

Enhanced pricing and volume prop growth

We are optimistic about Marico (MRCO IN) due to its robust potential for double-digit sales growth in the medium term, supported by strategic price hikes, improved direct distribution, and strong performance in its Foods and Premium Personal Care segments. Furthermore, as its new business verticals expand, there is an upside potential for margins in the long term, strengthening our positive outlook. We revise MRCO to **Accumulate** from Buy as the stock has run-up 5% in the past month, with TP unchanged at INR 752 on 50x FY27E P/E as we roll-forward.

Pricing actions aid strong revenue growth: Q3 net sales rose 15.4% YoY to INR 27.9bn, in line with expectations, driven by a 17% domestic business growth and volume improvement to 6% (from 5% in Q2). *Parachute* grew 15% in value and 3% in volume, absorbing a 1% impact from a key price-point adjustment. *Saffola* edible oil saw low single-digit volume growth and a 24% value surge due to pricing actions amid rising vegetable oil costs. Value-added hair oils (VAHO) declined 2% YoY due to market sluggishness and competition, though mid and premium segments grew 3%. Foods expanded 31% YoY, led by strong *Saffola* oats growth, achieving an ARR of >INR 10bn. International business grew 16% in constant currency. MRCO expects high-teen consolidated revenue growth in Q4, led by pricing adjustments, including an additional 5% *Parachute* price hike, and steady domestic volume gains.

Growth businesses scaling in-line: Project SETU, which aims to expand direct outlet reach, has successfully extended its presence to 11 states, yielding promising initial results. Furthermore, the new digital-first portfolio has exceeded expectations, achieving an ARR of over INR 6bn in Q3. In the domestic market, the combined revenue share from Foods and Premium Personal Care, including Digital-first brands, reached ~21% in 9M, with a target of surpassing 25% by FY27. The rapid scaling of these portfolios has been accompanied by a notable shift in their profitability in the past few years, emphasizing profitable growth focus of the diversification strategy.

Near-term pressure on margins; long-term story intact: EBITDA margin contracted 210bps YoY to 19.1%, in-line with our expectations. While MRCO is on track to achieve double-digit revenue growth in the consolidated business for FY25, higher input costs, particularly in copra and vegetable oil, are expected to exert temporary pressure on margins in the near term. Management remains confident in maintaining stable margins for Q4 and anticipates FY25 margins to be ~20%. Despite the short-term challenges, the long-term outlook remains positive, with expected margin expansion driven by improvements in the Foods and digital-first portfolio, a favorable product mix, and focus on premiumization as the business continues to scale.

Revise to Accumulate with TP of INR 752: We remain positive on MRCO as it will deliver robust sales/EBITDA CAGR of 10%/9.5% in FY24-27E. We cut our FY26E/FY27E earnings marginally by 1-2% by to factor in lower margin and revise to **Accumulate** from Buy with TP unchanged at INR 752 on 50x (unchanged) FY27E P/E.

Key Financials

| YE March | FY23 | FY24 | FY25E | FY26E | FY27E |
|-------------------|--------|--------|---------|---------|---------|
| Revenue (INR mn) | 97,640 | 96,530 | 107,130 | 118,081 | 128,411 |
| YoY (%) | 2.6 | (1.1) | 11.0 | 10.2 | 8.7 |
| EBITDA (INR mn) | 18,100 | 20,260 | 21,623 | 24,035 | 26,565 |
| EBITDA margin (%) | 18.5 | 21.0 | 20.2 | 20.4 | 20.7 |
| Adj PAT (INR mn) | 13,020 | 14,810 | 15,789 | 17,683 | 19,678 |
| YoY (%) | 6.3 | 13.7 | 6.6 | 12.0 | 11.3 |
| Fully DEPS (INR) | 10.1 | 11.5 | 12.2 | 13.7 | 15.3 |
| RoE (%) | 36.4 | 38.8 | 37.8 | 35.9 | 34.2 |
| RoCE (%) | 44.0 | 44.8 | 43.8 | 42.4 | 40.9 |
| P/E (x) | 66.5 | 58.4 | 54.8 | 49.0 | 44.0 |
| EV/EBITDA (x) | 47.1 | 42.2 | 39.1 | 34.9 | 31.2 |

