

9th May 2023

CMP – ₹530/-

View – Accumulate on Dips

**Q4FY23: Decent Performance**

- Consolidated revenue from operations grew 4% YoY to ₹2,240Cr with underlying volume growth of 5% in the domestic business and constant currency growth of 16% in the international business.
- Marico’s domestic volume growth is well ahead of the industry volume growth of 3% for Q4FY23.
- Gross margin expanded by 294 bps YoY and 247 bps sequentially, given the moderation in key commodity prices and favorable portfolio mix in the India business.
- EBITDA grew by 14% YoY, with EBITDA margin expanding 153 bps to 17.5%. Reported PAT was up 20%YoY, aided by higher other income, which includes one-time gain of ₹28Cr on sale of land in one of the overseas locations.

**Important Statistics**

<b>M.CAP (₹ cr)</b>	₹68,534
52 Week H/L (₹)	₹554/₹463
NSE Code	MARICO
BSE Code	531642

Shareholding pattern (%)	Mar'23
Promoter	59.50
Institutions	34.96
Public & Others	05.54

**Key takeaways from Q4FY23 result**

- **Volumes & Sales Growth:**
  - In Q4FY23, Revenue from Operations grew by 4% YoY to ₹2,240Cr with 5% volume growth.
  - During the quarter, the prospects for a sustained recovery in consumption trends strengthened as the sector recorded low single digit volume growth in Q4 after five consecutive quarters of volume decline. Moderation in input prices and retail inflation should aid the improving trend in the coming year.
  - Urban consumption has remained steady in the past few quarters; however, signs of visible buoyancy are awaited. The rural sector has most likely bottomed-out as the declining trend reversed in this quarter.
  - India business continued to better the performance of the preceding quarter with an underlying volume growth of 5%. Volume growth on a 4-year CAGR basis stood at 6%. Domestic revenues was at ₹1,683Cr, up 2% YoY, lagging volume growth, due to price drops taken in Parachute Coconut Oil and Saffola Edible Oils during the year in response to falling input prices.
- **Input cost/Profitability Margin:**
  - Copra declined by 7% YoY and was up 2% sequentially. Prices should remain range bound with a downward bias in the near-term as the flush season begins.
  - Rice Bran oil was down 16% sequentially and 22% YoY. Crude derivatives such as Liquid Paraffin (LLP) was up 21% YoY while HDPE was down at 2% YoY.
  - EBITDA grew by 14% YoY, with EBITDA margin expanding 153 bps to 17.5%. EBITDA margin of the domestic business was at 19.6%, up 265 bps YoY, and that of the International business was at 23.7%, up 218 bps YoY.
- **Operational Efficiency:**
  - A&P spends was at 9.4% of sales in Q4, up 3% YoY and up 8% on 4-year CAGR basis, as the company prioritized investments towards strategic brand building of core and new franchises.

➤ **Categories:**

- **Parachute Rigids** posted 9% volume growth amid the normal course of loose to branded conversions as stability in consumer pricing and copra prices prevailed through the quarter. The brand gained 70 bps in volume MS during the quarter. Volume growth in Q4 was 6% on a 4-year CAGR basis. The brand will continue to focus on penetration gains through micro-marketing interventions in relevant markets.
- **Value Added Hair Oils** ended the year on a rather positive note with value growth of 13% in Q4, driven by volumes. The franchise logged 60 bps gain in value MS. The 4-year value CAGR stood in mid-single digits, lower than medium term aspirations, owing to the extended slowdown in rural.
- **The Saffola franchise**, comprising Refined Edible Oils and Foods, declined 9% in value terms, given the low teen revenue decline in Edible Oils
- **Foods** grew 18% in Q4 to close near the ₹600Cr revenue mark in FY23. Saffola Oats continued to anchor the growth as it maintained its leadership position in the Oats category. Newer offerings such as Honey, Soya Chunks, Peanut Butter, Munchiez and Mayonnaise witnessed healthy traction. Management expect the franchise to close above the ₹850Cr revenue mark in FY24 as company expect an acceleration in urban consumption, continued healthy traction in the core and new launches, incremental growth from step-up in market development and brand building spends, focused GTM initiatives and a promising innovation pipeline.
- Parachute portfolio is likely to grow by 5-7%; VAHO portfolio is likely to grow in double digits and increased contribution from new ventures. Saffola edible oil volumes are expected to grow in high single digits. Premium Personal Care portfolios are expected to deliver double-digit value growth.
- Premium Personal Care had another reassuring quarter with 20%+ growth and closed just shy of ₹350Cr in revenues in FY23. The Digital-first portfolio also scaled up well in line with expectations. The current portfolio is on course to clock ~ ₹400Cr. in revenue run rate on exit basis in FY24.

