

HOLD

TP: Rs 795 | ▲ 10%

MARICO

Consumer Staples

05 August 2025

Copra woes: Margin recovery in 2HFY26

- Sales +1% above consensus and our est., EBITDA +2% vs cons. and 1% above our est
- 60% cumulative pricing pass-through in Parachute in 1Q but copra spot coming off Jul peak. 2H margin recovery contingent on copra pricing
- MRCO expects group margins to recover in 2H but DD EBITDA growth is “difficult”. Forecast FY26e EBITDA ~10%. Revised TP Rs 795. Hold

Lokesh Gusain

research@bobcaps.in

1QFY26 result in line – On a YoY basis, sales +23%, vol. +9% while EBITDA was +5%, margins -360bps. Sales were +2% higher vs cons, +1% vs our est. EBITDA +1% vs cons as margins came in 10bps lower. Marico had preannounced broad 1QFY26 numbers on sales and EBIT basis on 3rd July 2025.

Sales trends – (1) Domestic – Inflationary pricing was the key driver as additional pricing was passed through mainly in coconut oil to offset copra inflation. Volumes +9%, pricing +14% as inflation driven price hikes implemented in Parachute and carryover pricing remained in vegetable oil and food. Saffola edible oil volume growth improved sequentially from LSD in 4QFY25 to MSD in 1QFY26. Parachute volumes -1% on grammage but +1% on units despite 60% cumulative pricing. VAHO value sales accelerated from +1% in 4QFY25 to +13% in 1QFY26 YoY driven by mid and premium segments. Food was +20% YoY, while Premium Personal Care +32% with combined ARR of Rs10.5bn. **(2) International CC** – Bangladesh +17%; S Africa +1%, while MENA +42%.

FY26 earnings outlook – Marico is targeting sales +DD with continued pricing-driven growth in 1H and volume recovery as the year progresses. We forecast 17% sales growth driven by distribution gains in Food and Premium Personal Care, and pricing in Saffola and Parachute along with easier comps further helping recovery in VAHO. While gross margins will recover in 3Q we expect overall EBITDA margins down 115bps YoY. We forecast 10% EBITDA growth YoY.

Our view – Marico has multiple growth levers in place such as improving margins via changes in sales and mix, reducing commoditized portfolio exposure, and increasing presence in the high growth digital space. We expect volumes to gather pace in 2HFY26 as competitors follow pricing. High growth Food and Premium Personal Care portfolios will continue the improving sales and profitability trajectory. We value Marico in line with its 5Y historical average P/E of 45x on 12m to June 2027 EPS. TP of Rs 795, share price return of 10% – Hold.

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	MRCO IN/Rs 723
Market cap	US\$ 10.6bn
Free float	40%
3M ADV	US\$ 18.4mn
52wk high/low	Rs 745/Rs 578
Promoter/FPI/DII	59%/25%/16%

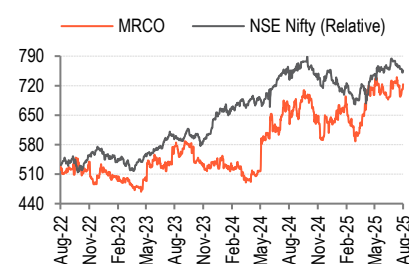
Source: NSE | Price as of 4 Aug 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	108,310	126,826	139,933
EBITDA (Rs mn)	21,390	23,588	28,161
Adj. net profit (Rs mn)	16,290	18,196	21,912
Adj. EPS (Rs)	12.6	14.1	17.0
Consensus EPS (Rs)	12.6	14.0	15.8
Adj. ROAE (%)	38.6	45.9	56.3
Adj. P/E (x)	57.3	51.3	42.6
EV/EBITDA (x)	43.7	39.6	33.3
Adj. EPS growth (%)	10.0	11.7	20.4

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



1QFY26 result review

(Rs mn)	Actual			Reported vs (%)	
	1Q25	1Q26	YoY (%)	BoB	Cons.
Sales	26,430	32,590	23.3	1	2
EBITDA	6,260	6,550	4.6	1	1
EBITDA margin (%)	23.7	20.1	(359bps)	(6bps)	(11bps)

Source: Company, Bloomberg, BOBCAPS Research

Earnings revisions

We forecast 17% sales growth driven by distribution gains in Food and Premium Personal Care, and pricing in Saffola and Parachute along with easier comps further helping recovery in VAHO. While gross margins will recover in 3Q we expect overall EBITDA margins down 115bps YoY. We forecast 10% EBITDA growth YoY.

