

Bajaj Consumer Care Ltd — Feb 2025 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

The punchline. Read this first — frames everything below.

Result: Weak Miss **One-line:** Bajaj is finally deploying its cash pile to break a five-year stagnation via the ₹120 Cr Banjara's acquisition, but the core business remains under severe margin pressure from RM inflation and RTM reinvestment.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Weak Miss	Consol. Sales ↓ 2.4% YoY; EBITDA Margin ↓ 390 bps YoY.	☐
Earnings Quality	High (Core driven)	No one-offs; margin dip reflects deliberate IT and RTM spend.	☐
Guidance Confidence	Neutral	Reaffirmed 10% growth targets but relies on unproven M&A integration.	☐
Management Credibility	Neutral	Followed through on "acquisition search," but core ADHO continues to slide.	☐
Business Quality Signal	Improving	Non-ADHO/Skin range growing >2X; International scaling (Bangladesh +100%).	☐
Key Q&A Exchange	Q#1 — Stagnation & Costs	Analysts pressed on 5-year flat topline; Mgmt defended it as "structural pivot."	☐
The Street's Primary Anxiety	Growth & Margin Floor	Can margins recover to 16% while RM (Copra) is high? Mgmt: "Yes, via pricing."	☐
Capital Cycle Stage	Investment / M&A	Deploying cash for Banjara's; Project Aarohan expanding to 8 more states.	☐
Margin / Return Ratio Trajectory	Deteriorating	EBITDA margin hit 11.8% (lowest in recent history) due to deleverage.	☐
Pricing Power	Stable	Took 5% hike in CNO in Q3; further high single-digit hike in Jan '25.	☐
FCF Conversion & Quality	Distorted	CFO/PAT data absent in PPT; Receivables likely rising with wholesale focus.	☐
Competitive Moat Signals	Stable	ADHO market share steady; CNO share reached 2% All-India.	☐
Balance Sheet Strength	Strong	Net cash used for ₹120 Cr deal; still carries healthy liquid investments.	☐
Working Capital Efficiency	Deteriorating	Inventory rationalized by 4 days, but IT/Employee costs scaling ahead of rev.	☐
Mgmt Guidance Track Record	Mixed	Consistently delivery on diversification, but misses on topline growth.	☐
Key Vulnerability / Red Flag	Negative Operating Leverage	Employee/Admin costs rising 9-30% while sales are declining.	☐
Management Tone	Transparent & Resolute	Acknowledged "pain areas" in wholesale/GT; bullish on Banjara's fitment.	☐

Sentiment: □Neutral

Key Takeaways: * **Positives:** The acquisition of Banjara's (Vishal Personal Care) is the most material thesis shift in years. It provides 3X Southern distribution reach, a 60% gross margin portfolio, and a presence in the high-growth "Natural" segment. International business is a legitimate engine now, with Bangladesh doubling YoY and UAE growing 21% despite headwinds. * **Negatives:** The core Almond Drops Hair Oil (ADHO) is still in a low-single-digit decline. Standalone EBITDA margins have collapsed to 13.0% (Consol 11.8%) due to a "perfect storm" of RM inflation (Copra/Mustard Oil), one-time IT infrastructure spends, and high-decibel marketing (Kiara Advani relaunch). * **Street Concern:** Analysts are fatigued by the "structural foundation" narrative. The business has traded EBITDA for "RTM revamp" for several quarters without a topline inflection. * **Forward Watchpoint:** Integration of Banjara's (expected in 3-4 months) and whether the massive reach expansion in UP/MP (1.4x-1.6x outlets) converts to volume growth in H1 FY26.

2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: PPT primary source; Concall for Mgmt Commentary.

