

L-1/1778/MGP

September 7, 2018

To,  
BSE Limited : Code No. 500031  
Phiroze Jeejeebhoy Towers  
Dalal Street, Mumbai 400 001

National Stock Exchange of India Ltd. : Symbol: BAJAJELEC – Series: EQ  
Exchange Plaza, Bandra Kurla Complex  
Bandra (East), Mumbai 400 051

Dear Sirs,

**Sub.: Transcript of Post Results Conference Call held on August 9, 2018**

Further to our letter No.L-1/1756/MGP dated August 8, 2018, we enclose herewith transcript of the Post Results Conference Call held by the Company with the investors, on Thursday, August 9, 2018, on the financial results of the Company for the quarter ended June 30, 2018, which was hosted by Edelweiss.

Kindly put this on the Notice Board of the exchange for the information of the investors and general public.

Thanking you,

Yours faithfully,  
For Bajaj Electricals Limited



Mangesh Patil

EVP – Legal & Taxation and Company Secretary

Enc.: as above



**Edelweiss**

Ideas create, values protect

## Conference Call Transcript

**Bajaj Electricals**

**Q1FY19 Results**

August 09, 2018 | 04 p.m. IST

### *Corporate Participants*

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**Mr. Shekhar Bajaj**

*CMD*

**Mr. Anant Bajaj**

*MD*

**Mr Anant Purandare**

*CFO*

## Questions and Answers

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**Moderator:** Ladies and gentlemen good day and welcome to the Bajaj Electricals Q1 FY19 Earnings Conference Call hosted by Edelweiss Securities Limited. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '\*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Amit Mahawar from Edelweiss. Thank you and over to you sir.

**Amit Mahawar:** Thank you. Hi, welcome you all to Bajaj Electricals quarter 1 results conference call. We have with us today top management presented by Mr. Shekhar Bajaj – Chairman and Managing Director, Mr. Anant Bajaj – Managing Director and Anand Purandare – CFO. Without further delay, I now have over the call to the management post which we will have a Q-&A session. Thank you and over to you sir.

**Shekhar Bajaj:** Thank you. For the last two to three years, all of you have been waiting for the consumer product to finally show its rightful place. And I am sure you must be happy with the results for the first quarter and finally against 0.7% last year EBIT, it is now gone to 7% for the quarter and personally I think this 7% is a sustainable number. So against last year's 4.9 or 5%, we are talking about 2% improvement over last year. I have mentioned that at least 1% improvement will take place, but looking at market, looking at our distribution and the type of growth that we have got in the first quarter, I think growth of 20% is a sustainable growth and if that happens an improvement and having an EBIT of 7% for the year should be very much available.

Two things which we must understand last year in the month of June, because of GST coming in July, there was a little slowdown in sales last year and the result of that is, that this 35% growth that is shown this year you can minus about 10% because of that thing so really growth look at around 25% and therefore in the coming quarters, 20-25% growth is something which we can look at comfortably. The GST problem and because of that the 10% differential which was coming because of the GST and before of the excise duty, now from July onwards this will change because GST has been introduced last year from July. So, July to September will be normal growth, whatever is the growth will be the real growth, so we are clearly looking at a growth in consumer durable (+20%).

Coming to the EPC – EPC growth is shown only 5% volume terms and the EBITDA is shown at 7% last year, it was 7% and now it has gone down to 6% but what has happened that you are aware that we have got this big order of 5,000 crores for EPC in power distribution for UP where we have to do the pre-readiness for order. So we have spent in this quarter anything around 5 to 6 crores towards overheads other thing which are required to be done for the project and a billing of UP project will only start in August this month. in the first four months there

was zero billing. So the expenses which are incurred are about almost 1% so though it shows 6%, so our EBITDA for even EPC is about 7% so and that is something which can be sustained. So it is 7% EBIT which is there for the first quarter. In future the growth has to be there because we have got sufficient orders of 7,657 crores with 1287 crores for transmission line, 6151 crores for power distribution and 219 crores for illumination projects. So, we have got sufficient orders which we need to cover in the next two years. So, whether we like it or not, we will have to do 3,000 crores plus for this year for the EPC including Luminaires and another 2700 - 2800 crores should come out of consumer products so we are really looking realistically around 6,000 crores may be 3,200 crores comes out of EPC and another 2700-2800 crores will come so 6,000 crores is what will be really because of this UP order where we do at least 500-700 crores in this year. We can look at, from a 4500 crores we are looking at a possibility of crossing 6,000 crores in the current year.

