



## 3R MATRIX

	+	=	-
Right Sector (RS)	✓	✗	✗
Right Quality (RQ)	✓	✗	✗
Right Valuation (RV)	✓	✗	✗
+ Positive		= Neutral	- Negative

## What has changed in 3R MATRIX

	Old		New
RS	✓	↔	✓
RQ	✓	↔	✓
RV	✓	↔	✓

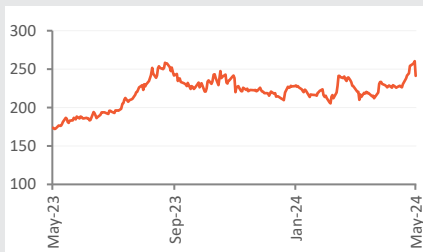
## Company details

Market cap:	Rs. 3,444 cr
52-week high/low:	Rs. 271 / 170
NSE volume: (No of shares)	6.0 lakh
BSE code:	533229
NSE code:	BAJAJCON
Free float: (No of shares)	8.7 cr

## Shareholding (%)

Promoters	39.3
FII	15.9
DII	17.5
Others	27.3

## Price chart



## Price performance

(%)	1m	3m	6m	12m
Absolute	5.8	13.6	9.7	39.0
Relative to Sensex	8.8	12.5	-2.0	21.8

Sharekhan Research, Bloomberg

## Bajaj Consumer Care Ltd

## Weak Q4; striving for double-digit growth in FY25

## Consumer Goods

## Sharekhan code: BAJAJCON

## Reco/View: Buy



Upgrade



Maintain



Downgrade

CMP: Rs. 241

Price Target: Rs. 281



## Summary

- Bajaj Consumer Care Ltd's (BCC's) Q4FY2024 performance was weak, with revenues declining by 4%, OPM lower by 225 bps y-o-y to 14.5% (versus expectations of 16.6%) and PAT falling by 12% y-o-y to Rs. 36 crore.
- The company is targeting double-digit revenue growth in FY2025. ADHO to grow by mid-single digits, while new products to grow in strong double digit in the coming years. OPM will remain at 16-18%.
- The company has announced buyback of Rs. 166.5 crore at price of Rs. 290 per share. No promoter participation in the buyback. Dividend payout policy will remain at 40-60%.
- Stock has corrected by 11% from highs and trades at 20x/18x its FY2025E/26E EPS. We maintain a Buy on the stock with a revised price target of Rs. 281.

BCC's Q4FY2024 performance was affected by inventory correction at distributors' level resulting in flat sales volumes, while value sales were down by 4% due to price cuts. Consolidated revenues decreased by 4% y-o-y to Rs. 240 crore. Gross margins rose by 83 bps y-o-y to 55.5% while OPM decreased by 225 bps y-o-y to 14.5% (lower than our expectation of 16.6%) due to higher other expenses and employee cost. Consolidated operating profit decreased by 16.7% y-o-y to Rs. 35 crore and reported PAT fell by 12.1% y-o-y to Rs. 36 crore. In FY2024, revenues grew by 2.4% y-o-y to Rs. 984 crore; OPM improved by ~110 bps y-o-y to 15.8% and PAT grew by 12% y-o-y to Rs. 155 crore. Volume growth in FY2024 stood at 6.2%. The board has declared a buyback of Rs. 166.5 crore at price Rs. 290 per share. The company will be buying back 57.41 lakh shares under the buyback scheme. Promoters will not participate in the buyback.

## Key positives

- Rural markets showed some signs of improvement with decline in Q4 lower than previous three quarters.
- Bajaj 100% Pure Coconut Oil grew by 31% y-o-y in Q4FY2024; market share improved to 2% in Q4FY2024 versus 0.8% in Q1FY2023.
- Almond Drops Skin & Hair Care range registered 23% y-o-y growth in Q4FY2024.
- E-Commerce grew by 26% y-o-y.

