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BAJAJ CONSUMER CARE LTD: DISCOUNTED CASH FLOW (DCF) VALUATION[1]

Chhavi Mehta and Monika Chopra wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

In August 2017, Aviral Gupta, a financial analyst who worked for an investment banking firm based in New Delhi, India, was assigned the task of conducting a buy-side valuation of an Indian firm that specialized in the hair oil business. The analyst's firm had already invested in the mobile Internet, information technology, health care, financial technology, and e-commerce sectors, and it now wanted to diversify its portfolio into the personal care segment of the fast-moving consumer goods (FMCG) sector. The FMCG sector was the fourth-largest sector in the Indian economy, and sales in this sector were driven largely by growing consumer awareness, availability of products, and the changing lifestyles of consumers. Within this sector, household and personal care products accounted for 50 per cent of sales.[2]

The analyst found that within the FMCG sector, the haircare business in India enjoyed a market share of 7 per cent—with 50 per cent of this attributable to hair oil alone. The hair oil segment, in terms of value, had grown at a compounded annual growth rate (CAGR) of 10.43 per cent between 2010 and 2017.[3] Going forward, it was expected to have a high growth potential,[4] driven largely by hair oils' perceived benefits of strengthening and nourishing hair—benefits that led to faster hair growth and reduced hair fall. As consumers' lives became more stressful, they were rediscovering the tradition of hair massage using hair oil. The introduction of various natural and nutrition-based products further built on this trend and attracted a consumer focus on value-added hair oils.[5] Gupta also found an untapped rural market for branded products. In addition to studying the market for his products, he had conducted some research on the existing competition. Gupta now had an agenda: identify a company in the haircare industry within the FMCG sector, value it using the discounted cash flow (DCF) technique, and determine whether or not the company would be a good fit for his company's investment plan.

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[1] This case has been written on the basis of published sources only. Consequently, the interpretation and perspectives presented in this case are not necessarily those of Bajaj Consumer Care Ltd. or any of its employees.

[2] Indian FMCG Industry Analysis, accessed on August 25, 2017, www.ibef.org/archives/industry/Fmcg-reports/indian-Fmcg-industry-analysis-july-2017

[3] Bajaj Consumer Care Ltd., *Investor Presentation 2017, April 2017*, accessed August 15, 2017, www.bajajcorp.com/img/March_2017.pdf.

[4] Press Trust of India, "Natural Segment in Personal Care Estimated to Be Rs.18,500-cr," India Brand Equity Foundation, June 14, 2017, accessed August 18, 2017, www.ibef.org/news/natural-segment-in-personal-care-estimated-to-be-rs-18500cr.

[5] Nielsen Holdings Inc., "But Naturally! Going back to Naturals in India's Personal Care Segment," Nielsen, June 13, 2017, accessed August 18, 2017, www.nielsen.com/in/en/insights/reports/2017/but-naturally-going-back-to-naturals-in-indias-personal-care-segment.html.

THE HAIR OIL INDUSTRY IN INDIA: STRUCTURE AND COMPETITION

In 2017, the FMCG sector in India was worth ₹2,751.83 billion,[6] with the haircare industry contributing ₹196.71 billion, or 7 per cent of the total value. The Indian haircare industry was comprised of three segments: hair oils (including coconut oil and hair oil), shampoos and conditioners, and hair dyes. In 2017, the size and share of each of these segments were the following: hair oils at ₹99.28 billion (51 per cent), shampoos and hair conditioners at ₹64.58 billion (33 per cent), and hair dyes at ₹32.85 billion (17 per cent).[7] From the figures, it was obvious that hair oil commanded the highest share in the haircare industry.

The hair oil segment could be further subdivided into the following: coconut oil, worth ₹32.82 billion (17 per cent of the haircare segment), and other hair oils, worth ₹66.46 billion (34 per cent of the haircare segment). The other hair oil category included the following: amla-based hair oils (₹15.67 billion, 24 per cent of the other hair oil segment), light hair oils (LHO) (₹16.93 billion, 25 per cent of the other hair oil segment), value-added coconut oils (VACNO) (₹11.19 billion, 17 per cent of the other hair oil segment), Ayurvedic and herbal hair oils (₹15.67 billion, 11 per cent of the other hair oil segment), and cooling hair oils (₹15.67 billion, 14 per cent of the other hair oil segment). The remaining ₹5.66 billion, or 9 per cent, included other miscellaneous hair oils (see Exhibit 1).[8]

From FY2010 to FY2016, the overall hair oil market had a CAGR of 2.90 per cent in terms of volume and 11.95 per cent in terms of value, with the LHO segment accounting for a CAGR of 8.35 per cent in terms of volume and 14.21 per cent in terms of value. Within the LHO category, Almond Drops Hair Oil (ADHO) had an impressive CAGR of 11.85 per cent in terms of volume and 17.80 per cent in terms of value.[9] However, 2016–17 was a sluggish year for the entire Indian economy due to demonetization and the government's introduction of the goods and services tax (GST) (see Exhibit 2).[10] In line with this trend, the overall hair oil industry saw an increase of 3.9 per cent in volume and a meagre 1.8 per cent increase in value. The LHO segment witnessed an increase in volume by 2.8 per cent and in value terms, it grew by 4.0 per cent. The Almond Drops Hair Oil category witnessed a similar trend: volume increased by 2.1 per cent and value by 3.3 per cent (see Exhibit 3).[11]

Gupta explored the existing competition in the segment and found three significant players in the market: Bajaj Consumer Care Ltd. (Bajaj), Dabur India Ltd. (Dabur), and Marico Limited (Marico). In terms of overall revenue for financial year 2016–17, Dabur was the market leader, with a 53.8 per cent market share, followed by Marico, 40.6 per cent and Bajaj, 5.6 per cent.[12] Of the three, Dabur and Marico sold a variety of haircare products. Bajaj, on the other hand, focused mainly on the hair oil business, where its Almond Drop Hair Oil was the market leader, with a 74.6 per cent market share (in terms of value in 2017) in the LHO segment.[13] The company's Almond Drops Hair Oil (ADHO) was also the second-largest brand in the overall hair oil segment.[14]

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[6] ₹ = INR = Indian rupee; ₹1 = US$0.01551 as of July 14, 2017; all currency amounts are in ₹ unless specified otherwise.
[7] Bajaj Consumer Care Ltd., op. cit.
[8] Ibid.
[9] Ibid.
[10] Bajaj Consumer Care Ltd., "Management Discussion and Analysis," in *Growing Stronger with Every Move: 11th Annual Report 2016–17*, 64, accessed August 9, 2017, www.bajajconsumercare.com/img/2016-17_AR.pdf.
[11] Bajaj Consumer Care Ltd., op. cit.
[12] Dabur India Ltd., *Validated by Heritage, Vindicated by Science: Annual Report 2016–17*, accessed August 15, 2017, www.dabur.com/img/upload-files/316-deluxe_ar17_web.pdf; Marico Limited, *Our People, Our Pride: Annual Report 2016–17*, accessed August 15, 2017, marico.com/investorspdf/Annual_Report_2017.pdf; Bajaj Consumer Care. Ltd., *Growing Stronger with Every Move: 11th Annual Report 2016–17*, accessed August 15, 2017, www.bajajcorp.com/img/2016-17_AR.pdf.
[13] Bajaj Consumer Care Ltd., *Investor Presentation 2017*, op. cit.
[14] Bajaj Consumer Care Ltd., *Investor Presentation 2017*, op. cit.

