

Marico – Information Update for Q1FY17 (Quarter ended June 30, 2016)

Executive Summary: Consolidated Results

Particulars (Rs/ Cr)	Q1FY17	Growth
Revenue from Operations	1,754	-
EBITDA	374	18%
EBITDA Margin (%)	21.3%	
Profit After Tax	268	17%
Profit After Tax (without considering exceptional income on divestment of BCS)	268	21%
India Volume Growth (%)		8%
Overall Volume Growth (%)		8%

During the quarter, Marico continued to deliver a healthy volume growth of 8%. Revenue from Operations of INR 1,754 crore (USD 262 million) remained flat as compared to Q1FY16. The India business recorded a robust volume growth of 8% while the International business posted a constant currency top line growth of 4% (volume growth of 8%). The value growth was lower owing to price reductions in the Parachute Rigids portfolio aggregating 18% consequent to commodity price deflation.

During Q1 FY16, Marico had divested its stake in Beauté Cosmétique Societé Par Actions, a subsidiary of International Consumer Products Corporation, Vietnam which resulted in a one-time gain of INR 9.6 crores. Excluding the one-time gain in Q1 FY16, the Profit After Tax growth in Q1 FY17 was 21%.

Other salient points relating to the quarterly performance are as follows:

- Gross margins expanded by 722 basis points in comparison to Q1 FY16 in a deflationary environment (Y-o-Y expansion in Q4 FY16 expansion was ~ 630 bps).
- Parachute Rigids continues to grow in line with the medium term growth guidance, Q1FY17 volume growth of 7%
- Saffola continues its double digit growth momentum, registering a healthy volume growth of 11%
- Sustained volume growth of 9% in Value Added Hair Oils (VAHO) franchise in India.
- Continued share gain in VAHO in India - share gain in value (85 bps) and volume (147 bps).
- International business grew by 4% in constant currency terms in Q1FY17 (Volume Growth @ 8%).
- Market share gains continue in more than 55% of the portfolio on 12 months MAT basis, while holding the market share in Coconut Oil segment in India.
- Higher Gross margins ploughed back in brand building - Advertising and Sales Promotion (ASP) spends up by 22% - ASP to Sales Ratio at 12%
- EBITDA margins expanded by 314 basis points to 21.3% - India 25.4% & International 20.0%

Summary of value growth across Businesses:

Categories/Businesses	Q1FY17	Share of Group's Turnover basis FY16 results
Group	0%	
India FMCG Business	-1%	78%
International FMCG Business	6%	22%

Volume Market Shares in Top 10 Categories - Basis Moving Annual Total (MAT)

Brand & Territory	~MS%	Rank	Brand & Territory	~MS%	Rank
Coconut Oils (India) (Parachute and Nihar)	58%	1 st	Parachute Coconut Oil (Bangladesh)	82%	1 st
Saffola (Refined Oils) – Super Premium Refined Oils in Consumer Packs (India)	63%	1 st	Post wash Leave-On Serums (India) (Livon and Silk & Shine)	78%	1 st
Hair Oils (India) (Parachute Advansed, Nihar, Hair & Care)	32%	1 st	*X-Men Men's Shampoo (Vietnam)	38%	1 st
Value Added Hair Oils (Bangladesh)	17%	3 rd	*Hair Code & Fiancée Gels/Cream (Egypt)	56%	1 st
Deodorants (India) (Set Wet and Zatak)	3%	7 th	*Hair Creams/Gels (India) (Set Wet and Parachute After shower)	61%	1 st
*Saffola Oats (India)	27%	2 nd	*X-Men Men's Roll-On Deodorants (Vietnam)	31%	2 nd

*Value market shares All Market Share numbers are basis new panel.

All numbers mentioned in INR in this note are converted to USD basis INR/USD of 67, being the average rate for the quarter.

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India Business

The FMCG Business in India achieved a turnover of INR 1,387 crore (USD 207 million), a decline of 1% over the same period last year.

The healthy volume growth of 8% was backed by continued growth momentum in categories of Parachute Rigid coconut oil, Saffola edible oils and VAHO while Youth business came back on growth trajectory. An overall deflation of 9% during the quarter was primarily on account of the price corrections in Parachute coconut oil taken in second half of FY16 and in April'16.

The operating margin during Q1FY17 was 25.4% before corporate allocation as against 21.2% for the same period last year. Higher operating margins can be attributed mainly to gross margin expansion led by softer inputs costs. In the near term, the EBITDA margins are likely to remain in higher band (> 20 %) on the back of lower commodity costs and deflation in sales value although the Company would be comfortable with a band of 18-19% in the medium term.

The table below summarizes volume and value growths across key segments:

Categories	Q1FY17		% of Group's FY16 Turnover
	Value Growth	Volume Growth	
Marico India	-1%	8%	78%
Parachute Coconut Oil (Rigid packs)	-12%	7%	27%
Value Added Hair Oils portfolio	9%	9%	20%
Saffola (Refined Edible Oil)	11%	11%	14%

Parachute and Nihar – Commodity prices bottom out – Meets medium term aspirations

Marico participates in the INR 4,900 crore (USD 731 million) branded coconut oil market through Parachute and Nihar. Parachute's rigid portfolio (packs in blue bottles), continued the volume growth momentum by growing at 7% for Q1FY17 over Q1FY16. The input costs have come down by 41% as compared to Q1FY16 and by 7% as compared to Q4FY16. The company has continued to respond to the decline in commodity prices judiciously using mix of tactical price offs and strategic price correction to maintain volume growth momentum. In April 2016, the Company corrected the MRP of Parachute Rigid packs by circa 6% across SKU's. The proactive pricing strategy has enabled the company to hold on to its volume market shares (MAT June-16) in such a deflationary environment.

It is expected that the copra prices may increase over the next two quarters in line with the seasonal trend. Towards this, the Company has initiated a weighted average price increase of 5% from July, 2016 onwards. This increase will partially mitigate the deflation impact while continuing the volume growth momentum.

The non-focused part of the portfolio (mainly pouch packs) witnessed contraction as the Company maintained minimum threshold of margins in an environment where the commodity prices have corrected substantially. However, pricing intervention in the non-focused portfolio will be tactically deployed to stay relevant to the consumers in the segment and protect any competitive threats.

