

**MARICO BANGLADESH LTD**

**Current Price (24.03.2022):** BDT 2,342.10  
**Intrinsic Value per Share:** BDT 2,116.50

**Potential Downside: 9.63%**

**Resistance Zone:** BDT 2410.38 - BDT 2425.81  
**Support Zone:** BDT 2260.58 - BDT 2282.37

**Investment Rating: Overvalued**

**Key Exchange Data**

Market Capitalization (BDT mn)	73,994
Paid up Capital (BDT mn)	315
Authorized Capital (BDT mn)	400
No. of Shares (mn)	31.50
Free Floating Shares (mn)	3.24
Last 3 months avg. turnover (BDT mn)	13.25
3 Months Daily Avg. Return	0.01%
Last 12 months avg. turnover (BDT mn)	15.95
12 Months Daily Avg. Return	0.05%
MARICO P/E	19.56
Sector P/E	20.13
Market P/E	16.34

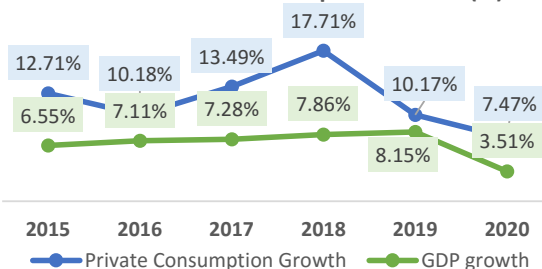
**Industry Overview & Prospects**

The FMCG sector has acquired its position among the fastest growing industries in Bangladesh and also contributes significantly to the GDP of Bangladesh. Consumer confidence, which is fueled by economic growth, has a significant impact on demand in this industry.

**Major Products:** In Bangladesh, the products of the FMCG industry are classified into three key categories – Foods and Beverages, Personal care goods and Household care goods.

**Market Scenario and Future Prospects:** The scope of the 'Fast Moving Consumer Goods' (FMCG) industry has expanded over the years and includes products which are daily essentials as well as those which are aspirational and typically sold or traded rapidly in the market. The growth of this sector's market size is mostly determined by population growth in the economy as well as income levels (purchasing power).

**GDP and Private Consumption Growth (%)**


**MARICO – Business and Insights**
**Company Profile**

Marico Bangladesh Limited was incorporated in 1999 and started commercial operations in 2000. It is amongst the top three FMCG MNC companies in Bangladesh that manufacture and market beauty and wellness products. The company sells its products through sales depots in Gazipur, Chittagong, Bogra, Jessore, and Comilla. The headquarters of the company is located in Dhaka. It is a subsidiary of Marico Limited, India.

**Key personnel:** Saugata Gupta (Chairman), Ashish Goupal (Executive Director and Managing Director) and Elias Ahmed (CFO).

**Factories Location:** Mouchak, Kaliakoir and Gazipur (Factory 1), Shirirchala, Mahona Bhabanipur and Gazipur (Factory 2).

**Listing Date:** August 9, 2009

**Products and Brands:** Marico Bangladesh Limited manufactures and markets consumer products in Bangladesh under the following categories -

- Branded Coconut Oil
- Value-Added Hair Oil
- Edible Oil & Foods
- Beauty and Health
- Baby Care
- Color

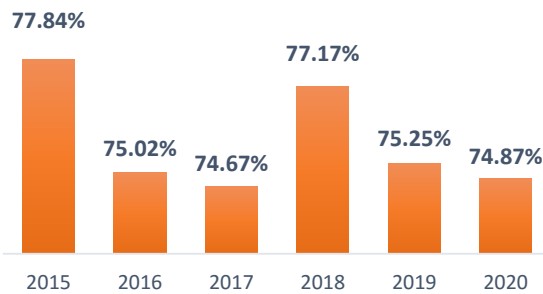
**Revenue Model**
**Revenue Decomposition**

During the year ended 31 March 2021, the company continued its drive for portfolio diversification with new launches in the hygiene, hair care, baby care, and food categories. Over the years, the company has made a significant shift in the volume and value mix of its portfolio to lower its dependence on the branded coconut oil segment. The contribution of other segments in volume and value mix increased as strong initiatives have been taken to strengthen the non-coconut oil market share as well as maintain the leadership in the coconut oil category with stable growth.

