

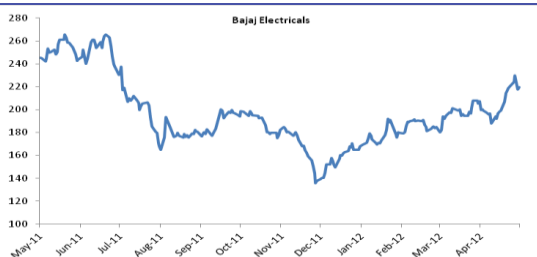
Bajaj Electricals Ltd.

Recommendation	Book Profit
CMP	Rs. 197
Target Price	Rs. 178
Sector	Consumer Durable

Stock Details

BSE Code	500031
NSE Code	BAJAJELEC
Bloomberg Code	BJE IN
Market Cap (Rs cr)	2168
Free Float (%)	34%
52- wk HI/Lo (Rs)	272/133
Avg. volume BSE (Quarterly)	20616
Face Value (Rs)	2.0
Dividend (FY 12)	Rs. 2.8 per share
Shares o/s (Cr)	10

Relative Performance	1Mth	3Mth	1Yr
Bajaj Electricals	5.9%	22.4%	-10.3%
Sensex	-5.4%	-9.5%	-10.1%



Shareholding Pattern	31 st Mar 12
Indian Promoters Holding	66.0%
Institutional (Incl. FII)	16.3%
Corporate Bodies	5.2%
Public & others	12.5%

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Year	Net Sales	Growth %	EBIDTA	EBIDTAM (%)	PAT	PATM (%)	EPS (Rs.)	P/E(x)	P/BV(x)	ROE
FY10	2228.6	26.3%	242.7	10.9%	117.1	5.3%	12.0	14.2	3.4	32.1%
FY11	2739.4	22.9%	253.0	9.2%	143.8	5.2%	14.5	11.8	2.8	23.5%
FY12	3094.2	13.0%	232.3	7.5%	117.9	3.8%	11.8	14.5	2.4	18.0%
FY13E	3562.6	15.1%	285.9	8.0%	148.0	4.2%	14.8	11.5	2.1	19.6%

Quarterly Analysis

Bajaj Electricals has reported a dismal performance where the EBIDTA margin was down by 230bps YoY to 8.1% in Q4FY12 as against 10.4% in Q4FY11 led by the slump in Engineer & Project division (E&P) which reported a decline in margins by 490bps YoY to the tune of 5.6% in Q4FY12. The company reported a jump in net revenue by 8.1% YoY and by 33.5% QoQ to Rs. 1058.64 crores. The margin in the Lighting division increased by 240bps YoY to 10.4% and up by 480bps QoQ basis. The company reported a PAT of Rs. 48.99 crores in Q4FY12; a decline of 14.7% YoY and a jump of 49.3% QoQ.

Key Highlights:

- ✎ The EBIT margin in the consumer durable was down by 180bps YoY at 9.5% and down by 160bps QoQ. The margin was impacted due to the EBIT margin of fan and air-cooler declined due to the extended winter season which has resulted into the high inventory. The lighting division reported an increase in EBIT margin by 480bps QoQ and up by 240bps YoY at 10.4% in Q4FY12.
- ✎ E&P business has a current order book of Rs. 610 crores declining 19% YoY on weaker inflows from Rs 690 crores. Transmission line tower/Highmasts/Special projects accounted for 30%/21%/49% of the order book. Bajaj Electricals managed to close 18 sites during FY12. It plans to bring down the number of operational sites to 60 by FY13 end from 76 currently. E&P business register a slump in revenue growth by 2.1% YoY to Rs. 367.81 crores. Q4FY12 being a good quarter for E&P business saw a jump of 105.1% in revenue on QoQ basis. The EBIT margins improved on QoQ basis but declined on YoY basis to 5.6%.
- ✎ The interest cost was up by 150% YoY to Rs. 16.31 crores further squeezed out the PAT margins at 4.6% in Q4FY12 as against 6% in Q4FY11 and 4.1% in Q3FY12.

