

Estimate change	↔
TP change	↔
Rating change	↔

Bloomberg	MRCO IN
Equity Shares (m)	1,290
M.Cap.(INRb)/(USD\$)	367.2 / 4.9
52-Week Range (INR)	404 / 234
1, 6, 12 Rel. Per (%)	-6/-1/-2
12M Avg Val (INR M)	820

Financials & Valuations (INR b)

Y/E March	2020	2021E	2022E
Sales	73.2	73.8	84.1
Sales Gr. (%)	-0.3	0.9	13.9
EBITDA	14.7	14.6	16.6
EBITDA Margin (%)	20.1	19.8	19.7
Adj. PAT	10.5	10.4	11.9
Adj. EPS (INR)	8.1	8.1	9.2
EPS Gr. (%)	13.4	-0.7	13.8
BV/Sh.(INR)	23.4	30.2	30.6

Ratios

RoE (%)	34.9	30.1	30.3
RoCE (%)	31.9	27.3	27.7
Payout (%)	96.0	94.8	95.4

Valuations

P/E (x)	34.9	35.1	30.9
P/BV (x)	12.1	9.4	9.3
EV/EBITDA (x)	24.7	24.1	21.3
Div. Yield (%)	2.7	2.7	3.1

Shareholding pattern (%)

As On	Dec-19	Sep-19	Dec-18
Promoter	59.6	59.6	59.7
DII	9.7	8.8	6.0
FII	23.9	25.0	26.5
Others	6.8	6.6	7.8
FII Includes depository receipts			

CMP: INR284 TP: INR350 (+23%) Buy

Resilient portfolio; valuation comfort underpins Buy rating

Brief view on results and stock

- Marico's (MRCO) 4QFY20 sales were marginally below estimates on account of the COVID-19 led lockdown headwinds. However, EBITDA and margins were above estimates due to benign commodity costs and lower ad spends. Further, lower-than-expected tax rate led to the PAT beat.
- We believe that MRCO's relatively resilient portfolio of products should help it weather the impact on sales and earnings decline in FY21, unlike several of its peers. Valuations appear attractive at 32x FY22E EPS, below 3/5/10-year average for a business that has better earnings visibility compared to peers. Maintain **Buy**.

Small miss on topline, EBITDA and Profits ahead of expectations

- **4QFY20 consol. net sales declined 7% YoY** to INR15b (v/s est. INR15.4b). Overall volume declined 4% YoY while EBITDA decreased 4.1% YoY to INR2.8b (v/s est. INR2.7b). PBT declined 3% YoY to INR2.6b (in-line). Adj. PAT declined 3.3% YoY to INR2b (v/s est. INR1.8b).
- **4QFY20 consol. gross margins expanded by 20bp YoY** to 49.3%. EBITDA margin expanded 60bp YoY to 18.9% (v/s est. 17.4%) during the quarter.
- 4QFY20 standalone sales/EBITDA/adj. PAT declined 7.9%/4%/5.8% YoY. EBITDA margins expanded 80bp YoY to 18.4%. Domestic volume declined 3% (in-line).
- FY20 consol. sales/EBITDA/PAT growth stood at -0.3%/+10.9%/+13.4% YoY.
- **Domestic segmental performance:** Volume growth of Parachute Rigid/Saffola (Refined Edible Oil)/ VAHO stood at -8%/+25%/-11% with value growth at -12%/+25%/-18% YoY.

Highlights from management commentary

- Primary volumes were expected in mid-single-digit if not for the COVID-19 impact. *Parachute* volumes had recovered in 4QFY20 (before the COVID-19 impact) compared to the previous two quarters.
- 90-95% of MRCO's portfolio gained market share displaying resilience.
- MRCO has recently attained 70-80% of normal working level (operations in plants) after being severely impacted in the second half of Mar'20.

Valuation and view

- MRCO has a more resilient portfolio of products than its peers to withstand the COVID-19 led sales and earnings decline in FY21. This is possible on account of (a) recovery in *Parachute* volumes before the COVID-19 impact, (b) successful turnaround and strong growth witnessed in *Saffola* edible oils and foods, and (c) better outlook for the international business compared to peers. Further, outlook on material costs is also better than the earlier expectation of a possible inflation.
- Longer-term growth trajectory and eventual rerating would be determined by the success of its new products (an area with limited success for now). Nevertheless, valuations appear attractive at 32x FY22E EPS, below 3/5/10-year average of 44.9x/43x/35.5x, for a business that has better earnings visibility compared to peers. Maintain **Buy** with TP of INR350.

