

## Bajaj Electricals

### Margin expansion likely to be the key driver of earnings growth

BJE's Q4FY25 sales grew 7% YoY to Rs12.7bn (4% below CentE of Rs13.2bn). Consumer Products sales grew 8% YoY to Rs9.9bn led by Morphy Richards and domestic appliances. Lighting sales was flat YoY at Rs2.7 as single digit B2C growth was offset by B2B sales decline. GT channel sustained 6% YoY growth due to continuation in trade revival while growth in alternate channel was healthy (exports +49%, MFR +25% and GoI +13%). Alternate channel forms 40-45% of total sales, and is at par with GT in margins. Gross margin rose 270bps YoY to 31.1% while EBITDA margin rose 310bps YoY to 7.3% (CentE of 5.1%) driven by price hikes, VAVE initiatives and premiumization. Excluding one-time gain (Rs213mn towards immovable property sale, net-off VRS expense), adjusted PAT was at Rs430mn (CentE Rs231mn). Under the new MD, BJE's focus areas are (1) growth initiatives, (2) cost leadership through VAVE scheme (2-3% savings per annum), (3) investment in brand building with focus on topline and market share gains and (4) lighting business scale-up. It will continue to tame inflation through price hikes and premiumization. We marginally tweak our EPS for FY26E/27E by 1%/2% with a revised target price of Rs675 (Rs660 earlier) based on 35x FY27E EPS. Post the recent correction in stock price, our rating stands upgraded to ADD (from SELL).

#### Consumer Products: Morphy Richards & domestic appliances posts healthy growth

Consumer Products sales grew 8% YoY to Rs9.9bn and was driven by healthy double digit value growth in MR and domestic appliances. Air coolers clocked strong double digit growth while fans grew in low single digit. Kitchen appliances continued to witness industry-wide slowdown. Except for fans, penetration levels of other product categories are relatively lower. For fans, BJE has developed a new GTM structure and plans to launch new SKUs in the premium segment. 'Nex' brand scale was lower than expectation while BJE has introduced air coolers (in addition to fans) under the 'Nex' brand. EBIT margin remained soft at 3.9%, albeit up 210bps YoY on a low base. BJE aims for double digit EBITDA margin in 3 years while FY26 margin aim is at 6%.

#### Lighting: Healthy B2C sales were offset by B2B de-growth

Lighting sales were flat YoY at Rs2.7bn. Consumer lighting witnessed single digit growth (double digit value growth seen in general trade) but was offset by de-growth in Professional Lighting. Price erosion has bottomed-out in two categories of lamps while it is couple of quarters away for street lights. EBIT margin fell 70bps YoY to 7.8% due to operating de-leverage. BJE will continue to invest in brand building to gain market share.

**Other KTAs:** (1) FY25 OCF was flat YoY at Rs3.5bn. (2) Ex-cash NWC rose to 31 days (vs. 12 YoY). (3) FY25 EPR cost at Rs90mn, flat YoY (FY26E at Rs180mn). (4) FY26 capex at Rs1bn. Plans to set up a new factory with capex of Rs3bn-Rs3.5bn post approvals.

#### Upgrade to ADD with a revised target price of Rs675

We expect BJE to post 10% revenue CAGR while margin expansion will drive 29% EPS CAGR over FY25-27E. Operating margin expansion will be led by cost saving initiatives, pricing and premiumization. Upgrade to ADD with revised target price of Rs675 (Rs660 earlier) based on 35x FY27E EPS.