Gupta decided to compare key value-driving ratios—return on equity, net profit margin, total assets turnover, and total assets to equity (see Exhibit 4)—as a basis for selecting a company within the hair oil industry for valuation. He observed that Bajaj had the most favourable key ratios, especially return and profitability and was a suitable candidate from a valuation perspective.

Based on these findings, Gupta decided to go ahead with a buy-side valuation of Bajaj. He then identified the industry and firm effects to arrive at his valuation of the company.

To analyze the industry structure and competition, he first collated data on revenue growth and change in market share of the three key players—Dabur, Marico, and Bajaj—over the preceding five years (see Exhibit 5) to measure the stability of the hair oil industry. He found that these companies had adopted strategies like product and process innovations to propel their growth. In tune with consumers' rising awareness of the benefits of Ayurveda and the harmful effects of chemicals, and with their propensity to spend more on natural products, all three companies had launched new hair oils based on Ayurvedic concepts. This helped them to maintain customer interest and keep up excitement in the marketplace. Gupta further found that the companies had managed to reduce their costs while delivering value to their customers by maintaining the highest quality standards in their supply chain.[15]

Gupta reviewed the various forces that influenced the hair oil industry and their collective strength in relation to value creation. The industry was highly dependent on crude oil, a key raw material used in the production of hair oil. The price of crude oil had increased over the preceding year: from a price of $40 per barrel in April 2016, it had jumped to $50 per barrel in May 2017 and was expected to rise again at the next review of the pricing agreement between the Organization of the Petroleum Exporting Countries (OPEC) and non-OPEC producers.[16] The companies could pass on this price increase to the buyers of certain premium products. The market had a fair share of hair oil variants that nurtured consumers' need for nutrition-based and Ayurvedic hair oils. The companies had invested in product improvement and introduced new hair oil formulas to sustain competition. Hair oil production did not require licences or patents; however, a moderate investment was needed to set up facilities with new-age technologies and high-speed automated systems.

BAJAJ CONSUMER CARE LTD

Bajaj was established by Kamalnayan Bajaj in 1953 to market and sell hair oils and other beauty products.[17] The company held interests in varied industries and owned popular hair oil brands like Bajaj Almond Drops Hair Oil, Bajaj Brahmi Amla Hair Oil, and Bajaj Kailash Parbat Hair Oil. Its flagship product, Bajaj Almond Drops Hair Oil, was the second-largest brand in the overall hair oil segment. As a market leader, it had more than a 60 per cent share of the LHO market.[18]

The main strength of the company was its distribution network, which could support current and future growth for both existing and new products.[19] Despite the turbulent industry environment in FY 2016–17 and sluggish rural demand, the company maintained constant sales levels (see Exhibit 6).

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[15] Narendra Nathan, "High margins, reasonable valuation make Bajaj Corp analysts' top pick," The Economic Times, May 2, 2016, accessed March 19, 2020, https://economictimes.indiatimes.com/wealth/invest/high-margins-reasonable-valuation-make-bajaj-corp-analysts-top-pick/articleshow/52051304.cms?from=mdr.
[16] Bajaj Consumer Care Ltd., "Management Discussion and Analysis," in *Growing Stronger with Every Move: 11th Annual Report 2016–17*, 64: accessed August 9, 2017, www.bajajcorp.com/img/2016-17_AR.pdf.
[17] Bajaj Consumer Care Ltd., "Why BCL?" accessed August 9, 2017, https://bajajconsumercare.com/why_bcl.aspx.
[18] Bajaj Consumer Care Ltd., "Hair Care," accessed August 9, 2017, https://bajajconsumercare.com/hair_care.aspx.
[19] Bajaj Consumer Care Ltd., "Management Discussion and Analysis," op. cit.

International Operations

Over the years, Bajaj had focused on expanding its international footprint. The company marketed its personal care brands in more than 30 countries, with a primary focus on the South Asian, Southeast Asian, Persian Gulf and Middle Eastern, and African regions. Now, it looked to strengthen its brand and increase penetration in these regions.[20]

VALUATION OF BAJAJ CONSUMER CARE LTD: BUILDING A FINANCIAL FORECAST

Gupta decided to use the DCF model to value Bajaj. He analyzed various key inputs; namely, revenue, expenses, capital expenditures (capex), working capital, the rate at which these inputs would grow in future, the period for which this growth would continue, the terminal growth rate, and the cost of capital.

Forecasting Revenue

The first input Gupta needed for a DCF valuation of Bajaj was the company's forecasted revenues from its core business operations. Gupta calculated the company's historical growth rate using two methods: the year-to-year growth rate and CAGR. He referred to the management discussion and analysis (MD&A) section of the company's annual report for FY 2016–17 and the transcript of an earning conference call that had taken place in April 2017 and found that the company's core revenue had declined in 2017. The management had attributed this decline to demonetization and the introduction of GST, which had resulted in destocking and a very low offtake at both the retail and wholesale levels. However, the company was quite optimistic that the declining trend would reverse in the coming quarters, based on several factors:[21]

The company aimed to increase its market share to 65 per cent by FY 2018–19 (from 58 per cent in FY 2016-17) by increasing consumer awareness about the benefits of LHO through free sample distribution, targeted advertising campaigns, and product innovation.[22] Its international sales had shown an impressive growth of 56 per cent in the last quarter of FY 2016–17, attributed to the addition of four new markets in Russia, Egypt, Kenya, and Ethiopia. Plans were also in place to tap into the global halal food market in the Middle East, Asia-Pacific, European, Latin American, and Central Asian regions, which made up approximately two billion people.[23] Instead of relying solely on its distributors, the company had begun to proactively advertise its products in the three main markets of Nepal, Bangladesh, and the Gulf. With these strategies in place, Bajaj intended to double its international sales from 5.7 per cent to around 12 per cent of the total turnover within the next two years.

Bajaj expected a further rise in demand from the rural market on the back of good monsoons.[24] Its new facility in Guwahati, catering to East India, was operational and was expected to contribute roughly 20 per cent to national sales. Another new facility in Baroda was expected to start functioning in 2018. More clarity on GST rates also meant that distributors and retailers would start restocking from July onward, leading to a recovery in sales volume.[25]

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[20] Bajaj Consumer Care Ltd., "About International Business," accessed August 9, 2017 https://bajajconsumercare.com/international_business.aspx

[21] Bajaj Consumer Care. Ltd., "Management Discussion Analysis," op. cit.; Bajaj Consumer Care Ltd., "Management Discussion and Analysis," in *Growing Stronger with Every Move: 11th Annual Report 2016–17*, accessed August 9, 2017, www.bajajconsumercare.com/img/2016-17_AR.pdf.

[22] Bajaj Consumer Care. Ltd., "Bajaj Corp Q4 FY2017 Earning Conference Call," (transcript), April 17, 2017, accessed August 15, 2017, www.bajajconsumercare.com/img/Conference-Call_17-04-2017.pdf.

[23] "Bajaj Consumer Care Ltd., "Bajaj Corp Q4 FY2017 Earning Conference Call," (transcript), April 17, 2017: 13, accessed August 15, 2017, www.bajajconsumercare.com/img/Conference-Call_17-04-2017.pdf.

[24] In India, a monsoon level (quantity of rainfall) between 96 and 104 per cent of the long-period average (50-year period) is considered to be a good monsoon. India's agricultural output is heavily dependent on the level of monsoon. Given the expectation of a good monsoon, a higher agricultural production will increase rural income and boost the rural demand for various products.

[25] "Bajaj Consumer Care Ltd., "Bajaj Corp Q4 FY2017 Earning Conference Call," (transcript), April 17, 2017: 3, accessed August 15, 2017, www.bajajconsumercare.com/img/Conference-Call_17-04-2017.pdf.