➤ **International Business:**

- The International business had another stellar quarter delivering constant currency growth of 16%, while weathering global macroeconomic uncertainty and currency devaluation headwinds in some of the geographies. Each of the regions posted a strong performance reflecting the underlying strength of the businesses.
- Within the International business, **Bangladesh clocked 9% constant currency growth** as both core and newer portfolios performed well. **Vietnam grew by 16% in constant** currency terms with healthy traction in both the HPC and Foods franchises. **MENA grew by 37%** and **South Africa grew by 21%**, in constant currency terms. **NCD and Exports business grew 21%** in constant currency terms.
- Management is confident of maintaining the double-digit growth momentum in FY24.

➤ **Guidance:**

- **Near Term:** Expect gross margin to expand by 200-250 bps and operating margin to move up by more than 100 bps in FY24 with easing RM prices, aggressive cost management and a more favorable portfolio mix and also expect a gradual uptick in revenue growth as pricing interventions come into the base in the first half of FY24.
- **Medium Term:** The Company holds its medium-term aspiration of delivering 13-15% revenue growth on the back of 8-10% domestic volume growth and double-digit constant currency growth in the international business. The company will aim to maintain consolidated operating margin above the threshold of 19% over the medium term.
- 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.

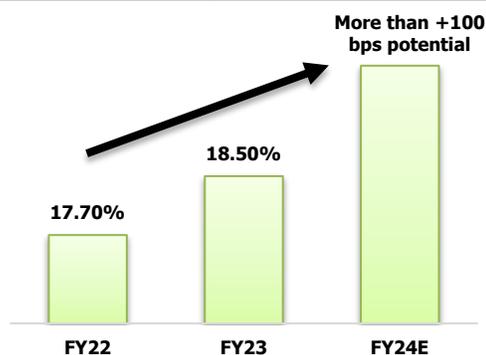
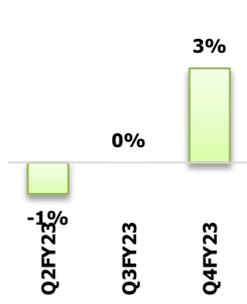
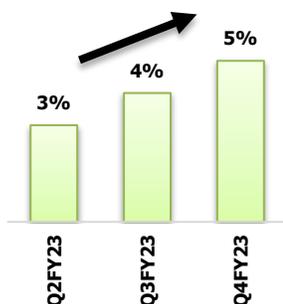
**Story in charts**

**India Volume Growth - well ahead of sector**

**Operating Margin Expansion Likely**

**Domestic Vol. Growth**

**Sector Vol. Growth**

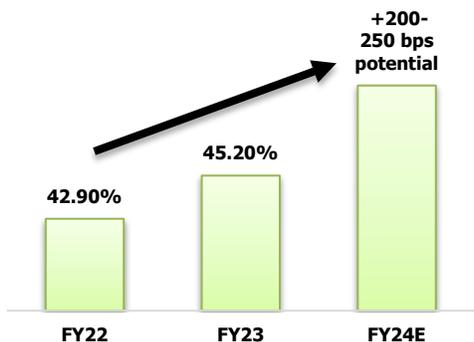


**Revenue Growth to inch up as pricing comes into the base from H2FY24 onwards**

**EBITDA mrgin expected to expand by more than 100 bps**

**Gross Margin Trending Up**

**A&P as a % of sales - Key Thrust for Growth**



**GM uptrend to continue with RM moderating and improving portfolio mix**

**A&P spends to continue as long term growth driver**

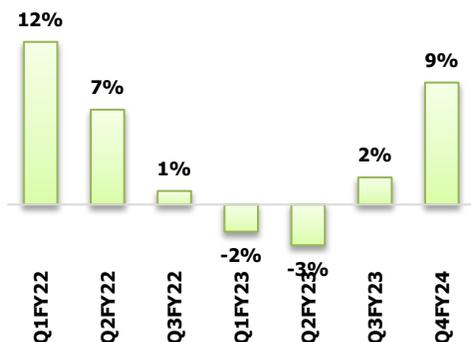
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View – **Accumulate on Dips**

**Parachute Rigid volume was up by 9% in Q4**

**The table below summaries value growths**



Categories	Q4FY23 Value Growth
Parachute Coconut Oil (Rigid packs)	9% (volume)
Value Added Hair Oils	13%
Saffola Franchise (Refined Edible Oils + Foods)	-9%
Premium Personal Care	20%

Source: Company, Way2Wealth

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

Q4FY23	Bangladesh	Vietnam	South Africa	MENA	Overall
<b>Constant Currency Growth</b>	9%	16% (HPC & Foods exhibit strength)	21%	37% (Double digit in Gulf region and Egypt)	16% International CCG

Source: Company, Way2Wealth

**Risks**

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

**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 ₹530 it is trading at 52.6 times P/E to its FY23 EPS of ₹10.0. 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)

