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Anived Portfolio Managers Pvt. Ltd - Principal Officer

Spark Capital Advisors (India) Private Limited, Research Division - VP of Research

Ladies and gentlemen, good day, and welcome to the Marico Limited Q3 FY '20 Earnings Conference Call, hosted by Axis Capital Limited. (Operator Instructions) Please note that this conference is being recorded. I now hand the conference over to Mr. Gaurav Jogani from Axis Capital Limited. Thank you, and over to you, sir.

Gaurav Jogani, Axis Capital Limited, Research Division - Assistant VP of Consumer [2]

Thank you, Faizan. Good morning, everyone. It's my pleasure to welcome you all on behalf of Axis Capital to Marico's Q3 FY '20 Earnings Conference Call. Today, we have with us from the management, Mr. Saugata Gupta, MD and CEO; Mr. Vivek Karve, CFO.

Before we get started, I would like to remind you that the question-and-answer 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.

With that, I would like to hand the call over to the management for their opening comments.

Good morning to all those who have joined the call. I'd like to start with a quick brief on the quarter gone by and our outlook going forward before we start taking the questions.

In quarter 3, our overall performance has been a mixed bag. While in India business, volume growth and top line growth was poor, both declining over last year. We continued to gain market shares in our key portfolios, and the operating margin improved. The International business delivered a fairly strong performance with a double-digit constant currency growth along with healthy operating margins. Bangladesh had broad-based growth, and we continue to actively expand the noncoconut oil portfolio, HPC growth in Vietnam has been muted during the quarter, however, Food business delivered robust growth. While expectations from MENA and South Africa are modest given the macros, they do not jeopardize the overall performance. We expect to sustain this consistent growth trajectory in both top line and bottom line in the International business going forward.

Coming back to India. Volume growth has been impacted by both macro and some internal factors, which we will cover subsequently. In the macro context, contrary to expectations, category optics across marked nonpackaged food categories in India witnessed deceleration on a sequential and a Y-o-Y basis. This is a secular trend across multiple categories and not just to our core. There is no drop in penetration of consumption in our core categories. However, the loose to branded conversion has drastically slowed down, and there has been reverse migration from branded to loose in certain rural markets. Urban GT, especially wholesale, continued to reel under tight liquidity conditions. Growth in the new age channels for us also came off significantly as we took specific steps to bring about price parity across channels. We believe this is in the interest of the long-term, as it ensures harmonious, profitable and incremental growth as opposed to cannibalistic growth and channel conflict. Most of the action in terms of differentiated pricing and assortment are in place, and the new age channels will be back on the high-growth pace over the next 2 quarters.

The ongoing consumption slowdown was more pronounced in rural, severely affecting growth in hair oils, as overall category offtakes declined during the quarter. Against this backdrop, our franchises continued to gain market share as brand offtakes grew ahead of category volume offtakes. Secondary growth at lower-

single digits lagged offtake growth as channel liquidity issues led to a drop in feedstock holding, especially in rural and wholesale. Further, reported primary growth were even lower as we supported the channel partners ROI in this slowdown by reducing distributor stock position.

Delving further into India business, Parachute declined by 2% this quarter, as the pricing interventions taken hit the shelves only in end December, since we had older inventory in the channel to clear after the lower throughput in the previous quarter. We have also witnessed some deceleration in conversion from loose to branded, which we expect to pick up as the pricing intervention slowly kick in. This should move us back into growth as per our medium-term aspirations over the next couple of quarters. And there, we continue to gain market share in this category.

In addition to the macro headwinds affecting category offtakes, our performance in hair oil has been affected by underperformance in some of our mid-market and premium brands, where we have to solve certain equity issues. This adverse mix and some price corrections and consumer offers, has led to this deflation of 10%, which will progressively correct itself over the next few quarters. We continue to witness growth at the Bottom of Pyramid segment, driven by Shanti Amla and Shanti Jasmine and some of the other flanker brands. We will aim to aggressively lead growth in this segment on the back of our leadership position.

Among the new launches, Parachute Advanced Aloe Vera and Hair & Care Dry Fruit Oil has been tracking well, and we have successfully scaled them up to a pan-India level. These 2 brands will together contribute anything between INR 125 crores to INR 150 crores next year. Given that, we are #2 or #3 in these premium subsegments, we will target market share gains on the back of innovation and brand building. At the premium end, we aim to drive innovation, focusing, higher on the sensorial and functional benefits, and this will be our big bet for the next 2 years. We do not expect an instant recovery in volume growth for hair oils, and hope to resume with a higher single-digit growth earliest by Q2 FY '21. Our medium-term aspirations are completely intact. And once the macro is correct and we get our execution in the mid and premium segment back on track, we should be in line to get back into double-digit growth by end FY '21. In line with the overall FMCG trends, categories with higher urban salients did relatively well. Therefore, growth rates in Saffola Edible Oils and Fruits stood out. Along with MT and E-com, Saffola oils put in a better performance in GT as well on the back of uniform pricing, coupled with a consistent, effective brand campaign.

With the recent rise in edible oil price table, we'll pass on the impact to pricing in the coming years, while carefully balancing price premium and volume growth aspirations. We expect mid-to-high single-digit growth in Saffola edible oils in the near-to-medium-term.

In Foods, the oats franchise has been growing in the range of 20% to 25% in value terms and is poised to cross [INR 500 crores] in FY '21. We will continue to drive innovation through new flavors to suit the regional pallet. We have also been gaining traction in new foods, FITTIFY, Coco Soul, as we will continue to invest towards market development and innovation. Should Saffola Perfect Nashta has been expanded to NCR and will make its way to Mumbai in Q4. Together with oats and FITTIFY, Coco Soul, Foods business is expected to cross around INR 250 crores in FY '21. In the Premium Hair Nourishment portfolio, Livon Serums logged growth in high single-digits during the quarter. We expect a double-digit growth in Livon in the medium-term. However, overall premium hair portfolio declined on a reported basis due to the base launch of Crème Oil and True Roots in the quarter of previous year, on which we have gone back to the drawing board to work on insights drawn from the consumer feedback on the prototype.

Male Grooming declined marginally as hair gel LUPs were affected by the slowdown in rural discretionary spending and a weak performance in deos, while the recovery in gel ensures we continue to premiumize with strong growth in hair creams and waxes. We will work towards product and packaging innovation in this franchise and deliver a mid-teen growth in the medium-term.