As far as the margins are concerned, why has the improvement taken place, for two, three reasons one is of course because of the higher turnover that has taking place also our product mix has been very-very good as far our products are concerned so we were major growth if you look at it, we have grown by over 50% in fan for the quarter, 32% in appliances, 36% in lighting, the LED has done very well, the premium fans have done very well and appliances always was better margin so because of this type of growth and fixed cost getting divided over a bigger volume, so fixed cost percentage comes down. And the result of that is that the profits have jumped up from level of 0.7% to 7% in case of consumer product segment.

We are very happy with the way things are working and we are hopeful that things will happen and since you are aware that after the last concall JMD has now become MD, because of his great performance has been done the board is very happy to promote his as MD so that is something is there and the results now shows very clearly that all the strategies which has been done by him are now giving us results. The RREP is very much in place and we are covering 1,60,000 odd outlets covering over 500 district and that is something which is helping us to get the required growth. So, I think basically whatever we have been seeing for the last two, three years has now come true, distribution is in place, our growth is very much well-settled and we hope the growth will continue in the future also. Thank you, with these words I would like to handover back to Amit.

**Amit Mahawar:** Thank you very much sir. Sir shall we begin the question-and-answer session?

**Shekhar Bajaj:** Yes please.

**Moderator:** Thank you. Ladies and gentlemen we will now begin the question-and-answer session. We have our first question from the line of Varshit Shah from Emkay Global. Please go ahead.

**Varshit Shah:** Just wanted to understand what the debt amount or at the end of Q1 the outstanding gross debt and net debt end of Q1

**Anant Purandare:** We have debt of around 986 crores.

**Varshit Shah:** That is the gross amount?

**Anant Purandare:** Yes.

**Varshit Shah:** And would that include acceptances as well?

**Anant Purandare:** Yes. Nowadays whatever borrowings has been done including acceptance.

**Varshit Shah:** So, what will be acceptance amount within 986 crores?

**Anant Purandare:** we do not give that break up because it is interest bearing, so these are all borrowings.

**Varshit Shah:** No, I am asking what will be the acceptance amount within this number.

**Anant Purandare:** 210 cr, but what I am saying ultimately it is borrowing only.

**Varshit Shah:** Right, fair enough. And sir actually on the consumer side I just wanted to understand you were mentioning about the change in mix in favor of better margin products so is there a change in the consumer preference for this product or what is driving or is there something else I mean, so just wanted to understand what is driving that particular premium segment growth.

**Anant Bajaj:** We did not had much of premium segment growth in real sense because what we not show in number is that Morphy Richards is not growing the way it was expected to, and what is happening is that all our products are reaching out as our CMD already said, there is lot more reach out of the product to the retail level. So the end consumer action is creating a larger pool for the products. So, there are more categories of products selling and as a result of that there is no real gap in the long-term opportunity on people to go for because then hoarding of products has simply stop because people in the retail or distribution they don't keep extra material on their hand and whatever sells that is the only thing they replace. So, that itself is a very clear picture of RREP which is starting to work.

**Varshit Shah:** Right. So, is it fair to conclude that because of the new model actually and since retailers don't have to stock our products in excess so we would rather push more latest and relevant products because you don't have the inventory is it the correct way to assess?

**Anant Bajaj:** Yes. That is one of the way to look at it but I think the best way to look at it is that they as a retailer or even as a distributor position are getting unbelievably better ROI's so as an in business so they are getting better ROI's they can't complain and then frankly after a while that it does not matter which product did you end up on selling, but it is about did the customer get what they came for, as far as becoming stronger and stronger because our own people reach to the person at least one a month and sometime more than that, so that is where the retailer is also very excited because the person of the company or the representation of the company reaches to them and point is that 500 plus districts we are reaching out but it a huge area and 500 districts means you are easily

heading on more than 85% of India. Particular kind of data base which we are developing now which will hopefully become very comprehensive to the extent where usage can be done better. Because behavioral times of how the customer does there buying will make difference in the long-term and see the advantage of it straight away, but it is something how RREP we could see that benefit in the long-term. Same thing is going to be the data because as you might know that fourth industrial revolution is all about digitalization and in that it is all about how well do you use your data, how do you create the data and then importantly how do you again and again make the customer get more stuff. So it is having 1000 of extra customer but instead it might be millions of customer who can get one product each or get more of my products, So it is going to be eventually one for many and many for one and as a result that has been really get you to next stage one has already been achieved through the RREP part but now the new part of detail which has happened on Illumination which you might already know, when we bring this Luminaires merging in two letters single entity illumination that will only make us stronger as a whole process because in a way it is a hybrid business of our which is somewhat B2C style but it is also very B2B so that will really get you another level of reach out because today it is somehow eventually not only what is seen is sold but what I want to see I want to buy as well, is also a line which people usually don't add but I think we are now making sure whatever is seen is sold but I don't want to buy what is shown then why should I buy, so the game is now we are making it with more and more data we have been able to exactly pin point that this counter is not going to sell at SKU, so do not bother to give that. So, that is a level of detail which you will get even more strong over the time and we are very-very excited that this is finally working the way it was supposed.