### Financial and valuation summary

YE Mar (Rs mn)	4QFY25A	4QFY24A	YoY (%)	3QFY25A	QoQ (%)	FY25A	FY26E	FY27E
Revenues	12,655	11,881	6.5	12,897	(1.9)	48,284	52,528	58,416
EBITDA	930	497	87.0	874	6.4	3,075	4,070	5,037
EBITDA margin (%)	7.3	4.2		6.8	6.4	7.7		8.6
Adj. Net profit	590	293	101.5	334	77.0	1,334	1,559	2,219
Adj. EPS (Rs)	5.1	2.5	101.2	2.9	76.9	11.6	13.5	19.2
EPS growth (%)						(1.9)	16.9	42.3
PE (x)						53.0	45.4	31.9
EV/EBITDA (x)						22.6	17.3	13.8
PBV (x)						4.1	3.9	3.6
RoE (%)						8.4	8.8	11.6
RoCE (%)						10.8	12.0	14.9

Source: Company, Centrum Broking

Please see Disclaimer for analyst certifications and all other important disclosures.

### Result Update

#### India I Consumer Electricals

12 May, 2025

### ADD

Price: Rs614

Target Price: Rs675

Forecast return: 10%

Institutional Research

### Market Data

Bloomberg:	BJE IN
52 week H/L:	1,120/488
Market cap:	Rs70.8bn
Shares Outstanding:	115.3mn
Free float:	37.5%
Avg. daily vol. 3mth:	1,24,420
Source:	Bloomberg

### Changes in the report

Rating:	ADD; Upgrade from SELL
Target price:	Rs675; up 2.3%
EPS:	FY26E: Rs13.5; down 0.9% FY27E: Rs19.2; up 2.3%

Source: Centrum Broking

### Shareholding pattern

	Mar-25	Dec-24	Sep-24	Jun-24
Promoter	62.7	62.7	62.8	62.8
FII	7.8	7.8	8.2	7.9
DII	15.8	15.9	15.6	14.8
Public/other	13.7	13.6	13.4	14.5

Source: BSE

### Centrum estimates vs Actual results

YE Mar (Rs mn)	Centrum Q4FY25	Actual Q4FY25	Variance (%)
Revenue	13,202	12,655	(4.1)
EBITDA	669	930	39.1
EBITDA margin (%)	5.1	7.3	220bps
PAT	231	590	155.4
EPS	2.0	5.1	155.3

Source: Centrum Broking



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Consumer Electricals

## Thesis Snapshot

### Estimate revision

YE Mar (Rs mn)	FY26E New	FY26E Old	% chg	FY27E New	FY27E Old	% chg
Revenue	52,528	54,666	(3.9)	58,416	62,644	(6.7)
EBITDA	4,070	3,658	11.3	5,037	4,457	13.0
EBITDA margin (%)	7.7	6.7		8.6	7.1	
Adj. PAT	1,559	1,572	(0.8)	2,219	2,168	2.4
Diluted EPS (Rs)	13.5	13.6	(0.9)	19.2	18.8	2.3

Source: Centrum Broking.

### Bajaj Electricals versus NIFTY Midcap 100

	1m	6m	1 year
BJE IN	19.7	(26.9)	(34.2)
NIFTY Midcap 100	9.7	3.0	11.4

Source: Bloomberg, NSE

### Key assumptions

Y/E Mar	FY26E	FY27E
Consumer Products revenue growth (%)	9.0	11.0
Consumer Products EBIT Margin (%)	5.0	6.3
Lighting revenue growth (%)	8.0	12.0
Lighting EBIT Margin (%)	7.0	7.3

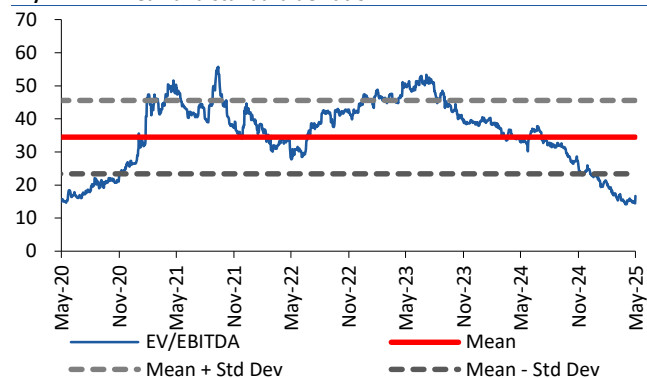
Source: Centrum Broking

### Valuations

We value BJE at 35x FY27E EPS and arrive at the target price of Rs675.

