MARICO

COMPANY UPDATE

KEY DATA

Rating	BUY
Sector relative	Neutral
Price (INR)	614
12 month price target (INR)	740
52 Week High/Low	720/486
Market cap (INR bn/USD bn)	795/9.4
Free float (%)	40.4
Avg. daily value traded (INR mn)	1,765.4

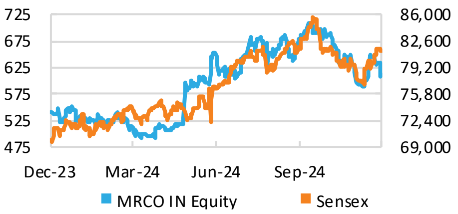
SHAREHOLDING PATTERN

	Sep-24	Jun-24	Mar-24
Promoter	59.2%	59.28%	59.34%
FII	24.87%	24.61%	25.55%
DII	11.04%	11.10%	9.78%
Pledge	0.13%	0.13%	0.13%

FINANCIALS (INR mn)

Year to March	FY24A	FY25E	FY26E	FY27E
Revenue	96,530	1,10,116	1,21,356	1,33,767
EBITDA	20,260	22,904	26,334	29,295
Adjusted profit	14,810	16,925	20,448	23,691
Diluted EPS (INR)	11.5	13.1	15.8	18.4
EPS growth (%)	13.7	14.3	20.8	15.9
RoAE (%)	38.8	39.4	38.4	36.2
P/E (x)	54.6	47.7	39.5	34.1
EV/EBITDA (x)	42.5	37.3	32.0	28.3
Dividend yield (%)	0.5	0.9	1.1	1.3

PRICE PERFORMANCE



H2FY25 to glisten with growth

We maintain 'BUY' on Marico with a TP of INR740. Our rationale: i) Double-digit revenue growth in H2FY25 (versus 8% in Q2) for India business aided by strong pricing growth in Parachute (10%) and Saffola edible oils (20%, full impact in Q4). ii) Domestic volume growth is likely to be resilient at 5%-plus YoY in H2. iii) International revenue, including Bangladesh, likely to grow in low double-digits in CC terms. iv) Project SETU to drive focus in GT. v) Margins to be under pressure in the near term, but this presents an opportunity for market share gains.

Meanwhile, an urban slowdown is not hurting Marico much as its food and digital business (we reckon 20%-plus growth) caters to mid/upper class. Watch out for VAHO—showing weakness for a few years now.

Healthy balance of pricing and volumes to come back in H2FY25

We reckon domestic volume growth shall be resilient at 5%-plus YoY in the near term. We expect double-digit revenue growth in H2FY25 (versus 8% in Q2FY25) for the India business aided by strong pricing growth in Parachute (10%) and Saffola edible oils (almost 20%, full impact in Q4). More than 80% of the domestic business either gained or sustained market share and penetration on a MAT basis. During Q2FY25, Project SETU was extended to four more states, taking the H1FY25 tally to ten. *Beardo* is on course to deliver double-digit EBITDA margin in FY25; minimal cash burn in *Just Herbs* and *Plix.* In Q2FY25, International business expanded 13% YoY led by Bangladesh (8% CC), MENA (43% CC), South Africa (20% CC) and SE Asia (7% CC).

Diversification working well – Foods & premium personal care to lead

Revenue share of food and personal care in the Indian business is likely to rise to 25%-plus by FY27E (20% in FY24). *We expect Marico's packaged foods and premium personal care to continue to report robust growth given lower penetration levels and Marico's ongoing efforts to cater to changing consumer preferences*. Strong scale-up in foods continues with annualised run rate in Q2FY25 crossing ~INR10bn and will continue to grow at 20%-plus in the near term (value growth of 28% in Q2FY25). Premium personal care is performing well with serums, male grooming and skin care having an ARR of ~INR3bn in H1FY25 while digital-first brands had an exit ARR of more than INR5.25bn in Q2FY25. Plix has potential to be an INR5bn brand. Beardo is likely to hit double-digit EBITDA margin in FY25. Diversified business (food and digital brands) caters to upper mid-class and masstige. There is no slowdown in demand in these categories. Foods will be the focus area and is poised to expand at a 20% CAGR over FY25–27E. Digital-first brands are likely to be 2x their FY24 levels by FY27E.

Margins likely to be under pressure, volumes to improve in H2

In H2FY25, we forecast margins shall likely dip 150–200bp YoY. This is normal given sharp inflation, gradual price hikes and focus on volume growth. Volume growth shall improve sequentially given local players would not be able to pass on the heavy burden of rising costs to their customers. Moreover, rural is gradually recovering, which acts as a tailwind for the company to drive volumes.

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Financial Statements

Income Statement (INR mn)

Year to March	FY24A	FY25E	FY26E	FY27E
Total operating income	96,530	1,10,116	1,21,356	1,33,767
Gross profit	49,050	55,278	60,799	67,017
Employee costs	7,430	8,589	8,495	9,364
Other expenses	11,840	13,324	14,441	15,651
EBITDA	20,260	22,904	26,334	29,295
Depreciation	1,580	1,948	1,891	1,668
Less: Interest expense	730	465	400	335
Add: Other income	1,420	1,236	2,005	2,888
Profit before tax	19,370	21,726	26,049	30,179
Prov for tax	4,350	4,802	5,600	6,488
Less: Other adj	0	0	0	0
Reported profit	14,810	16,925	20,448	23,691
Less: Excp.item (net)	0	0	0	0
Adjusted profit	14,810	16,925	20,448	23,691
Diluted shares o/s	1,291	1,291	1,291	1,291
Adjusted diluted EPS	11.5	13.1	15.8	18.4
DPS (INR)	3.0	5.9	7.1	8.3
Tax rate (%)	22.5	22.1	21.5	21.5

