November 11, 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 November 5, 2020

Further to our letter dated October 30, 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 Thursday, November 5, 2020 at 4:30 PM (IST) to discuss the financial results of the Company for the second quarter and half year ended September 30, 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

Shekhar Bajaj
Chairman & Managing Director
DIN: 00089358

Encl.: as above

"Bajaj Electricals Limited
2QFY2021 Earnings Conference Call"

November 05, 2020

MODERATOR: **MR. DHRUV JAIN – AMBIT CAPITAL**

MANAGEMENT: **MR. SHEKHAR BAJAJ – CHAIRMAN & MANAGING DIRECTOR – BAJAJ ELECTRICALS LIMITED**

MR. ANUJ PODDAR – EXECUTIVE DIRECTOR - BAJAJ ELECTRICALS LIMITED

MS. POOJA BAJAJ – NON-EXECUTIVE DIRECTOR - BAJAJ ELECTRICALS LIMITED

MR. ANANT PURANDARE – PRESIDENT & CFO - BAJAJ ELECTRICALS LIMITED

Moderator: Ladies and gentlemen, good day and welcome to Bajaj Electricals Limited 2QFY2021 Earnings 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: Thanks. Welcome to the 2QFY2021 Earnings Conference Call of Bajaj Electricals. From the management today, we have with us Mr. Shekhar Bajaj, Chairman and Managing Director, Mr. Anuj Poddar, Executive Director, and Mr. Anant Purandare, President and CFO. Also, we have with us Ms. Pooja Bajaj. Over to you Sir for your opening comments.

Shekhar Bajaj: Good evening to you. Welcome to this conference call. I am sure that you must have seen the results and it looks very exciting. We are also very excited. They are from a level of minus Rs.29 Crores in Sep 2019 quarter to plus Rs.72 Crores for this quarter. In CP business our EBIT has increased from 4.7% to 10.7%, which is very, very exciting, but I must mention that this is not a sustainable number so that you do not do a multiplication and add the next two quarters on this basis. So I thought it is important to clarify that this is not a sustainable margin because we knew there is a supply issue and further in the Q2, we have cut down our publicity, which from Q3 onwards will start., We have started our brand building activity w.e.f. October. So, there will be a major publicity cost, many expenses, which company did not incur in the Q2 will be incurred in the Q3. However, we can still expect compared to last year improvement about 1% in-spite of the lock down, but I do not think it is going to be anything around 10%. It is not envisaged, hence very important to understand, so that the expectations are more realistic.

Coming to EPC business also, we are very fortunate that many of our old projects, which were incomplete, got completed. Not the UP project, but Bihar project, which were earlier there and therefore contingencies built as per accounting norms, were finally reversed and therefore it improved our bottom line and hence the profitability, which is being shown in the Q2.As far as EPC is concerned, operating margins of this quarter may not be sustainable so therefore those two things you must note down. One thing is coming out very clear that we are playing very conservative and that is why you know for the Bihar projects and all because when we complete the project, we do not know whether we will get the payment and whether we will complete the project on time, so we always keep sufficient provision and that got completed in the Q2 and therefore major reversal has taken place. So that becomes an important aspect to understand that there is no additional liability that we should expect in the coming years. As far as, the UP project is concerned, we have made enough provisions. So, I think next two quarters, the market is very buoyant. It is going to be more of a supply side challenge. The demand is very strong, so if we can improve our supply, I think we should be able to continue, and our double-digit growth should be very much there. There should be no problem for the next six months. Double-digit growth will continue in the consumer business. EPC business is something that as we said that it depends on if we get good business and good margins, we will take it. If we do not get, we will not do it just to get the topline or to get a growth. The growth is not the objective as far as EPC is concerned. It will be based on margins and based on payment terms, which is very critical so that our cash flows improve. You must have also seen that our Debt has substantially improved from an approximate level of Rs. 2000 Crores last year in March of 2019 to Rs.1000 Crores approximately in March 2020 and now it is down to Rs.500 odd Crores, Rs.550 Crores or so. So that is a substantial improvement, which is taking place and therefore our interest cost had gone down to 50% of the previous year. In Q2 also against Rs.45 Crores, it has gone down to Rs.22 Crores. So, in every aspect, the balance sheet is much better. Outstanding is much better and, we are continuously working to see that we get further collections from the pending outstanding. So, once that gets cleared then CP business is doing well. There is no financial problem there. Margins are okay. There is also one other aspect, which we have to just keep in mind, this may get impact by 0.5% to 1% is that the raw material & commodity prices have started to go up and with that may be we may not be able to pass on all to the market place so that can also impact our margin. So, these were my opening remarks. Now Anuj would you like to add something.

