

November 10, 2022

The Secretary,  
Listing Department,  
BSE Limited,  
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Dalal Street,  
Mumbai – 400001  
Scrip Code: 531642

The Manager,  
Listing Department,  
The National Stock Exchange of India Limited,  
Exchange Plaza, C-1 Block G,  
Bandra Kurla Complex, Bandra (East),  
Mumbai – 400051  
Scrip Symbol: MARICO

**Subject: Transcript of the earnings conference call**

Dear Sir/Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, copy of transcript of the earnings conference call held on Friday, November 4, 2022 on the un-audited financial results and operations of the Company for the quarter and half year ended September 30, 2022, is enclosed.

The said transcript is also available on the Company's website at  
[https://marico.com/investorspdf/Marico\\_Limited\\_-\\_Q2FY23\\_Earnings\\_Call\\_Transcript.pdf](https://marico.com/investorspdf/Marico_Limited_-_Q2FY23_Earnings_Call_Transcript.pdf)

This is for your information and records.

Thank you.

Yours faithfully,  
For **Marico Limited**

**Vinay M A**  
**Company Secretary & Compliance Officer**

Encl: As above



Marico Limited  
Q2 FY23 Earnings Conference Call

November 04, 2022

**MANAGEMENT: MR. SAUGATA GUPTA – MANAGING DIRECTOR & 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 Q2 FY2023 Earnings Conference Call. We have with us today 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 a 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:** Good evening to all those of you who have joined the call and please accept my greetings of the festive season.

There was little to no change in the operating environment for the FMCG sector in India during the quarter. Except some improvement in the last month, overall consumption sentiment remained largely muted due to persistent macro headwinds stemming from retail inflation holding firm, currency depreciation and liquidity pressures. The sector declined in volumes for the fourth quarter in a row as per Nielsen led by a high single digit decline in HPC while foods posted marginal growth. Rural has been underperforming urban for a while but holds promise of the beginning of a recovery in H2 on the back of government interventions, reasonably good monsoons and higher crop realizations. It has not been all gloomy, however, as urban and premium discretionary categories fared reasonably well. Moderation in global commodities also bodes well for the sector; however, recent volatility in vegetable oil and firmness in crude should be watched.

Coming to our performance, after a tepid Q1, it is reassuring to see domestic volumes in growth territory in Q2 and optical 3-year volume CAGR at 7%. Further, there was an impact of about 1% in domestic volume growth in Q2 due to pack size reductions, which we have effected as a substitute to MRP increases, in value added hair oils.



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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. We have seen extended sluggishness in loose to branded conversions in coconut oil as copra softened beyond our forecasts and corrected even during the off-season months of September and October. We believe this correction in copra is a reflection of the weakness in the overall sentiment in contrast to being predominantly supply led in the past. As a result, we have been playing catch up in pricing of Parachute coconut oil despite being prompt in taking pricing calls as suggested by our forecasting models on pricing. While multiple price drops does impact trade sentiment, we are in the midst of another round of pricing cuts. In view of these continuous price drops, copra prices and consumer prices should harmonize by December given there is a lag of six to eight weeks for these actions to translate in the market place. Therefore, we expect volumes to stabilize in H2 as we continue to maintain a stronghold in our market shares and remain comfortable on the margin front as well. Saffola, on the other hand, recovered smartly after the Q1 dip, as proactive pricing interventions in key packs synchronized with the moderation in vegetable oil prices. On the profitability front we took one-time hits in this quarter as we cut prices substantially at one go, and ahead of the market to some extent, to avoid multiple pricing changes, even while we consumed higher cost RM inventory. We also covered all the ground stock in the market to effect the price cut. The total impact of all these one-time measures was about 75 to 100 bps on consolidated EBITDA margins but led to stable Saffola edible oil growth in Q2 and in October. Once price stability sets in, we will balance volume growth and profitability at sustainable levels.

Value added hair oils posted subdued growth as continuing headwinds in rural consumption showing up in the bottom of pyramid segment even though the mid and premium segments did relatively better. Volume growth in Q2 would have been flat if not for the pack size reductions done to effect price increases. It is also pertinent to note that the overall hair oil category has been largely tracking HPC growth and we expect this phenomenon to continue. We draw comfort from the sustained upward value market share trajectory and we are focused on expanding our presence in the premium and super premium segments. We will continue to maintain our competitiveness at the bottom of pyramid but we will not resort to actively downgrading the category realizations by operating at unsustainable or meagre gross margins.

