



Conference Call: Q3FY12

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Moderators	Mr. Milind Sarwate - Group CFO Mr Saugata Gupta – CEO – Consumer Products Business Mr Ajay Pahwa – CEO Kaya Limited Mr. Vijay S. Subramaniam - CEO, International Business Group Mr Vivek Karve – EVP and Head – Corporate Finance Mr Chaitanya Deshpande – EVP & Head Investor Relations & M&A
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Moderator:

Good evening ladies and gentlemen. I am Shirley, moderator for this conference. Welcome to the conference call of Marico Q3 FY12 results. At this moment, all participants are in listen only mode. Later, we will conduct a question and answer session. At that time, if you have a question, please press * and 1 on your telephone keypad. Please note this conference is recorded. I would now like to hand over the floor to Mr. Amnish Aggarwal.

Amnish Aggarwal:

Good evening dear friends. I welcome you all to the third quarter conference call of Marico Limited, hosted by Motilal Oswal Securities. Today we have with us the top management of Marico, headed by Mr. Milind Sarwate, Group CFO and CHRO, Mr. Saugata Gupta, CEO of the Consumer Products Business, Mr. Ajay Pahwa, CEO of the Kaya, Mr. Vijay Subramaniam, CEO of International Business Group, Mr. Chaitanya Deshpande, EVP and Head – Investor Relations and M&A and Mr. Vivek Karve, EVP and Head – Corporate Finance. Without wasting much time, I would hand over the floor to the management, so that they can tell us something about the quarter results, which will be followed by Q&A session.

Milind Sarwate:

Amnish thanks. Good evening everybody. This is Milind Sarwate. Let me welcome you all to this earnings call of the Marico Group. As Amnish mentioned, I have with me all my colleagues who will be glad to answer queries that you might raise. To start with, I must share with you that we were quite pleased to see us resume a very firm growth path after the kind of hiccups we had in the second quarter. As you know in the second quarter we grew only by about 10% on the bottom line and in our track record, this was some kind of a blip. So, we were little concerned about how the year will pan out. But, maybe because of that I think we have refocused our energies and turned out a really good quarter's performance. This quarter's top line growth has been indeed strong. The growth has come from all categories, all countries. And what is very heartening is the growth has been led by volume growth and not so much by pricing. We had only a few minor price adjustments during the quarter. So, by and large the price table was stable for us and almost growth coming largely from volume growth.

The second redeeming part of this quarter was the input pricing. The input price table of copra remained by and large stable in this quarter. It did not throw any unwanted surprises as we were expecting earlier. Although the copra prices still rule ahead of last year, they were somewhat softer as compared to earlier parts of this year. We did quite well on the new products, Parachute's entry into skincare through the lotion, as well as Parachute's Hot Oil have been well received. Our prototypes are also doing reasonably well. As a result of all this we were able to arrest the fall in margins. Our margins are still not as strong as they were a couple of years ago, but they are better than what we thought they would be. And we are in a mood to have an optimistic outlook towards the future. Although we continue to be still cautious, because some parts of the worry is relating to input pricing and the overall economic scenario still continues. So, we expect that the very good results we have displayed in quarter three, while we may not be able to replicate all the parameters, we are hopeful that we will be on a good track now onwards.

Now, with these few words I would begin the call. Most of the information would be with you. This time, since our Board Meeting was at an offsite location, we were not able to hold the call on the day of the Board Meeting itself that was yesterday. So, I presume most of the information has been studied by all of you, so you could start your questions now. Thank you.

Question and Answer Session

Moderator:

Thank you sir. Ladies and gentlemen, we will now begin the question and answer session. If you have a question, please press * and 1 on your telephone keypad and wait for your turn to ask the question. If you would like to withdraw your request, you may do so by pressing * and 1 again.

The first question comes from, Mr. Pritesh Chheda from MK Global.

Pritesh Chheda:

Hello, good evening everybody and congratulations on a good set of numbers. Couple of questions. One, on the volume growth side, it's been a pretty good quarter and also pretty good last two quarters as well. Just wanted to check, especially what is driving these volume growth in the domestic business across your three core portfolios? Second, if you could explain that observation of yours in terms of the urban-rural performance in the quarter and in the nine month as well?

Saugata Gupta:

Yeah, in all the three franchises, one of the biggest drivers has been the fact that we have been able to grow as per our strategy that is loose to branded conversion in coconut oil, wider participation in hair oils and capitalizing on the trends in Saffola. The rural growth has outstripped the urban growth and one of the reasons the Parachute volume growth, rigid volume growth has been around 12.9% to 13% has been because of the fact that we have been able to drive rural growth aggressively.



Our rural contribution has increased from 25% in the last three years to around 30%. And in terms of hair oils, it has been essentially a combination of rural growth and also our market share gain strategy and all the franchises through a broad participation have been growing. As far as Saffola is concerned, I think we are seeing as you know, in terms of trends the fact that people are going for a healthy living and therefore the Saffola franchise continues to grow aggressively in terms of, both in metros and in the next set of towns and therefore we believe even in the long term, there should be this kind of a growth. The long term guidance as far as value added hair oils is concerned around 15%, Saffola around 15%, and Parachute in the region of 8%.

Pritesh Chheda:

Okay, that was actually my next question. Is there a reason to believe or a case building up that some of the volume growth could revert to mean, and since they have shown a significant deviation versus the mean volume growth that we typically generate for these categories? Do you think that such situation is emerging?

Saugata Gupta:

We have been growing at around this number for the last six to seven quarters. As far as Saffola is concerned, I think we have been hovering around anything between 12% to 15%. There have been certain quarters and if I remember in the year 2009-10, when there was an inflation followed by deflation, where the Saffola growth was in single digit. I think the only deviation has been with Parachute, where we believe, if you see the last average, other than one or two aberrations, has been around more towards 9% or 10%. As I said, two things have happened, one is the fact that rural growth and our small pack strategy has been doing well. Number two, I think with successive inflation and deflation cycles, our ability to manage volatility and our cost leadership and our ability to manage the entire supply chain is better than competition. So, therefore I think volatility, our competitive position becomes much more strong given our experience.

Pritesh Chheda:

Okay. My last question is, is it fair to assume that from here on we actually get into a favorable base effect on the gross margin side, considering the fact that some of the cost tables have exactly moved up significantly from same quarter last year? And if the prices all hold on, you could start trickling, getting in the gains incrementally?

Saugata Gupta:

See, our entire belief is that we operate in an emerging market, we are gaining new consumers over the long term, is a far better proposition than looking at margins over the short term. Having said that, I think yes, we may be over the peak inflation cycle, but in today's world because of the vagaries of the macro economic and other geopolitical factors, it's very difficult to predict. Having said that, I think if we do see that there is a significant reduction in terms of the input cost, some of them could be passed down to consumers with recruiter packs.

