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Marico – Information Update for Q1FY16 (Quarter ended June 30, 2015)

Executive Summary: Consolidated FMCG Results

Particulars (INR Cr)	Q1FY16	Growth
Revenue from Operations	1,783	10%
EBITDA	325	22%
EBITDA Margin (%)	18.2%	
Profit After Tax	238	28%
India Volume Growth (%)		6%
Overall Volume Growth (%)		5%

During the quarter ended June 30, 2015, Marico posted Revenue from Operations of INR 1,783 crore (USD 283 million) a growth of about 10% over Q1FY15. The topline was driven by 6% volume growth in India leading to overall volume growth of 5%. The Domestic business recorded a value growth of 12% while the International business posted a growth of 4%.

International Consumer Products Corporation, the wholly owned subsidiary of the Company in Vietnam, divested its entire stake in its subsidiary, Beauté Cosmétique Societé Par Actions, during the quarter. The divestment resulted in a gain of Rs. 9.6 Crore, which is included under "Other Income" in the published financials. The growth in Profit after Tax (excluding this one-time gain) was 24% for the quarter.

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

- Market share gains continue in ~ 80% of the portfolio; almost the entire Domestic portfolio gained share.
- Healthy volume growth in key categories in India: Parachute Rigids 8% & Value Added Hair Oils (VAHO) 14%
- Continued premiumization in VAHO in India with higher share gain in value (230 bps) as compared to volume (124 bps).
- 4 Prototypes in the market – 3 in Value Added Hair Oils and 1 in Leave-in Conditioners to fuel premiumization of hair nourishment portfolio. These prototypes will be scaled up based on prototype results.
- Flat constant currency growth in International for Q1FY16 –Bangladesh 2%, Middle East 24%, SA 3%
- Vietnam and Egypt businesses declined – near term outlook is positive. Distribution transition in Egypt is taking time.
- Q1FY16 EBITDA margins: Marico India 21.6% and Marico International 18.3%

Summary of value growth across Businesses:

Categories/Businesses	Q1FY16	Share of Group's Turnover basis FY15 results
Group	**10%**	
India FMCG Business	12%	78%
International FMCG Business	4%	22%

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

Brand & Territory	~MS%	Rank	Brand & Territory	~MS%	Rank
Coconut Oils (India) (Parachute and Nihar)	57%	1st	Parachute Coconut Oil (Bangladesh)	81%	1st
Saffola (Refined Oils) – Super Premium Refined Oils in Consumer Packs (India)	58%	1st	Post wash Leave-On Serums (India) (Livon and Silk & Shine)	82%	1st
Hair Oils (India) (Parachute Advansed, Nihar, Hair & Care)	29%	1st	*X-Men Men's Shampoo (Vietnam)	39%	1st
Value Added Hair Oils (Bangladesh)	15%	3rd	*Hair Code & Fiancée Gels/Cream (Egypt)	59%	1st
Deodorants (India) (Set Wet and Zatak)	3%	6th	*Hair Creams/Gels (India) (Set Wet and Parachute After shower)	47%	1st
*Saffola Oats (India)	22%	2nd	Parachute Advansed Body Lotion (India)	6%	3rd

***Value market shares**

Note: All numbers mentioned in INR in this note are converted to USD basis INR/USD of 63, being the average rate for the quarter.

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Domestic FMCG Business: Marico India

The FMCG Business in India achieved a turnover of INR 1,428 crore (USD 227 million) during the quarter, a growth of about 12% over Q1FY15. The Business continues to gain market share in more than 95%of the portfolio.

The volume growth in India was at 6% for the quarter. The overall sales growth was bolstered by strong growths in the focused rigid bottle segment of Coconut Oil and Value Added Hair Oil portfolio.

The operating margin of the India FMCG business during Q1FY16 was 21.6% before corporate allocation. The Company believes that an operating margin for the Domestic business in the band of 17% to 18% is sustainable in the medium term. Higher operating margins can be attributed mainly to gross margin expansion led by softer inputs costs.

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

Categories	Q1FY16		% of Group's FY15 Turnover
	Value Growth	Volume Growth	
Marico India	12%	6%	78%
Parachute Coconut Oil (Rigid packs)	16%	8%	27%
Value Added Hair Oils portfolio	19%	14%	19%
Saffola (Refined Edible Oil)	7%	4%	14%

Parachute and Nihar – *Volume Growth in focus portfolio continues – gains in MS*

Marico participates in the INR 4,500 crore (USD 714 million) branded coconut oil market through Parachute and Nihar. Parachute's rigid portfolio (packs in blue bottles), recorded a volume growth of about 8% for Q1FY16 over Q1FY15. During the 12 months ended June 2015, Parachute along with Nihar increased its market share by more than 80 bps to 57%. A strong volume growth coupled with market share gains is a testimony to the pricing power that Parachute enjoys. The commodity prices have come down by around 20% from its peak. The Company believes that this is a reaction to arrivals in the market and the prices are likely to firm up again. The Company will continue to resort to tactical measures to manage pricing skews.

The non-focused part of the portfolio (mainly pouch packs) continued to witness de-growth as the Company maintained minimum threshold of margins in an environment where the commodity prices witnessed correction from the peak.

Of the total coconut oil market, approximately 35-40% in volume terms is in loose form. This loose component provides headroom for growth to branded players. The Company's flagship brand Parachute, being the market leader, is well placed to capture a significant share of this growth potential on a sustainable basis. The Company would continue to exercise a bias for franchise expansion as long as margins remain within a band.

