

India

**ADD** (no change)

Consensus ratings*: Buy 31 Hold 7 Sell 3	
Current price:	Rs671
Target price: ▲	Rs750
Previous target:	Rs715
Up/downside:	11.8%
InCred Research / Consensus:	4.4%
Reuters:	MRCO.NS
Bloomberg:	MRCO IN
Market cap:	US\$10,029m Rs868,659m
Average daily turnover:	US\$18.2m Rs1575.6m
Current shares o/s:	1,291.2m
Free float:	40.6%
*Source: Bloomberg	

**Key changes in this note**

- Raise our target price to Rs750 from Rs715.
- Lower FY25F EPS by 1.7%.



<b>Price performance</b>	1M	3M	12M
Absolute (%)	4.9	4.8	27.1
Relative (%)	6.2	7.8	17.5

<b>Major shareholders</b>	% held
Promoter	59.4
LIC	4.5
First Sentier	3.4

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# Marico Ltd

## Healthy delivery despite a weak environment

- Domestic sales/volume grew 13.4%/6% yoy in 3Q. Rural markets continued to outperform urban markets. International business grew in double digits.
- Copra prices are expected to remain firm in the near term and start cooling off from 1QFY26F (with gains visible after a lag). Margin to stay rangebound.
- Initiatives to address inter-channel conflicts and scaling growth businesses are in the right direction. Retain ADD with a higher target price of Rs750.

### Healthy delivery on the volume front despite sharp price hikes

Marico's domestic sales grew by 13.4% yoy in 3QFY25, with a 6% growth in volume led by a sequential improvement in rural markets and alternate channels within urban markets. Parachute rigids registered 3%/15% volume/sales growth, respectively, led by price hikes. VAHO declined by 2% (impacted overall volume by 100bp due to grammage reduction) on account of continued sluggishness and irrational competition in the category. Saffola edible oils posted a 24% value growth with low single-digit volume growth. The food portfolio continued its strong momentum, up 31% yoy, led by continued growth in Saffola Oats, Plix and True Elements. Premium personal care clocked an ARR of Rs6bn. Beardo is on course to deliver double-digit EBITDA margin in FY25F. Plix is expected to achieve EBITDA breakeven this year. Marico's growth businesses now account for c.20% of sales.

### Measures to alleviate inter-channel conflicts are in the right direction

Marico was ahead of peers to initiate corrective steps within its general trade (GT) channel and has supported its distributors by way of offering credit (c.21 days, as per our channel check) as well as changing the pack architecture across channels. Considering that the packaged F&B categories have been performing better vs. other categories like BPC/HPC, Marico's initiatives to broaden its play in the foods segment (now at an ARR of Rs10bn) should be a key differentiator over the long run. Extensions under Saffola Oats have been performing well. Marico is prototyping GT-specific packs (smaller in sizes) under True Elements & Plix to broaden its premium play within the foods segment as well as ensuring that online discounts/offers don't cannibalize GT sales. Differentiated offerings under Plix have been performing well. Overall cash burn in these acquired brands has been brought down and is now being scaled profitably. Honey and Soya range should see better growth led by initiatives under the SETU project. While Saffola Oats is the largest contributor in the foods segment, management aims to bring it to a 50:50 mix with the growth brands over five years, which should support profitability (better margin vs. base foods/edible oils).

### Retain our constructive stance; retain ADD rating with a TP of Rs750

Marico's initiatives to address inter-channel dynamics, and the diversification agenda towards foods and D2C brands are in the right direction. We maintain our constructive stance on Marico and cut FY25F EPS by 1.7% on account of near-term headwinds, retaining our ADD rating with a higher target price of Rs750 (50x Dec 2026F), from Rs715 earlier, as we roll forward. Downside risk: Sustained weak demand in urban markets.