Balance Sheet (INR mn)

Year to March	FY24A	FY25E	FY26E	FY27E
Share capital	1,290	1,290	1,290	1,290
Reserves	37,030	46,339	57,585	70,615
Shareholders funds	38,320	47,629	58,875	71,905
Minority interest	3,370	3,370	3,370	3,370
Borrowings	3,830	3,330	2,830	2,330
Trade payables	15,810	14,273	15,761	17,373
Other liabs & prov	6,910	6,910	6,910	6,910
Total liabilities	73,530	80,802	93,036	1,07,178
Net block	9,240	8,542	7,901	7,483
Intangible assets	18,000	18,000	18,000	18,000
Capital WIP	440	250	250	250
Total fixed assets	27,680	26,792	26,151	25,733
Non current inv	3,430	3,430	3,430	3,430
Cash/cash equivalent	12,020	20,161	30,543	42,387
Sundry debtors	10,690	7,542	8,312	9,162
Loans & advances	100	100	100	100
Other assets	17,262	20,431	22,154	24,021
Total assets	73,530	80,802	93,036	1,07,178

Important Ratios (%)

Year to March	FY24A	FY25E	FY26E	FY27E
Other exp (% of rev)	12.3	12.1	11.9	11.7
Con A&P (% of rev)	9.9	9.5	9.5	9.5
Gross margin (%)	50.8	50.2	50.1	50.1
EBITDA margin (%)	21.0	20.8	21.7	21.9
Net profit margin (%)	15.3	15.4	16.8	17.7
Revenue growth (% YoY)	(1.1)	14.1	10.2	10.2
EBITDA growth (% YoY)	11.9	13.1	15.0	11.2
Adj. profit growth (%)	13.7	14.3	20.8	15.9

Free Cash Flow (INR mn)

Year to March	FY24A	FY25E	FY26E	FY27E
Reported profit	14,810	16,925	20,448	23,691
Add: Depreciation	1,580	1,948	1,891	1,668
Interest (net of tax)	730	465	400	335
Others	(2,760)	0	0	0
Less: Changes in WC	0	(1,556)	(1,005)	(1,105)
Operating cash flow	14,360	17,783	21,734	24,590
Less: Capex	(5,680)	(1,060)	(1,250)	(1,250)
Free cash flow	8,680	16,723	20,484	23,340

Assumptions (%)

Year to March	FY24A	FY25E	FY26E	FY27E
GDP (YoY %)	7.0	7.0	7.0	7.0
Repo rate (%)	5.3	5.3	5.3	5.3
USD/INR (average)	81.0	82.0	83.0	84.0
Domestic vol growth	7.5	7.5	7.5	7.5
Intl business growth	4.5	5.6	9.3	9.3
COGS % of sales (con)	49.2	49.8	49.9	49.9
Staff cost (% of rev)	7.7	7.8	7.0	7.0
Dep- % of gross block	6.5	7.0	6.5	5.5
Yield on cash	7.9	8.0	8.5	8.5

Key Ratios

Year to March	FY24A	FY25E	FY26E	FY27E
RoE (%)	38.8	39.4	38.4	36.2
RoCE (%)	44.8	44.5	44.3	42.8
Inventory days	98	99	105	105
Receivable days	39	30	24	24
Payable days	117	100	91	91
Working cap (% sales)	7.7	8.2	8.2	8.3
Gross debt/equity (x)	0.1	0.1	0	0
Net debt/equity (x)	(0.2)	(0.3)	(0.4)	(0.5)
Interest coverage (x)	25.6	45.0	61.0	82.4

Valuation Metrics

Year to March	FY24A	FY25E	FY26E	FY27E
Diluted P/E (x)	54.6	47.7	39.5	34.1
Price/BV (x)	21.1	17.0	13.7	11.2
EV/EBITDA (x)	42.5	37.3	32.0	28.3
Dividend yield (%)	0.5	0.9	1.1	1.3

Valuation Drivers

Year to March	FY24A	FY25E	FY26E	FY27E
EPS growth (%)	13.7	14.3	20.8	15.9
RoE (%)	38.8	39.4	38.4	36.2
EBITDA growth (%)	11.9	13.1	15.0	11.2
Payout ratio (%)	226.6	322.8	497.3	477.5

Source: Company and Nuvama estimates

Steady showing to sustain

Well-placed to gain from inflation

In Q2FY25, international business expanded 13% YoY led by Bangladesh (8% CC), MENA (43% CC), South Africa (20% CC) and South East Asia (7% CC). More than 80% of the domestic business either gained or sustained market share and penetration on a MAT basis. During Q2FY25, Project SETU was extended to four more states, taking the H1FY25 tally to ten. 80% of the business either gained or sustained market share and penetration both on a MAT basis. *Beardo* is on course to deliver double-digit EBITDA margin in FY25; minimal cash burn in *Just Herbs* and *Plix.*

Exhibit 1: Q2FY25 growth across categories

Source: Company, Nuvama Research

Diversification working well

Strong scale-up in foods continues with an annualised run rate in Q2FY25 crossing ~INR10bn and will continue to grow 20%-plus in near term (value growth of 28% in Q2FY25). Premium personal care is performing well with serums, male grooming and skin care having an ARR of ~INR3bn in H1FY25 while digital-first brands had an exit ARR of more than INR5.25bn in Q2FY25.

