

November 3, 2023

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Listing Department,  
BSE Limited,  
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Dalal Street,  
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Scrip Code: 531642

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

**Sub.: 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 Monday, October 30, 2023 on the un-audited financial results and operations of the Company for the quarter and half year ended September 30, 2023, is enclosed.

The said transcript is also available on the Company's website at [https://marico.com/investorspdf/Marico\\_Limited\\_-\\_Q2FY24\\_Earnings\\_Call\\_Transcript.pdf](https://marico.com/investorspdf/Marico_Limited_-_Q2FY24_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  
Q2FY24 Earnings Conference Call

**October 30, 2023**

**MANAGEMENT: MR. SAUGATA GUPTA – MANAGING DIRECTOR &  
CHIEF EXECUTIVE OFFICER, MARICO LIMITED  
MR. PAWAN AGRAWAL – CHIEF FINANCIAL OFFICER,  
MARICO LIMITED**



*Marico Limited*  
*October 30, 2023*

**Moderator:** Ladies and gentlemen, good day and welcome to Marico Limited Q2 FY24 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, and therefore, if there is anybody else who is not an institutional investor or analyst but would like to ask questions, please directly reach out to Marico's Investor Relations team.

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

**Saugata Gupta:** Hi, everyone. Good evening to all those who have joined the call, and please accept my greetings for the festive season ahead.

I would like to begin by reflecting on the operating environment for the quarter, post which I will give you a flavor of the performance so far, followed by our strategy and outlook for the year ahead.

During the quarter, demand trends remained largely in line with the preceding quarter. Q2 started on a positive note with reasonably encouraging demand trends in rural and urban in the month of July. This gave us hope for a better quarter when I spoke to you during the last call. However, there was a noticeable drop in overall sentiment, especially in rural during August and early September, which seemed to have been triggered by significantly deficient rainfall in August, followed by a spike in food prices across. We have seen some recovery since the second half of September and we are optimistic about the gradual pickup in consumption with the onset of festive season, range bound retail and food inflation, and government spending between now and the elections. Amidst the current cost scenario, the sector also witnessed much more active participation from smaller local players in select mass categories. However, pricing cuts taken by frontline FMCG companies to pass on value to consumers should aid recovery and volume growth over the next few quarters.

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Moving on to our performance in the quarter, in the India business, we registered a low single-digit growth across all our core categories while we witness reasonably healthy trends in offtakes, market share and penetration across our key franchises. We believe the divergence between the reported volume and offtake growth appeared to be largely on account of the spiraling effect of lower realizations impacting distributor ROIs resulting in reduced credit availability to the retailers, which in turn led to a drop in retail inventory levels or STR. This was also evident in channel-wise growth trends where GT declined with a low single digit on a Y-o-Y basis while MT and E-com witnessed 20% plus growth. Over the next few quarters, we will systematically address this GT issue and the deflation tapering off in the second half will also help.

Delving further, Parachute had a muted quarter in the given environment, while the four-year volume CAGR was at 4%, just short of the medium target range. The franchise gained 35 bps in market share on MAT basis. As copra price is likely to inch up as we enter the off season, we expect a gradual pick up in loose to branded conversions in view of our cost advantage, which will aid volume growth in the near term. With the anniversarization of price cuts in this quarter, we expect value growth to largely mirror volume growth in H2.

The Value-Added Hair Oils portfolio reflected the muted trends and in mass personal care categories amid the subdued rural sentiment and higher competitive intensity from local players. While bottom of pyramid segments of the category hinge on the awaited pickup in rural, we continue to focus on driving market share gains in the mid segment and growing our presence in premium segments through innovation.

In Saffola Edible Oils, we registered low single-digit volume growth steady on a high base. Volume growth on a four-year CAGR basis was in the high single digits, in line with our medium-term growth aspirations. While there is some degree of volatility in edible oil prices, trade inventory continues to remain low. However, offtakes have remained healthy, and we will continue to balance growth and profitability objectives in the near term.

During the quarter, Saffola presented '40 Under 40', an initiative by Times of India along with Saffola, which sought to inspire young Indians to hit a pause on living a supposedly productive life and recognize the repercussions of their unhealthy and sedentary lifestyles. As a part of the 8-week health movement, 40 young achievers took daily healthy steps to improve their lifestyle scores. The campaign resonated with the purpose of the brand Saffola, which is dedicated to spearheading the cause of a healthy India.

