

## Marico Q4FY21

### Financial Results & Highlights

#### Brief Company Introduction

Marico Limited is one of India's leading consumer goods companies providing consumer products and services in the areas of health, beauty and wellness. With its headquarters in Mumbai, Maharashtra, India, Marico is present in over 25 countries across emerging markets of Asia and Africa. It owns brands in categories of hair care, skin care, edible oils, health foods, male grooming, and fabric care.

Standalone Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	1712	1290	32.71%	1744	-1.83%	6683	6159	8.51%
PBT	281	282	-0.35%	349	-19.48%	1311	1261	4.0%
PAT	244	224	8.93%	293	-16.72%	1106	1007	9.83%
Consolidated Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	2041	1528	33.57%	2146	-4.89%	8142	7439	9.45%
PBT	283	252	12%	394	-28.17%	1523	1374	11%
PAT	227	199	14%	312	-27.24%	1199	1043	14.96%

#### Detailed Results:

1. Consolidated revenues grew 34% YoY in Q4.
2. EBITDA margins were down 300 bps YoY at 15.9% for Q4.
3. PAT for Q4 rose 14% YoY.
4. In Q4, domestic sales volumes were up 25% YoY while sales were up 33% YoY.
5. Gross margin was down 517 bps owing to the severe input cost pressure.
6. Parachute Rigids registered 29% volume growth.
7. Value-Added Hair Oils registered a 22% volume growth. The company anticipated market share gain in this segment.
8. Saffola Edible Oils continued its stellar run with 17% growth in volume terms.
9. The Foods portfolio grew by 134% in value terms & crossed Rs 300 Cr in FY21., with the base Oats franchise posting a strong 84% value growth. The company launched Saffola Oodles, 5-minute ring-shaped noodles, containing no refined flour.
10. Saffola Honey saw good growth and crossed 25% market share in E-Commerce.
11. The Premium Personal Care portfolios were flat as growth in Serums was offset by decline in male grooming.
12. Advertising & Sales Promotions spend was up 35% YoY.
13. The volume market share of various divisions is at:
  1. Coconut Oils: 61%
  2. Parachute Rigids: 51%
  3. Saffola –Super Premium ROCP: 81%

4. Saffola Oats: 94%
  5. Value-Added Hair Oils: 37%
  6. Post wash Leave-on Serums: 63%
  7. Hair Gels/Waxes/Creams: 57%
14. Marico increased prices of Parachute by 8% in H2 to counter inflation.
  15. In Q4FY21, the market price of copra was up 25% YoY mainly due to leaner supplies and lower coconut to copra conversions. It expects prices to cool off from Q1FY22 as the peak season sets in.
  16. Rice bran oil was up 39% YoY & 8% QoQ. The company expects this rise to be range bound over the next few months. Liquid Paraffin (LLP) was up 29% YoY, while HDPE was up 31% YoY.
  17. During the quarter, General Trade performed consistently with sales in urban and rural markets up by 23% and 42% in volume terms respectively. Modern Trade was down 17% YoY. E-Commerce delivered an exponential growth of 81% YoY. CSD grew 59% YoY.
  18. International business grew by 23% YoY in Q4 in constant currency terms.
  19. The operating margin in the international business expanded to 19.3% in Q4FY21 vs 18% in Q4FY20.
  20. The international revenue growth breakup is:
    1. Bangladesh: Up 20% YoY
    2. SE Asia: Up 13% YoY
    3. MENA: Up 62% YoY
    4. South Africa: up 48% YoY
    5. Others: up 18% YoY
  21. Employee Cost was up 39% YoY, due to; i) higher incentive payout owing to better performance during the quarter; ii) integration of Beardo (not in the base quarter); and iii) higher share-based payout (linked to Marico's share price performance on the bourses). Excluding the same, the increase in employee cost was in line with average salary increments.
  22. Other Expenses were up 12% YoY. Other expenses are likely to remain in the range of 11-13% of turnover in the medium term.
  23. The Capex for FY22 is expected to be around Rs 125-150 Cr.
  24. The company improved its ROCE in FY21 by 220 bps YoY to 44.6%. The debt to equity was maintained at 0.1 times.
  25. The net surplus for the company was at Rs 1355 Cr after a gross debt of Rs 352 Cr as of 31<sup>st</sup> mar 2021.

**Investor Conference Call Details:**

1. The company is not seeing any weakness in demand or sales from the 2nd wave of COVID as >90% of the portfolio is in the essential category.
2. It also doesn't have any supply chain impact on the end of its sales. This is because grocery shops and deliveries are still operational even if they are restricted to certain time frames.
3. Input prices for copra have fallen around 15% since the end of March. In edible oils, the company did a price rise of 30% in H2FY21 and has further increased the price by 15-20% in FY22 so far. But the management expects the pricing to moderate going forward as the supply side issues get resolved.
4. The management is aiming to maintain operating margins at 18-19% at the lower end at least.
5. Despite the price of 50% YoY in edible oils, the management assures that the pricing is still competitive, and most industry players have done so as they are all on a cost-plus model.

6. The company has seen the previous issues in VAHO getting resolved and the thrust on rural expansion as major contributors to the segment's growth.
7. The management has provided medium-term guidance of reaching Rs 850 Cr in the Foods business by 2024.
8. It is also looking to focus on expanding rural distribution reach by 25% for each of the next 2 years.
9. The company has already piloted the soya chunks product in WB and is looking to expand it to other eastern states.
10. The management is aspiring to reach Rs 75-100 Cr of sales from the soya chunks business in the next 3 years. The soya market right now is at Rs 900 Cr while the top 3 branded players occupy 50%+ of the category.
11. The main areas for expansion of distribution in FY21 were the rural, chemist, and food channels.
12. The tax rate is expected to be at 22-24% in the next 3-4 years.
13. The chemist channel has seen good momentum with a wide variety of products like male grooming, skincare, value-added hair oils, immunity range including honey & chwanprash, and specific products like mediker, Bio-oil, etc. being sold through this channel.
14. The non-coconut oil business in Bangladesh has risen to 40% of sales. The management expects this to rise to 50% in the next 1-2 years.
15. The online channel now accounts for 12% of sales.
16. The company has gained in market share of 200 bps in the VAHO category mainly from smaller players.
17. The company has also taken an ambitious target of increasing direct distribution through stockists by 25% every year.

#### **Analyst's View:**

Marico is one of India's leading FMCG companies with many market-leading brands like Saffola and Parachute. The company has done well to maintain value and volume growth on a YoY basis in almost all categories and sustain growth momentum in domestic business. It is showing encouraging performance in the food category, especially in the health foods segment. The VAHO segment has seen a good recovery with a 200 bps market share gain. The company has seen a fall in margins due to input price pressures which are expected to moderate going forward. The company is also looking to focus on expanding rural reach by 25% p.a. for the next 2 years. The company's focus on expanding into new health food categories under the Saffola brand and the in-demand hygiene looks shows good room for growth in these segments. It remains to be seen how long the COVID-19 situation lasts and what second-order effects it has on the company and general consumer behaviour. Nonetheless, given the company's solid standing in its core categories, its expansion plans for high margin food categories, and its robust distribution network, Marico looks like a pivotal FMCG stock to watch out for.

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