

Inline quarter; volume uptick in core & acceleration in newer business will be key

Marico's 4Q earnings print was inline with expectations. Volume trajectory (+3%) was inline and similar to trends seen in recent quarters. Going ahead for FY25, management expects improvement in domestic volume growth – aided by uptick in Parachute volumes and Saffola edible oils, acceleration in growth businesses (Foods & D2C personal care), traction in international business and initiatives around expanding direct distribution. Moreover, price correction-led drag on topline is now behind with price hikes in Parachute, focus on value growth in VAHO & anniversarisation of price cuts in Saffola, which should drive double digit sales growth (ahead of vol growth). On the margin front, however, further expansion is unlikely with key commodities inching up, thereby resulting in low double digit EBITDA growth for FY25E. While valuations at c.42x FY25E are below historical averages which restricts downsides, pace of recovery in core domestic volumes & scale up in profitability of newer businesses could improve the earnings growth trajectory over medium term; hence, execution on these areas will be key for rerate from current levels, in our view.

- **Inline quarter:** Marico's 4QFY24 consolidated revenue grew 1.7% to INR22.8bn, but EBITDA grew well by 12.5% to INR4.4bn. PAT growth was lower at 5.3% to INR3.2bn due to sharply lower other income. Domestic volumes grew 3%, broadly similar to trend seen in past 3 quarters.
- **Domestic volumes inline; international business does relatively better:** 1) **Parachute** sales grew by 2% entirely driven by volumes - helped by loose-to-branded conversion picking up pace with copra prices slowly firming up. Further, company has implemented a price hike of c.6% in April. 2) **Saffola edible-oils'** volumes grew in mid-single digit as the base normalized and trade sentiment settled owing to price stability. Value-sales fell 16% impacted by steep price-corrections taken in recent past. With anniversarisation of price cuts, growth trajectory is expected to improve in coming quarters 3) **VAHO** performance remained muted with sales decline of 7%, albeit on high base. While premium-portfolio did relatively better, bottom-of-pyramid range remained impacted by weak rural demand and high competition. Going ahead, focus will be to drive value growth through mid-premium portfolio while recovery in mass-end will be a function of competitive activity becoming more rationale in FY25. 4) **Newer businesses'** performance - Foods grew by 24% (better compared to 18% seen in 3Q); premium personal care also saw healthy growth. Mgmt. is targeting c.20%+ CAGR in both these businesses. 5) **International** growth recovered and grew 10% CC – aided by recovery in key market of Bangladesh (+8% CC vs decline in 3Q) along with strong growth MENA and South Africa.
- **Gross margin progression remains healthy:** GM expanded 417bps yoy (+30bps qoq) to 51.6% (vs JMFe: 51%), led by lower input costs and favourable mix. Staff costs & other expenses grew by 8.8%/11.5% respectively. A&P spends grew by 7.6% overall but standalone A&P was up just 0.9% (function of cut-down in spends on Saffola, rationalised ATL on VAHO). Resultant scale-deleverage led to lower flowthrough to operating margin (+186bps to 19.4%). Other income was lower yoy - lower investment income due to higher dividend payout, adverse forex related hit & proceeds from land sales in base.

Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	600
Upside/(Downside)	13.0%
Previous Price Target	615
Change	-2.4%

Key Data – MRCO IN

Current Market Price	INR531
Market cap (bn)	INR686.3/US\$8.2
Free Float	36%
Shares in issue (mn)	1,290.0
Diluted share (mn)	1,290.0
3-mon avg daily val (mn)	INR793.6/US\$9.5
52-week range	595/486
Sensex/Nifty	73,896/22,443
INR/US\$	83.5

