

Mixed numbers; Pick-up likely ahead; Maintain Buy

Q3FY24 Result Update | Sector: FMCG | January 30, 2024

BUY

CMP (Rs)	517
Target Price (Rs)	666
Potential Upside	28.8%
Sensex	71,942
Nifty	21,738

Key Stock data

BSE Code	531642
NSE Code	MARICO
Bloomberg	MRCO IN
Shares o/s, Cr (FV 1)	129.0
Market Cap (Rs Cr)	66,840
3M Avg Volume	1,401,578
52 week H/L	595/463

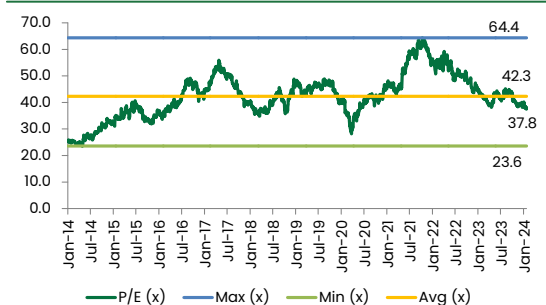
Shareholding Pattern

(%)	Jun-23	Sep-23	Dec-23
Promoter	59.4	59.4	59.4
FII	25.0	25.9	25.7
DII	10.5	9.8	10.0
Others	5.1	4.9	4.9

1 year relative price performance



1 year P/E Forward (x)



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Revenue growth muted but domestic volume grew in single digit: Marico reported decline in revenue growth of 1.9% YoY and 2.2% QoQ to Rs 2,422cr because of the pricing correction in its domestic portfolio, inventory reduction and currency headwinds in international markets impacted sentiments. The India business witnessed de-growth of 3.1% YoY and 2.1% QoQ to Rs 1,793cr while its volume grew by 2% YoY and international market growth was mixed as its grew just by 6% YoY in constant currency and in rupee term, it grew by 1.6% YoY but de-grew by 2.3% QoQ to Rs 629cr.

Margin witnessed healthy improvement: Gross profit of Marico reported a growth of 11.9% YoY to Rs 1,242cr but marginally down by 0.6% QoQ and gross profit margins improved significantly by 634bps YoY and 80bps QoQ to 51.3%. The healthy increase was because of moderation in raw material prices which saw a decline of 13.2% YoY and 3.8% QoQ and favorable portfolio mix. Despite, advertisement and employee increased by 11.8% YoY/18.1% YoY, EBITDA reported strong growth wherein EBITDA grew by 12.5% YoY/3.2% QoQ to Rs 513cr and margins higher by 272bps YoY/111bps QoQ to 21.2%. PAT grew by 15.9% YoY/7.2% to Rs 386cr with increase in PAT margin by 246bps/140bps to 15.9% for Q3FY24.

Steady growth in International business while domestic rural growth is yet to pick-up: The demand in the domestic business was led by urban markets while that of rural was soft and yet to pick-up pace as anticipated. India business growth was impacted because of lower volume growth led by inventory reduction and price correction in key portfolios. Amongst International business, overall growth was led by Gulf region, Egypt and South Africa which saw double digit growth while soft demand was witnessed in Vietnam however transient macroeconomic headwinds in Bangladesh dragged the overall growth and thus international market posted mid single digit growth.

Core portfolio of oils showing early signs of recovery: Amongst the core oil portfolio, its Parachute coconut oil (34% of revenue) volume witnessed steady volume growth of 3% YoY while value growth was flat. Franchise gained 40bps market share and going ahead volume will see gradual pick-up while pricing to be stable. Further, its value added oil portfolio (20% of revenue) posted mid to high single digit volume growth and 3% value growth YoY because of slower rural demand. Also, its bottom-of-the-pyramid product growth remained subdued, while mid and premium segments grew in mid to high single digits. However, its Saffola oil portfolio (18% of revenue) volume saw a mid-digit volume decline because of high base last year while value growth declined by 26% YoY due to price corrections.

Outlook and Valuation: Marico reported mixed numbers for Q3FY24. In the near term, muted demand sentiment from rural areas remains a concern however from a medium to long term perspective we expect rural growth to see gradual recovery led by improving macro indicators, government spending, low raw material trends and pricing. Further, we believe management to continue with its strategy of innovating products, investing behind its brands, focus on product mix and scaling its foods as well as digital first portfolio and also benefit from moderating raw material prices. On the financial front, we expect its Revenue/EBITDA/PAT to grow by 8.6%/15.7%/16.6% CAGR over FY23-26E and continue to maintain our **Buy** rating and a target price of **Rs 666**.