## Key negatives

- ADHO registered mid-single digit value decline in Q4.
- Consolidated OPM came at 14.5%, which was lower than our as well as the street's expectations of 16.2-16.6%.

## Management Commentary

- Under ADHO brand, the company has introduced new price interventions (mid-price products and LUPs) to penetrate deep in the rural markets. The company has introduced different strategies for different price points. With relevant initiatives, the company expects ADHO to grow in the mid-single digit in the coming years.
- Decline in the rural market was lower than previous three quarters. The company expects steady improvement in the rural demand, which will also help rural sales growth to improve in the coming quarters.
- New product launches are gaining strong traction. The company expects contribution of new product launches and traditional range of products to improve to 40% by FY2029 from 17% currently.
- The company has renewed its packaging for existing products which has led to cost reduction of ~Rs. 6 crore.
- Revenue from international business grew by 1.9x over FY2022 to Rs. 47 crore in FY2024. The company plans to increase contribution of international business to 20% by FY2029 from 5% at present. Middle-East and Bangladesh, together contributing 65% of revenues will be key drivers for strong scale up in the international business.
- The company is targeting an OPM of 16-18% in the near term. Large focus will be on consistent growth in the core portfolio and new products in the coming years.
- The company announced buyback of Rs. 166.5 crore at price of Rs. 290 per share. No promoter participation in the buyback. Dividend payout policy will remain at 40-60%.

**Revision in estimates** – We have marginally reduced our earnings estimates for FY2025 and FY2026 to factor in little lower revenue growth than earlier estimated. Management has guided for double digit revenue growth in the near term with OPM at 16-18%.

## Our Call

**View – Maintain Buy with a revised price target of Rs. 281:** With drivers in place, the management is confident of achieving steady earnings growth in the coming years with good recovery in the volume growth in ADHO portfolio, strong growth in the non-ADHO portfolio and OPM remaining at 16-18%. The company will continue to generate high cash flows, which will be utilised for investing in growth (striving for inorganic opportunities) and rewarding shareholders in the form of dividend payout going ahead. The stock has corrected by 11% from its highs and is currently trading at 20x/18x its FY2025E/26E EPS. We maintain our Buy on the stock with a revised price target of Rs. 281.

## Key Risks

Slow recovery in growth of the hair oil category or any volatility in input prices would act as a key risk to our earnings estimates in the near term.

## Valuation (Consolidated)

Rs cr

Particulars	FY23	FY24	FY25E	FY26E
Revenue	961	984	1,074	1,196
OPM (%)	14.7	15.8	16.1	16.6
Adjusted PAT	139	155	171	196
% Y-o-Y growth	-17.9	11.7	9.8	15.0
Adjusted EPS (Rs.)	9.7	10.9	12.0	13.7
P/E (x)	24.8	22.2	20.2	17.6
P/B (x)	4.4	4.1	3.7	3.3
EV/EBITDA (x)	20.7	18.7	16.1	13.4
RoNW (%)	17.4	19.2	19.4	19.8
RoCE (%)	19.6	21.3	21.6	22.4

Source: Company; Sharekhan estimates

## Weak Q4 – Revenue fell by 4% y-o-y; OPM at 14.5% missed expectations

BCC's consolidated revenues fell by 3.8% y-o-y (volume growth stood flat y-o-y) to Rs. 240 crore, marginally below our and average street expectation of Rs. 246-259 crore. Among channels, general trade declined by mid-single digits (on a secondary basis), organised trade grew by 11% y-o-y and international business grew by 4% in Q4FY2024. Gross margin improved by 83 bps y-o-y to 55.5%, while OPM fell by 225 bps y-o-y to 14.5%, largely due to operating deleverage. OPM came in much lower than ours and the average street expectation of 16.2-16.6%. Operating profit fell by 16.7% y-o-y to Rs. 35 crore and PAT fell by 12.1% y-o-y to Rs. 36 crore, missing our and average street expectation of Rs. 40-44 crore. In FY2024, revenue grew by 2.4% y-o-y (volume growth at 6.2%) to Rs. 984 crore, OPM rose by 109 bps y-o-y to 15.8% and PAT grew by 11.7% y-o-y to Rs. 155.4 crore.

