Marico - An Information Update January 19, 2007

Q3FY07 (Quarter ended December 31, 2006)

Group Turnover	**Rs. 409 Cr.**	**Up 36 %**
Profit Before Tax	**Rs. 33.9 Cr.**	**Up 31 %**
Net Profit	**Rs. 28.4 Cr.**	**Up 30 %**
Third Interim dividend	**17%**	

MARICO MAINTAINS MOMENTUM

SUSTAINED ORGANIC AND INORGANIC GROWTH IN TURNOVER

Marico's focused efforts towards sustainable profitable growth continued to bear fruit, as it registered yet another quarter of growth in both topline and bottom-line. During Q3FY07, the Marico Group recorded a topline of Rs 409 crore, a growth of 36% over Q3FY06. Turnover Growth was all-round and strong - in Consumer Products as well as in Kaya skin care solutions, both in India and overseas.

Across categories, franchise expansion was the chief driver. The Company did not take any significant increase in consumer prices and ploughed back a larger part of the recent margin expansion into Advertising and Sales Promotion and brand building. Thus, Profit before tax (PBT) increased by 31% from Rs. 25.8 crore in Q3FY06 to Rs. 33.9 crore in Q3FY07. Profit after tax (PAT) increased by 30% from Rs. 21.9 crore in Q3FY06 to Rs. 28.4 crore in Q3FY07.

In December 2006, Marico acquired HairCode, a leading brand in the Egyptian hair care market, with a range that includes hair creams, hair gels and cream gels. The brand has a market share of about 23% in the pre and post wash hair care market in Egypt. This was Marico's second acquisition in Egypt- in September 2006 Marico had acquired Fiancée, another hair care brand. Marico now has a share of about 50% in the pre and post wash hair care segment in Egypt.

Marico also privately placed 29 lac equity shares through the QIP route to raise Rs 151.4 crore. The placement was made at Rs 522 per share at a slight premium to the SEBI determined floor price of Rs 518 per share.

Q3FY07 is in Y-o-Y growth terms, the:

- 25th consecutive Quarter of growth in Turnover and
- 29th consecutive Quarter of growth in Profits

The Board of Marico Limited, at its meeting held on January 19, 2007, declared an interim dividend of 17% on its enhanced equity share capital of Rs. 60.9 Crore. Q3FY07 is now the 24th consecutive quarter of dividend distribution.

Marico's Investor Relations efforts are co-ordinated by

- Chaitanya Deshpande, Head - Corporate Finance (chaitanyajd@maricoindia.net)
- Milind Sarwate, Chief Financial Officer (milinds@maricoindia.net)

For further information / clarification, Marico may be contacted on

Telephone : (91-22) 6648 0480 Fax : (91-22) 6649 0112 E-mail : milinvrel@maricoindia.net

Focus on Growth

Q3FY07 is the third successive quarter in which Marico has achieved a Y-O-Y growth in topline of over 35%. During the quarter, the company's revenues grew by 36% over Q3FY06. This comprised 20% organic growth accompanied by 16% inorganic growth. All the business segments namely, Domestic FMCG, International FMCG, Kaya Skin Solutions and Sundari Spa Skin Products recorded high growth. Continued brand-building efforts in its flagship brands as well as nurturing of new products are expected to help the company continue on a growth path. Besides, the company has expanded its portfolio through acquisitions, which will provide additional growth drivers. During the quarter the focus brands turnover comprised 80% of the Group turnover as against 78% in Q3FY06.

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 Q3FY07 grew by 11% over Q2FY06. 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 20% in volumes.

International FMCG Business

During Q3FY07 Marico's International FMCG business excluding operations in Egypt clocked a growth of 33% over the corresponding quarter in the previous year with a turnover of Rs 45.2 crore for the quarter. In addition, the company commenced marketing and distribution of Fiancee, the Egypt based post wash hair care brand, which it had acquired in September 2006. Fiancee contributed to an additional Rs 12 crore of turnover during the quarter making the total growth over Q3FY06 in International business 68%.

Marico's marketing efforts in the Middle East continue to be led by Parachute hair cream. In the UAE, Parachute cream had a market share of about 28% for the 12 months ended October 2006. The brand has begun to pick up share in other markets in the Middle East. E.g. It holds a share about 12.5% in KSA and 19.1% in Oman.

Parachute coconut oil continues to be the No. 1 coconut oil in UAE with a market share of about 33.9%.

