

**Muted Q1FY25 however recovery expected ahead**

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

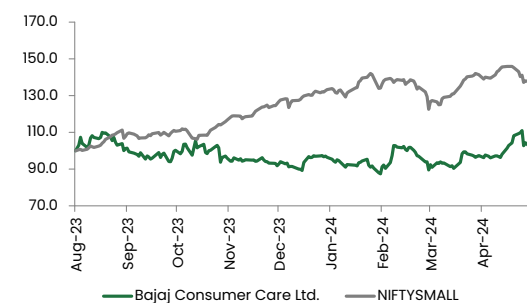
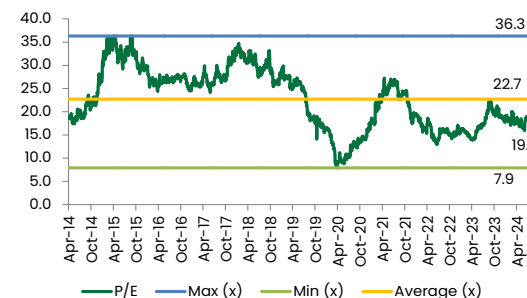
**ACCUMULATE**

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

Key Stock data	
<b>BSE Code</b>	533229
<b>NSE Code</b>	BAJAJCON
<b>Bloomberg</b>	BAJAJCON:IN
<b>Shares o/s, Cr (FV 1)</b>	14.3
<b>Market Cap (Rs Cr)</b>	3,761
<b>3M Avg Volume</b>	6,99,419
<b>52 week H/L</b>	287/200

**Shareholding Pattern**

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

**1 year relative price performance**

**1 year Forward P/E (x)**

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**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

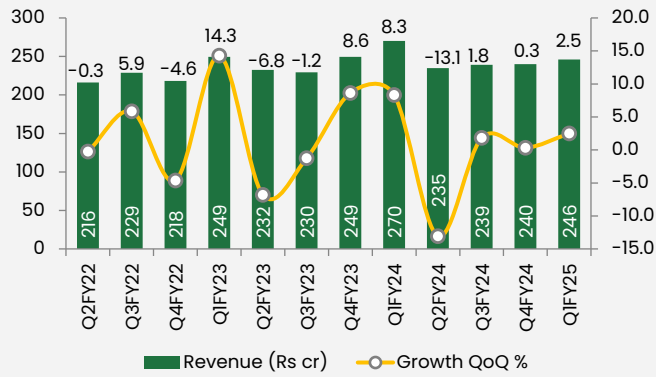
#### P&L Account Quarterly – consolidated

Particulars, Rs cr	Q1FY25	Q1FY24	Y-o-Y (%)	Q4FY24	Q-o-Q (%)
<b>Net Sales</b>	<b>245.9</b>	<b>270.2</b>	<b>(9.0)</b>	<b>240.0</b>	<b>2.5</b>
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)	-
<b>Total Raw material cost</b>	<b>108.0</b>	<b>120.4</b>	<b>(10.3)</b>	<b>106.7</b>	<b>1.2</b>
<b>Gross Profit</b>	<b>137.9</b>	<b>149.8</b>	<b>(7.9)</b>	<b>133.3</b>	<b>3.5</b>
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
<b>Total Expenditure</b>	<b>209.3</b>	<b>222.4</b>	<b>(5.9)</b>	<b>204.1</b>	<b>2.5</b>
<b>EBITDA</b>	<b>36.6</b>	<b>47.8</b>	<b>(23.4)</b>	<b>35.8</b>	<b>2.2</b>
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
<b>PAT</b>	<b>37.1</b>	<b>46.2</b>	<b>(19.6)</b>	<b>36.7</b>	<b>1.1</b>
PAT Margin (%)	15.1	17.1	-199bps	15.3	-20bps
EPS (Rs)	2.5	3.1	(19.6)	2.5	1.1

