

Robust FY25 outlook to sustain Marico gains

Growth seen despite currency headwinds in overseas markets

RAM PRASAD SAHU
Mumbai, 11 July

From its lows last week, the stock of consumer major Marico is up 7 per cent on the back of a better-than-expected June quarter performance and robust outlook.

In a pre-quarter update, the management indicated that domestic volume growth should witness an improvement in FY25, while other segments (growth portfolio, international business) too would see traction going ahead.

The near-term trigger is strong sales and operating performance for Q1FY25.

While the company indicated that consolidated revenue growth would be in the high single digits, brokerages peg the same at around 7-8 per cent. The growth in the overall business came despite the residual impact of pricing cuts in the Saffola oils portfolio and currency headwinds in overseas markets.

In the domestic business, analysts expect sales growth to be 5 per cent with most of the growth coming from the volume front. The volume growth is an improvement on the March quarter (3 per cent growth) and was delivered post adjustments in distributor stock levels to enhance their return on investments and a certain degree of wholesale channel destocking to ensure smoother direct reach expansion.

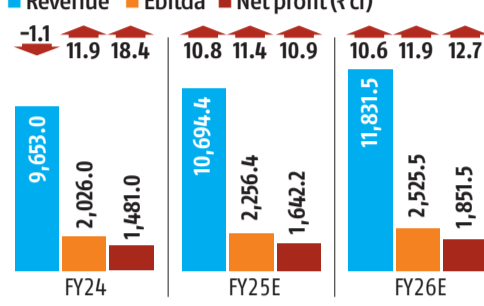
The company reported that Parachute coconut oil posted low single-digit volume growth (5 per cent sales growth) in the June quarter and this is likely to pick up for the rest of the year given the consistently healthy trends in off-take growth. Saffola oils delivered mid-single-digit volume growth (sales growth may be flattish as volume growth being offset by price cuts) amidst marked stability in input and consumer pricing.

In value-added hair oils, the company had a soft start (4 per cent



STRONG SHOW

Marico consolidated figures

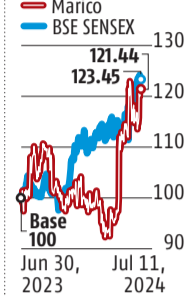


E: Estimates

Source: Bloomberg; Compiled by BS Research Bureau

Catching up

(Base=100)



revenue fall) due to competitive headwinds persisting in the bottom of the pyramid segment, while the mid and premium segments fared relatively better. This portfolio is also expected to revert to growth from the next quarter.

In addition to strong revenue growth performance, operating profit growth performance too was robust at about 11 per cent. Input prices in most cases be it copra, edible oil and crude oil derivatives traded in a range. Gross margins could expand compared to the year-ago quarter due to a favourable product mix.

While gross margins would rise by 222 basis points to 52.2 per cent, operating profit margins are expected to improve by 63 basis points to 23.8 per cent, according to analysts led by Abneesh Roy of Nuvama Research. The brokerage, which believes that overall demand sentiment saw a gradual improve-

ment, has a 'buy' rating with a target price of ₹640.

Going ahead for FY25, management expects an improvement in domestic volume

growth - aided by an uptick in Parachute volumes and Saffola edible oils, acceleration in growth businesses (Foods & D2C personal care), traction in international business and initiatives around expanding direct distribution.

What could add to Marico's incremental revenues is the tie-up with dermatological solutions provider, Kaya. Marico will have exclusive rights to scale Kaya's range of personal care products beyond its clinics. Motilal Oswal Research believes that the initiative will serve as an additional growth driver for Marico's premium personal care-led digital business and further accelerate the portfolio diversification agenda of its India business.

Income-tax cuts, sops for PSUs on brokerages' Budget wish list

Q1FY25 earnings likely to spur stock-specific moves: Analysts

PUNEET WADHWAN
New Delhi, 11 July

The coming fortnight will be an important phase for Indian stock markets as they prepare and assimilate Finance Minister Nirmala Sitharaman's Budget proposals.

The June quarter corporate earnings season (Q1FY25) is likely to see stock-specific moves, which will have some bearing on the overall market sentiment, according to analysts.

Analysts believe the Budget's impact on market performance from a medium-to-long-term perspective is declining. "Only twice in 30 years has the market been up both pre and post Budget. This year, India is tracking higher on both an absolute and relative basis and if it were to hold this performance into the budget day, then there is a strong likelihood that it corrects post budget," wrote analysts at Morgan Stanley, led by Ridham Desai, their head of India research and India equity strategist, in a report co-authored with Sheela Rathi and Nayant Parekh. Here is what the leading brokerages expect from the Budget.

KEY EXPECTATIONS

BofA Securities

Expect tax cuts to boost consumption, higher subsidies, especially for rural housing, expansion of the scope of PFI, special assistance to states, and additional healthcare coverage.

The government may raise the income threshold for zero tax from ₹ 3 to 5 lakh. The consideration to lower income tax rates for individuals earning an annual income of ₹10 lakh is also underway. Given that the government is trying to encourage taxpayers to adopt the simplified tax regime, a change in the 80C is likely. There is also a growing demand for the expansion of the HRA exemption to include more non-metro cities.