Note: Pricing as on 31 January 2025; Source: Company, Elara Securities Estimate

Rating: **Accumulate**

Target Price: **INR 752**

Upside: **12%**

CMP: **INR 671**

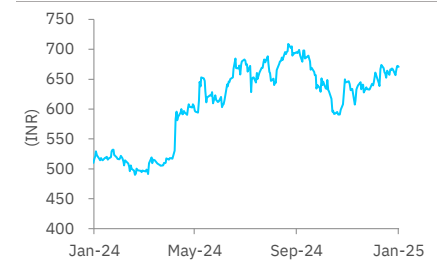
As on 31 January 2025

Key data

| | MRCO IN |
|-------------------------------------|------------|
| Bloomberg | MRCO IN |
| Reuters Code | MRCO.NS |
| Shares outstanding (mn) | 1295 |
| Market cap (INR bn/USD mn) | 869/10,027 |
| Enterprise Value (INR bn/USD mn) | 862/9,953 |
| Avg daily volume 3M (INR mn/USD mn) | 1,479/17 |
| 52 week high/low | 720/486 |
| Free float (%) | 41 |

Note: as on 31 January 2025; Source: Bloomberg

Price chart



Source: Bloomberg

| Shareholding (%) | Q4 | Q1 | Q2 | Q3 |
|------------------|------|------|------|------|
| | FY24 | FY25 | FY25 | FY25 |
| Promoter | 59.4 | 59.3 | 59.2 | 59.1 |
| % Pledged | 0.1 | 0.1 | 0.1 | 0.1 |
| FII | 25.5 | 24.6 | 24.9 | 23.4 |
| DII | 10.2 | 11.4 | 11.3 | 12.9 |
| Others | 4.9 | 4.7 | 4.6 | 4.6 |

Source: BSE

| Price performance (%) | 3M | 6M | 12M |
|-----------------------|-------|--------|------|
| Nifty | (2.9) | (5.8) | 8.2 |
| Marico | 4.8 | (0.5) | 27.1 |
| NSE Mid-cap | (4.3) | (8.9) | 10.6 |
| NSE Small-cap | (9.1) | (11.6) | 5.5 |

Source: Bloomberg

Amit Purohit

Building Materials, FMCG, Paints
+91 22 6164 8594
amit.purohit@elaracapital.com



Associates
Rohit Harlikar
Vidhi Puj

Financials (YE March)

