



Date: 30th July, 2012

Q1FY13 Quarterly Result Highlights:Sector: **Engineering & Capital Goods**CMP **₹173.4**Target Price: **₹202.0**Upside Potential: **16.5%**

BSE Code 500031

NSE Code BAJAJELEC

Bloomberg BJE@IN

Reuters BJEL.BO

Mkt cap (Rs. bn) 17.29

Equity shares(mn) 99.6

Face Value(₹) 2

52Weeks H/L 234.0/132.9

Sensex 17143.7

Nifty 5199.8

□ In Q1FY13, Bajaj Electricals Ltd (BJE) has reported a revenue of ₹6661.9 Mn registering a growth of 22.4% on Y-o-Y basis but it has shown a substantial decline of 37% on sequential basis mainly on account of decline in lighting and engineering & project business. During the quarter, Consumer durable business has grown by 28.8% , lighting business has grown by 19.6% and engineering & project business by mere 8.4% compared to same quarter previous year.

□ BJE's EBITDA margins in Q1FY13 stood at 5.2%, which declined by 40 bps on Y-o-Y basis and by 290bps on Q-o-Q basis, mainly due to shrinking margin of Engineering & project segment. In Q1FY13, net profit margin of the company stood at mere 1.8% , registering a decline of 20bps on Y-o-Y basis, whereas it has declined by 280 bps on Q-o-Q basis. The decline in the margins is mainly attributed to operating losses in engineering & project business where the company is finding it difficult to close the ongoing projects and to control increasing capital employed.

Shareholding as on 30th June 2012 (%)

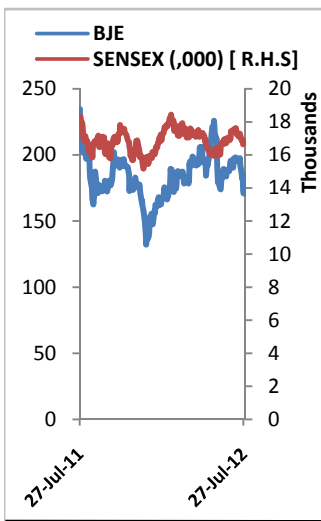
Promoters	66.2
Mutual Funds/UTI	6.2
FIs/ Banks	1.0
FIIIs	9.4
Bodies Corporate	4.4
Public	11.9
Any Others:	0.9

□ Consumer Durables business which contributed more than half (58.6%) of total revenue in Q1FY13, has grown by 28.8% on Y-o-Y basis but declined sharply by 12% on sequential basis. However the EBITDA margin for consumer durables had declined by 120 bps on Y-o-Y basis to 8.4%. The decline in margins was due to fans segment which has pulled down the profitability performance largely on account of increasing commodity prices and due to Forex losses on account of imported products. Under consumer durable business; appliances segment grown by 32%, Morphy Richards grown by 29% and fans segment grown by 13% in Q1FY13 on Y-o-Y basis.

□ Engineering & Project (E&P) business had a dull quarter with ₹70.5 mn operating loss. Engineering & project business order book stands at ₹4500 mn as on QFY13 and is L1 in projects worth ₹7000 mn. The order book includes orders worth ₹2540 mn for Special projects, ₹1460 mn for TLT (Transmission Line Towers) and ₹6000 mn for High-mast. The company is trying to close various sites which were in-complete and hoping to close significant projects in coming quarters, the company has also mentioned that the next few quarters are going to be critical for E&P segment.

Valuation & Recommendation:

At CMP of ₹173.4/ share, BJE is currently trading at P/E Multiple of 10.3x on FY13E EPS of ₹16.8. We maintain **"HOLD"** on BJE with target price of ₹202/ share (12x P/E on FY13 EPS of ₹16.8).



