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Marico – Information Update for Q4FY24 (Quarter ended March 31, 2024)

Executive Summary: Consolidated Results

Particulars (₹ Cr)	Q4FY24	YoY Growth	FY24	YoY Growth
Revenue from Operations	2,278	2%	9,653	(1%)
EBITDA	442	12%	2,026	12%
EBITDA Margin (%)	19.4%	Up 186 bps	21.0%	Up 245 bps
Profit After Tax (excl. one-offs)	318	14%	1,470	15%
Domestic Volume Growth (%)		3%		2%
International Business (% CCG)		10%		9%

In Q4FY24, Revenue from Operations was at ₹2,278 crore, up 2% YoY, with underlying volume growth of 3% in the domestic business and constant currency growth of 10% in the international business.

The **domestic operating environment during the quarter was closely akin to the preceding quarters of this year**. Across various FMCG categories, **premium and urban-centric segments stayed ahead of rural and mass segments**. Although, we did witness an uptick in rural sentiment towards the end of the quarter. Among channels, **alternate channels continued to gain salience** vis-à-vis General Trade, as the latter has been contending with subdued realizations and profitability headwinds.

Domestic revenue was flattish at ₹1,680 crore, as pricing corrections in key portfolios anniversarized to a larger extent on a sequential basis. Offtakes remained healthy across key portfolios with 75% of the business either gaining or sustaining market share and 100% of the business either gaining or sustaining penetration, both on MAT basis.

The **International business delivered strong broad-based growth** led by Bangladesh recovering quickly after facing transient headwinds in the preceding quarter and sustained momentum in most of the other markets.

Gross margin expanded by 420 bps YoY, owing to softer input costs and favourable portfolio mix. **A&P spends was up 8% YoY,** as the Company sustained focus on strategic brand building of core and new businesses. **Consequently, EBITDA margin stood at 19.4%, up 186 bps YoY and EBITDA grew by 12%. PAT bei was up 14%, as the impact of lower Other Income was offset by lower tax charge.**

Other highlights relating to the quarterly performance are as follows:

- **Parachute Rigids registered 2% volume growth** amidst the ongoing pick up in loose to branded conversions. During the quarter, the franchise gained ~53 bps in market share on MAT basis. We expect to maintain an improving trajectory in volumes as copra prices trend up favorably. **Owing to the rise in copra prices, we implemented price hikes in select packs in April 2024, resulting in ~6% increase at a brand level.**
- **Value-Added Hair Oils declined 7% in value terms on a high base (13% growth in Q4FY23) amidst persistent sluggishness in the bottom of the pyramid segment**. Mid and premium segments of VAHO continued to fare relatively better. We expect the franchise to exhibit a gradual pickup during the course of next year.
- **Saffola Edible Oils** registered **mid-single digit volume growth**, as the base normalized and trade sentiment settled owing to price stability. **Revenue decline was in the mid-teens on a year-on-year basis** due to erstwhile pricing corrections yet to anniversarize. As the pricing base normalizes early next year, we expect the portfolio to resume a steady growth trajectory during the course of FY25. Shortly after the World Health Day, the brand launched a powerful campaign on the importance of taking 'Roz ka Healthy Steps!' through Saffola's entire range of offerings, which emphasized the fact that healthy eating is a lifelong journey and not a temporary fad. This marked the initiation of **range advertising under the master branding of 'Saffola'**.
- **Foods** logged **24% value growth YoY, closing the year at ~4x of its scale in FY20**. **Saffola Oats** maintained its category leadership, while **newer franchises continued to scale up** on expected lines. During the quarter, the brand launched four gourmet-style flavours in its flavoured Oats range. For the first time, Saffola Oats will offer two sweet flavours viz **Nutty Chocolate** and **Apple 'n' Almonds**, in addition to expanding the portfolio of savoury

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(Masala) oats with the launch of two new flavours viz **Spicy Mexicana** and **Cheesy Italia**. **True Elements** and **Plix** maintained their accelerated growth momentum.

