Highlights

Turnover	**INR 974 Cr**	**Up**	**~26 %**
Volume Growth		**~ 14%**	
Net Profit	**INR 78 Cr**	**Up**	**~9%**

Market Shares for Key Brands

Brand & Territory	MS%	Rank	Brand & Territory	MS%	Rank
Coconut Oil- India	53%	1st	Parachute Coconut Oil- Bangladesh	69%	1st
Saffola Oils – India- Premium ROCP	55%	1st	Hair Code Hair Dye- Bangladesh	29%	1st
Hair Oils - India	23%	2nd	X-Men Men's Shampoo- Vietnam	41%	1st
Kaya Skincare solutions	35%+	1st	Hair Code & Fiancée- Egypt	57%	1st

Turnover

Marico Q2FY12 turnover of ~INR 974 crore (~USD 216.4 mio) showed a growth of ~26% over Q2Y11. A robust volume growth of ~14% in the domestic Consumer Products Business (despite price increases necessitated in H2FY11) helped achieve this healthy revenue growth. The Company continues to prioritise its consumer franchise over its margins. This consumer-centricity enabled it to sustain robust volume growth despite inflationary pressures in India.

Net Profit

Profit after tax (PAT) for Q2FY12 was ~INR 78 crore (~ USD 17.3 mio), a growth of ~9% over Q2FY11. The following will help a better appreciation of the comparison with Q2FY11:

- Q2FY12 accounts do not include any provision for excise duty on coconut oil sold in packs up to 200 ml. As explained in the information update for Q4FY11, the company discontinued making this provision in FY11. The PAT for Q2FY11 was arrived at after charging such provision amounting to INR 8.2 crore (~USD 1.8 mio).
- The PAT for Q2FY12 includes a charge for amortization of Intangible Assets, amounting to INR 2.6 crore (USD 0.6 mio), as required under India GAAP. (This had been explained in the information update for Q4FY11.) Q2FY11 accounts did not have any such charge.

If the reported numbers were to be adjusted for these, to enable better comparison with Q2FY11, PAT growth for Q2FY12 would have been 5%

None of these factors affected the cash flow in Q2FY12.

Over the years, Marico has focused on sustainable profitable growth. Q2FY12 is in Y-o-Y terms, the 44th consecutive Quarter of growth in Turnover and 48th consecutive Quarter of growth in Profits.

The Board of Directors of Marico Limited at its meeting held on November 4, 2011 declared a first interim dividend of 30% on its equity share capital of ~INR 61.5 Crore.

The theme of the update finds an echo in the Success Guru- Brian Tracy's- maxim- "The ability to discipline oneself to delay gratification in the short term in order to enjoy greater rewards in the long term is the indispensable prerequisite for success."

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.

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Contents of this Update

1. Financial results and other developments during Q2FY12 for the Marico Group - Kaya Limited, Marico Bangladesh Limited, MBL Industries Limited, Marico Middle East FZE, Kaya Middle East FZE, Marico South Africa Consumer Care (Pty) Limited, Marico South Africa (Pty) Limited, CPF International (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., Derma Rx International Aesthetics Pte. Ltd., The DRx Clinic Pte. Ltd., The DRx Medispa Pte. Ltd., DRx Investment Pte. Ltd. , DRx Aesthetics Sdn. Bhd, International Consumer Products Corporation, Beauté Cosmétique Societé Par Actions, Thuan Phat Foodstuff Joint stock Company
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 (stand-alone 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 does not therefore constitute unpublished price sensitive information under the SEBI (Prohibition of Insider Trading) Regulations, 1992.

Marico typically holds a general meeting with investors, analysts and other members of the financial community once a year, in April, apart from periodic meetings/ conference calls, from time to time, with individual members of the financial community.

Consumer Scenario and Economic Ambience

India

- India has been through several events in the recent past, the top two being a Civil-Society-led movement against corruption and terrorism-related incidents and security issues.
- All these would have an adverse effect on the confidence that businesses or consumers carry. This coupled with the expected lowering of the GDP growth estimates would have some, if not major, effect on consumer demand especially for items of discretionary consumption in our portfolio.
- The Indian economy continues to grow at rates distinctly higher than most other countries in the world, but less than the potential that the country seems to hold.
- There has been some stalling of economic agenda in the recent past, because of the political agenda coming to the fore triggered by the social activism against corruption.
- High Inflation, especially in food items, is a cause for concern.
- The near term uncertainty does not however seem to affect the credibility of the long term consumption story in India, driven by sustained economic growth and favourable demographics.

Overseas Marico territories

- The territories relevant to Marico are Asia (GCC countries, Bangladesh, Vietnam and rest of South East Asia) and Africa (Egypt and South Africa). The overall economic climate across these geographies continues to be challenging.
- The pressure points in most markets are high inflation (especially in food items), volatility in FX rates and general cost push in the economy.

Marico-specific Information Update issued in September 2011

Marico had issued a special mid-quarter Information Update on September 14, 2011. Reference to that update will help better appreciation of this Information Update especially the Outlook.

Consumer Products Business in India (CPB)

The Consumer Products Business in India (CPB) achieved a turnover of INR 667 crore (~USD 148.2 mio), a growth of about ~44% over Q2FY12. The Turnover growth reflected healthy demand and continued business momentum manifest in a volume growth of ~14% over Q2FY11.

