

June 24, 2020

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 BAJ21A -Series A NCDs INE193E08038  
Exchange Plaza, Bandra Kurla Complex, BAJ21-Series B NCDs INE193E08020  
Bandra (East), Mumbai 400 051 BAJ22 -Series C NCDs INE193E08012

Dear Sir/Madam,

**Sub.: Submission of the Transcript of the Investor Conference Call of Bajaj Electricals Limited (“Company”) held on June 19, 2020**

Further to our letter dated June 15, 2020, and pursuant to the provisions of Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (**“SEBI Listing Regulations”**), we enclose herewith the transcript of the Investor Conference Call which was organised by Ambit Capital Private Limited on Friday, June 19, 2020 at 4:30 PM (IST) to discuss the financial results of the Company for the fourth quarter and financial year ended March 31, 2020.

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  
EVP and Head – Legal & Company Secretary

Encl.: As above



# “Bajaj Electricals Limited 4QFY2020 Earnings Conference Call”

June 19, 2020



**ANALYST: MR. DHRUV JAIN – AMBIT CAPITAL PRIVATE LIMITED**

**MANAGEMENT: MR. SHEKHAR BAJAJ - CHAIRMAN & MANAGING  
DIRECTOR - BAJAJ ELECTRICALS LIMITED  
MR. ANUJ PODDAR - EXECUTIVE DIRECTOR – BAJAJ  
ELECTRICALS LIMITED  
MR. ANANT PURANDARE - PRESIDENT & CHIEF  
FINANCIAL OFFICER - BAJAJ ELECTRICALS LIMITED  
MS. POOJA BAJAJ – NON-EXECUTIVE DIRECTOR –  
BAJAJ ELECTRICALS LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to the Bajaj Electricals Limited 4QFY2020 Post Results Analyst Conference Call hosted by Ambit Capital. 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. Dhruv Jain from Ambit Capital. Thank you and over to you Sir!

**Dhruv Jain:** Thank you. Hello everyone, welcome to the Bajaj Electricals 4QFY2020 Conference Call. From the management today we have with us, Chairman & Managing Director, Mr. Shekhar Bajaj; Executive Director, Mr. Anuj Poddar, and CFO, Mr. Anant Purandare. Over to you Sir, for your opening comments.

**Shekhar Bajaj:** I would also like to mention that I have invited our Director, my daughter-in-law, Pooja Bajaj also. It will be a good experience for her to go through this thing, so she is also with me, for your information.

Welcome to all of you for this conference call. I think you must be happy to see the fourth quarter result and for the year. In spite of last one week having been lost out because of lockdown, for the fourth quarter we could have a positive growth which is something, which I think in the industry we are the only one who is having a positive growth for the fourth quarter and this pertains to the CP business, I am talking about. And luckily our margins have also improved from 4.9% to 6.8% and EBIT from 36.7 Crores has gone to 50.48 Crores, which I think, something which we are very satisfied with, and it is as per our strategy and plan. Our EPC business was to be brought down and which is going as per schedule for the year. Two good things have happened, one is our objective of EPC business going down to below 40% has succeeded. It is around 39% and our growth is negative 52% as far as this is concerned. And in spite of Covid, 13% growth has taken place for the year for the CP business.

Also, the most important thing that has happened is that we decided last year, that we were looking at the topline growth and bottom-line was coming, but we were improving our profit and loss but balance sheet was in a real test in terms of our debt. Our debt-equity ratio was 1.5. We are happy to inform you that, that has been brought down to 0.7. It has been brought down from a level of 2000 Crores, it is now around 1000 Crores, 350 Crores has come out of rights issue and another 626 Crores has come out of cash flow from operation and because of which our interest cost which is now at level of 170 Crores for the year and for the coming year we are really looking at this interest cost to substantially come down to

around 100 Crores. So, therefore it is something which is very satisfying and we are hoping that for the next year as far as the consumer business is concerned, in spite of the few lost sales in the month of April - We had 0 sales, In the month of may we had around 60%, 65% of our last year's level and June we should do 80% to 90% and then July onwards this should be normal. For the year, we are looking at, at least trying to reach last year's level. On consumer business, we want to reach last year's level that is our minimum objective and on that basis we have started working and I think we are happy because we are luckily in the small appliances, fans, and lighting, and not in the large consumer durables where there is a lot of sluggishness and therefore when people put consumers durable in one berth they must separate out small appliances which is a necessity compared to a large appliance which is something which can be postponed, can be avoided so therefore to that extent we think there will be a good opportunity for us to continue to do well in the current year also.

With these words I would like to now ask Anuj Poddar if he would like to add something and then open it up for people to talk.

**Anuj Poddar:**

Thank you Mr. Chairman. This is Anuj Poddar, good evening everybody, I think he has covered the overall perspective on everything, I have not so much to add, I will just maybe repeat a few points, but this is in the context of our results. Like he said our three focus areas strategically and I have been saying the same things over the last few earning calls, which is to relook at our business structure, drive growth in consumer products, while be little more risk and profit and cash focused on EPC. So that is the reason for growing consumer products business containing EPC business. Number two has been generating actual cash from operations for the business and repaying debt and fixing balance sheet.

Your headline numbers and all of these, you have the numbers, I would not repeat all the numbers, but this achievements, the consumer products has beaten industry and maintained the flat, this is on the back of actually two very strong double-digit growth months in Jan and Feb and then there is negative impact of March which has helped us even it out.

On the bottom-line on consumer it has grown very smartly at 37%. I just want to caveat that, while that is very smart growth, 37% growth is not necessarily what we will be able to deliver every month. We did pull back on some cost and expenses in March, particularly publicity expenses, which is why that growth is little higher, then it otherwise anyways would have been very healthy double digit and ahead of industry on that.

