

ACCUMULATE

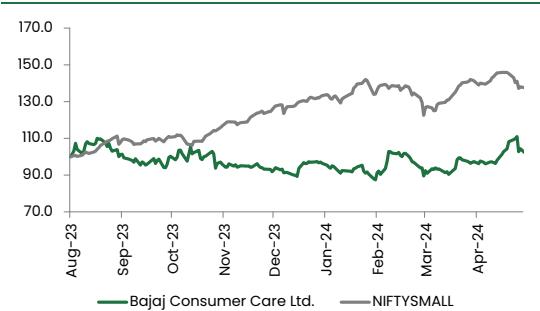
CMP (Rs)	269
Target Price (Rs)	299
Potential Upside	11.1%
Sensex	79,982
Nifty	24,438

Key Stock data	
BSE Code	533229
NSE Code	BAJAJCON
Bloomberg	BAJAJCON:IN
Shares o/s, Cr (FV1)	14.3
Market Cap (Rs Cr)	3,761
3M Avg Volume	6,99,419
52 week H/L	287/200

Shareholding Pattern

(%)	Dec-23	Mar-24	Jun-24
Promoter	39.4	39.3	39.3
FII	14.4	14.1	14.2
DII	17.2	17.5	17.5
Others	29.1	29.1	29.1

1 year relative price performance



1 year Forward P/E (x)



Research Analyst

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Muted Q1FY25 however recovery expected ahead

Q1FY25 Result Update | Sector: I FMCG | August 12, 2024

Muted Topline: Bajaj Consumer's Q1FY25 revenue declined by 9% YoY, but grew sequentially by 2.5% to Rs 245 crore, with a 3% uptick in both volume and value. The management attributed the annual decline to a high base from the previous year and a one-time correction in the top-end wholesale segment. However, they are optimistic about achieving double-digit growth moving forward, driven by volume increases and a focus on both Almond and non-Almond portfolios.

EBITDA Margin continues to remain subdued: Bajaj Consumer's gross profits decreased by 7.9% compared to the previous year but saw a 3.5% improvement sequentially, reaching Rs 137.9 crore. The company concentrated on safeguarding its gross margins, which led to an increase of 64bps on an annual basis and 54 bps sequentially. Even though the company reduced its spending on advertisements and promotional activities, EBITDA saw a significant decline of 23.4% YoY, though it managed a modest sequential increase of 2.2%, bringing it to Rs 36.6 crore. EBITDA margins remained stable on a sequential basis but experienced a 280 bps decline YoY. This decline in EBITDA was primarily due to rising employee costs, increased other expenses, and sluggish topline growth. Additionally, the company is facing increased competitive pressure from its peers, which is affecting margins. Despite these challenges, management remains optimistic about achieving healthier EBITDA margins of 16%-18% in the medium term.

Key highlights:

- They have done a planned one time correction in wholesale channel, where discounts were rationalized to reduce dependence on topend wholesalers, which temporary impacted their sales for the quarter, while management believes this hygiene correction will bring rationalization in markets as it will reduce the inventory levels at wholesale level and simultaneously help improve the rates overtime.
- In the international market, the company continues to strengthen its presence in the Middle East, South East and other exports markets.
- In international business they are seeing good traction and they expect to grow in double digits in this year. For them, ROW exports grew 43% YoY as well as 55% QoQ with key markets like USA, Malaysia, Canada performing well. Nepal registered a growth of 76% YoY driven by outlet expansion and infrastructure improvement.
- In coconut oil segment, they had taken two price increases during the quarter to offset inflation in copra prices.
- They have significantly diversified their product portfolio to non-adho products, it now contribute around 18% of the total revenue. And going forward in next five their plan is to scale non-adho business upto 40% of total sales.
- Cost optimization measures are well on track, these measures have led to 1.5 cr saving for the quarter.
- Quick Commerce channels like Instamart, Zepto and Blinkit grew by 83% in the year.
- Overall management expects growth to be in double digit growth and volume will be higher as the plan is to diversify the portfolio. Also, margins are to be maintained around 16-18%.

