

Marico Ltd.	CMP Rs. 98.60 HOLD	Result Update Q3FY10
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Marico Ltd reported an average set of numbers for the December quarter FY10.

On a consolidated level, Y-o-Y basis, the topline grew by 7.8%, from Rs.6,210.1 Mn in Q3 FY09 to Rs .6,695.7 Mn. Similar to last quarter, growth was essentially volume-led. On the raw materials front, the company continued to benefit from the fall in input prices. Cost of Materials was down 781 basis points from the quarter ended Dec 2008. Copra prices were down 22% y-o-y while safflower oil input prices were lower 28% y-o-y. Put together, these form over half the company's raw material costs.

Meanwhile, Marico made a further provision for excise duty on coconut oil packs of below 200ml. The amount for the same was Rs.110 Mn this quarter. Advertising and Promotional Spends increased by 35%. Overall, OPM went up by 200 bps to 14.75%. Reported PAT stood at Rs.622 Mn as against Rs.508.9 Mn for the same period a year ago, a rise of 22.22%. EPS stood at Rs 1.02.

Parachute coconut oil (rigid packs) grew by 8% in volume over the corresponding period last year. During the 12 months as of Dec '09, Parachute's market share (volume) stood at 45.9% while that of Parachute, Nihar and Oil of Malabar together stood at 53.4%.

The overall basket of hair oils including Hair & Care and Shanti Badam Amla saw a 10% volume growth y-o-y and maintained its market share at 21%. Saffola, the company's other flagship brand, registered a growth of 18%(volume) over the same quarter, a year ago. The promotional offers on two of its variants have continued and hence value growth was only in single digits. Notably, this was the first time that Saffola overtook the volumes of Sundrop, the other competitor in premium refined edible oils.

On the Kaya skin clinic front, turnover was up 10% at Rs.440 Mn. The company also opened its first clinic in Bangladesh during this period. However, the big concern is that same clinics in India (those in existence for 12 months and over) saw a 13% de-growth y-o-y. While the Middle East part of the business is doing well (16% same clinic growth y-o-y), the company has spelled caution regarding the overall business. Management indicated that they will not be opening any new stores in India for FY11 and instead will focus on consolidating the existing ones. For the quarter, the business made a loss of Rs.37 Mn.

International business continued to do well. It saw a 24% y-o-y growth (28% ignoring currency translation). The share of International business formed 23% of overall Revenues. This quarter also saw the acquisition of a hair styling brand 'Code 10' from Colgate-Palmolive in Malaysia. With this, the Company has now made its entry into the South East Asian market and expects fast organic growth from hereon.

At a CMP of Rs.98.60, Marico trades at a PE(ttm) of 26.7. Considering the Kaya business same clinic de-growth and the rising food inflation, the business might face some concerns in the short run. However, the brands of the Company continue to be strong in the market and on a medium to longer term, the business seems to be steady. We recommend a Hold.

Quarterly Financials

Earnings Statement								
YE March (Rs. Mn.)	Q3FY10	Q2FY10	Q-Q(%)	Q3FY09	Y-Y(%)	9 mths FY10	9 mths FY09	Y-Y(%)
Net Revenues	6,695.7	6,922.1	-3.27%	6,210.1	7.82%	20,585.0	18,224.7	12.95%
Cost of Materials	3,167.5	3,261.6	-2.89%	3,422.7	-7.46%	9,930.5	9,927.5	0.03%
Gross Profit	3,528.2	3,660.5	-3.61%	2,787.4	26.58%	10,654.5	8,297.2	28.41%
Staff Costs	474.0	503.1	-5.79%	407.8	16.21%	1,464.6	1,229.1	19.16%
Advertising and Sales Promotion	855.8	913.6	-6.33%	633.1	35.18%	2,618.8	1,879.9	39.30%
Other Expenses	1,210.7	1,294.1	-6.44%	955.1	26.76%	3,668.9	2,901.1	26.47%
Total Expenditure	5,707.9	5,972.4	-4.43%	5,418.7	5.34%	17,682.8	15,937.7	10.95%
Operating Profit	987.8	949.7	4.01%	791.4	24.81%	2,902.2	2,287.0	26.90%
OPM (%)	14.75%	13.72%		12.74%		14.10%	12.55%	
Other Income	56.3	41.9	34.14%	43.2	30.31%	129.6	90.8	42.82%
EBITDA	1,044.0	991.7	5.28%	834.6	25.10%	3,031.8	2,377.7	27.51%
Depreciation	165.7	178.7	-7.25%	97.5	69.90%	443.6	253.8	74.80%
EBIT	878.3	813.0	8.04%	737.1	19.17%	2,588.1	2,123.9	21.85%
Interest	64.0	56.1	14.01%	80.3	-20.26%	206.5	272.2	-24.15%
Exceptional Items	-	-		-		40.5	-	
PBT	814.3	756.8	7.59%	656.8	23.99%	2,341.1	1,851.7	26.43%
Tax	183.1	132.6		147.8		526.0	408.3	
PAT before Minority Interest	631.2	624.2	1.12%	509.0	24.00%	1,815.1	1,443.4	25.75%
Minority Interest	9.2	0.6		0.1		9.8	0.4	
PAT	622.0	623.547	-0.25%	508.9	22.22%	1805.3	1443.1	25.10%
Equity Capital (FV Re 1)	609.3	609.2		609.0		609.3	609.0	
EPS	1.0	1.0	-0.26%	0.8	22.17%	3.0	2.4	25.04%
	26.7							
Ratio Analysis								
Profitability								
YE March (Rs. Mn.)	Q3FY10	Q2FY10	Q-Q(bps)	Q3FY09	Y-Y(bps)	9 mths FY10	9 mths FY09	Y-Y(bps)
OPM (%)	14.75%	13.72%	103.2	12.74%	200.8	14.10%	12.55%	155.0
EBITDA (%)	15.59%	14.33%	126.7	13.44%	215.3	14.73%	13.05%	168.1
EBIT (%)	13.12%	11.74%	137.3	11.87%	124.9	12.57%	11.65%	91.9
PAT (%)	9.43%	9.02%	40.9	8.20%	123.0	8.82%	7.92%	89.7
Operational Parameters								
YE March (Rs. Mn.)	Q3FY10	Q2FY10	Q-Q(bps)	Q3FY09	Y-Y(bps)	9 mths FY10	9 mths FY09	Y-Y(bps)
RM Consumed	47.31%	47.12%	18.7	55.11%	(780.9)	48.24%	54.47%	(623.1)
Advertising and Sales Promotion	12.78%	13.20%	(41.7)	10.19%	258.7	12.72%	10.32%	240.6
Staff Cost	7.08%	7.27%	(18.9)	6.57%	51.1	7.11%	6.74%	37.1

