Marico - An Information Update April 26, 2007

Q4FY07 (Quarter ended March 31, 2007)

Group Turnover	**Rs. 397 Cr.**	**Up 33 %**
Profit Before Tax	**Rs. 33 Cr.**	**Up 32 %**
Net Profit	**Rs. 28 Cr.**	**Up 17 %**
Fourth Interim dividend	**20%**	

MARICO MAINTAINS GROWTH MOMENTUM

SUSTAINED ORGANIC AND INORGANIC GROWTH IN TURNOVER

The Year 2006-07 (FY 07) has been one of high growth at Marico. From a compounded growth rate of about 13% during the period from FY02 to FY06, Marico achieved a turnover growth of 36% during the year, taking its revenue to Rs 1557 crore. While 14% of this growth was contributed to by acquisitions made by the company, organic growth was 22%. The company took few price increases during the period and thus 20% of out of the 22% growth has resulted from volume led franchise expansion. Marico's focused efforts towards sustainable profitable growth continued to bear fruit, with the turnover growth being accompanied by a growth of 30% in Profit After Tax (PAT). Marico's PAT has exceeded Rs 100 crore for this first time and stands at Rs 113 cr.

During Q4FY07, the Marico Group recorded a topline of Rs 397 crore, a growth of 33% over Q4FY06. Turnover Growth was all-round and strong - in Consumer Products as well as in Kaya skin care solutions, both in India and overseas. Profit After Tax during the quarter increased by 17% over Q4FY06. The growth in PAT is lower than in PBT partly on account of some of the company's income tax exemptions no longer being available and owing to a one-time charge relating to previous years.

During the quarter, the company rolled out Saffola Atta Mix and Parachute Hair Perfect moisturiser after successful prototypes. Marico's operations in Egypt have also begun to stabilize after its entry through the two brand acquisitions in September and December 2006.

Q4FY07 is in Y-o-Y growth terms, the:

- 26th consecutive Quarter of growth in Turnover and
- 30th consecutive Quarter of growth in Profits

The Board of Marico Limited, at its meeting held on March 23, 2007, declared an interim dividend of 20% on its enhanced equity share capital of Rs. 60.9 Crore. Q4FY07 is now the 25th consecutive quarter of dividend distribution.

The Hon'ble High Court of Judicature at Bombay has sanctioned the scheme of financial restructuring approved by the shareholders at their Extra-Ordinary General Meeting (EGM) meeting held on February 8, 2007. Accordingly, the company has carried out an adjustment of its intangible assets against Special Reserves comprising Securities Premium Account and the Capital Redemption Reserve Account. (More details are provided in a separate section in this Information Update).

Marico's Investor Relations efforts are co-ordinated by

- Chaitanya Deshpande, Head – Strategy, M&A and Investor Relations (chaitanyajd@maricoindia.net)
- Vinod kamath Chief Finance & IT (vinodk@maricoindia.net)

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Focus on Growth

Q4FY07 is the third successive quarter in which Marico has achieved a Y-O-Y growth in topline of over 30%. During the quarter, the company's revenues grew by 33% over Q4FY06. This comprised 21% organic growth accompanied by 12% inorganic growth. Across categories, franchise expansion was the chief driver. The Company did not take any significant increase in consumer prices. All the business segments namely, Domestic FMCG, International FMCG, Kaya Skin Solutions and Sundari Spa Skin Products recorded high growth. In the recent past the company has stepped up its spends on brand building in its flagship brands as well as nurturing of new products. These efforts have resulted in healthy volume growth. Besides, the company has expanded its portfolio through acquisitions, which have provided additional growth drivers. During the quarter the focus brands turnover comprised 79% of the Group turnover.

Domestic FMCG Business

In the Domestic market, the flagship brand, Parachute Coconut Oil achieved another quarter of double-digit volume growth. Volume sales of Parachute in rigid packs in Q4FY07 grew by 13% over Q4FY06. The focus segment of the hair-care range (Parachute Jasmine, Shanti Amla Badam, and Hair & Care being the key elements) grew by 17% in volume (excluding Nihar). In the Premium Refined Oils market, Saffola, the company's second flagship, grew its franchise by 19% in volumes.

International FMCG Business

During Q4FY07 Marico's International FMCG business excluding operations in Egypt clocked a growth of 24% over the corresponding quarter in the previous year with a turnover of Rs 41 crore for the quarter. The company had commenced marketing and distribution of Fiancee in Egypt in December 2006. During the quarter, sales of HairCode, its second Egyptian acquisition in post wash hair care, commenced too. Operations in Egypt contributed to an additional Rs 17 crore of turnover during the quarter, making the total growth over Q4FY06 in International business 74%. Marico's international FMCG business recorded a turnover of Rs 193 crore during FY07.