## Key highlights of Q4FY2024 and FY2024

- ♦ **ADHO saw muted performance in FY2024:** ADHO registered a 0.9% volume growth and low single digit value decline in ADHO. Large packs performed better in FY2024 (grew by 2%) aided by the company's initiatives to drive improved value in mid and large packs. Alternate channels grew by 15% in Q4FY2024 led by sustained investments and customer specific marketing interventions. In line with BCC's strategy to diversify its product portfolio, contribution of ADHO to sales declined to 83% in FY2024 from 95% in FY2020.
- ♦ **New products scaling up well:** New products are scaling up well and together achieved value growth of 26% in Q4FY2024 and FY2024. Bajaj 100% Pure Coconut Oil – delivered growth of 31% in Q4FY2024 and 36% in FY2024 driven by rise in market share (improved from 0.8% in Q1FY2023 to 2% in Q4FY2024) and distribution expansion across markets. Almond Drops Skin & Hair Care range - posted 23% and 16% growth in Q4FY2024 and FY2024, respectively. Bajaj Almond Drops Shampoo, Conditioner and Lotion continued to scale up in Q4 supported by extensive sampling and digital media in MT and e-commerce. Further, the company launched Bajaj Almond Drops Summer Lotion in March 2024. Within the ethnic range, for Bajaj Henna, BCC organised a campaign to promote Henna packs in Varanasi and plans to replicate it in different cities across UP, while for Bajaj Gulabjal, launch across general trade (GT) has been completed and the response has been promising as there is a clear competitive advantage over Dabur across packs.
- ♦ **Mixed trends across channels – subdued performance in general trade, organised trade continued to grow strongly:** General trade fell by mid-single digit in Q4FY2024 (on secondary basis). Rural markets showed some signs of improvement with decline in Q4 lower than previous three quarters. Organised trade grew by 11% and 22% in Q4FY2024 and FY2024, respectively, with contribution to sales improving to 24% in FY2024 from 20% in FY2023. Within organised trade, modern trade grew by 7% and 22% in Q4FY2024 and FY2024, respectively, e-Commerce registered a growth of 26% for Q4FY2024 and 27% for FY2024, while the canteen business grew by 4% and 18% in Q4FY2024 and FY2024, respectively. The contribution of modern trade to sales has improved to 11% in FY2024 from 9% in FY2023, while e-commerce' contribution to sales has risen to 8% in FY2024 from 7% in FY2023. BCC has witnessed business expansion with established customers and has also engaged with new clients during the year.
- ♦ **Double-digit growth in international business in FY2024:** On a consolidated basis, international business grew by 4% in Q4FY2024 and 24% in FY2024. Among regions, Middle East & Africa grew by 11%, Bangladesh by 68% and RoW by 22% in FY2024. BCC started its own distribution in Bangladesh in Q4FY2024. The management stated that warehouses, logistics and sales team are in place and the transition has been executed smoothly.

## The way ahead

- ♦ **Plans to continue to grow ADHO:** In line with the company's strategy to add new products to its portfolio, BCC targets further reduction in salience of ADHO to 60% by FY2029 from current contribution of 83%. The company has identified multiple strategies to achieve growth in ADHO including - capturing a larger market share and fortifying position in Hair care, catering to diverse consumer needs, reposition ADHO to make it relevant to new age consumers and increase premiumization through new variants.
- ♦ **Strategic directions for new products:** New product salience is currently at 17% and the company targets to increase contribution of new products to 40% by FY2029. For achieving the same, BCC plans to leverage Bajaj brand in other hair oils and traditional Indian beauty categories through the ethnic range, extend Almond Drop equity in hair & skin care products and prioritize categories based on 'Right to Win' and market attractiveness.
- ♦ **Multi-pronged strategy for domestic market:** For the Indian market, BCC plans to - 1. Improve sales processes and Route-to-Market blueprints aided by IT enablement, 2. Scale up distribution in East, West and South markets through expanded portfolio in hair and skin care range, and 3. Scale up organised trade led by presence across key players in modern trade and e-commerce.
- ♦ **Eyeing strong growth in international markets:** Revenue from international business has grown by 1.9x over FY2022 to Rs. 47 crore in FY2024. The company plans to increase contribution of international business to 20% by FY2029 from 5% at present. BCC has set up local manufacturing and a robust team for direct distribution in Bangladesh. The company plans to strengthen its presence in Middle East, South East and export markets. It has planned for full-fledged operations and launch of new localized products in key markets.

