



**BUY**

Price	Rs492
Target Price	Rs578
Investment Period	12 months

**Stock Info**

Sector	Consumer Durable
Market Cap (Rs cr)	849
Beta	0.7
52 WK High / Low	585 / 135
Avg. Daily Volume	6244
Face Value (Rs)	10

BSE Sensex	15,388
Nifty	4,571

BSE Code	500031
NSE Code	BAJAJELEC
Reuters Code	BJEL.BO
Bloomberg Code	BJE@IN

**Shareholding Pattern (%)**

Promoters	74.1
MF/Banks/Indian FIs	11.6
FII/ NRIs/ OCBs	0.9
Indian Public/others	13.4

Abs.	3m	1yr	3yr
Sensex (%)	34.9	7.7	44.1
BEL (%)	130.4	11.8	100.7

**Girish Solanki**

Tel: 022 – 4040 3800 Ext: 319  
e-mail: girish.solanki@angeltrade.com

**V. Srinivasan**

Tel: 022 – 4040 3800 Ext: 330  
e-mail: v.srinivasan@angeltrade.com

**Performance Highlights**

- Top-line growth at 15.1%:** Bajaj Electricals' (BEL) Net Sales grew 15.1% to Rs365.4cr (Rs317.6cr) in 1QFY2010, which was in line with our estimates. During 1QFY2010, Revenue contribution from the Lighting Division decreased by 15.4% to Rs73.7cr (Rs87.1cr) while contribution from the Consumer Durables Division grew 8.5% to Rs188.6cr (Rs173.9cr). Sales of the high-Margin E&P Division grew a robust 82.4% to Rs102.9cr (Rs56.4cr), which was the main feature of the company's 1QFY2010 results.
- EBITDA Margins up by 186bp to 9.8%:** The company's EBITDA grew 42% to Rs35.7cr (Rs25.1cr) on account of improvement in Operating Margins, which stood at 9.8% (7.9%). Healthy growth in Operating Profits was partially due to increased contribution from the high-Margin E&P Segment. During the quarter, EBIT Margins of the Lighting Segment stood at 0.6% (3.2%), while the Consumer Durable Segment clocked EBIT Margins of 12.3% (9.9%). The E&P Segment's EBIT Margins slightly dipped and stood at 9.7% (10.5%). Going ahead, on the Operating front, we expect BEL's EBITDA Margins to be slightly under pressure as the company doesn't plan to hike prices in the near term. On a positive note, declining trend in metal and oil prices is expected to cushion the company's Margins to some extent.
- Bottom-line surges 63.8%:** During 1QFY2010, the company's Bottom-line spiked 63.8% to Rs16.4cr (Rs10.0cr) primarily on the back of decent Top-line growth and improved Margins. Interest cost increased marginally by 6.9% to Rs8.6cr (Rs8.0cr). Net Profit Margin increased to 4.5% (3.2%).

**Key Financials**

Y/E March (Rs cr)	FY2008	FY2009	FY2010E	FY2011E
<b>Net Sales</b>	<b>1,379</b>	<b>1,775</b>	<b>2,060</b>	<b>2,364</b>
% chg	27.1	28.7	16.0	14.8
<b>Net Profit</b>	<b>73.1</b>	<b>89.1</b>	<b>103.8</b>	<b>124.9</b>
% chg	89.3	21.9	16.4	20.4
OPM (%)	10.4	10.1	9.8	9.7
<b>EPS (Rs)</b>	<b>42.3</b>	<b>51.6</b>	<b>60.0</b>	<b>72.2</b>
P/E (x)	11.6	9.5	8.2	6.8
P/BV (x)	4.9	3.5	2.6	2.0
RoE (%)	42.1	36.8	31.9	29.0
RoCE (%)	32.8	37.2	36.0	34.6
EV/Sales (x)	0.8	0.6	0.5	0.4
EV/EBITDA (x)	7.4	5.9	5.2	4.6

Source: Company, Angel Research

### Operational Highlights

BEL's Lighting Segment de-grew 15.4% to Rs73.7cr (Rs87.1cr) with EBIT Margins of 0.6% (3.2%). The Consumer Durables Segment grew 8.5% to Rs188.6cr (Rs173.9cr) with EBIT Margins increasing to 12.3% levels. The E&P Segment recorded robust growth of 82.4% to Rs102.9cr (Rs56.4cr) with EBIT Margin of 9.7% (10.5%). At the end of 1QFY2010, the company's E&P Division had an Order Book of Rs900cr, providing good revenue visibility. Close to 50% of the E&P Segment orders are from the Rural Electrification space, with the balance from the Transmission Towers and Galvanised Poles Segment.

