Marico – Information Update for Q2FY16 (Quarter ended September 30, 2015)

Executive Summary: Consolidated Results

Particulars (INR Cr)	Q2FY16	Growth	H1FY16	Growth
Revenue from Operations	1,485	4%	3,269	7%
EBITDA	230	18%	555	20%
EBITDA Margin (%)	15.5%		17.0%	
Profit After Tax	151	27%	389	28%
India Volume Growth (%)		5.5%		5.8%
Overall Volume Growth (%)		4.4%		4.5%

During the quarter, Marico posted Revenue from Operations of INR 1,485 crore (USD 228 million) a growth of about 4% over Q2FY15. The topline was driven by 5.5% volume growth in India leading to overall volume growth of 4%. The overall business volume growth excluding the sales of the divested Beauté Cosmétique Societé Par Actions business from the base was 5%. The Domestic business recorded a value growth of 4% while the International business posted a growth of 2%.

At its meeting held on November 4, 2015, the Board of Directors of the Company has recommended Bonus issue of one Equity Share for every one share held in the Company and has also declared a first interim dividend of 175% (INR 1.75 per share)

Marico won the "Best Domestic Company for Corporate Governance" across sectors in India in a poll conducted by Asiamoney.

Other salient points relating to the quarterly performance are as follows:

- Gross margins expanded by 500 basis points in deflationary environment; aggressive plough back in ASP
- Market share gains continue in ~ 80% of the portfolio; almost the entire Domestic portfolio gained share.
- Healthy volume growth in key categories in India: Parachute Rigids 11% & Value Added Hair Oils (VAHO) 8%
- Continued premiumization in VAHO in India with higher share gain in value (238 bps) as compared to volume (180 bps) backed by high A&P spends.
- Slew of NPD launches in India and International & brand restages in International starting from September – to continue in Q3 FY16.
- International remained flat in constant currency terms in Q2 FY16 (excluding the recently divested Beauté Cosmétique Societé Par Actions business). While Vietnam, Middle East and SA grew, Bangladesh and Egypt businesses declined – near term outlook is positive for all geographies.
- Q2FY16 EBITDA margins: Marico India 17.9% and Marico International 17.3%

Summary of value growth across Businesses:

Categories/Businesses	Q2FY16	H1FY16	Share of Group's Turnover basis FY15 results
Group	4%	7%	
India FMCG Business	4%	8%	78%
International FMCG Business	2%	3%	22%

Volume Market Shares in Top 10 Categories - Basis Moving Annual Total (MAT)

Brand & Territory	~MS%	Rank	Brand & Territory	~MS%	Rank
Coconut Oils (India) (Parachute and Nihar)	57%	1st	Parachute Coconut Oil (Bangladesh)	81%	1st
Saffola (Refined Oils) – Super Premium Refined Oils in Consumer Packs (India)	59%	1st	Post wash Leave-On Serums (India) (Livon and Silk & Shine)	80%	1st
Hair Oils (India) (Parachute Advansed, Nihar, Hair & Care)	30%	1st	*X-Men Men's Shampoo (Vietnam)	38%	1st
Value Added Hair Oils (Bangladesh)	16%	3rd	*Hair Code & Fiancée Gels/Cream (Egypt)	58%	1st
Deodorants (India) (Set Wet and Zatak)	3%	7th	*Hair Creams/Gels (India) (Set Wet and Parachute After shower)	49%	1st
*Saffola Oats (India)	24%	2nd	Parachute Advansed Body Lotion (India)	6%	5th

***Value market shares**

Note: All numbers mentioned in INR in this note are converted to USD basis INR/USD of 65, being the average rate for the quarter.

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India Business

The FMCG Business in India achieved a turnover of INR 1,127 crore (USD 173 million) during the quarter, a growth of about 4% over Q2FY15. The Business continues to gain market share in more than 95%of the portfolio.

The consumption headwinds continued in Q2, resulting in a muted volume growth of 5.5% for the quarter. The silver lining was a strong growth in the focused rigid bottle segment of Coconut Oil (11%) and Value Added Hair Oil portfolio (8%).

The operating margin during Q2FY16 was 17.9% before corporate allocation. The Company believes that an operating margin for the India business in the band of 17% to 18% is sustainable in the medium term. The input cost gains have been invested behind A&P this quarter for long term brand building after ensuring threshold margins.

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

Categories	Q2FY16		H1FY16		% of Group's FY15 Turnover
	Value Growth	Volume Growth	Value Growth	Volume Growth	
Marico India	4%	5.5%	8%	6%	78%
Parachute Coconut Oil (Rigid packs)	9%	11%	13%	9%	27%
Value Added Hair Oils portfolio	9%	8%	15%	12%	19%
Saffola (Refined Edible Oil)	4%	4%	6%	4%	14%

Parachute and Nihar – *Protecting consumer franchise amidst deflation – strong growths and Market Share gains*

Marico participates in the INR 4,500 crore (USD 714 million) branded coconut oil market through Parachute and Nihar. Parachute's rigid portfolio (packs in blue bottles), recorded a strong volume growth of about 11% for Q2FY16 over Q2FY15. During the 12 months ended September 2015, Parachute along with Nihar increased its market share by more than 70 bps to 57%. The commodity prices have come down by around 30% as compared to Q2FY15. The Company has successfully safeguarded the consumer franchise amidst the deflationary commodity cycle by resorting to tactical measures to manage pricing skews. Further, in order to maintain the volume momentum, in October 2015, the Company took a weighted average MRP correction of 6% across SKU's after observing the range-bound behavior of copra prices over the past few months.

