# Management Discussion and Analysis

## Economic Scenario

### Global

The global economic landscape, shaped by the enduring impacts of the COVID-19 pandemic, geo-political tensions in Europe and inflationary pressures, has been fairly resilient. Inflation, having peaked in 2022, is now receding, with central bank measures effectively anchoring expectations. However, this favourable trend co-exists with persistent challenges as economic activity experiences a gradual softening, influenced by tight monetary policies, subdued global trade growth and intensified geopolitical risks, notably stemming from conflicts in the Middle East. Amidst this backdrop, the World Bank expects global economic growth to slow for a third year in a row from an estimated 2.6% in 2023 to 2.4% in 2024, before ticking up to 2.7% in 2025. While the outlook appears somewhat more benign than initially anticipated, ongoing tensions between major economies and the evolving dynamics of international trade underscore sustained uncertainty in the global economic landscape.

In **Advanced economies (AEs)**, growth is anticipated to slow in 2024, despite the conclusion of monetary tightening measures. The World Bank forecasts growth to bottom out at 1.2% during this period, with a subsequent rebound to 1.6% in 2025. This recovery will be supported by the gradual improvement in economic growth in key European nations and the expected easing of U.S. interest rates towards the long term trend rate. However, the tight stance of AE monetary policies is expected to persist, with government bond yields recently reaching their highest levels.

**Emerging Markets and Developing Economies (EMDEs)**, particularly those with strong credit ratings, are expected to see a recovery in aggregate growth to near pre-pandemic levels. However, countries with weaker credit ratings face challenges due to high debt and financing costs, alongside other idiosyncratic headwinds. The World Bank forecasts EMDE growth to average 3.9% annually from 2024 to 2025. China's growth is anticipated to slow due to subdued consumer sentiment and ongoing challenges in the property sector. Excluding China, EMDE growth is projected to strengthen, driven by trade rebound and improving domestic demand, as inflation recedes.

### India

In India, economic growth accelerated from 7.2 percent in fiscal year 2023 (ended 31 March 2023) to 7.6 (estimated) in fiscal year 2024 (ended 31 March 2024), driven by manufacturing, construction, robust public investment growth and vibrant services activity, thanks to resilient domestic demand for consumer services and exports of business services. In contrast, merchandise exports slowed, reflecting weak external demand. India's growth strategy is predicated on substantial export growth, which can be achieved through integration into global value chains. A target of $2 trillion in exports of goods and services has been set by the government to be achieved by 2030. While India has been a global leader in service trade, evidence suggests that goods exports have a larger impact on employment and growth than do service exports.

India's economic landscape exhibits a complex interplay of underlying developments and headline indicators. While headline growth figures may not fully capture the depth of progress, the country has made significant strides in its underlying ecosystem. Over the past decade, advancements in telecom and internet penetration, infrastructure upgrades including improved road and rail networks and enhanced banking and financial services have laid a robust foundation for sustainable growth. These factors, though not immediately reflected in headline growth indices, are pivotal in driving widespread and inclusive development.

The diversification of income streams, particularly in non-agricultural sectors, has been a notable trend, contributing to the resilience of Indian economy. This diversification serves to reduce the sensitivity of income growth to factors like monsoon variability, thereby fostering greater stability and predictability in economic outcomes. Urban markets, in particular, are witnessing the emergence of non-traditional income sources such as delivery services and home services, catering especially to mass consumers. This diversification not only expands the user base but also attracts new entrants across various sectors, fostering a competitive and dynamic business environment.

Despite these positive trends, challenges persist in certain segments of the economy. Wage growth, especially in the agricultural sector, has been sluggish, compounded by factors such as below-normal monsoons and global commodity price fluctuations. Macro headwinds and price hikes have delayed the recovery in rural markets, which are under pressure due to weak income growth. Inflationary pressures have significantly impacted consumption in the mass segment, particularly affecting FMCG products, which have the highest penetration in rural areas. However, softer inflation and price adjustments are gradually improving affordability, offering a glimmer of hope for volume recovery in the near future.

Looking ahead, India's economic outlook remains optimistic, with steady improvement anticipated in the coming years. Headline consumer price inflation has remained within monetary authorities' target band of 2-6%, with policy rates being kept unchanged since February 2023. Monetary policy is expected to remain supportive of growth as inflation abates, while fiscal policy aims for consolidation but retains support for capital investment. According to Asian Development Bank's Outlook, economic growth in India is estimated to remain strong at 7.0% in FY2025 and further improve to 7.2% in FY2026, driven by public and private sector investment demand and by gradual improvement in consumer demand as the rural economy improves. While challenges persist, particularly in rural and mass market segments, the overall trajectory remain positive. We believe companies that prioritize user acquisition and adapt to changing market dynamics are likely to thrive in this evolving landscape, leveraging the opportunities presented by India's ongoing economic transformation.

### Bangladesh

Bangladesh's economic growth trajectory has been resilient on the back of its robust fundamentals, including a burgeoning market share in ready-made garments and a sizeable overseas workforce. Lately, the economy has faced some headwinds due to inflationary pressures and a balance of payments deficit. As per the Global Economic Prospects Report published by World Bank, in the fiscal year 2023 (ending 30 June 2023), real GDP growth stood at 5.8 percent, with moderation to 5.6 percent expected in fiscal year 2024 (ending 30 June 2024), before an uptick to 5.7 percent in fiscal year 2025 (ending 30 June 2025).

Despite the headwinds, the economic outlook of Bangladesh remains positive. The government has already taken steps to implement policy adjustments, including initiatives to reduce expenditure on subsidies and tighten monetary policy to curb inflation. With concerted efforts towards implementing structural reforms in the financial, fiscal, and monetary sectors, Bangladesh aims to overcome its current challenges and capitalize on its strong fundamentals to realize its full economic potential.

### Vietnam

Vietnam's GDP growth decelerated to 5.0% in 2023 due to decreased global and Chinese demand for its exports, as well as power shortages, affecting its export-led manufacturing, which is the primary growth driver of the economy.

