MIRAE ASSET Sharekhan

Marico Ltd

Good start to FY26

Consumer Goods	Sharekhan code: MARICO
Reco/View: Buy ⇔	CMP: **Rs. 731**
	Price Target: **Rs. 825** ⇔

↑ Upgrade ⇔ Maintain ↓ Downgrade

3R MATRIX

	+	=	-
Right Sector (RS)		✓	
Right Quality (RQ)	✓		
Right Valuation (RV)	✓		

\+ Positive = Neutral – Negative

What has changed in 3R MATRIX

	Old		New
RS	Neutral	⇔	Neutral
RQ	Positive	⇔	Positive
RV	Positive	⇔	Positive

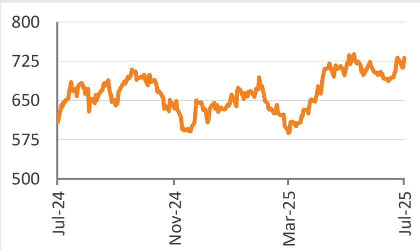
Company details

Market cap:	Rs. 94,720 cr
52-week high/low:	Rs. 745 / 578
NSE volume: (No of shares)	21.1 lakh
BSE code:	531642
NSE code:	MARICO
Free float: (No of shares)	53.1 cr

Shareholding (%)

Promoters	59.1
FII	22.4
DII	14.2
Others	4.3

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	4.0	8.0	10.6	20.2
Relative to Sensex	1.0	-2.8	5.3	16.0

Source: Mirae Asset Sharekhan Research, Bloomberg

Summary

- We retain a Buy rating on Marico with an unchanged PT of Rs. 825. The stock trades at 51x/44x its FY26E/FY27E EPS, respectively.
- During Q1FY26, volume growth was better q-o-q as rural demand continued to improve, while urban demand remained steady. The management expects gradual improvement in the quarters ahead, supported by easing inflation, a favourable monsoon season and policy stimulus.
- Consolidated revenue grew in low twenties aided by good growth in the domestic business and high-teen constant currency growth in the international business. This puts the company on track to deliver double-digit revenue growth in FY26.
- Despite input cost pressures and continued A&P investments, Marico has guided for modest y-o-y operating profit growth in Q1FY26. It expects gross margin pressure to ease from H2FY26.

Marico's Q1FY26 business update provides a glimpse of the company's operating performance and demand trends witnessed during the quarter. The sector exhibited consistent demand patterns in Q1, marked by improving trends in rural markets and steady urban sentiments. This aided the company to report sequential improvement in underlying volume growth in the India business, driven by positive trends in the core franchises and continuous scale-up of new businesses. The International business delivered high-teen constant currency growth, driven by broad-based growth across most markets. Overall, consolidated revenue grew in the low-twenties on y-o-y basis. The company expects gross margins to be under incremental pressure in Q1, on a high base of Q1FY25 and partly due to the pricing-led high denominator effect. However, despite input cost pressure and continued commitment toward A&P investments, the company expects to post modest operating profit growth y-o-y.

- **Volume growth improved q-o-q; consolidated y-o-y revenue growth in low twenties:** During Q1FY26, rural demand improved, while urban demand remained steady, leading to sequential improvement in the volume growth. Overall, consolidated revenue grew in the low twenties aided by good growth in the domestic business and high-teen constant currency growth in the international business. However, with price hikes taken across the portfolio in the recent months, a large part of the revenue growth was mainly price-led. The management expects to see gradual improvement in demand trends (and volume growth) in the quarters ahead, supported by easing inflation, a favourable monsoon season and policy stimulus.
- **Differentiated segmental performance:** Parachute Coconut Oil witnessed marginal volume decline owing to unprecedented hyperinflationary input cost and pricing conditions. Marico took another round of price hike in June 2025. However, after normalizing for ml-age changes, the brand maintained positive volume growth. Saffola Oils posted revenue growth in the high twenties, backed by mid-single digit volume growth. The brand has proactively passed on the benefit of the recent import duty reduction on vegetable oils to consumers. Value-added Hair Oils grew in low double digits on the back of sustained traction in the mid and premium segments of the portfolio. Foods and Premium Personal Care (including digital-first brands) maintained the accelerated scale-up and held profitability parameters steady.
- **Margins stay stressed:** Among key inputs, 1) Copra prices continued to witness sequential inflation, which was heightened by unseasonal rainfall patterns, 2) Vegetable oil prices eased following the cut in import duty and 3) crude oil derivatives remained rangebound. Thus, gross margins are expected to be under incremental pressure in Q1, on a high base and partly due to the pricing-led high denominator effect. Despite the input cost pressure and continued commitment toward A&P investments, Marico has guided for modest y-o-y growth the operating profit. Going ahead, the company expects gross margin pressure to ease from H2FY26.

