



## KEY HIGHLIGHTS

### 1. RESULTS OVERVIEW:

- Marico Q1FY24 consolidated revenues came in at ₹2477 Cr, down 3.2% YoY and 10.6% QoQ.
- PBIDT (Ex-OI) for Q1FY24 stood at ₹574 Cr, up 8.7% YoY and up 46.1% QoQ.
- PBIDTM (Ex-OI) for Q1FY24 came at 23.2%, +260 bps YoY and +570 bps QoQ.
- PAT (Ex-OI) for Q1FY24 stood at ₹390 Cr, up 8.3% YoY and up 64.6% QoQ.
- Domestic volume growth was 3% YoY lower than expected due to one-off factors.

### 2. MANAGEMENT COMMENTARY:

- Expect a gross margin expansion of 200-300 bps in FY24.
- Revenue growth to be positive in H2FY24.
- Food business to cross ₹850 Cr in FY24.
- Expect profit margins to improve in coming quarters on further softening of raw material prices.
- Expect 13%-15% revenue growth on the back of 8%-10% domestic volume growth and double-digit constant currency growth in the international business.
- The management expects operating margin to move up by more than 150 bps in FY24 with easing raw material prices, aggressive cost management and a more favourable portfolio mix.

### 3. CONCALL SUMMARY

- Domestic volume was up amid weak rural demand.
- Volume to pick up in H2FY24, margin headwinds are waning.
- Foods & Digital brands scaling well and volume recovery a key catalyst for FY24.
- The company expects a gradual volume recovery, especially in the rural regions.
- The volume remained subdued due to one-off channel inventory adjustments on account of destocking by trade in Saffola Oils owing to a sharp fall in the vegetable oil prices. However, the offtake growth remained healthy as ~85% of the portfolio either sustained or gained market share and penetration on MAT basis.

### 4. VALUATION AND OUTLOOK:

The company is aiming 13%-15% revenue growth on the back of 8%-10% domestic volume growth.

With a strong growth outlook, we initiate a “BUY” rating on the stock and value the stock at 13.3x FY25 EPS to arrive at the target of 667.

## RECOMMENDATION - BUY

**CMP – 577**

**TARGET – 667(+15.6%)**

Industry	Consumer Food
NSE CODE	MARICO
BSE CODE	531642
Market Cap (₹ Cr)	74,619
Shares Outstanding (in Cr)	129.3
52 wk High/Low (₹)	582/463
P/E	55
P/BV	19.7
Face Value (₹)	1.00
Book Value (₹)	29.4
EPS (FY23) (₹)	10.1
Dividend Yield (%)	0.8
Debt / Equity	0.2
Interest Coverage	29.8

## SHAREHOLDING PATTERN

	Jun 23	Mar 23	Dec 22
Promoters	59.42	59.42	59.48
MF/ DII	3.29	3.17	2.88
FII/FPI	24.96	24.97	25.07
Retail & Others	5.32	5.52	5.57
Promoter Pledging	0.13	0.13	0.13

## FINANCIAL SNAPSHOT (₹ Cr)

Y/E March	2023	2024E	2025E
<b>Crore</b>			
Sales	9764	11228	12912
Sales Gr. (%)	2.6	15	15
EBITDA	1810	2200	2647
EBITDA %	17.7	19.6	20.5
PAT	1322	1501	1720
EPS (₹)	10.1	11.6	13.3
EPS Gr. (%)	6.34	15.3	14.6
<b>Valuation</b>			
P/E (x)	55	53	50

