

CMP: INR 241

Rating: BUY

Target Price: INR 301

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)	3,487
52w H/L (INR)	271 / 170
Avg Annual Volume (in 000')	56

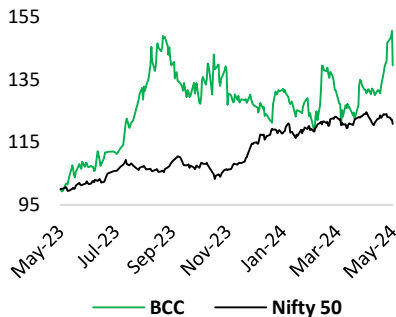
Shareholding Pattern %

(As on March 2024)

Promoters	39.30
FII	14.10
DII	17.47
Public & Others	29.12

Stock Performance (%)	1m	6m	12m
Bajaj Consumer Care	6.1	10.0	39.4
Nifty 50	(2.6)	13.6	20.4

BCC Vs Nifty 50



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Bajaj Consumer displayed a mixed bag of results- with expansion on gross margins, but misses on topline, EBITDA, and PAT. Other operating income was notably high at INR 57 Mn (+108.76% YoY, +107.13% QoQ). Revenue de- grew 4.86% YoY to INR 2,342 Mn (-0.91% QoQ), missing our estimate of INR 2,590 Mn by 9.56%. Gross Margin expanded 83bps YoY 55.53% (+155bps QoQ). EBITDA de-grew 16.75% YoY to INR 347 Mn (-3.69% QoQ), missing our estimate of INR 400 Mn by 13.22%. EBITDA Margin contracted 225bps YoY to 14.47% (-61bps QoQ), missing our estimate of 15.27% by 80bps. PAT de-grew 12.06% YoY to INR 356 Mn (-2.1% QoQ), beating our estimate of INR 350 Mn by 1.67%.

Buyback in tow: The company has approved the proposed buyback, not exceeding 4.02% of total equity shares which comes to 57,41,000 equity shares, at a price of INR 290 per share, not exceeding INR 1,664.9 Mn (INR 2,000 Mn after associated costs) which will be funded through existing assets. This value equates to 20% of their net worth, and 4% of equity shares. The management will not be participating in the buyback.

Value- Volume mix: The company reported a 2% value growth and 6.6% volume growth in FY24.

Rural Outperformance: The general trade channel saw the outperformance of rural demand over urban demand for the first time in many quarters.

Guidance: The company expects to maintain double digit growth with an EBITDA in the range of 16-18%.

Employee costs are higher in FY24 due to lower vacancies.

Outlook & Valuation: We assign a TP of INR 301, valued at a P/E multiple of 20x the FY26E EPS of INR 15.05, yielding an upside of 21% and a 'BUY' rating. Though the company has guided for a double digit top line growth, we expect them to undercut it slightly, as the FMCG landscape in India is just starting to recover. All modern trade channels and international businesses have delivered an impressive double digit growth, displaying success of new launches.

INR Mn	FY23	FY24	FY25E	FY26E
Net Sales	9,491	9,680	10,579	11,716
% Change	9.5%	2.0%	9.3%	10.7%
EBITDA	1,482	1,553	1,825	2,150
EBITDA Margin (%)	15.6%	16.0%	17.2%	18.4%
% Change	-14.8%	4.8%	17.5%	17.8%
Adj. PAT	1,462	1,554	1,838	2,147
Adj. PAT Margin (%)	15.4%	16.1%	17.4%	18.3%
% Change	-13.8%	6.3%	18.3%	16.8%
Adj. EPS (INR)	10.2	10.9	12.9	15.0
P/E (x)	23.5	22.1	18.7	16.0
ROIC	57.6%	58.4%	92.3%	111.3%
ROE	18.5%	18.7%	27.4%	27.8%
ROCE	17.6%	17.4%	25.7%	26.5%
ROA	18.2%	19.1%	24.3%	29.6%
Total debt/Equity (x)	0.01	0.00	0.01	0.01

