Marico (MRCO.BO)

Upgrade to Buy: Healthy Growth; Restructuring – A Positive

- Company Update
- Rating Change
- Target Price Change
- Estimate Change

- **Corporate action - a positive trigger** — We revisit our investment thesis & believe MRCO is well placed to deliver superior earnings (~22% CAGR over FY12-15E, highest in our coverage) driven by healthy volumes & steady margins. Mgmt sees no major demand slowdown yet – and we believe gains of a) better market shares; b) distribution in rural India/modern trade could surprise positively. We view the restructuring as a positive, a) providing shareholders value creation opportunity with the demerger & listing of Kaya; b) making way for a cleaner FMCG investment in MRCO; c) better portfolio & cost synergies between the domestic business & IBG.
- **Raising core business forecasts** — We raise FY13-15E EPS estimates by 3-10% on the back of a) higher revenue growth assumptions (value added hair oils + Saffola volumes & higher personal care growth due to Paras' brands); b) better than expected international margins; c) benefits of relatively benign input costs offset elevated A&P spends and marginally lower realizations. We think hive-off of the loss making Kaya business would also boost earnings growth, albeit modestly.
- **Strong domestic growth momentum** — Organic revenue growth in the mid / high teens is likely to continue (volume led) with steady margins medium term – mix shift in hair oils (value added outperforming coconut oil), CSD recovery / consumer upgrade to Saffola, and portfolio expansion & innovations are likely to buoy growth.
- **International - In recovery mode** — Mgmt expects IBG growth to pick up 2HFY13 onwards as volumes recover and ~200bps margin expansion can be seen over the next 2-3 yrs, driven by scale benefits, and advantages of the recent initiatives (local manufacturing / lower duties, increased coconut oil crushing in Bangladesh itself).
- **Rs260 TP** — We raise TP to Rs260 (from Rs205) based on 30x FY14E core EPS, with additional Rs13/sh for Kaya (2x FY14E EV/Sales). The core business multiple increases from 28x reflects: a) superior growth; b) improving competitive positioning (at 10% premium to Dabur); c) higher return ratios post Kaya. The restructuring increases the possibility of a strategic investment / value creation opportunities.

Buy	**1**
from Sell	
Price (07 Jan 13)	Rs225.70
Target price	Rs260.00
from Rs205.00	
Expected share price return	15.2%
Expected dividend yield	0.4%
Expected total return	**15.6%**
Market Cap	Rs145,511M
	US$2,649M

Price Performance
(RIC: MRCO.BO, BB: MRCO IN)

Statistical Abstract

Year to 31 Mar	Net Profit (RsM)	Diluted EPS (Rs)	EPS growth (%)	P/E (x)	P/B (x)	ROE (%)	Yield (%)
2011A	2,564	4.17	5.3	54.1	15.1	32.7	0.3
2012A	3,189	5.19	24.2	43.5	12.1	31.0	0.3
2013E	4,117	6.39	23.2	35.3	7.4	26.4	0.4
2014E	5,201	8.07	26.3	28.0	6.0	23.7	0.5
2015E	6,114	9.49	17.6	23.8	5.0	23.0	0.7

Source: Powered by dataCentral

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MRCO.BO: Fiscal year end 31-Mar — **Price: Rs225.70; TP: Rs260.00; Market Cap: Rs145,511m; Recomm: Buy**

Profit & Loss (Rsm)	**2011**	**2012**	**2013E**	**2014E**	**2015E**
Sales revenue	31,350	40,083	48,601	58,130	68,263
Cost of sales	-16,176	-20,987	-24,259	-29,199	-34,161
Gross profit	15,174	19,096	24,342	28,931	34,102
Gross Margin (%)	48.4	47.6	50.1	49.8	50.0
EBITDA (Adj)	**4,181**	**4,844**	**6,446**	**7,673**	**9,123**
EBITDA Margin (Adj) (%)	13.3	12.1	13.3	13.2	13.4
Depreciation	-708	-725	-900	-1,084	-1,209
Amortisation	0	0	0	0	0
EBIT (Adj)	**3,473**	**4,119**	**5,546**	**6,589**	**7,913**
EBIT Margin (Adj) (%)	11.1	10.3	11.4	11.3	11.6
Net interest	-410	-424	-487	-385	-263
Associates	0	0	0	0	0
Non-op/Except	212	326	490	592	635
Pre-tax profit	**3,275**	**4,021**	**5,549**	**6,796**	**8,286**
Tax	-661	-783	-1,332	-1,495	-2,071
Extraord./Min.Int./Pref.div.	251	-67	-100	-100	-100
Reported net profit	**2,865**	**3,171**	**4,117**	**5,201**	**6,114**
Net Margin (%)	9.1	7.9	8.5	8.9	9.0
Core NPAT	2,564	3,189	4,117	5,201	6,114
Per share data	**2011**	**2012**	**2013E**	**2014E**	**2015E**
Reported EPS (Rs)	4.66	5.16	6.39	8.07	9.49
Core EPS (Rs)	4.17	5.19	6.39	8.07	9.49
DPS (Rs)	0.66	0.70	1.01	1.24	1.55
CFPS (Rs)	1.51	6.31	7.48	8.44	9.15
FCFPS (Rs)	-0.58	4.41	-6.17	6.89	6.05
BVPS (Rs)	14.90	18.59	30.70	37.33	45.01
Wtd avg ord shares (m)	614	615	645	645	645
Wtd avg diluted shares (m)	614	615	645	645	645
Growth rates	**2011**	**2012**	**2013E**	**2014E**	**2015E**
Sales revenue (%)	17.8	27.9	21.3	19.6	17.4
EBIT (Adj) (%)	10.2	18.6	34.6	18.8	20.1
Core NPAT (%)	6.2	24.3	29.1	26.3	17.6
Core EPS (%)	5.3	24.2	23.2	26.3	17.6
Balance Sheet (Rsm)	**2011**	**2012**	**2013E**	**2014E**	**2015E**
Cash & cash equiv.	2,206	1,588	2,202	2,478	3,050
Accounts receivables	1,779	1,816	2,264	2,707	3,179
Inventory	6,011	7,202	8,316	9,953	11,828
Net fixed & other tangibles	5,564	6,253	14,382	14,584	15,681
Goodwill & intangibles	3,976	3,955	5,159	5,159	5,159
Financial & other assets	2,795	5,357	4,526	4,874	5,507
Total assets	**22,331**	**26,170**	**36,848**	**39,756**	**44,404**
Accounts payable	2,694	3,584	4,851	5,806	6,481
Short-term debt	0	0	0	0	0
Long-term debt	7,219	7,623	7,358	4,500	3,000
Provisions & other liab	3,046	3,285	4,600	5,140	5,661
Total liabilities	**12,958**	**14,491**	**16,809**	**15,446**	**15,142**
Shareholders' equity	9,155	11,430	19,790	24,061	29,013
Minority interests	219	249	249	249	249
Total equity	**9,374**	**11,679**	**20,039**	**24,310**	**29,262**
Net debt	**5,013**	**6,034**	**5,156**	**2,022**	**-50**
Net debt to equity (%)	53.5	51.7	25.7	8.3	-0.2

