

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.

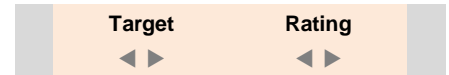
Our view and valuation: Marico has multiple growth levers in place such as improving margins via changes in sales and channel mix, reducing commoditized portfolio exposure, and increasing presence in the high growth digital space. The next 2-3 quarters are however likely to be volatile given the commodities 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



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%

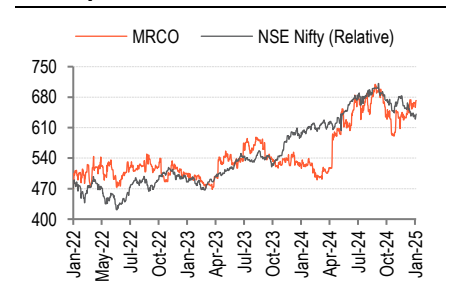
Source: NSE | Price as of 30 Jan 2025

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



2QFY25 result review

Earnings revisions

Our sales assumptions are higher across the forecast period as more pricing is being taken to offset inflation. FY26 EBITDA is revised down as the positive impact from margin expansion quarters in 2H26 is slower due to competition also lowering prices. Marico's momentum accelerates in FY27 where we have revised EBITAD up 4%.

Fig 2 – Marico earnings revisions

(Rs mn)	Actual	New	Old	(%)	New	Old	(%)	New	Old	(%)
	FY24	FY25	FY25	Change	FY26	FY26	Change	FY27	FY27	Change
Sales	96,530	107,632	107,106	0.5	120,266	118,868	1.2	132,119	129,566	2.0
EBITDA	20,260	22,198	22,101	0.4	24,226	24,655	(1.7)	27,090	26,060	4.0
EBITDA Margin (%)	21.0	20.6	20.6	2bps	20.1	20.7	(56bps)	20.5	20.1	40bps
Adj. PAT	14,810	16,835	16,072	4.7	19,272	17,730	8.7	21,480	18,859	13.9
Adj. EPS	11.48	13.05	12.46	4.7	14.94	13.74	8.7	16.65	14.62	13.9

Source: Company, Bloomberg, BOBCAPS Research

Valuation

Marico is currently trading at 45x FY26E EPS. The stock has traded at 5Yr average P/E of 44x on 1-year forward EPS. 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.

Risks

Key upside/downside risks to our estimates are:

- increase / decrease in dividend payout ratios from Marico Bangladesh,
- expedition / delays in dividend repatriation from Bangladesh,
- lower- / higher-than-expected volatility in sales due to inventory destocking from Project SETU,
- earlier/delayed and/or higher-/lower-than-anticipated benefits from Project SETU, and
- stronger-/weaker-than-expected recovery from rural markets.

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Total revenue	97,640	96,530	107,106	118,868	129,566
EBITDA	18,100	20,260	22,101	24,655	26,060
Depreciation	1,550	1,580	1,768	1,896	1,896
EBIT	16,550	18,680	20,333	22,759	24,164
Net interest inc./(exp.)	560	730	500	652	652
Other inc./(exp.)	1,440	1,420	1,379	1,448	1,520
Exceptional items	0	0	0	0	0
EBT	17,430	19,370	21,212	23,555	25,033
Income taxes	4,210	4,350	4,740	5,418	5,758
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	200	210	400	408	416
Reported net profit	13,020	14,810	16,072	17,730	18,859
Adjustments	0	0	0	0	0
Adjusted net profit	13,020	14,810	16,072	17,730	18,859

Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Accounts payables	14,520	15,810	14,223	15,654	17,062
Other current liabilities	2,170	2,110	2,341	2,598	2,832
Provisions	480	80	81	82	83
Debt funds	4,750	3,830	3,830	3,830	3,830
Other liabilities	7,980	10,690	11,525	12,453	13,298
Equity capital	1,290	1,290	1,290	1,290	1,290
Reserves & surplus	38,270	40,400	44,818	49,658	54,789
Shareholders' fund	39,560	41,690	46,108	50,948	56,079
Total liab. and equities	69,460	74,210	78,108	85,566	93,185
Cash and cash eq.	7,560	9,430	8,706	11,300	14,430
Accounts receivables	10,150	10,690	12,324	13,678	14,909
Inventories	12,250	13,360	15,085	16,602	18,097
Other current assets	2,460	3,960	4,385	4,858	5,288
Investments	10,960	6,020	6,396	6,814	7,194
Net fixed assets	6,330	7,000	7,061	7,786	8,396
CWIP	670	440	440	440	440
Intangible assets	5,600	9,370	9,370	9,370	9,370
Deferred tax assets, net	1,460	680	754	837	913
Other assets	12,020	13,260	13,522	13,813	14,078
Total assets	69,460	74,210	78,044	85,499	93,115

