

## Consumer Staples | Q4FY24 Result Update

## Margins yet to revive; Reduce

- BCCL's Q4FY24 revenue and EBITDA came below our estimates. GT on secondary basis declined in mid-single digits, while decline in rural demand moderated compared to last three quarters. Non-ADHO reported 24% value growth during the quarter. Domestic business posted 4.6% de-growth with flat volume growth. E-com grew by 26/27% in Q4/FY24.
- We believe A&P spends will remain high with new product launches. Thus, margins would continue to remain under pressure in the near term.
- We have lowered our FY25/26E EPS estimates by 2.0/4.6% to Rs 11.8/12.4 to factor in Q4 performance and 16-18% margin guidance. Though we remain cautious on the premium hair oil category considering its discretionary nature and increased competitive intensity, NPD is likely to aid revenue growth. Valuing the stock at 20x FY26E EPS, we maintain TP of Rs 247. Downgrade to Reduce.

## Revenue and EBITDA below estimate; Profitability in-line

Revenue decreased by 3.5% YoY to Rs 2.4bn in Q4FY24 - was below our estimate. During Q4/FY24, volume growth was flat/6.2% respectively. GT channel declined in mid-single digit on secondary basis. Furthermore, decline in rural was lower than previous 3 quarters. GM expanded by 110bps to 55.8%. A 110bps decline in RM was partially offset 160/140bps increase in employee cost/other exp resp. Consequently, EBITDA margin contracted 180bps to 15.4%. EBITDA decreased 13.9% YoY to Rs 363mn, below our estimate. APAT decreased by 9% YoY to Rs 373mn, in-line with our estimate.

## GT business is expected to normalize in the ensuing quarter

In Q4FY24, GM expanded 110bps YoY to 55.8%. However, EBITDA margin contracted 180bps. During the quarter, BCCL rationalized inventory in GT which has resulted in de-growth. As this was one time correction, revenue growth is expected to be back in the ensuing quarters. Also, the company is targeting to post double digit volume growth in FY25E with improvement in business conditions. The company has maintained its EBITDA margin guidance at 16-18%. Going ahead, we believe that the company would have to face stiff competition from the other players in the industry as the premium hair oil industry is continuously facing growth challenges. We remain cautious on BCCL's growth prospects.

## Q4FY24 Result (Rs Mn)

Particulars	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)
Revenue	2,359	2,445	(3.5)	2,358	0.1
Total Expense	1,997	2,024	(1.4)	1,985	0.6
EBITDA	363	421	(13.9)	373	(2.7)
Depreciation	25	23	9.6	24	3.1
EBIT	338	398	(15.2)	348	(3.1)
Other Income	117	101	15.3	110	6.0
Interest	2	2	8.2	2	(7.8)
EBT	452	497	(9.1)	456	(0.9)
Tax	79	87	(9.7)	80	(0.9)
RPAT	373	410	(9.0)	376	(0.9)
APAT	373	410	(9.0)	376	(0.9)
			(bps)		(bps)
Gross Margin (%)	55.8	54.7	111	53.9	190
EBITDA Margin (%)	15.4	17.2	(185)	15.8	(44)
NPM (%)	15.8	16.8	(94)	16.0	(15)
Tax Rate (%)	17.5	17.6	(11)	17.5	0
EBIT Margin (%)	14.3	16.3	(197)	14.8	(47)

CMP	Rs 241
Target / Upside	Rs 247 / 2%
NIFTY	21,958
<b>Scrip Details</b>	
Equity / FV	Rs 143mn / Rs 1
Market Cap	Rs 34bn
	USD 415.3mn
52-week High/Low	Rs 271 / 170
Avg. Volume (no)	7,93,562
Bloom Code	BJCOR IN
<b>Price Performance</b>	
1M	3M
Absolute (%)	6 14 39
Rel to NIFTY (%)	9 13 12

