# Marico - An Information Update July 23, 2009

## Q1FY10 (Quarter ended June 30, 2009)

| | | |
|---|---|---|
| **Group Turnover** | **Rs. ~ 697 Cr.** | **Up 17 %** |
| **Profit Before Tax** | **Rs. ~ 77 Cr.** | **Up 26 %** |
| **Net Profit** | **Rs. ~ 56 Cr.** | **Up 21 %** |

## Marico –Sustained Volume Growth

Marico commenced the year FY10 with a healthy topline growth of 17% during the quarter ended June 30, 2009. At Rs 697 crores, Marico recorded its largest quarter in terms of revenue. This growth was delivered through strong volume expansion, which comprised about 14% of the total growth of 17%.

Profit before tax (PBT) for the quarter was Rs 77 crore, a growth of 26% over Q1 FY09. Profit after tax at Rs 56 crore, recorded a growth of 21 % over the corresponding quarter in the previous year. During Q1FY10, the company has taken a decision, on conservative principles and as a matter abundant caution, to make a provision of Rs 4.8 crore towards excise duty that may have to be paid on coconut oil in packs up to 200 ml (more details are provided in a latter part of this update). The profit for the quarter is also lower by Rs 4.0 crore on account of a one time exceptional item arising out of divestment of equity interest in Sundari LLC which ceased to be a subsidiary of Marico Limited with effect from June 8, 2009 .If these two items were not to be counted, the PAT would have shown a growth of 37 % over Q1FY09.

Marico has kept up its track record of quarterly growth. Q1FY10 is in Y-o-Y terms, the:

- 35th consecutive Quarter of growth in Turnover and
- 39th consecutive Quarter of growth in Profits

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**Consumer Products Business - India:**

**Parachute & Nihar**

Marico's flagship brand, Parachute, maintained its momentum of growth in line with expectations. Parachute coconut oil in rigid packs, the focus part of the portfolio, grew by about 14% in volume over Q1 FY09. This strong growth was facilitated by a consumer offer of 20% extra on the 200 ml and 500 ml packs during April 2009. This is part of the brand's normal strategy of running a promotion during certain months in the year. This factor which has contributed to a higher growth rate in Q1FY10 may cause some averaging and hence a lower growth during Q2FY10. During the 12 months to May '09, Parachute maintained its volume market share of 48% in the Rs 1500 crore branded coconut oils category. Meanwhile Nihar's share in the category stood at 6% during the 12 months to May '09.

Marico's coconut oil franchise comprising Parachute, Nihar and Oil of Malabar had a market share of 55% during the 12 months to May '09.

During the quarter, the prices of copra (dried coconut kernel) the raw material input for Parachute coconut oil were about 19 % lower than in Q1 FY09. It is expected that the raw material prices will increase over the next two quarters in line with the seasonal trend. The company expects that the decline in prices over the previous year for FY10 as a whole, may not be as steep as witnessed in Q1FY10. The government had announced a higher MSP (Minimum Support Price) in April 09. The impact of this would depend on the actual quantity and timing of the procurement made by the nodal agencies.

Marico has opened Copra Collection Centres (CCC) to facilitate direct collection of copra from farmers and copra converters. Over the past 3 years, the number of such collection centres has grown to 22 (18 in Kerala and 4 in Tamil Nadu) and the company procures about 30% of its requirement through them. These collection centres also facilitate query resolution on coconut farming. Marico has also partnered with the Coconut Development Board that provides inputs to farmers to improve productivity and overall returns. These initiatives are expected to facilitate improvement in the potential of the coconut farms and smooth supplies of copra in the long term.

**Saffola**

Saffola, Marico's second flagship brand, is positioned strongly on "good for the heart" equity. With the increasing awareness of the need for maintaining a healthy lifestyle, Saffola is able to leverage its strong positioning and provide support to the consumer in adopting and sustaining a healthy lifestyle. Campaigns to raise the awareness of heart related ailments in the country or "Walk" campaigns urging the consumer to adopt an improved and healthier lifestyle are complemented by unique Services like "Dial a Dietician".

