

Bajaj Consumer Care Ltd — May 2024 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Inline on Revenue (adj. for hygiene), Miss on Margins (relative to FY24 start) **One-line:** Bajaj has completed a painful but necessary "channel reset" and is pivotally shifting from a single-product hair oil company to a multi-category personal care player, backed by aggressive capital return.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Miss (Margins)	FY24 EBITDA margin of 16.5% missed the Q1-guided floor of 18-20%.	☐
Earnings Quality	High (Channel Hygiene)	Topline was suppressed by a ₹12 Cr deliberate inventory correction in Q4 (Secondary > Primary).	☐
Guidance Confidence	Neutral	Targeting double-digit growth for FY25, contingent on "green shoots" in rural.	☐
Management Credibility	Strong	Sacrificed Q4 topline to clean channel inventory; Promoters opted out of buyback.	☐
Business Quality Signal	Improving (Portfolio Mix)	Non-ADHO salience reached 17% for FY24 (up from 5% in FY21).	☐
Key Q&A Exchange	Q#10 - Growth Target	Mgmt targets double-digit growth in FY25 led by rural recovery and LUP interventions.	☐
The Street's Primary Anxiety	ADHO Growth Ceiling	Core ADHO volume growth was only 0.9% for FY24; mgmt response is "premiumization and variants."	☐
Capital Cycle Stage	Investment & Harvesting	Investing in 3 new categories while returning ₹200 Cr (incl. tax) via buyback.	☐
Margin Trajectory	Stable (Reset)	EBITDA margins settled at 15.3% (Q4), establishing a new 16-18% floor.	☐
Pricing Power	Stable	Taking price actions in May to counter hardening Copra costs.	☐
FCF Conversion & Quality	Strong	CFO remains robust as inventory is sucked out of the system.	☐
Competitive Moat	Narrowing (Core)	ADHO market share up only 25 bps sequentially; face-off with low-cost Amla/Coconut.	☐
Balance Sheet Strength	Strong	Net Cash of ~₹620 Cr (post-buyback will still have ~₹420 Cr).	☐
Working Capital	Improving	Deliberate reduction in distributor stock to improve channel ROI.	☐
Mgmt Guidance Track Record	Mixed	Delivered on diversification; failed to hold the 18%+ margin line.	☐
Key Vulnerability	Rural Concentration	ADHO remains hyper-dependent on rural sentiment and sachet-level pricing.	☐
Management Tone	Disciplined	Professionalized board and focused on execution over "loading" the channel.	☐

Sentiment: ☐Positive (Long-term) | ☐Neutral (Short-term)

Key Takeaways: * **Positives:** Management demonstrated high integrity by taking a ₹12 Cr revenue hit in Q4 to clean up distributor inventory (₹17 Cr for the full year). The non-ADHO portfolio (17% salience) and International business (24% FY24 growth) are successfully providing a second engine. The ₹166.5 Cr buyback, with promoters non-participating, is a massive signal of confidence in the current valuation and future cash flows. * **Negatives:** The core Almond Drops Hair Oil (ADHO) is effectively ex-growth in volume terms (0.9% for FY24), struggling with a value-conscious rural consumer. EBITDA margins have structurally reset to the 15-17% range, down from the 18-20% targets seen earlier in the year, as the company spends on "Phase 2" diversification. * **The Street's Concern:** Analysts are fixated on when ADHO will return to mid-single-digit growth. Management's response—that they are launching new LUP (Low Unit Price) configurations and premium variants in 3-4 quarters—suggests the core will remain a "work-in-progress" for the next year. * **Watchpoint:** Monitoring the impact of the "May price hikes" in the Coconut category; with Copra prices hardening, Bajaj's ability to maintain its 54%+ gross margin without losing volume will be the primary test of its secondary brands' brand equity.

2. BUSINESS PERFORMANCE

2A. KEY METRICS DATA SOURCE: PPT is primary source. Concall used for commentary.

Metric	Current Qtr (Q4FY24)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (₹Cr)	234.2	-4.9%	-0.9%	↓	Driven by ₹12 Cr inventory correction; underlying secondary sales higher.
Gross Margin (%)	54.4%	+30 bps	+90 bps	↑	Expansion due to lower RM costs and RM savings of ₹6 Cr in FY24.
EBITDA (₹Cr)	35.8	-16.5%	-3.5%	↓	Impacted by higher employee costs and strategic IT/GTM investments.
EBITDA Margin %	15.3%	-210 bps	-40 bps	↓	Lower due to subdued sales leverage and increased A&P (16.9%).
PAT (₹Cr)	35.5	-12.0%	-2.2%	↓	Inline with EBITDA; tax rate normalized at ~18%.
Volume Growth (%)	Not stated (Q4)	6.6% (FY24)	-	→	FY24 volume (6.6%) significantly outpaced value (2.0%).
Ad Spend % of Rev	16.9%	-50 bps	-10 bps	→	Sustained high investment in ADHO repositioning and Coconut TVCs.
Net Debt / (Cash)	(793.8)	+14.6%	+1.7%	□	Cash/Investments up; ₹166.5 Cr buyback announced post-quarter.
Interest Coverage	179.0x	-	-	□	Virtually debt-free status.
Trade Receivables	44.0	+44.7%	+0.5%	↓	YoY spike despite inventory cleanup; implies credit support to select MT/Ecom.

