

Marico Ltd

Marico Ltd reported inline Q2FY13 numbers, with consolidated net sales up by 19% YoY to Rs 1159cr, led by strong growth in consumer products business (contributes 92% of sales). The Consumer Product Business in India achieved a growth of about 19% over Q2FY12, 14% growth contributed by Parachute and Nihar, 23% by Value Added Hair Oils portfolio and 13% by Saffola. Revenue from Kaya recorded a growth of about 38% over Q2FY12, revenue from per Kaya's clinic increased to 0.86 cr from 0.63cr (Q2FY12). During the quarter under review, the company's international business, focused largely on Bangladesh, MENA (Middle East and North Africa), South Africa and South East Asia, registered a growth of 16% over corresponding period of previous

Company's EBITDA Margin (**Figure: 1.1**) inched up by 100bps to 13%, while PAT margin decreased by 60 bps to 7.4% on YoY basis due to over burden tax and interest expenses. PAT grew by 10% (YoY) to Rs78cr.

In the term of volume growth (**Figure: 1.2**), company posted 14% volume growth with 4% pricing growth and the growth has been robust in India across all categories, while overseas volumes have been flat at 16%. Volumes have been flat in the South African market. Apart from Egypt, the Middle East market has not done well. Vietnam has done pretty well. Company's international portfolio is a mixed bag leading to a very flattish volume growth. Average copra prices (**Figure: 1.3**) in Q2FY13 were about 12% lower than Q2FY12. Copra prices duly came down which helped to lower input cost by 680 bps. On the other hand, company has invested in advertising and sales promotion (ASP) which pushed cost by 450 bps. The market prices of the other key inputs such as Kardi Oil and Rice bran oil were up 59% and 16% respectively during Q2FY13 as compared to Q2FY12. The cost-push in these two is higher than that of other edible oils.

The Company plans to invest about Rs 130-150 crore in capital assets in FY13. This estimate excludes any potential acquisition opportunities and the expenditure of about Rs 130 crore already made with respect to the additional office space purchased in Mumbai. Company's cash balance of Rs232 crore could be a source to meet the opportunity of acquisition in near future.

Marico's long-term growth potential across all categories and recent acquisition of male personal care brands in the male grooming/styling segments puts in a good position to leverage the Indian demographic trends and build a strong portfolio of the future. Company expects to maintain a margin of 13% and volume growth would be a priority field for the company in near future. Company aims to grow its franchise by opening 3-4 new Kaya's clinics in strategic locations in India. Considering Copra price fluctuation and possibility of volume decline because of inflationary environment, we have a cautious view on the stock. At a price of Rs 204, stock trades at 24x FY14E earnings. We have "Neutral" view on the stock with a target price of Rs 235.

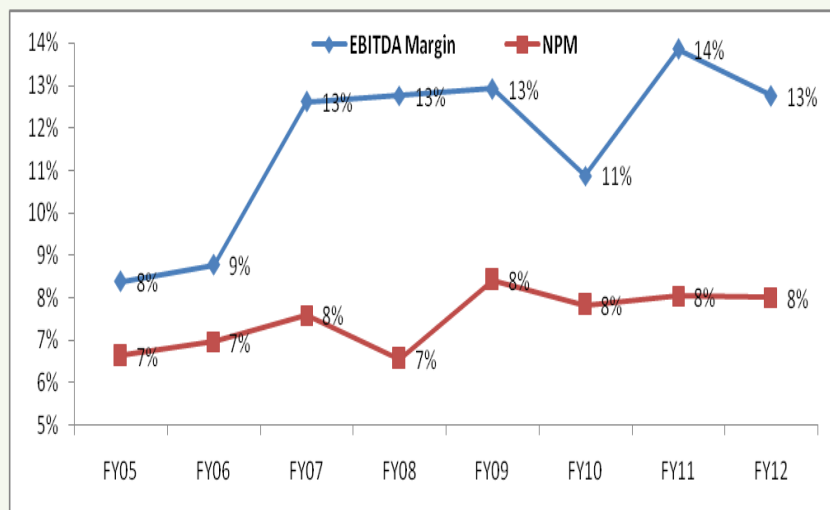


Figure: 1.1

(Source: Eastwind)

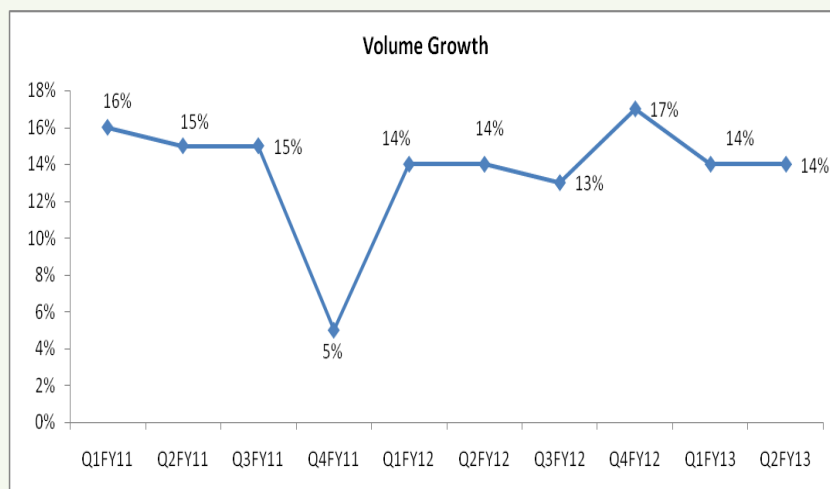


Figure: 1.2

(Source: Eastwind)

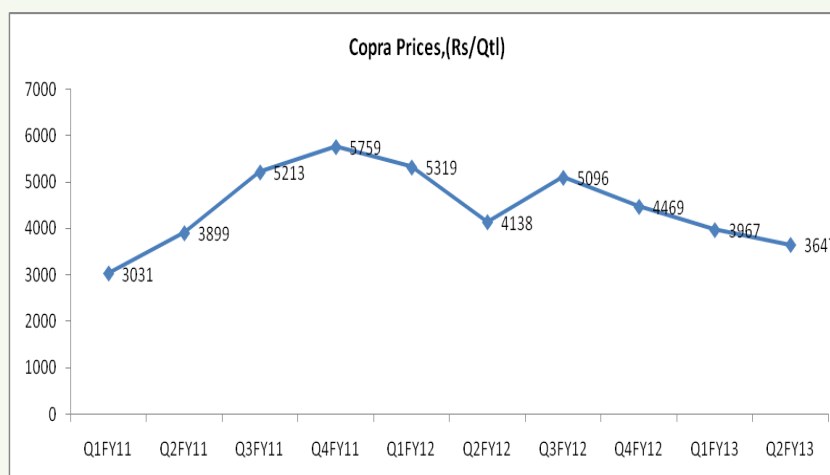


Figure: 1.3

(Source: Eastwind)