May 31, 2021

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

Dear Sir/Madam,

Sub.: Submission of the Transcript of the Investor Conference Call of Bajaj Electricals Limited ("Company") held on May 25, 2021

Further to our letter dated May 18, 2021, 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 Tuesday, May 25, 2021, at 4:30 P.M. (IST) to discuss the annual audited financial results of the Company for the financial year ended March 31, 2021.

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 SURESH NAGLE
Digitally signed by AJAY SURESH NAGLE
Date: 2021.05.31 19:30:31 +05'30'

Ajay Nagle
EVP and Head – Legal & Company Secretary

Encl.: As above.

“Bajaj Electricals Limited 4QFY21 Post Results Analyst Conference Call hosted by Ambit Capital Private Limited”

May 25, 2021

MANAGEMENT:	**MR. ANUJ PODDAR – EXECUTIVE DIRECTOR, BAJAJ ELECTRICALS LIMITED**
	MR. ANANT PURANDARE – PRESIDENT AND CFO, BAJAJ ELECTRICALS LIMITED
	MR. E. C. PRASAD – FINANCE CONTROLLER, BAJAJ ELECTRICALS LIMITED
REPRESENTATIVE CFO OFFICE:	**MR. SUKETU SHAH, BAJAJ ELECTRICALS LIMITED**
MODERATOR:	**MR. DHRUV JAIN – AMBIT CAPITAL PRIVATE LIMITED**

Moderator: Ladies and Gentlemen, Good Day and Welcome to Bajaj Electricals Limited 4QFY21 Post Results Analyst Conference Call hosted by Ambit Capital Private Limited. As a reminder, all participants' 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 '*' and 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: Welcome to the 4QFY21 earnings call of Bajaj Electricals. From the company then, we have with us Mr. Anuj Poddar – Executive Director; Mr. Anant Purandare – President and CFO; and Mr. E. C. Prasad, Finance Controller. Thank you and over to you Sir for your opening remarks.

Anuj Poddar: Thank you Dhruv, thank you everybody, Welcome to our call. Hopefully, you have all got a chance to see the numbers. I will just share some opening comments and some insights of qualitative comments behind the numbers. For us, it has been another good quarter. We are pleased with the quarter. It is completely consistent with all the strategic direction and steps that we have been taking. Focus as you know has been on driving growth of the consumer business, we have done that. I will talk specific numbers soon. Also, on margin expansion of the consumer business we have delivered on that; on better capital allocation, we have delivered on that and overall, this is the highest ever yearly net profit in profitability in percentage terms for Bajaj Electricals. Some specifics, our consumer business in this quarter has grown by 31%. One of the important things that I want to call out here, unlike industry or certain other players our growth in the consumer is not coming off a low base effect, so last year Q4 March '20, we did not have a degrowth because of the lockdown. If you go back and visit our numbers, we were flat to actually a moderate 0.5% growth last year and Q4 as well, so this year's growth of 31% needs to be seen in that light, it is a good growth number on that front.

Our consumer business EBIT margin has increased QoQ from 6.8% to 8.7%. This again factors in two things, our publicity expenses have increased, we have not cut back, so last year Q4 was about 2.1%, this year it is at 3.7% and we have also taken an increase in employee salary increments from 1st, January, so this margin expansion is after factoring both elements. Our finance cost is down as you know, PBT/PAT numbers are up, I am not calling those numbers out. On the EPC front like we have been saying, our focus is not on top line but on better bottom line, so while our top line has compressed, we can talk about the makeup of that later, our bottom line we managed to further reduce our losses on the EPC business. A quick commentary on the cash flow and balance sheet. Our cash flow from operations for Q4 was 50 crores and our overall debt is sitting at INR 471 crores on gross levels and INR 425 crores on net basis. This is again an improvement, we have pulled back capital from the EPC business, it would have been even better, but we have consciously increased our consumer products inventory as of March '21, at about INR 793 crores, which is up from about INR 623 crores in December. So it is a further, if I may emphasize that, our 50 crores cash flow from operations in Q4 is despite a stocking up of inventory by almost 170 crores incremental in this quarter, so you must see that in that light, so that is again on track. This inventory will release cash over the coming months, and we will see the positive effect of that also. Finally, PD receivables, we will talk about that later, but our power distribution receivables also continue to come down, so overall on a P&L basis, on our performance, on margins, and on cash flow and balance sheet basis, we are pleased, and we continue to be on track with our execution, on our strategic direction. Thank you and I will give it now over to back to you for questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Rahul from Haitong Securities India Private Limited. Please go ahead.

Rahul: Good Evening Sir, I think it is a good performance and given the fact that I think Bajaj Electricals serves more of replacement rather than wholesale goods sale, I think 30% is a good growth to my mind, my first question is on the demand situation how it is evolving, we understand given pandemic things are likely to be difficult on the demand situation, but I want to understand your thoughts on the demand situation and connected with this would be on the profitability also, given the fact that you have seen steep increase of commodities and freight cost, how have you taken price hikes have they been absorbed easily by the market or you see some resistance, do you need to take more price hikes, so profitability and demand side, that is the first question?

