Management Discussion & Analysis

This discussion covers the financial results and other developments for the year ended March 31, 2023, with respect to our Consolidated business, comprising the domestic and international business. The Consolidated entity has been referred to as 'Marico' or 'Group' or 'Company' in this discussion.

Some statements in this discussion describing projections, estimates, expectations, or outlook may be forward looking. Actual results may however differ materially from those stated, on account of various factors, such as changes in government regulations, tax regimes, economic developments, exchange rate and interest rate movements among other macro-economic factors, competitive environment, product demand and supply constraints within India and the countries within which the group conducts its business.

Economic Scenario

Global

The global economy witnessed persistent headwinds through the year. The broadening inflationary pressures, spill overs from Russia-Ukraine crisis, and a resurgence of COVID-19 cases in China weighed on global economy in 2022. As a result, after some revival in 2021, the global economy grew at 3.4% in 2022. The International Monetary Fund (IMF) estimates the pace of growth to bottom-out in 2023 at 2.8%, which is much below the long period average growth of ~3.5%. The current deceleration observed in the global economic activity has been the sharpest since 2001, barring the 2008 financial crisis and COVID-19 pandemic in 2020. While China's reopening in the second half of 2022 paved the way for a better-than-expected recovery, monetary tightening to curb inflation and subsequent banking sector vulnerabilities continue to weigh on global recovery.

Advanced Economies (AEs) registered a growth of 2.7% in 2022. However, growth is likely to be uninspiring at 1.3% in 2023 as estimated by IMF, dragged by the highest inflation seen over the last four decades across economies. Monetary policy tightening to curb inflation is expected to drag down demand with effects visible until 2024. Across major economies, high-frequency indicators such as business/consumer sentiment, mobility indicators and purchasing managers' surveys point towards a slowdown.

Growth across Emerging Markets and Developing Economies (EMDEs) was relatively healthier at 4% in 2022, with an expected growth of 3.9% in 2023. The Asia region had a deeper-than-expected slowdown in 2022 with only 4.4% growth, largely attributable to China slowing down owing to strict pandemic restrictions. Domestic price pressures led by sharp appreciation of the US dollar and debt-distress across various low-income and developing economies have broadly pulled down the EMDEs.

While the global economy grappled with a slowdown in 2022, inflation projections in 2023 are lower than in 2022 in 80% of the economies. The expected lower inflation levels are reflective of cooling international fuel and non-fuel commodity prices, largely due to a weaker global demand environment. Although IMF estimates global growth to recover to 3% in 2024, it is unlikely to cross the historical average, given the quantitative tightening by central banks, potentially persistent Russia-Ukraine geopolitical tensions and the recent financial sector turmoil.

India

The Indian economy has been relatively resilient amidst the prevailing global headwinds and uncertainty. As per IMF estimates, India is projected to have grown at 5.9% in FY23, which could improve to 6.3% in FY24. The post-pandemic recovery of the Indian economy was stronger-than-expected, led by private consumption and aided by a rebound in government spending. The Government's ongoing thrust on infrastructural development through the National Infrastructure Pipeline with a projected investment outlay of $ 1.7 Trillion in the FY2019-25 period has also strengthened the nation's prospects, given the likely expansion in employment generation, logistics, energy independence and consumption.

However, the economy has also been grappling with inflation woes. Headline inflation remained above the RBI's tolerance band for most of 2022, leading to cost-of-living pressures and subsequently lower private consumption. Brent crude, though corrected from the highs of $100+/bbl, remains at elevated levels of $80+/bbl. While vegetable oil prices had a sequential downturn, the prices remain elevated with respect to 2019 and 2020 levels. In the latter half, there has been some moderation across most commodities, with milk and wheat being the only exceptions.

The trends across various economic activity indicators point towards a structurally resilient economy in the medium term. The consumer confidence levels, which is an indication of future trends of household consumption and savings, and general economic situation sentiments, have improved to the highest levels since March 2020. The unemployment rate decreased despite an increase in the average labour force participation, indicating improved job creation. A rising consumer confidence and robust labour market indicate relatively strong growth in consumption in the near-term.

The Union Budget 2023 did not stray from the path of fiscal consolidation and continued its growth focus led by capex push, which should result in a positive multiplier impact for the economy. The higher capital investment outlay of ₹ 10 Trillion will not only support the infrastructure sector, but also create employment opportunities and drive consumption. Further, an increase in subsidized agriculture credit target to ₹ 20 Trillion will support agriculture and aid in rural recovery. The rejig in personal income tax slabs should provide much-needed relief to taxpayers and may encourage higher consumption or savings.

Going forward, the agricultural and allied sectors are anticipated to play a pivotal role in revitalizing rural demand. While manufacturing industry has steadied and is emerging out of contraction, services industry has maintained its momentum as the COVID-19 impact completely fades away. Additionally, recovery in contact-intensive sectors and rebound in discretionary spending are projected to support urban consumption, underpinned by positive sentiments prevailing among businesses and consumers. With strong levers of strong credit growth, resilient financial markets, and the government's continued thrust on capital spending and infrastructure, Indian economy is expected to accelerate ahead of many peer economies.

Bangladesh

Bangladesh has been among the high-growth economies in the past two decades, aided by its robust demographic dividend, strong ready-made garment (RMG) exports and resilient remittance inflows. GDP growth continued to recover and edged up to 7.1% in FY2021-22 (ended 30th June 2022), driven by services, and was marginally higher than 6.9% recorded in FY2020-21 (ended 30th June 2021). However, in the recent past, the economy has witnessed strong headwinds with a surge in commodity price inflation and rise in imports. Inflation was higher at 6.2% in FY2021-22 vis-à-vis 5.6% in FY2020-21, reflecting higher global commodity prices and local currency depreciation against the US dollar (depreciated 9.2% in FY2021-22). Furthermore, a deficit in the balance of payments and lower remittances led to depletion in foreign exchange reserves.

As per the Asian Development Outlook 2023, published by Asian Development Bank (ADB), Bangladesh's growth is estimated to moderate to 5.3% in FY2022-23 (ending on 30th June 2023), due to weaker demand from advanced economies, monetary tightening and persistently high commodity prices. However, post the near-term challenges, growth in FY2023-24 (ending on 30th June 2024) is projected to bounce back to 6.5%, aided by domestic energy costs cooling off and strong demand for ready-made garments from the US and Europe regions post their economic recovery.