Saffola has been a front runner in introducing blended oils which are able to provide a balance of PUFA (poly-unsaturated fatty acids) and MUFA (mono-unsaturated fatty acids). The blends also enable the company to price Saffola more attractively for consumers so that a much wider franchise of consumers can access the brand.

Q1FY10 saw the arrival of the new-year's crop for safflower. Prices of the safflower oil witnessed a decline of about 14% over the levels in Q4FY09. In anticipation of lower prices, the company had reduced its retail prices of Saffola by about 10%. This enabled the brand to set its premium to other refined edible oils in the market at a more sustainable level. Consequently, the volume growth rate in Saffola which had declined to single digits in the second half of FY09 (when the premium to other brands had expanded to about 50%) bounced back to 13% in Q1FY10 as compared to Q1FY09. This was also aided by a consumer offer of 20% extra product free during part of the quarter. In value terms however, the Saffola oils franchise grew by about 1% over Q1FY09.

The company continues with its agri-extension initiatives to assist farmers to improve productivity and to bring more fallow land under safflower cultivation. Besides enhancing the return for farmers from their land, it also improves the supply assurance on safflower for the Company.

In the longer term, Saffola would like to establish itself as a leading healthy lifestyle brand. It has commenced its journey in the functional foods space and in the long term plans to have a basket of offerings that provides healthy food options throughout the day to individuals conscious about heart health. During Q4FY09, the company began prototyping Saffola Zest, a baked snack that is lower on fat than fried snacks and is made from high fiber grains. The response so far has been mixed and the company has decided, as part of the prototype, to make certain modifications to improve the product. Saffola Zest is being prototyped in the state of Maharashtra.

During Q4FY09 the company also began prototyping Saffola Rice, a rice with a lower Glycemic index that helps in weight management. The prototype is being carried out in Mumbai and Andhra Pradesh. The response has been positive and the concept is finding acceptance amongst consumers.

**Hair Oils**

The Rs 2200 crore Hair Oils category has been experiencing healthy growth. During Q1 FY10 Marico's hair oils in rigid packs grew 9% in volume over the corresponding period in the previous year. The primary sales (sales from the company to its distributors) were marginally depressed owing to some correction in stock levels with distributors. The growth rate in hair oils is expected to be slightly higher at about 12% to 14%. During the 12 months ended May '09, Marico's basket of hair oils including Parachute Advansed, Parachute Jasmine, Nihar perfumed hair oils, Hair & Care and Shanti Badam Amla maintained its market share at 21%.

The cooling oils segment of the hair oils category has been witnessing fast paced growth in recent times to reach a size in excess of Rs 400 crore. Marico has begun prototyping two cooling oil variants - Nihar Naturals Coconut Cooling Oil in Bihar and Parachute Advansed Coconut Cooling Oil in Andhra Pradesh. A coconut oil based cooling oil is a differentiated proposition that the company is prototyping backed by strong brands Parachute and Nihar. Participation in this category, upon going national on successful completion of the prototype, would help improve Marico's share in the overall hair oils category in India.

**Rural Sales:**

The focus of the government on the growth of the rural economy has got reinforced in the recently announced Union Budget proposals. Schemes such as the NREGS and the earlier waiver of farm loans on the one hand and higher agri-commodity realizations without increased input costs in the recent past have led to an increase in disposal incomes in the hands of rural consumers. There are signs of a poor monsoon during FY10, but this has not yet begun impacting rural demand adversely.

Marico uses its super-distributors to service the rural hinterland and their share in the overall domestic market sales is about 25%. In order to take advantage of the potentially buoyant rural consumer demand, Marico has launched sales initiatives to expand its van coverage in select rural markets. This would attempt to increase Marico's direct reach deeper into the hinterland for its brands such as Parachute, Nihar, Shanti Badam Amla and Hair & Care. Increasing rural penetration is however a long term initiative, the benefits of which can be realized over the years. During the quarter, the company experienced a slightly higher rate of growth from rural markets than in its urban markets.

**Ongoing matter pertaining to the CBEC circular on exciseability of coconut oil**

The company had issued an Information Update on June 14, 2009 proactively explaining the issue.