The non-focused part of the portfolio (mainly pouch packs) continued to witness de-growth as the Company maintained minimum threshold of margins in an environment where the commodity prices corrected from the peak.

Of the total coconut oil market, approximately 35-40% 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 would continue to exercise a bias for franchise expansion as long as margins remain within a band.

Saffola: Super premium refined edible oils and breakfast cereals – *ROCP showing signs of recovery from September, 2015 with long term actions being taken to get back to higher volume growth, Foods continue to fuel growth.*

The Saffola refined edible oils franchise grew by 4% in volume terms during Q2FY16 over Q2FY15.

Key intervention taken to accelerate growth:

- Maintain an acceptable price premium over other oils by adapting a region specific pricing inputs to upgrade consumers to Saffola.
- In addition to the Saffola Gold variant, support has been provided to other variants in the franchise viz. Active & Tasty which have started showing results.
- Media Support on Active to target a new consumer segment.

In line with the Company strategy to not sacrifice long term growth for short terms gains, Marico did not take any pan India pricing action on the portfolio. Over the medium term, we are also looking at the innovation pipeline. Since most of the actions being taken are being addressed for long term sustainability, it will take couple of quarters to revive growth into this category.

Despite a lower rate of growth, the brand gained market share by 369 bps and further strengthened its leadership position in the super premium refined edible oils segment to 59% during the 12 months ended September 2015.

Saffola's foray into healthy foods, Saffola Oats, has emerged as a strong no.2 brand in the oats category with a value market share of 24%. The various distribution initiatives undertaken by the Company have resulted in Saffola oats being distributed almost 1.4 times more than the market leader. Saffola Masala oats are available in six variants. Focus on value added offerings in the oats segment has enabled the Company to capture 66% value share in the flavored oats market on a MAT basis. The portfolio is consistently gaining share with Q2FY16 value market share of 67%. The franchise is well poised to achieve INR 125 Crore (USD 20 million) landmark this year. The Company's ability to localize the product to suit the Indian palate and drive consumption by increasing the occasion of use apart from breakfast to in-between meals has been the key catalyst in creating and succeeding in this category. The Company continues to focus on improving the margins in this franchise with focused cost management initiatives in order to ensure sustainable profitable growth.

Value Added Hair Oils (Parachute Advansed, Nihar Naturals and Hair & Care) – *Continued growth and MS consolidate*

Marico's hair oil brands (Parachute Advansed, Nihar Naturals and Hair & Care) grew by 8% in volume terms during Q2FY16 over Q2FY15. The volume growth has tapered down to single digit as the base had impact of festive season, which in the current year falls in Q3 FY16. Marico continues to grow faster than the value added hair oils market of INR 5,800 crore (USD 921 million). During the quarter, the Company further strengthened its market leadership by 180 bps to 30% volume share (for 12 months ended September 2015) and continues to premiumize with value share gain of 238 bps to 23% for the same period. Going forward, the Company will focus on premiumization to drive growth in the category.

Marico has got a strong bouquet of products in Value Added Hair Oils with three brands (Nihar Shanti Amla, Parachute Advansed Jasmine & Nihar Naturals) crossing INR 250 Crores (USD 40 million) of turnover individually. Together, the value added hair oil franchise is now more than INR 1000 crores (USD 164 million). Nihar Hair Oils Franchise is now more than INR 500 crores.

Nihar Shanti Amla continues to gain market share and achieved a volume market share of about 36% for the 12 months ended September 2015 in the Amla hair oil category (MAT Q2FY15: 31%). The exit market share of Nihar Shanti Amla was more than 37% reflecting a continued strong trajectory of growth. The increased scale of the franchise enables the Company to benefit from operating leverage thereby improving net margins despite competitive pricing.

Parachute Advansed Ayurvedic Oil, with presence in southern states, continues to grow rapidly and is on course to cross turnover of circa INR 60-65 crores (USD 10 million) in FY16.

Nihar Naturals Sarson Kesh Tel, a value added mustard oil targeting loose mustard pool is being prototyped in Rajasthan and has performed as per expectation. The Company is extending it to Hindi speaking states in North and East in Q3 FY16.

Parachute Advansed Aloe Vera Enriched Coconut Hair Oil, was launched in the Maharashtra market in June 2015. The product is aimed to provide the perfect balance of sensorial and hair nourishment to the consumer. Prototype performance has been promising so far.

The latest prototype in hair oil space under the Hair fall category, Parachute Advansed Ayurvedic Gold Hair oil was launched in Maharashtra in September 2015. The product has a different formulation from the Parachute Advansed Ayurvedic Oil to have a more broad-based play in the Anti-Hair fall Segment across India.

The Value Added Hair Oils category has been amongst the fastest growing large sized FMCG segments in India and compares very well with other highly penetrated personal care categories. There is also an emergence of new age hair oils in the developed markets that could create a super-premium segment in India too. This serves to emphasize that hair oils can drive both beauty and nourishment. Marico will continue to focus on upgrading the portfolio by playing across segments that cater to consumer needs of nourishment and problem solution.

Mass Skin Care: Parachute Advansed Body Lotion – *Gaining traction slowly in a reviving category*

Body Lotion, an INR 1,000 crore (USD 154 million) category in India, has shown a growth of ~ 21% in Q2FY16 after remaining flat during FY15.

The body lotion penetration level is below 20% in India. The Company plans to increase its participation in the skin care segment by improving distribution and awareness about body lotion in longer term.

Youth brands – *Hair Gels keep up the good momentum; Livon ready for a restage; Deodorants lag*

The Youth brands portfolio plays in three categories i.e., Hairs Gels, Leave-in serums and Deodorants. The Set Wet gels and Livon portfolio (which also consists of a hair gain tonic) forms 2/3rd of the Youth portfolio. The Company is focusing on expanding these high margin categories, while maintaining share in the cluttered deodorants category (1/3rd of the Youth Portfolio).