In Premium Skin Care, initial response on Kaya is encouraging and we continue to broaden our play in this category, which will enable us to reach critical mass. We are optimistic of some visible improvement in macro trends over the next 2, 3 quarters. We will focus on sustainable growth in India through 5 key pillars: redirecting money towards end consumer pricing to trigger pickup in consumer offtakes; investing behind stabilizing distribution infrastructure in Urban GT by improving channel partner ROIs and driving distribution in Urban, especially in new channels; ensure incremental sustainable profitable growth across channels as opposed to cannibalistic growth through new age channels; increasing our direct reach in rural by expanding stockists; we have already increased last quarter, substantially, and we will start getting the gains in the subsequent 2 quarters; cost optimization, reducing wastages and driving A&P effectiveness. The input cost situation has been comparable throughout the year. While we are witnessing sharp increase in edible oil prices, we expect, maybe a mild inflation in copra prices in FY '21. We will take judicious call on

pricing to balance volume growth and margins. While operating margins in the current year will be 20% plus, there will be some minor moderation in the next year.

While we are driving cost efficiencies and spend effectiveness in A&P spends using analytics, we will continue to invest in brand-building initiatives and will remain in the range of circa 9% of sales in the medium-term. In view of the overall decrease in ad spend in the environment and in this sector and all categories, this is good enough to maintain strong SOV positions and invest behind growth engines. An organization-wide war on waste initiative is being put on place, and we plan to identify significant cost savings across the business.

Going forward, we expect a gradual recovery in the overall demand sentiment and macro environment definitely by Q2 FY '21. On the back of such recovery, we expect that it will take a couple of quarters for us to deliver healthy growth in the India business. We remain confident of high single-digit to low double-digit constant currency growth in the International business. This slowdown has made us -- we look at our strategic priorities and, therefore, we will -- we are working towards reinventing our operating model to enable us to be future ready, and this may take a few quarters. However, this all will be more structural and sustainable which will help us to get back into our medium-term growth aspirations by end FY '21.

Thank you for your patient listening, and we are happy to take questions.

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Questions and Answers

Operator [1]

(Operator Instructions) The first question is from the line of Aditya Soman from Goldman Sachs.

Aditya Soman, Goldman Sachs Group Inc., Research Division - Equity Analyst [2]

A couple of questions from my end. So firstly, you mentioned that you sort of have your stockist ROI or wholesale ROI by thinning out some inventory. Do you expect there to be a sharper inventory fill in the next quarter? Or do you think that will take a few quarters for you to sort of fill inventory back up again, if at all? And secondly, your competitor, Dabur, commented on sort of focusing more on coconut oil and coconut-based hair oils, which obviously have been a forte for you. So do you expect there to be sort of strong pricing reaction from you to defend market share?

Saugata Gupta, Marico Limited - MD, CEO & Executive Director [3]

So let me address the first question. I think at the end of the day, we believe that the distributor ROI should be based -- their job is to drive -- primarily drive in our demand generation, and therefore, any additional stockholding is actually impacting their ROI in view of the slowdown and tight liquidity and input costs. So therefore, I think with alternate supply chain models and fulfillment models, which are now available in the metros, this stock correction will be permanent. With regards to channel on wholesale and -- maybe when conditions -- liquidity conditions improve, we can do some kind of STR regain. But normally, we believe that, again, we should solve for offtakes rather than channel filling. As long as offtakes increase, this is -- I think that will lead to much more sustainable growth. So I would say the stock correction in the distributor is permanent, and we might even look at some more because that will help them having a far more stable and a structured ROI and a sustainable ROI in Urban. As far as wholesale and retail is concerned, I think there would be some -- filling is there. But having said that, our focus is to continue to expand both in rural and urban and concentrate more in distribution -- direct distribution as opposed to depending on wholesale. As regards, coconut oil, just to give you a perspective, I will -- in terms of volume share and value share, we have continue to gain volume share and value share. As regards competitive pricing action, I think at the end of the day, we will be taking steps to continue to balance both margins and volume

growth. I will just give you a more theoretical construct in terms of pricing. Usually, price disruption offers in categories where the incumbent makes super normal margins, and therefore, there is a space for a challenger to make, what I call, reasonable profit so that they can invest in A&P for growth. This in certain cases, where the incumbent manages profitability and pricing to an extent that is not, so I -- this model might not work. So normally, what happens is there could be share mopping up that happened for -- from the other smaller players. So that is our belief. Having said that, we are cognizant of the fact that we will want to protect both market share and margins. And therefore, I talked about our organization while war on waste, which should be able to create also certain funds to ensure that we are in the right pricing and volumes.

Aditya Soman, Goldman Sachs Group Inc., Research Division - Equity Analyst [4]

That's very clear. And just following up on that. We're also seeing some of your, sort of, retailers also launched private label brands very aggressively. Sir, I mean just going back to that argument on gross margins, for some of these retailers, they could operate with a very different gross margin structure and an A&P structure. So how do you -- how would you sort of compete with players like that?

Saugata Gupta, Marico Limited - MD, CEO & Executive Director [5]

See at the end of the day, I believe that the role of alternate channels and new channels is to drive premiumization and assortment. I don't think our dependence on core -- India is a large country with huge rural and huge urban distribution presence. And I think there is -- Parachute, for example, is 1 of our strong brands in personal care and edible oil

(technical difficulty)

Operator [6]

Ladies and gentlemen, the line for the management has disconnected. Please hold, while we reconnect them.

Saugata Gupta, Marico Limited - MD, CEO & Executive Director [7]

Okay. So I think as I was saying that it's not that private label brands haven't existed. I think both Parachute and Parachute Advanced and some of our other brands, like Saffola are very strong in equity. And as long as we manage both, continue to invest behind equity and managed pricing, we should be able to grow. And there are enough -- and for our core brands, there are enough opportunities for growth, and we are looking at alternate channels, primarily to new age channels to drive assortment, drive premiumization and drive our new product portfolio. So yes, it is a threat. We are cognizant of it. But I think this is something which is not new.

Operator [8]

Mr. Aditya Soman, is your question answered?

Aditya Soman, Goldman Sachs Group Inc., Research Division - Equity Analyst [9]

Yes. It is.

Operator [10]

The next question is from the line of Abneesh Roy from Edelweiss.

