

Arihant Capital values your support in the Asiamoney Brokers Poll 2022 for Institutional Team. We request your ballot

ASIAMONEY

Click Here

CMP: INR 138-120

Outlook: Positive(Not Rated)

Target TP: INR 210

Stock Info

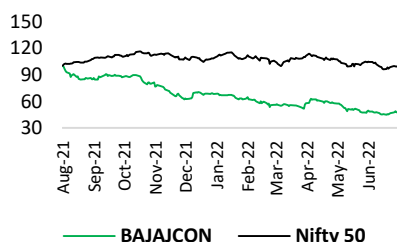
BSE	533229
NSE	BAJAJCON
Bloomberg	BAJAJCON
Reuters	IN
Sector	BACOA.BO
Face Value (INR)	Personal Care
Equity Capital (INR Cr)	1
Mkt Cap (INR Cr)	14.8
52w H/L (INR)	2,101
Avg Yearly Vol (in 000')	305/ 129
	663

Shareholding Pattern %

(As on March, 2022)

Promoters	38.04
FII	17.55
DII	12.62
Public & Others	31.79

Bajaj Consumer Vs Nifty



Abhishek Jain
abhishek.jain@arihantcapital.com
022 67114851

Jyoti Singh
jyoti.singh@arihantcapital.com
022 67114834

Bajaj Consumer Care Ltd. (BCCL) is the second-largest entity in the Shishir Bajaj Group of companies, with a rich history dating back to 1953 when Late. Kamalnayan Bajaj established Bajaj Sevashram to market and sell hair oils and other beauty products. The company is the leading player in Light Hair Oil category with the flagship brand Bajaj Almond Drops Hair Oil commanding around 65% market share in its category. The company markets and distributes its products in India and exports to over 30 countries, with primary focus in SAARC, Gulf & Middle East, ASEAN and African regions.

Investment rationale

Robust Balance sheet: It has a strong cash reserve which, translates into cash per share of INR 37, and is expected to increase going forward. As per (Bloomberg estimates FY24E is EBITDA INR ~222 cr and it's likely to touch INR 255-260 cr).

Margin Expansion: We believe, margin improvement to be better than estimates owing to lower raw material prices. Growth is expected to be better in both almondz and non-almondz compared to market estimates. It would lead to re-rating.

Continue Investment for the brand building: The Company will continue to invest in its brands including new launches for long term growth. A&P spends during quarter was 19%, which is 1.2% higher over the sequential quarter. Expansion of the wholesale loyalty program and its extension to rural market has also been taken up.

Improved visibility: In-store execution is being strengthened along with improved store visibility. E-commerce continued to scale up well with growth of ~ 80% growth on full year basis. Digital brands, Natyv Soul and Bajaj 100% Pure scaling up well, bajaj Coconut oil got listed in major chains like Dmart, Reliance, Star Bazar.

New launch lead to better growth: New launches contributed to 9% of E-commerce B2C sales in Q4. Bajaj Consumer Care launched a Bajaj Almond Drops Moisturising Soap and plans to launch a bouquet of other products in skincare and haircare under the brand. Bajaj Coco Onion Hair Oil, launched recentlon sticky hair oil and has a pleasant fragrance and Bajaj Sarson Amla Hair Oild in Dec 2021 to leverage the equity of Bajaj and gain rural distribution strength.

Social Media Influencers: ADHO continued to be supported across TV, social media platforms and print media supporting key markets with increased investments in advertising during the quarter. The new youthful thematic campaign dialing up the element of style has started getting positive views across the younger consumers. Digital marketing for ADHO has been continuously dialed up and the company is now actively using new age influencers to reach out to younger consumers.

Outlook: The Company is focusing on establishing new brands in the long run though it will eat EBITDA margins in the short run. The Company on its fundamental planning looks strong. A slowdown in the rural market and sluggish performance by the wholesale channel will affect the near-term revenue performance of the company in the near term. But Bajaj is a strong brand and has a great presence, the sentiments in the rural and urban market look positive with some hiccups in the next few quarters due to rising inflation. However, margins have shrunk in FY22 with gross margins Q4FY22 also stays under pressure, which is down from 60.6% to 56.2% YoY. PAT margins have also dipped from 22.3% to 17.8%. FY22 PAT margins have gone down from 24.9% to 20.2% mainly due to the Covid situation and subdued demands and it continues to be under pressure for another 2 quarters till inflation and interest rate parameters stabilize. While, margins to improve and expected to touch 25% plus in FY24 respectively. Overall, we are positive for long term. One can add between INR 120-138 for price objective of INR 210.