| Income statement (INR mn) | FY23 | FY24 | FY25E | FY26E | FY27E |
|---|---------------|---------------|---------------|---------------|---------------|
| Net Revenue | 97,640 | 96,530 | 107,130 | 118,081 | 128,411 |
| EBITDA | 18,100 | 20,260 | 21,623 | 24,035 | 26,565 |
| Less: Depreciation & Amortisation | 1,550 | 1,580 | 1,660 | 1,741 | 1,821 |
| EBIT | 16,550 | 18,680 | 19,963 | 22,295 | 24,744 |
| Less: Interest Expense | 560 | 730 | 720 | 720 | 720 |
| Add: Other Income | 1,440 | 1,420 | 1,519 | 1,629 | 1,753 |
| PBT | 17,430 | 19,370 | 20,762 | 23,204 | 25,777 |
| Less Taxes | 4,210 | 4,350 | 4,663 | 5,211 | 5,789 |
| Reported PAT | 13,220 | 15,020 | 16,099 | 17,993 | 19,988 |
| Minority Interest | 200 | 210 | 310 | 310 | 310 |
| Reported PAT after Minority Interest | 13,020 | 14,810 | 15,789 | 17,683 | 19,678 |
| Adjusted PAT | 13,020 | 14,810 | 15,789 | 17,683 | 19,678 |
| Balance Sheet (INR mn) | FY23 | FY24 | FY25E | FY26E | FY27E |
| Share capital | 1,290 | 1,290 | 1,290 | 1,290 | 1,290 |
| Reserves | 36,700 | 37,030 | 44,021 | 51,857 | 60,697 |
| Minority Interests | 1,570 | 3,370 | 3,370 | 3,370 | 3,370 |
| Borrowings | 4,750 | 3,830 | 3,830 | 3,830 | 3,830 |
| Deferred Tax (Net) | 320 | 2,110 | 2,110 | 2,110 | 2,110 |
| Total Liabilities | 44,630 | 47,630 | 54,621 | 62,457 | 71,297 |
| Gross Block | 31,150 | 37,180 | 38,380 | 39,580 | 40,780 |
| Less: Accumulated depreciation | 8,690 | 9,940 | 11,612 | 13,353 | 15,174 |
| Net Block | 22,460 | 27,240 | 26,768 | 26,227 | 25,606 |
| Capital work in progress | 670 | 440 | 320 | 320 | 320 |
| Investments | 10,960 | 6,020 | 6,020 | 6,020 | 6,020 |
| Cash | 7,560 | 9,430 | 17,442 | 25,309 | 34,360 |
| Net working capital | 2,980 | 4,500 | 4,071 | 4,580 | 4,991 |
| Total Assets | 44,630 | 47,630 | 54,621 | 62,457 | 71,297 |
| Cash flow statement (INR mn) | FY23 | FY24 | FY25E | FY26E | FY27E |
| Operating cash flow | 16,250 | 14,870 | 17,879 | 18,914 | 21,089 |
| Less: Capex | 6,690 | 6,130 | 1,068 | 1,200 | 1,200 |
| Free cash flow to firm | 9,560 | 8,740 | 16,811 | 17,714 | 19,889 |
| Investing cash flow | (9,370) | (1,190) | (1,068) | (1,200) | (1,200) |
| Financing cash flow | (5,110) | (11,810) | (8,799) | (9,847) | (10,838) |
| Net change in cash | 1,770 | 1,870 | 8,012 | 7,867 | 9,051 |
| Ratio Analysis | FY23 | FY24 | FY25E | FY26E | FY27E |
| Income statement Ratios (%) | | | | | |
| Revenue growth | 2.6 | (1.1) | 11.0 | 10.2 | 8.7 |
| EBITDA growth | 7.7 | 11.9 | 6.7 | 11.2 | 10.5 |
| PAT growth | 6.3 | 13.7 | 6.6 | 12.0 | 11.3 |
| EBITDA margin | 18.5 | 21.0 | 20.2 | 20.4 | 20.7 |
| Net margin | 13.3 | 15.3 | 14.7 | 15.0 | 15.3 |
| Return and liquidity ratios | | | | | |
| Net debt/Equity (x) | (0.2) | (0.2) | (0.4) | (0.5) | (0.5) |
| ROE (%) | 36.4 | 38.8 | 37.8 | 35.9 | 34.2 |
| ROCE(%) | 44.0 | 44.8 | 43.8 | 42.4 | 40.9 |
| Per share data and Valuation ratios | | | | | |
| Diluted EPS (INR) | 10.1 | 11.5 | 12.2 | 13.7 | 15.3 |
| EPS growth (%) | 6.3 | 13.7 | 6.6 | 12.0 | 11.3 |
| DPS (INR) | 4.5 | 9.5 | 5.8 | 6.5 | 7.2 |
| P/E ratio (x) | 66.5 | 58.4 | 54.8 | 49.0 | 44.0 |
| EV/EBITDA (x) | 47.1 | 42.2 | 39.1 | 34.9 | 31.2 |
| EV/Sales (X) | 8.7 | 8.8 | 7.9 | 7.1 | 6.5 |
| Price/Book(x) | 22.8 | 22.6 | 19.1 | 16.3 | 14.0 |
| FCFF yield (%) | 1.0 | 1.0 | 1.8 | 1.9 | 2.2 |
| Dividend yield (%) | 0.7 | 1.4 | 0.9 | 1.0 | 1.1 |

Note: Pricing as on 31 January 2025; Source: Company, Elara Securities Estimate

We expect sales to see a 10% CAGR in FY24-27E

We expect EBITDA margin to improve to ~21% by FY27E

Sales growth aided by sequential volume uptick and pricing interventions in domestic business

EBITDA margin was impacted by high raw material cost inflation in domestic business