Vietnam

Vietnam's post-pandemic recovery was impressive as the economy grew at 8% in CY2022, aided by healthy exports, robust foreign direct investment, and recovery in domestic consumption. The removal of COVID-19 restrictions and the achievement of nationwide vaccine coverage boosted growth, particularly in services. Consumption and investment witnessed a strong momentum with a highest-ever FDI disbursement in Vietnam, reflecting investors' confidence in its economic recovery. Neighbouring economies bolstered exports, which partly offset lower exports to the advanced economies.

As per ADB's outlook, growth is expected to slightly moderate to 6.5% in CY2023 and 6.8% in CY2024, despite being constrained by the global slowdown, continued monetary tightening and spill over from the ongoing Ukraine war. Public investment will be the key driver for economic recovery and growth in 2023. On the demand side, revived tourism, new public investment and stimulus programs and a salary increase (effective in July 2023) is expected to keep domestic consumption on the rise, though higher inflation may hamper its recovery.

Middle East and North Africa

The Middle East and North Africa (MENA) region grew at 5.2% in CY2022 as per IMF estimates. Among the Gulf Cooperation Council (GCC) countries, inflation has been muted relative to high-income countries as rising interest rates, generous subsidies and strong local currencies have eased the pass-through of higher imported prices to businesses and consumers. The increase in oil and gas prices propelled by the Russia-Ukraine conflict benefitted the Middle East economies with windfall realizations. Additionally, lower Covid-19 occurrences in the first half of 2022 and high vaccination rates also supported economic recovery.

Egypt witnessed healthy growth of 6.6% in FY2021-22 (ended 30th June 2022), reflective of a healthy bounce back at double the pace of FY2020-21 (ended 30th June 2021). However, post the Russia-Ukraine conflict, economic activity has been negatively impacted by multiple global shocks, especially visible in the rising cost of domestic and imported inputs. Egypt's economy has been grappling with high inflation on account of global price dynamics, exchange rate depreciation, and domestic supply bottlenecks.

As per IMF's outlook, MENA region is projected to moderate to 3.1% and 3.4% in CY2023 and CY2024. The growth moderation is primarily due to tight policies to restore macroeconomic stability, agreed OPEC+ production cuts, and the fallout from the recent deterioration in global financial conditions. However, growing focus of GCC countries on diversification towards green and non-hydrocarbon sectors could act as a strong pivot for accelerated growth in the medium-term. Egypt's growth, undermined by internal and external challenges, is also estimated to moderate to 3.7% in FY2022-23 (ending on 30th June 2023), before starting to improve over the medium-term, contingent to fiscal prudence and higher private participation.

South Africa

After a COVID-19 rebound in CY2021, South Africa witnessed a modest 2% growth in CY2022, as per IMF estimates, due to the combination of a weak structural growth, power shortages and an external slowdown. While the economy is above pre-pandemic levels, steep unemployment levels and higher inequality continue to ail the economy.

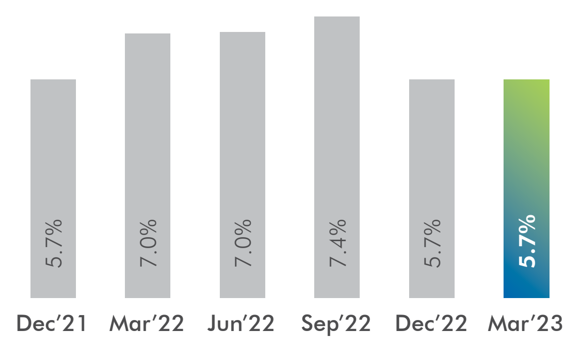
As per IMF's outlook, economic growth is projected to decelerate further to 0.1% in CY2023, before rebounding to 1.8% in CY2024. While the global environment will be supportive, domestic constraints with electricity supply shortages resulting in high business costs, rising unemployment levels, increase in fuel and food prices are key risks to the economic growth.

Fast Moving Consumer Goods (FMCG) Sector in India

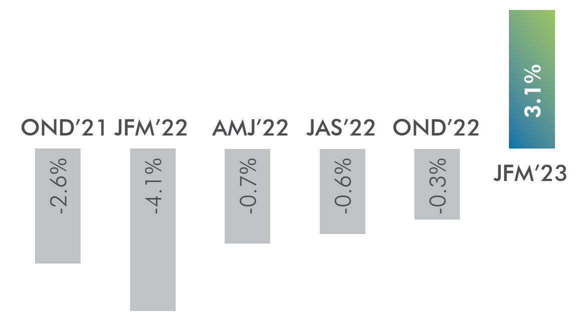
The fast-moving consumer goods (FMCG) sector is India's fourth-largest sector and has grown healthily over the years, aided by the rise in disposable incomes, growing young population and increased brand consciousness among consumers. India continues to be an immense growth opportunity since it still has one of the lowest per capita FMCG consumption in the world with many sub-categories of FMCG having very low penetration levels. Within the FMCG sector, Household and Personal care category accounts for ~50% of the sales, while the Healthcare and Food & Beverages categories contribute to ~31% and ~19% of the overall sales, respectively. The rural sector, spread across 650,000 villages, accounts for ~60% of India's population and contributes to ~40% of the FMCG sales. Notwithstanding the demand sluggishness in recent times, rural India continues to provide a large headroom for growth for the sector.

In FY23, the FMCG sector volumes grew only marginally, reflective of a slowdown as persistent inflation, led by geo-political tensions in Europe and global supply chain disruptions, followed by monetary tightening by central banks, weighed on consumption for the better part of the year. However, as commodity and retail inflation moderated towards the end of the year, volume growth entered into positive territory in the last quarter of the year after five quarters of decline, signalling prospects of a sustained recovery. During the period, urban consumption was steady throughout the year, while rural demand was tepid as it was far more impacted by rising retail inflation. Among the categories, Packaged Foods drove growth for the sector, given lower penetration levels and high urban salience. Home and Personal Care (HPC) categories were under pressure and exhibited downgrading and downtrading trends, as household budgets of value conscious consumers were constrained by inflationary pressures.

