

Bajaj Electricals | BUY

Sustained weakness; Greenshoots visible?

Bajaj Electricals' (BEL) 4QFY24 performance was below our/consensus expectations, on account of a) weaker than expected demand scenario, particularly in rural segment (BEL has higher mix vs peers), b) higher extent of channel discount/schemes by industry (c500-600bps impact on sales/margins) in kitchen appliances, matched by BEL. As a result, Consumer Product (CP) segment revenue declined 7% YoY (-4% QoQ, 11% below JMFe), though Fans (c. 40% of CP) saw a single digit growth YoY. Price erosion in the LED, particularly in consumer lighting, continued to hurt growth in lighting segment as revenue declined 11% YoY (flat QoQ, 7% below JMFe). Further, adverse operating leverage led to EBITDA margin contraction of 310bps YoY to 4.2%. Management highlighted, BEL continues its strive to achieve robust profitability over medium term through a) improving product mix and sourcing in both consumer product and lighting segments (gross margin expansion), b) re-evaluating its logistics operation (margin lever of upto 200bps), and c) operating leverage. We cut FY25-26EPS to reflect delayed recovery in growth/margins amidst a hyper-competitive environment and arrive at Mar'25TP of INR 1,340 (earlier INR1370), basis 40x FY26EPS. We maintain BUY.

- 4QFY24 summary (excluding EPC):** Revenue declined by 8% YoY to INR 11.9bn (-8% YoY/-3% QoQ, 10% below JMFe) as Consumer products and Lighting solutions revenue declined by 7% YoY (-4%QoQ, 11% below JMFe) and 11% YoY (flat QoQ, 7% below JMFe) respectively due to tepid demand for appliances, LED price erosion in consumer lighting and higher base effect in professional lighting. Fans saw single digit growth both in the premium and non-premium segment. Morphy Richards continued with its single digit growth during the quarter. Consumer products EBIT margin contracted 480bps YoY (+30bps QoQ, 280 bps below JMFe) to 1.8% on account of discounting (c.600bps impact) and adverse operating leverage. EBITDA margin contracted by 310bps YoY to 4.2% (-310bps YoY, 200bps below JMFe). EBITDA declined by 47% YoY to INR 497mn (-14%QoQ, 40%/44% below JMFe/Consensus). Adj PAT fell by 66% YoY/54% QoQ to INR 183mn and was 54% below JMFe (65% below consensus).
- Weakness in consumer products continues:** Consumer product revenue declined 7% YoY, primarily on account of weakness in appliances and general trade (GT). However, fans segment saw single digit growth both in the premium and non-premium portfolio. Gross GT revenue (62% of total) declined 3% YoY while alternate channels such as Modern retail grew 17% YoY, E-com grew 25% YoY and exports grew 25% YoY respectively. Gross margin contracted by over 90bps YoY (-20bps QoQ) on account of higher discounts/schemes (discounts c. 6% across categories) to the channel and price erosion in the Lighting segment. EBITDA margin contracted 310bps YoY to 4.2% largely due to adverse operating leverage. The company didn't take any price hike during the quarter, though has announced a price increase of 3-5% in select categories w.e.f. 16th May'24 in attempt to recalibrate its pricing strategy.
- LED Price erosion continued, volume growth flat YoY:** Lighting segment revenue declined

Financial Summary	(INR mn)				
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E
Net Sales	47,882	48,774	46,413	53,271	61,321
Sales Growth (%)	4.7	1.9	-4.8	14.8	15.1
EBITDA	2,511	3,744	2,597	4,718	6,734
EBITDA Margin (%)	5.2	7.7	5.6	8.9	11.0
Adjusted Net Profit	1,500	2,276	1,359	2,437	3,908
Diluted EPS (INR)	13.0	19.8	11.8	21.2	33.9
Diluted EPS Growth (%)	12.8	51.6	-40.3	79.4	60.4
ROIC (%)	8.9	15.1	9.0	20.9	30.6
ROE (%)	9.0	12.5	8.1	17.2	27.2
P/E (x)	72.8	48.0	80.5	44.9	28.0
P/B (x)	6.3	5.7	7.6	7.8	7.4
EV/EBITDA (x)	43.0	28.2	41.0	23.1	15.9
Dividend Yield (%)	0.3	0.8	1.1	2.6	2.8

Source: Company data, JM Financial. Note:* Excluding EPC, Valuations as of 14/May/2024