Financials

Earnings Statement					Balance Sheet				
Particulars (Rs Mn)	FY06	FY07	FY08	FY09	Particulars (Rs Mn)	FY06	FY07	FY08	FY09
Total Revenues	11,439.4	15,569.2	19,050.4	23,884.2	Equity Capital	580.0	609.0	609.0	609.0
- Growth (%)		36.1%	22.4%	25.4%	Reserves	2034.8	1314.7	2537.2	3925.9
Total Expenditure	9,997.6	13,583.6	16,588.2	20,844.3	Shareholders Funds	2614.8	1923.7	3146.2	4534.9
Operating Profit	1,441.8	1,985.6	2,462.2	3,039.9	Minority Interest	-	0.1	1.2	-
Other Income	35.4	101.6	95.6	122.0	Loan Funds	2396.5	2509.7	3579.4	3749.7
EBITDA	1,477.2	2,087.2	2,557.8	3,161.9	Deferred Tax Liability (Net)	82.8	-	-	-
Depreciation	446.7	520.6	307.5	357.9	Total Liabilities	5094.1	4433.5	6726.8	8284.6
EBIT	1,030.5	1,566.6	2,250.3	2,804.0	Goodwill on Consolidation	16.7	449.5	842.4	850.3
Interest	50.5	206.1	305.2	357.3	Fixed Assets	3813.0	1654.4	2573.1	3111.0
PBT and Exceptional Items	980.0	1,360.5	1,945.1	2,446.7	Investments	184.7	0.1	0.1	121.1
Exceptional Items	-	140.3	106.1	(150.3)	Deferred Tax Asset (Net)	-	1151.5	981.7	641.2
PBT	980.0	1,500.8	2,051.2	2,296.4	Current Assets				
Tax	111.2	371.9	359.5	409.3	Inventory	1322.9	2214.7	2604.6	3390.4
PAT Before Minority Interest	868.8	1,128.9	1,691.7	1,887.1	Sundry Debtors	515.3	642.6	862.7	1108.0
- Growth (%)		29.9%	49.9%	11.6%	Loans & Advances	528.8	716.6	1060.9	1298.5
Minority Interest loss/(profit) of subsidiaries	-		(1.0)	0.1	Cash & Bank Balance	414.6	429.4	752.8	921.9
Reported PAT	868.8	1,128.9	1,690.7	1,887.2	Other Current Assets	-	-	-	-
					Current Liabilities				
					Liabilities	1498.3	2679.3	2559.6	2802.7
					Provisions	206.1	147.2	391.9	355.1
					Net Current Assets	1077.2	1176.8	2329.5	3561.0
					Miscellaneous Exp not W/Off	2.5	1.2	-	-
					Total Assets	5094.1	4433.5	6726.8	8284.6

Ratio Analysis				
Particulars	FY06	FY07	FY08	FY09
OPM (%)	12.6%	12.8%	12.9%	12.7%
EBITDA (%)	12.9%	13.4%	13.4%	13.2%
PBIT (%)	9.0%	10.1%	11.8%	11.7%
PAT (%)	7.6%	7.3%	8.9%	7.9%
Interest Cover (x)	20.4	7.6	7.4	7.8
EPS (Rs.)	1.5	1.9	2.8	3.1
P/E (x)	65.8	53.2	35.5	31.8
P/BV (x)	21.9	31.2	19.1	13.2
BVPS (Rs.)	4.5	3.2	5.2	7.4
Market Cap (Rs. Mn.)	57,188.0	60,047.4	60,047.4	60,047.4
M Cap/Sales (x)	5.0	3.9	3.2	2.5
EV (Rs. Mn.)	59,169.9	62,127.7	62,874.0	62,875.2
EV/EBITDA (x)	40.1	29.8	24.6	19.9
EV/Sales (x)	5.2	4.0	3.3	2.6
ROCE (%)	20.2%	35.3%	33.5%	33.8%
RONW (%)	33.2%	58.7%	53.7%	41.6%
Debt/Equity Ratio (x)	0.9	1.3	1.1	0.8
Inventory T/o Days	41.6	51.2	49.2	51.1
Debtors T/o Days	16.2	14.9	16.3	16.7
Advances T/o Days	16.6	16.6	20.0	19.6
Creditors T/o Days	47.2	62.0	48.4	42.2
Working Cap T/o Days	33.9	27.2	44.0	53.7
Fixed Assets T/o (Gross)	2.4	5.6	5.4	5.2
DPS (Adjusted)(Rs.)	0.6	0.6	0.7	0.7
Dividend Payout (%)	41.4%	34.6%	23.6%	21.1%
Dividend Yield (%)	0.6%	0.7%	0.7%	0.7%

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Disclosure of Interest Statement

1. Analyst Ownership of the scrip
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Marico

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