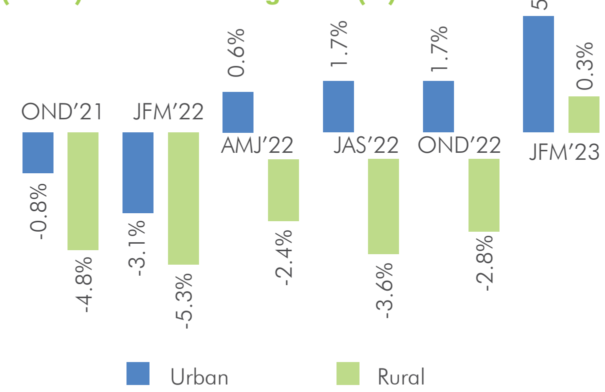
CPI inflation (%)



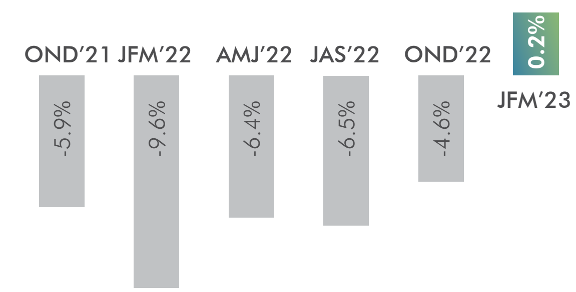
All-India (U+R) FMCG Volume growth (%)



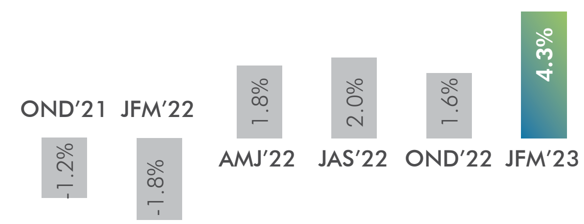
All -India (Urban) and All-India (Rural) FMCG volume growth (%)



FMCG volume growth (%) - HPC



FMCG volume growth (%) - Foods



Key Opportunities and Trends Shaping the FMCG Industry

The FMCG sector has been undergoing significant transformation with the emergence of several key changes that are taking place in the world around us. We constantly endeavour to stay agile and understand these trends and turn them into opportunities that will enable us to deliver sustainable and competitively favourable results. Below are some of the key trends witnessed over the last few years:

Evolving Consumer Behaviour and Lifestyles

Consumer behaviour and lifestyles have evolved dramatically in recent years. Consumers are increasingly becoming more conscious about their well-being and are actively seeking products and services that promote a healthy lifestyle. They are willing to invest in organic, natural and nutrient-rich foods, as well as towards fitness and wellness programs. Furthermore, convenience, especially in urban segment, has become a key factor driving consumer choices. Busy lifestyles and the desire for instant gratification have led to a rise in demand for products and services that save time and effort. The popularity of ready-to-eat/ready-to-cook offerings and rise of quick commerce has been the key outcome of the growing preference towards convenience. Consumers are also becoming increasingly aware of the environmental and social impact of their brand choices, which is indirectly inducing brands to make sustainable choices. This includes a preference for brands and products with natural/healthier ingredients, recyclable packaging, transparent disclosures on packaging labels, ethical claims, sustainable sourcing, among others.

Evolving Distribution Channels

Over the last few years, there has been a growing prominence of modern trade and online channels (e-commerce, direct-to-consumer (D2C) and quick commerce). During the pandemic, the adoption of online channels accelerated further as consumers preferred contactless and cashless retail experiences. Efficient logistics as well as multiple modes of digital payments have also fuelled the exponential growth of e-commerce in the last few years. However, the General trade channel continues to contribute to a large majority of the sales for the sector. While the channel is imbibing higher degree of professionalism and witnessing consolidation among players, it is also evolving to meet consumers' growing demand for convenience. Traditional kirana stores, which are small independent grocery stores, are adopting digital payments and offering wider assortments, home delivery facilities and promotions. Retailers are also investing in digital technologies to enhance their operations, in terms of inventory management, accounting, billing, payments and customer management, to compete in this evolving FMCG distribution landscape.

As a result, the FMCG sector has now adopted omni-channel strategies to provide a seamless shopping experience to consumers across multiple channels, including physical stores, e-commerce platforms, mobile apps, and social media. This allows customers to engage and purchase products through their preferred channels, integrating online and offline experiences.

Adoption of Digital Technologies and Leveraging Data

In the post-pandemic world, building capabilities in digital technologies and data analytics is crucial to adapt to rapidly evolving consumer behaviour and sensitivities, changes in the distribution landscape and disruptions in the industry. Advanced data analytics techniques, such as predictive analytics and machine learning, help identify trends, understand consumer behaviour, and forecast demand. These insights improve decision-making across product development, pricing and marketing strategies. These technologies also help in streamlining operations in the areas of stock management, logistics and distribution planning, among others, thereby improving their productivity. Artificial Intelligence-powered systems and algorithms provide significant potential for improved operational efficiency, enhanced customer experiences, data-driven decision-making and the ability to adapt quickly to changing market dynamics.

Furthermore, the rise of e-commerce and D2C channels have transformed consumer engagement. Digital technologies allow integration of real-time data to augment marketing and sales strategies and provide each customer with a more personalized experience. Digital marketing capabilities namely, influencer marketing, social commerce and social listening also help create targeted marketing campaigns and engage better with their customers.

Performance Review

In FY23, Marico Limited posted a consolidated turnover of ₹ 9,764 Crores (USD 1.2 billion), up 3% from the previous year. The underlying domestic volume growth for the year was 1% and constant currency growth in the international business was 13%. The business delivered operating profit of ₹ 1,810 Crores, up 8% over the last year. The operating margin stood at 18.5%, up 87 bps from the previous year. Recurring consolidated net profit after tax was at ₹ 1,280 Crores, up 4% over the last year. Reported consolidated net profit after tax was at ₹ 1,302 Crores, up 6% over the last year.

Domestic Business (75% of Consolidated Revenues)

The domestic business registered a turnover of ₹ 7,351 Crores, marginally higher than the last year. Volume growth was modest at 1%, owing to persistent retail inflation weakening consumption trends, especially in the rural sector. The operating margin of the India business was at 19.8% in FY23 vs 17.4% in the previous year. The improved profitability was a result of moderation in the prices of key commodities such as copra and vegetable oils as well as a more favourable portfolio mix.

Coconut Oil (37% of Domestic Business)

Parachute Rigids (packs in blue bottles) posted 1% volume growth in FY23. In addition to the prevailing weak consumption sentiment, the performance reflected the sluggishness in loose to branded conversions during a large part of the year following the extended decline in copra prices and the lag in resultant pricing interventions to take effect given the 6-8 week channel pipeline. However, the brand witnessed positive traction from the end of the third quarter once copra prices firmed up and stabilized during the off-season, thereby allowing input and consumer pricing to harmonise. Despite the soft environment, volume market share of the brand remained steady through the year. The non-focused Coconut Oil portfolio also gained traction in the second half of the year and posted high single digit volume growth in FY23. Overall, the volume market share of the Coconut Oil franchise (including Nihar Naturals and Oil of Malabar) consolidated at 62% (Mar 2023 MAT).