Of the total coconut oil market, approximately 30-35% in volume terms is in loose form. This loose component provides headroom for growth to branded players. The Company's flagship brand Parachute, being the market leader, is well placed to capture a significant share of this growth potential on a sustainable basis. The Company would continue to exercise a bias for franchise expansion as long as margins remain within a band. Towards that end, we will continue invest behind brand building and tactical inputs to remain competitive. It is generally observed that a moderate inflationary environment swings the competitive position to the Company's advantage as it puts pressure on the working capital requirements of marginal players. This leads to market share gain and better volume growths. The company expects to deliver a volume growth of 5-7% in the near term. Further, due to expected anniversarization of deflationary impact in H2 of the current year, we expect value growth in Parachute Rigid by Q4 FY17.

Saffola: Super premium refined edible oils and healthy foods – The double digit growth continues in Oils, Saffola Foods urges consumers to breakup with junk

The Saffola refined edible oils franchise demonstrated a healthy 11% growth in volume terms during the quarter.

The Saffola range of blended refined oils (available in four variants) operates in the premium niche of the refined edible oils market. These oils provide a balance of PUFA (polyunsaturated fatty acids) and MUFA (mono-unsaturated fatty acids) and thus help consumers to proactively manage a healthy lifestyle. With rising awareness about healthy living in the country, this provides significant headroom for growth. During the quarter, the Company continued focus on driving relevance amongst the proactively health conscious consumers through key marketing input of Saffola Active communication of “Use not just less Oil but Right Oil as well – to stay fit & active”.

The near term outlook for this franchise is positive with double digit volume growth prospects. Over the medium term, we are also looking at the innovation pipeline especially in the premium segment. The Company is confident of maintaining double digit growths over the medium term.

The brand gained market share of 261 bps and further strengthened its leadership position in the super premium refined edible oils segment to 63% during the 12 months ended June 2016.

Saffola’s foray into healthy foods, Saffola Oats, has emerged as a strong no.2 brand in the oats category with a value market share of 27%. Saffola Masala Oats launched its new campaign in June to drive new users to the category of flavoured oats. The new campaign positions Saffola Masala Oats as a guilt free snacking option. The brand also extended the campaign on multiple media through its #breakupwithjunk campaign which encourages India to limit its junk food intake and switch to healthier options. Focus on value added offerings in the oats segment has enabled the Company to capture 71% value share in the flavored oats market on a MAT basis. The franchise crossed INR 100 crore (USD 15 million) of top line in FY16 and is well poised to cross INR 200 Crore (USD 30 million) landmark over next 2-3 years. The Company’s ability to localize the product to suit the Indian palate and drive consumption by increasing the occasion of use apart from breakfast to in-between meals has been the key catalyst in creating and succeeding in this category. The recently introduced Chinese and Italian variants aim at recruiting younger population into this healthy eating habit. The Company is focused on driving distribution expansion for improved availability and margin improvement with focused cost management initiatives to ensure long term sustainable profitable growth in this franchise.

Value Added Hair Oils (Parachute Advansed, Nihar Naturals and Hair & Care) – Continued healthy growth trajectory.

Marico’s value added hair oil brands registered a volume growth of 9% during the quarter. Marico continues to grow faster than the value added hair oils market of INR 6,100 crore (USD 910 million). Consequently, during the quarter, the Company further strengthened its market leadership by 147 bps to 32% volume share (for 12 months ended June 2016) and with value share gain of 85 bps to 25% for the same period. The Company will continue to focus on premiumization to drive growth in the category.

Nihar Shanti Amla continues to gain market share and achieved a volume market share of about 37% for the 12 months ended June 2016 in the Amla hair oil category (MAT June’15: 34%). The exit market share of Nihar Shanti Amla was more than 38% reflecting a continued strong trajectory of growth. The increased scale of the franchise enables the Company to benefit from operating leverage thereby improving net margins despite competitive pricing.

Nihar Shanti Amla launched its new campaign “Dikho Khubsoorat Karo Khubsoorat” continuing to support the cause of children’s education. Nihar Naturals launched #IamCapable campaign in the East to address society’s judgement of the capability of a woman based on how she looks.

Targeting the Bottom of the Pyramid Segment and inducting a new consumer base

As an endeavour to further strengthen our right to win in the low unit pack segments, the Company forayed with a prototype of INR 1 sachet of Parachute Advanced Jasmine in Gujarat. The launch in June 2016 has shown high trade acceptance & promising initial offtakes. In FY16, the Company launched INR 5 spout pack under Nihar Shanti Amla and the same is being prototyped in one Hindi speaking state.

Nihar Naturals Sarson Kesh Tel, a value added mustard oil targeting loose mustard pool was launched across markets in North and parts of East India after promising results from the prototype in Rajasthan. The results are satisfactory.

Hair Fall Control

- Parachute Advanced Ayurvedic Oil, with presence in southern states, continues to grow at a steady pace.
- Parachute Advanced Ayurvedic Gold Hair oil, after its successful prototype in Maharashtra is on its journey of being extended to all the Non-Southern States in February 2016. With a formulation targeting relevant consumer base (Sesame oil) compared to the Parachute Advanced Ayurvedic Oil (Coconut Oil), this variant is aimed at a more broad-based play in non-southern States. The scale up is likely to happen gradually over period of time.

The company expects to cross top line milestone of INR 100 Crore (USD 15 million) by FY18.

The Value Added Hair Oils category has been amongst the fastest growing large sized FMCG segments in India and compares very well with other highly penetrated personal care categories. The new age hair oils in the developed markets could create a super-premium segment in India too. This serves to emphasize that hair oils can drive both beauty and nourishment. Marico will continue to focus on upgrading the portfolio by playing across segments that cater to consumer needs of nourishment and problem solution.

