Marico Limited

ISIN :INE196A01026 | NSE :MARICO

Price: 711
Recommendation: Buy
Industry: Edible Oil
Sector: Fast Moving Consumer Goods
Report Date: 15-Apr-2025

Marico Limited is strategically enhancing its market position by focusing on scaling its Foods and premium personal care portfolios, emphasizing value-added products. The company is reallocating resources towards mid and premium segments, aiming for higher value growth by FY25-26. Marico is expanding its distribution channels, particularly in general trade, and leveraging digital-first brands like Plix. The company is confident in maintaining strong growth despite challenges, supported by strategic diversification and cost management initiatives.

Sales		Profit & Loss		Profitability Matrix	
Current Year	7348 Cr	Operating Profit(Year)	1434 Cr	Operating Profit Margin	19.5 %
Previous Year	7478 Cr	Operating Profit(Quarter)	364 Cr	EBITDA Margin	20.77 %
Current Quarter	1965 Cr	PAT (Year)	1066 Cr	Net Profit Margin	15.2 %
Previous Quarter	1860 Cr	PAT (Quarter)	376 Cr	EPS	11.2
Revenue (QYoY)	1733 Cr				
Valuation Matrix		**Growth(YoY)**		**Growth(QoQ)**	
Trailing P/E	63.8	Sales Growth	3.98 %	Sales Growth	5.65 %
PEG Ratio	-58.5	PAT Growth	-9.58 %	Sales Growth QYoY	13.39 %
EV/EBITDA	48.5	EPS Growth	34.45 %	PAT Growth	-28.92 %
P/B	20.6	Dividend Yield	1.33	PAT Growth QYoY	32.39 %
Capital Allocation		**Holdings**		**Leverage**	
RoE	29.3 %	Promoter	59.1 %	Debt/Equity	0.05
RoA	21.2 %	FII	23.4 %	Debt	229 Cr
RoCE	37.0 %	DII	12.8 %	Market Cap	92168 Cr
RoIC	56.2 %	Public	4.61 %	Enterprise value	92289 Cr
		No of Shares	130 Cr	Cash Equivalents	108 Cr

source : Company filings

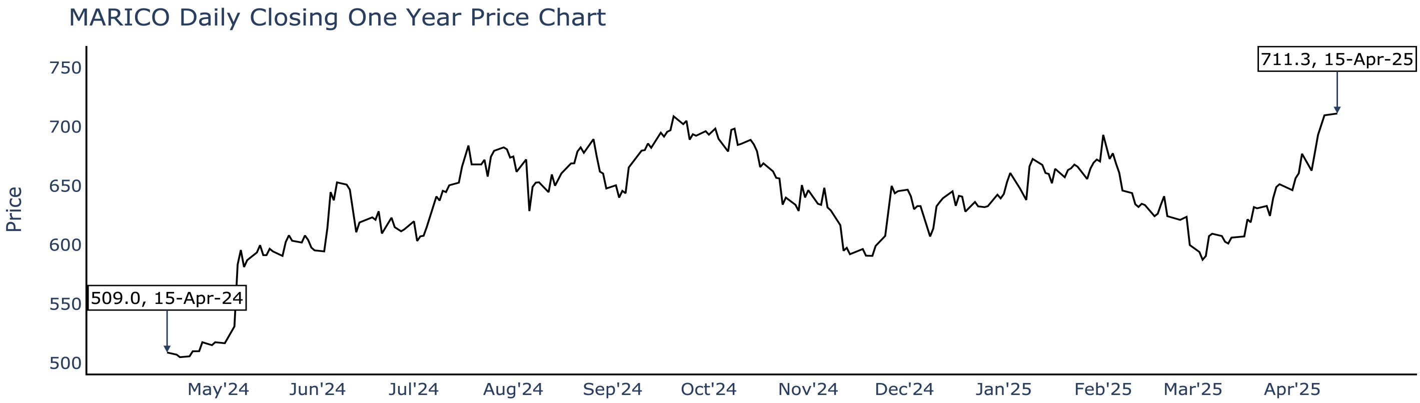
Company's Overview Based on Recent Concall and Performance:

In the recent meeting, Marico Limited outlined several strategic initiatives aimed at driving growth and enhancing its market position. The company is focusing on scaling its Foods and premium personal care portfolios, with a particular emphasis on value-added products. This strategic shift is part of a broader effort to move away from intense competition at the bottom of the pyramid, which often leads to unsustainable growth. The company is reallocating resources towards mid and premium segments, aiming for higher value growth and increased market share by FY25-26. This reset process is expected to take three to four quarters, with a continued focus on long-term growth and addressing consumer concerns such as hair fall.

Marico is also expanding its distribution channels, particularly in general trade (GT), to enhance the salience of its products. The company recognizes the importance of GT in driving growth, especially in Tier-II markets and beyond. To this end, Marico is implementing a differentiated portfolio and SKU strategy across channels, aiming to deliver consistent and competitive growth. The company is also leveraging its digital-first brands, such as Plix, which is positioned as a D2C-driven brand with a focus on hair and skin food. This strategic partnership allows Marico to access supply chain capabilities and deep R&D;, enhancing product development and cost structure.

