



MORNING FARSIGHT

Friday, October 05, 2018

BHARAT BIJLEE

CMP:RS 1125

TRGT:RS 1300

TIME HORIZON: 1 YEAR

Bharat Bijlee, is again giving another buying opportunity, given excellent future ready product profile, strong management, multi quarter high earnings growth, strong balance-sheet, industrial tailwinds and significant business moat Company has posted good earnings for Q1FY19, with Profit (Before Tax & Exceptional Items) rising to Rs. 18.7 cr from Rs. 11.8 cr QoQ and loss of Rs. (5) cr YoY, leading to an EPS of Rs. 22.67 for Q1FY19 alone, which was about Rs. 40 (adjusting for exceptional gains) in FY18. Segment wise, company's Power Systems segment has reported EBIT of Rs 8.8 cr against Rs. 2.8 cr YoY, which is more than 3 fold rise, while Industrial System has reported EBIT of Rs. 12.5 cr against negative EBIT of Rs. (0.08) cr in the same quarter last year, showing multifold growth. In the transformer segment, company has strong presence in Power transformers and is well known as reputed manufacturer of 220KV class transformers up to 200 MVA range., with an aggregate capacity of 15,000 MVA. Under Projects Segments, company has established more than 90 sub stations of 132 KV and has been a key player in the country's power sector, setting standards of excellence for over five decades. Under Electric Motors Segment, company manufactures complete range of three phase squirrel cage induction motors from 0.12 kW to 1,250 kW. Further, in 2007, Bharat Bijlee became the first Indian manufacturer of Gearless Machines for Elevators. The construction industry's growing awareness of energy efficiency and environment friendliness offered a latent opportunity for innovation in the overlapping domain of rotating machines and elevator drive engineering applications. Bharat Bijlee's GreenStar range of Permanent Magnet gearless machines are suitable for machine-room less applications and are relatively maintenance free. Additionally, they offer energy savings of upto 30%. Company is now domestic leader in elevator drive solutions, catering to multi-storied buildings, Home lift for bungalows and also for high capacity loads up to 5,000 kg capacity. Under Drives & Automation Division, Variable speed AC drives are offered in an exclusive partnership with Karl E Brinkmann (KEB) of Germany, a world class manufacturer of AC drives, Motion controllers and Servo Drives .These drives are designed for applications, demanding the best performance in accuracy, speed and response time. Bharat Bijlee provides a comprehensive range of KEB Drives as standalone modules or as integrated engineering systems with automation up to 900kW (415V1 690Volts). Company has esteemed clientele of almost all Power Utilities like Power Grid, CESC, NTPC etc, then Industrial players like ABB India, GE T&D, Grasim, M&M, Reliance, SAIL, Tata Motors etc. As on 31-03-2018, company also holds 21.38 lakh shams of Siemens worth Rs. 200 cr and 5.14 lakh shares of HDFCL Ltd worth Rs. 90 cr. Company is having annual Income of more than Rs. 800 cr, current M Cap is Rs. 635 cr and EV at Rs. 560 cr (no LT Debt, while ST debt of Rs. 215 cr and Investments of Rs. 290 cr), leading to EV/Sales of just 0.7x only, which we find quite attractive. On an estimated EPS of Rs. 75 for FY19, stock is trading at PE of 15x. Share ruling at Rs. 1,125 can move to Rs. 1,300 in 1 year. Buy as an investor only in this volatility and pessimism now seen prevailing.

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Disclosure of interest statement – • Analyst interest of the stock /Instrument(s): - No. • Firm interest of the stock / Instrument (s): - No.