



3R MATRIX

	+	=	-
Right Sector (RS)	✓	■	■
Right Quality (RQ)	✓	■	■
Right Valuation (RV)	✓	■	■

+ Positive = Neutral - Negative

What has changed in 3R MATRIX

	Old		New
RS	■	↔	■
RQ	■	↔	■
RV	■	↔	■

Company details

Market cap:	Rs. 88,203 cr
52-week high/low:	Rs. 693 / 487
NSE volume: (No of shares)	29.1 lakh
BSE code:	531642
NSE code:	MARICO
Free float: (No of shares)	52.7 cr

Shareholding (%)

Promoters	59.3
FII	24.9
DII	11.3
Others	4.5

Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	5.7	5.3	33.8	16.6
Relative to Sensex	3.3	-1.4	22.9	-4.9

Sharekhan Research, Bloomberg

Marico Ltd

Striving for consistent earnings growth

Consumer Goods	Sharekhan code: MARICO		
Reco/View: Buy	↔	CMP: Rs. 681	Price Target: Rs. 821 ↑
↑ Upgrade	↔ Maintain	↓ Downgrade	

Summary

- We re-iterate a Buy on Marico with a revised PT of Rs. 821. Stock trades at 52x, 45x and 39x its FY25E, FY26E and FY27E earnings, respectively with near to medium-term growth prospects intact.
- Management expects revenue growth to improve to double digits in H2FY2025 with volume growth in the improving trajectory and international business expected to perform despite uncertainties in key markets.
- Share of foods and premium personal care portfolio to domestic business revenues will rise to 25% by FY2027 from 20% in FY2024 with an over 20% CAGR growth in both the businesses.
- Consolidated OPM to remain flat in FY2025. Management expects margins to inch up gradually over the next five years, leveraging on premiumisation of the portfolio.

Marico's revenue growth is expected to improve to low double-digits in H2FY2025 with an expected improvement in volume growth of core domestic categories and strong double-digit growth in emerging businesses such as foods and premium personal care. Despite uncertainties in some key international markets (such as Bangladesh), the international business is expected to post steady performance with improved performance in MENA and South African business. Further, the company is progressing well on its portfolio diversification journey in India business with share of foods and premium personal care (including Digital-First brands) in domestic revenues reaching ~20% in FY2024 from ~10% in FY2022. Both the businesses are scaling up fast and will help Marico's India business to post low double-digit revenue growth along with consistent improvement in margins in the medium term. We expect Marico's consolidated earnings to grow at CAGR of 15% over FY2024-27E (to be better compared with ~9% CAGR earnings growth over FY2020-24).

- Revenues to grow in double-digits in H2FY2025:** With expected improvement in the volume growth, Marico eyes low double-digit revenue growth in H2FY2025. Growth will largely be driven by volume growth while pricing growth will be marginal in the near term. Parachute rigid pack volume growth is expected to improve to high single-digit in the quarters ahead. This along with gradual recovery in the performance of VAHO portfolio and strong double-digit growth in the foods and premium personal care business will help domestic business to grow in double-digits. Despite uncertainties in Bangladesh, international business is expected to post stable performance in the quarters ahead. Consolidated OPM is expected to marginally improve or remain flat y-o-y in the quarters ahead.
- Food & premium personal care contribution to reach 25% by FY2027:** Marico made steady progress on its portfolio diversification journey in the India business, with the share of Foods and Premium Personal Care (including Digital-First brands) in domestic revenues reaching ~20% in FY2024 from ~10% in FY2022. It will continue to aggressively diversify the portfolio by scaling up its Foods and Premium Personal Care segments in the coming years. It aims to achieve a 20-25% CAGR for Foods, aiming to scale it to 2x its current size by FY2027. Similarly, it aims to achieve a 20%+ CAGR in the Premium Personal Care portfolio, within which it expects to double the current annual recurring revenue (ARR) of the Digital-first portfolio to Rs. 1,000 crore by FY2027. Consequently, Marico expects the share of the food and premium personal care portfolios to rise to ~25% by FY2027.
- International business – Focus on reducing dependence on Bangladesh:** Marico's international business is expected to maintain double-digit constant currency revenue growth with aggressive investments behind diversifying its portfolio through innovation and expansion of the total addressable market across key international regions. It witnessed a strong ramp up in the MENA region through the expansion of its Hair Oils portfolio, as well as healthy traction in the Hair Care and Health Care portfolios in South Africa. In Vietnam, the expansion into female personal care has built new growth levers for the business. With this diversification, the company is focusing on reducing the revenue and profit dependence on Bangladesh in the coming years.

