MARICO

VISIT NOTE

COFFEE WITH CEO

KEY DATA

Rating	BUY
Sector relative	Neutral
Price (INR)	699
12 month price target (INR)	815
52 Week High/Low	740/578
Market cap (INR bn/USD bn)	905/10.6
Free float (%)	40.4
Avg. daily value traded (INR mn)	1,654.9

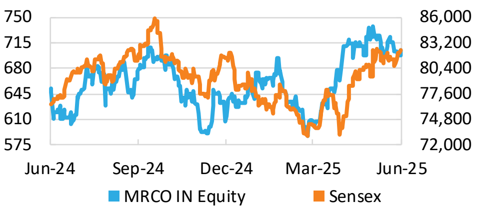
SHAREHOLDING PATTERN

	Mar-25	Dec-24	Sep-24
Promoter	59.05%	59.11%	59.20%
FII	22.09%	23.35%	24.87%
DII	14.12%	12.76%	11.12%
Pledge	0.13%	0.13%	0.13%

FINANCIALS (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Revenue	96,530	1,08,310	1,21,579	1,36,476
EBITDA	20,260	21,390	24,802	29,069
Adjusted profit	14,810	16,290	19,086	23,431
Diluted EPS (INR)	11.5	12.6	14.8	18.2
EPS growth (%)	13.7	10.0	17.2	22.8
RoAE (%)	38.8	41.7	42.4	41.3
P/E (x)	60.8	55.3	47.2	38.5
EV/EBITDA (x)	44.2	41.4	35.2	29.7
Dividend yield (%)	0.4	1.0	1.0	1.2

PRICE PERFORMANCE



Exemplar of portfolio transformation

We recently met with Mr Saugata Gupta, now into his 11th year as MD & CEO (m-cap up 18% CAGR). Insights: i) Marico is targeting ~INR200bn in revenue by FY30E (~INR108bn in FY25). ii) VAHO to grow at mid-to-high single digits in FY26E after a 3–4% dip in FY25. iii) Striving to create best-in-class D2C business. iv) Aiming for high-single-digit volume growth over mid-long term. v) Digital-first brands to be 2.5x FY24 ARR (of INR4.5bn) by FY27E along with double-digit EBITDA margin. vi) Foods revenue CAGR target: 25% in medium term.

We expect demand environment to be favourable in FY26E, and copra inflation pressures to ease off by Q2FY26E. All in all, we remain positive on the stock; retain 'BUY' with an unchanged TP of INR815.

Key takeaways

Leadership styles in sync and continuity: Mr Gupta has been at Marico for the past 21 years, providing ample time and continuity for strategic implementation. His vision dovetails with and is complementary to Chairman Mr Harsh Mariwala's.

Impressive value creation led by *portfolio transformation*: Since Mr Gupta took over as MD (in 2014), the CAGR trends (FY14–25) have been compelling: 10% in EBITDA and 18.1% in market cap.

VAHO: Marico expects VAHO to recover (mid-to-high single-digit growth) in FY26E. Project SETU—aimed at reviving and improving the quality of GT distribution—shall enable better range-selling and support diversification strategies. Marico will leverage its extensive distribution (southern India, Maharashtra) network.

Parachute: Marico witnessed muted demand for Parachute over the past few quarters due to inflation and grammage cut, but was able to absorb ~30% price hikes without any reduction in volumes. It expects growth to resume in H2FY26.

Foods and Premium Personal Care: The company is targeting a revenue CAGR of 25%+ in its Foods portfolio, translating to 8x FY20 levels by FY27E. Growth shall be driven by oats and innovations in honey, soya, millets, muesli and snacks. Foods & Premium Personal Care are thus expected to make up 25% of India business by FY27E (versus 22% in FY25).

Digital-first brands: In digital-first brands, Marico is gunning for 2.5x FY24 ARR (up from 2x) along with double-digit EBITDA margins by FY27E. Beardo and Plix are EBITDA-positive, and the target ARR for FY26E is INR10bn. Targets for Just Herbs and True Elements is 20–25% annual growth and breakeven within 18–24 months.

Distribution expansion: Marico is also expanding GT reach in underpenetrated categories such as honey and muesli. Its direct reach is currently 1mn outlets.

Margins: A&P came in at 10.4% of revenue in FY25, up 18%, fuelling growth in digital-first brands and Foods. With copra prices likely to ease in H2FY26E and consumer sentiment potentially improving, margins shall move up H2FY26E onwards.

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Financial Statements

Income Statement (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Total operating income	96,530	1,08,310	1,21,579	1,36,476
Gross profit	49,050	54,430	61,154	69,057
Employee costs	7,430	8,310	9,362	10,236
Other expenses	11,840	13,450	14,711	16,377
EBITDA	20,260	21,390	24,802	29,069
Depreciation	1,580	1,780	1,899	1,740
Less: Interest expense	730	530	531	456
Add: Other income	1,420	2,080	2,533	3,616
Profit before tax	19,370	21,160	24,905	30,489
Prov for tax	4,350	4,580	5,529	6,769
Less: Other adj	0	0	0	0
Reported profit	14,810	16,290	19,086	23,431
Less: Excp.item (net)	0	0	0	0
Adjusted profit	14,810	16,290	19,086	23,431
Diluted shares o/s	1,291	1,291	1,291	1,291
Adjusted diluted EPS	11.5	12.6	14.8	18.2
DPS (INR)	3.0	7.0	6.7	8.2
Tax rate (%)	22.5	21.6	22.2	22.2

