Marico – An Information Update for Q3FY14

(Quarter ended December 31, 2013)

Executive Summary – Q3FY14 Consolidated FMCG Results: Performance Highlights

Particulars	Q3FY14	Growth	YTD FY14	Growth
Revenue from Operations (Rs/Cr)	1,201	10%	3,614	8%
Profit After Tax (Rs/Cr)	135	31%	397	23%
Volume Growth		3%		6%

The above result is for Marico which comprises FMCG business only (Domestic and International). By virtue of the High Court order dated October 17, 2013 relating to the demerger of Kaya; it is demerged from the Marico Group with effect from April 1, 2013.

During the quarter ended December 31, 2013, Marico posted Revenue from Operations of INR 1,201 crore (USD 194 million) a growth of about 10% over Q3FY13. The profits grew by about 31% during the same period.

However, the profits of Q3FY14 are not strictly comparable to Q3FY13 due to the change in the method of depreciation from WDV to SLM carried out in Q4FY13.The depreciation charge for Q3FY14 and YTDFY14 is lower by INR 2.81 crore (USD 0.45 million) and INR 8.21 crore (USD 1.32) respectively when compared to Q3FY13 and YTDFY13. The post-tax impact in Q3FY14 and YTDFY14 is INR 1.87 crore (USD 0.30 million) and INR 5.47 crore (USD 0.88 million) respectively. The normalized profit growth for Q3FY14 is 29% and for YTD FY14 is 21%.

The business has continued to grow in volumes albeit at a lower rate. Due to the weak demand environment, the growth rates of various segments have come down. However, the Company's market shares have remained intact and in some cases improved, demonstrating strong brand equity. The growth in profits continues to be robust.

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

- The Company's brands have held on to their market shares across portfolios
- New Products continue to track well
- The Company entered into the Hair Colour category with "Livon Conditioning Cream Colour" strengthening its presence in the overall hair care segment.
- Under a distribution alliance with Union Swiss, the Company introduced 'Bio-Oil' in India, a product that improves the appearance of stretch marks.
- Marico Group net operating margins improved to 16.8%. Marico International (IBG) EBITDA margins at 18.1% and Marico India (Domestic FMCG) EBITDA margins at 18.7%, before corporate allocations
- Rural growth continued to outperform urban
- Modern trade continued its good run and grew by about 14%
- Egypt and Vietnam posted double digit growth on a constant currency basis

The Company has declared a second interim dividend of 100% (Re.1.00 per share) at the meeting of its Board of Directors held on January 31, 2014. Therefore, the Company has thus far declared 175% dividend during FY14.

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

Summary of value growth during Q3FY14 across Businesses

Categories/Businesses	Q3FY14	YTD FY14	Share of Group's Turnover basis FY13 results
Group	**10%**	**8%**	
India FMCG Business	9%	6%	76%
International FMCG Business	15%	15%	24%

Market Shares (Volume) in Key Categories - Basis 12 month Moving Average Total (MAT)

Brand & Territory	~MS%	Rank	Brand & Territory	~MS%	Rank
Coconut Oils (India) (Parachute and Nihar)	56%	1st	Parachute Coconut Oil (Bangladesh)	83%	1st
Saffola (Refined Oils) – Super Premium Refined Oils in Consumer Packs (India)	57%	1st	Post wash Leave-On Serums (India) (Livon and Silk & Shine)	81%	1st
Hair Oils (India) (Parachute Advansed, Nihar, Hair & Care)	28%	1st	*X-Men Men's Shampoo (Vietnam)	41%	1st
Value Added Hair Oils (Bangladesh)	19%	3rd	*Hair Code & Fiancée Hair Gels/Cream (Egypt)	51%	1st
Deodorants (India) (Set Wet and Zatak)	5%	5th	*Hair Creams/Gels (India) (Set Wet and Parachute After shower)	44%	1st

Market Leadership

***Value market shares**

Note: Market shares in India will now be reported basis Nielsen's revised panel of 40,000 households.

FMCG Business in India: Marico India

The FMCG Business in India achieved a turnover of INR 902 crore (USD 145 million) during the quarter, a growth of about 9% over Q3FY13.

The volume growth in India was marginally above 3% for the quarter, reflecting continued soft consumption trends. However, the overall sales growth was boosted by the price increases taken across the portfolio to cover a major part of the input cost push.

The business maintained market share across the portfolio, reflecting strong equity of its brands, even though the rates of category growth have decelerated over the past few quarters.

The operating margin of the India FMCG business during Q3FY14 was 18.7%. The Company believes that an operating margin in the band of 17% to 18% is sustainable in the medium term.

The table below summarizes volume and value growths reported across segments during Q3FY14.

Categories	Q3FY14		YTD FY14		% of Group's turnover basis FY13 results
	Value Growth	Volume Growth	Value Growth	Volume Growth	
FMCG Business (India)	9%	3%	6%	6%	76%
Parachute Coconut Oil (Rigid packs)	6%	2%	-1%	2%	24%
Value Added Hair Oils portfolio	16%	8%	17%	13%	17%
Saffola (Refined Edible Oil)	7%	9%	5%	9%	16%

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Parachute and Nihar

Marico participates in the INR 2800 crore (USD 500 million) branded coconut oil market through Parachute and Nihar. It is estimated that of the total coconut oil market about 60% to 65% in volume terms is in branded form and the balance is loose. 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 disproportionate share of this growth potential on a sustainable basis.

Volume growth of 2% in Parachute Rigids

Parachute's rigid portfolio (packs in blue bottles), recorded a volume growth of about 2% during Q3FY14 over Q3FY13.

The Company has been focusing on the rigid packs over the past few years as they enjoy a higher margin as compared to pouch packs. The proportion of pouch packs has now reduced to about less than 15% of the total Parachute sales in value terms. During the 12 month period ended December 2013, Parachute along with Nihar marginally improved its market share over the same period last year to 56%.

