

February 14, 2022

To,

**BSE Limited**

:

**Code No. 500031**

Department of Corporate Services  
Phiroze Jeejeebhoy Towers  
Dalal Street Mumbai 400 001

**National Stock Exchange of India Limited**

:

**BAJELEC - Series: EQ**

Listing Department  
Exchange Plaza, Bandra Kurla Complex,  
Bandra (East), Mumbai 400 051

Dear Sir/Madam,

**Sub.: Submission of the Transcript of the Q3FY22 Earnings Conference Call (i.e. Post Earnings / Quarterly Call) of Bajaj Electricals Limited (the "Company")**

Further to our letter dated February 4, 2022, and pursuant to the provisions of Regulation 30 (read with clause 15 of Para A, Part A, Schedule III) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("**SEBI Listing Regulations**"), we enclose herewith the transcript of the Q3FY22 Earnings Conference Call (i.e. Post Earnings/Quarterly Call), as organised by PhillipCapital (India) Private Limited, on Tuesday, February 8, 2022, at 5:00 P.M. (IST), wherein, the financial results of the Company for the third quarter and nine months period ended December 31, 2021 were discussed.

We request you to take the above on record and the same be treated as compliance under the applicable provisions of the SEBI Listing Regulations.

Thanking you,

Yours Faithfully,

For Bajaj Electricals Limited

Ajay Nagle

Head of Department – Legal & Secretarial

Encl.: As above.



## “Bajaj Electricals Limited Q3 FY-22 Earnings Conference Call”

**February 08, 2022**



**MANAGEMENT: MR. ANUJ PODDAR – EXECUTIVE DIRECTOR – BAJAJ  
ELECTRICALS LIMITED  
MR. EC PRASAD – CHIEF FINANCIAL OFFICER –  
BAJAJ ELECTRICALS LIMITED**

**MODERATOR: MR. DEEPAK AGARWAL – PHILLIPCAPITAL (INDIA)  
PVT. LTD**

**Moderator:** Ladies and gentlemen, good day and welcome to the Q3 FY22 Earnings Conference Call of Bajaj Electricals hosted by PhillipCapital (India) Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘\*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Deepak Agarwal from PhillipCapital (India) Private Limited. Thank you and over to you, sir.

**Deepak Agarwal:** Good evening everyone. I welcome you all to Bajaj Electricals Limited, Q3 FY22 Earnings Call. Today we have with us management represented by Mr. Anuj Poddar – Executive Director and Mr. EC Prasad – Chief Financial Officer. So, without taking much of your time, I would like to hand over the floor to the management for their opening remarks post which we will open the floor for Q&A. Thanks, and over to the management.

**Anuj Poddar:** Thank you. Good evening, everyone. My name is Anuj Poddar. Welcome to our investor call. I’ll just start with a few opening comments and then we can open it up for questions.

Q3 has been a tough quarter, primarily for two reasons. One side there has been and continues to be the unprecedented cost side pressure due to rise in commodity prices. Secondly, what’s been unique in Q3 unlike Q1 or Q2, is that demand has slowed down. There has been a softening of demand, resulting in, the inability to pass on or take on price hikes to pass on the cost side impact. As a result, that is reflecting on the margin contraction in this quarter. Having said that, a few of the positives from our side. Number one, this was the third time that we’ve had 1000 crore revenue in the consumer business, we are proud of that scale and size that we continue to drive. Even, while I talk about a soft demand quarter, or soft growth, supporting to remember that we are coming off a very high base last year in Q3 on a/c of heightened pent-up demand. So, from a two-year CAGR perspective we have delivered growth, 12% growth on a two-year CAGR perspective in the consumer business.

On the cost side, while the commodity cost was less under our control, we’ve done our best to optimize our controllable costs. So, if we look at our overheads or other expenses line in the financial statements, we have actually reduced that by almost 14% Y-o-Y, and even on a Q-o-Q basis, we have reduced our expenses by 4%. So, nearly other cost such as employee costs, etc. will have been fairly tight if we look at the numbers on a comparative basis. As a result, on the EBIT, we have done a reasonably good job. We’ve had a drop in our consumer EBIT by about slightly over three percentage points, as in a situation that’s fairly decent, but also if you look at that from a two-year CAGR perspective we delivered an EBIT growth at 21% on a two-year basis in the consumer business.

I will talk about the EPC business separately during the Q&A session, particularly also the illumination business which is continuing to show very good traction both on a top line and on bottom line basis. More importantly for us is the strategic journey that we’ve been on, we remain very focused even in tough situations on our cash flow, working capital management and debt

improvement. Our cash flow from operations has been a positive 139 crores. As a result, our debt continues to improve it's down by 81 crores in the quarter gone by. And we remain committed on the trajectory on both aspects. Finally, the most important announcement today, if you recall in December, we had taken an enabling resolution approval from our board, announcing our intent to restructure the company inform or split the company into two separate entities, one for our consumer and lighting business and a separate entity for our power distribution and transmission business. We follow through on that statement of intent. We presented the scheme to the board today, which has been approved and now being put out publicly for you to go through.

