

Bajaj Electricals (BJE IN)

Rating: HOLD | CMP: Rs1,131 | TP: Rs1,084

May 25, 2021

Q4FY21 Result Update

☒ Change in Estimates | ☒ Target | ☒ Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	HOLD		BUY	
Target Price	1,084		1,033	
Sales (Rs. m)	50,214	59,275	55,078	61,964
% Chng.	(8.8)	(4.3)		
EBITDA (Rs. m)	3,896	5,358	4,374	5,203
% Chng.	(10.9)	3.0		
EPS (Rs.)	21.1	30.6	23.3	29.7
% Chng.	(9.4)	3.0		

Key Financials - Standalone

Y/e Mar	FY20	FY21	FY22E	FY23E
Sales (Rs. m)	49,771	45,731	50,214	59,275
EBITDA (Rs. m)	2,069	3,015	3,896	5,358
Margin (%)	4.2	6.6	7.8	9.0
PAT (Rs. m)	(1)	1,545	2,415	3,508
EPS (Rs.)	0.0	13.5	21.1	30.6
Gr. (%)	NA	NA	56.4	45.3
DPS (Rs.)	-	-	5.5	8.0
Yield (%)	-	-	0.5	0.7
RoE (%)	0.0	10.4	14.0	17.6
RoCE (%)	8.0	14.4	18.5	23.0
EV/Sales (x)	2.7	2.9	2.6	2.2
EV/EBITDA (x)	65.2	43.6	33.6	24.0
PE (x)	NA	83.9	53.6	36.9
P/BV (x)	9.3	8.1	7.0	6.1

Key Data

BJEL.BO | BJE IN

52-W High / Low	Rs.1,225 / Rs.349
Sensex / Nifty	50,638 / 15,208
Market Cap	Rs.130bn/ \$ 1,780m
Shares Outstanding	115m
3M Avg. Daily Value	Rs.327.12m

Shareholding Pattern (%)

Promoter's	63.16
Foreign	12.42
Domestic Institution	10.47
Public & Others	13.95
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(0.4)	103.5	213.7
Relative	(5.9)	76.1	90.0

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Long term story intact; Downgrade to HOLD on rich valuations

Quick Pointers:

- Fans/Appliances/Lighting/ Morphy Richards grew by 36%/37%/-4%/30%
- Cash flow from operations at Rs6.6bn; Debt at Rs4.7bn

We change our FY22/23 earnings estimates by -9.4%/ 3% given 1) demand momentum stalled by Covid-19 second wave and 2) commodity inflation led margin pressures. However, we expect smart recovery from 2H22 backed by 1) sustenance of demand upsurge post pandemic for kitchen appliances and fans 2) increase shelf space by leveraging industry leading distribution network & brand strength 3) CP margin expansion and 4) ever improving balance sheet aided by robust cash flow generation. In EPC, with second wave dampening efforts, management expects to achieve operational profitability by 3QFY22 (earlier 2QFY22)

We remain structurally positive on longer term prospects given 1) strong brand with leadership position in kitchen appliances 2) deep distribution network 3) RREP led gains in profitability, reach and working capital. However, current valuations of 36.9x FY23 EPS post rerating of stock over the last year (2.5x) is likely to limit near term upside. We estimate Sales/PAT to grow at CAGR of 13.8% / 50.7% over FY21-23E. We value the stock on SOTP and arrive at a target price of Rs1,084 (derived P/E of 35.4x on FY23 EPS, Consumer business valued at 37x). Downgrade to HOLD on rich valuations.

Sales declined by 3.5%, Adj PAT at Rs590mn: Revenues declined by 3.5% YoY to Rs12.5bn with Consumer Products segment growing by 30.6%. Gross margin expanded by 560bps YoY to 28.9%. EBITDA grew by 114.2% YoY to Rs716mn, while margins expanded by 310bps YoY to 5.7%. Employee cost/Other expenses (as a % of sales) were up by 50bps/200bps. Adjusted PAT came in at Rs590mn

Consumer products revenues up 30.2%; EBIT margins at 8.8%: Consumer Products segment revenue grew by 30.2% YoY to Rs9.7bn. Absolute EBIT grew by 78.9% YoY to Rs851mn while margins expanded by ~240bps YoY to 8.8%. EPC segment revenues de-grew by 48.9% to Rs2.8bn. Absolute EBIT loss of Rs79mn vs loss of Rs234mn. Margins at -2.8% vs -4.2%

