Marico Limited
Q3 FY25 Earnings Conference Call

January 31, 2025

MANAGEMENT: MR. SAUGATA GUPTA – MD & CEO, MARICO LIMITED
MR. PAWAN AGRAWAL – CFO, MARICO LIMITED

Moderator: Ladies and gentlemen good day and welcome to the Marico Limited Q3 FY25 Earnings Conference Call.

We have with us today Senior Management of Marico, represented by Mr. Saugata Gupta – MD and CEO and Mr. Pawan Agrawal – CFO.

As a reminder all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference, please signal an operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded.

Before we get started, I would like to remind you that the Q&A session is only for institutional investors and the analysts and therefore if there is anybody else who is not an institutional investor or analyst but would like to ask questions, please directly reach out to Marico's investor relations team.

I now hand the conference over to Mr. Saugata Gupta for his opening comments. Thank you and over to you sir.

Saugata Gupta: Hi everyone and all those who have joined the call and my best wishes to all of you for a very Happy and Prosperous 2025. I would like to begin by sharing a perspective on the operating environment during the quarter, followed by our performance and the strategic objectives going forward.

The FMCG sector exhibited reasonably steady demand sentiment during the quarter. Retail and food inflation were at elevated levels but showed some signs of easing in December. Urban demand remained stable yet soft on a sequential basis whereas rural continued to witness improvement, growing at 2x suburban on a year-on-year basis for the third consecutive quarter. Resultantly, HPC categories continued to outperform packaged food on a year-on-year basis. Continued government schemes, rise in MSPs and a favorable crop season bode well for the ongoing rural recovery. In urban, consumption sentiment remained reasonably stable and healthy amongst the affluent and upper middle-class segments. While middle and bottom of pyramid segments appeared relatively subdued by inflation and slow wage growth. Pricing growth across categories was up sequentially as companies implemented pricing hikes to counter margin pressure from the sharp rise in commodity prices.

Moving on to our performance, India business posted a sequential uptick in underlying volume growth and a robust high teen revenue growth. Offtake growth remained healthy with over 90%

of the business gaining or sustaining market shareand about 80% of the business either gaining or sustaining penetration both on a MAT basis. From a channel perspective, alternate channels continue to drive growth and gain salience. The GT channel has seen prolonged sluggishness due to the evolving inter channel dynamics, conflict and shift in consumer behavior. While the share of alternate channels have been on the rise in Tier-I markets, we believe GT will continue to be relevant and dominant channel, especially in Tier-II markets and beyond. 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 will aim to deliver consistent and competitive growth in the medium term through a sharper and more targeted portfolio and SKU strategy in each channel.

Delving into the domestic business, I will now touch upon the key trends in each of our categories. Parachute posted a resilient performance despite a steep input and pricing increases absorbing a circa 1% volume impact due to ml-age reduction in one of the price point packs. The brand maintained its stronghold through market share and penetration gains. We have taken another round of price hikes towards the end of Q3 as forecast suggest copra prices to remain firm in the near term. We will closely monitor consumption trends with this high pricing and the transient impact of shrinkflation of price point packs in the near term given the persistently inflationary market conditions which are expected to improve soon. Saffola edible oils also demonstrated stability despite significant price hikes over the past few months driven by the import duty hike, we expect the brand to remain steady unless there is significant volatility in vegetable oil prices. Value added hair oils while subdued, recovered sequentially and maintained an upward trajectory in market share excluding the bottom of pyramid segment where we are facing unreasonable competition. The portfolio delivered 3% growth which is in line with overall BPC categories.We will continue to reinforce our market leadership through strategically increasing ATL spends and focusing on growth in the mid and premium segments, while gradually improving rural sentiment is likely to support consumption in this category. Food business scaled up to around ₹1,000 crores ARR in Q3 which was underpinned by broad based growth in the core and the new franchises. You would recall in 2020 we had taken this aspiration of developing a ₹1,000 crores food portfolio. We have finally reached there. Saffola oats delivered double digit growth and maintained its position as the #1 brand in the oats category. True Elements and Plix plant-based nutrition portfolio also scaled up well.

Following the substantial expansion in gross margin last year, we expect gradual improvement in the profitability of the Foods portfolio as we build scale in the medium term. The premium personal care portfolio performed well in line with expectations. The digital first portfolio scaled ahead of expectation, reached ₹600 crores in ARR in Q3. Beardo is on track to deliver double digit EBITDA margins, reinforcing the long-term focus towards driving consistent growth and

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improvement in profitability in the medium term. We maintain our aspirations to achieve double digit EBITDA margin in the Digital first portfolio by FY27. The composite revenue share of Foods and premium personal care including Digital first brands in the domestic business stood higher at 21% in 9M'FY25 despite significant pricing growth in the core portfolios. These businesses are now clocking a combined ARR of around ₹1,900 crores, and represent a phenomenal shift in the growth trajectory and the potential of the India business in the future. This is a testament to the tremendous conviction, capability building effort and strategic investments made over the past four years. Further, a notable improvement in profitability of these businesses over the last couple of years reinforces our focus on driving sustainable diversification in the medium term.

