



Marico Limited
Q1 FY23 Earnings Conference Call

August 08, 2022

**MANAGEMENT: MR. SAUGATA GUPTA – MANAGING DIRECTOR AND
CHIEF EXECUTIVE OFFICER
MR. PAWAN AGRAWAL – CHIEF FINANCIAL OFFICER**



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Moderator:

Ladies and gentlemen good day and welcome to Marico Limited's Q1 FY23 Earnings Conference Call. We have with us from the senior management of Marico represented by Mr. Saugata Gupta – MD and CEO and Mr. Pawan Agrawal – CFO. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

Before we get started, I would like to remind you that the Q&A session is only for institutional investors and analysts and therefore if there is anybody else who is not an institutional investor or analyst but would like to ask questions, please directly reach out to Marico's investor relations team. I would now like to hand the conference over to Mr. Saugata Gupta. Thank you and over to you sir.

Saugata Gupta:

Good afternoon to all those of you who have joined the call. FY23 has started on a soft note for the FMCG sector in India which continued to face some macro headwinds. Retail inflation has stayed above RBI's target limit for 6 consecutive months now, thereby straining consumer wallets. With companies passing on the impact of rising input costs and currency depreciation consumers were seeing downgrading and downtrading across various FMCG categories. In this challenging context domestic volumes in Q1 were certainly well below our expectations. The performance is particularly dragged by Saffola oil, which posted a volume decline in the 20s given the high in-home consumption in the base and severe downtrading headwinds in the category because of the absolute pricing of around Rs. 230 a liter. Ex-Saffola oil, domestic volumes were up marginally. One should appreciate that this quarter's performance of various companies should also be looked-in in view of the portfolio and the inflation faced in the raw material basket. For example, we had a high base because 30% of our portfolio is in-home consumption which is Saffola and Saffola Foods and only 5% is out-of-home and discretionary. So therefore, we are at disadvantage this quarter. While the optical 3-year volume CAGR does not measure up to expectations either we must acknowledge the material impact of the skew normalization between Q4 and Q1 since the onset of pandemic. We had earlier mentioned this in the Q1 calls of FY21 and FY22 that Quarter 1 FY20 which is the base year accounted for more than 30% of the FY20 annual revenue and compared to 26-27%, which is the normal in Q1. Therefore, if you take a CAGR versus the average monthly run rate for the full year of FY20 and this is the way we are internally tracking our performance, the growth 3-year CAGR comes to around 6% which certainly provides a much better perspective on our performance over a 3-year period.



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Delving into India business, let me give you a flavor of the key trends in our categories and what is the strategy and outlook for the year ahead. In Parachute Coconut oil, while loose to branded conversion slowed because of the inflation, we have continued to lead the sector with market share gains. Other organized players have gained marginal market share or lost market share. The market share gain in both volume and value is the highest amongst all organized players in the CNO market. As far as deep discounting is concerned, we plan to counter it tactically as we always operate within a premium band. We've delivered consistent volume growth at healthy margins and are not deterred by players operating at negative gross margins. In addition to the 6% price cut taken last year, we have passed on incremental value to the extent of 2% towards the end of Q1. Due to channel inventory as well as in the depots, there is a lag of around 60 days for price correction before we can expect the price discovery by the consumers all over India, which will lead to better traction. We are confident of delivering healthy volume growth in line with our medium-term aspirations thereafter as we go into Q2, and in turn Q3 and Q4. In Saffola Edible oils, in addition to the high base and a number of trade and supply chain issues, downtrading was most starkly evident in the super premium segment. While the overall ROCP category declined in volumes by around 9-10%, there was a sharp skew within the sub segment as the base oils, which is the mass segment actually grew in the 30s and the premium and the super-premium oil declined in high double digits. This clearly indicated the impact of the sharp increase in absolute outlay affecting purchasing behavior in the category and stalling any potential upgradation to the super premium segment. We could have chosen to recoup volume by sacrificing margins but we consciously did not check growth at sub-optimal gross margins. We will go for volumes once market conditions are less volatile and price stability is restored. That being said in the near term we expect volume trends to improve from Quarter 2 and aim to deliver growth in H2 as the base normalizes.

