Marico – Information Update for Q4FY22 (Quarter ended March 31, 2022)

Executive Summary: Consolidated Results

Particulars (₹ Cr)	Q4FY22	YoY Growth	FY22	YoY Growth
Revenue from Operations	2,161	7%	9,512	18%
EBITDA (excluding one-offs)	354	11%	1,689	6%
EBITDA Margin (%)	16.4%	Up 53 bps	17.8%	Down 201 bps
Profit After Tax (excluding one-offs)	256	8%	1,230	6%
India Volume Growth (%) : YoY/ 2-Yr CAGR		1% / 12%		7% / 7%
International CCG (%) : YoY/ 2-Yr CAGR		12% / 17%		16% / 11%

In Q4FY22, **Revenue from Operations grew by 7%** YoY to ₹ 2,161 crores with the **domestic business staying steady in a challenging consumption environment and the international business posting healthy double-digit revenue growth.**

In India, rising inflation levels, exacerbated by geo-political tensions, continued to weigh down the overall consumption sentiment, and even more so in rural. As companies resorted to taking price hikes to counter the persistent input cost push, consumers continued to feel the pinch. As a result, FMCG market continued to decline in Q4 in volume terms. Against this backdrop, **Marico's domestic business delivered a resilient 5% revenue growth, with 1% underlying volume growth (on an exceptionally high base of 25%).** Volume growth on a **2-year CAGR basis remained strong at 12%.** The inherent strength of our brands, focused execution and brand building investments translated into **97% of the portfolio either consolidating or gaining market share and 94% of the portfolio gaining penetration, both on a MAT basis.** Among the sales channels, GT was subdued with rural slightly behind urban, while alternate channels posted growth.

The International business sustained its strong momentum of predictable and profitable growth. The business delivered 12% constant currency growth in the quarter with each of the Bangladesh, South Africa and MENA businesses clocking double-digit constant currency growth. **In the full year, the International business delivered a stellar 16% constant currency growth.**

Despite sharp inflation in input costs pertaining to more than half of the portfolio, gross margin continued to improve sequentially (~76 bps) for the third quarter in a row. Copra prices remained soft, while crude and edible oil prices hardened given the linkage to global markets. **A&P spends (at 9.4% of Sales) was up 18% YoY, as the Company prioritized investments in brand building for the long term over immediate margin considerations. EBITDA margin stood at 16.4%,** up 53 bps YoY. On a like to like basis, **EBITDA was up 11% YoY and PAT was up 8% YoY.**

In FY22, **Revenue from Operations grew by 18%** YoY to ₹ 9,512 crores with both the domestic and international business growing in high teens. **EBITDA margin stood at 17.8%, down 201 bps YoY**, solely due to gross margin compression of 409 bps. **A&P spends (at 8.4% of Sales) was up 14% YoY**. Both **EBITDA and PAT were up 6% YoY.**

Other highlights relating to the performance are as follows:

- **Parachute Rigids** was down 1% in volume terms on the steep base of 29%. In the full year, the brand grew 5% in volume terms, in line with medium term aspirations. The volume market share of the brand rose by 170 bps in rigid packs (MAT Mar'21), thereby maintaining its stronghold in the branded coconut oil category.
- **Value Added Hair Oils** delivered value growth of 3% in Q4, maintaining the double-digit growth trajectory on a 2 year CAGR basis. The Company gained ~90 bps in value market share during the quarter. In the full year, the franchise grew in double digits in both volume and value terms.
- **The Saffola franchise, comprising Refined Edible Oils and Foods,** grew 17% in value terms.
- **Saffola Edible Oils** had a flat quarter in volume terms but grew in double-digits in value terms. The brand also ended flat in volume terms in the full year on a high base of 17%, despite significant volatility in input costs and weak trade sentiment during the year.

