Marico - An Information Update April 22, 2009

FY09 (Year ended March 31, 2009)

Group Turnover	**Rs. ~ 2388 Cr.**	**Up 25%**
Profit Before Tax	**Rs. ~ 230 Cr.**	**Up 12%**
Net Profit	**Rs. ~ 189 Cr.**	**Up 12%**

Marico stays course on Sustainable Profitable Growth

The year ended March 31, 2009 saw Marico crossing the Rs 2000 crore turnover milestone. Marico posted a topline growth 25% and recorded a turnover of Rs 2388 crore. Almost the entire growth during the year was attributable to organic growth of which volume growth comprised 12%.

The overall economic slowdown has impacted the Fast Moving Consumer Goods (FMCG) sector to a lesser degree even though there has been some down trading in highly penetrated categories and lower frequency of purchase in impulse and discretionary categories. 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 has remained robust.

Profit before tax (PBT) for the year was Rs 229 crore a growth of 12% over FY08. However during FY08, the company made a one time profit of Rs 10.6 crore on the sale of its Sil business. Moreover in FY09, the company has booked a one-time extraordinary loss of Rs 15.03 crore on the sale of its Sundari business (more details are included in a latter part of this note). If we ignore these one time items, the PBT for the year would be Rs 245 crores, a growth of 30% over that in the previous year. Profit After Tax (PAT) during the year was Rs 188.7 crore, a growth of 11.6 % over FY08. However, the growth net of extraordinary items was 21%.

(The company has adopted AS30 pertaining to "Financial Instruments: Recognition and Measurement" in accordance with which a net unrealized loss during FY09 of Rs 6.25 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).

Q4FY09 is in Y-o-Y growth terms, the:

- 34th consecutive Quarter of growth in Turnover and
- 38th consecutive Quarter of growth in Profits

At its meeting held on April 22, 2009, the Board of Marico Limited, declared a second interim dividend of 35.5% on its equity share capital of Rs. 60.9 Crore. Together with the 30.0% dividend declared in October 2008, this makes the total dividend for the year 65.5%, equal to the dividend percentage declared in FY08.

Marico's Investor Relations efforts are co-ordinated by

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

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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 9% in volume over FY08. During the 12 months to February '09, it maintained its volume market share of 48% in the Rs 1500 crore branded coconut oils category, indicating resilience against potential down trading in the current economic downturn. Meanwhile Nihar's share in the category stood at 6% during the 12 months to February '09 with the brand registering an 11% growth in volume during the year backed by infrastructure augmentation in Bihar. Marico's coconut oil franchise comprising Parachute, Nihar and Oil of Malabar had a market share of 55% during the 12 months to February '09.

During the year, the prices of copra (dried coconut kernel) the raw material input for Parachute coconut oil were about 25 % higher than in FY08. The company took price increases to pass on most of this increase to consumers. The input prices have declined from their peak levels in Q2 & Q3 of FY09 towards the end of the year. The government has now announced an MSP (Minimum Support Price) for copra during FY10, which is much higher than the prevailing market prices. This could apply some upward pressure on the prices, but much will depend on how aggressively the government agencies actually procure copra. It is also expected that this copra will come back into the market and demand and supply dynamics will prevail. While forecasting commodity prices is difficult, the company believes that though the fall in copra prices may not be as sharp owing to the MSP, there is every likelihood that copra prices during FY10 will be slightly lower than in FY09.

Over the last few years the company has taken the initiative to open copra collection centers whereby farmers and copra converters can reach Marico directly rather than through a set of intermediaries. A fair and transparent set of systems for transacting, quality checks and price has encouraged farmers and convertors to avail themselves of this option. Farm centres facilitate interaction with farmers where their queries about coconut farming are addressed by experts. Marico has also associated itself with the Coconut Development Board that provides inputs to farmers to improve their productivity and overall returns. These initiatives are expected to facilitate smooth supplies of copra in the long term.

Parachute is likely to maintain its margins per unit volume in a tight band. The company expects to be able to continue to grow volumes at 6% to 8% by focusing on conversions to branded usage from the approximately Rs 1000 crore loose coconut oil market.

