

7th February 2023

CMP – ₹505/-

 View – **Accumulate on Dips**
Q3FY23: Decent Performance
Important Statistics

- Revenue from operations grew 2.6% YoY to ₹2,470Cr with underlying volume growth of 4% in the domestic business and constant currency growth of 8% in the international business
- Gross margin expanded 123 bps YoY and 131 bps sequentially, owing to the prevalence of stability in consumer and raw material pricing and improved portfolio mix in the India business
- EBITDA margin stood at 18.5%, up 55 bps YoY and 111 bps sequentially.

M.CAP (₹ bn)	~₹638
52 Week H/L (₹)	₹554/₹468
NSE Code	MARICO
BSE Code	531642

Key takeaways from Q3FY23 result
➤ Volumes & Sales Growth:

- In Q3FY23, Revenue from Operations grew by 2.6% YoY to ₹2,470Cr with 4% volume growth.
- During the quarter, the FMCG sector in India showed some signs of a gradual improvement in overall demand trends, in addition to the festive spirit and oncoming winter season providing some fillip to specific categories.
- With retail inflation easing month on month, the sector recorded its lowest volume decline in the last five quarters
- Domestic revenues was at ₹1,851Cr, up 2% YoY, lagging volume growth due to varying pricing interventions across portfolios during the year.

Shareholding pattern (%)	Dec'22
Promoter	59.5
Institutions	34.9
Public & Others	05.6

➤ Input cost/Profitability Margin:

- Copra prices were up 1% sequentially and down 18% YoY. With seasonal supplies slowing down, prices should remain range-bound in the near term.
- Rice Bran oil was down 4% sequentially and 2% YoY. Rice Bran Oil prices are likely to be range bound in the near term. However, multiple global factors remain a watch-out for the international vegetable oil complex in the coming quarters.
- Crude derivatives such as Liquid Paraffin (LLP) and HDPE were up 31% and 4% YoY. Both inputs should trend in line with crude oil prices.
- EBITDA margin stood at 18.5%, up 55 bps YoY and 111 bps sequentially. EBITDA was up 6% YoY. PBT growth perked up to 9% owing to higher other income. PAT was up 6% YoY because of higher effective tax rate.

➤ Operational Efficiency:

- A&P spends at 8.9% of sales, was up 3% sequentially. The Company has maintained investments towards strategic brand building of core and new franchises despite input cost headwinds. On a 3-yr CAGR basis, quarterly A&P spends have risen at 6% leading to 11% revenue growth during the period.

➤ Categories:

- **Parachute Rigids** was up 2% in volume terms after a tepid last few quarters, as the loose to branded conversions in the coconut oil picked up with copra prices firming up favorably in the off-season. In the given

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market context, the brand gained 30 bps in volume MS during the quarter. The brand is witnessing healthy traction and penetration gains on the back of micro-marketing interventions in relevant markets.

- **Value Added Hair Oils** posted value decline of 3% given the muted consumption sentiment in rural and sluggishness in mass personal care categories. Value growth on 3 year CAGR basis stood at 7%. The management expect the VAHO franchise to grow in line with the overall BPC category and regain fervor once rural recovery comes about on expected lines in the upcoming quarters.
- **The Saffola franchise**, comprising Refined Edible Oils and Foods, declined by 10% in value terms
- Foods grew 31% in value terms with 20% growth in the Oats franchise and newer offerings scaling up well. Saffola Oats maintained its strong leadership position in the Oats category. During the quarter, the Company launched healthy and lip-smacking snack offerings under the aegis of Saffola Munchiez. The brand introduced Ragi Chips and Roasted Makhana in multiple flavours by leveraging India's own super grain. The franchise is poised to reach revenues of ₹850-1000Cr in FY24.
- Premium Personal Care continued to clock double-digit growth. Digital-first portfolios are scaling up in line with expectations.

➤ **International Business:**

- The international business sustained its healthy growth momentum with constant currency growth of 8%. Each of the markets exhibited strength amidst macroeconomic uncertainty and currency devaluation headwinds.
- In Bangladesh over the medium term, management expect double-digit constant currency growth in the business given competitive position and significant growth headroom in the market.
- The acquisition of female personal care brands, Purité de Prôvence and Ôliv, will provide a fillip to the Vietnam business. The MENA market presents an attractive growth opportunity.
- In South Africa, management expect to protect the core franchise of ethnic hair care and health care over the medium term.