Despite facing global headwinds such as inflation and rising interest rates, the growth outlook for the Vietnamese economy remains positive in 2024. A timely switch to an accommodative monetary policy to support growth was among the key measures taken for the economy to move back on the path to recovery. Inflation remains manageable, with forecasts standing at 4.0% for the year. According to Asian Development Bank's Outlook, the economy is expected to grow 6.0% in 2024 and 6.2% in 2025, signalling expectations for a rebound in economic activity.

While the manufacturing sector faces challenges, Vietnam continues to attract substantial Foreign Direct Investment (FDI), particularly in electronics and manufacturing. This influx of FDI is expected to drive job creation, facilitate technology transfer, and spur infrastructure development throughout the year. Leveraging existing Free Trade Agreements (FTAs) and implementing targeted policies will be instrumental in overcoming obstacles and sustaining growth momentum. Public investment will also continue to play a vital role in driving sustainable economic growth and development.

### Middle East and North Africa

In 2023, growth in the MENA region decelerated to 1.9 percent as estimated by World Bank in its Global Economic Prospects Report, driven by headwinds such as oil production cuts, elevated inflation and weak private sector activity in oil-importing economies.

Assuming the ongoing geo-political conflict does not escalate further, World Bank expects growth to rebound to 3.5 percent in 2024 and 2025. This upward revision reflects improved economic performance among oil exporters, driven by a stronger rebound in oil activity and export growth. However, the outlook for oil-importing economies appears weaker due to the adverse impact of the conflict on tourism and slower growth in private consumption and investment. In GCC countries, World Bank forecasts growth to rise, with Saudi Arabia expected to rebound to 4.1 percent growth in 2024, driven by increased oil production and non-oil-related investments under the Saudi Vision 2030.

In Egypt, growth is anticipated to be at 3.5 percent in fiscal year 2024 (ending 30 June 2024) before rising to 3.9 percent in fiscal year 2025 (ending 30 June 2025). The country is stepping up economic reform efforts. The exchange rate needs to become more flexible with monetary policy geared to bring down inflation to targeted levels. While public debt is high, committing to a credible consolidation strategy is key to restore public finance health, which would improve investor confidence and thereby reduce debt servicing costs.

### South Africa

In South Africa, the economic growth slowed to 0.7 percent in 2023, reflecting the effects the energy shortage, transport bottlenecks and weaker demand. As per the Global Economic Prospects Report published by World Bank, the economy is projected to firm up to 1.3 percent in 2024 and then inch up to 1.5 percent in 2025. Reforms in the energy sector support the improving outlook. Supply constraints will diminish through fewer power outages and easing of transport bottlenecks. Lower lending rates will support a modest rise in investment. Declining energy and food prices will drive a further reduction in inflation. Increasing purchasing power, real wages and employment will support a gradual increase in consumption growth

## Fast Moving Consumer Goods (FMCG) Sector in India

The Fast Moving Consumer Goods (FMCG) sector ranks as the fourth largest sector in India and is a pivotal contributor to the nation's economy. The medium and long-term growth prospects in the sector are fuelled by steadily growing economic activity, strong fiscal and monetary policies, rising disposable incomes and aspirations, a burgeoning working population and increasing brand consciousness among consumers.

Post the pandemic, the FMCG sector has encountered a variety of challenges such as volatile input prices, inflationary pressures, geopolitical instability and logistical bottlenecks, which have impacted the volume growth trajectory over the last few years. A combination of weak demand sentiment due to persistent inflation, especially in rural areas, and lower share of wallet due to pent up demand in discretionary goods and services, also had a bearing on the growth trends in recent years. This has resulted in a slower pace of recovery in rural and mass segments, while urban and premium segments have led growth. Over the years, this sector has demonstrated remarkable agility in overcoming challenges and adapting to meet evolving consumer needs, shaping its trajectory for sustainable growth.

### Key Opportunities and Trends Shaping the FMCG Industry

The sector landscape has been in a constant state of flux, marked by shifting consumer behaviours, higher exposure to global trends, newer distribution channels and technological advancements.

### 1. Evolving Consumer Preferences:

**Health and Wellness:**

Consumers are becoming increasingly health-conscious, seeking products that promote well-being and vitality. This trend is driving the demand for organic, natural, herbal and nutrient-rich foods, beverages and personal care products. The industry is also expected to witness a sustained focus on conscious snacking, striking a delicate balance between health and taste.

**Convenience:**

Busy lifestyles and the desire for instant gratification have fuelled the demand for convenient products and services. Ready-to-eat/ready-to-cook offerings, quick commerce, and home delivery services cater to consumers' need for convenience. This trend is likely to be fuelled by the growing preference of the working population for convenient foods that are not only tasty but also high in nutritional value.

**Transparency:**

With a focus on making swift and informed choices regarding nutritional content, consumers are actively scrutinising product formulations. The key driver behind this trend is the growing emphasis on genuineness and authenticity, values deeply cherished by consumers. This authenticity drive manifests in an increased demand for products boasting free-from claims and streamlined ingredient lists.

**Premiumization:**

Consumers, even when grappling with the repercussions of price inflation, are not willing to compromise on quality and have exhibited a strong preference for branded products. Rural consumers are increasingly upgrading from unbranded products to affordable local/regional brands, while urban customers were willing to spend on premium products.

**Sustainability:**

With heightened consumer awareness of climate change and environmental impact, companies are increasingly scrutinised for their social responsibility. Consumers are increasingly exhibiting a preference for brands with eco-friendly packaging, transparent labelling and ethical sourcing. As a response, FMCG firms are expected to intensify efforts not only in reimagining product presentation and packaging, but also in the conscientious selection of materials used in production. Brands must also navigate a complex regulatory landscape, including regulations related to product labeling, quality standards, advertising and taxation. Compliance with these regulations is essential for ensuring consumer safety and maintaining market credibility.

