

Current	Previous
CMP : Rs 365	
Rating : BUY	Rating : BUY
Target : Rs 464	Target : Rs 476

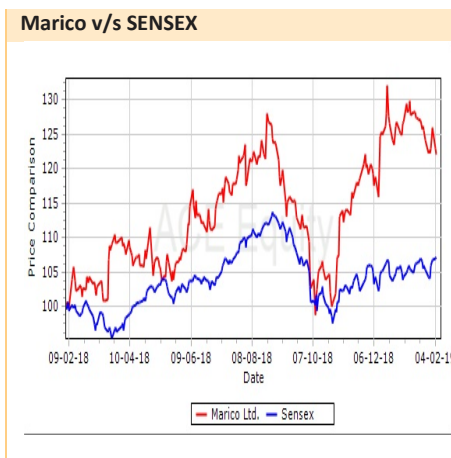
STOCK INFO	
INDEX	
BSE	532528
NSE	MARICO
Bloomberg	MRCO IN
Reuters	MRCO.BO
Sector	FMCG
Face Value (Rs)	1
Equity Capital (Rs Mn)	1291
Mkt Cap (Rs Mn)	471179
52w H/L (Rs)	397/283
Avg Weekly Vol (BSE+NSE)	2133000

SHAREHOLDING PATTERN	%
(As on December, 2018)	
Promoters	59.57
DII	6.02
FII	26.44
Public & Others	7.83

Source: ACE Equity, Arihant Research

Stock Performance (%)	3m	6m	12m
Marico	7.39	1.7%	23%
SENSEX	3.7%	-4.2%	3.6%

Source: ACE Equity, Arihant Research



Source: ACE Equity, Arihant Research

Marico reported good set of Q3FY19 numbers. Revenue grew 14.6% YoY Rs 18609mn ahead of our estimates of Rs 17551mn. EBITDA rose 15.7% YoY to Rs 3489mn (est: Rs 3214mn), while PAT grew 13.1% YoY to Rs 2561mn (est: Rs 2368mn). Margins were higher on account of low material cost. Margins are expected to grow further as copra prices are expected to reduce. We expect Marico to benefit from this from Q4FY19 onwards. We maintain our BUY rating with revised target price of Rs 464.

Q3FY19 Result & Con-Call highlights

- Revenue stood at Rs 18609mn, a growth of 1.3% QoQ and 14.6% YoY.
- EBITDA margin was stable at 18.8% vs 18.6% YoY.
- EBITDA stood at Rs 3489mn, a growth of 18.7% QoQ and 15.7% YoY.
- Consolidated PAT at Rs 2561mn, growth of 19.6% QoQ & 13.1% YoY.
- The company expects medium term outlook to be positive & a strong demand environment going forward.
- Growth in international market will be the key focus going forward.
- Marico is also planning to enter the dry-fruits segment.
- Going forward, Marico will continue to focus on volume growth in its Indian business.
- The management expects copra prices to go down and hence no price action will be taken on Parachute in the near term.
- Male grooming and serums are expected to grow at 15% QoQ for the upcoming quarters.
- For the next year, Marico management has guided for the following:-
 - 7% volume growth in Indian business.
 - Double digit constant currency growth in its international business.
 - 18% + EBITDA margins

Valuations

After factoring in Q3FY19 results and listening to the management commentary in its post result conference call, we have maintained our FY19E and FY20E estimates and introduced FY21E estimates. At CMP of Rs 365, the stock is trading at P/E multiple of 35.4x to its FY21E earnings. We value the stock at a target P/E multiple of 45x FY21E earnings, which yields a target price of Rs 464 per share. Maintain BUY.