The international business sustained its double-digit constant currency growth momentum. The business has continued to chart a resilient top line and profitability performance despite the impact of currency headwinds in key markets. Currency headwinds had a 2% impact on consolidated EBITDA this quarter. The Bangladesh business delivered a robust growth and continued to demonstrate its competitive moat even amidst the challenging macro environment. MENA delivered strong growth and aggressive market share gains across both the Gulf and Egypt markets. South Africa has been a consistent performer as well. Southeast Asia was muted due to a tepid consumption environment in Vietnam and geopolitical issues in Myanmar. The new country development or exports market has been scaling up healthily as well. We are confident of maintaining the strong double digit constant currency growth trajectory in international markets and gradually unlocking the margin upside to scale benefits in the medium term.

To sum up, both domestic and consolidated revenue growth along with the underlying India volume growth reached a 13-quarter high amidst the challenging inflationary environment. The international business has also sustained its double-digit constant currency growth momentum. We are on track to achieve double digit consolidated revenue growth for the full year. As a result, we are well positioned to meet our aspiration across most key performance metrics set at the start of the year, alongside our strategic diversification goals in both India and international markets. While input inflation has been higher than expected, this has put some transient pressure on profitability. As far as copra is concerned, it follows an 18-to-24-month cycle and we are nearing the end of the inflationary cycle. Prices are expected to cool down once the flush season resumes from early Q1'FY26. However, the gains will come to us with some lag since we maintain some level of position at current levels as well. That being said, our ability to take pricing in Parachute, ongoing cost management initiatives and the scale up of Foods and digital first businesses in India, as well as MENA and South African businesses enable us to contain the impact.

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We remain committed to achieving top quartile volume growth in the India business and double-digit consolidated revenue growth in the near and medium term, as well as double digit constant currency growth in the international business. One of the things we have managed to do reasonably well, is our ability to anticipate an opportunity or a threat and be ahead of the curve. You will recall, first we called out and addressed the inter-channel conflict in India as early as 2019-20, as well as the GT stress and the need to support the distributor ROIs four to five quarters ago. Recognizing the early signs of stress in GT, we chose to proactively invest and adopt a measured and structural approach to address the issues. It included actions such as segregating facts across channels, implementing a minimum operating price and elevating our strain on our partners by reducing working capital pressure. In addition, Project SETU has extended into 11 states now. We expect the results of initiatives to revive GT growth to reflect in our performance over the coming quarters while the improving consumption trends persist. Secondly, we are one of the very few companies that continue to invest in brand building across input cost cycles given our strategic intent to continually strengthen the long-term equity of our franchises, and accelerate diversification and we have resisted temptation to manage short term margin by cutting A&P in a quarter. Thirdly, we anticipated the threat of D2C brands eating into incumbent players growth as early as 2020 which has happened in some of the developed markets including US. Similarly, we identified the higher growth potential of Foods versus BPC, and we strongly believe that packaged Foods over the next medium-term cycle has a higher runway to growth than some of the BPC categories. We therefore initiated an ambition diversification agenda through aggressive organic and inorganic investments which has been delivering impactful outcomes. We have also exhibited resilience and grip which has led to our ability to tackle this slowdown by largely delivering what we have promised. And finally, our vision of being one of the few legacy FMCG companies across the globe to successfully transform itself into a profitable consumer digital company is progressing reasonably well. This has been made possible by our unique M&A strategy which is a win-win for both of us and the founders, and our ability to learn from them with humility and seed founders' mentality within our leadership in the process over a 3-year period where they earn out.

Last but not least, sustainability remains a top priority and integral to our business operations. Our Sustainability 2.0 framework is yielding positive progress across all key focus areas, we are confident that our dedication to creating shared value for all will drive long term sustainable and differentiated growth. With that, I will now close my comments. Thank you for patiently listening and we'll now take all your questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press '*' and '1' on the touchtone telephone. If you wish to withdraw yourself from the question queue you may press '*' and '2'. Participants are requested to please

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use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. We have the first question from the line of Abneesh Roy from Nuvama. Please go ahead.

Abneesh Roy: Yes, congrats on a good set of numbers. My first question is on Plix and True Elements. If you could tell us in terms of distribution scale up with respect to these two specific products, how much scale up is expected to happen in one year? In True Elements, competitive intensity I think is quite high. There are a lot of similar kind of companies in both legacy and startups as well. Hence, if you could discuss how things are on competitive intensity and in terms of profitability, how are things panning versus internal expectations?