In Foods, we have had a slow quarter due to sharp base effect given that our portfolio is highly skewed to in-home health and immunity category as opposed to discretionary out-of-home categories. We expect growth to pick up gradually from Q2 and we continue to clock share gain in oats and soya. While the honey category has moderated visibly, we expect to grow as the base normalizes. We would like to clarify that we have largely held our market share in honey across channels which stands at 22-23% in E-com and close to double digit market share in MT and mid-single digit in GT. The overall share loss versus the last two quarters has been only 1%. We continue to maintain the superior proposition on the back of NMR tested purity. Just like pure coconut oil freezes during the winter, research proves that raw pure honey that undergoes crystallization in winter. Therefore, we have started to run campaigns to educate the consumers

that pure honey crystalizes. Further, we are excited about the medium-term prospects of True Elements, which has a tremendous runway for growth as a clean label brand in the rapidly growing breakfast and snacking categories. We continue to hold our INR 850 to 1000 crores revenue aspiration in food over the next couple of years.

In value added hair-oil we have delivered 5% pricing led growth while the volume was flat, we'll continue to take calibrated price actions to pack size reductions as well as MRPs increasing going forward as well. Just to again reinforce the fact that we had actually taken a 5% price increase in the last quarter and we intend to take more. We have not let up on our upward market share and we strongly believe that category growth potential is in line with the overall HPC demand. If we look at segments in the VAHO category based on RPI, we are witnessing improving trends in the mid- player of the category as there is downgrading from premium. We are also focused on expanding our presence in the premium and super premium segments, which is mainly represented by D2C players. While there is heightened competitive intensity at the bottom of pyramid, we are defending our leadership position but not focusing on growing that segment disproportionately at the cost of margins. As we hope for a marked revival in consumption sentiment H2, we'll maintain our focus on premiumizing in the midst of innovation to drive double digit value growth in the rest of the year. In VAHO as well, we had the highest compared to other organized players.

Given that inflation does not affect consumption patterns of upper income segments, Premium Personal Care has been growing smartly post-COVID led disruption. Serums are growing ahead of pre-COVID levels and Male Grooming is steadily getting there. Beardo and Just Herbs are also meeting internal targets. Our digital brand portfolio is now around circa 200 crores in annualized run rate. We are confident of crossing 250 crores ARR in Q2 and thereafter adding 50 to 75 crores ARR every quarter till we reach a 450 to 500 crores mark in FY24.

Moving to the International business, which has been a symbol of tremendous positivity and consistency, especially when we look at peers in the sector. Having delivered constant currency growth for six quarters in a row, we continue to channelize all our energies towards strengthening the underlying fundamentals of each of the businesses. Bangladesh extended its good run with the healthy growth in the core and accelerated ramp up in hair-care and baby-care portfolio. Despite recent macro developments, we expect to able to sustain the momentum and cope with it, as we believe during such times, the strong gets stronger and the weak gets weaker depending on the position in each country and in Bangladesh we have a very strong position. Vietnam also delivered as promised as HPC category growth picked up, there are no visible

signs of any inflation, and economic reform is currently robust. We are also making visible and exciting attempts to broaden our play in the region. In MENA, there is a sizeable profit pool, which represents an extractive opportunity when we are investing to grow in the region. South Africa and NCD are also seeing healthy momentum building up as well.

Looking ahead, while the overall demand sentiment in India is yet to turn cheerful, we are enthused by the robust market share and penetration across our domestic portfolio which assures us of steady recovery once a macro headwind subsides. With 50% of our raw material basket witnessing deflation, we are relatively less impacted the deflation will continue to have reasonable comfort on the profitability front without cutting A&P spends. We have delivered healthy margin even though the quantum of inflation in edible oil was disproportionately higher as compared to 20- 30% in other raw materials. We've seen a visible recovery in gross margin over the last four quarters. But Quarter 2 will be tricky as the benefits of falling edible oil prices will not flow through as we are carrying higher cost inventory of vegetable oil while we will pass on value to the consumer through pricing immediately, which will be ahead of our cost structure. While we delivered a strong EBITDA margin of 20.6 in the quarter, EBITDA margins will moderate in the following quarters since we want to invest for growth and especially at a time when the Quarter 3 and Quarter 4 where we have a softer volume base.

