Marico – Information Update for Q1FY23 (Quarter ended June 30, 2022)

Executive Summary: Consolidated Results

Particulars (₹ Cr)	Q1FY23	YoY Growth
Revenue from Operations	2,558	1%
EBITDA	528	10%
EBITDA Margin (%)	20.6%	Up 159 bps
Profit After Tax	371	4%
India Volume Growth (%)		-6%
International CCG (%)		18%

In Q1FY23, **Revenue from Operations grew by 1%** YoY to ₹2,558 crores. The domestic business had a soft quarter amidst a challenging consumption environment coupled with category specific headwinds in Saffola Edible Oils. In contrast, the international business posted another stellar quarter, making it the sixth consecutive quarter of double-digit constant currency growth.

In India, the FMCG sector witnessed volume decline in Q1FY23 for the third quarter in a row and value growth continued to be price-led. Rising retail inflation continued to exert pressure on demand as consumers appeared to exercise restraint in non-essential categories, while downtrading and downgrading in essential categories. Rural continued to underperform urban on a year-on year basis due to the accentuated impact of inflation on disposable incomes. On the other hand, premium discretionary categories fared relatively better given the lower base and lesser impact of inflation on the upper income consumer segment.

Domestic volumes declined by 6% yoy, dragged by a double-digit decline in Saffola Oils. **Ex-Saffola Oils, domestic volume growth was 1%. Domestic revenues at ₹1921 Crore was down 4%**, with overall pricing growth being minimal as price hikes in Hair Oils and Saffola Oils were largely offset by price cuts in Parachute Coconut Oil, owing to deflationary copra. The inherent strength of our brands, focused execution and brand building investments translated into **96% of the portfolio gaining market share and 93% of the portfolio sustaining penetration, both on a MAT basis.** In volume terms, GT declined in high single digits. Decline in urban exceeded that of rural due to higher salience of Saffola Oils. However, the 2 and 3 year CAGR in rural remained ahead of urban in line with industry trends. With mobility rising to normal levels, MT (13% of domestic sales) regained some traction and E-commerce (9% of domestic sales) witnessed moderation.

The International business sustained its strong momentum of predictable and profitable growth. The business delivered 18% constant currency growth in the quarter with each market contributing handsomely.

Gross margin expanded 401 bps yoy, attributable mainly to benign copra prices, cost rationalizations and favorable mix impact. A&P spends grew 14% on a year-on-year basis, as the Company maintained investments towards strategic brand building of core and new franchises. **EBITDA margin stood at 20.6%, up 159 bps YoY**, and **EBITDA was up 10% YoY. PAT was up 4% YoY,** due to higher effective tax rate (ETR) after the expiration of fiscal benefits in one of the manufacturing units.

Other highlights relating to the performance are as follows:

- **Parachute Rigids was down 2% in volume** terms owing to soft consumption trends and much slower conversion from loose to branded given the soft copra price environment. **The brand gained 90 bps in volume MS and 170 bps in value MS**, thereby further strengthening its hold in the branded coconut oil category. We are confident of posting volume growth from Q2 as we drive growth in core markets through small pack activations and continue to take calibrated pricing actions. The brand took incremental pricing cut of 2% towards the end of Q1.
- **Value Added Hair Oils posted value growth of 5%** and flattish volumes year-on year despite weak consumption sentiment, especially in rural. The Company countered higher input costs through a mix of price hikes and pack size reductions. **The franchise gained 60 bps in value MS on MAT basis**. We expect to hold steady in the near

term given the current consumption environment and accelerate towards double-digit value growth if rural recovery comes about on expected lines from H2.

- **The Saffola franchise,** comprising Refined Edible Oils and Foods**,** declined by 13% in value terms.
- **Saffola Edible Oils** declined sharply given high in-home consumption in the base, visible downgrading from super premium to mass segments and a volume drop in the ROCP category. The brand chose to maintain threshold margins over higher volumes in the face of unprecedented raw material inflation, muted trade sentiment, supply chain issues and the undesirable effect of price hikes on the absolute outlay for the consumer. In addition, stock limits imposed on retailers and lower CSD billing due to lag in effecting price changes played a part during this quarter. **We expect volume trends to improve from Q2 and aim to deliver growth in H2 as the base normalizes.**
- **Foods** had a slow quarter due to the high in-home consumption base in Oats and sharp decline in immunity-led categories like honey, among others. **Saffola Oats maintained its strong leadership position in the Oats category with 420 bps value MS gain on MAT basis**. Peanut Butter and Mayonnaise had an encouraging start. **The franchise should witness growth picking up gradually from Q2.**
- **Premium Personal Care and Digital-first portfolios** clocked high double-digit growths. Digital first brands, Beardo and Just Herbs, are scaling up in line with expectations.
- **Copra prices** were down **6% sequentially** and **down 26% YoY**. With seasonal supplies slowing down and onset of the festival season, prices should remain range-bound in the near term. **Rice Bran oil** was up 11% YoY and 13% sequentially. There are early signs of correction in the broader international vegetable oil complex and will be keenly watched. Crude derivatives such as **Liquid Paraffin** (LLP) and **HDPE** were up 36% and 26% YoY. Both are also likely to remain firm in the near term and track in line with crude oil prices.
- Within the International business, **Bangladesh** clocked 10% constant currency growth. The newer portfolios of Baby Care and Shampoos continued to ramp up, thereby supporting steady growth in the core franchises. **South East Asia** grew 34% in constant currency terms, led by strong resurgence in the HPC category in Vietnam. **MENA and South Africa** grew 27% and 23% in constant currency terms.
- EBITDA margin of the domestic business was at 21.7%, up 290 bps YoY, and the International business was at 25.5%, down 210 bps YoY.