Saugata Gupta: First, let me answer the last question. I think the cash burn in the businesses Plix is all profitable and the burn rate in True Elements is extremely low. Now coming to the growth expectation, one of the things we believe in digital businesses is to have a sustainable profitable growth trajectory. Given a choice between 60% growth, and high cash burn, versus 25%-30% growth and having responsibility towards both capital utilization and managing profitable scale up, we have chosen the latter. Therefore, as long as we deliver that kind of a growth, we would be happy. Now I think as far as GT is concerned, one of our learnings has been that a lot of so called D2C or digital brands end up taking costly displays, beauty advisors, putting in all the 200-300 SKUs and perhaps after some time offtake doesn't happen and they have to take the stock back. We have been doing this in a focused way. For example, in Beardo we learned that you should only do the hero SKUs which are 6 or 7 SKUs. Now, in food obviously the opportunity for GT is far higher. In the case of Plix what we are also doing is that we have got some specific SKUs, such as a smaller ACV pack, and tender coconut concentrate.. We are creating a portfolio for GT, rather than having the same set of products. Furthermore, if you offer significant discounts on e-commerce or your own D2C platform but do not pass them on to GT, where products are sold at MRP, those stocks do not sell. Therefore, we have now realized that you need to have a significantly differentiated portfolio. You also asked about competition in True Elements . I think there is enough opportunity and headroom for growth in the markets. The way we look at it is that between Saffola and True Elements we will occupy different market categories and work together and grow, and there is enough opportunity and TAM in these categories because I think healthy eating or 'better for you' products is something which will actually grow in India. Plix of course has a huge headroom for growth in some of the formats or some of the places where it can move into. So, therefore, we are very excited. We are extremely confident that Plix will hit a 500 crores number very soon. And I think having said that we are not pushing the digital businesses to do obscene 70%-80% growth and do a cash burn. That is something which we don't want to do. We believe in built to last and build to build businesses which are healthy and sustainable over the long term.

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Abneesh Roy: One follow up on Plix regarding achieving 500 crores very soon, will it be in FY26 or 27? And second when you had acquired Plix, it was clearly a very differentiated portfolio and innovative company. Now what are the SKUs or formats which are working and in terms of pricing have you made it more affordable? Because pricing at that time was definitely on the higher side. But with your scale and expansion, and overall ability to price it lower, has the pricing become more affordable for the customer?

Saugata Gupta: I think in GT we are prototyping certain packs which have a lower MRP because we believe that, lower outlay is important. I think in terms of pricing at the end of the day in a nutraceutical product, we are quite okay. We don't want to deep discount it , because that finally dilutes the equity and leads to commoditization of the category. Ultimately, I think AOV, and we have made sure that we make a healthy CM1, these are very important for the sustainability of digital businesses.

Abneesh Roy: Understood. My last question is on the Parachute business. In the context of double digit price hike done by us, have the other listed players who are much smaller in coconut, taken similar pricing? Because I do see them being a bit more aggressive on promotion. Secondly, with regards to the 3% volume growth, I have two sub questions. One is if you could elaborate if the 1% adverse impact on volume will continue in Q4 because of the pack price change. Second in terms of the 3% volume growth is rural 2x of urban in this category for you?

Saugata Gupta: No, I talked about rural being 2X of urban for the FMCG sector, specifically for us it's been more or less in line. Now the second question you asked on the shrinkflation. Yes, it will continue because anniversarization will only happen in Q2-Q3 because Q2-Q3 sometimes in Q2 and Q3 and so that will continue for a couple of quarters. But one of the things that could happen is that as we said that we are perhaps on the end of the inflation cycle and when the deflation comes, we might want to neutralize those inflation, but adding volumes back as and when the opportunities arise between Q2 and Q3 this year.

Abneesh Roy: One follow up Saugata, last one from my side. So, you did say that in FY26 copra could correct. And that's a very fair observation given agri commodities behave like that normally after sharp inflation, sharp deflation can happen. My question here is would you be worried with that? Because one price cut could happen in FY27, say starting FY26in Q2, which means operating deleverage can happen in that part of business. Secondly, are local players also coming back. So, on these two aspects, what will be your thought? I understand currently no one can say how much deflation will happen. But from a theoretical perspective, how would you fight the deflation issue on the operating deleverage issue and the local players coming back, how you will be able to fight those two?