Financial Summary	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	97,640	96,530	106,313	116,932	128,775
Operating EBITDA (Rsm)	18,100	20,260	21,723	24,624	27,833
Net Profit (Rsm)	11,580	13,390	15,432	17,454	19,885
Core EPS (Rs)	9.0	10.4	12.0	13.5	15.4
Core EPS Growth	2.8%	15.6%	15.3%	13.1%	13.9%
FD Core P/E (x)	74.71	64.61	56.06	49.57	43.51
DPS (Rs)	6.0	5.5	5.9	6.8	7.8
Dividend Yield	1.05%	0.96%	1.03%	1.18%	1.36%
EV/EBITDA (x)	47.41	42.46	39.61	34.78	30.62
P/FCFE (x)	128.55	72.22	1,202.45	71.04	62.24
Net Gearing	(21.7%)	(19.6%)	(15.2%)	(20.1%)	(23.9%)
P/BV (x)	22.77	22.58	17.27	15.22	13.42
ROE	32.5%	35.1%	34.9%	32.6%	32.8%
% Change In Core EPS Estimates			(1.69%)	0.20%	2.44%
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

## Healthy delivery despite a weak environment

Figure 1: Quarterly results summary - consolidated

Y/E Mar (Rs. m)	3QFY24	2QFY25	3QFY25	YoY (%)	QoQ (%)	9MFY24	9MFY25	Gr (%)
<b>Revenue</b>	<b>24,220</b>	<b>26,640</b>	<b>27,940</b>	15.4	4.9	<b>73,750</b>	<b>81,010</b>	9.8
<b>Expenditure</b>	<b>19,090</b>	<b>21,420</b>	<b>22,610</b>	18.4	5.6	<b>57,910</b>	<b>64,200</b>	10.9
Consumption of Raw Materials	11,800	13,110	14,110	19.6	7.6	36,450	39,840	9.3
as % of sales	48.7	49.2	50.5			49.4	49.2	
Employee Costs	1,890	2,130	2,070	9.5	-2.8	5,570	6,230	11.8
as % of sales	7.8	8.0	7.4			7.6	7.7	
Other Expenditure	5,400	6,180	6,430	19.1	4.0	15,890	18,130	14.1
as % of sales	22.3	23.2	23.0			21.5	22.4	
<b>EBITDA</b>	<b>5,130</b>	<b>5,220</b>	<b>5,330</b>	<b>3.9</b>	<b>2.1</b>	<b>15,840</b>	<b>16,810</b>	<b>6.1</b>
Depreciation	420	410	440	4.8	7.3	1,170	1,260	7.7
<b>EBIT</b>	<b>4,710</b>	<b>4,810</b>	<b>4,890</b>	<b>3.8</b>	<b>1.7</b>	<b>14,670</b>	<b>15,550</b>	<b>6.0</b>
Other Income	430	820	420	-2.3	-48.8	1,270	1,610	26.8
Interest	190	110	130	-31.6	18.2	560	410	-26.8
<b>PBT</b>	<b>4,950</b>	<b>5,520</b>	<b>5,180</b>	<b>4.6</b>	<b>-6.2</b>	<b>15,380</b>	<b>16,750</b>	<b>8.9</b>
Total Tax	1,090	1,190	1,120	2.8	-5.9	3,560	3,620	1.7
<b>PAT</b>	<b>3,860</b>	<b>4,330</b>	<b>4,060</b>	<b>5.2</b>	<b>-6.2</b>	<b>11,820</b>	<b>13,130</b>	<b>11.1</b>
(Profit)/Loss from JVs/Ass./MI	30	100	70	133.3	-30.0	190	270	42.1
<b>APAT after Minority Interest</b>	<b>3,830</b>	<b>4,230</b>	<b>3,990</b>	<b>4.2</b>	<b>-5.7</b>	<b>11,630</b>	<b>12,860</b>	<b>10.6</b>
Extraordinary Items	0	0	0	NA	NA	0	0	NA
<b>Reported PAT</b>	<b>3,830</b>	<b>4,230</b>	<b>3,990</b>	<b>4.2</b>	<b>-5.7</b>	<b>11,630</b>	<b>12,860</b>	<b>10.6</b>
<b>EPS</b>	<b>3.0</b>	<b>3.3</b>	<b>3.1</b>	<b>4.2</b>	<b>-5.7</b>	<b>9.0</b>	<b>10.0</b>	<b>10.6</b>

