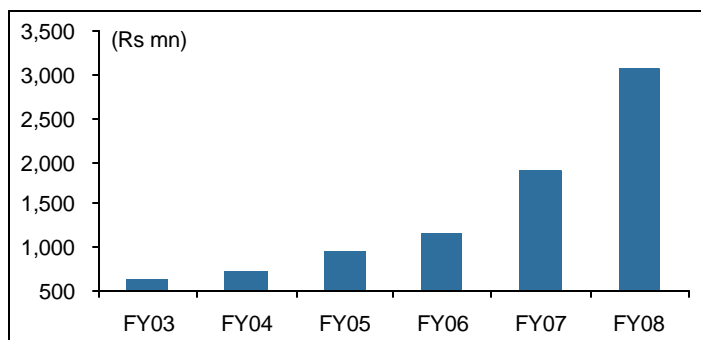


Marico Ltd had organized an analyst meet to discuss FY08 results and its future strategies. Following are the key takeaways from the meet:

- Parachute recorded strong 11% volume growth (rigid packs) in FY08 (despite a price hike of 3% in July 2007), on the back of two consecutive years of high growth (FY07 – 8.5%, FY06 – 12%). Marico has been able to maintain market share of its Parachute brand at 48%. During Q4 FY08, the brand (rigid) recorded a volume growth of 4.4% and the management expects to maintain ~6-8% volume growth in the next 2-3 years.
- In the hair oil category, Marico has recorded 16% volume growth in rigid packs led by strong growth in Hair & Care, Parachute Jasmine and Nihar Naturals. Marico enjoys 22.5% market share in this segment. It has introduced Parachute Advanced coconut hair oil in two innovative packs - Hot Champi Pack and Easy Champi Pack.
- During the year, Marico has entered into the Rs4bn cooling oils segment growing at 20%+ (FY07) with its Maha Thanda brand. Marico has entered the ~Rs1bn post wash hair-care market with creams, gels and post wash conditioners.
- Marico has entered the hair care space for kids by launching light hair oil, shampoo and innovative product gel-cream under the new brand 'Starz'. The brand is currently prototyped in Mumbai, Bangalore and Hyderabad.
- In the premium refined edible oil segment, Saffola has recorded strong 22% volume growth in FY08 (18% in FY07). With this brand, Marico has entered into the functional foods segment under Saffola Functional Foods and plans to build a portfolio of functional foods products.
- Prices of key raw materials like sunflower oil (Rs62.1/kg from Rs48.7/kg in FY07), kardi oil (Rs67.2/kg from Rs52/kg in FY07), corn oil (Rs50.4/kg from Rs40.8/kg in FY07) and refined rice bran oil (Rs55.3/kg from Rs45.9/kg in FY07) increased by an average 25% yoy during FY08. Copra prices also witnessed an increase on yoy basis during the year. The management expects input prices to remain firm in FY09 also. To mitigate the impact of expected increase in coconut prices, Marico plans to increase prices of Parachute.
- Marico has been gradually reducing its dependence on the Parachute brand. The share of Parachute in India has come down from 43.3% in FY04 to 32.5% in FY08.
- Marico divested its Sil brand to the Indian subsidiary of Good Food Group A/S, Scandic Food India Private Ltd (Scandic) in March 2008 for an undisclosed consideration. The divestment was made on slump sale basis and includes the manufacturing facility at Saswad, near Pune. As per the agreement Scandic will take on board the present employees at Marico's facility and Marico will continue to distribute the Sil range of products for Scandic for a period of one year.
- International business revenues registered strong 59% yoy growth (organic growth of 21%) in FY08 at Rs3bn. Marico has recorded Rs880mn revenues from Egypt market (market share - ~62%) and is planning to set up a production facility to service MENA region. Margins in this market are higher than the average margins of Marico.

**Trend in international revenues**



Source: Company, India Infoline Research

- Sundari recorded a turnover of US\$2.5mn and a loss of US\$0.7mn during the year.
- Market share of Parachute in Bangladesh improved from 65% in March 2007 to 71% in March 2008. Parachute cream has maintained its leadership position in UAE with a market share of 28% and has become No. 2 brand in GCC with a 22% market share.
- Marico has entered into the ~Rs6bn South African ethnic Hair care and Health care market growing at 15%, by acquiring Enaleni Pharmaceuticals (current annualized turnover of Rs530mn) in October 2007. The company has three leading brands, viz. Caivil in premium ethnic hair care, Black Chic in VFM hair care and Hercules in OTC Health Care. Marico has a market share of 5-6% in hair care and 9-10% in OTC health care in this market. The management doesn't expect Enaleni to add much to the bottomline in the first two years.
- Marico added 18 new Kaya clinics during the year taking the total to 65 clinics (56 in India and 9 in the Middle East). Marico plans to focus on saturating existing cities in India. In the Middle East, Kaya extended its services beyond UAE by opening clinics in Oman and Saudi Arabia. Going forward, Marico plans to open 15 Kaya clinics a year. Currently, products form a share of ~13% of Kaya's revenues. Kaya recorded a turnover of Rs1bn during FY08 and has turnaround at PBDIT level. However, after including Kaya Life, Kaya is yet to breakeven.

#### Kaya details

	Mar'08	Mar'05
Clinics (Total)	65	33
Cities (India)	19	11
Customer base (Rs mn)	350,000+	40,000
Sales	1,000	210
PBDIT	50	(37)

Source: Company

- During Q4 FY08, Marico opened two more Kaya Life centers in Mumbai (one opened in Q1 FY08) and is planning a national rollout in FY09.
- Marico witnessed a 5-year CAGR of 21% in sales, 33% in PBT and 30% in PAT during FY08. Marico recorded 22% yoy growth in revenues led by 13% organic volume growth, 5% organic price led growth and 4% inorganic growth. All the businesses of the company recorded strong growth during the year (Consumer Products (India) - 16%, International Business - 59%, Kaya - 35%, Sundari - 27%).
- Staff cost during the year increased sharply from 4.3% in FY07 to 7.8% (higher by Rs357mn) on account of ~18-20% increase in annual remuneration, higher incentive provision in FY08, increased head-count for new Kaya Skin Clinics and Kaya Life Centers and higher personnel costs to Sales in South Africa.
- Marico plans to implement a conservative dividend payout policy in the near future as it plans to use the funds for acquisitions, which will be a major part of growth strategy.
- Effective tax rate for the year was at 18% and the company expects it to increase to ~20-23% over the next 2 years. Major factors influencing future tax rate were:
  - Uttaranchal facility moved out of 100% exemption
  - Bangladesh profits taxable at 40%
  - Deferred tax charge on brands acquired

#### Segment wise market shares

Brand	Category	Indicative market share	Rank
Parachute	Coconut Oil (India)	~ 48%	1
Parachute	Coconut Oil (Bangladesh)	~ 67%	1
Saffola	Refined Safflower Oil and its blends	~ 98%	1
Parachute Jasmine, Shanti Amla, Hair & Care, Nihar	Hair Oils	~ 23%	2
Parachute Cream	Hair Creams (GCC)	~ 30%	2
Fiancee & Hair Code	Hair Creams & Gels (Egypt)	~ 62%	1
Kaya	Cosmetological skin services	-	1
Mediker	Anti Lice Treatment	~ 90%	1
Revive	Instant Fabric Starch	~ 80%	1

Source: Company, India Infoline Research

Please [click here](#) for the detailed result update.

**India Infoline Research Team**

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