



KEY HIGHLIGHTS

1. RESULTS OVERVIEW:

- Bajaj Consumer Care Q4FY23 consolidated revenues came in at ₹259.5 Cr, up 14.3% YoY and 8.7% QoQ.
- PBIDT (Ex-OI) for Q4FY23 stood at ₹41.7 Cr, up 20% YoY and 28.5% QoQ.
- PBIDTM (Ex-OI) for Q4FY23 came at 16.7%, 81 bps YoY and 260 bps QoQ.
- PAT (Ex-OI) for Q4FY23 stood at ₹30.4 Cr, up 20.7% YoY and up 33% QoQ.
- Volume growth of 9.9% and value growth of 11.7% in Q4 FY23

2. MANAGEMENT COMMENTARY:

- Q4 Hair Oil market trend is better compared to earlier quarters.
- Both Urban & Rural markets have recovered as compared to Q3 FY23.
- Urban markets continue to outpace Rural and have registered growth in Q4 FY23.
- Consolidated international business reported a robust growth of 151% in quarter 4 FY23 compared to the same period over the previous year.
- Raw material prices have corrected backed by good harvest crop including Mustard and overall correction in global edible oil prices.

3. CONCALL SUMMARY

- Light Liquid Paraffin prices have corrected sequentially on account of reduced input prices and overall benign demand scenario.
- Focus on expanding International Business with strong growths in Middle East & Africa, Bangladesh and other countries.
- New product sales doubled in FY23 to INR 113 crores and now contributes 12% of the overall sales.
- The management is aiming double-digit growth rate for the next five years.
- NPD sales doubled during the year and stood at ₹113 crore, an increase of 115% YoY. The retail loyalty program helped build NPD across urban markets

4. CAPEX UPDATE:

- In Q4 FY23, they commenced local manufacturing in Bangladesh. While, manpower upgradation and distribution expansion in the region are under construction.

5. VALUATION AND OUTLOOK:

The company is aiming to aiming double-digit growth rate for the next five years.

With a strong growth outlook, we initiate a “BUY” rating on the stock and value the stock at 14.3x FY25 EPS to arrive at the target of 222.

RECOMMENDATION - BUY

CMP –192

TARGET – 222 (+15.6%)

Industry	Household & Personal Products
NSE CODE	BAJAJCON
BSE CODE	533229
Market Cap (₹ Cr)	2774
Shares Outstanding (in Cr)	14.5
52 wk High/Low (₹)	199/129
P/E	19.9
P/BV	3.58
Face Value (₹)	1.00
Book Value (₹)	54.6
EPS (FY23) (₹)	9.63
Dividend Yield (%)	4.90
Debt / Equity	0.01
Interest Coverage	4.63

SHAREHOLDING PATTERN

	Mar 23	Dec 22	Sep 22
Promoters	39.16	38.04	38.04
MF/ DII	17.07	16.32	15.16
FII/FPI	11.71	11.31	12.08
Retail & Others	29.67	32.02	32.42
Promoter	0.00	0.00	0.00
Pledging			

FINANCIAL SNAPSHOT (₹ Cr)

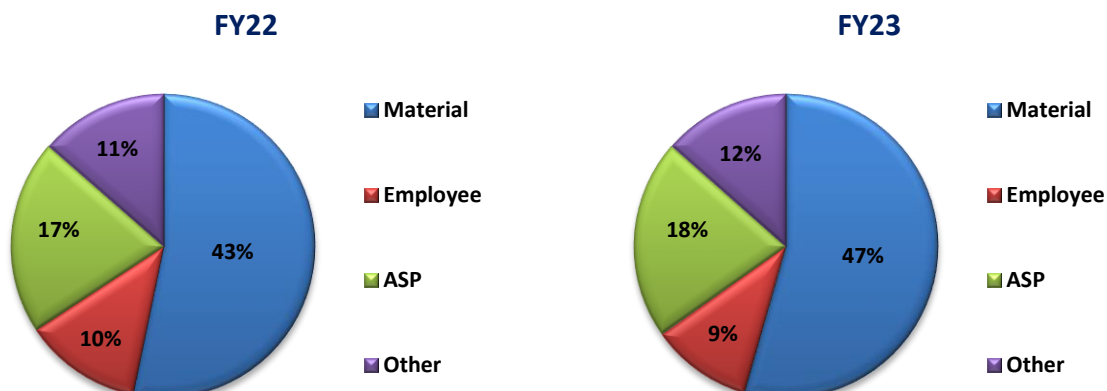
Y/E March	2023	2024E	2025E
Crete			
Sales	961	1,105	1,270
Sales Gr. (%)	9.2	15	15
EBITDA	141	243	318
EBITDA %	15	22	25
PAT	139	185	207
EPS (₹)	9.6	12.8	14.3
EPS Gr. (%)	-16.5	34	12
Valuation			
P/E (x)	19.9	17	15.5

