

8th May 2024

CMP – ₹583/-

 View – **Accumulate**
Q4FY24 Performance

- In Q4FY24, revenue from operations was at ₹2,278crs, up 2% YoY, with underlying volume growth of 3% in the domestic business and constant currency growth of 10% in the international business.
- Gross margin expanded by 420 bps YoY given the moderation in key commodity prices and favorable portfolio mix in the India business.
- EBITDA margin stood at 19.4%, up 186 bps YoY. EBITDA grew by 12% and PAT was up 5% on a YoY basis, as the impact of lower other Income was offset by lower tax charges.
- The International business delivered strong broad-based growth led by Bangladesh recovering quickly after facing transient headwinds in the preceding quarter and sustained momentum in most of the other markets.

Important Statistics

Nifty	22,303
Sensex	73,512
M.CAP (₹ Crs)	₹67,688
52 Week H/L (₹)	₹595/₹487
NSE Code	MARICO
BSE Code	531642
Bloomberg Code	MRCO:IN

Shareholding pattern (%) Mar'24

Promoter	59.34
FIIIs	25.54
DIIIs	09.78
Public & Others	05.34

Key takeaways from Q4FY24 result

- Across various FMCG categories, premium and urban-centric segments stayed ahead of rural and mass segments and witnessed an uptick in rural sentiment towards the end of the quarter. Among channels, alternate channels continued to gain salience vis-à-vis General Trade, as the latter has been contending with subdued realizations and profitability headwinds.
- Domestic revenue was flattish at ₹1,680cr, as pricing corrections in key portfolio anniversarized to a larger extent on a sequential basis. Offtakes remained healthy across key portfolios with 75% of the business either gaining or sustaining market share and 100% of the business either gaining or sustaining penetration, both on a MAT basis.
- **Project SETU – renewed focus on General Trade:**
 - The Company initiated a number of steps over the last few months, including implementing primary stock reduction and extended credit terms on a selective basis to improve the profitability of partners and structurally revive growth in the channel.
 - In Q1FY25, Marico has also rolled out Project SETU, laying a phased 3-year roadmap to improve direct reach from ~1 mn outlets currently to 1.5mn outlets in FY27.
 - This will be backed by substantial investments behind coverage and infrastructure enhancement, and demand generation initiatives. The expected outlay by FY27 is ₹80-100crs and will be funded through the re-allocation of resources viz. by optimizing promotional spends and indirect distribution costs in the wholesale channel, reduction in organized trade promotional spending and savings from improving process efficiencies and reducing wastages. Therefore, Project SETU will be cost neutral.
- **Input cost/Profitability Margin:**
 - A&P spending was up ~7% YoY, up 50 bps as a % of sales, as the Company stayed focused on strategic brand building of core and new businesses. Consequently, EBITDA margin stood at 19.4%, up 190 bps YoY. EBITDA grew by 13% and PAT was up 5% on a YoY basis.
 - Copra prices have inched up in line with expectations and continue to exhibit an upward bias. Rice Bran Oil (RBO) has been stable and is

Relative Performance

Absolute Return (%)	1 Yr	3Yr	5 Yr
Marico	9%	23%	62%
Nifty 50	22%	52%	98%
Sensex	19%	51%	97%

Source: Company, Way2Wealth

(₹ cr)

Particulars	FY22	FY23	FY24
Revenues	9,512	9,764	9,653
YoY Growth	18%	3%	-1%
EBITDA	1,681	1,810	2,026
EBITDA Margin	18%	19%	21%
PAT	1,255	1,322	1,502
PAT Margin	13%	14%	16%
EPS	9.48	10.07	11.6
PE	56.0	52.7	45.8

Source: Company, Way2Wealth

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expected to be range bound in the near term. The management would exercise the pricing power of key franchises judiciously to alleviate any input cost pressures during the course of next year.