In Bangladesh, Parachute has increased its share to about 57% of the branded coconut oil market. The soap brands Camelia and Aromatic achieved a turnover of about Rs 5 crore during the quarter.

Marico's Growing portfolio

<u>Acquisition of HairCode in Egypt</u>

In December 2006, Marico acquired its second brand in Egypt. HairCode is a leading brand in the Egyptian hair care market and its range includes hair creams, hair gels and cream gels. The brand has a market share of about 23% in the pre and post wash hair care market in Egypt.

In September 2006, Marico had acquired Fiancee, another hair care brand, from the Ready Group. With the acquisition of HairCode, Marico will now have a share of about 50% in the Rs 170 crore pre-and-post-wash hair care segment. This acquisition allows the company to cover a much wider range of consumer preferences in the hair cream and hair gel market. Apart from providing synergies in the supply chain, it also helps us in leveraging the resources deployed in the country optimally.

The transaction envisages the acquisition of the IPRs related to Hair Code as well as shares in Pyramids For Modern Industries (PMI) together with supply chain comprising manufacturing facilities and distribution infrastructure.

HairCode is likely to contribute to the topline in Marico's booking from Q4FY07. The company expects to achieve a turnover of Rs 90-95 crore from Egypt during FY08.

<u>Prototypes and New Launches</u>

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.

Parachute Therapie

Parachute Therapie – a 45-day hair fall solution commenced prototyping in Mumbai in February 2006. After a successful prototype in Mumbai, the brand was rolled out to the top 27 cities in the country in October 2006. Advertisements highlighted the problem of hair-fall and then built credibility through testimonial campaigns. That it is a natural formulation is also being leveraged. Hoardings, press and magazine advertising are supplementing the television campaign.

Saffola Cholesterol Management Atta Mix

Saffola enjoys substantial equity for its perceived health benefits; especially on the good for heart platform. Saffola introduced its first Functional Foods extension - Cholesterol Management Atta Mix in Feb 2006 in the Mumbai market. It leverages an existing habit of mixing grains for roti flour. Given the widespread issues of heart health in India, lifestyle management products such as this are expected to have a large potential.

The brand has been performing well so far and it is planned to scale it up to other metros and key Saffola markets in January 2007.

Parachute Advansed Hair Perfect Moisturiser

Parachute Hair Perfect Moisturiser was launched in Andhra Pradesh as a prototype in April 2006. This offering from Parachute is targeted at young consumers who are increasingly adopting new age hair care formats like leave-in conditioners. This segment of the hair care market is nascent, but is growing rapidly. Parachute Advansed Hair Perfect Moisturiser is a daily leave-in moisturiser with coconut milk proteins and aloe vera. It helps remove dryness and to make hair shiny-soft. Pro-Vitamin B5 helps to keep hair healthy.

Go Get Noticed Gel Launch

In the past, Marico has launched products developed for the International markets – going beyond merely offering the same product as in its home market in India. Parachute hair cream was first developed for the Middle East market and Hamaam Zait is still marketed exclusively in the Middle East.

In Q2FY07, a range of hair gels branded 'Go Get Noticed Gel' was launched in the UAE. The range includes 3 variants of the product – Extra Hold, Normal Hold and Wet Look.

Parachute Advansed After Shower Hair Gel

Marico launched hair gels in India under the brand Parachute Advansed After Shower in December 2006. This is the latest addition to the range of new products launched by the company. Targeted at young style conscious men, the product comes loaded with aqua limon moisturisers and coconut proteins.

Nurturing New Products

Each of the new products 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% to 13% this year. More than 60% 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.

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. This growth was aided by a short-term consumer offer of "Rs 5 off" on a 200ml bottle of Parachute. The company plans such tactical maneuvers in the market place periodically. A similar offer was also run in Q3FY06. During Q3FY07, Parachute's rigid packs have grown by 11% over Q3 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 November '06 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.

Saffola
Saffola, Marico's refined edible oil brand has created a strong "good for the heart" equity for itself over the years. The brand dominated 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.

A new advertising campaign has been launched that highlights being out of breadth, a physical manifestation that connects with a broad audience, as a symptom of diminishing heart health. With this, Saffola continues on its journey from a curative to a preventive heart care brand. 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.

During Q3FY07, the Saffola franchise registered a volume growth of 20% over Q3FY06. During the quarter, the company also increased the retail prices of Saffola by about 2%. The growth in value terms for the brand franchise was however similar to volume growth owing to a change in the mix of refined safflower oil and the blends.