Financial Summary - consolidated

Particulars, Rs cr	FY23	FY24E	FY25E	FY26E
Net revenue	9,764	9,794	11,067	12,506
EBITDA	1,810	2,107	2,417	2,806
EBITDAM (%)	18.5	21.5	21.8	22.4
APAT	1,322	1,572	1,795	2,095
APATM (%)	13.5	16.0	16.2	16.8
EPS (Rs)	10.2	12.2	13.9	16.2
PE (x)	50.4	42.4	37.2	31.8
RoE (%)	34.8	34.2	32.3	31.1

Source : RBL Research

Foods & premium personal care growing as per the plan: The company's food portfolio which includes its Saffola brand and premium personal care is scaling as per expectation and have clocked in 18% growth in value. Its product portfolio is scaling good traction with Oats, Honey and Soya chunks and at the same time newer categories such as Peanut Butter, Mayonnaise and Munchiez as well as acquired brands like True Elements and Plix is witnessing decent growth and gaining strength. Further, its personal care category & digital first portfolio posted revenue of Rs 300cr & Rs 400cr+, respectively.

Key highlights: 1) Management remains positive on medium to long term perspective and expects revenue growth to be in positive growth territory and gross margins to expand by 450-500bps in FY24 led by input cost tailwinds and a favorable portfolio mix. Further investment behind brand building will continue which will aid operating margins to expand by ~250bps in FY24. 2) Its 75%+ of the business either gaining or sustaining market share and penetration levels. 3) Going ahead, domestic business will see gradual uptick in volumes while in the international market, Bangladesh region growth is expected to revive Q4FY24 onwards while others see steady growth. 4) The company is not expecting any major price change ahead. 5) Among channels, General Trade continued to drag on the back of liquidity and profitability constraints, while alternate channels grew strong. 6) Copra prices stayed at lower levels, but exhibited some upward bias. 7) Revenue share from Foods & Premium Personal Care was at ~20% of domestic business in Q3FY24, similar to Q2FY24.

Revenue growth was down 1.9% YoY due to slower rural demand and volume decline in Saffola portfolio

Gross & EBITDA margins witnessed strong improvement led by decline in raw material cost

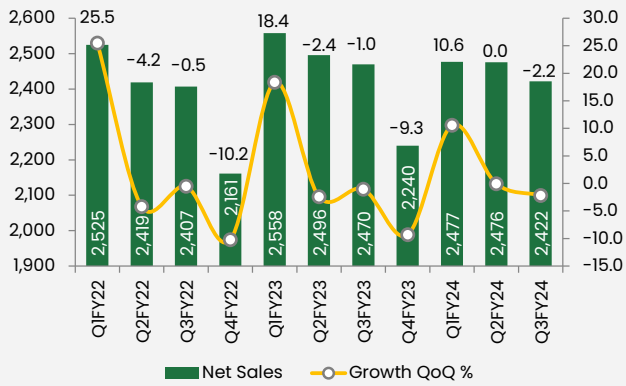
P&L Account Quarterly - consolidated

Particulars, Rs cr	Q3FY24	Q3FY23	Y-o-Y (%)	Q2FY24	Q-o-Q (%)
Net Sales	2,422.0	2,470.0	(1.9)	2,476.0	(2.2)
Cost of Raw Materials	908.0	1,158.0	(21.6)	1,106.0	(17.9)
Purchase of Finished Goods	232.0	106.0	118.9	228.0	1.8
(Increase) / Decrease In Stocks	40.0	96.0	(58.3)	(108.0)	(137.0)
Total Raw material cost	1,180.0	1,360.0	(13.2)	1,226.0	(3.8)
Gross Profit	1,242.0	1,110.0	11.9	1,250.0	(0.6)
Gross Margins (%)	51.3	44.9	634bps	50.5	80bps
Employee Cost	189.0	160.0	18.1	187.0	1.1
Advertisement Cost	246.0	220.0	11.8	268.0	(8.2)
Other Expense	294.0	274.0	7.3	298.0	(1.3)
Total Expenditure	729.0	654.0	11.5	753.0	(3.2)
EBITDA	513.0	456.0	12.5	497.0	3.2
EBITDA Margins (%)	21.2	18.5	272bps	20.1	111bps
Depreciation	42.0	39.0	7.7	39.0	7.7
EBIT	471.0	417.0	12.9	458.0	2.8
Other Income	43.0	40.0	7.5	38.0	13.2
Interest	19.0	14.0	35.7	20.0	(5.0)
PBT	495.0	443.0	11.7	476.0	4.0
Tax	109.0	110.0	(0.9)	116.0	(6.0)
PAT	386.0	333.0	15.9	360.0	7.2
PAT Margin (%)	15.9	13.5	246bps	14.5	140bps
EPS (Rs)	3.0	2.6	15.9	2.8	7.2