The chief contributors towards this growth were:

- Equity of Marico's brands that provided sufficient pricing power- as retail price increases were necessitated in H2FY11 owing to high inflation in input costs
- Steady growth in the coconut oils market
- Share gain in value added hair oils
- Expansion in Saffola's franchise

For better comparability, the growth numbers have been computed considering only continuing operations- the base does not include numbers for the refined edible oil brand "Sweekar" which was divested during Q4FY11Sweekar. If Sweekar were to be included in the base, the growth would have been ~30%.

Coconut Oil:

Parachute, Marico's flagship brand, recorded robust volume growth during the quarter. Parachute coconut oil in rigid packs, the focus part of its portfolio, grew by ~10% in volume as compared to Q2FY11. Small packs continued to drive growth.

The brand Nihar enjoys a strong equity in the eastern part of the country. In order to leverage its strength, the Company was in the process of transitioning Parachute's sub- brand "Uttam" under the Nihar umbrella. This transition is now complete.

During the 12 months ended September 2011, Marico's volume share in the ~INR 2000 crore (USD 450 mio) branded coconut oil segment in India was ~53.3% (Q2FY11- 53%)

Saffola

The Saffola Oil franchise grew by ~11% in volume terms during Q2FY12 compared to Q2FY11. There was a significant reduction in the promotional volumes during this quarter as compared to the corresponding quarter in the previous year. Saffola maintained its leadership position in the super premium refined edible oils segment with a market share of ~54.8% during the 12 months ended September 2011. (Q2FY11 -51%)

During Q2FY12 the average market prices of safflower oil and rice bran oil were up ~24% and 46% respectively as compared to Q2FY11. In earlier quarters, the Company had taken price increases in select packs to compensate for this cost push. This quarter saw no price changes.

The Company continued its crusade to spread awareness about health particularly heart health. The Saffola life World Heart Day Campaign 2011 was launched in an impactful manner. Propagating the concept of Heart's Age, the campaign touched the hearts of thousands of consumers. It also drew in several organizations that collaborated with us.

Saffola has been, over recent years, leveraging the consumer trend of proactively managing a healthy lifestyle. Adopting Saffola is one of the shifts that consumers continue to make. The Saffola range of blended refined oils (available in four variants) operates in the premium niche of the refined edible oils market.

Saffola would, in the longer term, establish itself as a leading healthy lifestyle brand that offers healthy food options during all meals of the day. The Company has prioritized the breakfast space in the near term. Last year it entered the breakfast cereals market with the introduction of Saffola Oats. That has met with a favorable response. Encouraged by that, we have commenced a prototype with Savory variants of Oats in

Tamil Nadu. The initial response has been good. The Company has about 10% market share in Oats category and is now one of the top three players.

The company has also introduced Saffola Arise, a low Glycemic index rice. We have now added two more variants - long grain and basmati- with the aim to increasing its relevance to consumers in northern part of India. The company will continue to innovate in the packaged food space and prototype new products in the near future.

Hair Oils

During the quarter, all Marico's hair oils brands recorded healthy growth. The company's hair oils in rigid packs volumes grew by ~26% over Q2FY11. The value growth boosted by price increases was at ~48%.

Marico's hair oils franchise had achieved market share gains during FY11 and has continued to do so in FY12. There has been a shift of around 160 basis points in Q2FY11 compared to Q2FY11. Its volume market share during the 12 months ended September 2011 was ~23.4% up from 17% about 5 years ago. These market shares 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 and continued media support in some of the brands and penetrative pricing action in others.

Marico offers its consumers a basket of value added hair oils for their pre-wash and post wash hair conditioning, nourishment and grooming needs in the ~INR 3000 crore (USD 650 mio) branded hair oils market. Hair oiling remains a deeply ingrained hair conditioning habit on the Indian sub-continent. The Company has carried out scientific research and conducted successful clinical trials to establish the benefits that hair oiling provides to consumers. With rising incomes in India there exist increasing opportunities to serve consumers looking for value added options to their hair oiling needs.

The Company's aim is to participate in all the sub-segments and have a wider portfolio to drive growth. This is being achieved by the introduction of new products such as Parachute Advansed Ayurvedic Hot Oil, Parachute Advansed Ayurvedic cooling oil and Parachute Advansed Ayurvedic Hair Oil. All these have grown the overall hair oils franchise by bringing specificity and creating more occasions for use. The Company is now focusing on scaling up its presence in these sub segments.

- Parachute Advansed Ayurvedic Oil was extended to Andhra Pradesh and Karnataka in Q4FY11. Encouraged by its success in the southern markets where it enjoys a market share of ~11%, the brand was introduced in Maharashtra during Q1FY12. The initial response has been encouraging.
- Parachute Advansed Cooling oil has gained good traction in the southern markets and achieved a market share of ~8%-9%. The Company is taking actions to scale the Brand and strengthen it in Southern India market with the help of a new TVC on the consumer concept of "relief from body heat". This initiative was strengthened through 360° through surround media, aggressive activation and sampling to more than 2.2 million consumers and development of new channels like barbers and direct to consumer.
- Nihar Shanti Amla continues to gain market share on the back of disruptive pricing and achieved a volume market share of ~15.5% for the 12 months ended September 2011. Shares in September 2011 were even higher at ~18%.

