

Bajaj Consumer Care Ltd — May 2025 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Inline Top-line / Margin Beat vs Q3 **One-line:** Bajaj is showing early signs of a structural "U-turn" as the core ADHO business stabilizes (+11% QoQ) and the acquisition of Banjara's provides a long-awaited Southern growth engine, though high Copra inflation remains a margin overhang.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Inline	Q4 Revenue ₹246.7 Cr (Est. ~₹245-250 Cr); 10% FY growth target missed.	□
Earnings Quality	Moderate	PAT supported by Other Income (₹8.1 Cr); Trade Receivables spiked 63% YoY.	□
Guidance Confidence	Neutral	Mgmt maintains "double-digit" aspirations but FY25 was -1.9% YoY.	□
Management Credibility	Improving	Followed through on M&A (Banjara's) and RTM Revamp (Aarohan) metrics.	□
Business Quality Signal	Improving	Non-ADHO portfolio (Coconut + Skin/Hair) now ~20% of revenue.	□
Key Q&A Exchange	Q#2 & Q#3 — Recovery	Mgmt pivot from "wholesale correction" to "direct reach" expansion.	□
The Street's Primary Anxiety	ADHO Growth	Will ADHO ever grow >5% again? Mgmt: Yes, via 1.4L new retail outlets.	□
Capital Cycle Stage	Investment / M&A	Deploying cash for Banjara's; Phase 2 Aarohan rollout (4 new states).	□
Margin Trajectory	Improving QoQ	Consol EBITDA margin rose to 13.3% from 11.8% in Q3.	□
Pricing Power	Improving	Mid-teens price hike taken in April 2025 for Coconut oil.	□
FCF Conversion	Distorted	Receivables jumped ₹27.8 Cr; cash being utilized for M&A.	□
Competitive Moat	Stable	ADHO market share remains resilient; Coconut MS reaching 2.2% in MH.	□
Balance Sheet Strength	Strong	Net Cash ~₹453 Cr (Consol) even after 49% Banjara's payout.	□
Working Capital	Deteriorating	Trade Receivables rose to ₹1.8 Cr (up from ₹44.0 Cr YoY).	□
Mgmt Guidance Track Record	Mixed	Strong on portfolio diversification; weak on top-line forecasting.	□
Key Vulnerability	RM Volatility	High Copra prices (up 70% YoY) compressing Coconut oil margins.	□
Management Tone	Resolute	Confident that "headwinds are gone" and "tailwinds are coming."	□

Sentiment: □ Positive

Key Takeaways: * Positives: The diversification thesis is finally materializing. Coconut oil has reached a steady ₹10 Cr/month run rate, and International business is firing (+30% YoY in Q4), led by Bangladesh (+44% FY25). The Banjara's acquisition is thesis-changing for the South, where Bajaj has historically lacked distribution;

management expects to leverage this to triple their Southern reach. * **Negatives:** Operating leverage remains negative on a full-year basis. Full-year EBITDA margins (13.8%) are well below the "bare minimum" 16-18% historical range. The 63% YoY spike in Trade Receivables suggests that the "Wholesale recovery" (+15% QoQ) might be coming at the cost of extended credit terms. * **Forward Watchpoint:** The "PMO" (Post-Merger Integration) of Banjara's over the next 12-16 weeks. Investors should track if the high-margin (60% GM) Banjara's portfolio can offset the margin pressure in the core coconut business.

2. BUSINESS PERFORMANCE

2A. KEY METRICS

Metric	Current Qtr (Q4 FY25)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (Consol)	₹246.7 Cr	↑ 5.3%	↑ 6.9%	↑	Driven by 30% growth in Organized Trade and 33% in E-com.
Gross Margin (%)	54.0%	↓ 40 bps	↑ 70 bps	→	Improved ADHO saliency offset by Copra inflation.
EBITDA (Consol)	₹32.9 Cr	↓ 8.1%	↑ 20.9%	↑	Sequential recovery as wholesale channel stabilized (+15% QoQ).
EBITDA Margin %	13.3%	↓ 200 bps	↑ 150 bps	↓	Hit by Employee (+12.6%) and Other Exp (+19.1%) YoY.
PAT (Consol)	₹31.0 Cr	↓ 12.7%	↑ 22.5%	↓	YoY decline due to lower EBITDA and Other Income (₹8.1 Cr vs ₹11.7 Cr).
ROCE (%)	~15% (FY25)	↓ 300 bps	N/A	↓	Calculated on Consol PBT/Avg Capital; impacted by lower PAT.
Cash Flow (OCF)	Not in PPT	-	-	-	PPT only provides Balance Sheet; OCF absent.
Net Debt / (Cash)	(₹453.0 Cr)	↑ 28.1%	↓ 4.3%	□	Cash utilization for 49% Banjara's stake acquisition in March.
Interest Coverage	329x	↓ 25.1%	↑ 21.0%	□	Finance costs remains negligible at ₹0.1 Cr.
Working Capital	Deteriorating	↑ 27.8 Cr	-	□	Receivables spike (₹71.8 Cr vs ₹44.0 Cr YoY).