Balance Sheet (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Share capital	1,290	1,290	1,290	1,290
Reserves	37,030	38,460	48,957	61,844
Shareholders funds	38,320	39,750	50,247	63,134
Minority interest	3,370	2,910	3,200	3,490
Borrowings	3,830	3,790	3,290	2,790
Trade payables	15,810	13,630	15,727	17,547
Other liabs & prov	6,910	9,100	9,100	9,100
Total liabilities	73,530	82,810	95,194	1,09,692
Net block	9,240	9,550	9,151	8,911
Intangible assets	18,000	18,030	18,030	18,030
Capital WIP	440	400	250	250
Total fixed assets	27,680	27,980	27,431	27,191
Non current inv	3,430	2,150	2,150	2,150
Cash/cash equivalent	12,020	21,520	32,956	44,540
Sundry debtors	10,690	12,710	11,658	13,087
Loans & advances	100	130	130	130
Other assets	17,262	16,534	19,083	20,808
Total assets	73,530	82,810	95,194	1,09,692

Important Ratios (%)

Year to March	FY24A	FY25A	FY26E	FY27E
Other exp (% of rev)	12.3	12.4	12.1	12.0
Con A&P (% of rev)	9.9	10.4	10.1	9.8
Gross margin (%)	50.8	50.3	50.3	50.6
EBITDA margin (%)	21.0	19.7	20.4	21.3
Net profit margin (%)	15.3	15.0	15.7	17.2
Revenue growth (% YoY)	(1.1)	12.2	12.3	12.3
EBITDA growth (% YoY)	11.9	5.6	16.0	17.2
Adj. profit growth (%)	13.7	10.0	17.2	22.8

Free Cash Flow (INR mn)

Year to March	FY24A	FY25A	FY26E	FY27E
Reported profit	14,810	16,290	19,086	23,431
Add: Depreciation	1,580	1,780	1,899	1,740
Interest (net of tax)	730	530	531	456
Others	(2,760)	(4,180)	290	290
Less: Changes in WC	0	0	599	(1,333)
Operating cash flow	14,360	14,420	22,405	24,584
Less: Capex	(5,680)	(2,180)	(1,350)	(1,500)
Free cash flow	8,680	12,240	21,055	23,084

Assumptions (%)

Year to March	FY24A	FY25A	FY26E	FY27E
GDP (YoY %)	7.0	7.0	7.0	7.0
Repo rate (%)	5.3	5.3	5.3	5.3
USD/INR (average)	81.0	86.0	87.0	88.0
Domestic vol growth	7.5	5.5	7.0	8.0
Intl business growth	4.5	7.9	13.0	13.0
COGS % of sales (con)	49.2	49.7	49.7	49.4
Staff cost (% of rev)	7.7	7.7	7.7	7.5
Dep- % of gross block	6.5	6.3	6.3	5.5
Yield on cash	7.9	5.6	10.7	10.3

Key Ratios

Year to March	FY24A	FY25A	FY26E	FY27E
RoE (%)	38.8	41.7	42.4	41.3
RoCE (%)	44.8	47.2	49.3	49.1
Inventory days	98	87	82	85
Receivable days	39	39	37	33
Payable days	117	100	89	90
Working cap (% sales)	7.7	7.9	6.5	6.8
Gross debt/equity (x)	0.1	0.1	0.1	0
Net debt/equity (x)	(0.2)	(0.4)	(0.6)	(0.6)
Interest coverage (x)	25.6	37.0	43.1	59.9

Valuation Metrics

Year to March	FY24A	FY25A	FY26E	FY27E
Diluted P/E (x)	60.8	55.3	47.2	38.5
Price/BV (x)	23.5	22.7	17.9	14.3
EV/EBITDA (x)	44.2	41.4	35.2	29.7
Dividend yield (%)	0.4	1.0	1.0	1.2

Valuation Drivers

Year to March	FY24A	FY25A	FY26E	FY27E
EPS growth (%)	13.7	10.0	17.2	22.8
RoE (%)	38.8	41.7	42.4	41.3
EBITDA growth (%)	11.9	5.6	16.0	17.2
Payout ratio (%)	226.6	383.0	464.2	472.2

Source: Company and Nuvama estimates

"Only when you're empowered with freedom and opportunity, do you rise above the task at hand and take complete ownership to make a difference "

Mr Saugata Gupta
MD & CEO, Marico

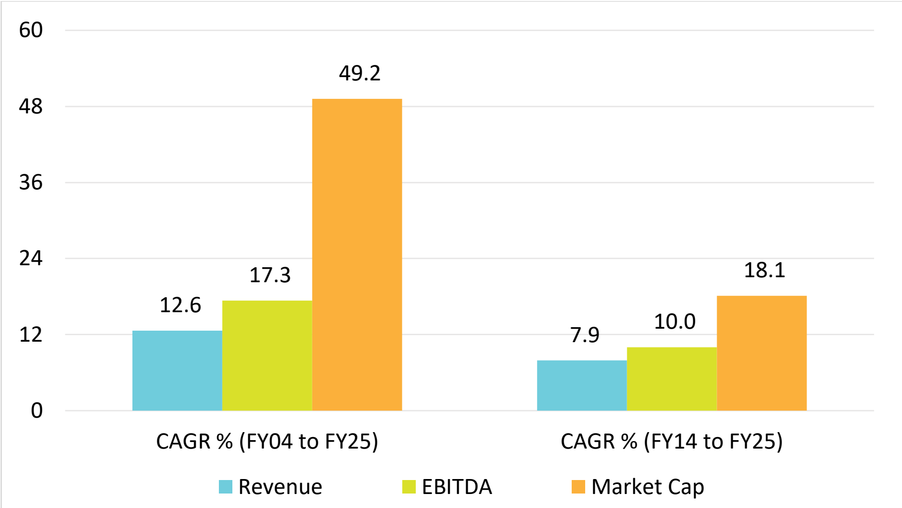
We recently met with Marico's MD & CEO Mr Saugata Gupta, who is into his 21st year at Marico—11th year as MD. The CEO provided insights into various aspects of the company and its growth prospects. We have collated concise excerpts and key takeaways from our interaction.

