



KEY HIGHLIGHTS

1. RESULTS OVERVIEW:

- Bajaj Consumer Care FY24 consolidated revenues came in at ₹984.1 Cr, up 2.4% YoY.
- PBIDT (Ex-OI) for FY24 stood at ₹155.3 Cr, up 10% YoY.
- PBIDTM (Ex-OI) for FY24 came at 15.8%, +108.4 bps YoY.
- PAT (Ex-OI) for FY24 stood at ₹110.8 Cr, up 8.4% YoY.
- Volume growth improved 6.6% due to strong growth in non-ADHO portfolio with 2% value growth.

2. MANAGEMENT COMMENTARY:

- The company is focusing on expanding its portfolio in broader categories in the next 3-4 quarters in its next phase of growth.
- Rural markets outperformed urban markets for the first time in FY24.
- Currently international business contributes 5% to overall business from 3% in FY22 and expecting it to reach 20% by FY29.
- E-commerce registered strong performance with a growth of 26% for Q4FY24 and 27% for FY24.

3. CONCALL SUMMARY

- The company would continue to increase its A&P spends across investments in NPDs (new product development) and digital media to target new age customers. Almond Drop Serum and Skin care range witnessed a growth of 22% in Q4 and 16% in FY24.
- International business delivered a strong growth of 24% in FY24, focusing on Middle East and Africa.
- RMO prices witnessed an overall correction in global edible oil prices. However, on a sequential basis, RMO and LLP (light liquid paraffin) prices remained flat. Targeting a margin range of 16-18% for the next few years.
- Focusing on scaling up operations in Bangladesh and Middle Eastern markets with expansion plans in South Asia and Southeast Asian markets.
- The hair oil market grew in value terms during the quarter and improved on the back of moderating inflation.

4. OTHER UPDATES:

- The company would be extending its Almond Drops Portfolio beyond hair oils through launch of products across hair & skin categories, going ahead.

5. VALUATION AND OUTLOOK:

Bajaj Consumer Care is a market leader in the light hair oil category with a market share of over 60%. Further, new product additions under the hair care category and focus on improving presence in the southern market will add on to growth in the coming years. Negative working capital and strong cash generation would help it to invest heavily in core brands and new launches or go for any inorganic initiative soon to improve growth prospects. With a strong growth outlook, we initiate a "BUY" rating on the stock and value the stock at **12.1x FY26 EPS to arrive at the target of 320.**

RECOMMENDATION - BUY

CMP – 270

TARGET – 320(++18.8%)

Industry	Household & Personal Products
NSE CODE	BAJAJCON
BSE CODE	533229
Market Cap (₹ Cr)	3852
Shares Outstanding (in Cr)	14.3
52 wk High/Low (₹)	287/200
P/E	25.2
P/BV	4.64
Face Value (₹)	1.00
Book Value (₹)	58.2
EPS (FY24) (₹)	10.9
Dividend Yield (%)	1.85
Debt / Equity	0.01

SHAREHOLDING PATTERN

	Jun 24	Dec 23	Sep 23
Promoters	39.3	39.3	39.4
MF/ DII	14.8	14.8	14.6
FII/FPI	14.2	14.1	14.4
Retail & Others	29.1	29.1	29.1
Promoter Pledging	0.00	0.00	0.00

FINANCIAL SNAPSHOT (₹ Cr)