Youth brands – Hair Gels continue to gain MS; Livon Hair Gain and Set Wet Deodorants showing positive recovery; near term growth plan looks promising

The Youth brands portfolio plays in following categories i.e., Hair Gels, Deodorants, Hair Gain Tonic and Leave-in Serums. Overall, during this quarter, this portfolio grew by 15% in value terms. The Company has defined a multi-pronged strategy for long term sustainable growth of this business:

1. Set Wet Gels: Drive penetration and category growth;
2. Set Wet Deodorants: Drive market share through a differentiated imagery;
3. Livon Hair Gain: Drive trials and repeats through efficacious product offering while simultaneously blocking out unfair competition and
4. Livon Hair Serum: Drive affordability, penetration and relevance in the niche segment of hair serums

Some of these initiatives have already started bearing fruits while some will need a couple of more quarters to start showing results.

Set Wet Gel portfolio continued to grow in double digits in Q1FY17 too. The market share has grown by 1039 bps in last 12 months and currently stands at 55%. The Gels now comprise circa 40% of total Youth Portfolio.

The Refreshed Set Wet Deodorants portfolio with Ranveer Singh as its brand ambassador has begun to gain back volume and market share. The Q1FY17 market share was 4% reflecting a continued strong trajectory of growth since re-launch (MAT Share as on June-16 of 3%).

The Livon **Hair Gain** franchise with a better product formulation and packaging grew in double digits. The brand communication showcasing real life consumer experiences and the anti-counterfeit measures adopted by the brand are starting to show results.

The Company has also refreshed Livon Serum - better formulation, refreshed packaging, celebrity brand ambassador, new communication campaign and low unit packs at INR 5. We believe that positive results will follow over the next couple of quarters.

The Hair Gels and Creams (Set Wet and Parachute) and Leave-in Conditioners (Livon and Silk and Shine) now have 61% 12 months MAT value share and 78% 12 months MAT volume share in their respective categories. These categories are at a very nascent stage as their penetration in India is far lower as compared to other emerging markets. Being market leaders, the Company is determined to innovate and grow the market. Overall, given the initiatives rolled out for all the three verticals, the Company is confident of a double digit (~15- 20%) value growth in near term.

Input Costs and Pricing

During the quarter, the average market price of copra was down by 7% sequentially and 41% Y-o-Y owing to better arrivals at the beginning of peak season.

The market price of the other key inputs, Rice Bran oil was up 15% and Liquid Paraffin (LP) was down 19% during the quarter as compared to Q1FY16. The increase in crude oil price has resulted in LLP prices being up by 11% compared to Q4 FY16. HDPE (a key ingredient in packaging material) price was down 9% compared to Q1FY16.

The copra prices kept on sliding sequentially last year. Although, even in Q1 FY17, there has been a sequential decline, the rate of decline has slowed down. We expect the prices in coming quarters to be range-bound with an upward bias.

Markets/Distribution Channels

Marico's rural declined by 4% due to higher exposure to the coconut oil portfolio while the urban sales remained flat in Q1 FY17. In rural, incremental direct coverage provides an ideal platform to enhance the reach of the Value Added Hair Oils portfolio.

Sales in Modern Trade (9% of the India turnover) continued the good run with growth of 14% in Q1FY17. CSD and Institutional sales (8% of the India turnover) grew at 3% in Q1FY17.

Project ONE (Outlet Network Expansion) was conceived with an objective of increasing Marico's direct coverage in its top 6 metros. The project has resulted in optimizing distributor sales and store delivery apart from reducing service costs to these stores. The first phase garnered an incremental turnover of circa INR 60 crores (USD 9 million) in FY16. Project ONE (Outlet Network Expansion) has been extended to next level of 13 cities adding 20,000 outlets and annualized business circa INR 11 crore (USD 2 million).

The journey to refresh and reconfigure the IT systems within the company with robust infrastructure including digital initiatives progressed well during the quarter.

Marico has completed the change of its new Distributor Management Systems for its customers across the channels in India. This is helping improve sales force productivity, scheme and offer visibility to customers and better commercial controls. Use of GPS led outlet classification has also led to better targeting of schemes and visibility programmes.

We have also rolled out better dashboards with visual descriptive analytics for cascading sales and marketing information across the hierarchy to enable better insights and decision making.

Projects in predictive analytics have led to better forecasting of category growth drivers as well as Market Mix modelling, the results of which are now being taken up for implementation in Q2. The scale up of store level Assortment Mix analytics is planned in H2. Handheld led systems have also been rolled out in Vietnam leading to efficiency in front line sales force.

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Armed with such automation and analytics repertoire, the Company, during the quarter launched Project Marval EDGE, a new initiative which aims at examining the current trade and marketing spends in a zero-based manner with the objective of improving both the efficiency and effectiveness of these spends. The Company is partnering with an external consultant to realise the full potential of this initiative. The Company expects significant gains from this project. Given its comfortable margin profile, the savings from this project will be redeployed to fuel growth – new products, distribution expansion etc. We will implement the project in phased manner starting end of Q3 FY17.

As part of its plan to remain relevant to the internet-savvy new age consumers & other stakeholders, the Company, in coming quarters, will focus a lot on various digital Initiatives. As a result, E-commerce has become an important pivot of growth. The Company has taken definitive steps to stay ahead of the curve in this space and has identified and appointed dedicated resources for e-commerce.

International Business

The summary of top line performance of the International Business is as under:

Particulars	Q1FY17
Turnover (Rs/Cr)	367
Reported Growth	6%
Constant Currency Growth	4%
Exchange Rate impact (Favorable)	2%

Marico's International business delivered a 4% constant currency growth (volume growth of 8%) for Q1FY17. The Core markets delivered good growths with MENA growing at 6%, South East Asia at 15% (excluding the divested BCS business from the base) and South Africa at 8% on constant currency basis. However, Bangladesh declined by 6% during the quarter due to the price corrections taken in Parachute Coconut Oil last year, impacting overall International growths. The plan of expansion in adjacent markets of South Asia, South East Asia, North & East Africa etc., is largely on track. Overall, the strategy of focusing on strengthening the core and investing behind capabilities seems to have started showing positive results.

The operating margins (before corporate allocations) are at 20.0% in Q1 FY17 as against 18.1% for the same period last year. The higher margin in this quarter can be attributed to the softer input costs. The Company shall endeavor to maintain international margins at ~ 17% and continue to invest and plough back savings to drive growth.

