

Bajaj Electricals Limited

Instrument	Amount	Rating Action
Term Loans	Rs. 40.00 crore (reduced from Rs. 65.00 crore)	[ICRA]A+ (stable) <i>Upgraded from [ICRA]A (positive)</i>
Fund based limits	Rs. 479.70 crore (reduced from Rs. 488.60 crore)	[ICRA]A+ (stable) <i>Upgraded from [ICRA]A (positive)</i>
Fund based limits	Rs. 845.00 crore (enhanced from Rs. 525.00 crore)	[ICRA]A1+ <i>Upgraded from [ICRA]A1 / assigned</i>
Non-fund based limits	Rs. 2,723.26 crore (enhanced from Rs. 1,754.61 crore)	[ICRA]A+ (stable) & [ICRA]A1+ <i>Upgraded from [ICRA]A (positive) & [ICRA]A1 / assigned</i>
Non-Convertible Debenture programme	Rs. 60.00 crore (reduced from Rs. 100.00 crore)	[ICRA]A+ (stable) <i>Upgraded from [ICRA]A (positive)</i>
Commercial Paper programme	Rs. 200.00 crore	[ICRA]A1+ <i>Upgraded from [ICRA]A1</i>

ICRA has upgraded the long-term rating from [ICRA]A (pronounced ICRA A) to [ICRA]A+ (pronounced ICRA A plus) and the short-term rating from [ICRA]A1 (pronounced ICRA A one) to [ICRA]A1+ (pronounced ICRA A one plus) outstanding on the bank facilities of Bajaj Electricals Limited (BEL) aggregating to Rs. 4,087.96 crore¹ (enhanced from Rs. 2,833.21 crore)². ICRA has also upgraded the long-term rating from [ICRA]A to [ICRA]A+ outstanding on the Rs. 60 crore (reduced from Rs. 100 crore) Non-Convertible Debenture programme and the short-term rating from [ICRA]A1 to [ICRA]A1+ outstanding on the Rs. 200 crore Commercial Paper programme of BEL. The outlook on the long-term rating has been revised from Positive to Stable.

The upgrade in the ratings takes into account the turnaround in the performance of the Engineering & Projects Business Unit (E&P BU) of the company which has been able to sustain improved margins in its business since Q4 FY2015 on the back of timely execution of its on-going projects and healthy built-in margins in these projects. Along with the E&P BU, the company's Lighting business has also witnessed healthy improvement in its margins supported by the introduction of a wider array of LED (Light Emitting Diodes) products. As a result, BEL's profitability levels and debt coverage metrics have sharply improved for FY2016 as compared to the previous two years, which ICRA expects to be sustained in the near term.

The ratings also favourably take into account the company's diversified business portfolio and its leading position in the consumer durable business supported by strong brand and product development strengths and wide distribution network. The company's cost-effective sourcing from domestic SSIs (mainly in excise-free zone Himachal Pradesh & sales tax-free zone Daman) as well as China helps to counter competition from imports as well as unorganised players in consumer durables to some extent. The ratings also positively consider the company's comfortable capital structure and liquidity profile, and the financial flexibility arising from being a part of the Bajaj group.

The ratings are however constrained by the deterioration in the profitability of the company's consumer durable business (mainly, appliances and fans) in recent years owing to low entry barriers and increasing competition from established domestic players as well as unorganized sector. The company is implementing a Range and Reach Expansion Program (RREP) to improve inventory management for its consumer durables business; however, significant delays in implementation of RREP and the associated fixed costs for the same have further impacted the profit margins. The ratings are further constrained by the exposure of the company's profitability to movement in raw material costs and high working capital intensity in the projects business. ICRA also notes that BEL has high exposure to its associate concern, viz. Starlite Lighting Limited (SLL), in the form of corporate guarantees, subscription of preference shares as well as loans; any sizeable increase in the financial support extended to SLL from the current levels would be a rating sensitivity. Going forward, continued

¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications



healthy performance of the company's E&P BU and timely implementation of RREP so as to boost the margins of the consumer durables business would remain critical from the rating perspective.

Company Profile

Bajaj Electricals Limited (BEL), a part of Bajaj Group of companies, was incorporated on July 14, 1938 in the name of Radio Lamp Works Limited. The name was later changed to Bajaj Electricals Limited in the year 1960. BEL's shareholding is concentrated with the Bajaj family that has about 64% equity stake in the company. The company has five business units – Fans, Lighting, Luminaires, Appliances and Engineering & Projects. Until 1998, BEL was mainly a marketing company dealing in various consumer durable goods such as fans, lighting and electrical appliances under the Bajaj umbrella brand. In the year 2001-02, the company commenced manufacturing highmasts and transmission towers as part of its projects division at Ranjangaon, Pune. The company also has 19% stake in Hind Lamps Limited (reduced from 50% in FY2015) that is involved in manufacturing of tubes and lamps. In March 2007, the company acquired 32% equity stake in Starlite Lighting Limited which manufactures Compact Fluorescent Lamps (CFL) at Nashik. In March 2015, BEL reduced its stake in SLL to 19%.

For FY2016, BEL reported operating income of Rs. 4,611.9 crore and profit after tax (PAT) of Rs. 95.6 crore. From April 1, 2016, BEL has adopted Indian Accounting Standards (Ind AS). For Q1 FY2017, BEL reported operating income (net of excise) of Rs. 951.8 crore and PAT of Rs. 22.9 crore (unaudited).

August 2016

For further details please contact:

Analyst Details:

Mr. K. Ravichandran, (Tel. No. +91-44-45964301) ravichandran@icraindia.com	Mr. Abhishek Dafria, (Tel. No. +91-22-61693344) abhishek.dafria@icraindia.com	Mr. Girishkumar Kadam, (Tel. No. +91-22-61143441) girishkumar@icraindia.com
---	--	--

Relationship Contact:

Mr. L. Shivakumar, (Tel. No. +91 22 6114 3406) shivakumar@icraindia.com

© Copyright, 2016, ICRA Limited. All Rights Reserved
Contents may be used freely with due acknowledgement to ICRA

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.
--

**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001
Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office**Mr. Vivek Mathur**

Mobile: +91 9871221122

Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

Mumbai**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

3rd Floor, Electric Mansion
Appasaheb Marathe Marg, Prabhadevi
Mumbai—400025,
Board : +91-22-61796300; Fax: +91-22-24331390

Kolkata**Mr. Jayanta Roy**

Mobile: +91 9903394664

Email: jayanta@icraindia.com

A-10 & 11, 3rd Floor, FMC Fortuna
234/3A, A.J.C. Bose Road
Kolkata—700020
Tel +91-33-22876617/8839 22800008/22831411,
Fax +91-33-22870728

Chennai**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

5th Floor, Karumuttu Centre
634 Anna Salai, Nandanam
Chennai—600035
Tel: +91-44-45964300; Fax: +91-44 24343663

Bangalore**Bangalore****Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

'The Millenia'
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,
Murphy Road, Bangalore 560 008
Tel: +91-80-43326400; Fax: +91-80-43326409

Ahmedabad**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

907 & 908 Sakar -II, Ellisbridge,
Ahmedabad- 380006
Tel: +91-79-26585049, 26585494, 26584924; Fax:
+91-79-25569231

Pune**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range
Hills Road, Shivajinagar, Pune-411 020
Tel: + 91-20-25561194-25560196; Fax: +91-20-
25561231

Hyderabad**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj
Bhavan Road, Hyderabad—500083
Tel:- +91-40-40676500