



## KEY HIGHLIGHTS

### 1. RESULTS OVERVIEW:

- Bajaj Consumer Care Q3FY24 consolidated revenues came in at ₹250.2 Cr, up 1.8% YoY and 4.2% QoQ.
- PBIDT (Ex-OI) for Q3FY24 stood at ₹36 Cr, up 11.1% YoY and down 1.8% QoQ.
- PBIDTM (Ex-OI) for Q3FY24 came at 16.7%, +100 bps YoY and -50 bps QoQ.
- PAT (Ex-OI) for Q3FY24 stood at ₹25.3 Cr, up 11.2% YoY and down 2.1% QoQ.
- Volume growth improved to high-single digits due to strong growth in non-ADHO portfolio with 4.3% value growth.

### 2. MANAGEMENT COMMENTARY:

- The company is focusing on expanding its portfolio with 2-3 products in broader categories in its next phase of growth.
- Urban markets continue to outpace with mid-single digit growth while rural markets remained subdued.
- Consolidated international business reported a robust growth of 59% in quarter Q3FY24 compared to the same period over the previous year.
- E-commerce registered strong performance with a growth of 25% for Q3FY24 and 27% for 9M FY24

### 3. CONCALL SUMMARY

- A&P spends declined during the quarter. However, 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.
- Middle East & Africa registered a growth of ~30% in 9M FY24, backed by strong growth in Middle East & Africa (~15% YoY). Also, Bangladesh scaled up well with a healthy top line growth. Rest of the world grew by ~30% YoY in 9M FY24. Nepal delivered ~27% YoY growth with further expansion of distribution in general trade. Additionally, it forayed into modern trade during the quarter.
- 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.
- NPD sales witnessed positive response during the quarter. The retail loyalty program helped build NPD across urban 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 **12.7x FY25 EPS to arrive at the target of 258.**

## RECOMMENDATION - BUY

**CMP – 219**

**TARGET –258(+17.8%)**

Industry	Household & Personal Products
NSE CODE	BAJAJCON
BSE CODE	533229
Market Cap (₹ Cr)	3134
Shares Outstanding (in Cr)	14.3
52 wk High/Low (₹)	262/151
P/E	19.5
P/BV	3.90
Face Value (₹)	1.00
Book Value (₹)	58.7
EPS (FY23) (₹)	9.60
Dividend Yield (%)	3.3
Debt / Equity	0.00

## SHAREHOLDING PATTERN

	Dec 23	Sept 23	Jun 23
Promoters	39.35	39.35	39.35
MF/ DII	14.6	14.7	14.3
FII/FPI	14.4	14.8	12.8
Retail & Others	29.07	28.5	30.9
Promoter Pledging	0.00	0.00	0.00

## FINANCIAL SNAPSHOT (₹ Cr)

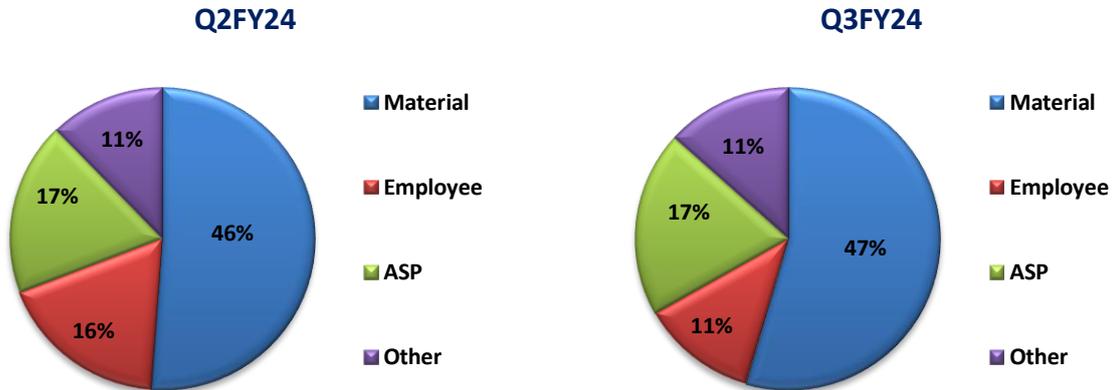
Y/E March	2023	2024E	2025E
<b>Crete</b>			
Sales	961	1,105	1,270
Sales Gr. (%)	9.2	15	15
EBITDA	141	187	230
EBITDA %	15	17	18
PAT	139	145	180
EPS (₹)	9.6	10.21	12.65
EPS Gr. (%)	-16.5	4.6	23.87
<b>Valuation</b>			
P/E (x)	15.6	22.5	20.4

