

India

**HOLD** (no change)

Consensus ratings\*: Buy 24 Hold 14 Sell 5

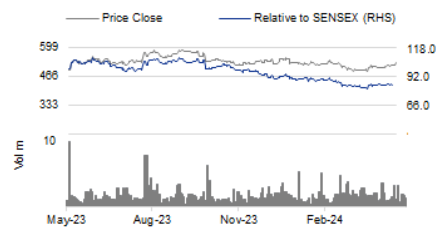
Current price: Rs530  
 Target price: ▲ Rs580  
 Previous target: Rs550  
 Up/downside: 9.4%  
 InCred Research / Consensus: 2.1%

Reuters: MRCO.NS  
 Bloomberg: MRCO IN  
 Market cap: US\$8,219m  
 Rs686,262m  
 Average daily turnover: US\$9.7m  
 Rs812.1m  
 Current shares o/s: 1,291.2m  
 Free float: 40.6%

\*Source: Bloomberg

**Key changes in this note**

- Raise target price to Rs580 from Rs550.
- Raise FY25F/26F EPS by 3%/5.8%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	4.1	1.8	7.4
Relative (%)	4.6	(0.6)	(11.2)

Major shareholders	% held
Promoter	59.4
First Sentier	4.8
LIC	4.5

# Marico Ltd

## Initiatives in place to drive growth

- Domestic 4Q sales volume/value remained subdued at 3%/ (3.8) yoy, impacted by weak consumption and muted growth at the mass-end of the portfolio.
- Initiatives announced to improve the distribution reach in general trade channels as well as scale up foods and D2C brands in a profitable manner.
- Marico is priced fairly at 42x/37x FY25F/26F EPS, respectively. Retain HOLD rating on it with a higher TP of Rs580 (41x Mar 2026F EPS) from Rs550 earlier.

### Rural markets perform better than urban markets in 4QFY24

Marico's 4QFY24 domestic sales declined by 3.8% yoy, which its management attributed to lower consumption, aggression by smaller payers in mass categories and softness in the general trade channel. Volume growth stood at 3%. Parachute rigids reported +2%/+2% volume/value growth, respectively, while the Saffola edible oils range declined by 16%. VAHO posted a 7% yoy value decline. The food business grew by 24% yoy. Urban market growth moderated while rural market growth witnessed a marginal uptick in 4Q. Marico has taken corrective steps to alleviate the challenges in its general trade channel by inventory reduction and it plans to boost the channel further going ahead via trade schemes, promotions, etc. Management has unveiled Project Setu, a distribution expansion initiative to expand the direct reach from 1m in FY24 to 1.5m by FY27F and will set aside Rs8-10bn over three years from internal accruals for the same.

### Bangladesh biz is expected to continue posting double-digit growth

The international business division or IBD posted a 10% constant currency (CC) growth in 4QFY24. Bangladesh sales bounced back, growing 6% yoy in constant currency or CC terms. Vietnam business was flat yoy in CC terms while South Africa and the MENA region grew 13%/19% yoy in CC terms, respectively. Management is confident of driving a double-digit CC growth for the IBD in FY25F. Reported sales were affected by currency depreciation in key markets.

### Focus will remain on driving profitable growth in the medium term

The consolidated gross margin/EBITDA margin expanded by 630bp/270bp yoy to 51.3%/21.2%, respectively, in 4QFY24, benefitting from deflationary commodity prices. Prices of copra are likely to remain firm, with an upward bias. Management has laid out initiatives to drive its diversification agenda, with a strong focus on profitability.

### Maintain HOLD rating with a higher target price of Rs580

At the CMP, Marico looks priced fairly. We retain our HOLD rating on the stock with a higher target price of Rs580 (41x Dec 2025F EPS) from Rs550 earlier. Upside risks: Faster recovery in the core portfolio and sustained higher margins. Downside risk: Slower-than-expected sales growth.