➤ **Guidance:**

- Over the medium term, management hold aspiration to deliver 13-15% revenue growth on the back of 8-10% domestic volume growth in the domestic business and double-digit constant currency growth in the international business.
- Prominent green shoots in rural are eagerly awaited as an encouraging winter crop-sowing season, indications of higher farm income and continued government stimulus bode well. The company expect to maintain an improving growth trend in the quarters ahead.
- Going ahead company will maintain sharp focus on driving penetration and market share gains across portfolios aided by distribution expansion, aggressive cost controls, and sufficient investment in market development and brand building.

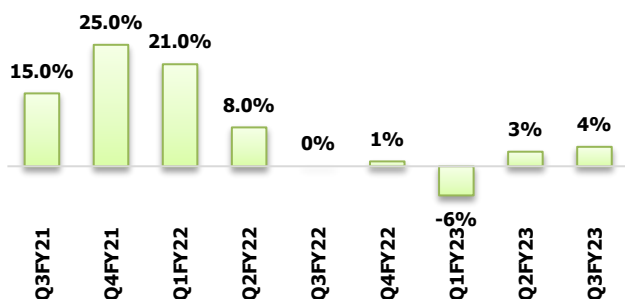
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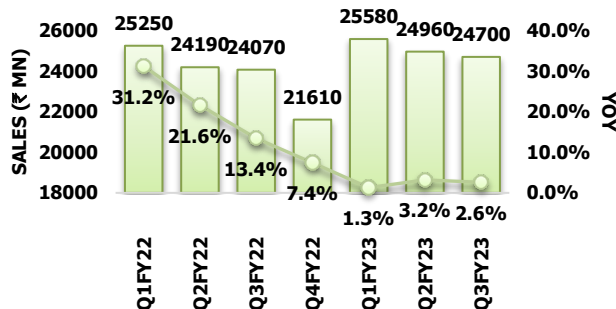
View – Accumulate on Dips

Story in charts

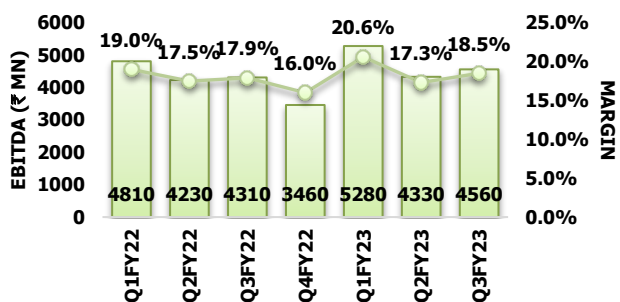
Q3 domestic volumes were up 4% YoY



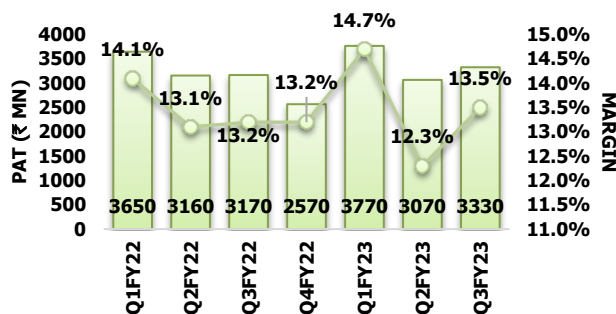
Sales grew 2.6% YoY



5.8% growth in Q3FY23

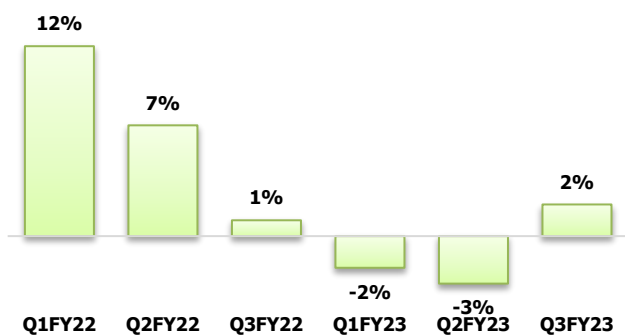


PAT Trend



Parachute Rigid volume was up by 2% in Q3

The table below summaries value growths



Categories	Q1FY23 Value Growth
Parachute Coconut Oil (Rigid packs)	2% (volume)
Value Added Hair Oils	-3%
Saffola Franchise (Refined Edible Oils + Foods)	10%

Source: Company, Way2Wealth

International Business delivers double-digit CCG for the sixth quarter in a row

Q3FY23	Bangladesh	Vietnam	South Africa	MENA	Overall
Constant Currency Growth	9%	13% (HPC & Foods exhibit strength)	13%	13% (Double digit in Gulf region and Egypt)	11% International CCG

Source: Company, Way2Wealth

Risks

- Inflation in raw material prices
- Slow down in the economy


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 View – **Accumulate on Dips**
View

The company has maintained its medium term aspiration of delivering 8-10% domestic volume growth and 13-15% revenue growth.

