

May 17, 2022

Q4FY22 Result Update

Change in Estimates | Target | Reco

Change in Estimates

| | Current | | Previous | |
|---------------------|------------|--------|------------|--------|
| | FY23E | FY24E | FY23E | FY24E |
| Rating | ACCUMULATE | | ACCUMULATE | |
| Target Price | 1,091 | | 1,278 | |
| Sales (Rs. m) | 54,515 | 63,425 | 55,446 | 62,613 |
| % Chng. | (1.7) | 1.3 | | |
| EBITDA (Rs. m) | 3,638 | 4,980 | 4,308 | 5,336 |
| % Chng. | (15.6) | (6.7) | | |
| EPS (Rs.) | 24.6 | 32.2 | 26.6 | 33.5 |
| % Chng. | (7.7) | (3.7) | | |

Key Financials - Standalone

| Y/e Mar | FY21 | FY22 | FY23E | FY24E |
|----------------|--------|--------|--------|--------|
| Sales (Rs. m) | 45,731 | 47,704 | 54,515 | 63,425 |
| EBITDA (Rs. m) | 3,015 | 2,271 | 3,638 | 4,980 |
| Margin (%) | 6.6 | 4.8 | 6.7 | 7.9 |
| PAT (Rs. m) | 1,719 | 1,668 | 2,813 | 3,689 |
| EPS (Rs.) | 15.0 | 14.6 | 24.6 | 32.2 |
| Gr. (%) | NA | (3.0) | 68.7 | 31.2 |
| DPS (Rs.) | - | 4.5 | 8.0 | 10.0 |
| Yield (%) | - | 0.5 | 0.8 | 1.0 |
| RoE (%) | 11.5 | 9.8 | 14.9 | 17.3 |
| RoCE (%) | 14.6 | 14.0 | 20.1 | 23.2 |
| EV/Sales (x) | 2.6 | 2.4 | 2.0 | 1.7 |
| EV/EBITDA (x) | 39.3 | 49.9 | 30.4 | 21.7 |
| PE (x) | 66.6 | 68.6 | 40.7 | 31.0 |
| P/BV (x) | 7.1 | 6.4 | 5.8 | 5.0 |

Key Data

BJEL.BO | BJE IN

| | |
|---------------------|---------------------|
| 52-W High / Low | Rs.1,589 / Rs.861 |
| Sensex / Nifty | 54,318 / 16,259 |
| Market Cap | Rs.115bn/ \$ 1,479m |
| Shares Outstanding | 115m |
| 3M Avg. Daily Value | Rs.150.93m |

Shareholding Pattern (%)

| | |
|-------------------------|--------|
| Promoter's | - |
| Foreign | 100.00 |
| Domestic Institution | - |
| Public & Others | - |
| Promoter Pledge (Rs bn) | - |

Stock Performance (%)

| | 1M | 6M | 12M |
|----------|--------|--------|--------|
| Absolute | (12.4) | (10.8) | (10.9) |
| Relative | (5.9) | (1.5) | (18.7) |

Mayank Bhandari

mayankbhandari@plindia.com |

Amnish Aggarwal

amnishaggarwal@plindia.com | 91-22-66322233

Margin headwind persists, market share gain in fans encouraging

Quick Pointers:

- Net debt free status achieved after two decades.
- >20% growth in fans is encouraging given weak rural demand.
- Guided for double-digit margin in CP business from FY23.

We cut our FY23/24 EPS by 8%/4% given margin pressures due to RM inflation and rising competition. However, BJE continues to impress with persistent improvement in balance sheet led by its net debt free status now. We believe market share gain in fans business is quite encouraging amid weak rural demand, thanks to new product introductions. We believe BJE has potential to scale up its new product categories through continuous distribution expansion. EPC business will break even from here on, as guided earlier.

We remain structurally positive on longer term prospects given 1) strong brand with leadership position in kitchen appliances 2) increasing shelf space by leveraging industry leading distribution network & brand strength and 3) improving balance sheet aided by robust cash flow generation. We estimate Sales/PAT to grow at 15%/49% CAGR over FY22-24E and value the stock on SOTP based TP of Rs1,091 (derived P/E of 34x on March'24 EPS, Consumer business valued at 35x).