EPC like we have said the degrowth is intentional, you do see some losses on the EPC business segmentally in 4Q, we have maintained that we will have a few quarters of losses. I think running into most of this year, it is slightly higher in 4Q because we have chosen to

take some provisions in the EPC business, however these are provisions and therefore these are noncash items, the noncash losses and that has proven by the fact that despite these losses in the EPC or otherwise our cash generation in this quarter like all the previous quarters has been extremely healthy. This quarter particularly we have generated cash from operations of 127 Crores, when you add this to the rights issue money that we have raised just before Covid in early March and all of that being used to repay debt our balance sheet as he has already shared has improved significantly and debt equity has improved. So I think all of this holds us in good state as we start this year and despite the Covid pressures and challenges that we started the year with, we are working aggressively to just mitigate the impact of the topline on Covid by cost containment such that at least bottom-line we can try and protect to the extent feasible.

I will just take a pause with this and we can get into the questions-and-answers. Thank you.

**Moderator:** Thank you very much Sir. Ladies and gentlemen, we will now begin the question and answer session. We have our first question from the line of Renu Baid from IIFL. Please go ahead.

**Renu Baid:** Good evening Sir, and good to see a strong performance from consumer portfolio. My first question is to understand a bit more in terms of the drivers for the business especially how has been the performance of the sub segments in the consumer portfolio and given the Covid experience in the last couple of months what are your expectations with respect to consumer off-take in the coming months and do you foresee any particular tailwinds with particular sub-category for us given that we are very well-placed in the mass market?

**Anuj Poddar:** Renu, thanks for your questions and thanks for comment on the consumer business. If you see the entire business this quarter is flat. Most of the segments are close to flat, not wide variation but just to call that out lighting has declined by 4.1% in 4Q, appliances has grown by 1.4% and fans has grown by 0.3% and Morphy Richards has grown by 5.7%. But, Morphy as you recall is a smaller base absolute number and giving a cumulative growth of 0.5% across these four segments. All of these segments, the first two months have had actually healthy double digits, so what you are seeing really is the impact of March, just to add to what the chairman said while the lockdown was in the last week of March, in reality the sales had started dropping across the industry by around 15th of March so it is actually almost half of March that has been impacted. You must also remember that summer is a big season for us, particularly for fans and coolers and therefore at the end of March or end of that quarter is actually normally a big important period for us from a sales perspective. In terms of just outlook in COVID now as he already shared April of course was complete 0 sales, May is when sales started picking up, it did pickup faster and we anticipated at the

start of May and June has had a very, very promising start so I think how you would expect that the bounce back in our category should be faster and sharper than many other industry segments there.

**Renu Baid:** So at least on the inventory side or the secondary sale off take for you would have been fairly strong especially for fans, coolers portfolio?

**Anuj Poddar:** Yes, so to be candid fans for us even our primary sales has done very well post the lift of lockdown. Coolers in general, feedback from the industry is that it has yet been a slower off takes than fans has been relatively slower. Summer in Delhi, while it was strong the ground feedback was in Delhi and some northern areas, mornings and evenings are yet fairly pleasant. So I think cooler sales did not take off the way we would like to have seen that or not at our level in the market the inventory that was already in the channels would have sold but we did not have enough of reselling that happened as we would have liked for the season. But we are yet in the middle of June and we yet have another 10 days to go. North India is yet to get change of weather and we will try and see what we accomplish for the rest of the month.

**Renu Baid:** My second question would be around the project business and the balance sheet side so given the end of March and then how are we positioned with respect to the rest of execution for UP projects and the pending receivables on both if you can also highlight what was the quantum of provisions created or impacted in the last quarter on account of projects and vis-à-vis that the refinancing that we are trying to do through NCDs is that more from a financing perspective or do you think the trade cycles to be slightly more elongated. That is, it from my side?

**Anuj Poddar:** Okay thank you it is a lot of questions.. I will just answer part of them and ask our CFO to answer. On the execution front we were running at good speed till early March in fact what happens is since early March I think Holi was 10th March if I remember correct, 10th or 12th of March it does slowdown a little bit in the two weeks running up to Holi because that is when a lot of people go off on leave, but all our plans would pick up pace again by 10th, 12th March unfortunately that is the time when this whole COVID scenario started and that labor did not come back. So, in a way we did suffer one month or five-week impact on the project execution within this quarter itself that has continued till the lockdown is not lifted. As we speak now all the projects are back in operational, but the labor is yet coming back at different projects, at different states, to different extent. There are certain ground realities on the labor return because many of these are not coming in a cross state but within the state labor, but the interstate labor or ground force are not necessarily fully coming back. In terms of the provisions and other numbers and receivables I will hand it over to CFO and

the NCDs. You had one more question that I thought I wanted to answer before I give it to him maybe I am slipping that. I let the CFO answer then I will answer which is pending on that. So, Mr. Purandare over to you.

**Anant Purandare:** Yes, so as far as provisioning is concerned as you know we always have a very conservative approach while making provisions for receivables or even for the project cost, cost to completion so all those provisions have already taken in the book. So that is what I would say and as far as our proposal for 500 Crores of NCD or commercial paper is approved by the board, this is mainly we have taken for the issuing commercial paper because with improved balance sheet we are expecting that our rating should improve, short-term rating and we will be able to issue the commercial paper whereby you can save some interest cost with issuing the commercial paper at lower interest rate.

**Renu Baid:** It is more of refinancing of debt that is happening on the interest NCD side?

**Anant Purandare:** Yes, this is for interest arbitrage.

**Renu Baid:** And if you can quantify what was the impact of provisions in last year, full year and fourth quarter?

**Anant Purandare:** I think we do not give such details on the call; offline we can tell you.

**Renu Baid:** Then I will take it offline later.

**Shekhar Bajaj:** But one thing I must add that our objective is that from a level of 0.7 which is our debt equity ratio, this movement of debt equity ratio we want to bring it down to around 0.4. That means around 300 to 400 Crores is the amount net we want to improve our debt.