Anuj Poddar: Thanks Rahul, let me answer the second part first on the impact of commodity increases; like we all know commodity prices have been increasing since last September. We faced less of that in Q3, because we were carrying inventory from the past and therefore, we are now in Q4, you are seeing the full impact of commodity price increases on our performance, number one. Number two, we have taken a price hike between 6% to 8% in January and we have taken a further price hike about 3% to 4% as of 1st of May. The January price hike is built into the numbers and has actually effectively been absorbed in the marketplace. The May price hike while we rolled it out quite frankly because of a lockdown situation that is not translated into any real difference on the ground, as and when the markets open and the lockdown is lifted that is when the effect of the price hike goes into play in the marketplace there. In terms of impact on margins, I think we have seen some impact on margins in Q4, by that I mean that had it not been for this commodity price impact, we would have seen better margins, so we have yet grown, but we would have grown more had it not been for that. The reason for that is simple, typically we would like to pass on the entire price impact to consumers but given how sharp and how rapid it has been and the fact that it continues, I think there will always be a certain lag effect before we absorb that or before that gets fully passed onto the marketplace. My guess and I can be wrong on this, is that we are probably going to see another three, four, or five months of commodity price increase, but it should start stabilizing after that, so as Management quite frankly to me these are tactical issues, not strategic issues, we just have to keep our head low, deal with this in this quarter, which is Q1 maybe partly in Q2. We have done that last year, we are already looking at cost cuts within this quarter to deal with the impact of lockdowns just like we did last year, and we know we will, obviously Q1 will not be as we like it to be, but we will take that in our stride and that so be it. Strategically, we will yet remain on the path that I have been talking about and those are some of the investments that we will not shy away from making because that is imperative for our long-term growth, so there is product, brand, CAPEX, other things we will continue to make that to the extent we need to make that and tactically we will deal with some of these short-term issues that we have.

Rahul: On the demand side?

Anuj Poddar: On the demand front clearly right now of course, demand is fully impacted with the lockdown, so the shutdown there is no physical measure of demand, but once things open up, I am hopeful that by June at least some States or district within States should start either opening up or seeing some relaxation, when I say relaxations, they can take various forms. It could be relaxations in terms of timings or days of the week when the State Governments can choose to allow marketplaces to operate, I mean physical marketplaces. It could be relaxation in terms of product categories that they allow online and other channels to sell, so to expand the ambit of that or it could be at a district to sub-geographical level where they could start opening up in removing the lockdown given the positivity rates there, so I would expect in June some of that should come back, when that happens will we see a spurt in demand, yes, will the spurt in demand be same as last year possibly not for two reasons. One is that I think and again you know you may pick up commentary from various industries that the general economic to consumer sentiment this year is slightly weaker than last year, and overall impact of pent-up demand may not be as strong as it was last year, so in summary I would say we would see some spurt in demand but may not be as sharp as it was last year.

Rahul: Okay, and you know you have tied up with the logistical arrangement and the VRS, all of this will help you in terms of profitability, is it possible you can quantify some markets how you see that moving over the next couple of years?

Anuj Poddar: On the logistics part, it is again a long-term tie-up, this is a year of transition and I had shared that probably in the earlier call and various media interactions that the impact of that will start flowing in from next fiscal or maybe from Q4 of this year because we are doing a phase wise transition from our own logistics warehouse, rentals, CFAs to Mahindra over this year across different zones and geographies, and therefore, that will have fully transitioned somewhere by Q4. The benefit of that will start coming in thereon or fully into next year. On an overall basis, we would expect to shave off about 1.5 to 2 percentage points through this logistics' efficiencies over the next three to four years that is on the logistics front.

Rahul: There is a VRS element also that you are all doing at Shikohabad?

Anuj Poddar: VRS frankly is at our hind lamps unit in Shikohabad, actually that is not a very significant cost contributor to our employee cost, so while these are little, little costs that we will keep optimizing, but that will not move the needle on a big basis, but if you look at our employee cost for this quarter also over the last three-four quarters, we have managed to keep that fairly optimal in terms of not having very sharp increase. Particularly this quarter if you look at it, we have actually done a full increment for our employees but the effect of that on the P&L is fairly well contained by certain internal measures, so we are very conscious of how we balance that out such that we are able to deliver better efficiency in the P&L.

Rahul: My last question on consumer basis, you have put out details of the Starlite transfer that is going to happen in Bajaj, could you throw some light on the synergies that Starlite will bring once it is inside, anyway you were sourcing from Starlite, what will happen once this company actually comes within Bajaj Electrical and also the benefit of hind lamp on the overall manufacturing side also, how you are manufacturing?

Anuj Poddar: I will take two to three minutes to share this for the benefit of everybody, this is again part of the overall transformation and clean up that we have been doing as a company since last two years. If you look at the company and those of who you have been studying our company since many years, know that both companies have been part of the Bajaj Electricals ecosystem, Hind lamps being part of that, Starlite and Nirlep. Gradually what we want to do is simplify our overall corporate structure and holdings and ultimately move to single consolidated enterprise. I think that is far more efficient from multiple parameters operationally governance etc. and in the process brings in greater performance efficiency. Starlite specifically was a 47% joint venture of ours where Bajaj Electricals had a 47% stake. You had 13% held by the Bajaj family through a family holding companies and 40% by the erstwhile joint venture partner or 3rd party. This has been a joint venture since several years, since 2007. It was originally a lighting company manufacturing traditional lighting, moved onto CFL, there was a large investment made in CFL several years ago which went bad because the technology moved to LED, and then since then that company has been a relatively sick company, but also then started expanding into other product categories including water heaters and then last year we also moved that into mixer grinders etc.

