Marico – Information Update for Q1 FY24 (Quarter ended June 30, 2023)

Executive Summary: Consolidated Results

Particulars (₹ Cr)	Q1FY24	YoY Growth
Revenue from Operations	2,477	(3%)
EBITDA	574	9%
EBITDA Margin (%)	23.2%	Up 253 bps
Profit After Tax (excl. one-offs)	416	12%
Domestic Volume Growth (%)		3%
International Business (% CCG)		9%

During the quarter, the **FMCG sector retained its positive sentiment from the preceding quarter**, although clear green shoots in rural on a sequential basis, as anticipated, were not visible. Growth remained urban led, while rural consolidated on a lower base. From a category standpoint, **Packaged Foods** continued its good run, while **Beauty and Personal Care** largely mirrored the trajectory of rural growth. **The progressive moderation in commodity and retail inflation continue to infuse optimism for a gradual recovery in volume growth, led by the rural sector.** However, it will be critical to monitor the spatial distribution of rainfall and impact of recent erratic weather patterns on the agricultural cycle, and consequently, rural incomes.

In this context, **domestic business registered a volume growth of 3%, subdued by one-off channel inventory adjustments** on account of two factors:
i) **destocking by trade in Saffola Oils** owing to a sharp fall in vegetable oil prices, and
ii) the **last phase of trade scheme rationalization in core categories,** implemented by the Company to correct the historical Q1 revenue skew.
However, offtake growth remained healthy as ~85% of the portfolio either sustained or gained market share and penetration on MAT basis. **Domestic revenue was at ₹1,827 Crore, down 5% on a year-on-year basis,** owing to pricing interventions in key domestic portfolios last year and further pricing drops in Saffola Oils during the quarter under review. Among the sales channels, **MT and Ecommerce grew in double digits**, while **General Trade declined in mid-single-digits**.

The **International business continued its strong momentum and delivered constant currency growth of 9%,** amidst macroeconomic and currency devaluation headwinds in some of the geographies.

Gross margin expanded ahead of internal expectations**, by 494 bps YoY and 257 bps sequentially,** owing to incrementally softer input costs. **A&P spends were up 7% YoY,** as the Company maintained investments towards strategic brand building of core and new businesses. **EBITDA margin was at 23.2%, up 253 bps YoY. EBITDA grew 9% and recurring PAT was up 12% on YoY basis. Reported PAT was up 15% YoY**, due to a one-time gain (amounting to ~INR 14 cr. pre-tax) from the sale of fixed assets, classified under 'Other Income'.

Other highlights relating to the quarterly performance are as follows:

- **Parachute Rigids posted volume decline of 2%,** while offtakes remained healthy with the brand holding its market share on MAT basis and recording highest-ever penetration levels**.**
- **Value-Added Hair Oils had a flat quarter** amidst slower recovery in mass personal care categories. The franchise logged **value MS gains of ~20 bps,** reflective of the focus towards the mid and premium segments of the portfolio.
- **Saffola Edible Oils** registered a **low double-digit volume growth,** on a negative base**,** mainly due to trade further reducing inventory levels as vegetable oil prices experienced a sharp downturn. **Revenue decline was in the low twenties on a yearly basis,** due to pricing interventions through last year as well as during the current quarter (amounting to pricing decline of ~30% YoY).
- **Foods continued its healthy scale up with 24% value growth YoY,** aided by steady growth in core and newer franchises. Saffola Oats maintained its market leadership, while strengthening its presence with the launch of **Saffola Oats Gold**, which brings in the 'Power of Millets' along with Oats. Newer categories of **Honey** and **Soya**

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

Chunks are gaining scale, while **Peanut Butter, Mayo and Munchiez** have seen encouraging traction so far. We will remain focused on market development, brand-building and focused GTM initiatives, and expect to reach the ₹850 crore-revenue mark in Foods in FY24. In line with the strategy of expanding its addressable market in the rapidly growing health and wellness segments, **the Company recently made an investment in the clean, plant-based nutrition brand, 'Plix' (https://www.plixlife.com)**. Plix, with its portfolio of non-GMO, Vegan, Gluten-free and Cruelty-free offerings, is committed to the mission of "Making Nutrition Fun". The brand aims to change the way the world consumes plant-based superfoods by making it an enjoyable experience.

