Marico – Information Update for Q2FY23 (Quarter ended September 30, 2022)

Executive Summary: Consolidated Results

Particulars (₹ Cr)	**Q2FY23**	**YoY Growth**	**3 Year CAGR**
Revenue from Operations	2,496	3%	11%
EBITDA	432	2%	7%
EBITDA Margin (%)	17.3%	Down 17 bps	
Profit After Tax	301	(3%)	7%
Domestic Volume Growth (%)		3%	7%
International CCG (%)		11%	10%

In Q2FY23, Revenue from Operations grew by 3% YoY to ₹2,496 crores with underlying volume growth of 3% in the domestic business and constant currency growth of 11% in the International business.

In India, as retail inflation held firm, the FMCG sector witnessed a volume decline for the fourth quarter in a row, with growth led by pricing. Demand sentiment was largely on similar lines as the preceding quarter and improved slightly only in the last month of the quarter owing to the upcoming festive season.

After a tepid Q1, **the Company recovered to post reasonable growth in domestic volumes on the back of healthier traction among urban and premium discretionary portfolios. On a 3-year CAGR basis, quarterly domestic volume growth stood at a healthy 7%. Domestic revenues was at ₹1896 Crore, up 1% YoY**, as price hikes in Hair Oils and Premium Personal Care portfolios were more than offset by price cuts in Parachute Coconut Oil and Saffola Oils. The inherent strength of our brands, focused execution and brand building investments translated into **more than 90% of the portfolio consolidating market shares.** Among the sales channels**,** General Trade remained weak, while the divergence in rural and urban growth grew starker with the former reeling under persistent inflationary and liquidity pressures. MT and E-commerce, on the other hand, grew in double digits.

The international business sustained its double-digit constant currency growth momentum for the seventh quarter in a row. Each of the markets exhibited strength amidst macroeconomic uncertainty and currency devaluation headwinds in some markets.

Gross margin expanded 115 bps YoY, but was lower sequentially due to consumption of higher cost inventories of raw materials and adverse cost impact of depreciating currencies in select international markets. **A&P spends grew 10%** on a year-on-year basis, as the Company maintained investments towards strategic brand building of core and new franchises. **EBITDA margin stood at 17.3%, down marginally YoY**, and **EBITDA was up 2% YoY. PAT was down 3% YoY,** mainly due to losses on translation of foreign currency receivables and higher effective tax rate (ETR).

Other highlights relating to the performance are as follows:

- **Parachute Rigids was down 3% in volume terms** (down 11% in value terms) mainly due to muted consumption trends and sluggishness in loose to branded conversions as softening in copra prices extended beyond expectations. In the given market context, **Parachute held its market share in volume terms and gained 20 bps in value MS on MAT basis**. The brand is witnessing better traction aided by the last round of pricing interventions and is contemplating passing on more value to consumers. **We expect volumes to stabilize in H2 as copra prices and consumer pricing harmonize over the course of the next couple of months.**
- **Value Added Hair Oils posted value growth of 2%,** owing to the downtrading and weak consumption sentiment, especially in rural. However, growth trends in the franchise remained largely in line with the overall HPC category. Within the category, **mid and premium segments continued to fare better** than the bottom of the pyramid segment, also reflecting in the **80 bps gain in value MS on MAT basis**. We expect the overall franchise to grow in line with the overall HPC category and regain fervor if rural recovery comes about on expected lines in H2.
- **The Saffola franchise, comprising Refined Edible Oils and Foods, grew 4% in value terms,** subdued by substantial price cuts in Saffola Oils over the last few months.

