

January 30, 2024

Q3FY24 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	HOLD		HOLD	
Target Price	559		556	
Sales (Rs.m)	97,200	1,08,473	1,00,689	1,13,354
% Chng.	(3.5)	(4.3)		
EBITDA (Rs.m)	20,765	22,566	21,207	22,243
% Chng.	(2.1)	1.5		
EPS (Rs.)	11.7	12.5	11.8	12.2
% Chng.	(1.0)	2.6		

Key Financials - Consolidated

Y/e Mar	FY23	FY24E	FY25E	FY26E
Sales (Rs. m)	97,640	97,200	1,08,473	1,21,133
EBITDA (Rs. m)	18,100	20,765	22,566	24,381
Margin (%)	18.5	21.4	20.8	20.1
PAT (Rs. m)	13,020	15,035	16,177	17,491
EPS (Rs.)	10.1	11.7	12.5	13.6
Gr. (%)	6.3	15.5	7.6	8.1
DPS (Rs.)	4.5	10.0	11.0	12.5
Yield (%)	0.9	1.9	2.1	2.4
RoE (%)	36.4	38.5	39.3	40.8
RoCE (%)	41.5	43.9	45.8	47.6
EV/Sales (x)	6.7	6.8	6.0	5.4
EV/EBITDA (x)	36.3	31.6	28.9	26.7
PE (x)	51.1	44.3	41.1	38.1
P/BV (x)	17.5	16.6	15.8	15.3

Key Data

MRCO.BO | MRCO IN

52-W High / Low	Rs.595 / Rs.463
Sensex / Nifty	71,942 / 21,738
Market Cap	Rs.668bn/ \$ 8,030m
Shares Outstanding	1,294m
3M Avg. Daily Value	Rs.764.01m

Shareholding Pattern (%)

Promoter's	59.51
Foreign	25.91
Domestic Institution	9.82
Public & Others	4.76
Promoter Pledge (Rs bn)	0.13

Stock Performance (%)

	1M	6M	12M
Absolute	(5.9)	(10.2)	2.4
Relative	(6.7)	(16.7)	(14.3)

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Muted demand, lacks triggers in near term

Quick Pointers:

- Marico takes stock reduction to improve ROI challenges (liquidity & profitability) faced by GT channel partners
- Food and Premium personal care continues to gain traction, VAHO suffered in entry level segment, Saffola volumes were weak on a high base

We are tweaking FY24/25/26 EPS estimates by -1.0/2.6/-0.6% given tepid consumer demand in rural India and local competition in core categories of VAHO, Saffola and Parachute. 2Q24 results were in line with PAT beat led by lower tax rate by 260bps. While Parachute is expected to show gradual revival, VAHO and Saffola will continue to face heightened competition from both regional and smaller players. Innovation funnel remains strong along with portfolio diversification by accelerated scale up in Foods, D2C portfolio & B2C acquisitions which will enable the company to achieve the targeted 20% of sales from these in FY24. Although near term guidance is positive, we believe EBIDTA margins will peak out in the current year and see a gradual decline of 130bps over next 2 years. We factor in 11.5% sales growth but 7.9% PAT CAGR over FY24-26 on as margins revert towards mean. We value MRCO at 42xDec25 EPS and assign a target price of Rs559 (Rs556 earlier based on 43xSept'25 EPS). Although MRCO has corrected 14% from peak, it lacks near term triggers. Retain Hold.

Sales decline 1.9%, GM expands by 637bps YoY: Revenues declined by 1.9% YoY to Rs24.2bn (PLe: Rs23.9bn). Volume Growth: overall domestic volumes up 2%, Parachute rigid volumes grew by 3% (PLe: 3%), Saffola declined mid- single digits and VAHO sales increased 3%. Gross margins expanded by 634bps YoY to 51.3% (PLe: 50.0%)%. > EBITDA grew by 12.5% YoY to Rs5.1bn (PLe:Rs 5.07bn); Margins expanded by 272bps YoY to 21.2%(PLe:21.2%) A&P Spends expanded by 125bps YoY to 10.2%Adj PAT grew by 15.9% YoY to Rs3.9bn (PLe: Rs3.6bn), as tax rate at 22% was 260bps lower than estimate. IBD sales, EBIT grew by 1.6% and 16.4% on 320bps margin expansion. Bangladesh (46% of IBD) dragged growth with 6% decline in sales due to macroeconomic headwinds and elections.