Margins (%)	3QFY24	2QFY25	3QFY25	YoY (bp)	QoQ (bp)	9MFY24	9MFY25	(bp)
Gross Margin	51.3	50.8	49.5	-180	-130	50.6	50.8	20
EBITDA	21.2	19.6	19.1	-210	-50	21.5	20.8	-70
EBIT	19.4	18.1	17.5	-190	-60	19.9	19.2	-70
EBT	20.4	20.7	18.5	-190	-220	20.9	20.7	-20
PAT	15.9	16.3	14.5	-140	-170	16.0	16.2	20
Effective Tax Rate	22.0	21.6	21.6	-40	10	23.1	21.6	-150

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Benefits from project SETU should be visible in a few quarters

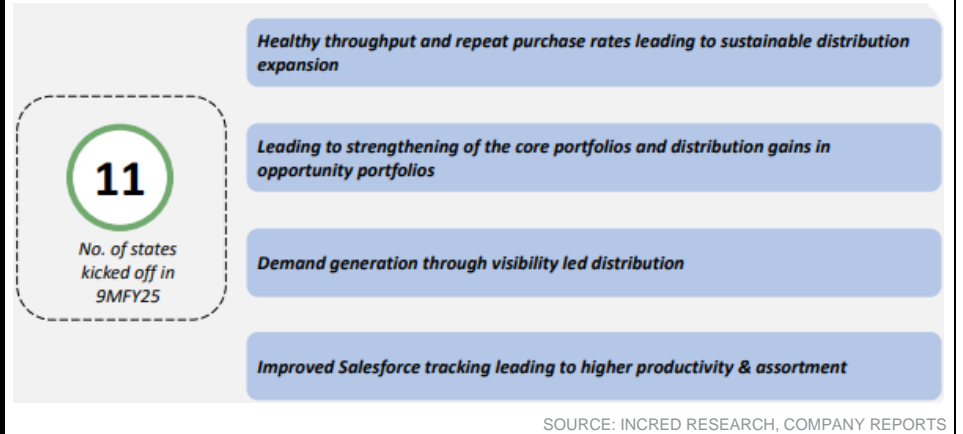


