

5 August 2025

Marico

Cyclical margin headwind in FY26, volumes can surprise; upgrading to a Buy

With a 9% rise in domestic volumes (vs. the Street's 8%) and a 20.1% EBITDA margin (vs. 20.3% est.), Marico posted good revenue but a weaker operating performance. Management, though, was optimistic of high single digit volume growth, led by its core categories, GT revival via Project SETU, and new businesses. Also, with higher prices of Parachute (up 60%) and Saffola, management guided to >25% revenue growth in FY26, and double-digit profit growth in two years. The price of copra have fallen 12% from its Jul peak, which along with price hikes should help gradual margin recovery in coming quarters. We introduce FY28 figures and raise our FY26e/27e EPS 4%/8% to factor in higher volumes, pricing and the VAHO revival. We turn bullish on the company on a) revival in its core portfolio aided by Project Setu, b) consistent volume delivery aided by digital brands & premium PC (22% of revenue) and c) potential cyclical margin reversion next year on the copra-price fall. Thus, we raise the stock to a Buy, with a higher 12-mth TP of Rs850, 47x Sep'27e EPS (earlier Rs710, 45x FY27e EPS).

Domestic revenue rose 23.3% y/y, aided by 9% volume growth. Parachute volumes slipped 1% (after ml-age adjustment up 1%) with 31% value growth; Saffola edible oil saw mid-single-digit volume and 28% value growth. Value-added hair oil revenue grew 13%, with a 140bp value market-share gain in Q1. The international business grew 19% in CC, led by 42% CC growth in MENA and 17% in Bangladesh. We forecast a 14% revenue CAGR over FY25-28, aided by a ~7% domestic volume CAGR and a 13% international revenue CAGR.

The EBITDA margin compressed 360bps y/y to 20.1%, driven by a 530bp drop in the gross margin, hurt by prices of copra up 100% y/y, rice bran oil up 31% y/y and a 10bp rise in brand spends, partly offset by staff costs down 90bps and other expenses down 90bps. The steep rise in copra/rice-bran oil prices are likely to weigh on FY26 margins though with a gradual improvement in coming quarters on price increases and some deflation in copra prices. We build in a 170bp y/y contraction for FY26, but flat EBITDA margins over FY25-28.

Valuations. At the CMP, the stock trades at 50x/42x/38x FY26e/27e/28e EPS of Rs14.3/17.1/19.1. **Key risks:** Keen competition, sharp rise in key input prices (eg, copra), launch failures.

| Key financials (YE Mar) | FY24 | FY25 | FY26e | FY27e | FY28e |
|-------------------------|--------|----------|----------|----------|----------|
| Sales (Rs m) | 96,531 | 1,08,312 | 1,32,867 | 1,45,401 | 1,59,807 |
| Net profit (Rs m) | 14,811 | 16,292 | 18,494 | 22,042 | 24,625 |
| EPS (Rs) | 11.5 | 12.6 | 14.3 | 17.1 | 19.1 |
| P/E (x) | 63.0 | 57.3 | 50.4 | 42.3 | 37.9 |
| EV / EBITDA (x) | 46.4 | 42.8 | 38.0 | 31.9 | 28.5 |
| P / BV (x) | 24.3 | 23.5 | 21.5 | 19.4 | 17.5 |
| RoE (%) | 38.7 | 41.0 | 42.6 | 45.9 | 46.2 |
| RoCE (%) | 33.8 | 35.4 | 37.9 | 41.3 | 42.0 |
| Dividend yield (%) | 1.3 | 1.5 | 1.6 | 1.9 | 2.1 |
| Net debt / equity (x) | -0.1 | -0.1 | -0.3 | -0.3 | -0.4 |

Source: Company, Anand Rathi Research

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Rating: **Buy**

Target price (12-mth): Rs.850

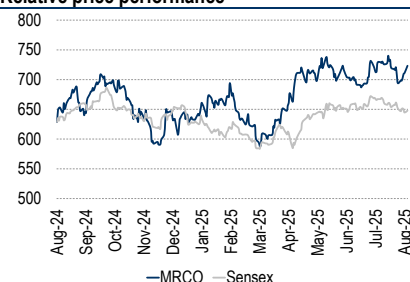
Share price: Rs.723

| Key data | MRCO IN |
|--------------------|-----------------|
| 52-week high / low | Rs.745 / 578 |
| Sensex / Nifty | 81,019 / 24,723 |
| Market cap | Rs.922bn |
| Shares outstanding | 1,296m |

