RESEARCH

SUN PHARMA | TARGET: Rs 2,086 | +20% | BUY

Strong performance to continue

FY26 BUDGET REVIEW

FY26 Double Digit Earnings Likely Protected

BOB ECONOMICS RESEARCH | ECONOMIC SURVEY 2024-25

Core sector data highlights

BOB ECONOMICS RESEARCH | UNION BUDGET ANALYSIS 2025-26

Budget impact

NESTLE INDIA | TARGET: Rs 2,470 | +7% | HOLD

Managing profits amidst inflation

INDUSIND BANK | TARGET: Rs 1,190 | +18% | BUY

Missed on most metrics

BANDHAN BANK | TARGET: Rs 187 | +24% | BUY

Other income aids PPOP; MFI stress persists

MARICO | TARGET: Rs 695 | +3% | HOLD

Managing inflation

SUMMARY

SUN PHARMA

- Domestic sales grew by 14% in Q3FY25 driven partially by volume/new launches and price hikes. Strong domestic sales growth to continue
- Global specialty sales grew to US$ 325mn driven by 50% growth in both US and non-US sales. Ilumya performed well in Japan market too
- R&D cost guidance lowered; expect EBITDA margin closer to 30% to sustain. Upgrade to BUY, ascribing 38x P/E on Dec'26 rollover

Click here **for the full report.**

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FY26 BUDGET REVIEW

- The budget raises confidence in the consensus' domestic cyclical earnings turnaround and Nifty's double digit. earnings growth for FY26
- Purchasing power of consumers is not only boosted by tax breaks but also by a likely lower EMI outgo as RBI cuts rates on lower fiscal deficit. Leveraged consumption/investment is likely by households. Corporates to likely to do capex and lever up if demand sustains in the years ahead
- Lenders, auto, cement, homebuilding, consumer staples/durables/discretionary stocks beneficiaries

Click here **for the full report.**

INDIA ECONOMICS: ECONOMIC SURVEY 2024-25

The Economic Survey has set a prelude to the Budget. One of the core numbers that is judiciously looked at is the forecast for GDP in FY26. This is kept at 6.3-6.8%, which is bit conservation and in tune with NSO estimate of 6.4%. We assume GDP deflator of around 3.5%, which would translate nominal GDP growth to 9.8-10.3% in FY26. This nominal GDP number is crucial from a fiscal standpoint as any deviation might be reflected in the key deficit ratios. The key theme of the Survey has been one of achieving sustainable growth through reducing the cost of business by deregulation, augmenting internal capacities for growth and paving the new way of energy transition.

Click here **for the full report.**

INDIA ECONOMICS: UNION BUDGET ANALYSIS 2025-26

1. In the Union Budget for FY26, the focus of the government was on promoting consumption, manufacturing and employment. 2) Through targeted policies, the emphasis is on improving growth prospects keeping in mind the government's over arching objective of Viksit Bharat. 3) Fiscal prudence has been maintained without compromising on quality of expenditure. 4) Capital expenditure momentum has been maintained. 5) Government borrowing program has been stable, which is positive for markets.

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NESTLE INDIA

- NEST continues to manage profits amidst inflation in cocoa and coffee. Wheat and palm have also turned inflationary
- Pricing has come through earlier vs our expectations and is more than offsetting absolute inflation – result is higher profit per unit sold
- Profitability is critical as cocoa inflation has continued for two years. However, regaining shelf space will take time when inflation turns. Hold

Click here **for the full report.**

INDUSIND BANK

- Subdued quarter with moderate growth in advances and deposits, MFI book under stress
- NIM contracted 15bps QoQ on account of slower growth in VF and de-growth in MFI book
- We assume coverage with BUY and a TP of Rs 1,190 (from Rs 1,844), valuing at 1.3x Dec'26 ABV

Click here for the full report.

