MOTILAL OSWAL

# Marico

| BSE SENSEX | S&P CNX |
|---|---|
| 17,605 | 5,326 |
| Bloomberg | MRCO IN |
| Equity Shares (m) | 614.4 |
| 52-Week Range (INR) | 173/112 |
| 1,6,12 Rel. Perf. (%) | -2/3/40 |
| M.Cap. (INR b) | 100.1 |
| M.Cap. (USD b) | 2.1 |

## CMP: INR163 TP: INR185 Buy

| Year End | Net Sales (INR m) | PAT (INR m) | EPS (INR) | EPS Gr. (%) | P/E (X) | P/BV (X) | RoE (%) | RoCE (%) | EV/ Sales | EV/ EBITDA |
|---|---|---|---|---|---|---|---|---|---|---|
| 03/11A | 31,283 | 2,918 | 4.7 | 18.9 | 34.3 | 10.9 | 31.9 | 29.7 | 3.4 | 25.6 |
| 03/12E | 40,380 | 3,331 | 5.4 | 14.2 | 30.1 | 8.6 | 28.5 | 32.8 | 2.5 | 20.2 |
| 03/13E | 47,042 | 4,393 | 7.1 | 31.9 | 22.8 | 6.4 | 28.3 | 35.7 | 2.1 | 15.5 |
| 03/14E | 54,544 | 5,483 | 8.9 | 24.8 | 18.3 | 4.9 | 26.8 | 35.5 | 1.7 | 12.3 |

- **Volume growth momentum continues:** Volume growth momentum continued for Marico (MRCO), led by 16% volume growth in the domestic business; consolidated organic volume growth was 13%. Increased focus on rural markets was a key contributor to volume growth; share of rural sales has increased to 30% for 9MFY12 as against 27% in FY11.
- **Gross margin expands after six quarters of contraction:** Consolidated gross margin expanded by 120bp to 48.5% after six consecutive quarters of YoY margin decline; the expansion was led by price increases in the domestic portfolio and fall in copra prices. Consolidated EBITDA margin contracted by 70bp to 11.5% due to higher ad expenses (up 170bp) and staff costs (up 80bp). MRCO has booked prior period expenses of INR130m pertaining to Kaya Middle East in 3Q; excluding this, EBITDA margin would have been higher by 120bp at 12.7%.
- **Upgrading estimates, stock recommendation:** We are revising our earnings estimate for FY13 by 12% and are introducing our EPS estimate for FY14 at INR8.9. We are also upgrading our recommendation on the stock to **Buy**. This follows strong operating performance in 3QFY12 and improved visibility of higher medium-term growth. Our SOTP-based target price is INR185 (we have valued the domestic consumer business at 22x FY14E earnings, the international business at 12x FY14E earnings and Kaya at 0.7x sales).

**Quarterly Performance** (INR Million)

| Y/E March | FY11 | | | | FY12E | | | | FY11 | FY12E |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4QE | | |
| Volume Growth (%) | 16.0 | 15.0 | 15.0 | 5.0 | 14.0 | 14.0 | 13.0 | 15.0 | 14.8 | 13.5 |
| **Net Sales** | **7,901** | **7,758** | **8,177** | **7,473** | **10,486** | **9,745** | **10,578** | **9,571** | **31,283** | **40,380** |
| YoY Change (%) | 13.4 | 12.1 | 22.1 | 24.1 | 32.7 | 25.6 | 29.4 | 28.1 | 17.6 | 29.1 |
| COGS | 4,033 | 3,880 | 4,307 | 3,960 | 5,947 | 5,329 | 5,451 | 4,777 | 16,179 | 21,504 |
| **Gross Profit** | **3,868** | **3,879** | **3,870** | **3,514** | **4,539** | **4,415** | **5,127** | **4,795** | **15,104** | **18,876** |
| Gross margin (%) | 49.0 | 50.0 | 47.3 | 47.0 | 43.3 | 45.3 | 48.5 | 50.1 | 48.3 | 46.7 |
| Other Expenditure | 2,813 | 2,887 | 2,873 | 2,726 | 3,288 | 3,249 | 3,909 | 3,411 | 11,006 | 13,857 |
| % to Sales | 35.6 | 37.2 | 35.1 | 36.5 | 31.4 | 33.3 | 37.0 | 35.6 | 35.2 | 34.3 |
| **EBITDA** | **1,055** | **991** | **997** | **788** | **1,251** | **1,167** | **1,217** | **1,384** | **4,098** | **5,019** |
| Margins (%) | 13.3 | 12.8 | 12.2 | 10.5 | 11.9 | 12.0 | 11.5 | 14.5 | 13.1 | 12.4 |
| *YoY Change* | *9.3* | *4.1* | *0.9* | *-7.3* | *18.6* | *17.7* | *22.1* | *75.7* | *8.1* | *22.5* |
| Depreciation | 120 | 140 | 146 | 302 | 169 | 177 | 188 | 185 | 708 | 720 |
| Interest | 70 | 65 | 76 | 182 | 97 | 91 | 82 | 178 | 393 | 448 |
| Other Income | 44 | 73 | 69 | 93 | 90 | 106 | 92 | 96 | 279 | 385 |
| **PBT** | **909** | **860** | **843** | **398** | **1,075** | **1,005** | **1,039** | **1,116** | **3,275** | **4,236** |
| Tax | 162 | 126 | 133 | 428 | 210 | 205 | 178 | 253 | 850 | 847 |
| Rate (%) | 17.8 | 14.7 | 15.8 | 107.7 | 19.6 | 20.4 | 17.1 | 22.7 | 25.9 | 20.0 |
| Minority Interest | 10 | 18 | 14 | -8 | 15 | 17 | 20 | 17 | 50 | 58 |
| **Adjusted PAT** | **737** | **716** | **695** | **719** | **850** | **783** | **841** | **846** | **2,918** | **3,331** |
| YoY Change (%) | 22.8 | 14.7 | 11.8 | 24.4 | 15.3 | 9.4 | 21.0 | 17.7 | 18.9 | 14.2 |
| Exceptional Items | 0 | 44 | | 755 | 0 | 0 | | 0 | 489 | 0 |
| **Reported PAT** | **737** | **760** | **695** | **716** | **850** | **783** | **841** | **846** | **3,153** | **3,331** |

