Executive Summary – Q3FY12 Consolidated Results

Q3FY12 Performance Highlights

Turnover	**INR 1058 Cr**	**Up**	**29 %**
Volume Growth	**20%**		
Net Profit	**INR 84 Cr**	**Up**	**21%**

Marico recorded another quarter of Sales and Profit growth. Over the years, Marico has focused on sustainable profitable growth. Q3FY12 is in Y-o-Y terms, the 45th consecutive Quarter of growth in Turnover and 49th consecutive Quarter of growth in Profits.

There are certain items included in financials of Q3FY12 and Q3FY11 that make the results of these two quarters non comparable. The PAT growth excluding the effect of these non comparable items would be about 25%. (Please refer to table on Page 9 of this Information Update).

Marico continues to focus on expanding the consumer franchise as is evident from the performance of this quarter and that of the last few quarters. In the near term Marico will continue to prefer maintaining and expanding consumer franchise over margins.

Summary of growth during Q3FY12 across key categories/ Businesses

Categories/Businesses	Reported Growth
Group : Total	29%
Group : Total / Organic Volume growth	20%/13%
Consumer Products Business (India)*	38%
Parachute Coconut Oil (Rigid packs)	40%
Coconut Oil	41%
Value Added Hair Oils	40%
Saffola (Refined edible oil)	29%
International Business Group : Total	39%
Kaya : (India + Middle East) (same store collection growth)	15%

* Without including Sweekar in the base Q3Fy11. (The Company had divested Sweekar in March 2011)

Market Shares (Volume) in Key Categories

Brand & Territory	MS%	Rank	Brand & Territory	MS%	Rank
Coconut Oils (India)	54%	1st	Parachute Coconut Oil (Bangladesh)	80%	1st
Saffola Oils - Premium ROCP (India)	57%	1st	*Hair Code Hair Dye (Bangladesh)	29%	1st
Hair Oils (India)	24%	2nd	*X-Men Men's Shampoo (Vietnam)	47%	1st
Kaya Skincare solutions (India)	35%+	1st	*Hair Code & Fiancée- Egypt	57%	1st

***Value market shares**

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

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

Anubhav Rastogi	Head – Investor Relations	(anubhavr@maricoindia.net),
Chaitanya Deshpande	EVP & Head - M&A and Investor Relations	(chaitanyajd@maricoindia.net)
Milind Sarwate	Group CFO & CHRO	(milinds@maricoindia.net)

Contents of this Update

1. Financial results and other developments during Q3FY12 for the Marico Group - Kaya Limited, Marico Bangladesh Limited, MBL Industries Limited, Marico Middle East FZE, Kaya Middle East FZE, Marico South Africa Consumer Care (Pty) Limited, Marico South Africa (Pty) Limited, CPF International (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., Derma Rx International Aesthetics Pte. Ltd., The DRx Clinic Pte. Ltd., The DRx Medispa Pte. Ltd., DRx Investment Pte. Ltd. , DRx Aesthetics Sdn. Bhd, International Consumer Products Corporation, Beauté Cosmétique Societé Par Actions, Thuan Phat Foodstuff Joint stock Company
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 (stand-alone 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 does not therefore constitute 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.

Consumer Products Business in India (CPB)

The Consumer Products Business in India (CPB) achieved a turnover of INR 716 crore (USD 143 mio), a growth of about 38% over Q3FY11 (excluding turnover from Sweekar which was divested in March 2011 from the base. If sales of Sweekar were to be included in the base the growth would be 27%) . The Turnover growth reflected healthy demand and continued business momentum manifest in a volume growth of about 16% over Q3FY11.

The chief contributors towards this growth were:

- Equity of Marico's brands that provided sufficient pricing power: Retail price increases were necessitated in H2FY11 owing to high inflation in input costs
- Steady growth in the coconut oils market
- Share gain in value added hair oils
- Expansion in Saffola's franchise
- Performance of new products

The table below summarizes volume growths reported across segments during Q3FY12.

Categories	Volume growth
Consumer Products Business (India)	16%
Parachute Coconut Oil (Rigid packs)	13%
Coconut Oil	11%
Value Added Hair Oils	20%
Saffola (Refined Edible Oil)	15%

Coconut Oil:

Parachute, Marico's flagship brand, recorded robust volume growth during the quarter. Parachute coconut oil in rigid packs, the focus part of its portfolio, grew by about 13% in volume as compared to Q3FY11. Small packs continued to drive growth. Owing to the inflationary environment in the key input prices of coconut oil the competitive environment (specially the local/regional players) during the last few quarters has been soft thereby resulting in Marico's brands gaining market share leading to a double digit volume growth. However, during the last few weeks there has been a slight downward correction in the input prices which could see the return of competition from some of the local players.

During the 12 months ended December 2011, Marico's volume share in approximately INR 2000 crore (USD 450 mio) branded coconut oil segment in India was circa 53.9% (Q3FY11: 53.3%)

Saffola

The Saffola Oils franchise grew by about 15% in volume terms during Q3FY12 compared to Q3FY11. This is the 11th consecutive quarter of double digit volume growth indicating both strong equity and a category tailwind. Saffola has been, over recent years, leveraging the consumer trend of proactively managing a healthy lifestyle. Adopting Saffola is one of the shifts that consumers continue to make. The Saffola range of blended refined oils (available in four variants) operates in the premium niche of the refined edible oils market. The brand maintained its leadership position in the super premium refined edible oils segment with a market share of about 57.4% during the 12 months ended December 2011. (Q3FY11 52.3%).

During Q3FY12 the average market prices of safflower oil and rice bran oil were up around 28% and 33% respectively as compared to Q3FY11. Owing to continuous inflation in the input prices the Company has initiated a price increase of about 8-9% across variants in the month of January 2012 to offset the cost push.

The Company continued with its campaign to spread awareness about heart health in India. The Saffola life World Heart Day Campaign 2011 was launched in an impactful manner. It was continued in Q3FY12. It also drew in several organizations that collaborated with us to propagate preventive heart care. The campaign has been voted to be one of the top 5 advertising campaigns of 2011 by Business Standard.

