

**New product launches and improved distribution channels will further drive growth.**

**CMP: INR 227**

**Rating: Buy**

**Target Price: INR 373**

**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)	3,289
52w H/L (INR)	238 / 146
Avg Annual Volume (in 000')	765

**Shareholding Pattern %**

(As on April 2023)

Promoters	39.35
FII	12.75
DII	16.97
Public & Others	30.95

Stock Performance (%)	1m	3m	12m
Bajaj Consumer Care	14.25	34.1	37.5
Nifty 50	0.53	9.97	10.7

**BCC Vs Nifty 50**



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The company reported good set of numbers with high single-digit growth on the top and bottom lines while maintaining healthy margins owing to softening RMO prices, while there was an increase in LLP prices. Revenue from operations saw a growth of 8.3% YoY to INR 2,701 Mn. GM was at 54.8% vs 56.2% in Q1FY23. EBITDA Margins were at 17.7% vs 14.5% in Q1FY23. PAT grew 36.4% YoY to INR 462 Mn vs INR 338 Mn in Q1FY23. The urban market continued to display mid-single digit volume and value growth and the rural market has displayed mid-single digit volume and value growth sequentially in Hair oil segment. NPD topline grew by 23% QoQ and the ADHO portfolio continue to be pillar of growth for the company with 9% value growth YoY and 6% QoQ.

**Overall improvement is visible:** The market has started seeing recovery in terms of volumes, the volume continued to grow in urban markets, and some recovery in rural markets can be seen sequentially.

**RM prices:** LLP prices were higher by 16% during the quarter compared to Q1FY23 due to an increase in crude prices. RMO prices were less during the quarter. This increased LLP and softening in RMO might have some impact on margins in Q2FY24. Prices are now less volatile, and more range bound.

**Product launches:** The company has planned many NPDs on the almond side as well as the rest of the portfolio for the next year to be inclusive of hair care, skincare, and personal care. Any new product launches will not be margin dilutive.

**Margin expectations:** They have planned for FY24 to have a similar margin profile as Q1FY24 and noticeable margin expansion will follow in FY25. In the medium term, they will remain in the 17-19% range. GM will be maintained at 45-50% for new launches.

**Outlook & valuation:** Going forward the company is focused on launching more premium products which will help in margin expansion and improving distribution channels to further penetrate the rural segment. We expect them to slowly acquire market share across the addressable market as they continue to reduce their reliance on ADHO (currently contributing 86%) in exchange for NPDs. We assign a TP of INR 373, valued at a P/E multiple of 18x the FY26E EPS of INR 21. We recommend that investors Buy.

INR Mn	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	9,052	8,671	9,491	10,588	11,867	13,259
% Change	9.6%	-4.2%	9.5%	11.6%	12.1%	11.7%
EBITDA	2,434	1,739	1,412	1,835	2,414	3,027
EBITDA Margin (%)	26.9%	20.1%	14.9%	17.3%	20.3%	22.8%
% Change	18.7%	-28.6%	-18.8%	29.9%	31.6%	25.4%
Adj. PAT	2,231	1,696	1,392	1,800	2,364	2,960
Adj. PAT Margin (%)	24.7%	19.6%	14.7%	17.0%	19.9%	22.3%
% Change	20.8%	-24.0%	-17.9%	29.3%	31.3%	25.2%
Adj. EPS (INR)	15.1	11.5	9.8	12.6	16.6	20.7
P/E (x)	10.7	14.0	16.5	12.8	9.7	7.8
ROIC	116.7%	75.6%	54.3%	80.9%	110.4%	141.4%
ROE	29.5%	21.0%	17.6%	22.7%	27.6%	31.1%
ROCE	31.1%	20.9%	16.7%	21.9%	27.0%	30.6%
ROA	31.1%	21.6%	17.3%	22.6%	28.5%	32.5%
Total debt/Equity (x)	0.01	-	0.01	0.01	0.01	0.01