What we have been doing operationally is therefore turning around that company into a non-sick company. We operationally, when I say we, Starlite, became operationally positive in October of 2019 through some of our efforts and going forward also in couple of years, we expected to become bottom line positive after factoring in the debt that company was carrying in its balance sheets. I think a lot of this firstly operationally because it is an important supply for us for water heater. Significant part of our water heater supply comes from there, going forward it will supply mixer grinders, hand grinders certain other categories of products to us. I think operationally it is an important backward supply company for us because we have held that stake, we have a natural interest in the financial turnaround of that company, but the way it was currently structured as 47% owner, we were not in full control of its destiny operations, and therefore, not able to get the full benefit of turning it around and get the upside of that turnaround in that company.

Number two, historically structurally we have extended because that was a sick company, we have extended guarantees for the loans that Starlite has taken from external banks etc., and therefore if you look at our balance sheet, we have always disclosed that, it has been sitting below the line as in contingent liability where we had about approx. 230-240 crores of loans of Starlite that were guaranteed by Bajaj Electricals, and therefore, indirectly we have been servicing those loans and providing for the gap in the cash flow of Starlite through an arm's length transaction. I think we want to simplify all of these things, bring everything onto balance sheet, cleanup this and move forward, and that is the intent behind buying out the JV partner from Starlite and ultimately being able to treat that fully under our control and once we have that then our ability to replace their high cost loans for which we were anyway indirectly liable with much cheaper cost loans becomes better, so we will have a financial positive leverage on that.

In the short-term, you will see the balance sheet consolidation which means those loans which were sitting in Starlite's balance sheet will consolidate with our balance sheet, but ultimately or frankly speaking we were anyway servicing those loans, we will only be in a better position to pay them back faster and have a lower interest cost on that and be able to turn around the company much faster, so that is the larger reason for doing this. Operationally, we see it being an important supplier for us, we see an upside operationally in that and financially also it is something that we were carrying on us, we want to simplify that structure, be able to resolve for that much faster and take that forward. Last point being a sick company, they are also carrying accrued losses in the balance sheet, so all of that will transition over to BEL and we will make relevant accounting entries for that.

Rahul: My last question is on the EPC business; on EPC business could you give us some sense on how is the receivable position shaping up right now?

Anant Purandare: Broadly, if you look at the EPC receivables, there is a substantial reduction and if you want to just know the numbers as of March '20, the EPC receivables were INR 1973 Crores, it has reduced to INR 1425 Crores, so you can clearly see that receivables are coming down. Specifically, if you want to know about UP, if you remember last March our receivables in UP was in the range of around INR 840-850 crores, which has come down to approx. INR 565 crores. Similarly, Bihar, our receivables as of March '20 was around INR 520-525 crores, it has come down to INR 400 crores, so if you see overall around 400 odd crores are collected for the EPC power distribution business.

Moderator: Thank you. The next question is from the line of Renu Baid from India Infoline. Please go ahead.

Renu Baid: Good Evening Sir, my first question would be to understand on the demand pattern for the consumer business, given that you mentioned that this time the pent-up is unlikely to the same quantum, the impact in small towns and rural is far more intense in the second wave, so you think, how does the current two months, we have seen April-May compare versus last year's lockdown and under these circumstances, do you still believe there is a scope for double digit growth in revenues and double digit margins next year in the consumer business?

Anuj Poddar: Renu, hi Good Afternoon firstly, on the demand side April has clearly been much better than last year because April was almost effectively a full lockdown last year, so there is almost of a very, very low base. May unfortunately has been lower trending in last year because May while the markets opened up, I forget the exact date possibly something in the May 20th had a greater lockdown in May over here. We do effectively have a nationwide lockdown without calling it a nationwide lockdown at present. June will really tell us therefore how much better off we are I think June that is why I remain hopeful that we will see some opening up if not in many all of India and some parts of India. Number two on rural-urban from what I remember the rural trend right from June of last year till about September, rural had increased its share over its normal share that it used to contribute to our business. From September-October, it came back to normal levels of share between rural and urban. This year clearly from what we read, the spread of the COVID disease in rural India has been stronger. That said if urban India performs, I am happy enough because urban is yet more than 2/3rds of our total contribution, actually upwards of 70%. Even rural while last year did contribute better, it is not enough to compensate for urban India's loss right, so if this year while we would like rural to perform, if it underperforms but if urban performs, we will be fine with that overall. In terms of how much will be the spurt in pent-up demand, little early to say, we would want to wait and watch, but for the reasons I mentioned earlier it may not be as strong as it was last year. In terms of whether we will see double digit growth little early to say, but we are targeting double digit growth on a full year basis assuming June we start seeing opening up then we should be there. If this lockdown really extends into July or something beyond, then we will revisit our expectations on that.

On margins, I think sometimes success works against you. Our original guidance always has been that by FY '23 is when we want to hit double digit margins for the reasons that we have shared earlier, we have been slightly ahead of the curve, this year we had 9.6% on a full year basis in FY '21. We will try to improve on that margin in the coming year, but we will see. The reason I am hedging my bets on that is because as a company we are investing in many things including our product pipeline, R&D, future technology etc., we do not want to shy away from those investments just to deliver short-term margin because I think the next five to seven years, these investments will hold us in good stead here.