Pritesh Chheda:

Okay, many thanks to you and all the best to you sir.

Saugata Gupta:

Thank you.

Moderator:

Thank you sir. Next question comes from Mr. Percy Panthaki from Daiwa Capital Market.

Percy Panthaki:

Hi sir. Good evening and congrats on a good set of numbers. My question is, if I compare your two categories, one is the let's say Saffola and the other I take is the hair oil, Saffola is like super premium, refined edible oil. So, it's relatively a very, very small percentage of the overall edible oils market and it's therefore natural that while riding on the sort of wave of health consciousness, it will have a high growth rate. And other category you have is the non-coconut hair oil, which relatively is sort of, if you take the overall hair oils market, at least half of the overall hair oils market is a relatively old category, maybe 20-25 years at least. And I am actually surprised to note that the volume growth for both these categories, I am not talking about Marico itself, but the category as a whole is the same. What I am driving at is, either Saffola should be growing much faster or the other hair oils should be growing slower than what they are growing, given that this is a category which is not new, has been around and the hair oils growth has come up to double digits consistently only in the last two-three years, before that it was more or less in the high single digits. So, what am I missing here? Can you throw some of your own thoughts on this entire issue?

Saugata Gupta:

I think the categories are completely unconnected and therefore I would take, I think each category separately. If you look at the premium ROCP by Saffola operates, our presence is shifted to a certain class of towns and mini metros. And if you also look at it in terms of our pricing we operate, it's a very small niche in terms of the total edible oil category. So, therefore I think that itself restricts the kind of growth. Having said that, I think Saffola has over the last three to four years has steady double digit growth. As far as the hair oils is concerned, I think the opportunity has been also to gain significant market share. We have gained significant market share, while the category has continued to grow at around 12% to 13% over the last couple of years. So, our market share gain which has happened over the last three-four years have resulted in our hair oil is growing at a faster rate than the market. Having said that, as I said we are confident, because we believe that we will through a broader participation strategy, as well as in terms of aggressive and disrupting pricing, we should be able to grow in the region of 15%.

Percy Panthaki:

Fair enough sir so what I was actually getting at is, maybe I asked my question in a very convoluted way. What has really driven the hair oils category over the last three or four years to suddenly shift its growth rate into a much higher year, that's point one. And point two is, your growth is even higher than the category growth, are we actually sitting on a double risk? One risk is the category growth itself might come down to something what it was a bit earlier and second is that your market share gains also may not continue forever. So, how long are you confident first of all that you can keep growing market share year on year? Is it like one year more, three years more, five years more? And secondly of

course, if you could really clarify this mystery, which has been sort of perturbing me for a long time as to how is this hair oils growth as a category itself suddenly moved up so much?

Saugata Gupta:

I think the category growth rate has not moved up. If you look at the last three to four years, it has been at the same 12% to 13%. So, I don't understand where are you coming from, because if you look at the historical three to four CAGR it has been around 12% to 13%. So, there has been no change or shift in the hair oil category growth. What has been the shift is our growth which has moved more into 18%-20% in the last two-three years, it has been a combination of the rural thrust, our share gain in Amla and also the fact that we participate in a far more broader number of sub categories within the hair oil category. And we still believe that there is headroom for growth. We believe that the long term volume growth rate of the category will continue to be around this kind of a number. And given the fact that we only have a share of around 24% to 25% in this category, there would be headroom for share gain also.

Percy Panthaki:

Right sir. And second related question is the rural penetration that you have been doing, in just one year gain from 25% to 30% of the sales pie, which is commendable. So, how do you see that panning forward? Where do you think that this rural share can be over the next one or two years? Can it go to 35% or where do you think it will stabilize and how long will it take for you to reach that stable level?

Saugata Gupta:

We have grown from our contribution has grown from 25% to 30% just over two year period, 2 to 2½ year period. I think if you look at the FMCG sector as a whole, I think the average is more towards 35%-36%. So, we should be able to bridge that gap and it will take us three-four years. Having said that, it also depends on whether India rural story in terms of the FMCG category as a whole continues to grow higher than the urban category. And in that case the rural contribution per se to the total FMCG basket will grow, especially in certain categories like top end personal care and foods, where I think aspirationally rural is converging as far as urban aspiration is concerned. So, I think 34%-35% if we can do in the next three-four years, we will be very happy.

Percy Panthaki:

Okay sir. That's all from me, thanks a lot and all the best.

Milind Sarwate:

Thank you Percy.

Moderator:

Thank you sir. Next question comes from Mr. Ashit Desai from B&K Securities.

Ashit Desai:

Hi sir. Congrats on the good set of numbers. I have couple of questions. Firstly, if you could put some light on the international business and the profitability over there, particularly Bangladesh where we have seen a decline in profitability?

Vijay Subramaniam:

See, overall for the quarter, the international business as we have shared in the note has done pretty well in terms of overall growth in business terms about 40%. It's a combination of volume and value growth. If you look at overall all geographies, the growth has been in double digit. In Bangladesh specifically we have faced the issue of steep devaluation of the taka. So, considering Bangladesh is an import economy and it pretty much imports everything across all industries, so that has led to a spiraling inflation. So, that has put some kind of pressure on growth. Despite that, I am sure you would be aware of most of the listed FMCG companies in Bangladesh, how they are doing. So, you have situations where overall growths have been low. But, on business terms we have been able to grow at about 11% there in the quarter and I think that's an indication of the brand power or the pricing power Parachute enjoys in that market. Now, coming specifically to your question on margins, I think you would have sourced the question on the margin data from what is listed, since Marico is a listed entity there. But that is not the right way to look at margins for the business, because we export a lot of copra from here into Bangladesh, there are other incentives, transfer pricing concepts etc. because of which there is a lag in these benefits/costs getting reflected in MBL. So, if you look at overall transfer pricing norms etc. which we have to follow, overall if you see the margins must have moved or still in double digits.

Ashit Desai:

Sir, for the entire international business group, including Bangladesh, your EBITDA margins would be in double digit?

Vijay Subramaniam:

That's right. The note actually says EBITDA margin for the quarter is in the region of 11%.

Ashit Desai:

Okay. So, lot of those margins are flowing into the standalone numbers also?

Vijay Subramaniam:

Not lot, it will be relevant only to the extent of the export. See; let me also clarify one more part. You would be aware that there are transfer pricing regimes in almost every territory we operate in. So, there are certain restrictions put on how the transfer pricing should be worked out. There are parameters which are to be followed for the sake of having a very fair and very predictable tax regime. So, we follow that and as a result some part of the business flows into the standalone accounts. But, to say that it is a lot would not be correct.

Ashit Desai:

Okay. Secondly sir, you have mentioned Parachute volume growth at 40%. If I look at the pricing details that you put up on the website, on a year on year basis, the price difference for your 200 ml pack and the other larger packs are not more than 15% to 20%. But, here you have a value increase of 27%, which is above the 13% volume growth you reported.

