

Marico – Information Update for Q1FY25 (Quarter ended June 30, 2024)

Executive Summary: Consolidated Results

Particulars (₹ Cr)	Q1FY25	YoY Growth
Revenue from Operations	2,643	7%
EBITDA	626	9%
EBITDA Margin (%)	23.7%	Up 50 bps
Profit After Tax (excl. one-offs)	464	12%
Domestic Volume Growth (%)		4%
International Business (% CCG)		10%

In Q1FY25, Revenue from Operations was at ₹2,643 crore, up 7% YoY, with underlying volume growth of 4% in the domestic business and constant currency growth of 10% in the international business.

During the quarter, overall FMCG volume trends in India continued to exhibit gradual improvement on a 2-year CAGR basis, with the trajectory in rural bearing more promise, while urban was stable. Pricing growth for the sector turned flattish on a YoY basis. Both HPC and Foods witnessed an uptick, although the pickup over the last 6 months has been more pronounced in the former. Premium segments continued to outpace mass segments, while alternate channels gained salience vis-à-vis General Trade (GT).

The sequential uptick in volume growth in the domestic business reflected the improving demand context, even after absorbing the impact of ongoing stock adjustments implemented in select GT sub channels to support distributor ROIs as well as to enable smoother direct reach expansion through Project SETU. Offtakes remained healthy across key portfolios with more than 90% of the business either gaining or sustaining market share and penetration, both on a MAT basis. Domestic revenue was ₹1,962 crore, up 7% YoY, as volume growth was supplemented by price hikes in the Coconut Oil portfolio, which more than offset the residual base impact of pricing cuts in the Saffola Oils portfolio.

Q1FY25 marked the execution of Phase 1 of Project SETU in six states representing a mix of stronghold and opportunity markets. The initial results have been very promising with direct coverage expansion in urban and rural markets. These new outlets have responded well to the core and new portfolios. During FY25, we will scale up Phase 1 markets as well as expand into more states. In addition to improved direct reach and weighted distribution, we expect Project SETU to drive market share gains across categories in urban and rural markets, as well as enhance assortment levels in urban stores, thereby enabling diversification & premiumisation in the domestic business.

The International business sustained its double-digit constant currency growth momentum with each of the key markets delivering broad based growth.

Gross margin expanded by 230 bps YoY, owing to benign input costs and favorable portfolio mix. A&P spends was up 13% YoY, as the Company sustained focus on strategic brand building of core and new businesses. EBITDA margin stood at 23.7%, up 50 bps YoY and EBITDA grew by 9%. PAT (excluding one-offs) was up 12%, due to lower Effective Tax Rate (ETR) in the quarter and also after excluding the one-off gain on sale of fixed assets (classified under 'Other Income') in the base quarter. Reported PAT growth was at 9%. ETR is expected to be at ~22.5% in FY25.

Other highlights relating to the quarterly performance are as follows:

- Parachute Rigids registered 2% volume growth. Volume offtakes grew 8% during the quarter, which was reflective of the consistent market share and penetration gains witnessed by the brand. The reported volume growth, however, was impacted by the aforesaid stock adjustments in GT. The brand asserted its stronghold in the category with ~100 bps gain in market share during the quarter. We expect a pickup through the rest of the year in view of the visibly encouraging trends in market share, penetration and offtakes. The volume market share of the composite Coconut oil portfolio (including flanker brands) reached highest-ever levels at ~64% on MAT basis.

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- **Value-Added Hair Oils declined 5% in value terms** amidst persistent sluggishness and competitive headwinds in the bottom of the pyramid segment. **Secondary sales and oftakes grew in low single digits during the quarter. Mid and premium segments of franchise continued to fare relatively better. The value market share of the franchise was up ~60 bps during the quarter and consolidated at 27% on MAT basis. We aim to chart a recovery during the course of this year** on the back of concerted actions initiated in the bottom of the pyramid segment of the portfolio and gradually improving rural consumption sentiment in mass BPC categories.
- **Saffola Edible Oils delivered mid-single digit volume growth** as input and consumer pricing remained stable. **Revenue declined marginally on a year-on-year basis**, due to the last leg of pricing corrections not factoring in the base. As the pricing base entirely catches up from the next quarter, revenue growth will track in line with volume growth.
- **Foods posted robust 37% value growth YoY. Saffola Oats** delivered 20%+ growth, while the relatively **newer franchises also scaled up** on expected lines. We launched **Saffola Muesli with Flavour Pops** during the quarter, aiming to leverage the brand's equity in the breakfast segment. The differentiated flavour pops format was introduced in three scrumptious variants of **Kesar Crunch, Berry Crunch and Choco Crunch. True Elements** and the **plant-based nutrition portfolio of Plix** maintained their accelerated growth momentum.
- **Premium Personal Care** sustained its strong growth trajectory during the quarter, led by the Digital-first portfolio. **Beardo continued to scale well and is on course to deliver double-digit EBITDA margin this year. Just Herbs** and the **personal care portfolio of Plix** continued to gain traction.
- **Copra prices stayed firm in line with forecasts, while edible oil and crude oil derivatives remained rangebound.** As forecasts in edible and crude oil exhibit a mild upward bias, **we will exercise the pricing power of our key franchises judiciously to alleviate any input cost pressures during the year.**
- Within the International business, **Bangladesh registered 10% CCG** (constant currency growth) as the business stayed resilient and sustained its momentum. **South-East Asia was flat in CC terms**, as the recovery in HPC demand in Vietnam was offset by a weak quarter in Myanmar. **MENA delivered 20% CCG** with both the Gulf region and Egypt faring well. **South Africa registered 28% CCG** driven by the ethnic hair care segment. **NCD and Exports posted 14% growth.**
- The EBITDA margin of the **domestic business** was at **23.9%, up ~20 bps YoY**, and that of the **International business** was at **31.6%, up ~200 bps YoY.**

