

L-1/2327/ASN

February 11, 2020

To,
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai 400 001

Script Code No. 500031

National Stock Exchange of India Ltd.
Exchange Plaza, Bandra Kurla Complex
Bandra (East), Mumbai 400 051

BAJAJELEC – Series: EQ
BAJA21A – Series A NCDs INE193E08038
BAJA21 – Series B NCDs INE193E08020
BAJA22 – Series C NCDs INE193E08012

Dear Sir / Madam,

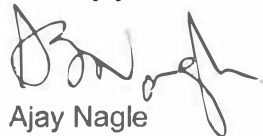
Sub.: Transcript of post results Conference call held on February 4, 2020

Further to our letter no. L-1/2322/ASN dated February 3, 2020, we enclose herewith transcript of the Post results conference call held by the Company with the Investors, on Tuesday, February 4, 2020, on the financial results for the quarter and nine months period ended on December 31, 2019 which was organized by Emkay Global Financial Services Limited.

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



Ajay Nagle
EVP and Head– Legal and Company Secretary

Encl.: as above.



“Bajaj Electricals Limited
Q3 FY2020 Earnings Conference Call”

February 04, 2020



ANALYST: **MR. NAVAL SETH - EMKAY GLOBAL FINANCIAL SERVICES LIMITED**

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

Moderator: Ladies and gentlemen, welcome to the Q3 FY2020 results call of Bajaj Electricals hosted by Emkay Global Financial Services. 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 would now like to hand the conference over to Mr. Naval Seth from Emkay Global. Thank you and over to you Sir!

Naval Seth: Good afternoon everyone. I would like to welcome the management and thank them for giving us this opportunity. We have with us, Mr. Shekhar Bajaj, Chairman & Managing Director; Mr. Anuj Poddar, Executive Director and Mr. Anant Purandare, President and Chief Financial Officer. I would now like to hand over the call to the management for opening remarks. Over to you Sir!

Shekhar Bajaj: Good afternoon friends. I am sure you will be happy with the results. Those who are following Bajaj Electricals, as promised that we are going to control our EPC business and therefore you must have seen that from a 1400 Crores we have brought it down to 400 Crores and as far as the thing which I am really happy is that our consumer business in spite of the slowdown we have grown by 12.7%, but more interestingly our margins have improved from a level of 6.8% to a level of 7.7% and a 27% improvement in EBIT has taken place. This is something, which was our objective that we have to go towards that level of 10% over a period of 3 years. First 2 quarters we were not able to get our percentage of margins up, but now in this quarter we were able to do so. Also if you look, because now the business is exactly reversed. It was 66% EPC business in the 3rd quarter last year and 1/3 was our CP business. This year exactly 66% is our consumer business and 33% is our EPC business. The result of that is that the overheads which is there gets distributed on a bigger load comes on CP business. If that extra load was not there, then margin would have gone up from 7.7% to 8.4% and therefore that is something which is a reality that we have to take that hit in CP business because the business has gone up, but we are very happy that in terms of our cash flows and more details of course will be presented by Anuj, is that we have been able to do exactly what we had promised in terms of our concentration on CP business, reduction of overheads and also work on trying to get cash flows under control. Cash flows also the numbers Anuj would share with you has been brought down substantially and plus right issues 350 Crores coming our whole debt equity ratio will be very much under control and therefore our re-rating is something which we think is a very important aspect and once we get this in place we hope that we will go for re-rating in the month of April and we hope we will get our rating back to what we have been used to. We are extremely happy and we will happy to answer your questions but before that let me hand it over to Anuj Poddar our ED. Thank you.

Anuj Poddar: Thank you and good afternoon everybody. Just to add to the CMDs comments. I am very pleased with our Q3 results. We have exactly stuck to the strategic direction that we have been sharing

with investors for the last few quarter. Three headlines there, three strategic direction points that we have always made. Number one is, shift in business focus, derisking of EPC while growing consumer that is point one. Number two very strong focus on cash from operations that is point two and number three is reduction in debt and improvement in balance sheet. On each of this three on the first part, to add what the CMD said consumer continues to grow as a double digit. It is also ahead of our Q2 growth that we had, that so it is good growth in what continues to be a soft economy. I would not repeat all of it, but the margins and therefore the profitability of the consumer business has done well in the quarter for us. Cash flows to give you specific numbers. We have generated positive cash from operations of about 205 Crores in Q3 and we have also used that to repay debt. Our debt has come down by about 140 Crores in Q3. In addition to reduction in the actual debt, we have reduce the advances from customers which is interest paying advances by a further 59 Crores in Q3 so cumulatively for me it is almost 200 Crores reduction in amounts against which I was paying interest and that is also reflecting every quarter on my reduction in finance cost. I will stop at this right now and we will take more questions as we go along.

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

Renu Baid: Hi good evening Sir. My first question is can you help break up the 13% growth that we saw in the consumer product portfolio across various segments and comment in terms of how the performance was for the festive range as well as the season product this quarter?