## Key concall highlights

- ♦ **Green-shoots visible in rural market:** The management guided that rural markets did better than urban in Q4 after many quarters and the company is seeing multiple green shoots in the rural markets.
- ♦ **Targeting double-digit revenue growth going ahead:** BCC aims to achieve double-digit revenue growth in the coming years, with volume growth higher than value growth. Growth is expected to be driven by continued growth in ADHO, scale up of new products, distribution expansion in rural markets, continued traction to modern trade and e-commerce and strong growth in the international markets.
- ♦ **Identified two focus geographies in the international market:** BCC has identified two focus geographies in the international markets - Bangladesh and Middle-East. Both these markets together contribute 65% of international business at present.
- ♦ **ADHO to grow in mid-single digits:** Eying mid-single digit CAGR for ADHO for the next 2-3 years aided by repositioning and introducing more premium products.
- ♦ **Margin guidance maintained at 16-18%:** The company has worked on multiple initiatives in packaging to improve gross margins. It has maintained its OPM guidance at 16-18% for the coming years.
- ♦ **Buy-back to enhance shareholders value:** The board has approved a buyback of 57.41 lakh equity shares at price of Rs. 290 per share aggregating to Rs. 166.5 crore (~Rs. 200 crore including tax and other expenses). The company has strong cash of ~Rs. 620 crore on books and 1/3rd of the cash will be utilised for buyback. The management indicated that the buyback has been undertaken to add value to shareholders. The promoters will not participate in the buyback. The company has maintained its dividend payout policy of 40-60% in the coming years.

### Results (Consolidated)

					Rs cr
Particulars	Q4FY24	Q4FY23	Y-o-Y %	Q3FY24	Q-o-Q %
Net sales	234.2	246.2	-4.9	236.4	-0.9
Other operating income	5.7	3.2	78.1	2.8	-
<b>Total revenues</b>	<b>240.0</b>	<b>249.4</b>	<b>-3.8</b>	<b>239.1</b>	<b>0.3</b>
Materials	106.7	113.0	-5.6	110.0	-3.0
Employee cost	26.1	21.8	19.8	24.8	5.5
Other expenditure	72.4	72.9	-0.7	68.3	6.0
Total expenditure	205.2	207.7	-1.2	203.1	1.1
<b>Operating profit</b>	<b>34.7</b>	<b>41.7</b>	<b>-16.7</b>	<b>36.0</b>	<b>-3.7</b>
Other income	11.7	10.1	15.6	11.0	6.0
Interest expenses	0.2	0.2	12.0	0.2	-8.2
Depreciation	2.6	2.4	8.7	2.5	3.3
<b>Profit Before Tax</b>	<b>43.6</b>	<b>49.2</b>	<b>-11.5</b>	<b>44.3</b>	<b>-1.7</b>
Tax	8.0	8.7	-8.7	7.9	0.4
<b>Reported PAT</b>	<b>35.6</b>	<b>40.5</b>	<b>-12.1</b>	<b>36.3</b>	<b>-2.1</b>
EPS (Rs.)	2.5	2.8	-12.2	2.5	-2.2
			<b>bps</b>		<b>bps</b>
GPM (%)	55.5	54.7	83	54.0	155
OPM (%)	14.5	16.7	-225	15.1	-61
NPM (%)	14.8	16.2	-140	15.2	-37
Tax rate (%)	18.3	17.7	56	17.9	37