Source: Company Filings & Arihant Capital Research

INR Mn (Consolidated)	Q4FY24	Q3FY24	Q4FY23	Q-o-Q	Y-o-Y
Net Revenue	2,342	2,364	2,462	-0.91%	-4.86%
Other Operating Income	57	28	32	107.13%	78.12%
Raw Material Costs	1,067	1,100	1,130	-3.03%	-5.55%
Gross Profit	1,333	1,291	1,364	3.21%	-2.33%
Gross Margin	55.53%	53.99%	54.70%	155bps	83bps
Employee costs	261	248	218	5.50%	19.82%
Other Expenses	724	683	729	6.03%	-0.72%
Other Non Operating Income	117	110	101	5.98%	15.57%
EBITDA	347	360	417	-3.69%	-16.75%
<i>EBITDA margin %</i>	<i>14.47%</i>	<i>15.07%</i>	<i>16.72%</i>	<i>-61bps</i>	<i>-225bps</i>
Depreciation	26	25	24	3.29%	9.43%
EBIT	438	445	494	-1.70%	-11.40%
Finance costs	2	2	2	-8.20%	1%
PBT	436	443	492	-1.66%	-11.45%
Tax Expense	80	79	87	0.36%	-8.66%
Effective tax rate %	18.30%	17.94%	17.74%	37bps	56bps
PAT	356	363	405	-2.10%	-12.06%
<i>PAT margin %</i>	<i>14.14%</i>	<i>14.53%</i>	<i>15.59%</i>	<i>-39bps</i>	<i>-145bps</i>
EPS (INR)	2.49	2.55	2.79	-2.35%	-10.75%

Source: Company Filings & Arihant Capital Research

Operational Highlights:

- They are exploring **inorganic growth** opportunities through M&A.
- The **Amla oil** category remains challenging.
- **General trade** witnessed a mid single digit decline in Q4, while organized trade grew 11% in Q4, and 22% in Q2, contributing to 24% to FY24 sales. Modern trade and e-commerce saw impressive growth.
- The **international business** saw a 24% increase in FY24, and 4% in Q4. Bangladesh (+68%) and the Middle East (+11%) were key growth drivers in FY24, while the ROW +22% in FY24. The top line in the international business has 2x since FY22. A manufacturing unit and a team for direct distribution was set up in Bangladesh. There are new localized products planned for the international business.
- **NPDs** contributed 15% to overall sales in FY24.
- Distribution was scaled up in the East, West and South Markets through expanded portfolio in hair and skin care range.
- **ADHO** contributes to 83% of FY24 revenues, as the focus shifts toward the traditional range and new products. The target share of ADHO is 60% for FY29. This business displayed 15% growth in alternate channels due to marketing interventions, with a volume growth of 0.9% for FY24 backed improved value in mid and large packs. However, this category displayed a low single digit value decline in FY24, but large packs grew 2%.
- Almond Drops Shampoo, Conditioner and Lotion scaled up well in Q4, and Bajaj Almond Drops Summer Lotion was launched in March.
- **New products** displayed a value growth of 26% in Q4 and FY24: Bajaj 100% Pure Coconut Oil grew 31% and 36% for Q4 and FY24, and the Almond Drops Skin & Hair Care range grew 23% and 16% for Q4 and FY24.
- **100% pure coconut oil** has a market share of 2%- with good traction across core states.
- Gulabjal from the Ethnic range was launched across GT, and garnered a better response than Dabur

Profit and Loss (INR Mn)	FY23	FY24	FY25E	FY26E
Net Sales	9,491	9,680	10,579	11,716
Raw materials cost	(4,329)	(4,425)	(4,735)	(5,208)
Gross Profit	5,161	5,255	5,844	6,507
Gross Margin (%)	54.4%	54.3%	55.2%	55.5%
Other operating Income	118	161	210	273
Employee Cost	(892)	(1,012)	(1,093)	(1,180)
Advertising	(1,745)	(1,622)	(1,784)	(1,963)
Other expenses	(1,161)	(1,230)	(1,353)	(1,488)
EBITDA	1,482	1,553	1,825	2,150
EBITDA Margin (%)	15.6%	16.0%	17.2%	18.4%
Depreciation	(85)	(99)	(90)	(92)
EBIT	1,397	1,454	1,734	2,058
Other Income	371	447	491	540
Interest	(10)	(10)	(11)	(12)
PBT	1,758	1,890	2,215	2,586
Tax	(296)	(336)	(376)	(440)
Adj. PAT	1,462	1,554	1,838	2,147
Adj. PAT Margin (%)	15.4%	16.1%	17.4%	18.3%