Bangladesh (45% of the International Business)

The Bangladesh business reported a topline constant currency decline of 6% in Q1FY17 due to the price corrections taken in Parachute Coconut Oil.

Parachute coconut oil reported decline of 7% in constant currency terms due to the price correction (volume growth being flat) during the quarter but still maintained leadership position with 82% share. Given that the scope of growth in coconut oil segment is limited as the category has matured, the Company has taken substantial measures in driving adjacent sources of growth to diversify the portfolio.

During the quarter, the Company's value added hair oils portfolio grew at a rate of 6% in constant currency terms. In order to encourage trials, a new small pack (40ml) was launched in April 2016 for both Parachute Advanced Beliphool and Nihar Shanti Amla.

In the last few years, the Company has made significant investments to expand its non-coconut oil portfolio such as Value Added Hair Oils (VAHO), Hair Dyes, Deodorants, Leave-in conditioners, Masala Oats and Premium Edible oils. These products have been accepted well and are expected to create a portfolio of the future in Bangladesh. Consequent to these initiatives, the non-coconut oil portfolio is now circa 20% of the total business in Bangladesh as compared to 10% four years back. The new launches offer a substantial proposition for future roadmap in Bangladesh. The Company is leveraging its strong distribution network and learning from the India market to quickly scale up its new product introductions in Bangladesh. From this year onwards, more than 80% of the incremental growth in the Bangladesh business is expected to come from the non-coconut oil portfolio backed by modest growth in core coconut oil business. The non-Coconut oil portfolio is likely to become 30-40% over next 3-4 years from the current share of ~ 20%.

Middle East and North Africa (20% of the International Business)

The MENA business on an overall basis grew by 6% (constant currency basis) during Q1FY17 as compared to Q1FY16.

In the Middle East business, the Parachute Gold franchise of Hair Oils and Creams was re-launched last year with improved formulations and packaging. It targets the Arab consumers who are looking for nourishment & problem solutions in modern contemporary formats. The business remained flat on constant currency basis Q1FY17 due to higher base (Q1 FY16 growth of 24%). The business has reported operating profits for the quarter and this trend of improvement is expected to continue and the management expects the business to become consistently profitable this year.

In the Egypt business, the Company's initiative of transforming the distribution structure has started to yield results; the business grew by 21% in constant currency over Q1 FY16. Egyptian Pound (EGP) has depreciated by 9% over the last 12 months putting pressure on margins and value growth. We remain positive about the medium term outlook on this market. However, given the tough macro-economic conditions, the recovery is likely to be gradual.

South East Asia (25% of the International Business)

Business in South East Asia (of which Vietnam is a significant contributor) grew by 15% (excluding the divested BCS business from the base) in constant currency terms. X-Men maintained its leadership in male shampoos and the number two position in male deodorants. The new products – 'cool water' in shampoo and 'no-gas' in deodorants have spurred the growth in the Vietnam business. The Foods business also delivered healthy growths during the quarter. Over the medium term, the Company remains well poised to participate in the category growths.

The Company continues to scale up its presence in neighboring countries like Myanmar. Myanmar is poised to be a USD 7 million business by end of the year.

South Africa (7% of the International Business)

The business reported a constant currency growth of 8% during the quarter despite challenging macro conditions. The Country's Economy is struggling to gain traction as power crises continue to get worse, drought has impacted agricultural output and increased risk of labour disruptions. ZAR remained under persistent pressure during the quarter and devalued by 12% over the last 12 months and so the business optically de-grew.

The Company has initiated its organic footprint in sub-Saharan African markets. The Company commenced exports to four countries. Plans for entry in other markets are on track. We believe these markets are "Invest to Grow" markets and will be backed by adequate marketing initiatives.

Note: The country wise contribution to International Business revenue is based on FY16 turnover.

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IND AS Impact

Effective 1st April 2016, the Company has adopted IND-AS, the new accounting standards. Consequently the financial performance for Q1 FY17, Q4 FY16, FY16 and Q1 FY16 has been reported in conformity with IND-AS. Till Q4 FY16, the financial performance was being reported under IGAAP. To facilitate reconciliation between the numbers reported last year and the numbers recast as per IND-AS, we have attached a separate presentation to this Update. The presentation explains the reasons for the differences for each of the four quarters and the full year.

OPERATING MARGIN STRUCTURE FOR MARICO FMCG Business

% to Sales & Services (net of excise)	Q1FY17	Q1FY16	Q4FY16	FY16
Material Cost (Raw + Packaging)	48.0	55.2	46.4	51.1
Advertising & Sales Promotion (ASP)	11.9	9.8	12.6	11.5
Personnel Costs	6.0	5.6	7.4	6.2
Other Expenses	12.8	11.2	17.1	13.8
PBDIT margins	21.3	18.2	16.7	17.5
PBDIT before ASP	33.2	28.0	29.3	29.0

- The average market price of copra, the largest component of input costs, was 41% lower in Q1FY17 as compared to Q1FY16. Also, the market prices of liquid paraffin were 19% lower as compared to Q1FY16. The market price of safflower oil was up by 3% and rice bran oil was up by 15%. The consumption prices may differ from market prices depending on the stock positions the Company has taken. On an overall basis, the gross margins improved by 722 bps during the quarter.
- Overall increase in ASP spends during the quarter was 22%. Significant part of the overall ASP was invested behind new products such as Value Added Hair Oils, Foods and Youth portfolio in India. ASP investments were higher across businesses. The Company intends to plough back savings from lower commodity costs partially into business through higher advertising spends for ensuring long-term sustainable growth. The Company expects to operate in a band of 11-12% in the medium term.
- Personnel Costs in Q1FY17 increased by 7% over Q1FY16 on account of annual salary revisions partially getting offset by lower Stock Appreciation Rights Scheme (STAR) and the performance incentive related provisions.
- The other expenses include certain items which are variable in nature (almost 2/3rd of other expenses). Other expenses are likely to remain in the range of 12-14% of Turnover in the medium term.
 - Fixed Expenses include items such as rent, legal and professional charges, foreign exchange losses and donation. The fixed expenses have increased by largely due to increased Legal & Professional charges and enhancement of IT and Sales infrastructure.
 - Variable Expenses include items such as freight, subcontracting charges, power and fuel, warehousing, input and output taxes etc. The variable expenses have increased by 9% on account of freight, other rates & taxes and contract manufacturing charges which is line with the volume growth.