BANDHAN BANK

- PPOP aided by one-offs in other income, payouts under CGFMU and Assam Microfinance relief scheme
- Going forward, NIMs to moderate, BANDHAN to focus on calibrating its book towards secured book, aims for 2% RoA
- We assume coverage on BANDHAN with a BUY rating and TP of Rs 187, assigning 1.2x Dec'26 ABV

Click here for the full report.

MARICO

- Compared to consensus, 3QFY25 sales were 2% lower (1% below our estimate) while EBITDA was 1%
- COGS pressure is evident with YoY margins down 180bps in 3QFY25 vs margins +30bps in 2QFY25 and +230bps in 1QY25.
- Growth levers are intact but commodity inflation to remain a headwind in 4QFY25 and FY26. Hold

Click here for the full report.

BUY
TP: Rs 2,086 | ▲ 20%

SUN PHARMA | Pharmaceuticals | 01 February 2025

Strong performance to continue

- **Domestic sales grew by 14% in Q3FY25 driven partially by volume/new launches and price hikes. Strong domestic sales growth to continue**
- **Global specialty sales grew to US$ 325mn driven by 50% growth in both US and non-US sales. Ilumya performed well in Japan market too**
- **R&D cost guidance lowered; expect EBITDA margin closer to 30% to sustain. Upgrade to BUY, ascribing 38x P/E on Dec'26 rollover**

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All-round beat in 3QFY25 performance: SUNP's performance in Q3FY25 was above our estimates where sales/EBITDA/PAT rose by 10%/25%38%. Revenue growth of 10% was led by 13.8% YoY growth in the India business and 23% in the ROW region driven by milestone income which was offset by 1% growth in US sales. A healthy product mix resulted in 80% gross margin and the lower SG&A expense contribution resulted in EBITDA margin of 30.7%. Healthy operations and lower tax rate of 14% resulted in PAT of Rs 34bn.

Global specialty sales at record high: Global specialty sales grew by 18% to US$ 235mn. Growth of 18% was led by equal growth from both the US and non-US regions. Specialty brands like Winlevi, Cequa, and Ilumya continue to perform well. Emerging Markets region like Japan reported good growth due to Ilumya sales. As the US continues to remain the larger market for specialty sales (~90% of global specialty), we expect US specialty sales to grow at a CAGR of 10% from FY25-27E.

Continues to outperform IPM in terms of volume growth: SUNP's India sales grew by 14% in Q3FY25, outperforming the Indian Pharma Market (IPM) primarily in volume growth and new product launches. SUNP had 12 new launches in Q3FY25. The growth is driven by its number 1 position in the Rx count among 13 doctor specialists through its 14,000 medical representatives (MRs). SUNP's aims to outperform the IPM; hence we expect CAGR of 10% from FY25-27.

Lower R&D guidance to boost margins: In Q3, the R&D contribution was lower at 6.2% due to delays in clinical trials and management has guided for a lower R&D expense contribution of below 7% in FY25. Hence, we believe lower R&D, healthy product mix and stable employee expense can increase EBITDA margin to 30% in FY27E.

Valuation outlook: We raise our EPS estimates by 12% for FY25, 8% for FY26 and 6% for FY27 and upgrade our recommendation to BUY (from HOLD) and ascribe a P/E of 38x on Dec'26 roll forward to arrive at a TP of Rs 2,086 (from Rs 2,019).

Key changes

Target	Rating
▲	▲

Ticker/Price	SUNP IN/Rs 1,742
Market cap	US$ 48.2bn
Free float	45%
3M ADV	US$ 41.3mn
52wk high/low	Rs 1,960/Rs 1,377
Promoter/FPI/DII	54%/16%/20%