Quarterly financials

| YE March (INR mn) | Q3FY25 | Q3FY24 | YoY (%) | Q2FY25 | QoQ (%) | Q3FY25E | Variance (%) |
|-----------------------|--------|--------|---------|--------|---------|---------|--------------|
| Net Sales | 27,940 | 24,220 | 15.4 | 26,640 | 4.9 | 27,600 | 1.2 |
| Operating Expenses | 22,610 | 19,090 | 18.4 | 21,420 | 5.6 | 22,266 | 1.5 |
| % of Sales | 80.9 | 78.8 | | 80.4 | | 80.7 | |
| EBITDA | 5,330 | 5,130 | 3.9 | 5,220 | 2.1 | 5,334 | (0.1) |
| EBITDA Margins (%) | 19.1 | 21.2 | | 19.6 | | 19.3 | |
| Other Income | 420 | 430 | (2.3) | 820 | (48.8) | 350 | 20.0 |
| Interest | 130 | 190 | | 110 | | 190 | |
| Depreciation | 440 | 420 | | 410 | 7.3 | 420 | 4.8 |
| PBT | 5,180 | 4,950 | 4.6 | 5,520 | (6.2) | 5,074 | 2.1 |
| Tax | 1,120 | 1,090 | 2.8 | 1,190 | (5.9) | 1,217 | (8.0) |
| Effective Tax Rate(%) | 21.6 | 22.0 | | 21.6 | | 24.0 | |
| Minority Interest | 70 | 30.0 | | 100.0 | | 100.0 | |
| Reported PAT | 3,990 | 3,830 | 4.2 | 4,230 | (5.7) | 3,757 | 6.2 |
| Adjusted PAT | 3,990 | 3,830 | 4.2 | 4,230 | (5.7) | 3,757 | 6.2 |
| NPM (%) | 14.3 | 15.8 | | 15.9 | | 13.6 | |

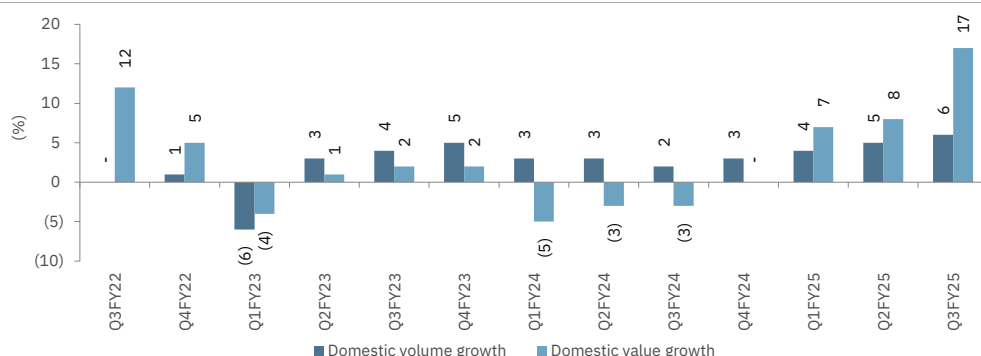
Source: Company, Elara Securities Estimate

Exhibit 1: Key ratios

| YE March (%) | Q3FY25 | Q3FY24 | YoY bps chg | Q2FY25 | QoQ bps chg | Q3FY25E | bps variance |
|----------------------|--------|--------|-------------|--------|-------------|---------|--------------|
| Raw material cost | 50.5 | 48.7 | 178 | 49.2 | 129 | 51.0 | (50) |
| Staff costs | 7.4 | 7.8 | (39) | 8.0 | (59) | 7.8 | (34) |
| Advertising expenses | 10.5 | 10.2 | 33 | 10.9 | (40) | 10.2 | 27 |
| Other expenses | 12.5 | 12.1 | 39 | 12.3 | 21 | 11.7 | 82 |
| Effective tax rate | 21.6 | 22.0 | (40) | 21.6 | 6 | 24.0 | (237) |
| Gross margin | 49.5 | 51.3 | (178) | 50.8 | (129) | 49.0 | 50 |
| EBITDA margin | 19.1 | 21.2 | (210) | 19.6 | (52) | 19.3 | (25) |
| NPM | 14.3 | 15.8 | (153) | 15.9 | (160) | 13.6 | 67 |