| Shareholding pattern (%) | Jun'25 | Mar'25 | Dec'24 |
|--------------------------|--------|--------|--------|
| Promoters | 59.0 | 59.1 | 59.1 |
| - of which, Pledged | 2.0 | 0.1 | 0.1 |
| Free Float | 40.9 | 40.9 | 40.9 |
| - Foreign Institutions | 23.6 | 22.1 | 23.4 |
| - Domestic Institutions | 12.7 | 14.2 | 12.9 |
| - Public | 4.6 | 4.6 | 4.7 |

| Estimates revision (%) | FY26e | FY27e |
|------------------------|-------|-------|
| Sales | 10.6 | 9.7 |
| EBITDA | 2.3 | 5.7 |
| PAT | 4.1 | 8.0 |

Relative price performance



Source: Bloomberg

Ajay Thakur
Research Analyst

Quick Glance – Financials and Valuations

Fig 1 – Income statement (Rs m)

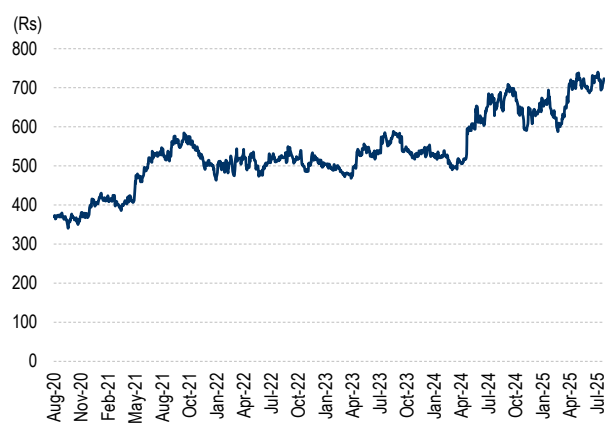
| Year-end: Mar | FY24 | FY25 | FY26e | FY27e | FY28e |
|-----------------------------|---------------|---------------|---------------|---------------|---------------|
| Net revenues | 96,531 | 1,08,312 | 1,32,867 | 1,45,401 | 1,59,807 |
| Growth (%) | -1.1 | 12.2 | 22.7 | 9.4 | 9.9 |
| Direct costs | 47,480 | 53,880 | 70,287 | 73,548 | 80,141 |
| Gross profit | 49,051 | 54,432 | 62,580 | 71,853 | 79,665 |
| Gross margins % | 50.8 | 50.3 | 47.1 | 49.4 | 49.9 |
| Other expenses | 29,120 | 33,050 | 38,668 | 43,516 | 48,196 |
| EBITDA | 19,931 | 21,382 | 23,912 | 28,337 | 31,470 |
| EBITDA margins (%) | 20.6 | 19.7 | 18.0 | 19.5 | 19.7 |
| - Depreciation | 1,580 | 1,770 | 1,984 | 2,055 | 2,149 |
| Other income | 1,750 | 2,080 | 2,500 | 2,800 | 3,200 |
| Interest expenses | 730 | 530 | 398 | 379 | 360 |
| PBT | 19,371 | 21,162 | 24,031 | 28,703 | 32,161 |
| Effective tax rates (%) | 22.5 | 21.6 | 22.0 | 22.3 | 22.5 |
| + Associates / (Minorities) | 210 | 290 | 250 | 275 | 300 |
| Net income | 14,811 | 16,292 | 18,494 | 22,042 | 24,625 |
| WANS | 1,290 | 1,290 | 1,290 | 1,290 | 1,290 |
| FDEPS (Rs) | 11.5 | 12.6 | 14.3 | 17.1 | 19.1 |

