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Marico Q1FY17 results
Volume Growth ~ 8%, EBITDA up 18%,
EBITDA Margins 21.3%, PAT up 21%

During the first quarter, Marico posted Revenue of INR 1,754 crores (USD 262 million). India business (Turnover of INR 1,387 crores) volumes grew by 8% and the international business (turnover of INR 367 crores) grew by 4% in constant currency terms (volume growth of 8%). The Company posted an overall volume growth of 8% for Q1 FY17. The value growth was flat in comparison to Q1FY16, owing to price reductions in the Parachute Rigids portfolio in India aggregating 18% consequent to commodity price deflation that commenced in H2 FY16 and continued in Q1 FY17.

Market share gains continue in more than 55% of the portfolio on 12 months MAT basis, while holding the market share in Coconut Oil segment in India.

EBITDA at INR 374 crore (USD 56 million) has grown by 18%. EBITDA margins expanded sharply due to softer input costs at 21.3%. The Company has judiciously utilized the benefits of lower commodity prices in improving pricing competitiveness, advertising inputs behind core categories & new products while also improving EBITDA Margins. Over the medium term, operating margin of about 18% to 19% is sustainable. Profit after Tax (PAT) for the quarter at INR 268 crore (USD 40 million) grew by 17%.

In Q1 FY16, Marico had divested its stake in Beauté Cosmétique Societé Par Actions, a subsidiary of International Consumer Products Corporation, Vietnam which resulted in a one-time gain of INR 9.6 crores. Excluding the one-time gain in Q1 FY16, the PAT growth in Q1 FY17 was 21%.

Other Updates

- The commercial production at the Company's new plant at Guwahati in Assam commenced on May 27, 2016. The Guwahati Plant will augment the Company's manufacturing capacity to cater to increasing consumer demands for value added hair oils.
- During the quarter, Marico's India Business achieved a 'Level 4-TCM Enabled Company' rating basis the assessment done by Confederation of Indian Industry (CII) on its proprietary Total Cost Management Model putting Marico in the top 15 percentile of such assessed companies.
- Marico made its mark yet again in Forbes India's Super 50 Companies 2016 with the three-step methodology that focuses on shareholder return, sales growth, return on equity.
- Marico is ranked 2 in the FMCG sector in the 'India's Best Companies to Work for 2016' study by The Economic Times. This is a testimony to the Company's continued efforts towards investing in its human capital and the culture of empowerment, transparency and openness which thrives at Marico.

Marico (BSE: 531642, NSE: "MARICO") is one of India's leading Consumer Products Group, in the global beauty and wellness space. During 2015-16, Marico recorded a turnover of about INR 61 billion (USD 915 Million) through its products sold in India and about 25 other countries in Asia and Africa.

Marico touches the lives of 1 out of every 3 Indians, through its portfolio of brands such as Parachute, Parachute Advansed, Saffola, Hair & Care, Nihar, Nihar Naturals, Livon, Set Wet, Mediker and Revive. The international consumer products portfolio contributes to about 22% of the Group's revenue, with brands like Parachute, HairCode, Fiancée, Caivil, Hercules, Black Chic, Code 10, Ingwe, X-Men, and Thuan Phat.

Marico's focus on sustainable profitable growth is manifest through its consistent financial performance, a CAGR of 16% in Turnover and 19% in Profits over the past 5 years.

Business Unit-wise details have been given in the next few pages. More details are available in the Information Update issued today and posted on the Company's website www.marico.com

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marico
make a difference

Effective 1st April 2016, the Company has adopted IND-AS, the new accounting standards. Consequently the financial performance for Q1 FY17, Q4 FY16, FY16 and Q1 FY16 has been reported in conformity with IND-AS. Till Q4 FY16, the financial performance was being reported under IGAAP. To facilitate reconciliation between the numbers reported last year and the numbers recast as per IND-AS, we have attached a separate presentation to the detailed Information Update (posted on the Company's website). The presentation explains the reasons for the differences for each of the four quarters and the full year.

The **India Business** achieved a turnover of INR 1,387 crore (USD 207 million) during the quarter, a value decline of 1% over the same period last year. The healthy volume growth of 8% was backed by continued growth momentum in categories of Parachute Rigid coconut oil, Saffola edible oils and VAHO while Youth business came back on growth trajectory.

The operating margin during Q1FY17 was 25.4% before corporate allocation as against 21.2% for the same period last year. Higher operating margins can be attributed mainly to gross margin expansion led by softer inputs costs. In the near term, the EBITDA margins are likely to remain in higher band (> 20 %) on the back of lower commodity costs and deflation in sales value although the Company would be comfortable with a band of 18-19% in the medium term.

Parachute's rigid portfolio recorded a volume growth of 7% for Q1FY7 over Q1FY16 amidst an aggressive deflationary environment. It is expected that the copra prices may increase over the next two quarters in line with the seasonal trend. Towards this, the Company has initiated a weighted average price increase of 5% from July, 2016 onwards. This increase will partially mitigate the deflation impact while continuing the volume growth momentum. The company expects to deliver a volume growth of 5-7% in the near term. Further, due to expected anniversarization of deflationary impact in H2 of the current year, we expect value growth in Parachute Rigids by Q4 FY17.