Plix has potential to be an INR5bn brand. Beardo is likely to hit double-digit EBITDA margin in FY25. Diversified business (food and digital brands) caters to upper mid-class and masstige. There is no slowdown in demand in these categories. Foods will be the focus area and is poised to expand at a 20% CAGR over FY25–27E. Digital-first brands are expected to be 2x FY24 levels by FY27E.

Exhibit 2: Diversification across portfolio

Source: Company, Nuvama Research

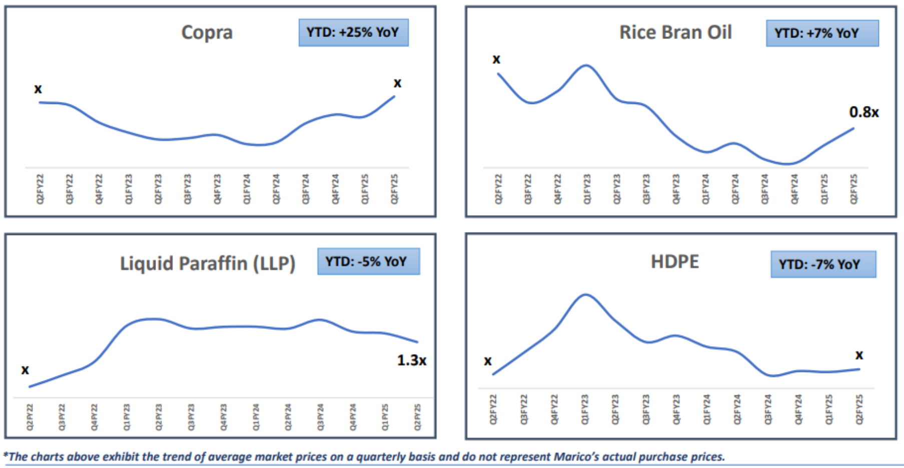
Margins likely to be under pressure

In H2FY25, we estimate EBITDA margin shall dip 150–200bp YoY. This is normal given sharp inflation, gradual price hikes and focus on volume growth. Since higher food inflation mainly affects middle and bottom end of the income pyramid, there is a tendency of down-trading among such income groups.

To be sure, Marico is contending with inflation in key raw materials. For example, YTD copra prices have risen 25% YoY while rice bran oil has risen 7% YoY. To combat the inflation Marico has taken price hikes in their major portfolio to offset the impact of rising inputs cost. However, it has taken calibrated price hike in Parachute and Saffola oil as still there are no strong tailwinds for consumption, particularly in the mass segment. Hence, the company not been able to pass on all inflationary pressures to consumers. This shall likely lead to flat margins in H2FY25.

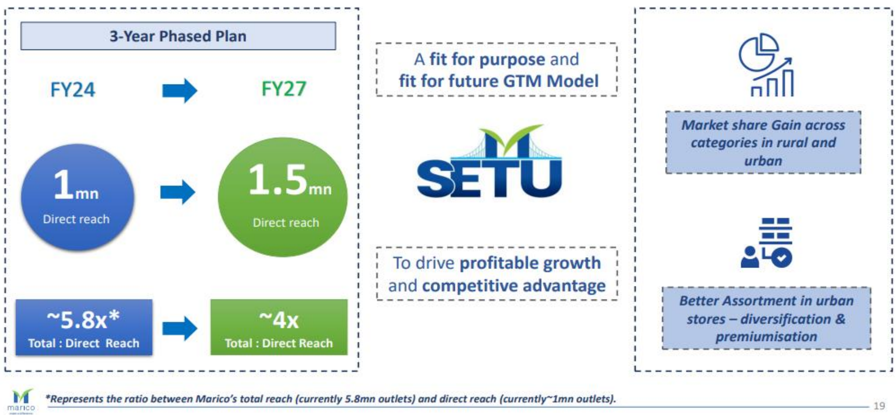
On the flip side, Marico's focus is improving volumes sequentially. This shall be due to 'anniverisation' of local players. For an instance, whenever inflation happens, local players tend to slash their A&P spends and distributors' margin as these companies cannot effect significant price hikes. National/bigger players such as Marico tend to benefit as small/local players get wiped out due to the heavy burden of rising costs, which they are not able to pass on to customers. Moreover, rural is gradually recovering, and that can also prove to be a volume tailwind for the company since ~28% of Marico's business comes from rural.

Exhibit 3: Movement in key RM prices



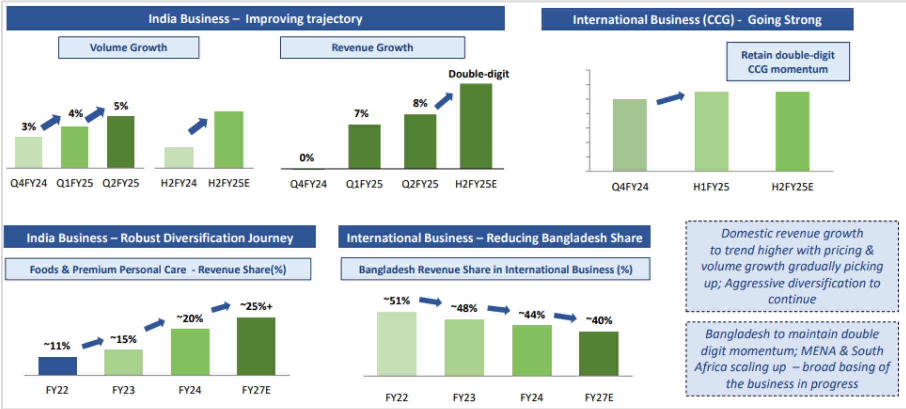
Source: Company, Nuvama Research

Exhibit 4: Project SETU driving growth in general trade (GT)



