

CMP: INR 205

Rating: BUY

Target Price: INR 261

Stock Info

BSE	533229
NSE	BAJAJCON
Bloomberg	BAJAJCON:IN
Reuters	BACOt.a.BO
Sector	Personal Care
Face Value (INR)	1
Equity Share Capital (INR cr)	14
Mkt Cap (INR cr)	2,868
52w H/L (INR)	289 / 200
Avg Daily Volume (in 000')	72

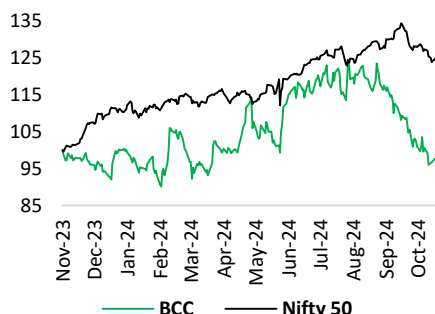
Shareholding Pattern %

(As on September 2024)

Promoters	40.95
FII	10.85
DII	20.71
Public & Others	27.49

Stock Performance (%)	1m	3m	12m
Bajaj Consumer Care	(9.6)	(23.7)	(8.7)
Nifty 50	(4.0)	(1.6)	22.7

BCC Vs Nifty 50



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The company reported a disappointing performance, missing our estimates across all parameters. Revenue de- grew 0.46% YoY to INR 2,306 Mn (-4.58% QoQ), missing our estimate of INR 2,340 Mn by 1.44%. Gross Margin contracted 180bps YoY to 53.34% (-273bps QoQ). EBITDA de-grew 11.02% YoY to INR 326 Mn (-10.87% QoQ), missing our estimate of INR 420 370 Mn by 11.77%. EBITDA Margin contracted 167bps YoY to 13.95% (-94bps QoQ), missing our estimate of 15.53% by 158bps. PAT de- grew 14.58% YoY to INR 318 Mn (14.22% QoQ), missing our estimate of INR 374 Mn by 14.85%.

Prospects: The company has set a medium-term revenue growth target of 10%. They anticipate recovery in demand with rural recovery and stabilization in urban markets. There is a heightened focus on Project Aarohan, portfolio diversification, expanding organized trade, and growing international presence. They have a continued investment in new product categories, particularly the extensions in the Almond Drops line (hair and skin care) and coconut-based products.

Distribution Enhancements: Inventory adjustments in general trade led to a five-day inventory correction.

Concerns: Sluggish urban demand. Reduction in gross margins due to a less favorable product mix and rising raw material costs (particularly copra). Requirement for price adjustments to counter copra cost increases. E-commerce growth via quick commerce, although up 42% YoY, is below expectations. Persistent market headwinds challenge overall revenue growth. Employee and other expenses have outgrown revenue increases, prompting analysts to question the returns on these investments.

Outlook & Valuation: We assign a TP of INR 261, valued at a P/E multiple of 20x the FY26E EPS of INR 15.05, yielding an upside of 27% and a 'BUY' rating. The company has successfully geo tagged 83% of locations and have initiated Geo-fencing in key markets to enhance sales force efficiency. They also have multiple initiatives underway to optimize material costs and improve manufacturing efficiency. Expansion of the Bajaj 100% Pure Coconut oil business's retail network and market influence across various Indian states is going along well.

INR Mn	FY23	FY24	FY25E	FY26E
Net Sales	9,491	9,680	10,172	10,572
% Change	9.5%	2.0%	5.1%	3.9%
EBITDA	1,482	1,553	1,725	1,804
EBITDA Margin (%)	15.6%	16.0%	17.0%	17.1%
% Change	-14.8%	4.8%	11.1%	4.6%
Adj. PAT	1,462	1,554	1,755	1,859
Adj. PAT Margin (%)	15.4%	16.1%	17.3%	17.6%
% Change	-13.8%	6.3%	12.9%	5.9%
Adj. EPS (INR)	10.2	10.9	12.3	13.0
P/E (x)	21.8	20.5	18.1	17.1
ROIC	57.6%	58.4%	87.5%	94.2%
ROE	18.5%	18.7%	26.5%	25.3%
ROCE	17.6%	17.4%	24.5%	23.2%
ROA	18.2%	19.1%	23.4%	26.4%
Total debt/Equity (x)	0.01	0.00	0.01	0.01