Set Wet Gel brand was re-launched in Q4 last year. Riding on focused brand building efforts, new pack and expanded distribution the portfolio continued to grow handsomely in double digits in 2nd quarter too. It has also been gaining market share consistently which is testimony to the effectiveness of the revamped strategy. The market share has grown by 550 bps in last 6 months.

The Deodorants portfolio continues to be under pressure due to hyper-competitiveness in the category. Renovation plans are being put in place to remain relevant in the category. It will also benefit from the positive rub-off from Set Wet gels brand building initiatives.

Livon Franchise declined in Q2 FY 16 over same quarter last year. The Livon Hair Gain franchise has been impacted by counterfeits (especially in the E-Commerce channel) and the resultant loss in credibility in the Hair Gain segment. The Company has intervened by including a new anti-counterfeit measure on every pack, which should help consumer differentiate a genuine pack from a counterfeit one.

The Serums category growth has been plagued by lack of investments and low penetration. In order to revive the growth in this category, the Company restaged Livon Serum at the end of the quarter. However, the restage got delayed by couple of months. Key pillars of the restage include a better formulation, refreshed packaging, new communication campaign and low unit packs at Rs 5. Youth style icon, Kangana Ranaut has been signed up as the first brand ambassador for Livon and will be the face of the refreshed identity.

Overall, the Youth brands portfolio declined by 18% in value terms. However, with the initiatives taken this quarter, medium term growth prospects in this portfolio remain positive.

The Hair Gels and Creams (Set Wet and Parachute) and Leave-in Conditioners (Livon and Silk and Shine) now have 49% and 80% share in their respective categories. These categories are at a very nascent stage as their penetration in India is far lower as compared to other emerging markets. Being market leaders, the Company is well poised to innovate and grow the market.

Input Costs and Pricing

During the quarter, the average market price of copra was down by 15% sequentially and 29% Y-o-Y owing to better arrivals at the end of peak season.

The market prices of the other key inputs, Rice Bran oil and Liquid Paraffin (LP), were down 9% and 33% respectively during the quarter as compared to Q2FY15. HDPE (a key ingredient in packaging material) price was down 14% compared to Q2FY15. The drop in crude oil price has resulted in LLP prices being down by 8% compared to Q1 FY16.

The deflation has resulted in margin expansion which the company has ploughed back in ASP. 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 General Trade segment, Marico's rural and urban sales grew at 3%. Sales in Modern Trade (9% of the domestic turnover) continued the good run with growth of 13% in Q2FY16. CSD and Institutional sales (7% of the domestic turnover) grew at a healthy rate of 11% in Q2FY16.

This quarter saw rural growth marrying urban growth after 6 years' of outperformance. The Company is observing the consumption trends in rural India closely in view of the liquidity crunch and subdued monsoon in some parts of the country. Lower growths in both urban and rural was also impacted due to shift of festive season from Q2 last year to Q3 this year. The Company expects healthy growths in both markets in the 2nd half of FY16.

Project ONE (Outlet Network Expansion) was conceived with an objective of increasing Marico's direct coverage in its top 6 metros. The project achieved direct coverage in these cities by 60%. Project ONE has significantly augmented the reach of the Company's brands by improving assortment and availability at the outlet. It has met with a very positive response from the retailer community as it gives them convenience of service and access to promotions. The Company is in process of merging these outlets into existing business of distributors which will help in reducing cost of operations. Incremental Turnover coming through Project ONE is on track and is expected to do an annualized business of INR 65-75 crore (USD 10-12 million) by the end of FY16. The Company is in the process of expanding the coverage of this initiative in the current year to next level of 14 towns.

Robust IT infrastructure is a backbone of any successful sales system and towards that, the Company has embarked on a journey to refresh and reconfigure its point of sale IT infrastructure and Distributor Management system. This would enable the Company to improve visibility, sales force productivity and strengthen commercial controls. A new sales system at the distributor end has been prototyped across multiple places which would be rolled out Pan India from next quarter.

Further, the Company has embarked on a technology driven collaboration platform with its customers. The new Order Management Execution Platform enables automatic ordering through system which will help to drive right inventory and service levels. The usage of this platform has been rolled out across India. The prototype on use of Advanced Analytics to predict store level assortment in one of the major cities is underway and the initial results are encouraging.

As e-commerce takes off in India, the Company has taken definitive steps to stay ahead of the curve and has identified and appointed dedicated resources for e-commerce. As a result of these initiatives, Company has been able to double its presence in e-commerce channel over last six months.

International Business

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

Particulars	Q2FY16	H1FY16
Turnover (Rs/Cr)	359	714
Reported Growth	2%	3%
Constant Currency Growth	-2%	-1%
Exchange Rate impact (Favorable)	4%	4%

The Constant Currency Growth for Q2FY16 and H1FY16 was flat excluding the sales of the divested Beauté Cosmétique Societé Par Actions business from the base. The Core markets delivered good growths with MENA growing at 10%, South East Asia (Excluding divestment of BCS) at 9% and South Africa at 8% on constant currency basis. However, Bangladesh declined during the quarter impacting overall International growths. The plan of expansion in adjacent markets such as Nepal, Pakistan, Cambodia, Myanmar, Sri Lanka, North & East Africa etc., is largely on track.

The operating margin (before corporate allocations) marginally improved to 17.3% in Q2 FY16 as against 16.8% in Q2FY15. The Company endeavor to maintain international margins in the region of 16-17% and continue to invest and plough back savings to drive growth.