Saffola would, in the longer term, establish itself as a leading healthy lifestyle brand that offers healthy food options during all meals of the day. The Company has prioritized the breakfast space in the near term. Last year it entered the breakfast cereals market with the introduction of Saffola Oats. That has met with a favorable response with trials building rapidly. Encouraged by that, we had commenced a prototype with Savory variants of Oats in Tamil Nadu. The Company plans to extend this prototype to other parts of South India in a phased manner. is now extended to Kerala. The Company has about 10% market share in Oats category and is now one of the top three players. Participation of various players in the Oats market is helping to fast forward the growth in this category.

The company has also introduced Saffola Arise, a low Glycemic index rice. We have now added two more variants : long grain and basmati with the aim to increasing its relevance to consumers in northern part of India. The company will continue to innovate in the packaged food space and prototype new products in the near future.

Hair Oils

During the quarter, all Marico's hair oils brands recorded healthy growth. The company's hair oils in rigid packs volumes grew by about 20% over Q3Y11.

Marico's hair oils franchise had achieved market share gains during FY11 and has continued to do so in FY12. There has been a shift of around 120 basis points in Q3FY12 compared to Q3FY11. Its volume market share during the 12 months ended December 2011 was about 23.7% up from 17% about 5 years ago. These market share gains have been achieved through providing consumers with specific solutions, product innovation, packaging restaging, participation in more sub-segments of the value added hair oils category and continued media support in some of the brands and penetrative pricing action in others.

Marico offers its consumers a basket of value added hair oils for their pre-wash and post wash hair conditioning, nourishment and grooming needs in approximately INR 3000 crore (USD 650 mio) branded hair oils market. Hair oiling remains a deeply ingrained hair conditioning habit on the Indian sub-continent. The Company has carried out scientific research and conducted successful clinical trials to establish the benefits that hair oiling provides to consumers. With rising incomes in India there exist increasing opportunities to serve consumers looking for value added options to their hair oiling needs.

The Company's aim is to participate in all the sub-segments and have a wider portfolio to drive growth. This is being achieved through the introduction of new products such as Parachute Advansed Ayurvedic Hot Oil, Parachute Advansed Ayurvedic cooling oil and Parachute Advansed Ayurvedic Hair Oil. All these have grown the overall hair oils franchise by bringing specificity and creating more occasions for use. The Company is now focusing on scaling up its presence in these sub segments.

- Parachute Advansed Ayurvedic Oil after showing good results in the South was extended to Maharashtra earlier in the year. It continues to do well. It has quickly garnered a share of about 10%-11%.
- Parachute Advansed Cooling oil has gained traction in the southern markets and achieved a market share of about 8%-9%. The Company is taking actions to scale the brand and strengthen it in Southern India before it expands to other geographies.
- Nihar Shanti Amla continues to gain market share on the back of disruptive pricing and achieved a volume market share of about 16.8% for the 12 months ended December 2011 in the Amla hair oils category. The average market share for quarter as a whole was about 20%.

Input Costs and Pricing

Copra prices had seen an unprecedented increase in H2FY11, following which there has been a correction. The average market prices of copra in Q3FY12 were lower than the average prices during Q2FY12. However, on a Y-o-Y basis, the prices in Q3FY12 were still about 4% higher as compared to Q3FY11.

Average copra prices in Q3FY12 were about 9% lower than Q2FY12. This could indicate that a meaningful correction in copra prices may be expected during the forthcoming quarters. However we have seen some volatility during the past few quarters and would like to observe movements in copra prices before concluding the direction it may eventually take.

The market prices of the other key inputs such as Safflower Oil and Rice bran oil were up 28% and 33% respectively during Q3FY12 on a yoy basis.

Marico has followed a judicious pricing policy, despite the equity consistently displayed by its brands. We strongly believe in the long term consumption story in India. Hence, after taking significant price increases during H1FY11, Marico has held the retail prices (except for a minor price adjustment during the quarter) in the interest of growing the volume franchise. This is expected to deliver long term success.

Changes in the price of copra purchased by Marico are not immediately reflected in the cost imputed to the finished products. This is because at any time there is an inventory already in hand, which may not be at the latest prices. Also, there are finished product inventories across the supply chain, which too may not carry copra costs on a current price basis. Therefore, even if copra prices start falling and the fall is sustained, it will still take about 6 to 8 weeks before the benefit of the price fall is reflected in the profitability of the Company.

Rural Markets and Modern Trade:

Marico's rural sales continue to clock a faster pace of growth than its urban sales. The continued focus on distribution expansion in rural markets has pushed the share of rural sales to circa 30% of total Indian FMCG sales during the year so far (YTD FY12). It was about 27% in FY11 and 25% in FY10. Over the last two years or so, Marico has endeavored to drive greater rural penetration and reach a larger number of retail outlets in the rural hinterland directly through its distributor sales force rather than depending on wholesalers to service these outlets. This has improved the quality of Marico's sales calls thereby giving an opportunity to sell a wider range of products. In recent times, the sales reach has increased largely on the back of penetrative pricing in Nihar Shanti Amla and lower price point packs in Parachute.

Sales in Modern Trade continued its good run and grew at 44% in Q3FY12 primarily led by Saffola franchise growth and Hair Oils growth.

Entry into Mass Skin Care:

Marico had started a prototype of Parachute Advansed Body Lotion in West Bengal in September 2010. This is in line with the Company's strategy to participate in the Beauty and Wellness space - in specific in Hair Care and Skin Care. Encouraging results of the prototype led to a launch on a national basis during Q2FY12 supported by high impact marketing and TVC support. Competitively priced, the product is available in two variants – "Dry Skin" for intense care and "All Season" for gentle care. Feedback from consumers and the trade is very positive. Parachute Advansed Body Lotion has achieved a market share of 5% within a short period of time.

