Media Release

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Marico records robust volume growth of 14%, strengthens market shares across key categories
Revenue from Operations up 22%, PAT up 46%

Marico has begun the new financial year FY13 with a bang - strong financial performance in the quarter ended June 30, 2012 (Q1FY13). Revenue from Operations was INR 1270 crore (USD 235 million) a growth of about 22% over Q1FY12. The growth in Profits was 46% led by gross margin expansion and volume growth of 14% at the Group level.

The Company achieved growth in turnover across its three business units. The Indian Consumer Products Business grew by 23% in value and 16% in volume terms. Marico's International business posted a growth of 17% while Kaya skin care solutions business grew by 29% on an overall basis led by same store growth of 12% in India and Middle East put together. Market shares continued to be healthy across categories.

In February 2012, the Company executed definitive agreements to purchase the personal care business of Paras Pharmaceuticals Limited from Reckitt Benckiser. This transaction was completed in the month of May 2012. This acquisition gives the Company an access to youth brands such as Setwet, Zatak and Livon. Brands in the portfolio occupy leading positions in the hair gel, male deodorant and leave-on hair serum categories. This acquisition gives Marico an opportunity to participate in the rapidly growing deodorant and male grooming categories in India. The Company could also derive synergistic benefits from its overseas male grooming franchises which occupy leadership positions. The acquisition price was funded through a combination of internal accruals and additional issuance of equity capital amounting to INR 500 crore. The process of issue of additional equity capital was completed during the quarter.

Marico (BSE: 531642, NSE: "MARICO") is one of India's leading Consumer Products & Services Group, in the global beauty and wellness space. During 2011-12, Marico recorded a turnover of about Rs. 40.0 billion (USD 740 Million) through its products and services 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, Livon, Setwet, Zatak, Mediker, Revive and Manjal. The international consumer products portfolio contributes to about 24% of the Group's revenue, with brands like Parachute, HairCode, Fiancée, Caivil, Hercules, Black Chic, Code 10, Ingwe, X-Men, L'Ovite and Thuan Phat.

Marico's focus on sustainable profitable growth is manifest through its consistent financial performance, a CAGR of 21% in Turnover and 23% in Profits over the past 5 years.

Business Unit-wise details have been given in the next three pages.

More details are available in the Information Update issued today and posted in the Companies website www.marico.com

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The **Consumer Products Business in India** (CPB) achieved a turnover of INR 934 crore (USD 173 mio), a growth of about 23% over Q1FY12. The underlying volume growth was a very healthy 16%.

Parachute, Marico's flagship brand, recorded robust volume growth during the quarter. Parachute in rigid packs, the focus part of its portfolio, grew by about 18% in volume as compared to Q1FY12. The Company believes this growth during the quarter is an outlier. During Q1FY13 Parachute improved its market share by about 300 bps over Q1FY12.

The Saffola edible Oils franchise grew by about 12% in volume terms during Q1FY13 compared to Q1FY12. The brand has recorded healthy volume growth over several quarters indicating strong brand equity and a category tailwind. The brand's entry into the healthy breakfast food market through oats, including savory oats has received a positive response. It has become a number two participant in the Oats category with about 12% market share.

Marico's hair oils portfolio under the Parachute Advansed, Nihar and Hair & Care franchises continued to grow rapidly. During Q1FY13, hair oils volumes grew around 25% over Q1FY12. The overall value growth was higher at 33%. Market share increased by about 270 basis points during Q1FY13 as compared to Q1FY12. The current market share is about 25% during Q1FY13 driven by participation across various sub-segments in the value added hair oils category. The Company is now focusing on scaling up its presence in each of these.

In line with the Company's strategy to participate in the Beauty and Wellness space - in specific in Hair Care and Skin Care, Marico launched Parachute Advansed Body Lotion in Q2FY12 on a national basis. The Company recently introduced another variant for summer called Summer Fresh in order to remain salient in the non peak months of April to September. The products have received a very positive response from consumers and the brand has chalked up a market share of 5% in a short span of time to become the Number 3 player in the body lotions category. The market share for the quarter was higher at 8%.

The Company's key input material costs had seen a bull run during H2FY11, particularly for copra, its key input. In Q1FY12 we witnessed a downward trend and market prices of copra were 38% lower than in Q1FY12. This has led to some gross margin expansion at a Group level. In order to ensure sustainable volume growth the Company has taken initiatives for passing a part of the benefit in costs to the consumers. On the other hand the prices of safflower oil and rice bran oil were higher by 46% and 20% respectively.

Saugata Gupta, CEO, Consumer Products Business expressed happiness at the results: "We are reaping the results of the strategic building blocks we have put in place – strengthening the core, creating the portfolio of the future, managing costs and investing in people and process capability. These will continue to hold us in good stead in the long run".