E: MOSL Estimates

**Amnish Aggarwal** (AmnishAggarwal@MotilalOswal.com); Tel: +91 22 3982 5404

- We expect Marico's (MRCO) core business comprising of Parachute Coconut oil to witness uptick in margins as Copra prices have decline from a peak of INR6900/ quintal to current levels of INR4900/quintal. MRCO has very limited competition in the branded space in this segment and strong pricing power is depicted in strong volume growth of 11% in rigid packs for 9mFY12 despite 25% price increase in past 15 months.
- Saffola has grown volumes by 15% in the premium edible oil segment and the brand is way ahead of competition (57% market share) with unique positioning on wellness platform. We expect saffola to sustain volume growth despite 8-9% price increase affected in Jan2012.
- MRCO is emerging as one of the most aggressive players in the value added hair oils segment. MRCO has increased volumes by 20% in 3Q and ~26% in 9mFY12 by aggressive pricing, sales promotions and entry in Cooling oil and Ayurvedic Hair oil segment. We believe that MRCO can sustain strong double digit volume growth and market share gain in this segment as segment leaders like Dabur and Emami are operating with fat margins in excess of 20% in these categories.
- Although we remain concerned on lower margins in international business, it contributes 25% to the topline and only 40% of this is inorganic. Bangladesh and Middle East is ~60% of sales with margins in line with domestic margins. We note that Indian consumer companies have done better with organic forays abroad than acquisitions.
- Kaya Sin care has been a positive surprise in the quarter despite pressure on discretionary spends in the domestic market. Reorganization of business model with shift in focus from “Cure” to “Cure+Care” has reduced cyclicality in the business. We see a probability of Kaya business (including Derma Rx) turning profitable by FY14.
- MRCO has been paying a dividend of INR0.7 per year since FY07, we expect MRCO to increase dividend payout which can act as a re-rating trigger.
- We are increasing FY13 estimates by 12% and are introducing Fy14 EPS at INR8.9. We are introducing SOTP valuation for MRCO with domestic consumer business valued at 22xFY14E, International business at 12xFY14E and Kaya at 0.7xsales. we upgrade the stock to Buy with a 12 month target price of INR185, a 15% upside.

**Concall highlights: Saffola Oats and Parachute Body lotion evoke good response in India, Bangladesh performance to improve with focus on non PCO products.**

- Acceleration in volume growth in Parachute has been driven by recruiter packs in rural markets; rural markets now contribute 40% to Parachute sales as against 35% 2 years back.
- Of the new launches, Saffola Oats and Parachute Body Lotion have performed well and now have 10% and 5% market shares respectively. Mgmt expects each brand to register ~INR450-500m sales in FY13 which will be 2x of FY12 sales. Saffola Rice has been under pressure; however MRCO is confident of the long term growth potential of the brand.
- Organic volume growth in the international business has been ~5% due to flat volumes in Bangladesh (40-45% of international sales) mainly due to lower growth in Parachute Coconut oil; with a combination of distribution expansion and new

product introductions, MRCO expects sustained double digit growth in Bangladesh in the coming quarters.

- In Kaya, in spite of the difficult environment, SSS growth has been maintained due to higher product sales and value services offered; mgmt expects this traction to continue as its strategy as a total skin care solutions player pays dividends.