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	1,360
Upside/(Downside)	43.3%
Previous Price Target	1,380
Change	-1.4%

Key Data – BJE IN

Current Market Price	INR949
Market cap (bn)	INR109.3/US\$1.3
Free Float	37%
Shares in issue (mn)	114.6
Diluted share (mn)	115.2
3-mon avg daily val (mn)	INR82.9/US\$1.0
52-week range	1,193/862
Sensex/Nifty	73,105/22,218
INR/US\$	83.5

Price Performance

%	1M	6M	12M
Absolute	-1.5	-4.3	-10.0
Relative*	-1.1	-14.0	-23.2

* To the BSE Sensex

JM Financial Research is also available on:
Bloomberg - JMFR <GO>,
Thomson Publisher & Reuters,
S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

11% YoY (flat QoQ, 7% below JMFe) on account of continued price erosions in LED and on a high base effect in professional lighting. Volume growth in lighting during the quarter was flat YoY. In lighting segment, consumer lighting contributes 35% to the sales while professional lighting contributes 65%. As per the management, price erosion is expected to bottom out over next couple of months as DoB technology led price reduction has stabilised recently. EBIT margin expanded by 110bps YoY (+20 bps QoQ, in line JMFe), mainly owing to product mix. The management is hopeful of revival in consumer demand in a couple of quarters.

- **FY24 performance:** Revenue declined 5% YoY to INR 46.4bn largely due to continued slowdown in consumer products segment and pricing erosion in the lighting segment. EBITDA margin contracted 210bps YoY to 5.6% on account of adverse operating leverage and higher discounts to the channel. The company reported net profit of INR 1.4bn, which declined 41% YoY to INR 1.4bn. During the year, company generated net cash flow from operation of INR 3.5bn vs. INR 4.5bn in FY24. Net cash stood at INR 2.7bn vs. INR 3.7bn in FY23.
- **RREP 2.0:** BJE's RREP 1.0 helped in expanding its reach in tier 2/3/rural India, where a single distributor was appointed for the entire product portfolio. However, the company has recalibrated its distribution model now to focus its reach in Urban India, given its premiumisation strategy. The company is now adopting a tactical approach in appointing non-exclusive distributor/work with wholesalers (e.g., fans) to ensure improved reach and wallet share in urban retail counters. BEL adopted the same strategy for its lighting division 18 months ago and saw positive results.
- **Cut estimates; maintain BUY:** We cut our FY25-26 estimates respectively due to delayed recovery in demand and, consequently, adverse operating leverage. We arrive at Mar'25 TP of INR 1,340 (earlier INR1,370), basis 40xMar'26EPS. We retain our faith in BEL as it a) continues to work on its long-term measures of brand building, product launch/refreshment, b) has not lost any meaningful market share and c) is more impacted due to demand environment (more external challenges) and more particularly due to one of the highest revenue mix from rural markets. **BUY. Key Risk:** Deceleration in macro recovery and heightened competitive intensity.

Key takeaways from 4QFY24 Concall:

- Demand was sluggish largely throughout the quarter; however, momentum picked up in Apr-May'24. Management highlighted, Apr'24 has witnessed double digit growth.
- Advertisement spends during the quarter and year was lower at 3%, which the company will expand to ~4%.
- Logistics: BEL has been redoing its logistics exercise as it expects to lead to cost savings of c.200 bps. To improve its logistics operation, company will also be looking to hire external consultants.
- The management has guided for capex for INR 1.2bn-1.3bn for FY25, which will majorly pertain to dyes moulds for new products. Currently, in-house manufacturing contributes 20%, which the management aims to gradually increase in the next couple of years.
- EPR during the year (FY24) was INR 90mn and expects it to be around INR 120mn in FY25.