Marico manufactures and markets pure coconut oil under the brands Parachute, Nihar and Oil of Malabar. Such Coconut Oil (CNO) is a 100 % natural product and meets all standards of edible oil as given in the Prevention of Food Adulteration Act. CNO is currently classified under excise as a Vegetable Oil under Chapter 15 and attracts excise at zero rate. The stand that CNO is classified under Chapter 15 as a fixed vegetable oil has been vindicated by the decisions of Appellate Tribunal benches on various occasions. However, the Central Board of Excise & Customs (CBEC) has recently issued instructions vide Circular No. 890/10/2009-CX dated 3.6.2009 wherein it has classified coconut oil packed in container size up to 200 ml as hair oil, which is chargeable to excise duty with effect from the date of the circular that is June 3, 2009. The Central Excise Department (Department) has, at some locations, asked the Company to clear coconut oil packs up to 200 ml. only on payment of excise duty. As the Circular and consequent actions by the Department are contrary to the accepted legal position, the Company has filed writ petitions with the Honorable High Courts of Goa and Kerala challenging the validity of the Department's actions. The petitions are pending final disposal. Meanwhile dispatches of coconut oil in packs up to 200 ml are continuing. Pending more clarity on this issue the Company, as a matter of abundant caution, has made a provision of Rs 4.8 Crore for the excise duty that may have to be paid on the dispatches of coconut oil in packs up to 200 ml. on or after June 3, 2009. This provision may not be reflective of the likely annualized impact. The above matter would be reviewed during the course of the year based on the legal advice and other developments, if any.

The Company believes that it has a strong legal case on merits. The current facts and the advice received by us as of now still seem to suggest that the net financial impact of these developments is unlikely to be material. As earlier mentioned, it would be wise to move towards conclusions on this matter only as we keep getting better clarity. This is however expected to take some time, perhaps more than what we had initially imagined.

**International FMCG Business**

Marico's international business, its key geographies being Bangladesh, MENA (Middle East and North Africa) and South Africa, comprised about 21% of the group's turnover during Q1FY10. As a whole, the international business turnover grew by 63 % over Q1FY09. The growth rate ignoring currency translation at over 40% was still very healthy.

In Bangladesh, Parachute coconut oil continued to maintain a very strong growth momentum. Conversion from loose to branded oil has enabled the volume growth. A new advertising campaign backed by a 360 degree surround program has been received well. Parachute's market share during the 12 months ended May '09 was 72.4%.

Hair Code hair dye, the company's new product launched in FY09 has focused on generating trials. Overall the brand has been received well in the market and has reached the 3rd position with a market share (value) of 13% within eight months of launch. The size of the market in Bangladesh however is small and all players may focus on growing the pie at this stage.

The market share of Marico's soap brands in Bangladesh Camelia and Aromatic has remained marginal. Since their acquisition by Marico in 2005, the brands have played a role of providing wider distribution coverage for Parachute. That objective has more or less been met. These soap brands will continue to be part of the portfolio, but will receive investment commensurate with their margin profile from time to time.

In the Middle East, Parachute cream has become the no 1 player with a market share of 23 % in the GCC region. Its new campaign of coconut goodness providing a 5 way action to healthy beautiful hair, supported by a comprehensive 360 degree plan has received a good response. For Parachute Gold hair oil, a campaign to increase frequency of usage is being rolled out. This is expected to help grow its franchise in the hair oils category where its current market share is 22.5%.

During FY09 the company had undertaken a modification of its distribution structure in Egypt. During the transition period the sales had got negatively impacted. The operations are now back on track. Inflation levels in the economy have also eased to about 10% as compared to the 20% level experienced during the first half of FY 09.

The company relaunched HairCode with new communication and surround activity including a new SKU and consumer promotion linked to the Confederation Cup in South Africa, the launch of a new website and promotion over social media networking sites. Fiancee the other Egyptian brand in Marico's portfolio focused on increasing distribution. With these initiatives the Egyptian business is expected to show good growth during the year. It has commenced regaining market share which was at about 60% during March-April '09.

The performance in South Africa has been in line with expectations. The market shares in the company's hair care portfolio are showing an upward trend. The Company continues to invest behind its brands and has plans for new communication and promotional activities for its major brands. New product offerings are being explored to help strengthen the brands and the product portfolio.