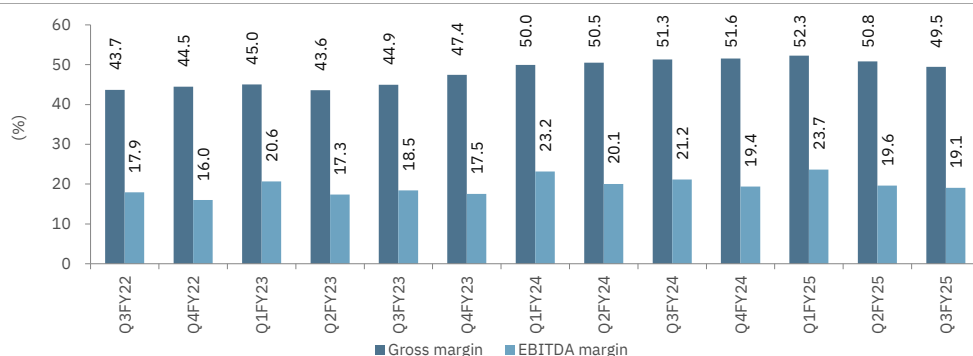
Source: Company, Elara Securities Estimate

Exhibit 2: Volume growth improved sequentially



Source: Company, Elara Securities Research

Exhibit 3: Margin dipped due to inflation in key raw material basket



Source: Company, Elara Securities Research

Exhibit 4: Segment-wise performance – All segments except VAHO delivered strong growth

| Category | Q3FY25 value growth (%) | Q3FY25 volume growth (%) | Market share (%) | Comments |
|------------------------------|-----------------------------|------------------------------|---|--|
| Parachute coconut oil (PCNO) | 15 | 3 | 55 (volume share) | <ul style="list-style-type: none"> Parachute Rigid registered 3% volume growth, after absorbing the ~1% impact of ml-age reduction in one of the key price-point packs (implemented in lieu of a price increase). Volume offtakes grew in high single digit, leading to ~140bps gain in market share on MAT basis. The brand has taken another round of price increase (~5% at brand level) towards the end of this quarter as copra prices are likely to remain firm in the near term. |
| Saffola | Edible oil: 24 Foods: 31 | Edible oil: low single-digit | Oats: 41 (value share) | <ul style="list-style-type: none"> Saffola Edible Oils registered low-single digit volume growth amidst sharp rise in vegetable oil prices. Edible oil posted 24% revenue growth, led by pricing interventions in the past few months. Foods posted robust 31% value growth YoY, nearing INR 10bn ARR in Q3. Saffola Oats delivered double-digit growth, while the newer franchises fared healthily. True Elements and plant-based nutrition portfolio of Plix maintained their accelerated growth momentum. |
| Value added hair oils (VAHO) | (2) | NA | 28 (value share) | <ul style="list-style-type: none"> Value-added hair oils declined by 2% in value terms, witnessing definitive signs of recovery on a sequential basis. Mid and premium segments fared better (grew 3% in Q3) and drove ~70bps gain in value market share on MAT basis. MRCO expects gradually improving trends ahead on the back of visible ATL investments and brand activations and gradually improving trends in rural consumption sentiment. |
| Premium personal care | NA | NA | Post wash Leave-on Serums – 47% (volume share) hair gels/waxes/creams 52% (volume share) | <ul style="list-style-type: none"> The digital-first brands scaled ahead of expectations to reach INR 6bn in ARR in Q3. Beardo continued to scale ahead of expectations and is on course to deliver double-digit EBITDA margin this year. Digital-first portfolio is expected to achieve double-digit EBITDA margin by FY27. |

Source: Company, Elara Securities Research

Exhibit 5: International business – Strong performance in Bangladesh, MENA and South Africa regions

| Geography | Q3FY25 constant-currency (CC) growth (%) | Comments |
|-------------------------------------|--|---|
| Bangladesh | 20 | Robust growth in core and new franchises; albeit on a soft base. |
| South East Asia | (1) | Soft quarter amidst sluggish consumption environment and geopolitical issues in Myanmar. |
| Middle East and North Africa (MENA) | 35 | Strong momentum in the MENA region, led by broad-based growth in Egypt and the Gulf region. |
| South Africa | 17 | Strong growth in South Africa with both Hair Care and Health Care franchises faring well. |