**Varshit Shah:** Understood sir, that is really helpful. Just last one data point, can you just mention the growth in Morphy Richards.

**Anant Bajaj:** It is in single-digit, so which is not too exciting it is about 8%.

**Moderator:** Thank you. We have the next question from the Hitesh Taunk from ICICI Direct. Please go ahead.

**Hitesh Taunk:** Sir my question is regarding the fan segment. Sir can you please throw some light in the fan segment what is the proportion of premium fan in our fan segment.

**Shekhar Bajaj:** As I mentioned that growth is 50% plus for the quarter and really the market is not growing this fast so we are obviously taking back our market share which we lost in the last two, three years when we did our RREP and stock of wholesaling, now the distribution is really helping us and we are saying we are not dumping so this is really what we are talking about primarily and secondary sales have gone up at 50%. So, the parties on one side the cost is growing and the premium is growing, I think somebody else asked that question as why the premium growing because of better lifestyle and they are spending 2, 3, 5 lakhs to renovate their flat, so they do not mind to pay another Rs.500 to Rs.1000 extra to get a premium fan in drawing room or bedroom so it does not matter when you are renovating your place you like to now put a premium fan which is good

looking.

**Anant Bajaj:** Also to add to that, I think a very important thing is that mindset of the Indian consumer changing of what is considered premium, because previously having a Rs. 1500 product was considered premium or maybe a Rs.2000 was premium, today buying a Rs.8000 fan they don't think it's premium they think it is good. It's like my need so I aspire to buy that Disney fan for example the Bajaj Disney Fan. This is something they want they decide to spend and they decide that I am going to go for it.

**Hitesh Taunk:** Okay. Sir I wanted to know in the fan segment what contribution does premium, what is the contribution of premium segment in our fans segment that is what I wanted to ask.

**Shekhar Bajaj:** About 40%.

**Hitesh Taunk:** And what is our advertisement expenditure during the quarter as a percent of sales if you can share the number.

**Anant Purandare:** 15.5 crores.

**Hitesh Taunk:** And sir what is the guidance for a year.

**Anant Bajaj:** It has been in similar range like last year around 100 crores per year. A lot of entities which are already interested into like Pinkathon, BTL, ATL obviously Kala Ghoda Festival so they are the least sponsored and title sponsor for Pinkathon as well, title sponsor for Kala Ghoda Festival so those are the two properties which are already locked in so you cannot really move on that, but there is going to be launch for BTL activity and lot more digital activity which is already happening and the main frame will arrive now because there is lots of things to plan for rest of the year and some of those things will already start next week in the unusual some of the events retained us so we are part of that so it will be nice after....

**Hitesh Taunk:** Okay. And sir my last question is regarding Nirlep, I just wanted to know from the last three years the revenue of Nirlep has declined was there any specific reason you can elaborate something on that.

**Shekhar Bajaj:** They were actually giving to Future Group. So, Future Group stopped buying from them and started importing from China. 15 to 20 crores of turnover is coming through Future Group which now has restarted they didn't have a good experience with China so they have come back or Nirlep and said we would like to again buy from you.

**Hitesh Taunk:** Okay. And sir can you share what kind of EBITDA margin they are making there.

**Anant Purandare:** See another point is that, Nirlep was trying to sell this company for almost a decade. So since their mindset was to sell this company, they are not investing in expansion of market and distribution. Making losses and Funds are not available for Working capital. Obviously we are looking at synergy what we have is the distribution and Nirlep brand, which will be used to generate the turnover and we will turn around that company.



**Shekhar Bajaj:** There is total market of the non-stick at this moment is about 1200 crores that is what we see. So, 1200 crores plus of course not including pressure cooker is another very big market. The brand is well established because what Purandare mentioned about not having a good distribution or good financial backup and not able to grow that is why they are looking at selling it off. So, therefore, now we put in all our effort they will get good growth.

**Moderator:** Thank you. We have our next question from the line of Bhargav Buddhadev from Ambit Capital. Please go ahead.

**Bhargav Buddhadev:** Sir is it possible to know what has been the cash generation in this quarter post working capital.

