

# Bajaj Consumer Care Ltd — Aug 2024 Quarterly Analysis

## 1. VERDICT & BUSINESS QUALITY SNAPSHOT

*The punchline. Read this first — it frames everything below.*

**Result:** Weak Miss **One-line:** A deliberate, painful "hygiene correction" in the wholesale channel masked steady progress in organized trade and non-ADHO diversification, testing investor patience for long-term structural gains.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Weak Miss	Revenue down 9% YoY; EBITDA down 23.2% (Consol) due to wholesale correction.	☐
Earnings Quality	High (Core driven)	No major one-offs; hit taken purely on operating volumes to fix channel hygiene.	☐
Guidance Confidence	Neutral	Reaffirmed mid-to-high single-digit FY25 growth despite Q1 shortfall.	☐
Management Credibility	Neutral	4-year tenure has built processes but top-line "miss" is admitted by MD.	☐
Business Quality Signal	Stable	Core ADHO brand intact; Non-ADHO saliency improved to 18%.	☐
Key Q&A Exchange	Q#4 — GT Inventory	Analysts skeptical about why GT underperformance persists after years of "fixing."	☐
The Street's Primary Anxiety	Growth Stagnation	MD response: "Cyclical correction" needed every 3-4 years; focus on "Project Aarohan."	☐
Capital Cycle Stage	Consolidation	Revamping Route-to-Market (RTM) and diversifying product portfolio.	☐
Margin / Return Ratio Trajectory	Deteriorating	EBITDA margin compressed to 15.6% (Consol) from 18.4% YoY.	☐
Pricing Power	Stable	Took price increases in Coconut Oil (June/July) to offset Copra costs.	☐
FCF Conversion & Quality	Not in document	Full cash flow statement not provided in Q1.	☐
Competitive Moat Signals	Stable	ADHO remains premium; resisting 20-30% cheaper competitor pricing.	☐
Balance Sheet Strength	Strong	Net cash position; recently completed buyback.	☐
Working Capital Efficiency	Deteriorating	Deliberate inventory depletion at top-end wholesalers.	☐
Mgmt Guidance Track Record	Mixed	Top-line growth remains the primary historical miss.	☐
Key Vulnerability / Red Flag	Wholesale Over-dependence	Top end wholesalers were getting 3.5% higher schemes, distorting pricing.	☐
Management Tone	Transparent & Resilient	Candid about historical top-line misses; confident in RTM revamp "Aarohan."	☐

Sentiment: ☐Neutral

**Key Takeaways:** \* **Positives:** Non-ADHO portfolio (shampoo, soap, skin care) now contributes 18% of revenue, growing 17% YoY. Organized trade (Modern Trade + E-commerce) now accounts for 26% of saliency, with Quick Commerce growing 83%. International business is rebounding (28% QoQ) after a soft base. \* **Negatives:** The 8.8% YoY standalone revenue decline was driven by a deliberate reduction in wholesale discounts, leading to stock depletion at large wholesalers. EBITDA margins were hit by negative operating leverage and higher employee costs (+10% YoY). \* **Street Concern:** Analysts are frustrated with the lack of top-line growth after 4 years of management's "organization building." Management's response is that the organizational foundation is now ready, and "Project Aarohan" will drive distribution expansion (1.4x in urban). \* **Forward Watchpoint:** Whether the 800+ new wholesalers added post-correction translate into sustained volume growth in H2 FY25.

## 2. BUSINESS PERFORMANCE

### 2A. KEY METRICS

DATA SOURCE: PPT figures used as primary source.

Metric	Current Qtr (Consol)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (₹Cr)	241.7	↓ 9.0%	↑ 3.2%	↓	Volume/Value hit by wholesale hygiene correction in GT.
Gross Margin (%)	55.3%	↑ 60 bps	↑ 90 bps	↑	Higher realizations and cost-saving initiatives (₹1.5 Cr).
EBITDA (₹Cr)	37.6	↓ 23.2%	↑ 5.0%	↓	Negative leverage and higher fixed costs (Employee/Other).
EBITDA Margin %	15.6%	↓ 280 bps	↑ 30 bps	↓	Investing in brand building despite lower top-line.
PAT (₹Cr)	37.1	↓ 19.7%	↑ 4.3%	↓	In line with EBITDA performance; tax rate stable.
Ad Spend % of Rev	15.7%	↓ 90 bps	↓ 120 bps	→	Target range of 16-18% maintained for diversification.
ASP (₹Cr)	38.1	↓ 13.9%	↓ 4.0%	↓	Spend rationalized in Q1; to pick up with new launches.
Employee Cost (₹Cr)	28.2	↑ 9.9%	↑ 8.0%	↓	Increased fleet on street for Project Aarohan.
Net Debt / (Cash)	Cash Positive	First entry	First entry	↑	Buyback completed; searching for niche acquisitions.
Interest Coverage	188x	First entry	First entry	↑	Finance cost minimal at ₹0.2 Cr.
Volume Growth (%)	-6.7%	First entry	↑ 2.7%	↓	Standalone volume declined YoY due to GT correction.