Growth through conversion from loose oil usage to branded oil is being complemented by share gain in rural areas. Parachute's share in the rural markets, in the range of 35% to 40%, is lower than that in the urban markets, thus providing potential headroom for growth.

Due to a spurt in copra prices from mid-2013 onwards, the Company has initiated a series of price increases. Weighted average price increase taken in Q2FY14 was about 9%. Due to a further spurt in copra prices, the Company has taken another round of price increases of about 4% across the portfolio on a weighted average basis. This is sufficient to pass on the cost push and maintain absolute margins. During Q4FY13 and Q1FY14, the Company had taken some downward price corrections in order to pass on part of input cost benefit to the consumer as during that period there was a deflationary input cost environment. Hence, on a YoY basis the price increases amount to 4%-5% as against 13-14% sequentially.

Pricing action initiated.

It is generally observed that a slight inflationary environment swings the competitive position to the Company's advantage as it puts pressure on the working capital requirements of marginal players. This leads to market share gain and better volume growths. However, in the context of the current economic environment especially food inflation coupled with sharp volatility in input cost prices in a short span of time, the Company has not seen immediate gains.

Saffola: Super premium refined edible oils and breakfast cereals

The Saffola refined edible oils franchise grew by about 9% in volume terms during Q3FY14 as compared to Q3FY13 reporting a continuous improvement in performance albeit on a lower base. It is expected to maintain this trend for the rest of the year in the midst of increased competitive intensity in the category.

The Company has revamped one of its existing variants i.e., New Saffola with an improved and top of the line offering for modern day needs "Saffola Total". The Company also initiated a new communication strategy to establish its superiority. The strategy was implemented with the release of "High Science" campaign in which the consumers were informed of the reasons why Saffola is a better product to consume. The Company's approach is to deliver a product that is best for the consumers based on science rather than offer plain commodities.

Saffola has initiated a weighted average price increase of 4-5% in Q3FY14 to cover for increase in input cost and packaging materials.

Saffola won two Effie Awards this year for Saffolalife in 'Social Cause' and 'Best Ongoing Campaign' categories.

The income levels in India have seen an increase over the past few years. As a result of this growing affluence, consumers are proactively moving on to healthy lifestyles. Moreover, awareness about health and particularly heart health has been increasing in India. Saffola has made a significant contribution towards increasing this awareness (www.saffolalife.com). The Saffola range of blended refined oils (available in four variants) operates in the super premium niche of the refined edible oils market. Saffola is estimated to reach over 3 million households of the 22 million SEC A/B households in India. The brand maintained its leadership position in the super premium refined edible oils segment with a market share of about 57% during the 12 months ended December 2013 (MAT 12 months ended December 2012: 57%). The market share of Saffola in the overall ROCP market is 1.6% basis 12 months moving average as on December 2013 as compared to 1.8% during the same period last year.

Significant tailwind (lifestyle), headroom for growth

In the long term, Saffola expects to establish itself as a leading healthy lifestyle brand that offers healthy food options during all meals of the day. The rise in the number of nuclear households and that of working women provides an opportunity for convenient and healthy breakfast food options. The Company has prioritized the breakfast space in the near term. The intent of the company is to come up with value added offerings. Saffola savory oats are now available in six flavors. The product has been positioned as 'tastier way to manage weight'. Saffola has a market share of over 13% by volume in the oats category and has emerged as the number two player in the category. Saffola Oats has increased its market share by about 100 bps as compared to last year. The Company expects the Saffola Foods business to reach the INR 100 crore (USD 16 million) milestone in FY15.

100 bps Market Share gain in Saffola Oats

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 8% in volume terms during Q3FY14 over Q3FY13. Marico continues to gain market share in Value Added Hair Oils and continues to emerge as a clear market leader with 28% share (for 12 months ended December 31, 2013) in the INR 4500 crore (USD 834 million) market as against 26% during the same period last year. The shift in the market share during the quarter as compared to Q3FY13 was 145 bps.

Volume growth 8%, Market Share 28%

These market share gains have been achieved through providing consumers with specific solutions, product innovation, packaging restaging, participation in more sub-segments of the value added hair oils category, continued media support in some of the brands and penetrative pricing action in others and expansion of Marico's direct retail reach in the rural markets.

Nihar Shanti Amla continues to gain market share and achieved a volume market share of about 30% for the 12 months ended December 2013 in the Amla hair oils category (Q3FY13: 24%).

Hair oiling is a deeply ingrained habit for leave-in hair conditioning on the Indian sub-continent. The Company has carried out scientific research and conducted successful clinical trials to establish the benefits of hair oiling. The Company believes that educating consumers by putting science behind the habit of hair oiling will build credibility and create a loyal franchise. (www.parachuteadvansed.com).

Hair oiling entrenched habit in South Asia – expected to stay relevant

The Company is also present in modern formats of hair care such as hair gels, creams and leave-on conditioners and is a clear market leader in those segments. The Company is confident that the hair oiling habit is here to stay. However, if consumers were to shift to other formats, the Company has established its presence in those formats to grow disproportionately.

Marico has a "category play" in the segment whereby it offers its consumers a basket of value added hair oils for their pre-wash and post wash leave-in hair conditioning, nourishment and grooming needs. The Company's aim is to participate in all the sub-segments and have a wider portfolio to drive growth. Nihar Naturals, Parachute Advansed and Hair & Care have each established significant franchises. This is being built upon further through the introduction of new products such as Parachute Advansed Ayurvedic Hot Oil, Parachute Advansed Ayurvedic Hair Oil and Parachute Advansed Tender Coconut hair oil. All these have grown the overall hair oils franchise by bringing specificity and creating more occasions for use.

