

**CMP: INR 225**

**Rating: ACCUMULATE**

**Target Price: INR 258**

**Stock Info**

BSE	533229
NSE	BAJAJCON
Bloomberg	BAJAJCON:IN
Reuters	BAC0ta.BO
Sector	Personal Care
Face Value (INR)	1
Equity Share Capital (INR cr)	14
Mkt Cap (INR cr)	3,334
52w H/L (INR)	263 / 151
Avg Annual Volume (in 000')	589

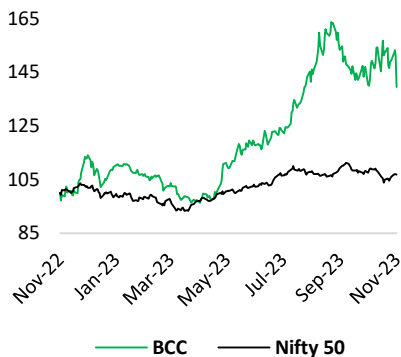
**Shareholding Pattern %**

(As on September 2023)

Promoters	39.35
FII	14.76
DII	17.42
Public & Others	28.47

Stock Performance (%)	1m	3m	12m
Bajaj Consumer Care	(0.5)	(4.5)	39.5
Nifty 50	(0.6)	(1.2)	6.8

**BCC Vs Nifty 50**



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The company reported a subdued performance as discretionary spending took a back seat this quarter as high inflation continues to pinch the pockets of rural customers. Revenue grew 0.87% YoY to INR 2,317 Mn (-12.79% QoQ), missing our estimate of INR 2,462 Mn. Gross Margin expanded 261bps YoY 55.89% (-48bps QoQ). EBITDA grew 19.73% YoY to INR 367 Mn (-23.34% QoQ), missing our estimate of INR 480 Mn. EBITDA Margin expanded 244bps YoY to 15.62% (-209bps QoQ), missing our estimate of 19.21%. PAT grew 17.75% YoY to INR 373 Mn (-19.35% QoQ), missing our estimate of INR 464 Mn. **Volume growth during the quarter was 4% in Q2 and 7% in H1 (ahead of value growth) as large packs in the ADHO segment took the spotlight. Media investments continued as A&P expenses remained elevated.**

**ADHO saliency improves:** As the company continues to be aggressive in pushing the ADHO category with new launches in Q2 (shampoo, conditioner, and lotion), the premium end of the offering has performed exceptionally well on modern trade and e-commerce platforms, and will be eventually rolled out into general trade.

**RM price trajectory:** LLP and RMO prices have softened significantly from their peak and remain stable. They are expected to remain range-bound hereon. However, glass prices remain elevated. To counter this they have reduced their dependency on glass, with PET bottles receiving a good response in the market.

**Margin expectations:** Given the growth of larger pack sales and NPDs having a strong footing on modern trade and e-commerce, the company has guided for 16-17% margins with low double-digit volume growth for the year.

**Outlook & valuation:** Buying activity should resume in full swing in H2 as the delayed wedding/ festive season pushed much of Q2's demand into Q3, which will lead to a pick-up in rural discretionary spending supported by moderating consumer inflation. The company has stood well against the rising competitive intensity that usually comes from unorganized players as and when input prices ease, and has successfully maintained its market share. We assign a TP of INR 258, valued at a P/E multiple of 20x the FY26E EPS of INR 12.88, yielding an upside of 14% and an 'Accumulate' rating.

INR Mn	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	8,671	9,491	9,982	10,396	11,122
% Change	-4.2%	9.5%	5.2%	4.1%	7.0%
EBITDA	1,739	1,412	1,568	1,710	1,889
EBITDA Margin (%)	20.1%	14.9%	15.7%	16.4%	17.0%
% Change	-28.6%	-18.8%	11.0%	9.1%	10.5%
Adj. PAT	1,696	1,392	1,532	1,674	1,837
Adj. PAT Margin (%)	19.6%	14.7%	15.3%	16.1%	16.5%
% Change	-24.0%	-17.9%	10.0%	9.3%	9.7%
Adj. EPS (INR)	11.5	9.8	10.7	11.7	12.9
P/E (x)	19.6	23.1	21.0	19.2	17.5
ROIC	75.6%	54.3%	68.9%	78.3%	88.9%
ROE	21.0%	17.6%	20.0%	22.0%	24.7%
ROCE	20.9%	16.7%	19.2%	21.1%	23.9%
ROA	21.6%	17.3%	19.6%	21.8%	24.2%
Total debt/Equity (x)	-	0.01	0.01	0.01	0.01