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**Financial Summary**

	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
Revenue (Rsm)	95,120	97,640	96,530	112,921	124,076
Operating EBITDA (Rsm)	16,810	18,100	20,260	23,665	26,343
Net Profit (Rsm)	11,270	11,580	13,390	15,938	18,276
Core EPS (Rs)	8.7	9.0	10.4	12.4	14.2
Core EPS Growth	(3.0%)	2.8%	15.6%	19.0%	14.7%
FD Core P/E (x)	60.70	59.07	51.09	42.92	37.43
DPS (Rs)	6.0	6.0	0.0	6.9	7.9
Dividend Yield	1.31%	1.33%	0.00%	1.52%	1.74%
EV/EBITDA (x)	40.21	37.41	33.53	28.26	25.34
P/FCFE (x)	70.38	101.65	57.10	37.58	69.80
Net Gearing	(25.9%)	(21.7%)	(19.6%)	(39.0%)	(36.4%)
P/BV (x)	20.62	18.01	17.85	15.34	13.36
ROE	34.4%	32.5%	35.1%	38.4%	38.2%
% Change In Core EPS Estimates				2.94%	5.82%
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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## Initiatives in place to drive growth

### Key highlights from the earnings call

#### Demand and operating environment

- **Demand:** Volume growth of the sector has been stable despite inflation and a slower-than-expected recovery in rural demand.
- Urban market growth moderated while rural market growth improved slightly.
- The premium range continued to fare better than mass products.
- FY25F is likely to see a gradual uptick across urban and rural markets.
- Domestic volume growth was flat in 4Q. It is expected to improve consistently from 1QFY25F.
- **Outlook on rural/urban growth:** Marico witnessed an uptick towards the end of the quarter in rural markets. The core portfolio should see better rural growth. Benefits of Project Setu will be visible from 2HFY25F.
- **Channel-wise:** Alternate channels gained salience as the general trade or GT channel witnessed muted growth in mass categories. Spending on premiumization and D2C led to a large growth in alternate channels. GT will remain a large focus area going ahead. Initiatives like stock reduction and select credit extensions are underway to improve profitability in the channel.
- **Project Setu:**
  - Distribution reach expansion slowed post Covid-19 pandemic.
  - Project Setu will be rolled out to expand from 1m direct reach to 1.5m by FY27F. Improvement in direct reach leads to better assortment and visibility in rural markets.
  - Total reach stands at 5.8m currently.
  - Weighted distribution to be improved in challenger brands.
  - Will also strengthen its position in North and East India, where Marico is slightly weaker currently.
  - Assortment in urban stores will also be improved. The focus will be on improving large-pack salience in alternate channels. In rural markets, the quality of distribution is being improved.
  - Marico will set aside Rs800-1000m for Project Setu by FY27F – to be funded from internal accruals. A dedicated team is in place. This will be a big bet over three years.
  - More action expected in the regions where competitors are stronger. It won't be an all-India exercise but will be focused on certain states in a phase-wise manner with a sub region/cluster approach.

#### Segment-wise commentary

- **Saffola edible oil:** Trade channels have stabilized. Revenue growth is expected to trend in a positive direction in FY25F. 4QFY24 saw range advertising under Saffola (edible oils + foods). By 2QFY25F, price hikes are expected to be anniversarized (last price hike was towards the end of 1QFY24). We do not expect much volatility in the near term.
- **VAHO:** Optically weak quarter on a high base. The bottom of the pyramid continued to drag sales. Mid and premium segments fared better. Expects a more competitive environment going ahead at the mass-end (Shanti Amla and Sarson) led by shrinkflation and volume impact. Since last quarter, things have improved. Expects a gradual improvement in FY25F led by improvement in mass BPC categories in FY25F. In the next few months, the shrinkflation anniversarization will happen. The higher RPI-end of the business will be rationalized to improve market share.

