

Marico Limited

Accumulate

Sector: FMCG

19th November 2024

Key Changes	Target ▲	Rating ▼	Earnings ▼	Target	Rs.678		
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame	CMP	Rs.597
Mid Cap	MRCO:IN	77,339	MARICO	531642	12 Months	Return	+14%

Data as of: 18-11-2024

Company Data			
Market Cap (Rs. cr)	77,474		
52 Week High — Low (Rs.)	720 - 487		
Enterprise Value (Rs. cr)	77,130		
Outstanding Shares (cr)	129.5		
Free Float (%)	41.0		
Dividend Yield (%)	1.1		
6m average volume (cr)	0.3		
Beta	0.5		
Face value (Rs.)	1.0		
Shareholding (%)	Q4FY24	Q1FY25	Q2FY25
Promoters	59.4	59.3	59.2
FII's	25.5	24.6	24.9
MFs/Institutions	10.1	11.3	11.2
Public	4.6	4.3	4.1
Others	0.5	0.5	0.6
Total	100.0	100.0	100.0
Promoter Pledge	0.1	0.1	0.1
Price Performance	3 Month	6 Month	1 Year
Absolute Return	-9.4%	0.7%	14.8%
Absolute Sensex	-1.6%	6.8%	19.6%
Relative Return	-7.8%	-6.1%	-4.8%

*over or under performance to benchmark index



Y.E March (cr)	FY24A	FY25E	FY26E
Sales	9,653	10,654	11,838
Growth (%)	-1.1	10.4	11.1
EBITDA	2,026	2,283	2,566
EBITDA Margin (%)	21.0	21.4	21.7
PAT Adjusted	1,481	1,626	1,829
Growth (%)	13.7	9.8	12.4
Adjusted EPS	11.4	12.6	14.1
Growth (%)	13.7	9.8	12.4
P/E	43.4	47.6	42.3
P/B	16.8	19.0	17.8
EV/EBITDA	31.6	33.8	30.0
ROE (%)	38.6	39.9	42.0
D/E	0.1	0.1	0.1

Revenue rises; higher input cost dents margin

Headquartered in Mumbai, Marico Limited is a leading Indian FMCG company with exports to over 25 countries. The company's product portfolio includes brands such as Parachute, Saffola and Livon.

- In Q2FY25, revenue increased 7.6% YoY to Rs. 2,664cr, as underlying volume grew 5% in the domestic business and revenue in constant-currency terms rose 13% in the international business.
- Domestic business revenue grew 8.0% YoY to Rs. 1,979cr, aided by growth in the domestic rural market. The domestic business continued its improving volume growth trajectory, because of strong trends across the core and new franchises. International segment revenue was up 6.4% YoY to Rs. 685cr.
- EBITDA for the quarter grew to Rs. 522cr, a 5.0% YoY increase, driven by higher revenue. However, EBITDA margin deteriorated 50bps YoY to 19.6%, as cost of sales rose 6.9% YoY to Rs. 1,311cr.
- Reported profit after tax rose 20.3% YoY to Rs. 433cr, aided by non-operating income, up 115.8% YoY to Rs.82cr.
- The company expects double-digit revenue growth in H2FY25 in both India and International business.

Outlook & Valuation

The company performed well during the quarter, mainly aided by strong volume growth in the domestic rural market and expected to support further in the upcoming quarter. Marico expects H2FY25 domestic and international business to grow by double digits, which indicates better performance in the near future. However, cost price is expected to be higher due to a rise in input cost, which could dent its margin. Additionally, uncertainty in international business (in Bangladesh) is expected to limit its overall performance in the short term. **Hence, cautiously we downgrade our rating on the stock to ACCUMULATE with a revised target price of Rs. 678 based on 48x FY26E Adj. EPS.**

Quarterly Financials Consol.

Rs.cr	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ (%)	H1FY25	H1FY24	YoY (%)
Sales	2,664	2,476	7.6	2,643	0.8	5,307	4,953	7.1
EBITDA	522	497	5.0	626	-16.6	1,148	1,071	7.2
Margin (%)	19.6	20.1	-50bps	23.7	-410bps	21.6	21.6	0bps
EBIT	481	458	5.0	585	-17.8	1,066	996	7.0
PBT	552	476	16.0	605	-8.8	1,157	1,043	10.9
Rep. PAT	433	360	20.3	474	-8.6	907	796	13.9
Adj PAT	423	353	19.8	464	-8.8	887	780	13.7
EPS (Rs.)	3.3	2.7	19.4	3.6	-9.2	6.9	6.0	13.6