Concall Takeaways: 1) Fans/ Appliances/ Lighting/ Morphy Richards grew by 36%/ 37%/ -4%/ 30% in 4Q 2) Full impact of commodity inflation seen in 4Q. Probably will persist for 3-5months before it stabilizes 3) Taken 2 rounds of price hikes so far – Jan:6-8%; May:3-5% 4) Hopeful of markets opening up June onwards. However, intensity of pent up demand is unlikely to be as strong as last year 5) Within consumer products, fans to offer maximum growth potential (large category and earlier years' market share loss). 6) BJE will continue to aggressively defend its position within Kitchen Appliances. 7) Launched 170+ SKUs during the year. 8) Having achieved double digit consumer products margin target early, will continue to improve even from here.

Exhibit 1: Q4FY21 Result Overview (Rs m): Sales declined by 3.5% YoY; Adj PAT at Rs590mn vs NIL LY

Y/e March	Q4FY21	Q4FY20	YoY gr. (%)	Q3FY21	FY21	FY20	YoY gr. (%)
Net Sales	12,545	12,996	(3.5)	14,967	45,731	49,771	(8.1)
Expenditure							
Operating & Manufacturing Expenses	8,915	9,962	(10.5)	10,518	32,402	36,420	(11.0)
<i>% of Net Sales</i>	<i>71.1</i>	<i>76.7</i>		<i>70.3</i>	<i>70.9</i>	<i>73.2</i>	
Gross Profit	3,630	3,034	19.6	4,449	13,328	13,351	(0.2)
<i>% of Net Sales</i>	<i>28.9</i>	<i>23.3</i>		<i>29.7</i>	<i>29.1</i>	<i>26.8</i>	
Personnel Cost	1,006	978	2.9	906	3,883	3,960	(2.0)
<i>% of Net Sales</i>	<i>8.0</i>	<i>7.5</i>		<i>6.1</i>	<i>8.5</i>	<i>8.0</i>	
Other Expenses	1,908	1,722	10.8	2,068	6,430	7,321	(12.2)
<i>% of Net Sales</i>	<i>15.2</i>	<i>13.2</i>		<i>13.8</i>	<i>14.1</i>	<i>14.7</i>	
Total Expenditure	11,828	12,662	(6.6)	13,491	42,715	47,702	(10.5)
EBITDA	716	335	114.2	1,475	3,015	2,069	45.7
<i>Margin (%)</i>	<i>5.7</i>	<i>2.6</i>		<i>9.9</i>	<i>6.6</i>	<i>4.2</i>	
Other income	318	194	63.8	59	553	526	5.0
Depreciation	163	182	(10.2)	181	693	680	1.8
EBIT	871	347	151.1	1,354	2,875	1,916	50.1
Interest	106	358	(70.3)	164	756	1,692	(55.3)
PBT before exceptional item	765	(11)	NA	1,190	2,120	224	846.8
Total Taxes	175	(11)	NA	356	575	225	155.5
<i>ETR (%)</i>	<i>22.9</i>	<i>100.0</i>		<i>29.9</i>	<i>27.1</i>	<i>100.6</i>	
Adj. PAT	590	-	NA	834	1,545	(1)	NA
Exceptional item	(30)	-	NA	174	292	-	NA
PAT	560	-	NA	1,008	1,836	(1)	NA

Source: Company, PL

Exhibit 2: Segmental Breakup (Rs m): Consumer Products sales up 30.2%; Margins at 8.8%

Y/e March	Q4FY21	Q4FY20	YoY gr. (%)	Q3FY21	FY21	FY20	YoY gr. (%)
Revenues							
Consumer Products	9,712	7,457	30.2	11,494	33,035	30,846	7.1
EPC	2,832	5,538	(48.9)	3,472	12,689	18,918	(32.9)
EBIT							
Consumer Products	851	476	78.9	1,439	3,240	2,082	55.6
<i>EBIT margin (%)</i>	<i>8.8</i>	<i>6.4</i>		<i>12.5</i>	<i>9.8</i>	<i>6.8</i>	
EPC	(79)	(234)	NA	(91)	(541)	(346)	NA
<i>EBIT margin (%)</i>	<i>(2.8)</i>	<i>(4.2)</i>		<i>(2.6)</i>	<i>(4.3)</i>	<i>(1.8)</i>	

Source: Company, PL

Exhibit 3: SOTP: Implied PE of 35.4x

FY23	Basis	Multiple	Per Share	Value (Rs)	Valuation %
Consumer Products	P/E	37.0	29.1	1,077	99%
EPC	P/E	5.0	1.5	8	1%
Target Price				1,084	100%

