Media Release

Year 2016-17

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Net Profit INR 799 crs

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marico
make a difference

Marico Q1FY18 results:

Volume Decline 7% due to destocking by Trade in India, PAT down 12%, EBITDA Margins at 19.2%

Off-takes continue to grow; Market Shares improve

Momentum in new product launches

For the quarter Q1FY18, India business witnessed volume decline of 9% on the backdrop of destocking by trade in June due to GST transition. However the off-take growth was satisfactory and we saw increase in market shares across all key franchisees. The volume decline is attributable to steep pipeline correction across channels, especially wholesale and rural leading to a decline in the stock turnover ratios (STRs) in trade. Business with CSD (which contributes around 7% of India business) practically came to a standstill in the month of June, declining by 15% for the quarter. International business grew 6% in constant currency terms (Volume growth of 1%). Revenue from Operations stood at INR 1,692 crore (USD 260 million), shrunk by 4% over Q1FY17. More than 90% of the portfolio gained market shares on 12 months MAT basis. Advertising & Sales Promotion spends were held back amidst environmental uncertainty. Operating margin stood at 19.2% which is marginally above our medium to long term margin guidance.

Gross margins declined by 4.5% in comparison to Q1FY17 due to higher input costs. (Y-o-Y contraction in Q4 FY17 was 1.7%). A lower ASP to sales ratio at 9.5% was an aberration due to uncertain business environment - likely to remain at ~11-12% in the medium term given the healthy innovation pipeline. EBITDA at INR 324 crore (USD 50 million) declined by 13%. EBITDA margins at 19.2% contracted year on year basis by 215 basis points, however higher than our medium term guidance of ~17-18% sustainable margin. Profit after Tax (PAT) for the quarter at INR 232 crore (USD 36 million) declined by 12%.

Other Updates:

- Marico moved up 24 places in the Economic Times & The **Great Place to Work 2017** study and is now ranked 40th . The Company is also **among the best companies to work in the FMCG industry**.
- Marico was recognized as one of the "**Most Honored Companies**" across sectors in a poll conducted by Institutional Investor Magazine for all Companies in Asia (ex-Japan). The company would like to thank its investors and analysts who have shown faith in the company management.
- On 28th July 2017, Marico South Africa Pty. Limited (MSA), a wholly owned step-down subsidiary of Marico Limited announced the **acquisition** of business including related intellectual property rights of "**ISOPLUS**", a leading hair styling brand in South Africa from JM Products SA Pty. Limited (JM Products) and Ms. Mary L Harris, its owner for a consideration of 75 million South African Rand (circa INR 36 Crore) at a revenue multiple of 1.2. This strategic buyout will enable MSA to become a full spectrum ethnic hair care company in South Africa.

Marico (BSE: 531642, NSE: "MARICO") is one of India's leading Consumer Products Group, in the global beauty and wellness space. During 2016-17, Marico recorded a turnover of about INR 59 billion (USD 886 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 23% of the Group's revenue, with brands like Parachute, Parachute Advansed, 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 10% in Turnover and 18% in Profits over the past 5 years.

Business Unit-wise details have been given in the following 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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The **India Business** achieved a turnover of INR 1,328 crore (USD 204 million) during the quarter, a decline of 4% over the same period last year. The volume decline in India was 9% for the quarter. This decline is attributable to the transitionary impact of GST and the subsequent pipeline reduction in trade especially in rural, wholesale channel and CSD. In an endeavour to protect the trade from suffering any losses on the transition stocks, the Company assured them of making good the loss on the closing stock; however we stayed away from doling out additional discounts as we believe that the impact is transient in nature.

The operating margin during Q1FY18 was 21.8% before corporate allocation as against 25.4% (which was much higher than our medium term guidance on the back of a very benign input cost environment) for the same period last year. The margins saw a decrease this quarter due to significant increase in the input costs but company chose to hold back the price increase in Parachute Rigids portfolio in the wake of GST roll out. In the near term, the input costs are likely to rise further. The Company will revisit the prices in the near term in light of this inflationary trend. The focus on a balanced approach towards volume growth and profitable margins will continue. In the medium term, the Company would be comfortable at ~ plus 20% EBITDA margins.

Parachute's rigid portfolio (packs in blue bottles), witnessed volume decline by 9% in Q1FY18 over Q1FY17 due to transitional impact of GST, as the trade inventory went down. Despite the decline, the franchise has outperformed the category growth, which is evident from the fact that during the 12 months ended June 2017, Parachute along with Nihar & Oil of Malabar increased its market share by more than 37 bps to 58%, a reversal after four quarters of market share loss.

The **Saffola refined edible oils** franchise witnessed a decline of 9% in volume terms during the quarter due to destocking in anticipation of GST. During the quarter, the brand launched its new packaging with relevant benefit positioning for each of the variant derived from factors affecting heart health. The Company is confident of delivering double digit growths in quarters to come. The brand strengthened its leadership position in the super premium refined edible oils segment to 66% during the 12 months ended June 2017.

