

Marico Limited – Q3FY24 Results

*Resilient domestic business in a soft consumption environment
New businesses contribute 20% of domestic revenues in Q3
Digital-first portfolio clocks exit ARR of ₹ 400 crore+
International business holds steady amid transient headwinds
EBITDA up 13% YoY; PAT up 17% YoY
Poised to deliver highest-ever operating margin in FY24*

In Q3FY24, Revenue from Operations was at ₹2,422 crore, down 2% YoY, with underlying volume growth of 2% in the domestic business and constant currency growth of 6% in the International business.

During the quarter, **demand trends were stable with no visible improvement from the preceding quarter.** Rural demand remained soft, while urban demand steadied its moderate growth trajectory. Within the sector, mass home and personal care categories aligned closely with the rural demand trajectory, while packaged foods led the sector owing to higher urban salience and penetration-led growth. Among channels, General Trade continued to drag as it grappled with liquidity and profitability constraints, while alternate channels grew healthily. In response to the extended GT channel slowdown, the Company took measures during the end of Q3 to alleviate ROI challenges faced by channel partners.

The India business posted volume growth of 2%, which dipped sequentially primarily due to a stock reduction undertaken across key portfolios as a part of the aforesaid initiatives to support our GT channel partners. Offtakes remained healthy across key portfolios with 75%+ of the business either gaining or sustaining market share and penetration levels.

The **International business delivered mid-single digit constant currency growth** dragged by transient macroeconomic headwinds in Bangladesh, while other regions delivered a resilient performance.

Gross margin expanded by 634 bps YoY, ahead of expectations, owing to softer input costs and favourable portfolio mix. **A&P spends was up 12% YoY, up 125 bps as a % of sales.** **EBITDA margin stood at 21.2%, up 272 bps YoY.** **EBITDA grew by 13% and PAT was up 17% on a YoY basis.**

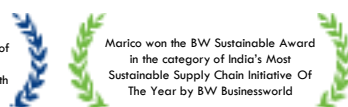
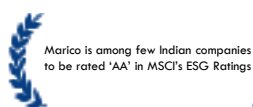
Domestic Business

The India business delivered a turnover of ₹ 1,793 crore, down 3% on a YoY basis.

Parachute Rigids registered 3% volume growth with loose to branded conversion picking up some pace. **Volume growth on a 4-year CAGR basis was at 3%.** During the quarter, **the franchise gained ~40 bps in market share on MAT basis.** We expect volume growth to continue its gradually improving trajectory as input costs exhibit an upward bias amid stable consumer pricing.

Value-Added Hair Oils grew by 3% in value terms amid slower rural demand. **Value growth on a 4-year CAGR basis was at 6%.** The VAHO portfolio continued to exhibit divergent trends with bottom-of-the-pyramid segments remaining subdued, while mid and premium segments grew in mid to high single digits.

Saffola Edible Oils registered a mid-single digit volume decline, which was attributable to a high base and extended sluggishness in trade sentiment resulting in lower inventory levels on a year-on-year basis, despite healthy offtakes. **Revenue decline was in the mid-twenties** on a year-on-year basis due to pricing corrections over the last 12 months that were yet to come into the base.



Foods continued its steady growth trajectory with **18% value growth YoY**. **Saffola Oats** maintained its category leadership, while **Honey and Soya Chunks** have been scaling up on expected lines. **Peanut Butter, Mayo and Munchiez** are witnessing healthy traction. **True Elements** and **Plix** have been scaling up well in their respective categories.

Premium Personal Care sustained its strong double digit growth trajectory during the quarter. **The Digital-first portfolio clocked an exit ARR of ₹400 crore+ in Q3**.

The composite share of Foods and Premium Personal Care was at 20% of domestic revenues in Q3.

International Business

Bangladesh registered a 6% decline in constant currency growth as the region experienced transient headwinds. We expect business performance in Bangladesh to revert to a healthy trajectory from the coming quarter. **South-east Asia** grew 4% in CCG terms, amidst slower HPC demand in Vietnam. **MENA** delivered 26% CCG and **South Africa** posted 33% CCG. **NCD and Exports** posted 16% growth.

Outlook

The domestic business has contended with a persistently challenging operating environment with no visible buoyancy in consumption sentiment. We continue to draw confidence from healthy offtakes and market share gains in our key portfolios, while we have also initiated corrective measures to re-ignite growth in the traditional channel and sustained investment towards driving differential growth in new businesses in line with our strategic priorities. **With macro indicators signaling positivity, continued government spending and more favorable consumer pricing across FMCG categories**, we remain optimistic of a gradual uptick in consumption trends over the course of the next 4-5 quarters.

Owing to the broad-based construct, the International business remained rather steady despite transient macroeconomic and currency devaluation headwinds in select regions. We expect improving trends ahead and aim to maintain the double-digit constant currency growth momentum on full year basis.

Our **consolidated revenue growth is expected to move into the positive territory in the last quarter of the year** as the base catches up. **Gross margin is expected to expand by 450-500 bps** on a full-year basis, higher than earlier envisaged, owing to sustained input cost tailwinds and favorable portfolio mix. We will also **sustain aggressive brand-building investments** towards strengthening the equity of the core and new franchises to drive growth. Consequently, **we expect operating margin to expand by ~250 bps in FY24**.

We continue to make positive strides towards our portfolio diversification objective constituted by an accelerated scale up in Foods, building a Digital First portfolio while steering key franchises to profitability, and broad basing the international business to enable consistent double-digit growth. We are also on course to deliver our highest ever operating margin in FY24 led by robust gross margin expansion.

Saugata Gupta, MD & CEO, commented, "We have delivered a competitive performance in a volatile operating environment. In the domestic business, we witnessed signs of improvement in the core portfolios and expect the steps we have initiated to fundamentally improve business prospects of the GT channel to aid the same. The portfolio diversification through Foods and Premium Personal Care continues to progress well. The international business has been resilient amid transient headwinds and we anticipate a healthy growth momentum ahead. We are on course to deliver our highest ever operating margin this year and expect to maintain a resilient margin profile in the quarters ahead."