Anuj Poddar: Yes sure. I have had a few points to what the chairman had said to put in the context of what we have been talking about earlier to all of you. I think I am very pleased with our Q2 results and this frankly is the continuation of the larger strategy that we have been following since last year and that was both driven by balance sheet focus last year, but with an intent to then see the benefit in the P&L this year. Despite the fixed headline point, I will not repeat the numbers since you all have the numbers. (1) Number one is our focus in the consumer products business and growing that. We have seen the benefits and the results of that. Right now, it is about a 13% growth in consumer business. I think the demand is clearly there as we are probably picking up in the market, but the real focus for us has been to service that demand. The supplies have been the biggest constraint in the last few months and the company has managed to service that demand effectively and benefiting on the topline and the bottomline and that has been a current focus and continues to get focused in Q3 also, to take advantage of the market place. (2) Point two, there is very sharp improvement in profitability of margins at all levels. The chairman has already spoken about that. There are a couple of points there that incidentally is the highest ever quarterly profits for our consumer business for our company and at an absolute term. In margin terms in percentage terms also it is the highest margin for our consumer business since 2010. So that is the good news. Having said that as Mr. Bajaj has already shared, I think Q2 margins will not be extrapolative for the reasons mentioned. I will be happy to dive further into that on the question if you have and give you a little more color on that. EPC, we benefitted by one-time closure. Having said that there will be a certain amount of drag or losses on the EPC for another three or four quarters, like I have been maintaining, but our focus remains to keep reducing that loss while you know growing the consumer business so that net out, we are starting to show growth and positive trends of the company.

On the balance sheet, we have already seen the strong cash flow numbers to break that up further into Q2. Q2 operating cash flow was Rs.322 Crores positive. That is strong performance, but that again is not extrapolative. I will be happy to take questions on that.

Finally, on the debt figure of Rs.559 Crores if you remember our last investor call that is the guidance we have given for March 2021. I am happy to report that we have achieved that in September 2020. We will aim to continue to improve on that. Let me take a pause now and open it up for questions please.

Moderator: Thank you very much. We will now begin the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Achal Lohade from JM Financial. Please go ahead.

Achal Lohade: Good evening Sir. Thank you for the opportunity. My first question if you could help us in terms of the growth in various categories of appliances, consumer part of business?

Anuj Poddar: Sure. Our Appliances have grown by about 14%. Our Fans has grown by 20%. Morphy Richards has grown by 12% and Lighting has been flat

Achal Lohade: Right and has the growth been even throughout the quarter or you saw the exit being better and how is the current quarter looking like in terms of the momentum? Has the momentum remained good or you are seeing some softness out there?

Anuj Poddar: The July month was slightly negative single digit negative Y-O-Y, but August and September, the growth has picked up, so we were at a good run rate. We have entered the current quarter also at a good run rate. Having said that Diwali is now next week, so typically primary sales in October have been very good. We want to see if the demand continues to hold up as strong post Diwali to see how the full quarter will pan out.

Achal Lohade: Right. You commented on the supply constraint. So, are you talking about supply constraints for us specifically or the industry? Were there any lost sales according to you for us in the quarter?

Anuj Poddar: So, I think the supply issues are industry wide. It has progressively improving every month. So, I remember back in June and July or July and August we did have significant supply issue. We fixed that month on month, but having said that even September, we did have certain stock outs. We have become at a festive level not at a category wise level, but we have had supply constraints. Had there been no supply constraints, our sales would have been even higher. October also it has reduced, but it has been little. November I can confidently tell you that from what our current stocking levels are, we think we should not have any stock outs in November at all. So, it has been progressively reducing every month. We could have done better in Q2 had it not been for supply constraints. Q3 should be better on that front.

