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BULLS EYE REPORTS ON BAJAJ ELECTRICALS



Prepared By: Mentos Capital



Research Report on Bajaj Electricals Ltd

Executive Summary:

MARKET CAP (RS CR)	2500.19	INDUSTRY P/E	47.2
P/E	3100	EPS (TTM)	0.08
BOOK VALUE (RS)	67.34	P/C	84.07
DIV (%)	0.75	PRICE/BOOK	3.68
MARKET LOT	1	DIV YIELD.(%)	0.006
Recommendation: Buy		FACE VALUE (RS)	2
CMP	246	Target : 700	Time Frame: 3 yrs

Shareholding Pattern

Indian Promoters	66%
Foreign collaborators	0%
Indian inst/Mut Fund	4%
FII's	16%
ADR/GDR	0%
Free float	14%
Total	100%
Shareholders	17,979
Pledged promoter(s) holding	0%

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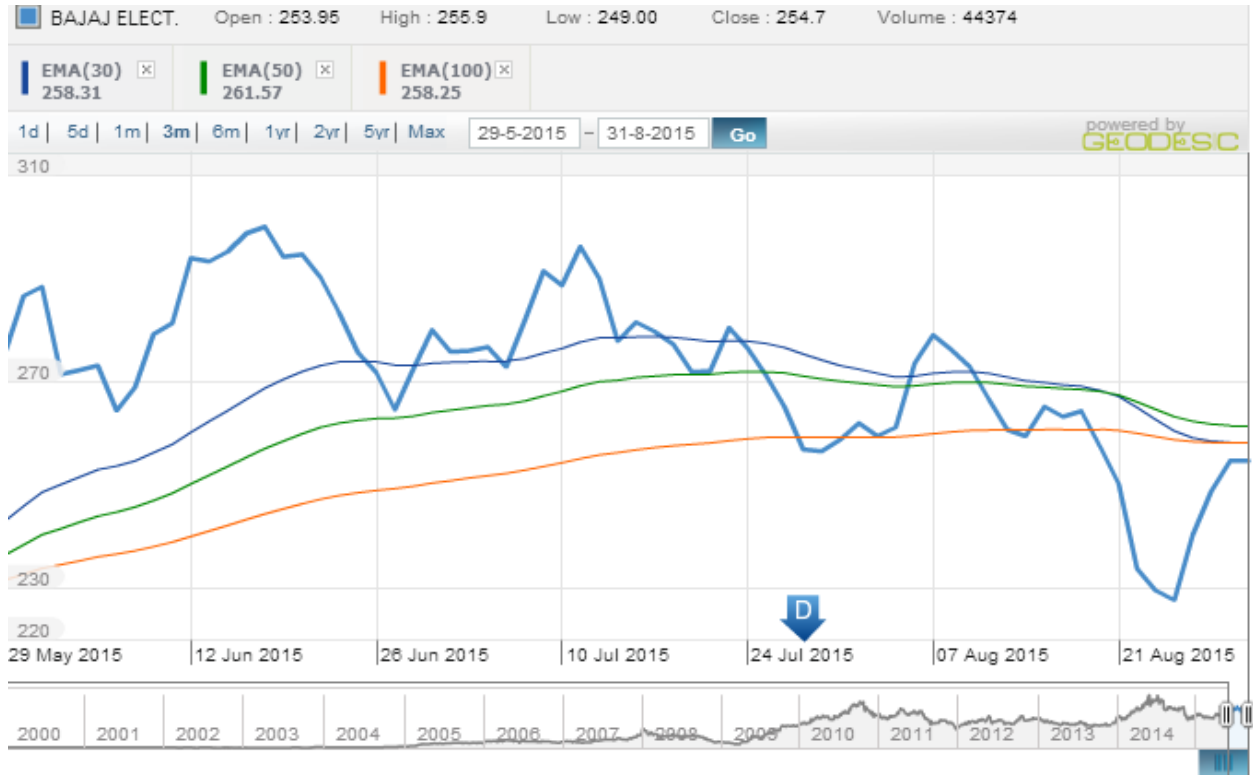
Business Profile