Source: Company, Nuvama Research

Exhibit 5: Outlook for near-to-medium term remains healthy



Source: Company, Nuvama Research

Exhibit 6: Recent developments in senior management personnel (SMP) at Marico

Senior Management Personnel (SMP)	Current designation	Comments
Vaibhav Bhanchawat	COO – India & Foods Business	Resigning to pursue opportunity outside the organisation.
Ashish Goupal	SMP and designated CEO-International Business	He will move from his existing role and take on the responsibility of leading an integrated business structure in India w.e.f. April 1, 2025 as CEO - India Core business.
Pawan Agrawal	CFO	He will take on the additional responsibility of leading the business of Marico Southeast Asia and Marico Bangladesh w.e.f. April 1, 2025. He will be designated as Group CFO and CEO International Business: Rest of South Asia and SE Asia.
Binjit Kadakapcedlikayal	Executive Vice President – Middle East & North Africa	He will directly report to Saugata Gupta, MD &CEO w.e.f April 1, 2025 and accordingly will be categorised as SMP.
Ryan Bartram	MD – Marico South Africa	He will directly report to Saugata Gupta, MD &CEO w.e.f April 1, 2025 and accordingly will be categorised as SMP.

Source: Company, Nuvama Research

Q2FY25 conference call takeaways

Detailed takeaways

Outlook

- **Rural:** The company expects increased rural consumption in coming quarters. Urban is likely to recover if food inflation is reduced.
- **Diversification** remains the key priority and the profitable scale-up in foods shall continue.
- **Foods portfolio** shall be 2x of FY24's in FY27 and is poised for a 20%-plus CAGR after successful initiatives towards refinements in supply chain and GTM during FY24.
- **Profitability improvement approach:** The company's aim is to drive consistent improvements in profitability as constituent franchises attain critical mass.
- **Gross margin:** Focused initiatives led to robust expansion of ~800bp in gross margin in FY24.
- **Digital business** shall leverage enhanced capabilities with an exit ARR of digital-first brands expected to be 2x of FY24 ARR in FY27.
- **Digital-first margins:** The company is aiming for double-digit EBITDA margin in digital-first brands in FY27, wherein Beardo is on course to deliver double-digit EBITDA margin in FY25 while minimal cash burn is seen in Just Herbs and Plix.
- **India revenue:** Management expects double-digit revenue growth in H2FY25 for the Indian business.
- **Food and personal care revenue share:** Likely to rise to ~25%+ of India business in FY27.
- **Domestic revenue growth** shall trend higher with pricing and volume growth gradually picking up while aggressive diversification shall continue.
- **International business:** Bangladesh shall maintain double-digit momentum while MENA and South Africa shall work on broad-basing the business in progress.
- **Bangladesh** revenue share might decrease to ~40% of total international revenue in FY27.
- **GT** expansion in foods shall protect margins.
- **Operating margins:** Costs pressure are higher than expected. 50bp contraction in a worst-case scenario.
- **Saffola edible oil:** H2FY25E, no sacrifice of margins to drive volumes. Measured growth in oils while the focus shall remain on foods.
- **VAHO:** Double-digit growth is difficult. The company is growing in products that cater to middle class, leading to gains in market share.

Project SETU

- The project saw strong governance, ensuring sustainable expansion.
- Project kicked off in ten states as at end-H1FY25.

- Execution on the state level is on track by leveraging technology to identify white spaces for outlet expansion.
- Management looking forward to strengthening core portfolios and distribution gains in opportunity portfolios.
- Marico aims to generate/create demand through visibility-led distribution.
- Salesforce tracking improved, leading to higher productivity and assortment.
- **The project is set to drive profitable growth in GT through transformative expansion in direct reach.**
- **Direct reach:** It plans to go from 1mn direct reach in FY24 to 1.5mn direct reach in FY27.
- This project will help the company gain market share across categories in urban and rural areas, and also lead to diversification and premiumisation through better assortment in urban stores.
- The company focused on direct distribution, employing technology for quality control. In urban it will lead to significant diversification. GT expansion to aid margin protection.
- Some stock adjustments might happen for channel distribution.

Macro overview

- Urban trajectory remains stable for the quarter. Rural continues to outperform urban areas. The rural versus urban volume growth index continues to be 2x.
- Stable trends seen across HPC and Foods.
- Food and retail inflation spiked in September, and this trend needs to be monitored in the near term.
- Above-normal rainfall was experienced in most regions in the monsoon season this year.
- Continued government spending and festive season is likely to aid growth in the near term.
- Diversified biz (food and digital brands)—caters to upper-mid class and masstige. There is no slowdown in demand in these categories. E-commerce and MT shares for the company are higher than competitors. The sentiment shall improve as soon as inflation levels cool down.

Company overview

- Sequential uptick was seen in the domestic business in Q2FY25 with 5% volume growth YoY.
- More than 80% of the domestic business either gained or sustained market share and penetration on a MAT basis.
- International business continues the robust showing with 13% constant currency growth YoY.
- The A&P spend growth increased 8% YoY in Q2FY25.
- The company has maintained healthy working capital ratios through the year.

