

Bajaj Electricals | BUY

Muted performance; looking up for market share gain.

In Q2FY25; Bajaj Electricals (BJE) reported Rev at INR 11.2bn, flat YoY and down 3% QoQ and was in-line JMFe. ECD was at INR 8.7bn, flat YoY and down 4% QoQ. Lighting was at INR 2.5bn down 2% YoY and flat QoQ. All the above resulted in Total consumer durable 5-Year CAGR at 6%. (Havell's lighting + ECD 5-year CAGR at 11% and Orient's 5-year rev CAGR at 9%). GM was at 31.2%, up 121bps YoY and down 72bps QoQ. EBITDA was at margins at 4.6%, down 48bps YoY and 191bps QoQ vs JMFe at 6.4%. EBITDA was at INR 516mn, down 9% YoY. PAT was at INR 129mn, down 59% YoY and 54% QoQ. PAT Margin was at 1.2% vs 2.8% YoY vs. 2.4% QoQ.

- **Demand:** Rural demand which was behind urban is now been started to improve. Increase in disposable income and premiumization will drive the industry. BJE has c.30% of its revenue from rural vs. Havells at 8-10%.
- **Consumer Product was driven by Morphy Richard:** BJE has taken price hike of c.3-5% in Q1 and Q2 across its product and its NPD were also launched at premium than the industry which resulted in muted growth and market share loss in appliances. Fans de-growth was in single digit (up 9% YoY in H1) these was largely due to increasing competition in the economy ceiling fans however Premium and BLDC fans continue to grow. It's current Fans portfolio is 70% in economy and 30% in premium and expect to grow in line with industry. MR registered higher double-digit growth in Q2 and was up 20% YoY in H1; management continue to strengthen personal grooming portfolio and premium portfolio here. Appliances revenue was flat in Q2 and was up 1% in H1.
- **Increasing focus on premium lighting:** Growth in Professional lighting marginally offset by drop in Consumer lighting and it registered double digit volume growth and high single digit value growth. Lighting price eroded by 10-15% in H1 due to change in technology and hence impacting the profitability. Management expects industry to face price erosion for another 3-4 quarters. BJE is increasing its focus on commercial/professional lighting in order to improve its profitability. Professional lighting contributes 40% of portfolio.
- **Outlook and valuation: In Short term:** soft demand, BJE working on revamping portfolio, higher A&P and R&D cost will capped the performance for next 2-3 quarters. **In Long term:** Over the next 2-3 years, we expect the valuation of BJE's CP business to improve, as it is entering the second stage of the business cycle. Now BJE is focusing on product expansion, R&D (new launches), manufacturing (supply chain) branding, leveraging its distribution network, increasing share from alternate channel mix, premium products and corporate restructuring, higher focus on CP business – resulting in strong revenue visibility, with levers for margin expansion. At CMP; BJE trades at a PE of 74x/38x/28x on FY25/26/27. We now value it at 38x on Sep'26 EPS (earlier 40x on FY26) and expect revenue/earning CAGR of 12%/40% over FY24-27 + CFO of INR 1.1bn/1.4bn/1.8bn in FY25/26/FY27. With improvement in balance sheet, cash flow and de-merged B2B and B2C business, its CP business valuation will improve. Our target price is INR 1,080, up 18% from CMP and hence we maintain BUY.



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	1,080
Upside/(Downside)	17.5%
Previous Price Target	1,120
Change	-3.6%

Key Data – BJE IN

Current Market Price	INR919
Market cap (bn)	INR106.0/US\$1.3
Free Float	37%
Shares in issue (mn)	102.0
Diluted share (mn)	115.1
3-mon avg daily val (mn)	INR81.7/US\$1.0
52-week range	1,120/820
Sensex/Nifty	79,542/24,199
INR/US\$	84.4

