Marico – Information Update for Q1FY22 (Quarter ended June 30, 2021)

Executive Summary: Consolidated Results

Particulars (₹ Cr)	Q1FY22	YoY Growth
Revenue from Operations	2,525	31%
EBITDA	481	3%
EBITDA Margin (%)	19.0%	Down by 522 bps
Profit After Tax (excluding one-offs)	356	8%
India Volume Growth (%)		21%
International Constant Currency Growth (%)		21%

In Q1FY22, **Revenue from Operations grew by 31%** YoY to ₹ 2,525 crores (USD 346 million) with **underlying volume growth of 21%** in the domestic business and **constant currency growth of 21%** in the international business**.**

In India, we witnessed positivity in the demand sentiment until late April, when stricter mobility restrictions were once again imposed in various states in response to the rising severity of the second COVID wave. Unlike the first wave, the pandemic affected deeper pockets of the country, but business was not as disrupted as in the last year given that supply chains were able to weather localized and staggered lockdowns and retail stores operated for certain number of hours during the day. Growth in key portfolios also witnessed some impact due to relatively higher salience in South and West India, which saw heavier caseloads and extended lockdown restrictions. In addition, there was also a marginal correction (2-3% impact) of the historical revenue skew from Q1 towards the previous quarter (Q4FY21). Traditional trade continued to perform well with rural and urban growing in tandem. E-Commerce maintained its accelerated growth trajectory, while Modern Trade could only recover partially as lockdown-like curbs were back into effect in various states. CSD grew on a low base.

The International business posted a strong broad-based recovery relative to the varying levels of impact in each of the markets in the base quarter. This was despite signs of moderation in demand witnessed due to the resurgence of COVID in Bangladesh and Vietnam towards the end of the quarter.

Gross margin was down 759 bps YoY given the stark contrast in the cost of inputs consumed in the two quarters, as pricing interventions in the core portfolios could only partially alleviate the inflationary pressure. However, operating leverage benefits reduced the drop in EBITDA margin to 522 bps YoY. As a result, EBITDA was up 3% YoY and recurring PAT was up 8% YoY. Reported PAT was down 7%, due to exceptional gain in the base quarter.

Other highlights relating to the quarter's performance are as follows:

- The core portfolios in the India business continued to log market share gains on a MAT basis, on the back of their market leadership position and strengthening equity.
- Traditional trade continued its healthy run with both urban and rural growing by 17% in volume terms. E-Commerce grew 61%, sustaining its strong momentum. Modern Trade and CSD grew 10% and 56%, respectively.
- **Parachute Rigids** grew 12% in volumes, posting growth in both core and non-core markets. The brand continued to gain volume market share of 80 bps (MAT Jun'21).
- **Value Added Hair Oils** grew 34% in volumes with each of the key brands clocking double-digit growth. The Company gained 70 bps volume market share to 37% (MAT Jun'21)
- **The Saffola franchise, comprising Refined Edible Oils and Foods,** delivered 24% volume growth and 60% growth in value terms. **Saffola Edible Oils** delivered low double-digit volume growth despite a strong base, on the back of investment in new markets and increasing household penetration. **Saffola Foods grew by more than 100% in value terms**, augmented by the new launches over the last 12 months. The base Oats franchise grew by 59% in value terms backed by increased penetration and market share gains. **Saffola Honey** continued to grow briskly on a sequential basis, and has garnered double-digit market share in key Modern Trade chains and consolidated 25%+ market share in E-Commerce. **Saffola Oodles** and **Saffola Mealmaker Soya Chunks** have been scaling up well.
- The **Premium Personal Care** (contributing less than 5% of revenues) recovered sharply on a low base but was still below pre-COVID levels, as discretionary consumption remained soft.
- In the International business, **Bangladesh** clocked 9% constant currency growth. **South East Asia** delivered 16% constant currency growth. **MENA and South Africa** recovered smarty on a low base.
- **Advertising & Sales Promotion grew by 27% YoY** as the Company actively invested in its core franchises and recent Foods innovations, while maintaining a low-key in discretionary categories.

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Summary of YoY value growth across Businesses in Q1FY22:

FMCG Business	**31%**
India	35%
International	20%

India Business

The domestic business delivered a turnover of ₹ 1,992 crore (USD 273 million), up 35% on a YoY basis. The underlying volume growth was 21%, after a marginal correction (2-3% impact) of the historical revenue skew from Q1 towards the previous quarter (Q4FY21). The operating margin was lower YoY at 18.8% in Q1FY22 vs 25.7% in Q1FY21, owing to consumption of high cost inventory, which was partly offset by pricing interventions in key portfolios and higher operating leverage.

