Marico – Information Update for Q3FY15 (Quarter ended December 31, 2014)

Executive Summary: Consolidated Results

Particulars (INR Cr)	Q3FY15	Growth	YTD FY15	Growth
Revenue from Operations	1,452	21%	4,507	25%
EBITDA	237	17%	699	18%
EBITDA Margin (%)	16.3%		15.5%	
Profit After Tax	160	18%	463	17%
India Volume Growth (%)		5%		6%
Overall Volume Growth (%) (Ind+Intl)		2%		5%

The Company has declared a second interim dividend of 150% (INR 1.5 per share) at the meeting of its Board of Directors held on February 3, 2015. The Company has so far declared 250% dividend during FY15.

Salient points relating to the quarterly performance are as follows:

- Healthy volume growth of 8% in Parachute Rigids and 10% in Value Added Hair Oils (VAHO) in India
- Market share gains in more than 80% of the portfolio
- Continued premiumization in Value Added Hair Oils in India with higher share gain in value (172bps) as compared to volume (71bps)
- New Product Launches: Livon Moroccan Silk Serum in India and Parachute Advansed Extra Care hair oil in Bangladesh
- 6% constant currency growth in International - Bangladesh 18%, Middle East 39%, SA 9%. South East Asia growth was low at 2%
- Distribution transition completed in Egypt – had a one-time impact on growth and profits. This has not impacted the Company's market shares in the region. However, this transition together with political uncertainty in Bangladesh towards the end of December led to lower growth in international business
- Sequential improvement in EBITDA margins. International EBITDA margins at 17.6% (Q3FY14: 18.1%) and India EBITDA margins at 18.6% (Q3FY14: 18.7%), before corporate allocations

Summary of value growth across Businesses:

Categories/Businesses	Q3FY15	YTD FY15	Share of Group's Turnover basis FY14
Group	**21%**	**25%**	
India FMCG Business	26%	29%	75%
International FMCG Business	4%	11%	25%

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)	82%	1st
Saffola – Super Premium Refined Oils (India)	57%	1st	Leave-in Serums (India) (Livon and Silk & Shine)	82%	1st
Value Added Hair Oils (India)	28%	1st	*Hair Creams/Gels (India) (Set Wet & Parachute After Shower)	43%	1st
Value Added Hair Oils (Bangladesh)	16%	3rd	*Hair Code & Fiancée Hair Gels (Egypt)	64%	1st
*Saffola Oats (India)	19%	2nd	*X-Men Men's Shampoo (Vietnam)	38%	1st

No.1 in more than 90% of portfolio

***Value market share**

Note: All numbers mentioned in INR in this note are converted to USD basis INR/USD of 62, being the average rate for the quarter.

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

Domestic FMCG Business: Marico India

The FMCG Business in India achieved a turnover of INR 1,140 crore (USD 184 million) during the quarter, a growth of about 26% over Q3FY14.

The volume growth in India was at 5% for the quarter. The overall sales growth was bolstered by the price increases taken across the portfolio to cover a major part of the input cost push.

Summary of growths across key segments:

Categories	Q3FY15		YTD FY15		% of Group's turnover basis FY14
	Value Growth	Volume Growth	Value Growth	Volume Growth	
Marico India	26%	5%	29%	6%	75%
Parachute Coconut Oil (Rigid packs)	48%	8%	47%	7%	23%
Value Added Hair Oils portfolio	25%	10%	28%	11%	18%
Saffola (Refined Edible Oil)	9%	3%	14%	7%	15%

The operating margin of the India business during Q3FY15 was 18.6% before corporate allocation. The Company believes that an operating margin in the band of 17% to 18% is sustainable for the domestic business in the medium term. However, in the immediate term, operating margin may face compression in case the copra prices do not come down.

Parachute and Nihar

Marico participates in the INR 2,800 crore (USD 467 million) branded coconut oil market through Parachute and Nihar. Parachute's rigid portfolio (packs in blue bottles) recorded a volume growth of 8% for Q3FY15 over Q3FY14. A strong volume growth in the current inflationary scenario is a testimony to the pricing power that Parachute enjoys. During the 12 months ended December 2014, Parachute along with Nihar increased its market share by more than 100bps to 57% as competitive position continued to be favourable due to hyper-inflation.

Volume growth of 8% in Parachute Rigids

The non-focused part of the portfolio (pouch packs) witnessed contraction as the raw material prices faced inflationary pressures while the Company maintained minimum threshold margins.

Of the total coconut oil market, approximately 35-40% in volume terms is in loose form. This loose component provides headroom for growth to the 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.

