

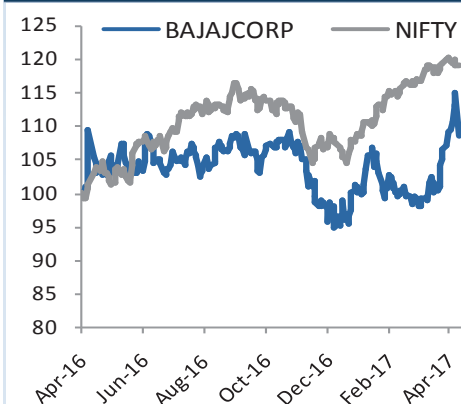
Company Update	
CMP	402
Target Price	455
Previous Target Price	490
Upside	13%
Change from Previous	-7%

Market Data	
BSE Code	533229
NSE Symbol	BAJAJCORP
52wk Range H/L	436/340
Mkt Capital (Rs Cr)	5,929
Av. Volume(,000)	126
Nifty	9,139

Stock Performance			
	1M	3M	12M
Absolute	9.8	2.3	-2.9
Rel.to Nifty	10.0	-6.3	-21.5

Share Holding Pattern-%			
	4QFY17	3QFY17	2QFY17
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


Rajeev Anand
rajeev.anand@narnolia.com

Q4FY17 Result Update:

BAJAJCORP's Q3FY17 result is largely in line to our estimates. The company reported Sales of Rs 205 cr, declined by 2% YoY(Vs our estimate Rs204 cr) led by 7% volume growth QoQ and 2%QoQ realization growth.PAT for this quarter remained Rs 53 cr, decline by 3% YoY(Vs our estimates Rs 51 cr).

Gross Margin expansion: Positive surprise came from expansion of gross margin in Q4FY17. Gross margin expanded by 287 bps YoYto 67.3% from 64.4%. LLP prices remained flat in this quarter whereas refined oil declined by 5% YoY.

EBITDA margin declined: EBITDA margin declined by 381 bps YoY to 32.4% led by higher employee cost and other expenses. Employee cost increased by 167 bps YoY led by hiring of competent people for different functional area. Other expense for this quarter increased by 456 bps YoY to 20.5% led by higher direct distribution expenses. Ad and promotion expenses have shown increment of 45 bps to 6.9%.

Decline in volume: The overall volume declined by 6.95% YoY led by 7%YoY decline in the volume of BAJAJ Almond Oil(BAO). However, company's Overall volume improved after demonetization if we compare QoQ. It went up by 7.33% QoQ led by better volume growth 5.7% QoQ in BAO. Nomark's volume also improved by 18% QoQ; after four quarters of continuous decline. Overall realization in Q4FY17 improved by 2% QoQ on the back of better realization from Almond Drops Hair Oil, Kailash Parvat Cooling Oil and Nomarks.

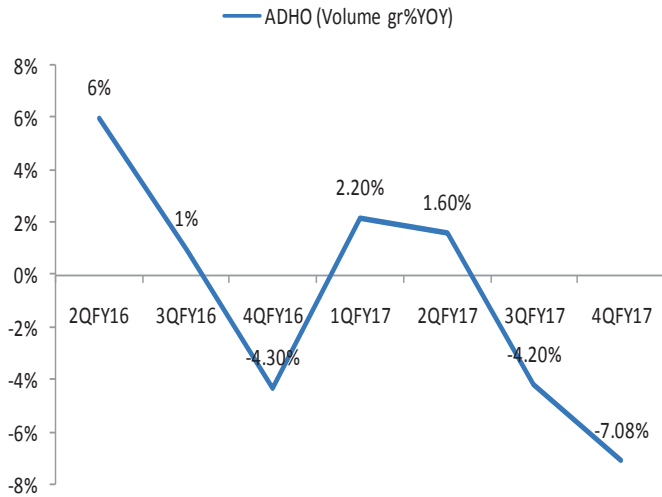
Higher provisioning of Tax Rate: Provisioning for Tax has increased by 301 bps to 21.3% from 18.2% in Q4FY16.

View and Valuation

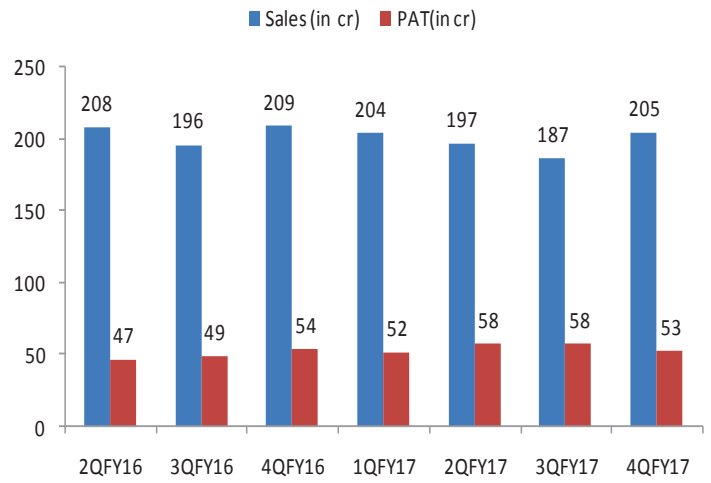
The company's Q4FY17 result is largely in line to our estimates. Volume growth remained subdued in this quarter but improved after demonetization QoQ. Based on management's recent commentary, we see pressure in volume of BAJAJ Almond Hair Oil for next 2-3 quarters considering destocking led by confusion regarding GST. Earlier we were expecting EPS for BAJAJCORP in FY18E and FY19E, Rs 15 and Rs 16 respectively. But after recent management's commentary we have changed over estimates of EPS for FY18E and FY19E by 5% and 8% downward respectively. Based on change in our EPS estimates we have changed our rating on this stock from 'BUY' to 'HOLD' and accordingly we have lowered our target price from Rs 490 to Rs 455.