Financial Performance

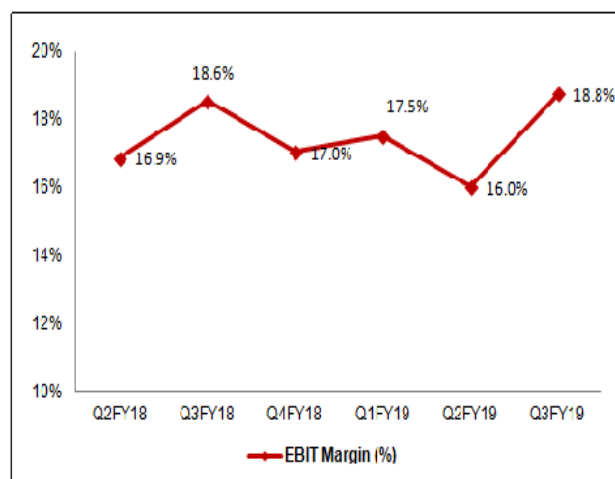
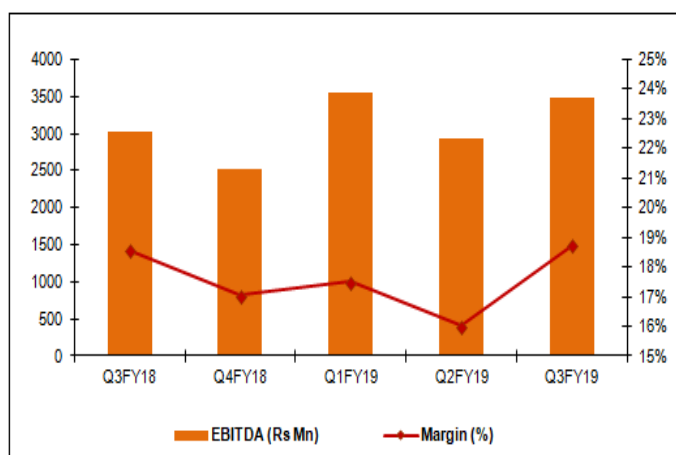
YE March (Rs Mn)	Net Sales	EBITDA	PAT	EPS (Rs)	EBITDA Margin %	RoE (%)	P/E (x)	EV/EBITDA (x)
FY17	59178	11593	7986	6.2	19.6	34.5	59.0	40.6
FY 18	63222	11378	8145	6.3	18.0	32.2	57.8	41.5
FY19E	73738	12917	9436	7.3	17.5	35.0	49.9	36.6
FY20E	83102	15183	11162	8.6	18.3	36.5	42.2	31.1
FY21E	93074	18089	13317	10.3	19.4	38.0	35.4	26.1

Source: Company, Arihant Research

Q3FY19 and 9MFY19 Financial Performance

Rs Mn (consolidated)	Q3FY19	Q2FY19	Q3FY18	Q-o-Q	Y-o-Y	9MFY19	9MFY18	Y-o-Y
Net Revenue	18,609	18,368	16,243	1.3%	14.6%	57,245	48,530	18.0%
Material Cost	8,791	10,287	9,096	-14.5%	-3.4%	29,535	25,019	18.1%
Employee cost	1,204	1,146	1,026	5.1%	17.3%	3,496	3,187	9.7%
Other Expenses	5,125	3,995	3,106	28.3%	65.0%	14,234	11,358	25.3%
EBITDA	3,489	2,941	3,015	18.7%	15.7%	9,980	8,966	11.3%
<i>EBITDA margin %</i>	<i>18.8%</i>	<i>16.0%</i>	<i>18.6%</i>	<i>274bps</i>	<i>19bps</i>	<i>17.4%</i>	<i>18.5%</i>	<i>(104bps)</i>
Other Income	215	292	182	-26.4%	18.4%	748	618	21.1%
Depreciation	226	224	213	0.9%	6.0%	674	660	2.2%
EBIT	3,478	3,009	2,984	15.6%	16.6%	10,054	8,924	12.7%
Finance cost	48	57	39	-15.3%	23.7%	158	109	44.9%
Exceptional Item	-	-	-	-	-	-	109	-
PBT	3,430	2,952	2,945	16.2%	16.5%	9,896	8,924	10.9%
Tax Expense	914	776	709	17.8%	29.0%	2,604	2,254	15.5%
Effective tax rate %	26.6%	26.3%	24.1%	35bps	258bps	26.3%	25.3%	106bps
PAT	2,516	2,176	2,236	15.6%	12.5%	7,292	6,671	9.3%
MI & Associates	45	-34	28			129	103	
Consolidated PAT	2,561	2,142	2,264	19.6%	13.1%	7,422	6,774	9.6%
<i>PAT margin %</i>	<i>13.8%</i>	<i>11.7%</i>	<i>13.9%</i>	<i>210bps</i>	<i>(17bps)</i>	<i>13.0%</i>	<i>14.0%</i>	<i>(99bps)</i>
EPS (Rs)	1.9	1.7	1.7	14.5%	11.1%	5.6	4.9	13.0%

