

CMP: ₹ 723

Target: ₹ 850 (18%)

Target Period: 12 months

BUY

May 6, 2025

Q4 – improved volume growth; better outlook for FY26

About the stock: Marico Ltd. is one of the leading FMCG companies operates in beauty, haircare and wellness categories in domestic and international markets. The company's product portfolio has well-known brands such as Parachute, Saffola and Livon etc. It crossed revenues of Rs10,500crore in FY25.

Q4FY25 performance: Marico registered mixed performance in Q4FY25 with consolidated revenues growing by ~20% while 300bps decline in the gross margins resulted in lower-than-expected EBIDTA margins at 16.8%. Domestic volume growth improved to 7% in Q4 better compared with some of the large FMCG peers delivering low single digit volume growth. Parachute and Saffola edible oil grew by 22% and 26% driven by price increases while value added hair oil (VAHO) revenues grew by 1%. Food business deliver yet another stellar quarter with 44% growth on y-o-y basis. EBIDTA grew by 4% YoY to Rs458crore and PAT grew by 8% YoY to Rs345crore.

Investment Rationale:

- **Domestic volume growth improved to 7% in Q4:** Marico witnessed 3rd consecutive quarter of sequential improvement in the volume growth to 7% in Q4FY25 from 4% in Q1FY25. This was largely driven by strong growth in the foods and premium personal care (PPP) business and gradual recovery in VAHO sales. We expect domestic business sales volume to grow in the mid-to-high single digit in the coming quarters. This will be driven by gradual recovery in the VAHO portfolio, sustained strong growth in the foods and PPP categories while Parachute and Saffola edible oil will see recovery in the volumes with easing of inflationary pressures.
- **Gross margins expected to improve in H2FY26:** Gross margins declined by 301bps to 48.6% led by higher-than-expected input cost in Q4 (decreased by 56bps in FY25). The company took price hike of 30% in parachute to mitigate the impact of higher copra prices. Management expects margin pressure to continue in Q1FY26. However likely softening of copra prices in the upcoming season and improving profitability in the foods and personal premium care business will help gross margins to improve in H2FY26. This along with better operating leverage will help in 50-60bps improvement in the EBIDTA margins in FY26E.
- **Food and PPP business to grow at CAGR of 25% over the next two years:** Foods and PPP business have maintained its strong growth momentum and together contribute ~22% of India business. Food portfolio reached 5x scale of FY20 revenues surpassing Rs.900cr. The Digital first business exited at ~Rs.750cr ARR in FY25 led by Beardo and Plix which witnessed double-digit and low single digit EBITDA margins this year. With both businesses expected to grow at CAGR of 25% each, their contribution is expected to improved to 25% by FY27E.

Rating and Target Price

We expect Marico's revenues and PAT to grow at CAGR of 13% and 16% over FY25-27E. Better earnings visibility amongst peers makes it better pick in the FMCG space. We recommend **Buy** with a **price target of Rs850 (valuing at 49x FY27E EPS of Rs17.3)**

Key Financial Summary

| Key Financials (₹ Crore) | FY23 | FY24 | FY25 | 2 year CAGR (FY23-25E) | FY26E | FY27E | 2 year CAGR (FY25-27E) |
|---------------------------|--------|--------|---------|------------------------|---------|---------|------------------------|
| Revenues | 9764.0 | 9653.0 | 10831.0 | 5.3 | 12341.6 | 13756.2 | 12.7 |
| EBIDTA | 1810.0 | 2026.0 | 2139.0 | 8.7 | 2499.5 | 2898.6 | 16.4 |
| EBIDTA Margins(%) | 18.5 | 21.0 | 19.7 | | 20.3 | 21.1 | |
| Adjusted PAT | 1322.0 | 1502.0 | 1658.0 | 12.0 | 1925.8 | 2233.5 | 16.1 |
| EPS (Rs.) | 102.4 | 116.4 | 128.5 | | 149.2 | 173.1 | |
| PE (x) | 70.6 | 62.1 | 56.3 | | 48.4 | 41.8 | |
| EV to EBIDTA (x) | 51.2 | 45.9 | 43.0 | | 36.8 | 31.6 | |
| RoE (%) | 37.0 | 39.4 | 42.5 | | 45.5 | 46.3 | |
| RoCE (%) | 41.0 | 41.4 | 43.2 | | 47.9 | 50.1 | |