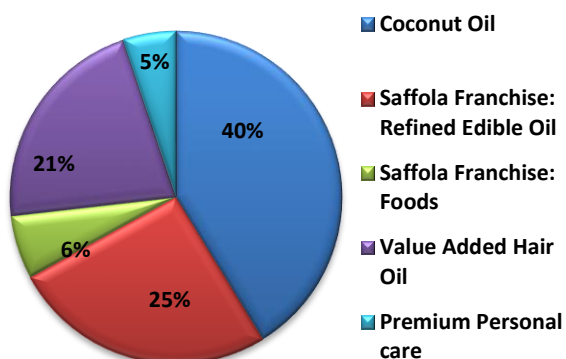
## Historical & Industrial Val Ratios

Historical P/E	54.85
Industry P/E	59.41
Historical P/B	17.8
Industry P/B	14.0

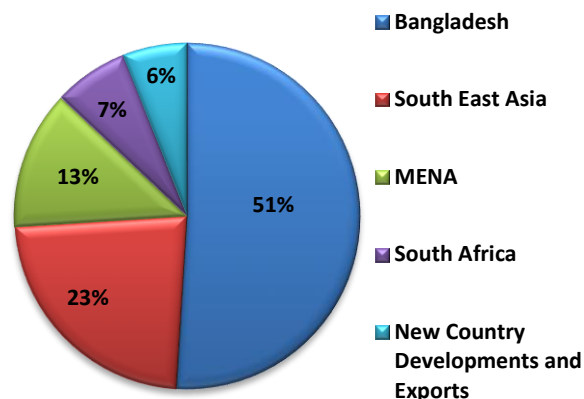


## Revenue Mix (FY23)

### Domestic Business (77%)



### International Business (23%)



## QUARTERLY PERFORMANCE (CONSOLIDATED)

(₹ Cr)

Y/E March	FY22			FY23			FY24		FY23	FY24E*
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2E*		
Net sales	2407	2161	2558	2496	2470	2240	2477	2807	9764	11228
YoY change (%)	13.4	7.4	1.31	3.2	2.6	3.7	-3.2	12.5	2.7	15
Total Expenditures	1976	1815	2030	2063	2014	1847	1903	2255	7954	9027
EBITDA	431	348	528	433	456	393	574	550	1810	2200
YoY growth (%)	4.4	8.5	9.8	2.4	5.8	13.6	8.7	27	9.8	22
Margins (%)	18	16.0	20.6	17.3	18.5	17.5	23.2	19.6	17.7	19.6
Depreciation	36	37	36	37	39	43	36	40	155	160
Interest	10	11	10	15	14	17	17	17	56	65
Other income	22	24	17	19	40	68	46	39	144	150
PBT	407	322	499	400	443	401	567	495	1743	1975
Rate (%)	22	20	24	23	25	24	23	24	24	24
Tax	90	65	122	93	110	96	131	119	421	474
Adjusted PAT	317	257	377	307	333	305	436	376	1322	1501
EPS in Rs	2.40	1.94	2.87	2.33	2.54	2.34	3.30	2.91	10.1	11.6

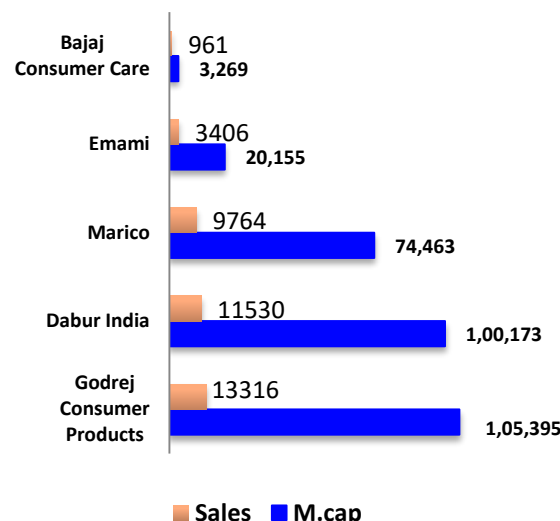
Source: Company, Hem Securities Research.



