

Marico – Information Update for Q3FY19 (Quarter ended December 31, 2018)

Executive Summary: Consolidated Results

| Particulars (INR Cr) | Q3FY19 | Growth | YTFY19 | Growth |
|---------------------------|--------|-----------|--------|-------------|
| Revenue from Operations | 1,861 | 15% | 5,725 | 18% |
| EBITDA | 349 | 16% | 998 | 13% |
| EBITDA Margin (%) | 18.8% | Up 20 bps | 17.4% | Down 81 bps |
| Profit After Tax | 247 | 12% | 717 | 13% |
| India Volume Growth (%) | | 5% | | 8% |
| Overall Volume Growth (%) | | 6% | | 8% |

Marico delivered a healthy top line and bottom line performance in Q3FY19. Domestic volume growth was a mixed bag, while the International Business posted a robust double digit constant currency growth. Revenue from Operations grew by 15% YoY to INR 1,861 crore (USD 258 million), with an underlying domestic volume growth of 5% and constant currency growth of 11% in the International business. Value growth was driven by price hikes taken in the core portfolios in response to rising input costs and favorable forex impact on translation of overseas revenues. With copra prices having relatively eased during the quarter, gross margin expanded by 230 bps sequentially and was marginally down YoY. EBITDA grew by a healthy 16%, while PAT growth came in at 12% due to higher tax expense.

At its meeting held on February 5, 2019, the Board of Directors of the Company has declared a second interim dividend of 275% (INR 2.75 per share) on its paid up equity share capital of INR 129.09 crores.

Other highlights relating to the performance are as follows:

- The core franchises continued to enjoy market share gains as offtake growth stayed ahead of category growth.
- The innovation engine kept up its pace as the Company introduced **Hair & Care Dry Fruit Oil**, a light hair oil with the combined goodness of almond and walnut oils, and the **Saffola FITTIFY Gourmet** range of foods and beverages offering superfood nutrition. The **Set Wet Global Edition range of perfume sprays** was also launched.
- **Rural** led the growth in the traditional channel, while the new-age channels of **Modern Trade and E-commerce** continued to surge ahead. **CSD** grew by 12% on a comparable base.
- **Parachute Rigids** grew by 9% in volumes. The flagship brand continued to gain market share, while the low margin non-focused brands of the Coconut Oil portfolio declined due to increased competitive intensity in select markets.
- **Value Added Hair Oils** posted 7% volume growth. The portfolio consolidated its volume market share at ~34% and value market share at ~26% (Dec 2018 MAT). **Nihar Naturals Extra Care Hairfall Control Oil** was received well.
- **Saffola Edible Oils** grew 2% in volumes. **Healthy Foods** continued the momentum, growing by 23% in value terms. **Saffola Masala Oats** consolidated its value market share at 70% (Dec 2018 MAT) in the flavored oats category.
- **Premium Hair Nourishment** and **Male Grooming**, continuing their good run, grew 38% and 13% in value terms, respectively. The initial response to **Parachute Advanced Coconut Crème Oil** and **True Roots Botanical Hair Tonic** has been positive.
- **International business** posted a broad-based constant currency (cc) growth of 11%, led by a strong show in the key markets of Bangladesh (16% cc growth) and Vietnam (15% cc growth).
- **Advertising & Sales Promotion** spends was up 12% on a YoY basis.
- **EBITDA margin at 18.8%**, expanded by 274 bps sequentially and 20 bps YoY. Margin guidance for FY19 is retained at 17-18%.

Summary of value growth across Businesses:

| Categories/Businesses | Q3FY19 | YTFY19 | Share of Group's FY18 Turnover |
|-----------------------|------------|------------|--------------------------------|
| FMCG Business | 15% | 18% | |
| India | 13% | 18% | 78% |
| International | 21% | 16% | 22% |

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Market Shares in Key Categories - Basis Moving Annual Total (MAT) – December 2018

| Brand & Territory | ~MS% | Rank | Brand & Territory | ~MS% | Rank |
|---|------|-----------------|-------------------------------------|------|-----------------|
| ^Coconut Oils (India) | 59% | 1 st | ^Parachute Coconut Oil (Bangladesh) | 87% | 1 st |
| ^Saffola – Super Premium Refined Oils in Consumer Packs (India) | 72% | 1 st | ^Post wash Leave-on Serums (India) | 76% | 1 st |
| ^Value Added Hair Oils (India) | 34% | 1 st | *Hair Creams/Gels (India) | 61% | 1 st |
| ^Value Added Hair Oils (Bangladesh) | 23% | 2 nd | *Saffola Oats (India) | 29% | 2 nd |
| *X-Men Male Deodorants (Vietnam) | 30% | 2 nd | *X-Men Male Shampoo (Vietnam) | 40% | 1 st |

^Volume Market Share *Value Market Share

India Business

The FMCG Business in India achieved a turnover of INR 1,449 crore (USD 201 million), a growth of 13% over the same period last year.

Volume growth during the quarter was 5%. Value growth for the quarter was driven by price hikes taken in the core portfolios to counter the input cost inflation over the last year.

The operating margin during Q3FY19 was 21.0% before corporate allocations as against 22.2% for the same period last year. The Company will continue to focus on a balanced approach towards volume growth and profitable margins. In the medium term, the Company would be comfortable at 20% plus EBITDA margin in the India business.

