Marico~’s~ December quarter update brings cheer; stock up 3~

Shares of Ltd rose nearly 3~ on Monday, as investors welcomed the company’s update for the December quarter. Analysts are fairly enthused about management’s commentary on revenue and profitability trends. Marico~ has said its India~ business delivered a strong performance with double-digit volume growth. True, the base is somewhat favourable with India~ volumes declining by 1~ in the December quarter.

For perspective: Marico~’s~ domestic business accounted for 77~ of its turnover in FY20 while international revenues contributed the remaining share.

“Marico~’s~ December2020quarter~ volume growth is better than expectations," said an analyst, requesting anonymity. As such, the pace of recovery is encouraging and growth was good across categories.

The company has said, revenue growth during the December quarter was in tandem with volume growth. Further, the international business had a resilient quarter with high-single digit constant currency growth, led by strong growth in Bangladesh~ and recovery in few other markets.

On the profitability front, the company saw inflationary pressure in key raw materials. This prompted cutting back of some promotions and taking effective price increases across both Parachute~ and Saffola~ edible oil portfolios. Even so, Marico~ expects to deliver a healthy profit growth.

For the half year ended September, consolidated earnings before interest, taxes, depreciation and amortization margin stood at 219~. In the secondhalfoffinancialyear2021~, this measure is expected to taper owing to higher input costs.

For investors, the good news is that the Marico~ stock has done well in recent months. On the flip side, this also means valuations are not really cheap, suggesting investors are factoring in a good portion of the optimism into the price. So far, the shares have increased by about19~ from their pre-covid highs seen in January2019~ on NSE. Currently, the stock trades at almost43~ times estimated earnings for financialyear2022~, based on Bloomberg~ data.