Approximately 30% of the coconut oil market is still unbranded, and Parachute Coconut Oil, being a dominant market leader in the branded coconut oil market, is well poised to capture a significant share of loose to branded conversion and maintain its medium-term growth aspirations. The prospects of a gradual rural demand recovery and a relatively lower rural volume market share for the brand Parachute also exhibit a healthy runway for growth over the medium term. We will continue to strengthen the brand equity of Parachute across regions by raising awareness of the 'goodness of pure coconut oil' and ramp up micro-marketing interventions to drive penetration.

Saffola Franchise: Super Premium Refined Edible Oils (23% of Domestic Business) and Foods (8% of Domestic Business)

The Saffola franchise, comprising of Super Premium Refined Edible Oils and Foods, was flattish in value terms.

Saffola Edible Oils posted a muted performance due to unprecedented volatility in global edible oil prices, which led to a cautious trade sentiment during the year. The year started with a sharp spike in vegetable oil prices, in reaction to geo-political tensions and supply chain disruptions in Europe, followed by prices stabilising at elevated levels for a short while and then deflating month on month over the last few months. As a result, the brand charted an uneven volume growth trajectory during the year. Although trade remained cautious, the brand witnessed healthy offtakes and held its market share during the year.

Saffola Gold, the leading variant of Saffola Edible Oils, continued its media investments aimed at building the relevance of heart care by highlighting that 'the daily stress one goes through impacts the heart'. Through its advertisements, Saffola has focussed on the importance of proactive heart care while also taking a progressive societal stance of reversing gender roles in households. A focused distribution drive to increase outlet reach across all key regions also showed results. The brand would continue its thrust on gaining penetration through:

– Thematic TV presence along with a strong digital presence to build relevance and accelerate adoption across channels

– Maintaining an optimal Relative Price Index (RPI) vis-à-vis competing Edible Oils while maintaining a sustainable balance between pricing and profitability

– Continue driving upgrades through trials and accessibility by building focussed SKUs to induce trials from smaller households

– Strengthening 'Better for Heart' superiority through content pieces on Saffola blended oils with a focus on Saffola Gold

– Driving E-com offtakes through performance marketing and last mile conversion in Modern Trade (MT) & General Trade (GT) through in-store initiatives

Foods delivered 20% growth in FY23 to close near the ₹ 600 crore revenue mark, led by strong growth in core Oats franchises and traction building up in some of the newer launches during the year.

The Saffola Oats franchise consolidate its No. 1 position with ~43% value market share in the overall Oats category on a MAT basis (Mar'23).

Saffola Masala Oats launched a new high-decibel thematic reinforcing ""Mazedaar Khao Jee Bhar Ke" as its key proposition. The thematic highlights the constant struggle that taste-loving Indians on healthy diets face and their need for a 'healthier-for-you' yet flavoursome offering. In addition, regional media continued its efforts to accelerate growth across key markets. To further scale up the Oats franchise, we are making concerted efforts towards increasing reach through outlet expansion. Additionally, the brand will focus on increasing visibility across top stores in both GT and MT, while driving on-platform adoption on E-commerce.

Saffola Soya Chunks, our plant-based protein offering, continued its growth momentum and is well poised to be a ₹ 100+ crore brand in the near-term. The brand witnessed strong traction across key markets with its communication, "India's softest & tastiest soya". During the period, we also expanded our plant-based protein portfolio with the launch of **Saffola Soya Bhurji** - a delicious protein-rich snack that can be prepared in just 5 minutes.

Saffola Honey has garnered 20%+ market share in E-Commerce and nearly double-digit market share in Modern Trade. During the year, we restaged Saffola Honey with the launch of 2 variants – **Saffola Honey Active** and **Saffola Honey Gold**. Saffola Honey Active (multiflora honey including the delicious Sundarban Forest honey) complies with 22 stringent FSSAI parameters to ensure it is free from any adulteration and 100% pure. Saffola Honey Gold (multiflora honey made using Kashmir Honey), priced at a premium, is tested using the latest NMR technology to ensure it is free from any adulteration. With a dual portfolio strategy, we will continue to scale-up by broadening our presence and gaining market share in the category.

The Company launched **Saffola Peanut Butter** and **Saffola Mayonnaise** during the year and has been receiving positive response and traction since the launch. The strategy to have a differentiated offering - peanut butter with jaggery and low-fat mayonnaise, extends the 'better-for-you' portfolio of Saffola.

To further expand the Foods portfolio and broaden its play, Saffola entered ready-to-eat healthy snacking category with the launch of healthy snack offerings under the aegis of **Saffola Munchiez**. Saffola Munchiez, combines the power of healthier grains/superfoods along with delightful flavours to provide better alternatives, with the launch of **Ragi Chips** and **Roasted Makhanas (foxnuts)** in multiple flavours. In both offerings, Saffola stayed true to its "better for you" credentials as Ragi Chips have 50% less saturated fat compared to chips fried in palm oil, while Roasted Makhanas shifts consumers away from fried snacks.

We will continue to drive meaningful innovations in Foods under the brand 'Saffola' and create a differentiation in the categories we foray into to drive trials and stay relevant with our offerings.

In May 2022, the Company announced a strategic investment in HW Wellness Private Limited with an acquisition of ~54% equity stake. HW Wellness Solutions Private Limited owns "True Elements", a clean label, digital-first brand playing in the rapidly growing healthy breakfast and snacks segment in India. The brand is anchored on providing "Food that DOES NOT LIE to you" and promises 0% preservatives, 0% chemicals & 0% added sugar in its offerings. It offers a wide range of products spanning across categories of Western breakfast cereals (oats, quinoa, muesli, granola, flakes), Indian ready-to-cook breakfast (poha, upma, dosa) and snacks (mixes of roasted seeds, raw seeds, nuts and dry fruits), among others. True Elements currently garners majority of its business through online marketplaces and is working towards ramping up its offline presence over the next few years.

Value-Added Hair Oils (22% of Domestic Business)

Value Added Hair Oils delivered value growth of 4% in FY23. Given the higher presence in the mass-to-mid segment, the portfolio witnessed sluggish trends amidst weakness in mass personal care categories and muted rural sentiment. Within the category, mid and premium segments continued to fare better than the bottom of the pyramid segment. The category continues to be directionally in line with mass personal care categories and we expect a gradual uptick in growth over the course of the year ahead. With inflation moderating and likelihood of a recovery in rural, we expect growth to be broad based from the coming year. During the year, the Company maintained its leadership position at 36% volume market share and 28% value market share.