Input costs and output Pricing

Copra (dried kernel of coconut) is a major input material for Marico. It constitutes circa 40% of total material cost for the group. It is a peculiar commodity in that the Indian market is fairly insulated from the global market, with restrictions on imports of copra and coconut oil.

The copra market has seen an unprecedented inflation, with prices in YTD FY 12 being higher than those in YTD FY 11, by circa 70%. The current bull-run in copra prices although unusual should give way sometime. However, there have been two developments in the Global Commodities Market in the past 3 years or so. These have queered the pitch and predicting commodity prices is more difficult than ever before. These are:

- A Stronger link between the Vegetable Oil price table and the Fuel Oil price table, because of the increasing use of vegetable oils as non-conventional energy sources.
- An Increase in funds flowing into the commodities as an asset class, some of the funds being speculative, in that the flow is not from actual users.

The resultant increased unpredictability of the copra market creates an imponderable for us. Thus, it is still unclear whether the Copra bull-run denotes a structural upward shift in copra prices. Any structural change is just a possibility at this moment, but if it does materialize, we may not see a major improvement in our margins until we reset the rules of the game. We expect that it will take us a couple of quarters to gauge the trend in the right manner and modify our strategies accordingly.

Copra prices had seen an unprecedented increase in H2FY11, following which there has been a correction. The average market prices of copra in Q2FY12 were lower than the average prices during Q1FY12. However, on a Y-o-Y basis, the prices in Q2FY12 were still ~50% higher as compared to Q2FY11.

Average copra prices in Q2FY12 were ~11% lower than Q1FY12. Going by this, there is indeed an expectation of a meaningful correction in copra prices during the coming quarters. It will be some time before one can accept the recent downward correction in copra prices as a sustained trend. Similar declines, although with volatility, have been seen in earlier months too. They have, however, proved to be temporary. Given this uncertainty around copra prices, there may arise a need to marginally raise the retail prices in select packs. This will help us temper the adverse effect of the unprecedented copra inflation on Company's operating margins.

Marico has followed a judicious pricing policy, despite the equity consistently displayed by its brands. We strongly believe in the long term consumption story in the Indian Consumer market. Hence, after taking significant price increases, Marico held the retail prices for almost 9 months to avoid too many price increases in a short time span. It also varied the degree of price increases s across its portfolio, so that the low unit price "recruiter" packs do not breach a certain price threshold. During Q2FY12, the company maintained its retail prices, thereby accepting the consequent contraction in margins as compared to Q2FY11.

Changes in the price of copra purchased by Marico are not immediately reflected in the cost imputed to the finished products. This is because at any time there is an inventory already in hand, which may not be at the latest prices. Also, there are finished product inventories across the supply chain, which too may not carry copra costs on a current price basis. Therefore, even if copra prices start falling and the fall is sustained, it will still take some time for the benefit of the price fall to be reflected in the profitability of the Company in a given quarter.

Rural Markets and Modern Trade:

Marico's rural sales continue to clock a faster pace of growth than its urban sales. Rural sales comprised about 27% of the company's Indian FMCG sales in FY11 as compared to 25% in FY10. The continued focus on rural has pushed the share of rural in total sales to ~30% in Q2FY12. Marico has taken initiatives to drive greater rural penetration over the past two years or so. It has endeavored to reach a larger number of retail outlets in the rural hinterland directly through its distributor sales force rather than depending on wholesalers to service these outlets. This has improved the quality of Marico's sales calls. It also provides the opportunity to sell-in a wider range of products. In recent times, the sales reach has increased largely on the back of penetrative pricing in Nihar Shanti Amla and lower price point packs in Parachute.

Modern Trade continued its good run and grew at 46% in Q2 primarily led by Saffola franchise growth and Hair Oils growth.

Entry into Mass Skin Care:

Marico had started a prototype of Parachute Advansed Body Lotion in West Bengal in September 2010. This is In line with the Company's strategy to participate in the Beauty and Wellness space- in specific in Hair Care and Skin Care. Encouraging results of the prototype have triggered a launch on a national basis during Q2FY12. High impact marketing and TVC support this launch. Competitively priced, the product is available in two variants – "Dry Skin" for intense care and "All Season" for gentle care.

The Company believes that even though the category is competitive there is a lot of head room for growth. The penetration levels are still less than 20%. The total skin care segment is estimated to be around INR 5000 Cr (USD 1 billion) out of which body care segment is around INR 1300 Crore (USD 290 mil).

International FMCG Business Group (IBG)

Marico's IBG encompasses Bangladesh, MENA (Middle East and North Africa), South Africa and South East Asia. It comprised ~23% of the Marico Group's turnover in FY11.

IBG sustained its growth journey clocking a turnover of INR 241 Crore (USD 53.5 mio) during Q2FY12. This denotes a growth of ~19% over Q2FY11 boosted by the acquisition of 85% equity in International Consumer Products in Vietnam in February, 2011.

The table below analyses the growth during the quarter.

Factor		**Y-o-Y Growth %**
Organic growth	Existing Geographies	14
Inorganic growth	Vietnam	19
Total Underlying Growth		**33**
Other Factors	FX changes Accounting changes in VAT cascade in Bangladesh	(14)
Net Reported Growth		**19**

There has been a change relating to Modified Value Added Tax (MODVAT) led price cascade in Bangladesh. MODVAT on materials which was earlier a part of the Cost of Goods Sold must now be shown as a reduction from Sales to arrive at Net Sales. Because of this re-classification, the reported Net Sales through out FY12 will appear lower when compared to the corresponding figure in the previous year. This adjustment is neutral as regards both profit and cash flow.