Just a quick highlight on that scheme:

As you may have already had, we are clearly forming two separate independent entities. There will be no relation between these two entities in terms of parent, subsidiary, associate, etc. They will both be separate legal entities and publicly listed, all shareholders in the current Bajaj Electricals will be allotted shares in the new entity, resulting into a mirror shareholding pattern. The new entity is called Bajel Projects Limited that will house the power transmission and distribution business. The existing Bajaj Electricals will therefore continue the residual businesses of the consumer business along with the illumination business which will become part of this entity. And the last data point on that, the appointed date as per the scheme of arrangement for that entity is 1st of April 2022. That said it will follow through the normal compliance and approval processes including NCLT that should reasonably take anywhere between 9-12 months. So, by the end of this calendar year, we should have that fully processed and approved.

With that, I'll hand it over back to you for Q&A discussion. Thank you.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Renu Baid from IIFL. Please go ahead.

**Renu Baid:** My first question is coming on the consumer business where you have mentioned of demand slowdown facility pockets of East and other markets. If you can share more inputs in terms of how has now that we are in the second month of the last quarter, are we starting to see demand as in the primary sales and the secondary sales improving again, or there are still pockets of softness and coming towards the season, what is your outlook in terms of off take for the next 12 to 15 months?

**Anuj Poddar:** Sure, thank you Renu. First on the demand slowdown, I will try rightly touch upon Q3. We've seen greater slowdown from the rural pockets versus the urban areas. And that has impacted us, slightly more adversely because our contribution from rural is higher than some of our peers. But if I take a very specific narrow quarter view, I was just quickly relooking at Q2 numbers also, in Q2, our growth levels were higher. So, somewhere we also want to normalize this across for my annual perspective, not just look at it from a quarter-on-quarter perspective. One of the

other factors has been that winter had kicked in slightly later this year. And we've seen the real takeoff of the water heater, the room heaters were slightly delayed this year compared to last year. So, not referring to pent up demand in Q3 versus Q3. But even the late kick-in of winter, we've seen that cold wave particularly in North India, kick in sometime in January and February and the off take of that really pick up in the last, I would say from mid Jan onwards, we've seen significant pickup on the water heaters, room heaters and particular, etc. But that I would yet put down more to season and other factors at a broader level in the economy in terms of consumer demand, we are going to wait and watch for a little longer time to see how the consumer demand when it comes back and bounce back. We had seen a little uptick but not enough to convince us that we've seen a high-level pickup of demand in the economy. We will wait and watch on that. Finally, in terms of from a more longer-term future, the first thing we are looking forward to, is Q1 of the ensuing financial years. Because that as you know last two years were almost a washout. I would like to believe and I'm quite certain about that, that we will have a good summer. And you will see good sales on that front.

Particularly in terms of the channel in primary and secondary sales. The channels are fairly stocked up with products. And therefore, with the Omicron coming in, just when people are coming back to normal sentiment, the demand is coming back. I do think Omicron acted as a bit of a speed breaker in that sentiment kicking in. And not the consumer sentiment, but the trade sentiment, because there's a little fear factor that hopefully we don't have one more round of a big lockdown or something of that sort. That said at current thing stands people have, pretty much passed Omicron, they all know this third wave is not severe and not expected to result in anything significant. And like I said, now we have started seeing some off take as we see a pickup in secondary sales, we will soon enough, I am talking with some products. we do expect that primary sales will kick in, but we are already seeing traction on the secondary sales, right now.

**Renu Baid:** Sure. Secondly, on the pricing side, if you can share broadly what has been the kind of price hikes which we have been able to transmit during the last nine months of the fiscal year and what would be the content of hikes that we have planned ahead of the next summer season?

**Anuj Poddar:** So, if I look at the last calendar year, because whatever commodities pressure started since about November, December of 2020, in January almost is when we started taking price hikes. It's between across if you leave aside lighting and led where we have not taken significant hikes across all the other categories, it's ranged between 11-12% going up to 17%, across three to four rounds that we have taken. All of these hikes have happened between Jan 21 to September 21, post September 21, we've not taken a hike which means in all of Q3 we have not taken a hike, which is why I also see the margin contraction in Q3. We clearly need another further price hike anywhere between 3% to 5% to normalize margins sometime within this quarter based on market conditions and competitive dynamics, we intend to take that hike.

