

Marico Ltd is one of the leading Indian Group in consumer products space. The company markets products in hair care, health foods and male grooming segments. Marico's Indian business portfolio includes brands like parachute advanced, hair & care, nihar, mediker, saffola, revive, manjal, setwet, zatak and livon, while the global portfolio offers localized brands like parachute, hair code, fiancee, caivil, hercules, blackchic, code 10, ingwe, x-men, l'ovite and thuan phat. The company derives ~78% revenue from domestic market, while, the rest ~22% revenue comes from global operations. The company has presence in Egypt, South Africa, Middle East, Malaysia, Vietnam and Bangladesh, apart from India.

Key Developments

Financial performance stayed healthy:

Marico witnessed a healthy performance in Q4FY15, with revenue growing by 14.4% YoY on consolidated basis to ₹1,226.3 crore in Q4FY15. This was mainly on account of steady growth in revenue from both domestic as well as international markets. Having generated a revenue growth of 17.0% from Indian business, Marico posted 6.0% growth (in constant currency terms) in revenue from international business in Q4FY15. The net profit also grew significantly by 24% YoY at ₹110.0 crore in Q4FY15 further supported by 42.8% YoY growth in other income to ₹18.8 crore.

Further, FY15 performance also stays robust, with the revenue growing by 22.3% YoY growth for FY15 to ₹5,733.0 crore driven by healthy growth on both domestic as well as international front. Marico registered a growth of 26.0% and 10.0% in revenue from Indian and global business in FY15. In line with rise in nets sales growth, EBITDA margin for the year improved to 16.6% compared to 15.9% in FY14. Finally, the net profit during the year surged by 18.1% YoY to ₹573.5 crore.

Launched new products:

The company consistently launched new products to strengthen its portfolio. During Q4FY15, the company introduced new products in its nourishment portfolio - Parachute Advanced Aromatherapy targeting hair oiling relevant to urban lifestyle. Further, to address the loose mustard oil market, the company launched Nihar Naturals Shanti Sarson Kesh Tel. Besides, in the international market, the company has also launched Parachute Advanced Extra Care, a light hair oil with herbal extracts is being prototyped in Bangladesh.

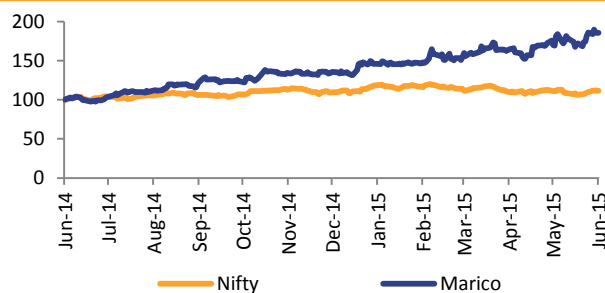
Market Data

CMP (₹)	435
Face Value	1.0
52 week H/L (₹)	467.0/233.4
Adj. all time High (₹)	467.0
Decline from 52WH (%)	6.8
Rise from 52WL (%)	86.4
Beta	0.9
Mkt. Cap (₹Cr)	28,056.7
Enterprise Value (₹Cr)	28,199.6

Fiscal Year Ended

	FY13A	FY14A	FY15A
Net Sales (₹Cr)	4,596.2	4,686.5	5,733.0
Net Profit (₹Cr)	395.9	485.4	573.5
Share Capital (₹Cr)	64.5	64.5	64.5
EPS (₹)	6.2	7.5	8.9
PE (x)	70.5	57.8	48.9
P/BV (x)	14.1	20.6	15.4
ROCE (%)	23.4	43.9	41.7

One year Price Chart



Shareholding	Mar15	Dec14	Diff.
Promoters	59.7	59.7	-
DII	26.2	25.9	0.3
FII	6.2	6.5	(0.3)
Others	7.9	7.9	-

While operating under a single segment i.e. Consumer products, the company's products in Hair care, Health Foods and Male Grooming sub-segments generated a turnover of ₹5,733.0 crore in FY15.

Business Overview

Marico Ltd, one of the country's leading consumer products group, was founded in 1987. It is operating under a single segment i.e. Consumer products, with the company's products in Hair care, Health Foods and Male Grooming sub-segments generating a turnover of ₹5,733.0 crore in FY15. Over the past five years, Marico's top-line and bottom-line have grown at a CAGR of ~16% and ~21%, respectively. Marico's Indian business markets brands such as Parachute Advanced, Hair & Care, Nihar, Mediker, Saffola, Revive, Manjal, Setwet, Zatak and Livon among others. With unique brands like Parachute, Hair Code, Fiancee, Caivil, Hercules, BlackChic, Code 10, Ingwe, X-Men, L'Ovite and Thuan Phat; Marico has tried to localise the lifestyle needs of its global customers.