Renu Baid: Sure, and can you share with us the split of the growth across little segments within the consumer product business and what has been the market share gains for us over the last one year across some of these categories?

Anuj Poddar: On the growth by segments, our appliances for this quarter has grown by 37%, fans has grown by 36%, our Morphy Richards has grown by 30%, and lighting has degrown by 4%.

Renu Baid: The notable market share gains?

Anuj Poddar: We do not quantify that to share that simply because the industry data is not available, but anecdotally in appliances, fans, and Morphy Richards which is not a product category but otherwise if you look at as a segment, we would have grown share over average industry. In lighting hard to say, we may yet be better than average industry, but clearly from what I know we are not better off than the top three or four years in the lighting right now.

Renu Baid: Second question is on the EPC business side, if you look at the order book mix, there is a small tilt in the order backlog towards Illumination and TLT. PD now has clearly shrunk, so what should be the outlook on margins in this segment going forward and what is the quantum of cost under recovery which is still sitting in this segment because of the shrinking size of the business?

Anuj Poddar: One is like you said and this is consistent with what we have been saying, the segmentation within EPC is important. We have always maintained that Illumination is something that we will grow, transmission lines are something that we will maintain. In PDs where our focus has been on proper completion of the projects on hand and you know reducing the total capital employed in that, and therefore, order book is reflecting exactly that. Illumination will remain bullish, we have got a decent order book, we have delivered growth in the last couple of quarters, hopefully in the coming year also, we should deliver both in the illumination business on our top line and the bottom line, we have been improving the bottom-line contribution from illumination. On transmission line, our order book like you know is about 476 crores, we would be happy to have a little more order book there, but that is a function of the CAPEX cycle or the marketplace out there. We did see a slowdown in the total contracts and bidding in the marketplace post pandemic last year. As that comes up, we would hope to be able to take a little more share of that but do not want to go too much out on that. We are comfortable broadly in this plus a little more range. Our focus there again is to do timely completion and therefore, improve our bottom line there.

Our loss is really coming from the power distribution side. I think this year we should be able to put that behind us, my original guidance is that beyond Q2 we should not be having losses in EPC, as things stand, I will give you the good news and not-so-good news. First the not-so-good news because of the pandemic again this year, Q1 in a way we have lost that quarter and therefore there could be some spillover on project completion or being able to turn that around in Q2 versus spilling over into some months of Q3. Having said that, the good news is I would yet want to hold to our guidance that if we can make up for some of this, if June can come back on track, we would yet want to turn positive on EPC overall Q3 itself onwards, but definitely here we will exit this year having resolved the EPC loss situation.

Renu Baid: Perfect, and one last question if I can, what is the operating profitability of Starlite and the net loss in that business that we are setting for FY '21?

Anuj Poddar: Operationally, which is under EBITDA level, since October '19 it is positive, so when we consolidate that at an EBIT level it will be positive. But there are losses because of the debt on that balance sheet which is carrying interest cost which is not fully absorbed or covered by the operating profits, so that is something that we will end up consolidating but that like I said today it is at a much higher debt level at a high cost of interest because of Starlite's balance sheet as having taken control, we will look to leverage that in the sense that replace that with much lower cost of borrowing, so I think our financial cost impact will also come down.

Renu Baid: But the losses would be to the tune of like 50 crores plus kind of number or what range are the losses in that business?

Anant Purandare: It will be little lower than 50 crores.

Anuj Poddar: But that is the historical in reality now having transitioned to BEL then you will start seeing our run rate much lower losses on that.

Anant Purandare: Yeah, because mainly the losses are because of interest.

Anuj Poddar: To clarify that the losses that he spoke about from Starlite includes interest payment to Bajaj Electricals that they were booking, but because Bajaj has impaired some of that, we were not recognizing that full income, so the external borrowing of Starlite is in the range of 230 to 240 crores, so the interest cost when we consolidate will only be to that extent, so that is why I meant that we will see significant efficiency come in once it is with Bajaj control.

Moderator: Thank you. The next question is from the line of Nitin Arora from Axis Mutual Fund. Please go ahead.

Nitin Arora: Thanks for the opportunity, the first question is the opening remark you were saying that we have upped the inventory in this quarter due to which the cash flows were little constrained, can you just elaborate on a reason what was the need of putting a higher inventory was the dealer were at like a very low sub optimal level, that is first question? There has been a 150 crore increase in inventory QoQ and debt has not reduced, if you can throw some light on that?

Anuj Poddar: Let me answer the first question, I did not get the second I will come back to you on that, so the inventory increased typically every March we see it is the highest inventory that we exit at because it is cusp of summer, we stock up on fans and coolers inventory preparing for summer which is a peak month for us or peak quarter for us April, May, June. This year we also stocked up a little more than normal, this is learnings from COVID where last year you know all of us struggled with supplies and inventories, so rather than saving working capital and ending up with a loss of sale, we stocked up a little more to derisk ourselves from supply chain related kind of issues. Quite honestly as it turned out, none of us anticipated a lockdown to become as pervasive and as long as it has, and therefore, to that extent this summer destocking has not happened as fast as much we would like to do. That said this inventory is not all summer inventory, it also includes other appliances etc., all our product categories, so I think this will release cash into system if not in Q1 definitely by Q2. So Q1 also it would have released had you had a normal Q1 but if not, it will spill over into Q2, so you will see a destocking of this inventory and turning into positive cash, so it is not any negative build up in that sense right, that is number one.