## Historical & Industrial Val Ratios

Historical P/E	19.0
Industry P/E	56.5
Historical P/B	3.6
Industry P/B	11.4



## Expenses to Sales Trend



## QUARTERLY PERFORMANCE (CONSOLIDATED)

(₹ Cr)

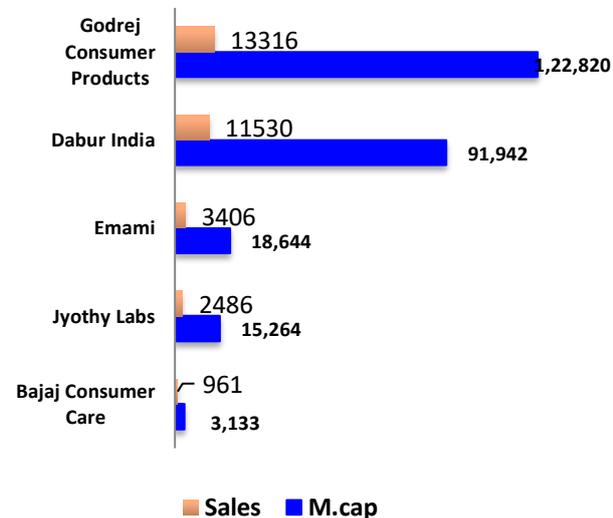
Y/E March	FY23				FY24			FY24	FY23	FY24E*
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4E*		
<b>Net sales</b>	<b>247</b>	<b>230</b>	<b>227</b>	<b>246</b>	<b>265</b>	<b>231</b>	<b>236</b>	<b>371</b>	<b>961</b>	<b>1,105</b>
YoY change (%)	15.5	7.7	0.5	14.5	7.8	0.9	4.3	1.5	9.2	15
<b>Total Expenditures</b>	<b>213</b>	<b>202</b>	<b>197</b>	<b>208</b>	<b>222</b>	<b>198</b>	<b>203</b>	<b>288</b>	<b>820</b>	<b>912</b>
<b>EBITDA</b>	<b>36</b>	<b>31</b>	<b>32</b>	<b>42</b>	<b>48</b>	<b>37</b>	<b>36</b>	<b>67</b>	<b>141</b>	<b>187</b>
YoY growth (%)	-31	-36	-16	20	31	-20	11.1	61	-19	36
Margins (%)	15	13	14	17	18	16	15	21	15	17
Depreciation	2	2	2	2	2	3	3	2	9	9
Interest	0	0	0	0	0	0	0	0	1	1
Other income	7	10	10	10	10	11	11	11	37	44
<b>PBT</b>	<b>41</b>	<b>38</b>	<b>40</b>	<b>49</b>	<b>55</b>	<b>45</b>	<b>44</b>	<b>31</b>	<b>169</b>	<b>177</b>
Rate (%)	17	17	18	18	18	18	18	18	18	18
Tax	7	7	7	9	10	8	8	8	30	32
<b>Adjusted PAT</b>	<b>34</b>	<b>32</b>	<b>33</b>	<b>40</b>	<b>46</b>	<b>37</b>	<b>36</b>	<b>25</b>	<b>139</b>	<b>145</b>
<b>EPS in Rs</b>	<b>2.30</b>	<b>2.15</b>	<b>2.25</b>	<b>2.80</b>	<b>3.24</b>	<b>2.61</b>	<b>2.55</b>	<b>1.76</b>	<b>9.63</b>	<b>10.21</b>

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 in Q1FY24 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