Source: Company, ICICI Direct Research



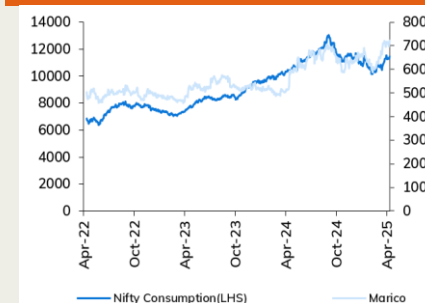
Particulars

| Particular | Amount |
|---------------------------------|---------|
| Market Capitalisation (₹ crore) | 93,303 |
| Debt (FY25) - ₹ crore | 554 |
| Cash (FY25) - ₹ crore | 1,911 |
| EV (Rs crore) | 91,946 |
| 52 week H/L (₹) | 736/511 |
| Equity capital (₹ crore) | 129 |
| Face value (₹) | 1 |

Shareholding pattern

| | Jun-24 | Sep-24 | Dec-24 | Mar-25 |
|-----------|--------|--------|--------|--------|
| Promoters | 59.3 | 59.2 | 59.1 | 59.1 |
| FII | 24.6 | 24.9 | 23.4 | 22.1 |
| DII | 11.1 | 11.1 | 12.8 | 14.1 |
| Others | 5.0 | 4.8 | 4.8 | 4.7 |

Price Chart



Key risks

- Sustained slowdown in the urban consumption.
- Sustenance of inflationary pressure in the copra and vegetable oil prices.
- Increased competition in key categories.

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Q4FY25 – Key performance highlights

- Marico's revenue grew by 20% YoY to Rs.2730cr aided by volume growth of 7% in the India business and 16% constant currency growth in the international business. Volume growth stood at 14 quarter high and have recorded 4th consecutive quarter of 100bps volume growth.
- Gross margins declined by 301bps to 48.6% for the quarter driven by inflationary environment in Copra and Vegetable oils. Input cost of Copra is expected to moderate from Q2FY26 on back expected better crop in the upcoming season.
- India Business witnessed sequential improvement in volumes and 23% YoY growth in revenues to Rs.2068cr in Q4FY25. Revenue growth was aided by pricing interventions in core portfolio. Offtakes improved with 95% of the business gaining or sustaining market share and 80% of business gaining or sustaining penetration on MAT basis.
- International Business delivered 16% YoY constant currency growth for Q4FY25. This was driven by strong momentum across MENA (47% CC growth) aided Egypt and Gulf while South Africa continued its strong growth trajectory (13% CC growth) aided by Hair care segment. Bangladesh continued its resilient performance with 11% CC growth while Vietnam remained flat with recovery expected in coming quarters.
- Parachute Rigids has registered volume decline of 1% due to continued sluggishness in demand on the back of hyperinflationary environment leading to steep rise in pricing. MI-age reduction also impacted the volumes while pricing drove revenues which witnessed 22% YoY growth in Q4FY25. Elevated vegetable oil prices continued to weigh on Saffola. Price hikes impacted volumes which witnessed low-single digit volume growth. Price hikes aided 26% value growth in Saffola.
- VAHO returned to positive growth trajectory registering 1% growth led by mid and premium product. The portfolio gained ~120bps value gain on MAT basis with sustained growth expected ahead.
- Foods crossed Rs.900cr revenue registering 44% YoY in FY25. Saffola Oats maintained momentum and witnessed double-digit revenue growth while True Elements continued on its accelerated growth journey. Supply chain improvement and GTM refinements helped 1000bps accretion in Gross margins of the segment which is now 5x of FY20 scale while expecting to be 8x by FY27.
- Digital first businesses continued the strong growth trajectory surpassing internal targets registering ~Rs.750cr ARR in FY25. Beardo and Plix drove the portfolio with Beardo registering double digit EBITDA margins and Plix witnessing single digit margins. Other brands continued their trajectory to achieve break-even in the coming years.
- FY25 Revenues grew 12% YoY to Rs.10,831cr aided by 5% volume growth in India and 14% YoY constant currency growth in international business. Gross Margins stood at 50.3% while EBIDTA margins witnessed decline of 130bps to 19.7%. PAT grew 10% in FY25 to Rs.1629cr.