**Anant Purandare:** In FY2021.

**Shekhar Bajaj:** Yes, we have already done around 942 Crores in 2019/2020 and then the 2020/2021 other 300 to 400 Crores further reduction in our debt is what our objective is.

**Renu Baid:** I have asked too many questions. I will get back in the queue. Thank you so much.

**Moderator:** Thank you. We have the next question from the line of Rahul Gajare from Haitong Securities. Please go ahead.

**Rahul Gajare:** I actually joined a little late. So, I may have missed some of your opening remarks. Sir what I want to understand is I have got two questions, one on each business. In the consumers

business given that we have had lockdown extended right till May, we were actually looking at this business growing at about 20% to 25% on a CAGR over the next couple of years. After the lockdown that we have had and how do you see this business over the next three years, in terms of the growth and within that which are the segments you think will be the main drivers for that growth that is on the consumer business?

**Anuj Poddar:** Okay, you want to add the EPC question I will answer both together?

**Rahul Gajare:** No, I will come to EPC later.

**Anuj Poddar:** Okay, so yes, we have been growing. We have grown this year at about 13% at consumer business that is post the COVID impact, that this would have been higher. To be honest Rahul, 20% to 25% CAGR I think would be a huge stretch. I think industry is growing at 10%, 11% if we grow at 15% also that would be way ahead of industry. We can always aspire to do more, we have said that in private conversation so despite us aspiring more that is not a public guidance. On terms of this specific categories fans for example is a very low typical industry growth figures of 6% but given that we are trying to improve our market share and ranking to us that is a key growth area and we will grow that or aim to grow that in double digits as we have done this year except for Q4, followed by appliances in kitchen appliances which where we already leaders but we intent to grow that further by focusing on certain of the sub-segments within kitchen appliances. Let me put it out in terms of key focus categories so fans, kitchen appliances, water heaters and coolers these are the four to my mind, the driver categories in scale that would follow by lighting and irons, but I think the core drivers of growth for us would be these first four categories.

**Rahul Gajare:** On EPC could you tell me what is the order backlog that you have right now and what is your status on the UP project?

**Anuj Poddar:** Yes Mr. Purandare you can share the order book.

**Anant Purandare:** Yes, the current order book as of 1st of April is 1730 Crores comprises of transmission line tower 705 Crores, power distribution 829 Crores and Illumination of 197 Crores.

**Rahul Gajare:** This is broadly around the same what it was in the earlier quarter?

**Anant Purandare:** Right and power distribution fluctuates because it is effect of the scope reduction or additional scope so every time if you see it is hovering between around 700-800 crores.

**Rahul Gajare:** Yes, and UP if I am not missing was closer to 400 odd Crores in the PD business.



- Anant Purandare:** 400 odd?
- Rahul Gajare:** UP project balance order book was around 400 odd Crores right.
- Anant Purandare:** Yes correct.
- Rahul Gajare:** Sir in the last couple of months how has been the movement on receivable basically in this particular business?
- Anuj Poddar:** So, you are talking Q4 right.
- Rahul Gajare:** Yes.
- Anant Purandare:** Yes, see if you see the receivable December EPC receivables are 1960 Crores those are increased to 1973 but obviously there is a billing, so if you see there is a collection which was happened and if you see year-on-year basis obviously EPC receivables has reduced from 2630 Crores to 1973 Crores. So, from cash flow if you see as CMD mentioned that we have cash flow from operation of 626 Crores is mainly if you see is because of reduction in working capital so that is what proves that, that the money is collected.
- Rahul Gajare:** FY2020 was a very good year from a balance sheet perspective, we have had significant reduction in the debt side, and we have had strong cash generations. Now for FY2021, I was actually surprised why are we talking about only reduction of 300 to 400 Crores of debt number. I mean given a kind of cash flow that you have generated last year you think that number can be higher than this 300, 400 Crores?
- Anuj Poddar:** See Rahul normally your cash generating should approximate your actual profitability of the business right except for certain adjustments of depreciation and or for the noncash items so 300, 400 is yet showing an over achievement on that based on reduction of past working capitals or receivables, but it cannot be disproportionately higher than the normal business operation results.
- Shekhar Bajaj:** Also Rahul in terms of our topline because of this two months of disruption in April, May unlike a 15% to 17% type of growth we would have looked at normally we are saying that this year we hope that we will do better than last year that is almost 0 growth to 2%, 3% growth may take place. So automatically your profitability gets impacted because of the loss of sales the topline is coming and therefore our overheads of course we are trying to cut down our overheads substantially since the overheads cannot just come down and therefore to that extent profitability is going to get impacted of course could be much better than current year but it is not going to be anything which in the normal year would have been, if

the COVID would have not come we would have done at least additional couple of 100 Crores and that couple of 100 Crores would have given a 40, 50 Crores of profit.

**Rahul Gajare:** Yes, which is what I was looking for, I was looking at 50 Crores but nevertheless let us see how it unfolds in 2021. Thank you very much Sir. All the best for 2021 and 2022. Thank you very much.

**Moderator:** Thank you. We have the next question from the line of Sagar Jethwani from Phillip Capital India. Please go ahead.

**Sagar Jethwani:** Sir what percentage of supplies are from China and any change in strategy going ahead, this is my first question?