- **Parachute:** Saw a steady recovery amidst loose to branded conversions. Market share improved by 50bp. The favourable trend is likely to continue in the medium term. Prices were hiked by 6% on select packs. Marico, in our view, may go for further hikes going ahead.
- **Food business:** Closed FY24 at 4x higher than in FY20. Will drive a 20% CAGR in food business over the medium term. Now the building blocks are in place. Will drive consistent improvement in profitability. Gross margin expanded by 800bp yoy in FY24. Will scale further. The food business is likely to double over three years. The oats business continues to scale well. Honey was the fastest growing in the category and it gained market share.
- **Digital portfolio** clocked Rs3,500m exit ARR. Beardo will move towards double-digit EBITDA margin in FY25F. Beardo + Plix can do Rs5,000m over the next few years.
- Acquired brands:
  - Plix: Traction has been encouraging.
  - Beardo: Marico has been methodical in expanding Beardo in offline channels. Experimenting a little bit. Salon channels are also being expanded.
  - Just herbs now scaling with lesser spending on advertisements.
  - Some brands are doing well on the quick commerce channel. Marico will experiment more across channels.

### International business

- **Bangladesh** - Recovered on a broad-based portfolio. Expected to grow in double digits. Revenue share to reduce from 50% in FY22 to 47% by FY25F. Parachute dependence has been reduced led by healthy growth from baby care and other offerings in the region. Management believes the forex problem will improve gradually going ahead.
- **Vietnam** - HPC category saw a slowdown.
- **MENA** - Hair oils are doing well in Egypt.
- **South Africa** - Ethnic hair care drove a 13% CC growth.

### Input costs and margins

- Margins can improve over three-to-four years. In the food business, an 800bp gross margin expansion (most of which is sustainable, as per management) gave a good ramp-up. Some other initiatives were taken in FY24 which will flow through in FY25F. Saffola master brand advertising optimization will also aid in improving margins. Premiumization will aid in improving margins as well.
- No improvement expected in FY25F but will be visible going ahead.
- Project Setu won't impact profitability, as per management.
- Will aim to maintain margins but improve profitability growth.

### Outlook

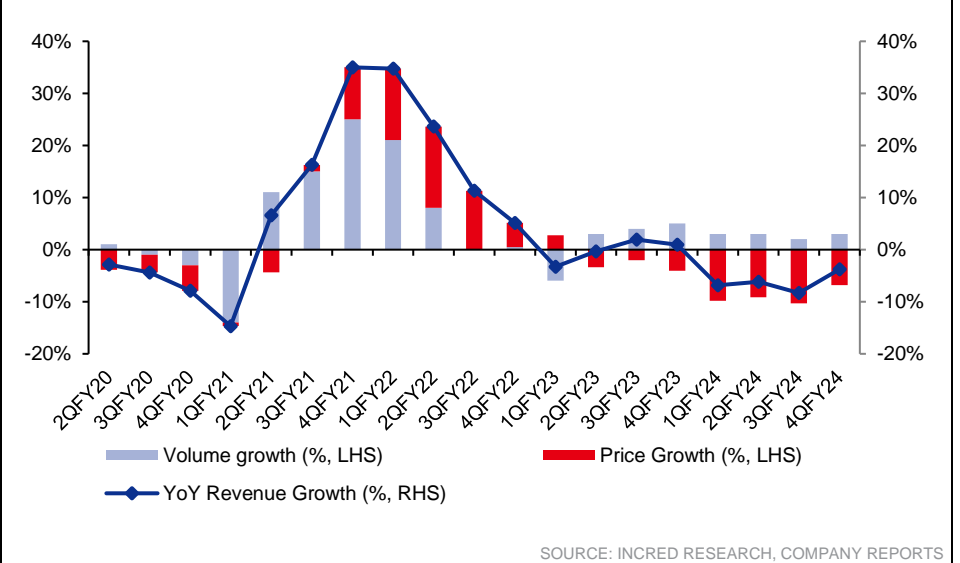
- Building blocks are in place to drive double-digit growth going ahead. Operating margin is expected to structurally improve over the next few years.
- The double-digit sales growth outlook remains unchanged.

