

16 February 2025

India | Equity Research | Results update

Bajaj Consumer Care

Consumer Staples & Discretionary

Weak core [Almond Drops] remains a drag

Bajaj Consumer (BaCo) had another disappointing print with a 3% YoY revenue decline (~2% YoY volume decline) due to continued stress in wholesale channel for core ADHO (~80% revenue salience), while diversification journey continues, though at a moderated pace. Project Aarohan (expand urban direct distribution and village reach) being expanded to rest of India (after implementation in MP and UP) augurs well growth in ADHO portfolio. However, overall revenue growth has not seen any improvement and demand environment for category is crucial for improved results. Acquisition of Banjara's (south India based naturals positioned brands in personal care) at ~2x EV/sales FY24 appears inexpensive, though revenue CAGR of 14% over last four years appears low for its size. Operating margin remains under pressure (down 344bps to 12.4%) due to commodity inflation and spends towards project Aarohan and IT infrastructure.

BaCo has taken multiple initiatives to strengthen ADHO, though results are yet to be seen. Diversification of product portfolio are steps in the right direction. It remains a "show me" story. **BUY.**

Revenue declines due to continued stress for ADHO

Revenue declined 3% YoY to INR 2.3bn with 2% YoY volume decline due to continued stress in wholesale channel for ADHO, leading to low single-digit decline YoY (wholesale improving QoQ with interventions while retail channel is growing well). That said, interventions in GT channel are yet to show results at the aggregate level. Diversification journey continued with non-ADHO portfolio (~20% contribution) scaling up decently led by a) 19% growth 9MFY25 in coconut hair oil (market share gains continue) and b) almond drops skin & hair care range up 39% YoY in 9MFY25. GT remains under pressure (distributor inventory reduced by 4 days to improve RoI) while organised trade grew 22% YoY (~30% salience). International business grew 23% YoY.

Commodity inflation, spends on distribution and IT infrastructure impact operating margin

Gross margin contracted 128bps YoY to 52.6% due to inferior mix and commodity inflation (primarily copra). Commodity outlook is inflationary and price actions (mid-single digit price increase in coconut oil portfolio in Q3FY25 and Q4FY25) are being taken to protect gross margin. EBITDA margin by 344bps YoY to 12.4% due to an increase in other operating expenses due to higher spends towards distribution (project Aarohan) and one-time investment in IT infrastructure. Management expects EBITDA margin to normalise in the range of 15-17%. EBITDA and adjusted PAT declined 24% and 27% YoY to INR 284mn and INR 275mn, respectively.

Financial Summary

Y/E	March (INR mn)	FY24A	FY25E	FY26E	FY27E
Net Revenue		9,677	9,343	10,180	11,065
EBITDA		1,582	1,334	1,632	1,828
EBITDA %		16.3	14.3	16.0	16.5
Net Profit		1,588	1,314	1,618	1,814
EPS (INR)		11.1	9.2	11.3	12.7
EPS % Chg YoY		13.4	(17.2)	23.1	12.2
P/E (x)		15.6	18.8	15.3	13.6
EV/EBITDA (x)		11.7	13.3	10.4	8.8
RoCE (%)		14.6	11.4	13.1	13.6
RoE (%)		18.8	14.7	16.8	17.4

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Market Data

Market Cap (INR)	24bn
Market Cap (USD)	274mn
Bloomberg Code	BAJAJCON IN
Reuters Code	BACO BO
52-week Range (INR)	289 /171
Free Float (%)	59.0
ADTV-3M (mn) (USD)	0.9

Price Performance (%)	3m	6m	12m
Absolute	(17.8)	(37.0)	(19.2)
Relative to Sensex	(15.6)	(33.0)	(24.9)

ESG Score	2023	2024	Change
ESG score	NA	NA	NA
Environment	NA	NA	NA
Social	NA	NA	NA
Governance	NA	NA	NA

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Earnings Revisions (%)	FY25E	FY26E
Revenue	(1.9)	(3.1)
EBITDA	(8.9)	(4.9)
EPS	(11.2)	(6.4)

Previous Reports

13-11-2024: [Q2FY25 results review](#)

11-08-2024: [Q1FY25 results review](#)

Project Aarohan being extended to rest of India

Project Aarohan has improved GT distribution in states of UP and MP with improvement in direct coverage by 40% and 60%, respectively. Additionally, improved servicing (weekly servicing in high potential outlets) has been started in 6 and 4 towns, respectively. The project is now being extended to rest of India (other large states for company) with a focus on implementation for 4 large states by Q3FY26. While we have not seen any material improvement in overall revenue growth trajectory for ADHO despite implementation in UP and MP. Continued stress on value-added hair oil (VAHO) due to stressed demand conditions and higher competitive activity have also impacted revenue growth.

