

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)	6,850
52 week H / L (Rs)	1,790 / 970
BSE Code	503960
NSE Code	BBL

Key takeaways from the AGM:

- As per the management commentary; private spending and investments relating to capital goods have not shown any remarkable recovery during the year.
- The transformers business has seen increased competition, where BBL has managed to maintain the market share. The company appears to be focusing on non-tendered business.
- The Motors segment has seen significant improvement in the revenue growth.
- During the year under review, the motors division received its largest ever order from a PSU.
- The electric motors and transformers division contributed nearly 34% and 58% of the total revenues respectively.
- The project business has successfully bid for and commissioned a transmission line.
- In March 2018, the company had dispatched the largest motor for pump application manufactured by BBL for Kuantum Papers Ltd Hoshiarpur. Some of the specifications included: 630 kW 8 Pole (equivalent to 1260 kW 4 Pole) in 500 Frame, weight of over 6 Tons, length of 1150 mm and an Aluminium Die Cast Rotor in 2 halves.
- The MTM (Magnet Technology Machine) division was inaugurated on 18th April 2018 at Airoli Navi Mumbai with an investment of Rs80mn from internal accruals. The existing capacity prior to this was 300 units per month (98% of existing capacity) which is now scaled to 700 permanent magnet machines for elevators per month. The rationale behind the same appears to be increased demand from existing customers. The operations of the same commenced in May 2018.
- In 2016, the company had mentioned about patenting an energy efficient motor, the design of the same is protected; generally the processing of patents paper work takes time and the same will be rolled out in times to come when approved.
- The shift from IE1 to IE2, served as a huge opportunity for BBL.
- The company has received an order from EESL- Energy Efficiency Services Limited amounting Rs390mn
- As per the recent annual report, capital expenditure by the newly formed states of Telangana and Andhra Pradesh States has impacted both the Power Systems and Industrial Systems segments of the company during the year.
- The unorganized sector has been adversely impacted in the industrial systems and that has helped improve the business conditions for reputed brands like Bharat Bijlee.

Financials:

- The company has come back on the dividend radar after a lapse of nearly 5 years; last time the same was distributed in 2013.
- If the working of the company continues to improve, then the possibility of incremental dividend may improve going further.
- Company still remains virtually debt-free.
- Management is very cautious before making any investments or Capex. However, there is an entry of nearly Rs73.7mn in the Balance Sheet which indicates the company has already chalked out a Capex plan.
- Moreover, a gradual Capex for improvement could be witnessed for the next 2-3 years.
- The company has shown an exceptional Items (income) of nearly Rs460mn via the leasehold factory to MIDC. The course of action for application of these funds has not yet been chalked out by the company.
- For the month of April 2018 and May 2018, BBL has reported to have an order intake of Rs1384.7mn which is nearly 70% higher when compared to that of the corresponding period in the previous year. The pending order backlog as of May2018 stood at Rs4,030mn which is 11% higher; while the turnover in the first two months stood at Rs1,114mn as compared to Rs1,030mn.

June 28, 2018

AGM UPDATE

Venue: Mumbai

Sector: Other Elect. Equip.

Bharat Bijlee Limited

CMP: Rs1,212

Financials (Contd.):

Quarterly Performance				
Parameters (Rs mn)	June-17	Sept-17	Dec-17	Mar-18
Sales (Net)	1,484	1,751	2,277	2,228
EBITDA	-37	105	142	124
Other Income	49	51	41	71
Interest	38	48	52	54
Depreciation	24	24	23	23
Exceptional Items	0	0	0	468
Tax	(11)	20	11	98
Net Profit / (Loss)	(40)	63	97	489
Equity	56.5	56.5	56.5	56.5
EPS (in Rs)	(6.9)	11.2	16.9	86.4

Annual Performance			
Parameters (Rsmn)	FY16	FY17	FY18
Sales (Net)	6,395	6,774	7,740
EBITDA	172	171	333
Other Income	209	267	211
Interest	205	159	193
Depreciation	102	99	93
Exceptional Items	0.00	0.0	468
Tax	2	36	117
Net Profit / (Loss)	72	144	609
Equity	56.5	56.5	56.5
EPS (in Rs)	12.7	25.5	107.9

Outlook and Recommendations:

The company intends to maintain its debt free status. Management is cautious about the sluggish growth in the industry. The year of elections has always been a tricky one, since there is a risk related to the policies being changed by GOI. BBL has been making very conscious efforts before making any new investments. Management intends to stay away from risky business and will try and look forward towards profitable businesses only. We continue to advocate a SIP in this stock with a cautious view for long term gains maintaining our target of Rs2,000.

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