Source: Company, Arianth Research



Valuations

After factoring in Q3FY19 results and listening to the management commentary in its post result conference call, we have maintained our FY19E and FY20E estimates and introduced FY21E estimates. We have rolled over our target P/E multiple to FY21E and now value the stock at a target P/E multiple of 45x FY21E earnings against 55x FY20E earnings earlier, which yields a target price of Rs 464 per share. We maintain our BUY rating on the stock with revised target price of Rs 464, which gives an upside potential of 27.1%.

Consolidated Financials

Income Statement (Rs mn)

Year End-March	FY15	FY16	FY17	FY18	FY19E	FY20E	FY21E
Revenues	57,330	60,173	59,178	63,222	73,738	83,102	93,074
<i>Change (%)</i>	22.3%	5.0%	-1.7%	6.8%	16.6%	12.7%	12.0%
Raw materials	31,190	30,706	28,259	33,482	41,092	45,738	50,785
Gross Profit	26,139	29,468	30,919	29,740	32,646	37,363	42,289
Employee costs	3,251	3,734	4,042	4,222	4,450	4,557	4,654
Other expenses	14,188	15,220	15,285	14,140	15,279	17,624	19,546
Total Expenses	48,629	49,659	47,585	51,844	60,821	67,919	74,985
EBITDA	8,700	10,514	11,593	11,378	12,917	15,183	18,089
Other Income	589	933	973	846	1,012	990	1,024
Depreciation	843	949	903	891	876	895	917
Interest	230	206	166	162	188	192	198
PBT	8,216	10,292	11,497	11,171	12,866	15,086	17,998
Extra-ordinary	0	0	0	0	1	2	2
PBT after ext-ord.	8,216	10,292	11,497	11,171	12,865	15,084	17,996
Tax	2,368	3,054	3,377	2,896	3,354	3,922	4,679
<i>Rate (%)</i>	28.8%	29.7%	29.4%	25.9%	26.1%	26.0%	26.0%
PAT	5,849	7,239	8,120	8,276	9,511	11,162	13,317
MI & Associates	-114	-124	-134	-131	-76	0	0
Consolidated PAT	5,734	7,115	7,986	8,145	9,436	11,162	13,317
<i>Change (%)</i>	18.1%	24.1%	12.2%	2.0%	15.8%	18.3%	19.3%

Source: Company, Arihant Research

Balance Sheet (Rs mn)

Year End-March	FY15	FY16	FY17	FY18	FY19E	FY20E	FY21E
Sources of Funds							
Share Capital	645	1,290	1,291	1,291	1,291	1,291	1,291
Reserves & Surplus	17,570	18,819	21,890	24,032	25,668	29,289	33,754
Net Worth	18,215	20,110	23,181	25,323	26,959	30,580	35,045
Loan Funds	3,342	1,529	2,391	3,095	3,245	3,395	3,545
MI, Deferred Tax & other liabilities	248	-214	335	433	433	433	433
Capital Employed	21,805	21,425	25,906	28,850	30,636	34,407	39,023
Application of Funds							
Gross Block	14,732	11,421	12,282	13,378	14,628	16,128	17,628
Less: Depreciation	3,973	917	1,735	2,571	3,447	4,342	5,258
Net Block	10,759	10,504	10,547	10,808	11,182	11,787	12,370
CWIP	30	367	112	268	268	268	268
Other non current assets	15	17	13	15	15	15	15
Deferred tax assets	0	0	0	0	0	0	0
Net fixed assets	10,804	10,889	10,672	11,091	11,465	12,070	12,654
Investments	2,838	5,439	6,382	5,724	5,724	5,724	5,724
Debtors	1,768	2,521	2,470	3,406	4,040	4,554	5,100
Inventories	9,947	9,256	12,534	15,109	18,913	21,303	25,045
Cash & bank balance	2,049	3,171	2,360	2,001	1,915	2,503	1,882
Loans & advances & other CA	3,847	4,400	1,817	3,394	3,961	5,562	6,700
Total current assets	17,611	19,348	19,181	23,909	28,831	33,921	38,727
Current liabilities	8,409	10,181	8,469	10,033	15,152	17,076	17,850
Provisions	1,040	4,069	1,860	1,841	232	232	232
Net current assets	8,163	5,098	8,852	12,036	13,447	16,613	20,645
Total Assets	21,805	21,425	25,906	28,850	30,636	34,407	39,023

