CMP: INR 697

Rating: BUY

Target Price: INR 855

Stock Info	
BSE	531642
NSE	MARICO
Bloomberg	MRCO:IN
Reuters	MRCO.BO
Sector	Personal Products
Face Value (INR)	1
Equity Capital (INR cr)	129
Mkt Cap (INR cr)	90,318
52w H/L (INR)	781/ 639
Avg Daily Volume (in 000')	2,618

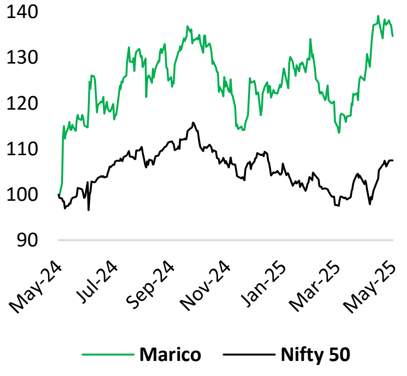
Shareholding Pattern %

(As on March 2025)

Promoters	59.05
FII	22.09
DII	14.12
Public & Others	4.75

Stock Performance (%)	1m	3m	12m
Marico	6.3	0.5	34.7
Nifty 50	4.4	3.7	7.5

Marico Vs Nifty 50



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Marico delivered a strong revenue growth, but margins were under pressure due to input cost inflation, the company experienced broad-based growth across India and International markets. Revenue: INR 2,730 Cr, +20% YoY | +2% QoQ; EBITDA: INR 458 Cr, +4% YoY | +2% QoQ; EBITDA Margin: 16.8%, down 260 bps YoY | down 230 bps QoQ; PAT: INR 343 Cr, +8% YoY | flat QoQ. Revenue growth was driven by a 7% volume increase in the India business and 16% constant currency growth in the International business. Gross margin contraction was mainly due to a sharp rise in copra and vegetable oil prices; Gross margin erosion was partially offset by calibrated price hikes and cost management initiatives. Margin pressure persisted despite strong topline growth, impacted by higher input costs and 35% YoY increase in A&P spends.

Margin Protection and Premiumization Strategy on Track: Marico remains focused on mitigating cost pressures through strong brand equity-led pricing power, scaling premium categories, and structural cost optimization (MarVal program). Premium categories (Foods and Premium Personal Care) continue to expand faster than the core, supporting margin resilience.

Premium Personal Care Expansion: Revenues from premium personal care (hair care, serums, skincare, baby care) have grown at 24% CAGR over FY21–25. Marico aims to sustain 25%+ CAGR ahead, driven by innovation and market expansion. Contribution of premium categories to overall revenues rose from 20% in FY21 to 29% in FY25.

International Business; Diversifying and Broadening Base: While Bangladesh remains resilient, MENA and South Africa are driving incremental growth. Revenue share of Bangladesh in the International portfolio has reduced, reflecting a more balanced growth architecture. Premiumization initiatives across geographies are expected to maintain the double-digit CCG momentum.

Valuation & Outlook: We are confident of the company sustaining double-digit revenue growth into FY26, supported by easing commodity prices, rural recovery, and further scale-up in Foods and Digital-first portfolios. We maintain a constructive view on Marico despite near-term input cost headwinds, and assign a TP of INR 855 valued at a P/E multiple of 45x the FY28E EPS of INR 19, yielding an upside of 22.6% and a 'BUY' rating.

INR Cr	FY24	FY25	FY26E	FY27E	FY28E
Revenues	9,653	10,831	11,167	12,283	13,809
yoy growth (%)	(1.1)	12.2	3.1	10.0	12.4
Operating profit	2,027	2,139	2,267	2,555	2,941
OPM (%)	21.0	19.7	20.3	20.8	21.3
Reported PAT	1,524	1,678	1,727	2,034	2,450
yoy growth (%)	13.7	10.1	3.0	17.7	20.5
EPS (Rs)	11.8	13.0	13.4	15.8	19.0
P/E (x)	59.0	53.6	52.0	44.2	36.7
Price/Book (x)	23.5	22.6	20.7	18.8	16.3
EV/EBITDA (x)	44.1	42.4	39.4	34.7	29.9
Debt/Equity (x)	0.3	0.5	0.4	0.4	0.3
RoE (%)	41.3	44.4	42.8	45.7	48.6

Source: Company & Arihant Research

FY26 Guidance: Management aspires to sustain double-digit revenue growth and double-digit operating profit growth in FY26, backed by continued premiumization, operating leverage, and rural recovery tailwinds.