### 2. Emerging Digital Distribution Channels:

**E-commerce Boom:**

Amid the pandemic, consumer behaviour and their preference of channels shifted significantly. E-commerce emerged not as a passing trend but a permanent fixture within the FMCG landscape post-COVID as customers started preferring contactless and cashless retail experiences. Efficient logistics as well as multiple modes of digital payments have also fuelled the exponential growth of e-commerce in the last few years. The proliferation of e-commerce platforms has transformed the retail landscape, offering consumers greater convenience and accessibility to FMCG products. Lately, the emergence of Quick Commerce represents a disruptive force in the retail landscape, offering consumers unprecedented convenience and immediacy in accessing essential goods.

**Direct-to-Consumer (D2C) Models:**

FMCG companies are bypassing traditional distribution channels and selling directly to consumers through online platforms, enhancing control over the customer experience. Even large established players have been expanding their reach on various social media platforms and investing towards creating superior D2C website experiences for consumers.

**Omni-channel Strategies:**

The General Trade channel continues to contribute to a large majority of FMCG sales and is now evolving to meet consumers' growing demand for convenience. Given the extent of employment generated by the channel, it holds considerable significance for the economy as well. Traditional kirana stores, which are small independent grocery stores, are adopting digital payments and offering wider assortments, home delivery facilities and promotions. Retailers are also investing in digital technologies to enhance their operations, in terms of inventory management, accounting, billing, payments and customer management, to compete in this evolving FMCG distribution landscape. As a result, brands are integrating online and offline channels to provide a seamless shopping experience, allowing customers to engage and purchase products through their preferred channels.

### 3. Integration of Digital Technologies:

**Data Analytics:**

In the post-pandemic world, building capabilities in digital technologies and data analytics is crucial to navigate rapidly evolving consumer behaviour and distribution landscape. Advanced data analytics techniques, such as predictive analytics and machine learning, help identify trends, understand consumer behaviour and forecast demand. These insights inform decision-making across product development, pricing and marketing strategies.

**Artificial Intelligence:**

AI-powered systems offer the potential to streamline operations, enhance customer experiences, and enable data-driven decision-making across various functions, from inventory management to marketing strategies while also proving to be cost effective.

**Personalization:**

Digital technologies allow brands to deliver personalized experiences to consumers, leveraging real-time data to tailor marketing campaigns, product recommendations and promotions. Digital marketing capabilities namely, influencer marketing, social commerce and social listening also help create targeted marketing campaigns and engage better with their customers.

This dynamic landscape presents both challenges and opportunities for FMCG companies. Therefore, FMCG companies must remain agile and forward-thinking, leveraging emerging trends to not only overcome challenges but also capitalize on opportunities for sustained growth and maintain their competitive advantage. As the FMCG industry embraces these trends, it charts a course towards a more interconnected, sustainable and customer-centric future, marked by innovation and responsiveness to consumer needs.

## Performance Review

In FY24, Marico Limited posted a consolidated turnover of INR 9,653 Crores (USD 1.2 billion), with underlying domestic volume growth at 2% and constant currency growth in the international business at 9%. Operating profit stood at INR 2,026 Crores, up 12% over the last year, with record high operating margin of 21.0%, up 245 bps from the previous year. Recurring net profit was at INR 1,470 Crores, up 15% over the last year, adjusting for one-offs in the base and current year.

### Domestic Business (74% of Consolidated Revenues)

The domestic segment recorded a turnover of INR 7,132 Crores, down 3% YoY, mainly impacted by pricing corrections in key portfolios. Underlying volume growth was 2%, owing to slower than anticipated uptick in consumption, especially in rural, and persistent sluggishness in General Trade. The operating margin of the India business stood at 22.4% in FY24 vs 19.8% in the previous year. The improved profitability was a result of moderation in the prices of key commodities such as copra and vegetable oils as well as a favourable portfolio mix.

#### Coconut Oil (~38% of Domestic Business)

Parachute Rigids (packs in blue bottles) delivered 1% volume growth in FY24. While the last phase of trade scheme rationalization implemented to correct the historical Q1 revenue skew led to a slow start, the subsequent inching up of copra prices led to gradual pickup in loose to branded conversions. The brand gained ~53 bps in volume market share on MAT basis. We expect to maintain an improving trajectory in volumes during the year ahead as copra prices trend up favourably. The non-focused Coconut Oil portfolio had a flattish year in the given operating environment. Overall, the volume market share of the Coconut Oil franchise (including Nihar Naturals and Oil of Malabar) was at 63% (Mar 2024 MAT).

Parachute Coconut Oil continues to be the dominant market leader in the branded coconut oil market, while approximately 30% of the coconut oil market is still unbranded, which presents an attractive opportunity to capture a significant share of the transitioning market and sustain or improve its growth trajectory. Proactive pricing strategies will be employed, particularly in core markets, to monitor the balance between premium and loose oil offerings. Efforts to bolster Parachute's brand presence will continue, emphasizing the natural goodness of pure coconut oil through targeted marketing initiatives, particularly in regions with substantial unbranded market segments. Anticipated rural demand recovery in FY25, combined with a lower rural volume market share for Parachute, presents an opportunity to expand market penetration in rural India over the medium term.

#### Saffola Edible Oils (~19% of Domestic Business)

Saffola Edible Oils recorded low-single digit volume growth in a year marked by a sharp decline in revenues, due to multiple rounds of pricing corrections in the portfolio in response to dropping vegetable oils prices. As a result, revenue decline was in the low twenties in FY24. While offtakes remained healthy, the reported performance was primarily affected by prolonged sluggishness in trade sentiment during the year. As the pricing base normalizes early next year, we expect the portfolio to resume a steady growth trajectory during the course of FY25.

Saffola has always been more than just a brand—it's a commitment to a healthier lifestyle. With "Saffola Wala Khana," we are on a mission to **#MakeADifference** by promoting a healthier nation through our range of products. We launched a powerful campaign, which was an initiation of range advertising under the master branding of **'Saffola'**, on the importance of taking **'Roz ka Healthy Step!**' which cleverly brings out the short-lived World-Health-Day-enthusiasm, that usually ends up in returning to unhealthy habits and junk food consumption. The emphasis here is built on the fact that healthy eating extends beyond World Health Day—it's a lifelong journey.