Figure 1: Quarterly summary - consolidated

Y/E Mar (Rs. m)	4QFY23	3QFY24	4QFY24	YoY (%)	QoQ (%)	FY23	FY24	Gr (%)
<b>Revenue</b>	<b>22,400</b>	<b>24,220</b>	<b>22,780</b>	1.7	-5.9	<b>97,640</b>	<b>96,530</b>	-1.1
<b>Expenditure</b>	<b>18,470</b>	<b>19,090</b>	<b>18,360</b>	-0.6	-3.8	<b>79,540</b>	<b>76,270</b>	-4.1
Consumption of Raw Materials	11,780	11,800	11,030	-6.4	-6.5	53,510	47,480	-11.3
as % of sales	52.6	48.7	48.4			54.8	49.2	
Employee Costs	1,710	1,890	1,860	8.8	-1.6	6,530	7,430	13.8
as % of sales	7.6	7.8	8.2			6.7	7.7	
Other Expenditure	4,980	5,400	5,470	9.8	1.3	19,500	21,360	9.5
as % of sales	22.2	22.3	24.0			20.0	22.1	
<b>EBITDA</b>	<b>3,930</b>	<b>5,130</b>	<b>4,420</b>	<b>12.5</b>	<b>-13.8</b>	<b>18,100</b>	<b>20,260</b>	<b>11.9</b>
Depreciation	430	420	410	-4.7	-2.4	1,550	1,580	1.9
<b>EBIT</b>	<b>3,500</b>	<b>4,710</b>	<b>4,010</b>	<b>14.6</b>	<b>-14.9</b>	<b>16,550</b>	<b>18,680</b>	<b>12.9</b>
Other Income	680	430	150	-77.9	-65.1	1,440	1,280	-11.1
Interest	170	190	170	0.0	-10.5	560	730	30.4
<b>PBT</b>	<b>4,010</b>	<b>4,950</b>	<b>3,990</b>	<b>-0.5</b>	<b>-19.4</b>	<b>17,430</b>	<b>19,230</b>	<b>10.3</b>
Total Tax	960	1,090	790	-17.7	-27.5	4,210	4,350	3.3
<b>PAT</b>	<b>3,050</b>	<b>3,860</b>	<b>3,200</b>	<b>4.9</b>	<b>-17.1</b>	<b>13,220</b>	<b>14,880</b>	<b>12.6</b>
(Profit)/loss from JV's/Ass/MI	30	30	20	-33.3	-33.3	200	210	5.0
<b>APAT after MI</b>	<b>3,020</b>	<b>3,830</b>	<b>3,180</b>	<b>5.3</b>	<b>-17.0</b>	<b>13,020</b>	<b>14,670</b>	<b>12.7</b>
Extraordinary Items	0	0	0	NA	NA	0	140	NA
<b>Reported PAT</b>	<b>3,020</b>	<b>3,830</b>	<b>3,180</b>	<b>5.3</b>	<b>-17.0</b>	<b>13,020</b>	<b>14,810</b>	<b>13.7</b>
<b>EPS</b>	<b>2.3</b>	<b>3.0</b>	<b>2.5</b>	<b>5.3</b>	<b>-17.0</b>	<b>10.1</b>	<b>11.4</b>	<b>12.7</b>
<b>Margins (%)</b>	<b>4QFY23</b>	<b>3QFY24</b>	<b>4QFY24</b>	<b>YoY (bp)</b>	<b>QoQ (bp)</b>	<b>FY23</b>	<b>FY24</b>	<b>(bp)</b>
Gross margin	47.4	51.3	51.6	420	30	45.2	50.8	560
EBITDA	17.5	21.2	19.4	190	-180	18.5	21.0	250
EBIT	15.6	19.4	17.6	200	-180	17.0	19.4	240
EBT	17.9	20.4	17.5	-40	-290	17.9	19.9	210
PAT	13.6	15.9	14.0	40	-190	13.5	15.4	190
Effective Tax Rate	23.9	22.0	19.8	-410	-220	24.2	22.6	-150

