

**Overview:**

Bharat Bijlee Limited (BBL) is one of the leading players in the electrical engineering industry in India. The company operates through two divisions namely Power Systems and Industrial Systems. The different products of the company include Transformers, Projects, Electric Motors, Elevator Systems, Drives and Automation. The manufacturing facilities of BBL are located at Airoli in Navi Mumbai.

SNAPSHOT	
Market Cap (Rs Mn)	5,176
52 week H / L (Rs)	1,528/841
BSE Code	503960
NSE Code	BBL

**Key Takeaways:**

**(A) Business structure:**

The company has two key business segments namely: Power Systems and Industrial Systems

**(a) Power Systems:**

- The revenue of this segment grew by 6.9% but profit decreased by 21.3% due to over-supply in the industry leading to intense price competition amongst manufacturers
- Transformer division sales turnover increased 9% despite the harsh competition and depressed prices. Order booking was highest ever, growing at 38%
- Under EPC projects, the company prefers to work with reputed companies and on cherry picked projects which have good margins

**(b) Industrial Systems:**

- The revenue of the Industrial Systems segment grew by 34.6%, and segmental profit increased by 151.6%, as the company successfully seized available market opportunities
- The Motor business recorded YoY growth of 42%, and has done very well over the last 3-6 months; however, the management is slightly cautious with the repeat of performance in this segment. This growth was propelled by sudden rise in demand which could not be met by the unorganized sector. Company is actively looking for exporting the same
- Flameproof Motors which were developed by the company in the past are now IECEx certified. IE4 and IE5 class motors have a lot of potential as far as efficiencies are concerned however the same hasn't picked in India due to the various reasons including the slowdown faced by the economy
- Management believes, that the segment related to drives as an offering would not just suffice the requirement of the customers, they have to blend the offerings with a combination of drives and automation. The company has collaborated with KEB Automation from Germany for VFD, variable frequency drives
- MTM division grew by 44% led by good export orders for elevator machines. Last year, the company had set up a new plant for magnet technology machines which is a certified green building which focuses on GreenStar range of elevator machines and also caters to new applications of permanent magnet machines for domestic and exports business. BBL has successfully worked on the product named SynchroTorq™ which is a high-torque direct drive applications and has higher efficiency

**(B) Financials:**

- The Board of Directors of the company have approved a dividend of Rs12.50 (i.e. 125%), which was Rs2.50 in the previous year i.e. FY18
- Income from sales and services for the company for the year under review increased from Rs7739.9mn (net of excise duty) in FY18 to Rs9323.2mn, which is a rise of 21%. The profit before exceptional items and tax came in at Rs619.3mn as compared to Rs258.9mn in FY18
- Order book as on Aug 31, 2019 is Rs4754mn, increment of 46.3% Y-o-Y. Orders from Government of India are about 60-65%
- Pending orders are worth Rs5656.8mn, growth of 49%YoY
- Company continues to hold investment worth Rs3508.9mn and they intend to continue to hold these and have corporate deposits, which roughly yields the interest of 8.3%, of Rs2027.4mn. In this volatile market, company prefers to be conservative on spending cash
- The company continues to be virtually debt free, and the loans taken are basically for the working capital requirements
- There has been a reduction in the finance cost and interest burden of the company which has come down from Rs192.8mn in FY18 to Rs169.1mn in FY19 (reduction of Rs23.6mn). This has added to revision and improvement of the company's credit rating from ICRA A (Long Term) and ICRA A1 (Short Term) to ICRA A+ (Long Term) and ICRA A1+ (Short Term)
- The entire capex done over the year by the company aims at expansion of transformer capacity

**(B) Financials (contd.):**

Quarterly Performance				
Parameters (Rs mn)	Sept-18	Dec-18	Mar-19	Jun-19
Sales (Net)	2,378	2,248	2,731	2,247
EBITDA	105	189	126	161
Other Income	59	54	80	66
Interest	34	40	46	45
Depreciation	22	21	18	21
Exceptional Items	-	-	-	-
Tax	47	52	45	54
Net Profit / (Loss)	61	130	96	107
Equity	57	57	57	57
EPS (in Rs)	11	23	17	19

Source: Annual Report and Quarterly Result Updates

Annual Performance			
Parameters (Rs mn)	FY17	FY18	FY19
Sales (Net)	6,775	7,740	9,323
EBITDA	171	333	576
Other Income	267	212	296
Interest	159	193	169
Depreciation	99	93	84
Exceptional Items	-	468	-
Tax	36	117	204
Net Profit / (Loss)	144	610	415
Equity	57	57	57
EPS (in Rs)	26	108*	73

Source: Annual Report and Quarterly Result Updates

\*Exceptional item; excess of compensation of lease hold land at Navi Mumbai(Rs468mn)

**Outlook and Recommendations:**

The company has performed extremely well in the last two to three quarters despite the sluggishness in the transformers segment. The company was featured in fortune India's the next 500 companies. The panel has stringent parameters which test includes criteria such as revenue, net operating income, profit, assets, net worth, equity dividend and employee cost. As far as BBL is concerned the company stood at 455th position in FY18 and FY19 it has moved up by 122 spots to 333rd position. In the current scenario, where there is ample of uncertainty, BBL's conservatism with a cautious approach has helped the company remain a profit making company. Repeating the performance of FY19 appears to be a challenge for the company, however, due to the strategy to pick projects which are having sustainable margins, may help BBL sail through. In the current scenario a large number of companies in the power segment are going bust, however BBL continues to stand tall. Thus, we maintain our target of price of Rs1500 with a horizon of 12 months following a strategy of SIP for long term gains.

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