

February 8, 2022

Q3FY22 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	1,303		1,230	
Sales (Rs. m)	55,212	62,344	57,148	64,743
% Chng.	(3.4)	(3.7)		
EBITDA (Rs. m)	4,404	5,410	4,699	5,823
% Chng.	(6.3)	(7.1)		
EPS (Rs.)	27.2	34.0	28.0	35.3
% Chng.	(2.9)	(3.7)		

Key Financials - Standalone

Y/e Mar	FY21	FY22E	FY23E	FY24E
Sales (Rs. m)	45,731	48,086	55,212	62,344
EBITDA (Rs. m)	3,015	2,586	4,404	5,410
Margin (%)	6.6	5.4	8.0	8.7
PAT (Rs. m)	1,719	1,844	3,118	3,889
EPS (Rs.)	15.0	16.1	27.2	34.0
Gr. (%)	NA	7.3	69.1	24.7
DPS (Rs.)	-	4.5	8.0	10.0
Yield (%)	-	0.4	0.7	0.8
RoE (%)	11.5	10.9	16.3	17.8
RoCE (%)	15.3	15.0	21.0	22.9
EV/Sales (x)	3.1	2.9	2.5	2.1
EV/EBITDA (x)	47.0	53.9	31.0	24.5
PE (x)	81.3	75.8	44.8	36.0
P/BV (x)	8.7	7.9	6.9	6.0

Key Data

BJEL.BO | BJE IN

52-W High / Low	Rs.1,589 / Rs.895
Sensex / Nifty	57,809 / 17,267
Market Cap	Rs.140bn/ \$ 1,875m
Shares Outstanding	115m
3M Avg. Daily Value	Rs.427.77m

Shareholding Pattern (%)

Promoter's	63.01
Foreign	11.60
Domestic Institution	11.75
Public & Others	13.64
Promoter Pledge (Rs bn)	2.55

Stock Performance (%)

	1M	6M	12M
Absolute	(4.2)	7.6	19.6
Relative	(1.0)	1.0	6.3

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Inflation, op leverage negatively impact margins

Quick Pointers:

- Fans up 4%; Appliances/Lighting/ Morphy Richards down 5%/13%/28%
- 3Q volumes down by c.20% YoY; flat on 2yr CAGR basis
- Aspire to reach 13-14% margins in CP in 3-4 years' time

We cut FY22/23/24 EPS by 13.1%/ 2.9%/ 3.7% given 1) RM inflation led margin pressures 2) demand softness more so in rural India 3) inability to pass on input cost inflation through price hikes. 3Q was impacted by a high base (pent-up demand) and moderating demand scenario leading to c.20% YoY volume de-growth. Although with no visible bounce back seen in demand thus far (excluding winter products), BJE remains optimistic on upcoming summer season sales as cases reside and will look to implement 3-5% price hike which shall help alleviate high input cost. BJE sustained its balance sheet strengthening act (3Q CFO of Rs1.3bn; Rs810mn Debt repayment)

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 3) improving balance sheet aided by robust cash flow generation and 4) demerger of EPC business (excluding Illumination). We estimate Sales/PAT to grow at CAGR of 10.9% / 31.3% over FY21-24E. We roll forward our target multiple to FY24 and value the stock on SOTP & arrive at a target price of Rs1,303 (derived P/E of 38.4x on FY24, Consumer business valued at 40x). Maintain Accumulate.

Sales down by 12.8%, PAT down by 25.8%: Sales de-grew by 12.8% YoY to Rs13bn with Consumer Products segment down by 7.4%. Gross margin contracted by 300bps YoY to 26.7%. EBITDA fell by 44.3% YoY to Rs821mn; while margins contracted by 360bps YoY to 6.3%. As a % of sales, Employee cost expanded by 110bps while opex was down by 60bps. Adj. PAT fell by 25.8% YoY to Rs618mn.

Consumer products revenues down 7.4%; EBIT margins at 8.6%: Consumer Products Revenue/ EBIT de-grew by 7.4%/ 36.1% YoY to Rs10.6bn/ Rs919mn; while margins contracted by 390bps YoY to 8.6%. EPC segment revenues de-grew by 31% to Rs2.4bn. Absolute EBIT loss of Rs49mn. Margins at -2% vs -2.6%

Concall Takeaways: 1) Fans grew by 4% while Appliances/ Lighting/ Morphy Richards de-grew by 5%/ 13%/ 28% 3Q22 **2)** CP volumes down 20% YoY (flat on 2yr basis) impacted by high base and higher rural exposure. **3)** Soft demand environment limited taking any price hikes in 3Q. Will look to implement 3-5% price hike in 4Q. **4)** Demand for winter products seen from Jan. However, on broader level haven't seen any strong bounce back in demand so far. **5)** Margins are likely to remain under some pressure in 4Q. **6)** Institutional business grew by 60% on a low base. **7)** 9MFY22 CFO of Rs6.5bn. Repaid Rs4.9bn debt. **8)** Total order book at Rs6.1bn: TLT/ PD/ Illumination at Rs3.8bn/ Rs0.5bn/ Rs1.8bn.