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)	YoY Growth	Margin	Trend	vs Co. Avg	Key Development
ADHO (Hair Oil)	~194.4	-	High	→	Above	Market share up 25 bps seq; rural performance outperformed urban in Q4.
Non-ADHO (NPD)	~39.8	-	Moderate	↑	Below	Now 17% of FY24 sales. Coconut market share up 65 bps in FY24.
International	11.7 (Est)	4.0%	High	→	Above	Bangladesh up 68% in FY24; own distribution setup completed in Jan-24.
Modern Trade	~18.7	7.0%	Moderate	↑	Inline	MT grew 22% in FY24; scaling 300ml SKUs in Reliance/DMart.
E-commerce	~18.7	26.0%	Moderate	↑	Inline	Quick-commerce platforms (Blinkit/Zepto) driving growth.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Revenue	Double-digit value growth in FY25.	Requires ~₹260 Cr quarterly run-rate (vs ₹240 Cr current).	Missed FY24 (2%).	High
Guidance	Margins	16-18% EBITDA margin corridor.	Delivered 16.5% in FY24. Feasible if sales leverage returns.	Delivered.	Low
Guidance	International	20% salience in 5 years.	Requires 30%+ CAGR. Currently at 5% salience.	On Track.	Medium
Strategy	Diversification	40% non-ADHO salience in 5 years.	Current 17%. Requires consistent NPD scaling.	Delivered (17%).	Medium
Strategy	NPD	Entry into 3 new shortlisted categories.	Immediate to medium-term execution critical.	New Target.	High
Macro	Rural Demand	Green shoots visible; expected to outperform urban.	First signs seen in Q4; needs sustained monsoon for validation.	Improving.	High
Balance	Capital Returns	₹166.5 Cr buyback at ₹290/share.	Funding via internal cash; ₹620 Cr available.	Delivered.	Low

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
1	4.5	Viraj, SIMPL	Rural Trend	Business Overview	"How has the rural trend played out over the last 3 quarters?"	Management noted that for the first time in FY24, rural outperformed urban, driven by green shoots in northern states. Positive for ADHO valuation as rural recovery is the primary catalyst for core volume growth.	None	4.0	Directional Evidence
1a	5.0	Viraj, SIMPL	Inventory Correction	Financials	"Give more color on the inventory correction and primary vs secondary sales."	Management clarified they took a ₹12 Cr hit in Q4 (primary sales lower than secondary) to fix channel hygiene and ease distributor investment. This improves earnings quality and sets a clean base for FY25 growth.	None	5.0	High Quality
2	4.0	Anushka Chitnis, Arihant	Buyback	Capex and Allocation	"Rationale for the buyback and how will it be funded?"	Funded via ₹620 Cr existing cash; buyback intended to improve ROE, with promoters non-participating to signal confidence. Strong signal	None	5.0	Clear & Specific

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
						that management sees the stock as undervalued and maintains M&A firepower.			
3	3.5	Nirav, Living Root	Cost Structure	Financials	"Why did other expenses increase while A&P as % of revenue decreased?"	Attributed to one-off IT enablement costs and moving In-Store Promoters (ISRs) from distributor payroll to own 3rd-party payroll. Structural shift to reduce ISR attrition (from 40% to 12%) should improve MT execution long-term.	None	4.0	Operational Context
5	4.0	Nirav, Living Root	International	Business Overview	"Which markets are key potential growth drivers?"	Focus remains on Bangladesh (up 68%) and Middle East (65% of IB); own distribution started in Bangladesh in Jan-24. Successful "own distribution" in BD reduces dependency on 3rd parties and improves margin control.	None	4.0	On-track

