



TM

SYSTEMATIX INSTITUTIONAL EQUITIES

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Institutional Equities

Bajaj Electricals

14 May 2024

Sequential recovery expected in 1QFY25

RESULT UPDATE

Sector: Consumer Electricals Rating: BUY

CMP: Rs 945 Target Price: Rs 1,092

Stock Info

Sensex/Nifty	73,105/22,104
Bloomberg	BJE IN
Equity shares (mn)	115.2
52-wk High/Low	1,289/902
Face value	Rs 2
M-Cap	Rs 109bn/USD 1.3bn
3-m Avg turnover	USD 0.9mn

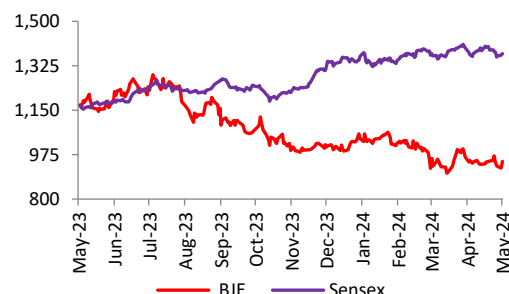
Financial Snapshot (Rs mn)

Y/E Mar	FY24	FY25E	FY26E
Net sales	46,413	53,609	61,949
EBITDA	2,503	4,606	5,880
OPM (%)	5.4	8.6	9.5
PAT (adj.)	1,359	3,158	4,194
EPS (Rs)	11.8	27.4	36.4
PE (x)	80.1	34.5	26.0
P/B (x)	7.6	6.4	5.3
EV/EBITDA (x)	43.0	22.7	17.1
RoE (%)	9.4	18.5	20.2
RoCE (%)	13.1	25.7	28.5
Net-D/E (x)	(0.2)	(0.3)	(0.5)

Shareholding Pattern (%)

	Mar'24	Dec'23	Sep'23
Promoter	62.8	62.9	62.9
- Pledged			
FII	10.2	10.4	10.5
DII	12.6	12.1	12.1
Others	14.4	14.6	14.6

Stock Performance (1-year)



Bajaj Electricals' (BJE) 4Q result (revenue/EBITDA/PAT down 8%/47%/43% YoY) was dragged by weak performance in the Consumer Product (CP) business (revenue down 7% YoY; EBIT margin 1.8%, down 481bps YoY marred by high discounting). Prime draggers were kitchen appliances, general trade (down 3%) and BJE's high dependance on slow moving rural market and non-premium categories. Fans, air coolers and Morphy Richards grew well though. Despite weak earnings, cash flow stayed healthy (generated CFO of Rs 1.47bn in 4Q and Rs 3.53bn in FY24), aided by improved WC cycle. Cash surplus at FY24 end stood high at Rs 3.05bn. Outlook of the lighting segment (4Q revenue down 11% YoY; EBIT margin 8.5%, up 107bps YoY) remained healthy. April saw better demand in both the segments; 1QFY25 looks better than 4QFY24. Price hike in fans is scheduled from 16th May. After a weak 4Q, we have cut our earnings estimates by 7-10% on lower revenue and margin expectations. On the low base, we now expect 16%/53%/76% CAGR in revenue/EBITDA/PAT over FY24-26E, with 9.5% EBITDA margin, ~29% RoCE and 40%+ RoIC in FY26E. Maintain BUY with a lower TP of Rs 1,092 (30x FY26E P/E).

4Q - large miss dragged by CP business; cash flow remains healthy though: Revenue /EBITDA/PAT declined 8%/47%/43% YoY. Prime draggers were kitchen appliances, general trade (down 3%) and BJE's high dependance on slow moving rural market and non-premium categories. Gross margin contracted 91bps YoY and 16bps QoQ at 29.3%, impacted by higher discounting. EBITDA margin at 4.2%, declined 314bps YoY and 51bps QoQ. A&P spend stood at 3% of revenue in 4Q and FY24. Other Income included Rs 40mn of interest on income-tax refund and Rs 40mn of treasury income. Finance cost included interest on vendor financing (Rs 110mn) and interest on lease liability (Rs 50mn). Despite weak result, cash flow stayed healthy (generated CFO of Rs 1.47bn in 4Q and Rs 3.53bn in FY24), aided by improved WC cycle. Cash surplus at FY24 end stood high at Rs 3.05bn.

