Marico - An Information Update October 28,2009

Q2FY10 (Quarter ended September 30, 2009)

Group Turnover	Rs. ~ 692 Cr.	Up 14 %
Profit Before Tax	Rs. ~ 76 Cr.	Up 30 %
Net Profit	Rs. ~ 62 Cr.	Up 32 %

Marico –Sustained Volume Growth

Marico continued to achieve healthy growth into the second quarter of FY10. With a turnover of Rs 692 crores during the period it recorded a growth of 14%, which was predominantly volume led.

Profit before tax (PBT) for the quarter was Rs 76 crore, a growth of 30% over Q2 FY09. Marico recorded a Profit after tax of Rs 62 crore a growth of 32% over the corresponding quarter in the previous year. During Q1FY10, the company had taken a decision, on conservative principles and as a matter abundant caution, to make a provision towards excise duty that may have to be paid on coconut oil in packs up to 200 ml. The profit for the quarter is also lower by Rs 12.4 crore on account of the provision made for the current quarter. The PAT during Q2FY10 before this provision is 48 % over Q2FY09.

Marico has kept up its track record of quarterly growth. Q2FY10 is in Y-o-Y terms, the:

- 36th consecutive Quarter of growth in Turnover and
- 40th consecutive Quarter of growth in Profits

At its meeting held on October 28, 2009, the Board of Marico Limited, declared a first interim dividend of 30% on its equity share capital of Rs. 60.9 Crore.

Marico Bangladesh Ltd. (MBL) had received Bangladesh Securities Exchange Commission (SEC) approval to make an Initial Public Offer (IPO) of its equity shares. The company made an initial public offer by issuing further equity shares at a price of BDT 90 per share (at a premium of BDT 80 per share). The issue was very well received. MBL's shares are now listed on the Dhaka Stock Exchange and the Chittagong Stock Exchange in Bangladesh. With this IPO Marico's holding in MBL stands reduced to 90%.

Marico's Investor Relations efforts are co-ordinated by

- Chaitanya Deshpande Head –M&A and Investor Relations (chaitanyajd@maricoindia.net)
- Milind Sarwate Chief – Finance, HR & Strategy (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

Consumer Products Business - India:

Parachute & Nihar

Marico's flagship brand, Parachute, continued to show robust volume growth. Parachute coconut oil in rigid packs, the focus part of the portfolio, grew by about 10% in volume over Q2 FY09. This comes on the back of a very strong first quarter during which the company had run consumer offers on two of the brand's lead packs.

AC Nielsen recently made a change in their panel for assessment of market shares. This change involves expanding the universe of brands considered in the base for computing market shares. The additional brands now included in the universe are by and large at the lower priced brands. Consequently, Parachute's volume market share in the coconut oils category has suffered an apparent loss and is recorded as 45% (during the 12 months to Aug '09). Had it not been for the panel change however, Parachute would have largely maintained its share. Marico's share in the coconut oils category along with Nihar and Oil of Malabar stands at 52.3%.

The company has continued its brand building efforts through stronger above the line advertising coupled with value propositions for the consumer. In the rural markets, the smaller size SKUs, on account of their affordability is being used to provide a thrust to distribution.

The competitive scenario has remained largely unchanged. There have been no significant moves from competitors. In the South, Meera has been sustaining high media and non-media inputs. With raw material prices remaining low, price warriors have become more active in converting loose oil users to packed oils.

During the quarter, the prices of copra (dried coconut kernel) the raw material input for Parachute coconut oil were about 27 % lower than in Q2 FY09. The prices have thus far remained well below the MSP (Minimum Support Prices) as there has not been any significant intervention from NAFED as yet. It is expected that the raw material prices will increase in line with the seasonal trend over the next few months, barring any unusual buying by NAFED.

The company continues to clear all coconut oil from it factories without payment of excise duty. The matter is currently sub-judice and it could take some time for it to resolve completely. Pending such outcome, as a matter of abundant caution, the company has decided to make a provision for the excise duty on packs up to 200 ml, which the excise department has sought to classify as hair oil. The provision for Q2FY10 is Rs 12.4 crore.