Exhibit 1. Quarterly performance

INR mn	4Q23A	4Q24A	YoY	3Q24A	QoQ	4Q24A	Var	FY23A	FY24A	YoY
Net Sales	12,920	11,881	-8%	12,282	-3%	13,188	-10%	48,774	46,413	-5%
Cost of RM Consumed	9,016	8,399	-7%	8,664	-3%	9,350	-10%	33,650	32,608	-3%
Gross Profit	3,904	3,482	-11%	3,619	-4%	3,838	-9%	15,124	13,804	-9%
Gross Margin	30.2%	29.3%	-90 bps	29.5%	-20 bps	29.1%	20 bps	31.0%	29.7%	-130 bps
Employee Costs	881	828	-6%	958	-14%	1,004	-18%	3,365	3,649	8%
% of sales	6.8%	7.0%	20 bps	7.8%	-80 bps	7.6%	-60 bps	6.9%	7.9%	
Other Expenses	2,077	2,156	4%	2,084	3%	2,012	7%	8,015	7,558	-6%
Total Expenditure	11,974	11,383	-5%	11,706	-3%	12,366	-8%	45,030	43,816	-3%
EBITDA	946	497	-47%	576	-14%	822	-40%	3,744	2,597	-31%
EBITDA Margin	7.3%	4.2%	-310 bps	4.7%	-50 bps	6.2%	-200 bps	7.7%	5.6%	-210 bps
Depreciation	224	302	35%	295	2%	286	5%	675	1,096	
EBIT	722	195	-73%	281	-30%	536	-64%	3,069	1,501	-51%
Other Income	206	225	9%	427	-47%	179	25%	525	865	
Finance Costs	120	176	47%	204	-14%	191	-8%	430	635	48%
Forex Loss/(Gain)	0	0	NM	0	NM	0		0	0	
XO (Income)/Expenses	0	0	NM	0	NM	0		0	0	
Profit Before Tax	809	244	-70%	505	-52%	524	-53%	3,165	1,731	-45%
Tax Expense	278	-49	NM	131	NM	125	NM	869	372	
Tax Rate	34.4%	-19.9%		26.0%		23.9%		27.5%	21.5%	
Reported Net Profit	531	293	-45%	374	-22%	399	-27%	2,296	1,359	-41%
Reported EPS	4.6	2.5	-45%	3.2	-22%	3.5	-27%	19.9	11.8	
Normative Net Profit	531	183	-66%	378	-52%	399	-54%	2,374	1,298	-45%
Adjusted EPS	4.6	1.6	-66%	3.3	-52%	3.5	-55%	20.6	11.3	-45%

Source: JM Financial, Company

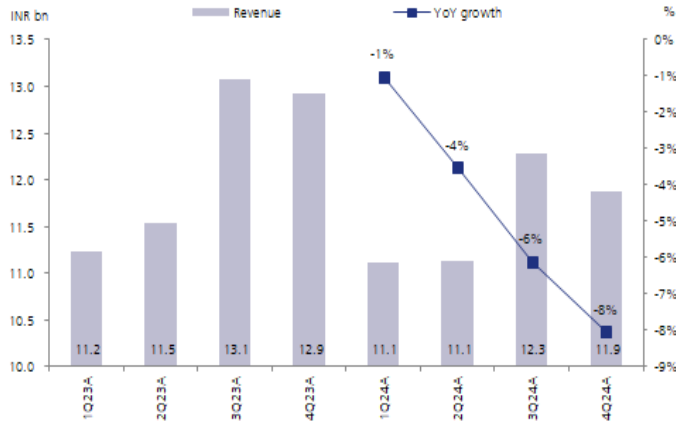
Exhibit 2. Segment performance

INR mn	4Q23A	4Q24A	YoY	3Q24A	QoQ	4Q24E	Var	FY23A	FY24A	YoY
Net Sales										
Consumer Products	9,865	9,171	-7%	9,572	-4%	10,277	-11%	37,524	36,039	-4%
Lighting Solutions	3,054	2,710	-11%	2,716	0%	2,911	-7%	11,250	10,374	-8%
Total	12,920	11,881	-8%	12,288	-3%	13,188	-10%	48,774	46,413	-5%
EBIT										
Consumer Products	651	164	-75%	138	18%	468	-65%	2,541	1,142	-55%
Lighting Solutions	228	231	1%	227	2%	250	-7%	879	796	-9%
Total	879	395	-55%	366	8%	718	-45%	3,421	1,938	-43%
EBIT Margins										
Consumer Products	6.6%	1.8%	-480 bps	1.4%	30 bps	4.6%	-280 bps	6.8%	3.2%	-360 bps
Lighting Solutions	7.5%	8.5%	110 bps	8.4%	20 bps	8.6%	0 bps	7.8%	7.7%	-10 bps
Total	6.8%	3.3%	-350 bps	3.0%	30 bps	5.4%	-210 bps	7.0%	4.2%	-280 bps
Capital Employed										
Consumer Products	7,013	7,140	2%	7,681	-7%	NA	NA	7,013	7,140	2%
Lighting Solutions	1,022	74	-93%	-100	NM	NA	NA	1,022	74	-93%
Unallocable	8,404	7,199	-14%	7,198	0%	NA	NA	8,404	7,199	-14%
Total	16,439	14,412	-12%	14,779	-2%	0	NM	16,439	14,412	-12%