Chronological overview: Mr Gupta joined Marico in 2004 as Head of Marketing, became the CEO of India business in 2007 and was appointed MD in 2014.

Growth story in numbers: During Mr Gupta's ongoing tenure of 21 years (FY04–25), the company delivered a CAGR of 12.6% in revenue, 17.3% in EBITDA and a whopping 49.2% in market cap.

A closer look: After becoming the MD in 2014, the CAGR trends (FY14 to FY25) stand at 7.9% in revenue, 10% in EBITDA and 18.1% in market cap.

Exhibit 1: CAGR trends (%)



Source: Company, Nuvama Research

Before joining Marico, Mr Gupta served as Chief of Marketing, Corporate Sales and Business Intelligence at ICICI Prudential Life Insurance for four years (2000–2004), and prior to that, he spent nine years (1991–2000) at Mondelez International as Marketing Manager and Group Product Manager for Chocolates.

Under his leadership, Marico has expanded to 25 countries in Asia and Africa and surpassed the market capitalisation of USD10bn in 2024.

A dynamic and performance-driven leader, Mr Gupta has focused on sustainable growth, corporate governance and innovation. Marico has received numerous accolades for ESG, CSR and workplace culture, including top rankings in Crisil ESG scores.

Mr Gupta has been recognised among India's top CEOs by *Business Today*, *Businessworld* and *Forbes India*, and received the Distinguished Alumni Award from IIM– Bangalore in 2022.

He serves as an Independent Director on the boards of Ashok Leyland and Delhivery, and is an alumnus of IIT – Kharagpur and IIM – Bangalore.

Marico driving multi-engine growth

What are the key strategic pillars supporting Marico's aspiration of INR200bn in revenue by FY30E, and how do its emerging segments and investments align with this growth vision?

Doubling revenue by FY30E

- Marico targets ~INR200bn in revenue by FY30E (INR108bn in FY25).
- The company plans to achieve this through a combination of organic growth in its core segments and strategic bolt-on acquisitions.
- The company aims for consistent double-digit revenue growth.

Growth in Foods and digital-first brands

- The diversification strategy is bearing fruit, particularly in the Foods and digital-first brands.
- The Foods business has scaled up 5x since FY20 to INR9bn-plus in FY25. The target is 25% annual growth, translating to an increase of 8x over FY20's scale by FY27E.
- The digital-first brands ended FY25 at INR7.5bn ARR.

Emerging brands driving premiumisation

- Beardo has grown 4x since FY21; Just Herbs crossed INR1bn in revenue in FY25.
- These brands are helping the company tap into premium segments, supporting gross margin expansion and brand equity enhancement.

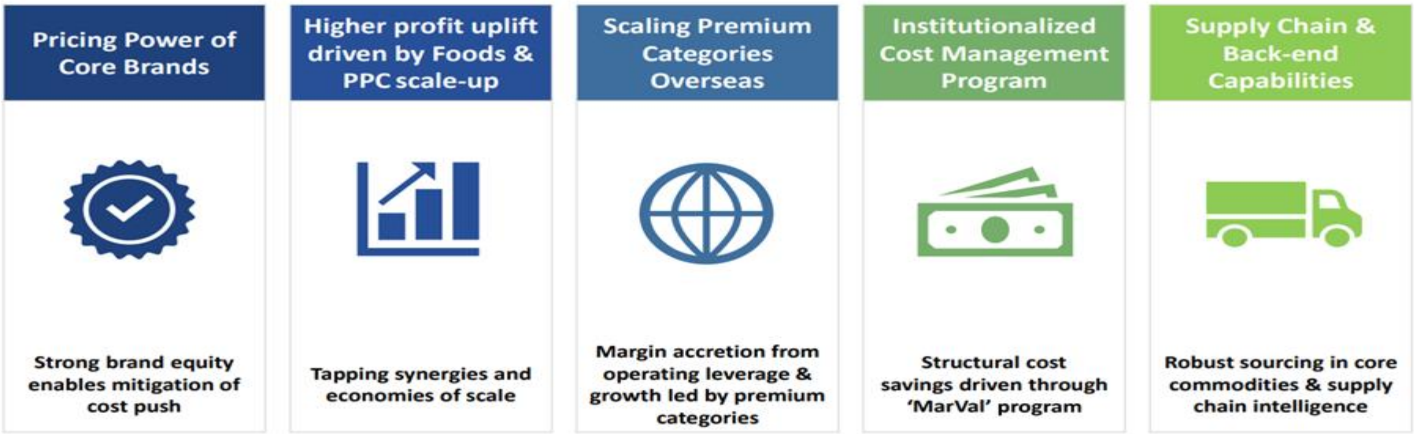
Sustained A&P spends

- Marico emphasised that A&P spends will remain a core strategy, especially as the company expands into newer categories.
- A&P spends are expected to grow by 40–50% in these high-growth businesses over the medium term.

Positive sector outlook and consumption trends

- After a strong outperformance in FY25, the demand environment appears to be favourable in FY26 as well, for Marico across most of its categories.
- The company is seeing healthy consumption trends among upper middle-class consumers and anticipates a gradual recovery in middle-class demand. This shall drive core categories such as Parachute coconut oil, Saffola edible oil and VAHO to perform well in FY26E.

Exhibit 2: Aspiring for double-digit operating profit growth in FY26E



Source: Investor PPT Mar-25

How is the strategic approach to A&P spends expected to support long-term growth and market positioning, particularly in emerging categories?