Parachute Coconut Oil in Bangladesh clocked a market share of 69% in total CNO market (including loose oil). Parachute continues to be amongst the top 5 most trusted brands *(Source: Bangladesh Brand forum)*

There has been an all-round cost push in all its geographies. In addition, in certain territories in MENA the authorities have been discouraging companies from taking price increases in a bid to contain inflation.

Bangladesh

In Bangladesh, Parachute continues to play out its market expansion strategy by converting loose oil users to packed branded coconut oil in the otherwise challenging business environment while maintaining its strong leadership position during the quarter.

The Company is building upon its strategy of leveraging the extensive distribution network created by Parachute. Hair Code hair dye has maintained its ~29% value market share during the quarter thus establishing itself as a number 1 player. In the value added hair oils, space the Company strengthened its presence through increased volumes of Parachute Advansed Beli, a light hair oil with a floral fragrance and Parachute Advansed Cooling Oil. This has resulted in an increase in the shares. The response to Saffola refined edible oil introduced in Bangladesh in FY11 is in line with expectations and the brand is now gaining traction in the modern retail channel. This provides confidence about achieving continued growth in Bangladesh through these new categories that complement the growth of the flagship, Parachute.

MENA (Middle East and North Africa)

The overall environment in the region is relatively better but not without instances of sporadic protests and disturbances. Some of the territories that still face instability such as Libya, Yemen and Syria continue to face closure of operations. However, they comprise only about 5% of Marico's business in the MENA region. While our outlook on the long term trends in demand for personal care products in the region remains positive, the growth in the immediately ensuing quarters may be unpredictable.

Amidst all this, Marico has continued to leverage local consumer insights. It has launched a new range of Hair Oils and Hammam Zait under Parachute Secrets. This range leverages the tradition and belief amongst Arab women about the hair nourishment properties of certain ingredients. The initial response is positive. To strengthen the core equity of its offerings, the Company has also restaged Parachute Gold creams and hair oils across Middle East markets. The response to the new range is encouraging. This initiative is backed by a 360 degree campaign.

In Egypt, the combined market share of Fiancée and Hair Code was held at ~57%. Hair Code has been restaged with a new visual identity and campaign. It has been well received in the market. The relaunch also helps the Company deal with counterfeit issues. Fiancée was, during Q1/Q2FY12, also backed by a campaign reinforcing its VFM positioning.

South Africa

The South African business continued its growth journey recording a strong double digit Y-o-Y growth over Q2FY11. Caivil Just for Kids continued to be the leader in the Kids hair care market. Given the inflationary situation, the market witnessed some degree of down-trading. However, Marico's representation in the VFM segment through Black chic was able to capitalize on this trend. Overall Marico's hair care brands have been growing steadily and improving their market shares in the ethnic hair care market in South Africa.

South East Asia

The business environment in Vietnam remained challenging during the quarter with high inflation of 11% and cost push in power and fuel. Further, the Central Bank had devalued the currency by 7% in February 2011 leading to a rise in the cost of imported materials. .

X-Men, a leading Men's grooming brand saw an uptick in its market share to 41%, aided by the launch of the new 4-Step X-Men campaign. Apart from the thematic TVC for shampoo, the campaign prompts a full male grooming regimen with X-Men extensions in shower gel, face wash and deodorant. The thematic has been supported by a 360-degree surround PR, including a digital campaign, out door visibility and merchandising. The overall response is as per expectations. The other business segments of Skin Care and Foods are tracking as per plan. The integration of operations is on track.

Marico's Malaysian business continues to grow at a very healthy rate albeit on a small base. Code 10 has responded well to the brand restage and the renewed thrust to distribution.

Kaya Skin Care Solutions

Kaya now offers skin care solutions - its technology led cosmetic dermatological services and products - through 105 clinics: 82 in India across 26 cities, 17 in the Middle East and 2 in Bangladesh in addition to the 4 Derma Rx clinics and medispas in Singapore and Malaysia.

During Q2FY12, Kaya achieved a turnover if INR 66.2 crore (~USD 14.7 mio). The Kaya business in India and the Middle East achieved same store collection growth of 16% over Q2FY11. Kaya has thus sustained the topline growth trend for the past 4 quarters on a same store basis.

This has been achieved through several initiatives:

- Introduction of services over the last few quarters at affordable price points to serve as traffic generators - during Q2FY12 it introduced a program called "Kaya – Indulge", an initiative to increase the frequency of visit and hence spends by customers. It has had a good response.
- Unlocking of portfolio synergies by introducing products from Derma Rx in India.
- A new Bridal skincare program.
- A 360 degree campaign on Juvederm XC (dermal filler for anti ageing) rolled out across key markets In order to continuously penetrate the anti-ageing market.
- Milestone program designed to bring back customers who have not transacted with Kaya for a few quarters in the recent past - this is a part of CRM initiatives in Kaya.