**Renu Baid:** Thirdly on the restructuring process. Now that vertical demerger and this thing has been proposed for the power T&D business, if you can just help us some inputs in terms of how we

should look at the profitability profile of the illumination part of the business which probably is doing a majestic rose kind of a quarterly run rate, but that 600, 650 crores kind of portfolio what could be the kind of growth rate expectations in that business and that business will also struggling in terms of margins. So, how should we look at that pie for the business, should we get added to the consumer portfolio. And also post listing or thereafter would we have any plans to bring in any third-party external investor, strategic partner in the business or any possibility of slump sale or it would continue to remain independently listed on an as is basis?

**Anuj Poddar:**

Okay, that's a lot of questions to combined, I'll answer each of them. On the illumination business, broadly we've been growing that business even in this quarter it has been flagged versus on a Y-o-Y, but that's an environment where the market industry clearly has de-grown in double digits. Overall if I look at a two-year trajectory the illumination business will gain market share, we were a number four ranked player based on our data, we are now a number two ranked player. We expect to close on leadership in that in the near future. While I won't give specific numbers, but anywhere between 600 to 700 crores revenue number on an annualized basis is a good starting point for you to look at. We will expect to continue to grow from that point on. On the profitability, if you see the loss-making business couple of years ago, I shared our investor call couple of quarters ago that we started to see signs of breaking even and even in this quarter, we delivered positive EBIT on the illumination business. So, that business both on a top line and bottom line perspective is showing good growth. And as that gain share bottom line, while it is already broken into profitability, we expect that to continue to grow to healthy EBIT margins. And therefore, in terms of addition to the legacy Bajaj Electricals Company, post demerger also you will see positive contribution and talking about it from that business. And we expect to continue to grow that into the future.

Coming to your question on third party quite frankly, we have no comment at this stage. As part of the deal, there will be two separate companies as I said, and with a mirror shareholding between both entities. The promoters are committed to continue there, it has been a Bajaj Group company, that means, Bajel projects which is EPC company will remain a Bajaj Group company, Shekhar Bajaj will continue as Chairman of the Board on that company as well. And therefore, that's the statement that we have as of now.

**Moderator:**

Thank you. The next question is from line of Chetan Gindodia from AlfAccurate Advisors. Please go ahead.

**Chetan Gindodia:**

Anuj firstly on the demand scenario you said that winter kicking in late has impacted our sales for Q3. So, are you seeing that traction improving in Q4, and just a bit of guidance on the margin side because normally Q3 is our best quarter and we have the highest margin in Q3, which is not the case this time? So, after the price hike of that we are planning to take into Q4 how should we look at consumer segment margin for the next two years?

**Anuj Poddar:**

So, Chetan, I missed a few words in the opening comment. But your question was on the demand in Q3 and like I said, Yes demand in Q3 has shown a soft trend. And from whatever

conversations or data I picked up it's not just our business or segment. But I've seen that across the consumer sector across other sectors the consumer businesses as well. And it has been more acute in rural, as I said and since our mix of rural is higher, therefore you have seen a slight deviation. But that's more an external factor that we have little control over. I am seeing very strong counter bounce back of demand so far in Q4. There has been a seasonal pickup for reasons that I mentioned, but I am not sure that the secular demand trend as it's at an economy revival, which I'll be more than happy to see happen sooner rather than later. In terms of margins, yes, you're right Q3 traditionally is the highest and therefore comparing the 3% margin drop but versus Q3 self of last year. But I would attribute that completely and entirely to the commodity, so that's all coming from the largely to the gross margin contraction, at an operating level we continue to actually delivery improvements as you have seen on other expenses, etc. Going forward from a Q4 perspective I would not deny that the back pressure continues. We've not seen the reversal of commodity side cost pressure. One of the two things or both have to happen we have to see a stabilization or reversal of the commodity at the same time the price hikes when they kick in, that's when we see a margin expansion. Our only controllable factor is our cost we continue to be very tight on it.

**Chetan Gindodia:** Okay. And talking about the segmental numbers within consumer segments, so appliances segment revenue has been weak that has been led by water heaters business only?

**Anuj Poddar:** Water heater as well as kitchen, so last year in fact kitchen was very high, kitchen appliances in that again, because of the base effect being very high has been weak, so on a two-year basis appliance have also grown.

**Chetan Gindodia:** Okay. And what has led to the slowdown in lighting segment?

**Anuj Poddar:** Lighting honestly, that's more an internal issue. I do think we are weaker in lighting structurally versus competition, yet to get that right. So, that way work on a separate focus strategy, over the next 12 months you will see the lighting business on track. So, while other appliances, etc., like I said that base effect of external factors, lighting is a task we're very aware of that and we are working on that and hope to give you confidence on that. We've done exactly that in the illumination side, which is a B2B and B2G lighting and we will soon focus also on the B2B.

**Moderator:** Thank you. The next question is from the line of Dev from Invest Yadnya. Please go ahead.

**Dev:** So, I wanted to know how much of your manufacturing do you do by yourselves and how much percentages do you outsource the same?