Saffola also launched **40 Under 40**, an 8-week-long health movement that aimed at inspiring young Indians to prioritise their health, on the backdrop of a significant rise in lifestyle diseases. With an objective to eat better and live healthier, the 360-degree campaign spread awareness about celebrating success in health, as one would with the 40 under 40 milestone in career. Roping in 40 young achievers from varied fields, under 40 years of age, Saffola guided them across their journey of health by adopting **'Roz Ka Healthy Step'** after taking the Saffola Lifestyle Score. The campaign culminated on World Heart Day with over 25,000 individuals taking the Saffola Lifestyle Score. It led to improvement in key imagery statements leading the brand's journey from **'Heart Anxious consumers' to 'Health Includers'.**

## Foods (~10% of Domestic Business)

**Foods** delivered a robust 23% growth in FY24 in value terms led by double digit growth in organic core franchises and increasing traction across newer launches during the year. We continued to focus on scaling up Foods as we aggressively invested behind market development, strengthening the cost structure, and refining supply chain and GTM strategies.

**Saffola Oats** emerged as India's #No.1 oats brand as per the data reported by Kantar Household Panel data for the Oats Category during FY24. During the year, offtakes of Saffola Oats grew in double digits, as the brand continued to gain value market share. Saffola Masala Oats also registered healthy penetration-led growth.

Understanding the unique taste preferences of Indian consumers and the love for savoury localised flavours, Saffola was one of the first to introduce savoury oats. We continued to reinforce thematic campaigns ""Mazedaar Khao Jee Bhar Ke" as its key proposition. The thematic highlights the constant struggle that taste-loving Indians who are on healthy diets face and the need a 'healthier-for-you', yet a flavoursome offering. In addition, regional media continued its efforts to accelerate growth across key markets. Going forward, the brand aims to enhance adoption and penetration by intensifying media investments to boost relevance and salience in key markets. Additionally, it will prioritize enhancing visibility in top stores across both General Trade (GT) and Modern Trade (MT), while also focusing on increasing on-platform adoption in E-commerce channels.

**Saffola Soya Chunks**, our plant-based protein offering, continued its growth momentum and is well poised to be a INR 100+ crore brand in the near-term. The brand witnessed strong traction across key markets with its communication, "India's softest & tastiest soya".

Despite moderation in category growth, **Saffola Honey** garnered 20%+ market share in E-Commerce and nearly double-digit market share in Modern Trade. The brand refreshed with a dual offering strategy and unique narrative built on the source of honey, maintained active salience through media and activation in core markets. Since then, Saffola Honey has consistently gained penetration and delivered robust growth. We will continue the accelerated scale-up by broadening our presence and aim to continue gaining market share in the category.

Newer categories consisting of **Saffola Peanut Butter, Saffola Mayonnaise and Saffola Munchiez** have garnered favourable feedback. Each of the these meaningfully extended the 'better-for-you' portfolio of Saffola - peanut butter with jaggery, low-fat mayonnaise, Ragi Chips with 50% less saturated fat compared to chips fried in palm oil and Roasted Makhanas endeavouring to shift consumers away from fried snacks through the goodness of foxnuts.

We will continue to drive meaningful innovations in Foods and create a differentiation in the categories we operate in to stay relevant with our offerings.

## True Elements

True Elements continued to scale up along expected lines in FY24. The brand has not only expanded its existing portfolio but has also remained steadfast in its commitment to innovation, venturing into new categories such as snacking, dry fruit mixes, and millet-based products, while continuously enhancing its current offerings. The brand is poised to further scale its operations across various channels, with emphasis on expanding its footprint in the Offline Trade and leveraging the potential of Quick Commerce platforms.

## Plix

In July 2023, the Company announced a strategic investment in "Plix", a plant based, digital-first brand in the nutraceuticals and personal care segment. The brand has achieved remarkable growth fueled by its innovative plant-based nutraceutical and beauty products. Renowned for its health-conscious, flavourful effervescents and fruit-infused personal care formulas, Plix has cultivated a loyal consumer base grounded in quality and effectiveness. Offering a diverse range of products, including those for weight management and skin wellness, the brand has established a robust digital community targeting Gen-Z and Millennials.

### Value-Added Hair Oils (~22% of Domestic Business)

Value Added Hair Oils declined marginally in value terms amidst persistent sluggishness at the bottom of the pyramid segment. Within the category, mid and premium segments continued to fare better than the mass segment, which was reflective of the weak consumption sentiment in rural. The franchise consolidated its leadership position at 27% value market share on MAT basis. We expect the franchise to exhibit a gradual pickup during the course of next year, given the greater emphasis on portfolio premiumization, led by product innovation and newer offerings and anticipated pickup in rural consumption.

In the given context, **Nihar Shanti Amla** had a sluggish year. However, we expect the brand to chart a gradual recovery on the back of focused interventions. We will continue to invest towards rural micromarketing to build incremental media reach in deep rural, media-dark geographies to improve brand awareness and enable penetration gain through upgrades. The brand also launched a new thematic film reinforcing its purpose of 'Baal Badhenge, Bachche Padhenge' with new celebrity endorser, Alia Bhatt. The film gained significant traction across key regions.

**Parachute Advansed Jasmine** was resilient and continued to gain market share during the year. The brand continued to focus on key strategic levers of maximizing spontaneous awareness through airing of new thematic communication on TV & Digital platforms. Going forward, the brand will continue its investments in building proposition through continuous media salience in core markets.

**Hair & Care,** with its revised proposition of 'damage repair', continues to drive penetration of the brand. The brand strengthened its association with damage repair by leveraging festive occasions-led relevance such as 'Holi Hair damage repair'. The brand will continue to accelerate trial packs reach via retail and wholesale to grow in its core states.