### 2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)	YoY Growth	Saliency	Trend	vs Co. Avg	Key Development
ADHO	~198	↓ 13%*	82%	↓	Below	Sachet/Mid-packs hit by wholesale correction; large packs grew.
Non-ADHO	~43.5	↑ 17%	18%	↑	Above	Led by Coconut Oil and Hair & Skin range expansion.
E-commerce	~24	↑ 13%	10%	↑	Above	Quick Commerce (+83% YoY) is a high-growth, profitable focus.
Modern Trade	~26.5	↑ 9%	11%	↑	Above	B2B modern trade (Metro Cash & Carry) grew 56%.
International	~28.5 (QoQ)	↑ 28% QoQ	~5%	↑	Above	Nepal grew 76% YoY; Bangladesh RTM transition completed.

\*Estimated based on non-ADHO saliency shift.

### 3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Math Feasibility	Historical Delivery	Risk Flag
Guidance	Revenue	Mid-to-high single digit FY25 growth.	Needs ~12-14% growth in remaining 3 quarters to hit 8% annual target.	Mixed (Historical miss).	High
Guidance	Margins	16% to 18% EBITDA margin.	Requires tight control on opex as ad spend scales back to 16-18%.	Stable range.	Low
Guidance	Volume / Capacity	1.4x Urban outlet reach.	Implementation of Project Aarohan pilot in 2 states needs PAN India rollout.	New initiative.	Medium
Strategy	Portfolio Diversification	40% Non-ADHO in 4-5 years.	Needs sustained 20%+ CAGR in new categories.	On track (17% to 18% saliency).	Low
Macro	Input Cost / RM Prices	Stable LLP/Mustard oil.	No major spikes expected; NAFED buying in mustard oil monitored.	Accurate.	Low
Strategy	Capital Allocation	Niche acquisitions.	No target announced yet; strategy team actively screening.	Evaluation stage.	Medium

## 4. ANALYST Q&A

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Q#	Relevance	Analyst / Firm	Theme	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	4.0	Rishi Kothari, Pi Square	Diversification	Strategy	What is the current split and growth target for non-ADHO products?	Management stated non-ADHO has reached 18% saliency (up from 5% four years ago) and targets 40% in 4-5 years. This confirms the long-term shift away from single-product risk, making ADHO's volatility less impactful over time.	None	4.0	Clear and quantified
2	4.5	Rishi Kothari, Pi Square	Growth Guidance	Outlook	What are the top-line expectations for FY25 and long-term?	Management is targeting mid-to-high single-digit growth for FY25, with Q2 expected to be higher as GT correction benefits kick in. Reaching double-digit growth remains the long-term CAGR goal via portfolio and international expansion.	None	3.5	Directional
3	4.0	Rishi Kothari, Pi Square	Capital Allocation	Capex/ Alloc	Are there plans for acquisitions and will the company remain debt-free?	Management indicated they are actively screening acquisition targets with strategy consultants but may leverage the balance sheet if a large enough opportunity arises. This signals a move toward inorganic	Specific targets	3.0	Evaluative

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						growth to solve the organic stagnation.			
4	5.0	Kaushik Poddar, KB Capital	GT Correction	Financials	Aside from the wholesale correction, what was the retail-level volume growth?	Management clarified that retail and rural general trade were "just about positive" (flat to marginal growth) excluding the wholesale impact. This implies that core consumer demand is not yet robust, placing the burden of growth on RTM expansion.	None	4.0	Candid admission
5	4.0	Kaushik Poddar, KB Capital	Channels	Business	How is Quick Commerce scaling and is it more profitable?	Management reported 83% growth in Quick Commerce and noted it is more profitable than larger e-commerce players. Focus here provides a margin tailwind to offset investments in rural distribution.	Exact margin delta	4.0	Specific on trend
6	4.5	Nikhil Upadhyay, SiMPL	GT Inventory	Financials	Why was this wholesale correction needed now given GT has been subdued for 3 quarters?	Management explained that discounts to large wholesalers had widened to 3.5% (ideal 1-1.5%), causing market rate instability that "squeezed" smaller players. Correcting this now prepares	None	4.0	Logical rationale