Cash Flows

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Cash flow from operations	14,190	14,360	14,883	19,933	21,545
Capital expenditures	(1,820)	(1,530)	(2,678)	(2,972)	(3,239)
Change in investments	(3,890)	1,480	0	0	0
Other investing cash flows	(2,940)	1,810	(376)	(418)	(380)
Cash flow from investing	(8,650)	1,760	(3,053)	(3,390)	(3,619)
Equities issued/Others	90	340	0	0	0
Debt raised/repaid	1,280	(910)	0	0	0
Interest expenses	(420)	(540)	(500)	(652)	(652)
Dividends paid	(6,070)	(12,290)	(12,054)	(13,297)	(14,144)
Other financing cash flows	(480)	(2,020)	0	0	0
Cash flow from financing	(5,600)	(15,420)	(12,554)	(13,949)	(14,796)
Chg in cash & cash eq.	(60)	700	(724)	2,594	3,130
Closing cash & cash eq.	2,070	2,280	1,556	4,150	7,280

Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25E	FY26E	FY27E
Reported EPS	10.1	11.5	12.5	13.7	14.6
Adjusted EPS	10.1	11.5	12.5	13.7	14.6
Dividend per share	4.7	9.5	9.3	10.3	11.0
Book value per share	30.7	32.3	35.7	39.5	43.5

Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25E	FY26E	FY27E
EV/Sales	8.9	9.0	8.1	7.3	6.7
EV/EBITDA	47.9	42.8	39.2	35.2	33.3
Adjusted P/E	66.6	58.5	53.9	48.9	46.0
P/BV	21.9	20.8	18.8	17.0	15.5

DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25E	FY26E	FY27E
Tax burden (Net profit/PBT)	74.7	76.5	75.8	75.3	75.3
Interest burden (PBT/EBIT)	105.3	103.7	104.3	103.5	103.6
EBIT margin (EBIT/Revenue)	17.0	19.4	19.0	19.1	18.7
Asset turnover (Rev./Avg TA)	140.6	130.1	137.2	139.0	139.1
Leverage (Avg TA/Avg Equity)	1.8	1.8	1.7	1.7	1.7
Adjusted ROAE	32.9	35.5	34.9	34.8	33.6

Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25E	FY26E	FY27E
YoY growth (%)					
Revenue	2.6	(1.1)	11.0	11.0	9.0
EBITDA	7.7	11.9	9.1	11.6	5.7
Adjusted EPS	6.3	13.7	8.5	10.3	6.4
Profitability & Return ratios (%)					
EBITDA margin	18.5	21.0	20.6	20.7	20.1
EBIT margin	17.0	19.4	19.0	19.1	18.7
Adjusted profit margin	13.3	15.3	15.0	14.9	14.6
Adjusted ROAE	35.4	36.5	36.6	36.5	35.2
ROCE	28.0	28.0	28.1	28.4	27.6
Working capital days (days)					
Receivables	31	39	39	40	40
Inventory	90	98	99	100	101
Payables	95	117	105	94	95
Ratios (x)					
Gross asset turnover	1.3	1.2	1.2	1.2	1.2
Current ratio	1.6	1.6	1.9	2.0	2.1
Net interest coverage ratio	29.6	25.6	40.7	34.9	37.1
Adjusted debt/equity	12.0	9.2	8.3	7.5	6.8

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

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BUY – Expected return >+15%

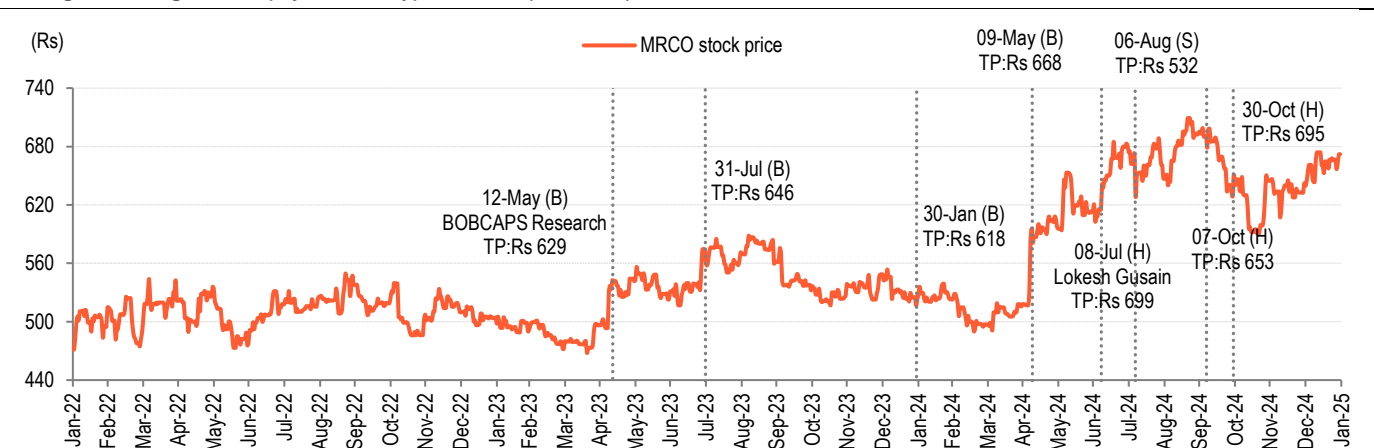
HOLD – Expected return from -6% to +15%

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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