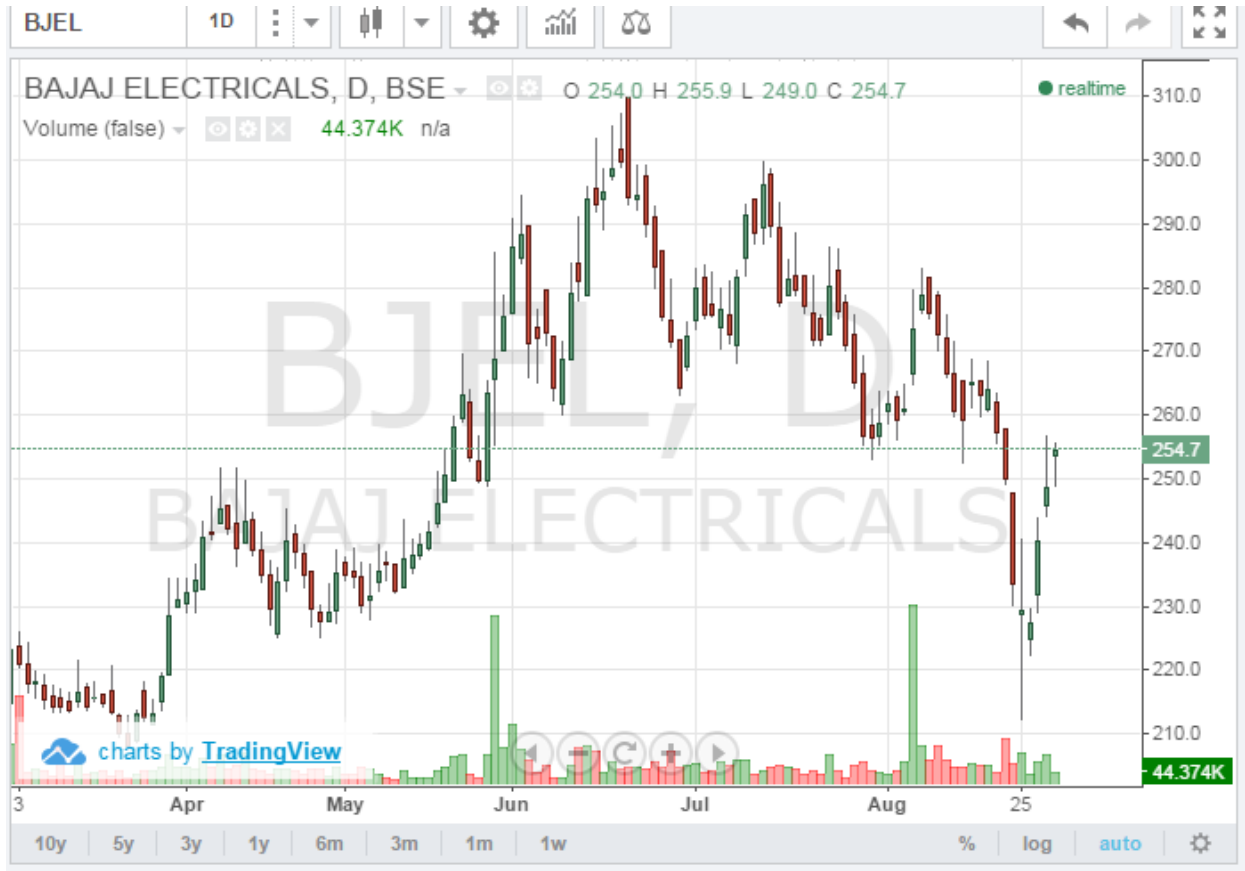
Bajaj Electricals Limited engages in appliances, fans, lighting, luminaries, and engineering and projects businesses primarily in India. It operates through Lighting, Consumer Durables, Engineering & Projects, and Others segments. The company offers a range of appliances, including toasters, mixer-grinders, food processors, juicer mixer grinders, juicers, choppers and hand blenders, wet grinders, air fryers, OTGs, microwave ovens, electric kettles, tea and coffee makers, sandwich makers, induction cookers, rice cookers, water purifiers, pressure cookers, gas stoves, chimneys, non-electric kitchen aids, irons, storage water heaters, gas water heaters, instant water heaters, emergency lights, room heaters, room coolers, voltage stabilizers, and hair dryers. It also provides various fans comprising ceiling, table, pedestal, wall, personal, fresh air, and heavy duty exhaust fans, as well as air circulators and water lifting pumps. In addition, the company offers a range of luminaries, such as retail lighting, workspace luminaires, aluminum extruded luminaires suitable for connecting end to end, roadway lighting, industrial lighting, linea LED, and LED highbay luminaires. Further, it provides LED bulbs and panels, LED battens, halogen and HID lamps, general lighting service lamps, incandescent lamps, fluorescent lamps/tubes, compact fluorescent lamps, LED torches, and consumer luminaries. Additionally, it is involved in the design, engineering, supply, execution, and commissioning of illumination EPC SBU; power distribution; transmission line towers and sub-stations; telecommunications towers; highmasts; and poles and special projects. Bajaj Electricals Limited sells its products through its retail outlets, franchises, distributors, and direct dealers. The company was formerly known as Radio Lamp Works Limited and changed its name to Bajaj Electricals Limited in October 1960. Bajaj Electricals Limited was incorporated in 1938 and is headquartered in Mumbai, India.