Marico's **value added hair oils** registered a volume decline of 8% during the quarter. The decline was largely due to correction of inventory across trade channel although off-takes continued to grow ahead of category. Marico continues to grow faster than the value added hair oils market of INR 6,500 crore (USD 970 million). Consequently, during the quarter, the Company further strengthened its market leadership by 178 bps to 33% volume share (for 12 months ended June 2017) and with value share gain of 130 bps to 26% for the same period. The Company will continue to focus on premiumization to drive growth in the category. **Nihar Shanti Amla** continues to gain market share and achieved a volume market share of about 40% for the 12 months ended June 2017 in the Amla hair oil category (MAT June '16: 37%). In May 2017, the Company has launched exciting and super nourishing range of fruit based hair oils under the Hair & Care brand available in 2 variants.

Overall, during this quarter, the **male grooming** portfolio declined by 23% in value terms as destocking impacted the portfolio.The market share of **Set Wet Gel** has grown by 255 bps in last 12 months and currently stands at 58%. To further establish its styling credentials, Set Wet is prototyping a new range of beard grooming products in Punjab and E-commerce. During this quarter, the Company launched **Parachute Advansed Men Range**, a nourishing range of haircare products (Cream and Oil) specially formulated for Men. A no-gas variant and a mini pack of Set Wet deodorant were also launched during the quarter.

The **premium hair nourishment** portfolio (comprising Livon and Silk-n-Shine) declined by 25% in value terms. **Livon Serum's** core proposition of 'salon finish hair at home', launched last year with a focus on metro markets has built relevance for the brand. Going forward, the Company will keep investing behind the new age e-commerce channel and also drive category penetration through the sachet pack.

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Marico's rural sales declined by 11% in the run up to GST while the urban sales remained flat in Q1FY18. Sales in Modern Trade (10% of the India turnover) continued the good run with growth of 11%. CSD and Institutional sales (7% of the India turnover) declined by 15% in Q1FY18 due to a complete blackout in June 2018. Recovery in the CSD channel is expected to happen by end of Q2 FY18.

Marico's **International Business** achieved a turnover of INR 365 Crore (USD 56 million) during Q1FY18, a growth of 6% in constant currency basis (volume growth of 1%). This is reassuring as the last three quarters had either witnessed a muted growth or a decline. The biggest core market of Bangladesh continued its momentum during the quarter with a constant currency growth of 12%. Myanmar and Export markets also posted healthy growths. Consequently, excluding MENA (which continues to face macro headwinds), the International Business grew at a constant currency rate of 10% in Q1FY18. The operating margins (before corporate allocations) were at 20.9% in Q1FY18 as against 20.4% for the same period last year. The higher margin in this quarter can be attributed to lower advertising spends in the MENA business. The Company shall endeavor to maintain international margins at ~16-17% and continue to invest and plough back savings to drive growth.

In the **Bangladesh** business, topline in constant currency terms grew by 12% in Q1FY18 (volume growth of 4%). In the current quarter, Parachute coconut oil reported growth of 10% in constant currency terms (volume growth of 1%) and maintained leadership position with 86% share. The Company's value added hair oils portfolio grew at a rate of 28% in constant currency terms. In the near term, the Company is confident of delivering a double-digit constant currency growth. The non-Coconut oil portfolio is likely to become ~30-40% over next 3-4 years from the current share of ~ 19%.

Business in **South East Asia** grew by 7% in constant currency terms in Q1FY18. In Vietnam, X-Men maintained its leadership in male shampoos and attained market leadership in the male aerosol deodorants category. Over the medium term, the Company is confident of participating in the category growths.

The **Middle East & North Africa** (MENA) business declined by 14% (constant currency basis) during Q1FY18 as compared to Q1FY17. The **Middle East** business declined 6% in Q1FY18 on constant currency basis, while the **Egypt** business declined by 27% in FY17 in constant currency terms as down-trading continued in due to crude oil price led economic downturn in Middle East and currency devaluation led hyper-inflation in Egypt. We remain cautiously optimistic about this region in the near term. Business is expected to get back to growth trajectory in H2 FY18.

The **South Africa** business reported a constant currency growth of 5% during the quarter despite challenging macro conditions.

Expansion in adjacent markets such as **Sri Lanka, Nepal, Bhutan and exports to diaspora** markets is expected to contribute ~ USD 13 million this year. The business grew by 26% in constant currency terms during the quarter and the Company is positive on the future prospects of this business

Saugata Gupta, MD & CEO said, "While the operating performance for the quarter was below par, we continued with our renewed thrust on innovations which is evident from a slew of new launches in India. Market share gains in more than 90% of the portfolio and a satisfactory constant currency growth in the International geographies are positive signs for the long run. We also remain optimistic about a near term recovery in volumes in India. We believe that GST will help organized players in the long run."