

QUALITATIVE ANALYSIS:

1. Sector Analysis

- FMCG (Fast Moving Consumer Goods) is the key contributor to the Indian economy and the 4th largest sector of India.
- There are 3 major segments of this sector of which 50% share comes from the Household and Personal care segment, remaining half is shared between Food & beverages (19%) and Healthcare (31%).
- With all the segments, the sector provides employment to around 5% of the total factory employment in the country.
- India's FMCG industry has grown at a faster pace on account of increasing income levels, changing lifestyles, growing internet & e-commerce market.
- Roughly, 55% of the revenue share of the FMCG market is contributed by the urban segment with the rural segment contributing the remaining. In recent times, the rural segment of the FMCG sector has grown at more rate than the urban segment.
- Despite being one of the fastest growing markets, the per capita consumption of FMCG in India is still amongst the lowest in the world. This gives the industry a long runway for growth.

2. Company Analysis / Overview:

- Marico Ltd. is one of the top providers of consumer goods and services in India that specializes in the wellness and beauty industries.
- Marico Ltd., incorporated in the year 1988, is a Large Cap company having a market cap of Rs 64,822.43 Cr. operating in the FMCG sector.
- Marico's key Products/Revenue Segments include Edible Oil, Others, Personal Care, Export Incentives, and Scrap for the year ending 31-Mar-2022.
- Marico intends to increase its resources and investments in its health food portfolio. To capitalize on India's growing market for healthy foods, the FMCG major will expand into multiple cities with a food go-to-market strategy and increase direct distribution in food-focused outlets.
- Harsh Mariwala founded Marico, and Saffola received the Advertising Club of Mumbai's Most Outstanding "Brand of the Year" Award in 1993.
- The turnover of the company is Rs. 9,512 Crore as per the annual report FY22.

3. Company Strength & differences

Design & Strategy

The evolution of Marico is one of the strategies that help the evolution of the brand through a series of successful products that have moved from mass markets to niche markets. Marico evolved from an Indian company to a global brand by focusing on value-added products and implementing an appropriate set of strategies.

The majority of Marico's product lines have been rapidly diversifying. Saffola, which started as edible oil, now includes salt, wheat flour additives, and even oats. This desire for diversification is fueling the company's rapid growth.

Strengths

- Company has been maintaining a healthy ROE of 36.03% and ROCE of 42.65% over the past 3 years.
- Company has significantly decreased its debt by 47 Cr. And is now virtually debt free.
- Sales growth of the company is good in the last 1 year at 18.35%.
- Company has a healthy Interest coverage ratio of 48.10.

Brand portfolio

<i>Product category</i>	<i>Brand</i>
Coconut & hair oils	Parachute, Nihar
Edible oils	Saffola
Foods	Saffola oats
Hair nourishments	Livion, Hair & Care
Male grooming & styles	SetWet, Beardo
Skin care	Koya youth, Parachute Advanced
Hygiene	Mediker

Structure & Development

Marico is dedicated to improving people's lives through the provision of branded products and services. Thus, the company operates in two industries: Branded products (FMCG) and Branded services (Skin Care Services industry).

The majority of products are manufactured using simple manufacturing processes that require relatively low capital investments. This has enabled the proliferation of localized brands and products being offered in a loose form in small towns and rural India, where brand awareness is low.

4. Company MD & CEO



Mr. Saugata Gupta

MANAGING DIRECTOR & CEO

Saugata Gupta serves as the Managing Director and Chief Executive Officer of Marico Limited. He joined Marico in 2004 as the Head of Marketing and was elevated to CEO of India Business in 2007 in 2014 he took over as Managing Director of the company.

A dynamic leader, he is responsible for driving the company's growth and strengthening its presence both nationally and internationally. He has helped transform Marico into a high-performing business with a commitment to sustainable development and best-in-class governance.

5. Company Business segment

Business segment of Marico:

Healthy Foods

Coconut Oil

Premium Personal Care

Value-added Hair Oil

Premium Oil

The table below presents the business segments of Marico. in detail.

	Particulars	(Rs. Cr.)	% share
	Premium Personal Care	582	6%
	Coconut Oil	2,933	31%
	Refined Edible Oils	1,831	19%
	Packaged Foods	439	5%
	Value Added Hair Oils	1,538	16%
I	Revenue from Domestic Business	7,324	77%
	Bangladesh	1,139	12%
	Vietnam	495	5%
	Other Countries	545	6%
II	Revenue from Exports	2,179	23%
I + II	Total Revenue in FY22	9,512	100%

6. Investment Hypothesis

i. Government Support and Policies

- With the objective of promoting the FMCG sector in India, the Government of India has approved 100 percent of FDI in the FMCG segment in single-brand retail and 51 percent FDI in multi-brand retail.
- With the objective of boosting India's manufacturing capabilities, the Government of India has put the FMCG sector under Production Linked Incentive (PLI) Scheme.
- The recently introduced Consumer Protection Act, 2019 brought by the government will ensure accessible, simple, quick, and timely delivery of justice to the consumers. GST has also been cut down to 5% to promote consumption.

ii. Collaboration

- India's leading FMCG major, Marico Limited, collaborates with Swiggy and Zomato to deliver essential food items to consumers
- Marico Limited furthers its collaboration with FSSAI to promote healthy and safe food practices across India

iii. Future Prospects

So far Marico has only looked at the past performance of the company. This space is devoted to getting a grasp of what lies ahead for Marico Ltd.

- The management has been very active in D2C acquisitions. The company has purchased several brands such as Just Herbs, Beardo, and True Elements to ride the D2C-led tectonic shift. As of now, these digital brands are being run under a separate unit.
- In FY22, the company spent Rs. 132 crores on capital expenditure. In addition to this, Marico invested Rs. 29 crores in research and development. The company will gain from these activities in the future. However, on a proportionate basis, the size of these investments is too small compared to the overall size and revenues of Marico Ltd.
- FMCG firm Marico aspires to build Rs 850-1,000 crore business from its food portfolio through the expansion of Saffola by the Financial Year 2024. In the previous two years, Saffola has been extended into immunity food by Marico. Recently, mayonnaise and peanut butter too has been launched under its ambit.

iv. Projects, And So on...

- Parachute Kalpavriksha Foundation - Sustainable Coconut - The Parachute Kalpavriksha Foundation was launched on September 2, 2017 ('World Coconut Day) to create value in the lives of coconut farmers by helping them enhance their productivity, livelihood, and overall quality of life. It is a separate non-profit entity (80G certified).