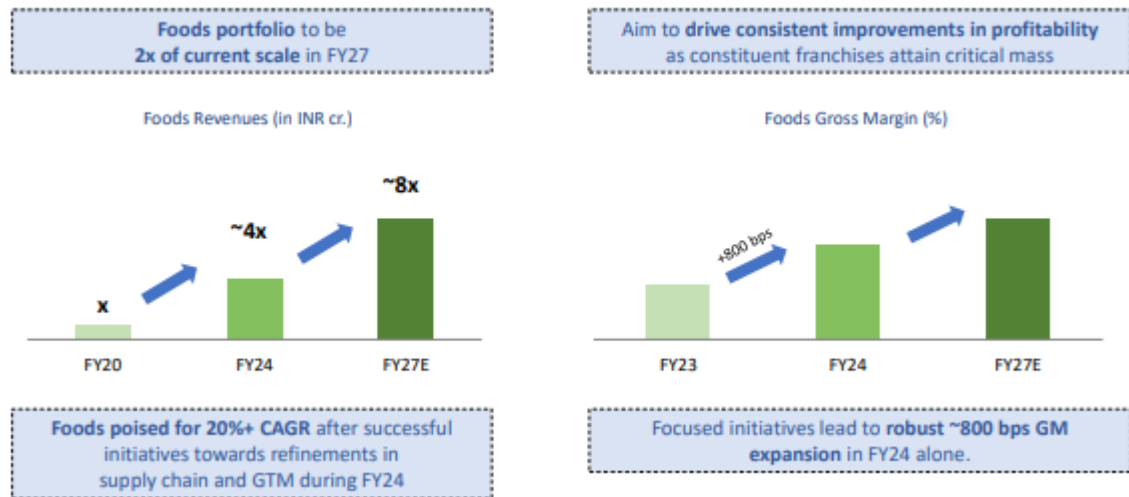
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Volume growth stood at 3% in 4QFY24



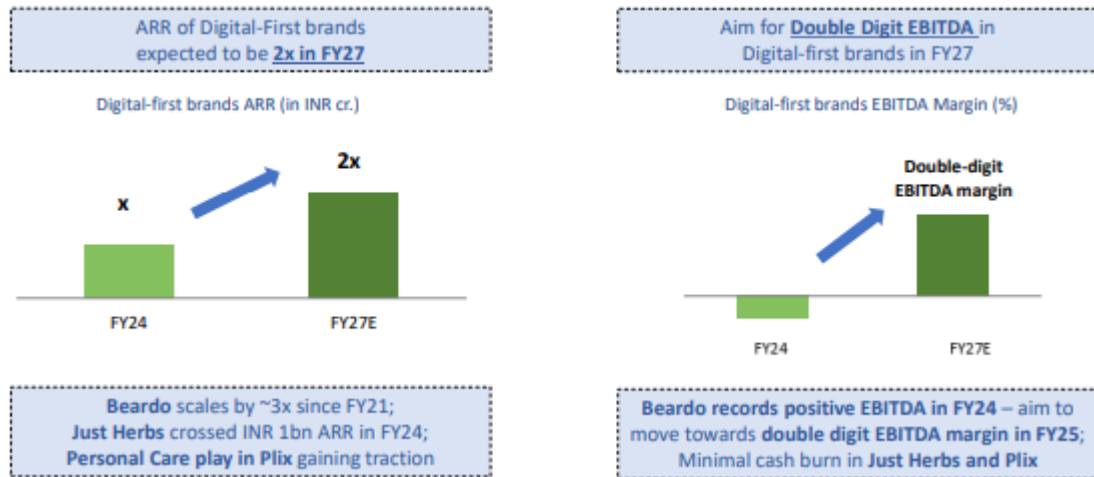
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Scale-up of foods portfolio in a profitable manner remains a priority