**Anuj Poddar:** So, between 15% to 20% based on product mix is in-house, therefore +80% is third party manufacturing.

**Dev:** Okay, so 80% is nearly outside. Okay.

**Anuj Poddar:** That's right.

**Dev:** So, with respect to margins, it might be affecting right if you are manufacturing yourself and outsourcing. So, can you give me the breakup of margins with respect to that?

**Anuj Poddar:** We don't give breakups between internal and external. But that said, margins we are working on improving both internally and externally. I don't think our factories are most competitive in the past. But we've had significant improvements in our own manufacturing month-on-month, both our productivity levels in terms of capacity utilization at the factories have been going up. And our conversion cost at our factories have been coming down, that's a separate project that we've been driving, we have tangible results on that internally. Even as far as third-party manufacturer are concerns. While there's a perception that our margins are weaker for that, but there's an opportunity to continue to remain to source from third party manufacturers, but yet bring those costs and operating levers to play there, which also we have tried. So, our discussion or decision on third party versus in-house is a separate decision point that we'll keep working on. But irrespective of that decision, we are driving margin expansion or cost improvement on our internal factories as well as in the factories. So, those active initiatives and we are seeing results.

**Dev:** Okay. And sir what are you doing with respect to your brand appeal, brand expansion. So, basically how are you differentiating with respect to the others in the field. So, can you give me some strategy?

**Anuj Poddar:** So, sure first let me even talk from a quantitative perspective, this is something I've said for many quarters, that we will remain committed to making sure our brand investment and brand spends continue even tough markets or weak quarters. And we've done that this quarter also about 3.4% or 3.5% is our brand spend, which may be slightly higher than competition, we've not taken that down to 1% or 2% to shore up our bottom line. In a good quarter we may take that up to 4.5% has been the guidance we are trying to balance that out, but we will not go below a certain threshold to maintain share of voice and share of mind space there. Secondly, qualitatively speaking to look at TVC, etc., you will notice much sharper position in terms of the brand position that we're trying to take in a far more modern, contemporary, relevant with far more product centric. Thirdly, it's not just TVC, regular mass media but on digital we are doing a lot more activities, both in terms of spends, and usage of influences, etc. So, DTLI, area of focus so we are driving a lot more point of sale of retail on ground visibility for the brand. So, it's a holistic brand approach.

**Dev:** Okay. One last question sir. So, if you can break up your region wise sales, North, South, East or West if you can just give that?

**Anuj Poddar:** Sure. So, our East continues to be the largest region for us, that's about 30% of our sales followed by West at 22%, North at 19% and we recently carved out a Central zone at 15%.



- Moderator:** Thank you. The next question is from the line of Achal Lohade from JM Financial. Please go ahead.
- Anuj Poddar:** Just one clarification to the last question of Dev. The zonal sales info that I have given is obviously for general sales trade, it is not applicable to sunrise and GoI channels. Please continue.
- Achal Lohade:** Just a clarification in that revenue mix, how much is South I didn't get that?
- Anuj Poddar:** 14%.
- Achal Lohade:** Okay, thank you. My question was with respect to gross margins. You said that 300 basis point contraction is more to do with the gross margins but in the same time you said that there is cost reduction. So, just wanted to understand what is the extent of gross margin contraction we have seen on a Y-o-Y basis, as well as a Q-o-Q basis is that possible to share?
- Anuj Poddar:** So, our gross margin has dropped in between 2% to 3%. But because of negative operating leverage, that's translated to a 3% drop in EBIT margin of consumer when you compare versus last year, despite actually if you look at the operating cost level, the biggest cycle it's other expense, etc., those have other expenses have declined almost 14%. Should I explain that again?
- Achal Lohade:** You were saying basically the contraction is more.
- Anuj Poddar:** It's more qualitative, firstly our contraction in EBIT margin is because of two factors. One is cost going up but not passing at on, which is a gross margin impact and therefore translating going down to EBIT. But second also because of the negative operating leverage because our total sales have come down, therefore also at an operating level that has a negative impact from the EBIT. That said, we partly recouped or corrected that by being more cost conscious on the overhead. So, if you look at other extensive that's down 14%, if you get employee cost, that's much lower than otherwise normally would be.
- Achal Lohade:** Understood and secondly, if I hear you out correctly, 3Q you had an impact of the kitchen appliances, sales kind of got covered in second quarter, the delayed winter, as well as a rural, is it fair to say that there is an element of market share loss for us given the peers what they have delivered the numbers?
- Anuj Poddar:** Depends on how you cut market share. So, let's say if you, because our contribution to rural is higher on the cumulative it may seem so, but if you start cutting down to urban, I don't think we lost market share in urban, nor in rural either. But when you compare together the blended, it's just a function of rural market contracting, which is our strong point in urban market, not contracting as much, so optically it looks that way, but I would say that's not a reflection of the consumer buying behavior in either of these two markets.