Source: Company, JM Financial

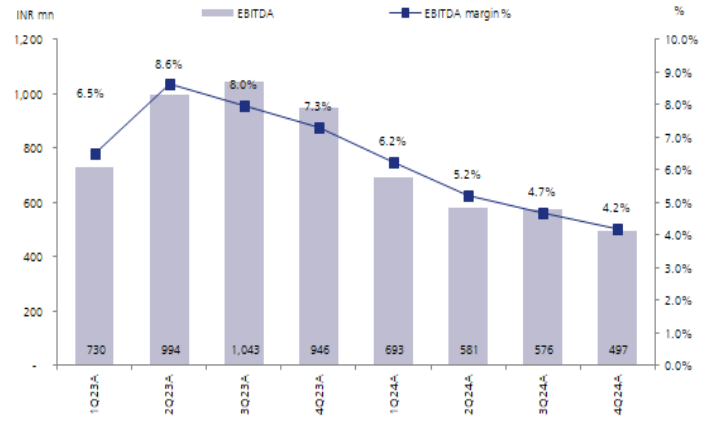
Charts

Exhibit 3. Revenue trajectory



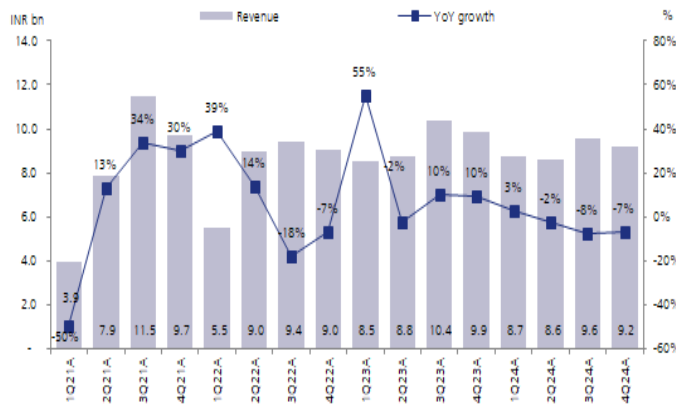
Source: Company, JM Financial

Exhibit 4. EBITDA margin



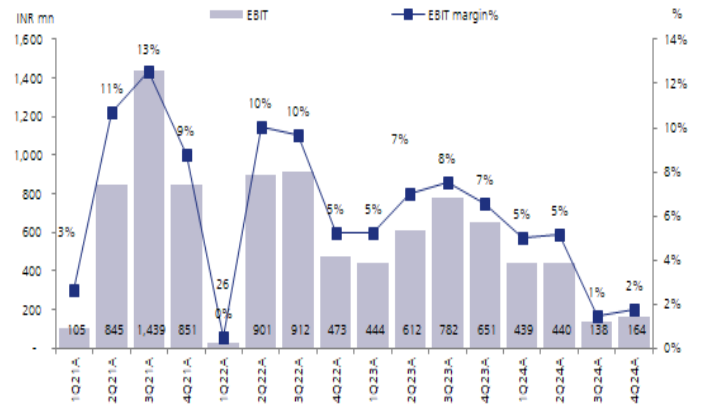
Source: Company, JM Financial

Exhibit 5. Consumer products revenue



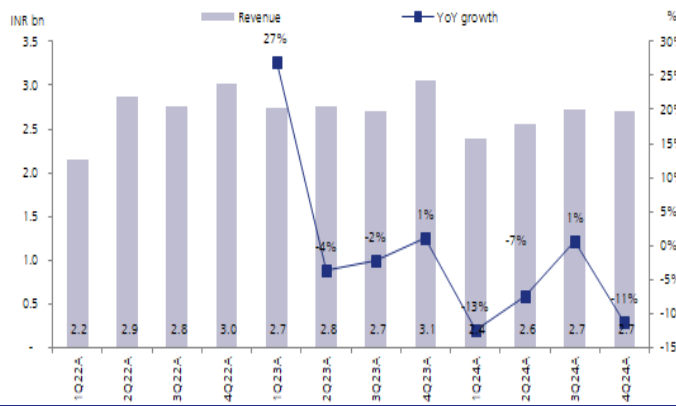
Source: Company, JM Financial

Exhibit 6. Consumer products EBIT



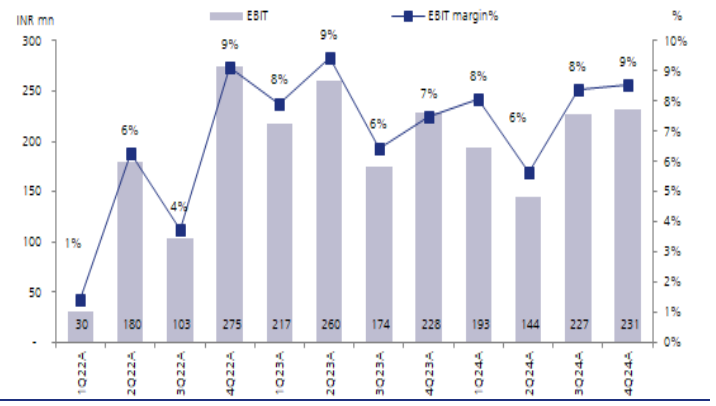
Source: Company, JM Financial

Exhibit 7. Lighting solutions revenue



Source: Company, JM Financial

Exhibit 8. Lighting solutions margins



Source: Company, JM Financial

Financial Tables (Standalone)

Income Statement		(INR mn)			
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E
Net Sales	47,882	48,774	46,413	53,271	61,321
Sales Growth	4.7%	1.9%	-4.8%	14.8%	15.1%
Other Operating Income	0	0	0	0	0
Total Revenue	47,882	48,774	46,413	53,271	61,321
Cost of Goods Sold/Op. Exp	34,134	33,650	32,608	36,917	42,189
Personnel Cost	3,954	3,365	3,649	3,868	4,100
Other Expenses	7,283	8,015	7,558	7,767	8,298
EBITDA	2,511	3,744	2,597	4,718	6,734
EBITDA Margin	5.2%	7.7%	5.6%	8.9%	11.0%
EBITDA Growth	-16.7%	49.1%	-30.6%	81.7%	42.7%
Depn. & Amort.	630	675	1,096	1,260	1,449
EBIT	1,881	3,069	1,501	3,458	5,285
Other Income	724	505	865	600	690
Finance Cost	687	430	635	800	750
PBT before Excep. & Forex	1,918	3,145	1,731	3,258	5,225
Excep. & Forex Inc./Loss(-)	0	0	0	0	0
PBT	1,918	3,145	1,731	3,258	5,225
