Marico - An Information Update January 22, 2009

Q3FY09 (Quarter ended December 31, 2008)

Group Turnover	**Rs. ~ 623 Cr.**	**Up 23%**
Profit Before Tax	**Rs. ~ 65 Cr.**	**Up 21%**
Net Profit	**Rs. ~ 50 Cr.**	**Up 11%**

Marico continues growth story

Marico recorded a turnover of Rs 623 crore during the quarter ended Dec 31, 2008, registering a growth of 23% over the corresponding period in the previous year. All Marico's businesses, consumer products in India, international business and Kaya skin solutions showed healthy growth. Volume growth during the quarter was 7%. A large part of Marico's portfolio comprises items of daily consumption offered at price points that do not entail a significant one time outlay. Consequently, the company's topline growth remains robust. In the near term, while Marico, like other FMCG companies, faces some deceleration in the rate of growth, it is nevertheless growing at a healthy pace.

The company has been following a strategy of maintaining its unit volume margins across most of its portfolio. This is based on the belief that it is easier to regain margins than to recover lost consumers. In an inflationary environment therefore, the company's profit margins have not kept pace with overall revenue growth. Profit After Tax (PAT) during the quarter was Rs 50.9 crore, a growth of 11% over Q3FY08. During Q3FY08 however, the company had an exchange rate gain of Rs 7.8 crore and an increased impact of accelerated depreciation of Rs 4.3 crore, the net effect of these two items being a gain of Rs 3.5 crore. If we adjust the impact of this in Q3FY08, then the growth in Q3FY09 over Q3FY08 would be 20%.

(The company has adopted AS30 pertaining to "Financial Instruments: Recognition and Measurement" in accordance with which a net unrealized loss during Q3FY09 of Rs 5.13 crore has been accounted for as a hedging reserve, to be recognized in the profit and loss account when the underlying transaction or forecast revenue arises as against the earlier practice of recognizing the same in the profit and loss account).

Q3FY09 is in Y-o-Y growth terms, the:

- 33rd consecutive Quarter of growth in Turnover and
- 37th consecutive Quarter of growth in Profits

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Consumer Products Business - India:

A few Brand Stories:

Parachute & Nihar

Marico's flagship brand, Parachute achieved a rate of growth in line with expectations. During Q3FY09, Parachute coconut oil in rigid packs recorded a volume growth of 9% over Q3FY08. Given the brand's strong equity, it has faced little pressure of consumer down trading and has had no dent to its market share. During the 12 months to November '08, it had a volume market share of 48% in the Rs 1300 crore branded coconut oils category. As part of its annual plan the company runs one or two sales promotion offers during the year. An offer of "20% extra" was made on the 200 ml pack of Parachute. A similar promotion was run in the corresponding quarter in the previous year. Meanwhile Nihar's share in the category stood at 6% during the 12 months to November '08 with the brand registering a 9% growth in volume during Q3FY09 as compared to Q3FY08.

Even as some commodity prices declined during the quarter from their peaks in Q2FY09, prices of Copra, the raw material input for coconut oil, remained firm. Prices of Copra, were higher by 30% in Q3FY09 over Q3FY08. In August 2008, the company implemented a 5% increase in the retail prices of Parachute. Together with the price increases of 3% in July 2007 and 5% in April 2008, the cumulative price increase is 13%. This increase is adequate to cover for a substantial part of the raw material cost inflation and keep the gross margin per unit volume within a tight band. While forecasting commodity prices is difficult, there is likelihood that copra prices will begin declining from the middle of Q4FY09.

Saffola

Saffola, Marico's second flagship brand, is positioned strongly on a "good for the heart" equity. The brand continues to leverage the growing awareness about heart health in India. In recent times it has been actively positioning itself on the "preventive" platform. During the last two years, the Saffola franchise showed a strong volume growth of about 18% despite its premium pricing to other refined edible oils.