Valuation ratios	**2011**	**2012**	**2013E**	**2014E**	**2015E**
PE (x)	54.1	43.5	35.3	28.0	23.8
PB (x)	15.1	12.1	7.4	6.0	5.0
EV/EBITDA (x)	35.7	30.8	23.1	19.3	15.9
FCF yield (%)	-0.3	2.0	-2.7	3.1	2.7
Dividend yield (%)	0.3	0.3	0.4	0.5	0.7
Payout ratio (%)	16	13	16	15	16
ROE (%)	36.5	30.8	26.4	23.7	23.0
Cashflow (Rsm)	**2011**	**2012**	**2013E**	**2014E**	**2015E**
EBITDA	4,181	4,844	6,446	7,673	9,123
Working capital	373	-162	964	-845	-1,423
Other	-3,624	-803	-2,589	-1,388	-1,799
Operating cashflow	**930**	**3,879**	**4,821**	**5,440**	**5,901**
Capex	-1,289	-1,166	-8,798	-1,000	-2,000
Net acq/disposals	-1,049	-2,315	1,426	-37	-305
Other	0	0	0	0	0
Investing cashflow	**-2,338**	**-3,481**	**-7,372**	**-1,037**	**-2,305**
Dividends paid	-472	-500	-755	-930	-1,162
Financing cashflow	**2,198**	**-998**	**3,166**	**-4,127**	**-3,023**
Net change in cash	**1,091**	**-618**	**614**	**276**	**572**
Free cashflow to s/holders	**-359**	**2,713**	**-3,978**	**4,440**	**3,901**

For further data queries on Citi's full coverage universe please contact Citi Research Data Services at CitiRsch.DataServices.Global@citi.com
For definitions of the items in this table, please click here.

Powered by: dataCentral

Restructuring – A Positive Trigger

Yesterday (January 7, 2013), Marico announced a restructuring wherein the skin clinics (Kaya) business would be hived off into a separate company, i.e. Marico Kaya Enterprises (MaKE), to be listed later this year. Further, domestic consumer business and international will now operate as a unified FMCG business.

Besides, positive core business momentum, we view this restructuring as a positive catalyst to the stock as it involves: a) the hive-off of the loss making / capital intensive Kaya business from Marico – and gives investors a cleaner FMCG company; b) integrates all consumer businesses under one CEO - enhancing portfolio / costs / talent synergies; and c) provides a value creation opportunity (strategic partner in Kaya in some time?) for shareholders.

Other details of the restructuring and mgmt conference-call takeaways:

- Initially Marico Kaya Enterprises (MaKE) will be formed as a 100% subsidiary of Marico. Once the demerger is effective, the shareholding structure of MaKE will mirror the shareholding structure of Marico.

- The appointed date of the demerger is April 1, 2013. Mgmt however noted that it could take about 6 months to obtain the necessary approvals and complete the formalities. Price discovery of the new listed entity will happen in due course.

- The shareholders of Marico as on the record date (likely to be in June/July 2013) will have the same proportionate shareholding in MaKE. Marico will ultimately have no shareholding in MaKE. As per the press release, 1 fully paid-up equity share of Rs10 each of MaKE shall be issued and allotted at a premium of Rs200 per share for every 50 fully paid-up equity shares of Re 1 face value each held in Marico. Thus, share capital of MaKE is likely to be ~Rs129m (~Rs645m for Marico). Overall net worth of MaKE could be around ~Rs2.6bn on April 1, 2013 – as per mgmt.