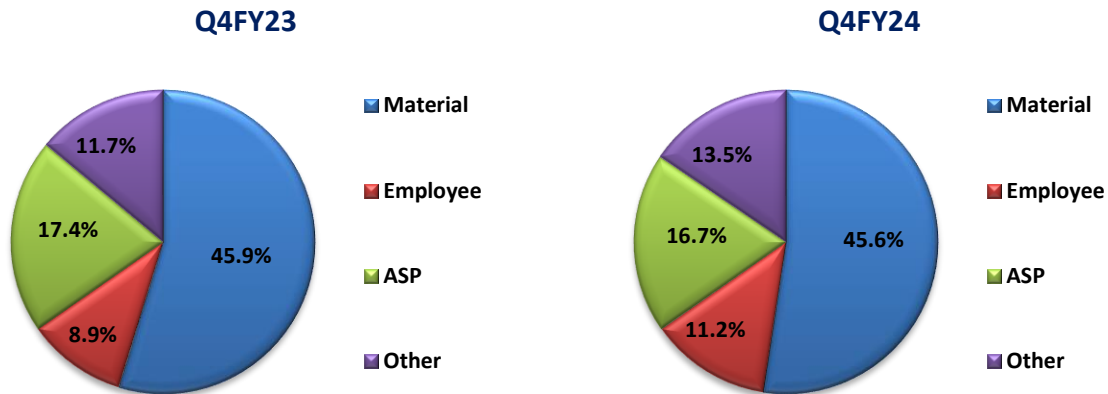
Y/E March	2024	2025E	2026E
Cr			
Sales	984	1,131	1,302
Sales Gr. (%)	2.4	15	15
EBITDA	155	192.4	221.3
EBITDA %	20.3	17	17
PAT	155	149	173
EPS (₹)	10.89	10.4	12.1
EPS Gr. (%)	11.5	-4.2	15.9
Valuation			
P/E (x)	25.2	27.2	26.5

Historical & Industrial Val Ratios

Historical P/E	17.7
Industry P/E	47.9
Historical P/B	3.6
Industry P/B	7.7



Expenses to Sales Trend



QUARTERLY PERFORMANCE (CONSOLIDATED)

(₹ Cr)

Y/E March	FY23			FY24				FY25	FY24	FY25E*
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1E*		
Net sales	232	230	249	270	235	239	240	283	984	1,132
YoY change (%)	7.7	0.5	14.5	7.8	0.9	4.3	-4.9	4.8	2.4	15
Total Expenditures	202	197	208	222	198	203	205	230	829	939
EBITDA	31	32	42	48	37	36	34	53	155	192.4
YoY growth (%)	-36	-16	20	31	-20	11.1	-16	10.4	12	23.9
Margins (%)	13	14	17	18	16	15	14.5	18.7	16	17.0
Depreciation	2	2	2	2	3	3	3	3	10	10
Interest	0	0	0	0	0	0.2	0.2	0.2	1	1
Other income	10	10	10	11	11	11	12	11	45	43
PBT	38	40	49	55	45	44	43	49.8	189	181
Rate (%)	17	18	18	18	18	18	18	18	18	18
Tax	7	7	9	10	8	8	8	8.9	34	32.3
Adjusted PAT	32	33	40	46	37	36	35	40.8	155	149.1
EPS in Rs	2.15	2.25	2.80	3.24	2.61	2.55	2.49	2.85	10.9	10.4

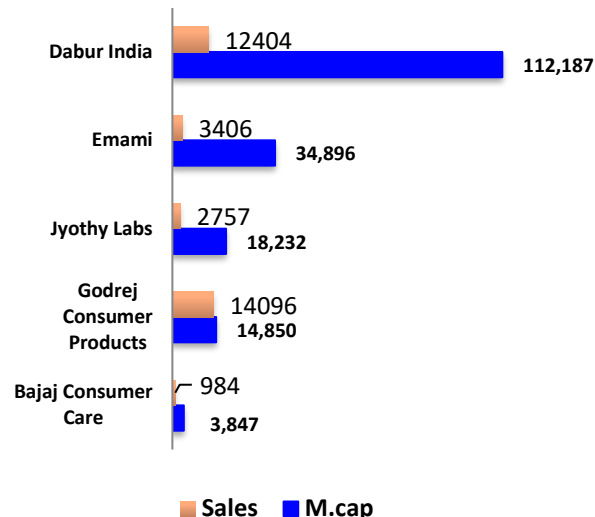
Source: Company, Hem Securities Research.