**Key Metrics- Domestic Volume growth remains robust despite price increases (Gr. %)**

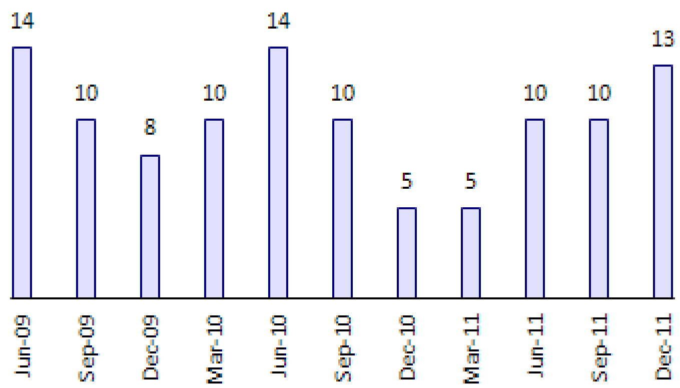
| | 1Q | 2Q | 3Q | 4Q | FY11 | 1Q | 2Q | 3Q |
|---|---|---|---|---|---|---|---|---|
| **Domestic Business** | | | | | | | | |
| Parachute Rigid | 14.0 | 11.0 | 5.0 | 5.0 | 10.0 | 10.0 | 10.0 | 13.0 |
| Saffola | 18.0 | 18.0 | 13.0 | 14.0 | 16.0 | 15.0 | 11.0 | 15.0 |
| Hair Oils | 27.0 | 14.0 | 31.0 | 21.0 | 17.0 | 32.0 | 26.0 | 20.0 |
| Domestic Business | 11.0 | 9.0 | 19.0 | 30.0 | 17.0 | 14.0 | 14.0 | 16.0 |
| **Kaya** | | | | | | | | |
| Kaya Sales | 3.0 | 2.0 | 11.0 | 11.0 | 7.0 | 24.0 | 7.0 | 21.0 |
| Kaya SSS | -5.0 | -3.0 | 10.0 | 6.0 | 2.0 | 14.0 | 16.0 | 15.0 |

Source: Company/MOSL

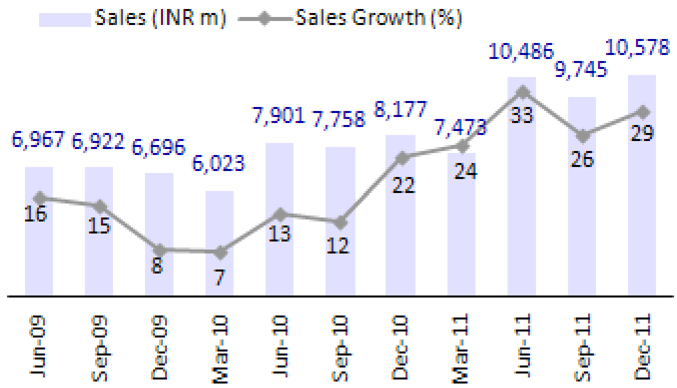
## Domestic sales up 21%; volumes up 16% led by strong performance across hair and edible oils

- Volume growth momentum continued for Marico led by 16% volume growth in the domestic business; consolidated organic volume growth was 13% for the quarter.
- Parachute (rigid packs) volumes grew 13%, the highest growth in the last 7 quarters led by market share gains from regional players; volume growth in all packs was 11%. Growth was driven by the smaller recruiter packs and lack of competition from regional players due to the inflationary RM environment.
- Saffola continued to maintain its strong 15% volume growth trajectory. Other hair oils posted a 20% volume growth which is impressive on a high base (31% in 3QFY11), boosted by increasing distribution of Parachute Advansed Ayurvedic oil and Cooling oil as well as market share gains led growth in Shanti Amla (20% avg market share in 3Q).
- Increased focus on rural markets was a key contributor to volume growth; share of rural sales has increased to 30% for 9MFY12 as against 27% in FY11. Modern trade also boosted growth, with sales increasing 44% led by Saffola and value added hair oils.
- Parachute volume growth is expected to stay healthy led by increasing penetration and market share gains. Saffola in the premium edible oil segment is way ahead of competition (57% market share) with unique positioning on wellness platform. We expect Saffola to sustain volume growth despite 8-9% price increase affected in Jan2012.
- MRCO is emerging as one of the most aggressive players in the value added hair oils segment. MRCO has increased volumes by 20% in 3Q and ~26% in 9mFY12 by aggressive pricing, sales promotions and entry in Cooling oil and Ayurvedic Hair oil segment. We believe that MRCO can sustain strong double digit volume growth and market share gain in this segment as various segment leaders like Dabur and Emami are operating with fat margins in excess of 20%.