- Achal Lohade:** Got it and just one more question.
- Anuj Poddar:** That's the right way to look at market share but we are tracking market share activity at a product category level and a zonal level as well as on rural, urban level. So to go into any segmented market, we're not losing market share, but because of the mix or geographical mix, which is why our sales growth is that.
- Achal Lohade:** Any ballpark number with respect to what is the rural mix for us, I know it's hard but still?
- Anuj Poddar:** So, we have never put that out in the past because there is no third-party data, but I would just say it's in high double digits. And it's a few times more than I know what the contribution of competition is.
- Achal Lohade:** Okay. And just one more question, is that 3% to 5% price hike is required to pass on the entire RM cost inflation. So, the question is, has that been announced or it's still in, you're still evaluating. What is the current?
- Anuj Poddar:** We are currently evaluating; it's not been announced we are currently evaluating that.
- Achal Lohade:** And do we expect that to happen anytime soon or you think given the demand scenario, it could happen probably only in the first quarter?
- Anuj Poddar:** I would hope for it to happen in this quarter, but I don't have a different timeframe on that.
- Moderator:** Thank you. The next question is from the line of Rahul Gajare from Haitong Securities. Please go ahead.
- Rahul Gajare:** So, some of my questions are answered. I've seen recently there are new products that the company has turned out, could you throw some light on your R&D expenses that you have done in the first nine months, and how this is compared to what you have been doing in the last in the first quarter?
- Anuj Poddar:** Again, I'll give you a broad range. So, R&D expenses are not disproportionately high, they are in the 1% to 2% range, we intend to keep it in that range. Quite honestly, in the past also we were spending, I just think we're spending that there's two aspects you'll see there is a slight enhancement that you will see in R&D expenses in the coming two, three years because there's a fair amount of catch up that we intend to do, but not something let's say to take it to 3% to 5% because we want to be conscious of bottom line, and therefore technical aspect on that compared to the past, we are trying to be much more smarter on R&D expenses to have direct linkages to actual NPD output and business traction on that in a timeframe with better payback visibility and each stage. So, both that's the range we're operating in, it will go up slightly, but not in a manner that should have a very strongly to current impact on the bottom line, but also about how do we manage that therefore smartly versus the past. Does that answer your question?

**Rahul Gajare:** Yes. And that is helpful, the second question that I had was on continuing with the earlier participant, we have done almost 1000 crores of revenue in the CP business, but obviously this is lower than what we've done in the third quarter of last year, but compared to the second quarter, that operating leverage should pretty much be there. So, I recollected your margin was 9% and certain expenses, which are there allocated to CP, if that was not there, your margin would have been 10% in the CP business. So, I can understand some part of the 8%, 8.5% or 9% margin that the company has recorded the CP this quarter would be because of the commodity, but at 1000 crores of revenue, you should see good amount of operating leverage, so what are your thoughts on this?

**Anuj Poddar:** So, Rahul your voice was not very clear, but if I got that right your point really is, one is if you are comparing to our last year, it was approx. 1150 crores. So, my point there is if revenues has come down from that, and cost have gone up from that, it is both the pressure on the first level margin because of the cost going up. And the second level because of the operating mechanism leverage, which you try to partly cover through our operating cost. Secondly, if you look at from the allocation between EPC to consumer, that headwind continues, even now our share of CP versus EPC, every quarter is higher and higher. So, to that extent, we continue to absorb that, like we will stop talking about if you remember earlier to present a re-conciliation how much incremental cost has been absorbed by CP because of this reallocation. We have started taking that in or slide, but keep in mind that that yet continues till it's not a 100-0 situation so we are taking that in our stride. Third to your point about at 1000 crores being sizable scale to not worry about that, I completely agree. But there's a path to getting through that point. So, from where we are, we can only compare to our previous period and how we are faring against that and the reason for that. So, I would say the only reason we're seeing a margin contraction, Y-o-Y is because of commodity pressure. And we've done well to contain that to 3.3 percentage points, had it not been for other factors. The actual cost side pressure is higher than that. And the only evidential answer to that is your question of operating leverage is to look at my other cost items and if you look at other expenses, that has improved. So, that's the way we're trying to release some of that margins.

**Rahul Gajare:** And, in the second quarter you all had almost 7 cores of allocated to the CP business. Is there such cost in this quarter also, the 8.6% has to be looked at in that context?