Source: Company, Arihant Research

Cash Flow Statement (Rs mn)

Year End-March	FY15	FY16	FY17	FY18	FY19E	FY20E	FY21E
PBT	8,216	10,292	11,497	11,171	12,866	15,086	17,998
Depreciation	843	949	903	891	876	895	917
Interest & others	-474	-851	-941	-815	-900	-798	-825
Cash flow before WC changes	8,586	10,390	11,459	11,247	12,842	15,183	18,089
(Inc)/dec in working capital	-169	3,687	-4,020	-3,465	-1,497	-2,579	-4,653
Operating CF after WC changes	8,418	14,077	7,439	7,782	11,344	12,604	13,437
Less: Taxes	-1,811	-3,054	-3,377	-2,896	-3,354	-3,922	-4,679
Operating cash flow	6,607	11,024	4,061	4,886	7,990	8,682	8,758
(Inc)/dec in F.A + CWIP	-581	-85	217	-419	-1,250	-1,500	-1,500
(Pur)/sale of investment	410	-2,601	-943	658	0	0	0
Cash flow from investing	-171	-2,685	-727	239	-1,250	-1,500	-1,500
Free cash flow (FCF)	6,026	10,942	4,274	4,469	6,740	7,182	7,258
Loan raised/(repaid)	-2,255	-1,813	862	704	150	150	150
Equity raised	0	645	0	0	0	0	0
Interest & others	-1,374	-1,026	80	169	100	1,627	1,959
Dividend	-3,001	-5,023	-5,088	-6,357	-7,077	-8,371	-9,988
Cash flow from financing activities	-6,629	-7,216	-4,146	-5,484	-6,826	-6,594	-7,878
Net inc /(dec) in cash	-193	1,122	-811	-359	-86	588	-621
Opening balance of cash	2,242	2,049	3,171	2,360	2,001	1,915	2,503
Closing balance of cash	2,049	3,171	2,360	2,001	1,915	2,503	1,882

Source: Company, Arianth Research

Key Ratios

Year End-March	FY15	FY16	FY17	FY18	FY19E	FY20E	FY21E
Per share (Rs)							
EPS	8.9	5.5	6.2	6.3	7.3	8.6	10.3
CEPS	10.2	6.2	6.9	7.0	8.0	9.3	11.0
BVPS	28.2	15.6	18.0	19.6	20.9	23.7	27.1
DPS	4.7	3.9	3.9	4.9	5.5	6.5	7.7
Payout (%)	52.3%	70.6%	63.7%	78.1%	75.0%	75.0%	75.0%
Valuation (x)							
P/E	41.1	66.2	59.0	57.8	49.9	42.2	35.4
P/CEPS	35.8	58.4	53.0	52.1	45.7	39.1	33.1
P/BV	12.9	23.4	20.3	18.6	17.5	15.4	13.4
EV/EBITDA	27.2	44.6	40.6	41.5	36.6	31.1	26.1
Dividend Yield (%)	1.3%	1.1%	1.1%	1.3%	1.5%	1.8%	2.1%
Return ratio (%)							
EBIDTA Margin	15.2%	17.5%	19.6%	18.0%	17.5%	18.3%	19.4%
PAT Margin	10.0%	11.8%	13.5%	12.9%	12.8%	13.4%	14.3%
ROE	31.5%	35.4%	34.5%	32.2%	35.0%	36.5%	38.0%
ROCE	36.0%	44.6%	41.3%	36.3%	39.3%	41.5%	44.0%
Leverage Ratio (%)							
Total D/E	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Net D/E	0.1	-0.1	0.0	0.0	0.0	0.0	0.0
Turnover Ratios							
Asset Turnover (x)	2.6	2.8	2.3	2.2	2.4	2.4	2.4
Inventory Days	116	110	162	165	168	170	180
Receivable Days	11	15	15	20	20	20	20
Payable days	60	86	64	69	75	75	70

Source: Company, Arianth 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%

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