

Initiating Coverage

Bajaj Consumer Care Ltd.

September 20, 2021





Bajaj Consumer Care Ltd.

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
FMCG	Rs 258.6	Buy in Rs 255-260 band & add more on dips to Rs 222-226 band	Rs 290	Rs 317	2 quarters

HDFC Scrip Code	BAJCONEQNR
BSE Code	533229
NSE Code	BAJAJCORP
Bloomberg	BJCOR.IN
CMP Sep 17, 2021	258.6
Equity Capital (Rs cr)	14.75
Face Value (Rs)	1
Equity Share O/S (cr)	14.75
Market Cap (Rs cr)	3806
Book Value (Rs)	51.3
Avg. 52 Wk Volumes	1092177
52 Week High	323.5
52 Week Low	168.5

Share holding Pattern % (Jun, 2021)	
Promoters	38.0
Institutions	41.5
Non Institutions	20.5
Total	100.0



HDFC Retail research
stock rating meter

for details about the ratings, refer at the end of the report

* Refer at the end for explanation on Risk Ratings

Fundamental Research Analyst

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Our Take:

Bajaj Consumer Care Ltd. (BCCL) , part of the Shishir Bajaj group which has business interests varying from sugar to power infrastructure development, is one of the leading players in the hair oils market, with a strong niche in the light hair oil (LHO) segment. The LHO segment as a category has increased its salience in the overall hair oil industry and BCCL's flagship brand, Bajaj Almonds Drops Hair Oil (ADHO) has been at the forefront of driving that change. Even in the presence of much larger competitors, the company has doubled its market share over the last decade, thus displaying its strong brand equity.

Relaunch of core brands supported by a multi-media approach and high on-ground visibility to increase penetration, new product addition to become a total hair oils player (with foray in coconut and Amla oil) while giving it an access to underpenetrated South India market and increasing share of direct presence would be levers for achieving sustained volume growth. Redefined focus on becoming multi-product company, potential acquisition in hair care/personal category and higher dividend payout will be key re-rating factor for the stock going ahead. This along with better growth prospects and higher cash generation ability makes it an attractive pick in the small-cap FMCG space.

Valuation & Recommendation:

Post stellar run in first half of last decade where BCCL reported Sales/PAT CAGR growth of ~23%/16% (FY10-15), it could only manage ~3% CAGR sales growth over FY16-21 which can be attributed to liquidity crunch (caused by demonetisation, GST, etc) as it was highly dependent on wholesales channel in the past (>65% vs 36% currently), rural slowdown, lack of portfolio diversification or not ramping up international business/M&A. Promoter's high personal debt also meant company adopting conservative approach (cash preservation, high dividends) rather than focusing on expansion.

However, the company in recent past has undergone series of structural changes. Firstly, the promoter's pledge which was major overhang has been completely removed. Mr. Jaideep Nandi (> 30 year experience with Asian Paints and Berger Paints) has been appointed as the new MD which in our opinion can be a game changer. Besides, the company has beefed up its management team, hiring industry veterans across roles.



BCCL has redefined its strategy; a) goal to double the market share in hair oils by focussing on total hair oil portfolio, which is much larger in size i.e Rs 134 bn rather targeting LHO segment (Rs 21 bn) only, b) focusing on new launches (aloe vera amla hair oil, coconut hair oil) where it has the “right to win” i.e., within hair-oil segment leveraging its current distribution network, c) dialling up the premium aspect of ADHO and penetrating deeper with the product through van operations, d) foray in southern and western markets where it had limited presence and e) ramping up its e-commerce and international business (targeting Rs. 100 Cr revenues in each).

BCCL’s winning combination of a) being debt free, b) being cash rich (~Rs 600 Cr) and c) with negative working capital indicates the company is well financed with strong business model in place. Even after taking into account, the higher dependence on single category, we feel the company trades at extremely unfair discount to its FMCG peers. BCCL is also a good acquisition candidate for large FMCG players / PE players at the current valuations. It currently trades at 14.3X FY23E compared to ~45X (ex-ITC) for the industry, providing ample margin of safety. **We think the base case fair value of the stock is Rs 290 (16x FY23E EPS) and the bull case fair value is Rs 317 (17.5x FY23E EPS) over the next two quarters. Investors can buy the stock in the Rs 252-256 band (14.3 FY23E EPS) and add more on dips to Rs 222-226 band (12.5x FY23E EPS).**

Financial Summary

Particulars (Rs Cr)	Q1FY22	Q1FY21	Y-o-Y%	Q4FY21	Q-o-Q%	FY20	FY21P	FY22E	FY23E	FY24E
Total Operating Income	216.7	197.6	9.7%	248.9	-12.9%	852.2	921.8	1,018.3	1,132.8	1,257.2
EBITDA	52.4	57.0	-8.1%	61.7	-15.0%	205.1	243.4	256.6	294.5	333.2
APAT	48.9	54.2	-9.9%	54.7	-10.6%	184.8	223.1	234.1	266.4	301.1
EPS (in Rs)	3.3	3.7	-10.1%	3.7	-10.5%	12.5	15.1	15.9	18.1	20.4
RoE						33.0	31.6	29.5	30.5	31.2
P/E (X)						20.6	17.1	16.3	14.3	12.6
EV/ EBITDA (X)						16.4	13.2	12.4	10.5	9.0

(Source: Company, HDFC Sec)

Q1FY22 Result Review

BCCL reported an expectedly weak Q1FY22 results clocking a revenue growth of 9.7% on a very weak base. As per management, core business grew 20.4% after stripping out sanitizer from the base quarter (since discontinued). Input costs pressures coupled with rise in ad-spends (+15.8% yoy on a base that was down 36.4%) led to an 8.1% decline in EBITDA. The company has taken 5% price hike over the past two quarters and the entire benefit should be visible Q2FY22 onwards. Urban has shown signs of recovery, clocking good growth, driven by retail, while large wholesales were muted. General trade revenue grew 6.2%. Revenue from alternate channels (modern trade, e-commerce

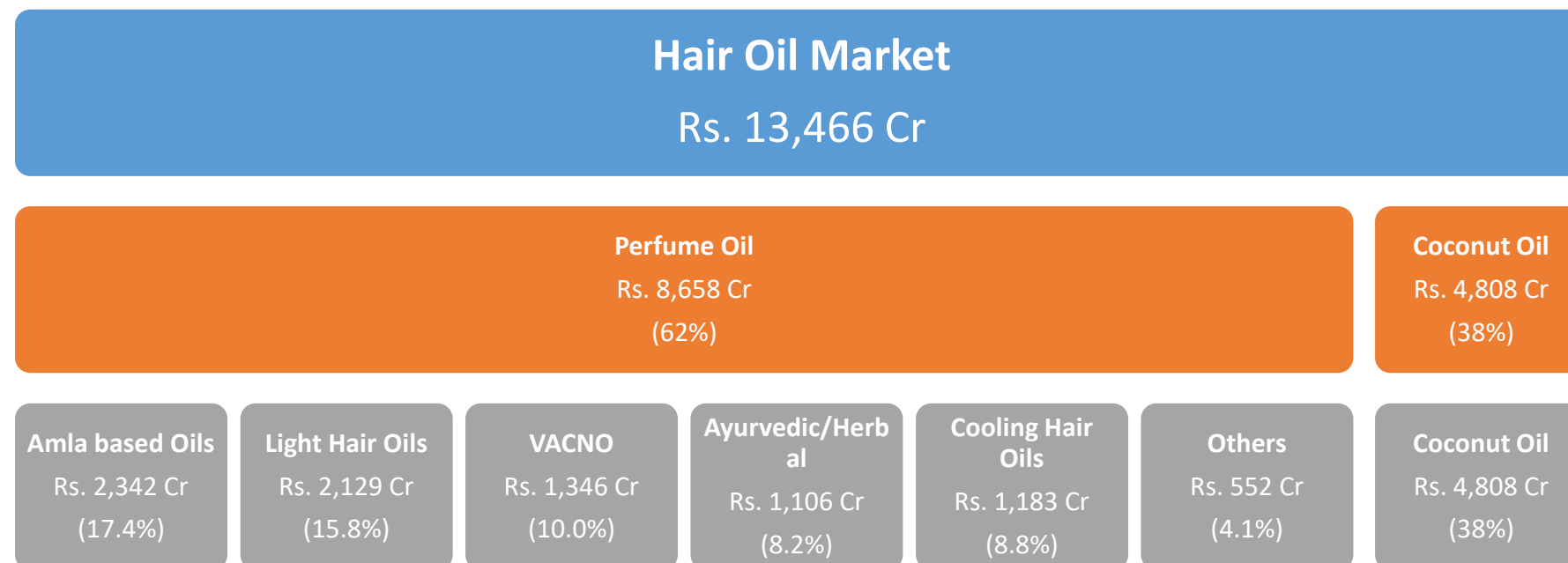


etc.) grew 39.6% YoY driven by strong growth in e-commerce growing and continued recovery in Modern Trade. International business revenue grew 58.6%. Key countries of Nepal, Bangladesh and GCC were impacted due to Covid-led restrictions. As per Nielsen data, the company has gained 60bps share in the total hair-oils market over past 12 months with gains in both ADHO and Bajaj Amla Aloe Vera brand (AAHO). It also launched coconut hair oil in July in select states.

