Bajaj Consumer Care Ltd — Oct 2026 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Strong Beat **One-line:** Bajaj Consumer has successfully defended its high-margin profile (25% EBITDA) through aggressive fixed-cost optimization and operating leverage, even as gross margins compress under RM inflation.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Strong Beat	EBITDA □83.3 Cr (+71% YoY); reached 25% margin target despite RM headwinds.	□
Earnings Quality	High (Core driven)	Volume-led growth in ADHO; absolute employee costs flat YoY despite 27% rev growth.	□
Guidance Confidence	Strong	Reaffirmed "absolute EBITDA" focus; initiating 5% Q3 price/ml-age action.	□
Management Credibility	Strong	Delivered on Project Aarohan 1.0; immediately pivoted to Aarohan 2.0 national rollout.	□
Business Quality Signal	Improving	Non-ADHO "Growth Portfolio" profitability improved; unit volumes growing.	□
Key Q&A Exchange	Q5: Direct Dist.	Management targeting 75-80% direct reach index vs larger peers; clarifies ROI.	□
The Street's Primary Anxiety	RM Hyperinflation	190bps QoQ GM compression; mgmt responding with Q3 pricing/MLH reductions.	□
Capital Cycle Stage	Harvesting / Growth	Sweating Aarohan infra; testing Banjara's in large adjacencies (Color Shampoo).	□
Margin / Return Ratio Trajectory	Stable	EBITDA margin held at 25.0% (vs 24.9% QoQ) despite Gross Margin drop.	□
Pricing Power	Expanding	Passing 5% increase in Q3 to protect P&L; demand remains "resilient."	□
FCF Conversion & Quality	Strong	H1 PAT □140.9 Cr; management emphasizes "prudent financial management."	□
Competitive Moat Signals	Stable	ADHO unit volumes in "double digits"; Rural growth (GT) marginally ahead of Urban.	□
Balance Sheet Strength	Strong	Lean inventory strategy; completed VPCL merger effective May 2026.	□
Working Capital Efficiency	Improving	Lean inventory buys to manage volatility; direct reach expansion reducing fixed S&D.	□
Mgmt Guidance Track Record	Reliable	Consistent delivery on volume growth and "low-to-mid 20s" EBITDA band.	□
Key Vulnerability / Red Flag	RM Volatility	West Asia conflict keeping LLP/freight elevated; Copra rising due to El Niño.	□
Management Tone	Confident	Shift from "recovery" to "national scale-up" (Aarohan 2.0) and "disruptive pilots."	□

Key Takeaways (Positives & Negatives): * **Positives:** The operational performance is exceptional. By slashing Other Expenses (down 220bps QoQ as % of sales) and freezing Employee Costs, the company absorbed a 190bps Gross Margin contraction to *increase* EBITDA margins to 25.0%. ADHO's double-digit unit volume growth proves the core brand's vitality, while the International business (specifically Nepal) is offsetting Bangladesh's macro weakness. * **Negatives:** Gross margins are under pressure (59.9% vs 61.8% QoQ) due to a cocktail of elevated LLP, freight, and edible oil inflation. The International business saw a sequential decline (□16.3 Cr vs □16.9 Cr in Q1), and the "Growth Portfolio" still lacks the scale to meaningfully diversify the ADHO concentration. * **Street Concern:** Analysts were focused on the sustainability of margins if RM continues to rise. Management's response was a decisive pivot to "Absolute EBITDA" protection and a planned 5% price hike in Q3. * **Watchpoint:** The success of Aarohan 2.0 (expanding direct reach by another 10% nationally) will determine if volume momentum can outrun the upcoming pricing hurdles.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS DATA SOURCE: PPT figures primary; Concall for unit volume/commentary.