Saffola: Super premium refined edible oils and breakfast cereals – *ROCP face pricing headwinds, long term actions being taken to get back to double digit volume growth, Foods continue to fuel growth.*

The Saffola refined edible oils franchise grew by 4% in volume terms during Q1FY16 over Q1FY15. The slowdown has been primarily led by unprecedented increase in price premiums against the other refined oils like Sunflower and Soya oils.

In line with the Company strategy to not sacrifice long term growth for short terms gains, Marico did not take any pricing action on the portfolio. Instead, the Company is prototyping different regional strategies involving variant specific pricing and advertising inputs. Over the medium term, we are also looking at the innovation pipeline. Since most of the actions being taken are being addressed for long term sustainability, it will take couple of quarters to revive growth into this category.

Despite a lower rate of growth, the brand gained market share by 341 bps and further strengthened its leadership position in the super premium refined edible oils segment to 58% during the 12 months ended June 2015.

Saffola's foray into healthy foods, Saffola Oats, has emerged as a strong no.2 brand in the oats category with a value market share of 22%. Various distribution initiatives undertaken by the Company have resulted in Saffola oats now being the most distributed oats brand in country, overtaking the market leader. Saffola Masala oats are available in six variants. Focus on value added offerings in the oats segment has enabled the Company to capture 64% value share in the flavoured oats market on a MAT basis. The portfolio is consistently gaining share with Q1FY16 value market share of 65%. The franchise is well poised to achieve INR 125 Crore (USD 20 million) landmark this year. The Company's ability to localize the product to suit the Indian palate and drive consumption by increasing the occasion of use apart from breakfast to in-between meals has been the key catalyst in creating and succeeding in this category. The Company continues to focus on improving the margins in this franchise with focused cost management in order to ensure sustainable profitable growth.

Value Added Hair Oils (Parachute Advansed, Nihar Naturals and Hair & Care) – *Soild growth and MS consolidate*

Marico's hair oil brands (Parachute Advansed, Nihar Naturals and Hair & Care) grew by 14% in volume terms during Q1FY16 over Q1FY15. Marico continues to grow faster than the value added hair oils market of INR 5,800 crore (USD 921 million). During the quarter, the Company further strengthened its market leadership by 124 bps to 29% volume share (for 12 months ended June 2015) and continues to premiumize with value share gain of 230 bps to 23% for the same period. Going forward, the Company will focus on premiumization to drive growth in the category.

Marico has got a strong bouquet of products in Value Added Hair Oils with three brands (Nihar Shanti Amla, Parachute Advansed Jasmine & Nihar Naturals) crossing INR 250 Crores (USD 40 million) of turnover individually in a category which is now more than INR 1000 crores (USD 164 million). Nihar Hair Oils Franchise is now more than INR 500 crores.

Nihar Shanti Amla continues to gain market share and achieved a volume market share of about 34% for the 12 months ended June 2015 in the Amla hair oil category (MAT Q1FY15: 30%). The exit market share of Nihar Shanti Amla was more than 37% reflecting a continued strong trajectory of growth. The increased scale of the franchise enables the Company to benefit from operating leverage thereby improving net margins despite competitive pricing. The Brand has been able to narrow the gap vis-à-vis the market leader to circa 10% from 36% three years ago (on exit basis).

Parachute Advansed Ayurvedic Oil, with presence in southern states, continues to grow rapidly and is on course to cross turnover of circa INR 60-65 crores (USD 10 million) in FY16.

Marico had launched two prototypes in FY15, Parachute Aromatherapy in Mumbai and Nihar Naturals Sarson Kesh Tel, a value added mustard oil in Rajasthan. Parachute Aromatherapy which reaches the top-end consumers has received positive initial response and created conversations in the category. Nihar Naturals Sarson Kesh Tel's performance has also been satisfactory. The Company would decide about scale-up based on the results of the prototype.

The third prototype in hair oils, Parachute Advansed Aloe Vera Enriched Coconut Hair Oil, was launched in the Maharashtra market in June 2015. The product is aimed to provide the perfect balance of sensorial and hair nourishment to the consumer.

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

Mass Skin Care: Parachute Advansed Body Lotion – ***Gaining traction slowly in a reviving category***

Body Lotion, an INR 1,000 crore (USD 159 million) category in India, has shown a growth of ~ 10% in Q1FY16 after remaining flat during FY15. Parachute Advansed Body lotion hit a 7% volume share (exit Jun'15) riding on growth of the summer range of body lotions in Q1FY16.

The body lotion penetration level is below 20% in India. The Company plans to increase its participation in the skin care segment by improving distribution and awareness about body lotion in longer term.

Youth brands – ***Strategy plays well for Hair Gels***

The Youth brands portfolio plays in three categories i.e., Hairs Gels, Leave-in serums and Deodorants. The Set Wet gels and Livon portfolio (which also consists of a hair gain tonic) forms 2/3rd of the Youth portfolio. The Company will focus on expanding these high margin categories while maintaining share in the cluttered deodorants category (1/3rd of the Youth Portfolio).

Set Wet Gel brand was re-launched in Q4 last year. During the quarter, the portfolio grew handsomely in double digits, riding on focused brand building efforts, new pack and expanded distribution. It has also been gaining market share consistently which is testimony to the effectiveness of the revamped strategy.