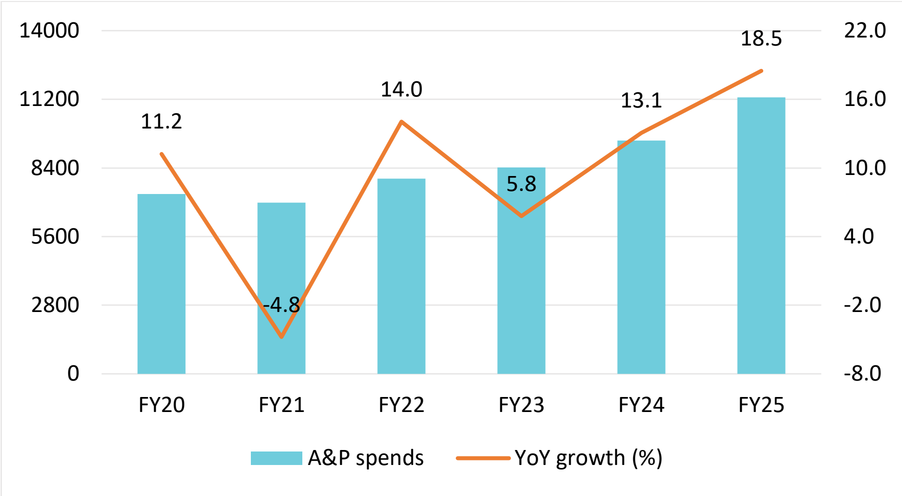
Outlook

- Marico is committed in maintaining and increasing its A&P spends as a core part of its marketing and brand-building strategy.
- This approach reflects its focus on sustainable mid-to-long-term growth rather than short-term margin management.
- With expansion into new product categories, the company plans to ramp up A&P spends by 40–50% in these emerging portfolios to establish and accelerate their market presence.

A&P spending trends

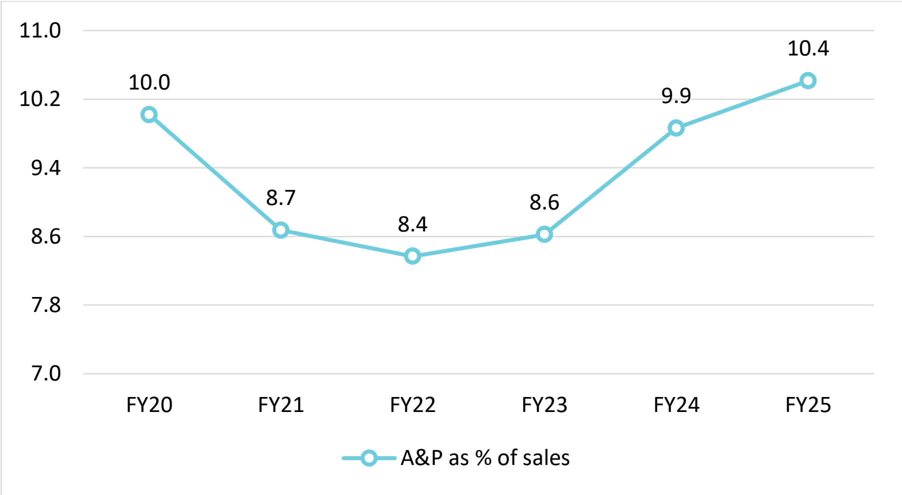
- In FY25, the company increased its A&P spends by 18% despite margin pressures.
- Between FY20 and FY25, the company maintained a balanced A&P strategy, aligning cost efficiency with growth ambitions.
- A&P spends showed variability—rising 11.2% in FY20, dipping 4.8% in FY21 due to the pandemic, and rebounding strongly in the following years.
- This reflects Marico's strategic intent to support new growth areas such as digital-first brands, foods, and premium personal care.
- A&P as a % of sales was ~10% in FY24 and FY25, and is likely to remain at a similar level in FY26E.

Exhibit 3: A&P spends' growth (YoY)



Source: Nuvama Research

A&P as % of sales



Source: Nuvama Research

What strategies are being implemented to ensure successful rural outlet expansion across India?

- Project SETU aims to revive and improve the quality of GT distribution, particularly in rural areas (pan India level). It will enable better range-selling and support diversification strategies.
- Rural portfolio margins are strong as the company does not sell sachets or Foods in these markets, leading to better breakeven points.
- SETU will support brands such as True Elements, which have strong brand equity and growth potential.
- The initiative will particularly benefit VAHO, improving presence in both under-indexed and existing geographies.
- The improved quality of distribution is expected to enhance gross profit and volume growth.

Others

- By FY27E, Marico aims to extend its direct reach to 1.5mn outlets.
- In FY25, Project SETU is active across 11 states.

Marico D2C play – Best-in-class

What is the strategy for investing in D2C brands?

Rationale for foray into new markets

- Marico evaluates market opportunities based on factors such as growth rate, regulatory environment, category penetration, and its 'right to win' in the space.
- For instance, the pet care sector is highly attractive, yet Marico has not targeted this segment, since the company views this market is difficult to penetrate. As a result, the company has chosen not to pursue this market.
- While the Food segment is currently small, it holds significant potential and needs to be scaled up effectively.

Marico follows a structured approach in building its presence in the D2C space:

Controlling stake initially and a full exit later

- The company begins by acquiring a controlling stake in high-potential brands and works closely with the founding team over a few years to scale up the business.
- The company sets a defined time-period for full acquisition at the start of the acquisition.

Timing of investment

- Marico prefers to invest in brands that are in their accelerated growth phase, rather than those that may have already plateaued.
- This allows the company to add value and drive scale during a critical inflection point in the brand's lifecycle.

Focus on strategic fit

- The company remains selective, choosing to invest only in adjacent categories where it has existing core capabilities, ensuring synergies in operations, marketing and distribution.

Aspiring for double-digit operating profit margins for its digital-first brands in FY27.

Are Marico's recent acquisitions making a mark in D2C play, and whether they are on track to become meaningful contributors to top line and EBITDA over medium term?

The company has targeted D2C consumer brands that align with emerging lifestyle and wellness trends. This is evident in its acquisition and incubation strategy.