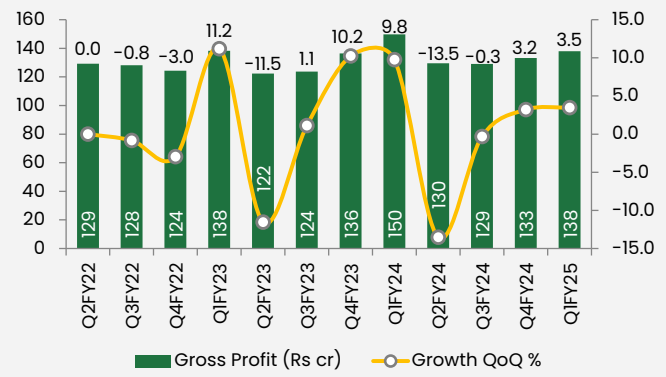
Source : RBL Research

### Story in charts

#### Revenue increased 2.5% QoQ while declined by 9% YoY

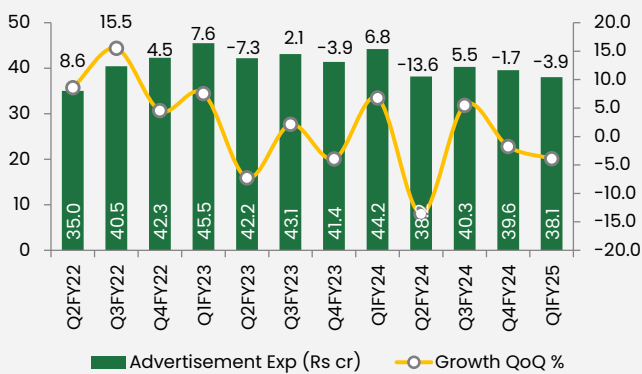


#### Gross profit increased 3.5% QoQ while declining 7.9% YoY.

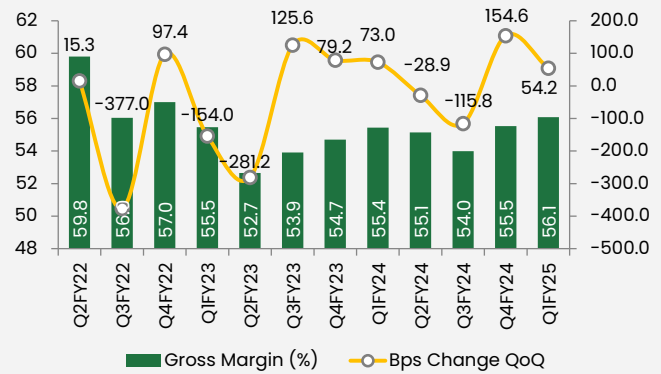


Source : RBL Research

#### Advertisement exp. down by 13.9% YoY and 3.9% QoQ

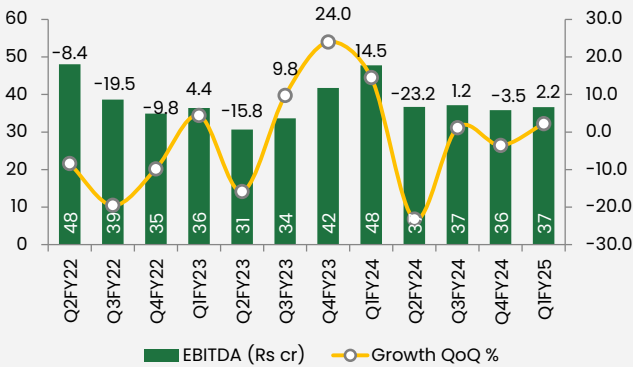


#### Gross margin at 56.1% in Q1FY25

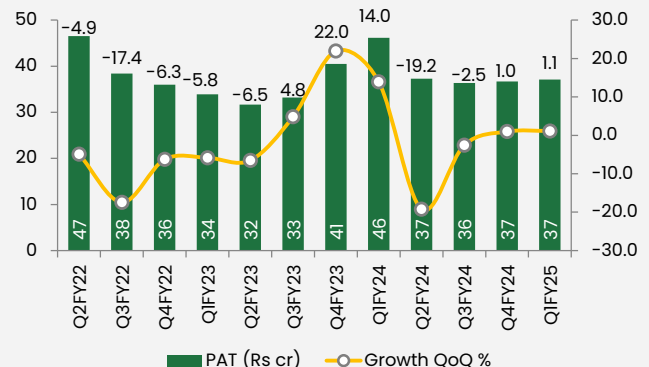


Source : RBL Research

#### EBITDA improved sequentially by 2.2% QoQ

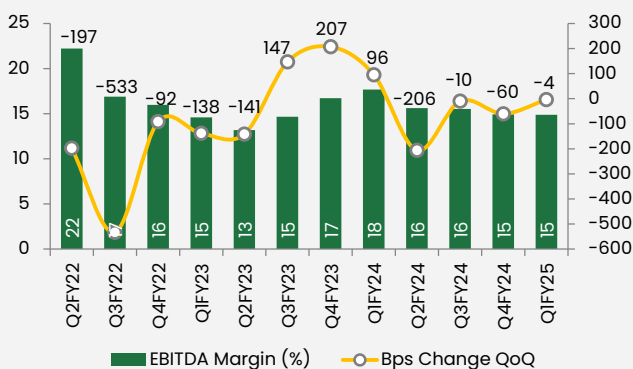


#### PAT declined by 19.6% YoY but improved by 1.1% QoQ

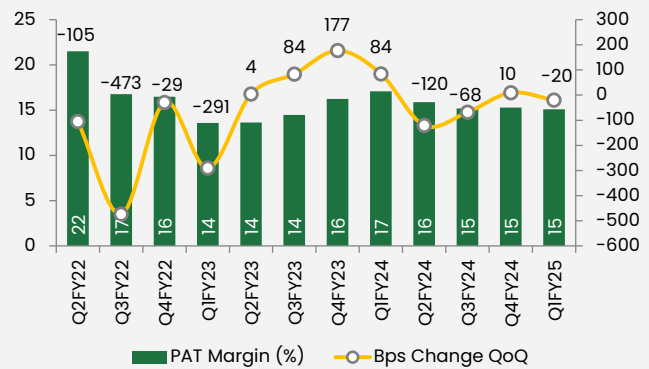


Source : RBL Research

#### EBITDA margin declined by 280bps YoY and 4bps QoQ



#### PAT margin declined by 199bps YoY and 20bps QoQ



Source : RBL Research

## P&amp;L Account – consolidated

Particulars, Rs cr	FY23	FY24	FY25E	FY26E
<b>Net sales</b>	<b>960.9</b>	<b>984.1</b>	<b>1,082.5</b>	<b>1,196.2</b>
<b>Expenditure</b>				
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
<b>Total raw materials</b>	<b>439.9</b>	<b>442.5</b>	<b>488.2</b>	<b>523.9</b>
<b>Gross Profit</b>	<b>521.0</b>	<b>541.6</b>	<b>594.3</b>	<b>672.3</b>
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
<b>Total expenditure</b>	<b>818.4</b>	<b>826.7</b>	<b>909.3</b>	<b>984.5</b>
<b>EBITDA</b>	<b>142.5</b>	<b>157.5</b>	<b>173.2</b>	<b>211.7</b>
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
<b>PAT (after Exceptional)</b>	<b>139.3</b>	<b>156.5</b>	<b>171.1</b>	<b>208.4</b>
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
<b>Total Shareholder's Fund</b>	<b>789.7</b>	<b>830.6</b>	<b>887.4</b>	<b>981.6</b>
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
<b>Total</b>	<b>9.6</b>	<b>8.9</b>	<b>9.8</b>	<b>10.8</b>
<b>Current Liabilities</b>				
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
<b>Total</b>	<b>124.8</b>	<b>144.1</b>	<b>158.5</b>	<b>175.1</b>
<b>Total liabilities</b>	<b>924.2</b>	<b>983.6</b>	<b>1,055.7</b>	<b>1,167.6</b>