Source: Company Filings & Arihant Capital Research

INR Mn (Consolidated)	Q2FY24	Q1FY24	Q2FY23	Q-o-Q	Y-o-Y
<b>Net Revenue</b>	<b>2,317</b>	<b>2,657</b>	<b>2,297</b>	<b>-12.79%</b>	<b>0.87%</b>
<b>Other Operating Income</b>	<b>32</b>	<b>45</b>	<b>27</b>	<b>-29.78%</b>	<b>14.91%</b>
Raw Material Costs	1,053	1,204	1,101	-12.51%	-4.28%
Gross Profit	1,295	1,498	1,224	-13.53%	5.81%
Gross Margin	55.89%	56.37%	53.28%	-48bps	261bps
Employee costs	246	257	219	-4.16%	12.17%
Other Expenses	682	762	698	-10.52%	-2.30%
Other Non Operating Income	114	106	99	7.82%	15.48%
<b>EBITDA</b>	<b>367</b>	<b>479</b>	<b>306</b>	<b>-23.34%</b>	<b>19.73%</b>
<i>EBITDA margin %</i>	<i>15.62%</i>	<i>17.71%</i>	<i>13.18%</i>	<i>-209bps</i>	<i>244bps</i>
Depreciation	25	23	18	5.51%	33.78%
<b>EBIT</b>	<b>456</b>	<b>561</b>	<b>387</b>	<b>-18.66%</b>	<b>17.98%</b>
Finance costs	3	3	3	-14.86%	-22%
<b>PBT</b>	<b>454</b>	<b>558</b>	<b>384</b>	<b>-18.68%</b>	<b>18.32%</b>
Tax Expense	81	96	67	-15.47%	21.00%
Effective tax rate %	17.86%	17.18%	17.46%	68bps	40bps
<b>PAT</b>	<b>373</b>	<b>462</b>	<b>317</b>	<b>-19.35%</b>	<b>17.75%</b>
<i>PAT margin %</i>	<i>15.14%</i>	<i>16.47%</i>	<i>13.06%</i>	<i>-133bps</i>	<i>207bps</i>
<b>EPS (INR)</b>	<b>2.61</b>	<b>3.24</b>	<b>2.15</b>	<b>-19.44%</b>	<b>21.40%</b>

Source: Company Filings & Arihant Capital Research

#### Operational Highlights:

- ADHO had a value growth of 2% and volume growth of 4% in H1.
- NPD's grew 37% in Q2 and 19% in H1.
- The international business grew 21% in H1 with the Middle East & Africa growing in double digits, and \$ Bangladesh scaling up well.
- Gulab Jal will be coming to general trade this quarter and there are 2 more NPDs in the pipeline for Q3.
- The contribution of MT and E-commerce was 19-20% (23-24% including the canteen business). The salience of ADHO in these channels grew by 17%.
- Competitive intensity has gone up substantially
- The split between traditional- and digital media investments is 75-25.

<b>Profit and Loss (INR Mn)</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24E</b>	<b>FY25E</b>	<b>FY26E</b>
Net Sales	8,671	9,491	9,982	10,396	11,122
Raw materials cost	(3,688)	(4,399)	(4,575)	(4,758)	(5,186)
Gross Profit	4,983	5,091	5,407	5,638	5,935
<i>Gross Margin (%)</i>	<i>57.5%</i>	<i>53.6%</i>	<i>54.2%</i>	<i>54.2%</i>	<i>53.4%</i>
Other operating Income	129	118	148	192	250
Employee Cost	(883)	(892)	(936)	(983)	(1,052)
Advertising	(1,477)	(1,745)	(1,832)	(1,906)	(2,001)
Other expenses	(1,013)	(1,161)	(1,219)	(1,231)	(1,243)
EBITDA	1,739	1,412	1,568	1,710	1,889
<i>EBITDA Margin (%)</i>	<i>20.1%</i>	<i>14.9%</i>	<i>15.7%</i>	<i>16.4%</i>	<i>17.0%</i>
Depreciation	(51)	(85)	(89)	(90)	(92)
EBIT	1,688	1,327	1,479	1,620	1,797
Other Income	386	371	389	409	429
Interest	(10)	(10)	(11)	(12)	(13)
PBT	2,065	1,688	1,857	2,017	2,213
Tax	(368)	(296)	(325)	(343)	(376)
Adj. PAT	1,696	1,392	1,532	1,674	1,837
<i>Adj. PAT Margin (%)</i>	<i>19.6%</i>	<i>14.7%</i>	<i>15.3%</i>	<i>16.1%</i>	<i>16.5%</i>

<b>Balance sheet (INR Mn)</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24E</b>	<b>FY25E</b>	<b>FY26E</b>
SHARE CAPITAL	148	143	143	143	143
Other Equity	7,949	7,754	7,501	7,463	7,304
Total Share Holder's Fund	8,096	7,897	7,644	7,606	7,446
Loan funds	-	61	61	61	61
Current liab & provisions	1,218	1,286	1,520	1,548	1,598
<b>Liabilities and Share Capital</b>	<b>9,315</b>	<b>9,244</b>	<b>9,225</b>	<b>9,215</b>	<b>9,105</b>
Net fixed assets	1,793	1,881	1,817	1,757	1,706
Investments	6,116	5,750	5,750	5,750	5,750
Deferred Tax Assets/ Tax assets (NET)	2	3	3	3	3
Current assets	1,402	1,609	1,654	1,705	1,646
<b>Total Assets</b>	<b>9,315</b>	<b>9,244</b>	<b>9,224</b>	<b>9,215</b>	<b>9,105</b>

