



Marico Limited

Analysts/Investors Conference Call

Event Date / Time : 25th October 2007, 5.30 pm

Presentation Session

Moderator: Good evening ladies and gentleman, I am Eish, the moderator for this conference call. Welcome to the quarter results for the management of Marico Ltd hosted by IL&FS Investsmart Ltd. For the duration of the presentation, all participants will be in listen-only mode. There will be an opportunity for you to ask questions at the end of this presentation. Please note that this conference is being recorded. I would now like to hand over the conference to Mr. Deshmukh of IL&FS Investsmart. Thank you and over to you sir.

Mr. Deshmukh: Yeah. Thank you. Good evening friends and welcome to the second quarter conference call of Marico. We have with us Mr. Vinod Kamath, Chief of Finance and IT and Mr. Chaitanya Deshpande, Head of Strategy and Investor Relations. I request Mr. Kamath to give a brief presentation then we can go ahead with the Q&A session. Over to you, Mr. Kamath.

Vinod Kamath: Thank you every body for being on this con call. I have Chaitanya with me. I also have my colleague Vivek Karve who heads Treasury and Insurance, so he will also be able to address some of the questions. Before proceeding, I hope all of you have gone through our information update, which has been fairly comprehensive in terms of coverage, but nevertheless, let me just go through the highlights of this quarter. In this quarter, the turnover growth has been about 23% on a year-on-year basis that is about 464 Crores. The profit before tax has been 52 Crores, which is up by 24%. The next profit was at 42 Crores has been up by about 62%. The other key highlight has been the 6 consecutive quarters we have grown by over 20% and the growth has been all round. All business categories have been shown growth be it domestic, international, or Kaya. The breakup of this 23% growth, the heartening fact has been of this 19% growth came from volumes and about 4% was from value growth. With this, now I leave it open for questions.

Moderator: Thank you very much sir. We will now begin the question and answer session. Participants who wish to ask the question kindly press * 1 on your touchtone phone. In case you want to withdraw your question from the questions queue, please press * 2. Participants are requested to use only handsets while asking a question. To ask a question, kindly press * 1 now. The first question comes from the line of Mr. Meherwan Kotwal. Please go ahead and ask your question, Sir.

Meherwan Kotwal: Yeah, hello good evening, Meherwan here.

Vinod Kamath: Good evening.

Meherwan Kotwal: Yeah, sir I just was looking at your top line performance it is very impressive, but I went through your update and saw there was significant inflation in basically the edible oil platform as such. Now I was wondering whether you have taken any price hikes during the end of the quarter, especially brand Saffola to utilize the impact of these higher costs?

Vinod Kamath: Yes, during the quarter we have taken price hikes across various Saffola variants. In terms of Saffola Refined Kardi Oil, we have taken up the prices by about 12% on a quarter-on-quarter basis. On the Tasty Blend, which is a corn blend, we have taken it up by 6% and on Saffola Gold its about 2%.

Meherwan Kotwal: Right, but basically what we are looking at is probably neutralizing the impact of higher RM, going forward in the next quarter, because I do not think the impact of these price hikes has been much helped during this quarter.

Vinod Kamath: No actually in terms of the pricing decision, the same would be based on what is our coverage and what do we feel in terms of the outlook. So, it is not necessarily on a quarter-on-quarter basis that we will be able to fine tune prices. But we think these price hikes, which we have taken at this point of time, are sufficient to maintain the margin.

Meherwan Kotwal: Sufficient to maintain the margin.

Vinod Kamath: Yeah, absolutely.

Meherwan Kotwal: Okay and what would be say if I look at the Saffola brand as a whole, what would be the weighted price hike year-on-year because we have got 21% volume growth, so, how much would be the value growth of the Saffola brand if I look at it as a whole?

Vinod Kamath: On a year-on-year basis, if you should take a weighted average across these 3 products, the year-on-year price increase would be roughly about 10%.

Meherwan Kotwal: Around 10%.

Vinod Kamath: Yeah.

Meherwan Kotwal: Sir what is the outlook of these raw materials in edible oil especially?

Vinod Kamath: We feel that these prices have peaked at this moment and I mean though it is a little difficult to predict in terms of what is going to happen on the commodity front, we don't anticipate too much of inflation going forward.

Meherwan Kotwal: Okay sir, and final question, sir what is your outlook on copra prices, at the beginning of this year you were expecting 7 to 10% inflation, but positively basically copra prices have remained rather flat, so do we expect some amount of inflation to creep in over there as well?