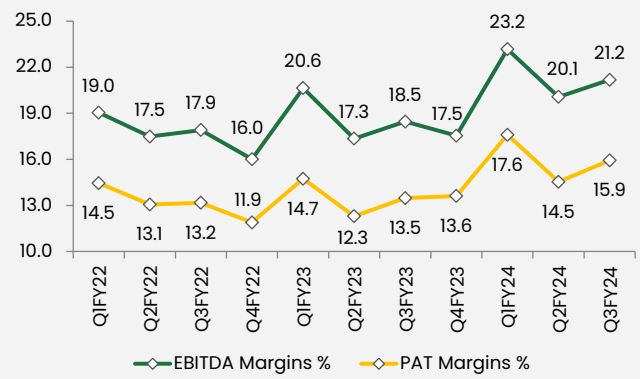
Source : RBL Research

Story in charts

Net Sales (Rs cr) de-grew by 1.9% YoY and 2.2% QoQ

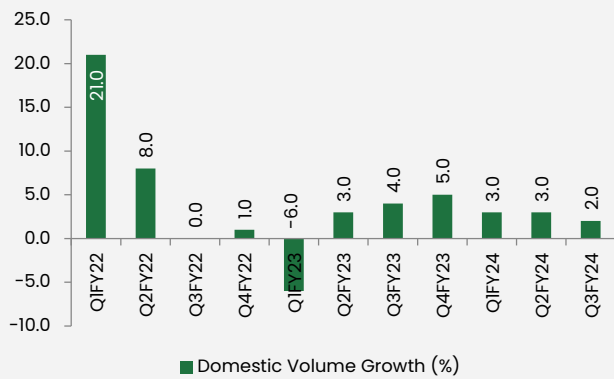


EBITDA & PAT margins at 21.2% and 15.9% in Q3FY24



Source : RBL Research

India business volume was 2% in Q3FY24

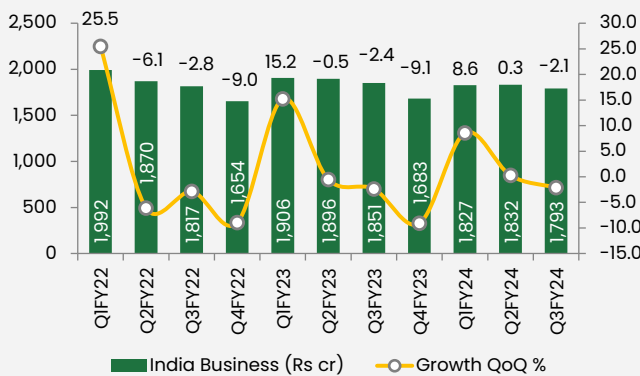


International business grew in single digit by 6% in CC terms

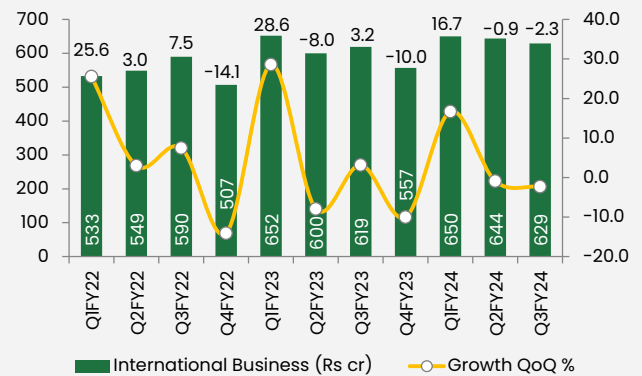


Source : RBL Research

India business de-grew by 3.1% YoY and 2.1% QoQ

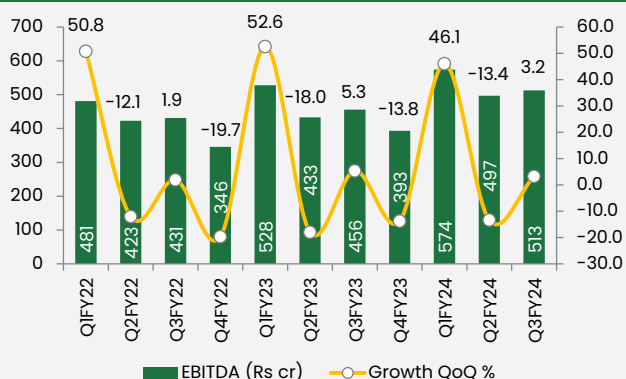


International business grew by 1.6% YoY but declined by 2.3% QoQ

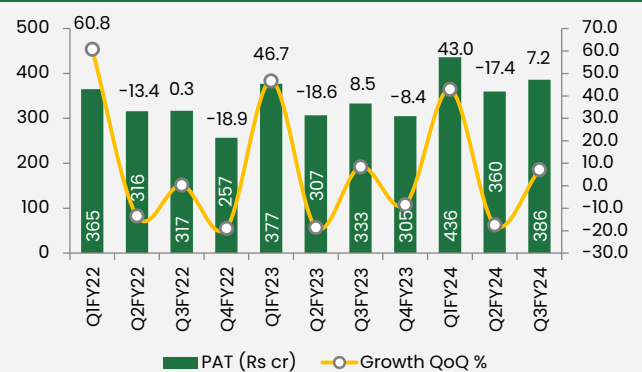


Source : RBL Research

EBITDA grew by 12.5% YoY and 3.2% QoQ



PAT grew by 15.9% YoY and 7.2% QoQ



Source : RBL Research

P&L Account – consolidated

Particulars, Rs cr	FY23	FY24E	FY25E	FY26E
Net sales	9,764	9,794	11,067	12,506
Expenditure				
Cost of materials	4,649	4,059	4,571	5,153
Purchase of stock in trade	541	844	941	1,063
(Increase) / Decrease In Stocks	161	(85)	(111)	(125)
Total raw materials	5,351	4,818	5,401	6,091
Gross Profit	4,413	4,976	5,667	6,416
Gross Margins (%)	45.2	50.8	51.2	51.3
Employee cost	653	741	837	946
Advertisements cost	842	975	1,129	1,263
Other expenses	1,108	1,153	1,284	1,401
Total expenditure	7,954	7,688	8,651	9,700
EBITDA	1,810	2,107	2,417	2,806
EBITDAM (%)	18.5	21.5	21.8	22.4
Depreciation	155	161	166	175
EBIT	1,655	1,946	2,251	2,631
Other income	144	168	166	188
Interest expenses	56	76	86	97