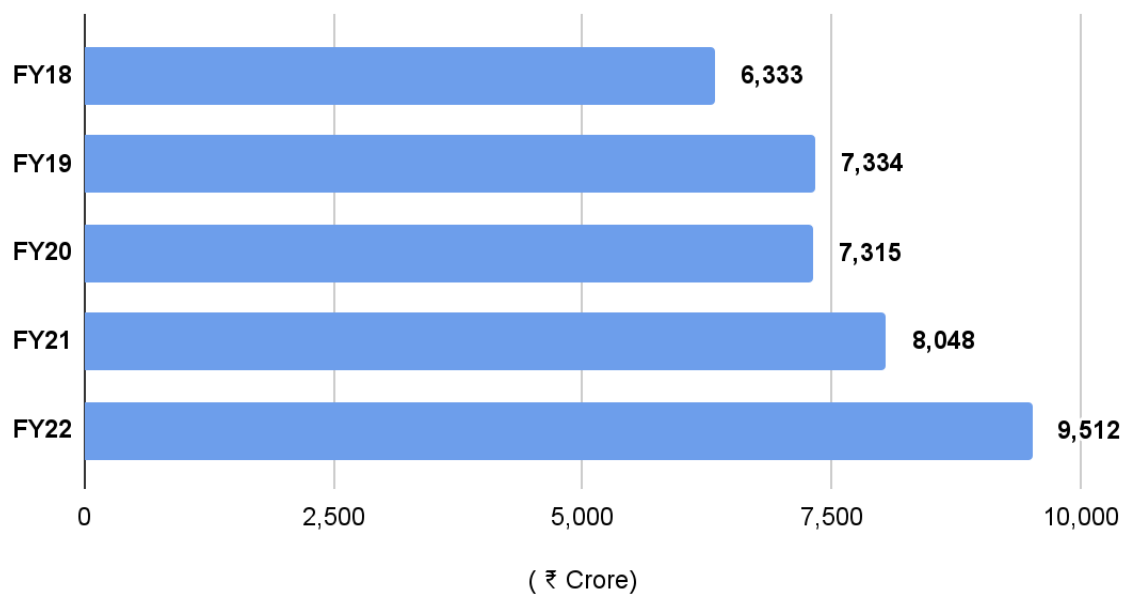
- Nihar Shanti Educational and Skill Empowerment programs - With purpose at its heart and commitment towards social progress, Nihar Shanti Amla, has been continuously strengthening its mission to impart quality education to children in rural areas across multiple states in India. 'Technology', 'collaboration', and 'scale' form the core pillars of their initiatives. WhatsApp Enterprise model-based learning programs have been designed to upgrade the teachers' capabilities in learning and imparting English literacy.
- Jalaashay Water stewardship program -: Water is one of Marico's core sustainability impact areas by virtue of which we strive to ensure water security to people for domestic and agricultural use in less rain-fed areas. Jalaashay, our flagship initiative, aims to promote effective conservation and management of water across the country. A parallel aim is also to replenish more water back to the community than that Marico uses for its operations by capacity creation.
- Marico Innovation Foundation - SCALE-UP program: Launched in 2016, Scale-Up is a philanthropic, no-equity rapid acceleration program to help disruptive Indian innovations scale their economic, social, and/or environmental impact and support them in their growth journey to become a self-sustaining enterprise
- #Unitedagainstcovid Marico's COVID-relief efforts -: At Marico, community sustenance has always been at the core of our business. We strongly believe that in unprecedented times like these, organizations like ours have a defining role to play. When the pandemic hit the world, our team knew that it was time to respond with responsibility and contribute in every which way to ensure that help reaches out to every corner of society

QUANTITATIVE ANALYSIS

Financial Ratios:

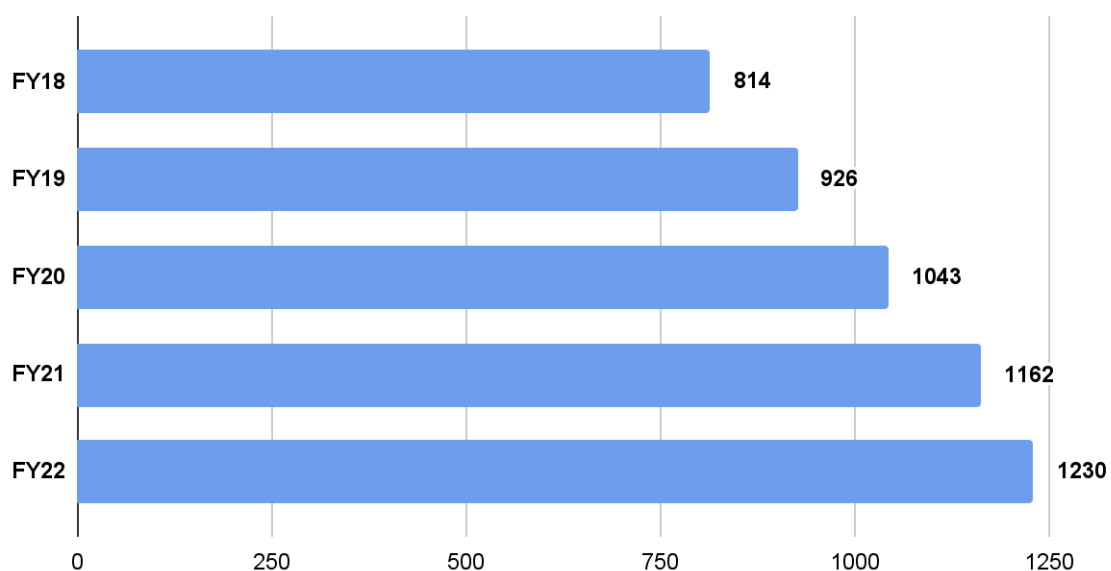
Sales and Services:

(₹ Crore).

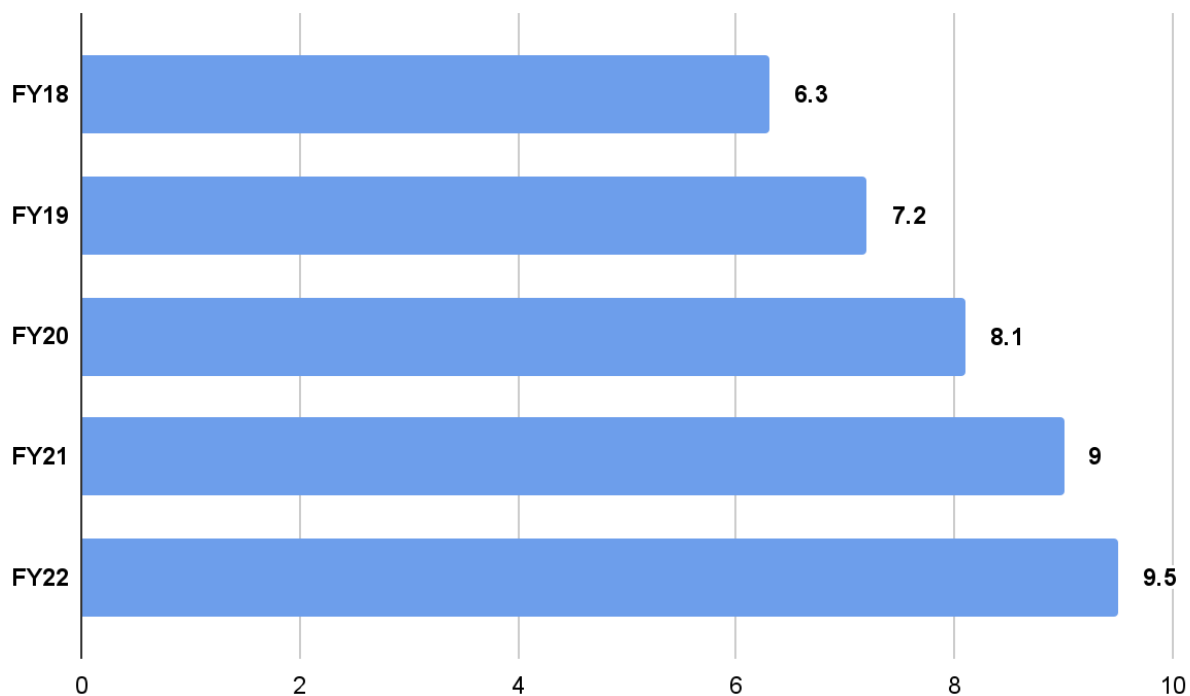


Net Profit:

(₹ crore)