- **Premium Personal Care** sustained its healthy growth trajectory during the quarter, with the Digital-first portfolio clocking an **exit ARR of ~₹450 crore. Beardo has scaled ~3x since FY21 and achieved positive EBITDA this year. Just Herbs has crossed INR 1bn ARR in FY24,** while the traction in the Personal Care portfolio of Plix has been encouraging.
- We have made steady progress in our portfolio diversification efforts, as the **composite share of Foods and Premium Personal Care (incl. Digital-first brands) in domestic revenues stood at ~20% in FY24 (~15% in FY23).**
- **Copra prices** has inched up in line with expectations and continues to exhibit an upward bias. **Rice Bran Oil (RBO)** has been stable and is expected to be rangebound in the near term. **Liquid Paraffin (LLP) and HDPE** have hardened sequentially and may trend upwards in light of recent bullishness in crude oil prices. **We will exercise the pricing power of our key franchises judiciously to alleviate any input cost pressures during the course of next year.**
- Within the International business, **Bangladesh registered 8% CCG** (constant currency growth) as the business reverted to its healthy course post transient macroeconomic headwinds. **South-East Asia was flat in CC terms,** amidst slower HPC demand in Vietnam. **MENA** continued its strong growth momentum and **delivered 19% CCG** with both the Gulf region and Egypt faring well. **South Africa registered 13% CCG** driven by the ethnic hair care segment. **NCD and Exports posted 34% growth**.
- The EBITDA margin of the **domestic business** was at **22.4%, up ~260 bps YoY**, and that of the **International business** was at **26.8%, up ~310 bps YoY**.

Project SETU – Renewed Focus on GT through Transformative Expansion of Direct Reach

Amidst modest consumption sentiment over the last couple of years, the sector has witnessed growing salience of organized trade and E-Commerce, while General Trade has faced growth and profitability pressures. We believe that the General Trade channel will continue to be source of scale and competitive advantage over the long term, especially in our core categories. Therefore, the Company initiated a number of steps over the last few months, including implementing primary stock reduction and extended credit terms on selective basis to improve the profitability of our partners and structurally revive growth in the channel.

In Q1FY25, we have also rolled out **Project SETU, laying a phased 3-year roadmap to improve our direct reach from ~1 million outlets currently to 1.5 million outlets in FY27**. This will be backed with substantial investments behind coverage and infrastructure enhancement, and demand generation initiatives. **The expected outlay by FY27 is INR 80-100 cr.** and will be funded through re-allocation of resources viz. by optimizing promotional spends and indirect distribution costs in wholesale channel, reduction in organized trade promotional spends and savings from improving process efficiencies and reducing wastages. Therefore, **Project SETU will be cost neutral.**

In addition to **improved direct reach and weighted distribution,** we expect **Project SETU** to **drive market share gains across categories in urban and rural, as well as enhance assortment levels in urban stores, thereby enabling diversification & premiumisation in the domestic business**.

Outlook

FY24 has been a mixed year with sectoral volume growth consolidating on a low base, while commodity and consumer pricing trended lower. While premium and discretionary segments within FMCG continued to witness positive traction, demand trends in mass consumption categories belied expectations of a visible pickup owing to the slower-than-anticipated recovery in rural and urban sentiment, subdued General Trade and resurgence of regional and unorganized competition.

Amidst the backdrop of improving macro-indicators and forecast of a normal monsoon, we expect a **gradual uptick in the growth of our core categories** through the ongoing initiatives to enhance the profitability of our General Trade (GT) channel partners and transformative expansion in our direct reach footprint with the roll out of **Project SETU**. We continue to draw confidence from **healthy offtakes 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 organised 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%+ CAGR and scale to 2x of its current scale in FY27**. The scale up of the Digital-first portfolio has met our stated aspirations and we expect the ARR of this portfolio to scale to **2x of its current run rate in FY27**. **Consequently, we expect the domestic revenue share of the Foods and Premium Personal Care portfolios to expand from ~20% currently 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. Focused initiatives in this direction have led to a robust **GM expansion of ~800 bps in the Foods portfolio in FY24 alone**. We have also achieved **positive EBITDA in Beardo in FY24** through premiumisation and scale benefits and **aim to move towards double-digit EBITDA margin next 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 been resoundingly resilient in FY24 in the face of transient macroeconomic and currency devaluation headwinds in select regions. In addition to Bangladesh bouncing back, 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 revenue dependence on Bangladesh business from ~51% in FY22 to ~44% in FY24.** 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 will aim to **maintain the double-digit constant currency growth momentum in FY25 and beyond.**

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.

While erstwhile pricing interventions in the domestic portfolio and currency devaluation headwinds in certain overseas markets have muted realizations this year, **consolidated revenue growth has moved into positive territory in Q4 and is expected to trend upwards during the course of FY25**. We expect **domestic revenue growth to outpace volume growth from Q1FY25**, in light of the upward bias in prices of some of the key commodities.

We have delivered our highest-ever operating margin in FY24 led by robust gross margin expansion, even while investments towards brand-building (A&P to Sales at ~10% in FY24) remained a key thrust area, in line with the strategic intent to strengthen the long-term equity of the core and drive differential growth in the new franchises. 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 **healthy 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.

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