Marico Limited – Q2FY25 Results

Consolidated Revenue up 8% YoY
Domestic Volume Growth rises sequentially to 5%
Parachute logs double-digit revenue growth
Foods and Digital-first portfolios scale to new highs
Robust International business delivers 13% CCG
PAT up 10% YoY on like-to-like basis

In Q2FY25, Revenue from Operations was at ₹2,664 crore, up 8% YoY, with underlying volume growth of 5% in the domestic business and constant currency growth of 13% in the international business.

During the quarter, we witnessed stable demand trends in India with rural growing at 2x the pace of urban on a year- on-year basis. Pricing growth for the sector turned positive on a YoY basis as brands effected price increases in response to rising commodity prices.

The domestic business maintained its improving volume growth trajectory on the back of healthy trends across most of the core and new franchises. Offtakes remained strong as more than 80% of the business either gained or sustained market share and penetration both on a MAT basis. **Domestic revenue was ₹1,979 crore, up 8% YoY**, as volume growth was supplemented by price hikes in the Coconut Oil portfolio and favorable reversal in the pricing cycle in Saffola Oils. Alternate channels continued to gain salience vis-à-vis General Trade.

After the successful initiation in the preceding quarter, Project SETU was extended to 4 more states, taking the tally to 10 states. The execution at the state level has progressed as planned, supported by robust governance mechanisms to ensure sustainable outlet expansion.

The International business exhibited persistent strength across all key markets, underpinned by strong fundamentals and enduring growth potential.

Gross margin expanded by 30 bps YoY, as the impact of higher input costs in the core portfolios of the domestic business was more than offset by healthy margin improvements in the digital-first franchises in India and international businesses. A&P spends was up 8% YoY, as the Company sustained investments towards strategic brand building. EBITDA margin stood at 19.6%, down 50 bps YoY and EBITDA grew by 5% YoY. Reported PAT was up 20% due to one-off gains, on the sale of fixed assets and favorable settlement of a past litigative claim (both classified under 'Other Income'), amounting to ₹42 cr. PAT (excluding one-offs) was up 10%.

Domestic Business

Parachute Rigids registered 4% volume growth. Volume offtakes grew in high single digits, resulting in ~120 bps gain in market share on MAT basis. The brand recorded 10% revenue growth, aided by pricing interventions made at the start of the year.

Value-Added Hair Oils declined 8% YoY in value terms amidst persistent sluggishness and competitive headwinds in the bottom of the pyramid segment. The franchise gained ~110 bps in value market share during the quarter, as mid and premium segments of the franchise fared relatively better. The growth trajectory of the franchise has bottomed out and we expect gradually improving trends ahead.

Saffola Edible Oils delivered flattish volumes, while revenues grew 2% YoY after the pricing cycle for the brand turned slightly favorable after 8 quarters.

Foods posted robust 28% value growth YoY and crossed ₹1,000 cr. in ARR in Q2. Saffola Oats delivered mid teen growth, while the relatively newer franchises fared healthily. We launched **Saffola Masala Millets** during the quarter. True Elements and the plant-based nutrition portfolio of Plix maintained their accelerated growth momentum.

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Premium Personal Care continued its strong run during the quarter, led by the Digital-first portfolio. The Digital-first brands crossed 525 cr. in ARR in Q2. Beardo continued to scale ahead of expectations and is on course to deliver double-digit EBITDA margin this year. Just Herbs and the personal care portfolio of Plix continued to gain traction.

The composite revenue share of Foods and Premium Personal Care (including Digital-first brands) in the domestic business moved up to ~21% in H1.

International Business

Bangladesh registered 8% CCG (constant currency growth) as the business stayed resilient amidst challenges in the operating environment, which progressively subsided in the latter half of the quarter. The fundamentals and medium-term growth construct of the business remain intact. Vietnam grew 7% in cc terms on the back of a recovery in demand in HPC categories. MENA delivered 43% CCG with strong performance in the Gulf region and Egypt. South Africa registered 20% CCG with both the Hair Care and Health Care franchises faring well. NCD and Exports posted 20% growth.

Outlook

The encouraging demand trends in the first half of the year holds promise of an improving trajectory in the second half. 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 direct reach expansion 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 ~₹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 headwinds in select regions. We aim to maintain the double-digit constant currency growth momentum over the medium term.

Consolidated revenue growth is likely to move into double digits in the second half of the year. Operating margin in the first half has been in line with the corresponding period of the preceding year. In view of the higher-than anticipated degree of inflation in copra prices and sharp import duty hike in vegetable oils, the Company will focus on its stated revenue growth aspiration while remaining watchful on the margin front during the second half of the year.

Saugata Gupta, MD & CEO, commented, *"We closed the first half of the fiscal on a fairly positive note with the growth trajectory of the business heading in the right direction. We have delivered healthy volume-led revenue growth in the domestic business buoyed by sustained market share and penetration gains across core portfolios. Foods and Digital-first brands continued to ramp up impressively and reinforce the diversification agenda. The international business has exhibited remarkable strength despite challenging operating conditions in select markets. We will take calibrated pricing actions in response to the rising trend in input costs, while focusing on achieving our stated growth aspirations for the year."*

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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