**Parachute Advansed Aloe Vera** continued to witness penetration gains in key markets.The brand also launched its new thematic communication, #KheloinBaalonSe, in key markets. With significant play in E-com and MT channels, the brand will continue to invest in these channels to drive growth.

**Parachute Advansed Ayurvedic Hair Oil** maintained its strong presence in the anti-hair fall segment in the South. We expect the brand to continue gaining salience in target markets.

Over the medium term, we aim to grow the Value-Added Hair Oils franchise by adopting a three-pronged strategy:

- Aggressively engage at the bottom of the pyramid by leveraging the growing consumer inclination towards value-consciousness in their purchasing behaviour and strong preference for trusted brands.
- Drive growth in the mid-segment through pricing decisions and brand renovation.
- Aim to expand market share in the premium segment, where we are relatively under-represented, by focusing on brand building and innovations offering higher order sensorial and functional values.

### Premium Personal Care and Digital First Portfolio (~10% of Domestic Business)

**Premium Personal Care grew handsomely in the twenties during the year.**

In the Male grooming category consisting of Set wet gel, creams, waxes and sprays, we are pivoting the overall brand strategy to digital only with more investments in content to help revive the preference scores for Set Wet, while reaching out to the audience in their passion genres.

Livon Serums went on-air with its new proposition of **'Stylist in a Bottle**', where the brand promises to make salon-like styling easy. The advertisement has been digitally launched to strengthen its positioning and build relevance among its consumers.

#### Beardo

Beardo sustained its impressive growth trajectory, transitioning from its 2015 inception as a beard-centric brand to a comprehensive male grooming powerhouse. Today, more than two-thirds of its revenue is generated from non-beard grooming products, reflecting its evolution into a full-stack grooming brand. The brand had a remarkable year with 70%+ growth and turned EBITDA positive. We aim to move the brand towards double-digit EBITDA margin in FY25.

Beardo's brand essence lies in celebrating masculinity, with the beard symbolizing its core identity through the ages. This archetype-driven approach sets Beardo apart from its competitors in the male grooming landscape. The brand's commitment to innovation is evident in its recent product launches, including the Hair Styling Spray, Hair Growth Vitalizer, Rosemary Essential Oil, and Hair Removal Spray. Furthermore, Beardo has launched impactful marketing campaigns featuring notable personalities such as Aditya Roy Kapoor and Bobby Deol, amplifying its reach and engagement. Additionally, the brand has expanded its offline presence to encompass 5,000 salons with its exclusive Beardo Studio Professional range, trusted and endorsed by stylists nationwide.

#### Just Herbs

Just Herbs blends traditional Ayurvedic practices with modern knowledge to provide comprehensive beauty solutions that are safe, honest and effective. The brand crossed INR 1 bn in ARR in FY24, coupled with expansion in its wide-ranging portfolio through the launch of a range of natural make-up and pure fragrances. The brand has garnered significant social media reach through impactful marketing campaigns, including partnerships with celebrities like Athiya Shetty. The brand is poised to expand into luxury makeup, enhance skincare and haircare with herb-based ingredients, and explore new channels like organized trade and exports, while maintaining its online presence and partnerships with beauty retailers.

**PureSense** combines 100% real fruit extracts and proven actives in effective formulas to protect and nourish the skin while delighting the senses. The brand offers skincare, mood-lifting fragrances and bath products, aiming to promote inner and outer glow.

**Coco Soul** has created 100% ayurvedic and vegan products, using natural ingredients and traditional Ayurvedic principles in a way that is relevant to 21st-century skincare, hair care, and health concerns, leaving them less prone to the detrimental effects of the environment.

With a focus on building equity through influencer marketing and educational content, both Coco Soul and Pure Sense will aim to grow their relevance in the hair and skin care market and increase their share of voice.

## Sales and Distribution in India

The Sales & Distribution network witnessed significant developments in FY24, building upon the Sales 3.0 framework initiated in the previous fiscal year. This framework enables us to continue winning in the marketplace by strengthening our micro market focus and execution, bringing enhanced agility with on-ground decision-making and leveraging technology and analytics. One of the key thrust areas this year was driving efficiency and productivity through initiatives like the sales control tower and Every Day Great Execution (EDGE) programme. The focus remained on enhancing retail presence, expanding direct distribution, and improving range selling in rural areas.

Marico's network expanded to reach nearly 5.8 million outlets through the strong distributor and stockist network, covering over 60,000 villages and almost all towns with a population over 5,000.

Despite rural markets facing headwinds, General Trade has shown sequential recovery across quarters and Organized Trade witnessed double-digit volume growth.

**General Trade:** Current GTM initiatives are centred around driving stability and efficiency around People, Infrastructure and Execution. With the objective to turnaround GT, we rolled out **PROJECT SETU** to create a fit for purpose and fit for future GTM Model that drives profitable growth and competitive advantage with prudent resource allocation. **Project SETU** lays a phased 3-year roadmap to improve our direct reach from **~1 million outlets currently to 1.5 million outlets** in FY27. This will be backed with substantial investments behind coverage and infrastructure enhancement and demand generation initiatives. These investments will be funded through re-allocation of resources viz. by optimizing promotional spends and indirect distribution costs in wholesale channel, reduction in organized trade promotional spends and savings from process inefficiencies and wastages. Therefore, Project SETU will be cost neutral.

Through Project SETU we will be taking initiatives towards:

**Direct Coverage Expansion:**

This expansion is planned across both urban and rural areas, with a particular emphasis on increasing the rural footprint.

**Enhancing Assortment in Stores:**

Initiatives towards driving in-store assortment improvements are leading to significant increase in distribution for key brands. We would also focus on enhancing the availability of mid and large packs to accelerate upgrades.

**Optimizing Infrastructure Investments:**

We will optimize infrastructure investments by improving the distribution model, increasing the footprint and enhancing the sales organization structure. This includes a transition to Cloud DMS for enhanced operational efficiency and data security.