- **Premium Personal Care (including the Digital-first portfolio)** delivered a steady performance in the quarter. **The composite portfolio is on course to contribute ~10% of domestic revenues in FY24.**
- **Copra prices** declined by 8% sequentially and 7% YoY, aided by flush season supplies. Prices should remain range bound with a slight upward bias in the near-term as the seasonal supplies slow down and festive demand picks up. **Rice Bran Oil (RBO)** prices declined 16% QoQ and 38% YoY, in line with the sharp correction in the international vegetable oil complex. **Liquid Paraffin (LLP)** was flat and **HDPE** was down 15% YoY.
- Within the International business, **Bangladesh** clocked 9% CCG (constant currency growth) with a broad-based performance across core and newer portfolios. **Vietnam registered 5% CCG**, subdued by the impact of the economic slowdown on the HPC category. **MENA delivered 15% CCG,** with both the Gulf region and Egypt registering double-digit growth. **South Africa posted 37% CCG**, driven by haircare segment. **NCD and Exports** business registered 24% growth.
- The EBITDA margin of the **domestic business was at 23.7%, up 205 bps YoY**, and that of the **International business was at 29.6%, up 401 bps YoY**.

Strategic Investment in Satiya Nutraceuticals Private Limited

The Company has recently signed definitive agreements to acquire upto 58% of the paid-up share capital of Satiya Nutraceuticals Private Limited at a **pre-money valuation of ~4x of its annualized revenue run-rate (ARR) of ~₹150cr.** Satiya Nutraceuticals Private Limited owns "The Plant Fix- Plix", a digital-first, clean label, plant-based nutrition brand.

As a part of the transaction, the Company has acquired 32.75% stake in Satiya Nutraceuticals on a fully diluted basis and requisite majority control over its Board composition/total voting rights on July 26, 2023, and accordingly **it has become a subsidiary of the Company**. The acquisition of remaining stake of 25.25%, on a fully diluted basis, will be completed in tranches by May 2025, subject to terms and conditions of the definitive agreements.

Outlook

Near-Term

While the performance of the domestic business in Q1 was marred by one-offs, **we expect to resume an improving trajectory in volume growth in the near-term, given the sustained healthy trends in offtakes, market share and penetration across our key franchises.** Rural recovery has been slower than expected, but factors such as moderating inflation, near-normal monsoons, MSP hikes and higher government spending keep us cautiously optimistic of more positivity in rural sentiment and a gradual recovery in volume growth for the sector in the coming quarters. **We expect revenue growth to move into positive territory in H2, as pricing deflation in the domestic portfolio has bottomed out and will now taper off through the rest of the year.**

The **International business has been on a robust growth trajectory**, despite macroeconomic headwinds in some of the geographies. **We expect to maintain the double-digit growth momentum in FY24.**

On a consolidated basis, **gross margin is expected to expand by 250-300 bps,** in view of input cost tailwinds, institutionalized cost management initiatives and a more favorable portfolio mix. While we will continue brand-building investments towards strengthening the equity of the core and new franchises, **operating margin should improve by more than 150 bps to 20%+ levels in FY24.**

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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 deliver 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. 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 the Serums and Male Grooming portfolios. We also aim to sustain the pace of our digital transformation journey by leveraging the capabilities and scale of the overall business coming through digital channels and ramping up the current portfolio of digital-first brands.

International: In **Bangladesh**, the competitive strength of our brands and our distribution reach in the region have enabled the business to stay firm even amidst recent macro headwinds. Over the medium term, we expect double-digit constant currency growth in the business given our competitive position and significant growth headroom in the market. In **Vietnam and MENA,** we have set the fundamentals right and are suitably replicating attributes from the strategy that has worked in Bangladesh, in order to build a sustained growth momentum in both businesses. The expansion into the female personal care category will provide a fillip to the Vietnam business in the medium-term. 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.

Marico Investor Relations Team

Harsh Rungta	Head – Investor Relations	(harsh.rungta@marico.com)
Nitish Purohit	Manager – Investor Relations	(nitish.purohit@marico.com)