The company also focused on promoting its Nomarks Cream, an Ayurvedic antimarks cream, through advertising campaigns; it aimed to increase sales of the product across various geographic locations. This, coupled with an improved reach in the international market, would enhance turnover. The company had also launched a sales force automation project called Saathi, which provided real-time tracking of Bajaj's sales force and aimed to improve its efficiency and support its efforts to shift from wholesale to direct distribution. While the company had no plans to increase the prices of its products, it could be forced to do so by increases in the GST or the cost of raw materials.[26]

Forecasting Costs

Gupta grouped the company's expenses according to the following categories: manufacturing expense, employee benefit expense, advertising and promotional expense, other expenses, depreciation, finance expense, and tax expense. In the MD&A and earnings call transcript, he found information on various costs of the company. The company's key raw material was light liquid paraffin, and its raw material expense for FY 2016–17 was 33.8 per cent of sales, which was the lowest in the previous five years. The company had been able to maintain a low input price by hedging via forward contracts. However, in future, the price of light liquid paraffin was expected to increase, and this would affect the cost of goods sold and profit margins. Most of the company's employee benefit expense had been attributed to recent hiring, which was expected to further increase at a rate of 7–8 per cent per annum in coming years. The advertising and promotional expense for FY 2016–17 were 13.4 per cent of sales and were expected to go up in the coming year, mainly because the company had shifted its distribution and marketing focus to its international business. It also had plans to conduct an integrated marketing campaign for the Nomarks brand.[27] "Other expenses" included selling, general and administrative expenses but excluded advertising and promotional expenses and employee benefit expenses; for FY 2016–17, these amounted to 10.2 per cent of sales. Depreciation for the current year was ₹53.2 million, which was 0.7 per cent of sales and 3.1 per cent of gross fixed assets. The effective tax rate for FY 2016–17 was 21.5 per cent, while the marginal tax rate was 34.6 per cent.[28] To forecast depreciation, Gupta went through the firm's capex and expansion policies.

Forecasting Capital Expenditure

To compute capex, Gupta referred to the company's cash flow statement. The capex during the last six years had varied from a high of ₹1.47 billion in FY 2013–14 to a low of ₹7.3 million in FY 2014–15 (see Exhibit 7). In FY 2016–17, the company reported that its new plant in Guwahati, Assam, had become operational and that it planned to set up another one in Baroda, Gujarat, in the future.[29] Gupta recalled the business valuation classes he had taken as a Master of Business Administration (MBA) student and wondered how he could incorporate the variable capex into a future forecast.

Forecasting Working Capital

Gupta now faced the dilemma of identifying the components he should consider for forecasting the working capital. To do this, he analyzed the financial data for the last six years (see Exhibit 8) and computed the various working capital ratios. He also referred to the MD&A and the earnings call transcript to understand the management's expectations of the future working capital requirements.

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[26] Ibid.
[27] Ibid.
[28] Invest Saver, "Corporation Tax Rates For FY 2015-16 & 2016-17 India," accessed March 19, 2020, www.investsaver.com/corporation-tax-india/, accessed on August 15, 2017.
[29] Bajaj Consumer Care Ltd., "Management Discussion Analysis," op. cit.

The company's days sales of inventory for FY 2016–17 was 55 days, while the average for the past six years had been 51 days. Going forward, the company anticipated a revival from the setback that had resulted from demonetization; it expected this would lead to restocking, and it expected the shift to a direct distribution model would lead to an improvement in sales volume.[30] The company also expected to improve its inventory turnover ratio by shifting to direct distribution. This would further reduce its days sales outstanding (DSO) which had been at an average of nearly six days from FY 2011–12 to FY 2014–15 but had doubled to 12 days in FY 15–16 and FY 16–17. For FY 2016–17, the other current assets to net sales ratio was now 0.6 per cent, while its average for the past six years was 1.0 per cent. The payables deferral period had shown a declining trend over the past six years, falling from 113 days in FY 2011–12 to 56 days in FY 2016–17. Management had not indicated its expectations regarding the future trend of payables in its conference call transcripts. The other current liabilities-to-total-expenses ratio, which stood at 8.3 per cent in FY 2017, had an average of 6.3 per cent for the six FYs from 2012 to 2017.

Forecasting Terminal Value

Aware that, like all good things, the growth rate of a company would come to an end, Gupta's final step was building a financial forecast that estimated two inputs: (1) the length of the period after which Bajaj's growth rate would stabilize, and (2) its stable growth rate.

Gupta was aware that a five-year forecast period was standard for valuation. However, the forecast period could vary from three to ten years, depending upon the stage of the life cycle of the company. He also knew that the stable growth rate should not exceed the growth rate of the nominal gross domestic product (GDP) of the economy in which the firm operated. In light of the above, Gupta considered the company's stable growth rate to be the forecasted nominal GDP growth rate (see Exhibit 9); he found that the expected real GDP growth rate for India in 2022 was 8.15 per cent.[31] When converted into nominal terms, this yielded a very high growth rate for the stable period.

Gupta also pondered another approach for calculating the terminal value. This involved using comparable multiples such as enterprise value (EV) to earnings before interest, tax, depreciation, and amortization (EBITDA) and EV to sales. However, he remembered from his MBA days that using multiples for estimating terminal value did not follow a pure DCF technique but, rather, used a dangerous mix of relative and discounted cash flow valuation techniques.[32]

CAPITAL STRUCTURE AND ESTIMATION OF DISCOUNT RATE

As of March 31, 2017, Bajaj had a total equity capital of ₹ 4.94 billion, consisting of fully paid-up share capital of ₹147.50 million and reserves and surplus of 4.79 billion. The company also had short-term borrowing of ₹150 million as on this date (see Exhibit 8). Referring to the company's annual report, Gupta found that this borrowing was under an interest equalization scheme on pre- and post-shipment rupee export credit, at a subsidized interest rate of 6.5 per cent per annum.[33]