Saffola

Saffola, Marico's second flagship brand, is positioned strongly on"good for the heart" equity. The incidence of heart related ailments in India are high and a cause for concern. The cases of diabetes, high cholesterol, blood pressure, obesity etc are disproportionately high. Saffola supports the efforts of consumers to adopt and sustain a healthy lifestyle. Over the years, Saffola Healthy Heart Foundation has worked towards raising awareness levels through its advertising campaigns and programmes such as blood check up camps. Saffola constantly urges consumers to adopt a healthy lifestyle (its "Walk" campaign) and building it into a movement. It supports their efforts through unique services like "Dial a Dietician".

Saffola has been innovating to come up with products to support the trend of an improved lifestyle that consumers want to adopt. In the past, it was the first refined oils brand to introduce blends in the country to offer a balance of PUFA and MUFA (poly-unsaturated fatty acids and mono-unsaturated fatty acids). The ingredients of its most recent refined oil blend introduction, Saffola Active provide Omega-3 and oryzanol. 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.

During the last quarter of FY09, the company began to prototype Saffola Zest a healthy baked (not fried) snack food and Saffola Rice, rice with a lower Glycemic Index (GI) to help in weight management. Saffola Zest is being prototyped in Maharashtra, while the prototype of Saffola Rice is being run in Mumbai and Andhra Pradesh.

With these initiatives, Saffola is expected to ride the trend in health consciousness and the increasing awareness levels with respect to heart related ailments in India. In the medium term, the company hopes to transition the brand from a healthy refined edible oils product to a lifestyle brand offering a range of functional foods.

During FY09, Saffola's turnover still comprised primarily of refined edible oils. The oils franchise of Saffola grew by 11% over FY08. The growth during the second half of the year was much slower, even though the growth rate picked up to 5% during Q4FY09. Saffola retails at a significant premium to other refined edible oils in the market. However, during H2FY09, this premium shot up to unsustainable levels owing to relatively much higher levels of prices of safflower oil, one of the Saffola oils range's key ingredients. The brands growth was also partly impacted by some down-stocking of all inventory levels implemented by organized retailers (Modern Trade).

With the arrivals of the new safflower crop coming in from April 2009, it is expected that the safflower oil prices will see a significant decline as compared to FY09. In anticipation of lower average prices of safflower and other oils during FY10, the company has taken some price reductions in Saffola. (Saffola Gold from Rs 120 to Rs 110, Saffola Tasty from Rs 99 to Rs 94 and Saffola Active from Rs 99 to Rs 89 (all prices per litre)). This will lower the premium of Saffola over other branded oils and the range pricing starting with Saffola Active is expected to encourage consumers to come into the Saffola fold at a faster pace. The company expects that it can achieve a volume growth of over 10% during the year.

India is the largest producer of safflower. It is a hardy crop that grows in arid / poorly irrigated areas. Marico's agri-extension team has been working over the years to increase the acreage under safflower (kardi), on land that may otherwise lie fallow, thus improving the farmers return from the land. Marico educates farmers on best sowing practices, crop damage control measures and has a helpline for query resolution. More recently, the company has commenced a contract farming programme under which it provides credit for seeds, technical guidance through the crop cycle and guarantees a price for buyback.

Hair Oils

The Rs 2200 crore Hair Oils category has been experiencing healthy growth. During FY09 Marico's hair oils in rigid packs grew 17% in volume over the previous year. During the 12 months ended February '09, Marico's basket of hair oils including Parachute Jasmine, Nihar perfumed hair oils, Hair & Care and Shanti Badam Amla increased its market share to 22%. This has been achieved by increased micro marketing efforts in select markets. Moreover the launch of a new variant Hair & Care Almond Gold in Q2FY09 also bolstered the volume growth. The company expects to be able to continue to grow its hair oils franchise by 12% to 14% in volume terms in FY10.

The cooling oils segment of the hair oils category is amongst its faster growing segments. Marico had begun prototyping a cooling oil brand, Maha Thanda in Bihar, but it did not achieve action standards. The company thus went back to the drawing board and has returned with a different proposition through Nihar Naturals Coconut Cooling Oil – cooling oil with the added benefit of coconut nourishment.  The product will be prototyped in Bihar.

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 pace. During the year, Marico's Parachute After Shower creams and gels have grown by 6% in volume over the previous year. Its share in the category during the 12 months ended February '09 was about 19%.

Other 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.

