

December 12, 2014

**Bajaj Electricals Ltd.**

BSE Code: 500031

NSE Code: BAJAJELE

Reuters Code:

BJEL.NS

Bloomberg Code:

BJE:IN

**Bajaj Electricals Ltd, (BEL) an Indian consumer electrical equipments manufacturing company, is a part of ₹380 bn (USD 6.2 bn) Bajaj Group. BEL has diversified interests across lighting, luminaries, appliances, fans, LPG based Generators, engineering and projects (E&P) businesses. The company has 19 branch offices spread across different parts of the country with a chain of about 1000 distributors, 4000 authorised dealers, over 400,000 retail outlets with over 282 customer care centres.**

### Investor's Rationale

**Mixed performance in Topline** – BEL registered a 9.3% YoY growth in its topline to ₹10,286.3 mn in Q2FY15 against ₹9,409.2 mn in Q2FY14, driven by better performance by Engineering & Projects segment. Revenue from the Engineering & Projects segment, was at ₹3,372.90 mn in the quarter under review, up by 39.6% YoY, as against ₹2,415.90 mn in a year-ago period. Revenues from the Consumer Durables business stood at ₹4657.4 mn in Q2FY15, up by 3.70% YoY, as against at ₹4,490.90 mn in Q2FY14. While, revenue from the Lightning segment saw de-growth by 9.9% at ₹2259.50 mn in Q2FY15, as against at ₹2509.30 mn in Q2FY15.

**Profitability impacted by lower margins in consumer businesses** – BEL's has reported a net loss of ₹142.1 mn in Q2FY15 particularly impacted by lower sales and negative operating leverage, among others. Lower margins in consumer durables and lighting businesses put some pressure on profitability and are likely to continue given intensifying competition in consumer durables segment and shift from CFLs to LEDs in lighting, thus, building in higher cost pressures.

**EBITDA margin declined on lower sales volume** – BEL's consumer business has reported contraction in operating margin in Q2FY15 due to lower volumes and inability of the company to take price hikes. Increased competition across key product categories would continue to hamper margin growth. Loss of market share in certain key product categories including lighting (owing to higher demand for LEDs against CFLs) and consumer durables dragged profitability. Meanwhile, material cost grew by 41.2% YoY to ₹681.9 mn and other expenses also grew by 22.7% YoY to ₹1585.2 mn. While, employee costs grew by 21.4% at ₹710.8 mn during the quarter.

**Consumer durables and lighting segments to report strong growth** – BEL is planning to double its Bajaj World stores to 200 by the end of this financial year (FY15E). With a strong dealer network, the consumer durables (contributes 45% of revenue during the quarter) and lighting segments (contributes 22% of revenue during the quarter) will see strong growth. The central government is also taking keen interest in promoting LED lights and is emphasising on increasing its use in government offices and buildings.

### Market Data

52-week High-Low (₹)		382.8/174.2
Rise from 52WL (%)		23.5
Correction from 52WH (%)		43.8
Beta		0.8
1 year Average Volume (mn)		0.2
	3M-	(22.8)
Stock Return (%)	6M-	(32.2)
	1Y-	18.6
Market Cap (₹bn)		22.0
Book Value (₹)		70.4

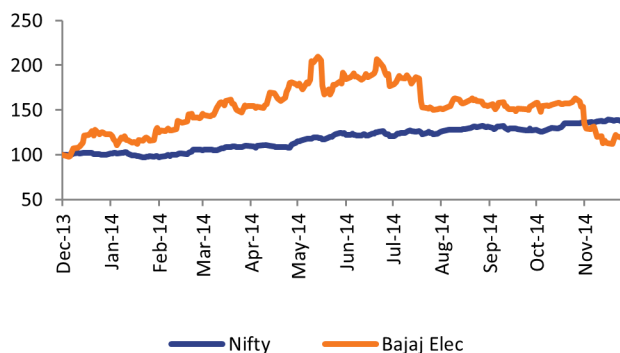
### Shareholding Pattern

	Sep'14	Jun'14	Chg.
Promoters (%)	65.6	65.9	(0.3)
FII (%)	14.0	16.3	(2.3)
DII (%)	6.0	3.9	2.1
Public & Others (%)	14.4	14.0	0.4

### Quarterly Performance (Standalone)

(₹mn)	Q2 FY'15	Q2 FY'14	Q1 FY'15	YoY Change (%)	QoQ Change (%)
Sales	10,294.9	9,409.2	8,859.6	9.2	16.0
Op. exp	10,196.6	9,440.2	8,507.6	8.0	19.9
EBITDA	98.3	(15.6)	368.5	(730.1)	(73.3)
OPM (%)	1.0	(0.2)	4.2	-	(320bps)
Net profit	(142.1)	(153.5)	56.3	7.4	(352.4)
NPM (%)	(1.4)	(1.6)	0.6	25bps	(200bps)
EPS (₹)	(1.4)	(1.5)	0.6	-6.7	-333.3

### One Year Price Chart





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