Bangladesh (45% of the International Business)

The Bangladesh business reported a topline constant currency de-growth of 11% in Q2FY16.

Parachute coconut oil reported de-growth of 11% in constant currency terms during the quarter but still maintained leadership position with 81% share. Given that the scope of growth in coconut oil segment is limited as the category has matured, the Company has taken substantial measures in driving adjacent sources of growth to diversify the portfolio.

In the current quarter, volume of Parachute coconut oil declined owing to increasing price premium in comparison to loose oil as the commodity table dropped. In order to arrest the decline, the Company passed on weighted average price correction of circa 8% to consumers. This is likely to yield positive results from Q3 FY16 onwards.

New thematic campaign highlighting “Power of 5” of Parachute Coconut Oil was launched at the end of the quarter along with huge visibility drive nationally and is expected to drive higher volumes. The company expects that the demand will respond positively to these measures in H2 FY16.

In the last couple of years, the Company has made significant investments to expand its non-coconut oil portfolio such as Value Added Hair Oils (VAHO), Hair Dyes, Deodorants, Leave-in conditioners and Premium Edible oils. These products have been accepted well and are expected to create a portfolio of the future in Bangladesh. Consequent to these initiatives, the non-coconut oil portfolio is now circa 20% of the total business in Bangladesh as compared to 10% three years back. The new launches offer a substantial proposition for future roadmap in Bangladesh. The Company expects to leverage its strong distribution network and learning from the India market to quickly scale up its new product introductions in Bangladesh. From FY17 onwards, more than 80% of the incremental growth in the Bangladesh business is expected to come from the non-coconut oil portfolio backed by modest growth in core coconut oil business.

Middle East and North Africa (18% of the International Business)

The MENA business on an overall basis grew by 10% (constant currency basis) during Q2FY16 as compared to Q2FY15. This is mainly on account of strong recovery in the Middle East business.

The Middle East business continued the positive momentum and grew on constant currency basis by 29% in Q2FY16. In addition to growth in current quarter, the business has grown in double digits in all the quarters in FY15 and has reduced its losses substantially. This trend of improvement is expected to continue and the management expects the business to become consistently profitable by FY17. The Company has undertaken a restage for its entire Middle East portfolio during the quarter.

The Company had undertaken a distribution transition in Egypt in H2 FY15. The transition was aimed at eliminating dependence on a single distributor and achieving better go-to-market (GTM) model for realizing the maximum distribution potential. The post-transition lead indicators are looking positive and in the long run, this is expected to bring in many transformational benefits such as increased direct distribution, improved retail selling and reduced working capital requirement resulting in lower credit risk. Since early September, this transition is showing promising signs of stabilizing. The Company relaunched HairCode Gels with new and improved formulation and packaging in market during September. The business reported a decline of 4% on constant currency basis in Q2 FY16.

South East Asia (26% of the International Business)

Business in South East Asia (of which Vietnam is a significant contributor) grew by 2% in constant currency terms. On a like to like basis (without considering Beauté Cosmétique Societé Par Actions, which was divested during Q1FY16), the constant currency growth was 8%. The transition to new leadership is now completed. The Company launched two new products during the quarter under the flagship brand 'X-Men'; Cool Water – a new variant in shampoo category and a range of No-Gas Perfumed Body Sprays. X-Men maintained its leadership in male shampoos and the number two position in male deodorants. Over the medium term, the Company remains well poised to participate in the category growths when economic growth picks up.

The Company continues to scale up its presence in neighboring countries like Malaysia and Myanmar. Myanmar is poised to be a USD 7 million by end of the year.

South Africa (8% of the International Business)

The business reported a constant currency growth of 8% during the quarter despite challenging macro conditions. The County's Economy is struggling to gain traction as power crises continue to get worse, drought has impacted agricultural output and increased risk of labour disruptions. ZAR remained under persistent pressure during the quarter and depreciated by 13% and so the business optically de-grew.

The Company plan for entering sub-Saharan African markets organically is on track. We have commenced exports to four countries including Kenya. Marketing and launch support plans for Black Chic in Kenya is in full stride. Initial responses to the campaign and the product have been encouraging. We believe these markets are "Invest to Grow" markets and will be backed by adequate marketing initiatives.

Note: The country wise contribution to International Business revenue is based on FY15 turnover.

Innovation Pipeline and Brand Restages

For Marico, one of the strong pillars to drive healthy volume growth is Innovation. During the quarter, many new launches were in the market. For a better understanding on the same, we have attached a separate presentation to this update, capturing these new product launches.

OPERATING MARGIN STRUCTURE FOR MARICO FMCG Business

% to Sales & Services (net of excise)	Q2FY16	Q2FY15	H1FY16	H1FY15	FY15
Material Cost (Raw + Packaging)	50.7	55.7	52.4	55.3	54.4
Advertising & Sales Promotion (ASP)	14.6	11.7	12.7	11.8	11.3
Personnel Costs	5.7	5.8	5.4	5.5	5.7
Other Expenses	13.4	13.1	12.5	12.3	13.4
PBDIT margins	15.5	13.6	17.0	15.1	15.2
PBDIT before ASP	30.1	25.3	29.7	26.9	26.5

(a) The average market price of copra, the largest component of input costs, was 29% lower in Q2FY16 as compared to Q2FY15. Also, the market prices of liquid paraffin were 33% lower as compared to Q2FY15. The market price of safflower oil was up by 10% and rice bran oil was lower by 9%. The consumption prices may differ from market prices depending on the stock positions the Company has taken. On an overall basis, the gross margins improved by 500 bps during the quarter.