Source: Company, Sharekhan Research

### Result (Standalone)

					Rs cr
Particulars	Q4FY24	Q4FY23	Y-o-Y %	Q3FY24	Q-o-Q %
Total revenues	235.9	244.5	-3.5	235.8	0.1
Operating profit	36.3	42.1	-13.9	37.3	-2.7
Reported PAT	37.3	41.0	-9.0	37.6	-0.9
EPS (Rs.)	2.6	2.9	-9.1	2.6	-1.0
			<b>bps</b>		<b>bps</b>
GPM (%)	55.8	54.7	111	53.9	190
OPM (%)	15.4	17.2	-185	15.8	-44
NPM (%)	15.8	16.8	-94	16.0	-15
Tax rate (%)	17.5	17.6	-11	17.5	0

Source: Company, Sharekhan Research

## Outlook and Valuation

### ■ Sector View – Hair oil category recovered to positive growth

The hair oil market saw value and volume growth after eight consecutive quarters of a lull. Volume and value growth in Q1FY2024 stood at 2.8% and 3.7%, respectively. Volume growth in urban market stood at 6.9% vs. 4.1% in Q4FY2023 and in rural market stood at -1.6% versus -6.2% in Q4FY2023. 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.

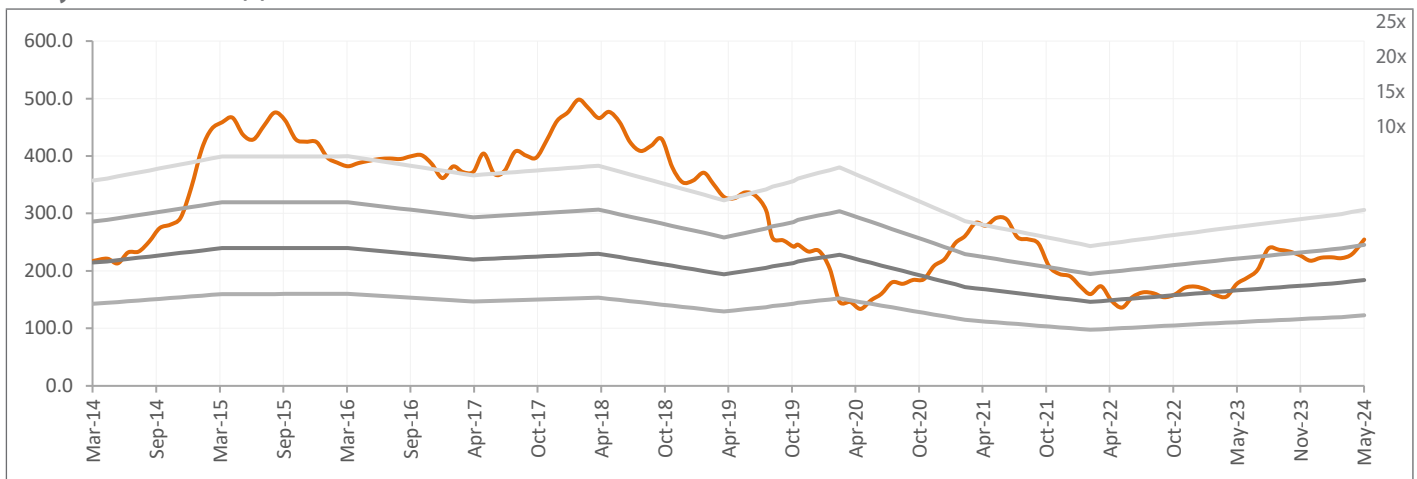
### ■ Company Outlook – Volume growth recovery on cards

BCC's revenues grew by 2.8% (with volume growth of 6%) and OPM of ~16% in FY2024. Light hair oil category performance was affected by weak demand environment in the rural market. Management expects ADHO volume growth to gradually improve by doing relevant price interventions and overall recovery in the hair oil category in the quarters ahead. With NPDs gaining strong traction, management expects double-digit revenue growth in FY2025. It has maintained its OPM guidance of 16-18% in the near term.

