Marico Limited

ISIN :INE196A01026 | NSE :MARICO

Price: 661
Recommendation: Buy
Industry: Edible Oil
Sector: Fast Moving Consumer Goods
Report Date: 03-Apr-2025

Marico Limited is strategically enhancing its market presence by expanding its Foods and premium personal care portfolio in India, and increasing operations in MENA and South Africa. The company is leveraging pricing power and cost management to navigate inflation. With a focus on diversification, particularly in the Foods sector, Marico aims for double-digit revenue growth, supported by a strong distribution network and strategic investments.

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	59.2	Sales Growth	3.98 %	Sales Growth	5.65 %
PEG Ratio	-54.3	PAT Growth	-9.58 %	Sales Growth QYoY	13.39 %
EV/EBITDA	45.0	EPS Growth	34.45 %	PAT Growth	-28.92 %
P/B	19.1	Dividend Yield	1.44	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	85580 Cr
RoIC	56.2 %	Public	4.61 %	Enterprise value	85701 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 and business strategies aimed at sustaining growth and enhancing market presence. The company emphasized its commitment to expanding its Foods and premium personal care portfolio in India, alongside ramping up operations in MENA and South Africa. This strategic focus is expected to result in a visible shift in the revenue construct of the business. The company is also leveraging its pricing power and cost management initiatives to navigate the current inflationary environment. "We have remained steadfast in pursuing our strategic objectives, set out at the beginning of the year both in India and international markets amidst the evolving demand and macroeconomic environment," stated the management.

Marico is actively pursuing diversification through both organic and inorganic investments, particularly in the Foods sector, which is seen as having a higher growth potential compared to some Beauty and Personal Care (BPC) categories. The company has initiated an ambitious diversification agenda, which has been delivering impactful outcomes. The Foods portfolio, including oats and masala oats, continues to show double-digit growth, driven by a penetration expansion strategy. The company is also focusing on scaling up its honey and soya products, with significant opportunities identified in muesli and snacking categories. "We believe that packaged Foods over the next medium-term cycle has a higher runway to growth than some of the BPC categories," the management noted.

Looking ahead, Marico is optimistic about its future growth and scaling perspectives. The company aims to achieve double-digit consolidated revenue growth and maintain top quartile volume growth in the India business. The international business is also expected to sustain its double-digit constant currency growth momentum. The company is confident in its ability to manage the impact of input inflation and is strategically positioned to capitalize on the anticipated cooling of copra prices. "We are on track to achieve double-digit consolidated revenue growth for the full year," the management stated, highlighting the company's resilience and strategic foresight.

From a positive perspective, Marico's strategic investments and focus on diversification are commendable, positioning the company well for future growth. However, an even better approach could involve enhancing distribution networks, particularly in the Foods sector, to further capitalize on growth opportunities. The company acknowledges the need to improve distribution in high throughput GT outlets and is committed to addressing this in the coming year. Specific data points of interest include the company's achievement of a 13-quarter high in underlying India volume growth and the Foods and premium personal care portfolio now representing 21% of the domestic business revenue.

MARICO Daily Closing One Year Price Chart

Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
Marico	85580.49	59.23	29.32%	5.65%	13.39%	-28.92%	32.39%
Patanjali Foods	68071.10	59.24	7.63%	11.64%	15.07%	20.05%	71.30%
KN Agri Resource	537.48	16.14	10.42%	-29.05%	18.39%	-24.39%	19.09%
Kriti Nutrients	506.82	12.41	29.31%	-0.36%	3.67%	-13.70%	-41.86%
Gokul Agro	3687.17	15.31	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 positive trend in recent months, possibly due to strategic initiatives or market conditions. Monitoring future quarters will be crucial to assess sustained growth.
Profit & Loss	Operating profit remains strong, reflecting effective cost management. However, the decline in PAT year-on-year suggests increased expenses or reduced margins. The quarterly PAT increase indicates potential recovery or seasonal factors. Continued focus on cost control and revenue enhancement is essential for profitability.
Profitability Matrix	The company maintains healthy profitability margins, with a notable operating profit margin. The net profit margin is robust, indicating efficient operations. The EPS growth is promising, suggesting improved earnings potential. Sustaining these margins will be key to long-term financial health.
Valuation Matrix	The high trailing P/E ratio suggests market optimism or overvaluation. The negative PEG ratio indicates potential growth concerns. The EV/EBITDA and P/B ratios reflect market confidence but warrant caution. Evaluating these metrics against industry peers can provide further insights into valuation.
Growth (YoY)	Sales growth is modest, indicating stable demand. The decline in PAT growth highlights profitability challenges. The significant EPS growth suggests improved earnings efficiency. Dividend yield remains low, reflecting reinvestment priorities. Balancing growth and profitability will be crucial moving forward.
Growth (QoQ)	Quarterly sales growth is encouraging, suggesting effective strategies or market conditions. The decline in PAT growth indicates potential cost pressures. The strong QYoY PAT growth reflects recovery or strategic success. Sustaining this momentum will be vital for continued financial improvement.
Capital Allocation	The company demonstrates strong capital efficiency, with impressive RoE, RoA, and RoCE figures. The high RoIC indicates effective investment strategies. Maintaining these metrics will be crucial for long-term value creation. Strategic capital allocation decisions will support future growth initiatives.
Holdings	Promoter holding is substantial, indicating strong confidence in the company. FII and DII holdings reflect institutional interest. Public holding is minimal, suggesting limited retail participation. Monitoring changes in these holdings can provide insights into market sentiment and potential strategic shifts.
Leverage	The company maintains a low debt-to-equity ratio, indicating prudent financial management. The manageable debt level supports financial stability. The market cap and enterprise value reflect market confidence. Maintaining low leverage will be essential for financial flexibility and risk management.

Analyst viewpoint: Marico Limited has demonstrated robust Quarter-on-Quarter (QoQ) growth, showcasing effective strategic initiatives and improved market conditions. With a QoQ sales growth of 5.65% and a substantial PAT growth of 32.39%, the company is well-positioned to continue this positive trend. Marico's capital efficiency, illustrated by an impressive Return on Equity (RoE) of 29.3% and Return on Capital Employed (RoCE) of 37%, underscores the management's astute allocation strategies. These metrics, combined with the company's low debt-to-equity ratio of 0.05, highlight a strong foundation for sustainable growth. Marico's competitive edge is further reinforced by strategic diversification, notably in the Foods sector, driving double-digit revenue increases. The company's commitment to enhancing its premium personal care and Foods portfolio, complemented by geographical expansion, positions it optimally to capitalize on emerging market opportunities.

In comparison to its peers, Marico exhibits resilience with its market cap of 85,580 crore and a commitment to innovation and operational excellence. While the high trailing P/E ratio of 59.2 may suggest an aggressive valuation, the persistent execution of strategic objectives across both domestic and international markets promises robust medium-term growth potential. The recent concall reinforced management's optimism about leveraging pricing power and strategic investments to mitigate inflationary pressures. A potential area for improvement is enhancing the distribution network, particularly in high-throughput outlets, to further amplify growth opportunities. Despite this, Marico's proactive approach and diversified portfolio should yield significant benefits, aligning well with our bullish outlook for the short to mid-term trajectory.

Please read detailed disclosure on next page.

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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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