

BAJAJCORP

BUY

17th Oct 2016

Company Update

CMP	400
Target Price	490
Previous Target Price	490
Upside	23%
Change from Previous	-

Market Data

BSE Code	533229
NSE Symbol	BAJAJCORP
52wk Range H/L	457/356
Mkt Capital (Rs Cr)	5896
Av. Volume(,000)	116
Nifty	8583

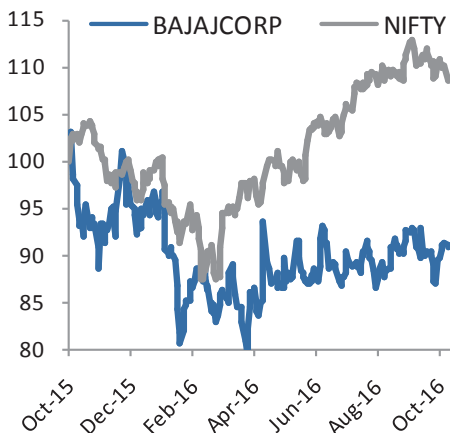
Stock Performance

	1M	3M	12M
Absolute	-0.2	1.6	-6.8
Rel.to Nifty	1.3	0.9	-12.2

Share Holding Pattern-%

	2QFY17	1QFY17	4QFY16
Promoters	66.9	66.9	66.9
Public	33.1	33.1	33.1
Others	--	--	--
Total	100.0	100.0	100.0

Company Vs NIFTY



The company has reported numbers largely in line to our estimates for 2QFY17. Sales grew by 4% YoY to Rs 197 cr led by 1.6% YoY volume growth of company's flagship brand Almond Drops Hair Oil. PAT for this quarter grew by 24% YoY to Rs 58 cr led by lower Nomarks amortization and higher other income. Positives for this quarter remained 1.6% volume growth of Almond Bajaj Drops Hair Oil and 477 bps YoY improvement in gross margin. Gross margin boost came from benign LLP prices and Refined Oil prices. Export has shown handsome growth in this quarter (78%YoY) and management has robust plan for its international business going ahead which is another positive. Going forward we expect improvement in volume due to good monsoon as Bajaj Almond Drops Hair Oil gets approx. 43%(Volume offtake) of its sales from Rural India. Considering spurt in volume, lower valuation, stable input prices and Improvement in exports, we are positive on this stock and maintain 'BUY' with a target price of Rs490 per share.

Q2FY17_Result Review

Sales grew by 4% YoY to Rs 197 cr led by 1.6% YoY volume growth of company's flagship brand Almond Drops Hair Oil. Volume growth for Bajaj Almond Oil YoY remained 1.6% in 2QFY17 (2.2% in 1QFY17).Overall volume growth remained flat in this quarter. EBITDA grew by 4% YoY to Rs 67 cr in 2QFY17.Gross margin improved by 477 bps YoY to 66.4% led by benign LLP prices and Refined Oil prices. During the quarter average price of LLP decreased to Rs 44.55/Kg from Rs 58.82/Kg in corresponding quarter of previous year. Prices of Refined Oil decreased to Rs 78.41/Kg from Rs 82.02/Kg in corresponding quarter of previous year. EBITDA margin improved by 11 bps YoY to 34.2% in this quarter. Employee cost increased by 155 bps YoY in this 2QFY17. PAT margin improved by 490 bps YoY to 29.6% led by higher other income and lower amortization of Nomarks. Amortization of Nomarks remained Rs6.64 cr in this quarter (Rs 11.75 cr in 2QFY16). Other income for 2QFY17 remained Rs 14.92 cr(Rs 7.79 cr in 2QFY16). PAT for the company grew by 24% YoY to Rs 58 cr.

2QFY17 Concall Highlights

- The company is planning to enter Russia, Egypt and Indonesia in next 2quarters.
- Urban market performed better than rural market in this quarter.
- 6 new products are ready to launch, the company will launch it when time will be appropriate.
- Employee cost went up this quarter due to company's efforts of building capable marketing team.

	Rs,Cr				
Financials	2012	2013	2014	2015	2016
Sales	473	607	672	826	876
EBITDA	117	172	186	239	274
Net Profit	120	166	149	173	196
EPS	8	11	10	12	13
ROE	28%	34%	29%	35%	41%

(Source: Company/Eastwind)