Other Expenses	Q1FY17	Q1FY16	% variation
Fixed	79.2	63.2	25%
Variable	144.9	133.3	9%
Total	224.1	196.5	14%

The detailed Financial Results and other related useful information are available on Marico's website – <http://marico.com/india/investors/documentation/quarterly-updates>

Capital Expenditure and Depreciation

The estimated capital expenditure in each of the years FY17 and FY18 is likely to be around INR 100–125 crore (USD 15-19 million).

Depreciation during Q1FY17 was INR 20.8 crore (USD 3.1 million) compared to INR 18.8 crore (USD 2.8 million) in Q1FY16. The increase is on account of capital asset additions at the Guwahati plant in the current quarter.

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Direct Taxation

The Effective Tax Rate (ETR) during Q1FY17 is 28.6% as compared to 30.1% (27.2% under IGAAP) during Q1FY16. The changes in tax expense due to Ind-AS are explained in a presentation attached to this Information update.

The expected ETR during FY17 and FY18 could be around 28-30%. It should be noted that this tax rate is basis the accounting charge in the P&L account. The Company will continue to pay basis MAT and therefore from the cash flow point of view there is no change. The current MAT credit of about INR 52 Crore as of 30th June, 2016 is expected to be utilised by the Company over the next few years (total utilization of INR 5.2 Crore in Q1FY17).

Capital Utilization (Marico Group)

Given below is a snapshot of various capital efficiency ratios for Marico:

Ratio	Q1FY17	Q1FY16
Return on Capital Employed	60.2%	56.4%
Return on Net Worth	48.9%	46.9%
Working Capital Ratios (Group)		
- Debtors Turnover (Days)	17	13
- Inventory Turnover (Days)	45	48
- Net Working Capital (Days) including surplus cash	41	37
Debt: Equity (Group)	0.16	0.22
Finance Costs to Turnover (%) (Group)	0.3%	0.3%

* Turnover Ratios calculated on the basis of average balances

- The variation in ratios is due to:
 - Improvement in ROCE is because of increase in EBIT margins.
 - Improved in RONW is on account of higher growth in PAT in comparison to increase in net worth. .
 - Increase in net working capital days is primarily on account of cash surplus.
- The Net Debt position of the Marico Group as of June 30,2016 is as below-

Particulars (Rs/Crores)	Jun 30, 2016	Mar 31, 2016	Jun 30, 2015
Gross Debt	376	331	415
Cash/Cash Equivalents and Investments (Marico Ltd: INR 899 Crore. Marico International: INR 227 Crore)	1126	798	800
Net Debt/(Surplus)	(751)	(466)	(385)
Foreign Currency Denominated out of the total gross debt (72% of Gross Debt hedged) (Also refer to Note 5 below)	347	316	407
Foreign Currency Denominated : Payable in One Year	347	316	236
Foreign Currency Debt as a % age of Gross Debt	92%	95%	98%
Rupee Debt out of the total gross debt	28	15	7
Rupee Debt : Payable in One Year	28	15	7
Total Debt Payable within One year	376	331	243
Average Cost of Debt (%) : Pre tax	4.0%	3.3%	2.5%

The company may roll over some of the loans when they fall due during the year or redeem investments for repayment. Marico has adequate cash flows to maintain healthy debt service coverage.

- The Debt denominated in foreign currency is either hedged or enjoys a natural hedge against future probable exports. Hence the MTM differences are routed through the balance sheet (Hedge Reserve) rather than the income statement (Also refer note 5 below).
- The Company periodically reviews and hedges the variable interest liability for long term loans using Interest Rate Swaps.

5. The Company had, opted for early adoption of Accounting Standard 30 “Financial Instruments: Recognition and Measurement” to the extent it does not conflict with existing mandatory accounting standards and other authoritative pronouncements. Accordingly, the net unrealized loss of INR 9.2 Crores as at June 30, 2016 (INR 63.7 Crores as at June 30, 2015) in respect of outstanding derivative instruments and foreign currency loans at the period end which qualify for hedge accounting, stands in the ‘Hedge Reserve’, which is recognized in the Statement of Profit and Loss on occurrence of the underlying transactions or forecast revenue. The exchange loss transferred to Statement of Profit and Loss for Q1FY17 due to hedging of USD 7 million ECB is INR 15.6 Crore (USD 2.3 million) (also refer paragraph (d) under the section of Operating Margin Structure).

Other Corporate Events

The commercial production at the Company’s new plant at Guwahati in Assam commenced on May 27, 2016. The Guwahati Plant will augment the Company’s manufacturing capacity to cater to increasing consumer demands for value added hair oils.

Awards

Corporate Awards:

- Marico’s India Business has achieved a ‘**Level 4-TCM Enabled Company**’ rating basis the assessment done by Confederation of Indian Industry (CII) on its proprietary Total Cost Management Model putting the Company in the top 15 percentile of such assessed companies.
- Marico is ranked 2 in the FMCG sector in the ‘India’s **Best Companies to Work** for 2016’ study by The Economic Times.
- Marico made its mark yet again in **Forbes India’s Super 50 Companies 2016** with the three-step methodology that focuses on shareholder return, sales growth, return on equity.

Marico’s Growth Philosophy

By 2020, Marico aspires to be an admired emerging market MNC with leadership in two core categories of nourishment and male styling in following regions – South Asia, South East Asia, Middle East and North Africa and South and Sub-Saharan Africa. Marico plans to meet this aspiration by seeking to win amongst consumers, trade and talent. Towards this goal of 2020, the Company has identified 5 areas of Transformation where it will develop top quartile capability, processes and execution excellence. They are Innovation, Go To Market transformation, Talent Value Proposition, IT & Analytics and Cost Management.