Nitin Arora: Basically, I was just trying to understand that is it because we run a lean inventory model now so why there was a need to increase inventory.

Anuj Poddar: I think you also had a question on debt, so December to March our debt has increased by I think about 30 odd crores, that is for the reason of this inventory stocking that I told you, so it is not into EPC business elsewhere, it is purely gone into consumer business stocking up of inventory, so it is an increase of 30 crores debt, but actually increase of almost 170 crores of inventory if you see that here.

Nitin Arora: A 30 crore increase in debt and I think quarter-on-quarter your receivables have come down from 1700 crores to 1450 what was mentioned in the call, where does that amount went, your overall working?

Anuj Poddar: Yeah, so we can share the cash flow separately but just to give you headlines, we had 50 crores of operating cash flow this quarter, we have an interest cost that we service, we have had some CAPEX, you know you have some CAPEX every quarter and we have had some loans inter-company loans to our Starlite, Nirlep etc. for ramping up things. It is a combination of these three or four items. In fact, I think if you see I do not remember the numbers offline, this 441 to 471 is gross level but at a net level increase is lesser because cash and cash equivalents has also gone up from December to March maybe by approx. 15-18 odd crores or something.

Nitin Arora: Last question from my side, when we look at directionally the margin trajectory what you were doing and we were giving that confidence and we were delivering, I understand there are few expenses you talked about in this quarter, this is normally the nature of the business or let us say, there are no one-offs, I am saying generally that is how you work for right giving implied bonuses and salaries, given this is struggle for everyone in the industry in terms of commodity pressure and everyone is eyeing when the growth will start coming back, but do you still have internal levers with you in terms of what you talked about earlier cost savings and reduction plan where you still feel confident that margins can be doable in the double digit?

Anuj Poddar: Couple of things, quarter-on-quarter things vary right because based on seasonality water heaters typically which is Q3 is our higher margin product and fans where we are not premium and lower margins, so that one is quarter-on-quarter so therefore annualized better base to look for a company like ours. Number two, my long-term messaging, Nitin you and I have had lesser conversation maybe some other investors has been that we are committed to delivering a 1 percentage point margin expansion per annum which is what we have been saying for two years to hit a 10% by FY ’23, we stay committed to that. Number three the way we are looking at doing that is shaving of some of the inefficiencies while yet continuing to invest in product and brand, which we have done in the last one or two years, we will do in the current year also which is why you will not see a sharper expansion in margin because we need to invest for the future. Number four some of these structural improvements in margins, so there is two formula with margin improvement, one is quicker shorter term margin improvements by cost cutting or overhead or efficiencies. Second is structural improvements, the logistics was one example of that, these payoffs will start coming with a lag, which is why I think between our short-term measures and our long-term measures, we remain confident of margin expansion, but what I would like to shy away from is saying a sudden spurt in margin because we need to walk this journey, this is our own journey, so I do not like to come under pressure of competitive forces because we have to live our journey out if you want to deliver the next five or 10 years.

Moderator: Thank you. The next question is from the line of Aditya Bagul from Axis Capital Limited. Please go ahead.

Aditya Bagul: Good Evening and thank you for the opportunity and congratulations on a great set of numbers. Anuj my question is more to the medium term, if you can elaborate both in the categories of appliances and fans, how do you see the competitive intensity on two counts, one is in terms of the commodity costing in the near term and the overall theme of underpinning consolidation from the smaller and fringe player, so given these two points, how do you see the competitive intensity in these two category and what does that mean for our growth in the next three to five years?

Anuj Poddar: If I may answer this candidly Aditya I think competitive intensity in our industry is extremely high and it has only been getting more and more intense for the last two-three years primarily because we operate in a very low end fee barrier sector business, it is very easy for somebody to enter that, but to that extent I would say that is also true for FMCG or even other product categories, making a shampoo or soap or wafer or whatever is easy, and therefore I think our only defense for the long term is to run faster to be better and to nurture and protect our brand. Even distribution over the longer term is becoming more and more accessible for competitors post the advent of online etc., so our only security is can we remain a top three player in every category that we operate in and can we continue to hold that position and grow that affinity with consumers and our availability and preference across all our distribution partners, and therefore all our focus and energy is to maintain our share in leadership in every category that we operate in and focus on those rather than distract ourselves to get into more and more categories, but be laggards in that because I do not think laggards will survive in the long run, so short answer to your question whether it is competition, whether it is commodity price impact, whether it is short term changes on unorganized versus organized on long term till, I think the only solution for that is to keep getting sharper and sharper and rapid in terms of introduction of products. We have in this year introduced about a 170 SKUs in our core consumer appliances and fans business excluding illumination and we intend to continue to maintain that kind of a run rate going forward and continue to nurture and build on our brand. If we do that, I think our medium term and long term will be well served.

Aditya Bagul: Understood, so if I were to ask you the same question slightly differently within the three quarters of our appliances business and water heaters and appliances maybe which are the, if you could rank them in terms of your growth optimism that would be very helpful?