The products from Derma Rx introduced in India continue to gain good traction. About 23% of the revenues from Indian operations compared to 16% Q2FY11, comes from the sale of products. The company will continue to introduce more products in India in a phased manner. Derma Rx products are in the process of being introduced in the Middle East too. A launch is expected by early Q4FY12. We believe that introduction of these products makes the range of products at Kaya more comprehensive. Higher product sales will generate more through-put from the clinics and help improve their ROCE.

During Q2FY12, Kaya recorded a revenue growth of ~7% over Q2FY11 and made a loss of INR 7.5 crore (~ USD 1.7 mio). Kaya had recorded in Q2FY11 a profit of INR 1.5 crore (~USD 0.33 mio). However, both the revenue and profit numbers are not strictly comparable in view of the following changes made in the accounting practice and policy at Kaya during Q4FY11;

- Rationalization and automation of the practice of revenue deferrals on sale of packages
- The amortization of intangible assets amounting to INR 1.2 crore (~USD 0.3 mio).

We believe that compared to the CPB or IBG, Kaya is a much younger business and encapsulates an emerging business model. Its distributed locations nature makes it a complex business to manage, from both angles - customer interfacing and business control. We have launched initiatives in both these areas. Our focus is on building sustainable consumer bases, as partially explained above.

Our focus has also been on rationalizing operations and costs. We are conscious of the fact that most costs in Kaya are front-ended and therefore we have to constantly ensure that the carrying cost of all our assets reflects current reality. There has therefore been a drive in Kaya over the past few quarters towards greater automation and scrutiny across all its clinics, in India and overseas. The constant re-assessment of asset values across Kaya has led to varying accounting charges from quarter to quarter. That has been vitiating quarter to quarter comparisons. We expect this to continue for some time.

Thus, the current phase of securing consumers and ensuring cost effectiveness will hold out for some time. This will keep Kaya in an investment phase for a few more quarters.

Kaya is focusing on "letting the customers' skin talk" which is expected to lead to desired numbers. Hence we believe Kaya will break-even, in the foreseeable future.

OPERATING MARGIN STRUCTURE FOR MARICO GROUP

% to Sales & Services (net of excise)	Q2FY12	Q2FY11	Q1FY12
Material Cost (Raw + Packaging)	54.7	50.0	57.1
Advertising & Sales Promotion (ASP)	9.7	12.2	9.8
Personnel Costs	7.4	7.5	6.7
Other Expenses	16.2	16.5	14.5
PBDIT margins	12.0	13.8	11.9
Gross Margins (PBDIT before ASP)	21.7	26.0	21.7

1. The above ratios are before considering provision for excise duty amounting to INR 8.2 crore (~USD 1.8 mio) in the financials for the period ended Q2FY11 to facilitate a like to like comparison.
2. The year witnessed steep inflation in prices of input materials. Market price of Copra, the input for coconut oil, which accounts for about ~40% of the Group's raw material cost, was ~ 50% higher than in Q2FY11. Market prices of Safflower Oil and Rice Bran were up by 24% and 46% respectively, compared to Q1FY11. The Company chose to pass on a part of the input cost increase to consumers.
3. The company endeavors to keep its absolute margins per unit within a band. A significant increase in realizations per unit will result in reflecting a lower margin in percentage terms.
4. Increases in ASP, Personnel costs and other expenses have not kept pace with the 26% revenue growth leading to some decline in percentage terms.
5. 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 Company plans to invest ~INR 80 - 100 Crore (~USD 18 -22 mio) in capital assets in FY12. The annual recurring capital expenditure is to the tune of ~INR 40 crore (USD 8.8 mio) .This estimate excludes any potential acquisition opportunities.

Depreciation during Q2FY12 is ~INR 17.7 Crore (~USD 3.9 mio) compared to ~INR 13.9 Crore (USD 3.01 mio) in Q2FY11. The depreciation was higher this quarter mainly of account of the following reasons

1. Amortization of intangible assets - INR 2.6 crore (~USD 0.6 mio). As explained in our information update for Q4FY11 this is as required under India GAAP and was implemented by the company is Q4FY11.
2. There is an additional amount of depreciation in the consolidated accounts by virtue of consolidation of depreciation on fixed assets of International Consumer Products in Vietnam.

Effective Tax Rate:

The total effective tax rate (as % of PBT) after considering MAT credit and deferred tax for Q2FY12 is ~20%. The effective tax rate for Q2FY11 was ~17% after normalizing it for excise duty provision and amortization of intangible assets. This rate is lower as there was a reversal of tax charge in Q2FY11 relating to Q1FY11 and also FY10. (please also refer to the information update for the quarter Q2FY11). The Company expects its effective tax rate to be around ~20% during FY12 and FY13.

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 the External Commercial Borrowing.

The average exchange rate for INR/USD during Q2 was 45.77 with a range of 44.08-49.58. Similar fluctuations were observed in other local currencies also. While a depreciating exchange rate of INR /USD is better in terms of consolidation of business results optically, a similar depreciation in local currencies added to the input cost pressure in the IBG geographies. Even in CPB, the depreciation of the Rupee has neutralized a significant part of the input cost gains in imported materials.