Following the steep drop in crude oil prices, most edible oils, led by palm, also saw a sharp fall during the quarter. Sunflower oil for instance was at a 7% discount to prices during the same period in the previous year. This led to many refined oil brands dropping their retail prices during Q2 and Q3 this year. However, prices of Safflower (kardi), one of the key ingredients of Saffola, which is a seasonal crop, did not decline. Consequently, the premium at which Saffola retails to other refined edible oil brands expanded significantly. This together with the economic slowdown which could impact items where the one time outlay is high (as in the case of a 5 liter Saffola pack), led to a drop in the volume growth of Saffola to 3% during Q3FY09 over Q3FY08.

Arrivals of the new safflower crop in India are expected in March 2009. (The flush season is March to June). Current indications are that we will see a drop in the material prices. This is expected to enable the company to price Saffola at a more reasonable premium to other premium branded and restore a healthy growth rate for the brand.

Sweekar

Over the last few years Sweekar, Marico's refined sunflower oil brand has not been a focus brand. The company has tried to maintain its unit margins a specific band without having to support it with advertising and sales promotion. Consequently, it is expected that volumes in the brand may remain flat or decline. During Q3FY09, Sweekar's volumes declined by 12% over Q3FY08 while the decline in value was about 4%.

Hair Oils

The Hair Oils category has been experiencing healthy growth. Marico's hair oils in rigid packs grew 15% in volume over the corresponding quarter in the previous year. Marico's basket of hair oils including Parachute Jasmine, Nihar perfumed hair oils, Hair & Care and Shanti Badam Amla had a market share of about 20% during the 12 months ended November 2008.

Overall growth in hair oils was achieved through focused micro marketing efforts in select markets. Hair & Care sales were augmented with the introduction of a new variant Hair & Care Almond Gold in Q2FY09. The Hair & Care franchise grew in volume by 28% over the corresponding quarter in the previous year. In the perfumed coconut oil rigid category, Parachute Jasmine and Nihar perfumed oils grew by 10% in volume while Shanti Badam Amla recorded a volume growth of 16% over Q3FY09.

Male Hair Grooming

Marico is present in the Rs 100 crore hair cream and hair gels market through Parachute Advansed hair creams and hair gels. Though small, the category is growing at a modest 10%. During the year to date, Marico's Parachute After Shower creams and gels have grown by 12% in volume over the previous year, though the growth in Q3FY09 over Q3FY08 was 6%. Parachute Advansed intends to grow the hair creams and gels market in India along with other key players such as Brylcreem and Set Wet. Its share in the category during the 12 months ended November '08 was about 20%.

Recent Prototypes and New Launches

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

During Q3FY09, Marico launched Parachute Advansed revitalizing Hot Oil, a coconut oil enriched with warming oil,

rosemary, thyme and patchouli. Consumers can feel the warmth coming through as they rub their palms and massage the oil into their scalp. Parachute Advansed Hot Oil is positioned as a pre-wash product for winter and is priced at Rs 65 for 170 ml.

During January 2009, Saffola extended its journey in the health foods space. Saffola Zest a salty baked snack, combines strong health benefits with great taste to give consumers a novel healthful snacking experience. Being baked, it contains half as much fat as other namkeen, and its ingredients are heart friendly. It also contains a high proportion of protein and fiber, making it an ideal snack for the entire family.

Saffola Zest comes in three tasty flavors, tangy tomato, chatpata masala and mast masala. Each is available in three SKUs (stock keeping units) priced at Rs 10, 25 and 45.

Most recently, the company commenced the prototype of Saffola Rice – a low GI rice that helps in weight management.

Marico has commenced a prototype in the state of Andhra Pradesh. The brand is available in 1 kg and 2.5 kg packs priced at Rs 59 and Rs 140 respectively.

The company also has three other prototypes being conducted in the marketplace. Revive Strong & White is a liquid fabric whitener that offers a unique double action of making clothes white together with making them strong to last longer. 