- Saugata Gupta:** See, if you really look at it, the value growth is 40.7% and volume growth is around 13%. The reason is you have to look at it from a, what you are talking about is the average price increase, but you have to take from the quarter to quarter point increase. That means even though a had effected an increase the actual stocks at the increase prices hit the market only in Q4. So, the price increase that was taken in Parachute, we did over the four to five month period was around 32%. So, this captures the significant part of that.
- Ashit Desai:** Okay. And could you tell us what is the contribution of 175 ml and 250 ml packs to the overall portfolio and the 200 ml also?
- Saugata Gupta:** Overall it comprises around 40%-45%.
- Ashit Desai:** All the three SKU's?
- Saugata Gupta:** Yes.
- Ashit Desai:** Okay. Lastly sir, could you give us an idea whether the current copra prices, at the current copra prices, would you pass on some benefit to the consumer at the recruiter packs or you think the current prices are still not at those comfortable levels?
- Saugata Gupta:** There has been a little bit of a decline in the copra prices. It's very difficult to say in terms of what it will settle down to. I think we will be able to take a view over a slightly more medium term in terms of whether we have to pass it on to the recruiter pack. At this point in time, it's been just a matter of weeks where it has started coming down. So, it's too early to take a call on this.
- Ashit Desai:** Okay, okay, thanks a lot sir and all the best.
- Saugata Gupta:** Thank you.
- Moderator:** Thank you sir. Next question comes from Mr. Abneesh Roy from Edelweiss Capital.
- Abneesh Roy:** Thanks for the opportunity and congrats for superb numbers. Could you share details on how skincare lotion is doing and the other new products like rice, oats, they are doing? And similarly for Bangladesh ex Parachute, what is the game plan, how they are doing, so details on this?
- Saugata Gupta:** Okay. Let me cover the India business first. As far as body lotion is concerned, we have got a market share of around 5%. The category continues to grow at an aggressive 30%-35% this year. And we believe that this category has perhaps reached a kind of a point inflection, so we are pretty satisfied with this number, having said that, it's obviously a long haul. We believe that we have the potential to hit around, a number around 30-50 crores of turnover with this category next year. As regards oats is concerned, we are not yet fully scaled up, but in a



semi scale up situation as far as plain oats is concerned. We are available nationally in select few outlets and modern trade and available extensively in the South. And we have done our extension in savory oats, which we are test marketing in certain places in the States in the South. Oats we have a national market share of around 10%. And again as far as oats is concerned and oats savory, we have performed satisfactorily. And between the two of them, again we are hopeful of hitting around a mark of 45-50 crores next year. Both these categories have hit around 25 crores this year. So, as far as rice is concerned, I think there is a bit of a struggle there, in the sense that we had earlier shared with you that because of the nature of the commodity, in terms which is a commodity that has some trade resistance. But, we believe that we have fundamentally strong proposition. It will take time. Just as Saffola Oil did in the nineties, so it will take time to establish itself. And we will be able to offer a superior proposition and gain certain traction, because packaged rice as a category is bound to grow at a rate of 20%-25% and more in the long term.

Abneesh Roy: Regarding rice we remain committed, right?

Saugata Gupta: We remain committed and as I said that's the reason we have actually moved up the value chain by launching Basmati. Saffola always believes in providing a superior proposition and also operating and participating in the top end of the market.

Abneesh Roy: Sure. Regarding the cooling oil, how are we in terms of distribution? Are we still focused on basically the few South Indian States?

Saugata Gupta: We continue to operate in South India. We have recorded a market share of around 8% to 9%. And we will wait to get a critical mass, because we believe that the proposition is more suitable towards South India, participate in the category expansion, get critical mass and only then think about expanding.

Abneesh Roy: And sir, normally we are quite aggressive in terms of market share. So, I have two sub questions in this. One is, in the new products like skin lotion wherein 5% you have gained. Similarly, in the oats you have gained 8%-10. What is the market share over a three year, four year timeframe you are targeting? Second is, back again to cooling oil, why are we shying away from North India? Because, normally we are aggressive, we gain market share. And in the past you have done some test, pilot projects in North India, which have not been up to mark. But, why are we not revisiting North India?

Saugata Gupta: See, I think the proposition currently is our coconut cooling oil. So, we believe that is most suitable towards South India. See, as a company we believe that you can gain market share in long term and sustainable profitable growth, only when you have a differentiated proposition. So, in the North India markets earlier, was a proposition which was not seen as differentiated, so therefore we felt that it is far better to focus on a market in South India and expand the market here and gaining market



share. As regards body lotion is concerned, I think it is a big category, 500 Cr category. We have gained market share of 5% in just three-four months. And I think it's good for starters. And we have to grow market share in a phased manner in this and also the oats category. I can't share with you the three year aspirations number, but I think we believe that these two categories will be a significant portion of our new product portfolio in the coming years to come.

Abneesh Roy:

Regarding skin we have managed quite well with this new launch. Could you share your thought process on expanding further into skin, that's a very large category? Would you look at completely going beyond brand extensions and then going into maybe fairness cream or something like that? What is the thought process out there?

Saugata Gupta:

I think it's too premature now to discuss expansion. I think any new product has to be nurtured and persevered with till it attain critical mass. Our organization believes in focus.

Abneesh Roy:

Sir, my next question is on Saffola 15% growth we have done, which is quite good. But, what we are seeing is the other players, there are basically two players, the other players have gone on a margin strategy rather than volume market share. But, he will come back when margins turn favorable. So, wanted to understand 15%, what is the confidence level in terms of sustainability?

Saugata Gupta:

I think we believe, as I said emerging market we have to balance market share, margins and volume growth. I think Saffola is in a free space in terms of its attainment category with the country focusing on health and healthy lifestyle. Saffola is beyond an oil, it is actually a health and a very strong equity in our lifestyle, healthy lifestyle brand. So, I think double digit volume growth, anything between 13 to 15 is something which is very achievable over the medium term.

Moderator:

Thank you sir. Next question comes from Mr. Aditya Soman from Goldman Sachs.

Aditya Soman:

Yeah, since you have had such strong rural growth, can you just share your top three SKU's in rural markets?

Saugata Gupta:

We don't want to get into specifics, but I think most of our marketed brands do sell in rural.

Aditya Soman:

Okay. And in terms of Kaya, what was the product sort of growth for this quarter?

Ajay Pahwa:

For India?

Aditya Soman:

Yeah.

Ajay Pahwa:

So, products were 23% of our sales mix. And when compared to the same period last year, the growth was almost 50%.

Aditya Soman: Okay. And on this skin lotion, you said you have gained 5% market share. What would be the growth you would sort of expect going forward in the next say, a year or so?