The process of integrating the Egyptian acquisitions into Marico is progressing smoothly. In the short run, the company would focus upon gaining insights about the Egyptian consumers and markets and build upon the business in Egypt. It could explore increasing exports from Egypt into neighboring countries and introducing products from India subsequently.

Marico's marketing efforts in the Middle East continue to be led by Parachute hair cream. During the 12-month period up to February 2007, it maintained its market share of about 28%. Apart from television advertising, Marico has begun using a 360-degree marketing to provide several touch points with the consumer, an approach that has proven itself successful in India. Market display, van branding, hair-tip booklets, in-store promoters, PR and meets with celebrities are being used. The brand has also begun to pick up share in other markets in the Middle East. For instance, it holds a share about 13% in KSA and 17% in Oman.

Parachute coconut oil continues to be the leader in the coconut oil segment in UAE. During the quarter, the flagship brand won the Outstanding Marketing Achievement Award (Silver) and Best Brand Extension Award (Gold) at the prestigious *Gulf Marketing Review (GMR) Awards 2006* – a testimony to Marico's journey and strategy in the region.

In Bangladesh, Parachute continues to make good progress and its market share increased to about 58% of the branded coconut oil market. Its strategy of converting loose oil users to branded oil has helped towards increasing volumes by about 19%. The soap brands Camelia and Aromatic achieved a turnover of about Rs 3 crore during the quarter.

Marico's Growing portfolio:

Prototypes and New Launches

In order to generate additional sources of growth in the coming years, Marico as an FMCG company must create a healthy pipeline of new products. To identify scalable marketing and product propositions, Marico has been following a prototyping approach to test a few hypotheses in a low-cost fail-fast model before any decision to scale up is taken.

Revive Liquid Stiffener:

During the quarter the company commenced a prototype of Revive Liquid Stiffener, which dissolves evenly in water and delivers patch-free starching of both coloured and white clothes. As with Revive powdered starch it provides the ease and convenience of cold-water starching.

Products Recently Rolled-Out:

Having conducted prototypes in select markets, the company rolled out some of its brands on a larger scale. In January 2007, Saffola Atta Mix, a functional food that helps in cholesterol management was scaled up the metro towns and key Saffola markets.

Apart from Saffola Atta Mix launched during Q4FY07, other launches during the year include those of Parachute Therapie – a 45-day hair fall solution, Parachute Advansed After Shower hair gels in India and Go Get Noticed Gel in the UAE.

Re-crafting Strategy on Sparsh:

Marico had rolled out a range of baby care products comprising baby oil, a baby-bathing bar and a baby cream under the brand Sparsh. The brand has not performed as well as expected. The company has therefore decided to re-think its marketing mix.

Nurturing New Products

Each new product requires nurturing and upfront advertising support. In the initial period, this could be a large percentage of the sales generated by the brand. Over time, while reinvestments in the brands continue, the percentage to sales would obviously decline. With the company having identified new product introductions as one of the avenues for building future growth engines, its advertising spends have increased. As a result, ASP spends to sales have increased from single digits in the past to about 12.5% to 13% this year. About 70% of Marico's ASP during the year is attributable to new products. The company is thus utilizing margins generated from established products for creating and building new franchises.

Depending on the timing of the launch of products, the ASP spends may get skewed during some quarters. During Q4FY07, the ASP to Sales was 15.1% as compared to 13.3% for FY07.

A few Brand Stories:

Parachute

Over the last few years, Marico has focussed on growing the coconut oil market by encouraging conversions from loose oil to branded oil through packs at lower price points. At the same time Parachute has also worked on increasing its market share in pockets where its share is not as high as in its strongholds, through various micro-marketing initiatives. The brand continues to pursue these twin strategies, which have been working well. Parachute posted another quarter of healthy growth. During Q4FY07, Parachute's rigid packs have grown by 13% over Q4 FY06 in volume terms. The growth has been broadbased with all the markets doing well. The brand's market share in the 12 months to February '07 is about 48% in volume terms.

Marico's leadership position in the coconut oil market was strengthened with the acquisition of Nihar in Feb '06. Marico now commands a 57% market share in the branded coconut oil market. The progress on Nihar has been in line with expectations.

Parachute has maintained its retail prices since August 2004. In a declining input price scenario, the brand's ability to hold retail prices has enabled it to expand gross margins. A part of these incremental margins have been ploughed back into the business through advertising expenditure in Parachute as well as new brands in Marico's portfolio. During Q4FY07, input prices have increased by about 8% over the same period in the previous year. While input prices are difficult to forecast, the company expects copra prices in FY08 to be higher than in FY07 by 7% to 10%. The company may therefore consider an increase in the retail prices of Parachute during the year. The timing of the increase would however depend on a multitude of factors.

