

Price: 695

Recommendation: Buy

Industry: Edible Oil

Sector: Fast Moving Consumer Goods

Report Date: 21-Apr-2025

Marico Limited is strategically enhancing growth and profitability by focusing on its Foods and digital-first businesses, emphasizing value-added products. With a revenue run rate of 1,000 crores in Foods and 600 crores in digital, Marico aims for a double-digit EBITDA margin by FY27. The company is reallocating resources to mid and premium segments, avoiding unsustainable competition. Marico's diversification and strategic initiatives position it for robust domestic and international growth.

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	62.3	Sales Growth	3.98 %	Sales Growth	5.65 %
PEG Ratio	-57.2	PAT Growth	-9.58 %	Sales Growth QYoY	13.39 %
EV/EBITDA	47.4	EPS Growth	34.45 %	PAT Growth	-28.92 %
P/B	20.1	Dividend Yield	1.33	PAT Growth QYoY	32.39 %
Capital Allocation		Holdings		Leverage	
RoE	29.3 %	Promoter	59.0 %	Debt/Equity	0.05
RoA	21.2 %	FII	22.1 %	Debt	229 Cr
RoCE	37.0 %	DII	14.1 %	Market Cap	90070 Cr
RoIC	56.2 %	Public	4.53 %	Enterprise value	90191 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 earnings call, Marico Limited outlined several strategic initiatives and business strategies aimed at sustaining growth and enhancing profitability. The company is focusing on scaling its Foods and digital-first businesses, with a particular emphasis on value-added products. The Foods business has reached an annual revenue run rate of 1,000 crores, driven by broad-based growth in core and new franchises. The digital-first portfolio, including brands like Beardo, has also shown promising growth, reaching 600 crores in annual revenue run rate. Marico is committed to achieving a double-digit EBITDA margin in this segment by FY27. The company is strategically reallocating resources towards mid and premium segments, avoiding intense competition at the bottom of the pyramid, which often leads to unsustainable growth.

Marico's diversification strategy is evident in its focus on the Foods segment, which is expected to dominate over Saffola in the coming years. The company is concentrating on scaling 3-4 major categories to achieve its EBITDA targets, rather than spreading efforts across multiple smaller categories. This approach is expected to enhance margins, as the Foods portfolio currently offers better margins than the Saffola portfolio. The company is also investing in brand building and innovation, particularly in the VAHO portfolio, to address consumer concerns and drive long-term growth. The reset process in this portfolio is expected to result in higher value growth and increased market share by FY25-26.

Looking ahead, Marico is optimistic about its growth prospects, both domestically and internationally. The company aims to maintain double-digit consolidated revenue growth and top quartile volume growth in India. Internationally, Marico is confident of sustaining its double-digit constant currency growth trajectory, despite currency headwinds in key markets. The Bangladesh business continues to perform robustly, while MENA and South Africa have shown strong growth and market share gains. The company is also exploring new country development and export markets, which are scaling up healthily.

On the positive side, Marico's strategic focus on value-added products and premium segments is expected to drive sustainable growth and profitability. The company's ability to anticipate market trends and invest in brand building across input cost cycles is commendable. However, there are areas for improvement, such as enhancing distribution in the Foods segment and addressing the competitive landscape in the VAHO portfolio. The company must also navigate the challenges posed by inflationary pressures and potential deflation in copra prices, which could impact margins. Overall, Marico's strategic initiatives and diversification efforts position it well for future growth and scaling.