Key Triggers

Indian Hair Oil Industry: An Overview

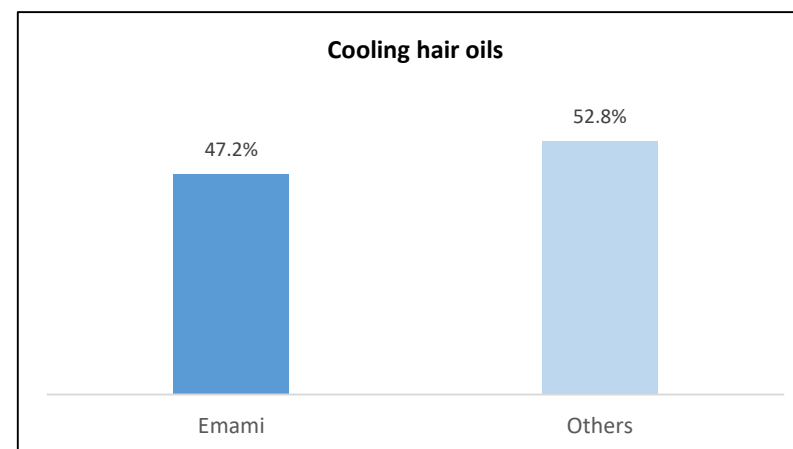
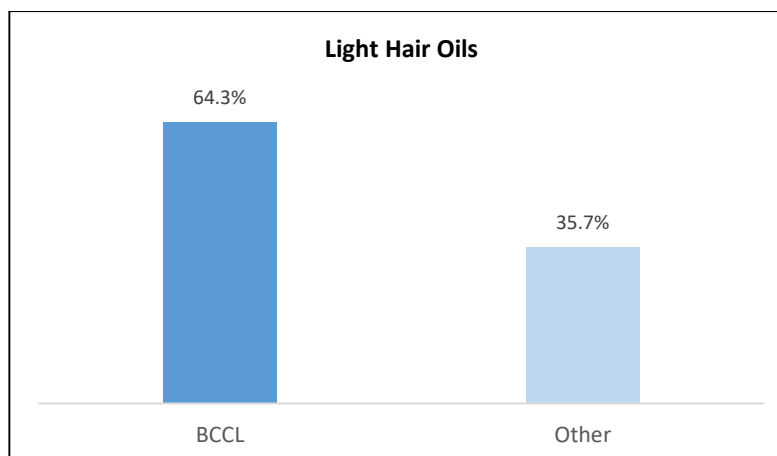
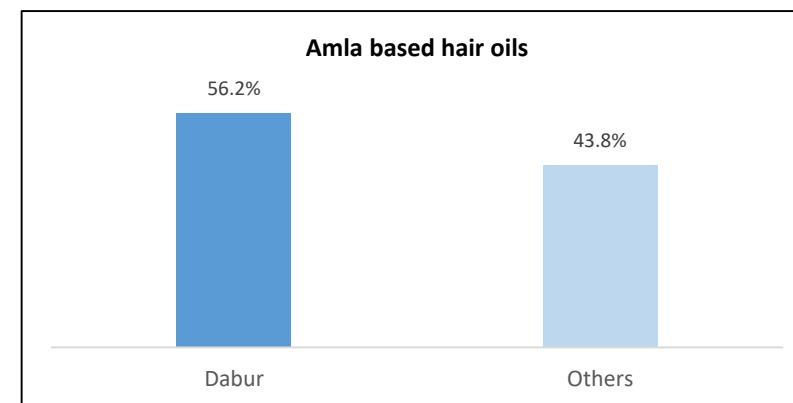
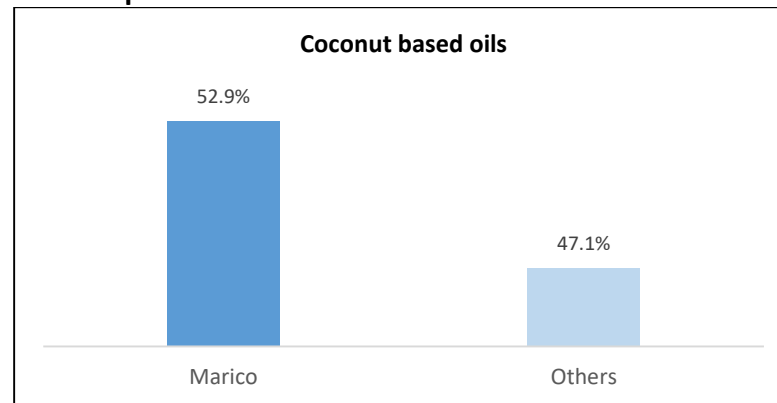
Hair Oil accounts for half of hair care industry (shampoo and hair dyes account for the rest). Hair oiling is a deeply ingrained habit in the Indian sub-continent and a transition from loose to branded hair oil has fuelled the strong growth. While the industry witnessed a strong mid-teens growth in first half of last decade, growth has been sluggish in past few years, as persistent inflation and a slowing economy have weighed on growth.



(Source: Nielsen RMS, Company, HDFC Sec)



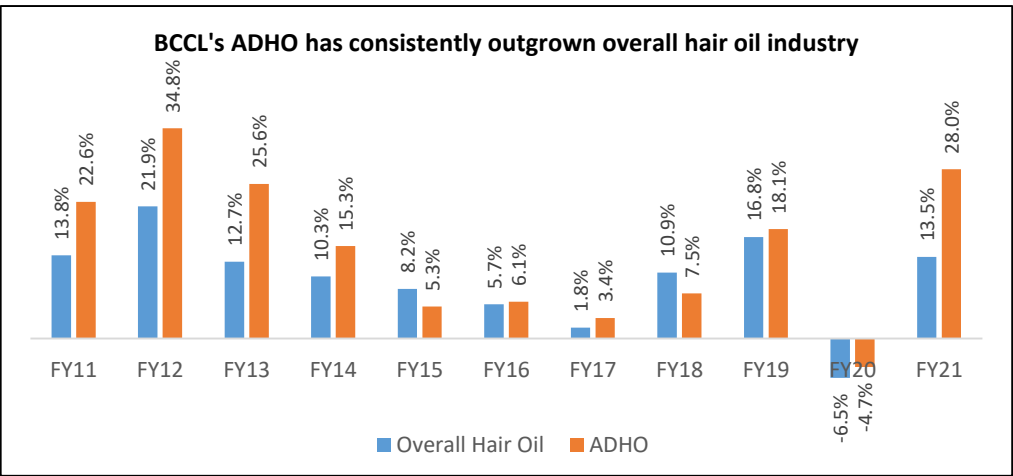
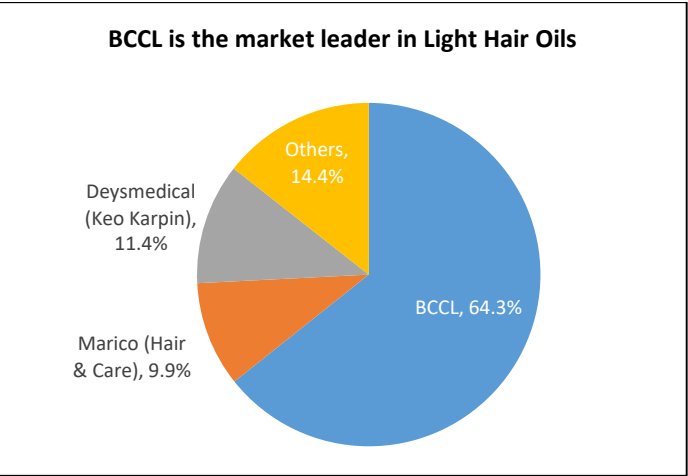
The hair oil industry in India has clearly segmented market leaders, with market leaders in each sub-segment implying sticky market leadership.