### ■ Valuation – Maintain Buy with revised PT of Rs. 281

With drivers in place, the management is confident of achieving steady earnings growth in the coming years with good recovery in the volume growth in ADHO portfolio, strong growth in the non-ADHO portfolio and OPM remaining at 16-18%. The company will continue to generate high cash flows, which will be utilised for investing in growth (striving for inorganic opportunities) and rewarding shareholders in the form of dividend payout going ahead. The stock has corrected by 11% from its highs and is currently trading at 20x/18x its FY2025E/26E EPS. We maintain our Buy on the stock with a revised price target of Rs. 281.

#### One-year forward P/E (x) band



Source: Sharekhan Research

#### Peer Comparison

Companies	P/E (x)			EV/EBITDA (x)			RoCE (%)		
	FY24	FY25E	FY26E	FY24	FY25E	FY26E	FY24	FY25E	FY26E
Dabur	54.1	45.8	38.7	41.2	35.7	30.6	21.5	23.2	25.1
Marico	49.9	43.3	37.8	37.0	31.4	27.9	39.0	42.5	45.7
Bajaj Consumer Care	22.2	20.2	17.6	18.7	16.1	13.4	21.3	21.6	22.4

Source: Company; Sharekhan Research

## About company

BCC 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 over 15 brands, major ones being 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 83% to overall revenue. The company launched multiple new products in the past two years across categories with more under pipeline to diversify the product portfolio and increase the size of addressable market. Apart from strong distribution network across India, the company also exports its products to over 30 countries, with primary focus on SAARC, Gulf and Middle East, ASEAN, and African regions.

## Investment theme

BCC is market leader in the light hair oil category with a market share of over 60%. The company reduced its dependence on the wholesale network and increased the share of direct distribution (with a focus on penetrating deeply in rural markets) along with the relaunch of core brands, which would be key levers for achieving sustained volume growth (targets to achieve volume growth of 6-8% in the medium term). 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 in the near future to improve growth prospects.

## Key Risks

- ♦ Slowdown in volume growth of key revenue contributing product, Almonds Drops Hair Oil, would affect revenue growth.
- ♦ Heightened competition in key penetrated categories would result in market share loss, affecting revenue growth
- ♦ Any significant increase in key raw materials such as LLP and refined oil will be a threat to profitability.

## Additional Data

### Key management personnel

Kushagra Bajaj	Chairman
Jaideep Nandi	Managing Director
Dilip Kumar Maloo	Chief Financial Officer
Vivek Mishra	Head Legal, Company Secretary & Compliance Officer

Source: Company Website

### Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Life Insurance Corp of India	4.18
2	Axis AMC	2.22
3	BlackRock Inc	1.30
4	Vanguard Group Inc	1.26
5	Norges Bank	0.75
6	UTI AMC	0.31
7	abrdn plc	0.30
8	ICICI Prudential Life Insurance Co	0.28
9	FIL Ltd	0.25
10	ICICI Prudential Asset Management	0.25

Source: Bloomberg

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## Understanding the Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and deteriorating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Sharekhan Research



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Registration and Contact Details: Name of Research Analyst - Sharekhan Limited, Research Analyst Regn No.: INH000006183. (CIN): - U99999MH1995PLC087498.

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Other registrations of Sharekhan Ltd.: SEBI Regn. Nos.: BSE / NSE / MSEI (CASH / F&O / CD) / MCX - Commodity: INZ000171337; DP: NSDL/CDSL-IN-DP-365-2018; PMS: INP000005786; Mutual Fund: ARN 20669. BSE – 748, NSE – 10733, MCX – 56125, MSEI – 1043.

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For any complaints/grievance, email us at [igc@sharekhan.com](mailto:igc@sharekhan.com) or you may even call Customer Service desk on - 022-41523200/022 - 33054600