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Foods continue with steady trajectory, and we are largely on track to meet our FY24 revenue aspirations. The Oats portfolio grew in double digits, while Honey and Soya scaled up well. Both these categories are nearing Rs. 100 crores at an annual run rate. Our new launches of Peanut Butter, Mayonnaise, and Munchiez are tracking well. We are not chasing growth indiscriminately, but we are focusing on driving sustainable, profitable growth by strengthening the cost structure and refining the supply chain and GTM capabilities. Once we optimize these, we will endeavor to accelerate our Foods growth next year to beyond 30%.

Premium Personal Care delivered healthy double-digit growth and is on track to contribute 10% of FY24 domestic revenue. The Digital-First brand, led by Beardo and Just Herbs, clocked Rs. 350 crores ARR in Q2. There is a significant reduction in cash burn, and we believe that we are best-in-class in this aspect compared to other digital brands which are standalone. As these businesses scale up, we are simultaneously exploring various synergies between the brands to structurally lift the margin profile and drive further profitability.

We are on course to achieve our FY24 revenue aspirations with Foods and Premium Personal Care contributing 20% of the domestic business. In Q2 itself, contribution from these categories has touched 20%.

Our international business continues its strong momentum and delivered double digit constant currency growth despite macroeconomic headwinds in some of the geographies. Bangladesh visibly moderated but was resilient amidst the current macro challenges which weighed on aggregate demand. We expect the economic situation to improve early next calendar year, although the currency depreciation issue will remain for some time. Vietnam also registered a steady performance in both the HPC and Food categories. In the MENA region, we have been clocking strong growth quite consistently over the last few years on the back of our expanding presence in hair oils, especially in Egypt. Our South Africa region and NCD business have also been scaling up ahead of expectations. In each of the overseas geographies we operate in, we have the fundamentals of portfolio, GTM, cost structure, and leadership well in place, and we are confident of maintaining the strong growth momentum ahead.

On a consolidated basis, revenue growth was subdued by pricing cuts in the domestic business and currency headwinds in some of our overseas businesses. About two-thirds of the impact was from pricing cut and rest due to currency translation. We expect revenue growth to move into the positive territory in the second half of the year as pricing deflation in the domestic business slightly tapers off. We recorded robust gross margin expansion in the quarter and the first half going to soft input prices and expect 350 to 400 bps of gross margin expansion on a full-year basis. We also significantly ramped up A&P spend in Q2 in-line with our commitment to invest

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behind our brands for long-term sustainable growth, which will have an impact significantly over the next couple of quarters. A&P as a percentage of sales is likely to be 9.5%+ this year. In light of the H1 performance, we expect operating margin to expand by 200 bps in FY24, and we are on course to deliver our highest-ever operating margin on a full year basis this year.

At the beginning of FY24, we had set a clear objective of driving improvement across key parameters of growth, portfolio diversification, and margin expansion. With the first half of the fiscal behind us, we have made fairly promising progress along each of the parameters, although we hope to get a higher volume growth, and will continue to drive improvement along these lines through H2 on a full year basis as envisaged earlier.

Last but not least, we have always viewed our entire business operations through the lens of sustainability, and our Sustainability 2.0 framework has been progressing well in each of the eight broad themes. We firmly believe the value of creating shared value for all will aid us in driving sustainable growth in the longer term. I am pleased to announce that we have launched a dedicated microsite, which encompasses all ESG related information, and I hope it will allow all our stakeholders to be informed of the progress we are making towards the sustainability goals.

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

**Moderator:** Thank you very much. We will now begin the question-and-answer session. We have a first question from the line of Abneesh Roy from Nuvama Institutional Equities. Please go ahead.

**Abneesh Roy:** My first question is on VAHO. So, you have been taking lot of interventions in VAHO to ramp up the premiumization. So, two questions there. One is in terms of the blended oil and shampoo usage by customer. If you could tell within the alternate channel now how much is the propensity of customer to consume both shampoo and oil together?