Source: Company Filings & Arihant Capital Research

INR Mn (Consolidated)	Q2FY25	Q1FY25	Q2FY24	Q-o-Q	Y-o-Y
Net Revenue	2,306	2,417	2,317	-4.58%	-0.46%
Other Operating Income	34	42	32	-21.03%	6.36%
Raw Material Costs	1,092	1,080	1,053	1.06%	3.63%
Gross Profit	1,248	1,379	1,295	-9.50%	-3.62%
Gross Margin	53.34%	56.07%	55.14%	-273bps	-180bps
Employee costs	270	282	246	-4.13%	9.92%
Other Expenses	651	731	682	-10.88%	-4.53%
Other Non Operating Income	89	110	114	-19.44%	-22.21%
EBITDA	326	366	367	-10.87%	-11.02%
<i>EBITDA margin %</i>	<i>13.95%</i>	<i>14.89%</i>	<i>15.62%</i>	<i>-94bps</i>	<i>-167bps</i>
Depreciation	25	23	25	8.48%	3.12%
EBIT	390	453	456	-13.95%	-14.58%
Finance costs	1	2	3	-12.61%	-43%
PBT	388	451	454	-13.95%	-14.42%
Tax Expense	70	80	81	-12.75%	-13.70%
Effective tax rate %	18.01%	17.76%	17.86%	25bps	15bps
PAT	318	371	373	-14.22%	-14.58%
<i>PAT margin %</i>	<i>13.11%</i>	<i>14.45%</i>	<i>15.14%</i>	<i>-133bps</i>	<i>-203bps</i>
EPS (INR)	2.27	2.60	2.61	-12.69%	-13.03%

Source: Company Filings & Arihant Capital Research

General Trade: Witnessed a mid-single-digit decline YoY in Q2. Rural areas performed better with low single-digit growth compared to urban, which faced challenges due to sluggish wholesale performance. Project Aarohan (RTM revamp) pilot in UP and MP shows promise.

Organized Trade: Achieved 10% YoY growth in Q2, contributing 30% of domestic sales. Modern trade increased by 4% YoY and e-commerce by 32% YoY, while canteen and institutional sales saw a decline of 3% in H1.

International Business: Robust growth of 36% YoY on a consolidated basis. Bangladesh outperformed with a 103% YoY growth, the Middle East & Africa saw 22% growth, and the Rest of World grew by 50%.

ADHO (Almond Drops Hair Oil): Experienced a low single-digit decline YoY due to mid-pack performance, though larger packages and 190ml PET bottles witnessed high single-digit growth. Sachet sales enjoyed double-digit growth.

New and Traditional Products: Non-ADHO products now make up 20% of the topline, with rapid double-digit growth, including Bajaj 100% Pure Coconut Oil and the Almond Drops Hair and Skin Care range (which saw a 33% rise).

Consolidated Q2 Volume Growth: Increased by 1.1%.