	Revenue (₹ mn)	EBITDA (₹ mn)	EBITDA Margins (%)	PAT (₹ mn)	Net Margins (%)	EPS	P/E	EV/EBITDA	ROE
FY10	22286.3	2363.6	10.6%	1252.7	5.6%	12.8	17.4	9.6	25.3%
FY11	27407.5	2522.7	9.2%	1448.6	5.3%	14.7	16.7	9.9	23.7%
FY12E	30989.6	2371.1	7.7%	1178.8	3.8%	11.9	15.5	8.3	16.8%
FY13E	36565.9	3056.2	8.4%	1664.5	4.6%	16.8	11.0	6.2	19.9%

KC Research Reports are also available on Reuters, Thomson publishers, myiris.com, Bloomberg KC SL <GO> and Factset

Bajaj Electricals Ltd- Q1FY13 Result Update



Q1FY13 Financial Result Analysis (₹ in Mn):

DESCRIPTION	Q1FY13	Q1FY12	Y-o-Y (%)	Q4FY12	Q-o-Q (%)
Net Sales/Income from Operations	6639.7	5440.7	-	10586.4	-
Other Operating Income	22.2	2.9	-	15.2	-
Net Sales	6661.9	5443.6	22.4	10601.6	-37.2
(Increase)/decrease in stock in trade	-543.7	-877.3	-38.0	605	-189.9
Consumption of raw materials	393.4	502.6	-21.7	548.1	-28.2
Purchase of traded goods	5298.7	4484.9	18.1	7090	-25.3
Employees cost	351.5	320.6	9.6	379.7	-7.4
Other expenditure	816.2	706.5	15.5	1117	-26.9
Total Expenditure	6316.1	5137.3	22.9	9739.8	-35.2
EBITDA	345.8	306.3	12.9	861.8	-59.9
EBITDA Margin (%)	5.2%	5.6%	-	8.1%	-
Other Income	32.9	16.7	97.0	64	-48.6
Operating profit (incl. OI)	378.7	323.0	17.2	925.8	-59.1
Interest	164.1	121.6	35.0	163.1	0.6
PBDT	214.6	201.4	6.6	762.7	-71.9
Depreciation	32.1	30.8	4.2	36.5	-12.1
PBT	182.5	170.6	7.0	726.2	-74.9
Taxes	62.7	60.0	4.5	236.3	-73.5
Net Profit	119.8	110.6	8.3	489.9	-75.5
Net Profit Margin (%)	1.8%	2.0%	-	4.6%	-
Basic EPS (Not to be Annualised)	1.2	1.1	-	4.9	-

PRIMARY SEGMENT INFORMATION	Q1FY13	Q1FY12	Y-o-Y Growth	Q4FY12	Q-o-Q Growth	FY12	FY11	Y-o-Y Growth
SEGMENT REVENUE								
A) Lighting	1524.1	1274.1	19.6%	2479.0	-38.5%	7647.7	6311.6	21.2%
B) Consumer Durables	3904.2	3031.0	28.8%	4442.5	-12.1%	15004.9	12770.4	17.5%
C) Engineering & Projects	1231.9	1136.8	8.4%	3678.1	-66.5%	8319.5	8318.3	0.0%
D) Others	1.7	1.7	0.0%	2.0	-15.0%	17.5	13.2	32.6%
Total Revenue	6661.9	5443.6	22.4%	10601.6	-37.2%	30989.6	27413.5	13.0%

SEGMENT-WISE EBIT MARGIN	Q1FY13	Q1FY12	Y-o-Y bps Change	Q4FY12	Q-o-Q bps Change	FY12	FY11	Y-o-Y bps Change
A) Lighting	4.8%	5.8%	-100	10.4%	-560	7.8%	5.9%	190
B) Consumer Durables	8.4%	9.6%	-120	9.5%	-110	10.1%	11.5%	-140
C) Engineering & Projects	-5.7%	-6.7%	100	5.6%	-	3.2%	8.9%	-570
D) Others	-64.7%	-52.9%	-	-25.0%	-	40.0%	27.3%	-

Segment-wise Revenue Contribution Trend	Q2FY12	Q3FY12	Q4FY12	FY12	Q1FY13
A) Lighting	27.00%	25.20%	23.40%	24.70%	22.88%
B) Consumer Durables	48.40%	52.10%	41.90%	48.40%	58.60%
C) Engineering & Projects	24.40%	22.60%	34.70%	26.80%	18.49%
D) Others	0.10%	0.00%	0.00%	0.10%	0.03%
Total Revenue	100.00%	100.00%	100.00%	100.00%	100.00%

Source: Company, ACE Equity, KC Research

Bajaj Electricals Ltd- Q1FY13 Result Update



Income Statement (₹ in Mn):