Figure 3: Project SETU to drive growth in GT channel

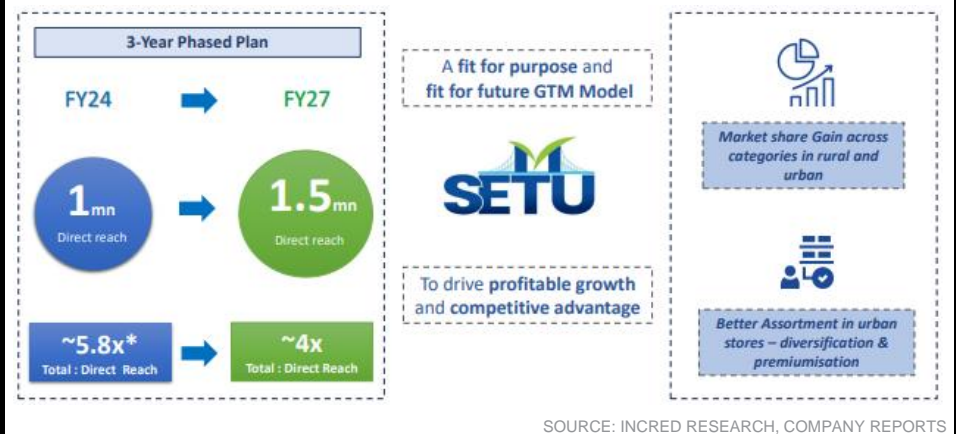


Figure 4: Profitable scale-up of the foods portfolio continues

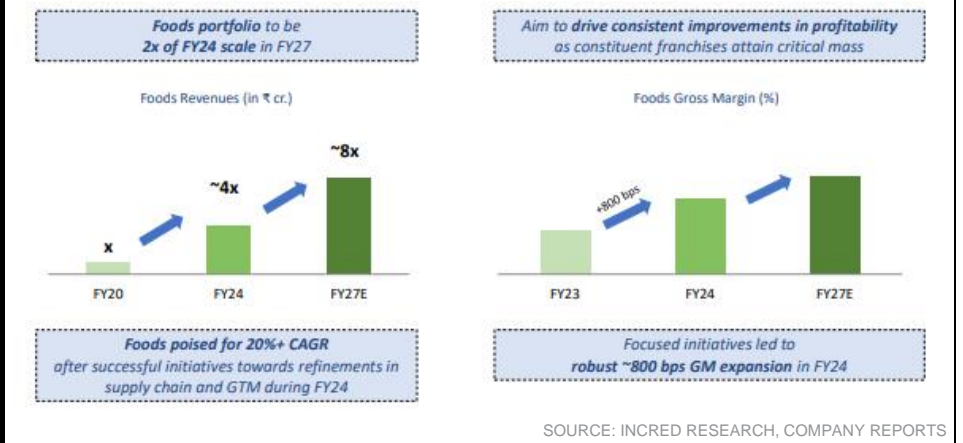


Figure 5: Digital business to leverage enhanced capabilities

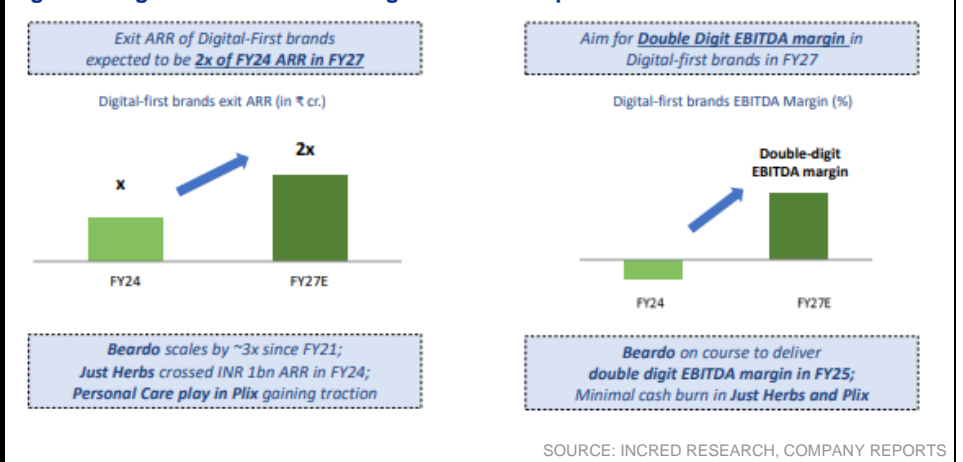


Figure 6: Maintains double-digit growth aspirations in the near- & medium-term

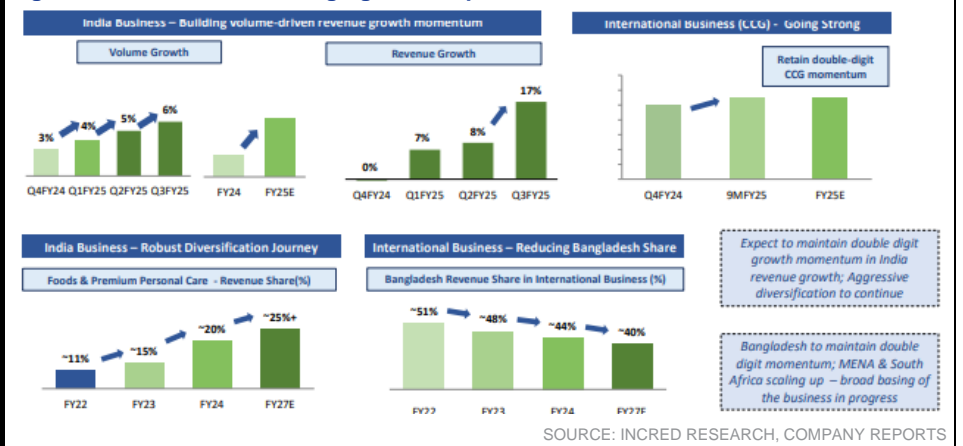


Figure 7: Copra prices expected to remain firm until 1QFY26F