Stock Chart and reading

The Chart below shows after a steep correction and going below the EMA Live of 100 days the stock has bounced back. The second candle stick chart given below shows accumulation phase on high volumes.



248.20 ▼ -5.80 (-2.28%)				247.85 ▼ -6.50 (-2.56%)			
BSE : Sep 01, 11:20				NSE : Sep 01, 11:20			
Open	252.00	Vol	8045	Open	251.95	Vol	49765
High	252.90	52 Week	309.95	High	253.00	52 Week	308.00
Low	246.00	52 Week	200.95	Low	245.55	52 Week	199.00
Prev. Close	254.00			Prev. Close	254.35		
	Bid	Offer			Bid	Offer	
Price	248.00	248.60		Price	247.85	248.05	
Quantity	11.00	1.00		Quantity	11	11	



Interim Results										
	No. of Months Qtr. Ending	3 Jun-13	3 Sep-13	3 Dec-13	3 Mar-14	3 Jun-14	3 Sep-14	3 Dec-14	3 Mar-15	8-Qtr Chart Click to enlarge
Net Sales	Rs m	7,835	9,602	10,334	12,710	8,876	10,295	10,293	13,117	
Other income	Rs m	19	20	25	89	23	29	99	93	
Turnover	Rs m	7,854	9,622	10,358	12,799	8,899	10,324	10,392	13,210	
Expenses	Rs m	7,633	9,617	9,757	12,655	8,508	10,197	10,644	12,343	
Gross profit	Rs m	202	-16	577	55	369	98	-351	774	
Depreciation	Rs m	40	39	104	64	82	72	71	65	
Interest	Rs m	164	196	197	226	233	258	285	275	
Profit before tax	Rs m	17	-231	300	-146	76	-203	-608	527	
Tax	Rs m	11	-77	99	-39	20	-61	-86	58	
Profit after tax	Rs m	6	-154	200	-107	56	-142	-523	469	
Gross profit margin	%	2.6	-0.2	5.6	0.4	4.2	1.0	-3.4	5.9	
Effective tax rate	%	64.7	33.4	33.1	26.9	26.0	30.0	14.1	11.0	
Net profit margin	%	0.1	-1.6	1.9	-0.8	0.6	-1.4	-5.1	3.6	
Diluted EPS	Rs	0.1	-1.5	2.0	-1.1	0.6	-1.4	-5.2	4.7	
Diluted EPS (TTM)	Rs	1.5	-0.2	0.6	-0.5	0.0	0.1	-7.1	-1.4	
Subscriber Feature		Our View	Our View	Our View						

Net Sales increased from 7835 million to Rs 13117 million while PBT increased from 17 million to 527 Million.