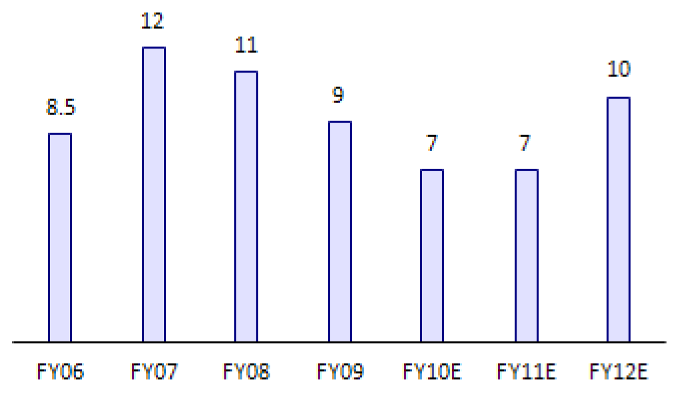
**Volume growth sustains at 13%**



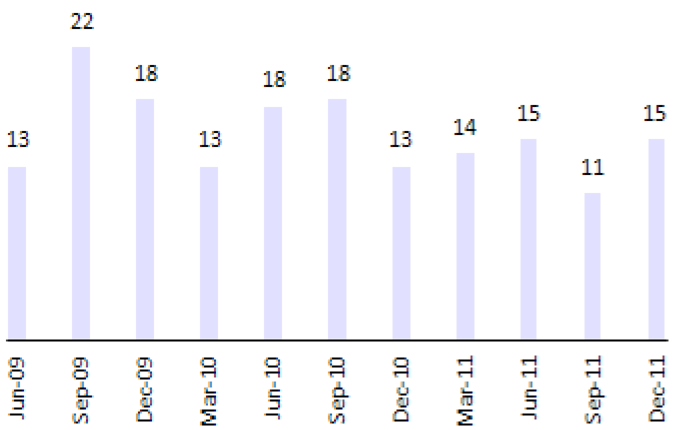

**Consol sales led by volumes and price hikes in domestic business**




**Parachute volumes accelerate at 13%**




**Saffola volume growth at 15%**

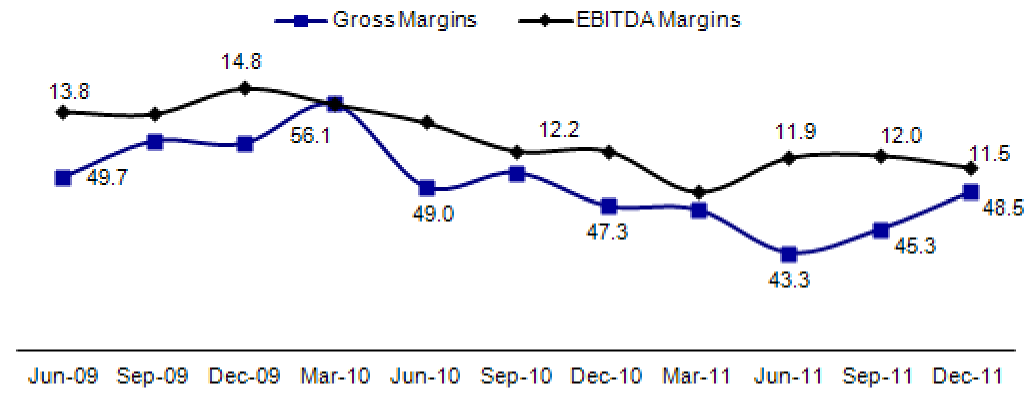



Source: Company/MOSL

## Gross margins expand (after six quarters) by 120bp led by price hikes and decline in copra prices; Saffola prices increased by 8-9% in January 2012

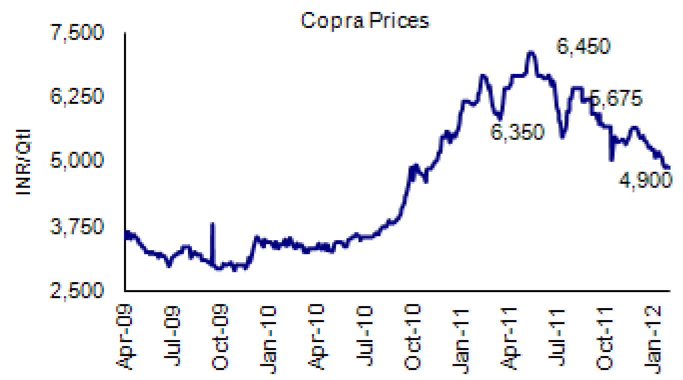
- Consolidated gross margins expanded by 120bp to 48.5% after 6 consecutive quarters of YoY margin decline;expansion was led by price increases in the domestic portfolio and fall in copra prices; average corpa prices declined by 9% QoQ but were still up 4% YoY. We note that average copra prices are down 8% in January as compared to their 3Q average. However, edible oil prices continue to increase with kardi and rice bran prices up 28% and 33% respectively.
- Consolidated EBITDA margins contracted by 70bp to 11.5% due to higher ad expenses (up 170bp) and staff costs (up 80bp). MRCO has booked prior period expenses of Kaya Middle East to the tune of INR 130m in 3Q excluding which EBITDA margins would have been higher by 120bp to 12.7%.
- The continued surge in edible oil prices has prompted the company to pass on an 8-9% price hike across Saffola variants. We note that the previous 15-20% price hike over the last 18-24 months passed on in Saffola has not impacted volumes; the brand has posted its 11th consecutive quarter of double digit volume growth.
- We expect core business comprising of Parachute Coconut oil to witness uptick in margins as Copra prices have decline from a peak of INR6900/quintal to current levels of INR4900/quintal. MRCO has very limited competition in the branded space in this segment and strong pricing power is depicted in strong volume growth of 11% in rigid packs for 9mFY12 despite 25% price increase in past 15 months.