Management remain confident of the medium term prospects of the FMCG sector once transient macro disturbances settle down and fundamental drivers of the India consumption story come to the fore.

We continue to remain positive on Marico's ability to deliver healthy earnings growth in the medium term considering its strong product portfolio, distribution network, market share gains without compromising on brand building investments to protect short-term margins and healthy balance sheet.

At the current price of ₹505 it is trading at 51.5 times P/E to its FY22 EPS of ₹9.8. Attractive valuations and better growth visibility making it a better pick. We advise investors to Accumulate on dips for the long term.

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 View – **Accumulate on Dips**
Quarterly Performance

(₹ Cr)

Particulars	Q3FY23	Q3FY22	VAR[%]	Q2FY23	VAR[%]	9MFY23	9MFY22	VAR[%]
Net Sales	2,470.0	2,407.0	2.6%	2,496.0	-1.0%	7,524.0	7,351.0	2.4%
Other Income	40.0	22.0	81.8%	19.0	110.5%	76.0	74.0	2.7%
TOTAL INCOME	2,510.0	2,429.0	3.3%	2,515.0	-0.2%	7,600.0	7,425.0	2.4%
Cost Of Materials Consumed	1,158.0	1,211.0	-4.4%	1,246.0	-7.1%	3,589.0	3,945.0	-9.0%
Purchase of stock in trade	106.0	116.0	-8.6%	183.0	-42.1%	428.0	365.0	17.3%
Stock Adjustment	96.0	28.0	242.9%	(22.0)	-536.4%	156.0	(74.0)	-310.8%
<i>RMC as a %age of sales</i>	<i>55.1%</i>	<i>56.3%</i>		<i>56.4%</i>		<i>55.5%</i>	<i>57.6%</i>	
Employee Benefit Expenses	160.0	144.0	11.1%	166.0	-3.6%	482.0	447.0	7.8%
<i>EPC as a %age of sales</i>	<i>6.5%</i>	<i>6.0%</i>		<i>6.7%</i>		<i>6.4%</i>	<i>6.1%</i>	
Advertisement & Promotion	220.0	223.0	-1.3%	213.0	3.3%	632.0	592.0	6.8%
<i>Advertisement Expenses as a %age of sales</i>	<i>8.9%</i>	<i>9.3%</i>		<i>8.5%</i>		<i>8.4%</i>	<i>8.1%</i>	
Other Expenses	274.0	254.0	7.9%	277.0	-1.1%	820.0	741.0	10.7%
<i>Other Expenses as a %age of sales</i>	<i>11.1%</i>	<i>10.6%</i>		<i>11.1%</i>		<i>10.9%</i>	<i>10.1%</i>	
TOTAL EXPENDITURE	2,014.0	1,976.0	1.9%	2,063.0	-2.4%	6,107.0	6,016.0	1.5%
EBIDTA	456.0	431.0	5.8%	433.0	5.3%	1,417.0	1,335.0	6.1%
<i>EBIDTA Margins %</i>	<i>18.5%</i>	<i>17.9%</i>		<i>17.3%</i>		<i>18.8%</i>	<i>18.2%</i>	
Finance Costs	14.0	10.0	40.0%	15.0	-6.7%	39.0	28.0	39.3%
PBDT	482.0	443.0	8.8%	437.0	10.3%	1,454.0	1,381.0	5.3%
Depreciation	39.0	36.0	8.3%	37.0	5.4%	112.0	102.0	9.8%
Profit before Tax	443.0	407.0	8.8%	400.0	10.8%	1,342.0	1,279.0	4.9%
Tax	110.0	90.0	22.2%	93.0	18.3%	325.0	281.0	15.7%
<i>Tax Rate</i>	<i>24.8%</i>	<i>22.1%</i>		<i>23.3%</i>		<i>24.2%</i>	<i>22.0%</i>	
Reported Profit After Tax	333.0	317.0	5.0%	307.0	8.5%	1,017.0	998.0	1.9%
<i>PATM %</i>	<i>13.5%</i>	<i>13.2%</i>		<i>12.3%</i>		<i>13.5%</i>	<i>13.6%</i>	
Other Comprehensive Income (Net of tax)- net credit / (charge)	22.0	(3.0)		(27.0)		(8.0)	14.0	
Total Comprehensive Income	355.0	314.0	13.1%	280.0	26.8%	1,009.0	1,012.0	-0.3%
Basic:								
EPS	2.6	2.5	5.0%	2.4	8.5%	7.9	7.7	1.9%
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 Filing, Way2wealth Research

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Disclosure of Interest Statement Marico Ltd. as on February 07, 2023

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