**Anuj Poddar:** Sure, shall I take that on Sagar.

**Sagar Jethwani:** Yes.

**Anuj Poddar:** So, we have in the teens, so it is less than 20% - close to 15% plus minus percent. In value terms imports that come from China - so almost 80% to 85% of our sourcing and manufacturing is from India, of this also this 15% odd the rest there is all imports, but the bulk of that is from China some of it is from certain other territories we are aggressively looking at, we have already been on that work since last three to four weeks on possible alternatives at two levels one is imports but other than China so if you can move some of the China imports to other countries and that is particularly usually South East Asia and more importantly to moving it to local and from other Indian sources of manufactures or raw material sources That said, not all of it will happen overnight there is a phase plan that will end up with something that are ready in terms of suppliers one will yet have to work with them to create tools, molds, testing, quality approvals etc., before one can start sourcing that locally, some other elements or products within raw material form of finished goods to not have the right ecosystem or supplies in India and that will take that much longer to be created. Some of these are not specific to us because there is a industry level issues for example if you take the whole lighting industry, LED, the chips, all the assembly units, lot of that except external units comes from China, Taiwan, etc., and that ecosystem will take time to develop in India entire value chain has been created and the ministry and the industry we are working with that. Similarly, if you take certain product categories like microwave ovens almost entirely those are made in China it is also technological issue of the magnetronix. So, category-by-category one is to look at there will be some low hanging fruits and some longer-term conversion items.

**Sagar Jethwani:**

My second question is, you mentioned that May and ongoing June are relatively better months in terms of expectation so better than expectation I would call it, so some of the demand would be pent up in nature. When do you see this demand normalizing going ahead of course in some months?

**Anuj Poddar:**

Very hard to predict very accurately, Sagar but lot of our earlier sales started on 4th May so that is when some parts of the lockdown lifted but actual trend lines started coming on 17th May that is when more of the lockdown lifted. So, from 17th May to now we do have four weeks of data to look at and I think it is a little more than just basic pent-up demand that is coming in. That said there are yet key urban centers that have not opened up fully and that includes places like Mumbai, Delhi Ahmedabad, Chennai has gone back into shutdown, Calcutta was which was impacted, in these do constitutes disproportionate value of the market size of opportunity. So, what we are seeing now is despite these four or five key urban centers not being operational or fully opened. In terms of just to give a sense for distributor base about 80% of our distributors are operational, 20% are not - of that 80% about 40% of fully operational in terms of their market mapping and 40% are not. So I would want to see little more data, little more time and across the complete geography to have a very more robust predictability but given all these constraints the number that we are seeing I think is yet fairly promising I would not put this only to pent up demand or rebound.

**Shekhar Bajaj:**

I would like to mention that, I do not think there is any pent-up demand, because there is no rush to get an ironer or toaster or mixer. I do not think there is a rush, so whatever is required luckily we had inventory because end of March whatever we had planned to sell that got stuck in with ourselves, we had that inventory plus dealer distributors had the inventory so I do not think there is hardly any item which really is stocked out or anything like that there is no that type of pent up demand that two months is something everybody say that two months have got nothing so I am going to go and check it up, but things like microwave, things like OTG, things like induction cooker and all in addition to the clients it is a season clients, so these items would be more required because lot of people now are working from home lot of people are stuck at home and therefore I think the husbands have also started cooking and wife's wanting to give them pizzas and toasts and all. So, therefore I think there is a good demand for our produces which is much unlike washing machine or a dish washer or air conditioner which can be avoided. I do not think a person will not get a toaster just because the COVID is coming.

**Sagar Jethwani:**

Sir last question not sure if this is repetitive but any plans to raise some more funds going ahead?

- Shekhar Bajaj:** Not at all.
- Sagar Jethwani:** Thank you Sir. That's it from my side.
- Moderator:** Thank you. We have next question from the line of Akshay Bhor from Premji Invest. Please go ahead.
- Akshay Bhor:** Congratulations team on good set of numbers. My first question is on the EBITDA margin, we have always said that from the 6 to 7% on the consumer business we want to go to 10% over a period of time, can you highlight like specific steps that you are talking or you intent to take, any granularity there would be helpful?
- Anuj Poddar:** So, thanks Akshay like I said we are looking at now increasing our EBIT margins, but I have always maintained it will be more hockey stick so be happy if we able to do that in a linear manner. I am happy to say this year on a full year basis we expanded margins by 0.5% point. I am talking consumer from 6% to 6.5% this is despite the allocation impact of because of reallocation between EPC and consumer so if you bill that in it is actually 1.4% margin expansion. The elements to drive margin expansion currently or going forward I think first is in the first level margin which is the gross margin we are looking at steps on both optimizing our sourcing cost and tweaking our product mix and some of that is starting to pay off so we will see some of the margin come in from the first level margin and then we also attacking overheads and certain other cost line items including relooking at logistics cost. Some of these are projects initiatives that have just been initiated, particularly logistics cost this year. I do not expect to see any gains of the logistics initiative this year but I think the gains of that would start from calendar year 2021 which is actually in to fiscal 2021/2022, but I think that is a journey so as we start these exercise or initiatives now we will be in a position where every year we will start seeing some gains going forward so we are starting these. The third point I want to make here is some of we do also have maintained that we have to invest a little more in product and in brand development that is what we are trying to do is self fund that so rather than eat into our margins of profitability on that use some of these cut back or efficiencies on unproductive all and non directly productive cost and save that to sell fund some of these spends that we need to do and that is the reason I talk with hockey stick as today we are self funding some areas that we need to invest in while keeping or protecting margins but as that moves into normal mode you will see the margins get released from these initiatives and the gain from these to come in.
- Akshay Bhor:** Just one more thing on the EBIT margin side, when we look at some of your comparable companies or peers that actually well ahead of the 10% mark as well. I wanted to understand how much of impact does let us say the make versus buy decision have on the

EBIT margin because I am sure some part of the margins have been because you are higher on the outsourcing side, some part of the margins are being absorbed by your vendors so any sense on what percentage margins are?