**Gross margin expansion of 120bp; EBITDA margin contraction of 70bp due to one off expenses**

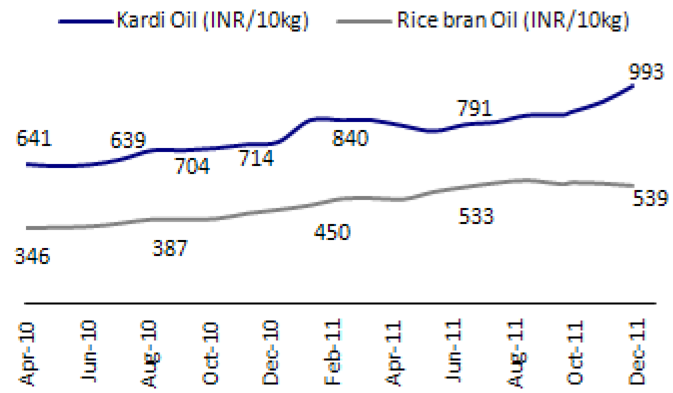



Source: Company/MOSL

**Copra prices down 9% QoQ; trending lower**

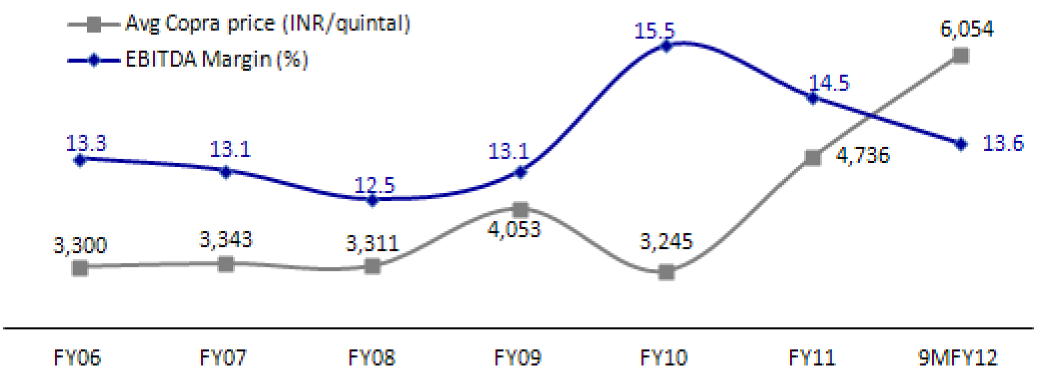



**Rice bran and kardi oil prices up 33% and 28% respectively**




Source: Bloomberg/Company/MOSL

**Margins to expand now with copra prices declining**



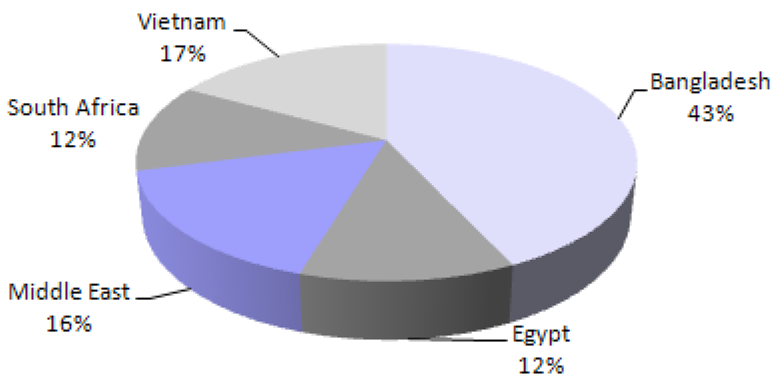

Source: Company/MOSL

## International business sales up 39%; organic growth at 16%; Bangladesh business remains under pressure

- Marico's international business has posted 39% sales growth during the quarter led by new acquisition of ICP in Vietnam; organic growth was 16%.
- Margins in the international business were at 11%; we note that Bangladesh (~45% of international business) posted 1% growth for the quarter with margins declining by 660bp to 9.2% due to higher branding and distribution expenses.
- Market share in Bangladesh for Parachute was at 69%; hair code has maintained share; new launches of Parachute Advansed cooling oil and Parachute Advansed Beli are performing well.

- Although we remain concerned on lower margins in international business, it contributes 25% to the topline and only 40% of this is inorganic. This compares favorably to domestic peers which have a larger share of acquired international businesses. Bangladesh and Middle East is ~60% of sales with margins in line with domestic margins. We note that Indian consumer companies have done better with organic forays abroad than acquisitions as is evident with the performance of Marico in Bangladesh and Egypt and Dabur in GCC and Africa

**IBD: Bangladesh and Middle East are 60% of sales**




Source: Company/MOSL

## Kaya: Healthy 15% SSS growth; adjusted losses only at INR15m

- Kaya Skin Care reported sales growth of 21% at INR750m; SSS growth of 15% and a PBIT loss of INR INR145m. The financials were impacted by change in accounting policy of sales, amortization of intangible assets and one-time prior period expense on Kaya Middle East to the tune of INR130m. Excluding one-time expense, Kaya's EBIT loss is only INR15m as against INR75m in 2QFY12.
- MRCO has strengthened its systems and processes in the entire international business including Kaya to prevent reporting errors.
- Kaya Skin care has been a positive surprise in the quarter despite pressure on discretionary spends in the domestic market. We note that in periods of slowdown in FY09 and FY10, the company had witnessed SSS declines; reorganization of business model with shift in focus from "Cure" to "Cure+Care" has reduced cyclicality in the business. The increase in share of products (from 20% to 23%) has further driven growth.
- We expect SSS growth to be maintained in double digits; though in the near term losses will continue, the business is on a gradual path to achieving profitability and is likely to turnaround by FY14.

