

Company Background

Marico is one of India's leading consumer goods companies operating in the global beauty and wellness space. Marico's products in Hair Care, Skin Care, Health Care and Male Grooming generated a turnover of ₹80.5bn in FY21. At least 90% of Marico's portfolio of brands occupy leadership positions in their respective categories. Marico's products are present in Bangladesh, other SAARC countries, the Middle East, Egypt, South and Sub-Saharan Africa, Malaysia, Myanmar and Vietnam. Marico has a total of 13 manufacturing units; 8 in India and 5 overseas. Distribution reach of Marico stands at 5.3mn outlets as on FY21.

Important Statistics

MCAP (₹ cr)	72,131
52 Week H/L (₹)	587/333
NSE Code	MARICO
BSE Code	531642

Shareholding pattern (%)	June'21
Promoter	59.6
Institutions	34.7
Public & Others	05.7

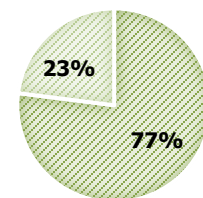
Product Portfolio



Financials

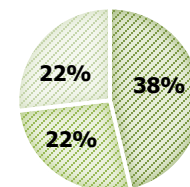
Particulars	(Rs.cr)		
	FY20	FY21	Growth
Sales	7,315	8,048	10.0%
Gross Profit	3,698	3,872	4.7%
Gross Margin	51%	48%	
EBITDA	1,469	1,590	8.2%
EBITDA Margin	21.1%	19.8%	
Net Profit	1,043	1,198	14.9%
PAT Margin	14.3%	14.9%	
EPS	8.1	9.0	

REVENUE MIX



■ India ■ International

INDIA BUSINESS MIX



■ Parachute Coconut Oil
■ Value Added Hair Oils
■ Saffola (Refined Edible Oils)

Why we like Marico Ltd?

- Established brands and diversified product portfolio with strong market position
- Enhanced distribution reach to drive unbranded to branded conversions
- New growth engines - foods portfolio and male grooming & premium personal care
- Strong international business
- Robust financial profile

Source: Company, Way2Wealth

Investment Rationale

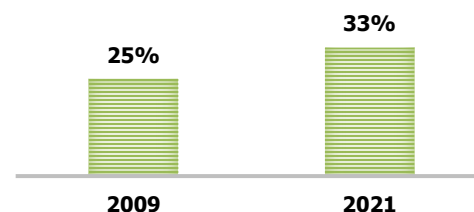
- **Established brands and diversified product portfolio with strong market position** – Marico’s product portfolio provides a play on Indian FMCG spend by virtue of its strong presence in high growth categories. Marico touches the lives of 1 out of every 3 Indians through its portfolio of brands such as Parachute, Saffola, Saffola FITTIFY Gourmet, Saffola ImmuniVeda, Saffola Arogyam, Saffola Mealmaker, Hair & Care, Parachute Advansed, Nihar Naturals, Mediker, Kaya Youth O2, Coco Soul, Revive, Set Wet, Livon, Veggie Clean, KeepSafe, Travel Protect, House Protect and Beardo.

Market Share in Key Categories

Brand	Market Share	Rank
Volume Market Share		
Coconut Oils	61%	1
Parachute Rigids	51%	1
Saffola- super premium refined edible oils	81%	1
Value Added Hair Oils	37%	1
Post Wash Leave-on serums	63%	1
Value Market Share		
Saffola Masala Oats	94%	1
Saffola Oats (Overall)	38%	2
Hair Gels/waxes/creams	57%	1

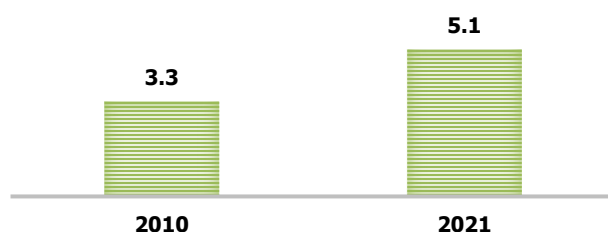
➤ **Enhanced distribution reach to drive unbranded to branded conversions** – Marico reaches 5.1mn retail outlets. The company has continued to expand its direct distribution and now serves over 0.9mn outlets directly.