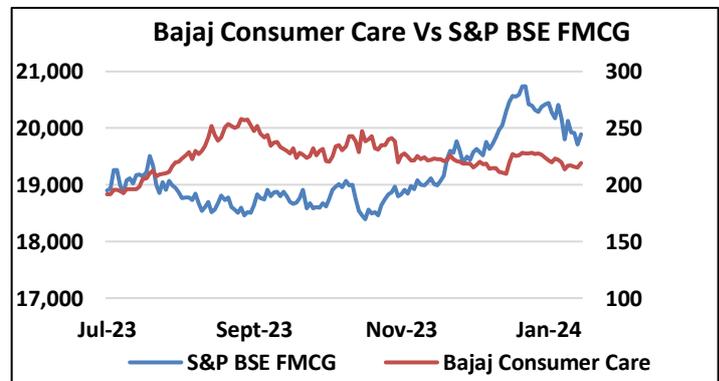
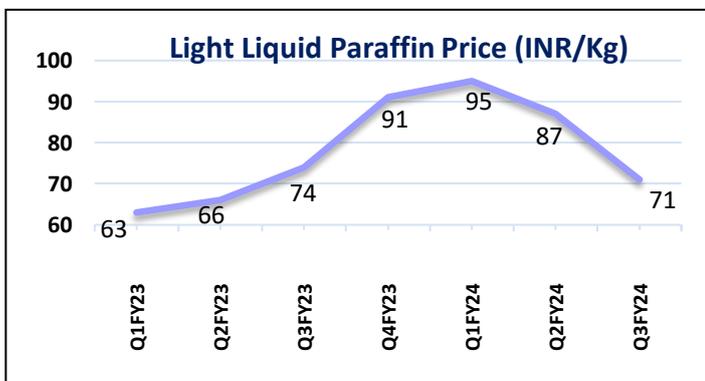
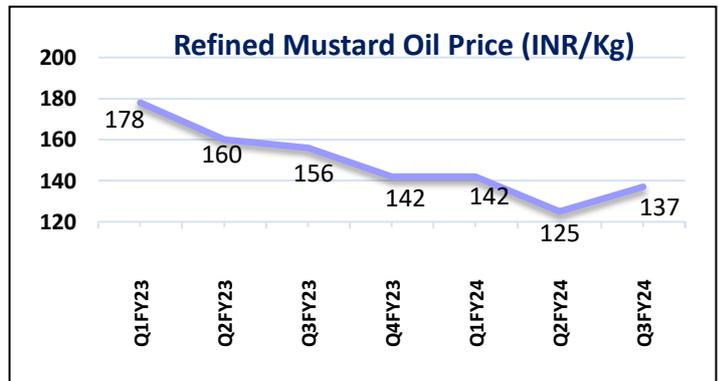
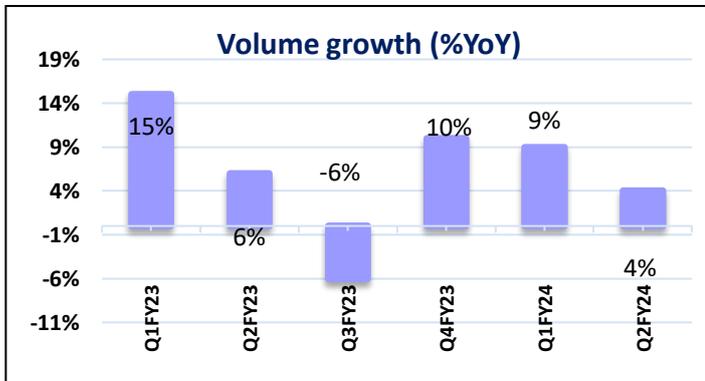
