

# Marico | BUY

## 3Q pre-quarter update: Revenue performance better than expectation

Marico's 3QFY26 pre-quarter update points to better-than-expected delivery. Consolidated revenue grew in high 20s (with high-single-digit domestic volume growth) – better than our expectation of c.24% YoY – led by lower-than-expected fall in Parachute volume, and strong growth in value added hair oils (VAHO) and international business. Copra prices have moderated further (down c.30% from peak), and this trend is expected to continue. Hence, gross margin is likely to improve QoQ and the extent of YoY compression should reduce in 3Q/4QFY26E. As a result, operating profit is expected to touch double digit in 3QFY26E (well on track with management guidance and better than mid-single-digit growth in 1HFY26). Apart from moderation in input prices, Marico also has other margin levers (margin expansion in Foods/D2C & improving growth in VAHO), which will drive overall earnings trajectory over FY26-28E. We like Marico's execution (navigating inflationary cycle, portfolio transformation, recovery in VAHO), roll-forward and maintain BUY with a revised TP of INR 875 (48x Mar'28E EPS).

- Revenue performance ahead of expectations, VAHO still surprises positively:** Marico's consol. sales growth was in the high twenties led by high-single-digit volume growth in the India business (we estimate c.7.5% YoY, tad better than c.7% in 2QFY26) and benefit of price hikes in Parachute. Segmentally, within erstwhile core businesses, Parachute volume fell marginally (a tad better than our estimate) which is resilient considering the steep price hikes undertaken; Saffola had a weak quarter (we estimate flat sales growth) as prior price hikes anniversarised during the quarter, while VAHO surprised yet again with further acceleration in sales growth (in 20s vs. 16% YoY in 2QFY26) benefiting from initiatives in mid-premium segments, higher direct reach and GST rationalisation. Foods had a benign quarter (management had highlighted this earlier due to change in accounting for Plix portfolio on Flipkart, more focus on profitability for Plix) while Premium personal care (including digital first brands) continues to do well. International business saw constant currency growth in early 20s (better than our estimate) led by Bangladesh, while Vietnam and South Africa are expected to revert back to double-digit growth. Marico remains on track to achieve its full-year revenue guidance of 25%+ YoY.
- Margins to improve QoQ with easing copra prices, resulting in double-digit EBITDA growth for 2HFY26E:** Marico's operating performance in 1HFY26 was impacted by steep inflation in copra prices. While copra is inflationary YoY, the RM basket has turned favourable over the past few months with moderation in copra prices (c.30% from peak) and benign crude derivatives. Hence, gross margin is expected to improve QoQ in 3QFY26E, resulting in EBITDA growth touching double digits in the quarter (in line with our estimate). The quantum of YoY margin compression is expected to reduce and margin uptick is likely to continue as low-cost copra gets consumed, followed by flush season in the coming quarter. A&P investments are likely to sustain to accelerate portfolio diversification. Higher growth in the better-margin VAHO business and scale-up in Foods & Premium personal care portfolio (c.16-17% of consol. sales, currently at EBITDA breakeven and target is to achieve high single to low double digit margin in FY27E) can further improve overall operating margin and aid earnings growth over the medium term in our view.
- 3QFY26E:** We estimate consol. sales to grow by c.28% YoY (India volume growth of c.7.5%) to INR 35.6bn. Gross margin is expected to improve QoQ (+135bps), but still be lower YoY, to c.44%, resulting in EBITDA/PAT growing by c.10%/11% YoY to INR 5.9/4.4bn respectively.

Financial Summary					
Y/E March	FY24A	FY25A	FY26E	FY27E	(INR mn)
Net Sales	95,730	1,07,330	1,33,661	1,39,140	1,53,738
Sales Growth (%)	-1.2	12.1	24.5	4.1	10.5
EBITDA	20,260	21,390	23,050	27,221	30,758
EBITDA Margin (%)	21.0	19.7	17.1	19.4	19.8
Adjusted Net Profit	14,810	16,290	17,535	20,750	23,403
Diluted EPS (INR)	11.5	12.6	13.6	16.1	18.1
Diluted EPS Growth (%)	13.7	10.0	7.6	18.3	12.8
ROIC (%)	51.9	58.1	74.2	88.0	96.2
ROE (%)	38.8	41.7	43.0	48.2	51.9
P/E (x)	66.0	60.0	55.8	47.1	41.8
P/B (x)	25.5	24.6	23.4	22.1	21.3
EV/EBITDA (x)	48.0	45.0	41.7	35.2	31.2
Dividend Yield (%)	1.3	1.4	1.6	1.9	2.2