 For further information / clarification, contact Marico on Tel (91-22) 6648 0480, E-mail: investor@marico.com

Marico Information classification: Official

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- After a weak Q1, **Saffola Oils recovered smartly to post high single digit volume growth** on a normalizing base aided by consumer pricing interventions in key packs.
- **Foods grew 26% in value terms** with healthy growth in the Oats franchise and sustained traction in some of the recent introductions. **Saffola Oats** maintained its strong leadership position in the Oats category with 320 bps value MS gain on MAT basis. During the quarter, **Saffola Honey** was restaged through the launch of two variants – **Saffola Honey Active** (Made with Sundarban Forest Honey) and **Saffola Honey Gold** (NMR tested – Made with Kashmir Honey), while Saffola Soya Bhurji (plant based protein) and **Saffola Masala Oats Karara Crunch** were introduced. **Innovations in Foods will continue in H2. The franchise is poised to reach revenues of INR 650 cr. in FY23 and INR 850-1000 cr. in FY24.**
- **Premium Personal Care** and **Digital-first portfolios** (**ARR nearing INR 250 cr.**) **continued to clock high double-digit growths.** Beardo and Just Herbs are scaling up in line with expectations.
- **Copra prices** were **down 4% sequentially** and **20% YoY**. With seasonal supplies slowing down, prices should remain range-bound in the near term. **Rice Bran oil was down 15% sequentially and 11% YoY**. However, vegetable oil prices have firmed up in the last fortnight of October and are likely to be volatile in the near term. Crude derivatives such as **Liquid Paraffin** (LLP) and **HDPE** were up 48% and 20% YoY. Both are also likely to remain firm in the near term and trend in line with crude oil prices.
- Within the International business, **Bangladesh** clocked 10% constant currency growth. The newer portfolios of Baby Care and Shampoos continued to supplement growth in the core franchises. We expect the business to hold firm while macros in the region stabilize over the next few quarters. **South East Asia** grew 10% in constant currency terms, led by strong HPC growth in Vietnam. **MENA and South Africa** grew 11% and 16% in constant currency terms.
- EBITDA margin of the domestic business was at 18.4%, up 54 bps YoY, and the International business was at 22.4%, down 171 bps YoY.

Outlook

Near Term

In the **domestic business**, we will maintain sharp focus on **driving penetration and market share gains** across our portfolios aided by distribution expansion, aggressive cost controls, and sufficient investment in market development and brand building. We will closely watch rural growth and are hopeful of a recovery in rural sentiment on the back of reasonable good rainfall coverage in the heartlands, government subsidies and higher crop realizations in the hands of rural consumer. **We expect to deliver mid-single digit volume growth in H2**.

The **International business** has maintained a steady momentum of healthy profitable growth over the last 5 years. While there are risks of currency depreciation and inflation in some markets, **we are confident of maintaining the double-digit growth momentum** in the coming quarters.

Gross margin should improve sequentially from Q3 as copra remains in the soft zone, while the recent volatility in vegetable oils keeps us watchful. Taking into account the quarterly gyrations of all cost line items, **we maintain our aspiration to deliver 18-19% EBITDA margin in FY23.**

Medium Term

Over the medium term, we hold our 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: 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 deliver double-digit value growth over the medium term. Driving value share gains ahead of volume share in the overall portfolio through mix improvement and innovations in the premium segment will be our key focus over the medium term. In **Saffola Edible Oils**, we expect to deliver high single-digit volume growth over the medium term. In **Foods,** we aim to scale up to ₹850-1000 crores in revenues by FY24 on the back of innovation, distribution 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 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. **Beardo** and **Just Herbs** are conscious steps in this direction.

International: In **Bangladesh**, the competitive strength of our brands and our distribution reach in the region have enabled the business to stay firmly on its accelerated growth trajectory. Over the medium term, we will maintain the double-digit constant currency growth in the business. In **Vietnam and MENA,** we have set the fundamentals right and will now suitably replicate attributes from the strategy that has worked in Bangladesh, in order to build a sustained growth momentum in both businesses. 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.

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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.

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.

Marico Investor Relations Team

Harsh Rungta   Head – Investor Relations   (harsh.rungta@marico.com)