Sales up by 5%, PAT down by 19%: Sales grew by 5.4% YoY to Rs13.2bn. Gross margin for 4QFY22 stood at 25.2%, -370bps YOY. Consumer products business grew 5.6%YoY to Rs10.3bn and margin came at 6.3%, -250bps YOY. EPC revenue grew 4.7% YoY to Rs3bn and margin at 2.4%. Overall EBITDA came at Rs592bn, -17% YO. EBITDA margin at 4.5% (vs 5.7% in 4QFY21). PAT came at Rs479mn (-18.7% YoY). Order book stands at Rs9.6bn, down 14% YoY with Power Distribution order of Rs220mn, Transmission line: Rs7.82bn and Illumination projects: Rs1.6 bn. Total Debt stands at Rs246mn vs Rs3bn as on FY21. Cash balance stood at Rs1.41bn vs Rs616mn as on FY21. NWC stood at 26 days at the end of FY22 vs 50 days as on FY21.

Concall Takeaways: 1) The company has taken 12-17% price hike in H1-FY22, whereas H2-FY22 didn't see any price hike. April-22 also saw price hike. 2) Strong growth in fans (>20%) indicates market share gain. BJE is now number 4 in fans and has gained almost 2-3% market share. Fan margin is at par with consumer business margin. 3) Rural demand remains weak amid continued inflationary pressure. 4) Management has guided for double digit margin in FY23 in CP business. 5) E-commerce is 11-12% of total sales. 6) Illumination BU continues its scaling & market share gains (yet another quarter of strong performance clocking revenue > Rs1.5bn). In Power distribution/Power transmission; on a combined basis clocked revenue in excess of Rs1bn with a near breakeven exit. 6) Lighting/fans category has benefitted due to new product launches. 7) The company has repaid to the tune of Rs1.55bn to achieve net debt free status.

Exhibit 1: Q4FY22 Result Overview (Rs m): Sales grew by 5% YoY to Rs13.2bn; PAT down 19% to Rs480mn

| Y/e March | Q4FY22 | Q4FY21 | YoY gr. (%) | Q3FY22 | FY22E | FY21 | YoY gr. (%) |
|------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Net Sales | 13,224 | 12,545 | 5.4 | 13,044 | 47,704 | 45,731 | 4.3 |
| Expenditure | | | | | | | |
| Operating & Manufacturing Expenses | 9,895 | 8,915 | 11.0 | 9,557 | 34,467 | 32,402 | 6.4 |
| <i>% of Net Sales</i> | <i>74.8</i> | <i>71.1</i> | <i>3.8</i> | <i>73.3</i> | <i>72.3</i> | <i>70.9</i> | <i>1.4</i> |
| Gross Profit | 3,329 | 3,630 | (8.3) | 3,488 | 13,237 | 13,328 | (0.7) |
| <i>% of Net Sales</i> | <i>25.2</i> | <i>28.9</i> | <i>(3.8)</i> | <i>26.7</i> | <i>27.7</i> | <i>29.1</i> | <i>(1.4)</i> |
| Personnel Cost | 885 | 1,006 | (12.1) | 942 | 3,844 | 3,883 | (1.0) |
| <i>% of Net Sales</i> | <i>6.7</i> | <i>8.0</i> | <i>(1.3)</i> | <i>7.2</i> | <i>8.1</i> | <i>8.5</i> | <i>(0.4)</i> |
| Other Expenses | 1,852 | 1,908 | (2.9) | 1,724 | 7,122 | 6,430 | 10.8 |
| <i>% of Net Sales</i> | <i>14.0</i> | <i>15.2</i> | <i>(1.2)</i> | <i>13.2</i> | <i>14.9</i> | <i>14.1</i> | <i>0.9</i> |
| Total Expenditure | 12,631 | 11,828 | 6.8 | 12,223 | 45,432 | 42,715 | 6.4 |
| EBITDA | 592 | 716 | (17.3) | 821 | 2,271 | 3,015 | (24.7) |
| <i>Margin (%)</i> | <i>4.5</i> | <i>5.7</i> | <i>(1.2)</i> | <i>6.3</i> | <i>4.8</i> | <i>6.6</i> | <i>(1.8)</i> |
| Other income | 320 | 318 | 0.7 | 280 | 1,013 | 727 | 39.3 |
| Depreciation | 148 | 163 | (9.3) | 141 | 529 | 756 | (30.0) |
| EBIT | 765 | 871 | (12.3) | 960 | 2,755 | 2,987 | (7.8) |
| Interest | 98 | 106 | (7.8) | 158 | 568 | 693 | (18.1) |
| PBT before exceptional item | 667 | 765 | (12.9) | 802 | 2,187 | 2,294 | (4.7) |
| Total Taxes | 187 | 175 | | 184 | 520 | 575 | (9.7) |
| <i>ETR (%)</i> | <i>28.1</i> | <i>22.9</i> | <i>5.2</i> | <i>22.9</i> | <i>23.8</i> | <i>25.1</i> | <i>(1.3)</i> |
| Adj. PAT | 480 | 590 | (18.7) | 618 | 1,668 | 1,719 | (3.0) |
| Exceptional item | (36) | (30) | | (96) | (132) | 118 | |
| PAT | 444 | 560 | (20.9) | 522 | 1,535 | 1,836 | (16.4) |

