

Marico Ltd.	CMP Rs. 102.30 HOLD	Result Update Q2FY10
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Marico Ltd reported a good set of numbers for the September quarter FY10.

On a consolidated level, Y-o-Y basis, the topline grew by 14.44%, from Rs. 6,048.8 Mn in Q2 FY09 to Rs. 6,922.1 Mn. Growth was primarily volume-led. On the raw materials front, the company continued to benefit from the fall in input prices. Cost of Materials was down 700 basis points from the quarter ended Sep 2008. Meanwhile, Marico made a further provision for excise duty on coconut oil packs of below 200ml. The amount for the same was Rs. 124 Mn this quarter. Advertising and Promotional Spends increased by 60%. However, this is in line with the Company's guidance of 12% to 13% of Sales for the year. Overall, OPM went up by 150 bps to 13.72%. Reported PAT stood at Rs. 623.6 Mn as against Rs. 471.3 Mn for the same period a year ago, a rise of 32.32%. EPS stood at Rs 1.02.

Parachute coconut oil (rigid packs) grew by 10% in volume over the corresponding period last year. During the 12 months as of Aug '09, the company's coconut oil franchise of Parachute, Nihar and Oil of Malabar saw a drop in market share(volume) to 52.3%. However, this was due to a change in the assessment process by AC Nielsen which considers an expanded base for computing market share.

The overall basket of hair oils including Hair & Care and Shanti Badam Amla saw a 17% volume growth y-o-y and maintained its market share at 21%. Saffola, the company's other flagship brand, registered a growth of 21.9%(volume) over the same quarter, a year ago. However this was backed with promotional offers on two of the variants. Hence, value growth was only in single digits.

On the Kaya skin clinic front, the company added 2 new clinics this quarter. Overall, turnover increased by 24% but same clinic growth (those in existence for 12 months and over) was a mere 5% y-o-y. The imposition of service tax and the price increase taken by the Company effective Sept 1, 2009 could be a cause here. For the quarter, the business made a loss of Rs. 21 Mn.

International business continued to do well. It saw a 49% y-o-y growth (33% ignoring currency translation). The share of International business as a % of Revenues has been on the increase. From about 21% in Q1FY10, it is now at 25% of the Groups turnover for this quarter.

The Company has declared an interim dividend of 30%(Rs.0.30). At a CMP of Rs. 102.30, Marico trades at a PE(TTM) of 29.2. While business seems robust and growth is strong and likely, the stock is commanding a high PE as of now which does not leave any downside cushion for the investor. We recommend a Hold.

Quarterly Financials

Earnings Statement								
YE March (Rs. Mn.)	Q2FY10	Q1FY10	Q-Q(%)	Q2FY09	Y-Y(%)	H1FY10	H1FY09	Y-Y(%)
Net Revenues	6,922.1	6,967.2	-0.65%	6,048.8	14.44%	13,889.3	12,014.55	15.60%
Cost of Materials	3,261.6	3,501.4	-6.85%	3,275.3	-0.42%	6763.046	6,504.80	3.97%
Gross Profit	3,660.5	3,465.8	5.62%	2,773.5	31.98%	7,126.3	5,509.74	29.34%
Staff Costs	503.1	487.6	3.17%	387.1	29.98%	990.7	817.96	21.11%
Ads and Sales Promotion	913.6	849.4	7.56%	571.0	60.00%	1,763.0	1,255.33	40.44%
Other Expenses	1,294.1	1,164.1	11.17%	1,076.6	20.20%	2,458.2	1,940.87	26.66%
Total Expenditure	5,972.4	6,002.5	-0.50%	5,309.9	12.48%	11,974.9	10,518.97	13.84%
Operating Profit	949.7	964.7	-1.55%	738.9	28.53%	1,914.4	1,495.58	28.00%
OPM (%)	13.72%	13.85%		12.22%		13.78%	12.45%	
Other Income	41.9	31.4	33.60%	21.4	95.73%	73.3	47.57	54.17%
EBITDA	991.7	996.1	-0.45%	760.3	30.43%	1,987.7	1,543.15	28.81%
Depreciation	178.7	99.2	80.12%	81.8	118.50%	277.9	156.26	77.86%
EBIT	813.0	896.9	-9.36%	678.5	19.81%	1,709.8	1,386.89	23.28%
Interest	56.1	86.3	-34.94%	95.8	-41.41%	142.5	191.91	-25.77%
Exceptional Items	-	40.5		-		40.5	-	
PBT	756.8	770.1	-1.72%	582.7	29.88%	1,526.8	1,194.98	27.77%
Tax	132.6	210.3		111.3		342.9	260.54	
PAT before Minority Interest	624.2	559.8	11.50%	471.4	32.42%	1,183.9	934.44	26.70%
Minority Interest	0.6	-		0.1		0.6	.26	
PAT	623.547	559.8	11.39%	471.247	32.32%	1183.275	934.18	26.66%
Equity Capital (FV Re 1)	609.2	609.0		609.0		609.2	609.0	
EPS	1.0	0.9	11.36%	0.8	32.28%	1.9	1.5	26.63%
Ratio Analysis								
Profitability								
YE March (Rs. Mn.)	Q2FY10	Q1FY10	Q-Q(bps)	Q2FY09	Y-Y(bps)	H1FY10	H1FY09	Y-Y(bps)
OPM (%)	13.72%	13.85%	(12.6)	12.22%	150.5	13.78%	12.45%	133.5
EBITDA (%)	14.33%	14.30%	2.9	12.57%	175.6	14.31%	12.84%	146.7
EBIT (%)	11.74%	12.87%	(112.8)	11.22%	52.7	12.31%	11.54%	76.7
PAT (%)	9.02%	8.03%	98.3	7.79%	122.4	8.52%	7.78%	74.6
Operational Parameters								
YE March (Rs. Mn.)	Q2FY10	Q1FY10	Q-Q(bps)	Q2FY09	Y-Y(bps)	H1FY10	H1FY09	Y-Y(bps)
RM Consumed	47.12%	50.26%	(313.7)	54.15%	(702.9)	48.69%	54.14%	(544.9)
Ads and Sales Promotion	13.20%	12.19%	100.7	9.44%	375.9	12.69%	10.45%	224.5
Staff Cost	7.27%	7.00%	26.9	6.40%	86.9	7.13%	6.81%	32.4
Other Expenditure	18.69%	16.71%	198.7	17.80%	89.7	17.70%	16.15%	154.4
Effective Tax Rate	17.53%	27.31%	(978.2)	19.10%	(157.9)	22.46%	21.80%	65.6

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 EI	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 MI	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
MI 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)	66.9	54.1	36.1	32.3
P/BV (x)	22.2	31.7	19.4	13.5
BVPS (Rs.)	4.5	3.2	5.2	7.4
Market Cap (Rs. Mn.)	58,116.0	61,021.8	61,021.8	61,021.8
M Cap/Sales (x)	5.1	3.9	3.2	2.6
EV (Rs. Mn.)	60,097.9	63,102.1	63,848.4	63,849.6
EV/EBITDA (x)	40.7	30.2	25.0	20.2
EV/Sales (x)	5.3	4.1	3.4	2.7
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%	0.6%	0.7%	0.7%

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1. Analyst Ownership of the scrip
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Marico

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