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Saugata Gupta: I think there are two things. One is as you know given the MSPs in copra, the downside is not very high. Okay. Secondly, having withstood multiple cycles, I think we have refined our strategy and we are not particularly concerned about that. I think if I look at the last cycle, we corrected ourselves within one quarter of the volume growth. So, I don't think, as I said that I think after continuing these cycles we will not be in the past yet. I think in 2018 or something, I don't remember two cycles we have made some mistakes in terms of not taking proactive price drops. We also know how not to keep in terms of the stock covers and all that when the deflation occurs. So, I think we are far more refined in managing this. And as you know that in terms of the smaller players broadly, I don't think we have seen significant lack of promo activity even in the inflationary cycle because some of the so-called organized players are also not making money. And you referred to some promotions some people are giving. So, I don't think the behavior has changed during inflation or deflation of some of the branded competition.

Pawan Agrawal: Just to clarify, earlier we were more conservative about copra prices in terms of taking the pricing correction because the dependence on profitability was far higher. Now given the structural levers that we have pulled in the last couple of years where we have improved profitability on various fronts, here we'll be more proactive in terms of passing on the benefits to protect the volume and consumer franchise. And therefore, we are not too worried about if the deflation sets in and sets in rapidly, whether it will impact the volume. So, we are far more confident at this point in time that we would be able to pass on the benefit to the consumers proactively and still deliver decent volume growth.

Saugata Gupta: Actually, just to add to that, I think what we can promise in the next 3 to 5 years, we will not discuss copra pricing in our analyst call.

Abneesh Roy: Sure. I'm done. Thanks a lot.

Saugata Gupta: Thank you Abneesh.

Moderator: Thank you. The next question is from the line of Percy Panthaki from IIFL Securities. Please go ahead.

Percy Panthaki: Hi Saugata. Congrats on a good set of numbers. I just wanted to understand your food business a little better, now that it has gained some kind of scale. So, could you just very roughly break up the total business in terms of percentage contribution of different segments, be it oats, honey or whatever else? And secondly, if you could give some idea on what kind of EBITDA margins this entire food business as a whole is generating and what kind of margins you would target over a 3 to 5 year kind of a period?

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Saugata Gupta: I'll give you a broad macro flavor, Percy. I think if you look at it, obviously the largest is the oats, and the oats at a scale delivered almost near the company average. So, I think as you get scale, we get that. Okay. And as you would recall last year, we improved the gross margin by 800 basis points and we are working towards capability building. Are we there fully? We are not there, but still we are 7 or 8, I mean 7 on 10 today. I think we believe that the crux to it is to crack the GT in Foods and towards that SETU one of the drivers of SETU also is to expand food outlets. Of course, besides getting into chemist,cosmetic and urban. We think that while oats and the good thing is that even in the so-called food slowdown, our core which is oats and masala oats continue to give double digit growth. Which means we have been able to expand penetration. And that's a penetration drive expansion which we are doing. . As the country shifts towards healthier choices, there is a growing demand in India for 'better-for-you' Foods. We believe that whether it's masala oats and a variant which we have launched in masala millets, this will drive the core. As far as the other things are concerned, which we believe can get scale; I think honey and soya have got potential for scale. In honey, we have done very well in OT. We need to do a better job in distribution. As I said that once we get the SETU initiative right over the next 6-9 months, we will get the next level of growth in food.. We see significant opportunities in both muesli and snacking. Snacking, in particular, is a major category where we are actively prototyping, and muesli, which we have also been testing, is performing well. So, these are the way to look at it we are making good profit. FoodsFoodsWhen it comes to food, I believe in scaling growth by focusing on 3-4 major categories rather than spreading efforts thin across 8 smaller ones. The moment we scale 3-4 things to ₹300-400 crores each, we will achieve our EBITDA targets. And the other thing about this is , while Foods make slightly lower margin compared to our personal care or ParachuteParachute ; it makes much better margin than Saffola. So, if I look at it in another 2-3 years it will be 50-50 and then Foods will dominate Saffola. FoodsSecondly, our goal is to ensure that the blended gross margin of our new portfolio—including digital, premium personal care, and Foods—remains higher than that of our core business. This serves as a key metric for us

Pawan Agrawal: And just to answer your question to the breakup; in our own portfolio, oats continue to be the largest part and we believe it will continue to remain larger at least for the next 1 or 2 years because the penetration is still low and there's significant room for growth. And we've been continuously delivering double digit growth in oats. Then it is followed by True Elements, Plix and then honey and soya is scaling up fast.

Percy Panthaki: Understood. And Saugata, when you said that the Foods portfolio is having a better margin than the Saffola portfolio, two sub questions within that, did you mean that at current level or do you mean once it scales up over a few years?

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Saugata Gupta: At current level, Saffola.

Percy Panthaki: Did you mean it at a gross margin level or at a EBITDA margin level?