CP - 4Q revenue down 7% YoY and 4% QoQ; EBIT margin 1.8%, down 481bps YoY: Key revenue draggers were kitchen appliances, general trade (down 3%) and BJE's high dependence on slow moving rural market and non-premium categories. Fans, air coolers and Morphy Richards grew well though. Fans (40% mix) grew in single digit in both premium and non-premium categories. Strong double-digit growth witnessed in key alternate channels (MFR up 17%, E-Com up 25%, Exports up 25%). Delay in new product launches also had its impact. Margins came under pressure due to high discounting and operating de-leverage. Phase out of old products also had its impact. Dealer count increased to 749 vs. 660 at FY23 end. ([concall KTAs](#))

Lighting - 4Q revenue down 11% YoY, flat QoQ; EBIT margin 8.5%, up 107bps YoY and 17bps QoQ: LED price erosion and high base effect in professional lighting restricted growth. Gross margin improved though. B2C LED and professional lighting contributed 35% and 65% to the segment revenue respectively. Management believes LED price erosion is at the bottom. The segment growth outlook remains robust.

1QFY25 looks better than 4QFY24: April saw better demand in both the segments. Price hike in fans is scheduled from 16th May. Consumer lighting business is the new growth area for BJE; reduction in logistics cost would boost margins by 2%. Nex portfolio will boost BJE's premiumization drive. Capex stood higher at Rs 1.24bn in FY24 mainly on moulds of new products; similar capex is planned for next 2-3 years. The company has passed an enabling resolution to raise Rs 5bn via NCD if any inorganic opportunity arises.

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Concall key highlights (4QFY24)

4QFY24 result – large miss; cash flows remain healthy though

- Revenue/EBITDA/PAT down 8%/47%/43% YoY
- Gross margin at 29.3%, down 91bps YoY and 16bps QoQ, impacted on account of higher discounting
- EBITDA margin at 4.2%, down 314bps YoY and 51bps QoQ
- A&P spend stood at 3% in 4QFY24 and FY24
- Other Income includes Rs 40mn of interest on income-tax refund and Rs 40mn of treasury income
- Finance Cost includes interest on vendor financing (Rs 110mn) and interest on lease liability (Rs 50mn)

Healthy cash flows

- CFO in 4Q at Rs 1.47bn; Rs 3.53bn in FY24, aided by improved working capital and operating profit
- Cash balance stood high at Rs 3.05bn

Business development & Outlook

- April saw better demand in both segments
- 1QFY25 should be much better than 4QFY24
- Price hike is scheduled from 16th May
- **Areas of improvement:** scaling consumer lighting business; reduction in logistics cost (to boost margins by 2%)
- Nex portfolio will boost premiumization drive
- **Passed an enabling resolution to raise Rs 5bn via Non-Convertible Debentures** if any inorganic opportunity arises
- **Dealer count:** 749 vs. 660 at FY23 end
- **Channel highlights:** General Trade down 3% YoY; strong double-digit growth across key alternate channels (MFR up 17%, E-Com up 25%, Exports up 25%)
- **Capex:** Rs 1.24bn mainly on moulds of new products; similar figures for next 2-3 years
- Inhouse manufacturing stands at 20%

Consumer Products (CP) – 4Q revenue down 7% YoY and 4% QoQ; EBIT margin 1.8%, down 481bps YoY

- **Draggers:** Kitchen appliances, general trade (down 3%), high dependence on slow moving rural market and non-premium categories
- Fans, Coolers and Morphy Richards grew well though
- **Fans (40% mix):** Premium and non-premium, both grew in single digit
- Delay in new product launches also had an impact
- **Margins under pressure due to discounting** and operating de-leverage
- Phase out of old products also had an impact

Lighting - 4Q revenue down 11% YoY, flat QoQ; EBIT margin 8.5%, up 107bps YoY and 17bps QoQ

- LED price erosion and high base effect in professional lighting restricted growth
- Gross margin improved
- **Mix:** B2C LED 35%, Professional 65%
- LED price erosion likely at bottom
- Growth outlook remains healthy

Exhibit 1: Bajaj Electricals - Quarter results (Consol.)