The table below summarizes volume and value growths across key segments:

Categories	Q1FY22	
	Value Growth	Volume Growth
Parachute Coconut Oil (Rigid packs)	20%	12%
Value Added Hair Oils	35%	34%
Saffola Franchise (Refined Edible Oils + Foods)	60%	24%

Coconut Oil

Parachute Rigids grew by 12% in volumes in Q1FY22, albeit on a low base. While the brand strengthened its presence in both core and non-core markets, the extended lockdowns in the core markets of South and West regions affected growth during the quarter. The brand maintained its stronghold in the branded coconut oil market with the rigid packs gaining volume market share of 80 bps (MAT Jun'21). General Trade & E-Com led the growth, while CSD also recovered. The brand is well poised to sustain its good run over the medium term with focused distribution drives and improving salience in both core & non-core markets.

Saffola Franchise

The Saffola franchise, comprising Refined Edible Oils and Foods, had a robust quarter. The portfolio delivered 24% volume growth and 60% growth in value terms.

Saffola refined edible oils delivered double-digit volume growth for the seventh consecutive quarter on the back of increased household penetration and growing relevance of healthy cooking. The brand gained 450 bps in volume market share to ~82% in the Super Premium Refined Edible Oils category (MAT Jun' 21).

Saffola Foods grew by more than 100% in value terms in Q1FY22 on a year-on-year basis. The **Oats franchise** continued to ride on the increasing consciousness towards healthy eating and posted a value growth of 59% in Q1FY22. **The value market share of Saffola Masala Oats strengthened by ~650 bps to ~94% in the flavored oats category (MAT Jun'21).** Most of the new launches in the Foods portfolio continued to gain traction.

Saffola Honey has been gaining salience across channels. Its market share in key Modern Trade chains has hit double-digits and consolidated above 25% in the E-Commerce channel. The brand continues to grow sequentially in GT as well. We have launched a 100gm trial pack to expand distribution and aid trials.

Saffola Mealmaker Soya Chunks has gained healthy traction since launch. After tasting success in West Bengal in GT, the brand was extended to the rest of East and select regions in the North during the quarter. The brand has a presence across India through MT and E-commerce channels and has already garnered ~14% share in MT since launch in Q3FY21.

Saffola Arogyam Chyawan Amrut has not scaled up as expected. We are revamping the mix and expect to make some headway over the course of this year.

Saffola Oodles has been witnessing an encouraging response on all channels. The brand is scaling up well in GT & MT, and is among the top 5 Bestsellers in the Pasta and Noodles category on Amazon. The brand will continue to drive awareness through TVC & digital campaigns, drive distribution in GT and further consolidate its position in alternate channels.

Marico – Information Update for Q1FY22 (Quarter ended June 30, 2021)

Value Added Hair Oils

Value Added Hair Oils grew 34% in volume terms in Q1FY22, on a weak base, which was due to billing constraints in April last year. All key brands in the franchise posted high double-digit volume growth in Q1. The Company gained ~70 bps in volume market share in overall hair oils category on a MAT basis (MAT Jun'21). We aim to sustain a double-digit growth trajectory over the medium term on the back of continued aggressive participation at the bottom of the pyramid, driving growth in mid segment through right pricing & brand renovation, and lastly, market share gains in the premium segment through innovation.

Premium Personal Care

The Premium Personal Care portfolio, comprising Premium Hair Nourishment and Male Grooming, recovered smartly on a YoY basis. **Livon Serums** continued to witness positive traction and seems to have shaken off COVID blues. **Male Grooming** also came back strongly on a weak base, but still below pre-COVID levels. As discretionary consumption recovers over the course of time, we expect these portfolios to be growth engines of the future, given the leadership position of our brands and low penetration of these categories.

Beardo

The Beardo franchise has been gradually regaining traction after the initial COVID-induced headwinds. The brand is tracking in line of internal aspirations and on course to exit the year at a run rate of ₹ 100 cr. We will continue to invest behind strengthening the equity of the brand over the medium term.