Fig 3 – Cash-flow statement (Rs m)

| Year-end: Mar | FY24 | FY25 | FY26e | FY27e | FY28e |
|--------------------------------|--------|--------|--------|--------|--------|
| PBT | 19,370 | 21,160 | 24,031 | 28,703 | 32,161 |
| + Non-cash items | -1,030 | -1,030 | 118 | 366 | 691 |
| Oper. prof. before WC | 20,400 | 22,190 | 23,912 | 28,337 | 31,470 |
| - Incr. / (decr.) in WC | -2,260 | -2,930 | 3,549 | 173 | 540 |
| Others incl. taxes | 3,780 | 4,840 | 5,287 | 6,386 | 7,236 |
| Operating cash-flow | 14,360 | 14,420 | 22,175 | 22,124 | 24,773 |
| - Capex (tang. + intang.) | -1,350 | -1,220 | -2,200 | -2,550 | -2,750 |
| Free cash-flow | 13,010 | 13,200 | 19,975 | 19,574 | 22,023 |
| Acquisitions | | | | | |
| - Div. (incl. buyback & taxes) | 12,290 | 5,000 | 14,835 | 17,415 | 19,350 |
| + Equity raised | 340 | 460 | - | - | - |
| + Debt raised | -910 | -50 | - | - | - |
| - Fin investments | -450 | 5,690 | - | - | - |
| - Misc. (CFI + CFF) | 930 | 1,200 | -2,102 | -2,421 | -2,840 |
| Net cash-flow | -330 | 1,720 | 7,242 | 4,580 | 5,513 |

Source: Company, Anand Rathi Research

Fig 5 – Price movement



Source: Bloomberg

Fig 2 – Balance sheet (Rs m)

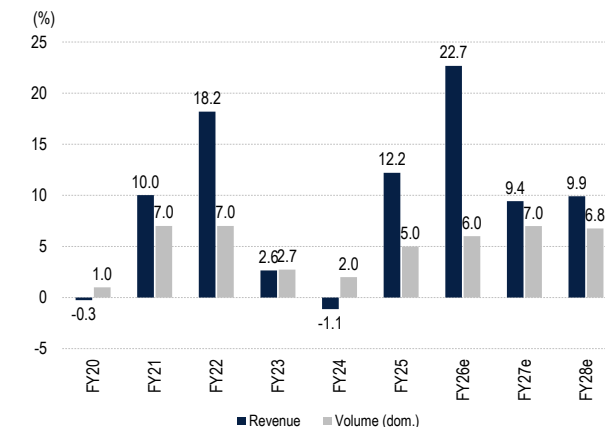
| Year-end: Mar | FY24 | FY25 | FY26e | FY27e | FY28e |
|-----------------------------|---------------|---------------|---------------|---------------|---------------|
| Share capital | 1,290 | 1,290 | 1,290 | 1,290 | 1,290 |
| Net worth | 38,320 | 39,740 | 43,399 | 48,026 | 53,300 |
| Debt | 3,830 | 3,790 | 3,790 | 3,790 | 3,790 |
| Minority interest | 3,370 | 2,910 | 3,160 | 3,435 | 3,735 |
| TL / (Assets) | 2,110 | 1,910 | 1,910 | 1,910 | 1,910 |
| Lease liabilities | - | - | - | - | - |
| Capital employed | 47,630 | 48,350 | 52,259 | 57,161 | 62,735 |
| Net tangible assets | 17,480 | 17,820 | 18,236 | 18,781 | 19,382 |
| Net intangible assets | 3,070 | 3,070 | 3,070 | 3,070 | 3,070 |
| Goodwill | 6,540 | 6,540 | 6,540 | 6,540 | 6,540 |
| CWIP (tang. & intang.) | 590 | 550 | 350 | 300 | 300 |
| Investments (strategic) | 3,230 | 1,940 | 1,940 | 1,940 | 1,940 |
| Investments (financial) | 2,790 | 13,960 | 13,960 | 13,960 | 13,960 |
| Current assets (excl. cash) | 30,400 | 31,160 | 36,301 | 39,340 | 43,135 |
| Cash | 9,430 | 7,770 | 15,012 | 19,592 | 25,105 |
| Current liabilities | 25,900 | 34,460 | 43,150 | 46,362 | 50,697 |
| Working capital | 4,500 | -3,300 | -6,849 | -7,022 | -7,562 |
| Capital deployed | 47,630 | 48,350 | 52,259 | 57,161 | 62,735 |

