Media Release

Year 2016-17

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Net Profit INR 799 crs

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Marico Q2FY18 results
Healthy India Business Volume Growth of 8%; Stable EBITDA Margins;
Consumer Offtake Growth and Market Share Gains continue;
Exciting New Launches in Healthy Foods

In Q2FY18, India business recorded a smart recovery with a volume growth of 8% coupled with a healthy margin performance. The Company continued to see satisfactory offtake growths with increases in market share in more than 90% of the categories that it operates in. The volume growth is mainly attributable to competitive pricing, continued investments & pipeline refilling in general trade. The Company has passed on the benefit of reduced GST rates to consumers by reducing the retail prices of its products at a category level (varying from 3-6%). International business grew 1% in constant currency terms, mainly aided by double-digit constant currency growth in its Bangladesh business.

Revenue from Operations stood at INR 1,536 crore (USD 239 million), a growth of 6% over Q2FY17. Operating margin at 16.9% was impacted by a steep inflation in copra prices (~84% YoY) while the Company held back price increases in the Parachute Rigids portfolio. Copra prices are expected to remain firm in the near term and consequently, the Company has taken Parachute Rigids' prices up by ~ 10%, effective October 2017. To support buoyancy in volumes, the Company stepped up Advertising & Sales Promotion spends as compared to the past few quarters, moving closer to the medium term guidance levels of 11-12%.

The Company will aim at a volume growth of 8-10% and a topline growth of ~13-15% (depending on inflation) in the medium term. Operating margin is expected to be maintained in a band of 17-18% over the medium term.

At its meeting held on October 30, 2017, the Board of Directors of the Company has declared an **interim dividend of 175% (INR 1.75 per share)** on its paid up equity share capital of INR 129.07 crores, up from 150% last year.

Other Updates:

- Marico was conferred with the 'Best in Class Supply Chain Strategy & Design Award' at the Express Logistics and Supply Chain Leadership Awards 2017.
- Marico's Baddi Unit was among 6 organizations from Asia and the Pacific Rim to be conferred with the 'World Class Award" by the International Asia Pacific Quality Organization.
- Mario won 12 PR Awards across various categories at the 2016 International Stevies.

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, Thuan Phat and Isoplus.
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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marico
make a difference

The India business achieved a turnover of INR 1,200 crore (USD 187 million), a growth of 12% over the same period last year.

The volume growth in India was healthy at 8% for the quarter. This is attributable to competitive pricing, restocking in trade subsequent to the pipeline reduction prior to implementation of GST, and strategic investments made by the Company. While the pace of recovery in eastern markets, especially in rural and the wholesale channel, and CSD has been slow, the northern, western and southern markets and Modern Trade have restored to normalcy.

The operating margin during Q2FY18 was 19.3% (before corporate allocations) as against 21.0% for the same period last year. The margins decreased this quarter due to a steep rise in input costs while the Company chose to hold back the price increase in Parachute Rigids portfolio. The Company will continue to focus on a balanced approach towards volume growth and profitable margins. In the medium term, we would be comfortable at ~ plus 20% EBITDA margins.

Parachute Rigids portfolio (packs in blue bottles), witnessed volume growth of 12% in Q2FY18 on a lower base (volume decline of 6% in Q2FY17), due to competitive pricing, pipeline refilling and market share gains. The franchise has outperformed the category growth, which is evident from the fact that during the 12 months ended September 2017, Parachute along with Nihar & Oil of Malabar increased its market share by 82 bps to ~59%.

The **Saffola refined edible oils** franchise recorded a growth of 6% in volume terms (ex- CSD) during the quarter. **Retail prices were corrected by 3.5% on a weighted average basis to pass on the GST benefits to the consumers**. The brand gained market share of 217 bps and further strengthened its leadership position in the super premium refined edible oils segment to 67% during the 12 months ended September 2017.

The oats franchise registered double digit volume growth. We have launched two new exciting flavors under the Chef's choice range viz. **"Tandoori Magic"** & **"Tangy Chaat".** Also, **Saffola Masala Cuppa Oats** was launched in 2 flavours - **Classic Masala** & **Chinese** during the quarter. Further, we are now prototyping **100+ Saffola Masala Oats vending machines** in commercial establishments in metro cities.