**Anuj Poddar:**

Let me answer that differently. One is if you talk about competition, I know that people like Havells which are much higher on the reported margins and then if I remember correctly people like Orient which are on the lower side, but I do not want to comment on the specifics from those companies. But if you do look at one which is in the higher side you look at a lot of the cost sitting in the unallocated bucket. We do not have very high cost in the unallocated. It is almost that, all our cost in the segmental reporting also allocated and therefore our margins are up and that is point one. Point two I think on the make versus buy my view is that it should not be looked at purely from a cost prism because that is a short-term view and maybe that releases 1% or 2% points on margins but on a longer-term what strategically does that give you more flexibility and agility to move with times and I think it would be better to have a lower, that is my thinking to have a lower internal make and have more flexibility on sourcing. So we can be focus on making what is strategically important but like all consumer companies, if you see their focus is to be a market front brand led consumer oriented company, the manufacturing is to my mind not the best use of capital but more importantly does not allow you to move with the time as fast as one would like. A very extreme example of that is lighting industry and our investments in CFL or otherwise in the past at that point may have looked attractive from a profitability point of view but over a longer arc of time sometimes that weighs you down. So, I do not think non-lighting industries has rapid in evolution, but I think the principle stays the same I would rather have flexibility at the cost of that 1% margin my ROC will be higher.

**Akshay Bhor:**

Yes, actually this is this year that 1% to 2% is the delta that...

**Anuj Poddar:**

To add to this the COVID is a great example COVID with everything changing my guess is not having these fixed costs in manufacturing units makes me nimbler, to have dealt with that.

**Shekhar Bajaj:**

Let me also add one point that what Anuj is saying. I am saying one step more over the earlier years the type of R&D, the type of development of the change our scenario was taking its own time. Lamp was there for the 50 years there was no change in lamp, CFL thought is going to be forever has suddenly died so therefore similarly lot of new innovation is taking place so with the result if I am got my own investment in a very big way and the market is down like he said just now for two, three months or suppose like air conditioning business is down. So companies have just compared with Havells who have put in a lot of money in the air conditioning business and the air conditioning business is down we get

very much impacted so the variable cost then to that extent we do not get so much impacted so we are happy in terms of return on capital employed is most critical which is over 50% we are having in our consumer business that is how we can be increase from 50% to 55%, 60%, 70% that is the most important with the limited capital how can we get a better return in capital employed should be the basis on which one does their investment it is much more than the 1% and 2% which additional margin that maybe available to you because you are producing yourself but your total assets increases in terms of capital expenditure then therefore ROCE does not go up necessarily.

**Anuj Poddar:** So, if you look at our annual Capex also it is very contained it is in 2-digit Crores etc., and do not have those Capex heavy requirements.

**Akshay Bhor:** That is great, thanks so much.

**Anuj Poddar:** You are asking something else actually I sorry I had cut you off.

**Akshay Bhor:** No, I think you clarified. I just wanted to check if, it is just 1% or 2% that makes a difference between make and buy because when I look at some of these vendors that make the lighting for you and they are making like 10% margin so it is kind of confusing like just to look at straight that you...

**Shekhar Bajaj:** No, nobody makes 10% margin, but we give them say gross margin of 10% which they have their cost also which you must consider. On an average I would say they would be making a margin of maybe around 3% is what I would say 3% is considered to be a normal margin 3% to 4% maybe but the issue is that in terms of which we do not count there the owner himself is running the show I would like to have a Vice President, I would like to have a Managing Director, I would like to have a General Manager all those costs which are involved and in organized sector they have to pay all those other problems that they are manufacturing and flexibility you tell them you have to double the production, they can do it in three months time, if you tell them okay you have to halve the production you can do it. Here when we decided to shift to Himachal in fans, our factory in Pune could not shift and the all other vendors shifted within three to six months we could not shift because the union did not give permission, the state government did not give permission so there are lot of restrictions which come in if you have your own manufacturer that they are organized player. So those are issues also which come into play.

**Akshay Bhor:** Understood thanks.

**Moderator:** Thank you. We have next question from the line of Bhavin Vithlani from SBI Mutual Fund. Please go ahead.

**Bhavin Vithlani:**

I would like to complement on the efforts on the cash flow generation even despite such challenging times. My question is more on the consumer side, so your efforts on the innovation side based on your product categories that you are pushing on whatever you can divulge because your target is to grow big in industry, so if you could help us on that.

**Anuj Poddar:**

Sure Bhavin. So just the data point we have launched about 150 product SKUs in the consumer business in this last fiscal. Lot of that revolves around plugging what we see as portfolio gaps or segment gaps so as I said to one of the earlier questions we are not looking to add more categories but within the categories that we are present in we think there are various segment of targeting of positioning gaps that we have which is what our R&D or product development is focused on number one. Number two this is being done while at the same time we actually reducing our overall portfolio in terms of number of SKUs so we are rationalizing on the one hand and while adding more so I think that is the message there so just churn that faster and be more contemporary and relevant to the products that we offer in the market place. The word I think innovation is a good word, but sometimes it can be a distracting word because innovation if it is being led by a consumer need or is it being led by a scientific engineering field. The kind of innovation that we want to focus on is that is solving a consumer problem, creating a differentiated product which a consumer is willing to pay for in which we think has a sizable business opportunity it has to take those parameters for us to do it. We are not trying to do innovation the ones have patents but does not give us wide enough scalable commercial opportunities. What that typically means is that I do not need to be ahead of the curve on innovation or cutting edge innovation but I need to be business savvy on the innovation and the two are fundamental difference so the way we are addressing a lot of that is having a consumer first approach everything R&D team is expose to research in consumer insights they are the engineers that are taught not to think as engineers but to think as marketers and we have connected the dots with some of that stuff so that in a nutshell is the way we are driving our product development and you will see a lot more product output but focused on what makes hard business since for our self. I will leave it with that specific products what we are doing obviously something I cannot dive into it.

