

Company Overview

Marico Bangladesh Limited (MBL), a subsidiary of Marico Limited India, was incorporated in September 1999 and started its commercial operation in January 2000. The company is amongst the top 3 FMCG MNC companies in Bangladesh. The company manufactures and markets branded FMCG products of Pure Coconut Oil, Value Added Hair Oil, Hair Dye, Hair Serum, Edible Oil, Male Grooming Product (Deo) under the brand name of Parachute, Beliphool, Nihar, Saffola and Hair Code Active etc. Marico's Parachute Coconut Oil is the market leader in the coconut oil segment holding 78% market share as on 2012 (Source: Nielsen).

The company's flagship brand 'Parachute Coconut Oil', contributed 87% of total revenue during 2013-14. Contribution in revenue from Value Added Hair Oil, Hair Dye Products and other segments was 10.36%, 1.77% and 0.57% respectively. Though revenue from Pure Coconut Oil segment grew by 5.05% in year 2013-14 than that of 2012-13, a declining trend is observed in the y-to-y revenue contribution of this segment whereas revenue from Value Added Hair Oil (VAHO) segment demonstrated an upward pattern registering a 4 year CAGR of 45.9% in revenue. The Hair Dye Products recorded a 13.38% y-to-y growth, while growth from Saffola, and other minor brands dropped significantly.

The company's main raw material is Copra (dried coconut kernels). Though mainly imported from India, copra and other raw materials are also imported from Indonesia, Sri Lanka and Philippines. Marico Bangladesh has two factories, both of which are located in Gazipur, Dhaka. MBL distributes its products with its own distribution channel comprising of five sales depots located in Dhaka, Chittagong, Bogra, Jessore and Comilla.

The firm was enlisted in the DSE and CSE in 2009. Around 90.00% of total shares of the company are held by Sponsors while Institutions and public holds 9% and 1% respectively.

Industry Overview

The FMCG (Fast Moving Consumer Goods) industry is one of the largest sectors in the economy and creates employment for millions of people. FMCG includes personal care, house hold care, packaged foods and beverages, tobacco etc. which are frequently purchased. The growth of FMCG sector is commonly correlated with population and purchasing power of the consumers. Currently, more than 60 companies are operating in FMCG business. The industry is an emerging sector with vast local demand for its segregated products line.

In Bangladesh, the industry is mostly controlled by a small number of large Multinational Companies (MNCs). Low capital requirements and simple manufacturing process lead the growing of local entrepreneurs in the industry. Therefore, focus on branding, product differentiation, distribution and innovation is of higher importance to build a loyal customer. Generally, local producers used to produce beauty soap, laundry soap, detergent powder, coconut oil, and other cosmetics & toiletries products.

The FMCG market can be divided into two segments – urban and rural. The urban segment is characterized by high penetration levels and high spending tendency of the urban

resident. The rural segment is mainly agrarian, with relatively lower levels of penetration and a large unorganized sector. The FMCG industry caters to the needs of the consumers both in urban and rural segments with a well-developed and efficient supply chain model. During the last decades, growing of urban economy in the country helps to the growth of the sector. Increasing purchasing power of the rural people together with perception of branded FMCG products in this market have provided the Industry players an opportunity for driving growth.

Company Fundamentals

Market Cap (BDT mn)	34,634.3
Market Weight	1.1%
Free-float (Public + Inst.)	10%
Paid-up Capital (BDT mn)	315.0
3 Months Average Turnover (BDT mn)	7.2
3 Months Return	8.80%
Current Price (BDT)	1078.0
52-week Price Range	728-1365
Sector Forward P/E	23.2

	2011-12	2012-13	2013-14	2014-15 (Q1 Ann.)
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Financial Information (BDT mn):

Net Sales	6,036	6,120	6,435	8,542
Operating Profit	548	948	1,584	2,210
Profit After Tax	536	867	1,386	1,736
Assets	4,203	5,183	3,674	4,121
Long Term Debt	-	-	-	-
Equity	2,603	3,156	1,706	1,944
Dividend (C/B)%*	100%C	150%C	900%C	150%C**

Margin:

Gross Profit	24.8%	36.1%	49.3%	47.8%
Operating Profit	9.1%	15.5%	24.6%	25.9%
Pretax Profit	11.6%	19.1%	29.2%	27.7%
Net Profit	8.9%	14.2%	21.5%	20.3%