Source: Company, PL

Exhibit 2: Segmental Breakup (Rs m): Consumer Products sales up 5.6%; Margins at 6.3%

| Y/e March | Q4FY22 | Q4FY21 | YoY gr. (%) | Q3FY22 | FY22E | FY21 | YoY gr. (%) |
|------------------------|------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Revenues | | | | | | | |
| Consumer Products | 10,257 | 9,712 | 5.6 | 10,648 | 37,275 | 33,035 | 12.8 |
| EPC | 2,965 | 2,832 | 4.7 | 2,396 | 10,423 | 12,689 | (17.9) |
| EBIT | | | | | | | |
| Consumer Products | 642 | 851 | (24.5) | 919 | 2,649 | 3,240 | (18.2) |
| <i>EBIT margin (%)</i> | <i>6.3</i> | <i>8.8</i> | <i>(2.5)</i> | <i>8.6</i> | <i>7.1</i> | <i>9.8</i> | <i>(2.7)</i> |
| EPC | 71 | (79) | (189.5) | (49) | (247) | (541) | NA |
| <i>EBIT margin (%)</i> | <i>2.4</i> | <i>(2.8)</i> | <i>5.2</i> | <i>(2.0)</i> | <i>(2.4)</i> | <i>(4.3)</i> | <i>NA</i> |

Source: Company, PL

Exhibit 3: SOTP: Implied PE of 34x June'23 EPS

| Jun23 | Basis | Multiple | Per Share | Value (Rs) | Valuation % |
|---------------------|-------|----------|-----------|-------------|-------------|
| Consumer Products | P/E | 36.0 | 30.0 | 1080 | 100% |
| EPC | P/E | 5.0 | 2.2 | 11 | 0% |
| Target Price | | | | 1091 | 100% |

Source: PL

Financials

Income Statement (Rs m)

