

August 10, 2023

Q1FY24 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	1,337		1,326	
Sales (Rs. m)	54,928	62,921	61,114	71,808
% Chng.	(10.1)	(12.4)		
EBITDA (Rs. m)	4,311	5,881	5,197	6,485
% Chng.	(17.0)	(9.3)		
EPS (Rs.)	25.2	35.7	30.9	39.2
% Chng.	(18.5)	(8.9)		

Key Financials - Standalone

Y/e Mar	FY22	FY23	FY24E	FY25E
Sales (Rs. m)	47,882	48,774	54,928	62,921
EBITDA (Rs. m)	2,511	3,744	4,311	5,881
Margin (%)	5.2	7.7	7.8	9.3
PAT (Rs. m)	1,500	2,296	2,896	4,107
EPS (Rs.)	13.1	19.9	25.2	35.7
Gr. (%)	(13.0)	52.7	26.1	41.8
DPS (Rs.)	3.0	4.0	5.0	5.0
Yield (%)	0.2	0.3	0.4	0.4
RoE (%)	9.0	12.4	13.9	17.2
RoCE (%)	13.5	19.2	20.6	24.7
EV/Sales (x)	2.9	2.8	2.5	2.1
EV/EBITDA (x)	55.4	36.4	31.4	22.8
PE (x)	93.4	61.2	48.5	34.2
P/BV (x)	8.0	7.2	6.4	5.5

Key Data

BJEL.BO | BJE IN

52-W High / Low	Rs.1,328 / Rs.1,003
Sensex / Nifty	65,688 / 19,543
Market Cap	Rs.140bn / \$ 1,698m
Shares Outstanding	115m
3M Avg. Daily Value	Rs.160.74m

Shareholding Pattern (%)

Promoter's	62.85
Foreign	10.92
Domestic Institution	11.97
Public & Others	14.26
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(1.2)	2.4	5.0
Relative	(1.7)	(5.4)	(5.9)

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Soft performance in challenging environment

Quick Pointers:

- CP segment grew 2.7%, mainly with 10.1%/12.2% growth in appliances/MR.
- Lighting segment declined mainly with muted consumer lighting business.

BJE reported soft numbers with sales decline of 1.0% and PAT decline of 4.7% YoY on account of muted demand environment and unseasonal rains (impacting summer products). The scheme of EPC segment's demerger has been approved by NCLT and accordingly the segment is discontinued. Growth in CP mainly came from appliances segment (up 10.1% YoY) and contraction in margin was due to negative operating leverage and investment in growth, which will drive future growth. BJE is expected to see improvement in business from Q3FY24 with strong festive season and improvement in margin alongside growth, product mix & logistics cost saving. We estimate FY23-25E Revenue/EBITDA/PAT CAGR of 8.9%/16.2%/21.4%, excluding EPC segment. Our current estimates are not comparable to earlier estimates, as we have removed EPC business estimates in our future projection given the business demerger. We value the stock at 37x FY25 EPS (earlier on SOTP, CP business value at 35x) and arrive at TP of Rs1337 (earlier 1326). Maintain 'Accumulate' rating.

Sales decline by 1.0%, PAT decline by 4.7% YoY: Revenue decline by 1.0% YoY to Rs11.1bn, excl. EPC business. (PLe: Rs11.7bn, excl. EPC) Consumer Products/Lighting revenue grew by 2.7%/-12.5% YoY respectively. (PLe: CP segment/Lighting +5.2%/+3%). Consumer Products segment reported growth despite demand slowdown and pricing constraints. The lighting segment facing demand headwinds, resulted in revenue decline. Gross margins expanded by 80bps YoY to 29.5% driven by lighting segment with better product mix. EBITDA decline by 5.1% YoY to Rs693mn. EBITDA margin contracted by 30bps YoY to 6.2%. (PLe:6.2%) mainly with increase in overhead expenses due to demerger expenses, R&D expenses and investment in digital. Consumer Products reported contraction in EBIT margin by 20bps YoY to 5.0%, while Lighting reported expansion in EBIT margin by 10bps YoY to 8.1%. PAT came at Rs430mn (down 4.7% YoY). Net Cash balance stands at Rs4.1bn. In terms of product category, appliances grew 10.1% YoY, Fans declined 8.4% YoY and Morphy Richards grew 12.2% YoY. Reduction in overall receivables to Rs8.85bn (down 10.2% QoQ).