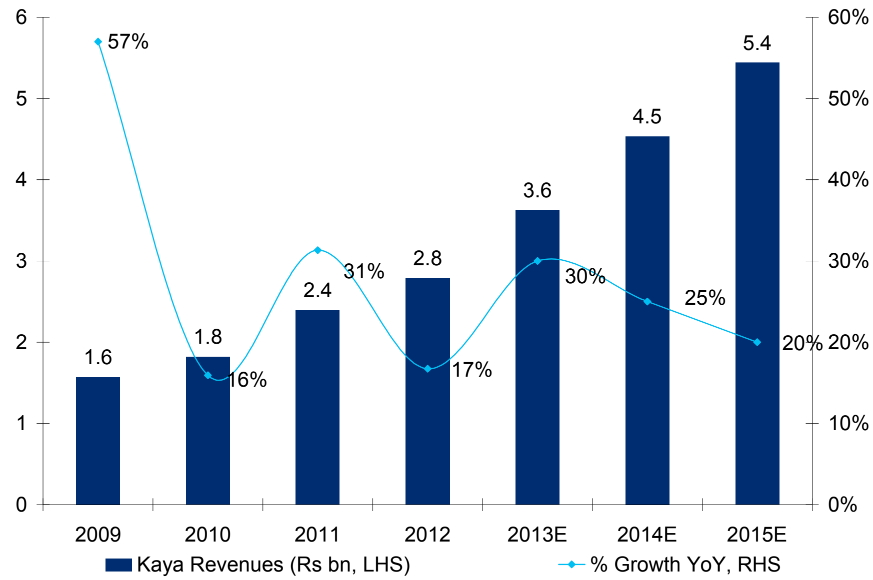
- Pursuant to the scheme upon de-merger, investments of Marico in Kaya will be adjusted against the securities premium account. As on September 30, 2012, Marico's exposure to Kaya was Rs1.8bn (Rs730m equity + Rs1.08bn interest free loans). Mgmt noted that the loan is likely to be converted into equity prior to the de-merger.

- Mr Saugata Gupta, the head of domestic consumer business will take charge as CEO of Marico; while MaKE will be headed by Mr Vijay Subramanium (the current international business head) as Mr Ajay Pahwa, the current Kaya CEO has resigned from the company. The promoter, Mr. Harsh Mariwala, will remain the Chairman & MD for both entities.

- Mgmt believes that by combining the domestic business and IBG, it would be able to further enhance portfolio synergies and leverage on commonalities (e.g. Paras' brands and male grooming portfolio in Vietnam). On the cost front, procurement / supply chain and people synergies would support medium term growth.

- Mgmt reaffirmed that it remains positive on the Kaya business model over the long term. It thinks Kaya has garnered scale (Rs3.5bn revenues in FY13E) and has the ability to generate cash flows in the near term to partially support future growth. Benefits of the last year's revised strategy – a) repositioning it from 'cure proposition' into 'beauty / care / differentiated solutions' proposition, b) product portfolio expansion (buoyed by Derma) and c) new innovations like Kaya Skin Bar (low capital intensity) should support overall growth even as clinic expansion slows. Kaya forms about 7% of MRCO's top line currently and recorded PBT loss of ~Rs290m in FY12 (vs. loss of ~Rs325 in FY11).

Figure 1. Kaya- Revenues and Growth (Rs bn, % YoY)



Source: Company, Citi Research estimates

- From a debt point of view, besides Marico's investment in Kaya (which will be converted to equity before the record date), external debt of ~Rs890m of Kaya will be transferred to MaKE. Overall debt:equity of MaKE is likely to be ~0.33:1, as per mgmt. Thus ability to raise further debt and / or equity to fund expansion in due course remains. Mgmt noted that it is still early to think of bringing in a strategic investor, as of now.
- Marico's corporate guarantees to MaKE may continue – and possibly will be done in future at some charges at an arms length basis. With the transaction, all assets and IPRs related to Kaya will move to the new company – and there is no royalty payment likely.

Strong Business Momentum

Organic revenue growth in the mid/high teens is likely to continue with steady margins over the medium term. This is driven by – a) strong growth in value added hair oils (portfolio expansion / distribution gains / market share improvements); b) steady volumes in Parachute (lower recruiter pack prices should accelerate the shift to branded segment + distribution gains should buoy rural growth / market shares); c) pick up in Saffola growth (CSD stabilizing + continued consumer upgrade into healthier options + portfolio expansion), d) robust skin care revenue growth (on a low base), and e) inorganic forays are all likely to buoy growth.

Revenue growth is likely to be volume led, rather than any pricing – given the input cost environment.

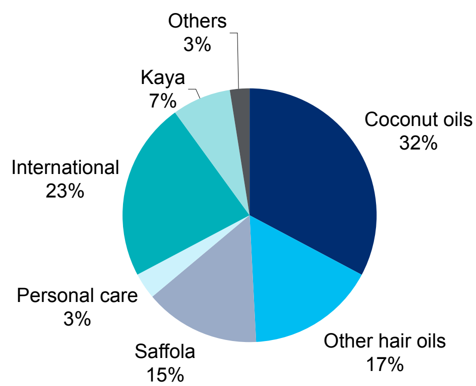
Figure 2. Revenue Growth Assumptions

	Sales CAGR (FY12-15E)
Coconut oils	14%
Other hair oils	21%
Saffola	16%
IBG	21%
Kaya	25%
Others*	52%
Overall	19%

Source: Citi Research estimates; *Others includes personal care

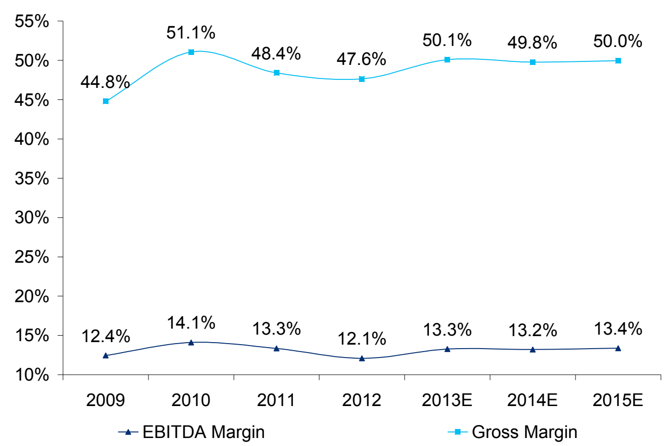
Mgmt expects IBG (~23% of the business) growth to pick up 2HFY13 onwards as volumes recover (Bangladesh / Africa stabilise and strong growth in Vietnam continues). Favourable currency movement aids reported IBG growth near term. Further, mgmt expects ~200bps margin expansion over the medium term, driven by scale benefits, and advantages of the recent initiatives (local manufacturing / lower duties in Africa / Asia, increased coconut oil crushing in Bangladesh).