Traditional FMCG versus D2C innovation

- Marico acknowledges the innovation gap between traditional FMCG players and D2C brands.
- However, the company emphasises that FMCG giants have the resources and capabilities to scale up quickly once D2C brands enter the broader market, particularly in general trade.
- Marico has opted for a coexistence model with its D2C brands such as Beardo, by taking a majority stake and letting the founders run the business

independently for the first few years. This approach allows Marico to learn from the D2C model while leveraging its mass distribution capabilities.

- The company predicts that many D2C brands will likely exit to strategic buyers rather than pursuing IPOs, as scaling up in the mass market is a hard nut to crack.

Marico has acquired brands such as Plix, Just Herbs, True Elements and Beardo. Each of these brands has delivered good outcomes.

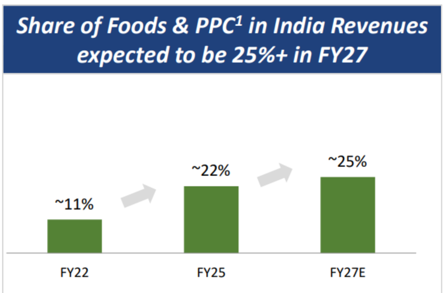
- Plix's personal care portfolio has been gaining noticeable traction and delivered a single-digit EBITDA margin in FY25.
- Just Herbs crossed INR1bn in revenue in FY25.
- Beardo has scaled up 4x since FY21 and achieved a double-digit EBITDA margin in FY25.
- True Elements maintained its accelerated growth momentum.

Collectively, the digital-first premium personal care brands exited FY25 at an ARR of ~INR7.5bn. This signals growing momentum and brand stickiness across digital platforms.

The composite revenue share of Foods and premium personal care, including digital-first brands, reached 22% of the domestic business in FY25. This increasing contribution indicates that company's D2C and premium wellness strategy is not only scaling up well, but also diversifying the revenue mix.

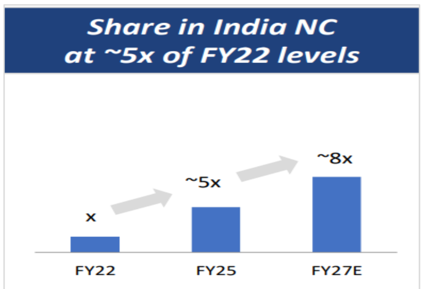
Overall, these brands are on track to become significant contributors to Marico's top line and EBITDA over medium term, and they reflect the company's ability to identify and scale up high-potential D2C assets in line with evolving consumer preferences.

Exhibit 4: Share of Foods and PPC



Source: Investor PPT Mar-25

Exhibit 5: Share in India NC



Source: Investor PPT Mar-25

How does Marico categorise its D2C portfolio, and what is the growth and profitability strategy?

Cohort 1: Profitable Scalars — Beardo and Plix

- Both brands are EBITDA-positive; Beardo has scaled up ~4x since FY21 and achieved a double-digit EBITDA margin.
- Plix, including its expanding personal care segment, delivered single-digit positive EBITDA margins in FY25.
- The focus for these brands is on efficient scale-up while further enhancing profitability.

Cohort 2: Growth-Oriented Builders — Just Herbs and True Elements

- These brands have crossed important revenue milestones; for example, Just Herbs surpassed INR1bn in revenue in FY25.
- They target sustainable 20–25% annual growth and aim to reach EBITDA breakeven within the next 18–24 months.

Model: Calibrated growth over cash-burn

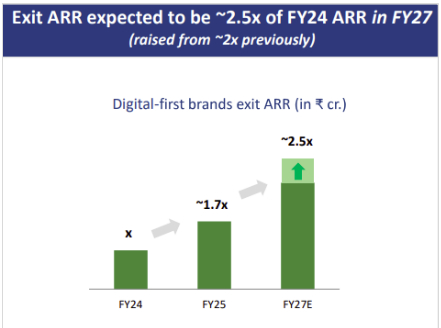
- Marico has opted for a measured D2C growth strategy, avoiding the industry trend of high-burn along with a rapid scale-up.
- Instead, the company has adopted a model of 20–30% growth with a sharp focus on profitability and better aligned with long-term value creation.
- The company favours majority-stake acquisitions, allowing it to retain founder-driven agility while integrating Marico's backend strength and operational expertise.

What is the medium-term outlook for the company's digital-first and D2C brands?

Marico is focused on scaling up its digital-first brands while improving profitability and targets set for the medium term:

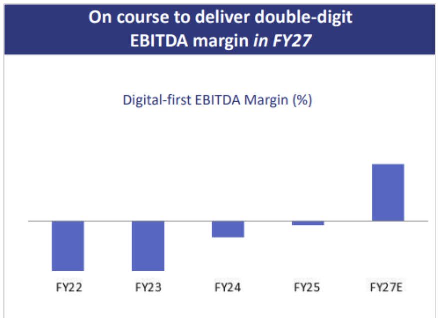
- Digital-first brands to be 2.5x FY24 ARR along with double-digit EBITDA margins by FY27E.
- Both Beardo and Plix are EBITDA-positive and expected to surpass a combined ARR of INR10bn in FY26E.
- Just Herbs and True Elements are expected to grow sustainably at 20–25% annually while progressing towards EBITDA breakeven in the next 18–24 months.

Exhibit 6: Digital-first brands' ARR



Source: Investor PPT Mar-25

Exhibit 7: Digital-first: EBITDA margin



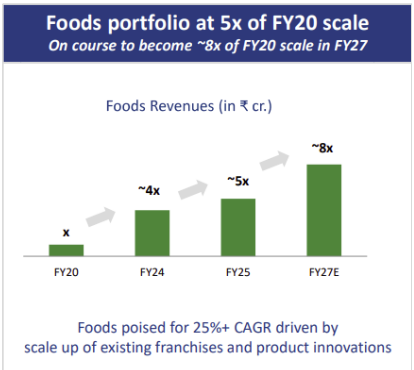
Source: Investor PPT Mar-25

Scaling up Food and Personal Care

What is the medium-term outlook for Foods and Personal Care business?