<b>Cash Flow Statement (INR Mn)</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24E</b>	<b>FY25E</b>	<b>FY26E</b>
<b>Cash Flow from Operating Activities</b>					
Profit before tax, Extraordinary & Prior Time Period	2,065	1,688	1,857	2,017	2,213
Depreciation & Amortisation	51	85	89	90	92
Other Non- Operating expenses	(363)	(346)	-	-	-
Operating Cash Flow before Working Capital change	1,753	1,428	1,946	2,107	2,305
Working Capital Inflow / (Outflow) (b)	(140)	(117)	183	(8)	(13)
Cash generated from Operating Activities (a) + (b)	1,612	1,310	2,129	2,099	2,292
Direct Tax Paid	327	296	325	343	376
<b>Cash used (-)/(+) generated for Operating Activities</b>	<b>1,285</b>	<b>1,015</b>	<b>1,804</b>	<b>1,756</b>	<b>1,915</b>
<b>Cash Flow from Investing Activities</b>					
Purchase of Fixed Assets	(109)	(64)	(25)	(30)	(40)
Other Investing activities	116	710	-	-	-
<b>Cash used (-)/(+) generated for Investing Activities</b>	<b>7</b>	<b>646</b>	<b>(25)</b>	<b>(30)</b>	<b>(40)</b>
<b>Cash Flow from Financing Activities</b>					
Payment of Dividend and Dividend Tax	(1,180)	(590)	(1,426)	(1,712)	(1,997)
Other Financing activities	(59)	(1,036)	(358)	-	-
<b>Cash used (-)/(+) generated for Financing Activities</b>	<b>(1,239)</b>	<b>(1,626)</b>	<b>(1,785)</b>	<b>(1,712)</b>	<b>(1,997)</b>
Forex fluctuation	(3)	(10)	-	-	-
Total Increase / (Decrease) in Cash and Cash Equivalents	51	24	(6)	15	(122)
<b>Opening Cash and Bank balance</b>	<b>64</b>	<b>115</b>	<b>139</b>	<b>133</b>	<b>148</b>
<b>Closing Cash and Bank balance</b>	<b>115</b>	<b>139</b>	<b>133</b>	<b>148</b>	<b>27</b>
<b>Increase/(Decrease) in Cash and Bank balance</b>	<b>51</b>	<b>24</b>	<b>(6)</b>	<b>15</b>	<b>(122)</b>

Source: Annual Report, Arianth Capital Research

Ratios	FY22	FY23	FY24E	FY25E	FY26E
<b>Per Share data</b>					
EPS (INR)	11.50	9.76	10.74	11.74	12.88
Growth %	(23.98)	(15.14)	10.03	9.28	9.75
Book NAV/share (INR)	54.89	55.36	53.59	53.32	52.20
FDEPS (INR)	11.50	9.76	10.74	11.74	12.88
CEPS (INR)	11.84	10.36	11.36	12.37	13.52
CFPS (INR)	7.86	7.49	9.92	9.45	10.46
DPS (INR)	8.00	8.00	10.00	12.00	14.00
<b>Return ratios</b>					
Return on assets (%)	18.72	15.15	16.83	18.41	20.33
Return on equity (%)	20.95	17.63	20.04	22.01	24.67
Return on capital employed (%)	21.65	17.30	19.50	21.71	24.13
<b>Turnover ratios</b>					
Asset turnover (x)	4.91	4.91	5.38	6.07	6.68
Sales/Total assets (x)	0.95	1.03	1.09	1.14	1.23
Sales/Net FA (x)	4.91	5.31	5.68	6.12	6.77
Working capital/Sales (x)	0.01	0.02	0.00	0.00	0.00
Receivable days	8.05	11.71	12.00	12.00	12.00
Inventory days	24.03	19.72	19.72	19.72	19.72
Payable days	23.54	20.06	29.15	29.27	29.32
Working capital days	3.89	7.21	0.16	0.42	0.84
<b>Liquidity ratios</b>					
Current ratio (x)	1.20	1.31	1.13	1.14	1.07
Quick ratio (x)	0.71	0.89	0.76	0.77	0.68
Interest cover (x)	167.29	136.31	138.09	137.53	138.71
Total debt/Equity (%)	-	0.77	0.80	0.80	0.82
Net debt/Equity (%)	-	-	-	-	-
<b>Valuation</b>					
PER (x)	14.17	16.70	15.18	13.89	12.66
Price/Book (x)	2.97	2.94	3.04	3.06	3.12
EV/Net sales (x)	2.73	2.44	2.32	2.22	2.09
EV/EBITDA (x)	13.63	16.37	14.75	13.52	12.30
EV/EBIT (x)	14.04	17.42	15.64	14.27	12.93

Source: Company Filings & Arianth 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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