Source: Company, Elara Securities Research

Exhibit 6: Trading above its five-year average P/E of 46x



Source: Bloomberg, Company, Elara Securities Estimate

Exhibit 7: Valuation overview

| | (INR) |
|---------------------|--------------|
| EPS – FY26E | 13.7 |
| EPS – FY27E | 15.3 |
| Target multiple (x) | 50 |
| EPS – FY27E | 15.3 |
| Target price | 752 |

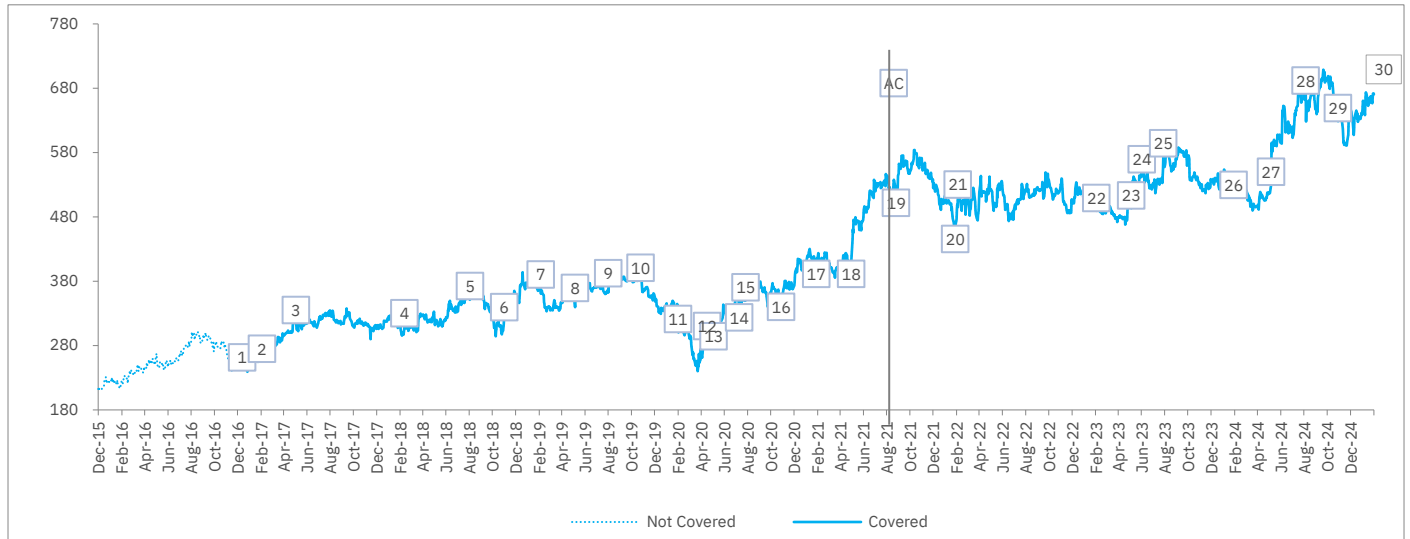
Source: Elara Securities Estimate

Exhibit 8: Change in estimates

| (INR mn) | Earlier | | | Revised | | | % Change | | |
|-------------------|----------------|--------------|--------------|-------------------|--------------|--------------|-----------------|--------------|--------------|
| | FY25E | FY26E | FY27E | FY25E | FY26E | FY27E | FY25E | FY26E | FY27E |
| Revenue | 105,720 | 117,258 | 129,420 | 107,130 | 118,081 | 128,411 | 1.3 | 0.7 | (0.8) |
| EBITDA | 21,570 | 24,233 | 27,054 | 21,623 | 24,035 | 26,565 | 0.2 | (0.8) | (1.8) |
| EBITDA margin (%) | 20.4 | 20.7 | 20.9 | 20.2 | 20.4 | 20.7 | (22) | (31) | (22) |
| PAT | 15,748 | 17,836 | 20,058 | 15,789 | 17,683 | 19,678 | 0.3 | (0.9) | (1.9) |
| EPS (INR) | 12.2 | 13.8 | 15.5 | 12.2 | 13.7 | 15.3 | 0.3 | (0.9) | (1.9) |
| Rating | Buy | | | Accumulate | | | | | |

