

CMP: INR 262

Outlook: Positive(Not Rated)

Target TP: INR 350-400-450

Stock Info

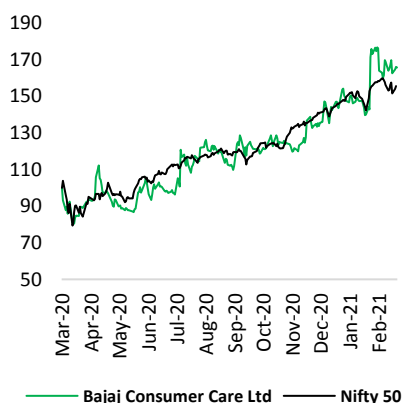
BSE	533229
NSE	BAJAJCON
Bloomberg	BAJAJCON IN
Reuters	BACOA.BO
Sector	Personal Care
Face Value (INR)	1
Equity Capital (INR Cr)	15
Mkt Cap (INR Cr)	3981
52w H/L (INR)	285/ 117
Avg Yearly Vol (in 000')	923

Shareholding Pattern %

(As on Dec, 2020)

Promoters	38.04
FII	24.80
DII	17.03
Public & Others	20.13

Bajaj Consumer Vs Nifty



Bajaj Consumer Care Ltd., is an Indian consumer goods company with major brands in hair care. It is part of the Bajaj Group, founded by Jammalal Bajaj. Bajaj Group has interests in varied industries including Sugar, Consumer Goods, Power Generation and Infrastructure Development.

Bajaj Consumer Care is the second largest company in the Shishir Bajaj Group of companies. The history of Bajaj Consumer Care dates back to 1953 when Mr. Kamalnayan Bajaj established Bajaj Sevashram to market and sell hair oils and other beauty products.

Key Highlights of Q3FY21:

- In 3QFY21, BAJAJCON reported numbers better than street expectations with revenue growth of 16.9% YoY to INR. 247 cr. with 16% YoY volume growth led by recovery in hair oil category, strong performance from rural and recovery in urban India on the back of improvement in consumer sentiments and increased penetration.
- ADHO sales grew by 14% YoY in value and 16% YoY by volume led by higher traction from Almond Drops Hair Oil (ADHO) larger pack driven by geography level initiatives in 3QFY21.
- During the quarter rural outperformed urban with 37% growth while urban grew by 7% in 3QFY21. On trade channel front, General trade and e-commerce continued to perform well while Modern trade and CSD channels continued to show improvement led by higher footfalls and opening up of economic activities.
- Gross margin declined by 356 bps to 64.1% YoY impacted on account of input inflation, change in product mix and one-me sale of sanitizers while EBITDA margin declined by only 13 bps to 25.5% YoY led by savings in other expense despite high gross margin contraction.
- The Company reported PAT of INR 58 cr with PAT growth of 16% YoY and PAT margin at 25% YoY.

Valuation & View:

- Going forward, on the demand front rural is expected to continue its growth trajectory led by positive government initiatives while urban demand is witnessing signs of gradual recovery on the back of resumption of economic activities.
- Bajaj Consumer is well placed in the light hair oil (LHO) category with its flagship Bajaj Almond Hair Drops, which dominates with a market share of about 60%. Robust brand equity and undisputed leadership in the LHO category reinforce its potential in the highly penetrated category.
- Relaunch of existing products has been supported by a multi-media approach and high on-ground visibility to deepen penetration of ADHO in the complete hair oils category. After a few years of low growth in the hair oil category, growth rates have started to pick up.
- Thus, considering recovery in urban markets and strong growth from rural markets on the back of various positive initiatives has taken by the company and better than expected performance, we have positive outlook on the Company.
- At a CMP of INR 262, Bajaj Consumer is trading at a PE of 16x/15x to its FY22/FY23 Bloomberg consensus estimates.
- **Key Risk:** ADHO alone account for ~90% to sales, which poses high concentration risk.
- Raw material inflation may put pressure on margins.

Highlights from the conference call

Operating environment

- During the quarter the company registered strong double digit value growth in hair oil of 16.2% and volume growth of 18% on the back of various rural and urban initiatives driven by improving consumer confidence and market recovery.
- The Company ADHO has grown by 14% YoY in value and 16% YoY by volume in 3QFY21.
- The Secondary sales in hair oil continued its momentum while primary sales for hair oil grew by over 17% and for overall company the secondary has been higher than primary at 19%
- The Company's Gross margin declined by 3.2% YoY out of which decline of 1.1% is on account of one-time sale of sanitizers (which the company failed to liquidate its stocks to institutions at low gross margin contributing to the extent of ~1% of sales) while the remaining decline of 2.1% was due to input inflation as well as change in product mix.
- As per Management input inflation is mainly on account of inflation in oils. LLP and refined mustard price oil increased on account of supply constraints and decline in demand of soya and palm oil.
- As per Management, urban has shown signs of recovery with positive growth of 7% while Rural grew by 37%.
- ADHO saw an overall growth of 14% with larger packs doing well led by geography level initiatives in 3QFY21.
- The Company reaches directly reaches to more than 400000 retail outlets covering all villages which are having population of more than 2000 through VAN operations and will continue to scale up penetration through van operations going forward.
- The Company has launched new 650 ml SKU launched exclusively for Modern trade in Dec-20.
- The Company's e-commerce grew 3 times contributing to the extent of 2.5% to the revenue in 3QFY21.
- Bajaj Amla hair oil market share increased to 2.3% in 3QFY21 vs. 1.2% in 3QFY20.
- The Management expect rural demand to be robust in FY22 led by positive measures in union budget. As of now urban and rural mix stood at 50:50.

Outlook

- The Company aim is to aggressively grow the top line with positive EBITDA YoY in long run.
- The Company will launch some products in next 2-3 quarters especially for e-commerce and work has started on the same while will also launch a mass range for general trade channel and the products are likely to have higher gross margin.
- Management expects Ad spends to be move to 21% only if there exist traction in sales in long run post launch of e-commerce and mass range.
- Bajaj Amla contributed in a range of 3-4% to the total turnover. The Company has also restaged Bajaj Amla and hair oil which will come in market by the end of Feb-20 and expect the same to be one of the growth drivers going forward.
- To offset the input inflation the company has taken price increase of ~1.5% in 4QFY21. The Company will continue to monitor input inflation and competitive intensity closely and act accordingly.
- Bajaj Zero Grey has been listed on all major e-commerce platforms and is available at a few modern trade retailers

Q3FY21 Result Snapshot:

in Cr.	Q3FY21	Q3FY20	YoY	Q2FY20	QoQ
Revenue	247	211	17%	225	10%
EBITDA	63	54	17%	63	0.23%
EBITDAM (%)	26%	26%	0bps	28%	-200bps
PAT	58	50	16%	57	2%
PATM (%)	24%	24%	0bps	25%	-100bps

Key Financial:

in Cr.	FY19	FY20	FY21E*	FY22E*	FY23E*
Revenue	918	852	899	983	1082
EBITDA	274	205	239	263	292
EBIT	267	199	241	266	294
PAT	222	185	220	241	267
EPS (INR)	15	13	15	16	18
CMP	262	-	-	-	-
PE	17	20	17	16	15

*Bloomberg estimates

Technical Chart & View

I-BAJAJCON - 10/03/21 15:46:50 277.25 12.27%

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Technical View :

- The stock is showing strong accumulation pattern with higher volumes .
- Further, the momentum indicator is gaining strength which suggests that upside momentum is likely to continue.
- On the upside, the stock is likely to test 350 – 400 – 450 levels in 6-12months.

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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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