Marico – Information Update for Q2FY24 (Quarter ended September 30, 2023)

Executive Summary: Consolidated Results

Particulars (₹ Cr)	Q2FY24	YoY Growth	H1FY24	YoY Growth
Revenue from Operations	2,476	(1%)	4,953	(2%)
EBITDA	497	15%	1,071	12%
EBITDA Margin (%)	20.1%	Up 272 bps	21.6%	Up 263 bps
Profit After Tax (excl. one-offs)	353	17%	769	14%
Domestic Volume Growth (%)		3%		3%
International Business (% CCG)		13%		11%

In Q2FY24, Revenue from Operations was at ₹2,476 crore, down 1% YoY, with underlying volume growth of 3% in the domestic business and constant currency growth of 13% in the international business.

During the quarter, **demand trends in the domestic FMCG sector stayed largely in line with the preceding quarter.** While **urban sentiment improved sequentially,** instances of higher food inflation and uneven rainfall distribution led to a slower-than-expected pace of recovery in rural demand. **Packaged foods**, given its high urban salience, maintained a healthy growth trajectory and continued to outpace **mass home and personal care** categories. With commodity inflation largely in check and price cuts implemented across categories, we remain optimistic about a gradual recovery in sectoral volume growth, aided by range-bound retail inflation, onset of the festive season and continued government spending.

Amidst the given operating environment, the **India business posted volume growth of 3%. Domestic revenue at ₹1,832 crore,** was down 3% on a year-on-year basis, lagging volume growth due to price corrections in key portfolios in the last 12 months. Majority of the portfolio witnessed healthy trends across offtakes with ~85% of the business either gaining or sustaining market share and penetration. Among the sales channels, MT and E-commerce registered high double-digit (20%+) growth, while General Trade declined in low single digits on a YoY basis.

The **International business continued its strong momentum and delivered constant currency growth of 13%** amidst a challenging geo-political scenario and macroeconomic headwinds in select markets.

Gross margin expanded by 685 bps YoY and 50 bps sequential to reach its highest level in 26 quarters, owing to softer input costs. **A&P spends was up 26% YoY, up 229 bps as a % of sales,** as the Company remains committed towards strategic brand building of core and new businesses. **Consequently, EBITDA margin stood at 20.1%, up 272 bps YoY. EBITDA grew by 15% and PAT was up 17% on a YoY basis.**

At its meeting held on October 30, 2023, the Board of Directors of the Company has **declared an interim dividend of 300% (₹3 per share)** on its paid-up equity share capital of ~₹129.36 crore.

Other highlights relating to the quarterly performance are as follows:

- **Parachute Rigids registered 1% volume growth** amidst subdued consumer sentiment, while the franchise gained ~35 bps in market share on MAT basis**. Volume growth on a 4-year CAGR basis was at 4%.** As copra enters into an off-season, we expect a gradual pick-up in loose to branded conversions to aid volume growth in the near term. With pricing cuts coming into the base, value growth should mirror volume growth from Q3.
- **Value-Added Hair Oils grew by 1% in value terms,** reflective of a slower recovery in mass personal care categories. **Value growth on a 4-year CAGR basis was at 4%.** While growth in bottom of the pyramid franchises was muted, we continued to witness healthier traction in the mid and premium segments. **Consequently, the franchise consolidated its market share leadership on MAT basis.**
- **The Saffola franchise, comprising Refined Edible Oils and Foods,** declined 12% in value terms, owing to price cuts in Saffola Edible Oils over the last 12 months.
- **Saffola Edible Oils** posted **low single digit volume growth**, holding onto a strong base, despite vegetable oil prices remaining volatile during the quarter. **Volume growth on a 4-year CAGR basis was in high single digits.**

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Revenue decline was in the low twenties on a year-on-year basis due to pricing corrections over the last 12 months. Offtakes continued to remain healthy, although trade inventory remained at lower levels.

- **Foods** continued its steady growth trajectory with **25% value growth YoY.** The franchise is largely on-course to reach its FY24 revenue aspirations. **Saffola Oats** grew in double digits and maintained its category leadership while **Honey** and **Soya Chunks** continued to scale up well. Newer categories of **Peanut Butter, Mayonnaise** and **Munchiez** have also been gaining traction. **True Elements** and **Plix** act as differentiated growth drivers to our Foods play. We will focus on scaling up Foods as we aggressively invest behind market development, strengthen the cost structure, and refine supply chain and GTM strategies.
- **Premium Personal Care** delivered healthy growth and is well on track to contribute ~10% of the domestic revenues in FY24. The Digital-first portfolio clocked **exit ARR of ₹350 crore+ in Q2.**
- Owing to the ongoing scale-up of Foods and Premium Personal Care, **the composite share of these portfolios was at ~20% of domestic revenues in Q2.**
- **Copra prices** were up 1% sequentially and down 2% on a YoY basis aided by good supplies. However, as copra enters into an off-season ahead of the festive season, prices are expected to exhibit an upward bias in the near-term. **Rice Bran Oil (RBO)** stayed volatile during the quarter with a 6% QoQ increase, however, was down 23% YoY in-line with the correction in the vegetable oil complex in the last 12 months. **Liquid Paraffin (LLP)** was down 5% YoY, while **HDPE** was down 10% YoY.
- Within the International business, **Bangladesh** registered **2% CCG** (constant currency growth) amidst ongoing macroeconomic headwinds. **Vietnam grew 13% in CCG terms** with a steady performance in both the HPC and Foods portfolios. **MENA delivered 34% CCG** with both the Gulf region and Egypt growing in double-digits. **South Africa posted 23% CCG** led by the ethnic haircare segment. **NCD and Exports** posted 18% growth.
- The EBITDA margin of the **domestic business** was at **21.6%, up 320 bps YoY**, and that of the **International business** was at **25.1%, up 270 bps YoY**.

Outlook

Near-Term

The domestic business has delivered 3% volume growth in H1 amidst a challenging operating environment with sluggish demand sentiment in rural. We continue to draw confidence from the resilient offtake growth, market share and penetration gains posted by our key franchises and **expect a gradual improvement in demand sentiment to reflect in the performance of domestic business in the second half of the year**.

The **International business has delivered robust 11% constant currency growth in H1,** despite a challenging scenario and currency devaluation headwinds in select markets. **We expect to maintain the strong growth momentum in H2 on the back of the broad-based growth construct of the business.**

On a consolidated basis, we also expect **revenue growth to move into the positive territory in the second half of the year** as pricing deflation in the domestic business steadily tapers off. **Gross margin is expected to expand by ~350-400 bps,** which is higher than earlier envisaged, in view of the H1 performance and continued input cost tailwinds. We will also **sustain aggressive brand-building investments** towards strengthening the equity of the core and new franchises to drive growth. Consequently, we expect **operating margin to expand by ~200 bps in FY24.**

In the first half of the fiscal, we have made positive strides towards achieving our stated portfolio diversification objective constituted by an accelerated scale up in Foods, building a Digital First portfolio while steering key franchises to profitability, and broad basing the international business to enable consistent double-digit growth. We have also delivered robust expansion in operating margin despite ramping up A&P investment in brand building to strengthen the long-term equity of core and new franchises. We will continue to drive improvement across key performance parameters in H2 and hold the same aspiration on a full year basis as well.

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Medium Term

Over the medium term, we hold our aspiration to deliver 13-15% revenue growth with 8-10% volume growth in the domestic business and double-digit constant currency growth in the international business. We expect a gradual and structural improvement in consolidated operating margin over the medium term, while aiming to holding it above the threshold of 19% on a sustainable basis.

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.

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