Figure 3. Marico – Estimated Revenue Mix (FY13)



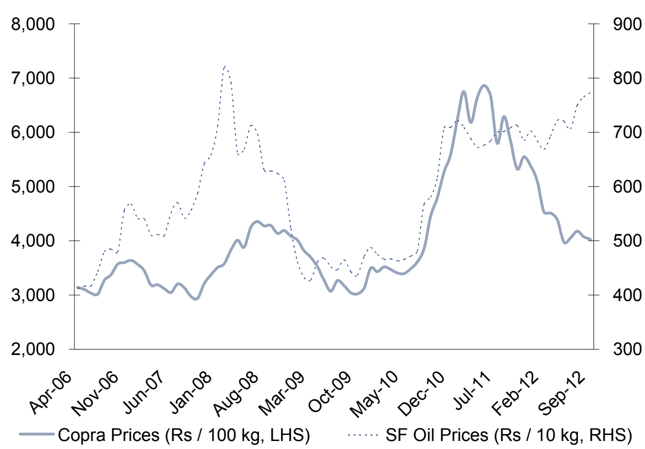
Source: Company Reports and Citi estimates

Figure 4. Marico- Gross & EBITDA Margin Trends



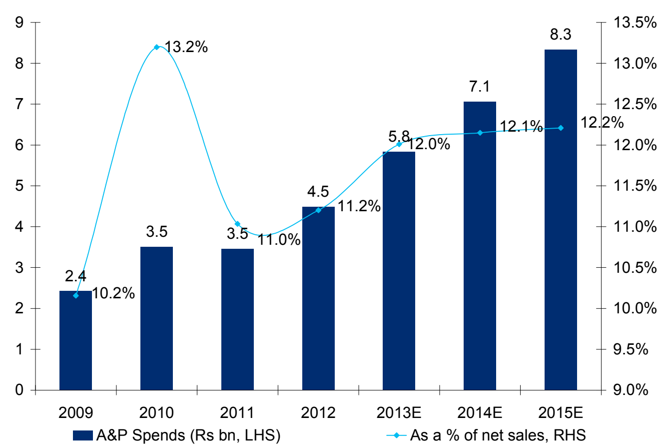
Source: Company Reports and Citi estimates

Figure 5. Copra Price Trends



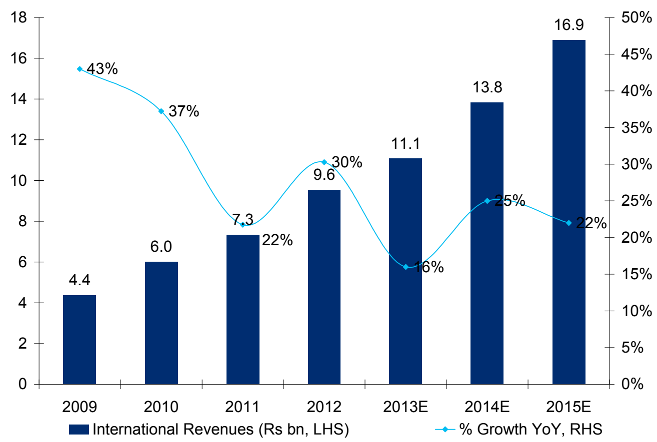
Source: Company Reports

Figure 6. Consolidated A&P Spends (Rs Mn, As % of Net Sales)



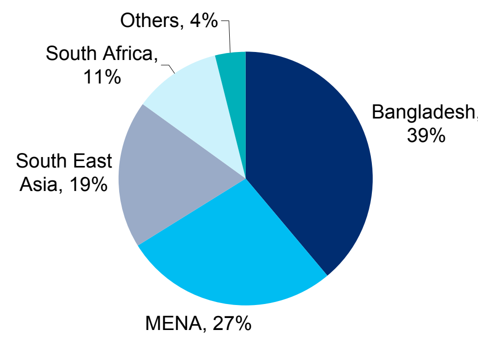
Source: Company Reports and Citi estimates

Figure 7. Marico- International Revenues (Rs bn, % Change YoY)



Source: Company Reports and Citi estimates

Figure 8. International Revenue Mix (%)



Source: Company

Raising Core Business Earnings Estimates

We raise FY13-15E EPS estimates by 3-10% on the back of a) higher revenue growth assumptions (value added hair oils + Saffola & higher personal care growth due to Paras' brands); b) better than expected international margins; c) benefits of relatively benign input cost environment. Favourable commodity costs should provide adequate leeway to sustain margins despite aggressive A&P spends and limited realization growth.

Figure 9. Marico (Consolidated): Earnings Revision Summary

Year to 31-Mar	2013E			2014E			2015E		
	Old	New	% Chg	Old	New	% Chg	Old	New	% Chg
Net Profit (Rs Mils.)	3,993	4,117	3%	4,721	5,201	10%	5,775	6,114	6%
Diluted EPS (Rs)	6.2	6.4	3%	7.3	8.1	10%	9.0	9.5	6%

Source: Citi Research; Note that we've not incorporated the impact of the restructuring announced yesterday as yet.

We think hive-off of the loss making Kaya business would also boost earnings growth, albeit modestly. We have not yet incorporated the impact on balance sheet / P&L as yet.

