

February 3, 2023

## Q3FY23 Result Update

☒ Change in Estimates | ☒ Target | ☒ Reco

### Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	ACCUMULATE		HOLD	
Target Price	1,286		1,147	
Sales (Rs. m)	61,234	70,226	60,437	69,271
% Chng.	1.3	1.4		
EBITDA (Rs. m)	5,224	6,360	4,757	5,761
% Chng.	9.8	10.4		
EPS (Rs.)	30.7	37.9	27.8	34.1
% Chng.	10.6	11.1		

### Key Financials - Standalone

Y/e Mar	FY22	FY23E	FY24E	FY25E
Sales (Rs. m)	47,703	52,814	61,234	70,226
EBITDA (Rs. m)	2,271	3,937	5,224	6,360
Margin (%)	4.8	7.5	8.5	9.1
PAT (Rs. m)	1,667	2,552	3,530	4,348
EPS (Rs.)	14.5	22.2	30.7	37.9
Gr. (%)	(3.3)	53.1	38.3	23.2
DPS (Rs.)	3.0	4.0	5.0	5.0
Yield (%)	0.3	0.3	0.4	0.4
RoE (%)	9.8	13.6	16.7	17.7
RoCE (%)	14.0	20.9	24.3	25.5
EV/Sales (x)	2.8	2.5	2.1	1.8
EV/EBITDA (x)	57.9	33.6	25.0	20.3
PE (x)	79.5	52.0	37.6	30.5
P/BV (x)	7.4	6.8	5.8	5.0

### Key Data

### BJEL.BO | BJE IN

52-W High / Low	Rs.1,265 / Rs.858
Sensex / Nifty	60,842 / 17,854
Market Cap	Rs.133bn/ \$ 1,622m
Shares Outstanding	115m
3M Avg. Daily Value	Rs.77.09m

### Shareholding Pattern (%)

Promoter's	62.89
Foreign	11.26
Domestic Institution	12.24
Public & Others	13.61
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	(2.4)	2.4	(5.2)
Relative	(1.7)	(1.8)	(8.4)

**Praveen Sahay**

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## Bajaj Electricals (BJE IN)

Rating: ACCUMULATE | CMP: Rs1,154 | TP: Rs1,286

### Decent growth in tough demand environment

#### Quick Pointers:

- CP segment grew 9.5%, mainly with 63.9% growth in fans.
- Lighting segment continue to scale up professional lighting business.

**We revise our FY23/FY24/FY25 earnings estimate by 5.8%/10.5%/11.0% and upgrade to 'Accumulate' from 'Hold' at SOTP based TP of Rs1,286 (derived P/E of 34x on March'25 EPS, CP business valued at 35x (Rs 1,147 earlier). Bajaj Electricals (BJE) reported moderate growth of 10.5% YoY in consumer products segment during its seasonally best quarter, due to a tough demand scenario. Growth in CP mainly came from fan segment (up 63.9% YoY), where company has done channel filling, ahead of BEE rating change. Appliance business has maintained its market share, even after muted demand environment. We expect fan segment to see de-growth of ~5% in Q4FY24, as channel is loaded with non-rated fans. Margin in CP segment is also expected to recover from Q4 to ~8.0-8.5%, as company did one-off expenses related to discounting/promotion spends, advertisement cost and cost related to transition of logistics to in-house in Q3FY23. It showed continued balance sheet improvements, as has achieved net cash of Rs3.8bn. Upgrade to 'Accumulate'.**

**Sales up by 13.0%, PAT up by 23.1%:** Sales grew by 13.0% YoY to Rs14.8bn. Gross margin for 3QFY23 came at 31.9%, expanded 410bps YoY. Consumer products business grew 10.2%YoY to Rs10.4bn and EBIT margin came at 7.5%, contracted by 220bps YoY. Lighting revenue declined by 2.3% YoY to Rs 2.7bn and EBIT margin expanded by 260bps YoY. EPC revenue grew 86.7% YoY to Rs1.75bn. There was stellar sequential revenue growth (>80% on YoY basis) aided by timely order execution; delivered positive EBIT. Overall EBITDA came at Rs1.0bn. EBITDA margin at 6.8% (vs 7.0% in 3QFY22). Adj. PAT came at Rs635mn (up 23.1% YoY). Total Debt down to Rs30mn vs Rs450mn in March 2022. Net Cash balance stands at Rs3.8bn. Order book stand at Rs12bn+ level with focus on tapping emerging opportunities. In terms of product category, appliances declined 3.8% YoY, Fans grew 63.9% YoY and Morphy Richards declined 15.3% YoY. Reduction in receivables in all segments stands at Rs6.96bn (down 34.2% from Mar-22).