Profit and Loss (INR Mn)	FY23	FY24	FY25E	FY26E
Net Sales	9,491	9,680	10,172	10,572
Raw materials cost	(4,329)	(4,425)	(4,513)	(4,604)
Gross Profit	5,161	5,255	5,659	5,968
Gross Margin (%)	54.4%	54.3%	55.6%	56.5%
Other operating Income	118	161	210	273
Employee Cost	(892)	(1,012)	(1,113)	(1,202)
Advertising	(1,745)	(1,622)	(1,703)	(1,788)
Other expenses	(1,161)	(1,230)	(1,328)	(1,448)
EBITDA	1,482	1,553	1,725	1,804
EBITDA Margin (%)	15.6%	16.0%	17.0%	17.1%
Depreciation	(85)	(99)	(90)	(92)
EBIT	1,397	1,454	1,635	1,712
Other Income	371	447	491	540
Interest	(10)	(10)	(11)	(12)
PBT	1,758	1,890	2,115	2,240
Tax	(296)	(336)	(360)	(381)
Adj. PAT	1,462	1,554	1,755	1,859
Adj. PAT Margin (%)	15.4%	16.1%	17.3%	17.6%
Balance sheet (INR Mn)	FY23	FY24	FY25E	FY26E
SHARE CAPITAL	143	143	137	137
Other Equity	7,754	8,163	6,499	7,217
Total Share Holder's Fund	7,897	8,306	6,636	7,354
Loan funds	61	40	40	40
Current liab & provisions	1,286	1,490	1,785	1,812
Liabilities and Share Capital	9,244	9,836	8,461	9,207
Net fixed assets	1,881	1,862	1,748	1,697
Investments	5,750	5,856	3,862	3,862
Deferred Tax Assets/ Tax assets (NET)	3	3	3	3
Current assets	1,609	2,113	2,855	3,653
Total Assets	9,244	9,835	8,469	9,214
Cash Flow Statement (INR Mn)	FY23	FY24	FY25E	FY26E
<u>Cash Flow from Operating Activities</u>				
Profit before tax, Extraordinary & Prior Time Period	1,688	1,890	2,115	2,240
Depreciation & Amortisation	85	99	90	92
Other Non- Operating expenses	(346)	(427)	-	-
Operating Cash Flow before Working Capital change	1,428	1,562	2,205	2,332
Working Capital Inflow / (Outflow) (b)	(117)	(60)	372	(9)
Cash generated from Operating Activities (a) + (b)	1,310	1,502	2,577	2,323
Direct Tax Paid	296	339	360	381
Cash used (-)/(+) generated for Operating Activities	1,015	1,163	2,217	1,942
<u>Cash Flow from Investing Activities</u>				
Purchase of Fixed Assets	(64)	(43)	33	(40)
Other Investing activities	710	169	1,994	-
Cash used (-)/(+) generated for Investing Activities	646	126	2,027	(40)
<u>Cash Flow from Financing Activities</u>				
Payment of Dividend and Dividend Tax	(590)	(1,141)	(1,141)	(1,141)
Other Financing activities	(1,036)	(58)	(2,284)	-
Cash used (-)/(+) generated for Financing Activities	(1,626)	(1,198)	(3,425)	(1,141)
Forex fluctation	(10)	(4)	-	-
Total Increase / (Decrease) in Cash and Cash Equivalents	24	88	819	761
Opening Cash and Bank balance	115	139	227	1,045
Closing Cash and Bank balance	139	227	1,045	1,806
Increase/(Decrease) in Cash and Bank balance	24	88	819	761

Source: Annual Report, Arianth Capital Research

Ratios	FY23	FY24	FY25E	FY26E
Per Share data				
EPS (INR)	10.25	10.90	12.31	13.04
Growth %	(10.88)	6.31	12.94	5.93
Book NAV/share (INR)	55.36	58.23	46.52	51.56
FDEPS (INR)	10.25	10.90	12.31	13.04
CEPS (INR)	10.85	11.59	12.94	13.68
CFPS (INR)	7.98	8.12	12.10	9.86
DPS (INR)	8.00	8.00	8.00	8.00
Return ratios				
Return on assets (%)	15.90	16.57	19.50	21.33
Return on equity (%)	18.51	18.71	26.45	25.28
Return on capital employed (%)	18.17	18.98	23.21	26.23
Turnover ratios				
Asset turnover (x)	4.91	4.89	5.75	6.91
Sales/Total assets (x)	1.03	1.03	1.13	1.21
Sales/Net FA (x)	5.31	5.53	6.02	6.47
Working capital/Sales (x)	0.02	0.03	(0.01)	(0.01)
Receivable days	11.71	16.59	12.00	12.00
Inventory days	19.72	21.20	21.20	21.20
Payable days	20.23	17.69	29.37	29.23
Working capital days	7.21	9.79	(4.02)	(3.56)
Liquidity ratios				
Current ratio (x)	1.31	1.50	1.67	2.11
Quick ratio (x)	0.89	1.10	1.33	1.75
Interest cover (x)	143.49	143.26	146.43	139.42
Total debt/Equity (%)	0.77	0.48	0.60	0.54
Net debt/Equity (%)	-	-	-	-

Source: Company Filings & Arihant Capital Research

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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