Our sales forecasts are higher, reflecting higher-than-expected pricing run rates and lower-than-expected elasticity, along with high growth in Premium Personal Care and Foods businesses. Our margins are lower in FY26 as the gross margin hit was larger than expected.

Fig 1 – Marico earnings revisions

(Rs mn)	Actual	New	Old	(%)	New	Old	(%)	New	Old	(%)
	FY25	FY26	FY26	Change	FY27	FY27	Change	FY28	FY28	Change
Sales	108,310	126,826	121,926	4.0	139,933	134,174	4.3	151,608	n/a	n/a
EBITDA	21,390	23,588	24,024	(1.8)	28,161	27,390	2.8	31,227	n/a	n/a
EBITDA Margin (%)	19.7	18.6	19.7	(111bps)	20.1	20.4	(29bps)	20.6	n/a	n/a
Adj. PAT	16,290	18,196	17,969	1.3	21,912	20,506	6.9	24,460	n/a	n/a
Adj. EPS	12.63	14.11	13.90	1.5	16.99	15.90	6.8	18.96	n/a	n/a

Source: Company, Bloomberg, BOBCAPS Research

Valuation

We expect volumes to gather pace in 2HFY26 as competitors follow pricing. High growth Food and Premium Personal Care portfolios will continue the improving sales and profitability trajectory. We value Marico in line with its 5Y historical average P/E of 45x on 12m to June 2027 EPS. TP of Rs 795, share price return of 10% – Hold.

Risks

Key upside/downside risks to our estimates are:

- Lower / higher-than-expected volatility in sales due to inventory destocking from Project SETU
- Earlier / delayed and/or higher / lower-than-anticipated benefits from Project SETU
- Stronger / weaker-than-expected recovery from rural markets

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	96,530	108,310	126,826	139,933	151,608
EBITDA	20,260	21,390	23,588	28,161	31,227
Depreciation	1,580	1,780	1,857	1,859	1,932
EBIT	18,680	19,610	21,730	26,301	29,295
Net interest inc./(exp.)	(730)	(530)	(474)	(409)	(184)
Other inc./(exp.)	1,420	2,080	2,414	2,559	2,606
Exceptional items	0	0	0	0	0
EBT	19,370	21,160	23,670	28,452	31,718
Income taxes	4,350	4,580	5,194	6,259	6,978
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	210	290	280	280	280
Reported net profit	14,810	16,290	18,196	21,912	24,460
Adjustments	0	0	0	0	0
Adjusted net profit	14,810	16,290	18,196	21,912	24,460

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	15,810	13,630	16,247	16,538	17,912
Other current liabilities	4,800	7,190	7,190	7,190	7,190
Provisions	2,800	2,490	2,490	2,490	2,490
Debt funds	3,830	3,790	8,790	5,790	(5,210)
Other liabilities	5,280	13,620	13,620	13,620	13,620
Equity capital	1,290	1,290	1,290	1,290	1,290
Reserves & surplus	40,400	41,370	35,367	39,925	44,944
Shareholders' fund	41,690	42,660	36,657	41,215	46,234
Total liab. and equities	74,210	83,380	84,993	86,843	82,235
Cash and cash eq.	2,280	3,210	2,469	1,693	(5,781)
Accounts receivables	10,690	12,710	13,694	14,931	16,211
Inventories	13,360	12,350	13,664	14,791	16,015
Other current assets	13,700	22,560	22,560	22,560	22,560
Investments	150	150	150	150	150
Net fixed assets	7,440	7,500	7,557	7,817	8,181
CWIP	0	0	0	0	0
Intangible assets	18,000	18,030	18,030	18,030	18,030
Deferred tax assets, net	0	0	0	0	0
Other assets	8,590	6,870	6,870	6,870	6,870
Total assets	74,210	83,380	84,993	86,843	82,235

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	14,360	14,420	18,674	19,804	23,099
Capital expenditures	(1,530)	(1,610)	(1,914)	(2,120)	(2,295)
Change in investments	3,480	(5,690)	0	0	0
Other investing cash flows	(190)	1,090	2,173	2,303	2,346
Cash flow from investing	1,760	(6,210)	258	183	50
Equities issued/Others	340	460	0	0	0
Debt raised/repaid	(910)	(50)	5,000	(3,000)	(11,000)
Interest expenses	0	0	0	0	0
Dividends paid	(12,290)	(4,530)	(24,199)	(17,354)	(19,440)
Other financing cash flows	(2,560)	(2,370)	(474)	(409)	(184)
Cash flow from financing	(15,420)	(6,490)	(19,673)	(20,763)	(30,624)
Chg in cash & cash eq.	210	930	(741)	(775)	(7,474)
Closing cash & cash eq.	2,280	3,210	2,469	1,693	(5,781)

