Media Release

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marico
make a difference

Marico Q4FY17 results: Normalcy returning after demonetization
Volume Growth 6%, PAT up 26%, EBITDA Margins at 19.6%,
Growth in Core & an aggressive new product agenda defines FY18 strategy

During Q4FY17, India Business delivered a healthy 10% volume growth. The Company witnessed normalcy returning after the demonetization in Q3 FY17. The International business posted a constant currency top line decline of 5% (volume decline of 5%) plagued by macro-environment issues in the MENA region. Ex-MENA, the International Business grew by 8% in constant currency terms. Overall, Marico delivered healthy volume growth of 6%. Revenue from Operations of INR 1,322 crore (USD 197 million) grew by 2% over Q4FY16. The value growth was lower owing to pending anniversarization of price reductions in the Coconut Oil portfolio in India & Bangladesh and currency devaluation in the Egypt region. The Company spent cautiously on advertising amidst environmental uncertainty. Consequently, EBITDA margins expanded in the quarter.

More than half of the portfolio continued to gain market shares on MAT basis. In India Business, with uptick in consumer offtakes, Q4 Market Shares were higher than MAT shares implying near term upswing. Although market shares in Coconut Oil have reduced on MAT basis they should improve in coming quarters as inflation sets in.

Gross margins declined by 170 basis points in comparison to Q4FY16 as raw material inflation set in. (Y-o-Y expansion in Q3FY17 was ~ 77 bps). A lower Advertising and Sales Promotion (ASP) to sales ratio at 8.4% (Q4FY16 at 12.5%) was an aberration amidst environmental uncertainty. The Company chose to delay new product launches to H1 FY18. For the full year, ASP to sales ratio was 11.1% as against 11.5% in FY16. Over the medium term ASP spends are likely remain in the range of 11-12% given the healthy innovation pipeline and renewed focus on the core portfolio.

EBITDA at INR 259 crore (USD 39 million) grew by 21%. EBITDA margins at 19.6% expanded year on year basis by 301 basis points. Over the medium term, operating margin of 17-18% is sustainable. Profit after Tax (PAT) for the quarter at INR 169 crore (USD 25 million) grew by 26%.

Other Updates:

- Marico's office in Andheri, Mumbai received the distinguished **IGBC Green Building Certification** for innovative and efficient use of energy and water, facility management and health standards.
- Marico **Baddi unit** won **IMC Ramkrishna Bajaj National Quality award** and gets **CII "GreenCo Gold"** certification.
- Marico **Treasury Team** was awarded "The Best Treasury Team in Asia" by Corporate Treasurer, a Treasury Management magazine.
- Marico Limited announced a strategic investment in Zed Lifestyle Private Limited with an acquisition of 45% equity stake. The equity stake shall be acquired over a period of two years. In the first tranche, Marico has acquired a 35.43% equity stake in Zed Lifestyle.

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 1,035 crore (USD 155 million) during the quarter, a growth of 6% over the same period last year. The healthy volume growth of 10% in Q4 was backed by strong recovery in key categories of Parachute Rigid Coconut Oil and VAHO while Saffola continued its growth momentum. An overall deflation of 4% during the quarter was primarily due to pending anniversarization of price reductions in the Coconut Oil portfolio taken in April'16.

The operating margin during Q4FY17 was 26.0% before corporate allocation as against 23.6% for Q4 FY16. For FY17, the operating margin was 24.3% before corporate allocation as against 21.7% in FY16. Higher operating margins can be attributed mainly to lower advertising spends this quarter. In the near term, the margins are likely to get corrected owing to significant increase in input costs and focus on volume growth. Further, significant investments would be made in strengthening the core and new product launches. In the medium term, the Company would be comfortable at ~ plus 20% EBITDA margins.

In Q3, due to demonetization, the volumes of **Parachute's rigid portfolio** (packs in blue bottles) had declined as the trade inventory went down. In Q4, the raw material prices shot up by 25% sequentially while Marico delayed its decision to take the output prices up. The delay in price increases gave Company the advantage over competition to correct the inventory of Parachute rigid portfolio upwards across channels, boost offtakes and improve market shares. The portfolio witnessed volume growth of 15% in Q4FY17 over Q4FY16. This growth is an aberration and going forward, the volume growth in Parachute rigid is likely to remain in the range of 5-7%. The Company has taken the prices up by 8% in March 2017.

The **Saffola refined edible oils** franchise demonstrated a steady 6% growth in volume terms during the quarter. In Q4FY17, the Company launched the first of its kind blend of Olive and Flaxseed oil under a sub-brand Saffola "Aura". A Blend of two superfoods, Saffola Aura combines the benefits of Omega-3 and Antioxidants in a single oil. 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 March 2017.