(b) Overall increase in ASP spends during the quarter was 30%. Significant part of the overall ASP was invested behind new products such as Value Added Hair Oils, Foods and Youth portfolio in India. ASP investments were higher across businesses. The Company intends to spend behind long-term growth rather than making unsustainable margins in the short-term. The Company expects to operate in a band of 11-12% in the medium term.

(c) Personnel Costs in Q2FY16 increased by 3% over Q2FY15 on account of annual increments which got partially offset by reduction in cost of personnel associated with the divested Beauté Cosmétique Societé Par Actions business.

(d) The other expenses include certain items which are variable in nature (almost 3/4th of other expenses). Other expenses are likely to remain in the range of 12-15% of Turnover in the medium term.

  a. Fixed Expenses include items such as rent, legal and professional charges, foreign exchange losses and donation. The incremental hit on account of realized foreign exchange losses during the quarter is INR 4 crores, significant part pertains to hedging part of ECB loan taken for funding ICP acquisition. Excluding the same, other fixed expenses have increased by 14% owing to increased lease rentals, Legal & Professional charges and enhancement of IT infrastructure.

  b. Variable Expenses include items such as freight, subcontracting charges, power and fuel, warehousing, input and output taxes etc. The variable expenses have increased by 1% on account of freight and other rates & taxes.

Other Expenses	Q2FY16	Q2FY15	% variation	H1FY16	H1FY15	% variation
Fixed	59.7	49.0	22%	121.4	96.3	26%
Variable	139.5	138.5	1%	287.6	279.0	3%
Total	199.1	187.6	6%	408.9	375.4	9%

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 each of the years FY16 and FY17 is likely to be around INR 100–125 crore (USD 15-19 million).

Depreciation during Q2FY16 was INR 23.9 crore (USD 3.7 million) compared to INR 20.5 crore (USD 3.2 million) in Q2FY15. The increase is on account of regular depreciation and higher impairment provisions in the current quarter.

Direct Taxation

The Effective Tax Rate (ETR) during Q2FY16 is 28.4% as compared to 33% during Q2FY15. The decrease in the ETR is primarily due to the lower incidence of tax on dividend received from MBL (50% of paid equity share capital of MBL in Q2FY16 as compared to 200% of paid up equity share capital in Q2Fy15).

The expected ETR during FY16 and FY17 could be around 29-30%. 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 88 Crore as of 30th September, 2015 is expected to be utilised by the Company over the next 2 to 3 years, starting with the current fiscal (total utilization of INR 25 Crore in H1 FY16).

Capital Utilization (Marico Group)

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

Ratio	Q2FY16	Q2FY15
Return on Capital Employed	34.4%	33.2%
Return on Net Worth	28.1%	29.5%
Working Capital Ratios (Group)		
- Debtors Turnover (Days)	20	22
- Inventory Turnover (Days)	53	54
- Net Working Capital (Days) including surplus cash	48	44
Debt: Equity (Group)	0.17	0.39
Finance Costs to Turnover (%) (Group)	0.2%	0.4%

* Turnover Ratios calculated on the basis of average balances

1. The variation in ratios is due to:
    1. ROCE has improved on account of increase in EBIT being higher than increase in Capital Employed.
    2. The debtor days have come down on account of distribution transition in Egypt (lower credit).
    3. Increase in net working capital days is primarily on account of surplus cash.
    4. Finance cost as a % of turnover has come down because the Gross Debt of the Company has reduced.

2. The Net Debt position of the Marico Group as of September 30,2015 is as below-

Particulars (INR/Cr)	Sep 30, 2015	Jun 30, 2015	Sep 30, 2014
Gross Debt	376	415	590
Cash/Cash Equivalents and Investments (Marico Ltd: INR 736 Crore. Marico International: INR 260 Crore)	996	800	480
Net Debt/(Surplus)	**(620)**	**(385)**	**109**
Foreign Currency Denominated out of the total gross debt (55% of Gross Debt hedged) (Also refer to Note 4 below)	367	407	481
Foreign Currency Denominated : Payable in One Year	268	236	258
Foreign Currency Debt as a % age of Gross Debt	98%	98%	82%
Rupee Debt out of the total gross debt	9	7	109
Rupee Debt : Payable in One Year	9	7	109
Total Debt Payable within One year	278	243	367
Average Cost of Debt (%) : Pre tax	2.3%	2.5%	4.4%

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. The Debt denominated in foreign currency is either hedged or enjoys a natural hedge against future probable exports. Hence the MTM differences are routed through the balance sheet (Hedge Reserve) rather than the income statement. (Also refer note 5 below)
4. The Company periodically reviews and hedges the variable interest liability for long term loans using Interest Rate Swaps.
5. The Company had, opted for early adoption of Accounting Standard 30 "Financial Instruments: Recognition and Measurement" to the extent it does not conflict with existing mandatory accounting standards and other authoritative pronouncements. Accordingly, the net unrealized loss of INR 68.2 Crores as at September 30, 2015 (INR 80.7 Crores as at September 30, 2014) in respect of outstanding derivative instruments and foreign currency loans at the period end which qualify for hedge accounting, stands in the 'Hedge Reserve', which is recognized in the Statement of Profit and Loss on occurrence of the underlying transactions or forecast revenue. The exchange loss transferred to Statement of Profit and Loss for Q2FY16 due to hedging of USD 1 million ECB is INR 2.6 Crore (USD 0.4 million) (also refer paragraph (d) under the section of Operating Margin Structure).

Marico's Purpose led initiatives

Marico's purpose is to "Make a difference" to the lives of its stakeholders by maximizing their potential. This purpose is also embedded in its Corporate Social Responsibility framework. We believe that our brands have a unique opportunity to extend their credibility to the CSR cause. Saffola and Nihar Shanti Amla have led the way with two such initiatives as detailed below.