Upgrade to Buy; Target Price of Rs260

In our first note post transfer of coverage, we relook at our investment thesis on Marico. We like the company's dominant positioning in the Indian hair-oil market (i.e. branded coconut oil and now value-added hair oils) and its strong presence in the branded premium refined edible-oils (Saffola) segment. We expect the company to deliver superior earnings (est. ~22% CAGR over FY12-15E, highest in our consumer staples coverage) driven by healthy volumes and steady margins. Benefits of a) market share improvements; b) better than expected distribution across rural India & modern trade; c) portfolio expansion and product innovation; and d) recovery in the international business should aid growth going forward. The company's profitability is supported by a benign input cost environment and improving international margins.

We upgrade the stock after the restructuring announcement, which in our view acts as a further positive trigger for the stock.

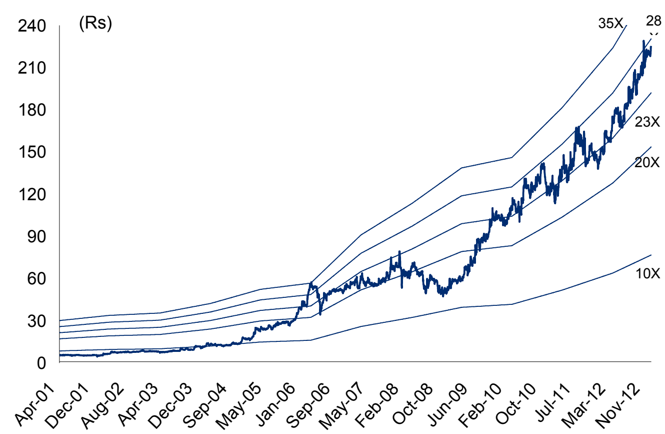
Our target price is raised to Rs260 from Rs205, based on 30x FY14E core EPS, driven by the earnings upgrade in the core business, and multiple hike from 28x. We believe the premium valuations are justified by a) superior growth; b) improving competitive positioning; and c) higher return ratios going forward. Our multiple is pegged at a 10% premium to peer, Dabur, justified given Marico's better growth and competitive dynamics. We also add around Rs13 / share as value to Kaya (based on 2x EV/Sales) which the company intends to demerge and list separately in the near future. The restructuring increases the possibility of a strategic investment / value creation opportunities for shareholders.

Figure 10. India Consumer Valuation Matrix

Company	RIC Code	Rating	Mkt Cap (USD M)	Share Price (Rs)	Target Price (Rs)	P/E (x) FY 13	P/E (x) FY 14	EV/EBITDA (x) FY 13	EV/EBITDA (x) FY 14	P/BV (x) FY 13	P/BV (x) FY 14	Div Yld (%) FY 13	RoE (%) FY 13	EPS CAGR FY12-14E
Asian Paints	ASPN.BO	3	7,673	4,395	3,785	37.7	31.3	23.9	19.7	12.5	10.3	1.0%	36.6%	16.6
Colgate (India)	COLG.BO	3	3,805	1,537	1,180	40.3	35.2	30.1	25.7	43.5	40.1	2.0%	113.4%	15.4
Dabur India	DABU.BO	1	4,059	128	150	29.2	23.9	22.3	18.3	10.2	8.1	1.2%	39.1%	20.3
Emami	EMAM.BO	NR	1,609	586	NA	28.5	23.9	24.3	20.2	9.8	8.0	1.2%	37.8%	19.7
GSK Consumer	GLSM.BO	1	2,942	3,844	3,475	35.0	29.9	29.8	25.0	11.1	9.3	1.1%	34.8%	19.8
Godrej Consumer	GOCP.BO	NR	4,427	717	NA	33.1	26.4	23.3	18.8	7.3	6.2	0.9%	23.8%	10.4
Hindustan Unilever	HLL.BO	3	20,679	526	494	36.1	31.9	31.1	26.8	39.5	30.3	3.3%	117.3%	17.6
ITC	ITC.BO	1	40,037	279	333	29.6	25.1	20.5	17.4	10.4	9.2	2.0%	37.0%	18.7
Marico	MRCO.BO	1	2,649	226	260	35.3	28.0	23.1	19.3	7.4	6.0	0.4%	26.4%	24.7
Nestle India	NEST.BO	3	8,557	4,876	4,430	41.0	33.0	25.2	20.7	25.2	19.7	1.2%	70.6%	19.8
Average						**34.6**	**28.9**	**25.3**	**21.2**	**17.7**	**14.7**	**1.4%**	**53.7%**	**18.3**

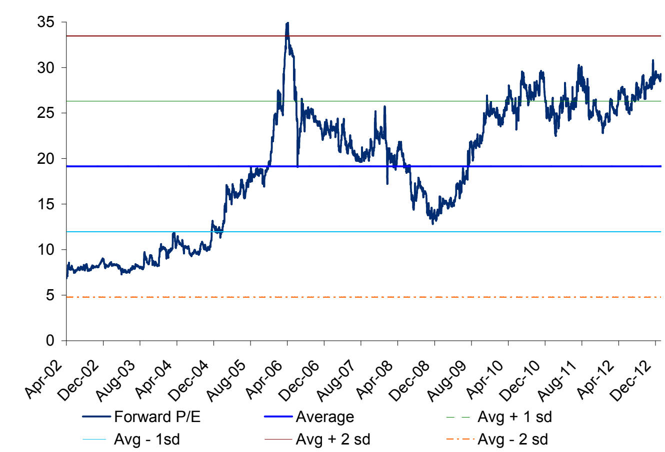
Source: Powered by dataCentral; Prices as of 7 Jan 13; All figures calendarised to March year end; Bloomberg estimates for Non Rated (NR) companies.