**Anant Purandare:** The event from operational there is negative cash of around 253 crores, the reason behind is as everybody knows we have done lot of billing in the last quarter and obviously the payment of the EPC are basically supplies payment 70% you get upfront, 20% you get when you do the installation and 10% is retention. Now whatever we supply in the last quarter that installation is happening, and we will get that money as we complete the installation that is why the working capital for the EPC has gone up, which has resulted into the negative fund flow after working capital.

**Bhargav Buddhadev:** Okay. And I think the capital employed in the consumer business has also gone up any particular reason on a Y-o-Y basis.

**Anant Purandare:** it is because of 30% growth in topline.

**Bhargav Buddhadev:** Okay, fair enough. Secondly you mentioned that there was some timing mismatch in EPC business so some cost has been booked for UP project whereas corresponding revenue has not been booked is it possible to quantify the amount.

**Shekhar Bajaj:** Around 5 to 6 crores. It is 1% of the turnover.

**Bhargav Buddhadev:** Okay. And lastly sir what is the reason for this E&P revenue decline can we expect a growth to kick start from the next quarter.

**Shekhar Bajaj:** In the opening remarks I mentioned that we have such heavy orders sometimes for example UP we have already started the erection we have started doing all this survey and everything is done. You spent the money but because it is first time that UP has given this type of order they are learning how to do the billing, still they are guiding us the billing will only start in August, there is no billing in the first four months though we started we got the order but these four months we are just doing our work, making all the arrangements, arranging the stock everything but we are not able to get any billing done because they are not ready, how do we bill them so that is all learning which will start in August. 20-25% growth minimum which I mentioned because we have no alternative. I have got an order of 3600 crores and if I don't do at least 3000 crores plus in this year we are going to be in trouble because then what are we going to do next year, because we have some more orders which will come also.

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

**Achal Lohade:** Sir could you please repeat the EPC order book and its breakup.

**Shekhar Bajaj:** EPC order book is 7657 crores. 1287 crores is for transmission line tower, 6151 crores is power distribution and 219 crores is for Illumination. So the order 7600 but personally I think, looking at the reality, the order that would be finally needed to be executed will be above 6000 crores and not 7600 crore. There will be some order which will get canceled, some low cost housing to be done will not be required as they don't exist, so we are talked about execution mix the next two years which will be worth 6000 crores. This year and next year about 6000 crores all this will have to be mostly completed by end of next year.

**Achal Lohade:** Sir why are the EPC margins low in 1Q, 19.

**Shekhar Bajaj:** I just now explained to you that our margins, it was again the same thing which was in consumer product because there is no growth our cost keeps going up plus we have started UP project all the overhead and everything that we have started accumulating is cost around 6 crores so that is almost 1% of turnover and our EBIT is about 6%, against last year 7% and if our volumes are showing no growth or nominal growth on this year our fixed cost goes up so your margins get impacted as soon as we will get growth next year, next quarter in next two quarter immediately our fixed cost will come down in terms of percentage terms and differ to the EBIT margin will go 7 to 8%.

**Achal Lohade:** And can you tell the debtors days in 1Q, 19.

**Anant Purandare:** So, in EPC it is gone up to say 8 months. And CP it remains around 1.8 months.

**Anant Bajaj:** Is this JM Financial person or who is he?

**Participant:** I am from JM Financial, but I am his associate currently. So, Achal can get back to you sir.

**Anant Bajaj:** I am saying that point is that as per the comment related to your report which you gave out on 23<sup>rd</sup> of May, there is a public information which is put up so I am making it very clear that it is fine you are big financial setup and all it is fine but you must make report based on facts and not based on what you feel like based on something which is not full facts. Because then it kinds of give wrong impression about the thing, where the entire same industry everybody else tells about the product then the companies share to be bought and you are showing a negative image, you must have the thing to say the right facts and not based on something because on 23<sup>rd</sup> May which is a board meeting gets over and frankly I do not think that genuinely any analyst can be so quick in figuring everything out to make a report out which goes in public. And this is a public limited company so therefore I am making it very clear facts that put up there that there must be full authority on what you put up there. You cannot be somewhat correct and mostly wrong and then have a putting wrong impression in market. And I am making a point to get it known here because another day you have put it in public domain it is not something which you showed only to us and therefore because you put it up in the market, isn't it. Are you aware of that report that has been put up on 23<sup>rd</sup> May. You are aware or not aware?