The Deodorants portfolio declined owing to a high base in Q1 FY15 (launch of Set Wet Infinity). The Company's strategy would be to hold market shares in this portfolio. It will also benefit from the positive rub-off from Set Wet gels brand building initiatives.

Livon declined in Q1 FY 16 over same quarter last year. The Livon franchise has been impacted by counterfeits in the Hair Gain segment and lack of investments in growing the serum category. The Company has planned initiatives to tackle the menace of counterfeits and in the 2nd half of FY16 the Company will take significant steps to grow the serums category. To explore further growth opportunities in the Hair Gain segment, a new variant - Livon Hair Gain for Women was launched in July as a prototype in markets of Delhi & NCR. Based on prototype results, the Company would decide the scale up plans.

Overall, the Youth brands portfolio declined by 5% in value terms.

The Hair Gels and Creams (Set Wet and Parachute) and Live-in Conditioners (Livon and Silk and Shine) now have 47% and 82% share in their respective categories. These categories are at a very nascent stage as their penetration in India is far lower as compared to other emerging markets. Being market leaders, the Company is well poised to innovate and grow the market.

Input Costs and Pricing

The average market price of copra during were down in Q1 of FY16 by 7% sequentially and lower by 11% compared to same quarter last year owing to better arrivals in the peak season. However, the prices are expected to firm up during the non-peak season.

The market prices of the other key inputs, Rice Bran oil and Liquid Paraffin (LP), were down 10% and 28% respectively during the quarter as compared to Q1FY15. HDPE (a key ingredient in packaging material) price was down 6% compared to Q1FY15. The increase in crude oil price has resulted in LLP prices being flat compared to Q4 FY15.

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

Marico's rural sales continue to clock a faster pace of growth at 15% as compared to urban sales which also grew at 8%. The continued focus on distribution expansion in rural markets has pushed the Company's rural sales to 33% of total domestic sales in FY15. In rural, incremental direct coverage provides an ideal platform to enhance the reach of the Value Added Hair Oils portfolio. The Company has increased its direct rural reach by 25% to 50,000 villages in the last two years. Though we haven't experienced slowdown in Rural, future growth in rural will depend on how monsoon pans out in the season. The recovery in urban markets can be expected in the 2nd half of FY16.

Sales in Modern Trade (9% of the domestic turnover) continued its good run with sales growing by 10% in Q1FY16. CSD and Institutional sales (7% of the domestic turnover) grew at a healthy rate of 22% in Q1FY16.

Project ONE (Outlet Network Expansion) was conceived with an objective of increasing Marico's direct coverage in its top 6 metros. The project has increased direct coverage in these cities by 60%. Project ONE has significantly augmented the reach of the Company's brands by improving assortment and availability at the outlet. It has met with a very positive response from the retailer community as it gives them convenience of service and access to promotions. Incremental Turnover coming through Project ONE is on track and is expected to do an annualized business of INR 65-75 crore (USD 10-12 million) by the end of FY16. The Company is in the process of expanding the coverage of this initiative in the current year to next level of towns.

Robust IT infrastructure is a backbone of any successful sales system and towards that, the Company has embarked on a journey to refresh and reconfigure its point of sale IT infrastructure and Distributor Management system. This would enable the Company to improve visibility, sales force productivity and strengthen commercial controls. The prototype with a few distributors has already begun.

Further, the Company has embarked on a technology driven collaboration platform with its customers. The new Order Management Execution Platform enables automatic ordering through system which will help to drive right inventory and service levels. The usage of this platform is being scaled up in a systematic manner and should be completed by end of September. The prototype on use of Advanced Analytics to predict store level assortment in one of the major cities is underway and the initial results are encouraging.

Both these initiatives have received a very positive feedback from the distributor and sales force. These initiatives will help the business manage the increasing scale and range of more than 250 SKUs flowing through the distributors and retailers.

As e-commerce takes off in India, the Company has taken definitive steps to stay ahead of the curve and has identified and appointed dedicated resources for e-commerce.

International FMCG Business: Marico International

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

Particulars	Q1FY16
Turnover (Rs/Cr)	355
Reported Growth	4%
Constant Currency Growth	0%
Exchange Rate impact (Favorable)	4%

The Core markets delivered single digit growths with Bangladesh growing at 2%, MENA at 4% and South Africa at 3% on constant currency basis. However, Vietnam de-grew during the quarter. The plan of expansion in adjacent markets such as Nepal, Pakistan, Cambodia, Myanmar, Sri Lanka, North Africa etc., is largely on track. The Company has already made a strategy to enter into six countries in Sub-Saharan Africa with primary focus on East Africa.

The operating margin (before corporate allocations) has remained range bound in the quarter at 18.3% as against 18.5% in Q1FY15. The Company endeavor to maintain international margins in the region of 16-17% and continue to invest and plough back savings to drive growth.

Bangladesh (45% of the International Business)

The Bangladesh business reported a topline constant currency growth of 2% in Q1FY16. The topline growth was driven by overall volume growth of 3% over Q1FY15 backed by continued performance in the value added hair oils portfolio.

Parachute coconut oil remained flat in constant currency terms during the quarter and maintained leadership position with 81% share. Given that the scope of growth in Bangladesh's Parachute coconut oil is limited, the Company has taken substantial measures in driving adjacent sources of growth to diversify the portfolio. However, the coconut oil franchise continues to have a larger share of the business and needs to continue to grow. Therefore the Company has initiated a modest price correction in July in the coconut oil portfolio to perk up growth in this segment.