Valuation & Recommendation

At CMP of Rs. 197, the stock is trading at a PE of 11.5x in FY13E. We feel that E&P business is the major concern for the company where, the delay in closure of old projects, delay in clearance of projects by the government and lower EBIT margin projects has resulted into the dismal quarter for the company for the straight four quarters. The management on the other hand sounds positive as the company has bid for projects having higher margins which in our view will improve the overall margins for the company going forward. Though we are bit cautious about the slow order intake and low margin in E&P division. We cut our earnings estimate for FY13E by 15% to reflect continuing cost pressure and delay in pick-up in order inflow in the E&P segment. **We have initiated Bajaj Electricals at Rs. 186 on 22nd September 2011 with a target price of Rs. 238. The stock had hit a high of Rs. 234 on 22nd May 2012 thereby generating 25.8% return. We have already recommended investors to book profits at current levels in the morning extract on weaker E&P projects and uncertain demand condition. We have revised our target price of Rs. 178 per share FY13E.**

Bajaj Electricals Ltd.

Q4FY12: Standalone Result

Particulars	Q4FY12	Q4FY11	YoY%	Q3FY12	QoQ%
Net Sales	1058.6	979.4	8.1%	792.9	33.5%
Other Operating Income	1.5	0.5	198.0%	0.8	94.9%
Total Income	1060.2	979.9	8.2%	793.6	33.6%
Increase / Decrease in Stock	60.5	-8.3	-828.0%	-8.7	-799.4%
Consumption of raw material	54.8	56.0	-2.2%	65.6	-16.4%
Purchase of traded goods	709.0	715.3	-0.9%	536.8	32.1%
Employees Cost	38.0	34.5	10.0%	34.6	9.8%
Other Expenditure	111.7	83.7	33.5%	96.8	15.4%
Total Expenditure	974.0	881.2	10.5%	725.1	34.3%
PBIDT	86.2	98.7	-12.6%	68.6	25.7%
Interest	16.3	10.3	58.0%	19.0	-14.1%
Other Income	6.4	9.1	-29.6%	2.1	200.5%
PBDT	76.3	97.4	-21.7%	51.7	47.5%
Depreciation	3.7	3.5	5.8%	2.9	26.7%
Tax	23.6	31.5	-25.0%	16.0	47.9%
Reported Profit After Tax	49.0	62.5	-21.6%	32.8	49.2%
Portion of irrecoverable loans given to company	0.0	5.0	-100.0%	0.0	
Adjusted PAT	49.0	57.5	-14.7%	32.8	49.2%
EPS (Unit Curr.)	4.9	5.8		3.30	
Equity	19.9	19.9		19.93	
Face Value	2.0	2.0		2.00	
PBIDTM(%)	8.1%	10.1%		8.6%	
PBDTM(%)	7.2%	9.9%		6.5%	
PATM(%)	4.6%	5.9%		4.1%	

Bajaj Electricals Ltd.

Segment Analysis


Particulars	Q4FY12	Q4FY11	YoY%	Q3FY12	QoQ%
Lighting	247.9	201.3	23.1%	200.2	23.8%
Consumer Durables	444.3	402.3	10.4%	413.8	7.4%
Engineering & Projects	367.8	376.0	-2.2%	179.3	105.1%
Others	0.2	0.2	0.0%	0.3	-39.4%
Total	1060.2	979.9	8.2%	793.6	33.6%
Less: Intersegment Revenue	0.0	0.0		0.0	
Net Sales	1060.2	979.9		793.6	
Segment Results					
Lighting	25.7	18.1	42.3%	13.2	95.6%
Consumer Durables	42.4	46.4	-8.7%	47.5	-10.7%
Engineering & Projects	20.5	39.7	-48.2%	6.8	200.7%
Others	-0.1	-0.1	-58.3%	0.1	-171.4%
Total	88.6	104.0	-14.8%	67.5	31.2%
Less:					
Interest	16.3	10.3		19.0	
Other Un-allocable expenditure	-0.3	4.7		-0.3	
PBT	72.6	89.0		48.8	
Margins					
Lighting	10.4%	9.0%		6.6%	
Consumer Durables	9.5%	11.5%		11.5%	
Engineering & Projects	5.6%	10.6%		3.8%	
Others	-25.0%	-60.0%		21.2%	
Total	8.4%	10.6%		8.5%	

Bajaj Electricals Ltd.