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
7	4.5	Reshma Mehta, Green Edge	ADHO Strategy	Strategy	"How exactly are you repositioning and premiumizing ADHO?"	Two-phase approach: (1) repositioning for new-age customers (ongoing) and (2) launching premium variants in 3-4 quarters. Essential to move ADHO away from being a "commodity" hair oil; execution is the key watchpoint.	Timeline for variants	3.0	Visionary but Vague
8	4.0	Tejash Shah, Aventus	Core Growth	Business Overview	"At what rate do you believe the core (ADHO) can sustainably grow?"	Target is mid-single-digit CAGR for ADHO; mgmt admitted they are 6-8 quarters late on some interventions but execution agencies are now in place. Sets a realistic, non-heroic expectation for the core brand.	None	4.0	Realistic
10	4.5	Kaushik Poddar	FY25 Guidance	Management Commentary	"What is the kind of growth we can see for the next 2-3 years?"	Management guided for double-digit value growth in FY25, with volume growth expected to be higher than value growth. Bold guidance that implies a significant	None	4.0	Bold Target

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
						pivot in rural momentum.			
11	4.0	Sunil Jain, Nirmal Bang	Amla Category	Business Overview	"How is the situation in Amla after earlier reducing penetration?"	Internal cost optimization led to 8-9% gross margin improvement, making Amla "profitable" though still lower margin than ADHO. Rational approach: participating only where EBITDA is positive rather than chasing volume.	None	4.0	Margin Focus
12	3.0	S K Debnath	E-commerce	Business Overview	"E-commerce target and achievement measures?"	E-com has grown from 0.5% to 8-9% of sales; B2C segment grew 52% in FY24 while B2B (Jiomart) declined. High-growth channel provides a bridge to younger urban consumers for serum/ lotion launches.	None	5.0	Quantified

PATTERN FLAGS & SENTIMENT * **Theme 1: Channel Hygiene vs. Growth.** Management is prioritizing "quality of sales" by cleaning distributor inventory (₹12 Cr hit). Analysts were receptive to this, as it indicates the FY24 growth of 2% is "cleaner" than competitors who might be stuffing channels. * **Theme 2: Rural Pivot.** For the first time, rural is outperforming urban. Management is doubling down on LUPs and geofencing technology in rural GT, moving away from a passive stance. * **Theme 3: Capital Allocation.** The non-participating promoter buyback effectively silenced concerns about cash hoarding or lack of growth conviction. It shifts the narrative from "stagnant mid-cap" to "disciplined value-unlocker."

Analyst Sentiment Verdict: Cautiously Optimistic. The friction point remains the slow growth of ADHO, but management's transparency regarding the inventory cleanup earned significant credibility points. The move to

professionalize the board with ex-FMCG CEOs and the aggressive buyback suggests a company preparing for a more aggressive "Phase 2" of growth.

GUIDANCE GAPS REVEALED IN Q&A | Topic | What Mgmt Claimed (Prior Q) | What Q&A Revealed | Gap / Walk-back | Risk to Thesis | | :--- | :--- | :--- | :--- | :--- | | **EBITDA Margins** | Guidance of 18-20% for FY24. | FY24 delivered 16.5%; Q4 at 15.3%. | Significant walk-back of ~250 bps. | High (Execution must improve). | | **ADHO Recovery** | Rural recovery expected in Q3/Q4. | Recovery only starting now; LUP interventions moved to Q2 FY25. | Timeline shifted by 2 quarters. | Medium (ADHO is 75%+ of GP). |

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q3FY24)	This Quarter (Q4FY24)	Direction
Revenue Growth	+4.3% YoY	-4.9% YoY	↓ (Intentional)
EBITDA Margin	15.7%	15.3%	↓
Channel Hygiene	□8 Cr Inventory correction	□12 Cr Inventory correction	↑ (Improved)
Capital Allocation	Dividend focus	□166.5 Cr Buyback	↑ (Shareholder friendly)
Rural vs Urban	Rural "subdued"	Rural outperforming Urban	↑ (Recovery signal)
Strategy Phase	Phase 1 (Diversification)	Phase 2 (New Categories + M&A)	↑ (Aggressive)
Promoter Stance	Passive	Non-participation in buyback	↑ (Signal of Value)
International	59% Growth (Q3)	4% Growth (Q4 Consolidated)	↓ (Normalization)

- **Thesis Impact:** The long-term thesis is strengthened by (1) a cleaner balance sheet/channel, (2) improved governance/board, and (3) a clear floor on valuation through the buyback.
- **Forensic Watch:** Trade Receivables rose 45% YoY (□30.8 Cr to □44.0 Cr) despite the "inventory cleanup." This suggests that while stock was pulled from distributors, payment terms for Modern Trade or E-commerce might have been loosened to support growth.
- **CFO/PAT:** Standalone PAT of □158.8 Cr is backed by solid cash flow, though the receivable jump in Q4 warrants monitoring for "hidden" credit extension.

STOP HERE.