RURAL SALES SHARE



- To tap into the increased opportunity in pharma/chemist channels in the top 10 cities across the country, the company appointed specialist distributors. Operations have scaled up in the top 5 Metros as the company expands into non-metro locations across North, East and South. Consequent to this initiative, the company’s reach in pharma/chemist channels has increased 5-6x so far, albeit on a low base. The company expects the same to stand it in good stead during the ongoing second COVID wave.
- In FY20, the company expanded its rural stockist network by 25%. While they took a pause in FY21 due to COVID disruptions, they have now re-started the task of further expanding rural network by another 25% over the next 2 years.

RETAIL OUTLETS (MN)



Source: Company, Way2Wealth

➤ **New growth engines – foods portfolio and male grooming & premium personal care-** The company have witnessed consistently strong traction in the foods portfolio in FY21. Management stated that it will continue to focus on driving penetration of savoury oats and further extending the category with new offerings focused on immunity, convenience and nutrition. Livon Serums has continued to witness positive traction with double-digit growth in Q4. Skin Care had a muted quarter, while Male Grooming remained below par but company will continue to invest behind the strengthening equity of brand over the medium term. The company aim to gain market share in the premium segments, through brand building and innovations offering higher functional benefits.

➤ **Strong international business** – The business grew by 7% in constant currency terms in FY21, with key markets exhibiting stability in an overall challenging global environment.

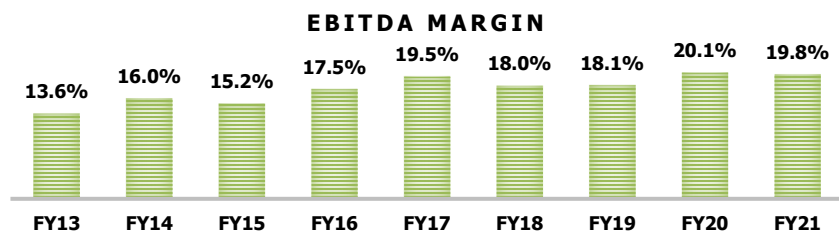
Brand & Territory	Market Share	Rank
Parachute coconut oil (Bangladesh)	82%	1
X-Men Male Deodorants (Vietnam)	31%	2
Value Added Hair Oils (Bangladesh)	23%	2
X-Men Male Shampoo (Vietnam) (Vietnam)	38%	1

Strategies

Countries	Past Performance	Strategies going ahead
Bangladesh	15% Constant Currency Growth in FY21	Confident of delivering double digit constant currency growth over medium term with strong distribution network
South East Asia	Business was down 3% in FY21	Series of turnaround measures (increased investment and drive excellence in sales & distribution) was taken in Vietnam, expecting the business to build a sustained growth trajectory ahead
Middle East & North Africa	Overall business ended at 1% CC growth in FY21	Company will stay aggressive with cost management to enable it to tide over the challenging macros
South Africa	Business grew at 9% CC terms in FY21	Continue to focus on health care portfolio