PBT	1,743	2,038	2,331	2,721
Tax	421	466	536	626
PAT (after Exceptional)	1,322	1,572	1,795	2,095
PAT Margin (%)	13.5	16.0	16.2	16.8
EPS (Rs)	10.2	12.2	13.9	16.2

Source : RBL Research

Balance Sheet – consolidated

Particulars, Rs cr	FY23	FY24E	FY25E	FY26E
Share Capital	129	129	129	129
Reserves & Surplus	3,670	4,468	5,424	6,616
Total Shareholder's Fund	3,799	4,597	5,553	6,745
Minority Interest	157	157	157	157
Long term borrowings	2	2	2	3
Short term borrowing	473	490	553	625
Total Debt	475	492	556	628
Deferred tax liabilities	178	179	202	228
Long term provision	4	4	5	5
Other long term liabilities	377	378	427	483
Total	559	561	634	716
Current Liabilities				
Trade payables	1,452	1,456	1,646	1,860
Short term provisions	44	44	50	56
Other current liabilities	460	461	521	589
Total	1,956	1,962	2,217	2,505
Total liabilities	6,946	7,768	9,116	10,752
Application of Assets				
Net Block	1,193	1,372	1,646	1,893
Current work in process	67	67	67	67
Goodwill on consolidation	862	862	862	862
Non current investment	534	686	941	1,126
Tax assets	146	146	165	187
Long term loans and advances	4	4	5	5
Other non-current assets	320	321	363	410
Total	3,126	3,458	4,049	4,550
Current Assets				
Current investments	578	637	775	875
Inventories	1,225	1,229	1,389	1,569
Trade receivables	1,015	1,018	1,150	1,300
Cash balance	207	567	862	1,529
Bank balance	549	613	613	613
Short term loans and advances	4	4	5	5
Other current assets	242	243	274	310
Total	3,820	4,310	5,068	6,202
Total assets	6,946	7,768	9,116	10,752

