

Steady revenue growth and margin expansion through upcoming product launches.

CMP: INR 159

Outlook: Positive

Stock Info

BSE	533229
NSE	BAJAJCON
Bloomberg	BAJAJCON:IN
Reuters	BAC0ta.BO
Sector	Personal Care
Face Value (INR)	1
Equity Capital (INR cr)	810
Mkt Cap (INR cr)	2,362
52w H/L (INR)	270 / 129
Avg Yearly Volume (in 000')	674

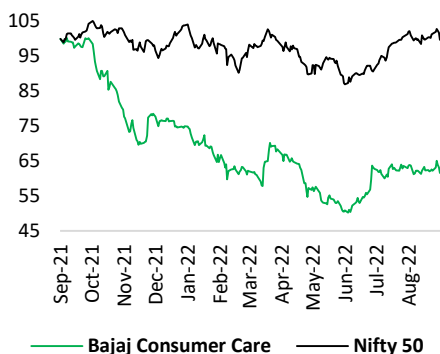
Shareholding Pattern %

(As on June, 2022)

Promoters	38
FII	14.8
DII	13
Public & Others	34.2

Stock Performance (%)	1m	3m	12m
Bajaj Consumer Care	(2.9)	21.7	(38.2)
Nifty 50	(0.7)	(15.3)	0.3

BCC Vs Nifty 50



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Bajaj Consumer Care Ltd (BCC) is one of the most reputed FMCG companies in India and has established itself as a leader in the light hair oil category of hair oil. Its flagship brand of Almond Drops hair oil commanding a >60% market share in its category. Though the company is largely present in hair care with its vast offering of oils (hair oils, coconut oils, virgin cold pressed oils, and premium oils) it also has an offering of skincare products under the brand 'Nomarks'.

Management Interaction Highlights:

Expanding addressable market: The addressable market has grown from 35% to 85% over the past two years through portfolio expansion. This continuing trend of portfolio diversification will drive growth going forward.

Growing the portfolio: Future growth is to be driven by the Non- ADHO (Almond Drops Hair Oil) portfolio, as the company undertakes new product launches and market development. Almond drops are still the strength of BCC and the portfolio is still a WIP as it will be expanded into other personal care categories as well. Feedback on soaps has been good since the launch two months ago.

Natvy Soul: It is a brand that is significant for brand building as it disassociates from the traditional appearance of Bajaj with its 15 products. As of now Natvy soul is largely a digital brand with a focus on product testing.

Ad Spends: They will increase from current levels to accommodate digital marketing expenditure for new launches. Current ad & marketing spends are between 18-20%. We believe ad spends will be indicative of big margin expansion opportunities in the long term.

Raw Materials: With the prices, there is no respite as of now. LLP (Light Liquid Paraffin) and RMO (Refined Mustard Oil) comprise 80-85% of the RM portfolio. With a subsequent fall in Crude oil, LLP prices are expected to decline in the future. However, they have been on the higher side up until August.

Acquisitions: BCC is open to acquisitions of other personal care companies as the company has a healthy cash position on the books, and will continue to maintain free cash flows. The nomarks acquisition has not been as successful.

Scaling up modern trade and e-commerce: This is underway for new launches to come.

Retail growth: Its is underway through loyalty programs and reward schemes. The total retail coverage is 43 lakh stores, out of which 8 lakh touch points are direct.

Revenue and margins: Revenue and margin expansion will be steady owing to new product launches. Revenue is targeted to be 2x over the next 4-5 years in a 50:50 mix of almond drops to other products. Margins will stabilize at 20-22% in the long term, but will not change significantly this year. We expect margins to be at higher range of guidance, to be up 50pc in the next 2-3 years.

Hair oil industry: The overall industry has witnessed a 2-digit de-growth, with a higher decline seen in light hair oil market.

Southern markets: The company has low distribution strength in the southern markets, so the distribution of new launches is likely to be restricted to pockets where almond drops are consumed.

Rural markets: They are experiencing a de- growth due to down trading to cheaper products and smaller packs, especially in Hindi speaking markets where the company is largely present.

International Expansion: A strategy for international expansion will come out in the next 6 months. The company has limited presence in middle east and few other markets as of now.