| Y/e Mar | FY21 | FY22 | FY23E | FY24E |
|-------------------------------|---------------|---------------|---------------|---------------|
| Net Revenues | 45,731 | 47,704 | 54,515 | 63,425 |
| YoY gr. (%) | (8.1) | 4.3 | 14.3 | 16.3 |
| Cost of Goods Sold | 32,402 | 34,467 | 39,074 | 45,127 |
| Gross Profit | 13,328 | 13,237 | 15,441 | 18,298 |
| Margin (%) | 29.1 | 27.7 | 28.3 | 28.9 |
| Employee Cost | 3,883 | 3,844 | 4,034 | 4,598 |
| Other Expenses | 6,430 | 4,134 | 4,282 | 4,600 |
| EBITDA | 3,015 | 2,271 | 3,638 | 4,980 |
| YoY gr. (%) | 45.7 | (24.7) | 60.2 | 36.9 |
| Margin (%) | 6.6 | 4.8 | 6.7 | 7.9 |
| Depreciation and Amortization | 693 | 568 | 640 | 709 |
| EBIT | 2,323 | 1,704 | 2,998 | 4,271 |
| Margin (%) | 5.1 | 3.6 | 5.5 | 6.7 |
| Net Interest | 756 | 529 | 101 | 126 |
| Other Income | 727 | 1,013 | 878 | 808 |
| Profit Before Tax | 2,294 | 2,187 | 3,776 | 4,952 |
| Margin (%) | 5.0 | 4.6 | 6.9 | 7.8 |
| Total Tax | 575 | 520 | 963 | 1,263 |
| Effective tax rate (%) | 25.1 | 23.8 | 25.5 | 25.5 |
| Profit after tax | 1,719 | 1,668 | 2,813 | 3,689 |
| Minority interest | - | - | - | - |
| Share Profit from Associate | - | - | - | - |
| Adjusted PAT | 1,719 | 1,668 | 2,813 | 3,689 |
| YoY gr. (%) | (1,30,707.8) | (3.0) | 68.7 | 31.2 |
| Margin (%) | 3.8 | 3.5 | 5.2 | 5.8 |
| Extra Ord. Income / (Exp) | 118 | (132) | - | - |
| Reported PAT | 1,836 | 1,535 | 2,813 | 3,689 |
| YoY gr. (%) | (1,39,644.8) | (16.4) | 83.2 | 31.2 |
| Margin (%) | 4.0 | 3.2 | 5.2 | 5.8 |
| Other Comprehensive Income | - | - | - | - |
| Total Comprehensive Income | 1,836 | 1,535 | 2,813 | 3,689 |
| Equity Shares O/s (m) | 115 | 115 | 115 | 115 |
| EPS (Rs) | 15.0 | 14.6 | 24.6 | 32.2 |

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

| Y/e Mar | FY21 | FY22 | FY23E | FY24E |
|---------------------------------------|---------------|---------------|---------------|---------------|
| Non-Current Assets | | | | |
| Gross Block | 8,463 | 8,911 | 9,198 | 9,926 |
| Tangibles | 8,350 | 8,748 | 8,984 | 9,612 |
| Intangibles | 113 | 163 | 213 | 313 |
| Acc: Dep / Amortization | 3,855 | 4,129 | 4,559 | 5,028 |
| Tangibles | 3,763 | 4,016 | 4,408 | 4,825 |
| Intangibles | 92 | 113 | 150 | 203 |
| Net fixed assets | 4,608 | 4,783 | 4,639 | 4,898 |
| Tangibles | 4,587 | 4,732 | 4,576 | 4,788 |
| Intangibles | 21 | 51 | 63 | 110 |
| Capital Work In Progress | 178 | 436 | 255 | 255 |
| Goodwill | - | - | - | - |
| Non-Current Investments | 5,835 | 7,322 | 4,573 | 5,075 |
| Net Deferred tax assets | 525 | 55 | 225 | 447 |
| Other Non-Current Assets | 1,855 | 2,387 | 2,330 | 2,436 |
| Current Assets | | | | |
| Investments | - | - | - | - |
| Inventories | 9,710 | 9,452 | 7,468 | 8,688 |
| Trade receivables | 15,115 | 11,293 | 13,595 | 14,400 |
| Cash & Bank Balance | 616 | 1,237 | 4,375 | 6,980 |
| Other Current Assets | 3,990 | 3,243 | 3,898 | 4,123 |
| Total Assets | 42,501 | 40,514 | 41,582 | 47,539 |
| Equity | | | | |
| Equity Share Capital | 229 | 229 | 229 | 229 |
| Other Equity | 15,818 | 17,618 | 19,651 | 22,424 |
| Total Network | 16,047 | 17,847 | 19,880 | 22,653 |
| Non-Current Liabilities | | | | |
| Long Term borrowings | 246 | 118 | 146 | - |
| Provisions | 431 | 529 | 463 | 539 |
| Other non current liabilities | 676 | 595 | 681 | 793 |
| Current Liabilities | | | | |
| ST Debt / Current of LT Debt | 4,392 | 127 | 545 | 634 |
| Trade payables | 9,441 | 12,124 | 8,564 | 9,891 |
| Other current liabilities | 11,260 | 9,172 | 11,289 | 13,013 |
| Total Equity & Liabilities | 42,502 | 40,514 | 41,582 | 47,539 |