Source: Company data, JM Financial. Note: Valuations as of 02/Jan/2026



Mehul Desai

mehul.desai@jmfl.com | Tel: (91 22) 66303065

Gaurav Jogani

gaurav.jogani@jmfl.com | Tel: (91 22) 66303085

Pooja Kubadia

pooja.kubadia@jmfl.com | Tel: (91 22) 66303074

Rajat Gupta

rajat.gupta@jmfl.com | Tel: (91 22) 66303077

### Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	875
Upside/(Downside)	15.5%
Previous Price Target	850
Change	2.9%

### Key Data – MRCO IN

Current Market Price	INR758
Market cap (bn)	INR983.6/US\$10.9
Free Float	40%
Shares in issue (mn)	1,290.0
Diluted share (mn)	1,290.0
3-mon avg daily val (mn)	INR1,217.3/US\$13.5
52-week range	766/578
Sensex/Nifty	85,762/26,329
INR/US\$	90.2

### Price Performance

%	1M	6M	12M
Absolute	5.6	6.4	16.0
Relative*	4.9	3.4	8.1

\* To the BSE Sensex

JM Financial Research is also available on: Bloomberg - JMFR <GO>, FactSet, LSEG and S&P Capital IQ.

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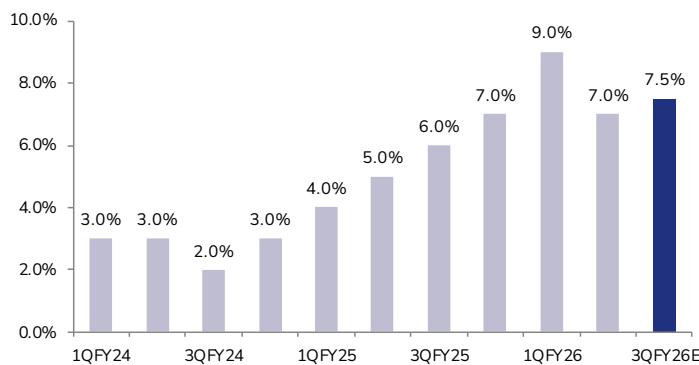
## Exhibit 1. 3QFY26 estimates post pre-quarter update

INR Mn	Consolidated			Change (%)	
	3QFY25	2QFY26	3QFY26E	YoY	QoQ
Revenue from operations	27,940	34,820	35,666	27.7%	2.4%
Gross Profit	13,830	14,850	15,693	13.5%	5.7%
Gross profit margin%	49.5%	42.6%	44.0%	-550 bps	135 bps
EBITDA	5,330	5,600	5,876	10.3%	4.9%
EBITDA margin %	19.1%	16.1%	16.5%	-260 bps	39 bps
Adjusted Net Profit	3,990	4,200	4,446	11.4%	5.9%

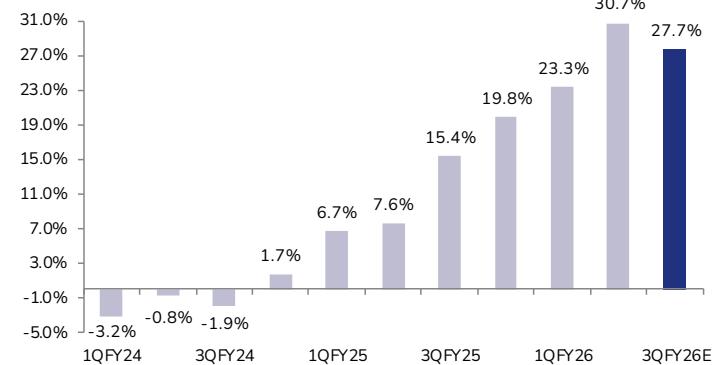
Source: Company, JM Financial

## Exhibit 2. Marico has demonstrated superior execution and navigated well through the inflationary cycle by sustaining high-single-digit UVG in India business and 25%+ consolidated sales growth