Fig 4 – Ratio analysis

| Year-end: Mar | FY24 | FY25 | FY26e | FY27e | FY28e |
|---------------------------------|------|------|-------|-------|-------|
| P/E (x) | 63.0 | 57.3 | 50.4 | 42.3 | 37.9 |
| EV / EBITDA (x) | 46.4 | 42.8 | 38.0 | 31.9 | 28.5 |
| EV / Sales (x) | 9.6 | 8.4 | 6.8 | 6.2 | 5.6 |
| P/B (x) | 24.3 | 23.5 | 21.5 | 19.4 | 17.5 |
| RoE (%) | 38.7 | 41.0 | 42.6 | 45.9 | 46.2 |
| RoCE (%) - after tax | 33.8 | 35.4 | 37.9 | 41.3 | 42.0 |
| RoIC (%) - after tax | 46.7 | 54.8 | 76.4 | 96.4 | 106.6 |
| DPS (Rs) | 9.5 | 10.5 | 11.5 | 13.5 | 15.0 |
| Dividend yield (%) | 1.3 | 1.5 | 1.6 | 1.9 | 2.1 |
| Dividend payout (%) - incl. DDT | 82.7 | 83.1 | 80.2 | 79.0 | 78.6 |
| Net debt / equity (x) | -0.1 | -0.1 | -0.3 | -0.3 | -0.4 |
| Receivables (days) | 40.4 | 42.8 | 42.6 | 42.6 | 42.6 |
| Inventory (days) | 50.5 | 41.6 | 44.3 | 43.3 | 43.0 |
| Payables (days) | 71.5 | 63.3 | 67.0 | 64.9 | 64.6 |
| CFO : PAT % | 97.0 | 88.5 | 119.9 | 100.4 | 100.6 |

Source: Company, Anand Rathi Research

Fig 6 – Revenue-growth trend



Source: Company

Result highlights

Fig 7 – Quarterly results

| (Rs m) | Q2FY23 | Q3FY23 | Q4FY23 | Q1FY24 | Q2FY24 | Q3FY24 | Q4FY24 | Q1FY25 | Q2FY25 | Q3FY25 | Q4FY25 | Q1FY26 |
|--------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Volume growth (%) | 3 | 4 | 5 | 3 | 3 | 2 | 3 | 4 | 5 | 6 | 7 | 9 |
| Net sales | 24,960 | 24,700 | 22,400 | 24,770 | 24,760 | 24,220 | 22,780 | 26,430 | 26,640 | 27,940 | 27,300 | 32,590 |
| Y/Y | 3.2 | 2.6 | 3.7 | -3.2 | -0.8 | -1.9 | 1.7 | 6.7 | 7.6 | 15.4 | 19.8 | 23.3 |
| Gross profit | 10,890 | 11,100 | 10,620 | 12,380 | 12,500 | 12,420 | 11,750 | 13,810 | 13,530 | 13,830 | 13,260 | 15,290 |
| Gross margins, % | 43.6 | 44.9 | 47.4 | 50.0 | 50.5 | 51.3 | 51.6 | 52.3 | 50.8 | 49.5 | 48.6 | 46.9 |
| Staff expenses | 1,660 | 1,600 | 1,710 | 1,810 | 1,870 | 1,890 | 1,860 | 2,030 | 2,130 | 2,070 | 2,080 | 2,200 |
| Advertising spends | 2,130 | 2,200 | 2,100 | 2,120 | 2,680 | 2,460 | 2,260 | 2,400 | 2,900 | 2,930 | 3,050 | 2,990 |
| Other expenses | 2,770 | 2,740 | 2,880 | 2,710 | 2,980 | 2,940 | 3,210 | 3,120 | 3,280 | 3,500 | 3,550 | 3,550 |
| EBITDA | 4,330 | 4,560 | 3,930 | 5,740 | 4,970 | 5,130 | 4,420 | 6,260 | 5,220 | 5,330 | 4,580 | 6,550 |
| Y/Y | 2.4 | 5.8 | 13.6 | 8.7 | 14.8 | 12.5 | 12.5 | 9.1 | 5.0 | 3.9 | 3.6 | 4.6 |
| EBITDA margins, % | 17.3 | 18.5 | 17.5 | 23.2 | 20.1 | 21.2 | 19.4 | 23.7 | 19.6 | 19.1 | 16.8 | 20.1 |
| PBT | 4,000 | 4,430 | 4,010 | 5,670 | 4,760 | 4,950 | 3,990 | 6,050 | 5,520 | 5,180 | 4,410 | 6,560 |
| Y/Y | -1.2 | 8.8 | 24.5 | 13.6 | 19.0 | 11.7 | -0.5 | 6.7 | 16.0 | 4.6 | 10.5 | 8.4 |
| PAT | 3,010 | 3,280 | 3,020 | 4,270 | 3,530 | 3,830 | 3,180 | 4,640 | 4,230 | 3,990 | 3,430 | 5,040 |
| Y/Y | -2.6 | 5.8 | 20.3 | 15.1 | 17.3 | 16.8 | 5.3 | 8.7 | 19.8 | 4.2 | 7.9 | 8.6 |
| % to sales | | | | | | | | | | | | |
| Staff cost | 6.7 | 6.5 | 7.6 | 7.3 | 7.6 | 7.8 | 8.2 | 7.7 | 8.0 | 7.4 | 7.6 | 6.8 |
| Advertising spends | 8.5 | 8.9 | 9.4 | 8.6 | 10.8 | 10.2 | 9.9 | 9.1 | 10.9 | 10.5 | 11.2 | 9.2 |
| Other expenses | 11.1 | 11.1 | 12.9 | 10.9 | 12.0 | 12.1 | 14.1 | 11.8 | 12.3 | 12.5 | 13.0 | 10.9 |