Saugata Gupta: See, I think it's not like to like, because we scaled up sometime in September-October this year, because that's when the beginning of the winter season. But, as I said that if we have done a number of Rs 25 Cr, we will be happy, if we do a full year number of Rs 45-50 Cr next year.

Moderator: Thank you sir. Participants are kindly requested to restrict with two questions in the initial round.

Next question comes from Mr. Vicky Punjabi from JM Financial.

Richard: Hi, thanks for taking my question. This is Richard here. Sir, my question is on cash flow. What I see from your information update is that you have reduced the net debt quarter on quarter by about 35 crores, from 435 crores in the last quarter to something like 400 this time versus that you have actually made a cash profit of about 110 crores, if my calculation is correct, that is 91 crores of adjusted profits plus your depreciation. Where does this balance 80 crores go?

Milind Sarwate: There would be. In fact if you work out the cash flow, you would realize that the increased scale would have required us to invest in greater working capital. There has been no specific one time or unusual deployment of capital during this quarter, if that is your question. Moreover, with the INR devaluing the MTM adjustment at the quarter end has inflated the amount of foreign currency denominated debt.

Richard: Okay, because the net reduction is not commensurate with the kind of cash profit that you made.

Richard: Okay. Second question is on Kaya. If I look at it, you had a commendable sequential growth in Kaya revenue. You had something like about Rs 8 to 9 crores higher on a sequential basis. If I were to assume that you make a gross margin of roughly about, let's say 75% on the Kaya business, you would have generated incremental contribution of about 6½ crores, whereas your loss seems to have reduced by just about 4 crores during the quarter. Has there again been a pump up of expenses in this business? I am just talking about, without talking about the prior charge, prior period charge.

Ajay Pahwa: I think if you look at the profitability, your calculations are broadly correct. The difference this time has been that one time charge.

Richard: No, if I were to strip out the one time charge, so the EBIT loss seems to be about 1½ crores, whereas your additional contribution based on the higher turnover between the two quarters should have been in the range of about 6½ crores. So, would this not have been enough to wipe off?

- Milind Sarwate:** I think it depends upon how the increased sales turnover has come from, if it has come from services or products, it will depend upon that also. Ajay, you want to explain?
- Ajay Pahwa:** Yeah, so you are right that if you look at it, the top line growth has grown by about Rs 6 to 7 crores. I think if you take out the one time charge, what is also happening is there has obviously been a slight, as the product contribution grows for Kaya, there is obviously a slight dilution of margin that takes place. One is called net incremental at the gross level.
- Richard:** Sure. Would you be able to share what is roughly the gross contribution on products versus services?
- Ajay Pahwa:** No, we don't really get into that kind of segment details on Kaya.
- Richard:** Okay, no problem. Internally your progress to profitability on Kaya, are you happy with the way things are shaping up?
- Ajay Pahwa:** Yeah, I think we should be, we are all very pleased with it on a few counts. You know, at the end Kaya is a young business. We are operating in emerging markets. So, a big focus is actually on top line growth. We feel very good that for five consecutive quarters now, we have been driving growth and particularly I would say in an environment in Q3, where there will seem to be immense pressure on discretionary spending, to see 15% growth which is not price led at all. So, we feel very good about that. And as we continue to do that and build scale, one, I think we are creating greater value and eventually the rest of the fundamentals will all fall into place.
- Richard:** Okay. And just last one if I may. This Rs 13 crores of misstatement, if I can call it that, would that have prompted you to do maybe a relook at the other part of your businesses to ensure that this kind of things are not there in the other segments as well?
- Milind Sarwate:** Of course, yes. But, to say that this particular thing prompted us would be wrong, because we would have begun our control, verification exercises in any case earlier. So, it's just a matter of coincidence that this discovery came up in Kaya Middle East. This doesn't indicate in any way that any particular concern we have about any particular part of the business. I feel this was a one time issue. And in a way it is a call that we need to reckon and we need to make sure that your controls and other systems in all parts of the group and quite well oiled. And we have done exactly that. If you read the note, we have also spelled out what caused us to discover this and what steps we have taken to improve the situation, not only on Kaya Middle East, but also in other parts.
- Moderator:** Thank you sir. I request the participants to kindly restrict their questions to two or three in the initial round.

Next question comes from Mr. Vivek from CLSA. Mr. Vivek?

Vivek: Hi, just wanted to check what impact you see by the change of laws in packaging, how do you see that impacting your profitability ahead?

Saugata Gupta: See, I think obviously the industry is in talks with the Government in terms of finding an amicable solution, because if we had, this law will ensure that some of the price points could be vacated. But, I think on a larger level it will actually lead to far more inflation and not be consumer friendly. Because to take an example, if I have to pass on 3% price increase for a price point pack to the consumer and we can't charge Rs.5.15, because of coinage we have to then start charging 6 bucks, which is the next price. So, we believe that this kind of law will actually not be consumer friendly, however there are certain concerns which the Government has and I think the industry is working with the Government to find out an amicable solution which will be win-win for the consumer and in terms of a long term sustainability. Because, ultimately we believe our endeavor should be to ensure continuous value to the consumer and such that the FMCG market and other markets grow in the country.

Moderator: Sure sir. Next question comes from Mr. Nillai Shah from Morgan Stanley.

Nillai Shah: Thank you sir. Just one question from my end. Given that the volume growth in Parachute continues to be strong and there is a definite moderation in input cost, is there a possibility that you can actually see around 14½%-15% margins getting hit in fiscal '13 for Marico as a whole?

Saugata Gupta: See, as a matter of policy I think we believe that two things, we will continue to provide value to the consumers and obviously over a long term, we will continue to focus on driving volume growth and investing behind new products and new initiatives across the key businesses. So, I think our long term guidance on the margin is around 13%-14% keeps constant. We should be around that.

Nillai Shah: So, what are the areas of investments do you foresee very broadly over the next few quarters? I don't want specifics, just the broad areas of investments, where incrementally you can put in money apart from the Parachute body lotion.

Saugata Gupta: I think there are initiatives across the key businesses, but I think we will continue to, we have a certain portion of our total profits, which we will continue to invest behind funding new initiatives, whether it is in the consumer businesses or within Kaya also, we will continue to do that.

Nillai Shah: Right. And the second question is on Bangladesh. If I am not wrong this is the second quarter of almost zero or negative volume growth for Bangladesh. I understand the issues with the inflation out there, but is

this temporary or you see this as more structural, given that you have already touched 80% as far as the overall penetration is concerned in that country for hair oils, for CNO actually?

