

CMP: INR 532

Rating: Accumulate

Target Price: INR 597

Stock Info

BSE	531642
NSE	MARICO
Bloomberg	MRCO:IN
Reuters	MRCO.BO
Sector	Personal Products
Face Value (INR)	1
Equity Capital (INR cr)	129
Mkt Cap (INR cr)	68,832
52w H/L (INR)	595/ 463
Avg Daily Volume (in 000')	1,435

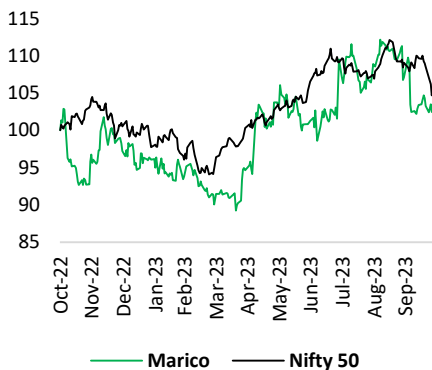
Shareholding Pattern %

(As on September 2023)

Promoters	59.40
FII	25.91
DII	9.50
Public & Others	5.10

Stock Performance (%)	1m	3m	12m
Marico	(5.1)	(7.2)	2.7
Nifty 50	(2.6)	(2.7)	7.5

Marico Vs Nifty 50



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Marico's performance was largely in line with our estimates. Revenue grew 0.80% YoY to INR 2,476 Cr (-0.04% QoQ), missing our estimate of INR 2,546 Cr by 2.75%. Gross Margin expanded 685 bps YoY to 50.48% (+50bps QoQ), beating our estimate of 48%. EBITDA grew 14.78% YoY to INR 497 Cr (-13.41% QoQ). EBITDA Margin expanded 272bps YoY to 20.07% (-310bps QoQ), missing our estimate of INR 509 Cr, and meeting our margin estimate of 20%. PAT grew 17.26% YoY to INR 360 Cr (-17.43% QoQ), beating our estimate of INR 354 Cr. The demand environment remained similar to that of Q1 with improvements in urban demand, but sluggishness in rural demand due to insufficient rainfall and higher food inflation.

Decline in general trade: General trade suffered this quarter with a low single-digit decline, and the company is working on rekindling this segment by building the salience of VAHO and the food portfolio. On the other hand, Modern trade and E-commerce registered healthy double-digit growth on the back of premium offerings.

Outlook on copra: Parachute registered a 1% volume growth. As Copra moves off-season there should be an improvement in volumes as consumers move into the branded space over unorganized sellers. We expect copra prices to be range-bound for the foreseeable future.

Saffola franchise: The franchise declined in the low teens, except for edible oils which displayed a low single-digit volume growth, and oats which registered a double-digit growth. There were significant price cuts taken across the franchise. Honey and soy chunks scaled up well.

The international business: It registered a low double-digit CC growth, despite the economic issues faced in Bangladesh. The company is reducing its dependence on Bangladesh as the market requires regular pricing action to be taken. Vietnam, MENA, and Africa all delivered profitable growth.

Valuation & Outlook: We expect there to be a gradual improvement in the current operating environment, and a better H2. This should result in gross and EBITDA margin expansion as the company has well-navigated input cost tailwinds that have persisted so far, though brand-building activities will remain afoot. We believe the company will be able to deliver high single-digit volume and double-digit revenue growth in its stable state. We assign a TP of INR 597 valued at a P/E multiple of 45x the FY26E EPS of INR 13, yielding an upside of 12%, and an 'Accumulate' rating.