Concall takeaways: 1) Urban market remains resilient, while rural was lagged 2) Among channels, GT continued to drag while alternate channels grow healthily 3) Domestic business shows resilient performance amid soft consumption environment. IBD holds steady amid headwinds in Bangladesh 4) Copra prices are expected to inch up in near term as it enters off-season and has bottomed out 5) New Business (Food and PC) contributed 20% of domestic revenue in 3Q 6) Premium personal care (incl D2C portfolio) is performing well & Digital-first portfolio clocked an exit ARR of Rs 4bn+ in 3Q 7) True Elements & Plix have been scaling well in their categories 9) New launches such as honey and soya chunks is gaining good traction with new categories of peanut butter, mayonnaise performing well. 10) Gross margins are expected to improve by 400-450bps YoY in FY24, due to softening of copra prices, while EBITDA margins are expected to improve by more than 250bps.

Exhibit 1: 3QFY24 Results: Revenues declined by 1.9%, EBITDA margins expanded 272bps YoY

Consolidated	3QFY24	3QFY23	YoY gr. (%)	2QFY24	9MFY24	9MFY23	YoY gr. (%)
Net Sales	24,220	24,700	(1.9)	24,760	73,750	75,240	(2.0)
COGS	11,800	13,600	(13.2)	12,260	36,450	41,730	(12.7)
<i>% of Net Sales</i>	<i>48.7</i>	<i>55.1</i>	<i>-6.3</i>	<i>49.5</i>	<i>49.4</i>	<i>55.5</i>	<i>-6.0</i>
Gross Profit	12,420	11,100	11.9	12,500	37,300	33,510	11.3
<i>% of NS</i>	<i>51.3</i>	<i>44.9</i>	<i>6.3</i>	<i>50.5</i>	<i>50.6</i>	<i>44.5</i>	<i>6.0</i>
Advt. & Prom.	2,460	2,200	11.8	2,680	7,260	6,320	14.9
<i>% of NS</i>	<i>10.2</i>	<i>8.9</i>	<i>1.3</i>	<i>10.8</i>	<i>9.8</i>	<i>8.4</i>	<i>1.4</i>
Total Expenses	19,090	20,140	(5.2)	19,790	57,910	61,070	(5.2)
EBITDA	5,130	4,560	12.5	4,970	15,840	14,170	11.8
<i>Margins (%)</i>	<i>21.2</i>	<i>18.5</i>	<i>2.7</i>	<i>20.1</i>	<i>21.5</i>	<i>18.8</i>	<i>2.6</i>
Depreciation	420	390	7.7	390	1,170	1,120	4.5
EBIT	4,710	4,170	12.9	4,580	14,670	13,050	12.4
Interest	190	140	35.7	200	560	390	43.6
Other Income	430	400	7.5	380	1,270	760	67.1
PBT	4,950	4,430	11.7	4,760	15,380	13,420	14.6
Tax	1,090	1,100	(0.9)	1,160	3,560	3,250	9.5
<i>Effective tax rate (%)</i>	<i>22.0</i>	<i>24.8</i>	<i>-2.8</i>	<i>24.4</i>	<i>23.1</i>	<i>24.2</i>	<i>-1.1</i>
Adjusted PAT	3,860	3,330	15.9	3,600	11,820	10,170	16.2

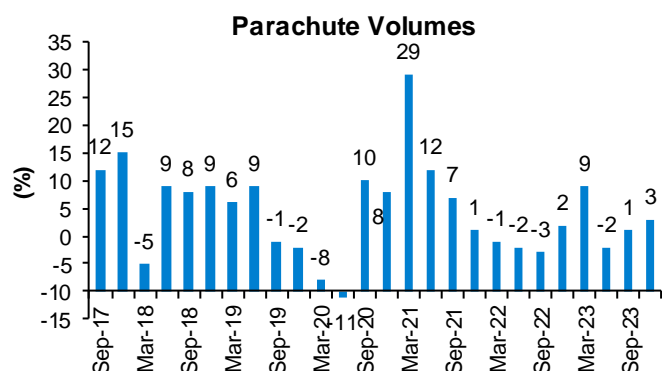
Source: Company, PL

Exhibit 2: Consolidated Segmental: IBD business delivered mid-single digit CCG dragged by headwinds in Bangladesh

