



Marico Limited
Q4 FY22 Earnings Conference Call

May 5, 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 Ltd. Q4 FY22 Earnings Conference Call. We have with us 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. Therefore, if there is anybody else who is not an institutional investors or analyst, but would like to ask question, please directly reach out to Marico’s Investor Relations team.

I now hand the conference over to Mr. Saugata Gupta for his opening comments. Thank you and over to you, sir.

Saugata Gupta: Hi, everyone. I hope all of your friends and family are keeping safe and healthy.

FY22 ended on a relatively positive note for us as we stepped up our performance consistently through the year despite a variety of external disturbances in the operating environment whether it’s the new COVID variant, geopolitical tensions, demand slowdown or even sharp spikes and volatility in input costs. Given the circumstances, we have single-mindedly focused on strengthening our brands and executing smartly, which reflects in the consistent double-digit revenue growth on a 2-year basis as robust market share and penetration wins across our domestic portfolio. Our international business has also been a beacon of strength, having delivered double-digit constant currency growth for fifth quarter in a row and charted a predictable and profitable journey over most of the last five years with a very healthy ROCE. We have been also able to inch up our gross margins sequentially for third quarter in a row with calibrated price hikes, cost rationalization and about half of our raw material basket i.e. copra being deflationary. However, despite the continuous cost pressure at an overall level on a YoY basis, we have chosen to ramp up investments in brand building and not compromise on the long-term health of our brand equities to manage short-term profits.

We’re also making visible progress in our ESG program, which is also showing an improvement in independent ESG ratings and multiple ESG recognitions throughout the year. The motto ‘Making a difference’ and our belief in conscious capitalism have been the cornerstone of

Marico's purpose since the very beginning. It has been our long-term standing belief that sustainable and purposeful business will stand the test of time and drive superior long-term performance. We have now introduced multiple sustainability initiatives across our global operations and recently announced our commitment to achieve net-zero emissions in our global operations by 2040. I am delighted to report that we have surpassed our 2022 ESG goals and we have released our focused areas and goals for the next decade of action.

Coming to the quarter gone by, in India, persistent inflation continued to suppress consumption sentiment despite daily economic activity and mobility now largely back to normal. As a result, FMCG market volumes decelerated further, with rural slowing down more than urban and growth being pricing led. In this challenging context, we stayed well ahead of the market, as our volumes were steady on a YoY basis, even on an exceptionally steep base of 25%. Rural has been behind urban for us as well and we are hopeful of a recovery in rural demand towards the second half of next year if we have good monsoons and government spending in front-ended.

Delving into the India business, Parachute Coconut Oil has been proactive in passing on value to the consumers in a soft copra environment and we expected to maintain a strong position going ahead. The Saffola franchise grew by 30% plus in FY22. Saffola Edible Oils has commendably held its volumes this year on a very high base of 17%. Following the recent surge in edible oil prices, we expect to remain competitive in the market in the near term. In Foods, we are delighted to report that we have met our aspirational topline target for this year. Amongst the new products launched last year, Soya Chunks have already scaled above Rs. 50 crores in about a year's time. Oodles and Chyawanprash have been slower and we will stay invested in the superior product proposition. With the launch of Saffola Peanut Butter and Saffola Mayonnaise, the total addressable market of the brand Saffola has expanded to circa Rs. 6,000 crores. We have set our sights on the Rs. 850-1000 crores target in Foods over the next couple of years. In value-added hair oils, we will maintain our focus on premiumizing the mix innovation to drive double-digit value growth of the medium term. Premium Personal Care has grown in high double digits this year. Beardo has crossed the Rs. 100 crores annual run rate exit basis and is tracking much ahead of acquisition assumptions, which gives us tremendous confidence and shows that we have got the model right. Just Herbs has also met internal targets. Our digital first brands have clocked Rs. 180-200 crores in annual run rate on exit basis and we will continue to be aggressive towards building a Rs. 450-500 crores portfolio by FY24.

In International Business, we had a stellar quarter and year with each of the markets contributing handsomely. In Bangladesh, we continue the diversification journey through accelerated growth in haircare, including shampoo, and baby care portfolios. In Vietnam and MENA, we have

realigned the leadership structure to be able to replicate attributes on the strategy that has worked in Bangladesh in order to build a sustained growth momentum in both the businesses. The MENA market presents an attractive growth opportunity and we will invest to grow in this market. We are confident of delivering healthy growth over the medium term in South Africa in the export businesses as well.