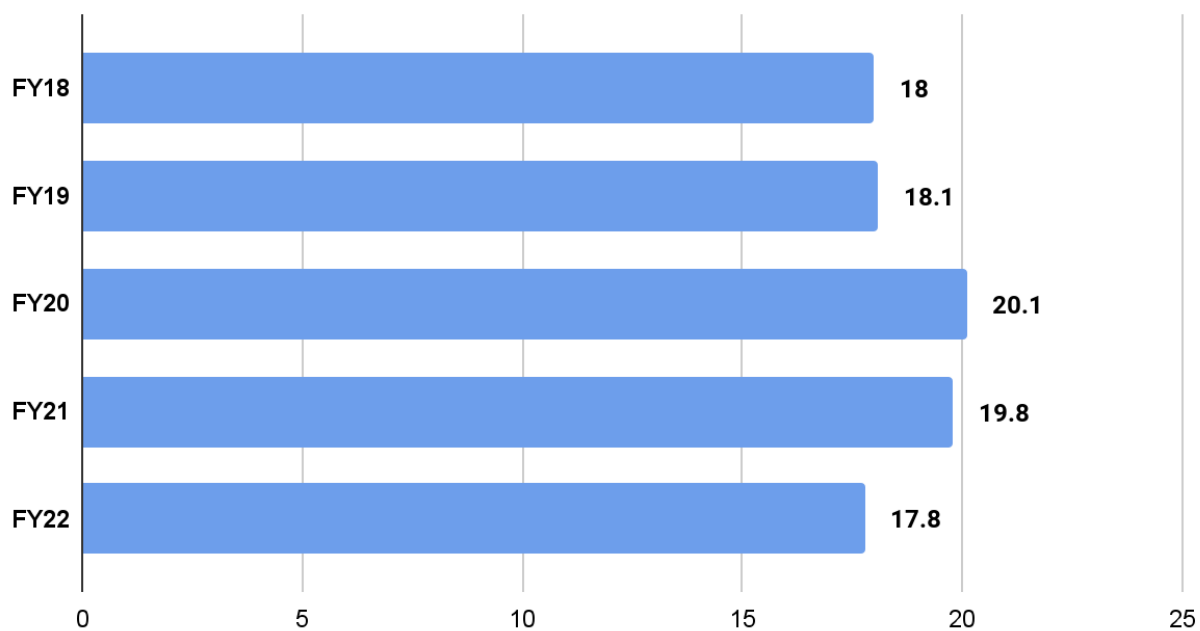


Earnings per share (₹):

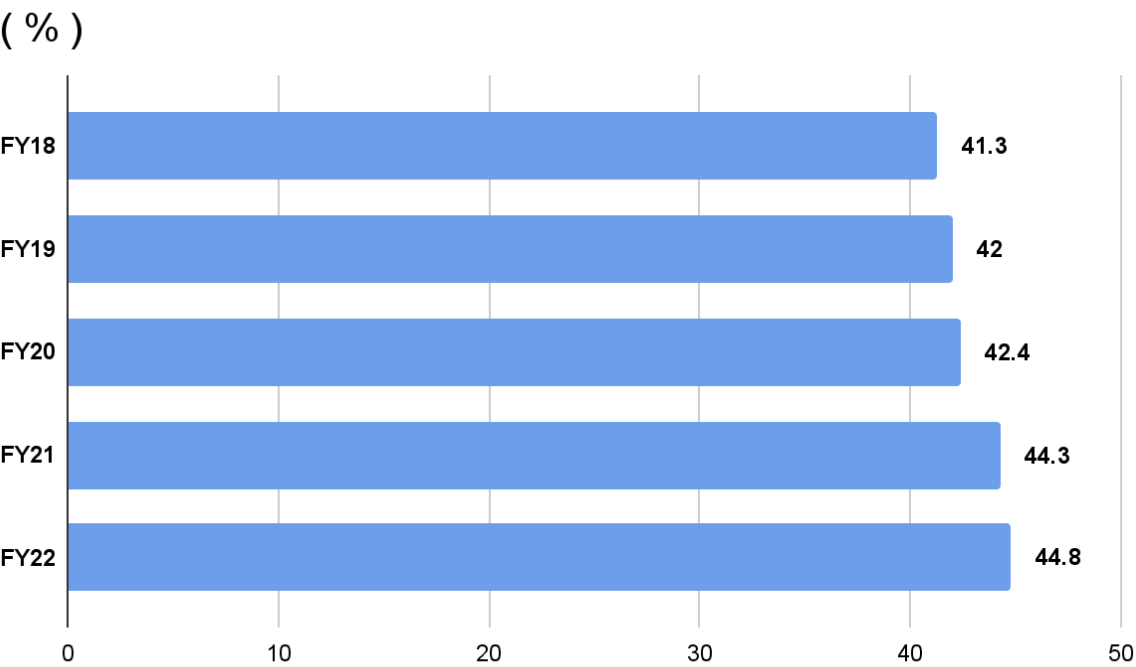


EBIDTA Margins:

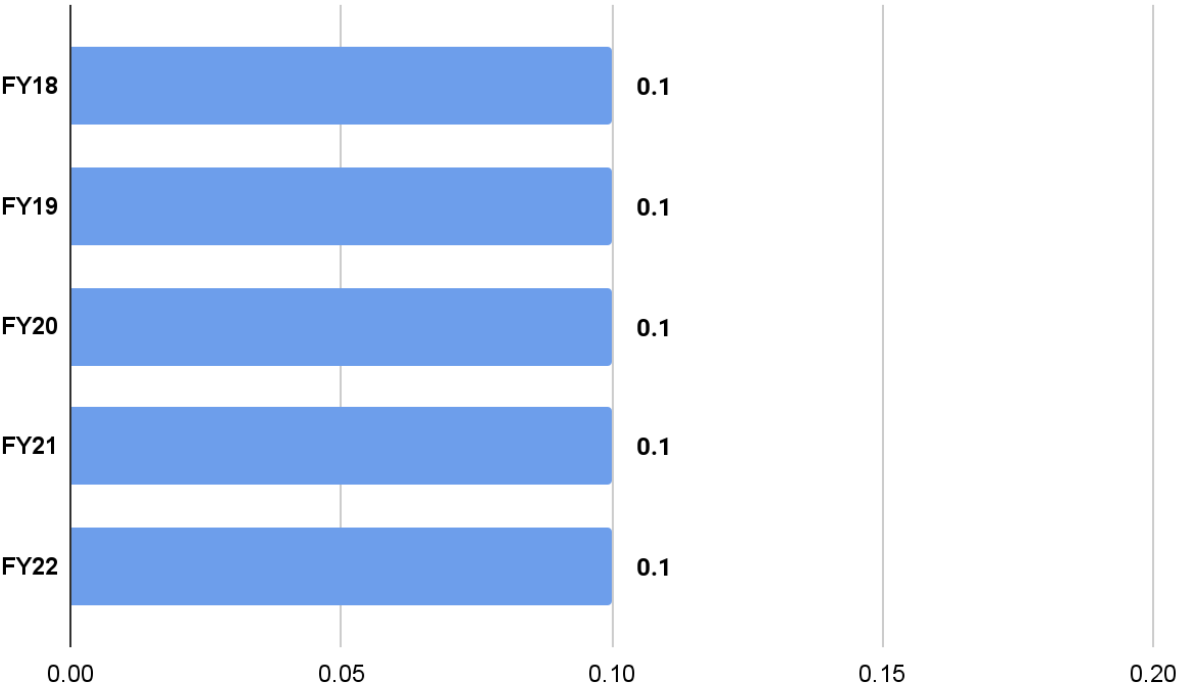
(%)