**Achal Lohade:** Sir actually I just joined in as an associate, so I don't know much details.

**Anant Bajaj:** Doesn't matter. Because another day JM Financial you represent so you must be aware of these gaps.

**Moderator:** Sir should we take the next question?

**Shekhar Bajaj:** Of course.

**Moderator:** Thank you. We have a next question from the line of Nirav Vasa from B&K Securities. Please go ahead.

**Nirav Vasa:** Sir just wanted to understand as you have informed at the start of the call, the gross outstanding debt is around 980 crores which is almost equal to our net worth so how do we plan to manage our networking capital and are we going to raise in money either via some treasury bills or some other way of raising working capital.

**Anant Purandare:** There are two things because this is just a first quarter now entire season has to go, we will be having some profits generated through out the year that is a long-term money we can take in net worth so obviously my net worth will go up from 945 crores to whatever profit we generate in this year that is one long-term money coming in. At the same time since you have gone through our financial report, we have already put up the proposal for raising long-term NCDs so we will be increasing some long-term funds because as we will be having the outflow on account of Nirlep acquisition, then another merger which is pending for Hind Lamps, so there couple of long-term outflows are there and we will be taking care of long-term requirement through NCDs.

**Nirav Vasa:** Sir any amount that you have finalized in that, that you intent to raise?

**Anant Purandare:** It may be in the range of 200 crores to 300 crores.

**Moderator:** Thank you sir. We have next question from the line of Ruchir Khare from Kotak Securities. Please go ahead.

**Ruchir Khare:** Sir what has been the update on the Zambia order. The update on the Zambia order, African order which you got couple of quarters back sir?

**Anand Bajaj:** I did not hear the first part. Just for now it is going good it is in the process. The customer has luckily given all the requirements clear and fast luckily because last time the customer in Nigeria took almost a year to finalize the final spec after giving the order, so we are very happy that this time it is moving faster than originally and to that extent within this year we should be completely most part of the project some part of it may spillover to next year and the funding also is very straight forward so there is no problem there.

**Ruchir Khare:** Okay. And sir as far as the UP order is concerned what is the timeline which the government is working with in terms of the timeline completion of the project.

**Anant Bajaj:** The total project was expected to be finished within 15 months' timeline which is April so between August, September next year but reality is that

they have officially sent us scope which has come in writing by 14<sup>th</sup> of August which suggest that there will be certain parts of the project which we have to complete and handover by December 2018. So, which is not worrying in totality because we do have the basic bandwidth ready for taking it all and of course what is not clear at all is what will actually come finally because they are saying certain thing by scope is come to be finishing much earlier than the original plan. So, the thing is that from the looks of what we understand that they may not ask for the lot of the part but I think what they might want to do is probably show the lucrative parts of the project to be completed so that from an election point of view, it might look like a lot of development work has been completed. So, obviously, it will be an interesting situation, but I do not see any real problem because our back-end detail is all ready for taking on the whole thing. And luckily, survey is completed for all the 16 cities I think the main part so to that extent we can really now get on to get in the whole thing done. So, we are quite confident that it should not be a problem.

**Ruchir Khare:** Fine sir. And sir in terms of strategy like typically dealing with the EPC orders, so in the past company and I would say rather the sector did not have a very pleasant experience dealing with such orders. So, maybe it was bad timing or bad economic scenario, etc. So, what kind of safe guards we expect that Bajaj Electricals would be taking at this point of time when your order book is approximately or rather earning all-time high.

**Anant Bajaj:** It is a very simple kind of balancing because UP orders are not the entire order book, yes, it is a very big part of the order book but we do have very solid other orders which are also taking care of doing good turnover and margins for us, so it is not like our life depends on the UP project. It is a very critical project and I think before we have done TOC, we are working even in engineering projects in EPC thing, we were able to deliver but I think be amongst all the competition which has taken the UP orders in the similar areas we are best equipped at this point to complete it in a stipulated time. Many are still struggling to complete their survey we are already on the final part of that. So, I am not really so much about what competition does a lot, but I think we have got a process on which achieves us lot of thing very clearly. Of course, the bottleneck can, if it can come, customer changes anything again last minute. And as far as safe guard is concerned I think we as I told already that we have a good order book overall outside of UP project which are able to give us good enough bandwidth and it is not like we are not taking part in other new tender so next maybe couple of months we will have more tenders converted so which lot of them might be also for next quarter but we have taken quite a few export orders so some of that come through.