INR Cr`	FY22	FY23	FY24E	FY25E	FY26E
Revenues	9,512	9,764	10,080	10,869	11,836
yoy growth (%)	18.2	2.6	3.2	7.8	8.9
Operating profit	1,681	1,810	2,061	2,255	2,486
OPM (%)	17.7	18.5	20.5	20.8	21.0
Reported PAT	1,308	1,309	1,402	1,525	1,679
yoy growth (%)	8.8	0.1	7.1	8.8	10.1
EPS (Rs)	9.9	10.4	11.1	12.1	13.3
P/E (x)	53.9	51.2	47.9	44.1	40.1
Price/Book (x)	20.5	18.1	15.0	11.4	11.5
EV/EBITDA (x)	40.7	37.7	32.8	29.4	26.7
Debt/Equity (x)	0.2	0.2	0.2	0.1	0.1
RoE (%)	39.2	37.9	34.5	29.7	28.7

Source: Company & Arihant Research

Quarterly Result

INR Cr (Consolidated)	Q2FY24	Q1FY24	Q2FY23	Q-o-Q	Y-o-Y	Q2FY24E	Surprise
Net Revenue	2,476	2,477	2,496	-0.04%	-0.80%	2,546	-2.75%
Other Income	38	46	19	-17.39%	100.00%	25	49.26%
Raw Material Costs	1,226	1,239	1,407	-1.05%	-12.86%	1,324	-7.39%
Gross Profit	1,250	1,238	1,089	0.97%	14.78%	1,222	2.29%
Gross Margin	50.48%	49.98%	43.63%	50bps	685bps	48.00%	248bps
Employee costs	187	181	166	3.31%	12.65%	178	4.93%
Advertising and Promotion Expenses	268	212	213	26.42%	25.82%	255	5.27%
Other Expenses	298	271	277	9.96%	7.58%	280	6.41%
EBITDA	497	574	433	-13.41%	14.78%	509	-2.39%
<i>EBITDA margin %</i>	<i>20.07%</i>	<i>23.17%</i>	<i>17.35%</i>	<i>-310bps</i>	<i>272bps</i>	<i>20.00%</i>	<i>7bps</i>
Depreciation	39	36	37	8.33%	5.41%	43	-9.30%
EBIT	496	584	415	-15.07%	19.52%	492	0.89%
Finance costs	20	17	15	17.65%	33%	17	18%
PBT	476	567	400	-16.05%	19.00%	475	0.29%
Tax Expense	116	131	93	-11.45%	25%	120	-4%
Effective tax rate %	24%	23%	23%	127bps	112bps	25%	-98bps
PAT	360	436	307	-17.43%	17.26%	354	1.60%

Source: Company & Arihant Research

Operational Highlights:

- FMCG volumes remained curtailed in Q2, similar to Q1. **There were improvements in demand sentiment and volume growth seen toward the end of Q2.**
- Growth was led by Foods, while HPC's contribution to growth was marginally positive.
- Going forward we expect a better harvest and inflation to remain within the target range.
- Revenue decline in Q2 was due to **pricing drops in domestic portfolios**, and unfavorable currency movements in international markets.
- The company is working toward building VAHO salience in GT with the below INR 300 category so that it can later move into MT and E-commerce once the offering has been developed.
- The VAHO category saw significant **downtrading and inflation**.
- **Beardo** is expected to turn profitable this year.
- **The new brand 'True Elements' might get a brick and mortar presence**, and some of the offerings need to be altered to suit Indian tastes as they are currently western leaning.