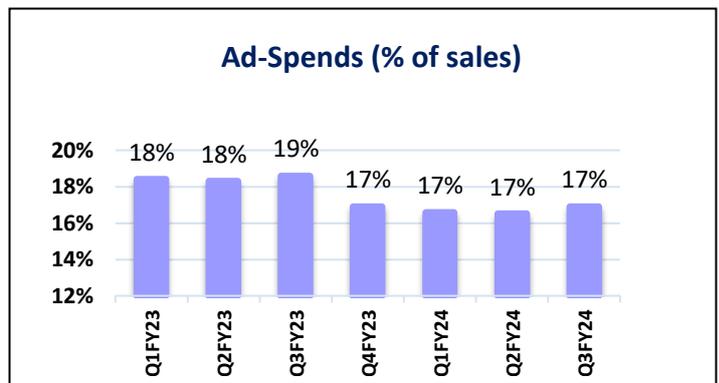
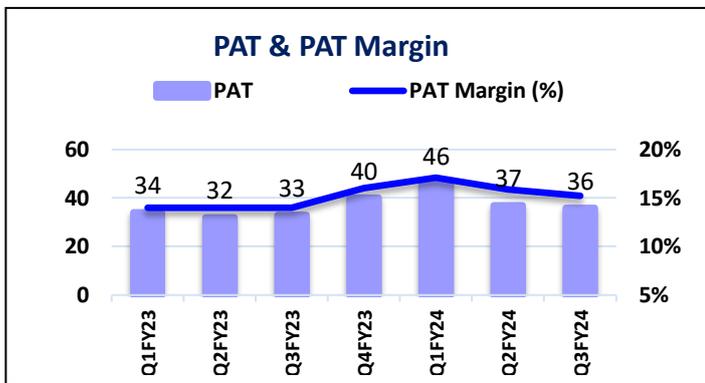
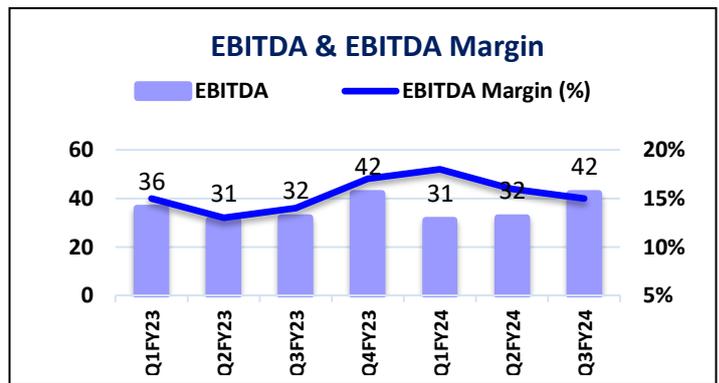
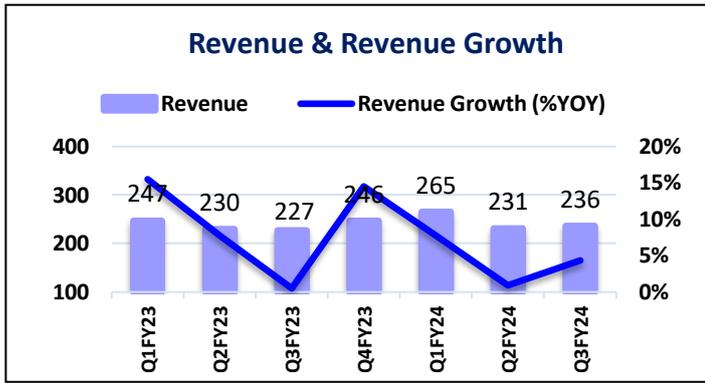
## PEER PERFORMANCE