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 30% (12 months to Nov 2006). Together with Nihar, Marico now commands 82% of the perfumed coconut oil market (12 months to Nov 2006).

The performance of Shanti Amla has not been up to expectations. During Q3FY07, volumes declined by 10% as compared to Q3FY06. On a year to date basis, the growth was 3.8% Y-o-Y. Shanti Amla's market share in the Amla oil category was 10% (12 months to Nov 2006).

Marico's Hair & Care continued to perform well in the market place. Its new campaign with popular Bollywood actor Ayesha Takia as the brand ambassador has been well received. During Q3FY07, the brand registered a volume growth of 18%. Its share in the NSHO (Non-Sticky Hair Oils) market for the 12 months to Nov 2006 was 18%.

In order to compensate of increased mineral oil costs, retail prices were increased by about 5% in Parachute Jasmine, Nihar perfumed hair oil and Shanti Amla.

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. In addition, with effect from the last week of December 2006, the company has taken an increase in the retail prices of Silk n Shine by a little over 10% to enhance margins. The higher priced packs have been introduced with revamped pack graphics featuring the brand ambassador, Bollywood actor Katrina Kaif. During the 12 months ended November 2006, Silk n Shine had a 30% volume share of the post wash conditioner market, while Parachute After Share hair cream led the hair creams market with a 40% market share.

Soaps

Marico's soaps franchise in India comprising Manjal and Parachute Jasmine achieved a turnover of Rs 4.7 crore during Q3FY07. 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 Reliance Retail, Tesco, etc. and the major expansion plans of chains like Big bazaar, Spencers, Foodworld, Subhiksha, etc. 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.

Kaya Skin Clinic

During Q3FY07, Kaya, Marico's skin solution business recorded a turnover of Rs 19.7 crore, a growth of 64% over Q3FY06 and a growth of 8% over Q2FY07. Kaya also broke even for the quarter registering a PBT of Rs 1.0 crore. The company expects Kaya Skin Care Limited, Marico's wholly owned subsidiary, to be PBT positive for the year FY07.

A new clinic was opened in Fujairah, UAE, during the quarter. Kaya Skin Clinic now reaches its customers through 43 clinics in India and 4 in the UAE. The Kaya consumer base has increased to over 200,000. In order to drive increased footfalls to its clinics, Kaya has 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. The company expects that the current utilization average of about 50% can be pushed up to 60-65%. In addition, a thrust can be given to the sale of Kaya products. As against a share of about 8.5% in Q3FY06, products constituted about 12.3% of Kaya's revenue in Q3FY07. During the quarter, 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.

The hair services (Hair Loss Prevention Programme and Intensive Hair Root Therapy), which were rolled out to the major metros during the last quarter, are receiving a good response. A new skin lightening service is now being prototyped in Chennai.

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.

OPERATING MARGIN STRUCTURE FOR MARICO GROUP

% to Sales & Services (net of excise)	Q3 FY07	Q3 FY06
Material Cost (Raw + Packaging)	53.5	52.1
Advertising & Sales Promotion (ASP)	13.7	9.4
Personnel Costs	5.6	7.8
Other Expenses	13.7	14.9
PBDIT margins	13.5	15.8
Gross Margins (PBDIT before ASP)	27.1	25.2

Notes:

1. Margins have been computed without including "Other Income", major components of which are lease rental Rs. 0.10 Cr. (previous year: Rs. 0.14 Cr.), exchange rate gain Rs. 0.05 Cr. (previous year: Rs. 0.25 Cr.), profit on sale of investments Rs 0.0Cr (previous year Rs 0.16 Cr) insurance claim Rs. 0.15 Cr. (previous year: 0.0Cr.)
2. Marico has invested part of the incremental margins earned into brand building ASP - both to strengthen established brands and to support new ones. While PBDIT before ASP increased from 25.2% to 27.1%, the ASP spends have been stepped up significantly. Over 60% of the ASP was spent against new products.
3. In order to make comparison meaningful, one time write-backs 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	YTD Dec FY07	YTD Dec FY06
Return on Capital Employed - Marico Group	 30.2%	 37.5%
Return on Net Worth – (Group)	31.2%	35.6%
Working Capital Ratios (Group) - Debtors Turnover (Days) - Inventory Turnover (Days) - Net Working Capital Turnover (Days)	 14 38 20	 17 36 36
Debt: Equity (Group)	0.63	0.28
Finance Costs to Turnover (%) (Group)	1.4%	0.3%

The drop in Net Working Capital turnover is largely on account of the second tranche of the Fiancee acquisition payable and not yet due.

