

Retail Equity Research Marico Limited

FMCG

BSE CODE: 531642

NSE CODE: MARICO

Bloomberg CODE: MRCO:IN

SENSEX: 73,105

BUY

12 Months Investment Period Rating as per Large Cap
CMP Rs. 600 TARGET Rs. 668 RETURN 11% ↑
(Closing: 14-05-24)

KEY CHANGES:

TARGET ↑

RATING ↔

EARNINGS ↓

Sustained momentum; margin to improve

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 Q4FY24, consolidated revenue rose 1.7% YoY to Rs. 2,278cr (-5.9% QoQ), driven by steady domestic business and healthy growth in its international business.
- EBITDA margin expanded 190bps YoY to 19.4%, despite an 8.0% YoY increase in ad spends.
- Strong brand recognition, a diverse range of products, extensive distribution channels and increased spending on advertising will support revenue growth, which in turn, will boost margins. Maintaining the positive outlook, we reiterate our BUY rating on the stock with a revised target price of Rs. 668 based on 46x FY26E adj. EPS.

Moderate revenue growth seen in Q4

Consolidated revenue was up 1.7% YoY to Rs. 2,278cr (-5.9% QoQ) in Q4FY24. The domestic business witnessed muted growth owing to correction in prices during the quarter whereas the international business grew 7.4% YoY, mainly led by recovery in Bangladesh. Domestic volumes grew in Q4, thereby helping the company record flattish (~1.7% YoY) growth in revenues, after having reported de-growth over the initial 3 quarters of FY24. The management anticipates consistent growth in domestic volume from Q1FY25, with healthy offtake as 75% of its business gained or maintained market share and 100% sustained or enhanced penetration.

Margins expands due to favourable input costs

Gross profit was up 10.6% YoY to Rs. 1,175cr with gross margin improving 420bps YoY, driven by positive product mix and lower input costs. EBITDA rose 12.5% YoY to Rs. 442cr with EBITDA margin expanding 190bps YoY to 19.4%, as the company maintained its emphasis on developing the brand of both established and new businesses through strategic efforts. Subsequently, PAT attributable to shareholders increased 5.3% YoY to Rs. 318cr.

Key quarter highlights

- The company's key portfolios experienced robust offtake with 75% maintaining or increasing market share and 100% maintaining or increasing penetration, all on a MAT basis.
- The company plans to make investments worth Rs. 80-100 crore by 2027, for coverage and infrastructure enhancement as well as demand-generative initiatives, without incurring additional costs, by reallocating resources to optimise spends in the wholesale channel organised trade, thereby improving process efficiencies, reducing supply chain waste, and leveraging technology and analytics at a large scale.

Valuation

While key commodities are showing an upward trend, the management is confident in the company's ability to maintain steady margins in the coming year through strategic pricing, favourable product mix, effective cost management, and procurement gains. In the long term, the company expects operating margin to gradually increase on account of leverage benefits, portfolio premiumisation and diversification across both domestic and international markets. Hence, maintaining a positive outlook, we reiterate our BUY rating on the stock with a revised target price of Rs. 668 based on 46x FY26E Adj. EPS.

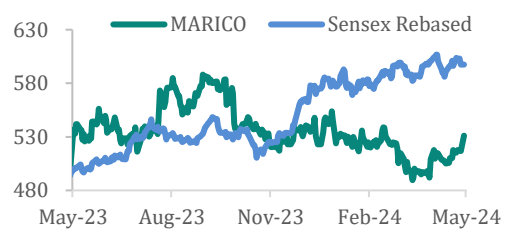
Company Data

Market Cap (cr)	Rs. 77,627
Enterprise Value (cr)	Rs. 76,456
Outstanding Shares (cr)	129.4
Free Float	40.0%
Dividend Yield	1.6%
52 week high	Rs. 613
52 week low	Rs. 487
6m average volume (lacs)	20
Beta	0.6
Face value	Rs. 1

Shareholding (%)	Q2FY24	Q3FY24	Q4FY24
Promoters	59.4	59.4	59.4
FII's	25.9	25.7	25.5
MFs/Insti	9.9	10.0	10.2
Public	4.6	4.7	4.7
Others	0.2	0.2	0.2
Total	100.0	100.0	100.0
Promoters' pledge	0.0	0.0	0.0