The Company’s philosophy of developing capability ahead of growth to drive a sustainable business model across both Indian and International markets will be executed synergistically under the One Marico umbrella. As the Company scales up, it has to maintain a delicate balance between entrepreneurial way of working while continuing to strengthen governance and processes. The Company’s focus will be on creating winning brands, winning culture and a winning talent pool to create a virtuous cycle of great talent and an enabling culture driving innovation driven growth.

Near Term / Medium Term Outlook

Marico India

- The year began with deflationary pressures and a severe drought in many parts of the country, impacting significant part of our markets. These headwinds impacted the volume growth in Q1 especially in rural India. However, the onset of a normal monsoon augers well for the country. This should help lift the consumption levels, especially in the second half of FY17. The rural growths are likely to come back in the 2nd half of the year.
- The Company will strive to drive volume growths and maintain medium-term growth rates in the range of 8-10% by growing the core and rapidly scaling New Products. The volume growths are likely to pick up in the 2nd half the year, In the near term, however, given the Y-o-Y deflation, the value growths will be subdued
- The deflationary pressures are also expected to cease by Q4 FY17. This would bring the value growth back for the India Business in the second half of the current year.

- In Parachute Rigid, the Company aims to grow volumes in a range of 5-7%, both in the near term and medium term.
- Saffola is likely to grow by circa 10% in the near term due to combination of wider participation and selective pricing inputs. The Company is also working on premiumizing this franchise with innovations. In the medium term, the Company expects to continue growing at a double digit volume growth.
- In the Healthy Foods franchise, the Company will innovate aggressively to cater to the consumer need of tasty and healthy options.
- In value added hair oils space, the Company will attempt to execute a dual strategy - premiumizing the Company's offering on one end, thus strengthening its Value market leadership and reaching the mass market segment by widening the product offering on the other end, thus extending the gains in volume market shares. Towards this end, many packaging innovations are in the pipeline. In the medium term, the company aims to grow this franchise at a volume growth rate of 12-15%.
- The Anti-Hair fall franchise is expected to contribute up to INR 100 Crore (USD 15 million) by FY18.
- On the back of a continued healthy performance of Gels, good traction on launch of Deodorants and expected demand in Livon Hair Gain, the Youth portfolio is expected to grow at high double-digit (~ 15-20%) in FY17 and at 15% in the medium term. To remain relevant to the youth, the Company will keep innovating with new product and packaging formats in this segment.
- The direct distribution initiative of Project ONE is expected to supplement volume growths in the Tier I and Tier II markets. Strategic initiatives in sales and supply chain will aim at ushering in efficiency in selling and go-to-market.
- Over the medium term, operating margin of about 18% to 19% is sustainable. However, in the near term, given the soft commodity price tables and deflationary impact on sales, the operating margins are likely to hover above 20%.

Marico International

- Over the last two years, the company has systematically invested in the core international markets to strengthen both the brands and the organizational capability to handle growth. The company is confident that in FY17, each of these markets is well-poised to capitalize on the market opportunities.
- With such augmented efforts to build a robust organic growth capability and a stronger organization, the Company is also looking at inorganic growth both in terms of new markets and acquisitions / alliances to step up the overall growth in International markets leveraging the current management bandwidth.
- The Group is committed to a long term growth plan for Bangladesh, its largest overseas business. The headroom for growth in Bangladesh is in expanding the non-Coconut oil portfolio leveraging the distribution. This is a long term journey and is likely to take some more time to stabilize.
- The Company believes that the core markets of South East Asia and MENA are "Invest to Grow" markets and the Company will continue to drive growth with brand restages, new product launches and capability building initiatives apart from aggressively tapping and growing new markets.
- Rest of South East Asia and East Africa are the new growth engines for future. The Company will aim for organic and inorganic growth in these markets.
- It expects to clock an organic top line growth of ~ 15% in constant currency in the medium term. However, in the near term, given the deflationary headwinds, especially in the Bangladesh market, the growths are expected to be lower at higher single digits.
- The structural shift in operating margins is expected to be sustained at around 17%.

Overall (India + International)

- The Company will aim at a volume growth of 8-10% and a topline growth of 12-15% in the medium term. In the near term, though, the value growths may be in single digit given the Y-o-Y deflation in key commodities in core markets.
- The 2nd half of the year will witness a sweet spot between likely consumption recovery, end of deflation cycle and launch of new products in various categories leading to better volume growths.
- The Company will focus on fewer but bigger innovations to create growth engines of the future.
- Market growth initiatives in core categories and expansion into adjacent categories will be supported by investments in ASP in a band of 11-12% of sales with focus on brand building. In the near term, Advertising Inputs to remain in the band of 12-13% taking advantage of lower input costs.
- The Company will continue to invest in increasing its direct reach and Go To Market transformation initiatives in all of its key markets.
- The Company is focusing on Digital initiatives in a big way to improve consumer engagement, drive sales through e-commerce for internet savvy consumers and build data Analytics capabilities.
- In FY17, there are plans to revitalize the cost management initiatives with specific focus on front-end spend effectiveness.
- Operating margin is expected to be maintained in a band of 17-18% over the medium term. The Company will focus on deriving synergies from the unification of India and International FMCG businesses. In the near term, however, given the soft commodity prices, the margins may witness a modest upward bias.
- The Company will continue to support various initiatives which are true to its Purpose of “Make a Difference”
- Marico believes that social, environmental and economic values are interlinked and we belong to an Interdependent Ecosystem comprising Shareholders, Consumers, Associates, Employees, Government, Environment and Society. Our stated purpose is to “**Make a Difference**” by ensuring a positive impact of our existence on all stakeholders. A firm has to work closely with its ecosystem to create a sustainable & inclusive growth for all. We have a focused approach in identifying sustainability goals in line with our business strategy and purpose. CSR initiatives are an integral part of our sustainability efforts and Marico is committed to making a sustainable impact on the society.

THANK YOU FOR YOUR PATIENT READING

Marico – Information Update for Q1FY17 (Quarter ended June 30, 2016)

Performance of Marico India and Marico International for Q1FY17

In accordance with the revised Ind-AS, the Company has organized the business into two categories viz, India & International. Accordingly the Company has reported its segmental results for these categories.