(Source: Nielsen RMS, Company, HDFC Sec)

Light hair oil growth still has legs

Over past decade, LHO has comprehensively outgrown overall oil market, however, it still contributes only ~17% of the overall market. As per industry sources, ~40% of Almond oil users is converts from coconut oil (coconut oil's reducing market share substantiates this) users providing visibility for longer-term growth in Almond hair oil users. Additionally, structural shift in consumer preference to non-sticky hair oils, favourable demographics, increase in disposable income and better distribution network will drive the growth of LHO.



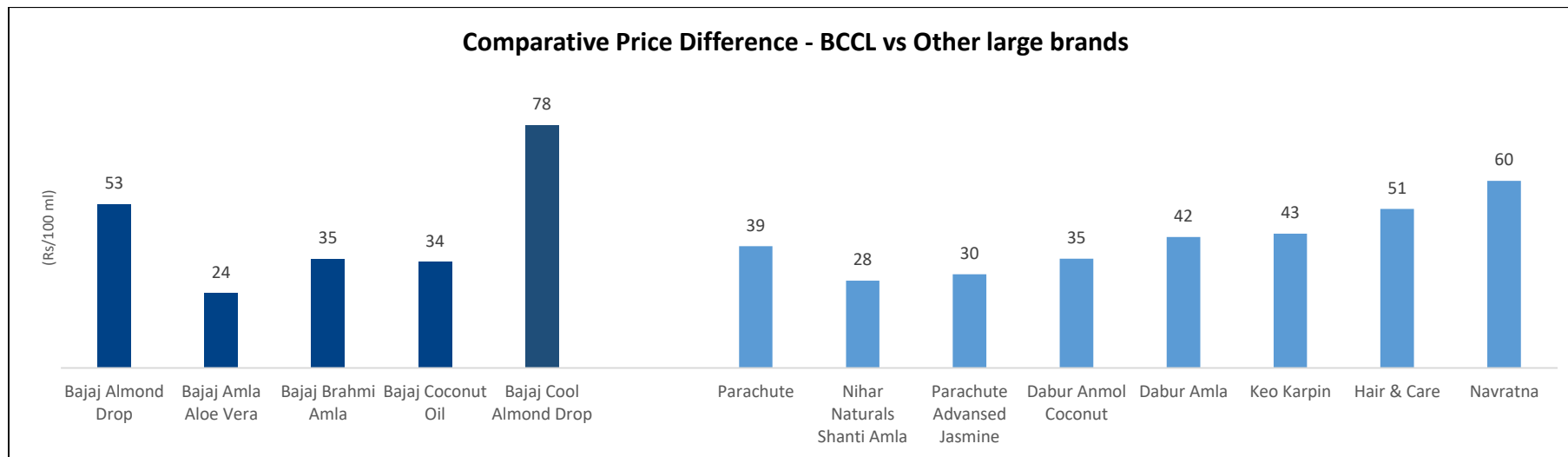
(Source: Nielsen RMS, Company, HDFC Sec)

Despite being a late entrant BCCL’s ADHO is the second largest brand with 10.2% market share

Brand	Parachute	Bajaj Almond	Dabur Amla	Nihar Shanti Amla	Navratna	Parachute Advanced Jasmine	Kesh King	Hair & Care	Bajaj Amla
Market Share (Value)	19.18%	10.19%	7.53%	6.23%	3.75%	2.81%	2.07%	1.55%	0.41%

(Source: Nielsen RMS, Company, HDFC Sec)

Within the pricing pyramid, we highlight that light hair oil – ADHO – retails at Rs 53 for 100 ml, while Amla-based hair oil – Dabur Amla (Dabur) – retails at Rs 42 for 100 ml and Parachute Coconut oil (Marico) retails at Rs 39 for 100 ml. ADHO operates in the premium segment, which is also the fastest-growing segment within the hair oil market. Although cooling oil retails at RS 60 (Navratna cooling oil – Emami), it is a functional/seasonal product.



(Source: amazon.com, HDFC Sec)

BCCL: not just Light Hair Oil player anymore...

In the past, BCCL had focused only on Light Hair Oils (17% of overall market) where it enjoys near monopolistic status with 64% market share. It is singlehandedly responsible for development of LHO category. However, in its bid to reduce dependence on single product (ADHO) while identifying pockets of growth, it has marked its presence in coconut and amla hair oil categories. The management has clear target of doubling its market share to 20% in total-hair oils and we expect BCCL to gain size gradually bolstered by its focused efforts and market share expansion.

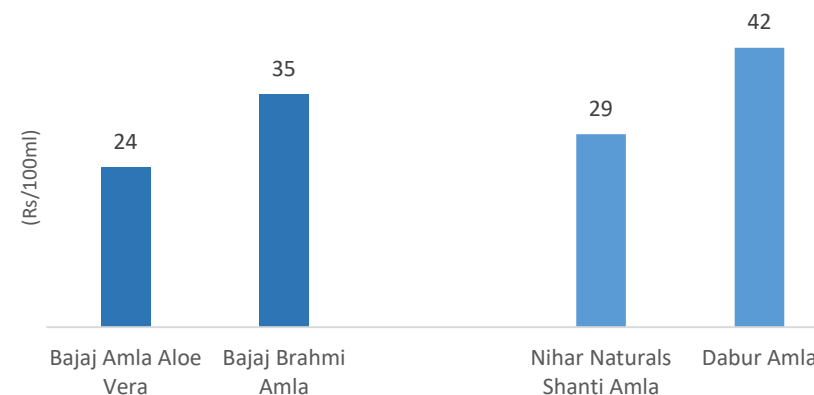
Amla hair oil to drive the growth

While ADHO is BCCL's flagship brand and its primary cash cow, Amla hair oil brand is expected to lead the growth going forward. Eyeing ~Rs 2,340 Cr Amla hair oil market, BCCL in February had launched in Bajaj Amla Aloe Vera in February 2021 in addition to its already existing Brahmi Amla brand. Bajaj Amla Aloe Vera has tasted massive success since its launch and has been gaining market share even during lockdowns. The rapid growth can be attributed to BCCL's strong presence in North and Central India (also key markets for Amla Hair Oil), unique positioning (aloe-vera based) and its very competitive price (Rs. 24/100ml vs Rs. 42/100ml for Dabur Amla).

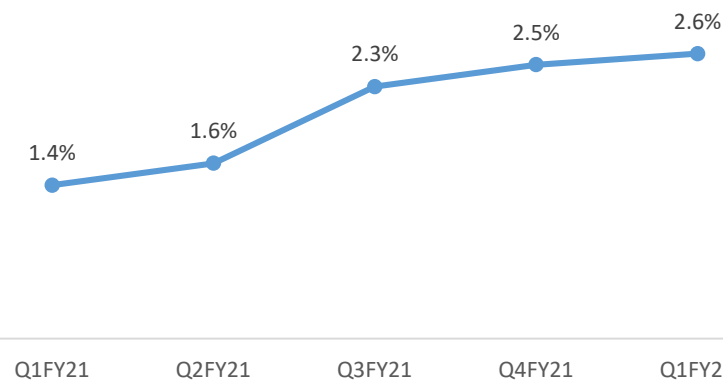
BCCL's market share in Amla Hair Oil has increased from 1.2% in FY19 to 2.6% currently with ambition to further increase it upto 5-6% in next couple of years as the management targets to achieve Rs. 100 Cr sales for newly launched brand.



BCCL's offerings are placed at attractive price points



BCCL is rapidly gaining market share in Amla based hair oils



(Source: Nielsen RMS, Company, HDFC Sec)

Bajaj Amla Aloe Vera has been runaway success



Van coverage to widen the reach



(Source: Company, HDFC Sec)



Foray into coconut oil to access Southern Indian markets

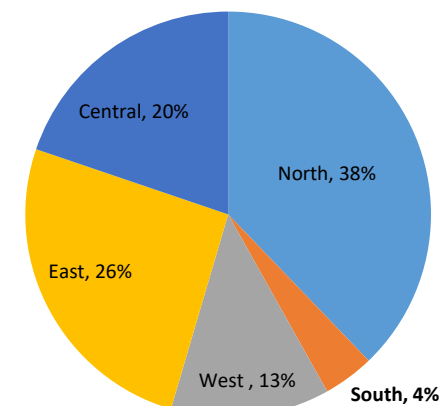
Historically, BCCL has been strong player in North and Central India across Hindi belt while its presence in West was limited and that in South was negligible as South India is a market for coconut based oils and the company didn't had any offering here.