Vinod Kamath: Basically the second half prices in copra are higher than the first half prices, and that has been the normal trend in the prices. On a year-on-year basis, this year, it has actually been lower in terms of prices, approximately by about 4%, but in terms of the next quarter, we expect that the prices to be marginally higher.

Meherwan Kotwal: Marginally higher.

Vinod Kamath: Yeah.

Meherwan Kotwal: Yes thank you so much.

Moderator: Thank you Mr. Kotwal. The next question comes from the line of Mr. Amish Agarwal of Motilal Oswal, please go ahead sir.

Amish Agarwal: Yeah, sir I have a couple of questions. My first question is regarding our businesses that are the wave off brand Hair Code and Fiancee. Can you share with us the sales and EBITDA, which you have achieved in those businesses during the quarter?

Vinod Kamath: Yeah. I think in terms of Hair Code and Fiancee the total turnover for this quarter was about 24 Crores. The heartening thing is in terms of the market shares is that the market shares have gone up. The business, as I had pointed out the last time, has integrated very well and we have been able to derive all the synergies, which we had anticipated. Even in terms of the margins the expectations have been met. The EBITDA margins for the business would be about 18%.

Amish Agarwal: Okay, and what is our current market share over this?

Vinod Kamath: The current market share is about 61%.

Amish Agarwal: Okay. Sir my next question is that your top line growth is 22.7%, but EBITDA has increased by 7%, although it can be explained by some increase of the raw material cost particularly the edible oils, but do you see some improvement in your margins going forward?

Vinod Kamath: In terms of margins, the margins have been in the region of about 14%, in the last conference call also we have stated that this is the kind of margin which appear comfortable at this point in time and the strategy for us is actually to drive top line. The heartening thing is that the top line growth has been healthy for us and we are able to maintain the momentum in terms of top line growth. We feel over a longer period the margins of about 14% are fairly healthy.

Amish Agarwal: Okay, sir finally can you share with us what kind of the new product pipeline or innovations, which we can expect from the company in the coming 2 quarters?

Vinod Kamath: In terms of the new product pipeline, it has not been our practice to share the specific details, but these would be in contagious categories in which we are currently operating. Like, if we look at Saffola we have had some launches on the functional food side and that would be definitely an area of focus. In terms of Kaya, you would have noticed that we have gone in for Kaya Life and that would also be an area of focus in the coming quarters.

Amish Agarwal: Okay, thanks a lot sir.

Moderator: Thank you Mr. Agarwal. The next question comes from the line of Mr. Manish Jain of Lehman Brothers please go ahead sir and ask your question.

Manish Jain: Hi Mr. Kamath.

Vinod Kamath: Hi Manish.

Manish Jain: Congratulations on a good set of numbers.

Vinod Kamath: Yeah, thank you.

Manish Jain: Sir, I had one question on Parachute coconut hair oil. Sir, what has been the growth like in this quarter for this product?

Vinod Kamath: Yeah, the growth in Parachute has been 8% in volume terms for this quarter.

Manish Jain: Okay.

Vinod Kamath: Yeah.

Manish Jain: So that is slightly disappointing, is it not?

Vinod Kamath: No, actually if you look at the outlook it is very difficult to precisely meet quarter on quarter growth on this. Last quarter as I shared the last time, was a little on the higher side because of some stocking which we had done and going forward we had given a projection that it would be in the region of about 10%, so we are in line with that.

Manish Jain: So, you maintain the annual guidance of 10% on this?

Vinod Kamath: Yeah, absolutely and at this point of time, we are marginally higher than 10%, but a little above 10% would be a number which you could look at.

Manish Jain: Okay. And sir, in terms of Kaya Skincare Clinics, you had told us that you are looking at adding something like at least 10 to 12 outlets in this year alone.

Vinod Kamath: Yeah.

Manish Jain: Sir, the additions so far this year has been only somewhere close to 3 or 4 outlets right?

Vinod Kamath: Yeah. We have added 3 outlets, but we have signed up quite a few locations and there would be a fairly high number of additions during the coming quarter. We expect to add about 10 clinics in the next 3 months.

Manish Jain: Okay, so you are sticking to 12, 13, or?

Vinod Kamath: Yeah, we are sticking to that number which we had originally mentioned.

Manish Jain: Okay, so the ramp up in the second half would be significant in Kaya.

Vinod Kamath: Definitely.

Manish Jain: And sir, just one last question on your A&P side, this quarter you seem to have gone up slightly, is it?