The backward integration in operations in Bangladesh and the servicing of the MENA region through the manufacturing hub in Egypt have both commenced. These operations will get scaled up during the year.

**Kaya Skin Clinic**

Kaya Skin Clinic, Marico's venture in the dermatology / skin care segment, recorded a healthy 26% growth in turnover. Marico is the first organized player in this segment and enjoys benefits of scale and operations. Kaya has a large first mover advantage in introducing cosmetic dermatology in the country. Through specialized skin services using world class FDA approved technology adapted for relevant skin types, Kaya has been able to offer its consumers highly efficacious solutions and a refreshing experience.

Kaya has become the leading skin care services brand with 97 clinics overall (84 clinics in India across 25 cities and 13 clinics in the Middle East across 9 cities). During Q1 FY10, Kaya added 12 new skin clinics. In the existing cities, the company still sees potential to add clinics in new catchment areas. As customers usually avail of a package of services that requires them to come to a clinic 3 to 4 times, a short commuting/driving distance is important. Simultaneously, the company is also working on increasing the revenues from existing clinics. These efforts are being complemented with a series of advertising campaigns designed to highlight the efficacious solutions offered at Kaya Skin Clinics and Kaya's expert position. Products currently comprise about 13% of Kaya's turnover.

During Q1FY10, Kaya's skin care business achieved a turnover of Rs 44 crore, a growth of 26% over the corresponding period in the previous year. The slow down in the economy and Kaya's offering being largely in the nature of discretionary spends, have affected the rate of growth in Kaya clinics turnover. The average growth rate for clinics that were opened prior to March 31, 2008 was 6%. Some of them have also experienced a decline in sales. This is not out of sync with the overall trend in consumer discretionary expenditure in the economy.

The recent Union Budget proposals have extended service tax to cover cosmetic and plastic surgery. Most of the services provided in the Kaya Clinics in India are likely to get covered by Service tax at 10.3%. The Company is contemplating various alternative responses to deal with this additional tax imposed. Passing on the entire incidence to consumers is an obvious response, but that may not be easy in the current economic environment, given that we have witnessed a slow down in the Kaya skin clinic same store growth rates.

The Kaya skin business made a loss of Rs 3.9 crores during Q1 FY10, primarily on account of the new clinics opened during the quarter, which are yet to achieve break-even. The Company expects Kaya's skin care solutions business to contribute positively to the bottom line during the full year FY10. In the medium term, the company expects Kaya to achieve operating margins of over 20%.

No Kaya Skin Clinic has been closed down since Kaya's inception. Competition is likely to intensify with new players entering the skin care services market in India. However the equity that Kaya has established and its first mover advantage are expected to stand it in good stead.

**Kaya Life**

Kaya Life offers customized holistic weight management solutions. Customers are experiencing effective results on both weight loss and inch loss. An advertising campaign to create awareness about Kaya Life's damage free method of sustainable weight loss has been initiated. The "no machine" model prototyped at the Vashi centre is progressing well.

The team is working on models to increase the pace of customer acquisition before a decision to scale up.

**Sundari**

With a view to focusing on its core businesses in Asia and Africa in the B2C space, the Company had decided to divest its stake in Sundari LLC, a wholly owned subsidiary engaged in the spa products business in the USA and Europe. Accordingly, after completion of all statutory formalities, Sundari LLC ceased to be a wholly owned subsidiary of Marico Limited w.e.f. 8$^{th}$ June 2009. The Company has sold its stake in the business to Wellness Systems LLC.
The financials of Sundari LLC have been consolidated with Marico for the period April 1, 2009 to June 8, 2009. As a result, the financials include the impact of debit balances in the Foreign Currency Translation Reserve and other translation adjustments. The net charge on account of the same is Rs 4.1 crore.

**IPO in Bangladesh**

Marico Bangladesh Limited (MBL) has received the approval of the Bangladesh Securities & Exchange Commission (SEC) to its proposal to make an Initial Public Offer (IPO) in Bangladesh. The IPO has been proposed at a price of Taka 90 per share of the face value of Taka 10. The IPO is scheduled to open in August 2009. MBL will issue 1,492,100 ordinary shares (about 5% of MBL's enhanced equity) thereby raising ~ Taka 135 Million. The proceeds of the IPO will be used to strengthen MBL's financials to enable continued growth.