Digital-First Brands Gaining Critical Mass: Digital-first portfolio (Beardo, Just Herbs, Plix) clocked ~INR 750 Cr ARR by FY25-end, ahead of internal targets. The target is to grow this portfolio ~2.5x over FY24 levels by FY27, with profitability improvement (targeting double-digit EBITDA margins).

Foods Business Scaling Aggressively: The Foods portfolio has achieved a 5x scale-up over FY20 levels, exceeding INR 900 Cr revenues in FY25. Management targets 8x of FY20 scale by FY27, implying a 25%+ CAGR over the next two years. Gross margin expansion (~1000 bps over FY24–25) supports profitable growth.

Marico reported that **copra prices** have remained firm longer than expected, leading to another price increase of approximately 30% in Parachute without any significant volume backlash. However, gross margins are expected to remain under pressure for the next quarter, as the copra cycle has been extended due to lower crop availability; some softening is anticipated by the end of Q2.

The foods business presents a large runway for growth, with General Trade (GT) channels still largely untapped and significant leverage being seen from Quick Commerce (Q-comm) platforms. Penetration in oats is improving, and the overall oats category, along with honey and muesli, is showing healthy growth trends. Management targets a 20–25% CAGR in the foods segment over the next 2–3 years.

For the **India business**, Marico delivered double-digit value growth, and maintains a base case of 6–7% volume growth; for next year, around 5% volume growth is expected. Rural distribution is being strengthened through Project SETU, aimed at improving the quality of distribution, with a meaningful impact expected from FY26, particularly in Value-Added Hair Oils (VAHO).

Procurement efficiencies have helped lower consumption costs, while competition — which had been irrational over the past year — is now taking price increases more in line with cost inflation. Although hyperinflationary pressures continue, normalization is expected by Q2 FY26, at which point margin relief should follow.

The margin profile over the next 2–3 quarters will reflect an increase in advertising and promotional (A&P) spends, especially toward digital and the foods portfolio. A&P investments grew 18% year-on-year and will continue to be focused behind core brands.

Beardo is expected to cross INR 1,000 crore in annualized revenue (ARR) without the need for further cash burn, and efforts are underway to scale operations and drive EBITDA improvements.

Challenges remain in the India business, particularly due to a slowdown in digital channels and lower other income. Meanwhile, initiatives to diversify and strengthen the South region's performance, alongside a push for rural and direct distribution, are expected to support growth in VAHO.

Income Statement (INR Cr)	FY24	FY25	FY26E	FY27E	FY28E
Revenue	**9,653**	**10,831**	**11,167**	**12,283**	**13,809**
Net Raw Materials	4,748	5,388	5,606	6,228	7,070
Advt & Promotion	952	1,128	1,005	1,106	1,243
Employee Cost	742	831	860	946	1,063
Other Expenses	1,184	1,345	1,429	1,449	1,491
Total Expenses	**7,626**	**8,692**	**8,900**	**9,728**	**10,868**
EBITDA	**2,027**	**2,139**	**2,267**	**2,555**	**2,941**
EBITDA %	**21.0**	**19.7**	**20.3**	**20.8**	**21.3**
Depreciation	(158)	(178)	(203)	(241)	(273)
Interest expense	(73)	(53)	(70)	(68)	(66)
Other income	142	208	223	369	552
Profit before tax	**1,959**	**2,136**	**2,237**	**2,635**	**3,176**
Taxes	(435)	(458)	(510)	(601)	(726)
Reported Net profit	**1,524**	**1,678**	**1,727**	**2,034**	**2,450**
Other Comprehensive income	-73	-74	-74	-74	-74
Net profit	**1,451**	**1,604**	**1,653**	**1,960**	**2,376**
EPS (INR)	**12.2**	**13.4**	**13.8**	**16.2**	**19.4**

Consolidated Balance Sheet (INR Cr)	FY24	FY25	FY26E	FY27E	FY28E
Equity capital	129	129	129	129	129
Reserves	3,703	3,846	4,224	4,650	5,382
Net worth	**3,832**	**3,975**	**4,353**	**4,779**	**5,511**
Minority Interest	337	291	291	291	291
Debt	992	1,996	1,946	1,896	1,846
Other non-current liabilities	19	27	27	27	27
Deferred tax liab (net)	362	340	340	340	340
Total liabilities	**5,542**	**6,629**	**6,957**	**7,333**	**8,015**
Fixed assets	909	940	845	862	876
Capital Work In Progress	44	40	58	88	124
Other Intangible assets	937	946	946	946	946
Goodwill	863	857	857	857	857
Investments	558	359	359	359	359
Other non current assets	108	106	31	34	38
Net working capital	**910**	**1,219**	**993**	**812**	**598**
Inventories	1,336	1,235	1,238	1,324	1,444
Sundry debtors	1,069	1,271	1,155	1,100	1,045
Loans & Advances	4	7	3	3	4
Other current assets	380	415	403	444	499
Sundry creditors	(1,581)	(1,363)	(1,470)	(1,688)	(1,976)
Other current liabilities & Prov	(298)	(346)	(337)	(371)	(417)
Cash	943	777	2,248	2,693	3,449
Other Financial Assets	270	1,385	620	682	767
Total assets	**5,542**	**6,629**	**6,957**	**7,333**	**8,015**