Vinod Kamath: On the A&P, it is an issue of phasing which I had even shared with you the last time. In terms of the A&P as percentage to the overall sales, we had given an indication that it would be in the region of about 12% to 13%, but on a quarter-on-quarter basis, it is very difficult to really get the exact numbers, so it is 13% as I shared earlier.

Manish Jain: It will not be a good idea to look at it on a quarter-on-quarter basis.

Vinod Kamath: Yeah, you cannot look at it on a quarter-on-quarter basis because there would be various launches and things which happen across different quarters, so it is difficult to have a constant percentage across quarters.

Manish Jain: Fair enough, but still looking at 12% to 13% kind of a ban overall for the year?

Vinod Kamath: Yeah.

Manish Jain: Okay, fair enough. I am done sir. Thank you so much.

Vinod Kamath: Yeah, thanks Manish.

Moderator: Thank you Mr. Jain. The next question comes from the line of Mr. Akhil Keshwar of Enam Securities. Please go ahead sir.

Mr. Hemant: Yeah, hi this is Hemant here. My first question is regarding the Fortune brand, which you had mentioned in your press release. The specific question is that has it changed the pricing dynamics for Parachute and what price are they currently retailing at in the market. Would you have any idea on that?

Vinod Kamath: If you go back on Fortune, it was launched about a year ago, and we have been watching the performance of the brand and as per our estimates, Fortune coconut oil has not really done well in the market, it has really not picked it up in terms of market share figures.

Mr. Hemant: In terms of the pricing dynamics, has it changed for the other regional players for Parachute because you have mentioned that you increased prices in the last quarter?

Chaitanya: Yeah, we have, but, the most guys would be around the same level as Parachute after the increase, this particular price increase, they have not really followed suit as yet.

Mr. Hemant: Okay. And Chaitanya, I think can you share with us what would be the approximate gross margins or even EBITDA margins for the new product and services, which are currently at around 28% of your sales, I mean, is that lower than the average at this particular moment, significantly lower?

Chaitanya Deshpande: Yes, it would be significantly lower right now because they are investing an advertisement.

Mr. Hemant: Okay, so would I be correctly saying it has single digits in terms of EBITDA?

Chaitanya Deshpande: In some products, it can even be negative.

Mr. Hemant: Okay, fine. I think that is it for the time being. I will get back to you if I have a few more questions.

Chaitanya Deshpande: Sure.

Vinod Kamath: Thanks Hemant.

Mr. Hemant: Thanks a lot.

Moderator: Thank you and the next question comes from the line of Mr. Suresh Pardesi of Anand Rathi Securities. Please go ahead sir.

Suresh Pardesi: Hi, good evening Vinod and Chaitanya congratulations for a good set of numbers.

Vinod Kamath: Thank you Suresh.

Suresh Pardesi: And thanks for your informative speech. I have a few questions regarding what is the category growth for hair oil coconut category?

Vinod Kamath: For coconut oil?

Suresh Pardesi: Yeah.

Vinod Kamath: The growth would be in the range of 7% to 8%.

Suresh Pardesi: So you are in line with the category?

Vinod Kamath: That is right.

Suresh Pardesi: And what will be the value added perfumed hair oils?

Vinod Kamath: There it is higher would be in the region of about 15.

Suresh Pardesi: Okay. My question is that as you see that value added menthol based cooling oils are growing faster. What could be the reason or what could be the going forward strategy? Would you be looking at any product launches in that space?

Vinod Kamath: It would be difficult to comment on exactly what we might do, but yes, it could be a segment that we are interested in, you know that in the past we did actually have launch one, but at that point in time we gave priority to some other launches and moved those up. It is true that this category is actually growing faster than the other value added ones now. So, we would need to look at it.

Suresh Pardesi: Okay, lastly one question on Kaya Life. Last quarter we had the launch, which will happen in Juhu. Would you be able to tell us something about your experience in one quarter, how it is shaping up and going forward is there any further rule out for Life?

Vinod Kamath: Yeah, in terms of Kaya Life, I hope you have visited our clinic, which has been there in operation for over 2 months now. The key, in terms of the business model it is differentiated from the rest and this has been well accepted by the initial customers who I have walked in. I mean, they really find a differentiation with respect to the others who are in this field, but without us actually ruling it out significantly, we need to hone this model. There are a few things, which we would like to address before we actually go ahead on a full scale. We might have a couple of more clinics in the coming quarter, but that is more to understand the consumers in various pockets and own the model before taking a decision in terms of rollout to other territories.