Metric	Current Qtr	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (□Cr)	332.7	+27.3%	-2.5%	↓	YoY growth driven by ADHO unit volumes; QoQ reflects slight seasonality.
Gross Margin (%)	59.9%	+20 bps	-190 bps	↓	Compressed by West Asia conflict (LLP) and El Niño (Copra).
EBITDA (□Cr)	83.3	+71.0%	-1.3%	→	Strong operating leverage; absolute EBITDA nearly flat QoQ despite lower sales.
EBITDA Margin %	25.0%	+640 bps	+10 bps	↑	Reached target upper-bound via fixed cost savings (Project Aarohan).
PAT (□Cr)	70.2	+66.0%	-0.7%	→	Tax rate remains efficient; margins improved YoY to 21.1%.
Ad Spend (% Rev)	12.5%	-240 bps	-210 bps	↓	Optimized "non-working" A&P; maintaining SOV while improving efficiency.
Volume (ADHO Unit)	Double-Digit	Not in doc	Not in doc	↑	Growth led by small/medium packs; 2-3% driven by distribution expansion.
Employee Cost (□ Cr)	34.3	+0.3%	-1.1%	↑	High operating leverage; absolute cost flat despite high revenue growth.
Other Expenses (□ Cr)	40.0	+4.8%	-11.0%	↑	Efficiency gains from closing 600 van routes; tight control on discretionary.
International Rev (□Cr)	16.3	-3.6%	-3.6%	↓	Bangladesh macro stress (-11% YoY) dragging down strong Nepal growth (+32%).

2B. SEGMENT BREAKDOWN

Segment	Revenue (□Cr)	YoY Growth	Margin	Trend	vs Company Avg	Key Development
ADHO	~266.0*	~25%+	High	↑	Above	Unit volumes growing; repositioning campaign (Hair Strength) live.
Growth Portfolio	~50.4*	Mixed	Improving	↑	Below	Coconut unit growth strong; unit profitability "substantially improved."
International	16.3	-3.6%	Improving	↑	Below	Broad recovery except Bangladesh; sharp EBITDA margin expansion YoY.
Banjara's	Not in doc	Not in doc	Positive	→	Below	Testing adjacencies: Color Shampoo and Lip Balm in Southern markets.

**Estimated based on historical mix (~80% ADHO).*

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate	Historical Delivery	Risk Flag
Guidance	Revenue	Long-term "double-digit" growth aspiration.	~10-15% CAGR	Delivered (H1 +27.8%)	Low
Guidance	Margins	Protect "Absolute EBITDA" pool; H1 was □167.6 Cr.	~□80-85 Cr/qtr	Beat (Held 25% margin)	Low
Guidance	Pricing	5% hike in Q3 (50% price / 50% grammage).	Immediate execution	Q1 price hike accepted	Medium
Strategy	Distribution	Aarohan 2.0: +10% direct reach expansion nationally.	Next 6 quarters	Completed Phase 1 (1.1L outlets)	Low
Strategy	Growth Portfolio	Build "second growth engine" in rev/ margins.	Profitable scaling	Improved profitability achieved	Medium
Macro	RM Prices	Volatile LLP/Copra; expecting Q3 pressure.	Pass-through needed	Ongoing	High

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
1	4.5	Vinay Shukla / PhillipCapital	Outlook	Mgmt Outlook	"How should we assess the company's growth trajectory over the near term? Is it achieving a mid-teens growth in '27?"	Management aspires for long-term double-digit growth and expects high teens for the current year. This confirms that while the high-20s growth is partly base-effect, the structural growth rate has shifted upward.	None	4.0	Prudent guidance
2	4.0	Vinay Shukla / PhillipCapital	ADHO Drivers	Business Overview	"Break down the ADHO performance between distribution expansion, MT, e-com, or premiumization."	Management estimated 2-3 percentage points of volume growth are driven by distribution expansion (Aarohan). This validates the GTM strategy as a tangible volume contributor rather than just an infra play.	None	4.0	Quantified delta
3	4.5	Avi Mehta / 360 ONE	Pricing	Mgmt Outlook	"What gives you confidence of staying in this volume growth trajectory... despite this pricing?"	Management noted industry-wide price hikes and a policy of passing on "absolute cost" rather than protecting percentage gross margins. This signals a defensive stance on market share while	None	5.0	Strategic clarity