(Rs mn)	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	YoY (%)	QoQ (%)	FY24	FY23	YoY (%)
Revenue	12,920	11,121	11,128	12,282	11,881	(8)	(3)	46,413	48,892	(5)
Raw material costs	9,016	7,760	7,786	8,664	8,399	(7)	(3)	32,608	33,626	(3)
Employee costs	881	900	963	958	828	(6)	(14)	3,649	3,437	6
Other expenses	2,077	1,786	1,627	2,084	2,156	4	3	7,652	8,082	(5)
EBITDA	946	676	753	576	497	(47)	(14)	2,503	3,748	(33)
Depreciation	224	230	269	295	302	35	2	1,096	738	49
Finance costs	120	115	141	204	176	47	(14)	635	436	46
Other income	206	199	108	427	225	9	(47)	959	450	113
PBT	809	530	452	505	244	(70)	(52)	1,731	3,024	(43)
Tax	279	155	135	131	(49)			372	870	(57)
Profit from discontinued ops.	(12)	(4)	(44)	-	-			(48)	7	
PAT after discontinued ops.	519	371	273	374	293	(43)	(22)	1,311	2,162	(39)
EPS (Rs)	4.5	3.2	2.4	3.2	2.5	(43)	(22)	11.8	18.7	(37)
As % Total Income						YoY (bps)	QoQ (bps)			YoY (bps)
Gross margin	30.2	30.2	30.0	29.5	29.3	(91)	(16)	29.7	31.2	(148)
Employee costs	6.8	8.1	8.7	7.8	7.0	16	(83)	7.9	7.0	83
Other expenses	16.1	16.1	14.6	17.0	18.1	207	118	16.5	16.5	(4)
EBITDA margin	7.3	6.1	6.8	4.7	4.2	(314)	(51)	5.4	7.7	(227)
Depreciation	1.7	2.1	2.4	2.4	2.5	81	14	2.4	1.5	85
Finance costs	0.9	1.0	1.3	1.7	1.5	55	(18)	1.4	0.9	48
Other income	1.6	1.8	1.0	3.5	1.9	29	(159)	2.1	0.9	115
PBT	6.3	4.8	4.1	4.1	2.1	(421)	(205)	3.7	6.2	(246)
Effective tax rate	34.5	29.2	29.8	26.0	(19.9)			21.5	28.8	(725)
PAT	4.0	3.3	2.5	3.0	2.5	(155)	(57)	2.8	4.4	(160)
Segment Revenues						YoY (%)	QoQ (%)			YoY (%)
Consumer Products	9,865	8,726	8,576	9,567	9,171	(7)	(4)	36,039	37,642	(4)
Lighting	3,054	2,395	2,553	2,716	2,710	(11)	(0)	10,374	11,250	(8)
Segment EBIT (%)						YoY (bps)	QoQ (bps)			YoY (bps)
Consumer Products	6.6	4.7	4.8	1.7	1.8	(481)	12	3.2	6.6	(341)
Lighting	7.5	8.1	5.6	8.4	8.5	107	17	7.7	7.8	(14)
Blended	6.8	5.4	5.0	3.1	3.3	(348)	18	4	7	(275)
Unallocable exp	(0.4)	(0.4)	(0.3)	(2.6)	(0.2)			(0.9)	(0.2)	