**Anuj Poddar:** I couldn't fully follow but I'll ask EC to answer you.

**EC Prasad:** You are asking of the allocation right. You said for the allocation?

**Rahul Gajare:** Yes, is there cost allocated to CP business which was essentially the cost of EPC.

**EC Prasad:** As far as the ratio that we have allocated in Q2 that continues in Q3 as well.

**Rahul Gajare:** So, the number of 7 crore in the second quarter. So, can you give us the expense which is allocated to CP business in the third quarter?

- EC Prasad:** It will be in the same range around 7 crores even in Q3.
- Anuj Poddar:** Okay. The whole one year point I do want to bring it out because we discussed this internally. And sometimes we are not given benefit for that in our EBIT margins when compared, please look at our segmental reports versus other industry peers and look at our quantum of un-allocable expenses versus others. We have almost negligible amounts sitting on our un-allocable expenses unlike others. So, if you take the un-allocable expense of others and net that out against their segmental EBIT margin, that's the right way to compare like-for-like, and you will see a very different picture versus the comparison that we see now. But we've not been trying to do that we followed so far, our allocation strategy.
- Rahul Gajare:** Certainly, that is good.
- Anuj Poddar:** I do want to stress this out, but this has come up sometime in some conversation, the gap is not wide as wide as it seems on pure segmental report number.
- Rahul Gajare:** Absolutely, we understand that. Now, the last thing in your presentation, I've noticed, you're looking at new geographies for export. So, just want to understand your thought process on the core business. And how do you see Bajaj Electricals ramping up over the next three to five years.
- Anuj Poddar:** Absolutely. So, these are all part of what I focus on. Strategically, that's more important, short term we have issues a commodity, etc. But how are we building ourselves for future growth. Even if you look at exports, the reality in exports have been tough in the last year, because COVID has been a problem not just in India everywhere number one. Number two key markets have had their own share of geopolitical issue Sri Lanka as a key market. If you're familiar, they have a lot of Forex, restrictions right now, they're not able to pay Forex. If you look at Gulf, just key markets there's a lot of geopolitical strife. If you look at parts of Africa, which are key markets, there are issue there. But these are all issues that will resolve themselves at short, medium term, what we are trying to do is set the base for growth for the features, including some of the territories that are mentioned we are opening up more new territories with new partners or distributors, etc. there. Even in the market that we are present in we've expanded channels, for example Gulf we are not present in online marketplaces we just recently taken up a position online marketplace in the Gulf, etc. So, both at three levers of growth on exports for us right now, one is new territories, number two is new channels in some of these territories, and three we are just looking at our GTM again there in terms of our distributor partnerships or go to market partnerships. So, when the markets improve, at least we are in a good pool position to actually drive growth going forward.
- Similarly, I don't know if you're, I don't recall a debt mentioned institution growth, but we had over 60% growth in institutional business of consumer in this Q3. Now, these are all smaller channels in regular times, you don't always get as much focus. But these are all bases we're trying to create for the future. It's a small base, but we're doing that. So, as we keep going forward, we will see multiple engines firing.

- Moderator:** Thank you. Next question is from the line of Nirav Vasa from Anand Rathi. Please go ahead.
- Nirav Vasa:** Sir, we had done a tie up with Mahindra Logistics for a complete rollout. And I can say they are becoming the exclusive vendor for us. So, I understand that these are tough times, but wanted to understand how the rollout of that vendor has been done being successful. That's my first question.
- Anuj Poddar:** Yes, so the rollout has been good, it's been positive, it's contributed positively to us. That said, there has been a couple of challenges with that, most of the rollout has happened during COVID the biggest, transition of planned in April, May 21, which is when the second wave of COVID was at its peak, and therefore we had to work around that. So, it hasn't progressed as envisaged. And therefore, they need some impact in terms of timelines of benefits and managing that rollout, etc. But we did have some multiple teething issues at that point because of secondary wave of COVID and, etc. We solved for most of those number one, number two, in terms of the financial benefits and gains of that, there's two ways to look at that. One is we've not come down to the targeted logistics levels because of two reasons. One is fuel costs, etc. have gone up significantly in this last 12 months, even now as we see post selection, we might see a further rise in that. And secondly, our own inventory has increased significantly post COVID for certain strategic reasons. So, that has added to a logistics cost. But the other way I would see that, had we not done the deal and drive the benefits from that., we'd have seen an actual increases logistics costs. What we see now is that the savings are not to the quantum of what we had projected one year ago, because some of these other items are weakening to the sale. But had we not done this actually we would have added negative impact on the P&L which we not actually had. So, the net basis we get improved versus have we not done this.
- Moderator:** Thank you. The next question is from the line of Lakshminarayan from ICICI Prudential AMC. Please go ahead.
- Lakshminarayan:** A couple of questions. What is your CSD contribution, which is the canteen stores department?
- Anuj Poddar:** We will just pull that out Lakshmi can you ask us the next question.
- Lakshminarayan:** The second question is that, in your presentation you mentioned that there has been a volume decline. There would be also a price escalation. So, if you just remove the price escalation, what has been your decline would be if the price increase, was just trying to understand what is the inflation led growth over the last nine months?
- Anuj Poddar:** So, for that quarter, if I pull it out, let me see for the nine months, I pull it out for the quarter since you had a 6% de-growth in consumer business and that's after price increase. Obviously, there seems to 15%, 20% volume decline Y-on-Y. But I would not be surprised on.
- Lakshminarayan:** What is the volume decline you mentioned, I didn't hear.