The Company believes that even though the category is competitive there is a lot of head room for growth. The penetration levels are still less than 20%. The total skin care segment is estimated to be around INR 5000 Cr (USD 1 billion) out of which the body care segment is around INR 1300 Crore (USD 290 mil).

Notification number GSR/ 784E dated October 24, 2011 relating to Non Standard pack sizes

The captioned notification has been issued by Ministry of Consumer Affairs, Food and Public Distribution (The Department of Company Affairs) specifying standard size packs in which certain products can be marketed. This notification comes into effect from July 1, 2012. Some of Marico's SKU's currently do not comply with this notification. The Company believes that while the business impact of this notification may not be significant, consumers may not get the benefit of a wider choice of price point. Industry participants are taking up the matter with the authorities.

International FMCG Business Group (IBG)

Marico's IBG encompasses the following key geographies:

Geographies	Indicative Contribution to total IBG turnover
Bangladesh	40%-45%
Middle East and North Africa (MENA)	Circa 25%
South Africa	Circa 10%
South East Asia	Circa 20%

IBG sustained its growth journey clocking a turnover of INR 267 Crore (USD 53.4 mio) during Q3FY12. This denotes a growth of about 39% over Q3FY11 boosted by the acquisition of 85% equity in International Consumer Products in Vietnam in February, 2011. The EBITDA margin for the quarter stood at 11% approximately

The table below analyses the growth during the quarter.

Factor		Y-o-Y Growth %
Organic growth	Existing Geographies	16
Inorganic growth	Vietnam	24
Total Underlying Growth		**40**
Other Factors	FX changes Accounting changes in VAT cascade in Bangladesh	(1)
Net Reported Growth		**39**

There has been a change relating to Modified Value Added Tax (MODVAT) led price cascade in Bangladesh. MODVAT on materials which was earlier a part of the Cost of Goods Sold must now be shown as a reduction from Sales to arrive at Net Sales. Because of this re-classification, the reported Net Sales through out FY12 will appear lower when compared to the corresponding figure in the previous year. This adjustment is neutral as regards both profit and cash flow.

Bangladesh

The business environment in Bangladesh has been challenging. High inflation, including food inflation and a sharp depreciation in the Bangladeshi Taka versus USD has resulted in cost push and resistance to retail price increases. Consequently volume growth and margins have both been under pressure. Despite a challenging macro economic environment, on a like to like comparison (after adjusting MODVAT), Bangladesh business posted a business growth of 11% during the quarter

Parachute nevertheless continues to play out its market expansion strategy by converting loose oil users to packed branded coconut oil. Parachute clocked a market share of 69% in the total CNO market (including loose oil). In the branded coconut oil market the share continues to be above 80%. It continues to be amongst the top 5 most trusted brands for the third consecutive year. *(Source: Bangladesh Brand forum)*

The Company is building upon its strategy of leveraging the extensive distribution network created by Parachute. Hair Code hair dye has maintained its 29% value market share during the quarter thus establishing itself as the number 1 player in the hair dye market.. In the INR 150 crore value added hair oils space, the Company strengthened its presence through increased volumes of Parachute Advansed Beli, a light hair oil with a floral fragrance and Parachute Advansed Cooling Oil. This has resulted in an increase in market shares. The Company now has about 11% market share in the segment.

MENA (Middle East and North Africa)

The overall environment in the region is relatively better but not without instances of sporadic protests and disturbances. Some of the territories that still face instability such as Libya, Yemen and Syria are yet to return to normalcy in terms of operations.. However, they comprise only about 5% of Marico's business in the MENA region. While our outlook on the long term trends in demand for personal care products in the region remains positive, the growth in the immediately ensuing quarters may be unpredictable.

Amidst this, Marico has continued to leverage local consumer insights. It has launched a new range of Hair Oils and Hammam Zait under Parachute Secrets. This range leverages the tradition and belief amongst Arab women about the hair nourishment properties of certain ingredients and the response has been positive.. To strengthen the core equity of its offerings, the Company has also restaged Parachute Gold creams and hair oils across Middle East markets. The response to the new range is encouraging. This initiative is backed by a 360 degree campaign.

In Egypt, the combined market share of Fiancée and Hair Code was held at about 57%. Hair Code has been restaged with a new visual identity and campaign. It has been well received in the market. The re-launch also helps the Company deal with counterfeit issues. Fiancée was backed by a campaign reinforcing its VFM positioning.

South Africa

The South African business continued its growth journey recording a strong double digit Y-o-Y growth over Q3FY11 in the mid teens. Caivil Just for Kids continued to be the leader in the Kids hair care market. Given the inflationary situation the market has been witnessing some degree of down-trading. However, Marico's representation in the VFM segment through Black Chic was able to capitalize on this trend. Overall Marico's hair care brands have been growing steadily and improving their market shares in the ethnic hair care market in South Africa.

South East Asia

The business environment in Vietnam remained challenging during the quarter with high inflation of 18% and cost push in power and fuel. The Vietnamese Dong has remained weak leading to a rise in the cost of imported materials.

X-Men, a leading Men's grooming brand saw an uptick in its market share in male shampoo to circa 47%, aided by the launch of the new 4-Step X-Men campaign. Apart from the thematic TVC for shampoo, the campaign prompts a full male grooming regimen with X-Men extensions in shower gel, face wash and deodorant. The thematic has been supported by a 360-degree surround PR, including a digital campaign, out door visibility and merchandising. The overall response is as per expectations. The other business segments of Skin Care and Foods are tracking as per plan. The integration of operations is on track.

Marico's Malaysian business continues to grow at a very healthy rate albeit on a small base. Code 10 has responded well to the brand restage and the Company has recently launched range extensions in male hair styling.

Kaya Skin Care Solutions

Kaya now offers skin care solutions - its technology led cosmetic dermatological services and products - through 107 clinics: 82 in India across 26 cities, 19 in the Middle East and 2 in Bangladesh in addition to the 4 Derma Rx clinics and medispas in Singapore and Malaysia.