Price Performance

%	1M	6M	12M
Absolute	4.1	-0.7	7.4
Relative*	4.6	-12.7	-11.2

* To the BSE Sensex

JM Financial Research is also available on:
Bloomberg - JMFR <GO>,
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Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Financial Summary					(INR mn)
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Net Sales	94,520	96,890	95,789	105,482	117,371
Sales Growth (%)	18.3%	2.5%	-1.1%	10.1%	11.3%
EBITDA	16,810	18,100	20,260	22,442	25,276
EBITDA Margin (%)	17.8%	18.7%	21.2%	21.3%	21.5%
Adjusted Net Profit	12,250	13,020	14,811	16,132	18,024
Diluted EPS (INR)	9.5	10.1	11.5	12.5	14.0
Diluted EPS Growth (%)	5.4%	6.3%	13.8%	8.9%	11.7%
ROIC (%)	59.8%	53.3%	56.9%	57.9%	61.9%
ROE (%)	37.2%	36.4%	38.8%	40.6%	42.7%
P/E (x)	55.9	52.6	46.2	42.5	38.0
P/B (x)	20.5	18.0	17.9	16.7	15.8
EV/EBITDA (x)	40.1	37.1	33.2	29.9	26.5
Dividend Yield (%)	1.7%	0.8%	1.8%	1.9%	2.3%

Source: Company data, JM Financial. Note: Valuations as of 06/May/2024

Exhibit 1. 4Q & FY24 consolidated snapshot: Performance largely inline; strong gross margin expansion offset by higher growth in staff costs and scale deleverage (INR mn)

	4QFY24	4QFY23	YoY chg	4QFY24E	% Var	FY24	FY23	YoY chg
Net Sales	22,780	22,400	1.7%	22,729	0.2%	96,530	97,640	-1.1%
Gross Profit	11,750	10,620	10.6%	11,587	1.4%	49,050	44,130	11.1%
Gross Profit Margin %	51.6%	47.4%	417 bps	51.0%	60 bps	50.8%	45.2%	562 bps
Staff Cost	1,860	1,710	8.8%	1,796	3.6%	7,430	6,530	13.8%
Ad & Sales Promotion	2,260	2,100	7.6%	2,364	-4.4%	9,520	8,420	13.1%
Other Expenses	3,210	2,880	11.5%	3,004	6.9%	11,840	11,080	6.9%
EBITDA	4,420	3,930	12.5%	4,423	-0.1%	20,260	18,100	11.9%
EBITDA margin %	19.4%	17.5%	186 bps	19.5%	-6 bps	21.0%	18.5%	245 bps
Depreciation	410	430	-4.7%	432	-5.1%	1,580	1,550	1.9%
EBIT	4,010	3,500	14.6%	3,992	0.5%	18,680	16,550	12.9%
Interest Expense	170	170	0.0%	170	0.0%	730	560	30.4%
Financial Other Income	150	680	-77.9%	455	-67.0%	1,420	1,440	-1.4%
PBT pre-exceptionals	3,990	4,010	-0.5%	4,276	-6.7%	19,370	17,430	11.1%
PBT post exceptionals	3,990	4,010	-0.5%	4,276	-6.7%	19,510	17,430	11.9%
Taxes	790	960	-17.7%	1,026	-23.0%	4,350	4,210	3.3%
Minority Interest	20	30	-33.3%	30	-33.3%	210	200	5.0%
Reported Net Profit	3,180	3,020	5.3%	3,220	-1.2%	14,950	13,020	14.8%
Adjusted Net Profit	3,180	3,020	5.3%	3,220	-1.2%	14,842	13,020	14.0%

Source: Company, JM Financial

Exhibit 2. 4Q & FY24 costs breakdown

% of revenue	4QFY24	4QFY23	4QFY24E	FY24	FY23
Cost of Goods Sold	48.4%	52.6%	49.0%	49.2%	54.8%
Staff Cost	8.2%	7.6%	7.9%	7.7%	6.7%
Ad & Sales Promotion	9.9%	9.4%	10.4%	9.9%	8.6%
Other Expenses	14.1%	12.9%	13.2%	12.3%	11.3%

Source: Company, JM Financial

Exhibit 3. Volume growth trend

	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
Domestic Consumer Vol Growth	0%	1%	-6%	3%	4%	5%	3%	3%	2%	3%
Parachute Volume growth - Rigid Packs	1%	-1%	-2%	-3%	2%	9%	-2%	1%	3%	2%
Saffola Volume Growth	-5%	0%	-23%	7%	13%	-5%	11%	3%	-5%	5%
Value Added Hair Oil Volume Growth	0%	-4%	0%	-3%	-5%	9%	-3%	1%	3%	-7%
International Revenue growth %	19%	16%	20%	9%	5%	10%	2%	7%	2%	7%

