Bajaj Electricals

Challenges exists; execution remains key watch

We recently interacted with Bajaj Electricals' team. Demand in Q1FY27 for the industry remains healthy, with the southern region showing strong momentum throughout. Meanwhile, the northern market, though initially sluggish, has picked up pace with the onset of summer. The company indicated it has taken price hikes to pass on cost inflation arising due to the ongoing Middle East war. Under new leadership, the company is driving turnaround initiatives by clearing excess channel inventory in H2FY26, optimizing costs, and reducing capex to half of last year's levels. By leveraging its brand and distribution network, management is focusing on expanding the addressable market by entering adjacent categories such as switchgears, solar, and wires & cables. We expect healthy demand in FY27, supported by a hot and extended summer. The company's initiatives are encouraging, but execution will be the key determinant of success. Consequently, we raise revenue estimates by 4% each for FY27/28E. However, intense competition and persistent cost inflation remain challenges. Therefore, we maintain APAT estimates. We have modelled a CAGR of 10% for revenue and 48/222% for EBITDA/APAT, albeit on a low base, over FY26-28E. We maintain REDUCE with an unchanged TP of INR 315/sh (25x Mar-28E EPS).

- **Demand and guidance:** Demand in Q1FY27 remains healthy for the industry, with the southern region showing strong momentum throughout. Meanwhile, the northern market, though initially sluggish, has picked up pace with the onset of summer. In FY26, the company experienced some market share loss in fans due to a relatively weaker presence in BLDC models. However, management remains confident that this trend will reverse, going forward. The company indicated it has taken price hikes to pass on cost inflation. The wires segment, launched in Q4FY26, has seen encouraging initial response and is expected to emerge as a key growth driver.
- **Initiatives for turnaround; expanding TAM:** Under the new leadership, the company is driving turnaround initiatives by clearing excess channel inventory in H2FY26, optimizing costs, and reducing capex to half of last year's levels. Management is focusing on expanding the addressable market by entering adjacent categories such as switchgears, solar, and wires & cables. Leveraging its brand and distribution network, it aims to boost current portfolio sales through cross-selling while generating incremental revenue from new businesses.
- **Other highlights and outlook:** We expect healthy demand in FY27, supported by a hot and extended summer. The company's initiatives are encouraging, but execution will be the key determinant of success. Consequently, we raise revenue estimates by 4% for FY27/28E each. However, intense competition and persistent inflation remain challenges. Therefore, we retain APAT estimates. We have modelled a 10% CAGR for revenue and 48/222% for EBITDA/APAT, albeit on a low base, for FY26-28E. We retain REDUCE with an unchanged TP of INR 315/sh (25x Mar-28E EPS).

Financial summary

Year Ending March (INR mn)	FY23	FY24	FY25	FY26	FY27E	FY28E
Net Sales	48,892	46,413	48,284	44,622	50,755	53,800
EBITDA	3,748	2,597	3,075	1,513	2,904	3,306
APAT	2,154	1,359	1,121	139	1,200	1,444
Diluted EPS (Rs)	18.7	11.8	9.7	1.2	10.4	12.5
P/E (x)	17.3	27.4	33.2	268.2	31.1	25.8
EV / EBITDA (x)	8.8	13.2	11.5	21.2	10.6	9.0
RoE (%)	11.8	8.1	7.5	0.9	8.0	9.0

Source: Company, HSIE Research

REDUCE

CMP *(as on 23 June 2026)*	INR 323
Target Price	INR 315
NIFTY	23,824

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 315	INR 315
EPS %	FY27E	FY28E
	-	-

KEY STOCK DATA	
Bloomberg code	BJE IN
No. of Shares (mn)	115
MCap (INR bn) / ($ mn)	37/394
6m avg traded value (INR mn)	169
52 Week high / low	INR 711/330

STOCK PERFORMANCE (%)	3M	6M	12M
Absolute (%)	(14.1)	(35.7)	(47.0)
Relative (%)	(6.4)	(25.9)	(40.9)