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.

After experiencing high inflation in its key raw materials last year, a decline in Safflower prices this year (by about 25%) has enabled the company to take pricing corrections so that Saffola's premium over other refined edible oils has been restored to more sustainable levels. Some of the price adjustment was made by way of a "20% extra" consumer offer on two of the variants. These were supported by impactful advertising. The Saffola franchise has been able to recruit new consumers steadily. During Q2FY10 the Saffola franchise grew by 21.9%. The value growth was however in single digits.

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 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 company expects to roll the product out over the next few months. 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 has been mixed and prototype is now being redesigned.

Hair Oils

Marico backed its portfolio of hair oils with continued media and promotional support through Q2FY10 along with micro-marketing initiatives in key markets. During the quarter Marico's hair oils in rigid packs grew 17% in volume over the corresponding period in the previous year. Marico's basket of hair oils including Parachute Jasmine, Nihar perfumed hair oils, Hair & Care and Shanti Badam Amla maintained its market share at 21%. The company contemplates increasing its share in the hair oils category through participation in the cooling oils segment which has been witnessing fast paced growth in recent times. Its prototype of two differentiated cooling oil variants - Nihar Naturals Coconut Cooling Oil in Bihar and Parachute Advansed Coconut Cooling Oil in Andhra Pradesh have been meeting expectations.

Marico launched Parachute Aftershower Antidandruff Hair Oil for Men across urban India in the month of September 2009. The product is positioned as non-sticky hair oil for men with antidandruff properties. It is enriched with tea tree oil, lemon and neem to deliver day long care against dandruff.

International FMCG Business

From a single digit share in FY05, Marico's international business, its key geographies being Bangladesh, MENA (Middle East and North Africa) and South Africa, comprised about 25% of the group's turnover during Q2FY10. The international business continued to record very healthy growth during the quarter. It grew by 49 % over Q2 FY09 (about 33% if one ignores currency translation).

In Bangladesh, Parachute coconut oil extended its excellent run taking its market share beyond 72%. The two pronged approach of building brand stature & driving depth among higher SEC's and aggressively recruiting new users from loose oil amongst the lower SEC's continues to yield results. Hair Code hair dye was launched in FY09. A media campaign to encourage trials complemented by on -street activation has helped the brand reach a 14% market share in a short time span.

In the Middle East, Parachute cream maintained its No. 1 position and improved share to about 25%. The recent thrust in KSA has resulted in market share gains in the country. Parachute Gold hair oil is being restaged and the media campaign has received a good response. The Egyptian brands Fiancée and Hair Code are tracking well and are receiving 360 degree support including television media, on -ground activation, sachet sampling and digital marketing. Fiancée's new packaging introductions received an encouraging response.

Despite the macro recessionary trends in South Africa, Marico's brands continued their growth momentum. The company continues to invest behind its brands Caivil, Hercules and Black Chic. 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 will contribute towards long term margin improvement in the international operations.

Kaya Skin Clinic

Kaya Skin Clinic, Marico's venture in the dermatology / skin care segment, recorded a healthy 24% growth in turnover. Marico is the first organized player in this segment and enjoys benefits of scale and operations. Kaya is the leading skin care services brand with 99 clinics overall (86 clinics in India across 26 cities and 13 clinics in the Middle East across 9 cities). During Q2 FY10, Kaya added 2 new skin clinics.

Kaya's skin business achieved a turnover of Rs 49 crore during the quarter. Given the discretionary nature of consumer spending at Kaya, most of the growth during the quarter has come from new clinic expansion. For clinics that have been in existence for over 12 months, the overall same clinic growth is lower at 5% y-o-y, with the Middle East clinics making up for some de-growth in the Indian clinics. Moreover the imposition of service tax and consequent price increase taken by the company from September 1, 2009 has also put some pressure on growth. With improvement in the macro environmental sentiment, the clinics could come back to the growth path. During Q2FY10, the Indian clinics in existence for over 12 months experienced a sequential quarter growth (over Q1FY10) of 4%.