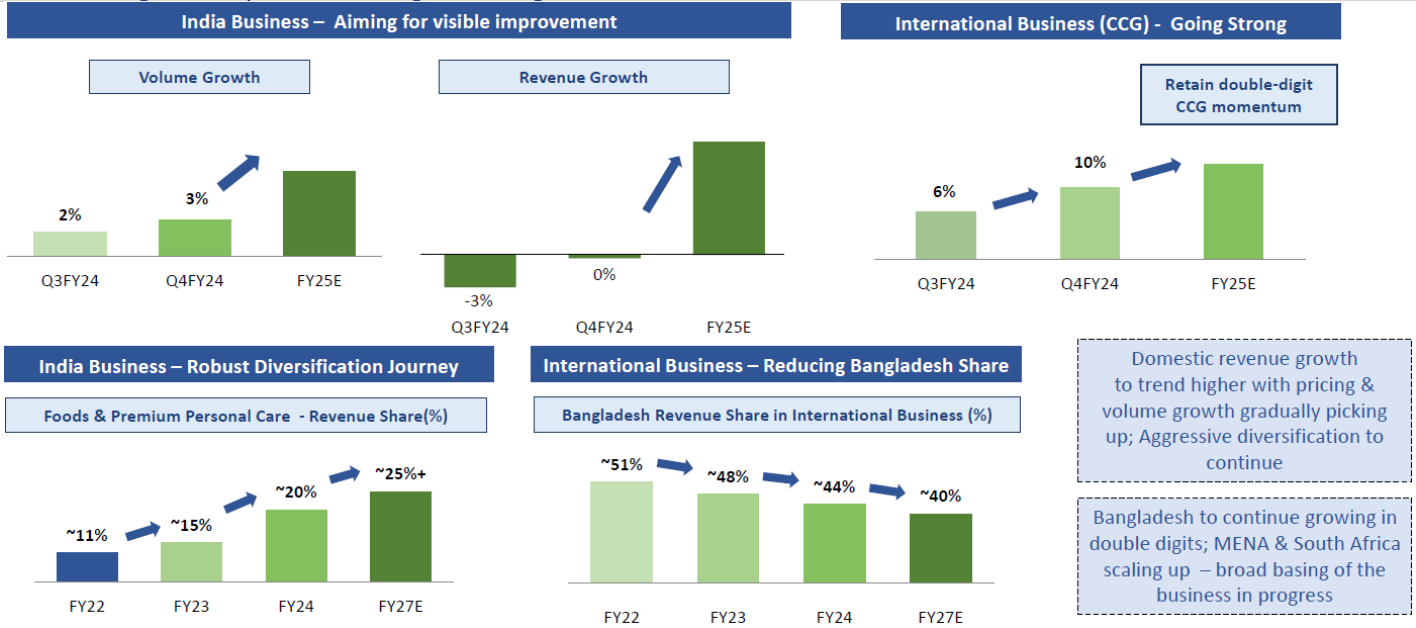
Source: Marico, JM Financial. *Represents reported growth including the impact of currency translation. Note: Saffola volume growth and VAHO volume growth are based on our estimates due to discontinuation of disclosures for the same.

Exhibit 4. 4Q & FY24 Segment Break-up: Domestic and International margins expanded by 223bps and 340bps yoy during the quarter (INR mn)

	4QFY24	4QFY23	YoY chg	FY24	FY23	YoY chg
Domestic & International Break-up						
Domestic Consumer Business						
Revenue	16,800	16,830	-0.2%	71,320	73,510	-3.0%
EBIT (Before unallocable exp)	3,390	3,020	12.3%	15,230	13,730	10.9%
Margin %	20.2%	17.9%	223 bps	21.4%	18.7%	268 bps
International Business						
Revenue	5,980	5,570	7.4%	25,210	24,130	4.5%
EBIT (Before unallocable exp)	1,470	1,180	24.6%	6,340	5,350	18.5%
Margin %	24.6%	21.2%	340 bps	25.1%	22.2%	298 bps