Price Performance

%	1M	6M	12M
Absolute	0.7	-4.8	-9.8
Relative*	2.6	-12.0	-26.3

* To the BSE Sensex

Financial Summary					(INR mn)
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
Net Sales	48,892	46,413	49,666	57,024	64,701
Sales Growth (%)	1.6	-5.1	7.0	14.8	13.5
EBITDA	3,747	2,597	3,355	4,724	5,969
EBITDA Margin (%)	7.7	5.6	6.8	8.3	9.2
Adjusted Net Profit	2,154	1,359	1,434	2,761	3,755
Diluted EPS (INR)	18.7	11.8	12.5	24.0	32.6
Diluted EPS Growth (%)	56.2	-36.9	5.5	92.5	36.0
ROIC (%)	15.1	10.0	14.1	20.5	23.7
ROE (%)	11.8	8.1	9.7	17.1	20.2
P/E (x)	49.1	77.8	73.8	38.3	28.2
P/B (x)	5.5	7.3	7.0	6.2	5.3
EV/EBITDA (x)	24.0	35.0	27.3	19.4	15.2
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Source: Company data, JM Financial. Note: Valuations as of 07/Nov/2024

JM Financial Institutional Securities Limited

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Concall key takeaways continue

- **Channel:** Early signs of revival witnessed in GT with growth of c.4% YoY. Single-digit growth across key alternate channels – Institution (c.9%), MFR (c.7%) and E-Com (c.5%). In Q2 Trade was 55% and Alternate channel was 45% (including 20% E-commerce).
- In Lighting order intake was low in Q1 due to elections, but now order intake has been improving. It has professional lighting order book of INR 2.4bn.
- Initially NPD, brand spends, cost reduction initiatives (hiring consultancy), R&D will initially impact the margins but expect double digit margins in soon with all the above initiatives.

Exhibit 1. Change in Estimates

Consolidated (INR mn)	Actual		Revised Est.			Old Est.		% revision	
	FY24E	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	46,413	49,666	57,024	53,021	60,730	-6%	-6%		
EBITDA	2,597	3,355	4,724	4,016	5,158	-16%	-8%		
EBITDA margins	5.6%	6.8%	8.3%	7.6%	8.5%	-85bps	-22bps		
PAT	1,359	1,434	2,761	2,280	3,224	-37%	-14%		

Source: JM Financial, Company

Exhibit 2. Quarterly Performance

Consolidated (INR mn)	2QFY25	2QFY24	YoY growth	1QFY25	QoQ growth	JMFe var
Revenue	11,183	11,128	0%	11,549	-3%	-1.9%
EBITDA	516	567	-9%	754	-32%	(28.8)
EBITDA Margin (%)	4.6	5.1	-48bps	6.5	-191bps	-174bps
Interest	173	141	23%	158	10%	
Depreciation	348	269	29%	320	9%	
Other income	152	294	-48%	106	43%	
PBT	147	452	-67%	383	-62%	
Tax	18	135	(0.9)	102	-82%	
Tax rate (%)	12.4	29.8	-1747bps	26.6	-1422bps	
Adj. PAT	129	317	-59%	281	-54%	(54.4)
EPS (Rs)	1.1	2.8	-59%	2.4	-54%	(54.4)

Source: JM Financial, Company

Exhibit 3. Segment Performance

Net Revenues	2QFY25	2QFY24	YoY	1QFY25	QoQ
Consumer Durables	8,683	8,576	1.2	9,052	(4.1)
Lighting	2,501	2,553	(2.0)	2,498	0.1
Net Sales/Inc. From Ops.	11,183	11,128	0.5	11,549	(3.2)
SegmentPBIT					
Consumer Durables	89	414	(78.6)	231	(61.6)
Lighting	149	144	3.5	261	(43.0)
Total PBIT	238	558	(57.4)	492	(51.7)
(-)Interest	173	141	23.0	158	9.6
(-)Net Unall Exp	(83)	(35)	139.1	(49)	69.4
PBT	147	452	(67.4)	383	(61.6)
PBIT Margin(%)					
Consumer Durables	1.0	4.8	(380)	2.5	(153)
Lighting	6.0	5.6	32	10.5	(450)