DESCRIPTION	FY09	FY10	FY11	FY12E	FY13E
Net Sales & Operating Income	17657.1	22286.3	27407.5	30989.6	36565.9
Increase/Decrease in Stock	-73.6	-332.2	-753.8	-476.8	-509.5
Raw Material Consumed	12812.2	16357.8	21087.2	23976.7	27905.4
Power & Fuel Cost	16.7	38.9	41.2	31.3	36.9
Employee Cost	708.5	885.1	1119.2	1494.6	1763.6
Other Manufacturing Expenses	586.1	678.3	802.3	875.2	1032.7
General and Administration Expenses	457.0	560.8	686.8	718.9	848.3
Selling and Distribution Expenses	972.8	1319.8	1462.7	1279.8	1510.2
Miscellaneous Expenses	407.4	569.8	657.0	718.9	922.1
Less: Expenses Capitalized	17.3	155.7	217.9	0.0	0.0
Total Expenditure	15869.8	19922.7	24884.8	28618.5	33509.7
Operating Profit (Excl OI)	1787.3	2363.6	2522.7	2371.1	3056.2
EBITDA Margin/ Op. Profit Margin (%)	10.1%	10.6%	9.2%	7.7%	8.4%
Other Income	110.9	105.3	136.2	144.2	144.2
Operating Profit	1898.2	2468.9	2658.9	2515.3	3200.4
Interest	412.6	370.7	362.8	630.5	547.5
PBDT	1485.6	2098.2	2296.1	1884.8	2652.9
Depreciation	85.5	92.0	107.6	125.2	119.9
Profit Before Tax	1400.1	2006.2	2188.5	1759.6	2533.1
Provision for Tax	506.7	753.5	739.9	580.8	868.5
Profit After Tax	893.4	1252.7	1448.6	1178.8	1664.5
Net Profit Margin (%)	5.1%	5.6%	5.3%	3.8%	4.6%
Adjusted EPS	10.3	12.8	14.7	11.9	16.8

Balance Sheet (₹ in Mn):

DESCRIPTION	FY09	FY10	FY11	FY12E	FY13E
SOURCES OF FUNDS:					
Share Capital	172.9	195.1	197.7	197.7	197.7
Share Warrants & Outstandings	28.4	1.6	0.2	0.2	0.2
Total Reserves	2248.8	4747.0	5913.2	6799.2	8185.5
Shareholder's Funds	2450.1	4943.7	6111.1	6997.1	8383.4
Total Debts	2138.5	1518.3	1164.7	1871.9	1659.0
Total Liabilities	4588.7	6462.1	7275.8	8869.1	10042.4
APPLICATION OF FUNDS :					
Net Block	946.0	1016.2	1532.8	1869.8	2205.5
Capital Work in Progress	24.8	0.9	0.0	107.1	55.1
Investments	315.6	365.6	365.8	440.6	396.5
Inventories	1777.0	2094.3	2946.4	3552.2	3940.2
Sundry Debtors: Unsecured	5591.6	7507.0	10653.7	10741.9	13702.2
Cash and Bank	538.1	612.4	481.3	536.4	939.7
Loans and Advances	1131.2	1790.6	1667.7	1841.6	1694.8
Total Current Assets	9038.0	12004.4	15749.1	16672.1	20276.8
Current Liabilities	5191.6	6287.0	9661.3	9388.7	12018.2
Provisions	512.6	643.0	730.7	851.3	900.7
Total Current Liabilities	5704.2	6930.0	10392.0	10239.9	12918.9
Net Current Assets	3333.8	5074.4	5357.1	6432.1	7357.9
Deferred Tax Assets / Liabilities	-31.5	5.0	20.1	19.4	27.4
Total Assets	4588.7	6462.1	7275.8	8869.1	10042.4

Source: Company, ACE Equity, KC Research

Bajaj Electricals Ltd-Q1FY13 Result Update



Cash Flow Statement (₹ in Mn):

