Marico Ltd

CMP: INR 746

Rating: BUY

Target Price: INR 1,031

Stock Info	
BSE	531642
NSE	MARICO
Bloomberg	MRCO:IN
Reuters	MRCO.BO
Sector	Personal Products
Face Value (INR)	1
Equity Capital (INR cr)	130
Mkt Cap (INR cr)	96,824
52w H/L (INR)	780/578
Avg Daily Volume (in 000')	1,948

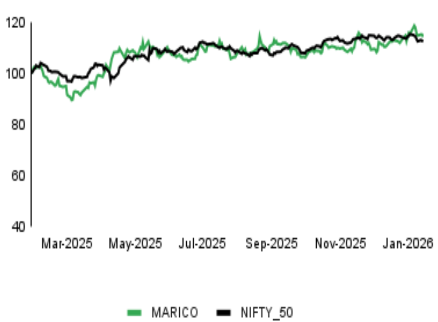
Shareholding Pattern %

(As on Dec 2025)

Promoters	58.93
FII	24.02
DII	12.23
Public & Others	4.82

Stock Performance (%)	**1m**	**6m**	**12m**
Marico	(6.40)	6.92	90.05
Nifty 50	(2.96)	200	10.28

Marico Vs Nifty 50



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Marico Ltd reported a strong Q3FY26 performance with consolidated revenue rising 26.6% YoY to INR 3,537 crore, supported by healthy volume growth and pricing actions. EBITDA increased 11.1% YoY to INR 592 crore, though EBITDA margin moderated by -234 bps YoY to 16.7% due to higher raw material costs and increased employee expenses, partly offset by controlled A&P spends. Gross margin declined sharply by 596 bps YoY to 43.5%, reflecting commodity inflation, while operating leverage supported sequential margin expansion of 65 bps QoQ. PAT grew 13.3% YoY to INR 460 crore, aided by a lower effective tax rate, while consolidated PAT stood at INR 486 crore, up 24.9% YoY.

Scaling the Food and Digital-First Portfolios: Marico is successfully diversifying its revenue base, with the non-core portfolio currently contributing approximately 22% of total turnover, nearing the long-term target of 25%. The digital-first portfolio is projected to exit FY26 with an ARR of INR 1,000+ crore, aiming for 2.5x FY24 levels by next year and targeting double-digit EBITDA margins by FY27. The strategic acquisition of 4700 BC fills a critical gap in premium gourmet snacking, with management expecting to triple its current INR 140 crore ARR within three years by leveraging Marico's GTM capabilities and expanding into modern trade and premium retail.

Structural Margin Expansion via Input Cost Deflation: The company is positioned for meaningful profitability gains, targeting an operating margin improvement of 150 to 200 bps. This is primarily supported by a 25-30% correction in copra prices from peak levels. The company's tactical decision to delay immediate price cuts, opting for a one-shot adjustment once price visibility is clear, allows the company to capture higher gross margins in the interim. Additionally, the increasing mix of high-margin Value Added Hair Oils and premium products like cold-pressed oils provides a structural tailwind to the overall margin profile.

Valuation & Outlook: The company is moving into a phase of purposeful acceleration, supported by gradual recovery in urban and rural consumption amid easing inflation and higher MSPs. GST rate rationalization is expected to boost affordability and shift demand from unbranded to branded products. The company targets mid-teens operating profit growth and a 150–200 bps margin expansion, aided by lower copra prices (25–30% decline) and supply chain efficiencies. Growth will be supported by the food business returning to 20–25% growth and the digital-first portfolio crossing INR 1,000+ crore ARR by FY26. Internationally, Marico expects to maintain its broad-based growth momentum across key markets. We assigns a TP of INR 1,031 valued at a P/E multiple of 38x the FY28E EPS of INR 27.1, yielding an upside of 38.2%, and a 'BUY' rating.

INR Cr	FY24	FY25	FY26E	FY27E	FY28E
Revenues	9,653	10,831	13,880	17,391	21,851
yoy growth (%)	(1.1)	12.2	28.2	25.3	25.6
Operating profit	2,027	2,139	2,415	3,026	3,977
OPM (%)	21.0	19.7	17.4	17.4	18.2
Reported PAT	1,524	1,678	1,893	2,519	3,500
yoy growth (%)	13.7	10.1	12.8	33.0	38.9
EPS (Rs)	11.8	13.0	14.7	19.5	27.1
P/E (x)	63.1	57.4	50.8	38.2	27.5
Price/Book (x)	25.1	24.2	22.1	19.4	15.6
EV/EBITDA (x)	47.2	45.4	39.8	31.6	23.7
Debt/Equity (x)	0.3	0.5	0.4	0.4	0.3
RoE (%)	41.3	44.4	46.8	55.4	64.0