Women's Health: Saffola has made a significant contribution towards increasing the awareness on heart health in India (www.saffolalife.com). Last year on World Heart Day, Saffolalife started the 'ProtectHerHeart' initiative, which raised awareness for women's heart health for the first time in India. This year again, we stay committed to further drive the cause of women's heart health, through driving awareness of how fitness levels are a key indicator of heart health. Recent studies have shown that 2 out of 4 women in India are at risk of heart problems due to increasing weight. Therefore, healthy weight management is one of the best ways to maintain a healthy heart. Hence, this World Heart Day, Saffolalife urged everyone to start going for a daily 30-minute walk, as a simple yet valuable step to #ProtectHerHeart.

Awards

Corporate Awards:

- Marico won the "Best Domestic Company for Corporate Governance" across sectors in the poll conducted by Asiamoney. The company would like to thank its investors and analysts who have shown faith in the company management.
- Marico Corporate Office in Mumbai was awarded with LEED Gold certification for its sustainable building design and commitment towards greener future.

Brand Awards:

- **Parachute Advansed** won a Gold for the Parachute Advansed Art of Oiling campaign at the SABRE PR awards.
- **Marico Brands** bagged 3 Gold and 1 Silver medals at the APPIES 2015 - 1 Gold each for Saffola Oils, Saffola Oats and **Nihar Shanti Amla** & 1 Silver for **Parachute Advansed.**
- Marico Brands won 8 EMVIES – 3 Gold and 2 Bronze for its World Heart day campaign on **Saffolalife**, 2 Silvers for its Fit Foodie platform created for **Saffola Masala Oats** and 1 Bronze for **Nihar Shanti Amla.**

Strategic Investment in a Salon Solution Company

In October 2015, the Company made a strategic investment in Bellezimo Professionale Products Private Limited ("Bellezimo"), a company marketing skin care products to cater to Salons channel, with an acquisition of 45% equity stake from its owners. Bellezimo is set up with an objective to manufacture and market professional skincare products to Beauty Salons in India. Bellezimo began operations in July, 2015 in the eastern and north eastern states of India and plans to expand its presence into other regions over the course of the next couple of years.

Bellezimo operates in the market through the "Skyn Pro Naturals" a brand which is marketed with the proposition of Natural, Safe and Effective professional skincare solutions. The professional skincare products market is estimated to be around Rs.600 Crores growing at over 20% per annum. Bellezimo is well positioned to leverage the opportunity in this space and will in the near future be actively seeking to expand its product range through new formats, propositions and price points.

Salons channel is a key influencer of hair care habits and this investment gives the Company a foothold into this channel. Going forward, Company will leverage its expertise to roll out Hair Care formats through this channel.

Management Changes:

- Anuradha Aggarwal has been appointed as the Chief Marketing Officer with effect from August 24, 2015. She took over Sameer Satpathy.
- Pankaj Saluja has been appointed as the new Chief - Strategy, M&A and New business with effect from October 5, 2015. He will drive Marico's efforts in M&A and new businesses.
- Sanjay Mishra has been appointed as the Chief Operating Officer (COO) – India Sales and Bangladesh Business with effect from October 14, 2015. He takes over from Samardeep Subandh.

Marico's Growth Philosophy

Marico aspires to be an admired emerging market MNC with leadership in two core categories of nourishment and male styling in two continents – Asia and Africa. Over the next three years, Marico will take definitive steps to meet this aspiration by seeking to win amongst consumers, trade and talent. Towards this goal of 2018, the Company has identified 5 areas of Transformation where it will develop top quartile capability and processes. They are Innovation, Go To Market transformation, Talent Value Proposition, IT & Analytics and Cost Management.

The Company's philosophy of developing capability ahead of growth to drive a sustainable business model across both Indian and International markets 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.

Short / Medium Term Outlook

Marico India

- While there has been no significant recovery on ground, the Company expects urban consumption to recover gradually. The direct distribution initiative of Project ONE is expected to fuel volume growths in the Metro markets.
- The Company will strive to report volume recovery and maintain medium-term growth rates in the range of 8-10% by growing the core and rapidly scaling New Products.
- In the current year, the benefits of lower commodity prices will be leveraged judiciously through mix of pricing, advertising inputs behind core categories and innovation pipeline to accelerate growth and market share gains while retaining healthy operating margins. The Company has a robust innovation pipeline with multiple prototypes & scale ups planned in H2.
- New launches in value added hair oils space will aid in premiumizing the Company's offering and will further strengthen its Value market leadership.
- Saffola annualized volume growth is expected to be back in line with the medium term outlook of 8-10% by end of FY16.
- The Foods franchise is expected to contribute up to INR 200 Crore (USD 32 million) in next couple of years.
- On the back of a continued healthy performance of Gels and expected demand due to restage of Livon serum, the Youth portfolio is expected to grow at least at 10% over medium term.
- Over the medium term, operating margin of about 17% to 18% is sustainable.

Marico International

- The Company will continue its efforts in building organic growth capability.
- It expects to clock an organic top line growth of ~ 15% in constant currency in the medium term. Any acquisition will add to the organic growth. However, in the current year, the Company would like to target a constant currency growth in the range of 7-9%.
- The structural shift in operating margins is expected to be sustained at around 16-17%. Any excess will be ploughed back to fund future growth.
- The Company believes that the core markets of Bangladesh, Vietnam and MENA are "Invest to Grow" markets and the Company will continue to drive growth with new launches and capability building initiatives.