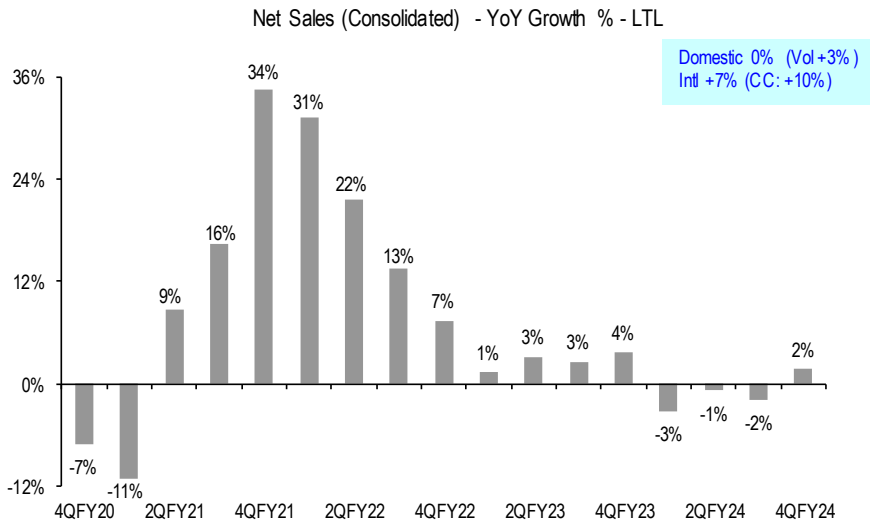
Source: Company, JM Financial

Exhibit 5. Management expects double-digit revenue growth in FY25E



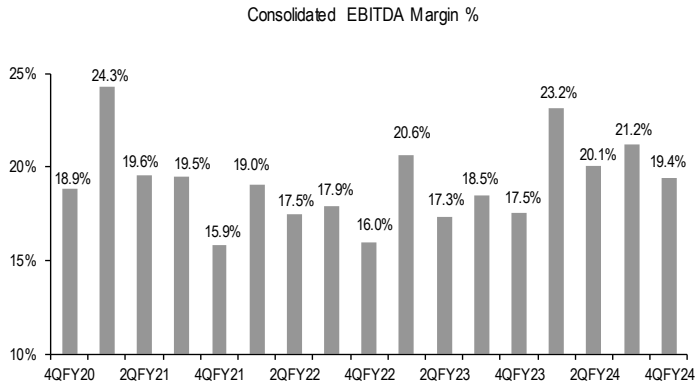
Source: Company presentation, JM Financial