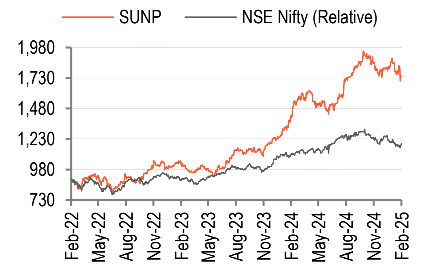
Source: NSE | Price as of 1 Feb 2025

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	484,969	528,532	572,334
EBITDA (Rs mn)	129,884	155,376	168,253
Adj. net profit (Rs mn)	100,359	119,971	128,664
Adj. EPS (Rs)	41.8	50.0	53.6
Consensus EPS (Rs)	41.8	46.8	53.9
Adj. ROAE (%)	15.9	16.6	15.6
Adj. P/E (x)	41.7	34.8	32.5
EV/EBITDA (x)	31.0	25.7	23.3
Adj. EPS growth (%)	17.2	19.6	7.2

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

FY26 BUDGET REVIEW

01 February 2025

FY26 Double Digit Earnings Likely Protected

- **The budget raises confidence in the consensus' domestic cyclical earnings turnaround and Nifty's double digit. earnings growth for FY26**
- **Purchasing power of consumers is not only boosted by tax breaks but also by a likely lower EMI outgo as RBI cuts rates on lower fiscal deficit. Leveraged consumption/investment is likely by households. Corporates to likely to do capex and lever up if demand sustains in the years ahead**
- **Lenders, auto, cement, homebuilding, consumer staples/durables/discretionary stocks beneficiaries**

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Hope rises for FY26 Nifty 50 double digit earnings growth: Bloomberg consensus FY25 earnings have moved from low teen growth at the beginning of the year to next to no growth currently. The market has been apprehensive that something similar was in store for FY26 earnings. We believe the higher-than-expected tax breaks given to the Indian middle class, other budgetary proposals and RBI rate cuts in the coming months will have positive demand/pricing/margin ramifications for multiple sectors.

Households will lever up while government levers down. Corporates could lever up with a lag: We believe the extra money in the hands of consumers through tax breaks and through likely lower EMI outgo in the months ahead (as RBI cuts rates in the wake of benign core CPI and better than expected fiscal deficit) could possibly lead to leveraged consumption/investment by households. It is difficult to precisely pin down where the extra money will finally go. On the consumer staples' front it may not be so much about volume growth (as the middle class likely consumes adequately) but about premiumization. It could also be about higher pricing power/margin. It could also mean leveraged consumption of discretionary items like auto (better vehicles from currently owned ones), ability to buy a house (or a bigger/better one). The ancillary players will therefore benefit- lenders, cement players, home building product companies, consumer durables, etc. Credit growth, which had fallen from high teens to current 10-11% could rebound on higher demand and the recent liquidity measures of the RBI. We are only mentioning sectors where we have coverage. A broader swathe of companies will also likely benefit like real estate players.

Portfolio strategy- Domestic Cyclical rebound on the cards: Believe the last 6-9 months have been marked by investors shifting away from domestic themes as they faced earnings cuts. The shift has been to sectors like IT services and Pharma where the perception was that the earnings are resilient. We believe the budget may be the harbinger of the reversal of that trade as investors gain confidence in FY26 rebound.

ECONOMIC SURVEY 2024-25

31 January 2025

Core sector data highlights

The Economic Survey has set a prelude to the Budget. One of the core numbers that is judiciously looked at is the forecast for GDP in FY26. This is kept at 6.3-6.8%, which is bit conservation and in tune with NSO estimate of 6.4%. We assume GDP deflator of around 3.5%, which would translate nominal GDP growth to 9.8-10.3% in FY26. This nominal GDP number is crucial from a fiscal standpoint as any deviation might be reflected in the key deficit ratios. The key theme of the Survey has been one of achieving sustainable growth through reducing the cost of business by deregulation, augmenting internal capacities for growth and paving the new way of energy transition.

