Marico – Information Update for Q4FY23 (Quarter ended March 31, 2023)

Executive Summary: Consolidated Results

Particulars (₹ Cr)	Q4FY23	YoY Growth	4-Yr CAGR
Revenue from Operations	2,240	4%	9%
EBITDA	393	14%	8%
EBITDA Margin (%)	17.5%	Up 153 bps	
Reported Profit After Tax	302	20%	
Recurring Profit After Tax	280	12%	7%
Domestic Volume Growth (%)		5%	6%
International CCG (%)		16%	11%

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

During the quarter, the **prospects for a sustained recovery in consumption trends strengthened** as the sector recorded low single digit volume growth in Q4 after five consecutive quarters of volume decline. Moderation in input prices and retail inflation should aid the improving trend in the coming year. Urban consumption has remained steady in the past few quarters; however, signs of visible buoyancy are awaited. The rural sector has most likely bottomed-out as the declining trend reversed in this quarter. From a category perspective, Packaged Foods, which has been relatively resilient through the year, continued to drive growth for the sector. We expect the gradual pickup in overall consumption should accelerate the pace of growth in Packaged Foods. The HPC category remained muted, while notably moving into positive territory after six quarters.

In this context, the **India business continued to better the performance of the preceding quarter** with an **underlying volume growth of 5%. Volume growth on a 4-year CAGR basis stood at 6%.** Domestic revenues was at **₹1,683 Crore, up 2% YoY**, lagging volume growth, due to price drops taken in Parachute Coconut Oil and Saffola Edible Oils during the year in response to falling input prices. Consistent focus on strengthening brand equity across portfolios and execution translated into **~90% of the portfolio either gaining or sustaining market shares and ~85% of the portfolio either gaining or sustaining penetration, both on MAT basis.** Among the sales channels, General Trade declined in low single-digits, while MT and Ecommerce grew in double digits. Given the recurring trend, MT and E-com contribution to domestic sales went up to ~29% in FY23.

The **International business had another stellar quarter delivering constant currency growth of 16%,** while weathering global macroeconomic uncertainty and currency devaluation headwinds in some of the geographies. Each of the regions posted a strong performance reflecting the underlying strength of the businesses.

Gross margin expanded by 294 bps YoY and 247 bps sequentially, given the moderation in key commodity prices and favorable portfolio mix in the India business. **A&P spends was at 9.4% of sales in Q4**, up 3% YoY and up 8% on 4-year CAGR basis, **as the Company prioritized investments towards strategic brand building of core and new franchises. EBITDA grew by 14% YoY**, with **EBITDA margin expanding 153 bps to 17.5%. Reported PAT was up 20% YoY,** aided by higher 'Other Income', which includes one-time gain of ₹28 crore on sale of land in one of the overseas locations. **Recurring PAT was up 12%.**

Other highlights relating to the quarterly performance are as follows:

- **Parachute Rigids posted 9% volume growth** amid the normal course of loose to branded conversions as stability in consumer pricing and copra prices prevailed through the quarter. **The brand gained 70 bps in volume MS during the quarter**. **Volume growth in Q4 was 6% on a 4-year CAGR basis.** The brand will continue to focus on penetration gains through micro-marketing interventions in relevant markets.
- **Value Added Hair Oils** ended the year on a rather positive note with **value growth of 13% in Q4**, driven by volumes. **The franchise logged 60 bps gain in value MS.** The 4-year value CAGR stood in mid-single digits, lower than medium term aspirations, owing to the extended slowdown in rural. Mid and premium segments continued

to fare better than the bottom of the pyramid. With rural and mass personal care categories likely to turn the corner, we expect more cheer for the franchise in the coming year.

- **Saffola Edible Oils** witnessed a **mid-single digit volume decline** on a high volume base sustained during the outbreak of the Omicron variant of COVID-19 last year. **However, the franchise continued to witness healthy offtake growth during the quarter. Despite the soft quarter, volume growth on a 4-year CAGR basis was in high single digits.** Revenue decline was in low teens, given the pricing interventions during the year.
- **Foods grew 18% in Q4 to close near the ₹600 crore revenue mark in FY23.** Saffola Oats continued to anchor the growth as it maintained its leadership position in the Oats category. Newer offerings such as Honey, Soya Chunks, Peanut Butter, Munchiez and Mayonnaise witnessed healthy traction. We expect the franchise to close above the ₹ 850 crore revenue mark in FY24 as we expect an acceleration in urban consumption, continued heathy traction in the core and new launches, incremental growth from step-up in market development and brand building spends, focused GTM initiatives and a promising innovation pipeline.
- **The Saffola franchise, comprising Refined Edible Oils and Foods, declined 9% in value terms,** given the low teen revenue decline in Edible Oils.
- **Premium Personal Care** had another reassuring quarter with **20%+ growth** and closed just shy of **₹350 crores in revenues in FY23. The Digital-first portfolio** also scaled up well in line with expectations. The current portfolio is on course to clock ~ ₹ 400 cr. in revenue run rate on exit basis in FY24.
- **Copra declined by 7% YoY and was up 2% sequentially**. Prices should remain range bound with a downward bias in the near-term as the flush season begins. **Rice Bran oil was down 16% sequentially and 22% YoY**. **Crude derivatives such as Liquid Paraffin (LLP) was up 21% YoY while HDPE was down at 2% YoY**.
- Within the International business, **Bangladesh** clocked 9% constant currency growth as both core and newer portfolios performed well. **Vietnam** grew by 16% in constant currency terms with healthy traction in both the HPC and Foods franchises. **MENA** grew by 37% and **South Africa** grew by 21%, in constant currency terms. **NCD and Exports business** grew 21% in constant currency terms.
- EBITDA margin of the **domestic business was at 19.6%, up 265 bps YoY**, and that of the **International business was at 23.7%, up 218 bps YoY**.

Outlook

FY24 Outlook

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

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

We expect **gross margin to expand by 200-250 bps** and **operating margin to move up by more than 100 bps in FY24** with easing RM prices, aggressive cost management and a more favorable portfolio mix. **We will continue to strengthen the equity of the core and new franchises and drive long-term growth by adequately investing in brand building and market development.**

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

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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 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. Currently, the share of revenues through digital channels stands at nearly ₹950 cr., translating to ~13% of the overall domestic business.

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.

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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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