Q4FY25 Earnings call highlights

- Consumer sentiments have remained stable over the quarter. Rural demand continued to improve and showed signs of recovery while the urban spending still remained on cautionary traction with spending being selective across segments. Healthy monsoon, Increased Government spending and higher MSP are likely to aid the rural growth ahead.
- Management guided Double digit revenue and EBIDTA growth. Margins to recover by end of Q2FY26 aided by correction in the copra prices due to expected better supply in the new season and likely correction in the other vegetable oil prices. The Company is leveraging on Foods and Premium

personal care for growth ahead while core portfolios will continue to deliver steady growth.

- Due to sluggish N.E monsoon, copra crop has been delayed last year hence has added to the hyperinflationary environment. The company expects that with better monsoon, the prices are expected to decline around end of Q2FY26 driving better gross margins in H2FY26.
- India Business in Q4 witnessed sequential improvement in volumes and top line growth was aided by price intervention in the core portfolio. The core portfolio on the demand front continued to be sluggish on the back of very steep inflation and higher input cost (Copra). The food and premium personal continued to scale in growth contributing 22% to the India business which is expected to reach 25% in the years ahead.
- International business sustained double digit growth despite economic volatility and currency headwinds. Bangladesh continued to grow despite the challenging environment. Vietnam is facing sluggishness and recovery is expected in the coming quarters. Share of premium products in international business improved from 21% in FY 20 to 29% in FY25. With respect to product portfolio the company will continue to leverage growth through premium categories.
- On the Channel front, Alternate channels gained salience in the Tier 1 markets, General trade remained under pressure while the company is making efforts to revive the general trade through project SETU focusing on outlet expansion across markets especially in rural areas. Company is adapting urban centric approach leveraging Qcomm as a channel trade which now forms 3% of India sales and 7% of food portfolio sales.
- Parachute remained under pressure, Hyperinflation in key materials such as Copra continued to add pressure. MI-age reduction and price hikes have contributed to decline in volumes. The recent hike has totalled to 30% hike. Adjusting for the ml-age reduction the brand should have witnessed low-single digit growth. The hyperinflationary environment is likely to cool off by Q2FY26 and volume growth is expected to improve from Q2.
- Saffola Oil volumes were impacted due to price hikes taken in the portfolio in lieu of elevated global vegetable oil prices. Revenue growth is expected to be aided by the pricing in FY26. Company is expecting steady volumes if the vegetable oil prices remain stable across the year. The focus remains on profitability but with basic volume growth being top priority.
- Value added Hair oils started to recover after bottoming out in Q2FY25. Mid and premium segments drove the segment. The segment gained 120 bps value market share and expects the growth ahead through improvement in mix.
- Foods witnessed 44% value growth surpassing 900cr revenue. Oats have grown double digits. Honey has seen good traction while recent launches such as Muesli are also faring well in the market. Foods portfolio now stands 5x of FY20 revenues scale while the expectation is it reaches 8x scale by FY27 while concentrated efforts in supply chain and GTM has led to 1000bps improvement in margins in last 2 years. The business is expected to grow at 25% CAGR ahead
- Digital First brands showing strong growth. Beardo is now witnessing double digit EBITDA margins while Plix continues to be in the low single digit margin category with guidance maintained at double digit margins by FY27. Beardo and Plix is expected to scale to Rs.1000cr+ in FY26. Just herbs and Tru Elements are expected grow at 20-25% CAGR with concentrated efforts to achieve break even in the next 18-24 months.
- A&P spends will continue to be in the same range going ahead. The company has laid its clear focus on long term profitability and margins hence is not looking at short term margin improvement sacrificing market share or margins in the longer term.