DESCRIPTION	FY09	FY10	FY11	FY12E	FY13E
Profit Before Tax	1400.1	2006.2	2188.5	1759.6	2533.1
Depreciation	85.5	92.0	107.6	125.2	119.9
Interest on loans	455.7	370.7	362.8	630.5	547.5
Interest received	0.0	-55.9	-72.0	-76.3	-76.3
Dividend Received		-0.3	-1.0	-1.1	-1.1
Interest Received (Considered as Operating)	-42.9	55.9	72.0	76.3	76.3
Operating Profit Before working capital Changes	0.0	2521.8	2662.0	2526.1	3214.5
Trade & Other receivables (Gross before write-off & making provision for doubtful recoveries)	-1433.6	-2403.3	-3416.9	-88.2	-2960.3
Inventories	-155.3	-317.3	-852.1	-605.8	-388.0
Trade & Other payables (Before write-backs)	1643.9	1156.6	3441.1	-152.1	2679.0
Cash Flow after changes in Working Capital	2054.8	957.8	1834.2	1680.0	2545.2
Direct Taxes Paid	-542.4	-912.0	-806.1	-770.1	-579.4
Extra & Other Item (Prior Period Items)	-2.1	-5.5	-2.9	0.0	0.0
Cash From Operating Activities	1510.2	40.3	1025.1	909.9	1965.8
Purchase of fixed assets	0.0	-146.8	-631.1	-549.5	-510.0
Sale of fixed Assets	0.0	2.5	3.6	0.0	0.0
Advances of capital nature	0.0	-247.8	419.5	25.8	0.0
Purchase of Investment	0.0	-50.0	-0.2	-74.8	44.1
Loan given to companies (Associates)	0.0	57.5	0.0	0.0	0.0
Dividend Received	0.0	0.3	1.0	1.1	1.1
Cash Flow from Investing Activities	-420.6	-384.3	-207.1	-597.4	-464.9
Capital Subsidy	0.0	-1.0	0.0	0.0	0.0
Proceeds from Issue of Equity Share Capital	0.0	1634.2	55.5	0.0	0.0
QIP Issue Expenses	0.0	-34.8	0.0	0.0	0.0
Interest Paid	-418.3	-368.9	-365.3	-630.5	-547.5
Proceeds from / (repayment of) borrowings	0.0	-620.2	-353.7	707.2	-212.9
Forex (loss) / Gain	0.0	8.6	-10.3	-11.3	-14.5
Profit / (loss) on Hedging	0.0	1.4	-1.0	0.0	0.0
Dividends paid	0.0	-171.7	-235.4	-278.0	-278.0
Income tax on dividend paid	0.0	-29.4	-38.9	-44.9	-44.8
Cash from Financing Activities	-871.0	418.3	-949.0	-257.4	-1097.6
Net Cash Inflow / Outflow	218.6	74.4	-131.0	55.0	403.3
Opening Cash & Cash Equivalents	319.6	538.1	612.4	481.3	536.4
Closing Cash & Cash Equivalent	538.1	612.4	481.3	536.4	939.7

Key Financial Ratios:

Key Financial Ratios:	FY09	FY10	FY11	FY12E	FY13E
Operating Profit Margin (%)	10.1%	10.6%	9.2%	7.7%	8.4%
Net Profit Margin (%)	5.1%	5.6%	5.3%	3.8%	4.6%
Debt/ Equity (x)	0.9	0.3	0.2	0.3	0.2
ROA (%)	19.5%	19.4%	19.9%	13.3%	16.6%
ROE (%)	36.5%	25.3%	23.7%	16.8%	19.9%
EV/ EBITDA (x)	1.2	9.6	9.9	8.3	6.2
EV/ Sales (x)	0.1	1.0	0.9	0.6	0.5
P/ E (x)	2.8	17.4	16.7	15.5	11.0
P/BV (x)	0.2	4.4	4.0	2.6	2.2
Adj. EPS (Rs.)	10.3	12.8	14.7	11.9	16.8

Source: Company, ACE Equity, KC Research

Toll Free: 1800 220 370
SMS : "KC RESEARCH" to 58888

Email : research@kcsecurities.com



CONTACT US :

INSTITUTIONAL RESEARCH :

022-67046169



Kantilal Chhaganlal Securities Pvt Ltd

2nd floor, Kagalwala House, Metro Estate Compound, Behind Mercedes Benz Showroom, CST Road, Kalina, Santacruz (East), Mumbai- 400 098. Tel: +91-22-67046000 Fax: +91-22-26521948

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