## Shareholding Pattern

	Sep'23	Dec'23	Mar'24
Promoters	39.4	39.4	39.3
MF/Banks/FIs	17.4	17.2	17.5
FII	14.8	14.4	14.1
Public / Others	28.5	29.1	29.1

## Valuation (x)

	FY24P	FY25E	FY26E
P/E	21.7	20.4	19.5
EV/EBITDA	17.9	16.4	14.7
ROE (%)	18.8	18.4	17.4
RoACE (%)	18.7	18.4	17.4

## Estimates (Rs bn)

	FY24P	FY25E	FY26E
Revenue	9.7	10.3	10.9
EBITDA	1.6	1.7	1.8
PAT	1.6	1.7	1.8
EPS (Rs.)	11.1	11.8	12.4

VP - Research: Sachin Bobade

Tel: +91 22 40969731

E-mail: sachinb@dolatcapital.com

Associate: Jyoti Amonkar

Tel: +9122 61764822

E-mail: jyotia@dolatcapital.com

Associate: Akshay Patel

Tel: +9122 40969753

E-mail: akshayp@dolatcapital.com

**Exhibit 1: Actual V/s Estimates**

Particulars (Rs mn)	Actual	Estimates	Variance (%)	Comments
Revenue	2,359	2,518	(6.3)	Inventory correction in GT resulted in lower revenues.
EBITDA	363	424	(14.6)	Lower than anticipated margins and lower revenues.
EBITDA margin %	15.4	16.9	(150bps)	
APAT	373	372	0.2	Other income was higher than estimate.

Source: Company, DART

**Exhibit 2: Change in estimates**

Particulars (Rs mn)	FY25E			FY26E		
	New	Old	Chg. (%)	New	Old	Chg. (%)
Revenue	10,280	10,542	(2.5)	10,938	11,228	(2.6)
EBIDTA	1,694	1,783	(5.0)	1,812	1,945	(6.8)
EBIDTA margin (%)	16.5	16.9	(40bps)	16.6	17.3	(80bps)
PAT	1,684	1,717	(1.9)	1,764	1,846	(4.5)
EPS (Rs)	11.8	12.0	(1.9)	12.4	12.9	(4.5)

Source: Company DART

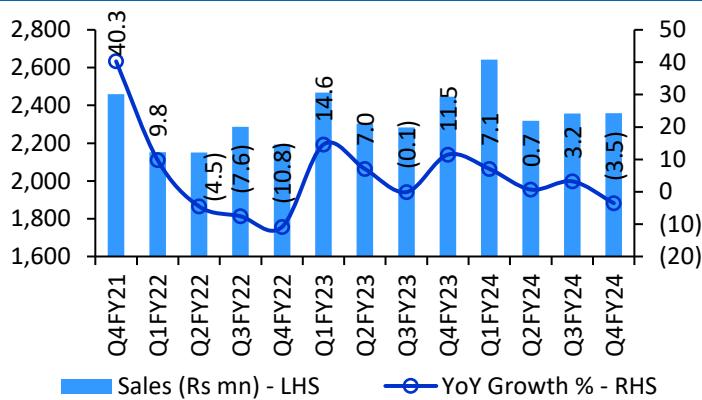
We have downward revised our revenue estimates for FY25/26E to factor in Q4 performance. Further, we have lowered our EBITDA margin estimates for FY25/26E to factor in Q4 performance and EBITDA margin guidance of 16-18%. In-line with the revision in EBITDA, we have revised our APAT estimates.