An all-new **Saffola Active Slimming Nutri-Shake**, is being launched in 4 variants – Swiss Chocolate, French Vanilla, Royal Kesar Pista & Pista Badam in 400 gm and 50 gm packs. The meal replacement product is a healthy meal option with essential nutrients that complements the busy urban lifestyle.

The Value-added Hair Oils franchise registered a volume growth of 12% during the quarter. The Company further strengthened its market leadership by 159 bps to **~34% volume share** (MAT September 2017) and with a value share gain of 135 bps to 26% for the same period. **Also, retail prices were corrected by 5% on a weighted average basis to pass on the GST benefits to the consumers.** The Company will continue to focus on premiumization to drive growth in the category.

Nihar Shanti Amla Badam attained market leadership in volume terms on an exit basis within the Amla hair oil category. The exit market share of Nihar Shanti Amla Badam at 42% reflects the continued strong growth trajectory.

The **Male Grooming** portfolio and **Premium Hair Nourishment** portfolio (comprising Livon and Silk-n-Shine) declined by 18% and 9% respectively, in value terms, on a comparable basis (excluding the impact of higher GST rates compared to erstwhile VAT rates).

Marico's rural sales grew by 14% while urban sales grew by 10% in value terms. Sales in Modern Trade (10% of the India turnover) continued to grow rapidly, by 27% in Q2FY18, as the new habit of convenience shopping in the modern trade environment is taking roots post demonetization. CSD (7% of the India turnover) declined by 1% in Q2FY18. Recovery in the CSD channel is expected to happen from Q4 FY18.

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E-Commerce has become an important pivot of growth. This business grew by 178% during the quarter, albeit on a low base. Given our focus on innovation and Digital, we have also launched **Parachute Naturalz Virgin Coconut Oil (500ml) - All Natural, Cold Pressed, Unbleached, Non-Hydrogenated, Unrefined** - exclusively on the E-Commerce channel.

Marico's **International Business** achieved a turnover of INR 336 Crore (USD 52 million) during Q2FY18, a growth of 1% in constant currency basis. The operating margin (before corporate allocations) was 18.5% in Q2FY18. 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 11% in Q2FY18 (volume growth of 6%). In the current quarter, Parachute coconut oil reported growth of 5% in constant currency terms and maintained leadership position with ~87% share. The Company's value added hair oils portfolio grew healthily led by a strong performance of the flagship brand 'Parachute Advansed Beliphool'. The non-coconut oil portfolio grew by 37% in constant currency terms and is now circa 22% of the total business in Bangladesh as compared to 10% five years ago. The non-Coconut oil portfolio is likely to become ~30-40% over next 2-3 years.

The **South East Asia business** declined by 8% in constant currency terms. In Vietnam, we registered a decline of 9% in constant currency terms due to sluggishness in both our categories - male shampoos and male deodorants. Despite these headwinds, our market share in male shampoos continued to grow steadily this year. X-Men maintained its leadership in male shampoos and male aerosol deodorants category. The Foods franchise posted a constant currency growth of 11% during the quarter.

The **Middle East & North Africa (MENA) business** registered a flattish quarter in constant currency terms. The Middle East business declined 7% in Q2FY18 on constant currency basis, while the Egypt business grew by 8% in FY17 in constant currency terms. Egyptian Pound (EGP) has depreciated by more than 100% against USD over the last 12 months, putting pressure on margins and value growth. Given the equity of brands such as Hair Code in Egypt and Parachute in Middle East, we remain positive about the medium term outlook on these markets. Business is expected to get back to growth trajectory in H2 FY18.

The **South Africa business** reported a constant currency growth of 1% during the quarter, despite challenging macro conditions. During the quarter, Marico South Africa Pty. Limited (MSA), a wholly owned step-down subsidiary of Marico Limited, announced the acquisition of "ISOPLUS", a leading hair styling brand in South Africa. The same is being integrated into the main business.

Commenting on the Q2FY18 performance, Saugata Gupta, MD & CEO said, "In Q2FY18, healthy volume growth was restored along with market share gains in more than 90% of the portfolio as the trade stabilized post GST implementation. Although earnings growth was muted, margins were resilient despite the hyper- inflationary input cost environment. We also continued our thrust on innovations during the quarter. We expect the second half to be better with 8-10% volume growth in India and double digit constant currency growth in International. We continue to remain confident of delivering sustainable profitable growth over the medium to long term as we invest behind brand and new age capabilities."