Growth through conversion from loose to branded oil is being complemented by share gain in rural market where Parachute's share is lower than its urban market share.

Saffola: Super premium refined edible oils and breakfast cereals

The Saffola refined edible oils franchise grew by 3% in volume terms during Q3FY15 over Q3FY14 mainly on account of increased price premium with respect to other refined oils, the prices of which started coming off in the second quarter. This, coupled with lower ad spends during the quarter, resulted in muted growth in the category. The Company is putting together plans to correct the growth trajectory going forward.

The brand further strengthened its leadership position in the super premium refined edible oils segment by 165bps with a market share of about 57% during the 12 months ended December 2014.

Saffola Oats had a good run during the quarter with a value growth of 48%. It has a strong no.2 position in the oats category with a MAT value market share of 19% and an exit market share of 23%. Saffola flavoured oats are available in eight variants. Two sweet flavours with fruits were introduced to compliment the bouquet of six savory flavors. Focus on value added offerings in the oats segment has enabled the Company to capture 53% value share in the flavoured oats market on a MAT basis. The portfolio is consistently gaining share with Dec'14 exit value market share of 63%. The franchise is expected to reach a top line of circa INR 80-90 Crore (USD 13-15 million) in this fiscal and is poised to cross INR 125 Crore (USD 20 million) landmark next 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.

63% share in flavored oats

In order to encourage consumers to adopt healthy eating habits, the franchise has introduced Saffola Fit Foodie (www.fitfoodie.in) – a one stop destination for healthy recipes designed by Saffola's expert panel, headed by Vikas Khanna, the master chef.

Value Added Hair Oils (Parachute Advansed, Nihar Naturals and Hair & Care)

Marico's hair oil brands (Parachute Advansed, Nihar Naturals and Hair & Care) grew by 10% in volume terms during Q3FY15 over Q3FY14. This is the third consecutive quarter of double digit growth in the franchise.

Marico continues to grow faster than the value added hair oils market of INR 5,500 crore (USD 917 million). During the quarter, the Company further strengthened its market leadership by 71bps with 28% volume share (for 12 months ended December 2014) and continues to premiumize with value share gain of 172bps to 22% as against 20% for the same period last year. The portfolio clocked 30% volume share in Dec'14 (Exit). Going forward, premiumization will be the focus of the Company in driving growth in the category.

172bps share gain in value market share

Parachute Advansed Knowledge Centre, in collaboration with Moses Chundi, International Massage expert at London Centre of Indian Champissage, launched *Art of Oiling* – a series of fun, quick, do-it-yourself head massage techniques. The social media campaign aims at making hair oiling more relevant to the youth.

This year, Parachute Advansed Jasmine and Nihar Naturals Perfumed oil portfolio are poised to cross the landmark of INR 250 Crore each and join Nihar Shanti Amla which achieved the milestone last year. The Company's Value Added Hair Oils portfolio now has 4 strong brands with a turnover of around INR 200 Crore each. Parachute Advansed Ayurdevic Oil, with presence in southern states, is growing rapidly and is expected to clock a turnover of circa INR 60-65 crore (USD 10 million) next year.

Nihar Shanti Amla continues to gain market share and achieved a volume market share of about 31% for the 12 months ended December 2014 in the Amla hair oil category (MAT Q3FY14: 29%). The increased scale of the franchise enables the Company to benefit from operating leverage thereby improving net margins despite penetrative pricing.

This category has been amongst the fastest growing large sized FMCG segments in India. The category has grown at 17% to 18% CAGR over the last 5 years and compares very well with other highly penetrated personal care categories in India. 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 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.

Fastest growing large sized FMCG segment

Parachute Advansed Body Lotion

90bps market share gain

In spite of a muted growth in the category due to late winters, Parachute Advansed Body lotion gained share by 90bps in Q3FY15 as compared to Q3FY14. The portfolio maintained its no.3 position with a market share of 6%. The winter range was launched with new refreshed clutter-breaking packaging, new communication and focused media strategy combined with attractive consumer offers.

The body lotion segment is estimated to be around INR 950 Crore (USD 158 million) with penetration levels below 20%. The Company plans to increase its participation in the skin care segment in the longer term.

Youth brands (Set Wet, Zatak, Livon)

The Youth brands portfolio witnessed flat performance during the quarter. The Company gained market share in two of the three categories i.e., Hair Gels/Creams and Leave-in serums, which form 2/3rd of the Youth Portfolio. Hair Gels/Creams and Serums are sunrise categories and the Company will focus on expanding these high margin categories while maintaining share in the cluttered deodorants category (1/3rd of the Youth Portfolio). While the long term vision is clear, there have been some delays in implementation of this shift in focus leading to slowdown in growth during the quarter. The Company expects the growth to rebound in the next quarter.