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

| Categories | Q3FY19 | | YTD FY19 | | % of FY18 India Business Turnover |
|-------------------------------------|--------------|---------------|--------------|---------------|-----------------------------------|
| | Value Growth | Volume Growth | Value Growth | Volume Growth | |
| Parachute Coconut Oil (Rigid packs) | 19% | 9% | 29% | 8% | 36% |
| Value Added Hair Oils portfolio | 19% | 7% | 14% | 9% | 26% |
| Saffola (Refined Edible Oil) | 8% | 2% | 9% | 6% | 18% |

Coconut Oil: Parachute continues to lead category growth

In Q3FY19, Parachute Rigid (packs in blue bottles) posted robust volume growth of 9%, despite a high base. Further strengthening of the brand equity and healthy traction in non-core markets contributed to the accelerated growth. The portfolio grew 19% in value terms owing to the price hike taken at the beginning of the calendar year. The brand expanded its market share dominance during the quarter as volume offtakes grew nearly twice than that of the category. The low margin non-focused brands (Nihar Naturals and Oil of Malabar) had a weak quarter in the face of increased competition in select markets. The Company has firmed up its response to the same. Overall, the Coconut Oil franchise (includes Nihar Naturals and Oil of Malabar) held its volume market share at 59% (Dec 2018 MAT).

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 operates in a band of gross margin per unit and will take judicious pricing decisions to maintain a sweet spot between volume growth and margins. 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 to invest behind brand building and tactical inputs to remain competitive. Therefore, the Company expects to deliver 5-7% volume CAGR over the medium term.

Saffola: Edible Oils gaining traction in Modern Trade and E-Commerce; Healthy growth in Foods maintained; Launched India's 1st healthy gourmet range of foods and beverages under 'Saffola FITTIFY Gourmet'

Saffola refined edible oils had a soft quarter, growing only by 2% in volume terms. While the franchise appears to be responding to the focused marketing efforts to revitalize the super-premium segment of edible oils, recovery for the brand in the traditional channel has been slower than expected. However, the rising salience in Modern Trade and E-Commerce bodes well for the medium term potential of the franchise.

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In addition to tactical inputs towards improving the consumer value proposition, the Company upped media investments in the brand during the quarter.

Consequently, the brand strengthened its leadership position in the super premium refined edible oils segment to ~72% volume market share (Dec 2018 MAT).

The **Healthy Foods** franchise posted value growth of 23% in Q3FY19. **Saffola Masala Oats** consolidated its value market share at ~70% in the flavoured oats category (Dec 2018 MAT), as the brand registered a significant increase in overall penetration, especially in metro cities of Mumbai and New Delhi. In order to drive penetration further, the Company also carried out sampling of about 6 lakh packs with Saffola Edible Oils during the quarter.

The recently launched **Mumbai Pav Bhaji variant of Saffola Masala Oats** was received well. The launch was backed by a 360 degree media campaign coupled with extensive dry and wet sampling in corporate offices to help experience the product.

We continue to expand the prototyping of **Saffola Masala Oats vending machines** in corporate offices, gyms and hospitals in Mumbai, Pune and New Delhi. We have placed more than 300 vending machines currently, reaching ~200,000 consumers across 200 commercial establishments in these cities.

In response to the evolving consumer need for gourmet dietary options with superfood nutrition for a slimmer and fitter life, the Company rolled out a range of healthy food and beverage products under the aegis of a new sub-brand, '**Saffola FITTIFY Gourmet**'. The range includes moringa green tea, green coffee instant beverage mixes, hi-protein meal soups and hi-protein slim meal-shakes. The brand will be focused on the Modern Trade and E-Commerce channels.



We believe that future growth will come from expanding the category through continuous innovation in product and packaging and the Company is taking definitive steps towards the same.

Value Added Hair Oils: On course to achieve medium term aspiration on the back of core brands and aggressive new launches; Hair & Care Dry Fruit Oil launched

Value Added Hair Oils registered a volume growth of 7%. With offtake growth in line with the category, the Company consolidated its market leadership with a volume share of ~34% and value share of ~26% (Dec 2018 MAT).

Nihar Naturals Shanti Amla Badam strengthened its volume market leadership in the Amla Hair Oils category, and in the process, cemented its position as **"India's No. 1 Hair Oil"**. Having gained 207 bps in volume share (MAT Dec 2018), the renewed advertising campaign and the association of the brand with a societal purpose of girl child education played a role towards enhancing the brand image. With 8.5 lakh consumers touched till date through the School Contact Program, the flagship micromarketing activity covering about 2000 villages in key markets, the Company expects further expansion in market share.

Nihar Naturals Sarson Kesh Tel more than doubled in volumes in Q3 on a YoY basis. The Company will continue to invest behind the brand as it taps into the sizeable unorganized mustard oil market. The Company's rural GTM initiatives hold it in good stead to make the most of this opportunity.

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Nihar Naturals Extra Care Hair Fall Control Oil was launched in the last quarter in West Bengal, backed by a high frequency 360 degree media campaign covering TV, Print and Digital. We also covered various consumer and trade touch points on the ground. The response so far has been encouraging.

The Company rolled out a fresh campaign for **Parachute Advansed Ayurvedic Hair Oil**, featuring consumer testimonials with their photographs in the centre of the product packaging. Given the category relies on recommendations based on product efficacy, we expect this initiative to further augment the brand image.



Parachute Advansed Aloe Vera Enriched Coconut Hair Oil was scaled up to a pan-India level during the quarter and has garnered sizeable market share in its key markets. We will continue to aggressively invest behind the brand image.

To broaden our play in the Light Hair Oils category, **Hair & Care Dry Fruit Oil** has been launched in Rajasthan and Maharashtra. This latest avatar under the Hair & Care franchise combines the goodness of Almond and Walnut Oils and is enriched with Vitamin E and B5.



Premium Hair Nourishment: Livon Serums sustain momentum; recent launches showing promise

Premium Hair Nourishment grew 38% in value terms during the quarter.

Livon Serums registered strong growth during the quarter. With a reach of more than 1 lac stores, sachets are emerging as a key pack in ensuring accessibility and are generating more than 70% of brand trials. Livon Serums continued to witness higher growth in Modern Trade and E-Commerce.