Our Call

View – Retain Buy with a revised PT of Rs. 821: Marico eyes low double-digit earnings growth in the near to medium term with gradual improvement in volume growth of the core portfolio, over 20-25% growth in new businesses, and consistent improvement in the profitability. Portfolio diversification to premium foods and personal care products will improve the revenue growth trajectory in the long run. We have introduced FY2027E financials through this note. The stock trades at 52x, 45x and 39x its FY2025E, FY2026E and FY2027E EPS, respectively. We retain our Buy rating on the stock with a revised PT of Rs. 821 (rolling it over Sept-26 earnings).

Key Risks

A sharp rise in key input prices from current levels, uncertainties living longer than expectation in Bangladesh or heightened competition in core categories would act as a key risk to our earnings estimates.

Valuation (Consolidated)

Particulars	FY23	FY24	FY25E	FY26E	FY27E
Revenue	9,764	9,653	10,649	11,958	13,338
OPM (%)	18.5	21.0	21.3	21.7	22.1
Adjusted PAT	1,322	1,502	1,701	1,973	2,264
% YoY growth	5.3	13.6	13.2	16.0	14.8
Adjusted EPS (Rs.)	10.2	11.6	13.2	15.3	17.5
P/E (x)	66.5	58.5	51.7	44.6	38.8
P/B (x)	23.1	22.9	20.1	17.0	14.0
EV/EBIDTA (x)	48.2	43.2	37.9	33.1	28.7
RoNW (%)	37.0	39.4	41.5	41.3	39.5
RoCE (%)	41.0	41.4	44.2	46.5	45.4

Source: Company; Sharekhan estimates

Food & premium personal care contribution to reach 25% by FY2027

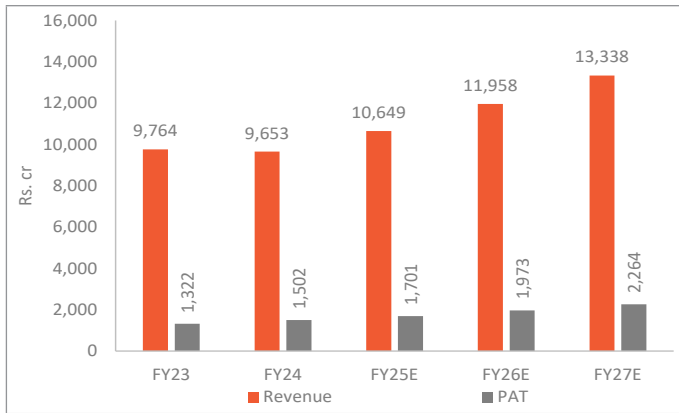
Marico has made steady progress on its portfolio diversification journey in the India business, with the share of Foods and Premium Personal Care segments (including Digital-first brands) in domestic revenues reaching ~20% in FY2024 from ~15% in FY2023. It will continue to aggressively diversify the portfolio by scaling up its Foods and Premium Personal Care segments in the coming years. It aims to achieve a 20-25% CAGR for Foods, aiming to scale it to 2x its current size by FY2027. Marico is developing a manufacturing capacity and long-term supply chain capability. It will continue to launch new products under the Saffola brand to expand the portfolio with relevant products. Similarly, Marico aims to achieve a 20%+ CAGR in the Premium Personal Care portfolio, within which it expects to double the current annual recurring revenue (ARR) of the Digital-first portfolio to Rs. 1,000 crore by FY2027. Two of its brands - Beardo and Plix are on a high-growth momentum with ARR of over Rs. 200 crore, and therefore have the ability to hit Rs. 500 crore in the next four to five years. Consequently, Marico expects the share of the food and premium personal care portfolios to rise to ~25% by FY2027.

International business – focus on reducing dependence on Bangladesh

In the International business, the company remains committed to aggressively invest behind diversifying its portfolio through innovation and expansion of the total addressable market across key international regions. It witnessed a strong ramp up in the MENA region through the expansion of the Hair Oils portfolio in the region, as well as healthy traction in the Hair Care and Health Care portfolios in South Africa. This strong growth momentum and turning profitable in MENA and South Africa has structurally strengthened and provided margin upside in the overall international business over the medium term. In Vietnam, the expansion into female personal care has built new growth levers for the business. With this diversification, Marico is focusing on reducing the revenue and profit dependence on the Bangladesh market in the coming years. Overall, Marico's international business is expected to grow in double-digits in the medium to long run.