Achal Lohade: Right. Just last question if I may with respect to the margins, you said the EPC margins specifically there has been one-time reversal? Can you talk about the quantum of the reversal of the provision and you also said the losses could be there for EPC in the segment for another three to four quarters? I was just curious you know are we looking at this turn around getting pushed further to sustain the quarter next year?

Anuj Poddar: So, first on the onetime thing, our CFO can confirm we had about eight or nine project closure. These were small projects and non-UP project and we have had a margin relief at about Rs.40 -44 Crores if I remember this number correct. In terms of the turnaround, irrespective of the margin releases, etc., we will continue to focus on the EPC cost and the losses while we continue to bear that. I think when I shared with you on the last call the numbers, initially we had hoped that post March 2021 we should not have losses in EPC, but at that point I had shared in the last call that will probably go into two quarters of the next financial year particularly because of COVID, etc., set us back by a couple of quarter and EPC execution and unlike consumer demand, EPC execution takes its time. You cannot catch up for that at a faster pace so to that extent which we believe around September we should be able to get out of that. So that in absolute terms, it should continue to reduce and if we keep growing consumer, the net effect should remain in the positive side. Probably CFO can just confirm the margins that I spoke about.

Anant Purandare: They are around Rs.40 Crores?

Anuj Poddar: Yes.

Achal Lohade: Great, I will come back in the queue for followup. Thank you so much.

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

Ashutosh Garud: Congrats on a good set of numbers. I wanted to understand the growth, which we have seen across these appliances and how has the aggregate growth for the market been and is it purely from the market share gains and if that is the case when do you expect the unorganized guys come back to normalcy and may be the normal trajectory coming back on a competitive level and aggregate growth level for consumer durables?

Anuj Poddar: To the first question aggregate growth at an industry level, I think we are on par with our top two or three competitors, there is 1% or 2% point difference between us and a couple of them. A couple of others I am not sure, but I think I will just put that down to slight variation in that product mix or something like that, but largely in par at an industry level. I think the difference for us has been at the bottom-line level and that has also been part of our focus. On the market share, etc., I think most of our top three players in the larger organized players have grown market share and smaller unorganized players have lost a certain amount of market share during this period partly because of our ability to turn around supplies and manage this period of the last five or six months. Will that continue, I do not know. I will hope that we are capable of continue to do what is right to hold on to the market share. In general, as the management our aspiration and target remain to outgrow ahead of industry average growth. So, at Bajaj Electricals, we will continue to work for that and therefore the definition at least we hope to continue increasing our market share at least.

Ashutosh Garud: Okay thank you.

Moderator: Thank you. The next question is from the line of Bhargava Buddha from Kotak Mutual Fund. Please go ahead.

Bhargava Buddhadev: Thank you for the opportunity and congratulations team for a very good performance. The first question is in terms of, is it possible to quantify what are the receivables pertaining to the EPC business as on September 30, 2020 and what is the retention amount and when can this get liquidated?

Anuj Poddar: I will hand this over to our CFO.

Anant Purandare: Yes Bhargav, the EPC receivables are as of September 30, 2020 are Rs.1721 Crores and out of this, there is a retention money of around Rs.660 Crores.

Bhargav Buddhadev: And can we expect this retention money to get liquidated in a year's time minimum whatever?

Anant Purandare See these are across various projects, Rs.200 Crores pertains to UP EPC projects. Around Rs.250 Crores is related to old rural electrification projects and around Rs.180 Crores is for the transmission line towers. So, all these retentions, there are different due dates for the collection, and they are all again linked to the closure of project, financial closure of project and the retention money. So, this will come in the phased manner. It will not come as everything at one time.

Bhargav Buddhadev: I mean given very strong cash generation that has happened and possible that some of this can also close in the next six months? Is it fair to say that a year from now, Bajaj Electricals can become a debt free company?