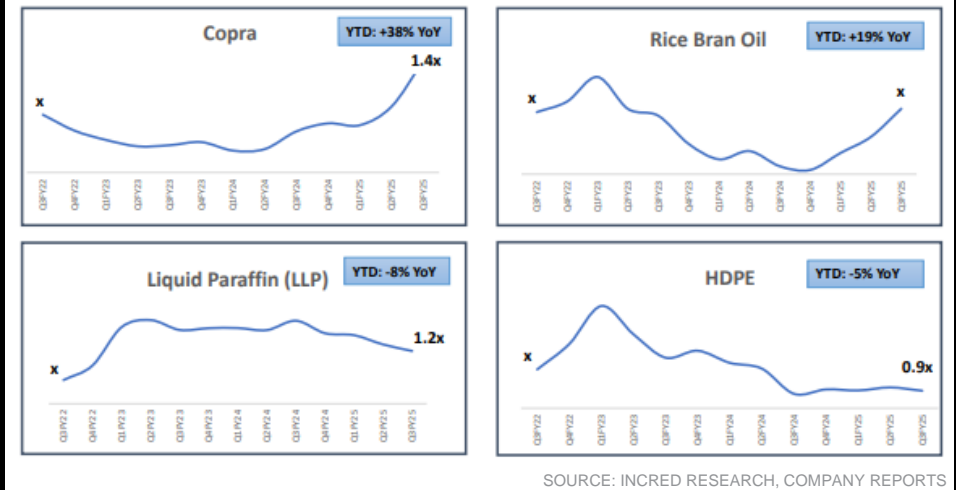


Figure 8: Maintains leadership position across key brands

Franchise	~MS%	Rank
Coconut Oil Franchise	63%	1 <sup>st</sup>
Parachute Rigids within Coconut Oil	55%	1 <sup>st</sup>
Saffola Oats	41%	1 <sup>st</sup>
Value Added Hair Oils	28%	1 <sup>st</sup>
Post wash Leave-on Serums	47%	1 <sup>st</sup>
Hair Gels/Waxes/Creams	52%	1 <sup>st</sup>

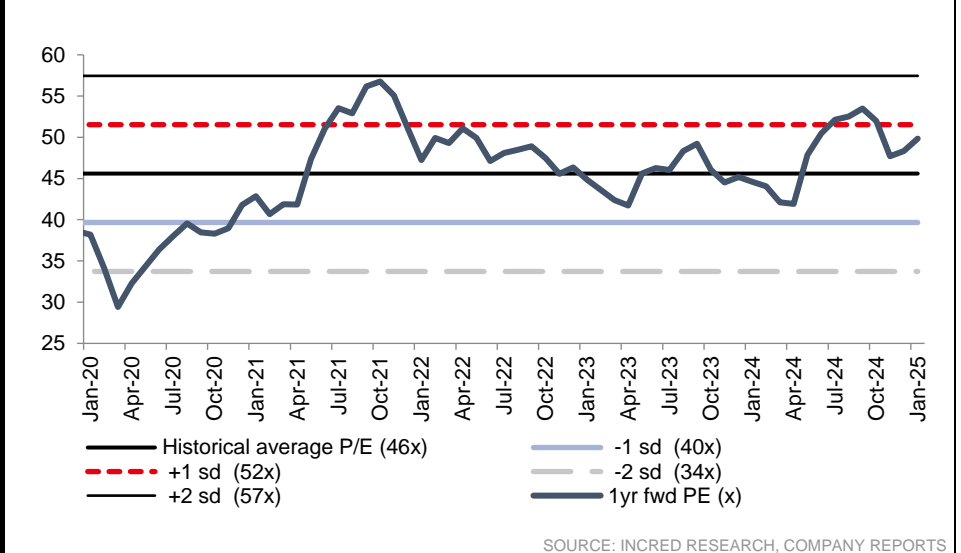
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 9: Our revised earnings estimates