During the quarter, the Company's value added hair oils portfolio grew at a rate of 9% in constant currency terms.

The Company's HairCode brand (coupled with HairCode Active variant) gained 490 bps share and continued to lead the powdered hair dye market with a value market share of around 42%. During Q1FY16, the brand grew by 7% in constant currency terms.

The Company had extended the Set Wet and Livon franchise to Bangladesh in FY15. Both are gaining traction in the Bangladesh market on the back of strong distribution network created over the years. A new SKU size under the Brand Set Wet was launched to cater to the needs of rural & semi-urban markets and to improve saliency.

In the last couple of years, the Company has made significant investments to expand its non-coconut oil portfolio such as Value Added Hair Oils (VAHO), Hair Dyes, Deodorants, Leave-in conditioners and Premium Edible oils. These products have been accepted well and are expected to create a portfolio of the future in Bangladesh. Consequent to these initiatives, the non-coconut oil portfolio is now circa 20% of the total business in Bangladesh as compared to 10% three years back. The new launches offer a substantial proposition for future roadmap in Bangladesh. The Company expects to leverage its strong distribution network and learning from the India market to quickly scale up its new product introductions in Bangladesh. From FY17 onwards, more than 80% of the incremental growth in the Bangladesh business is expected to come from the non-coconut oil portfolio backed by modest growth in core coconut oil business.

Middle East and North Africa (18% of the International Business)
The MENA business on an overall basis grew by 4% (constant currency basis) during Q1FY16 as compared to Q1FY15. This is mainly on account of strong recovery in the Middle East business.

The Middle East business continued the positive momentum and grew on constant currency basis by 24% in Q1FY16. In addition to growth in current quarter, the business has grown in double digits in all the quarters in FY15 and has reduced its losses substantially. This trend of improvement is expected to continue and the management expects the business to become consistently profitable by FY17.

The Company had undertaken a distribution transition in Egypt in FY15. The transition was aimed at eliminating dependence on single distributor and achieving better go-to-market (GTM) model for realizing the maximum distribution potential. The post transition lead indicators are looking positive and in the long run, this is expected to bring in many transformational benefits such as increased direct distribution, improved retail selling, professional set-up of distribution and reduced working capital requirement resulting in lower credit risk. However, due to this transition and also due to subdued consumer demand, the business is experiencing short term challenges leading to decline in turnover by 18% in Q1FY16. This marks the completion of the final phase of GTM transformation in MENA.

South East Asia (26% of the International Business)
Business in South East Asia (of which Vietnam is a significant contributor) declined by 5% in constant currency terms. On a like to like basis (without considering Beauté Cosmétique Societé Par Actions, which was divested during the quarter), the top line growth was flat. There are signs of consumption headwinds weakening and the transition into new management is also settling down well. The Company is also working on new product launches in Q2. Better macro-economic indicators, a robust new product pipeline and a clean-up of distributor inventory levels over the last one year, should perk up the volume growth during the next 3 quarters. X-Men maintained its leadership in male shampoos and the number two position in male deodorants. Over the medium term, the Company remains well poised to participate in the category growths when economic growth picks up.

The Company continues to scale up its presence in neighboring countries like Malaysia and Myanmar.

South Africa (8% of the International Business)
The business reported a constant currency growth of 3% during the quarter amidst challenging macro conditions. The County's Economy is struggling to gain traction as power crises continue to become worse, drought has impacted agricultural output and increased risk of labour disruptions.

The first distribution agreement was signed with an East African country and exports shall commence soon. The Company is making plans for entry strategy in 6 other sub-Saharan African markets organically. Considering similarity in consumer habits, Company is planning to invest organically over next 2-3 years significantly in these markets.

Note: The country wise contribution to International Business revenue is based on FY15 turnover.

OPERATING MARGIN STRUCTURE FOR MARICO FMCG Business

% to Sales & Services (net of excise)	Q1FY16	Q1FY15	FY15
Material Cost (Raw + Packaging)	53.8	54.9	54.4
Advertising & Sales Promotion (ASP)	11.1	11.8	11.3
Personnel Costs	5.1	5.3	5.7
Other Expenses	11.8	11.6	13.4
PBDIT margins	18.2	16.4	15.2
PBDIT before ASP	29.3	28.3	26.5

(a) The average market price of copra, the largest component of input costs, was 11% lower in Q1FY16 as compared to Q1FY15. Also, the market prices of liquid paraffin were 28% lower as compared to Q1FY15. The market price of safflower oil was up by 13% and rice bran oil was lower by 10%. The consumption prices may differ from market prices depending on the stock positions the Company has taken. On an overall basis, the gross margins improved by 110 bps during the quarter.

(b) Overall increase in ASP spends during the quarter was 3%. Significant part of the overall ASP is invested behind new products such as Value Added Hair Oils, Foods and Youth portfolio in India. . The ASP spends as % to sales was lower at 11.1% as against 11.8% in Q1 FY15 primarily due to lower ASP spends in Egypt & Bangladesh. The Company also continues to invest behind the core i.e., Value Added Hair Oils and Saffola in India and Hair Oils and Hair Creams in the Middle East. The Company expects to operate in a band of 11-12% in the medium term.