The product is currently being prototyped in West Bengal. Parachute Night Repair Cream, a fragrant coconut protein based hair cream, is being prototyped in Mumbai. The response has been satisfactory thus far. Maha Thanda an ayurvedic cooling hair oil with herbal extracts is being prototyped in Bihar. The performance has not yet met action standards and the company may consider some changes in the marketing mix to help achieve them before it is ready to launch the product nationally.

Rural Sales:

In the recent months, some FMCG companies have experienced faster growth in rural India than in Urban India. This is primarily on account of better realizations on farm output with all round commodity inflation as well as a waiver on farmer loans scheme announced by the government. Marico uses its super-distributors to service the rural hinterland and their share in the overall domestic market sales is about 25%. During the year, the company has not yet experienced any significant difference in the pace of growth in rural and urban markets. However in order to take advantage of the potentially buoyant rural consumer demand, Marico has launched a low price point flexi Parachute coconut oil pack at Rs 4. This is expected to increase the penetration of the brand. In addition, the company's media plans are providing a slightly increased weightage to rural reach.

Modern Trade:

Modern Trade comprises about 6.5% of domestic sales, up from about 5% a year ago. In the last few months however, the pace of new store openings has come down. Organized retailers are consolidating and closing some unprofitable store locations. In addition they are attempting to improve cost structures through rationalizing manpower and inventory levels. Where agreements come up for renewal, they seek to re-negotiate terms for credit terms, margins and in-store merchandising support.

International FMCG Business

Marico's overall international business continued to grow at a healthy pace. During Q3FY09 it grew by 44% over the corresponding period in the previous year and comprised about 20% of the group's turnover. Marico had acquired its South African business in November 2007. Its South African business, which constitutes about 10% of its international consumer products turnover is now included in the comparable quarter in the previous year.

In Bangladesh, Parachute coconut oil continues to focus on growing the branded market by encouraging conversions from loose oil. During the 12 months ended November '08, its market share was 72%. Hair Code hair dye has been introduced in Bangladesh and is being supported by a 360 degree campaign complemented by an on-ground program to improve placement in parlours. The initial response has been positive.

In the Middle East, Parachute cream has been making steady progress on the strength of its "nourishment plus protection from harsh water" positioning. At about 24% market share, it has attained a strong number two position, having nearly closed the gap with the market leader in the GCC (Gulf Cooperation Council) countries.

During the first half of FY09, the company had initiated a transition from directly servicing several wholesalers to dealing with them through a distributor in order to bring more efficiency to the supply chain in Egypt. While this has been almost completed, the resolution of issues during execution took longer than initially anticipated. The economic environment is Egypt has also been impacted by high levels of inflation which exceeded 20% and put pressure on business growth. These factors have resulted in a de-growth in Egypt during the third quarter and on a year to date December 2008 basis. With the transition almost complete and signs of inflation easing from a peak of 23% to 16%, the company expects to reverse this trend during Q4FY09.

The performance in South Africa has been in line with expectations. The response to the launch of new flavours in Hercules castor oil and the restaging of the brand Caivil is positive.

While growing its international business operations, the company has also commenced taking supply chain initiatives to improve margins in the business. In Bangladesh, the company has done backward integration by crushing copra locally. Marico has commissioned a new factory in Egypt for hair creams through which it intends servicing the MENA region. This would help it to avail of the benefits of the FTA (Free Trade Agreement) between Egypt and countries of the GCC. Profits from this unit will be exempt from income tax in Egypt up to 2018.

Kaya Skin Clinic

In line with its plan to open new clinics in existing cities, Kaya Skin Clinic added 6 new clinics in Mumbai, Delhi, Hyderabad and Chennai during the quarter. As of December '08 Kaya Skin Clinic offers its skin care solutions through 84 clinics, up from 65 in March 2008. Of these 73 clinics are operational across 20 cities in India while there are 11 clinics situated in the Middle East. No Kaya Skin Clinic has been closed down since Kaya's inception in 2002.

During Q3FY09, Kaya recorded a turnover of Rs 41 crore, a growth of 59% over Q3FY08. In the current environment, the pace of revenue growth for high ticket discretionary items has come off. Revenue growth in clinics in India in Q3FY09 that were operational in Q3FY08 too was 13%.

