

CMP: INR 494

Rating: Accumulate

Target Price: INR 569

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)	63,833
52w H/L (INR)	554/ 462
Avg Yearly Volume (in 000')	1,417

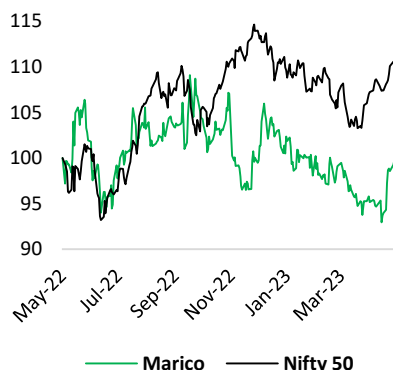
Shareholding Pattern %

(As on March 2023)

Promoters	59.42
FII	24.97
DII	9.99
Public & Others	5.64

Stock Performance (%)	1m	3m	12m
Marico	2.3	(0.1)	(5.0)
Nifty 50	2.9	1.2	8.3

Marico Vs Nifty 50



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The company displayed mid-single-digit top-line growth YoY with sequential margin contraction. Volume growth was seen in Parachute, ahead of the industry. VAHO volumes are also beginning to return. There was a one-time gain of INR 28 Cr on the sale of land. Marico's Q4FY23 Net Revenue grew by 3.66% YoY to INR 2,240 Cr (-9.31% QoQ). Gross Margin expanded 294 bps YoY to 47.41% (+247bps QoQ). EBITDA grew by 13.58% YoY to INR 393 Cr (-13.82% QoQ). EBITDA Margin expanded 153bps YoY to 17.54% (-92bps QoQ). PAT grew 18.68% YoY to INR 305 Cr (-8.41% QoQ). **Growth was driven by the premium end of the portfolio amidst high geopolitical tensions, high-interest rates, inflation, and muffled demand.**

The VAHO business: It had a 2-digit growth during the year which is expected to continue into FY24. Volume growth will begin to return in the medium term but growth will still be mostly value-led. This year saw an underperformance of the bottom pyramid of products, and more growth coming in from the medium-high end of the pyramid steered by modern trade and e-commerce. General trade will pick up in FY24. It was an INR 600 Cr business in FY23, targeted to reach INR 750 Cr in FY24.

New launches: There will new more NPDs in FY24 coming in the personal care category as it is more high margin compared to foods. NPDs contributed an incremental INR 750 cr in FY24.

Foods: Contributed INR 600 Cr to the top line from the scale-up in soya and honey. Peanut butter and mayo also did well. This number will cross INR 850 Cr in FY24, still driven by urban demand.

Guidance: The company has guided for GM expansion of 200-250bps, and OPM expansion of 100bps in FY24. A lot of this will come from the new products and the digital side. A&P spending will be maintained at 7-8%.

Saffola: They had strategically gained market shares on Saffola last year in the high single digits, but they expect volume moderation in FY24. In FY22-23 they had a high base of Omicron and increased in-home consumption which led to high volume growth that isn't too sustainable.

Copra: During the year parachute saw volume growth as price moderation in Copra was passed on. The branded coconut oil segment also grew brand conversion seen in the market.

Valuation & Outlook: We expect FY24 to be a better year in terms of value, volumes, and margins. This year had a lot of demand coming in from the urban market as it is less elastic, and there was a severe underperformance in general trade which is a significant share of demand for the company. This will start to improve in FY24 as more launches are ruled out into GT and retail inflation continues to soften. We assign a TP of INR 569 valued at a P/E multiple of 45x the FY25E EPS of INR 13 and recommend that investors accumulate at this level.

INR Cr	FY21	FY22	FY23	FY24E	FY25E	FY26E
Revenues	8,048	9,512	9,764	10,795	11,922	13,181
yoy growth (%)	10.0	18.2	2.6	10.6	10.4	10.6
Operating profit	1,591	1,681	1,810	2,078	2,355	2,630
OPM (%)	19.8	17.7	18.5	19.3	19.8	20.0
Reported PAT	1,202	1,308	1,309	1,419	1,599	1,789
yoy growth (%)	3.3	8.8	0.1	8.5	12.6	11.9
EPS (Rs)	9.3	9.9	10.4	11.3	12.6	14.1
P/E (x)	53.2	50.0	47.5	43.9	39.0	35.0
Price/Book (x)	19.7	19.0	16.8	12.4	9.6	9.7
EV/EBITDA (x)	39.6	37.7	35.0	29.9	25.9	23.3
Debt/Equity (x)	0.2	0.2	0.2	0.2	0.1	0.1
RoE (%)	38.4	39.2	37.9	32.7	28.0	27.8