BCCL has recently (July 2021) forayed into coconut hair oil segment with launch of Bajaj 100% Pure Coconut Hair Oil to access markets of Southern and Western India. It has already started van distribution in rural areas of South India, which is helping drive strong penetration. Coconut oil is essentially a commoditised product and BCCL's foray here would only be for building strong distribution network to later on push its premium ADHO products.

Recently launched coconut oil



Tactical launch of coconut oil to enter South India
(BCCL's Sales Mix - FY21)



(Source: Company, HDFC Sec)

ADHO restaged to increase market share

ADHO, flagship brand of BCCL, is market leader in the light hair oil category with 65% market share and has 10.2% market share in the total hair oil industry. It also accounts for 91.7% of the company's revenue. In last fiscal, the brand was re-launched with an upgraded formulation (6X vitamin E). The brand originally leaned towards premium and luxury segment, but now the message is around functionality and anti-hair fall. In line with its focus on improving penetration of brand (currently ~24%), it was made available across three different price points including LUPs – low unit packs (Rs. 5 and Rs. 20). The larger 650 ml pack has been doing well despite the pandemic impact.



We expect the double-digit volume growth sustain in the coming quarters on back of improving penetration (especially in the rural markets) and favourable base. However, we believe the brand has capability to deliver high single digit volume growth in the medium to long term.

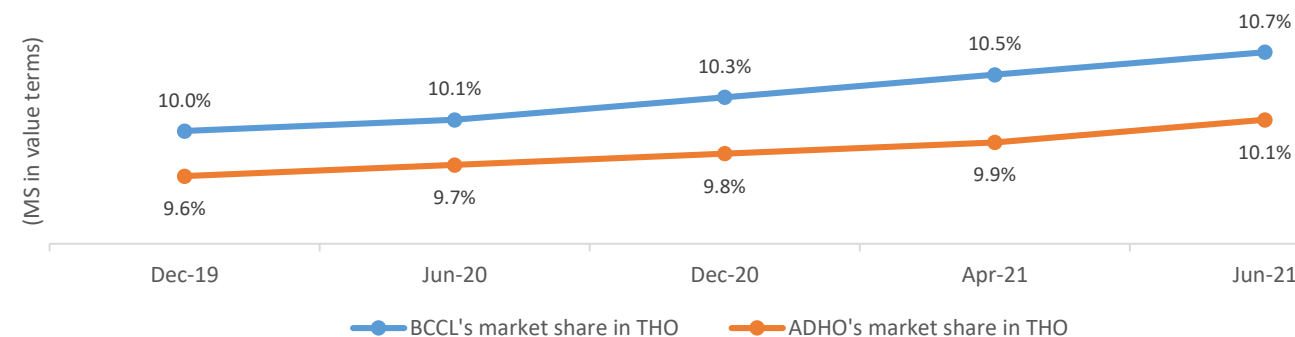
Restaged ADHO



New SKUs launched across price points to drive penetration



BCCL's market share in total hair oils (THO) reached all time high of 10.7% in Jun-21 highlighting the success of its renewal strategy



(Source: Nielsen RMS, Company, HDFC Sec)



Singular focus has helped to develop strong brand equity

Despite operating in highly penetrated hair-oils category, BCCL has developed strong brand equity enabling it to outgrow the industry on the back of widening reach, massive ad-spends and cash flows directed into a single category unlike peers.

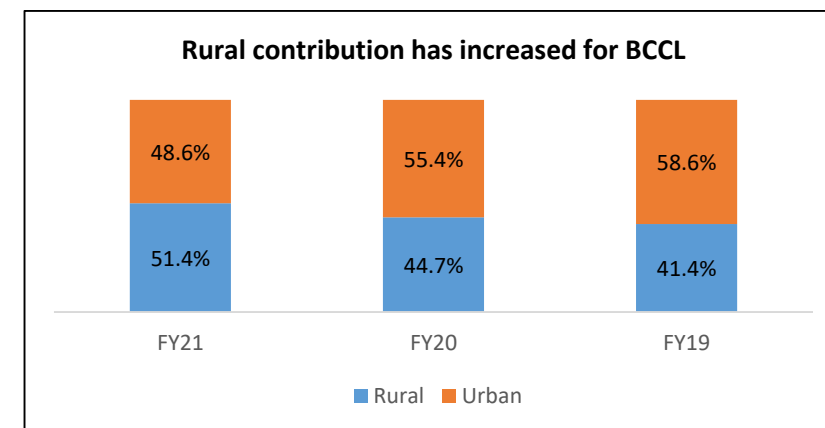
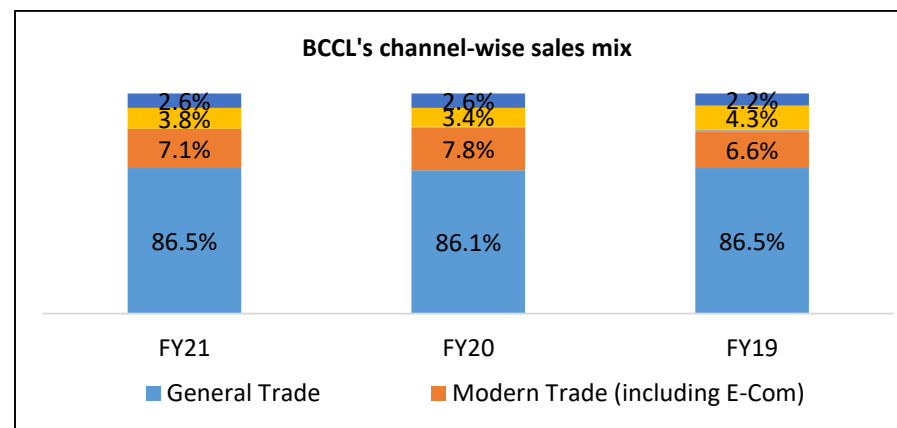
Revamping distribution to increase the reach

Over the past two years and a half, the company has lowered wholesale channel contribution to 33%, from 60% previously. While part of the impact stemmed from the GST implementation, the firm had a plan to increase direct reach which now stands at 5.3 lakh outlets as against 2.8 lakh at the end of FY18.

BCCL has undertaken a unique initiative of **Van Coverage** to enhance rural coverage. These vans carry LUPs (below < Rs 20) of products which find greater acceptance among rural consumers. . Currently, 700+ vans are deployed across the country (contributing ~12% of sales). These areas were earlier served by wholesalers, however, vans have facilitated higher sales due to better engagement with retailers, cross-selling and improved penetration. This has led to increased rural contribution (50% of sales in FY21 vs ~38% in FY16).

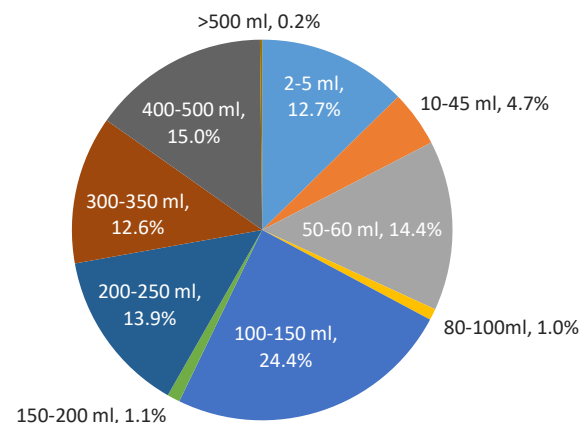
Project Vistaar to increase the market share

In FY20, it had initiated Project Vistaar with the help of consulting firm, Bain & Co. It is essentially is a micromarketing strategy, similar to HUL's WIMI strategy (Winning in Many Indias). It adopts a cluster based approach where within states small clusters of unique consumer behaviours are formed. For instance, in one part of the state demand may be for particular variant of hair oil/SKU while in other part the demand may differ. Earlier, BCCL had rolled out its products such as Amla and Kailash Parbat at national level, however, only some pockets of markets did well. This micromarketing which had been initially piloted in two states (West Bengal and Uttar Pradesh) has been successful resulting in increased market share even during times of degrowth.