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Food bounced back to healthy broad based growth in Q2. We continue to log share gains in oats and soya chunks categories. We also expanded our plant-based protein offerings with the launch of Saffola Soya Bhurji and added a new Saffola Masala Oats variant with a crunch to the oats franchise, which also contains millets. This new variant with millets and crunchiness is based on consumer insights and need gaps in the segment. We will continue to further expand our portfolio of offerings during the rest of H2. During the quarter, we also restaged Saffola Honey with launch of two variants; Saffola Honey Active, at a more accessible price, and NMR tested Saffola Honey Gold at a premium for the enhanced assurance of purity. We expect to aggressively restart our market share gain journey in this category with this dual portfolio study. We will continue to invest in broadening our presence in the honey category. True Elements is also scaling up as per expectations. The current revenue run rate of the food franchise keeps us on track to reach revenues of Rs. 650 Crores in FY2023 and aspire to hit Rs. 850-1000 Crores mark in FY2024.

Premium Personal Care has been growing at a healthy pace sequentially and is now above pre-COVID levels. Beardo and Just Herbs continue to meet internal growth targets. Our digital brands portfolio is nearing 250 Crores in ARR and we continue to chase the Rs. 450 to 500 cr. mark by FY2024.

Moving to the international business, we have delivered double-digit constant currency growth for the seventh quarter in a row which is unprecedented and with all markets contributing fairly amidst growing macro uncertainty. Bangladesh has been resilient amidst challenging macro circumstances with healthy growth in the core and sustained ramp up in the hair care and baby care portfolio. Vietnam has been gaining momentum as HPC category growth in the region has been buoyant. We will continue to broaden our play in the region. We also have been witnessing stable growth in the Middle East and North Africa since the last 18 months. We believe MENA represents a sizeable opportunity and we are investing to grow in the region. South Africa and the New Country Development business, which is primarily exports, have been keeping up their tempo as well.

Looking ahead, we remain hopeful of more accommodative macro conditions in H2, especially in rural, and expect to deliver mid single digit volume growth in a domestic



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business in H2. While the Y-o-Y volume growth in the core categories do not look exciting in this quarter, on a three year CAGR basis, Parachute has delivered 4% volume growth, Saffola oils has delivered 8% volume growth and Value Added Hair Oils delivered 6% value growth, which are reasonable healthy. We have also consolidated market shares in more than 90% of our portfolio on MAT basis, which holds us in good stead once consumption sentiment picks up. We will continue to support our channel partners by maintaining their ROI especially when growth has been muted. We have also not curtailed A&P spends and continue to invest in the long term health of our franchises and in diversification of portfolio. With a combined annual run rate of nearly Rs. 1200 Crores, Foods, Premium personal care and digital first brands are gaining heft at an encouraging pace and we will continue to channelize incremental energies to achieve our aspirations to diversify beyond our core. We are taking measured efforts to build a dedicated GTM for foods and premium personal care which will help us scale these franchises disproportionately.

In the international business, we are confident of maintaining the growth momentum in the coming quarters, even if Bangladesh moderates to some extent in the near term, keeping external headwinds in mind. We are enthused by the diversification initiatives in Bangladesh, MENA and Vietnam paying off. The replication of Bangladesh playbook into Vietnam and MENA has started to show definitive results in terms of uptick in growth every quarter.

Gross margins should improve sequentially from Q3 and copra remains in the soft zone while the recent volatility in edible oil keeps us watchful. Having closed H1 at 19% EBITDA, we maintain our aspiration to deliver 18% to 19% EBITDA margin in FY2023. We continue to build fundamentally sound franchises in the domestic and international markets and push for the four strategic levers of diversification, distribution, digital and diversity, which we believe will keep us on the path of sustainable and competitive growth in the medium term.

We also continue to make visible progress in our ESG programme in each of our focus areas. “Creating shared value for all” remains the ingrained purpose of our business and will allow us to drive superior long-term performance. We are committed to achieving our net zero emissions in our domestic operations by 2030 and in global operations by 2040.



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With that I will now close my comments. Thank you for your patient listening and we will now take your questions. Thank you.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Abneesh Roy from Nuvama. Please go ahead.

**Abneesh Roy:** Yes thanks. My first question is on soya bhurji plant protein, of course protein is exciting category and more so plant protein my questions here are how has been the response in the initial pilot phase, second is when and what is the plan for the larger SKUs currently I see the Rs.15 SKU, third is till now we have not seen any such offerings so it makes huge sense on paper but is there any idea why the industry till now has not launched given soya is such a large category and Indians are very active consumers and how do you see the focus between the more mass soya chunks versus this kind of product for you from a medium long-terms strategy so focus will be more to create this or to compete and take market share in the soya chunk which is much larger category but has got two very entrant players?