To support its new product initiatives, Marico follows a Strategic Funding (SF) approach. Marico defines SF as the negative contribution a product makes after providing for material costs, variable manufacturing and distribution costs and advertising and sales promotion expenditure for the product. Each year the company budgets for a certain percentage of its PBT to be available towards strategic funding for new products and businesses. All new products would have to fight for these resources. As the company's bottom line grows, the SF pie grows larger. This provides sufficient investments towards creating future growth engines and at the same time puts an overall ceiling to the SF at the group level.

During Q3FY09, 

Marico launched **Parachute Advansed revitalizing Hot Oil**, a coconut oil enriched with warming oil, rosemary, thyme and patchouli. Parachute Advansed Hot Oil is positioned as a pre-wash product for winter and is priced at Rs 65 for 170 ml. The initial response to the product has been positive.

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. The initial response, though still very early, has been positive. As in any food snack product the feedback on taste has been immediate. While individual tastes can vary significantly, the company has taken action on some of the early feedback.

In Q4FY09, the company commenced the prototype of Saffola Rice 

– lower GI rice that helps in weight management. Marico has commenced a prototype in the state of Andhra Pradesh and in Mumbai. The brand is available in 1 kg and 2.5 kg packs priced at Rs 59 and Rs 140 respectively. The product has generated interest, though a better sense of the response will take some more time.

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.

Rural Sales:

During the year, 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. Expenditure during the general elections in the country during the first quarter of FY10 and increased remuneration of government employees are also expected to provide a boost to rural demand.

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 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. During FY10, the company will target a distribution thrust in certain select territories.

Modern Trade:

Modern Trade comprises about 6.5% of domestic sales, up from about 5% a year ago (with the share of Saffola and some of the company's newer products being higher). In recent 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. The company will provide a thrust towards servicing the top end of general trade so as not to lose out by way of any potential slow down in growth in modern trade (organized retail).

IT Initiative in Sales:

In the past, Marico has focussed on building a strong distribution network which would be a source of competitive advantage not only in terms of retail reach but also in the quality of its sales network. The company had already established IT connectivity with distributors through whom a majority of its sales are done. This had enabled a vendor managed inventory system whereby sales were effected based on stock levels at the distributor – a pull rather than a push system. Sales targets within the organization are also tracked on secondary sales and not on primary sales to the distributor.

In order to enhance the productivity of the distributor sales representatives (DSR), Marico has now rolled out the use of Personal Digital Assistants (PDA) in large cities. This provides the DSR with focussed information on each outlet, thus improving the quality of his interaction with the retailer. Outlet wise history and ordering patterns are used to prompt the DSR to focus on specific SKUs and the quantities of each during a sales call. Through the PDA, Marico's sales managers can now drive channel specific plans. The use of information technology has obviated the need for time consuming manual work. The data readily available has also enabled the system to be less person dependent and a new DSR can be brought up to speed in a much shorter time. As the company's brands and SKUs continue to grow in numbers, the PDA is expected to expand the DSRs capacity to handle them and at the same time improve productivity.

International FMCG Business

Marico's international business, its key geographies being Bangladesh, MENA (Middle East and North Africa) and South Africa, comprised about 19% of the group's turnover during FY09. As a whole, the international business turnover grew by 43% over FY08, of which about 15% was on account of the depreciation in the Indian Rupee (INR).

In Bangladesh, Parachute coconut oil has focussed on growing the branded market by encouraging conversions from loose oil. Advertising campaigns highlighted the superior quality of branded coconut oil over that of loose oil. Affordable price points were used to drive conversions. These initiatives together with a drive to expand distribution and leveraging other on-ground opportunities such as "haats" (weekly markets); have helped to firmly establish the brand as a leader in the coconut oil market in Bangladesh. Its market share during the 12 months ended February '09 was 72.7%. Parachute was awarded as the 6th Most Trusted Brand in Bangladesh by The Global Brand Forum and AC Nielsen (2008).

During FY09, Bangladesh witnessed high inflation during the first half of the year, necessitating price increases. Some of the cost push pressures have eased towards the end of the year. The company would try and retain some of this benefit in order to improve its margin structure. Given the higher base, therefore the volume growth of Parachute in Bangladesh during FY10 is likely to be modest. The company will focus on using its market leadership stature to enhance the brands imagery across consumer segments through thematic campaigns. Meanwhile Hair Code hair dye, the company's new product launch during FY09 has been responding well in the market.

