

Industry Consum. Staples
Bloomberg MRCO IN
BSE CODE 531642

See gradual recovery in revenue with stable margin...

RATING	BUY
CMP	296
Price Target	350
Potential Upside	18%
Rating Change	↔
Estimate Change	↔
Target Change	↔

STOCK INFO	
52wk Range H/L	404/234
Mkt Capital (Rs Cr)	50,786
Free float (%)	40%
Avg. Vol 1M (,000)	3884
No. of Shares (Crs)	129
Promoters Pledged %	NA

4QFY20 Result Update

- MARICO's number for 4QFY20 was largely inline with our estimates. Sales declined by 7% YoY to Rs 1496 cr (Vs our expectation of Rs 1532 cr) on the back of Covid-19 related lock down.
- Overall domestic volume declined by 3% YoY backed by decline in growth in Parachute Rigid and VAHO by 8% and 11% YoY. Realization for the quarter declined by ~5% YoY.
- The company's International business (IB) recorded a decline of 6% YoY in cc terms to Rs 350 cr on the back of decline in business in MENA (down by 50% in cc terms) and South Africa (down by 26%) while Bangladesh and Vietnam's performance restricted the decline which grew by 6% and 1% in cc terms.
- Gross margin for the quarter improved by 23 bps YoY to 49.3% impacted by unfavourable product mix while EBITDA margin expanded by 52 bps YoY to 18.9% mainly due to lower Advertising spends.
- The company reported a decline in PAT by 51% YoY to Rs 199 cr (Vs our expectation Rs 201 cr) on the back of Rs 188 cr tax provisioning write back in the 4QFY19 which led to higher PAT in 4QFY19 to Rs 403 cr.

View and Valuation

Marico has reported numbers largely inline with our estimates, sales and PAT declined by 7% and 51% YoY to Rs 1496 cr (vs expect. Rs 1532 cr) and 199 cr (vs expect. Rs 201 cr) impacted by Covid-19 related lockdown. The situation remains volatile but as government is slowly relaxing the norms of lockdown, we expect gradual recovery in demand environment. The company has Saffola and foods portfolio which is expected to record strong growth going ahead considering shift in trend towards home cooking, ready to cook and ready to eat segment. Decline in crude and benign Copra prices will ensure stable margin going forwards which is positive for Marico. Marico is presently trading at 37 times of FY20 eps. We continue to like this stock and maintain BUY rating with previous target price of Rs 350.

Key Risks to our rating and target

- Sharp increase in copra prices.
- Persistence of lock down to the longer duration.

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Conso/Fig in Rs Cr

KEY FINANCIAL/VALUATIONS	FY16	FY17	FY18	FY19	FY20
Net Sales	6024	5936	6322	7334	7315
EBITDA	1051	1159	1138	1328	1469
EBIT	957	1069	1049	1196	1329
PAT	723	811	827	1132	1043
EPS (Rs)	6	6	6	9	8
EPS growth (%)	26%	12%	2%	37%	-8%
ROE (%)	36%	35%	33%	38%	35%
ROCE (%)	47%	46%	41%	40%	44%
BV	16	18	20	23	25
P/B (X)	16.3	18.2	16.9	14.9	11.9
P/E (x)	47.1	52.2	52.1	39.4	36.6

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4QFY20 Results

Inline numbers

Conso/Fig in Rs Cr

FINANCIALS	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	YoY%	QoQ%	FY19	FY20	YoY%
Net Sales	1,609	2,166	1,829	1,824	1,496	-7.0%	-18.0%	7,334	7,315	-0.3%
Other Income	28	28	35	29	32	14.3%	10.3%	103	124	20.4%
COGS	820	1,137	921	928	759	-7.4%	-18.2%	4,017	3,745	-6.8%
Gross Margin	49%	48%	50%	49%	49%	0.2%	0.1%	45%	49%	3.6%
Empl. Cost	117	127	127	116	108	-7.7%	-6.9%	466	478	2.6%
Ad. Expense	153	219	197	185	126	-17.6%	-31.9%	659	659	0.0%
Other Exp.	224	222	231	222	221	-1.3%	-0.5%	864	864	0.0%
EBITDA	295	461	353	373	282	-4.4%	-24.4%	1,328	1,469	10.6%
EBITDA Mar.	18%	21%	19%	20%	19%	0.5%	-1.6%	18%	20%	2.0%
Depreciation	38	35	35	32	38	0.0%	18.8%	132	140	6.1%
EBIT	257	426	318	341	244	-5.1%	-28.4%	1,196	1,329	11.1%
Interest	12	12	13	12	13	8.3%	8.3%	40	50	25.0%
PBT	273	442	340	358	263	-3.7%	-26.5%	1,258	1,403	11.5%
Excep. Item	-	19	-	-	10	-	-	-	(29)	-
Tax	(133)	108	88	82	53	-139.8%	-35.4%	126	331	162.7%
PAT	405	315	253	276	199	-50.9%	-27.9%	1,132	1,043	-7.9%
PAT Margin	25%	15%	14%	15%	13%	-11.9%	-1.8%	15%	14%	-1.2%