## INDUSTRY OVERVIEW

- Since the outbreak of the COVID-19 pandemic, immunity boosting foods and supplements, organic, superfood-based, nutritious, natural products are gaining traction.
- Increasing smartphone and internet penetration is helping people in rural areas easily access online shopping. Digitization is increasingly becoming a priority for FMCG brands as customers interact with brands across multiple online and offline channels.
- Besides, it also allows FMCG brands to engage better with their customers and convert one-time buyers into repeat customers.
- Rural demand bottomed out with sales returning to the positive growth path in Q4FY2023. With price inflation stabilizing and a decline in key input prices, managements of most companies are confident of witnessing a gradual pick-up in rural demand in the quarters ahead.
- Moreover, expectation of a well spread-out monsoon and the government offering some incentives prior to the budget might provide some boost to rural sentiments in the coming quarters.
- In FY2024, revenue growth is expected to be volume-led growth with companies focusing on passing on the benefits of the decline in input cost to customers in the coming quarters.
- The drop in input prices will drive gross margins in the coming quarters. Despite higher media spends, OPM is expected to remain high on a y-o-y basis in the near term.

## KEY PLAYERS in FMCG space



## PEER PERFORMANCE

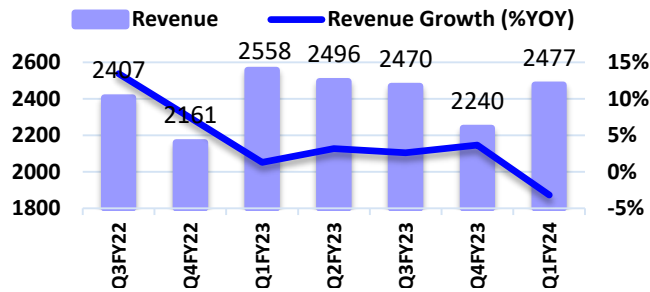
(₹ Cr)

Particulars	Marico Ltd.	Godrej Consumer Products Ltd.	Dabur India Ltd.	Bajaj Consumer Care Ltd.	Emami Ltd.
Market Cap	74,463	1,05,395	1,00,173	3,269	20,155
Net Sales	9,764	13,316	11,530	961	3,406
EBITDA	1,810	2,443	2,160	139	863
PAT	1,302	1,702	1,707	139	640
EBITDA MARGIN %	18	18	20	19	27
PAT MARGIN %	12	12	13	14	18
ROCE %	45	17	24	21	29
ROE %	37	13	20	17	29
P/E TTM	55	62	58	23	32
P/B TTM	18	8	11	4	10
Current Ratio	1.3	1.1	0.97	1.3	1.6
Dividend Yield %	0.8	0.0	0.9	2.2	1.6
Int Coverage	29.8	11.7	25.9	174	105
EPS TTM(₹)	10.5	16.4	9.8	9.6	16.0
3 Y Sales CAGR%	10	10	10	4	9

