Media Release

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Marico Q2FY17 results
Volume Growth ~ 3.5%, PAT up 18%,
Margin expansion continues, EBITDA Margins 17.5%, EBITDA up 11%
Deflation continues to put pressure on Value Growth

During the second quarter, Marico posted Revenue from Operations of INR 1,443 crore (USD 215 million) a decline of 1% over Q2FY16. The India business recorded a volume growth of 3.4% while the International business posted a constant currency top line growth of 4% (volume growth of 4%). The value growth was lower owing to price reductions in the Parachute Rigids portfolio in India and Bangladesh on a Y-o-Y basis consequent to deflation in inputs costs.

For more than half of the portfolio, the Company continued to gain market shares on 12 months MAT basis. In the Coconut Oil segment, market shares declined consequent to volume de-growth. There was significant improvement in market shares of value added hair oils portfolio in Bangladesh and Deodorant portfolio in Vietnam.

Gross margins expanded by 479 basis points in comparison to Q2FY16 in a deflationary environment (Y-o-Y expansion in Q1FY17 expansion was ~ 722 bps). The Company continues to invest behind brand building. Advertising and Sales Promotion (ASP) to Sales Ratio was maintained at 13.1%.

EBITDA at INR 253 crore (USD 38 million) has grown by 11%. EBITDA margins at 17.5% expanded year on year basis by 179 basis points due to softer input costs. 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 17% to 18% is sustainable. Profit after Tax (PAT) for the quarter at INR 177 crore (USD 26 million) grew by 18%.

Other Updates:

- International Products Corporation, the 100% subsidiary in Vietnam has changed its identity to 'Marico South East Asia Corporation' with effect from 1st September 2016. This reflects its intended presence in the South East Asia region.
- Marico won the **Lakshya Gold** Award for its work on "**Demand Sensing Analytics**" project in the annual NITIE Avartan Business fest contest. Demand Sensing is a new approach to alleviating demand forecasting and demand management related inefficiencies in the sales and supply chain ecosystem.
- Marico won 4 awards at EMVIEs 2016 for **Saffolalife** & **Parachute Advansed Body Lotion**. **Parachute Advansed** #KhulkeKheloHoli won Silver at Appies 2016. Marico won 4 Stevies at International Business Awards 2016 for **Saffolalife** & **Nihar Naturals. Parachute** & **Saffola** featured in Pitch Top 50 Brands 2016.

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 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 1,076 crore (USD 161 million) during the quarter, a value decline of 3% over the same period last year. The volume growth in India was 3.4% for the quarter. This lower growth is mainly attributed to volume decline of 6% in Parachute rigid coconut oil portfolio. Other core portfolios of Saffola premium refined edible oils, value added hair oils and Youth performed well. An overall deflation of 6% during the quarter was primarily on account of the price corrections in Parachute coconut oil taken in second half of FY16 and in April'16.

The operating margin during Q2FY17 was 21.0% before corporate allocation as against 18.4% 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 witnessed volume decline by 6% in Q2FY17 over Q2FY16 on a high base (Q2FY16 growth of 11%). In July 2016, retail prices of the brand were increased by 5%. The decision to increase MRP was taken in May, 2016 in anticipation of increase in raw material prices factoring the inventory pipeline across channels. Contrary to our estimate, post Brexit in end June, the commodity table dropped. Consequently, the local competition, did not take up the prices, thus putting pressure on Parachute volumes. The stressed rural demand further accentuated the decline. Given the recent run up to the commodity prices, the Company expects a better volume growth of 5-6% in the near term. Further, due to expected anniversarization of deflationary impact in H2 of the current year, we expect deflation to get neutralized by Q4FY17 in Parachute Rigids.

The **Saffola refined edible oils** franchise demonstrated a healthy 8% growth in volume terms during 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 Gold. 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 64% during the 12 months ended September 2016.

Saffola Oats franchise continues to consolidate its strong no. 2 position with a MAT value market share of 28%. 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 is well poised to cross INR 200 Crore (USD 30 million) landmark in the next 2-3 years.

Marico's value added **hair oil** brands grew by 11% in volume terms during the quarter. The Company further strengthened its market leadership by 128 bps to 32% volume share (for 12 months ended September 2016) and with value share gain of 63 bps to 25% for the same period. **Nihar Shanti Amla** continues to gain market share and achieved a volume market share of about 38% for the 12 months ended September2016 in the Amla hair oil category (MAT September' 15: 35%). New Products performed below internal expectations; however the company will continue to invest in growing these new franchises.

The Youth brands portfolio grew by 29% in value terms. The market share of **Set Wet Gel** has grown by 887 bps in last 12 months and currently stands at 57%. The Gels now comprise more than 40% of total Youth Portfolio. **Set Wet Deodorants** portfolio also improved its market share during the quarter (Exit Market Share as on September-16 was 3.4%, an increase of 106 bps since re-launch). In the Livon portfolio, necessary actions to revitalize the portfolio are being implemented and should show the desired results in quarters to come.

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Marico's rural declined by 4% due to subdued demand while the urban sales declined by 1% in Q2 FY17. Sales in Modern Trade (9% of the India turnover) continued the good run with growth of 8% in Q2FY17. CSD and Institutional sales (8% of the India turnover) declined by 7% in Q2FY17 due to stock norm correction by CSD.

Marico's **International Business** achieved a turnover of INR 367 Crore (USD 55 million) during Q2FY17, a growth of 4% in constant currency basis (volume growth of 4%). The operating margins (before corporate allocations) are at 19.0% in Q2 FY17 as against 17.6% 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 ~ 17-18% and continue to invest and plough back savings to drive growth.

The **Bangladesh** business reported a topline constant currency decline of 5% in Q2FY17 due to the price corrections taken in Parachute Coconut Oil. In the current quarter, Parachute coconut oil reported decline of 9% in constant currency terms but still maintained leadership position with 83% share. The Business is likely to accelerate back in the second half of FY17 with growth likely to come from the non-coconut oil portfolio backed by low single digit 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 North Africa** (MENA) business on an overall basis grew by 5% (constant currency basis) during Q2FY17 as compared to Q2FY16. The **Middle East** business grew by a modest 1% on constant currency basis in Q2FY17 due to macro-economic headwinds in the region. The **Egypt** business grew by 9% in constant currency over Q2FY16, aided by Parachute oils and creams relaunch. 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 12% in constant currency terms. X-Men maintained its leadership in male shampoos and further consolidated the number two position in male deodorants. The Company witnessed a broad-based heathy growth across major categories in the Vietnam business. Over the medium term, the Company remains well poised to participate in the category growths.

The **South Africa** business reported a constant currency growth of 9% during the quarter despite challenging macro conditions.

Saugata Gupta, MD & CEO said, "Our growth in the second quarter was muted. The profitability indicators however continue to be robust. The macro environment in India and Middle East continues to be sluggish. We believe that the soft consumption environment has bottomed out and the performance of the Company will pick up steadily going forward. As we look at future, we will continue to invest behind brand & capability building to secure long term profitable growth. We will strive to build new vectors of growth while building strong moats around our core. "