Acquisition of Banjara's

BaCo announced acquisition of Vishal Personal Care Pvt. Ltd. for EV of ~INR1.1bn (implied ~2x EV/sales FY24). The company owns 'Banjara's' south India based naturals brand in personal care (Hair care: ~48%, Skin care: ~52%). While valuations appear inexpensive, the growth rates of the company over last few years appear decent for its size (~INR 0.5bn, 14% CAGR over last 4 years). The brand is present in all 5 states in south India with distribution reach of ~70k outlets.

Valuation and risks

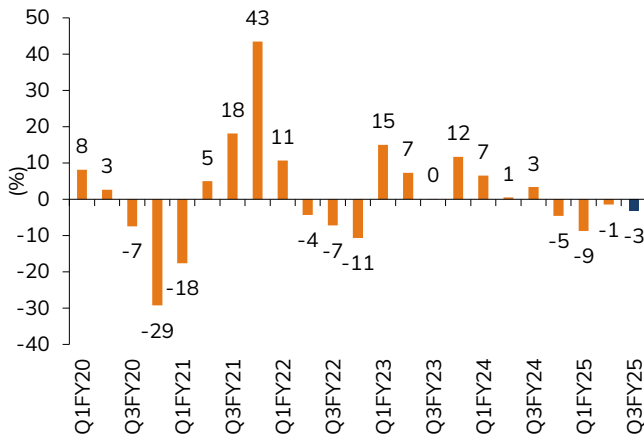
We cut our earnings estimates by ~11/6% for FY25E/26E, modelling revenue / EBITDA / PAT CAGR of 5% / 5% / 5% over FY24-27E, respectively. Maintain **BUY** with DCF-based revised target price of INR 220 (was INR 240 earlier). At our target price, the stock will trade at 18x P/E Sep'26E. Downside risks: Over reliance on a single brand – ADHO and higher-than-expect commodity inflation and failure of new product launches.

Exhibit 1: Q3FY25 result review (standalone)

INR mn	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)	9MFY25	9MFY24	YoY (%)
Net Revenue	2,293	2,358	(3)	2,288	0	6,992	7,318	(4)
COGS	(1,087)	(1,088)	(0)	(1,071)	1	(3,220)	(3,307)	(3)
Gross profit	1,206	1,270	(5)	1,216	(1)	3,772	4,011	(6)
Staff cost	(257)	(237)	9	(259)	(1)	(787)	(723)	9
A&SP	(330)	(392)	(16)	(309)	7	(1,012)	(1,198)	(16)
Other opex	(335)	(268)	25	(309)	8	(978)	(871)	12
Total opex	(922)	(897)	3	(878)	5	(2,776)	(2,792)	(1)
EBITDA	284	373	(24)	339	(16)	997	1,220	(18)
Other income	76	110	(31)	89	(14)	275	330	(17)
Finance cost	1	2	(50)	1	(16)	4	8	(45)
D&A	25	24	3	24	2	71	70	2
PBT	334	456	(27)	402	(17)	1,195	1,472	(19)
Tax	(58)	(80)	(27)	(70)	(17)	(209)	(257)	(19)
Recurring PAT	275	376	(27)	332	(17)	987	1,215	(19)
Extraordinary items	-	-	-	-	-	-	-	-
Net profit (reported)	275	376	(27)	332	(17)	987	1,215	(19)
EPS	1.9	2.6	(27)	2.3	(17)	6.9	8.5	(19)
% of operating revenues								
COGS	47.4	46.1	127 bps	46.8	57 bps	46.1	45.2	86 bps
Gross margin	52.6	53.9	-128 bps	53.2	-58 bps	53.9	54.8	-87 bps
Staff cost	11.2	10.1	116 bps	11.3	-10 bps	11.2	9.9	136 bps
A&SP cost	14.4	16.6	-224 bps	13.5	86 bps	14.5	16.4	-191 bps
Other opex	14.6	11.4	322 bps	13.5	108 bps	14.0	11.9	208 bps
EBITDA margin	12.4	15.8	-344 bps	14.8	-244 bps	14.3	16.7	-242 bps
Income tax rate (% of PBT)	17.5	17.5	0 bps	17.5	0 bps	17.5	17.5	0 bps