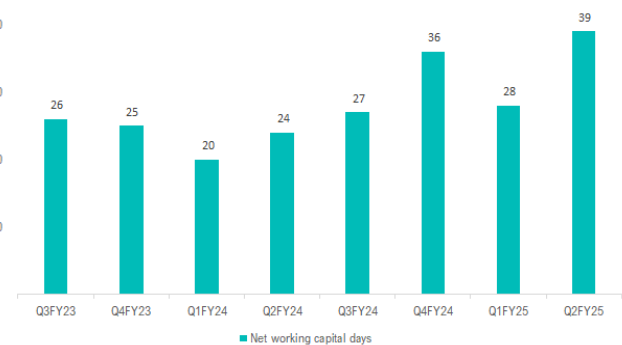
Key concall highlights

- Parachute Rigids displayed a 4% volume growth. The brand registered 10% revenue growth, supported by pricing interventions at the beginning of the year. Parachute alone stood 33% of the domestic revenue.
- Beardo and Plix are projected to reach Rs. 500cr ARR each in next three years. Beardo expected to post double-digit EBITDA margin in FY25.
- Project Setu has been expanded to four additional states, bringing the total to ten. The initiative has gained momentum with state-level exhibitions progressing smoothly, supported by a robust government mechanism.
- Given the elevated inflation and significant import duty, Marico's management forecasts an improvement in vegetable oil pricing in the second half of FY25.
- The company expects Foods portfolio to double by FY27 from the current level.
- It continued to gain its market share across categories in rural and urban areas.
- During the quarter, net working capital days rose to 39 days from 28 days in Q1FY25.
- Revenue share of the Foods and Premium Personal Care segment rose to ~20% in FY24 from ~11% in FY21 and is expected to reach ~25% by FY27.

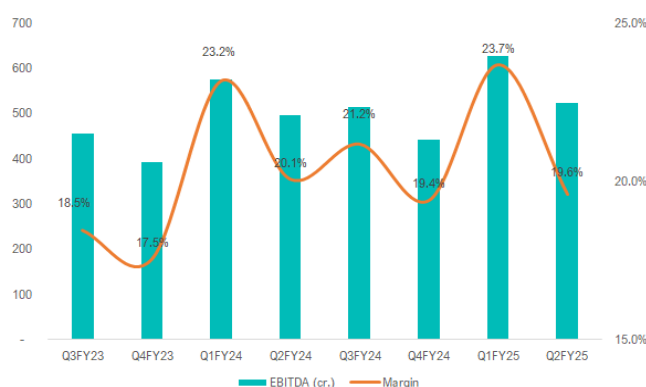
Revenue



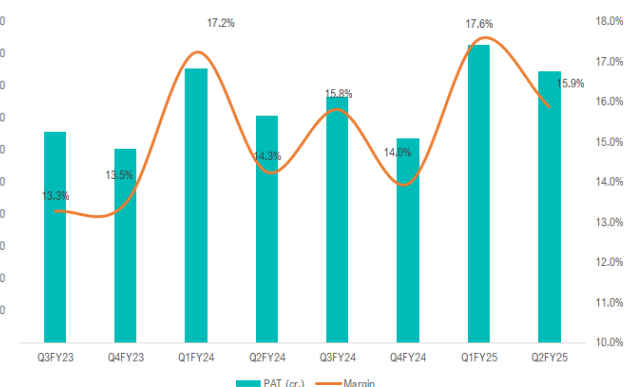
Net working capital days



EBITDA



PAT



Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	10,704	11,854	10,654	11,838	-0.5	-0.1
EBITDA	2,337	2,588	2,283	2,566	-2.3	-0.8
Margins (%)	21.8	21.8	21.4	21.7	-40bps	-10bps
Adj. PAT	1,675	1,872	1,626	1,829	-2.9	-2.3
EPS	13.0	14.5	12.6	14.1	-3.2	-2.7



Consolidated Financials

Profit & Loss

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Sales	9,512	9,764	9,653	10,654	11,838
% change	18.2	2.6	-1.1	10.4	11.1
EBITDA	1,681	1,810	2,026	2,283	2,566
% change	5.7	7.7	11.9	12.7	12.4
Depreciation	139	155	158	170	194
EBIT	1,542	1,655	1,868	2,113	2,372
Interest	39	56	73	75	78
Other Income	98	144	142	139	154
PBT	1,601	1,743	1,937	2,177	2,448
% change	5.0	8.9	11.1	12.4	12.4
Tax	346	421	435	528	593
Tax Rate (%)	21.6	24.2	22.5	24.2	24.2
Reported PAT	1,255	1,322	1,502	1,649	1,855
PAT att. to common shareholders	1,225	1,302	1,481	1,626	1,829
Adj.*	-	-	-	-	-
Adj. PAT	1,225	1,302	1,481	1,626	1,829
% change	5.7	6.3	13.7	9.8	12.4
No. of shares	129.3	129.3	129.4	129.5	129.5
Adj EPS (Rs.)	9.5	10.1	11.4	12.6	14.1
% change	5.4	6.3	13.7	9.8	12.4
DPS (Rs.)	9.3	9.3	9.5	10.7	12.0