And second is, what would be your long-term 3-5-year target within alternate channel to have in the premium part of VAHO? VAHO itself is premium, but I am sure you must be benchmarking that 30% of VAHO should come from premium in alternate. So, if you could share some numbers on what is the target and what is the current number?

**Saugata Gupta:** So, VAHO, if you ask me whether it's a little under-indexed in the alternate channels, the answer is yes. Having said that, I think the premiumization journey has started. Obviously, the bottom

of pyramid doesn't exist in alternate channels, similar to the case in shampoo where the entire market is in rigids.

Now coming to the two vectors of premiumization, one is sensorial, and other is problem solving. So, problem solving caters to broadly hair fall. As far as premiumization is concerned on the sensorial, there are certain ingredients. We see certain premium brands like Mamaearth, WOW in e-commerce, not so much in modern trade. So, we don't participate in Rs. 300 plus kind of a price point. Having said that, below the Rs. 300 plus price point we have a fair share similar to what we have in GT. The only thing we don't participate in is hair fall which is a big category in both modern trade and e-com. Now, obviously, we have to disproportionately increase that. Having said that, our market share in modern trade and e-com, if you take out the premium part of it, is fairly in line with what the value market share is in GT. In fact, actually, in certain cases and in certain markets, it is higher.

**Abneesh Roy:** One quick question on 300 plus price. So, currently, you are not there. Is it because you want it to become a threshold level, and then enter? Is that the reason?

**Saugata Gupta:** No, I am just giving you a broad number of 300. It could be 300 or 350...., this is occupied by very premium hair oils which are entirely D2C brands. We are present there through Just Herbs but not with the core. I mean, Onion oil from a competitor is at 300 plus but from us, it is not at 300. But all I am trying to say is that this is a market we are increasingly wanting to participate in. I think as far as digital business is concerned; we now have a working model which operates well. Having said that, I think the only market where we are not present in a significant way is hair fall and that is a big market not only in GT but a significant bigger market in the premium channels.

**Abneesh Roy:** My second and last question is on what you alluded to in the initial remarks, local players. So, other companies are also talking about detergent bars, tea, and biscuits also. So, if you could discuss in coconut oil and VAHO, what has been the performance of local players in your key markets? Because in these two also, there is a deflation. Especially coconut oil, there is a big deflation, and there is downtrading, downgrading also. So, how long has been the impact? And do you see that continuing for two, three more quarters? And what has been your response? So, I understand the market share numbers of Nielsen, but normally, local players are generally taking share in the last two, three quarters. So, wanted to understand real on-ground situation in both coconut oil and VAHO?

**Saugata Gupta:** So, if you look at coconut oil, I think we believe that some of the conversions from unbranded to branded has slowed down. I will give you an overall perspective of the last 12 to 18 months.

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If you look at it, there was significant food inflation, and especially, in copra, there was deflation. Now what happens is that where we have to take price drops and it takes a certain amount of time for the price drops to get reflected in the market, and therefore we get impacted.

Having said that, for the first time in the last quarter, we are now seeing offtakes ahead of secondaries. So, we expect that volumes in Parachute will now start improving because in most of the SKUs, our pricing is right.

In fact, going forward, as we enter the off season, we believe that there will be a slight inching up that happens on copra. Also, our procurement and supply chain provide us with a cost advantage, a system advantage when this inching up happens. Therefore, now having seen the offtakes in the last one or two months, the Parachute secondaries or the volumes are expected to start inching up.

The other thing which I pointed out which has also contributed to it, and I don't think there will be an immediate solution for this is that in addition to the smaller brands, there is negative revenue growth in GT distribution system. The costs have gone up. Now one of the areas which is creating an impact is the credit quantum in the market. And if credit is squeezed in the market, obviously, retailers will stock less. And therefore, we have seen STR or inventory levels drop by around three to four days, if not more, in certain cases.

Now, will I get back that STR? I don't know, but certainly, that has also contributed to that so-called gap between offtake and secondary and primary. But I think, if I look at the trend in Parachute, the turnaround in terms of offtake, which is the first lead indicator, that has happened in the last one or two months. So, I believe that now the volumes will start coming back, especially as we enter the offseason, where we will be at a relative pricing advantage because of our system stock we hold in terms of raw materials.

**Abneesh Roy:**

And similar thing would be for VAHO also in terms of destocking?