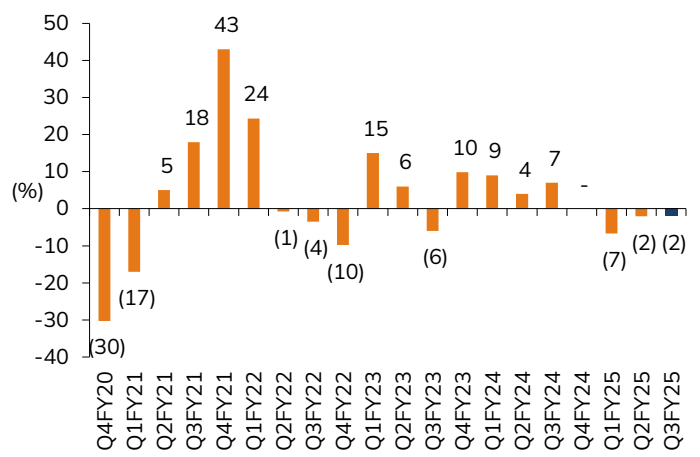
Source: I-Sec research, Company data

Exhibit 2: Revenue growth



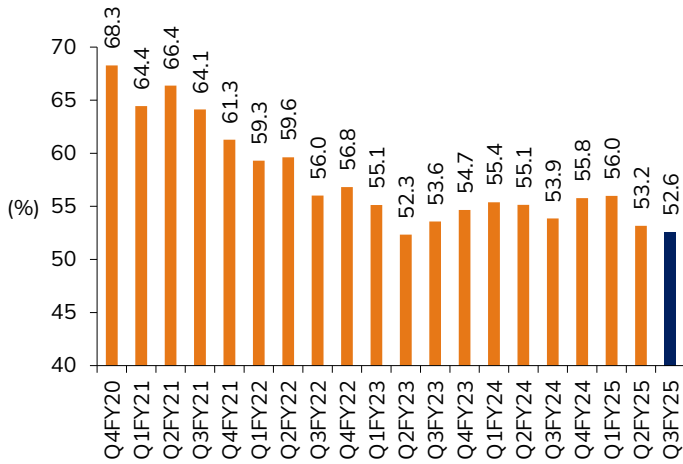
Source: Company data, I-Sec research

Exhibit 3: Volume growth



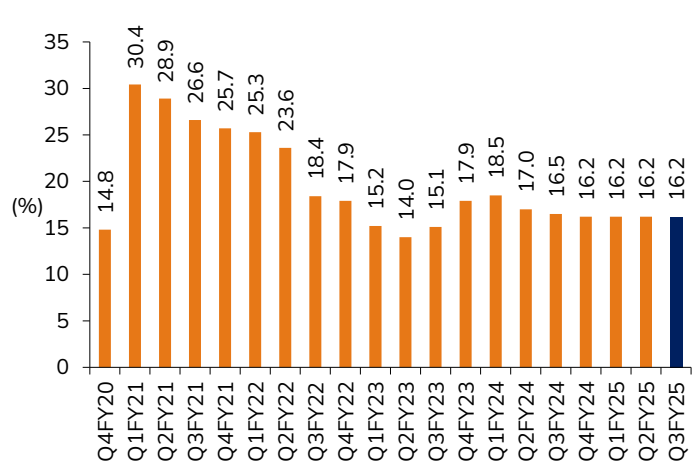
Source: Company data, I-Sec research

Exhibit 4: Gross margin



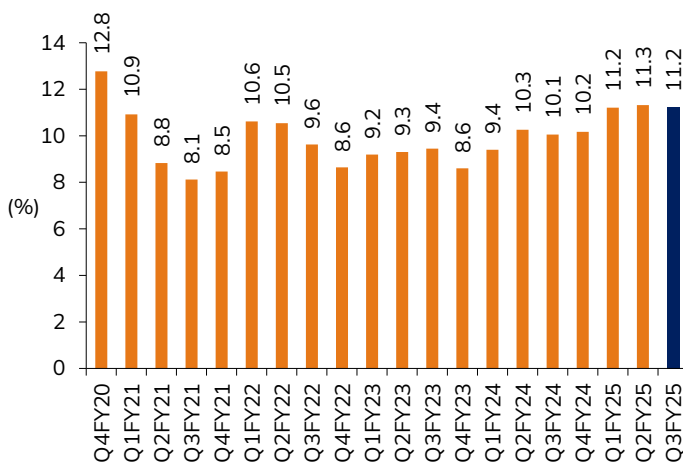
Source: Company data, I-Sec research

Exhibit 5: EBITDA margin



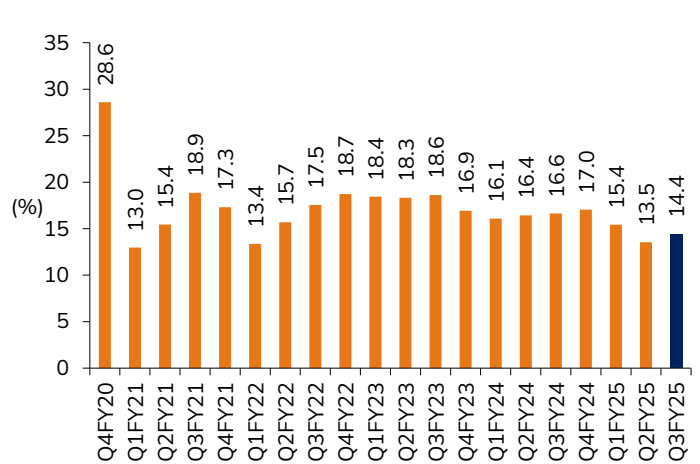
Source: Company data, I-Sec research

Exhibit 6: Staff costs (% of sales)



Source: Company data, I-Sec research

Exhibit 7: Ad spends (% of sales)



Source: Company data, I-Sec research

Exhibit 8: Shareholding pattern

%	Jun'24	Sep'24	Dec'24
Promoters	39.3	41.0	41.0
Institutional investors	31.6	31.6	30.7
MFs and others	14.8	17.9	17.7
Insurance	2.4	2.3	2.0
FIs	14.4	11.4	11.0
Others	29.1	27.4	28.3

Source: Bloomberg, I-Sec research

Exhibit 9: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 10: Profit & Loss

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Net Sales	9,677	9,343	10,180	11,065
Operating Expenses	8,095	8,009	8,548	9,236
EBITDA	1,582	1,334	1,632	1,828
EBITDA Margin (%)	16.3	14.3	16.0	16.5
Depreciation & Amortization	95	97	103	110