During Q3FY12, Kaya achieved a turnover of INR 75 crore (USD 15 mio). The Kaya business in India and the Middle East achieved same store collection growth of 15% over Q3FY11. Kaya has thus sustained the topline growth trend for the past 5 quarters on a same store basis indicating early signs that the initiatives taken thus far are yielding results. Derma Rx also reported a healthy double digit top line growth.

This has been achieved through several initiatives:

- Introduction of regular skin care services over the last few quarters at affordable price points to serve as traffic generators - during Q3FY12 it introduced a range of Everyday skin care services called Kaya Signature Face Therapies under Ultra Detox, Ultra Youth and Ultra Rejuve. Unlike ordinary facials, these services are created especially by dermatologists that combine the best of science and nature to give consumers a rehydrated, rebalanced smooth, supple and brighter skin
- Unlocking of portfolio synergies by introducing products from Derma Rx in India.
- A new Bridal skincare program.
- A 360 degree campaign on Juvederm XC (dermal filler for anti ageing) rolled out across key markets in order to penetrate the anti-ageing market.
- Milestone program designed to bring back customers who have not transacted with Kaya for a few quarters in the recent past - this is a part of CRM initiatives in Kaya.

Kaya has been consciously trying to change its positioning from "cure" to "cure + care" moving from expert solution provider for skincare problems to personal guide for total skin care. The new tagline 'Love what you see' is an expression of how consumers feel after a visit to Kaya. This re-branding will be rolled out across all Kaya Skin Clinics in India, product packaging and advertising, in a phased manner.
The products from Derma Rx introduced in India continue to gain good traction. Apart from products from the Derma Rx range, Kaya also introduced a few other products in the Indian market. About 23% of the revenues from Indian operations now comes from the sale of products. The company will continue to introduce more products in India in a phased manner. Derma Rx products are in the process of being introduced in the Middle East too. A launch is expected by Q4FY12 or Q1FY13. We believe that introduction of these products makes the range of products at Kaya more comprehensive. Higher product sales will generate more through-put from the clinics and help improve their ROCE.

During Q3FY12, Kaya recorded a revenue growth of about 21% over Q3FY11 and made a loss of INR 14.5 crore (USD 2.9 mio) at the PBIT level. However, both the revenue and profit numbers are not strictly comparable in view of the following changes made in the accounting practice and policy at Kaya during Q4FY11;

- Rationalization and automation of the practice of revenue deferrals on sale of packages
- The amortization of intangible assets amounting to INR 1.2 crore (USD 0.3 mio).

During the quarter ended December 31, 2011, the management carried out a review of Kaya Middle East FZE, which revealed certain misstatement of expenses pertaining to earlier years. The management has taken appropriate action on this. Consequently, prior year expenses aggregating Rs. 1297.51 Lacs have been accounted during the quarter, which are included in the respective expense heads such as cost of material, advertising and sales promotion, employee costs and other expenses. The management has also initiated necessary steps to strengthen the processes of monitoring and oversight of operations.

We believe that compared to the CPB or IBG, Kaya is a much younger business and encapsulates an emerging business model. Its distributed locations nature makes it a complex business to manage, from both angles - customer interfacing and business control. We have launched initiatives in both these areas. Our focus is on building sustainable consumer bases, as partially explained above.

Our focus has also been on rationalizing operations and costs. We are conscious of the fact that most costs in Kaya are front-ended and therefore we have to constantly ensure that the carrying cost of all our assets reflects current reality. There has therefore been a drive in Kaya over the past few quarters towards greater automation and scrutiny across all its clinics, in India and overseas. The constant re-assessment of asset values across Kaya has led to varying accounting charges from quarter to quarter. That has been vitiating quarter to quarter comparisons. We expect this to continue for some time.

Thus, the current phase of securing consumers and ensuring cost effectiveness will hold out for some time. This will keep Kaya in an investment phase for a few more quarters.

SNAPSHOT OF Q3FY12 FINANCIALS

Particulars/ Rs Cr	Before Non Comparable items			Optical		
	Q3FY12	Q3FY11	growth	Q3FY12	Q3FY11	growth
Turnover	1058	818	29%	1058	818	29%
Earnings Before Interest Tax, Depreciation and Amortization (EBITDA)	135	109	23%	122	100	22%
%	12.7	13.4		11.5	12.2	
Profit Before Tax (PBT)	117	91	28%	104	84	23%
%	11.0	11.2		9.8	10.3	
Profit After Tax (PAT)	91	73	25%	84	70	21%
%	8.6	9.0		7.9	8.5	
Effective Tax Rate (ETR)	20%	18%		17.1%	15.8%	
Details of non comparable items						
Items Effecting EBITDA/PBT						
• Provision for Excise duty on coconut oils sold in pack sizes upto 200 ml (included in Q3FY11)					9.6	
• Prior Period expenses of Kaya (included in Q3FY12)				13.0		
• Amortization of Brands (started amortizing in Q4FY11, not included in Q3FY11)					2.6	
Items Effecting PAT (this is the impact after considering Tax, where ever applicable)						
• Provision for Excise duty on coconut oils sold in pack sizes upto 200 ml (included in Q3FY11)					6.4	
• Prior Period expenses of Kaya (included in Q3FY12)				13.0		
• Amortization of Brands (started amortizing in Q4FY11, not included in Q3FY11)					2.6	
• Reversal of excess income tax provisions of earlier years (including in Q3FY12)				5.6		

OPERATING MARGIN STRUCTURE FOR MARICO GROUP

% to Sales & Services (net of excise)	Q3FY12	Q3FY11	Q2FY12
Material Cost (Raw + Packaging)	51.4	51.5	54.7
Advertising & Sales Promotion (ASP)	12.5	11.0	9.7
Personnel Costs	7.3	6.8	7.4
Other Expenses	16.1	17.3	16.2
PBDIT margins	12.7	13.4	12.0
Gross Margins (PBDIT before ASP)	25.2	24.4	21.7