- Parachute Coconut Oil contributed 33% to domestic revenue and logged 4% volume/10% value growth.
- Saffola Edible Oils, which contributed 18% to domestic revenue, clocked flat volume growth and 2% growth in value YoY. Pricing growth is seen positive after eight quarters.
- Value Added Hair Oils contributed 20% to domestic revenue, and its value declined 8%. Value market share gain stood at 110bp in Q2FY25.
- Strong scale-up in foods continued during the quarter. Annualised run rate in Q2FY25 crossed ~INR10bn, and value growth is 28%.
- Premium personal care performs well with serums, male grooming and skin care having an ARR of ~INR3bn in H1FY25 and digital-first brands had an exit ARR of more than INR5.25bn in Q2FY25.
- Visible brand building investments are seen in VAHO towards reinvigorating growth.
- Most of the company growth has come through online channels. Price point remains a key factor for driving offline growth.

International business

- **Aggregate:** International business grew 13% in constant currency (CC) in Q2FY25.
- **Bangladesh:** The company is sounding resilient on Bangladesh amid challenging conditions. Healthy growth seen in core and new franchise. Bangladesh recorded 8% CCG in Q2FY25.
- **Vietnam:** HPC demand recovery underway with 7% CC growth in Q2FY25.
- **Egypt and the Gulf:** Robust growth was seen in the Gulf and Egypt with 43% CC growth in Q2FY25.
- **South Africa**: All-round growth seen in hair and health care with 20% CC growth in Q2FY25.
- The company plans to reduce reliance on the Bangladesh business.

Movement of key raw material prices YTD

- **Copra** prices have increased 25% YoY.
- **Rice bran oil** prices have increased 7% YoY.
- **Liquid paraffin** (LLP) prices have decreased 5% YoY.
- **HDPE** prices have decreased 7% YoY.

Others

- Employee cost as a % of sales has increased due to introduction of new business.
- Upper trends in A&P spends are expected to continue; consolidated A&P spends were 11%.
- Over the last few quarters, the company has been facing deflation. In urban markets, GT was stressed.

Marico FY24 Annual Report KTAs

Outlook

- Marico shall double the scale of digital-first brands and deliver double-digit EBITDA margin in the portfolio by FY27E.
- Marico expects the share of Foods and Premium Personal Care businesses to reach ~25% in FY27. Foods shall achieve a 20%-plus CAGR with an aim to scale it 2x its current size by FY27. Premium Personal Care shall achieve a 20%-plus CAGR, within which the digital-first portfolio shall double its ARR by FY27E.
- The visible broad-basing of its business reflects in reducing dependence on the Bangladesh business, and expect the revenue share of Bangladesh to moderate gradually to about 40% by FY27.
- On an overall basis, Marico shall deliver double-digit revenue growth through consistent outperformance vis-à-vis the category and market share gains in the domestic core portfolios, accelerated growth in the Foods and Premium Personal Care and double-digit constant currency growth in the International business.
- Marico shall scout for inorganic growth opportunities that offer meaningful potential to consolidate its competitive position in existing categories, expand the TAM in existing geographies or access markets of interest, thereby adding visible levers to drive long-term value creation.
- Anticipated rural demand recovery in FY25, combined with a lower rural volume market share for Parachute, presents an opportunity to expand market penetration in rural India over the medium term.

FY24 highlights

- In FY24, Marico delivered a resilient performance in the domestic business as growth trends in core categories steadied and new businesses scaled up in line with expectations.
- Healthy offtakes led to market share and penetration gains in at least 75% of the business.
- Consolidated revenue/EBITDA of INR96.5bn/INR20.3bn with underlying domestic volume growth of 2%. International business grew 9% YoY in CC terms.
- Marico posted its highest-ever operating margin of 21% amidst lower input prices, scale-up of newer franchises and a favourable portfolio mix. Gross and EBITDA margins of 50.8%/20.8% expanded 560bp/250bp YoY, mainly due to savings from the institutionalised cost management initiatives across domestic and overseas operations.
- A&P spends were 9.9% of sales and up 13% YoY.
- Capex for the year stood at INR1.53bn for capacity expansion and maintenance of existing manufacturing facilities.
- CFO/FCF stood at ~INR14.4bn/INR12.8bn.
- While growth in urban remained stable, rural witnessed some green shoots only towards the end of FY24, which also reflected in premium and urban-centric segments outpacing rural and mass segments.

- The resurgence of regional and unorganised competition in a deflationary input cost environment impacted certain categories.
- Foods and Premium Personal Care (including Digital First brands) now contribute ~20% of domestic revenues (15% in FY23), the portfolio diversification objective has led to a marked shift in the revenue construct of the domestic business and reduction in commodity linkage of the business.

Domestic business (74% salience to revenues)

- Revenues stood at INR71.3bn (down 3% YoY), mainly impacted by pricing corrections in key portfolios.
- UVG of 2% was due to a slower-than-anticipated uptick in consumption, particularly in rural, and persistent sluggishness in GT.
- Operating margins stood at 22.4% in FY24 (versus 19.8% in FY23). Expansion was a result of moderation in the prices of key commodities such as copra and vegetable oils as well as a favourable portfolio mix.