**Shekhar Bajaj:** Also the question which you asked I think is not fully being answered that between 2012 and 14, we have to complete all legacy projects and that was the learning for us that when you take a project you must complete on time and therefore in the last three, four years after that learning process between '14 and '18 these four years we have made sure that whatever projects, we take we track the execution speed so that we complete in time or before time. Earlier

the reason why we had a big hit was that a project which was for three years went on for five, six years we did not complete it and therefore we took a hit. Not that our margins were bad but if you do not complete a project in time obviously you are going to get a hit. So, that is all thing, that is a legacy which is over 2014 we have cleared old legacy projects and therefore between now 2014 and 18 these last four years you must have not heard of any quarter saying that because of some major provision that our profitability has got majorly impacted is not there. But there is going to be always some hit here and there, some delays will take place, some provisions will have to remain but that is part of EPC. If you want to be in EPC business, you should be prepared for that.

**Moderator:** Thank you sir. We have the next question from the line of Prashant Hazariwala an Individual Investor. Please go ahead.

**Prashant Hazariwala:** I have question regarding this UP project it is 5000 crores project. What kind of EBIT/VA we are expecting from this project.

**Shekhar Bajaj:** We do not know that at this moment because there is so much volatility, also MD was mentioning that we have not even cleared how much is the order book which is going to come we don't know which are the items because there are number of items where the margins are better, there are some which are margins are lower, plus there is a key inflationary position also at this moment and therefore for us to say this is going to be our number it is very difficult. Let us first get to know exactly what we have to execute, let's have the timeframe and then we start talking to our vendors and closing the matter. Today, the problem is we do not know, we may say we have 22,000 of this number or 2 Lakh or 20 Lakh we do not know. So at this moment, all we are saying is that we have full control on execution and therefore if we get the order we will execute in time and we do not have to pay any LD that we can be almost sure. But what is the margin that only time will show.

**Prashant Hazariwala:** Right. But still we can expect something around like positive margin (+5).

**Shekhar Bajaj:** I do not want to make any comments. For margins yes but (+5) I do not know.

**Anant Purandare:** As far as internal costing it will be positive.

**Prashant Hazariwala:** Right. And how about receivable side, it will be because we have passed through this problem before so that is why I just wanted to confirm this it is a huge project and if we are not.

**Anant Bajaj:** Earlier we never had the process which we have now implemented very effectively and that makes all the difference which of course I think you are a recent investor so you might have not heard enough about our 'theory of constraint' that is a very important implementation we did over the years which essentially has made our process very-very comprehensive. We will be happy to someday if we have time to show you that whole process to understand how dramatically it changes the process of how we work. And obviously we shifted our whole method from just applying and doing a lucrative stuff, to doing a total execution and when you are doing that total execution mode, you will not lose

out on many things, which otherwise would have happened. And frankly now the competitor should really be updated to what we are doing from last two years onwards because that is the new benchmark. Let's put it this way the world before GST and after GST if you want to make a real change over because there is really no comparative between our earlier trend and today because we have completely changed the process to become almost the totally different EPC company in the industry.

**Moderator:** Thank you very much sir. We have next question from the line of Bhargav Buddhadev from Ambit Capital. Please go ahead.

**Bhargav Buddhadev:** Sir can we expect Nirlep consolidation to start from 2Q because it is sort of entering our festive season so can we book that part of revenue in 2Q.

**Anant Bajaj:** Can you help us do that, because I do not think the process in our country is possible to do that fast, we would love it but we are working towards it. But realistically I think we should expect another 12 months to be more realistic when it will happen because there are many things which has to be done before it reaches there. So, I think to be fair next year first quarter, so that is '19-20 first quarter will be full year.

**Bhargav Buddhadev:** No sir but this year from when can we expect?

**Anant Purandare:** We are trying that it should be before Diwali.

**Bhargav Buddhadev:** Okay. Secondly sir this reduction in GST from 28% to 18% in appliances, do you think it should benefiting us and have we reduce the MRP accordingly?

**Shekhar Bajaj:** We have changed the MRP on the same day. Without even thinking, we changed it same day.

**Anant Bajaj:** We do the right stuff at all times. It does not help in being good for short term, you want to there for next 8000 years you have to do the right things now because then only you survive.

**Bhargav Buddhadev:** So, on the back of this reduction are we seeing some pickup in momentum in terms of market share gains.

**Shekhar Bajaj:** We cannot answer that, if you see that we have got a growth, now that growth is because of GST, because of what we do not know the fact is that we have grown by 35%. Some part of it maybe because GST, some part maybe because of distribution, end consumer. 35% that is all that matters, it does not matter because of what reason.

**Anant Bajaj:** Even end consumer will not be knowing why they actually bought it for, the fact that they liked our product they bought it. I don't think there is any other way to explain it. why did you buy did you like the GST, did you like the discount? I don't know.

**Shekhar Bajaj:** One thing is very clear that because of our distribution in rural markets which is very strong because of this RREP, the difference between an unorganized sector who was not paying GST and ours which was 28% gap has

been reduced to 18%. To that extent lot of unorganized sector sale will come to us.

