Marico – Information Update for Q3FY23 (Quarter ended December 31, 2022)

Executive Summary: Consolidated Results

Particulars (₹ Cr)	Q3FY23	YoY Growth	3-Yr CAGR
Revenue from Operations	2,470	3%	11%
EBITDA	456	6%	7%
EBITDA Margin (%)	18.5%	Up 55 bps	
Profit After Tax	328	6%	6%
Domestic Volume Growth (%)		4%	6%
International CCG (%)		8%	11%

In Q3FY23, Revenue from Operations grew by 3% YoY to ₹2,470 crores with underlying volume growth of 4% in the domestic business and constant currency growth of 8% in the international business.

During the quarter, the **FMCG sector in India showed some signs of a gradual improvement in overall demand trends**, in addition to the festive spirit and oncoming winter season providing some fillip to specific categories. With retail inflation easing month on month, **the sector recorded its lowest volume decline in the last five quarters**. Within the sector, Foods categories stayed on the growth path, while HPC categories were still under pressure. Rural remained a drag although its trajectory improved sequentially, while urban and premium categories continued to fare batter.

In keeping with the sector, **the India business also witnessed a pickup in the performance over the preceding quarter** on the back of steadying trends in the core franchises of Coconut Oil and Saffola Edible Oils coupled with continued momentum in Foods and Premium Personal Care portfolios**. The underlying domestic volume growth in Q3 was 4%. Notably, the impact of pack size reductions in the VAHO franchise on domestic volume growth was about 100 bps. On a 3-year CAGR basis, quarterly domestic volume growth stood at a healthy 6%. Domestic revenues was at ₹1,851 Crore, up 2% YoY,** lagging volume growth due to varying pricing interventions across portfolios during the year. Sustained focus on execution and brand building investments translated into **key franchises consolidating market shares** during the quarter. Among the sales channels**, General Trade declined in mid-single digits**, with rural still behind urban. **MT and E-commerce grew in high double digits.**

The **international business sustained its healthy growth momentum** with **constant currency growth of 8%**. Each of the markets exhibited strength amidst macroeconomic uncertainty and currency devaluation headwinds.

Gross margin expanded 123 bps YoY and 131 bps sequentially, owing to the prevalence of stability in consumer and raw material pricing and improved portfolio mix in the India business, while the business also contended with the impact of currency devaluation in key overseas markets. **A&P spends at 8.9% of sales, was up 3% sequentially.** The Company has maintained investments towards strategic brand building of core and new franchises despite input cost headwinds. **On a 3-yr CAGR basis, quarterly A&P spends have risen at 6% leading to 11% revenue growth during the period**. **EBITDA margin stood at 18.5%, up 55 bps YoY and 111 bps sequentially. EBITDA was up 6% YoY. PBT growth perked up to 9%** owing to higher other income. **PAT was up 6% YoY** because of higher effective tax rate (ETR).

Other highlights relating to the quarterly performance are as follows:

- **Parachute Rigids was up 2% in volume terms** after a tepid last few quarters, as the loose to branded conversions in the coconut oil picked up with copra prices firming up favorably in the off-season. In the given market context, **the brand gained 30 bps in volume MS during the quarter**. The brand is witnessing healthy traction and penetration gains on the back of micro-marketing interventions in relevant markets. **We expect to clock volume growth in line with our medium-term aspiration going ahead as structural drivers of growth have come back in play.**
- **Value Added Hair Oils posted value decline of 3%** given the muted consumption sentiment in rural and sluggishness in mass personal care categories. **Value growth on 3 year CAGR basis stood at 7%** .Within the

 For further information / clarification, contact Marico on Tel (91-22) 6648 0480, E-mail: investor@marico.com category, **mid and premium segments continued to fare better** than the bottom of the pyramid segment, also reflecting in the **80 bps gain in value MS**. We expect the VAHO franchise to grow in line with the overall BPC category and regain fervor once rural recovery comes about on expected lines in the upcoming quarters.

- **The Saffola franchise, comprising Refined Edible Oils and Foods, grew 10% in value terms.**
- **Saffola Oils stepped up growth from the last quarter to post low teen volume growth** as stability in trade inventory and consumer pricing prevailed. Revenue growth was lower owing to pricing corrections. However, the extent of volatility in the international vegetable oil complex needs to be watched going ahead.
- **Foods grew 31% in value terms** with 20% growth in the Oats franchise and newer offerings scaling up well. **Saffola Oats maintained its strong leadership position in the Oats category**. During the quarter, the Company launched healthy and lip-smacking snack offerings under the aegis of **Saffola Munchiez.** The brand introduced **Ragi Chips** and **Roasted Makhana** in multiple flavours by leveraging India's own super grains. In both offerings, Saffola stayed true to its "Healthier for You" credentials as Ragi Chips have 50% less saturated fat compared to chips fried in palm oil and Roasted Makhanas moves its consumers away from fried snacks. **The Foods franchise is poised to achieve the FY24 aspiration of INR 850 - 1,000 cr.**
- **Premium Personal Care continued to clock double-digit growth. Digital-first portfolios are** scaling up in line with expectations.
- **Copra prices were up 1% sequentially and down 18% YoY**. With seasonal supplies slowing down, prices should remain range-bound in the near term. **Rice Bran oil was down 4% sequentially and 2% YoY**. Rice Bran Oil prices are likely to be range bound in the near term. However, multiple global factors remain a watch-out for the international vegetable oil complex in the coming quarters. **Crude derivatives such as Liquid Paraffin (LLP) and HDPE were up 31% and 4% YoY**. Both inputs should trend in line with crude oil prices.
- Within the International business, **Bangladesh** clocked 9% constant currency growth. Both the core and newer portfolios remained steady. **Vietnam** grew by 13% in constant currency terms as the HPC and Foods franchises performed well. **Myanmar** business dropped due to forex-led challenges. Both **MENA and South Africa** grew by 13% in constant currency terms. **NCD and Exports business** grew 18% in constant currency terms.
- EBITDA margin of the **domestic business was at 19.6%, up 134 bps YoY**, and that of the **International business was at 22.9%, down 121 bps YoY**.

Outlook

Near Term

In the **domestic business**, we 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. **Prominent green shoots in rural are eagerly awaited** as an encouraging winter crop-sowing season, indications of higher farm income and continued government stimulus bode well. **We expect to maintain an improving growth trend in the quarters ahead.**

The **International business** has been resilient and 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 this growth momentum** in the coming quarters.

Gross margin should remain steady with an upward bias going ahead unless sharp volatility in key input costs resumes. Taking into account the quarterly gyrations of all cost line items, **EBITDA margin will be in the 18-19% band 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 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. In **Foods,** we aim to scale up to ₹850-1000 crores in revenues by FY24 on the back of innovation, focused distribution initiatives 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 digital brands with a combined turnover of ₹450-500 crores by FY24.

International: In **Bangladesh**, the competitive strength of our brands and our distribution reach in the region have enabled the business to stay firm amidst recent macro headwinds. Over the medium term, we expect double-digit constant currency growth in the business given our competitive positon 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 acquisition of female personal care brands, Purité de Prôvence and Ôliv, will provide a fillip to the Vietnam business. 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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