Exhibit 1: Q3FY22 Result Overview (Rs m): Sales de-grew by 12.8% YoY to Rs13bn; Adj PAT down by 25.8% to Rs618mn

Y/e March	Q3FY22	Q3FY21	YoY gr. (%)	Q2FY22	9MFY22	9MFY21	YoY gr. (%)
Net Sales	13,044	14,967	(12.8)	12,907	34,480	33,186	3.9
Expenditure							
Operating & Manufacturing Expenses	9,557	10,518	(9.1)	9,307	24,572	23,488	4.6
<i>% of Net Sales</i>	<i>73.3</i>	<i>70.3</i>		<i>72.1</i>	<i>71.3</i>	<i>70.8</i>	
Gross Profit	3,488	4,449	(21.6)	3,601	9,908	9,698	2.2
<i>% of Net Sales</i>	<i>26.7</i>	<i>29.7</i>		<i>27.9</i>	<i>28.7</i>	<i>29.2</i>	
Personnel Cost	942	906	4.0	998	2,959	2,850	3.8
<i>% of Net Sales</i>	<i>7.2</i>	<i>6.1</i>		<i>7.7</i>	<i>8.6</i>	<i>8.6</i>	
Other Expenses	1,724	2,068	(16.6)	1,817	5,269	4,549	15.8
<i>% of Net Sales</i>	<i>13.2</i>	<i>13.8</i>		<i>14.1</i>	<i>15.3</i>	<i>13.7</i>	
Total Expenditure	12,223	13,491	(9.4)	12,121	32,800	30,887	6.2
EBITDA	821	1,475	(44.3)	787	1,679	2,299	(27.0)
<i>Margin (%)</i>	<i>6.3</i>	<i>9.9</i>		<i>6.1</i>	<i>4.9</i>	<i>6.9</i>	
Other income	280	59	372.1	280	692	235	195.0
Depreciation	141	181	(21.8)	134	420	530	(20.7)
EBIT	960	1,354	(29.1)	932	1,952	2,004	(2.6)
Interest	158	164	(4.0)	127	431	649	(33.6)
PBT before exceptional item	802	1,190	(32.6)	805	1,521	1,355	12.2
Total Taxes	184	356		171	332	400	(16.9)
<i>ETR (%)</i>	<i>22.9</i>	<i>29.9</i>		<i>21.3</i>	<i>21.9</i>	<i>29.5</i>	
Adj. PAT	618	834	(25.8)	634	1,188	955	24.5
Exceptional item	(96)	174		-	(96)	321	
PAT	522	1,008	(48.2)	634	1,092	1,276	(14.4)

Source: Company, PL

Exhibit 2: Segmental Breakup (Rs m): Consumer Products sales de-grew by 7.4%; Margins at 8.6%

Y/e March	Q3FY22	Q3FY21	YoY gr. (%)	Q2FY22	9MFY22	9MFY21	YoY gr. (%)
Revenues							
Consumer Products	10,648	11,494	(7.4)	10,238	27,018	23,324	15.8
EPC	2,396	3,472	(31.0)	2,667	7,458	9,858	(24.3)
EBIT							
Consumer Products	934	845	10.5	934	1,088	951	14.5
<i>EBIT margin (%)</i>	<i>9.1</i>	<i>10.7</i>		<i>9.1</i>	<i>6.6</i>	<i>8.0</i>	
EPC	(135)	66	NA	(135)	(269)	(371)	NA
<i>EBIT margin (%)</i>	<i>(5.1)</i>	<i>1.5</i>		<i>(5.1)</i>	<i>(5.3)</i>	<i>(5.8)</i>	

Source: Company, PL

Exhibit 3: SOTP: Implied PE of 38.4x FY24 EPS

Jun23	Basis	Multiple	Per Share	Value (Rs)	Valuation %
Consumer Products	P/E	40.0	32.4	1296	99%
EPC	P/E	5.0	1.6	7	1%
Target Price				1,303	100%

Source: PL

Exhibit 4: Consumer Products: 32 New Launches in 3Q; 100 in 9MFY22

New Product Launches (Consumer Products)



Fierro
Titanium glass lined coated tank with Swirl flow technology



Twister Neo
Nutri-Pro feature with 2-in-1 function blade



Ivora Duo Glow LED
3 mode options- Cool Day, Warm Day & Decorative Mode



Herculo
Heavy weight plastic-body Iron



Hurricane
Super high speed, rust-free fan



Novella
High Speed decorative fan

32* Launches in Q3

*c. 100 during 9M FY'22



Source: Company, PL

Exhibit 5: Sustained brand campaigns

Brand Campaigns (Consumer Products)

