Media Release

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marico
make a difference

Marico Q2FY14 results
Market share improvement across the portfolio, Margin expansion
Revenue up 5%, PAT up 25%

Marico posted Revenue from Operations of INR 1,118 crore (USD 180 million) a growth of about 5% over Q2FY13, during the quarter ended September 30, 2013 (Q2FY14). The top line growth was driven by growth in volumes of about 4% each in Domestic and International businesses.

The growth in Profits after Tax (PAT) was about 25% at a Group level. The growth in profits during Q2FY14 excluding the impact of change in the method of depreciation (carried out in Q4FY13) was about 23%.

The Scheme of demerger of the Kaya business has been sanctioned by the Honorable Bombay High Court with an appointed date of April 1, 2013. November 5, 2013 is fixed as the record date for allotment of shares by Marico Kaya Enterprises Limited (MaKE) to shareholders of Marico Limited in the ratio of 50:1 (1 share of Rs. 10 each in MaKE for every 50 shares of Re. 1 each held in Marico).

In India, softening in the sector due to the general consumer price inflationary trend and restricted spends on discretionary products has impacted the Company's growth rates. Moreover, growth in the primary sales during the current quarter was low due to a one time paring down of stocks in the trade given value growth lagging volume growth and inflation in distribution costs. Secondary volume growth in India is about 9% and this is as per Company's expectations given the overall economic situation.

The gross margins expanded by 190 bps during Q2FY14. Operating margins expanded by 210 bps to 15.1%.

Market shares continued to inch up and remained healthy across categories and geographies. New Products (Saffola Oats & Parachute Advansed Body Lotion) continued to track well.

Marico (BSE: 531642, NSE: "MARICO") is one of India's leading Consumer Products Group, in the global beauty and wellness space. During 2012-13, Marico recorded a turnover of about Rs. 46 billion (USD 836 Million) through its products and services sold in India and about 25 other countries in Asia and Africa. FY13 financials include Kaya which has been demerged from Marico Ltd effective April 1, 2013.

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 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, L'Ovite and Thuan Phat.

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

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

Marico Limited, Regd. Off: 7th Floor Grande Palladium, 175, CST Road, Kalina, Santacruz (E), Mumbai 400 098, India.
Tel: (91-22) 66480480 # Website: www.marico.com # Email: investor@maricoindia.net

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The **India Business** achieved a turnover of INR 804 crore (USD 130 million) during the quarter, a growth of about 1% over Q2FY13. The volume growth in India was about 4% for the quarter, in an environment where demand has been soft. Moreover, primary volumes were low due to a one time correction of stocks in the trade. Growth in secondary sales was as per expectations.

The business recorded market share gains across the portfolio even though the rate of category growths have decelerated over the past few quarters mainly in discretionary segments in Urban areas.

The operating margin of the India business during Q2FY14 was about 17.6%. The Company believes that this level of operating margin is sustainable in the medium term.

Parachute coconut oil in rigid packs (the focus part of the Parachute portfolio) recorded a volume growth of about 1% during the quarter. Secondary sales grew by a healthy 7% in line with expectations. During the 12 month period ended September 2013, Parachute along with Nihar improved its market share by about 55 bps over the same period last year to 56%

The Saffola refined edible oils franchise grew by about 7% in volume terms during Q2FY14 as compared to Q2FY13. Secondary volume grew by over 9%. It is expected to maintain this trend for the rest of the year. The brand maintained its leadership position in the super premium refined edible oils segment with a market share of about 57% during the 12 months ended September 2013. The company revamped one of its existing variants, with an improved and top of the line offering for modern day needs; Saffola Total. Saffola Total has twice the amount of antioxidants as olive oil. The Company's approach is to deliver a product based on science that is best for the consumers rather than offer plain commodities.

In breakfast cereals, Saffola Oats continues to do well and retained its no. 2 position with a 13% market share. The exit market share was about 17%.

Marico's value added hair oil brands (Parachute Advansed, Nihar Naturals and Hair & Care) continued to record very healthy growths and gained share by about 260 bps. The franchise grew its volumes by 15% during Q2FY14 as compared to Q2FY13 and secondary volume grew by 20%. The Company maintained its leadership position with a share of over 28% (for 12 months ended September 30, 2013).

The Company is now focusing on scaling up its presence in all the sub segments of Value Added Hair Oils so that it can get advantages of operating leverage in fixed costs and advertisement spends leading to expansion in operating margins.

Parachute Advansed Body Lotion has achieved a volume market share of about 7.1% (moving 12 months basis) and has maintained its number 3 position in the market. The brand off-takes grew at 26% during H1 compared to the category growth rate in mid-teens.

The acquired portfolio of youth brands (SetWet, Zatak & Livon) achieved a top line of about INR 97 crore (USD 15.7 million) during H1FY14 recording a growth of 30% (considering H1FY13 base of Marico and erstwhile owners). The Company has established a leadership position in the Hair Gels and Post Wash Leave-on conditioner market with about 43% and 80% share respectively.

Set Wet and Zatak had earlier seen some decline in market shares in the deodorant segment given that there was some lack of focus in the hands of the erstwhile owners. This decline has

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now been arrested and the trend is beginning to reverse. The market share during Q2FY14 was about 5% as compared to 3.9% in Q2FY13.

Marico's **International Business** focused on Bangladesh, MENA (Middle East and North Africa), South Africa and South East Asia comprised about 24% of the Marico Group's FMCG turnover in FY13, achieved a turnover of INR 314 Crore (USD 50.6 million) during Q2FY14 and thus reported a growth of 14% as compared to Q2FY13. The top line growth was led by 4% volume growth. The Operating margin for the quarter was over 16.7%.

The business in Bangladesh reported a top line growth of 1% (in constant currency) and continued its margin expansion journey in a benign input cost environment. Parachute increased its market share to 83% in the branded coconut oil market.

Value Added Hair Oils category touched 20% market share in Q2FY14. The launch of Hair Code ACTIVE, a faster-acting variant of Hair Code hair dye is gaining traction. Hair Code combined with Hair Code Active has strengthened its leadership position with an exit market share of 33%.

The business in Egypt was highly affected by political turmoil during the quarter and grew by about 5%. However, the outlook for quarters going forward is positive. HairCode and Fiancée together maintained a market share of 56% in the gels category. The business in GCC which suffered a decline is poised to record sales growth in H2FY14 and record profits by early to mid of FY15.

The business in South Africa reported a topline growth of 7% during the quarter. The business environment continues to be challenging with the ethnic hair care segments declining. Marico South Africa has however gained Market share in the category over the past few years.

The business in Vietnam is tracking as per expectations and grew by 21% in Q2FY14 over Q2FY13 in constant currency terms. X-Men maintained its leadership in male shampoos and the number two position in male deodorants. The Company continues to scale up its presence in neighboring countries like Malaysia and Myanmar.

Saugata Gupta, CEO, Marico said: "Amidst challenging environment, the foundations of the business continue to be strong with market shares improving across categories and geographies. The new products too have demonstrated a satisfactory performance. Moreover, the synergies of ONE Marico post the integration of domestic and international FMCG business will start playing out from beginning of FY15. We are confident about improvement in performance going forward."

Milind Sarwate, Group CFO said "Marico's FMCG Business has held to a growth mode despite challenges posed by economic conditions in India and unrest in some of our overseas markets. The basics of our business are however robust. The Kaya demerger process has had to deal with unforeseen procedures because of regulatory changes midstream. We now expect shares in Marico Kaya Enterprises Limited to list in February- March 2014."