Pawan Agrawal: Let me just clarify. First, at a gross margin level, my Foods portfolio is definitely far higher as compared to edible oil portfolio. As and when we get scale, as Saugata mentioned, for example masala oats, it is now making almost company level operating margin. So, overall Foods operating margin will also be better than edible oil operating margin. But as we keep getting scale, it will only get better and better.

Percy Panthaki: Understood. Secondly, just wanted to understand the interplay between your input cost, inflation and pricing. So, just sort of trying to wrap my head around or trying to work my own estimates for FY26. So, supposing if there is some amount of deflation in copra and you have to drop your price, that will affect the sales negatively but it should affect the margins positively and vice versa. So, if there is still an inflation, maybe your top line will continue to be good and the margins might be under pressure. But in either of these two cases, are you confident of delivering double digit EBITDA growth YOY?

Pawan Agrawal: You have rightly mentioned Percy, that there are multiple or numerous dynamics at play. So, it is very difficult at this stage to share a margin percentage. But still we will aim to hold the margin steady while we will focus on delivering double digit revenue growth backed up by top quartile volume growth, and deliver healthy profit growth. Now as the year progresses and probably, let's say when we come up after the Q4 earnings call, we'll be in a better position to give you a better guidance for FY26. But we are definitely committed for double digit revenue growth which will have a good volume growth and a healthy profit growth.

Percy Panthaki: Okay, that's very helpful. Thank you very much.

Moderator: Thank you. The next question is from the line of Avi from Macquarie. Please go ahead.

Avi Mehta: Hi team. I just wanted to clarify on this, on the food's profitability bit. So, at the EBITDA level, the existing Foods plus premium portfolio, which is 21% of our business should be equal to company average right now or slightly less? I'm sorry, I just wanted to kind of understand that. Where do we see it in FY27 or how do we see kind of progressing towards FY27?

Pawan Agrawal: So, currently at a weighted average level, what Saugata mentioned is that we try and manage that the weighted average gross margin portfolio, the weighted average gross margin of the Foods plus digital portfolio has to be higher than the company gross margin. So, that's one, that

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we definitely ensure. As far as Foods margin is concerned, masala oats has definitely reached EBITDA of company. However, if you look at smaller Foods such as honey, soya, etc., currently these are in buildup stage. As and when they reach about ₹150 to ₹200 crores, they'll start making very healthy margins. So, that is what it is.

Saugata Gupta: And the digital will hit again double digits. Over the next 3 to 5 years the aim is to merge with the company margin.

Pawan Agrawal: Just to give you color on the digital business EBITDA, it has now moved to a very-very low burn, all digital business put together. It will be low single digit. In fact, Beardo is likely to deliver double digit EBITDA growth. And next year as a total digital business as a cohort we definitely believe that we'll move to positive EBITDA margin. And in FY27 we would strive for delivering double digit EBITDA margins.

Avi Mehta: Okay, perfectly clear. Thanks a lot for this and sorry, a short-term question. Just this transient profitability impact from higher copra and veg oils, what would it mean for us as we see this year's margins or does it mean like 70 to 90 basis points contraction, EBITDA or even higher? Is there a number that you could share?

Pawan Agrawal: See while were hoping to deliver 20.5% margin for the full year, but there has been higher than anticipated cost push in copra and we have not passed on the entire hit to the consumers to protect the consumer franchise, volume and prioritize market share gains. And as you know during these times, we lap up market share gains. Additionally, the top line growth also has been higher. We have moved to mid-teens and hopefully we will be targeting high teens growth in coming quarter. So, which mathematically also impacts the gross margin due to Denominator effect. So, as a result, and mix of all this, we believe we should be able to hold about 20% operating margin for the year.

Avi Mehta: Perfectly clear. Thanks a lot for this. That's all from my side.

Saugata Gupta: Thank you.

Moderator: Thank you. The next question is from the line of Arnab Mitra from Goldman Sachs. Please go ahead.

Arnab Mitra: Hi, Saugata and Pawan. Congratulations on a good performance in this tough environment. My first question was on Foods and personal digital-first brands. Correct me if I'm wrong, but it seems Plix has been a big positive surprise on both sides. So, on the Foods part, my question was is it still very ACV driven or how has been the progress in diversifying the portfolio outside ACV, which was I think the original thought also that the company had? And on the personal care side, that space seems extremely crowded, serums and that space. So, how is Plix managing to grow there? Is it at a big loss? Any separate lstrategythat is working for you?

