

Bajaj Electricals

Performance Highlights

For 4QFY2010, Bajaj Electricals recorded a strong 19.3% yoy growth in Top-line to Rs784cr (Rs657cr), which was slightly ahead of our estimates. Top-line growth was primarily driven by the strong growth registered by the Consumer Durables Division. OPM also exceeded our estimates, though it fell from 12.4% in 4QFY2009 to 11.8% in 4QFY2010. However, the company paid additional taxes with regard to certain disallowances for the past three years. Besides, loans worth Rs5.0cr extended to Hind Lamps, in which the company holds 50%, were written off during the quarter. As a result, Net Profit declined 21.1% yoy to Rs37cr. The company's carry forward Order Book stood at Rs932cr, which is better than management's expectations. The stock is currently trading at 10.1x FY2012E Earnings, factoring in most of the visible growth. **We recommend a Neutral on the stock.**

Strong Growth in Top-line: The company displayed strong growth momentum in Sales during the quarter, especially in the Consumer Durables Division, which registered 35.6% yoy growth in 4QFY2010. However, the E&P Division grew by a mere 7.7% yoy, which restricted overall growth numbers to 19.3%. However, the E&P Division grew 41.1% in FY2010 over FY2009. OPM of the Consumer Durables Division followed the strong Revenue growth and remained firm at 13.3%.

Outlook and Valuation

We maintain our strong growth outlook for the company going forward, based on a comfortable Order Book position and strong performance in all the Divisions. Growth in the domestic economy is also expected to benefit the company immensely. Given the improved outlook and stronger Order Book, we have marginally revised upwards our Top-line estimates for FY2011E and FY2012E. At current levels, the stock is trading at 12.6x and 10.1x FY2011E and FY2012E Earnings, respectively, and factoring in most of the visible growth. Hence, we recommend a Neutral on the stock.

Key Financials (Consolidated)

Y/E March (Rs cr)	FY2009	FY2010E	FY2011E	FY2012E
Net Sales	1,766	2,229	2,690	3,242
% chg	28.0	26.2	20.7	20.5
Net Profit	89	125	161	201
% chg	22.2	40.2	28.5	24.9
EBITDA Margin (%)	10.2	10.9	10.3	10.5
FDEPS (Rs)	10.4	11.7	16.1	20.1
P/E (x)	19.6	17.3	12.6	10.1
P/BV (x)	7.2	4.0	3.2	2.6
RoE (%)	43.1	32.0	29.3	29.2
RoACE (%)	39.2	42.6	36.8	36.8
EV/Sales (x)	1.1	0.9	0.8	0.6
EV/EBITDA (x)	10.6	8.3	7.3	6.1

Source: Company, Angel Research

NEUTRAL

CMP	Rs203
Target Price	-

Investment Period	-
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Stock Info

Sector	Cons. Durables
Market Cap (Rs cr)	1,981
Beta	0.7
52 WK High / Low	240/70
Avg. Daily Volume	77,197
Face Value (Rs)	2
BSE Sensex	16,683
Nifty	5,067
Reuters Code	BJEL.BO
Bloomberg Code	BJE@IN

Shareholding Pattern (%)

Promoters	65.7
MF/Banks/Indian FIs	18.0
FII/NRIs/OCBs	4.3
Indian Public	12.0

Abs. (%)	3m	1yr	3yr
Sensex	2.6	18.0	17.1
Bajaj Elec.	4.5	164.0	281.3

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Exhibit 1: 4QFY2010 Performance (Consolidated)