(c) Personnel Costs in Q1FY16 increased by 7% over Q1FY15 on account of annual salary revisions partially getting offset by lower Stock Appreciation Rights Scheme (STAR) and retirement benefit related provisions.

(d) The other expenses include certain items which are variable in nature (almost $3/4^{th}$ of other expenses). Other expenses are likely to remain in the range of 12-15% of Turnover in the medium term.

   a. Fixed Expenses include items such as rent, legal and professional charges, foreign exchange losses and donation. In Q1FY16, there has been a steep increase in fixed expenses due to the realized foreign exchange losses on hedging of a part of ECB loan taken for funding ICP acquisition. The incremental hit on this account in Q1 FY16 was INR 10.2 Crore. Excluding the same, other fixed expenses have increased by 10% owing to higher Legal & Professional charges towards outsourcing of transactional operations.

   b. Variable Expenses include items such as freight, subcontracting charges, power and fuel, warehousing, input and output taxes etc. The variable expenses have increased by 5% on account of inflation in freight and other rates & taxes.

Other Expenses	Q1FY16	Q1FY15	% variation
Fixed	61.7	47.3	30%
Variable	148.1	140.5	5%
Total	209.8	187.8	12%

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

Capital Expenditure and Depreciation

The estimated capital expenditure in each of the years FY16 and FY17 is likely to be around INR 100–125 crore (USD 16-20 million).

Depreciation during Q1FY16 was INR 20.6 crore (USD 3.3 million) compared to INR 20.4 crore (USD 3.2 million) in Q1FY15. The increase in annual depreciation is compensated by lower impairment provisions in the current quarter.

Direct Taxation

The Effective Tax Rate (ETR) during Q1FY16 is 27.2% as compared to 26.3% during Q1FY15. The increase in the ETR is primarily due to one of the factories in India moving into 30% exemption bracket from 100% exemption. From this year, there has been an increase in tax rate in Bangladesh.

The expected ETR during FY16 and FY17 could be around 29-30%. It should be noted that this tax rate is basis the accounting charge in the P&L account. The Company will continue to pay basis MAT and therefore from the cash flow point of view there is no change. The current MAT credit of about INR 104.64 crore as of June 2015 is expected to be utilised by the Company over the next 3 to 4 years, starting with the current fiscal (total utilization of INR 14.38 Crore in Q1 FY16).

Capital Utilization (Marico Group)

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

Ratio	Q1FY16	Q1FY15
Return on Capital Employed - Marico Group	56.1%	48.9%
Return on Net Worth – (Group)	48.8%	50.8%
Working Capital Ratios (Group) - Debtors Turnover (Days) - Inventory Turnover (Days) - Net Working Capital (Days) including surplus cash	 12 47 39	 16 44 37
Debt: Equity (Group)	0.22	0.46
Finance Costs to Turnover (%) (Group)	0.2%	0.4%

* Turnover Ratios calculated on the basis of average balances

1. The variation in ratios is due to:
    1. ROCE has improved on account of increase in EBIT being higher than increase in Capital Employed.
    2. The debtor days have come down on account of distribution transition in Egypt (lower credit).
    3. Increase in inventory days is on account of increased stock levels in India & International geographies.
    4. Increase in net working capital days is primarily on account of increased stock levels and surplus cash.
    5. Finance cost as a % of turnover has come down because the Gross Debt of the Company has reduced.

2. The Net Debt position of the Marico Group as of June 30,2015 is as below-

Particulars (INR/Cr)	**Jun 30, 2015**	**Jun 30, 2014**
Gross Debt	415	660
Cash/Cash Equivalents and Investments (Marico Ltd: INR 600 Crore. Marico International: INR 200 Crore)	800	582
Net Debt/(Surplus)	**(385)**	**78**
Foreign Currency Denominated out of the total gross debt (55% of Gross Debt hedged) (Also refer to Note 4 below)	407	450
Foreign Currency Denominated : Payable in One Year	236	197
Foreign Currency Debt as a % age of Gross Debt	98%	68%
Rupee Debt out of the total gross debt	7	210
Rupee Debt : Payable in One Year	7	210
Total Debt Payable within One year	243	407
Average Cost of Debt (%) : Pre tax	2.5%	5.0%

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

5. The Company had, opted for early adoption of Accounting Standard 30 "Financial Instruments: Recognition and Measurement" to the extent it does not conflict with existing mandatory accounting standards and other authoritative pronouncements. Accordingly, the net unrealized loss of INR 63.7 Crores as at June 30, 2015 (INR 73.7 Crores as at June 30, 2014) in respect of outstanding derivative instruments and foreign currency loans at the period end which qualify for hedge accounting, stands in the 'Hedge Reserve', which is recognized in the Statement of Profit and Loss on occurrence of the underlying transactions or forecast revenue. The exchange loss transferred to Statement of Profit and Loss for Q1FY16 due to hedging of USD 8 million ECB is INR 14.9 Crore (USD 2.4 million) (also refer paragraph (d) under the section of Operating Margin Structure).

Awards

Corporate Awards:

- Marico is ranked No.3 in the FMCG category in the Economic Times **Great Place to Work** India Survey 2015.