Vijay Subramaniam:

Valid question. See, couple of things, while our share in the branded is about 80 odd percent; if you look at our overall share of loose plus branded, it's still about 68%-69%. And there is headroom for growth especially in certain specific geographies within Bangladesh per se. So, there is a growth potential which exists. Having said that, at the same time we are conscious of the fact that given the rapid scale up we have achieved in the business, future growth rates obviously will not be as high on PCNO as the past. So, we have consciously gotten into lot of new product development and we have launched lot of new offerings to generate new growth engines. So, for example if you know we got into, we get into let's say hair dye, which we had launched, now we are the market leader there, as the note has the details, with nearly 29%-30% share. Similarly, we had gotten into value added hair oils, where we have already seen a double digit share. So, we are consciously getting into a lot of newer growth engines there. Quite separately at an overall international business level also, we have been steadily reducing our dependence on Bangladesh as a market per se as well. Because, if you look at the constitution of Bangladesh to international business, let's say three-four years back, it would have been 55 odd percent. Today, it's in the 42%-43% band. So, the answer to your question will not be in any one, it's going to be a mix of all these factors which will generate growth options for us.

Nillai Shah:

Sure sir. Got it, thank you so much.

Moderator:

Thank you sir. Next question comes from Mr. Ashish Upganlawar from Spark Capital.

Ashish Upganlawar:

Yes, just wanted to have some outlook on the raw material cost apart from copra. There was some inflation in other inputs. So, any thoughts on that are these stabilizing or seen to be on the upper trend itself?

Saugata Gupta:

See, it's a combination of, if you see the other input cost, whether it is packaging or other vegetable oils, it will be a combination of two factors, which is the dollar-rupee parity and also the crude pricing. So, as of now, because of the depreciation of the rupee, although it has settled down to a lower number versus three to four months ago in terms of, and also the crude prices, there is a bit of an inflation as far as the vegetable oil is concerned and some of the packaging material. But, that extent is around I would say 3% to 4%.

Ashish Upganlawar:

Okay. Sir, specifically on rice bran and kardi, what kind of increase would you peg for the next year?

Saugata Gupta:

Yeah, there would be some increases. It's a little premature right now, but there would be certain, it will be certainly if you look at the

annualized levels, the input cost will be higher in both safflower and rice bran.

Ashish Uppanlawar: Okay, fine. And sir on Bangladesh, out of 11% kind of like to like growth, volume growth would be zero, is it, for this quarter?

Vijay Subramaniam: Most of it would be value growth. Volume growth will be very minimal.

Ashish Uppanlawar: Okay. Sir, can we understand the combination of the product basket? Basically in the hair oil portfolio, how much would be value added hair oil is selling in Bangladesh business? Is it similar to that in India or scope remains for value added hair oils to take charge, when Parachute growth is slowing down?

Vijay Subramaniam: No, no, in the value added hair oils space, we are very clear that we are still scratching the surface. The potential there is huge. And that's the segment which is also going to rapidly grow as the consumer upgrades up the value chain. So, I don't think we can compare, I guess the situation would be similar to what we would have been in India a few years back, even ten years back. So, the potential is huge. So, today if you see our own portfolio, while PCNO would have been close to 100% of the portfolio three-four years back, today it is about 85% to 90% range. And increasingly we would see that coming down in the other areas, like value added hair oils growing up dramatically.

Ashish Uppanlawar: So, as things stabilize in the macro level, do you see this volume growth to be say about 12%-13% on a consistent basis for the blend of hair oils, overall, including the Parachute, the coconut oil?

Vijay Subramaniam: Specific to Bangladesh you are asking this question?

Ashish Uppanlawar: Yeah, yeah, only Bangladesh I am asking.

Vijay Subramaniam: See, overall growth in business terms will be in double digits for sure. But, it's going to be difficult to predict the volume-value mix, because the country is also going through some degree of macro economic challenges in terms of steep devaluation of the taka and consequent spiraling inflation. So, that remains to be seen. But, overall growth should be I guess in double digits.

Ashish Uppanlawar: Okay. Sir, one thing on this one time hit that we have taken of about Rs 13 crores, which cost item would it be? Most of it would have gone, just to understand how the gross margins would have been removing this.

Milind Sarwate: I think it is more or less evenly spread across the items which we have mentioned in the note; there is no one particular dominant head under that.

Ashish Uppanlawar: Okay. Fine. And sir on Kaya, what are our plans now for expansion or opening up new clinics, since the growth seems to be, top line seems to be pretty okay now. So, any thoughts on that you could share?

Ajay Pahwa:

Yeah, over the last year we actually took a very cautious, but continue to expand the Kaya footprint. You might have also picked up in media that we have repositioned the brand on our journey going from a very problem solution oriented brand to, we moved it last year towards more cure plus care. And we continue our journey to become an aspirational beauty brand, which gives you a total skincare solution. So, we have also unveiled a new retail identity, which actually talks to the brand positioning of Kaya. What we will continue to do is, in India we will continue to build new Kaya clinics as the opportunities arise. We would be looking at a minimum of growing our base by four to eight clinics every year. You have seen that we continue the expansion in the Middle East over the last few years. Our particular emphasis was on Abu Dhabi and Saudi Arabia. And in the coming year, we are also looking at opportunities. We have a presence in Malaysia and we will be looking over the next two-three years to actually build and consolidate our position in Malaysia as well. So, the Kaya business will see growth all around. Our primary growth will continue to be on our base business as well, which is very important. We have headroom for growth there. As we are repositioning the brand we will continue to bring in and expand the range of Kaya advance products, which are coming from Derma Rx in Singapore, so we will continue to build our product portfolio as well.

Ashish Uppanlawar:

Sir, what would you peg these same clinic growth to, because there is some DNA change that you talked about in Kaya from a specialized kind of an offering to a regular routine kind of an offering. So, what is the growth rate that we can expect in the same clinic growth?

Ajay Pahwa:

Yeah, in this environment, we will aspire to hit mid teen's kind of same store sales growth. So, if you look at it, even this year we are more or less in this range. I think at approximately 15% over the course of the last three quarters. Our aspiration is to continue to drive similar levels of same store sales growth.

Ashish Uppanlawar:

But, is this more due to increase in pricing or is it more footfalls?

Ajay Pahwa:

Actually it's a combination. We have not taken any pricing increase during the course of this year. I think the customers are seeing value and I think that is also when you give a complete solution, which comprises of service and a product. The consumer spend is rising, while we are not taking any pricing increases. So, customers who are only coming in for service, today also purchase products to continue their skincare regime. We keep a very conscious eye, as any retailer would to ensure that we are driving greater footfalls as well.

Ashish Uppanlawar:

Okay. Sir, one last question. What would be the A&P spends going ahead, as the percentage of the top line? Would it be the same as we have been guiding till now?

Ajay Pahwa:

Which, Kaya or, which business are you referring to?