Outlook and Valuation: Bajaj Consumer reported Q1FY25 results that fell short of expectations due to muted volumes and subdued margins. However, the management's outlook appears positive, with plans for innovation, brand expansion in both the Almond and non-Almond portfolios, increased distribution reach, and a focus on targeting youth and modern trade channels, all of which are expected to drive overall growth. We expect revenue/ EBITDA to improve by 10.2%/16% CAGR over FY24-FY26E and revise our rating to **Accumulate** with the target price of **Rs 299**.

Financial Summary – consolidated

Particulars, Rs cr	FY23	FY24	FY25E	FY26E
Net revenue	960.9	984.1	1,082.5	1,196.2
EBITDA	142.5	157.5	173.2	211.7
EBITDAM (%)	14.8	16.0	16.0	17.7
APAT	139.3	156.5	171.1	208.4
APATM (%)	14.5	15.9	15.8	17.4
EPS (Rs)	9.7	11.0	12.0	14.6
PE (x)	27.6	24.6	22.5	18.4
RoE (%)	17.6	18.8	19.3	21.2

Source : RBL Research

Sequentially sales saw a marginal uptick

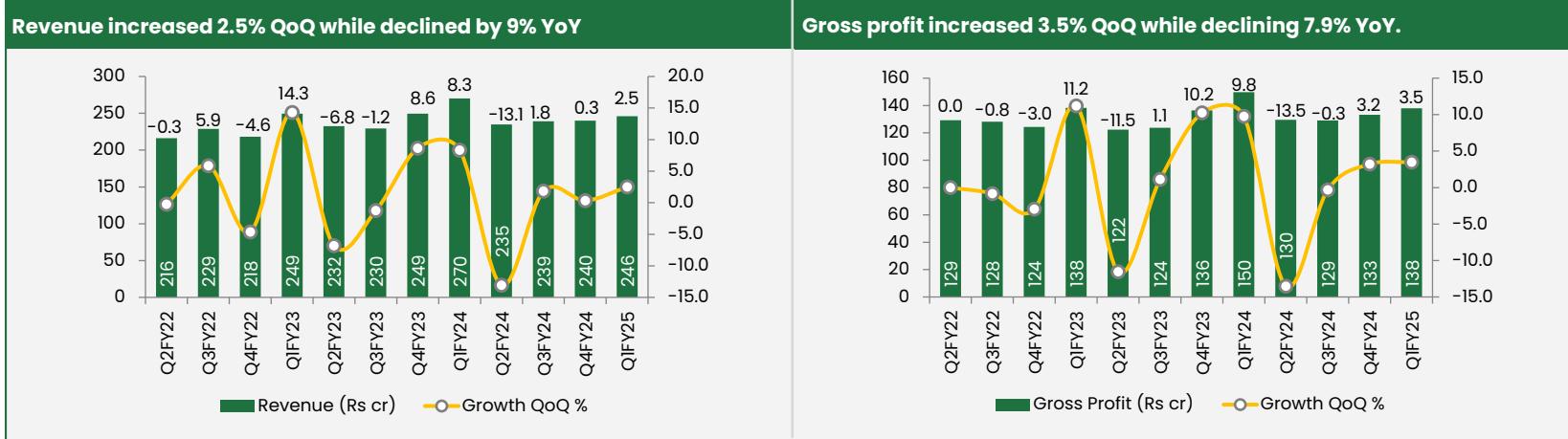
High Employee cost and other expenses keeps EBITDA margins subdued