Source: Company Filings & Arihant Capital Research

Particulars (in INR million)	Q1FY24	Q4FY23	Q1FY23	Q-o-Q	Y-o-Y
<b>Total Revenue</b>	<b>2,701.7</b>	<b>2,494.0</b>	<b>2,494.4</b>	<b>8.3%</b>	<b>8.3%</b>
Raw Material	1,204	1,130	1,111	6.6%	8.4%
<b>Gross Profit</b>	<b>1,498</b>	<b>1,364</b>	<b>1,384</b>	<b>9.8%</b>	<b>8.2%</b>
<b>Gross Margin</b>	<b>55.43%</b>	<b>54.69%</b>	<b>55.47%</b>	<b>74bps</b>	<b>-78bps</b>
Employee cost	257	218	231	17.7%	10.9%
Other Expenses	762	729	788	4.6%	-3.2%
<b>EBITDA</b>	<b>479</b>	<b>417</b>	<b>364</b>	<b>14.8%</b>	<b>31.4%</b>
<b>EBITDA margin %</b>	<b>17.7%</b>	<b>16.7%</b>	<b>14.6%</b>	<b>99bps</b>	<b>311bps</b>
Depreciation	23	24	21	-3.2%	12.4%
<b>EBIT</b>	<b>455</b>	<b>393</b>	<b>344</b>	<b>15.9%</b>	<b>32.5%</b>
<b>EBIT margin %</b>	<b>16.9%</b>	<b>15.8%</b>	<b>13.8%</b>	<b>110bps</b>	<b>308bps</b>
Other Income	106	101	67	4.7%	57.4%
Finance costs	3	2	1	47.5%	100.7%
PBT	558	492	409	13.4%	36.3%
Tax Expense	96	87	70	10.2%	36.2%
Effective tax rate %	17.2%	17.7%	17.2%	-50bps	-2bps
<b>PAT</b>	<b>462</b>	<b>405</b>	<b>339</b>	<b>14.1%</b>	<b>36.4%</b>
<b>PAT margin %</b>	<b>17.1%</b>	<b>16.2%</b>	<b>13.6%</b>	<b>87bps</b>	<b>352bps</b>
EPS (INR)	3.2	2.8	2.3	16.1%	40.9%

Source: Company Filings & Arihant Capital Research

#### Q1FY24 Earnings call highlights:

- **Hair oil market** saw value growth of 3.7% and volume growth of 2.8% in Q1FY24 which was after 8 quarters, which was contributed by continuing growth in urban and recovery in rural areas. While the ADHO business saw a value growth of 9% YoY and 6% QoQ. NPD topline grew by 23% QoQ in Q1FY24.
- **General Trade's** topline remained flat YoY while there was a mid-single-digit growth QoQ. Urban sales continued to grow on the back of wholesale and retail royalty programs in high single-digit YoY, while rural sales saw recovery on QoQ basis which was due to initiatives taken by the company to improve distribution channels.
- **Modern trade** grew by 34% YoY supported by customer-specific activation plans while E-commerce also registered a growth of 55% YoY.
- **International business** grew by 42% YoY and 32% QoQ on consolidated basis, which was supported by Middle East & Africa growing by 23% and with the appointment of new distributors in Saudi Arabia and new product launches in UAE delivered growth in these markets. While the Rest of the World grew by 77%
- Local operations in Bangladesh are scaling as per the company's plan, where NPD pipeline is being created to expand portfolio.
- **ADHO** registered a growth of 9% in Q1FY24, while the AD extensions scaled up aided by digital media and visibility spends. The company has also planned 2 new SKUs of AD soap to launch in Q2 for MT and E-commerce.
- Consumer offtake and distribution buildup has been scaling up well for the coconut and amla portfolio. The Amla portfolio managed to grow by double digit in Q1FY24 on QoQ as HSM rebounded, the company has also started to sell small packs of the same in selected States from June onwards, to drive further distribution penetration growth.
- The company launched Bajaj 100% pure Henna which has higher lawsone content than leading brands, priced at parity to the competitors. The company also plans to launch more products under its ethnic range in the coming quarters.
- **Consumption prices for LLP** were higher by 16% for the quarter as compared to Q1FY23, slight increase in LLP prices in Apr and May due to the shutdown of refinery in South East Asia and increase in crude oil prices.
- **Key raw materials-** Glass prices were up by 10% and PET prices decreased by 8%, with multiple initiatives on raw material and packages through a combination of optimization of specifications and alternate vendor development which helped the company to save INR 20 Mn in Q1FY24