However, as we are factoring in the quarterly gyrations in the sales mix and each of the cost line items, we are extremely confident of delivering 18% to 19% operating margin in FY23. While we draw reasonable comfort on margins, we will pull out all stops to deliver healthy volume growth in rest of the year, especially in H2 given the base and given the fact that we also will accelerate some of the innovations in food and digital. We will continue to build fundamentally sound franchises in the domestic and international markets, even in the face of transient external headwinds and push the four strategic levers of diversification, distribution, digital and diversity which we believe will keep us on the path of sustainable double digit revenue growth and profit growth over the medium term.

We also continue to make visible progress in our ESG program. “Creating shared value for all” is the ingrained purpose of our business and we believe it will allow us to drive superior long-term performance. We are committed to achieving net zero emissions in our domestic operations by 2030 and global operations by 2040. We have recently released our focus areas and goals for the next decade of action, which are detailed in the FY22 Annual Integrated Report.



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With that, I now close my comments. Thank you for your patient listening and happy to take any questions from you. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the land of Abneesh Roy from Edelweiss Financial Service.

Abneesh Roy: My first question is on True Elements and your digital first brand. So, in a western breakfast specifically oats you have both Saffola and True Elements. If you could tell us how the positioning will be? Second is because liquidity has dried up in general for competition, rate hikes, IPO is not happening, will it be fair to say that for your digital first brand Beardo, Just Herbs etc., the competitive intensity now will be much lower, so you will be much more confident of your 3-5 year ambition plans here?

Saugata Gupta: First let me talk about True Elements, I think yes there is slight overlap but yes that their entire portfolio we're going to focus on two different price points. So, if we are selling plain oats and masala oats, they will be focusing on steel cut oats and rolled oats which is a premium variety of oats and have a higher RPI. However, going forward there is a huge journey to be high for True Elements and we have carved out the spaces in which True Elements will operate and Saffola foods will operate. Obviously as we scale up, currently it is in slightly premium niche thing. We will obviously try to expand the offering as far as True Elements is concerned. Regarding your second question, you are absolutely right. What has happened in the last 18 months, especially in the last 12 to 18 months post COVID days, when COVID started with all the money game, CAC or the ASPs that was pumping into the digital businesses were actually unsustainable and therefore that hit. Yes, absolutely right, Abneesh that last year I mean there was a lot of cash burn happening and therefore the customer acquisition cost and allied costs in the digital world had shot up. Having said that the money will now chase only quality brands or the quality businesses. Obviously there will be a huge amount and I think the cash burn which was witnessed in the last 12 months will certainly slowdown. For a strategic acquisition kind of bang which is supported by a strategic like Marico, you are absolutely right, it's a source of competitive advantage. Therefore, we expect that the unit economics for leader brand in each of the category is substantially improved and the competitive intensity will go down. Having said that as I said the money was still chase the quality businesses in each of the category. To answer your question, are we advantaged, yes. I think the other thing what has happened is given that we have now a bouquet of digital brands the cross learning that is happening that has also helped us. Also, one thing you must realize that while each brand, the biggest might Beardo, there are a lot of shared opportunities not only of learning but also shared costs. So you should look at our



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business like a 200 and 250 crores business. That also has a positive impact in managing costs. So yes, the fact that we want to add 50 crores every quarter to the annualized run rate is something we are far more confident of today and able to do it in a correct way and not by blowing money.

Abneesh Roy: Saugata, that was quite helpful. My last question is on slide #7. So 96% market share gain, 93% portfolio penetration gains, are you referring to Nielsen in both the cases and is the penetration product is upset of the 96% and it's a commendable achievement? What you have not gained for example will it be largely Set Wet?