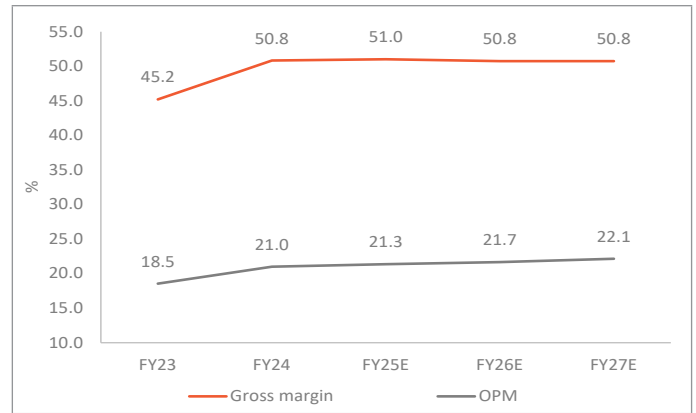
Financials in charts

Steady growth in revenue & PAT



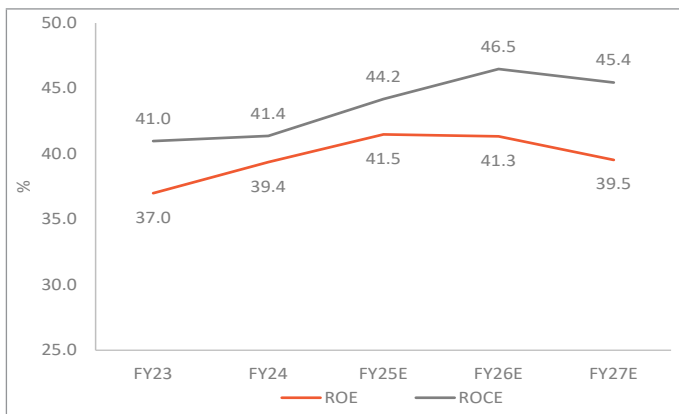
Source: Company, Sharekhan Research

Margins to remain largely flat in coming years



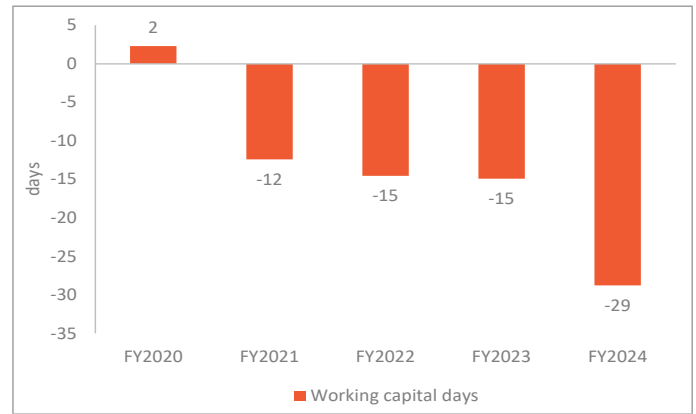
Source: Company, Sharekhan Research

Trend in return ratios



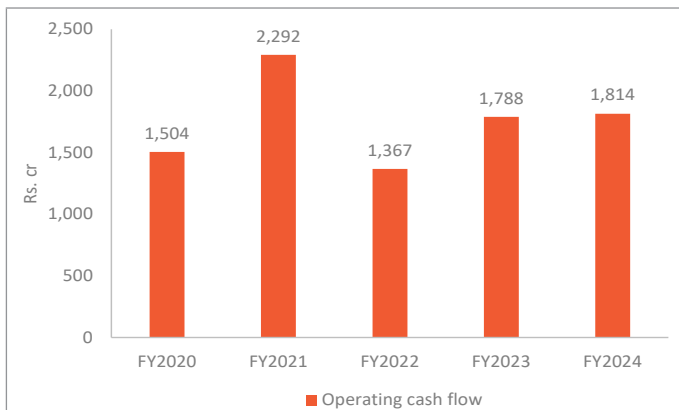
Source: Company, Sharekhan Research

Negative working capital cycle



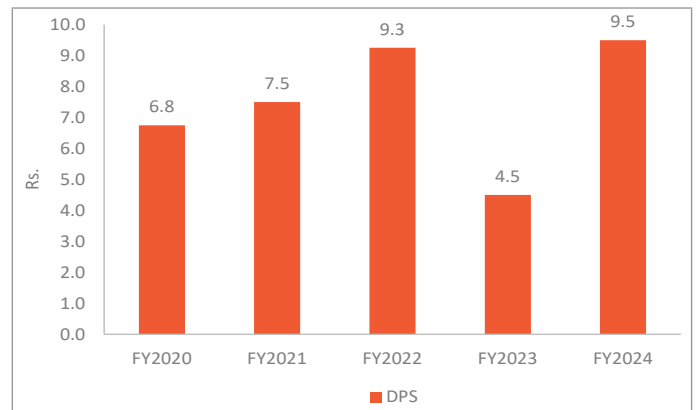
Source: Company, Sharekhan Research

Strong operating cash flow generation



Source: Company, Sharekhan Research

History of dividend paid



Source: Company, Sharekhan Research

Outlook and Valuation

■ Sector Outlook – H2FY2025 will be better as compared to H1

Rural growth is gradually picking up with a modest improvement in demand. Expectations of a better monsoon and likely stimulus in the upcoming budget will further boost recovery going ahead. Although the monsoon season started with a delay, the spread of the monsoon is good and we expect rainfall to pick up in the coming months. The government has already increased its focus on rural markets by incentivising through welfare schemes and increasing