INDUSTRY OVERVIEW

- The hair oil category's growth gradually started improving in Q4FY23. Hair oil market saw value and volume growth after eight consecutive quarters. Volume and value growth stood at 2.8% and 3.7%, respectively. Volume growth in urban market stood at 6.9% vs. 4.1% in Q4FY23 and in rural market stood at -1.6% versus -6.2% in Q4FY23. Recovery was broad base across all sub-categories in the domestic hair oil market.
- Shift of consumers from loose/unbranded hair oil to branded hair oil, improved penetration in rural markets and sustained new launches would help hair oil market to achieve decent growth in the medium term.
- Volume growth is expected to be at 3-5%. The recent fall in commodity prices would help margins to improve sequentially in the quarters ahead.
- Consumers are shifting toward organic hair oil with the growing awareness about chemical products. Organic hair oil products are considered to provide nourishment and good results. Moreover, consumers prefer hair oil based on herbal ingredients because these oils are made up of natural elements and carry essential benefits.

KEY PLAYERS in Household & Personal Care space



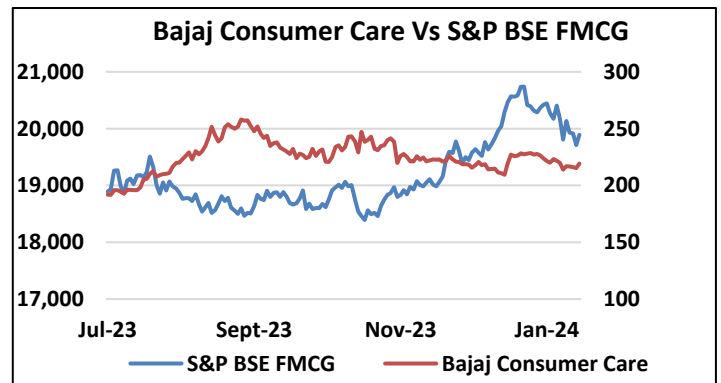
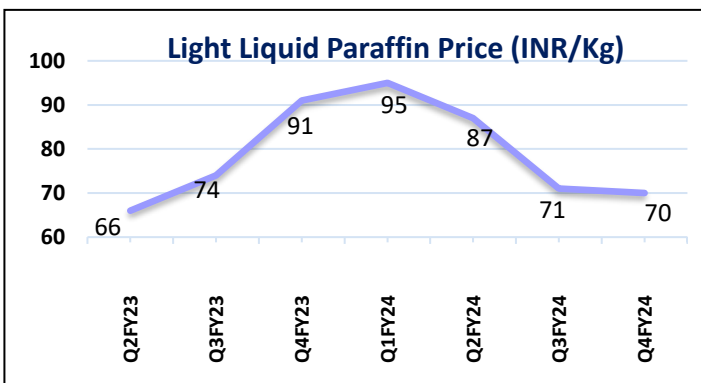
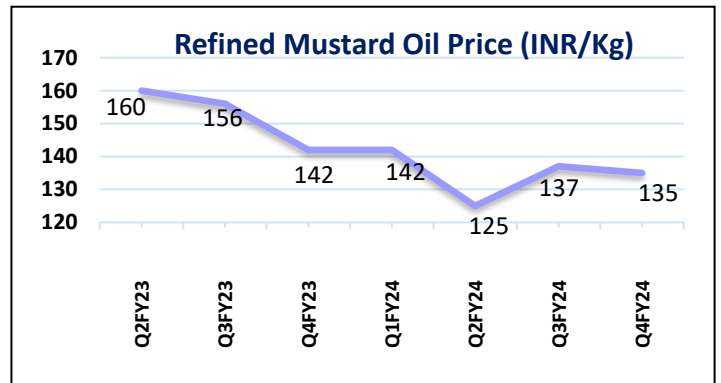
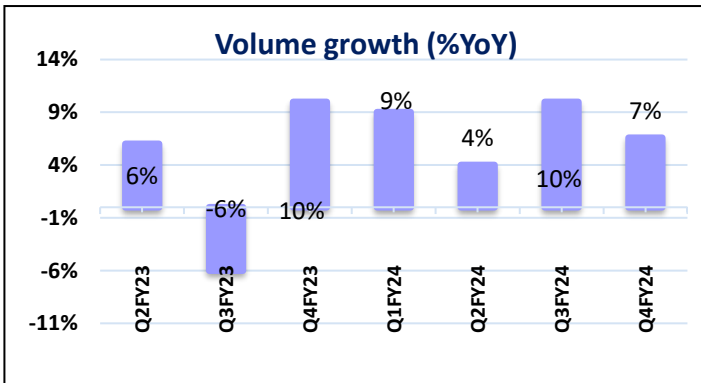
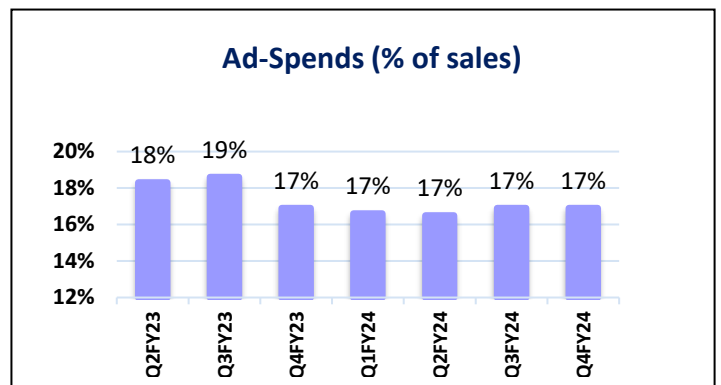
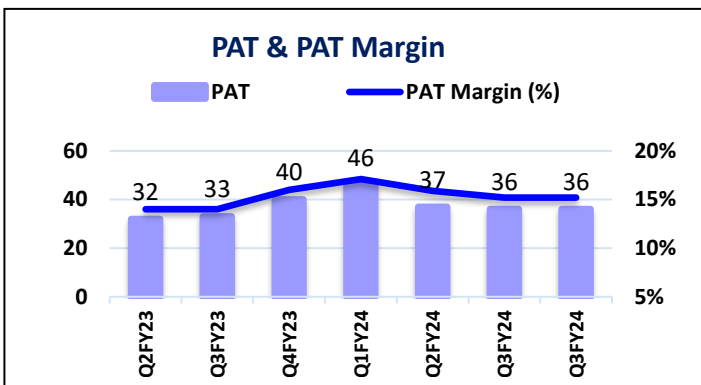
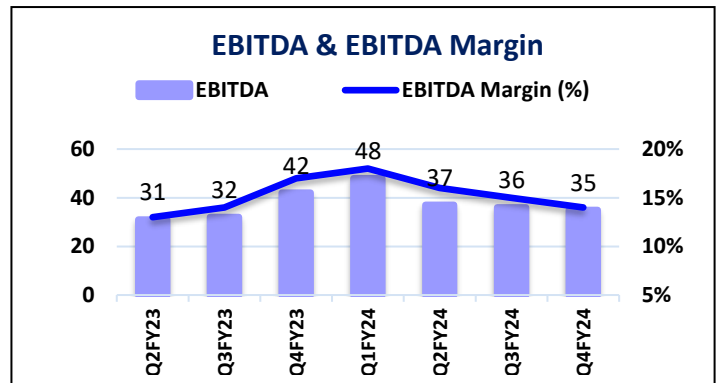
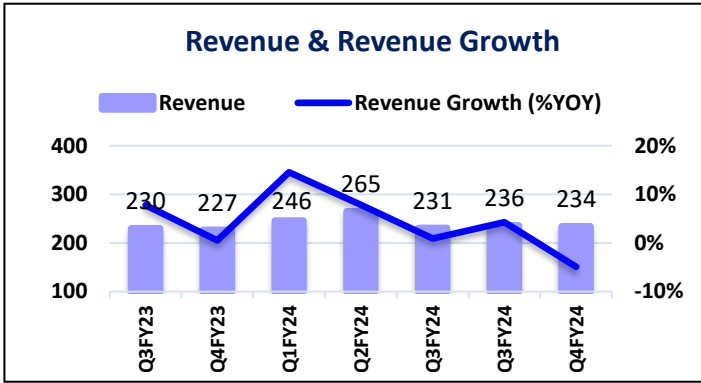
PEER PERFORMANCE