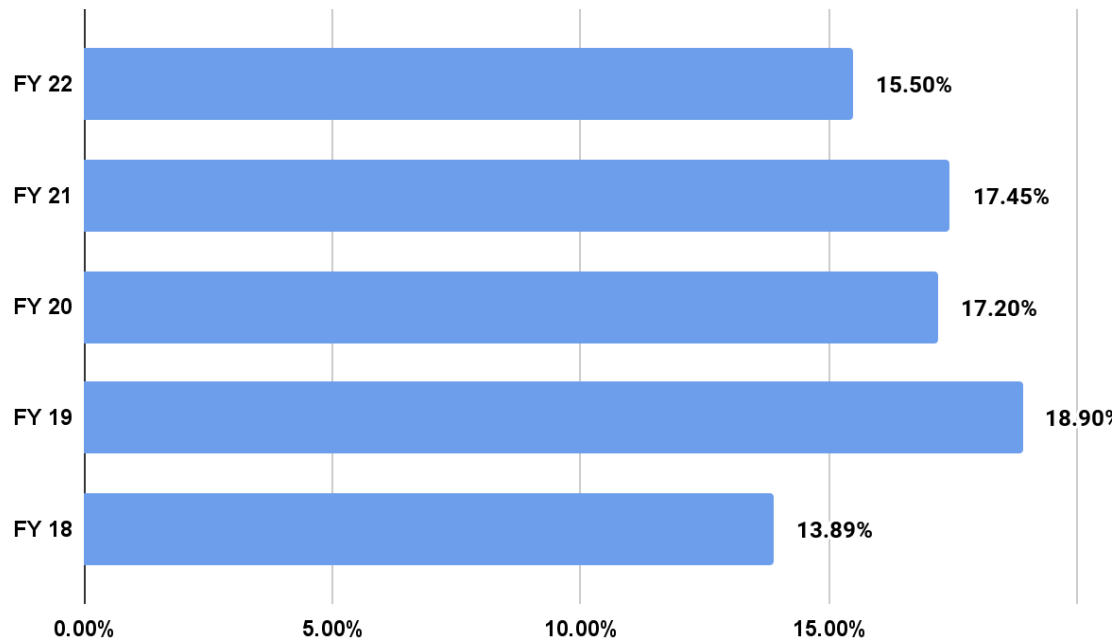
Return on Capital Employed:



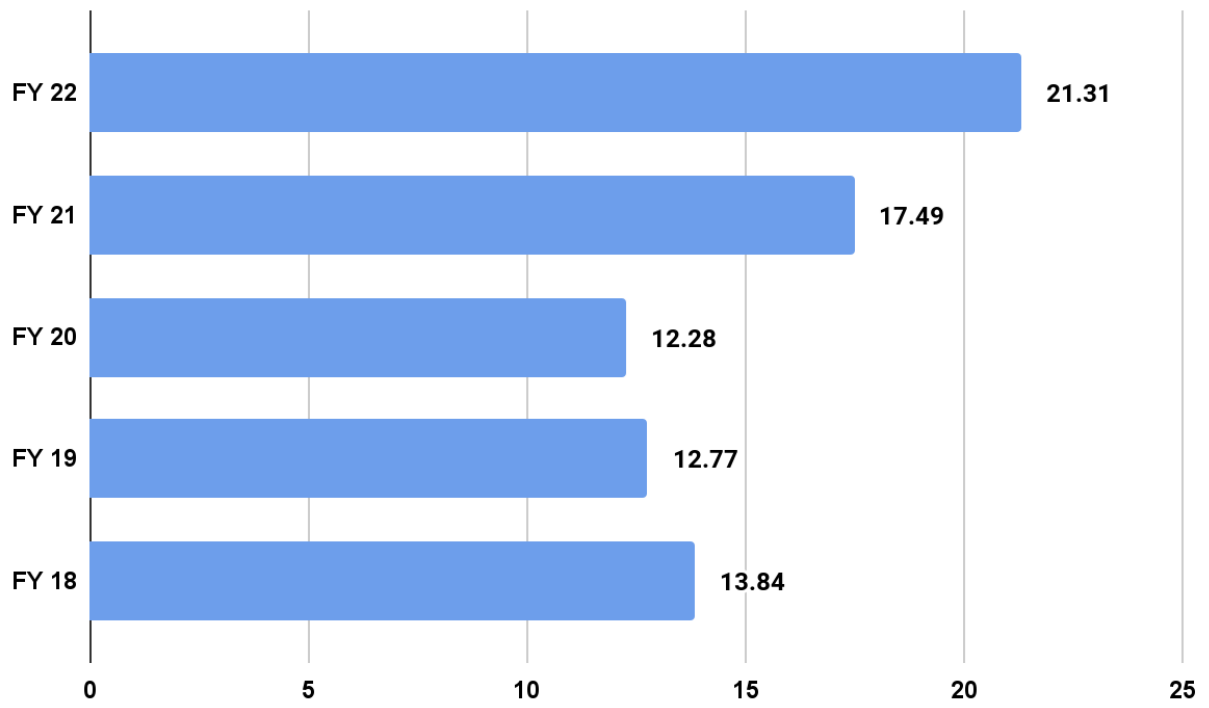
Debt / Equity



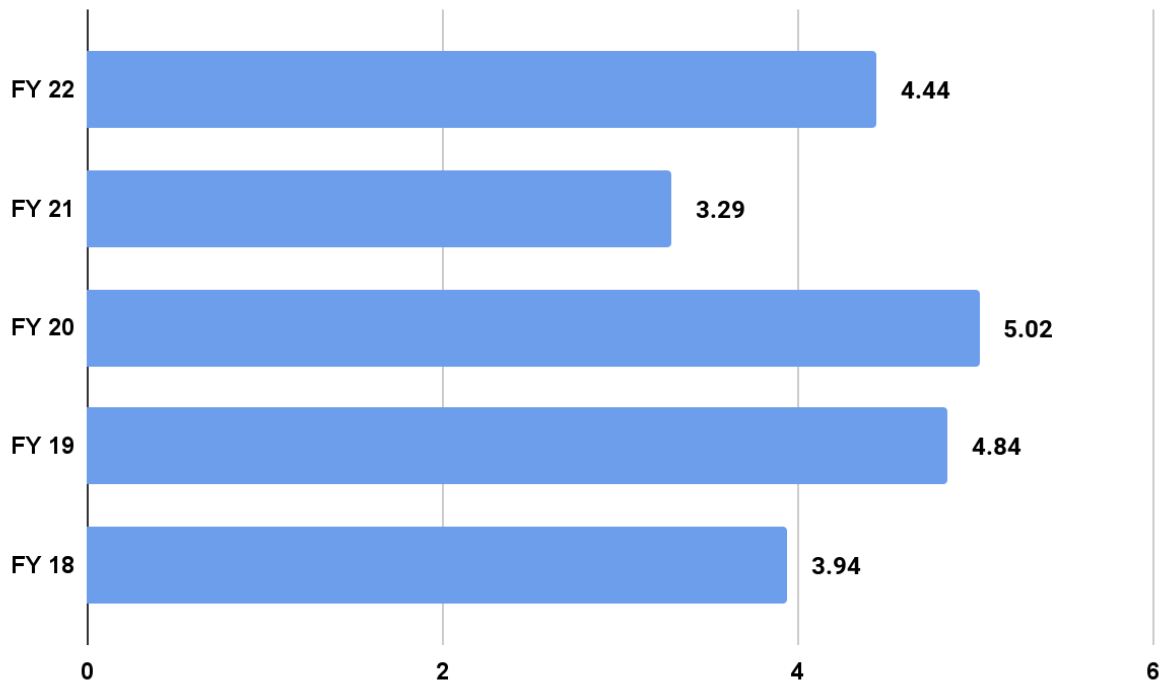
Net Profit Margin (%)