Abneesh Roy, Edelweiss Securities Ltd., Research Division - SVP [11]

Saugata, Saffola has seen a good recovery this quarter, but next quarter, the base is 18%. So could you say the growth in the Q4 will be challenging? And in terms of pricing pressure, because inflation is being seen in a lot of the edible oils, and some of the players like Emami, were -- which were very aggressive are facing their own promoter level issue. So is the pricing intensity in edible oil with Saffola, stretching is the worst behind in that?

Saugata Gupta, Marico Limited - MD, CEO & Executive Director [12]

So I think -- as I said, we will look at the run rate. I think the run rate is on a positive trajectory, and therefore, I think there is a reasonable confidence to get into medium to high single-digit growth in Saffola over the next few quarters. As regards -- edible oil inflation, there has been a significant inflation in input cost. Our inflation, obviously, it is based on consumption. Some of the competitors have increased prices to the range of 8% to 9%. And we are going to take a price increase in Saffola. Having said that, I think we should be, in no way, diluting our competitive position and our price premium, will be reasonably attractive. And the second thing, I think, which has worked for Saffola is, we used to run multiple consumer promotions, multiple this one and ultimately, what matters is -- and converting all those trade promotions and consumer promotions, we give volatility into sales into right through the year uniform prices. I think that has considerably helped Saffola. And I believe ultimately, what matters is the end consumer pricing and not necessarily frequent TOs and COs. Sometimes frequent COs can just lead to temporary pantry loading, or TOs can lead to loading in the channel. But what matters is a uniform and consumer price. I think we have corrected that. It has taken time. And therefore, I think partial to significant recovery has happened, and we have to stay on course on that.

Abneesh Roy, Edelweiss Securities Ltd., Research Division - SVP [13]

Saugata, 1 related question is on E-commerce. So Saffola done well, and Saffola has a disproportionate presence in E-commerce. But in spite of that, E-commerce growth rate has slowed down drastically from [300], it became [200], then [100], then [75] and now it is only [5]. So is that a one-off here? Could you explain -- is it because of the GT protests, which are happening, where they're saying that it should be uniform kind of pricing? Is that the reason, so it could be more structural in nature?

Saugata Gupta, Marico Limited - MD, CEO & Executive Director [14]

I think, as I said, that long-term, we would like, what I call a sustainable growth for all channels because in India we believe all channels need to exist, and they will exist, coexist. And therefore, there's a different role for each of the channels. What we have done is, as I said, we have started some kind of assortment planning where we set different assortments in different channels and at a minimum operating price. This

E-com component has -- and Modern Trade has a B2B and B2C. The significant correction has been more in B2B than B2C. And most of the actions are in place, and therefore, you will get back into growth -- in a good growth over the next 2 quarters. Now obviously, whether it's [100] or [75], that was from a low base. A lot of this was not same-store, but inorganic. But what we need to do is to sell a far more premium assortment and a differentiated assortment in these channels, so that both the channels coexist, and both the channels can grow sustainably and profitably.

Abneesh Roy, Edelweiss Securities Ltd., Research Division - SVP [15]

Right. My second question is on the value-added hair oil. So 6 quarters, and no double-digit growth seen here. And last 4 quarters, out of that 3 are flat or negative. So you have already done a lot of stuff in the last 4 quarters, and you have elaborated what you'll do in the future. Doesn't seem to be dramatically different versus the last 4 quarters. So why will the growth revise here? And in terms of medium-term outlook, you do give for every category, and I haven't seen for this. What will be the medium-term growth outlook?

Saugata Gupta, Marico Limited - MD, CEO & Executive Director [16]

Okay. Let me first address your last question. I think in our commentary, I talked about it. The reason I didn't give it is because I said that we will take a couple of quarters to get it into mid-single digits and then get into a medium-term aspiration. So we need 2 to 4 quarters, and that is the reason we didn't provide it in the commentary, because at the end of the day, you are right. We haven't delivered growth in 4 quarters, so therefore, we must do and then say. Regarding what we are doing differently, let me tell you, in the last 4 quarters, what we have done is we have participated in premium segment through Aloe and DFO, which is a Dry Fruit Oil, both are doing well. What has not done well, and some of it is partly internal, partly external is, due to macroeconomic conditions and competitive actions, the market hair oil, there has been a little bit of, what I call, value-added commoditization and the center of gravity shifting towards the Bottom of Pyramid. Initially, we didn't participate in it. We have started participating it in Sarso Amla, and Jasmine - - Nihar Shanthi Jasmine, and initial results are not bad. There has been, in addition to that, some equity issues in some of our premium mid- to- premium brands, which we are solving and which are internal issues. So if we can solve some of them partially, and as I said, in the next 1 or 2 quarters, and some of them will perhaps take a little bit more. And to add to that, we have to participate far more aggressively in things like hair fall and maybe a premium -- a more premium format, which will start happening over the next 2, 3 quarters. I think we should be able to get it back. Now I think, as I said, that we would like some time to get it back, but I don't think there are any concerns as far as we are concerned on consumption. There are no concern on the category. These are hiccups, which we have to solve. As I said, some of them external and some of them are internal execution issues. So I would think that there would be a gradual recovery, the first recovery by Q2 and then by the end of the next year. Till that time, there is no point trying to say that we'll grow at 10% and not growing those 10% or double-digits, but there is no deviation from our medium-term aspiration. And therefore, we will articulate -- start articulating that once we start delivering some results.

Operator [17]

The next question is from the line of Sameer Gupta from India Infoline.

Percy Panthaki, IIFL Research - VP [18]

This is Percy here. Sir, first question on VAHO. If you can give some more sort of insight on how the subsegments within VAHO have performed for you, that is the light hair oils, the Amla and the VACNO that

would be very useful, sir?

Saugata Gupta, Marico Limited - MD, CEO & Executive Director [19]

So I'll give you a very broad this one without getting into very specifics. I think we continue to grow and gain share in Shanti Amla. We have started doing well in some of the other Bottom of Pyramid facts, but they are not critical mass. At the top end, we have not done well in the other brands, except for Aloe. And we are getting reasonably good satisfactory outcome so far in Dry Fruit Oil.

Percy Panthaki, IIFL Research - VP [20]

Okay. So one is market share trends. But we know that sometimes they can be sort of different versus what the company level growth is, at least the primary growth. And I'm assuming this time you have no deliberate channel, sort of, upstocking, or downstocking done. So would it be fair to say that as far as your primary growth is concerned, it's in the same order that on a relative basis within your VAHO, Shanti Amla has done better and sort of the other brands have lagged behind?