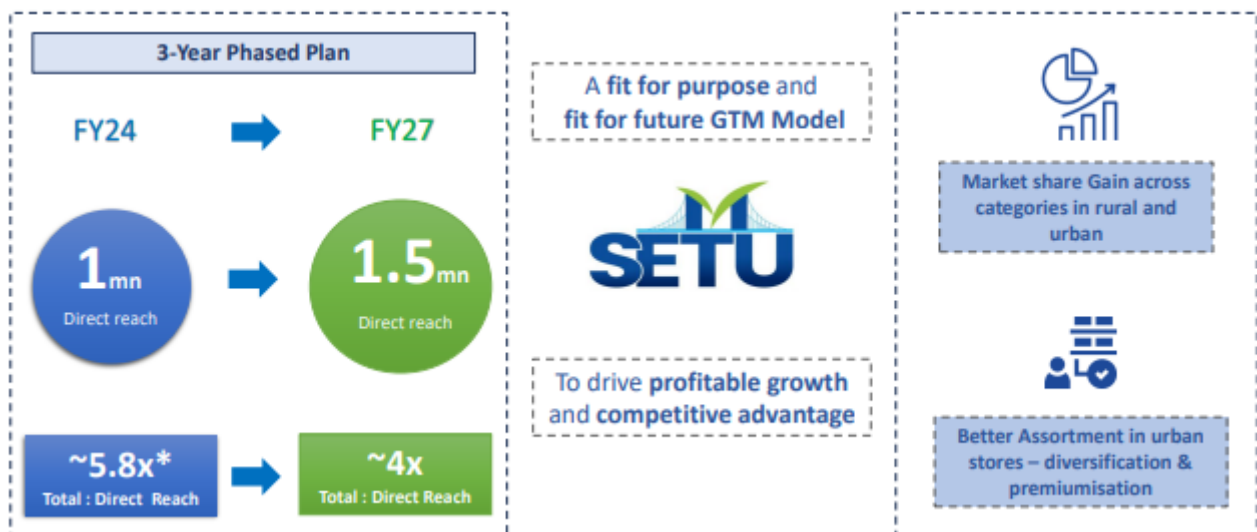
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Digital first brands are likely to be scaled up with minimal cash burn



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Project Setu announced to improve growth in general trade channel



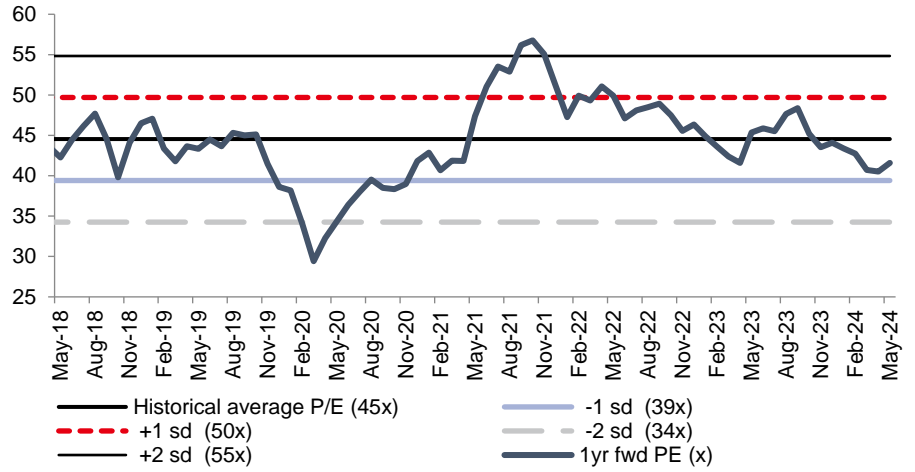
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 6: Our revised earnings estimates**

Y/E, Mar (Rs. M)	FY25F			FY26F		
	Earlier	Revised	% Change	Earlier	Revised	% Change
Net Sales	112,921	112,921	0.0	124,076	124,076	0.0
EBITDA	22,596	23,665	4.7	25,175	26,343	4.6
EBITDA Margin (%)	20.0	21.0	100 bp	20.3	21.2	90 bp
Net Income (before exceptional items)	15,483	15,938	3.0	17,270	18,276	5.8
EPS	12.0	12.4	3.0	13.4	14.2	5.8

