

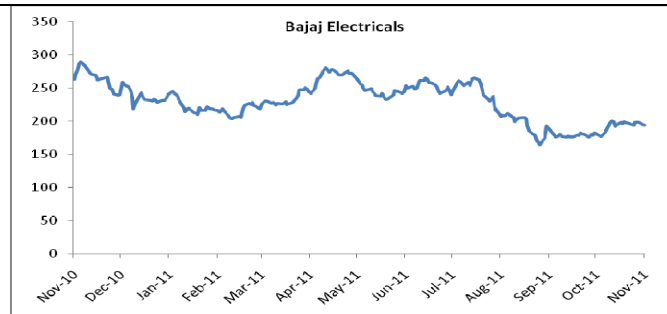
**Q2 FY12 Results Update**
**Bajaj Electricals Ltd. (BEL)**

<b>Recommendation</b>	<b>HOLD</b>
<b>CMP (03/11/2011)</b>	<b>Rs. 197</b>
<b>Sector</b>	<b>Household Appliances</b>

**Stock Details**

Bloomberg Code	BJE IN
BSE Code	500031
NSE Code	BAJAJELE
Market Cap (Rs. cr)	1972
Free Float (%)	34.39%
52- wk HI/Lo	296/160.2
Avg. volume BSE (Monthly)	13747
Face value	Rs. 2
Shares o/s (Crs)	10

Relative Performance	1Mth	3Mth	1Yr
<b>Bajaj</b>	8.9%	-5.9%	-26.0%
<b>Sensex</b>	8.2%	-4.6%	-14.1%


**Shareholding Pattern**

Indian Promoter Holding	65.61%
FII, banks & Institutions	17.44%
Corporate Bodies	3.93%
Public & others	13.02%

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**Quarterly Result Analysis**

- ✍ Net Sales for Q2FY12 increased by 19% to Rs. 698.62 crs as compared to Rs. 587.17 crores in Q2FY11 and was up by 28.4% from Rs. 544.07 crores in Q1FY12. The revenue was up YoY due to the good growth recorded in the Lighting (25% YoY growth), Consumer Durables (21.3% YoY growth), Engineering Projects (E&P) (9.5% YoY Growth) and Others (70.5% YoY growth). Lighting EBIT margins grew to 6% (4.5% in Q2FY11). There was a fall in EBIT margin of Consumer Durables to 9.3% (11.3% in Q2FY11) whereas; E&P posted a positive EBIT as compared to Q1FY12 and reported a margin of 3.8% (3.1% in Q2FY11).
- ✍ EBITDA increased by 16.7% to Rs. 52.53 crores in Q2FY12 compared to Rs. 45 crores in Q2FY11 and was up by 74.2% from Rs. 30.16 crores in Q1FY12. The EBITDA margin was down by 20bps YoY due to the jump in employee expenses (23.5% YoY) and other expenses (32.3% YoY). The margins were up QoQ by 200bps due to better segmental margins and E&P business turning EBIT positive.
- ✍ Adj. PAT for Q2FY12 went up by 7.5% to Rs. 24.99 crores as compared to Rs. 23.24 crores in Q2FY11. BEL reported a PAT margin of 3.6% in Q2FY12, as compared to 4% in Q2FY11 and 2% in Q1FY12. The margins were under pressure due to higher interest cost YoY as higher fund utilization and higher interest rates.
- ✍ Shrinking order book in E&P business is a major concern. Currently, the order book stands at Rs. 742 crores. BEL has achieved Rs. 300 crores revenue in the last two quarters and management have targeted to achieve Rs. 950 crores by FY12E. The management is confident of achieving the said target due to the strong pipeline of projects and is awaiting awards. We have projected Rs. 934 crores in FY12E and have taken a muted growth in FY13E due to non-clarity in the order book position for FY13E.