Coconut Oil (38% of domestic business)

- Parachute Coconut Oil continues to be the dominant market leader in the branded coconut oil market (70% branded). 30% of the coconut oil market is still unbranded, which presents an attractive opportunity to capture a significant share of the transitioning market and thus sustain/improve growth trajectory.
- Parachute had a steady recovery in traction as loose-to-branded conversions regained pace with copra prices inching up in H2FY24.
- Marico expects to drive improving volume traction and sustained market share expansion in Parachute on the back of the brand's pricing resilience and back-end system advantages amid a moderately inflationary trend in copra prices.
- Parachute Rigids volumes grew 1% YoY.
- The brand gained ~53bp of market share by volume on a MAT basis.
- The non-focused Coconut Oil portfolio had a flat year.
- Overall, the volume market share of the Coconut Oil franchise (including Nihar Naturals and Oil of Malabar) was 63% on a MAT basis.
- Marico expect to maintain an improving trajectory in volumes in FY25 ahead as copra prices trended favourably.
- Proactive pricing strategies will be employed, particularly in core markets, to monitor the balance between premium and loose oil offerings.

Value Added Hair Oils (VAHO) (22% of domestic business)

- In VAHO, sluggish rural sentiment, shrinkflation and heightened competitive pressures led to muted consumption. Furthermore, downtrading within the category led to subdued trends in the bottom of the pyramid segment.
- However, the mid and premium segments in the category fared relatively well.
- Marico's strategic focus will be on driving market share gains and expanding its play in the mid and premium segments through concerted investments in building brands and innovation while staying competitive in the low RPI (relative price index) segments without diluting profitability.

Saffola Franchise

In Saffola, Marico launched an impactful campaign, emphasizing the importance of incorporating 'Roz Ka Healthy Step' into daily routines. This was also the initial step in harnessing the equity of the master brand, setting the stage for more effective brand-building endeavours across the entire Saffola franchise.

Saffola Oils (19% of domestic business)

- Saffola Oils also witnessed stable traction with volatility in input and brand pricing subsiding. However, Edible Oils recorded low-single digit volume growth in a year marked by a sharp decline in revenues (in low 20s) due to multiple rounds of pricing corrections in the portfolio in response to dropping vegetable oils prices.
- While erstwhile pricing declines led to an optical drop in revenues, Marico expects revenue growth to move to positive territory in FY25.

Saffola Foods (10% of domestic business)

- Foods portfolio is broadly present across breakfast, in-between meals, healthy snacking, immunity, plant-based protein and the nutraceuticals segments and closed the year at 4x its scale in FY20 with structural gross margins expansion in the category.
- According to Kantar, Saffola Oats emerged as the Number 1 Oats brand in India during the year and now commands a market share of 43% by value. Marico embraced millets in its product portfolio and blended the goodness of two superfoods—oats and millets—in its Saffola Oats range.
- Saffola Soya Chunks and Saffola Honey have logged market share and penetration gains in FY24.
- Marico's single serve packs include Saffola Masala Oats with Millets (38gm, INR14), Saffola Oodles (46gm, INR24), Saffola Soya Mini Chunks (40gm, INR10), Saffola Honey (24gm, INR20) and Saffola Ragi Chips (40 gm, INR20), serving as affordable options for wide market penetration.

Premium personal care and Digital first portfolio (10% of domestic business)

- The Premium Personal Care portfolio has witnessed healthy momentum, led by the digital-first portfolio reaching an exit ARR of INR4.5bn.
- Beardo has grown 3x since FY21 with positive EBITDA in FY24 and holds promise of delivering double-digit EBITDA margin in FY25.
- Just Herbs also surpassed the INR1bn ARR at a minimal burn.
- The traction in Plix's Personal Care portfolio has been strong and it launched an innovative campaign for a unique customer proposition, which allows customers to add four/five products and build their own box at just INR1,200/INR1,400. It is one of its best-selling offerings.

Launches and product innovation

- In India, the Parachute Advansed Baby Care range debuted in specific states, featuring eight products comprising cream, lotion, massage oil, soap, shampoo, body wash, talcum powder and gentle powder. The rationale behind launch was the skin nutrition benefits for new-borns.

- Set Wet aimed to elevate its portfolio by introducing new-age product format with styling powder and EDPs.
- In MENA and Egypt, the new brand Herbs India launched, utilising unique diffusion technology with natural ingredients such as onion, amla, rosemary, clove and shea.
- Livon Style Pro introduced a female grooming range, offering Hair Cream for Curly Hair, Styling Hair Gel, Keratin Serum, and Clay Wax.

International business

- The international consumer products portfolio contributed ~26% to revenue, via brands such as Parachute, Parachute Advansed, HairCode, Fiancée, Purité de Prôvence, Ôliv, Lashe', Caivil, Hercules, Black Chic, Code 10, Ingwe, X-Men, Thuan Phat and Isoplus.
- Geographical diversification from various developments within its overall international business reflects in the reduction in revenue and profit dependence on the Bangladesh market.
- The International business delivered strong growth on the back of a steady recovery in Bangladesh after transient headwinds, and robust growth momentum in MENA and South Africa.
- Bangladesh business has regained its momentum in a challenging environment on the back of its broad-based portfolio and robust fundamentals. Within Bangladesh, the scale up of new franchises of Shampoos, Skin Care and Baby Care has led to decreasing revenue share of the Coconut Oil business.
- In Vietnam, the expansion into female personal care has built new growth levers for the business. However in FY24, Marico is witnessing a slowdown in HPC demand, although the expanded portfolio should enable it to hold steady.
- Over the last couple of years, Marico has witnessed a strong ramp-up in MENA through the expansion of the Hair Oils portfolio in the region, as well as healthy traction in the Hair Care and Health Care portfolios in South Africa.
- The strong ramp-up in the MENA and South Africa businesses has given impetus to the growth trajectory of the overall business and offers margin upside over the medium term.
- The NCD and exports business has also sustained its robust double-digit growth momentum over the last few years.