The above chart shows that along with the considerable growth of GDP, private consumption growth has also increased over the years. Bangladesh is projected to be one of the top 3 fastest growing economies by 2050 and grow its GDP by 6.8% in 2022, according to the Asian Development Bank (ADB). Bangladesh's major engine of growth, private consumption, is driving the country's recovery, with per capita income rising every year and will be stimulated by normalized activity, moderate inflation, and increased garment exports.

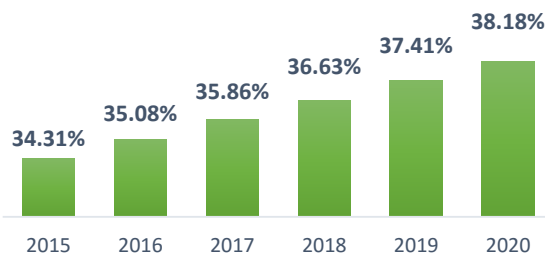
The following chart shows that the private consumption expenditure is more than 75% of the country's total GDP, and thus it is evident that the FMCG industry is also contributing significantly to the GDP of Bangladesh.

Private consumption expenditure (% of GDP)



Bangladesh's middle and affluent class (MAC) population is expected to expand to 34 million people in the next five years, according to a BCG report. The graph below depicts the increasing rate of urban population growth each year. The country's expanding urban population has fueled a tremendous increase in food and consumer goods, resulting in high demand for the related products.

Urban population (% of total population)



REVENUE DECOMPOSITION

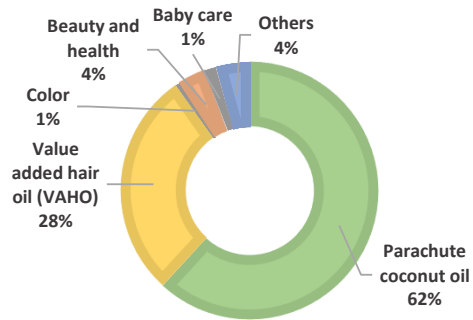
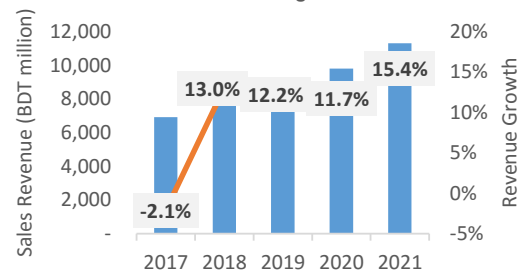


Fig: Revenue Decomposition of MARICO for the year ended on 2021

## Revenue Growth

The sales revenue of Marico Bangladesh Limited accounted for BDT 11,306.52 million for the FY'20-21, while it was BDT 9,795.91 million in the previous year. As a result, revenue increased by 15.4 percent YoY.

Revenue Changes as %



## Export Revenue

Marico Bangladesh Limited also exports its products to the Indian subcontinent markets such as Nepal, India, Bhutan, Sri Lanka, and Vietnam. MBL's "Others" category has been boosted by the start of the export business since 2019. The revenue breakdown from the local and export sources for the past 3 years is shown as follows:

Breakdown of Local/Export Revenue

	2019	2020	2021
Total Revenue	8,768,160,138	9,795,911,357	11,306,519,256
Export Revenue	52,148,450	55,921,876	102,104,632
Export Revenue (%)	0.59%	0.57%	0.90%
Export Revenue Growth		7.24%	82.58%

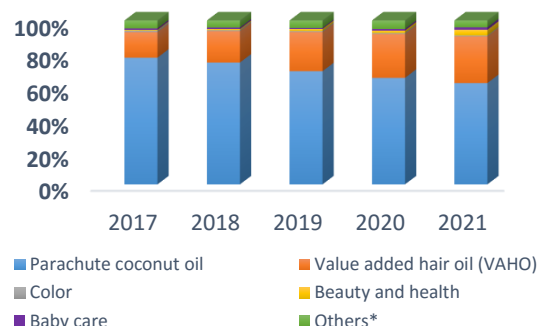
With a population of around 167 million and a healthy economic outlook, the FMCG industry is also poised for significant growth. With increased exposure to worldwide social media, the expansion of modern retail outlets, and the growth of e-commerce, the industry dynamics are also rapidly developing. According to global predictions, emerging markets will continue to be the fastest-growing markets for the FMCG business. Consumer preferences, product offerings, and market behavior will be influenced by a growing middle-class and millennial population. Some factors such as rise in income accompanied by a preference for aspirational personal care items, expansion in rural consumption, raw material availability, and cheap labor costs, may make Bangladesh an attractive investment destination for new FMCG entrants or encourage further investment by the existing players.