Being the market leader with a volume share of ~76% (Dec 2018 MAT), the Company continues to focus on innovation and consumer engagement to drive category growth.

With the launch of new variants in the last quarter - **Livon Colour Protect Serum**, **Livon Serum for Dry & Unruly Hair** and **Livon Shake & Spray Serum**, the brand is tapping into a new pool of consumers by addressing credible hair needs and truly owning 'salon finish' as a benefit. Contribution of these new variants has been on the rise.

The Company had launched **True Roots Botanical Hair Tonic**, which tackles the common consumer problem of premature hair greying, exclusively on the E-Commerce channel in September 2018. During Q3, the product was introduced in General Trade in Mumbai and Modern Trade in top 8 cities, amidst an integrated digital media campaign strongly supported by print, outdoor and point of sales visibility. The initial reception has been positive. We will continue to invest aggressively behind the brand.

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Parachute Advansed Coconut Crème Oil range, launched in Q1FY19, gained traction. The range initially launched in Bangalore, was extended to Maharashtra and Modern Trade & E-commerce channels across India. The Company continues to invest behind the brand to create high impact awareness through multiple touchpoints, including mass media like Print, Digital and Out of Home as well as generate trials through aggressive sampling of the product.

Male Grooming: Gels and Deodorants post healthy growth; Set Wet Global Edition range of perfume sprays launched
The Male Grooming franchise grew 13% in value terms during the quarter.

Set Wet Hair Gels continued to lead the growth in the Hair Gels category, registering record offtakes on the back of its **56% value market share**. To drive penetration of softer styling formats, we introduced an affordable price point pack (INR 30) of **Set Wet Hair Waxes** in November 2018.

The Company's first exclusively digital brand, **Set Wet Studio X**, has shown positive results within 8 months of launch and has been witnessing considerable online engagement. The brand offers a premium range of men's grooming products, spanning 7 product categories – Shampoo, Bodywash, Facewash, Hair Styling Waxes, Pomade, Hair & Beard Serum and EDT Perfume.

Parachute Advansed Men Hair Creams was seen gaining traction in the E-Commerce channel. The Company has planned focused initiatives to accelerate growth of this franchise.

Set Wet Deodorants posted healthy growth in Q3FY19, led by **Set Wet Go** pocket perfume sprays (priced at INR 49). The Company will continue to expand the footprint of this brand, which is now one of the leading players in the segment. To broaden its play in the budget perfumery space, the Company launched a premium '**Global Edition**' range of **Set Wet perfume sprays** in two fragrances – **Bali Bliss** and **Las Vegas Live**. We will continue to innovate in this space in order to drive saliency.



Input Costs and Pricing

During the quarter, the average market price of domestic copra was down 23% Y-o-Y and down 12% sequentially. However, copra prices have substantially risen in the aftermath of Cyclone Gaja in Tamil Nadu in November 2018. Prices are expected to ease once the flush season begins in Q1FY20.

Other key inputs for the India business - Rice Bran Oil, Safflower Oil, Liquid Paraffin (LLP) and HDPE were up 10%, 6%, 18% and 21%, respectively on a Y-o-Y basis.

The Company derives comfort and confidence from the pricing power that its brands enjoy. The Company would continue to exercise a bias for franchise expansion as long as margins remain within a band and do not fall below a threshold at the overall business level.

Markets/Distribution Channels

In Q3FY19, rural continued to outpace urban in General Trade (GT). Rural GT sales grew by 12%, while urban GT sales grew by 1.5%. However, the new age channels of Modern Trade and E-Commerce have been driving growth in the urban sector. Modern Trade grew by 46%, while E-commerce, now over 3% of sales, nearly quadrupled. CSD grew by 12% on a comparable base.

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Sales Transformation Initiatives

The Company is building tools to ensure best-in-class merchandizing on the ground and enhance its competitive advantage. The merchandizing platform enables the Company to track stock levels of key value items, new products and competitor activity and thereby, fine-tune the replenishment strategy in traditional trade as well as modern trade stores. The tools are equipped with integrated image recognition analytics which allows auditing of images on a real-time basis to ensure compliance with category merchandizing benchmarks.

Having identified chemist & cosmetic channels as the channels suited to drive incremental growth for our new-age portfolio, we rolled out a specialized Go-to-Market initiative for these channels in top metro cities.

With a focus on expanding direct reach in rural through the ongoing program - Vikas Daud, we have identified feasible van routes with higher efficiency through the use of geo tags mapped to each route. Such optimization enables the Company to drive a sustainable increase in the rural footprint and prune the underperforming routes.

International Business

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

| Particulars | Q3FY19 | YTDFY19 |
|--------------------------|--------|---------|
| Turnover (INR Crore) | 412 | 1,209 |
| Reported Growth | 21% | 16% |
| Constant Currency Growth | 11% | 10% |
| Exchange Rate impact | 10% | 6% |

In Q3FY19, Marico's International business grew by 11% in constant currency terms, led by broad-based volume growth across key markets. The operating margin (before corporate allocations) was at 20.0% in Q3FY19 against 14.9% in Q3FY18. The margin improvement was gross margin led. A&P spends was stepped up during the quarter. The Company aims to maintain international margins at ~16-17% and continue to invest and plough back savings to drive growth.

Bangladesh (45% of the International Business)

In Bangladesh, topline grew by 16% in Q3FY19 (volumes up 12%) in constant currency terms.

Parachute Coconut Oil grew by 11% in constant currency terms, while maintaining the leadership position with ~87% volume market share. The franchise grew by 4% in constant currency terms in YTD FY19. With the category having matured in this market, the Company should still be able to grow this franchise in single-digits on a constant currency basis over the medium-term on the back of its dominant position, distributive strength and consumption growth.



