

Media Release

Year 2015-16
Turnover INR 6,024 crs
Net Profit INR 711 crs



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Marico Q3FY17 results Demonetization impacts the quarter, liquidity crunch impacts wholesale and rural India. Volume Decline 3%, PAT down 7%, EBITDA Margins 19.2% (down 6%) Q4 FY17 shows signs of recovery

Q3 witnessed an unprecedented event of demonetization of INR 500 and INR 1000 denomination notes in India. The consequent cash crunch severely impacted wholesale and rural trade which is heavily dependent on cash. The northern and eastern parts of India were worst hit. While there has been some impact on consumption, majority of the decline is attributed to pipeline reduction at retail outlets. The main impact was in November while December saw some recovery. Overall for the quarter the volumes of Marico's India business declined by 4%. The off-take growth was satisfactory. International business volumes grew 2% (constant currency growth of 2%). The Revenue from Operations at INR 1,417 crore (USD 210 million), however, shrunk by 7% over Q3FY16 owing to price reductions in the Parachute Rigids portfolio on a year on year basis in India and Bangladesh consequent to deflation in inputs costs. Q4 is looking better than Q3 as re-monetized currency notes come back into the system.

For more than half of the portfolio, the Company continued to gain market shares on 12 months MAT basis. In the Coconut Oil segment, we expect to gain market shares over next few quarters as inflation sets in. There was significant improvement in market shares of value added hair oils portfolio in Bangladesh and Deodorant portfolio in Vietnam.

Gross margins expanded by 77 basis points in comparison to Q3FY16. Advertising and Sales Promotion (ASP) spends were down by 11%, in response to demonetization. However, ASP to Sales Ratio continued to be healthy at 10.6%.

EBITDA at INR 272 crore (USD 40 million) declined by 6%. EBITDA margins at 19.2% expanded year on year basis by 28 basis points. Over the medium term, operating margin of circa 18% is sustainable. Profit after Tax (PAT) for the quarter at INR 189 crore (USD 28 million) declined by 7%.

Other Updates:

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- Marico South Africa brands **Black Chic & Caivil** Fusion Oil won the 2016 Africa Hair Awards.
- **Saffolalife** #protectherheart campaign won Gold & Bronze from IPRCC for its PR Campaign.
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Marico (BSE: 531642, NSE: "MARICO") is one of India's leading Consumer Products Group, in the global beauty and wellness space. During 2015-16, Marico recorded a turnover of about INR 61 billion (USD 915 Million) through its products sold in India and about 25 other countries in Asia and Africa. Marico touches the lives of 1 out of every 3 Indians, through its portfolio of brands such as Parachute, Parachute Advanced, Saffola, Hair & Care, Nihar, Nihar Naturals, Livon, Set Wet, Mediker and Revive. The international consumer products portfolio contributes to about 22% of the Group's revenue, with brands like Parachute, HairCode, Fiancée, Caivil, Hercules, Black Chic, Code 10, Ingwe, X-Men, and Thuan Phat. Marico's focus on sustainable profitable growth is manifest through its consistent financial performance, a CAGR of 16% in Turnover and 19% in Profits over the past 5 years.

Business Unit-wise details have been given in the following pages. More details are available in the Information Update issued today and posted on the Company's website www.marico.com

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At its meeting held on February 2, 2017, the Board of Directors of the Company has declared a second interim dividend of 200% (INR 2 per share) on its issued equity share capital of INR 129 crores. Together with the first interim dividend, the company has so far declared 350% dividend (INR 3.5 per share).

The **India Business** achieved a turnover of INR 1,081 crore (USD 160 million), a decline of 9% over the same period last year (Volume decline of 4% & deflation of 5%). This decline is attributed to demonetization and the consequent impact on rural India and wholesale channel. Parachute rigid coconut oil and Saffola premium refined edible oils saw restricted impact due to the strong brand equity and secular demand trend despite the note ban. The deflation of 5% during the quarter was primarily on account of the price corrections in Parachute coconut oil taken till April'16.

The operating margin during Q3FY17 was 24.3% (before corporate allocation) as against 23.2% for the same period last year. In the medium term, the Company would be comfortable at ~ 20%+ EBITDA margins.

Parachute's rigid portfolio witnessed volume decline by 1% in Q3FY17 over Q3FY16. This was a smart recovery from the 6% volume decline last quarter. While the copra prices went up 17% on a sequential basis (Y-o-Y decline of 5%), the Company chose not to take any further price increases. This helped protect the volume decline in a demonetized environment. The company expects to deliver a volume growth of 5-6% in the near term.