P&L Account Quarterly - consolidated

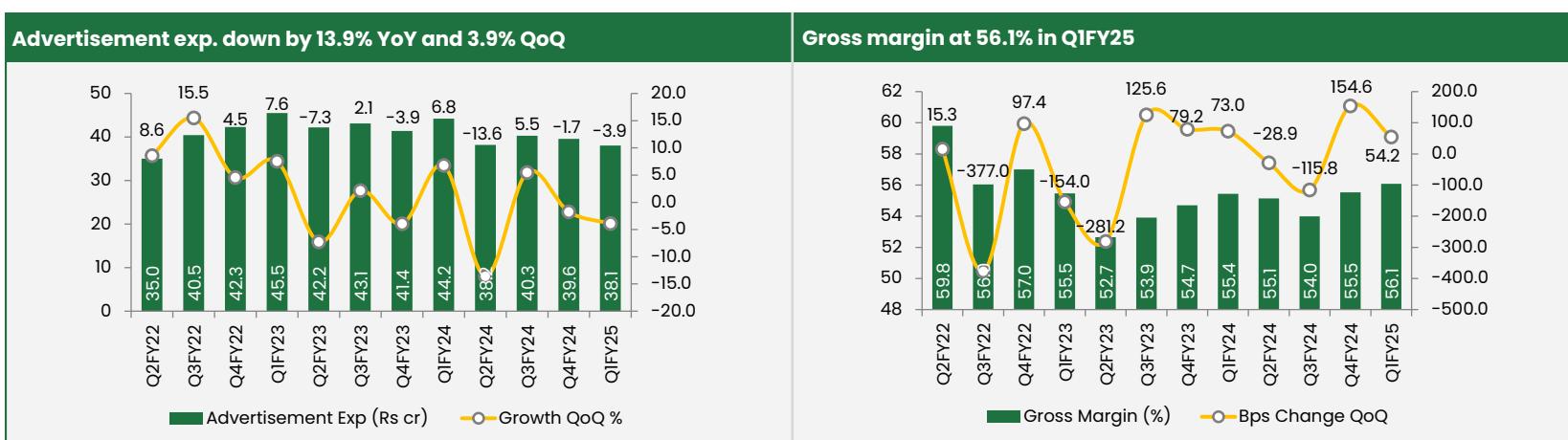
Particulars, Rs cr	Q1FY25	Q1FY24	Y-o-Y (%)	Q4FY24	Q-o-Q (%)
Net Sales	245.9	270.2	(9.0)	240.0	2.5
Cost of Raw Materials	60.8	73.6	(17.4)	60.7	0.2
Purchase of Finished Goods	45.6	48.4	(5.9)	46.3	(1.5)
(Increase) / Decrease In Stocks	1.6	(1.7)	-	(0.3)	-
Total Raw material cost	108.0	120.4	(10.3)	106.7	1.2
Gross Profit	137.9	149.8	(7.9)	133.3	3.5
Gross Margins %	56.1	55.4	64bps	55.5	54bps
Employee Cost	28.2	25.7	9.9	26.1	8.0
Advertisement exp.	38.1	44.2	(13.9)	39.6	(3.9)
Other Expense	35.0	32.1	9.1	31.7	10.5
Total Expenditure	209.3	222.4	(5.9)	204.1	2.5
EBITDA	36.6	47.8	(23.4)	35.8	2.2
EBITDA Margins (%)	14.9	17.7	-280bps	14.9	-4bps
Depreciation	2.3	2.3	0.3	2.6	(10.7)
EBIT	34.3	45.5	(24.6)	33.2	3.2
Other Income	11.0	10.6	4.1	11.7	(5.7)
Interest	0.2	0.3	(44.3)	0.2	(26.4)
PBT	45.1	55.7	(19.0)	44.7	1.0
Shares of profits	-	-	-	-	-
PBT	45.1	55.7	(19.0)	44.7	1.0
Tax	8.0	9.6	(16.4)	8.0	0.6
PAT	37.1	46.2	(19.6)	36.7	1.1
PAT Margin (%)	15.1	17.1	-199bps	15.3	-20bps
EPS (Rs)	2.5	3.1	(19.6)	2.5	1.1