The non-Coconut oil portfolio in Bangladesh grew by 32% in Q3FY19 and 36% in YTDFY19 in constant currency terms. Value added Hair Oils continued its stellar run, lending credence to our aspirations of attaining market leadership in this category in the medium term. The Foods portfolio and Set Wet Gels continued to show promise. We expanded our skin care portfolio with the launch of **Parachute Advanced Petroleum Jelly** and newer variants of **Parachute Advanced Body Lotion - Butter Smooth & Soft Touch**. We also introduced a baby skin care range under **Parachute Just for Baby** comprising baby wash, baby lotion and baby oil.



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The non-Coconut Oil portfolio in Bangladesh now constitutes nearly 30% of the total business in Bangladesh. The Company is leveraging its strong distribution network and learnings from the India market to quickly scale up its new product introductions in Bangladesh. With this, the non-coconut oil portfolio is likely to become ~35% over next two years.

Owing to the above, the Company is confident of delivering double-digit constant currency growth in this geography in the medium term.

South East Asia (26% of the International Business)

Business in South East Asia (mainly Vietnam and Myanmar) grew by 13% in constant currency terms during the quarter. **Vietnam** posted 15% growth in constant currency terms. Both Male Shampoos and Male Deodorants led the Home and Personal Care (HPC) business to 17% constant currency growth as the flagship brand, X-Men, maintained its leadership position in the segment. The new X- Men Shampoo campaign - “Real Men Take Risks” has yielded positive results. The initial response to **Sedure**, the female grooming range launched in Q2FY19, has been satisfactory. The range offers shower gels, EDT deodorants and roll-on deodorants with alluring fragrances for the confident and independent woman of today. The Foods portfolio is a bit under the weather. However the Company is rolling out plans to revitalize growth in this portfolio. **Myanmar** continued to grow steadily and the Company shall continue to invest for growth.

Middle East and North Africa (MENA) (14% of the International Business)

The MENA business grew by 8% in Q3FY19 and 14% in YTD FY19 in constant currency terms. Both Egypt and the Middle East businesses contributed to the growth. While the business has been posting healthy growth for over a year now, the volatile macros keeps us cautiously optimistic about the medium term outlook of these markets.

South Africa (9% of the International Business)

The South Africa business (including Isoplus) had a muted quarter in constant currency terms. We expect to exhibit resilience in the face of the macro headwinds in the region.

New Country Development & Exports (5% of the International Business)

With expansion in adjacent markets such as Sri Lanka, Nepal, Bhutan, exports to diaspora and other markets generated revenues of ~USD 11 million in FY18. While this business had a flattish quarter in constant currency terms, the Company remains positive on the future prospects of this business.

Note: The country wise contribution to International Business revenue is based on FY18 turnover.

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Operating Margin Structure for Marico Limited (Consolidated)

| % to Revenues | Q3FY19 | Q2FY19 | Q3FY18 | YTFY19 | YTFY18 | FY18 |
|-------------------------------------|--------|--------|--------|--------|--------|------|
| Material Cost (Raw + Packaging) | 53.7 | 56.0 | 53.3 | 55.9 | 52.9 | 53.0 |
| Advertising & Sales Promotion (ASP) | 8.8 | 9.6 | 9.0 | 8.8 | 9.7 | 9.3 |
| Personnel Costs | 6.5 | 6.2 | 6.3 | 6.1 | 6.6 | 6.7 |
| Other Expenses | 12.2 | 12.2 | 12.8 | 11.8 | 12.6 | 13.0 |
| PBDIT margins | 18.8 | 16.0 | 18.5 | 17.4 | 18.2 | 18.0 |
| PBDIT before ASP | 27.6 | 25.6 | 27.6 | 26.3 | 27.9 | 27.2 |

- (a) The average market price of domestic copra was 12% lower sequentially and 23% lower on a Y-o-Y basis. Similarly, Rice Bran Oil, Safflower Oil, Liquid Paraffin (LLP) and HDPE prices in India were up 10%, 6%, 18% and 21% respectively. The consumption prices may differ from market prices depending on the stock positions the Company has taken.
- (b) ASP spends, up 12% on a YoY basis, was at 8.8% of sales in Q3FY19. ASP will be stepped up to circa 10% of Sales to support forthcoming innovations in the medium term on an annualized basis.
- (c) Personnel Costs grew by 17%, due to annual salary revisions and higher provision on account of Stock Appreciation Rights (SARs) in the quarter.
- (d) 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.

| Other Expenses | Q3FY19 | Q3FY18 | % variation |
|----------------|--------------|--------------|-------------|
| Fixed | 77.0 | 71.3 | 8% |
| Variable | 150.8 | 136.5 | 10% |
| Total | 227.9 | 207.8 | 10% |

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 FY19 is likely to be around INR 125–150 crore (USD 18-22 million). Depreciation during Q3FY19 was INR 22.6 crore (USD 3.1 million) compared to INR 21.3 crore (USD 3.3 million) in Q3FY18.

Direct Taxation

The Effective Tax Rate in Q3FY19 was 26.6% as compared to 24.1% in Q3FY18. Till H1 FY18, the full year estimate for ETR was 26.8%. Later, due to significant input cost push, the full year estimate of taxable profit was revised downward leading to a reduction in ETR to 25.9% for FY18. This downward revision was accounted for in Q3, which led to an anomalously low ETR of 24.1% in Q3 FY18.

The expected ETR for FY19 is 26-27%. 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. MAT credit as on 31st December, 2018 stood at INR 0.32 Crore and is expected to be utilised by the Company in the forthcoming quarters.