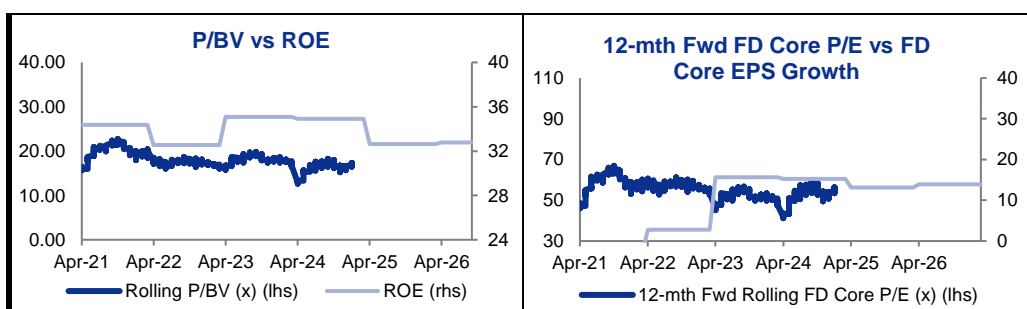
Y/E Mar (Rs. m)	FY25F			FY26F			FY27F		
	Earlier	Revised	% Change	Earlier	Revised	% Change	Earlier	Revised	% Change
Net Sales	1,05,287	1,06,313	1.0	1,15,822	1,16,932	1.0	1,27,574	1,28,775	0.9
EBITDA	22,447	21,723	-3.2	25,010	24,624	-1.5	27,780	27,833	0.2
EBITDA margin (%)	21.3	20.4	-90bp	21.6	21.1	-50bp	21.8	21.6	-20bp
Net income (before exceptional items)	15,698	15,432	-1.7	17,419	17,454	0.2	19,412	19,885	2.4
EPS	12.2	12.0	-1.7	13.5	13.5	0.2	15.1	15.4	2.4

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 10: Marico's one-year forward P/E trades close to its +1SD level



**BY THE NUMBERS**



**Profit & Loss**

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
<b>Total Net Revenues</b>	97,640	96,530	106,313	116,932	128,775
<b>Gross Profit</b>	44,130	49,050	52,916	58,942	65,722
<b>Operating EBITDA</b>	18,100	20,260	21,723	24,624	27,833
Depreciation And Amortisation	(1,550)	(1,580)	(2,453)	(2,915)	(3,376)
<b>Operating EBIT</b>	16,550	18,680	19,270	21,709	24,457
Financial Income/(Expense)	(560)	(730)	895	1,128	1,490
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)					
<b>Profit Before Tax (pre-EI)</b>	15,990	17,950	20,165	22,837	25,947
Exceptional Items					
<b>Pre-tax Profit</b>	15,990	17,950	20,165	22,837	25,947
Taxation	(4,210)	(4,350)	(4,533)	(5,182)	(5,862)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	11,780	13,600	15,632	17,654	20,085
Minority Interests	(200)	(210)	(200)	(200)	(200)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	11,580	13,390	15,432	17,454	19,885
Recurring Net Profit	11,580	13,390	15,432	17,454	19,885
<b>Fully Diluted Recurring Net Profit</b>	11,580	13,390	15,432	17,454	19,885

**Cash Flow**

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
<b>EBITDA</b>	18,100	20,260	21,723	24,624	27,833
Cash Flow from Invt. & Assoc.					
Change In Working Capital	1,420	(1,520)	(8,826)	(691)	(1,861)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	1,440	1,420	1,595	1,848	2,230
Net Interest (Paid)/Received	(560)	(730)	(700)	(720)	(740)
Tax Paid	(4,210)	(4,350)	(4,533)	(5,182)	(5,862)
<b>Cashflow From Operations</b>	16,190	15,080	9,259	19,878	21,601
Capex	(6,780)	(5,800)	(4,919)	(4,700)	(4,700)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(2,680)	2,700	(3,620)	(3,000)	(3,000)
<b>Cash Flow From Investing</b>	(9,460)	(3,100)	(8,539)	(7,700)	(7,700)
Debt Raised/(repaid)					
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(5,820)	(12,290)	(8,887)	(10,201)	(11,764)
Preferred Dividends					
Other Financing Cashflow					
<b>Cash Flow From Financing</b>	(5,820)	(12,290)	(8,887)	(10,201)	(11,764)
Total Cash Generated	910	(310)	(8,167)	1,977	2,137
<b>Free Cashflow To Equity</b>	6,730	11,980	719	12,178	13,901
<b>Free Cashflow To Firm</b>	7,290	12,710	1,419	12,898	14,641