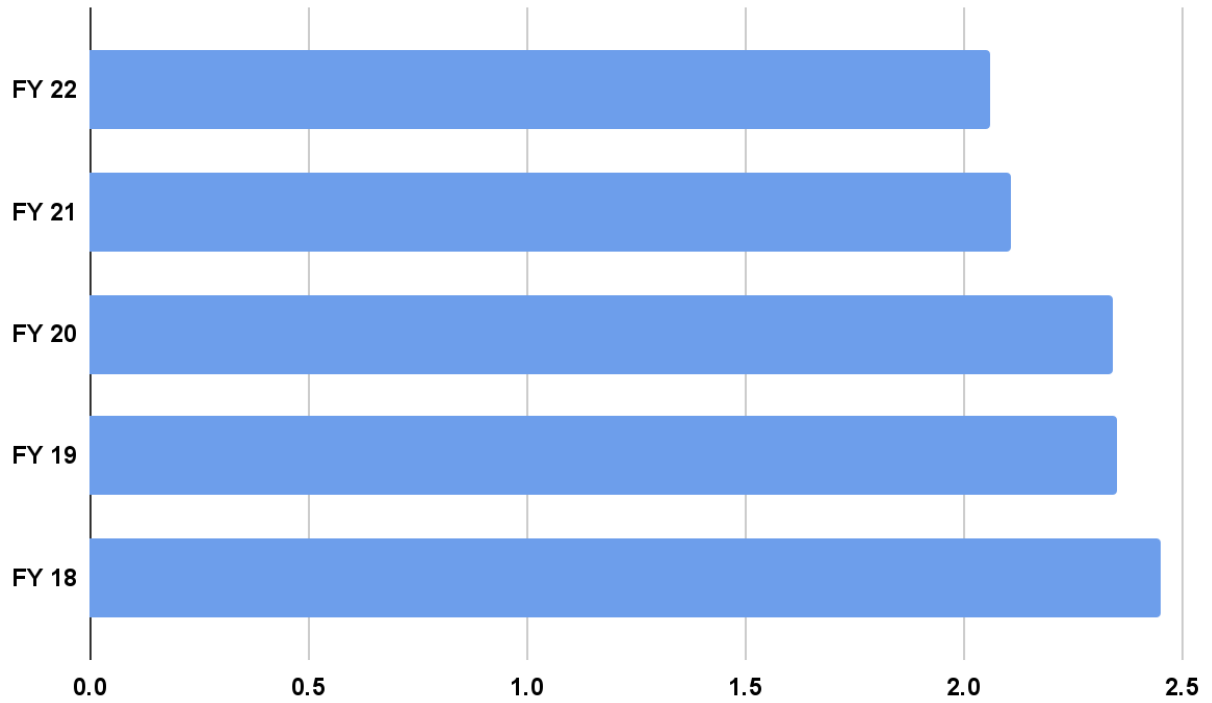
Price/ Book Value



Inventory Turnover Ratio:



Current Ratio



Quaternary Results	Sep '22	Jun '22	Mar '22
Revenue from operations (in Rs Cr)	2496.00	2558.00	2161.00
EBITDA (in Rs Cr)	432	528	354
EBITDA Margin (%)	17.3	20.6	16.4
Profit after Tax (in Rs Cr)	301	371	256

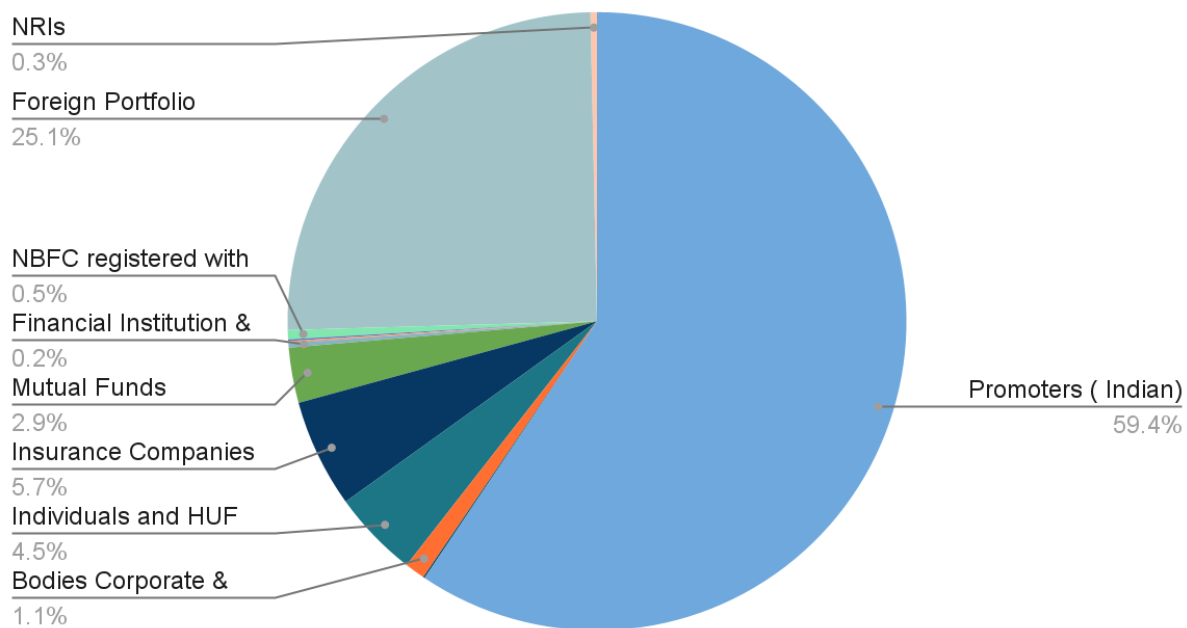
Shareholding pattern:

Distribution of Shareholding

No. of Equity Shares held	No.of Shareholders	% of Shareholders	No.of Shares Held	%of Shareholding
1 - 500	3,26,029	96.08	1,46,25,876	1.13
501 - 1000	5,927	1.75	45,97,616	0.36
1001 - 2000	2,918	0.86	45,33,581	0.35
2001 - 3000	887	0.26	22,64,780	0.18
3001 - 4000	649	0.19	24,05,060	0.19
4001 - 5000	394	0.12	18,28,628	0.14
5001 - 10000	973	0.29	72,71,896	0.56
10001 and above	1,554	0.46	1,25,52,59,841	97.10
Total	3,39,331	100.00	1,29,27,87,278	100.00

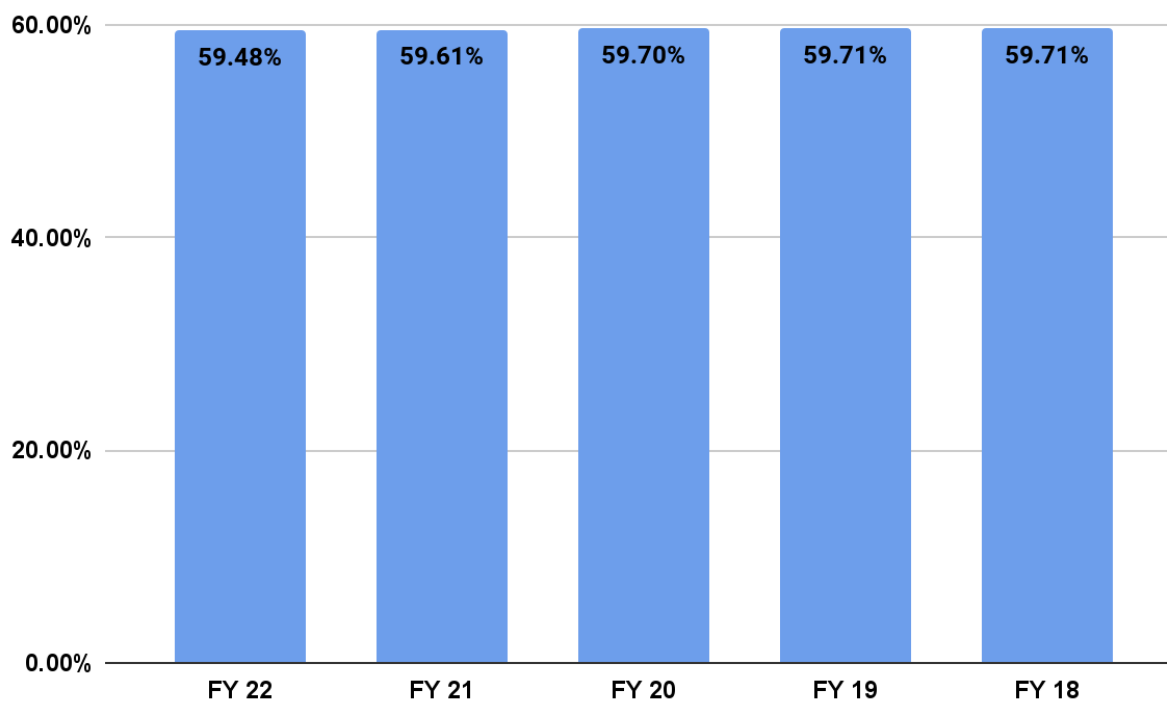
Categories	No of shares	% of total share capital
Promoters (Indian)	76,79,75,740	59.40
Promoters (Foreign)	10,52,000	0.08
Bodies Corporate & Trusts	1,37,31,948	1.06
Individuals and HUF	5,86,77,688	4.54
Insurance Companies	7,31,43,576	5.66
Mutual Funds	3,73,31,564	2.89
Financial Institution & Bank	29,54,736	0.23
Clearing Members	2,50,961	0.02
Central/State Government	11,23,350	0.09
IEPF Authority	58,544	0.000045
Alternative Investment Funds	11,84,833	0.09
NBFC registered with RBI	62,00,794	0.48
Foreign Banks	6,000	0.0000046
Foreign Portfolio Investors	32,46,43,595	25.11
NRIs	44,51,949	0.34
Total Shares	1,29,27,87,278	100.00