Historical & Industrial Val Ratios

Historical P/E	16.8
Industry P/E	45.8
Historical P/B	4.8
Industry P/B	3.8



Expenses to Sales Trend



QUARTERLY PERFORMANCE (CONSOLIDATED)

(₹ Cr)

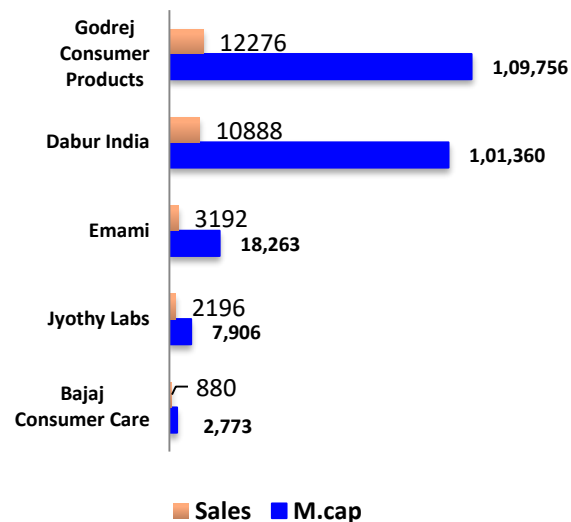
Y/E March	FY22			FY23				FY24	FY23	FY24E*
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1E*		
Net sales	213	226	215	247	230	227	246	275	961	1,105
YoY change (%)	-4.5	-7.6	-12.2	15.5	7.7	0.5	14.5	112	9.2	15
Total Expenditures	168	190	184	213	202	197	208	216	820	862
EBITDA	48	39	35	36	31	32	42	59	141	243
YoY growth (%)	-23	-38	-44	-31	-36	-16	20.1	40	-19	72
Margins (%)	22	17	16	15	13	14	17	21	15	22
Depreciation	1	1	1	2	2	2	2	4	9	16
Interest	1	0	0	0	0	0	0	0	1	1
Other income	10	10	11	7	10	10	10	10	37	40
PBT	56	47	44	41	38	40	49	57	169	226
Rate (%)	18	18	18	17	17	18	18	18	18	18
Tax	10	8	8	7	7	7	9	10	30	40
Adjusted PAT	47	38	36	34	32	33	40	47	139	186
EPS in Rs	3.15	2.60	2.43	2.30	2.15	2.25	2.80	3.24	9.63	12.8

Source: Company, Hem Securities Research.

INDUSTRY OVERVIEW

- The hair oil category's growth gradually improved in Q4FY2023. Shift of consumers from loose/unbranded hair oil to branded hair oil, improved penetration in rural markets and sustained new launches would help the hair oil market to achieve decent growth in the medium term. 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