- Ashish Urganlawar:** The overall consolidated levels.
- Saugata Gupta:** See, I think over a long term, we will continue to spend around 11% to 12% A&P. And that's going to be in the next couple of years, but it will vary from quarter to quarter. But, I think you should look at it from an annualized point of view, it will be around 11%-12%.
- Ashish Urganlawar:** Okay. Despite some chances of us having some gross margin expansion on input cost reduction, that will remain at 11%-12%.
- Milind Sarwate:** That's right.
- Ashish Urganlawar:** Okay, thanks a lot.
- Milind Sarwate:** Thank you.
- Moderator:** Next question comes from Mr. Shyam Bhatt from Sunidhi Securities.
- Shyam Bhatt:** Hello. Hi sir.
- Milind Sarwate:** Hi.
- Shyam Bhatt:** Sir, I just wanted to ask about healthy products in Saffola brand, namely atta and rice. How this particular products are doing currently?
- Saugata Gupta:** As far as the cholesterol management atta is concerned, we are very selectively present in certain modern trade outlets. We don't see it as a volume driver. But, I think we have a very set of loyal customers who continue to grow. It is not a long term focus initiative for us. Rice, as I mentioned already that we believe in the long term proposition of rice. It will take some time to scale up. And we will continue to be behind rice.
- Shyam Bhatt:** Okay. Sir, my next question is regarding the Saffola market share. What could be the current market share as we are present and how it is competing with the other brands?
- Saugata Gupta:** See, we look at market share in the super premium ROCP space. So, we are around 57% to 58%. And we have gained shares in the last few years.
- Shyam Bhatt:** Okay. Thank you sir, that's all from my side.
- Saugata Gupta:** Thank you.
- Moderator:** Next question comes from Mr. Ojasvi Ghosal from Kotak Mahindra.
- Ojasvi Ghosal:** Good evening sir. Most of my questions have been answered. Just a question related to skincare segment. When do you see a turnaround in terms of profitability for skincare as a whole?

Saugata Gupta:

Are you talking of Kaya?

Ojasvi Ghosal:

Yeah.

Milind Sarwate:

Since you mentioned skincare, I must clarify that we have a skincare traditional FMCG products business, which is in our consumer products segment. And we run the Kaya services plus products business in a separate subsidiary. To answer the question separately, you would have seen from the note that the product business which has been recently commenced in the CPB division, which is the Parachute skincare lotion, that has done quite well. It has garnered up a good market share and we are hopeful that it will continue to grow in that segment, which is growing also at a rapid pace. When it comes to Kaya, we have two broad segments within Kaya. One is the products business and the other is the services business. We have about 107 clinics and we have steadily increased the proportion of products in the overall turnover of Kaya. If you look at the profitability of this business, we are this year at a cash level very close to a breakeven number, if you ignore the one time hits that have occurred in this quarter. We expect that this situation will continue. I don't think we will get anymore one time hits. So, if you project the business on a steady state basis, we would be quite comfortable in the years to come. Now, at this point let me clarify that when we look at Kaya as a business vertical, we have not really looked at specifically breaking even in any particular year or specifically recording a profit at a particular milestone, because we believe that the Kaya offering is participating in an overall long term growth trend from the consumers side and it is very critical that we position ourselves as a consumer attracting business, rather than a profit making business in the short run. Obviously, the objective of every business is to make profit, but if you harness that opportunity well, I think the profit is sustainable in the long run. You might recall that three-four years ago, we had indeed broken even in Kaya. And for a quarter we had recorded even a small profit. But, later on as we kept expanding, we had a different flavor to our profit and loss account. Even if you look at the current Kaya business, it has three geographical verticals and the vertical in South East Asia is quite profitable. It is our business in India which has been into a loss marginally this year and the Middle East business has recorded a significant loss because of the one time hit. Now, if we ignore the one time hit and you take into account the growth potential, I think these businesses would be on a sound footing in the couple of years to come. Having said this, we would rather measure Kaya by the turnover increase that it puts onto the table. And with what has happened over the past five quarters, where we have recorded same clinic growth of around 15%, I think we are quite pleased with that. And this would definitely be a leading indicator of the profitability in the years to come.

Ojasvi Ghosal:

Okay, thank you so much sir.

Moderator:

Thank you sir. Next question comes from Mr. Naveen Trivedi from Pinc Research.

- Naveen Trivedi:** Hi, congratulations on the strong numbers.
- Milind Sarwate:** Thank you.
- Naveen Trivedi:** If you can share Parachute's business break up in terms of rural and urban market and how this mix has changed over the last two years period?
- Saugata Gupta:** I think at the overall level, our share of rural has been just around 30%. It has gone up, if you look at the overall business. Quickly you want to mention, Saugata you want to mention about this?
- Saugata Gupta:** Yeah. In case of Parachute, it will be around 40%. It would have been around 34%-35% in the last three years. So, there would have been increase of 5% in the last couple of years.
- Naveen Trivedi:** Okay, so right now it's 45%.
- Saugata Gupta:** 40%.
- Naveen Trivedi:** 40%?
- Saugata Gupta:** That's right.
- Naveen Trivedi:** Okay. Has there been any significant change in the past two to three quarters?
- Saugata Gupta:** No, I would rather say it has been, the trend is more of a 24 months trend rather than a short quarter trend.
- Naveen Trivedi:** Okay, thanks a lot sir.
- Milind Sarwate:** Thank you.
- Moderator:** Next question comes from Mr. Prakash Kapadia from I Alpha.
- Prakash Kapadia:** Thank you for taking my question. I had two questions on the domestic business. We have done well and gained market share in the super premium edible oil category. What we are seeing is Dhara has entered this category with rice bran variants and other players are also getting aggressive. So, though that we are leaders, where do we see growth over the next two-three years coming from? Will it be market share growth or volume share growth? Because, this is a fairly urban product, restricted to certain towns. So that was on the edible oil. And on the hair portfolio, if you could share some consumer insights over the next few years, do we see gels, creams, hair sprays being a larger part of the hair care industry, given that India is a fairly young population? So, if you could share some thoughts on these two businesses.

Saugata Gupta:

See, I think edible oil as a category will continue to grow. And we participate in the super premium or the top end. And we believe over the long term, our growth will become combination of market share and volume growth through the category. And given the fact that India continues to be, in terms of heart health, becoming increasingly conscious and Saffola will continue to offer the most superior offerings that cater to that segment of the population and those who want to lead a healthy lifestyle. I think it is a tail-wind category, so the category itself will grow. So, it's a combination of both. As regards to hair oil, I think if you look at hair oils as a category in the last five-six years, it has maintained a steady growth. Yes, there are other modern formats which will continue to grow, but that's today a small fraction of it. And as I said, India is a long term story and the growth is very, very secular, it is urban, it's rural, so therefore I think there is enough opportunity for growth in different parts of different categories.