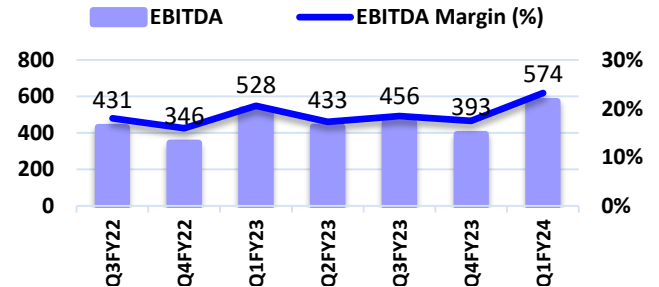


## STORY IN CHARTS

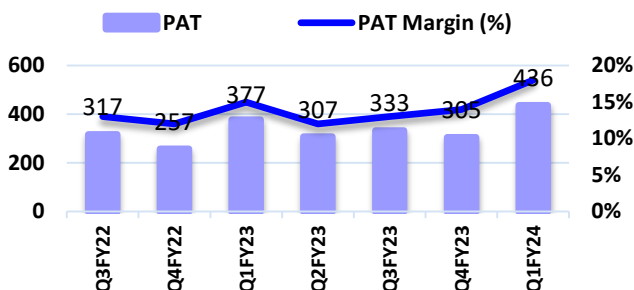
### Revenue & Revenue Growth



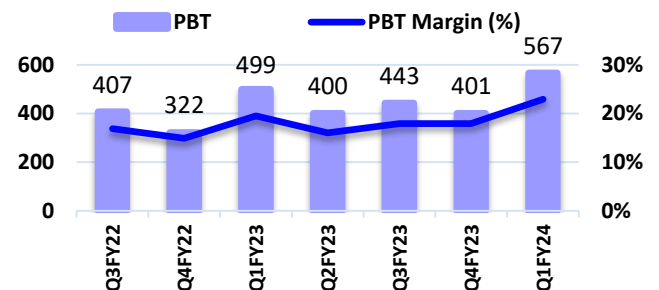
### EBITDA & EBITDA Margin



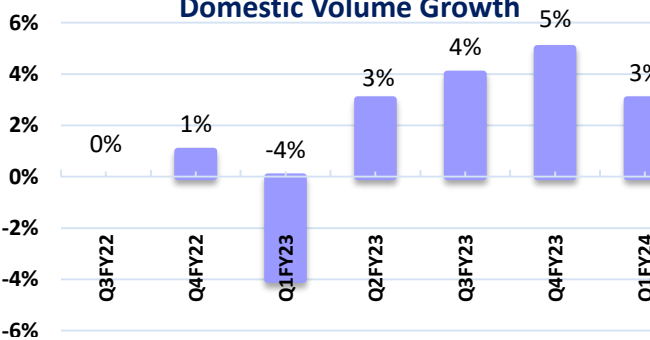
### PAT & PAT Margin



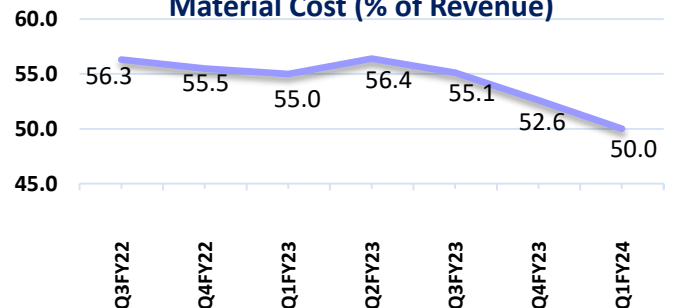
### PBT & PBT Margin



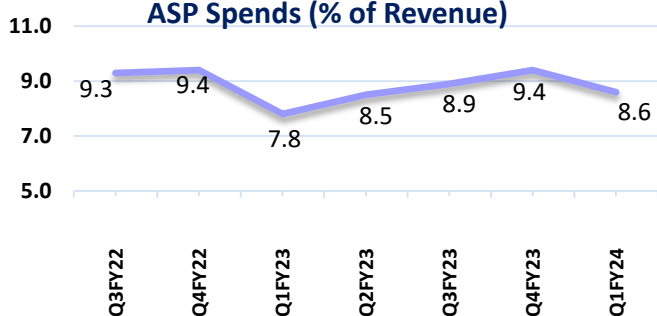
### Domestic Volume Growth



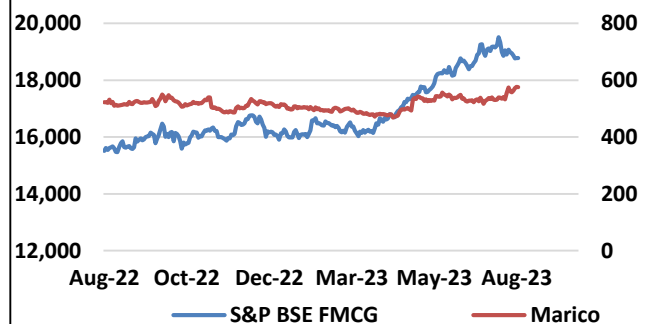
### Material Cost (% of Revenue)