Particulars	INR Crore	
	Q1FY17	Q1FY16
1. Segment Revenue		
i. India	1,387	1,404
ii. International	367	346
2. Segment Result (Profit before Interest and Tax and exceptional items)		
i. India	341	296
ii. International	70	58
3. Segment Result as % of Segment Revenue (PBIT)		
i. India	24.6%	21.1%
ii. International	19.1%	16.8%
3. Capital Employed (Segment Assets - Segment Liabilities)		
i. India (refer Note 1 below)	635	595
ii. International (refer Note 2 below)	703	740

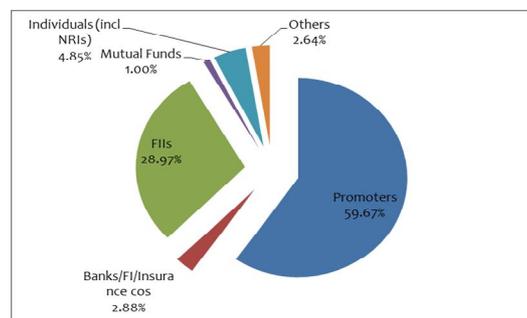
Note 1: The increase in capital employed in India business is due to higher working capital.

Note 2: Capital Employed in International Business is reduced due to release of working capital.

Note 3: PBIT pertains to Profit before Interest and Tax directly attributable to both the segments. Corporate taxes, interest income and interest expense are kept unallocated for the purpose of segment reporting. Accordingly the segment capital employed doesn't reflect the assets and liabilities corresponding to above income and expenses. Goodwill has been allocated to respective businesses.

Annexure 1-A: SHAREHOLDING PATTERN

The Shareholding pattern as on June 30, 2016 is as given in the graph below:

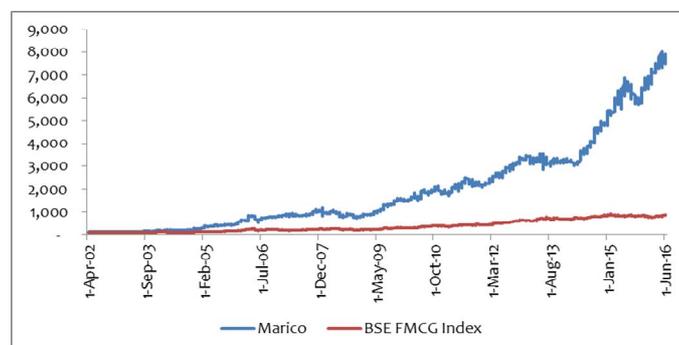


Details of ESOPs as on June 30, 2016:

Details of the Plan	Total Options Granted @	Options Forfeited	Options Exercised	Options pending to be exercised
ESOP Plan 2014	600,000	Nil	Nil	600,000
MD-CEO ESOP Plan 2014 – Scheme 1	93,200	Nil	Nil	93,200

Options pending to be exercised are less than 0.1% of the issued share capital @ the shares became ex-bonus from 22nd December, 2015

Annexure 1-B: 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 INR 34,126 crore on June 30, 2016. The average daily volume on BSE and NSE during Q1FY17 was about 1,067,771 shares.
- In April'16, Marico crossed the market capitalization landmark of USD 5 Billion.

Marico – Information Update for Q1FY17 (Quarter ended June 30, 2016)

Annexure 1-C: Average Market Prices of Input materials

(Based on simple average of daily market prices. Company's actual procurement prices may differ.)

Month	Rs/100KG COCHIN CN OIL	Rs/100KG COPRA CALICUT	Rs/10KG KARDI OIL JALNA	Rs/10KG RICE BRAN	Rs /LT LIQUID PARAFFIN	Rs / KG HDPE
Apr-15	13,931	9,927	953	499	43	112
May-15	13,312	9,092	999	511	43	118
Jun-15	11,915	8,481	1,026	518	42	117
Jul-15	10,464	7,394	1,022	517	42	114
Aug-15	11,713	8,174	1,008	536	39	109
Sep-15	11,359	7,811	998	517	37	102
Oct-15	10,575	7,466	1,043	542	35	104
Nov-15	9,908	7,178	1,064	505	33	100
Dec-15	9,527	6,767	1,021	515	31	97
Jan-16	8,709	6,083	1,042	504	30	95
Feb-16	8,490	5,863	1,007	505	30	97
Mar-16	7,844	5,448	978	532	34	102
Apr-16	8,158	5,583	1,002	587	32	106
May-16	7,952	5,306	1,040	586	37	104
Jun-16	7,792	5,285	1,010	589	35	104
Q1FY17 vs Q1FY16	-39%	-41%	3%	15%	-19%	-9%
Q1FY17 vs Q4FY16	-5%	-7%	1%	14%	11%	7%

Annexure 1-D: Movements in Maximum Retail Prices (MRP) in key SKUs

Month	40 ml PCNO	100 ml PCNO	250 ml PCNO	500 ml PCNO	1 Ltr Saffola Total	1 Ltr Saffola Tasty	1 Ltr Saffola Gold	1 Ltr Saffola Active
Apr-15	15	34	87	173	185	135	150	130
May-15	15	34	87	173	185	135	150	130
Jun-15	15	34	87	173	185	135	150	130
Jul-15	15	34	87	173	185	135	150	130
Aug-15	15	34	87	173	185	135	150	130
Sep-15	15	34	87	173	185	135	150	130
Oct-15	15 - 45 ml	34	87	173	185	135	150	130
Nov-15	15 - 45 ml	33	81	160	185	135	150	130
Dec-15	15 - 45 ml	33	81	160	185	135	150	130
Jan-16	15 - 45 ml	31	75	150	185	135	150	130
Feb-16	15 - 45 ml	31	75	150	185	135	150	130
Mar-16	15 - 45 ml	31	75	150	185	135	150	130
Apr-16	15 - 50 ml	30	72	140	185	135	150	130
May-16	15 - 50 ml	30	72	140	185	135	150	130
Jun-16	15 - 50 ml	30	72	140	185	135	150	130

* The company has taken weighted average price increase of 5% in Parachute Coconut Oil portfolio with effect from July, 2016.