Saugata Gupta, Marico Limited - MD, CEO & Executive Director [21]

So let me first address this. I think our offtakes, as I said, in the note and in my commentary, we have a cascade between offtakes, secondaries and primaries. So therefore, there is -- the offtakes are in line. If you look at the category growth -- for the category, I think VAHO is around just about minus 1%. Our offtakes are slightly higher. That's why we have gained share. And our secondaries would be again lower because of some STR corrections. And our primaries will be further lower because of the distributor stock correction. But in terms of trends of the brand, you are right that of the highest growth in offtakes has also been Shanti Amla, and lower growth in offtakes and secondaries would have been another thing. Shanti Amla, Aloe and right now Nihar Shanti Jasmine and now DFO, they are standing out, while the others have not performed well.

Percy Panthaki, IIFL Research - VP [22]

Understood, sir. Sir, secondly, on the Parachute Coconut Oil, our margin tailwinds are fading, and very soon there's going to be no tailwind at all. So in that kind of a situation, like in the last 2, 3 quarters, while our top line has been depressed, we have been able to at least deliver decent bottom line growth because of the margin tailwind. But -- if basically you're saying that the demand recovers, work in progress, it will take a few quarters. And in the meanwhile, our margin tailwind goes away. So what then drives bottom line in the next few quarters? Or would it be fair to say that bottom line would also be very, very muted at least for the next few quarters?

Saugata Gupta, Marico Limited - MD, CEO & Executive Director [23]

So I think I would talk -- I would give a picture of the next 5, 6 quarters, we expect volumes to improve. We will also, as I said, 2 things which are -- will also help in some way. As you know that the overall media spends in the overall CPG and overall environment has decreased. Then therefore, we can maintain SOV at a lower A&P. We have also done a lot of -- we will put in place, as I said, a war on waste, which will drive a lot of cost savings. And also, we are also looking at analytics to improve our trade and ad spend effectiveness. So I would think that maybe a quarter or so, there could be slight issues on that margin front.

But I think it will start again going back. The copra inflation will be very mild. We believe the other -- the edible oil, as I said, we will be passing on. And fortunately, as things stand now, we don't see any inflation in the crude-based derivatives and packaging.

Percy Panthaki, IIFL Research - VP [24]

Right. Sir, and lastly, if I may, on Saffola, you have done very well. So if you can just sort of give us some idea on what exactly sort of clicked for that brand after many quarters? And do you think now do you have confidence that this volume recovery is sustainable?

Saugata Gupta, Marico Limited - MD, CEO & Executive Director [25]

I think 2 things as I said. One is a complete conversion of all multiple TOs and COs into end consumer pricing because at the end of the day, you have to give consumer value. Any CO or TO -- excessive CO leads to volatility in sales and pantry loading. Excessive TO leads to channel loading and not necessary offtake. So we are solving fundamentally for offtakes because the biggest probably on Saffola is people wanted the brand, the price premium justification. Secondly, I think focused communications. And the third, which will now start hopefully is increase in distribution. We believe that at least in the -- there is enough potential to increase distribution even in the top 6 cities where we are present. We have also ensured channel pricing to ensure that minimize conflicts. So I would think over the next 1 year, we are fairly confident that it will go into medium single-digit to high single-digit growth. Yes, there is a hump in quarter 4, but that is a 1 turnaround.

Operator [26]

The next question is from the line of Prakash Kapadia from Anived Portfolio Managers.

Prakash Kapadia, Anived Portfolio Managers Pvt. Ltd - Principal Officer [27]

I had 2 questions. If I look at employee costs, they are down on a year-on-year on a sequential basis. So is there some one off actuarial liability reset? Or is it variable pay, which is reduced because of muted top line?

Vivek Anant Karve, Marico Limited - CFO [28]

Prakash, Vivek here. So it is on 2 accounts, as you rightly pointed out. We have lowered our performance incentive provisions, and we have also lowered the long-term incentive provisions because of the changes that have happened in the stock price. So you're right, both sequential as well as Y-o-Y.

Prakash Kapadia, Anived Portfolio Managers Pvt. Ltd - Principal Officer [29]

So assuming if we continue to have lower top line as we are currently witnessing, this could continue for a quarter or 2?

Vivek Anant Karve, Marico Limited - CFO [30]

Yes, it is difficult for me to comment on this right now because stock price is not something that we can control.

Prakash Kapadia, Anived Portfolio Managers Pvt. Ltd - Principal Officer [31]

Sure, sure. And on the India business, what are we doing to support the general trade channel? I think, I read about credit being offered on a selective basis. So is it what -- extended working capital? However, we are assessing credit risk, if any? What is happening on the general trade channel? If you could give some insights that will be helpful.

Saugata Gupta, Marico Limited - MD, CEO & Executive Director [32]

Yes. I think our objective is to ensure a sustainable, profitable business model as opposed to taking short-term corrections in doing credit and this one. So what we are looking at is alternate models in terms of fulfillment supply chain. How do you help bringing down the costs of the operate -- I mean, the general trade this one, which also means consolidation, network optimization, route optimization and much more use of technology. And also, we are happy to also looking at different ways of actually -- in terms of as we scale up our -- basically new age outlets, which is Chemist, Cosmetic and Food, and they start selling differentiated high GC assortment, that will also help in higher realization. Actually, what has happened this year, specifically is that while costs have gone up a little bit, the fact that there is no value growth, that has led to an ROI issue. Now doing short-term things like subsidy and increased credit are actually short-term fixes. I would rather like to do a more long-term solve because then that will carry through over the next 2 to 3 years. And I think that other thing which we have done on this quarter, which is that assortment planning, which is slowing down a certain kind of growth in new age channels, that will also help in reducing channel conflict and driving coexistence of growth.

Prakash Kapadia, Anived Portfolio Managers Pvt. Ltd - Principal Officer [33]

Okay. And on the general trade, they seem to be getting affected by liquidity. So what is our sense? Will this change soon because whatever the macro issues or the NBFC crisis, that doesn't seem to be nearing an end? Or do they continue to have weaker trends? So what is the sense you are getting from general trade specific?

