

31st January 2024

CMP – ₹523/-

 View – **Accumulate**
Q3FY24 Performance

- In Q3FY24, revenue from operations declined by ~2% YoY to ₹2,422crs, with underlying volume growth of 2% in the domestic business and constant currency growth of 6% in the international business.
- Amidst the given operating environment, the India business posted volume growth of 2% which dipped sequentially primarily due to a stock reduction undertaken across key portfolios as a part of the aforesaid initiatives to support GT channel partners. Domestic revenue at ₹1,793cr, was down 3% YoY, lagging volume growth as some pricing corrections in key portfolios were yet to anniversarise.
- Gross margin expanded by 634 bps YoY given the moderation in key commodity prices and favorable portfolio mix in the India business.
- EBITDA margin stood at 21.2%, up 272 bps YoY. EBITDA grew by 13% and PAT was up 17% on a YoY basis, aided by lower ETR.

Important Statistics

Nifty	21,502
Sensex	71,140
M.CAP (₹ Crs)	₹67,688
52 Week H/L (₹)	₹595/₹463
NSE Code	MARICO
BSE Code	531642
Bloomberg Code	MRCO:IN

Shareholding pattern (%)		Dec'23
Promoter		59.38
FIIIs		25.69
DIIIs		09.63
Public & Others		05.30

Key takeaways from Q3FY24 result
Volumes & Sales Growth:

- During the quarter, demand trends were stable with no visible improvement from the preceding quarter. Rural demand remained soft, while urban demand steadied its moderate growth trajectory. Within the FMCG sector, mass home and personal care categories aligned closely with the trajectory of rural demand, while packaged foods led the sector owing to higher urban salience and penetration-led growth.
- The majority of the portfolio witnessed healthy trends across offtakes with ~85% of the business either gaining or sustaining market share and penetration.
- General Trade continued to drag as it grappled with liquidity and profitability constraints, while alternate channels grew healthily. In response to the extended slowdown witnessed in the GT channel, the company took some measures during the end of Q3 to alleviate ROI challenges faced by channel partners, which could potentially pave the way for a structural recovery in the growth prospects of the channel.

Input cost/Profitability Margin:

- A&P spending was up 12% YoY, up 125 bps as a % of sales, as the Company stayed focused on strategic brand building of core and new businesses. Consequently, EBITDA margin stood at 21.2%, up 270 bps YoY. EBITDA grew by 13% and PAT was up 17% on a YoY basis.
- Copra prices stayed at lower levels, but exhibited some upward bias. Rice Bran Oil (RBO) trended downwards and exhibited lower volatility. Crude derivatives such as Liquid Paraffin (LLP) and HDPE also exhibited downward bias.

Domestic Business:

- The India business posted volume growth of 2%. Domestic revenue at ₹1,7993 crs, was down 3% on a year-on-year basis, lagging volume growth due to price corrections in key portfolios in the last 12 months
- **Parachute Rigids** registered 3% volume growth with loose to branded conversions picking up some pace. Volume growth on a 4-year CAGR basis was at 3%. During the quarter, the franchise gained ~40 bps in market

Financials

Particulars	(Rs cr)		
	FY21	FY22	FY23
Revenues	8,048	9,512	9,764
YoY Growth	10%	18%	3%
EBITDA	1,589	1,681	1,810
EBITDA Margin	20%	18%	19%
PAT	1,199	1,255	1,322
PAT Margin	15%	13%	14%
EPS	9.08	9.48	10.07
PE	57.6	55.2	51.9

Relative Performance

Return (%)	1 Yr	3Yr	5 Yr
Marico	5%	8%	7%
Nifty 50	24%	61%	99%
Sensex	19%	54%	98%

Source: Company, Way2Wealth

Ashwini Sonawane
ashwinisonawane@way2wealth.com

91-22-4019 2913

31st January 2024

CMP – ₹523/-

View – **Accumulate**

share on a MAT basis. We expect volume growth to continue its gradually improving trajectory as input costs exhibit an upward bias amid stable consumer pricing

- **Value-Added Hair Oils** grew 3% YoY in value terms, due to slower rural demand. Value growth on a 4-year CAGR basis was at 6%.
- **Saffola Edible Oils** registered a mid-single-digit volume decline, which was attributable to a high base and extended sluggishness in trade sentiment resulting in lower inventory levels on a year-on-year basis, despite healthy offtakes. Revenue decline was in the mid-twenties on a year-on-year basis due to pricing corrections over the last 12 months that were yet to come into the base.
- **Foods** continued its steady growth trajectory with 18% YoY value growth. Saffola Oats maintained its category leadership while Honey and Soya Chunks continued to scale up well. Newer categories of Peanut Butter, Mayonnaise and Munchiez have also been gaining traction. True Elements and Plix have been scaling up well in their respective categories.
- **Premium Personal Care** (including the Digital-first portfolio) delivered a healthy performance in the quarter. The composite share of Foods and Personal Care portfolios in domestic revenues stood at 20% in Q3FY24.