Source: JM Financial, Company

Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Net Sales	48,892	46,413	49,666	57,024	64,701	
Sales Growth	1.6%	-5.1%	7.0%	14.8%	13.5%	
Other Operating Income	0	0	0	0	0	
Total Revenue	48,892	46,413	49,666	57,024	64,701	
Cost of Goods Sold/Op. Exp	33,626	32,608	34,071	38,833	43,932	
Personnel Cost	3,437	3,649	3,751	4,052	4,376	
Other Expenses	8,082	7,558	8,488	9,415	10,424	
EBITDA	3,747	2,597	3,355	4,724	5,969	
EBITDA Margin	7.7%	5.6%	6.8%	8.3%	9.2%	
EBITDA Growth	49.8%	-30.7%	29.2%	40.8%	26.4%	
Depn. & Amort.	738	1,096	1,376	1,393	1,413	
EBIT	3,010	1,501	1,980	3,331	4,557	
Other Income	450	865	620	800	850	
Finance Cost	436	635	700	450	400	
PBT before Excep. & Forex	3,024	1,731	1,900	3,681	5,007	
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	
PBT	3,024	1,731	1,900	3,681	5,007	
Taxes	870	372	465	920	1,252	
Extraordinary Inc./Loss(-)	0	0	0	0	0	
Assoc. Profit/Min. Int.(-)	0	0	0	0	0	
Reported Net Profit	2,154	1,359	1,434	2,761	3,755	
Adjusted Net Profit	2,154	1,359	1,434	2,761	3,755	
Net Margin	4.4%	2.9%	2.9%	4.8%	5.8%	
Diluted Share Cap. (mn)	115.1	115.1	115.1	115.1	115.1	
Diluted EPS (INR)	18.7	11.8	12.5	24.0	32.6	
Diluted EPS Growth	56.2%	-36.9%	5.5%	92.5%	36.0%	
Total Dividend + Tax	0	0	0	0	0	
Dividend Per Share (INR)	0.0	0.0	0.0	0.0	0.0	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Profit before Tax	3,024	1,731	1,900	3,681	5,007	
Depn. & Amort.	738	1,096	1,376	1,393	1,413	
Net Interest Exp. / Inc. (-)	436	635	700	450	400	
Inc (-) / Dec in WCap.	609	705	-1,704	-2,367	-2,880	
Others	-85	-603	-620	-800	-850	
Taxes Paid	-228	-25	-465	-920	-1,252	
Operating Cash Flow	4,494	3,538	1,186	1,436	1,838	
Capex	-715	-1,307	-904	-1,000	-1,000	
Free Cash Flow	3,779	2,231	282	436	838	
Inc (-) / Dec in Investments	-202	-1,303	0	0	0	
Others	37	508	620	800	850	
Investing Cash Flow	-880	-2,102	-284	-200	-150	
Inc / Dec (-) in Capital	90	51	0	0	0	
Dividend + Tax thereon	-345	-460	-691	-806	-806	
Inc / Dec (-) in Loans	-608	-293	0	0	0	
Others	-524	-624	-700	-450	-400	
Financing Cash Flow	-1,387	-1,326	-1,391	-1,256	-1,206	
Inc / Dec (-) in Cash	2,227	109	-489	-19	482	
Opening Cash Balance	1,475	2,638	2,747	2,258	2,239	
Closing Cash Balance	3,702	2,747	2,258	2,239	2,721	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Shareholders' Fund	19,072	14,413	15,157	17,112	20,061	
Share Capital	230	230	230	230	230	
Reserves & Surplus	18,842	14,183	14,927	16,882	19,831	
Preference Share Capital	0	0	0	0	0	
Minority Interest	0	0	0	0	0	
Total Loans	2	0	0	0	0	
Def. Tax Liab. / Assets (-)	54	0	0	0	0	
Total - Equity & Liab.	19,128	14,413	15,157	17,112	20,061	
Net Fixed Assets	6,820	8,435	8,009	7,616	7,203	
Gross Fixed Assets	9,909	12,408	13,358	14,358	15,358	
Intangible Assets	0	0	0	0	0	
Less: Depn. & Amort.	3,496	4,591	5,967	7,360	8,773	
Capital WIP	406	618	618	618	618	
Investments	1,763	1,708	1,708	1,708	1,708	
Current Assets	36,330	28,189	29,557	32,654	36,820	
Inventories	9,756	7,566	7,976	9,007	10,115	
Sundry Debtors	11,311	11,761	12,555	13,939	15,816	
Cash & Bank Balances	3,702	2,747	2,258	2,239	2,721	
Loans & Advances	5,745	6,069	6,769	7,469	8,169	
Other Current Assets	5,816	46	0	0	0	
Current Liab. & Prov.	25,785	23,918	24,117	24,866	25,670	
Current Liabilities	6,091	5,590	5,789	6,537	7,341	
Provisions & Others	19,693	18,328	18,328	18,328	18,328	
Net Current Assets	10,545	4,271	5,440	7,788	11,150	
Total - Assets	19,128	14,413	15,157	17,112	20,061	