Saugata Gupta, Marico Limited - MD, CEO & Executive Director [34]

So there is a -- as I -- there is a -- I think, the liquidity issue, which continued. Having said that, as I said, that we are -- we believe that the stress in the wholesale is far higher, and therefore, we are concentrating on 2 things. One is, if we continue to increase our direct rural coverage and effectiveness of our rural coverage, simultaneously also trying to expand urban direct coverage. I think we have to solve for offtakes, because at the end of the day if offtakes start growing and we can drive share among handlers or per dealer offtake, that will only solve the problem. This is here to stay, hopefully, in the next 2, 3 quarters, whatever steps the government is taking, and things will recover. But I think within this, we have to solve for offtakes. And that's why, as I said that we are focusing on end consumer pricing as opposed to trying to do some short-term fixes.

Operator [35]

(Operator Instructions) The next question is from the line of Arnab Mitra from Crédit Suisse.

Arnab Mitra, Crédit Suisse AG, Research Division - Research Analyst [36]

Saugata, my first question was on coconut oil, where Parachute, you've corrected the pricing, but we are in kind of a unchartered territory in where environment is very bad. This brand basically depends on upgrades. So the level of pricing cut you have taken, is there a risk that, that doesn't suffice because the price gap has obviously gone up in this deflation cycle of copra? Any initial signs you're seeing of growth reviving there? Or any risk that this actually would need a much bigger pricing correction?

Saugata Gupta, Marico Limited - MD, CEO & Executive Director [37]

So I think one of the things we are looking at, as I said, that we used to deliver different kinds of interventions to get volume, which is -- could be COs, could be TOs, which is trade offers and pricing. Our current feeling is that we should be able to -- just like we have done in Saffola, can you channelize everything, including channelized money for effective TOs and COs into pricing. To give you an example, if the category penetration is high, and your share is relatively high, just extra product -- consecutive extra product promotion gives to pantry loading. Similarly, too many COs gives you -- gives the chance to trade offers. Now multiple trade offers, consumer offers also lead to volatility in sales, which are other issues in terms of a smooth operating model. So can -- I think all of the -- can we channelize all this into pricing? I think we are almost there in terms of correcting the price premium. Having said that, I think your point is valid, especially with also food inflation creeping in, it could be -- have some short-term challenges, but I'm sure as far as food inflation is concerned, the government will take steps to correct it.

Arnab Mitra, Crédit Suisse AG, Research Division - Research Analyst [38]

Sure. And my second question was on VAHO. So any specific comments on the scented coconut oil business? Is that also under a lot of stress given the lower prices of normal coconut oil? And any interventions on that front?

Saugata Gupta, Marico Limited - MD, CEO & Executive Director [39]

So as I said, all the mid to -- there has been a general downgradation in mid to premium categories into the mass, especially in rural. So we are doing multiple interventions, again. As I said, again, we are following from the first principle. In the case of ours, which are specific 1 or 2 brands have also equity issues, which we are solving over the next 1 or 2 quarters. Having said that, there are categories like slightly more premium, which is things like hair fall, almond and all where, we don't participate much. We will aggressively invest and participate in this category. So the solve has to be a threefold. One, is continue to participate in Bottom of Pyramid and ensure that the fair share of upgradation comes to you; correct equity in the mid, and the mid premium brands where we have an equity issue, which includes perhaps value-added coconut oil, which is the scented coconut oil; and the third, more aggressive participation in the top end where we have a lower market share.

Operator [40]

The next question is from the line of Tejash Shah from Spark Capital.

Tejash Shah, Spark Capital Advisors (India) Private Limited, Research Division - VP of Research [41]

Saugata, in past, we have seen that VAHO, whenever the fall happens in a subdued environment, that down-trading is usually captured by copra hair oil or that conversion gets captured. But this time, overall, the hair oil category is seeing a massive slowdown. So does it mean that there's a broader category value proposition issue rather than intra category players not playing out?

Saugata Gupta, Marico Limited - MD, CEO & Executive Director [42]

So if you first, I think, as I said, that growth of category, especially in rural, this is a secular trend. It is just not restricted to Value Added Hair Oil. It is also with other personal care categories, if you see all the mass categories. Having said that, I think, in the case of Value Added Hair Oil, we also see, as I said, the reverse migration from unbranded to branded. I don't think there's an overall category this one, because if you look at the household panel data in terms of consumption, penetration and usage, it is not falling. So people are not consuming less neither in penetration and falling. But what we are seeing is some signs of, first, the significant portion of the growth of our core category is also being what swelled in the past, this one for -- from unbranded to branded and getting share from small players. Now that unbranded to branded, which drove the category growth, has slowed down significantly and in certain markets there has been a reverse migration. So the

(technical difficulty)

are unorganized and actually increased a bit.

Tejash Shah, Spark Capital Advisors (India) Private Limited, Research Division - VP of Research [43]

And in your commentary today, the signs of channel conflicts are very much visible, even in your investor update. So if you can elaborate the nature of the problem here. What exactly is wrong between GT and Modern Trade? And what is the nature of intervention that we are planning on this?

Saugata Gupta, Marico Limited - MD, CEO & Executive Director [44]

I think I would rather give it a broad feel. I think at the end of the day, each channel has a role. I think while you can't change consumer behavior. I think it's a question of ensuring that everybody has a fair right to grow. And therefore, we see the role. And again, it's a GT, as I said, I think specifically said, it could be more B2B and sometimes GT not necessarily -- I mean B2C and GT. I think the way to look at it is to ensure that you have a differentiated assortment and ensure a different role for the channel, so that the growth overall for the manufacturer and the channels are mutually exclusive and not 100% cannibalistic, but incremental. And therefore, lot of -- globally organizations which can use a different, what I call, assortment and they are able to manage this better than if you just do cannibalistic.

Operator [45]

The next question is from the line of Karthik Chellappa from Buena Vista Fund.

Karthik Chellappa, Buena Vista Fund Management, LLC - Investment Analyst [46]

My first question is basically on the other expenses line. So your medium-term guidance is somewhere between 11% to 13%, which is roughly where it is on a 9-month level. But if I break that up, almost 30% of those other expenses are fixed. And year-to-date, that has been growing at about 11%. So could you take us through what are all the expense items under this head? And what kind of growth rate you would expect, let's say, going into next year?

Vivek Anant Karve, Marico Limited - CFO [47]

So this is Vivek. So on a quarter-on-quarter basis, based on the various initiatives, we may take the overhead line item can show different growth, either growth or degrowth. But what we would like to say here is there is a certain guidance we have given in terms of the range, which is 11% to 13%. We don't want to change that range guidance at all. And at times what happens is, these are fixed overheads in nature. And as a result, they behave in a certain pattern. In a deflationary year, that as a percentage of sale will go up. And in an inflationary year, those as a percentage of sale will come down. So I would say you take it as a broader guidance. It will be difficult, otherwise, to map it on a quarter-on-quarter basis.