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						prioritizing absolute EBITDA stability.			
4	3.5	Abneesh Roy / Nuvama	Banjara's	Business Overview	"What is the right to win here? Adjacency I do understand, but any other point you want to mention?"	Management is leveraging Southern herbal equity to push Banjara's into high-frequency categories like color shampoo via the merged Bajaj-Banjara distribution. This identifies the "right to win" as distribution synergy rather than just brand stretch.	None	3.0	Synergy-led growth
5	5.0	Tejas Shah / Avendus Spark	Direct Dist.	Strategy	"Why we are wanting to focus in on it [direct distribution]... [peers] have not seen commensurate outcomes in terms of growth?"	Management argued that their direct reach index is only 50-60% of peers, providing a unique "sweet spot" for growth until they hit 75-80%. This justifies the continued Capex/Opex in Aarohan 2.0 as a catch-up play with higher incremental returns.	None	5.0	Thesis critical
6	4.0	Makarand Basarkar	Outsourcing	Financials	"Significant increase in your purchase of stock-in-trade relative to cost of materials... is	Management revealed they outsourced the Guwahati factory production to a third party to	None	5.0	Transparent

Q#	Relevance	Analyst / Firm	Theme	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
						drive better operating efficiencies. This explains the accounting shift and confirms a strategy of asset-light manufacturing for certain regions.			
					it a structural change?"				
7	4.0	Amit Purohit	Ad Spend	Financials	"How do we think of... ad spend outlook [given inflation]?"	Management is optimizing "non-working" A&P (fixed costs/ endorsements) to cushion the P&L and will iterate media spends based on industry behavior. This implies that A&P as a % of sales may trend lower to protect margins without losing Share of Voice.	None	4.0	Tactical pivot

PATTERN FLAGS & SENTIMENT * **Operating Efficiency as the Alpha:** Multiple analysts questioned the "operating leverage" vs "gross margin" trade-off. Management was extremely confident in their ability to cut fixed S&D costs (Aarohan 1.0) to offset RM pain, which is currently the primary reason the 25% EBITDA margin is being sustained. * **Distribution as a Non-Negotiable Lever:** The skepticism around direct distribution (Tejas Shah) was met with a clear "catch-up" argument. Management isn't just following peers; they are filling a massive reach gap that directly correlates to 2-3% of their volume growth. * **Pricing Resilience:** There is minor anxiety about the Q3 price hike (Avi Mehta). Management's posture was "fairness to P&L," suggesting they won't sacrifice the bottom line to chase uneconomic volume, which aligns with buy-side fundamental preferences.

Analyst Sentiment Verdict: Optimistic. The street is broadly convinced by the "Absolute EBITDA" defense. The primary friction point is the sequential GM drop, but management's transparency regarding the Guwahati outsourcing and the 5% Q3 hike has mitigated concerns. Credibility remains high due to the flawless execution of Phase 1 Aarohan.

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q1 FY27)	This Quarter (Q2 FY27)	Direction
Gross Margin	61.8%	59.9%	↓
EBITDA Margin	24.9%	25.0%	→
Revenue Growth	28.3% YoY	27.3% YoY	→
Strategy Stage	Completing Aarohan 1.0	Launching Aarohan 2.0 (National)	↑
Pricing Stance	Selective/Calibrated	5% Broad Hike (Q3 Plan)	↑
International	Rebound across all	Bangladesh Headwinds (-11%)	↓
Manufacturing	In-house (Guwahati)	Outsourced (Guwahati)	↑
Growth Portfolio	Improving revenue	Improving profitability/margins	↑

Investor Notes: * **Trajectory Signal:** The business has stabilized at a ~25% EBITDA margin floor. While GM is deteriorating (190bps QoQ), the operating leverage from distribution transformation (600 routes closed) is a permanent structural benefit. * **CFO-to-PAT:** H1 PAT □140.9 Cr; management confirms lean inventory strategy, suggesting high CFO/PAT conversion despite RM volatility. * **Forensic Trigger:** The shift to "Purchase of Stock-in-Trade" due to Guwahati factory outsourcing is a key P&L geography shift but is margin-accretive due to efficiency gains. * **Thesis Verdict:** This quarter **strengthens the thesis**. Management has proven they can maintain 25% margins even when their primary raw material (LLP) is hyper-inflationary. The transition to Aarohan 2.0 suggests the next leg of volume growth is already planned.