Saffola Oats franchise continues to consolidate its strong second position with a MAT value market share of 27%. Focus on value added offerings in the oats segment led to a dominant 69% value share in the flavoured oats market on a MAT basis. The Company launched Saffola **Multigrain Flakes**, its new entrant in the Breakfast cereal space in the month of February in the cities of Mumbai and Bangalore.

Marico's value added **hair oil** registered a volume growth of 10% during the quarter after witnessing a decline in Q3FY17 due to demonetization. Consequently, during the quarter, the Company further strengthened its market leadership by 150 bps to 33% volume share (for 12 months ended March 2017) and with value share gain of 100 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 39% for the 12 months ended March 2017 in the Amla hair oil category (MAT March '16: 37%).

The Youth brands portfolio declined by 6% in value terms as the base quarter had launch volumes of new range of Set Wet Deodorants (FY17 value growth of 5%). The market share of **Set Wet Gel** has grown by 391 bps in last 12 months and currently stands at 58%. **Set Wet Deodorants** portfolio achieved a volume market share of about 3.3% for the 12 months ended March 2017 in the Deodorants category (MAT March '16: 2.6%). **Livon Serum**'s core proposition of 'salon finish hair at home', launched in August 2016 with a focus on metro markets has built relevance for the brand. Despite the macro-economic factors, the brand showed signs of positive campaign traction with value growth in Q4FY17 and has also started to unlock the e-commerce channel potential. The Company has an exciting new product pipeline for the entire Youth portfolio in FY18.

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Marico's rural sales grew by 4% while the urban sales grew by 9% in Q4FY17. Sales in Modern Trade (10% of the India turnover) continued the good run with growth of 17% in Q4FY17. CSD and Institutional sales (7% of the India turnover) declined by 13% in Q4FY17 due to stock correction.

Marico's **International Business** achieved a turnover of INR 287 Crore (USD 43 million) during Q4FY17, a decline of 5% in constant currency basis (volume decline of 5%). The severe macro-economic headwinds in the MENA region have led to the decline this quarter in the overall international business. The core markets of Bangladesh & Vietnam continued their momentum during the quarter. Consequently, excluding MENA, the International Business grew at a constant currency rate of 8% in Q4FY17.The operating margins (before corporate allocations) are at 9.8% in Q4 FY17 as against 12.9% same period last year. The lower margin in Q4 can be attributed to a) higher advertising spends in Vietnam, b) business decline in MENA in addition to the major currency devaluation in Egypt and c) full year charge of intra-group services accounted for in Q4. The Company shall endeavor to maintain international margins at ~16-17% and continue to invest behind growth.

In the **Bangladesh** business, topline in constant currency terms grew by 5% in Q4FY17 (volume growth of 7%). In the current quarter, Parachute coconut oil reported growth of 4% in constant currency terms (volume growth of 7%) and maintained leadership position with 86% share. The Company's value added hair oils portfolio grew at a rate of 16% in constant currency terms led by strong growth in the flagship brand 'Beliphool'. The non-Coconut oil portfolio grew by 16% in constant currency terms in Q4 FY17. 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 ~ 23%.

Business in **South East Asia** grew by 11% in constant currency terms in Q4FY17. 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 46% (constant currency basis) during Q4FY17 as compared to Q4FY16. As the macro headwinds continued, the company chose to correct the distributor inventory levels in Q4, in both in the Middle East & Egypt businesses. The **Middle East** and the **Egypt** business declined by 41% and 55% respectively in constant currency terms in Q4FY17. Egyptian Pound (EGP) has depreciated by 52% against INR over the last 12 months putting pressure on margins and value growth. We remain cautiously optimistic about this region in the near term. Given the equity of brands such as Hair Code in Egypt and Parachute in Middle East, we remain positive about the medium term outlook. Overall a marathon innings will be required for long term victory in this region.

The **South Africa** business reported a constant currency growth of 6% during the quarter despite challenging macro conditions.

Saugata Gupta, MD & CEO said, "I am fairly satisfied with the strong comeback during the quarter. The core is stronger with gains in market shares. We remain committed to a robust volume growth over medium term. As we enter FY18, we are acutely conscious of the challenges ahead. GST, the biggest indirect tax reform is round the corner. While in the long run, it will be beneficial for organized players, it will bring near term uncertainty that may disrupt trade in H1FY18. Inflation in key commodities is also imminent. We will invest in the core & the new products for which we have an exciting calendar ahead. Our operating margins which are very healthy may go down; we believe that focus on franchise expansion with threshold margins will stand us in good stead as we write a long term profitable growth story."