Growth:

Sales	-1.4%	1.4%	5.1%	32.7%
Gross Profit	-12.6%	47.3%	43.7%	28.8%
Operating Profit	-39.3%	73.2%	67.0%	39.6%
Net Profit	-30.5%	61.9%	59.8%	25.3%

Profitability:

ROA	12.2%	18.5%	31.3%	44.5%
ROE	21.1%	30.1%	57.0%	95.1%

Leverage:

Debt Ratio	2.4%	0.7%	0.0%	1.7%
Debt-Equity	3.8%	1.2%	0.0%	3.6%
Int. Coverage	242.9	420.6	2,636.0	N/A

Valuation:

Price/Earnings	63.4	39.2	24.5	19.6
Price/BV	13.0	10.8	19.9	17.5
EPS (BDT)	17.0	27.5	44.0	55.1
NAV per share	82.6	100.2	54.2	61.7

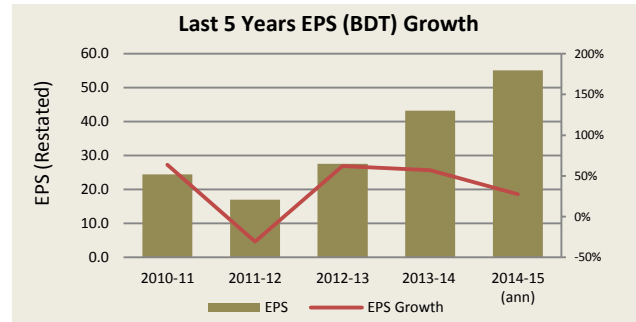
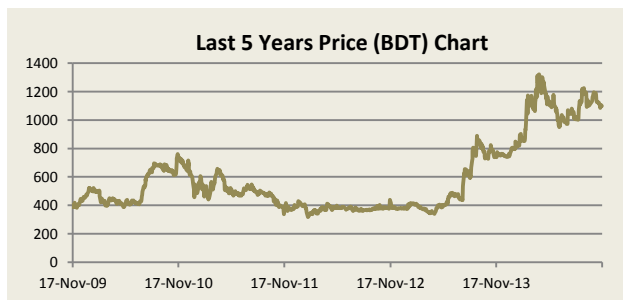
* Including Interim Cash Dividend **Only Interim Dividend

Investment Positives

- International market price of Copra, the main raw material for Hair Oil segment, declined at a rate of 11.1% from November 2013 to October 2014 as per World Bank data. This decline in raw-material price will lead to the increase in the operating margin of the company in the coming quarters.
- The company continued expanding its revenue sources by launching new products. During 2013-14, the company launched the following new products- Livon, Saffola Active, HairCode Keshkala, Nihar Natural Shanti Badam Amla and Set Wet. These products are expected to create new source of revenue for the company.
- The company divested its soap brands and sold assets related to that business during FY 2013-14. Resultantly, unfitted production and fixed costs reduced to some extent.

Investment Negatives

- The price of Copra- the basic material of producing coconut oil was unstable over the last few years. Unpredictable increase in input price can have a direct impact on the production costs.
- As the company need to import raw materials priced at foreign currency, unfavorable exchange rate movement can have a negative impact on the profit margin.



Pricing Based on Relative Valuation:

	Multiple	Value
Peer Group Forward P/E	24.7	1,358.9
Peer Group Trailing P/E	31.1	1,369.7
Peer P/B	9.6	592.0
Market Forward P/E	18.3	1,008.9

Concluding Remark

Marico Bangladesh Ltd maintained major market share in the branded coconut oil segment. **CAGR of the Marico's revenue over the last 5 year was 10.86%**. The Company has reported its 6 monthly NPAT of Tk. 867.89 million with EPS growth rate of 15.32% for year 2014-15. Increased production capacity, import cost reduction following devaluation of INR against BDT and the company's position building in copra before price spike registered the firm with higher EPS in the last financial year. Besides, Value Added Hair Oil segment of the firm representing a potential revenue source.

Source: Annual Reports, Company Website, the Financial Express, the Daily Star, World Bank data, Superbrands Bangladesh Website, ILSL Research

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