The proposed IPO is a "first" in the following aspects:

- the first time that an overseas subsidiary of Marico is going public
- the first time that a Bangladeshi subsidiary of an Indian Company is having an IPO in Bangladesh

Bangladesh has been an important part of Marico's global strategy. Over the past nine years, the Group has consistently invested in Bangladesh. The "Think Global, Act Local" approach has helped MBL record a CAGR of 71% in turnover over the past 3 years. The IPO is a further step towards localizing the Marico business in Bangladesh, through local ownership.

**OPERATING MARGIN STRUCTURE FOR MARICO GROUP**

| % to Sales & Services (net of excise) | Q1FY10 | Q1FY09 |
|---|---|---|
| Material Cost (Raw + Packaging) | 50.3 | 54.1 |
| Advertising & Sales Promotion (ASP) | 12.2 | 11.2 |
| Personnel Costs | 7.0 | 7.2 |
| Other Expenses | 16.7 | 14.7 |
| PBDIT margins | 13.8 | 12.7 |
| Gross Margins (PBDIT before ASP) | 26.0 | 23.9 |

Notes:

1. The quarter witnessed decline in the input commodity prices. Copra, the input for coconut oil, which accounts for about 40% of the company's raw material cost, was ~ 19% lower than in Q1FY09. Similarly, market prices of safflower oil, comprising about 13% of the company's raw material cost, were about 14% lower than in the corresponding period of the previous year.
2. ASP as % of sales was higher than in FY09 and is expected to be in the region of 12% during FY10.
3. Other expenses as a % of sales are higher owing to an extra ordinary charge of (Rs 4.8 Cr) on account of provision for excise. If it were not for this the other expenses would be lower at 16 % and the operating margin during Q1FY10 higher at 14.5%. Further, other expenses have increased primarily on account of higher initial expenses such as rents and recruitment for new clinics in Kaya and contract manufacturing charges for copra crushing in Bangladesh.
4. The detailed Financial Results and other related useful information are available on Marico's website – http://www.marico.com/investor_relations/latest_updates.html

## CAPITAL UTILIZATION

Over the years, Marico has been maintaining a healthy Return on Capital Employed (ROCE). Given below is a snapshot of various capital efficiency ratios for Marico:

| Ratio | Q1FY10 | Q1FY09 |
|---|---|---|
| Return on Capital Employed<br>- Marico Group | 41.3% | 39.9% |
| Return on Net Worth – (Group) | 46.1% | 54.7% |
| Working Capital Ratios (Group)<br>- Debtors Turnover (Days)<br>- Inventory Turnover (Days)<br>- Net Working Capital Turnover (Days) | <br>16<br>46<br>49 | <br>17<br>39<br>39 |
| Debt: Equity (Group) | 0.79 | 1.09 |
| Finance Costs to Turnover (%) (Group) | 1.2% | 1.6% |

* Turnover Ratios calculated on the basis of average balances

1. Inventories are higher partly on account of strategically increasing the raw material inventory norms for supply security and partly on account of tactical position building during the flush season for copra.

2. As of June 30, 2009 the Marico Group had a net debt of Rs 251 Crore (Gross Rs 389 Crore). Of the gross debt about Rs 190 crore is denominated in US Dollars. About Rs 125 crore of the USD debt is repayable with in a year. A little over Rs 120 crore debt denominated in Indian Rupees is payable within a year. The company raised Rs 30 crores through issue of Non Convertible Debentures repayable after 3 years from date of issue. The average cost of the debt is about 6.5 – 7 %. The company may roll over some of the loans when they fall due during the year. Marico has adequate cash flows to maintain healthy debt service coverage.

