

<p><b>Marico Limited</b></p>	<p>CMP Rs. 106.95 HOLD</p>	<p>Result Update <b>Q4FY10</b></p>
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Marico Ltd reported an average set of numbers for the March quarter FY10.

On a quarterly consolidated basis, yoy, the topline grew by 6.41%, from Rs.5,659.6 Mn in Q4 FY09 to Rs.6,022.6 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 644 basis points from the quarter ended Mar 2009. Copra prices were down 9% y-o-y.

Marico continued to make a provision for excise duty on coconut oil packs of below 200ml, albeit a small one this quarter, of only Rs.11.5 Mn. Advertising and Promotional Spends increased by 63.5%. The hike was to support new product launches. Also, the savings of lower raw material prizes were ploughed back into the business through A&SP. Overall, OPM went up by 80 bps to 14.1%. Reported PAT stood at Rs.511.5 Mn as against Rs.444.1 Mn for the same period a year ago, a rise of 15.2%. EPS stood at Rs.0.8.

Parachute coconut oil (rigid packs) grew by 10% in volume over the corresponding period last year. However value growth would be lower due to price cuts taken for some packs. The overall basket of hair oils including Hair & Care and Shanti Badam Amla saw a 27% volume growth y-o-y. Market share as of Feb 2010 (12 mths, vol) stood at 21%.

On the Kaya skin clinic front, the Company closed down/ relocated another 7 clinics. Like Q3FY10, same clinics in India (those in existence for 12 months and over) continued to show a 13% de-growth y-o-y. Middle East part of the business did well though with a 17% growth. For the quarter, the business made a loss of Rs.53 Mn. Also, the Company has withdrawn the Kaya Life prototype as it did not work to expectations.

International business continued to do well. It saw a 16% y-o-y growth (22% ignoring currency translation).

On an Annual Consolidated basis, yoy, the business grew by 14%, volume. Value growth was however lower as the Company decided to pass on the benefits of lower raw material costs, to the consumer.

Overall volume growth for Parachute coconut oil rigid packs stood at 10%. With copra prices lower by 20% average across the year, the premium v/s loose oil widened and this made it difficult for the Company to convert consumers from loose oil to packed oil usage.

Saffola, Marico's other flagship brand, grew by 16% volume. Lower safflower oil prices by about 22% allowed the Company to run promotions and thus expand its consumer franchise.

Overall Revenues for Kaya business were up 15%. However this was more so, because of the new clinic additions. The business lost Rs.122.5 Mn at the PAT level. Mgmt has indicated that they do not intend to open any new clinics in India in FY11. Middle East may see 3 to 5 new clinics though.

International business now forms a considerable part of Marico's overall Revenues, at 23%. It saw a 36% growth for the year (21% volume, 9% price, 6% favorable forex).

The Company has declared its second interim dividend of Rs.0.36. At a CMP of Rs.106.95, Marico trades at a PE(TTM) of 28.15. Valuations seem rich. Also we have our concerns about the Kaya business. But overall, the Company stands in good stead. The brands of the Company continue to be strong in the market. On a medium to longer term, we expect the business to keep growing well. Recommend a 'Hold'.

## Quarterly Financials

Earnings Statement								
YE March (Rs. Mn.)	Q4FY10	Q3FY10	Q-Q(%)	Q4FY09	Y-Y(%)	FY10	FY09	Y-Y(%)
Net Revenues	6,022.6	6,695.7	-10.05%	5,659.6	6.41%	26,607.6	23,884.2	11.40%
Cost of Materials	2,646.0	3,167.5	-16.46%	2,851.2	-7.19%	12,616.0	12,778.7	-1.27%
Gross Profit	3,376.5	3,528.2	-4.30%	2,808.4	20.23%	13,991.6	11,105.5	25.99%
Staff Costs	436.6	474.0	-7.88%	428.2	1.96%	1,901.3	1,657.6	14.70%
Advertising and Sales Promotion	892.4	855.8	4.28%	545.9	63.47%	3,511.2	2,425.9	44.74%
Other Expenses	1,198.2	1,210.7	-1.03%	1,081.2	10.83%	4,827.8	3,982.1	21.24%
Total Expenditure	5,173.3	5,707.9	-9.37%	4,906.5	5.44%	22,856.1	20,844.2	9.65%
Operating Profit	849.3	987.8	-14.02%	753.0	12.78%	3,751.4	3,040.0	23.40%
OPM (%)	14.10%	14.75%		13.31%		14.10%	12.73%	
Other Income	53.0	56.3	-5.74%	31.3	69.59%	182.6	122.0	49.68%
EBITDA	902.3	1,044.0	-13.58%	784.3	15.04%	3,934.1	3,162.1	24.41%
Depreciation	157.0	165.7	-5.26%	104.2	50.63%	600.6	358.0	67.76%
EBIT	745.3	878.3	-15.15%	680.1	9.59%	3,333.4	2,804.0	18.88%
Interest	50.4	64.0	-21.31%	85.1	-40.83%	256.8	357.3	-28.12%
Exceptional Items	57.4			150.3	-61.83%	97.9	150.3	
PBT	637.5	814.3	-21.71%	444.6	43.38%	2,978.7	2,296.4	29.71%
Tax	117.2	183.1		1.0		643.2	409.3	
PAT before Minority Interest	520.3	631.2	-17.56%	443.6	17.28%	2,335.4	1,887.1	23.76%
Minority Interest	8.9	9.2		(0.4)		18.7	(0.1)	
PAT	511.5	621.999	-17.77%	444.1	15.17%	2316.7	1887.2	22.76%
Equity Capital (FV Re 1)	609.3	609.3		609.0		609.3	609.0	
EPS	0.8	1.0	-17.77%	0.7	15.13%	3.8	3.1	22.70%
Ratio Analysis								
Profitability								
YE March	Q3FY10	Q2FY10	Q-Q(bps)	Q3FY09	Y-Y(bps)	FY10	FY09	Y-Y(bps)
OPM (%)	14.10%	14.75%	(65.1)	13.31%	79.5	14.10%	12.73%	137.1
EBITDA (%)	14.98%	15.59%	(61.1)	13.86%	112.4	14.79%	13.24%	154.6
EBIT (%)	12.37%	13.12%	(74.3)	12.02%	35.8	12.53%	11.74%	78.8
PAT (%)	8.64%	9.43%	(78.7)	7.84%	80.1	8.78%	7.90%	87.6
Operational Parameters								
YE March	Q3FY10	Q2FY10	Q-Q(bps)	Q3FY09	Y-Y(bps)	FY10	FY09	Y-Y(bps)
RM Consumed	43.94%	47.31%	(337.0)	50.38%	(644.2)	47.41%	53.50%	(608.8)
Advertising and Sales Promotion	14.82%	12.78%	203.6	9.65%	517.2	13.20%	10.16%	303.9
Staff Cost	7.25%	7.08%	17.1	7.57%	(31.7)	7.15%	6.94%	20.6
Other Expenditure	19.90%	18.08%	181.4	19.10%	79.2	18.14%	16.67%	147.2
Effective Tax Rate	18.39%	22.49%	(410.3)	0.22%	1816.3	21.59%	17.82%	377.2