Quarterly Performance

(INR Million)

Y/E March	FY19				FY20				FY19	FY20E	FY20	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	(%)
Domestic volume growth (%)	12.4	6.0	5.0	8.0	6.0	1.0	-1.0	-3.0	8.0	0.8	-3.0	
Net Sales	20,270	18,370	18,610	16,090	21,660	18,290	18,240	14,960	73,340	73,150	15,391	-2.8%
YoY Change (%)	20.5	19.6	14.6	8.7	6.9	-0.4	-2.0	-7.0	16.0	-0.3	-4.3	
Gross Profit	8,570	8,090	8,610	7,890	10,290	9,080	8,960	7,370	33,170	35,700	7,396	
Gross margin (%)	42.3	44.0	46.3	49.0	47.5	49.6	49.1	49.3	45.2	48.8	48.1	
EBITDA	3,660	3,050	3,590	2,940	4,610	3,530	3,730	2,820	13,250	14,690	2,675	5.4%
Margins (%)	18.1	16.6	19.3	18.3	21.3	19.3	20.4	18.9	18.1	20.1	17.4	
YoY Change (%)	12.6	17.7	19.1	16.5	26.0	15.7	3.9	-4.1	16.5	10.9	-5.5	
Depreciation	310	310	310	390	350	350	320	380	1,310	1,400	312	
Interest	90	100	90	120	120	130	120	130	400	500	102	
Other Income	240	290	220	280	280	350	290	320	1,030	1,240	306	
PBT	3,500	2,930	3,410	2,710	4,420	3,400	3,580	2,630	12,570	14,030	2,567	2.5%
Tax	910	780	900	550	1,080	880	820	530	3,130	3,310	735	
Rate (%)	26.0	26.6	26.4	20.3	24.4	25.9	22.9	20.2	24.9	23.6	28.7	
Adjusted PAT	2,550	2,120	2,460	2,110	3,270	2,470	2,720	2,040	9,260	10,500	1,751	16.5%
YoY Change (%)	9.9	16.8	11.6	16.9	28.2	16.5	10.6	-3.3	13.7	13.4	-17.8	

E: MOFSL Estimates

Key Performance Indicators

Y/E March	FY19				FY20			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Volume growth (%)								
Parachute rigid	9.0	8.0	9.0	6.0	9.0	-1.0	-2.0	-8.0
Saffola (Refined Edible Oil)	10.0	5.0	2.0	18.0	3.0	1.0	11.0	25.0
VAHO	15.0	5.0	7.0	1.0	7.0	0.0	-7.0	-11.0
Domestic	12.4	6.0	5.0	8.0	6.0	1.0	-1.0	-3.0
International	3.0	8.0	9.0	8.0	6.0	10.0	12.5	-7.0
Overall	10.4	6.0	6.0	8.0	6.0	3.0	2.0	-4.0
Value growth (%)								
Parachute rigid	38.0	32.0	19.0	4.0	8.0	-4.0	-5.0	-12.0
Saffola (Refined Edible Oil)	9.0	9.0	8.0	15.0	6.0	5.0	13.0	25.0
VAHO	12.0	12.0	19.0	7.0	11.0	-6.0	-17.0	-18.0
Domestic	23.0	20.0	13.0	7.0	6.0	-3.0	-5.0	-8.0
International	9.0	18.0	21.0	14.0	9.0	8.0	8.0	-5.0
International cc	7.0	11.0	11.0	7.0	7.0	9.0	10.0	-6.0
Overall	20.5	19.6	14.7	8.5	6.7	-0.6	-2.2	-7.3
2Y average growth (%)								
Sales	8.3	13.1	14.8	10.6	13.7	9.6	6.3	0.8
EBITDA	-0.2	10.1	14.8	7.0	19.3	16.7	11.5	6.2
PAT	-1.7	8.7	13.3	11.3	19.1	16.7	11.1	6.8
% of Sales								
COGS	57.7	56.0	53.7	51.0	52.5	50.4	50.9	50.7
Operating Expenses	24.2	27.4	27.0	30.8	26.2	30.3	28.7	30.4
Depreciation	1.5	1.7	1.7	2.4	1.6	1.9	1.8	2.5
YoY change (%)								
COGS	33.4	26.1	15.5	3.8	-2.8	-10.4	-7.2	-7.4
Operating Expenses	2.5	9.1	9.8	13.0	15.7	10.1	4.2	-8.1
Other Income	8.4	35.3	21.1	22.4	16.7	20.7	31.8	14.3
EBIT	10.2	16.3	17.1	11.3	27.2	16.1	4.0	-4.3