While deriving majority of revenue from Indian operations; Marico is also having presence in global markets - Egypt, South Africa, Middle East, Malaysia, Vietnam and Bangladesh as well. The company's Indian and global business accounts for ~78% and 22%, respectively (as in FY15).

Marico's key manufacturing capacities are located at Kanjikode (Kerala), Perundurai (Tamil Nadu), Pondicherry (Pondicherry), Dehradun (Uttarakhand), Poanta Sahib and Baddi (Himachal Pradesh). Through its distribution network of 4 regional offices, 32 carrying & forwarding agents (CFAs) and about 5000 distributors and stockists; Marico sells more than 7.5 crore packs every months through ~3.6 mn retail outlets.

Volume-wise market share in top 10 categories

Brand & Territory	~Market Share (%)	Rank
Parachute and Nihar coconut oil (India)	57%	1 st
Saffola - Super Premium Refined Oils (India)	58%	1 st
Value Added Hair Oils (India)	29%	1 st
Value Added Hair Oils (Bangladesh)	16%	3 rd
Saffola Oats (India)*	21%	2 nd
Parachute Coconut Oil (Bangladesh)	81%	1 st
Leave-in Serums (India) (Livon and Silk & Shine)	82%	1 st
Hair Creams/Gels (India) (Set Wet & Parachute After Shower)*	44%	1 st
Hair Code & Fiancée Hair Gels (Egypt)*	59%	1 st
X-Men Men's Shampoo (Vietnam)*	39%	1 st

* Value market share

Driven by growth in revenue from domestic and international markets in Q4FY15, Marico witnessed a growth of 14.4% in total revenue.

Marico showcased a 24.0% YoY growth in consolidated net profit at ₹110.0 crore in Q4FY15 on account of 42.8% YoY growth in other income to ₹18.8 crore.

Showcased decent performance in Q4FY15

Marico recorded 14.4% YoY growth in consolidated revenue to ₹1,226.3 crore in Q4FY15. This was mainly on account of steady growth in revenue from both domestic as well as international markets. Having generated a revenue growth of 17.0% from Indian business, Marico posted 6.0% growth (in constant currency terms) in revenue from international business in Q4FY15.

In India, the volumes grew marginally by ~3% in Q4FY15, reflecting continued softer consumption trends. However, the overall sales growth was boosted by the price increases taken across the portfolio to cover a major part of the input cost push.

Summary of value growth across Businesses

Categories/Businesses	Q4FY15	FY15	Share of Group's FY15 Turnover
Group	14.4%	22.3%	
India FMCG Business	17.0%	26.0%	~78%
International FMCG Business	6.0%	10.0%	~22%

Marico managed to report 11.2% YoY growth in EBITDA to ₹171.3 crore in Q4FY15 supported by a substantial decline in purchases of stock-in trade and a drop in inventory (as a % of sales) by 108bps and 392bps. However, a 480bps YoY rise in raw material cost (as a % of sales) impacted the EBITDA margin, which contracted by 39bps YoY to 14.0% in Q4FY15.

Lastly, Marico showcased 24% YoY growth in its consolidated net profit at ₹110.0 crore in Q4FY15 on account of 42.8% YoY growth in other income to ₹18.8 crore. Decline in interest and depreciation cost by 16.9% and 7.0% YoY further augmented the profit-base in Q4FY15.