SHAREHOLDING PATTERN (%)	Dec-25	Mar-26
Promoters	62.70	62.70
FIs & Local MFs	17.08	16.88
FPIs	6.48	6.50
Public & Others	13.74	13.92
Pl edged Shares	1.60	1.60

Source : BSE

Pledged shares as % of total shares

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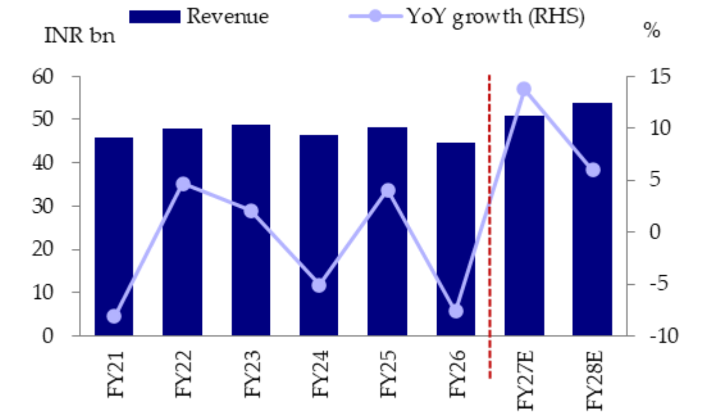
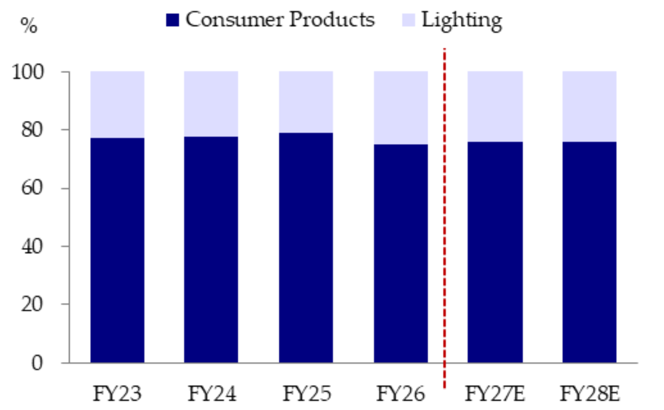
Revenue to grow at 10% CAGR over FY26-28E