**Saugata Gupta:** So let me give you an overall kind of flavor. The same way we have worked on basically oats. If you look at oats, oats was a breakfast concept, plain oats was a commodity but we focused our energies into premiumizing the oats category by providing a value added offering which converted this from a western cold sweet format to savory and we converted this category from breakfast to in between meals we are just replicating that. We participated in soya, soya is doing very well and it is expected to hit 100 Crores this year but we believe that the growth opportunity just like we have done oats is to innovate in this category and convert it into value added and soya nuggets is currently center of plate, we want to convert this from center of plate into a snacking option and I think while others have done it I cannot say but I think we have a track record of innovation in food just like we have done in Masala oats we are just replicating this model.

**Abneesh Roy:** In terms of the response in the pilot phase in terms of taste, etc., I am sure you could have met that is why you are taking it to new cities but just want to get some sense there and second is on the larger SKU.



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**Saugata Gupta:**

This is a pilot right now we have just started it a week back in fact so it has been early days. Now if you notice obviously Rs.15 a trial pack as and when habits get ingrained and this is exactly the same thing which we have done in Masala oats also when we then moved it into the larger packs so we will wait, drive trials, drive loyalty and move to the larger pack, but I think as far as plant protein is concerned I think in India we believe the growth is at the mass end and not necessarily the top end also. In top end number two a lot of action that is happening in the top end is in the frozen category we believe that India will behave differently compared to mock meat which is a very western concept and as I said that we will continue to drive value additions in the plain and we are not interested in participating only in the commoditized space which is plain soya nuggets.

**Abneesh Roy:**

Sure that is useful. My second question is on the India versus Bangladesh growth 1% versus 10% how much of this is because of the India rural slowdown, how much is it because of the category, the mix is different I understand that but is it remarkably different to warrant 900 BPS difference and third is when I see the adjacent areas of Bengal and Assam then how does it compare with Bangladesh because those should converge more worth is 900 BPS pan India and Bangladesh?

**Saugata Gupta:**

I do not think it is fair to correlate Assam or West Bengal versus Bangladesh because similarly UK and Ireland might not have the same growth levels so the way I look at it is this that if you look at India a significant deflation has happened because of the price cuts we have taken in Parachute and Saffola. Saffola in fact is around 18% drop from the peak and Parachute we have taken around 8% price drop which is not the case in Bangladesh so I think that would be the reason so therefore if I had an inflation I would have also delivered with a 3% volume growth and I also talked about we had lost out 1% volume growth because we did not take price increases instead of that we took a MLH drop so if we equate that I think it is broadly in the same zone. I do not see any difference. I believe having said that obviously we have a relative dominant position as far as Bangladesh is concerned and Bangladesh has perhaps little more economic headwinds than India at this point in time, but I think given our competitive strength and our diversification into some of the big areas we have coped with it better.



**Abneesh Roy:** Sure last question is on the VAHO downtrading which you mentioned and you also mentioned on the overall hair oils that you would not like to operate at unsustainably lower gross margins so wanted to understand that where is the downtrading happening, consumer is moving to which product and when you say unsustainably low margins what exactly are you referring at?

**Saugata Gupta:** If you look at any category in HPC because of the inflation and the current this one both in bottom of pyramid whether it is urban and rural there we are seeing a downtrading happening because I think in this kind of category there is no titration in usage. If you look at MFD or some other category there could be titration usage. In some core categories like soap, hair oils and shampoos you do not see titration in usage but you see a down-gradation and any high penetration category there is this opportunity for down-gradation because there are different price points different brands play so we are seeing that is happening in especially the fact that VAHO as a rural skew as a category and this is not just here but some of the other categories in HPC which is happening. Now coming to the margin thing what we are saying is that yes lot of players could have a short time strategy of cutting A&P, downtrading and cutting margins to participate in this downtrading. We believe that on the long term neither if you notice we are not doing A&P cuts so what we will say that we will not grow volume or market share at a gross margin which is somewhat unsustainable over the medium term so as an organization we will not sacrifice the medium and long term for some short term.

**Abneesh Roy:** Sir one last followup here so whenever we see inflation in FMCG we see regional players coming back strongly, in both of your key categories currently there is a deflation happening so when you refer to all this kind of how the players they are cutting down on ad spend and operating at a low gross margin are you referring largely to the regional players in both these categories?