Input Costs

Copra price were down 13% sequentially in Q1 due to seasonal arrivals of coconuts and lower demand. With supply outlook improving, prices are expected to remain range bound in the near term. COVID-19 led disruptions and major weather anomalies in key growing regions led to sustained inflation in global vegetable oil prices. As a result, Rice Bran oil was up 68% YoY and 28% sequentially in line with global trends. We expect prices to be volatile in the short term, with a medium term downward bias in line with global markets, which expect a recovery in oil seed production. Crude derivatives such as Liquid Paraffin (LLP) and HDPE were also up 50% and 44% YoY respectively. Both are expected to remain firm in the near term.

Strategic Investment in 'Just Herbs'

In July, the Company announced a strategic investment in Apcos Naturals Private Limited with an acquisition of 60% equity stake for an undisclosed consideration. Apcos Naturals Private Limited owns "Just Herbs" (http://www.justherbs.in/), 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 range of hair and skin care products are a combination of the purest of plant ingredients and essential oils. While the brand garners majority of its business through its own D2C website, it is also available on online marketplaces (Amazon, Flipkart and Nykaa) and its exclusive offline stores in select cities. The investment is in line with Marico's strategy to accelerate its digital transformation journey through building scalable digital-first brands, either organically or inorganically, as well as to premiumise its play in personal care.

International Business

The international business delivered a turnover of ₹ 533 crore (USD 73 million), up 20% on a YoY basis with constant currency growth of 21%. The operating margin in the international business was at 27.6% in Q1FY22 vs 30.2% in Q1FY21 due to higher input costs.

Bangladesh

The Bangladesh business clocked 9% constant currency growth on a YoY basis. Parachute Coconut Oil grew 4% in constant currency terms, while the non-Coconut oil portfolio grew by 20% in constant currency terms, led by Value Added Hair Oils. The newer ranges of Just for Baby (baby care) and Naturale shampoos are trending well.

South East Asia

The South East Asia (SEA) business grew 16% YoY in constant currency terms on a low base. The Home and Personal Care (HPC) category in Vietnam witnessed recovery on a year-on-year basis, while the foods business continued its positive momentum from the previous quarters. In June, we launched a hair and body wash range called **X-Men Clean and Fresh,** made with powerful natural ingredients such as Himalayan Salt and Korean Aloe Vera.

Middle East and North Africa (MENA)

The MENA business rebounded to 74% growth YoY in constant currency terms on a weak base. While the company remains cautiously optimistic about the growth outlook, it will drive aggressive cost management to enable it to tide over the challenging macros.

South Africa

The South Africa business grew 52% YoY in constant currency terms on a low base, driven by the Health Care portfolio.

New Country Development & Exports

The business grew by 67% in constant currency terms during the quarter. The Company remains positive on the future prospects of this business, as it incubates new geographies to expand its franchise.

Near Term / Medium Term Outlook

Over the medium term, we will continue to drive sustained, profitable, volume-led growth, through a focus on strengthening and premiumizing the core franchises, driving the new engines of growth towards gaining critical mass and creating value for all stakeholders. We hold our aspiration to deliver 13-15% revenue growth over the medium term on the back of 8-10% domestic volume growth in the domestic business and double-digit constant currency growth in the international business. However, the resurgence of COVID-19 in Bangladesh and Vietnam and political unrest in South Africa has affected business in July and could soften the performance of the international business in the immediate near term. We will aim to maintain operating margin above the threshold of 19% over the medium term.

In India, demand trends have improved as positivity rates are back to pre-second COVID wave levels. We believe sustained economic recovery will primarily depend on vaccine availability and the pace of vaccination, besides inflation control, normal monsoon and government stimulus. While rural consumption moderated due to the second wave, we expect it to grow ahead of urban. While there are apprehensions of a third wave, the Company is equipped to tackle any disruptions in the business environment that may arise from the same. In **Parachute Rigids,** we expect to grow volumes in the range of 5-7% over the medium term, given the market construct and strengthening brand equity. In **Value-Added Hair Oils,** we aim to sustain a double-digit growth trajectory over the medium term through continued aggressive participation at the bottom of the pyramid, driving growth in mid segment through right pricing & brand renovation, and lastly, market share gains in the premium segment through innovation. In **Saffola Edible Oils**, we expect to deliver high single-digit volume growth over the medium term in this franchise after the accelerated growth witnessed over the last couple of years. Having crossed the ₹300 Crore mark in the **Foods** category in FY21, the franchise had a positive start in its bid to reach the ₹500 Crore mark in FY22. **Saffola Honey** has been gaining considerable salience since launch. The brand will continue to build consumer trust based on superior quality and nutritional value and should touch ₹100 Crore in revenues in FY22. We will aggressively invest behind **Saffola Arogyam Chyawan Amrut, Saffola Mealmaker Soya Chunks and Saffola Oodles** to gain scale and reach critical mass. 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. In the near term, expectations remain muted given the uncertainty in discretionary spending levels. With **Beardo** integrated into our fold and tracking healthily, the business should reach an exit run rate of ₹100 Crore this year, unless discretionary consumption remains weak through the year. We continue to make investments towards enhancing our **Digital** capabilities to stay ahead of the curve. We also aim to accelerate our digital transformation journey by building a portfolio of at least three digital brands, either organically or inorganically, with a combined turnover of ₹ 450-500 crores by FY24. After Beardo, the recent strategic investment in the Digital-first Ayurvedic beauty brand, **Just Herbs**, is another step in that direction.