**Distributor ROI Enhancement:**

Another key focus area is enhancing the return on investment for distributors. This involves improving sales capabilities through tech platforms and classroom sessions, optimising investments as well as integrating technology into operations for real-time collaboration and monitoring of in-market KPIs.

Project Saral aimed to improve transparency in commercial transactions with channel partners and will be scaled up with new features based on feedback. A 3-year Sales IT Roadmap was also introduced to transform IT systems, making them best-in-class and future-ready, including the deployment of AI/ML technology to boost productivity and assortment in stores.

**Modern Trade** remained a growth driver, with strong partnerships, channel-focused pack strategies, and superior in-store merchandising. Back-end technology interventions like AI-driven order processing and control tower improved fill rates, on-shelf availability (OSA), and reduced out-of-stock (OOS) events.

**E-commerce** grew in double digits, driven by portfolio interventions in personal care and strategic bets in foods. The focus is on diversifying the premium portfolio through new launches and engaging with fast-growing channels like quick commerce. E-commerce also drove premiumization in value-added hair oils through online-only launches. Collaboration with e-commerce platforms on supply chain efficiencies continued to deliver consumer delight.

**International Business (26% of Consolidated Revenues)**

The International business posted a turnover of ₹ 2,521 Crores, a growth of 4% over the last year. The business reported constant currency growth of 9%, thereby exhibiting resounding resilience amidst currency depreciation and macro-economic headwinds in certain markets. The operating margin of the International business was at 26.8% in FY24 vs. 23.7% in the previous year. The improved profitability was a result of benign input costs and scale benefits arising from the accelerated scale up in MENA and South African businesses.

### Bangladesh (44% of International Business)

The Bangladesh business posted constant currency growth of 3% in FY24 in a challenging business environment during the year. We continue to focus on strengthening core portfolio in Bangladesh, while also scaling newer categories, namely Hair Care, Baby Care and Shampoos. With sustained investments guided towards expanding and developing newer categories, the business has progressively reduced its dependence on Coconut Oil portfolio to ~60%. The non-Coconut oil portfolio in Bangladesh grew 7% in constant currency terms in FY24. The Company will continue to leverage its strong distribution network and learnings from the Indian market to further scale up future engines of growth in Bangladesh and strengthen its brand presence across the categories.

### South-East Asia (25% of International Business)

The South-east Asia (SEA) business delivered 4% constant currency growth in FY24, amidst the economic slow-down in Vietnam which subdued the HPC category. The ethnic Foods business remained steady during the year while the recently launched Female personal care brand 'Lashe' gained traction. Our acquired female personal care brands, 'Purité de Prôvence' and 'Ôliv', help us offer a range of premium and differentiated hair care and skin care products. The addition of these brands presents an opportunity to significantly expand our play in female beauty and personal care category and therefore increase the total addressable market in Vietnam.

### Middle East and North Africa (MENA) (15% of International Business)

The MENA business posted 25% constant currency growth in FY2023-24, led by strong performance in the core portfolios in the Middle East and Fiancee portfolio in Egypt. The Middle East and Egypt businesses grew 15% and 55% respectively in constant currency terms.

During the year, we launched a range of hair oils under the aegis of the brand 'Herbsindia', with natural ingredients and 7 herbal seeds in a unique nourish tube for maintaining thick & luscious hair. With no added silicones, parabens & sulphates, this oil comes with a superior Indian concoction to make your hair thicker & shinier.

### South Africa (8% of International Business)

The South Africa business grew 26% in constant currency terms in FY24, despite challenging macros. Growth was driven by robust performance across the skin care, health care and hair care portfolios.

### New Country Development & Exports (8% of International Business)

The New Country Development & Exports business posted 24% in FY24. The Company remains positive on the future prospects of this business, as it incubates new geographies to expand its franchise.

## Overview of Consolidated Results of Operations

### Total Income

Our total income consists of the following:

1. Revenue from operations comprises sales from 'Consumer Products', including coconut oil, premium refined edible oils, value-added hair oils, anti-lice treatments, fabric care, functional and other processed foods, hair creams and gels, hair serums, shampoos, shower gels, hair relaxers and straighteners, deodorants and other similar consumer products, by-products, scrap sales and certain other operating income.

2. Other income primarily includes profits on sale of investments, dividends, interest, GST budgetary support and miscellaneous income.

   The following table states the details of income from sales and services for FY23 and FY24:

| Particulars (INR crore) | FY23 | FY24 |
|---|---|---|
| Revenue from operations | 9,764 | 9,653 |
| Other income | 144 | 142 |
| **Total Income** | **9,908** | **9,795** |

## Expenses

The following table sets the key profit and loss account line items for FY23 and FY24:

| Consolidated P&L (INR crore) | FY23 | % of Revenue | FY24 | % of Revenue |
|---|---|---|---|---|
| **Revenue from operations** | **9,764** | | **9,653** | |
| Cost of materials | 5,351 | 54.8% | 4,748 | 49.2% |
| Employee Cost | 653 | 6.7% | 743 | 7.7% |
| Advertisement and Sales Promotion | 842 | 8.6% | 952 | 9.9% |
| Other Expenditure | 1,108 | 11.3% | 1184 | 12.3% |
| **EBITDA** | **1,810** | **18.5%** | **2,026** | **21.0%** |
| Depreciation and Amortization | 155 | 1.6% | 158 | 1.6% |
| Finance Charges | 56 | 0.6% | 73 | 0.8% |
| **Profit before tax** | 1,743 | 17.9% | 1,937 | 20.1% |
| Tax | 421 | 4.3% | 435 | 4.5% |
| **Reported Profit after tax and MI** | **1,302** | **13.3%** | **1,481** | **15.3%** |
| **Recurring profit after tax and MI*** | **1,280** | **13.1%** | **1,470** | **15.2%** |

*For FY23, Recurring profit after tax (after minority interest) excludes the one-time gain on the sale of land in one of the overseas markets. For FY24, Recurring profit after tax (after minority interest) excludes the one-time gain (amounting to ~INR 14 cr. pre-tax) from the sale of fixed assets, classified under 'Other Income'.