(₹ Cr)

Particulars	Bajaj Consumer Care Ltd.	Godrej Consumer Products Ltd.	Dabur India Ltd.	Emami Ltd.	Jyothy Labs Ltd.
Market Cap	2,773	1,22,820	91,942	18,644	15,264
Net Sales	961	13,316	11,530	3,406	2,486
EBITDA	138	2,443	2,160	862	315
PAT	139	1,702	1,707	639	239
EBITDA MARGIN %	18.55	18.04	20.08	2.35	11.77
PAT MARGIN %	14.50	11.76	13.11	18.42	7.94
ROCE %	21.23	16.58	23.90	28.70	20.02
ROE %	17.45	13.45	19.84	28.65	16.02
P/E TTM	19.5	65.6	52.16	25.91	43.61
P/B TTM	3.9	8.4	9.7	7.7	9.3
Current Ratio	5.2	1.0	1.4	1.8	2.0
Dividend Yield %	2.3	0.4	1.0	1.9	0.7
Int Coverage	193	10.5	20.0	92.5	69.8
EPS TTM(₹)	11.2	17.5	10.1	16.3	9.5
3 Y Sales CAGR%	4.1	10.4	9.9	.7	13.3



**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 during Q3FY24 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 flat growth with volume growth of mid-single digit due to weak 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 Q3FY24, 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	2020	2021	2022	2023	2024E	2025E	(₹ Cr)
<b>Revenue from operations</b>	<b>852</b>	<b>922</b>	<b>880</b>	<b>961</b>	<b>1105</b>	<b>1,281</b>	
Growth YoY (%)	-7.2	8.2	-4.5	9.2	15	16	
<b>Total Expenditure</b>	<b>647</b>	<b>680.7</b>	<b>706.1</b>	<b>820</b>	<b>912</b>	<b>1051</b>	
(%) of sales	76	74	80.2	85.3	83	82	
<b>EBITDA</b>	<b>204.6</b>	<b>241.1</b>	<b>174</b>	<b>141</b>	<b>187</b>	<b>230</b>	
EBITDA Growth (%)	-19.3	18.3	-23.5	-19	36	23	
EBITDA Margin (%)	27.6	30.2	24.2	14.7	17	18	
Depreciation	5.8	6.3	5.1	9	9	10	
<b>EBIT</b>	<b>229.2</b>	<b>272</b>	<b>207.5</b>	<b>132</b>	<b>178</b>	<b>221</b>	
EBIT Growth (%)	-19.4	18.5	-23.6	-36.7	5	24	
Net Interest Expenses	4.3	1.4	1.0	1.0	1.0	1.0	
Other Income	30.5	36.9	38.6	37	44	44	
<b>Earnings before Taxes</b>	<b>225</b>	<b>270.4</b>	<b>206.5</b>	<b>169</b>	<b>177</b>	<b>220</b>	
EBT Margin (%)	26.4	29.3	23.5	17.6	16	17	
Tax-Total	40.2	47.2	36.8	30	32	39	
Rate of tax (%)	18	17.5	17.8	18	18	18	
<b>Net Profit</b>	<b>185</b>	<b>223.1</b>	<b>169.6</b>	<b>139</b>	<b>145</b>	<b>180</b>	
PAT Growth (%)	-16.6	20.8	-24	-23.5	4.6	23.9	
PAT Margin (%)	21.7	24.2	19.3	13.5	13.2	14.0	
Minority Interest	0.0	0.0	0.0	0.0	0.0	0.0	
<b>Adjusted PAT</b>	<b>184.8</b>	<b>223.1</b>	<b>169.6</b>	<b>139</b>	<b>145</b>	<b>180</b>	
<b>EPS</b>	<b>12.5</b>	<b>15.1</b>	<b>11.5</b>	<b>9.63</b>	<b>10.21</b>	<b>12.65</b>	
EPS Growth (%)	-16.6	20.8	-24	-16.3	4.6	23.87	

#### Balance Sheet

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

Source: Company, Hem Securities Research.



<b>Ratios</b>				
<b>Y/E March</b> (Basic (INR))	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>Profitability and return ratios</b>				
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
<b>Working Capital &amp; liquidity ratios</b>				
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
<b>Valuations Ratios</b>				
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
<b>Leverage Ratio</b>				
Debt/Equity (x)	0.03	0.01	0.00	1.1

### Cash Flow Statement

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

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%)

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Name of the Research Analyst: AARUSHI LUNIA

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SN	Particulars	Yes/No
1.	Research Analyst or his/her relative's or HSL's financial interest in the subject company(ies)	No
2.	Research Analyst or his/her relative or HSL's actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of the Research Report	No
3.	Research Analyst or his/her relative or HSL has any other material conflict of interest at the time of publication of the Research Report	No
4.	Research Analyst has served as an officer, director or employee of the subject company(ies)	No
5.	HSL has received any compensation from the subject company in the past twelve months	No
6.	HSL has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
7.	HSL has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
8.	HSL has received any compensation or other benefits from the subject company or third party in connection with the research report	No
9.	HSL has managed or co-managed public offering of securities for the subject company in the past twelve months	No
10.	Research Analyst or HSL has been engaged in market making activity for the subject company(ies)	No

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There were no instances of non-compliance by HSL on any matter related to the capital markets, resulting in significant and material disciplinary action during the last three years.