Underlying volume growth - India business (%)



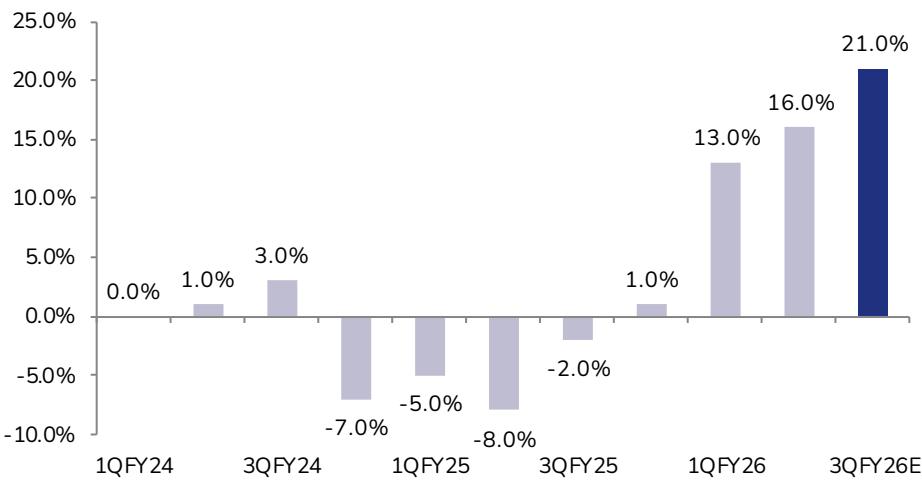
Consolidated sales growth (%)



Source: Company, JM Financial

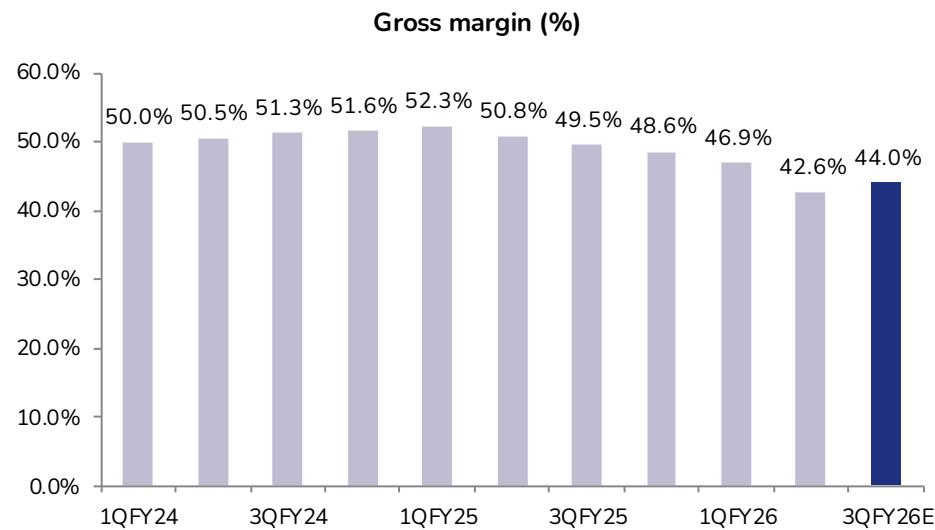
## Exhibit 3. Impressive recovery seen in VAHO through strategic initiatives undertaken in mid-premium segments

VAHO sales growth (%)