Source: Company, Systematix Institutional Research

* EPC has been reported under discontinued operations

** Note: Segment EBIT margin is as reported and not adjusted for the unallocable expense/income

Exhibit 2: Revenue mix – 4QFY24

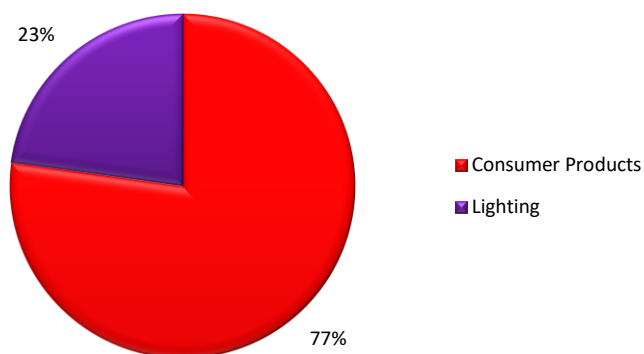


Exhibit 3: Revenue mix – quarterly trend

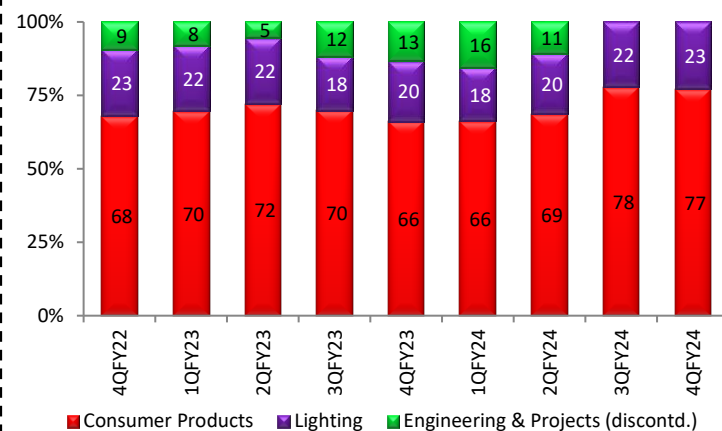


Exhibit 4: Revenue – growth trend

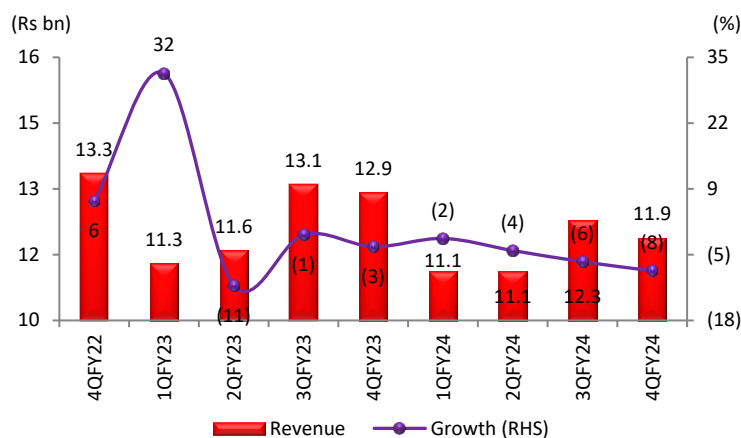


Exhibit 5: Expenses as a percentage of revenue

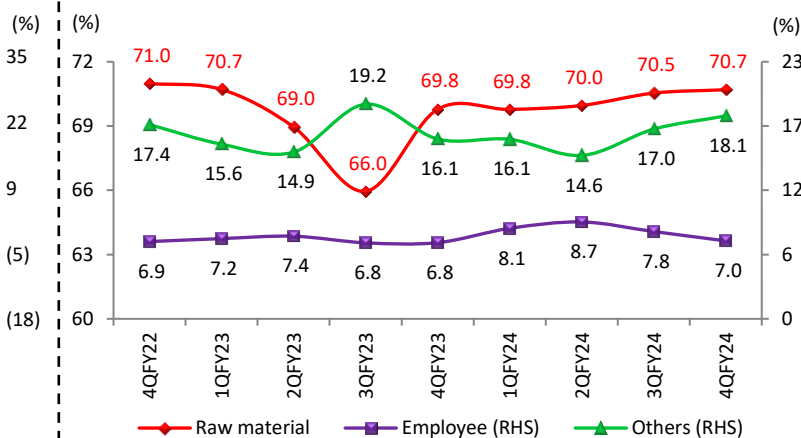


Exhibit 6: EBITDA, PAT and EBITDA margin trend

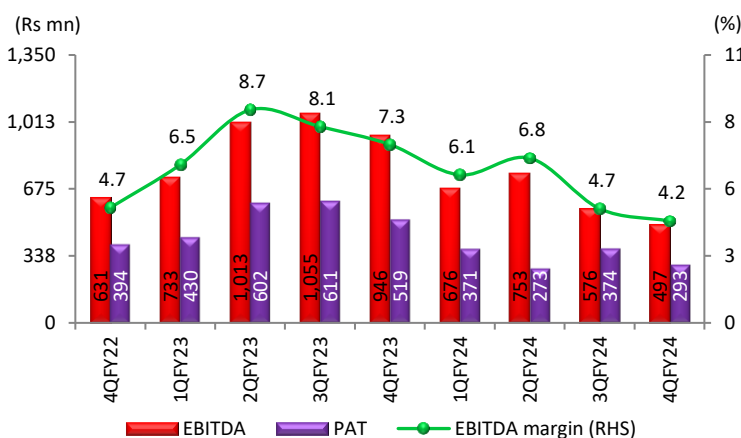
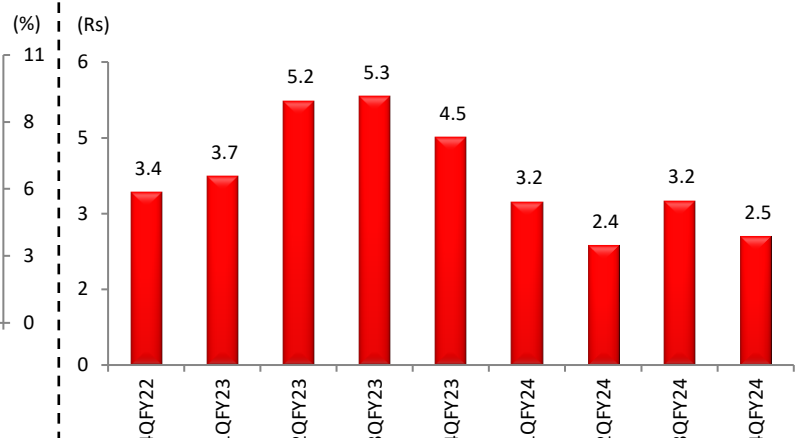