Key Financial:

Standalone (In Cr.)	FY20	FY21	FY22	FY23E*	FY24E*
Revenue	818	898	866	941	1020
EBITDA	216.24	248.8	183.8	191.5	221.7
PAT	190.55	223.6	174.5	179.4	207.9
EBITDA %	26.4%	27.7%	21.2%	20.4%	21.7%
PAT%	23.30%	24.90%	20.16%	19.06%	20.38%
EPS	12.92	15.15	11.49	12.05	13.93
PE	11.0	9.4	12.4	11.8	10.2

*Bloomberg estimates

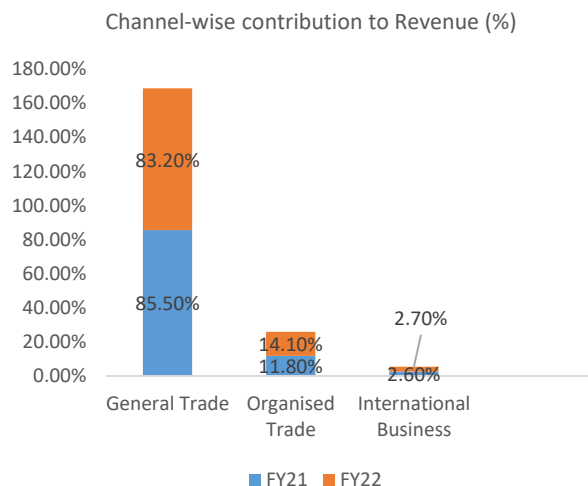
Business Highlights

General Trade: Retail is being further strengthened across top towns with new retail activation program being rolled out.

E-Commerce: E Commerce continues to scale up well with growth of 50% in Q4 and 80% growth on a full year basis over last year

Modern Trade : Bajaj Co Coconut oil got listed in major chains like Dmart, Reliance, Star Bazar and many local independent chains.

International Business: In Bangladesh, strong momentum continued with field force augmentation.



Source: Company, Arihant Research

Arihant Research DeskEmail: instresearch@arihantcapital.com

Tel. : 022-42254800

Head Office

#1011, Solitaire Corporate Park
 Building No. 10, 1st Floor
 Andheri Ghatkopar Link Road
 Chakala, Andheri (E)
 Mumbai – 400093
 Tel: (91-22) 42254800
 Fax: (91-22) 42254880

Registered Office

Arihant House
 E-5 Ratlam Kothi
 Indore - 452003, (M.P.)
 Tel: (91-731) 3016100
 Fax: (91-731) 3016199

Stock Rating Scale

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Absolute Return**Research Analyst
Registration No.**

INH000002764

Contact

SMS: 'Arihant' to 56677

Websitewww.arihantcapital.com**Email Id**instresearch@arihantcapital.com

Disclaimer: This document has been prepared by Arihant Capital Markets Ltd. This document does not constitute an offer or solicitation for the purchase and sale of any financial instrument by Arihant. This document has been prepared and issued on the basis of publicly available information, internally developed data and other sources believed to be reliable. Whilst meticulous care has been taken to ensure that the facts stated are accurate and opinions given are fair and reasonable, neither the analyst nor any employee of our company is in any way is responsible for its contents and nor is its accuracy or completeness guaranteed. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Arihant may trade in investments, which are the subject of this document or in related investments and may have acted upon or used the information contained in this document or the research or the analysis on which it is based, before its publication. This is just a suggestion and Arihant will not be responsible for any profit or loss arising out of the decision taken by the reader of this document. Affiliates of Arihant may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. No matter contained in this document may be reproduced or copied without the consent of the firm.

Arihant Capital Markets Ltd.
 1011, Solitaire Corporate park, Building No. 10, 1st Floor,
 Andheri Ghatkopar Link Road, Chakala, Andheri (E)
 Tel. 022-42254800 Fax. 022-42254880