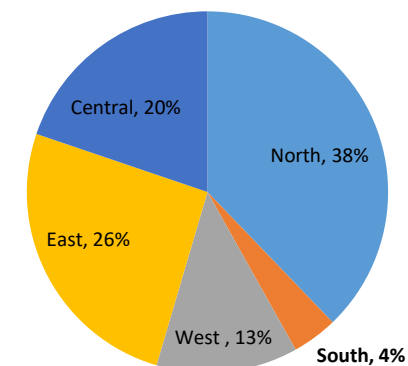




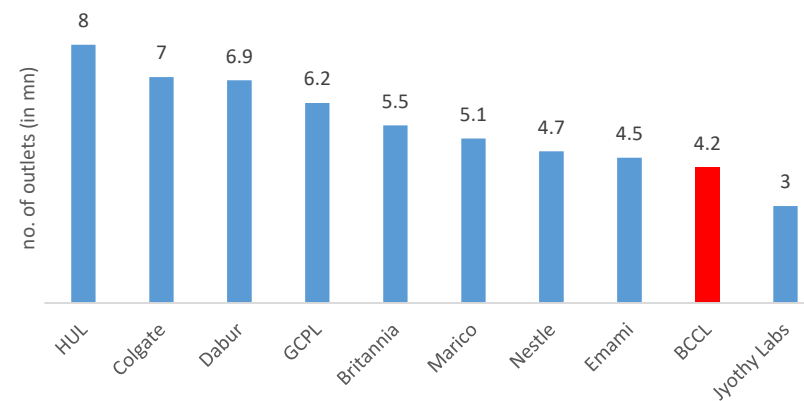
SKU wise sales of BCCL



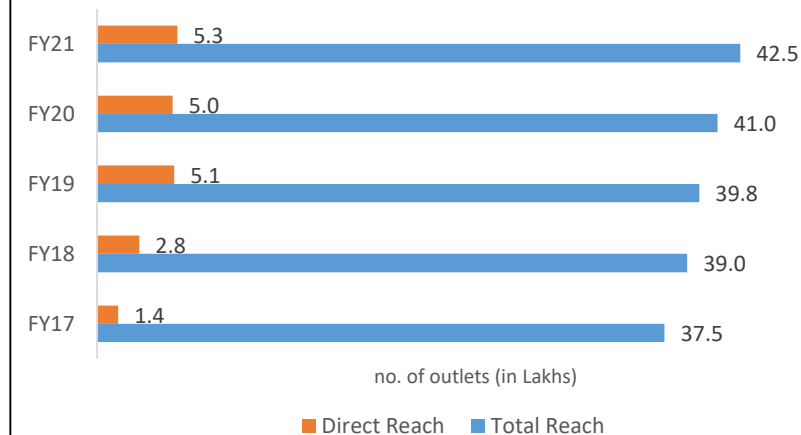
**Tactical launch of coconut oil to enter South India
(BCCL's Sales Mix)**



Despite being a single product company, BCCL has built strong distribution network



BCCL has been ramping up its direct coverage

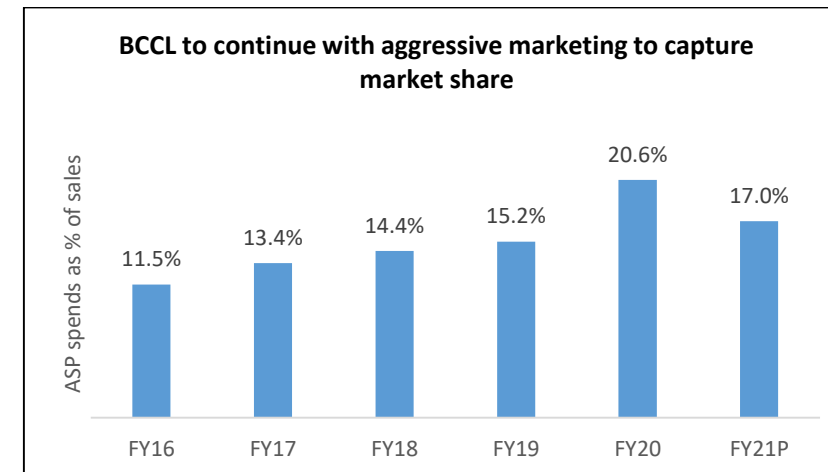
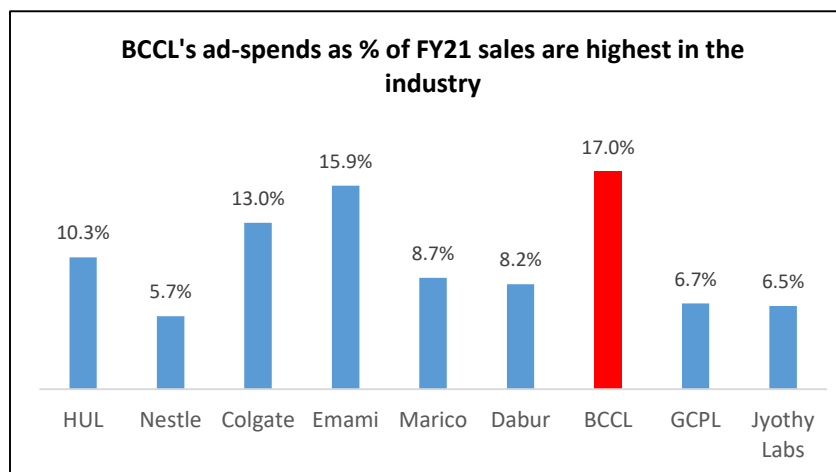


(Source: Company, HDFC Sec)



Stepping up ad-spends to support growth initiatives

BCCL has significantly increased its ad-spends from ~13% of sales historically to 18.-20% at present which is highest amongst all FMCG companies. This is in line with company's broader goal to double its market share in total-hair oils (~10.7% currently) and to support new launches under hair care category over next few quarters. It has also been spending on promotion especially in South India to build a pipeline and increase brand availability while also securing better shelf space across trade channels to provide a large assortment to consumers (Pure Coconut, Zero Grey, Cool Almond Drops, Brahmi Amla, etc).



(Source: Company, HDFC Sec)

Changing organisational structure to make it future-ready

Mr. Jaideep Nandi as the new MD could be game changer

Mr. Jaideep Nandi has been appointed as the MD w.e.f. July 2020 replacing Mr. Sumit Malhotra. Mr. Nandi's professional career spans across 30 years, primarily with Asian Paints in various roles in sales and marketing and as CEO in various group companies in Asian Paints' Middle East, South East Asia and India operations. We like his clear focus on execution (emphasis on implementation, looking at proof of concept and course correction requirement). Historically, we have seen a turnaround in performances with a change in approach like HUL (Mr. Sanjiv Mehta - 2013), Britannia (Mr. Varun Berry – 2013), Nestle (Mr. Suresh Narayan – 2015) Jubilant FoodWorks (Mr. Pratik Pota – 2017) and, Tata Consumer (Mr. Sunil D'Souza – 2020).



BCCL is beefing up its management team

Name*	Total Experience (in Years)	Designation at BCCL	Previous Role
Mr. Jaideep Nandi	30	MD	CEO – Asian Paints PPG
Mr. Rajesh Menon	25	Head - Supply Chain, Operations & IT	General Manager-Materials - Asian Paints
Mr. Richard D.'Souza	19	General Manager - Finance	General Manager (Finance) - Castrol India Ltd.
Mr. Sohit Chaudhary	19	Head - Sales	Senior Director and Business Head - Pepsico India
Mr. Anuj Awasthi	18	Head - Organized Trade, E-Commerce & International Business	VP (Organised Trade) - GCPL
Mr. Pankaj Nigam	14	Deputy General Manager - IT	Head (IT) - Kraft Heinz India
Mr. Rohit Maharao	13	Head- ECommerce	Head (Ecommerce) - Kaya Clinic
Mr. Vivek Mishra	13	Head - Legal	Legal Counsel & CS - Mondelez International
Mr. Vijay Sivadas	13	Head - Trade Marketing & Analytics	Head of Sales - Abbott India
Mr. Delton D'Souza	12	Sales HR	HR - Marico Ltd.

*recently designated

(Source: LinkedIn, Company, HDFC Sec Retail Research)

Recent hiring of senior level executives by BCCL - With hiring of people from some of the most reputed consumer companies (Asian Paints, Pepsico, Marico, GCPL, Kraft Heinz) with strong domain expertise, BCCL has been building strong internal infrastructure to help drive down costs and create agility to push new brands and SKUs going ahead.

It has implemented SAP HANA and AI tool “Sellina” during Q1FY21 which have helped automate sales force. It plans to leverage data from SAP and the other underlying systems to create a sound analytics platform which would aid in better planning and execution systems and end to end visibility. Given that data analytics will be the main driver for sales, it has rolled out Nielsen market data analytics for all key stakeholders highlighting the growth areas, areas to focus, visibility into competition data and distribution metrics.

