Marico Limited – Q3FY23 Results

Consolidated Revenue up 3%
Domestic volume growth resilient at 4%
International business maintains robust momentum
Gross and EBITDA margin expand more than 1oo bps sequentially
EBITDA up 6% YoY; PAT up 6% YoY

In Q3FY23, Revenue from Operations grew by 3% YoY to ₹2,470 crores with underlying volume growth of 4% in the domestic business and constant currency growth of 8% in the international business.

During the quarter, the FMCG sector in India showed some signs of a gradual improvement in overall demand trends, in addition to the festive spirit and oncoming winter season providing some fillip to specific categories.

In keeping with the sector, the India business also witnessed a pickup in the performance over the preceding quarter. The underlying domestic volume growth in Q3 was 4%. Notably, the impact of pack size reductions in the VAHO franchise on domestic volume growth was about 100 bps. **On a 3-year CAGR basis, quarterly domestic volume growth stood at a healthy 6%.** Sustained focus on execution and brand building investments translated into key franchises consolidating market shares during the quarter. Among the sales channels, General Trade declined in mid-single digits, with rural still behind urban. MT and E-commerce grew in high double digits.

The international business sustained its healthy growth momentum with constant currency growth of 8%. Each of the markets exhibited strength amidst macroeconomic uncertainty and currency devaluation headwinds.

Gross margin expanded 123 bps YoY and 131 bps sequentially. **A&P spends at 8.9% of sales**, was up 3% sequentially. **EBITDA margin stood at 18.5%, up 55 bps YoY and 111 bps sequentially. EBITDA was up 6% YoY**. **PBT growth perked up to 9%** owing to higher other income. **PAT was up 6% YoY** because of higher effective tax rate (ETR).

Domestic Business

India Business delivered a turnover of ₹ 1,851 crore, up 2% on a YoY basis.

Parachute Rigids was up 2% in volume terms after a tepid last few quarters, as the loose to branded conversions in the coconut oil picked up with copra prices firming up favorably in the off-season. In the given market context, **the brand gained 30 bps in volume MS during the quarter**. The brand is witnessing healthy traction and penetration gains on the back of micro-marketing interventions in relevant markets. We expect to clock volume growth in line with our medium-term aspiration going ahead as structural drivers of growth have come back in play.

Value Added Hair Oils posted value decline of 3% given the muted consumption sentiment in rural and sluggishness in mass personal care categories. **Value growth on 3 year CAGR basis stood at 7%.** Within the category, mid and premium segments continued to fare better than the bottom of the pyramid segment, also reflecting in the 80 bps gain in value MS.

The **Saffola franchise**, comprising Refined Edible Oils and Foods, **grew by 10%** in value terms.

Saffola Oils stepped up growth from the last quarter to post **low teen volume growth** as stability in trade inventory and consumer pricing prevailed. Revenue growth was lower owing to pricing corrections.

Marico was ranked among the top 3 Most Sustainable Companies in India by BW Businessworld IMSC 2021-22

Marico was recognized as the 'Masters of Risk' in the ESG category in the 8th edition of the India Risk Management Awards 2022 by CNBC-TV18 & ICICI Lombard

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

Marico was recognized among the Top 5 Water Positive Companies in the 2021 Capri Global Capital Ltd. HURUN INDIA Impact 50 List

Foods grew 31% in value terms with 20% growth in the Oats franchise and newer offerings scaling up well. **Saffola Oats maintained its strong leadership position in the Oats category**. During the quarter, the Company launched healthy and lip-smacking snack offerings under the aegis of **Saffola Munchiez.** The brand introduced **Ragi Chips** and **Roasted Makhana** in multiple flavours by leveraging India's own super grains. In both offerings, Saffola stayed true to its "Healthier for You" credentials as Ragi Chips have 50% less saturated fat compared to chips fried in palm oil and Roasted Makhanas moves its consumers away from fried snacks.

Premium Personal Care continued to clock double-digit growth. Digital-first portfolios are scaling up in line with expectations.

International Business

International business posted a turnover of ₹ 619 crore with 8% constant currency (cc) growth.

Bangladesh clocked 9% constant currency growth. Both the core and newer portfolios remained steady. **Vietnam** grew by 13% in constant currency terms as the HPC and Foods franchises performed well. Both **MENA and South Africa** grew by 13% in constant currency terms.

Outlook

Near Term

In the **domestic business**, we will maintain sharp focus on **driving penetration and market share gains** across our portfolios aided by distribution expansion, aggressive cost controls, and sufficient investment in market development and brand building. **Prominent green shoots in rural are eagerly awaited** as an encouraging winter crop-sowing season, indications of higher farm income and continued government stimulus bode well. **We expect to maintain an improving growth trend in the quarters ahead.**

The **International business** has been resilient and maintained a steady momentum of healthy profitable growth over the last 5 years. While there are risks of currency depreciation and inflation in some markets, **we are confident of maintaining this growth momentum** in the coming quarters.

Gross margin should remain steady with an upward bias going ahead unless sharp volatility in key input costs resumes. Taking into account the quarterly gyrations of all cost line items, **EBITDA margin will be in the 18-19% band in FY23.**

Medium Term

The Company holds its medium term aspiration of delivering 13-15% revenue growth on the back of 8-10% domestic volume growth and double-digit constant currency growth in the International business. The Company will aim to maintain operating margin above the threshold of 19%.

Saugata Gupta, MD & CEO, commented, *"The quarter was characterized by improving trends in topline and earnings growth as the domestic business witnessed emerging signs of a gradual demand revival, while the international business stood its ground amidst macro headwinds in some markets. It was reassuring to see continued market share and penetration gains in most of our key portfolios and sustained growth momentum in new franchises. As the operating environment is expected to evolve favorably, we will aim to maintain an upward trajectory across growth parameters in the quarters ahead through consistent investment in our brands and focus on execution."*

Marico was ranked among the top 3 Most Sustainable Companies in India by BW Businessworld IMSC 2021-22

Marico was recognized as the 'Masters of Risk' in the ESG category in the 8th edition of the India Risk Management Awards 2022 by CNBC-TV18 & ICICI Lombard

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

Marico was recognized among the Top 5 Water Positive Companies in the 2021 Capri Global Capital Ltd. HURUN INDIA Impact 50 List