



Company Name	: BPL
BSE Code	: 500074
Time Duration	: 1 year
CMP	: ₹111 (as on 11 Jan., 2018)
Target Price	: ₹145

The Value Pick for the month of January 2018 is BPL Limited. The company operates in the electronics industry and is engaged in the manufacture and trading of consumer durable goods such as colour televisions, washing machines, refrigerators, microwave ovens, computer monitors, medical technology and other home appliances products. It was a well known brand with a high market share till 2007. It collapsed post that and is not again showing strong signs of revival.

The company's stock price remained at consolidated levels over past six months. But since December, an uptick was seen in the stock price as the company delivered good numbers in H1FY18 and a huge revival was seen, making it a fundamentally viable company.

Aggressive topline target of Rs 500 crore

In FY17, the company generated topline of Rs 94.45 crore. The management has stated that the turnover from consumer business for FY18 would be around Rs 100 crore. With this, the company has set an aggressive target of achieving topline of Rs 500 crore in the next three years. The expansion of product portfolio and strengthening of distribution segment would be the major focus areas for the company to achieve this target. The company has recently introduced multiple models of LED televisions, top and front load washing machines, microwave ovens and air conditioners. By the next year, the company intends to expand its product line by introducing electronic products such as smart televisions, high-end side-by-side refrigerators, new models in washing machines and microwaves ovens, air purifiers and sound bars. Electronic products developed with latest technology by including maximum features is the focus point of the company which will attract more customers.

Deal with Amazon India

Amazon is the world leader in the e-commerce segment in the global market. With its usage of new and updated technologies, it will continue to dominate the segment for at least next five to seven years. Artificial Intelligence, robotics and machine learning will rule the world going forward. Keeping this in mind, the company struck a deal with Amazon India in May 2017 to sell its electronic products online. Amazon has wide reach over the markets and offers huge variety of products through its portal. This partnership has been beneficial for the company and this is visible as the company has grown by ~134% YoY in FY17. So far,

BPL's products have emerged consistently as 'Top Sellers' on Amazon. In the next five years, the company's consumer business will be available only online.

Strong revival in business

In 1990s, BPL was the most chosen brand for household appliances, especially televisions. However, its consumer segment ceased to exist after its joint venture with a Japanese company collapsed in FY07. But, over the past 3-4 years, the company has tried to regain its lost glory. For a short duration, it was in partnership with Flipkart, but the company cancelled it and switched over to Amazon in 2017. From FY15-17, the company's revenue has grown at 27.3% CAGR. Its operating losses have been converted into profits, and in FY17, it earned net profit of Rs 53.07 crore, as against net loss of Rs 8.45. This was mainly due to the sale of its electronic products through the online portal.

Consumer electronics industry in India

As per the latest market research report, the consumer electronics market is set to grow by 10% up to 2022 in India as it has the potential to grow in terms of manufacturing and consumption. The tier II and tier III cities would be under focus, where this market has maximum potential to expand. Shopping through online portals is rising but India still remains under-penetrated as far as internet usage is concerned. Going forward, the demand for electronics is bound to increase due to urbanisation, digitisation and Smart City initiatives by the government. The e-commerce platforms will also be an indispensable part of marketing. These macro factors will definitely be beneficial for the company.

Financial performance

Between 2007 to 2016, the company's performance declined and generated operating and net losses as its joint venture with Japanese company collapsed and stiff competition emerged in the market. The company's revenue increased by 83% and 124% in FY16 and FY17 on a YoY basis, respectively albeit from a low base. This revival was seen due to partnership deal with Amazon India and introduction of new product line. In FY17, the company's other income rose exceptionally as some of the provisions were written off. This led the net profit of the company to jump by 728% YoY to Rs 53.07 crore from net loss of Rs 8.45 crore in FY16. In H1FY18, the company's revenue rose by 22.3% YoY, however, its PAT declined by 69.27% as other income in H1FY17 was Rs 55.11 crore as against Rs 13.6 crore in H1FY18.

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Valuation

The company is trading at TTM P/E of 37.4x with TTM EPS of Rs 3.04. For FY17, the company has delivered ROE and ROCE of 55.2% and 20.2%, respectively. As compared to its peers, the company has delivered highest returns. We expect the company

to show consistent growth post the revival. If the company achieves its topline target, it will generate profits and margins will improve. We see an upside of 30% with a target price of Rs 145 over a period of one year.

Inc/Exp Statement(Standalone) (Rs in Crore)

Description	201703	201603	201503	201403	201303
Net Sales	94.45	40.36	23.89	45.83	95.81
Total Income	174.23	56.81	30.55	59.69	134.58
Total Expenditure	116.88	41.21	23.27	54.16	100.47
PBIDT	57.35	15.61	7.28	5.53	34.11
PAT	53.07	-8.45	5.56	-127.32	-10.29
Adj. EPS(Rs)	10.86	-1.73	1.14	-26.04	-2.11

Quarter On Quarter (Standalone) (Rs in Crore)

Particulars	201709	201706	Q on Q Var%	201609	Y on Y Var%
Net Sales	43.21	22.53	91.84	36.14	19.57
Total Expenditure	39.68	20.94	89.50	34.53	14.92
PBIDT (Excl OI)	3.53	1.58	122.73	1.61	119.13
PAT	15.99	0.95	1576.21	0.97	1550.26
PBIDTM% (Excl OI)	8.17	7.03	16.22	4.45	83.60
PBIDTM%	38.87	8.63	350.41	5.86	563.31
PATM%	37.01	4.24	772.88	2.68	1280.97
Adj. EPS(Rs)	3.27	0.20	1535.00	0.20	1535.00