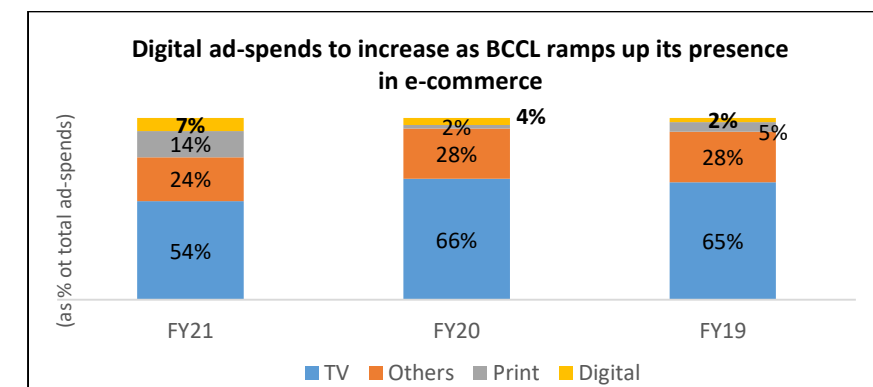
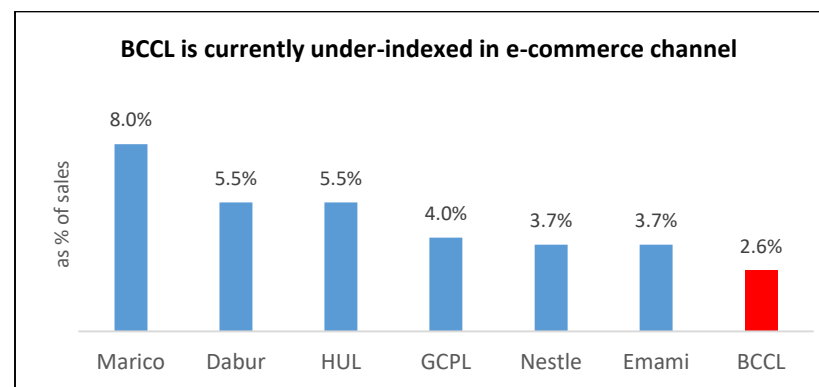
Notwithstanding near term turbulence, the above structural changes made by the company gives us confidence of BCCL’s sustainable growth.

Expect a gradual ramp up in international business and e-commerce channel

While BCCL’s international business accounts for only 2.6% (Rs 24.5 Cr) of sales, the company is targeting Rs. 100 Cr revenues in next 3-4 years. We feel Mr. Nandi’s strong acumen in operating in international arena, specifically in Middle East and SE Asia will drive the company’s international business, however, in the immediate future, the focus will be on scaling up domestic business.



The e-commerce channel contributed 2.6% (vs ~0.8% in FY20) to BCCL's sales in FY21 which is quite low when compared to larger FMCG players. The company understands the importance of e-commerce channel for personal care products and has recently added head of e-commerce. The company had launched its first ecommerce exclusive product, Bajaj Zero Grey Hair Oil in December 2020 and is planning more e-commerce first launches to reach out directly to the audience. It aims to ramp-up its e-commerce channel to revenue of Rs. 100 Cr in next 3-4 years.



(Source: Company, HDFC Sec)

Financial Triggers

Expect ~11% CAGR revenue growth over FY21-24E

Post stellar run from FY10-15 where BCCL witnessed a topline growth of ~23% CAGR driven by increasing penetration and widening reach, the growth plummeted to ~3% CAGR over FY16-21 affected by liquidity crunch (caused by demonetisation, GST, etc) as it was highly dependent on wholesale channel in the past (>65% vs 36% currently), rural slowdown, lack of portfolio diversification or not ramping up international business/M&A. Promoters' high personal debt also meant company adopting conservative approach (cash preservation, high dividends), however, this has been resolved now.

With the series of structural changes undertaken by the company as discussed above, going ahead, we expect BCCL to grow at 11% CAGR over FY21-24E on the back of mid-high single digit growth driven by a) strengthening of distribution network through van coverage and increasing direct reach, b) scaling up of new launches (amla, coconut hair oil), c) filling the gaps in SKU composition.

RM inflation likely to have peaked, margins to stabilise going ahead

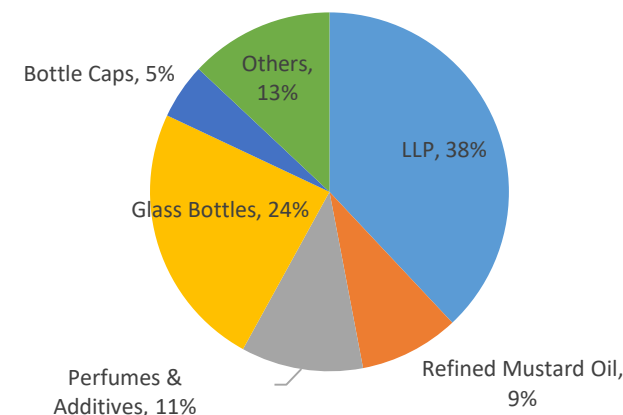
BCCL's gross margins are amongst the highest in industry which gives it an extra bandwidth to undertake brand investments. In recent past, we have witnessed an abnormal inflation in input costs which in our view has likely peaked. Light Liquid Paraffin (LLP), a derivate of crude



oil, is a key raw material for BCCL. Gross margins are likely to remain stable QoQ and should improve in H2FY22 if there are more price hikes or and with cooling in oil prices.



Breakdown of RM Costs (Q4FY21)

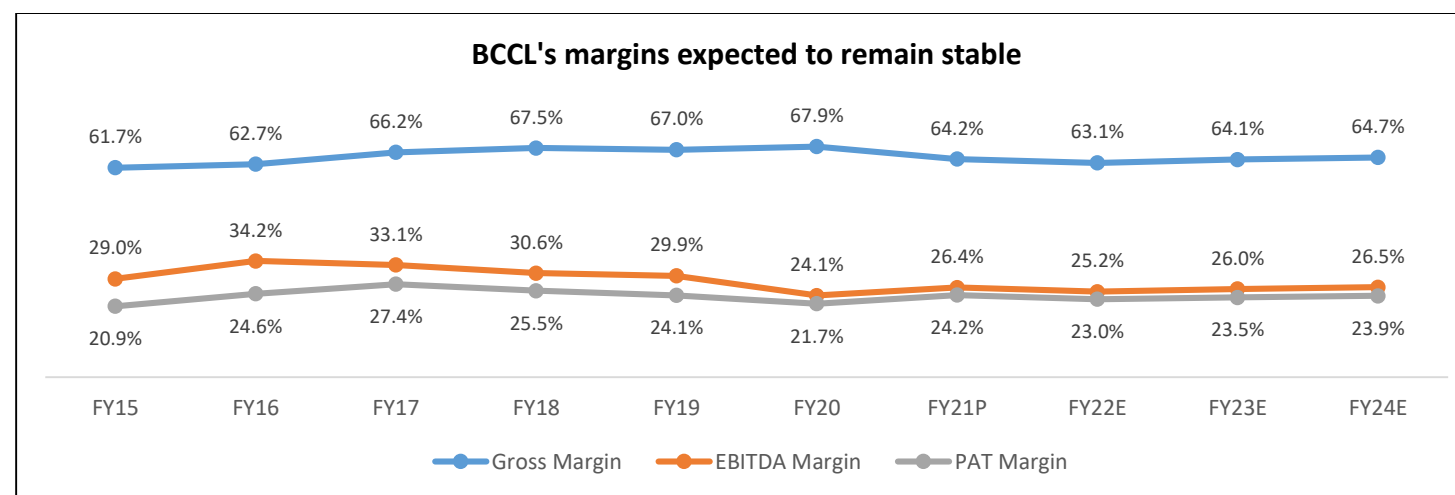
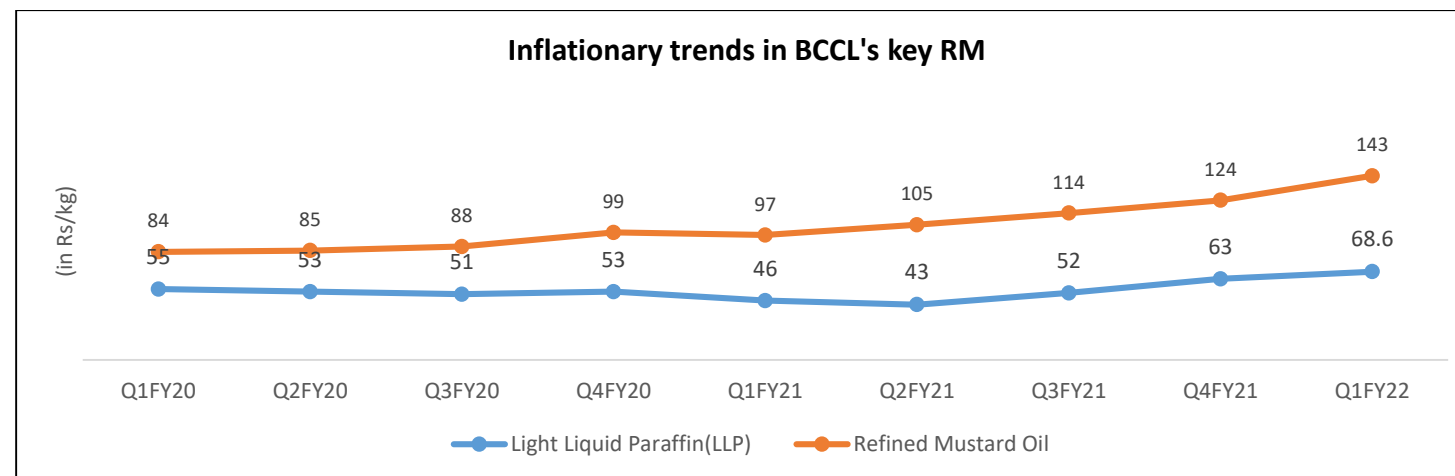