(Rs m)	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24
Net Sales	24,070	21,610	25,580	24,960	24,700	22,400	24,770	24,760	24,220
Domestic	18,170	16,540	19,210	18,960	18,510	16,830	18,270	18,320	17,930
International	5,900	5,070	6,370	6,000	6,190	5,570	6,500	6,440	6,290
Sales Growth %	13.4	7.4	1.3	3.2	2.6	3.7	-3.2	-0.8	-1.9
Domestic	11.7	5.1	-3.6	1.4	1.9	1.8	-4.9	-3.4	-3.1
International	19.2	15.8	19.5	9.3	4.9	9.9	2.0	7.3	1.6
EBIT	4,430	3,630	5,540	4,560	4,780	4,200	6,090	5,260	5,360
Domestic	3,080	2,680	3,980	3,290	3,440	3,020	4,280	3,760	3,800
International	1,350	950	1,560	1,270	1,340	1,180	1,810	1,500	1,560
EBIT Growth %	5.2	7.7	12.4	4.6	7.9	15.7	9.9	15.4	12.1
Domestic	-5.2	5.5	12.4	5.1	11.7	12.7	7.5	14.3	10.5
International	40.6	14.5	12.2	3.3	-0.7	24.2	16.0	18.1	16.4
EBIT Margins %	18.4	16.8	21.7	18.3	19.4	18.8	24.6	21.2	22.1
Domestic	17.0	16.2	20.7	17.4	18.6	17.9	23.4	20.5	21.2
International	22.9	18.7	24.5	21.2	21.6	21.2	27.8	23.3	24.8
Capital Employed	22,350	23,940	27,150	26,380	26,750	30,920	31,970	35,370	37,540
Domestic	13,470	14,300	17,190	17,340	17,200	22,400	18,740	22,540	24,560
International	8,880	9,640	9,960	9,040	9,550	8,520	13,230	12,830	12,980
International Sales Growth %									
Bangladesh (46%)	16.0	16.0	10.0	10.0	9.0	9.0	9.0	2.0	-6.0
MENA (15%)	21.0	11.0	27.0	11.0	13.0	37.0	15.0	34.0	26.0
South Africa (8%)	6.0	20.0	23.0	16.0	13.0	21.0	37.0	23.0	33.0
SE Asia (26%)	27.0	7.0	34.0	10.0	13.0	16.0	5.0	13.0	4.0

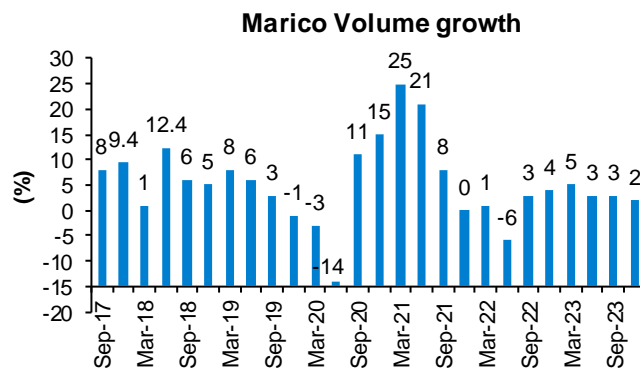
Source: Company, PL

Exhibit 3: Parachute volumes up 3% YoY



Source: Company, PL

Exhibit 4: Domestic volumes up 2% YoY



Source: Company, PL

Exhibit 5: Market share remains strong across brands (ex-VAHO)

Market Share (%)	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Coconut Oil	63	63	62	62	62	62	62	62	62
Saffola	83	83	NA	NA	NA	NA	NA	NA	NA
Hair Oil VAHO	37	37	37	37	28	28	28	27	27
Livon & Silk and Shine	64	64	63	62	61	60	57	55	53
Hair Creams/Gel	57	57	55	54	54	53	53	53	52
Saffola Oats	42	42	43	43	43	43	42	42	41

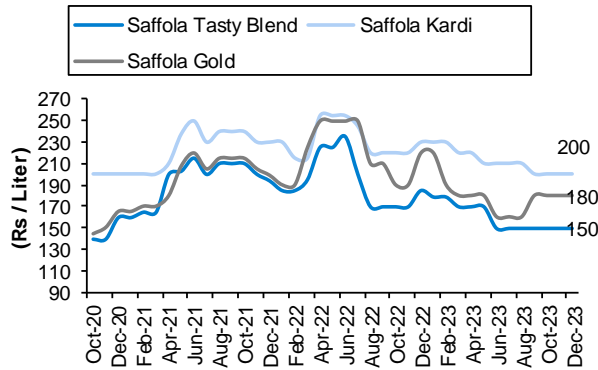
Source: Company, PL

Exhibit 6: Broad based IBD holds steady

Bangladesh	South-East Asia	MENA	South Africa
(6%) Q3 CCG	4% Q3 CCG	26% Q3 CCG	33% Q3 CCG
Transient headwinds affect performance; expected to normalize from Q4FY24	Softer HPC demand in Vietnam	Double-digit growth in Gulf region and Egypt	Growth led by Ethnic Hair Care