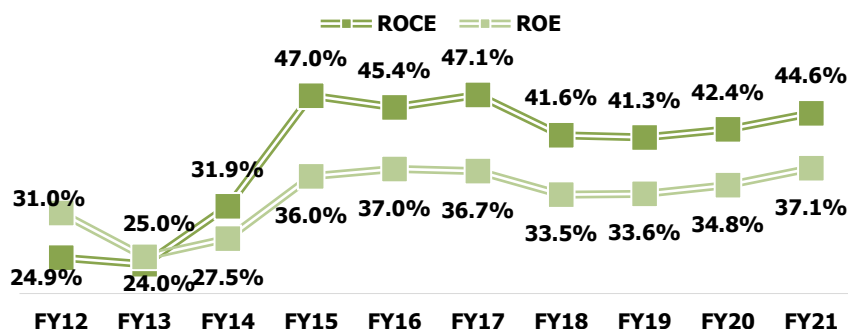
➤ **Robust financial profile**

Healthy EBITDA margin across the years and quarters



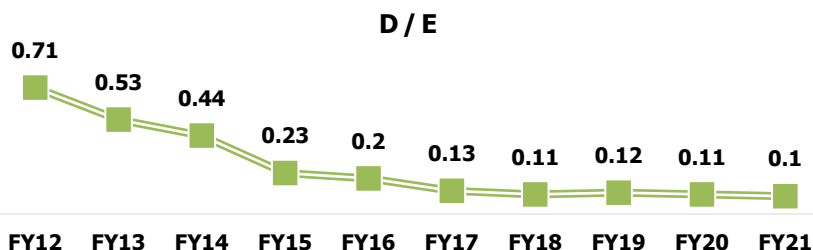
Source: Company, Way2Wealth

Return ratio remain attractive



Source: Company, Way2Wealth

Debt/Equity reducing from 0.71x in FY12 to 0.1x in FY21



Source: Company, Way2Wealth

Peer Comparison

(₹ cr)

Companies	Sales (5 yr. CAGR)	Opt Profit (5 yr. CAGR)	PAT (5-yr CAGR)	EBITDA Margin	PAT Margin	ROE	PE	EPS (TTM)	D/E
HUL	7.9%	14.5%	14.0%	24.7%	17.0%	85.0%	79.9	34.6	0.00
Marico Ltd	6.0%	8.6%	10.5%	19.7%	14.6%	37.0%	64.9	8.6	0.11
Dabur India Ltd	3.9%	5.7%	6.2%	21.0%	17.7%	15.5%	77.9	8.2	0.07
Godrej Consumer Products Ltd	5.5%	7.7%	10.5%	21.8%	13.6%	19.7%	89.1	12.5	0.34
Emami Ltd	4.1%	5.0%	4.6%	30.5%	15.8%	14.9%	52.6	11.3	0.05

Risk

- Slowdown in the economy
- Inflationary raw material prices

View

At least 90% of Marico's portfolio of brands occupy leadership positions in their respective categories. Key input costs have started easing after peaking at the start of this quarter. The Company holds its medium term aspiration of delivering 8-10% domestic volume growth and 13-15% revenue growth, while the key portfolios of both the India and International businesses have rebounded strongly as the COVID wave subsided. Wider distribution, new product launches and sustained growth opportunity will be key growth drivers for the company.

Given quality play, at the current price of ₹558 it is trading at P/E 62x to its FY21 EPS of ₹9. We advise investors to BUY this business on dips for the long term.

15th September 2021

CMP – ₹558/-

View – Buy on Dips

Financial Statement

(₹ Cr)