Collaboration with Kaya in science-backed personal care - INR 100 cr. revenue potential over the next 4-5 years

Earlier this month, the Company announced that it will collaborate with renowned dermatological solutions provider, Kaya Limited, to advance its play in science-backed personal care. Under this arrangement, the Company will have exclusive rights to scale up Kaya's range of efficacy-based personal care products outside of its clinics. **This key strategic initiative presents a INR 100 cr. revenue opportunity over the next 4-5 years** and will **add another growth lever to Marico's Premium Personal Care led Digital Business**, thereby further accelerating the portfolio diversification agenda of the India business.

Outlook

After the positive start to the year, we expect sectoral volume trends to sustain the improving trajectory, aided by stable retail inflation, a healthily progressing monsoon season and Government's budgetary allocations towards boosting the rural economy. However, elevated food inflation and spatial distribution of rainfall will be key factors to be monitored.

Amidst the backdrop of improving macro-indicators, we expect a **gradual uptick in the growth of our core categories in the domestic business** through the ongoing initiatives to enhance the profitability of our General Trade (GT) channel partners and transformative expansion in our direct reach footprint under **Project SETU**. We also continue to draw confidence from **healthy oftakes, penetration and market share gains in our key portfolios**. We will continue our focus on driving **differential growth in our urban-centric and premium portfolios** through the organized retail and E-Commerce channels. Therefore, we expect to deliver consistent and competitive growth over the medium term through a much sharper and targeted portfolio and SKU strategy in each channel.

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Sustained investment towards driving accelerated growth in new businesses has led to a significant shift in the revenue construct of the domestic business since FY20. We will continue to **aggressively diversify the portfolio through the scale up of Foods and Premium Personal Care portfolios**, while improving profitability parameters in line with our medium-term strategic priorities. After successful initiatives towards refinements in supply chain and GTM during FY24, **we aim to grow Foods at 20-25%+ CAGR to 2x of FY24 revenues in FY27**. The Digital-first portfolio is **expected to exit FY25 at an ARR of INR 550-600 cr.** and scale to **2x of FY24 ARR in FY27**. **Consequently, we expect the domestic revenue share of the Foods and Premium Personal Care portfolios to expand to ~25% by FY27.**

We will also focus on driving consistent improvements in profitability as constituent franchises of the Foods and Digital-First portfolios attain critical mass. After the structural **GM expansion of ~800 bps in FY24**, **we expect a gradual improvement in gross and operating margins of the Foods portfolio as we scale over the medium term**. We are on course to deliver **double-digit EBITDA margin in Beardo this year**. We will aim to replicate the Beardo playbook as we scale the Digital-first franchises and **achieve double-digit EBITDA margin in the portfolio in FY27**.

The International business has grown from strength to strength in the face of transient macroeconomic and currency devaluation headwinds in select regions. While Bangladesh and Vietnam have led from the front, the strong growth momentum in the MENA and South Africa businesses has visibly strengthened the broad-based construct and offers margin upside over the medium term. This has resulted into visible geographical diversification in the overall international business, reflecting in the **reducing dependence on the Bangladesh business**. We will continue to invest aggressively towards diversifying the portfolio, expanding the total addressable market and driving market share gains in each of the markets. We aim to **maintain the double-digit constant currency growth momentum over the medium term**.

We will also **continue to scout for inorganic growth opportunities** that offer meaningful potential to consolidate our competitive position in existing categories, expand the total addressable market in existing geographies or access markets of interest, thereby adding visible levers to drive long term value creation.

We expect consolidated revenue growth to trend upwards during the course of the year, on the back of an improving trajectory in domestic volume growth, a favorable pricing cycle in key domestic portfolios and healthy growth momentum in the International business. We will continue to drive steady progress towards our key strategic objectives in the domestic as well as the International businesses and aim to deliver **revenue-led earnings growth in FY25**.

In the medium term, we aim to deliver **double-digit revenue growth** through **consistent outperformance vis-à-vis the category and market share gains in the domestic core portfolios, accelerated growth in the Foods and Premium Personal Care** and **double-digit constant currency growth in the International business**. We expect **operating margin to inch up over the next few years** with leverage benefits as well as premiumisation of the portfolios across both the India and International businesses.

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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 – M&A and Investor Relations (harsh.rungta@marico.com)