EBIT	1,487	1,237	1,529	1,718
Interest expenditure	10	5	5	5
Other Non-operating Income	446	361	437	486
Recurring PBT	1,924	1,593	1,960	2,199
Profit / (Loss) from Associates	-	-	-	-
Less: Taxes	336	278	342	384
PAT	1,588	1,314	1,618	1,814
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	1,588	1,314	1,618	1,814
Net Income (Adjusted)	1,588	1,314	1,618	1,814

Source Company data, I-Sec research

Exhibit 11: Balance sheet

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Total Current Assets	7,788	8,393	9,315	10,295
of which cash & cash eqv.	6,226	6,886	7,673	8,513
Total Current Liabilities & Provisions	1,305	1,259	1,372	1,490
Net Current Assets	6,483	7,133	7,943	8,806
Investments	1,713	1,713	1,713	1,713
Net Fixed Assets	449	399	350	303
ROU Assets	-	-	-	-
Capital Work-in-Progress	14	14	14	14
Total Intangible Assets	7	7	7	7
Long Term Loans & Advances	124	124	124	124
Deferred Tax assets	-	-	-	-
Total Assets	8,791	9,391	10,152	10,967
Liabilities				
Borrowings	-	-	-	-
Deferred Tax Liability	-	-	-	-
Provisions	48	48	48	48
Other Liabilities	88	88	88	88
Minority Interest	-	-	-	-
Equity Share Capital	143	143	143	143
Reserves & Surplus	8,512	9,112	9,873	10,688
Total Net Worth	8,655	9,255	10,016	10,831
Total Liabilities	8,791	9,391	10,152	10,967