Looking ahead, Marico is confident in maintaining strong double-digit constant currency growth in international markets, despite currency headwinds. The company is on track to achieve double-digit consolidated revenue growth for the full year, with a focus on sustaining top quartile volume growth in India. Marico's strategic diversification goals are supported by ongoing cost management initiatives and the scale-up of its Foods and digital-first businesses. The company anticipates an improvement in the overall consumption environment, which will further support its growth trajectory.

In terms of future growth and scaling perspectives, Marico is optimistic about the potential of its Foods portfolio, which is expected to dominate the Saffola brand in the coming years. The company aims to achieve a blended gross margin higher than its core business, with a focus on scaling 3-4 major categories to achieve EBITDA targets. Marico's commitment to sustainable diversification and strategic investments over the past four years has positioned it well for future growth. However, the company acknowledges the challenges posed by inflationary pressures and the need to judiciously leverage the pricing power of its brands to navigate these challenges effectively.



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
Marico	92168.21	63.78	29.32%	5.65%	13.39%	-28.92%	32.39%
Patanjali Foods	70206.75	61.10	7.63%	11.64%	15.07%	20.05%	71.30%
KN Agri Resource	523.48	15.71	10.42%	-29.05%	18.39%	-24.39%	19.09%
Kriti Nutrients	509.15	12.47	29.31%	-0.36%	3.67%	-13.70%	-41.86%
Gokul Agro	3737.04	15.49	18.89%	3.70%	49.36%	1.47%	115.35%

Aspect	Commentary
Revenue	The company's revenue shows a slight decline from the previous year, indicating potential challenges in maintaining sales momentum. However, the quarter-on-quarter growth suggests a recovery trend, which could be attributed to strategic initiatives or market conditions. Monitoring future quarters will be crucial to confirm this positive trajectory.
Profit & Loss	The operating profit margin remains robust, reflecting efficient cost management. However, the decline in PAT year-on-year suggests increased expenses or reduced revenue streams. The quarterly PAT growth indicates potential recovery, but sustaining this will require strategic focus on cost control and revenue enhancement.
Profitability Matrix	The company maintains strong profitability metrics, with high operating and net profit margins. The EPS growth is notable, indicating improved earnings performance. These metrics suggest effective operational strategies, but maintaining these levels will require continued focus on cost efficiency and revenue growth.
Valuation Matrix	The high P/E ratio suggests market optimism about future growth, but the negative PEG ratio indicates potential overvaluation. The EV/EBITDA and P/B ratios are elevated, reflecting market confidence but also potential risk if growth expectations are not met. Careful monitoring of valuation metrics is advised.
Growth (YoY)	Year-on-year growth metrics show mixed results, with sales growth positive but PAT declining. The significant EPS growth is a positive indicator, suggesting improved earnings efficiency. The dividend yield remains modest, indicating a balanced approach to shareholder returns and reinvestment.
Growth (QoQ)	Quarter-on-quarter growth shows positive sales momentum, with significant PAT growth indicating potential recovery. The QYoY sales growth is strong, suggesting effective strategies in place. However, the negative PAT growth QoQ highlights the need for continued focus on cost management and revenue enhancement.
Capital Allocation	The company demonstrates strong capital allocation efficiency, with high RoE, RoA, and RoCE. The impressive RoIC indicates effective investment strategies. These metrics suggest a well-managed capital structure, supporting sustainable growth and shareholder value creation.
Holdings	The promoter holding is substantial, indicating strong confidence in the company's prospects. The presence of significant FII and DII holdings reflects institutional trust. The public holding is minimal, suggesting limited market float, which could impact liquidity but also indicates stability.
Leverage	The company's leverage is low, with a minimal debt-to-equity ratio, indicating prudent financial management. The manageable debt levels and strong market capitalization suggest financial stability. This conservative leverage approach supports resilience against market volatility and economic downturns.

Analyst viewpoint: Marico Limited exhibits a strong growth trajectory with its strategic emphasis on expanding the Foods and premium personal care portfolios. The company reports a robust quarter-on-quarter sales growth of 5.65% and a substantial QYoY growth of 13.39%, indicating effective market penetration and resilience despite industry challenges. The strategic shift towards mid-to-premium segment products is expected to enhance Marico's market standing and drive higher value growth by FY25-26. Key metrics demonstrate substantial capital allocation effectiveness, with ROE at 29.32% and ROIC at 56.2%, showcasing Marico's proficient deployment of resources for sustainable gains.

Competition-wise, Marico holds a competitive edge over peers such as Patanjali Foods and KN Agri Resource, particularly with its market cap of Rs. 92,168 Cr and prudent financial management characterized by a low debt-to-equity ratio of 0.05. The recent concall highlighted Marico's diversification and cost management as pillars for maintaining robust growth amid inflationary pressures. Nonetheless, it's worth noting that while Marico's P/E ratio of 63.8 indicates market optimism, investors should be cautious of overvaluation risks. Overall, Marico's strategic realignments and growth momentum position it attractively for short to mid-term investment, though attention to potential valuation challenges remains advisable.

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Investment Rating	Expected Return (over 12-month)
BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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