Con call highlights: **1)** CP segment growth was impacted due to fan segment where volume declined by 10-11%, while BJE maintain its market share. **2)** Appliance segment growth was broad based in Q1FY24, driven by healthy growth in Kitchen (mixer grinder etc), cooler and water heater segments. **3)** Lighting segment reported decline in consumer division, while professional division saw flat YoY excluding ESL order executed in Q1FY23. **4)** Mgnt expects growth in business will come from Q3FY24 with improvement in demand scenario. **5)** EBITDA margin expected to be in single digit range in FY24, however, with demand pickup, logistics saving and improvement in product portfolio will bring operating leverage and thereby lead to margin improvement. **6)** In-house manufacturing expected to improve in coming years, currently CP/Lighting at 15-20%/30% will increase to ~30%/40-45%. **7)** Planned capex for FY24 is Rs 1.5bn and capacity expansion capex will come from FY25 onwards.

Exhibit 1: Q1FY24 Result Overview: Sales decline by 1.0% YoY to Rs11.1bn; PAT decline by 4.7% at Rs430mn

Y/e March	Q1FY24	Q1FY23	YoY gr. (%)	Q4FY23	QoQ gr. (%)	FY23	FY22	YoY gr. (%)
Net Sales	11,120	11,236	(1.0)	12,951	(14.1)	48,774	47,882	1.9
Expenditure								
Operating & Manufacturing Expenses	7,837	8,004	(2.1)	9,318	(15.9)	33,838	34,133	(0.9)
<i>% of Net Sales</i>	<i>70.5</i>	<i>71.2</i>	<i>(0.8)</i>	<i>71.9</i>	<i>(1.5)</i>	<i>69.4</i>	<i>71.3</i>	<i>(1.9)</i>
Gross Profit	3,284	3,233	1.6	3,634	(9.6)	14,936	13,748	8.6
<i>% of Net Sales</i>	<i>29.5</i>	<i>28.8</i>	<i>0.8</i>	<i>28.1</i>	<i>1.5</i>	<i>30.6</i>	<i>28.7</i>	<i>1.9</i>
Personnel Cost	881	794	11.0	862	2.2	3,365	3,954	(14.9)
<i>% of Net Sales</i>	<i>7.9</i>	<i>7.1</i>	<i>0.9</i>	<i>6.7</i>	<i>1.3</i>	<i>6.9</i>	<i>8.3</i>	<i>(1.4)</i>
Other Expenses	1,709	1,709	0.0	1,999	(14.5)	7,828	7,283	7.5
<i>% of Net Sales</i>	<i>15.4</i>	<i>15.2</i>	<i>0.2</i>	<i>15.4</i>	<i>(0.1)</i>	<i>16.0</i>	<i>15.2</i>	<i>0.8</i>
Total Expenditure	10,427	10,506	(0.8)	12,180	(14.4)	45,030	45,371	(0.8)
EBITDA	693	730	(5.1)	772	(10.2)	3,744	2,511	49.1
<i>Margin (%)</i>	<i>6.2</i>	<i>6.5</i>	<i>(0.3)</i>	<i>6.0</i>	<i>0.3</i>	<i>7.7</i>	<i>5.2</i>	<i>2.4</i>
Other income	224	99	125.5	227	(1.1)	525	724	(27.5)
Depreciation	214	151	42.0	208	2.9	675	630	7.0
EBIT	703	679	3.6	790	(11.1)	3,594	2,605	38.0
Interest	115	70	65.1	119	(3.6)	430	687	(37.4)
PBT before exceptional item	588	609	(3.5)	671	(12.4)	3,165	1,918	65.0
Total Taxes	158	158		278	(43.4)	869	418	107.7
<i>ETR (%)</i>	<i>26.8</i>	<i>25.9</i>	<i>0.9</i>	<i>41.5</i>	<i>(14.7)</i>	<i>27.5</i>	<i>21.8</i>	<i>5.6</i>
Adj. PAT	430	451	(4.7)	393	9.6	2,296	1,500	53.0
Exceptional item	-	-		-		-	(132)	
PAT	430	451	(4.7)	393	9.6	2,296	1,368	67.8