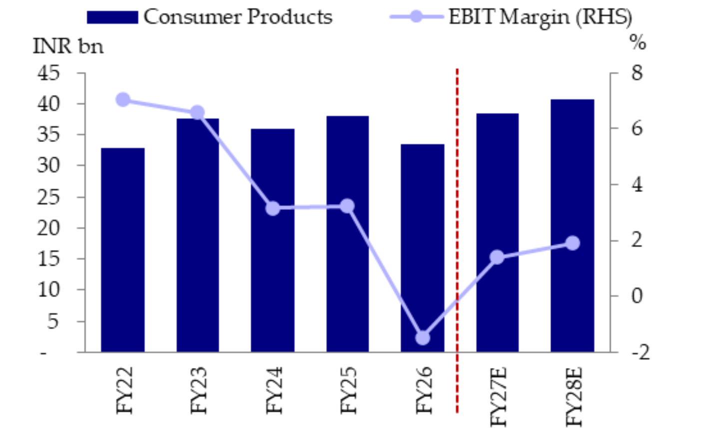
Source: Company, HSIE Research

Segmental revenue mix will remain similar



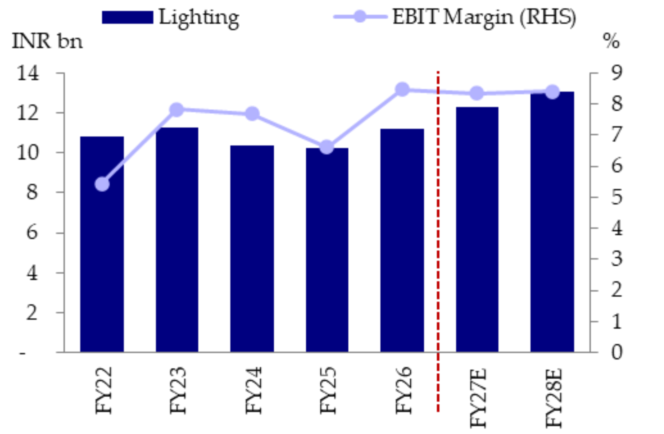
Source: Company, HSIE Research

Consumer products revenue to grow at 10% CAGR over FY26-28E



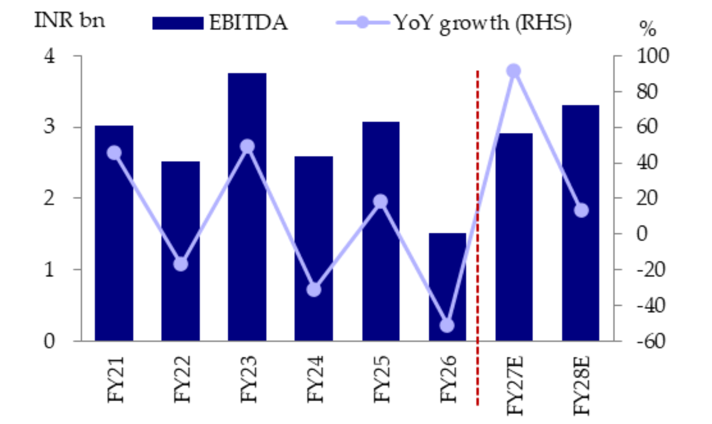
Source: Company, HSIE Research

Lighting revenue to grow at 8% CAGR over FY26-28E



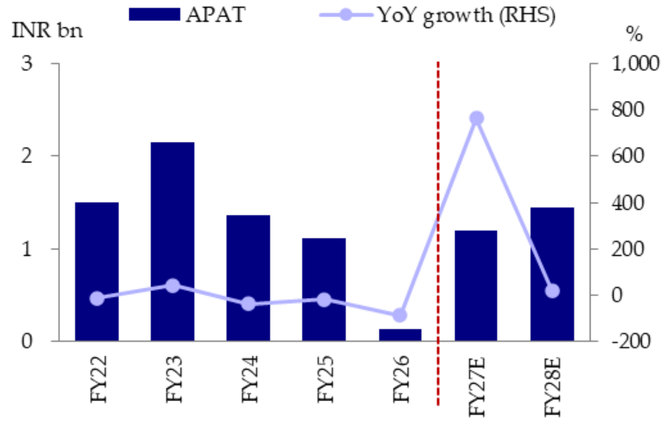
Source: Company, HSIE Research

We project 48% EBITDA CAGR during FY26-28E, on a low base…