1. The above ratios are before considering the effect on non comparable items to enable like to like comparison.

2. The year witnessed steep inflation in prices of input materials. Market price of Copra, the input for coconut oil, which accounts for about 40% of the Group's raw material cost, was about 4% higher in Q3FY12 on a yoy basis (44% higher on a YTDFY12 basis). Market prices of Safflower Oil and Rice Bran were up by 28% and 33% respectively on a yoy basis (26% and 41% respectively on YTDFY12 basis). The Company chose to pass on a part of the input cost increase to consumers. (please refer to the monthly movement for the key input material provided later on in the note)
3. The above mentioned inflation in the input costs impacted the cost of materials by about 290 bps which was compensated by judicious price increases.
4. There has been an increase in ASP as a result of investments made by the Company behind existing brands and new initiatives.
5. The company endeavors to keep its absolute margins per unit within a band. A significant increase in realizations per unit will result in reflecting a lower margin in percentage terms.
6. The detailed Financial Results and other related useful information are available on Marico's website – http://www.marico.com/investor_relations/latest_updates.html

Capital Expenditure and Depreciation

The Company plans to invest about INR 130-150 Crore (USD 26-30 mio) in capital assets in FY12. However, the annual recurring capital expenditure is to the tune of about INR 40 crore (USD 8.8 mio). The balance amount represents capital expenditure for other specific initiatives taken during the year. This estimate excludes any potential acquisition opportunities.

Depreciation during Q3FY12 is INR 18.8 Crore (USD 3.8 mio) compared to INR 14.6 Crore (USD 2.9 mio) in Q3FY11. The depreciation was higher this quarter mainly of account of the following reasons

1. Amortization of intangible assets of INR 2.6 crore (USD 0.6 mio). As explained in our information update for Q4FY11 this is as required under India GAAP and was implemented by the company is Q4FY11.
2. The remaining variance is mainly on account of items such as
    a. Additional amount of depreciation in the consolidated accounts by virtue of consolidation of International Consumer Products in Vietnam. This was not in the base of Q3FY11 (INR 1 Cr approximately)
    b. Depreciation on fixed assets in new clinic in Kaya

Effective Tax Rate:

The reported effective tax rate (as % of PBT) after considering MAT credit and deferred tax for Q3FY12 is about 17%. This rate is lower as there is a reversal of excess income tax provision of Rs 5.6 Cr relating to earlier year. The Company expects its effective tax rate to be around 20% during FY12 and FY13.

Foreign Exchange

Marico Limited hedges its foreign currency denominated liabilities and assets using Plain Vanilla Forwards and Plain Vanilla Call & Put Options. The company also judiciously executes Interest Rate SWAPs in respect of its interest commitment on External Commercial Borrowings.

The average exchange rate for INR/USD during Q3 was 48.69 to 53.71. Similar fluctuations were observed in other local currencies also. While a depreciating exchange rate of INR /USD is better in terms of consolidation of business results optically, a similar depreciation in local currencies added to the input cost pressure in the IBG geographies. Even in CPB, the depreciation of the Rupee has neutralized a significant part of the input cost gains in imported materials.

Capital Utilization

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

Ratio	Q3FY12	Q3FY11
Return on Capital Employed - Marico Group	24.1%	28.6%
Return on Net Worth – (Group)	31.6%	32.7%
Working Capital Ratios (Group) - Debtors Turnover (Days) - Inventory Turnover (Days) - Net Working Capital Turnover (Days)	 21 53 54	 22 45 32
Debt: Equity (Group)	0.73	0.50
Finance Costs to Turnover (%) (Group)	0.8%	0.9%

* Turnover Ratios calculated on the basis of average balances

1. There has been a decline in the Group's ROCE in Q3FY12 compared to Q3FY11 mainly on account of the investment made in Vietnam.
2. There has been an increase in NWC days mainly due to the following two factors
    1. NWC as at Q3FY11 included excise duty provisions amounting to INR 56 Cr which were subsequently reversed in Q4FY11 and shown as a contingent liability. Q3FY12 doesn't have any such provision thereby the increasing the overall NWC
    2. Increase in stock levels: Stocks were at relatively lower levels in Q3FY11 owing to unprecedented inflation in key inputs because of which the Company chose not build inventory at high prices in the anticipation of a down correction.

3. The Net Debt position of the Marico Group as of December 31, 2011 is as below-

Particulars	INR Cr	USD Mio
Gross Debt Cash/Cash Equivalents and Investments	798 396	150
Net Debt	402	76
Foreign currency Denominated Foreign currency - Payable with in One Year	744 388	140 73
Rupee Debt Rupee Debt - Payable with in One year	54 4	
Foreign Currency Denominated of Gross Debt Proportion of Gross Debt due for payment with in One Year	93% 50%	
Average cost of Debt (%) - Pre Tax	4.6%	

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.

4. The Debt denominated in foreign currency is either hedged or enjoys a natural hedge against future probable exports the hence the MTM differences are routed through the balance sheet rather than the income statement.
5. The Company periodically reviews and hedges the variable interest liability for long term loans using Interest Rate Swaps.

Short / Medium Term Outlook

Marico has positioned itself, strategically, in emerging markets - India, South Africa (part of BRICSA), Bangladesh, Vietnam and Egypt (Part of N-11 Group) and the Middle East. We believe that in emerging markets, focus on the long term is crucial. Long term success can be ensured only through stronger brands that enjoy loyal consumer franchises. We have therefore chosen to prioritise expansion of consumer franchise over expansion of margins.

In the immediate term however there exists some uncertainty in the business environment. While there is easing of the pressure of inflation to some extent in India, the GDP growth estimates have been revised downwards. Even though FMCG companies marketing items of daily consumption are not affected as much as some other industries might be, there could be an effect on consumer demand especially for items of discretionary consumption in our portfolio. In addition high inflation and weak currencies may have some impact on business in few of Marico's international markets
Here is a broad outline of Marico's strategies and the expected outcome for its various businesses:

CPB:

- In coconut oils, the company will aim to grow by leading market expansion through its recruiter low unit size packs. The Company expects to achieve volume growth 6% to 8% per annum in the medium term.
- In hair oils, Marico will focus on share gain through introduction of differentiated and innovative products and providing specificity to consumers accompanied by effective communication. Successful execution of this strategy is expected to result in annual volume growth of 15% to 17% over the next 2-3 years.
- The Company's efforts in expanding rural reach is also expected to contribute towards franchise expansion in coconut oils and hair oils.
- Saffola is riding a trend in healthy living being adopted by the Indian consumer. The brand expects to continue to grow its basket of premium refined edible oil by about 15% in volume each year. In addition the Company plans to build a sizeable business in the healthy foods space by leveraging Saffola's equity.