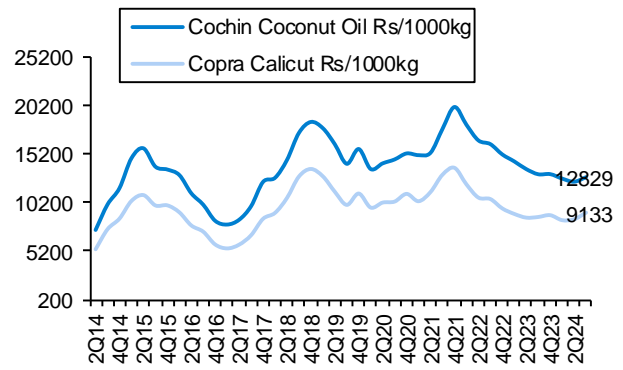
Source: Company, PL

Exhibit 7: MRCO sees stable edible oil prices in Q3



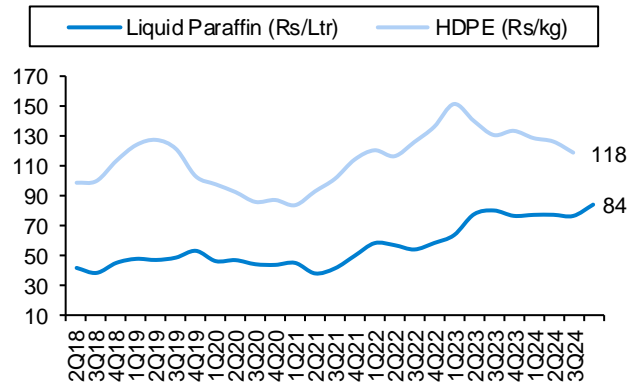
Source: Company, PL

Exhibit 8: Cochin/Calicut Copra prices continue to soften



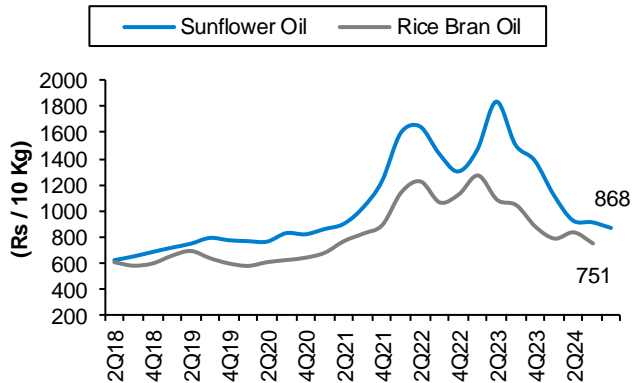
Source: Company, PL

Exhibit 9: LLP/HDPE prices appear to have stable movement



Source: Company, PL

Exhibit 10: Edible Oil prices continue to soften



Source: Company, PL

Exhibit 11: Food Segment scaling up along expected lines



Value Growth

18%

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Net Revenues	97,640	97,200	1,08,473	1,21,133
YoY gr. (%)	2.6	(0.5)	11.6	11.7
Cost of Goods Sold	53,510	47,938	55,093	62,597
Gross Profit	44,130	49,262	53,380	58,536
Margin (%)	45.2	50.7	49.2	48.3
Employee Cost	6,530	7,484	8,135	9,024
Other Expenses	-	-	-	-
EBITDA	18,100	20,765	22,566	24,381
YoY gr. (%)	7.7	14.7	8.7	8.0
Margin (%)	18.5	21.4	20.8	20.1
Depreciation and Amortization	1,550	1,640	1,794	1,961
EBIT	16,550	19,125	20,772	22,419
Margin (%)	17.0	19.7	19.1	18.5
Net Interest	560	715	677	665
Other Income	1,440	1,716	1,565	1,671
Profit Before Tax	17,430	20,126	21,660	23,426
Margin (%)	17.9	20.7	20.0	19.3
Total Tax	4,210	4,870	5,242	5,669
Effective tax rate (%)	24.2	24.2	24.2	24.2
Profit after tax	13,220	15,255	16,419	17,757
Minority interest	200	220	242	266
Share Profit from Associate	-	-	-	-
Adjusted PAT	13,020	15,035	16,177	17,491
YoY gr. (%)	6.3	15.5	7.6	8.1
Margin (%)	13.3	15.5	14.9	14.4
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	13,020	15,035	16,177	17,491
YoY gr. (%)	6.3	15.5	7.6	8.1
Margin (%)	13.3	15.5	14.9	14.4
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	13,020	15,035	16,177	17,491
Equity Shares O/s (m)	1,290	1,290	1,290	1,290
EPS (Rs)	10.1	11.7	12.5	13.6