Saugata Gupta: Yes, so market share yes it Set Wet and in serums and in penetration one particular brand of VAHO. It's not a subset, it's 100% one brand which contributes to 7% kind of a thing, 6%-7% we haven't gained share, we haven't gained penetration.

Abneesh Roy: And both are Nielsen number one, right?

Saugata Gupta: One is household panel and the other is a retail audit.

Moderator: The next question is from the line of Percy Panthaki from IIFL.

Percy Panthaki: First question is on the foods portfolio, while your 3-year CAGR is quite healthy, the YOY growth of single digit is rather surprising, especially given that the business is rather small in nature, larger companies like Nestle have grown 15% of YOY. So can you just give some kind of flavor as to why this is happening and how quickly this can turn around going back to that 25%-30% YOY growth that we would need to clock for us to achieve our targets?

Saugata Gupta: First I alluded this year foods portfolio, our portfolio is completely skewed towards in-home and health and immunity. Therefore, we obviously had a significant advantage when you have the Quarter 1 last year which was the delta peak when people stayed at home and significant consumption. So if you look at, I don't want to get into specific companies. All other food companies have a HORECA sale, institutional sale, they have an out-of-home. Therefore, in our case, the out-of-home is zero. So therefore, if you have an out-of-home or HORECA and other sale it balances, this one balances out and in our case it was extremely skewed 100% towards health and immunity. So, if you look at the run rate, I don't think there is anything much to be concerned about and therefore if you'll see it will start picking up in Q2 and in Q3 and Q4 we have an aggressive innovation plan and therefore we should be over the next 2 years as I said



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we are extremely confident of hitting the 850 to 1000 crores mark. So you will see the improvement gradually happening as we go to Q2, Q3 and Q4 and in Q3 and Q4 we have another round of aggressive innovation program ahead.

Percy Panthaki: A related question but this, in honey you said there's a 100-basis points market share loss. This is on what base, I mean your overall honey market share would be what 5%-6%, so on that a 100 basis points is a very big number?

Saugata Gupta: No, slightly higher. Just to give you a perspective we have a (+20%) in e-comm and double digit in modern trade and a mix in mid to high single digit in GT. As you know that the Nielsen doesn't capture e-comm separately but I would think the weighted average number will be....so we have lost some share in modern trade. As I said the actual loss versus last quarter is 1%. So, if it was suppose hypothetically 8% it would be 7%.

Percy Panthaki: Understood. Coming to the overall gross margins for your company, would you say that in the coming quarters, we should see better gross margins compared to what we have done this quarter because there would be some amount of deflation which is already visible but which has not been fully captured in the Q1 results. Would that be a fair assessment?

Percy Panthaki: If you ask me, as I think alluded to in my opening commentary that Q2 will be not because simply because of the fact that as the vegetable oil table is going down rapidly, we have been trying to take consecutive price cuts. In order to accelerate the volume recovery of Saffola obviously we are giving that price discovery to the consumer immediately while we are holding some old hikes on RM stocks either in the form of raw materials or in the form of finished goods. Therefore, Quarter 2 will be not but Quarter 3, Quarter 4 the fact that if the vegetable oil stabilizes Kopra, plays sideways and crude stop softening you might see but Quarter 2 certainly not. But the way we are playing it is very simple, I mean as far as operating margin with the 20.6% operating margin we are banking it and therefore in the second half where we believe the consumption condition will be far more favorable then compared to Q1 we will actually invest to grow in second half.

Percy Panthaki: Understood. So basically, you would still stick with your 18%-19% EBITDA margin guidance although Q1 has been higher because the ad-spend will go up in the coming quarters, is that the right way to look at it?