During the quarter, Kaya launched Kaya Care, an Annual Membership Program designed to inculcate a habit of regular skin care amongst clients through a personalized skin care calendar. Kaya markets a range of products that are used in conjunction with the services it offers. Products at Kaya comprise about 13% of its turnover.

Kaya Life

Kaya Life offering holistic weight management solution which was launched in FY08 currently has 3 centers – all in the city of Mumbai. Customers are experiencing effective results on both weight loss and inch loss. The team is working on the model to increase the pace of customer acquisition and of expanding the menu of programmes and options. These modifications to the model will be tested before a full fledged roll out of Kaya Life is undertaken.

Sundari

Marico Limited (Marico) had acquired the spa products business under the brand "Sundari" through the acquisition of a controlling interest in Sundari LLC, a Company domiciled in the United States, in February 2003. Over the years Marico has increased its shareholding, eventually making Sundari LLC a wholly owned subsidiary.

Marico has strived to grow the Sundari Business, amongst other things, through a continuous tweaking of the business model. The Management has always believed in the Sundari concept and the business had begun to show positive signs from FY 08. Unfortunately, the economic ambience has turned for the worse across the globe, more so in the USA. The company intends to explore various alternatives including restructuring of Marico's stake in the brand Sundari or in the subsidiary Sundari LLC, or both.

OPERATING MARGIN STRUCTURE FOR MARICO GROUP

% to Sales & Services (net of excise)	Q3 FY09	Q3FY08
Material Cost (Raw + Packaging)	55.0	52.8
Advertising & Sales Promotion (ASP)	10.9	12.4
Personnel Costs	6.5	6.1
Other Expenses	14.9	16.0
PBDIT margins	12.7	12.7
Gross Margins (PBDIT before ASP)	23.6	25.1

Notes:

1. Even though some edible oil prices reacted during the quarter, the prices of copra and safflower (kardi) oil which form inputs for Parachute and Saffola did not decline. Their prices were higher during the quarter on a Y-o-Y basis by about 30% and 40% respectively. Consequently, the Raw Materials to Sales show an increase over the previous year. While crude oil prices have come down sharply, prices of HDPE have not come off to the same extent are almost flat on Y-o-Y basis, albeit lower on a Q-o-Q basis. Marico's packing material costs to sales are currently about 9%.
2. ASP as % of sales was lower during the quarter mainly on account of an absence of any new product launches during the quarter. We expect ASP as % of sales to remain in the broad range of 11-12% on an annual basis. Moreover, during Q3FY09, the ASP appears lower owing to a change in the accounting policy to now reducing consumer offer amounts from both revenue and ASP expenditure. Had it not been for this change, the ASP to Sales would have been 11.7%.

3. Personnel cost as % of sales is higher because the contribution of Kaya in the group topline is increasing over the quarters. Being a service oriented model, personnel costs are higher as compared to the consumer products business. Higher clinic expansion in Kaya (19 clinics were added during the year so far) has also meant additional head count ahead of revenue picking up in these clinics.
4. The company's pricing strategy attempts to pass on the input cost increases so as to maintain margins on a unit volume basis. In an inflationary scenario therefore the margins on a percentage to sales basis may be squeezed, owing to the higher turnover value.
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	Q3FY09	Q3FY08
Return on Capital Employed		
- Marico Group	33.6%	39.1%
Return on Net Worth – (Group)	49.5%	64.3%
Working Capital Ratios (Group)		
- Debtors Turnover (Days)	23	17
- Inventory Turnover (Days)	53	45
- Net Working Capital Turnover (Days)	58	45
Debt: Equity (Group)	1.10	1.19
Finance Costs to Turnover (%) (Group)	1.1%	1.4%