The upcoming Budget can propose changes in the tax treatment of income from futures and options (F&O) segments to discourage retail participation in derivatives trading.

Morgan Stanley

Expect the fiscal deficit target to be retained at 5.1 per cent of GDP in FY25. Job creation supported through capex, targeted social sector spending, and focus on 'Viksit Bharat' plan are likely to be the key themes; tax relief to middle-income taxpayers.

Watch out for announcements affecting agriculture, start-ups, housing, railways, defence, lab-grown diamonds, electronics, semiconductors, aerospace, electric vehicles, textiles, food processing, and renewables. We also need to see the amount of spend directed at Andhra Pradesh and Bihar, if any, two states from where key allies of this government hail from.

Short-term capital gains (STCG) tax rate could



be raised from 15 per cent. A hike in the effective long-term capital gains (LTCG) tax on equities either via lengthening of the holding period from 12 months to two or three years to qualify for long-term capital, or an increase in the tax rate from 10 per cent to 15 per cent could be a major dampener for stocks, especially in the broad market. Neither the market nor we expect this.

Goldman Sachs

The Budget will likely make an overarching statement about long-term economic policy of the government towards 2047. Thrust on rural economy, job creation through labor-intensive manufacturing, support for MSMEs, skilling, and high-quality services jobs.

Nomura

We do not expect a pivot to populism. Instead, a continued focus on capex and fiscal consolidation is likely.

Oil India up 7.6% as oil stocks hog limelight

PRESS TRUST OF INDIA
Mumbai, 11 July

Shares of oil exploration & production firms were in the limelight on Thursday, where Oil India climbed over 7 per cent, amid hopes of more focus on domestic exploration and production (E&P).

The stock of Oil India jumped 7.55 per cent while Hindustan Oil Exploration Company zoomed 6.42 per cent on the BSE.

Shares of Selan Exploration Technology climbed 4.27 per cent and ONGC went up by 2.26 per cent.

Oil India and ONGC also hit record-high levels in intra-day trade.

Oil Minister Hardeep Singh Puri on Thursday called for stepping up the oil and gas hunt to cut India's reliance on imports and make available fuel in

an affordable and sustainable way.

Speaking at the Urja Varta conference, he said the exploration and production (E&P) sector is integral in the journey towards energy self-sufficiency, which is critical for sustained economic growth.

"E&P offers investment opportunities worth \$100 billion by 2030," he said. Stating that India's exploration

and production potential still lies untapped, he said, "I find it strange that India is so heavily reliant on oil imports despite the abundant geological resources available to us." "The focus of our exploratory endeavours must pivot towards discovering 'yet to find' resources," he said.

India imports over 85 per cent of its crude oil needs. Crude oil is converted into fuels like petrol and diesel in refineries.

CHAMPIONING INNOVATION, RECOGNIZING DISTINCTION

#MDBrandoftheyear
20TH JUNE, 2024
THE HYATT REGENCY NEW DELHI

Successful brand-building in the digital age entails becoming integral to customers' lives, adding value at every interaction, and continually evolving to remain relevant in a rapidly changing world. The **3RD EDITION OF BRAND OF THE YEAR 2024** celebrated the remarkable achievements of selected brands that have proficiently balanced diverse demands. These brands possess a deep understanding of today's consumers, accurately identifying their desires and engaging them effectively. Representing various industries, these brands have tailored their offerings to meet current needs while anticipating future trends, acknowledging the journey that has shaped their success.

THOSE RECOGNIZED AS BRAND OF THE YEAR 2024 IN A GALA CEREMONY INCLUDE:

AASOKA	APLAPOLLO	BAJAJ CAPITAL	BEUMERGROUP	Cetaphil
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HP	IndiaFirstLife	JINDAL	KENSTAR	LUMINOUS
MARUTI SUZUKI	McVities	Meril	NEXON PAINTS	NYATI
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RETAIL & E-COMMERCE CONCLAVE 2024

20 JUNE 2024
HYATT REGENCY HOTEL NEW DELHI

UNLOCKING **THE FUTURE OF RETAIL & ECOMMERCE**
Harnessing Innovation for Growth

The inaugural edition of **Team Marksmen's Retail and E-commerce Conclave 2024** brought together industry experts, diverse stakeholders, and seasoned practitioners to map out key action points crucial for a high-growth trajectory. This exclusive edition explored key trends shaping the \$2 trillion retail economy. Discussions covered were on customer loyalty, AI's impact on e-commerce, personalized shopping experiences, and retail growth in Tier 2 and 3 cities.

We were honoured to have **Dr. Bejoy John, Director at DPIIT, Ministry of Commerce and Industry, Government of India**, as the chief guest at the event and keynotes were delivered by **Ashish Mullick of ONDC** and **Dr. Pankaj Dikshit of Government e Marketplace (GeM)**. Esteemed speakers included leaders from **Apollo 24/7, Bikaji Foods, Lulu Group, Lenskart.com, Shoppers Stop, Nestlé** and more.

The Retail and E-commerce Conclave 2024 overall highlighted the dynamic growth of the industry and its role in India's economic progress. By fostering collaboration and sharing insights, the event paved the way for future innovations and strategies, contributing to India's journey towards becoming a global economic powerhouse.

HERE ARE THE GLIMPSES FROM THE EVENT

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