Income Statement	FY17	FY18	FY19	FY20	FY21
Income					
Revenue from operations (Gross)	5,935.92	6,333.00	7,334.00	7,315.00	8,048.00
Less: Excise duty	18.13	11.00	0.00	0.00	0.00
Revenue from operations (Net)	5,917.79	6,322.00	7,334.00	7,315.00	8,048.00
Other Income	97.31	85.00	103.00	124.00	94.00
Total Income	6,015.10	6,407.00	7,437.00	7,439.00	8,142.00
Expenses:					
Cost of Materials Consumed	2,765.23	3,372.00	3,995.00	3,424.00	3,884.00
Purchase of Stock-in-Trade	122.39	196.00	145.00	177.00	339.00
Changes in Inventories of Finished Goods/WIP	-56.67	-220.00	-123.00	140.00	47.00
As % of Net Sales	48%	53%	55%	51%	53%
Employee Benefits Expense	404.18	422.00	466.00	478.00	570.00
As % of Net Sales	6.80%	6.70%	6.40%	6.50%	7.10%
Finance Costs	16.58	16.00	24.00	50.00	34.00
Depreciation and Amortisation Expense	90.30	89.00	96.00	140.00	139.00
Other Expenses	1,523.39	1,414.00	1,570.00	893.00	919.00
As % of Net Sales	25.70%	22.40%	21.40%	16.00%	16.00%
Advt & Sales Expenses				733	698
As % of Net Sales				10.00%	8.70%
Total Expenses	4,865.95	5,289.60	6,173.61	6,035.84	6,630.85
Profit before exceptional items, share of net profits of investments accounted for using equity	1,149.15	1,117.40	1,263.39	1,403.16	1,511.15
Share of net profit/(loss) of joint ventures accounted for using the equity method	-1	0	-1	0	-2
Profit Before Exceptional Items and Tax	1,148.15	1,117.40	1,262.39	1,403.16	1,509.15
Exceptional items – (expenses) / income	0	0	0	29	-13
Profit before tax	1,148.15	1,117.40	1,262.39	1,374.16	1,522.15
Tax Expense					
Current Tax	292.21	284.00	331.00	347.00	335.00
Deferred Tax (Net)	45.52	6.00	-15.00	-16.00	-11.00
Tax Adjustment for earlier years		0.00	-188.00		
Total Tax Expense	337.73	290.00	128.00	331.00	324.00
Effective Tax Rate in %	32%	28%	11%	25%	22%
Profit After Tax	810.42	827.40	1,134.39	1,043.16	1,198.15
Less: Minority interest	12.38				
Profit for the year	798.04	827.40	1,134.39	1,043.16	1,198.15
Earning Per Equity Share	6.28	6.41	8.79	8.08	9.29
Key Cost					
Raw Material Cost	2,830.95	3,348.00	4,017.00	3,741.00	4,270.00
Raw Material as % of Sales	47.69%	52.87%	54.77%	51.14%	53.06%
Employee Expense	404.18	422.00	466.00	478.00	570.00
Employee Expense as % of Sales	6.81%	6.66%	6.35%	6.53%	7.08%
Depreciation on property, plant and equipment	90.30	89.00	96.00	140.00	139.00
Other Expense	1523.39	1414	1570	893	919
Other Expense % of Sales	25.70%	22.40%	21.40%	12.20%	11.40%
Total Tax Expense	337.73	290	128	331	324
Effective Tax Rate	29.42%	25.95%	10.14%	23.59%	21.47%

15th September 2021

CMP – ₹558/-

 View – **Buy on Dips**
Profitability

Total Income from Operations	5,935.92	6,333.00	7,334.00	7,315.00	8,048.00
Growth in % Y-o-Y	-3.31%	6.69%	15.81%	-0.26%	10.02%
Gross Profit	3184.15	3059	3420	3698	3872
Growth in % Y-o-Y	0.64%	-3.93%	11.80%	8.13%	4.71%
EBITDA	1,158.72	1,137.40	1,280.39	1,469.16	1,590.15
Growth in % Y-o-Y	9.12%	-1.84%	12.57%	14.74%	8.24%
Profit Before Interest & Tax	1,068.42	1,048.40	1,184.39	1,329.16	1,451.15
Growth in % Y-o-Y	11.28%	-1.87%	12.97%	12.22%	9.18%
Profit Before Tax	1033.1914	1148.1533	1117.4037	1262.3887	1374.163
Growth in % Y-o-Y	25.84%	11.13%	-2.68%	12.98%	8.85%
Profit After Tax	810.42332	827.40367	1134.3887	1043.163	1198.1519
Growth in % Y-o-Y	10.10%	2.10%	37.10%	-8.04%	14.86%

Margins

Gross Margin	54%	48%	47%	51%	48%
EBITDA Margin	19.58%	17.99%	17.46%	20.08%	19.76%
PBIT Margin	18.05%	16.58%	16.15%	18.17%	18.03%
Net Profit Margin	13.69%	13.09%	15.47%	14.26%	14.89%

Source: Company Data, Way2Wealth Inst Equity

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Disclosure of Interest Statement Marico Ltd. as on September 15th, 2021

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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Broking relationship with company covered	NIL
Investment Banking relationship with company covered	NIL

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