### Cost of Materials

Cost of materials comprises consumption of raw material, packing material and semi-finished goods, purchase of finished goods for re-sale and increase or decrease in the stocks of finished and work-in-progress goods and by-products. In FY24, price of domestic copra was up by 3%, rice bran oil decreased by 28%, LLP was down 1% and HDPE was down 12%.

### Direct Tax

The effective tax rate (ETR) was 22.5% in FY2023-24.

### Capital Utilisation

Given below is a snapshot of various capital efficiency ratios for Marico:

| Particulars | FY24 | FY23 |
|---|---|---|
| Return on Capital Employed (%) | 44.7 | 44.0 |
| Return on Net Worth (%) | 38.8 | 36.4 |
| Debt Equity Ratio (x) | 0.11 | 0.11 |
| Current Ratio (x) | 1.64 | 1.57 |
| Interest Coverage Ratio (x) | 25.6 | 29.6 |
| Working Capital Ratios (Group) | | |
| Debtor Turnover (Days) | 40 | 31 |
| Inventory Turnover (Days) | 49 | 49 |
| Net Working Capital (Days) | 28 | 21 |

The Company has maintained healthy working capital and return ratios through the year.

Return on Net Worth (RONW) improved to 38.8%, owing to healthy growth in operating profit on the back of robust margin expansion in the year.

Interest Coverage Ratio has declined to 25.6x in FY24 as against 29.6x in the previous year primarily on account of higher finance cost following the rise in interest rates.

Debtor Turnover (days) has increased from 31 days to 40 days due to increasing salience of Modern Trade and E-commerce channels in the domestic business and extension of credit terms for select General Trade channel partners.

### Shareholder Value

Your Company's wealth distribution philosophy aims at sharing its prosperity with its shareholders, through a formal earmarking/disbursement of profits to its shareholders, while retaining sufficient profits in the business for various purposes. The dividend pay-out ratio in FY24 was 83% of the recurring consolidated net profit after tax as compared to 45% on a similar basis in the previous year. Your Company is committed to maintaining a strong dividend pay-out, in accordance with its Dividend Distribution Policy.

## Outlook

FY24 has been a mixed year with sectoral volume growth consolidating on a low base, while commodity and consumer pricing trended lower. While premium and discretionary segments within FMCG continued to witness positive traction, demand trends in mass consumption categories belied expectations of a visible pickup owing to the slower-than-anticipated recovery in rural and urban sentiment, subdued General Trade and resurgence of regional and unorganized competition.

Amidst the backdrop of improving macro-indicators and forecast of a normal monsoon, we expect **a gradual uptick in the growth of our core categories** through the ongoing initiatives to enhance the profitability of our General Trade (GT) channel partners and transformative expansion in our direct reach footprint with the roll out of **Project SETU**. We continue to draw confidence from **healthy offtakes and market share gains in our key portfolios**. We will continue our focus on driving **differential growth in our urban-centric and premium portfolios** through the organised retail and E-Commerce channels. Therefore, we expect to deliver consistent and competitive growth over the medium term through a much sharper and targeted portfolio and SKU strategy in each channel.

Sustained investment towards driving accelerated growth in new businesses has led to a significant shift in the revenue construct of the domestic business since FY20. We will continue to **aggressively diversify the portfolio through the scale up of Foods and Premium Personal Care portfolios,** while improving profitability parameters in line with our medium-term strategic priorities. After successful initiatives towards refinements in supply chain and GTM during FY24, **we aim to grow Foods at 20%+ CAGR and scale to 2x of its current scale in FY27**. The scale up of the Digital-first portfolio has met our stated aspirations and we expect the Annualised Run Rate of this portfolio to scale to **2x of its current run rate in FY27. Consequently, we expect the domestic revenue share of the Foods and Premium Personal Care portfolios to expand from ~20% currently to ~25% by FY27.**

We will also focus on driving consistent improvements in profitability as constituent franchises of the Foods and Digital-First portfolios attain critical mass. Focused initiatives in this direction have led to a robust **GM expansion of ~800 bps in the Foods portfolio in FY24 alone.** We have also achieved **positive EBITDA in Beardo in FY24** through premiumisation and scale benefits and **aim to move towards double-digit EBITDA margin next year.** We will aim to replicate the Beardo playbook as we scale the Digital-first franchises and **achieve double-digit EBITDA margin in the portfolio in FY27.**

**The International business has been resoundingly resilient in FY24** in the face of transient macroeconomic and currency devaluation headwinds in select regions. In addition to Bangladesh bouncing back, the strong growth momentum in the MENA and South Africa businesses has visibly strengthened the broad-based construct and offers margin upside over the medium term. This has resulted into visible geographical diversification in the overall international business, reflecting in the reducing revenue dependence on Bangladesh business from ~51% in FY22 to ~44% in FY24. We will continue to invest aggressively towards diversifying the portfolio, expanding the total addressable market and driving market share gains in each of the markets. We will aim to **maintain the double-digit constant currency growth momentum in FY25 and beyond.**

We will also **continue to scout for inorganic growth opportunities** that offer meaningful potential to consolidate our competitive position in existing categories, expand the total addressable market in existing geographies or access markets of interest, thereby adding visible levers to drive long term value creation.

While erstwhile pricing interventions in the domestic portfolio and currency devaluation headwinds in certain overseas markets have muted realizations this year, **consolidated revenue growth has moved into positive territory in Q4 and is expected to trend upwards during the course of FY25.** We expect **domestic revenue growth to outpace volume growth from Q1FY25,** in light of the upward bias in prices of some of the key commodities.