IBG:

- Marico will focus on growing the categories where it has significant market share - such as in coconut oil in Bangladesh and male grooming in MENA and Vietnam.
- The Company will focus on complementing growth of Parachute Coconut Oil in Bangladesh by establishing other products introduced in the market.
- In South Africa it would work on increasing share in key categories and over the medium term in expanding its footprint to other parts of sub-Saharan Africa.
- In the immediate term the approach in MENA will be cautious. However, the long term potential given current penetration levels in Marico's categories of interest remains positive.
- Code 10 in Malaysia is expected to continue to show very healthy growth albeit on a small base.
- We will also explore other countries as targets for expansion in the long term, with clear focus on countries with a potential for Marico brands.
- IBG is expected to grow in healthy double digits.

Kaya:

- Kaya skin business in India is showing early signs of recovery having posted growth at same clinic level for the 5th consecutive quarter. In the short term therefore, the company plans to work on improving its revenue streams from the existing clinics in India and bringing the business firmly back on the growth track. It will focus on increasing its share of revenue through sales of products. Kaya will be cautious in terms of expansion plans but may continue to add a few clinics at strategic locations to drive growth. We believe that the building blocks for long term value creation by Kaya are falling into place.
- We feel reasonably confident that the business is on its way to record sustainable profit during FY 14, if not earlier. However, we regard the break-even goalpost more as a beneficial outcome of our efforts in the building block area, rather than as an accounting target. Hence, we expect that in the coming quarters, the reported net profitability numbers for Kaya will stay under pressure, and in the negative zone.

Overall:

- The medium to longer term outlook on all the company's three businesses remains positive.
- In the short run, we may not see any easing of the cost push. Margins are thus likely to remain under pressure. Increased retail prices may have some impact on volume growth given the overall squeeze on the consumers' wallet. Should there be a sustained decline in input prices; the Company may pass back a part of the benefit to consumers in the interest of growing volumes.
- The Company will carry a higher interest burden in FY12 owing to the consideration paid towards the acquisition of shares in ICP, Vietnam.
- In the medium term, the Company will focus on strengthening the building blocks for future value creation - strong equities for its existing brands amongst its consumers, volume growths, robust new product pipelines and operational effectiveness.

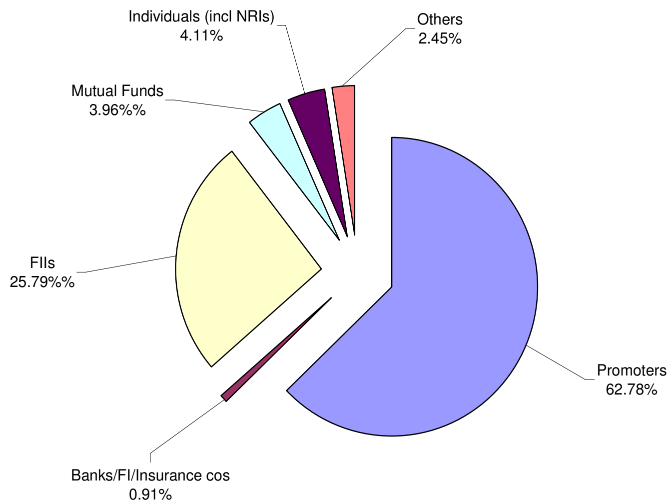
Long Term Outlook

Our belief in the long term potential of our businesses continues to be strong. Our belief stands bolstered by the recent record of strong volume growths across categories despite price hikes. This emboldens us to spell out our preference for growing our volume franchise as compared to focusing on profit margins alone. We believe that it is prudent to have a medium to long term perspective of growth rather than taking a quarterly view that could lead to tactical steps.

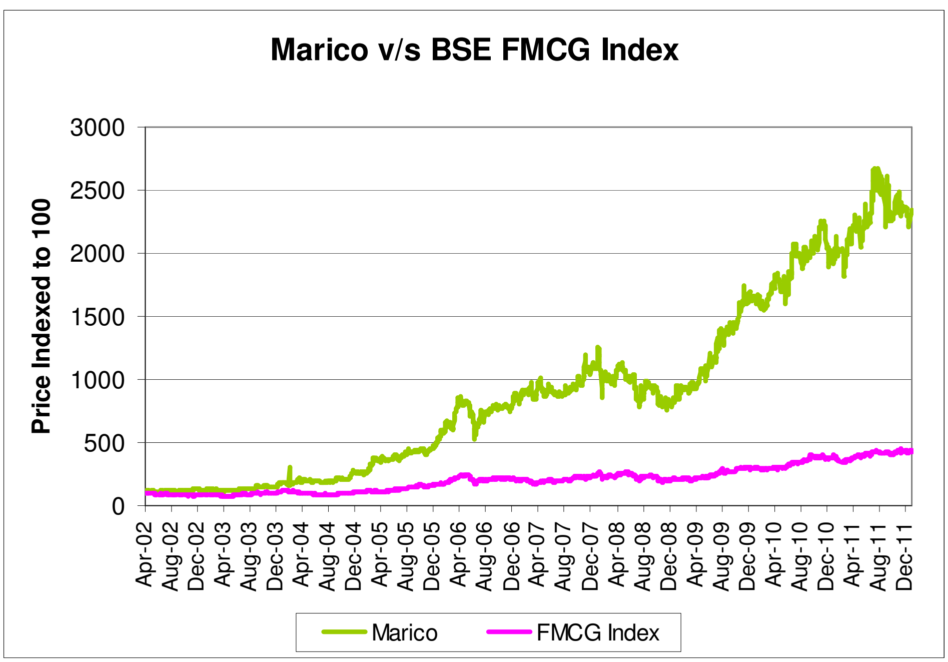
THANK YOU FOR YOUR PATIENT READING

Annexure 1-A: SHAREHOLDING PATTERN

The Shareholding pattern as on December 31, 2011 is as given in the graph below:



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 Rs. 8976 crs on December 31, 2011. The average daily volume on BSE and NSE during Q3FY12 was about 15860.

