

Bajaj Consumer Care (BAJAJCON)

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CMP (Rs)	Target Price (Rs)	Potential Upside (%)	52 Week H/L (Rs)	Mkt Cap (Rs mn)
330	410	24.2%	474 / 308	48660

Key Highlights:

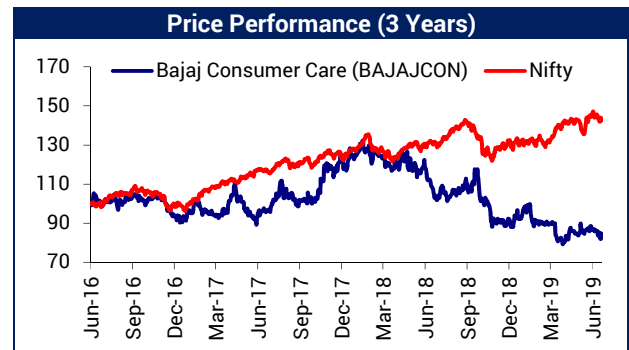
- BAJAJCON suggested return of focus to the one area the company has been successful in – growing share in the hair oil space.
- Company desire by 2024, doubling share in the total hair oils category to 20% from the current 10%, it replaces Vision 2020 (diversifying beyond hair oils) as the core strategic thrust. The pivot is an aggressive one – it targets a share gain of nearly 1,000 bps in the hair oil category in the next 5-6 years.
- BAJAJCON is confident that it can achieve the market share target without sacrificing operating margins.
- The company's chairman indicated that the debt issues at the group level are under control and the promoters do not intend to sell down further stake in BAJAJCON.
- In complete contrast to what the larger peers have indicated of late, BAJAJCON suggested that it has not seen any slowdown in demand with growth in the month of April being similar to the March quarter levels.
- BAJAJCON's employee costs have increased by about 500 bps to 10-11% of revenues over the past 4 years as it invested in senior management /sales force augmentation partly to gear up for diversification. The management believes it can expand margins by 200-300 bps led by cost optimization including rationalization of employee expenses.
- The company expects the overall hair oil market to growth 1.8-2X in the next 5-6 years. With BAJAJCON gunning for a 2X market share, profits should go up 3.5-4X as the company believes it can double its market share without sacrificing margins
- The company remains open to acquisitions within the hair oils space and divesting non-hair oil brand (Nomarks).
- Aggressive intent and back-to-the-basics approach is an interesting pivot. Delivery success would not only be a rerating driver for BAJAJCON but a very successful case study for Bain to showcase.
- We would wait for signs of delivery to assess whether the management can walk the talk. Continue to see value in the stock even without assuming successful implementation of the aggressive pivot. BUY stays.

Financials (Rs mn)*	FY19	FY20E	FY21E
Sales	9,185	10,518	11,745
Growth (%)	10.9	14.5	11.7
EBITDA	2,744	3,160	3,564
Gross Margins (%)	67.0	67.0	67.2
EBITDA margin (%)	29.9	30.0	30.3
PBT	2,831	3,285	3,677
Net profit	2,216	2,563	2,868
Adjusted EPS (Rs)	15.0	17.4	19.4
Growth (%)	5.0	15.6	11.9
P/E (x)	22.0	19.0	17.0
EV/EBIDTA (x)	17.0	14.7	13.1
ROE (%)	46.2	54.4	60.2
ROCE (%)	53.8	62.1	69.3

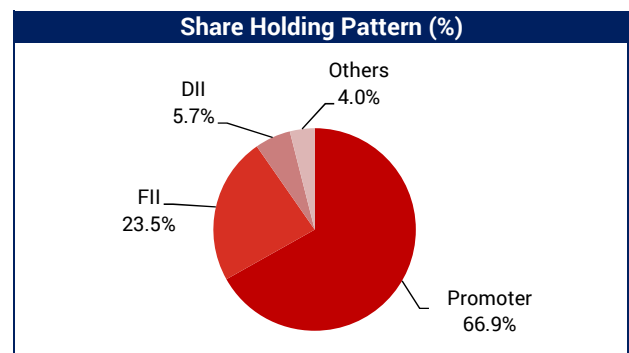
Source: Company; Kotak Institutional Equities *Consolidated

Financials (Rs mn)	Q4FY18	Q4FY19	% Chg
Revenues	2,144	2,383	11.1
EBITDA	718	777	8.2
EBITDA Margin (%)	33.5%	32.6%	
PAT	554	606	9.4
PAT Margin (%)	25.8%	25.4%	
EPS (Rs)	3.8	4.1	7.9

Source: Company; Kotak Institutional Equities



Source: Bloomberg



Source: Bloomberg

RATING SCALE

Definitions of ratings

- BUY** – We expect the stock to deliver more than 15% returns over the next 12 months
- ADD** – We expect the stock to deliver 5% - 15% returns over the next 12 months
- REDUCE** – We expect the stock to deliver -5% - +5% returns over the next 12 months
- SELL** – We expect the stock to deliver < -5% returns over the next 12 months
- NR** – **Not Rated.** Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
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- NOTE** – Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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