Looking forward, the near term demand outlook is uncertain, but we are confident of staying ahead of market growth, winning market share and gaining penetration. We also expect margins to be subdued in the near term, but there is some degree of comfort given that copra prices should remain benign throughout the year and it constitutes half of our raw material basket. Both demand and margin trends should improve towards the second half of this year. Overall, we are hopeful that we will be able to cope with all the stress factors in Q1 and get into a rhythm when things start easing out from August-September because of base correction as well as relative demand and input cost stability.

Over the medium term, we will continue to do what we are doing well in terms of driving sustainable and profitable growth in the core domestic and overseas franchises, managing costs aggressively and staying true to our purpose in our ESG commitments. However, to unlock the next leg of growth, we believe that we need to get the four dimensions right to deliver long-term double digit value growth. We call them 4 Ds:

The first D is Diversification of business in domestic and international markets. In domestic, there are 3 pillars. Premiumization of Hair Nourishment, turbocharged growth in Foods and scale up premium personal care plus digital first brands. Out of the three, we have seen early successes in two, and only premiumization of Hair Nourishment is work in progress. In International, we will continue to scale up non-CNO portfolio in Bangladesh and similarly expand the addressable market of the businesses in Southeast Asia and MENA by replicating our successful model in Bangladesh.

The second D is Distribution. We will continue efforts towards go-to-market transformation in urban and rural. We are scaling up a dedicated food GTM in order to drive our aspirational target in Foods. In addition, we have institutionalized a framework, internally known as Sales 3.0, to strengthen our micro market focus and execution, bring enhanced agility with on-ground decision-making and leverage technology and analytics. The new framework or structure represents a shift in our sales operating structure from four divisions, that is north, east, south and west to multiple 7-8 clusters, which are defined based on similar consumer behaviour brand

preference and geographical contiguity. We expect similar headroom for driving distribution led growth in all our key international markets of Bangladesh, Vietnam, Saudi and Egypt.

The third D stands for Digital. We are investing towards raising the digital quotient across the value chain to make the organization future ready. This is also reflecting in the talent we are hiring and how we are imbibing new ways of working, which we believe will enable us to transform into a digital savvy organization and win amongst evolving consumer and marketplaces.

The last D, but not least, is Diversity. We are consistently working towards building diversity in terms of gender and thought in our talent pool across all levels of the organization. We're amplifying equal opportunity for all at the workplace and believe that our positive, enabling and inclusive culture will give us a strong and competitive edge over the longer term.

So, just to repeat the 4 D's. The first one is 'Diversification', the second one is 'Distribution', the third is 'Digital' and the fourth is 'Diversity'.

Would like to close my comments by conveying my gratitude to all Marico members and associates for their exemplary commitment and dedication over the years and the last couple of years, in particular. We're gradually returning to seeing our teams in offices with a reasonably permanent hybrid setup and pray that the pandemic is now largely behind us.

Thank you for your patient listening, and we will now take your questions.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Percy Panthaki from IIFL. Please go ahead.

Percy Panthaki: My first question is on Parachute. So, I understand last quarter you had mentioned that this time you have been ahead of the curve in taking the price corrections and you've gone through 2 or 3 rounds of price correction and therefore you feel that there would not be any market share loss to the smaller or unorganized players as has been in the past when there has been a commodity reflationary cycle. So, now despite this, the volume has come very-very subdued. So, just wanted to understand what has happened in this category? Is it still that there's been some amount of market share loss to the small and unorganized players?

Saugata Gupta: We have gained market share, 170 bps volume market share gain in rigid packs. Number 2, the category decline is in line with the FMCG decline. We are ahead, our decline is -1% on a base

of 29%, so actually the 2-year CAGR is in double digits. In the full-year as well, we have delivered 5% volume growth, which is in line with our medium term aspiration. We have taken pricing proactively this time. It does take around 45 to 50 days for that to effect in the market because of the overall pipeline between C&FA to distributor, distributor to retail, especially in retail and rural markets. You are also cognizant of the fact that obviously given the kind of rural stress, the conversions from unbranded to branded will be a bit challenged. Having said that, given that we will continue to expand distribution in rural and the fact that we continue to be proactive in pricing and in terms of whether it's working capital, supply chain agility in these kinds of inflationary times, we would be at an advantage, we are fairly certain of protecting market share and growing as per medium-term aspiration in the full year.