Saffola

Saffola, Marico's refined edible oil brand has created strong "good for the heart" equity for itself over the years. The brand dominates the refined safflower oil and blended oils with safflower category. While it occupies a niche super premium position above other premium refined oils, the brand nevertheless has a large potential for growth given the increased incidence of heart related ailments in the country and the growing awareness and health consciousness.

The strong equity that Saffola enjoys enables it to take a thought leadership position. The brand advocates proactive lifestyle management. Saffola is associated with World Heart Day and encourages people to "Walk". A new television advertising campaign *'Babu Samjho Ishare'* serves as a "wake up" call, highlighting the need to shift to a healthier lifestyle. Saffola was voted the Most Trusted Brand in the cooking oil category by Reader's Digest for the second year in succession.

During Q4FY07, the Saffola franchise registered a volume growth of 19% over Q4FY06, despite a small price increase.

The high quality of Saffola's advertising was recognized at the Effie awards in 2006 when it won the Silver. Saffola also won the Gold last year.

Hair Oils

The Company's basket of hair oils showed strong growth during the quarter. As in the past, the company has focused on rigid pack sales of its hair oil portfolio. Marico's hair oils in rigid packs grew 17% in volume (excluding Nihar) over the corresponding quarter in the previous year.

In the perfumed coconut oil category, Parachute Jasmine has been doing well with its market share in rigid packs at 31% (12 months to Feb 2007). Together with Nihar, Marico now commands 82% of the perfumed coconut oil market (12 months to Feb 2007).

The performance of Shanti Amla has not been up to expectations. During Q4FY07, volumes declined by 5% as compared to Q4FY06. On a year to date basis, the growth was 3% Y-o-Y. Shanti Amla's market share in the Amla oil category was 10% (12 months to Feb 2007).
Marico's Hair & Care continued to perform well in the market place. During Q4FY07, the brand registered a volume growth of 19%. Its share in the NSHO (Non-Sticky Hair Oils) market for the 12 months to Feb 2007 was 18%.

Post-wash Conditioners

Marico is present in the post-wash hair care segment through Marico's Silk-n-Shine a post-wash conditioner and Parachute After Shower hair cream. Recently, Marico launched Parachute After Shower hair gel in order to garner greater value from the consumers' spends on post wash grooming. During the 12 months ended November 2006, Silk n Shine had a 31% volume share of the post wash conditioner market, while Parachute After Share hair cream led the hair creams market with a 41% market share. With these, Marico has established a presence in the newer age hair care formats popular amongst the youth.

Soaps

Marico's soaps franchise in India comprising Manjal and Parachute Jasmine achieved a turnover of Rs 3 crore during Q4FY07. As planned, Manjal has been launched in Southern states of Kerala, Tamil Nadu, Karnataka and Andhra Pradesh and in the Western states of Maharashtra and Goa. Parachute Jasmine now sells in the East and in Maharashtra the two regions where there is a preference for the Jasmine fragrance.

Modern Trade and Marico

Marico's business portfolio is well balanced between modern trade and other retail. Marico's presence in modern trade is likely to grow manifold in some categories with the entry of organized retailers such as Reliance Retail, Tesco, and Walmart and the major expansion plans of chains like Big bazaar, Spencers, Foodworld and Subhiksha. This will put some pressure on internal margins as these chains provide a great opportunity for driving business growths and are hence quite demanding. However, strong brands will have their own pull and the balance of power may not necessarily be one sided. Moreover, this medium also provides opportunities of cost saving in supply chain/distribution through disintermediation and in packaging costs. The open format stores of Modern Trade also provide an opportunity for "consumer interaction" with the product. This helps some of our new products such as Parachute Therapie and Saffola Atta Mix where we would like the consumer to read descriptions on the packs.

As of now, modern trade accounts for about 4% of Marico's turnover.

Rural Sales:

Marico's distribution network is serviced by a large number of distributors and super-distributors. The distributors service retail outlets in urban towns. Super-distributors, on the other hand, are mandated to service the hinterland through stockists. Marico does not have a very strong direct access to the rural heartland of India. Apart from Parachute (an urban and rural brand), the company's portfolio is by and large urban-centric. About 25% of its sales come through the super-distributor channel. Given the higher costs of direct rural reach, the company may not pursue aggressive rural expansion, as it does not possess a sufficiently large basket of brands amenable for rural sales. Marico's focus in recent years has been to shift to more value added products, which have a demand in the urban towns. Moreover, urban India itself has large concentrations of people with low incomes who can be serviced with value for money products, which might otherwise have a demand in rural India.