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	90069.58	62.31	29.32%	5.65%	13.39%	-28.92%	32.39%
Patanjali Foods	71376.15	62.09	7.63%	11.64%	15.07%	20.05%	71.30%
KN Agri Resource	534.85	16.05	10.42%	-29.05%	18.39%	-24.39%	19.09%
Kriti Nutrients	531.08	13.01	29.31%	-0.36%	3.67%	-13.70%	-41.86%
Gokul Agro	3772.66	15.64	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 a sustained upward trajectory.
Profit & Loss	The operating profit margin remains robust, reflecting efficient cost management. However, the decline in PAT year-on-year suggests pressure on net profitability, possibly due to increased expenses or lower revenue. The quarterly PAT growth indicates potential recovery, but sustained improvement is necessary for long-term profitability.
Profitability Matrix	The company's profitability metrics are strong, with a healthy operating profit margin and EBITDA margin. The net profit margin is also commendable, indicating effective cost control and revenue generation. These metrics suggest the company is well-positioned to leverage its operational efficiency for future growth.
Valuation Matrix	The valuation metrics indicate a high P/E ratio, suggesting the market has high expectations for future growth. The negative PEG ratio may reflect concerns about growth sustainability. The EV/EBITDA and P/B ratios are elevated, indicating the company is valued at a premium, possibly due to its strategic initiatives and market position.
Growth (YoY)	Year-on-year growth metrics show mixed results, with sales growth being positive but PAT growth declining. The significant EPS growth suggests improved earnings efficiency. The dividend yield indicates a commitment to shareholder returns, but the overall growth strategy needs to address profitability challenges.
Growth (QoQ)	Quarter-on-quarter growth shows positive sales momentum, with significant QYoY sales growth. However, the decline in PAT growth highlights ongoing profitability challenges. The QYoY PAT growth suggests potential recovery, but consistent improvement is needed to ensure sustainable financial health.
Capital Allocation	The company's capital allocation metrics are strong, with high returns on equity, assets, and capital employed. This indicates effective use of resources to generate returns. The return on invested capital is particularly impressive, suggesting strategic investments are yielding positive outcomes.
Holdings	The ownership structure shows a strong promoter holding, indicating confidence in the company's prospects. The presence of significant FII and DII holdings reflects institutional interest and trust in the company's strategic direction. Public holding is minimal, suggesting limited retail investor participation.
Leverage	The company's leverage is low, with a minimal debt-to-equity ratio, indicating a conservative approach to debt management. This financial stability provides flexibility for future investments and growth initiatives. The market cap and enterprise value suggest strong market confidence in the company's potential.

Analyst viewpoint: Marico Limited stands out as a compelling investment opportunity with promising growth prospects in both domestic and international markets. The company's commitment to scaling its Foods and digital-first businesses has demonstrated impressive momentum, with a significant quarter-on-quarter sales growth of 5.65% and a year-on-year increase of 13.39%. This robust performance is complemented by Marico's strategic capital allocation, evidenced by high returns on equity and capital employed, suggesting efficient resource utilization. The company's focus on premium segments and value-added products is expected to drive sustained profitability, supported by strong market confidence indicated by its elevated valuation metrics. Moreover, Marico's strategic initiatives in brand building and category scaling, as discussed in the recent concall, are set to bolster its market position and enhance margins, positioning the company for continued success in the coming quarters.

However, while the company possesses strong growth indicators, it's important to acknowledge the challenges of navigating inflationary pressures and potential deflation in copra prices, which could pose risks to its profit margins. Despite these hurdles, the overall outlook remains optimistic as Marico continues to invest in strategic areas that are poised for growth, presenting a bullish case for investors in the short to mid-term. Its low leverage and strong institutional investor interest further solidify this positive perspective, reinforcing confidence in Marico's ability to achieve its strategic objectives and deliver shareholder value.

Please read detailed disclosure on next page.

Explanation of Investment Rating*	
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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Research Analyst Details:

Name: Robin Arya

Email: smallcase@goalfi.in

Contact: +91-9394306085

GOALZEN CAPITAL SERVICES PRIVATE LIMITED

CIN: U66190TS2023PTC176030

Address: Co ikeva Office 10, Level 3, NSL Centrum, Serene Estate Pvt Ltd, Site No. Phase I and II, Opp KPHB Colony Lane Opp. Forum Mall Kukatpally, HYDERABAD, TELANGANA, 500072

Support Telephone: +91 9063309052, Support Email – support@goalfi.in

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