Company aims to participate in all sub segments

Parachute Advansed Ayurvedic Hair Oil won two Effies (India's most prestigious advertising award) in the Consumer Products and Integrated Advertising Campaign categories.

The Company is now focusing on scaling up its presence in all the sub segments of Value Added Hair Oils so that it can get advantages of operating leverage in fixed costs and advertisement spends leading to expansion in operating margins in the medium to long term.

Mass Skin Care: Parachute Advansed Body Lotion

Parachute Advansed Body Lotion Market Share 6.5%, ranked no.3

In a challenging environment, where the category growth rate has fallen to single digit and a delayed winter season, the brand continues to witness faster off-take growths than the category. The quarter was heavily supported by a new thematic campaign which went on air from October 2013 along with a digital campaign followed by the launch of the Butter Smooth variant in December 2013. The new variant is showing good traction. It has increased its market share marginally to 6.5% (moving 12 months basis) and is the number 3 participant in the market. (www.facebook.com/ParachuteAdvansedBodyLotion)

Parachute Advansed Body Lotion has been voted the no.1 body lotion by Consumer Voice, a Government of India recognized organization. When tested on improvement in skin texture, the ability to make skin soft and supple, and other such factors, Parachute Advansed Body Lotion beat the top 12 leading body lotion brands. The brand also won three Effie Awards on debut in Integrated Campaign, Consumer Products and David vs Goliath categories.

The total skin care segment is estimated to be around INR 5000 Cr (USD 926 mil) out of which the body lotion segment is around INR 550 Crore (USD 102 mil) 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 acquired portfolio of youth brands grew by 13% to achieve a top line of about INR 48 crore (USD 7.8 million) during Q3FY14. The portfolio grew by 21% on a YTD basis. Over the past few quarters, inflationary trend and restricted spends on discretionary products have impacted the category growth rates.

The Company has established a leadership position in the Hair Gels and Post Wash Leave-on conditioner market with about 44% and 81% share respectively. The Company has recently introduced a new jar pack which comprises about 30% of the category.

Set Wet and Zatak increased its market share by 40 bps in the deodorants segment to 5% for 12 months ended December 2013.

Over the next few years, the Company's growth rates are likely to average around 20-25% supported by new advertisement communication and product launches. However, the environment in the next few quarters is challenging and the category growth may be lower than the medium term outlook.

This portfolio will also witness a much higher interaction with overseas portfolio thereby leveraging scale and innovation synergies.

New Initiatives

Livon Conditioning Cream Colour

The Company has entered into the Hair Colour category by introducing Livon Conditioning Cream Colour. This is a highly differentiated product which gives women a hair colour experience that is not only natural looking coloured hair which is soft and shiny, but also the confidence to leave their hair open. Priced only at Rs.39, the Livon Conditioning Cream Colour Kit is packed with features that no other brand of hair colour offers. The product was introduced in January 2014 and is available in three colours with two SKUs.

The total hair colour category has low penetration and is estimated to be around INR 2500 crores (USD 400 million), of which creams form about 25%. Creams format is the fastest growing in the hair color category with growth rates of about 20%. The Company will focus on expanding the category by recruiting new users and upgrading powder and henna users by providing them a superior product at an affordable range. Entry into the hair colour category not only strengthens the Company's hair care portfolio in India but also establishes our presence in categories which are replicable in other geographies.

Bio-Oil, a distribution alliance with Union Swiss: Company based out of South Africa

In partnership with Union Swiss, the Company has introduced Bio-Oil in India during Q3FY134. Union Swiss is a privately owned MNC based in South Africa. It researchers, develops and manufactures oil based skin care products which it licenses for distribution across the world. Marico will be marketing and distributing its flagship brand, Bio-Oil, in India. With presence in 76 countries, Bio-Oil is the No.1 selling product to improve appearance of scars and stretch marks.

Bio-Oil is positioned as a premium skin care product, that will help improve the appearance of scars and stretch marks, and also provide benefits such as even skin tone, priced at Rs. 450 for 60 ml. Scar and stretch mark category is estimated to be around INR 650 crores (USD 105 million). It is a nascent category dominated by clinical-looking products with limited category building investments. Bio-Oil promises to revolutionize the space by balancing "efficacy with beauty", bringing about a fundamental shift in how the category operates.

This marks Marico's foray into premium specialist skin care category. Having Bio-Oil in the portfolio will further strengthen Marico's presence in channels such as chemists and modern trade. The Company will earn an operating margin higher than the current Company average. The scale of business is very small in Marico's overall context.

Input Costs and Pricing

Market prices of Copra have further rallied in the last few months. The average market prices of copra during Q3FY14 were up by 78% compared to Q3FY13. The Company expects that the prices are likely to remain steady in Q4FY14. The Company has already initiated some price increase to protect its absolute margins. It will continue to observe the input cost environment and implement price changes in next one of two months, if required.

The market prices of the other key input, Safflower Oil, were down about 26% during the quarter as compared to Q3FY13. Market prices of rice bran oil were 6% up as compared to Q3FY13. Prices of HDPE, a key ingredient in packaging material was up 21% in Q3FY14.

The Company derives comfort and confidence from the pricing power that its brands enjoy. The Company is confident that during an inflationary environment it can pass on the cost push to its consumers. Conversely, in a deflationary environment the Company is willing to pass on part of the benefit to the consumer especially in the lower price point (recruiter) packs in order to ensure regular upgrades from the unorganized market in case of the coconut oil category and from non Saffola users in the super premium refined edible oils category. 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.