Set Wet gels and Livon serums now have 43% and 82% share in their respective categories. Set Wet gel was relaunched in Dec'14 with a new youthful packaging and has received a positive response. 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.

Launch of Moroccan Silk Serum

During the quarter, the Company launched Livon Moroccan Silk Serum. It combines the goodness of Moroccan Argan Oil with the easy-to-apply serum format and is especially suited for Indian hair. It has been launched in two SKUs (30ml @ INR 149 and 59ml @ INR 259) and is now available in top 20 cities.

Set Wet and Zatak deodorants maintained its ranking at no.6 in the deodorants category with 4% share. The category is large and growing with fragmented market shares. The Company aims at maintaining its share in the category through tactical support. It will also benefit from the positive rub-off from Set Wet gels brand building initiatives. In the medium term, the Company expects some consolidation to take place in the category and gain from its wide distribution supported by brand building initiatives.

Livon Conditioning Cream Colour

The Company entered the Hair Colour category (size of circa INR 2,600 Crore or USD 433 million) in January'14 by introducing Livon Conditioning Cream Colour. In wake of a changed consumer environment and competitive intensity, the Company is re-working the mix to be able to compete strongly. The Company will adopt a prototype strategy to gain deeper insights into consumer preferences for product and price points. The Company will continue to leverage the growth potential in the cream segment. However, given the strong habits in the category, this may take some time.

Input Costs and Pricing

The average market price of copra during Q3FY15 was up by 34% compared to Q3FY14 and down 10% compared to Q2FY15. Market prices of Copra have come off after peaking last quarter and is likely to be range bound till the next flush season.

The market prices of the other key inputs, Rice Bran oil and Liquid Paraffin, were down 16% and 17% during the quarter as compared to Q3FY14. HDPE (a key ingredient in packaging material) price was up 1% compared to Q3FY14. However, due to falling crude oil prices, HDPE prices started cooling off from Nov'14.

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 32% as compared to urban sales which also grew at a healthy rate of 25%. Sales in Modern Trade (9% of the domestic turnover) continued its good run and grew by 21% in Q3FY15. CSD and Institutional sales (7% of the domestic turnover) grew at a healthy rate of 41%.

Rural sales up by 32%

The continued focus on distribution expansion in rural markets has pushed the Company's rural sales to more than 30% of total domestic sales. The Company has increased its direct rural reach by 25% to 50,000 villages in the last two years. In rural, incremental direct coverage provides an ideal platform to enhance the reach of the Value Added Hair Oils portfolio. These initiatives are expected to result in rural contribution to domestic sales going up to 35% in the next two years.

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.

The Company has embarked on a Go To Market (GTM) transformation journey. With foray into newer categories such as breakfast foods, body lotion, male grooming and hair serums, it is important to expand the direct distribution in Urban beyond general trade to other channels such as modern trade, chemist/cosmetic stores.

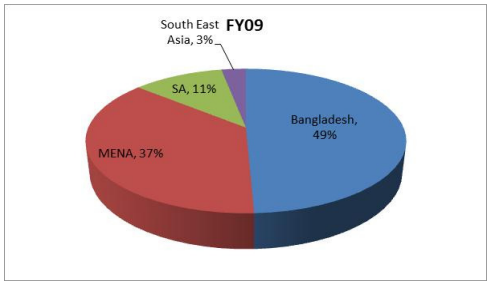
Robust IT infrastructure is a backbone of any successful sales system and towards that, the Company has embarked on a journey to refresh and reconfigure its point of sale IT infrastructure and software systems. This would enable the Company to improve visibility, sales force productivity and strengthen commercial controls. This project is expected to be completed by middle of the next financial year. During the quarter, the Company also initiated usage of advanced analytics to predict optimal assortment at a store level. The project is currently being pilot tested in one major city.

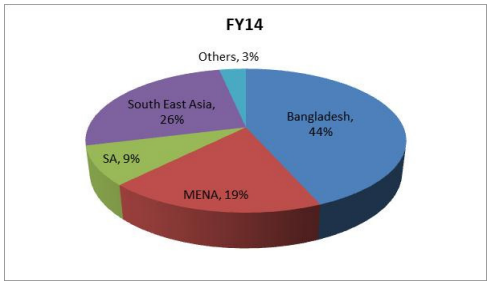
There appears to be a renewed focus on urban infrastructure by the new government at the Centre. Marico's portfolio can benefit significantly from a revival in demand in Urban India. Marico will continue its focus on urban markets, which accounts for 65-70% of its India business.