Karthik Chellappa, Buena Vista Fund Management, LLC - Investment Analyst [48]

Or put -- just putting it in a broader context, would it be fair to say that, when Saugata talked about the war on waste and refer to advertisement expenses and probably even raw material savings, the other expenses line, the potential for savings will be much lower. So ultimately, the leverage that you get will depend on pure revenue growth?

Vivek Anant Karve, Marico Limited - CFO [49]

No. Revenue growth leverage is evident across the line item. So there is no exception. However, when we talk of war on waste, the overhead expenses is definitely one area that we will focus with equal intensity as we do it for the advertising and COGS expenses.

Karthik Chellappa, Buena Vista Fund Management, LLC - Investment Analyst [50]

Okay. Perfect. Got it. My second question is on the Value Added Hair Oil segment. One of the initiatives that you have proposed in the information update is in the mid segment, you're proposing to accelerate growth through pricing and brand renovation. Could you maybe talk a little -- or could you give us some more color on what exactly you mean by that? Because in the low end, it is pretty clear. Your strategy was pretty clear that you had a leader who was making supernormal margins, so you came in with an aggressive pricing, and we were able to make reasonable margin. But the second portion, could you elaborate a bit more?

Saugata Gupta, Marico Limited - MD, CEO & Executive Director [51]

So what I talked about is, in the mix of a slowdown where, obviously -- and also some market action, which is leading to the lowering of -- a little bit of a downgrading that is happening in the segment. How do you ensure you have the right pricing for people to upgrade from the base to the wheat segment. And I talked about some of the brands, which we have in that segment. And the second thing, I think a couple of brands have equity issues, which we are solving for in the next 1 or 2 quarters. So some of it is also internal, which we have to solve for.

Operator [52]

The next question is from the line of Latika Chopra from JP Morgan.

Latika Chopra, JP Morgan Chase & Co, Research Division - Senior Analyst [53]

Saugata, you mentioned in beginning that you're looking to relook at your strategic priorities and rework the operating model. A few years ago, you had refreshed the innovation approach for Marico. In that context and based on the learnings from the new launches that you've done, would be good to hear your thoughts on whether your strategic review process will focus on your portfolio diversification strategy? And if possible, at a broader level, what could be the likely steps to accelerate the diversification efforts?

Saugata Gupta, Marico Limited - MD, CEO & Executive Director [54]

So I think I will give you a broad flavor of this. For example, if this slowdown persists and it is a medium-term, say it's the fact that a significant -- we are witnessing some kind of a divergence in category growth across CPG, where we believe that Urban and Food are more likely to grow -- have growth potential compared to mass this one. So that means that can you accelerate given that you have now got a critical mass in Foods. That could be one. Secondly, I think the fact that I talked about now that new age channels are growing instead of mass advertising model, can there be an alternate models to drive digital-based brands in these new age channels and get some share of the growth. Third is, I think, and I'm just giving you 3, 4 that comes to our mind, in view of the wholesale channel under threat and liquidity and the model gets challenged, can you now far more aggressively invest in direct distribution, which we have not been doing? So I would say these are the 3, 4 strategic lines. The fourth one, given analytics, how do you start pushing only -- see all these driving far more towards consumer pricing instead of all other initiatives? So I think these are some of the things which we can talk about. As far as the new -- the learnings from the new initiatives is concerned, I think, as I said, that we have done a fairly good job in Aloe, Dry Fruit Oil and Foods, in terms of some of the new other things like Crème Oil and True Roots, there's a lot of learning from the prototypes, which we have to go back to the drawing board and get it right. And I think there is a huge scope for us to continue to grow, Male Grooming, Skin Care, Kaya Youth, is just about getting critical mass. The new age Food also is, I would say, while it has done differently, I think 1 or 2 of the subcategories in a new age Foods are FITTIFY and Coco Soul has the opportunity. So I think there's been a lot of learnings. And in the last 2 years, our percentage of -- our contribution of new products have improved, although far below expectations have improved, and we need to now reinforce our learnings and accelerate that.

Operator [55]

The next question is from the line of Amit Sinha from Macquarie.

Amit Sinha, Macquarie Research - Analyst [56]

Firstly, again, on VAHO. Just wanted to understand the gap between the value and the volume growth? And is there any one-off, which -- I mean you spoke about internal issues in -- internal equity issues in mid to premium brands. Just wanted to understand, is there anything which is one-off for the third quarter and which can correct going forward?

Saugata Gupta, Marico Limited - MD, CEO & Executive Director [57]

So I will just give you a market construct. I think it base is that the mid operates had 1.3, the premium operates had 1.6 to 2 and beyond. Now if the brands at base only grow, and 1.3 and 1.6x brands don't grow obviously there's an impact on the mix. And some of it is also some pricing actions we have started taking. Now this minus [10] is surely a one-off. I think it will gradually start reducing over the next 2, 3 quarters, which will automatically correct itself.

Amit Sinha, Macquarie Research - Analyst [58]

Okay. Okay, sir. And basically, the -- there has been a significant degrowth in the mid- to premium segment in the quarter?

Saugata Gupta, Marico Limited - MD, CEO & Executive Director [59]

Yes.

Amit Sinha, Macquarie Research - Analyst [60]

Okay. Secondly, is it possible to quantify the distributors stock positions? Or at least how much correction has happened in the last quarter? And how much do you see? Because you also commented that this might further go down. Just wanted to understand broadly what is the level of correction, which is happening?

Saugata Gupta, Marico Limited - MD, CEO & Executive Director [61]

So all I can say that secondary growth was in low single-digits.

Operator [62]

The next question is from the line of Kaustubh Pawaskar from Sharekhan Limited.

Kaustubh Pawaskar, Sharekhan Limited, Research Division - Senior Research Analyst [63]

Hello? Hello?

Saugata Gupta, Marico Limited - MD, CEO & Executive Director [64]

Yes.

Kaustubh Pawaskar, Sharekhan Limited, Research Division - Senior Research Analyst [65]

Hello?

Saugata Gupta, Marico Limited - MD, CEO & Executive Director [66]

Yes. We can hear you.