**Saugata Gupta:**

VAHO is a different issue. What has happened is that in VAHO, there has been a downgrading happening because of significant activity by some players at the bottom of pyramid. Our belief is that there are not only local players playing but some of the larger players also wanting to play in that commoditized part of the category. There is a 1.1 to 1.3 RPI where a brand like Parachute Advanced Jasmine and those brands operate, I think they are okay. The problem is, in the 1.3 to 1.6 RPI where Almond operates, and where hair fall operates which is 1.6 and beyond. So, those categories have actually shrunk in the last one or two years, and that is where the issue is perhaps. But again, I believe we are seeing some signs of improvement in the last quarter. I think the



worst is over out there, and we will start getting value growth. The other reason VAHO has suffered as a category, although, we are reporting value growth, that there has been shrinkflation, and now the anniversarization of the shrinkflation is broadly over.

**Moderator:** Thank you. We have our next question from the line of Tejash Shah from Spark Capital. Please go ahead.

**Tejash Shah:** Saugata, on the success that we have seen in Saffola Oats and congrats for that, just wanted to know reflecting on the journey, is there any playbook which is emerging which we can kind of replicate in our future launches in terms of category selection, channel selection, or a price point selection?

**Saugata Gupta:** I think there are three to four learnings. First, Saffola is pre-sold on health. Therefore, we don't have to push health on Saffola, and therefore, you have to make the product deliver on taste as a green. So, all product tests we do, it has to deliver green on taste because no Indian consumer is willing to compromise on taste for health. That has been the first learning.

Second, it doesn't matter if your price point is 15 to drive penetration because, for at least six, seven years, we were at a 50% premium to our nearest competitor in masala oats.

The third learning in the playbook is that even on health, you have to Indianize the Western concept. Today, the biggest play is in in-between meal snacking because in India, there are two meal occasions, for some there is a 11 o'clock occasion. For some, there is a 6 o'clock occasion. Six o'clock is the biggest occasion. And there can we substitute anything? It can be a soup. It can be a biscuit. It can be a cookie. It can be a noodles.

So, to me, these are the learnings, and therefore, ideally, the next category which is ripe for this is plant protein, plain soya right now is a commodity. Can we replicate this masala oats story on plain soya tomorrow?

**Tejash Shah:** But is this learning or is this playbook duplicable or is it scalable across categories or this remains only for Foods as of now?

**Saugata Gupta:** No, I think it is applicable in Foods where you drive penetration and distribution, and get scalability. And I think the other learning is that it's very important to get into a 200 crore plus revenue because then you start making money in Foods. I think scale is very, very important.

**Tejash Shah:** Second, Saugata, we are picking up many conflicting signals and commentary on rural economy and rural pickup from the FMCG perspective. So, what's your read and if you can share your thoughts from near-term perspective also for this year?

**Saugata Gupta:** I think the situation will gradually improve. As I said that last time when I spoke to you in July, things were improving, and suddenly, there was this deficient rainfall which led to a sentiment issue sometime in August, and therefore, we had a very bad August, a very bad early September, but things are improving now. So, I think gradually it will improve. I don't see a reason why it shouldn't improve between now and in the next two-three quarters.

I believe there are three factors. One is consumption. Then there is a factor of smaller players becoming active. And the third is, because of the ROI situation in urban GT, there is STR loss. So, therefore, all three have contributed to the situation. I don't think it's just rural consumption according to me, as whenever we have seen the drop, all the three have contributed to the fact that we have not been able to improve the volume trajectory.

**Tejash Shah:** And any regional flavor you can give within the rural pickup or slowdown? Is there any particular region which is doing relatively better, or somebody is doing worse?

**Saugata Gupta:** No. So, I won't be able to share in as much specificity, but what we have seen in the past is that the concentration of the spread of rainfall and other factors is not uniform. So, history has told us that whenever there has been water deficiency in whichever states, there the impact is slightly higher.