Despite being upgraded from a low-income to a middle-income country, the economy of Bangladesh still has numerous flaws that need to be addressed. The country's economic challenges such as- weak business confidence and weak propensity of spending are making large obstacles on the way of the growth of FMCG industry.

### Product-wise Performance

Diversifying product portfolio is a part of MBL's core strategy to reduce dependence on parachute coconut hair oil. The following chart shows that it has been reducing its dependency on its flagship product and generating higher revenues from its other major product segments over the past few

### Product-wise Performance



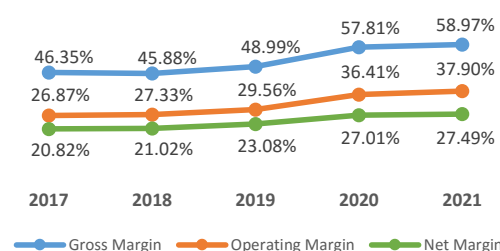
\* Others include male grooming, by-product, food and edible oil.

It has been continuously introducing new product lines in its existing product categories or coming up with new brands. This trend is expected to continue in near future.

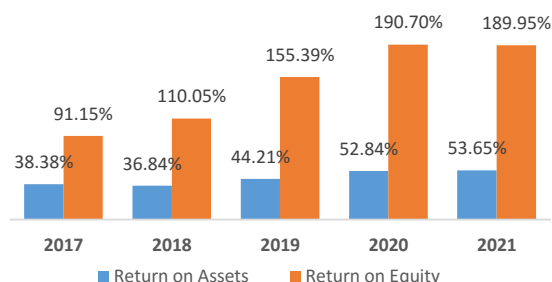
### Key Financials

	2017	2018	2019	2020	2021
<b>Financial Information (BDT million)</b>					
Sales Revenue	6,916.11	7,814.66	8,768.16	9,795.91	11,306.52
Revenue Growth (%)	(2.1%)	13%	12.2%	11.7%	15.4%
Gross Profit	3,205.82	3,585.14	4,295.46	5,662.68	6,667.73
Operating Profit	1,858.45	2,136.04	2,591.55	3,566.84	4,284.69
Profit After Tax	1,440.19	1,642.63	2,023.39	2,646.24	3,108.68
Total Assets	3,752.10	4,458.41	4,576.35	5,008.00	5,793.90
Total Debt	2,171.99	2,965.82	3,274.21	3,620.32	4,157.33
Equity	1,580.11	1,492.59	1,302.14	1,387.68	1,636.57
Retained Earnings	1,013.11	925.59	735.14	820.68	1,069.57
Cash & Cash Equivalent	166.83	269.74	383.10	420.41	396.40
Dividend (%)	500%	600%	650%	950%	900%
<b>Profitability</b>					
Gross Margin	46.35%	45.88%	48.99%	57.81%	58.97%
Operating Margin	26.87%	27.33%	29.56%	36.41%	37.90%
Net Margin	20.82%	21.02%	23.08%	27.01%	27.49%
Return on Assets	38.38%	36.84%	44.21%	52.84%	53.65%
Return on Equity	91.15%	110.05%	155.39%	190.70%	189.95%
<b>Liquidity</b>					
Current Ratio	1.42	1.32	1.25	1.22	1.03
Quick Ratio	0.69	0.52	0.77	0.56	0.50
Cash Ratio	0.08	0.09	0.12	0.12	0.10
Operating Cash Flow Ratio	0.89	0.53	0.85	0.89	0.83

### Profitability Margin Ratios



### ROA and ROE



Efficiency					
Assets Turnover		1.9	1.94	2.04	2.09
Inventory Turnover		2.76	3.18	3.04	2.57
Days of Sales Outstanding				1.24	1.76
Days of Inventory Outstanding		132.31	114.61	120.26	142.13
Days of Payable Outstanding		171.01	194.31	231.86	227.98
Cash Conversion Cycle		-38.71	-79.7	-110.37	-84.1
Valuation					
Price/Earnings	22.01	23.29	22.37	19.92	21.05
Net Assets Value per Share	50.16	47.38	41.34	44.05	51.95
Earnings per Share	45.72	52.15	64.23	84.01	98.69
Operating Cash Flow per Share	60.41	48.92	86.64	95.65	104.91

**Comment:** The profitability metrics show an increasing rate of profit margins and returns which ensures a very sound financial health of the company. But the gradual decrease in current ratio and quick ratio may raise concerns about their working capital management in the future. The efficiency metrics are in favor of the company and the consistent maintenance of a substantially negative cash conversion cycle will help them avoid any liquidity crisis in future. However, the P/E ratio is increasing from last year and it's still on a higher metric as of now.