Taxes	418	869	372	821	1,317
Extraordinary Inc./Loss(-)	-132	0	0	0	0
Assoc. Profit/Min. Int.(-)	0	0	0	0	0
Reported Net Profit	1,368	2,276	1,359	2,437	3,908
Adjusted Net Profit	1,500	2,276	1,359	2,437	3,908
Net Margin	3.1%	4.7%	2.9%	4.6%	6.4%
Diluted Share Cap. (mn)	115.0	115.1	115.2	115.2	115.2
Diluted EPS (INR)	13.0	19.8	11.8	21.2	33.9
Diluted EPS Growth	12.8%	51.6%	-40.3%	79.4%	60.4%
Total Dividend + Tax	345	921	1,152	2,880	3,110
Dividend Per Share (INR)	3.0	8.0	10.0	25.0	27.0

Source: Company, JM Financial

Cash Flow Statement		(INR mn)			
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E
Profit before Tax	1,786	3,024	1,731	3,258	5,225
Depn. & Amort.	630	738	1,096	1,260	1,449
Net Interest Exp. / Inc. (-)	558	370	79	200	60
Inc (-) / Dec in WCcap.	6,812	609	705	-2,304	874
Others	-28	-19	-47	0	0
Taxes Paid	-446	-228	-25	-821	-1,317
Operating Cash Flow	9,312	4,494	3,538	1,593	6,291
Capex	-726	-563	-1,307	-1,135	-1,135
Free Cash Flow	8,587	3,931	2,231	459	5,157
Inc (-) / Dec in Investments	0	-353	-1,304	0	0
Others	-144	37	508	600	690
Investing Cash Flow	-870	-880	-2,102	-535	-445
Inc / Dec (-) in Capital	143	90	51	0	0
Dividend + Tax thereon	0	-345	-460	-2,880	-3,110
Inc / Dec (-) in Loans	-7,957	-447	-2	0	0
Others	91	-684	-915	-800	-750
Financing Cash Flow	-7,723	-1,387	-1,326	-3,680	-3,860
Inc / Dec (-) in Cash	720	2,227	109	-2,621	1,986
Opening Cash Balance	615	1,419	3,702	2,747	125
Closing Cash Balance	1,335	3,646	3,812	125	2,112