Economics Research Department
Chief Economist

GDP growth: Economic Survey has pegged India's GDP growth for FY26 between 6.3-6.8%. Incidentally, both the NSO and RBI expect a GDP growth of 6.4% in FY25. The Survey notes that the risks to the outlook are balanced even as external factors such as geo-political issues, trade conflicts and commodity price shocks can act as headwinds for the growth prospect. Growth will be supported by a pickup in rural consumption due to improved agricultural prospects and a recovery in manufacturing sector. Government capex will also continue to be an important driver of growth. Over the medium-term, the Survey notes that India requires a consistent growth of 8% on an average in the next decade or two, in order to achieve the Government's aim of Viksit Bharat. For this, the Survey suggests enhanced economic freedom which will involve systemic deregulation. Some of the areas which are identified include: allowing women to work in factory processes, rationalising norms for construction of commercial buildings across states, lowering tariffs on industrial use of electricity amongst others. The Survey essentially advocates for reducing regulatory control which stifles innovation and dynamism, as well as reducing the compliance burden. This will help in improving the ease of doing business and can help in unlocking India's true growth potential.

Inflation: The Survey acknowledged that CY24 has been a period of low inflation on global front, supported by synchronised monetary policy tightening and favourable global commodity prices. However, India stood as an outlier by certain volatile food items (contribution in inflation at 32.3% in FYTD25). The price spike visible in these items mainly emanated from a supply induced shock led by adverse weather conditions which effected not only production but also logistics. The Survey further pointed out that appropriate policy interventions of government and RBI has helped in keeping prices in check of late. Supply correction measures of the government such as stock limits on wheat, tur, open market sales of cereals, duty free import of certain pulses, building buffer stocks and subsidised sales in case of Onion, have enabled to address cap significant upsurge in the volatile items of CPI.

UNION BUDGET ANALYSIS 2025-26

01 February 2025

Budget impact

1. In the Union Budget for FY26, the focus of the government was on promoting consumption, manufacturing and employment. 2) Through targeted policies, the emphasis is on improving growth prospects keeping in mind the government's over arching objective of Viksit Bharat. 3) Fiscal prudence has been maintained without compromising on quality of expenditure. 4) Capital expenditure momentum has been maintained. 5) Government borrowing program has been stable, which is positive for markets.

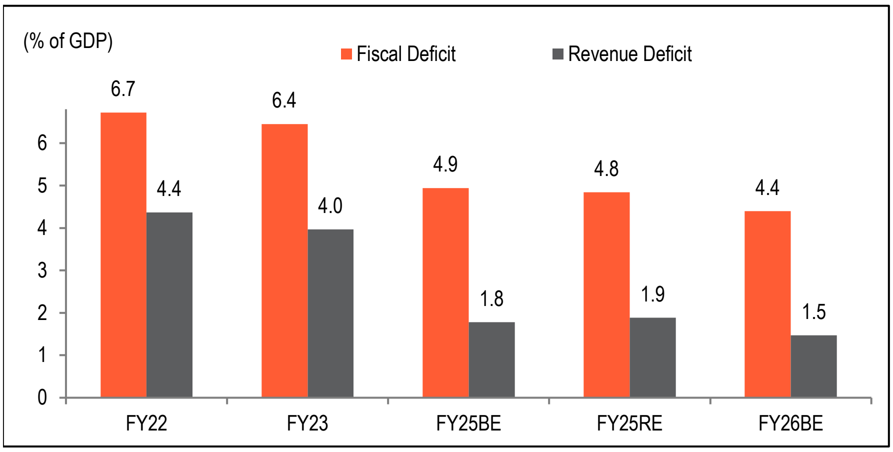
Economics Research Department
Chief Economist

Budget assumptions

In order to arrive at budget ratios, government makes some critical assumptions.

- Government expects nominal GDP to rise by 10.1% in FY26, recovering from 9.7% growth in FY25.
- Overall tax revenue-GDP is estimated to remain steady at 12% in FY26BE versus 11.9% in FY25RE.
- Direct tax-GDP ratio is expected to increase to 7.1% from 6.9%.
- Indirect tax-GDP ratio will remain stable at 4.9% in FY26BE, unchanged from FY25RE.
- Overall size of the budget, as % of GDP, has been brought down to 14.2% in FY26BE from 14.6% in FY25RE.