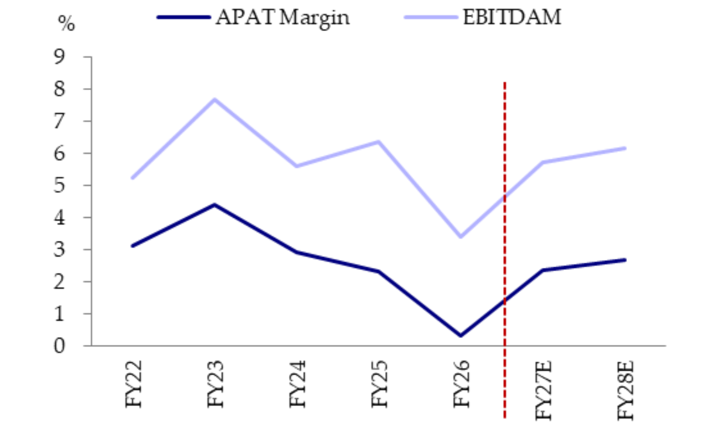
Source: Company, HSIE Research

… leading to APAT CAGR of 222% during the same period



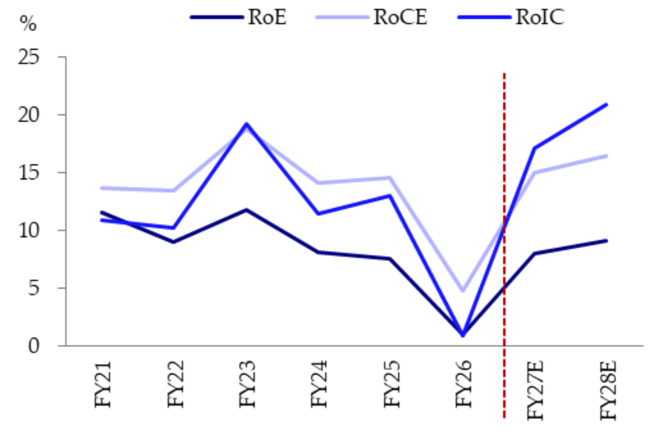
Source: Company, HSIE Research

Margins are expected to improve, going forward…



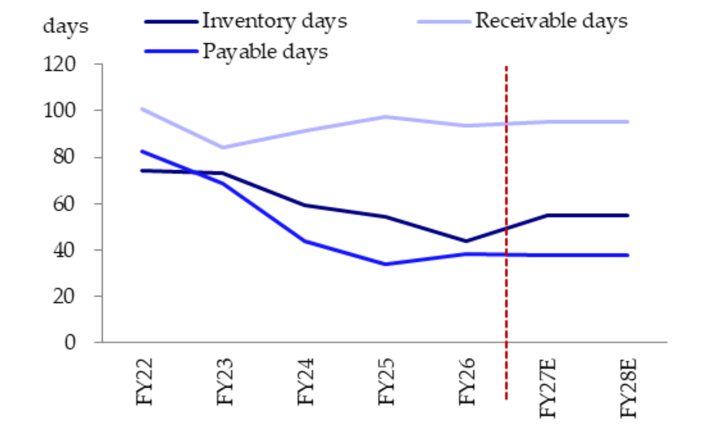
Source: Company, HSIE Research

…return ratios profile too will improve



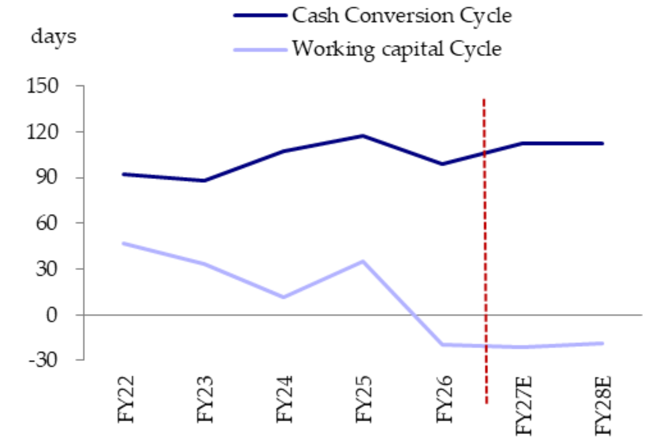
Source: Company, HSIE Research

Inventory days will increase from FY26 low base while receivable and payable days will broadly remain similar