Supply chain and distribution network

- The FMCG sector has witnessed growing salience of organised trade and e-commerce channels while GT has been subdued due to growth and profitability pressures. This was on the back of a slower-than-expected recovery in both rural and urban sentiment.
- However, Marico believes the GT channel would continue to be a source of scale and competitive advantage in the long term, particularly in its core categories. Hence, during the year, it initiated measures such as implementing primary stock reduction and extended credit terms on selective basis to structurally revive growth in the channel.
- Retail outlet network is ~5.6mn.

- Marico will continue to focus on GTM transformation, both in urban and rural, as well as new-age channels.
- Marico has 24 depots and warehouses, five redistribution centres, seven domestic and eight International manufacturing facilities and five regional offices across the nation.

Initiatives to support the profitability of GT channel partners

Project Setu

- In April 2024, Marico rolled out Project SETU, a phased three-year road map to improve its direct reach from ~1mn outlets currently to 1.5mn outlets by FY27E, which would take its total direct reach multiplier from current ~5.8x to ~4x, which would be among the best in the sector.
- In addition, Project SETU is expected to drive market share gains across categories in urban and rural, as well as enhance assortment levels in urban stores, thereby enabling diversification and premiumisation in the domestic business.
- The project will be cost-neutral as it will be funded through reallocation of resources from optimisation of wholesale and organized trade channel spends, and driving efficiencies across the supply chain.

Digital landscape

- At least a fourth of Marico's media advertisement spends are now on digital platforms, with higher indexation to premium/urban-centric portfolios such as Premium Personal Care and Foods.
- It has been making consistent investments in new-age technologies and platforms such as cloud-based ERP/PLM, LC/NC, Data Lake, RPA Bots and Virtual Assistants.
- Deployment of digital technologies enables to provide more granular and accurate forecasts, improve inventory management and ensure product traceability.
- Investments in AI/ML technologies have led to cost optimisation, improved decision-making and greater agility in responding to market dynamics and consumer demands.
- Gen AI has helped improve consumer insights, made workflows more efficient, led to faster turnarounds and deepened employee engagement.

Quick statistics

- Marico touches the lives of one out of every three Indians through its portfolio of brands such as Parachute, Saffola, Saffola FITTIFY Gourmet, Saffola ImmuniVeda, Saffola Mealmaker, Hair & Care, Parachute Advansed, Nihar Naturals, Mediker, Pure Sense, Coco Soul, Revive, Set Wet, Livon, Just Herbs, True Elements, Beardo and Plix.
- 20+ brands owned and 18 patents granted.
- No of packs sold: 2bn-plus
- 97% consumer satisfaction index
- Number of employees: 1,772, of which 101 members are in R&D team.

- CSR expenditure in FY24: INR237.9mn

Exhibit 7: Trends at a glance

Key growth rates	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Revenue (INR bn)	25.6	25.0	24.7	22.4	24.8	24.8	24.2	22.8	26.4	26.6
EBITDA (INR bn)	5.3	4.3	4.6	3.9	5.7	5.0	5.1	4.4	6.3	5.2
PAT (INR bn)	3.7	3.0	3.3	3.0	4.3	3.5	3.8	3.2	4.6	4.2
Volume growth										
Domestic volume	(6.0)	3.0	4.0	5.0	3.0	3.0	2.0	3.0	4.0	5.0
Parachute coconut oil in rigid packs	(2.0)	(3.0)	2.0	9.0	(2.0)	1.0	3.0	2.0	2.0	4.0
Value Growth										
Group: total reported value growth	1.3	3.0	3.0	4.0	(3.0)	(0.8)	(1.9)	2.0	6.7	7.6
FMCG business (India)	(4.0)	1.0	2.0	2.0	24.0	(3.0)	(3.0)	-	7.0	8.0
Parachute coconut oil in rigid packs	(2.0)	(11.0)	(6.0)	3.0	(5.0)	(1.0)	FLAT	2.0	6.0	10.0
Value added hair oil	5.0	2.0	(3.0)	13.0	FLAT	1.0	3.0	(7.0)	(5.0)	(8.0)
Saffola Franchise	(13.0)	4.0	10.0	(9.0)	(13.0)	(12.0)	(26.0)	(16.0)	(1.0)	2.0
Saffola healthy foods	NA	26.0	31.0	18.0	24.0	25.0	18.0	24.0	37.0	28.0
International	18.0	11.0	8.0	16.0	9.0	13.0	6.0	10.0	10.0	13.0

Source: Company, Nuvama Research

Exhibit 8: International business split

Region - Constant currency growth	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Bangladesh	16.0	10.0	10.0	9.0	9.0	9.0	2.0	(6.0)	8.0	10.0	8.0
Middle East and North Africa	11.0	27.0	11.0	13.0	37.0	15.0	34.0	26.0	19.0	20.0	43.0
South Africa	20.0	23.0	16.0	13.0	21.0	37.0	23.0	33.0	13.0	28.0	20.0
South East Asia	7.0	24.0	10.0	13.0	16.0	5.0	13.0	4.0	FLAT	FLAT	7.0

Source: Company, Nuvama Research

Exhibit 9: Market shares in key categories in India business – MAT Sep'24

Franchise	~MS%	Rank
Coconut Oil Franchise	63%	1st
Parachute Rigids within Coconut Oil	54%	1st
Saffola Oats	41%	1st
Value Added Hair Oils	28%	1st
Post wash Leave-on Serums	48%	1st
Hair Gels/Waxes/Creams	52%	1st

Volume Market Share   Value Market Share

Source: Company, Nuvama Research

Company description

Marico is one of India's leading consumer products companies in the global beauty and wellness space. The company touches the lives of one out of every three Indians through its portfolio of brands such as Parachute, Saffola, Saffola FITTIFY Gourmet, Saffola ImmuniVeda, Saffola Mealmaker, Hair & Care, Parachute Advansed, Nihar Naturals, Mediker, Coco Soul, Revive, Set Wet, Livon and Beardo, and Just Herbs.

