

Bajaj Electricals Ltd

BJE order book rises 50% YTD

Bajaj Electricals (BJE) has bagged large orders in the last one quarter from power distribution and transmission space. Order inflow for the company has been quite strong over the last few months as spending in power infrastructure have intensified. Order book has increased ~50% since the start of the year to Rs34bn. On the back of strong order book, the company expects to register +25% yoy revenue growth over the next two years. For the rest of the year, the company expects momentum to pick up, registering quarterly revenues of Rs3bn, Rs4bn and Rs6bn linearly. We estimate revenue from E&P business to increase from Rs11.5bn in FY14 to Rs14.4bn in FY15, Rs18.7bn in FY16 and Rs24.2bn in FY17 led by strong order book, faster execution and increased domestic infrastructure spending.

E&P business to turnaround from H2 FY15

Engineering and Projects (E&P) business performance has been below par on account of (1) aggressive bidding (2) execution slippages (3) inefficient monitoring and (4) slowdown in domestic order inflows. In FY14, BEL closed most old sites and indicated that most of the provision regarding receivables and cost escalations is already provided for in FY14. Given the closure of most of the old sites and new order book gained at a minimum threshold margin, the segment is expected to report a turnaround at EBIT level from H2 FY15. Expansion in margins would also be aided by the strong growth in revenue. We estimate EBIT margin to remain at 3% in FY15 (lower than management guidance of 5-6%) and to improve to 5.5% in FY16 and 6.5% in FY17.

Core business performance to improve

Consumer and lighting segment witnessed lower growth due to weak demand in some products and demand slowdown. The company expects most of the segments except CFL to register strong growth going forward led by expanding its product reach into semi urban markets and higher advertisement spending. BEL also plans to revamp its Morphy Richards product portfolio to boost sales with new models in the premium segment. We expect both the division performance to improve from current levels and witnesses an EBIT CAGR of 20% over FY14-17E. At the CMP, the company is trading at 12.1x FY16 earnings, quite lower than its peers Havells and V-Guard and attractive considering the strong growth in earnings.

Financial summary

Y/e 31 Mar (Rs m)	FY14	FY15E	FY16E	FY17E
Revenues	40,298	45,575	53,442	63,935
yoy growth (%)	19.0	13.1	17.3	19.6
Operating profit	818	2,700	3,997	5,218
OPM (%)	2.0	5.9	7.5	8.2
Reported PAT	(53)	1,195	2,234	3,132
yoy growth (%)	-	-	86.9	40.2
EPS (Rs)	-	12.0	22.4	31.3
P/E (x)	-	22.6	12.1	8.6
P/BV (x)	3.8	3.4	2.8	2.2
Debt/Equity (x)	0.5	0.2	0.1	0.0
ROE (%)	(0.7)	15.8	25.1	28.5
ROCE (%)	7.6	25.4	37.9	44.1

Source: Company, India Infoline Research

Rating:	BUY
Target (1-3 months):	Rs320
CMP:	Rs270
Upside:	18.5%
Exit Trigger*:	Rs249

* Exit trigger is the price level below which investor should exit position

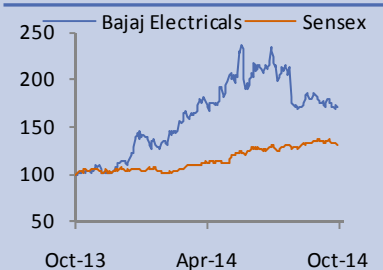
Sector:	Capital Goods
Sector view:	Neutral
Sensex:	26,247
52 Week h/l (Rs):	384 / 156
Market cap (Rscr) :	2,760
6m Avg vol ('000Nos):	332
Bloomberg code:	BJE IB
BSE code:	500031
NSE code:	BAJAJELEC
FV (Rs):	2

Prices as on October 08, 2014

Company rating grid

	Low	→			High
	1	2	3	4	5
Earnings Growth					
Cash Flow					
B/S Strength					
Valuation appeal					
Risk					

Share price trend



Share holding pattern

%	Dec-13	Mar-14	Jun-14
Promoters	66.2	66.1	65.9
Insti	18.3	18.5	20.2
Others	15.5	15.4	14.0

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IIFL Research won 3 awards at India's Best Market Analyst Awards 2013 by Zee Business for Banking, Oil & Gas and Pharma.

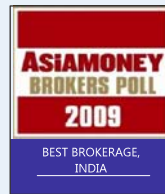
'Best Equity Broker of the Year' – Bloomberg UTV, 2011

IIFL was awarded the 'Best Equity Broker of the Year' at the recently held Bloomberg UTV Financial Leadership Award, 2011. The award presented by the Hon'ble Finance Minister of India, Shri Pranab Mukherjee. The Bloomberg UTV Financial Leadership Awards acknowledge the extraordinary contribution of India's financial leaders and visionaries from January 2010 to January 2011.

'Best Broker in India' – Finance Asia, 2011

IIFL has been awarded the 'Best Broker in India' by Finance Asia. The award is the result of Finance Asia's annual quest for the best financial services firms across Asia, which culminated in the Country Awards 2011.

Other awards



An Express Idea is a recommendation based on our view on the sector and / or stock from a near to medium term perspective, typically less than three months. The view can be based on fundamentals and / or technical parameters for the stock and / or our view on the sector on the whole.

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