➤ **International Business:**

- The International business delivered mid-single digit constant currency growth dragged by transient macroeconomic headwinds in Bangladesh while other regions delivered a resilient performance.
- Within the International business, **Bangladesh registered a 6% decline in constant currency terms** amidst ongoing macroeconomic headwinds. Newer portfolios of shampoo and baby care witnessed healthy growth. Performance in Bangladesh is likely to revert to a healthy trajectory in the coming quarter. **South-East Asia grew 4% in CCG terms, amidst slower HPC demand in Vietnam. MENA continued its strong growth momentum and delivered a 26% CCG with both the Gulf region and Egypt growing in double-digits. South Africa registered 33% CCG driven by the ethnic hair care segment. NCD and Exports posted 16% growth.**

➤ **Guidance:**

- With macro indicators signaling positivity, continued government spending, and more favorable consumer pricing across FMCG categories, management remains optimistic about a gradual uptick in consumption trends over the course of the next 4-5 quarters.
- The consolidated revenue growth is expected to move into positive territory in Q4FY24 as the base catches up. Gross margin is expected to expand by 450-500 bps on a full-year basis, higher than earlier envisaged, owing to sustained input cost tailwinds and favorable portfolio mix. With aggressive brand-building investments towards strengthening the equity of the core and new franchises to drive growth, management expects the operating margin to expand by ~250 bps in FY24.
- Going ahead company will maintain a 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.

31st January 2024

CMP – ₹523/-

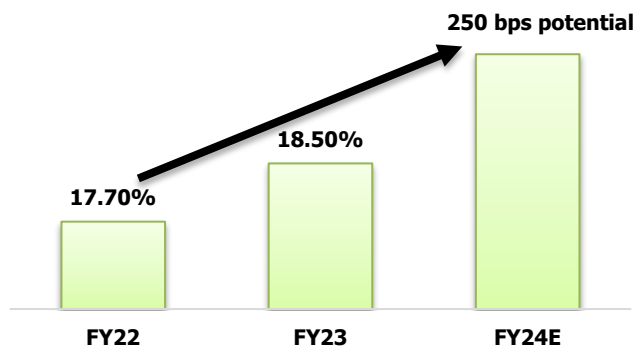
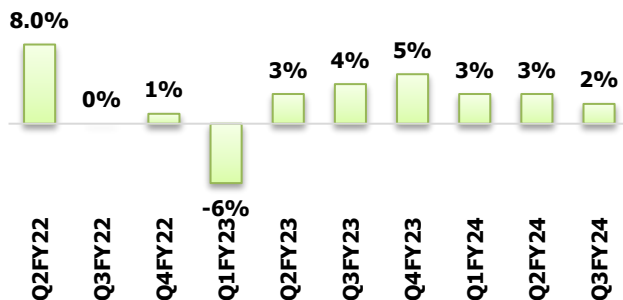
View – Accumulate

Story in charts

India Business Volume Growth

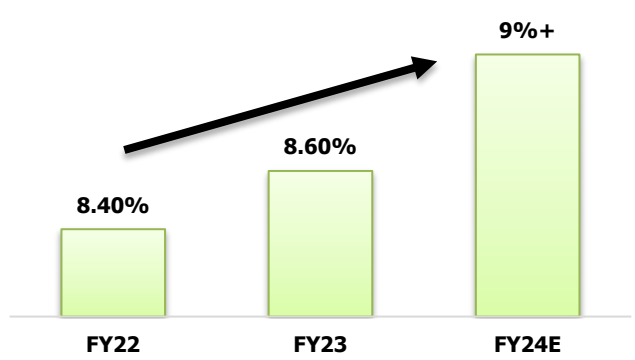
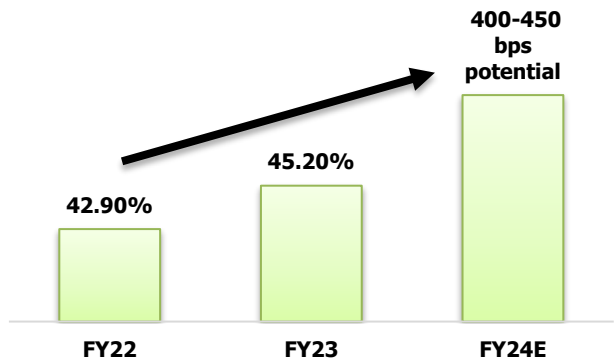
EBITDA margin expected to expand by 200 bps