Exhibit 1: Key Operating Assumptions

| Particulars | FY24 | FY25 | FY26E | FY27E | CAGR % (FY24-27E) |
|--|--------|--------|--------|--------|----------------------|
| Core Portfolio (Parachute, Saffola edible oil, VAHO) | 5323.5 | 5764.0 | 6482.7 | 6932.5 | 9.2 |
| YoY% | | 8.3 | 12.5 | 6.9 | |
| Foods business | 721.5 | 977.0 | 1226.9 | 1533.6 | 28.6 |
| YoY% | | 35.4 | 25.6 | 25.0 | |
| Premium personal care | 700.0 | 837.5 | 1003.4 | 1231.4 | 20.7 |
| YoY% | | 19.6 | 19.8 | 22.7 | |
| International business | 2521.0 | 2721.3 | 3022.8 | 3367.9 | 10.1 |
| YoY% | | 7.9 | 11.1 | 11.4 | |

Source: Company, ICICI Direct Research

Exhibit 2: Q4FY25 consolidated result snapshot (₹ crore)

| Particulars | Q4FY25 | Q4FY24 | y-o-y (%) | Q3FY24 | q-o-q (%) |
|-------------------------------|--------|--------|-----------|--------|-----------|
| Net sales | 2730.0 | 2278.0 | 19.8 | 2422.0 | 12.7 |
| Raw Material Consumed | 1404.0 | 1103.0 | 27.3 | 1180.0 | 19.0 |
| Employee Expenses | 208.0 | 186.0 | 11.8 | 189.0 | 10.1 |
| Ad & Sales promotion expenses | 305.0 | 226.0 | 35.0 | 246.0 | 24.0 |
| Other Expenses | 355.0 | 321.0 | 10.6 | 294.0 | 20.7 |
| Total Expenditure | 2272.0 | 1836.0 | 23.7 | 1909.0 | 19.0 |
| Operating profit | 458.0 | 442.0 | 3.6 | 513.0 | -10.7 |
| Other income | 47.0 | 15.0 | 213.3 | 43.0 | 9.3 |
| Interest expenses | 12.0 | 17.0 | -29.4 | 19.0 | -36.8 |
| Depreciation | 52.0 | 41.0 | 26.8 | 42.0 | 23.8 |
| PBT | 441.0 | 399.0 | 10.5 | 495.0 | -10.9 |
| Tax | 96.0 | 79.0 | 21.5 | 109.0 | -11.9 |
| PAT (before MI) | 345.0 | 320.0 | 7.8 | 386.0 | -10.6 |
| Minority Interest (MI) | 0.0 | 0.0 | - | 0.0 | |
| Adjusted PAT (After MI) | 345.0 | 320.0 | 7.8 | 386.0 | -10.6 |
| Extraordinary items | 0.0 | 0.0 | - | 0.0 | - |
| Reported PAT | 345.0 | 320.0 | 7.8 | 386.0 | -10.6 |
| Adjusted EPS | 2.7 | 2.5 | 7.8 | 3.0 | -10.6 |
| Margins | Q4FY25 | Q4FY24 | bps | Q3FY24 | bps |
| GPM (%) | 48.6 | 51.6 | -301 | 51.3 | -271 |
| OPM (%) | 16.8 | 19.4 | -263 | 21.2 | -440 |
| NPM (%) | 12.6 | 14.0 | -141 | 15.9 | -330 |
| Tax rate (%) | 21.8 | 19.8 | 197 | 22.0 | -25 |

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 3: Profit and loss statement ₹ crore

| (Year-end March) | FY24 | FY25 | FY26E | FY27E |
|--|---------------|---------------|---------------|----------------|
| Total Operating Income | 9653.0 | 10831.0 | 12341.6 | 13756.2 |
| Growth (%) | -1.1 | 12.2 | 13.9 | 11.5 |
| Raw Material Expenses | 4748.0 | 5388.0 | 6109.1 | 6774.9 |
| Gross Profit | 4905.0 | 5443.0 | 6232.5 | 6981.3 |
| Gross Profit Margins (%) | 50.8 | 50.3 | 50.5 | 50.8 |
| Employee Expenses | 743.0 | 831.0 | 930.7 | 1023.8 |
| Advertisement expenses | 952.0 | 1128.0 | 1295.9 | 1416.9 |
| Other Expenditure | 1184.0 | 1345.0 | 1506.4 | 1642.0 |
| Total Operating Expenditure | 7627.0 | 8692.0 | 9842.1 | 10857.6 |
| EBITDA | 2026.0 | 2139.0 | 2499.5 | 2898.6 |
| Growth (%) | 11.9 | 5.6 | 16.9 | 16.0 |
| Other income | 142.0 | 208.0 | 222.7 | 225.6 |
| Depreciation | 158.0 | 178.0 | 189.7 | 198.3 |
| Interest expenses | 73.0 | 53.0 | 47.6 | 43.9 |
| PBT | 1937.0 | 2116.0 | 2484.9 | 2882.0 |
| Less Tax | 435.0 | 458.0 | 559.1 | 648.4 |
| Adjusted PAT | 1502.0 | 1658.0 | 1925.8 | 2233.5 |
| Growth (%) | 13.6 | 10.4 | 16.2 | 16.0 |
| Minority Interest/Profit or loss fi | 0.0 | 0.0 | 0.0 | 0.0 |
| Adjusted PAT (after MI & shar | 1502.0 | 1658.0 | 1925.8 | 2233.5 |
| Exceptional item - gain / (loss) | 0.0 | 0.0 | 0.0 | 0.0 |
| Reported PAT | 1502.0 | 1658.0 | 1925.8 | 2233.5 |
| Growth (%) | 13.6 | 10.4 | 16.2 | 16.0 |
| EPS (Adjusted) | 11.6 | 12.8 | 14.9 | 17.3 |