Shareholding Pattern

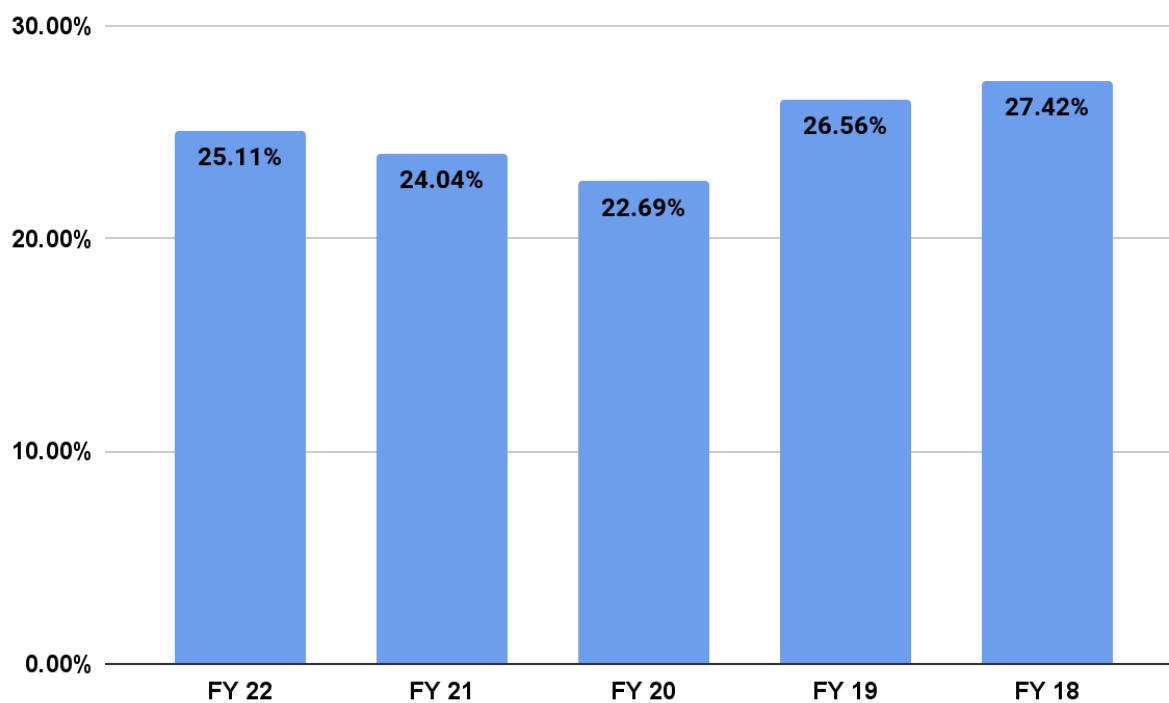


Historical Shareholding Pattern:

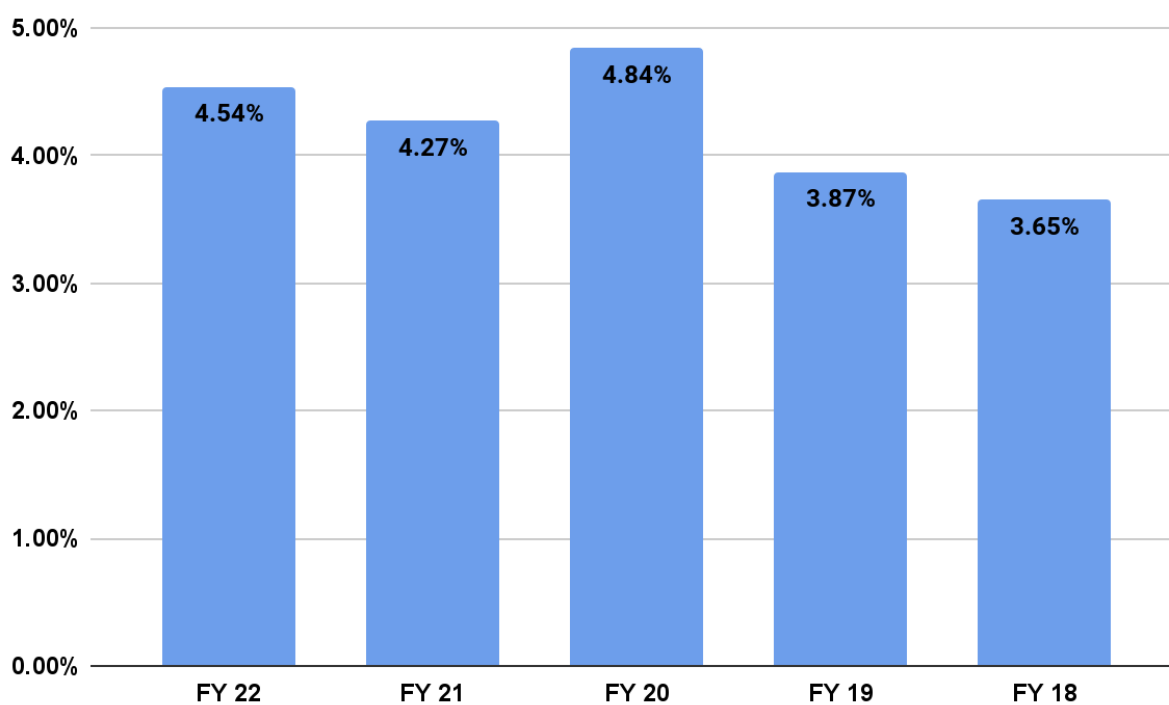
Promoters (Indian and Foreign) Shareholding (in % of the total share capital):