E: MOFSL Estimates

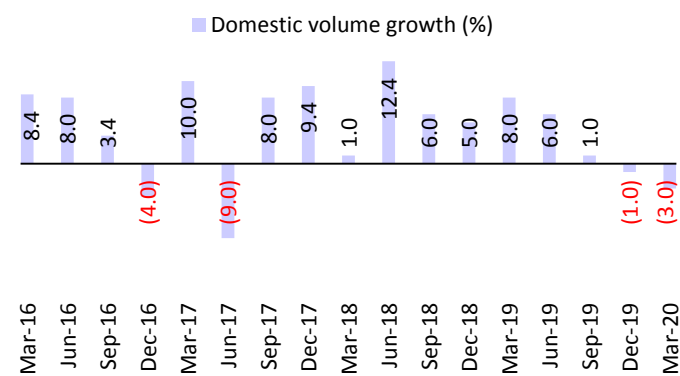
- Lower A&P expenses as a percentage of sales (down 110bp YoY to 8.4%; absolute A&P spends down 17.6% YoY) and staff cost (down 10bp YoY to 7.2%) were partially offset by higher other expenses (up 80bp YoY to 14.8%). This led to EBITDA margin expansion of 60bp YoY to 18.9%.

Exhibit 1: Overall volumes declined 4% while India business volumes declined 3% in 4QFY20

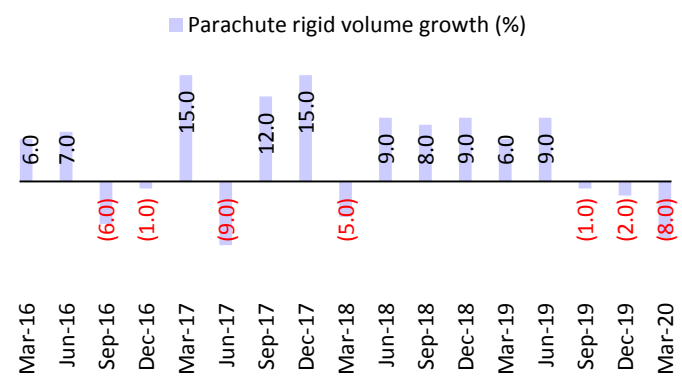
Marico India Segment growth (%)	4QFY19		1QFY20		2QFY20		3QFY20		4QFY20	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Parachute Rigid	6	4	9	8	(1)	(4)	(2)	(5)	(8)	(12)
Saffola (Refined Edible Oil)	18	15	3	6	1	5	11	13	25	25
Value added hair oils	1	7	7	11	0	(6)	(7)	(17)	(11)	(18)
Domestic Business	8	7	6	6	1	(3)	(1)	(5)	(3)	(8)

Source: Company, MOFSL

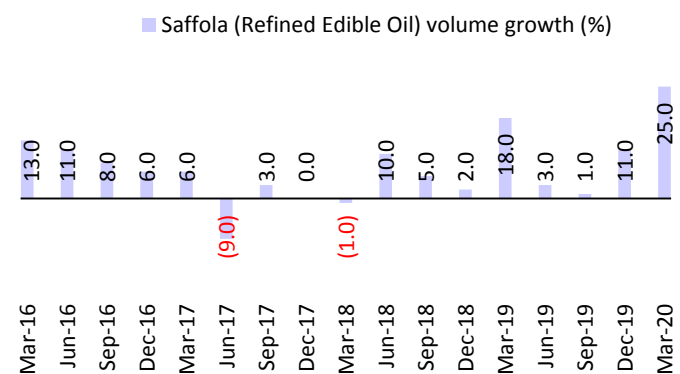
- **4QFY20 S/A sales declined 7.9% YoY**, EBITDA dropped 4% YoY while adj. PAT decreased 5.8% YoY. EBITDA margin expanded 80bp YoY to 18.4%. Domestic revenue declined ~8% YoY with volume decreasing 3% (in line with est. -3%).