**Saugata Gupta:** I am referring to all competition.

**Moderator:** Thank you. The next question is from the line of Arnab Mitra from Goldman Sachs. Please go ahead.

**Arnab Mitra:** My first question was on Saffola so you have seen this improvement in volumes and last quarter you had specifically mentioned that there was a destocking also in plain so is the volume growth including some kind of restocking and destocking which had happened which is why this high single digit volume growth may not sustain in Saffola going ahead and a related question would be have you had any price changes due to again the volatility in edible oils which happened in the end of October?

**Saugata Gupta:** On the price changes we will wait and watch I cannot comment on it right now. Regarding destocking I think there is a destocking which has happened, the volatility remains so the STR they have not increased and as you know that edible oil control limit also stayed on it was just lifted two days ago. So if you look at Q2 we have not seen any increase in STR and as a practice given the kind of volatility we also do not want to increase STR but we hope as the price stabilizes we will be able to do it but only when there is stability in the system.

**Arnab Mitra:** My second question however was on the volume growth what you mentioned mid single digit for second half will your price deflation not be significantly higher in the second half and would that mean revenue growth could actually go down from the current levels to a flattish level in the second half?

**Saugata Gupta:** It was very difficult to predict because see Arnab I think there are two things one is the volatility continues if you look at the last two weeks there has been some volatility. Yes may be as Parachute you will have some deflation, so I would say that there will be certain deflation but it is very difficult to predict what will be the extent of deflation as of now.

**Arnab Mitra:** Okay understood and the last question was on the premium personal care businesses serum and male grooming where you have called out 300 Crores turnover how big was this portfolio in FY2020 because of pre-COVID period and are the margins in this portfolio better than your average margins and hence as we grow this will help our overall margin profile or due to investments margins here are also going to be lower at least in the gross phase?

**Saugata Gupta:** Not really I think we made significant higher gross margins, the A&P is broadly in line so therefore the more we sell of this it improves not only gross margins it also improves the

EBITDA profile. As far as the numbers are concerned we have now crossed the pre-COVID level. This was the segment which got impacted to a large extent in FY2020-2021 and 2021-2022 but we have now crossed back to pre-COVID levels and the gross margin is significantly higher than the rest of the portfolio so it actually helps in terms of our overall gross margin and EBITDA.

**Arnab Mitra:** This is a segment also where all the new age B2C personal care brands are playing for male grooming as well as serum so is your business also tuned towards that e-commerce-led growth or this is still largely a general trade kind of business which it used to be earlier?

**Saugata Gupta:** The good thing is that we now have portfolio brands in male grooming, Beardo plays in the far more skew towards digital 90% to 95% is digital although we are starting to do the crossover into general trade. In Set Wet, a significant portion is still driving penetrations our job is to drive penetrations although we do participate in e-commerce so they have a very, very significant presence in GT, if you look at in the last 5 to 7 years a significant portion of the growth has happened to the Rs.10 gel pack so we have a penetration task to do as far as styling is concerned and therefore this is a secular based growth. Having said that, both in the serum and male grooming category we will continue to participate aggressively through innovations in the e-commerce and modern trade space and with the either brand extension or a portfolio brand.

**Arnab Mitra:** Thank you so much.

**Moderator:** Thank you. The next question is from the line of Percy Panthaki from IIFL. Please go ahead.

**Percy Panthaki:** I just want to understand in the foods portfolio we had some issues with Honey. so are those issues sorted out, what are our market shares now, we had lost some market share or do we continue at that or have we recovered from there?

**Saugata Gupta:** I do not think there are any issues. The only market share loss which you might allude to is in the month of September we phased out the old and phased in the new so there is no market share loss in fact with the current strategy what we are doing is we are just replicating the Saffola edible oil strategy. As you know in Saffola edible oil we used to have only Saffola



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Kardi and Saffola Gold and we introduced active and tasty in affordable prices so that we gave the consumer choice. It also led to increased penetration and increased market share. What I can tell you is with this kind of a thing which is a far more affordable pricing a superior quality product we expect to aggressively gain market share.

**Percy Panthaki:** Okay so basically the market share loss which you experienced that was more of some sort of change in the pipeline issue or what was the reason?

**Saugata Gupta:** There was no market share loss. All I am saying that in the month of September when we phased out a product and phased in this product we started selling in October mid we have to flush out and therefore we did not sell the new thing. There in one or two places there could have been a market share dip so there is no huge market share loss.