Concall Highlights

- VAHO business: Sluggish growth in Premium part of the portfolio and zero sales in last 7 days of the quarter led to VAHO portfolio decline by 11%.
- Saffola business (up by 25% YoY in Volume terms): Pantry hoardings of households worked as bonus for already strong growing Saffola business.
- The company has launched Mediker Hand Sanitizer and Veggie Clean.
- Bangladesh (up by 6% in cc terms) and South East Asia (up by 5%) is relatively less impacted as restricted lockdown imposed to the last few days of the quarter.
- MENA (down by ~50% in cc terms) and South Africa (down by 26%) business impacted considerably due to lock down and Marco economic headwind there earlier to this.
- For FY20: The company ended with the domestic volume growth of 2%. Domestic business grew by 1% in volume terms while International business posted a growth of 5% in cc terms.
- Free operating cash flow of the company registered a growth of 10% to Rs 1040 cr.
- Production resumed in all of the location although at reduced scale. The company is back to its 70-80% of monthly run rate of FY20.
- Parachute portfolio: management is optimistic of gaining market share from marginal players considering their constraints related to working capital and access of distribution.
- VAHo portfolio: Down trading may happen which may benefit the company as it has better value portfolio.
- Saffola portfolio: expects double digit growth in the near term on the back of health awareness and doubling of cooking occasions in loyal consumers.
- The company is optimistic of maintaining operating margin at 20% in Fy21.
- Copra prices to remain benign. Follow mild bearish trend.
- The company's food business has reached to Rs 200 cr on the yearly basis.
- The company will reduce invest in discretionary personal care business and focus on core categories to boost market share.
- Distribution: 70-75% of distributors are operating with ~50-60% of the capacity.
- The company's current direct reach is 1mn and overall reach is 5.3 mn.
- A&P: management expects 100 bps reduction in A&P in Fy21.
- International business (IB): Management expects recovery in Bangladesh, Vietnam and Middle East business in FY21.
- Bangladesh business: Most likely of open up early. Company is planning to enter into 2 new categories in next 1-2 yrs. Non Parachute portfolio is expected to become ~40% in next 2 yrs.

Exhibit: Parachute Rigid Volume Growth (%)

Parachute Rigid's volume declined by 8% YoY, mainly due to the disruption in supply chain in March.

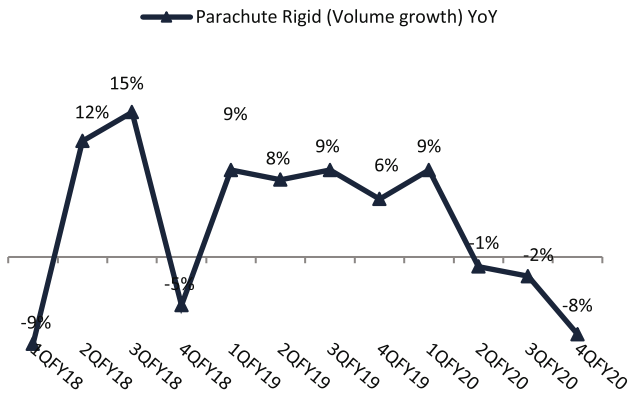


Exhibit: Saffola Volume Growth (%)

Saffola impacted positively due to upsurge in demand for essential items prior to the lockdown.

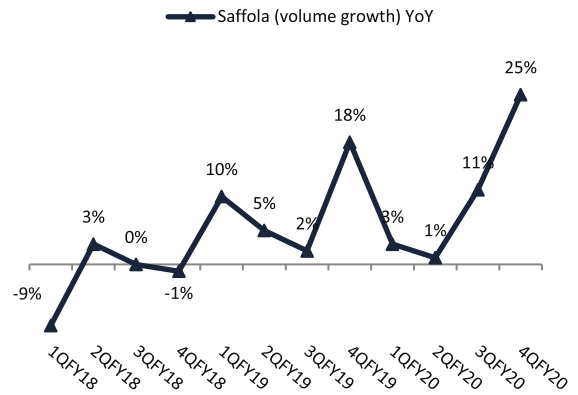


Exhibit: Internationa Business (CC growth %)

IB recorded a decline of 6% YoY in cc terms due to decline in business in MENA and South Africa.