Exhibit 2: Domestic volumes declined 3% in 4QFY20

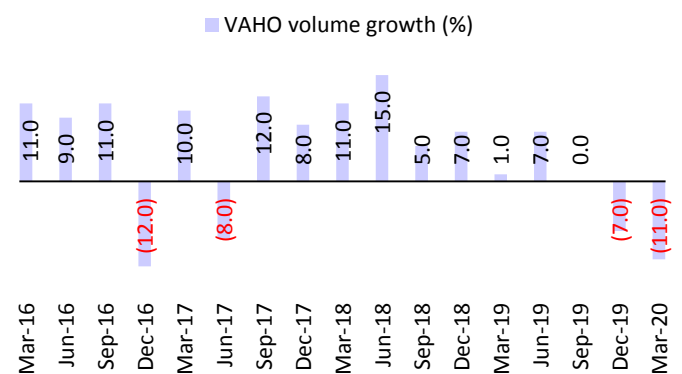
Source: MOFSL, Company

Exhibit 3: Parachute rigid volumes declined 8%

Source: MOFSL, Company

Exhibit 4: Saffola (Refined Edible Oil) volumes up 25%

Source: MOFSL, Company

Exhibit 5: VAHO volumes declined 11%

Source: MOFSL, Company

Exhibit 6: Consolidated segmental details

	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20
Sales growth (%)									
Domestic	11.7	22.6	19.9	12.8	7.2	6.3	(2.8)	(4.8)	(7.6)
International	12.7	9.4	18.4	21.2	14.2	9.0	8.3	7.9	(5.1)
Total	11.9	19.8	19.6	14.6	8.7	6.9	(0.4)	(2.0)	(7.0)
EBIT margins									
Domestic EBIT margins	20.7%	18.4%	17.1%	19.7%	19.4%	21.1%	19.2%	21.6%	20.8%
International EBIT margins	10.5%	20.1%	17.7%	19.1%	16.3%	24.4%	20.4%	19.1%	16.3%
Total	18.5%	18.7%	17.2%	19.6%	18.6%	21.7%	19.5%	21.0%	19.7%

Source: Company, MOFSL

- FY20 consol. sales/ EBITDA/ PAT growth stood at -0.3%/ +10.9%/ +13.4% YoY. EBITDA margin expanded 200bp YoY to 20.1%.

- On the consol. balance sheet front, for FY20, OCF increased 14.7% to INR12.2b and FCF increased 12.3% YoY to INR10.3b v/s PBT growth of 11.6%.

Key highlights of Domestic business (77% of turnover in FY20)

- The India business recorded volume decline of 3%, vastly affected by disruptions in the last fortnight of Mar'20 due to the COVID-19 led lockdowns initially enforced in some states and eventually all over the country. If not for this disruption, the domestic business would have delivered low-to-mid single-digit volume growth during the quarter.
- The company witnessed some encouraging signs for demand in its core portfolios until early-Mar'20, which sharply diminished as economic activity progressively slowed and adherence to social distancing norms became imperative. Stress in the personal care category heightened during this period. In contrast, foods and allied categories, which were growing healthily earlier as well, gained disproportionately as households stocked up these items in the days leading to the lockdown.
- Challenges for the traditional channel in rural and urban areas mounted during the quarter, while Modern Trade (MT) and Ecommerce grew healthily and gained higher salience in the India business.

Segmental

- **Parachute Rigids:** The brand declined 8% in volume terms in 4QFY20 (flat in FY20). *Parachute* posted low-single digit volume growth in the first two months of the quarter, as impending pricing corrections and consumer promotions hit retail shelves at the beginning of the quarter. However, volumes declined in Mar'20 owing to disruption in supply chain operations, which led to negligible sales in the last week. Overall, volume market share of the Coconut Oil franchise (includes *Nihar Naturals* and *Oil of Malabar*) expanded to 62% in 4QFY20.
- **Value Added Hair Oils:** VAHO was down 11% in volume terms in 4QFY20 (-2% in FY20), as primary sales plummeted in the second half of Mar'20 with cessation of sales in the last week. However, there was a modest decline in secondary volumes during the quarter. The mid and premium segments of the category continued to underperform. Despite the same, the franchise gained market share in both volume/value terms to 35%/~26%.
In the medium term, MRCO aims to revive growth in this franchise by adopting a three-pronged strategy, which includes (a) aggressive participation at the pyramid's bottom on the back of its leadership position, (b) accelerating growth in the mid segment through pricing and brand renovation, and (c) aiming to gain market share in the premium segments (where the company is relatively under-represented) through innovations that offer higher order sensorial/functional benefits and brand building.
- **Saffola (refined edible oil):** *Saffola* refined edible oils grew 25% in volume terms in 4QFY20 on robust base (+9% in FY20). The brand maintained its healthy growth run, topped up by households stocking up on food and essential items in the early stages of the COVID-19 outbreak. While the brand posted healthy growth in the traditional channel, higher salience in the new age channels of MT and Ecommerce enabled it to further outperform through the quarter. Growth was backed by significant media investments and in-store promoter programs.

- **Premium Hair Nourishment and Male Grooming** declined 19% and 9% in volume terms, respectively, as discretionary personal care portfolios lost favor during the lockdown.
 - **Premium Hair Nourishment:** Despite the decline in 4QFY20, *Livon* Serum posted high single-digit volume growth in FY20. While growth in bottle packs was led by new age channels (MT and Ecommerce), the 2.5ml sachet pack (priced at INR3) played its role as the key trial pack by expanding the brand's reach in General Trade.
 - **Male grooming:** This declined during the quarter mainly due to near-zero sales in the last fortnight of Mar'20. The franchise (ex-deos) grew 5% in volume terms in FY20.
- **Outlook for Domestic business:** EBITDA margins are expected at 20% plus in the India business over the medium term.
 - **Parachute Rigid:** Volumes should grow in the range of 5-7% over the medium term.
 - **VAHO:** Company aims to revive volume growth in this franchise in the near term.
 - **Saffola:** Company aims to sustain high single-digit volume growth over the medium term.
 - **Healthy Foods:** 20% plus CAGR over the medium term.
 - **Premium Hair Nourishment, Male Grooming and Skin Care:** Value growth of 20% plus CAGR over the medium term. Though, in the near term, its expectations remain soft.