Overall (India + International)

- The Company will aim at a volume growth of 8-10% and a topline growth of ~ 15% in the medium term. In the current year, though, the growths may be lower at 6-8% in volume terms and 8-10% in value terms.
- Operating margin is expected to be maintained in a band of 16-17%. The Company will focus on deriving synergies from the unification of Domestic and International FMCG businesses. This includes acceleration of cross pollination & portfolio harmonization, talent mobility, supply chain synergies and process harmonization leading to cost arbitrage.
- The Company will focus on fewer but bigger innovations to create growth engines of the future.
- Market growth initiatives in core categories and expansion into adjacent categories will be supported by investments in ASP in the region of 11-12% of sales with focus on brand building.
- The Company will continue to invest in increasing its direct rural reach and Go To Market transformation initiatives including driving saliency through e-commerce.
- The Company will continue to support various initiatives which are true to its Purpose of "Make a Difference".

THANK YOU FOR YOUR PATIENT READING

Performance of Marico India and Marico International for Q2FY16

Marico Group has only one reportable segment i.e., FMCG Business. However, for better appreciation of the financial results, the Company has provided a break-up of its domestic and international business performance.

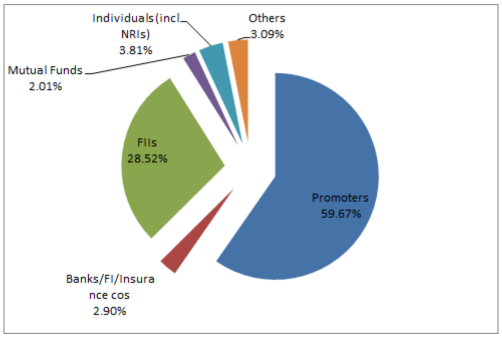
INR Crore

Particulars	Q2FY16	Q2FY15
1. Segment Revenue		
i. India	1127	1,080
ii. International	359	352
2. Segment Result		
(Profit before Interest and Tax and exceptional items)		
i. India	188	155
ii. International	57	52
3. Segment Result as % of Segment Revenue		
i. India	16.7%	14.3%
ii. International	15.8%	14.8%
3. Capital Employed (Segment Assets - Segment Liabilities)		
i. India (refer Note 1 below)	699	823
ii. International (refer Note 2 below)	672	674

Note 1: Capital Employed in India has come down due to reduction in net working capital.

Annexure 1-A: SHAREHOLDING PATTERN

The Shareholding pattern as on September 30, 2015 is as given in the graph below:

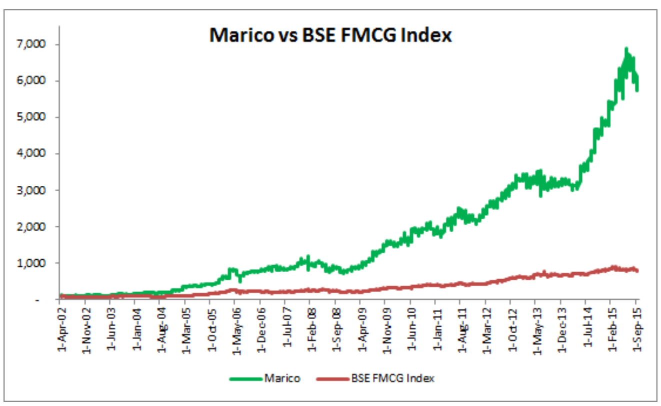


Details of ESOPs as on September 30, 2015:

Details of the Plan	Total Options Granted	Options Forfeited	Options Exercised	Options pending to be exercised
ESOP Plan 2007	11,376,300	6,673,835	4,702,465	0
ESOP Plan 2014	300,000	Nil	Nil	300,000
MD-CEO ESOP Plan 2014 – Scheme 1	46,600	Nil	Nil	46,600

*** Options pending to be exercised are less than 0.1% 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 26,058 crore on Sept 30, 2015. The average daily volume on BSE and NSE during Q2FY16 was about 468,411 shares.
- On 28th Sept, Marico Limited entered the Futures & Options Segment.

Annexure 1-C: Average Market Prices of Input materials

(Based on simple average of 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
Jul-14	15,135	10,549	924	582	59	126
Aug-14	16,500	11,467	919	577	59	127
Sep-14	15,752	10,881	901	563	59	127
Oct-14	14,842	10,476	915	499	55	124
Nov-14	14,058	9,887	945	479	51	116
Dec-14	12,833	9,294	957	480	46	111
Jan-15	13,724	9,965	998	500	42	112
Feb-15	13,692	9,821	958	506	41	96
Mar-15	13,431	9,892	934	494	43	104
Apr-15	13,931	9,927	953	499	43	112
May-15	13,312	9,092	999	511	43	118
Jun-15	11,915	8,481	1,026	518	42	117
Jul-15	10,464	7,394	1,022	517	42	114
Aug-15	11,713	8,174	1,008	536	39	109
Sep-15	11,359	7,811	998	517	37	102
Q2FY16 vs Q2FY15	-29%	-29%	10%	-9%	-33%	-14%
Q2FY16 vs Q1FY15	-14%	-15%	2%	3%	-8%	-6%
H1FY16 vs H1FY15	-21%	-20%	12%	-10%	-31%	-10%

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

Month	40 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
Jul-14	14 - 38 ml	31	79	157	185	135	145	125
Aug-14	14 - 38 ml	31	79	157	185	135	145	125
Sep-14	15	34	87	173	185	135	145	125
Oct-14	15	34	87	173	185	135	150	130
Nov-14	15	34	87	173	185	135	150	130
Dec-14	15	34	87	173	185	135	150	130
Jan-15	15	34	87	173	185	135	150	130
Feb-15	15	34	87	173	185	135	150	130
Mar-15	15	34	87	173	185	135	150	130
Apr-15	15	34	87	173	185	135	150	130
May-15	15	34	87	173	185	135	150	130
Jun-15	15	34	87	173	185	135	150	130
Jul-15	15 - 45 ml	34	87	173	185	135	150	130
Aug-15	15 - 45 ml	34	87	173	185	135	150	130
Sep-15	15 - 45 ml	34	87	173	185	135	150	130

* The company has taken weighted average price reduction of 6% in Parachute Coconut Oil portfolio with effect from October, 2015.