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						the RTM for Project Aarohan, though it cost a quarter of growth.			
7	4.0	Nikhil Upadhyay, SiMPL	LUP Performance	Business	Are lower LUPs (Low Unit Packs) still de-growing compared to large packs?	Management admitted Sachet/LUP packs are struggling but teased a "perception/quantity" intervention for the ₹10 pack launching in Q3. Improving LUP competitiveness is critical for rural recovery where Bajaj has been under-represented.	Product specifics	3.5	Strategic tease
8	4.5	Prolin Nandu, Edelweiss	Long-term Margins	Financials	Why can't the company return to historical 24-25% EBITDA margins?	Management stated that historical margins were based on a "low cost to serve" single-product wholesale model that is no longer sustainable. Current 16-18% margins reflect the necessary investment in retailing and portfolio building required to survive modern competitive intensity.	None	4.5	Realistic assessment
9	3.5	Harsh Shah, Vera Holdings	Ad Spend Efficiency	Financials	Why hasn't ₹1,400 Cr of ad spend over 10	Management defended the spend as a "Share of	None	3.5	Contextual

Q#	Relevance	Analyst / Firm	Theme	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
					years translated into top-line growth?	Voice" necessity (1.4-1.5x SOM) to maintain ADHO's premium pricing in a stagnant hair oil category. Growth will now come from applying this marketing muscle to non-ADHO categories rather than just defending ADHO.			

#### PATTERN FLAGS & SENTIMENT

- **Wholesale Skepticism:** Analysts repeatedly pushed for clarity on why "structural" changes in General Trade (GT) are still happening 4 years into the MD's tenure. Management's posture was defensive but logical, framing the current correction as a necessary "reset" before scaling Project Aarohan. The friction stems from the fact that GT performance remains the anchor dragging down consolidated growth.
- **Diversification vs. ADHO Defense:** There is a clear shift in sentiment where analysts now value the 18% non-ADHO saliency more than ADHO's legacy market share. Management appears confident that the "Almond Drops" brand equity is finally translating into soap, shampoo, and lotion, though it requires sustained 16-18% ad spend.

**Analyst Sentiment Verdict:** The overall sentiment was **Skeptical but Interested**. Analysts were frustrated by the 9% revenue decline but were somewhat mollified by the transparent explanation of the wholesale correction and the strong performance in Quick Commerce. The "Project Aarohan" rollout is the next big test for credibility. If H2 FY25 doesn't show a clear revenue inflection, management's "organization building" narrative will likely face severe pushback next quarter.

#### GUIDANCE GAPS REVEALED IN Q&A

Topic	What Mgmt Claimed (Opening)	What Q&A Revealed	Gap / Walk-back	Risk to Thesis
GT Volumes	Implied general softness.	Retail/Rural GT was only "flat to marginal."	Performance outside the wholesale correction is also weak.	High; implies demand-side issues, not just channel-side.
Margins	16-18% EBITDA range.	Historical 24-25% margins are permanently gone.	Structural reset of profitability expectations.	Moderate; lowers long-term EPS ceiling.

## 5. WHAT CHANGED vs PRIOR QUARTER

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*First entry — no prior quarter to compare.*

What Changed	Prior Quarter	This Quarter	Direction
Revenue Growth	First entry	-9% YoY (Consol)	↓
Channel Strategy	First entry	Deliberate Wholesale Correction; added 800+ wholesalers.	□
RTM Initiative	First entry	Launch of "Project Aarohan" (RTM revamp).	↑
Portfolio Saliency	First entry	Non-ADHO reached 18% of revenue.	↑
Geographic Focus	First entry	Bangladesh RTM transition completed (Own distribution).	↑
Management Tone	First entry	More focus on "Hygiene" and structural readiness for H2.	□

**Thesis Conclusion:** The thesis remains a "transition story." While the core ADHO business is currently stagnant due to channel corrections and category-wide slowdowns, the rapid scaling of Organized Trade (26% saliency) and Non-ADHO products (18% saliency) provides a glimpse of a more balanced FMCG player. The quarter does not break the thesis but extends the timeline for realization; the success of Project Aarohan in H2 is now the make-or-break catalyst.