Price Performance	3 Month	6 Month	1 Year
Absolute Return	14.0%	14.4%	12.3%
Absolute Sensex	2.9%	13.1%	18.9%
Relative Return*	11.2%	1.4%	-6.6%

*over or under performance to benchmark index



Consolidated (cr)	FY24A	FY25E	FY26E
Sales	9,653	10,704	11,854
Growth (%)	(1.1)	10.9	10.7
EBITDA	2,026	2,337	2,588
EBITDA Margin (%)	21.0	21.8	21.8
Adj. PAT	1,481	1,675	1,872
Growth (%)	13.7	13.1	11.8
Adj. EPS	11.5	13.0	14.5
Growth (%)	13.7	13.1	11.8
P/E	43.3	45.9	41.0
P/B	16.7	18.8	17.6
EV/EBITDA	31.5	32.7	29.5
ROE (%)	38.6	41.0	42.9
D/E	0.1	0.1	0.1

Quarterly Financials (Consolidated)

Profit & Loss Account

Rs. cr	Q4FY24	Q4FY23	YoY Growth (%)	Q3FY24	QoQ Growth (%)	FY24	FY23	YoY Growth (%)
Revenue	2,278	2,240	1.7	2,422	(5.9)	9,653	9,764	(1.1)
EBITDA	442	393	12.5	513	(13.8)	2,026	1,810	11.9
EBITDA margins	19.4	17.5	190bps	21.2	(180bps)	21.0	18.5	250bps
Depreciation	41	43	(4.7)	42	(2.4)	158	155	1.9
EBIT	401	350	14.6	471	(14.9)	1,868	1,655	12.9
Interest	17	17	-	19	(10.5)	73	56	30.4
Other Income	15	68	(77.9)	43	(65.1)	142	144	(1.4)
Exceptional Items	-	-	-	-	-	-	-	-
Share of profit from Associate	-	-	-	-	-	-	-	-
PBT	399	401	(0.5)	495	(19.4)	1,937	1,743	11.1
Tax	79	96	(17.7)	109	(27.5)	435	421	3.3
Reported PAT	320	305	4.9	386	(17.1)	1,502	1,322	13.6
Minority Interest	2	3	(33.3)	3	(33.3)	21	20	5.0
PAT att. to shareholders	318	302	5.3	383	(17.0)	1,481	1,302	13.7
Adjustments	-	-	-	-	-	-	-	-
Adj. PAT	318	302	5.3	383	(17.0)	1,481	1,302	13.7
No. of shares	129.0	129.0	-	129.0	-	129.0	129.0	-
Adj. EPS (Rs.)	2.5	2.3	5.3	3.0	(17.0)	11.5	10.1	13.7

Change in Estimates

Year / Rs. cr	Old estimates		New estimates		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	11,316	-	10,704	11,854	(5.4)	-
EBITDA	2,376	-	2,337	2,588	(1.7)	-
Margins (%)	21.0	-	21.8	21.8	80bps	-
Adj. PAT	1,704	-	1,675	1,872	(1.7)	-
Adj. EPS	13.2	-	13.0	14.5	(1.7)	-

PROFIT & LOSS

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Revenue	9,512	9,764	9,653	10,704	11,854
% change	18.2	2.6	(1.1)	10.9	10.7
EBITDA	1,681	1,810	2,026	2,337	2,588
% change	5.7	7.7	11.9	15.3	10.7
Depreciation	139	155	158	227	227
EBIT	1,542	1,655	1,868	2,110	2,361
Interest	39	56	73	59	66
Other Income	98	144	142	139	154
PBT	1,601	1,743	1,937	2,190	2,449
% change	5.0	8.9	11.1	13.1	11.8
Tax	346	421	435	492	550
Tax Rate (%)	21.6	24.2	22.5	22.5	22.5
Reported PAT	1,255	1,322	1,502	1,698	1,899
PAT att. to common shareholders	1,225	1,302	1,481	1,675	1,872
Adj*	-	-	-	-	-
Adj PAT	1,225	1,302	1,481	1,675	1,872
% change	5.7	6.3	13.7	13.1	11.8
No. of shares (cr)	129.0	129.0	129.0	129.0	129.0
Adj EPS (Rs.)	9.5	10.1	11.5	13.0	14.5
% change	5.7	6.3	13.7	13.1	11.8
DPS (Rs.)	9.3	9.3	9.5	11.0	12.3