The Kaya skin business made a loss of Rs 2.1 crores during Q2 FY10, primarily on account of the new clinics opened during the quarters, which are yet to achieve break-even.

Kaya Life

Kaya Life offers customized holistic weight management solutions. Customers are experiencing effective results on both weight loss and inch loss. The company is however still honing the business model before it can be scaled up.

OPERATING MARGIN STRUCTURE FOR MARICO GROUP

% to Sales & Services (net of excise)	Q2FY10	Q2FY09
Material Cost (Raw + Packaging)	47.1	54.1
Advertising & Sales Promotion (ASP)	13.2	9.4
Personnel Costs	7.3	6.4
Other Expenses	18.6	17.8
PBDIT margins	13.7	12.2
Gross Margins (PBDIT before ASP)	26.9	21.7

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 ~ 25% lower than in Q2FY09. Similarly, market prices of safflower oil, comprising about 13% of the company's raw material cost, were about 25% lower than in the corresponding period of the previous year.
2. ASP as % of sales was higher on account of increased investments across the three businesses.
3. Personnel cost as % of sales are higher during the quarter as compared to the corresponding period last year on account of a higher provision for variable performance incentive and fresh recruitments in new clinics in the Kaya business.
4. Other expenses as a % of sales are higher owing to a charge of Rs 12.4 Cr on account of provision for excise.
5. 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	Q2FY10	Q2FY09
Return on Capital Employed - Marico Group	34.4%	33.4%
Return on Net Worth – (Group)	45.8%	50.0%
Working Capital Ratios (Group)		
- Debtors Turnover (Days)	21	23
- Inventory Turnover (Days)	51	50
- Net Working Capital Turnover (Days)	56	54
Debt: Equity (Group)	0.73	1.17
Finance Costs to Turnover (%) (Group)	0.8%	1.6%

* Turnover Ratios calculated on the basis of average balances

1. As of September 30, 2009 the Marico Group had a net debt of Rs 235 Crore (Gross Rs 401 Crore). Of the gross debt about Rs 190 crore is denominated in US Dollars. About Rs 120 crore of the USD debt is repayable with in a year. A little over Rs 130 crore debt denominated in Indian Rupees is payable within a year. The average cost of the debt is about 5.5 – 6.0 %. 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.

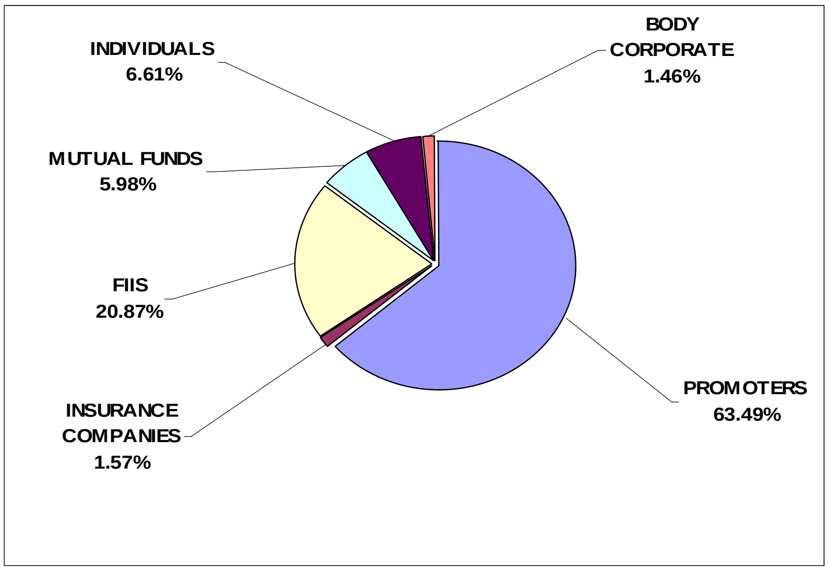
2. The Company adopts a conservative policy for hedging its foreign curren cy exposures using a mix of forwards, plain vanilla options and hedging on a net basis. Foreign currency trade loans and imports are hedged immediately on contracting the same. In Q2 FY 2010, total realization for exports for Marico Limited was in excess of USD 8.25 million while import payments were USD 0.90 million.