Saugata Gupta: I think two things which are differentiated for Plix. If you look at it, Plix is essentially far more a D2C driven brand. Therefore, given the higher AOVs, it's reasonably profitable and has low cash burn. Now the diversification from ACV has started and obviously, as you know that in any nutraceutical brand you have five platforms which is basically weight management, heart care, diabetes, gut health, bone health and sleep. We have gone into one or two of these platforms and we will obviously go into others as there is a diversification agenda. Having said that, I think it's very important to have a hero product and get scale on a hero product because that drives profitability. What we are going to do also, as I said, unlike some of the other companies, we are going to only take few SKUs and go into GT and we are actually experiencing a reasonably successful GT model. As Plix is concerned, it is very early days. Now coming to personal care, I think one as I said, is the business model, which is different. We do much more. The second thing is, if you look at it, it is all about hair and skin food. So, Plix positions its personal care as hair and skin food as opposed to a basic beauty product. Therefore, there is a distinctive positioning as far as Plix is concerned. I think the advantage that digital brands have due to strategic partnership with Marico is the access to our supply chain capabilities, deep R&D which adds to the product development and improvement in cost structure, which will not be otherwise accessible to a standalone founder brand.

Arnab Mitra: Just one follow up Saugata on this was when you look at FY26 further scaling up mix, would online and ACV itself have a lot of headroom for growth or would you need the new platforms to scale in GT to grow towards maybe 30%-40% or whatever you will do in FY25?

Saugata Gupta: No, it will be a mixture of both, but I think there's enough opportunity as I have mentioned earlier.I look at it in India the biggest consumer need is looking good, staying healthy and young, and I think Plix participates in both of them and therefore there's extreme tailwind and I think there's significant capability. I think if we look at it, I believe that in terms of innovation, in terms of high velocity innovation and digital marketing capability, Plix will be best in class, one of the best-in-class India and even globally. The other thing we have started in Plix is that we have started the international business, and we are starting to sell in Middle-east and US, and it's tracking well.

Arnab Mitra: Got it. My second and last question was on VAHO where you mentioned slight sequential improvement, though the YOY number is still negative. But your confidence on this is

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improving further, is it largely because of the base effect that you have a decline now or are you actually seeing some traction in the initiatives you've taken? Have you done above the line and other initiatives here? Any sense of how you think the recovery happens here in terms of the confidence on your side?

Saugata Gupta: Arnab, it's a combination of both. And if you look at it, I think last time we were very embarrassed about reporting a -8% and we said that is it. I mean we can't move beyond that in terms of decline. I think we have moved up. I think what we have done is two things. One is, the part of the business where there is unreasonable competition we said that let's not try to keep on doing BTL. We don't believe in BTL driving growth. We believe in ASP driving growth because we believe brand equity drives growth and we are doing it independent of competitive action. And therefore, we have started investing behind mid and the premium part of the business. And therefore, as you said that business grew 2%-3%. We will continue to invest because otherwise what happens is if I just track SOV and be very happy that I maintained SOV by reducing 40% ad spend. We are doing harm, long-term harm to the category which I don't want to do as a market leader.

Arnab Mitra: Got it. Thanks. That's it from my side. All the best.

Pawan Agrawal: Thank you.

Moderator: Thank you. Ladies and gentlemen, to ask a question you may please press '*' and '1'. The next question is from the line of Kartik Chelappa from Indus Capital Advisors Hong Kong Limited. Please go ahead.

Kartik Chelappa: Thank you for the opportunity. Sir, I have two questions. The first one is on channel. You have commented in your information updates that modern trade and e-commerce, including quick commerce have been growing at high double digit volume growth. Could you give us some context or perspective on what those volumes growths are and how divergent they are between the two channels?

Saugata Gupta: I think quick commerce obviously is the biggest driver of growth and what we have realized that we need to have a differentiated portfolio in quick commerce and interestingly even some of the digital brands are also doing well in quick commerce. Now coming to modern trade there. yes, there has been a little bit of a slowdown in modern trade. Having said that, I think we are still growing in double digit in both marketplace e-commerce and modern trade. The growth in quick commerce is being 50%+

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Kartik Chelappa: Got it. And over how many quarters do you think your GT growth will start to catch up with your company average growth at the domestic level? Because right now it's flattish and you are implementing a lot more initiatives. But once that starts to bear fruit, how many quarters in your estimate will it take for the growth to converge with the company average?

Saugata Gupta: I think if you ask me, over the next 3-4 years, obviously OT is going to grow higher than GT. I think what we are trying to do is to get GT back on track and also get the GT what I call the infrastructure stability which is basically ensuring that our partners' ROI, one of the interesting things about the inflation is that if you are delivering double digit revenue growth, it is actually positively improving the ROI of our partners because we had faced deflation in the last 2 years. Hence, I would say that in GT, we are expecting growth to marginally improve. Whether GT growth across these channels will converging, that is unlikely to happen, but that is the case for all the entire sector. Having said that, I think if we can crack premium personal care, chemist and beauty outlets and also food, we will have an accelerated growth especially in GT Urban . SETU should deliver a higher growth in GT rural along with this. And the last thing is that which is a different is with digital brands, over the next two years, we should be able to achieve a reasonable amount of growth in GT. However, as mentioned earlier, we do not intend to be overly ambitious in this segment. We believe that success requires doubling down and specializing in one or two key channels.