## Vauation and view - Domestic business on strong footing; Upgrading FY13 EPS by 12%; Upgrade to Buy with target price of INR185

We are upgrading our rating on Marico to Buy. This follows strong operating performance in 3QFY12 and improved visibility on higher growth in the medium term. We are increasing FY13 estimates by 12% and are introducing Fy14 EPS at INR8.9. We are introducing SOTP valuation for MRCO with domestic consumer business valued at 22xFY14E, International business at 12xFY14E and Kaya at 0.7xsales. We upgrade the stock to Buy with a 12 month target price of INR185, a 15% upside.

# Marico: an investment profile

## Company description

Marico has emerged as a dominant player in the Hair care and edible oil segment. Marico is has also made inroads in the international markets. Entry into skin care clinic reaffirms the management focus on wellness.

## Key investment arguments

- We are positive on the long term growth strategy of the company and its successful forays in expanding overseas as well as developing new products for the domestic markets.
- The company has been able to leverage its existing brands by entering in the new categories.
- International operations are gaining traction due to acquisition of Fiancee and Haircode brands in Egypt and entry into South African market.

## Key investment risks

- Volume growth to tend lower due to rising inflationary environment, thereby pressurizing consumer wallets.
- Copra price fluctuation poses risk to the profitability in the core business of pure coconut oil despite change in the pricing policy and improved pricing power of the company.

## Recent developments

- National launch of parachute Advansed body lotion in the skin care space

## Valuation and view

- EPS estimates are INR5.4 for FY12 and INR7.1 for FY13
- The stock trades at 30x FY12E and 23x FY13E. **Buy**

## Sector view

- We have a cautious view on the sector given the slower income growth in the economy which might impact volumes as well as profit margins of companies.
- Companies with low competitive pressures and broad product portfolios will be able to better withstand any slowdown in a particular segment.
- Longer term prospects appear bright, given rising incomes and low penetration.

### Comparative valuations

| | | Marico | GCPL | Dabur |
|---|---|---|---|---|
| P/E (x) | FY12E | 30.1 | 25.5 | 26.9 |
| | FY13E | 22.8 | 20.1 | 22.4 |
| P/BV (x) | FY12E | 8.6 | 6.8 | 9.8 |
| | FY13E | 6.4 | 4.7 | 8.0 |
| EV/Sales (x) | FY12E | 2.5 | 3.4 | 3.3 |
| | FY13E | 2.1 | 2.7 | 2.8 |
| EV/EBITDA (x) | FY12E | 20.2 | 19.2 | 20.2 |
| | FY13E | 15.5 | 15.0 | 16.6 |

### EPS: MOSL forecast v/s consensus (INR)

| | MOSL Forecast | Consensus Forecast | Variation (%) |
|---|---|---|---|
| FY12 | 5.4 | 5.1 | 5.5 |
| FY13 | 7.1 | 6.6 | 8.9 |

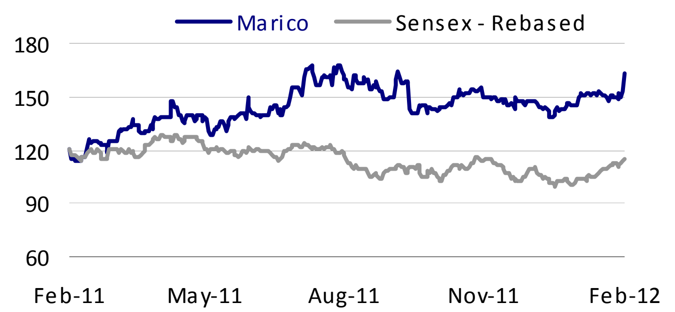
### Target price and recommendation

| Current Price (INR) | Target Price (INR) | Upside (%) | Reco. |
|---|---|---|---|
| 163 | 185 | 13.7 | Buy |

### Shareholding pattern (%)

| | Sep-11 | Jun-11 | Sep-10 |
|---|---|---|---|
| Promoter | 62.8 | 62.9 | 63.0 |
| Domestic Inst | 5.1 | 4.2 | 5.2 |
| Foreign | 25.7 | 26.4 | 24.5 |
| Others | 6.4 | 6.5 | 7.3 |