Percy Panthaki: Okay and in VAHO, I was looking at your CAGR on a 3-year basis because now 2-year basis is also not valid because the 2-year base is also COVID affected. So, on a 3-year basis for this quarter, our value CAGR is 1% which means that the volume will be zero to negative. So, again, just wanted to understand in this category over 3 years, we have not seen any growth. So, is this also a category issue or is this a market share issue, what is really happening here?

Saugata Gupta: In the personal care category on a 3-year basis, the numbers are similar. This year, there have been hardly any price increases in VAHO, its only now in the last quarter. Largely in 2020 and 2021, it has been benign in terms of crude and in fact there has been price drop. So, the volume and value are largely in line. So, I don't think there is a difference in it and as you know in VAHO, there is also a rural bias. So, yes, three year number is stressed, but you have to also see that none of the years there has been business as usual.

Percy Panthaki: So, if I take Q4 FY19 as my starting point and I look at Q4 FY19 versus Q4 FY22, yes Q4 FY22, there is of course the overall FMCG slow down, but I am assuming Q4 FY19 would be a normal quarter, right?

Saugata Gupta: Yes, but there is no difference from any personal care category. If I look at 3-year CAGR for our India business, it is 7%, which is ahead of the personal care category.

Percy Panthaki: Right, so then coming on to the macro part, if it's basically only the macro and poor overall FMCG demand, which is causing this, how do you look at this situation evolving over the next 2 to 3 quarters.

Saugata Gupta: One is obviously there will be input cost pressure definitely and I don't see that abating very- soon. Having said that, two things we will do. We will strive to grow ahead of the market and

also gain market share. Number 2, I think as far as copra is concerned, we are reasonably okay because of the input cost pressure and we have taken proactive to the Parachute, in fact, Parachute by the way, if you look at the 3 year CAGR volume growth number also, it's 5%. So, Parachute delivered our medium term aspiration. Secondly, if you look at the base effect, obviously quarter 1 base continues to be high, I think at a volume base of 21%, then moved to 8% and then to flat and now 1%. So, I think the base will also start correcting itself. In fact, we had seen in the past year, the slow down starting in September. So, a combination, as I said in my opening commentary, we believe that both the input cost situation and the relative demand situation with the base correction will ease itself out. So, therefore, I think you will see a better second half than the first half. Having said that, Parachute is where we should be able to deliver the medium term aspiration. Number two is we continue to stay invested behind Foods and Digital business. They don't seem to be significantly impacted even this quarter where there is no inorganic component because we just launched mayonnaise and peanut butter in April. Foods delivered 17% growth like-to-like. There have been no new launches this quarter. So, I think if you look at the fact that we will continue to grow with Digital and Foods and at Parachute in recent context, we should get back in to a rhythm of growth in the second half.

Percy Panthaki: And just a housekeeping, can you give us the absolute sales you have clocked on your Foods and Digital brands for the full year?

Saugata Gupta: For the Foods, it is between Rs. 450 and Rs. 500 crores. Exit quarter run rate in Digital is Rs. 180-200 crores.

Moderator: Thank you. The next question is from the line of Vivek Maheshwari from Jefferies. Please go ahead.

Vivek Maheshwari: One question, Saugata and Pawan, one thing that always stood about Marico was your disclosures, quarter after quarter, we are seeing one or the other disclosure going down or going off the release. So, let's say, this time around its domestic margins, it has been volume growth. What has suddenly changed? For a decade or more than that, you were so consistent with your disclosures and suddenly in the last few quarters, you have completely changed that stance. So, what has changed, I just want to understand.

Pawan Agrawal: Largely, there were two changes that we have done in the last 2-3 quarters, one was Saffola volume growth and then VAHO volume growth and we had talked about as to what are the reasons for not disclosing this volume growth because of the internal parameters, we had moved to value-led parameters and therefore, it was only right for us to align the external

communication in line with what we are tracking internally. So, that's the major change and rest all what we are talking about is not significant and if required, we could always discuss those offline and we don't think that that is going to impact the readability or the understanding of the performance and therefore we will continue with this.

Saugata Gupta: Just to add, we have just aligned the internal KPIs with the external KPIs. So, whatever is there in our internal KPIs, it is better to track similar KPIs. That is about it.