### ASP Spends (% of Revenue)



### Marico Vs S&P BSE FMCG





## INVESTMENT RATIONALE:

- Marico is a leading player in the domestic hair and wellness market with a leadership position in categories such as coconut oil (~62% market share), value-added hair oil (~28% market share), and Parachute Rigid within coconut oil (~53% market share)..
- In recent times, the company has entered into niche categories such as male grooming, premium hair nourishment, and healthy foods, which will not only improve the company's revenue growth trajectory but would also help in boosting margins in the long run due to their premium nature.
- Consistent innovations, wide distribution network, and expansion in new-age channels like modern trade and e-commerce would be key platforms to achieve good growth in the near term.
- Marico has entered into definitive agreements to acquire upto 58% of the paid-up share capital of Satiya Nutraceuticals on a fully diluted basis, the company which owns the brand 'The Plant Fix- Plix'- a leading plant-based nutrition brand with a strong presence in the rapidly growing health & wellness segment.
- They further aim to build this portfolio a key growth driver in the Serums and Male Grooming portfolios. Also, by sustaining the pace of their digital transformation journey by leveraging the capabilities and scaling of the overall business, thereby gradually ramping up the current portfolio of digital-first brands.
- The International business has consistently been delivering a resilient performance despite macroeconomic challenges in some of the geographies.
- The company holds its medium-term aspiration of delivering 13-15% revenue growth on the back of 8-10% domestic volume growth and double-digit constant currency growth in the International business. The company will aim to maintain consolidated operating margin above the threshold of 19% over the medium term.
- In Foods, they aim to step up the pace of growth across their franchises and cross the ₹850 cr revenue mark in FY24 on the back of continued innovation, focused distribution initiatives and market development.

## RISK / NEGATIVE FACTORS:

- Demand slowdown: A slowdown in key product categories would affect overall demand and revenue growth.
- Higher input prices: A significant increase in prices of key raw materials such as copra (~40% of input costs) would affect profitability and earnings growth.
- Increased competition in highly penetrated categories: Increased competition in highly penetrated categories such as VAHO and edible oils would threaten revenue growth.

## COMPANY RECAP

- Marico is one of India's leading consumer products companies in the domestic hair and wellness market. Marico is present in the categories of hair care, skin care, edible oils, health foods, and male grooming, with a vast portfolio of brands such as Parachute, Saffola, Hair & Care, Nihar, Livon, Kaya Youth, and Coco Soul.
- The company is currently present in 25 countries across emerging markets of Asia and Africa, including Middle East, Bangladesh, Vietnam, Egypt, and South Africa, which constitute 23% of the total revenue. The company has a retail reach of over 5 million outlets in the domestic market. The company has 8 factories that are strategically located in India.
- Marico is a leading player in the domestic hair and wellness market with a leadership position in categories such as coconut oils (~62% market share), value-added hair oils (~28% market share), and Parachute Rigid within coconut oils (~53% market share).
- The company has a three-pronged strategy of driving growth through key categories, innovations/entrance into the niche category, and scaling up its presence in international geographies. In recent times, the company has entered into niche categories such as male grooming, premium hair nourishment, and healthy foods.