Metric	Current Qtr	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (Consol)	₹230.7 Cr	↓ 2.4%	→ 0.0%*	↓	Volume growth not stated; Value hit by GT decline.
Gross Margin (%)	52.0%	↓ 140 bps	↓ 130 bps	↓	Hit by Copra inflation; Price hikes (5% in Q3) trailed costs.
EBITDA (Consol)	₹27.2 Cr	↓ 26.8%	↓ 19.0%*	↓	Negative operating leverage from IT/Employee costs.
EBITDA Margin %	11.8%	↓ 390 bps	↓ 210 bps*	↓	Intentional spend on RTM (Project Aarohan) & IT infrastructure.
PAT (Consol)	₹25.3 Cr	↓ 30.4%	↓ 20.4%*	↓	Impacted by lower EBITDA and lower Other Income.
Ad Spend % of Rev	15.1%	↑ 370 bps	↑ 120 bps*	↓	High spend for Kiara Advani campaign; SOV at 21% in HSM.
Employee Cost (Con)	₹27.1 Cr	↑ 9.5%	↑ 7.1%*	↓	Increased IS□for Project Aarohan; quality hiring.
Other Expenses (Con)	₹34.9 Cr	↑ 29.7%	↑ 7.4%*	↓	One-time IT spend (E-invoicing, Geofencing, Cloud).
Net Debt / (Cash)	~₹450 Cr**	Not stated	Not stated	→	Net cash positive; will deploy ₹120 Cr for acquisition.
Interest Coverage	272x	↓ 31%	↓ 28%	↑	Interest cost minimal at ₹0.1 Cr.
Working Capital	↓ 4 days	-	-	↑	Dist. inventory reduced to improve ROI.

*Comparison vs Q2 FY25 (Revenue 230.6 Cr, EBITDA 33.6 Cr per Prior Context). Estimated based on last reported cash less dividends/buybacks.

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)	YoY Growth	Margin	Trend	vs Company Avg	Key Development
ADHO	~₹182 Cr*	↓ ~3%	High	↓	Above	Large/Mid-packs growing; 24ml (₹10) pack launched for recruitment.
Coconut	~₹23 Cr*	↑ 8%	Low	↑	Below	2% All-India MS; 19% 9M growth. Price hikes taken.
Skin/ NPD	~₹12 Cr*	↑ 50%	Mid	↑	Below	Shampoo/Conditioner (3X); Lotion (>2X).
Int'l	~₹16 Cr*	↑ 23%	Mid	↑	In line	Bangladesh +100%; GCC/Africa +21% (9M).
E-com	~₹25 Cr*	↑ 39%	High	↑	Above	Quick Commerce +72%; Saliency at 10%.

*Estimated based on saliency commentary (Int'l ~7%, NPD 20% growth rates).

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Revenue	10% Mid-term growth.	Needs double-digit growth in Q4; current trend is negative.	Unreliable	High
Guidance	Margins	Structural recovery.	Needs RM cooling + pricing realization.	Mixed	Moderate
Guidance	M&A	Strategic fit for South.	Banjara's deal signed (₹120 Cr).	Delivered	Low
Strategy	Project Aarohan	Reach all major states.	Phase 2 rollout to 8 states in 4 quarters.	On track (UP/MP)	Moderate
Strategy	Digital/E-com	Quick Commerce focus.	Scaling beyond 10% saliency.	Strong	Low
Macro	RM Prices	Copra pricing volatility.	5% hike taken; more planned for Q4.	Accurate tracking	High

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	5.0	Rachna / SIMPL	Stagnation	Financials	"What challenges we have faced and what is stopping us to generate good sales growth?"	Management cited the value-added hair oil segment being under stress category-wide and the long-lead time for RTM/ wholesale corrections. Sales inflection is now tied to "Aarohan" reach expansion and category recovery post-budget.	Specific volume targets	3.0	Vague on timing
1b	4.0	Rachna / SIMPL	Costs	Financials	"other expenses are increasing even though the sales [are flat]... what are those?"	Management admitted to negative leverage but highlighted one-time IT infrastructure spends and Project Aarohan investments as necessary. These costs will not recur at this level, but the high employee base is a permanent fixed cost floor.	None	4.0	Clear and quantified
2	4.5	Vaibhav / Honest	Profitability	Financials	"between almonds and non-almond portfolio... is this ₹50 Cr decline [since FY20]... because of	Management clarified the decline is largely due to "investment for growth" in new categories/ channels rather than a	Exact ADHO vs NPD margin split	3.5	Directional