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- Saugata Gupta:** We don't know, also crude in the pack, we don't know what will happen on crude or the inflation. At the end of the day obviously we have clear that second half is the time to actually maximize volume growth.
- Percy Panthaki:** Just one data point, you mentioned that because of the Q4, Q1 seasonality change the 3-year CAGR comes to 6%. That is on value, if you can give us the domestic volume growth CAGR also on 3-year?
- Pawan Agrawal:** So, this is on index volume growth and not on value. So, what we've done is, so at volume level if you do a skewed normalization for FY20 and then we work out a CAGR at a volume level it will be somewhere 5% to 6%.
- Percy Panthaki:** Volume CAAGR 5% to 6%. Would that be something that you would aim to achieve for the remaining three quarters as well, the same kind of underlying trajectory?
- Saugata Gupta:** That's right.
- Pawan Agrawal:** Just to add Percy what we also do it, our internal targets also we have moved at a run rate level and that is why we sort of compare this number and this number becomes relevant for us.
- Saugata Gupta:** As I clarified that particular year Q1 was 30% but normally Q1 is 26% to 27%.
- Moderator:** The next question is from the line of Tejas Shah from Spark Capital.
- Tejas Shah:** I have a couple of questions on international business. First on Bangladesh, we are picking up news of going through economic turmoil, so any read through and how are we insulated if at all from the current slowdown there?
- Saugata Gupta:** Two things, first I think I must commend the Bangladesh government for actually taking proactive steps in managing the economy. Yes, there is a slight issue on inflation, there's a slight issue on depreciation but given that the fact that they have taken proactive steps I think things will be very much in control. Secondly, I think as our competitive position in Bangladesh is extremely good. Therefore, two things we are doing, we are ensuring that we are doubling up on things which are focus areas where there opportunity to gain market share. Even if there is a little bit of a category slowdown and therefore ensuring that we focus only some of the BG thing and we are actually replicating the strategy we did in COVID here where we ensured that we

double up on the core, there are 2-3 innovations which are continuing to do well, how do we focus on agility and drive costs to actually ensure that we don't pass on this inflation to the consumer but manage this and be much more strong competitively. So, what I would say that we continue to be reasonably confident of delivering double digit growth in Bangladesh irrespective of the situation. Let me tell you, we are also confident that given the proactive steps the Bangladesh government is taking they will be extremely resilient in coping up with this situation.

Tejas Shah: Any pricing action aggressive one which we'll have to take in Bangladesh to protect margins and pass on the inflation?

Saugata Gupta: We are taking some pricing action but as I said we are okay with it. Having said that yes, because of the depreciation there will be some transformation losses when we aggregate the P&L and the balance sheet here. That we have to absorb.

Tejas Shah: Second of our international strategy which you had highlighted in earlier calls was to replicate Bangladesh success in Vietnam, so any update on that?

Saugata Gupta: I think two things we have done, as I said we continue to...there are four things which make a business go on a fly-wheel or virtual cycle which is getting the portfolio right, getting the go to market right, getting the cost structure, people and processes right. I think in Vietnam we have got all the four right. It's going on the right tandem. We are also gone into female grooming. We are just stepping into female grooming and expanding the total addressable market there. We have started gaining shares, so all the signs of Bangladesh in terms of replicating. Having said that obviously it will happen in a certain different space because you must say that Bangladesh is at dominant position and the competitive situation is slightly different. We are extremely confident of continuously now driving double digit growth in Vietnam, in both top line and bottom line over the next subsequent quarters.

Tejas Shah: Last one if I may squeeze in on VAHO, despite the popular expectation of opening up and people stepping out and mobility going back to normal, VAHO as a category has not responded well. Any read through that despite all the other tailwinds being there for opening up as a driver, the category did not actually live up to the expectation that we had before COVID or around COVID?



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Saugata Gupta: However, this is my take on HC, if you really look at it, that part of the portfolio was that non-sticky hair-oil and the premium part of the portfolio. Now that has got impacted actually by inflation this year but where we are operating, we are fairly okay, actually, I would say. If you look at VAHO compared to other age HPC categories, if you look at HPC this actually (- 1%), I think this quarter in Nielsen and VAHO is broadly in line with that. So, I think there is the other HPC categories and VAHO in terms of the Nielsen growth rates.

