

Muted performance despite favourable base

- BCCL's Q1FY22 results were below our estimate. Core hair oil business (excl sanitizer) grew 20.4% driven by 24.3% volume growth.
- During Q1FY22, general trade grew 6.2%, alternate channels increased 40% YoY. Central region, a major component of business, was the only market which exhibited de-growth in Q1.
- GM contracted by 730bps in Q1 due to elevated RM prices and change in product mix. Commodity prices are on an uptrend in Q2, company took combined 3% price hike in last two quarters to support GM.
- While most of the wholesale markets were disrupted in Q1, retail initiative in focus markets resulted in +40% growth in the channel.
- On a 2yr CAGR basis, revenue from core hair oil declined 6.5%. We remain cautious on the premium hair oil category considering discretionary nature and increased competition. Though Q1 results were below our estimates, strong rebound in June-July'21 promises sales acceleration in ensuing quarters. Further, with the opening up of markets, we believe that discretionary spends would improve ahead of festive season. Hence, we have maintained FY22/23E EPS estimates to Rs 15.8/16.5 respectively. We value the stock at 18x FY23E EPS to arrive at TP of Rs 296. Maintain Reduce

Results below estimates

Revenue increased by 9.8% YoY to Rs 2,153mn in Q1FY22 on a base of 18% decline. Volume growth in Q1 stood at 16.2%. Excl. sanitizers, core hair oil business grew 20.4% YoY, lower than hair oil industry growth of 25% in Q1. A 30/220bps decline in employee cost/ other expense partially mitigated by 730 bps increase in RM cost. EBITDA margin declined 480bps to 24.3%. EBITDA decreased 8.2% YoY to Rs 522mn. APAT fell 10.0% YoY to Rs 488mn.

Margin pressure continues

During Q1FY22, gross margin contracted 730bps YoY, despite price hikes in Q4FY21 and Q1FY22, is a concern. Mounting RM pressure has already eroded EBITDA margins significantly to ~24-25% in past couple of quarters compared to 28-32% margins reported over past couple of years. Going ahead, we expect A&P spends to increase (~17-18% of sales vs 13-14% currently) to support new product launches - are likely to pressurize margins.

Q1FY22 Result (Rs Mn)

Particulars	Q1FY22	Q1FY21	YoY (%)	Q4FY21	QoQ (%)
Revenue	2,153	1,961	9.8	2,460	(12.5)
Total Expense	1,630	1,391	17.2	1,852	(12.0)
EBITDA	522	569	(8.2)	608	(14.1)
Depreciation	11	14	(23.0)	15	(26.1)
EBIT	512	555	(7.8)	593	(13.8)
Other Income	83	106	(21.4)	63	31.4
Interest	3	4	(14.3)	3	1.8
EBT	591	657	(10.0)	653	(9.5)
Tax	103	115	(9.8)	114	(9.4)
RPAT	488	542	(10.0)	539	(9.5)
APAT	488	542	(10.0)	539	(9.5)
			(bps)		(bps)
Gross Margin (%)	57.2	64.4	(725)	61.3	(408)
EBITDA Margin (%)	24.3	29.0	(476)	24.7	(45)
NPM (%)	22.7	27.6	(498)	21.9	74
Tax Rate (%)	17.5	17.5	2	17.5	2
EBIT Margin (%)	23.8	28.3	(454)	24.1	(35)

CMP	Rs 269		
Target / Upside	Rs 296 / 10%		
NIFTY	16,238		
Scrip Details			
Equity / FV	Rs 148mn / Rs 1		
Market Cap	Rs 40bn		
	USD 535mn		
52-week High/Low	Rs 324/ 163		
Avg. Volume (no)	791,248		
Bloom Code	BJCOR IN		
Price Performance			
1M	3M	12M	
Absolute (%)	(8)	0	48
Rel to NIFTY (%)	(11)	(11)	5

Shareholding Pattern

	Dec'20	Mar'21	Jun'21
Promoters	38.0	38.0	38.0
MF/Banks/FIs	17.0	17.8	17.8
FIs	24.8	22.5	22.5
Public / Others	20.2	21.7	21.7

Valuation (x)

	FY21A	FY22E	FY23E
P/E	17.7	17.0	16.3
EV/EBITDA	13.9	12.5	11.3
ROE (%)	30.7	27.0	23.7
RoACE (%)	30.3	27.5	24.1

Estimates (Rs mn)

	FY21A	FY22E	FY23E
Revenue	9,146	9,687	10,271
EBITDA	2,435	2,546	2,659
PAT	2,236	2,329	2,428
EPS (Rs.)	15.2	15.8	16.5

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Exhibit 1: Actual V/s Estimates