Anuj Poddar: We hope so right. Having said that we must be balanced in our view. We have managed to overachieve right now in the first six months compared to what our full year target was but let me also tell you why Q2 numbers are so strong. On the consumer side, we have extended our credit period with most vendors, etc., in this period and you know our inventory levels had also gone down because we were selling out everything in a stock out situation. Both elements will gradually reverse out. So, to that extent, the cycle will normalize in the working capital. On inventory given the stock outs, etc., that we faced this time rather to be on the side of caution build up higher stocks so that we do not have a loss of sale situation. In general inventory like December onwards will start building because as we come closer to summer fans and coolers, we do build that up. My point is our cash flow will remain positive, but not at this kind of extrapolative numbers. Will we write out Rs.560 Crores of Debt in the next six months - No. Can we do that in the next four to five quarters - hopefully yes.

Bhargav Buddhadev: And lastly you mentioned in your earlier remarks that this entire gross margins improvement in the consumer business is not sustainable and agree this is not sustainable because of the savings in the ad spend, but is it possible to quantify what has been the gross improvement in the consumer business and whether that is sustainable or is it is possible to improve that going forward?

Anuj Poddar: So, let me answer that on gross EBIT margin. Our gross margin consumer has increased Y-O-Y in Q2 from 27.7% to 30.2% that is 2.5% increase. The gross margin reversal will happen because of the commodity price will change. In Q1 and Q2 we had a downward movement in commodity prices, and we had a sharp upward movement since October. That will lead to an increase in the cost of gross margin. The second level is the EBIT margin where it comes into the other elements also that Mr. Bajaj has already spoken of including normalization of a lot of cost cuts that we have done, and this will normalize. We have already started spending Q3 quarter but having said that some of the cuts on overhead, efficiency that we have delivered we hope to maintain some of that. We do not want to go back to pre COVID level overheads in spends so we will be somewhere in the range. We will see improvement in margins, but not to the level we enjoyed in Q2.

Bhargav Buddhadev: Okay. Thank you very much and all the very best.

Moderator: Thank you. The next question is from the line of Renu Baid from IIFL Institutional Equities. Please go ahead.

Renu Baid: Good evening Sir. Congratulations for the strong results. I missed the initial 5 to 10 of the call so kindly excuse if I repeat couple of my questions. Sir first question would be given the strong growth that we have seen in consumer and demand coming back what would be the broad sense in terms of now or looking at growth in the next six to 12 months? In addition, the kind of market share gains that we have seen do we believe a good share of this market share gain should sustain an improve going ahead given the new product launches and revamp and marketing ad spends will queue up for the rest of the year? That is my first question?

Anuj Poddar: Mr. Bajaj will answer, and I can supplement it.

Shekhar Bajaj: Basically, I think before you came in, I already mentioned that these types of margins are not sustainable because there were a number of costs, which did not incur in the Q2. Plus, we cut down the publicity substantially in terms of brand building, because of the supply constraints. So there was no logic of spending money when you cannot meet the demand also, which we have started in October so therefore to that extent, the margins will come, it will be better than last year clearly, but it will be nowhere near 10%. It will be anything 6% to 7% level I think this is where we may end up at and as far as growth is concerned double digit growth clearly, I see. If the supplies are better, it may be even better. Anuj would you like to add.

Anuj Poddar: This demand question, this Q2 maximum was pent up demand, which means pent up versus regular demand right. I think in another word that people do not talk about, which is work from home demand, which is different from pent up demand. Pent up demand is simply because of lock down, people could not go out and buy and therefore they came back in two to three months post lock down to buy what is pent up. That part is long over. Now if you see with the second cycle of demand, which is the work from home demand because people put a higher level of gadgetization at home to upgrading the appliances. So, I think two to three months of pent up demand and we add two to three months cycle of work from home demand. At some point that curve or wave will also be over. Then it comes back to the normal demand cycle. So, I think question really is what is that normal demand cycle going to be. There I think my guess is as good as yours. We are waiting to see. Since we have started well as I have said earlier in the call that we are waiting to see what happens after Diwali. Somewhere the commentary always has been that rural has done well in the last five to six months. I would like to believe now going forward urban should also pickup if we see the genuine numbers on COVID and the general numbers of economy, etc., somewhere the economy kicking in should see the urban demand also come back. Having said what is the level of growth we will see in that. Our target internally is to push to meet the FY2020 numbers. This year we lost two months, but in 10 months can we do 12 months of FY2020 number. If we can do that itself is good. If we achieve growth over and above that, to me that is a bonus. The market share as I spoke earlier is good. As the management tend to keep growing our market share and grow ahead of industry.

