Marico Limited – Q2FY24 Results

Domestic volume growth at 3%
Foods and Premium Personal Care contribute ~20% of domestic revenues
Stellar 13% CCG in International business
Gross margin at 26 quarter-high; EBITDA up 15% YoY; PAT up 17% YoY
Poised to deliver highest-ever operating margin in FY24

In Q2FY24, Revenue from Operations was at ₹2,476 crore, down 1% YoY, with underlying volume growth of 3% in the domestic business and constant currency growth of 13% in the International business.

During the quarter, **demand trends in the domestic FMCG sector stayed largely in line with the preceding quarter.** While urban sentiment improved sequentially, instances of higher food inflation and uneven rainfall distribution led to a slower-than-expected pace of recovery in rural demand. Packaged foods, given its high urban salience, maintained a healthy growth trajectory and continued to outpace mass home and personal care categories. With commodity inflation largely in check and price cuts implemented across categories, **we remain optimistic about a gradual recovery in sectoral volume growth, aided by range-bound retail inflation, onset of the festive season and continued government spending.**

In the India business, the key franchises logged healthy offtake growth with **~85% of the business either gaining or sustaining market share and penetration**. Among the sales channels, MT and E-commerce registered high double-digit (20%+) growth, while General Trade declined in low single digits on a YoY basis.

The International business continued its strong growth momentum amidst a challenging geo-political scenario and macroeconomic headwinds in select markets.

Gross margin expanded by 685 bps YoY and 50 bps sequentially to reach its highest level in 26 quarters, owing to softer input costs. **A&P spends** was **up 26% YoY, up 229 bps as a % of sales**. **EBITDA margin stood at 20.1%, up 272 bps YoY. EBITDA grew by 15% and PAT was up 17% on a YoY basis**.

At its meeting held on October 30, 2023, the Board of Directors of the Company has declared an **interim dividend of 300% (₹3 per share)** on its paid-up equity share capital of ~₹129.36 crore.

Domestic Business

The India business delivered a turnover of ₹ 1,832 crore, down 3% on a YoY basis, lagging volume growth due to price corrections in key portfolios in the last 12 months.

Parachute Rigids registered 1% volume growth amidst subdued consumer sentiment, while **the franchise gained ~35 bps in market share on MAT basis.** With pricing cuts coming into the base, value growth should mirror volume growth from Q3.

Value-Added Hair Oils grew by 1% in value terms, reflective of a slower recovery in mass personal care categories. **Value growth on a 4-year CAGR basis was at 4%.** The franchise consolidated its market share leadership on MAT basis.

Saffola Edible Oils posted **low single digit volume growth**, holding onto a strong base, despite vegetable oil prices remaining volatile during the quarter. **Volume growth on a 4-year CAGR basis was in high single digits. Revenue decline was in the low twenties on a year-on-year basis** due to pricing corrections over the last 12 months.

Foods continued its steady growth trajectory with **25% value growth YoY.** The franchise is largely on-course to reach its FY24 revenue aspirations. **Saffola Oats** maintained its category leadership, while **Honey and Soya Chunks** continued to scale-up well. **Peanut Butter, Mayo and Munchiez** have also been gaining traction**. True Elements** and **Plix** act as differentiated growth drivers to our Foods play.

Premium Personal Care delivered a steady performance in the quarter. **The Digital-first portfolio clocked exit ARR of ₹350 crore+ in Q2.**

The share of Foods and Premium Personal Care was at ~20% of domestic revenues in Q2.

International Business

Bangladesh clocked 2% constant currency growth amidst ongoing macroeconomic headwinds. **Vietnam** grew 13% in CCG terms with a steady performance in both the HPC and Foods portfolios. **MENA** delivered 34% CCG and **South Africa** posted 23% CCG. **NCD and Exports** posted 18% growth.

Outlook

The domestic business has delivered 3% volume growth in H1 amidst a challenging operating environment with sluggish demand sentiment in rural. We continue to draw confidence from the resilient offtake growth, market share and penetration gains posted by our key franchises and expect a gradual improvement in demand sentiment to reflect in the performance of domestic business in the second half of the year.

The International business has delivered robust 11% constant currency growth in H1, despite a challenging scenario and currency devaluation headwinds in select markets. We expect to maintain the strong growth momentum in H2 on the back of the broad-based growth construct of the business.

On a consolidated basis, we also expect **revenue growth to move into the positive territory in the second half of the year** as pricing deflation in the domestic business steadily tapers off. **Gross margin is expected to expand by ~350-400 bps**, which is higher than earlier envisaged, in view of the H1 performance and continued input cost tailwinds. We will also **sustain aggressive brand-building investments** towards strengthening the equity of the core and new franchises to drive growth. Consequently, **we expect operating margin to expand by ~200 bps in FY24**.

In the first half of the fiscal, we have made positive strides towards achieving our stated portfolio diversification objective constituted by an accelerated scale up in Foods, building a Digital First portfolio while steering key franchises to profitability, and broad basing the international business to enable consistent double-digit growth. We have also delivered robust expansion in operating margin despite ramping up A&P investment in brand building to strengthen the long-term equity of core and new franchises. **We will continue to drive improvement across key performance parameters in H2 and hold the same aspiration on a full year basis as well.**

Saugata Gupta, MD & CEO, commented, *"The domestic and overseas businesses have delivered a fairly resilient performance amidst a challenging operating environment in the first half of the fiscal. We have made substantial progress towards achieving the diversification objective set for the year with Foods and Digital-First portfolios scaling up on expected lines. We are also on-course to deliver robust gross and operating margin expansion this year, even while ramping up brand building investments to strengthen the equity of our franchises. We continue to hold the aspiration of exhibiting an improvement across key performance parameters on a full year basis."*

Marico is among few Indian companies to be rated 'AA' in MSCI's ESG Ratings

Ranked in the 'Leadership' category among S&P BSE 100 companies in 4 out of the last 5 years in the Indian Corporate Governance Scorecard published by IiAS

Marico was the only FMCG company to be placed in the 'Leadership category' as per CRISIL's ESG ratings published in Yearbook 2022

Marico recognized among the Top 3 Sustainable Companies in the FMCG sector at the Sustainable World Conclave by BW Businessworld

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