Brand Awards:

- **Saffolalife** won 2 Awards at the Goafest Media ABBY Awards , a Silver for 'Best use of Ambient Media' and a Bronze for 'Best Integrated Campaign'
- **Marico Brands** bagged 2 Gold and 1 Silver medal at the Indian Digital Media Awards. 1 Gold for **Saffolalife**, 1 Gold for **Parachute Advansed Body Lotion** and 1 Silver for **Saffola Fit Foodie**.
- Marico Brands won 4 EFFIES – 2 Golds for **Saffola Masala Oats** , 1 Bronze for **Nihar** and 1 Bronze for **Parachute Advansed Ayurvedic**

Other Development

During the quarter, International Consumer Product Corporation a subsidiary of the Company has divested its stake in Beaute Cosmetique Societe Par Actions (BCS) on May 14, 2015. . The profit on sale of this divestment amounted to INR 9.6 crores and has been included in Other Income under statement of profit and loss account. The divestment proceeds have been applied for retiring the outstanding loan in Vietnam.

Marico's Growth Philosophy

Marico aspires to be an admired emerging market MNC with leadership in two core categories of nourishment and male styling in two continents – Asia and Africa. Over the next three years, Marico will take definitive steps to meet this aspiration by seeking to win amongst consumers, trade and talent. Towards this goal of 2018, the Company has identified 5 areas of Transformation where it will develop top quartile capability and processes. They are Innovation, Go To Market transformation, Talent Value Proposition, IT & Analytics and Cost Management.

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

Short / Medium Term Outlook

Marico India

- While there has been no significant recovery on ground, the Company expects urban consumption to recover gradually. The direct distribution initiative of Project ONE is expected to fuel volume growths in the Metro markets.
- The Company will strive to report volume recovery and maintain medium-term growth rates in the range of 8-10% by growing the core and rapidly scaling New Products.
- The Company has a robust innovation pipeline with multiple prototypes planned for the current year.
- Sustain efforts to premiumize in the value added hair oils category to further strengthen its Value market leadership.

- Saffola annualized volume growth is expected to be back in line with the medium term outlook of 8-10% by end of FY16. However, currently this portfolio is facing pricing headwinds.
- The Foods franchise is expected to contribute up to INR 200 Crore (USD 32 million) in next couple of years.
- Execute the revamped strategy and drive innovation in the Youth portfolio to enable growth of at least 15% over medium term.
- Over the medium term, operating margin of about 17% to 18% is sustainable.

Marico International

- The Company will continue its efforts in building organic growth capability.
- It expects to clock an organic top line growth of ~ 15% in constant currency in the medium term. Any acquisition will add to the organic growth. However, in the current year, the Company would like to target a growth in the range of 10-12%.
- The structural shift in operating margins is expected to be sustained at around 16-17%. Any excess will be ploughed back to fund future growth.
- The Company believes that the core markets of Bangladesh, Vietnam and MENA are invest to grow markets and the Company will continue to drive growth with new launches and capability building initiatives.

Overall (India + International)

- The Company will aim at a volume growth of 8-10% and a topline growth of ~ 15% in the medium term. In the current year, though, the growths may be lower at 5-8% in volume terms and 10-13% in value terms.
- Operating margin is expected to be maintained in a band of 15-16%. In the current year, however, given the benign raw material price scenario, the margins may expand to circa 17% levels.
- The Company will focus on deriving synergies from the unification of Domestic and International FMCG businesses. This includes acceleration of cross pollination & portfolio harmonization, talent mobility, supply chain synergies and process harmonization leading to cost arbitrage.
- The Company will focus on fewer but bigger innovations to create growth engines of the future.
- Market growth initiatives in core categories and expansion into adjacent categories will be supported by investments in ASP in the region of 11-12% of sales with focus on brand building.
- The Company will continue to invest in increasing its direct rural reach and Go To Market transformation initiatives including driving saliency through e-commerce.
- The Company will focus on building capabilities to set it up for growth in the long run.
- The Company will continue to support various initiatives which are true to its Purpose of "Make a Difference".

THANK YOU FOR YOUR PATIENT READING

Performance of Marico India and Marico International for Q1FY16

Marico Group has only one reportable segment i.e., FMCG Business. However, for better appreciation of the financial results, the Company has provided a break-up of its domestic and international business performance.

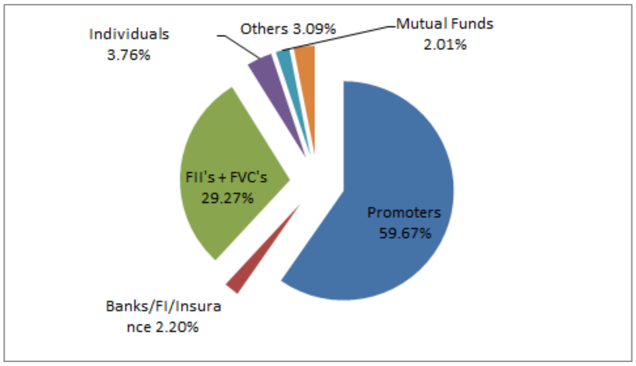
INR Crore

Particulars	Q1FY16	Q1FY15
1. Segment Revenue		
i. India	1,428	1,280
ii. International	355	343
2. Segment Result		
(Profit before Interest and Tax and exceptional items)		
i. India	300	232
ii. International	57	55
3. Segment Result as % of Segment Revenue		
i. India	21.0%	18.1%
ii. International	16.1%	16.1%
3. Capital Employed (Segment Assets - Segment Liabilities)		
i. India (refer Note 1 below)	796	792
ii. International (refer Note 2 below)	691	568

Note 1: Capital Employed in International has gone up due to Goodwill resulting from further increase in Stake in ICP because of buy back of minority shareholders and revaluation of Goodwill.