**Bhavin Vithlani:**

So let me be bit more specific, so it was so when we spoke to media and you said that incrementally that the consumer durable products are getting more connected more digital so that is one on the product side, second is maybe when you speak to Hawkins they had an issue with respect to because similar to you they are dealing with number of SKUs and so they invested in technology where they get light data and something like a TOC it help them of manage their SKUs better so if you could anything on these sort which actually helps you means innovation can be product, can be process but which actually helps you to embark on your journey on accelerated growth which is 2x the market growth?

**Anuj Poddar:**

So Bhavin I think to answer your question if I want 2x then this is not the answer because 2x come through a median of the market not the Niche of the market these innovations tend to make you look good make me look good as a management but it is not the one that will take into 2x. I will yet do some of these selectively, but I have to be conscious that I am doing that for brand building. So for example we launched IOT water heater it is to my mind shows our ability to develop and launch the cutting edge innovative water heater product but that will never give us the value or volumes that we seek, so we have to be very careful on whether we doing the innovation to expects numbers or if you are doing that for positioning or earning brownie points then it has to have very limited investments in that and limited number of products there but behind that one water heater we have actually launched multiple other water heaters that do not make for headlines on innovation but actually sell in the market place. So that is the view that I have on this. Just to add to that there is a certain light bulb that has been launched now that is connected in costing Rs.1500 there is more newsprint on that one light bulb not by us by competition then any all the other light bulbs or LED products out there in the last six months but that is not the one that is going to sell in India at this scale.

**Bhavin Vithlani:**

Sir the second question is if you can help us with your market share and how it has risen over the last one year in your top five product categories that would be helpful?

**Anuj Poddar:**

I have shared this earlier we do not publish or share market share specifically for the reason that actually they are not accurately available all the data third-party data that we have either comes with a lag or the two such studies that are done even at an association level which I am part of that have varying numbers. We in turn actually rely on our own data which we feel is more accurate and more current because it comes with less lag but then that is ours and will not be really certifiable that we do not put out, simple submission to is if you look at our growth rates versus the industry or competition growth rates to me that is the biggest for us the take away on whether like market shares expanding, Mr. Purandare did you have something to add on this based on what you shared earlier.

**Anant Purandare:**

I would like to say we do not have any market data.

**Anuj Poddar:**

So Bhavin we do track it for ourselves but like I said if it is our own anecdotal data it is not something fair to put out.

**Shekhar Bajaj:**

Also, our major items are appliances and there is no appliances association. Now that is what, there is no data if you talk about appliances and they are discussing with the industry. At least for fans there is fan manufacturer association there is some data available. ALCOMA has some lighting data but as far as appliances which is 70% of our business



there is no data available because there is no organized association which is doing it. We are trying to create an association where some data can be created but at this movement there is nothing available.

**Bhavin Vitlani:** Understand thank you so much for taking my questions.

**Moderator:** Thank you. We have next question from the line of Chetan Gindodia from AlfAccurate Advisors. Please go ahead.

**Chetan Gindodia:** Congratulations first of all, there has been really a turnaround of the balance sheet congratulations on that. My question is on the EPC segment so now since we are reducing the turnover of the EPC segment and we have a loss of 33 we have a loss so how do you look at the loss of the EPC segment for FY2021 and 2022 and can we make the EPC loss 0 in FY2021 it is my first question?

**Anuj Poddar:** So, EPC segment this year was a big year of drop in change I think going from here it will be more stable, so we do not expect it to shrink from here but probably hold at these numbers. Within that the mix may keep changing between illumination, transmission and distribution but on an aggregate basis I think the larger number should stay on this region point one. Point two yes the losses are there I think the losses may continue for another couple of quarters but on an annualized basis we hope to actually have that EPC also breaking even in FY2021 subject to some of these uncertainties around COVID and projects and Capex etc., but broadly that is our target so to make that profitable as we go forward our exit run rate in FY2021 actually should be positive on EPC also so that FY2022 is a win, win on both segments.

**Chetan Gindodia:** Just one question on the balance sheet side, so our current financial liabilities has increased by around roughly 300 Crores so what exactly is this number and what has led to the increase?

**Anuj Poddar:** I will ask our CFO to answer.

**Anant Purandare:** Financial liabilities you are saying?

**Chetan Gindodia:** Yes, current financial liabilities.

**Anant Purandare:** Yes, this is basically the accrued interest on the NCDs and that is one part of it and lease, there is new accounting standard 'Ind AS 116' introduced and lease liability is coming as a financial liability.

**Chetan Gindodia:** Any outlook if you can share on the different subsidiaries and how are we planning to reduce the losses of our subsidiaries in FY2021 and 2022?

**Anuj Poddar:** Mr. Purandare you want to take that on in the context of the entity where the corporate action is there now?

**Anant Purandare:** Yes, as we are all aware that Hind Lamps Limited which is one of our associates. We have already got the order from the NCLT for demerging their manufacturing facility and merge with Bajaj Electricals. This is coming with the assets and the liabilities of the manufacturing business of Hind Lamps Limited which is a factory which is manufacturing LED bulbs and battens and having the surplus land available for the future expansion if we want to invest in the future expansion. So this is on the Hind Lamps Limited. Starlight Lighting, basically it is a joint venture which is carrying the losses because of CFL got dead and that investment has become bad however we are adding few more products like mixers and it is also manufacturing water heaters for Bajaj and some other brands and we are looking for turn it around by adding few more products and improve the capacity utilization of Starlight Limited and which will get turnaround in couple of years.