Source: Company Data, PL Research

Cash Flow (Rs m)

| Y/e Mar | FY21 | FY22 | FY23E | FY24E |
|--------------------------------------|----------------|----------------|--------------|----------------|
| PBT | 2,294 | 2,187 | 3,776 | 4,952 |
| Add. Depreciation | 693 | 568 | 640 | 709 |
| Add. Interest | 756 | 529 | 101 | 126 |
| Less Financial Other Income | 727 | 1,013 | 878 | 808 |
| Add. Other | (300) | (132) | (124) | (157) |
| Op. profit before WC changes | 3,443 | 3,152 | 4,392 | 5,631 |
| Net Changes-WC | 3,270 | 6,666 | (2,690) | 302 |
| Direct tax | (116) | (443) | (963) | (1,263) |
| Net cash from Op. activities | 6,597 | 9,374 | 739 | 4,670 |
| Capital expenditures | (98) | (339) | (835) | (968) |
| Interest / Dividend Income | 85 | - | - | - |
| Others | (1,092) | (3,032) | 3,669 | 3 |
| Net Cash from Inv. activities | (1,105) | (3,371) | 2,834 | (965) |
| Issue of share cap. / premium | 105 | 143 | - | - |
| Debt changes | (5,216) | (4,392) | 445 | (57) |
| Dividend paid | - | - | (515) | (916) |
| Interest paid | (941) | (1,080) | (101) | (126) |
| Others | - | - | - | - |
| Net cash from Fin. activities | (6,052) | (5,329) | (171) | (1,099) |
| Net change in cash | (560) | 675 | 3,402 | 2,605 |
| Free Cash Flow | 6,499 | 9,036 | (96) | 3,702 |

Source: Company Data, PL Research

Key Financial Metrics

| Y/e Mar | FY21 | FY22 | FY23E | FY24E |
|----------------------------|-------|-------|-------|-------|
| Per Share(Rs) | | | | |
| EPS | 15.0 | 14.6 | 24.6 | 32.2 |
| CEPS | 21.1 | 19.5 | 30.1 | 38.4 |
| BVPS | 140.1 | 155.8 | 173.6 | 197.8 |
| FCF | 56.7 | 78.9 | (0.8) | 32.3 |
| DPS | - | 4.5 | 8.0 | 10.0 |
| Return Ratio(%) | | | | |
| RoCE | 14.6 | 14.0 | 20.1 | 23.2 |
| ROIC | 8.6 | 7.2 | 14.9 | 21.3 |
| RoE | 11.5 | 9.8 | 14.9 | 17.3 |
| Balance Sheet | | | | |
| Net Debt : Equity (x) | 0.3 | (0.1) | (0.2) | (0.3) |
| Net Working Capital (Days) | 123 | 66 | 84 | 76 |
| Valuation(x) | | | | |
| PER | 66.6 | 68.6 | 40.7 | 31.0 |
| P/B | 7.1 | 6.4 | 5.8 | 5.0 |
| P/CEPS | 47.4 | 51.2 | 33.1 | 26.0 |
| EV/EBITDA | 39.3 | 49.9 | 30.4 | 21.7 |
| EV/Sales | 2.6 | 2.4 | 2.0 | 1.7 |
| Dividend Yield (%) | - | 0.5 | 0.8 | 1.0 |