Source: Company, JM Financial

## Exhibit 4. Gross margin to improve sequentially with easing copra prices



Source: Company, JM Financial

## Financial Tables (Consolidated)

Income Statement (INR mn)						Balance Sheet (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E	Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	95,730	1,07,330	1,33,661	1,39,140	1,53,738	Shareholders' Fund	38,320	39,750	41,828	44,287	45,890
Sales Growth	-1.2%	12.1%	24.5%	4.1%	10.5%	Share Capital	1,290	1,290	1,290	1,290	1,290
Other Operating Income	800	980	1,220	1,270	1,404	Reserves & Surplus	37,030	38,460	40,538	42,997	44,600
<b>Total Revenue</b>	<b>96,530</b>	<b>1,08,310</b>	<b>1,34,881</b>	<b>1,40,410</b>	<b>1,55,141</b>	Preference Share Capital	0	0	0	0	0
Cost of Goods Sold/Op. Exp	47,480	53,880	74,776	74,936	82,470	Minority Interest	3,370	2,910	3,222	3,592	4,008
Personnel Cost	7,430	8,310	8,822	9,141	10,024	Total Loans	3,830	3,790	3,411	3,070	2,763
Other Expenses	21,360	24,730	28,233	29,112	31,890	Def. Tax Liab. / Assets (-)	2,110	1,910	1,910	1,910	1,910
<b>EBITDA</b>	<b>20,260</b>	<b>21,390</b>	<b>23,050</b>	<b>27,221</b>	<b>30,758</b>	<b>Total - Equity &amp; Liab.</b>	<b>47,630</b>	<b>48,360</b>	<b>50,371</b>	<b>52,859</b>	<b>54,571</b>
EBITDA Margin	21.0%	19.7%	17.1%	19.4%	19.8%	Net Fixed Assets	27,680	27,980	28,557	29,037	29,569
EBITDA Growth	11.9%	5.6%	7.8%	18.1%	13.0%	Gross Fixed Assets	23,250	22,900	25,306	27,796	30,533
Depn. & Amort.	1,580	1,780	1,944	2,131	2,331	Intangible Assets	8,630	8,570	8,570	8,570	8,570
EBIT	18,680	19,610	21,106	25,090	28,427	Less: Depn. & Amort.	6,730	6,190	8,134	10,265	12,596
Other Income	1,420	2,080	2,223	2,418	2,531	Capital WIP	2,530	2,700	2,815	2,936	3,063
Finance Cost	730	530	448	432	420	Investments	6,020	15,900	19,080	22,896	27,475
PBT before Excep. & Forex	19,370	21,160	22,881	27,076	30,537	Current Assets	39,830	38,930	46,323	45,355	46,282
Excep. & Forex Inc/Loss(-)	0	0	0	0	0	Inventories	13,360	12,350	15,380	16,010	17,690
PBT	19,370	21,160	22,881	27,076	30,537	Sundry Debtors	10,690	12,710	15,828	16,477	18,206
Taxes	4,350	4,580	5,034	5,957	6,718	Cash & Bank Balances	9,430	7,770	7,764	5,216	1,931
Extraordinary Inc./Loss(-)	0	0	0	0	0	Loans & Advances	2,120	1,480	1,738	1,809	1,999
Assoc. Profit/Min. Int.(-)	210	290	312	369	417	Other Current Assets	4,230	4,620	5,614	5,844	6,457
Reported Net Profit	14,810	16,290	17,535	20,750	23,403	Current Liab. & Prov.	25,900	34,450	43,589	44,430	48,755
<b>Adjusted Net Profit</b>	<b>14,810</b>	<b>16,290</b>	<b>17,535</b>	<b>20,750</b>	<b>23,403</b>	Current Liabilities	24,010	32,120	40,911	41,478	45,486
Net Margin	15.3%	15.0%	13.0%	14.8%	15.1%	Provisions & Others	1,890	2,330	2,678	2,952	3,270
Diluted Share Cap. (mn)	1,290.0	1,290.0	1,290.0	1,290.0	1,290.0	Net Current Assets	13,930	4,480	2,734	925	-2,473
<b>Diluted EPS (INR)</b>	<b>11.5</b>	<b>12.6</b>	<b>13.6</b>	<b>16.1</b>	<b>18.1</b>	<b>Total - Assets</b>	<b>47,630</b>	<b>48,360</b>	<b>50,371</b>	<b>52,859</b>	<b>54,571</b>
Diluted EPS Growth	13.7%	10.0%	7.6%	18.3%	12.8%						
Total Dividend + Tax	12,290	13,545	15,457	18,291	21,799						
Dividend Per Share (INR)	9.5	10.5	12.0	14.2	16.9						