The **Saffola refined edible oils** franchise grew by a handsome 11% in volume terms for the quarter. The Company continued focus on the key task of driving relevance amongst the proactively health conscious consumers through key marketing inputs in Saffola Active and Saffola Tasty. The Company is confident of maintaining double digit growths over the medium term. The brand strengthened its leadership position in the super premium refined edible oils segment to 63% during the 12 months ended June 2016.

Saffola Oats franchise continues to grow with a strong no. 2 position with a MAT value market share of 27%. Focus on value added offerings in the oats segment led to a dominant 71% value share in the flavoured oats market on a MAT basis. The franchise crossed INR 100 crore (USD 15 million) of top line in FY16 and is well poised to cross INR 200 Crore (USD 30 million) landmark in the next 2-3 years.

Marico's **hair oil** brands grew by 9% in volume terms during the quarter. The Company further strengthened its market leadership by 147 bps to 32% volume share (for 12 months ended June 2016) and with value share gain of 85 bps to 25% for the same period. **Nihar Shanti Amla** continues to gain market share and achieved a volume market share of about 37% for the 12 months ended June 2016 in the Amla hair oil category (MAT June'15: 34%).

The Youth brands portfolio grew by 15% in value terms. **Set Wet Gels,** re-launched in Q4 FY15 continued to grow in double digits during the quarter, leading to increase in market shares by 1039 bps in last 12 months in the Gels segment.

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The Refreshed **Set Wet Deodorants** portfolio with Ranveer Singh as its brand ambassador has begun to gain back volume and market share. The Q1FY17 market share was 4% reflecting a continued strong trajectory of growth since re-launch (MAT Share as on June-16 of 3%).

The **Livon Hair Gain** franchise with a better product formulation and packaging grew in double digits. The brand communication showcasing real life consumer experiences and the anti-counterfeit measures adopted by the brand are starting to show results. The Company has also refreshed **Livon Serum** - better formulation, refreshed packaging, celebrity brand ambassador, new communication campaign and low unit packs at INR 5. We believe that positive results will follow over the next couple of quarters.

Marico's rural sales declined by 4% due to higher exposure to the coconut oil portfolio. Urban sales remained flat in Q1 FY17. Sales in Modern Trade (9% of the India turnover) continued the good run with growth of 14% in Q1FY17. CSD and Institutional sales (8% of the India turnover) grew at 3% in Q1FY17. The technology transformation in sales is on track and has started delivering results. A new initiative, **Project Marval EDGE** has been launched with the objective of improving the efficiency and effectiveness of trade and marketing spends. The Company expects significant gains from this initiative.

In Marico's **International Business,** the strategy of focusing on strengthening the core by investing behind capabilities has started showing positive results. This business achieved a turnover of INR 367 Crore (USD 48 million) during Q1FY17, a growth of 4% in constant currency basis (volume growth of 8%). The operating margins (before corporate allocations) are at 20.0% in Q1 FY17 as against 18.1% for the same period last year. The higher margin in this quarter can be attributed to the softer input costs. The Company shall endeavor to maintain international margins at ~ 17% and continue to invest and plough back savings to drive growth.

The **Bangladesh** business reported a topline constant currency decline of 6% in Q1FY17 due to the price corrections taken in Parachute Coconut Oil. In the current quarter, Parachute coconut oil reported a 7% decline in constant currency terms due to price correction (volume growth being flat) maintaining leadership position with 82% share. From this year 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. The non-Coconut oil portfolio is likely to become 30-40% over next 3-4 years from the current share of ~ 20%.

The **Middle East** business remained flat on constant currency basis in Q1FY17 due to higher base (Q1 FY16 growth of 24%). The business has reported operating profits for the quarter and this trend of improvement is expected to continue and the management expects the business to become consistently profitable this year.

In the **Egypt** business, the Company's initiative of transforming the distribution structure has started to yield results; the business grew by 21% in constant currency over Q1 FY16. We remain positive about the medium term outlook on this market. However, given the tough macro-economic conditions, the recovery is likely to be gradual.

Business in **South East Asia** grew by 15% in constant currency terms excluding the divested BCS business from the base. X-Men maintained its leadership in male shampoos and the second position in male deodorants. The new products – 'cool water' in shampoo and 'no-gas' in deodorants have spurred the growth in the Vietnam business. The Foods business also delivered healthy growths during the quarter. Over the medium term, the Company remains well poised to participate in the category growths.

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The **South Africa** business reported a constant currency growth of 8% during the quarter despite challenging macro conditions. The rapidly depreciating South African Rand (ZAR), however, impacted the reported growths. Last year, the Company initiated its organic entry in sub-Saharan African markets. We believe these markets are "Invest to Grow" markets and will be backed by adequate marketing initiatives.

Saugata Gupta, MD & CEO said, "Q1 was satisfactory quarter with decent broad based volume and earnings growth across most of the franchises and business units despite a deflationary situation. We also continued to invest behind brand building & long term initiatives in our areas of transformation. With good monsoons this year and prospects of rising consumption trends in the later part of the year, we look forward to a robust volume growth in the second half of the year. Over the long term we believe that our consistent focused approach on volume growth and long term capability building has the potential to deliver sustained results."