The **Saffola refined edible oils** franchise demonstrated a healthy 6% growth in volume terms during the quarter as the portfolio is skewed towards urban markets including modern trade. The Company continued focus on the key task of driving relevance amongst the proactively health conscious consumers through key marketing inputs in Saffola Active and Saffola Gold. The Company is confident of delivering double digit growths in quarters to come. The brand strengthened its leadership position in the super premium refined edible oils segment to 65% during the 12 months ended December 2016.

Saffola Oats franchise continues to consolidate its strong second position with a MAT value market share of 28%. Focus on value added offerings in the oats segment led to a dominant 70% value share in the flavoured oats market on a MAT basis.

Marico's value added **hair oil** registered a volume decline of 12% during the quarter. The decline was largely due to correction of inventory in retail although off-takes continued to grow ahead of category. Consequently, the Company further strengthened its market leadership by 141 bps to 33% volume share (for 12 months ended December 2016) and with value share gain of 77 bps to 25% for the same period. The Company will continue to focus on premiumization to drive value growth in the category. **Nihar Shanti Amla** continues to gain market share and achieved a volume market share of about 39% for the 12 months ended December 2016 in the Amla hair oil category (MAT December' 15: 36%). New Products delivered a muted performance; however the company will continue to invest in growing these new franchises.

The Youth brands portfolio being discretionary in nature declined by 15% in value terms due to demonetization (YTD December value growth of 9%). The market share of **Set Wet Gel** has grown by 631 bps in last 12 months and currently stands at 57%. **Set Wet Deodorants** portfolio also improved its market share during the quarter (Exit volume market share as on December-16 was 3.2%, an increase of 80 bps since re-launch). **Livon Serum's** core proposition of 'salon finish hair at home', launched in August 2016 with a focus on metro markets has built relevance for the brand. Despite the macro-economic factors, the brand showed signs of positive campaign traction with value growth in Q3FY17.

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Marico's rural declined by 20% due to subdued demand while the urban sales declined by 5% in Q3 FY17. Sales in Modern Trade (9% of the India turnover) continued the good run with growth of 8% in Q3FY17. CSD and Institutional sales (8% of the India turnover) grew by 4% in Q3FY17.

Marico's **International Business** achieved a turnover of INR 336 Crore (USD 50 million) during Q3FY17, a growth of 2% in constant currency basis (volume growth of 2%). The operating margins (before corporate allocations) are at 16.1% in Q3FY17 as against 20.4% for the same period last year. The lower margin during the quarter can be attributed to the increase in input costs and price reduction in the Parachute coconut oil portfolio in Bangladesh on a YoY basis and higher advertising spends in Vietnam. The Company shall endeavor to maintain international margins at ~ 17-18% and continue to invest and plough back savings to drive growth.

In the **Bangladesh** business, topline in constant currency terms remained flat in Q3FY17 (volume growth of 7%) due to the price corrections taken in Parachute Coconut Oil on a Y-o-Y basis. In the current quarter, Parachute coconut oil reported decline of 6% in constant currency terms (volume growth of 1%) but still maintained leadership position with 85% share. The Company's value added hair oils portfolio grew at a rate of 26% in constant currency terms led by strong growth in the flagship brand 'Beliphool'. The non-Coconut oil portfolio grew by 19% in constant currency terms in Q3 FY17. The near-term outlook for the Bangladesh business looks promising with high single-digit constant currency growth. The non-Coconut oil portfolio is likely to become 30-40% over next 3-4 years from the current share of ~ 20%.

The **Middle East & North Africa** (MENA) business declined by 11% (constant currency basis) during Q3FY17 as compared to Q3FY16. The **Middle East** business declined by 27% (constant currency basis) in Q3FY17 due to macro-economic headwinds in the region, especially Saudi Arabia. The **Egypt** business grew by 8% in constant currency over Q3FY16, aided by Parachute oils and creams launch. Egyptian Pound (EGP) has depreciated by 56% against INR 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.

Business in **South East Asia** grew by 6% in constant currency terms. In Vietnam, X-Men maintained its leadership in male shampoos and attained market leadership in the male aerosol deodorants category. Over the medium term, the Company remains well poised to participate in the category growths.

The **South Africa** business reported a constant currency growth of 4% during the quarter despite challenging macro conditions.

Saugata Gupta, MD & CEO said, "While the operating performance for the quarter was below par, we remain optimistic about a near term recovery in volumes. Prospects of inflation in copra auger well for volume recovery in Parachute Coconut Oil as demonstrated in the past. We believe that it is important not to get distracted by short term disruption caused by demonetization. We will think beyond the immediate quarters and strategize for long term value creation."