**Percy Panthaki:** My question was more on your Q1 call where you did mention that there was a market share loss in the e-com segment correct me if I am wrong there?

**Saugata Gupta:** GT in the last quarter we had said about market share loss that was in previous quarter. What we had said is that in MT and e-com we continue to maintain the whole share but if you are referring to last quarter specific market share loss nothing has happened. This was compared to the peak, but I talked about the last call there was a slight market share loss in GT which happened in Q1 and as I said in September when we did the phasing there could be a market share loss. Now September data will only come in, whatever data which is indicating there is some slight this one loss in MT and which will pick up because we know how much is the number in October and I believe strongly that we will actually drive market share gain with this dual strategy.

**Percy Panthaki:** Understood and on the other segments within foods the noodles and all the other sort of smaller products any commentary you can give which of them are sort of performing better than expectation, which of them leave some room for improvement, etc.?

**Saugata Gupta:** I think in terms of scale up I think soya nuggets have happened. In terms of the smaller ones I would say that we are now starting to sequentially grow significantly in noodles and in peanut butter, I think we have a job to do in mayonnaise.



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- Percy Panthaki:** We stick to our earlier guidance for FY2025?
- Saugata Gupta:** Absolutely. I think the current run rate is trending towards Rs.650 Crores and that Rs.850 Crores to Rs.1000 Crores including and you will see a lot more innovations coming in the next six months. I think we have got an operating model in foods but also in there that we have established we are now slowly in the first top six cities our exclusive food GTM which will now expand. Our gross margin continues to improve as quarters go by and we get scale and therefore I think we have a very decent playbook as far as foods is concerned.
- Percy Panthaki:** My second question is on the digital brand there also we had a target of I think Rs.400 Crores to Rs.500 Crores by FY2025 so any kind of progress you can share on that?
- Saugata Gupta:** I think we are circulating the presentation we are now alluded to that if we can get Rs.250 Crores run rate by Q2 and then Rs.300 Crores run rate by the end of the year we should be in line so we can get Rs.250 Crores run rate and all the four brands are in line with the acquisition assumptions. We also continue at inorganic opportunities in this area so a mixture of that we are already hopeful of again hitting that Rs.400 Crores to Rs.500 Crores mark.
- Percy Panthaki:** Of the four brands that we have here what is your comments in terms of which ones are really doing well and which ones are sort of yet to be scaled up?
- Saugata Gupta:** Beardo I think one of virtual cycle of growth and both Just Herbs and True elements are scaling up well.
- Percy Panthaki:** Okay that is all from me. Thanks and all the best.
- Saugata Gupta:** We believe that Fittify is something which has significant potential now that we are going into gummies and all that, but True Elements to be honest is a food brand but if you talk of digital I think Just Herbs and Beardo have scaled up and we believe that Fittify is another brand which has the potential for scaling up.
- Pawan Agrawal:** So just to clarify, Percy, this Rs.400 Crores to Rs.500 Crores will not include True Elements because True Elements is getting included in foods it is not part of Digital business.



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**Percy Panthaki:** Sure.

**Moderator:** Thank you. The next question is from the line of Prakash Kapadia from Anived Portfolio Managers Private Limited. Please go ahead.

**Prakash Kapadia:** One question from mine. Historically in this inflationary environment FMCG companies were relatively better, but this time around demand seems to be muted for quite some while so what is happening is it just rural, is it the continuous rise in inflation beyond few months and what is happening on the LUP side so what was the LUP contribution for us say pre-COVID, what is it now, what is happening especially in rural India if you could give some thoughts that will be helpful?

**Saugata Gupta:** I will give you a broad flavor. I think in the past yes you are right that some vendor has moderate inflation, sometimes the leaders gain market share. The difference this time has been that perhaps and this happens when there is significant food inflation especially at bottom of pyramid both in urban and rural you see that people titrating on FMCG because they do not want to compromise on food and this is why you are seeing that what has happened in I think during the COVID time and we are seeing only at the bottom of the pyramid and that is the reason if you look at premium discretionary whether in rural or urban continues to do well and it is just not FMCG category, if you see in auto, you will see in jewellery and other things the discretionary sector continues to do well. In FMCG what has happened also is that in HPC since the categories are well penetrated and you have a plethora of brands straddling price points you have an option of actually people downgrading from a premium brand or this one brand so if you look at all HPC or beauty and personal care you will see that this one is happening. Having said that at the top end which is basically modern trade and e-com service brands you are actually seeing that is not impacted and that is being seen in all categories where slightly luxury or premium discretionary is not getting impacted so yes they are downtrading and LUPs are growing and the impact is higher in rural and urban. There is one more factor which was there. If you look at COVID times the premium discretionary has got impacted higher than the other bottom of pyramid or the mass brands and a lot of premium discretionary brands have a lower base in 2021 and 2021-2022 and therefore that is also coming back and showing optically higher growth.