Cashflow

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Net inc. + Depn.	1,364	1,457	1,639	1,796	2,023
Non-cash adj.	-	32	-156	-183	49
Other adjustments					
Changes in W.C	-348	-70	-47	-31	-85
C.F. Operation	1,016	1,419	1,436	1,582	1,987
Capital exp.	-129	-157	-135	-213	-237
Change in inv.	282	-666	45	131	52
Other invest.CF	272	-42	266	0	0
C.F - Investment	425	-865	176	-82	-184
Issue of equity	19	-16	-107	-	-
Issue/repay debt	-78	76	-154	8	12
Dividends paid	-1,195	-582	-1,229	-1,382	-1,554
Other finance.CF	-36	-38	-52	-75	-78
C.F - Finance	-1,290	-560	-1,542	-1,449	-1,621
Chg. in cash	153	-69	21	51	182
Closing Cash	579	756	943	994	1,176

Balance Sheet

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Cash	579	756	943	994	1,176
Accts. Receivable	652	1,015	1,069	1,119	1,261
Inventories	1,412	1,225	1,336	1,479	1,576
Other Cur. Assets	862	824	655	532	489
Investments	209	534	358	365	372
Gross Fixed Assets	1,366	1,548	1,701	1,914	2,151
Net Fixed Assets	600	633	700	733	765
CWIP	39	67	44	54	64
Intangible Assets	1,138	1,597	2,009	2,020	2,032
Other Assets	108	149	239	258	281
Total Assets	5,786	6,946	7,421	7,744	8,230
Current Liabilities	1,808	1,956	2,061	2,240	2,416
Provisions	92	361	510	485	460
Debt Funds	345	475	383	391	402
Other Liabilities	136	198	298	193	215
Equity Capital	129	129	129	129	129
Res. & Surplus	3,219	3,670	3,703	3,947	4,221
Shareholder Funds	3,348	3,799	3,832	4,076	4,350
Total Liabilities	5,786	6,946	7,421	7,744	8,230
BVPS	26	29	30	31	34

Ratio

Y.E March	FY22A	FY23A	FY24A	FY25E	FY26E
Profitab. & Return					
EBITDA margin (%)	17.7	18.5	21.0	21.4	21.7
EBIT margin (%)	16.2	17.0	19.4	19.8	20.0
Net profit mgn.(%)	12.9	13.3	15.3	15.3	15.4
ROE (%)	36.6	34.3	38.6	39.9	42.0
ROCE (%)	41.1	37.4	41.0	43.8	46.2
W.C & Liquidity					
Receivables (days)	25.0	37.9	40.4	38.3	38.9
Inventory (days)	94.8	83.6	102.7	102.2	98.6
Payables (days)	90.2	99.0	121.5	120.4	118.6
Current ratio (x)	1.6	1.6	1.6	1.6	1.6
Quick ratio (x)	0.9	1.0	0.9	0.8	0.9
Turnover & Leverage					
Gross asset T.O (x)	7.3	6.7	5.9	5.9	5.8
Total asset T.O (x)	1.7	1.5	1.3	1.4	1.5
Int. covge. ratio (x)	39.5	29.6	25.6	28.3	30.4
Adj. debt/equity (x)	0.1	0.1	0.1	0.1	0.1
Valuation					
EV/Sales (x)	6.8	6.3	6.6	7.2	6.5
EV/EBITDA (x)	38.6	34.2	31.6	33.6	29.9
P/E (x)	53.2	47.6	43.4	47.4	42.1
P/BV (x)	19.5	16.3	16.8	18.9	17.7



Recommendation Summary - last 3 years



Dates	Rating	Target
5-Aug-21	BUY	590
3-Feb-22	BUY	560
11-May-22	HOLD	540
10-Nov-22	HOLD	538
16-May-23	BUY	598
8-Nov-23	BUY	581
15-May-24	BUY	668
19-Nov-24	ACCUMULATE	678

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

Not rated/Neutral

Definition:

Buy: Acquire at Current Market Price -CMP, with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

Symbols definition:

▲ Upgrade

● No Change

▼ Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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