

SELL

TP: Rs 532 | ▼ 23%

MARICO

Consumer Staples

26 September 2024

The Remittance Test: Dividend payout from Marico Bangladesh

- Marico Bangladesh's 1QFY25 DPS of BDT100 was recorded on 25 Aug'24. This equates to ~30% of MB's cash/share on balance sheet
- Subject to repatriation (30 days average), this would reduce MB's FY24 contribution to cash on the consolidated business from ~45% to ~30%
- The FY24 BDT20 DPS, recorded on 27 May'24, was paid out on 9-Sep'24. Cash repatriation risk is a key driver of our negative view

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Marico Bangladesh (MB) 1QFY25 dividend: MB recorded BDT100 DPS on 25 Aug'24. This dividend implies a trailing 12M payout ratio of 76%, but reduces only 29% of the cash that is currently on the MB balance sheet. Even then, if the dividend comes through for MRCO, it would provide some comfort on the uncertainty around repatriation risk. Remittance risk from Bangladesh is a key driver of our SELL.

Partial relief from idle cash on balance sheet: The BDT100 DPS equates to ~30% of MB's cash/bank/treasury bills on balance sheet. Subject to repatriation and combined with the FY24 payout, this will reduce MB's FY24 contribution to cash on consolidated from ~45% to ~30%.

MB's track record on dividend payment dates vs record dates: From FY20 to date, MB's dividend payment date has lagged the dividend record date by 30 days on average. With the escalating FX crisis, the lag was 105 days for the FY24 final DPS of BDT20. The record date for 1QFY25 DPS of BDT100 was 25 Aug'24.

Implications of risk from cash repatriation: FX crisis is persisting in Bangladesh with consecutive YoY declines in FX reserves for more than two years now. Despite such a backdrop, combined with MB's trend in payout ratio, if MB is still able to complete the 1QFY25 committed payout to its Indian parent, we would view that as a positive development. On an annual basis, MRCO consolidated derives 11% of sales and 22% of EBITDA from Bangladesh and so a smooth repatriation system for a reasonable proportion of earnings is crucial for the company.

Rural update: Rural recovery comments from FMCG majors have been divergent – DABUR (Aug'24) is most optimistic while TCPL (Sep'24) is most conservative. For Marico, we expect the company is benefitting from rural recovery given its sales exposure to relatively elastic categories in HPC. We expect a revival in demand in the mass end of Value-Added Hair Oil on rural recovery.

Our view: While we are positive on the rural recovery theme and SETU's medium-term favourable impact on sales, mix and margins, the near-term sales volatility on SETU-driven destocking is uncharacteristic of an FMCG company. Bangladesh repatriation risk adds to uncertainty. SELL.

Key changes

Target	Rating
◀ ▶	◀ ▶

Ticker/Price	MRCO IN/Rs 694
Market cap	US\$ 10.7bn
Free float	40%
3M ADV	US\$ 20.4mn
52wk high/low	Rs 711/Rs 486
Promoter/FPI/DII	59%/25%/16%

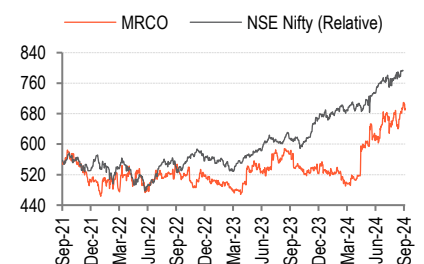
Source: NSE | Price as of 26 Sep 2024

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)	60.4	55.3	50.9
EV/EBITDA (x)	44.2	39.7	36.8
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
Total revenue	95,120	97,640	96,530	107,206	117,657
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
Reported net profit	12,250	13,020	14,810	16,170	17,593
Adjustments	0	0	0	0	0
Adjusted net profit	12,250	13,020	14,810	16,170	17,593

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
Total liab. and equities	57,860	69,460	74,210	78,090	85,165
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
Total assets	57,860	69,460	74,210	78,090	85,166

Cash Flows

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24A	FY25E	FY26E
Cash flow from operations	10,160	14,190	14,360	15,221	19,779
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)
Cash flow from investing	4,250	(8,650)	1,760	(3,060)	(3,313)
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
Cash flow from financing	(12,900)	(5,600)	(15,420)	(12,808)	(13,846)
Chg in cash & cash eq.	1,510	(60)	700	(647)	2,620
Closing cash & cash eq.	2,760	2,070	2,280	1,633	4,254

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	9.4	9.2	9.3	8.3	7.6
EV/EBITDA	53.2	49.4	44.2	39.7	36.8
Adjusted P/E	73.0	68.7	60.4	55.3	50.9
P/BV	26.3	22.6	21.5	19.4	17.6

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
YoY growth (%)					
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
Profitability & Return ratios (%)					
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
Working capital days (days)					
Receivables	20	31	39	39	40
Inventory	85	90	98	99	100
Payables	83	95	117	105	95
Ratios (x)					
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%

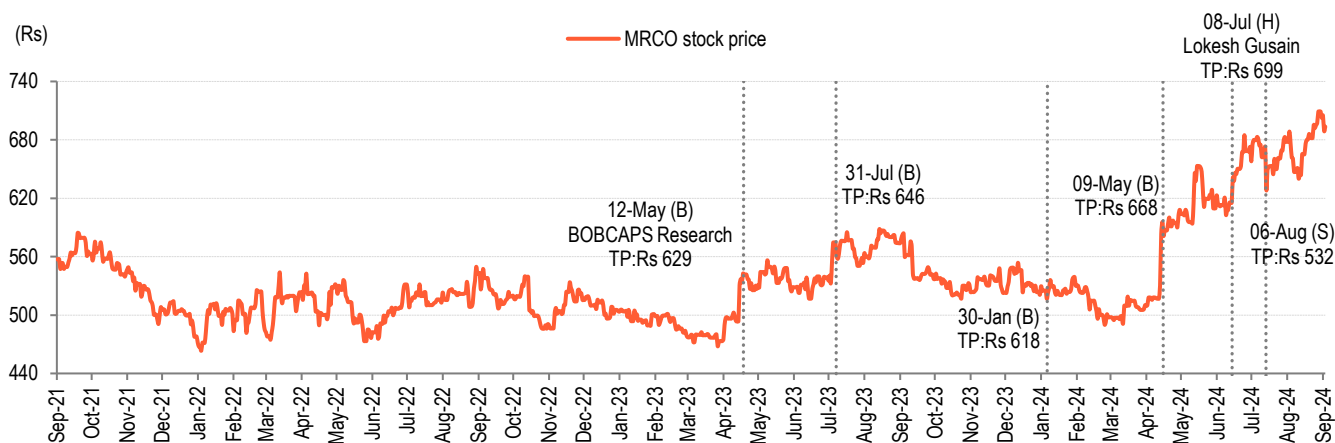
HOLD – Expected return from -6% to +15%

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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