Valuations	Rs/share
FY27 EPS	19.2
PE (X)	35
Target price per share	675

### EV/EBITDA mean and standard deviation



Source: Bloomberg, Centrum Broking

## Key concall takeaways

### Financial & business overview

- New MD's focus is on growth initiatives, cost leadership through VAVE program, investing in brand building and scale up in lighting business. No intentions of changing the company level strategies but there could be some minor tweaking.
- Focus is on improving top-line and market share while continuing to invest in brand and advertising
- Incorporated wholly owned subsidiary in UAE for international operations
- Logistics cost reduced by 100bps over the past year. Open to take external help to reduce it further.
- Nasik plant VRS exercise is over. Out of 170 workers, 115 workers opted for VRS.
- As spend as % of sales remained flat YoY in Q4. Ad-spend is 3% of sales in FY25. Target for FY26 is 3.5%-4%.
- Operating leverage and control over unproductive cost has led to lower other expenses
- MFI demand issue continues. It will continue till RBI eases liquidity norms.
- Alternate channel formed 40-45% of sales. Growth was led by Modern format retail. E-commerce did not do well. This share in future can go up to 55-60%. There is no margin difference in general trade and alternate channel.
- In future, 2-3% savings will come from VAVE initiatives and 2-3% from price hikes.
- Normal capex for FY26 at Rs1bn. Planning to set up a factory with capex of Rs3bn-Rs3.5bn, subject to approvals.
- Rise in depreciation is due to commissioning of moulds.
- Premiumization and price increase will continue to mitigate inflation.
- Gross margin levers are VAVE exercise, price increase and premiumization. BJE is far behind industry in premiumization share and would like to come at par with industry.
- EPR for FY25 was Rs90mn, same as last year. In FY26, it will be Rs180mn. It depends on the sales done seven years back.

### Consumer Products

- Revenue driven by double digit growth in appliances and Morphy Richards.
- Fans low single digit growth, air coolers strong double digit growth, kitchen appliances remains impacted industry-wide
- Morphy Richards grew in high double digits
- Except fans, most of the category's penetration levels are low.
- GTM – formed a new structure for fans business. Plans to launch new SKUs in premium segment.
- 'Nex' brand scale up is slower than expected. After fans, even coolers have been introduced under 'Nex' brand. Branding is now Nex – a Bajaj brand as consumer research found that Bajaj umbrella will be comforting for consumers.
- Aiming for double digit EBITDA margin in 3 years. FY26 aim is 6% margin.

### Lighting

- Professional lighting order book at Rs 4.4bn.
- In Q4, BJE could drive both volume and value growth.
- Price erosion has bottomed out in two categories of lamps while it is couple of quarters away for street lights.
- Consumer lighting saw double digit value growth in general trade in Q4.