Source: Company & Arihant Research

Quarterly Result

INR Cr (consolidated)	Q4FY23	Q3FY23	Q2FY22	Q-o-Q	Y-o-Y
Net Revenue	2,240	2,470	2,161	-9.31%	3.66%
Other Income	68	40	24	70.00%	183.33%
Raw Material Costs	1,178	1,360	1,200	-13.38%	-1.83%
Gross Profit	1,062	1,110	961	-4.32%	10.51%
Gross Margin	47.41%	44.94%	44.47%	247bps	294bps
Employee costs	171	160	139	6.88%	23.02%
Advertising and Promotion Expenses	210	220	204	-4.55%	2.94%
Other Expenses	288	274	272	5.11%	5.88%
EBITDA	393	456	346	-13.82%	13.58%
<i>EBITDA margin %</i>	<i>17.54%</i>	<i>18.46%</i>	<i>16.01%</i>	<i>-92bps</i>	<i>153bps</i>
Depreciation	43	39	37	10.26%	16.22%
EBIT	418	457	333	-8.53%	25.53%
Finance costs	17	14	11	21.43%	55%
PBT	401	443	322	-9.48%	24.53%
Tax Expense	96	110	65	-12.73%	48%
Effective tax rate %	24%	25%	20%	-89bps	375bps
PAT	305	333	257	-8.41%	18.68%
<i>PAT margin %</i>	<i>13.21%</i>	<i>13.27%</i>	<i>11.76%</i>	<i>-5bps</i>	<i>145bps</i>
EPS (Rs)	2.34	2.53	1.95	-7.51%	20.00%

Source: Company & Arianth Research

Q4FY23 Earnings Call Takeaways:

- There is a sustained focus on value addition through innovation in foods and personal care (which grew 20% this year).
- International businesses like Bangladesh have shown a resilient performance on the back of distribution strength and brand significance despite the prevailing currency devaluation issue. Marico is in the top 2-3 FMCG players in Bangladesh.
- They target net 0 emissions by 2040.
- VAHO growth in FY24 will be more broad-based as GT begins to pick up and the state of rural consumption bottoms out. FY23 saw a better performance of higher-end products. From now on, there will be an increased focus on ATL growth in VAHO, and new products like onion oil will enter GT.
- Packaged foods will start to penetrate GT more- Honey and Soya will be followed by snacks in FY24. The current 10,000 open-format GT outlets will grow in number.
- The effects of growing direct rural distribution and the recovery in GT will show in FY24.
- The foods business has a far more urban skew due to the developments in packaged foods made available in e-commerce and MT.
- Compared to foods, HPC is more secular across income classes and gets more impacted when there is stress on income. As it is highly penetrated and has a diversified product portfolio across different price points, it provides many opportunities to downgrade.
- Growth in this business will come from increases in income and population.
- E-commerce's share is going up to 30% led by developments in packaged foods and acquisitions of digital brands. The cost of sale in MT + E-commerce is higher than in GT which is why they are at the forefront of premiumization.