**Moderator:** Thank you. We have a question from Akshen from Fidelity. Please go ahead.

**Akshen Thakkar:** Just a question on the diversification agenda. So, you have highlighted that premium personal care will get to 10% run rate by the end of the year. Foods obviously scaled up. Together this is now as you have called out 20% by the end of the year. The last two, three years obviously you scaled the top line very well. Just wanted to get the management's view on how are we thinking about profitability of foods, premium personal portfolio, D2C, as in aggregate, how should we be thinking about margins three to four years from now? So, you have obviously done very well on top line. I am guessing today this portfolio is merchant dilutive to your overall India margins despite being at 15%, 20% of sales. For the next three to four years, how are we thinking about margins in this portfolio?

**Saugata Gupta:** First, let me just give you a perspective on that, if you look at this year, and I started off by saying that while we continue the journey from moving from 15% to 20%, two things we will

look at. One is, how do you move the Foods gross margin. Second thing is, how do you reduce the cash burn of digital. I think we have taken significant steps towards that.

Now one of the things we have actually restricted is our Foods growth this year simply because we believe we didn't have a working model in terms of scaling it at a certain gross margin, which is basically our supply chain in terms of lower shelf life and our ability to forecast. So, therefore, if you ask me in the next six months, our endeavor is to get all these things right. And if today we are at say 6 on 10, can we move that to 8 on 10. I mean, we may have started the year at 4 on 10. We have moved to 6. Can we move to 7 or 8. Once we do that, I think there is no reason why we shouldn't accelerate the Foods journey to, say, 30-35% growth.

As far as digital is concerned, again, I think our cash burn has been reduced. We believe at least in one or two of the brands, we will break even, and if I look at, say, the performance of Beardo versus a similar standalone brand in the same segment, our profitability or our cash burn will be far lower. And in fact, we will make profits.

So, if I look at the next three years, definitely the digital business will deliver EBITDA levels of what the India business is doing. Because as far as we are concerned, we might not be the best in the world in creating 0 to 50 crore businesses in digital, but once we have acquired it, the journey of scaling the business profitably, we believe we will be one of the best-in-class as far as FMCG companies are concerned in digital business.

Now, Foods will always be a question of when do you want to put the brakes on growth. So, if Foods continues on this growth journey, yes, it will not deliver the company EBITDA in three years. Having said that, anything that crosses a scalable threshold, like Masala Oats and overall Oats franchise, those businesses will be able to deliver positive EBITDA. So, in food you will always have 50% of the businesses which are matured to a Rs. 200 crores+ delivering profits and maybe the rest are still on the journey to deliver. But I think, if it's a growth business, that same strategic funding I have to do even in a personal care. So, I think we are okay. I don't see any reason that we should stop the Foods growth because if we correct the Foods business and get into a threshold level of profitability in gross margin terms which is significantly higher than Saffola edible oils, we are fine. And today, we are already there, Foods make significantly more gross margin than Saffola edible oils.

**Pawan Agrawal:**

And also, if I can add that in digital business, there could be two models of growth. One could be like growing disproportionately at 70-75% with a significant bleed. And second model could be to grow at 20-25% with a keen eye on profitability. So, we prefer the latter model where we are happy with the growth of 20-25%, but we do not bleed significantly. That's one.

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And number two, also at this point in time, many of these digital businesses are disparate businesses. There would be a time when we will bring all these business under one umbrella, and we can drive lot of synergy benefits in terms of supply chain, CRM, common digital tech stack. And therefore, at that point in time, it can structurally lift the margins, and that will also improve the overall margin profile of the business. So, that's the overall take on digital businesses. So, once we have all of these, definitely it can be a sizable business with a decent operating margin.

**Akshen Thakkar:**

Another follow-up was on the international business. Growth obviously in Bangladesh is being impacted this year with volatile macro over there, but that doesn't seem to be having a bearing on your margins. Could you just comment on the margin performance on the international business on a Y-o-Y basis? Is this more to do with Bangladesh margins having done better or it's more to do with other geographies sort of starting to throw their weight on the margin front?

**Saugata Gupta:**

So, the profitability dependence on Bangladesh has reduced. Vietnam is doing extremely well on the margin front. We have also had significant turnaround as far as the MENA and the South Africa business are concerned. So, our dependence on Bangladesh, although still high, has significantly reduced.