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Stock Returns and Risk Analysis

Remarks		
Average Monthly Returns (60 mth)	0.28%	Very Poor historically
Annualised Return (1+monthly Returns) ¹² -1	3.45%	Lower than FD also
Standard Deviation (Measure of Total Risk)	10.09%	High means Risky
Correlation (with NIFTY)	0.47	Higher the better
R ² Proportion of Market Risk	22.10%	Higher the better
1-R ² Proportion of Firm Specific Risk	77.90%	Lower the better
Beta Slope of Characteristic Line	0.96	Below Avj Risk
Alpha Risk Adjusted Performance	-0.29%	Must be > 0
Average Trading Volume per Mth	155190	Liquidity Okay

Characteristic Line

Return on Bajaj Electricals = $-.29\% + .96 * \text{Return on NIFTY}$

Computation of Ex Ante Expected Returns and Standard Deviation

NIFTY Returns Next yr	Bajaj Returns Next Year	Probability	(R-R) ² *P
-10%	-9.91%	10%	0.00195
-5%	-5.10%	30%	0.00250
0%	-0.29%	5%	0.00009
5%	4.52%	10%	0.00000
10%	9.33%	15%	0.00042
15%	14.14%	20%	0.00204
20%	18.95%	10%	0.00222
One year Forward Expected Return and Standard Deviation			0.00923

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Ex Ante Expected Returns R 4.04%

Ex Ante Standard Deviation 9.61%

Confidence Level Standard Lower Range Returns Higher Range of Returns

67% 1 3.65% 4.43%

90% 1.67 3.39% 4.69%

95% 2 3.26% 4.82%

99% 3 2.88% 5.21%

Price Target 240 Most Conservative Price Performance over next 3 years

Lower Range Higher Range

Level 1 267.27 273.32

Level 2 265.27 275.37

Level 3 264.28 276.38

Level 4 261.31 279.47

Summary of Balance Sheet and study on growth of the Business and Network.

Balance Sheet (in Rs. Crores)											
	5-Mar	6-Mar	7-Mar	8-Mar	9-Mar	10-Mar	11-Mar	12-Mar	13-Mar	14-Mar	15-Mar
Equity Capital	18.64	10.24	8.64	17.29	17.29	19.51	19.77	19.93	19.95	19.99	20.15
Reserves	51.92	69.63	98.05	146.31	218.12	465.36	582.26	671.11	700.13	680.8	658.75
Networth	70.56	79.87	106.69	163.6	235.41	484.87	602.03	691.04	720.08	700.79	678.9
Borrowings	168.18	192.82	237.17	236.7	213.85	151.84	116.96	209.05	165.9	348.44	408.98
Other Liabilities	190.14	278.84	340.17	430.05	591.7	713.83	1,058.79	1,065.50	1,288.53	1,652.06	1,754.65
Total Liabilities	428.88	551.53	684.03	830.35	1,040.96	1,350.54	1,777.78	1,965.59	2,174.51	2,701.29	2,842.53
Fixed Assets	86.3	94.02	90.86	91.62	94.6	101.62	153.28	184.02	226.42	249.2	277.66
CWIP	1.3	0.03	0.57	0.3	2.48	0.09	0	2.96	5.87	2.56	3.18
Investments	14.97	14.94	22.3	22.33	31.56	36.56	36.58	44.06	29.76	67.32	59.42
Other assets	326.31	442.54	570.3	716.1	912.32	1,212.27	1,587.92	1,734.55	1,912.46	2,382.21	2,502.27
Total Assets	428.88	551.53	684.03	830.35	1,040.96	1,350.54	1,777.78	1,965.59	2,174.51	2,701.29	2,842.53
Debt Ratio	39.21%	34.96%	34.67%	28.51%	20.54%	11.24%	6.58%	10.64%	7.63%	12.90%	14.39%
Net Working Capital	136.17	163.7	230.13	286.05	320.62	498.44	529.13	669.05	623.93	730.15	747.62
Growth in Assets		28.60%	24.02%	21.39%	25.36%	29.74%	31.63%	10.56%	10.63%	24.23%	5.23%
Growth in Net Worth		13.19%	33.58%	53.34%	43.89%	105.97%	24.16%	14.78%	4.20%	-2.68%	-3.12%

Debt Ratio has declined over the past 10 years of the analysis period.

Steady growth in Total Assets, Net worth is seen.

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