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					Almond Drops?"	total collapse of ADHO margins. ADHO maintains its status as the "cash cow" funding the diversification into Coconut and Skin.			
4	5.0	Gaurav / Glorytail	M&A Strategy	Capex & Alloc.	"On this new acquisition of Banjara's... what are your plans to test it pan India?"	Management outlined a four-prong strategy: scaling Banjara's in South, using their RTM to sell Bajaj products in South (3X reach), and taking Banjara's to Modern Trade/ Int'l. This deal effectively buys the company a "second life" in the Southern market it could never crack organically.	None	5.0	Specific and strategic
5	4.5	Rachna / SIMPL	M&A Margins	Financials	"what gross margin levels is [Banjara's] operating at and how are the ad spend?"	Management revealed Banjara's has 60% gross margins and is a secondary-sales-focused, replenishment-based business. This is margin-accretive to Bajaj (52%) and implies a high-quality brand with better hygiene	None	5.0	Highly specific

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						than Bajaj's legacy wholesale.			
6	4.0	Karan / ICICI	RTM Results	Business Overview	"what are the green shoots we are seeing [in UP/ MP]... how has it trended?"	Management reported reach expansion (1.4x in UP, 1.6x in MP) and geofencing of 3.3 lakh urban outlets is complete. While primary sales haven't inflected, secondary sales stabilization in wholesale (+14% QoQ) is the first "green shoot."	Primary sales impact	4.0	Data-driven
10	4.0	Kaushik / KB Cap	Wholesale	Business Overview	"why didn't [wholesale growth] show up in numbers?"	Management explained that Q1/Q2 were the "correction phase" where inventory was sucked out; Q3 growth is sequential stabilization. The transition from large wholesalers to direct-coverage/sub-DBs is nearly complete in core markets.	None	4.0	Logical rationale

PATTERN FLAGS & SENTIMENT

- **The M&A Pivot:** Analyst anxiety about "where is the growth?" was partially neutralized by the Banjara's announcement. Management's posture shifted from defensive (explaining the 5-year stagnation) to offensive (explaining the Southern expansion strategy). This deal is seen as a necessary "reset" of the company's geography and category mix.
- **The Cost-Floor Concern:** Analysts are clearly worried about the rising "Other Expenses" and "Employee Costs" (+9-30%) in a flat revenue environment. Management was transparent about these being

"investments" in IT and people, but the lack of a timeline for when these costs will deleverage remains a live concern.

Analyst Sentiment Verdict: Skeptical but intrigued by the M&A. Analysts are weary of the core business's performance but view the ₹120 Cr acquisition as a sensible use of cash at an attractive multiple (2x Sales). Management credibility is "on probation"—they delivered the deal they promised, but they must now deliver the topline growth they've guided to for three years.

GUIDANCE GAPS REVEALED IN Q&A

Topic	What Mgmt Claimed (Opening)	What Q&A Revealed	Gap / Walk-back	Risk to Thesis
EBITDA Margins	Structural 15-16% range.	IT/RTM spend dragged it to 11.8%.	Management is willing to sacrifice short-term margins for RTM "foundations."	Moderate; P/E compression if recovery lags.
Sales Inflection	RTM revamp will drive growth.	UP/MP implementation is 90% done, but primary sales are still negative.	Reach does not equal revenue yet; execution risk remains high.	High; market may de-rate.

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q2 FY25)	This Quarter (Q3 FY25)	Direction
M&A Status	"Searching for targets"	Acquired Banjara's (₹120 Cr)	↑ Positive
EBITDA Margin	14.6% (Consol)	11.8% (Consol)	↓ Deteriorating
RTM Reach	UP/MP Implementation	90% Complete in UP/MP	↑ Improving
Wholesale	Stabilizing	+14% QoQ Growth	↑ Improving
Int'l Growth	+36% (H1)	+23% (Q3) / Bangladesh +100%	↑ Improving
ADHO Talent	New Brand Thematic	Kiara Advani Campaign Launched	→ In line
RM Outlook	Copra rising	High double-digit inflation; 5% hike taken	↓ Deteriorating
IT Spend	Not material	One-time spike (Geofencing/Cloud)	↓ Deteriorating