## Financials

Earnings Statement					
Particulars (Rs Mn.)	FY06	FY07	FY08	FY09	FY10
Total Revenues	11,439.4	15,569.2	19,050.4	23,884.2	26,607.6
- Growth (%)		36.1%	22.4%	25.4%	11.4%
Total Expenditure	9,997.6	13,583.6	16,588.2	20,844.3	22,856.2
Operating Profit	1,441.8	1,985.6	2,462.2	3,039.9	3,751.4
Other Income	35.4	101.6	95.6	122.0	182.6
EBITDA	1,477.2	2,087.2	2,557.8	3,161.9	3,934.0
Depreciation	446.7	520.6	307.5	357.9	600.6
EBIT	1,030.5	1,566.6	2,250.3	2,804.0	3,333.4
Interest	50.5	206.1	305.2	357.3	256.8
PBT and Exceptional Items	980.0	1,360.5	1,945.1	2,446.7	3,076.6
Exceptional Items		140.3	106.1	(150.3)	(97.9)
PBT	980.0	1,500.8	2,051.2	2,296.4	2,978.7
Tax	111.2	371.9	359.5	409.3	643.2
PAT Before Minority Interest	868.8	1,128.9	1,691.7	1,887.1	2,335.5
- Growth (%)		29.9%	49.9%	11.6%	23.8%
Minority Interest loss/(profit) of subsidiaries			(1.0)	0.1	(18.7)
Reported PAT	868.8	1,128.9	1,690.7	1,887.2	2,316.8

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%

## Financials

Balance Sheet					
Particulars (Rs Mn.)	FY06	FY07	FY08	FY09	FY10
Equity Capital	580.0	609.0	609.0	609.0	609.3
Reserves	2034.8	1314.7	2537.2	3925.9	5930.3
Shareholders Funds	2614.8	1923.7	3146.2	4534.9	6539.6
Minority Interest		0.1	1.2		125.4
Loan Funds	2396.5	2509.7	3579.4	3749.7	4458.7
Deferred Tax Liability (Net)	82.8				0.0
Total Liabilities	5094.1	4433.5	6726.8	8284.6	11123.7
Goodwill on Consolidation	16.7	449.5	842.4	850.3	850.3
Fixed Assets	3813.0	1654.4	2573.1	3111.0	3996.6
Investments	184.7	0.1	0.1	121.1	827.1
Deferred Tax Asset (Net)		1151.5	981.7	641.2	616.3
Current Assets					
Inventory	1322.9	2214.7	2604.6	3390.4	4448.1
Sundry Debtors	515.3	642.6	862.7	1108.0	1506.9
Loans & Advances	528.8	716.6	1060.9	1298.5	1900.0
Cash & Bank Balance	414.6	429.4	752.8	921.9	1114.6
Other Current Assets	-	-	-	-	-
Current Liabilities					
Liabilities	1498.3	2679.3	2559.6	2802.7	3368.6
Provisions	206.1	147.2	391.9	355.1	767.6
Net Current Assets	1077.2	1176.8	2329.5	3561.0	4833.4
Miscellaneous Exp not W/Off	2.5	1.2			
Total Assets	5094.1	4433.5	6726.8	8284.6	11123.7

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1. Analyst Ownership of the scrip
2. PPFAS ownership of the scrip
3. PMS ownership of the scrip

Marico

NO  
YES  
YES

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