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	11.4	12.6	14.1	17.0	19.0
Adjusted EPS	11.5	12.6	14.1	17.0	19.0
Dividend per share	9.5	10.5	11.8	13.5	15.1
Book value per share	32.3	33.1	28.4	31.9	35.8

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	9.7	8.6	7.4	6.7	6.2
EV/EBITDA	46.1	43.7	39.6	33.3	30.0
Adjusted P/E	63.0	57.3	51.3	42.6	38.1
P/BV	22.4	21.9	25.5	22.6	20.2

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	76.5	77.0	76.9	77.0	77.1
Interest burden (PBT/EBIT)	103.7	107.9	108.9	108.2	108.3
EBIT margin (EBIT/Revenue)	19.4	18.1	17.1	18.8	19.3
Asset turnover (Rev./Avg TA)	134.4	137.5	150.6	162.9	179.3
Leverage (Avg TA/Avg Equity)	1.8	1.9	2.1	2.2	1.9
Adjusted ROAE	36.5	38.6	45.9	56.3	55.9

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	(1.1)	12.2	17.1	10.3	8.3
EBITDA	11.9	5.6	10.3	19.4	10.9
Adjusted EPS	13.7	10.0	11.7	20.4	11.6

Profitability & Return ratios (%)

EBITDA margin	21.0	19.7	18.6	20.1	20.6
EBIT margin	19.4	18.1	17.1	18.8	19.3
Adjusted profit margin	15.3	15.0	14.3	15.7	16.1
Adjusted ROAE	36.5	38.6	45.9	56.3	55.9
ROCE	37.5	33.4	41.2	45.9	47.0

Working capital days (days)

Receivables	39	39	38	37	37
Inventory	98	87	73	75	75
Payables	117	100	84	86	84

Ratios (x)

Gross asset turnover	7.1	7.9	8.1	7.9	7.6
Current ratio	1.6	2.1	1.6	1.8	2.5
Net interest coverage ratio	25.6	37.0	45.8	64.4	159.6
Adjusted debt/equity	0.1	0.1	0.2	0.1	(0.1)

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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Registered office Address: **1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051**

SEBI Research Analyst Registration No: **INH0000000040 valid till 03 February 2025**

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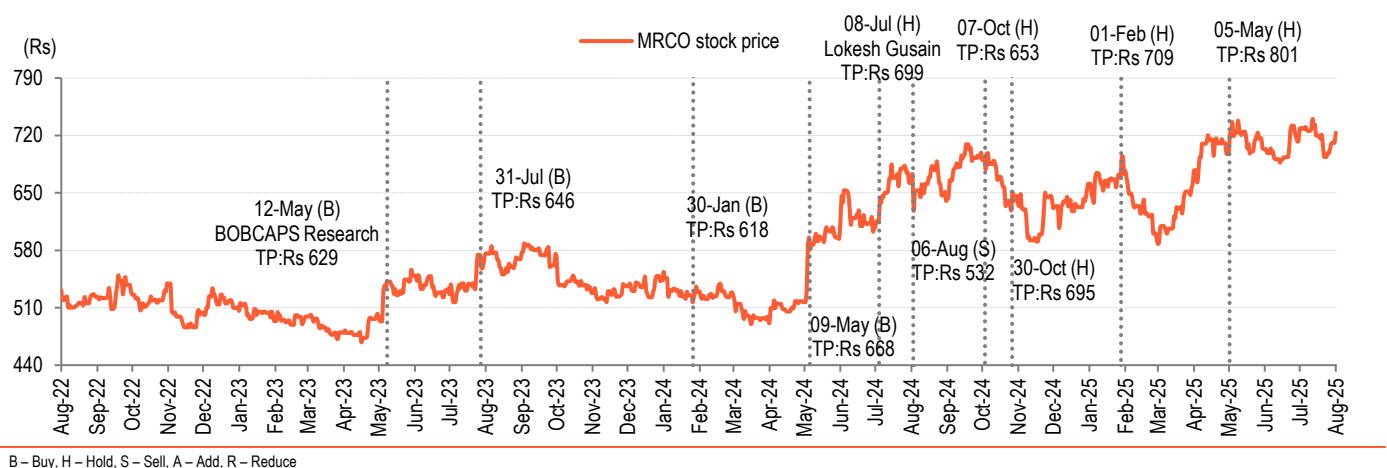
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SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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Ratings and Target Price (3-year history): MARICO (MRCO IN)



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