Water Heater Campaign (Pan India)



Mixer Grinder Festive Campaign (Pan India)



Source: Company, PL

Exhibit 6: New launches in Illumination

New Product Launches (Illumination)



Nuke
High Lumen efficacy & Uniform Illumination



Hexo
UV & corrosion resistant, non-yellowing secondary lens

173* Launches in Q3



Levitare
Workspace ambience lighting (suspended & recessed)



Lucid
High Energy Efficient & improved Thermal Management



Source: Company, PL

Exhibit 7: Architectural Lighting in Odisha



Actual Site Picture post installation

Baladevjee Temple, Odisha Heritage Lighting

"We delivered what we designed"

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
Net Revenues	45,731	48,086	55,212	62,344
YoY gr. (%)	(8.1)	5.2	14.8	12.9
Cost of Goods Sold	32,402	34,502	38,910	43,672
Gross Profit	13,328	13,584	16,301	18,672
Margin (%)	29.1	28.3	29.5	30.0
Employee Cost	3,883	3,847	4,086	4,520
Other Expenses	6,430	4,118	4,337	4,649
EBITDA	3,015	2,586	4,404	5,410
YoY gr. (%)	45.7	(14.2)	70.3	22.9
Margin (%)	6.6	5.4	8.0	8.7
Depreciation and Amortization	693	573	650	715
EBIT	2,323	2,013	3,754	4,695
Margin (%)	5.1	4.2	6.8	7.5
Net Interest	756	525	284	272
Other Income	727	896	715	797
Profit Before Tax	2,294	2,384	4,185	5,220
Margin (%)	5.0	5.0	7.6	8.4
Total Tax	575	540	1,067	1,331
Effective tax rate (%)	25.1	22.7	25.5	25.5
Profit after tax	1,719	1,844	3,118	3,889
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	1,719	1,844	3,118	3,889
YoY gr. (%)	(130,707.8)	7.3	69.1	24.7
Margin (%)	3.8	3.8	5.6	6.2
Extra Ord. Income / (Exp)	118	(96)	-	-
Reported PAT	1,836	1,747	3,118	3,889
YoY gr. (%)	(139,644.8)	(4.8)	78.4	24.7
Margin (%)	4.0	3.6	5.6	6.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,836	1,747	3,118	3,889
Equity Shares O/s (m)	115	115	115	115
EPS (Rs)	15.0	16.1	27.2	34.0

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
Non-Current Assets				
Gross Block	8,463	8,919	9,462	10,054
Tangibles	8,350	8,756	9,248	9,741
Intangibles	113	163	213	313
Acc: Dep / Amortization	3,855	4,134	4,572	5,044
Tangibles	3,763	4,021	4,421	4,841
Intangibles	92	113	150	203
Net fixed assets	4,608	4,785	4,890	5,010
Tangibles	4,587	4,735	4,827	4,900
Intangibles	21	51	63	110
Capital Work In Progress	178	178	178	178
Goodwill	-	-	-	-
Non-Current Investments	5,835	5,055	4,627	4,995
Net Deferred tax assets	525	652	841	1,076
Other Non-Current Assets	1,855	1,832	2,024	2,130
Current Assets				
Investments	-	-	-	-
Inventories	9,710	7,246	7,563	8,540
Trade receivables	15,115	12,602	14,197	13,915
Cash & Bank Balance	616	2,673	5,160	9,172
Other Current Assets	3,990	3,967	3,948	4,052
Total Assets	42,501	39,069	43,511	49,160
Equity				
Equity Share Capital	229	229	229	229
Other Equity	15,818	17,566	20,168	23,141
Total Network	16,047	17,795	20,397	23,370
Non-Current Liabilities				
Long Term borrowings	246	196	146	-
Provisions	431	421	469	530
Other non current liabilities	676	601	690	779
Current Liabilities				
ST Debt / Current of LT Debt	2,342	2,164	1,932	2,026
Trade payables	9,441	8,035	8,528	9,572
Other current liabilities	13,309	9,846	11,334	12,867
Total Equity & Liabilities	42,501	39,069	43,511	49,160