(₹ Cr)

Particulars	Bajaj Consumer Care Ltd.	Godrej Consumer Products Ltd.	Dabur India Ltd.	Emami Ltd.	Jyothy Labs Ltd.
Market Cap	3,847	148,560	112,187	34,896	18,232
Net Sales	984	14,096	12,404	3,406	2,757
EBITDA	155	2,957	2,396	863	480
PAT	155	-561	1,843	640	369
EBITDA MARGIN %	20	21	21	27	16
PAT MARGIN %	16	-4	13	18	11
ROCE %	23	3	24	29	29
ROE %	19	-4	19	29	22
P/E TTM	25	-	61	48	49
P/B TTM	5	12	11	14	10
Current Ratio	1.43	0.69	1.02	1.87	1.97
Dividend Yield %	1.85	1.03	0.87	1.00	0.71
Int Coverage	185	9.44	20.0	80.8	98.7
EPS TTM(₹)	11	-5	10	14	10
3 Y Sales CAGR%	2	9	9	8	13



STORY IN CHARTS





INVESTMENT RATIONALE:

- In Organized Trade, the company is focusing on improving presence in Modern Trade and e-commerce and building digital first brands. The organized trade grew by 25% YoY witnessing strong offtakes in key e-commerce platforms during the festive season.
- Material cost as a percentage of sales marginally contracted by ~10 bps to 47%, during the quarter. Their continuous focus on cost saving measures helped to structurally reduce the material costs.
- ADHO is achieving a robust growth with volume growth due to improving demand in the rural market. Management expects ADHO volume growth to gradually improve with expected improvement in the demand in the rural market. With NPDs gaining strong traction, management expects high single to low double-digit revenue growth in FY25. A fall in commodity prices and better mix would help OPM stay at 16-18%.
- The company would strive for premiumization of their portfolio, rationalize cost structures, drive automation and digital transformation initiatives to deliver growth with healthy margins in the upcoming quarters.
- New product launches along with focus on execution across channels would be a key growth driver for their top-line growth, going ahead. During Q4FY24, international business continued to deliver strong growth across markets led by Middle East, Nepal, and Rest of World Exports.

RISK / NEGATIVE FACTORS:

- Any slow recovery in the growth of the hair oil category or sustained increase in input prices would act as a key risk to our earnings estimates in the near term.
- Any significant increase in key raw materials such as LLP and refined oil will be a threat to profitability.
- Slowdown in volume growth of key revenue contributing product, Almonds Drops Hair Oil, would affect revenue growth.

COMPANY RECAP

- Bajaj Consumer Care is the second largest company in the Bajaj Group established in 1953 to market and sell hair oil.
- The company is one of the leading players in the hair oil category with 15 brands including Bajaj Almonds Drops Hair Oil, Bajaj Brahmi Amla Hair Oil, Bajaj Jasmine Hair Oil, and Bajaj Cool Almond Drop. The company's flagship brand, Almonds Drops Hair Oil enjoys a leadership position in the premium segment and contributes ~96% to overall revenue.
- The company launched 15 new hair care products in FY2022 with more under pipeline to diversify the product portfolio. The company acquired the Nomarks brand in 2013 to expand into the Rs. 9,000 crore skin care category with its range of skin care products.
- The company has a network of close to 8,500 distributors across all states in India. The company also exports its products to over 30 countries, with primary focus on SAARC, Gulf and Middle East, ASEAN, and African regions.