**We have delivered our highest-ever operating margin in FY24 led by robust gross margin expansion, even while investments towards brand-building (A&P to Sales at ~10% in FY24) remained a key thrust area,** in line with the strategic intent to strengthen the long-term equity of the core and drive differential growth in the new franchises. We will continue to drive steady progress towards our key strategic objectives in the domestic as well as the International businesses and aim to deliver **healthy revenue-led earnings growth in FY25.**

In the medium term, we aim to deliver **double-digit revenue growth** through consistent **outperformance vis-à-vis the category and market share gains in the domestic core portfolios, accelerated growth in the Foods and Premium Personal Care** and **double-digit constant currency growth in the International business.** We expect **operating margin to inch up over the next few years** with leverage benefits as well as premiumisation of the portfolios across both the India and International businesses.

## Human Resources

We empower our employees to unleash their full potential, fostering collaboration and inclusive growth, guided by the distinctive **'Marico Way'**—a fusion of purpose, ethos, and values. Our commitment to cultivating a people-first culture, championing inclusion and diversity, streamlining digital processes and future-proofing our organization remains unwavering. Throughout the past year, we have diligently pursued initiatives outlined in the chapter titled **'Members'**, fostering a culture where talent thrives and contributes to our growth journey.

## Information Technology & Digital

Our strategic investments in digital and analytics have fortified our operational framework, driven efficiencies and enhanced the overall customer experience. We have been tapping the potential of social media platforms, e-commerce channels and targeted digital marketing strategies to enhance customer engagement and foster brand loyalty across our diverse portfolio. By harnessing the power of analytics, we garner valuable consumer insights that fuel product innovation and elevate consumer satisfaction. Further details of the latest initiatives have been provided in the chapter titled **Consumers**.

## Risk Management

Risk management is an essential practice for organizations to identify, assess and mitigate potential risks that can impact the operations, objectives of a firm. We have a comprehensive risk management framework where we have integrated the risk management, both through external environment and internal processes, with our strategy formulation and decision-making process. Details of the risks envisaged along with our strategic response to the same is presented in the chapter titled **'Risk Management'.**

## Internal Control Systems and their Adequacy

We have a well-established and comprehensive internal control structure across the value chain to ensure that:

- Our assets are safeguarded and protected against loss from unauthorized use or disposition,
- Transactions are authorized, recorded and reported correctly and operations are conducted in an efficient and cost-effective manner.

The key constituents of the internal control system are:

- Establishment and periodic review of business plans
- Identification of key risks and opportunities and regular reviews by top management and the Board of Directors
- Policies on operational and strategic risk management
- Clear and well-defined organization structure and limits of financial authority
- Continuous identification of areas requiring strengthening of internal controls
- Standard Operating procedures to ensure effectiveness of business processes
- Systems of monitoring compliance with statutory regulations
- Well-defined principles and procedures for evaluation of new business proposals/capital expenditure
- Robust management information system
- Comprehensive Information Security Policies and guidelines
- Comprehensive internal audit and review system
- Well-defined Internal Financials Controls framework
- An effective whistle-blowing mechanism
- Training/awareness sessions on policies and code of conduct compliance
- Robust Crisis Management Framework

### Enterprise Risk Management Framework

The internal control system is regularly tested and reviewed by Independent Internal Auditor. The independent internal auditor is appointed by the Audit Committee of the Board. All possible measures are taken by the Audit Committee to ensure the objectivity and independence of the Internal Auditor, including quarterly one on one discussions. The company also has a management audit team which carries out internal control reviews and follow-up audits. The team is also responsible for monitoring implementation of action points arising out of internal audits. There is robust process to drive adjacencies arising from audit to ensure proactive control across Marico group. The internal auditors and management audit team, as part of their audit process, carry out a systems and process audit to ensure that the ERP and other IT systems used for transaction processing have adequate internal controls embedded to ensure preventive and detective controls. The audit process includes validation of transactions on sample basis to check if the operations of the company are conducted in compliance to internal policies and ethical standards defined by the company. The audit report is reviewed by the management for corrective actions and the same is also presented to and reviewed by the Audit Committee of the Board. Internal audits and management reviews are undertaken on a continuous basis, covering various areas across the value chain like procurement, manufacturing, information technology, supply chain, sales, marketing, compliance, and finance with the intent to cover all material business processes and locations under internal audit at least once in every 3-4 years. The internal audit programme is reviewed by the Audit Committee at the beginning of the year to ensure that the coverage of the areas is adequate. Reports of the internal auditors are regularly reviewed by the management and corrective action is initiated to strengthen the controls and enhance the effectiveness of the existing systems. Summaries of the reports and actions taken on audit findings are presented to the Audit Committee of the Board. We have also deployed audit analytics in the domains of sales, procurement, manufacturing, supply chain and employee spends. It helps in continuous control monitoring of control effectiveness and areas where actions are required. The Internal Controls team reviews output of this tool and derives corrective action on timely basis. In order to strengthen control environment, audit analytics will be deployed in other functions of Marico's India operations as well as key international geographies. Deloitte Touche Tohmatsu India, LLP has carried out our internal audit in the year under review. The work of internal auditors is coordinated by an internal team at our end. This combination of our internal team and expertise of a professional firm ensure independence as well as effective value addition and protection.

### Internal Financial Controls (IFC)

As per section 134(5)(e) of Companies Act 2013, IFC means the policies and procedures adopted by company for ensuring:

- Accuracy and completeness of accounting records
- Orderly and efficient conduct of business, including adherence to policies
- Safeguarding of its assets
- Prevention and detection of frauds

We have implemented a robust internal financial controls framework within the company. The Internal Financial Controls have been documented and embedded in the business processes. Design and operating effectiveness of controls are tested by the management annually and later audited by statutory auditors. Statutory auditors have issued an unqualified report after checking the effectiveness of these controls.

The management believes that strengthening IFC is a continuous process and therefore it will continue its efforts to make the controls smarter with focus on preventive and automated controls as opposed to mitigating manual controls. The company has robust ERP and other supplementary IT systems which are integral part of internal control framework. The company continues to constantly leverage technology in enhancing the internal controls. On a voluntary basis, our material subsidiary, Marico Bangladesh Limited ("MBL") has also adopted this framework. Over time, we will extend this framework to our other overseas subsidiaries.