Y/E March (Rs cr)	4QFY10	3QFY10	% chg (qoq)	4QFY09	% chg (yoy)	FY10	FY09	% chg
Net Sales	784	592	32.4	657	19.3	2,229	1,766	26.2
Consumption of RM (% of Sales)	608 77.5	419 70.7	45.1	491 74.8	23.7	1,652 74.1	1,315 74.5	25.7
Staff Costs (% of Sales)	21.7 2.8	24.9 4.2	(13.0)	17.9 2.7	21.6	97.2 4.4	77.1 4.4	26.0
Other Expenses (% of Sales)	62.5 8.0	87.6 14.8	(28.6)	66.2 10.1	(5.5)	235.7 10.6	193.8 11.0	21.6
Total Expenditure	692	531	30.2	575	20.2	1,985	1,586	25.2
Operating Profit	92.3	60.8	51.7	81.8	12.8	243.4	179.8	35.3
OPM (%)	11.8	10.3		12.4		10.9	10.2	
Interest	5.4	8.9	(39.1)	8.3	(34.1)	31.5	37.0	(14.9)
Depreciation	2.3	2.4	(3.8)	2.6	(11.6)	9.2	8.6	7.6
Other Income	0.9	1.1	(24.6)	3.7	(76.9)	2.9	5.7	(49.8)
PBT (excl. Extr. Items)	85.4	50.7	68.6	74.7	14.4	205.6	140.0	46.9
Extr. Income/(Expense)	5.0	-		-		5.0	-	
PBT (incl. Extr. Items)	80.4	50.7	58.7	74.7	7.7	200.6	140.0	43.3
(% of Sales)	10.3	8.6		11.4		9.0	7.9	
Provision for Taxation (% of PBT)	34.8 43.3	16.6 32.7	110.3	27.2 36.4	28.2	75.4 37.6	50.7 36.2	48.7
Reported PAT	45.6	34.1	33.7	47.5	(4.1)	125.3	89.4	40.2
Prior Period Items	8.1	(0.0)		0.0		8.2	(0.0)	
PATM (%)	5.8	5.8		7.2		5.6	5.1	
Equity shares (cr)	9.8	9.8		9.8		9.8	9.8	
EPS (Rs)	3.9	3.5	12.1	4.9	(19.5)	12.8	9.2	40.2
Adjusted PAT	37.5	34.1	9.8	47.5	(21.1)	117.1	89.4	31.0

Source: Company, Angel Research

Segment-wise Performance

The Lighting Division registered a decent 15.2% yoy increase in Sales for the quarter to Rs179cr (Rs156cr). The growth in this segment came only from the Lighting products, which registered 27% yoy growth. However, Luminaire sales were flat during the quarter due to sluggish growth in the user industries of Retail, IT, Construction, etc. EBIT of the Division stood at Rs16cr, implying EBIT Margin of 8.8%.

Consumer Durables Division registered a strong 35.6% yoy growth in Sales to Rs315cr (Rs232cr) for 4QFY2010. EBIT of the Division came in at Rs42cr, while EBIT Margin stood at 13.3%, a yoy improvement of 184bp.

The Engineering & Products Division posted 7.7% yoy growth to Rs290cr (Rs269cr). EBIT of the Division came in at Rs28cr, while EBIT Margin stood at 9.8% for 4QFY2010. The main reason for the lower-than-expected EBIT Margins of the Division was that the product mix was skewed towards low-Margin products.

Exhibit 2: Segment-wise Performance

Y/E March	4QFY09	3QFY10	4QFY10	% chg qoq	% chg yoy
Total Revenue (Rs cr)					
A) Lighting	155.7	149.6	179.3	19.9	15.2
B) Consumer Durables	232.4	253.7	315.1	24.2	35.6
C) Engineering and Projects	268.9	188.6	289.6	53.6	7.7
D) Others	0.2	0.3	0.2	(11.1)	4.3
Total	657.2	592.1	784.2	32.4	19.3
Less: Inter-Segmental Revenue	-	-	-		
Net Sales	657.2	592.1	784.2	32.4	19.3
EBIT Margin (%)					
A) Lighting	11.8	3.9	8.8	487bp	(301bp)
B) Consumer Durables	11.5	12.1	13.3	122bp	184bp
C) Engineering and Projects	13.3	11.9	9.8	(219bp)	(358bp)
D) Others	8.7	26	16.7	(926bp)	797bp

Source: Company, Angel Research

One-time impact on Tax Front: The company received certain tax disallowances with respect to the Assessment Years of 2007-08, 2008-09 and 2009-10. The company paid these taxes in 4QFY2010. As a result, the company's Bottom-line fell 21.1% yoy during the quarter to Rs37cr (Rs47cr). However, the company has made representations to the authorities to reclaim these taxes. During the quarter, the company also wrote-off loans worth Rs5cr made to Hind Lamps in which the company holds 50% stake.