Source: Company & Arihant Research

INR Cr (consolidated)	Q3FY26	Q2FY26	Q3FY25	Q-o-Q	Y-o-Y
Net Revenue	**3,537**	**3,482**	**2,794**	***1.58%***	***26.59%***
Raw Material Costs	1,997	1,997	1,411	*0.00%*	*41.53%*
Gross Profit	1,540	1,485	1,383	*3.70%*	*11.35%*
Gross Margin	43.54%	42.65%	49.50%	*89bps*	*-596bps*
Employee costs	241	218	207	*10.55%*	*16.43%*
Advertising and Promotion Expenses	336	345	293	*-2.61%*	*14.68%*
Other Expenses	371	362	350	*2.49%*	*6.00%*
EBITDA	**592**	**560**	**533**	***5.71%***	***11.07%***
EBITDA margin %	*16.74%*	*16.08%*	*19.08%*	*65bps*	*-234bps*
Depreciation	50	47	44	*6.38%*	*13.64%*
EBIT	**542**	**513**	**489**	***5.65%***	***10.84%***
Finance costs	14	12	13	*16.67%*	*7.69%*
Other Non Operating Income	39	49	42	*-20.41%*	*-7.14%*
PBT	**567**	**550**	**518**	***3.09%***	***9.46%***
Tax Expense	107	118	112	*-9.32%*	*-4.46%*
Effective tax rate %	19%	21%	22%	*-258bps*	*-275bps*
PAT	**460**	**432**	**406**	***6.48%***	***13.30%***
Other comprehensive income	26	24	-17	*8.33%*	*-252.94%*
Consolidated PAT	**486**	**456**	**389**	***6.58%***	***24.94%***
PAT margin %	*13.49%*	*12.83%*	*13.80%*	*67bps*	*-31bps*
EPS (Rs)	**3.45**	**3.24**	**3.08**	***6.48%***	***12.01%***

Strong Market Leadership and Pricing Power: The company continues to strengthen its market position, with over 95% of its portfolio gaining or maintaining market share and 80% sustaining penetration on a MAT basis. Despite higher pricing, the India business has shown strong resilience, with key brands like Parachute delivering positive volume growth even after steep price increases. The VAHO portfolio has reached a record ~30% value share, highlighting successful premiumisation and strong consumer loyalty across core categories.

Stronger Distribution Driving Growth (Project SETU): The company's continued investment in Project SETU has meaningfully improved its distribution strength and on-ground execution. The initiative has helped revive the VAHO segment and is now being used to expand direct reach in rural areas and upgraded towns. With only 30–35% of the project’s potential utilised so far, the company sees a long runway for volume growth through deeper market penetration and a better product mix, especially in urban specialty channels such as chemists and cosmetic stores.

International Business Driving Consistent Growth: The company's international business has emerged as a strong and diversified growth driver, delivering double-digit constant currency growth in key markets such as Vietnam and South Africa. Despite macro challenges, the Bangladesh business has remained resilient, posting 9% value growth even amid regional disruptions. With newer categories like shampoos gaining scale overseas and steady performance in the MENA region, the international segment is well placed to sustain growth momentum over the medium term.

Catalytic Impact of GST Rationalization: The recent GST rate rationalization is viewed as a transformative tailwind, reducing taxes on key personal care and packaged food categories from 18% to 5%. This significant reduction drives product affordability and is expected to accelerate the structural shift from unbranded to branded consumption as consumers trade up to aspirational brands. The company anticipates this will provide a constructive backdrop for a gradual recovery in consumption across both urban and rural markets in the coming quarters.

Income statement summary

Income Statement (INR Cr)	FY24	FY25	FY26E	FY27E	FY28E
Revenue	**9,653**	**10,831**	**13,880**	**17,391**	**21,851**
Net Raw Materials	4,748	5,388	7,523	9,252	11,537
Advt & Promotion	952	1,128	1,416	1,774	2,229
Employee Cost	742	831	930	1,252	1,639
Other Expenses	1,184	1,345	1,596	2,087	2,469
Total Expenses	**7,626**	**8,692**	**11,465**	**14,365**	**17,874**
EBITDA	**2,027**	**2,139**	**2,415**	**3,026**	**3,977**
EBITDA %	**21.0**	**19.7**	**17.4**	**17.4**	**18.2**
Depreciation	(158)	(178)	(197)	(241)	(273)
Interest expense	(73)	(53)	(59)	(58)	(56)
Other income	142	208	278	522	874
Profit before tax	**1,959**	**2,136**	**2,454**	**3,266**	**4,540**
Taxes	(435)	(458)	(560)	(747)	(1,040)
Reported Net profit	**1,524**	**1,678**	**1,893**	**2,519**	**3,500**
Other Comprehensive income	-73	-74	-74	-74	-74
Net profit	**1,451**	**1,604**	**1,819**	**2,445**	**3,426**
EPS (INR)	**12.2**	**13.4**	**15.1**	**20.0**	**27.6**