Kaya Skin Clinic

The skin care solutions business of Kaya Skin Care Ltd., broke even during FY07 with a marginal profit before tax. During Q4FY07, Kaya recorded a turnover of Rs 22 crore, a growth of 52% over Q4FY06 and a growth of 10% over Q3FY07. Kaya's revenues for the year FY07 were Rs 75 crore.

Kaya Skin Clinic now reaches its customers through 43 clinics in India and 5 in the Middle East. The latest clinic was opened in Muscat in the Sultanate of Oman. The Kaya consumer base has increased to over 200,000. In order to drive increased footfalls to its clinics, Kaya had commenced the use of television advertising in September 2006. The campaign promises radiant flawless skin as opposed to a solution to a problem, thus attempting to broaden Kaya's audience appeal.

During the year, Kaya has focussed on improving the capacity utilization in existing clinics. Projects were taken up to improve cycle time in laser services and to reduce no shows. The company expects that the utilization average of about 50% can be pushed up to 60-65%. The company also focussed on quality standardization, training and enhancement of customer services during the year. A tie-up with Singapore Quality Center (Singapore Airlines) helped train staff at Kaya on a "Customer First" mindset.

Kaya's focus on high levels of customer service and their satisfaction has earned it the Reid & Taylor Awards for Retail Excellence in the Beauty and Health category for the second year in a row. Kaya also won the Star Retailer Award, The Consumer Way, by Franchisee India Holdings, adjudged by KSA Technopak, in the Health & Beauty category.

Clinic revenues are also being improved by giving a thrust to the sale of Kaya products. As against a share of about 10% in Q4FY06, products constituted about 13.5% of Kaya's revenue in Q4FY07. During Q3FY07, two new products were introduced, each complementing an existing service, Kaya Pimple-Free Cream to help control and occurrence of pimples and Kaya Post-Laser Cream to help the natural healing process of the skin following laser hair reduction. Hitherto, Kaya products have been sold at Kaya Skin Clinics. It is planned to experiment with making them available at other stores. A prototype is planned in the near future.

Having focussed on enhancing service quality and capacity utilization in India during FY07, Kaya plans to open 15 to 20 more clinics both in India and in the Gulf during FY08.

OPERATING MARGIN STRUCTURE FOR MARICO GROUP

% to Sales & Services (net of excise)	Q4 FY07	Q4 FY06
Material Cost (Raw + Packaging)	52.0	51.4
Advertising & Sales Promotion (ASP)	15.1	16.2
Personnel Costs	4.5	5.6
Other Expenses	17.9	14.6
PBDIT margins	10.5	12.2
Gross Margins (PBDIT before ASP)	25.6	28.4

Notes:

1. Margins have been computed without including "Other Income".
2. Marico has invested part of the incremental margins earned into brand building ASP - both to strengthen established brands and to support new ones. About 70% of the ASP was spent against new products. ASP to sales, while lower than in Q4FY06, is higher than the recent trend. The ASP to Sales ratio for the year FY07 is 13.3%. (It was 12.5% in Q3FY07).
3. In order to make comparison meaningful, items with a one-time impact have been excluded from the above table.
4. Previous period figures have been regrouped / restated wherever necessary.
5. The detailed Financial Results and other related useful information are available on Marico's website – http://www.maricoindia.com/ic_latest.htm

CAPITAL UTILIZATION

Over the years, Marico has been maintaining its Return on Operating Capital Employed (ROCE) at levels above 30%. Given below is a snapshot of various capital efficiency ratios for Marico:

Ratio	FY07	FY06
Return on Capital Employed		
- Marico Group	35.6%	25.8%
Return on Net Worth – (Group)	49.8%	36.3%
Working Capital Ratios (Group)		
- Debtors Turnover (Days)	14	16
- Inventory Turnover (Days)	42	40
- Net Working Capital Turnover (Days)	26	38
Debt: Equity (Group)	1.09	0.64
Finance Costs to Turnover (%) (Group)	1.3%	0.4%

The above ratios have been computed taking into account the adjustment of intangibles against special reserves explained in the note below.

Adjustment of intangible assets against special reserves:

During the period from January 2006, Marico Limited has acquired Intangible Assets relating to the brands 'Manjal', 'Nihar', 'Fiancée', and 'HairCode'.

Benefits from these Intangible Assets are expected to accrue only over a period. To the extent these assets are carried forward on the company's balance sheet, they are classified under the head 'Intangible Assets' and the balance under the head 'Intangible Assets' as of February 2007 was Rs. 448 Crore.