Rs mn	Actual	Estimates	Variance (%)	Comments
Revenue	2,153	2,338	(7.9)	Variation as impact of lockdown in April-May was higher than our estimate. Also, sanitizer contribution was just 1% in Q1FY22 compared to 9% in base.
EBITDA	522	634	(17.6)	
EBITDA margin %	24.3	27.1	(290)	RM and other expenses were higher than our estimate
APAT	488	582	(16.2)	Cascading effect of lower EBITDA

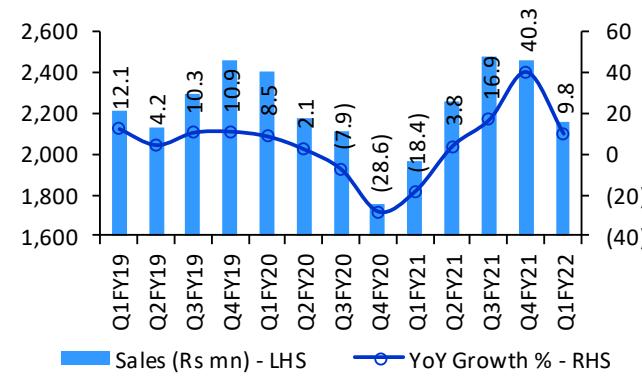
Source: Company, DART

Key Concalt Takeaways

- Increase in LLP and RMO prices is due to supply constraints and rise in crude oil prices. Light Liquid Paraffin (LLP) grew 49% YoY and Refined mustard oil rose 47% YoY in Q1FY22. The company has taken price increase of ~3% till now. It may further take calibrated price hike after monitoring consumer behavior towards price hike and competitive landscape. RM prices are expected to soften in H2FY22.
- While sanitizers contributed 9% in Q1FY22, it accounted for only 1% in Q1FY22. Volume growth was 16.2% (excluding sanitizer +24.3%).
- South, Maharashtra and West Bengal together account for ~70% of company's revenue contribution. Central region itself is the major contributor to revenue and was the only region which exhibited de-growth in Q1FY22.
- In Jul'21, the company launched premium Coconut oil in West/South/ Bihar and Jharkhand. The management believes that in some western markets, where Amla itself can't add onto ADHO, coconut oil can help it generate better assortment in terms of market penetration.
- ADHO registered 20% sales growth and market share increased 100bps in Q1FY22. There was a preference for large packs during the quarter which helped ADHO growth.
- The company has undertaken 20 initiatives in cost savings across supply chain, logistics, alternate raw material, etc which is likely to result in Rs 50-60mn benefit for the year. Although the number is not significant, it would play an integral part in overall efficiency going ahead.
- Rural/Urban mix stands at 52/48% for BCCL. While rural was impacted in Apr'21 due to surge in Covid cases, it recovered strongly in June-July. Rural continued to outperform urban markets for the fourth consecutive quarter for the company. In the hair oil category, the rural markets continued the strong growth momentum reflected in June MAT growth of 10%, compared to 1.7% in case of urban. In Q1FY22, urban hair oil market grew 28.5% on a weak base and rural grew 22.1%.
- While most of the wholesale markets were disrupted in Q1, retail initiative in focus markets has been doing well and this has helped retail grow by over 40%. This will continue to remain a key initiative for the company for balance part of the year.
- As per Nielsen, Bajaj Hair oil MAT value market share in June'21 stood at 10.7% with urban share at 11.2% and rural share at 10.1%. The company's Q1FY22 market share is up by 120 bps compared to Q1FY21. Inspite of lockdown in key geographies of Rajasthan, UP, MP which impacted Van sales in rural markets, value market share in Amla category increased to 2.6% in Q1FY22 vs 1.4% in Q1FY21.

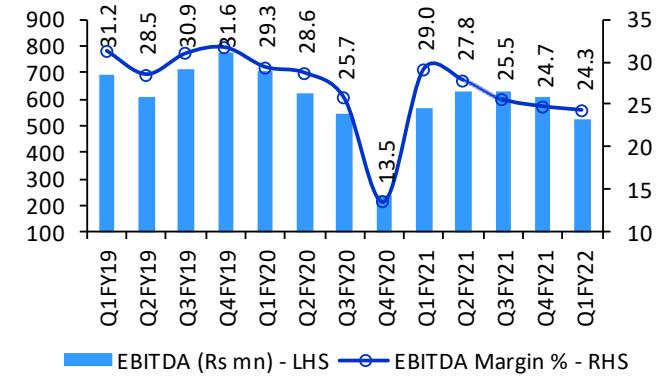
- E-commerce exhibited double digit growth and continues to be the thrust area for the company. Modern trade channels remained partially or completely closed in April-May, however the channel saw high teen growth. Most of the stores resumed normal operations in June'21. Management is optimistic of growth in MT channel.
- The company has placed new brands like Zero Grey, Cool Almond Oil at various national chains. It is focussed on increasing brand presence and expanding product portfolio on relevant platforms. We believe this will boost revenue growth going ahead.
- IB grew 58.6% in Q1FY22 (-38% in base). Travel restrictions continued to hamper growth in GCC markets and despite the strict lockdown in Nepal and Bangladesh markets, it has managed to clock healthy double digit growth.