Exhibit 7: Earnings trend



Source: Company, Systematix Institutional Research

Exhibit 8: Consumer Products - Revenue & EBIT % trend

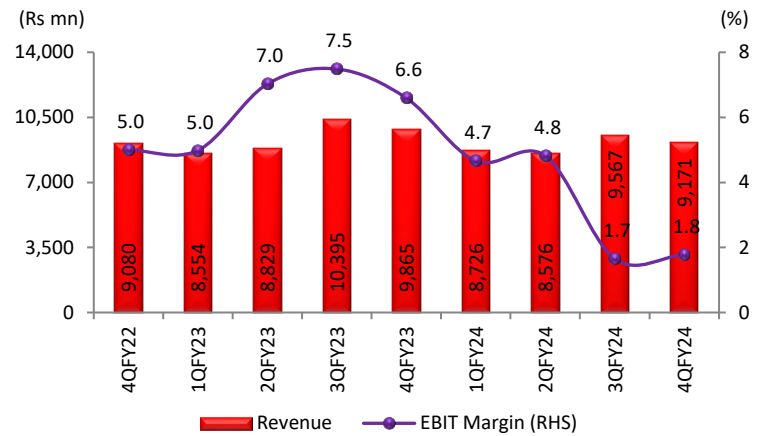


Exhibit 9: Lighting - Revenue & EBIT % trend