**Chetan Gindodia:** And sir LED?

**Anant Purandare:** And they are also manufacturing LED bulbs and battens.

**Chetan Gindodia:** Okay thank you Sir. Thank you so much.

**Moderator:** Thank you. We have next question from the line of Achal Lohade from JM Financial. Please go ahead.

**Achal Lohade:** Just wanted to understand the consumer business if I get right you are talking about a flattish kind of a year for FY2021 is that right?

**Anuj Poddar:** That is correct.

**Achal Lohade:** And how about the margins, would we expect and margins to improve given the way we are looking at the cost reduction?

**Anuj Poddar:** Yes, so that is our endeavor that to the extent we can cut cost and therefore recoup some of the bottom-line impact we will not escape it fully but we do want to improve and enhance our margins on consumer business to get higher profitability this at an operating level the big jump up will come because of the interest cost savings that is over and above this level.

- Achal Lohade:** Can you also help us with the inventory and the trade payables for EPC business Sir?
- Anuj Poddar:** Mr. Purandare.
- Anant Purandare:** What was the question Achal?
- Achal Lohade:** It is on the EPC business what is the inventory and the trade payables you gave the debtors already just wanted the inventory and the trade payable?
- Anant Purandare:** For EPC the inventory is 190 Crores.
- Achal Lohade:** Sorry could you please repeat that Sir I did not get you?
- Anant Purandare:** Inventories 190 Crores, outstanding is 1973 Crores and then other assets which are basically advances and this is 282 Crores.
- Achal Lohade:** And the payables?
- Anant Purandare:** Payables of total liabilities will get to 1104 Crores, and capital employed of the EPC is 1414 Crores.
- Achal Lohade:** And with respect to the tax rate how do we look at now for FY2021 and 2022?
- Anant Purandare:** It would be 25.17%.
- Achal Lohade:** And just one more question with respect to the appliances or consumer product business have you seen in last four or five weeks more pickup from the online and do you see this could be more of a structural change which you probably look at online and also just wanted to know the number for A&P for FY2020 how much have we spend?
- Anuj Poddar:** So the online in general has been outgrowing the offline of the general trade even through FY2020 events like this tend to accelerate trends are already in place so online post COVID I do expect it to grow even faster than it was growing in terms of eating share into that even particularly now because people are worry to step out etc., that said the trend in the last five, six weeks has actually been the reverse online has been lower than our share of online business last five, six weeks has been lower than it has in the past but the reason for that is not market it is the government policy because they allowed the stores to open earlier but did not allow online to start selling nonessential products for much longer time particularly in the red zones so Amazon and Flipkart has started selling nonessentials in the red zones more recently and has that starting to happen particularly in the last two weeks we are

seeing online to get back to its normal share but going forward I would expect it to pickup and increase its share on the A&P spends the finance our CFO can give you the exact numbers, but keep in mind we pulled back the spends significantly much we cancelled all our spends there that is when we do a fair amount of spends because it is a cost of the summer season and fans and coolers tends to be advertised heavily over there so these are suppressed and not normal spends.

**Achal Lohade:** Purandare so that can you help me with the FY2020...

**Anuj Poddar:** So in terms of numbers actually let me give you percentage so we were normally operating at 3.5% with our pull back because of this summer we have brought it down to about 2.9% in FY2020 but going forward like I have always guided that 3.5% itself was expected to go to between 4.5 and 5 but this year again is an odd year so we will see based on how market movements happen what exact number we will settle that at and that is something we will sell fund though other cost savings. Mr. Purandare you can give the absolute number.

**Anant Purandare:** Yes, see the spends on advertisement and publicity 94 Crores against the last year 99 Crores.

**Achal Lohade:** And for the fourth quarter how much was the reduction broadly?

**Anant Purandare:** About 25 Crores.

**Achal Lohade:** And if I may if with respect to the unallocable what you mentioned would you be able to quantify how much was the unallocable which got apportioned to the segment?

**Anuj Poddar:** We actually reallocated from the other side yes Mr. Purandare you have that number, I think.

**Anant Purandare:** You are talking about the reallocation because of mix of business change?

**Achal Lohade:** Yes.

**Anant Purandare:** The impact is...

**Anuj Poddar:** So, the number I have Mr. Purandare can confirm, if I look at just Q4. Our Q4 consumer margin is at 6.8% which without that allocation impact would have been 7.8% so that is the 1% point. Having said all this, this is for comparing FY2019 to 2020 which is why we have been sharing this, this year going forward it would be more fair to take our current year numbers as the base because now this allocation I do not see the changing in future years.

- Achal Lohade:** Got it Sir, great, thank you so much for answering my questions.
- Moderator:** Thank you. We have next question from the line of Nisha Malhotra from HSBC. Please go ahead.
- Nisha Malhotra:** My first question is that the EPC net segment asset if I look at that, that has not declined very sharply vis-à-vis the revenue which has declined significantly. So, what is the reason for that, is it because of a lot of retention money or there are some other issues?
- Anuj Poddar:** Mr. Purandare you can share the asset reduction.
- Anant Purandare:** Just a second.
- Shekhar Bajaj:** By the time he is calculating let me extent you that the fact is that the government is saying when this lockdown has taken place that please pay to all your contractors, pay everybody their salaries but from the government the money is not coming so our receivable from our project business has not been very exciting. We have been able to collect some money but not up to the step of thing, which is due to us, so that is one of the reasons why our basis continues to be with that. We have by now I think Purandare you can now explain that numbers.
- Anant Purandare:** Yes, so overall receivables which were as of March 3140 Crores reduced to 2537 Crores.
- Nisha Malhotra:** Yes, vis-à-vis the revenue which actually dropped significantly so basically if I understand that the government is not releasing payments and hence your funds are stuck and there is no other issue this is just to be a matter of time and eventually I mean you are confident about the recovery?
- Anant Purandare:** Absolutely.
- Nisha Malhotra:** My second question is when I compare your EPC business with other EPC players who are also in the distribution business I mean they have been fairly profitable so what is the reason of we making losses in the segment is it that there is some past contracts that we underweight or the project cost change etc?
- Shekhar Bajaj:** Most of our competitors are not in the power distribution that is the rule and interpretation is one area where most of people and others are not there, KEC, Kalpataru and all we are the only ones amongst the organized sector who has got into the power distribution and that is what has given us major money blocked up and major losses has come out of that our TAT business the other EPC business are profitable.