At the Extra-Ordinary General Meeting held on February 8, 2007, the shareholders approved a scheme of financial restructuring (duly sanctioned by the Hon'ble High Court of Judicature at Bombay and in the process of being registered with the Registrar of Companies) wherein the above-mentioned Intangible Assets would be adjusted against Special Reserves comprising Securities Premium Account and the Capital Redemption Reserve Account. The shareholders have approved the application / utilization of the Securities Premium Account to the maximum extent of Rs 148.5 Crore and / or the Capital Redemption Reserve Account to the maximum extent of Rs. 180.0 Crore, for adjustment against these Intangible Assets net of deferred tax. Accordingly, the company has adjusted the carrying amount of intangible assets amounting to Rs. 309 crore, net of deferred tax adjustment of Rs 139 crore.

This is similar to the restructuring which the company had carried out in the Financial Year ended on March 31, 2003. The benefits sought through the restructuring are the following:

a) Streamlining of the financial structure through elimination of intangible assets except to the extent of the balance relevant for deferred tax.
b) A much leaner balance sheet, with consequent favorable impact on financials, especially on items and ratios relating to capital employed and post- depreciation returns.
c) Uniform treatment in the books of account and management account to all intangible assets whether home grown or acquired, through a practice of eliminating intangible assets as previously mentioned.

The restructuring will have no impact on the tangible net worth and tangible Book Value of the Company's shares, even though the apparent net worth and apparent book value stand reduced.

Tax Rate:

The effective tax rate inclusive of fringe benefit tax and deferred tax during the year ended March 31, 2007 is about 20.7% (excluding the one time impact of provision for earlier years). This is as compared to 9% during the same period in the previous year. The increase in the effective tax rate is mainly because of the tax exemption on some of the manufacturing units being exhausted. From this year onwards (for a period of 5 years), the Pondicherry plant for Parachute has 30% of its profit exempt as against 100% exemption upto FY06. FY07 is the last year when the Parachute factory at Goa will enjoy an exemption on 30% of its profits. From FY08, its profits will be fully taxable. The company will however continue to avail of the income tax exemption at its manufacturing units in Uttaranchal and get a tax shield from the brand acquisitions that it has made. The rate of effective tax is likely to be about 25% in FY08.

Sub-Division of Nominal Value of Equity Shares

Marico has sub-divided the nominal value of each equity share of the company from Rs 10 into ten equity shares of nominal value Re 1 each with effect from February 21, 2007, to bring in additional interest from retail investors and contribute towards enhancement in the liquidity in the Marico scrip on the Stock Exchanges.

The benefits were visible during the quarter, as the average daily traded volume of the Marico scrip on BSE and NSE went up from around 0.47 lakh pre sub-division to more than 7.5 lakhs post sub-division in the nominal value of the shares.

Shareholder Value Related Policies & Practices

Payout - Distribution of profits to shareholders

Marico's Distribution policy, which aims at sharing Marico's prosperity with its shareholders, through a formal earmarking / disbursement of profits to shareholders, has, in the past, been characterized by the following:
Payout increasing from year to year.
Relentless regular dividend – every quarter reflecting the confidence to sustain Continuous Distribution

At its meeting held on March 23, 2007 the Board declared an interim equity dividend of 20% on the enhanced capital of Rs 60.9 crore, the Record Date being March 30, 2007. The company had declared three interim dividends earlier in the year taking the total dividend declared to 65.5%.

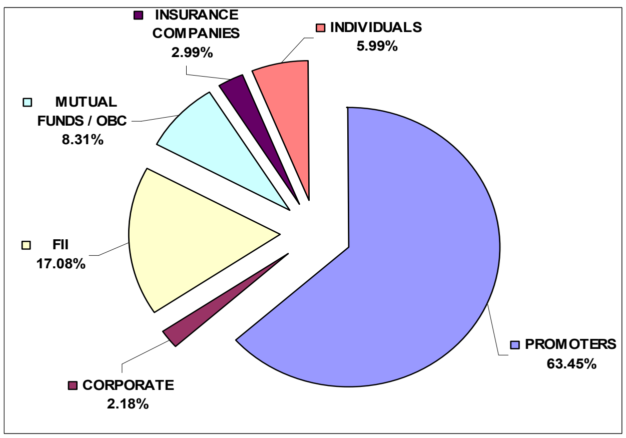
During 2005-06, Marico acquired 4 brands, 2 in India (Nihar and Manjal) and 2 in Bangladesh (Camelia and Aromatic). During 2006-07, Marico concluded two more acquisitions in Egypt (those of Fiancée and HairCode). The cumulative investment has aggregated about Rs. 500 crore. These acquisitions have been funded partly by internal cash generations, partly by the QIP issue 0f Rs 151.4 crore and partly by borrowed funds.

As part of its growth agenda Marico would continue to explore new acquisition opportunities. These would call for additional funding.