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Non-Current Assets				
Gross Block	17,990	19,490	20,990	22,490
Tangibles	12,070	13,570	15,070	16,570
Intangibles	5,920	5,920	5,920	5,920
Acc: Dep / Amortization	5,900	7,065	8,350	9,756
Tangibles	5,580	6,656	7,853	9,169
Intangibles	320	409	498	586
Net fixed assets	12,090	12,425	12,640	12,734
Tangibles	6,490	6,914	7,217	7,401
Intangibles	5,600	5,511	5,422	5,334
Capital Work In Progress	670	500	500	500
Goodwill	8,620	8,620	8,620	8,619
Non-Current Investments	5,540	5,553	5,593	5,636
Net Deferred tax assets	(320)	(733)	(1,171)	(1,643)
Other Non-Current Assets	2,880	3,111	3,513	3,912
Current Assets				
Investments	5,780	4,860	6,508	8,479
Inventories	12,250	11,502	12,998	14,592
Trade receivables	10,150	7,456	7,430	8,297
Cash & Bank Balance	7,580	8,704	10,460	9,681
Other Current Assets	2,290	2,430	2,712	3,028
Total Assets	69,460	66,566	72,252	76,648
Equity				
Equity Share Capital	1,290	1,290	1,290	1,290
Other Equity	36,700	38,857	40,869	42,252
Total Network	37,990	40,147	42,159	43,542
Non-Current Liabilities				
Long Term borrowings	20	-	-	-
Provisions	40	-	-	-
Other non current liabilities	200	220	242	266
Current Liabilities				
ST Debt / Current of LT Debt	4,730	4,230	4,230	4,230
Trade payables	14,520	11,764	14,068	15,635
Other current liabilities	5,040	5,324	5,980	6,617
Total Equity & Liabilities	69,460	66,566	72,252	76,648

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
PBT	17,430	20,126	21,660	23,426
Add. Depreciation	1,550	1,640	1,794	1,961
Add. Interest	560	715	677	665
Less Financial Other Income	1,440	1,716	1,565	1,671
Add. Other	3,310	(2,099)	515	623
Op. profit before WC changes	22,850	20,382	24,646	26,675
Net Changes-WC	100	1,809	(446)	(2,553)
Direct tax	(4,210)	(4,870)	(5,242)	(5,669)
Net cash from Op. activities	18,740	17,321	18,958	18,453
Capital expenditures	(6,690)	(2,040)	(2,292)	(2,383)
Interest / Dividend Income	-	-	-	-
Others	(3,310)	20	-	-
Net Cash from Inv. activities	(10,000)	(2,020)	(2,292)	(2,383)
Issue of share cap. / premium	(1,890)	(32)	(33)	(34)
Debt changes	1,300	(520)	-	-
Dividend paid	(5,820)	(12,910)	(14,201)	(16,150)
Interest paid	(560)	(715)	(677)	(665)
Others	-	-	-	-
Net cash from Fin. activities	(6,970)	(14,177)	(14,911)	(16,849)
Net change in cash	1,770	1,124	1,755	(779)
Free Cash Flow	12,050	15,281	16,666	16,070

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY23	FY24E	FY25E	FY26E
Per Share(Rs)				
EPS	10.1	11.7	12.5	13.6
CEPS	11.3	12.9	13.9	15.1
BVPS	29.4	31.1	32.7	33.8
FCF	9.3	11.8	12.9	12.5
DPS	4.5	10.0	11.0	12.5
Return Ratio(%)				
RoCE	41.5	43.9	45.8	47.6
ROIC	29.5	36.1	37.6	38.3
RoE	36.4	38.5	39.3	40.8
Balance Sheet				
Net Debt : Equity (x)	(0.2)	(0.2)	(0.3)	(0.3)
Net Working Capital (Days)	29	27	21	22
Valuation(x)				
PER	51.1	44.3	41.1	38.1
P/B	17.5	16.6	15.8	15.3
P/CEPS	45.7	39.9	37.0	34.2
EV/EBITDA	36.3	31.6	28.9	26.7
EV/Sales	6.7	6.8	6.0	5.4
Dividend Yield (%)	0.9	1.9	2.1	2.4