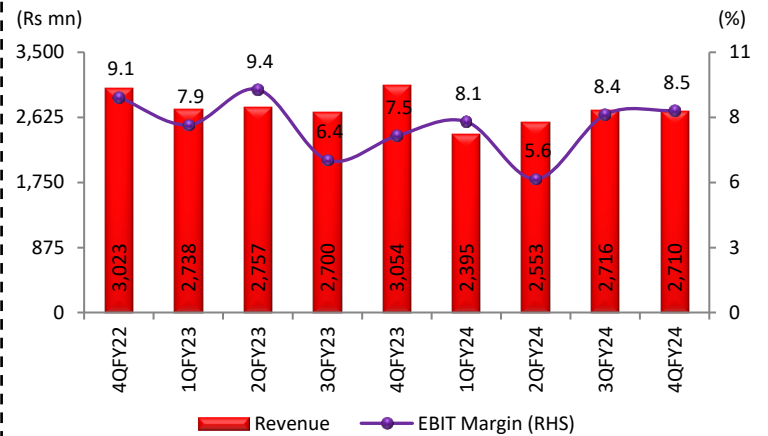


Exhibit 10: Revenue mix – annual trend

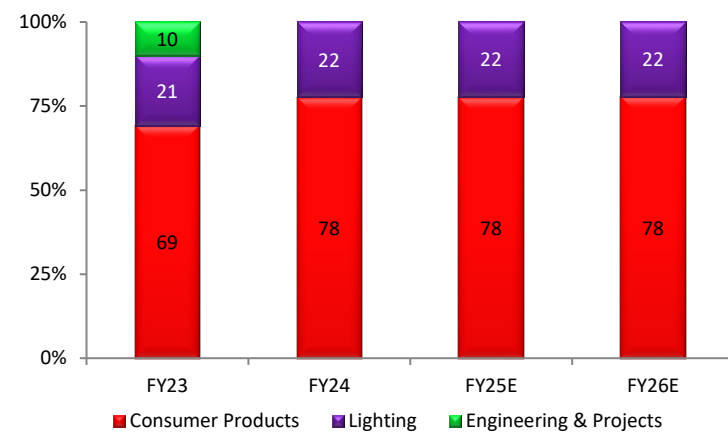


Exhibit 11: Revenue – annual growth trend

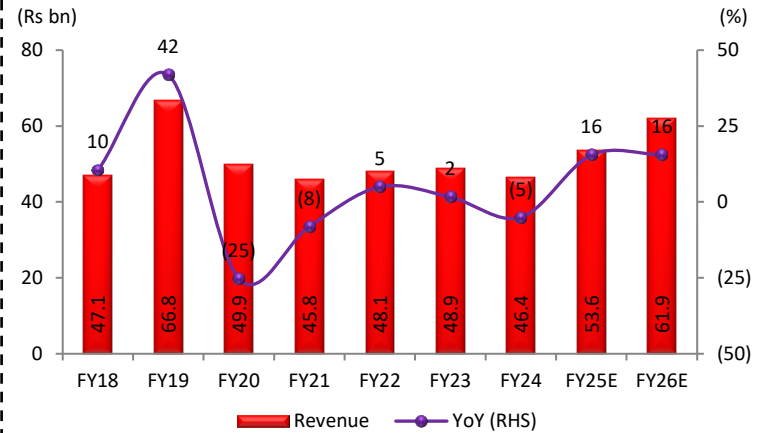
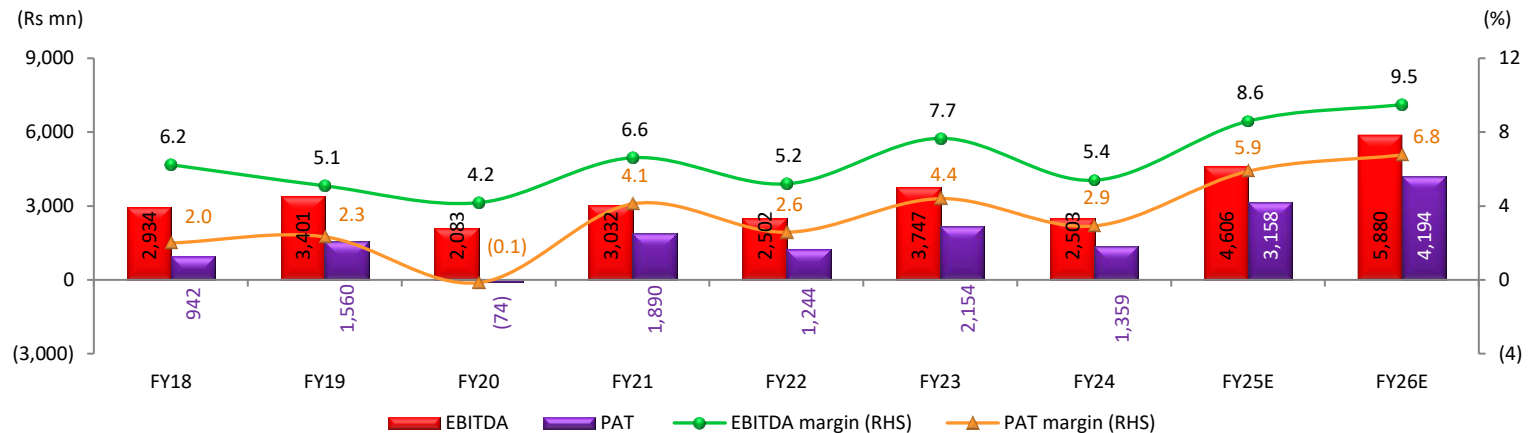