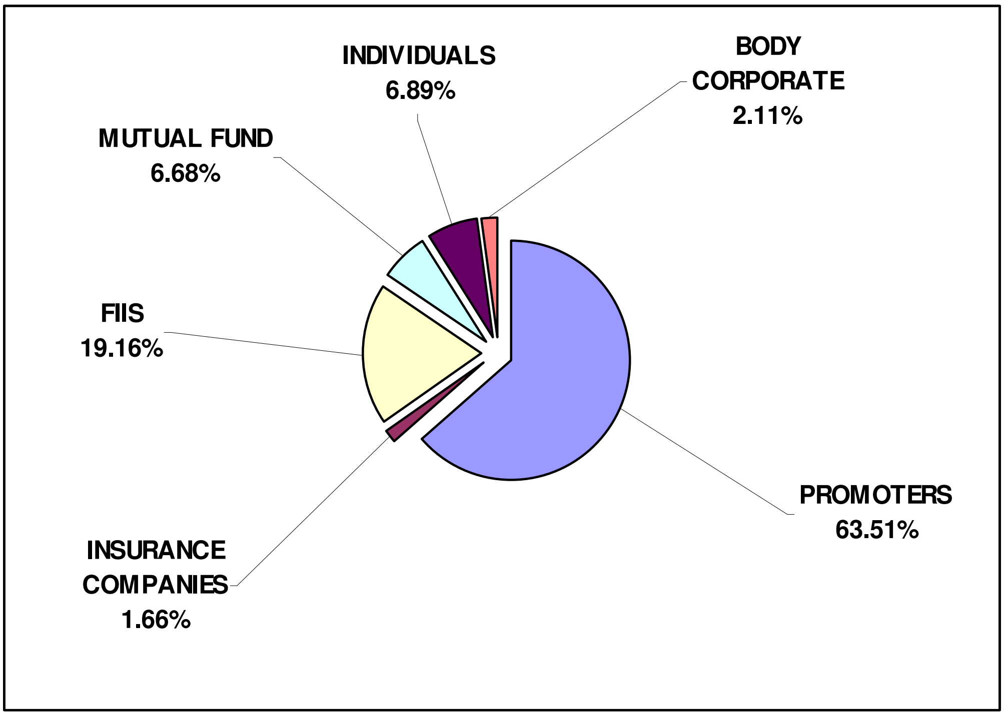
3. The Company adopts a conservative policy for hedging its foreign currency exposures through forwards and options. Foreign exchange trade loans are hedged immediately on drawdown while the export receivables and import payables are hedged on a net basis, keeping in view the natural hedge available. Balance Net exposures, on account of imports or exports, are hedged periodically. Imports consist of purchase of raw materials and packing materials for use in manufacturing process while exports are mainly to Group companies for onward sales in their geography of operations. In Q1 FY 2010, total exports for Marico Limited was in excess of USD 8.7 million while imports were USD 6.5 million.

**Effective Tax Rate:**

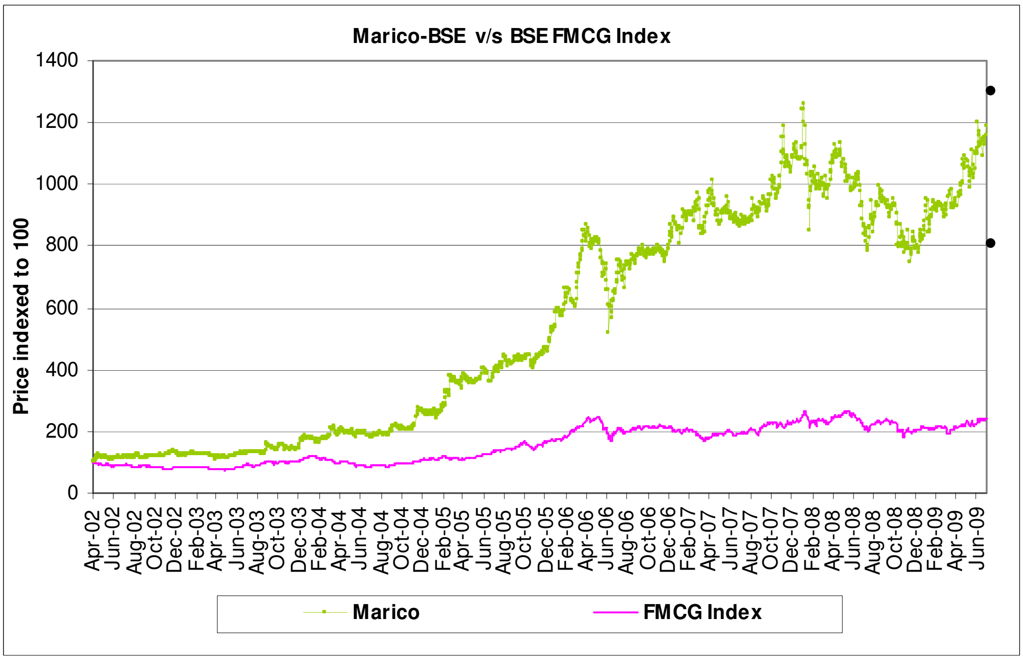
The effective current tax rate for the company at the consolidated level is 24% (as a % of PBT). The total effective tax rate after considering adjustments for MAT credit, FBT and Deferred tax for Q1FY10 is 27%. The total provision during the quarter is higher owing to a Rs 1.4 crore provision pertaining to the previous year. The effective tax rate is also higher due to reduction in the PBT base on account of adjustment for Sundari explained above. The total tax provision during the year FY10 is expected to be about 22%.

