

Marico sustains volume growth, improves margins further Q2 FY 10 Net Profit up 32%

Growth Story continues to play out

Marico's sustainable profitable growth story continued to play out during the quarter ended September 30, 2009 (Q2FY10)

Turnover of Rs. 692 crore showed a growth of 14%. This was led by volume growth across categories. Profit before tax (PBT) was Rs. 76 crore, a growth of 30% over Q2FY09. Profit after tax of Rs. 62 crore showed a growth of 32% over Q2FY09. During Q1FY10, the company had, as a matter of abundant caution and prudence, provided for excise duty on coconut oil in packs up to 200 ml, while continuing to agitate with the judiciary, the issue of a contestable interpretation by the regulatory authorities. Q2FY10 financials too contain a provision of Rs. 12.4 crore on this count. PAT before this exceptional provision grew 48% over Q2FY09.

Marico has kept up its track record of sustained growth. Q2FY10 is in Y-o-Y terms, the:

- 36th consecutive Quarter of growth in Turnover and
- 40th consecutive Quarter of growth in Profits

At its meeting held on October 28, 2009, the Board of Marico Limited, declared a first interim dividend of 3.0% on its equity share capital of Rs. 60.9 Crore.

Marico Bangladesh Ltd. (MBL) made an Initial Public Offer (IPO) of its equity shares. The company made an initial public offer (IPO) by issuing further equity shares at a price of BDT 90 per share (at a premium of BDT 80 per share). The issue was very well received. Shares in MBL are now listed on the Dhaka Stock Exchange and the Chittagong Stock Exchange. With this IPO, Marico Limited's holding in MBL stands reduced to 90%.

Consumer Products Business - India

Marico's flagship brand, Parachute, continued to show robust volume growth. Parachute coconut oil in rigid packs, the focus part of the portfolio, grew by about 10% in volume over Q2 FY09. The company's portfolio of coconut oil brands, Parachute, Nihar and Oil of Malabar maintained its share in the branded coconut oil segment at 52.3%.

Boosted by a consumer offer, volumes in Marico's second flag ship brand - Saffola grew by over 20%.

Marico's basket of hair oils including Parachute Jasmine, Nihar perfumed hair oils, Hair & Care and Shanti Badam Amla maintained its market share at 21%. Marico backed this basket with continued media and promotional support through Q2FY10 along with micro-marketing initiatives in key markets. During the quarter, Marico's hair oils in rigid packs grew 17% in volume over the corresponding period in the previous year. The company seeks to increase its share in the hair oils category through participation in the cooling oils segment which has been witnessing fast paced growth in recent times. Its prototypes of two differentiated cooling oil variants - Nihar Naturals Coconut Cooling Oil in Bihar and Parachute Advanced Coconut Cooling Oil in Andhra Pradesh have been meeting expectations.

Margins have improved because amongst other contributors, there has been a significant year-on-year deflation in some of the key raw material inputs. Parallely, there has been a deflationary pressure on the company's topline growth too. Against this backdrop, the Company has desisted from making abnormally high margins and chosen to reinvest a part of the enhanced profitability into strengthening existing brands and building new ones.

Saugata Gupta, CEO-Consumer Products, commented, "We have made a strategic choice in favour of volume growth which protects us against down trading and market share loss. We have leveraged our lower cost structure and passed on value to the consumer, especially at entry price points. This has enabled us to maintain our consumer franchise just as we sustain margin expansion."

International FMCG Business

Marico's International business, (Key geographies - Bangladesh, Middle East and North Africa [MENA] and South Africa), comprised about 25% of the group's turnover during Q2FY10 - a sharp move up from a single digit share in FY05. This business continued to record very healthy growth during the quarter. It grew by 49% over Q2FY09 (about 33% if one ignores currency translation).