Vivek Anant Karve, Marico Limited - CFO [67]

Yes. We can hear you.

Kaustubh Pawaskar, Sharekhan Limited, Research Division - Senior Research Analyst [68]

Yes. Sir, my question is on VAHO again. Sir, is there any trend where even consumers have downgraded to low price units? And that has also resulted in declining the category as well as for you, because the frequency of usage, I think there might be some kind of, what I think was earlier, the frequency must be twice or thrice on every day a week. But that sequence must have released to maybe once or twice a week. So some kind of understanding on that, sir.

Vivek Anant Karve, Marico Limited - CFO [69]

Kaustubh, sorry, but your voice is breaking. So do you mind repeating your question, please?

Kaustubh Pawaskar, Sharekhan Limited, Research Division - Senior Research Analyst [70]

Hello. Am I audible now?

Saugata Gupta, Marico Limited - MD, CEO & Executive Director [71]

Yes, better now.

Kaustubh Pawaskar, Sharekhan Limited, Research Division - Senior Research Analyst [72]

Sir, my question is on VAHO, again. Is there any trend where the consumers have downgraded to low-priced units because of the frequency of usage must have stored, because earlier, they must be using it maybe all day a week and now the frequency has come down to twice or thrice a week? So is it something which is happening in VAHO, that has resulted in lower consumption?

Saugata Gupta, Marico Limited - MD, CEO & Executive Director [73]

No, I don't think, as I said, in the household panel is not showing any consumption impact. But is that frequency? So just to give you a more macro trend. The reduction of frequency that happens with a very top end, which is 1% or 2% of the population and sometimes substituted by higher usage when relevant. There is no degradation. Now as far as the VAHO trends are concerned, because I said that it is similar in all other mass personal care categories, like shampoo, soap, skin cream, if you see the growth trends. I would think what is happening is because of the liquidity issues, because of lower sentiment, there could be downgradation that is happening. I don't see the household consumption is decreasing. Given that it was a challenge in disposable income, sometimes the downgradation. So therefore, the bottom end brands have grown. The mid ground -- mid ones have not grown. Again, some -- due to market conditions some our own internal issues. And the top end, which is the premium end, we don't participate much, which is hair fall and some of the other premium end.

Karthik Chellappa, Buena Vista Fund Management, LLC - Investment Analyst [74]

Right, sir. And sir, 1 last 1 on the Southeast Asia business. Have -- what has happened there because the growth has moderated to 4%, 5%, which was earlier in double-digit? And what kind of initiatives are you taking in this particular region?

Saugata Gupta, Marico Limited - MD, CEO & Executive Director [75]

So I think this is in line with the growth of the main category where we participate, which is shampoo. And Male Grooming I think we are looking at accelerating just as the way we have done in Bangladesh, the diversification of the portfolio. And that will, I think, improve the growth rate. But in our core category, if we look at it, that will be the kind of growth rates. Having said that, I think we remain extremely positive about Vietnam, given the fact that the macros are very good. I think 2 other countries, which contribute to around 70% of our International business, which is Bangladesh and Vietnam, this one has very good macros and over the outlook over the next 2 years continue to be very good.

Operator [76]

The next question is from the line of Jaspreet Singh Arora from Equentis.

Jaspreet Singh Arora, [77]

Just wanted to check on the initial comment you made about the movement back from the branded to loose. You saw that happening this quarter. So if you could elaborate more on that? When was the last time you saw that happening? And what are the specific reasons you would attribute this to?

Saugata Gupta, Marico Limited - MD, CEO & Executive Director [78]

I think it's a combination of the fact that there is a rural stress. So therefore money in the hands of the people and the fact that we didn't take the Parachute pricing correction. And this would be happening only in rural. So when I say branded to loose, it's basically SOR in households, which do dual usage. Maybe they are doing. So there are a lot of households in rural, which uses branded and unbranded. So there the shares would have fallen. So that is what has happened. It is not that somebody permanently going back into unbranded.

Jaspreet Singh Arora, [79]

Sure, sure. I got it. And therefore, now that you've taken the pricing action, that phenomena should not hold through anymore in the current quarter?

Saugata Gupta, Marico Limited - MD, CEO & Executive Director [80]

In a gradual manner, I would say, because as I said, we were able to implement the pricing secondaries in the market only towards the fag end of December. As you know, there are STRs. So it will happen over the next 2 quarters.

Jaspreet Singh Arora, [81]

Sure. And this pricing actions, sir, that you've taken, I believe, it's about 5% to 6%. So on what percentage portfolio would this -- would have happened? Is it across?

Saugata Gupta, Marico Limited - MD, CEO & Executive Director [82]

No. As I said that, we have migrated some of our consumer promos also into pricing. So it is not just an absolute price drop, but a significant portion of our Parachute portfolio and we have taken some tactical measures in our medium Value Added Hair Oils. And some we're still taking. So some of them we are taking during this quarter.

Jaspreet Singh Arora, [83]

Sure. And if I heard you right, you mentioned the target is to come to high single-digit by Q2 next year and maybe double-digit by the end of the year? So that would mean that we would need to be closer to mid-single-digit in the next 2 quarters? Would that assessment be right? I mean should we take the confidence?

Saugata Gupta, Marico Limited - MD, CEO & Executive Director [84]

So what I said was, by exit FY '21, try to get back into the double digits. It's not a weighted average.

Jaspreet Singh Arora, [85]

I got it. But you also mentioned a high single-digit for Q2 onwards?

Saugata Gupta, Marico Limited - MD, CEO & Executive Director [86]

Mid-to-high, yes, single-digit on Q2 onwards. Yes, that's right.

Jaspreet Singh Arora, [87]

Okay. I'm just trying to understand for that to happen, there has to be a gradual improvement, let's say, if not in Q4, but probably Q1?

Saugata Gupta, Marico Limited - MD, CEO & Executive Director [88]

Yes. Yes. Yes. So as I said, definitely, hopefully the -- this quarter will be better than last quarter. So definitely, yes.

Jaspreet Singh Arora, [89]

Understood. And just, sir, last thing, I think you mentioned about product innovation and the likes in the next 2 years. Would you be able to throw more light on what exactly you're referring when you're talking about the next 2 years pipeline in terms of new products, new brand extensions, product extensions? Is there anything you could throw more light on that?

Saugata Gupta, Marico Limited - MD, CEO & Executive Director [90]

No, I think I've given you a broad flavor. I don't think we have to get into specifics, please.

