next 2-3 years. Consequently, A&P spends is expected to be at circa 10% of Sales on an annualized basis.
- The Company will continue to drive cost excellence across the organization to extract savings that will be redeployed towards igniting profitable growth.
- Operating margin is expected to be maintained at 18-19% over the medium term.

THANK YOU FOR YOUR PATIENT READING

Marico – Information Update for Q1FY20 (Quarter ended June 30, 2019)

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.

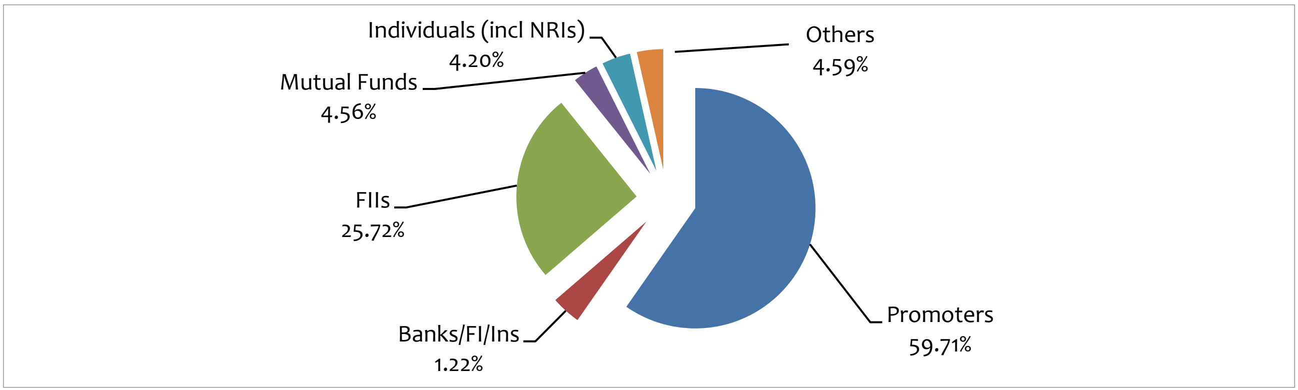
INR Crore

Particulars	**Q1FY20**	**Q1FY19**
1. Segment Revenue		
i. India	1,731	1,628
ii. International	435	399
2. Segment Result		
(Profit before Interest and Tax and exceptional items)		
i. India	365	299
ii. International	106	80
3. Segment Result as % of Segment Revenue (PBIT)		
i. India	21.1	18.4
ii. International	24.3	20.1
3. Capital Employed (Segment Assets - Segment Liabilities)		
i. India	1,191	1286
ii. International	702	707

Note: 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.

Annexure 1-A: Shareholding Pattern

The Shareholding pattern as on June 30, 2019 is as given in the graph below:

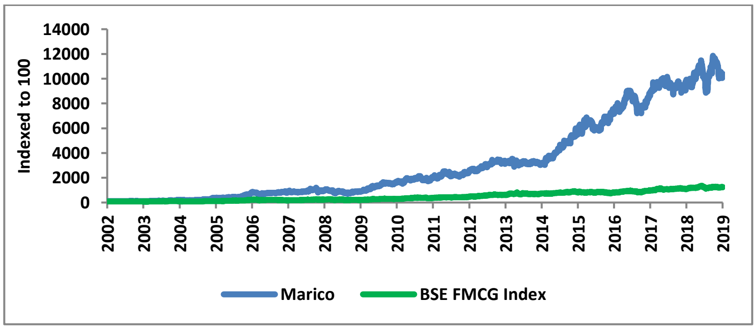


Details of ESOPs as on June 30, 2019:

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	3,879,010	47,220	80,000	37,51,790

Options pending to be exercised are less than 0.3% of the issued share capital.

Annexure 1-B: Share Performance on the 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 47,796 crore (USD 6.8 billion) on June 30, 2019. The average daily volume on BSE and NSE during Q1FY20 was about 1,213,725 shares.

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

Marico – Information Update for Q1FY20 (Quarter ended June 30, 2019)

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.)

	Rs/100KG	Rs/100KG	Rs/10KG	Rs/10KG	Rs /LT	Rs / KG
Month	COCHIN CN OIL	COPRA CALICUT	KARDI OIL JALNA*	RICE BRAN	LIQUID PARAFFIN	HDPE*
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
Jul-18	16,792	11,910	1,271	693	49	127
Aug-18	16,404	11,535	1,271	689	48	127
Sep-18	15,433	10,496	1,271	698	50	127
Oct-18	14,381	9,543	1,271	679	55	127
Nov-18	13,550	9,600	1,350	633	55	126
Dec-18	14,679	10,683	1,580	601	50	110
Jan-19	16,200	11,500	1,565	597	44	103
Feb-19	16,007	11,379	1,570	600	47	103
Mar-19	14,958	10,508	1,576	596	49	102
Apr-19	14,546	10,214	1,565	591	48	101
May-19	13,477	9,458	1,565	578	47	99
Jun-19	12,967	9,304	1,565	569	46	92
Q1FY20 vs Q1FY19	-24%	-25%	20%	-12%	-1%	-21%
Q1FY19 vs Q4FY19	-13%	-13%	0%	-3%	1%	-5%