MSPs of various crops. We expect volume growth to be much better in H2FY2025, which will provide consumer goods companies with decent earnings growth. If commodity/key input prices move up from the current level, then consumer goods companies will opt for price hikes in the coming quarters. Rising commodity prices will reduce competition from small/regional players in various markets. Thus, overall growth trends remain positive for most companies under our coverage.

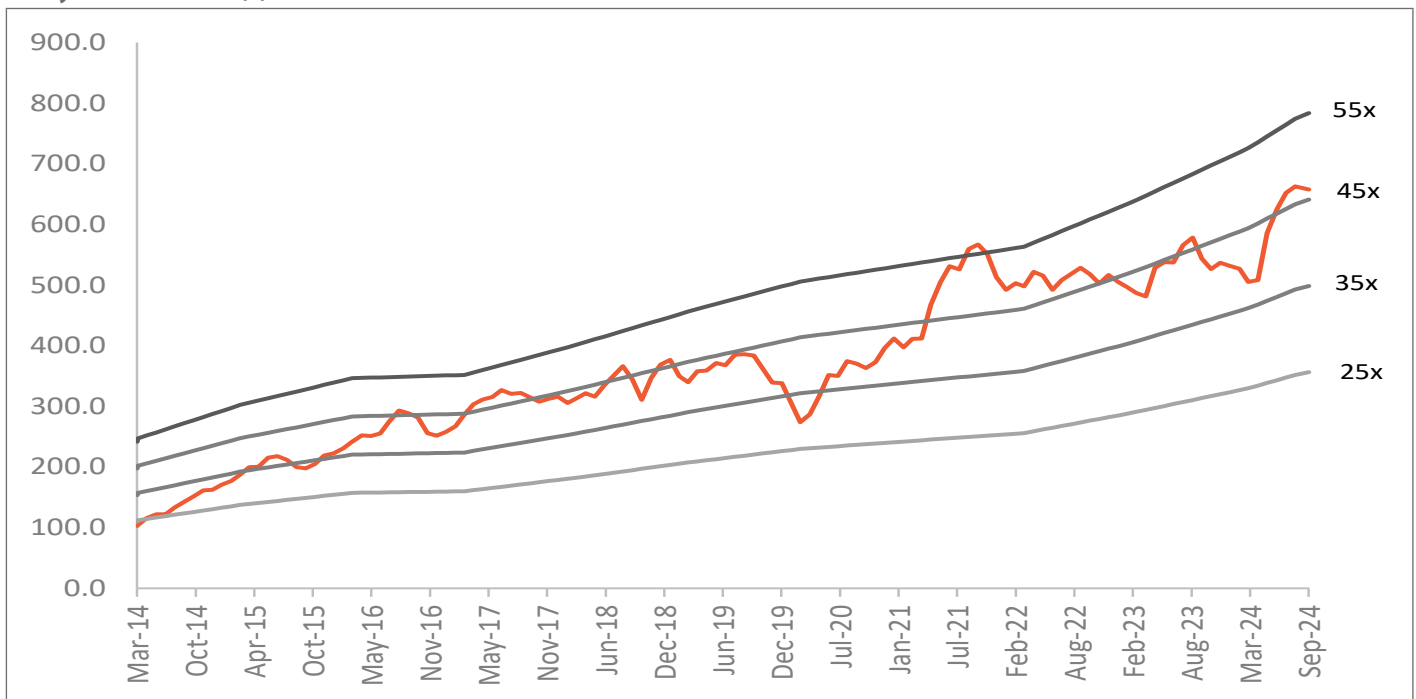
■ Company Outlook – Eyeing low teens revenue growth in FY2025

Marico is firm on its aspiration to deliver low double-digit revenue growth, aided by high single-digit volume growth in the domestic business and double-digit CC growth in the international business in FY2025. Raw-material inflation will result in OPM remaining flat in FY2025. Consistent growth in the core portfolio, >20% growth in the foods and premium personal care portfolio, and double-digit growth in the international business will help revenue to grow in double digits in the medium term. Higher contribution from high-margin products and cost efficiencies will drive consistent margin expansion in the medium term.