Trends in deficit ratios



Source: Union Budget documents, Bank of Baroda Research │ RE: Revised Estimates, BE: Budget Estimates

HOLD

TP: Rs 2,470 | ▲ 7%

NESTLE INDIA | Consumer Staples | 01 February 2025

Managing profits amidst inflation

- **NEST continues to manage profits amidst inflation in cocoa and coffee. Wheat and palm have also turned inflationary**
- **Pricing has come through earlier vs our expectations and is more than offsetting absolute inflation – result is higher profit per unit sold**
- **Profitability is critical as cocoa inflation has continued for two years. However, regaining shelf space will take time when inflation turns. Hold**

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In-line results: Compared to consensus, Q3FY25 sales were 1% lower (4% below our estimate) while EBITDA was 1% lower (11% higher vs our estimate). The gross margin deterioration of 230bps in 3QFY25 was less than our estimate of 400bps. However, sales were also lower so overall gross profit was in line.

Sales result: We estimate Milk and Nutrition segment as 4% drag to the 3QFY25 sales growth. Prepared Dishes and Cooking Aids were up in HSD as Maggi volumes increased. Beverages sales increased in HDD. We estimate negative volumes as coffee inflation impact on pricing was likely ~20%-25%. Confectionery was up in HSD with KitKat growing in double digits. We estimate cocoa inflation impact on Kit Kat pricing at 20+%, again implying negative volumes.

Inflation and profitability: We estimate NEST's COGS basket inflation in 3QFY25 at 16%. With gross margin down only 220bps, we estimate pricing of 11%, which is ahead of the 7% required pricing run rate to offset absolute cost increase. Margins per unit were up for NEST on our estimates. We expect the company is continuing to improve profitability despite inflation.

Our view and valuation: The lower-than-expected deterioration in gross margins and lesser-than-expected volume elasticity at a group level has resulted in earnings upgrades. NEST is passing thorough inflation to retain profits per unit. We value NEST in line with its 5-year historical average P/E on 12M to Dec'26 EPS. Our TP changes to Rs 2,470 from Rs 2,299. Share price return of 5% – HOLD.

Fig 1 – Nestle India's Q3FY25 result summary

(Rs mn)	Actual			Reported vs (%)	
	Q324	Q325	YoY (%)	BoBCaps	Cons.
Sales	46,004	47,797	3.9	(2.9)	(0.8)
Gross Profit	26,959	26,951	0.0	0.3	0.0
EBITDA	10,951	10,849	(0.9)	11.3	(0.7)
EBITDA margin (%)	23.8	22.7	(111bps)	289bps	2bps

Source: Company, Bloomberg, BOBCAPS Research

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	NEST IN/Rs 2,313
Market cap	US$ 25.7bn
Free float	37%
3M ADV	US$ 21.9mn
52wk high/low	Rs 2,778/Rs 2,131
Promoter/FPI/DII	63%/12%/25%

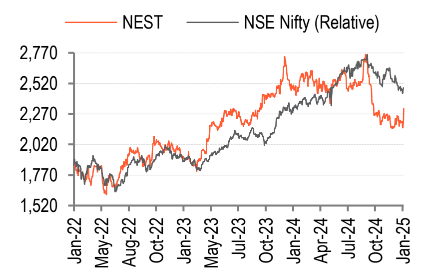
Source: NSE | Price as of 31 Jan 2025

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	243,939	203,981	221,382
EBITDA (Rs mn)	58,198	47,634	51,724
Adj. net profit (Rs mn)	39,285	30,984	33,219
Adj. EPS (Rs)	40.7	32.1	34.5
Consensus EPS (Rs)	0.0	33.2	37.3
Adj. ROAE (%)	95.5	81.6	65.2
Adj. P/E (x)	56.8	72.0	67.1
EV/EBITDA (x)	38.2	47.0	43.1
Adj. EPS growth (%)	25.8	(2.9)	7.2