*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

	50 ml	100 ml	250 ml	500 ml	1 Ltr	1 Ltr	1 Ltr	1 Ltr
Month	PCNO	PCNO	PCNO	PCNO	Saffola Total	Saffola Tasty	Saffola Gold	Saffola Active
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
Jul-18	20	39	105	199	200	135	159	130
Aug-18	20	39	105	199	200	135	159	130
Sep-18	20	39	105	199	200	135	159	135
Oct-18	20	39	105	199	200	135	159	135
Nov-18	20	39	105	199	200	135	159	135
Dec-18	20	39	105	199	200	135	159	135
Jan-19	20	39	105	199	200	135	159	135
Feb-19	20	39	105	199	200	135	159	135
Mar-19	20	39	105	199	200	135	159	135
Apr-19	20	39	105	199	200	135	159	135
May-19	20	39	105	199	200	135	159	135
Jun-19	20	39	105	199	200	135	159	135

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

Marico – Information Update for Q1FY20 (Quarter ended June 30, 2019)

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

Coconut Oil					
Parachute Rigids	Soap free	175 ml	Jun	Free Item	South & West India
Parachute Rigids	20% extra	500 ml	May	Extra Volume	National
Saffola Edible Oils					
Saffola Active	INR 15 off	1 ltr	Apr	Price-off	National
Saffola Active	1 ltr Free	5 ltr	Jun	Extra Volume	National
Saffola Total	1 ltr Free	5 ltr	Jun	Extra Volume	National
Foods					
Saffola Oats	400 gm free	1 kg	Apr-Jun	Extra Volume	National
Saffola Masala Oats	Buy 4 get 1 free	39 gm	Apr	Extra Volume	National
Value Added Hair Oils					
Nihar Naturals	Nihar Shanti Jasmine 45 ml free	200 ml	Apr	Cross-brand	National
Parachute Jasmine	Branded Soap free	90 ml	Jun	Free Item	National
Nihar Shanti Amla	50ml extra	190 ml	May-Jun	Extra Volume	National
Nihar Shanti Amla	Branded Dental Cream Free	300 ml	Apr	Free Item	National
Hair & Care	50 ml free	200 ml	Apr	Extra Volume	National
Hair & Care	Branded Soap free	100 ml	May	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 73.3 billion (USD 1.05 billion) during 2018-19. Marico markets well-known brands such as Parachute, Saffola, Saffola FITTIFY Gourmet, Hair & Care, Parachute Advansed, Nihar Naturals, Mediker, True Roots, Kaya Youth O2, Coco Soul, Revive, Set Wet, Livon, Fiancée, HairCode, Caivil, Black Chic, Isoplus, Code 10, Ingwe, X-Men, Sedure and Thuan Phat. Atleast 90% of Marico's portfolio of brands occupy 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 16 crore packs every month through 5.0 million retail outlets services by its nationwide distribution network comprising 4 Regional Offices, 26 carrying & forwarding agents (CFAs) and about 5,600 distributors and stockists. Marico's distribution network covers almost every Indian town with population over 5,000.

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

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

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Marico – Information Update for Q1FY20 (Quarter ended June 30, 2019)

Financial Highlights

Particulars (INR/crores)	FY15	FY16	FY17	FY18	FY19
Revenue from Operations	5,733	6,024	5,936	6,333	7,334
Material Cost	3,119	3,078	2,849	3,359	4,017
Personnel Cost	325	373	404	422	466
ASP	650	693	659	588	659
Other Costs	769	829	864	827	864
Profit Before Tax	822	1,029	1,150	1,117	1258
Net Profit After Tax (PAT)#	573	711	799	814	1,114
EBITDA%	15.2%	17.5%	19.5%	18.0%	18.1%
Earnings per Share (INR)	8.9	5.5*	6.2*	6.3*	8.6*
Net Worth	1,825	2,017	2,326	2,543	2,988
Book Value per Share (INR)	28.3	15.6*	18.0*	19.7*	23.1*

From FY16, financials are as per IND – AS and hence not comparable with earlier years.
From FY19, financials have been restated on the adoption of AS 116 and hence are not comparable with earlier years.

Represents Net Profit attributable to owners
*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 Q1FY20 (Quarter ended June 30, 2019)

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.
- Profile containing basic/historical information on Marico.

In this note, figures mentioned in INR are converted to USD basis INR/USD exchange rate of 69.6, being the average rate of 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.

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 constitute unpublished price sensitive information under the SEBI (Prohibition of Insider Trading) Regulations, 2015.

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