

BAJAJ CORP LTD

16th Jan. 2017

Company Update

CMP	385
Target Price	490
Previous Target Price	490
Upside	27%
Change from Previous	NA

Market Data

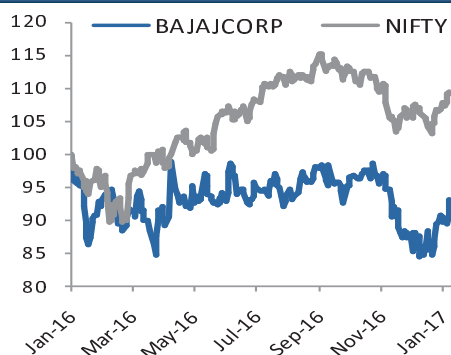
BSE Code	533229
NSE Symbol	BAJAJCORP
52wk Range H/L	438/340
Mkt Capital (Rs Cr)	5,673
Av. Volume(,000)	62
Nifty	8,400

Stock Performance

	1M	3M	12M
Absolute	7.3	-4.3	-4.5
Rel.to Nifty	4.5	-0.8	-15.6

Share Holding Pattern-%

	3QFY17	2QFY17	1QFY17
Promoters	66.9	66.9	66.9
Public	33.1	33.1	33.1
Others	0.0	0.0	0.0
Total	100.0	100.0	100.0

Company Vs NIFTY


Rajeev Anand
rajeev.anand@narnolia.com

Demonetization impacted volume growth, realization declined

Bajaj Almond Hair Oil's volume for this quarter declined by 4% YoY due to demonetization. Previous quarter's volume growth for Almond Hair Oil was 1.6%. According to management rural demand is still struggling. We expect that rural demand will take few more quarters to recover. Overall volume for this quarter declined by 640 bps QoQ to 6.5%. Realization of Almond Hair Oil declined by 85 bps QoQ and overall realization declined by 87 bps QoQ. We expect realization to remain in pressure in 4QFY17 also but after that company may increase prices to protect its margins.

Q3FY17_Result Update

BAJAJCORP's sales declined by 5% YoY to Rs 187 cr due to 4% decline in volume of Bajaj Almond Oil. EBITDA declined by 10% YoY to Rs 61 cr led by higher employee cost and other expenses. Employee cost increased by 256 bps YoY to 8.4% in this quarter. Other expenses increased by 275 bps YoY to 17.5%. The company tried to manage margins by reducing advertising and promotion expenses in this quarter. Ad and promotion expenses declined by 90 bps YoY to 6.9% from 7.8%. EBITDA margin declined by 182 bps YoY to 32.8% from 34.6%. PAT margin for this quarter improved by 577 bps YoY to 30.9%. PAT grew by 17% YoY to Rs58 cr.

Outlook

BAJAJCORP' 3QFY17 result was below than our expectation due to demonetization. Major positive for this quarter remained international business which contributed more than 5% in this quarter. Exports business in this quarter grew by 72% although from a very low base. Company is focusing on exports and its plan to enter in Russia, Indonesia and Egypt in on the way. Company's modern trade volume grew by 27% YoY and contributed 5.2% of the total sales in Q3FY17. We expect modern trade to keep growing in strong pace. GST may be game changer for organized FMCG players. Implementation of GST will lead to market share gain as well as improvement in realization if company keeps some of its benefits. BAJAJCORP has a strong balance sheet with approx. no debt and dividend yield of approx. 3% which makes it very lucrative at this price. Considering these positives and low valuation we still hold positive view on this stock with a previous target price of Rs 490.

Financials	FY15	FY16	FY17E	FY18E	FY19E
Sales	826	876	786	786	877
EBITDA	239	274	261	243	262
Net Profit	173	196	227	223	240
EPS	12	13	15	15	16
ROE	35%	41%	45%	42%	45%