Other developments

The company has announced final dividend of Rs2.4/share for FY2010 (120% of the Face Value).

Outlook and Valuation

We have revised upwards our Sales estimates for FY2011E and FY2012E by 3.9% and 5.3%, respectively. We have also raised OPM estimates to 10.3% and 10.5% from 10.1% and 10.2% for FY2011E and FY2012E, respectively. As a result, our EBITDA estimates now stand at Rs277cr and Rs340cr for FY2011E and FY2012E, respectively. However, due to the additional Debt required by the company to meet its increased working capital needs, interest cost is expected to rise.

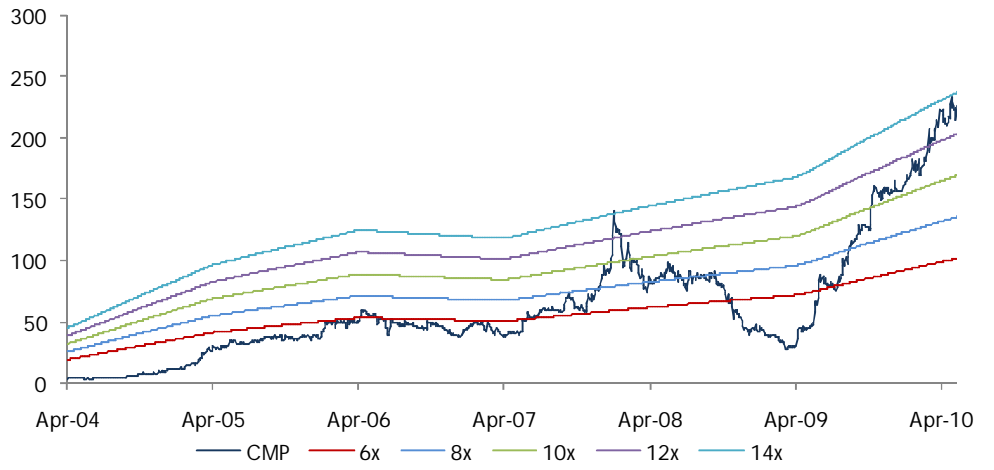
Exhibit 3: Revised Estimates

Rs cr	Old		New		% chg	
	FY2011E	FY2012E	FY2011E	FY2012E	FY2011E	FY2012E
Sales	2,590	3,080	2,690	3,242	3.9	5.3
EBITDA	262	314	277	340	5.9	8.4
EBITDA Margin (%)	10.1	10.2	10.3	10.5		
Interest	4.4	1.8	24.1	24.1	448.1	1,239.6
PAT	163.5	202.3	161.0	201.2	(1.5)	(0.5)

Source: Company, Angel Research

The demand situation for the next few years remains strong for the company. Going ahead, things are expected to improve for its Luminaires business as well, as activity in the Retail, IT and Construction sectors improves. We expect the E&P Segment to continue to drive Top-line growth of the company. At the CMP, the stock is trading at 12.6x and 10.1x FY2011E and FY2012E Earnings, respectively. **Given the recent run up in stock price, we recommend a Neutral on the stock.**