Source: Company, ICICI Direct Research

Exhibit 5: Balance sheet ₹ crore

| (Year-end March) | FY24 | FY25 | FY26E | FY27E |
|--------------------------------|---------------|---------------|---------------|---------------|
| Equity Capital | 129.1 | 129.1 | 129.1 | 129.1 |
| Reserve and Surplus | 3703.0 | 3846.0 | 4352.3 | 5037.2 |
| Total Shareholders funds | 3832.1 | 3975.1 | 4481.3 | 5166.2 |
| Non-controlling interest | 337.0 | 291.0 | 291.0 | 291.0 |
| Total Debt | 528.0 | 554.0 | 475.0 | 475.0 |
| Deferred Tax Liability | 279.0 | 248.0 | 248.0 | 248.0 |
| Other Non Current Liabilities | 464.0 | 1442.0 | 1250.0 | 1250.0 |
| Total Liabilities | 5440.1 | 6510.1 | 6745.3 | 7430.2 |
| Gross Block - Fixed Assets | 1554.0 | 1763.0 | 1888.0 | 2013.0 |
| Accumulated Depreciation | 630.0 | 808.0 | 997.7 | 1196.0 |
| Net Block | 924.0 | 955.0 | 890.3 | 817.0 |
| Capital WIP | 44.0 | 40.0 | 40.0 | 40.0 |
| Fixed Assets | 968.0 | 995.0 | 930.3 | 857.0 |
| Goodwill | 863.0 | 857.0 | 857.0 | 857.0 |
| Other intangible assets | 937.0 | 946.0 | 946.0 | 946.0 |
| Investments | 602.0 | 1590.0 | 1650.0 | 1650.0 |
| Other non-Current Assets | 0.0 | 0.0 | 0.0 | 0.0 |
| Inventory | 1336.0 | 1235.0 | 1464.8 | 1632.7 |
| Debtors | 1069.0 | 1271.0 | 1183.4 | 1319.1 |
| Other Current Assets | 519.0 | 572.0 | 657.8 | 756.5 |
| Loans & Advances | 115.0 | 38.0 | 49.4 | 64.2 |
| Cash | 229.0 | 321.0 | 263.6 | 629.2 |
| Bank balance / Current investm | 715.0 | 456.0 | 750.0 | 950.0 |
| Total Current Assets | 3983.0 | 3893.0 | 4369.0 | 5351.7 |
| Creditors | 1581.0 | 1363.0 | 1574.6 | 1773.4 |
| Provisions | 8.0 | 22.0 | 24.2 | 26.6 |
| Other Current Liabilities | 392.0 | 443.0 | 465.2 | 488.4 |
| Total Current Liabilities | 1981.0 | 1828.0 | 2064.0 | 2288.5 |
| Net Current Assets | 2002.0 | 2065.0 | 2305.0 | 3063.2 |
| Deferred tax assets | 68.1 | 57.1 | 57.1 | 57.1 |
| Application of Funds | 5440.1 | 6510.1 | 6745.3 | 7430.3 |