Vivek Maheshwari: Okay. My request still would be that you may want to reconsider because if there was one Company, which always stood out on disclosure that was always you and you have also gone down a lot at the time when some of the peers have actually increased disclosure. So, that is just one suggestion.

Pawan Agrawal: Like I said, the only thing is that we ensure that the understanding of the business performance is not compromised with. We are only holding back certain information from a competitive standpoint and that's the reason we have cut down on certain disclosures, but I think if you still compare with other companies in the peer set, we believe that we have one of the best disclosures in the industry.

Vivek Maheshwari: Right. You have been around for long, suddenly why worry about competition when you never worried about competition for the most part of your journey. So, what has changed in that context in the last 4 quarters? Why suddenly you worry about competition now and not any time in the past?

Saugata Gupta: Competitive intensity can change, market structure can change and you have to at least respect the fact that we have aligned internal and external KPIs and we believe that we are trying our best to present a fair idea about the business performance. Having said that I think we are open to suggestions and you can please provide those suggestions offline.

Vivek Maheshwari: Sure, I will do that. Second is, given how the oil tables are moving up, do you see any risk from coconut oil standpoint and therefore copra, I don't think inflation necessarily will come back given where the peak was in the cycle, but do you think some of the, let's say assumptions or estimates you have had on copra, those get challenged given how the competing oil prices are behaving?

Saugata Gupta: As you know that copra has an insulated market structure because imports are not allowed and therefore whatever the best estimate of supply and demand, it indicates that it will stay relatively

benign for the rest of the year and as you know that as we speak in May, we have a visibility of the harvest because the season starts sometime in the third week of March and given everything, we are pretty confident. Having said that obviously you can't anytime prevent any black swan. I think we are fairly certain that at this point in time for at least the next 6-9 months and the season is pretty good as of now.

Vivek Maheshwari:

Okay. And just a follow up, pardon me if my understanding is not correct, but if the competing oil prices move up, so I understand that India in several ways from a soft commodity standpoint can be very different from what the Asian and Southeast Asian or global market prices are, but given the competing oil prices are moving up, that you think will not impact copra or coconut oil?

Saugata Gupta:

Yes, because if you see last year and if you look at historically 10 years, there is no correlation between copra and other vegetable oils, like Sunflower oil. If you look at the data, the S&D is different. And as I said the harvest is good, its domestic harvest which has been fairly robust and obviously if there is inflation, we will see, but as I said that if the season prices are good, I think most of year is taken care of.

Moderator:

Thank you. Then next question is from the line of Kunal Vora from BNP Paribas. Please go ahead.

Kunal Vora:

Actually it is like almost a continuation of the previous question. Can you share your thoughts on how the disruption in the global edible oil market, how it impacts your business, is there interplay between copra and other edible oils? If not in India, in Indonesia is that the case? And with other edible oils being highly inflationary, copra being deflationary, are there any benefits you see of customers looking to copra as an option or the customer will be very different? If you can share your thoughts on this.

Saugata Gupta:

As far as the Indonesia is concerned, it is with respect to palm. Yes, we import copra from Indonesia and some other countries in Southeast Asia for our international markets. The palm ban in Indonesia has had no impact on copra. Having said that, obviously international prices have been slightly bullish, but I think it's unlikely to impact margins in international business drastically and as far as I said that the correlation with other vegetable oils is not very high and I have the visibility of the season and as you know that during the season, we procure a significant part of the copra for the year. I think it gives us a fair idea that at least in the immediate term, there is no such risk.

Kunal Vora: Second, how is Saffola doing in terms of volumes? Edible oil prices have moved up sharply. The customer is facing inflation across categories. Is the customer downgrading, what are the trends which you are seeing in Saffola edible oil usage? Are you losing some customers you had acquired during the last couple of years?

Saugata Gupta: Saffola volumes has been flattish for the quarter. Obviously, there has been significant inflation and therefore which reduces the conversion rate or people upgrading. A significant portion of the Saffola consumers actually come from the segment who believe in healthy living and therefore consume less oil and therefore the total incremental outlay is less. Having said that, I think if there is consistent inflation for a large period of time, there could be some risk of downgrading and that is there for any and every category.