Kartik Chelappa: Got it. Last question from myself sir. As far as VAHO is concerned, although it's declining in 2% in value terms. Is there any geographical disparity in that growth? Are there certain geographies which have started showing positive growth and if so, which ones would they be?

Saugata Gupta: See it's mostly on Shanti and rural. As I said that we are facing unreasonable competition with disproportionately unsustainable BTL, which we don't want to compete with because we believe in long term equity building and in terms of ATL works far more better in long term equity creation than BTL.

Kartik Chelappa: Got it. Okay. Thank you very much for this sir and wish you and the team all the very best in the following quarter.

Saugata Gupta: Thank you so much.

Moderator: Thank you. The next question is from the line of Bhavdeep Vora from Franklin Templeton. Before you go ahead with your question, I'd like to remind participants that they may press '*' and '1' if they wish to ask questions. Please go ahead Bhavdeep.

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Bhavdeep Vora: Thank you. Thanks for the opportunity. My question was on the different channels if you could describe the salience of different channels. Could you provide insights into the profitability and working capital intensity across different channels—GT, MT, and e-commerce—in the domestic India business?

Pawan Agrawal: Basically, alternate channels contribute about 30%. Then there is a CSD which is for the defence personnel that is about 6% to 7%, and balance is GT. Now we haven't really gone public with respect to channel wise profitability. But yes, the profitability in GT is better than alternate channels. Having said that, we have taken a lot of measures to improve profitability on alternate channels. That is not very significantly different from GT. Now in terms of working capital intensity of course the receivables etc. is higher for GT channel and that is why you would have seen that debtor days would have slightly increased. But over there also we are having a very tight control and we believe that this will remain at this level where we have reported.

Saugata Gupta: Just wanted to add that we believe that the role of alternate channels is to drive premiumization, upsizing and diversification. And therefore, one of the things we have been doing is that clearly identifying, one is having different packs, especially in our core like Parachute, and also identifying GT advantage SKUs and MT-OT advantage SKUs.

Bhavdeep Vora: Okay, thanks. The second question was on Bangladesh. We have seen an acceleration in the constant currency revenue growth. So, if you could comment on what's really happening in that market and how do you see kind of the next financial year in terms of the expectations for revenue growth and profitability?

Saugata Gupta: Just to give you a perspective, I think as we have mentioned it is on a slightly lower base because last year Quarter 3 was soft. But the way to look at it is that we should be hitting a double-digit constant currency growth. This year also and next year also will aspire to deliver a double-digit constant currency growth.

Bhavdeep Vora: Okay, thanks. That's it from my side. Thank you. All the best.

Moderator: Thank you. The next question is from the line of Sheela Rathi from Morgan Stanley. Please go ahead.

Sheela Rathi: Thanks for taking my question. Saugata, my first question was on VAHO portfolio. I mean you gave very detailed explanation on how we are shaping up the food business and what are the trends. But with respect to VAHO portfolio and the competitive landscape seems to be very challenging for last many quarters or so. Is there a reset or a rethinking around rebuilding a

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portfolio here or is there any other, any part of the portfolio which we can modify? Do you bring back the growth trends in this particular portfolio?

Saugata Gupta: Okay, so I will give you a broad construct. We initiated the reset last quarter, but this process takes at least a couple of quarters to complete. We have said that ultimately, we will do a reallocation of resources towards investing in the mid and the premium part of the portfolio, we are not `looking to engage in intense competition at the bottom of the pyramid by over-investing in BTL, as this approach often leads to unsustainable and unprofitable growth. As an organization, we don't want unprofitable and unsustainable growth because otherwise, we could be expanding into categories like rice, pulses and others, which we do not intend to pursue in our Foods segment. Instead, our focus remains on value-added Foods. This reset process takes three to four quarters. As a market leader, if we do not invest in category growth, the category itself will not do well. That being said, VAHO is performing similarly to other BPC categories, with all BPC segments growing in low single digits. This negative value was coming because of the commoditization of the category which happened in the bottom of the pyramid which we don't want to do and that is the reset. Now that reset takes time, but By FY25-26, we expect this transition to result in higher value growth, increased value share, and a continued focus on long-term growth. We also recognize the need to invest in addressing hair fall and other consumer concerns. By that time, we anticipate an improvement in the overall consumption environment. When consumption weakens, consumers tend to downgrade or titrate spending, which further fuels the bottom-of-the-pyramid consumption trend.