**Nisha Malhotra:** Sorry maybe I did not understand, KC and Kalpataru has been fairly profitable in that particular segment...

**Shekhar Bajaj:** Yes, they are not in the rural electrification segment, so that is the segment where we have lost money we have not lost money in the transmission line. Power where KEC and Kalpataru are there we are not losing money in other businesses the main reason for losses is our power distribution where the we are not receiving the money back and therefore the interest cost is scaling up and plus the whole cycle has gone haywire because of that so power distribution and you are comparing with other EPC players I do not think any of them except the L&T having said the only one who is in power distribution but they have got so much other business of EPC that this power distribution for them that is rural electrification is very limited business of theirs while product is the major business that is why it flutters.

**Anuj Poddar:** So Nisha just to explain that further the rural electrification part most of these companies are not operating except L&T as he has shared within power distribution they are doing other projects such as substation works, railway electrification etc., I think KEC in particular has been doing railway electrification which has been profitable for them over the last two three years I think we have been unfortunately in the rural electrification which we have learnt a lesson but that is the one that has been dragging our EPC performance.

**Moderator:** Thank you. We have the last question from the line of Amar Kalkundrikar from HDFC. Please go ahead.

**Amar Kalkundrikar:** I have just one question Sir on the consumer margins can you just explain to us for the full year you know the various factors one is the I think the impact you said of increase this overhead allocation is roughly what 1%, 1.5% and...

**Shekhar Bajaj:** No that is 0.9%.

**Anuj Poddar:** For the full year Amar it is 0.9% for the quarter four it was 1%, go ahead and finish your question I will answer that.

**Amar Kalkundrikar:** So Q4 actually if you see absolute basis EBIT is flat and in that you have a 25 Crores A&P reduction and the increase because of this overhead thing is probably 7 to 10 Crores so I thought that margin improvement is little lower than expected so that was the thing and then I wanted to understand this on a full year basis?

**Anuj Poddar:** No so sorry if you are saying Q4 EBIT is not flat it has jumped 37% so consumer EBIT has gone up from 37 Crores to 50 Crores in Q4 four and that is why 37% increase and that is on

a Y-on-Y from 4.9% to 6.8% this is without the allocation impact being reversed okay, is that number clear then I will explain it further?

**Amar Kalkundrikar:** Okay without allocation it is up from...

**Anuj Poddar:** 37 Crores in Q4 of 2019 to 50 Crores in Q4 of FY2020 this is for consumer EBIT. So that is a big jump of 37%, in percentage terms Q4 of FY2019 for consumer was 4.9% in Q4 of FY2020 6.8% EBIT margin if you reverse the allocation impact and that 6.8% would be 7.8% so that is a big jump that said I think this is slightly exaggerated because of the pull back on ad spends but not all of the ad spends can be added as a negative because that would also have contributed to some sales and therefore now that becomes conjunctive how much of extra cost of the ad spend would we have incurred and how much sales and margin contribution would have gotten. Am I clear?

**Amar Kalkundrikar:** Yes sure, thanks.

**Anuj Poddar:** But nonetheless there is an improvement and I think we would have just splitting that up with a little academic.

**Amar Kalkundrikar:** On cost savings is there anything you can share some more details in terms of that?

**Anuj Poddar:** Yes, so we are aggressively cutting costs or expanding margins let me say first is at the first level gross margins by this reworking our sourcing value engineering and product mix so you are seeing a margin expansion on consumer at a first level this year also and you will see more of that come into FY2021 that is one and then the second margin expansion initiatives are below the first level margin which is various overheads employee cost etc., we are optimizing that, but some of that will be reflowed into brand so you may see a certain evening out over there.

**Amar Kalkundrikar:** Thank you very much Sir.

**Moderator:** Thank you. Ladies and gentlemen that was the last question. I would now like to hand the conference over to the management for closing comments.

**Anuj Poddar:** I just want to add one more clarification because somebody had asked me this offline if you look at employee cost in Q4 this year versus Q4 of last year, it shows a big jump but that is not the case. Q4 of last year had some reversals in the employee cost so it was actually lower than Q3 of that year and therefore reality it is a very nominal increase in employee cost in Q4 Y-on-Y except for the base being depressed because of the reversal so I wanted

to clarify that when you look at the numbers, with that I will take a pause and I let the Chairman offer closing remarks.

**Shekhar Bajaj:**

I would like to thank all the people who have participated in this conference. I think we are reasonably satisfied with our performance as far as the consumer products are concerned also our direction in terms of EPC also is going perfectly okay our whole objective in this year will be on one side try to expand our activities and business with consumer products. EPC the main focus would be how do we collect our old outstanding with the amount which was mentioned by Purandare that we have to collect money and that is everybody, every month they are focusing or rather every week we discuss we focused what are we doing about collection of funds. Government they keep saying we are putting in 20 lakh Crores, but I do not see the money. That is the problem. Thank you very much and wish you all the best.

**Moderator:**

Thank you very much Sir. Ladies and gentlemen, on behalf of Ambit Capital that concludes this conference call. Thank you for joining with us you may now disconnect your lines.