Figure 11. Marico: One Yr Forward PE Band Chart



Source: DataStream, Company Reports and Citi Estimates

Figure 12. Marico: One Yr Forward PE Trends



Source: DataStream, Company Reports and Citi Estimates

Key risks to the call

- Marico's profitability is dependent on prices of copra, its key input (40% of raw material costs). The company is in a phase where it is benefitting from relatively benign input costs – copra prices have corrected significantly from their multi year highs of last year. While the company has been able to manage cyclical variations over a period of time, any sharp rebound in the price of copra could impact company margins / stock performance.

- Marico has aggressive plans to capture a larger share of the personal care opportunity in India: product and brand building efforts have enabled it to garner the low hanging fruit (approx 6% market share), but market share gains from hereon need to be monitored. Investments in growing the business may continue to be a drag on profitability until critical mass is reached.

- Marico has aggressively acquired companies and brands. Slower-than-expected growth or unfavorable FX movement in the key markets would lead to slower consolidated growth.

- The restructuring makes way for a cleaner FMCG investment for shareholders of Marico. However, higher than expected corporate guarantees and /or loans & advances to Kaya in future could be viewed negatively.

- Domestic consumption demand has thus remained fairly resilient to any macro / inflationary pressures; however a further deterioration in economic environment or consumer sentiment could also weigh on the growth rates of the staples categories.

Marico

Company description

Marico is a leading consumer goods company in India that dominates the hair-oil segment (i.e. branded coconut oil and now value-added hair oils) and has a strong presence in the branded premium refined edible-oils (safflower oil) segment. Marico has strengthened its product portfolio through acquisitions in the domestic and international markets. It also operates skin care clinics under the Kaya brand, which is expected to be demerged into a separate listed entity over the next few months. Marico was originally part of Bombay Oil Industries, which was into coconut extraction, vegetable oil refining and chemicals.

Investment strategy

We rate Marico shares as Buy. Over the years, the stock has re-rated as its dependency on a single product (Parachute coconut oil) has declined, and the company positions itself as a branded health and wellness play. We expect the company to deliver superior earnings (est. ~22% CAGR over FY12-15E, highest in our staples coverage) driven by healthy volumes and margins. Benefits of a) market share gains; b) distribution enhancement across rural India & modern trade; c) portfolio expansion and product innovation; and d) recovery in the international business should aid growth going forward. We believe Marico's profitability is supported by a benign input cost environment and improving international margins. The recent restructuring announced is a positive in our view, making way for a cleaner FMCG investment in Marico and providing scope for better portfolio / cost efficiencies across the domestic and international businesses. It also gives share-holders a value creation opportunity with the demerger and separate listing of Kaya.

Valuation

Our target price of Rs260 is based on 30x FY14E core EPS, at ~30% premium to its trailing 5-year average P/E; justified by the healthy profit growth (a 3-year CAGR of 22%) - supported by healthy volume growth, input cost tailwinds and inorganic forays. The premium valuations are justified by a) the improving competitive positioning (our multiple is at 10% premium to peer, Dabur), and, b) expected higher return ratios going forward. We add around Rs13 / share as value to Kaya business which the company intends to demerge and list separately in the near future. The restructuring increases the possibility of a strategic investment / value creation opportunities for shareholders.

Risks

Downside risks that could impede the stock from reaching our target price include: a) Cyclical rebound in the price of copra, the key raw material; b) Aggressive plans to capture a larger share of the personal care opportunity in India may continue to be a drag on profitability until critical mass is reached; c) Marico has aggressively acquired companies and brands. Slower-than-expected growth in the key markets would lead to slower consolidated growth; d) Higher than expected corporate guarantees and /or loans & advances to Kaya in future could impact stock multiples.

Quant

As an analytic complement to our fundamental equity view on Marico, we also highlight our Quantitative Analysis Team's view based on their 'Radar Screen' valuation and momentum tool.

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Data as of: 04-Jan-13

Radar Screen Quadrant Definitions

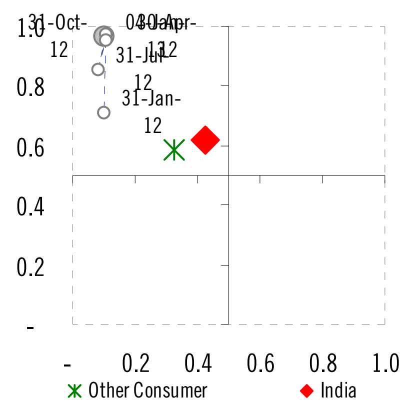
Glamour *Poor relative value but superior relative momentum*	**Attractive** *Superior relative value and superior relative momentum*
Unattractive *Poor relative value and poor relative momentum*	**Contrarian** *Superior relative value but poor relative momentum*

Quants View – Glamour

Marico lies in the Extreme corner of the Glamour quadrant of our Value-Momentum map with strong momentum but relatively weak value scores, having been a resident there for the past eleven months. Compared with its peers in the Other Consumer sector, Marico fares worse on the valuation metric but better on the momentum metric. Similarly, compared with its peers in its home market of India, Marico fares worse on the valuation metric but better on the momentum metric.

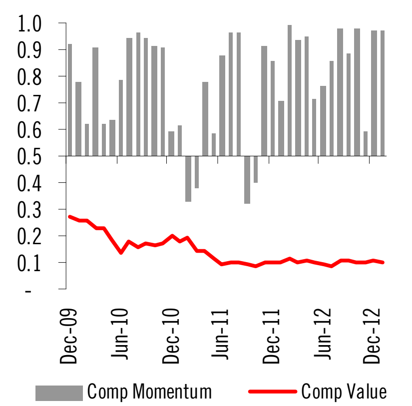
From a macro perspective, Marico has a low beta to the region, so can be expected to hold its own given a decline in the regional market. It is also likely to benefit from falling commodity (ex-oil) prices, widening Asian interest rates, and a weaker US dollar.