- Anuj Poddar:** If you add the math it's 6% sales decline so the price increase anywhere between 11% to 17%, volume decline over last year Q3 would be plus minus 20%. I would not be very surprised with that because last year Q2 like you know was very high base effect quarter.
- Lakshminarayan:** Sir, your voice is not clear so it's 14% decline approximately?
- Anuj Poddar:** I would say the volume decline on last year's Q3 to this year Q3 may be close to 20% because last year Q3 was a very, very high quarter. And I'm just aggregating the price increase with the current total revenue drop. But if you look at a two-year basis you will see volume, be fairly flat in a two-year basis right now Q3-to-Q3.
- Lakshminarayan:** It's around flat?
- Anuj Poddar:** Two-year basis volume will be flat on a revenue basis we have seen growth factoring the price hikes.
- Lakshminarayan:** Got it. Now, if I just look at your run rate, you're almost like 1000 crores of sales. So, what is your margin band you can actually expect because we have been delivering approximately 10% in the last couple of two quarters. So, what kind of band you aspire to operate in, can it be higher than 10 or what it will check in?
- Anuj Poddar:** Absolutely it will get to higher than 10, general directional guidance that we are giving you that we intent to expand the margin by 1% each point every year. But we will aspire to get to that 13 to 14% range in the next three to four years. Now if there will be cyclical factors COVID some of these commodity cycles, but though they would just into two quarters back plus minus, etc. For three to four years, we should be in that 13%, 14% range.
- Lakshminarayan:** Got it. And in terms of distribution expansion which you mentioned right, what has been the last two, three years what has been the expansion in distribution and how long it takes for you to translate to a sales growth from the distribution newly appointed distribution or new territories, how quickly it happens?
- Anuj Poddar:** So, Lakshmi slight nuance to how we have been driving that as absolute distribution growth in terms of number of retailers in the last about four years has been somewhere from 1.7, 1.8 lakhs to about 2.2 lakhs okay. But since the last year or so that has been fairly flat because our focus now, in terms of penetration were very well penetrated so has not been on increasing those counters, but on driving same store sales growth or milking those counters much better, which is slight difference from competition within our reach numbers. And within that also our need to mine urban markets better is much more. So, our focus is on both milking our current reach much better which increasing sales per counter and driving SSSG and secondary increasing our market share in the urban territory, which is what traditionally we've been weakened. So, while distribution expansion there is a team somebody has to keep doing that but strategically that's third in priority, not first in priority.

- Lakshminarayan:** Got it. So, if you have that number on CSD, as well as e-commerce you can give, or we can take later.
- Anuj Poddar:** I'll give you the CSD and government number. So, the entire government comprises CSD, police department, etc. is close to about 9%. That used to be empirically close to about 11% or so a couple of years ago, but as e-commerce and others have grown faster and CSD growth slowed down because of government clamping down and importing products, which is why the share in the total business has come down to what 9%.
- Lakshminarayan:** E-commerce is how much now?
- Anuj Poddar:** E-commerce was in the range of 9-10% for the quarter gone by and historically has been hovering around 12% range.
- Moderator:** Thank you. The next question is from the line of Bhavin Vithlani from SBI Mutual Fund. Please go ahead.
- Bhavin Vithlani:** Could you help us with the market share in some of the key categories like fans, mixer, induction cooktops, water heaters, iron, air coolers, et cetera?
- Anuj Poddar:** Bhavin, I didn't get the third part of your question. So, what about these categories?
- Bhavin Vithlani:** So, I was looking at your market share in some of the product categories like fans, mixer grinder, water heaters, induction cooktops, iron, air coolers.
- Anuj Poddar:** Right. So, you are looking at them, or what's the question or you are asking for the market share?
- Bhavin Vithlani:** Yes, I am asking for the market share data.
- Anuj Poddar:** Okay. So, we don't publish market share, but if I just give you a growth rate, for example in fans and a two year basis we've grown fans two year basis about 26%, which we believe is higher than industries therefore we gained market share in fans, in mixer grinder or kitchen appliances, we are holding market share, there is a lot more new entrants coming into kitchen appliances so while we're holding leadership, on aggregate basis we're seeing a lot more competitive intensity on the appliances space. Lighting is the one area where we have not grown on market share which is therefore our focus area for us to grow market share in that.
- Bhavin Vithlani:** Sure. The last question that I have is on the lighting side, we have a reasonably strong share on the B2B part like for streetlights where you're the market leader, government spend has been slower in the last couple of years as you also highlighted, what is the outcome that you are seeing, budget actually emphasizes a lot on the CAPEX are you seeing that B2B lighting segment reviving and consequently the lighting growth can be faster?