## Quarterly performance trend

### Exhibit 1: Quarterly Financial Snapshot

Y/E March (Rs mn)	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	YoY (%)	QoQ (%)
<b>Revenue</b>	<b>11,121</b>	<b>11,128</b>	<b>12,282</b>	<b>11,881</b>	<b>11,549</b>	<b>11,183</b>	<b>12,897</b>	<b>12,655</b>	<b>6.5</b>	<b>(1.9)</b>
Direct Costs	7,827	7,824	8,710	8,510	7,958	7,783	8,880	8,720	2.5	(1.8)
<b>Gross Profit</b>	<b>3,295</b>	<b>3,304</b>	<b>3,572</b>	<b>3,371</b>	<b>3,591</b>	<b>3,400</b>	<b>4,017</b>	<b>3,935</b>	<b>16.7</b>	<b>(2.0)</b>
Staff Cost	900	963	958	828	932	923	995	950	14.6	(4.5)
Other Expenses	1,719	1,775	2,037	2,045	1,905	1,961	2,148	2,056	0.5	(4.3)
<b>Total Expenditure</b>	<b>10,445</b>	<b>10,562</b>	<b>11,706</b>	<b>11,383</b>	<b>10,795</b>	<b>10,667</b>	<b>12,023</b>	<b>11,725</b>	<b>3.0</b>	<b>(2.5)</b>
<b>EBITDA</b>	<b>676</b>	<b>567</b>	<b>576</b>	<b>497</b>	<b>754</b>	<b>516</b>	<b>874</b>	<b>930</b>	<b>87.0</b>	<b>6.4</b>
Depreciation	230	269	295	302	320	348	361	412	36.6	14.3
<b>EBIT</b>	<b>446</b>	<b>298</b>	<b>281</b>	<b>196</b>	<b>435</b>	<b>168</b>	<b>513</b>	<b>518</b>	<b>164.8</b>	<b>0.8</b>
Interest	115	141	204	176	158	173	187	181	2.9	(3.4)
Other Income	199	294	427	225	106	152	128	162	(28.0)	26.5
Exceptional item	-	-	-	-	-	-	-	214	NA	NA
<b>PBT</b>	<b>530</b>	<b>452</b>	<b>505</b>	<b>245</b>	<b>383</b>	<b>147</b>	<b>454</b>	<b>712</b>	<b>191.4</b>	<b>56.9</b>
Tax	155	135	131	(49)	102	18	121	122	NA	1.2
<b>PAT</b>	<b>375</b>	<b>317</b>	<b>374</b>	<b>293</b>	<b>281</b>	<b>129</b>	<b>334</b>	<b>590</b>	<b>101.5</b>	<b>77.0</b>
EPS (Rs/share)	3.3	2.8	3.2	2.5	2.4	1.1	2.9	5.1	101.2	76.9
<b>As a % of revenue</b>										
Direct Costs	70.4	70.3	70.9	71.6	68.9	69.6	68.9	68.9		
Gross Margin	29.6	29.7	29.1	28.4	31.1	30.4	31.1	31.1		
Staff Cost	8.1	8.7	7.8	7.0	8.1	8.3	7.7	7.5		
Other expenses	15.5	15.9	16.6	17.2	16.5	17.5	16.7	16.2		
EBITDA Margin	6.1	5.1	4.7	4.2	6.5	4.6	6.8	7.3		
PAT Margin	3.4	2.8	3.0	2.5	2.4	1.2	2.6	4.7		
Tax rate	29.2	29.8	26.0	(19.9)	26.6	12.4	26.6	17.1		