## ANNUAL PERFORMANCE

### Financials & Valuations

#### Income Statement

	(₹ Cr)					
Y/E March	2020	2021	2022	2023	2024E	2025E
Revenue from operations	7,315	8,048	9,512	9,764	11,228	12,913
Growth YoY (%)	-0.3	10	18.2	2.7	15%	15%
Total Expenditure	5,849	6,460	7,834	7,954	9,027	10,265
(%) of sales	79.96	80.3	82.4	81.5	80.4	79.5
EBITDA	1,466	1,588	1,678	1,810	2,200	2,647
EBITDA Growth (%)	11.5	5.8	5.6	9.8	22%	20%
EBITDA Margin (%)	19.8	19.0	16.9	17.7	19.6%	20.5%
Depreciation	140	139	139	155	160.6	167.9
EBIT	1,424	1,557	1,640	1,799	2,040	2,479
EBIT Growth (%)	9.8	9.3	5.3	9.7	13%	22%
Net Interest Expenses	50	34	39	56	65	60
Other Income	127	97	101	144	150	155
Earnings before Taxes	1,374	1,523	1,601	1,743	1,975	2,264
EBT Margin (%)	17.1	17.2	15.2	15.8	18%	18%
Tax-Total	331	324	346	421	474	543
Rate of tax (%)	24.1	21.3	21.6	24.2	24	24
Net Profit	1,043	1,199	1,255	1,322	1,501	1,720
PAT Growth (%)	-7.8	15.0	4.7	5.3	14%	15%
PAT Margin (%)	13.0	13.6	11.9	12.0	13.4%	13.3%
Minority Interest	-22	-27	-30	-20	0.0	0.0
Adjusted PAT	1,021	1,172	1,225	1,302	1,501	1,720
EPS	7.9	9.1	9.5	10.1	11.6	13.3
EPS Growth (%)	-8.4	14.8	4.5	6.3	15.3%	14.6%

#### Balance Sheet

Y/E March	2020	2021	2022	2023
Share Capital	129	129	129	129
Reserves	2894	3111	3219	3670
Net Worth	3023	3240	3348	3799
Borrowings	338	511	479	608
Other Liabilities	1,603	1,675	1,850	2,393
Total Liabilities & Equity	4,964	5,426	5,677	6,800
Fixed Assets	1,396	1,612	1,760	2,246
CWIP	58	24	39	67
Investments	733	854	828	1,096
Other Assets	2,777	2,936	3,050	3,391
Total Assets	4,964	5,426	5,677	6,800

Source: Company, Hem Securities Research.



<b>Ratios</b>				
<b>Y/E March</b> (Basic (INR)	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>Profitability and return ratios</b>				
Net profit margin (%)	12.9	13.5	11.9	12.0
EBITDA margin (%)	19.8	19.0	16.9	17.7
EBIT margin (%)	17.7	17.6	15.5	16.3
ROE (%)	35.0	38.6	38.4	37.4
ROCE (%)	42.6	44.8	45.0	45.2
<b>Working Capital &amp; liquidity ratios</b>				
Payables (Days)	107.6	100.0	92.7	107.7
Inventory (Days)	63.2	51.7	43.9	43.7
Receivables (Days)	23.9	19.1	18.0	27.6
Current Ratio (x)	1.8	1.7	1.6	1.6
<b>Valuations Ratios</b>				
EV/sales (x)	4.9	6.5	6.8	6.3
EV/EBITDA (x)	22.3	31.2	36.4	31.5
P/E (x)	34.7	45.3	53.0	47.5
P/BV (x)	11.8	16.5	19.6	16.5
Dividend Yield (%)	2.5	1.8	1.8	0.9
Return on Assets (%)	21.9	23.7	23.0	21.3
<b>Leverage Ratio</b>				
Debt/Equity (x)	0.1	0.1	0.1	0.1

### Cash Flow Statement

<b>Y/E March</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>CF from Operating activities (A)</b>	<b>1,214</b>	<b>2,007</b>	<b>1,016</b>	<b>1,419</b>
<b>CF from Investing Activities (B)</b>	<b>-39</b>	<b>-938</b>	<b>425</b>	<b>-929</b>
<b>CF from Financing Activities (C)</b>	<b>-1,147</b>	<b>-1,058</b>	<b>-1,290</b>	<b>-560</b>
Net Cash Flow	28	11	151	-70
Add: Opening Bal.	48	93	109	276
<b>Closing Balance</b>	<b>93</b>	<b>109</b>	<b>276</b>	<b>207</b>

Source: Company, Hem Securities Research.





## RATING CRITERIA

INVESTMENT RATING	EXPECTED RETURN
BUY	$\geq 15\%$
ACCUMULATE	5% to 15%
HOLD	0 to 5%
REDUCE	-5% to 0
SELL	$< -5\%$

## RECOMMENDATION SUMMARY

DATE	RATING	TARGET
8/8/23	BUY	(++15.6%)

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