	Rs,Cr				
Financials	FY15	FY16	FY17E	FY18E	FY19E
Sales	826	876	797	803	856
EBITDA	239	274	264	242	252
Net Profit	173	196	218	209	218
EPS	12	13	15	14	15
ROE	35%	41%	44%	41%	42%

Almond Drop Hair Oil (ADHO) Volume gr % YoY:



Quarterly Sales and PAT(in cr)



Q4FY17 Result Concall Highlights

- Demand environment is still subdued.
- Revival of hair oil market witnessed more on urban than rural. Rural market will yet to pick up.
- Witnessed Improvement in market share of BAJAJ Almond Hair Oil. Market share as on Feb17 was 61.3% in value term.
- Strain in primary sales volume is due to destocking in the whole sale level as well as in rural market and it will continue in Q1FY18.
- Total overall Distribution of Bajaj Almond Hair is 37.19 lakh outlets. The company is targeting to expand direct reach at least 20% of overall distribution at the first half of the financial year.
- 50ML, 100ML and 200ML is under 50% of sales and still in glass bottles and company was working on making glass cheaper for one and half year which will be implemented in this year. .
- NOMARKS: already started expanding in different markets and it will expand to 4 sates till May-June of this year.
- New facility in Guwahati has started functioning and will strengthen distribution of its flagship brand in eastern market.
- BAJAJCORP's 47% of sales comes from Wholesales and it will drop to sub 40% in one and half year.
- The company is planning to improve market share of BAJAJ Almond Oil in West Bengal and Rajasthan.
- Current indirect tax : 18.9%.
- Modern trade grew by 24% in this quarter.
- Other expenses: Went up due to expenses related to direct distribution.

About The Company

BAJAJ CORP is engaged in the business activity of trading and manufacturing of cosmetics, toiletries and other personal care products. It is a fast moving consumer goods (FMCG) company. The Company's products include Bajaj Kailash Parbat Thanda Tel, Bajaj Almond Drops Hair Oil, Bajaj Brahmi Amla Hair Oil, Bajaj Jasmine Hair Oil, Bajaj Nomark Oily Skin Face Wash, Bajaj Nomarks Herbal Scrub Soap, Bajaj Nomark Oily Skin Cream, Bajaj Nomarks Neem Soap, Bajaj Nomarks Oil Control Soap and others. The Company has approximately nine Factory, of which four units are situated in Himachal Pradesh , three units are situated in Uttarakhand for manufacturing of various variants of hair oils and Nomarks and other unit is situated in Guwahati and one unit Bangladesh. The company reaches consumers through 3.6mn retail outlets serviced by 7707 distributors and 11500 wholesalers.

Financials Snap Shot

	INCOME STATEMENT					RATIOS			
	FY16	FY17	FY18E	FY19E		FY16	FY17	FY18E	FY19E
Revenue	876	797	803	856	EPS	13.3	14.8	14.2	14.8
Other Income	29	39	33	34	Book Value	32.6	33.5	34.5	35.5
Total Revenue	905	836	836	890	DPS	13.8	13.8	13.2	13.8
COGS	298	269	281	306	Payout (incl. Div. Tax.)	104%	93%	93%	93%
GPM	66.0%	66.2%	65.0%	64.3%	Valuation(x)				
Other Expenses	257	203	220	235	P/E	29	27	29	27
EBITDA	274	264	242	252	Price / Book Value	11.8	12.1	11.7	11.4
EBITDA Margin (%)	31%	33%	30%	29%	Dividend Yield (%)	3.0%	2.8%	2.7%	2.8%
Depreciation	5	5	6	6	Profitability Ratios				
EBIT	269	258	236	246	RoE	41%	44%	41%	42%
Interest	0	1	1	1	RoCE	56%	52%	46%	47%
PBT	297	297	268	279	Turnover Ratios				
Tax	54	60	59	61	Asset Turnover (x)	1.5	1.4	1.4	1.4
Tax Rate (%)	18%	20%	22%	22%	Debtors (No. of Days)	11	12	11	11
Reported PAT	196	218	209	218	Inventory (No. of Days)	61	22	21	21
Dividend Paid	204	204	195	203	Creditors (No. of Days)	18	18	18	18
No. of Shares	15	15	15	15	Net Debt/Equity (x)	0	0	0	0

	BALANCE SHEET					CASH FLOW STATEMENT			
	FY16	FY17	FY18E	FY19E		FY16	FY17	FY18E	FY19E
Share Capital	15	15	15	15	OP/(Loss) before Tax	297	278	268	279
Reserves	466	479	495	509	Depreciation	5	5	6	6
Net Worth	481	494	510	524	Direct Taxes Paid	-53	-60	-59	-61
Long term Debt	0	0	0	0	Oper. Prof. bef. WC chang.	274	285	275	286
Short term Debt	10	15	15	15	CF from Op. Activity	193	226	227	224
Deferred Tax	1	1	1	1	Capital expenditure	-17	-46	21	-7
Capital Employed	481	494	510	524	CF from Inv. Activity	6	-95	40	-37
Net Fixed Assets	97	119	91	92	Divd Paid (incl Tax)	-204	-204	-195	-203
Capital WIP	1	0	0	0	CF from Fin. Activity	-194	-200	-196	-204
Debtors	25	27	23	25	Inc/(Dec) in Cash	5	-69	70	-17
Cash & Bank Balances	58	12	52	37	Add: Opening Balance	4	58	12	52
Trade payables	44	40	40	43	Closing Balance	9	-11	83	37
Total Provisions	0	0	0	0					
Net Current Assets	340	346	383	399					
Total Assets	566	590	587	608					