Number two, in Bangladesh, we operate at a reasonable scale. Now what happens is, whenever there is this kind of a slight economic downturn, the overall spends, SOVs, can be managed with lower spends. So, overall system spends have gone down. And number two, given that we were foreseeing this as this was the election year with a combination of other things that are happening, we have taken very aggressive cost management initiatives in the Bangladesh business so that we ensure that we don't, at least in constant currency terms, dilute our profitability there.

**Akshen Thakkar:**

One last question, if you would indulge me, was around capital allocation. So, last year, obviously, we pulled back a little bit on dividends because we were looking to make a couple of acquisitions. We acquired something in Vietnam. We acquired Plix this year. Clearly, diversification is a key agenda for the management. Any broad guard rails on how are we thinking about capital return policy? And how much would you want to, retain in terms of cash reserves for any future acquisitions?

**Saugata Gupta:**

I think we should revert back to our old policy. I think last year was an aberration, but we should return back to our old policy.

- Pawan Agrawal:** So, we have been maintaining a ratio of 80-90%. And unless there is a big-ticket acquisition, we would hope to maintain that ratio for the year.
- Moderator:** Thank you. We have our next question from the line of Amit Rustagi from UBS. Please go ahead.
- Amit Rustagi:** Thanks for taking my question. Could you explain to us like how much is the difference between the secondary and the primary growth? And like when we are talking about the second half of the year, how much should we think that we can catch up in the second half of this year itself?
- Saugata Gupta:** No, I don't think I alluded to secondary or primary growth. what I alluded to is an STR correction which means offtakes are ahead of secondary. Secondary and primary are always broadly in-line. I think what we alluded to is if you look at the Nielsen numbers versus what is the volume growth reported by most of the companies, you will see a difference. And we believe a lot of it has got to do with a combination of two things.
- One, maybe smaller players are gaining share, Nielsen is not picking that up, right, and the other is STR reduction. So, I don't think it's primary or secondary. In fact, offtakes have started growing well in the last one or two months especially what we are seeing in Parachute, volumes will follow. Therefore, secondary volumes will follow. But the STR correction doesn't happen every month. It is a one time that has happened already.
- Pawan Agrawal:** So, just to clarify, when we say STR, it is about the retailer STR.
- Saugata Gupta:** Retailer STR and not distributor.
- Saugata Gupta:** And that has happened because, as I said, people are not willing to give more credit in the market for which there is a demand. But at the end of the day, we have the distributors who have to manage their ROIs also.
- Moderator:** Thank you. We have a next question from the line of Sheela Rathi from Morgan Stanley. Please go ahead.
- Sheela Rathi:** So, my first question was with respect to your comment on the GT decline of low single digit. I just wanted to understand here, is it any specific category or specific market where we are seeing this decline? And what is our expectation in terms of the trend going ahead, especially in this quarter?

**Saugata Gupta:**

So, if you look at it, the reason is that the entire rural obviously goes to GT, and therefore rural is one place where there is obviously an issue. The second is that in the top urban towns, if modern trade and e-com continues to do well, there is a steady erosion of the GT contribution which has happened in the last two to three years. During COVID, obviously GT had an advantage because modern trade was not functioning, and therefore, there was a movement from modern trade to GT which has got reversed. So, these are the two reasons.

I think what I am alluding to is ultimately that we have to invest, and this is what we have been talking about is, have we done a great job yet? We haven't in GT. If you look at all the new categories we have launched, we have a disproportionately high market share in modern trade and e-com where we have done a great job. Having said that, I think there is a scope to do a better job in chemists, cosmetics, and food outlets to drive our diversification. At the same time, we believe, rural is a source of competitive advantage because direct rural distribution is an entry barrier for others. So, therefore, that is something we have to keep on doing because our rural portfolio also makes good gross margins.

The second thing is, I think we believe that wholesale as a channel is going to reduce its saliency. Also in India, there is no viable alternative, scalable, profitable, cash and carry model which has emerged, and therefore, there is no reason why we should not push ourselves to continue the journey as far as rural is concerned. In fact, in some of the rural markets, we are under-indexed, like, say, if you look at some in the north region.

Therefore, that is how the GT growth has to be rekindled because I think it's important that GT grows. And even if I look at a 20-30 years' outlook, GT will continue to be important in India and it will be an 'and' growth and not an 'or' growth.