Annexure 1-E: Consumer Offers for the Quarter

Coconut Oil					
Parachute	Price off Rs 2/-	100 ml	July	Price off	National
Parachute	Price off Rs 2/-	100 ml	Sept	Price off	National
Parachute	100 ml Free	500 ml	Aug	Extra Volume	National
Parachute	50 ml Free	250 ml	Sept	Extra Volume	National
Edible Oils					
Saffola Gold	Price off Rs 20/-	1 ltr	Aug	Price off	All India excluding Maharashtra
Saffola Gold	Price off Rs 10/-	1 ltr	Sep	Price off	Maharashtra
Saffola Gold	Price off Rs 20/-	2 ltr	Sep	Price off	Maharashtra
Saffola Gold	Price off Rs 50/-	5 ltr	July to Sep	Price off	Maharashtra
Saffola Gold	Price off Rs 150/-	15 ltr	Aug and Sep	Price off	Maharashtra
Saffola Gold	1 ltr Free	5 ltr	Sept	Extra Volume	All India excluding Maharashtra
Saffola Total	1 ltr Free	5 ltr	Aug	Extra Volume	National
Saffola KOCO	Price off Rs 12/-	1 ltr	July to Sep	Price off	Applicable for South Depots
Saffola KOCO	Price off Rs 60/-	5 ltr	July to Sep	Price off	Applicable for South Depots
Saffola Active	Price off Rs 10/-	1 ltr	Aug and Sep	Price off	Maharashtra
Saffola Active	Price off Rs 50/-	5 ltr	Aug and Sep	Price off	Maharashtra
Hair Oils					
Hair & Care	Glitter Gel	200 ml	Sept	Free product	National
Nihar Naturals	Price off Rs 3/-	100 ml	Sept	Price off	National
Nihar Shanti Amla	Price off Rs 9/-	175 ml	Sept	Price off	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 57 billion (USD 940 Million) during 2014-15. Marico markets well-known brands such as Parachute, Saffola, Hair & Care, Nihar, Parachute Advansed, Nihar Naturals, Mediker, Revive, Set Wet, Livon, Fiancée, HairCode, Caivil, Black Chic, Code 10, Ingwe, X-Men, and Thuan Phat. Marico's brands and their extensions occupy leadership positions in 90% of its portfolio. 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, Pondicherry, Dehradun, Poanta Sahib and Baddi and are supported by subcontracting units. Marico's subsidiaries, Marico Bangladesh Limited, Egyptian American Investment and Industrial Development Corporation, Marico Egypt Industries Company (erstwhile Pyramid for Modern Industries), Marico South Africa Pty Ltd., and International Consumer Products Corporation have their manufacturing facilities at Mouchak and Shirir Chala, near Gazipur in Bangladesh, 6th October City, Egypt, Salheya City, Egypt, Sadaat City, Egypt, Mobeni in Durban, South Africa and Ho Chin Min City, 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 7.5 crore packs every month to around 7.5 crore households through about 3.6 million retail outlets services by its nationwide distribution network comprising 4 Regional Offices, 32 carrying & forwarding agents (CFAs) and about 5000 distributors and stockists. Marico's distribution network covers almost every Indian town with population over 20,000.

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

	Urban	Rural
Sales Territories	160	55
Town's covered (000's)	4.1	49.0
Distributor	761	-
Super Distributor	-	141
Stockists	-	4,053

Financial Highlights

Marico's focus on sustainable profitable growth is manifest through its consistent financial performance, a CAGR of 18% in Turnover and 15% in Profits in the FMCG business over the past 5 years.

Particulars (INR crores)	FY11	FY12	FY13	FY14	FY15
Revenue from Operations	3,128	3,980	4,596	4,687	5,733
Material Cost	1,618	2,132	2,210	2,399	3,119
Employee Cost	230	307	381	285	325
ASP	346	426	598	561	650
Other Costs	523	703	869	693	769
Profit Before Tax	376	400	552	695	822
Net Profit (PAT)	286	317	396	485	573
Earnings per Share (Rs)	4.7	5.2	6.1	7.5	8.9
Book Value per Share (Rs)	14.9	18.6	30.7	21.1	28.3
Net Worth	915	1,143	1,982	1,361	1,825
EBITDA%	13.30%	12.10%	13.60%	15.96%	15.18%
ROCE %	27%	26%	24%	32%	47%

Note: FY14 & FY15 financials does not include Kaya

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

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Darren Lobo Manager – Investor Relations and M&A (darrenl@maricoindia.net)

Contents of this Update

1. Financial results and other developments during Q2FY16 for the Marico Group – Marico Limited, Marico Bangladesh Limited, MBL Industries Limited, Marico Middle East FZE, Marico South Africa Consumer Care (Pty) Limited, Marico South Africa (Pty) Limited, MEL Consumer Care SAE, Egyptian American Investment & Industrial Development Company SAE, Marico Egypt Industries Company SAE (erstwhile Pyramid for Modern Industries), Wind CO, Marico Malaysia Sdn. Bhd., International Consumer Products Corporation, Thuan Phat Foodstuff Joint stock Company and Marico Consumer Care Limited.

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

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 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.