Figure 13. Radar Quadrant Chart History



Source: Citi Research

Figure 14. Radar Valuation and Momentum Scores



Source: Citi Research

Figure 15. Radar Model Inputs

IBES EPS (Actual and Estimates)			
FY(-2)	3.82	Implied Trend Growth (%)	18.36
FY(-1)	4.65	Trailing PE (x)	38.82
FY0	5.18	Implied Cost of Debt (%)	4.19
FY1	6.58	Standardised MCap	(0.12)
FY2	8.05		

Note: Standardised MCap calculated as a Z score – (mkt cap - mean)/std dev – capped at 3

Source: Citi Research, Worldscope, I/B/E/S

Figure 16. Stock Performance Sensitivity to Key Macro Factors

Region	0.33	Commodity ex Oil	(0.27)
Widening APACxJ CDS	0.02	Rising Oil Prices	0.02
Growth	(0.34)	Rising Asian IR's	0.47
Value	(0.69)	Rising EM Yields	(0.24)
Small Caps Outperform Large Caps	(0.38)	Weaker US$ (vs Asia)	0.84
Widening US Credit Spreads	0.10	Weaker ¥ (vs US$)	0.06

Source: Citi Research

Appendix A-1

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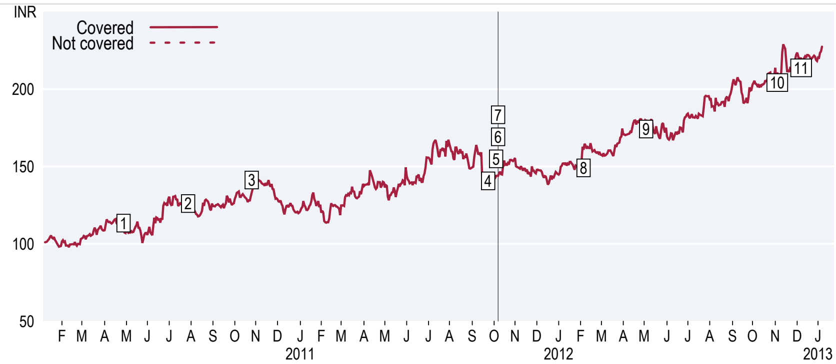
Marico (MRCO.BO)

Ratings and Target Price History
Fundamental Research

Analyst: Aditya Mathur
Covered since November 4 2012



	Date	Rating	Target Price	Closing Price
1	28-Apr-10	3L	*104.00	112.25
2	28-Jul-10	3L	*119.00	126.05
3	26-Oct-10	3L	*136.00	133.15
4	23-Sep-11	3L	*145.00	145.10
5	5-Oct-11	3L	*141.00	144.00
6	7-Oct-11	Stock rating system changed		
7	7-Oct-11	*3	141.00	143.95
8	5-Feb-12	3	*160.00	162.75
9	3-May-12	3	*169.00	179.05
10	4-Nov-12	3	*190.00	204.25
11	7-Dec-12	3	*205.00	219.85

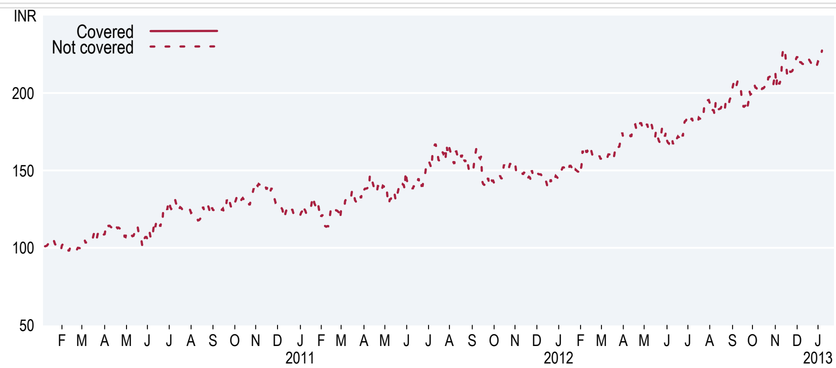
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Marico (MRCO.BO)

Ratings and Target Price History
Best Ideas Research
Relative Call (3 Month)

Analyst: Aditya Mathur
Covered since November 4 2012



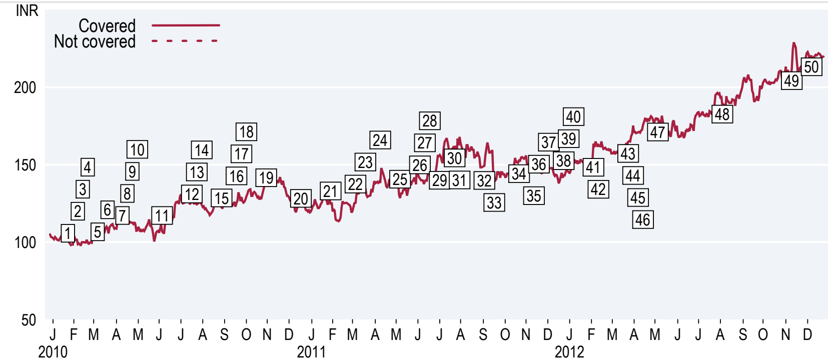
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Marico Ltd (MRCO.NS)