**Consolidated Financials**

<b>Profit and Loss (INR Mn)</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24E</b>	<b>FY25E</b>	<b>FY26E</b>
Net Sales	9,052	8,671	9,491	10,588	11,867	13,259
Raw materials cost	(3,297)	(3,688)	(4,399)	(4,663)	(4,896)	(5,141)
Gross Profit	5,754	4,983	5,091	5,925	6,970	8,118
<i>Gross Margin (%)</i>	63.6%	57.5%	53.6%	56.0%	58.7%	61.2%
Other operating Income	167	129	118	132	152	175
Employee Cost	(850)	(883)	(892)	(945)	(1,002)	(1,062)
Advertising	(1,570)	(1,477)	(1,745)	(1,885)	(2,035)	(2,198)
Other expenses	(1,067)	(1,013)	(1,161)	(1,393)	(1,671)	(2,005)
EBITDA	2,434	1,739	1,412	1,835	2,414	3,027
<i>EBITDA Margin (%)</i>	26.9%	20.1%	14.9%	17.3%	20.3%	22.8%
Depreciation	(63)	(51)	(85)	(87)	(88)	(89)
EBIT	2,372	1,688	1,327	1,748	2,326	2,938
Other Income	345	386	371	445	534	641
Interest	(14)	(10)	(10)	(11)	(12)	(13)
PBT	2,704	2,065	1,688	2,182	2,848	3,566
Tax	(472)	(368)	(296)	(382)	(484)	(606)
Adj. PAT	2,231	1,696	1,392	1,800	2,364	2,960
<i>Adj. PAT Margin (%)</i>	24.7%	19.6%	14.7%	17.0%	19.9%	22.3%

<b>Balance sheet (INR Mn)</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24E</b>	<b>FY25E</b>	<b>FY26E</b>
SHARE CAPITAL	148	148	143	143	143	143
Other Equity	7,424	7,949	7,754	7,769	8,421	9,384
Total Share Holder's Fund	7,571	8,096	7,897	7,912	8,564	9,527
Loan funds	50	-	61	61	61	61
Current liab & provisions	1,297	1,218	1,286	1,561	1,649	1,744
<b>Liabilites and Share Capital</b>	<b>8,918</b>	<b>9,315</b>	<b>9,244</b>	<b>9,534</b>	<b>10,274</b>	<b>11,332</b>
Net fixed assets	1,738	1,793	1,881	1,820	1,762	1,713
Investments	5,846	6,116	5,750	5,750	5,750	5,750
Deferred Tax Assets/ Tax assets (NET)	45	2	3	3	3	3
Current assets	1,289	1,402	1,609	1,961	2,759	3,866
<b>Total Assets</b>	<b>8,918</b>	<b>9,315</b>	<b>9,244</b>	<b>9,534</b>	<b>10,274</b>	<b>11,332</b>