Nihar Shanti Amla witnessed mid-single value growth during the period and maintained its market share stronghold. Rural micromarketing activity continued to build incremental media reach in deep rural, media-dark geographies to improve brand awareness and drive penetration gain through upgrades.

Parachute Advansed Jasmine delivered a relatively healthier performance with high single digit value growth, owing to its focus on key strategic levers of maximizing spontaneous awareness, festive activation in its core markets and driving weighted distribution. Going forward, the brand will continue its investments in building proposition through new communications and continuous media salience in core markets.

Hair & Care, with its revised proposition around damage repair, continues to drive penetration for the brand. The brand witnessed the highest-ever penetration level in a decade in key markets in West India. Hair & Care aims to strengthen its association with damage repair by leveraging festive occasions-led relevance such as damage repair during Holi, the festival of colours, among others. The brand will continue to accelerate reach of trial packs via retail and wholesale to grow in its core states.

Parachute Advansed Aloe Vera continued to witness penetration gains in key markets and gained significant traction in E-com and MT channels. The brand crossed ₹ 100 crore+ in revenues this year and will continue to invest in key markets to drive growth.

Parachute Advansed Ayurvedic Hair Oil has built a strong presence in the anti-hairfall category with strong salience in southern India. The brand delivered a steady performance during the year. Broadening our play in the anti-hairfall category, we also launched **Parachute Advansed Onion Hair Oil**. The brand has gained traction on the E-Commerce channel and been extended to select offline channels in the last quarter of the year.

Over the medium term, we aim to grow the Value-Added Hair Oils franchise by adopting a three-pronged strategy:

- Aggressively engage at the bottom of the pyramid by leveraging the value-conscious mindset of rural consumer and their strong preference for trusted brands.
- Drive growth in the mid-segment through competitive pricing and brand renovation.
- Aim to expand market share in the premium segment, where we are relatively under-represented, by focusing on brand building and innovations offering higher order sensorial and functional value.

Premium Personal Care and Digital First Portfolio (~7% of Domestic Business)

The Premium Personal Care portfolio grew in high double digits with broad-based growth across the Male Grooming and Livon Serums portfolio. The **Set Wet** male grooming portfolio delivered healthy growth across its hair styling portfolio. The brand is fortifying its category dominance in hair wax category, which has been growing in prominence. As the market leader, **Set Wet** will continuously invest in marketing and distribution to maintain a strong brand presence among its target customers.

Livon has scaled-up aggressively and is now a ₹ 100 crore+ brand. **Livon Serums** went on-air with its new proposition of 'stylist in a bottle' where the brand promises to make styling easy. The advertisement launched on digital platforms aims to strengthen Livon's positioning and build relevance among its consumers.

Beardo continued its strong growth momentum during the year. Launched in 2015 with a distinct beard styling proposition, Beardo has since evolved into a full-stack male grooming brand today. Currently, more than two-thirds of the brand's revenues come from non-beard grooming products. Beardo's unique positioning and focussed digital communication has resulted in the brand creating an exclusive identity for itself in the male grooming space. The brand has also built offline presence in 15,000 salons with its exclusive Beardo Studio Professional range, used and recommended by stylists across the country.

Just Herbs has delivered impressive growth during the year driven by building a healthy consumer franchise on the back of quality and efficacy of its offerings in Ayurveda-led beauty categories. Just Herbs offers a line of pure, bespoke and Ayurvedic results-driven skin and hair care offerings, made from certified organic and wildcrafted ingredients collected from across India. The brand signifies building a world where beauty is more inclusive, transparent, and wholesome.

Coco Soul and **Pure Sense** offer a wide assortment of products in personal care and have been scaling up well.

Coco Soul offers personal care products that harness the goodness of coconut and blend it with the magic of Ayurveda. Powered with naturally occurring antioxidants and active botanicals along with 100% organic, cold-pressed, virgin coconut oil at its core, Coco Soul's range of natural products restore skin and hair to their eternal beauty.

Pure Sense is a fruit-led personal care brand, which offers a range of skincare, mood elevating fragrances, and bath & body products. Pure Sense believes that beauty is deeply rooted in one's well-being and aims to create a delightful self-care journey, which is nourishing and regenerative for the consumers as well as the environment.

Sales and Distribution - India

During the year, the Company institutionalized a new sales framework (internally dubbed as Sales 3.0), that shall enable it to continue winning in the marketplace by strengthening our micro market focus and execution, bringing enhanced agility with on-ground decision-making and leveraging technology and analytics. The new framework alters our sales operating structure from four divisions (North, East, West and South) to seven clusters, categorized based on similar consumer behaviour, brand preferences and geographical contiguity.

Marico reaches 5.6 million outlets, serviced through its expansive network of 900 distributors and 7,500 stockists. This network covers 59,000 villages in India and almost every Indian town with a population of over 5,000. The Company has continued to expand direct distribution in rural and urban and currently serves about 1 million outlets directly.

In FY23, the General Trade channel declined, while alternate channels of Modern Trade and E-commerce, witnessed double-digit growth in volume terms. Urban sector fared better than rural, given the more pronounced impact of inflation on the latter. Given the divergent trend between the traditional and alternate channels, MT and E-com contribution to domestic sales rose to ~29% in FY23.

General Trade: In the traditional channel, the Company continued to refine its go-to-market strategy for enhanced coverage, impact, and efficiency. In this endeavour, the Company has deployed a multi-dimensional approach:

- **Foods GTM (FGTM):** Aligned to the strategic priority of driving disproportionate growth in the Foods portfolio, the Company launched a dedicated Foods Go to Market (FGTM). FGTM is currently present in 21 cities and materially contributes to Foods' business in the General Trade channel. With dedicated feet on street, we have been able to drive productivity and range presence across outlets. FGTM has played a significant role in introducing newer products, namely, Mayonnaise, Peanut Butter and Munchiez, into the market. We will continue to invest in this initiative to build a second distribution engine for growth.
- **Capability building:** We continue to enhance the capabilities of our sales force by leveraging tech platforms and re-introducing classroom trainings. Some of the key capability-led interventions include enhancing the induction program for all sales team members and introducing a 'Train the Trainer' program for selected resources.
- **Integrating Technology into Operations:**
  - o The Company also launched a Sales Control Tower to provide visibility of field force efficiency and monitor in-market key performance indicators (KPIs). The Sales Control Tower has allowed Marico's personnel to collaborate with the sales force in real time, thereby improving execution. We plan to sharpen in-market execution by leveraging location-based data from the coming year.
  - o The Company transitioned to Cloud DMS during the year, which enables its channel partners to manage their operations with ease and improved efficiency, while ensuring enhanced data security.
  - o AI/ML tools for driving execution: The Company is exploring various AI/ML powered solutions to enhance the width and depth of its distribution and minimise stock-outs in stores.