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

Annexure 1- C Average Market Prices of Input materials

(These prices are based on simple average of daily market prices and the company's actual procurement prices may be different based on quantities bought on various days.)

	Rs/100KG	Rs/100KG	Rs/10KG	Rs/10KG	Rs/10KG	Rs /lt	Rs / kg
DATE	**COCHIN Coconut OIL**	**COPRA CALICUT**	**Sun Flower OIL**	**KARDI OIL JALNA**	**RICE BRAN**	**LIQUID PARAFFIN**	**HDPE**
Apr-10	4,963	3,407	463	641	346	37	77
May-10	5,042	3,395	466	633	350	37	77
Jun-10	5,241	3,484	472	639	354	37	76
Jul-10	5,368	3,610	481	662	368	42	74
Aug-10	5,780	3,854	567	704	387	45	73
Sep-10	6,500	4,453	580	704	385	49	73
Oct-10	6,948	4,789	617	714	389	51	73
Nov-10	7,590	5,267	708	731	414	52	73
Dec-10	8,104	5,585	709	741	430	52	73
Jan-11	9,052	6,231	721	840	450	53	73
Feb-11	9,713	6,753	709	840	480	55	73
Mar-11	9,040	6,179	689	840	482	58	73
Apr-11	9,712	6,639	672	814	478	58	74
May-11	10,148	6,865	676	791	512	57	74
Jun-11	9,904	6,675	684	821	533	61	74
Jul-11	8,958	5,799	700	832	551	64	74
Aug-11	9,683	6,292	702	862	563	67	75
Sep-11	8,726	5,837	708	864	546	68	77
Oct-11	7,936	5,323	713	877	553	67	77
Nov-11	8,154	5,549	685	923	549	67	78
Dec-11	7,942	5,383	702	993	539	68	80

Ytd Q3FY12 YOY	46%	44%	23%	26%	41%	44%	2%
Q3FY12 YOY	6%	4%	3%	28%	33%	30%	8%
FY12- Q3 Vs Q2	-12%	-9%	0%	9%	-1%	2%	4%

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

	20 ml	50 ml	100 ml	200 ml	250 ml	500 ml	1 Ltr	1 ltr	1 Ltr	1 ltr
Month	**Parachute Coconut Oil**	**Parachute Coconut Oil**	**Parachute Coconut Oil**	**Parachute Coconut Oil**	**Parachute Coconut Oil**	**Parachute Coconut Oil**	**Saffola-Kardi Oil**	**Saffola Tasty Blend**	**Saffola Gold**	**Saffola Active**
Sep-10	5.00	10.00	21.00	42.00	47.00	92.00	145.00	98.00	115.00	91.00
Oct-10	5.00	12.00	23.00	45.00	50.00	96.00	152.00	98.00	120.00	96.00
Nov-10	5.00	12.00	23.00	45.00	50.00	96.00	160.00	103.00	128.00	99.00
Dec-10	5.00	13.00	25.00	49.00	56.00	106.00	160.00	110.00	128.00	99.00
Jan-11	6.00	14.00	27.00	53.00	61.00	116.00	160.00	110.00	128.00	99.00
Feb-11	6.00	14.00	27.00	53.00	61.00	116.00	165.00	117.00	135.00	107.00
Mar-11	6.00	14.00	27.00	53.00	61.00	116.00	165.00	120.00	135.00	107.00
Apr-11	6.00	12.00 - 45 m	27.00	53.00	61.00	116.00	165.00	120.00	135.00	107.00
May-11	6.00	12.00 - 45 m	27.00	53.00	61.00	116.00	165.00	120.00	135.00	107.00
Jun-11	6.00	12.00 - 45 m	27.00	53.00	61.00	116.00	165.00	120.00	135.00	107.00
Jul-11	6.00	12.00 - 45 m	27.00	53.00	61.00	116.00	165.00	120.00	135.00	107.00
Aug-11	6.00	12.00 - 45 m	27.00	53.00	61.00	116.00	165.00	120.00	135.00	107.00
Sep-11	6.00	12.00 - 45 m	27.00	53.00	61.00	116.00	165.00	120.00	135.00	107.00
Oct-11	6.00	12.00 - 45 m	27.00	53.00	64.00	119.00	165.00	120.00	135.00	107.00
Nov-11	6.00	12.00 - 45 m	27.00	53.00	64.00	119.00	165.00	120.00	135.00	107.00
Dec-11	6.00	12.00 - 45 m	27.00	53.00	64.00	119.00	165.00	120.00	135.00	107.00

The Company has taken price increases in Saffola in the month of January 2012. Changes in 1 liter pack are mentioned to give indication of the extent of price increase : Saffola Gold Rs 135 to Rs 145, Saffola Original Rs 165 – Rs 180, Saffola Tasty Rs 120 to Rs 130, Saffola Active Rs 107 to Rs 115

To put price changes initiated in January 2012 in Saffola

Annexure 2 - Profile giving Basic / Historical Information

Marico is a leading Indian Group in Consumer Products & Services in the Global Beauty and Wellness space. Marico's Products and Services in Hair care, Skin Care and Healthy Foods generated a Turnover of about INR 31.3 billion (about USD 695 Million) during 2010-11. Marico markets well-known brands such as Parachute, Saffola, Hair & Care, Nihar, Shanti, Mediker, Revive, Manjal, Kaya, Derma Rx, Aromatic, Fiancée, HairCode, Caivil, Black Chic, Code 10, Ingwe, X-Men, L'Ovite and Thuan Phat. Marico's brands and their extensions occupy leadership positions with significant market shares in most categories - Coconut Oil, Hair Oils, Post wash hair care, Anti-lice Treatment, Premium Refined Edible Oils, niche Fabric Care, Male grooming etc. Marico is present in the Skin Care Solutions segment through 103 Kaya Skin Clinics and Derma Rx clinics in India, The Middle East, Bangladesh, Singapore and Malaysia. Marico's branded products are present in Bangladesh, other SAARC countries, the Middle East, Egypt, South Africa, Singapore, Malaysia and Vietnam.