Suresh Pardesi: Okay, thank you a lot.

Vinod Kamath: Thank you.

Moderator: Thank you Mr. Pardesi. The next question comes from the line of Mr. Siddharth Shah of UTI Securities. Please go ahead sir.

Siddharth Shah: Hello, yeah sir congrats for a good set of numbers, just a couple of questions, firstly on Parachute I believe you took a small price hike in the month of July and we have seen some slow down in volume growth in Parachute, do you think it is any rub off effect of the price act that we have taken and secondly in terms of the overall mix that we have got, we have seen some raw material pressure, cost pressure, in spite of having taken a 3% price hike. So, can you give me some sense of how the edible prices have moved on a year-on-year basis?

Vinod Kamath: Yeah, let me just take on in terms of Parachute, we did take a price increase of 3% on July 1, 2007, in this quarter, but if you observe the prices of Parachute they are significantly at a gap of time with the nearest competitor or the large other players in this segment and the price increase has been nominal. We have taken a Rs. 1 price increase on Parachute 200 mL and our estimate is it would not impact the brand going forward because this has been proved over the last 2 years that Parachute has the pricing power and we have not taken any price correction despite a significant drop in copra prices. We had taken up a 3% hike in anticipation of raw material increases going forward and we would not hesitate from taking further price increases if the raw material prices require us to do so, but what happens one has to look at it from an average over quarters because it is not really possible to have it at a particular point in time and time it along with raw material prices.

So, that has been the strategy in terms of the Parachute pricing. Since we have already been at a difference we have with the others, we believe that this 3% hike has made no difference in terms of the volume. Okay, having said that we have had an 8% growth in this quarter and I have shared with you the last time that the approximately 20% growth which happened in the first quarter was a little abnormal in that sense because of some loading which we had done to actually fill some pipeline in some pockets and we had given an indication of about a little over 10% growth in terms of Parachute and we would maintain that going forward. Coming to your question in terms of, Chaitanya would want to add something.

Chaitanya Deshpande: Just want to add the earlier question Suresh asked about the rate at which the Parachute market is calculate to growing, it is around these numbers, so it is not as if we have gone slower than the market has gone during this quarter. Last quarter we happened to beat the market growth number very significantly based on that in this quarter because of the averaging we grown around the market and if you look at market share number there has been no decline at all.

Siddharth Shah: Sure okay, and on the mixed front?

Vinod Kamath: I think the next question was with the respect to Saffola and the edible oil. In terms of inflation, I will just repeat what had I shared earlier. On a year-on-year basis the MRPs have increased by 10% on an average across the three variance of Saffola that is Tasty Blend, Gold, and Kardi, but on quarter-on-quarter basis on an average the increase has been about 6% to 7%.

Siddharth Shah: Okay, but what about the raw material prices on Saffola? How they moved on a year-on-year basis?

Vinod Kamath: The raw material prices on Saffola on a year-on-year basis have moved roughly on similar line, may be marginally higher than the price hikes in present which we have taken, but we hope to correct this going forward.

Siddharth Shah: Okay and sir lastly on the A&P front would it be right to believe that current quarter we have had about 13% on sales that could be the trend for the full year?

Vinod Kamath: Roughly, that has been the projection, which we have given in the past and we have maintained that.

Siddharth Shah: Okay sir, thank you very much.

Moderator: Thank you Mr. Shah. The next question comes from the line of Mr. Ashish upgaonkar from Sherkhan. Please go ahead sir.

Mr. Ashish: Hello sir just wanted to clarify one thing on the corresponding quarter last year, there was an exceptional item of Rs. 4.7Crores, I think that was a ride back of around for some provision made. Am I correct sir?

Vinod Kamath: You are right.

Mr. Ashish: So, this 25.7 Crores that we have mentioned in the employee expenses, that reflect the correct expenditure for the quarter because in the note that you have given to the financial statements it shows that the operating margin for Q2, FY 2007 were around 16%, so if that is the case and if the financials are right then I get a margin of around 14.76%, so just wanted to check on that whether I am missing something there?

Vinod Kamath: No you are right, your interpretation is exactly correct.

Mr. Ashish: So, it would be 14.76% last time.

Vinod Kamath: Yeah you are right.

Mr. Ashish: Okay, sir second thing is what would be the profits of Kaya because we have the turnover here of around Rs. 24 Crores so the operating level profit of Kaya would be what?