**Conference Call Highlights:** 1) Company plans to start a Retailer Bonding Program (RBP) and is encouraging retailers to opt for redemption. This has led to slight increase in revenue of ~Rs500mn, 2) More than 60% of CP revenue was contributed by appliances segment, 3) Gross margin is expected to expand by 2-3%, owing to pricing and consumer demand 4) With BEE star rated fans, cost will go up by 10-12% of which 7-9% will be passed to consumers, 5) Professional lighting has delivered healthy growth and in-house lighting production is at 20% (expected to increase), 6) Management has decided to move to in-house logistics which will lead to cost-optimization in next 3-4 months.

**Exhibit 1: 3QFY23 Result Overview: Sales grew by 13% YoY to Rs14.8bn; PAT up by 23.1% at Rs635mn**

Y/e March	Q3FY23	Q3FY22	YoY gr. (%)	Q2FY23	QoQ gr. (%)	9MFY23	9MFY22	YoY gr. (%)
<b>Net Sales</b>	<b>14,831</b>	<b>13,124</b>	<b>13.0</b>	<b>12,204</b>	<b>21.5</b>	<b>39,270</b>	<b>34,610</b>	<b>13.5</b>
<b>Expenditure</b>								
Operating & Manufacturing Expenses	10,093	9,474	6.5	8,381	20.4	26,982	24,286	11.1
% of Net Sales	68.1	72.2	(4.1)	68.7	(0.6)	68.7	70.2	(1.5)
Gross Profit	4,738	3,651	29.8	3,822	24.0	12,289	10,323	19.0
% of Net Sales	31.9	27.8	4.1	31.3	0.6	31.3	29.8	1.5
Personnel Cost	1,086	973	11.6	1,043	4.1	3,135	3,048	2.8
% of Net Sales	7.3	7.4	(0.1)	8.5	(1.2)	8.0	8.8	(0.8)
Other Expenses	2,648	1,758	50.6	1,842	43.8	6,466	5,399	19.8
% of Net Sales	17.9	13.4	4.5	15.1	2.8	16.5	15.6	0.9
Total Expenditure	13,826	12,205	13.3	11,265	22.7	36,583	32,733	11.8
<b>EBITDA</b>	<b>1,005</b>	<b>920</b>	<b>9.3</b>	<b>938</b>	<b>7.1</b>	<b>2,688</b>	<b>1,877</b>	<b>43.2</b>
Margin (%)	6.8	7.0	(0.2)	7.7	(0.9)	6.8	5.4	1.4
Other income	194	192	1.0	198	(2.2)	493	500	(1.4)
Depreciation	178	157	13.2	178	-	526	467	12.6
<b>EBIT</b>	<b>1,021</b>	<b>954</b>	<b>7.0</b>	<b>958</b>	<b>6.5</b>	<b>2,655</b>	<b>1,909</b>	<b>39.0</b>
Interest	167	161	3.8	97	72.9	340	583	(41.7)
<b>PBT before exceptional item</b>	<b>854</b>	<b>793</b>	<b>7.6</b>	<b>862</b>	<b>(0.9)</b>	<b>2,316</b>	<b>1,327</b>	<b>74.5</b>
Total Taxes	219	182		223	(1.7)	597	284	110.5
ETR (%)	25.7	22.9	2.8	25.9	(0.2)	25.8	21.4	4.4
<b>Adj. PAT</b>	<b>635</b>	<b>612</b>	<b>3.7</b>	<b>639</b>	<b>(0.7)</b>	<b>1,718</b>	<b>1,043</b>	<b>64.8</b>
Exceptional item	-	-		-		-	(96)	
<b>PAT</b>	<b>635</b>	<b>516</b>	<b>23.1</b>	<b>639</b>	<b>(0.7)</b>	<b>1,718</b>	<b>947</b>	<b>81.5</b>

