

Is street ignoring the risk associated with Bangladesh?

We believe the street is underestimating the potential impact of current political turmoil in Bangladesh on operations of Marico Bangladesh (MBL) over medium term. We note that MBL accounts for ~23.3% of consolidated profits of Marico and 28% of its cash and investments. The road to recovery will be delayed and longer, more so as Bangladesh has a history of political instability on several occasions since its independence in 1971. With the crash of its Textile Industry (Lifeline of Economy) and strained ties with immediate neighbors, we expect sharp spike in inflation, which can affect demand for medium term. While we are not negative on domestic business of Marico, valuations at 46.9x FY26 and 43.6x FY27 EPS, does not leave much scope for a negative surprise in a critical territory like Bangladesh.

Marico Bangladesh – Contributed 23.3% of consol PAT and 53% of cash surplus (FY24)

Most FMCG companies have been trying to increase their overseas presence over the years. Most of them have been successful in either nearby SAARC countries or Gulf. MRCO has been one of the very few companies, which has created a successful overseas operation in Bangladesh. Most interestingly, it is the most successful overseas territory for Marico and contributes 40% of sales to its overseas business. Marico Bangladesh is a separately listed company with market cap of Rs54bn.

- MBL accounts for 11% of consolidated sales but 23.3% of consolidated PAT for FY24 and 15.8% of consol sales and 25.6% of PAT in 1H25.
- MBL has strong leadership in Parachute coconut oil and VAHO, which account for 59/27% of sales.
- Marico has been trying to diversify its operations in Bangladesh, with entry in segments like Hair color, Beauty and Baby care.
- MBL has cash and investments of Rs8.18bn in FY24, which was 53% of total cash, and investments held by Marico Ltd. The same for 1H25 is Rs5.1bn (28.6% of sales).
- MBL reported 9% sales growth & 28% profit growth in 1H25 (YoY) whereas Marico India (Consolidated) reported 7.1% sales growth & 8.3% profit growth in 1H25 (YoY).

Does Bangladesh operations pose a threat to growth forecast of Marico?

We believe ensuing domestic political situation in Bangladesh poses risk to growth and profitability of Marico in near to medium term.

- Bangladesh is facing unending domestic turmoil and has a history of instability including Military rules and Coups from time to time. We note that every such occasion has affected the economic growth in the past.
- Bangladesh had seen strong economic growth in the past decade led by huge success of its Textile and garmenting industry. With the current state of turmoil, we are witnessing exodus of large number of MNC's who were sourcing from Bangladesh. The recovery in revival of textile industry looks highly unlikely given the law and order issues in the country.
- Bangladesh is surrounded by India from three sides and it imports USD12.5bn of goods, which not only include raw materials of Textiles but even the daily use items and power. With anti-India sentiments rising every day, a disruption in supply chain in Bangladesh cannot be ruled out. We believe crash of its textile industry will have a cascading impact on its currency. Shortage of goods can spiral inflation and impact demand for various goods and services.

Exhibit 1: MBL accounted for 25.6% of consol PAT in 1H25, 28.6% of cash surplus

Particulars	FY22	FY23	FY24	1H25
Financials (Taka mn)				
Revenue	13,032	14,136	14,524	8,408
Gross Profit	7,071	7,325	8,425	5,091
<i>Gross Margin (%)</i>	<i>54.26</i>	<i>51.82</i>	<i>58.01</i>	<i>60.55</i>
EBITDA	4,644	5,138	6,151	3,813
<i>EBITDA Margin (%)</i>	<i>35.64</i>	<i>36.35</i>	<i>42.35</i>	<i>45.35</i>
PBT	4,497	5,032	5,857	4,102
PAT (Taka mn)	3,554	3,872	4,606	3,191
Exchange Rate: Taka/ Rs	0.86	0.76	0.75	0.70
PAT (Rs mn)	3,056	2,943	3,455	2,218
Marico Consolidated PAT (Rs mn)	12,250	13,020	14,810	8,650
<i>Bangladesh PAT (% Consol PAT)</i>	<i>24.95</i>	<i>22.60</i>	<i>23.33</i>	<i>25.64</i>
Cash & Investments (Rs mn)				
Marico India (Consolidated)	14,070	18,520	15,450	17,930
Marico Bangladesh	2,230	4,879	8,185	5,132
<i>% of Cash and Investments</i>	<i>15.8%</i>	<i>26.3%</i>	<i>53.0%</i>	<i>28.6%</i>

Source: Company, PL

Exhibit 2: Marico has higher contribution from Bangladesh vs Peers

Particulars (Rs mn)	FY22		FY23		FY24	
	Revenue	PAT	Revenue	PAT	Revenue	PAT
Marico Consolidated	95,120	12,250	97,640	13,020	96,530	14,810
Marico Bangladesh	11,208	3,056	10,743	2,943	10,893	3,455
<i>% of Total</i>	<i>11.8</i>	<i>24.9</i>	<i>11.0</i>	<i>22.6</i>	<i>11.3</i>	<i>23.3</i>
Dabur Consolidated	1,08,887	18,242	1,15,299	17,072	1,24,040	18,421
Dabur Bangladesh	1,319	37	1,139	40	1,210	67
<i>% of Total</i>	<i>1.2</i>	<i>0.2</i>	<i>1.0</i>	<i>0.2</i>	<i>1.0</i>	<i>0.4</i>
Emami Consolidated	31,872	8,442	34,057	6,397	35,781	7,295
Emami Bangladesh	1,550	260	1,792	388	1,742	437
<i>% of Total</i>	<i>4.9</i>	<i>3.1</i>	<i>5.3</i>	<i>6.1</i>	<i>4.9</i>	<i>6.0</i>

Source: Company, PL

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	Reduce	2,230	2,543
2	Avenue Supermarts	Hold	4,748	4,573
3	Britannia Industries	BUY	5,845	5,028
4	Colgate Palmolive	Hold	2,973	3,018
5	Dabur India	Hold	589	547
6	Emami	Hold	761	670
7	Hindustan Unilever	Accumulate	2,807	2,496
8	ITC	Accumulate	539	472
9	Jubilant FoodWorks	Hold	589	603
10	Kansai Nerolac Paints	Reduce	269	271
11	Marico	Accumulate	693	629
12	Metro Brands	Hold	1,208	1,165
13	Mold-tek Packaging	Accumulate	803	737
14	Nestle India	Accumulate	2,689	2,379
15	Pidilite Industries	Accumulate	3,339	3,122
16	Restaurant Brands Asia	Hold	109	92
17	Titan Company	BUY	3,782	3,230
18	Westlife Foodworld	Hold	797	802

PL's Recommendation Nomenclature

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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