

# Bajaj Electricals Ltd.(BEL)


 DOLAT CAPITAL

**CMP: Rs 903**
**Target Price: Rs 1105**
**Power Equipments / Accumulate**

Bajaj Electricals Ltd. (BEL) reported sales and net profit growth ahead of our expectations. The net sales grew by 39% (YoY) to Rs.5.9bn mainly contributed by the E&P segment which grew at a high rate of 74% (YoY). OPM improved by 20bps mainly on account of improvement in margins in the consumer durable segment. Lower interest expenditure resulted in net profit growth of 75% to Rs.341mn. We reiterate an Accumulate on the stock with a target price of Rs.1105 (12xFY11E)

## Q3FY10 Result

Particulars (Rs mn)	Q3FY10	Q3FY09	YoY(%)	9MFY10	9MFY09	YoY(%)
<b>Revenue</b>						
Sales	5,921.3	4,249.3	39.3%	14,696.5	11,218.3	31.0%
<b>Total</b>	<b>5,921.3</b>	<b>4,249.3</b>	<b>39.3%</b>	<b>14,696.5</b>	<b>11,218.3</b>	<b>31.0%</b>
Raw Material	4,188.2	3,086.0	35.7%	10,446.1	8,234.8	26.9%
<b>RM/Rev.</b>	<b>70.7%</b>	<b>72.6%</b>		<b>71.1%</b>	<b>73.4%</b>	
Employee Cost	249.4	191.9	30.0%	754.5	592.6	27.3%
Other Expenses	875.5	542.5	61.4%	1,984.3	1,410.2	40.7%
<b>Total Expenditure</b>	<b>5,313.1</b>	<b>3,820.4</b>	<b>39.1%</b>	<b>13,184.9</b>	<b>10,237.6</b>	<b>28.8%</b>
EBIDTA (excludg. OI)	608.2	428.9	41.8%	1,511.6	980.7	54.1%
<b>OPM (excludg OI)</b>	<b>10.3%</b>	<b>10.1%</b>		<b>10.3%</b>	<b>8.7%</b>	
Other Income	11.4	6.4	78.1%	20.0	19.8	1.0%
Interest	89.4	109.0	-18.0%	260.1	287.2	-9.4%
Depreciation	23.7	20.9	13.4%	69.2	59.7	15.9%
<b>PBT</b>	<b>506.5</b>	<b>305.4</b>	<b>65.8%</b>	<b>1,202.3</b>	<b>653.6</b>	<b>84.0%</b>
Tax	165.5	111.0	49.1%	405.4	235.2	72.4%
Prior Period Items	0.1			0.6		
<b>PAT</b>	<b>340.9</b>	<b>194.4</b>	<b>75.4%</b>	<b>796.3</b>	<b>418.4</b>	<b>90.3%</b>
<b>NPM</b>	<b>5.8%</b>	<b>4.6%</b>		<b>5.4%</b>	<b>3.7%</b>	
Equity	195.1	172.9		195.1	172.9	
<b>EPS (Rs)</b>	<b>17.5</b>	<b>11.2</b>	<b>55.4%</b>	<b>40.8</b>	<b>24.2</b>	<b>68.7%</b>

## Q3FY10 Result Analysis

- Net sales grew by 39% to Rs.5921.3mn mainly on account of 74% growth in the E&P segment (contributing 32% of total sales).
- Lighting division grew by 16% to Rs.1496mn and consumer durables grew by 36% to Rs.2537mn.
- Operating profit increased by 42% to Rs.608mn. The operating margins improved by 20 bps to 10.3% mainly on account of decline in material cost as a percentage of sales.
- In the lighting division PBIT margins declined by 220bps to 3.9%. In Q3FY10, there was an expenditure of Rs.30mn in this division on account of an advertisement campaign.
- In consumer durables margins improved by 320bps to 12.1% and in the E&P division the margins declined by 340bps to 11.9%. In the E&P division, margins were higher in Q3FY09 due to higher share of supply of towers where margins are higher.
- The order book of the project business at the end of Q3FY10 stood at Rs.8.3bn.

## Key Developments:

- Company has concluded a QIP of Rs.1.6bn (issue price Rs.785 per share). The proceeds have been utilized to repay the outstanding debts. This has resulted into lower interest cost in Q3FY10.
- The board has approved a stock split of 5:1, reducing the face value of the share from Rs.10 to Rs.2.
- Company continues to look for acquisitions domestically in the space of consumer durables, lighting and contracting companies.

## Valuation

Fast execution in the project business, improvement in operating efficiencies and lower interest cost has enabled the company to improve profitability. We expect similar kind of performance going ahead. However, higher metal prices could put some pressure on the margins. Proceeds from the QIP would help the company to leverage further, enabling it to grow at a fast rate. Currently the stock is trading at a PER of 9.8x FY11E. We reiterate an Accumulate on the stock with a target price of Rs.1105 (12x FY11E).

## Financials

Year	Net Sales	% growth	EBITDA	OPM%	PAT	% growth	EPS(Rs.)	% growth	PER(x)	ROANW(%)	ROACE(%)
FY08	13,732	27.5	1,440	10.5%	731	86.6	42.3	84.3	21.3	53.9	36.2
FY09	17,689	28.8	1,765	10.0%	893	22.2	52.7	24.5	17.1	44.6	39.9
FY10E	22,314	26.1	2,422	10.9%	1,363	52.5	69.8	32.6	12.9	36.4	42.1
FY11E	27,926	25.2	2,992	10.7%	1,796	31.8	92.1	31.8	9.8	30.8	40.9

Figure in Rs mn



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The ratings are based on the absolute upside of our target price from the current price.

**Upside**

> 25 %  
15% - 25%  
0% - 15%  
< 0 %

**Ratings**

Buy  
Accumulate  
Reduce  
Sell

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