➤ **Domestic Business:**

- **Parachute Rigids** registered 2% volume growth with loose to branded conversions picking up some pace. Management expects to maintain an improving trajectory in volumes as copra prices trend up favorably. Owing to the rise in copra prices, the company has implemented price hikes in select packs in Apr'24, resulting in a ~6% increase at a brand level.
- **Value-Added Hair Oils** declined 7% YoY in value terms on a high base (13% growth in Q4FY23). Mid and premium segments of VAHO continued to fare relatively better.
- **Saffola Edible Oils** registered a mid-single-digit volume growth, as the base normalised and trade sentiment settled owing to price stability. As the pricing base normalizes early next year, the company expects the portfolio to resume a steady growth trajectory during the course of FY25.
- **Foods** continued its steady growth trajectory with 24% YoY value growth. Saffola Oats maintained its category leadership. During the quarter, the brand launched four gourmet-style flavours in its flavoured Oats range. For the first time, Saffola Oats will offer two sweet flavours viz Nutty Chocolate and Apple 'n' Almonds, in addition to expanding the portfolio of savoury masala oats.
- After successful initiatives towards refinements in the supply chain and GTM during FY24, the company aims to grow Foods at 20%+ CAGR and scale to 2x of its current scale in FY27. Consequently, it expects the domestic revenue share of the Foods and Premium Personal Care portfolios to expand from ~20% currently to ~25% by FY27.
- Beardo has scaled ~3x since FY21 and achieved positive EBITDA this year. Just Herbs have crossed ₹1bn ARR in FY24, while the traction in the Personal Care portfolio of Plix has been encouraging.

➤ **International Business:**

- Within the International business, **Bangladesh registered an 8% growth in constant currency terms** as the business reverted to its healthy course post transient macroeconomic headwinds. South-East Asia was flat in CC terms, amidst slower HPC demand in Vietnam. MENA continued its strong growth momentum and delivered 19% CCG with both the Gulf region and Egypt faring well. South Africa registered 13% CCG driven by the ethnic hair care segment. NCD and Exports posted 34% growth.
- International business margin was at 26.8%, up ~310 bps YoY.

➤ **Guidance:**

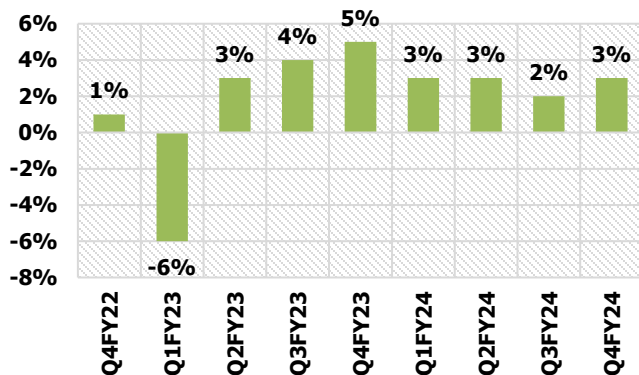
- In the medium term, Marico aims to deliver double-digit revenue growth through consistent outperformance vis-à-vis the category and market share gains in the domestic core portfolios, accelerated growth in the Foods and Premium Personal Care and double-digit constant currency growth in the International business.
- Expect the operating margin to inch up over the next few years with leverage benefits as well as premiumisation of the portfolios across both the India and International businesses.

Story in charts

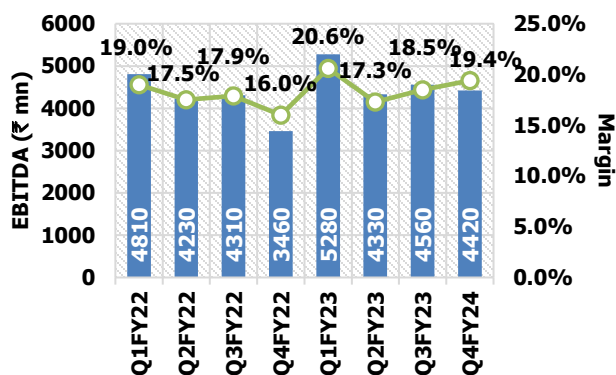
India Business Volume Growth

EBITDA margin expanded by 190 bps

Domestic Business Volume Growth



EBITDA Trend



Source: Company, Way2Wealth

Risks

- Inflation in raw material prices
- Slowdown in the economy

View

FY24 has been a mixed year with sectoral volume growth consolidating on a low base, while commodity and consumer pricing trended lower. Amidst the backdrop of improving macro-indicators and forecast of a normal monsoon, Marico expects a gradual uptick in the growth of core categories through the ongoing initiatives to enhance the profitability of General Trade (GT) channel partners and transformative expansion in direct reach footprint with the roll out of Project SETU.

Consolidated revenue growth has moved into positive territory in Q4 and is expected to trend upwards during the course of FY25 and expect domestic revenue growth to outpace volume growth from Q1FY25.

The company has delivered the highest-ever operating margin in FY24 led by robust gross margin expansion, even while investments towards brand-building (A&P to Sales at ~10% in FY24) remained a key thrust area and the company will continue to drive steady progress towards key strategic objectives in the domestic as well as the International businesses and aim to deliver healthy revenue-led earnings growth in FY25.

At the current price of ₹583, it is trading at 50.3 times P/E to its FY24cEPS of ₹11.6. We advise long-term investors to Accumulate the stock.