## SHAREHOLDING PATTERN

The shareholding pattern as on June 30, 2009 is as given in the graph below.




## SHARE PERFORMANCE ON STOCK EXCHANGES




- Marico's long term performance on the exchange vis-a-vis its peer group is depicted in the graph alongside.
- Marico's market capitalization stood at Rs. 4449 crore on June 30, 2009. The average daily volume on BSE and NSE during Q1FY10 was about 10,79,691 shares.

**OUTLOOK**

- **AN OUTLOOK OF CAUTIOUS OPTIMISM ON GROWTH**
- **SUSTAINED PERFORMANCE DESPITE UNCERTAINTIES**
- **CONTINUED INVESTMENTS FOR THE FUTURE**

The company has been keeping a cautiously optimistic outlook on the near term future. The company's flagship brands Parachute and Saffola turned in very healthy volume growths during Q1FY10, partly aided by consumer offers. The international business also turned in a strong performance owing to continued growth momentum in Bangladesh and Egypt bouncing back after stabilization of the modifications in its distribution model. While these initiatives have delivered a growth rate of 17% on the topline during this quarter, the growth during the remaining three quarters is likely to be more modest. While the company has not yet experienced any slowdown in demand on account of signs of a poor monsoon, a failure of the monsoon may have a dampening impact on overall business sentiment. The relative impact on the company could be low as its share of sales from rural markets is only about 25%. However, a failed monsoon could impact buying sentiment all across.

While the company does not give a forecast on commodity input prices, there is likelihood that the average rates during FY10 will be lower than FY09. This provides an opportunity to improve the operating margins for the company. The company expects to earn higher margins than in FY09, even as it invests some of the additional margins earned, back into the business to provide ASP support to established and new brands.

During the second quarter of FY09, there were significant cost push pressures across the FMCG sector and Marico had also raised retail prices across its portfolio. This has created a high base and thus while the company expects to continue to deliver reasonable volume growth, deflationary pressures are likely to show a lower level of value growth.

Kaya has witnessed a deceleration in its rate of growth in existing clinics during the last three quarters. Its recovery to a faster pace of growth is linked to an improvement in the overall economic environment. The likely imposition of service tax makes the task of growth more difficult. A delayed recovery in the overall economic situation can limit the pace of growth in Kaya. Meanwhile however, the company is proceeding with its expansion plans, based largely on tapping new catchment areas for growth. The company will also focus on reducing the time to scale up revenues in new clinics, improve capacity utilizations in existing ones and add to its range of service and product offerings.

The company would continue to focus on long term sustainable growth. Apart from expanding existing franchises through investments in ASP (advertising and sales promotion) and innovating to enhance the value of its offerings, the company will also launch and prototype new products. Introduction of new product variants and restaging of existing brands will contribute to the growth across Marico's business.