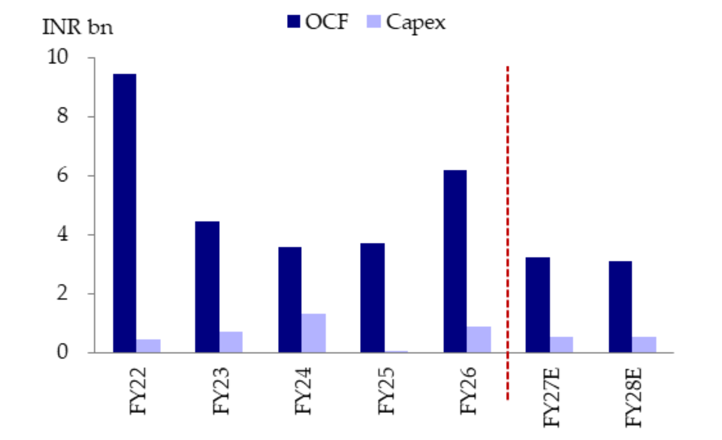
Source: Company, HSIE Research

Company to continue to enjoy negative working capital cycle



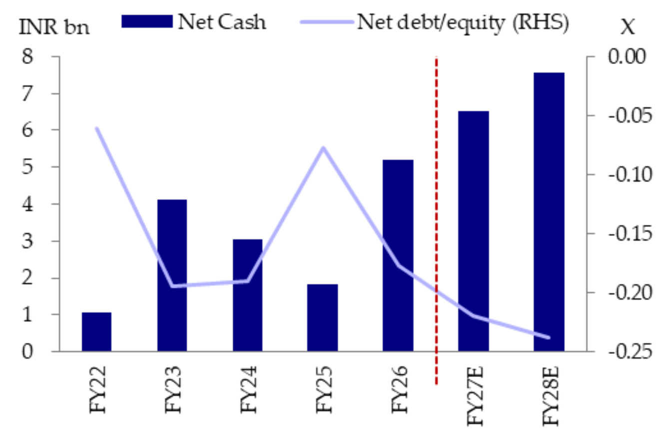
Source: Company, HSIE Research

Company OCF to remain positive with capex intensity expected to moderate



Source: Company, HSIE Research

Company to continue to be in net cash



Source: Company, HSIE Research

Consolidated Income Statement

Year end march (INR mn)	FY23	FY24	FY25	FY26	FY27E	FY28E
Net Revenues	**48,892**	**46,413**	**48,284**	**44,622**	**50,755**	**53,800**
Growth (%)	2.1	(5.1)	4.0	(7.6)	13.7	6.0
Material Expenses	33,815	32,871	33,341	30,971	35,529	37,122
Employee Expense	3,437	3,649	3,800	3,911	4,213	4,304
Other Expenses	7,893	7,296	8,069	8,227	8,110	9,068
EBITDA	**3,748**	**2,597**	**3,075**	**1,513**	**2,904**	**3,306**
EBITDA Growth (%)	**49.2**	**(30.7)**	**18.4**	**(50.8)**	**91.9**	**13.8**
EBITDA Margin (%)	**7.7**	**5.6**	**6.4**	**3.4**	**5.7**	**6.1**
Depreciation	738	1,096	1,441	1,415	1,338	1,435
EBIT	**3,010**	**1,501**	**1,634**	**98**	**1,566**	**1,871**
Other Income (Including EO Items)	450	865	548	622	684	752
Interest	436	635	699	562	651	697
PBT	**3,024**	**1,731**	**1,483**	**158**	**1,600**	**1,926**
Total Tax	870	372	363	19	400	481
Exceptional Gain/ (loss)	-	-	214	(912)	-	-
RPAT	**2,154**	**1,359**	**1,334**	**(773)**	**1,200**	**1,444**
Adjusted PAT	**2,154**	**1,359**	**1,121**	**139**	**1,200**	**1,444**
APAT Growth (%)	**43.6**	**(36.9)**	**(17.5)**	**(87.6)**	**763.8**	**20.4**
EPS	**18.7**	**11.8**	**9.7**	**1.2**	**10.4**	**12.5**
EPS Growth (%)	**43.4**	**(37.0)**	**(17.6)**	**(87.6)**	**763.8**	**20.4**