Strategic Investment in 'True Elements'

In May 2022, the Company announced a strategic investment in HW Wellness Private Limited with an acquisition of ~54% equity stake. HW Wellness Solutions Private Limited owns "True Elements" (http://www.true-elements.com/), a clean label, digital-first brand playing in the rapidly growing healthy breakfast and snacks segment in India. True Elements is India's only food brand to be recognized as both 'Clean Label' & '100% Wholegrain'. The brand is anchored on providing "Food that DOES NOT LIE to you" and promises 0% preservatives, 0% chemicals & 0% added sugar in its offerings. It offers a wide range of products spanning across categories of Western breakfast (oats, quinoa, muesli, granola, flakes), Indian breakfast (poha, upma, dosa) and snacks (roasted seeds, seed mixes, raw seeds), among others. True Elements currently garners majority of its business through online marketplaces and is working towards ramping up its offline presence over the next few years.

Outlook

Near Term

In the **domestic business**, we will aim to be **ahead of market growth** and will maintain sharp focus on **driving penetration and market share gains** across our portfolios aided by distribution expansion, aggressive cost controls, and sufficient investment in market development and brand building. We will closely watch rural growth and are hopeful of a recovery in rural sentiment on the back of forecasted improvement in rainfall coverage in the heartlands, government subsidies and higher realizations for crops in the hands of rural consumer.

In the near term, we expect volume growth to be in the positive zone from Q2 under current demand conditions. We hope to **accelerate volume growth to our medium term target levels in H2**, provided inflation cools off and eases pressure on demand.

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

The **International business** has maintained a steady momentum of healthy profitable growth over the last 5 years. While there are risks of currency depreciation and inflation in some markets, **we are confident of maintaining the double-digit growth momentum** in the coming quarters.

Taking into account the quarterly gyrations of all cost line items, we would aim to deliver 18-19% EBITDA margin in FY23.

Medium Term

Over the medium term, we hold our aspiration to deliver 13-15% revenue growth on the back of 8-10% domestic volume growth in the domestic business and double-digit constant currency growth in the international business. We will aim to maintain consolidated operating margin above the threshold of 19% over the medium term.

India: In **Parachute Rigids,** we expect to grow volumes in the range of 5-7% over the medium term, given the market construct and strengthening brand equity. In **Value-Added Hair Oils,** we aim to sustain double-digit value growth over the medium term. Driving value share gains ahead of volume share in the overall portfolio through mix improvement and innovations in the premium segment will be our key focus over the medium term. In **Saffola Edible Oils**, we expect to deliver high single-digit volume growth over the medium term. In **Foods,** we aim to scale up to ₹850-1000 crores in revenues by FY24 on the back of innovation, distribution and market development. We will build the **Premium Personal Care** portfolios into growth engines of the future and deliver double-digit value growth over the medium term in these portfolios. We aim to accelerate our digital transformation journey by building a portfolio of at least three digital brands, either organically or inorganically, with a combined turnover of ₹450-500 crores by FY24. **Beardo** and **Just Herbs** are conscious steps in this direction.

International: In **Bangladesh**, the competitive strength of our brands and our distribution reach in the region have enabled the business to stay firmly on its accelerated growth trajectory. Over the medium term, we will maintain the double-digit constant currency growth in the business. In **Vietnam and MENA,** we have set the fundamentals right and will now suitably replicate attributes from the strategy that has worked in Bangladesh, in order to build a sustained growth momentum in both businesses. The MENA market presents an attractive growth opportunity and we will invest to grow in this market. In **South Africa,** we expect to protect the core franchise of ethnic hair care and health care over the medium term.

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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.

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 constitute unpublished price sensitive information under the SEBI (Prohibition of Insider Trading) Regulations, 2015.

Marico holds periodic meetings/ conference calls, from time to time, with individual members of the financial community.

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