In the Middle East, Parachute cream has been making steady progress on the strength of its "nourishment plus protection from harsh water" positioning. Its market share in the GCC (Gulf Cooperation Council) countries has increased to 23% during the 12 months ended February '09. During the year, Marico also increased its share in the hair oils market to 22.5%. The company has commenced the process of extending its footprint in the Middle East region by entering new countries.

The performance in Egypt during FY09 was negatively impacted by the company's decision to modify the distribution structure whereby it made a shift from directly servicing several wholesalers to dealing with them through a distributor. This distribution transition is expected to bring more efficiency to the supply chain in Egypt. While this has now been completed, the resolution of issues during execution took longer than initially anticipated. Besides, the economic environment is Egypt also witnessed high levels of inflation which exceeded 20% putting pressure on business growth. Both these resulted in a contraction of sales in Egypt during the year FY09. With the transition completed and inflationary pressure having eased towards the end of the financial year, the Egyptian business is now poised to show an improving trend in the coming quarters.

Apart from a recovery following the settling down of the new supply chain, the Egyptian business is expected to get a boost with the restage of Hair Code in new packaging. The company has also begun seeding new markets such as Libya.

The performance in South Africa has been in line with expectations. In the initial period the company has focussed on a smooth integration of the acquisition. The response to the launch of new flavours in Hercules castor oil and the restaging of the brand Caivil is positive. The market shares in the company's hair care portfolio are showing an upward trend. During FY10 Marico South Africa will continue to build upon this. The company has also commenced work on developing differentiated products to add to its basket of offerings. In addition, the company would also make a beginning towards taking the South African brands into neighbouring countries during FY10.

While growing its international business operations, the company has 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 and this is expected to result in supply chain efficiencies.

Kaya Skin Clinic

Kaya Skin Clinic entered the business of offering dermatology led cosmetic skin care solutions in India in 2003. As an organized player, Kaya has a large first mover advantage in introducing cosmetic dermatology in the country. Through specialized skin services (beauty enhancement, problem-solution and anti ageing) 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 74 clinics in India across 21 cities and 11 clinics in the Middle East. During FY09, Kaya added 20 new skin clinics. Over 500,000 customers have availed of services at Kaya Skin Clinic. Kaya now has over 250 dermatologists associated with it.

During FY09, Kaya's skin care business achieved a turnover of Rs 157 crore, a growth of 57% over the previous year. Apart from revenue contributed by new clinics, the existing clinics also recorded a growth of 18 %. With the overall slow down in the economy however and Kaya's offering being largely in the nature of discretionary spends, this rate of growth was lower in the second half of the year at about 10%.

The company plans to continue to open 12-15 new clinics each year. 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 driving distance is important. Simultaneously, the company is also working on increasing the revenues from existing clinics. This is being planned through advertising campaigns to increase footfall, cross selling services to existing clients, launching maintenance packages and the introduction of new products. Kaya Care is an Annual Membership Program designed to inculcate a habit of regular skin care amongst clients through a personalized skin care calendar. The company has recently introduced three new products for its male customers – Kaya Skin Relief After Shave Gel, Kaya Revitalizing Face Wash and Kaya Whitening Moisturizer. Products currently comprise about 13% of Kaya's turnover.

The Kaya skin business made a loss of Rs 1.6 crores during the year. This is primarily on account of the new clinics opened during the year, which are yet to achieve break-even. During FY10, the company expects Kaya's skin care solutions business to contribute positively to the bottom line as it now has a sufficient base of existing clinics to absorb the losses that the new ones will incur in the initial phase. On reaching critical mass 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.

Kaya Life

Kaya Life offers customized holistic weight management solutions. Customers are experiencing effective results on both weight loss and inch loss. However action standard in terms of number of customers is yet to be achieved. The team is working on the model to increase the pace of customer acquisition. A fourth center has been opened (located at Vashi, near Mumbai) to try a model without therapy machines which makes it possible to have a more compact clinic layout. 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 increased its shareholding, eventually making Sundari LLC a wholly owned subsidiary.

Marico has made investments to grow the business. Lead times in the business, primarily in the nature of B2B are however long and the revenue generated has remained modest, despite extremely favourable customer feedback and reviews on the product range. With the overall shift in the global business environment, Marico has decided to focus on its core businesses in Asia and Africa in the B2C space.