Source: Company, HSIE Research

Consolidated Balance Sheet

Year end march (INR mn)	FY23	FY24	FY25	FY26	FY27E	FY28E
SOURCES OF FUNDS						
Share Capital - Equity	230	230	231	231	231	231
Other Equity	18,845	14,182	15,358	14,360	15,214	16,312
Total Shareholders' Funds	**19,075**	**14,412**	**15,589**	**14,591**	**15,445**	**16,543**
Long Term Debt	-	-	-	-	-	-
Short Term Debt	2	-	-	-	-	-
Total Debt	2	-	-	-	-	-
Net Deferred Taxes	54	(53)	(39)	(200)	(192)	(182)
Other Non-Current Liabilities	1,375	2,344	2,474	2,158	2,388	2,553
TOTAL SOURCES OF FUNDS	**20,506**	**16,703**	**18,025**	**16,550**	**17,641**	**18,914**
APPLICATION OF FUNDS						
Net Block	3,114	3,524	3,508	2,737	2,781	2,863
Goodwill	1,900	1,900	1,900	1,636	1,636	1,636
CWIP	419	635	92	23	10	10
Intangible assets	192	154	123	1,649	1,497	1,336
Right of Use Assets	1,195	2,222	2,441	1,577	1,513	1,437
Non-Current Investments	65	49	52	49	49	49
Other Non-Current Assets	4,224	3,673	3,487	6,086	6,552	6,729
Total Non-current Assets	**11,109**	**12,157**	**11,603**	**13,757**	**14,037**	**14,060**
Current-Investments	408	300	619	2,620	3,120	3,620
Inventories	9,756	7,566	7,174	5,335	7,648	8,107
Debtors	11,113	11,632	12,864	11,415	13,210	14,003
Cash & Equivalents	3,702	2,747	1,206	2,577	3,398	3,936
Other Current Assets	13,840	3,876	7,026	5,348	6,033	6,370
Total Current Assets	**38,819**	**26,121**	**28,887**	**27,295**	**33,409**	**36,036**
Creditors	6,091	5,590	4,496	4,675	5,284	5,601
Other Current Liabilities & Provisions	23,330	15,986	17,970	19,827	24,521	25,580
Total Current Liabilities	**29,421**	**21,576**	**22,466**	**24,501**	**29,805**	**31,181**
Net Current Assets	**9,397**	**4,546**	**6,421**	**2,793**	**3,604**	**4,854**
TOTAL APPLICATION OF FUNDS	**20,506**	**16,703**	**18,025**	**16,550**	**17,641**	**18,914**

Source: Company, HSIE Research

Consolidated Cash Flow

Year end march (INR mn)	FY23	FY24	FY25	FY26	FY27E	FY28E
Reported PBT	3,033	1,690	1,697	(754)	1,600	1,926
Non-operating & EO Items	(163)	(532)	(178)	832	(411)	(196)
Interest Expenses	436	635	699	562	651	697
Depreciation	738	1,096	1,441	1,415	1,338	1,435
Working Capital Change	609	705	48	4,213	453	(269)
Tax Paid	(228)	(25)	(24)	(75)	(400)	(481)
OPERATING CASH FLOW (a)	**4,425**	**3,568**	**3,682**	**6,193**	**3,231**	**3,112**
Capex	(715)	(1,307)	(51)	(854)	(515)	(515)
Free Cash Flow (FCF)	3,710	2,260	3,631	5,339	2,716	2,597
Investments	(203)	(1,303)	(2,054)	(3,248)	(500)	(500)
Non-operating Income	54	508	155	304	81	76
Others	(16)	-	-	-	-	-
INVESTING CASH FLOW (b)	**(880)**	**(2,102)**	**(1,950)**	**(3,798)**	**(934)**	**(939)**
Debt Issuance/(Repaid)	(447)	(2)	-	-	-	-
Interest Expenses	(414)	(469)	(490)	(375)	(651)	(697)
FCFE	2,848	1,790	3,141	4,964	2,065	1,899
Share Capital Issuance	90	51	60	9	-	-
Dividend	(345)	(460)	(346)	(346)	(346)	(346)
Others	(270)	(447)	(686)	(657)	(479)	(591)
FINANCING CASH FLOW (c)	**(1,387)**	**(1,326)**	**(1,461)**	**(1,370)**	**(1,476)**	**(1,634)**
NET CASH FLOW (a+b+c)	**2,158**	**139**	**271**	**1,026**	**821**	**538**
EO Items, Others	-	-	(214)	-	-	-
Closing Cash & Equivalents	**3,415**	**1,140**	**1,198**	**2,223**	**3,044**	**3,582**