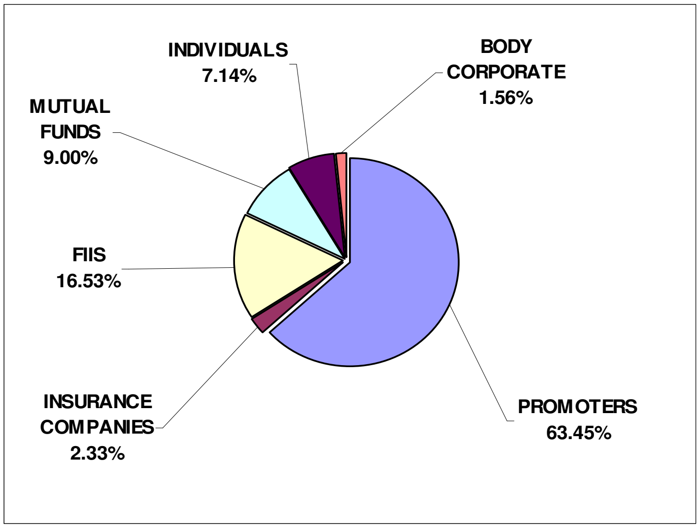
1. The debtors' turnover has increased primarily on account of the increase in the proportion of international where the average receivables are higher. Inventories are higher partly on account of higher raw material costs and partly owing to some raw material position building.

2. Capital expenditure since March 2008 has been about Rs 75 crore. Of this, approximately Rs 23 crore was invested in new clinics in Kaya and Rs 15 crore was invested in the new factory in Egypt.

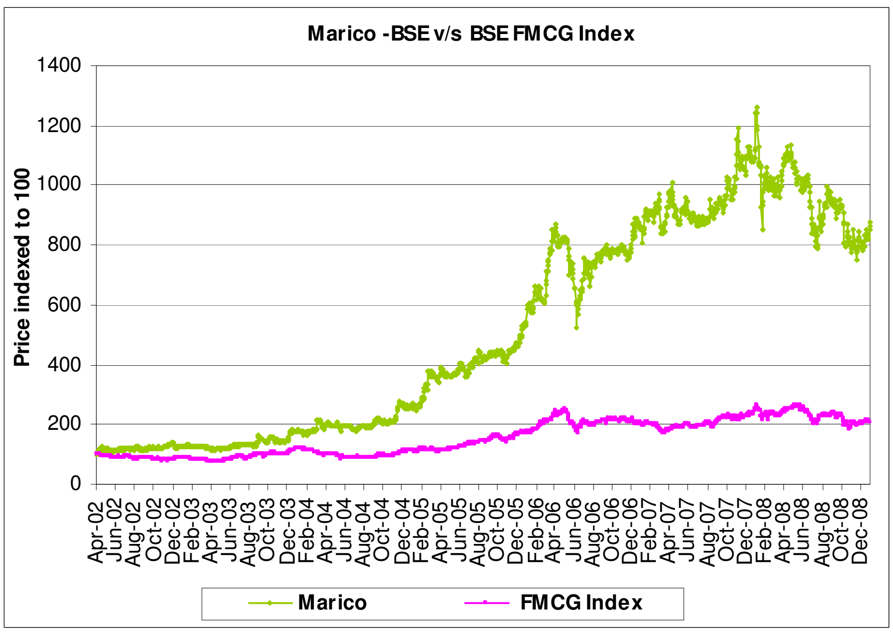
3. Marico's borrowings as on December 31, 2008 were about Rs 403 crore. Of these about Rs 200 crore are USD denominated loans and the balance borrowings in Indian Rupees. Approximately half the USD debt is payable within a year. The Indian Rupee borrowings include a term loan of Rs 150 crore repayment of which is not due within a year. The average interest rate on the loans is 8.5%. The company has not raised any money through FCCBs. Marico has adequate cash flows to maintain healthy debt service coverage.

SHAREHOLDING PATTERN

The shareholding pattern as on December 31, 2008 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. 3,383 crore as on December 31, 2008. The average daily volume on BSE and NSE during Q3FY09 was about 4,18,000 shares.