Marico has agreed to sell its Sundari business to Wellness Systems, a limited liability company promoted by two of the Marico Group's senior managers who were managing the Sundari business. Since they are passionate about the spa business and its prospects, Marico decided to encourage the entrepreneurial spirit of its members. As part of the terms of the agreement, Wellness Systems will acquire the business at a consideration based on a valuation report by an independent agency and free of any liabilities. The Marico Group's consolidated accounts therefore show a one time extra-ordinary impact of Rs 15.03 crore during FY09. Based on legal advice received, the company has treated the loss on non-recoverable advances and interest thereon as a business loss in its computation of tax provision for the year. Consequently, the profit after tax of the company is not negatively impacted.
The transaction is subject to the approval of the Reserve Bank of India.

OPERATING MARGIN STRUCTURE FOR MARICO GROUP

% to Sales & Services (net of excise)	FY09	FY08
Material Cost (Raw + Packaging)	53.5	51.5
Advertising & Sales Promotion (ASP)	10.5	12.8
Personnel Costs	6.9	6.7
Other Expenses	16.5	16.1
PBDIT margins	12.6	12.9
Gross Margins (PBDIT before ASP)	23.1	25.8

Notes:

1. The year saw a significant increase in two of the company's key raw material prices. Copra, the input for coconut oil, which accounts for about 40% of the company's raw material cost, ruled at about 25% higher than in FY08. Similarly, market prices of safflower oil, comprising about 13% of the company's raw material cost, were about 35% higher than in the previous year. It is expected that for both these two raw materials, lower prices than in FY09 will prevail during FY10. Marico's packing material costs to sales are currently about 8 %.
2. ASP as % of sales was lower during the year mainly on account of phasing the new prototype launches towards the end of the year. Moreover, during FY09, 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 10.8%. We expect ASP as % of sales to be in the region of 12% during FY10.
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 (20 clinics were added during the year) 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. This is based on the belief that it is easier to regain margins than to recover lost customers. 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	FY09	FY08
Return on Capital Employed - Marico Group	 36.6%	 39.8%
Return on Net Worth – (Group)	49.1%	66.7%
Working Capital Ratios (Group) - Debtors Turnover (Days) - Inventory Turnover (Days) - Net Working Capital Turnover (Days)	 15 46 45	 14 46 34
Debt: Equity (Group)	0.95	1.20
Finance Costs to Turnover (%) (Group)	1.5%	1.6%

* Turnover Ratios calculated on the basis of average balances

1. Inventories are higher partly on account of higher raw material costs and partly owing to some raw material position building.

2. Net Fixed Assets increased by Rs 54 crore during the year. This comprised mainly investments in an R&D Center in Mumbai, 20 new Kaya clinics and a new factory in Egypt apart from normal capital expenditure.

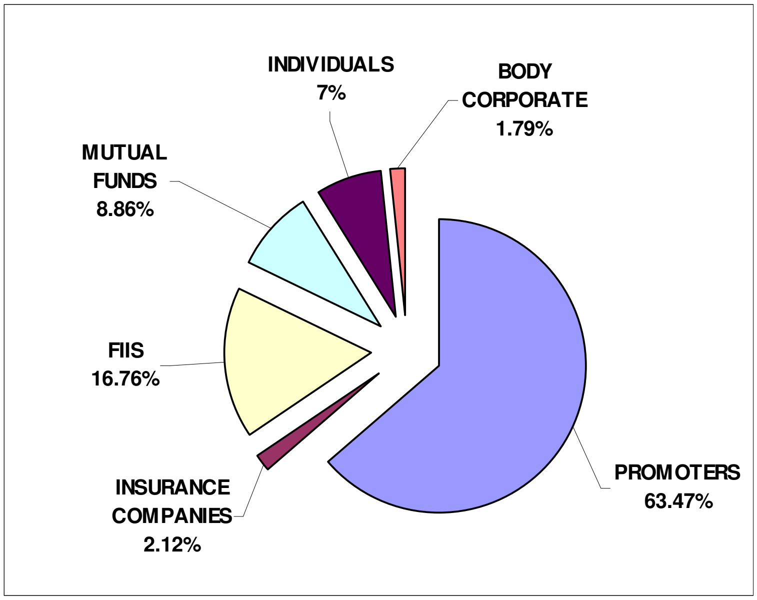
3. As on March 31, 2009 the Marico Group has a net debt of Rs 270 Crore (Gross Rs 375 Crore). Of the gross debt about Rs 200 crore is denominated in US Dollars. About Rs 100 crore of the USD debt is repayable with in a year. A little over Rs 100 crore debt denominated in Indian Rupees is payable within a year. The average cost of the debt is about 8%. The company may roll over some of the loans when they fall due during the year. It is expected however, that the net debt level will be lower at the end of FY10. Marico has adequate cash flows to maintain healthy debt service coverage.