Tejas Shah: But versus other HPC categories Saugata we expected that some of these categories such as skin care, hair care, they will have some tailwind of opening up offices, schools opening up. So that did not surface though we witnessed in some of the discretionary categories, staples categories have not shown that kind of bounce back. That was the point actually.

Saugata Gupta: That is because I think you're right but that is also because down-gradation is happening now because of inflation. So, we are seeing in VAHO a significant down-gradation from premium and also a lot of action is happening on the bottom of pyramid, competitive intensity in bottom of pyramid. So, the average is going down a bit but having said that I think we have a different take on it just to give you...we want to focus on value share because we are under invested in the premium. If you look at already the kind of, we're starting to see market share gains in e-comm and modern trade or the super-premium which is where onion oil and others operate. We have actually launched another offering in fact last week called Curry leaves there and Jata, all the three. We believe there's opportunity there and that market is I think insulated from the inflation. That market is not picked up by Nielsen by the way.

Tejas Shah: These two markets will be what percentage of premium hair-oil, MT and online?

Saugata Gupta: In the super premium significant amount. Again, I'm talking of beyond almond and others categories. This is price index of 2-3 and all which is onion oil in it, so there are significant mostly modern trade e-comm as some beauty outlets, that's it.

Moderator: The next question is from the line of Jaykumar Doshi from Kotak Securities.

Jaykumar Doshi: I want to understand 200 crores of digital first brand in the D2C side and you indicated 250 next quarter and 50 to 75 incremental on a sequential basis thereafter which means you are expecting that to be (+400) crores next year this time 1Q. Which brand in particular gives you confidence at this point of time if I understand correctly, it's primarily Beardo and maybe Just Herbs and Pure Sense and Coco so, is there any addition there or if you can...?



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- Saugata Gupta:** We will continue to look at organic and inorganic opportunity. Yes, you are right at this point in time it is led by Beardo, Just herbs is #2, it is yet to scale up.
- Jaykumar Doshi:** Guidance of doubling roughly doubling my 1Q FY24, it is also largely dependent on Beardo doing exceptional.
- Saugata Gupta:** It has to be all the brands which will have to fire and go at a certain escalated trajectory and as I said that we e will continue to look at inorganic opportunities in this space.
- Jaykumar Doshi:** Second is could you give us some color on what has been the response to your launch in onion hair oil category as a market leader Parachute is able to capitalize or gain market share from some of these D2C brands?
- Saugata Gupta:** It is going as per our action standards and has also perhaps forced the market leader to take a 40% price cut.
- Moderator:** The next question is from the line of Kunal Vora from BNP Paribas.
- Kunal Vora:** In Saffola how large would the hit be because of the high-cost inventory in second quarter? Typically, how many weeks or months inventory do you carry and will all the high-cost inventory be used up in second quarter?
- Saugata Gupta:** Let me just explain to you this. You are having a sliding raw material table where you are forced to take multiple price increases almost. In fact, we have taken three price increases in less than two months, price drops my apology, its price drops. As a result, what happens is that you have to take a price drop in line with the market conditions because that is how.... this time you have chosen that to get the volumes back. As long as it's settled obviously anytime there will be an inventory I don't want to get into. These couple of weeks we will have inventory of RM; we will have a couple of weeks although there's much more thinner than other brands but what happens usually modern trade and e-comm is, you immediately discount it to give the price to drive offtake. So as a result, what happens is that even with high-cost FG or high-cost RM, you give the consumer that price discovery. That is the reason, in volatile times, it takes time for the margin to settle down. And this time we're ensuring that we get the volume recovery at an accelerated level.
- Kunal Vora:** It'll all get settled in second quarter, third quarter onwards it should be back normal.