Annexure 1-A: SHAREHOLDING PATTERN

The Shareholding pattern as on June 30, 2015 is as given in the graph below:

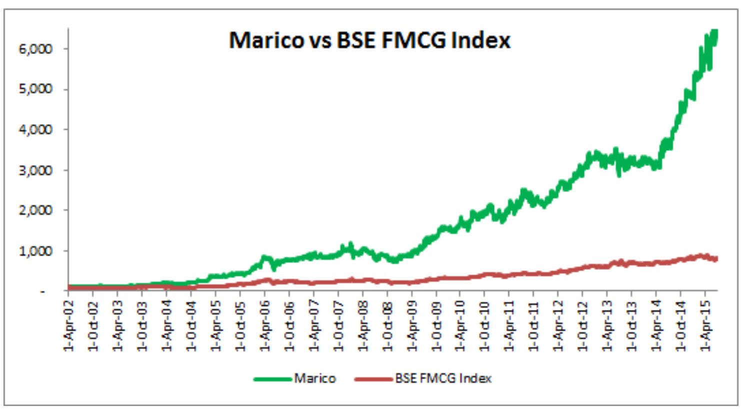


Details of ESOPs as on June 30, 2015:

Details of the Plan	Total Options Granted	Options Forfeited	Options Exercised	Options pending to be exercised
ESOP Plan 2007	11,376,300	6,663,465	4,702,465	200
ESOP Plan 2014	300,000	Nil	Nil	300,000
MD-CEO ESOP Plan 2014 – Scheme 1	46,600	Nil	Nil	46,600

*** Options pending to be exercised are less than 0.1% of the issued share capital**

Annexure 1-B: SHARE PERFORMANCE ON STOCK EXCHANGES



- Marico's long term performance on the exchange vis-a-vis its peer group is depicted in the graph alongside.
- Marico's market capitalization stood at INR 29,064 crore on June 30, 2015. The average daily volume on BSE and NSE during Q1FY16 was about 1,408,861 shares.
- On 29th May, Marico Limited entered MSCI Index.

Annexure 1-C: Average Market Prices of Input materials

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

	Rs/100KG	Rs/100KG	Rs/10KG	Rs/10KG	Rs /LT	Rs / KG
Month	**COCHIN CN OIL**	**COPRA CALICUT**	**KARDI OIL JALNA**	**RICE BRAN**	**LIQUID PARAFFIN**	**HDPE**
Apr-14	14,405	10,245	907	565	60	122
May-14	15,563	10,746	878	572	59	122
Jun-14	14,384	10,076	840	568	59	122
Jul-14	15,135	10,549	924	582	59	126
Aug-14	16,500	11,467	919	577	59	127
Sep-14	15,752	10,881	901	563	59	127
Oct-14	14,842	10,476	915	499	55	124
Nov-14	14,058	9,887	945	479	51	116
Dec-14	12,833	9,294	957	480	46	111
Jan-15	13,724	9,965	998	500	42	112
Feb-15	13,692	9,821	959	506	41	96
Mar-15	13,431	9,892	934	494	43	104
Apr-15	13,931	9,927	953	499	43	112
May-15	13,312	9,092	999	511	43	118
Jun-15	11,915	8,481	1,026	518	42	117
Q1FY16 vs Q1FY15	-12%	-11%	13%	-10%	-28%	-6%
Q1FY16 vs Q4FY15	-4%	-7%	3%	2%	2%	11%

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

	20 ml	100 ml	250 ml	500 ml	1 Ltr	1 Ltr	1 Ltr	1 Ltr
Month	**PCNO**	**PCNO**	**PCNO**	**PCNO**	**Saffola Total**	**Saffola Tasty**	**Saffola Gold**	**Saffola Active**
Apr-14	7	31	79	157	185	135	145	125
May-14	7	31	79	157	185	135	145	125
Jun-14	8	34	87	173	185	135	145	125
Jul-14	8	34	87	173	185	135	150	130
Aug-14	8	34	87	173	185	135	150	130
Sep-14	8	34	87	173	185	135	150	130
Oct-14	8	34	87	173	185	135	150	130
Nov-14	8	34	87	173	185	135	150	130
Dec-14	10 - 25 ml	34	87	173	185	135	150	130
Jan-15	10 - 25 ml	34	87	173	185	135	150	130
Feb-15	10 - 25 ml	34	87	173	185	135	150	130
Mar-15	10 - 25 ml	34	87	173	185	135	150	130
Apr-15	10 - 25 ml	34	87	173	185	135	150	130
May-15	10 - 25 ml	34	87	173	185	135	150	130
Jun-15	10 - 25 ml	34	87	173	185	135	150	130

 For further information / clarification, contact Marico on Tel (91-22) 6648 0480, E-mail: investor@maricoindia.net