### Stock performance (1 year)



## Financials and Valuation

| Income Statement | | | | | (INR Million) |
|---|---|---|---|---|---|
| Y/E March | 2010 | 2011 | 2012E | 2013E | 2014E |
| **Net Sales** | 26,608 | 31,283 | 40,380 | 47,042 | 54,544 |
| Change (%) | 11.4 | 17.6 | 29.1 | 16.5 | 15.9 |
| COGS | 13,021 | 16,179 | 21,504 | 24,317 | 28,042 |
| **Gross Profit** | 13587 | 15104 | 18876 | 22724 | 26502 |
| Margin (%) | 51.1 | 48.3 | 46.7 | 48.3 | 48.6 |
| Operating Expenses | 9,835 | 11,006 | 13,857 | 16,372 | 18,810 |
| | | | | | |
| **EBITDA** | 3,751 | 4,098 | 5,019 | 6,353 | 7,692 |
| Change (%) | 23.4 | 9.2 | 22.5 | 26.6 | 21.1 |
| Margin (%) | 14.1 | 13.1 | 12.4 | 13.5 | 14.1 |
| Depreciation | 601 | 708 | 720 | 831 | 921 |
| Int. and Fin. Charges | 257 | 393 | 448 | 443 | 406 |
| Other Income - Recurrin | 183 | 279 | 385 | 495 | 585 |
| **Profit before Taxes** | 3,076 | 3,275 | 4,236 | 5,574 | 6,949 |
| Change (%) | 25.7 | 6.5 | 29.3 | 31.6 | 24.7 |
| Margin (%) | 11.6 | 10.5 | 10.5 | 11.8 | 12.7 |
| Current Tax (excl MAT Er | 613 | 850 | 805 | 1,059 | 1,320 |
| Deferred Tax | 31 | | 42 | 56 | 69 |
| Tax Rate (%) | 20.9 | 25.9 | 20.0 | 20.0 | 20.0 |
| Minority Interest | -19 | -50 | -58 | -66 | -76 |
| **Profit after Taxes** | 2,414 | 2,918 | 3,331 | 4,393 | 5,483 |
| Change (%) | 19.4 | 20.9 | 14.2 | 31.9 | 24.8 |
| Margin (%) | 9.1 | 9.3 | 8.2 | 9.3 | 10.1 |
| Extraordinary items | -98 | 489 | 0 | 0 | 0 |
| **Reported PAT** | 2,316 | 2,864 | 3,331 | 4,393 | 5,483 |

| Ratios | | | | | |
|---|---|---|---|---|---|
| Y/E March | 2010 | 2011 | 2012E | 2013E | 2014E |
| **Basic (INR)** | | | | | |
| **EPS** | 4.0 | 4.7 | 5.4 | 7.1 | 8.9 |
| Cash EPS | 4.8 | 5.8 | 6.6 | 8.5 | 10.4 |
| BV/Share | 10.7 | 14.9 | 19.0 | 25.3 | 33.3 |
| DPS | 0.7 | 0.7 | 0.7 | 0.8 | 0.8 |
| Payout % | 16.5 | 13.9 | 12.9 | 10.5 | 9.0 |
| | | | | | |
| **Valuation (x)** | | | | | |
| P/E | 40.8 | 34.3 | 30.1 | 22.8 | 18.3 |
| Cash P/E | 34.0 | 28.0 | 24.7 | 19.2 | 15.6 |
| EV/Sales | 3.8 | 3.4 | 2.5 | 2.1 | 1.7 |
| EV/EBITDA | 27.1 | 25.6 | 20.2 | 15.5 | 12.3 |
| P/BV | 15.2 | 10.9 | 8.6 | 6.4 | 4.9 |
| Dividend Yield (%) | 0.4 | 0.4 | 0.4 | 0.5 | 0.5 |
| | | | | | |
| **Return Ratios (%)** | | | | | |
| RoE | 36.9 | 31.9 | 28.5 | 28.3 | 26.8 |
| RoCE | 40.8 | 29.7 | 32.8 | 35.7 | 35.5 |
| | | | | | |
| **Working Capital Ratios** | | | | | |
| Debtor (Days) | 21 | 22 | 17 | 17 | 17 |
| Asset Turnover (x) | 2.4 | 1.8 | 2.2 | 2.2 | 2.1 |
| | | | | | |
| **Leverage Ratio** | | | | | |
| Debt/Equity (x) | 0.7 | 0.8 | 0.6 | 0.4 | 0.3 |

| Balance Sheet | | | | | (INR Million) |
|---|---|---|---|---|---|
| Y/E March | 2010 | 2011 | 2012E | 2013E | 2014E |
| Share Capital | 609 | 614 | 614 | 614 | 614 |
| Reserves | 5,930 | 8,540 | 11,068 | 14,922 | 19,830 |
| **Net Worth** | 6,540 | 9,155 | 11,683 | 15,536 | 20,445 |
| Loans | 4,459 | 7,718 | 7,000 | 6,000 | 5,500 |
| **Capital Employed** | 11,124 | 17,092 | 18,683 | 21,536 | 25,945 |
| | | | | | |
| Gross Fixed Assets | 4,495 | 6,177 | 7,177 | 8,177 | 9,177 |
| Intangibles | 797 | 1,438 | 1,342 | 1,247 | 1,152 |
| Less: Accum. Depn. | -2,424 | -3,366 | -4,085 | -4,917 | -5,838 |
| **Net Fixed Assets** | 2,868 | 4,250 | 4,435 | 4,508 | 4,491 |
| Capital WIP | 1,129 | 648 | 1,000 | 1,500 | 1,500 |
| Goodwill | 850 | 3,976 | 3,976 | 3,976 | 3,976 |
| Investments | 827 | 890 | 3,500 | 4,500 | 5,500 |
| | | | | | |
| **Curr. Assets, L&A** | 8,970 | 12,203 | 12,445 | 14,485 | 18,720 |
| Inventory | 4,448 | 6,011 | 5,855 | 6,821 | 7,909 |
| Account Receivables | 1,507 | 1,880 | 1,857 | 2,164 | 2,509 |
| Cash and Bank Balance | 1,115 | 2,131 | 2,425 | 3,062 | 5,728 |
| Others | 1,900 | 2,181 | 2,307 | 2,439 | 2,573 |
| | | | | | |
| **Curr. Liab. and Prov.** | 4,136 | 5,175 | 6,974 | 7,721 | 8,503 |
| Current Libilities | 3,369 | 4,098 | 6,255 | 6,864 | 7,505 |
| Provisions | 768 | 1,077 | 719 | 857 | 998 |
| **Net Current Assets** | 4,833 | 7,028 | 5,471 | 6,764 | 10,216 |
| Deferred Tax Liability | 616 | 300 | 301 | 288 | 261 |
| **Application of Funds** | 11,123 | 17,091 | 18,683 | 21,536 | 25,945 |