Valuation & Outlook: The company is valued at a P/E of 11.8x/9.3x based on the FY24E/FY25E EPS of INR 13.5/17.1 (Bloomberg Estimates). We are positive on Bajaj Consumer Care on account of portfolio diversification from new products, upcoming growth opportunities in International markets accompanied by steady Revenue and Margin expansion in the long term.

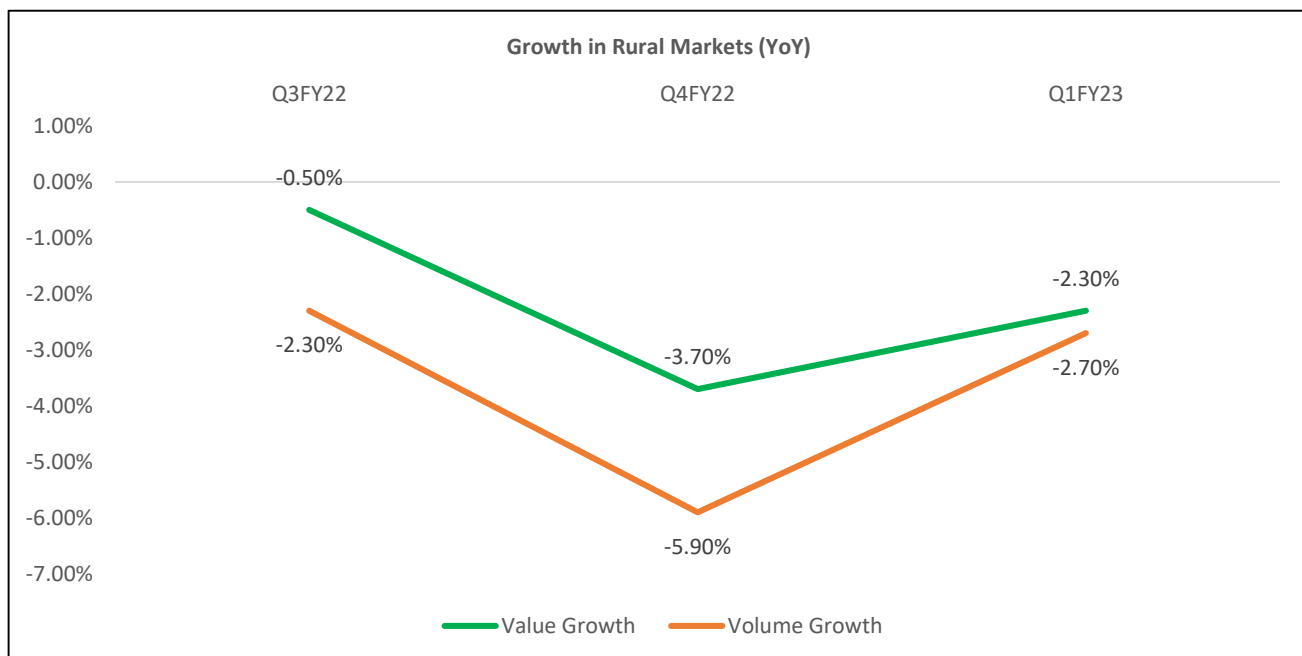
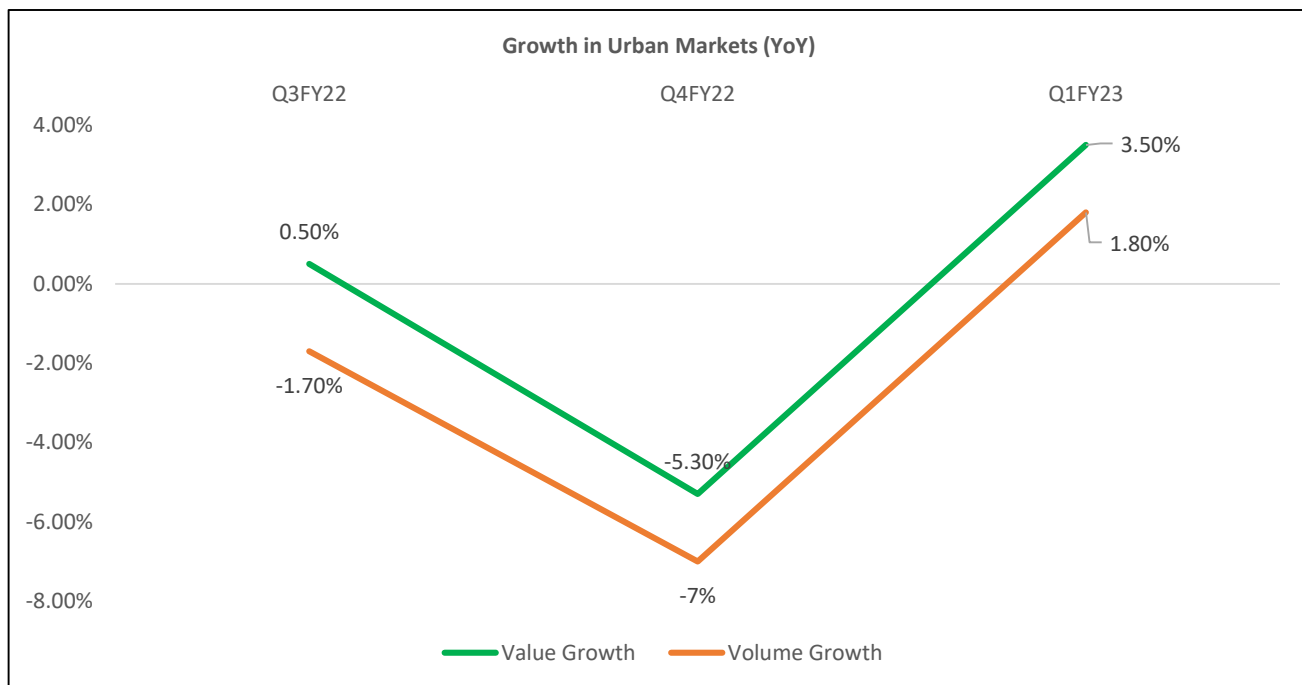
Management Interaction Highlights:

Ecommerce share: The revenue share of e-commerce is currently 8-9%.

Secondary sales: They are kept up by the sales teams on the field. BCC has a software to track secondary sales. This has helped them understand consumer preferences in better way.

A story in charts:

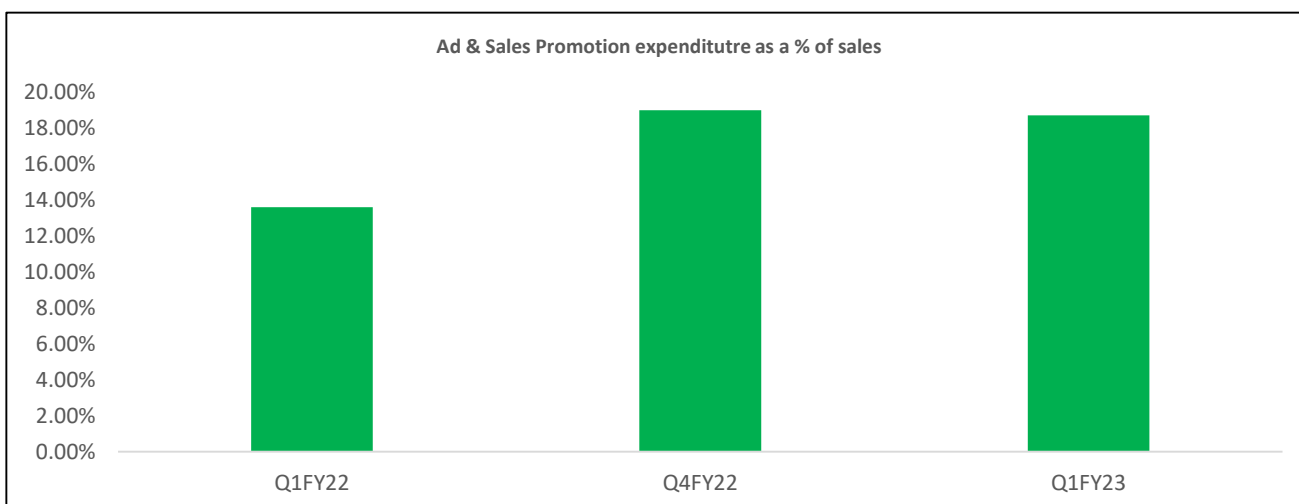
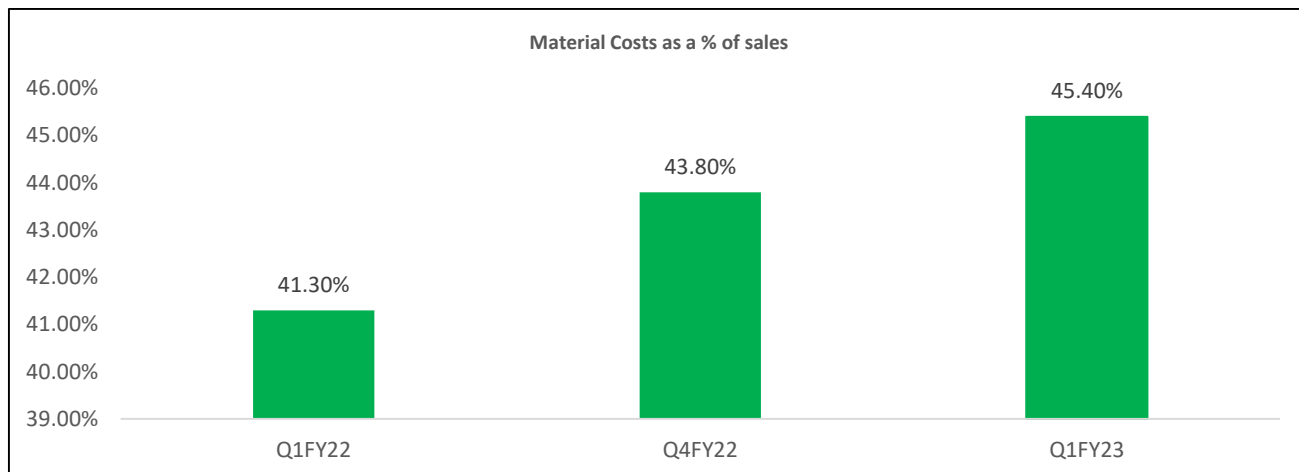
Exhibit 1: Declining value and volume growth due to down trading. The situation better in urban markets.