Exhibit 6. Consolidated revenue growth trend



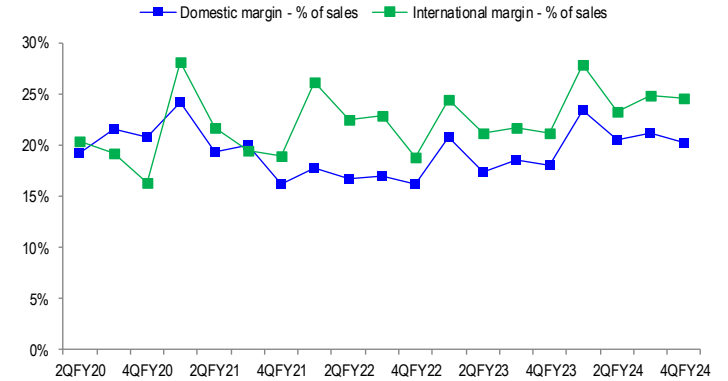
Source: Company, JM Financial

Exhibit 7. Consolidated EBITDA margin expanded 186bps yoy



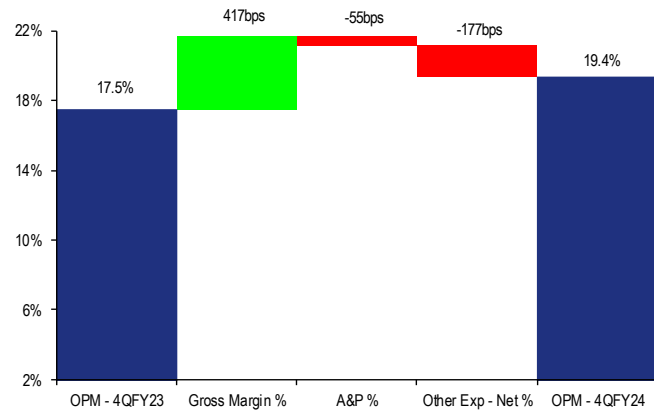
Source: Company, JM Financial

Exhibit 8. Domestic margin expanded 223bps yoy and International margin expanded 340bps yoy



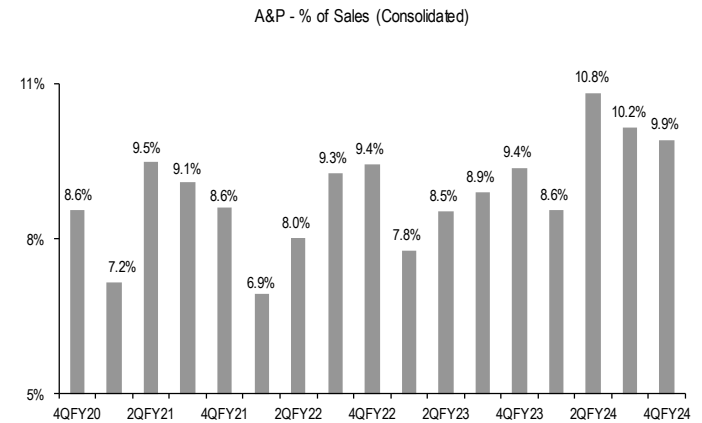
Source: Company, JM Financial

Exhibit 9. Strong GPM expansion was partially offset by higher Staff Costs and A&P and overall scale deleverage



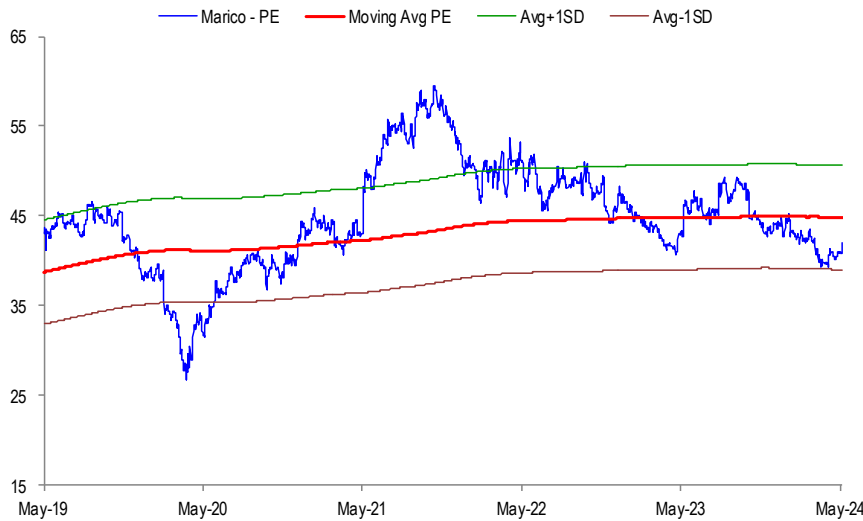
Source: Company, JM Financial

Exhibit 10. Ad-spends grew 7.6% yoy but down 8.1% qoq



Source: Company, JM Financial

Exhibit 11. Marico: one-year forward PE Band



Source: Company, Bloomberg, JM Financial

Financial Tables (Consolidated)