Tax Rate:

The effective tax rate inclusive of fringe benefit tax and deferred tax during the nine months ended December 31, 2006 is about 24% (excluding the one time impact of provision for earlier years). This is as compared to 11% 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, the Pondicherry plant for Parachute has 30% of its profit exempt as against 100% exemption last year. 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 get a tax shield from the brand acquisitions that it has made. The total effective tax for the year is thus expected to be about 20% - 22%. The rate of effective tax is likely to be held in FY08.

Funding:

Marico has funded its recent acquisitions through internal accruals and short-term borrowings. In December 2006, Marico raised Rs 151.4 crore by issuing 29 lac equity shares on a private placement basis through the QIP route. The placement was made at Rs 522 per share at a slight premium to the SEBI determined floor price of Rs 518 per share. The equity share capital of Marico Limited now stands enhanced to Rs 60.9 crore from Rs 58.0 crore. In the immediate term, the money raised has been used to retire some of the short-term debt on the company's books. This has provided the company with the elbowroom to raise further debt as may be required to finance future acquisitions.

Proposal to adjust intangible assets against special reserves:

During the period from January 2006, Marico Limited has acquired Intangible Assets relating to 'Manjal', a Herbal Soap brand, 'Nihar', a coconut oil and perfumed coconut oil brand , 'Fiancée', a post wash hair care brand in Egypt and 'HairCode' a post wash hair care brand in Egypt.

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'. The balance under the head 'Intangible Assets' as at January 12, 2007 is Rs. 452.13 Crore.

At its meeting held on January 12, 2007, the Board has approved a scheme of financial restructuring wherein the above-mentioned Intangible Assets would be adjusted against Special Reserves comprising Securities Premium Account and the Capital Redemption Reserve Account. The Board of Directors has 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. The proposed adjustment would be net of deferred tax.

This is similar to the restructuring which the company had carried out in the Financial Year ended on March 31, 2003. Like at that time, 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, while the apparent net worth and apparent book value will come down.

This restructuring proposal is subject to the approval of the shareholders that the company has sought to obtain at an Extra-Ordinary General Meeting to be held on February 8, 2007. Further, sanction of the Hon'ble High Court of Judicature at Bombay will also be required. The company expects to complete the restructuring in April 2007 with effect from February 8, 2007.

Sub-Division of Nominal Value of Equity Shares

At its meeting held on January 12, 2007, the Board of Directors of Marico Limited approved a sub-division of the nominal value of each equity share of the company from Rs 10 into ten equity shares of nominal value Re 1 each. It is expected that the lower nominal value of Equity Shares will bring in additional interest from retail investors and contribute towards enhancement in the liquidity in the Marico scrip on the Stock Exchanges. This proposal is subject to shareholder approval that the company has sought to obtain at an Extra-Ordinary General Meeting to be held on February 8, 2007.

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:

1. Payout increasing from year to year.
2. Relentless regular dividend – every quarter reflecting the confidence to sustain Continuous Distribution

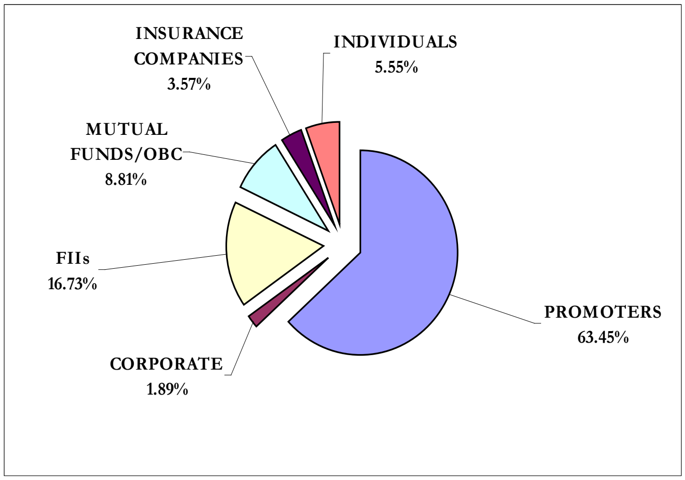
Marico's cash profits have continued to grow and provide a logical support to its practice of declaring a dividend every quarter. The endeavor will be to keep a high payout – around current levels of 45%, subject to financial requirements of its core business.