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

RESULT REVIEW

BOBCAPS
TRUST | INNOVATION | EXCELLENCE

BUY
TP: Rs 1,190 | ⮝ 18%

INDUSIND BANK | Banking | 01 February 2025

Missed on most metrics

- **Subdued quarter with moderate growth in advances and deposits, MFI book under stress**
- **NIM contracted 15bps QoQ on account of slower growth in VF and de-growth in MFI book**
- **We assume coverage with BUY and a TP of Rs 1,190 (from Rs 1,844), valuing at 1.3x Dec'26 ABV**

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Continued muted business growth: IIB reported subdued growth with advances increasing 12% YoY (3% QoQ), while deposits rose 11% YoY (down 1% QoQ). Loan book was soft on account of moderate vehicle finance and de-growth in the MFI book. Deposits were lower on account of lower wholesale deposits. This led to an increase in the share of retail deposits to 46.1% vs. 44.1% in Q2FY25. Other income declined 2% QoQ (up 8% YoY). Core fee income was flat QoQ and down 2% YoY on account of lower loan processing fees and cards and distribution fees.

NIM compression persists: NIM contracted 15bps QoQ (36bps YoY) to 3.93% owing to moderate growth in vehicle finance (VF) and MFI book, decline in yield on advances and interest reversals. Yields on advances declined 10bps QoQ to 12.2%, while cost of funds rose 9bps QoQ to 5.7% in Q3FY25. Loan growth was moderate compared to our estimates primarily on account of de-growth in the MFI portfolio and slower VF book.

Asset quality deteriorates: GNPA ratio was up 2.25% in Q3 vs. 2.11% in Q2FY25 led by slippages in the MFI book (GNPA at 7.05% vs. 6.54% in Q2FY25) and corporate book. Credit cost was at 1.93% vs. 2.07% in Q2FY25, despite utilisation of contingency buffer to the tune of Rs 2bn during Q3FY25. Management opined that the incremental stress is showing signs of stability in the current quarter and would continue to remain cautious on MFI segment. Loan-related provisions stood at Rs 87.9bn, 2.4% of loans and ~105% of the GNPA.

Assume coverage with a BUY on IIB: Growth in terms of advances was moderate during the quarter with elevated credit costs. We believe that the advances growth may pick up in 1HFY27 and expect growth CAGR of ~12% in FY24-FY27E. Management is cautious on the unsecured book and believes that the stress is currently moderating. Credit cost is likely to remain elevated in the near term due to the MFI segment. We expect IIB to deliver healthy return ratios (ROA/ROE of 1.4-1.6% and 11-13% in FY25-FY27E). We assume coverage on IIB with a BUY and a TP of Rs 1,190 (earlier Rs 1,844), valuing at 1.3x Dec'26 ABV.

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	IIB IN/Rs 1,009
Market cap	US$ 9.1bn
Free float	84%
3M ADV	US$ 50.8mn
52wk high/low	Rs 1,576/Rs 924
Promoter/FPI/DII	16%/38%/30%

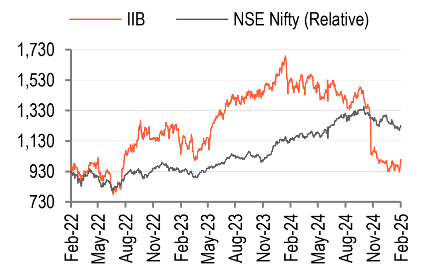
Source: NSE | Price as of 1 Feb 2025

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
NII (Rs mn)	2,06,159	2,20,548	2,47,016
NII growth (%)	17.2	7.0	12.0
Adj. net profit (Rs mn)	89,770	74,240	95,955
EPS (Rs)	115.5	95.3	123.2
Consensus EPS (Rs)	115.6	125.0	158.0
P/E (x)	8.7	10.6	8.2
P/BV (x)	1.2	1.2	1.0
ROA (%)	1.8	1.4	1.6
ROE (%)	15.2	11.4	13.5