Marico's own manufacturing facilities in India are located at Goa, Kanjikode, Jalgaon, Pondicherry, Dehradun, Daman, 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, 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. Given below is an overview of Marico's market standing.

Brands	Category	Indicative Market Share range %	Rank
Parachute, Oil Of Malabar, Nihar	Coconut Oil	51-53	1
Hair Oil (Hair & Care, Parachute Jasmine, Parachute Advansed, Nihar Naturals, Nihar Shanti Amla, Parachute Advansed Ayurvedic hair oil, Parachute Advansed Cooling oil)	Hair Oils	~23	2
Saffola	Super Premium refined Edible Oils	~55%	1
Mediker	Anti Lice Treatment	~ 90	1
Revive	Fabric Starch	~ 80	1

Source: A.C.Neilsen Urban Retail Market Research and Company Sources

Marico's frontline brands have shown remarkable resilience against competition - refer the market share statistics given below:

Brands	Category	1992 (%)	Now (%)
Parachute, Oil Of Malabar, Nihar	Coconut Oil	48-49	51-53
Hair Oil (Hair & Care, Parachute Jasmine, Parachute Advansed, Nihar Naturals, Nihar Shanti Amla, Parachute Advansed Ayurvedic hair oil, Parachute Advansed Cooling oil)	Hair Oils	_	23-24

Source: A.C.Neilsen Urban Retail Market Research and Company Sources

Marico has consistently sought to broad base its brand basket. The new products dealt in by the Company during last 5 years have now assumed a critical mass. In the process, Marico's dependence on Parachute has consistently been reducing. From a share in the range of 70% - 75% in early 90's, Parachute in India today contributes about 30% to the top line of Marico. Its share in profits too has come down.

Reach

Marico procures one out of every 13 coconuts produced in India. Marico sells over 7 Crore (70 Mio) packs to around 13 Crore (130 Mio) people every month. Marico's products reach around 2.3 Crore (23 Mio) households through over 33 Lac (3.3 Mio) retail outlets serviced by its nation-wide distribution network comprising 4 Regional offices, 32 carrying & forwarding agents (CFAs) and about 3600 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	135	35
Towns Covered ('000's)	3.2	11.0
Distributors	850	-
Super Distributors	-	120
Stockists	-	3,600

Skin Care Solutions

Marico entered the skin care solutions business through Kaya Skin Clinics offering a range of highly effective and safe services based on cosmetic dermatological procedures and products. Services offered at Kaya use US FDA approved technology and have been specifically customized for Indian skin. In-clinic dermatologists recommend a personalized series of treatments. The chain of Kaya clinics (all company owned) is now 105 strong, spread across 26 cities in India and a presence in the Middle East, Bangladesh, Singapore and Malaysia. Its customer base is now more than 700,000.

Financial Highlights

Marico has maintained a steady top line and bottom line growth over the past decade with a consistently healthy Operating Return on Capital Employed (ROCE).

Particulars (INR crores)	FY 07	FY 08	FY 09	FY 10	FY11	CAGR %
Sales & Services	1,557	1,905	2,388	2,661	3128	22
Profit Before Tax	150	205	230	298	376	31
Net Profit (PAT)	113	169	189	232	286	27
Earnings per Share - Annualised (Rs)*	1.9	2.8	3.1	3.8	4.7	25
Book Value per Share (Rs)*	3.2	5.2	7.4	10.7	14.9	
Net Worth	192	315	453	654	915	
EBITDA%	12.7%	12.9%	12.7%	14.1%	12.2%	
ROCE %	36	42	35	34	22	

* For a meaningful comparison of EPS and Book Value, the numbers for the previous years have been re-computed taking into account sub-division of equity shares to a face value of Re 1 per share.

Business Model and Organization

Marico's business model is based on focused growth across all its brands and territories driven by continuously improving value propositions to consumers, market expansion and widening of retail reach. Marico aims to be the leader in each of the businesses; by heightened sensitivity to consumer needs, setting new standards in the delivery and quality of products and services through processes of continuous learning and improvement.

Consumer Scenario and Economic Ambience

India

- India has been through several events in the recent past, the top two being a Civil-Society-led movement against corruption and terrorism-related incidents and security issues.
- All these would have an adverse effect on the confidence that businesses or consumers carry. This coupled with the expected lowering of the GDP growth estimates would have some, if not major, effect on consumer demand especially for items of discretionary consumption in our portfolio.
- The Indian economy continues to grow at rates distinctly higher than most other countries in the world, but less than the potential that the country seems to hold.
- There has been some stalling of economic agenda in the recent past, because of the political agenda coming to the fore triggered by the social activism against corruption.
- High Inflation, especially in food items, and high interest rates is a cause for concern. However, there are early signs that suggest that inflation and interest rates may soften in near future.
- The near term uncertainty does not however seem to affect the credibility of the long term consumption story in India, driven by sustained economic growth and favourable demographics.

Overseas Marico territories

- The territories relevant to Marico are Asia (GCC countries, Bangladesh, Vietnam and rest of South East Asia) and Africa (Egypt and South Africa). The overall economic climate across these geographies continues to be challenging.
- The pressure points in most markets are high inflation (especially in food items), volatility in FX rates and general cost push in the economy as a result of these factors.

Marico-specific Information Update issued in September 2011

Marico had issued a special mid-quarter Information Update on September 14, 2011. Reference to that update will help better appreciation of this Information Update especially the Outlook.