**Valuation & Recommendation**

At CMP of Rs. 197, the stock is trading at a PE of 12.2x in FY12E and 10.6x in FY13E. The E&P reported losses in Q1FY12 because of seasonally weak quarter (Q1) coupled with closure of some old projects by the company resulted into the cost pressure. To bring back the E&P business to EBIT positive, the company has taken several initiatives like closure of several old/stuck projects, etc. We believe the recent decline in copper price and improved performance in the E&P business should boost the margins going forward. **We have recommended the stock on 22/09/2011 at a price of Rs. 186 per share. The stock has appreciated 12.4% since then. The outlook continue to remain positive; we recommend to HOLD the stock with a revised target price of Rs. 231 per share.**

Year	Net Sales	Growth %	EBIDTA	EBIDTAM (%)	PAT	PATM (%)	EPS (Rs.)	P/E(x)	P/BV
FY10	2228.6	26.3%	242.7	10.9%	117.1	5.3%	12.0	16.4	4.0
FY11	2740.8	23.0%	258.0	9.4%	143.8	5.2%	14.5	13.5	3.2
FY12E	3234.5	18.0%	287.3	8.9%	160.6	5.0%	16.1	12.2	2.7
FY13E	3553.2	9.9%	332.3	9.4%	184.4	5.2%	18.5	10.6	2.2

**Standalone Quarterly Analysis**

Particulars	Q2FY12	Q2FY11	YoY%	Q1FY12	QoQ%
Net Sales	698.62	587.17	19.0%	544.07	28.4%
Other Operating Income	2.18	0.87	150.6%	0.18	1111.1%
Total Income	700.80	588.04	19.2%	544.25	28.8%
Increase / Decrease in Stock	-11.87	-32.91	-63.9%	-87.66	-86.5%
Consumption of raw material	51.73	44.48	16.3%	50.26	2.9%
Purchase of traded goods	481.00	432.66	11.2%	448.51	7.2%
Employees Cost	46.34	37.53	23.5%	31.50	47.1%
Other Expenditure	81.07	61.28	32.3%	71.48	13.4%
Total Expenditure	648.27	543.04	19.4%	514.09	26.1%
PBIDT	52.53	45.00	16.7%	30.16	74.2%
Interest	12.84	7.61	68.7%	10.67	20.3%
Other Income	0.71	1.08	-34.3%	0.67	6.0%
PBDT	40.40	38.47	5.0%	20.16	100.4%
Depreciation	2.92	2.34	24.8%	3.07	-4.9%
Portion of irrecoverable loans given to company	0.00	0.00		0.00	
Tax	12.46	12.75	-2.3%	6.00	107.7%
Reported Profit After Tax	25.02	23.38	7.0%	11.09	125.6%
Prior period Adjustments	0.03	0.14	-78.6%	0.03	0.0%
Adjusted Profit After Extra- ordinary item	24.99	23.24	7.5%	11.06	125.9%
EPS (Unit Curr.)	2.51	2.37		1.11	
Equity	19.92	19.64		19.90	
Face Value	2.00	2.00		2.00	
PBIDTM(%)	7.5%	7.7%		5.5%	
PBDTM(%)	5.8%	6.6%		3.7%	
PATM(%)	3.6%	4.0%		2.0%	

**Segment Analysis**

Rs. in crores

**Segment Revenue**

Particulars	Q2FY12	Q2FY11	YoY%	Q1FY12	QoQ%
Lighting	189.23	151.36	25.0%	127.41	48.5%
Consumer Durables	339.37	279.77	21.3%	303.09	12.0%
Engineering & Projects	171.16	156.30	9.5%	113.57	50.7%
Others	1.04	0.61	70.5%	0.18	477.8%
<b>Total</b>	<b>700.80</b>	<b>588.04</b>	<b>19.2%</b>	<b>544.25</b>	<b>28.8%</b>

Less: Intersegment Revenue

0.00	0.00		0.00
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**Net Sales**

<b>700.80</b>	<b>588.04</b>	<b>19.2%</b>	<b>544.25</b>	<b>28.8%</b>
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**Segment Results**

Lighting	11.30	6.75	67.4%	6.20	82.3%
Consumer Durables	31.46	31.73	-0.9%	29.12	8.0%
Engineering & Projects	6.48	4.80	35.0%	-7.63	-184.9%
Others	0.79	0.36	119.4%	-0.10	-890.0%
<b>Total</b>	<b>50.03</b>	<b>43.64</b>	<b>14.6%</b>	<b>27.59</b>	<b>81.3%</b>

Less:

Interest	12.84	7.61		10.67
Other Unallocable expenditure	-0.29	-0.10		-0.17

<b>PBT</b>	<b>37.48</b>	<b>36.13</b>	<b>3.7%</b>	<b>17.09</b>	<b>119.3%</b>
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**Margins**

Lighting	6.0%	4.5%		4.9%
Consumer Durables	9.3%	11.3%		9.6%
Engineering & Projects	3.8%	3.1%		-6.7%
Others	76.0%	59.0%		-55.6%
<b>Total</b>	<b>7.1%</b>	<b>7.4%</b>		<b>5.1%</b>

**Q2 FY12 Results Update**
**Bajaj Electricals Ltd. (BEL)**
**Financial Analysis**

Profitability (Rs. In Cr)	FY10	FY11	FY12E	FY13E
<b>Y/E - March</b>				
<b>Revenues - Net (including OI)</b>	<b>2228.6</b>	<b>2740.8</b>	<b>3234.5</b>	<b>3553.2</b>
% change	26.3%	23.0%	18.0%	9.9%
<b>EBITDA</b>	<b>242.7</b>	<b>258.0</b>	<b>287.3</b>	<b>332.3</b>
% change in OP	<b>36.2%</b>	<b>6.3%</b>	<b>11.4%</b>	<b>15.7%</b>
Interest	31.5	29.1	42.5	50.7
Other Income	3.6	5.7	7.0	8.0
<b>EBDT</b>	<b>214.8</b>	<b>234.6</b>	<b>251.8</b>	<b>289.7</b>
Depreciation	9.2	10.8	12.1	14.5
Extraordinary/Exceptional	5.0	5.0	0.0	0.0
<b>PBT</b>	<b>200.6</b>	<b>218.9</b>	<b>239.7</b>	<b>275.2</b>
Tax	75.4	74.0	79.1	90.8
<b>PAT</b>	<b>125.3</b>	<b>144.9</b>	<b>160.6</b>	<b>184.4</b>
Shares o/s ( No. in Cr.)*	9.8	9.9	10.0	10.0
<b>EPS</b>	<b>12.0</b>	<b>14.5</b>	<b>16.1</b>	<b>18.5</b>
Cash EPS	13.8	15.7	17.3	20.0
DPS (Rs.)	2.4	2.8	3.0	3.2
Quarterly (Rs. In Cr)	Dec.10	Mar.11	Jun.11	Sep.11
<b>Revenue including OI</b>	<b>689.5</b>	<b>979.4</b>	<b>544.3</b>	<b>700.8</b>
<b>EBITDA</b>	<b>70.9</b>	<b>96.4</b>	<b>30.2</b>	<b>52.5</b>
Interest	9.3	6.5	10.7	12.8
<b>EBDT</b>	<b>61.6</b>	<b>89.9</b>	<b>19.5</b>	<b>39.7</b>
Dep	2.7	3.4	3.1	2.9
Other Inc.	0.7	2.5	0.9	0.7
Extraordinary	0.0	0.0	0.0	0.0
<b>PBT</b>	<b>59.7</b>	<b>89.0</b>	<b>17.3</b>	<b>37.5</b>
Tax	19.2	31.5	6.0	12.5
<b>PAT from ordinary activities</b>	<b>40.5</b>	<b>57.5</b>	<b>11.3</b>	<b>25.0</b>
Exceptional items	<b>0.0</b>	<b>-3.3</b>	<b>0.0</b>	<b>0.0</b>
<b>PAT</b>	<b>40.5</b>	<b>60.8</b>	<b>11.3</b>	<b>25.0</b>
EPS (Rs.)	4.1	5.8	1.2	2.5
Adjusted EPS (Rs.)	4.2	6.1	1.1	2.5
Operational Ratio	FY10	FY11	FY12E	FY13E
EBITDA margin (%)	10.9%	9.4%	8.9%	9.4%
PAT margin (%)	5.6%	5.3%	5.0%	5.2%
PAT Growth (%)	31.4%	15.6%	10.9%	14.8%
Price Earnings (x)	16.4	13.5	12.2	10.6
Book Value (Rs.)	49.7	60.9	73.6	88.9
ROCE (%)	43.3%	35.2%	34.2%	32.7%
RONW (%)	32.1%	23.9%	24.1%	22.8%
Debt Equity Ratio	0.3	0.2	0.3	0.2
Price / Book Value (x)	4.0	3.2	2.7	2.2
EV / Sales	0.9	0.7	0.6	0.5
EV / EBITDA	8.1	7.4	6.2	5.2