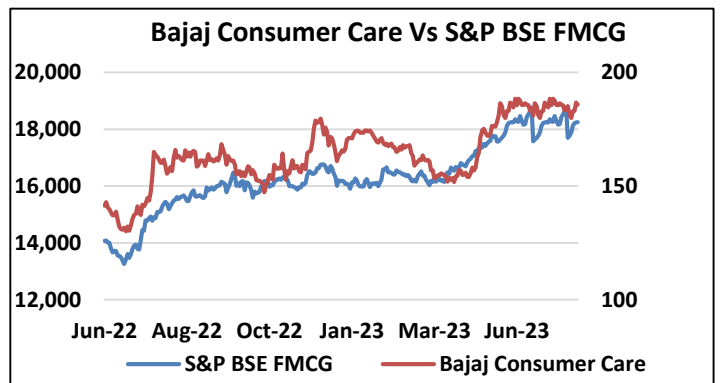
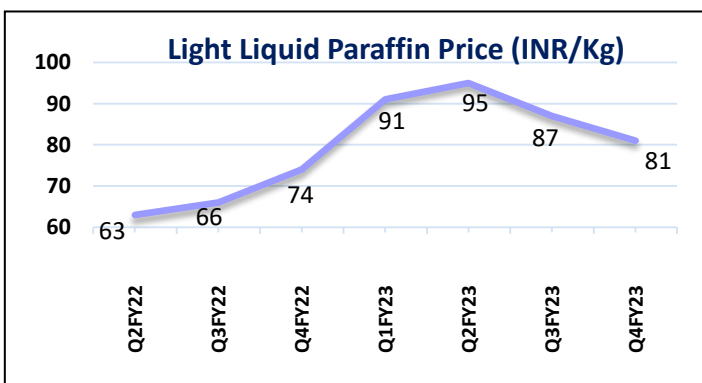
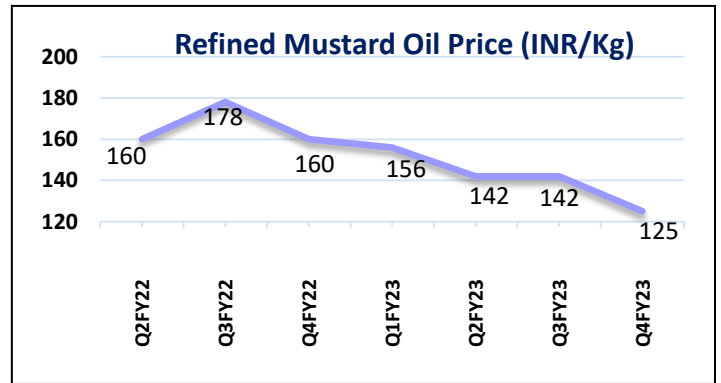
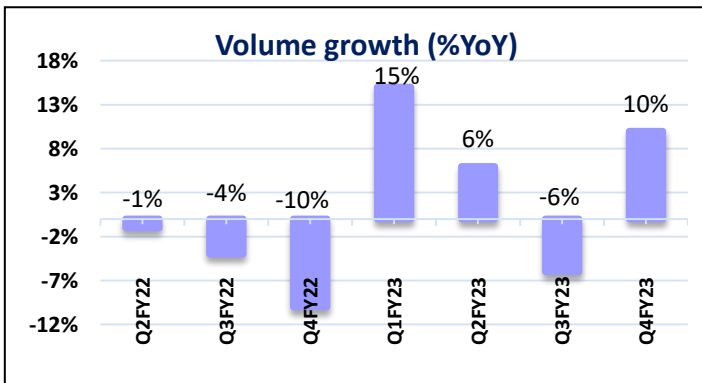
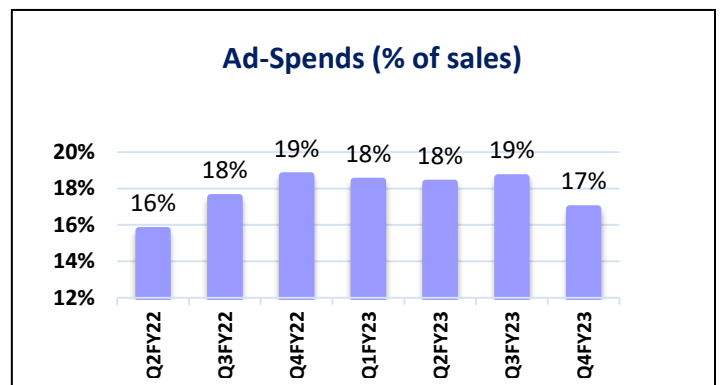
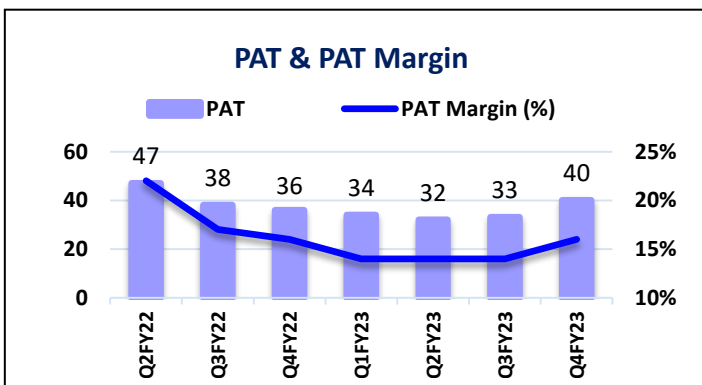
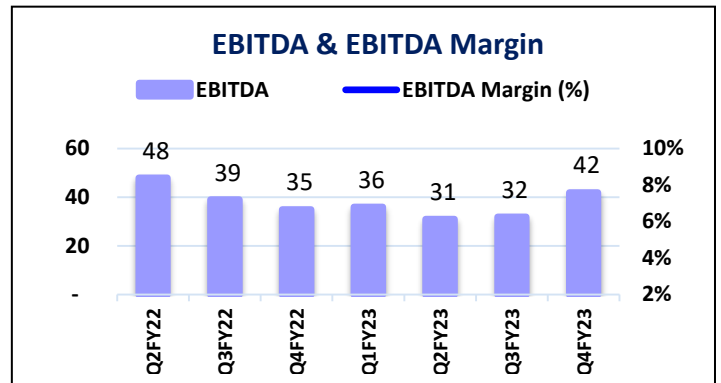
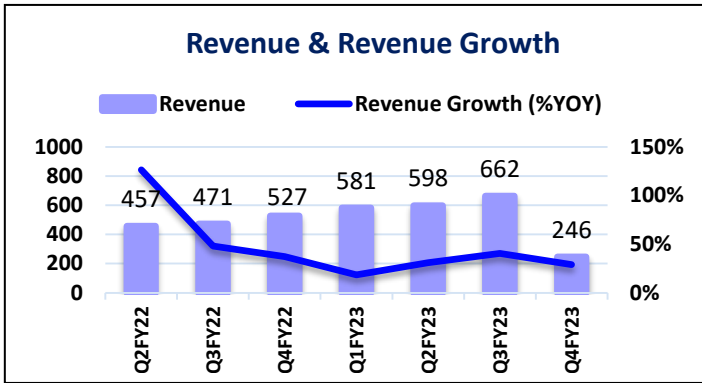
PEER PERFORMANCE