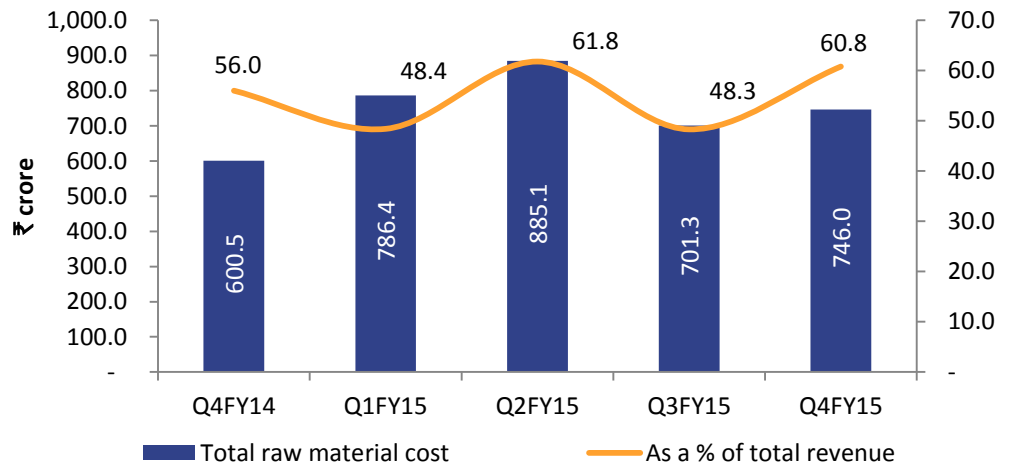
Growth summary across key segments

Categories	Q4FY15		FY15		% of Group's FY15 Turnover
	Value Growth	Volume Growth	Value Growth	Volume Growth	
Parachute Rigids	34%	5%	44%	6%	27%
Value Added Hair Oils	14%	5%	25%	10%	19%
Saffola Edible Oil	3%	-1%	11%	6%	14%

Marico's flagship brand, Parachute has witnessed improvement in market share during FY15. The market share of Parachute along with Nihar improved ~100bps to 57%.

Marico's other dominant brand, Saffola, continues to see improvement in its performance as it grew by ~6% YoY in volume terms during FY15.

Raw material cost grew 480bps YoY in Q4FY15



Parachute & Nihar; company's flagship brand

The company's flagship brand, Parachute, has witnessed improvement in market share during the 12 months period ended March 2015. The market share of Parachute along with Nihar improved ~100bps to 57%. During FY15, Parachute's rigid portfolio (packs in blue bottles) saw a value growth of 34% and crossed the landmark of ₹1,500 crore in revenue. Further, Parachute's share in the rural markets, currently in the range of 35% to 40%.

During Q4FY15, the company launched two new products in its nourishment portfolio namely - Parachute Advanced Aromatherapy targeting hair oiling relevant to urban lifestyle through the benefit of de-stress and relaxation. Further, to address the loose mustard oil market, the company launched Nihar Naturals Shanti SarsonKesh Tel. Besides, in the international market, the company has also launched Parachute Advanced Extra Care, a light hair oil with herbal extracts is being prototyped in Bangladesh.

Saffola: Launched smaller packs to encourage volume pick-up

Marico's other dominant brand, Saffola, continues to see improvement in its performance as it grew by ~6% YoY in volume terms during FY15. However, in Q4FY15, volume was down 1% impacted primarily due to increased price premium of ₹40-50 a litre compared to other brands. To cope up with this, Marico has decided to launch smaller packs of 500 ml in a move to drive volumes. Saffola is considered an urban brand with ~30% of its sales coming from modern retail outlets.

Marico's premium urban brand, Saffola maintained its leadership position in the super premium refined edible oils segment with 268bps gain in market share to 58% in FY15. In the oats category, the company's oats franchise crossed the revenue benchmark of ₹80 crore in FY15 and has gained thesecond position in the market.

Value Added hair oils: Portfolio up-gradation to drive growth going ahead

Marico's value added hair oils (Parachute Advanced, Nihar Naturals and Hair & Care) recorded a volume growth of ~10% in FY15. With four brands under its portfolio, namely, Parachute Advanced Jasmine, Parachute Advanced Ayurvedic Oil, Nihar Naturals Perfumed oil and Nihar Shanti Amla; Marico's value added oils crossed a landmark of ₹1,000 crore revenue in FY15. The company strengthened its position in the segment with 88bps growth to 29% volume share for the 12 months period ended March 2015.

International business performance remains healthy

The company's global business accounted for 22% of revenue in FY15 has registered a growth of 10% in revenue during the year. While for Q4FY15, Marico's International business achieved a turnover of ₹277 crore (USD 45 million) during Q4FY15, a growth of 8% on constant currency basis, while, the operating margin during the period stood at 16.5% (before corporate allocations).

Marico witnessed lower revenue from its Bangladesh business, with revenue down by 1% in Q4FY15 on a constant currency basis mainly impacted by political unrest in the country. While, the company's Middle East business continues to maintain its growth momentum, with revenue growing 55% on constant currency basis during the quarter under consideration. In addition to this, the business in South East Asia also performed well in Q4FY15, with revenue growing by 25% in Q4FY15 in constant currency terms mainly assisted by uptick in business in Vietnam that has witnessed a double digit constant currency growth during the quarter. However, the business in Egypt witnessed certain pressure, with the revenue declining by 30% in Q4FY15, impacted by distribution transition in the country.

Marico's global business accounted for 22% of revenue in FY15 has registered a growth of 10% in revenue during the year.