Capital Utilization

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

Ratio	Q2FY12	Q2FY11
Return on Capital Employed - Marico Group	25.3%	30.2%
Return on Net Worth – (Group)	30.8%	36.8%
Working Capital Ratios (Group) - Debtors Turnover (Days) - Inventory Turnover (Days) - Net Working Capital Turnover (Days)	 20 53 63	 24 49 55
Debt: Equity (Group)	0.68	0.56
Finance Costs to Turnover (%) (Group)	0.9%	0.8%

* Turnover Ratios calculated on the basis of average balances

1. There has been a decline in the Group's ROCE in Q2FY12 compared to Q2FY11 mainly on account of the investment made in Vietnam.

2. The Net Debt position as of September 30, 2011 of the Marico Group is as below-

Particulars	INR Cr	USD Mio
Gross Debt	731	149
Cash/Cash Equivalents and Investments	296	60
Net Debt	435	89
Foreign currency Denominated	676	138
Foreign currency - Payable with in One Year	337	69
Rupee Debt	55	11
Rupee Debt - Payable with in One year	5	1
Foreign Currency Denominated of Gross Debt	92%	
Payable with in One Year of Gross Debt	47%	
Average cost of Debt (%) - Pre Tax	4.2%	

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 the hence the MTM differences are routed through the balance sheet rather than the income statement.
4. The Company periodically reviews and hedges the variable interest liability for long term loans using Interest Rate Swaps.

Short / Medium Term Outlook

Marico has positioned itself, strategically, in emerging markets - India, South Africa (part of BRICSA), Bangladesh, Vietnam and Egypt (Part of N-11 Group). We believe that in emerging markets, focus on the long term is crucial. Long term success can be ensured only through stronger brands that enjoy loyal consumer franchises. We have therefore chosen to prioritise expansion of consumer franchise over expansion of margins.

Here is a broad outline of Marico's strategies and the expected outcome for its various businesses:

CPB:

- In coconut oils, the company will aim to grow by leading market expansion through its recruiter low unit size packs. The Company expects to achieve volume growth 6% to 8% per annum in the medium term.
- In hair oils, Marico will focus on share gain through introduction of differentiated and innovative products and providing specificity to consumers accompanied by effective communication. Successful execution of this strategy is expected to result in annual volume growth of 15% to 17% over the next 2-3 years.
- The Company's efforts in expanding rural reach is also expected to contribute towards franchise expansion in coconut oils and hair oils.
- Saffola is riding a trend in healthy living being adopted by the Indian consumer. The brand expects to continue to grow its basket of premium refined edible oil by about 15% in volume each year. In addition the Company plans to build a sizeable business in the healthy foods space by leveraging Saffola's equity.

IBG:

- Marico will focus on growing the categories where it has significant market share - such as in coconut oil in Bangladesh and male grooming in MENA and Vietnam.
- The Company will focus on complementing growth of Parachute Coconut Oil in Bangladesh by establishing other products introduced in the market.
- In South Africa it would work on increasing share in key categories and over the medium term in expanding its footprint to other parts of sub-Saharan Africa.
- In the immediate term the approach in MENA will be cautious. However, the long term potential given current penetration levels in Marico's categories of interest remains positive.
- Code 10 in Malaysia is expected to continue to show very healthy growth albeit on a small base.
- In Vietnam, the Company will continue to focus on the process of integration.
- We will also explore other countries as targets for expansion in the long term, with clear focus on countries with a potential for Marico brands.
- IBG is expected to grow in healthy double digits.

Kaya:

- Kaya skin business in India is showing early signs of recovery having posted growth at same clinic level for the 4th consecutive quarter. In the short term therefore, the company plans to work on improving its revenue streams from the existing clinics in India and bringing the business firmly back on the growth track. It will focus on increasing its share of revenue through in clinic sales of products. Kaya will be cautious in terms of expansion plans but may continue to add a few clinics at strategic locations to drive growth.
- We believe that the building blocks for long term value creation by Kaya are falling into place. There is much greater clarity on the Gross Margin potential of the business, in both its verticals - Services and Products. The Gross Margin of the overall business continues to be held at a high level.
- We feel reasonably confident that the business is on its way to record sustainable profit during FY 14, if not earlier. However, we regard the break-even goalpost more as a beneficial outcome of our efforts in the building block area, rather than as an accounting target. Hence, we expect that in the coming quarters, the reported net profitability numbers for Kaya will stay under pressure, and in the negative zone.

Overall:

- The medium to longer term outlook on all the company's three businesses remains positive.

- In the short run, we may not see any easing of the cost push. Margins are thus likely to remain under pressure. Increased retail prices may have some impact on volume growth given the overall squeeze on the consumers' wallet. Should there be a sustained decline in input prices; the Company may pass back a part of the benefit to consumers in the interest of growing volumes.
- The Company may carry a higher interest burden in FY12 owing to the consideration paid towards the acquisition of shares in ICP, Vietnam.
- In the medium term, the Company will focus on strengthening the building blocks for future value creation - strong equities for its existing brands amongst its consumers, volume growths, robust new product pipelines and operational effectiveness.

Long Term Outlook

Our belief in the long term potential of our businesses continues to be strong. Our belief stands bolstered by the recent record of strong volume growths across categories despite price hikes. This emboldens us to spell out our preference for growing our volume franchise as compared to focusing on profit margins alone. We believe that it is prudent to have a medium to long term perspective of growth rather than taking a quarterly view that could lead to tactical steps.