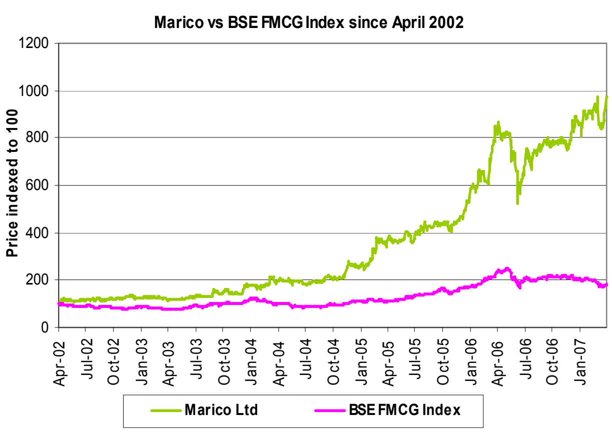
Given Marico's appetite for funds and the need to keep the capital-gearing ratio at reasonable levels, it is necessary to conserve its financial resources and deploy the operating profits back in business. The Company thus intends to be more conservative in the quantum of dividend payout in the near future. With a very healthy Return on Net Worth in excess of 30%, the surplus deployed back in business would generate returns far in excess of the opportunities that may otherwise be available to shareholders.

SHAREHOLDING PATTERN

The shareholding pattern as on March 31, 2007 is as given in the graph below.



SHARE PERFORMANCE ON STOCK EXCHANGES



- Marico's long-term performance on the exchange vis-à-vis its peer group is depicted in the graph alongside.
- Marico's market capitalization moved from Rs. 3,140 crore as on March 31, 2006 to Rs. 3,736 crore as on March 31, 2007. The average daily volume on BSE and NSE during Q4FY07 was about 3,79,040 shares.

ADDITION TO THE BOARD OF DIRECTORS

With a view to drawing greater value from the experience and insights of management practitioners, the Board of Directors has inducted one more member to join them. Mr. Anand Kripalu, a Bachelor in Electronics from the Indian Institute of Technology, Madras and an MBA from the Indian Institute of Management, Calcutta, is currently the Managing Director of Cadbury Schweppes, with responsibility for the Indian Sub-continent.

Mr. Kripalu, in his long experience of 24 years in the FMCG Industry, has held several positions in Sales, Marketing and Operations in Unilever- Most recently he was Managing Director for Unilever's East Africa operations. Key assignments handled by him include setting up of the Dental Innovation Centre at Mumbai, Head of Market Research, Head of Marketing for the Laundry category for both India and the Central Asia Middle East Region, as well as General Manager – Sales & Customer Development for HLL's Detergents business, with overall responsibility for Customer Management for the company.

ORGANISATION RESTRUCTURING

As part of its growth strategy, Marico decided to put an organizational structure that would facilitate growth in place. This envisages a CEO for each of its business divisions and to bring all line functions in a business under a single chain of command. The business units will be supported by specialist functions like finance, human resources and technology. The three SBUs of Consumer Products Business, International Business (including Sundari) and Kaya Solutions business would be headed by CEOs, Saugata Gupta, Vijay Subramaniam and Rakesh Pandey respectively. Dr Vilas Shirhatti, Milind Sarwate and Vinod Kamath will head the functional units of Technology, HR & Strategy and Finance & IT respectively. These changes are aimed at leveraging each of the member's strengths while they pursue their passions. The company expects that this re-organisation will give each business a bigger thrust and focus to enable rapid growth and provide the right platform for functional support for growth.

OUTLOOK

Growth Strategies Followed

Immediately after our turnover crossed the landmark of Rs 1000 crore during FY 05, we set ourselves a target of achieving a turnover of Rs 2000 by FY2009. For this, we needed an accelerated growth- 15% to 20% as compared to the band of 10% to 15% that we used to display earlier. In our journey on this higher growth rate path, we have pursued the following broad strategies:

Organic Growth

a) Expand the size of the market for dominant brands such as Parachute, Saffola, Mediker, Kaya and Revive
b) Increase market share in categories where we face significant competition such as hair oils in India and hair creams in the Middle East
c) Prototype, and Roll out new products and services in existing and new business segments continuously
d) Expand International operations beyond the Gulf and Bangladesh

Inorganic Growth

e) Aggressively Pursue inorganic growth, both in India and overseas

During FY06, driven by some of these strategies, Marico's revenues grew by 14% over the pervious year to reach Rs 1144 crore.

In FY07, we have stepped up the pace of growth. Revenue during FY 07 grew by 36% as compared to the previous year. The acquisitions of Manjal and Nihar in the fourth quarter of FY06 and Fiancee and HairCode this year have complemented a very healthy organic growth agenda. The company thus seems poised to exceed the Rs 2000 crore target that it had set.