Source: Company

Q1 FY26: Earnings call highlights

Demand trend, pricing

- Stable to improving demand seen across India, urban and rural
- Premium categories continued to outperform mass segments
- India volume growth is nearing double digits, aided by traction in core categories, better GT performance, and momentum in new businesses
- Over 80% of the business sustained or gained market share and deepened penetration
- Revenue growth in India reached multi-year highs, driven by volumes and price hikes in core categories due to higher copra and edible oil prices
- Despite a 60% effective price hike in Parachute (through ml-age reduction and list price-hikes), the brand sustained volume growth and gained market share, reflecting consumer trust and price inelasticity
- The CEO said that the copra inflation cycle was driven by: 9% drop in coconut productivity due to temperature and rain disturbances, delayed copra conversions due to untimely rain in Apr and speculation in copra
- Copra prices have fallen ~12% from their peak; no further price hikes planned. Consumer pricing will normalise gradually.

Channel performance

- Modern trade, e-commerce, quick commerce continue to lead growth
- General trade revived after focused execution, better RoI for partners, and progress under Project SETU
- SETU is enabling wider product range selling in rural GT, improving mid/premium product distribution
- SETU to expand into specialised food, beauty, and chemist outlets in urban areas, enabling premium brand access.

Category/Brand performance

Parachute

- Despite price rises (60%), volumes held steady; adjusted for ml-age, 1% volume growth. Significant market-share gains, especially in modern trade and e-commerce.
- Volume recovery expected as pricing normalises and small players exit
- Conscious rationalisation of low-margin volumes to protect profit. Resilience during previous hyper-inflationary periods (2014–15 and 2017–19) cited as evidence of brand strength.

Saffola

- Mid-single-digit edible oil volume growth; stable for the full year
- Launched cold-pressed oils in e-commerce/quick commerce
- Core food portfolio (oats, masala oats, honey) grew in double digits
- Full-year food business growth guided at 25%+, with greater profitability

Value-Added Hair Oils (VAHO)

- Strong recovery; mid-single-digit volume growth overall and double-digit excl. Shanti Amla. Gained 150bps value share y/y.
- Focus shifted from ATL to brand building, particularly in mid/premium segments.
- Project SETU driving rural growth; aided by better distribution and range selling.
- Management confident of sustaining double-digit value growth.

Premium Personal Care & Digital Brands

- Beardo, Just Herbs, Plix (personal care) reached a combined ARR of Rs8.5 bn; on track for 2.5x growth by FY27.
- Beardo and Plix have broken even; margin expansion supported by back-end synergies and operating leverage.
- Expecting double-digit EBITDA margins by FY27.
- Synergies: Shared manufacturing, consolidated media buying and operational efficiency across brands.
- True Elements and Plix continued strong momentum. Full-year target: 25%+ revenue growth.

International

- Bangladesh: Strong 17% CC growth in core and new categories (eg, shampoo, baby care).
- MENA: 42% constant currency growth led by core and new launches in VAHO, shampoos and shower gels; margin expansion also noted.
- South Africa: Flat Q1 due to strategic shifts; expected to return to growth from Q2.
- Vietnam: Muted quarter; recovery anticipated via ongoing interventions.
- International portfolio continues to reduce dependence on Bangladesh and contribute meaningfully to growth and profitability.

