



Farsight

MORNING FARSIGHT

Monday, August 13, 2018

BHARAT BIJLEE

CMP:RS 1173

TRGT:RS 1375

TIME HORIZON: 1 YEAR

Bharat Bijlee, one of the leading electrical engineering company, with primary business segments being Transformers, Projects, Electric Motors, Elevator Systems and Drives & Automation etc, has posted excellent 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) for 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. Over the years, Bharat Bijlee has established itself as one of the leading brands in India, especially in the transformer and motor manufacturing business. In the transformer segment, company has its 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 a 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 up to 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 upto 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 (415V/ 690Volts). Company has esteemed clientele of power utilities company 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 shares of Siemens worth Rs 220 cr and 5.14 lakh shares of HDFC Ltd worth Rs 100 cr, aggregating to Rs 320 cr. Company is having an annual Income of more than Rs 800 cr, current M Cap is Rs 663 cr and EV is at Rs 555 cr (no LT Debt, while ST debt of Rs 215 cr and Investments of Rs 320 cr), leading to EV/Sales of just 0.7x only, which we find attractive. On an estimated EPS of Rs 75 for FY19, stock is trading at PE of 15.6x, which is attractive. Share ruling at Rs 1,173 can move to Rs 1375 in 1 year. Buy as an investor.

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