Key highlights of International business (23% of turnover)

- International business' reported revenues declined 6% in constant currency (CC) terms. MENA and South Africa posted sharp drops while Bangladesh and Vietnam still ended in the green, given the relatively limited restrictions imposed in these regions in Mar'20.
- **Bangladesh (49% of International business)** revenues grew 6% in CC terms during the quarter despite the enforcement of a lockdown in the country in the last week of Mar'20.
- **South East Asia – majorly Vietnam and Myanmar (26% of International business)** saw sales growth of 5% in CC terms in 4QFY20.
- **Middle East and North Africa (12% of International business)** revenues declined 50% in CC terms in 4QFY20. The business has recovered in Apr'20 and MRCO hopes that normalcy would return by end-1QFY21.
- **South Africa (7% of International business)** sales declined 26% in CC terms in 4QFY20 due to continued macro headwinds coupled with social distancing and other restrictions that were enforced to contain the COVID-19 outbreak in the region. The macros in the region remained weak. MRCO expects some revival in this business over the medium term on the back of a pipeline of new products.
- **New Country Development & Exports (6% of the International Business)** generated revenues of nearly USD14m in FY20 with expansion in adjacent markets such as Nepal and Bhutan, exports to diaspora and other markets. The business grew 2% in CC terms during 4QFY20 (33% in FY20).
- **Outlook for International business:** Organic broad-based double-digit constant currency growth with aim to maintain operating margins at 20% over the medium term.

- **Bangladesh:** Company is confident of delivering double-digit CC growth in this geography over the medium term. In FY21, however, the macro headwinds may indicate a higher single-digit CC growth.
- **South East Asia:** Expect to deliver steady CC growth in this geography over the medium term.
- **MENA:** Cautious about Egypt and would be aggressive on cost management.
- **South Africa:** In the context of macro headwinds in the region, MRCO remains cautious on the near term outlook for the business.
- **New Country Development & Exports:** The company remains positive on the future prospects of this business as it incubates new geographies to expand its franchise.

Outlook for Consolidated business

- While the company aspires to deliver 8-10% volume growth and 13-15% revenue growth in the medium term, the near term is currently unpredictable.
- Operating margin is expected to be maintained at 19%+ over the medium term.
- **Capex:** For FY21, it is likely to be ~INR 1.25-1.5b.
- Other expense is likely to range between 11-13% of turnover in the medium term.
- **Tax rate:** MAT credit as on 31st Mar'20 stood at ~INR1.33b and is expected to be utilized by the company in the coming years. The company would continue to recognize tax expense after availing exemptions/deductions as per the existing provisions of the Income Tax Act and would not opt for the revised rate structure.

Update on new launches

- **Personal care** – Driven by the heightened awareness for personal hygiene led by COVID-19, MRCO launched hand washes and hand sanitizers across markets. It launched *Mediker* Hand Sanitizer in the domestic market in Apr'20. Marico Bangladesh launched *Mediker SafeLife* Hand Sanitizer and Hand Wash whereas *X-Men Go* Hand Sanitizer was launched in South East Asia markets.
- **Hygiene** – Launched *Veggie Clean*, a first-of-its-kind fruit and vegetable cleaner across MT and Ecommerce channels in two SKUs - 200ml and 400ml for INR149 and INR289, respectively.



Conference Call Highlights

Holistic view

- The Jan-Feb'20 period was better than the previous two quarters before restricted movement and the subsequent national lockdown came into force.
- Mid-single-digit primary terms would have been witnessed if not for the COVID-19 impact. *Parachute* volumes had recovered before COVID-19 v/s the previous two quarters.
- 90-95% of MRCO's portfolio gained market share.
- The company has recently attained 70-80% of normal working levels.
- *Saffola* is doing well amid resurgence of at-home cooking and rising health awareness. This makes the company confident of double-digit growth in FY21. Value for money for consumers and focus on *Gold* and *Total* ranges (have higher realizations) are under focus. No panic buying was witnessed after the second and third week of Mar'20 and yet *Saffola* is doing well.

- Other than discretionary part of its portfolio, the core part is trending well in the current quarter.
- Expect *kirana* stores and Ecommerce sales to be much higher this year as they provide quick and safe shopping experience. Premium personal care from chemist outlets would also be more prevalent. DIY personal care brand usage would also pick up in the absence of salons.
- Stronger brands with better distribution networks are doing better in the 'Red' zones declared by the government.