In order that the growth is sustained, however, adequate advertising support would need to be provided to both established brands and new ones. In line with this, we have already stepped up the ASP spends to about 12.5% to 13%. These levels are likely to continue.

Marico's strategies have been built around sustainable profitable growth. In the pursuit of growth however, it is possible that in the short term, operating margins may come under some pressure. Having set the momentum, the company intends to pursue growth if it perceives targeted returns from an initiative in the medium and long term. Besides, it would have to play out its strategy in a constantly changing competitive environment as well as in varying input cost scenarios.

CONTENTS OF THE UPDATE

This update covers the following:

1. Financial results and other developments during Q4FY07 for the Marico Group –
   Marico Limited and its subsidiaries / joint ventures - Marico Bangladesh Limited (MBL), MBL Industries Ltd. (MBLIL), Kaya Skin Care Limited, Marico Middle East FZE, Kaya Middle East FZE, Sundari LLC, MEL Consumer Care SAE and Pyramid for Modern Industries. (The Marico Group is referred to as "Marico" or "Group" or "Marico group" in this update, while "the Company" denotes a reference to Marico Limited.)
2. A Profile containing basic/historical information on Marico.

We recommend that readers refer to the Marico Group financials to get a better appreciation of the business performance. A copy of the latest Annual Audited Financial Results of Marico Limited as also that of the Group is available on Marico's website

http://www.maricoindia.com/AnnReportDir/Consol_Annual_Report2005-06.pdf

DISCLOSURE OF INFORMATION, COMMUNICATION WITH INVESTORS / ANALYSTS / FINANCIAL COMMUNITY

Marico issues fresh information updates, like the one you are reading now; on the day it declares its Quarterly Financial Results. Some forward looking statements on projections, estimates, expectations, outlook etc. are included in such updates to help investors / analysts get a better comprehension of the Company's prospects and make informed investment decisions.

Actual results may, however, differ materially from those stated on account of factors such as changes in government regulations, tax regimes, economic developments within India and the countries within which the Company conducts its business, exchange rate and interest rate movements, impact of competing products and their pricing, product demand and supply constraints.

All the aforesaid information is also available on Marico's Website: www.maricoindia.com

In view of this, information contained in such updates is made public and does not therefore constitute unpublished price sensitive information under the SEBI (Prohibition of Insider Trading) Regulations, 1992.

Marico typically holds a general meeting with investors, analysts and other members of the financial community once a year, in April, apart from periodic meetings/ conference calls, from time to time, with individual members of the financial community.

A Profile giving Basic / Historical Information

Marico is a leading Indian Group in Consumer Products and Services in the Global Beauty and Wellness space. Marico's solutions- Products and Services- in Hair care, Skin Care and Healthy Foods generated a turnover of about Rs.15.6 billion (USD 380 Million) during 2006-07. Marico markets well-known brands such as Parachute, Saffola, Sweekar, Hair & Care, Nihar, Shanti, Mediker, Revive, Kaya, Sundari, Fiancée, Camelia, Aromatic and HairCode. Marico's brands and their extensions occupy leadership positions with significant market shares in most categories- Coconut Oil, Hair Oils, Anti-lice Treatment, Premium Refined Edible Oils, Fabric Care etc. Marico is present in the Skin Care Services segment through Kaya Skin Clinics (48 in India and the Middle East), the Sundari range of Spa skin care products (in the USA & other countries) and also through a nascent soap franchise (in India and Bangladesh).

Marico's branded products are also present in Bangladesh, other SAARC countries, Egypt and the Middle East. The Overseas Sales franchise of Marico's Consumer Products (whether as exports from India or as local operations in a foreign country) is one of the largest amongst Indian Companies and is entirely in branded products and services.

Marico has leveraged its core sources of competitive advantage viz. Branding, Distribution, Cost Management, Innovation and Technology to set up a fast growing franchise of new products and services – their share in turnover has moved up from 3% in FY00 to over 28% in FY07.

Marico's own manufacturing facilities are located at Goa, Kanjikode, Jalgaon, Saswad, Pondicherry, Dehradun and Daman and supported by subcontracting units. Marico's wholly owned subsidiaries, Marico Bangladesh Limited, MEL Consumer Care SAE and Pyramid for Modern Industries, have their manufacturing facility at Mouchak, near Gazipur in Bangladesh, 6th October City, Egypt and Salhiya City, Egypt respectively.

Marico was incorporated in 1988 and during 1990 took over the then 40-year old consumer products business of The Bombay Oil Industries Limited. It made its initial public offer for equity shares in March 1996. Given below is an overview of Marico's market standing.