**Anant Purandare:** It is very relevant for the white goods because their ticket size is very big the 10% reduction in their price is obviously attract the customer to buy. In our case these are small appliances so nobody says I will have two mixers if the mixer has become cheaper. In white good people may change their TV / refrigerator.

**Anant Bajaj:** At any case in our situation we have already achieved something which is quite different to the industry that thee are all consumer based one, second, of all when there is a retail like what (RBP) retailer bonding program it is a perpetual program so person does not do anything for the scheme, because the scheme is not there in the real sense because it is like if you do certain kind of sale we will incentivize you, we are not incentivizing you for buying it for the sake of it, you can take 5 years to redeem your wanted product because this we do perpetually. It is already creating a very existing rate we already have about 16000 people of our retailers that have already signed up and doing really good some stuff, people have already redeemed some great products couples of them are got an iPhones and all. Some people have landed up taking some cars, some have taken some other things. It is part of the whole list, I do not know if you had the chance to see the RBP things, it will be nice.

**Moderator:** Thank you sir. We have the next question from the line of Sidharth Mohata from Principal India. Please go ahead.

**Sidharth Mohata:** Sir my first question is on this consultancy charges which has increased from 37 crores to 43 crores in FY18 so whether this same run rate of 40-45 crores it will be maintained, or it will go down in FY19?

**Anant Bajaj:** Some of this remains similar because what we have done in that largely based on our same thing on our TOC projects, we have now extended the arm to some more areas including manufacturing, including Morphy Richards and also now we are doing a big way in our R&D setup, we are also using the TOC method so for that we specific consulting charges have increased. And as it works, there is a retainer and then there is provision for a percentage of the profit when it crosses a certain thing. So, what you are seeing as a number is purely the retainer part and not so much of the other part. So, this will remain consistent and of course provided we achieve those plans which we have then they can get a particular part of it. So, it is a win-win situation TOC side because we are getting some unbelievable benefits out of it so then what you are seeing the numbers is an absolute direct relevance through TOC only. There is literally nothing else I can put on to other than TOC which has achieved this number which you have seen today. These are record number we have never achieved in 80 years at any point of time.

**Shekhar Bajaj:** Let me tell you that you should hope that consultancy goes up to 50 crores because it means that the profit of the company substantially goes up then only they get. So, therefore if it goes down means our profits are down.

**Sidharth Mohata:** So, one can say it is directly linked to our variable.

**Anant Purandare:** It is linked to our profitability performance.

**Sidharth Mohata:** And sir my second question is on Hind Lamp and Starlite, both these entity project struggling in FY18. They were making loss so what one can assume in FY19 and what are the steps we are taking to improve their performance?

**Anant Purandare:** As far as Hind Lamps is concerned we have already filed the merger scheme with the NCLT. So, we are expecting the results maybe in three to four months, we do not know how much time it will take. As far as Starlite is concerned, as you know, this was our strategic investment for the CFL manufacturing, when the CFL was really growing around 40% year-on-year basis but when LED came in and suddenly CFL has gone down. And we actually had a Greenfield project with factory on Mumbai-Nasik highway and we have decided to use that infrastructure for manufacturing of appliances. We have setup water heater factory, we have now also set up mixer factory and last week only we have produced first batch of mixers in that factory, so that the infrastructure going to be used for the appliances so that it is kind of in-house manufacturing of appliances. And , that is going to be a strategy going forward as far as Starlite is concerned.

**Shekhar Bajaj:** It will take time to turnaround because the CFL markets suddenly crashed so literally for last one year there has been be zero production there and therefore all the machinery or the raw material will have to be, as it has already been provided that is why we came one time hit year if you see Bajaj Electricals balance sheet you will see a hit of 89 crores that is basically because the loan that has been given, that company was obviously a small company, sick company who did not have money so to support it that is where because the CFL market crashed, we do not think that money will come so as a safe measure we made that provision but we still think that maybe if you find that we can recover part of it then therefore we have not written it off we have only provided for it.

**Sidharth Mohata:** Yes, sir. Sir in your engineering and project division for FY19 you have given revenue guidance I could not get it properly you said 3000 crores of revenue sir.

**Shekhar Bajaj:** Yes, I am saying that we should between the EPC and consumer product we should do about 6000 crores. About 3200-3300 crores should come from EPC and 2600-2800 should come out of consumer products.

**Sidharth Mohata:** And sir my last question is that for the entire industry including yourself raw material cost it has gone up and we have seen that there can be some pressure on the margin so how will you manage E&P margins basically in this new UP order as it was a bit on the aggressive side sir?