Source: Elara Securities Estimate

Coverage History



| Date | Rating | Target Price | Closing Price | |
|------|-------------|--------------|---------------|---------|
| 22 | 3-Feb-2023 | Accumulate | INR 560 | INR 494 |
| 23 | 5-May-2023 | Buy | INR 590 | INR 494 |
| 24 | 2-Jun-2023 | Accumulate | INR 603 | INR 549 |
| 25 | 28-Jul-2023 | Accumulate | INR 623 | INR 574 |
| 26 | 29-Jan-2024 | Accumulate | INR 580 | INR 517 |
| 27 | 6-May-2024 | Accumulate | INR 600 | INR 530 |
| 28 | 5-Aug-2024 | Accumulate | INR 730 | INR 672 |
| 29 | 29-Oct-2024 | Buy | INR 752 | INR 629 |
| 30 | 31-Jan-2025 | Accumulate | INR 752 | INR 671 |

Guide to Research Rating

| | |
|-------------------|-----------------------------|
| BUY | Absolute Return >+20% |
| ACCUMULATE | Absolute Return +5% to +20% |
| REDUCE | Absolute Return -5% to +5% |
| SELL | Absolute Return < -5% |

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India
Elara Securities (India) Private Limited
 One International Center, Tower 3,
 21st Floor, Senapati Bapat Marg,
 Elphinstone Road (West)
 Mumbai – 400 013, India
 Tel : +91 22 6164 8500

Europe
Elara Capital Plc.
 6th Floor, The Grove,
 248A Marylebone Road,
 London, NW1 6JZ,
 United Kingdom
 Tel : +44 20 7486 9733

USA
Elara Securities Inc.
 230 Park Avenue, Suite 2415,
 New York, NY 10169, USA
 Tel: +1 212 430 5870
 Fax: +1 212 208 2501

Asia / Pacific
Elara Capital (Asia) Pte.Ltd.
 One Marina Boulevard,
 Level 20,
 Singapore 018989
 Tel : +65 6978 4047



Managing Director

Harendra Kumar | harendra.kumar@elaracapital.com | +91 22 6164 8571



Head of Research

Dr Bino Pathiparampil | bino.pathiparampil@elaracapital.com | +91 22 6164 8572

Sales Team



India

Hitesh Danak - hitesh.danak@elaracapital.com - +91 22 6164 8543
Ashok Agarwal - ashok.agarwal@elaracapital.com - +91 22 6164 8558



India, APAC & Australia

Sudhanshu Rajpal - sudhanshu.rajpal@elaracapital.com - +91 22 6164 8508
Joshua Saldanha - joshua.saldanha@elaracapital.com - +91 22 6164 8541
Shraddha Shrikhande - shraddha.shrikhande@elaracapital.com - +91 22 6164 8567



India & UK

Prashin Lalvani - prashin.lalvani@elaracapital.com - +91 22 6164 8544



India & US

Karan Rathod - karan.rathod@elaracapital.com - +91 22 6164 8570



Corporate Access, Conference & Events

Anita Nazareth - anita.nazareth@elaracapital.com - +91 22 6164 8520
Tina D'souza - tina.dsouza@elaracapital.com - +91 22 6164 8595

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Elara Securities (India) Private Limited

Registered Office Address: One International Center, Tower 3, 21st Floor, Senapati Bapat Marg, Elphinstone Road (West) Mumbai – 400 013, India Tel : +91 22 6164 8500
 CIN: U74992MH2007PTC172297 | SEBI Research Analyst Registration No.: INH000000933
 Member of BSE Limited and National Stock Exchange of India Limited | SEBI REGN. NO.: INZ 000 238236
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 Investor Grievance Email ID: investor.grievances@elaracapital.com - Tel. +91 22 6164 8509
 Compliance Officer: Mr. Anand Rao - Email ID: anand.rao@elaracapital.com - Tel. +91 22 6164 8509