Marico Limited – Q4FY23 Results

Consolidated Revenue up 4%
Domestic volume growth improves sequentially to 5%
International business delivers stellar performance
EBITDA up 14% YoY; Recurring PAT up 12% YoY
Expect improving trend in volumes and margins to continue in FY24

In Q4FY23, Revenue from Operations grew by 4% YoY to ₹2,240 crores with underlying volume growth of 5% in the domestic business and constant currency growth of 16% in the international business.

During the quarter, the prospects for a sustained recovery in consumption trends strengthened as the sector recorded low single digit volume growth in Q4 after five consecutive quarters of volume decline.

In this context, the India business continued to better the performance of the preceding quarter with an **underlying volume growth of 5%. Volume growth on a 4-year CAGR basis stood at 6%.** Consistent focus on strengthening brand equity across portfolios and execution translated into **~90% of the portfolio either gaining or sustaining market shares and ~85% of the portfolio either gaining or sustaining penetration, both on MAT basis.** Among the sales channels, General Trade declined in low single-digits, while MT and Ecommerce grew in double digits. Given the recurring trend, MT and E-com contribution to domestic sales went up to ~29% in FY23.

The International business had another stellar quarter delivering constant currency growth of 16%, while weathering global macroeconomic uncertainty and currency devaluation headwinds in some of the geographies.

Gross margin expanded 294 bps YoY and 247 bps sequentially. **A&P spends at 9.4% of sales**, was up 3% sequentially. **EBITDA margin stood at 17.5%, up 153 bps YoY. EBITDA was up 14% YoY**. **Reported PAT was up 20% YoY,** aided by higher 'Other Income', which includes one-time gain of ₹ 28 crore on sale of land in one of the overseas locations. **Recurring PAT was up 12%.**

Domestic Business

India Business delivered a turnover of ₹ 1,683 crore, up 2% on a YoY basis.

Parachute Rigids posted 9% volume growth amid the normal course of loose to branded conversions as stability in consumer pricing and copra prices prevailed through the quarter. **The brand gained 70 bps in volume MS. Volume growth in Q4 was 6% on a 4-year CAGR basis**.

Value Added Hair Oils ended the year on a rather positive note with **value growth of 13% in Q4,** driven by volumes. **The franchise logged 60 bps gain in value MS.** The 4-year value CAGR stood in mid-single digits, lower than medium term aspirations, owing to the extended slowdown in rural. With rural and mass personal care categories likely to turn the corner, we expect more cheer for the franchise in the coming year.

Saffola Edible Oils witnessed a **mid-single digit volume decline** on a high volume base sustained during the outbreak of the Omicron variant of COVID-19 last year. Despite the soft quarter, **volume growth on a 4-year CAGR basis was in high single digits.**

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Marico was recognized as the 'Masters of Risk' in the ESG category in the 8th edition of the India Risk Management Awards 2022 by CNBC-TV18 & ICICI Lombard

Marico was the only FMCG company to be placed in the 'Leadership category' as per CRISIL's ESG ratings published in Yearbook 2022

Marico was recognized among the Top 5 Water Positive Companies in the 2021 Capri Global Capital Ltd. HURUN INDIA Impact 50 List

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Foods grew 18% in value terms to close near the **₹ 600 crore revenue mark in FY23**. Saffola Oats continued to anchor the growth as it maintained its leadership position in the Oats category. Newer offerings such as Honey, Soya Chunks, Peanut Butter, Munchiez and Mayonnaise witnessed healthy traction. We are well on course to close above the ₹ 850 crore revenue mark in FY24.

Premium Personal Care had another **reassuring quarter with 20%+ growth and closed just shy of ₹350 crores in revenues in FY23. The Digital-first** portfolio also scaled up well in line with expectations.

International Business

International business posted a stellar performance with a 16% constant currency growth.

Bangladesh clocked 9% constant currency growth as both the core and newer portfolios performed well. **Vietnam** grew by 16% in constant currency terms with healthy traction in both the HPC and Foods franchises. **MENA** grew by 37%, while **South Africa** grew by 21% in constant currency terms.

Outlook

Near Term

In the **domestic business**, we will **drive volume led growth** and **market share gains** across our portfolios, aided by distribution expansion, aggressive cost controls and adequate investment in market development and brand building. **We expect a gradual uptick in revenue growth as pricing interventions come into the base in the first half of FY24.**

The **International business** has consistently been delivering a resilient performance despite macroeconomic challenges in some of the geographies. **We are confident of maintaining the double-digit growth momentum in FY24.**

We expect gross margin to expand by 200-250 bps and **operating margin to move up by more than 100 bps in FY24** with easing RM prices, aggressive cost management and a more favorable portfolio mix.

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 consolidated operating margin above the threshold of 19% over the medium term.

Saugata Gupta, MD & CEO, commented, *"FY23 ended on a reassuring note with improving trends across all performance parameters, accompanied by indications of a gradual sectoral recovery. The domestic business delivered a far more broad-based growth with visibly positive results in the portfolio diversification journey, while the international business continued to reinforce its underlying strength amidst a challenging operating environment. As we move into next year, we expect the pace of growth in volumes, revenues and earnings to move in the right direction, aided by an evolving portfolio of entrenched and budding franchises, distribution expansion and adequate investments in market development and brand building."*

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