**Anant Bajaj:** We have again TOC way of working, we do not procure too many things ahead of time, what we do is we block the potential of what we need from a particular supplier or factory and then as and when it comes out which is usually a three months' plan, is when they actually put the final meeting. So, the variation what would have been much more has reduced because our batch sizes are also managed in that exact form and if the site is ready for taking an x amount then



that x amount can only be dispatched we cannot even order beforehand. And realistically because UP government has made it so clear that lot of things would be to be done by December, there is a potential which we are looking at exploring if we block out some of that part today we are already in August so next it is a matter of actually five months if we have to block it then it might be worth that we are studying it we are not concluded if that works but that is one of the way we are thinking we can block it up because five months to six months is a very recent time because normally when it is 24 months or 36 months' project that time blocking raw material becomes an issues, because you never know what the time line can be. Here it is very clear that government wants to move on it fast and they want a key parts of it to be done before December or by December so which means it is a five month thing and if it has been taken for 15 months as our total project, then also it is not a bad thing to probably consider but we are not conducive of that because I think we are not a raw material industry to mess around with it based on because if it is X or Y price so we cannot really go on that too much. But I think we may have a situation to deal with it if the UP government has any change in beyond the point because now it is critical what they communicated to us in the next one week when they are giving us final details of what all has to be done by December, that quantity requirement must not change anymore that is I think the key to the whole piece because today we are fully prepared to get the work done but then any part of it changes, the time flexibility does not exists anymore.

**Shekhar Bajaj:** Point you are making has some relevance that as Anant also mentioned that we cannot cover everything and therefore the margins can get impacted. We are only hoping that luckily because of the American embargo the steel prices have fallen by over 10% already. Oil prices have fallen from \$80 to \$72 and before we are hoping that there will be a little easing of the pricing there has been an increase and therefore to that extent we will get slightly impacted that is very clear but how much that only time will show and once we know exactly what is there but yes there can be a 2-3% drop in margins which is there but there is no possibility as CFO best person financial man says that at least we will not make any losses.

**Sidharth Mohata:** And sir is there any scope for price variation in our UP order?

**Anant Bajaj:** No. No PV, no extension, it is all time bound, it is literally on a ticker it is moving, moving gone. So, it is an exciting project, but it is going to be one of those once in a lifetime kind of projects.

**Sidharth Mohata:** Sir in your annual report it was mentioned that RREP will, it will lead to decrease in operational cost and it will lead to increase in margin. So, where the margin it can be in like year or so.

**Shekhar Bajaj:** We are not going to grow by if we grow by 35% I mentioned that actually grows maybe closer to 25% on a regular basis. 20-25% type of growth is a possibility. This 35% is because last year April, May, June was, especially June was very badly impacted because the GST was coming from July so therefore when you look at growth compared to last year, the growth shows very high percentage. So, a growth of 10% at least would be loss of growth last year

because of the GST coming in and therefore 20-25% growth is there therefore a 7% EBITDA level which has been maintained in, should be maintained in the coming quarter. Which is something again last year it was 4.9%, last year in the fourth quarter we were 5.8%. In the whole year we are 4.9% so against 4.9, improvement of 2% I think is a substantial improvement.

**Sidharth Mohata:** Yes sir that was my exact point so more of an operating leverage we think that if the revenue growth is 10, 15, 20% then the growth in EBIT should be more than what has been growth seen in revenue front actually. So, that was the point.

**Moderator:** Thank you very much sir. Ladies and gentlemen that was the last question. I now hand the conference over to Mr. Amit Mahawar from Edelweiss for closing comments. Sir over to you.

**Amit Mahawar:** Thank you. On behalf of Edelweiss I thank you the management for giving us an opportunity to host this call. Sir you have any closing remarks.

**Shekhar Bajaj:** Yes. I would like to thank all the investors who had the confidence and who held on to in spite of the market going down, in spite of having negative growth, in spite of that they did not lose confidence and those who kept on and head on I am sure they must be all happy with the type of returns. Even now personally, as to my personal views is that please still hold on, it is not the end of the game.

**Anant Bajaj:** And also welcome to the individual investors I think it was exciting for them at least for me first time I am hearing an individual investor on the concall, so look forward to more of that so it becomes a nice mix of even more people coming in for allover so very exciting time I think for the company and I think India is having an exciting time and we all will get an exciting time so we are enjoying India's success together.

**Moderator:** Thank you very much sir. Ladies and gentlemen on behalf of Edelweiss Securities that concludes this conference call. Thank you for joining with us and

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