Vinod Kamath: On Kaya, in the past Kaya had broken-even in the last year, in terms of this quarter the profit of Kaya would be upward to about Rs. 1 Crores, but one cannot look at it from a quarter-on-quarter basis. I mean, looking at how the expansion would happen and how it would be, going forward the profit would be proportionate.

Mr. Ashish: Okay, and sir about Sundari what would be the turnover like there, is there any improvement in the performance of Sundari?

Vinod Kamath: Sundari's base itself is really small, so I can give you very impressive growth figures, but that would not mean much in terms of the overall quantum, but growth in terms of Sundari on a year-on-year basis has been about over 50%.

Mr. Ashish: Over 50% and how is the model progressing basically the concept progressing there because the numbers would not be too much to bank on right now?

Vinod Kamath: Actually it will take some more time because it is in a very different territory and different model, which we are trying to develop, which will help us in a longer term because of the stability as it is based on relationships, which we would create with the various Spas, so the current focus is to build on this relationship and maintain the relationship. The acceptance of the product is very high so there is an excellent consumer pull and we have been able to manage relationships with the various high-end Spas in this segment in the US.

Mr. Ashish: Okay, Sir and finally what would be the rupee impact on our revenues from the international business for this quarter?

Vinod Kamath: It would be about 8%.

Mr. Ashish: So our turnover has degrown by 8% because of rupee appreciation, is it?

Vinod Kamath: Yeah you are right.

Chaitanya Deshpande: In fact it could be the other way, the international business turnover would have grown by 8% more.

Mr. Ashish: Okay. Thank you sir.

Moderator: Thank you and the next question comes from the line of Mr. Akhil Keshwar. Please go ahead sir.

Vinod Kamath: Hi Akhil.

Hemant: Hai Hemant here again I think my question on Kaya was answered, just one quick comment on the like-to-like sales growth for same stock clinic. I was wondering whether on the base of 42 stores, which you had in 2006, has that been a significant ramp up in per store sales?

Vinod Kamath: I think it has been covered in our information update. On a sequential quarter basis, the Kaya's growth has been about 8% and since there has been no price hikes in this and the clinic addition had happened much later in the quarter this has been because of better capacity utilization in the existing clinic.

Hemant: Okay I think that is all about it. Thank you a lot.

Vinod Kamath: Yeah. Thank you.

Moderator: Thank you, the next question comes from the line of Mr. Punit Sarogi Arisec Partners. Please go ahead sir.

Punit Saraogi: Good evening Mr. Kamath, congratulations on a good set of numbers.

Vinod Kamath: Yeah. You may have to speak to a little louder; it is not audible on this.

Punit Saraogi: Yeah, I just have one question on your working capital front. On your disclosure in the account there is you have said that the net working capital has increased from 23 days in Q2 FY2007 to 51 days this quarter. What was the reason for that?

Vinod Kamath: The reason for that is in terms of some position taking in Safflower and copra, trade advances to suppliers and remittances awaiting clearing in bank accounts on account of half-yearly closing activities at regional offices.

Moderator: Thank you and the next question comes from the line of Mr. Siddharth Shah of UTI mutual fund, please go ahead sir.

Siddharth Shah: Yeah, just one question what has been your growth rate in Sweekar and what is the size of Sweekar right now?

Vinod Kamath: Before speaking about the growth rate of Sweekar, Sweekar has been not been a focus brand for us, but the figure in terms of Sweekar for the quarter on a year-on-year basis is about 30% in value terms. The volume growth has been about 14%.

Siddharth Shah: Okay and what could be the size of Sweekar over the first half versus the overall sales?

Vinod Kamath: Sweekar would be roughly about Rs. 100 Crores for the year.

Siddharth Shah: Okay, Thank you sir.

Moderator: Thank you Mr. Shah. The next question comes from the line of Mr. Abhijeet Kundu of Edelweiss. Please go ahead sir.

Abhijeet Kundu: Hi Chaitanya.

Chaitanya Deshpande: Hi Abhijeet.

Abhijeet Kundu: Yeah, good set of numbers on the topline front.

Chaitanya Deshpande: Thank you.

Abhijeet Kundu: But it has been a bit worrying on EBITDA margin front. Actually in case of your raw material, the main drag has been the key raw material for Saffola and I believe also Sweekar. In case of Saffola what kind of price increases you said about 10% was the average price increase for Saffola as against your key raw materials for Saffola have increased about 25%. Right?

Chaitanya Deshpande: On Safflower corn is a little less.