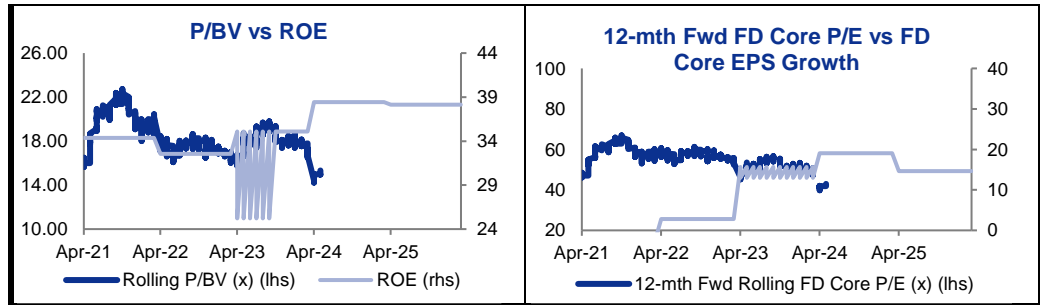
SOURCES: INCRED RESEARCH, COMPANY REPORTS

**Figure 7: Marico's one-year forward P/E trades between its five-year average and -1SD**



SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
<b>Total Net Revenues</b>	95,120	97,640	96,530	112,921	124,076
<b>Gross Profit</b>	40,760	44,130	49,050	55,899	62,218
<b>Operating EBITDA</b>	16,810	18,100	20,260	23,665	26,343
Depreciation And Amortisation	(1,390)	(1,550)	(1,580)	(1,715)	(1,891)
<b>Operating EBIT</b>	15,420	16,550	18,680	21,950	24,452
Financial Income/(Expense)	(390)	(560)	(730)	(307)	59
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)					
<b>Profit Before Tax (pre-EI)</b>	15,030	15,990	17,950	21,642	24,510
Exceptional Items					
<b>Pre-tax Profit</b>	15,030	15,990	17,950	21,642	24,510
Taxation	(3,460)	(4,210)	(4,350)	(5,404)	(5,934)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	11,570	11,780	13,600	16,238	18,576
Minority Interests	(300)	(200)	(210)	(300)	(300)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	11,270	11,580	13,390	15,938	18,276
Recurring Net Profit	11,270	11,580	13,390	15,938	18,276
<b>Fully Diluted Recurring Net Profit</b>	11,270	11,580	13,390	15,938	18,276

Cash Flow

(Rs mn)	Mar-22A	Mar-23A	Mar-24A	Mar-25F	Mar-26F
<b>EBITDA</b>	16,810	18,100	20,260	23,665	26,343
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(3,460)	1,420	(1,520)	1,541	(5,716)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	980	1,440	1,420	293	659
Net Interest (Paid)/Received	(390)	(560)	(730)	(600)	(600)
Tax Paid	(3,460)	(4,210)	(4,350)	(5,404)	(5,934)
<b>Cashflow From Operations</b>	10,480	16,190	15,080	19,494	14,751
Capex	(1,020)	(6,780)	(5,800)	2,331	(1,950)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	260	(2,680)	2,700	(3,620)	(3,000)
<b>Cash Flow From Investing</b>	(760)	(9,460)	(3,100)	(1,289)	(4,950)
Debt Raised/(repaid)					
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(12,170)	(5,820)	(12,290)	(10,399)	(11,882)
Preferred Dividends					
Other Financing Cashflow					
<b>Cash Flow From Financing</b>	(12,170)	(5,820)	(12,290)	(10,399)	(11,882)
Total Cash Generated	(2,450)	910	(310)	7,806	(2,081)
<b>Free Cashflow To Equity</b>	9,720	6,730	11,980	18,205	9,801
<b>Free Cashflow To Firm</b>	10,110	7,290	12,710	18,805	10,401