**Earning call KTA**

- BCCL's revenue de-grew by 3.5% as a result of mid-single digit decline in GT on secondary basis, flat volume growth in Q4 and high base (11.5% revenue growth last year). Going ahead, key growth drivers will be (1) expansion in Hair oil category, (2) new products in almond drop extensions and ethnic range and (3) increasing digital reach through marketing initiatives. In FY25E, management aspires to post double digit value and flat volume growth.
- GM expanded by 110bps to 55.8% led by stable RM prices. During the quarter, LLP prices remained range bound and RMO was stable. However, copra prices saw inflationary trend in Q4 – in response BCCL took corrective price actions to protect margins. Going ahead, we expect GM to remain stable on account of multiple cost optimization initiatives. In near to mid-term EBITDA margins are expected to be ~16-18%.
- IB grew by 24% during FY24 supported by 11/68/22% YoY growth in Middle East & Africa/Bangladesh/ROW respectively. Middle East and Africa growth was led by recovery in wholesale and MT channel. Furthermore, topline in Nepal doubled with strong performance in ADHO and stabilisation in CNO business. In addition, Bangladesh (focused market) growth was a result of transitioning to own distribution since Jan'24. BCCL anticipates IB to grow rapidly from 5% in FY24 to 20% over next 5 years led by expansion in new geographies and new product launches, going ahead.
- During the quarter, decline in rural was lower compared to past 3 quarters, further rural outperformed urban markets. Going ahead, the company is optimistic that macro conditions would stabilize and an uptick in rural demand would lead by positive effect on consumption.
- ADHO posted mere 0.9% volume growth led by large pack sales in urban markets. However, value declined in low single digit during FY24. ADHO continued to gain market share across all key accounts. Furthermore, the company continued to drive ADHO penetration in rural market through LUP. Going ahead, management expects mid-single digit growth over next 2-3 years through innovation, marketing, R&D and new product expansion.

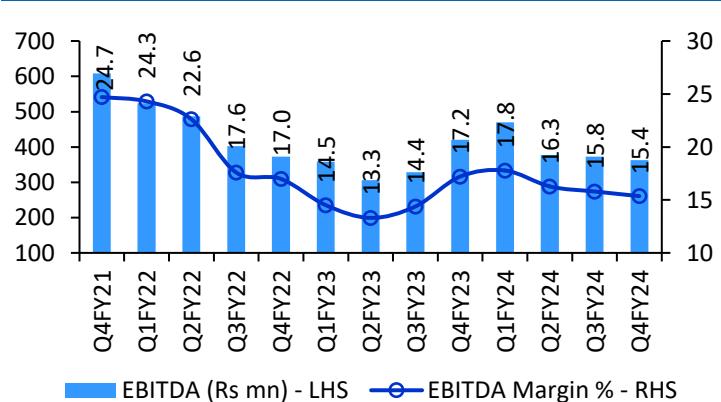
- Almond drop hair and skin care grew by 22/16% in Q4/FY24 led by scaleup in of shampoo, lotion and conditioner. During Q4, BCCL launched 'Bajaj almond drops summer lotion' to cater to seasonal demand.
- In FY24, NPD contributed ~15% of overall sales. During the quarter, value growth of new products was 26%. The company aims to increase the new product contribution for traditional range to 40% over next 5 years.
- During Q4FY24, MT/organized trade grew by 7/11% YoY led by new launches and portfolio expansion through CNO. E-com grew 26% YoY supported by expansion in new platforms like Myntra, Blinkit, Zepto, Swiggy and Instamart. However, GT declined by mid-single digit in Q4 on secondary basis due to one-time rationalisation of inventory.
- A&P spends stood at 17.4/16.8% at Rs 402/1,600mn in Q4/FY24 respectively. Going ahead, A&P spends is expected in the range of 17-18%.
- The BOD has approved a buyback of up to 57,41,000 equity shares of the company, representing 4.02% of the total number of equity shares at a price of Rs 290 per share for an amount aggregating up to Rs 1664.9mn.

