

**SELL**

TP: Rs 532 | ▼ 18%

**MARICO**

Consumer Staples

30 August 2024

## Cash repatriation debate is building up in Bangladesh

- Similar to Marico, Indian power companies along with global MNCs are facing increased challenges in cash transfers from Bangladesh
- Marico Bangladesh's net cash position as at 30 Jun'24 was 64% of its total asset base. Retain SELL
- In a media interaction, the CEO indicated Marico was tracking ahead of FY25 plans on growth in businesses focused on diversification

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**Debate on MNC exposure to Bangladesh is picking up:** Bangladesh's forex crises is persisting with the status and timeline of cash repatriation remaining uncertain. See [here](#); [here](#) and [here](#). We have previously highlighted that Marico Bangladesh's cash dividend payout deteriorated meaningfully between FY20 and FY24. More details on financials and exposure [here](#).

**Updates from the CEO:** Marico's CEO Mr Saugata Gupta did a media interaction on 30 Aug'24. This included comments on International targets, and FY25 progress on businesses focused on diversification. Key discussion points below:

- **Businesses focused on increasing Marico's diversification growing ahead of FY25 targets:** The CEO indicated that Premium Personal Care, Food and Digital First businesses are tracking ahead of the FY25 plan. While the business diversification portfolio's FY25 target is not disclosed, Digital First annual sales run rate target at FY25 end is Rs 5.5bn-6.0bn.
- **Core businesses need to accelerate innovation:** Mr Gupta acknowledged that while the diversification journey overall is tracking ahead of targets this year, the core needs a bit of momentum in terms of innovation.
- **Long term international targets unchanged:** With reference to disturbances in neighboring countries and the general geopolitical tensions, Mr Gupta indicated Marico's strong sales and profits track record in International. Long-term target of double-digit sales growth remains unchanged for Marico.
- **M&A criteria:** Marico is looking to supplement current sales growth with small M&As in India. In International, Asia and Africa are in focus with others (EU/US/UK, etc) likely to remain export markets.

**Our view:** Our TP of Rs 532 is based on a 38x P/E 12M to Jun'26. We continue to use the P/E rel method with a 15% discount to historical average given high exposure to Bangladesh combined with uncertainty and potential risk on cash repatriation. Retain SELL.

### Key changes

Target	Rating
◀ ▶	◀ ▶

Ticker/Price	MRCO IN/Rs 647
Market cap	US\$ 10.0bn
Free float	40%
3M ADV	US\$ 23.0mn
52wk high/low	Rs 693/Rs 486
Promoter/FPI/DII	59%/25%/16%

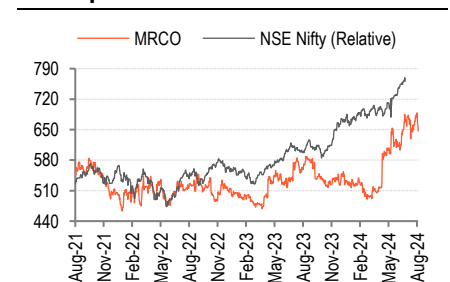
Source: NSE | Price as of 30 Aug 2024

### Key financials

Y/E 31 Mar	FY24A	FY25E	FY26E
Total revenue (Rs mn)	96,530	107,206	117,657
EBITDA (Rs mn)	20,260	22,548	24,304
Adj. net profit (Rs mn)	14,810	16,170	17,593
Adj. EPS (Rs)	11.5	12.5	13.6
Consensus EPS (Rs)	11.5	11.9	13.5
Adj. ROAE (%)	36.5	36.8	36.3
Adj. P/E (x)	56.4	51.6	47.5
EV/EBITDA (x)	41.2	37.0	34.3
Adj. EPS growth (%)	13.7	9.2	8.8