Over the last few years, we have systematically invested in core international markets to strengthen both the brands and the organizational capability to handle growth. We are confident that the key markets are well poised to capitalize on the emerging opportunities. In **Bangladesh**, 90% of the portfolio comprises items of daily use and we believe we would be able to cope with any disruptions given the competitive strength of our brands and our distribution reach in the region. Over the medium term, we will leverage our distribution and brand equity to further consolidate market shares in the core portfolios, scale up new launches, enter new categories, and resume the double-digit constant currency growth trajectory. **Vietnam** has also seen a steep surge in COVID cases recently, thereby clouding the near term prospects. Given our strong competitive position, we will continue to invest in the male grooming category, aim to sustain the momentum in foods and drive excellence in sales and distribution systems over the medium term. We will also continue to build Myanmar and the rest of Southeast Asia as growth engines of the future. In the **MENA region**, we will focus on getting the basics right by judiciously investing behind brands and go-to-market initiatives. In the Middle East, we will work towards strengthening the Coconut Oils and Hair Oils play. In Egypt, cost management initiatives will enable the business to weather the persistent macro headwinds. In **South Africa,** the health care franchise has driven healthy growth over the last few quarters. However, due to political unrest in the country, we are cautious about the near-term outlook of the business. We expect to protect the core franchise of ethnic hair care and health care over the medium term. The **NCD and exports segment** has been growing healthily over the years and we will continue to invest in developing presence across new countries and scale the business profitably.

THANK YOU FOR YOUR PATIENT READING

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Mode of Issue of this update

We have issued this Information Update, first to the Stock Exchanges, posted it on Marico's website and then sent it to the financial community members who are on Marico's regular mailing list.

Contents of this Update

- Financial results as per Ind-AS w.e.f. 1st April 2016 and other developments during the quarter under review for the Marico Group – Marico Limited, Marico Bangladesh Limited, Marico Bangladesh Industries Limited, Marico Middle East FZE, Marico South Africa Consumer Care (Pty) Limited, Marico South Africa (Pty) Limited, MEL Consumer Care S.A.E, Egyptian American Company for Investment and Industrial Development SAE, Marico Egypt For Industries S.A.E., Marico for Consumer Care Products SAE (MEL Consumer Care & Partners – Wind, a partnership firm got converted into a joint stock company w.e.f. 19th December, 2017), Marico Malaysia Sdn. Bhd., Marico South East Asia Corporation, Marico Lanka (Private) Limited, Zed Lifestyle Pvt. Ltd (w.e.f 30th June 2020).

In this note, the quarterly figures mentioned in ₹ are translated to USD basis ₹/USD rate of 73.

We recommend that readers refer to the Marico Group financials to get a better appreciation of the business performance. A copy of the latest Annual Audited Financial Results of Marico Limited (Standalone and Consolidated) is available on Marico's website.

Disclosure of Information, Communication with Investors / Analysts / Financial Community

Marico issues fresh information updates, like the one you are reading now, on the day it declares its Quarterly Financial Results. Some forward-looking statements on projections, estimates, expectations, outlook etc. are included in such updates to help investors/ analysts get a better comprehension of the Company's prospects and make informed investment decisions.

Actual results may, however, differ materially from those stated on account of factors such as changes in government regulations, tax regimes, economic developments within India and the countries within which the Company conducts its business, exchange rate and interest rate movements, impact of competing products and their pricing, product demand and supply constraints.

All the aforesaid information is also available on Marico's Website: www.marico.com. In view of this, information contained in such updates is made public and thus not therefore constitute unpublished price sensitive information under the SEBI (Prohibition of Insider Trading) Regulations, 2015.

Marico holds periodic meetings/ conference calls, from time to time, with individual members of the financial community.

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