Kunal Vora: And lastly if you can talk about the competition in the VAHO segment, why it remains much higher compared to other categories. This is one category in which you have not seen any meaningful price increases. Is it because of low inflation or industry is sacrificing margins here?

Saugata Gupta: I think what has happened is there has been some price increases which have been taken. Having said that, there has been increased activity at the bottom of pyramid and therefore some categories of brands that are growing are at the bottom of pyramid. Having said that, if crude continues to remain at these kind of levels, I think there will be price increases in this category and in our case also, I think while we have taken a combination of some price increase and some volume correction in the packs, which is also a surrogate pricing increase.

Pawan Agrawal: Also would like to add that we have taken 5-6% price increases in March.

Moderator: Thank you. The next question is from the line of Shirish Pardeshi from Centrum Capital. Please go ahead.

Shirish Pardeshi: I have one structural information and fundamental thought. The category penetration for PCNO is very large and you have been actively expanding the distribution. So, I was looking for your qualitative comment when you are saying on slide #8 that FMCG market has declined -4% YoY, so specifically in terms of if you can split it into what is the coconut category growth in Q4 YoY and VAHO growth in Q4 and the second part to it, you just mentioned that the value end of the VAHO was also growing for almost 6-7 quarters and it is showing the negative trend, at least the syndicated data what I've seen in the month of February is showing negative trend. So, any qualitative comments what's changing structurally in the VAHO segment?

Saugata Gupta:

First to answer your question I think the FMCG overall decline in this quarter has been 4% and Personal Care is 9%. VAHO is more than FMCG decline but in line with the overall personal care and coconut is in line with the FMCG. Having said that I think if you look at the 3-year CAGR, PCNO volumes are 5% and it is particularly in line. Coming to the VAHO question, I think what has happened is essentially a lot of growth in the bottom of pyramid obviously has come from rural and the stress factor in rural has been pretty high. For some of the categories, which have premium offerings, there is higher growth in premium new-age digital brands, which is sold through e-com, modern trade and beauty outlets. I think that growth has got less impacted and I am not so sure whether Nielsen actually captures this growth. For example, how much is onion oil getting sold or some of the premium hair oils that are sold in digital or e-commerce. So, we believe as per the data we have, the segment is relatively less impacted than what has been the impact in rural. That is the reason, if you look at the bottom of pyramid, growth has been impacted because rural has got more impacted but if you look in e-commerce or modern trade for some of the categories, we are not seeing that kind of an impact.

Shirish Pardeshi:

My second question is on the Foods part. You have done a lot of expansion, now in the medium to long-term, you will keep inventing and adding to Saffola franchise, but if I pick your brains, in last 4 to 5 quarters whatever new addition we have done, which things it will take you to a higher level or your aspiration level of Saffola franchise, Foods being more than Rs. 500 crore?

Saugata Gupta:

We have hit a number which is between Rs. 450 and Rs. 500 crores in line with our aspirations, I think Oats and Masala Oats continue to grow and we have expanded penetration and the category, Soya and Honey have both crossed Rs. 50 crore mark and it is in line with our aspirations. We have some job to do in Oodles and Chyawanprash. I think what we are looking at is we are creating a portfolio that actually supports our separate GTM of Foods, which we have prototyped successfully in two markets and we are scaling up this year, which is a completely separate GTM from our standard sale system and in which we have a dedicated National Head, driving the Foods journey. I think we are looking at products, which expand the Saffola's total addressable market, which are better for you in any of the segments. We might not get into the center of plate, we will look at in between niche and we are looking at intermediaries and that's the reason we have got into accompaniments like a peanut butter and mayonnaise. In our overall structure, if I have to give you a picture, we are looking at medium size categories, which have tailwinds over the medium to long-term, penetration which is low to medium but Saffola has a right to win by offering a differentiated or better-for-you offerings. We are looking for categories, which primarily can be sold through urban food GTM, as well as modern trade and e-commerce. We will not get into something which is rural. We will not get

into products, which are sold in paan plus outlets because we don't have that distribution. Neither will we go into cold chain products.

Shirish Pardeshi:

If I may squeeze one question on international, Vietnam we have been seeing a lot of turnaround, is the problem in Vietnam geography is completely solved and that could be our next big leg of growth for us in the next 2-3 quarters?