Modern Trade: The Company continued to deliver healthy growth in Modern Trade owing to strong partnerships, channel focused pack strategy and superior in-store merchandising. Back-end technology interventions such as AI-driven order processing and a control tower has led to improved order fulfilment. Technology based interventions driven by AI have led to greater on-shelf availability (OSA) and reduced out-of-stock (OOS) events. Marico continues to work closely with its channel partners to create curated offerings that delight and provide value to consumers.

Ecommerce: The E-commerce business also continued to grow in double-digits in FY23 on the back of portfolio interventions, customer partnerships and increased engagement with our customers. We launched and scaled several Foods NPDs and continued to strengthen our market shares in the oats and honey categories on the channel. Newer launches such as peanut butter and mayonnaise garnered double-digit market shares across major platforms. Quick commerce platforms, ideally suited for impulse and convenience purchases, also contributed to the overall Foods business. The E-commerce channel drove our premiumization efforts in value-added hair oils through several launches in the form of onion oil, aloe-enriched and jasmine-enriched hair oils. We also partnered with key platforms on several supply chain led interventions to drive best-in-class practices to deliver consumer delight through our brands.

International Business (25% of Consolidated Revenues)

The International business posted a turnover of ₹ 2,413 Crores, a growth of 11% over the last year. The business reported constant currency growth of 13%, with each market performing well. The operating margin of the International business was at 23.7% in FY23 vs. 24.4% in the previous year. Higher input costs and currency headwinds in certain markets impacted profitability of the international business.

Bangladesh (48% of International Business)

The Bangladesh business posted constant currency growth of 10% in FY23 despite a challenging business environment during the year. This was a sixth consecutive year of double-digit growth, which is testament to our strong brand equity, distribution strength and leadership quality in the region. While strengthening its core portfolio, the business is also investing into newer categories, namely Baby Care and Shampoos. During the year, the business forayed into new shampoo-based hair colouring category and has been witnessing positive traction. With sustained investments guided towards expanding and developing newer categories, the business has successfully reduced its dependence on the Coconut Oil portfolio. The revenue share of non-Coconut oil portfolio has significantly increased from sub-20% in FY15 to ~40% currently. The Company will continue to leverage its strong distribution network and learnings from the Indian market to further scale up future engines of growth in Bangladesh and strengthen its brand presence across categories.

South-East Asia (24% of International Business)

The South-east Asia (SEA) business ended the year with a healthy 14% constant currency growth in FY23, led by a 19% constant currency growth in Vietnam. The HPC business posted double-digit growth driven by the X-Men portfolio of male shampoos, deodorants and shower gels. Foods also maintained its healthy growth momentum during the year.

During the year, we forayed into female personal care through the introduction of the brand 'Lashe Superfood', which offers nourishment solutions for female hair and skin. We also acquired female personal care brands, 'Purité de Prôvence' and 'Ôliv', offering a range of premium and differentiated hair care and skin care products. The addition of these brands significantly expands our play in the female beauty and personal care category and increases the total addressable market in Vietnam.

Middle East and North Africa (MENA) (14% of International Business)

The MENA business posted 21% constant currency growth in FY23, led by strong performance in the Coconut Oil and VAHO portfolio in the Middle East and Fiancée male hair styling portfolio in Egypt. The Middle East and Egypt businesses grew 20% and 25%, respectively, in constant currency terms.

South Africa (7% of International Business)

The South Africa business grew 18% in constant currency terms in FY23, driven by the hair care and Isoplus portfolio.

New Country Development & Exports (7% of International Business)

The New Country Development & Exports business grew by 18% in FY23. We remain positive on the future prospects of the business as we expand our franchises in newer geographies.

Overview of Consolidated Results of Operations

Total Income

Our total income consists of the following:

1. Revenue from operations comprises sales from 'Consumer Products', including coconut oil, premium refined edible oils, value-added hair oils, anti-lice treatments, fabric care, functional and other processed foods, hair creams and gels, hair serums, shampoos, shower gels, hair relaxers and straighteners, deodorants and other similar consumer products, by-products, scrap sales and certain other operating income.
2. Other income primarily includes profits on sale of investments, dividends, interest, GST budgetary support and miscellaneous income.

   The following table states the details of income from sales and services for FY22 and FY23:

Particulars (₹ crore)	FY22	FY23
Revenue from operations	9,512	9,764
Other income	98	144
Total Income	**9,610**	**9,908**

Expenses

The following table sets the key profit and loss account line items for FY22 and FY23:

Consolidated P&L (₹ crore)	FY22	% of Revenue	FY23	% of Revenue
Revenue from operations	**9,512**		**9,764**	
Cost of materials	5,436	57.1%	5,351	54.8%
Employee cost	586	6.2%	653	6.7%
Advertisement and sales promotion	796	8.4%	842	8.6%
Other expenditure	1,013	10.6%	1,108	11.4%
EBITDA	**1,681**	**17.7%**	**1,810**	**18.5%**
Depreciation and amortization	139	1.5%	155	1.6%
Finance charges	39	0.4%	56	0.6%
Profit before tax	**1,601**	**16.8%**	**1,743**	**17.9%**
Tax	346	3.6%	421	4.3%
Profit after tax and MI	**1,225**	**12.9%**	**1,302**	**13.3%**
Recurring profit after tax and MI*	**1,225**	**12.9%**	**1,280**	**13.1%**

*Recurring profit after tax (after minority interests) excludes one-time gain on land sale in .

Cost of Materials

Cost of materials comprises consumption of raw material, packing material and semi-finished goods, purchase of finished goods for re-sale and increase/decrease in the stocks of finished or goods in process and by-products. In FY23, prices of domestic copra were down by 18%, rice bran oil decreased by 6%, LLP was up 33% and HDPE was up 11%.

Direct Tax

The effective tax rate (ETR) was 24.2% in FY23. Due to expiration of fiscal benefits in one of the manufacturing units, ETR was 254 bps higher than FY22.

Capital Utilisation

Given below is a snapshot of various capital efficiency ratios for Marico:

Particulars	FY23	FY22
Return on Capital Employed (ROCE)	44.0	44.6
Return on Net Worth (RONW)	36.4	37.2
Debt Equity Ratio	0.11	0.10
Current Ratio	1.29	1.17

Particulars	FY23	FY22
Interest Coverage Ratio	31.6	42.1
Working Capital Ratios (Group)		
Debtor Turnover (Days)	31	20
Inventory Turnover (Days)	49	49
Net Working Capital (Days)	21	12

The Company has maintained healthy working capital and return ratios through the year.