Source: PL

Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
Net Revenues	49,771	45,731	50,214	59,275
YoY gr. (%)	(25.4)	(8.1)	9.8	18.0
Cost of Goods Sold	36,420	32,402	35,677	41,981
Gross Profit	13,351	13,328	14,537	17,293
Margin (%)	26.8	29.1	29.0	29.2
Employee Cost	3,960	3,883	3,892	4,297
Other Expenses	4,919	6,430	4,154	4,437
EBITDA	2,069	3,015	3,896	5,358
YoY gr. (%)	(40.6)	45.7	29.2	37.5
Margin (%)	4.2	6.6	7.8	9.0
Depreciation and Amortization	680	693	727	778
EBIT	1,389	2,323	3,170	4,580
Margin (%)	2.8	5.1	6.3	7.7
Net Interest	1,692	756	346	304
Other Income	526	553	471	510
Profit Before Tax	224	2,120	3,295	4,786
Margin (%)	0.4	4.6	6.6	8.1
Total Tax	225	575	880	1,278
Effective tax rate (%)	100.6	27.1	26.7	26.7
Profit after tax	(1)	1,545	2,415	3,508
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	(1)	1,545	2,415	3,508
YoY gr. (%)	(100.1)	(1,18,820.1)	56.4	45.3
Margin (%)	-	3.4	4.8	5.9
Extra Ord. Income / (Exp)	-	292	-	-
Reported PAT	(1)	1,836	2,415	3,508
YoY gr. (%)	(100.1)	(1,41,253.0)	31.5	45.3
Margin (%)	-	4.0	4.8	5.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	(1)	1,836	2,415	3,508
Equity Shares O/s (m)	114	115	115	115
EPS (Rs)	0.0	13.5	21.1	30.6

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
Non-Current Assets				
Gross Block	7,545	8,503	8,997	9,579
Tangibles	7,451	8,389	8,833	9,364
Intangibles	94	114	164	214
Acc: Dep / Amortization	3,503	3,895	4,323	4,825
Tangibles	3,437	3,802	4,195	4,650
Intangibles	65	93	128	175
Net fixed assets	4,042	4,608	4,674	4,753
Tangibles	4,014	4,587	4,637	4,714
Intangibles	29	21	36	39
Capital Work In Progress	109	178	178	178
Goodwill	-	-	-	-
Non-Current Investments	6,091	5,835	5,279	4,866
Net Deferred tax assets	453	525	634	792
Other Non-Current Assets	2,008	1,855	1,862	2,084
Current Assets				
Investments	-	-	-	-
Inventories	6,908	9,711	7,567	8,120
Trade receivables	20,490	15,115	14,191	16,718
Cash & Bank Balance	1,047	616	991	3,001
Other Current Assets	4,364	3,990	4,143	4,386
Total Assets	45,585	42,501	39,597	44,987
Equity				
Equity Share Capital	228	229	229	229
Other Equity	13,565	15,818	18,233	21,111
Total Network	13,793	16,047	18,462	21,341
Non-Current Liabilities				
Long Term borrowings	799	246	85	12
Provisions	956	431	452	533
Other non current liabilities	714	676	628	741
Current Liabilities				
ST Debt / Current of LT Debt	6,576	2,342	2,260	2,075
Trade payables	9,003	9,441	8,308	9,201
Other current liabilities	13,729	13,309	9,389	11,069
Total Equity & Liabilities	45,585	42,501	39,597	44,987

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
PBT	224	2,120	3,295	4,786
Add. Depreciation	680	693	727	778
Add. Interest	1,692	756	346	304
Less Financial Other Income	526	553	471	510
Add. Other	(357)	(125)	(154)	(199)
Op. profit before WC changes	2,239	3,443	4,213	5,669
Net Changes-WC	4,486	3,270	(1,678)	(432)
Direct tax	(451)	(116)	(880)	(1,278)
Net cash from Op. activities	6,274	6,597	1,656	3,959
Capital expenditures	(284)	(98)	(792)	(857)
Interest / Dividend Income	49	85	-	-
Others	(228)	(1,092)	100	100
Net Cash from Invst. activities	(462)	(1,105)	(692)	(757)
Issue of share cap. / premium	3,482	105	-	-
Debt changes	(6,532)	(5,216)	(243)	(258)
Dividend paid	(432)	-	-	(630)
Interest paid	(1,426)	(941)	(346)	(304)
Others	-	-	-	-
Net cash from Fin. activities	(4,908)	(6,052)	(588)	(1,192)
Net change in cash	904	(560)	375	2,010
Free Cash Flow	5,990	6,499	864	3,102