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- **Saffola Foods grew by 17% in Q4 and ~50% in FY22 in value terms** on the back of both core and new franchises growing healthily. As a result, **the Foods portfolio met its aspiration of 450-500 cr. topline in FY22. The Saffola Oats franchise gained 512 bps in value market share to consolidate its No. 1 position with ~42% value market share in the overall Oats category on a MAT basis. Saffola Honey** continued to consolidate its market share in MT and E-com channels and **Saffola Mealmaker Soya Chunks** scaled ahead of internal targets**.** Both brands ended the year in the 50-100 cr. range. During the quarter, the Company continued to broaden its play in Foods with the launch of **Saffola Peanut Butter** (made with jaggery and no refined sugar) and **Saffola Mayonnaise** (eggless and with milk cream). Both offerings are available online and will be soon be present in offline channels as well. With these launches, we have further expanded the total addressable market of the brand 'Saffola' to ~INR 6,000 cr.
- **Premium Personal Care** (contributing less than 5% of revenues) grew in high double digits in Q4, with both **Livon Serums** and **Male Grooming** growing at 20%+ each. **Beardo crossed the INR 100 cr. exit run rate** and **Just Herbs** scaled up in line with expectations.
- **Copra prices** were down **9% sequentially** and **down 31% YoY**. With the onset of the flush season, prices should remain range-bound in the near term. Following the recent spike in global edible oil prices, **Rice Bran oil** was up 26% YoY and 6% sequentially. We expect **edible oil** prices to remain at elevated levels in the coming quarters. Crude derivatives such as **Liquid Paraffin** (LLP) and **HDPE** were up 9% and 19% YoY. Both are also likely to remain firm in the near term.
- The International business has delivered double-digit constant currency growth for the fifth quarter in a row. **Bangladesh** clocked 16% constant currency growth. **Vietnam** grew 7% in constant currency terms. **MENA and South Africa** grew 11% and 20% in constant currency terms.

Near Term / Medium Term Outlook

In the **domestic business**, while near term demand outlook is uncertain, we are **confident of staying well-ahead of market growth** and will continue 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. We will closely watch rural growth and are hopeful of a recovery in demand in light of the good harvest season, normal monsoon forecast and government spending. The near term notwithstanding, we remain confident of the medium term prospects of the FMCG sector once transient macro disturbances settle down and fundamental drivers of the India consumption story come to the fore.

The **International business** has maintained a steady momentum of healthy profitable growth over the last 5 years. As the pandemic has subsided across regions, we expect the business environment in the markets we operate in to remain stable, unless any major geo-political concerns flare up. Therefore, we are confident of **maintaining the double-digit growth momentum** in the coming quarters.

In the near term, we expect margins to be subdued following the renewed spike in commodity prices due to geo-political tensions, as we will continue to drive rigor in execution and market share gains without compromising on brand building investments to protect short-term margins.

We expect the stress on demand and margins to ease towards the second half of next year.

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 sustain 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. The **Foods** franchise had a robust year to end above 450 crores in revenues this year. We aim to scale this up to ₹850-1000 crores by FY24 on the back of innovation, distribution 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 at least three digital brands, either organically or inorganically, with a combined turnover of ₹ 450-500 crores by FY24. **Beardo** and **Just Herbs** are conscious steps in this direction.

International: In **Bangladesh**, the competitive strength of our brands and our distribution reach in the region have enabled the business to stay firmly on its accelerated growth trajectory. Over the medium term, we will maintain the double-digit constant currency growth in the business. In **Vietnam and MENA,** we have set the fundamentals right and will now suitably replicate attributes from the strategy that has worked in Bangladesh, in order to build a sustained growth momentum in both businesses. 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.

One-offs in Q4FY21 and Q4FY22

In Q4FY21, the Company recognized a provision towards impairment of Goodwill on Consolidation arising out of investment in South Africa amounting to INR 19 cr. under 'Exceptional items' in the Consolidated Statement of Profit and Loss.

In Q4FY22, the Company recognized a one-off provision of INR 8 cr. towards bad and doubtful debts pertaining to earlier years under 'Other Expenses' in the Consolidated Statement of Profit and Loss.

EBITDA and PAT growth for Q4FY22 has been calculated after excluding the impact of the aforesaid one-offs in the respective periods.

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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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