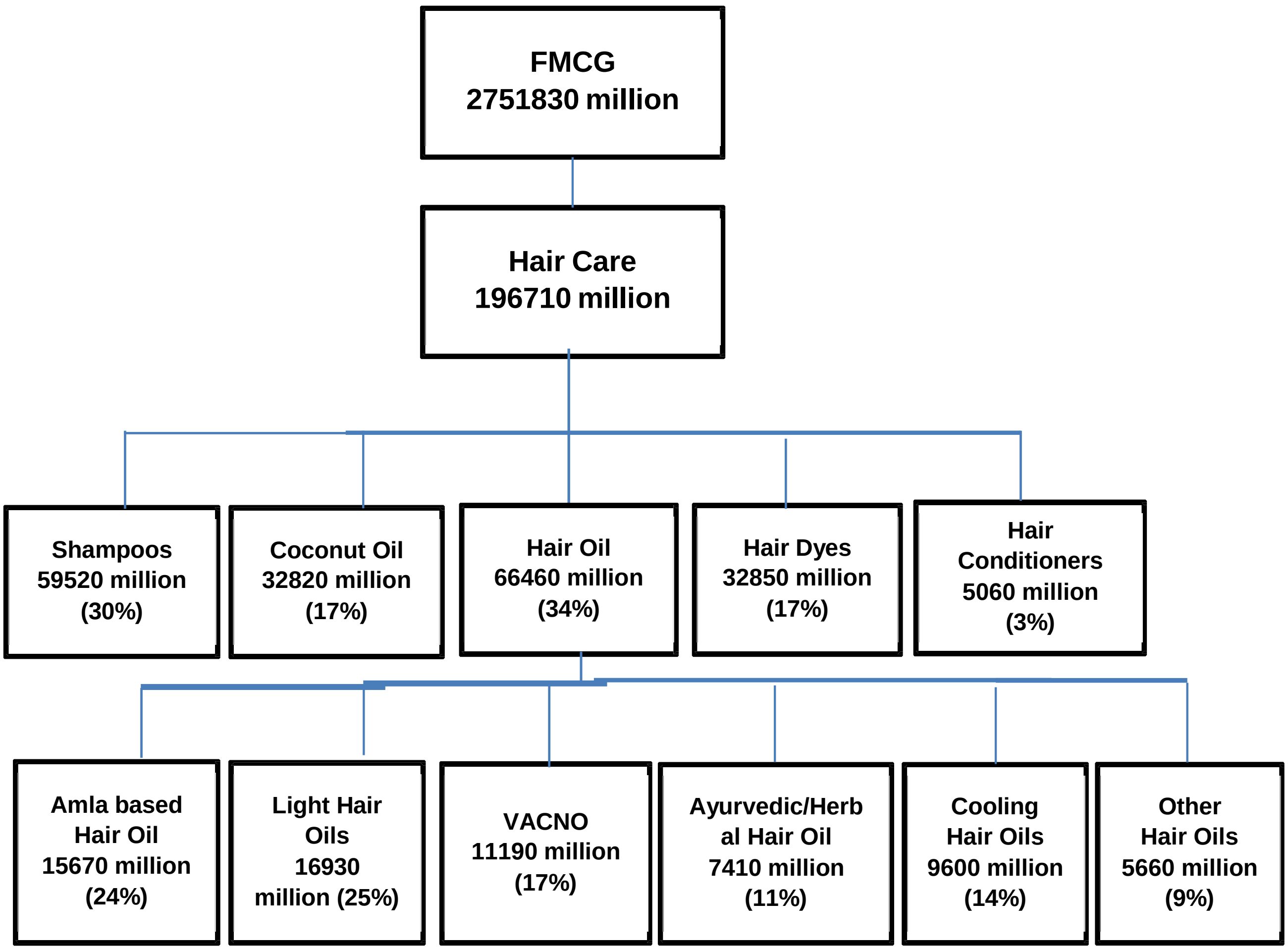
[30] Bajaj Consumer Care Ltd., "Bajaj Corp Q4 FY2017 Earning Conference Call," op. cit.
[31] International Monetary Fund, "Real GDP Growth: – Annual Percentage Change," IMF DataMapper, accessed August 28, 2017, www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEOWORLD/IND.
[32] Aswath Damodaran, "Estimating Terminal Value," (working paper, New York University, n.d.), accessed August 28, 2017, http://pages.stern.nyu.edu/~adamodar/New_Home_Page/valquestions/termvalapproaches.htm.
[33] Bajaj Consumer Care Ltd., Annual Report 2016–17, op. cit.

The yield of 10-year Government of India bonds (G-Secs) stood at 6.54 per cent per annum on August 23, 2017, while 91-day Treasury bills were trading at 6.11 per cent on August 25, 2017.[34] To estimate market return, Gupta calculated Nifty's arithmetic and geometric means using historical monthly data from 1990 to April 2017.[35] The arithmetic mean stood at 17.6 per cent and the geometric mean at 15.4 per cent. However, he knew that Indian stock market had a limited trading history and hence, he consulted other valuation experts to get their views on the average market risk premium. These experts indicated that the average risk premium of Indian equity market used by them was 7 per cent. He calculated Bajaj's beta using a linear regression between market return and the company's returns, using daily data from the past three years. Gupta estimated the value of raw beta as 0.55 and further applied the Blume adjustment[36] to this figure for an adjusted beta estimated to be 0.70.

With this information in hand, Gupta had to value Bajaj using the DCF technique to understand whether or not this would be the right purchase for his firm's portfolio.

[34] Reserve Bank of India, "Ratios and Rates, 2016–2017," accessed August 24, 2017, https://rbidocs.rbi.org.in/rdocs/Wss/PDFs/5T_050520172DE2D291AFD94C2AA455AB7AF72F7E99.PDF.
[35] Yahoo! Finance, "Bajaj Consumer Care Limited (BAJAJCORP.NS): Share Prices," accessed August 24, 2017, https://in.finance.yahoo.com/quote/BAJAJCORP.NS/.
[36] Marshall E. Blume, "On the Assessment of Risk," *Journal of Finance* 26, no. 1 (1971): 1–10, accessed August 24, 2017, http://www.stat.ucla.edu/~nchristo/statistics417/blume2.pdf.

EXHIBIT 1: HAIR OIL INDUSTRY STRUCTURE IN INDIA



Notes: FMCG = fast moving consumer goods; mm = millions.
Source: Bajaj Consumer Care Ltd., *Investor Presentation, April 2017*: 3, accessed August 15, 2017, www.bajajcorp.com/img/March_2017.pdf.

EXHIBIT 2: DEMONETIZATION AND GOODS AND SERVICES TAX IN INDIA

Demonetization

Demonetization was a policy decision made by India's central bank, the Reserve Bank of India (RBI), to withdraw the old currency notes of certain denominations as an official mode of payment. In India, the decision to demonetize was taken twice: once in 1946 and again in 2016. On November 8, 2016, RBI pulled out the then-higher currency denominations (₹500 and ₹1,000 notes) and introduced new ₹500 and ₹2,000 notes. The objective was to remove "black money" (income which is accounted for but not disclosed) and end corruption.

Good and Services Tax

The Goods and Services Tax (GST) was an indirect tax that came into effect in India on July 1, 2017. As a single, comprehensive tax for the entire country, it replaced other indirect central and state taxes, namely, excise duty, value-added tax, sales tax, and service tax. It was levied on all goods and services produced in India as well as on those imported from other countries. It was advantageous to all the stakeholders, including government, industries, consumers, and states. The key advantages of implementing GST were a simplified tax structure, a unified common market, and a transparent tax administration system. The GST system of indirect taxation also made raw material inputs sourced from other states cheaper for manufacturers, resulting in reduced prices for the end-products. This eventually led to an increased demand for goods and services and a booming economy.

Source: "Demonetisation," *Times of India*, accessed August 15, 2017, https://timesofindia.indiatimes.com/topic/Demonetisation; "About GST," Goods and Services Tax Council, accessed August 15, 2017, www.gstcouncil.gov.in/about-gst; "What is GST (Goods and Services Tax)?" Coverfox, accessed August 15, 2017, www.coverfox.com/personal-finance/tax/goods-and-services-tax-gst/; https://cleartax.in/s/gst-law-goods-and-services-tax.