Source: Company Data, PL Research

Quarterly Financials (Rs m)

| Y/e Mar | Q1FY22 | Q2FY22 | Q3FY22 | Q4FY22 |
|-----------------------------------|--------------|---------------|---------------|---------------|
| Net Revenue | 8,528 | 12,907 | 13,044 | 13,224 |
| YoY gr. (%) | 40.3 | 6.3 | (12.8) | 5.4 |
| Raw Material Expenses | 5,709 | 9,307 | 9,557 | 9,895 |
| Gross Profit | 2,819 | 3,601 | 3,488 | 3,329 |
| Margin (%) | 33.1 | 27.9 | 26.7 | 25.2 |
| EBITDA | 71 | 787 | 821 | 592 |
| YoY gr. (%) | (134.4) | (23.7) | (44.3) | (17.3) |
| Margin (%) | 0.8 | 6.1 | 6.3 | 4.5 |
| Depreciation / Depletion | 144 | 134 | 141 | 148 |
| EBIT | (73) | 652 | 680 | 445 |
| Margin (%) | (0.9) | 5.1 | 5.2 | 3.4 |
| Net Interest | 147 | 127 | 158 | 98 |
| Other Income | 133 | 280 | 280 | 320 |
| Profit before Tax | (87) | 805 | 802 | 667 |
| Margin (%) | (1.0) | 6.2 | 6.1 | 5.0 |
| Total Tax | (23) | 171 | 184 | 187 |
| Effective tax rate (%) | 26.0 | 21.3 | 22.9 | 28.1 |
| Profit after Tax | (64) | 634 | 618 | 480 |
| Minority interest | - | - | - | - |
| Share Profit from Associates | - | - | - | - |
| Adjusted PAT | (64) | 634 | 618 | 480 |
| YoY gr. (%) | (84.6) | 17.5 | (25.8) | (18.7) |
| Margin (%) | (0.8) | 4.9 | 4.7 | 3.6 |
| Extra Ord. Income / (Exp) | - | - | (96) | (36) |
| Reported PAT | (64) | 634 | 522 | 444 |
| YoY gr. (%) | (76.3) | 17.5 | (48.2) | (20.9) |
| Margin (%) | (0.8) | 4.9 | 4.0 | 3.4 |
| Other Comprehensive Income | - | - | - | - |
| Total Comprehensive Income | (64) | 634 | 522 | 444 |
| Avg. Shares O/s (m) | - | 115 | 115 | - |
| EPS (Rs) | - | 5.5 | 5.4 | - |

Source: Company Data, PL Research

Price Chart
Recommendation History


| No. | Date | Rating | TP (Rs.) | Share Price (Rs.) |
|-----|-----------|------------|----------|-------------------|
| 1 | 27-Apr-22 | Accumulate | 1,278 | 1,082 |
| 2 | 11-Apr-22 | Accumulate | 1,278 | 1,091 |
| 3 | 08-Feb-22 | Accumulate | 1,303 | 1,221 |
| 4 | 07-Jan-22 | Accumulate | 1,230 | 1,223 |
| 5 | 12-Nov-21 | Accumulate | 1,230 | 1,092 |
| 6 | 06-Oct-21 | Hold | 1,246 | 1,284 |
| 7 | 11-Aug-21 | Hold | 1,110 | 1,060 |
| 8 | 06-Jul-21 | Hold | 1,084 | 1,050 |
| 9 | 25-May-21 | Hold | 1,084 | 1,131 |

Analyst Coverage Universe

| Sr. No. | Company Name | Rating | TP (Rs) | Share Price (Rs) |
|---------|---------------------------------------|------------|---------|------------------|
| 1 | Bajaj Electricals | Accumulate | 1,278 | 1,082 |
| 2 | Crompton Greaves Consumer Electricals | BUY | 531 | 374 |
| 3 | Havells India | Accumulate | 1,369 | 1,249 |
| 4 | KEI Industries | Accumulate | 1,273 | 1,149 |
| 5 | Polycab India | Hold | 2,472 | 2,430 |
| 6 | Voltas | Hold | 1,071 | 1,047 |

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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