Marico – Information Update for Q2FY25 (Quarter ended September 30, 2024)

Executive Summary: Consolidated Results

Particulars (₹ Cr)	Q2FY25	YoY Growth	H1FY25	YoY Growth
Revenue from Operations	2,664	8%	5,307	7%
EBITDA	522	5%	1,148	7%
EBITDA Margin (%)	19.6%	Down 50 bps	21.6%	Flat
Profit After Tax (excl. one-offs)	388	10%	852	11%
Domestic Volume Growth (%)		5%		4%
International Business (% CCG)		13%		12%

In Q2FY25, Revenue from Operations was at ₹2,664 crore, up 8% YoY, with underlying volume growth of 5% in the domestic business and constant currency growth of 13% in the international business.

During the quarter, we witnessed stable demand trends in India with **rural growing at 2x the pace of urban on a year- on-year basis. Pricing growth for the sector turned positive on a YoY basis** as brands effected price increases in response to rising commodity prices.

The **domestic business maintained its improving volume growth trajectory** on the back of healthy trends across most of the core and new franchises. **Offtakes remained strong as more than 80% of the business either gained or sustained market share and penetration both on a MAT basis. Domestic revenue was ₹1,979 crore, up 8% YoY**, as volume growth was supplemented by price hikes in the Coconut Oil portfolio and favorable reversal in the pricing cycle in Saffola Oils. Alternate channels continued to gain salience vis-à-vis General Trade.

After the successful initiation in the preceding quarter, **Project SETU was extended to 4 more states, taking the tally to 10 states.** The execution at the state level has progressed as planned, supported by robust governance mechanisms to ensure sustainable outlet expansion. In addition to **improved direct reach and weighted distribution, Project SETU will 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 exhibited persistent strength across all key markets, underpinned by strong fundamentals and enduring growth potential.

Gross margin expanded by 30 bps YoY, as the impact of higher input costs in the core portfolios of the domestic business was more than offset by healthy margin improvements in the digital-first franchises in India and international businesses. **A&P spends was up 8% YoY,** as the Company sustained investments towards strategic brand building. **EBITDA margin stood at 19.6%, down 50 bps YoY and EBITDA grew by 5% YoY. Reported PAT was up 20% YoY,** due to one-off gains on the sale of fixed assets and favorable settlement of a past litigative claim (both classified under 'Other Income'), amounting to ₹42 cr. **PAT (excluding one-offs) was up 10% YoY**.

Other highlights relating to the quarterly performance are as follows:

- **Parachute Rigids registered 4% volume growth,** after absorbing the impact of ml-age reduction in one of the key price-point packs implemented in lieu of a price increase. **Volume offtakes grew in high single digits, resulting in ~120 bps gain in market share on MAT basis. The brand recorded 10% revenue growth,** aided by pricing interventions made at the start of the year. The brand has taken another round of price increase (~4% at a brand level) at the end of this quarter in response to the sequential rise in copra prices.
- **Value-Added Hair Oils declined 8% YoY in value terms** amidst persistent sluggishness and competitive headwinds in the bottom of the pyramid segment. **The franchise gained ~110 bps in value market share during the quarter, as mid and premium segments of the franchise fared relatively better**. The growth trajectory of the franchise has bottomed out and we expect gradually improving trends ahead on the back of visible ATL investments and brand activations leading into the festive season.

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- **Saffola Edible Oils delivered flattish volumes, while revenues grew 2% YoY** after the pricing cycle for the brand turned slightly favorable after 8 quarters. **The brand implemented a price increase of ~15% in response to the sharp hike in import duties on vegetable oils recently.** Building on last year's #RozKaHealthyStep message, the brand launched **the Step-Up For Your Heart campaign to mark the World Heart Day**, encouraging people to check their heart health. Inspired by a study showing that climbing stairs daily can reduce the risk of heart disease by 20%, the campaign encouraged consumers to inculcate the habit for a healthy heart.
- **Foods posted robust 28% value growth YoY and crossed ₹1,000 cr. in ARR in Q2. Saffola Oats** delivered mid teen growth, while the relatively newer franchises also fared healthily. We launched **Saffola Masala Millets** during the quarter, aiming to expand our millet-based offerings and support the increasing consumer shift towards healthier eating habits. The objective was to create a product that marries the nutritional benefits of millets with the appeal of savoury flavours. **The product is currently available in two flavours – Masala Delight and Tomato Delight at a price point of Rs. ₹20. True Elements** and the **plant-based nutrition portfolio of Plix** maintained their accelerated growth momentum.
- **Premium Personal Care** continued its strong run during the quarter, led by the Digital-first portfolio. **The Digital-first brands crossed 525 cr. in ARR in Q2. Beardo** continued to scale ahead of expectations 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. The Company also initiated the sales of Kaya (https://kayascience.com/) products on select online channels in Sept'24.
- **The composite revenue share of Foods and Premium Personal Care (including Digital-first brands) in the domestic business moved up to ~21% in H1**, furthering the portfolio diversification agenda of the India business.
- Copra prices rose ahead of internal forecasts and the recent import duty hike led to vegetable oil prices moving higher towards the end of the quarter. Crude oil derivatives, however, remained rangebound. **Forecasts for most commodities indicate an upward bias in the near term.** We will continue to exercise the pricing power of our key franchises judiciously to alleviate any input cost pressures during the year.
- Within the International business, **Bangladesh registered 8% CCG** (constant currency growth) as the business stayed resilient amidst challenges in the operating environment, which progressively subsided in the latter half of the quarter. The fundamentals and medium-term growth construct of the business remain intact. **Vietnam grew 7% in cc terms** on the back of a recovery in demand in HPC categories. **MENA delivered 43% CCG** with strong performance in the Gulf region and Egypt. **South Africa registered 20% CCG** with both the Hair Care and Health Care franchises faring well. **NCD and Exports posted 20% growth**.
- The EBITDA margin of the **domestic business** was at **20.1%, down ~150 bps YoY**, and that of the **International business** was at **27.0%, up ~190 bps YoY**.

Outlook

The encouraging demand trends in the first half of the year holds promise of an improving trajectory in the second half. The above-normal monsoon season, Government's budgetary allocations towards boosting the rural economy and upcoming festive season also bode well. However, elevated food and retail inflation will be key factors to be monitored in the near term.

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 offtakes, 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.

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 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.

Consolidated revenue growth in the first half was in high single digits, as higher realizations in the domestic business was offset by incremental currency headwinds in some overseas markets. **Consolidated revenue growth is likely to move into double digits in the second half of the year. Operating margin in the first half has been in line with the corresponding period of the preceding year.** In view of the higher-than anticipated degree of inflation in copra prices and sharp import duty hike in vegetable oils, **the Company will focus on its stated revenue growth aspiration while remaining watchful on the margin front during the second half of the year.**

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 domestic 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.

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