CASH FLOW

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Net inc. + Depn.	1,364	1,457	1,639	1,901	2,099
Non-cash adj.	-	32	(156)	(197)	38
Changes in W.C	(348)	(70)	(47)	57	(235)
C.F. Operation	1,016	1,419	1,436	1,761	1,902
Capital exp.	(129)	(157)	(135)	(214)	(237)
Change in inv.	282	(730)	45	131	52
Other invest.CF	272	(42)	266	(0)	(0)
C.F - Investment	425	(929)	176	(83)	(185)
Issue of equity	19	(16)	(107)	-	-
Issue/repay debt	(78)	76	(154)	8	12
Dividends paid	(1,195)	(582)	(1,229)	(1,423)	(1,591)
Other finance.CF	(36)	(38)	(52)	(59)	(66)
C.F - Finance	(1,290)	(560)	(1,542)	(1,475)	(1,646)
Chg. in cash	153	(133)	21	204	71
Closing cash	579	756	943	1,147	1,218

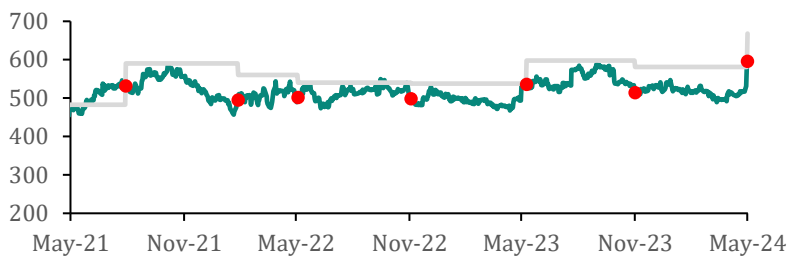
BALANCE SHEET

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Cash	579	756	943	1,147	1,218
Accounts Receivable	652	1,015	1,069	963	1,126
Inventories	1,412	1,225	1,336	1,407	1,589
Other Cur. Assets	862	824	655	532	489
Investments	209	534	358	365	372
Gross Fixed Assets	1,366	1,548	1,701	1,915	2,152
Net Fixed Assets	600	633	700	677	678
CWIP	39	67	44	54	64
Intangible Assets	1,138	1,597	2,009	2,020	2,032
Def. Tax (Net)	187	146	68	177	198
Other Assets	108	149	239	258	281
Total Assets	5,786	6,946	7,421	7,601	8,047
Current Liabilities	1,808	1,956	2,061	2,101	2,233
Provisions	92	361	510	485	460
Debt Funds	345	475	383	391	402
Other Liabilities	136	198	298	181	200
Equity Capital	129	129	129	129	129
Reserves & Surplus	3,219	3,670	3,703	3,954	4,235
Shareholder's Fund	3,348	3,799	3,832	4,083	4,364
Minority Interest	57	157	337	361	387
Total Liabilities	5,786	6,946	7,421	7,601	8,047
BVPS (Rs.)	26	29	30	32	34

RATIOS

Y.E March	FY22A	FY23A	FY24A	FY25E	FY26E
Profitab. & Return					
EBITDA margin (%)	17.7	18.5	21.0	21.8	21.8
EBIT margin (%)	16.2	17.0	19.4	19.7	19.9
Net profit mgn.(%)	12.9	13.3	15.3	15.6	15.8
ROE (%)	36.6	34.3	38.6	41.0	42.9
ROCE (%)	41.1	37.4	41.0	43.6	45.8
W.C & Liquidity					
Receivables (days)	25.0	37.9	40.4	32.9	34.7
Inventory (days)	94.8	83.6	102.7	91.3	93.1
Payables (days)	90.2	99.0	121.5	104.0	100.4
Current ratio (x)	1.6	1.6	1.6	1.6	1.7
Quick ratio (x)	0.9	1.0	0.9	0.9	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. coverage ratio (x)	39.5	29.6	25.6	35.8	35.6
Adj. debt/equity (x)	0.1	0.1	0.1	0.1	0.1
Valuation					
EV/Sales (x)	6.8	6.3	6.6	7.1	6.4
EV/EBITDA (x)	38.5	34.1	31.5	32.7	29.5
P/E (x)	53.0	47.5	43.3	45.9	41.0
P/BV (x)	19.4	16.3	16.7	18.8	17.6

Recommendation Summary (Last 3 Years)



Dates	Rating	Target
4-May-21	HOLD	483
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

Source: Bloomberg, Geojit research

Investment Rating Criteria

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.

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

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