Source: Company, JM Financial

Balance Sheet		(INR mn)			
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E
Shareholders' Fund	17,447	19,075	14,412	13,969	14,767
Share Capital	230	230	230	230	230
Reserves & Surplus	17,217	18,845	14,182	13,739	14,537
Preference Share Capital	0	0	0	0	0
Minority Interest	0	0	0	0	0
Total Loans	358	2	0	0	0
Def. Tax Liab. / Assets (-)	-814	54	-53	-53	-53
Total - Equity & Liab.	16,991	19,131	14,359	13,916	14,714
Net Fixed Assets	4,336	8,114	9,793	9,667	9,353
Gross Fixed Assets	6,577	11,045	13,603	14,738	15,872
Intangible Assets	0	0	0	0	0
Less: Depn. & Amort.	2,674	3,349	4,445	5,705	7,154
Capital WIP	434	418	635	635	635
Investments	1,795	468	350	350	350
Current Assets	33,070	41,340	28,136	26,687	31,240
Inventories	9,760	9,756	7,566	10,787	12,513
Sundry Debtors	13,577	11,311	11,761	9,084	9,220
Cash & Bank Balances	1,419	3,702	2,747	125	2,112
Loans & Advances	8,315	16,571	6,062	6,691	7,395
Other Current Assets	0	0	0	0	0
Current Liab. & Prov.	22,210	30,791	23,919	22,788	26,229
Current Liabilities	12,240	17,960	18,417	17,032	19,757
Provisions & Others	9,970	12,831	5,502	5,756	6,471
Net Current Assets	10,860	10,549	4,217	3,899	5,012
Total - Assets	16,991	19,131	14,359	13,916	14,714

Source: Company, JM Financial

Dupont Analysis

Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E
Net Margin	3.1%	4.7%	2.9%	4.6%	6.4%
Asset Turnover (x)	2.6	2.7	2.8	3.8	4.3
Leverage Factor (x)	1.1	1.0	1.0	1.0	1.0
RoE	9.0%	12.5%	8.1%	17.2%	27.2%

Key Ratios

Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E
BV/Share (INR)	151.7	165.7	125.1	121.3	128.2
ROIC	8.9%	15.1%	9.0%	20.9%	30.6%
ROE	9.0%	12.5%	8.1%	17.2%	27.2%
Net Debt/Equity (x)	-0.1	-0.2	-0.2	0.0	-0.1
P/E (x)	72.8	48.0	80.5	44.9	28.0
P/B (x)	6.3	5.7	7.6	7.8	7.4
EV/EBITDA (x)	43.0	28.2	41.0	23.1	15.9
EV/Sales (x)	2.3	2.2	2.3	2.0	1.7
Debtor days	103	85	92	62	55
Inventory days	74	73	60	74	74
Creditor days	98	146	153	128	132

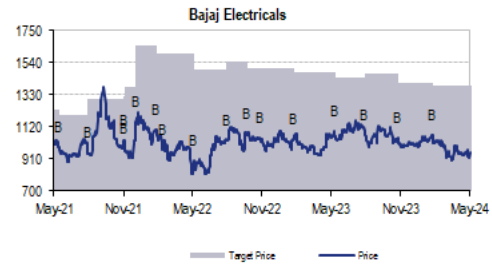
Source: Company, JM Financial

*excluding EPC. The company has classified its EPC business as 'Discontinued Operations' with effect from appointed date of 1st Apr'22.

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
6-Nov-20	Hold	530	
1-Dec-20	Hold	530	0.0
5-Feb-21	Buy	1,170	120.8
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

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

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Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Definition of ratings	
Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

Research Analyst(s) Certification

The Research Analyst(s), with respect to each issuer and its securities covered by them in this research report, certify that:

All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and

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