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. Project ONE is expected to deliver a business of INR 4 crore per month by end of this fiscal and an annualized business of INR 100 crore by the end of FY16. The Company will expand the coverage of this initiative in FY16.

60% direct coverage increase in top 6 towns

International FMCG Business: Marico International





During the quarter, the International Business continued to focus on the following key pivots of growth in its chosen emerging markets in Asia and Africa:

1. Aggressive growth in non-Parachute portfolio in Bangladesh
2. Recovery in Middle East
3. GTM transformation in North Africa
4. Invest in new markets

These efforts have shown promising results. The summary of top line performance of the International Business is as under:

Particulars	Q3FY15	YTD FY15
Turnover (INR/Cr)	312	1007
Reported Growth	4%	11%
Constant Currency Growth	6%	11%
Exchange Rate impact	- 2%	0%

Expansion in adjacent markets such as Nepal, Pakistan, Cambodia, Myanmar, Sri Lanka, North Africa etc., is expected to contribute up to INR 100 Crore (USD 17 million) by next year.

The operating margin for the quarter was at 17.6% (before corporate allocations) reflecting a structural shift in international margins based on the cost management projects undertaken last year. The Company will endeavor to maintain international margins in the region of 15-16% and continue to invest and plough back savings to drive growth.

Bangladesh

The Bangladesh business reported a topline constant currency growth of 18% in Q3FY15. The topline growth was driven by overall volume growth of 6% over Q3FY14 backed by strong performance in the value added hair oils portfolio.

Parachute maintained leadership position with 82% share. Given that the scope of growth in Bangladesh's Parachute franchise is limited, the Company has taken substantial measures in deploying adjacent sources of growth to diversify the portfolio.

The Company's value added hair oils portfolio grew at a healthy rate of 21% in constant currency terms and maintained its market position at no.3. The management will aim at being no.1 in the category in the medium term. In the last week of December, to further strengthen its value added portfolio in the country, the Company launched Parachute Advansed Extra Care – a coconut based hair oil with added ingredients like Methi, Amla and Aloevera. As hair fall is a critical issue among Bangladeshi women, the product aims at reducing hair fall and providing extra nourishment. This brand is expected to be the next strong pillar for Marico's hair oils journey in Bangladesh.

Launch of Parachute Advansed Extra Care

The Company's HairCode brand (coupled with HairCode Active variant) continues to lead the powdered hair dye market with a value market share of around 41%. HairCode Keshkala, a liquid hair dye launched earlier this year, has gained 2% volume market share since its launch. This franchise doubled in constant currency terms during the quarter.

Last year, the Company 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. Earlier this year, the Company also launched Set Wet Infinity deodorant and Parachute Advansed Body Lotion in the Bangladesh market. Consequent to these initiatives, on a YTD basis, the non-coconut oil portfolio now comprises circa 18% of the total business in Bangladesh.

Non-Coconut Oil portfolio now 18% of business

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 FY16 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.

MENA (Middle East and North Africa)

The Middle East business grew by 39% (constant currency basis) during Q3FY15 as compared to Q3FY14. Parachute Coconut Oil has continued to deliver healthy volume growth during the quarter. This trend of improvement is expected to continue in the medium term.

Egypt business witnessed de-growth during the quarter on account of certain one-time distribution transition undertaken in the geography. The transition was aimed at eliminating dependence on single distributor and achieving better go-to-market (GTM) model for realizing the maximum distribution potential. 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. It also marks the completion of final phase of GTM transformation in MENA. This initiative has not impacted the market shares and the gels portfolio of HairCode and Fiancée continued to be the market leader with 64% share.

South East Asia

The business in South East Asia (of which Vietnam is a significant portion) grew by 2% in Q3FY15 over Q3FY14 in constant currency terms. Business in Vietnam has been impacted by the sluggishness in the overall economy leading to reduced consumer confidence. Going forward, Vietnam is expected to get back to double digit growth trajectory. X-Men maintained its leadership in male shampoos with 38% market share and is a number two player in male deodorants with a value market share of 31% on MAT basis. The Company continues to scale up its presence in neighboring countries like Malaysia, Myanmar and Cambodia.

Vietnam growth & X-Men shampoo share tracking well

During the quarter, Phan Quoc Cong, decided to move on from his role as a Chief Operating Officer (COO) - South East Asia and will continue to be on the Marico-ICP Vietnam Board as a Non-Executive Director. Ashish Joshi joined the Company as Chief Operating Officer – South East Asia with effect from January 2015. Ashish has 19 years of FMCG experience in India, USA and Thailand with Unilever and Colgate.