Source: Company, PL

Exhibit 2: Segmental Breakup: Consumer Products sales up 2.7%; EBIT margin at 5.0%

Y/e March	Q1FY24	Q1FY23	YoY gr. (%)	Q4FY23	QoQ gr. (%)	FY23	FY22	YoY gr. (%)
Revenues								
Consumer Products	8,725	8,498	2.7	9,868	(11.6)	37,524	32,904	14.0
Lighting	2,395	2,738	(12.5)	3,054	(21.6)	11,250	10,807	4.1
Revenues	11,120	11,236	(1.0)	12,922	(13.9)	48,774	43,712	11.6
EBIT								
Consumer Products	439	444	(1.1)	702	(37.4)	2,537	2,313	9.7
<i>EBIT margin (%)</i>	<i>5.0</i>	<i>5.2</i>	<i>(0.3)</i>	<i>7.1</i>	<i>(2.1)</i>	<i>6.8</i>	<i>7.0</i>	<i>(0.3)</i>
Lighting	193	217	(11.0)	226	(14.4)	870	588	47.9
<i>EBIT margin (%)</i>	<i>8.1</i>	<i>7.9</i>	<i>0.2</i>	<i>7.4</i>	<i>0.7</i>	<i>7.7</i>	<i>5.4</i>	<i>2.3</i>
EBIT	633	662	(4.4)	928	(31.8)	3,408	2,901	17.5
<i>EBIT margin (%)</i>	<i>5.7</i>	<i>5.9</i>	<i>(0.2)</i>	<i>7.2</i>	<i>(1.5)</i>	<i>7.0</i>	<i>6.6</i>	<i>0.3</i>

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Net Revenues	47,882	48,774	54,928	62,921
YoY gr. (%)	4.7	1.9	12.6	14.6
Cost of Goods Sold	34,133	33,838	38,010	42,597
Gross Profit	13,748	14,936	16,918	20,323
Margin (%)	28.7	30.6	30.8	32.3
Employee Cost	3,954	3,365	3,845	4,404
Other Expenses	4,514	4,939	5,503	6,301
EBITDA	2,511	3,744	4,311	5,881
YoY gr. (%)	(16.7)	49.1	15.2	36.4
Margin (%)	5.2	7.7	7.8	9.3
Depreciation and Amortization	630	675	640	694
EBIT	1,881	3,069	3,671	5,187
Margin (%)	3.9	6.3	6.7	8.2
Net Interest	687	430	389	340
Other Income	724	525	620	688
Profit Before Tax	1,918	3,165	3,903	5,535
Margin (%)	4.0	6.5	7.1	8.8
Total Tax	418	869	1,007	1,428
Effective tax rate (%)	21.8	27.5	25.8	25.8
Profit after tax	1,500	2,296	2,896	4,107
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	1,500	2,296	2,896	4,107
YoY gr. (%)	(12.7)	53.0	26.1	41.8
Margin (%)	3.1	4.7	5.3	6.5
Extra Ord. Income / (Exp)	(132)	-	-	-
Reported PAT	1,368	2,296	2,896	4,107
YoY gr. (%)	(14.6)	67.8	26.1	41.8
Margin (%)	2.9	4.7	5.3	6.5
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,368	2,296	2,896	4,107
Equity Shares O/s (m)	115	115	115	115
EPS (Rs)	13.1	19.9	25.2	35.7