**Sheela Rathi:**

So, will it be fair to say that the GT growth is worse off in rural India versus the last quarter?

**Saugata Gupta:**

No, not really. I don't think there is any movement, I would say. It's a similar kind of a level. If you look at our volumes, they are broadly similar. Channel-wise growths are also broadly similar.

**Sheela Rathi:**

Just my last question is, we have called out in FY24, we are targeting 20 plus percent margins. What I noticed is from a medium-term perspective, we are talking about 19% margins. So, Saugata, any particular reason why we feel that the margins would be slightly lower?

**Saugata Gupta:**

No, no, I think we give overall guidance that we will envisage to do a 19% to 20% margin as sometimes we have experienced volatility. Having said that, once we have hit 20%, we try to

ensure that we are in those levels, but there could be years of volatility. Also, you must realize this year, there is also some kind of a denominator effect because of the fact that because of deflation, the revenues have been depressed. So, in an inflationary year, that reverses. So, I think that is a band that we should operate within 19 to 20. There have been years of 20%, and in the long term it has been creeping up. That is something which we have delivered.

**Sheela Rathi:** One final question with respect to copra prices. How do we see that panning out in the course of the next six months? That's it from me.

**Saugata Gupta:** So, in the offseason, it marginally moves up. So, it could move up a little.

**Moderator:** Thank you. We have a next question from the line of Amit Purohit from Elara. Please go ahead.

**Amit Purohit:** I just wanted to get some insights into the go-to-market strategy on the Foods that we initiated. Any feedback on that? And can that be leveraged? Or is this helping us to increase our overall distribution reach?

**Saugata Gupta:** No, so I think the food outlets what we are doing are only urban specialty food outlets. They are essentially a mixture of open format outlets. In South India, it could be bakeries. So, these are basically outlets which have a food skew. It was not that we were not present in some of the outlets. We are already present. The reason we have put a separate Foods GTM in these outlets is, if you look at the rest of the portfolio versus Foods, the products which we have, the selling norms, the merchandising, the replenishment model is completely different. We wanted to give it more focus. Secondly, we want to create a demand generation model for non-advertised food brand. So, in Saffola, we will ultimately move to mass advertising maybe, in things like honey, oats, and soya. But there are a lot of other categories that could be present without mass advertising. And if you look at a lot of food startup brands, they don't advertise. You have not seen some of the food startup brands advertising. So, that is the model.

I think we still need to get our act right in terms of maintaining stock freshness and replenishment, because a lot of us are used to selling in cases. We have to now sell in pieces. It is a work in progress, and once we achieve that, our ability to launch new products through that system will be better.

Secondly, even a brand like True Elements and tomorrow Plix can come into that GT and actually leverage the Marico association and scale up, because, essentially, those brands are primarily digital now.

But I believe as far as Foods is concerned, the root for digital or new age brands to scale up is brick-and-mortar because opportunities are far higher because Food AOVs are low. Personal care has a far better scalability opportunity in digital compared to Foods.

**Amit Purohit:** And just to check, this does not include the chemist channel at all, right?

**Saugata Gupta:** As I said that food we have done reasonably well. I think in chemists and cosmetics, something has been our bugbear, and we need to do a better job there, and that is something which we will now take up because we now know how to do Foods. So, therefore, we have some experience in opening up a new channel. So, this is the second one we have to do. It's not that, again, we are not present on the Chemist channel, but are we correctly indexed? I will say we are slightly under-indexed in both chemist and cosmetic. And that will help in a premium personal care journey growth in GT.

**Amit Purohit:** So, actually, sorry, I wanted to check whether the team which sells the food, does that also cater the chemist channel?

**Saugata Gupta:** No, no. That will be a different channel. Again, as I said, the skill-set in selling beauty and selling food is completely different.

**Amit Purohit:** No, I am saying why because some of the chemist channels do keep these foods portfolio as well, right?

**Saugata Gupta:** No, that's fair. So, as I said that it's not that our existing distributor salesman is not reaching those outlets. So, for example, oats and honey is available in chemist outlets, but if I have to really disproportionately do demand generation like selling hair fall or serums in some market, you have to get a specialist to drive that. Now in that process, if they can sell honey and oats, so be it.