Effective Tax Rate:

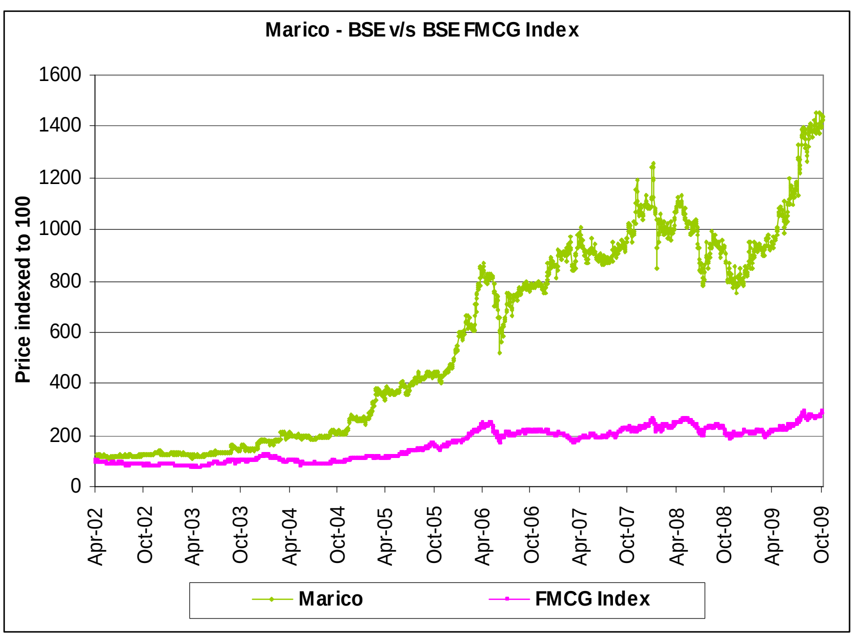
The total effective tax rate (as % of PBT) after considering adjustments for MAT credit, FBT and Deferred tax for Q2FY10 is 18%. The total provision during the quarte r is lower on account of the reversal of annual provisions in the accounts of the Bangladesh subsidiary due to the benefits of lower rate of tax available to listed entities in Bangladesh. The total tax provision during the year FY10 is expected to be abou t 22%.

SHAREHOLDING PATTERN

The shareholding pattern as on September 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. 5448 crore on September 30, 2009. The average daily volume on BSE and NSE during Q2FY10 was about 744,233 shares.

OUTLOOK

- SUSTAINED VOLUME GRO WTH IN CONSUMER PROD UCTS (INDIA & INTERN ATIONAL)
- DEFLATION MAY RE SULT IN LOWER VALUE GROWTH
- GROWTH IN KAYA LED B Y NEW CLINICS
- SUSTAINED PERFORMANC E IN GROUP MARGINS
- CONTINUED INVESTMENT S FOR THE FUTURE

The company expects to sustain overall volume growth. However, deflationary pressures in the industry could limit value growth. The relatively benign commodity prices provide Marico an opportunity to improve operating margins, as compared to FY 09, even as it invests some of the additional margins earned, back into the business. During the forthcoming quarters the com pany is expected to roll out some of the products currently under prototype in its domestic FMCG business. In the international business it would extend its reach from Egypt and South Africa into the neighboring countries. Plans are also afoot to introduce new differentiated offerings to its consumers. While same clinic growth in Kaya is currently under pressure, an improvement in the overall economic environment would put Kaya back on the growth path even as the new clinics tapping new catchment areas ramp us sales.

CONTENTS OF THE UPDA TE

This update covers the following:

1. Financial results and other developments during Q2 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, Ma rico 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 (99 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 Market Share range %	Rank
Parachute, Oil Of Malabar, Nihar	Coconut Oil	51-53	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 99 strong, spread across 26 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.