Exhibit 2: Trend in Net Sales and Sales Growth



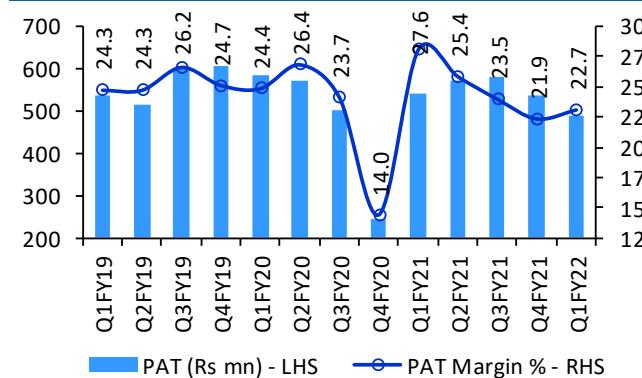
Source: DART, Company

Exhibit 3: Trend in EBITDA and EBITDA Margins (%)



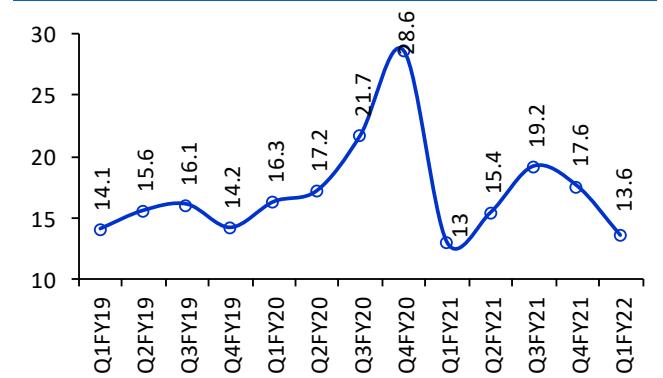
Source: DART, Company

Exhibit 4: Trend in Net Profit and Margins (%)



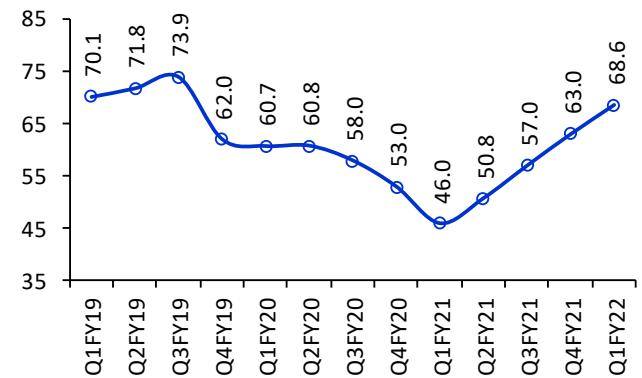
Source: DART, Company

Exhibit 5: Trend in A&SP spends (%)



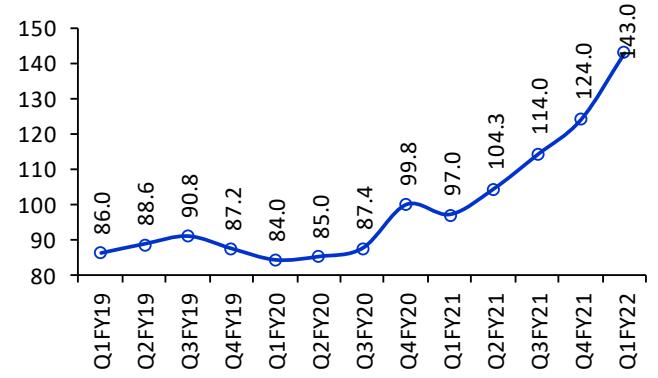
Source: DART, Company

Exhibit 6: Trend in RM Cost – LLP/KG



Source: DART, Company

Exhibit 7: Trend in Refined Oil Prices/KG



Source: DART, Company

Profit and Loss Account

(Rs Mn)	FY20A	FY21A	FY22E	FY23E
Revenue	8,442	9,146	9,687	10,271
Total Expense	6,336	6,711	7,141	7,612
COGS	2,729	3,294	3,303	3,506
Employees Cost	836	822	952	1,010
Other expenses	2,772	2,594	2,885	3,096
EBIDTA	2,106	2,435	2,546	2,659
Depreciation	53	58	61	64
EBIT	2,052	2,377	2,485	2,595
Interest	42	13	55	55
Other Income	299	345	392	402
Exc. / E.O. items	0	0	0	0
EBT	2,309	2,709	2,822	2,942
Tax	403	473	493	514
RPAT	1,906	2,236	2,329	2,428
Minority Interest	0	0	0	0
Profit/Loss share of associates	0	0	0	0
APAT	1,906	2,236	2,329	2,428