Abhijeet Kundu: Okay. So, going forward how will deal with the cost inflation, like if we are at the current levels of pricing and at the current levels of raw material cost inflations would we be able to maintain our margins or would further price hikes be required?

Chaitanya Deshpande: See as Vinod was saying earlier on the call it is the current forecast from our side is that the prices of these materials have probably reached the peak levels for the year, may be you know now we got Diwali coming up etc. it will stay firm for a while, but then you should see some kind of decline. However, should there be any significant price rise further from here, there are two facts : one is if you look at Sweekar, which we spoke about separately, margins in Sweekar are quite low and all competitors will need to take prices up. Otherwise they will start making losses as there is a big hike in the material prices and therefore we should also along with the market be able to increase prices. In the case of Saffola what is more likely to happen is that we will take the price up to the extent offsetting the raw material cost increase on a unit level, so what typically happens is hypothetically if I am making Rs. 100 per metric ton on Saffola I will continue to try to make Rs. 100 per metric ton. This implies that on a percentage margin basis there will be a small decline.

Abhijeet Kundu: So, this initiative will continue, a kind of your margins may decline going forward. If there is input cost inflation? Right? As percentage of sales your margins could decline.

Chaitanya Deshpande: Yes it could on this edible oil front; however, just to mention you started off you were okay to see the topline increase and were a little concerned about the margin, the margin in fact is around the levels that we have been indicating, of about 14%. There was a spike in the corresponding quarter in the last year when it was 15%, but I think for the year and in general may be even going forward the kind of margin that the company as a whole might would be around a 14% level and we would not want to cream the market too much, we would rather go for growth than look at increasing margins too much. Then there may be a few basis points here and there, could go up,

could go down slightly, but it is not going to change significantly from the 14 level, there may not be a jump to 16 or something suddenly.

Vinod Kamath: I just want to add if you had noticed that there has been a fair bit of investment which has happened on the brand building of Saffola and the positive thing is on consecutive quarters the growth rate has been very high and our overall objective would be to actually further strengthen the Saffola franchise and increase the franchise because that is what would be sounder in the longer term than as Chaitanya mentioned to cream it at this point of time, while the margins are still very healthy. The thing actually going for us in terms of a momentum is in terms of the volume growth, which is happening on Saffola because of the investments, which have happened in the recent past and that would be the focus for us.

Abhijeet Kundu: Okay and just in Sweekar you said it was 14% volume growth right, 30% was the value growth and 14% was the volume growth.

Vinod Kamath: That is correct.

Abhijeet Kundu: So, about 16% is the price hike.

Vinod Kamath: Yes.

Abhijeet Kundu: Okay on a year-on-year basis. Yeah, my second question was on the potential market in Egypt and its adjoining regions and if currently in Egypt what I understand is that hair care as a category was growing by about 6.5, but Marico would put in initiatives in place and grow it at a higher pace, which it is doing anyway. So, going forward what could be the kind of growth that one can look forward to in case of Egyptian operations?

Chaitanya Deshpande: Abhijeet, I may not be able to put a very good guess on that one like you are right when you said that 6.5% is the kind of market growth that we are seeing there, we should be able to beat it and we have in the recent past, the market share increased by I think by 1.8% or so, it has gone up. So, we should be able to grow a little faster than the market, so may be 8% or 10% is what we could look at. In terms of target for the year, we had indicated that this year we should do about 90 odd Crores, we are then on course to achieve that, so we should be able to do about 90 odd this year. In terms of neighboring market, they need to be seeded, we have started looking at that and in fact in the Egyptian market what is happening is that, if you mentioned Libya and in fact the Fiancee products do go into Libya, but currently what happens is people from the Libyan market come and pick those products up in Egypt itself, and ship it themselves. So we are in the process of identifying

distributors in some of these countries, we are looking at Libya perhaps Morocco and you could look at you know may be Sudan and all that, but this is a seeding process, but it could take some time before you start seeing significant numbers coming from these countries.

Abhijeet Kundu: Okay thanks.

Moderator: Thank you Mr. Kundu. The next question comes from the line of Mr. Gautam Duggad of Edelweiss. Please go ahead sir.

Mr. Gautam: Hi, the questions have been answered. I just had a small clarification, I just wanted to know what has been the average price hike year-on-year in the perfumed hair oil category, and the focus range Parachute jasmine advanced, Shanti Amla badam?

Vinod Kamath: In this quarter we have taken a price increase on hair and care which has been 4%. We have not taken any other price hikes in this quarter.

Mr. Gautam: Okay.

