

Company Details

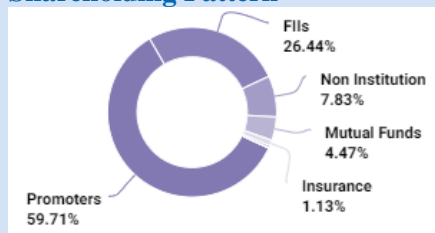
CMP:	Rs.339.45
Face value:	Rs.1
Market cap:	Rs.43,818.39 Crs.
TTM EPS	Rs.6.96
52 week high:	Rs.397.00
52 week low:	Rs.286.25
BSE Code:	531642
Sector	Personal Products

Consolidated 9M

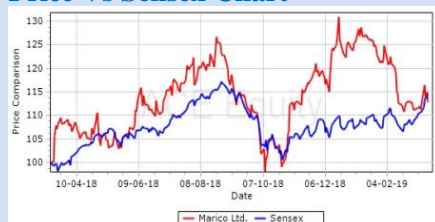
Financial Highlights (YoY)

Rs. in crores	9M FY19	9M FY18	% Var
Net Sales	5724.58	4853.00	18.0%
Total Expendit	4726.68	3967.54	19.1%
PBDIT	997.90	885.46	12.7%
Op.Profit	1072.69	947.21	13.2%
OPM (%)	18.7%	19.5%	-4.0%
PBT	989.53	870.36	13.7%
PAT	729.16	645.01	13.0%
EPS (Rs.)	5.65	5.00	13.0%
Equity	129.09	129.09	0.0%

Shareholding Pattern



Price Vs Sensex Chart



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Company Background

Marico Ltd., a Mumbai based FMCG company, incorporated in 1988, is engaged in the manufacture and sales of branded consumer products and services. The company operates in two segments: Consumer Products and others. Its consumer products include coconut oils, other edible oil, hair care products, male grooming products, fabric care products, healthy foods, soaps, health care products and family beauty care products. Other segment is engaged in manufacture of skin care products. In India, it manufactures and markets products under the brands, such as Parachute, Nihar, Saffola, Hair & Care, Revive, Shanti and Mediker. Its international portfolio includes brands, such as Fiancee, Haircode, Camelia, Aromatic, Caivil, Black Chic, Code 10 and X-men.

Financial Performance

The company has reported Net sales of Rs. 5724.58 crore during 9M FY19 higher by 18% against Rs. 4853 crore during 9M FY18, In Q3 FY19 the domestic volume was mixed bag with growth of 5%, while international business posted robust 11% constant currency growth. Value growth was driven by price hikes taken in the core portfolios in response to rising input costs and favorable forex impact on overseas revenue. With Copra prices having relatively further eased during the quarter, gross margin in Q3FY19 expanded by 230bps sequentially but was marginally down YoY. The **Operating profit was at Rs.1072.69 crore in 9M FY19 up by 13.2% against that of Rs.947.21 crores in 9 months of the last year. The EPS has improved from Rs. 5 in 9M FY18 to Rs. 5.65 in 9M FY19.**

Investment Rationale

- Rural side continues to lead the growth in the traditional channel. The interim budget 2019 augurs well for consumption trends.
- The company has **launched new products i.e. Hair & Care Dry Fruit Oil**, a light hair oil with combined goodness of almond and walnut oils, **Saffola FITTIFY Gourmet** range of foods and beverages offering superfood nutrition and **Set wet Global edition range of perfume** sprays, these will add to the top as well as the bottom line going forward.
- There is fall in the Copra prices which will be factored in the margins by Q1FY20 once the old stock flushes out.
- The company expects the India business to deliver 8-10% volume growth coupled with healthy market share gains, EBITDA margin for FY19 to remain in the range of 17-18%.
- The company's flagship brand Parachute, being the market leader posted robust volume growth of 8% YTD FY19, despite a high base the portfolio grew 29% in value term owing to the price hike taken at the beginning of the calendar year. The company expects to deliver 5-7% volume CAGR over the medium term given the loose component which are approx 30-35% provides headroom for growth to branded players.
- Saffola: Edible oil gaining traction in Modern trade and E-Commerce; Healthy growth in Foods maintained; Launched India's 1st healthy gourmet range of foods and beverages under 'Saffola FITTIFY Gourmet'. The company is taking actions in this segment to grow through innovation in product and packaging.
- The company aims to build Premium Hair Nourishment, Male Grooming and Skin care into growth engines of the future and expect to deliver value growth of 20% plus CAGR over the medium term in these portfolios.
- As on Dec 31st, 2018, the promoters hold 59.71% and FIIs holds 26.44% equity of the company, whereas Mutual Funds and Insurance companies own 4.47% and 1.13% respectively, and the balance 7.83% shares are held by the public.

Concerns

Competition from peers, fluctuations in Foreign Exchange rates and volatility in raw material prices are the main concerns.

Valuation

The share of the Company is trading at Rs. 339.45 at **TTM P/E of 48.8x**. Keeping in the new diversified product basket of the company, global expansion, fall in raw material price, introduction of new products, improvement in margins and ability to scale the top-line, we expect the company to report an **EPS of about Rs. 8 for FY19 and the company being market leader in the segment deserve higher PE of 50x on the line of FMCG stocks** and accordingly, we estimate the price of the scrip to appreciate to about Rs. 400 over the next 6 months.



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