Saugata Gupta:

So, Vietnam has been a combination of two things. Yes, you are right, we have had a little bit of yo-yo till two years, also the fact that Vietnam had got impacted by two rounds of COVID and they also had a lockdown. Also, we had a single category presence. We have now started doing well in Foods out there. We have started regaining market share. I think, in international markets, and we believe in a disciplined organic approach of getting the portfolio right, getting the go-to-market right, getting the cost structure right and getting the right talent and processes and all four when they run in tandem, there is this rhythm of growth or virtuous cycle of growth and I think we have had the successful model in Bangladesh where we believe that we are clearly the number 2 company and we are extremely confident of the diversification journey. I think we have put the learnings in place, including for example, localisation of senior leadership, getting the right talent and we believe that not only in Vietnam, but MENA where there is a clear profit pool and market share pool to be taken from competition, we will be able to aggressively replicate this. I think amongst all our peer companies, we have the healthiest international business, highest ROCE, consistent growth. All the three markets are stable in terms of economic growth, in terms of forex rates, we have no such problems and therefore we are pretty confident our International Business has entered a virtuous cycle of growth.

Moderator:

Thank you. The next question is from the line of Harit Kapoor from Investec. Please go ahead.

Harit Kapoor:

Just two questions. The first question is on coconut oil. I just wanted to understand, is it possible that coconut oil growth picks up at least in the near term, just wanted to understand how you are thinking about that, that is my first question.

Saugata Gupta:

So, as far as coconut oil is concerned, I think we have to have the right pricing for right conversion from unbranded to branded. We will continue to invest behind rural distribution, as you know our rural market share is slightly behind urban market share. As long as we do that and take proactive pricing calls, I think we should be able to deliver the medium-term growth aspirations.

Harit Kapoor: I just want to understand whether you could see a benefit in the PCNO given that price increases haven't happened. So, could that be a scenario which could potentially play out over the next 2-3 quarters, is that even possible?

Saugata Gupta: So, if we get our PCNO pricing right, there will no downtrading from branded to loose.

Harit Kapoor: The second question is on the Foods GTM journey, if you could help me understand a little bit more on what work we are doing there and what areas we can see accelerated growth being given by the Foods GTM. I just wanted to get your sense on what changes need to be made there to be able to drive a faster growth, the fact that we have already launched several new products, what needs to be done on the Foods GTM journey.

Saugata Gupta: So, I think the biggest one is getting the Foods GTM right and I spoke about the fact that we have a segregated food GTM earlier, so we prototyped it at a distributor level. We are now putting dedicated managerial and a national head for Foods GTM where a senior leader will actually drive the food GTM without any escape button. So, that is his or her only role into driving alternate GTM. So, Foods GTM is the biggest thing because if you really look at Food whether it is between modern trade, e-com and urban set of food outlets, especially standalone modern trade outlets, that is where the kind of categories we have launched to get a significant part of the weighted distribution. We don't need to get into mass distribution because that give you numerical distribution, but doesn't give you weighted distribution. So, to me, that is the first thing. The second thing is I think we will continue to drive rural distribution. We are still under indexed in a couple of states where we have to go. We believe given the fact that wholesale as a channel will continue to deplete, I think direct rural distribution will become a source of competitive advantage and an entry barrier for competitive action. Lastly I think what we have done, which while it's not a distribution job, but we now have a channel wise assortment to prevent any channel conflict and we successfully operate to a large extent, a minimum operating price across all channels. Therefore, the noise level, which was there in 2019 as far as channel conflict is concerned, has been largely addressed and we believe that each channel has a role to play and for each channel we look at a separate P&L. So, therefore, for all the alternate channels or the new channels, there is a separate P&L approach so that we ensure that we sell our assortments such that while the cost of sale in each channel can be different, but at least your net contribution level is reasonably neutral.

Moderator: Thank you. The next question is from the line of Siddharth Bhattacharya from Anvil Wealth Management. Please go ahead.