EXHIBIT 3: HAIR OIL INDUSTRY IN INDIA—KEY DATA

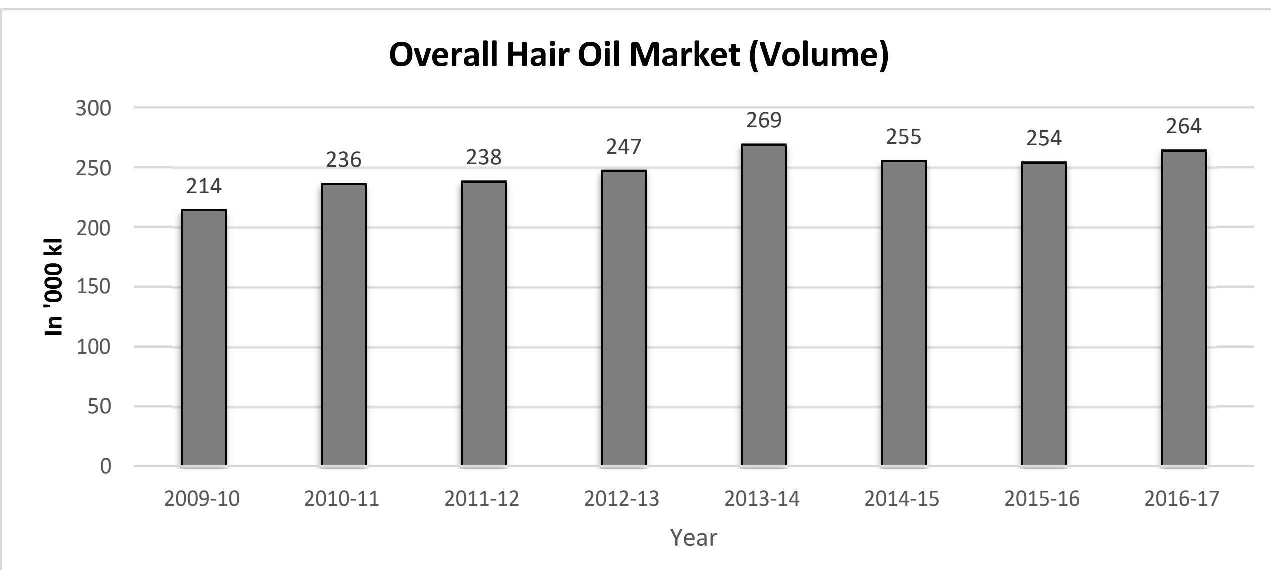
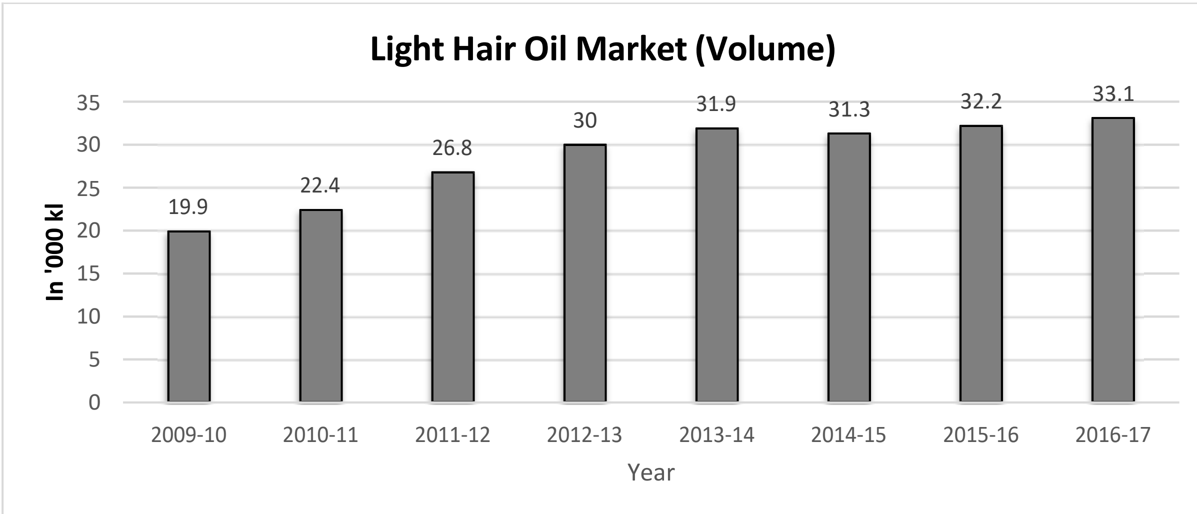


EXHIBIT 3 CONTINUED



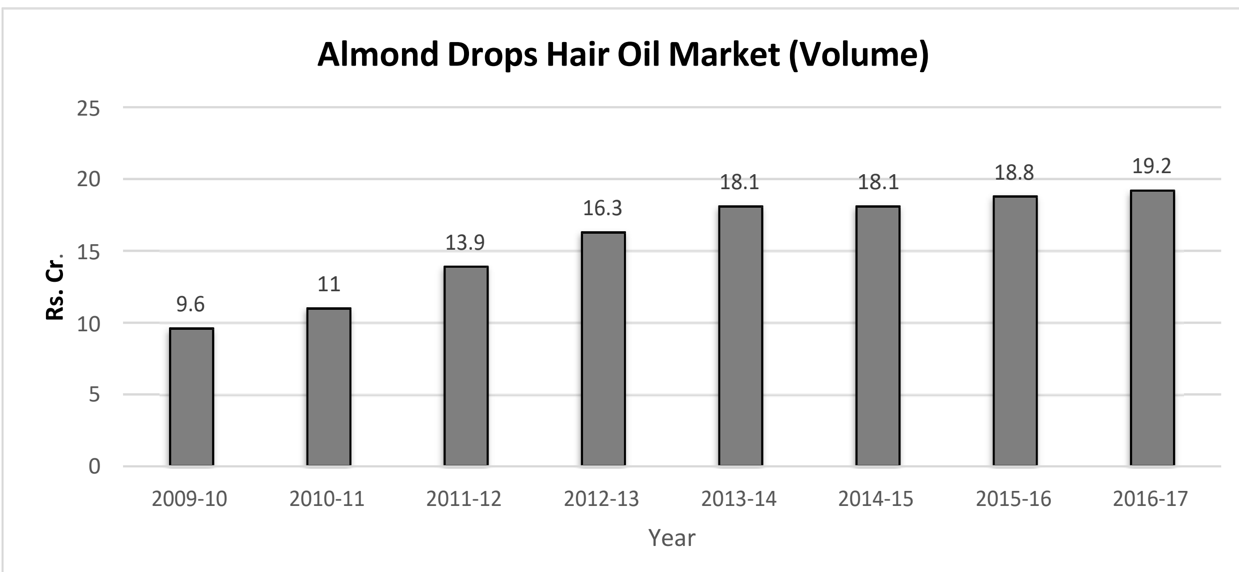
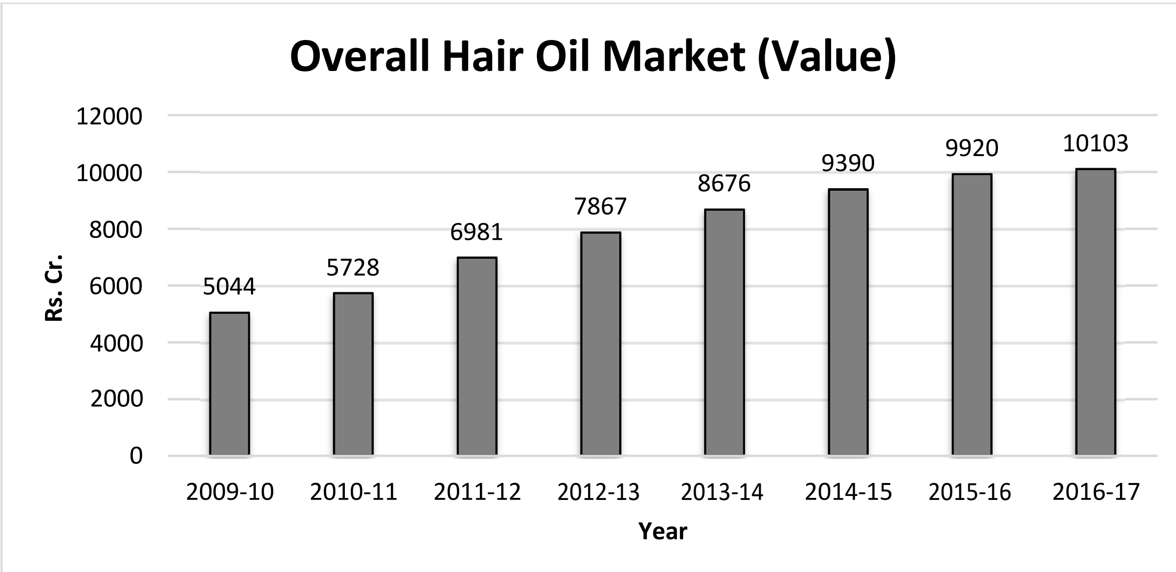