Source: Company, JM Financial

Dupont Analysis		FY23A	FY24A	FY25E	FY26E	FY27E
Y/E March						
Net Margin		4.4%	2.9%	2.9%	4.8%	5.8%
Asset Turnover (x)		2.7	2.8	3.4	3.5	3.5
Leverage Factor (x)		1.0	1.0	1.0	1.0	1.0
RoE		11.8%	8.1%	9.7%	17.1%	20.2%

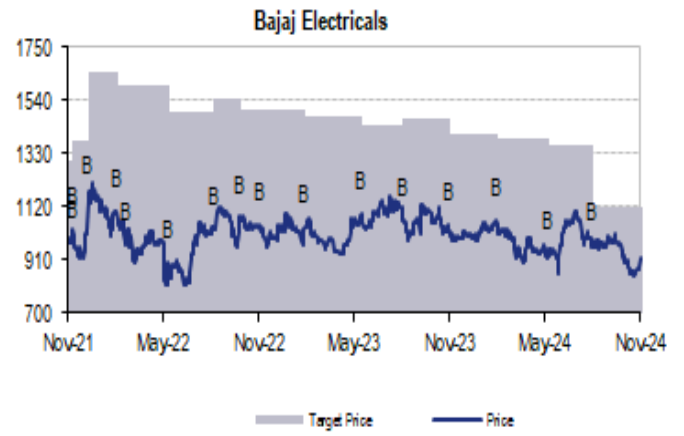
Key Ratios		FY23A	FY24A	FY25E	FY26E	FY27E
Y/E March						
BV/Share (INR)		165.7	125.2	131.7	148.7	174.3
ROIC		15.1%	10.0%	14.1%	20.5%	23.7%
ROE		11.8%	8.1%	9.7%	17.1%	20.2%
Net Debt/Equity (x)		-0.2	-0.2	-0.1	-0.1	-0.1
P/E (x)		49.1	77.8	73.8	38.3	28.2
P/B (x)		5.5	7.3	7.0	6.2	5.3
EV/EBITDA (x)		24.0	35.0	27.3	19.4	15.2
EV/Sales (x)		1.8	2.0	1.8	1.6	1.4
Debtor days		84	92	92	89	89
Inventory days		73	60	59	58	57
Creditor days		49	47	46	46	46

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
5-Feb-21	Buy	1,170	
22-Mar-21	Buy	1,230	5.1
26-May-21	Buy	1,200	-2.4
11-Aug-21	Buy	1,300	8.3
14-Nov-21	Buy	1,320	1.5
16-Nov-21	Buy	1,380	4.5
15-Dec-21	Buy	1,650	19.6
8-Feb-22	Buy	1,600	-3.0
24-Feb-22	Buy	1,600	0.0
17-May-22	Buy	1,490	-6.9
13-Aug-22	Buy	1,550	4.0
3-Oct-22	Buy	1,500	-3.2
8-Nov-22	Buy	1,500	0.0
3-Feb-23	Buy	1,480	-1.3
23-May-23	Buy	1,440	-2.7
11-Aug-23	Buy	1,470	2.1
6-Nov-23	Buy	1,410	-4.1
5-Feb-24	Buy	1,390	-1.4
15-May-24	Buy	1,360	-2.2
6-Aug-24	Buy	1,120	-17.6

Recommendation History



APPENDIX I

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