Moderator: Thank you and the next question comes from the line of Mr. Hosifa Topiwala. Please go ahead sir.

Mr. Topiwala: Hi Vinod, hi Chaitanya.

Vinod Kamath: Hi.

Chaitanya Deshpande: Hi.

Mr. Topiwala: My question is on your guidance for revenue growth that you have mentioned at 20% in your presentation. This 20% is organic growth or inorganic growth?

Vinod Kamath: Overall growth together.

Mr. Topiwala: And what all growth in the first half of this year?

Chaitanya Deshpande: We have done a little over 26 in the first quarter and 23 this quarter.

Mr. Topiwala: 25% approximately in the first half.

Chaitanya Deshpande: Yeah.

Mr. Topiwala: So, are you expecting a significant slow down in the second half?

Chaitanya Deshpande: There would be some numbers from Egypt would have been come in quarter 3 and quarter 4. Part of this overall growth is because there were no sales in Egypt in this period in the first half.

Mr. Topiwala: What kind of organic growth do you expect in the second half?

Chaitanya Deshpande: We should be looking at around 15.

Mr. Topiwala: 15% organic growth.

Chaitanya Deshpande: Yeah.

Mr. Topiwala: And any sense on what kind of organic growth, which you should expect in 2009?

Vinod Kamath: By in large that is the kind of number we would be able to look at around 15%.

Mr. Topiwala: Organic growth.

Vinod Kamath: Yeah.

Mr. Topiwala: Okay, thank you.

Moderator: Thank you, Mr. Topiwala; the next question comes from the line of Mr. Kaustubh Pawaskar of Dalal and Brocha, please go ahead sir.

Kaustubh Pawaskar: Hi Chaitanya.

Chaitanya Deshpande: Hi Kaustubh.

Kaustubh Pawaskar: How are you?

Chaitanya Deshpande: Very well, thank you.

Kaustubh Pawaskar: Chaitanya, I just want to ask in refined edible oil segment, if you take as a whole how much that has grown in the second quarter including Saffola and Sweekar?

Chaitanya Deshpande: Okay just one moment, I will refer to my notes.

Kaustubh Pawaskar: Yeah.

Chaitanya Deshpande: About 32% in value.

Kaustubh Pawaskar: 32% in value and in volume terms?

Chaitanya Deshpande: About 17 odd%.

Kaustubh Pawaskar: 17 odd%, so we should expect that the refined edible oil segment should go around 20% in volume terms in FY 2008?

Chaitanya Deshpande: I would not you know increase the rate of volume growth in the second half over the first half.

Kaustubh Pawaskar: Okay, so we should expect around 15% that what you have given us?

Chaitanya Deshpande: Yeah, that is right because the focus is going to be on Saffola itself.

Kaustubh Pawaskar: Okay.

Chaitanya Deshpande: In Saffola now the rates have been little higher than one would normally expect them to be.

Kaustubh Pawaskar: Okay.

Chaitanya Deshpande: So, the kind of you know the growth that we would give a sort of guidance of may be you know 15% to 17% growth, we have beaten those in the first half.

Kaustubh Pawaskar: Yeah.

Chaitanya Deshpande: So you could take some kind of averaging of that. In Sweekar, it is really not a focus area for us, so we are not going to be chasing volume so happen that we done 14% growth yet.

Kaustubh Pawaskar: Okay.

Chaitanya Deshpande: It so happen that in the competitive environment people drop prices and they are willing to go with slightly lower margin.

Kaustubh Pawaskar: Right.

Chaitanya Deshpande: We would not take volume; we would be okay if the volume growth dropped from 14 into single digit.

Kaustubh Pawaskar: Okay Chaitanya, thank you.

Chaitanya Deshpande: Welcome.

Moderator: Thank you Mr. Pawaskar. The next question comes from the line of Mr. Manish Gupta of Crystal, please go head sir.

Manish Gupta: Hello sir, this question is related to the acquisitions as we know Marico has been quite active in acquiring new brands. What kind of brands you are looking at acquiring and would you have some kind of a budget in mind like what size of acquisition it will be?

Chaitanya Deshpande: Manish typically what we would do is define the segments that we look at for making acquisitions.

Manish Gupta: Right.

Chaitanya Deshpande: We have always being stating that and are quite clear that we will stick to meeting on these and it would be in hair care and in skin care. Perhaps some things, which have bold on opportunity along with Saffola in the health heart segment.

Manish Gupta: Okay.

Chaitanya Deshpande: In terms of territories we are open to look at territories from Southeast Asia in to Africa. We made an entry into Africa through Egypt.