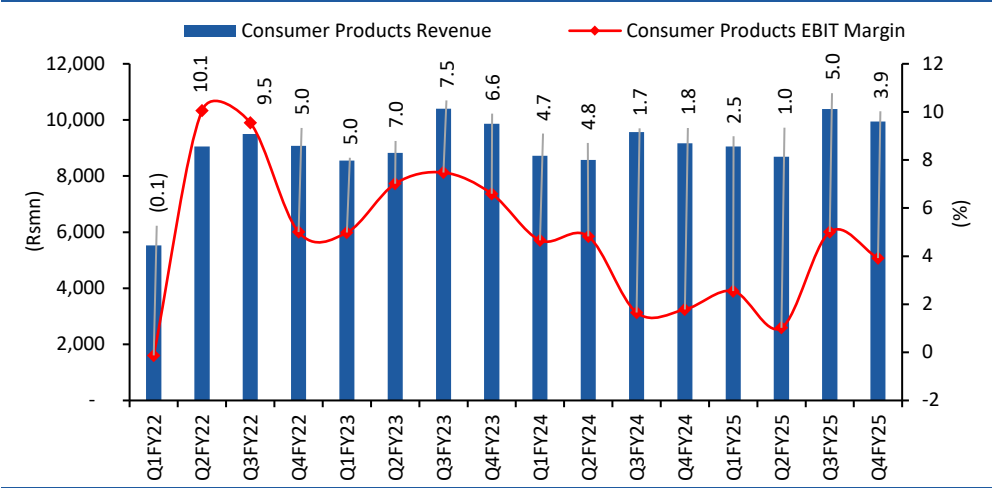
Source: Company Data, Centrum Broking

### Exhibit 2: Quarterly Segmental Snapshot

Y/E March	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	YoY (%)	QoQ (%)
<b>Revenue (Rs mn)</b>										
Consumer Products	8,726	8,576	9,567	9,171	9,052	8,683	10,385	9,940	8.4	(4.3)
Lighting solutions	2,395	2,553	2,716	2,710	2,498	2,501	2,513	2,715	0.2	8.0
<b>Total</b>	<b>11,121</b>	<b>11,128</b>	<b>12,282</b>	<b>11,881</b>	<b>11,549</b>	<b>11,183</b>	<b>12,897</b>	<b>12,655</b>	<b>6.5</b>	<b>(1.9)</b>
<b>Revenue mix (%)</b>										
Consumer Products	78.5	77.1	77.9	77.2	78.4	77.6	80.5	78.5		
Lighting solutions	21.5	22.9	22.1	22.8	21.6	22.4	19.5	21.5		
<b>EBIT (Rs mn)</b>										
Consumer Products	407	414	159	164	231	89	520	390	138.4	(25.0)
Lighting solutions	193	144	227	231	261	149	53	212	(8.3)	301.9
<b>Total</b>	<b>600</b>	<b>558</b>	<b>386</b>	<b>395</b>	<b>492</b>	<b>238</b>	<b>573</b>	<b>602</b>	<b>52.4</b>	<b>5.1</b>
<b>EBIT margin (%)</b>										
Consumer Products	4.7	4.8	1.7	1.8	2.5	1.0	5.0	3.9		
Lighting solutions	8.1	5.6	8.4	8.5	10.5	6.0	2.1	7.8		
<b>Total</b>	<b>5.4</b>	<b>5.0</b>	<b>3.1</b>	<b>3.3</b>	<b>4.3</b>	<b>2.1</b>	<b>4.4</b>	<b>4.8</b>		

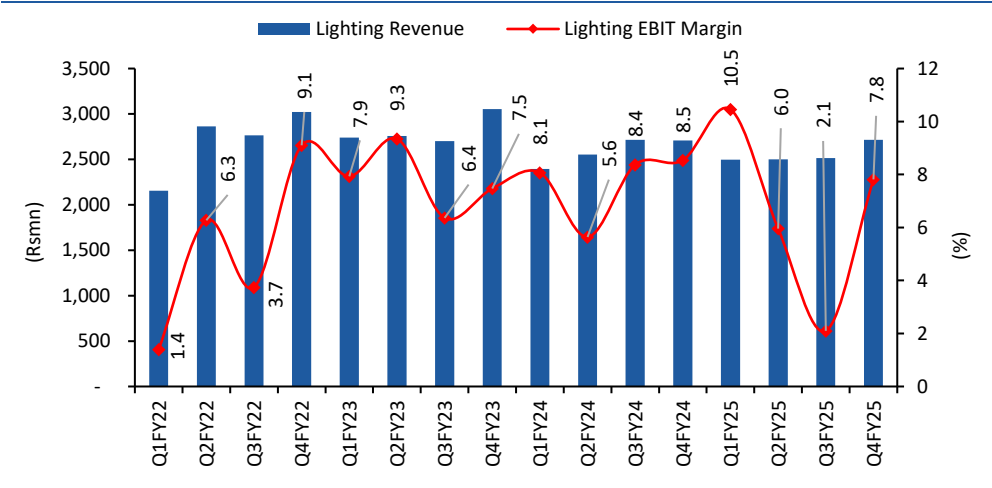
Source: Company Data, Centrum Broking

Exhibit 3: Consumer Products and EBIT margin trend



Source: Company Data, Centrum Broking.