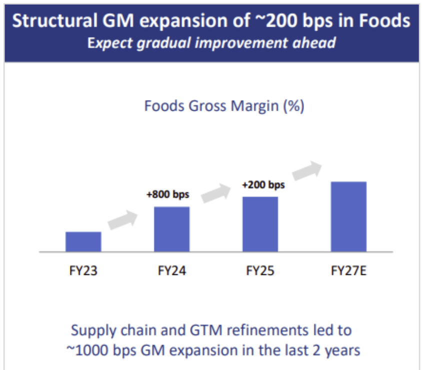
- Marico has articulated a 25%-plus CAGR ambition over the medium term, aiming to grow the Foods portfolio to 8x its FY20 scale by FY27E supported by entries in new categories, distribution expansion and digital-first brand building.
- The company aims to expand the Foods and Personal care portfolio India business share to 25% by FY27E (versus 22% of India business in FY25).
- Its expects gradual margin expansion in Foods as the business scales up over medium term (cumulative ~1000bp gross margin expansion in FY24 and FY25).

Exhibit 8: Foods 5x of FY20 scale



Source: Investor PPT Mar-25

Exhibit 9: GM expansion in Foods



Source: Investor PPT Mar-25

How does Marico plan to unlock the next phase of growth in its Foods business through distribution?

The company views distribution expansion, particularly in GT, as a critical lever to drive the next phase of growth in its Foods portfolio.

Current channel focus creates headroom for GT expansion

- The Foods business is currently largely concentrated in OT and MT.
- GT remains underpenetrated, presenting a significant untapped opportunity for wider product access and volume growth.

Category-level penetration remains low

- Core categories such as oats and masala oats still have low penetration, leaving ample headroom for household-level adoption, particularly outside metros.
- For instance, Marico's honey commands a double-digit market share in OT, but a low single-digit share in GT.

Scalable opportunities

- Products such as muesli, currently focused on OT, aims to have 4x–5x growth potential as they expand into GT—following the same successful playbook as Masala Oats.

How is Marico's Foods business performing, and what are its key growth drivers?

Marico's Foods portfolio continues to demonstrate strong growth momentum:

- In FY25, the company's food category achieved INR9bn revenue, 30% YoY value growth.
- This reflects a 5x scale-up from FY20, underscoring successful execution across categories.
- The core portfolio—comprising oats, honey, and soya chunks—has maintained double-digit growth supported by sustained demand and innovation.
- The oats franchise continues to perform well aided by category expansion and new formats.
- In Q4FY25, the company launched Saffola Cuppa Oats, which has received positive early traction.
- Newer entries such as muesli are also showing promising early signs of adoption, reinforcing Marico's ability to scale up through adjacent category innovation.
- The Saffola edible oil portfolio faced headwinds in FY25, primarily due to sharp price hikes necessitated by elevated global vegetable oil prices.
- Given Saffola brand's strong presence in OT and metro markets, modest volume growth is expected, provided raw material prices remain relatively stable.

What were the key launches by Marico in FY25, and how do they align with evolving consumer preferences?

The company introduced several 'innovations' in FY25 across its Foods and Health & Wellness portfolio, aimed at tapping into emerging consumer trends around convenience, health and premiumisation:

Saffola Cold Pressed Oils

- Launched to meet rising demand for nutrient-rich and natural oils.
- The range includes Mustard (INR356/litre), Groundnut (INR506/litre) and Sesame (INR719/litre).
- Initially rolled out via Q-com platforms.

Saffola Cuppa Oats

- A ready-to-eat offering targeting health-conscious snackers.
- Available in two variants—Magic Masala and Spicy Mexicana, priced at INR48.
- Early consumer response has been positive, with traction building in urban markets.

Saffola Muesli

- Strengthens Marico's position in the breakfast and functional foods space.
- Offered in flavours such as Berry, Choco Crunch and Kesar Crunch, priced at INR250–300.
- Positioned to scale up in GT as distribution expands.

Saffola Masala Millets

- An affordable, nutrition-forward instant meal priced at just INR20.
- Launched in Q2FY25, targeting value-conscious consumers looking for healthier alternatives.

Exhibit 10: Saffola Cuppa Oats

Source: Nuvama Research

Parachute to recover in H2FY26

Parachute had a muted Q4FY25 due to inflationary pressures and pack resizing. What factors are expected to drive its recovery in H2FY26E, and how is Marico positioning itself to regain volume momentum?

- Parachute experienced a muted performance in Q4FY25, primarily due to consumption moderation amid the ongoing hyperinflationary environment, which led to cautious buying by consumers.
- The company had also implemented grammage reductions across select packs over the past six–nine months.
- Adjusting for pack size changes, Parachute volumes grew in low single digits while revenue shot up 22% YoY in Q4FY25, largely driven by pricing interventions.
- The brand strengthened its market leadership, gaining ~70bp in market share on a MAT basis in Q4FY25.
- Enhanced direct rural access is expected to boost Parachute's rural market share, leveraging improved last-mile connectivity.

Tailwinds volume growth in H2FY26

- Marico expects copra prices to soften by Q2FY26E, transitioning from hyperinflationary to a moderately inflationary environment.
- This is anticipated to support volume recovery in H2FY26E.
- The company's superior supply chain and procurement efficiencies provide a competitive edge.
- It is witnessing early signs of supply chain disruptions among local players along with competitors resorting to significant price hikes and reducing BTL.

How has Marico demonstrated pricing power and margin resilience in Parachute?

Marico has shown strong pricing power and brand resilience, particularly with its flagship brand Parachute.