Renu Baid: Sir what would be the proximate market share gain that we witnessed in the last six months?

Anuj Poddar: Renu that is a very general for this very, very significantly by category to category, but I will say all the top three to four players have gained at the cost of others. So right now, we have not gained versus of the three or four players, we did gain versus the others. I think when things normalize it comes back between the three to four players are, we are gaining share or not.

Shekhar Bajaj: Renu I like to just add that there is a significant fall in the market share of the unorganized players and therefore most of the organized players have seen improvement in their sales turnover so therefore they must be gaining from their unorganized players because they did not have the supplies. When we had a problem of supplies, they would have a much bigger problem and then this changed everything. That was there. I think we gained market share there, whether they will come back or not after a quarter or so, we will have to see. That is the market share gain that we have received.

Renu Baid: Sure Sir and Sir related to the consumer business have we guided anything with respect to the ad spends of the second half of the year given that now we have a strong portfolio and a few launches in place so what kind of ad spend do we plan to support that in the next six months ad spend or A&P spend accumulatively?

Anuj Poddar: Our original guidance has been that our ad spend will hover between 4.5% to 5% of consumer sale. We under spent in the first few months due to pandemic and supply situation, but that will normalize going forward. I do not think it is the time to cut ad spends as the market is growing, demand is there, and we have the longest strategic objectives and we will meet our objectives.

Renu Baid: Sure and Sir my last question would be on this side on Nirlep as we have started now coming with more aggressive on that portfolio also in terms of A&P spend as well as our portfolio ramp up so if you can give some inputs in terms of initiatives on the portfolio expansion and distribution and if you have any near to medium term targets for this portfolio?

Anuj Poddar: So Nirlep also while we do not disclose Nirlep separately into the product category but let me share that Nirlep also had very firm growth in the past few months. In fact, Nirlep more than many of the others has seen a lot of supply constraints. Our factories have been running at far more than 100% capacity, which we could have done it more and we could have seen more growth in that. In terms of A&P you are correct, so Nirlep also as a brand with something that we are supported recently. We have got that on air, etc., the advertisements on that. In terms of portfolio expansion, I do not know if Nirlep specifically or overall, but you know I cannot talk too much, but we continue to drive strategic portfolio expansion. We are not expanding or widening for the sake of topline, but you know we are in the key focused area where we will see new launches coming in.

Renu Baid: Sure, thank you and all the best Sir. I will get back for followup questions again. Thank you.

Moderator: Thank you. The next question is from the line Riddhima Chandak from Roha AMC. Please go ahead.

Riddhima Chandak: Good evening Sir. Thank you for the opportunity. My first question is regarding our alternative sales channel revenue contribution so in FY2020 it was approximately 31% in which ecommerce and government channel contributed significantly that is 26% and 41% so now in the first half what is the current contribution and going forward what sort of percentage we are looking at in the consumer channel?

Anuj Poddar: Let me answer that in Q2 because Q1 is an aberration. It is not a good quarter to compare. You know 70:30 you are correct. That remains at 70:30 now, in fact it ranges at about 71%, but that is because if you look at alternate on one hand you had very strong growth on e-commerce. The last quarter it was about 10% to 11%. Last quarter when I spoke it was about 12%. This quarter it is about 13%. E-commerce has grown share, but at the same time government channel, has degrown the absolute terms and the MFR has stayed close to flat to slightly no performance. So overall the alternate channel mix is at about 29%.

Riddhima Chandak: So, going forward it could remain in this breakup 70:30?

Anuj Poddar: E-commerce will continue to grow very strong. MFR which is modern retail will grow from here than it did in the past two quarters. The government will remain subdued and we remain negative on that because of various policy changes that we are seeing.

Riddhima Chandak: Okay and what is the rural and urban contribution breakup?

Anuj Poddar: Rural and urban, we do not publish because we do not have accurate way to measure that. It is very difficult to do that, but still largely urban for us. Rural growth has been stronger than urban, but the total share of urban remains higher than rural.

Riddhima Chandak: In the year FY2020, we almost had 190000 to 200000 retailers are we focusing majorly on tier 1 cities in the coming quarters?