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- Prakash Kapadia:** Sure and if you could quantify the LUP contribution if you have it ready?
- Saugata Gupta:** Will not be able to provide that data point.
- Prakash Kapadia:** Fine and in opening remarks you did mention about you being confident of rural recovery so is it just going to be government led or government getting into election mode what gives us that confidence or visibility or now the base is already so bad growth has to normalize and come back?
- Saugata Gupta:** It is a combination of both you are right because if you look at the rural shrinkage, it started sometime in Q3 last year.
- Prakash Kapadia:** Understood. Thank you and all the best.
- Moderator:** Thank you. The next question is from the line of Avi Mehta from Macquarie Capital. Please go ahead.
- Avi Mehta:** I just wanted to check on the volume growth expectation if I recollect in Q1 you had shared an expectation of moving back to the medium term targets of about 8% to 10% volume growth by second half but there seems to be some sort of moderation that expectation I just wanted to appreciate what has driven that if you could kind of give some comments on that please?
- Saugata Gupta:** I think when we gave that comment we expected that the global geopolitical and the situation will have a solution that solution has not happened. We continue to experience that inflation and therefore given the current conditions we believe that at this point in time we should be able to deliver a mid single digit kind of a number.
- Avi Mehta:** Sir would it be fair to say that on an overall growth basis the mix of volume and price, the price aspect has kind of risen which is why you are kind of changing the volume aspect is that the way to see it?
- Saugata Gupta:** Not really. I am giving this on the basis of the current consumption scenario. Parachute we continue to take price reduction and every time unlike Saffola which is an urban brand in



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parachute it takes six to eight weeks for a pricing to realize and get stability so that stability of pricing can only happen in December and therefore while H2 will recover and that is the first. Second shift is our assumption on rural growth and overall BPC growth and our endeavor is to better and this has happened and whatever has been the value, I think the decline has been to the extent of 6% but we have performed better so we will gain some market share but I think we are estimating that what was our estimate of the category growth when we talked about it in the first week of August versus now there has been a little bit of a change. Even if you do mid single digits, our three year CAGR will be high single digits in line with the medium term aspiration so you need to look at the three year CAGR. The three year CAGR will be definitely high single digits in volume growth.

**Avi Mehta:**

Got it. Sir the second bit was on the food side now I understand you have chosen categories which are large unorganized like soya and of a very strong opportunity for growth but do you see any concerns that such launches makes Saffola more generic food brand versus the health focused brand that it currently is?

**Saugata Gupta:**

So let me just give you the perspective. As far as Saffola is concerned we are entering into categories which are skilled but at the same time which are health come first. So Saffola is a brand which encourages people to live a healthy life okay so if you look at soya is a plant protein and it is a very good substitute in terms of better for you product so I think if you look at the journey of Saffola it started off in 1990s as a therapeutic brand moved into a preventive space and as we entered with foods it then became a better for you kind of a product and therefore it is a healthy way of life so wherever we enter we will offer an alternative which is better for you. A peanut butter which does not have sugar which has jaggery, mayonnaise which is creamy or less fat. Oats which is anyway into heart health but with Masala and we will not compromise on the taste so yes we are massifying in terms because if you basically look at food if you do not get into categories which have scale and operative in niche then Saffola the total addressable market would not have got realized expansion and would have underleveraged the strength of the brand so I do not think we will compromise on health at all but I think it will be better for you rather than just functional so the other route to Saffola could have been getting into nutraceutical and functional foods but that would not have given scale. We believe that Saffola was very, very under leverage as a brand for health and we will





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aim to continue to enter categories and this is in line with our ambition of getting an Rs.1000 Crores increase.

**Avi Mehta:**

Clear Sir. Thank you very much. That is all from my side. Thanks again.

**Moderator:**

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

**Shirish Pardeshi:**

Good evening. Thanks for the opportunity Sir. I am reading on slide seven where we have given the numbers so what I see that PCNO that volume decline is 3% so just was interested what is the Q2 category volume decline?