Anuj Poddar: I think maximum in quantitative terms growth potential for us is in fans, for two reasons, because it is one of the largest product subcategories compared to water heater or mixer grinder etc., and because we have been lagging so to me our weakness there gives a greatest potential for growth because we have been the number five player for reasons of our own weakness which we are trying to address and fix. Having said that where we are leaders of strong players whether it is water heaters or kitchen appliances, individually that is small category, but cumulatively that is a very large business for us. We want to aggressively defend our position on that and therefore if you look at whether it is new product introduction, the SKUs I spoke about, our branding, our go to market etc., we will stay focused on that also, so again short answer single subcategory fans is the maximum growth opportunity, but I would want to bundle all of kitchen together, if I bundle that together I think that is an equally strong growth opportunity that we will defend aggressively.

Aditya Bagul: One last question from my end, if you could probably just highlight what is our geographic mix in terms of our revenue within the ECD business between North, South, East, West and if there are any white spaces within the same?

Anuj Poddar: My team will just pull out actual numbers, but on a cumulative basis we are very evenly spread between the fans and appliance and all put together, but when you break that up by categories, then the geographical split starts so for example fans and kitchen we are weak in South of India and to us therefore that is a growth opportunity, but that gets offset by other categories and therefore on a cumulatively, we are fairly evened out. Within that, East and West does score well for us.

Aditya Bagul: Anuj, just one last data keeping question, we had a higher other income this quarter, can you just elaborate what was the reason for that?

Anuj Poddar: Purandare can you share, I think that was on an annual basis that you will see not this quarter.

Anant Purandare: One is we have canceled some lease agreements, so that is one impact, and another is we have sold some properties, so there are two major items which have contributed to the increase in other income on a yearly basis.

Aditya Bagul: And that would roughly be about 30 crores?

Anant Purandare: Property side is around, profit on sale of property is around 17 crores on a yearly basis.

Suketu Shah: The gain on termination on right-of-use assets is roughly 5 crores for the quarter.

Anuj Poddar: A quick commentary on the geographical question, so East and West like I said is highest, East had 31%, West had 27% followed by North at 26% and South as I told you is the one that lags at 16%.

Moderator: Thank you. The next question is from the line of Ashish Poddar from Anand Rathi Share & Stockbrokers Limited. Please go ahead.

Ashish Poddar: My question is again on the margin, while we were clocking healthy margins in the last two quarters, perhaps on the cost savings largely on that front, but this quarter on a gross level also I think this was a bit lower than the general because when we look at now results of other companies, we do not see this much of impact on sequential basis as well, so is there any one-off you can highlight was there in your case or you think that this 8%-8.5% kind of EBIT margin for consumer durable business will continue for next two quarters and then from that level perhaps some 0.5% to 1% kind of additional benefit will come in course of time, so particularly your comment on that?

Anuj Poddar: Thanks Ashish, so I think I made some reference earlier, our margins you have to look at YOY and not QOQ because of the seasonality of our products. In Q3, you did have water heaters which contributes to a significant sale and those are typically higher margin for us, and we are leaders there. Q4 we have fans which are lower margin because also we are not premium fan players etc., so therefore because of different product categories our QOQ or sequential margins are not always comparable. Second point there is also the fact that we did have very strong operating leverage in Q3, we had some of that in Q4, not to that extent and third point of course is the impact of the commodity price impact which was in full play for Q4 and in Q3 it was not as much, so I think these three factors together explain the sequential margin movement, but I think if you look at us every year YOY is where we should be able to deliver growth, because each year that respective season product category we should be able to optimize that.

Ashish Poddar: Sir, my second question is on the growth side, in the consumer product business while you mentioned that the kitchen appliances and fans continue to be the focus area, but is there any product category you are seeing in the next six to 12 months whether you want to enter or in the existing product category you want to scale up faster and gain market share, so your comments?

Anuj Poddar: Not new categories, within each of our categories we do intend to strengthen. Fans like I have always called out, we are lagging, but I think that is going to be 2-3-year journey as we strengthen that, but we are strengthening that every year, product portfolio and as you strengthen the product portfolio, I think there is a certain lag by which the market also recognizes and accepts that. Had we not had a washout last summer or this summer and hopefully we could have made some dent because you need to give it that full play of the season to make that difference in the market and the core season. Off season to make that meaningful difference becomes that much harder right and then followed by coolers also while we are reasonably strong players in coolers and I do realize there is a lot of competitive intensity in coolers, so there also we are looking at strengthening, you will see that in the next couple of years. On the flip side, kitchen etc. where we are already strong, we continue to roll our products, so that remains a priority product category for us across the whole spectrum whether it is all the mixing appliances, OTGs which we did very well for us last year, even smaller categories like hand blenders, induction cookers did well for us last year, I am not taking all the names, but across that whole range of kitchen appliances, we do want to strengthen the portfolio as a whole. In the past typically we have been focusing on one or two subcategories there from a marketing or advertising point of view, but going forward, we are going to tweak some of that advertising perspective also to start covering the wider gamut of product categories here.

Ashish Poddar: Sir my last question is on the geography you mentioned, so South currently is the lowest contribution for us, so what are we doing there to expand our presence and I believe that South is more competitive or in terms of brand loyalty is higher as compared to North, so what is your plan or strategy to expand in South?

Anuj Poddar: Yes, absolutely well put, I think it is not an easy market to break into in terms of brand loyalty and therefore, you have to keep chipping away at that. We started that journey last year which is the end of 2019 about a year and a half ago, I think we will stay at that. I think kitchen appliances category overall is not just a cold product, but it is a very high involvement emotionally high affinity product category and therefore it has got a lot of cultural nuance to it and therefore one also sees South has a lot of South specific brands in this segments unlike rest of India, and therefore, I think that conversion pace will be slightly slower but in the long run, we are very focused to make sure that we get a meaningful share of the South market there.