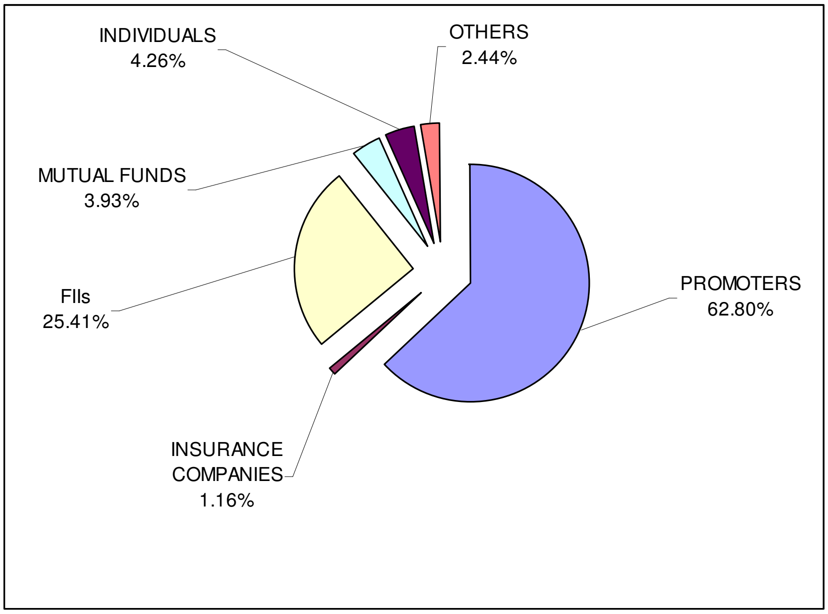
One would like to borrow from James Sinegal, Co-founder and CEO of Costco, to say…

"It is not worth it to be in the business of making money between now and the next Quarter. We would prefer to be in the business of building an organization, an institution that will be here, making money, several years from now."

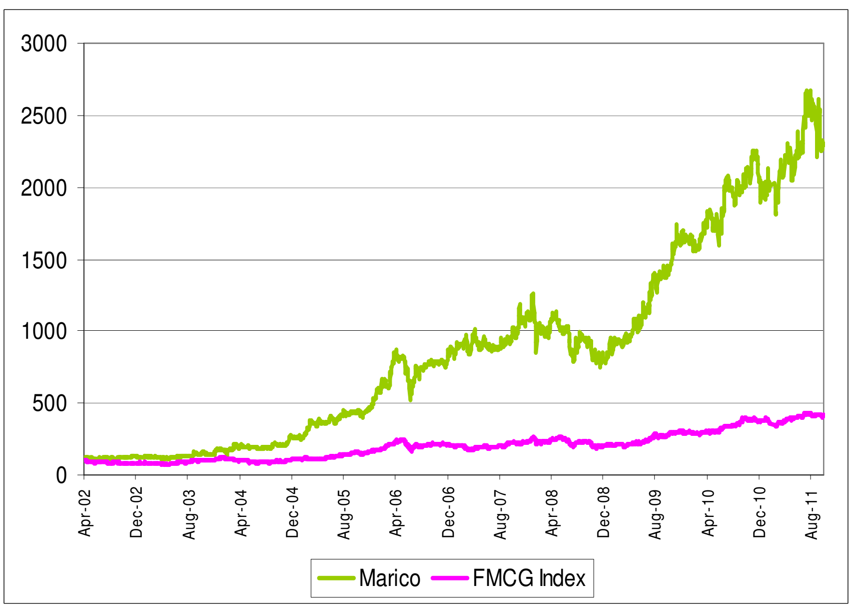
THANK YOU FOR YOUR PATIENT READING

Annexure 1-A: SHAREHOLDING PATTERN

The Shareholding pattern as on September 30, 2011 is as given in the graph below:



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. 8872 crs on September 30, 2011. The average daily volume on BSE and NSE during Q2FY12 was about 21779.

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.)

Month	Rs/100KG	Rs/100KG	Rs/10KG	Rs/10KG	Rs/10KG	Rs /lt	Rs / kg
	COCHIN Coconut OIL	COPRA CALICUT	Sun Flower OIL NOMINAL BOMBAY	KARDI OIL JALNA	RICE BRAN	LIQUID PARAFFIN	HDPE
Apr-10	4963	3407	463	641	346	37	77
May-10	5042	3395	466	633	350	37	77
Jun-10	5,241	3,484	472	639	354	37	76
Jul-10	5368	3610	481	662	368	42	74
Aug-10	5780	3854	567	704	387	45	73
Sep-10	6500	4453	580	704	385	49	73
Oct-10	6948	4789	617	714	389	51	73
Nov-10	7590	5267	708	731	414	52	73
Dec-10	8104	5585	709	741	430	52	73
Jan-11	9052	6231	721	840	450	53	73
Feb-11	9713	6753	709	840	480	55	73
Mar-11	9040	6179	689	840	482	58	73
Apr-11	9712	6639	672	814	478	58	74
May-11	10148	6865	676	791	512	57	74
Jun-11	9904	6675	684	821	533	61	74
Jul-11	8958	5799	700	832	551	64	74
Aug-11	9683	6292	702	862	563	67	75
Sep-11	8726	5837	708	864	546	68	77
Q2FY12 vs Q2FY11	55%	50%	30%	24%	46%	47%	3%
Q2FY12 vs Q1FY12	-8%	-11%	4%	5%	9%	13%	2%