Q4FY23 – Result Update | Marico Ltd

Consolidated Income Statement (INR Cr)	FY21	FY22	FY23	FY24E	FY25E	FY26E
Revenue	8,048	9,512	9,764	10,795	11,922	13,181
Net Raw Materials	4,270	5,436	5,351	5,829	6,318	6,986
Advt & Promotion	698	796	842	864	1,013	1,094
Employee Cost	570	586	653	777	858	949
Other Expenses	919	1,013	1,108	1,247	1,377	1,522
Total Expenses	6,457	7,831	7,954	8,717	9,567	10,551
EBITDA	1,591	1,681	1,810	2,078	2,355	2,630
EBITDA %	19.8	17.7	18.5	19.3	19.8	20.0
Depreciation	(139)	(139)	(155)	(199)	(240)	(276)
Interest expense	(34)	(39)	(56)	(54)	(55)	(51)
Other income	94	98	144	11	6	7
Exceptional items	(13)	-	-	-	-	-
Profit before tax	1,519	1,619	1,762	1,855	2,085	2,329
Taxes	(324)	(346)	(421)	(404)	(454)	(508)
Minorities and other	(2)	-	-	-	-	-
Reported Net profit	1,197	1,273	1,341	1,451	1,631	1,821
Other Comprehensive income	5	35	-32	-32	-32	-32
Net profit	1,202	1,308	1,309	1,419	1,599	1,789
EPS (INR)	9.3	10.0	10.5	11.4	12.7	14.2
Consolidated Balance Sheet (INR Cr)	FY21	FY22	FY23	FY24E	FY25E	FY26E
Equity capital	129	129	129	129	129	129
Reserves	3,111	3,219	3,670	5,024	6,475	6,462
Net worth	3,240	3,348	3,799	5,153	6,604	6,591
Minority Interest	18	57	157	157	157	157
Debt	552	524	914	864	814	764
Other non-current liabilities	24	27	20	20	20	20
Deferred tax liab (net)	156	176	265	265	265	265
Total liabilities	3,990	4,132	5,155	6,459	7,860	7,797
Fixed assets	572	600	633	752	760	758
Capital Work In Progress	24	39	67	48	74	106
Other Intangible assets	230	306	560	560	560	560
Goodwill	613	654	862	862	862	862
Investments	288	230	570	570	570	570
Other non current assets	447	452	434	540	596	659
Net working capital	239	629	684	499	530	590
Inventories	1,126	1,412	1,225	1,538	1,667	1,843
Sundry debtors	388	652	1,015	660	729	805
Loans & Advances	6	5	4	6	7	7
Other current assets	239	214	231	330	364	403
Sundry creditors	(1,134)	(1,344)	(1,452)	(1,525)	(1,674)	(1,846)
Other current liabilities & Prov	(386)	(310)	(339)	(510)	(563)	(622)
Cash	944	579	756	1,789	2,981	2,667
Other Financial Assets	633	643	589	840	927	1,025
Total assets	3,990	4,132	5,155	6,459	7,860	7,797
Consolidated Cash Flow Statement (INR Cr)	FY21	FY22	FY23	FY24E	FY25E	FY26E
Profit before tax	1,519	1,619	1,762	1,855	2,085	2,329
Depreciation	139	139	155	199	240	276
Tax paid	(324)	(346)	(421)	(404)	(454)	(508)
Working capital Δ	726	(390)	(55)	185	(31)	(61)
Other operating items	(75)	(41)	(208)	-	-	-
Operating cashflow	1,985	981	1,233	1,835	1,840	2,036
Capital expenditure	(23)	(182)	(216)	(299)	(274)	(306)
Free cash flow	1,962	799	1,017	1,536	1,566	1,730
Equity raised	(982)	(1,187)	(858)	(53)	(135)	(1,789)
Investments	(135)	58	(340)	-	-	-
Others	(262)	(91)	(182)	(356)	(144)	(161)
Debt financing/disposal	(6)	(28)	390	(50)	(50)	(50)
Dividends paid	(3)	(13)	-	(13)	(13)	(13)
Other items	91	97	150	(32)	(32)	(32)
Net Δ in cash	665	(365)	177	1,033	1,193	(315)
Opening Cash Flow	279	944	579	756	1,789	2,981
Closing Cash Flow	944	579	756	1,789	2,981	2,667

Source: Company & Arianth Research

Ratio analysis	FY21	FY22	FY23	FY24E	FY25E	FY26E
Growth matrix (%)						
Revenue growth	10.0	18.2	2.6	10.6	10.4	10.6
Op profit growth	8.3	5.7	7.7	14.8	13.3	11.7
EBIT growth	6.4	6.1	9.7	5.1	12.2	11.3
Net profit growth	6.8	6.3	5.3	8.3	12.4	11.6
Profitability ratios (%)						
RoCE	33.0	33.5	31.8	27.5	24.6	24.9
RoNW	38.4	39.2	37.9	32.7	28.0	27.8
RoA	30.2	31.2	26.3	22.7	20.9	23.5
Per share ratios						
Dividend per share	0.0	0.1	-	0.1	0.1	0.1
Book value per share	25.1	26.0	29.4	39.9	51.2	51.1
Valuation ratios						
P/E	53.2	50.0	47.5	43.9	39.0	35.0
P/CEPS	47.7	45.1	42.6	38.6	34.0	30.4
P/B	19.7	19.0	16.8	12.4	9.6	9.7
EV/EBIDTA	39.6	37.7	35.0	29.9	25.9	23.3
Payout (%)						
Dividend payout	0.2	1.0	-	0.9	0.8	0.7
Tax payout	21.3	21.4	23.9	21.8	21.8	21.8
Liquidity ratios						
Debtor days	17.4	24.7	37.4	22.0	22.0	22.0
Inventory days	94.9	93.5	82.4	95.0	95.0	95.0
Creditor days	63.2	61.8	65.7	63.0	63.0	63.0
Leverage ratios						
Interest coverage	45.5	42.1	32.1	34.9	38.9	46.0
Net debt / equity	(0.1)	(0.0)	0.0	(0.2)	(0.3)	(0.3)
Net debt / op. profit	(0.2)	(0.0)	0.1	(0.4)	(0.9)	(0.7)
Du-Pont Analysis						
Tax burden (x)	0.8	0.8	0.8	0.8	0.8	0.8
Interest burden (x)	1.0	1.0	1.0	1.0	1.0	1.0
EBIT margin (x)	0.2	0.2	0.2	0.2	0.2	0.2
Asset turnover (x)	2.3	2.6	2.4	2.1	1.9	1.8
Financial leverage (x)	1.1	1.1	1.2	1.1	1.1	1.1
RoE (%)	38.4	38.6	37.5	32.4	27.7	27.6

Source: Company & Arian Research

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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