Capital Utilization (Marico Consolidated)

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

| Ratio | Q3FY19 | Q3FY18 |
|---------------------------------------|--------|--------|
| Return on Capital Employed | 41.0% | 39.4% |
| Return on Net Worth | 32.6% | 32.3% |
| Working Capital Ratios (Group) | | |
| - Debtors Turnover (Days) | 29 | 24 |
| - Inventory Turnover (Days) | 58 | 63 |
| - Net Working Capital (Days) | 39 | 36 |
| Debt: Equity (Group) | 0.11 | 0.10 |
| Finance Costs to Turnover (%) (Group) | 0.3% | 0.2% |

* Turnover Ratios has been calculated on the basis of average balances

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1. The variation in ratios is due to:
 1. The rise in ROCE was led by the healthy growth in EBIT.
 2. Lower inventory turnover was on account of reduction in buildup of key raw materials.
 3. Higher debtor turnover was due to increase in revenue contribution from MT and E-Commerce.
 4. Increase in net working capital days is primarily on account of increase in Input Tax Credit Receivable.

2. The Net Debt position of the Marico Group as of December 31, 2018 is as below:

| Particulars (INR Crores) | Dec 31, 2018 | Sep 30, 2018 | Dec 31, 2017 |
|---|----------------|--------------|--------------|
| Gross Debt | 363 | 325 | 272 |
| Cash/Cash Equivalents and Investments (Marico India: INR 1,250 Crore & Marico International: INR 198 Crore) | 1,448 | 1,224 | 1,157 |
| Net Debt/(Surplus) | (1,085) | (899) | (885) |
| Foreign Currency Denominated out of the total gross debt | 234 | 198 | 180 |
| Foreign Currency Debt as a % age of Gross Debt | 64% | 61% | 66% |
| Rupee Debt out of the total gross debt | 129 | 127 | 92 |
| Total Debt Payable within One year | 347 | 308 | 253 |
| Average Cost of Debt (%): Pre tax | 5.1% | 4.9% | 4.4% |

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.

3. During the current year, the Company continues to generate steady cash. The net surplus of the Group as at 31st December, 2018 was about **INR 1,085 Crore** (Gross debt of INR 363 Cr. & Gross Investments of INR 1,448 Cr). The future growth strategy is anchored primarily in healthy organic growth. While the Company is open to strategic acquisitions, the leverage ratios are comfortable. In absence of any strategic acquisitions, the Company will continue to maintain a healthy dividend payout. The overall dividend payout ratio in FY18 stood at **78%** of the consolidated profit after tax.

CSR and Sustainability Initiatives

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. We have a focused approach in identifying sustainability goals in line with our business strategy and purpose. As a result, the Company has identified six focus areas to channelize its efforts– **Responsible Resource Consumption, Climate Change, Sustainable Supply Chain, Product Responsibility, Community Development** and **Future-Ready Capability Building**. CSR initiatives are also an integral part of our sustainability efforts and Marico is committed to making a sustainable impact on the society.

Under our flagship program, Kalpavriksha, we continue to work closely with the coconut farmer community. So far, we have enrolled more than 10,000 farmers under the program. As a part of our water stewardship initiatives, we completed another 61 farm ponds in the State of Tamil Nadu with a total harvest capacity of 5 crore ltrs.

Taking up the responsibility on plastic waste management, we have implemented Extended Producer’s Responsibility (EPR) action plan for multi-layered plastics used and submitted a 3 year action plan to the Central Pollution Control Board (CPCB).

The Company also initiated engagement with critical supply chain partners in line with the Marico Responsible Sourcing (MARS) Policy for Level 1 certification.

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Awards

- Marico featured among the Top 5 Companies in the S&P BSE 100 Index in Corporate Governance as per the Corporate Governance Scorecard 2018, developed jointly by International Finance Corporation, BSE Limited and Institutional Investor Advisory Services.
- Marico won 7 ‘Stevies’ in the Communications and PR Campaign of the Year category at the International Business Awards 2018.
- Marico’s unit at Baddi (Himachal Pradesh) was declared as First Runners-up for its “Quality Analytics – IOT for Process Improvement” project at the 30th QualTech Prize 2018.
- Marico’s unit at Guwahati was awarded as the Best Labour Law Compliant Establishment by the Labour Welfare Society Assam for successfully harnessing the power of people in a sustainable manner.

Marico’s Growth Philosophy

Over the medium term, 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 Africa. Marico plans to meet this aspiration by seeking to win amongst consumers, trade and talent. Towards this goal, the Company has identified 5 areas of Transformation where it will develop top quartile capability, processes and execution excellence ahead of growth - Innovation, Go to Market transformation, Talent Value Proposition, IT & Analytics and Cost Management.

This strategy 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

- Consumer sentiment indicators were seen to be heading in the right direction by the end of 2018. Though inflation trends have stayed benign so far, food inflation remains a key trend to be monitored in the context of the FMCG sector.
- Rural continues to lead the growth in the traditional channel. The visible focus on the rural economy in the Interim Budget 2019 augurs well for consumption trends.
- The India business registered a volume growth of 8% in YTD FY19. For FY19 and beyond, the Company aspires to deliver 8-10% volume growth coupled with healthy market share gains, on the back of increased investment in the core portfolio, aggressive new product launches, distribution expansion & judicious pricing.
- Recent firming up of copra prices may subdue margins in the CNO franchise in the immediate term. Margins should ease once the flush season in copra begins in Q1FY20.
- In **Parachute Rigid**s, the Company aims to grow volumes in the range of 5-7% over the medium term.
- In **Value Added Hair Oils**, the Company aims to growing this franchise at a double-digit volume growth on the back of growth in the core portfolio, the drive towards premiumisation and scale-up of new launches.
- **Saffola Edible Oils** has grown volumes by 6% so far this year on the back of focused marketing initiatives. The Company aims to revert to a healthy growth trajectory over the medium term through continued efforts in the direction.
- In **Healthy Foods**, the Company will continue to innovate and launch tasty and healthy dietary options for the consumer, thereby maintaining the healthy double digit growth momentum over the medium term.
- We aim to build **Premium Hair Nourishment, Male Grooming and Skin Care** into growth engines of the future and expect to deliver value growth of 20% plus CAGR over the medium term in these portfolios.
- The Company will also gradually create dedicated premium product offerings suited to **Modern Trade and E-commerce channels** to continue growing aggressively in these channels.
- The Company’s **Go-To-Market (GTM) strategy** will be focused on improving the width and depth of its distribution. Strategic initiatives in sales and supply chain will aim at ushering in efficiencies in selling and GTM. The Company is renewing its efforts towards enhancing its GTM capabilities in salons, pharmacy chains, cosmetics and specialty food outlets.