Exhibit 4: One-year Forward P/E band



Source: Company, Angel Research

Profit & Loss Statement (Consolidated)							(Rs cr)
Y/E March	FY2007	FY2008	FY2009	FY2010	FY2011E	FY2012E	
Gross sales	1,115	1,405	1,791	2,263	2,731	3,291	
Less: Excise duty	29	25	25	34	41	49	
Net Sales	1,085	1,379	1,766	2,229	2,690	3,242	
Other operating income	-	-	-	-	-	-	
Total operating income	1,085	1,379	1,766	2,229	2,690	3,242	
% chg	27.8	27.1	28.0	26.2	20.7	20.5	
Total Expenditure	999	1,236	1,586	1,985	2,413	2,902	
Net Raw Materials	786	963	1,315	1,652	1,883	2,269	
Other Mfg costs	68	88	194	236	167	198	
Personnel	43	63	77	97	135	162	
Other	101	122	-	-	229	272	
EBITDA	86	143	180	243	277	340	
% chg	35.6	65.8	25.6	35.3	13.8	22.9	
(% of Net Sales)	8.0	10.4	10.2	10.9	10.3	10.5	
Depreciation & Amortisation	7	7	9	9	10	12	
EBIT	79	136	171	234	267	328	
% chg	37.9	71.7	26.2	36.7	13.9	22.9	
(% of Net Sales)	7.3	9.8	9.7	10.5	9.9	10.1	
Interest & other Charges	25	34	37	31	24	24	
Other Income	7	9	6	3	3	3	
(% of PBT)	10.9	8.5	4.1	1.4	1.2	0.9	
Share in profit of Associates	-	-	-	-	-	-	
Recurring PBT	60	111	140	206	245	307	
% chg		84.8	25.7	46.9	19.4	24.9	
Extraordinary Expense/(Inc.)	-	-	-	5	-	-	
PBT (reported)	60	111	140	201	245	307	
Tax	22	38	51	75	84	105	
(% of PBT)	35.9	34.4	36.2	37.6	34.4	34.4	
PAT (reported)	39	73	89	125	161	201	
Add: Share of earnings of associate	-	-	-	-	-	-	
Less: Minority interest (MI)	-	-	-	-	-	-	
Prior period items	0	1	(0)	8	-	-	
PAT after MI (reported)	39	73	89	125	161	201	
ADJ. PAT	39	73	90	117	161	201	
% chg		88.3	23.4	30.7	37.5	24.9	
(% of Net Sales)	3.6	5.3	5.1	5.3	6.0	6.2	
Basic EPS (Rs)	8.9	8.5	10.3	12.0	16.5	20.6	
Fully Diluted EPS (Rs)	8.9	8.4	10.4	11.7	16.1	20.1	
% chg		(5.9)	23.4	13.0	37.5	24.9	

Balance Sheet (Consolidated)							(Rs cr)
Y/E March	FY2007	FY2008	FY2009	FY2010E	FY2011E	FY2012E	
SOURCES OF FUNDS							
Equity Share Capital	9	17	17	20	20	20	
Preference Capital	-	-	-	-	-	-	
Reserves & Surplus	108	156	225	470	590	750	
Shareholders Funds	117	173	242	490	610	770	
Minority Interest	-	-	-	-	-	-	
Total Loans	237	237	214	150	200	200	
Deferred Tax Liability (Net)	7	4	3	-	-	-	
Total Liabilities	361	414	459	640	810	970	
APPLICATION OF FUNDS							
Gross Block	136	144	154	186	207	249	
Less: Acc. Depreciation	46	52	60	69	79	92	
Net Block	91	92	95	117	128	157	
Capital Work-in-Progress	1	0	2	2	2	2	
Goodwill	-	-	-	-	-	-	
Investments	22	22	32	32	32	32	
Current Assets	566	708	904	1,192	1,492	1,769	
Cash	29	32	54	117	151	116	
Loans & Advances	58	89	113	145	175	211	
Inventories	120	162	178	223	269	324	
Debtors	358	425	559	708	897	1,118	
Other	-	-	-	-	-	-	
Current liabilities	318	408	573	703	843	991	
Net Current Assets	248	300	331	490	649	779	
Mis. Exp. not written off	0	-	-	-	-	-	
Total Assets	361	414	459	640	810	970	

Cash Flow Statement (Consolidated)							(Rs cr)
Y/E March	FY2007	FY2008	FY2009	FY2010E	FY2011E	FY2012E	
Profit before tax	60	111	140	201	245	307	
Depreciation	7	7	9	9	10	12	
(Inc.)/ Dec. in Working Capital	(35)	(19)	15	(64)	(95)	(128)	
Less: Other income	7	9	6	3	3	3	
Direct taxes paid	22	38	51	75	84	105	
Cash Flow from Operations	5	52	108	67	73	82	
(Inc.)/ Dec. in Fixed Assets	(4)	(7)	(13)	(31)	(21)	(43)	
(Inc.)/ Dec. in Investments	(7)	(0)	(9)	-	-	-	
(Inc.)/ Dec. in loans and adv.	(20)	(31)	(24)	(32)	(30)	(36)	
Other income	7	9	6	3	3	3	
Cash Flow from Investing	(25)	(29)	(40)	(60)	(48)	(76)	
Issue of Equity	(2)	9	-	157	-	-	
Inc./(Dec.) in loans	44	(0)	(23)	(63)	50	-	
Dividend Paid (Incl. Tax)	8	16	20	27	41	41	
Others	(4)	(13)	(2)	(12)	0	(0)	
Cash Flow from Financing	31	(21)	(46)	56	9	(41)	
Inc./(Dec.) in Cash	10	3	22	63	34	(35)	
Opening Cash balances	19	29	32	54	117	151	
Closing Cash balances	29	32	54	117	151	116	