Operator [91]

(Operator Instructions) The next question is from the line of Devang Mehta from Bay Capital.

Nikunj Doshi, [92]

This is Nikunj Doshi here from Bay Capital. Just wanted to understand, recently, Nielsen published reports - released a report saying that the rural demand is stabilizing and is likely to improve, whereas most of the consumer companies commentary is slightly different. So where is the disconnect? Means, what we'll see actually on the ground?

Saugata Gupta, Marico Limited - MD, CEO & Executive Director [93]

So if you ask me, quarter 3 versus quarter 2, we are not seeing any significant change. I think what Nielsen perhaps is seeing -- and we do have all the data which they have published that the deceleration rate has come down. And therefore, they are thinking that we will now see a little bit of turnaround, given also the base thing that will set in by Q2 next year.

Operator [94]

The next question is from the line of Ankit Babel from Subhkam Ventures.

Ankit Babel, [95]

Sir, my question is on your revenue growth and margins. So going forward, will your sales growth in value terms be higher or lower than your volume growth, I mean, say, in FY '21 for the company as a whole?

Saugata Gupta, Marico Limited - MD, CEO & Executive Director [96]

So the anniversarization of the price drops, I think it all depends on 2 things. One is that the pricing intervention. Number two, as I said, in edibles, there could be a plus. So I would think that revenue growth going higher than volume growth could happen only towards the end of the year, not in the immediate 1 or 2 quarters.

Ankit Babel, [97]

Okay. And you also mentioned in your earlier remarks that this year you are reasonably confident of achieving a 20% margins, but next year, there could be some decline. So could you quantify it? And also, what would lead to such decline? Is it decline in gross margins, higher A&P or what?

Saugata Gupta, Marico Limited - MD, CEO & Executive Director [98]

No, I don't think it's an A&P. A&P will be in the range of 9%. It's just because of the fact that, as I said, that there could be a mild inflation in copra edible oil, while this inflation will pass it down, at the same time, we will ensure that there is volume growth also be taken into account. And sometimes, the 20% is also because of the denominator effect, because of the fact that we had a lower value growth. So I think that could also neutralize to a certain extent. And therefore -- yes, there could be a minor reduction in EBITDA.

Operator [99]

The next question is from the line of Nitin Gupta from SBICAP Securities.

Nitin Gupta, [100]

Just wanted to get a sense on why the tax rate has gone down for this quarter, from 26% to 23%?

Vivek Anant Karve, Marico Limited - CFO [101]

So this is Vivek. So it is primarily on account of the fiscal benefits. However, if you look at the full year, last year our tax rate was in the [volume of] 25%. In the current year also, we see our full year tax rate to be in the range of 24.5% to 25%. So it is more a quarterly phenomena, and there is no change in our annual outlook.

Nitin Gupta, [102]

Okay. And my second question is like, being a large hair oil company, just wanted to get a sense on the premium hair oil, so while the slowdown doesn't have an effect. But do you see there is an efficacy issue like the claim all the hair oil companies have put forward that it will arrest hair fall and will help in terms of hair growing? Do you see something -- some impact of that on the premium side?

Saugata Gupta, Marico Limited - MD, CEO & Executive Director [103]

No. No. No. I think the premium side is very much growing. I don't see any issue on the problem solution segment not growing. I said -- as I said, that we don't participate other than in the south, so Ayurvedic and that's an opportunity long term. And as people -- as consumers continue to have treatments, like coloring, they (inaudible) they continue to -- they solution, they visit more salons and do things like blow drying and other treatments. The need for hair nourishment and problem solving will continue to increase. And only [Livon] Hair Nourishment category is positioned to take advantage of that which wash categories or rinse up categories can't do.

Operator [104]

The next question is from the line of [Bismit Naik] from R.W. Advisors.

Unidentified Analyst, [105]

So what would be the -- what would be your total direct reach in both urban and rural, as well as the contribution from GT to sale?

Saugata Gupta, Marico Limited - MD, CEO & Executive Director [106]

Around 1 million is our direct reach.

Unidentified Analyst, [107]

For urban rural combined?

Saugata Gupta, Marico Limited - MD, CEO & Executive Director [108]

Yes. And our overall is, direct plus indirect is 5 million.

Unidentified Analyst, [109]

And contribution from GT to sale?

Saugata Gupta, Marico Limited - MD, CEO & Executive Director [110]

We will not get into that much details, but Modern Trade and E-com is [19] to [20].

Operator [111]

The next question is from the line of Bharat Kapoor from Investec.

Harit Kapoor, Investec Bank plc, Research Division - Analyst [112]

This is Harit here. Just 1 question really on the price premium for Parachute versus the unbranded or the loose coconut oil. So how much has that -- had that expanded prior to your price activations? And how much do you plan to cover it by?

Saugata Gupta, Marico Limited - MD, CEO & Executive Director [113]

So we had expanded to beyond what we call in our price modeling the yield point. As I said, that we perhaps took a wrong call in quarter 2, not to take the -- not to take win down prices. I think that was also because of the kind of growth we had on Parachute in quarter 1. We have subsequently corrected it back into our manageable levels. And if there is a minor cost inflation in copra next year, I think our price premium will be definitely far more attractive than what it was in this previous year.

Operator [114]

The next question is from the line of Kunal Vora from BNP Paribas.

Kunal Vora, BNP Paribas, Research Division - Analyst [115]

Just 1 question. Like you mentioned that to resolve channel conflict, you're looking at different assortment for different channels. Can you give us some examples of what you've done so far? And whether the distributors are happy with, like there are any, what you've done so far?

Saugata Gupta, Marico Limited - MD, CEO & Executive Director [116]

So I think, as I said, the distributors will be happy when there is growth and ROI. So I think our objective is to get it back on track and get stability. I think we are -- as I said, we are looking at differentiated assortments and pack size. I don't want to get into details, which is a standard practice in markets where there is channel coexistence.

Operator [117]

As there are no further questions, I would now like to hand the conference over to the management for closing comments.

Vivek Anant Karve, Marico Limited - CFO [118]

So we would like to thank all those who participated in today's call. As Saugata mentioned right at the beginning, while the short-term the headwinds are pretty strong, we are hopeful of a recovery, especially in H2 of the next year. So thank you, and have a good day to all of you.

Operator [119]

Thank you. On behalf of Axis Capital Limited, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.