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While most FMCG companies in FY19 should see revenue growth accelerating, supported by low base, we expect Marico to also witness benefits of margin expansion. Marico is our preferred pick in staples, we expect the company's revenues and earnings to grow over FY18-FY20 at 14.9% and 21.9% CAGR respectively. Marico is currently the market leader in the hair oil category with volume market share of 34%. Marico is able to win in the hair oil space due to its: 1) competitive pricing strategy, 2) product innovations, and 3) distribution initiatives. We reiterate our BUY rating on the stock.

We believe Marico's hair oil business is in a sweet spot as it continues to gain market share in the fast growing value-added hair oil segment. The company has increased its volume market share in hair oils from 29% as at FY15-end to 34% by FY18-end. Its value share also increased from 22% to 26% during the same period. Marico's value-added hair oil portfolio has grown at a CAGR of 12.5% between FY13-FY18 and is continuing to gain market share.

Copra prices increased by 158% from Rs 5,155/kg in June 16 to Rs 13,629/kg in April 18; however, during the same period, Parachute prices increased by only ~30%. Similar inflation was seen between Q2FY14 and Q2FY15, however, the period between Q2FY15 and

Q2FY16 saw copra prices declining by 29%, resulting in company's gross margin expansion of 340bps and Parachute volume growth of 11%. With copra prices witnessing some decline over last 3 months and expected to decline further, we see a high possibility of consensus earnings upgrades over next 12 months.

Marico over the years has initiated various distribution programmes. Its distribution projects – Project One, Project Vikas Daud and Geo tagging & analytics have not only improved sales but also reduced manpower by 13%.

We remain enthused by the reasonable likelihood of return ratios stepping up from 33.5% in FY18 to 45.3% in FY20. We continue to maintain our positive stance on the company and believe it offers a good risk-reward play. We maintain our BUY rating on the stock with a target price of Rs 361.

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