Marico – Information Update for Q3FY19 (Quarter ended December 31, 2018)

- 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. Investment in Zed Lifestyle (who owns Beardo) is likely to enhance the capability in E-commerce and salons over the medium-term. The Company is aggressively investing in the E-Commerce business and expects it to contribute 4-5% of the India business in the next couple of years.

Marico International

- Over the last three 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 each of these markets is well-poised to capitalize on the market opportunities.
- The business in **Bangladesh** is likely to continue the momentum as the medium term macro prospects look promising. Therefore, the Company will continue to invest in brand building, Go to Market transformation and diversify beyond Coconut Oil within its stated strategy.
- As a market leader, the **Vietnam** business will continue to invest in the male grooming category and excellence in sales and distribution systems. Towards portfolio diversification, the business has already launched a female grooming range under a new brand 'Sedure'. **Myanmar** and the **rest of South East Asia** are growth engines of the future.
- In the **MENA** region, the Company will focus on getting the basics right by judiciously investing behind brands and Go-to-Market initiatives.
- The **South Africa** business will leverage the acquisition of Isoplus to gain scale and grow profitably, while protecting and growing the core business of ethnic hair and health care.
- The Company will continue to invest in developing new countries and scale the business profitably.
- We expect to clock an organic broad-based double-digit constant currency growth in the near to medium term.
- We aim to maintain the guidance of 16-17% operating margins over the medium term with an upward bias.
- With considerable room for organic growth in the business, the Company will only be opportunistic with respect to acquisitions, which may either be immediately value accretive due to operating leverage or enable consolidation of leadership in existing categories.

Overall (India + International)

- The Company will aim for a volume growth of 8-10% and a topline growth of 13-15% (depending on inflation) over the medium term.
- Investments towards brand building will be stepped up to support market growth initiatives in core categories and expansion into adjacent categories. The Company will also aggressively invest behind the recent innovations and a visibly strong pipeline for the next 2-3 years. Consequently, A&P spends is expected to gradually move towards ~10% of Sales on an annualized basis.
- The Company will continue to drive cost excellence across the organization to extract savings that will be redeployed towards igniting profitable growth.
- Operating margin is expected to be maintained around 18% over the medium term.

THANK YOU FOR YOUR PATIENT READING

Marico – Information Update for Q3FY19 (Quarter ended December 31, 2018)

Performance of Marico India and Marico International

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.

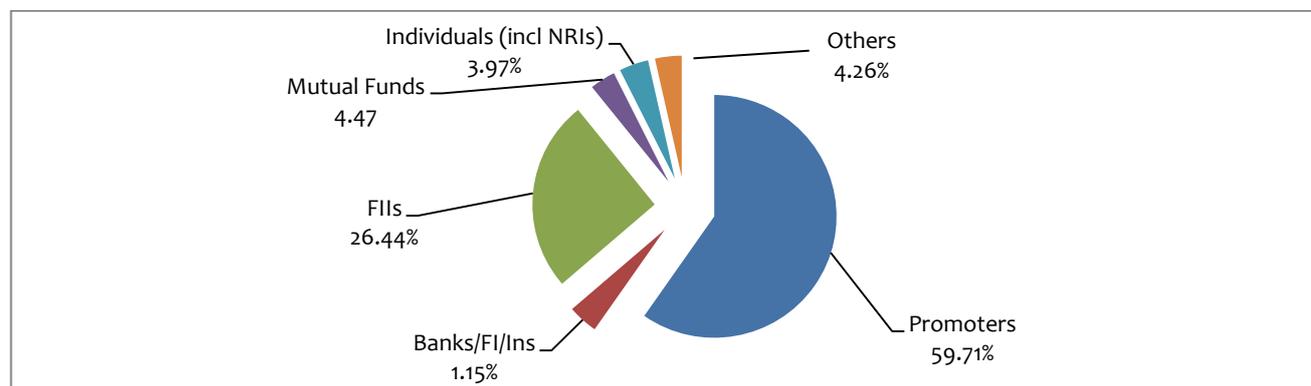
| Particulars | INR Crore | | | |
|---|-----------|--------|---------|---------|
| | Q3FY19 | Q3FY18 | YTDFY19 | YTDFY18 |
| 1. Segment Revenue | | | | |
| i. India | 1,449 | 1,285 | 4,516 | 3,812 |
| ii. International | 412 | 340 | 1,209 | 1,041 |
| 2. Segment Result (Profit before Interest and Tax and exceptional items) | | | | |
| i. India | 285 | 271 | 828 | 764 |
| ii. International | 79 | 44 | 229 | 176 |
| 3. Segment Result as % of Segment Revenue (PBIT) | | | | |
| i. India | 19.7% | 21.1% | 18.3% | 20.0% |
| ii. International | 19.3% | 13.0% | 19.0% | 16.9% |
| 3. Capital Employed (Segment Assets - Segment Liabilities) | | | | |
| i. India | | | 1,121 | 1,002 |
| ii. International | | | 767 | 661 |

Note: 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 does not reflect the assets and liabilities corresponding to above income and expenses. Goodwill has been allocated to respective businesses.