Source: Company, Bloomberg, BOBCAPS Research

### Stock performance



Source: NSE



## Financials

### Income Statement

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24A	FY25E	FY26E
<b>Total revenue</b>	<b>95,120</b>	<b>97,640</b>	<b>96,530</b>	<b>107,206</b>	<b>117,657</b>
EBITDA	16,810	18,100	20,260	22,548	24,304
Depreciation	1,390	1,550	1,580	1,832	1,896
EBIT	15,420	16,550	18,680	20,716	22,408
Net interest inc./(exp.)	390	560	730	680	652
Other inc./(exp.)	980	1,440	1,420	1,378	1,447
Exceptional items	0	0	0	0	0
EBT	16,010	17,430	19,370	21,414	23,203
Income taxes	3,460	4,210	4,350	4,844	5,337
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	300	200	210	400	273
<b>Reported net profit</b>	<b>12,250</b>	<b>13,020</b>	<b>14,810</b>	<b>16,170</b>	<b>17,593</b>
Adjustments	0	0	0	0	0
<b>Adjusted net profit</b>	<b>12,250</b>	<b>13,020</b>	<b>14,810</b>	<b>16,170</b>	<b>17,593</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24A	FY25E	FY26E
Accounts payables	13,440	14,520	15,810	14,170	15,519
Other current liabilities	2,240	2,170	2,110	2,343	2,572
Provisions	220	480	80	81	82
Debt funds	3,450	4,750	3,830	3,830	3,830
Other liabilities	4,460	7,980	10,690	11,533	12,358
Equity capital	1,290	1,290	1,290	1,290	1,290
Reserves & surplus	32,760	38,270	40,400	44,843	49,514
Shareholders' fund	34,050	39,560	41,690	46,133	50,804
<b>Total liab. and equities</b>	<b>57,860</b>	<b>69,460</b>	<b>74,210</b>	<b>78,090</b>	<b>85,165</b>
Cash and cash eq.	5,790	7,560	9,430	8,783	11,404
Accounts receivables	6,520	10,150	10,690	12,336	13,539
Inventories	14,120	12,250	13,360	15,029	16,459
Other current assets	2,210	2,460	3,960	4,389	4,809
Investments	8,280	10,960	6,020	6,399	6,771
Net fixed assets	6,000	6,330	7,000	7,064	7,761
CWIP	390	670	440	440	440
Intangible assets	3,060	5,600	9,370	9,370	9,370
Deferred tax assets, net	1,870	1,460	680	755	829
Other assets	9,620	12,020	13,260	13,524	13,783
<b>Total assets</b>	<b>57,860</b>	<b>69,460</b>	<b>74,210</b>	<b>78,090</b>	<b>85,166</b>

### Cash Flows

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24A	FY25E	FY26E
<b>Cash flow from operations</b>	<b>10,160</b>	<b>14,190</b>	<b>14,360</b>	<b>15,221</b>	<b>19,779</b>
Capital expenditures	(1,320)	(1,820)	(1,530)	(2,680)	(2,941)
Change in investments	3,370	(3,890)	1,480	0	0
Other investing cash flows	2,200	(2,940)	1,810	(379)	(371)
<b>Cash flow from investing</b>	<b>4,250</b>	<b>(8,650)</b>	<b>1,760</b>	<b>(3,060)</b>	<b>(3,313)</b>
Equities issued/Others	410	90	340	0	0
Debt raised/repaid	(30)	1,280	(910)	0	0
Interest expenses	(280)	(420)	(540)	(680)	(652)
Dividends paid	(12,170)	(6,070)	(12,290)	(12,128)	(13,195)
Other financing cash flows	(830)	(480)	(2,020)	0	0
<b>Cash flow from financing</b>	<b>(12,900)</b>	<b>(5,600)</b>	<b>(15,420)</b>	<b>(12,808)</b>	<b>(13,846)</b>
<b>Chg in cash &amp; cash eq.</b>	<b>1,510</b>	<b>(60)</b>	<b>700</b>	<b>(647)</b>	<b>2,620</b>
<b>Closing cash &amp; cash eq.</b>	<b>2,760</b>	<b>2,070</b>	<b>2,280</b>	<b>1,633</b>	<b>4,254</b>

### Per Share

Y/E 31 Mar (Rs)	FY22A	FY23A	FY24A	FY25E	FY26E
Reported EPS	9.5	10.1	11.5	12.5	13.6
Adjusted EPS	9.5	10.1	11.5	12.5	13.6
Dividend per share	9.4	4.7	9.5	9.4	10.2
Book value per share	26.4	30.7	32.3	35.8	39.4

### Valuations Ratios

Y/E 31 Mar (x)	FY22A	FY23A	FY24A	FY25E	FY26E
EV/Sales	8.8	8.6	8.6	7.8	7.1
EV/EBITDA	49.7	46.1	41.2	37.0	34.3
Adjusted P/E	68.1	64.1	56.4	51.6	47.5
P/BV	24.5	21.1	20.0	18.1	16.4