Margin trend and Raw material pricing

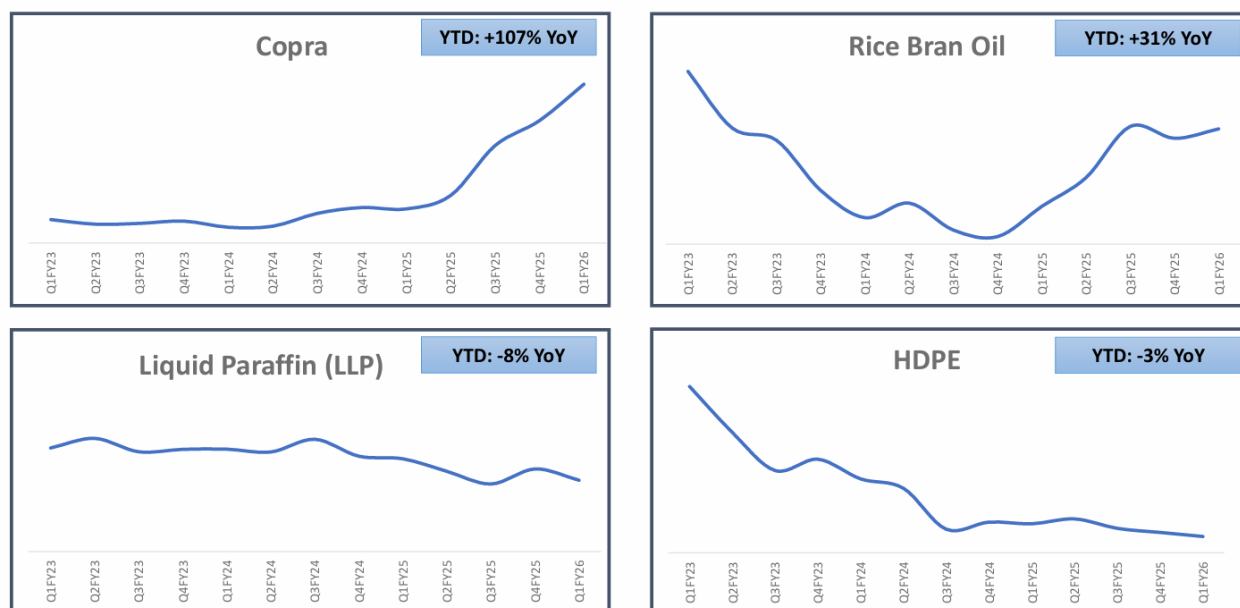
- Higher copra prices drove up Parachute prices, peaking in Jul but since correcting ~12%
- Copra expected to be elevated for the year but sequential moderation has started. No further price hikes planned (after a 60% increase); pricing already fully reflected in Q2.
- Past cycles suggest margin deflationary periods follow inflationary ones, which should benefit margins in FY27.
- Despite cost pressures, margins were maintained through the premium mix, VAHO growth and digital-brand scale-up.

- Dependence on Parachute and Saffola for profit has reduced ~1,000bps in recent years due to portfolio diversification.

Other highlights & outlook

- Ad-spends (for the India business) declined 20% y/y, mainly from non-media cuts and rationalisation in low-margin segments; however, media spend on the focused categories was maintained or increased. SOV > SOM maintained in key categories.
- Digital brands benefit from back-end synergies (eg, media buying, procurement).
- M&A interest continues, particularly in food and personal care; Marico sees itself as a strategic investor of choice.
- Project SETU showed early signs of success in rural GT; urban rollout to cover specialty food, chemists, and beauty channels.
- Outlook. Base case: high single-digit India volume growth for FY26; aspiration to achieve double digits in select quarters.
- Management guided to ~25% revenue growth, aided by pricing and portfolio expansion. Digital brands expected to scale up from Rs9 bn to Rs20 bn ARR by FY27.
- EBITDA growth may be muted this year but double-digit profit CAGR expected over two years.
- Medium-term ambition: Grow from Rs100 bn to Rs150 bn in two years; and to Rs200 bn in five years. Focus continues on volume-led sustainable growth rather than margin maximisation.