Balance Sheet

(Rs Mn)	FY20A	FY21A	FY22E	FY23E
Sources of Funds				
Equity Capital	148	148	148	148
Minority Interest	0	0	0	0
Reserves & Surplus	6,624	7,667	9,258	10,948
Net Worth	6,772	7,815	9,406	11,096
Total Debt	200	50	50	50
Net Deferred Tax Liability	0	0	0	0
Total Capital Employed	6,972	7,865	9,456	11,146

Applications of Funds

Net Block	468	427	417	403
CWIP	71	71	71	71
Investments	1,441	1,446	1,446	1,446
Current Assets, Loans & Advances	6,375	7,187	8,863	10,648
Inventories	620	425	450	477
Receivables	286	261	472	501
Cash and Bank Balances	114	87	1,964	3,685
Loans and Advances	892	569	133	141
Other Current Assets	0	0	0	0
Less: Current Liabilities & Provisions	1,383	1,266	1,341	1,422
Payables	1,380	1,266	1,341	1,422
Other Current Liabilities	3	0	0	0
<i>sub total</i>				
Net Current Assets	4,992	5,921	7,522	9,227
Total Assets	6,972	7,865	9,456	11,146

E – Estimates

Important Ratios

Particulars	FY20A	FY21A	FY22E	FY23E
(A) Margins (%)				
Gross Profit Margin	67.7	64.0	65.9	65.9
EBIDTA Margin	24.9	26.6	26.3	25.9
EBIT Margin	24.3	26.0	25.7	25.3
Tax rate	17.5	17.5	17.5	17.5
Net Profit Margin	22.6	24.4	24.0	23.6
(B) As Percentage of Net Sales (%)				
COGS	32.3	36.0	34.1	34.1
Employee	9.9	9.0	9.8	9.8
Other	32.8	28.4	29.8	30.1
(C) Measure of Financial Status				
Gross Debt / Equity	0.0	0.0	0.0	0.0
Interest Coverage	48.5	180.1	45.2	47.2
Inventory days	27	17	17	17
Debtors days	12	10	18	18
Average Cost of Debt	18.8	10.6	110.0	110.0
Payable days	60	51	51	51
Working Capital days	216	236	283	328
FA T/O	18.0	21.4	23.3	25.5
(D) Measures of Investment				
AEPS (Rs)	12.9	15.2	15.8	16.5
CEPS (Rs)	13.3	15.6	16.2	16.9
DPS (Rs)	0.0	8.0	5.0	5.0
Dividend Payout (%)	0.0	52.8	31.7	30.4
BVPS (Rs)	45.9	53.0	63.8	75.2
RoANW (%)	32.8	30.7	27.0	23.7
RoACE (%)	32.3	30.3	27.5	24.1
RoAIC (%)	34.7	32.5	32.5	34.7
(E) Valuation Ratios				
CMP (Rs)	269	269	269	269
P/E	20.8	17.7	17.0	16.3
Mcap (Rs Mn)	39,655	39,655	39,655	39,655
MCap/ Sales	4.7	4.3	4.1	3.9
EV	35,278	33,773	31,896	30,175
EV/Sales	4.2	3.7	3.3	2.9
EV/EBITDA	16.8	13.9	12.5	11.3
P/BV	5.9	5.1	4.2	3.6
Dividend Yield (%)	0.0	3.0	1.9	1.9
(F) Growth Rate (%)				
Revenue	(7.2)	8.3	5.9	6.0
EBITDA	(24.4)	15.6	4.5	4.4
EBIT	(24.5)	15.8	4.5	4.4
PBT	(19.9)	17.3	4.2	4.3
APAT	(15.7)	17.3	4.2	4.3
EPS	(15.7)	17.3	4.2	4.3

Cash Flow

(Rs Mn)	FY20A	FY21A	FY22E	FY23E
CFO	2,074	2,733	2,720	2,564
CFI	(2,051)	(1,404)	(50)	(50)
CFF	(46)	(1,356)	(793)	(793)
FCFF	2,036	2,716	2,670	2,514
Opening Cash	138	114	87	1,964
Closing Cash	114	87	1,964	3,685

E – Estimates

DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
Oct-20	Reduce	197	190
Feb-21	Reduce	247	263
Apr-21	Reduce	296	293

*Price as on recommendation date

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