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

BUY
TP: Rs 187 | 24%

BANDHAN BANK | Banking | 01 February 2025

Other income aids PPOP; MFI stress persists

- **PPOP aided by one-offs in other income, payouts under CGFMU and Assam Microfinance relief scheme**
- **Going forward, NIMs to moderate, BANDHAN to focus on calibrating its book towards secured book, aims for 2% RoA**
- **We assume coverage on BANDHAN with a BUY rating and TP of Rs 187, assigning 1.2x Dec'26 ABV**

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PPOP aided by one-offs in other income: In Q3FY25 BANDHAN received Rs 5.4bn as claim payout under the credit guarantee fund for micro units (CGFMU) scheme and Rs 520mn against microfinance loans under the Assam Microfinance relief scheme. This resulted in rise in the PPOP by 22% YoY (9% QoQ).

PAT lower owing to higher provisioning: However, PAT fell 42% YoY (55% QoQ) to Rs 4.3bn vs. our estimate of Rs 8.3bn. Provisions were higher due to elevated stress in the MFI segment indicating persistent stress which remains a concern. The bank made incremental provisions of Rs 3.4bn towards its Emerging Entrepreneurs Business (EEB) portfolio (~2% of the provisions). Credit cost stood at 4% vs. 2% in Q2FY25 vs. 2.5% in Q3FY24. The bank opined that as the MFI book starts to stabilise, the credit cost is likely to fall to 2% in the near term and expects the credit cost to be in the range of 1.5-1.6% in FY27E as the book shifts to a secured book.

Bandhan 2 strategy: With Partha Pratim Sengupta joining the bank as MD and CEO effective 1 November 2024, the new management formulated a slew of strategic decisions. This included the formation of a transformation management team, digital and transaction excellence unit, market intelligence team and a credit administration department. The bank intends to enhance operational efficiency through these transformation strategies.

Asset quality: Gross slippages was at Rs 16.2bn vs. Rs 11.1bn in Q2FY25 vs. Rs 13.9bn in Q3FY24. This increase was primarily on account of EEB portfolio (Rs 12bn vs. Rs 7.5bn in Q2FY25, ~74% of the slippages). Management expects slippages to be elevated at ~Rs 10bn going forward.

Assume coverage on BANDHAN with a BUY: It reported a moderate Q3 with higher other income growth and elevated provisioning. The new management has formulated a strategy focused on improving operational efficiency. Asset quality was stable with management guiding for credit cost to be at 1.5-1.6% in FY27 with book moving towards secured book being positive for the bank. We assume coverage with a BUY rating and TP of Rs 187 (from Rs 245) valuing the bank at 1.2x Dec'26 ABV.

Key changes

Target	Rating
▼	◄►

Ticker/Price	BANDHAN IN/Rs 151
Market cap	US$ 3.2bn
Free float	60%
3M ADV	US$ 14.1mn
52wk high/low	Rs 233/Rs 138
Promoter/FPI/DII	40%/28%/15%

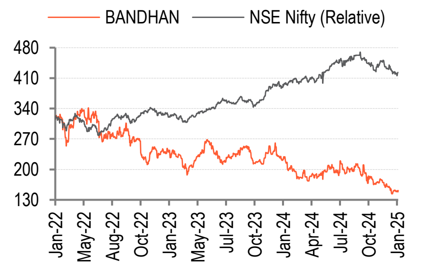
Source: NSE | Price as of 31 Jan 2025

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
NII (Rs mn)	1,03,256	1,22,095	1,38,864
NII growth (%)	11.5	18.2	13.7
Adj. net profit (Rs mn)	22,296	35,990	44,579
EPS (Rs)	13.8	20.9	24.2
Consensus EPS (Rs)	13.8	22.5	31.0
P/E (x)	10.9	7.3	6.2
P/BV (x)	1.1	1.1	1.0
ROA (%)	1.3	1.9	2.0
ROE (%)	10.8	15.4	16.5