<b>Application of Assets</b>				
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
<b>Total</b>	<b>192.8</b>	<b>191.8</b>	<b>200.3</b>	<b>209.2</b>
<b>Current Assets</b>				
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
<b>Total</b>	<b>731.4</b>	<b>791.7</b>	<b>855.5</b>	<b>958.4</b>
<b>Total assets</b>	<b>924.2</b>	<b>983.5</b>	<b>1,055.8</b>	<b>1,167.6</b>

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)
<b>Cash flow from Operations</b>	<b>101.5</b>	<b>116.3</b>	<b>136.5</b>	<b>165.9</b>
<b>Net cash used in Investing</b>				
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)	-	-
<b>Cash flow from investing</b>	<b>64.6</b>	<b>12.6</b>	<b>(36.6)</b>	<b>(34.6)</b>
<b>Cash flow from Financing</b>				
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)	-	-
<b>Cash flow from Financing</b>	<b>(162.6)</b>	<b>(119.8)</b>	<b>(115.2)</b>	<b>(115.2)</b>
<b>Net cash Inflow/Outflow</b>	<b>3.5</b>	<b>9.1</b>	<b>(15.3)</b>	<b>16.0</b>
Opening cash	11.5	13.9	22.7	7.3
<b>Closing Cash &amp; Bank</b>	<b>19.1</b>	<b>44.3</b>	<b>28.0</b>	<b>44.0</b>

Source : RBL Research

**Key ratios – consolidated**

Particulars	FY23	FY24	FY25E	FY26E
<b>Per share Data</b>				
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
<b>Profitability Ratios</b>				
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
<b>Efficiency Data</b>				
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
<b>Valuation</b>				
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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		Tick appropriate	
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	I/we have managed or co-managed public offering of securities for the subject company in the past twelve months?		No
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Name(s) with Signature(s) of RA(s).

[Please note that only in case of multiple RAs and if the answers differ inter-se between the RAs, then RA specific answer with respect to

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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