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Marico – Information Update for Q3FY24 (Quarter ended December 31, 2023)

Executive Summary: Consolidated Results

Particulars (₹ Cr)	Q3FY24	YoY Growth
Revenue from Operations	2,422	(2%)
EBITDA	513	13%
EBITDA Margin (%)	21.2%	Up 272 bps
Profit After Tax	383	17%
Domestic Volume Growth (%)		2%
International Business (% CCG)		6%

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

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

Amidst the given operating environment, the **India business posted volume growth of 2%**, which dipped sequentially primarily due to a stock reduction undertaken across key portfolios as a part of the aforesaid initiatives to support our GT channel partners. **Domestic revenue at ₹1,793 crore,** was down 3% on a year-on-year basis, lagging volume growth as some pricing corrections in key portfolios were yet to anniversarise. Offtakes remained healthier across key portfolios with 75%+ of the business either gaining or sustaining market share and penetration levels.

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

Gross margin expanded by 634 bps YoY, ahead of expectations, owing to softer input costs and favourable portfolio mix. **A&P spends was up 12% YoY, up 125 bps as a % of sales,** as the Company stayed focused on strategic brand building of core and new businesses. **Consequently, EBITDA margin stood at 21.2%, up 272 bps YoY and EBITDA grew by 13%. PAT was up 17%, aided by lower ETR.**

Other highlights relating to the quarterly performance are as follows:

- **Parachute Rigids registered 3% volume growth** with loose to branded conversions picking up some pace. **Volume growth on a 4-year CAGR basis was at 3%.** During the quarter, the franchise gained ~40 bps in market share on MAT basis. We expect volume growth to continue its gradually improving trajectory as input costs exhibit an upward bias amid stable consumer pricing.
- **Value-Added Hair Oils grew by 3% in value terms amid** slower rural demand. **Value growth on a 4-year CAGR basis was at 6%.** The VAHO portfolio continued to exhibit divergent trends with bottom-of-the-pyramid segments remaining subdued, while mid and premium segments grew in mid to high single digits.
- **Saffola Edible Oils** registered a **mid-single digit volume decline**, which was attributable to a high base and extended sluggishness in trade sentiment resulting in lower inventory levels on a year-on-year basis, despite healthy offtakes. **Revenue decline was in the mid-twenties on a year-on-year basis** due to pricing corrections over the last 12 months that were yet to come into the base.
- **Foods** continued its steady growth trajectory with **18% value growth YoY**. **Saffola Oats** maintained its category leadership while **Honey** and **Soya Chunks** have been scaling up on expected lines. Newer categories of **Peanut**

Butter, Mayonnaise and Munchiez are witnessing healthy traction. **True Elements** and **Plix** have been scaling up well in their respective categories.

- **Premium Personal Care** sustained its strong double digit growth trajectory during the quarter. The Digital-first portfolio clocked an **exit ARR of ₹400 crore+ in Q3.**
- We continue to drive steady progress in our portfolio diversification efforts, as the **composite share of Foods and Personal Care portfolios in domestic revenues stood at 20% in Q3FY24.**
- **Copra prices stayed a**t lower levels, but exhibited some upward bias. **Rice Bran Oil (RBO)** trended downwards and exhibited lower volatility. Crude derivatives such as **Liquid Paraffin (LLP) and HDPE** also exhibited downward bias.
- Within the International business, **Bangladesh** registered a **6% decline in CCG** (constant currency growth) terms as the region experienced transient macroeconomic headwinds. Newer portfolios of shampoo and baby care witnessed healthy growth. We expect business performance in Bangladesh to revert to a healthy trajectory from the coming quarter. **South-East Asia grew 4% in CCG terms, amidst slower HPC demand in Vietnam**. **MENA** continued its strong growth momentum and **delivered a 26% CCG** with both the Gulf region and Egypt growing in double-digits. **South Africa registered 33% CCG** driven by the ethnic hair care segment. **NCD and Exports** posted 16% growth.
- The EBITDA margin of the **domestic business** was at **22.8%, up 310 bps YoY**, and that of the **International business** was at **26.1%, up 320 bps YoY**.

Outlook

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

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

While erstwhile pricing interventions in the domestic portfolio and currency devaluation headwinds in certain international markets have visibly dented realizations so far, **consolidated revenue growth is expected to move into positive territory in the last quarter of the current fiscal as the base catches up**. **Gross margin is expected to expand by 450-500 bps** on a full-year basis, higher than earlier envisaged, owing to sustained input cost tailwinds and a favourable portfolio mix. Investments towards brand-building will continue to remain a key thrust area towards strengthening the equity of the core and new franchises and driving long term growth. Consequently, we expect **operating margin to expand by ~250 bps in FY24.**

We continue to make positive strides towards our portfolio diversification objective constituted by an accelerated scale up in Foods, building a Digital First portfolio while steering key franchises to profitability, and broad basing the international business to enable consistent double-digit growth. We are also on course to deliver our highest ever operating margin in FY24 led by robust gross margin expansion. As we head into the last quarter of FY24, we will continue to drive improvement across key performance parameters in the domestic as well as the International businesses.

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

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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.

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