**Saugata Gupta:**

Slightly more it will be because we have gained a little share. As I said two things have happened until the pricing settles down but the inflation you have seen one is that the loose to branded conversion has gone down and may be what is also happening is that but people what I call in households which are dual households the dual households is basically a typical household where there is dual usage of unbranded or branded our SOR could have gone down this is the combination of it.

**Shirish Pardeshi:**

Okay just one followup on the PCNO you said that you have taken a drop in price so is the pack size has dropped or the price has come down?

**Saugata Gupta:**

Absolute price.

**Shirish Pardeshi:**

So 100ml was priced at Rs.37 previously so that has dropped to further down?

**Saugata Gupta:**

Yes that is right.

**Shirish Pardeshi:**

But just one clarification you said on Saffola you have given the benefit to the trade also for the price drop, for PCNO also you are doing?

**Saugata Gupta:**

No you cannot because Saffola is very easy one is if the STR is very low. It is a very, very focused distributed brand with a huge contribution of modern trade and e-com where you can



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even quickly give the benefit to the trade. In PCNO you cannot and given PCNO is a mass distributed brand, to give you an example and we have done this based on e-com where the pricing is there by the time you take a price drop in primary or in the factory it takes at least six to eight weeks especially in rural areas to see that price in the shops because average STR can be 40 to 45 also. In Saffola it operates on eight to 10 days.

**Shirish Pardeshi:** Got it. My second and last question on the food assumes that you have done say Rs.300 Crores in food what is the contribution for non-oats product?

**Saugata Gupta:** We do not want to get into this one but everybody and everything is getting growth including oats so I cannot get you a break of this but oats is delivering growth if you are wanting to ask.

**Shirish Pardeshi:** No I am more interested because you have taken lot of interventions launching the subcategories and adjacencies so how that adjacencies are faring well that was more interested question?

**Saugata Gupta:** So as I said that it is a broad based growth and also which as I said that we believe that in terms of scale after oats and Masala oats, soya nuggets and honey is in terms of scale they are the biggest.

**Shirish Pardeshi:** Wonderful. Thank you and all the best to you and the team.

**Moderator:** Thank you. The next question is from the line of Latika Chopra from JP Morgan. Please go ahead.

**Latika Chopra:** Thanks for the opportunity. I just wanted some data or some color on three year volume CAGR for parachute and VAHO how is that different between urban and rural for both these categories?

**Saugata Gupta:** I think we can do it as offline because I do not have a readymade answer because what has happened is this rural and urban I think when the COVID started rural was growing higher than urban since the last couple of quarters it has been urban which is going higher than rural.



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- Latika Chopra:** But from a qualitative perspective typically you would aim for rural to drive better volumes for probably both these categories from volume perspective so do you think that kind of and I am taking about three year CAGR just taking care of all the disruptions or may be even if you take a five year period has rural volumes growth normalized basis matched your expectations or you feel there is a reason to probably temper the growth expectations for both these segments and we are pegging it to BPC over the last four to five years?
- Saugata Gupta:** This rural phenomena is very, very recent and if you take a five year perspective if you knock off this year I would say rural would have outperformed urban. Now it is only in this year where we are seeing this phenomena and the reason has also been that in the COVID year obviously there were more disruptions perhaps in urban so I talked about I think we gave you the number there has been a 4% volume growth in parachute in a CAGR period and value added 6% so if you discount this year I think broadly it has been in line with the aspiration. It is this year where it has been a little tepid.
- Latika Chopra:** Alright and the second clarification I wanted was on Saffola edible oil have we seen any further price reduction post September in this category?
- Saugata Gupta:** No.
- Latika Chopra:** So basically pricing is not stabilizing as we look into future?
- Saugata Gupta:** It is very difficult to predict but what we have said is we have a strategy now in place based on our learnings from Q1 how to manage volumes and margins.
- Latika Chopra:** Sure perfect. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Siddharth Bhattacharya from Anvil Wealth Management Private Limited. Please go ahead.
- Siddharth Bhattacharya:** I just wanted to understand our foods strategy for the HORECA segment, are we looking at that segment for our portfolio if at all, how do we strategize to go about generating sales and getting market share in that segment?



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**Saugata Gupta:** I think given that we are a small player I do not think we are focusing on that segment at all. Foods for us is something which has to deliver higher margins in Saffola edible oil because we are diversifying and expanding the total addressable market for Saffola so in this context and given our size I think this is a channel of HORECA which is not profitable. Only for scale players and certain categories it works so as far as we are concerned in the immediate future we do not see us participating in that category.