Financials

Profitability (Rs. In Cr)	FY10	FY11	FY12	FY13E
Y/E - March				
Revenues - Net (including OI)	2228.6	2739.4	3094.2	3562.6
% change	26.3%	22.9%	13.0%	15.1%
EBITDA	242.7	253.0	232.3	285.9
% change in OP	36.2%	4.3%	-8.2%	23.1%
Interest	31.5	36.7	63.1	70.8
Other Income	3.6	18.0	19.2	20.2
EBDT	214.8	234.4	188.5	235.3
Depreciation	9.2	10.8	12.5	14.5
Extraordinary/Exceptional	5.0	5.0	0.0	0.0
PBT	200.6	218.6	176.0	220.8
Tax	75.4	74.8	58.1	72.9
PAT	125.3	143.8	117.9	148.0
Shares o/s (No. in Cr.)*	9.8	9.9	10.0	10.0
EPS	12.0	14.5	11.8	14.8
Cash EPS	13.8	15.6	13.1	16.3
DPS (Rs.)	2.4	2.8	3.0	3.2
Quarterly (Rs. In Cr)	Jun.11	Sep.11	Dec.11	Mar.12
Revenue including OI	544.3	700.8	793.6	1060.2
EBITDA	30.2	52.5	68.6	86.2
Interest	10.7	12.8	19.0	16.3
EBDT	19.5	39.7	49.6	69.9
Dep	3.1	2.9	2.9	3.7
Other Inc.	0.9	0.7	2.1	6.4
Extraordinary	0.0	0.0	0.0	0.0
PBT	17.3	37.5	48.8	72.6
Tax	6.0	12.5	16.0	23.6
PAT from ordinary activities	11.3	25.0	32.8	49.0
Exceptional items	0.0	0.0	0.0	0.0
PAT	11.3	25.0	32.8	49.0
EPS (Rs.)	1.2	2.6	3.3	4.9
Adjusted EPS (Rs.)	1.2	2.5	3.3	4.9
Operational Ratio	FY10	FY11	FY12	FY13E
EBITDA margin (%)	10.9%	9.2%	7.5%	8.0%
PAT margin (%)	5.6%	5.2%	3.8%	4.2%
PAT Growth (%)	31.4%	14.8%	-18.0%	25.5%
Price Earnings (x)	14.2	11.8	14.5	11.5
Book Value (Rs.)	49.7	61.8	70.2	81.1
ROCE (%)	43.3%	36.0%	29.7%	30.5%
RONW (%)	32.1%	23.5%	18.0%	19.6%
Debt Equity Ratio	0.3	0.2	0.3	0.3
Price / Book Value (x)	3.4	2.8	2.4	2.1
EV / Sales	0.8	0.6	0.6	0.5
EV / EBITDA	7.0	6.3	7.1	6.0

Balance Sheet (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	591.3	679.9	788.5
Net Worth	485.0	611.1	699.9	808.4
Total Loans	151.8	112.2	187.2	217.2
Net Deferred Tax Assets	-0.5	-2.0	-1.9	-1.9
Total Liabilities	636.4	721.2	885.1	1023.6
Net Fixed Assets	92.3	153.3	187.0	222.5
Investments	36.6	36.6	44.1	36.6
CWIP	0.1	0.0	0.0	0.0
Inventories	209.4	294.6	355.2	446.7
Sundry Debtors	750.7	911.2	921.8	1035.2
Cash & Bank	61.2	48.5	53.6	33.9
Loans & Advances	179.1	319.5	387.9	502.8
Total C A L&A	1200.4	1573.8	1718.6	2018.6
Current Liabilities	628.7	969.4	984.8	1161.7
Provision	64.3	73.1	79.8	92.3
Total CL & P	693.0	1042.5	1064.5	1254.0
Working Capital	507.4	531.4	654.0	764.6
Total Assets	636.4	721.2	885.1	1023.6
Cash Flow (Rs. In Cr)	FY10	FY11	FY12E	FY13E
Operating				
Profit Before Tax	200.6	218.6	176.0	220.8
Adjustments	10.3	5.4	0.0	0.0
Direct Taxes paid	-91.2	-80.6	-58.1	-72.9
Depreciation	9.2	10.8	12.5	14.5
Change in WC	-156.4	-82.1	-124.2	-130.3
Interest Expenses	5.6	7.2	63.1	70.8
Other Non cash items	26.4	24.0	0.0	0.0
Prior period Items	-0.5	-0.3	0.0	0.0
CF from Operation	4.0	102.9	69.3	102.9
Investment				
Capex	-33.4	-20.7	-46.2	-50.0
Purchase of Investments	-5.0	0.0	0.0	0.0
Total Investment	-38.4	-20.7	-46.2	-50.0
Free Cash Flow	-34.4	82.2	23.0	52.9
Financing				
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	75.0	30.0
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	-63.1	-70.8
Cash Flow from Financing Activities	41.8	-94.9	-18.0	-72.6
Net Cash Flow	7.4	-12.7	5.1	-19.8
Beginning Cash Flow	53.8	61.2	48.5	53.6
Cash as reported in Balance Sheet	61.2	48.5	53.6	33.9

Bajaj Electricals Ltd.**Disclaimer:**

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