Source: Company, ICICI Direct Research

Exhibit 4: Cash flow statement ₹ crore

| (Year-end March) | FY24 | FY25 | FY26E | FY27E |
|---------------------------------|--------------|---------------|---------------|---------------|
| Profit/(Loss) after taxation | 1360.0 | 1450.0 | 1703.1 | 2007.9 |
| Add: Depreciation & Amort. | 158.0 | 178.0 | 189.7 | 198.3 |
| Add:Other income | 142.0 | 208.0 | 222.7 | 225.6 |
| Net Increase in Current Assets | -404.0 | -77.0 | -239.4 | -417.0 |
| less: 'Net Increase in CL | -223.0 | -153.0 | 236.0 | 224.5 |
| CF from Operating activities | 1033.0 | 1606.0 | 2112.1 | 2239.3 |
| Investments & Bank bal | 328.0 | -729.0 | -354.0 | -200.0 |
| (Purchase)/Sale of Fixed Assets | -236.0 | -205.0 | -125.0 | -125.0 |
| Intangible assets& goodwill | -378.0 | -3.0 | 0.0 | 0.0 |
| Others | 0.0 | 0.0 | 0.0 | 0.0 |
| CF from Investing activities | -286.0 | -937.0 | -479.0 | -325.0 |
| (inc)/Dec in Debt | -80.0 | 26.0 | -79.0 | 0.0 |
| Change in equity & reserves | -243.0 | -611.7 | 0.0 | 0.0 |
| Dividend paid | -1226.0 | -903.4 | -1419.6 | -1548.6 |
| Deferred tax liability & others | 823.0 | 912.0 | -192.0 | 0.0 |
| CF from Financing activities | -726.0 | -577.0 | -1690.6 | -1548.6 |
| Net Cash Flow | 21.0 | 92.0 | -57.4 | 365.7 |
| Cash and Cash Equivalent | 208.0 | 229.0 | 321.0 | 263.6 |
| Cash | 229.0 | 321.0 | 263.6 | 629.2 |
| Free Cash Flow | 797.0 | 1401.0 | 1987.1 | 2114.3 |

Source: Company, ICICI Direct Research

Exhibit 6: Key ratios

| (Year-end March) | FY24 | FY25 | FY26E | FY27E |
|-----------------------------|------|------|-------|-------|
| Per share data (I) | | | | |
| Adjusted EPS | 11.6 | 12.8 | 14.9 | 17.3 |
| Cash EPS | 12.9 | 14.2 | 16.4 | 18.8 |
| BV per share | 29.7 | 30.8 | 34.7 | 40.0 |
| Operating Ratios (%) | | | | |
| GPM | 50.8 | 50.3 | 50.5 | 50.8 |
| OPM | 21.0 | 19.7 | 20.3 | 21.1 |
| PBDIT | 22.5 | 21.7 | 22.1 | 22.7 |
| PAT margins | 15.6 | 15.3 | 15.6 | 16.2 |
| Fixed Asset turnover (x) | 6.2 | 6.1 | 6.5 | 6.8 |
| Return Ratios (%) | | | | |
| RoE | 39.4 | 42.5 | 45.5 | 46.3 |
| RoCE | 41.4 | 43.2 | 47.9 | 50.1 |
| Valuation Ratios (x) | | | | |
| P/E | 62.1 | 56.3 | 48.4 | 41.8 |
| EV / EBITDA | 45.9 | 43.0 | 36.8 | 31.6 |
| EV / Net Sales | 9.6 | 8.5 | 7.4 | 6.7 |
| Market Cap / Sales | 9.7 | 8.6 | 7.6 | 6.8 |
| Price to Book Value | 24.3 | 23.5 | 20.8 | 18.1 |
| Solvency Ratios (x) | | | | |
| Debt / EBITDA | 0.3 | 0.3 | 0.2 | 0.2 |
| Debt / Equity | 0.1 | 0.1 | 0.1 | 0.1 |
| Inventory days | 48.4 | 43.3 | 43.3 | 43.3 |
| Debtor days | 39.4 | 39.4 | 35.0 | 35.0 |
| Creditor days | 57.3 | 49.6 | 49.6 | 49.6 |
| WC Days | 30.5 | 33.1 | 28.7 | 28.7 |

Source: Company, ICICI Direct Research

RATING RATIONALE

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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