Marico – Information Update for Q1FY17 (Quarter ended June 30, 2016)

Annexure 1-E: Consumer Offers for the Quarter

Coconut Oil					
Parachute	Price off Rs 2/-	100 ml	Apr	Price off	National
Parachute	25 ml Free	175 ml	Apr	Extra Volume	National
Parachute	100 ml Free	500 ml	May	Extra Volume	National
Parachute	50 ml Free	250 ml	Jun	Extra Volume	National
Edible Oils					
Saffola Gold	1 ltr Free	5 ltr	Apr	Extra Volume	National
Saffola Total	750 ml Free	5 ltr	Jun	Extra Volume	National
Saffola Gold	Price off Rs 20/-	1 ltr	Jun	Price off	National
Saffola Gold	1 ltr Free	5 ltr	Jun	Extra Volume	National
Hair Oils					
Hair & Care	Price off Rs 5/-	100 ml	Apr	Price off	National
Nihar Naturals	20% Free	200 ml	Apr	Extra Volume	National
Parachute Jasmine	Price off Rs 5/-	90 ml	May	Price off	National
Hair & Care	Salon Offer	300 ml	May	Free Service	National
Hair & Care	Soap Free	500 ml	Jun	Free Product	National
Nihar Naturals	Price off Rs 5/-	100 ml	Jun	Price off	National

Annexure 2: Profile giving Basic / Historical Information

Marico is a leading Indian Group in Consumer Products in the Global Beauty and Wellness space. Marico's Products in Hair care, Skin Care, Health Care and Male Grooming generated a Turnover of about INR 61 billion (USD 915 Million) during 2015-16. Marico markets well-known brands such as Parachute, Saffola, Hair & Care, Nihar, Parachute Advanced, Nihar Naturals, Mediker, Revive, Set Wet, Livon, Fiancée, HairCode, Caivil, Black Chic, Code 10, Ingwe, X-Men, and Thuan Phat. Marico's brands and their extensions occupy leadership positions in 90% of its portfolio. Marico's products are present in Bangladesh, other SAARC countries, the Middle East, Egypt, South and Sub-Saharan Africa, Malaysia, Myanmar and Vietnam.

Marico's own manufacturing facilities in India are located at Kanjikode, Perundurai, Pondicherry, Dehradun, Poanta Sahib and Baddi and are supported by subcontracting units. Marico's subsidiaries, Marico Bangladesh Limited, Egyptian American Investment and Industrial Development Corporation, Marico Egypt Industries Company (erstwhile Pyramid for Modern Industries), Marico South Africa Pty Ltd., and International Consumer Products Corporation have their manufacturing facilities at Mouchak and Shirir Chala, near Gazipur in Bangladesh, 6th October City, Egypt, Salheya City, Egypt, Sadaat City, Egypt, Mobeni in Durban, South Africa and Ho Chin Min City, Vietnam 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.

Reach

Marico today touches the lives of 1 out of every 3 Indians. Marico sells over 7.5 crore packs every month to around 7.5 crore households through about 4.6 million retail outlets services by its nationwide distribution network comprising 4 Regional Offices, 32 carrying & forwarding agents (CFAs) and about 5000 distributors and stockists. Marico's distribution network covers almost every Indian town with population over 20,000.

Marico – Information Update for Q1FY17 (Quarter ended June 30, 2016)

The table below provides an indicative summary of Marico's Distribution Network in India

	Urban	Rural
Sales Territories	160	55
Town's covered (000's)	4.1	49.0
Distributor	761	-
Super Distributor	-	140
Stockists	-	4,523

Financial Highlights

Marico's focus on sustainable profitable growth is manifest through its consistent financial performance, a CAGR of 16% in Turnover and 19% in Profits in the FMCG business over the past 5 years.

Particulars (Rs/crores)	FY12	FY13	FY14	FY15	FY16
Revenue from Operations	3,980	4,596	4,687	5,733	6,132
Material Cost	2,132	2,210	2,399	3,119	3,061
Employee Cost	307	381	285	325	364
ASP	426	598	561	650	786
Other Costs	703	869	693	769	858
Profit Before Tax	400	552	695	822	1,034
Net Profit (PAT)	317	396	485	573	725
Earnings per Share (Rs)	5.2	6.1	7.5	8.9	5.6*
Book Value per Share (Rs)	18.6	30.7	21.1	28.3	16.3*
Net Worth	1,143	1,982	1,361	1,825	2,097
EBITDA%	12.1%	13.6%	16.0%	15.2%	17.3%
ROCE %	26%	24%	32%	39%	45%

Note: FY14, FY15 & FY16 financials does not include Kaya

*EPS and Book Value per Share for the current year has been calculated on the post bonus number of shares.

Mode of Issue of this update

We have issued this Information Update, first to the Stock Exchanges, posted it on Marico's website and then sent it to the financial community members who are on Marico's regular mailing list.

Marico Investor Relations Team

Ravin Mody
Darren Lobo

Head – Treasury, IR and M&A
Manager – Investor Relations and M&A

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Contents of this Update

1. Financial results and other developments during Q1FY17 for the Marico Group – Marico Limited, Marico Bangladesh Limited, MBL Industries Limited, Marico Middle East FZE, Marico South Africa Consumer Care (Pty) Limited, Marico South Africa (Pty) Limited, MEL Consumer Care SAE, Egyptian American Investment & Industrial Development Company SAE, Marico Egypt Industries Company SAE, Wind CO, Marico Malaysia Sdn. Bhd., International Consumer Products Corporation, Thuan Phat Foodstuff Joint stock Company and Marico Consumer Care Limited.
2. The Company has acquired 45% stake in Bellezimo Professionale Products Private Limited, a joint venture operation on October 21, 2015. Accordingly, the financial statement of the entity forms part of consolidated financial result for the quarter & twelve months ended March 31, 2016 from the said date.
3. 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 (Standalone and Consolidated) is available on Marico's website.

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 thus not therefore constitutes unpublished price sensitive information under the SEBI (Prohibition of Insider Trading) Regulations, 1992.

Marico holds periodic meetings/ conference calls, from time to time, with individual members of the financial community.