(Source: Company, HDFC Sec)

Historically the company has enjoyed 30%+ EBITDA margins, however, the management has given the guidance 25-26% EBITDA margins for next two years on the account of aggressive marketing spends to capture market share and rising contribution from new launches (have lower margins compared to ADHO). With Mr. Nandi at helm, by virtue of his rich experience with Asian Paints (arguably India's best supply chain), we expect improvement in efficiencies and subsequent cost reduction.

Already about 20 projects are being undertaken as cost-saving initiatives under the following heads to optimize material costs:

- **Value engineering:** Reduction of height and thickness of laminates; optimization of specifications of cartons (5 ply to 3 ply).
- **Cost optimization:** Increased production at Vadodara to cater to West/Central and South; localization of packing material supplies.
- **Alternate vendors/transportation:** Alternate vendor development for glass bottles/caps; use of rail to transport LLP and glass bottles.



(Source: Company, HDFC Sec)

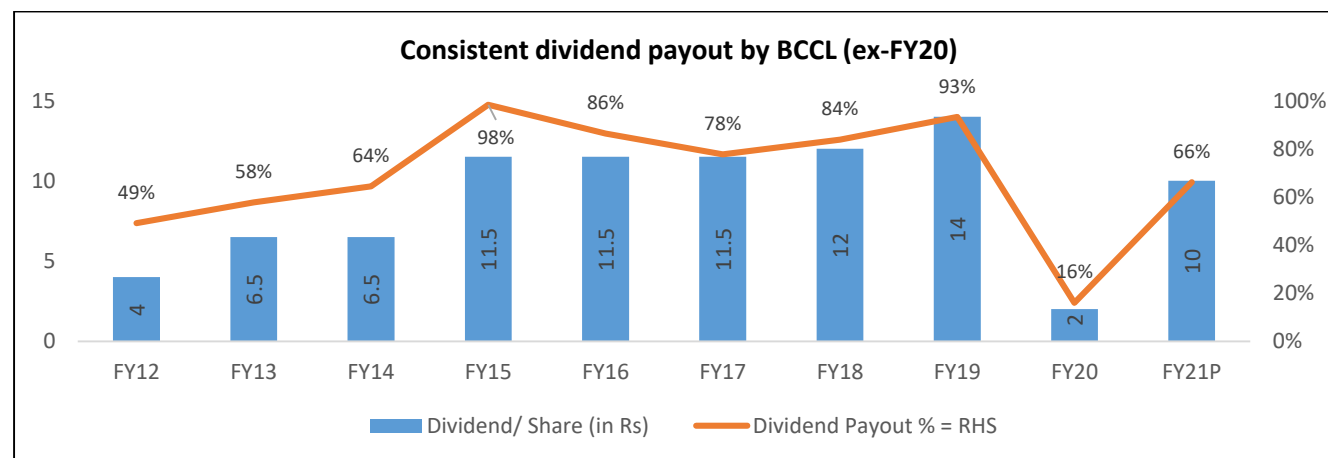
Strong balance sheet to support growth initiatives

BCCL's winning combination of a) being debt free, b) being cash rich and c) with negative working capital indicates the company is well financed with strong business model in place. The cash and cash Equivalents is exceptionally high (~67% of total assets). Despite low sales growth over FY16-21, it had generated a cumulative free cash flows worth ~Rs 1100 Cr and with better future outlook, this should only grow higher.



In our view, BCCL's capital allocation policy has been conservative. We like the restraint exercised by BCCL in staying-away from expensive buyouts, which reflects its respect for capital. Bajaj has so far acquired 'No Marks' brand way back in FY13-14. While the brand performance has been below expectations, we believe the company is using this acquisition as a learning experience. The management has guided that it is on lookout for M&A opportunities subject to reasonable valuations and higher post-merger synergies,

Consistent high dividend payout: BCCL has consistently maintained high dividend-payout (ex-FY20). While the payout has come down from 80-90% over FY15-19 to ~70%, the management has guided that it will continue to distribute 2/3rd of profits as dividend.



(Source: Company, HDFC Sec)

Pledge overhang resolved

BCCL is a part of Shishir Bajaj group which has business interest in sugar (Bajaj Hindusthan Sugar Ltd.), power infrastructure development (Bajaj Energy) besides consumer products. In order to fund its energy business, promoters had taken a debt which stood at Rs. 643 Cr as on September 2019 with promoter's pledge at 62.8% of its total shareholding. The promoters had sold ~22% stake in BCCL in the secondary market in October 2019 for Rs.700 Cr and have repaid the entire personal debt using the proceeds of the sale and with that, there are no more pledges on stock. Thus, after the stake sale, the promoter's shareholding has come down to 38% from 60% earlier with no pledges. However, the promoters have indicated of raising its holding to over 51% through creeping acquisition over a period of time. Also, the chairman, Mr Kushagra Bajaj, has assured that no further debt will be taken at the promoter group level and no more pledges on the stock will be done. With this, the overhang of promoter's pledge on the stock is completely over.



Key Risks

Overdependence on single product and single geography: Company draws 91.7% of total revenue from single product ADHO while 97.4% of revenue comes from single geography i.e. India. This exposes the company to concentration risk as any negative development or slowdown in the product/geography can have serious impact on company's topline.

Volatility in raw material prices: LLP which is almost 38% of total raw material cost for ADHO is a derivative of crude oil and its price fluctuate with the movement in crude oil. Domestically there are very limited number of players making LLP and thus command pricing power. Additionally, refined mustard oil (RMO) has also witnessed steep inflation in recent past. Sharp rise in RM prices may affect company's margins in near term.

Intensive competition: Hair oil market structure is unique as each segment has a clear market leader; Coconut oil (Marico), Amla (Dabur), Light Hair Oil (Bajaj Consumer), Cooling Oil (Emami) which shows sticky market leadership. However, each player has a presence in other segment and is keen to increase to increase its respective market share which could result into unwarranted competition.

About the company

Bajaj Consumer Care Ltd (BCCL), formerly known as Bajaj Corp Ltd., incorporated in the year 2006, is one of India's leading manufacturers of a wide range of hair care products. The company is part of the Shishir Bajaj Group of companies (the "Bajaj Group"), which operates businesses in the consumer goods, sugar, power generation, and infrastructure development industries. The company's principal product is Almond Drops hair oil, which is the market leader with over 64% share in the Light hair oil market. In August 2013, BCCL acquired Nomarks, the second largest brand in the anti-blemish category, for Rs1.4bn. Company has eight production facilities including third party operations to cover manufacturing footprints across India. Broadly, Hair oil & skin care products are manufactured at factories situated in Himachal Pradesh, Uttarakhand & Guwahati regions. Out of eight manufacturing facilities, one unit is located at Paonta sahib, 2 units in Baddi, one in Vadodara, three in Uttarakhand & one in Guwahati for manufacturing of all variants of hair oils, Skin Care and oral care products. Despite being a late entrant and single product company, it has created a large distribution network with total reach of 4.2 mn retail outlets.

Peer Comparison

Company	Mcap (Rs. Cr)	Sales (Rs. Cr)				EBITDA Margin				APAT			
		FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E
BCCL	3806	922	1018	1133	1257	18.7%	5.4%	14.8%	13.1%	223	234	266	301
Dabur	115608	9562	10843	11923	13232	20.9%	21.4%	22.0%	22.4%	1693	1919	2152	2443
Marico	72357	8048	9584	10375	11342	19.7%	19.1%	20.6%	21.1%	1162	1309	1560	1761
Emami Ltd.	25839	2880	3274	3586	3927	30.7%	30.0%	30.1%	30.7%	668	740	814	935



Bajaj Consumer Care Ltd.