**Exhibit 3: Trend in Net Sales and Sales Growth**



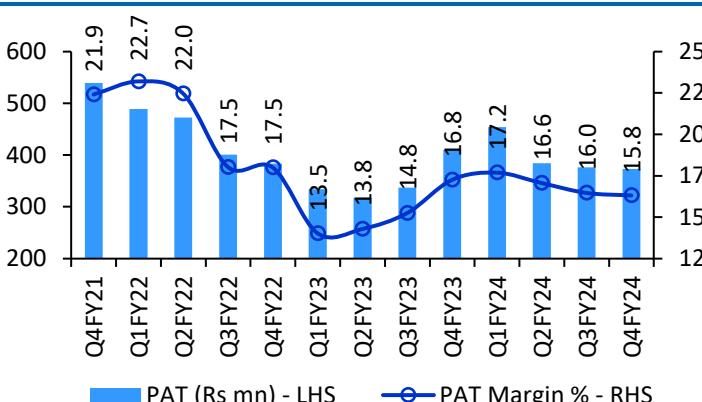
Source: DART, Company

**Exhibit 4: Trend in EBITDA and EBITDA Margins (%)**



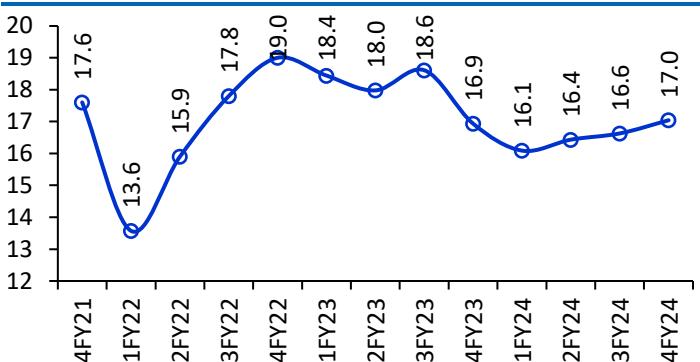
Source: DART, Company

**Exhibit 5: Trend in Net Profit and Margins (%)**



Source: DART, Company

**Exhibit 6: Trend in A&SP spends (%)**



Source: DART, Company

## Financial Performance

### Profit and Loss Account

(Rs Mn)	FY23A	FY24P	FY25E	FY26E
<b>Revenue</b>	<b>9,499</b>	<b>9,677</b>	<b>10,280</b>	<b>10,938</b>
<b>Total Expense</b>	<b>8,085</b>	<b>8,095</b>	<b>8,586</b>	<b>9,125</b>
COGS	4,374	4,350	4,523	4,795
Employees Cost	867	963	1,024	1,091
Other expenses	2,844	2,782	3,039	3,239
<b>EBIDTA</b>	<b>1,414</b>	<b>1,582</b>	<b>1,694</b>	<b>1,812</b>
Depreciation	81	95	104	115
<b>EBIT</b>	<b>1,333</b>	<b>1,487</b>	<b>1,590</b>	<b>1,697</b>
Interest	9	10	13	13
Other Income	371	446	463	453
Exc. / E.O. items	0	0	0	0
<b>EBT</b>	<b>1,695</b>	<b>1,924</b>	<b>2,040</b>	<b>2,137</b>
Tax	297	336	356	373
RPAT	1,398	1,588	1,684	1,764
Minority Interest	0	0	0	0
<b>Profit/Loss share of associates</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>APAT</b>	<b>1,398</b>	<b>1,588</b>	<b>1,684</b>	<b>1,764</b>

### Balance Sheet

(Rs Mn)	FY23A	FY24P	FY25E	FY26E
<b>Sources of Funds</b>				
Equity Capital	143	143	143	143
Minority Interest	0	0	0	0
Reserves & Surplus	8,066	8,512	9,482	10,532
<b>Net Worth</b>	<b>8,209</b>	<b>8,655</b>	<b>9,625</b>	<b>10,675</b>
Total Debt	93	88	88	88
Net Deferred Tax Liability	0	0	0	0
<b>Total Capital Employed</b>	<b>8,301</b>	<b>8,742</b>	<b>9,712</b>	<b>10,762</b>