OUTLOOK

- **AN OUTLOOK OF CAUTIOUS OPTIMISM**
- **SUSTAINED PERFORMANCE DESPITE VOLATILITY**
- **CONTINUED INVESTMENTS FOR THE FUTURE**

The company has been keeping a cautiously optimistic outlook on the near term future. The current global economic environment continues to remain uncertain. However, with Marico's product offerings being largely in the area of items of daily consumption in which one time outlays are not significant, the impact of any slowdown on the company's operations is expected to be limited. Inflationary pressures in India, particularly in crude oil and some of the edible oils have eased and are expected to reduce in other items of input such as copra and safflower (kardi) over the next few months. Based on the extent of the decline and factors such as the competitive environment and potential down-trading, the company would take a call on pricing changes and investments in advertising and sales promotion to grow its consumer franchise.

During the last year or so, there has been significant inflation in input prices for FMCG companies. Given Marico's strategy of attempting to maintain the absolute unit margins across its portfolio, it has taken price increases both in India and its international markets. While the company believes that its brands will continue to show volume growth, the revenue growth in FY10 will have to taken into account the base effect. Moreover, should the INR appreciate sharply in FY10 against the USD, Bangladesh Taka and South Africa Rand, then the revenue growth in INR could get depressed.

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 such as the Parachute Advansed Champi pack (hair oil with massager) or Parachute Advansed Hot Oil, the company will also launch and prototype new products. The launch of Hair & Care Almond Gold for instance would bring more consumers into the brand's fold and the introduction of Saffola Zest and Saffola Rice are expected to tap into the health foods category. In the recent past, Marico's international business introduced Hair Code hair dye in Bangladesh and new flavours under Hercules castor oil in South Africa. Besides these the restaging of Fiancée in Egypt and Caivil in South Africa are expected to contribute towards growth in the international business. In Kaya, Marico will continue to open 12 to 15 clinics a year, work at 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 competitive environment in the flagship brands Parachute and Saffola remains largely unchanged and there are sufficiently strong barriers. The company would however have to be mindful of the entry of large players, if any.

CONTENTS OF THE UPDATE

This update covers the following:

1. Financial results and other developments during Q3FY09 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, Sundari LLC, MEL Consumer Care SAE , Egyptian American Investment & Industrial Development Company, Pyramids for Modern Industries, 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/ann_report_view/Annual_Report_2007-08.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 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.19.1 billion (USD 454 Million) during 2007-08. Marico markets well-known brands such as Parachute, Saffola, Sweekar, Hair & Care, Nihar, Shanti, Mediker, Revive, Manjal, Kaya, Sundari, Fiancée, Camelia, Aromatic, Caivil, Black Chic, Hercules 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 (84 in India and the Middle East), the Sundari range of Spa skin care products (in the USA & other countries) and its nascent soap franchise in India and Bangladesh.

Marico's branded products are also present in Bangladesh, other SAARC countries, Egypt, South Africa 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 24% in FY08.

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, 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	55-57	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	55-57
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 24% 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% 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, 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 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 77 strong, spread across 20 cities in India and a presence in the Middle East. Its customer base is now more than 300,000.

In June 2007, the company extended the Kaya equity to Kaya Life by offering sustainable weight management solutions customized to individuals. Currently, there are 3 Kaya Life centers located in Mumbai.

In FY03, Marico entered the ayurvedic spa products market through 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 the past decade with a consistently healthy Operating Return on Capital Employed (ROCE).

Particulars (Rs. Crore)	**FY04**	**FY05**	**FY06**	**FY07**	**FY08**	**CAGR%**
Sales & Services	888	1007	1,144	1,557	1,907	21
Profit before Tax	65	74	98	150	205	33
Net Profit (PAT)	59	70	87	113	169	30
Earning per share - Annualised (Rs.) *	1.0	1.2	1.5	1.9	2.8	29
Book value per share (Rs.) *	3.2	3.7	4.5	3.2	5.2	
Net Worth	184	217	261	208	315	
ROCE %	32	31	26	33	40	

* 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.