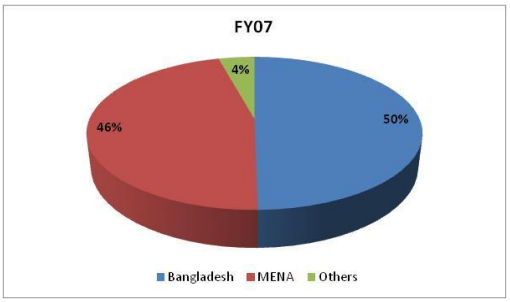
Markets/Distribution Channels

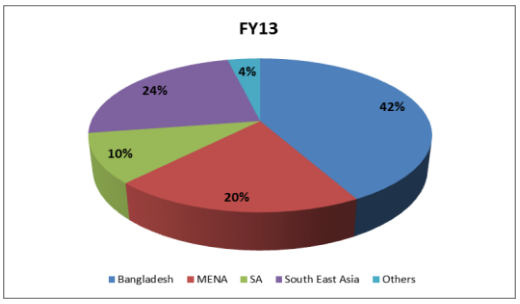
Marico's rural sales continue to clock a faster pace of growth than its urban sales. The continued focus on distribution expansion in rural markets has pushed YTD FY14 rural sales to more than 30% of total Indian FMCG sales. The Company continues to make long term investments behind strengthening the direct distribution in rural areas. During the beginning of the year, the Company decided to put (on its distributor payroll) about 1000 feet-on-street out of which more than 50% was to drive sales in rural areas. The progress is as per plan.

The Company has embarked on a Go To Market transformation journey. The Company has expanded its presence into newer categories such as breakfast foods, body lotion, male grooming and hair colour. As a result, it has become important to expand the direct distribution in Urban beyond general trade to other channels such as modern trade, chemist/cosmetic stores. In rural, incremental direct coverage provides an ideal platform to enhance the reach of the Value Added Hair Oils portfolio. Hence, to be future ready the Company is investing in distribution transformation in both Urban and Rural markets. Apart from increasing the direct coverage, it will also aim at focused channel and assortment segmentation and optimizing spends based on analytics.

Sales in Modern Trade continued its good run and grew by 14% in Q3FY14 led by youth portfolio, Saffola and hair oils. Sales in CSD channel, which contributes 7% to the total domestic turnover, has declined by 2% during the quarter.

FMCG Business (International): Marico International





The year FY14 has been a mixed year for the international FMCG business with some pockets not performing as per expectations.

The overall volume growth during the quarter in the international FMCG business was 1% with operating margins at 18.1%. The Company believes that the sustainable margins are more in the region of 14%.

The performance during the quarter Q3FY14 is summarized in the table below:

Particulars	Q3FY14	YTD FY14
Turnover (Rs/Cr)	299	908
Reported Growth %	15%	15%
Volume/Value growth (constant currency)	3%	6%
Exchange Rate impact (Favorable)	12%	9%

The business in Vietnam continues to do well. The Company is in much better control of the issues in the Middle East (GCC) region. The region is poised to fully recover next year.

Bangladesh

The political environment in the country has not been good over the past few quarters. This has impacted the performance of Bangladesh economy as a whole. During the quarter the country witnessed more than 40 days of hartals and violence ahead of 2014 general elections. Inflation rate has increased to about 7.5% mainly due to increasing food inflation on account of supply disruptions. The International Monetary Fund (IMF) has reduced the estimated growth rate for Bangladesh's economy for FY14 to 5.5%. The run-up to the 2014 General Elections and the accompanying series of nationwide shutdowns/blockades resulted in subdued consumer spending, high inflation and challenges for the company's supply chain.

Given the political uncertainty, the Bangladesh business topline declined by 14% (in constant currency). Despite the sales decline the profits grew by 22% as a result of the margin expansion further helped by lower Advertisement and Sales promotion (ASP) spends during the quarter. The Company decided to hold the ASP spends in the light of overall political environment. However, Q4FY14 could see higher ASP levels.

Profits grew by 22%

The short term disturbances don't take away the long term growth potential that Bangladesh offers in terms of consumption. In view of the long term, the Company continues to make investments behind existing and new products such a Value Added Hair Oils (VAHO), Hair Dye, Deodorants, Leave-on conditioners and Premium Edible oils. These products continue to gain traction and are expected to help create a portfolio of the future in Bangladesh. The Company now offers a bouquet of value added hair oils such as Parachute Beliphool, Parachute Advansed Cooling Oil and Nihar Naturals. The portfolio maintained its market share at 18.5% amidst the challenging political environment. It now holds no.3 position in VAHO category.

No.3 in Value Added Hair Oils

The company's Hair Code brand (coupled with its newer variant Hair Code Active) continues to lead the powdered hair dye market with a market share of around 35%.

The Company launched "Livon Silky Potion" in the market and the response is very encouraging. In Q3 FY14, the Company also launched Saffola Active, a healthy cooking oil made from rice bran oil and soybean oil. The product is locally manufactured and available in select modern trade outlets in Dhaka. The launch of Saffola Active marks the company's renewed foray into the edible oil market of this country. In addition, Marico has entered the male grooming category through the introduction of Set Wet Deodorants on a test-marketing basis.

Aggressive expansion of portfolio in Bangladesh

Going forward, the Company expects to aggressively de-risk the portfolio through a power packed innovation program.

MENA (Middle East and North Africa)

The MENA business on an overall basis grew by 10% (constant currency basis) during Q3FY14 as compared to Q3FY13. The business in Egypt grew by 22% mainly led by strong volume growth in Haircode and Fiancée. The business in GCC continued to report a decline.

Political environment in Egypt seems to have bettered for the time being with no major report of violence, however the uncertainty continues. HairCode and Fiancée together maintained a market share of 51% in the gels category.

The Company's performance in the Middle East region faced challenges during most of the previous year due to some execution issues. Various steps have been taken during the last few quarters such as distributor transition in KSA region, restructuring of the business model and SKU rationalization which has led to a significant shift in profitability this year. The business is poised to fully recover next year.