Over the past year, Parachute has implemented a ~30% cumulative price hike, yet managed to sustain volumes due to:

- its master brand status;
- low price elasticity in the category; and
- a deep-rooted market presence across urban and rural India.

These traits have helped mitigate volume impact, even in the face of grammage reductions and inflationary pressures.

While gross margins may remain under pressure in Q1FY26E, the company expects margin recovery from H2FY26E supported by likely easing of copra prices.

VAHO to recover from Q1FY26E

What is Marico's geographic strategy for strengthening its hair care portfolio across India, particularly VAHO?

- Since bottoming out in Q2FY25, VAHO has continued to show sequential recovery on the back of healthy performance in the mid and premium segments of the portfolio.
- VAHO is likely to recover from Q1FY26E, and the company aims to deliver mid-to-high single digit growth in FY26E (after a 3–4% decline in FY25).

Marico follows a regional playbook to balance market dominance and expansion

- Parachute Advansed maintains strong leadership in Southern India and Maharashtra, where it enjoys high penetration and brand loyalty.
- Nihar leads in Northern India; in fact, the company sees further opportunity, particularly in states such as Uttar Pradesh, wherein direct distribution is being scaled up.
- In stronghold regions such as South India, Marico aims to diversify its hair care portfolio by launching second and third brands through its well-established distribution network.
- In the under-penetrated northern markets, Marico is focusing on scaling up direct distribution to drive VAHO growth and improving its overall market share.
- The company's dual strategy seeks to drive growth in North India through distribution scale-up and enhanced portfolio width in the South, correcting current regional imbalances and optimising reach.
- Marico continues to drive growth due to innovation, ATL investments and focussed brand activations while focussing on interventions in bottom-of-the-pyramid to improve VAHO.

Q-commerce – Emerging growth engine

What strategic actions are being taken to tailor portfolio and maintain profitability in the Q-com space, given relatively lower discounting than other channels?

- Q-com is currently ~3% of Marico's India business.
- The company is actively investing in this channel across Saffola, True Elements and Plix.

Pricing and discounts

- Supermarkets and E-com platforms offer steeper discounts (13–18%) than Q-com (6–9%) and *kirana* (2–5%).
- Consumers are increasingly opting for the convenience and speed of Q-com despite the price differential.

Shift in consumer behaviour

- Staples and food categories show highest migration to Q-com.
- Fresh produce and personal care categories show lower adoption, indicating continued preference for traditional formats or broader assortments.
- Before Q-com, only ~33% of metro consumers shopped online regularly; now, ~87% shop online, largely driven by instant gratification and convenience.

Benefits of Q-com to Marico

- Leader brands benefit from reduced browsing time as familiarity drives quicker decisions.
- In many cases, impulse and convenience outweigh value or discounts—particularly in Q-com, wherein the "need it now" mindset dominates.
- To succeed, companies must understand shopper behaviour within each channel and tailor portfolios accordingly, as even within the same platform, customer profiles can vary—for instance, D-Mart shoppers may differ from those on Flipkart or Amazon.
- To overcome margin issues and discounting in Q-com, Marico has premiumised and customized portfolio for these channels and customers.
- Q-com will do well in the top eight–ten cities over long term.

Exhibit 11: Trends at a glance

Key growth rates	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
Revenue (INR bn)	22.4	24.8	24.8	24.2	22.8	26.4	26.6	27.9	27.3
EBITDA (INR bn)	3.9	5.7	5.0	5.1	4.4	6.3	5.2	5.3	4.6
PAT (INR bn)	3.0	4.3	3.5	3.8	3.2	4.6	4.2	4.0	3.4
Volume growth									
Domestic volume	5.0	3.0	3.0	2.0	3.0	4.0	5.0	6.0	7.0
Parachute coconut oil in rigid packs	9.0	(2.0)	1.0	3.0	2.0	2.0	4.0	3.0	(1.0)
Saffola Edible Oil	NA	Low double digit	Low single digit	Mid-single digit decline	Mid-single digit	Mid-single digit	FLAT	Low single digit	Low single digit
Value Growth (%)									
Group: total reported value growth	4.0	(3.0)	(0.8)	(1.9)	2.0	6.7	7.6	15.4	19.8
FMCG business (India)	2.0	24.0	(3.0)	(3.0)	-	7.0	8.0	17.0	23.0
Parachute coconut oil in rigid packs	3.0	(5.0)	(1.0)	FLAT	2.0	6.0	10.0	15.0	22.0
Value added hair oil	13.0	FLAT	1.0	3.0	(7.0)	(5.0)	(8.0)	(2.0)	1.0
Saffola Franchise	(9.0)	(13.0)	(12.0)	(26.0)	(16.0)	(1.0)	2.0	24.0	26.0
Saffola healthy foods	18.0	24.0	25.0	18.0	24.0	37.0	28.0	31.0	44.0
International	16.0	9.0	13.0	6.0	10.0	10.0	13.0	16.0	16.0

Source: Company, Nuvama Research

Exhibit 12: CAGR trends (%)

	Q4FY20	Q4FY21	Q4FY22	Q4FY23	Q4FY24	Q4FY25	3-yr CAGR	4-yr CAGR	5-yr CAGR
Revenue (INR bn)	15.0	20.1	21.6	22.4	22.8	27.3	8.1	7.9	12.8
EBITDA (INR bn)	2.8	3.2	3.5	3.9	4.4	4.6	10.0	9.6	10.3
PAT (INR bn)	2.0	2.3	2.5	3.0	3.2	3.4	10.6	10.6	11.3
Domestic volume	(3.0)	25.0	1.0	5.0	3.0	7.0	91.3	(27.3)	(218.5)
Indexed to 100	97	121	122	129	132	142	5.0	4.0	7.9

Source: Company, Nuvama Research

Exhibit 13: International business split

Region - Constant currency growth	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
Bangladesh	9.0	9.0	2.0	(6.0)	8.0	10.0	8.0	20.0	11.0
Middle East and North Africa	37.0	15.0	34.0	26.0	19.0	20.0	43.0	35.0	47.0
South Africa	21.0	37.0	23.0	33.0	13.0	28.0	20.0	17.0	13.0
South East Asia	16.0	5.0	13.0	4.0	FLAT	FLAT	7.0	(1.0)	(1.0)

Source: Company, Nuvama Research

Company description

Marico is one of India's leading consumer products companies in the global beauty and wellness space. Headquartered in Mumbai, the company has a presence in over 25 countries across emerging markets in Asia and Africa.