Saugata Gupta: Third quarter it should get settled. The way we see it at, it's very difficult. I'm not an expert in raw material but we expect that basis whatever is when we take a kind of an average of all the international forecasters, and all the experts there to get it wrong. What we see things stabilizing and we are taking price drops and this time what we are doing is that and I said that I have already banked at 20.6% EBITDA during a headwind time which was not to do suboptimal margins and play. This is a good time to get the right pricing and start the volume acceleration which we believe should happen in the second half and Q2 is the time to get the price settled and the entire structure settled and also get rid of all the high price stocks in the market.

Kunal Vora: Second and last question, you seem pretty confident about second half recovery. I'm just wanted to get, trying to get some sense on what's driving the confidence. Is it largely the base effect or you're picking up recovery in consumption trends in the last few weeks?

Saugata Gupta: So, two things. One if you look at, if you knock off Saffola, even from this Quarter 1, we grew by 1.4%. Therefore, if hypothetically Saffola has been flat then the growth would have been 2%-3%. What we are seeing two things, one is of course base, number two as I said that food growth will get accelerated, some of the other Parachute once we are getting the pricing right, the new prices, reduced prices will settle down in the market by August-end September mostly because it takes around 60 days to settle down. A combination and base, base is one of the factors. It's just not the only factor. As I said that we measure through run rate, so our run rate indicate that we should be able get the higher growth in the second half.

Moderator: The next question is from Vishal from Nirmal Bang.

Vishal: My question is on the edible oil's portfolio. You have mentioned that there is a visible downgrading from super-premium to mass segment during the quarter. Personally, I thought the demand by the consumers of super-premium edible oil would be rather inelastic and the premium consumers should be more loyal to the particular edible oil they consume based on the kind of benefits that he or she derives. How do we look at this movement? Is it near term or is there any other factor playing out apart from the high prices or inflation?

Saugata Gupta: The average function of edible oil and when I define super premium, it's not niche. It is still reasonably marked because Saffola is a (+2,000) crores edible oil brand. That is not niche like any, so therefore first of all when I define super premium, it's a relative term. So, if you look at what exactly happened, one year ago or I think 14 to 16 months ago I would say between that and peak price of Saffola 230 a liter, we have taken a 67% to 70% price hike which means

actually average household consuming Saffola which is 4-liter, 5 liter and there are of course health-conscious households which take 4 liters, it's a 320 bucks outlet. So, two things happen, one the upgradation stopped, number two in households where one of the oils like Saffola has a share of requirement on SOR, that SOR reduced. The third thing as I said is you must realize; the third thing is 27% volume drop is not just a drop in offtake. If you were to break up the drop-in offtake it's a combination of 3-4 things. There's a drop in offtake. There's a dropping HTR. We chose not to do certain business in this quarter where we were making suboptimal margin. So, if I wanted to give a roughly a number of offtakes, the number will be more in the teen. So, offtake drop is not 27 or in the 20s.

Vishal: So basically, beyond near term with now prices kind of coming down across your portfolio, so we do expect those consumers to revert back to their original brand of consumption, right?

Saugata Gupta: I will tell you how the growth of Saffola happened, the growth of Saffola happened because people are upgrading Saffola, household using more Saffola because at the end of the day you realize that the average Saffola user is a health-conscious user. So, the average consumption of Saffola household is lower than other households. Now what has completely stopped was the upgradation to Saffola and what got accelerated is both SOR and people downgrading for Saffola. Now if you look at historically the price rise of Saffola over the last 18 months it rose from Rs. 139 to 230. I think analyst team will be happy to share with you, if you look at price point and growth and that to actually while we hit 170-180 level a price point. Also, you must realize the other thing that has happened I would like to share is that volume in traders stopped stocking when the price keeps on coming down because they also don't want high priced stocks in the system. There's been a significant STR loss also in Saffola in the last six months. Ever since the first signs in last three months where there was this accelerated decline in raw material prices happened when people have been dropping prices. That's why I said that don't see as a mid-20 decline has everything is an offtake driven. I hope once the things stabilize sometimes towards Q3 we will be able to recover some of the STRs also.

Moderator: The next question is from the line of Trilok from Dymon Asia.