Exhibit 12: EBITDA, PAT – annual growth, margin trends



Source: Company, Systematix Institutional Research

Valuation and View

BJE's CP business has been on a consistent growth trajectory, with timely product launches, wide geographical reach and the RREP program. Management's focus is now fully devoted to the CP business after demerger of the EPC business into Bajel Projects Limited. Despite slowdown in the last 1-2 years, BJE has generated significant cash flows from tightening of the working capital cycle.

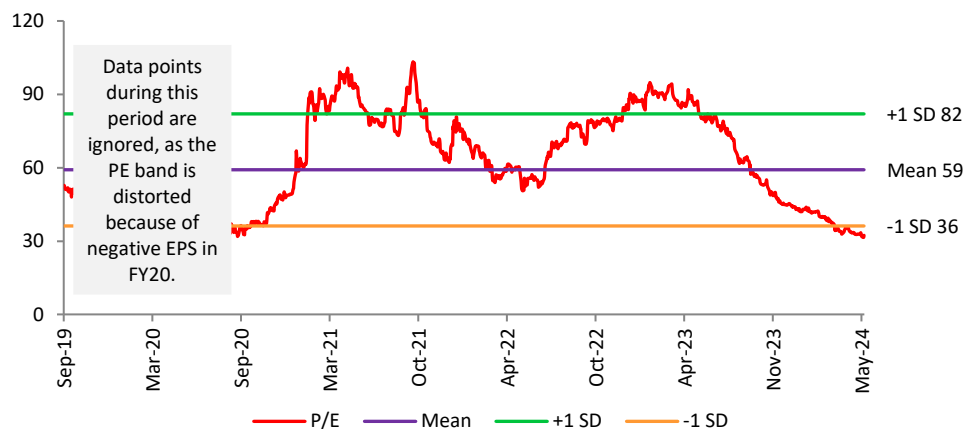
After a weak 4Q, we have cut our earnings estimates by 7-10% on lower revenue and margin expectations. On the low base, we now expect 16%/53%/76% CAGR in revenue/EBITDA/PAT over FY24-26E, with 9.5% EBITDA margin, ~29% RoCE and 40%+ RoIC in FY26E. Maintain **BUY** on BJE with a lower target price of Rs 1,092 (30x FY26E P/E, earlier Rs 1,178 at 30x).

Exhibit 13: Change in estimates

(Rs mn)	Old estimates		New estimates		% Var	
	FY25	FY26	FY25	FY26	FY25	FY26
Revenue	58,265	65,257	53,609	61,949	(8)	(5)
EBITDA	5,123	6,270	4,606	5,880	(10)	(6)
EBITDA margin (%)	8.8	9.6	8.6	9.5		
PAT	3,508	4,519	3,158	4,194	(10)	(7)
EPS (Rs)	30.5	39	27.4	36.4	(10)	(7)

Source: Systematix Institutional Research

Exhibit 14: P/E band – One-year-forward and standard deviation



Source: BSE, Systematix Institutional Research

Key risks

- Prolonged slowdown in demand could hamper BJE's revenue.
- Inadequate price hikes amid intense competition could dent margins.