### Marico Equity Valuation

Key Valuation Toolkits	
Forecasted Revenue Growth (5 years avg)	15.60%
WACC (Discount Rate)	8.91%
Terminal Growth Rate	3.00%

Forecasted Financials					
Financial Information (BDT million)	2022 (F)	2023 (F)	2024 (F)	2025 (F)	2026 (F)
Sales Revenue	12,828.71	14,600.25	16,908.46	19,670.33	23,351.97
Revenue Growth (%)	13.5%	13.8%	15.8%	16.3%	18.7%
Gross Profit	7,184.08	8,176.14	9,468.74	11,015.39	13,077.10
Operating Profit	5,060.72	5,760.41	6,503.75	7,566.62	8,752.05
Profit After Tax	3,689.52	4,199.61	4,800.73	5,585.26	6,544.13
Total Assets	6,522.76	7,713.09	9,519.64	11,965.60	15,355.66
Total Debt	4,513.09	5,136.45	5,934.03	6,903.40	8,175.57
Equity	2,009.67	2,576.63	3,585.61	5,062.20	7,180.10
Retained Earnings	1,442.67	2,009.63	3,018.61	4,495.20	6,613.10
Cash & Cash Equivalent	496.24	895.83	821.16	1,886.07	2,263.06
Dividend (%)	1050%	1150%	1200%	1300%	1400%

WACC Calculation	
Annualized Market Return	10.37%
Beta (Adjusted)	0.55
Risk Free Rate (10 Years T-bond)	7.11%
Risk Premium	3.26%
Cost of Equity	8.91%
WACC (No Long term Debt)	8.91%

Intrinsic Value Calculation				
	FCFF	DDM	Residual	Earnings Based
Value Per Share	BDT 1,700	BDT 1,526	BDT 2,740	BDT 2,310
Weight	40.00%	10.00%	30.00%	20.00%
Product	679.85	152.60	822.01	462.04
Weighted Price	BDT 2,116.50			
Current Price (24/03/2022)	BDT 2,342.10			
Potential Downside	-9.63%			
Investment Rating	Overvalued			

The intrinsic value of the company's shares has been calculated as around BDT 2,116.50 per share using the weighted average of FCFF, DDM, Residual Income and Earnings Based methods of equity valuation. The FCF and Residual Income valuations provide a more accurate value of the stocks in absolute terms, whereas the DDM approach has so many limitations. The Earnings-based approach is a relative approach to valuation relative to the market price. Thus, the weights have been assigned based on the analyst's judgement in accordance with the actual impact of these approaches on the intrinsic value. This indicates an approximate 10% potential downside from the current market price of BDT 2,342.10 per share as updated on March 24, 2022. As it shows that the stocks of MARICO are trading at a moderately higher price than the intrinsic value, we can rate it as an **overvalued** share.

### Investment Insight

#### Investment Merits

- The company is continuously focusing on creating a well-diversified product portfolio.
- Marico Bangladesh Limited has been consistent in increasing its profit margins and returns in the last 5 years and the stability of these profit margins is expected to be continued in the future.
- The company is paying out a substantial amount of dividend every year. If this trend continues, the dividend payout ratio is likely to cross 1000% in the coming years.
- The factory team of the company has implemented prominent lean manufacturing tools to bring the best results in its operation.
- The company has committed to invest BDT 2.27 billion for the construction of its 3rd manufacturing unit in Bangabandhu Shilpanagar within the Mirasari SEZ which is an investment for its future business expansion.

#### Investment Concerns

- The company imports the majority of its raw materials, exposing it to risk of exchange rate fluctuations. Exchange rate fluctuations can have a major impact on operational costs. Thus, a price hike in major raw materials such as copra can put pressure on the overall operational costs of the company.
- The FMCG industry in Bangladesh is very competitive. The company might witness extensive competition from the peer companies in its product segments especially in the newly launched brands and products. Besides, the loss of any key supply chain partners in the future will also have a great impact on the operations of the company.
- The stocks of MARICO are currently trading at a moderately **overvalued** price in the market. So it could be a matter of concern for the investors to invest in MARICO at this current price.

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