Marico's **International Business Group** (IBG) focused largely on Bangladesh, MENA (Middle East and North Africa), South Africa and South East Asia comprised about 24% of the Marico Group's turnover in FY12. The overall macro environment in these markets continues to be challenging. Despite this, IBG recorded a growth of 17% during the quarter.

In Bangladesh Parachute Coconut Oil has held its market share, while Hair Code hair dye has become a market leader with about 29% market share. The company is investing for future growth in the country through a range of value added hair oils under its Parachute and Nihar franchises that are expected to yield results in the future.

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The company has set up a copra crushing facility at Shirirchala near Ghazipur in Bangladesh. That is expected to commence commercial production in the coming quarter. This is yet another step in the backward integration journey which would help in improving the efficiency in the value chain.

The overall business environment in MENA is now near normal, but needs to be observed closely over the next few quarters. HairCode business performed well during the year. The restage of the brand along with the new visual identity and the spout sachet packaging innovation, continues to yield good returns. This change was well supported by 360 degree marketing initiatives. Fiancée was backed by a campaign reinforcing its VFM positioning. The market share of Hair Code and Fiancée range was around 57%.

During Q1FY13, the company's MENA business registered a growth of 5% over Q1FY12.

The South African business recorded a double digit Y-o-Y growth over Q1FY12. Caivil Just for Kids consolidated its leadership position in the Kids hair care market. Overall Marico's hair care brands have been growing steadily and improving their market shares in the ethnic hair care market in South Africa.

In Vietnam, X-Men, a leading Men's grooming brand, saw an uptick in its market share in male shampoo to circa 47%, supported by a new campaign. It also registered handsome share gains in the deodorant segment on the back of a new campaign and trade activation programs. X-Men for Boss targeted at a slightly older audience and priced at a premium to X-Men is also performing well.

Vijay Subramaniam, CEO, International Business said: "IBG will continue to build on the equity of Marico's brands and increase their penetration in the emerging markets of Asia and Africa. With IBG poised to cross the INR 1000 crore mark this year, I expect to see the benefits of scale in the coming years".

Kaya Skin Care Solutions

During Q1FY13, Kaya achieved a turnover of INR 81 crore (USD 14.5 million) registering a growth of 29% over the Q1FY12. The Kaya business in India and in the Middle East achieved same store sales growth of about 12% in net revenues during Q1FY13 as compared to Q1FY12. The same stores sales growth in India was in single digits whereas it clocked double digits in the Middle East. Kaya thus continues to sustain the top line growth trend for the past 7 quarters on a same store basis. DRx business reported a healthy double digit top line growth.

The products from Derma Rx introduced in India continue to gain good traction. These products were also introduced in some parts of the Middle East. More products from Derma Rx range and other products from Kaya will continue to be introduced in India and Middle East in a phased manner. About 25% of the revenues from Indian operations now come from the sale of products.

Losses at PBIT level for Q1FY13 were about Rs 7.3 Cr (USD 1.3 million) as compared to INR 5.6 crore (USD 1 million) during Q1FY12. The reported loss for Q1FY13 includes a one time exceptional loss of INR 4.8 crore (USD 0.9 million) on account of the proposed sale of Kaya Training Centre building. Excluding this exceptional item the losses of Kaya in Q1FY13 are at INR 2.5 crore (USD 0.5 million), less than half of Q1FY12 losses.

Ajay Pahwa, CEO Kaya commented: "Kaya business continues to record same store growth and improvement in EBIDTA margin. This reinforces our confidence in our current strategy".

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Outlook

The medium to longer term outlook on the company's three businesses remains positive. 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 prioritize expansion of consumer franchise over expansion of margins.

Margins during Q1FY13 were higher than the band Marico intends to target. The company has decided to pass back some of the input cost benefit in Parachute to consumers and has initiated steps in select recruiter SKUs. Input prices for Saffola have remained firm. Moreover, there exists some uncertainty in the business environment with a possibility of an economic slow down, downward revision of GDP growth estimates or the likely impact of inadequate monsoons. 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. The company therefore intends to proactively manage its margins within a reasonable band. In addition high inflation and weak currencies may have some impact on business in few of Marico's international markets. We believe the margins during Q1FY13 may not be sustained during the remaining quarters of the year.

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. This emboldens us to spell out our preference for growing our volume franchise as compared to focusing on profit margins alone. Our recent acquisition of personal care brands in the male grooming/styling segments puts us in a good position to leverage the Indian demographic trends and build a portfolio of the future.

Milind Sarwate, Group CFO summed up saying "We are delighted with the excellent Q1FY13 results. However, we will not over-stay on the celebrations! We are acutely conscious of the challenges ahead, both macro and Marico-specific., We shall continue to focus our energies on our long term deliverable of building endurable consumer franchises in India and other emerging markets".