Anuj Poddar: I think in the last quarter we have added another 2000 or 3000 retailers or retail counters, but for us given our beneficial numbers and reach, the greater focus is to growth asset to have sales growth and get higher wallet share and higher billing per counter rather than grow number of counters. We are seeing greater benefit in that given where we are at present. Having said that of course we will keep growing, but relatively greater focus on getting more billing per counter.

Riddhima Chandak: From the information point of view so our growth is very good during the quarter, I know that we are short of supply in some of our product categories, but is it majorly of volume driven growth or value driven like are people buying more of premium product categories or so? Can you give us some clarity on this?

Anuj Poddar: For us it is volume and value driven growth. One is there is more demand in terms of volume. In our case, it is not per person spending higher because of them moving up the ladder. If anything, I think what I should say there is arbitrage in the lower side on purchase, but we have also had our value also come because we have had certain price increases since July/August. So, it is more volume combined with our price increases rather than upgrading our products and consumers.

Riddhima Chandak: Okay so price increase in what is the percent 2% to 5%?

Anuj Poddar: 2% to 2.5%, it is not across the board.

Riddhima Chandak: Sorry.

Anuj Poddar: 2% to 2.5%. I am just giving a very general point. It is not across the board.

Riddhima Chandak: And any Capex for the FY2021?

Anuj Poddar: Not significant. We are investing and we are seeing certain other internal things, but not Capex, or big-ticket Capex.

Riddhima Chandak: Thank you for answering my question.

Moderator: Thank you. The next question is from the line of Mayank Bhandari from B&K Securities. Please go ahead.

Mayank Bhandari: Thank you for the opportunity Sir. Sir I just want to understand more in the power appliances category, particularly on the water heater side. Sir how have you seen the competition in this category? Can you give some comments?

Anuj Poddar: So, I do not know if you meant for water heaters specifically or appliances in general.

Mayank Bhandari: It could be great if you can give appliance in general and water heaters also?

Anuj Poddar: You know I always say that we are in the business with a very low entry barrier. We always have competition. We always have new players coming in and new players are not small unorganized players. They are large players. Even in our businesses, the appliances we have seen the commentary for another competitor. Many of our competitors may not have been focused on appliances, but let us say on fans, they are growing aggressively in appliances. We are very conscious of that okay, so we will keep seeing more competition from the large established players as well from new players coming to the business. That is the reality. So, I do not think that is something we can expect not to happen. So, our only gain frankly is to keep running faster but keep investing our products on so that we can maintain our growth in a market share and that includes water heaters also. I do not want to take names, but you know about the players here aggressively targeting that segment also.

Mayank Bhandari: Okay so you have seen any addition of the new players in the market for water heater specifically? Anything you have observed?

Anuj Poddar: Let me put that up. In the last six months, I have not seen new players, but I have seen established players who are our competitors, but who are not erstwhile strong in water heaters coming aggressively into that and obviously there is competition. Similarly, in the kitchen and other things there is competition. Over the next one to one and half year, I do see new players also coming in. I think new players took a back seat in the COVID times, but in the normal times they will also come back. In COVID times if the new players do not venture, but established players continue to drive expansion.

Mayank Bhandari: Sir on the e-commerce side, I just want to understand your strategy going forward like how you are selling, are you going through established players like Amazon and Flipkart or you are going through your own portal or you have any plan or intention or moving through increasing investing into the e-commerce space like is there anything in the pipeline?

Anuj Poddar: Mayaank your voice was not very clear but let me try and answer that. On the e-commerce side and the last question, you said, which is are we going to invest in our platform of mark place frankly no? We do have our web site. We have an omnichannel strategy, but the fact that consumers do not go in major brand size. There are established markets places. There is no way we can compete with Amazon or Flipkart. So, we are very clear we are a brand owner. We are a product owner and that is our competent not to compete in the market space but rather to partner with these markets. We work very closely with these marketplaces. In general e-commerce has been an area of strength for Bajaj Electricals and we will continue to provide innovation what we use to do that, but it remains a focus area for us and we tend to continue growing on that.

Mayank Bhandari: Okay Sir thanks.