Trilok: In the earlier question that you answered with regard to the food business how should we think from a full year perspective, what's the kind of growth rate are you thinking on the food business and leaving aside this quarter from this?



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- Saugata Gupta:** It will get into double digit growth and in the second half it will accelerate because as I said that there is an innovation program. As I said that if you have to look at 850 to 1000 over the 2024, we should be in striking distance of that.
- Trilok:** But just from when you say in the new innovation will drive from H2, are those kind of extension in the categories that you already have or you have completely new categories that you intend to enter which will probably drive growth further?
- Saugata Gupta:** It could be a combination of both. Also, as you know that we have launched things like peanut butter, mayo and all which we have a limited launch that will scale up. The other growth will be that we are now started a food GTM which we started in 2-3 cities, we are now extending it to more than 10 cities, a specialized food GTM to drive the food business.
- Moderator:** The next question is from the line of Ajay Thakur from Anand Rathi Securities.
- Ajay Thakur:** Just one thing I'd want to check on. We have come across that hair-oil market actually is kind of declining and we are seeing a lot of intensity in terms of the competition going with major players actually embarking on cross selling within the sub-segment. So, if I were to look at it, Bajaj is expanding its portfolio, Bajaj consumer care is expanding its portfolio from the almond oil to more like the coconut oil and other segments. Similarly, Dabur is also talking of expanding from amla to maybe the other sub-segments. Now overall we are seeing the competitive intensity within the hair-oil sub-segment is rising in a market which is kind of declining. In that context wanted to check on your view given the fact that we are the market leader, how do you see this competition impacting us and our growth trajectory within the hair-oil packs?
- Saugata Gupta:** I will tell you two things, 2 or 3 things. First, we are reinforcing this and time again we believe in VAHO our market share gain was the highest amongst all other players. Just to give a perspective and I thought a correct one for this one, if you look at HTC while the FMCG the decline was 2%-3%, in AMJ 22 as for Nielsen, HTC the volume decline is 6.4% and actually VAHO decline is not so high. So, our VAHO is actually flat. That will tell you the story that this decision that can be built by that is getting built and at very high competitive intensity and they're declining category. I think it may not be always the right perception to take a 5-year period and plot the VAHO category versus HPC category, you will see a different picture. Coming to competitive intensity, show me which your Marico has lost market share drastically. What happens, I tell you why because sometimes what happens is with some players who are operating at a bottom of pyramid, we take market share from small players. That's fine. Our endeavor is to



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concentrate on value share because we are under indexed in the slightly premium end and we will continue to focus on that while we will defend but we will not.... our strategy is not to put all our eggs in the BOP basket.

Ajay Thakur:

Another point that I wanted to just check on is, are we seeing a higher growth within the premium hair-oil segment? Given the fact that most of the players are to enter the premium side. So, is there some kind of a higher growth that we are witnessing right now in the last maybe a year or so in the premium hair-oil segment?

Saugata Gupta:

Actually, most players are the competitive intensity or so-called activity is in the bottom of pyramid, I don't see any players. Yes, there has been activity in the digital side of the business but that is too insurgent brands like which are not the organized players. And that side of the market is growing but if you look at people who pay in the premium side above the organized players, most of the brands are declining actually.

Moderator:

As there are no further questions, I now hand the conference over to the management for closing comments.

Pawan Agrawal:

Thanks a lot for listening on the call. To conclude, the start of the year has not kicked off on an exciting note in the India business amidst the tough external environment. However, given the strong competitive positioning of our brands in respective categories, we are confident that we'll be delivering better than the FMCG market growth in the quarters ahead. We are confident that in International markets, we will continue to stay ahead of the pack. While there is uncertainty around crude led inflation, we draw comfort from the deflationary trend in other key raw materials. That will allow us to invest behind brand-building and drive consumer advantaged pricing while maintaining threshold margins for the year. If you have any further queries, please feel free to reach out to our IR team and they will be happy to address the same. That is it from our side. Please stay safe and take care.

Moderator:

Thank you very much. On behalf of Marico Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.

(This document has been edited to improve readability.)