EXHIBIT 3 (CONTINUED)



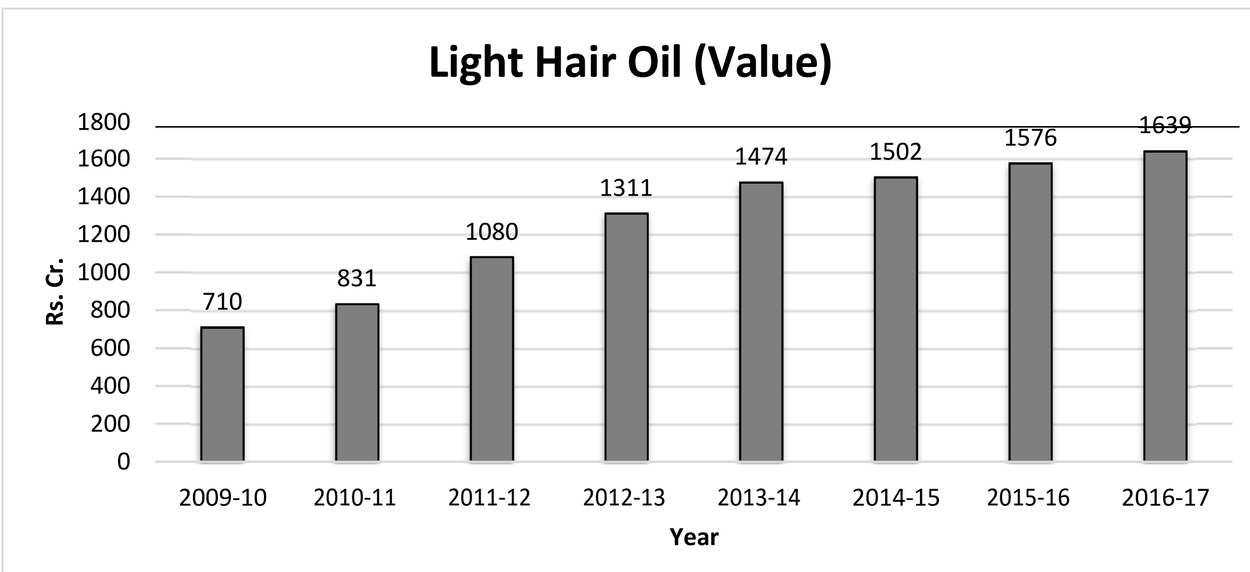
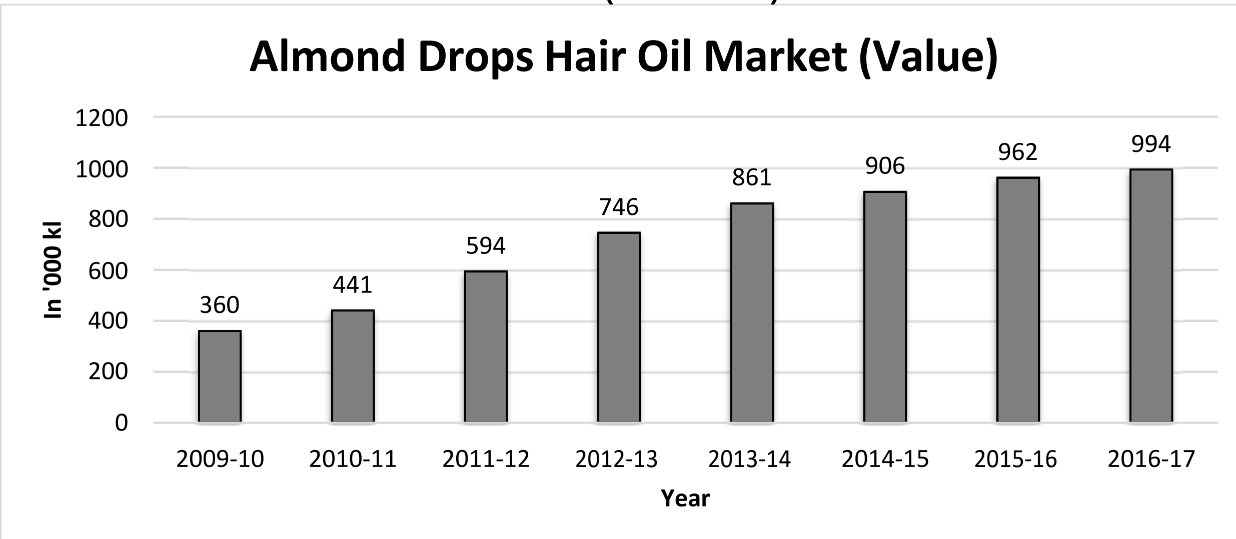


EXHIBIT 3 (CONTINUED)



Note: kl = kilolitres.
Source: Bajaj Consumer Care Ltd., *Investor Presentation, April 2017*: 4–5, accessed August 15, 2017, www.bajajcorp.com/img/March_2017.pdf.

EXHIBIT 4: DUPONT ANALYSIS OF KEY PLAYERS IN HAIR OIL INDUSTRY

	FY2013	FY2014	FY2015	FY2016	FY2017
Return on Equity (%)					
Bajaj Consumer Care Ltd.	34.43	28.68	35.34	40.84	44.16
Dabur India Ltd.	42.75	39.85	36.36	33.97	29.02
Marico Ltd.	25.97	30.17	36.76	37.78	37.51
Net Profit Margin (%)					
Bajaj Consumer Care Ltd.	28.11	22.91	22.10	23.72	26.10
Dabur India Ltd.	12.31	12.84	13.51	15.94	16.62
Marico Ltd.	8.82	10.74	10.19	12.02	13.68
Total Asset Turnover Ratio (Times)					
Bajaj Consumer Care Ltd.	1.06	1.12	1.38	1.46	1.42
Dabur India Ltd.	1.28	1.33	1.26	1.08	1.00
Marico Ltd.	1.38	1.40	1.88	1.80	1.65
Total Asset to Equity/ Equity Multiplier/ Leverage (Times)					
Bajaj Consumer Care Ltd.	1.15	1.12	1.16	1.18	1.19
Dabur India Ltd.	2.71	2.34	2.13	1.97	1.75
Marico Ltd.	2.13	2.00	1.92	1.75	1.66

Source: Dabur India Ltd., *Validated by Heritage, Vindicated by Science: Annual Report 2016–17*, accessed August 15, 2017, www.dabur.com/img/upload-files/316-deluxe_ar17_web.pdf; Marico Limited, *Our People, Our Pride: Annual Report 2016–17*, accessed August 15, 2017 marico.com/investorspdf/Annual_Report_2017.pdf; Bajaj Consumer Care Ltd., *Growing Stronger with Every Move: 11th Annual Report 2016–17*, accessed August 15, 2017, www.bajajcorp.com/img/2016-17_AR.pdf.