Source : RBL Research

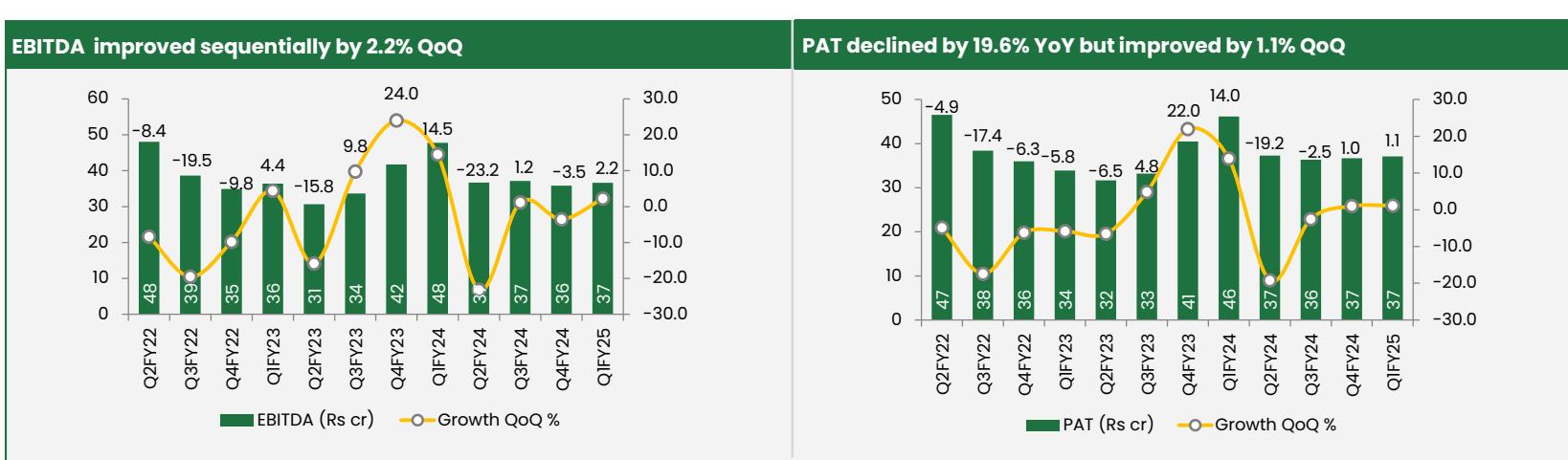
Story in charts



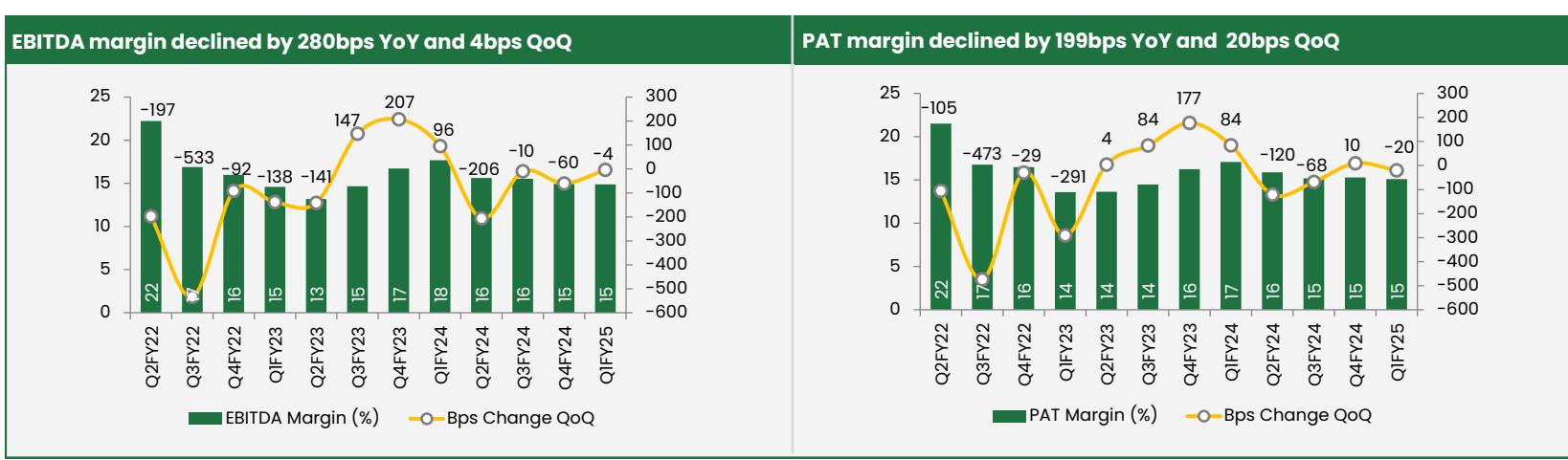
Source : RBL Research



Source : RBL Research



Source : RBL Research



Source : RBL Research

P&L Account - consolidated

Particulars, Rs cr	FY23	FY24	FY25E	FY26E
Net sales	960.9	984.1	1,082.5	1,196.2
Expenditure				
Cost of materials	252.5	250.0	281.5	295.5
Purchase of stock in trade	184.8	198.7	205.7	227.3
(Increase) / Decrease In Stocks	2.6	(6.2)	1.1	1.2
Total raw materials	439.9	442.5	488.2	523.9
Gross Profit	521.0	541.6	594.3	672.3
Employee cost	89.2	101.2	108.3	119.6
Advertisements cost	172.2	162.3	178.6	197.4
Other expenses	117.1	120.7	134.2	143.5
Total expenditure	818.4	826.7	909.3	984.5
EBITDA	142.5	157.5	173.2	211.7
EBITDAM (%)	14.8	16.0	16.0	17.7
Depreciation	8.5	9.9	10.8	12.0
EBIT	134.0	147.6	162.4	199.8
Other income	37.1	44.7	46.0	53.8
Interest expenses	1.0	1.0	1.0	1.0
PBT	170.1	191.2	207.4	252.6
Tax	29.6	33.6	36.3	44.2
Reported PAT	140.5	157.6	171.1	208.4
Exceptional Income / Expenses	-1.2	-1.1	0.0	0.0
PAT (after Exceptional)	139.3	156.5	171.1	208.4
PAT Margin %	14.5	15.9	15.8	17.4