South Africa

The business reported a topline growth of 5% during the quarter. The country's GDP growth rate has come down to sub 1%, the lowest in 4 years. ZAR continued to depreciate against USD. The business environment continues to be challenging with the ethnic hair care segments declining. Marico South Africa has, however, gained market share in the category over the past few years.

South East Asia

The business in South East Asia (of which Vietnam comprises a significant portion) grew by 24% in Q3FY14 over Q3FY13 in constant currency terms. In Vietnam, X-Men maintained its leadership in male shampoos and the number two position in male deodorants. The Company continues to scale up its presence in neighboring countries like Malaysia, Myanmar and Cambodia.

Vietnam growth & X-Men shampoo share tracking well

OPERATING MARGIN STRUCTURE FOR MARICO FMCG Business

% to Sales & Services (net of excise)	Q3FY14	Q3FY13	YTD FY14	YTD FY13
Material Cost (Raw + Packaging)	51.7	50.4	50.9	52.0
Advertising & Sales Promotion (ASP)	11.2	14.0	12.2	13.5
Personnel Costs	5.7	5.5	6.1	5.6
Other Expenses	14.7	15.5	14.5	14.5
PBDIT margins	16.8	14.6	16.4	14.5
Gross Margins (PBDIT before ASP)	28.0	28.6	28.5	27.9

(a) The average market price of copra, the largest component of input costs, was 78% higher in Q3FY14 as compared to Q3FY13. Also, the market prices of rice bran oil were 6% higher as compared to Q3FY13. On the other hand the market prices of safflower oil were lower by 26%. The consumption prices can differ from market prices depending on the stock positions the Company has taken. The Company has initiated certain price increases across the portfolio to

pass on most part of the cost push to protect the absolute margins. On an overall basis the gross margins declined by 130 bps during the quarter.

(b) The Company continues to make investments behind existing products and new products such as Saffola Oats, Parachute Advansed Body Lotion, Youth brands in India and Value Added hair Oils in Bangladesh. ASP spends on new products comprises significant part of the overall ASP. ASP investments in certain international markets was lower than usual during the quarter however this is more of a phasing of spends.

(c) The other expenses include certain items which are variable in nature (almost 2/3rd of other expenses).

a. Fixed Expenses include items such as rent, legal and professional charges, donation to CRY (a part of Nihar Chote Kadam initiative), certain one-time project based consulting charges for capability building and value enhancement in the organization.

b. Variable Expenses include items such as freight, subcontracting charges, power and fuel, warehousing etc. The variable expenses have grown slower than growth in sales mainly due to reduction in Marico Bangladesh as a result of shifting of crushing from third party operators to own factory.

Other Expenses	Q3FY14	Q3FY13	% variation
Fixed	53.6	45.5	18%
Variable	122.8	121.0	1%
Total	176.3	166.5	6%

The detailed Financial Results and other related useful information are available on Marico's website – http://www.marico.com/investor_relations/latest_updates.html

Capital Expenditure and Depreciation

The estimated capital expenditure in each of the years FY14 and FY15 is likely to be around INR 75 crore (USD 14 million).

Depreciation during Q3FY14 is INR 20.7 crore (USD 3.4 million) compared to INR 15.7 crore (USD 2.5 million) in Q3FY13. Change in method of depreciation resulted in a depreciation charge lower by INR 2.81 crore (USD 0.45 million) in Q3FY14. The increase in depreciation is largely on account of impairment of Goa and Dehradun plants. The other factors are: depreciation on new corporate office building and its interiors, Bangladesh copra crushing plant, amortization of the brand "Fiancee" and other additions made post Q3FY13.

Direct Taxation

The Effective Tax Rate (ETR) for the FMCG business during Q3FY14 is 26.1% as compared to 24.9% during Q3FY13. The increase in the ETR is primarily due to tax on dividend received from Bangladesh.

The Company expects its effective tax rate to be around 25% in FY14 given that it also includes tax on dividend received from Marico Bangladesh Limited. During FY15 one of its factories in India is going out of tax exemption and another is moving into 30% exemption bracket from 100% exemption. The expected ETR during FY15 and FY16 could go up to 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 145.9 crore (USD 23.5 million) as of December 2013 is expected to be utilised by the Company over the next 3 to 4 years.

Likely ETR of ~ 25% in FY14

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 volatile during the quarter. Similar fluctuations were observed in other local currencies also. While a depreciating exchange rate of INR /USD 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	Q3FY14	Q3FY13
Return on Capital Employed - Marico Group	37.1%	22.0%
Return on Net Worth – (Group)	39%	21%
Working Capital Ratios (Group) - Debtors Turnover (Days) - Inventory Turnover (Days) - Net Working Capital (Days)	 22 55 53	 20 59 53
Debt: Equity (Group)	0.49	0.37
Finance Costs to Turnover (%) (Group)	0.6%	1.1%

* Turnover Ratios calculated on the basis of average balances

1. Kaya impact has been removed from FY13 ratios in order to make them comparable to FY14
2. The variation in ratios is due to:
    1. Marico Consumer Care Limited, a wholly owned subsidiary of Marico, has under a scheme that was approved by Bombay High Court on 21st June, 2013, adjusted the book value of Youth Brands, amounting to INR 723 crore, acquired during last year against the Securities Premium and paid up equity share capital. This has resulted in a decline in the value of capital employed leading to an improvement in the ROCE, RONW and an increased D:E ratio. The Company will endeavor to improve its return ratios going forward.
    2. Decrease in inventory is on account of shedding of inventory positions in Bangladesh.