South Africa

The business reported a constant currency growth of 9% during the quarter despite challenging macro conditions. Caivil and Just for Kids have reported strong growth in spite of category growth rates being stagnant. During the quarter, the Company launched Caivil Gold Fusion Oils range as part of the extensive Caivil Gold line and hair colour Mega Black under Black Chic. Marico is now the 4th largest ethnic hair care company in South Africa. However, South African economy is expected to remain below potential on account of high inflation and interest rates, depreciating currency, subdued domestic demand and reduced investments flows into the country.

4th largest ethnic hair care company in South Africa

The Company is in the process of appointing distributors to initiate export-led business in East Africa.

Operating Margin Structure

% Revenue from Operations (net of excise)	Q3FY15	Q3FY14	YTD FY15	YTD FY14
Material Cost (Raw + Packaging)	54.5	51.7	55.0	50.9
Advertising & Sales Promotion (ASP)	10.5	11.2	11.4	12.2
Personnel Costs	5.4	5.7	5.5	6.1
Other Expenses	13.2	14.7	12.6	14.5
PBDIT margins	16.3	16.8	15.5	16.4
PBDIT before ASP	26.8	28.0	26.9	28.5

(a) The average market price of copra, the largest component of input costs, was 34% higher in Q3FY15 as compared to Q3FY14. On YTD basis, copra prices have been up by 82% as compared to last year. The market prices of rice bran oil and Liquid Paraffin were down by 16% and 17% respectively. The consumption prices may differ from market prices depending on the stock positions the Company has taken. On an overall basis, the gross margins declined by 286 bps during the quarter.

(b) Significant part of the overall ASP is invested behind new products such as Foods in India and new launches in Bangladesh and Vietnam. The Company also continues to invest behind the core i.e., Value Added Hair Oils. Overall increase in ASP spends during the quarter was 14%, ahead of volume growth. ASP as a % of Sales declined on account of high inflation led topline growth. The Company expects to operate in a band of 11-12% in the medium term.

(c) Personnel Costs in Q3FY15 increased by 15% over Q3FY14. On a YTD basis, the personnel costs have increased by 12%.

(d) The other expenses include certain items which are variable in nature (almost 3/4th of other expenses).

a. Fixed Expenses include items such as rent, legal and professional charges and donation. In Q3FY15, increase in fixed expenses is mainly on account of higher Legal & Professional charges. On a YTD basis, Fixed Expenses have remained flat as the base quarter includes certain one-time project based consulting charges for capability building and value enhancement.

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 11% on account of inflation in freight and subcontracting charges.

Other Expenses	Q3FY15	Q3FY14	% variation	YTD FY15	YTD FY14	% variation
Fixed	54	51	4%	150	150	0%
Variable	138	124	11%	417	373	12%
Total	192	176	9%	568	523	9%

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 FY15 and FY16 is likely to be around INR 75 crore (USD 12 million).

Depreciation during Q3FY15 was INR 23.5 crore (USD 3.8 million) compared to INR 20.7 crore (USD 3.3 million) in Q3FY14. Increase in depreciation to the extent of INR 2.7 crore (USD 0.4 million) was on account of adoption of the useful life of fixed assets as per Schedule II of Companies Act 2013, effective April 1, 2014.

Direct Taxation

The Effective Tax Rate (ETR) for the Company during Q3FY15 is 25.7% as compared to 26.1% during Q3FY14. The decline in ETR is on account of tax paid on dividend received from Bangladesh in Q3FY14. On a like to like basis, the increase in ETR is primarily due to phasing out of tax reliefs in India and Vietnam.

The expected ETR during FY15 and FY16 would be around 28-29%. 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 there is no change from the cash flow point of view. The current MAT credit of about INR 130.1 crore (USD 20.9 million) as of December 2014 is expected to be utilised by the Company over the next 3 to 4 years, starting with the current fiscal (utilization of INR 23.7 Crore in YTD FY15).

Expected ETR to go up in FY15 & FY16

Foreign Exchange

Marico Limited hedges its foreign currency denominated liabilities and assets using plain vanilla Forwards and plain vanilla Call & Put Options. The Company also judiciously executes Interest Rate SWAPs in respect of its interest commitment on External Commercial Borrowings.

The exchange rate for INR/USD remained in a band during the quarter. While a depreciating exchange rate of INR /USD as compared to last year is better in terms of reported consolidation of business results, a similar depreciation in local currencies added to the input cost pressure in the International geographies.