Other Category highlights

- *Parachute* is well placed to gain share from smaller players that have working capital pressures and weak access to distribution. Low unit packs (LUP) would be the key growth driver. The brand is trusted and untouched by hand, which are additional factors that would enable conversion.
- VAHO - There has been a decline in the premium end of the market.
- VAHO Aloe Vera and Dry Fruit oil are doing well among new products.
- VAHO category has not witnessed decline in growth but there has been more of down-trading.
- As VAHO is crude linked, MRCO can pass on the savings in crude cost (due to recent correction in crude price) to regain market share from the lower end by providing value to customers.
- VAHO – Non-sticky and premium segment is getting affected more by the current COVID-19 led disruption. MRCO has disproportionately lower share in this segment.
- Youth portfolio remained weak in April as well.

Five factors that Marico would focus on in FY21

- MRCO's focus would be to realign its portfolio more toward nutrition and hygiene.
- MRCO is proactively looking at new last-mile options including direct sales model (through tele-calling and mobile app), retail aggregators and initiatives like *saffolastores.in*. It would scale up some of these channels eventually.
- The company would be selective with ad-spends on core business and would focus more on digital media.
- Cost savings would be a key focus area for the company to deal with the current challenging situation.
- New millennial way of working would be accelerated in the post COVID-19 era.

Overseas business

- Bangladesh and Vietnam (70% of overseas sales) did well. Outlook on both these markets is good from FY21 perspective as well.
- Bangladesh is likely to open up soon from the lockdown, which in itself was less stringent than India. Skin care and baby care are doing well in addition to VAHO. Non-Parachute is 30% of the portfolio and is likely to be 40% in two years.

Other points

- For 4QFY20, ad-spends seem lower YoY due to higher NPD spends in the base quarter with ad-spends on *Kaya*, *True Roots* and *Crème*.

- Work from Home is for only 3-4% of the population and rest of the workforce would have to go to their workplaces post-lockdown. So it is unlikely that VAHO would get impacted after the removal of the lockdown.
- MRCO is supporting channel partners through lower inventory, selective credit, COVID insurance for third-party employees, sanitization of their facilities and using third-party transporters to help distributors.
- Copra costs may be slightly deflationary in the short term.
- MRCO is exploring all means for cost reduction but its first priority would be to protect jobs.
- In FY21, ad-spends could decline by 100bp and still share of voice (SOV) would be higher. For the next 6 months, no shooting of advertisements is likely to happen. Similarly, field sampling is also likely to be low for the next few months.
- Extension of temporary credit to trade, higher proportion of MT toward the year-end and increase in receivables from CSD channel led to an increase in receivable days by 3 days. Control over inventory and higher payables offset this growth, which meant that OCF at ~14.7% and FCF growth at 12.3% was ahead of the ~11.6% increase in PBT.

Valuation and view

What has happened in the last 10 years?

- In MRCO's key categories like Coconut Oil and Value Added Hair Oil (VAHO), the company reported healthy sales growth with volume growth in *Parachute* actually improving in recent years.
- In Saffola Foods (oats), the company was able to establish and successfully grow the Masala oats category.
- Growth in *Saffola* - the edible oil brand, has tapered off in recent years, partly due to strategic mistakes on pricing and partly owing to the company being unable to cater to the recently emerged super-premium segment of the market.
- Similarly, brands acquired from Paras/Reckitt i.e. *Livon*, *Set Wet* and *Zatak* have not scaled up to the expectations despite high category growth potential.
- Top line and earnings growth have nevertheless been healthy over the past 10 years with CAGR of ~11% for top line, 15% for EBITDA and 16% for PAT. While growth has been healthy over the past five years, it has tapered off compared to the past with sales/EBITDA/ PAT growth at ~5%/11%/~13%.

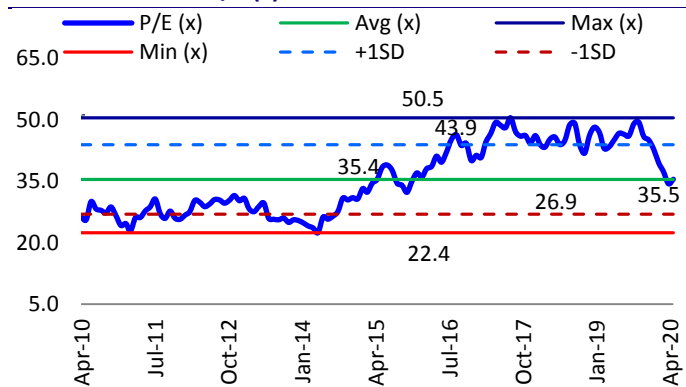
Our view on the stock

- MRCO has a more resilient portfolio of products than its peers to withstand the COVID-19 led sales and earnings decline in FY21. This is possible due to (a) recovery in *Parachute* volumes before the COVID-19 impact, (b) successful turnaround and strong growth witnessed in *Saffola* edible oils and foods, and (c) better outlook for the international business compared to peers. Further, outlook on material costs is also better than the earlier expectation of a possible inflation. Longer-term growth trajectory and eventual rerating would be determined by success of new products (an area in which success has been limited for now). Nevertheless, valuations appear attractive at 32x FY22E EPS, below 3-year/5-year/10-year average of 44.9x/43x/35.5x for a business that has better earnings visibility compared to peers. Maintain **Buy** with a TP of INR350.