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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

<b>Balance Sheet</b>					
<b>(Rs mn)</b>	<b>Mar-23A</b>	<b>Mar-24A</b>	<b>Mar-25F</b>	<b>Mar-26F</b>	<b>Mar-27F</b>
Total Cash And Equivalents	13,340	12,020	11,983	15,960	20,097
Total Debtors	10,150	10,690	17,856	19,620	24,151
Inventories	12,250	13,360	21,397	21,199	19,501
Total Other Current Assets	3,950	6,350	4,359	4,789	5,270
<b>Total Current Assets</b>	<b>39,690</b>	<b>42,420</b>	<b>55,595</b>	<b>61,568</b>	<b>69,019</b>
Fixed Assets	15,620	16,070	22,328	24,113	25,437
Total Investments	5,180	5,670	6,460	6,460	6,460
Intangible Assets	5,600	9,370	5,578	5,578	5,578
Total Other Non-Current Assets	(320)	(2,110)	(1,260)	(1,260)	(1,260)
<b>Total Non-current Assets</b>	<b>26,080</b>	<b>29,000</b>	<b>33,106</b>	<b>34,891</b>	<b>36,215</b>
Short-term Debt	4,730	3,830	3,830	3,830	3,830
Current Portion of Long-Term Debt					
Total Creditors	14,520	15,810	21,864	23,157	24,597
Other Current Liabilities					
<b>Total Current Liabilities</b>	<b>19,250</b>	<b>19,640</b>	<b>25,694</b>	<b>26,987</b>	<b>28,427</b>
Total Long-term Debt	20		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>	<b>20</b>
Total Provisions	480	80	132	144	157
<b>Total Liabilities</b>	<b>19,750</b>	<b>19,720</b>	<b>25,846</b>	<b>27,150</b>	<b>28,603</b>
Shareholders Equity	37,990	38,320	50,096	56,849	64,471
Minority Interests	1,570	3,370	3,370	3,370	3,370
<b>Total Equity</b>	<b>39,560</b>	<b>41,690</b>	<b>53,466</b>	<b>60,219</b>	<b>67,841</b>

<b>Key Ratios</b>					
	<b>Mar-23A</b>	<b>Mar-24A</b>	<b>Mar-25F</b>	<b>Mar-26F</b>	<b>Mar-27F</b>
Revenue Growth	2.6%	(1.1%)	10.1%	10.0%	10.1%
Operating EBITDA Growth	7.7%	11.9%	7.2%	13.4%	13.0%
Operating EBITDA Margin	18.5%	21.0%	20.4%	21.1%	21.6%
Net Cash Per Share (Rs)	6.66	6.35	6.30	9.39	12.59
BVPS (Rs)	29.45	29.71	38.83	44.07	49.98
Gross Interest Cover	29.55	25.59	27.53	30.15	33.05
Effective Tax Rate	26.3%	24.2%	22.5%	22.7%	22.6%
Net Dividend Payout Ratio	78.6%	62.2%	57.6%	58.4%	59.2%
Accounts Receivables Days	31.16	39.40	49.00	58.49	62.03
Inventory Days	89.94	98.44	118.79	134.05	117.80
Accounts Payables Days	95.36	116.58	128.76	141.68	138.22
ROIC (%)	50.6%	49.3%	39.8%	42.7%	45.2%
ROCE (%)	40.6%	41.6%	37.5%	35.8%	36.0%
Return On Average Assets	20.5%	20.9%	18.4%	17.9%	18.4%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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**Recommendation Framework****Stock Ratings**

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

*The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.*

**Sector Ratings**

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

**Country Ratings**

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.