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Consumer durables drive Bajaj Electricals' Q3 sales

Co manages to hold operating margins at 10%

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Driven by higher volumes, Bajaj Electricals' consumer durable segment sales bolstered its overall performance for the third quarter of FY11. Sales growth came at 19 per cent primarily aided by a 34 per cent increase in revenues of the consumer durable segment. Net profit growth was reported at 19 per cent over a year ago.

The E&P segment's numbers were a disappointment this quarter too, with flat sales and lower margins compared with similar quarter last year. However, the segment's margins had improved by 600 basis points (to 9.4 per cent) sequentially. Higher realisations (in a few projects) and better order book mix helped. In the September quarter, closure of Commonwealth Games-related projects saw the company writing off some final expenses.

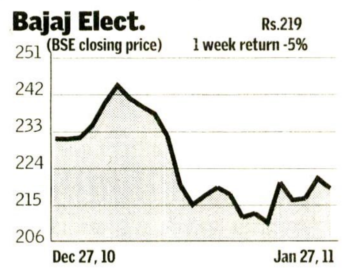
While the company managed to hold operating margins at 10 per cent in the quarter (same level of last year); input price pressure will keep a check on margins in the near term. Input costs especially of zinc and steel are in an upward spiral in the market.

VOLUME TO THE RESCUE

Bajaj Electricals' consumer durable segment reported strong sales growth backed by good demand for room heaters, air-coolers, water heaters and fans in the festive season. The extraordinary volume growth in the quarter helped segment margins improve to 13 per cent (vs. 11 per cent in September quarter and 12.4 per cent a year ago).

The company's lighting segment reported a 17 per cent growth in sales (10 per cent in the September quarter).

With no significant price increase in this category, much of the sales growth is on account of volumes



The Engineering & Projects division, despite strong order book, has been seeing lower sales growth for the last two quarters on two reasons – one, the high base of last year and two, higher gestation period of the current order book. The fourth quarter may well see this segment report higher growth with many orders nearing completion.. The E&P segment's order book stands at Rs 1,053 crore currently (for nine months of FY11, the E&P segment's sales stood at Rs 455.56 crore).