FINANCIALS (CONSOLIDATED)

Profit & Loss Statement

YE: Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Net revenues	48,130	48,892	46,413	53,609	61,949
Growth (%)	5	2	-5	16	16
Raw material expenses	32,913	33,626	32,608	36,163	41,480
Gross Margin (%)	31.6	31.2	29.7	32.5	33.0
Employee & Other exp.	12,716	11,519	11,302	12,840	14,589
EBITDA	2,502	3,747	2,503	4,606	5,880
EBITDA margins (%)	5.2	7.7	5.4	8.6	9.5
Depreciation	692	738	1,096	1,202	1,322
Other income	683	450	959	1,072	1,239
Finance costs	697	436	635	322	279
PBT	1,663	3,024	1,731	4,155	5,518
Effective tax rate (%)	25.2	28.8	21.5	24.0	24.0
Associates/(Minorities)	41	-	-	-	-
Net Income	1,285	2,154	1,359	3,158	4,194
Adjusted net income	1,285	2,154	1,359	3,158	4,194
Shares outstanding	115	115	115	115	115
FDEPS (Rs)	11.2	18.7	11.8	27.4	36.4
FDEPS growth (%)	(33)	67	(37)	132	33

Balance Sheet

YE: Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Share capital	230	230	230	230	230
Net worth	17,316	19,072	14,412	17,109	20,727
Total debt	756	718	1,726	1,526	1,326
Minority interest	(263)	-	-	-	-
DT Liability/ (Asset)	-	54	-	-	-
Capital Employed	17,808	19,845	16,138	18,635	22,053
Net tangible assets	4,263	4,308	5,746	6,044	6,222
Net Intangible assets	2,121	2,106	2,071	2,071	2,071
Goodwill	-	-	-	-	-
CWIP	282	406	618	618	618
Investments (Strategic)	-	-	-	-	-
Investments (Financial)	1,357	1,763	1,708	4,708	7,708
Current Assets	30,468	37,643	25,442	27,504	29,815
Cash	1,425	3,702	2,747	2,575	3,559
Current Liabilities	22,108	30,083	22,193	24,885	27,939
Working capital	8,360	7,560	3,249	2,619	1,875
Capital Deployed	17,808	19,845	16,138	18,635	22,053
Contingent Liabilities	1,256	869	-	-	-

Cash Flow

YE: Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
EBIT (incl. other income)	2,248	3,307	1,793	3,404	4,558
Non-cash items	692	738	1,096	1,202	1,322
OCF before WC changes	2,940	4,044	2,889	4,606	5,880
Incr./ (decr.) in WC	(6,647)	(609)	(705)	(629)	(744)
Others including taxes	446	159	55	1,198	1,525
Operating cash-flow	9,141	4,494	3,538	4,038	5,099
Capex	429	715	1,307	1,500	1,500
Free cash-flow	8,712	3,779	2,231	2,538	3,599
Acquisitions	8	-	(2,384)	-	-
Dividend	-	345	460	461	576
Equity raised	143	90	51	-	-
Debt raised	(6,582)	(608)	(293)	(200)	(200)
Fin Investments	1	256	(126)	3,000	3,000
Misc. Items (CFI + CFF)	1,548	433	1,545	(951)	(1,161)
Net cash-flow	732	2,227	(2,275)	(172)	984

Ratios @ Rs 945

YE: Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
P/E (x)	84.4	50.5	80.1	34.5	26.0
EV/EBITDA (x)	43.1	28.1	43.0	22.7	17.1
EV/sales (x)	2.2	2.2	2.3	1.9	1.6
P/B (x)	6.3	5.7	7.6	6.4	5.3
RoE (%)	7.4	11.3	9.4	18.5	20.2
RoCE (%)	12.9	18.4	13.1	25.7	28.5
ROIC (%)	13.2	21.5	14.8	31.7	41.5
DPS (Rs per share)	3.0	4.0	3.0	4.0	5.0
Dividend yield (%)	0.3	0.4	0.3	0.4	0.5
Dividend payout (%)	26.8	21.4	25.4	14.6	13.7
Net debt/equity (x)	(0.1)	(0.2)	(0.2)	(0.3)	(0.5)
Receivables (days)	103	84	92	87	82
Inventory (days)	76	73	60	60	60
Payables (days)	94	134	145	143	141
CFO:PAT (%)	711	209	260	128	122

Source: Company, Systematix Institutional Research

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