**Anuj Poddar:** I do think so. So, one is B2B lighting is a more evolved sophisticated business and therefore lesser of a commodity play and therefore lesser of the smaller players it is amongst fewer serious players in that segment compared to the B2C lighting number one. Number two therefore also on these tenders, etc. fast track record and project experience, etc. counts. Number three, there's enough spending happening there. Like the others, rest of the segments also there is greater consolidation in the B2B or B2G lighting space compared to the past. And number four, we have enough room to do targeted so in terms of it's not a question of streetlights, industrial lighting, etc. But there's specialized retail lighting, Metro Station lighting, airport lighting, in aircraft lighting, there are many targeted segments which require targeted solutions. As we evolve as an industry growth for these will keep happening and there's enough and more to be done in that space now. Data servers, data centers, etc. All of these are very targeted, all the CAPEX, real estate other projects we have spent in these kind of spaces requires specialized lighting solutions.

**Bhavin Vithlani:** Sure. And just a follow up on the same because a lot of these some of the companies that we track they talk about a lot of building automation and Li-Fi, which is very similar to the Wi Fi where automation connected though the lighting, what kind of technological changes that you are seeing and how are we geared to this technological change?

**Anuj Poddar:** So, we are seeing a lot of that, and that is a two one is the lighting product itself more and more IoTs, smart lighting, energy efficiency and I'm not talking consumers and I'm talking streetlights, etc. connected to a grid, how do they operate, etc. So, the building solutions, etc. lighting is becoming more of a integrated solution not lighting standalone but lighting integrated with other building management solutions, etc. Within that there are multiple operating systems and technologies that are competing for that we have been evaluating over periods of time, we do have some solutions. On certain technology platforms, we have been evaluating other newer technology platforms that we see emerging in Europe. These are some choices because there are multiple competing technology platforms that are emerging in Europe, or other developed markets, we don't know which of these will become a winner, because these tend to be very binary in terms of some becomes a winner and others completely die out. So, we are there, we are actively doing some of these things. But we also need to be careful in evaluating in locking into any of these or making heavy investment. So, some of this is being done, what should I say, at a non-committal level, but at a transaction level without us over investing to one technology platform or something of that sort. But I do see going forward that we will become more-and-more integrated part of this whole commercial lighting space, and we will continue to evolve our own skill sets and capabilities, and we may have to broaden beyond your plain vanilla lighting solutions when it comes to these building, solutions, et cetera.

**Moderator:** Thank you. The next question is the follow up from the line of Chetan Gindodia from AlfAccurate Advisors. Please go ahead.

**Chetan Gindodia:** My question is with respect to our other income line item, so if I see FY21 so within our other income segment, there were a lot of one-off items. And the actual other income was somewhere around say 25 crores compared to total other income of 75, 76 crores. So, even in the last two



quarters, where we have other income of 28 crores each what proportion of this is one of items. Can you give us some light about this?

**EC Prasad:** So, these 17 crores include sundry creditor right back of about 10 crores and the debtors provision reversal of 5 crores.

**Chetan Gindodia:** Okay. And this was even same in the last quarter?

**EC Prasad:** This is in the normal course of business every, every quarter we have this effect on vendors as well as provision.

**Moderator:** Thank you. As there are no further questions, I now hand the conference over to Mr. Deepak Agarwal for closing comments. Over to you, sir.

**Deepak Agarwal:** Thanks everyone for joining this call and thanks management for giving us opportunity to host this call. Management any closing remark that you want to make.

**Anuj Poddar:** So, only comments I have Deepak, we shared all the insights that we on the quarter performance. For us the longer-term strategic focus remains the priority. There are shorter term issues that we will continue to face quarter-to-quarter, we will continue to navigate as best as possible. But if you look at all the metrics for longer term aspects, we are committed to those and we're working on that and we're not guided by shorter term performance to get that up to actually so when I say that in the context of investments with R&D, brand, other calls that we have to take, employee to see, the one-off cost this time if we have of the VRS of Shikohabad, etc., when they will have some impact on our P&L, but long term they continue to set us up and we have strong payback. For each of these decisions that we take and that is what we continue to guide us. Thank you.

**Deepak Agarwal:** Thanks management. Thanks everyone who joined this call, thank you.

**Moderator:** Thank you. Ladies and gentlemen, on behalf of PhillipCapital (India) Private Limited that concludes this conference. We thank you all for joining us. And you may now disconnect your lines.