EXHIBIT 5: HAIR OIL INDUSTRY IN INDIA—OPERATING REVENUE OF KEY PLAYERS (IN ₹ MILLIONS)

Company Name	2012–13	2013–14	2014–15	2015–16	2016–17
Marico Limited	46,337.1	47,447.2	57,918.7	61,177.8	60,332.3
Dabur India Ltd.	62,706.2	72,033.7	79,852.5	80,859.6	79,997.9
Bajaj Consumer Care Ltd.	6,467.7	7,118.5	8,571.7	9,050.1	8,318.9

Source: Prepared by case authors based on Marico Limited, *Annual Report 2012–13*, accessed August 15, 2017, marico.com/investorspdf/Marico_Annual_Report_2012-13.pdf; Marico Limited, *It's Time: Annual Report 2013–14*, accessed August 15, 2017, marico.com/investorspdf/Annual_Report_2013-14.pdf; Marico Limited, *Transforming Marico: Annual Report 2014–15*, accessed August 15, 2017, marico.com/investorspdf/Marico_Annual_Report_-_2015.pdf; Marico Limited, *Making a Difference for 25 Years: Annual Report 2015–16*, accessed August 15, 2017, marico.com/investorspdf/Marico_Annual_Report_-_FY16.pdf; Marico Ltd., *Our People, Our Pride: Annual Report 2016–17*, accessed August 15, 2017, marico.com/investorspdf/Annual_Report_2017.pdf; Dabur India Ltd., *Serving India's Rural Supermarket: Annual Report 2012–13*, accessed August 15, 2017, www.dabur.com/img/upload-files/73-dabur-ar-2012-13.pdf; Dabur India Ltd., *Defining Performance in Difficult Times: Annual Report 2013-14*, accessed August 15, 2017, www.dabur.com/img/upload-files/62-dil-ar-2013-14.pdf; Dabur India Ltd., *Health is Wellth: Annual Report 2014–15*, accessed August 15, 2017, www.dabur.com/img/upload-files/54-dil-ar-2014-15.pdf; Dabur India Ltd., *Anchored by Heritage. Governed by Trust. Propelled by Science: Annual Report 2015–16*, accessed August 15, 2017, www.dabur.com/img/upload-files/11180-deluxe_website.pdf; Dabur India Ltd., *Validated by Heritage, Vindicated by Science: Annual Report 2016–17*, accessed August 15, 2017, www.dabur.com/img/upload-files/316-deluxe_ar17_web.pdf; Bajaj Consumer Care Ltd., *Stronger with Every Move: 11th Annual Report 2016–17*, accessed August 15, 2017, www.bajajcorp.com/img/2016-17_AR.pdf.

EXHIBIT 6: CONSOLIDATED INCOME STATEMENT OF BAJAJ CONSUMER CARE LTD (IN ₹ MILLIONS)

Description/Year	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17
Other Income	373.77	400.52	401.26	315.50	287.04	393.95
Total Income	4,671.86	5,910.03	6,501.09	7,812.83	8,284.19	8,362.92
Expenses:						
Cost of Material Consumed	1140.73	1260.01	1236.56	1373.78	2453.47	2078.26
Purchase of Stock in Trade	344.43	445.03	528.53	609.33	589.50	497.68
Changes in Inventories of Finished Goods, Work in Progress, and Traded Goods	(89.59)	(51.68)	(11.18)	2.71	(63.26)	115.11
Employee Benefit Cost	228.96	295.018	341.81	390.498	475.405	613.89
Finance Cost	0.79	0.82	58.85	1.35	2.26	10.33
Depreciation	26.02	39.76	43.34	48.65	48.95	53.18
Other Expenses	1,508.38	1,836.16	2,144.34	2,728.61	1,804.79	2,028.15
Total Expenses	**3,159.71**	**3,825.12**	**4,342.25**	**5,154.93**	**5,311.12**	**5,396.60**
Profit Before Exceptional Items	1,512.15	2,084.91	2,158.84	2,657.90	2,973.08	2,966.32
Exceptional Income/Expenses	0.00	0.00	(285.97)	(469.80)	(469.80)	(183.84)
Profit Before Tax	1,512.15	2,084.91	1,872.88	2,188.10	2,503.28	2,782.49
Current Income Tax	302.27	418.25	394.37	459.97	536.94	599.49
Deferred Tax	9.13	5.07	(10.76)	1.53	1.56	0.58

Source: Prepared by case authors based Bajaj Consumer Care Ltd., *Sixth Annual Report: 2011–2012*, accessed August 15, 2017, www.bajajcorp.com/img/Bajaj_Annual_Report_2012.pdf; Bajaj Consumer Care Ltd., *Seventh Annual Report: 2012–13*, accessed August 15, 2017, www.bajajcorp.com/img/BCL_AR_2012_13__Final_PDF_.pdf; Bajaj Consumer Care Ltd., *Eighth Annual Report: 2013–14*, accessed August 15, 2017 www.bajajcorp.com/img/bajaj_corp_annual_report_2014_15.pdf; Bajaj Consumer Care Ltd., *Ninth Annual Report: 2014–15*, accessed August 15, 2017, www.bajajcorp.com/img/annual_report_2014_15.pdf; Bajaj Consumer Care Ltd., *10th Annual Report: 2015–2016*, accessed August 15, 2017, https://bajajconsumercare.com/img/bajaj%20corp_2015-16_%20final%20annual%20report.pdf; Bajaj Consumer Care Ltd., *Growing Stronger with Every Move: 11th Annual Report, 2016–17*, accessed August 15, 2017, www.bajajcorp.com/img/2016-17_AR.pdf.

EXHIBIT 7: CONSOLIDATED CASH FLOW STATEMENT OF BAJAJ CONSUMER CARE LTD (IN ₹ MILLIONS)

Description/Year	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17
Profit Before Tax	1,512.1	2,085.4	2,158.8	2,657.9	2,972.7	2,966.3
Adjustment	(338.2)	(360.5)	(357.9)	(266.9)	(236.1)	(332.5)
Depreciation	26.0	39.8	43.3	48.7	49.0	53.2
Interest Expenses					1.6	8.2
Profit/Loss on Sale of Fixed Assets		0.0		(0.0)	0.4	(0.3)
Profit/Loss on Sale of Investments	(34.6)	(59.9)	(71.2)	(62.2)	(33.6)	(138.7)
Interest Income	(329.9)	(340.6)	(330.0)	(253.3)	(251.9)	(279.7)
Rent Received					(0.5)	(4.2)
Excess of Cost over Fair Value of Investments					(1.0)	29.0
Misc. Expenses Written Off	0.3	0.2	0.0	(0.0)	-	-
Changes in Working Capital	28.5	(69.8)	(148.7)	134.9	(275.8)	70.8
Trade & Other Receivables	8.9	(48.3)	16.0	(48.9)	(120.0)	(28.9)
Inventories	(139.8)	(74.4)	(36.0)	1.8	(109.2)	77.1
Loans & Advances	(0.9)	(5.7)	(14.1)	(9.6)	-	-
Trade & Other Payables	160.3	58.6	(114.6)	191.6	(46.6)	22.7
Cash Flow After Changes in Working Capital	1,202.5	1,655.0	1,652.2	2,525.9	2,460.7	2,704.6
Tax Paid	(306.2)	(425.2)	(392.8)	(459.1)	(531.8)	(584.7)
Cash from Operating Activities	**896.2**	**1,229.8**	**1,259.5**	**2,066.8**	**1,929.0**	**2,119.9**
Purchase of Fixed Assets	(196.2)	(111.5)	(1,466.8)	(7.3)	(167.8)	(356.9)
Profit/Loss on Sale of Fixed Assets		(0.005)			1.900	2.000
Profit/Loss on Sale of Investments		59.9	335.2	(206.0)	(857.9)	(525.1)
Purchase of Investment	(556.1)					
Sale of Investments		1,293.7				
Rent Received					0.5	4.2
Interest Received	329.9	259.5	395.0	229.4	251.9	279.7
Other Investment Activities		(1,600.5)	772.0	(211.2)	831.2	442.8