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**BY THE NUMBERS...cont'd**

<b>Balance Sheet</b>					
<b>(Rs mn)</b>	<b>Mar-22A</b>	<b>Mar-23A</b>	<b>Mar-24A</b>	<b>Mar-25F</b>	<b>Mar-26F</b>
Total Cash And Equivalents	12,200	13,340	12,020	24,095	25,238
Total Debtors	6,520	10,150	10,690	9,691	13,161
Inventories	14,120	12,250	13,360	19,298	22,463
Total Other Current Assets	3,290	3,950	6,350	4,711	5,170
<b>Total Current Assets</b>	<b>36,130</b>	<b>39,690</b>	<b>42,420</b>	<b>57,794</b>	<b>66,032</b>
Fixed Assets	12,930	15,620	16,070	15,816	15,875
Total Investments	1,870	5,180	5,670	6,460	6,460
Intangible Assets	3,060	5,600	9,370	5,578	5,578
Total Other Non-Current Assets	730	(320)	(2,110)	(1,260)	(1,260)
<b>Total Non-current Assets</b>	<b>18,590</b>	<b>26,080</b>	<b>29,000</b>	<b>26,594</b>	<b>26,653</b>
Short-term Debt	3,450	4,730	3,830	5,370	5,370
Current Portion of Long-Term Debt					
Total Creditors	13,440	14,520	15,810	22,309	23,674
Other Current Liabilities					
<b>Total Current Liabilities</b>	<b>16,890</b>	<b>19,250</b>	<b>19,640</b>	<b>27,679</b>	<b>29,044</b>
Total Long-term Debt		20		20	20
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
<b>Total Non-current Liabilities</b>		<b>20</b>		<b>20</b>	<b>20</b>
Total Provisions	220	480	80	142	155
<b>Total Liabilities</b>	<b>17,110</b>	<b>19,750</b>	<b>19,720</b>	<b>27,840</b>	<b>29,219</b>
Shareholders Equity	33,170	37,990	38,320	44,588	51,207
Minority Interests	570	1,570	3,370	3,370	3,370
<b>Total Equity</b>	<b>33,740</b>	<b>39,560</b>	<b>41,690</b>	<b>47,958</b>	<b>54,577</b>

<b>Key Ratios</b>					
	<b>Mar-22A</b>	<b>Mar-23A</b>	<b>Mar-24A</b>	<b>Mar-25F</b>	<b>Mar-26F</b>
Revenue Growth	18.2%	2.6%	(1.1%)	17.0%	9.9%
Operating EBITDA Growth	5.6%	7.7%	11.9%	16.8%	11.3%
Operating EBITDA Margin	17.7%	18.5%	21.0%	21.0%	21.2%
Net Cash Per Share (Rs)	6.78	6.66	6.35	14.50	15.39
BVPS (Rs)	25.71	29.45	29.71	34.56	39.70
Gross Interest Cover	39.54	29.55	25.59	36.58	40.75
Effective Tax Rate	23.0%	26.3%	24.2%	25.0%	24.2%
Net Dividend Payout Ratio	79.7%	78.6%		65.2%	65.0%
Accounts Receivables Days	19.95	31.16	39.40	32.94	33.61
Inventory Days	85.21	89.94	98.44	104.52	123.20
Accounts Payables Days	83.19	95.36	116.58	122.00	135.66
ROIC (%)	56.7%	50.6%	49.3%	69.6%	65.5%
ROCE (%)	42.1%	40.6%	41.6%	44.4%	43.2%
Return On Average Assets	22.0%	20.5%	20.9%	21.2%	20.9%

<b>Key Drivers</b>					
	<b>Mar-22A</b>	<b>Mar-23A</b>	<b>Mar-24A</b>	<b>Mar-25F</b>	<b>Mar-26F</b>
Domestic revenue growth	18.4%	(0.3%)	(6.4%)	19.9%	9.7%
EBIDTA margin	17.7%	18.5%	21.0%	21.0%	21.2%

SOURCE: INCRED RESEARCH, COMPANY REPORTS



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