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Non-Current Assets				
Gross Block	9,695	11,139	10,931	11,541
Tangibles	9,579	10,823	10,515	11,025
Intangibles	116	316	416	516
Acc: Dep / Amortization	4,486	5,240	5,049	5,567
Tangibles	4,381	5,100	4,858	5,310
Intangibles	105	140	191	256
Net fixed assets	5,210	5,899	5,883	5,975
Tangibles	5,198	5,723	5,658	5,715
Intangibles	12	176	225	260
Capital Work In Progress	434	420	115	115
Goodwill	1,636	1,636	1,636	1,636
Non-Current Investments	3,451	1,991	3,376	3,610
Net Deferred tax assets	814	(54)	(55)	(57)
Other Non-Current Assets	2,363	2,843	2,848	2,888
Current Assets				
Investments	-	408	408	408
Inventories	9,760	10,496	10,269	11,763
Trade receivables	11,366	14,805	12,531	14,069
Cash & Bank Balance	1,419	3,692	4,853	5,984
Other Current Assets	3,214	4,522	3,602	4,127
Total Assets	40,015	47,148	45,959	51,032
Equity				
Equity Share Capital	230	230	230	230
Other Equity	17,217	19,380	21,816	25,347
Total Network	17,447	19,611	22,046	25,577
Non-Current Liabilities				
Long Term borrowings	118	-	-	-
Provisions	529	887	900	1,031
Other non current liabilities	618	577	585	661
Current Liabilities				
ST Debt / Current of LT Debt	240	2	-	-
Trade payables	12,240	15,603	11,976	12,254
Other current liabilities	8,822	10,414	10,397	11,452
Total Equity & Liabilities	40,015	47,148	45,959	51,032

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
PBT	1,918	3,156	3,903	5,535
Add. Depreciation	630	754	640	694
Add. Interest	687	499	389	340
Less Financial Other Income	724	525	620	688
Add. Other	6,375	926	45	159
Op. profit before WC changes	9,611	5,335	4,976	6,728
Net Changes-WC	190	739	(1,639)	(2,571)
Direct tax	(443)	(872)	(1,007)	(1,428)
Net cash from Op. activities	9,358	5,201	2,331	2,729
Capital expenditures	(49)	206	(319)	(786)
Interest / Dividend Income	410	-	-	-
Others	-	(168)	(408)	104
Net Cash from Inv. activities	361	38	(726)	(682)
Issue of share cap. / premium	143	0	-	-
Debt changes	(5,434)	(357)	(2)	-
Dividend paid	-	(345)	(460)	(576)
Interest paid	(38)	(499)	(389)	(340)
Others	-	-	-	-
Net cash from Fin. activities	(5,329)	(1,199)	(851)	(915)
Net change in cash	4,390	4,040	753	1,132
Free Cash Flow	9,309	5,408	2,012	1,943