Marico – Information Update for Q3FY19 (Quarter ended December 31, 2018)

Annexure 1-A: Shareholding Pattern

The Shareholding pattern as on December 31, 2018 is as given in the graph below:

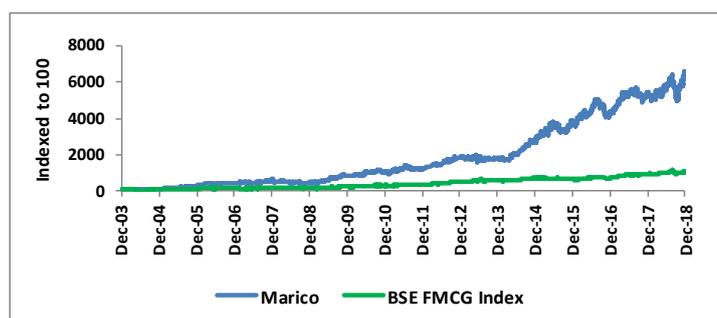


Details of ESOPs as on December 31, 2018:

| Details of the Plan | Total Options Granted | Options Forfeited | Options Exercised | Options pending to be exercised |
|---|-----------------------|-------------------|-------------------|---------------------------------|
| Schemes under the Marico Employee Stock Option Plan, 2016 | 3,411,110 | 259,920 | Nil | 3,151,190 |

Options pending to be exercised are less than 0.3% of the issued share capital.

Annexure 1-B: Share Performance on the 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 48,336 crore (USD 6.7 billion) on December 31, 2018. The average daily volume on BSE and NSE during Q3FY19 was about 1,983,856 shares.

Marico – Information Update for Q3FY19 (Quarter ended December 31, 2018)

Annexure 1-C: Average Market Prices of Input Materials

(Based on simple average of the 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* |
|------------------|------------------------------|------------------------------|--------------------------------|-------------------------|------------------------------|------------------|
| Oct-17 | 16,078 | 12,043 | 1,287 | 563 | 42 | 99 |
| Nov-17 | 16,936 | 12,513 | 1,281 | 597 | 46 | 99 |
| Dec-17 | 19,132 | 14,172 | 1,409 | 583 | 48 | 101 |
| Jan-18 | 19,187 | 14,433 | 1,474 | 583 | 50 | 106 |
| Feb-18 | 18,938 | 14,021 | 1,454 | 591 | 47 | 115 |
| Mar-18 | 17,378 | 12,637 | 1,313 | 620 | 47 | 118 |
| Apr-18 | 18,363 | 13,629 | 1,312 | 639 | 47 | 118 |
| May-18 | 18,081 | 13,002 | 1,319 | 652 | 47 | 126 |
| Jun-18 | 17,139 | 12,150 | 1,288 | 678 | 48 | 127 |
| Jul-18 | 16,792 | 11,910 | 1,271 | 693 | 49 | 127 |
| Aug-18 | 16,404 | 11,535 | 1,271 | 689 | 48 | 127 |
| Sep-18 | 15,433 | 10,496 | 1,271 | 698 | 50 | 127 |
| Oct-18 | 14,381 | 9,543 | 1,271 | 679 | 55 | 127 |
| Nov-18 | 13,550 | 9,600 | 1,350 | 633 | 55 | 126 |
| Dec-18 | 14,679 | 10,683 | 1,580 | 601 | 50 | 110 |
| Q3FY19 vs Q3FY18 | -18% | -23% | 6% | 10% | 18% | 21% |
| Q3FY19 vs Q2FY19 | -12% | -12% | 10% | -8% | 10% | -5% |

*For Kardi Oil Jalna and HDPE, the prices are inclusive of taxes as applicable.

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

| Month | 50 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 |
|--------|---------------|----------------|----------------|----------------|---------------------------|---------------------------|--------------------------|----------------------------|
| Oct-17 | 20 | 36 | 89 | 175 | 195 | 130 | 150 | 130 |
| Nov-17 | 20 | 36 | 89 | 175 | 195 | 130 | 150 | 130 |
| Dec-17 | 20 | 36 | 89 | 175 | 195 | 130 | 150 | 130 |
| Jan-18 | 20 | 39 | 105 | 199 | 195 | 130 | 150 | 130 |
| Feb-18 | 20 | 39 | 105 | 199 | 195 | 130 | 150 | 130 |
| Mar-18 | 20 | 39 | 105 | 199 | 195 | 130 | 150 | 130 |
| Apr-18 | 20 | 39 | 105 | 199 | 195 | 130 | 150 | 130 |
| May-18 | 20 | 39 | 105 | 199 | 200 | 135 | 150 | 130 |
| Jun-18 | 20 | 39 | 105 | 199 | 200 | 135 | 150 | 130 |
| Jul-18 | 20 | 39 | 105 | 199 | 200 | 135 | 159 | 130 |
| Aug-18 | 20 | 39 | 105 | 199 | 200 | 135 | 159 | 130 |
| Sep-18 | 20 | 39 | 105 | 199 | 200 | 135 | 159 | 130 |
| Oct-18 | 20 | 39 | 105 | 199 | 200 | 135 | 159 | 130 |
| Nov-18 | 20 | 39 | 105 | 199 | 200 | 135 | 159 | 130 |
| Dec-18 | 20 | 39 | 105 | 199 | 200 | 135 | 159 | 130 |

Note: Prices of Saffola Tasty are applicable to all regions of India excluding South.