(₹ Cr)

Particulars	Bajaj Consumer Care Ltd.	Godrej Consumer Products Ltd.	Dabur India Ltd.	Emami Ltd.	Jyothy Labs Ltd.
Market Cap	2,773	1,09,756	1,01,360	18,263	7,906
Net Sales	880	12,276	10,888	3,192	2,196
EBITDA	174	2,407	2,250	952	248
PAT	169	1,783	1,739	839	162
EBITDA MARGIN %	24.2	18.7	21.8	32.8	10.0
PAT MARGIN %	19.3	13.4	14.4	26.2	6.0
ROCE %	26.4	18.7	26.7	33.0	13.4
ROE %	21.7	17.0	22.1	43.6	11.1
P/E TTM	19.9	62.9	59.6	29.1	33.7
P/B TTM	3.6	8.0	11.3	7.9	5.2
Current Ratio	5.9	1.8	1.2	1.8	1.9
Dividend Yield %	4.1	0.0	0.9	1.9	1.4
Int Coverage	175	13.4	29.4	91.6	23.3
EPS TTM(₹)	9.6	16.7	9.6	14.5	6.5
3 Y Sales CAGR%	4.0	8.0	6.0	7.0	13.0



STORY IN CHARTS





INVESTMENT RATIONALE:

- Material cost as a percentage of sales was 45.9%, during the quarter as compared to 43.8% in Q4FY22. Their continuous focus on cost saving measures helped to structurally reduce the material costs.
- The company would be foraying its Almond Drops Portfolio beyond hair oils through launch of products in hair care & skin care categories, and via robust visibility on digital platforms in FY24.
- In absolute terms, they strive to ensure A&P spends to remain at similar levels as of now however, this might witness marginal dip in terms of percentage of sales for FY24.
- 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.