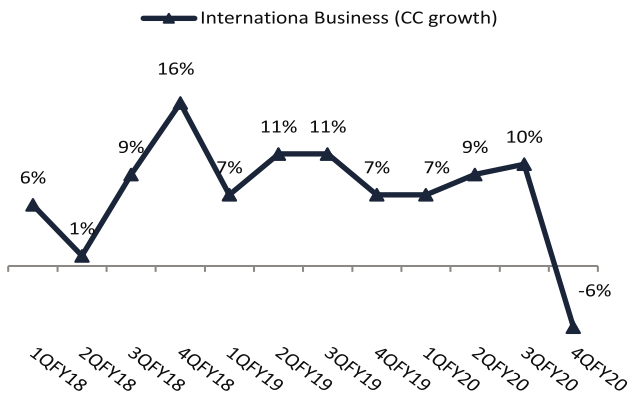


Exhibit: Sales and Sales Growth (%)

Sales declined by 7% YoY on the back of Covid-19 related lock down.

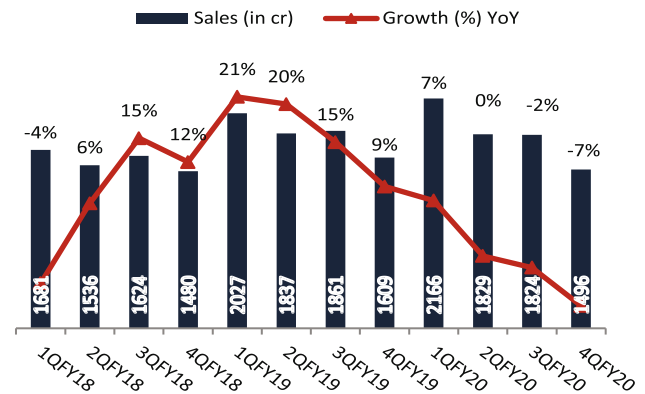


Exhibit: Gross and EBITDA Margin (%)

Gross margin for the quarter improved by 23 bps YoY to 49.3% impacted by unfavourable product mix.

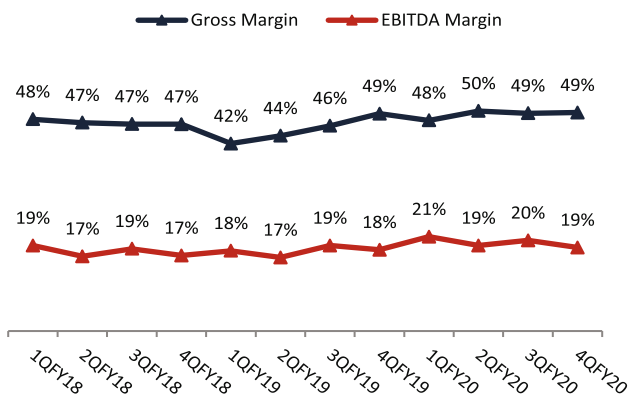
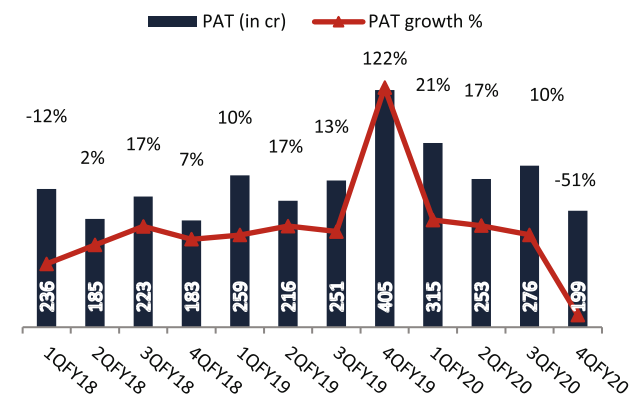


Exhibit: PAT and PAT Growth (%)

PAT declined by 51% YoY due to higher base of 4QFY19 led by tax provisioning write back.