Exhibit 4: Lighting revenue and EBIT margin trend



Source: Company Data, Centrum Broking.

P&L					
YE Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
<b>Revenues</b>	<b>48,892</b>	<b>46,413</b>	<b>48,284</b>	<b>52,528</b>	<b>58,416</b>
Operating Expense	33,815	32,871	33,341	36,139	40,132
Employee cost	3,437	3,649	3,800	3,992	4,323
Others	7,893	7,296	8,069	8,327	8,924
<b>EBITDA</b>	<b>3,748</b>	<b>2,597</b>	<b>3,075</b>	<b>4,070</b>	<b>5,037</b>
Depreciation & Amortisation	738	1,096	1,441	1,661	1,737
<b>EBIT</b>	<b>3,010</b>	<b>1,501</b>	<b>1,634</b>	<b>2,409</b>	<b>3,300</b>
Interest expenses	436	635	699	768	845
Other income	450	865	548	438	504
<b>PBT</b>	<b>3,024</b>	<b>1,731</b>	<b>1,697</b>	<b>2,079</b>	<b>2,959</b>
Taxes	870	372	363	520	740
Effective tax rate (%)	28.8	21.5	21.4	25.0	25.0
<b>PAT</b>	<b>2,154</b>	<b>1,359</b>	<b>1,334</b>	<b>1,559</b>	<b>2,219</b>
Minority/Associates	0	0	0	0	0
<b>Recurring PAT</b>	<b>2,154</b>	<b>1,359</b>	<b>1,334</b>	<b>1,559</b>	<b>2,219</b>
Extraordinary items	0	0	0	0	0
<b>Reported PAT</b>	<b>2,154</b>	<b>1,359</b>	<b>1,334</b>	<b>1,559</b>	<b>2,219</b>
Ratios					
YE Mar	FY23A	FY24A	FY25A	FY26E	FY27E
<b>Growth (%)</b>					
Revenue	2.1	(5.1)	4.0	8.8	11.2
EBITDA	49.2	(30.7)	18.4	32.4	23.8
Adj. EPS	57.2	(37.0)	(1.9)	16.9	42.3
<b>Margins (%)</b>					
Gross	30.8	29.2	30.9	31.2	31.3
EBITDA	7.7	5.6	6.4	7.7	8.6
EBIT	6.2	3.2	3.4	4.6	5.6
Adjusted PAT	4.4	2.9	2.7	3.0	3.8
<b>Returns (%)</b>					
ROE	11.8	8.1	8.4	8.8	11.6
ROCE	13.4	11.1	10.8	12.0	14.9
ROIC	15.2	10.0	11.6	13.8	17.2
<b>Turnover (days)</b>					
Gross block turnover ratio (x)	7.2	5.4	4.7	4.7	3.9
Debtors	93	91	94	94	91
Inventory	105	96	81	75	73
Creditors	163	202	205	199	192
Net working capital	79	33	40	35	40
<b>Solvency (x)</b>					
Net debt-equity	(0.2)	(0.2)	(0.1)	0.0	(0.1)
Interest coverage ratio	8.6	4.1	4.4	5.3	6.0
Net debt/EBITDA	(1.0)	(1.1)	(0.4)	(0.1)	(0.2)
<b>Per share (Rs)</b>					
Adjusted EPS	18.7	11.8	11.6	13.5	19.2
BVPS	165.7	125.1	149.6	159.1	172.3
CEPS	25.1	21.3	24.1	27.9	34.3
DPS	4.0	3.0	3.0	4.0	6.0
Dividend payout (%)	21.4	25.4	25.9	29.6	31.2
<b>Valuation (x)</b>					
P/E	32.7	52.0	53.0	45.4	31.9
P/BV	3.7	4.9	4.1	3.9	3.6
EV/EBITDA	17.9	26.2	22.6	17.3	13.8
Dividend yield (%)	0.7	0.5	0.5	0.7	1.0