Company	ROCE (%)				P/E (x)			
	FY21	FY22E	FY23E	FY24E	FY21	FY22E	FY23E	FY24E
BCCL	37.9	35.6	36.8	37.7	17	16	14	13
Dabur	44.3	51.3	55.2	61.9	68	60	54	47
Marico	55.2	66.3	71.9	79.2	62	55	46	41
Emami	34.7	48.1	60.3	66.2	39	35	32	28

(Source: Company, HDFC Sec)

Financials – Consolidated Income Statement

(Rs cr)	FY19	FY20	FY21P	FY22E	FY23E	FY24E
Total Operating Income	918	852	922	1018	1133	1257
Growth (%)	10.9	-7.2	8.2	10.5	11.3	11.0
Operating Expenses	644.1	647.1	678.4	761.7	838.3	924.0
EBITDA	274	205	243	257	295	333
Growth (%)	8.1	-25.2	18.7	5.4	14.8	13.1
EBITDA Margin (%)	29.9	24.1	26.4	25.2	26.0	26.5
Depreciation	7.1	5.8	6.3	6.0	6.2	6.6
Other Income	17.0	29.9	34.5	33.6	35.1	39.0
EBIT	284.3	229.2	271.7	284.2	323.4	365.5
Interest expenses	1.2	4.3	1.4	0.5	0.5	0.6
PBT	283.2	225.0	270.4	283.7	322.9	364.9
Tax	61.6	40.2	47.2	49.6	56.5	63.9
PAT	222	185	223	234	266	301
Share of Asso./Minority Int.	0.0	0.0	0.0	0.0	0.0	0.0
Adj. PAT	221.6	184.8	223.1	234.1	266.4	301.1
Growth (%)	5.0	-16.6	20.8	4.9	13.8	13.0
EPS	15.0	12.5	15.1	15.9	18.1	20.4

Balance Sheet

As at March	FY19	FY20	FY21P	FY22E	FY23E	FY24E
SOURCE OF FUNDS						
Share Capital	15	15	15	15	15	15
Reserves	453	638	742	814	904	998
Shareholders' Funds	467	653	757	829	918	1013
Minority Interest	0	0	0	0	0	0
Total Debt	25	20	5	5	5	5
Net Deferred Taxes	0	0	0	0	0	0
Total Sources of Funds	493	673	762	834	923	1018
APPLICATION OF FUNDS						
Net Block & Goodwill	154	153	149	148	146	153
CWIP	22	24	25	25	25	25
Investments	251	446	585	585	585	585
Other Non-Curr. Assets	3	4	4	4	5	5
Total Non-Current Assets	430	628	762	761	761	768
Inventories	61	63	43	63	69	71
Debtors	37	26	22	32	32	35
Cash & Equivalents	14	13	10	48	142	236
Other Current Assets	62	85	56	78	90	91
Total Current Assets	174	187	132	221	334	434
Creditors	72	81	69	86	95	101
Other Current Liab & Provisions	40	60	63	62	75	82
Total Current Liabilities	113	141	132	148	171	183
Net Current Assets	62	45	0	73	163	251
Total Application of Funds	492	673	762	834	924	1018

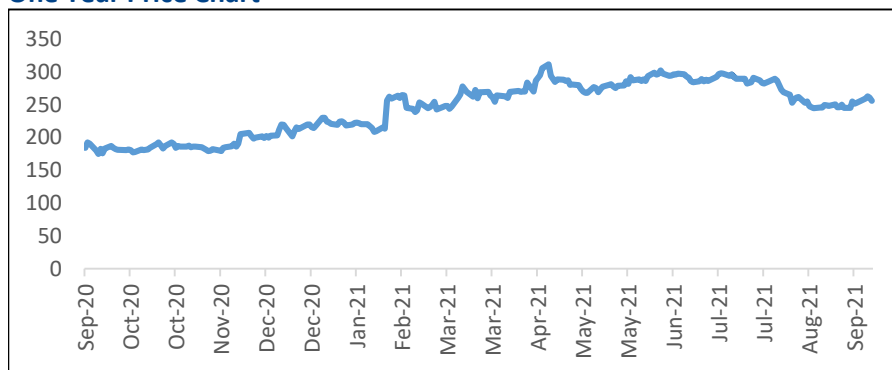


Bajaj Consumer Care Ltd.

Cash Flow Statement

(Rs Cr)	FY19	FY20	FY21P	FY22E	FY23E	FY24E
Reported PBT	283.2	225.0	270.4	283.7	322.9	364.9
Non-operating & EO items	9.0	-0.3	-3.8	-0.3	-0.5	-0.5
Interest Expenses	-22.2	-24.3	-31.2	0.5	0.5	0.6
Depreciation	7.1	5.8	6.3	6.0	6.2	6.6
Working Capital Change	-39.4	20.6	41.1	-34.7	4.6	6.2
Tax Paid	-61.4	-47.8	-45.6	-49.6	-56.5	-63.9
OPERATING CASH FLOW (a)	176.4	179.0	237.1	205.6	277.2	314.0
Capex	-9.8	-5.8	-2.4	-5.0	-5.0	-13.0
Free Cash Flow	166.6	173.3	234.7	200.6	272.2	301.0
Investments	49.1	-194.4	-136.6	0.0	0.0	0.0
Non-operating income	28.9	27.1	32.7	0.0	0.0	0.0
INVESTING CASH FLOW (b)	68.2	-173.0	-106.3	-5.0	-5.0	-13.0
Debt Issuance / (Repaid)	11.5	-5.0	-15.0	0.0	0.0	0.0
Interest Expenses	-1.0	-4.1	-1.2	-0.5	-0.5	-0.6
FCFE	255.1	-3.1	114.7	200.1	271.7	300.4
Share Capital Issuance	0.0	0.0	0.0	0.0	0.0	0.0
Dividend	-206.5	0.0	-118.0	-162.3	-177.0	-206.5
FINANCING CASH FLOW (c)	-196.0	-9.1	-134.2	-162.8	-177.5	-207.1
NET CASH FLOW (a+b+c)	48.6	-3.1	-3.4	37.9	94.7	93.9
Opening balance of cash	14.3	63.0	59.9	56.5	94.4	189.1
Closing balance of cash	63.0	59.9	56.5	94.4	189.1	283.0

One Year Price Chart



Key Ratios

(Rs Cr)	FY19	FY20	FY21P	FY22E	FY23E	FY24E
Profitability Ratios (%)						
EBITDA Margin	29.9	24.1	26.4	25.2	26.0	26.5
EBIT Margin	31.0	26.9	29.5	27.9	28.6	29.1
APAT Margin	24.1	21.7	24.2	23.0	23.5	23.9
RoE	46.2	33.0	31.6	29.5	30.5	31.2
RoCE	57.0	39.3	37.9	35.6	36.8	37.7
Solvency Ratio (x)						
Net Debt/EBITDA	0.0	0.0	0.0	-0.2	-0.5	-0.7
Net D/E	0.0	0.0	0.0	-0.1	-0.1	-0.2
PER SHARE DATA (Rs)						
EPS	15.0	12.5	15.1	15.9	18.1	20.4
CEPS	15.5	12.9	15.6	16.3	18.5	20.9
BV	31.7	44.3	51.3	56.2	62.3	68.7
Dividend	14.0	2.0	10.0	11.0	12.0	14.0
Turnover Ratios (days)						
Debtor days	13.9	13.5	9.5	9.8	10.4	9.9
Inventory days	21.4	26.5	21.0	19.1	21.4	20.4
Creditors days	27.9	32.9	29.7	27.8	29.3	28.6
VALUATION						
P/E	17.2	20.6	17.1	16.3	14.3	12.6
P/BV	8.1	5.8	5.0	4.6	4.1	3.8
EV/EBITDA	13.0	16.4	13.2	12.4	10.5	9.0
EV / Revenues	3.9	4.0	3.5	3.1	2.7	2.4
Dividend Yield (%)	5.4	0.8	3.9	4.3	4.7	5.4
Dividend Payout	93.2	16.0	66.1	69.3	66.4	68.6

(Source: Company, HDFC Sec)



HDFC Sec Retail Research Rating description

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This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. This stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

Yellow Rating stocks

This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions. These stocks have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

Red Rating stocks

This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicity of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.

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