3. The Net Debt position of the Marico Group as of December 31,2013 is as below-

Particulars	Amount (INR/Cr)
Gross Debt	640
Cash/Cash Equivalents and Investments (Marico Ltd: INR 351 crore. Marico International: INR 354 crore)	705
Net Surplus	**65**
Foreign Currency Denominated out of the total gross debt (47% hedged) (Also refer to Note 4 below)	526
Foreign Currency Denominated : Payable in One Year	230
Foreign Currency Debt as a % age of Gross Debt	82%
Rupee Debt out of the total gross debt	113
Rupee Debt : Payable in One Year	13
Total Debt Payable within One year	243
Average Cost of Debt (%) : Pre tax	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.

4. 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.
5. The Company periodically reviews and hedges the variable interest liability for long term loans using Interest Rate Swaps.
6. 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 Rs. 9,144.03 Lacs as at December 31, 2013 (Rs. 9,815.98 Lacs as at September 30, 2013, Rs. 5,830.37 Lacs as at December 31, 2012 and Rs. 5,249.45 Lacs as at March 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 would be recognized in the Statement of Profit and Loss on occurrence of the underlying transactions or forecast revenue.

Short / Medium Term Outlook

Marico India

- The Company believes that the bottoming out of volume growths has happened. While the economic environment is challenging, the Company believes there will be gradual recovery.
- The growth momentum in Rural and Middle India will continue to be ahead of Urban. Moreover, the Company is likely to invest significantly behind distribution which could give immediate gains.
- The Company will observe the overall demand environment over the next one or two quarters before it could assess the sustainable growth rates. Immediate future could see volume growth rates of 7% to 8%. With the price increases already in market place the overall top line growth could still be in the region of 12% to 14%. This is expected to improve going forward from early/mid FY15.
- Operating margin of about 17% to 18% is sustainable.
- The Youth brands portfolio is expected to grow by about 20% to 25%.

Marico International

- Organic top line growth in the region of 15% to 20% in constant currency.
- Operating margins expected to be sustained at around 14%.
- Growth potential in the core markets of Bangladesh, Vietnam and Egypt intact and will continue to drive growth.
- Expansion in adjacent markets such as Cambodia, Sri Lanka, North Africa etc.
- MENA region likely to come back on track from FY15 onwards.

Overall

- The Company will focus on deriving synergies as a result of the combination of Domestic and International FMCG businesses.
- 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%.
- The Company will focus on building capabilities to set it up for growth in the long run.
- Significant portion of the gains from the value transformation exercise in India and overseas will be ploughed back to fund growth and innovation.

Status Update: Announcement dated January 7, 2013: Restructuring of businesses, corporate entities and organization, effective April 1, 2013

The Board of Directors of Marico Limited, at its meeting held on 7th January 2013, passed a resolution approving restructuring of Marico's businesses, corporate entities and organization, effective April 1, 2013. Kaya business has been demerged into a separate Company called Marico Kaya Enterprises Limited (MaKE) out of the Marico group pursuant to the Scheme of demerger sanctioned by the Hon'ble High Court of Judicature at Bombay. The Order of the High Court was filed with the Registrar of Companies, Mumbai on October 17, 2013. November 5, 2013 was fixed as the record date for allotment of shares by MaKE to shareholders of Marico in the ratio of 50:1.

MaKE has completed all formalities with respect to allotment of shares to shareholders of Marico Limited. MaKE is currently in the process of compiling Information Memorandum (IM) one of the key documents required for listing and also proposes to file the listing application with the Stock Exchanges in February, 2014. MaKE is now expected to list in April, 2014.

THANK YOU FOR YOUR PATIENT READING

Comparable Income Statement for Q3FY14 Vs Q3FY13 and YTDFY14 Vs YTDFY13 for FMCG Business

Rs. Crore

Particulars	Q3FY14	Q3FY13	Q4FY13	YTD FY14	YTD FY13
1. Income from operations					
a. Net Sales / Income from Operations (Net of excise duty)	1,198	1,085	912	3,606	3,336
b. Other operating income	2	4	1	8	11
Revenue from Operations	**1,201**	**1,089**	**913**	**3,614**	**3,347**
2. Expenses					
a. Cost of materials consumed	572	525	521	1,643	1,656
b. Purchases of stock-in-trade	30	19	17	83	100
c. Changes in inventories of finished goods, work-in-progress and Stock-in-trade	19	5	-109	115	-15
d. Employee benefits expenses	68	60	66	219	186
e. Depreciation and amortization expense	21	16	20	54	42
f. Advertisement & Sales Promotion	134	152	121	439	450
g. Other expenses	176	169	181	523	485
Total expenses	**1,020**	**946**	**816**	**3,076**	**2,904**
3. Profit from operations before other income, finance costs and exceptional items	**181**	**144**	**97**	**538**	**443**
4. Other Income	18	9	21	45	29
5. Finance costs	7	12	10	28	39
6. Exceptional items	-	-	-47	-	-
7. Profit from ordinary activities before Tax	**192**	**141**	**154**	**556**	**432**
8. Tax expense	50	35	40	143	102
9. Net Profit from ordinary activities after Tax	**142**	**106**	**114**	**413**	**330**
10.Minority Interest	6	2	3	16	7
11.Net Profit for the period	**135**	**104**	**111**	**397**	**323**

Performance of Marico India and Marico International for Q3FY14 and comparison with Q3FY13