Source: Company, PL

**Exhibit 2: Segmental Breakup: Consumer Products sales up 10.2%; EBIT margin at 7.5%**

Y/e March	Q3FY23	Q3FY22	YoY gr. (%)	Q2FY23	QoQ gr. (%)	9MFY23	9MFY22	YoY gr. (%)
<b>Revenues</b>								
Consumer Products	10,381	9,424	10.2	8,777	18.3	27,656	23,895	15.7
EPC	1,750	938	86.7	669	161.4	3,419	2,930	16.7
Lighting	2,700	2,763	(2.3)	2,757	(2.1)	8,196	7,784	5.3
<b>Revenues</b>	<b>14,831</b>	<b>13,124</b>	<b>13.0</b>	<b>12,204</b>	<b>21.5</b>	<b>39,270</b>	<b>34,610</b>	<b>13.5</b>
<b>EBIT</b>								
Consumer Products	781	912	(14.4)	611	27.7	1,835	1,839	(0.2)
EBIT margin (%)	7.5	9.7	(2.2)	7.0	0.6	6.6	7.7	(1.1)
EPC	7	(87)	(107.9)	58	NA	66	(376)	(117.4)
EBIT margin (%)	0.4	(9.3)	9.7	8.7	NA	1.9	(12.8)	14.8
Lighting	172	103	NA	258	NA	645	313	105.8
EBIT margin (%)	6.4	3.7	2.6	9.3	NA	7.9	4.0	3.8
<b>EBIT</b>	<b>959</b>	<b>928</b>	<b>3.3</b>	<b>928</b>	<b>3.4</b>	<b>2,545</b>	<b>1,777</b>	<b>43.3</b>
EBIT margin (%)	6.5	7.1	(0.6)	7.6	(1.1)	6.5	5.1	1.3

Source: Company, PL

**Exhibit 3: SOTP: Implied PE of 34x Mar25 EPS**

March25	Basis	Multiple	Per Share	Value (Rs)	Valuation %
Consumer Products	P/E	35.0	36.1	1,277	99%
EPC	P/E	5.0	1.8	9	1%
<b>Target Price</b>				<b>1,286</b>	<b>100%</b>

Source: PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
<b>Net Revenues</b>	<b>47,703</b>	<b>52,814</b>	<b>61,234</b>	<b>70,226</b>
YoY gr. (%)	4.3	10.7	15.9	14.7
Cost of Goods Sold	34,467	36,230	41,455	47,122
Gross Profit	13,237	16,584	19,779	23,104
Margin (%)	27.7	31.4	32.3	32.9
Employee Cost	3,844	4,225	4,899	5,688
Other Expenses	4,353	5,233	6,126	7,032
<b>EBITDA</b>	<b>2,271</b>	<b>3,937</b>	<b>5,224</b>	<b>6,360</b>
YoY gr. (%)	(24.7)	73.3	32.7	21.7
Margin (%)	4.8	7.5	8.5	9.1
Depreciation and Amortization	567	696	718	807
<b>EBIT</b>	<b>1,704</b>	<b>3,241</b>	<b>4,507</b>	<b>5,553</b>
Margin (%)	3.6	6.1	7.4	7.9
Net Interest	529	505	389	415
Other Income	1,013	703	640	723
<b>Profit Before Tax</b>	<b>2,187</b>	<b>3,439</b>	<b>4,757</b>	<b>5,860</b>
Margin (%)	4.6	6.5	7.8	8.3
Total Tax	520	887	1,227	1,512
Effective tax rate (%)	23.8	25.8	25.8	25.8
<b>Profit after tax</b>	<b>1,667</b>	<b>2,552</b>	<b>3,530</b>	<b>4,348</b>
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>1,667</b>	<b>2,552</b>	<b>3,530</b>	<b>4,348</b>
YoY gr. (%)	(3.0)	53.1	38.3	23.2
Margin (%)	3.5	4.8	5.8	6.2
Extra Ord. Income / (Exp)	132	-	-	-
<b>Reported PAT</b>	<b>1,800</b>	<b>2,552</b>	<b>3,530</b>	<b>4,348</b>
YoY gr. (%)	12.4	41.8	38.3	23.2
Margin (%)	3.8	4.8	5.8	6.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,800	2,552	3,530	4,348
<b>Equity Shares O/s (m)</b>	<b>115</b>	<b>115</b>	<b>115</b>	<b>115</b>
<b>EPS (Rs)</b>	<b>14.5</b>	<b>22.2</b>	<b>30.7</b>	<b>37.9</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>6,749</b>	<b>7,875</b>	<b>8,694</b>	<b>9,323</b>
Tangibles	6,650	7,626	8,345	8,875
Intangibles	99	249	349	449
<b>Acc: Dep / Amortization</b>	<b>2,524</b>	<b>2,895</b>	<b>3,380</b>	<b>3,942</b>
Tangibles	2,437	2,773	3,198	3,681
Intangibles	87	122	182	262
<b>Net fixed assets</b>	<b>4,224</b>	<b>4,980</b>	<b>5,314</b>	<b>5,381</b>
Tangibles	4,213	4,854	5,147	5,194
Intangibles	11	127	167	187
Capital Work In Progress	436	455	255	255
Goodwill	-	1,636	1,636	1,636
Non-Current Investments	7,323	7,294	7,506	7,781
Net Deferred tax assets	55	123	276	463
Other Non-Current Assets	2,387	2,356	2,365	2,391
<b>Current Assets</b>				
Investments	-	-	-	-
Inventories	9,452	10,852	12,582	14,430
Trade receivables	11,292	14,054	12,626	13,906
Cash & Bank Balance	1,413	118	2,017	3,213
Other Current Assets	3,243	3,750	4,286	4,846
<b>Total Assets</b>	<b>40,134</b>	<b>45,843</b>	<b>49,094</b>	<b>54,545</b>
<b>Equity</b>				
Equity Share Capital	230	230	230	230
Other Equity	17,616	19,391	22,462	26,236
<b>Total Network</b>	<b>17,846</b>	<b>19,621</b>	<b>22,691</b>	<b>26,465</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	118	12	-	-
Provisions	529	502	551	597
Other non current liabilities	595	660	704	737
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	127	-	-	-
Trade payables	12,124	13,599	13,061	13,556
Other current liabilities	8,793	11,436	12,071	13,172
<b>Total Equity &amp; Liabilities</b>	<b>40,134</b>	<b>45,843</b>	<b>49,094</b>	<b>54,545</b>