Domestic Business Volume Growth



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

Source: Company, Way2Wealth



31st January 2024

CMP – ₹523/-

View – **Accumulate**

Risks

- Inflation in raw material prices
- Slowdown in the economy

View

The domestic business has delivered 2% volume growth in Q3FY24 amidst a challenging operating environment with sluggish demand sentiment in rural and the company continues to draw confidence from the resilient offtake growth, market share and penetration gains posted by key franchises and expects a gradual improvement in demand sentiment to reflect in the performance of the domestic business.

The company has maintained its medium-term aspiration of delivering 8-10% domestic volume growth and 13-15% revenue growth. On the international business front, the management is targeting double-digit revenue growth in constant currency and expects margins to stabilize in the band of 25-26% for FY24, compared to 24% in FY23. Management expects the demand momentum to improve gradually due to government spending. Moderation in overall inflation and recovery in rural markets remain the key trigger for Marico's performance.

At the current price of ₹523, it is trading at 64.2 times P/E to its TTM EPS of ₹8.14. We advise long-term investors to Accumulate the stock.

31st January 2024

CMP – ₹523/-

 View – **Accumulate**
Quarterly Performance

(₹ Cr)

	Q3FY24	Q3FY23	VAR	Q2FY24	VAR	9MFY24	9MFY23	VAR
Net Sales	2,422.0	2,470.0	-1.9%	2,476.0	-2.2%	7,375.0	7,524.0	-2.0%
Other Income	43.0	40.0	7.5%	38.0	13.2%	127.0	76.0	67.1%
TOTAL INCOME	2,465.0	2,510.0	-1.8%	2,514.0	-1.9%	7,502.0	7,600.0	-1.3%
Cost Of Materials Consumed	908.0	1,158.0	-21.6%	1,106.0	-17.9%	3,003.0	3,589.0	-16.3%
Purchase of stock in trade	232.0	106.0	118.9%	228.0	1.8%	633.0	428.0	47.9%
Stock Adjustment	40.0	96.0	-58.3%	(108.0)	-137.0%	9.0	156.0	-94.2%
<i>RMC as a %age of sales</i>	<i>48.7%</i>	<i>55.1%</i>		<i>49.5%</i>		<i>49.4%</i>	<i>55.5%</i>	
Employee Benefit Expenses	189.0	160.0	18.1%	187.0	1.1%	557.0	482.0	15.6%
<i>EPC as a %age of sales</i>	<i>7.8%</i>	<i>6.5%</i>		<i>7.6%</i>		<i>7.6%</i>	<i>6.4%</i>	
Advertisement & Promotion	246.0	220.0	11.8%	268.0	-8.2%	726.0	632.0	14.9%
<i>Advertisement Expenses as a %age of sales</i>	<i>10.2%</i>	<i>8.9%</i>		<i>10.8%</i>		<i>9.8%</i>	<i>8.4%</i>	
Other Expenses	294.0	274.0	7.3%	298.0	-1.3%	863.0	820.0	5.2%
<i>Other Expenses as a %age of sales</i>	<i>12.1%</i>	<i>11.1%</i>		<i>12.0%</i>		<i>11.7%</i>	<i>10.9%</i>	
TOTAL EXPENDITURE	1,909.0	2,014.0	-5.2%	1,979.0	-3.5%	5,791.0	6,107.0	-5.2%
EBIDTA	513.0	456.0	12.5%	497.0	3.2%	1,584.0	1,417.0	11.8%
<i>EBIDTA Margins %</i>	<i>21.2%</i>	<i>18.5%</i>		<i>20.1%</i>		<i>21.5%</i>	<i>18.8%</i>	
Finance Costs	19.0	14.0	35.7%	20.0	-5.0%	56.0	39.0	43.6%
PBDT	537.0	482.0	11.4%	515.0	4.3%	1,655.0	1,454.0	13.8%
Depreciation	42.0	39.0	7.7%	39.0	7.7%	117.0	112.0	4.5%
PBT	495.0	443.0	11.7%	476.0	4.0%	1,538.0	1,342.0	14.6%
Tax	109.0	110.0	-0.9%	116.0	-6.0%	356.0	325.0	9.5%
<i>Tax Rate</i>	<i>22.0%</i>	<i>24.8%</i>		<i>24.4%</i>		<i>23.1%</i>	<i>24.2%</i>	
Reported Profit After Tax	386.0	333.0	15.9%	360.0	7.2%	1,182.0	1,017.0	16.2%
<i>PATM %</i>	<i>15.9%</i>	<i>13.5%</i>		<i>14.5%</i>		<i>16.0%</i>	<i>13.5%</i>	
Other Comprehensive Income (Net of tax)- net credit / (charge)	4.0	22.0		(23.0)		(37.0)	(8.0)	
Total Comprehensive Income	390.0	355.0	9.9%	337.0	15.7%	1,145.0	1,009.0	13.5%
Basic:								
EPS	2.99	2.58	15.9%	2.8	7.2%	9.2	7.9	16.2%
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