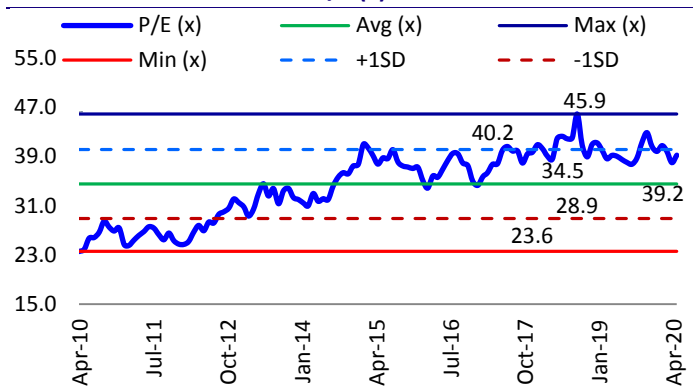
Exhibit 7: There is 1%/1.1% upgrade in our FY21/FY22E EPS

	Old		New		Change	
	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
Sales	76,529	87,162	73,824	84,070	-3.5%	-3.5%
EBITDA	14,621	16,619	14,624	16,596	0.0%	-0.1%
PAT	10,321	11,737	10,425	11,869	1.0%	1.1%

Source: Company, MOFSL

Exhibit 8: Marico P/E (x)

Source: Company, MOFSL

Exhibit 9: Consumer sector P/E (x)

Source: Company, MOFSL

Financials and Valuations

Income Statement						(INR Million)	
Y/E March	2016	2017	2018	2019	2020	2021E	2022E
Net Sales	60,173	59,178	63,220	73,340	73,150	73,824	84,070
Change (%)	5.0	-1.7	6.8	16.0	-0.3	0.9	13.9
COGS	30,887	28,472	33,720	40,170	37,450	38,159	43,449
Gross Profit	29,286	30,706	29,500	33,170	35,700	35,665	40,621
Margin (%)	48.7	51.9	46.7	45.2	48.8	48.3	48.3
Operating Expenses	18,773	19,113	18,130	19,920	21,010	21,041	24,025
EBITDA	10,514	11,593	11,370	13,250	14,690	14,624	16,596
Change (%)	20.8	10.3	-1.9	16.5	10.9	-0.4	13.5
Margin (%)	17.5	19.6	18.0	18.1	20.1	19.8	19.7
Depreciation	949	903	890	1,310	1,400	1,474	1,636
Int. and Fin. Charges	206	166	160	400	500	581	719
Other Income - Recurring	933	973	850	1,030	1,240	1,656	1,915
Profit before Taxes	10,292	11,497	11,170	12,570	14,030	14,226	16,155
Change (%)	27.2	11.7	-2.8	12.5	11.6	1.4	13.6
Margin (%)	17.1	19.4	17.7	17.1	19.2	19.3	19.2
Current Tax (excl MAT Ent)	2,503	2,922	2,840	3,310	3,470	3,509	3,985
Deferred Tax	551	455	60	-180	-160	71	81
Tax Rate (%)	29.7	29.4	26.0	24.9	23.6	25.2	25.2
Minority Interest	-5	-10	-130	-180	-220	-220	-220
Profit after Taxes	7,233	8,110	8,140	9,260	10,500	10,425	11,869
Change (%)	26.1	12.1	0.4	13.8	13.4	-0.7	13.8
Margin (%)	12.0	13.7	12.9	12.6	14.4	14.1	14.1
Extraordinary items	-5	0	0	1,880	-290	0	0
Reported PAT	7,228	8,110	8,140	11,140	10,210	10,425	11,869

