

May 11, 2021

## Bajaj Electricals Limited: Update on material event

### Summary of rating(s) outstanding

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Outstanding
Long-term Term Loans	20.00	20.00	[ICRA]A (Stable)
Long-term Fund-based Limits	379.70	379.70	[ICRA]A (Stable)
Short-term Fund-based Limits	315.00	315.00	[ICRA]A1
Long /Short-term Non-Fund based Limits	2700.30	2700.30	[ICRA]A (Stable)/ [ICRA]A1
Long /Short-term Fund-based/Non-Fund based Limits	1327.50	1327.50	[ICRA]A (Stable)/ [ICRA]A1
Long-term-NCD programme	200.00	200.00	[ICRA]A (Stable)
<b>Total</b>	<b>4942.50</b>	<b>4942.50</b>	

\*Instrument details are provided in Annexure-1

## Rationale

### Material event

On May 01, 2021, Bajaj Electricals Limited (BEL) notified the stock exchange that it has executed a Control Transfer Agreement (CTA) with outgoing promoters of its joint venture - Starlite Lighting Limited (SLL; rated [ICRA]A (CE) (Stable) / [ICRA]A- (CE) (Stable) / [ICRA]A2+ (CE)) and some other shareholders of SLL for relinquishment and transfer of the joint control and management rights by outgoing promoters in favour of BEL with effect from April 30, 2021. This has resulted in SLL becoming a subsidiary (previously a joint venture) of BEL. A consideration of Rs.14.80 crore was paid as aggregate control premium to the outgoing promoters for relinquishment and transfer of joint control and management rights of SLL. BEL also executed a Share Subscription Agreement (SSA) on April 30, 2021 (after the execution of CTA) with SLL, and outgoing promoters, for subscribing to the 4,50,00,000 equity shares of SLL at a price of Rs.10/- per equity share resulting in infusion of Rs.45 crore in SLL. Post the equity infusion, BEL's shareholding in SLL is expected to increase from 47% to 88.48% and shareholding of overall Bajaj group would increase from 60% to 91.3%. Further, BEL's Board decided to commence an evaluation of a potential merger of SLL into the company with a view to combine the strengths and synergies of both businesses so as to benefit all stakeholders. The Board will decide on the merger based on the recommendations of the BEL Management and the company's Audit Committee.

SLL, incorporated in 1995, is engaged in the business of manufacturing various consumer electrical appliances such as lighting products, water heaters, mixers, food processors, juicers, hand blenders, room heater and fans etc.

### Impact of the material event

SLL has become a subsidiary of Bajaj Electricals Limited with effect from (w.e.f.) April 30, 2021 post execution of the CTA. The financials of SLL would be fully consolidated with BEL as against equity method of consolidation earlier. ICRA notes that the acquisition of majority shareholding in SLL by BEL is unlikely to have a material impact on the

credit profile of BEL, considering that the rating assigned to BEL by ICRA already factors in the financial position of SLL and the funding support required from BEL to SLL, including the corporate guarantee extended by BEL for the debt facilities of SLL. ICRA will continue to monitor the financial performance of SLL, its operational synergies with BEL and consequent impact on the credit profile of BEL.

Please refer to the following link for the previous detailed rationale that captures the key rating drivers and their description, liquidity position and rating sensitivities: [Click here](#)

### Analytical approach

Analytical Approach	Comments
<b>Applicable Rating Methodologies</b>	<a href="#">Corporate Credit Rating Methodology</a>
<b>Parent/Group Support</b>	Not applicable
<b>Consolidation/Standalone</b>	Consolidated The list of companies that are consolidated to arrive at the rating are given in Annexure 2 below.

### About the company

BEL, a part of the Bajaj Group of Companies, was incorporated on July 14, 1938, under the name of Radio Lamp Works Limited. The name was changed to Bajaj Electricals Limited in 1960. BEL's shareholding is concentrated; the Bajaj family has about 63% equity stake in the company. The company has five business units—fans, lighting, luminaires, appliances and engineering and projects. On April 1, 2016, BEL divided its business segments into: a) Consumer Products which include appliances, fans and consumer lighting products, and b) EPC which includes transmission line towers, telecommunication towers, high masts, poles, special projects, including rural electrification projects and luminaires. Until 1998, BEL was mainly a marketing company and dealt with various consumer durable goods such as fans, lighting and electrical appliances under the Bajaj umbrella brand. In 2001-02, the company started manufacturing high-masts and transmission towers as part of its projects division at Ranjangaon, Pune. The company also has a 19% stake in Hind Lamps Limited (reduced from 50% in FY2015), which manufactures tubes and lamps. In March 2007, the company acquired a 32% equity stake in Starlite Lighting Limited, which manufactures compact fluorescent lamps (CFL), light emitting diode (LED) products and other appliances such as heaters, air conditioners and mixer grinders at Nashik. BEL increased its stake in SLL to 47% in June 2017 and further acquired the control and management rights from the outgoing promoters on April 30, 2021.