Financial Details

Balance Sheet

Conso/Fig in Rs Cr

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Share Capital	64	64	65	129	129	129	129	129
Reserves	1,917	1,296	1,760	1,888	2,197	2,414	2,920	2,894
Networth	1,982	1,361	1,825	2,017	2,326	2,543	3,049	3,023
Debt	791	526	334	153	239	309	349	335
Other Non Current Liab	-	-	-	-	-	-	-	-
Total Capital Employed	2,414	1,612	1,994	2,017	2,326	2,563	3,013	3,033
Net Fixed Assets (incl CWIP)	1,422	638	590	590	586	622	672	899
Non Current Investments	38	50	46	43	58	37	34	76
Other Non Current Assets	143	155	121	31	18	32	35	26
Non Current Assets	2,118	1,158	1,296	1,274	1,218	1,288	1,542	1,820
Inventory	863	796	995	926	1,253	1,511	1,411	1,380
Debtors	197	223	177	252	247	341	517	539
Cash & Bank	267	406	205	93	34	51	48	93
Other Current Assets	14	34	36	116	98	250	308	340
Current Assets	1,589	1,807	1,829	2,107	2,382	2,793	3,200	3,182
Creditors	478	503	564	669	697	822	944	978
Provisions	111	82	95	51	56	57	57	58
Other Current Liabilities	294	445	277	140	120	161	196	217
Curr Liabilities	883	1,030	936	1,161	984	1,168	1,351	1,460
Net Current Assets	707	777	893	946	1,398	1,625	1,849	1,722
Total Assets	3,707	2,965	3,125	3,381	3,600	4,081	4,742	5,002

Income Statement

Conso/Fig in Rs Cr

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
Revenue from Operation	4,596	4,687	5,733	6,024	5,936	6,322	7,334	7,315
Change (%)	-	2%	22%	5%	-1%	7%	16%	0%
EBITDA	626	748	870	1,051	1,159	1,138	1,328	1,469
Change (%)	-	20%	16%	21%	10%	-2%	17%	11%
Margin (%)	14%	16%	15%	17%	20%	18%	18%	20%
Depr & Amor.	87	77	84	95	90	89	132	140
EBIT	539	671	786	957	1,069	1,049	1,196	1,329
Int. & other fin. Cost	58	34	23	21	17	16	40	50
Other Income	38	58	59	93	97	85	103	124
EBT	519	695	822	1,029	1,150	1,117	1,258	1,403
Exp Item	33	-	-	-	-	-	-	(29)
Tax	146	190	237	305	338	290	126	331
Minority Int & P/L share of Ass.	10	19	11	1	1	-	-	-
Reported PAT	396	485	573	723	811	827	1,132	1,043
Adjusted PAT	372	485	573	723	811	827	1,132	1,065
Change (%)	-	23%	18%	26%	12%	2%	37%	-8%
Margin(%)	8%	10%	10%	12%	14%	13%	15%	15%

Financial Details

Key Ratios

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
ROE	20%	36%	31%	36%	35%	33%	38%	35%
ROCE	22%	42%	39%	47%	46%	41%	40%	44%
Asset Turnover	1	2	2	2	2	2	2	1
Debtor Days	16	17	11	15	15	20	26	27
Inv Days	69	62	63	55	77	87	70	69
Payable Days	38	39	36	40	43	47	47	49
Int Coverage	9	19	34	46	64	65	30	27
P/E	35	28	44	47	52	52	39	37
Price / Book Value	14	10	14	16	18	17	15	12
EV/EBITDA	22	9	14	32	36	38	34	26
FCF per Share	(9)	9	9	6	4	3	7	8
Div Yield	0%	4%	1%	1%	1%	1%	1%	2%

Cash Flow Statement

Conso/Fig in Rs Cr

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20
PBT	552	695	822	1,034	1,149	1,117	1,258	1,374
(inc)/Dec in Working Capital	(95)	88	(17)	(0)	(270)	(306)	22	32
Non Cash Op Exp	59	68	78	84	82	49	111	152
Int Paid (+)	58	34	23	20	17	16	40	50
Tax Paid	(110)	(181)	(210)	(246)	(296)	(295)	(320)	(289)
others	(31)	(43)	(31)	(59)	(32)	(26)	(45)	(72)
CF from Op. Activities	432	660	665	833	649	555	1,066	1,218
(inc)/Dec in FA & CWIP	(992)	(77)	(59)	(101)	(87)	(128)	(162)	(194)
Free Cashflow	(560)	583	606	732	562	427	904	1,024
(Pur)/Sale of Inv	148	(197)	41	(118)	1	70	103	(189)
others	11	70	(161)	(17)	(6)	75	65	123
CF from Inv. Activities	(832)	(204)	(179)	(235)	(92)	17	(351)	(44)
inc/(dec) in NW	498	1	1	1	0	0	-	-
inc/(dec) in Debt	69	(145)	(269)	(46)	(67)	69	40	(15)
Int. Paid	(58)	(35)	(23)	(20)	(17)	(16)	(23)	(34)
Div Paid (inc tax)	(67)	(142)	(300)	(502)	(509)	(636)	(682)	(1,025)
others	0	(18)	(34)	(11)	19	15	12	(18)
CF from Fin. Activities	442	(339)	(625)	(580)	(574)	(567)	(653)	(1,146)
Inc(Dec) in Cash	42	117	(140)	17	(17)	4	62	29
Add: Opening Balance	61	105	224	77	93	43	51	48
Closing Balance	105	224	77	91	43	51	97	93

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