Key Ratios

Y/E March	FY2007	FY2008	FY2009	FY2010E	FY2011E	FY2012E
Valuation Ratio (x)						
P/E (on FDEPS)	22.7	24.2	19.6	17.3	12.6	10.1
P/E (on basic, reported EPS)	22.7	24.0	19.6	16.9	12.3	9.8
P/CEPS	19.1	21.8	17.9	15.7	11.6	9.3
P/BV	7.5	10.1	7.2	4.0	3.2	2.6
Dividend yield (%)	0.8	0.8	1.0	1.2	1.8	1.8
Market cap. / Sales	0.8	1.3	1.0	0.9	0.7	0.6
EV/Sales	1.0	1.4	1.1	0.9	0.8	0.6
EV/EBITDA	12.6	13.7	10.6	8.3	7.3	6.1
EV / Total Assets	3.0	4.7	4.2	3.1	2.5	2.1
Per Share Data (Rs)						
EPS (Basic)	8.9	8.5	10.3	12.0	16.5	20.6
EPS (fully diluted)	8.9	8.4	10.4	11.7	16.1	20.1
Cash EPS	19.1	21.8	17.9	15.7	11.6	9.3
DPS	8.1	8.0	10.0	2.4	3.6	3.6
Book Value	27.0	20.1	28.0	50.2	62.5	78.9
ROE Decomposition (%)						
EBIT margin	7.3	9.8	9.7	10.5	9.9	10.1
Tax retention ratio	79.2	77.7	77.4	81.3	78.2	82.5
Asset turnover (x)	3.6	3.9	4.5	4.8	4.6	4.3
ROCE (Post Tax)	20.7	29.5	33.7	41.0	35.3	35.8
Cost of Debt (Post Tax)	7.5	9.3	10.5	10.8	9.0	7.9
Leverage (x)	1.6	1.2	0.8	0.2	0.1	-
Operating ROE	42.2	53.5	51.1	47.0	37.1	35.8
Returns (%)						
ROCE (Pre-tax)	24.2	35.0	39.2	42.6	36.8	36.8
Angel ROIC	20.7	29.6	33.8	41.2	35.4	35.9
ROE	37.2	50.0	43.1	32.0	29.3	29.2
Turnover ratios (x)						
Asset Turnover (Gross Block)	8.1	9.8	11.8	13.1	13.7	14.2
Asset Turnover (Net Block)	11.7	15.1	19.0	21.1	22.0	22.8
Operating Income / Invested Capital	3.3	3.6	4.0	4.1	3.7	3.6
Inventory / Sales (days)	38	37	35	33	33	33
Receivables (days)	107	104	102	104	109	113
Payables (days)	105	107	113	117	117	115
WC cycle (ex-cash) (days)	64	64	56	53	59	65
Solvency ratios (x)						
Gross debt to equity	2.0	1.4	0.9	0.3	0.3	0.3
Net debt to equity	1.8	1.2	0.7	0.1	0.1	-
Net debt to EBITDA	2.4	1.4	0.9	0.1	0.2	-
Interest Coverage (EBIT / Interest)	3.1	4.0	4.6	7.4	11.1	13.6

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Disclosure of Interest Statement	Bajaj Electricals
1. Analyst ownership of the stock	No
2. Angel and its Group companies ownership of the stock	No
3. Angel and its Group companies' Directors ownership of the stock	No
4. Broking relationship with company covered	No

Note: We have not considered any Exposure below Rs 1 lakh for Angel and its Group companies.

Ratings (Returns) :	Buy (> 15%) Reduce (-5% to -15%)	Accumulate (5% to 15%) Sell (< -15%)	Neutral (-5 to 5%)
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