- Siddharth Bhattacharya:** My question was more from the point of understanding the edible oils business. The Saffola as well as virgin oil category that you have launched. So, in my assumption I believe the blended oils would be a significant portion of your total business segment, right?
- Saugata Gupta:** For Saffola, we only sell multi-seed oil.
- Siddharth Bhattacharya:** My question regarding that is basically from a production standpoint, do we have enough levers in place in terms of blending ratios that allow us to take care of inflationary pressure in any of the input oils that come through?
- Saugata Gupta:** So, our entire endeavor is to scientifically design oils and the ratio which is best for consumers in terms of heart health and therefore we don't change it. It is not like soap that you keep on changing total fatty matter or something like that. We, as you know as a Saffola brand, we have also made some changes in the past, but it is in line with scientific evidence in terms of the PUFA/MUFA balance. So, we don't just keep on changing formulations because of inflation.
- Siddharth Bhattacharya:** Okay, but is there a range that you follow?
- Saugata Gupta:** No, you can't.
- Siddharth Bhattacharya:** Okay. And I also wanted to understand with your launch of these virgin oils, which I see the olive oil as well as the coconut oil, what is the game plan over here?
- Saugata Gupta:** It's a very small digital play. It is largely available in e-commerce and we're just participating in it and if you ask me very honestly, it is just a mere participation strategy. There is no big aspiration or game plan in this.
- Moderator:** Thank you. The next question is from the line of Rakesh Roy from Indsec Securities and Finance. Please go ahead.
- Rakesh Roy:** My first question is regarding, can you highlight on the demand scenario in the international market because Bangladesh market is also facing high inflation. So, can you give me an idea sir?
- Saugata Gupta:** I think most of the markets where we participate in, other than Egypt, there is inflation, but not very significant inflation. In Egypt, there is a little more inflation. As you know, Asian countries are more rice eating and rice producing countries and therefore, the food inflation is relatively

low. It happens more where wheat is imported. We are more or less in control of the situation and obviously there are some countries in our Indian neighborhood, which are facing far high inflationary trends, where we don't have that much significant presence.

Rakesh Roy: Just to know sir, if Bangladesh's inflation is also on 17-month high.

Saugata Gupta: But there is nothing disruptive as far as our growth journey in Bangladesh is concerned.

Moderator: Thank you. The next question is from the line of Gaurang Kakkad from Haitong Securities. Please go ahead.

Gaurang Kakkad: I just had one question regarding Saffola Oil. So, in response to the earlier participants, you indicated that there is no change in terms of blend in terms of oil just because of inflation. So, I had a question in terms of the pricing of Saffola Total versus Saffola Gold, so if you look at the pricing 3-4 years back, Saffola Total used to be at 20-25% premium to Saffola Gold and today the pricing is almost similar. So, is it that we are taking a hit on the margins for Saffola Total with the inflation which is there, or is there some other thought to it?

Saugata Gupta: No, I don't think it is unless somebody is providing a discount. There is a differential in pricing. I don't think it is equal, but having said that, the gap has reduced a bit. So, to give you an example, if you now go to Amazon or Instamart, you will see there is still 10-15% gap between the prices. Unless there has been some discount being especially run on Total, but the pricing there is a difference.

Gaurang Kakkad: Actually, I was looking at the MRP data and it was like Rs. 255 and Rs. 250.

Saugata Gupta: Gold is Rs. 230, not Rs. 250.

Pawan Agrawal: What could also happen is that there is a possibility that the earlier MRP of Gold could be there in the market or the newer MRP and the old MRP stock of Total. Therefore, the price difference could be lower. Also, as Saugata mentioned, the difference would have come down because what also happens is in such a hyperinflationary scenario, the absolute outlay becomes very important. So, to that extent, the price increase may be slightly on the lower side for Total, but the difference definitely exists.

Gaurang Kakkad: And just to get a sense, may be Gold would be the largest brand in Saffola, say 40-50% contribution, if you can put some numbers?



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Saugata Gupta: No, we don't disclose that.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to the Management for closing comments.

Pawan Agrawal: Thanks a lot for listening on the call. To conclude, we ended the year on a good note with the India business putting up a resilient performance amidst tough macros while international business continued its consistent outperformance. We also defied sharp cost pressures to deliver a double-digit EBIDTA growth. Going forward, given the uncertain environment that we are in, it is difficult to gauge how demand will pan out in the near term. However, we are quite confident that we will continue to beat the market in both India and international businesses. While there is unprecedented cost push in various cost line items, we draw comfort from the fact that copra is on deflationary trend and this along with other cost-control measures should definitely help us to manage the pressure on margins.

If you have any further queries, please feel free to reach out to our IR team and we'll be happy to address the same. That is it from our side. Stay safe and take care.

Moderator: Thank you. Ladies and gentlemen, on behalf of Marico Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.

(This document has been edited to improve readability.)