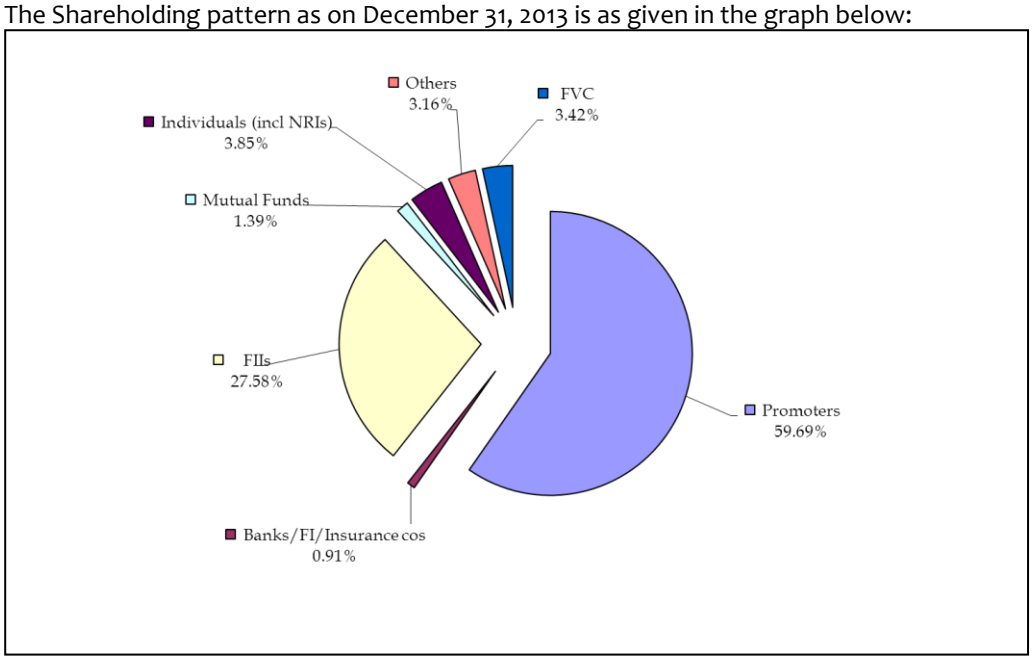
Please note that after the demerger of Kaya out of the Marico Group there are no longer two reportable segments. Now, Marico Group has only one reportable segment and that is Consumer Products Business. However, for better appreciation of the financial results the Company has provided a separate breakdown of performance of Consumer Products business in India and Overseas.

Rs. Crore

Particulars	Q3FY14	Q3FY13	YTD FY14	YTD FY13
1. Segment Revenue				
i. Domestic	902	828	2,707	2,555
ii. International	299	261	908	792
2. Segment Result				
(Profit before Interest and Tax and exceptional items)				
i. Domestic	160	145	498	455
ii. International	46	23	123	62
3. Capital Employed (Segment Assets - Segment Liabilities)				
i. Domestic	657	1,346	657	1,346
ii. International	447	521	447	521

Annexure 1-A: SHAREHOLDING PATTERN

The Shareholding pattern as on December 31, 2013 is as given in the graph below:

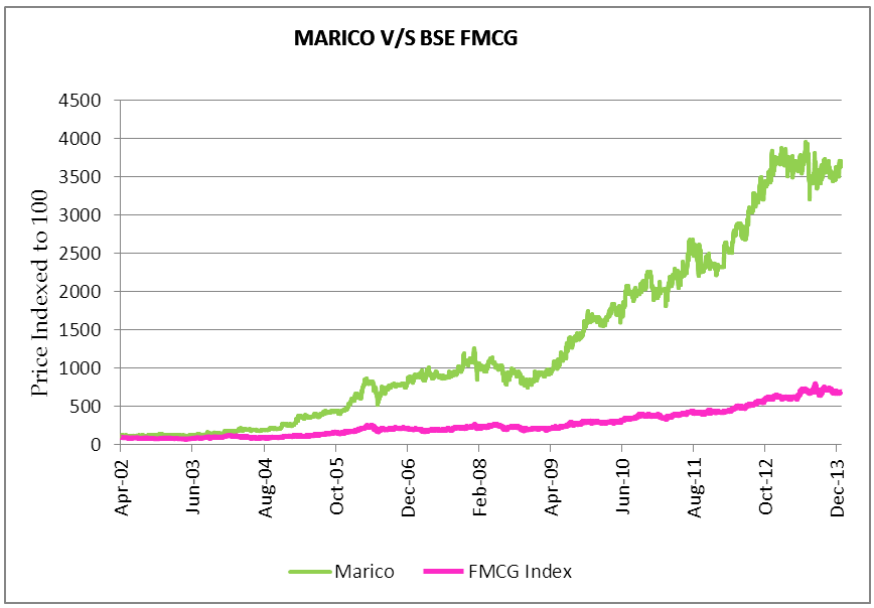


Details of ESOPs as on December 31, 2013: ESOP Plan 2007

Total Options Granted	Options Forfeited	Options Exercised	Options pending to be exercised
11,376,300	4,702,465	64,61,235	212,600

*** Options pending to be exercised are less than 0.01% 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 Rs. 13,988 crore on December 31, 2013. The average daily volume on BSE and NSE during Q3FY14 was about 5,39,280 shares

Annexure 1-C: Average Market Prices of Input materials

(These prices are based on simple average of daily market prices and the company's actual procurement prices may be different based on quantities bought on various days.)

	Rs/100KG	Rs/100KG	Rs/10KG	Rs/10KG	Rs/10KG	Rs /lt	Rs / kg
Month	**COCHIN Coconut OIL**	**COPRA CALICUT**	**SF OIL Nominal Bombay**	**KARDI OIL JALNA**	**RICE BRAN**	**LIQUID PARAFFIN**	**HDPE**
Oct-12	5,717	3,899	704	1,369	551	65	93
Nov-12	6,004	4,083	747	1,431	548	64	93
Dec-12	6,520	4,458	766	1,443	527	62	93
Jan-13	7,067	4,850	776	1,575	554	61	95
Feb-13	6,683	4,571	761	1,406	528	59	96
Mar-13	6,297	4,457	731	1,181	498	60	98
Apr-13	6,327	4,488	722	1,189	484	60	98
May-13	6,137	4,315	720	1,155	473	64	98
Jun-13	6,710	4,676	762	1,105	506	63	100
Jul-13	6,815	4,796	781	1,074	518	66	104
Aug-13	7,308	5,300	762	1,085	547	70	106
Sep-13	8,109	5,801	784	1,050	569	76	108
Oct-13	9,368	6,884	764	1,050	599	77	110
Nov-13	10,364	7,701	706	1,050	598	75	112
Dec-13	10,358	7,606	668	1,050	527	73	114
Q3FY14 vs Q2FY14	**35%**	**40%**	**-8%**	**-2%**	**5%**	**6%**	**6%**
Q3FY14 vs Q3FY13	**65%**	**78%**	**-4%**	**-26%**	**6%**	**17%**	**21%**