Sheela Rathi: Understood. So, what I understand is we will see more innovations coming here and we will focus less on the bottom of the pyramid. But today what would be the share of that?

Saugata Gupta: I would not say focus less. I will not play on BTL. BTL can't be a driver of a growth of an FMCG company.

Sheela Rathi: And what would be the share of bottom of pyramid for us?

Saugata Gupta: No, we don't want to get into details, but it is obviously for Nihar Shanti Amla, the Rs. 10 and Rs. 20 pack is significant.

Sheela Rathi: If we look back say 3 years ago the share has been coming down. Is that a right way to look at it?

Saugata Gupta: Yes, but what we want to do is we want to bring down the share much more rapidly.

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Sheela Rathi: Understood. 2026 is when we can see more trends emerging clearly on the VAHO portfolio.

Saugata Gupta: Yes, having said that it will take time, in terms of a reset requirement because we are doing it the hard way. We are not going tactically to the wholesaler on the 30th of the month and selling. We are doing it in the hard way which is building brand equity, investing behind it will take a couple of quarters but we are confident this is the best way to do it.

Pawan Agrawal: That is one of the reasons our value share gain has been higher as compared to volume share gain in VAHO.

Sheela Rathi: Understood. And my second and final question is with respect to the food's portfolio, you clearly called out oats is a large part in Saffola. In terms of the other parts of the portfolio, how is the competitive intensity for us? Because a lot of players like you also said in your opening remarks that we started our food journey very early as an opportunity. So, how is the competitive landscape for us now? Because everyone wants to do food at this point of time.

Saugata Gupta: I would like to highlight two things. One is what is important is we have a very strong brand called Saffola, and I think that in terms of the equity of the brand in expanding into 'better for you' opportunities in India, Saffola brand carries far more equity and pull. The second part of the thing is that if you look at Foods, a lot of categories are extremely low penetration compared to some of the personal care categories where penetration is almost saturated in India. Therefore, even if 3 or 4 players participate, it is okay because that grows the category. And I believe that the runway for Foods in India, especially for a healthy food brand like Saffola, I think is a 5-year, 10-year runway. So, we are not, I think if we go into the commoditization route and discounting route is something which I think will not give us growth. Having said that, I think as I said that one of the challenges we are facing and we must solve for it is how to create and drive expansion of distribution in what I call food specific outlets. For example, in the south there are a lot of these bakeries. In Mumbai you have these dry fruit stores. So, these are the kind of outlets we need to now increase saliency. And that is something which we should tackle in the next one year.

Sheela Rathi: One Follow up here, Saugata. Fair to say that these categories are still the e-comm categories and not yet seen salience in GT per se, MT maybe there could be some pickup. But with respect to GT are you seeing trends where these category products are available?

Saugata Gupta: Absolutely. I think if you look at oats and masala oats, a significant portion comes from GT while we don't participate, at least 60% of muesli comes from GT. Therefore, in GT, it is definitely a big category. Just that we have to set up the distribution - standalone modern trade

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is something which has a very-very high throughput for food, there are a lot of high throughput GT outlets on food. We are present, but we need to do a better job and we will do it. And if you ask me in Foods, if you look at some of the successful brands, look at Epigamia, look at ID, look at other successful brands or even founder driven brands or insurgent brands. They have been successful because they've gone into GT. So, in personal care, I can still say you can create a ₹500 crore brand using digital. Food, there is no way without getting into GT.

Sheela Rathi: Understood, very clear. Thank you very much Saugata.

Moderator: Thank you. Ladies and gentlemen, to ask a question you may please press '*' and '1' on your touchtone telephones. Participants who wish to ask questions may press '*' and '1' at this time. As we have no further questions, I would now like to hand the conference over to the management for closing comments. Over to you sir.

Pawan Agrawal: Thanks for listening on the call. To conclude, we have remained steadfast in pursuing our strategic objectives, set out at the beginning of the year both in India and international markets amidst the evolving demand and macroeconomic environment. Sustained investment towards the accelerated scale up of our Foods and premium personal care portfolio in India and ramp up in MENA and South Africa and international is resulting in a visible shift in the revenue construct of the business. And we have also established an improving trend in profitability of these portfolio. While we are contending with a steeper inflationary commodity cycle than envisaged, which will have some transient impact in the near term, we will judiciously leverage the pricing power of our brands and stay the course on our stated aspirations.

So, that is it from our side. If you have any further queries, please feel free to reach out to our IR team and they'll be happy to address. Thank you and have a great evening.

Moderator: Thank you. On behalf of Marico Limited, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.

(This document has been edited to improve readability)

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