During FY24–25, Marico recorded a consolidated turnover of INR108bn (USD1.2bn) through its products sold in India and International markets. The company touches the lives of 1 out of every 3 Indians, through its portfolio of brands such as Parachute, Saffola, Hair & Care, Parachute Advansed, Nihar Naturals, Mediker, Pure Sense, Coco Soul, Revive, Set Wet, Livon, Beardo, Just Herbs, True Elements and Plix.

Marico’s international consumer products portfolio contributes about 25% to Group’s revenue via brands such as Parachute, Parachute Advansed, HairCode, Fiancée, Purité de Prôvence, Ôliv, Caivil, Hercules, Black Chic, Code 10, Ingwe, X-Men, Thuan Phat and Isoplus.

Investment thesis

Marico is among the leading beneficiaries of the changing preference of Indian consumer for better personal care and food products. The company has established strong ground in its core categories (hair oil and edible oil) with dominant market shares.

Marico has been able to distinguish itself by offering niche products through brands such as Saffola (flavoured oats) and Livon while extending to various new generation hair care products such as hair creams and value-added hair oils under Parachute Advansed.

Improvement in sales and margins of international businesses shall aid consolidated performance.

Key risks

- Coconut oil, which forms the largest share of Marico’s revenue and profits, makes the company’s gross margins highly sensitive to copra price volatility.
- Appreciation of the rupee against the Egyptian pound, Bangladeshi Taka and other international currencies puts the growth in revenues and profits at risk.

Additional Data

Management

MD and CEO	Mr. Saugata Gupta
CFO	Mr. Pawan Agrawal
Chairman	Mr. Harsh Mariwala
Director	Mr. Nikhil Khattau
Auditor	B S R & Co. LLP

Holdings – Top 10*

	% Holding		% Holding
Life Insurance	4.45	Sharp Ventures	1.41
First Sentier I	2.34	Royal Bank of C	1.24
BlackRock Inc	2.31	Quant Money Man	1.13
HDFC Asset Mana	1.82	Norges Bank	1.03
Vanguard Group	1.67	Edelweiss Asset	1.15

**Latest public data*

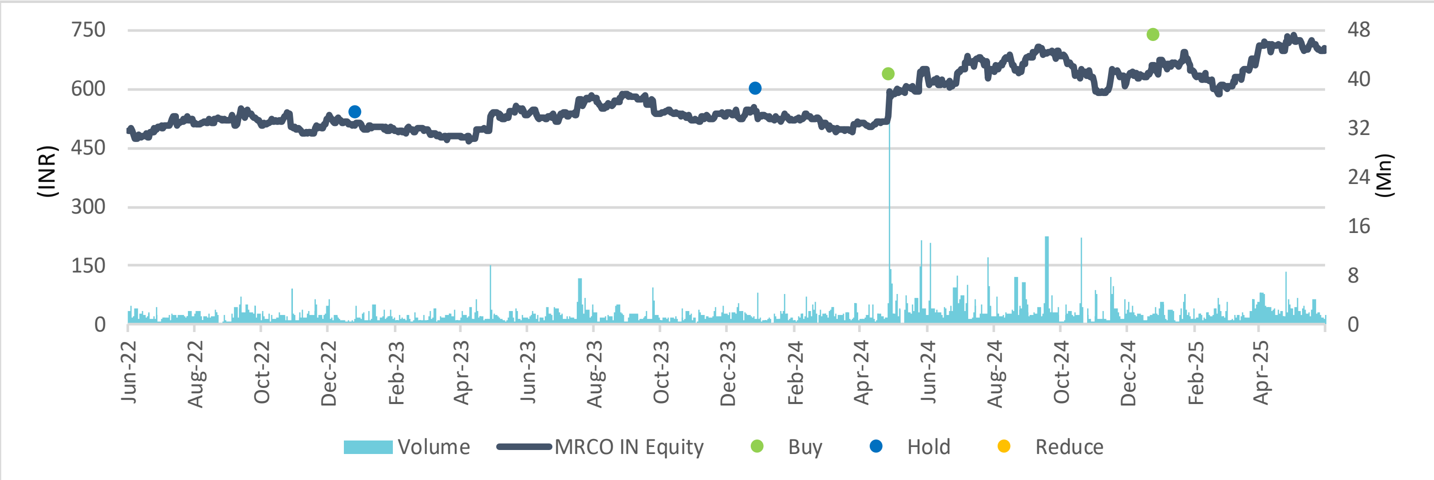
Recent Company Research

Date	Title	Price	Reco
02-May-25	Impressive portfolio transformation; *Result Update*	697	Buy
03-Apr-25	Healthy showing along expected lines; *Nuvama Flash*	660	Buy
31-Jan-25	All-round performance; *Result Update*	659	Buy

Recent Sector Research

Date	Name of Co./Sector	Title
22-May-25	ITC	Agri uptick and palm costs key triggers; *Result Update*
22-May-25	Colgate-Palmolive	Glistening recovery prospects in H2FY26; *Result Update*
21-May-25	Colgate-Palmolive	Soft quarter as expected; *Oven fresh*

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	203
Hold	<15% and >-5%	62
Reduce	<-5%	37

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