Prakash Kapadia:

Yeah sorry, I missed you on the hair side. You were talking of, there are many categories. Do you see some of these products maybe increasing over the next two-three years? Obviously Marico with its innovation and strong foundation will be geared for growth. My idea was to get a broader sense on the industry. Will this be a larger part or not in the coming years, given that younger generation, would you not apply say hair oil or value added hair oil few years from now? That is what I was trying to get.

Saugata Gupta:

See, I think as I said that is obviously something which we are conscious about and therefore I think we need to have a broader offering in terms of modern formats. However as I said, it is a very large segment and while the small segments or small categories like gels and other modern formats will continue to grow, I think there is space for all the categories to grow.

Prakash Kapadia:

Okay sir. Thank you and all the best.

Moderator:

Next question comes from Mr. Prathik Biyani from SCB.

Sanjay:

Hi sir, Sanjay here from Standard Chartered. Just a couple of questions. One is, you had mentioned that some SKU's do not comply with the packaging notification. Can you please tell us which SKU's particularly?

Saugata Gupta:

There are smaller SKU's, I don't want to get into specifics. But, as I said they are not that significant. And as I said that the entire industry is working with the Government to find out a solution. And having said that, we also have a contingency plan in place, in terms of what we need to do.

Milind Sarwate:

Let me give you a different perspective. I think the Government has painted the whole segment of FMCG with a broad brush. It has failed to recognize that there are sub segments, which have unique packaging, which has been carried on for years together. So, there has been some



ignorance about consumer habits. I am sure that at an industry level, there is anonymity on what is to be done. So, I don't think this is a Marico specific issue in that sense.

Sanjay:

No, I was just coming back, in the notification edible oil was mentioned, the beginning point of edible oil was mentioned 1 liters. So what is below 1 liters, will it be classified as edible oil was a little doubt.

Milind Sarwate:

No, no, it is not that serious. It would have been a disaster if it had been that. There are smaller packs allowed. And essentially if you look at in the India story with lot of emphasis on rural and bottom of the pyramid growth, having very higher pack sizes as the standard pack size would be very suicidal for the country, forget the industry.

Sanjay:

Okay. I missed out the international volume growth. Can you just repeat that?

Vijay Subramaniam:

Overall international business growth has been about 40%, so roughly about one-fourth is volume and the balance is value.

Sanjay:

Can you give me the organic volume growth please?

Vijay Subramaniam:

Organic overall growth, again it will be roughly one-third volume, two-thirds value.

Sanjay:

Okay. The international grew by I think, organic by 16%, so it's 5% by volume

Vijay Subramaniam:

That's right, that's right.

Sanjay:

Okay. And I just wanted to know A&P on the domestic business; I understand you mentioned that for the overall company it should be around 11% to 12%. But, on the domestic business Saugata, I just wanted to know how much would it be in the range for the standalone business or the domestic Indian consumer business?

Saugata Gupta:

It's around similar lines.

Sanjay:

But, it has come down quite sharply now. We are around 9% currently and 11% to 12% would mean pretty high

Saugata Gupta:

See, I think you have to look at it from, as I said don't look at it from a quarter to quarter, but for the India business as I said it is around 10%-11%. There would have been some dips in certain quarters, but the long term number will be around 10%-11% and obviously which will help in funding also new initiatives.

Sanjay:

I was just coming from the point that last five years A&P in standalone, which would mean that A&P in the domestic business has only grown at a CAGR of around 11%, which is of course much lower than the overall



sales growth for the consumer business in India. So, does that mean that the brands have become mature and don't require a much of an investment?

Milind Sarwate:

No, no, I would also urge you to consider that in an inflationary scenario, the top line, the reported top line keeps growing because of the price increases. Now, it depends upon to what extent ASP undergo an inflation. Otherwise, you have the statistical phenomenon of ASP in real volume terms being the same, but as a percentage of sales falling.

Sanjay:

No, I am saying as an absolute number, the growth is 11% CAGR. If you take out the media inflation, the volume growth A&P would be hardly anything or in very low single digits over the last five years. Am I getting it wrong?

Milind Sarwate:

I am not able to relate it to what we are actually doing on the ground. I don't think we have reduced our ASP. To some extent, you are right that some of the brands may require less of ASP. But, this is a fundamental business driver for us. So, I don't think we have taken any call to curtail ASP. On an average, on a secular basis it has been between 10% and 12%. But, you would be right that in a way some of our mature and more established brands they lie in the CPB dividend, Consumer Products Business and that reflects very, very strongly with the standalone accounts.

Sanjay:

Okay. And lastly, can you just give me the band for the EBITDA margin, for the domestic consumer business and international business, which you are looking at currently?

Milind Sarwate:

I think the international business is around 11% and the domestic business is currently running around 16%-17%.

Sanjay:

And will it be possible for you to share for this quarter?

Saugata Gupta:

I think that's the broad number.

Sanjay:

Okay, fine, that's it. Thank you very much.

Milind Sarwate:

Thank you.

Moderator:

Next question comes from Mr. Kaustubh Pawaskar from Sharekhan Limited.

Kaustubh Pawaskar:

Good evening sir. Congrats for good set of numbers. I just have two questions. One is that male grooming as a category is emerging in India, so are you looking out for introducing some of the products from the Vietnamese acquisition in the domestic market at some point of time?

Saugata Gupta:

See, obviously we are looking at; we play in the beauty and wellness space and having acquired certain competencies and certain product



portfolio in the international market. This is something an opportunity that could be evaluated and explored over the medium term.

Kaustubh Pawaskar: My second question is on South African business, we have been achieving around double digit growth rate. So, are we looking at getting into some other categories in the South African business or if expanding that business to the neighboring countries? Are these some of the plans going ahead?

Vijay Subramaniam: The answer to both your questions is yes. Where we are currently is, we are on a journey of strengthening our core offerings in our core markets within SA per se. So, while this is happening, obviously we are alive to opportunities in the region. And we will take suitable steps at the appropriate time.

Kaustubh Pawaskar: Okay, okay. Thank you. Thanks a lot.

Milind Sarwate: Thank you.

Moderator: Dear participants, please press * and 1 for your questions.

Next question comes from Mr. Priyaranjan from Macquarie Capital.

Priyaranjan: Hello. Yes sir, my question is what was the overall volume growth in Parachute including recruiters and everything?

Saugata Gupta: Parachute volume growth in rigid packs is around 13%.

Priyaranjan: Yeah, that's written and the overall, I am talking about including flexi packs

Saugata Gupta: Overall is 11%, coconut oil...

Priyaranjan: Yeah. And in the recruiters will be lower, in the single digit I guess?

Saugata Gupta: Recruiter packs not really, higher, recruiter packs grow at a higher rate.

Priyaranjan: Okay. And just another question on the body lotion, you have mentioned about 5% market share, so is it the entire body lotion market you are talking about? Then you talked about, when you say about 5% market?