Profit & Loss statement						(INR mn)
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Net sales (Net of excise) - IC	94,520	96,890	95,789	105,482	117,371	
Sales Growth	18.3%	2.5%	-1.1%	10.1%	11.3%	
Other Operating Income	600	750	741	817	909	
Total Revenue	95,120	97,640	96,530	106,299	118,279	
Cost of Goods Sold/Op. Exp.	54,360	53,510	47,480	52,557	58,410	
Personnel cost	5,860	6,530	7,430	8,129	9,022	
Other expenses	18,090	19,500	21,360	23,171	25,571	
EBITDA	16,810	18,100	20,260	22,442	25,276	
EBITDA (%)	17.7%	18.5%	21.0%	21.1%	21.4%	
Growth (%)	5.7%	7.7%	11.9%	10.8%	12.6%	
Depreciation and amort.	1,390	1,550	1,580	1,838	2,004	
EBIT	15,420	16,550	18,680	20,604	23,272	
Other Income	980	1,440	1,420	1,332	1,390	
Finance Cost	390	560	730	543	515	
Pre tax profit	16,010	17,430	19,370	21,392	24,148	
Excep & forex Inc/Loss(-)	0	0	0	0	0	
PBT	16,010	17,430	19,370	21,392	24,148	
Taxes	3,460	4,210	4,350	5,032	5,869	
Extraordinary Inc/Loss(-)	0	0	0	0	0	
Assoc. Profit/Min. Int.(-)	-300	-200	-210	-229	-256	
Reported net profit	12,250	13,020	14,810	16,132	18,024	
Adjusted net profit	12,250	13,020	14,811	16,132	18,024	
Net Margin (%)	12.9%	13.3%	15.3%	15.2%	15.2%	
Diluted share capital (mn)	1,290	1,290	1,290	1,290	1,290	
Diluted EPS (INR)	9.5	10.1	11.5	12.5	14.0	
Growth (%)	5.4%	6.3%	13.8%	8.9%	11.7%	
Total Dividend + Tax	11,953	5,805	12,255	13,349	15,815	
Dividend Per Share (Rs)	9.3	4.5	9.5	10.3	12.3	

Source: Company, JM Financial

Balance Sheet						(INR mn)
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Shareholders' Fund	33,480	37,990	38,320	41,103	43,311	
Share capital	1,290	1,290	1,290	1,290	1,290	
Reserves & Surplus	32,190	36,700	37,030	39,813	42,021	
Preference Share Capital	0	0	0	0	0	
Minority Interest	570	1,570	3,370	3,599	3,854	
Total Loans	3,450	4,750	3,830	3,447	3,102	
Def. Tax Liab / Assets (-)	-780	320	2,110	2,649	3,278	
Sources of Funds	36,720	44,630	47,630	50,798	53,546	
Net Fixed Assets	16,650	21,800	26,230	27,543	29,033	
Gross Fixed Assets	15,240	18,000	24,010	27,153	30,639	
Intangible Assets	6,540	8,620	8,630	8,630	8,630	
Less: Depn. & Amort.	5,960	5,910	7,490	9,328	11,332	
Capital WIP & Net Lease Ass	830	1,090	1,080	1,088	1,096	
Investments	8,280	10,960	6,020	7,224	8,669	
Current Assets	29,720	33,910	39,830	43,047	45,864	
Inventories	14,120	12,250	13,360	14,712	16,370	
Sundry Debtors	6,520	10,150	10,690	11,772	13,099	
Cash & Bank Balances	5,790	7,560	9,430	9,571	8,615	
Loans & Advances	860	1,130	2,120	2,335	2,598	
Other Current Assets	2,430	2,820	4,230	4,658	5,183	
Current Liab. & Prov.	17,930	22,040	24,450	27,017	30,020	
Current Liabilities	16,130	19,750	22,560	24,804	27,509	
Provisions & Others	1,800	2,290	1,890	2,213	2,510	
Net Current Assets	11,790	11,870	15,380	16,031	15,844	
Application of Funds	36,720	44,630	47,630	50,798	53,546	