Return on Net Worth (RONW) has declined to 36.4% in FY23 as against 37.2% in the previous year primarily on account of lower net profit growth vis-à-vis the accretion in net worth.

Interest Coverage Ratio has declined to 31.6 in FY23 as against 42.1 in the previous year, primarily due to higher finance cost following the rise in interest rates.

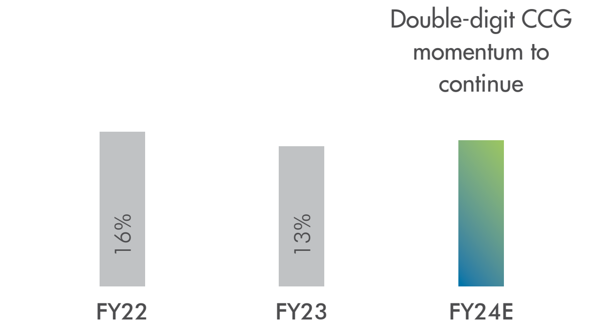
Outlook

Near Term View

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 will keenly monitor rural growth and are hopeful of a recovery in demand considering a good harvest season, forecasts of a normal monsoon season and increase in government spending.

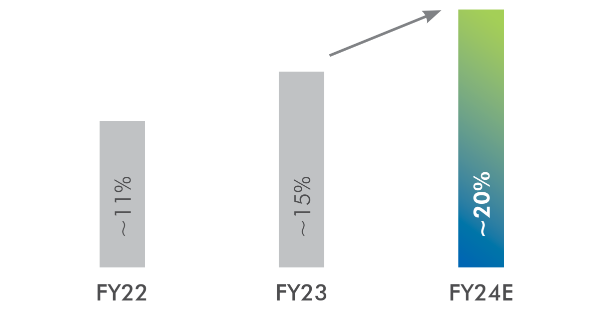
The International business has maintained a steady momentum of healthy profitable growth over the last few years. While there are risks of currency depreciation and inflation in some markets in the near-term, we are confident of maintaining a double-digit constant currency growth momentum.

International Business (CCG)



Maintain double-digit CCG momentum with all markets performing

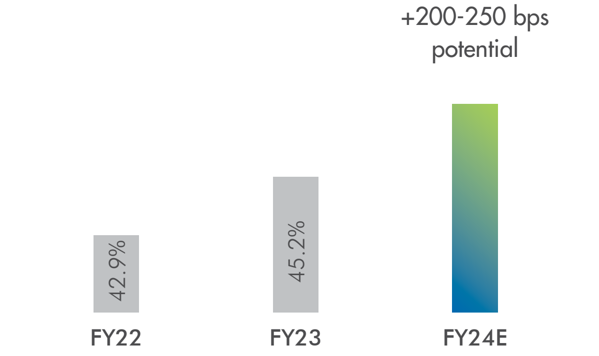
India - Diversification Journey



Consistent upstick in revenue share of Foods, Premium Personal Care and Digital-First brands

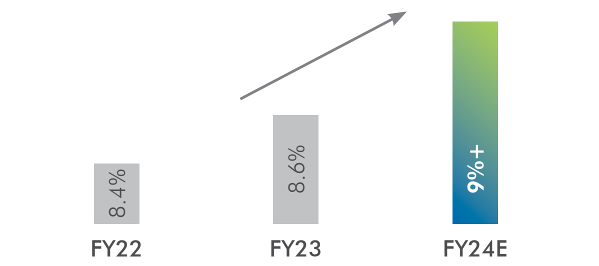
On the input cost front, key input materials, other than crude oil derivatives, have stabilized at lower levels. We expect our gross margins to improve by 200-250 bps in FY24, given the cooling off in commodity inflation and portfolio mix normalising favourably. A&P investments will continue to be a key thrust for growth. Owing to these factors, consolidated operating margin should move up by at least 100 bps on a year-on-year basis in FY24.

Gross Margin Trending Up



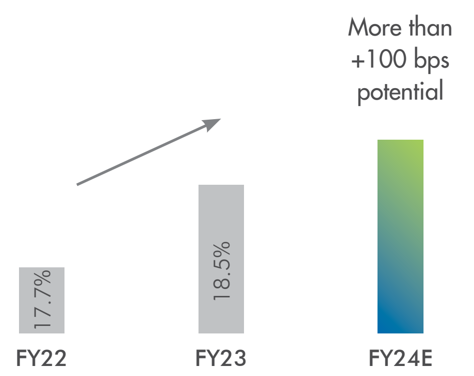
GM uptrend to continue with RM moderating and improved portfolio mix

A&P as a % of sales - Key Thrust for Growth



A&P spends to continue as long term growth driver

Operating Margin Expansion Likely



EBITDA margin expected to expand by more than 100 bps

Medium Term View

We hold our medium-term aspiration to deliver 13-15% revenue growth on the back of 8-10% domestic volume growth in the domestic business and double-digit constant currency growth in the international business. We will aim to maintain consolidated operating margin above the threshold of 19% over the medium term.

India: We remain confident of the medium-term prospects of the FMCG sector in Indian as near-term headwinds of inflation and demand slowdown settle down. We shall be committed to make progress along the core strategic areas of diversification, distribution, digital and diversity that shall enable us to deliver sustainable and profitable growth over the medium-term. These have been detailed in the chapter titled 'Strategy'.

In **Parachute Rigids,** we expect to grow volumes in the range of 5-7% over the medium term, given the market structure and strengthening brand equity. In **Value-Added Hair Oils**, we aim to deliver double-digit value growth over the medium term. Driving value share gains ahead of volume share in the overall portfolio through premiumization led by innovations and mix improvement will be our key focus over the medium term. In **Saffola Edible Oils**, we expect high single-digit volume growth over the medium term. In Foods, we aim to step up the pace of growth across our franchises and cross the ₹850 cr. revenue mark in FY24 on the back of continued innovation, focused distribution initiatives and market development. We will build the Premium Personal Care portfolios into growth engines of the future and deliver double-digit value growth over the medium term in these portfolios. We aim to sustain the pace of our digital transformation journey by leveraging the capabilities and scale of the overall business coming through digital channels and ramping up the current portfolio of digital-first brands to ₹400 Cr. in revenue run rate (on exit basis) in FY24.