Balance sheet (INR Mn)	FY23	FY24	FY25E	FY26E
SHARE CAPITAL	143	143	137	137
Other Equity	7,754	8,163	6,582	7,587
Total Share Holder's Fund	7,897	8,306	6,719	7,724
Loan funds	61	40	40	40
Current liab & provisions	1,286	1,490	1,813	1,891
Liabilities and Share Capital	9,244	9,836	8,571	9,655
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	2,966	4,101
Total Assets	9,244	9,835	8,579	9,663

Cash Flow Statement (INR Mn)	FY23	FY24	FY25E	FY26E
Cash Flow from Operating Activities				
Profit before tax, Extraordinary & Prior Time Period	1,688	1,890	2,215	2,586
Depreciation & Amortisation	85	99	90	92
Other Non- Operating expenses	(346)	(427)	-	-
Operating Cash Flow before Working Capital change	1,428	1,562	2,305	2,678
Working Capital Inflow / (Outflow) (b)	(117)	(60)	363	(26)
Cash generated from Operating Activities (a) + (b)	1,310	1,502	2,667	2,653
Direct Tax Paid	296	339	376	440
Cash used (-)/(+) generated for Operating Activities	1,015	1,163	2,291	2,213
Cash Flow from Investing Activities				
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)
Cash Flow from Financing Activities				
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 fluctuation	(10)	(4)	-	-
Total Increase / (Decrease) in Cash and Cash Equivalents	24	88	892	1,032
Opening Cash and Bank balance	115	139	227	1,119
Closing Cash and Bank balance	139	227	1,119	2,151
Increase/(Decrease) in Cash and Bank balance	24	88	892	1,032

Source: Annual Report, Arianth Capital Research

Ratios	FY23	FY24	FY25E	FY26E
Per Share data				
EPS (INR)	10.25	10.90	12.89	15.05
Growth %	(10.88)	6.31	18.26	16.78
Book NAV/share (INR)	55.36	58.23	47.10	54.15
FDEPS (INR)	10.25	10.90	12.89	15.05
CEPS (INR)	10.85	11.59	13.52	15.69
CFPS (INR)	7.98	8.12	12.62	11.76
DPS (INR)	8.00	8.00	8.00	8.00
Return ratios				
Return on assets (%)	15.90	16.57	20.29	23.85
Return on equity (%)	18.51	18.71	27.36	27.79
Return on capital employed (%)	18.17	18.98	24.17	29.33
Turnover ratios				
Asset turnover (x)	4.91	4.89	5.97	7.58
Sales/Total assets (x)	1.03	1.03	1.16	1.30
Sales/Net FA (x)	5.31	5.53	6.26	7.17
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	29.50	29.77
Working capital days	7.21	9.79	(3.56)	(2.41)
Liquidity ratios				
Current ratio (x)	1.31	1.50	1.71	2.26
Quick ratio (x)	0.89	1.10	1.36	1.89
Interest cover (x)	143.49	143.26	155.37	167.60
Total debt/Equity (%)	0.77	0.48	0.59	0.52
Net debt/Equity (%)	-	-	-	-
Valuation				
PER (x)	15.90	14.96	12.65	10.83
Price/Book (x)	2.94	2.80	3.46	3.01
EV/Net sales (x)	2.44	2.36	2.08	1.79
EV/EBITDA (x)	15.60	14.71	12.03	9.73
EV/EBIT (x)	16.55	15.71	12.66	10.17

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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