Capital Utilization (Marico Group)

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

Ratio	Q3FY15	Q3FY14
Return on Capital Employed - Marico Group	38.9%	37.1%
Return on Net Worth – (Group)	37.6%	38.6%
Working Capital Ratios (Group) - Debtors Turnover (Days) - Inventory Turnover (Days) - Net Working Capital (Days) including surplus cash	 20 55 40	 22 55 53
Debt: Equity (Group)	0.32	0.44
Finance Costs to Turnover (%) (Group)	0.4%	0.6%

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

1. The variation in ratios is due to:
    1. ROCE has improved on account of 12% increase in EBIT and reduced debt.
    2. The debtor and inventory ratios were in line with previous year.
    3. Decrease in net working capital days is on account of reduction in surplus in Vietnam due to buy back of shares by ICP, Vietnam and higher inflation led topline growth.
    4. 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 December 31,2014 is as below:

Particulars (INR/Cr)	Dec 31, 2014	Sep 30, 2014	Dec 31, 2013
Gross Debt	567	590	640
Cash/Cash Equivalents and Investments (Marico Ltd: INR 498 Crore. Marico International: INR 141 Crore)	639	480	705
Net Debt/(Surplus)	**(72)**	**109**	**(65)**
Foreign Currency Denominated out of the total gross debt (49% of Gross Debt hedged) (Also refer to Note 5 below)	459	481	526
Foreign Currency Denominated : Payable in One Year	232	258	230
Foreign Currency Debt as a % age of Gross Debt	81%	82%	82%
Rupee Debt out of the total gross debt	108	109	113
Rupee Debt : Payable in One Year	108	109	13
Total Debt Payable within One year	340	367	243
Average Cost of Debt (%) : Pre tax	4.4%	4.4%	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 unrealised loss of INR 83.2 Crores as at December 31, 2014 (INR 91.4 Crores as at December 31, 2013) 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 recognised in the Statement of Profit and Loss on occurrence of the underlying transactions or forecast revenue.

Awards

Marico was amongst the four companies featured in the list of **'India's Best Boards 2014'** by Economic Times and HayGroup. The Company was also ranked no.4 in the ET Aon Hewitt **Top Company for Leaders** study.

Marico's Chairman, Harsh Mariwala, received a special award as a **Wealth Creator – FMCG** at the Zee Business India's Best Market Analyst Awards, 2014. Harsh has also been ranked as one of **India's Best CEOs** in the FMCG category by Business Today.

The Asian Centre for Corporate Governance & Sustainability has presented Marico the **'Best Governed Company'** of the year award.

Effies: **Saffola Masala Oats** won 2 Gold Effies, one in the Food & Confectionary category and other in the Integrated Advertising Campaign category. **Nihar Shanti Amla** won a Bronze Effie in the Consumer Products category and **Parachute Advansed Ayurvedic** hair oil won a Bronze Effie for the campaign 'Recommendation = Sharing". Marico was amongst the top 4 companies in terms of number of awards received.

HairCode won a Media Gold in the personal care category at the 2014 MENA Effies.

Marico Bangladesh received **Best Corporate Award 2014** under Multinational Category by Institute of Cost and Management Accountants of Bangladesh (ICMAB).

Other updates

During the quarter, International Consumer Products (ICP) became a wholly owned subsidiary of the Company following completion of buy-back of shares by ICP from the minority shareholders.

Marico's Growth Philosophy

Over the next five years, Marico will take definitive steps to become an emerging market MNC by seeking to win amongst consumers, trade and talent. 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. Towards this, Marico 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.

Short / Medium Term Outlook

Marico India

- While there has been no significant recovery on ground, the Company expects urban consumption to recover. 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 7-8% by growing the core and rapidly scaling NPDs.
- Sustain efforts to premiumize in the value added hair oils category to further strengthen its Value market leadership.
- Revamp strategy and drive innovation in the Youth portfolio to enable growth at about 15% to 20%.
- The Oats franchise is expected to contribute up to INR 125 Crore (USD 20 million) by next year.
- The Company expects the copra prices to soften in the new season leading to recovery in margins. It will take judicious calls to adjust the market prices so as to strike a fine balance between the volume growths and operating margins.
- Over the medium term, 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 in the region of 15% to 20% in constant currency in the medium term. Any acquisition will add to the organic growth.
- Last year, the Business achieved a structural shift in operating margins. It expects to sustain them at around 15-16%. Any excess will be ploughed back to fund future growth.
- Medium term growth potential in the core markets of Bangladesh, Vietnam and MENA is intact and will continue to drive growth.
- Expansion in adjacent markets such as Nepal, Pakistan, Cambodia, Myanmar, Sri Lanka, North Africa etc. These markets are expected to contribute up to INR 100 Crore (USD 17 million) by next year.