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 View – **Accumulate**
Quarterly Performance

(₹ Cr)

	Q4FY24	Q4FY23	VAR	Q3FY24	VAR	FY24	FY23	VAR
Net Sales	2,278.0	2,240.0	1.7%	2,422.0	-5.9%	9,653.0	9,764.0	-1.1%
Other Income	15.0	68.0	-77.9%	43.0	-65.1%	142.0	144.0	-1.4%
TOTAL INCOME	2,293.0	2,308.0	-0.6%	2,465.0	-7.0%	9,795.0	9,908.0	-1.1%
Cost Of Materials Consumed	938.0	1,060.0	-11.5%	908.0	3.3%	3,941.0	4,649.0	-15.2%
Purchase of stock in trade	119.0	113.0	5.3%	232.0	-48.7%	752.0	541.0	39.0%
Stock Adjustment	46.0	5.0	820.0%	40.0	15.0%	55.0	161.0	-65.8%
<i>RMC as a %age of sales</i>	<i>48.4%</i>	<i>52.6%</i>		<i>48.7%</i>		<i>49.2%</i>	<i>54.8%</i>	
Employee Benefit Expenses	186.0	171.0	8.8%	189.0	-1.6%	743.0	653.0	13.8%
<i>EPC as a %age of sales</i>	<i>8.2%</i>	<i>7.6%</i>		<i>7.8%</i>		<i>7.7%</i>	<i>6.7%</i>	
Advertisement & Promotion	226.0	210.0	7.6%	246.0	-8.1%	952.0	842.0	13.1%
<i>Advertisement Expenses as a %age of sales</i>	<i>9.9%</i>	<i>9.4%</i>		<i>10.2%</i>		<i>9.9%</i>	<i>8.6%</i>	
Other Expenses	321.0	288.0	11.5%	294.0	9.2%	1,184.0	1,108.0	6.9%
<i>Other Expenses as a %age of sales</i>	<i>14.1%</i>	<i>12.9%</i>		<i>12.1%</i>		<i>12.3%</i>	<i>11.3%</i>	
TOTAL EXPENDITURE	1,836.0	1,847.0	-0.6%	1,909.0	-3.8%	7,627.0	7,954.0	-4.1%
EBIDTA	442.0	393.0	12.5%	513.0	-13.8%	2,026.0	1,810.0	11.9%
<i>EBIDTA Margins %</i>	<i>19.4%</i>	<i>17.5%</i>		<i>21.2%</i>		<i>21.0%</i>	<i>18.5%</i>	
Finance Costs	17.0	17.0	0.0%	19.0	-10.5%	73.0	56.0	30.4%
PBDT	440.0	444.0	-0.9%	537.0	-18.1%	2,095.0	1,898.0	10.4%
Depreciation	41.0	43.0	-4.7%	42.0	-2.4%	158.0	155.0	1.9%
PBT	399.0	401.0	-0.5%	495.0	-19.4%	1,937.0	1,743.0	11.1%
Tax	79.0	96.0	-17.7%	109.0	-27.5%	435.0	421.0	3.3%
<i>Tax Rate</i>	<i>19.8%</i>	<i>23.9%</i>		<i>22.0%</i>		<i>22.5%</i>	<i>24.2%</i>	
Reported Profit After Tax	320.0	305.0	4.9%	386.0	-17.1%	1,502.0	1,322.0	13.6%
<i>PATM %</i>	<i>14.0%</i>	<i>13.6%</i>		<i>15.9%</i>		<i>15.6%</i>	<i>13.5%</i>	
Other Comprehensive Income (Net of tax)- net credit / (charge)	(36.0)	(24.0)		4.0		(73.0)	(32.0)	
Total Comprehensive Income	284.0	281.0	1.1%	390.0	-27.2%	1,429.0	1,290.0	10.8%
Basic:								
EPS	2.48	2.36	4.9%	2.99	-17.1%	11.64	10.25	13.6%
Equity	129.0	129.0		129.0		129.0	129.0	
Face Value	1.0	1.0		1.0		1.0	1.0	

Source: Company, Way2wealth

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Disclosure of Interest Statement: Marico Ltd. as on 08th May 2024

Name of the Security	Marico Ltd.
Name of the analyst	Ashwini Sonawane
Analysts' ownership of any stock related to the information contained	
Financial Interest	No
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	
Conflict of Interest	No
Receipt of Compensation	No
Way2Wealth ownership of any stock related to the information contained	NIL
Broking relationship with company covered	NIL
Investment Banking relationship with company covered	NIL

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