Financial Summary

Income Statement (INR Cr)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	9,512	9,764	10,080	10,869	11,836
Net Raw Materials	5,436	5,351	5,342	5,652	6,155
Advt & Promotion	796	842	806	924	1,006
Employee Cost	586	653	706	783	852
Other Expenses	1,013	1,108	1,164	1,255	1,337
Total Expenses	7,831	7,954	8,019	8,614	9,350
EBITDA	1,681	1,810	2,061	2,255	2,486
EBITDA %	17.7	18.5	20.5	20.8	21.0
Depreciation	(139)	(155)	(189)	(224)	(261)
Interest expense	(39)	(56)	(71)	(67)	(63)
Other income	98	144	10	5	6
Profit before tax	1,619	1,762	1,832	1,990	2,188
Taxes	(346)	(421)	(399)	(433)	(477)
Reported Net profit	1,273	1,341	1,434	1,557	1,711
Other Comprehensive income	35	(32)	(32)	(32)	(32)
Net profit	1,308	1,309	1,402	1,525	1,679
EPS (INR)	10.0	10.5	11.2	12.2	13.4
Consolidated Balance Sheet (INR Cr)	FY22	FY23	FY24E	FY25E	FY26E
Equity capital	129	129	129	129	129
Reserves	3,219	3,670	4,444	5,876	5,863
Net worth	3,348	3,799	4,573	6,005	5,992
Minority Interest	57	157	157	157	157
Debt	524	914	864	814	764
Other non-current liabilities	27	20	20	20	20
Deferred tax liab (net)	176	265	265	265	265
Total liabilities	4,132	5,155	5,879	7,261	7,198
Fixed assets	600	633	711	760	785
Capital Work In Progress	39	67	73	86	100
Other Intangible assets	306	560	1,060	1,060	1,060
Goodwill	654	862	912	912	912
Investments	230	570	570	570	570
Other non current assets	452	434	140	151	164
Net working capital	629	684	405	414	457
Inventories	1,412	1,225	1,410	1,491	1,624
Sundry debtors	652	1,015	616	664	723
Loans & Advances	5	4	3	3	3
Other current assets	214	231	252	272	296
Sundry creditors	(1,344)	(1,452)	(1,559)	(1,675)	(1,818)
Other current liabilities & Prov	(310)	(339)	(316)	(341)	(372)
Cash	579	756	1,392	2,643	2,426
Other Financial Assets	643	589	616	664	723
Total assets	4,132	5,155	5,879	7,261	7,198
Cash Flow Statement (INR Cr)	FY22	FY23	FY24E	FY25E	FY26E
Profit before tax	1,619	1,762	1,832	1,990	2,188
Depreciation	139	155	189	224	261
Tax paid	(346)	(421)	(399)	(433)	(477)
Working capital Δ	(390)	(55)	279	(9)	(43)
Other operating items	(41)	(208)	(50)	-	-
Operating cashflow	981	1,233	1,851	1,772	1,930
Capital expenditure	(182)	(216)	(273)	(286)	(300)
Free cash flow	799	1,017	1,579	1,486	1,629
Equity raised	(1,187)	(277)	(615)	(80)	(1,679)
Investments	58	(340)	-	-	-
Others	(91)	(182)	(233)	(59)	(73)
Debt financing/disposal	(28)	390	(50)	(50)	(50)
Dividends paid	(13)	(581)	(13)	(13)	(13)
Other items	97	150	(32)	(32)	(32)
Net Δ in cash	(365)	177	636	1,252	(217)
Opening Cash Flow	944	579	756	1,392	2,643
Closing Cash Flow	579	756	1,392	2,643	2,426

Source: Company & Arianth Research

Ratio analysis	FY22	FY23	FY24E	FY25E	FY26E
Growth matrix (%)					
Revenue growth	18.2	2.6	3.2	7.8	8.9
Op profit growth	5.7	7.7	13.9	9.4	10.2
EBIT growth	6.1	9.7	4.7	8.2	9.5
Net profit growth	6.3	5.3	6.9	8.6	9.9
Profitability ratios (%)					
RoCE	33.5	31.8	28.9	25.9	25.6
RoNW	39.2	37.9	34.5	29.7	28.7
RoA	31.2	26.3	24.6	21.6	23.9
Per share ratios					
Dividend per share	0.1	4.5	0.1	0.1	0.1
Book value per share	26.0	29.4	35.4	46.5	46.4
Valuation ratios					
P/E	53.9	51.2	47.9	44.1	40.1
P/CEPS	48.6	45.9	42.3	38.5	34.8
P/B	20.5	18.1	15.0	11.4	11.5
EV/EBIDTA	40.7	37.7	32.8	29.4	26.7
Payout (%)					
Dividend payout	1.0	43.3	0.9	0.8	0.8
Tax payout	21.4	23.9	21.8	21.8	21.8
Liquidity ratios					
Debtor days	24.7	37.4	22.0	22.0	22.0
Inventory days	93.5	82.4	95.0	95.0	95.0
Creditor days	61.8	65.7	70.0	70.0	70.0
Leverage ratios					
Interest coverage	42.1	32.1	26.5	30.3	35.3
Net debt / equity	(0.0)	0.0	(0.1)	(0.3)	(0.3)
Net debt / op. profit	(0.0)	0.1	(0.3)	(0.8)	(0.7)

Source: Company & Arian Research

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Stock Rating Scale

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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