Source Company data, I-Sec research

Exhibit 12: Quarterly trend

(INR mn, year ending March)

	Mar-24	Jun-24	Sep-24	Dec-24
Net Sales	2,359	2,412	2,288	2,293
% growth (YOY)	(3.5)	(8.7)	(1.3)	(2.7)
EBITDA	363	374	339	284
Margin %	15.4	15.5	14.8	12.4
Other Income	117	110	89	76
Extraordinaries	-	-	-	-
Adjusted Net Profit	373	380	332	275

Source Company data, I-Sec research

Exhibit 13: Cashflow statement

(INR mn, year ending March)

	FY24A	FY25E	FY26E	FY27E
Operating Cashflow	1,592	1,695	2,068	2,314
Working Capital Changes	(69)	9	(22)	(23)
Capital Commitments	(41)	(47)	(54)	(62)
Free Cashflow	1,143	1,379	1,650	1,844
Other investing cashflow	121	-	-	-
Cashflow from Investing Activities	80	(47)	(54)	(62)
Issue of Share Capital	-	-	-	-
Interest Cost	0	(5)	(5)	(5)
Inc (Dec) in Borrowings	-	-	-	-
Dividend paid	(1,141)	(714)	(857)	(1,000)
Others	(57)	-	-	-
Cash flow from Financing Activities	(1,198)	(719)	(862)	(1,005)
Chg. in Cash & Bank balance	67	660	788	839
Closing cash & balance	205	1,029	1,817	2,656

Source Company data, I-Sec research

Exhibit 14: Key ratios

(Year ending March)

	FY24A	FY25E	FY26E	FY27E
Per Share Data (INR)				
Reported EPS	11.1	9.2	11.3	12.7
Diluted EPS (Adjusted)	11.1	9.2	11.3	12.7
Cash EPS	11.8	9.9	12.1	13.5
Dividend per share (DPS)	3.0	5.0	6.0	7.0
Book Value per share (BV)	60.6	64.8	70.1	75.9
Dividend Payout (%)	27.0	54.3	53.0	55.1
Growth (%)				
Net Sales	1.4	(3.5)	8.9	8.6
EBITDA	11.9	(15.7)	22.3	12.0
EPS (INR)	13.4	(17.2)	23.1	12.2
Valuation Ratios (x)				
P/E	15.6	18.8	15.3	13.6
P/CEPS	14.7	17.5	14.4	12.8
P/BV	2.9	2.7	2.5	2.3
EV / EBITDA	11.7	13.3	10.4	8.8
P / Sales	2.6	2.7	2.5	2.3
Dividend Yield (%)	1.7	2.9	3.5	4.0
Operating Ratios				
Gross Profit Margins (%)	54.1	53.4	53.6	53.8
EBITDA Margins (%)	16.3	14.3	16.0	16.5
Effective Tax Rate (%)	17.5	17.5	17.5	17.5
Net Profit Margins (%)	16.4	14.1	15.9	16.4
Working Capital Days	9.8	9.5	10.1	10.1
Inventory Turnover Days	20.4	19.9	21.1	21.0
Fixed Asset Turnover (x)	12.0	11.0	11.3	11.6
Receivables Days	16.5	16.0	17.0	17.0
Payables Days	15.2	14.8	15.7	15.7
Net Debt / Equity (x)	(0.7)	(0.7)	(0.8)	(0.8)
Net Debt / EBITDA (x)	(3.9)	(5.2)	(4.7)	(4.7)
Profitability Ratios				
RoCE (%)	14.6	11.4	13.1	13.6
RoE (%)	18.8	14.7	16.8	17.4
RoC (%)	51.7	42.5	53.5	60.9

Source Company data, I-Sec research

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