Shekhar Bajaj: I like to just add one point, which actually nobody has asked this question, but I just thought to share with you is that lot of people are not realizing that our customer care that is after sales service setup is so strong on an all India basis. So people like Flipkart and Amazon find it very convenient to sell our products because they know that a good service will be offered, which many of the people who may have a good product and is very competitive with price in consumer durables, the after sale service is very critical. So that is something, which we are best in the small appliances, we are clearly in terms of after sales service, our customer care set up is stronger. So that can also be a big advantage for Flipkart and Amazon that once they have sold it, they do not need to worry. This point, which nobody ever raised it so I thought I would like to share that.

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

Achal Lohade: Thank you for the followup opportunity Sir. I am kind of harping on this with respect to cost reduction you did not talk about the A&P was you for the Q2? Is it possible to quantify?

Anuj Poddar: A&P was I think 2.1% in Q2 against a general guidance of 4.5%, but also keep in mind 4.5% to 5% is an annual guidance. There is always quarter wise fluctuation even in normal year. So Q3, which is a big quarter. In fact, Q2 normally is the lowest quarter because Q3 is big quarter it is a festive quarter. Q1 and Q2 are summer quarters. They are spending on fans and coolers, so Q2 generally tends to be a lower quarter. It is even lower this year because we chose to cut back on it.

Achal Lohade: So, is this 2.1% would you have the number for Q2 FY2020 as of now?

Anant Purandare: Absolute number for the half year it is around Rs.30 Crores to Rs.32 Crores and for the quarter it is 17 Crores.

Anuj Poddar: What is last year's percent.

Achal Lohade: Meanwhile let me ask on the cost reduction, I mean we have talked about that in the past? Where are we in that journey? Have we kind of reached 40% to 50% of our target cost reduction or it is still long way to go?

Anuj Poddar: Which one EPC cost reduction.

Achal Lohade: Yes, EPC cost reduction?

Anuj Poddar: I think it is lesser than 40% yo 50% cost reduction yet because these are not linear cost reduction that we do. We have certain execution to do. We maintain the infrastructure and then based on the each of project, etc., once current projects are over then you can take more explicit calls on that.

Achal Lohade: I wanted to check with respect to supply disruption is it largely for the categories where there is import dependence or is it across the product categories and the market share gains is more evident for this imported categories or it is across the board?

Anuj Poddar: So, one is let me clarify imports are very small percent. We are largely an India sourcing company. Number two the supply disruptions are more on the Indian local sourcing. It is not so much to do with imports. The market share by imports quite frankly we do not measure the market share based on imports, but I think market share is really across the board versus the unorganized sector that we are.

Achal Lohade: Okay got it. Just the A&P if you could give the quantum for last year same quarter?

Anuj Poddar: That is Rs.21 Crores last year September quarter. So do your math on that.

Achal Lohade: I will take it offline. Thank you.

Moderator: Thank you. The next question is from the line of Akshay Bhor from Premji Invest. Please go ahead.

Akshay Bhor: Great performance in the quarter. Just one clarification. You said 1% margin over last year, which is full year FY2020 versus full year FY2021 you will do 1% better? Is that understanding correct?

Anuj Poddar: That is correct Akshay. The general for Q1 our analysis, but otherwise on an annual basis we have been guiding improved margins by 1% point.

Shekhar Bajaj: Just to add Q1 we ended up with the consumer business minus 50%? We 0%, 50% and 100% in the month of June so it became 50% on an average negative growth. By the end of half year we have now reached a minus 20%. We are hoping that minus 20% will get nullified before the end of the year? Internally we are looking at January. By the end of January if we can catch up then February and March, we should have some growth compared to last year.

Akshay Bhor: Understood Sir. I was trying to understand you are saying that sales will be like last year so this margin number that you are talking about is a comparable full year margin number, right?

Anuj Poddar: I am not sure if I got your question right, but the last year margin was, the FY2020 margin we said it will take nine months. Our margins should be at 1% point higher.

Akshay Bhor: For nine months?

Anuj Poddar: For annum we want to expand the margin by 1%.

Akshay Bhor: Understood. That is right. My next question is you have been guiding for a double-digit margin over three years now so fast forward to FY2023 now? Is there a comfort level for you to get to that double-digit margin?