EPS (Rs)	9.7	11.0	12.0	14.6

Source : RBL Research

Balance Sheet - consolidated

Particulars, Rs cr	FY23	FY24	FY25E	FY26E
Share Capital	14.3	14.3	14.3	14.3
Reserves & Surplus	772.8	816.3	873.2	967.3
Total Shareholder's Fund	789.7	830.6	887.4	981.6
Deferred tax liabilities	(0.3)	0.1	0.1	0.1
Long term provision	3.8	4.8	5.3	5.9
Other long term liabilities	6.1	4.0	4.4	4.8
Total	9.6	8.9	9.8	10.8
Current Liabilities				
Trade payables	45.0	40.2	44.2	48.8
Short term provisions	2.0	3.2	3.5	3.8
Other current liabilities	77.8	100.7	110.8	122.5
Total	124.8	144.1	158.5	175.1
Total liabilities	924.2	983.6	1,055.7	1,167.6
Application of Assets				
Net Block	160.5	158.4	166.3	174.6
Current work in process	27.7	27.8	27.8	27.8
Long term loans and advances	4.0	-	-	-
Other non-current assets	0.7	5.0	5.5	6.1
Total	192.8	191.8	200.3	209.2
Current Assets				
Current investments	575.0	585.6	649.5	717.7
Inventories	51.3	56.2	61.8	68.3
Trade receivables	30.4	44.0	48.4	53.5
Cash & Bank balance	19.1	44.3	28.0	44.0
Short term loans and advances	-	-	-	-
Other current assets	55.5	61.6	67.7	74.8
Total	731.4	791.7	855.5	958.4
Total assets	924.2	983.5	1,055.8	1,167.6