ANNUAL PERFORMANCE

Financials & Valuations

Income Statement

Y/E March	2021	2022	2023	2024	2025E	2026E	(₹ Cr)
Revenue from operations	922	880	961	984	1131.7	1301.5	
Growth YoY (%)	8	-5	9	2	15	15	
Total Expenditure	681	706	822	829	939	1080	
(%) of sales	74	80	86	84	83	83	
EBITDA	241	174	139	155	192	221.3	
EBITDA Growth (%)	18	-24	-16	12	24	15.0	
EBITDA Margin (%)	26	20	14	16	17	17	
Depreciation	6	5	9	10	10	10	
EBIT	235	169	130	145	182.4	211.3	
EBIT Growth (%)	19	-24	-18	12	25	16	
Net Interest Expenses	1	1	1	1	1	1	
Other Income	37	39	40	45	43	43	
Earnings before Taxes	270	206	169	189	181	210.3	
EBT Margin (%)	29	23	18	19	16	16.2	
Tax-Total	47	37	30	34	32.3	37.4	
Rate of tax (%)	17	18	18	18	17.8	17.8	
Net Profit	223	170	139	155	149.1	172.8	
PAT Growth (%)	21	-24	-18	12	-4.1	15.9	
PAT Margin (%)	24	19	14	16	13.2	13.3	
Minority Interest	0	0	0	0	0	0	
Adjusted PAT	223	170	139	155	149.1	172.8	
EPS	15	11	10	11	10.4	12.1	
EPS Growth (%)	21	-24	-15	12	-4.2	15.9	

Balance Sheet

Y/E March	2021	2022	2023	2024
Share Capital	15	15	14	14
Reserves	742	795	775	816
Net Worth	757	810	789	830
Borrowings	5	0	9	9
Other Liabilities	132	122	125	144
Total Liabilities & Equity	894	931	924	984
Fixed Assets	149	152	160	158
CWIP	25	28	28	28
Investments	585	612	575	586
Other Assets	135	140	161	212
Total Assets	894	931	924	984

Source: Company, Hem Securities Research.



Ratios				
Y/E March (Basic (INR))	2021	2022	2023	2024
Profitability and return ratios				
Net profit margin (%)	24.2	19.3	14.5	15.8
EBITDA margin (%)	26.2	19.8	14.4	15.8
EBIT margin (%)	29.5	23.6	17.7	19.3
ROE (%)	31.7	21.7	17.5	19.2
ROCE (%)	37.9	26.4	21.2	23.5
Working Capital & liquidity ratios				
Payables (Days)	83.1	56.7	37.6	35.1
Inventory (Days)	21.0	20.8	20.6	19.9
Receivables (Days)	9.5	8.6	9.4	13.8
Current Ratio (x)	5.3	6.3	5.9	5.5
Valuations Ratios				
EV/sales (x)	4.2	2.7	2.2	3.0
EV/EBITDA (x)	13.8	11.3	12.0	14.9
P/E (x)	17.2	14.2	15.6	19.5
P/BV (x)	5.1	3.0	2.8	3.6
Dividend Yield (%)	3.9	4.9	3.3	1.4
Return on Assets (%)	26.1	18.6	15.0	16.3
Leverage Ratio				
Debt/Equity (x)	0.01	0.00	0.01	0.01

Cash Flow Statement				
Y/E March	2021	2022	2023	2024
CF from Operating activities (A)	237	129	101	116
CF from Investing Activities (B)	-106	0	65	12
CF from Financing Activities (C)	-134	-124	-163	-120
Net Cash Flow	-3	5	3	1
Add: Opening Bal.	10	6	12	15
Closing Balance	6	12	15	16

Source: Company, Hem Securities Research.



RATING CRITERIA

INVESTMENT RATING	EXPECTED RETURN
BUY	>=15%
ACCUMULATE	5% to 15%
HOLD	0 to 5%
REDUCE	-5% to 0
SELL	<-5%

RECOMMENDATION SUMMARY

DATE	RATING	TARGET
20/6/23	BUY	222(++15.6%)
20/3/23	BUY	258(++17.8%)
22/7/24	BUY	320(++18.8%)

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