<b>Cash Flow Statement (INR Mn)</b>	<b>FY21</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	2,704	2,065	1,688	2,182	2,848	3,566
Depreciation & Amortisation	63	51	85	87	88	89
Other Non- Operating expenses	(350)	(363)	(346)	-	-	-
Operating Cash Flow before Working Capital change	2,416	1,753	1,428	2,269	2,936	3,655
Working Capital Inflow / (Outflow) (b)	411	(140)	(117)	172	(24)	(26)
Cash generated from Operating Activities (a) + (b)	2,827	1,612	1,310	2,441	2,912	3,629
Direct Tax Paid	456	327	296	382	484	606
<b>Cash used (-)/(+) generated for Operating Activities</b>	<b>2,371</b>	<b>1,285</b>	<b>1,015</b>	<b>2,058</b>	<b>2,428</b>	<b>3,023</b>
<b>Cash Flow from Investing Activities</b>						
Purchase of Fixed Assets	(27)	(109)	(64)	(25)	(30)	(40)
Other Investing activities	(1,036)	116	710	-	-	-
<b>Cash used (-)/(+) generated for Investing Activities</b>	<b>(1,063)</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)	(1,180)	(590)	(1,426)	(1,712)	(1,997)
Other Financing activities	(162)	(59)	(1,036)	(358)	-	-
<b>Cash used (-)/(+) generated for Financing Activities</b>	<b>(1,342)</b>	<b>(1,239)</b>	<b>(1,626)</b>	<b>(1,785)</b>	<b>(1,712)</b>	<b>(1,997)</b>
Forex fluctation	1	(3)	(10)	-	-	-
Total Increase / (Decrease) in Cash and Cash Equivalents	(34)	51	24	249	686	986
<b>Opening Cash and Bank balance</b>	<b>98</b>	<b>64</b>	<b>115</b>	<b>139</b>	<b>388</b>	<b>1,074</b>
<b>Closing Cash and Bank balance</b>	<b>64</b>	<b>115</b>	<b>139</b>	<b>388</b>	<b>1,074</b>	<b>2,060</b>
<b>Increase/(Decrease) in Cash and Bank balance</b>	<b>(34)</b>	<b>51</b>	<b>24</b>	<b>249</b>	<b>686</b>	<b>986</b>

Source: Company Filings & Arianth Capital Research

Ratios	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>Per Share data</b>						
EPS (INR)	15.13	11.50	9.76	12.62	16.57	20.75
Growth %	20.76	(23.98)	(15.14)	29.28	31.34	25.19
Book NAV/share (INR)	51.33	54.89	55.36	55.47	60.04	66.79
FDEPS (INR)	15.13	11.50	9.76	12.62	16.57	20.75
CEPS (INR)	15.55	11.84	10.36	13.22	17.19	21.37
CFPS (INR)	15.06	7.86	7.49	11.31	13.28	16.74
DPS (INR)	10.00	8.00	8.00	10.00	12.00	14.00
<b>Return ratios</b>						
Return on assets (%)	26.41	18.72	15.15	19.43	24.16	27.69
Return on equity (%)	29.47	20.95	17.63	22.75	27.60	31.07
Return on capital employed (%)	31.43	21.65	17.30	22.52	28.38	32.38
<b>Turnover ratios</b>						
Asset turnover (x)	4.87	4.91	4.91	5.68	6.84	7.78
Sales/Total assets (x)	1.07	0.95	1.03	1.14	1.21	1.24
Sales/Net FA (x)	5.15	4.91	5.31	6.03	6.97	8.04
Working capital/Sales (x)	(0.01)	0.01	0.02	0.00	0.00	0.00
Receivable days	9.05	8.05	11.71	12.00	12.00	12.00
Inventory days	17.41	24.03	19.72	19.72	19.72	19.72
Payable days	37.09	23.54	20.06	29.79	30.89	31.85
Working capital days	(4.06)	3.89	7.21	0.54	1.20	1.78
<b>Liquidity ratios</b>						
Current ratio (x)	1.00	1.20	1.31	1.30	1.73	2.29
Quick ratio (x)	0.66	0.71	0.89	0.92	1.33	1.87
Interest cover (x)	172.45	167.29	136.31	163.24	197.48	226.76
Total debt/Equity (%)	0.66	-	0.77	0.77	0.71	0.64
Net debt/Equity (%)	-	-	-	-	-	-
<b>Valuation</b>						
PER (x)	10.77	14.17	16.70	12.92	9.84	7.86
Price/Book (x)	3.18	2.97	2.94	2.94	2.71	2.44
EV/Net sales (x)	2.63	2.73	2.44	2.16	1.87	1.60
EV/EBITDA (x)	9.76	13.63	16.37	12.47	9.19	7.00
EV/EBIT (x)	10.02	14.04	17.42	13.08	9.54	7.22

Source: Annual Report, Arihant Capital Research

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### Stock Rating Scale

BUY  
 ACCUMULATE  
 HOLD  
 NEUTRAL  
 REDUCE  
 SELL

### Absolute Return

>20%  
 12% to 20%  
 5% to 12%  
 -5% to 5%  
 -5% to -12%  
 <-12%

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