Our Call

View – Retain Buy with an unchanged PT of Rs. 825: Marico is eyeing double-digit earnings growth in the near to medium term with gradual improvement in volume growth of core portfolio, strong double-digit growth in new businesses, and a consistent improvement in profitability with an increase in salience of new higher-margin businesses. Portfolio diversification to premium foods and personal care products categories will improve revenue growth trajectory in the long run. The stock trades at 51x and 44x its FY26E and FY27E EPS, respectively. We retain a Buy rating on the stock with an unchanged PT of Rs. 825.

Key Risks

A sharp rise in key input prices from current levels, uncertainties living longer than expectation in Bangladesh or heightened competition in core categories would act as key risks to our earnings estimates.

Valuation (Consolidated) Rs cr

Particulars	FY23	FY24	FY25	FY26E	FY27E
Revenue	9,764	9,653	10,831	12,075	13,473
OPM (%)	18.5	21.0	19.7	20.3	20.8
Adjusted PAT	1,322	1,502	1,658	1,848	2,130
% YoY growth	5.3	13.6	10.4	11.5	15.2
Adjusted EPS (Rs.)	10.2	11.6	12.8	14.3	16.5
P/E (x)	71.4	62.8	56.9	51.0	44.3
P/B (x)	24.8	24.6	23.7	19.4	15.7
EV/EBIDTA (x)	51.7	46.4	43.5	37.5	32.4
RoNW (%)	37.0	39.4	42.5	41.9	39.2
RoCE (%)	41.0	41.4	43.2	45.2	44.9

Source: Company; Mirae Asset Sharekhan estimates

Outlook and Valuation

■ Sector Outlook – Volumes and margins to recover gradually

We expect gradual uptick in volume growth of consumer goods comapnies on low base from Q1/Q2FY26 driven by expectations of a good monsoon, moderation in urban inflation and government impetus to aid a volume recovery. With sustained input cost inflation, most companies have likely taken further price hikes in Q1FY26. Hence, we believe large improvement in volume growth could be seen in H2FY26 amid stable demand. On the margin front, margins are likely to remain lower in the coming quarters and if input prices stabilise in the coming months, we might see margin expansion from H2FY26.

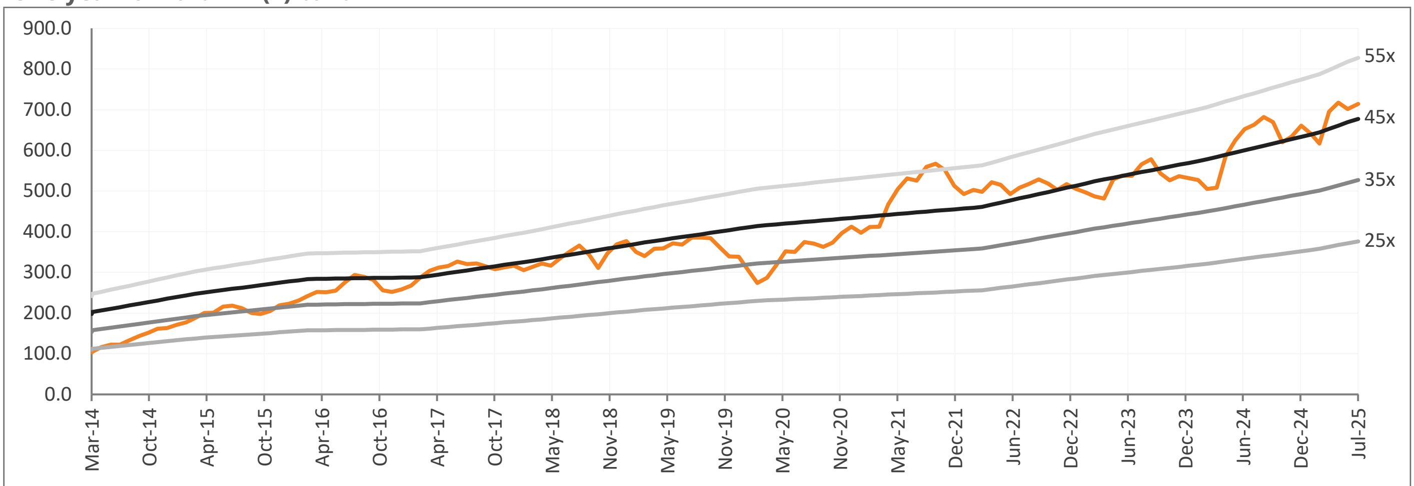
■ Company Outlook – Expects double-digit revenue growth trajectory to continue