Overall

- The Company will focus on deriving synergies from the unification of Domestic and International FMCG businesses. This includes acceleration of cross pollination & portfolio harmonization, 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.
- Significant portion of the gains from the value transformation exercise in India and overseas will be ploughed back to fund growth and innovation.
- 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.
- The Company will continue to invest in increasing its direct rural reach and Go To Market transformation initiatives.
- These efforts are expected to deliver a top line growth in the region of 15% to 20% in the medium term with an operating margin in the band of 14% to 15%.
- FY16 could witness a muted topline growth due to deflation as a result of reducing raw material prices. However, the Company will aim at a volume growth of 8-10%.
- 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 Q3FY15

Please note that after the demerger of Kaya from the Marico Group, there are no longer two reportable segments. Now, 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

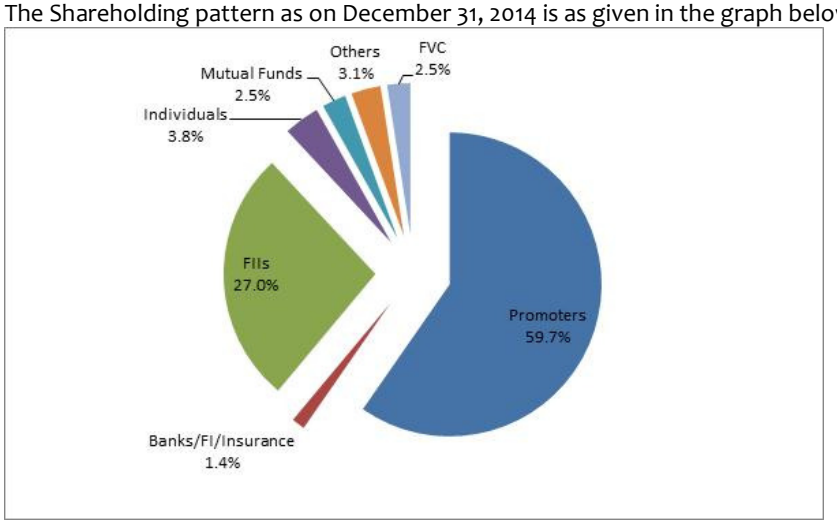
Particulars	Q3FY15	Q3FY14
1. Segment Revenue		
i. India	1,140	902
ii. International	312	299
2. Segment Result		
(Profit before Interest and Tax and exceptional items)		
i. India	201	160
ii. International	47	46
3. Segment Result as % of Segment Revenue		
i. India	17.7%	17.0%
ii. International	15.1%	15.3%
4. Capital Employed (Segment Assets - Segment Liabilities)		
i. India (refer Note 1 below)	721	657
ii. International (refer Note 2 below)	694	447

Note 1: Capital Employed has gone up mainly because of increase in Net Working Capital.

Note 2: Capital Employed has increased mainly on account of increase in Inventory and Goodwill resulting from increase in stake in ICP (Vietnam) from 85% to 100%.

Annexure 1-A: SHAREHOLDING PATTERN

The Shareholding pattern as on December 31, 2014 is as given in the graph below:

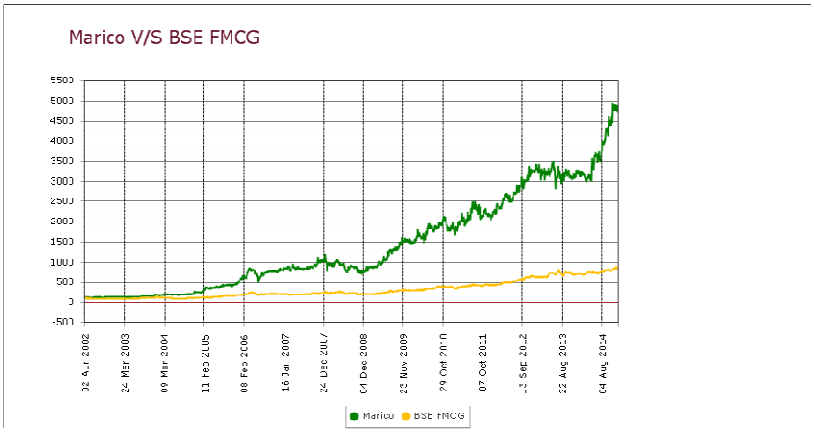


Details of ESOPs as on December 31, 2014:

Details of the Plan	Total Options Granted	Options Forfeited	Options Exercised	Options pending to be exercised
ESOP Plan 2007	11,376,300	4,702,465	64,91,235	182,600
ESOP Plan 2014	300,000	Nil	Nil	300,000

*** 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 20,972 crore on December 31, 2014. The average daily volume on BSE and NSE during Q3FY15 was about 6,32,933 shares.

