Marico Limited – Q1FY25 Results

Consolidated Revenue grew 7%
Domestic Volume Growth moves up to 4%
Foods and Digital-first portfolios sustain accelerated scale up
International business delivers broad-based 10% CCG
EBITDA up 9% YoY; PAT up 12% YoY on like-to-like basis

In Q1FY25, Revenue from Operations was at ₹2,643 crore, up 7% YoY, with underlying volume growth of 4% in the domestic business and constant currency growth of 10% in the international business.

During the quarter, **overall FMCG volume trends in India continued to exhibit gradual improvement on a 2-year CAGR basis**, with the trajectory in rural bearing more promise, while urban was stable. Both HPC and Foods witnessed an uptick, although the pickup over the last 6 months has been more pronounced in the former. Premium segments continued to outpace mass segments, while alternate channels gained salience vis-à-vis General Trade (GT).

Domestic revenue was ₹1,962 crore, up 7% YoY, as volume growth was supplemented by price hikes in the Coconut Oil portfolio, which more than offset the residual base impact of pricing cuts in the Saffola Oils portfolio. **Offtakes remained healthy across key portfolios with more than 90% of the business either gaining or sustaining market share and penetration, both on a MAT basis.**

Q1FY25 marked the execution of Phase 1 of Project SETU in six states representing a mix of stronghold and opportunity markets. The initial results have been very promising with direct coverage expansion in urban and rural markets. During FY25, we will scale up Phase 1 markets as well as expand into more states.

The International business sustained its double-digit constant currency growth momentum with each of the key markets delivering broad based growth.

Gross margin expanded by 230 bps YoY. A&P spends was up 13% YoY. **EBITDA margin stood at 23.7%, up 50 bps YoY and EBITDA grew by 9%. PAT (excluding one-offs) was up 12%**, due to lower Effective Tax Rate (ETR) in the quarter and also after excluding the one-off gain on sale of fixed assets (classified under 'Other Income') in the base quarter. Reported PAT growth was at 9%. ETR is expected to be at 22.5% in FY25.

Domestic Business

Parachute Rigids registered 2% volume growth. Volume offtakes grew 8% during the quarter. The brand asserted its stronghold in the category with ~100 bps gain in market share during the quarter. The volume market share of the composite Coconut oil portfolio reached highest-ever levels at ~64% on MAT basis.

Value-Added Hair Oils declined 5% in value terms amidst persistent sluggishness and competitive headwinds in the bottom of the pyramid segment. Mid and premium segments of franchise continued to fare relatively better. The value market share of the franchise was up ~60 bps during the quarter and consolidated at 27% on MAT basis.

Saffola Edible Oils delivered mid-single digit volume growth as input and consumer pricing remained stable.

Foods posted robust 37% value growth YoY. Saffola Oats delivered 20%+ growth, while the relatively newer franchises also scaled up on expected lines. True Elements and Plix maintained their accelerated growth momentum.

Premium Personal Care sustained its strong growth trajectory during the quarter, led by the Digital-first portfolio. Beardo continued to scale well and is on course to deliver improved profitability in line with expectations. Just Herbs and the Personal Care portfolio of Plix continued to gain traction.

Marico has been awarded as one of the Top Companies for 2024, by LinkedIn.

Marico's Guwahati Operations has received the prestigious 'IMC RBNQA Milestone Merit Award' in the Manufacturing, Operations, and Workforce categories by IMC RBNQA.

Marico's Pondicherry Operations was honoured with the prestigious 'IMC Ramkrishna Bajaj National Quality Award' in the manufacturing category by IMC RBNQA.

Marico has been recognised as the 'Advertiser of the Year' award at the 10th edition of the e4m Prime Time Awards.

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Earlier this month, the Company announced that it will collaborate with renowned dermatological solutions provider, Kaya Limited, to advance its play in science-backed personal care. Under this arrangement, the Company will have exclusive rights to scale up Kaya's range of efficacy-based personal care products outside of its clinics. This key strategic initiative presents a ₹100 cr. revenue opportunity over the next 4-5 years and will add another growth lever to Marico's Premium Personal Care led Digital Business.

International Business

Bangladesh registered 10% CCG (constant currency growth) as the business stayed resilient and sustained its momentum. **South-East Asia was flat in CC terms**, as the recovery in HPC demand in Vietnam was offset by a weak quarter in Myanmar. **MENA delivered 20% CCG** with both the Gulf region and Egypt faring well. **South Africa registered 28% CCG** driven by the ethnic hair care segment. **NCD and Exports posted 14% growth**.

Outlook

Amidst the backdrop of improving macro-indicators, **we expect a gradual uptick in the growth of our core categories in the domestic business** through the ongoing initiatives to enhance the profitability of our General Trade (GT) channel partners and transformative expansion in our direct reach footprint under Project SETU.

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 20-25%+ CAGR to 2x of FY24 revenues in FY27. **The Digital-first portfolio is expected to exit FY25 at an ARR of ₹550-600 cr. and scale to 2x of FY24 ARR in FY27**. Consequently, we expect the domestic revenue share of the Foods and Premium Personal Care portfolios to expand to ~25% by FY27.

After the structural GM expansion of ~800 bps in FY24, we expect a gradual improvement in gross and operating margins of the Foods portfolio as we scale over the medium term. We are on course to deliver double-digit EBITDA margin in Beardo this 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 grown from strength to strength in the face of transient macroeconomic and currency devaluation headwinds in select regions. While Bangladesh and Vietnam have led from the front, 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. We will aim to maintain the double-digit constant currency growth momentum over the medium term.

We expect consolidated revenue growth to trend upwards during the course of the year, on the back of an improving trajectory in domestic volume growth, a favorable pricing cycle in key domestic portfolios and healthy growth momentum in the International business. We will continue to drive steady progress towards our key strategic objectives and aim to deliver revenue-led earnings growth in FY25.

Saugata Gupta, MD & CEO, commented, *"The new fiscal has started on a promising note for both the domestic and international businesses with revenue growth visibly turning a corner. We expect to sustain the improving trajectory in the core domestic business on the back of consistent market share and penetration gains coupled with the ongoing initiatives to revive growth in traditional trade and expand direct reach under Project SETU. We will also maintain steadfast focus on the profitable scale up of the Foods and Digital-first brands. The international business has been veritably consistent over the last few years and is expected to maintain its double-digit constant currency growth momentum. We will aim to deliver on each of the key performance parameters and drive healthy revenue-led earnings growth in the near and medium term."*

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