Brands	Category	Indicative Market Share range %	Rank
Parachute, Oil Of Malabar, Nihar	Coconut Oil	57-58	1
Hair Oil (Hair & Care, Parachute Jasmine, Parachute Advanced, Shanti Badam Amla, Nihar)	Hair Oils	21-22	2
Mediker	Anti Lice Treatment	~ 96	1
Sil	Jams	7-8	2
Revive	Fabric Starch	~ 80	1

Source: A.C.Neilsen Urban Retail Market Research and Company Sources

Marico's frontline brands have shown remarkable resilience against competition - refer the market share statistics given below:

Brands	Category	1992 (%)	Now (%)
Parachute, Oil Of Malabar, Nihar	Coconut Oil	48-49	57-58
Hair Oil (Hair & Care, Parachute Jasmine, Parachute Advanced, Shanti Badam Amla, Nihar)	Hair Oils	_	21-22

Source: A.C.Neilsen Urban Retail Market Research and Company Sources

Marico's Parachute and Saffola are among India's top 100 most trusted brands as per the survey carried out by Brand Equity (The Economic Times) in February 06 - Parachute ranks 29th while Saffola ranks 93rd. Parachute continues to be the world's largest packaged Coconut Oil Brand.

Marico has consistently sought to broadbase its brand basket. The new products dealt in by the Company during last 5 years have now assumed a critical mass and contribute over 28% to the group business. In the process, Marico's dependence on Parachute has consistently been reducing. From a share in the range of 70% - 75% in early 90's, Parachute today contributes about 40% - 45% to the top line of Marico. Its share in profits too has come down.

Reach

Marico procures one out of every 25 coconuts produced in India and 3 nuts per coconut tree in India. Marico sells over 7 Crore (70 Mio) packs to around 13 Crore (130 Mio) people every month. Marico's products reach around 2.3 Crore (23 Mio) households through over 25 Lac (2.5 Mio) retail outlets serviced by its nation-wide distribution network comprising 4 Regional offices, 30 carrying & forwarding agents (CFAs) and about 3600 distributors and stockists. Marico's distribution network covers almost every Indian town with population over 20,000. Marico has partially leveraged its network through a distribution alliance with Indo Nissin Foods Ltd. (Top Ramen- Curry, Cup O' Noodles). The table below provides an indicative summary of Marico's Distribution Network in India.

	Urban	Rural
Sales Territories	135	35
Towns Covered ('000's)	3.2	11.0
Distributors	850	-
Super Distributors	-	120
Stockists	-	2,500
Retail Outlets – Reach (millions)	1.65	0.85

In Bangladesh, Marico reaches over 350,000 outlets.

Skin Care Services and Global Spa Products:

In recent years, Marico entered the skin care solutions business through Kaya Skin Clinics offering a range of highly effective and safe services based on cosmetic dermatological procedures and products. Services offered at Kaya use US FDA approved technology and have been specifically customized for Indian skin. In-clinic dermatologists recommend a personalized series of treatments. The chain of Kaya clinics (all company owned) is now 48 strong, spread across 16 cities in India and 5 in the Middle East. Its customer base is now more than 200,000.

In FY03, Marico acquired a controlling stake in Sundari LLC. The focus of Sundari is the spa market in the USA and other parts of the world. The spa products market is estimated to be about US$ 2 billion.

Financial Highlights

Marico has maintained a steady top line and bottom line growth over past decade with a consistently healthy Operating Return on Capital Employed (ROCE).

Particulars (Rs. Crore)	**FY03**	**FY04**	**FY05**	**FY06**	**FY07**	**CAGR%**
Sales & Services	775	888	1007	1,144	1,557	19
Profit before Tax	64	65	74	98	150	24
Net Profit (PAT)	56	59	70	87	113	19
Earning per share - Annualised (Rs.) *	1.0	1.0	1.2	1.5	1.9	17
Book value per share (Rs.) *	3.4	3.2	3.7	4.5	3.2	
Net Worth	193	184	217	261	208	
ROCE %	31	32	31	26	36	

* For a meaningful comparison of EPS and Book Value, the numbers for the previous years have been re-computed taking into account sub-division of equity shares to a face value of Re 1 per share.

Business Model and Organization

Marico's business model is based on focused growth across all its brands and territories driven by continuously improving value propositions to consumers, market expansion and widening of retail reach. Marico aims to be the leader in each of the businesses; by heightened sensitivity to consumer needs, setting new standards in the delivery and quality of products and services through processes of continuous learning and improvement. The model ensures that Marico is present in unique / ethnic Indian Product or Services categories where typical MNCs would not be strong. Therefore, Marico does not, unlike many other Indian FMCG Companies, get caught in MNC cross fires.