Source: Company, JM Financial

Cash Flow Statement (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	19,370	21,160	22,881	27,076	30,537
Depn. & Amort.	1,580	1,780	1,944	2,131	2,331
Net Interest Exp. / Inc. (-)	-690	-1,550	-1,775	-1,986	-2,111
Inc (-) / Dec in WCap.	-2,260	-2,930	1,389	-1,049	-161
Others	-350	10	0	0	0
Taxes Paid	-3,780	-4,840	-4,770	-5,740	-6,539
<b>Operating Cash Flow</b>	<b>13,870</b>	<b>13,630</b>	<b>19,669</b>	<b>20,433</b>	<b>24,057</b>
Capex	-1,350	-1,220	-2,406	-2,491	-2,737
Free Cash Flow	12,520	12,410	17,263	17,942	21,321
Inc (-) / Dec in Investments	2,450	-5,690	-3,180	-3,816	-4,579
Others	660	700	2,223	2,418	2,531
<b>Investing Cash Flow</b>	<b>1,760</b>	<b>-6,210</b>	<b>-3,363</b>	<b>-3,889</b>	<b>-4,785</b>
Inc / Dec (-) in Capital	340	460	0	0	0
Dividend + Tax thereon	-12,290	-4,530	-15,457	-18,291	-21,799
Inc / Dec (-) in Loans	-910	-50	-379	-341	-307
Others	-2,560	-2,370	-476	-461	-450
<b>Financing Cash Flow</b>	<b>-15,420</b>	<b>-6,490</b>	<b>-16,311</b>	<b>-19,093</b>	<b>-22,557</b>
Inc / Dec (-) in Cash	210	930	-6	-2,549	-3,284
Opening Cash Balance	9,220	6,840	7,770	7,764	5,216
Closing Cash Balance	9,430	7,770	7,764	5,216	1,931

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	15.3%	15.0%	13.0%	14.8%	15.1%
Asset Turnover (x)	2.1	2.3	2.7	2.7	2.9
Leverage Factor (x)	1.2	1.2	1.2	1.2	1.2
RoE	38.8%	41.7%	43.0%	48.2%	51.9%
Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	29.7	30.8	32.4	34.3	35.6
ROIC	51.9%	58.1%	74.2%	88.0%	96.2%
ROE	38.8%	41.7%	43.0%	48.2%	51.9%
Net Debt/Equity (x)	-0.2	-0.4	-0.5	-0.5	-0.5
P/E (x)	66.0	60.0	55.8	47.1	41.8
P/B (x)	25.5	24.6	23.4	22.1	21.3
EV/EBITDA (x)	48.0	45.0	41.7	35.2	31.2
EV/Sales (x)	10.1	8.9	7.1	6.8	6.2
Debtor days	40	43	43	43	43
Inventory days	51	42	42	42	42
Creditor days	108	128	128	128	128

Source: Company, JM Financial



## APPENDIX I

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SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610

Registered Office: 7th Floor, Cnergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025, India.

Board: +91 22 6630 3030 | Fax: +91 22 6630 3488 | Email: [jmfinancial.research@jmfl.com](mailto:jmfinancial.research@jmfl.com) | [www.jmfl.com](http://www.jmfl.com)

Compliance Officer: Ms. Ashley Johnson | Tel: +91 22 6224 1862 | Email: [ashley.johnson@jmfl.com](mailto:ashley.johnson@jmfl.com)

Grievance Officer: Ms. Ashley Johnson | Tel: +91 22 6224 1862 | Email: [instcompliance@jmfl.com](mailto:instcompliance@jmfl.com)

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New Rating System: Definition of ratings	
Rating	Meaning
BUY	Expected return >= 15% over the next twelve months.
ADD	Expected return >= 5% and < 15% over the next twelve months.
REDUCE	Expected return >= -10% and < 5% over the next twelve months.
SELL	Expected return < -10% over the next twelve months.

Note: For REITs (Real Estate Investment Trust) and InvIT (Infrastructure Investment Trust) total expected returns include dividends or DPU (distribution per unit)

Previous Rating System: Definition of ratings	
Rating	Meaning
BUY	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
HOLD	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
SELL	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

\* REITs refers to Real Estate Investment Trusts.

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