In Bangladesh, Parachute coconut oil extended its excellent run and held its market share beyond 72%. Hair Code hair dye was launched in FY09. A media campaign to encourage trials, complemented by on-street activation helped the brand reach a 14% market share in a short time span. In the Middle East, Parachute cream maintained its No.1 position and improved share to about 25%. Parachute Gold hair oil is being restaged and the media campaign has received a good response. The Egyptian brands Fiancée and Hair Code are trending well and are receiving 360 degree support including television media, on-ground activation, sachet sampling and digital marketing. Despite the macro recessionary trends in South Africa, Marico's brands Caivil, Hercules and Black Chic continued their growth momentum on continued investment.

Said Vijay Subramaniam, CEO, International Business, "Marico's International business has clocked a healthy growth across geographies despite the global economic turbulence. With our strategic building blocks in place, we expect to continue to expand our consumer franchise and grow sustainably in the future."

Kaya

Kaya Skin Clinic, Marico's venture in the dermatology / skin care segment, recorded a healthy 24% growth in turnover. Marico is the first organized player in this segment and enjoys benefits of scale, operations and prime movership. Kaya is now a well acclaimed skin care services brand with 99 clinics (86 clinics in India across 26 cities and 13 clinics in the Middle East across 9 cities). During Q2 FY10, Kaya added 2 new skin clinics. Given the discretionary nature of consumer spending at Kaya, most of the growth during the quarter has come from new clinic expansion. The same clinic growth is lower at 5%. Moreover the imposition of service tax and consequent price increase taken by the company has also put some pressure on growth. Products currently comprise about 13% of Kaya's turnover. Kaya Life provides customized holistic weight management solutions. Customers are experiencing effective results on both weight loss and inch loss.

Rakesh Pandey, CEO, Kaya explained, "Growth in FY10 has been driven by a significant expansion in number of clinics in India and overseas. We are hopeful of resuming the same store growth track too. It's a matter of time before consumers decide not to hold back on discretionary spending on beauty and wellness solutions."

Outlook

The company expects to sustain overall volume growth. However, deflationary pressures in the industry could limit value growth. The relatively benign commodity prices provide Marico an opportunity to improve operating margins, as compared to FY09, even as it invests some of the additional margins earned, back into the business. During the forthcoming quarters, the company is expected to roll out some of its products, currently under prototype, in its domestic FMCG business. In the International business, it would extend its reach from Egypt and South Africa into the neighboring countries. Plans are also afoot to introduce new differentiated offerings to its consumers. While same clinic growth in Kaya is currently under pressure, an improvement in the overall economic environment would put Kaya back on the growth path, even as the new clinics ramp up sales.

Milind Sarwate, Chief - Finance, HR & Strategy, said, "Value Creation has been an unending endeavour at Marico. It was exciting to watch Marico Bangladesh shares get listed on the Dhaka and Chittagong Stock exchanges, setting new trends in value creation." Commenting on the outlook for the year, he stated, "The Group has performed to plan in H1FY10 and the healthy trend in operating margins would be a good cushion, as we face the challenges of deflation."

For Detailed Financial Results & other information, log on to http://www.marico.com/investor_relations/latest_updates.html

Marico is a leading Indian Group in Consumer Products & Services in the Global Beauty and Wellness space. Marico's Products and Services in Hair care, Skin Care and Healthy Foods generated a Turnover of about Rs. 24 billion (about USD 475 Million) during 2008-09. Marico markets well-known brands such as Parachute, Saffola, Sweekar, Hair & Care, Nihar, Shanti, Mediker, Revive, Manjal, Kaya, Aromatic, Fiancée, Hair Code, Caivil and Black Chic. Marico's brands and their extensions occupy leadership positions with significant market shares in most categories - Coconut Oil, Hair Oils, Post wash hair care, Anti-lice Treatment, Premium Refined Edible Oils, niche Fabric Care etc. Marico's focus on sustainable profitable growth is manifest through its consistent financial performance - a CAGR of 24% in Turnover and 28% in Profits over the past 5 years - while setting a record of several consecutive quarters of year on year growth - 40 for Profits and 36 for Sales. The Marico scrip is listed on the Bombay Stock Exchange (BSE) (Code 531642) & on the National Stock Exchange (NSE) (Code "MARICO"). Marico Websites: www.marico.com, www.maricoibd.com, www.saffolalife.com, www.kayaclinic.com, and www.maricoinnovationfoundation.org