**CONTENTS OF THE UPDATE**

This update covers the following:

1. Financial results and other developments during Q1 FY10 for the Marico Group – Marico Limited and its subsidiaries / joint ventures - Marico Bangladesh Limited (MBL), MBL Industries Ltd. (MBLIL), Kaya Limited, Marico Middle East FZE, Kaya Middle East FZE, MEL Consumer Care SAE , Egyptian American Investment & Industrial Development Company, Marico Egypt Industries Company, Wind Co , Marico South Africa Consumer Care (Pty) Limited, Marico South Africa (Pty) Limited and CPF International (Pty) 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.marico.com/investor_relations/annual_reports/Consol_Annual_Report_2008-09.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.marico.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 & Services in the Global Beauty and Wellness space. Marico's Products and Services in Hair care, Skin Care and Healthy Foods generated a Turnover of about Rs. 24 billion (about USD 480 Million) during 2008-09. Marico markets well-known brands such as Parachute, Saffola, Sweekar, Hair & Care, Nihar, Shanti, Mediker, Revive, Manjal, Kaya, Aromatic, Fiancee, HairCode, Caivil and Black Chic. Marico's brands and their extensions occupy leadership positions with significant market shares in most categories- Coconut Oil, Hair Oils, Post wash hair care, Anti-lice Treatment, Premium Refined Edible Oils, niche Fabric Care etc. Marico is present in the Skin Care Solutions segment through Kaya Skin Clinics (97 in India and The Middle East) and its soap franchise (in India and Bangladesh).

Marico's branded products are present in Bangladesh, other SAARC countries, the Middle East, Egypt and South Africa. 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's own manufacturing facilities are located at Goa, Kanjikode, Jalgaon, Pondicherry, Dehradun and Daman and supported by subcontracting units. Marico's wholly owned subsidiaries, Marico Bangladesh Limited, Egyptian American Investment and Industrial Development Corporation, Marico Egypt Industries Company (erstwhile Pyramid for Modern Industries), and Marico South Africa Pty Ltd. have their manufacturing facilities at Mouchak, near Gazipur in Bangladesh, 6th October City, Egypt, Salheya City, Egypt, Sadaat City, Egypt and Mobeni in Durban, South Africa 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 Marke Share range % | Rank |
|---|---|---|---|
| Parachute, Oil Of Malabar, Nihar | Coconut Oil | 55-56 | 1 |
| Hair Oil (Hair & Care, Parachute Jasmine, Parachute Advansed, Shanti Badam Amla, Nihar) | Hair Oils | 20-22 | 2 |
| Mediker | Anti Lice Treatment | ~ 90 | 1 |
| 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 | 55-56 |
| Hair Oil (Hair & Care, Parachute Jasmine, Parachute Advanced, Shanti Badam Amla, Nihar) | Hair Oils | _ | 20-22 |

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

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 11% 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 in India today contributes about 32% to the top line of Marico. Its share in profits too has come down.

## Reach

Marico procures one out of every 13 coconuts produced 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, 32 carrying & forwarding agents (CFAs) and about 3600 distributors and stockists. Marico's distribution network covers almost every Indian town with population over 20,000.

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 | - | 3,600 |
| Retail Outlets – Reach (millions) | 1.65 | 0.85 |

In Bangladesh, Marico reaches over 370,000 outlets.

**Skin Care Solutions**

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 97 strong, spread across 25 cities in India and a presence in the Middle East. Its customer base is now more than 500,000.

In June 2007, the company extended the Kaya equity to Kaya Life by offering sustainable weight management solutions customized to individuals. Currently, there are 4 Kaya Life centers located in Mumbai.

**Financial Highlights**

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

| Particulars (Rs crores) | FY 05 | FY 06 | FY 07 | FY 08 | FY 09 | CAGR % |
|---|---|---|---|---|---|---|
| Sales & Services | 1,007 | 1,144 | 1,557 | 1,905 | 2,388 | 24 |
| Profit Before Tax | 74 | 98 | 150 | 205 | 230 | 33 |
| Net Profit (PAT) | 70 | 87 | 113 | 169 | 189 | 28 |
| Earnings per Share - Annualised (Rs)* | 1.2 | 1.5 | 1.9 | 2.8 | 3.1 | 27 |
| Book Value per Share (Rs)* | 3.7 | 4.5 | 3.2 | 5.2 | 7.4 | |
| Net Worth | 217 | 261 | 192 | 315 | 453 | |
| ROCE % | 31 | 26 | 36 | 42 | 35 | |

* 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.