Cash Flow Statement (INR Cr)	FY24	FY25	FY26E	FY27E	FY28E
Profit before tax	**1,959**	**2,136**	**2,237**	**2,635**	**3,176**
Depreciation	158	178	203	241	273
Tax paid	(435)	(458)	(510)	(601)	(726)
Working capital Δ	(226)	(309)	226	181	214
Other operating items	(1)	6	-	-	-
Operating cashflow	**1,455**	**1,553**	**2,157**	**2,455**	**2,937**
Capital expenditure	(411)	(205)	(126)	(288)	(324)
Free cash flow	**1,044**	**1,348**	**2,031**	**2,168**	**2,613**
Equity raised	(192)	(106)	79	(178)	(289)
Investments	12	199	-	-	-
Others	268	(1,122)	840	(65)	(89)
Debt financing/disposal	78	1,004	(50)	(50)	(50)
Dividends paid	(1,226)	(1,355)	(1,355)	(1,355)	(1,355)
Other items	203	(134)	(74)	(74)	(74)
Net Δ in cash	**187**	**(166)**	**1,471**	**446**	**756**
Opening Cash Flow	**756**	**943**	**777**	**2,248**	**2,693**
Closing Cash Flow	**943**	**777**	**2,248**	**2,693**	**3,449**

Source: Company & Arihant Research

Ratio analysis	FY24	FY25	FY26E	FY27E	FY28E
Growth matrix (%)					
Revenue growth	(1.1)	12.2	3.1	10.0	12.4
Op profit growth	12.0	5.5	6.0	12.7	15.1
EBIT growth	11.8	7.9	5.4	17.3	20.1
Net profit growth	13.7	10.1	3.0	17.7	20.5
Profitability ratios (%)					
OPM	21.0	19.7	20.3	20.8	21.3
EBIT margin	20.8	20.0	20.5	21.8	23.3
Net profit margin	15.8	15.5	15.5	16.6	17.7
RoCE	32.7	31.5	28.7	31.8	35.3
RoNW	41.3	44.4	42.8	45.7	48.6
RoA	28.4	26.1	25.6	28.5	31.2
Per share ratios					
EPS	11.8	13.0	13.4	15.8	19.0
Dividend per share	9.5	10.5	10.5	10.5	10.5
Cash EPS	13.0	14.4	15.0	17.6	21.1
Book value per share	29.7	30.8	33.7	37.0	42.7
Valuation ratios					
P/E	59.0	53.6	52.0	44.2	36.7
P/CEPS	53.5	48.5	46.6	39.5	33.0
P/B	23.5	22.6	20.7	18.8	16.3
EV/EBIDTA	44.1	42.4	39.4	34.7	29.9
Payout (%)					
Dividend payout	80.4	80.7	78.4	66.6	55.3
Tax payout	22.2	21.4	22.8	22.8	22.8
Liquidity ratios					
Debtor days	39.9	42.2	37.2	32.2	27.2
Inventory days	101.3	82.5	79.5	76.5	73.5
Creditor days	74.6	56.5	59.5	62.5	65.5
Leverage ratios					
Interest coverage	27.5	40.9	32.7	39.4	48.5
Net debt / equity	0.0	0.3	(0.1)	(0.2)	(0.3)
Net debt / op. profit	0.0	0.6	(0.1)	(0.3)	(0.5)

Du-Pont Analysis	FY24	FY25	FY26E	FY27E	FY28E
Tax burden (x)	0.8	0.8	0.8	0.8	0.8
Interest burden (x)	1.0	1.0	1.0	1.0	1.0
EBIT margin (x)	0.2	0.2	0.2	0.2	0.2
Asset turnover (x)	2.0	2.1	2.0	1.9	1.9
Financial leverage (x)	1.3	1.3	1.4	1.4	1.4
RoE (%)	**39.9**	**43.0**	**41.5**	**44.5**	**47.6**

Source: Company & Arihant Research

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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