**Siddharth Bhattacharya:** Okay because I thought mayo would be a product that would fit well in that segment so that is why I am asking this question?

**Saugata Gupta:** If you look at the average gross margin of HORECA then it will be lower than Saffola edible oil so the basic purpose of doing total addressable expansion and improving the Saffola overall gross margin will be repeated if we participate in HORECA channel at this point in time. In any case I think given the category penetration of some of the categories especially oats and all we have a huge task ahead in the next three to four years and there is huge headroom for growth in retail itself.

**Siddharth Bhattacharya:** Got it. Thank you for answering my questions.

**Moderator:** Thank you. The next question is from the line of Ajay Thakur from Anand Rathi Securities. Please go ahead.

**Ajay Thakur:** Thanks for taking my question. First question was more on the international market where most of the FMCG companies actually had come out with the inflation led impact on margins and a growth so just wanted to understand how things stacks up right now given the volatility in terms of the currency might have reduced and also the input cost inflation I believe should have stabilized so going forward can we expect a better traction in the international market from that perspective or we can still expect in the coming quarters impact of currency volatility and input cost inflation on the gross margins?

**Saugata Gupta:** There are two things. One is as far as growth is concerned I think we have continued to deliver very steady growth independent of all the volatility that is there. Now as far as currency is concerned yes perhaps the significant part of the depreciation is over. Having said that on a



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Y-o-Y basis that will continue I do not see some of it in the market the currency appreciating versus the dollar or appreciating versus the rupee and as I said I am no expert and nobody can predict but that is a currency. As far as costs are concerned yes you are right. I think as far as costs are concerned input costs are concerned that should ease out and therefore may be international business will add to the little bit of the gross margins sequentially we are talking about. Having said that I think we have a significantly good EBITDA as far as international business is concerned and therefore our focus will be also to ensure that given these markets especially Bangladesh and Suez Canal which continue to have inflation in currency and some of the currencies used to maximize growth and that is a important thing and continue to gain market share in each of the franchise that we participate. Having said that we are lucky because if you look at Vietnam and Middle East where we participate that is reasonably insulated from all this.

**Ajay Thakur:**

Thanks. The second question was more on the domestic part of the business wherein if we have to have look at our hair oil portfolio that would be constituting a major chunk of the revenues and given the last maybe a three years period when we have seen the volume growth being slightly softer than may be historical averages of around 10% odd in that context so how do we kind of see growth kind of being reenergized in this space because we are the market leaders and finally that will obviously help us in terms of the growth momentum coming back?

**Saugata Gupta:**

So let me address it in three segments so first as far as parachute is concerned as I said that once the pricing settles down and we have been chasing pricing. Once the pricing settles down and we have been taking price drops in line with this one and while maintaining margins we believe the volume growth will start inching up. As far as value added hair oil is concerned I do not think we can significantly impact category, but we will continue to gain market share and this will mirror the overall BPC or the HPC growth. Having said that we will continue to aggressively grow foods. We will diversify digital brands and if you really look at it in the last three years and as I spoke about that we have around Rs.1200 Crores of this business and they now contribute to a significant portion of our turnover. As far as edible oil is concerned I think it has stabilized. I do not think the volatility to an extent will be lower going forward and if you really look at it I think if you look at a three year period of Saffola and we are



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pretty confident of giving high single digit growth in Saffola also over the medium term so in some way the joker in the pack is revival of the rural consumption which we believe will slowly happen and we are also entering perhaps a little softer base.

**Ajay Thakur:** Understand. It is quite helpful. Thanks Sir.

**Moderator:** Thank you. Ladies and gentlemen we take that as the last question for today. I now hand the conference over to the management for their closing remarks. Over to you!

**Pawan Agrawal:** To conclude it was encouraging to see improving trends in our domestic business and the top quartile performance in the international business. While we anticipate traction in the domestic core categories to stabilize soon, the positivity strides towards diversification of the domestic portfolios through foods, premium personal care and digital are exciting and we will continue to chase aspirational targets along the way. The show of strength in each of the international markets is heartening and we will ensure that we do not take our foot off the pedal here. Amidst volatility in global commodities and cost pressures, we will aim to deliver stable profitability and remain biased towards accelerating growth while investing towards the long-term health of our brands.

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. Please stay safe and take care.

**Moderator:** Thank you. On behalf of Marico Limited that concludes this conference. We thank you all for joining us. You may now disconnect your lines.

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*(This document has been edited to improve readability.)*