Source: Company Data, PL Research



## Cash Flow (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
PBT	2,187	3,439	4,757	5,860
Add. Depreciation	567	696	718	807
Add. Interest	529	505	389	415
Less Financial Other Income	1,013	703	640	723
Add. Other	6,327	(22)	(81)	(143)
Op. profit before WC changes	9,611	4,618	5,783	6,940
Net Changes-WC	190	(336)	(1,095)	(2,471)
Direct tax	(443)	(887)	(1,227)	(1,512)
<b>Net cash from Op. activities</b>	<b>9,358</b>	<b>3,394</b>	<b>3,461</b>	<b>2,957</b>
Capital expenditures	(49)	(1,471)	(851)	(875)
Interest / Dividend Income	410	-	-	-
Others	-	122	150	104
<b>Net Cash from Invt. activities</b>	<b>361</b>	<b>(1,349)</b>	<b>(701)</b>	<b>(771)</b>
Issue of share cap. / premium	143	-	-	-
Debt changes	(5,434)	(233)	(12)	-
Dividend paid	-	(345)	(459)	(574)
Interest paid	(38)	(505)	(389)	(415)
Others	-	-	-	-
<b>Net cash from Fin. activities</b>	<b>(5,329)</b>	<b>(1,083)</b>	<b>(861)</b>	<b>(990)</b>
<b>Net change in cash</b>	<b>4,390</b>	<b>963</b>	<b>1,899</b>	<b>1,197</b>
Free Cash Flow	9,309	1,924	2,610	2,082