Source : RBL Research

Cashflow – consolidated

Particulars, Rs cr	FY23	FY24E	FY25E	FY26E
Profit before tax	1,743	2,038	2,331	2,721
Add: Depreciation	155	161	166	175
Add: Interest cost	56	76	86	97
Less: Other Income	(49)	(55)	(55)	(62)
Others	(58)	-	-	-
Operating profit before working capital changes	1,847	2,219	2,528	2,932
Changes in working capital	(59)	(1)	(58)	(65)
Cash from Operations	1,788	2,218	2,470	2,867
Less: Taxes	(369)	(466)	(536)	(626)
Cash flow from Operations	1,419	1,752	1,934	2,241
Net cash used in Investing				
Purchase of fixed assets	(182)	(340)	(440)	(422)
Purchase of investments	(130)	(210)	(393)	(286)
Sales of fixed assets	25	-	-	-
Other Income	48	55	55	62
Others	(690)	-	-	-
Cash flow from investing	(929)	(495)	(779)	(646)
Cash flow from Financing				
Proceeds from Equity shares	9	-	-	-
Proceeds of borrowings	128	17	64	72
Dividend (Incl dividend tax)	(649)	(774)	(839)	(903)
Others	(48)	(76)	(86)	(97)
Cash flow from Financing	(560)	(833)	(860)	(928)
Net cash Inflow/Outflow	(70)	424	295	667
Opening cash	276	143	567	862
Exchange gain/loss	(63)	-	-	-
Other Investments	64	-	-	-
Closing Cash	207	567	862	1,529

Source : RBL Research

Key ratios – consolidated

Particulars	FY23	FY24E	FY25E	FY26E
Per share Data				
EPS (Rs)	10.2	12.2	13.9	16.2
Book value per share (Rs)	29.4	35.6	43.0	52.3
Dividend per share (Rs)	5.0	6.0	6.5	7.0
Dividend Payout (%)	49.1	49.2	46.7	43.1
Dividend Yield (%)	1.0	1.2	1.3	1.4
Profitability Ratios				
EBITDAM (%)	18.5	21.5	21.8	22.4
PBTM (%)	17.9	20.8	21.1	21.8
NPM (%)	13.5	16.0	16.2	16.8
RoE (%)	34.8	34.2	32.3	31.1
RoCE (%)	38.7	38.2	36.8	35.7
Efficiency Data				
Debt-Equity Ratio	0.1	0.1	0.1	0.1
Interest Cover Ratio	29.6	25.6	26.2	27.1
Fixed Asset Ratio	0.1	0.1	0.1	0.2
Debtors (Days)	37.9	37.9	37.9	37.9
Inventory (Days)	45.8	45.8	45.8	45.8
Payable (Days)	54.3	54.3	54.3	54.3
WC (Days)	29.5	29.5	29.5	29.5
Valuation				
P/E (x)	50.4	42.4	37.2	31.8
P/BV	17.6	14.5	12.0	9.9
EV/EBITDA	37.0	31.6	27.5	23.4
EV/Sales	6.9	6.8	6.0	5.3

Source : RBL Research

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S. No.	Statement	Answer	
		Yes	No
		Tick appropriate	
		Yes	No
	I/we or any of my/our relative has any financial interest in the subject company? [If answer is yes, nature of Interest is given below this table]		No
	I/we or any of my/our relatives, have actual/beneficial ownership of one per cent. or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance?		No
	I / we or any of my/our relative, has any other material conflict of interest at the time of publication of the research report or at the time of public appearance?		No
	I/we have received any compensation from the subject company in the past twelve months?		No
	I/we have managed or co-managed public offering of securities for the subject company in the past twelve months?		No
	I/we have received any compensation for brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation for products or services other than brokerage services from the subject company in the past twelve months?		No
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	I/we have served as an officer, director or employee of the subject company?		No
	I/we have been engaged in market making activity for the subject company?		No

[Please note that only in case of multiple RAs, if in the event answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) below, are given separately]

Nature of Interest (if answer to F (a) above is Yes :

.....

Name(s) with Signature(s) of RA(s).

[Please note that only in case of multiple RAs and if the answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) above , are given below]

SS.No.	Name(s) of RA.	Signatures of RA	Serial Question of question which the signing RA needs to make a separate declaration / answer	Yes	No.

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