

## Bajaj Consumer Care Ltd — 29 Aug 2024 Credit Rating Summary

As an equity-focused credit analyst, I have summarized the CRISIL rating report for **Bajaj Consumer Care Limited (BCCL)** below.

Section	Details
Agency	CRISIL Ratings
Rating Change	<b>Reaffirmed at CRISIL A1+</b> (Highest short-term rating; no notches moved)
Outlook	<b>Stable</b> (Implied by reaffirmation and strong liquidity)
Key Drivers of Change	<ol style="list-style-type: none"> <li><b>Zero Debt Status:</b> Maintained a debt-free balance sheet with an interest coverage ratio of <b>196.4x</b> in FY24.</li> <li><b>Margin Expansion:</b> Adjusted PAT margin improved to <b>15.8%</b> (FY24) from 14.8% (FY23) despite low revenue growth.</li> <li><b>Dominant Market Share:</b> Maintains <b>~65% market share</b> in the niche Light Hair Oil (LHO) segment as of March 2024.</li> <li><b>Capital Allocation:</b> Executed a <b>₹166 Cr buyback</b> in July 2024, signaling confidence in cash flows and boosting promoter stake.</li> </ol>
Rated Instruments	<b>Commercial Paper:</b> ₹100 Cr
Key Observations	<ul style="list-style-type: none"> <li>• <b>Revenue Stagnation:</b> Modest <b>~2% growth</b> in FY24; Q1FY25 revenue declined due to "rationalization of schemes" in wholesale channels.</li> <li>• <b>High Concentration:</b> Bajaj Almond Drops (ADHO) still accounts for <b>~80% of total revenue</b>, creating significant single-product risk.</li> <li>• <b>Liquidity Cushion:</b> Massive cash/liquid surplus of <b>₹630 Cr</b> (pre-buyback) provides a safety net for inorganic growth.</li> <li>• <b>Input Volatility:</b> Margins remain sensitive to Light Liquid Paraffin (LLP) and vegetable oil prices.</li> <li>• <b>Marketing Intensity:</b> High ad-spend (<b>16-18% of revenue</b>) required to defend market share against intense FMCG competition.</li> <li>• <b>Rural Headwinds:</b> Subdued rural demand continues to cap topline growth to "mid-single digits" for FY25.</li> </ul>
Investor Impact	<ul style="list-style-type: none"> <li>• <b>Growth:</b> Bearish on volume; growth is currently driven by premiumization rather than market expansion.</li> <li>• <b>Margins:</b> Stable to positive (16-18% target) due to lower input costs and better product mix.</li> <li>• <b>Leverage:</b> Nil risk; the company is a "net creditor."</li> <li>• <b>Dilution/Governance:</b> No dilution risk; Buyback increased promoter holding from <b>39.30% to 40.95%</b>.</li> </ul>
Agency / Cross Analysis	<b>Same Agency (CRISIL):</b> Rating has been consistent (A1+) since 2021. The latest review notes a transition from "growth at all costs" to "margin protection." While cash levels will drop slightly in FY25 due to the buyback, the fundamental credit profile remains "Strong." Conclusion: <b>Improvement in financial resilience</b> (margins/coverage) offset by <b>deterioration in short-term revenue momentum</b> .
Final Inference	BCCL remains a <b>low-risk, high-liquidity "Cash Cow."</b> The credit reaffirmation highlights a bulletproof balance sheet, but the equity story is hampered by a <b>lack of volume triggers</b> and heavy reliance on a single product (ADHO) in a sluggish rural market.