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY20	FY21	FY22E	FY23E
Per Share(Rs)				
EPS	0.0	13.5	21.1	30.6
CEPS	6.0	19.5	27.4	37.4
BVPS	121.2	140.1	161.2	186.3
FCF	52.7	56.7	7.5	27.1
DPS	-	-	5.5	8.0
Return Ratio(%)				
RoCE	8.0	14.4	18.5	23.0
ROIC	0.0	8.8	12.4	17.6
RoE	0.0	10.4	14.0	17.6
Balance Sheet				
Net Debt : Equity (x)	0.5	0.1	0.1	0.0
Net Working Capital (Days)	135	123	98	96
Valuation(x)				
PER	NA	83.9	53.6	36.9
P/B	9.3	8.1	7.0	6.1
P/CEPS	189.6	57.9	41.2	30.2
EV/EBITDA	65.2	43.6	33.6	24.0
EV/Sales	2.7	2.9	2.6	2.2
Dividend Yield (%)	-	-	0.5	0.7

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY21	Q2FY21	Q3FY21	Q4FY21
Net Revenue	6,077	12,142	14,967	12,545
YoY gr. (%)	(53.2)	11.2	16.8	(3.5)
Raw Material Expenses	4,372	8,597	10,518	8,915
Gross Profit	1,705	3,544	4,449	3,630
Margin (%)	28.1	29.2	29.7	28.9
EBITDA	(208)	1,031	1,475	716
YoY gr. (%)	(127.7)	333.4	115.8	114.2
Margin (%)	(3.4)	8.5	9.9	5.7
Depreciation / Depletion	172	177	181	163
EBIT	(380)	855	1,295	554
Margin (%)	(6.3)	7.0	8.7	4.4
Net Interest	269	216	164	106
Other Income	78	98	59	318
Profit before Tax	(571)	736	1,190	765
Margin (%)	(9.4)	6.1	7.9	6.1
Total Tax	(152)	196	356	175
Effective tax rate (%)	26.7	26.7	29.9	22.9
Profit after Tax	(419)	540	834	590
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	(419)	540	834	590
YoY gr. (%)	NA	(263.6)	439.4	NA
Margin (%)	(6.9)	4.4	5.6	4.7
Extra Ord. Income / (Exp)	147	-	174	(30)
Reported PAT	(272)	540	1,008	560
YoY gr. (%)	NA	(263.6)	552.1	NA
Margin (%)	(4.5)	4.4	6.7	4.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	(272)	540	1,008	560
Avg. Shares O/s (m)	114	-	114	115
EPS (Rs)	(3.7)	-	7.3	5.1

Source: Company Data, PL Research

Price Chart

Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	06-Apr-21	BUY	1,033	991
2	04-Feb-21	BUY	884	768
3	08-Jan-21	BUY	647	637
4	05-Nov-20	BUY	605	505
5	06-Oct-20	BUY	564	498
6	11-Aug-20	BUY	500	436
7	06-Jul-20	BUY	500	384

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	BUY	3,136	2,556
2	Avenue Supermarts	BUY	3,360	2,896
3	Bajaj Electricals	BUY	1,033	991
4	Britannia Industries	Accumulate	3,755	3,541
5	Burger King India	BUY	221	145
6	Colgate Palmolive	Accumulate	1,794	1,597
7	Crompton Greaves Consumer Electricals	BUY	454	398
8	Dabur India	Hold	531	535
9	Emami	BUY	568	507
10	GlaxoSmithKline Consumer Healthcare	Hold	9,377	9,247
11	Havells India	Hold	1,066	1,028
12	Hindustan Unilever	BUY	2,562	2,408
13	ITC	BUY	248	214
14	Jubilant FoodWorks	Accumulate	3,279	2,862
15	Kansai Nerolac Paints	Accumulate	620	566
16	Marico	Accumulate	452	410
17	Nestle India	Accumulate	18,450	17,096
18	Pidilite Industries	Hold	1,819	1,880
19	Polycab India	BUY	1,480	1,376
20	Titan Company	Accumulate	1,663	1,507
21	Voltas	Hold	955	999
22	Westlife Development	BUY	572	420

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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