	Q4FY23	Q4FY22	VAR	Q3FY23	VAR	FY23	FY22	VAR
Net Sales (Net of Excise Duty)	2,240.0	2,161.0	3.7%	2,470.0	-9.3%	9,764.0	9,512.0	2.6%
Other Income	68.0	24.0	183.3%	40.0	70.0%	144.0	98.0	46.9%
<b>TOTAL INCOME</b>	<b>2,308.0</b>	<b>2,185.0</b>	<b>5.6%</b>	<b>2,510.0</b>	<b>-8.0%</b>	<b>9,908.0</b>	<b>9,610.0</b>	<b>3.1%</b>
Cost Of Materials Consumed	1,060.0	1,116.0	-5.0%	1,158.0	-8.5%	4,649.0	5,061.0	-8.1%
Purchase of stock in trade	113.0	126.0	-10.3%	106.0	6.6%	541.0	491.0	10.2%
Stock Adjustment	5.0	(42.0)	-111.9%	96.0	-94.8%	161.0	(116.0)	-238.8%
<i>RMC as a %age of sales</i>	<i>52.6%</i>	<i>55.5%</i>		<i>55.1%</i>		<i>54.8%</i>	<i>57.1%</i>	
Employee Benefit Expenses	171.0	139.0	23.0%	160.0	6.9%	653.0	586.0	11.4%
<i>EPC as a %age of sales</i>	<i>7.6%</i>	<i>6.4%</i>		<i>6.5%</i>		<i>6.7%</i>	<i>6.2%</i>	
Advertisement & Promotion	210.0	204.0	2.9%	220.0	-4.5%	842.0	796.0	5.8%
<i>Advertisement Expenses as a %age of sales</i>	<i>9.4%</i>	<i>9.4%</i>		<i>8.9%</i>		<i>8.6%</i>	<i>8.4%</i>	
Other Expenses	288.0	272.0	5.9%	274.0	5.1%	1,108.0	1,013.0	9.4%
<i>Other Expenses as a %age of sales</i>	<i>12.9%</i>	<i>12.6%</i>		<i>11.1%</i>		<i>11.3%</i>	<i>10.6%</i>	
<b>TOTAL EXPENDITURE</b>	<b>1,847.0</b>	<b>1,815.0</b>	<b>1.8%</b>	<b>2,014.0</b>	<b>-8.3%</b>	<b>7,954.0</b>	<b>7,831.0</b>	<b>1.6%</b>
<b>EBIDTA</b>	<b>393.0</b>	<b>346.0</b>	<b>13.6%</b>	<b>456.0</b>	<b>-13.8%</b>	<b>1,810.0</b>	<b>1,681.0</b>	<b>7.7%</b>
<i>EBIDTA Margins %</i>	<i>17.5%</i>	<i>16.0%</i>		<i>18.5%</i>		<i>18.5%</i>	<i>17.7%</i>	
Finance Costs	17.0	11.0	54.5%	14.0	21.4%	56.0	39.0	43.6%
<b>PBDT</b>	<b>444.0</b>	<b>359.0</b>	<b>23.7%</b>	<b>482.0</b>	<b>-7.9%</b>	<b>1,898.0</b>	<b>1,740.0</b>	<b>9.1%</b>
Depreciation	43.0	37.0	16.2%	39.0	10.3%	155.0	139.0	11.5%
<b>PBT</b>	<b>401.0</b>	<b>322.0</b>	<b>24.5%</b>	<b>443.0</b>	<b>-9.5%</b>	<b>1,743.0</b>	<b>1,601.0</b>	<b>8.9%</b>
Tax	96.0	65.0	47.7%	110.0	-12.7%	421.0	346.0	21.7%
<i>Tax Rate</i>	<i>23.9%</i>	<i>20.2%</i>		<i>24.8%</i>		<i>24.2%</i>	<i>21.6%</i>	
<b>Reported Profit After Tax</b>	<b>305.0</b>	<b>257.0</b>	<b>18.7%</b>	<b>333.0</b>	<b>-8.4%</b>	<b>1,322.0</b>	<b>1,255.0</b>	<b>5.3%</b>
<i>PATM %</i>	<i>13.6%</i>	<i>11.9%</i>		<i>13.5%</i>		<i>13.5%</i>	<i>13.2%</i>	
Other Comprehensive Income (Net of tax)- net credit / (charge)	<b>(24.0)</b>	<b>21.0</b>		<b>22.0</b>		(32.0)	35.0	
<b>Total Comprehensive Income</b>	<b>281.0</b>	<b>278.0</b>	<b>1.1%</b>	<b>355.0</b>	<b>-20.8%</b>	<b>1,290.0</b>	<b>1,290.0</b>	<b>0.0%</b>
Basic:								
<b>EPS</b>	<b>2.4</b>	<b>2.0</b>	<b>18.7%</b>	<b>2.6</b>	<b>-8.4%</b>	<b>10.2</b>	<b>9.7</b>	<b>5.3%</b>
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 09<sup>th</sup> May 2023**

Name of the Security	Marico Ltd.
Name of the analyst	Ashwini Sonawane
Analysts' ownership of any stock related to the information contained	
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
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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