Anuj Poddar: I hope so if we can get that faster. If we have more such quarters, we will take it. If we have guided for four years, if we are going to do it of course we will do everything we can. Just to add, we are very conscious of that. Even this quarter expansion has happened because we were very conscious of costs, etc., but with that said it is important that we do not dilute our strategic objectives for the short term operating goal, so we do have certain investments and certain things that we need to fix and certain product spends. So, we will do that irrespective of a short-term P&L impact. That is the reason I guided that way.

Akshay Bhor: Understood and on the EPC side Sir the receivable numbers are still very high? It is sort of Rs.1700 Crores receivable on the topline of the 1500 to 1700 Crores this year? What is the timeline with respect to getting the money back? The related question being asked is just this number seems a bit off in terms of where is your topline and this right now in 365 days of receivable?

Anuj Poddar: So Akshay that remains a challenge from the faster collection if anything these six months the collection has slowed down rather than improve in terms of payouts from the government to the client has not very good particularly in the UP side. For various reasons there are delays. We continue to engage very aggressively with them to get that speeded up. Hopefully second half collection on UP should be much better than the first half collection in UP. So, lot of the collections that we see have happened in a non-UP project and not in UP projects, but to me that is not a risk on collection. It is a risk on time. That is likely outside our control. So just to clarify that is not to do with anything else. That is true with other contractors too and therefore I say it is not a collectability issue. It is timing and payment issue because the issue is at the clients end and not at our end.

Akshay Bhor: My question is let us say one year out once all these transit issues are out of the way what kind of receivable levels should we be comfortable with? If are doing Rs.1500 to Rs.2000 Crores as topline again similarly the overall capital employed side on the EPC side?

Anuj Poddar: Akshay on the EPC business the revenue of P&L from the working capital or the receivable so that is not a normal linear business where you are measuring. You have a different P&L and revenue goal based on your order booking and fresh project and that is guided by and these receivables are part of the legacy and not linked not current P&L. So normally we make sure it does not come into play. So, our focus is both are separate revenues. Revenues will keep driving going forward in terms of future projects, strategy and order book how we are going to build that out. The receivables we continue to work on the target selection and what are the cast flows received because of the focus on that, but that again does not move into linear. It moves into chunks, but if there is some good traction. Hopefully in the next six months, we should have some traction in UP. I cannot give an absolute guidance but hold us accountable to trend or direction on that. Every quarter you will see that coming down.

Akshay Bhor: Great thanks team. I will leave it at that.

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to the management for closing comments.

Shekhar Bajaj: Thank you very much for the questions. This is the shortest investors meet we have had so I think generally people are satisfied that is why there are not too many questions and we are very positive as far as the market is concerned in terms of demand for consumer products. Also new projects, which are going on are problem with EPC is that we have got old money, which are blocked up, which are slowly collecting in UP project, but otherwise in the current whatever EPC business we are doing our objective is that next year we should look at a possible rotation of the money may be three rotation at least 2.5 to 3 times rotation takes places. So even with a 5% or 6% EBITDA we can have a 15% to 18% ROCE, which should be our objective at least in the EPC business. If we see that type of return then it becomes worthwhile to expand that business, but at this moment our objective is to first stabilize, get our old payments and as somebody suggested are you going to become cash positive. So, this time in we took approval of Rs.100 Crores of FD may be allowed because till now we always were borrowing money. We have never deposited money. So, this time our finance people said that it can happen in some quarter if the collections are very good you may be running positive and therefore at this moment, we never had permission from the board to deposit and take FDs or mutual fund. So that we have taken approval this time to show that our finance people are very positive about our collection's performance in the future. So, I am very positive. I think the market is expanding. We are very strong in our distribution as far as rural market is concerned and therefore rural market is where I think maximum growth is going to come and I think we will benefit out of the RREP, the range and reach expansion plan that we bid over the last three, four, five years that is the benefit that we should be getting in the future and also clearly the e-commerce is going to be something where the maximum growth is going to come. So, we have kept our full side towards that to see that we can continue to grow, so with these words I think we will close this meeting and thank you very much for joining.

Moderator: Thank you. Ladies and gentlemen, on behalf of Ambit Capital that concludes this conference. Thank you all for joining us and you may now disconnect your lines.