Fig 8 – Raw material price trend – copra and rice bran oil prices stay high



Source: Company

Valuation

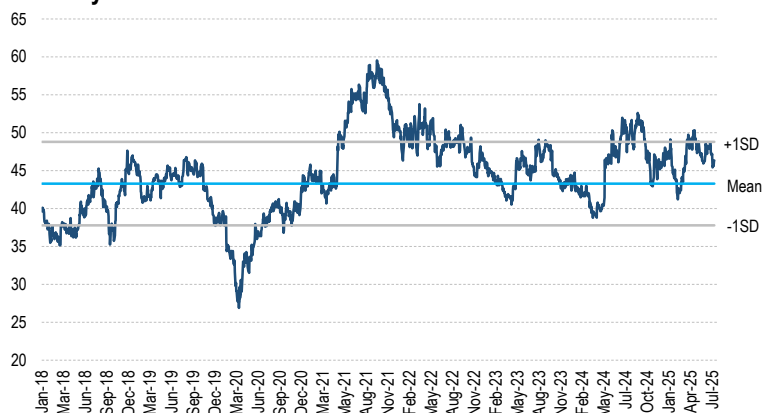
We introduce our FY28e and raise our FY26e/27e EPS 4%/8% to factor in higher volumes and pricing, and revival in the VAHO portfolio. We turn bullish on the company on a) revival in its core portfolio helped by Project Setu, b) consistent volume delivery aided by digital brands and premium PCs (22% of revenue) and c) potential cyclical margin reversion next year on the copra price fall. Thus, we raise our rating on the stock to a Buy, with a higher 12-mth TP of Rs850, 47x Sep'27e EPS (earlier Rs710, 45x FY27e EPS). At the CMP, the stock quotes at 50x/42x/38x FY26e/27e/28e EPS of Rs14.3/17.1/19.1.

Fig 9 – Change in estimates

| Rs m | Old | | Revised | | Change | |
|------------------|----------|----------|----------|----------|--------|------|
| | FY26e | FY27e | FY26e | FY27e | FY26 | FY27 |
| Sales | 1,20,102 | 1,32,530 | 1,32,867 | 1,45,401 | 10.6 | 9.7 |
| EBITDA | 23,365 | 26,814 | 23,912 | 28,337 | 2.3 | 5.7 |
| EBITDA margins % | 19.5 | 20.2 | 18.0 | 19.5 | | |
| PAT | 17,766 | 20,412 | 18,494 | 22,042 | 4.1 | 8.0 |

Source: Anand Rath Research

Fig 10 – One-year-forward PE



Source: Bloomberg, Anand Rath Research

Key risks

- Failure of brand launches.
- Unwarranted or overpriced acquisitions.
- Price-based competition in key products.
- Steep rise in key input prices.

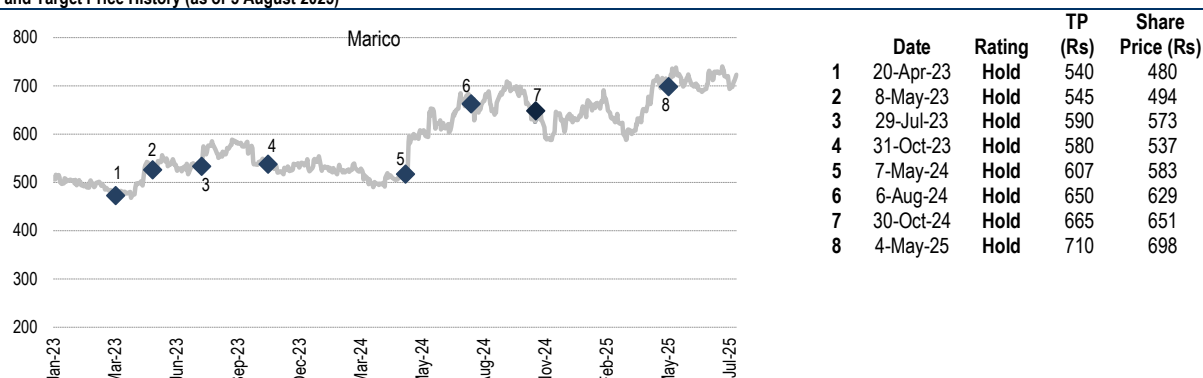
Appendix

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Rating and Target Price History (as of 5 August 2025)



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Ratings Guide (12 months)

| | Buy | Hold | Sell |
|------------------------------------|------|-------|------|
| Large Caps (Top 100 companies) | >15% | 0-15% | <0% |
| Mid Caps (101st-250th company) | >20% | 0-20% | <0% |
| Small Caps (251st company onwards) | >25% | 0-25% | <0% |

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