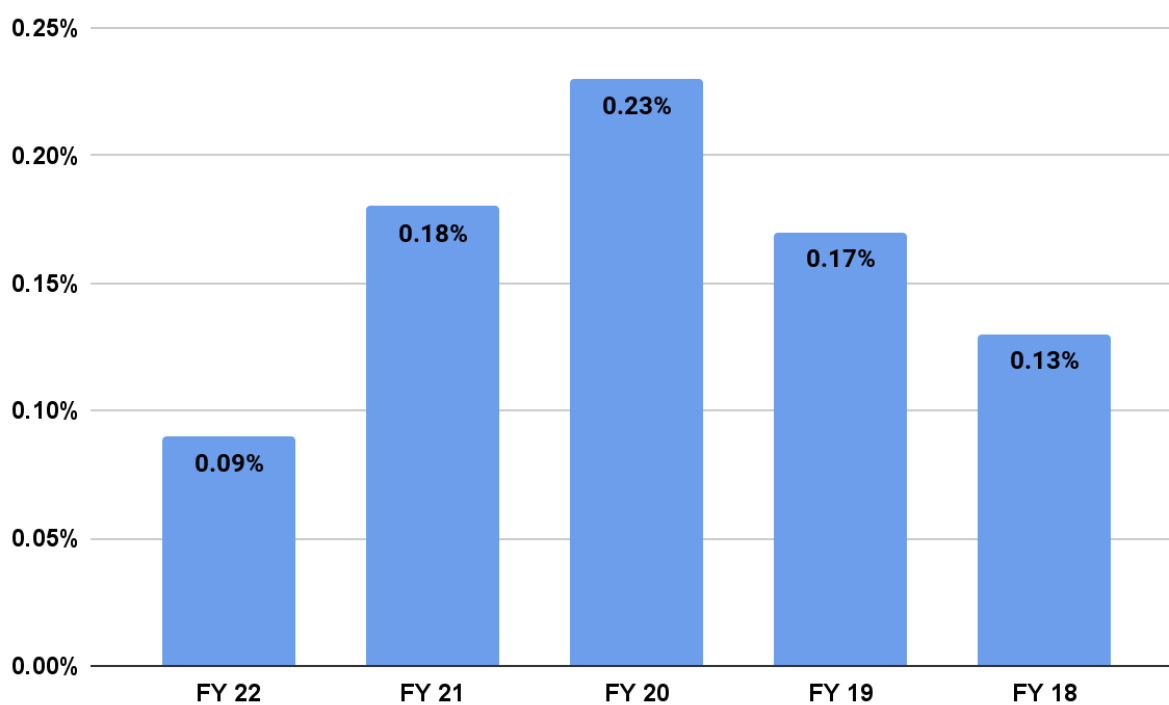
Foreign Portfolio Investor Shareholding (in % of the total share capital):



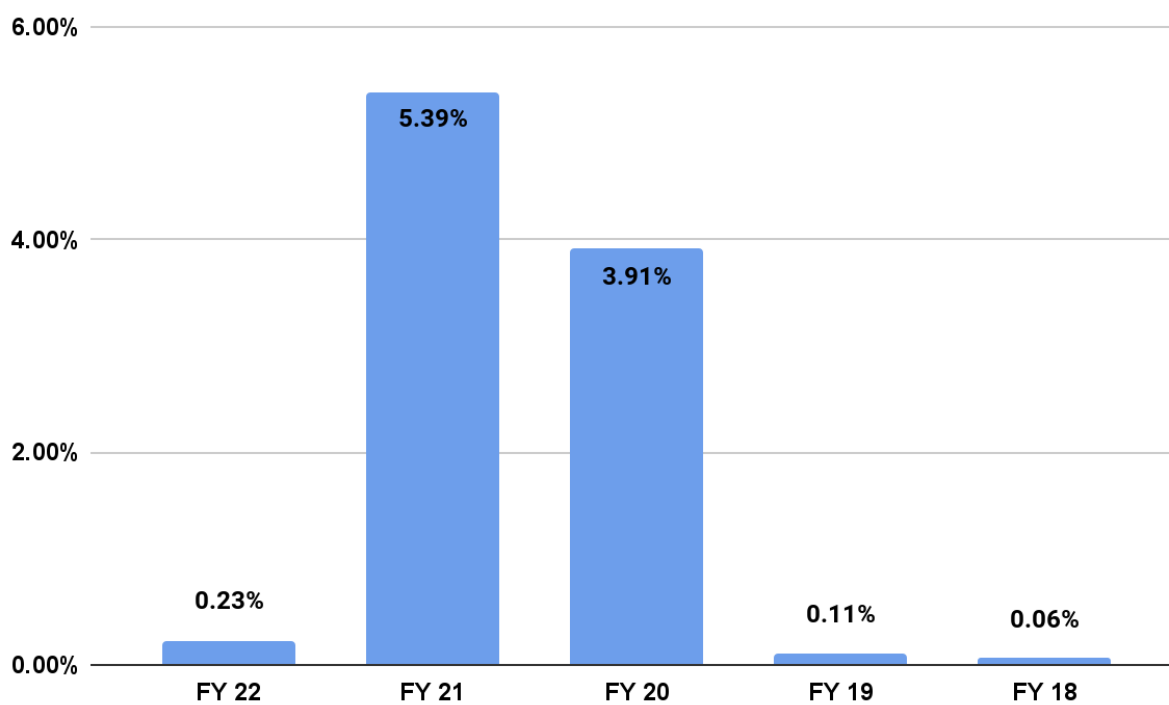
Individuals and HUF (in % of the total share capital):



Central/State government (in % of the total share capital):



Financial Institution and Bank (in % of the total share capital):



Additional

1. Peer comparison - short

Peer:

1. HUL
2. GODREJ CONSUMER
3. Emami
4. Bajaj consumer products

Mcap, ROE, ROCE, NPM, DEBT TO EQUITY, DEBT TO PROFIT, PE, PB, INVENTORY TURNOVER RATIO

S. No	COMPANY	Mcap.	Profit growth(5 years)	OPM	ROE	ROCE	Inventory turnover ratio	Working capital (in cr)	Debtor days	P/E	P/B	PEG ratio	EPS	EV/ EBITDA
1.	Marico	66,486.68	9.94%	18.1%	38.59	45.66	3.87	2309	25.0	51.46	17.59	5.24	9.99	39.18
2.	HUL	6,27,646.31	15.6%	23.8%	18.09	24.61	6.04	4743	15.6	66.24	12.77	4.07	40.33	45.8
3.	Godrej consumer	91,715.32	6.59%	17.2%	20.85	24.92	3.23	2765	33.2	63.46	10.78	8.80	14.13	51.58
4.	Bajaj consumer care	2,477.20	-5.43%	15.1%	20.95	26.14	7.38	643	7.93	17.72	3.06	-3.36	9.73	13.66

1. Hindustan Unilever Ltd

Hindustan Unilever Limited is India's largest fast moving consumer goods (FMCG) company with a historical presence in India spanning over 80 years. It is the largest in the list of top 5 FMCG companies in India.

Nine out of ten Indian households use one or more of HUL's brands. The division - Home Care, Beauty & Personal Care and Foods and

Refreshment - includes a portfolio of brands that serve consumers across India.

- Revenue: Rs 40,511 Cr
- [Employees](#): 5,645
- Market Cap: 451,666 Cr.
- [Dividend](#) Yield: 1.05 %
- Sales Growth (3Yrs): 6.89 %
- [Promoter holding](#): 67.18 %
- Debt to equity: 0.01

With more than 40 brands in 12 different categories, including laundry, home care, cleaners, personal wash, skin care, hair care, color cosmetics, oral care, deodorants, beverages, ice cream and frozen desserts and food, the company is part of the everyday life of millions of consumers.

The brand portfolio includes leading brands like Surf Excel, Rin, Wheel, Sunlight, Vim, Pureit, Lux, Lifebuoy, Dove, Fair & Lovely, Pond's, Vaseline, Clinic Plus, Sunsilk, Indulekha, Lakmé, Pepsodent, Closeup, Axe, Brooke Bond , BRU, Kwality Wall's, Knorr and Kissan. HUL is one of the top fmcg brands in India.