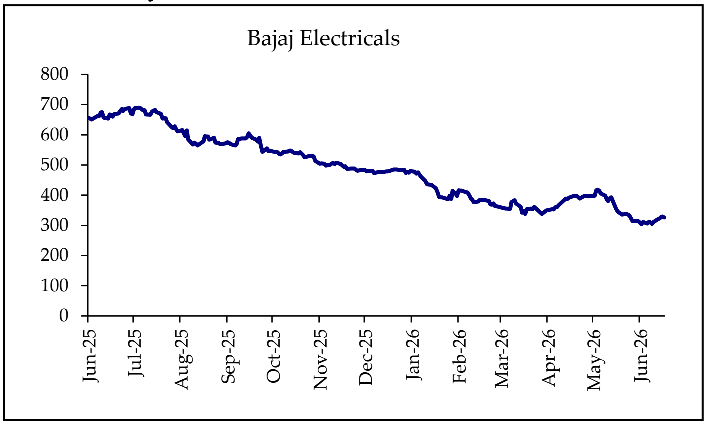
Source: Company, HSIE Research

Key Ratios

Year end march	FY23	FY24	FY25	FY26	FY27E	FY28E
PROFITABILITY (%)						
GPM	30.8	29.2	30.9	30.6	30.0	31.0
EBITDA Margin (%)	7.7	5.6	6.4	3.4	5.7	6.1
EBIT Margin	6.2	3.2	3.4	0.2	3.1	3.5
PBT Margin	6.2	3.7	3.1	0.4	3.2	3.6
APAT Margin	4.4	2.9	2.3	0.3	2.4	2.7
RoE	11.8	8.1	7.5	0.9	8.0	9.0
RoIC (or Core RoCE) (Pre-tax)	19.2	11.4	13.0	0.8	17.1	20.9
RoCE	18.8	14.1	14.5	4.8	15.0	16.4
EFFICIENCY						
Tax Rate (%)	28.8	21.5	24.4	11.9	25.0	25.0
Fixed Asset Turnover (x)	7.3	6.7	6.6	6.0	6.7	6.6
Inventory (days)	73	60	54	44	55	55
Debtors (days)	84	91	97	93	95	95
Other Current Assets (days)	65	30	53	44	43	43
Payables (days)	68	44	34	38	38	38
Other Current Liab & Provns (days)	120	126	136	162	176	174
Cash Conversion Cycle (days)	88	107	117	99	112	112
Working capital Cycle (days)	33	12	35	(20)	(21)	(18)
Net D/E (x)	(0.2)	(0.2)	(0.1)	(0.2)	(0.2)	(0.2)
Interest Coverage (x)	6.9	2.4	2.3	0.2	2.4	2.7
PER SHARE DATA (Rs)						
EPS	18.7	11.8	9.7	1.2	10.4	12.5
CEPS	25.1	21.3	22.2	13.5	22.0	25.0
Dividend	4.0	3.0	3.0	3.0	3.0	3.0
Book Value	165.8	125.1	135.2	126.5	133.9	143.4
VALUATION						
P/E (x)	17.3	27.4	33.2	268.2	31.1	25.8
P/BV (x)	1.9	2.6	2.4	2.6	2.4	2.3
EV/EBITDA (x)	8.8	13.2	11.5	21.2	10.6	9.0
EV/Revenues (x)	0.7	0.7	0.7	0.7	0.6	0.6
OCF/EV (%)	13.4	10.4	10.4	19.3	10.5	10.5
FCF/EV (%)	11.2	6.6	10.2	16.7	8.8	8.7
FCFE/Mkt Cap (%)	7.7	4.8	8.4	13.3	5.5	5.1
Dividend Yield (%)	1.2	0.9	0.9	0.9	0.9	0.9

Source: Company, HSIE Research

Price History



Rating Criteria

BUY:	>+15% return potential
ADD:	+5% to +15% return potential
REDUCE:	-10% to +5% return potential
SELL:	>10% Downside return potential

Disclosure:

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