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
DATE	**COCHIN CN OIL**	**COPRA CALICUT**	**KARDI OIL JALNA**	**RICE BRAN**	**LIQUID PARAFFIN**	**HDPE**
Oct-13	9,368	6,884	1,050	600	63	116
Nov-13	10,364	7,701	1,050	601	61	115
Dec-13	10,358	7,606	1,050	530	60	117
Jan-14	11,002	8,020	1,010	517	60	121
Feb-14	11,678	8,484	945	514	60	123
Mar-14	12,458	9,021	921	543	61	124
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
Q3FY15 v Q3FY14	39%	34%	-11%	-16%	-17%	1%
Q3FY15 v Q2FY15	-12%	-10%	3%	-15%	-14%	-8%
YTD FY15 v YTD FY14	87%	82%	-17%	1%	-3%	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**
Oct-13	6	25	63	125	180	130	140	115
Nov-13	6	27	66	130	180	130	140	115
Dec-13	7	29	69	136	185	135	145	125
Jan-14	7	29	69	136	185	135	145	125
Feb-14	7	29	69	136	185	135	145	125
Mar-14	7	29	69	136	185	135	145	125
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

Annexure 1-E: Consumer Offers for the Quarter

Coconut Oil					
Parachute	Price off Rs 2/-	100 ml	Nov	Price off	National
Parachute	Price off Rs 5/-	175 ml	Dec	Price off	National
Edible Oils					
Saffola Gold	1 ltr Free	5 ltr	Nov	Extra Volume	National
Saffola Total	1 ltr Free	5 ltr	Dec	Extra Volume	National
Hair Oils					
H&C	Price off Rs 5/-	100 ml	Dec	Price off	National
Nihar Naturals	Price off Rs 10/-	200 ml	Dec	Price off	National
PA Jasmine	Price off Rs 5/-	200 ml	Dec	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 47 billion (USD 781 Million) during 2013-14. Marico markets well-known brands such as Parachute, Saffola, Hair & Care, Nihar, Parachute Advansed, Nihar Naturals, Mediker, Revive, Manjal, Setwet, Zatak, Livon, Fiancée, HairCode, Caivil, Black Chic, Code 10, Ingwe, X-Men, L'Ovite and Thuan Phat. Marico's brands and their extensions occupy leadership positions with significant market shares in most categories - Coconut Oil, Hair Oils, Post wash hair care, Hair Gels/Creams, Anti-lice Treatment, Premium Refined Edible Oils, niche Fabric Care etc. Marico's branded products are present in Bangladesh, other SAARC countries, the Middle East, Egypt, South Africa, Malaysia 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 serviced by its nationwide 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 16% in Turnover and 20% in Profits in the FMCG business over the past 5 years.

Particulars (INR crores)	FY 10	FY11	FY12	FY13	FY14
Sales & Services	2,661	3,128	3,980	4,596	4,687
Material Cost	1,262	1,618	2,132	2,210	2,399
Employee Cost	190	230	307	381	285
ASP	351	346	426	598	561
Other Costs	483	523	703	869	693
Profit Before Tax	298	376	400	552	695
Net Profit (PAT)	232	286	317	396	485
Earnings per Share - Annualized (Rs)*	3.8	4.7	5.2	6.1	7.5
Book Value per Share (Rs)*	10.7	14.9	18.6	30.8	21.1
Net Worth	654	915	1,143	1,982	1,361
EBITDA%	14.10%	13.30%	12.10%	13.60%	15.96%
ROCE %	34%	27%	26%	24%	25%

Note: FY10 to FY13 includes Kaya financials and hence not comparable with FY14

Business Model and Organization

Marico's business model is based on focused growth across all its brands and territories driven by continuously improving value propositions to consumers, market expansion and widening of retail reach. Marico aims to be the leader in each of the businesses; by heightened sensitivity to consumer needs, setting new standards in the delivery and quality of products through continuous learning and improvement.

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)
Neha Agrawal	Manager – Investor Relations and M&A	(nehaa@maricoindia.net)

Contents of this Update

1. Financial results and other developments during Q3FY15 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, 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.