Annexure 1-E: Consumer Offers for the Quarter

Coconut Oil					
Parachute	25 ML Extra	175 ML	April	Extra Volume	National
Parachute	100 ML Extra	500 ML	April	Extra Volume	National
Parachute	10 ML Extra	40 ML	May	Extra Volume	National
Parachute	25 ML Extra	175 ML FT	June	Extra Volume	National
Parachute	50 ML Extra	250 ML FT	June	Extra Volume	National
Edible Oils					
Saffola Gold	20% Free	5Ltr	April	Extra Volume	National
Saffola Total	20% Free	5Ltr	June	Extra Volume	National
Saffola Gold	20% Free	5Ltr	June	Extra Volume	Modern Trade - National
Saffola Gold	Price off Rs 20	1Ltr	June	Price off	National
Hair Oils					
Hair & Care	Price off Rs 5	100 ml	April	Price off	National
Hair & Care	Price off Rs 10	200 ml	May	Price off	National
Nihar Naturals	Price off Rs 5	100 ml	April	Price off	National
Nihar Naturals	20% Free	200 ml	June	Extra Volume	National
Parachute Jasmine	Price off Rs 5	200 ml	May	Price off	National

Annexure 2: Profile giving Basic / Historical Information

Marico is a leading Indian Group in Consumer Products in the Global Beauty and Wellness space. Marico's Products in Hair care, Skin Care, Health Care and Male Grooming generated a Turnover of about INR 57 billion (USD 940 Million) during 2014-15. Marico markets well-known brands such as Parachute, Saffola, Hair & Care, Nihar, Parachute Advansed, Nihar Naturals, Mediker, Revive, Set Wet, Livon, Fiancée, HairCode, Caivil, Black Chic, Code 10, Ingwe, X-Men, and Thuan Phat. Marico's brands and their extensions occupy leadership positions in 90% of its portfolio. Marico's products are present in Bangladesh, other SAARC countries, the Middle East, Egypt, South Africa, Malaysia, Myanmar and Vietnam.

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

Marico was incorporated in 1988 and during 1990 took over the then 40-year old consumer products business of The Bombay Oil Industries Limited. It made its initial public offer for equity shares in March 1996.

Reach

Marico today touches the lives of 1 out of every 3 Indians. Marico sells over 7.5 crore packs every month to around 7.5 crore households through about 3.6 million retail outlets services by its nation wide distribution network comprising 4 Regional Offices, 32 carrying & forwarding agents (CFAs) and about 5000 distributors and stockists. Marico's distribution network covers almost every Indian town with population over 20,000.

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

	Urban	Rural
Sales Territories	160	55
Town's covered (000's)	4.1	49.0
Distributor	761	-
Super Distributor	-	141
Stockists	-	4,053

Financial Highlights

Marico's focus on sustainable profitable growth is manifest through its consistent financial performance, a CAGR of 18% in Turnover and 15% in Profits in the FMCG business over the past 5 years.

Particulars (INR crores)	FY11	FY12	FY13	FY14	FY15
Revenue from Operations	3,128	3,980	4,596	4,687	5,733
Material Cost	1,618	2,132	2,210	2,399	3,119
Employee Cost	230	307	381	285	325
ASP	346	426	598	561	650
Other Costs	523	703	869	693	769
Profit Before Tax	376	400	552	695	822
Net Profit (PAT)	286	317	396	485	573
Earnings per Share (Rs)	4.7	5.2	6.1	7.5	8.9
Book Value per Share (Rs)	14.9	18.6	30.7	21.1	28.3
Net Worth	915	1,143	1,982	1,361	1,825
EBITDA%	13.30%	12.10%	13.60%	15.96%	15.18%
ROCE %	27%	26%	24%	32%	47%

Note: FY14 & FY15 financials does not include Kaya

Mode of Issue of this update

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

Marico Investor Relations Team

Ravin Mody	Head – Treasury, IR, Secretarial and M&A	(ravinm@maricoindia.net)
Darren Lobo	Manager – Investor Relations and M&A	(darrenl@maricoindia.net)

Contents of this Update

1. Financial results and other developments during Q1FY16 for the Marico Group – Marico Limited, Marico Bangladesh Limited, MBL Industries Limited, Marico Middle East FZE, Marico South Africa Consumer Care (Pty) Limited, Marico South Africa (Pty) Limited, MEL Consumer Care SAE, Egyptian American Investment & Industrial Development Company SAE, Marico Egypt Industries Company SAE (erstwhile Pyramid for Modern Industries), Wind CO, Marico Malaysia Sdn. Bhd., International Consumer Products Corporation, Beauté Cosmétique Societé Par Actions (till May 14, 2015), Thuan Phat Foodstuff Joint stock Company and Marico Consumer Care Limited.
2. A Profile containing basic/historical information on Marico.

We recommend that readers refer to the Marico Group financials to get a better appreciation of the business performance. A copy of the latest Annual Audited Financial Results of Marico Limited (Standalone and Consolidated) is available on Marico's website

Disclosure of Information, Communication with Investors / Analysts / Financial Community

Marico issues fresh information updates, like the one you are reading now on the day, it declares its Quarterly Financial Results. Some forward looking statements on projections, estimates, expectations, outlook etc. are included in such updates to help investors / analysts get a better comprehension of the Company's prospects and make informed investment decisions.

Actual results may, however, differ materially from those stated on account of factors such as changes in government regulations, tax regimes, economic developments within India and the countries within which the Company conducts its business, exchange rate and interest rate movements, impact of competing products and their pricing, product demand and supply constraints.

All the aforesaid information is also available on Marico's Website: www.marico.com In view of this, information contained in such updates is made public and thus not therefore constitutes unpublished price sensitive information under the SEBI (Prohibition of Insider Trading) Regulations, 1992.

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