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

Month	20 ml	50 ml / 45 ml-Apr11...	100 ml	200 ml	500 ml	1 Ltr	1 ltr	1 Ltr	1 ltr	1kg
	Parachute Coconut Oil	Parachute Coconut Oil	Parachute Coconut Oil	Parachute Coconut Oil	Parachute Coconut Oil	Saffola-Kardi Oil	Saffola Tasty Blend	Saffola Gold	Saffola Active	Saffola Arise
Apr-10	5	10	20	40	90	145	96	112	89	49
May-10	5	10	20	40	90	145	96	112	89	49
Jun-10	5	10	20	40	90	145	96	112	89	49
Jul-10	5	10	21	40	92	145	96	112	89	49
Aug-10	5	10	21	42	92	145	96	115	91	49
Sep-10	5	10	21	42	92	145	98	115	91	49
Oct-10	5	12	23	45	96	152	98	120	96	49
Nov-10	5	12	23	45	96	160	103	128	99	49
Dec-10	5	13	25	49	106	160	110	128	99	49
Jan-11	6	14	27	53	116	160	110	128	99	49
Feb-11	6	14	27	53	116	165	117	135	107	49
Mar-11	6	14	27	53	116	165	120	135	107	65
Apr-11	6	12	27	53	116	165	120	135	107	71
May-11	6	12	27	53	116	165	120	135	107	71
Jun-11	6	12	27	53	116	165	120	135	107	71
Jul-11	6	12	27	53	116	165	120	135	107	71
Aug-11	6	12	27	53	116	165	120	135	107	71
Sep-11	6	12	27	53	116	165	120	135	107	71

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 31.3 billion (about USD 695 Million) during 2010-11. Marico markets well-known brands such as Parachute, Saffola, Hair & Care, Nihar, Shanti, Mediker, Revive, Manjal, Kaya, Derma Rx, Aromatic, 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, Anti-lice Treatment, Premium Refined Edible Oils, niche Fabric Care, Male grooming etc. Marico is present in the Skin Care Solutions segment through 103 Kaya Skin Clinics and Derma Rx clinics in India, The Middle East, Bangladesh, Singapore and Malaysia. 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 Goa, 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, 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. Given below is an overview of Marico's market standing.

Brands	**Category**	**Indicative Market Share range %**	**Rank**
Parachute, Oil Of Malabar, Nihar	Coconut Oil	51-53	1
Hair Oil (Hair & Care, Parachute Jasmine, Parachute Advansed, Nihar Naturals, Nihar Shanti Amla, Parachute Advansed Ayurvedic hair oil, Parachute Advansed Cooling oil)	Hair Oils	~23	2
Saffola	Super Premium refined Edible Oils	~55%	1
Mediker	Anti Lice Treatment	~ 90	1
Revive	Fabric Starch	~ 80	1

Source: A.C.Neilsen Urban Retail Market Research and Company Sources

Marico's frontline brands have shown remarkable resilience against competition - refer the market share statistics given below:

Brands	**Category**	**1992 (%)**	**Now (%)**
Parachute, Oil Of Malabar, Nihar	Coconut Oil	48-49	51-53
Hair Oil (Hair & Care, Parachute Jasmine, Parachute Advansed, Nihar Naturals, Nihar Shanti Amla, Parachute Advansed Ayurvedic hair oil, Parachute Advansed Cooling oil)	Hair Oils	–	23-24

Source: A.C.Neilsen Urban Retail Market Research and Company Sources

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 in India today contributes about 30% to the top line of Marico. Its share in profits too has come down.

Reach

Marico procures one out of every 13 coconuts produced in India. Marico sells over 7 Crore (70 Mio) packs to around 13 Crore (130 Mio) people every month. Marico's products reach around 2.3 Crore (23 Mio) households through over 33 Lac (3.3 Mio) retail outlets serviced by its nation-wide distribution network comprising 4 Regional offices, 32 carrying & forwarding agents (CFAs) and about 3600 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	35
Towns Covered ('000's)	3.2	11.0
Distributors	850	-
Super Distributors	-	120
Stockists	-	3,600

Skin Care Solutions

Marico entered the skin care solutions business through Kaya Skin Clinics offering a range of highly effective and safe services based on cosmetic dermatological procedures and products. Services offered at Kaya use US FDA approved technology and have been specifically customized for Indian skin. In-clinic dermatologists recommend a personalized series of treatments. The chain of Kaya clinics (all company owned) is now 105 strong, spread across 26 cities in India and a presence in the Middle East, Bangladesh, Singapore and Malaysia. Its customer base is now more than 700,000.

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 07	FY 08	FY 09	FY 10	FY11	CAGR %
Sales & Services	1,557	1,905	2,388	2,661	3128	22
Profit Before Tax	150	205	230	298	376	31
Net Profit (PAT)	113	169	189	232	286	27
Earnings per Share - Annualised (Rs)*	1.9	2.8	3.1	3.8	4.7	25
Book Value per Share (Rs)*	3.2	5.2	7.4	10.7	14.9	
Net Worth	192	315	453	654	915	
EBITDA%	12.7%	12.9%	12.7%	14.1%	12.2%	
ROCE %	36	42	35	34	22	

* 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.

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 and services through processes of continuous learning and improvement.