4. The Company adopts a conservative policy for hedging its foreign currency exposures. 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 to Group companies for onward sales in their geography of operations. In FY 2009, total exports for Marico Limited was in excess of USD 25 million while imports were USD 7 million.

5. The company has not raised any money through FCCBs.

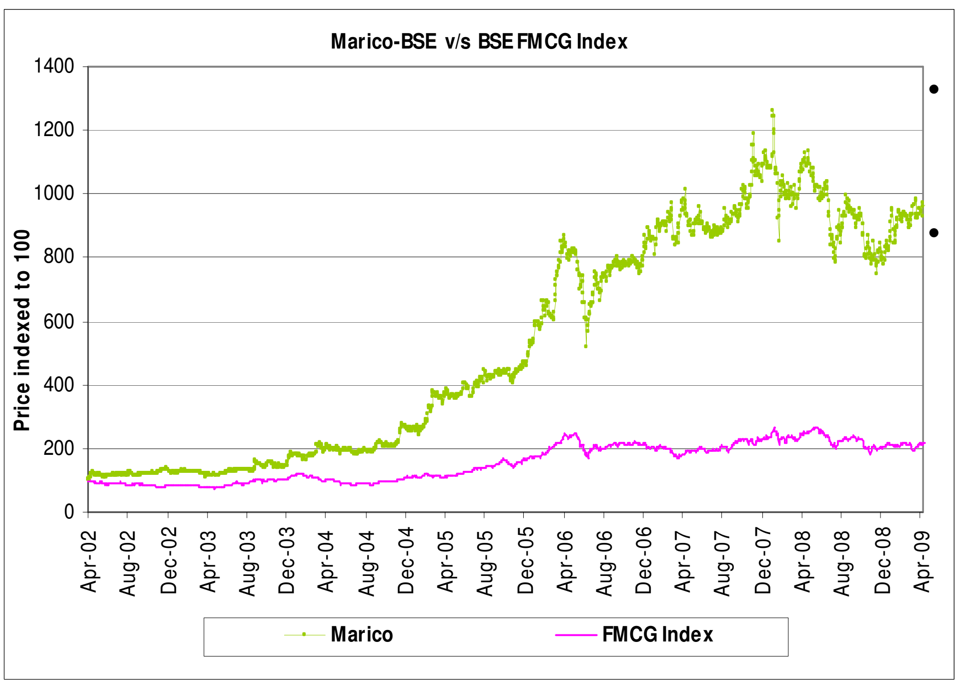
SHAREHOLDING PATTERN

The shareholding pattern as on March 31, 2009 is as given in the graph below.



Consequent to the recent SEBI (Securities and Exchange Board of India) notification on consolidation of holdings, Marico's promoters have raised their shareholding in the company from 63.45% to 63.47%.

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. 3,684 crore as on March 31, 2009. The average daily volume on BSE and NSE during Q4FY09 was about 569,540 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, in crude oil as well as edible oils have eased. Based on the extent of the decline in input costs 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. It expects to make some improvement over its operating margins in FY09.

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 Revitalizing 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 Hair Code 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.

CONTENTS OF THE UPDATE

This update covers the following:

1. Financial results and other developments during FY09 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, 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/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 & 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. 23.9 billion (about USD 478 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 (85 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 has leveraged its core sources of competitive advantage viz. Branding, Distribution, Cost Management, Innovation and Technology to set up a fast growing franchise of new products and services – their share in turnover has moved up from 3% in FY00 to over 16% in FY09.

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 (esrstwhile 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 16% to the group business. In the process, Marico's dependence on Parachute has consistently been reducing. From a share in the range of 70% - 75% in early 90's, Parachute today contributes about 40% 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 85 strong, spread across 21 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.