International: In Bangladesh, the competitive strength of our brands and our distribution reach in the region have enabled the business to stay firm even amidst recent macro headwinds. Over the medium term, we expect double-digit constant currency growth in the business given our competitive position and significant growth headroom in the market. In Vietnam and MENA, we have set the fundamentals right and are suitably replicating attributes from the strategy that has worked in Bangladesh, in order to build a sustained growth momentum in both businesses. The expansion into the female personal care category will provide a fillip to the Vietnam business in the medium term. The MENA market presents an attractive growth opportunity and we will invest to grow in this market. In South Africa, we expect to protect the core franchise of ethnic hair care and health care over the medium term.

Shareholder Value

Your Company's wealth distribution philosophy aims at sharing its prosperity with its shareholders, through a formal earmarking/disbursement of profits to its shareholders, while retaining sufficient profits in the business for various purposes. The dividend pay-out ratio for FY23 was 45% of the recurring consolidated net profit after tax as compared to 97% on a similar basis in the previous year. The lower dividend pay-out for FY23 was primarily on account of utilization of funds at a group level for strategic acquisitions made in India and Vietnam. However, average dividend pay-outs to shareholders for the last 3 years stands at a healthy ~75% of the recurring consolidated net profit after tax, and your Company is committed to maintaining a strong dividend pay-out going forward, in accordance with its Dividend Distribution Policy.

Human Resources

Our 'People-first' ethos is built upon the core tenets of trust, transparency, inclusion, and integrity. We are committed to strengthening our talent and culture to chart our next phase of growth. Over the course of the last year, we took several initiatives in this direction, which are presented in the chapter titled 'Members'.

Information Technology & Digital

We continued to invest in digital and analytics to streamline our processes, improve operational efficiencies and enhance customer experience. We have continued to leverage social media platforms, e-commerce websites and targeted digital marketing across our brands to drive customer engagement and build brand loyalty. The share of digital spend is nearly one-fourth of the total mix. Analytics and digital technologies have facilitated gathering of rich consumer insights which have driven product innovation, customer experience and subsequently boost sales growth. Further details of the latest initiatives and developments have been provided in the chapter titled 'Consumers'.

Risk Management

Risk management is the process of identifying, assessing, and prioritizing potential risks and taking appropriate actions to mitigate or control them. It involves recognizing potential threats or uncertainties that may affect the achievement of objectives and implementing strategies to minimize their negative impact. Being a dynamic and iterative process, it requires proactive planning, ongoing monitoring, and periodic reassessment to address emerging risks and changing circumstances. Risks can arise from internal or external sources and may stem from financial, operational, technological, legal, environmental, or other factors. Details of the risks envisaged and our strategic response to the same are presented in the chapter titled 'Risk Management'.

Internal Control Systems and their Adequacy

We have a well-established and comprehensive internal control structure across the value chain to ensure that our assets are safeguarded and protected against loss from unauthorized use or disposition, transactions are authorized, recorded, and reported correctly and operations are conducted in an efficient and cost-effective manner. The key constituents of the internal control system are:

- Establishment and periodic review of business plans
- Identification of key risks and opportunities and regular reviews by top management and the Board of Directors Policies on operational and strategic risk management
- Clear and well-defined organization structure and limits of financial authority
- Continuous identification of areas requiring strengthening of internal controls
- Standard Operating procedures to ensure effectiveness of business processes
- Systems of monitoring compliance with statutory regulations
- Well-defined principles and procedures for evaluation of new business proposals/capital expenditure
- Robust management information system
- Comprehensive Information Security Policies and guidelines
- Comprehensive internal audit and review system
- Well-defined Internal Financials Controls framework
- An effective whistle-blowing mechanism
- Training/awareness sessions on policies and code of conduct compliance
- Robust Crisis Management Framework

The internal control system is regularly tested and reviewed by an independent internal auditor. The internal auditor is appointed by the Audit Committee of the Board. All possible measures are taken by the Audit Committee to ensure the objectivity and independence of the Internal Auditor, including quarterly one-on-one discussions. The Company also has a management audit team which carries out internal control reviews and follow-up audits. The team is also responsible for monitoring implementation of action points arising out of internal audits. The internal auditors and management audit team, as part of their audit process, carry out a systems and process audit to ensure that the ERP and other IT systems used for transaction processing have adequate internal controls embedded to ensure preventive and detective controls. The audit process includes validation of transactions on sample basis to check if the operations of the company are conducted in compliance to internal policies and ethical standards defined by the company. The audit report is reviewed by the management for corrective actions and the same is also presented to and reviewed by the Audit Committee of the Board. Internal audits and management reviews are undertaken on a continuous basis, covering various areas across the value chain like procurement, manufacturing, information technology, supply chain, sales, marketing, compliance, and finance with the intent to cover all material business processes and locations under internal audit at least once in every 3-4 years. The internal audit programme is reviewed by the Audit Committee at the beginning of the year to ensure that the coverage of the areas is adequate. Reports of the internal auditors are regularly reviewed by the management and corrective action is initiated to strengthen the controls and enhance the effectiveness of the existing systems. Summaries of the reports and actions taken on audit findings are presented to the Audit Committee of the Board. We have also deployed audit analytics in the domains of sales, procurement, manufacturing, supply chain and employee spends. It helps in continuous control monitoring of control effectiveness and areas where actions are required. The Internal Controls team reviews output of this tool and derives corrective action on timely basis. In order to strengthen control environment, audit analytics will be deployed in other functions of Marico's India operations as well as key international geographies. Deloitte Touche Tohmatsu India, LLP has carried out our internal audit in the year under review. The work of internal auditors is coordinated by an internal team at our end. This combination of our internal team and expertise of a professional firm ensure independence as well as effective value addition and protection.

Internal Financial Controls (IFC)

As per Section 134(5)(e) of Companies Act 2013, IFC means the policies and procedures adopted by company for ensuring:

- Accuracy and completeness of accounting records
- Orderly and efficient conduct of business, including adherence to policies
- Safeguarding of its assets
- Prevention and detection of frauds

We have implemented a robust internal financial controls framework within the company. The Internal Financial Controls have been documented and embedded in the business processes. Design and operating effectiveness of controls are tested by the management annually and later audited by statutory auditors. Statutory auditors have issued an unqualified report after checking the effectiveness of these controls.

The management believes that strengthening IFC is a continuous process and therefore it will continue its efforts to make the controls smarter with focus on preventive and automated controls as opposed to mitigating manual controls. The company has robust ERP and other supplementary IT systems which are integral part of internal control framework. The company continues to constantly leverage technology in enhancing the internal controls. On a voluntary basis, our material subsidiary, Marico Bangladesh Limited ("MBL") has also adopted this framework. Over time, we will extend this framework to our other overseas subsidiaries.