31st January 2024

CMP – ₹523/-

View – **Accumulate**

Disclaimer

Analyst Certification: I, Ashwini Sonawane, the research analyst and author of this report, hereby certify that the views expressed in this research report accurately reflect our personal views about the subject securities, issuers, products, sectors or industries. It is also certified that no part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The analyst(s), principally responsible for the preparation of this research report, receives compensation based on overall revenues of the company (Way2Wealth Brokers Private Limited, hereinafter referred to as Way2Wealth) and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

It is confirmed that Ashwini Sonawane, the author of this report has not received any compensation from the companies mentioned in the report in the preceding 12 months. Our research professionals are paid in part based on the profitability of Way2Wealth, which include earnings from other business. Neither Way2Wealth nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information contained in this report.

This report is for the personal information of the authorized recipient and does not construe to be any investment, legal or taxation advice to you. Way2Wealth is not soliciting any action based upon it. Nothing in this research shall be construed as a solicitation to buy or sell any security or product, or to engage in or refrain from engaging in any such transaction. The contents of this material are general and are neither comprehensive nor appropriate for every individual and are solely for the informational purposes of the readers. This material does not take into account the specific objectives, financial situation or needs of an individual/s or a Corporate/s or any entity/s.

This research has been prepared for the general use of the clients of the Way2Wealth and must not be copied, either in whole or in part, or distributed or redistributed to any other person in any form. If you are not the intended recipient, you must not use or disclose the information in this research in any way. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. Way2Wealth will not treat recipients as customers by virtue of their receiving this report. The distribution of this document in other jurisdictions may be restricted by the law applicable in the relevant jurisdictions and persons into whose possession this document comes should inform themselves about, and observe any such restrictions.

The report is based upon information obtained from sources believed to be reliable, but we do not make any representation or warranty that it is accurate, complete or up to date and it should not be relied upon as such. Way2Wealth or any of its affiliates or employees makes no warranties, either express or implied of any kind regarding any matter pertaining to this report, including, but not limited to warranties of suitability, fitness for a particular purpose, accuracy, timeliness, completeness or non-infringement. We accept no obligation to correct or update the information or opinions in it. Way2Wealth or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. The recipients of this report should rely on their own investigations. In no event shall Way2Wealth be liable for any damages of any kind, including, but not limited to, indirect, special, incidental, consequential, punitive, lost profits, or lost opportunity, whether or not Way2Wealth has advised of the possibility of such damages.

This material contains statements that are forward-looking; such statements are based upon the current beliefs and expectations and are subject to significant risks and uncertainties. Actual results may differ from those set forth in the forward-looking statements. These uncertainties include but are not limited to: the risk of adverse movements or volatility in the securities markets or in interest or foreign exchange rates or indices; adverse impact from an economic slowdown; downturn in domestic or foreign securities and trading conditions or markets; increased competition; unfavorable political and diplomatic developments; change in the governmental or regulatory policies; failure of a corporate event and such others. This is not an offer to buy or sell or a solicitation of an offer to buy or sell any security or instrument or to participate in any particular trading strategy. No part of this material may be copied or duplicated in any form by any means or redistributed without the written consent of Way2Wealth. In no event shall any reader publish, retransmit, redistribute or otherwise reproduce any information provided by Way2Wealth in any format to anyone. Way2Wealth and its affiliates, officers, directors and employees including persons involved in the preparation or issuance of this report may from time to time have interest in securities / positions, financial or otherwise in the securities related to the information contained in this report.

To enhance transparency, Way2Wealth has incorporated a Disclosure of Interest Statement in this document. This should, however, not be treated as endorsement of the views expressed in the report.

Disclosure of Interest Statement: Marico Ltd. as on 31st January 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	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

This information is subject to change without any prior notice. Way2Wealth reserves at its absolute discretion the right to make or refrain from making modifications and alterations to this statement from time to time. Nevertheless, Way2Wealth is committed to providing independent and transparent recommendations to its clients, and would be happy to provide information in response to specific client queries.

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.