Rating History
Global Quantitative Research
Asia Radar Screen

Analyst: Paul R Chanin



	Date	Rating	Target Price	Closing Price
1	22-Jan-10	*3	-	101.15
2	5-Feb-10	*4	-	98.70
3	12-Feb-10	*2	-	99.90
4	19-Feb-10	*4	-	99.90
5	5-Mar-10	*3	-	102.45
6	19-Mar-10	*2	-	108.70
7	9-Apr-10	*3	-	113.25
8	16-Apr-10	*4	-	115.85
9	23-Apr-10	*5	-	112.50
10	30-Apr-10	*4	-	107.50
11	4-Jun-10	*3	-	107.05
12	16-Jul-10	*4	-	126.45
13	23-Jul-10	*3	-	124.35
14	30-Jul-10	*2	-	124.05
15	27-Aug-10	*3	-	122.35
16	17-Sep-10	*2	-	125.30
17	24-Sep-10	*3	-	129.15

	Date	Rating	Target Price	Closing Price
18	1-Oct-10	*4	-	129.50
19	29-Oct-10	*3	-	137.15
20	17-Dec-10	*4	-	124.20
21	28-Jan-11	*5	-	124.45
22	4-Mar-11	*4	-	124.90
23	18-Mar-11	*5	-	134.85
24	8-Apr-11	*3	-	138.25
25	6-May-11	*5	-	128.45
26	3-Jun-11	*4	-	141.10
27	10-Jun-11	*3	-	139.35
28	17-Jun-11	*4	-	145.25
29	1-Jul-11	*5	-	156.30
30	22-Jul-11	*4	-	160.45
31	29-Jul-11	*3	-	168.00
32	2-Sep-11	*4	-	149.30
33	16-Sep-11	*5	-	141.05
34	21-Oct-11	*4	-	152.80

	Date	Rating	Target Price	Closing Price
35	11-Nov-11	*3	-	147.20
36	18-Nov-11	*4	-	144.65
37	2-Dec-11	*3	-	147.75
38	23-Dec-11	*4	-	143.20
39	30-Dec-11	*3	-	145.35
40	6-Jan-12	*4	-	151.85
41	3-Feb-12	*1	-	163.60
42	10-Feb-12	*3	-	162.75
43	23-Mar-12	*4	-	164.85
44	30-Mar-12	*3	-	175.30
45	6-Apr-12	*4	-	170.40
46	13-Apr-12	*3	-	175.75
47	4-May-12	*4	-	180.00
48	3-Aug-12	*3	-	188.10
49	9-Nov-12	*4	-	211.90
50	7-Dec-12	*3	-	220.05

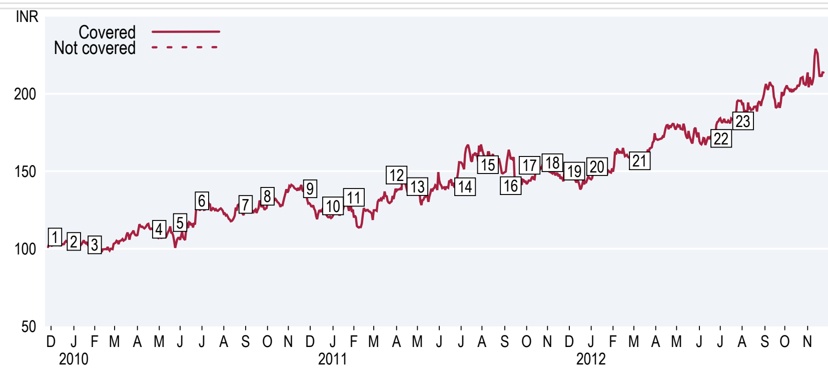
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Marico Ltd (MRCO.BO)

Rating History
Global Quantitative Research
World Radar Screen

Analyst: Chris Montagu



	Date	Rating	Target Price	Closing Price
1	7-Dec-09	*4	-	106.95
2	1-Jan-10	*7	-	103.00
3	1-Feb-10	*6	-	101.60
4	1-May-10	*5	-	106.95
5	1-Jun-10	*8	-	105.75
6	1-Jul-10	*5	-	130.50
7	1-Sep-10	*4	-	124.50
8	1-Oct-10	*9	-	129.10

	Date	Rating	Target Price	Closing Price
9	1-Dec-10	*8	-	128.75
10	1-Jan-11	*9	-	120.30
11	1-Feb-11	*8	-	120.10
12	1-Apr-11	*10	-	137.40
13	1-May-11	*9	-	139.70
14	7-Jul-11	*10	-	161.05
15	9-Aug-11	*6	-	162.25
16	9-Sep-11	*9	-	157.80

	Date	Rating	Target Price	Closing Price
17	6-Oct-11	*10	-	144.00
18	8-Nov-11	*6	-	148.55
19	8-Dec-11	*5	-	146.50
20	10-Jan-12	*9	-	151.55
21	9-Mar-12	*6	-	158.45
22	3-Jul-12	*7	-	182.20
23	2-Aug-12	*6	-	194.15

* Indicates change

Rating/target price changes above reflect Eastern Standard Time

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Data current as of 31 Dec 2012	**Buy**	**Hold**	**Sell**	**Buy**	**Hold**	**Sell**
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Citi Research Quantitative World Radar Screen Model Coverage	30%	40%	30%			
% of companies in each rating category that are investment banking clients	31%	28%	24%			
Citi Research Quantitative Decision Tree Model Coverage	46%	0%	54%			
% of companies in each rating category that are investment banking clients	64%	0%	50%			
Citi Research Asia Quantitative Radar Screen Model Coverage	20%	60%	20%			
% of companies in each rating category that are investment banking clients	33%	26%	26%			
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% of companies in each rating category that are investment banking clients	33%	0%	19%			

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