Source: Company, JM Financial

Cash Flow Statement						(INR mn)
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Profit before Tax	16,010	17,430	19,370	21,392	24,148	
Depn. & Amort.	1,390	1,550	1,580	1,838	2,004	
Net Interest Exp. / Inc. (-)	-590	-880	-690	-789	-876	
Inc (-) / Dec in WCap.	-3,420	-590	-2,260	-736	-946	
Others	280	370	140	0	0	
Taxes Paid	-3,510	-3,690	-3,780	-4,266	-5,064	
Operating Cash Flow	10,160	14,190	14,360	17,440	19,266	
Capex	-1,290	-1,570	-1,350	-3,143	-3,486	
Free Cash Flow	8,870	12,620	13,010	14,297	15,781	
-Inc/dec in investments	4,970	-8,200	2,450	-1,204	-1,445	
Other current assets	600	480	660	1,332	1,390	
Investing Cash Flow	4,280	-9,290	1,760	-3,016	-3,540	
Inc/(dec) in capital	410	90	340	0	0	
Dividend+Tax Thereon	-11,950	-5,820	-12,290	-13,349	-15,815	
Inc/dec in loans	-250	1,030	-2,320	-383	-345	
Other assets	-1,110	-900	-1,150	-551	-522	
Financing Cash Flow	-12,900	-5,600	-15,420	-14,283	-16,683	
Inc / Dec (-) in Cash	1,540	-700	700	141	-956	
Opening cash balance	4,250	8,260	8,730	9,430	9,571	
Closing cash balance	5,790	7,560	9,430	9,571	8,615	

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Net Margin	12.9%	13.3%	15.3%	15.2%	15.2%
Asset Turnover (x)	2.6	2.4	2.1	2.2	2.3
Leverage Factor (x)	1.1	1.1	1.2	1.2	1.2
RoE	37.2%	36.4%	38.8%	40.6%	42.7%

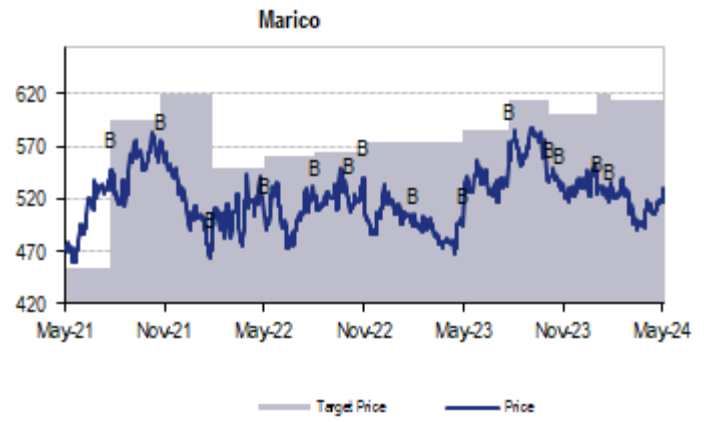
Key Ratios					
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
BV/Share (INR)	26.0	29.4	29.7	31.9	33.6
ROIC	59.8%	53.3%	56.9%	57.9%	61.9%
ROE	37.2%	36.4%	38.8%	40.6%	42.7%
Net Debt/Equity (x)	-0.3	-0.4	-0.3	-0.3	-0.3
P/E (x)	55.9	52.6	46.2	42.5	38.0
P/B (x)	20.5	18.0	17.9	16.7	15.8
EV/EBITDA (x)	40.1	37.1	33.2	29.9	26.5
EV/Sales (x)	7.1	6.9	7.0	6.4	5.7
Debtor days	25	38	41	41	41
Inventory days	55	46	51	51	51
Creditor days	75	91	108	108	108

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
27-Jul-20	Buy	390	
8-Oct-20	Buy	390	0.0
29-Oct-20	Buy	410	5.1
1-Jan-21	Buy	440	7.3
28-Jan-21	Buy	455	3.4
30-Apr-21	Buy	455	0.0
30-Jul-21	Buy	595	30.8
28-Oct-21	Buy	620	4.2
28-Jan-22	Buy	550	-11.3
6-May-22	Buy	560	1.8
6-Aug-22	Buy	565	0.9
7-Oct-22	Buy	565	0.0
5-Nov-22	Buy	575	1.8
3-Feb-23	Buy	575	0.0
5-May-23	Buy	585	1.7
28-Jul-23	Buy	615	5.1
9-Oct-23	Buy	600	-2.4
30-Oct-23	Buy	600	0.0
8-Jan-24	Buy	620	3.3
29-Jan-24	Buy	615	-0.8

Recommendation History



APPENDIX I

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Corporate Identity Number: U67100MH2017PLC296081

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Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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