**Amit Purohit:** And lastly on the VAHO piece, we have targets to have a double-digit growth, but when I look at from a channel perspective, we would right now be more salience on the GT side, right? And less on the alternate channels.

**Saugata Gupta:** Absolutely.

**Amit Purohit:** So, if that's the case then double-digit growth would be driven by what? Because when you launch new products, you would expect that...



**Saugata Gupta:** It has to be far broader participation. As I said that we are not present in a lot of segments. It has to be driven through broader participation because currently, if I look at VAHO, it is reflective of all the HPC growths and in addition to that, given the high inflation that happened in VAHO last year, it became a victim of significant shrinkflation. So, the journey to the double-digit value growth will happen through far better participation in the premiumization and gaining value share, which we have been gaining. But we have not been gaining it at a rate which we would have liked to, because our volume-value share gap still remains.

**Amit Purohit:** And these new launches are largely on the digital side, right?

**Saugata Gupta:** No, not just digital. It has to be mass. It has to be scalable. So, for example, in hair fall, if you have to successfully look at hair fall brands, they are significantly present in GT also. But they might have a bias towards chemist channels.

**Moderator:** Thank you. We have a next question from the line of Latika from JP Morgan. Please go ahead.

**Latika Chopra:** My question was around some of the brands that you have acquired or launched over the recent years. So, True Elements was something that was acquired about a year ago, and then, of course, you recently got Plix in your portfolio. What's been your reading of, these brands have, particularly True Elements, and has that been able to meet your action standards? And at what level do you think these brands will be ready for a more wider roll out in the general trade? And similarly on your Digital First portfolio, your experience with Just Herbs and Pure Sense and Coco Soul, how are these faring? And how should we think about organic growth rate for these portfolios going ahead?

**Saugata Gupta:** I think as far as organic growth rate is concerned, let me answer that. I think Pawan alluded to it sometime earlier that we have chosen a model where it grows perhaps by 20-25% organically, but we will also focus on profitability. Now, if I had to give you an overall perspective on digital business, has it met aspirations? It has met aspirations. Beardo has performed extremely well. We are also extremely gung-ho on the business model of Plix. Just Herbs is meeting aspirations. Again, Just Herbs will be the third brand to perhaps cross an exit run rate of nearly 100 crore and get into profitability next year. Beardo should get into profitability this year. And as you know, Beardo is 150 crore plus. Plix also is 150 crore plus. So, they are sizable.

I think as far as True Elements is concerned, while it is close to acquisition assumption, we believe that, for a food startup brand, in order to be scalable, we have to bring it significantly into brick-and-mortar. So, therefore, that is the job we are doing. The second thing on True Elements is, perhaps we have to Indianize some of the offerings because currently most of the

products are extremely Western, and Western is niche. So, that's the journey we have to do. We are also working with True Elements to improve the gross margin because gross margin is extremely important in foods. So, once we do all that, True Elements will be the one which will also cross 100 crores. I mean, we believe that it is in line to cross 100 crores exit again this year. And also, maybe True Elements will need one more year to break even compared to the others, that's where we see it.

As far as Coco Soul and Pure Sense is concerned, I think they have still not reached critical mass, and we have a job to do. Having said that, have they improved on the burn rate and all? They have improved, but are they on a 100-crore journey right now? We have to wait a couple of years for that 100 crore to be earned.

**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. Over to you, sir.

**Pawan Agrawal:** Thanks for listening on the call. To conclude, we have been fairly resilient in the first half of this year amidst challenging demand conditions in India and macro headwinds in select overseas market. In the quarters ahead, we will be focused on driving competitive domestic volume growth and maintaining the strong momentum in the international business. We are likely to have a good year in terms of profitability, even though we have been uncompromising towards investing behind brand building of our franchises.

We have also fared reasonably well on the strategic imperatives that we had called out at the start of the year, and we remain committed to exhibit an improving trend across each of the key performance parameters in FY24. As seemingly transitory headwinds in the operating environment subside, we look forward to keep growing from strength to strength and driving our strategic endeavors that will enable sustainable and profitable growth over the medium term.

That's it from our side. If you have any further queries, please feel free to reach out to our IR team. They will be happy to address. Thank you and have a great festive season ahead.

**Moderator:** Thank you. On behalf of Marico Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

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