Manish Gupta: Okay.

Chaitanya Deshpande: So it would be, this is not that we are ruling out the rest of the world completely but the likelihood of doing acquisitions in the first world would be much lower.

Manish Gupta: Okay.

Chaitanya Deshpande: In terms of size of acquisitions we have done acquisitions, which are as small as 10 Crores in the past and you know the largest one that we have done is Nihar, which is over 200 Crores.

Manish Gupta: Right.

Chaitanya Deshpande: So, we are little flexible on the size it may be, I would say lightly that we might not look at things that are too small going forward. Unless there is an excellent fit and great margin. On the upper side we are willing to go above the 200 that was there in Nihar. Essentially it should make sense there should be a good fit, with our portfolio we should see an opportunity to add value.

Manish Gupta: Okay.

Chaitanya Deshpande: See for that we would not quite shy of larger acquisition as well, you know it is a question of being able to do those funding for that, so each separate one would require separate structure.

Manish Gupta: Right.

Chaitanya Deshpande: So we do not have a specific budget, I mean you do some company like to keep a watch or something like that we have not been following that practice. When the opportunity arises we would look at raising finances for, in the relevance with the correct structure for that particular acquisitions.

Manish Gupta: But on the upper side would you have a limit or that is also too flexible?

Chaitanya Deshpande: We are not really setting a limit for ourselves in this we see a really great fit and a great opportunity. We are willing to look at sizes which are much larger than what we have done today.

Manish Gupta: Okay, thank you sir.

Moderator: Thank you Mr. Gupta.

Mr. Sameer: Yeah, I have a couple of questions.

Moderator: Please go ahead sir.

Mr. Sameer: Hi Chaitanya, this is Sameer here.

Chaitanya Deshpande: Hi Sameer.

Mr. Sameer: Yeah, if we look at the coconut oil market, I believe the unorganized market is twice as large as that of organized market in volume terms. Are we seeing a shift from the unorganized market to the organized market?

Chaitanya Deshpande: Yes there would be some shift that, the guess on the number on how large it is, it is not easy to put a fix, but may be one-half time to twice in terms of volume. We are seeing some shifts from loose oil into packed and branded oil because that is only way you will see volume growth in the region of 8%, 10% etc., otherwise because this is a very highly penetrated category, it is not as if penetration in the market is growing significantly. It will require the conversion from loose to packed for this kind of growth to happen because population is not growing as fast either.

Mr. Sameer: Right.

Chaitanya Deshpande: You know what we have been doing is low price point so stuff like blister pack and this 20 or 50ml pack. We also have some flexi bags which are not rigid bottles but sold in pouch packs, so they are the one that are managing to get the conversion from loose to packed.

Mr. Sameer: Okay, and if we look at our Kaya business the margins are more in the products or in the services segment of Kaya.

Chaitanya Deshpande: Clearly it will be in services.

Mr. Sameer: Are we looking for an ideal product mix or we want to keep the product ratio to around 15-20% only.

Chaitanya Deshpande: No, we would like to grow this, because it would not be one at the cost of the other and therefore while the products are currently at around 15% we would want to look at expanding the share of product, so basically grow the entire Kaya revenue to both services and product.

Mr. Sameer: Yeah the headroom I believe will be more for products right?

Chaitanya Deshpande: Yes, ultimately yes. What we have done now is gone to some of this malls we will put kiosks there.

Mr. Sameer: Right.

Chaitanya Deshpande: This has been an experiment that we started this year; it has taken up fairly well. There are about I think 8 odd kiosks we got now and we are looking at scaling that up. So once that happen you know there would be some increase in revenue from product.

Mr. Sameer: Okay, yeah that is it from my side.

Chaitanya Deshpande: Thanks Sameer.

Mr. Sameer: Yeah

Moderator: Thank you Mr. Deshmukh as of now there are no further questions from the participants, would you like to add some closing remarks?

Mr. Deshmukh: Yeah on behalf of IL&FS Investsmart I will again like to thank all the participants and the management of Marico for giving us this opportunity to host the conference call, thank you.

Vinod Kamath: Yeah it is the pleasure having you with us today, if there is any feedback you can get back to us. I will have my email id here. My email id is Vinodk@maricoindia.net.

Chaitanya Deshpande: Mine is chaitanyajd@maricoindia.net thank you.

Moderator: On behalf on IL&FS Investsmart limited that concludes this morning's conference, thank you for joining us. You may now disconnect.