### DuPont Analysis

Y/E 31 Mar (%)	FY22A	FY23A	FY24A	FY25E	FY26E
Tax burden (Net profit/PBT)	76.5	74.7	76.5	75.5	75.8
Interest burden (PBT/EBIT)	103.8	105.3	103.7	103.4	103.5
EBIT margin (EBIT/Revenue)	16.2	17.0	19.4	19.3	19.0
Asset turnover (Rev./Avg TA)	164.4	140.6	130.1	137.3	138.2
Leverage (Avg TA/Avg Equity)	1.7	1.8	1.8	1.7	1.7
Adjusted ROAE	36.0	32.9	35.5	35.1	34.6

### Ratio Analysis

Y/E 31 Mar	FY22A	FY23A	FY24A	FY25E	FY26E
<b>YoY growth (%)</b>					
Revenue	18.2	2.6	(1.1)	11.1	9.7
EBITDA	5.7	7.7	11.9	11.3	7.8
Adjusted EPS	4.5	6.3	13.7	9.2	8.8
<b>Profitability &amp; Return ratios (%)</b>					
EBITDA margin	17.7	18.5	21.0	21.0	20.7
EBIT margin	16.2	17.0	19.4	19.3	19.0
Adjusted profit margin	12.9	13.3	15.3	15.1	15.0
Adjusted ROAE	36.8	35.4	36.5	36.8	36.3
ROCE	30.9	28.0	28.0	28.5	28.0
<b>Working capital days (days)</b>					
Receivables	20	31	39	39	40
Inventory	85	90	98	99	100
Payables	83	95	117	105	95
<b>Ratios (x)</b>					
Gross asset turnover	1.5	1.3	1.2	1.2	1.2
Current ratio	1.6	1.6	1.6	1.9	2.0
Net interest coverage ratio	39.5	29.6	25.6	30.5	34.4
Adjusted debt/equity	10.1	12.0	9.2	8.3	7.5

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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**BUY** – Expected return >+15%

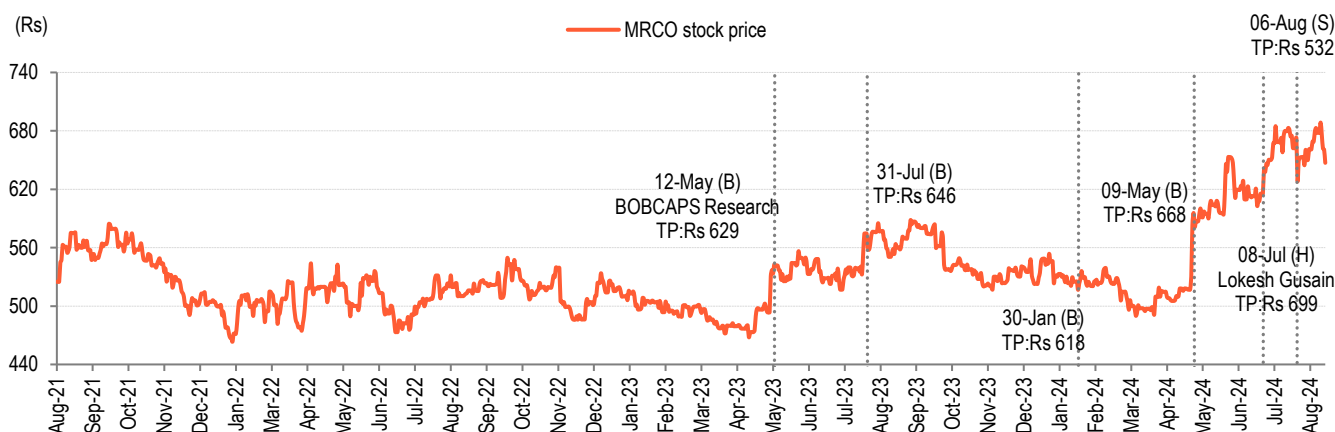
**HOLD** – Expected return from -6% to +15%

**SELL** – Expected return <-6%

**Note:** Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

### Ratings and Target Price (3-year history): MARICO (MRCO IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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