Financial Health (Rs. In Cr)	FY10	FY11	FY12E	FY13E
Share Capital	19.5	19.8	19.9	19.9
Equity/Warrant	0.2	0.0	0.0	0.0
Reserves & Surplus	465.4	582.2	712.8	865.3
<b>Net Worth</b>	<b>485.0</b>	<b>602.0</b>	<b>732.8</b>	<b>885.3</b>
Total Loans	151.8	116.5	198.2	177.3
Net Deferred Tax Assets	-0.5	-2.0	-2.0	-2.0
<b>Total Liabilities</b>	<b>636.4</b>	<b>716.5</b>	<b>929.0</b>	<b>1060.6</b>
<b>Net Fixed Assets</b>	<b>92.3</b>	<b>144.2</b>	<b>182.1</b>	<b>217.6</b>
<b>Investments</b>	<b>36.6</b>	<b>36.6</b>	<b>36.6</b>	<b>36.6</b>
CWIP	0.1	0.0	0.0	0.0
Inventories	209.4	294.6	387.7	442.5
Sundry Debtors	750.7	1065.4	1280.0	1406.1
Cash & Bank	61.2	48.1	51.7	79.8
Loans & Advances	179.1	166.8	196.9	216.3
Total C A L&A	1200.4	1574.9	1916.4	2144.7
Acceptance	218.8	348.0	408.2	464.0
Other Creditors	410.0	618.1	710.3	785.2
Provision	64.3	73.1	87.7	89.2
Total CL & P	693.0	1039.2	1206.1	1338.4
<b>Working Capital</b>	<b>507.4</b>	<b>535.7</b>	<b>710.3</b>	<b>806.4</b>
<b>Misc Exp</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Total Assets</b>	<b>636.4</b>	<b>716.5</b>	<b>929.0</b>	<b>1060.6</b>
Cash Flow (Rs. In Cr)	FY10	FY11	FY12E	FY13E
<b>Operating</b>				
Profit Before Tax	200.6	218.9	239.7	275.2
Adjustments	10.3	5.4	0.0	0.0
Direct Taxes paid	-91.2	-80.6	-79.1	-90.8
Depreciation	9.2	10.8	12.1	14.5
Change in WC	-156.4	-82.8	-170.9	-68.1
Interest Expenses	5.6	7.2	42.5	50.7
Other Non cash items	26.4	24.0	0.0	0.0
Prior period Items	-0.5	-0.3	0.0	0.0
<b>CF from Operation</b>	<b>4.0</b>	<b>102.5</b>	<b>44.2</b>	<b>181.5</b>
<b>Investment</b>				
Capex	-33.4	-20.7	-50.0	-50.0
Purchase of Investments	-5.0	0.0	0.0	0.0
<b>Total Investment</b>	<b>-38.4</b>	<b>-20.7</b>	<b>-50.0</b>	<b>-50.0</b>
<b>Free Cash Flow</b>	<b>-34.4</b>	<b>81.8</b>	<b>-5.8</b>	<b>131.5</b>
<b>Financing</b>				
Equity raised/(repaid)	0.0	0.0	0.0	0.0
Inc/Dec in Reserves	0.0	0.0	0.0	0.0
Proceeds from Issue of Shares	163.4	5.5	0.0	0.0
QIP Issue Expenses	-3.5	0.0	0.0	0.0
Debt raised/(repaid)	-62.0	-35.4	81.7	-20.9
Dividend (incl. tax) paid	-20.1	-27.4	-29.9	-31.9
Others	0.9	-1.1	0.0	0.0
Interest Expenses	-36.9	-36.5	-42.5	-50.7
Cash Flow from Financing Activities	41.8	-94.9	9.4	-103.5
<b>Net Cash Flow</b>	<b>7.4</b>	<b>-13.1</b>	<b>3.6</b>	<b>28.0</b>
Beginning Cash Flow	53.8	61.2	48.1	51.7
<b>Cash as reported in Balance Sheet</b>	<b>61.2</b>	<b>48.1</b>	<b>51.7</b>	<b>79.8</b>

**NOTE**

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