Headquartered in Mumbai, Marico is present in over 25 countries in Asia and Africa. The company operates seven factories in India, located at Puducherry, Perundurai, Jalgaon, Guwahati, Baddi and Sanand. Its international consumer products portfolio contributes to the Group's revenue, with brands such as Parachute, Parachute Advansed, HairCode, Fiancée, Caivil, Hercules, Black Chic, Code 10, Ingwe, X-Men, Mediker SafeLife, Thuan Phat and Isoplus.

Investment thesis

Marico is among the leading beneficiaries of the changing preference of Indian consumer for better personal care and food products. The company has established strong ground in its core categories (hair oil and edible oil) with dominant market shares.

It has been able to distinguish itself by offering niche products through brands such as Saffola (flavoured oats) and Livon while extending Parachute to various new generation hair care products such as hair creams and value-added hair oils.

Improvement in sales and margins of international businesses shall aid consolidated performance.

Key risks

- Coconut oil forms the biggest share of Marico's top line and bottom line.
- Any volatility in copra prices tends to swing gross margins for Marico.
- Appreciation of the rupee against the Egyptian pound, Bangladeshi currency and other international currencies puts the growth in revenues and profits at risk.

Additional Data

Management

MD and CEO	Mr. Saugata Gupta
CFO	Mr. Pawan Agrawal
Chairman	Mr. Harsh Mariwala
Director	Mr. Nikhil Khattau
Auditor	B S R & Co. LLP

Holdings – Top 10*

	% Holding		% Holding
Life Insurance	4.52	Sharp Ventures	1.41
First Sentier I	3.48	Royal Bank of C	1.21
First Sentier G	2.64	Norges Bank	1.19
BlackRock Inc	2.57	HDFC Asset Mana	1.10
Vanguard Group	1.64	Quant Money Man	1.05

**Latest public data*

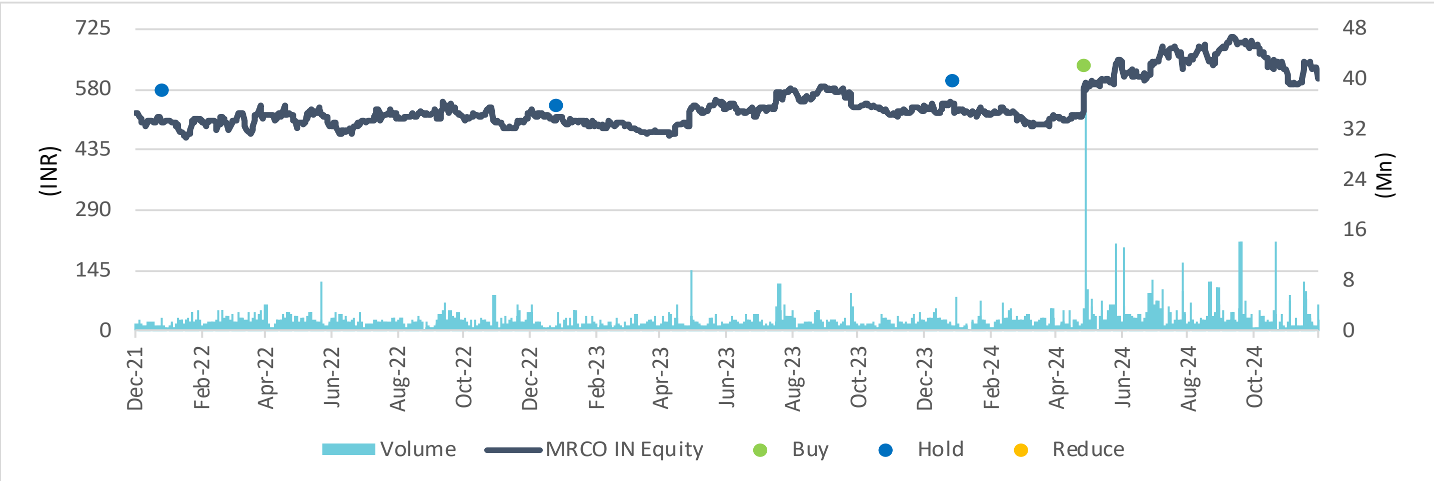
Recent Company Research

Date	Title	Price	Reco
29-Oct-24	Well-placed to gain from inflation; *Result Update*	629	Buy
02-Oct-24	Parachute and Foods do well; *Nuvama Flash*	694	Buy
05-Aug-24	Bangladesh could mute robust show; *Result Update*	672	Buy

Recent Sector Research

Date	Name of Co./Sector	Title
29-Nov-24	Hindustan Unilever	Hindustan Unilever (HUVR IN, INR 2,471, ; *Company Update*
27-Nov-24	Colgate-Palmolive	Colgate Palmolive (CLGT IN, INR 2,835, B; *Company Update*
26-Nov-24	Hindustan Unilever	Gradual recovery ahead; *Company Update*

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	226
Hold	<15% and >-5%	64
Reduce	<-5%	25

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