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-12	6.00	27.00	64.00	120.00	180.00	130.00	145.00	115.00
Nov-12	6.00	27.00	64.00	120.00	180.00	130.00	145.00	115.00
Dec-12	6.00	27.00	64.00	120.00	180.00	130.00	145.00	115.00
Jan-13	6.00	27.00	64.00	120.00	180.00	130.00	140.00	115.00
Feb-13	6.00	27.00	64.00	120.00	180.00	130.00	140.00	115.00
Mar-13	6.00	25.00	60.00	120.00	180.00	130.00	140.00	115.00
Apr-13	6.00	25.00	60.00	120.00	180.00	130.00	140.00	115.00
May-13	6.00	25.00	60.00	120.00	180.00	130.00	140.00	115.00
Jun-13	6.00	25.00	60.00	120.00	180.00	130.00	140.00	115.00
Jul-13	6.00	23.00	60.00	120.00	180.00	130.00	140.00	115.00
Aug-13	6.00	23.00	60.00	120.00	180.00	130.00	140.00	115.00
Sep-13	6.00	23.00	60.00	120.00	180.00	130.00	140.00	115.00
Oct-13	6.00	25.00	63.00	125.00	180.00	130.00	140.00	115.00
Nov-13	6.00	27.00	66.00	130.00	180.00	130.00	140.00	115.00
Dec-13	7.00	29.00	69.00	136.00	185.00	135.00	145.00	125.00

Coconut Oil					
PCNO R	50 ml Free	250 ml	Nov, Dec	Extra Volume	National
PCNO R	100 ml Free	500 ml	Dec	Extra Volume	National
PCNO R	Price off Rs25/-	1 ltr	Oct	Price off	National
Edible Oils					
Saffola Gold	1 ltr Free	5 ltr	Oct, Nov	Extra Volume	National
Saffola KO	1 ltr Free	5 ltr	Dec	Extra Volume	National
Hair Oils					
H&C	20 ml free	100 ml	Oct,Dec	Extra Volume	National
H&C	40 ml free	200 ml	Oct	Extra Volume	National
Par Jas R	20 ml free	100 ml	Oct	Extra Volume	National
Par Jas R	40 ml free	200 ml	Oct	Extra Volume	National
Nihar NHO	40 ml free	200 ml	Nov, Dec	Extra Volume	National
Nihar NHO	Price off Rs 10/-	400 ml	Dec	Price off	National

Annexure 2: Profile giving Basic / Historical Information

Marico is a leading Indian Group in Consumer Products & Services in the Global Beauty and Wellness space. Marico's Products and Services in Hair care, Skin Care and Healthy Foods generated a Turnover of about INR 46 billion (about USD 850 Million) during 2012-13. FY13 financials include Kaya which has been demerged from Marico Ltd effective April 1, 2013. Marico markets well-known brands such as Parachute, Saffola, Hair & Care, Nihar, Shanti, 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, Singapore, Malaysia and Vietnam.

Marico's own manufacturing facilities in India are located at Kanjikode, Jalgaon, Pondicherry, Dehradun, Daman, 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.
Marico has consistently sought to broad base its brand basket. The new products dealt in by the Company during last 5 years have now assumed a critical mass. In the process, Marico's dependence on Parachute has consistently been reducing. From a share in the range of 70% - 75% in early 90's, Parachute coconut oil in India today contributes about 30% to the top line of Marico. Its share in profits too has come down.

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 40 lacs 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	135	49
Town's covered (000's)	4.1	27.0
Distributor	750	-
Super Distributor	-	145
Stockists	-	4,100

Financial Highlights

Marico has maintained a steady top line and bottom line growth over the past decade with a consistently healthy Operating Return on Capital Employed (ROCE).

Particulars (INR crores)	FY 09	FY 10	FY11	FY12	FY13	CAGR %
Sales & Services	2,388	2,661	3,128	3,980	4,596	19%
Material Cost	1,278	1,262	1,618	2,132	2,210	
Employee Cost	166	190	230	307	381	
ASP	243	351	346	426	598	
Other Costs	398	483	523	703	869	
Profit Before Tax	230	298	376	400	552	22%
Net Profit (PAT)	189	232	286	317	396	19%
Earnings per Share - Annualized (Rs)*	3.1	3.8	4.7	5.2	6.1	17%
Book Value per Share (Rs)*	7.4	10.7	14.9	18.59	30.77	
Net Worth	453	654	915	1,143	1,802	42%
EBITDA%	12.70%	14.10%	13.30%	12.10%	13.60%	
ROCE %	35	34	27	26	24	

* For a meaningful comparison of EPS and Book Value, the numbers for the previous years have been re-computed taking into account sub-division of equity shares to a face value of Re 1 per share.
Note: Previous Year financials include Kaya

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 processes of 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

Anubhav Rastogi	Head – Investor Relations and M&A	(anubhavr@maricoindia.net),
Chaitanya Deshpande	EVP & Head - M&A and Investor Relations	(chaitanyajd@maricoindia.net)
Milind Sarwate	Group CFO	(milinds@maricoindia.net)

Contents of this Update

1. Financial results and other developments during Q3FY14 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, Marico Consumer Care Limited, Halite Personal Care India Private 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.