Ashish Poddar: Thank you and all the best Anuj for future and I think in last two years we have seen fantastic improvement in overall business, and I hope that in coming years it will be stronger.

Anuj Poddar: Thank you Ashish for your words.

Moderator: Thank you. The next question is from the line of Koundinya Nimmagadda from JM Financial Services Limited. Please go ahead.

Koundinya Nimmagadda: Sir, thanks for taking my question just couple of questions, firstly if you can help us with the gross margin which we recorded in safety segment in 4Q FY '21 and for the full year FY '21 as well and also within that you did take some price hikes so what is the commodity price inflation that you saw for your RM basket and what is the extent that is still pending to be passed on?

Anuj Poddar: Our overall impact on the because of RM, it is a moving number because that is continuing to increase and across the different product categories it varies and as a product mix varies, that also varies, but at a broad-brush basis I would say it is between 6% to 9% is the impact of the commodity price increase till date. In terms of passing that on like I said, we worked to pass on that, and I think quarter-on-quarter there may be a lag but on an accumulative basis, we should have passed it all on by when the markets open in another couple of months etc. on that front. On the gross margin level, we frankly do not report that at the segmental level, we report the EBIT operating profit and the total company wise gross margin available, but frankly I do understand that does not really help the analysis there, sorry about that, but that is the way we report our numbers there.

Koundinya Nimmagadda: Sir, secondly can you help us understand what is the extent of overheads impact of the EPC on CP margins, if I remember you know I think along last year you said that around 100 basis off CP margin for impact due to consumer or due to EPC segment, so what is the extent currently?

Anant Purandare: No, we have not worked that.

Anuj Poddar: There will be some impact because that CP contribution this year has gone up further, I think last year was about 67 odd percent, this year it is 70 plus percent, so there will be some impact, we have not quantified that, I will just check with the team if they can share that to you.

Moderator: Thank you. The next question is from the line of Rakesh Roy from Indsec Securities & Finance Limited. Please go ahead.

Rakesh Roy: Sir, can you share the full number for FY '21 for fan, appliance, lighting, and Morphy Richard number?

Anuj Poddar: The full year growth for appliances is 11%, for Morphy Richards is 13%, for fans is 5%, and for lighting is a degrowth of 5%.

Rakesh Roy: Sir, in appliance business can you break up the domestic appliance how much is the domestic appliance?

Anuj Poddar: We do not break that up publicly.

Rakesh Roy: Sir, can you share the other thing is like how much market share we gain in fan and other business-like mixer grinder for this year FY '21?

Anuj Poddar: That is what I shared earlier, we do not publicly put out data because we have an internal estimate for that, but there is no official published industry size estimate for that for us to publish that, but given what we know of an average industry growth we have gained share in all of this along with the other three-four leading players versus the average industry.

Moderator: Thank you. The next question is from the line of Aniruddha Joshi from ICICI Securities Limited. Please go ahead.

Aniruddha Joshi: Sir, most of my questions were answered, but in terms of EPC business I guess you indicated in the call earlier that by end of FY '22, the losses will come down to almost zero level, but how do we see in terms of the revenues level, so how do you see the revenue mix changing between consumer products as well as EPC at the end of FY '22 or indicative also at the end of FY '23?

Anuj Poddar: If you look at our current run rate, now we are already at 75% plus in consumer and less than 25% in EPC. I think going forward also I think that mix should continue in that kind of trajectory 75%-odd, while consumer continues to grow EPC should be reducing. In terms of the profitability like I said this would be confirmed. We intend to exit this year at having put the losses of EPC behind. Our internal target remains to make that happen in Q3, had it not been for this current lockdown and pandemic, we would have delivered on that. I am just hedging my bets on that, but we are targeting to make that happen by Q3 itself.

Aniruddha Joshi: Lastly, again the number on the price hike that you had said, so that number across category if you can share and also the retail outlet expansion that we are having right now, so FY '20 versus FY '21 end, if you can share that number and lastly where do we stand in terms of those, we cannot share the market share numbers but in the major categories like fans or appliances etc., coolers where do we stand in terms of the ranking, are we number one, number two, number three, if you can share that will be great?

Anuj Poddar: On the retail network expansion, this year we have not had significant expansion a couple of thousand only because increasingly we think we are well penetrated, so our focus now is not so much in terms of priority to expand retail reach as opposed to mine that better, which means generate more sales from the existing retail reach that we have and therefore increase our share per retail counter, so we are focusing on that right now. Secondly, I think your first question was on the price hike, so on price hike we have taken a price hike about 6% to 8% in January and a further 3% to 4% hike in May.

Aniruddha Joshi: Sir if you can share by category wise or product wise?

Anuj Poddar: No, we do not put that out, but I think 3% to 4% would be general across most of them, so mixer grinders we have done that, fans we have done that now. I will just have to look at that in fact we can share, can you take that offline from us, we will be able to share some of that over there. In terms of ranking, I think you asked us so mixers, irons, water heaters, etc., we are leaders. In air coolers, we are number three and in fans we are number five maybe by some estimates number four.

Moderator: Thank you. The next question is from the line of Achal Lohade from JM Financial Services Limited. Please go ahead.