FY25 consolidated revenues grew by 12.2% y-o-y (5% volume growth), OPM fell by 124 bps y-o-y to 19.7% and PAT rose 10.4% y-o-y. Despite input cost headwinds in the near term, Marico expects to sustain the double-digit revenue growth momentum and will strive to deliver double-digit operating profit growth in FY26. Consistent growth in the core portfolio, str0ong double-digit growth in the foods and premium personal care portfolio, and double-digit growth in the international business will help revenue to grow in double digits in the medium term. Increased contribution from high-margin products and cost efficiencies will drive consistent margin expansion in the medium term.

■ Valuation – Retain Buy with an unchanged PT of Rs. 825

Marico is eyeing double-digit earnings growth in the near to medium term with gradual improvement in volume growth of core portfolio, strong double-digit growth in new businesses, and a consistent improvement in profitability with an increase in salience of new higher-margin businesses. Portfolio diversification to premium foods and personal care products categories will improve revenue growth trajectory in the long run. The stock trades at 51x and 44x its FY26E and FY27E EPS, respectively. We retain a Buy rating on the stock with an unchanged PT of Rs. 825.

One-year forward P/E (x) band



Source: Company; Mirae Asset Sharekhan Research

Peer Comparison

Particulars	P/E (x)			EV/EBIDTA (x)			RoCE (%)		
	FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E
Dabur	50.4	44.9	39.9	38.2	34.3	30.6	19.5	20.7	22.0
Hindustan Unilever	53.7	50.8	46.1	37.9	35.6	32.3	26.9	29.0	32.8
Emami	28.0	25.4	22.6	23.1	20.3	17.9	37.6	36.8	35.5
Marico	56.9	51.0	44.3	43.5	37.5	32.4	43.2	45.2	44.9

Source: Company; Mirae Asset Sharekhan Research

About company

Marico is one of India's leading consumer products companies in the domestic hair and wellness market with a turnover of over Rs. 10,500 crore. The company is present in the categories of hair care, skin care, edible oils, health foods, and male grooming, with a vast portfolio of brands such as Parachute, Saffola, Hair & Care, Nihar, Livon, Kaya Youth, and Coco Soul. The company is currently present in 25 countries across emerging markets of Asia and Africa, including Middle East, Bangladesh, Vietnam, Egypt, and South Africa, which constitute ~25% of the total revenue. The company has a retail reach of over 5 million outlets in the domestic market.

Investment theme

Marico is a leading player in the domestic hair and wellness market with a leadership position in categories such as coconut oil (~63% market share), VAHO (~28% market share), and Parachute Rigids within coconut oil (~54% market share). Marico has a three-pronged strategy of driving growth through key categories, innovations/entrance into the niche category, and scaling up its presence in international geographies. In recent times, the company has entered into niche categories such as male grooming, premium hair nourishment, and healthy foods, which will not only improve the company's revenue growth trajectory but would also help boost margins in the long run due to their premium nature. Consistent innovations, a wide distribution network, and expansion in new-age channels like modern trade and e-commerce would be key platforms to achieve good growth in the near term.

Key Risks

- A slowdown in key product categories would affect overall demand and revenue growth.
- A significant increase in prices of key raw materials such as copra (~40% of input costs) would affect profitability and earnings growth.
- Increased competition in highly penetrated categories such as VAHO and edible oils would threaten revenue growth.

Additional Data

Key management personnel

Name	Designation
Harsh Mariwala	Chairman
Saugata Gupta	Chief Executive Officer and Managing Director
Pawan Agrawal	Chief Financial Officer
Vinay M A	Company Secretary and Compliance Officer

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Life Insurance Corp of India	3.00
2	Blackrock Inc.	2.27
3	First Sentier Investors ICVC	2.21
4	HDFC Asset Management Co. Ltd.	1.84
5	Vanguard Group Inc.	1.69
6	Quant Money Managers Ltd.	1.39
7	Royal Bank of Canada	1.25
8	Norges Bank	1.03
9	SBI Pension Funds Pvt. Ltd.	1.01
10	Edelweiss Asset Management Ltd.	0.77

Source: Bloomberg

Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and detoriating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

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