

Price: 715

Recommendation: Buy

Industry: Edible Oil

Sector: Fast Moving Consumer Goods

Report Date: 19-Apr-2025

Marico is strategically enhancing its market position by focusing on mid and premium segments, aiming for value growth by FY25-26. The company is leveraging digital and e-commerce channels, with brands like Plix nearing a 500 crore milestone. Marico's food business has reached a 1,000 crore run rate, driven by products like Saffola oats. Despite challenges, Marico is committed to innovation and strategic pricing to sustain growth and market leadership.

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	64.1	Sales Growth	3.98 %	Sales Growth	5.65 %
PEG Ratio	-58.8	PAT Growth	-9.58 %	Sales Growth QYoY	13.39 %
EV/EBITDA	48.7	EPS Growth	34.45 %	PAT Growth	-28.92 %
P/B	20.7	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	92602 Cr
RoIC	56.2 %	Public	4.53 %	Enterprise value	92723 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 outlined several strategic initiatives aimed at driving growth and enhancing its market position. The company is focusing on a reset of its VAHO portfolio, reallocating resources towards mid and premium segments to avoid unsustainable growth at the bottom of the pyramid. This strategic shift is expected to take three to four quarters, with an anticipated improvement in value growth and market share by FY25-26. Marico is also emphasizing the importance of investing in category growth to maintain its leadership position, particularly in the value-added foods segment. The company is committed to addressing consumer concerns such as hair fall, which is expected to improve the overall consumption environment.

Marico's business strategies include a strong focus on digital and e-commerce channels, which are driving significant growth. The company is leveraging its digital-first brands like Plix and True Elements, which are scaling up rapidly. Plix, in particular, is expected to reach a revenue milestone of 500 crores soon, with a focus on sustainable and profitable growth rather than aggressive cash burn. Marico is also expanding its presence in general trade (GT) by creating differentiated portfolios for GT and e-commerce, ensuring that products are tailored to each channel's unique demands. This approach is designed to enhance profitability and market penetration across different consumer segments.

The company's diversification schemes are centered around its food and premium personal care portfolios. Marico has successfully scaled its food business to a 1,000 crores annual revenue run rate, driven by products like Saffola oats and new franchises. The company is focusing on a few major categories to achieve its EBITDA targets, with plans to expand its distribution network to increase the salience of its food products. Marico's international business continues to perform well, maintaining double-digit growth despite currency headwinds. The company is confident in its ability to sustain this growth trajectory and unlock margin benefits in the medium term.

Looking ahead, Marico is optimistic about its future growth and scaling prospects. The company aims to achieve double-digit consolidated revenue growth and maintain top quartile volume growth in India. Marico's strategic investments in brand building and diversification are expected to yield significant returns, reinforcing its market leadership. However, the company acknowledges the challenges posed by inflationary pressures and competitive intensity, particularly in the food segment. To address these challenges, Marico is focusing on innovation, cost management, and strategic pricing to protect its margins and drive long-term growth. The company's commitment to sustainable diversification and its ability to adapt to changing market dynamics position it well for future success.

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	92602.17	64.08	29.32%	5.65%	13.39%	-28.92%	32.39%
Patanjali Foods	71461.25	62.19	7.63%	11.64%	15.07%	20.05%	71.30%
KN Agri Resource	532.48	15.98	10.42%	-29.05%	18.39%	-24.39%	19.09%
Kriti Nutrients	517.22	12.67	29.31%	-0.36%	3.67%	-13.70%	-41.86%
Gokul Agro	3767.22	15.62	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, possibly driven by strategic initiatives or market conditions. This mixed performance highlights the need for sustained efforts to boost annual revenue growth.
Profit & Loss	The operating profit remains robust, reflecting efficient cost management. However, the decline in PAT year-on-year suggests increased expenses or lower revenue. The quarterly PAT growth indicates a positive trend, possibly due to improved operational efficiencies or cost-cutting measures. Overall, maintaining profitability will require strategic focus.
Profitability Matrix	The company's profitability metrics are strong, with healthy operating and net profit margins. The EPS growth is notable, indicating shareholder value enhancement. These figures suggest effective cost control and pricing strategies, contributing to overall financial health. Sustaining these margins will be crucial for long-term success.
Valuation Matrix	The high P/E ratio suggests market optimism about future growth, but the negative PEG ratio indicates potential overvaluation or growth concerns. The EV/EBITDA and P/B ratios reflect a premium valuation, possibly due to strong market positioning. Investors should weigh these factors against growth prospects and market conditions.
Growth (YoY)	The year-on-year sales growth is modest, while PAT growth is negative, highlighting challenges in profitability. The significant EPS growth suggests improved earnings distribution. These mixed growth indicators underscore the need for strategic initiatives to enhance revenue and profit growth, ensuring sustainable long-term performance.
Growth (QoQ)	Quarter-on-quarter growth shows positive sales momentum, with significant PAT growth indicating improved profitability. The QYoY sales growth further supports this trend, suggesting effective strategies in place. These figures reflect a positive outlook, but maintaining this trajectory will require continued strategic focus and market adaptation.
Capital Allocation	The company demonstrates strong capital efficiency, with high RoE, RoA, and RoCE figures. The impressive RoIC indicates effective investment strategies. These metrics suggest prudent capital allocation, contributing to overall financial stability. Continued focus on optimizing capital use will be essential for sustaining growth and profitability.
Holdings	The promoter holding is substantial, indicating strong confidence in the company's prospects. The significant FII and DII holdings reflect institutional interest, while public holding remains low. This ownership structure suggests stability and potential for strategic influence, supporting long-term growth and market confidence.
Leverage	The company's low debt/equity ratio indicates conservative leverage, minimizing financial risk. The manageable debt level and strong market cap suggest financial stability. These factors contribute to a solid financial foundation, enabling the company to pursue growth opportunities without significant leverage-related constraints.

Analyst viewpoint: Guided by our analysis, we hold a bullish outlook on Marico for the short to mid-term. The company's remarkable QoQ sales growth of 5.65% and significant QYoY sales growth of 13.39% reflect effective strategic initiatives and robust market adaptation. The PAT growth of 32.39% QoQ further underscores an improving profitability margin, suggesting efficiency in operations and cost control measures. With a RoE of 29.3% and RoCE of 37.0%, Marico demonstrates exceptional capital allocation efficiency, pivotal for sustaining its growth trajectory. Additionally, Marico's strategic shifts towards mid and premium markets, complemented by its digital and e-commerce expansion, are well-positioned to fuel its value growth, reinforcing its competitive edge in the FMCG sector.

Furthermore, Marico's prudent valuation metrics, characterized by a trailing P/E of 64.1, reflect strong market confidence in its growth prospects. The company's commitment to leveraging its capital effectively is evidenced by a high RoIC of 56.2%, underscoring its investment acumen. Meanwhile, Marico's diversification strategy, particularly in the food business, has met with success, achieving a run rate of 1,000 crores annually. However, it's worth noting that despite these positive indicators, the high P/E ratio may suggest overvaluation risks if growth projections are not met effectively amidst competitive pressures.

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