■ Valuation – Retain Buy with a revised PT of Rs. 821

Marico eyes low double-digit earnings growth in the near to medium term with gradual improvement in volume growth of the core portfolio, over 20-25% growth in new businesses, and consistent improvement in the profitability. Portfolio diversification to premium foods and personal care products will improve the revenue growth trajectory in the long run. We have introduced FY2027E financials through this note. The stock trades at 52x, 45x and 39x its FY2025E, FY2026E and FY2027E EPS, respectively. We retain our Buy rating on the stock with a revised PT of Rs. 821 (rolling it over Sept-26 earnings).

One-year forward P/E (x) band



Source: Sharekhan Research

Peer Comparison

Particulars	P/E (x)			EV/EBITDA (x)			RoCE (%)		
	FY24	FY25E	FY26E	FY24	FY25E	FY26E	FY24	FY25E	FY26E
Dabur	65.0	55.4	46.9	49.4	43.0	36.9	21.5	23.1	25.0
Hindustan Unilever	69.2	63.1	56.4	48.6	45.6	40.3	25.9	27.6	30.2
Emami	44.7	36.9	31.9	37.1	30.8	26.4	36.3	39.2	37.9
Marico	58.5	51.7	44.6	43.2	37.9	33.1	41.4	44.2	46.5

Source: Company, Sharekhan estimates

About the company

Marico is one of India's leading consumer products companies in the domestic hair and wellness market with a turnover of over Rs. 9,500 crore. The company is present in the categories of hair care, skin care, edible oils, health foods, and male grooming, with a vast portfolio of brands such as Parachute, Saffola, Hair & Care, Nihar, Livon, Kaya Youth, and Coco Soul. The company is currently present in 25 countries across emerging markets of Asia and Africa, including Middle East, Bangladesh, Vietnam, Egypt, and South Africa, which constitute ~25% of the total revenue. The company has a retail reach of over 5 million outlets in the domestic market.

Investment theme

Marico is a leading player in the domestic hair and wellness market with a leadership position in categories such as coconut oil (~63% market share), VAHO (~27% market share), and Parachute Rigids within coconut oil (~54% market share). Marico has a three-pronged strategy of driving growth through key categories, innovations/entrance into the niche category, and scaling up its presence in international geographies. In recent times, the company has entered into niche categories such as male grooming, premium hair nourishment, and healthy foods, which will not only improve the company's revenue growth trajectory but would also help boost margins in the long run due to their premium nature. Consistent innovations, a wide distribution network, and expansion in new-age channels like modern trade and e-commerce would be key platforms to achieve good growth in the near term.

Key Risks

- ◆ **Demand slowdown:** A slowdown in key product categories would affect overall demand and revenue growth.
- ◆ **Higher input prices:** A significant increase in prices of key raw materials such as copra (~40% of input costs) would affect profitability and earnings growth.
- ◆ **Increased competition in highly penetrated categories:** Increased competition in highly penetrated categories such as VAHO and edible oils would threaten revenue growth.

Additional Data

Key management personnel

Harsh Mariwala	Chairman
Saugata Gupta	Executive Director, Chief Executive Officer, and Managing Director
Pawan Agrawal	Chief Financial Officer
Vinay M A	Company Secretary and Compliance Officer

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Life Insurance Corp of India	4.48
2	First Sentier Investors ICVC	3.86
3	Blackrock Inc.	2.83
4	First Sentier Global Investment Fund PLC/Ireland	2.67
5	The Vanguard Group Inc.	1.63
6	Sharp Ventures Capital Pvt. Ltd.	1.41
7	Royal Bank of Canada	1.18
8	Quant Money Managers Ltd.	1.05
9	Norges Bank	0.94
10	FIL Ltd.	0.81

Source: Bloomberg

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Understanding the Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/weak realisation environment resulting in margin pressure and deteriorating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Sharekhan Research

Sharekhan

by BNP PARIBAS

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