**Key financial indicators (audited)\***

<b>BEL Consolidated</b>	<b>FY2019</b>	<b>FY2020</b>	<b>9M FY2021 (Unaudited)</b>
Operating Income (Rs. crore)	6,679.41	4,987.23	3,326.14
PAT (Rs. crore)	155.97	-7.44	134.70
OPBDIT/OI (%)	5.10%	4.18%	6.93%
PAT/OI (%)	2.34%	-0.15%	4.05%
Total Outside Liabilities/Tangible Net Worth (times)	3.85	2.35	NA
Total Debt/OPBDIT (times)	4.68	4.62	NA
Interest Coverage (times)	2.89	1.22	3.51

*\*Ratios are as per ICRA's computation; PAT: Profit after Tax; OPBDITA: Operating Profit before Depreciation, Interest, Taxes and Amortisation*

**Status of non-cooperation with previous CRA: Not applicable**

**Any other information: None**

### Rating history for past three years

	Instrument	Current Rating (FY2022)				Chronology of Rating History for the past 3 years									
		Type	Amount Rated (Rs. crore)	Amount Outstanding as of September 30, 2020 (Rs. crore)	Date & Rating in FY2022	Date & Rating in FY2021			Date & Rating in FY2020		Date & Rating in FY2019				
						May 11, 2021	Feb 17, 2021	Dec 24, 2020	May 20, 2020	Nov 15, 2019	Jul 23, 2019	Mar 01, 2019	Feb 06, 2019	Dec 17, 2018	Jun 13, 2018
1	Commercial Paper	Short term	-	-	-	-	-	[ICRA]A2+; withdrawn	[ICRA]A2+	[ICRA]A1	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
2	Term Loans	Long term	20.00	20.00	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A- (Stable)	[ICRA]A- (Negative)	[ICRA]A- (Negative)	[ICRA]A (Negative)	[ICRA]A+ (Negative)	[ICRA]A+ (Negative)	[ICRA]A+ (Negative)	[ICRA]A+ (Negative)	[ICRA]A+ (stable)
3	Fund based limits	Long term	379.70	-	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A- (Stable)	[ICRA]A- (Negative)	[ICRA]A- (Negative)	[ICRA]A (Negative)	[ICRA]A+ (Negative)	[ICRA]A+ (Negative)	[ICRA]A+ (Negative)	[ICRA]A+ (Negative)	[ICRA]A+ (stable)
4	Fund based limits	Short term	315.00	-	[ICRA]A1	[ICRA]A1	[ICRA]A2+	[ICRA]A2+	[ICRA]A2+	[ICRA]A1	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
5	Non-fund based limits	Long term / Short term	2700.30	-	[ICRA]A (Stable) / [ICRA]A1	[ICRA]A (Stable) / [ICRA]A1	[ICRA]A- (Stable) / [ICRA]A2+	[ICRA]A- (Negative) / [ICRA]A2+	[ICRA]A- (Negative) / [ICRA]A2+	[ICRA]A (Negative) / [ICRA]A1	[ICRA]A+ (Negative) / [ICRA]A1+	[ICRA]A+ (Negative) / [ICRA]A1+	[ICRA]A+ (Negative) / [ICRA]A1+	[ICRA]A+ (Negative) / [ICRA]A1+	[ICRA]A+ (stable) / [ICRA]A1+
6	Fund Based/Non-Fund Based Limits	Long term / Short term	1327.50	-	[ICRA]A (Stable) / [ICRA]A1	[ICRA]A (Stable) / [ICRA]A1	[ICRA]A- (Stable) / [ICRA]A2+	[ICRA]A- (Negative) / [ICRA]A2+	[ICRA]A- (Negative) / [ICRA]A2+	[ICRA]A (Negative) / [ICRA]A1	[ICRA]A+ (Negative) / [ICRA]A1+	[ICRA]A+ (Negative) / [ICRA]A1+	[ICRA]A+ (Negative) / [ICRA]A1+	[ICRA]A+ (Negative) / [ICRA]A1+	[ICRA]A+ (stable) / [ICRA]A1+
7	NCD Programme	Long term	200.00	185.0	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A- (Stable)	[ICRA]A- (Negative)	[ICRA]A- (Negative)	[ICRA]A (Negative)	[ICRA]A+ (Negative)	Provisional [ICRA]A+ (Negative)			
8	NCD Programme	Long term	-	-	-	-	-	Provisional [ICRA]A- (Negative); withdrawn	Provisional [ICRA]A- (Negative)	Provisional [ICRA]A (Negative)	Provisional [ICRA]A+ (Negative)	Provisional [ICRA]A+ (Negative)			

### Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term Term Loans	Simple
Long-term Fund-based Limits	Simple
Short-term Fund-based Limits	Simple
Long /Short-term Non-Fund based Limits	Very Simple
Long /Short-term Fund-based/Non-Fund based Limits	Simple
Long-term – NCD programme	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, is available on ICRA's website: [www.icra.in](http://www.icra.in)

### Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (RS Crore)	Current Rating and Outlook
NA	Long-term- Term Loans	December 2017	-	May 2021	20.00	[ICRA]A (Stable)
NA	Long-term - Fund based limits	-	-	-	379.70	[ICRA]A (Stable)
NA	Short-term - Fund based limits	-	-	-	315.00	[ICRA]A1
NA	Long/Short- term Non-fund based limits	-	-	-	2700.30	[ICRA]A (Stable) / [ICRA]A1
NA	Long/Short- term - Fund Based/Non-Fund Based Limits	-	-	-	1327.50	[ICRA]A (Stable) / [ICRA]A1
INE193E08012	Long-term - NCD Programme	February 2019	11.50%	February 2022	75.00	[ICRA]A (Stable)
INE193E08020	Long-term - NCD Programme	February 2019	11.50%	August 2021	75.00	[ICRA]A (Stable)
INE193E08038	Long-term - NCD Programme	February 2019	11.50%	February 2021	35.00	[ICRA]A (Stable)
Proposed	Long-term - NCD Programme	-	-	-	15.00	[ICRA]A (Stable)

Source: Bajaj Electricals Limited

### Annexure-2: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Starlite Lighting Limited	47.00%	Full Consolidation
Hind Lamps Limited	19.00%	Equity method
Nirlep Appliances Pvt Ltd	79.85%	Full Consolidation

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