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY21	FY22E	FY23E	FY24E
PBT	2,294	2,384	4,185	5,220
Add. Depreciation	693	573	650	715
Add. Interest	756	525	284	272
Less Financial Other Income	727	896	715	797
Add. Other	(300)	(276)	(256)	(197)
Op. profit before WC changes	3,443	3,205	4,863	6,010
Net Changes-WC	3,270	744	482	1,379
Direct tax	(116)	(540)	(1,067)	(1,331)
Net cash from Op. activities	6,597	3,409	4,278	6,057
Capital expenditures	(98)	(749)	(754)	(836)
Interest / Dividend Income	85	-	-	-
Others	(1,092)	152	44	31
Net Cash from Inv. activities	(1,105)	(598)	(710)	(805)
Issue of share cap. / premium	105	-	-	-
Debt changes	(5,216)	(228)	(281)	(52)
Dividend paid	-	-	(515)	(916)
Interest paid	(941)	(525)	(284)	(272)
Others	-	-	-	-
Net cash from Fin. activities	(6,052)	(753)	(1,081)	(1,240)
Net change in cash	(560)	2,058	2,486	4,013
Free Cash Flow	6,499	2,660	3,523	5,222

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY21	FY22E	FY23E	FY24E
Per Share(Rs)				
EPS	15.0	16.1	27.2	34.0
CEPS	21.1	21.1	32.9	40.2
BVPS	140.1	155.4	178.1	204.0
FCF	56.7	23.2	30.8	45.6
DPS	-	4.5	8.0	10.0
Return Ratio(%)				
RoCE	15.3	15.0	21.0	22.9
ROIC	9.0	9.3	17.3	23.7
RoE	11.5	10.9	16.3	17.8
Balance Sheet				
Net Debt : Equity (x)	0.1	0.0	(0.2)	(0.3)
Net Working Capital (Days)	123	90	87	75
Valuation(x)				
PER	81.3	75.8	44.8	36.0
P/B	8.7	7.9	6.9	6.0
P/CEPS	58.0	57.9	37.1	30.4
EV/EBITDA	47.0	53.9	31.0	24.5
EV/Sales	3.1	2.9	2.5	2.1
Dividend Yield (%)	-	0.4	0.7	0.8

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY21	Q1FY22	Q2FY22	Q3FY22
Net Revenue	12,545	8,528	12,907	13,044
YoY gr. (%)	(3.5)	40.3	6.3	(12.8)
Raw Material Expenses	8,915	5,709	9,307	9,557
Gross Profit	3,630	2,819	3,601	3,488
Margin (%)	28.9	33.1	27.9	26.7
EBITDA	716	71	787	821
YoY gr. (%)	114.2	(134.4)	(23.7)	(44.3)
Margin (%)	5.7	0.8	6.1	6.3
Depreciation / Depletion	163	144	134	141
EBIT	554	(73)	652	680
Margin (%)	4.4	(0.9)	5.1	5.2
Net Interest	106	147	127	158
Other Income	318	133	280	280
Profit before Tax	765	(87)	805	802
Margin (%)	6.1	(1.0)	6.2	6.1
Total Tax	175	(23)	171	184
Effective tax rate (%)	22.9	26.0	21.3	22.9
Profit after Tax	590	(64)	634	618
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	590	(64)	634	618
YoY gr. (%)	NA	(84.6)	17.5	(25.8)
Margin (%)	4.7	(0.8)	4.9	4.7
Extra Ord. Income / (Exp)	(30)	-	-	(96)
Reported PAT	560	(64)	634	522
YoY gr. (%)	NA	(76.3)	17.5	(48.2)
Margin (%)	4.5	(0.8)	4.9	4.0
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	560	(64)	634	522
Avg. Shares O/s (m)	115	-	115	115
EPS (Rs)	5.1	-	5.5	5.4

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	7-Jan-22	Accumulate	1,230	1,223
2	12-Nov-21	Accumulate	1,230	1,092
3	6-Oct-21	Hold	1,246	1,284
4	11-Aug-21	Hold	1,110	1,060
5	6-Jul-21	Hold	1,084	1,050
6	25-May-21	Hold	1,084	1,131
7	6-Apr-21	BUY	1,033	991

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	BUY	3,762	3,306
2	Avenue Supermarts	Accumulate	5,345	4,731
3	Bajaj Electricals	Accumulate	1,230	1,223
4	Britannia Industries	BUY	4,139	3,535
5	Burger King India	BUY	220	133
6	Colgate Palmolive	Accumulate	1,733	1,394
7	Crompton Greaves Consumer Electricals	BUY	533	425
8	Dabur India	Accumulate	647	557
9	Emami	Accumulate	624	498
10	Havells India	Accumulate	1,381	1,309
11	Hindustan Unilever	BUY	2,900	2,262
12	ITC	BUY	284	234
13	Jubilant FoodWorks	Accumulate	3,600	3,302
14	Kansai Nerolac Paints	BUY	651	541
15	Marico	Accumulate	546	472
16	Mold-tek Packaging	BUY	793	706
17	Nestle India	Accumulate	18,723	19,936
18	Pidilite Industries	Hold	2,491	2,461
19	Titan Company	BUY	2,832	2,475
20	Voltas	Hold	1,200	1,250
21	Westlife Development	BUY	648	497

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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