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)	YoY Growth	Margin	Trend	vs Co. Avg	Key Development
ADHO	~₹197.4 Cr	↑ 3.0%	High	↑	Above	Large packs (700ml) grew 32%; ₹10 pack revamped.
Coconut Oil	~₹30.0 Cr	Significant	Low	↓	Below	Consistent ₹10 Cr/month revenue; MS at 2.2% in MH.
Int'l Business	~₹17.3 Cr	↑ 30.0%	Mid	↑	In line	Bangladesh +32%; ROW (Canada/USA/MSIA) +107%.
NPD / Skin	~₹12.0 Cr	↑ 73.0%	Mid	↑	Below	AD Serum grew 44% YTD; focus on E-commerce.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate	Historical Delivery	Risk Flag
Guidance	Revenue	Double-digit top-line growth for FY26.	Needs ~₹275 Cr/qtr avg in FY26.	Missed (FY25 was -1.9%).	High
Guidance	Margins	16-18% EBITDA margin is the "bare minimum."	Needs ~300-400 bps expansion.	Missed (FY25: 13.8%).	High
Strategy	M&A	Complete 100% acquisition of VPCL (Banjara's).	Tranche 2 (51%) due in Q1 FY26.	Delivered Tranche 1.	Low
Strategy	RTM	1.4 Lakh total retail outlet addition.	Expansion to RJ, HR, DL, CG by May '25.	Phase 1 (UP/MP) done.	Moderate
Macro	RM Prices	Pass through Copra inflation via pricing.	Mid-teens hike taken April '25.	Lagged in Q4 FY25.	Moderate

4. ANALYST Q&A

Q#	Rel.	Analyst	Theme	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Cred.	Verdict
1	4.0	Abhijit Kundu (Antique)	ADHO Recovery	Business Overview	"What has to work for Almond Drops now to really see a better rate... in your core markets?"	Mgmt cited Project Aarohan's direct reach expansion (1.4L outlets) and SKU re-engineering (□10 pack size perception) as the primary catalysts. Sustained ADHO growth is the critical rerating trigger for the stock's valuation multiple.	None	4.0	Directional
2	4.5	Kaushik Poddar (KB Cap)	Growth Guidance	Mgmt Outlook	"Can we expect that kind of [10%] growth to come back because the market itself is looking up?"	Mgmt expressed high confidence due to the correction of the wholesale channel (+15% QoQ) and higher marketing spends planned for ADHO. If the 10% target is missed again, mgmt credibility will likely face severe de-rating.	Timing	3.0	Vague
3	5.0	Ajay Thakur (Anand Rathi)	Coconut Oil	Financials	"I want to understand bit on the coconut oils market... what would have been the growth rate for the market?"	Mgmt admitted they were "late to the boat" on price hikes during high Copra inflation but have corrected this with a mid-teens hike in April. Margin recovery in the Coconut segment is now entirely dependent on RM stability.	Exact GP	4.0	Clear
4	4.0	Abhijit Kundu (Antique)	Margins	Financials	"Can it go back to that 16% odd EBITDA margin?"	Mgmt stated 16-18% is the structural floor and recent dips were "aberrations" and "self-inflicted" due to wholesale restructuring. Investors should monitor Q1/Q2 FY26 for a move toward 15%+ to validate this claim.	Specific date	3.5	Confident
5	5.0		M&A Synergy	Capex/ Alloc	"When we'll be able to see the result of the	Mgmt engaged a consultant for a 12-week integration;	None	5.0	Specific

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		Dhruv (Fort Capital)			distribution increasing... for Banjara's through our North Indian roots?"	results are expected to show in 3-4 months (Q2/Q3 FY26). This synergy is the core of the "Southern Thesis" and success here determines the ROI on the ₹120 Cr spend.			
6	4.5	Dhiraj Mistry (ICICI Sec)	Channel Mix	Financials	"Whether there would be like margin differential between GT and E-com?"	Mgmt confirmed Modern Trade margins are comparable to GT, but E-commerce is "dilutive" due to platform investments and AD extension support. Rising E-com saliency (now 10%) will act as a structural cap on overall EBITDA margins.	None	4.5	Precise

PATTERN FLAGS & SENTIMENT * Wholesale vs. Retail Pivot: Analysts were focused on the transition pain of "Project Aarohan." Management's tone was defensive regarding FY25 misses but confident that the "plumbing" is now fixed. The concern remains live: wholesale stabilized QoQ, but YoY is still negative. * **M&A Value Creation:** The Banjara's deal has shifted analyst focus from "stagnant core" to "growth potential." Posture was very confident, emphasizing the high 60% gross margins of the target. This has improved management's credibility.

Analyst Sentiment Verdict: ☐ **Neutral to Optimistic.** Analysts were less hostile than prior quarters due to the sequential ADHO recovery and the strategic logic of the Banjara's acquisition. However, the spike in Receivables and the "lag" in pricing Coconut oil to RM costs created a layer of skepticism regarding the *quality* of the Q4 beat.

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q3 FY25)	This Quarter (Q4 FY25)	Direction
M&A Execution	Tranche 1 in progress.	49% stake acquired; Tranche 2 (51%) in transit.	↑ Positive
ADHO Momentum	Negative YoY growth.	+3% YoY; +11% QoQ.	↑ Improving
Wholesale Channel	Primary concern; "cleaning up."	Stabilized (+15% QoQ growth).	↑ Improving
RM Strategy	Lagging inflation.	Mid-teens price hike taken in April 2025.	↑ Improving
Int'l Business	Steady growth.	Record growth in ROW (+107%) and Nepal (+20%).	↑ Improving
Receivables	₹43.3 Cr (Standalone).	₹73.0 Cr (Standalone); up 68.6%.	↓ Deteriorating
Consol EBITDA Margin	11.8%	13.3%	↑ Improving
Southern Presence	Minimal distribution.	Acquisition of Banjara's gives 3X Southern reach.	↑ Positive