Balance sheet summary

Consolidated Balance Sheet (INR Cr)	FY24	FY25	FY26E	FY27E	FY28E
Equity capital	129	129	129	129	129
Reserves	3,703	3,846	4,224	4,819	6,040
Net worth	**3,832**	**3,975**	**4,353**	**4,948**	**6,169**
Minority Interest	337	291	291	291	291
Debt	992	1,996	1,946	1,896	1,846
Other non-current liabilities	19	27	27	27	27
Deferred tax liab (net)	362	340	340	340	340
Total liabilities	**5,542**	**6,629**	**6,957**	**7,502**	**8,673**
Fixed assets	909	940	851	867	882
Capital Work In Progress	44	40	58	88	124
Other Intangible assets	937	946	946	946	946
Goodwill	863	857	857	857	857
Investments	558	359	359	359	359
Other non current assets	108	106	39	48	61
Net working capital	**910**	**1,219**	**1,290**	**1,139**	**895**
Inventories	1,336	1,235	1,662	1,966	2,356
Sundry debtors	1,069	1,271	1,436	1,558	1,654
Loans & Advances	4	7	4	5	6
Other current assets	380	415	501	628	789
Sundry creditors	(1,581)	(1,363)	(1,893)	(2,492)	(3,250)
Other current liabilities & Prov	(298)	(346)	(419)	(526)	(660)
Cash	943	777	1,786	2,231	3,335
Other Financial Assets	270	1,385	771	966	1,214
Total assets	**5,542**	**6,629**	**6,957**	**7,502**	**8,673**

Source: Company & Arihant Research

Cashflow summary

Cash Flow Statement (INR Cr)	FY24	FY25	FY26E	FY27E	FY28E
Profit before tax	**1,959**	**2,136**	**2,454**	**3,266**	**4,540**
Depreciation	158	178	197	241	273
Tax paid	(435)	(458)	(560)	(747)	(1,040)
Working capital Δ	(226)	(309)	(71)	151	245
Other operating items	(1)	6	-	-	-
Operating cashflow	**1,455**	**1,553**	**2,020**	**2,911**	**4,018**
Capital expenditure	(411)	(205)	(126)	(288)	(324)
Free cash flow	**1,044**	**1,348**	**1,894**	**2,623**	**3,694**
Equity raised	(192)	(106)	(87)	(495)	(851)
Investments	12	199	-	-	-
Others	268	(1,122)	681	(205)	(260)
Debt financing/disposal	78	1,004	(50)	(50)	(50)
Dividends paid	(1,226)	(1,355)	(1,355)	(1,355)	(1,355)
Other items	203	(134)	(74)	(74)	(74)
Net Δ in cash	**187**	**(166)**	**1,009**	**445**	**1,104**
Opening Cash Flow	**756**	**943**	**777**	**1,786**	**2,231**
Closing Cash Flow	**943**	**777**	**1,786**	**2,231**	**3,335**

Ratio analysis

Ratio analysis	FY24	FY25	FY26E	FY27E	FY28E
Growth matrix (%)					
Revenue growth	(1.1)	12.2	28.2	25.3	25.6
Op profit growth	12.0	5.5	12.9	25.3	31.4
EBIT growth	11.8	7.9	15.0	32.5	38.5
Net profit growth	13.7	10.1	12.8	33.0	38.9
Profitability ratios (%)					
OPM	21.0	19.7	17.4	17.4	18.2
EBIT margin	20.8	20.0	18.0	19.0	21.0
Net profit margin	15.8	15.5	13.6	14.5	16.0
RoCE	32.7	31.5	31.3	38.7	47.4
RoNW	41.3	44.4	46.8	55.4	64.0
RoA	28.4	26.1	28.0	34.3	41.0
Per share ratios					
EPS	11.8	13.0	14.7	19.5	27.1
Dividend per share	9.5	10.5	10.5	10.5	10.5
Cash EPS	13.0	14.4	16.2	21.4	29.2
Book value per share	29.7	30.8	33.7	38.4	47.8
Valuation ratios					
P/E	63.1	57.4	50.8	38.2	27.5
P/CEPS	57.2	51.9	46.0	34.9	25.5
P/B	25.1	24.2	22.1	19.4	15.6
EV/EBIDTA	47.2	45.4	39.8	31.6	23.7
Payout (%)					
Dividend payout	80.4	80.7	71.5	53.8	38.7
Tax payout	22.2	21.4	22.8	22.9	22.9
Liquidity ratios					
Debtor days	39.9	42.2	37.2	32.2	27.2
Inventory days	101.3	82.5	79.5	76.5	73.5
Creditor days	74.6	56.5	59.5	62.5	65.5
Leverage ratios					
Interest coverage	27.5	40.9	42.2	57.4	81.6
Net debt / equity	0.0	0.3	0.0	(0.1)	(0.2)
Net debt / op. profit	0.0	0.6	0.1	(0.1)	(0.4)

Source: Company & Arihant Research

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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