Source: Company, Centrum Broking

Balance sheet					
YE Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
Equity share capital	230	230	231	231	231
Reserves & surplus	18,842	14,182	17,021	18,118	19,645
Shareholders fund	19,072	14,412	17,251	18,349	19,876
Minority Interest	0	0	0	0	0
Total debt	2	0	0	0	0
Non Current Liabilities	0	0	0	0	0
Def tax liab. (net)	0	0	0	0	0
<b>Total liabilities</b>	<b>19,074</b>	<b>14,412</b>	<b>17,251</b>	<b>18,349</b>	<b>19,876</b>
Gross block	6,788	8,523	10,167	11,260	15,060
Less: acc. Depreciation	(2,480)	(2,777)	(4,218)	(5,879)	(7,616)
Net block	4,308	5,746	5,949	5,381	7,444
Capital WIP	406	618	92	2,000	50
Net fixed assets	6,820	8,435	8,064	9,404	9,517
Non Current Assets	0	0	0	0	0
Investments	1,763	1,708	3,895	3,895	3,895
Inventories	9,756	7,566	7,174	7,624	8,356
Sundry debtors	11,311	11,761	13,013	13,959	15,204
Cash & Cash Equivalents	3,702	2,747	1,206	472	1,195
Loans & advances	365	508	693	788	876
Other current assets	16,211	5,554	8,108	8,930	9,931
Trade payables	17,960	18,417	19,125	20,297	21,990
Other current liab.	12,182	4,882	5,161	5,778	6,426
Provisions	657	620	654	687	721
Net current assets	10,545	4,216	5,253	5,011	6,425
<b>Total assets</b>	<b>19,074</b>	<b>14,412</b>	<b>17,251</b>	<b>18,349</b>	<b>19,876</b>

Cashflow					
YE Mar (Rs mn)	FY23A	FY24A	FY25A	FY26E	FY27E
Profit Before Tax	3,024	1,731	1,697	2,079	2,959
Depreciation & Amortisation	738	1,096	1,441	1,661	1,737
Net Interest	436	635	699	768	845
Net Change – WC	962	5,373	(2,578)	(491)	(692)
Direct taxes	(870)	(372)	(363)	(520)	(740)
<b>Net cash from operations</b>	<b>4,291</b>	<b>8,463</b>	<b>896</b>	<b>3,497</b>	<b>4,110</b>
Capital expenditure	519	(2,746)	(1,118)	(3,000)	(1,850)
Acquisitions, net	0	0	0	0	0
Investments	32	55	(2,187)	0	0
Others	0	0	0	0	0
<b>Net cash from investing</b>	<b>552</b>	<b>(2,691)</b>	<b>(3,305)</b>	<b>(3,000)</b>	<b>(1,850)</b>
<b>FCF</b>	<b>4,843</b>	<b>5,772</b>	<b>(2,409)</b>	<b>497</b>	<b>2,260</b>
Issue of share capital	1	0	0	0	0
Increase/(decrease) in debt	(357)	(2)	0	0	0
Dividend paid	(460)	(346)	(346)	(461)	(692)
Interest paid	(436)	(635)	(699)	(768)	(845)
Others	(1,306)	(5,745)	1,912	0	0
<b>Net cash from financing</b>	<b>(2,559)</b>	<b>(6,727)</b>	<b>868</b>	<b>(1,230)</b>	<b>(1,537)</b>
Net change in Cash	2,284	(956)	(1,541)	(733)	722

Source: Company, Centrum Broking

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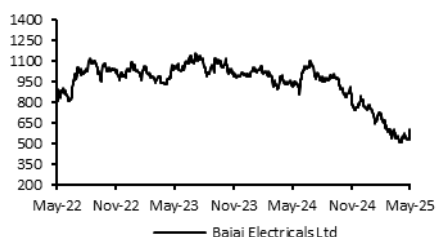
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#### Bajaj Electricals



Source: Bloomberg



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