E: MOSL Estimates

| Cash Flow Statement | | | | | (INR Million) |
|---|---|---|---|---|---|
| Y/E March | 2010 | 2011 | 2012E | 2013E | 2014E |
| OP/(loss) before Tax | 3,751 | 4,098 | 5,019 | 6,353 | 7,692 |
| Int./Div. Received | 183 | 279 | 385 | 495 | 585 |
| Interest Paid | -257 | -393 | -448 | -443 | -406 |
| Direct Taxes Paid | -613 | -850 | -805 | -1,059 | -1,320 |
| (Incr)/Decr in WC | -1,066 | -1,178 | 1,851 | -657 | -785 |
| **CF from Operations** | 1,998 | 1,955 | 6,002 | 4,689 | 5,765 |
| | | | | | |
| Extraordinary Items | 0 | 0 | 0 | 0 | 0 |
| (Incr)/Decr in FA | -1,275 | -1,842 | -1,257 | -1,405 | -905 |
| (Pur)/Sale of Investmen | -706 | -63 | -2,610 | -1,000 | -1,000 |
| **CF from Invest.** | -1,981 | -1,905 | -3,867 | -2,405 | -1,905 |
| | | | | | |
| Issue of Shares | 0 | 0 | 0 | 0 | 0 |
| (Incr)/Decr in Debt | 716 | 3,260 | -718 | -1,000 | -500 |
| Dividend Paid | -470 | -472 | -503 | -539 | -575 |
| Others | -49 | -1,394 | -2,097 | -115 | -126 |
| **CF from Fin. Activity** | 197 | 1,394 | -3,318 | -1,654 | -1,201 |
| | | | | | |
| **Incr/Decr of Cash** | 214 | 1,444 | -1,184 | 630 | 2,659 |
| Add: Opening Balance | 902 | 1,115 | 2,131 | 2,425 | 3,062 |
| **Closing Balance** | 1,116 | 2,559 | 947 | 3,056 | 5,721 |

# NOTES

## Disclosures

This report is for personal information of the authorized recipient and does not construe to be any investment, legal or taxation advice to you. This research report does not constitute an offer, invitation or inducement to invest in securities or other investments and Motilal Oswal Securities Limited (hereinafter referred as MOSt) is not soliciting any action based upon it. This report is not for public distribution and has been furnished to you solely for your information and should not be reproduced or redistributed to any other person in any form.

Unauthorized disclosure, use, dissemination or copying (either whole or partial) of this information, is prohibited. The person accessing this information specifically agrees to exempt MOSt or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOSt or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOSt or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

The information contained herein is based on publicly available data or other sources believed to be reliable. While we would endeavour to update the information herein on reasonable basis, MOSt and/or its affiliates are under no obligation to update the information. Also there may be regulatory, compliance, or other reasons that may prevent MOSt and/or its affiliates from doing so. MOSt or any of its affiliates or employees shall not be in any way responsible and liable for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report . MOSt or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations.

This report is intended for distribution to institutional investors. Recipients who are not institutional investors should seek advice of their independent financial advisor prior to taking any investment decision based on this report or for any necessary explanation of its contents.

MOSt and/or its affiliates and/or employees may have interests/positions, financial or otherwise in the securities mentioned in this report. To enhance transparency, MOSt has incorporated a Disclosure of Interest Statement in this document. This should, however, not be treated as endorsement of the views expressed in the report.

| Disclosure of Interest Statement | Marico |
|---|---|
| 1. Analyst ownership of the stock | No |
| 2. Group/Directors ownership of the stock | No |
| 3. Broking relationship with company covered | No |
| 4. Investment Banking relationship with company covered | No |

## Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report. The research analysts, strategists, or research associates principally responsible for preparation of MOSt research receive compensation based upon various factors, including quality of research, investor client feedback, stock picking, competitive factors and firm revenues.

## Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOSt & its group companies to registration or licensing requirements within such jurisdictions.

## For U.K.

This report is intended for distribution only to persons having professional experience in matters relating to investments as described in Article 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (referred to as "investment professionals"). This document must not be acted on or relied on by persons who are not investment professionals. Any investment or investment activity to which this document relates is only available to investment professionals and will be engaged in only with such persons.

## For U.S.

MOSt is not a registered broker-dealer in the United States (U.S.) and, therefore, is not subject to U.S. rules. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., Motilal Oswal has entered into a chaperoning agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo").

This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors.

The Research Analysts contributing to the report may not be registered /qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, Marco Polo and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.

MOTILAL OSWAL

**Motilal Oswal Securities Ltd**

3rd Floor, Hoechst House, Nariman Point, Mumbai 400 021

Phone: (91-22) 39825500 Fax: (91-22) 22885038. E-mail: reports@motilaloswal.com