Dividend declared, Record Dates etc.

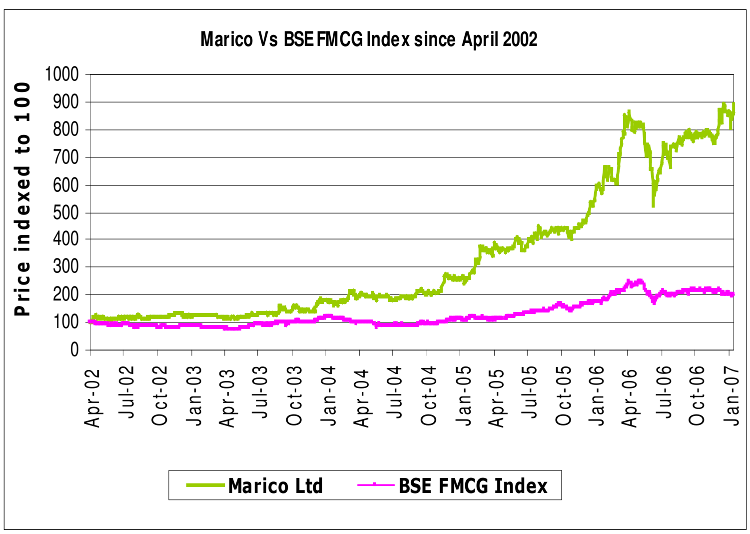
At its meeting held on January 19, 2007 the Board has declared an interim equity dividend of 17% on the enhanced capital of Rs 60.9 crore, the Record Date being January 24, 2007.

SHAREHOLDING PATTERN

The shareholding pattern as on December 31, 2006 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. 2,092 crore as on December 29, 2005 to Rs. 3,276 crore as on December 29, 2006. The average daily volume on BSE and NSE during Q3FY07 was about 47,150 shares.

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% t0 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 the first three quarters of FY07, we have stepped up the pace of growth. Revenue during FY 07 so far, grew by 36% as compared to the same period during 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%-13%. These levels are likely to continue.

Implications of the Strategies

Marico's strategic aim is to achieve sustainable profitable growth in Beauty and Wellness, both in India and Overseas. We thus have a trinity of strategic underpinnings- Growth, Sustainability and Profitability. While in the long-run all three will play out to success in tandem, in the short run, one of the three may be emphasized at the cost of the other(s), since they all have a huge interactive play. Thus, in pursuit of topline growth, operating margins may remain flat, or sustainable profitability may demand that we spurn options of topline or bottom-line growth in some categories. Again, the strategies will play out in ever-changing competitive environment as well as in input costs.

Having achieved a step-jump in the operating margins (movement from a single digit margin number to a double-digit one) as also a certain momentum in topline growth (growth rates of over 30%), the company intends, in the near future, to keep up the tempo and focus on topline, so that the margin expansion too is sustainable.

This will have its own implications on operating margins from quarter to quarter. However, we expect that directionally the Company is on its way to increasing value add offerings to the consumer and thence to all its stakeholders.

CONTENTS OF THE UPDATE

This update covers the following:

1. Financial results and other developments during Q3FY07 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 and Sundari LLC. (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 are 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.11.5 billion (USD 250 Million) during 2005-06. 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 (47 in India and the UAE), 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 16% in FY06.

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 subsidiary, Marico Bangladesh Limited, has its manufacturing facility at Mouchak, near Gazipur in Bangladesh.

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	~ 95	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 16 % 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 3500 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	0
Super Distributors	0	120
Stockists	0	2,500
Retail Outlets – Reach (millions)	1.65	0.85

In Bangladesh, Marico reaches over 300,000 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 47 strong, spread across 16 cities in India and 4 in the UAE. Its customer base is now 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)	**FY02**	**FY03**	**FY04**	**FY05**	**FY06**	**CAGR%**
Sales & Services	696	775	888	1007	1,144	13%
Profit before Tax	58	64	65	74	98	14%
Net Profit (PAT)	50	56	59	70	87	15%
Earning per share - Annualised (Rs.) *	9	10	10	12	15	14%
Book value per share (Rs.) *	34	34	32	37	45	7%
Net Worth	197	193	184	217	261	7%
ROCE %	32	31	32	31	26	

* For a meaningful comparison of EPS and Book Value, the numbers for the previous years have been re-computed based on the equity share capital of Rs. 58 Crore.

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.