### Applications of Funds

Net Block	553	536	482	417
CWIP	14	14	14	14
Investments	1,666	1,713	1,713	1,713
<b>Current Assets, Loans &amp; Advances</b>	<b>7,264</b>	<b>7,833</b>	<b>8,450</b>	<b>9,625</b>
Inventories	496	537	662	704
Receivables	308	433	501	533
Cash and Bank Balances	139	370	867	1,932
Loans and Advances	572	637	563	599
Other Current Assets	0	0	0	0
<b>Less: Current Liabilities &amp; Provisions</b>	<b>1,195</b>	<b>1,353</b>	<b>946</b>	<b>1,007</b>
Payables	448	400	535	569
Other Current Liabilities	747	954	411	438
<i>sub total</i>				
Net Current Assets	6,069	6,480	7,504	8,618
<b>Total Assets</b>	<b>8,301</b>	<b>8,742</b>	<b>9,712</b>	<b>10,762</b>

E – Estimates

**Important Ratios**

Particulars	FY23A	FY24P	FY25E	FY26E
<b>(A) Margins (%)</b>				
Gross Profit Margin	54.0	55.0	56.0	56.2
EBIDTA Margin	14.9	16.3	16.5	16.6
EBIT Margin	14.0	15.4	15.5	15.5
Tax rate	17.5	17.5	17.5	17.5
Net Profit Margin	14.7	16.4	16.4	16.1
<b>(B) As Percentage of Net Sales (%)</b>				
COGS	46.0	45.0	44.0	43.8
Employee	9.1	10.0	10.0	10.0
Other	29.9	28.7	29.6	29.6
<b>(C) Measure of Financial Status</b>				
Gross Debt / Equity	0.0	0.0	0.0	0.0
Interest Coverage	144.7	147.9	122.3	130.6
Inventory days	19	20	24	24
Debtors days	12	16	18	18
Average Cost of Debt	19.8	11.2	14.9	14.9
Payable days	17	15	19	19
Working Capital days	233	244	266	288
FA T/O	17.2	18.1	21.3	26.2
<b>(D) Measures of Investment</b>				
AEPS (Rs)	9.8	11.1	11.8	12.4
CEPS (Rs)	10.4	11.8	12.5	13.2
DPS (Rs)	4.1	8.0	5.0	5.0
Dividend Payout (%)	42.2	71.9	42.4	40.5
BVPS (Rs)	57.5	60.6	67.4	74.8
RoANW (%)	16.8	18.8	18.4	17.4
RoACE (%)	16.9	18.7	18.4	17.4
RoAIC (%)	16.2	18.0	18.5	19.2
<b>(E) Valuation Ratios</b>				
CMP (Rs)	241	241	241	241
P/E	24.6	21.7	20.4	19.5
Mcap (Rs Mn)	34,413	34,413	34,413	34,413
MCap/ Sales	3.6	3.6	3.3	3.1
EV	28,617	28,275	27,777	26,713
EV/Sales	3.0	2.9	2.7	2.4
EV/EBITDA	20.2	17.9	16.4	14.7
P/BV	4.2	4.0	3.6	3.2
Dividend Yield (%)	1.7	3.3	2.1	2.1
<b>(F) Growth Rate (%)</b>				
Revenue	8.1	1.9	6.2	6.4
EBITDA	(20.8)	11.9	7.1	7.0
EBIT	(23.3)	11.6	6.9	6.8
PBT	(19.9)	13.5	6.1	4.8
APAT	(19.9)	13.6	6.1	4.8
EPS	(19.9)	13.6	6.1	4.8