EXHIBIT 7 (CONTINUED)

Description/Year	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17
Cash Flow from Investing Activities	**(422.4)**	**(98.9)**	**35.3**	**(195.2)**	**59.794**	**(153.4)**
Equity Dividend Paid	(870.3)	(958.8)	(958.8)	(1,696.3)	(2,041.5)	(2,041.5)
Interest Paid					(1.6)	(8.2)
Net Increase/Decrease in Cash – Export Credit Facilities and Other Short-Term Loans					100.0	50.0
Income Tax on Dividend Paid	(142.3)	(155.5)	(162.9)	(339.2)		
Cash from Financing Activities	**(1,012.5)**	**(1,114.3)**	**(1,121.7)**	**(2,035.4)**	**(1,943.05)**	**(1,999.7)**
Net Cash Inflow / Outflow	(538.7)	16.5	173.1	(163.8)	45.7	(33.2)
Opening Cash & Cash Equivalents	813.4	14.7	31.2	203.4	42.1	88.1
Effect of Foreign Exchange Fluctuations			(0.9)	2.5	0.4	
Closing Cash & Cash Equivalent	274.7	31.2	203.4	42.1	88.3	55.0
Add: Deposit with Maturity of More than Three Months	-	1,860.56	1,088.58	1,348.4	514.7	69.3
Cash as per Balance Sheet	**274.7**	**1,891.8**	**1,292.0**	**1,390.5**	**603.0**	**124.3**

Source: Prepared by case authors based on Bajaj Consumer Care Ltd., *Sixth Annual Report: 2011–2012*, accessed August 15, 2017, www.bajajcorp.com/img/Bajaj_Annual_Report_2012.pdf; Bajaj Consumer Care Ltd., *Seventh Annual Report: 2012–13*, accessed August 15, 2017, www.bajajcorp.com/img/BCL_AR_2012_13 Final_PDF_.pdf; Bajaj Consumer Care Ltd., *Eighth Annual Report: 2013–14*, accessed August 15, 2017, www.bajajcorp.com/img/bajaj_corp_annual_report_2013_14.pdf; Bajaj Consumer Care Ltd., *Ninth Annual Report: 2014–15*, accessed August 15, 2017, www.bajajcorp.com/img/annual_report_2014_15.pdf; Bajaj Consumer Care Ltd., *10th Annual Report: 2015–2016*, accessed August 15, 2017, https://bajajconsumercare.com/img/bajaj%20corp_2015-16_%20final%20annual%20report.pdf; Bajaj Consumer Care Ltd., *Growing Stronger with Every Move: 11th Annual Report, 2016–17*, accessed August 15, 2017, www.bajajcorp.com/img/2016-17_AR.pdf.

EXHIBIT 8: CONSOLIDATED BALANCE SHEET OF BAJAJ CONSUMER CARE LTD (IN ₹ MILLIONS)

Description/Year	Mar-2012	Mar-2013	Mar-2014	Mar-2015	Mar-2016	Mar-2017
Equity and Liabilities:						
Equity						
Share Capital	147.5	147.5	147.5	147.5	147.5	147.5
Reserves & Surplus	4,130.9	4,678.2	5,044.9	4,738.1	4,663.1	4,794.4
Total Shareholders' Equity	**4,278.4**	**4,825.7**	**5,192.4**	**4,885.6**	**4,810.6**	**4,941.9**
Non-Current Liabilities						
Deferred Income Taxes (Liabilities)	9.6	14.7	3.9	5.5	7.5	7.7
Debt	-	-	-	-	100.0	150.0
Current Liabilities						
Provisions	0.0	0.0	0.0	0.0	0.0	2.4
Other Current Liabilities	181.4	216.6	191.0	273.8	309.0	390.9
Trade Payable and Other Payables	471.2	494.5	405.5	514.3	435.1	402.5
Total Liabilities	**662.3**	**725.8**	**600.5**	**793.6**	**851.7**	**953.5**
Total Equity and Liabilities	**4,940.7**	**5,551.5**	**5,792.9**	**5,679.2**	**5,662.2**	**5,895.3**
Assets:						
Non-Current Assets						
Gross Fixed Assets	875.0	1,302.2	2,782.2	2,788.7	1,254.5	1,708.4
Net Fixed Assets	819.3	1,207.9	2,358.5	1,846.8	1,393.1	1,615.5
CWIP	-	13.0	7.0	7.4	8.5	0.3
Long-Term Loans and Other Debtors	8.5	12.9	6.9	6.7	3.7	11.9
Non-Current Investments	-	-	-	-	-	-
Other Non-Current Assets	-	-	-	-	102.0	9.3
Current Assets						
Other Current Assets	29.0	114.5	55.8	85.7	42.1	47.3
Accounts Receivable – Trade	51.4	99.7	83.7	132.6	253.5	274.3
Inventories	619.4	358.5	394.5	392.7	501.9	424.8
Short-Term Loans	12.2	20.8	26.0	28.8	-	-
Cash and Equivalents	274.7	1,891.8	1,292.0	1,341.8	606.7	126.4
Current Investments	3,126.1	1,832.4	1,568.4	1,836.6	2,750.6	3,385.4
Total Assets	**4,940.7**	**5,551.5**	**5,792.9**	**5,679.2**	**5,662.2**	**5,895.3**

Note: CWIP = capital work in progress.
Source: Prepared by case authors based on Bajaj Consumer Care Ltd., *Sixth Annual Report: 2011–2012*, accessed August 15, 2017, www.bajajcorp.com/img/Bajaj_Annual_Report_2012.pdf; Bajaj Consumer Care Ltd., *Seventh Annual Report: 2012–13*, accessed August 15, 2017, www.bajajcorp.com/img/BCL_AR_2012_13 Final_PDF_.pdf; Bajaj Consumer Care Ltd., *Eighth Annual Report: 2013–14*, accessed August 15, 2017, www.bajajcorp.com/img/bajaj_corp_annual_report_2013_14.pdf; Bajaj Consumer Care Ltd., *Ninth Annual Report: 2014–15*, accessed August 15, 2017, www.bajajcorp.com/img/annual_report_2014_15.pdf; Bajaj Consumer Care Ltd., *10th Annual Report: 2015–2016*, accessed August 15, 2017, https://bajajconsumercare.com/img/bajaj%20corp_2015-16_%20final%20annual%20report.pdf; Bajaj Consumer Care Ltd., *Growing Stronger with Every Move: 11th Annual Report, 2016–17*, accessed August 15, 2017, www.bajajcorp.com/img/2016-17_AR.pdf.

EXHIBIT 9: EXPECTED GROSS DOMESTIC PRODUCT (GDP) GROWTH RATE OF INDIAN ECONOMY, 2018–2023

Year	2018	2019	2020	2021	2022	2023
Expected GDP	7.40%	7.80%	7.90%	8.10%	8.15%	8.20%

Source: Created by case authors based on data from International Monetary Fund, "Real GDP Growth: Annual Percent Change," IMF DataMapper, accessed August 24, 2017, www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEOWORLD/IND.