2. Godrej Consumer Products Ltd

Godrej Consumer Products is a leading company in emerging markets. As part of the more than 122-year-old young Godrej Group. Godrej Consumer Products Ltd enjoys the patronage of 1.15 billion consumers worldwide, across various businesses. It is fifth in the list of top 5 FMCG companies in India.

In line with the 3 by 3 approach to international expansion at Godrej Consumer Products, building a presence in three emerging markets (Asia, Africa and Latin America) across three categories (Home Care,

Personal Care and Hair Care). The company is among the top FMCG companies in India

- Revenue: 10,156 Cr
- Market Cap: 75,089 Cr.
- Sales Growth (3Yrs): 6.98 %
- Promoter holding: 63.24 %
- Debt to equity: 0.34

Rank among the largest household insecticide and hair care players in emerging markets. In household insecticides, the leader in India and Indonesia and are expanding footprint in Africa. Ranked number two in soaps in India, the number one player in air fresheners in India and Indonesia, and a leader in wet tissues in Indonesia.

3. Bajaj Consumer Care

- Revenue: Rs 916.94 Cr
- [Employees](#): 454
- Market Cap: 2500 Cr.
- [Dividend](#) Yield: 4.60 %
- Sales Growth (3Yrs): -1.42 %
- [Promoter holding](#): 38.0 %
- Debt to equity: 0.02

Bajaj Consumer Care is the second largest company in the Shishir Bajaj Group of companies. Bajaj's customer care history dates back to 1930, in 1953, Kamalnayan Bajaj founded Bajaj Sevashram to market and sell hair oils and other beauty products. Bajaj Consumer Care Ltd. is the second largest player in the overall hair oil segment. Its flagship brand, Bajaj Almond Hair Oil, has a 52% market share in the lightweight hair oil category.

2. Risk & Concerns - detailed

Strategic risk:

- **Changing consumer preferences:** Consumer tastes, preferences and behaviors have been evolving over the years. This trend has only accelerated after unexpected events post the outbreak of the pandemic. In addition, with increasing social media penetration, brand awareness levels and the speed of shifts in consumer preferences have dramatically risen. It is, therefore, imperative that our portfolio and brand communication also evolves in line with consumer demand so that we continue to remain relevant and competitive in our categories.
- **Increasing Competitive intensity:** With the increasing number of competing brands across offline and online marketplaces, counter campaigning and aggressive pricing by competitors, maintaining brand relevance, market shares, and pricing power is critical to sustained growth. Underperformance of new product launches: Given that the success rate for new product launches in the FMCG sector is typically low, new products may not gain traction among consumers or may fail to scale up as planned. This risk is pronounced in cases where industry leaders invest in creating new categories.
- **Underachievement of acquisition deliverables:** Acquisitions may impose a financial burden on the parent entity if the acquired business significantly underperforms vis-a-vis expectations. Integration of operations and cultural harmonization may also take time, thereby deferring the benefits of synergies.

Financial Risk

- **Volatility in interest rates:** Though the FMCG sector is not capital intensive, fund requirements arise on account of inventory position building, capital expenditure undertaken or funding inorganic growth. Changes in the interest regime and in the terms of borrowing could impact the financial performance of the Company. Further, this risk may also impact income on Company's investment and lead to mark-to-market losses on its investment portfolio.
- **Foreign currency exposure:** Marico has significant local presence in Bangladesh, South East Asia, Middle East, Egypt and South Africa. The Company is thus exposed to a wide variety of currencies. Fluctuations in these currencies could impact the Company's financial performance. The risk of currency depreciation is accentuated during periods of high inflation in these economies.

Operational risk

- **Commodity risk:** Unexpected changes in commodity prices and supply could impact business margins and ability to service demand. The past few years have witnessed wide fluctuations in input prices. As a result, the overall uncertainty in the environment continues to be high.
- **Geo-political instability in operating geographies:** Unrest and political instability in countries of operation could significantly impact business results.

- **Macro-economic factors:** Factors such as low GDP growth and high food inflation could result in down trading from branded to non-branded or premium to mass market products
- **Cyber and data security:** Disruption in business operation due to nonavailability of critical Information Systems through cyber-attack and loss of sensitive information due to unauthorized access
- **Violation of ethics and business integrity:** Failure to act with integrity or behave in a manner inconsistent with Marico's purpose statement and values defined can damage the corporate reputation and affect business results.

ESG Risks

- **Climate change impacts:** Reduction in direct and indirect emissions footprint through:
 - Investment in low-carbon technologies and equipment
 - Increase in share of renewable and clean energy
 - Carbon sequestration through afforestation
- **Pollution from waste generation**
- **Natural resource depletion**
- **Product footprint**
- **Employment concern**
- **Social responsibility**

Given that the success rate for new product launches in the FMCG sector is typically low, new products may not gain traction among consumers or may fail to scale up as planned. This risk is pronounced in cases where industry leaders invest in creating new categories.

3. Related to Industry:

Transport & Logistics:

Transportation forms the backbone of a country's growth and even more so in the FMCG sector. By allowing for an efficient and affordable movement of goods across the country, it has a huge impact on the growth of this sector. India's transport and logistics sector continue to play a key role as many of the goods in this sector are perishable and require fast delivery to the end consumer. So it is of the utmost importance for transportation to function smoothly otherwise much of this sector would come to a stand-still.

Technology and Supply Chain:

The FMCG sector is a highly competitive market and cut-throat margins due to the presence of a large number of both regulated and unregulated players in this segment. The technological advancement in terms of the most optimized and cost effective machinery can greatly boost the production capacity of the companies. Similarly, any major development or disruption in the supply chain can also lead to a shift in the consumer preference due to the high price sensitivity of the sector.

Big Data & Analytics:

Nowadays with the booming e-commerce markets and the abundance of food and grocery delivering apps the customers are likely to be influenced by the products recommended to them by these apps which rely a lot on big data analytics. Industries related to the IT sector are: Overall Economy and Per Capita GDP Data analytics can also be used to forecast demand and supply for the coming months which could help companies reduce wastage and also ensure the availability of their products all year round.

Overall Economy and Per Capita GDP:

A lot of the people especially in India live below the poverty line and for the many of the goods of the FMCG sector are a luxury far beyond their reach. With the growth of the economy, the purchasing power of the people also increases thus spending will also increase leading to the growth of this sector. Also as most of the current growth is coming from the rural areas due to saturation of the urban markets it's very important for the FMCG industry that the markets for these products develop in the rural area as well

4. Summing up

We recommend a BUY position on MARICO. with a medium to long- term view owing to following:

Strengths	Weakness
<ul style="list-style-type: none">Company is virtually debt free.	<ul style="list-style-type: none">The company has shown a poor profit growth of 0.99% for the Past 3 years.
<ul style="list-style-type: none">Company has a healthy Interest coverage ratio of 48.10.	<ul style="list-style-type: none">The company has shown a poor revenue growth of 7.90% for the past 3 years.
<ul style="list-style-type: none">Company has a healthy liquidity position with a current ratio of 2.06.	<ul style="list-style-type: none">The company is trading at a high PE of 51.35.
<ul style="list-style-type: none">The company has a high promoter holding of 59.48%.	<ul style="list-style-type: none">The company is trading at a high EV/EBITDA of 38.82.

Scorecard of the stock:

Metrics	score	remarks
Performance	Avg	Price return has been average, nothing exciting

Valuation	High	Seems to be overvalued vs the market average
Growth	Avg	Financials growth has been moderate for a few years
Profitability	High	Showing good source of profitability and efficiency
Entry Point	Avg	The stock is overpriced but is not in the overbought zone
Red Flags	Low	No red flag found

Keeping all these factors, we suggest buy signal on this stock.