Source: Company Data, PL Research

Key Financial Metrics

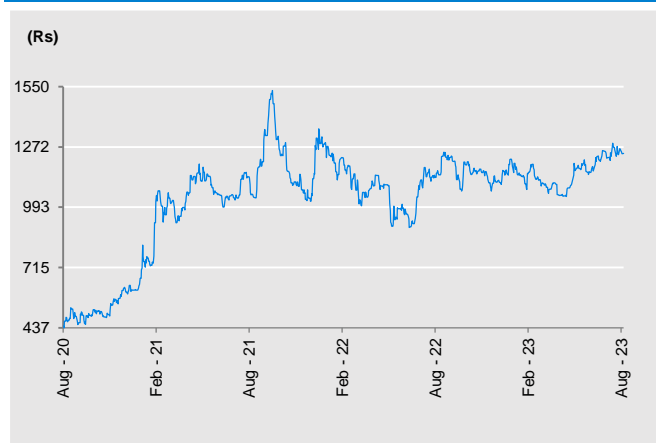
Y/e Mar	FY22	FY23	FY24E	FY25E
Per Share(Rs)				
EPS	13.1	19.9	25.2	35.7
CEPS	18.5	25.8	30.7	41.7
BVPS	151.9	170.4	191.5	222.2
FCF	81.0	47.0	17.5	16.9
DPS	3.0	4.0	5.0	5.0
Return Ratio(%)				
RoCE	13.5	19.2	20.6	24.7
ROIC	8.3	15.2	17.5	22.1
RoE	9.0	12.4	13.9	17.2
Balance Sheet				
Net Debt : Equity (x)	(0.1)	(0.2)	(0.2)	(0.2)
Net Working Capital (Days)	68	73	72	79
Valuation(x)				
PER	93.4	61.2	48.5	34.2
P/B	8.0	7.2	6.4	5.5
P/CEPS	65.8	47.3	39.7	29.3
EV/EBITDA	55.4	36.4	31.4	22.8
EV/Sales	2.9	2.8	2.5	2.1
Dividend Yield (%)	0.2	0.3	0.4	0.4

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY23	Q3FY23	Q4FY23	Q1FY24
Net Revenue	12,204	14,831	12,951	11,120
YoY gr. (%)	(5.5)	13.7	(2.1)	(1.0)
Raw Material Expenses	8,381	10,093	9,318	7,837
Gross Profit	3,822	4,738	3,634	3,284
Margin (%)	31.3	31.9	28.1	29.5
EBITDA	938	1,005	772	693
YoY gr. (%)	19.3	22.3	30.4	(5.1)
Margin (%)	7.7	6.8	6.0	6.2
Depreciation / Depletion	178	178	208	214
EBIT	760	827	564	479
Margin (%)	6.2	5.6	4.4	4.3
Net Interest	97	167	119	115
Other Income	198	194	227	224
Profit before Tax	862	854	671	588
Margin (%)	7.1	5.8	5.2	5.3
Total Tax	223	219	278	158
Effective tax rate (%)	25.9	25.7	41.5	26.8
Profit after Tax	639	635	393	430
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	639	635	393	430
YoY gr. (%)	0.8	2.7	(18.1)	(4.7)
Margin (%)	5.2	4.3	3.0	3.9
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	639	635	393	430
YoY gr. (%)	0.8	21.6	(11.4)	(4.7)
Margin (%)	5.2	4.3	3.0	3.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	639	635	393	430
Avg. Shares O/s (m)	115	115	115	115
EPS (Rs)	5.6	5.5	3.4	3.8

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	06-Jul-23	Accumulate	1,326	1,219
2	23-May-23	Accumulate	1,301	1,213
3	11-Apr-23	Accumulate	1,280	1,053
4	03-Feb-23	Accumulate	1,286	1,154
5	06-Jan-23	Hold	1,147	1,196
6	16-Aug-22	Accumulate	1,211	1,144

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Astral Ltd.	Hold	1,955	1,924
2	Bajaj Electricals	Accumulate	1,326	1,219
3	Century Plyboard (I)	BUY	800	629
4	Cera Sanitaryware	Hold	8,224	7,917
5	Crompton Greaves Consumer Electricals	BUY	338	286
6	Finolex Industries	Accumulate	197	184
7	Greenpanel Industries	BUY	459	341
8	Havells India	BUY	1,460	1,348
9	Kajaria Ceramics	Hold	1,363	1,393
10	KEI Industries	Hold	2,319	2,270
11	Polycab India	Accumulate	4,760	4,309
12	Prince Pipes and Fittings	Accumulate	718	657
13	Supreme Industries	Hold	3,377	3,382
14	Voltas	Hold	813	767

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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