Marico – Information Update for Q3FY19 (Quarter ended December 31, 2018)

Annexure 1-E: Key Consumer Offers during the Quarter for the India Business

| Coconut Oil | | | | | |
|-----------------------|---------------------------------|--------|---------|--------------|--------------|
| Parachute Rigids | Branded Dental Cream Free | 250 ml | Dec | Free Item | National |
| Parachute Rigids | 100 ml free | 500 ml | Dec | Extra Volume | South & West |
| Saffola Edible Oils | | | | | |
| Saffola Active | INR 15 off | 1 ltr | Oct | Price-off | National |
| Saffola Active | 1 ltr Free | 5 ltr | Nov-Dec | Extra Volume | National |
| Saffola Gold | Malted Drink Powder Free | 1 ltr | Dec | Free Item | National |
| Saffola Total | 1 ltr Free | 5 ltr | Dec | Extra Volume | National |
| Healthy Foods | | | | | |
| Saffola Oats | 400 gm free | 1 kg | Nov-Dec | Extra Volume | National |
| Saffola Masala Oats | Sampling - Saffola Active/ Gold | 39 gm | Nov | Extra Volume | National |
| Value Added Hair Oils | | | | | |
| Nihar Naturals | 48 ml Free | 200 ml | Dec | Extra Volume | National |
| Parachute Jasmine | 90 ml Free | 300 ml | Oct | Extra Volume | National/MT |
| Nihar Shanti Amla | Branded Dental Cream Free | 190 ml | Dec | Free Item | National |
| Hair & Care | Branded Dental Cream Free | 200 ml | Nov | Free Item | 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 63.3 billion (USD 982 Million) during 2017-18. Marico markets well-known brands such as Parachute, Saffola, Saffola FITTIFY Gourmet, Hair & Care, Parachute Advanced, Nihar Naturals, Mediker, True Roots, Revive, Set Wet, Livon, Fiancée, HairCode, Caivil, Black Chic, Isoplus, Code 10, Ingwe, X-Men, Sedure and Thuan Phat. 90% of Marico's portfolio of brands occupies leadership positions in their respective categories. 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, Puducherry, Paonta Sahib, Baddi, Jalgaon, and Guwahati and are supported by subcontracting units. Marico's subsidiaries, Marico Bangladesh Limited, MEL Consumer Care & Partners (Wind Co.), Marico South East Asia Corporation (erstwhile International Consumer Products Corporation) have their manufacturing facilities at Mouchak and Shirir Chala, near Gazipur in Bangladesh, Sadaat City, Egypt, Ho Chin Min City, Vietnam and Phú Quốc Island, 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 15.5 crore packs every month through about 4.9 million retail outlets services by its nationwide distribution network comprising 4 Regional Offices, 26 carrying & forwarding agents (CFAs) and about 5,600 distributors and stockists. Marico's distribution network covers almost every Indian town with population over 5,000.

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

| | Urban | Rural |
|-------------------|-------|--------|
| Sales Territories | 253 | 52 |
| Towns covered | 600 | 53,000 |
| Distributor | 740 | - |
| Super Distributor | - | 140 |
| Stockists | - | 4,694 |

Marico – Information Update for Q3FY19 (Quarter ended December 31, 2018)

Financial Highlights

| Particulars (INR/crores) | FY14 | FY15 | FY16 | FY17 | FY18 |
|----------------------------|-------|-------|-------|-------|-------|
| Revenue from Operations | 4,687 | 5,733 | 6,024 | 5,936 | 6,333 |
| Material Cost | 2,399 | 3,119 | 3,078 | 2,849 | 3,359 |
| Personnel Cost | 285 | 325 | 373 | 404 | 422 |
| ASP | 561 | 650 | 693 | 659 | 586 |
| Other Costs | 693 | 769 | 829 | 864 | 828 |
| Profit Before Tax | 695 | 822 | 1,029 | 1,150 | 1,117 |
| Net Profit (PAT) | 485 | 573 | 711 | 799 | 814 |
| Earnings per Share (INR) | 7.5 | 8.9 | 5.5* | 6.2* | 6.3* |
| Book Value per Share (INR) | 21.1 | 28.3 | 15.6* | 18.0* | 19.7* |
| Net Worth | 1,361 | 1,825 | 2,017 | 2,326 | 2,543 |
| EBITDA% | 16.0% | 15.2% | 17.5% | 19.5% | 18.0% |
| ROCE % | 32% | 39% | 45% | 47% | 42% |

Note: FY13 includes Kaya.

FY16 and onwards, financials are as per IND – AS and hence not comparable with earlier years.

*EPS and Book Value per Share for FY16 and onwards 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

Pawan Agrawal Executive Vice President & Head – Finance & Investor Relations (pawan.agrawal@marico.com)
 Harsh Rungta Manager – Investor Relations (harsh.rungta@marico.com)

Marico – Information Update for Q3FY19 (Quarter ended December 31, 2018)

Contents of this Update

- Financial results as per Ind-AS w.e.f. 1st April 2016 and other developments during the quarter under review for the Marico Group – Marico Limited, Marico Bangladesh Limited, Marico Bangladesh Industries Limited, Marico Middle East FZE, Marico South Africa Consumer Care (Pty) Limited, Marico South Africa (Pty) Limited, MEL Consumer Care SAE, Egyptian American Company for Investment and Industrial Development SAE, Marico Egypt Industries Company, Marico for Consumer Care Products SAE (MEL Consumer Care & Partners – Wind, a partnership firm got converted into a joint stock company w.e.f. 19th December, 2017), Marico Malaysia Sdn. Bhd., Marico South East Asia Corporation, Marico Consumer Care Limited, Zed Lifestyle Pvt. Ltd. and Revolutionary Fitness Private Limited.
- Profile containing basic/historical information on Marico.

In this note, figures mentioned in INR are converted to USD basis INR/USD of 72.1, being the average rate for the quarter.

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 constitute unpublished price sensitive information under the SEBI (Prohibition of Insider Trading) Regulations, 2015.

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