Balance Sheet						(INR Million)	
Y/E March	2016	2017	2018	2019	2020	2021E	2022E
Share Capital	1,290	1,291	1,290	1,290	1,290	1,290	1,290
Reserves	18,884	21,966	24,140	28,700	28,940	37,660	38,209
Net Worth	20,174	23,257	25,430	29,990	30,230	38,950	39,499
Minority Interest	143	133	120	110	130	130	130
Loans	3,313	2,388	3,090	3,490	5,580	6,030	6,480
Capital Employed	23,630	25,778	28,640	33,590	35,940	45,110	46,109
Gross Fixed Assets	6,119	7,440	8,120	9,140	13,110	11,790	13,090
Intangibles	328	361	600	550	410	605	605
Less: Accum. Depn.	-917	-1,749	-2,480	-3,250	-4,650	-6,124	-7,760
Net Fixed Assets	5,531	6,053	6,240	6,440	8,870	6,271	5,935
Capital WIP	367	112	270	450	580	580	580
Goodwill	4,974	4,795	4,860	5,030	5,380	5,480	5,580
Investments	5,439	6,082	5,430	4,500	7,040	13,000	12,000
Curr. Assets, L&A	16,852	19,191	23,920	29,120	26,560	34,620	38,395
Inventory	9,256	12,534	15,110	14,110	13,800	15,503	17,318
Account Receivables	2,521	2,470	3,400	5,170	5,390	6,275	6,726
Cash and Bank Balance	3,171	2,360	2,010	5,520	2,790	7,163	7,768
Others	1,904	1,828	3,400	4,320	4,580	5,678	6,583
Curr. Liab. and Prov.	9,953	10,329	11,880	13,710	14,020	14,841	16,382
Current Liabilities	8,395	9,040	10,560	12,260	12,690	13,342	14,752
Accounts Payable	6,690	6,966	8,220	9,440	9,780	10,176	11,334
Provisions	1,558	1,289	1,320	1,450	1,330	1,499	1,630
Net Current Assets	6,899	8,862	12,040	15,410	12,540	19,779	22,014
Deferred Tax Liability	421	-125	-200	1,760	1,530	0	0
Application of Funds	23,630	25,778	28,640	33,590	35,940	45,110	46,109

E: MOFSL Estimates

Financials and Valuations

Ratios

Y/E March	2016	2017	2018	2019	2020	2021E	2022E
Basic (INR)							
EPS	5.6	6.3	6.3	7.2	8.1	8.1	9.2
Cash EPS	6.3	6.8	7.0	9.7	9.0	9.2	10.5
BV/Share	15.6	18.0	19.7	23.2	23.4	30.2	30.6
DPS	3.5	4.3	4.6	6.6	7.6	7.7	8.8
Payout %	62.4	67.6	72.4	76.3	96.0	94.8	95.4
Valuation (x)							
P/E	50.6	45.2	45.0	39.6	34.9	35.1	30.9
Cash P/E	44.8	41.5	40.6	29.4	31.6	30.8	27.1
EV/Sales	6.0	6.1	5.7	4.9	5.0	4.8	4.2
EV/EBITDA	34.3	31.1	31.8	27.2	24.7	24.1	21.3
P/BV	18.2	15.8	14.4	12.2	12.1	9.4	9.3
Dividend Yield (%)	1.2	1.5	1.6	2.3	2.7	2.7	3.1
Return Ratios (%)							
RoE	37.7	37.3	33.4	33.4	34.9	30.1	30.3
RoCE	31.9	33.3	30.8	31.3	31.9	27.3	27.7
RoIC	41.5	47.4	40.7	40.7	41.7	39.4	44.7
Leverage Ratio							
Debt/Equity (x)	0.2	0.1	0.1	0.1	0.2	0.2	0.2

Cash Flow Statement

(INR Million)

Y/E March	2016	2017	2018	2019	2020	2021E	2022E
OP/(loss) before Tax	10,287	11,487	11,170	12,630	13,740	14,226	16,155
Int./Div. Received	-594	-43	-280	320	-1,000	-1,656	-1,915
Depreciation	949	903	890	960	1,500	1,474	1,636
Interest Paid	206	-197	-180	-300	500	581	719
Direct Taxes Paid	-2,474	-2,964	-2,950	-3,200	-2,890	-3,509	-3,985
(Incr)/Decr in WC	-197	-2,698	-3,490	210	330	-2,865	-1,630
CF from Operations	8,176	6,487	5,160	10,620	12,180	8,249	10,980
(Incr)/Decr in FA	-864	-815	-1,280	-1,430	-1,860	1,125	-1,300
Free Cash Flow	7,312	5,673	3,880	9,190	10,320	9,374	9,680
(Pur)/Sale of Investments	-1,180	15	700	1,030	-2,540	-5,960	1,000
Others	1,000	-760	740	-180	-4,125	10,368	-439
CF from Invest.	-1,044	-1,560	160	-580	-8,525	5,533	-739
Issue of Shares	5	0	0	0	0	0	0
(Incr)/Decr in Debt	0	0	0	0	2,090	450	450
Dividend Paid	-5,023	-5,088	-6,360	-6,820	-8,495	-9,799	-9,886
Others	-992	-652	690	290	20	-61	-199
CF from Fin. Activity	-6,010	-5,740	-5,670	-6,530	-6,385	-9,409	-9,635
Incr/Decr of Cash	1,122	-812	-350	3,510	-2,730	4,373	606
Add: Opening Balance	2,049	3,171	2,360	2,010	5,520	2,790	7,163
Closing Balance	3,171	2,360	2,010	5,520	2,790	7,163	7,768

E: MOFSL Estimates

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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