Marico Limited – Q1FY23 Results

Consolidated Revenue up 1%
Domestic Business subdued by unabated inflation and muted demand
International business maintains robust momentum ; Delivers 18% CCG
Sequential Gross margin expansion continues
EBITDA margin up 159 bps YoY; EBITDA up 10%

In Q1FY23, Revenue from Operations grew by 1% YoY to ₹2,558 crores.

In India, the FMCG sector witnessed volume decline in Q1FY23 for the third quarter in a row and value growth continued to be price-led. Domestic volumes declined by 6% yoy, dragged by a double-digit decline in Saffola Oils. Ex-Saffola Oils, domestic volume growth was 1%. The inherent strength of our brands, focused execution and brand building investments translated into 96% of the portfolio gaining market share and 93% of the portfolio sustaining penetration, both on a MAT basis.

The International business sustained its strong momentum of predictable and profitable growth. The business delivered 18% constant currency growth in the quarter with each market contributing handsomely.

Gross margin expanded 401 bps YoY, attributable mainly to benign copra prices and favorable mix impact. A&P spends grew 14% on a year-on-year basis, as the Company maintained investments towards strategic brand building of core and new franchises. EBITDA margin stood at 20.6%, up 159 bps YoY, and EBITDA was up 10% YoY. PAT was up 4% YoY, due to higher effective tax rate (ETR) after the expiration of fiscal benefits in one of the manufacturing units.

Domestic Business

Marico's India Business delivered a turnover of ₹ 1,921 crore, down 4% on a YoY basis.

Parachute Rigids was down 2% in volume terms owing to soft consumption trends and much slower conversion from loose to branded given the soft copra price environment. The brand gained 90 bps in volume MS and 170 bps in value MS, thereby further strengthening its hold in the branded coconut oil category.

Value Added Hair Oils posted value growth of 5% and flattish volumes year-on year despite weak consumption sentiment, especially in rural. The Company countered higher input costs through a mix of price hikes and pack size reductions. The franchise gained 60 bps in value MS on MAT basis.

The **Saffola franchise**, comprising Refined Edible Oils and Foods, declined by 13% in value terms.

Saffola Edible Oils declined sharply given high in-home consumption in the base, visible downgrading from super premium to mass segments and a volume drop in the ROCP category. The brand chose to maintain threshold margins over higher volumes in the face of unprecedented raw material inflation, muted trade sentiment, supply chain issues and the undesirable effect of price hikes on the absolute outlay for the consumer. In addition, stock limits imposed on retailers and lower CSD billing due to lag in effecting price changes played a part during this quarter.

Foods had a slow quarter due to the high in-home consumption base in Oats and sharp decline in immunity-led categories like honey, among others. **Saffola Oats maintained its strong leadership position in the Oats category with 420 bps value MS gain on MAT basis**. Peanut Butter and Mayonnaise had an encouraging start.

Premium Personal Care and Digital-first portfolios clocked high double-digit growths. Digital first brands, Beardo and Just Herbs, are scaling up in line with expectations.

International Business

The International business delivered a turnover of ₹ 637 crore with constant currency growth of 18%.

Bangladesh clocked 10% constant currency growth. The newer portfolios of Baby Care and Shampoos continued to ramp up, thereby supporting steady growth in the core franchises. South East Asia grew 34% in constant currency terms, led by strong resurgence in the HPC category in Vietnam. MENA and South Africa grew 27% and 23% in constant currency terms.

Outlook

Near Term

In the near term, we expect volume growth to be in the positive zone from Q2 under current demand conditions. We hope to accelerate volume growth to our medium term target levels in H2, provided inflation cools off and eases pressure on demand.

The **International business** has 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 the double-digit growth momentum** in the coming quarters.

Taking into account the quarterly gyrations of all cost line items, we would aim to deliver 18-19% EBITDA margin in FY23.

Medium Term

The Company holds its medium term aspiration of delivering 13-15% revenue growth on the back of 8-10% domestic volume growth and double-digit constant currency growth in the International business. The Company will aim to maintain operating margin above the threshold of 19% over the medium term.

Saugata Gupta, MD & CEO commented, *"The year began on a mixed note with the domestic business contending with persistent inflation and resultant weak demand conditions, while the international businesses posted a robust all-round performance. In India, despite the strong headwinds, we have continued to record market share and penetration gains, and deliver operating margin expansion. We expect volume trends to improve once inflation pressures ease. We are confident of maintaining the strong momentum in international markets as we single-mindedly focus on strengthening the fundamentals across each of our businesses. We will continue to weather transient headwinds with resilience and prioritize sustainable and profitable growth over the medium term."*

Marico Limited, Regd. Off: 7th Floor Grande Palladium, 175, CST Road, Kalina, Santacruz (E), Mumbai 400 098, India.
Tel: (91-22) 66480480 | Website: www.marico.com | Email: investor@marico.com