Saugata Gupta: Yes, yes, body lotion market, that's right.

Priyaranjan: So, how much will be the market size overall as of now?

Saugata Gupta: Around Rs 500 crores.

Priyaranjan: Rs 500 crores. And just another question on the international market. How are things looking out in the Middle East, because it's the year almost when we are seeing some kind of disturbance across the market,



so how do you think it is going to grow in the next couple of quarters or maybe in a year or so?

Vijay Subramaniam:

You are right; it's precisely twelve months since the unrest broke out last year. So, that's right, we have crossed an year here. On an overall level I think from a business point of view, things have improved. Although there continue to be sporadic protests of various shapes and sizes and if you are following the news, you would have seen something yesterday even. So, while that is there, overall business as I think is coming back on track and despite sporadic protests etc., overall we have grown in double digits. So, we are quite happy with the way things are shaping up. There are specific markets of Libya, Yemen, Syria etc. where things are yet to return to normalcy in a manner of speaking. But, having said that, our dependence on these markets I would say literally is in single digits in terms of our overall MENA business. So, we are waiting and seeing when it will come back to normalcy.

Priyaranjan:

Is it the price advisory is still in place by the local Governments, like strict price increases etc.?

Vijay Subramaniam:

At the overall level yes, but things are gradually changing. So, as you are aware it's a conglomeration of multiple countries. So, it's changing from one geography to another. So, I wouldn't get into details here, but I would say at a conceptual level, it still exists, but not to that extent. It's gradually being loosened up in few geographies.

Priyaranjan:

Okay. And what was the margin for this quarter for your international business?

Milind Sarwate:

11%.

Priyaranjan:

11%, okay. Thanks sir.

Moderator:

Next question comes from Mr. Hemant Patel from Enam Securities.

Hemant Patel:

Yeah, hello. Hello sir. Just had one question on the value added hair oil segment. Of late we are actually noticing quite a few of the players entering into the sub segments. For instance, you have actually entered into the cooling oil segment and one of your competitors has entered into the almonds. Just wanted to understand the thinking over here, because is it the thought that you explore a particular sub market and therein the weakness of the incumbent and try growing your share in that region, which results in an overall growth rate in the category as a whole far higher than what it was growing in the past. Or, does it result in a sequence of events wherein you take away share from the incumbent and the category itself does not grow as much.

Saugata Gupta:

Yeah, I think it depends, when you enter a space, whether you have a differentiated proposition or a disruption or not. I think share gain will happen only when you have either a price disruption or a differentiated

proposition. It's unlikely that you will gain market share over the long term, if you just enter with a 'me too' proposition.

Hemant Patel: And in case of, let me put it this way, in case of cooling oil itself, the place where you have actually gained market share of around 8% to 9%, I guess is in the Southern region.

Saugata Gupta: Yeah, we are only present in some States in the Southern region and that's where the entire share has come from there only.

Hemant Patel: And has it resulted in an increase in growth rate in the market itself or the category as such for the Southern region?

Saugata Gupta: Yes, the category is in a nascent stage, because most of the market, actually the cooling oil market is in the Hindi heartland. We believe that our proposition is more tuned towards the Southern consumer's tastes and preferences. So, therefore we believe that that will trigger a category growth.

Hemant Patel: Okay. And just one final question, among the sub categories of the value added hair oil portfolio, in your opinion which are the segments which really can grow over a period of time over the next five years, because of the level of penetration and because of the level of value proposition which is offered to the consumer?

Saugata Gupta: See, I think the sub category is invention of the marketer and the manufacturer. Consumers don't see the sub categories. Consumers look at the benefits and consumers look at the price and the value. So, therefore whichever offering can deliver a value and superior benefit proposition that will grow. And actually there is always a share gain that happens within categories also.

Hemant Patel: Okay, fair enough. Thanks a lot.

Milind Sarwate: Thank you.

Moderator: I request the participants to press * and 1 for your questions.

Next question comes from Ms. Nandita Mehta from J M Financial.

Nandita Mehta: Yeah, congrats on a good set of numbers. I just have one question. I need to know what is your opportunity in oats, because we are seeing a lot of aggressive action coming in that space. There is one competitor within the FMCG space who is focusing really hard on that category, so I would like to know what is our strategy over there? And is there really such a big opportunity in that particular space out there?

Saugata Gupta: I think obviously anybody who has entered the category is looking at it seriously. That is the reason why the category has recorded explosive growth. I think it is a habit. If you really look at it, oats comprises healthy breakfast and heart health and Saffola in terms of brand equity

has a right to win in this category. And we are not only looking at plain oats, as you know that we have actually extended our offering in terms of offering a differentiated innovation like savory oats. So, we believe that in the long term that this space is going to grow. And breakfast as a category and oats in particular within that and oats and oats variants is in a point of inflection. So, there is I think a place for at least three-four players over the long term and together to spend and grow the market rapidly.

- Milind Sarwate:** Hello, also you have to keep in mind that in Saffola we are trying to offer a bouquet of products to the consumers. So, oats is a subset of that entire bouquet.
- Nandita Mehta:** Okay. And how big would this category be?
- Saugata Gupta:** The category is around Rs 200 crores.
- Nandita Mehta:** Okay. And would we be looking at other breakfast variants or it would be just this?
- Saugata Gupta:** Yeah, it's premature to discuss it now.
- Nandita Mehta:** Okay, okay sir. And what kind of growth are we looking at for the next three-four years, if you can give us some kind of outlook on that?
- Saugata Gupta:** 15% to 20% will be I think a fair estimate.
- Nandita Mehta:** Okay sure, okay thank you sir.
- Moderator:** Thank you sir. There are no further questions. Now, I hand over the floor to Mr. Amnish Aggarwal for closing comments.
- Amnish Aggarwal:** I would like to thank all the participants and the management of Marico for taking the time out for this. But, before we close I would ask Milind to give some concluding remarks on what is his outlook for the company for the coming say, year or two.
- Milind Sarwate:** Thanks Amnish. As I mentioned earlier our outlook is optimistic. We did have concerns during quarter two. We had communicated to the analysts and the investors about the concern. As of now, some of the concerns seem to be under control. But, many of the broader parameters like the macro economic scenario or the input pricing situation, I think on that some uncertainty does prevail. So, while we are optimistic, we are cautiously so. On the whole, we feel quite pleased with the way this quarter has gone, the quarter three. And we hope to continue performing well. I wish to, on behalf of my colleagues and the company, I would like to thank all participants on this call. We had an engaging discussion for almost about 1½ hours now. So, thanks everybody and I hope to see you same time, next quarter. Thank you.



Moderator:

Thank you sir. Ladies and gentlemen, this concludes your conference for today. Thank you for your participation and for using Door Sabha's conference call service. You may disconnect your lines now. Thank you and have a pleasant evening.