E – Estimates

**Cash Flow**

Particulars	FY23A	FY24P	FY25E	FY26E
<b>Profit before tax</b>	<b>1,695</b>	<b>1,924</b>	<b>2,040</b>	<b>2,137</b>
Depreciation & w.o.	81	95	104	115
Net Interest Exp	9	10	13	13
Direct taxes paid	(296)	(336)	(356)	(373)
Change in Working Capital	(96)	(73)	(526)	(50)
Non Cash	0	0	0	0
<b>(A) CF from Operating Activities</b>	<b>1,039</b>	<b>1,619</b>	<b>1,275</b>	<b>1,841</b>
Capex {(Inc.)/ Dec. in Fixed Assets n WIP}	(56)	(78)	(50)	(50)
<b>Free Cash Flow</b>	<b>983</b>	<b>1,541</b>	<b>1,225</b>	<b>1,791</b>
(Inc.)/ Dec. in Investments	255	(154)	0	0
Other	0	0	0	0
<b>(B) CF from Investing Activities</b>	<b>200</b>	<b>(232)</b>	<b>(50)</b>	<b>(50)</b>
Issue of Equity/ Preference	(1,002)	(1)	0	0
Inc./ (Dec.) in Debt	(33)	(5)	0	0
Interest exp net	(1)	(10)	(13)	(13)
Dividend Paid (Incl. Tax)	(590)	(1,141)	(714)	(714)
Other	401	0	0	0
<b>(C) CF from Financing</b>	<b>(1,225)</b>	<b>(1,157)</b>	<b>(727)</b>	<b>(727)</b>
Net Change in Cash	14	231	498	1,064
<b>Opening Cash balances</b>	<b>125</b>	<b>139</b>	<b>370</b>	<b>867</b>
<b>Closing Cash balances</b>	<b>139</b>	<b>370</b>	<b>867</b>	<b>1,932</b>

E – Estimates

## Notes

### 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.)
Aug-23	Accumulate	256	227
Nov-23	Accumulate	256	220
Feb-24	Accumulate	247	216

*\*Price as on recommendation date*

### DART Team

Purvag Shah	Managing Director	purvag@dolatcapital.com	+9122 4096 9747
Amit Khurana, CFA	Head of Equities	amit@dolatcapital.com	+9122 4096 9745
<b>CONTACT DETAILS</b>			
<b>Equity Sales</b>	<b>Designation</b>	<b>E-mail</b>	<b>Direct Lines</b>
Dinesh Bajaj	VP - Equity Sales	dineshb@dolatcapital.com	+9122 4096 9709
Kapil Yadav	VP - Equity Sales	kapil@dolatcapital.com	+9122 4096 9735
Jubbin Shah	VP - Equity Sales	jubbins@dolatcapital.com	+9122 4096 9779
Girish Raj Sankunny	VP - Equity Sales	girishr@dolatcapital.com	+9122 4096 9625
Pratik Shroff	AVP - Equity Sales	pratiks@dolatcapital.com	+9122 4096 9621
Pratik Shroff	AVP - Equity Sales	pratiks@dolatcapital.com	+9122 4096 9767
<b>Equity Trading</b>	<b>Designation</b>	<b>E-mail</b>	
P. Sridhar	SVP and Head of Sales Trading	sridhar@dolatcapital.com	+9122 4096 9728
Chandrakant Ware	VP - Sales Trading	chandrakant@dolatcapital.com	+9122 4096 9707
Shirish Thakkar	VP - Head Domestic Derivatives Sales Trading	shirisht@dolatcapital.com	+9122 4096 9702
Kartik Mehta	Asia Head Derivatives	kartikm@dolatcapital.com	+9122 4096 9715
Bhavin Mehta	VP - Derivatives Strategist	bhavinm@dolatcapital.com	+9122 4096 9705

**Dolat Capital Market Private Limited.**

Naman Midtown, A-1203, 12th Floor, Senapati Bapat Marg, Prabhadevi, Mumbai 400013

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Regd. office: 1401-1409, Dalal Street Commercial, Block 53 (Bldg. No.53E) Zone-5, Road-5E, Gift City, Sector 9, Gandhinagar-382355 Gujarat, India.

Board: +9122 40969700 | Fax: +9122 22651278 | Email: [research@dolatcapital.com](mailto:research@dolatcapital.com) | [www.dolatresearch.com](http://www.dolatresearch.com)