#### Exhibit 1: Segment-wise Performance

Particulars	1QFY2010	1QFY2009	% chg	FY2009	FY2008	% chg
<b>Revenue (Rs cr)</b>						
A) Lighting	73.7	87.1	(15.4)	488.3	407.3	19.9
B) Cons Durables	188.6	173.9	8.5	758.0	603.2	25.7
C) E& P	102.9	56.4	82.4	522.6	362.7	44.1
D) Others	0.2	0.2	(12.5)	1.7	1.3	26.0
<b>Total</b>	<b>365.4</b>	<b>317.6</b>	<b>15.1</b>	<b>1,770.5</b>	<b>1,374.5</b>	<b>28.8</b>
<b>EBIT</b>						
A) Lighting	0.5	2.8	(83.8)	39.2	30.5	28.4
B) Cons Durables	23.2	17.1	35.4	76.7	62.7	22.3
C) E& P	10.0	5.9	69.8	67.2	46.8	43.7
D) Others	(0.1)	(0.1)	20.0	0.4	0.4	(2.8)
<b>Total</b>	<b>33.6</b>	<b>25.7</b>	<b>30.5</b>	<b>183.5</b>	<b>140.4</b>	<b>30.7</b>
<b>EBIT Margin (%)</b>						
A) Lighting	0.6	3.2		8.0	7.5	
B) Cons Durables	12.3	9.9		10.1	10.4	
C) E& P	9.7	10.5		12.9	12.9	

Source: Company, Angel Research

### Outlook and Valuation

BEL has posted an impressive 1QFY2010 performance despite the sluggish economy. Going ahead, we expect the company's E&P Division to be the major driver of growth on account of having a robust Order Book. Moreover, higher outlay for government schemes such as *Accelerated Power Development Reforms Programme* (APDRP) and *Rajiv Gandhi Grameen Vidyutikaran Yojana* (RGGVY) augur well for the company, particularly for the company's E&P Segment. We expect BEL to post EBITDA of Rs229.3cr in FY2011E and CAGR of 13% over FY2009-11E following the marginal dip in EBITDA Margins. PAT is expected to register CAGR of 18.4% to Rs124.9cr during the mentioned period.

At Rs492, the stock is trading at 8.2x FY2010E and 6.8x FY2011E Earnings and 2x FY2011E P/BV. **We maintain a Buy on the stock, with a revised Target Price of Rs578 (Rs515), based on 8x FY2011E EPS.**

**Exhibit 2: 1QFY2010 Performance**

Y/E March (Rs cr)	1QFY2010	1QFY2009	% chg	FY2009	FY2008	% chg
<b>Net Sales</b>	<b>365.4</b>	<b>317.6</b>	<b>15.1</b>	<b>1,775.1</b>	<b>1,379.1</b>	<b>28.7</b>
Consumption of RM	4.2	11.8	64.2	153.6	93.2	64.8
(% of Sales)	1.2	3.7		8.7	6.8	
Purchase of Finished goods	256.4	217.1	18.1	1,093.5	870.1	25.7
(% of Sales)	70.2	68.4		61.6	63.1	
Staff Costs	19.9	16.7	19.7	77.1	62.7	22.9
(% of Sales)	5.5	5.2		4.3	4.5	
Other Expenses	49.1	46.9	4.8	271.4	209.9	29.3
(% of Sales)	13.4	14.8		15.3	15.2	
<b>Total Expenditure</b>	<b>329.7</b>	<b>292.5</b>	<b>12.7</b>	<b>1,595.6</b>	<b>1,236.0</b>	<b>29.1</b>
<b>Operating Profit</b>	<b>35.7</b>	<b>25.1</b>	<b>42.1</b>	<b>179.5</b>	<b>143.2</b>	<b>25.4</b>
OPM (%)	9.8	7.9		10.1	10.4	
Interest	8.6	8.0	6.9	41.3	33.8	22.3
Depreciation	2.2	1.9	15.4	8.6	7.5	14.8
Other Income	0.2	0.5	(63.2)	10.1	9.4	7.0
<b>PBT (excl. Extr. Items)</b>	<b>25.1</b>	<b>15.7</b>	<b>59.8</b>	<b>139.8</b>	<b>111.4</b>	<b>25.5</b>
Extr. Income/(Expense)	-	(0.1)				
<b>PBT (incl. Extr. Items)</b>	<b>25.1</b>	<b>15.6</b>	<b>60.8</b>	<b>139.8</b>	<b>111.4</b>	<b>25.5</b>
(% of Sales)	6.9	4.9		7.9	8.1	
Provision for Taxation	8.7	5.6	55.4	50.6	38.3	32.3
(% of PBT)	34.7	35.9		36.2	34.4	
<b>Reported PAT</b>	<b>16.4</b>	<b>10.0</b>	<b>63.8</b>	<b>89.1</b>	<b>73.1</b>	<b>21.9</b>
PATM (%)	4.5	3.2	133.7	5.0	5.3	
Equity shares (cr)	17.3	17.3		17.3	17.3	
<b>EPS (Rs)</b>	<b>9.5</b>	<b>5.8</b>		<b>51.6</b>	<b>42.3</b>	

Source: Company, Angel Research



**Research Team: Tel: 4040 3800**

**E-mail: [research@angeltrade.com](mailto:research@angeltrade.com)**

**Website: [www.angeltrade.com](http://www.angeltrade.com)**

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<b>Ratings (Returns) :</b>	<b>Buy (Upside &gt; 15%)</b>	<b>Accumulate (Upside upto 15%)</b>	<b>Neutral (5 to -5%)</b>
	<b>Reduce (Downside upto 15%)</b>	<b>Sell (Downside &gt; 15%)</b>	