Source: Company & Arihant Research

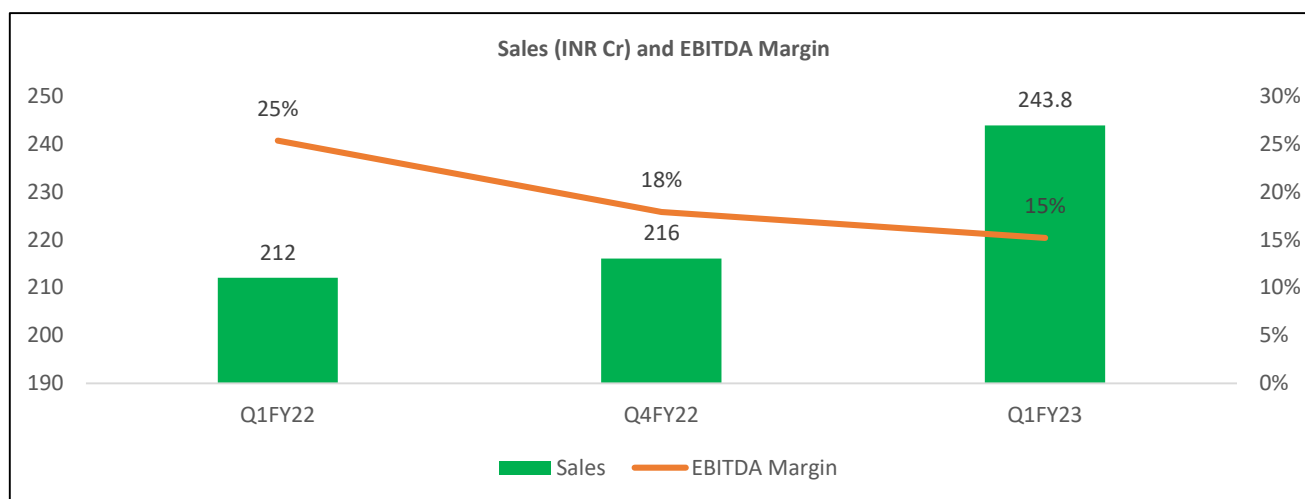
A story in charts:

Exhibit 2: Increasing Material Cost and Ad spends as a % of sales indicative of current RM cost pressures and potential for future margin expansion.



Source: Company & Arianth Research

Exhibit 3: Rising Sales from higher price points and product innovation, combined with contracting EBITDA Margins due to cost pressures.



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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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