Source: Company Data, PL Research

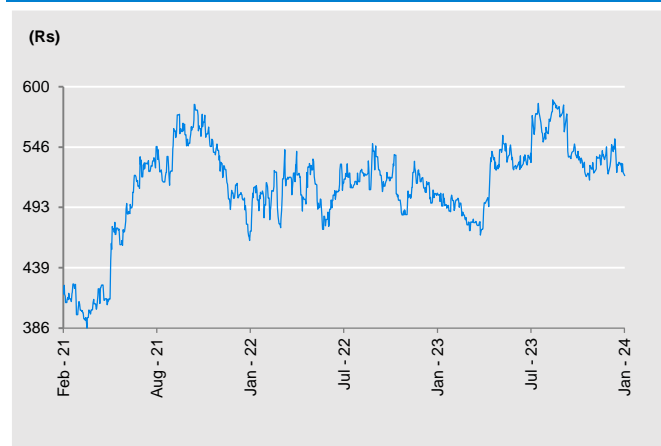
Quarterly Financials (Rs m)

Y/e Mar	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Net Revenue	22,400	24,770	24,760	24,220
YoY gr. (%)	3.7	(3.2)	(0.8)	(1.9)
Raw Material Expenses	11,780	12,390	12,260	11,800
Gross Profit	10,620	12,380	12,500	12,420
Margin (%)	47.4	50.0	50.5	51.3
EBITDA	3,930	5,740	4,970	5,130
YoY gr. (%)	13.6	8.7	14.8	12.5
Margin (%)	17.5	23.2	20.1	21.2
Depreciation / Depletion	430	360	390	420
EBIT	3,500	5,380	4,580	4,710
Margin (%)	15.6	21.7	18.5	19.4
Net Interest	170	170	200	190
Other Income	680	460	380	430
Profit before Tax	4,010	5,670	4,760	4,950
Margin (%)	17.9	22.9	19.2	20.4
Total Tax	960	1,310	1,160	1,090
Effective tax rate (%)	23.9	23.1	24.4	22.0
Profit after Tax	3,050	4,360	3,600	3,860
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	3,050	4,360	3,600	3,860
YoY gr. (%)	18.7	15.6	17.3	15.9
Margin (%)	13.6	17.6	14.5	15.9
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	3,050	4,360	3,600	3,860
YoY gr. (%)	18.7	15.6	17.3	15.9
Margin (%)	13.6	17.6	14.5	15.9
Other Comprehensive Income	(240)	(180)	(230)	40
Total Comprehensive Income	2,810	4,180	3,370	3,900
Avg. Shares O/s (m)	1,291	1,291	1,291	1,291
EPS (Rs)	2.4	3.4	2.8	3.0

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Jan-24	Hold	556	524
2	30-Oct-23	Hold	556	532
3	07-Oct-23	Hold	581	537
4	28-Jul-23	Hold	581	574
5	06-Jul-23	Accumulate	550	528
6	05-May-23	Accumulate	550	494
7	11-Apr-23	Hold	523	481
8	03-Feb-23	Hold	532	494

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	Hold	3,159	3,242
2	Avenue Supermarts	BUY	4,484	3,841
3	Britannia Industries	Hold	5,130	5,177
4	Colgate Palmolive	Reduce	2,170	2,536
5	Dabur India	Accumulate	617	553
6	Emami	Accumulate	565	555
7	Hindustan Unilever	Hold	2,724	2,565
8	ITC	Accumulate	487	466
9	Jubilant FoodWorks	Hold	526	534
10	Kansai Nerolac Paints	Accumulate	346	337
11	Marico	Hold	556	524
12	Metro Brands	Hold	1,109	1,166
13	Mold-tek Packaging	Hold	918	876
14	Nestle India	Accumulate	2,679	2,619
15	Pidilite Industries	Accumulate	2,764	2,590
16	Restaurant Brands Asia	Accumulate	145	116
17	Titan Company	Accumulate	3,640	3,706
18	Westlife Foodworld	Hold	839	828

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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