Balance Sheet (Consolidated)

(₹Cr)	FY13A	FY14A	FY15A
Share Capital	64.5	64.5	64.5
Reserve & surplus	1,917.0	1,296.1	1,760.3
Net Worth	1,981.5	1,360.6	1,824.8
Minority Interest	35.1	35.8	13.7
Total debt	790.7	525.9	334.2
Provisions	121.0	85.7	103.9
Deferred tax liability	5.8	9.6	7.9
Other non-current liabilities	1.0	0.01	-
Other current liabilities	772.1	947.3	840.9
Total Equity & Liabilities	3,707.2	2,965.0	3,125.3
Fixed Assets	1,422.4	637.8	589.8
Goodwill	395.5	254.3	489.1
Investments	151.6	310.5	283.8
Loans & advances	255.5	147.4	229.8
Other non-current assets	142.6	155.0	120.8
Other current assets	1,339.6	1,460.0	1,412.0
Total Assets	3,707.2	2,965.0	3,125.3

Cash Flow (Consolidated)

Y/E (₹ Cr)	FY13A	FY14A
Net profit/loss before extraordinary items and tax	551.9	694.6
Net cashflow from operating activities	431.9	660.5
Net cash used in investing activities	(832.3)	(204.2)
Net cash used from financing activities	442.3	(339.3)
Foreign exchange gains / losses	2.5	27.5
Net inc/dec in cash and cash equivalents	44.2	144.4
Cash and cash equivalents begin of year	60.7	105.0
Cash and cash equivalents end of year	105.0	249.4

Financial performance snapshot

Marico witnessed a healthy performance for the year ended March 2015, with the consolidated revenue growing by 22.3% YoY growth for FY15 to ₹5,733.0 crore driven by healthy growth on both domestic as well as international front. Marico registered a growth of 26.0% and 10.0% in revenue from Indian and global business in FY15. In line with rise in nets sales growth, EBITDA margin for the year improved to 16.6% compared to 15.9% in FY14. Finally, the net profit during the year surged by 18.1% YoY to ₹573.5 crore.

Profit & Loss Account (Consolidated)

(₹Cr)	FY13A	FY14A	FY15A
Total revenue	4,596.2	4,686.5	5,733.0
Expenses	3,970.4	3,938.5	4,862.9
EBITDA	625.8	748.0	870.1
Other Income	37.5	57.9	58.9
Depreciation	86.6	76.9	84.4
EBIT	576.7	729.0	844.6
Interest	58.0	34.5	22.9
Exceptional Item	33.2	-	-
Profit Before Tax	551.9	694.6	821.7
Tax	146.2	190.5	236.8
Profit After Tax	405.7	504.1	584.9
Minority Interest	9.8	18.7	11.4
Net Profit	395.9	485.4	573.5

Key Ratios (Consolidated)

	FY13A	FY14A	FY15A
EBITDA Margin (%)	13.6	16.0	15.2
EBIT Margin (%)	12.5	15.6	14.7
NPM (%)	8.6	10.4	10.0
ROCE (%)	23.4	43.9	41.7
ROE (%)	18.3	35.7	31.4
EPS (₹)	6.2	7.5	8.9
P/E (x)	70.5	57.8	48.9
BVPS(₹)	30.9	21.1	28.3
P/BVPS (x)	14.1	20.6	15.4
EV/Net Sales (x)	6.2	6.0	4.9
EV/EBITDA (x)	45.7	37.7	32.4



Indbank Merchant Banking Services Ltd.
I Floor, Khiviraj Complex I,
No.480, Anna Salai, Nandanam, Chennai 600035
Telephone No: 044 – 24313094 - 97
Fax No: 044 – 24313093
www.indbankonline.com

Disclaimer

@ All Rights Reserved

This report and Information contained in this report is solely for information purpose and may not be used as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. The investment as mentioned and opinions expressed in this report may not be suitable for all investors. In rendering this information, we assumed and relied upon, without independent verification, the accuracy and completeness of all information that was publicly available to us. The information has been obtained from the sources that we believe to be reliable as to the accuracy or completeness. While every effort is made to ensure the accuracy and completeness of information contained, Indbank Limited and its affiliates take no guarantee and assume no liability for any errors or omissions of the information. This information is given in good faith and we make no representations or warranties, express or implied as to the accuracy or completeness of the information. No one can use the information as the basis for any claim, demand or cause of action.

Indbank and its affiliates shall not be liable for any direct or indirect losses or damage of any kind arising from the use thereof. Opinion expressed is our current opinion as of the date appearing in this report only and are subject to change without any notice.

Recipients of this report must make their own investment decisions, based on their own investment objectives, financial positions and needs of the specific recipient. The recipient should independently evaluate the investment risks and should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document and should consult their advisors to determine the merits and risks of such investment.

The report and information contained herein is strictly confidential and meant solely for the selected recipient and is not meant for public distribution. This document should not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced, duplicated or sold in any form.