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

	(₹ Cr)					
Y/E March	2020	2021	2022	2023	2024E	2025E
Revenue from operations	852	922	880	961	1105	1,270
Growth YoY (%)	-7.2	8.2	-4.5	9.2	15	15
Total Expenditure	647	680.7	706.1	820	862	953
(%) of sales	76	74	80.2	85.3	78	75
EBITDA	204.6	241.1	174	141	243	318
EBITDA Growth (%)	-19.3	18.3	-23.5	-19	72	31
EBITDA Margin (%)	27.6	30.2	24.2	14.7	22	25
Depreciation	5.8	6.3	5.1	9	16	23
EBIT	229.2	272	207.5	132	227	294
EBIT Growth (%)	-19.4	18.5	-23.6	-36.7	71	30
Net Interest Expenses	4.3	1.4	1.0	1.0	1.0	1.0
Other Income	30.5	36.9	38.6	37	40	40
Earnings before Taxes	225	270.4	206.5	169	226	253
EBT Margin (%)	26.4	29.3	23.5	17.6	20	20
Tax-Total	40.2	47.2	36.8	30	40	45
Rate of tax (%)	18	17.5	17.8	18	18	18
Net Profit	185	223.1	169.6	139	185	207
PAT Growth (%)	-16.6	20.8	-24	-23.5	33	12
PAT Margin (%)	21.7	24.2	19.3	13.5	16.8	16.3
Minority Interest	0.0	0.0	0.0	0.0	0.0	0.0
Adjusted PAT	184.8	223.1	169.6	139	185	207
EPS	12.5	15.1	11.5	9.63	12.8	14.3
EPS Growth (%)	-16.6	20.8	-24	-16.3	34.9	12

Balance Sheet

Y/E March	2020	2021	2022	2023
Share Capital	15	15	15	14
Reserves	638	742	795	775
Net Worth	653	757	810	789
Borrowings	20	5	0	9
Other Liabilities	141	132	122	125
Total Liabilities & Equity	815	894	931	924
Fixed Assets	151	149	152	160
CWIP	27	25	28	28
Investments	446	585	612	575
Other Assets	191	135	140	161
Total Assets	815	894	931	924

Source: Company, Hem Securities Research.



Ratios				
Y/E March (Basic (INR))	2020	2021	2022	2023
Profitability and return ratios				
Net profit margin (%)	21.7	24.2	19.3	21.7
EBITDA margin (%)	27.6	30.2	24.2	27.6
EBIT margin (%)	26.9	29.5	23.6	26.9
ROE (%)	33.2	31.7	21.7	33.2
ROCE (%)	39.3	37.9	26.4	39.3
Working Capital & liquidity ratios				
Payables (Days)	45.4	83.1	56.7	45.4
Inventory (Days)	26.5	21.0	20.8	26.5
Receivables (Days)	13.5	9.5	8.6	13.5
Current Ratio (x)	3.9	5.3	6.3	3.9
Valuations Ratios				
EV/sales (x)	2.3	4.2	2.7	2.3
EV/EBITDA (x)	8.4	13.8	11.3	8.4
P/E (x)	10.6	17.2	14.2	10.6
P/BV (x)	3.0	5.1	3.0	3.0
Dividend Yield (%)	1.5	3.9	4.9	1.5
Return on Assets (%)	26.0	26.1	18.6	26.0
Leverage Ratio				
Debt/Equity (x)	0.03	0.01	0.00	1.1

Cash Flow Statement

Y/E March	2020	2021	2022	2023
CF from Operating activities (A)	179	237	129	101
CF from Investing Activities (B)	-173	-106	0	65
CF from Financing Activities (C)	-9	-134	-124	-163
Net Cash Flow	-3	-3	5	3
Add: Opening Bal.	13	10	6	12
Closing Balance	10	6	12	15

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%)

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