Source: Company Data, PL Research

## Key Financial Metrics

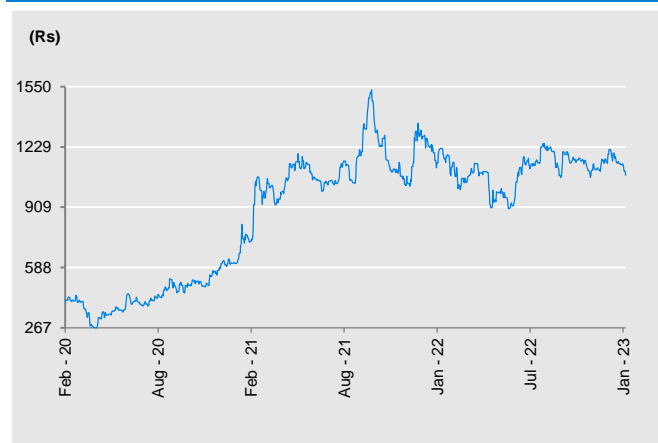
Y/e Mar	FY22	FY23E	FY24E	FY25E
<b>Per Share(Rs)</b>				
EPS	14.5	22.2	30.7	37.9
CEPS	19.5	28.3	37.0	44.9
BVPS	155.4	170.8	197.5	230.4
FCF	81.0	16.7	22.7	18.1
DPS	3.0	4.0	5.0	5.0
<b>Return Ratio(%)</b>				
RoCE	14.0	20.9	24.3	25.5
ROIC	7.2	12.8	17.5	19.3
RoE	9.8	13.6	16.7	17.7
<b>Balance Sheet</b>				
Net Debt : Equity (x)	(0.1)	0.0	(0.1)	(0.1)
Net Working Capital (Days)	66	78	72	77
<b>Valuation(x)</b>				
PER	79.5	52.0	37.6	30.5
P/B	7.4	6.8	5.8	5.0
P/CEPS	59.3	40.8	31.2	25.7
EV/EBITDA	57.9	33.6	25.0	20.3
EV/Sales	2.8	2.5	2.1	1.8
Dividend Yield (%)	0.3	0.3	0.4	0.4

Source: Company Data, PL Research

## Quarterly Financials (Rs m)

Y/e Mar	Q4FY22	Q1FY23	Q2FY23	Q3FY23
<b>Net Revenue</b>	<b>13,224</b>	<b>12,236</b>	<b>12,204</b>	<b>13,110</b>
YoY gr. (%)	5.4	43.5	(5.5)	0.5
Raw Material Expenses	9,895	8,507	8,381	9,085
Gross Profit	3,329	3,728	3,822	4,025
Margin (%)	25.2	30.5	31.3	30.7
<b>EBITDA</b>	<b>592</b>	<b>745</b>	<b>938</b>	<b>957</b>
YoY gr. (%)	(17.4)	943.0	19.3	16.5
Margin (%)	4.5	6.1	7.7	7.3
Depreciation / Depletion	148	170	178	165
<b>EBIT</b>	<b>444</b>	<b>575</b>	<b>760</b>	<b>792</b>
Margin (%)	3.4	4.7	6.2	6.0
Net Interest	98	76	97	86
Other Income	320	101	198	198
<b>Profit before Tax</b>	<b>667</b>	<b>600</b>	<b>862</b>	<b>904</b>
Margin (%)	5.0	4.9	7.1	6.9
Total Tax	187	155	223	232
Effective tax rate (%)	28.1	25.9	25.9	25.7
<b>Profit after Tax</b>	<b>479</b>	<b>445</b>	<b>639</b>	<b>672</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>479</b>	<b>445</b>	<b>639</b>	<b>672</b>
YoY gr. (%)	(18.7)	(791.3)	0.8	8.6
Margin (%)	3.6	3.6	5.2	5.1
Extra Ord. Income / (Exp)	(36)	-	-	-
<b>Reported PAT</b>	<b>443</b>	<b>445</b>	<b>639</b>	<b>672</b>
YoY gr. (%)	(20.9)	(791.3)	0.8	28.6
Margin (%)	3.4	3.6	5.2	5.1
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>443</b>	<b>445</b>	<b>639</b>	<b>672</b>
Avg. Shares O/s (m)	115	115	115	115
<b>EPS (Rs)</b>	<b>4.2</b>	<b>3.9</b>	<b>5.6</b>	<b>5.9</b>

Source: Company Data, PL Research

**Price Chart**
**Recommendation History**


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	06-Jan-23	Hold	1,147	1,196
2	16-Aug-22	Accumulate	1,211	1,144
3	04-Jul-22	Accumulate	1,091	1,077
4	17-May-22	Accumulate	1,091	999
5	27-Apr-22	Accumulate	1,278	1,082
6	11-Apr-22	Accumulate	1,278	1,091
7	08-Feb-22	Accumulate	1,303	1,221

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Bajaj Electricals	Hold	1,147	1,196
2	Crompton Greaves Consumer Electricals	BUY	435	338
3	Havells India	BUY	1,447	1,205
4	KEI Industries	Hold	1,572	1,508
5	Polycab India	Hold	2,750	2,761
6	Voltas	BUY	1,030	815

**PL's Recommendation Nomenclature (Absolute Performance)**

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

## **ANALYST CERTIFICATION**

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