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

HOLD
TP: Rs 695 | ⮝ 3%

MARICO | Consumer Staples | 01 February 2025

Managing inflation

- Compared to consensus, 3QFY25 sales were 2% lower (1% below our estimate) while EBITDA was 1%
- COGS pressure is evident with YoY margins down 180bps in 3QFY25 vs margins +30bps in 2QFY25 and +230bps in 1QY25.
- Growth levers are intact but commodity inflation to remain a headwind in 4QFY25 and FY26. Hold

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Sales beat but EBITDA miss: Compared to Bloomberg consensus, 3QFY25 sales were 2% lower (1% below our estimate) while EBITDA was 1% lower (5% lower vs our estimate).

Sales trends: (1) Domestic – Inflationary pricing was the main driver as volumes +6% on sales +17%. Saffola edible oil sales +24% with volumes +LSD. Parachute +15% with volumes +3%. Both Saffola and Parachute had inflation driven pricing. VAHO sales -2% with Bottom of the Pyramid continuing to be soft. Food +31% with ARR of Rs1k crore. Premium personal care ARR at 9250mn. **(2) International** – Bangladesh grew +20% CC off a low base. SE Asia flat CC, while MENA +35%.

Earnings outlook: For 4QFY25, revenue growth target is high teens vs 15% in 3QFY25. Marico expects to take pricing to offset inflation in the portfolio and so margins will be lower given pricing will offset only absolute cost inflation. The company expects inflation to taper down in 2QFY26 and so sales growth run rate will be slower in the 2H. EBITDA margin target for FY26 is 20.1%; -50bps YoY.

Our view and valuation: Marico has multiple growth levers in place such as improving margins via changes in sales and channel mix, reducing commoditized portfolio exposure, and increasing presence in the high growth digital space. The next 2-3 quarters are however likely to be volatile given the commodities and uncertainty. We value Marico in line with its 5Yr historical average P/E on 12m to December 2026 EPS. Our target price changes to Rs 709 from Rs 671. Share price return of 6% – Hold.

Fig 1 – Marico 3QFY25 result summary

(Rs mn)	Actual			Reported vs (%)	
	3Q24	3Q25	YoY (%)	BoB	Cons.
Sales	24,220	27,940	15.4	1.2	1.8
EBITDA	5,130	5,330	3.9	(4.8)	(1.1)
EBITDA margin (%)	21.2	19.1	(210bps)	(120bps)	(56bps)

Sources: Company, Bloomberg, BOBCAPS Research

Key changes

Target	Rating
◀ ▶	◀ ▶

Ticker/Price	MRCO IN/Rs 672
Market cap	US$ 10.0bn
Free float	40%
3M ADV	US$ 14.5mn
52wk high/low	Rs 720/Rs 486
Promoter/FPI/DII	59%/25%/16%

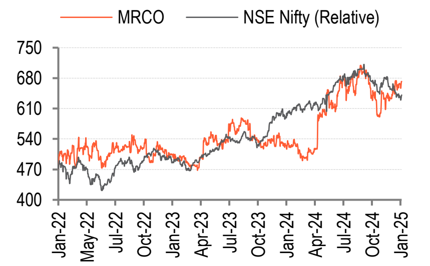
Source: NSE | Price as of 30 Jan 2025

Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	96,530	107,106	118,868
EBITDA (Rs mn)	20,260	22,101	24,655
Adj. net profit (Rs mn)	14,810	16,072	17,730
Adj. EPS (Rs)	11.5	12.5	13.7
Consensus EPS (Rs)	11.5	12.8	14.4
Adj. ROAE (%)	36.5	36.6	36.5
Adj. P/E (x)	58.5	53.9	48.9
EV/EBITDA (x)	42.8	39.2	35.2
Adj. EPS growth (%)	13.7	8.5	10.3

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

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BUY – Expected return >+15%

HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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