Source : RBL Research

Cashflow - consolidated

Particulars, Rs cr	FY23	FY24	FY25E	FY26E
Profit before tax	168.8	189.0	207.4	252.6
Add: Depreciation	8.5	9.9	10.8	12.0
Add: Interest cost	0.8	0.9	1.0	1.0
Less: Interest Rec.	(37.8)	(44.7)	(46.0)	(53.8)
Others	2.4	1.0	1.0	-
Operating profit before working capital changes	142.8	156.2	174.2	211.7
Changes in working capital	(11.7)	(6.0)	(1.4)	(1.7)
Cash from Operations	131.0	150.2	172.8	210.1
Less: Taxes	(29.6)	(33.9)	(36.3)	(44.2)
Cash flow from Operations	101.5	116.3	136.5	165.9
Net cash used in Investing				
Purchase of fixed assets	(6.4)	(4.8)	(18.7)	(20.2)
Purchase of investments	(2.1)	(6.5)	(63.9)	(68.2)
Sales of fixed assets	0.4	-	-	-
Sales of investments	34.9	-	-	-
Other Income	37.8	40.5	46.0	53.8
Others	0.1	(16.5)	-	-
Cash flow from investing	64.6	12.6	(36.6)	(34.6)
Cash flow from Financing				
Proceeds from Equity shares	(100.2)	(0.6)	-	-
Dividend (Incl dividend tax)	(59.0)	(114.1)	(114.2)	(114.2)
Interest cost	(0.1)	(0.0)	(1.0)	(1.0)
Others	(3.3)	(5.1)	-	-
Cash flow from Financing	(162.6)	(119.8)	(115.2)	(115.2)
Net cash Inflow/Outflow	3.5	9.1	(15.3)	16.0
Opening cash	11.5	13.9	22.7	7.3
Closing Cash & Bank	19.1	44.3	28.0	44.0

Source : RBL Research

Key ratios - consolidated

Particulars	FY23	FY24	FY25E	FY26E
Per share Data				
EPS (Rs)	9.7	11.0	12.0	14.6
Book value per share (Rs)	55.2	58.2	62.1	68.7
Dividend per share (Rs)	4.1	8.0	8.0	8.0
Dividend Payout %	42.4	72.9	66.8	54.8
Dividend Yield %	1.5	3.0	3.0	3.0
Profitability Ratios				
EBITDAM(%)	14.8	16.0	16.0	17.7
PBTM (%)	17.7	19.4	19.2	21.1
NPM (%)	14.5	15.9	15.8	17.4
RoE (%)	17.6	18.8	19.3	21.2
RoCE (%)	17.0	17.8	18.3	20.4
Efficiency Data				
Debt-Equity Ratio	0.0	0.0	0.0	0.0
Interest Cover Ratio	137.6	147.6	162.4	199.8
Fixed Asset Ratio	0.2	0.2	0.2	0.1
Debtors (Days)	11.6	16.3	16.3	16.3
Inventory (Days)	19.5	20.8	20.8	20.8
Payable (Days)	17.1	14.9	14.9	14.9
WC (Days)	13.9	22.3	22.3	22.3
Valuation				
P/E (x)	27.6	24.6	22.5	18.4
P/BV	4.9	4.6	4.3	3.9
EV/EBITDA	26.9	24.3	22.2	18.0
EV/Sales	4.0	3.9	3.5	3.2

Source : RBL Research

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Rating Methodology

Ratings	Upside
Buy	More than 15%
Accumulate	5% - 15%
Hold	0% - 5%
Sell	Below 0%

Note: RBL Investment ratings (All ratings based on absolute return; All ratings and target price refers to 12 month performance horizon, unless mentioned otherwise).

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S. No.	Statement	Answer	
	Tick appropriate		
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	I/we or any of my/our relatives, have actual/beneficial ownership of one per cent. or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance?		No
	I / we or any of my/our relative, has any other material conflict of interest at the time of publication of the research report or at the time of public appearance?		No
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SS.No.	Name(s) of RA.	Signatures of RA	Serial Question of question which the signing RA needs to make a separate declaration / answer	Yes	No.

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