Achal Lohade: Good Evening, thank you for the opportunity Sir, my question was if you could talk a bit, I know you covered this in the past but in terms of the R&D part, what kind of team size we have, what kind of budget are we looking at, if you could give some color on that what kind of product I mean the category or the range kind of a target we have, the frequency of refreshing the range that would be very useful?

Anuj Poddar: Achal as you will understand R&D is always sensitive for the company, we have been transparent in sharing that, it is an area of focus but to put out details in terms of team size etc. will be a little sensitive. If you look at our actual product introductions like I said we have got about 170 SKUs this year, I do not remember offhand now the number last year to similar, what I try to keep out is we also have more products that come out on the LED front for B2B and B2C that inflates numbers, I am talking outer side of the significant numbers. If I add that I think it is almost 425 SKUs this year, but that inflates because of lot of the LED variation. In terms of therefore product introductions going forward a churn, I think 170 every year maybe very high but anyway between 100 to 150 SKUs per annum should be a broad range that we should be looking at.

Achal Lohade: Interesting, and would it be possible to share what kind of revenue mix do we have from the products which were introduced or the range what we introduced in last two-three years, what is the range is that 20%-30%, in fact 60% of the revenue comes from?

Anuj Poddar: I will not put out an absolute number, it is definitely not 50%-60%, it will be under 20% because we have just started that journey of putting this out here, so there is a majority curve that they go through, so they will have to go through majority curve from introduction to actually maxing out sales.

Achal Lohade: I do not know if you have answered this, but in terms of the illumination how do you look at this, we see that B2B continues to be weak, B2C is still growing, so what is our top focus here because B2B is part of our EPC segment so how do we look at this space in terms of growth outlook and margin?

Anuj Poddar: I am fairly bullish on our B2B lighting LED illumination business and it has delivered well for us this year; I think going forward also it should continue to deliver well for us. We did have some issues earlier, but we have been putting them behind us, so that is the reason we have done well on growth but also on a bottom line we are turning that business around, I think it should be a positive contributor to us going forward.

Achal Lohade: What about the B2C Sir, what kind of growth?

Anuj Poddar: Like I said we have had a degrowth, I know we are behind our leaders in that though we do have many other players who are behind us on that. I think we do have weaknesses there, we are working to fix those weaknesses in terms of our cost efficiency on LED and even our product mix on LED, I think some of our competition has a better product mix and better market share and better brand value on LED or lighting, so I think the job or task for us is very well cutout there. We will work to improve on that over the next two-three years, but it will take that time to make happen, it will not happen overnight.

Achal Lohade: Understood, and I do not know if you could comment, in terms of volume I know it is a very difficult question to answer, but is it fair to say that the volume growth was kind of in single digit for the full year or it was actually kind of a lower volume, price increase which has driven the growth?

Anuj Poddar: You are talking about consumer business as a whole?

Achal Lohade: Yes.

Anuj Poddar: Let me do the Math in my head, because we have delivered 7% growth on a per annum basis. If you dissect that we have not had a 7% increase on per annum, so there is volume growth also. I am just trying to do the Math in my head because it is nine months versus 12 months. If you look at nine months to nine months, you had a reasonable volume and value growth also, but we try and extend that over 12 months then you will have a volume growth will not look that strong because you have had two-and-a-half months of non-sales.

Moderator: Thank you. The next question is from the line of Ashutosh Garud from Ocean Dial Asset Management Limited. Please go ahead.

Ashutosh Garud: Just wanted one small clarification, you mentioned three reasons for the gross margin asset, one was commodity price increase, second was product mix, and the third one I missed out?

Anuj Poddar: We took our own increases in certain costs including publicity etc., I think it is also the product mix, the operating leverage that I spoke about, so we had very strong operating leverage in Q3 which was not a normal operating leverage.

Ashutosh Garud: Just wanted one more aspect on these gross margins, since we do our sales more from a pull angle as compared to push angle, which is the industry norm, do you think that these gross margins for us will resurrect faster than many of our competitors once the commodity prices are normalized?

Anuj Poddar: I am not sure that sales side will change the gross margin for us much because that is really a function of sourcing cost and we maintain a certain price calculation on what we offered to the market, so we do try to kind of maintain that in a certain range, so I do not think the sales model will drive that significantly very different from others, I think only thing that may help us now hopefully little bit is the fact that we ended up stocking extra as of March so therefore to that extent, we are slightly insulated from further increase in raw material cost over the next few months. The extra stock may come to some extent to our benefit, that said to be honest to the extent that stock is in fans and coolers particularly coolers that also adds to a little carrying cost because now one has to carry that over for a year. For the other categories it should help, so in the non-summer products that should help a little bit.

Moderator: Thank you very much. Ladies and Gentlemen, that will be the last question for today. I will now hand the conference over to the Management for closing comments.

Anuj Poddar: Thank you everybody for joining us today, just to reassert what I said upfront, we are positive and happy with this current quarter's performance. It is on track with all the strategic directions and steps and plans that we have been sharing with you, we remain very committed and focused on that. We do know that Q1 is going to be a tough quarter for us, but while we are taking tactical measures to deal with that, at no point do we want to shy away from taking strategic calls that we need to take. To that extent, like I have always said we are on our journey as a company and we will make sure that we track that journey rather than reacting to short term competitive forces or pressure etc. that are outside of us, so with that thank you very much and we stay committed to adding value for everybody.

Moderator: Thank you very much. On behalf of Ambit Capital Private Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.