Shekhar Bajaj: The growth in lightning was 30.1%, the appliances 10.9%, fans 16.3% and Morphy Richards is minus 5.3%, total 12.7%.

Renu Baid: Morphy Richards declined by how much Sir. If you can repeat?

Shekhar Bajaj: 5.3%.

Renu Baid: So in terms of mix it looks like appliances Morphy Richards so called which was urban centric portfolio has declined so how should one read this in terms of the consumption patterns in the end markets and performance for appliances and the seasonal product category last quarter?

Anuj Poddar: Renu, the distinction is not so much in urban and rural but first let me add little more color. We have grown market share in lightning and fans both of which we had launched new products a few months ago. In appliances while overall it looks 10% odd that is a mix of different product so within that domestic appliances and water heaters has done fairly well so that is the seasonal product. There has been a softer growth in the kitchen appliances, particularly certain products because of supply and other BIS kind of issues, and blenders, choppers, some imports etc., so it is more certain operational or logistical reason. I would not read too much reason into it and it is definitely not to do with rural or urban differentiation.

Renu Baid: Okay. And aligned with this if I can add now that in the recent budget there has been increase in the import duty from 10% to 20% across range of appliances and fans, what would be the impact on a consumer electricals portfolio, and what percentage of the portfolio is being imported especially including our small appliances everything combined?

Anuj Poddar: So if you look at across our consumer business a little less than 20% is what we import so more than 80% is locally made number one and number two within that there are specific categories that are more import dependant that includes table, pedestal, wall fans, the TPW fans, microwaves which microwaves rates are already 20%, steam irons, rice cookers etc. We are yet in the process of determining an action plan on each of these specific product category some of these are things that in the medium to long term or maybe more medium term not long term, we will look at local sourcing so we are happy to move towards Make in India sourcing for some of these things. Few things like microwaves etc., I do not see that happening, but we will take a call on each of these categories and how we deal with that. Number three, some of these calls will also be potentially negotiation from our vendors in China and or a pricing correction in the market that may not be unique to us, but all players may have to resort to that.

Renu Baid: Right and Second question again on the EPC side of the business given the fact that the business has been broadly flattish in terms of revenue; capital employed seems to have reduced by close to 200 Crores so how has been the overall working capital situation for the company and as you mentioned, you have been able to reduce the debt by 140 Crores also overall at the end of December 2019 what was the debt on books and what are the plans for hereon in numbers what I am looking in terms of the net deleveraging level for the company as a whole.

Anuj Poddar: There are many question loaded in, let me try and answer so I can remember. Number one you are right our capital employed in EPC business is down from 1755 Crores in September to about 1578 Crores in December so that is almost around 200 Crores reduction. Number two our debt has come down by around 140 Crores so from 1458 Crores in September to 1325 Crores as of December. Number three our advances which you understand the advances from the PD client that is also reduced from 134 Crores in September to 75 Crores in December which is a 59 Crores reduction, so cumulatively there is significant movement on all of these three parameters. If you remember the numbers we have been sharing at the start of this year, these are the targets that we had for end of the year, which is around March we are therefore ahead of the curve on the total cash collection and balance sheet improvement as we speak without infusion of the capital that we are looking at. To your question on where we might be in March the Q4 slightly moderate collections in cash because that is also when you stock up inventory for summer etc., so I do not want to put out a specific number on cash generation and further reduction in Q4 from an operational perspective, but because we have the rights issues and we raised 350 Crores that will be used to retire debt almost entirely so we will see a big swing in the debt equity ratio so debt equity ratio which has come down significantly this year will now go well under 1 by March.

- Renu Baid:** If I can ask one last question. How is the receivables position at the end of December of which what is less than 6 months and more than 6 months?
- Shekhar Bajaj:** I will ask our CFO Purandare, to share the details that you have.
- Anant Purandare:** So receivables for overall at company level is as of December 2019 is 2472 Crores.
- Renu Baid:** Okay.
- Shekhar Bajaj:** Which was as of March 3144 Crores.
- Renu Baid:** Okay and less than more than 6 months would have that number right now?
- Shekhar Bajaj:** I will have to get it and then I will let you know.
- Renu Baid:** Not a problem Sir.
- Shekhar Bajaj:** But let me tell you that as far as project business is concerned most of it is coming after 6 months so looking over 6 months in a normal consumer business, yes over six months is something to worry about. In EPC business in six months considered to be normal outstanding so if the outstanding is more than 6 months so 80% over six months is expected to be so, okay.
- Renu Baid:** Or alternatively I should have asked in project business how much receivables over one year probably that have been the right? I will come back in the queue with more questions. Thank you and all the best.
- Moderator:** Thank you. The next question is from the line of Jiten Doshi from Enam Asset Management. Please go ahead.
- Jiten Doshi:** Good evening and congratulation on a very good set of numbers. My question pertains to the year and what we are expecting the end debt to be?
- Anuj Poddar:** We had guided at the start of this year to expect debt to be around 1400 to 1450 Crores, already 1325, from hereon the rights issues which is 350 at least 300 plus will go towards repaying debt almost entirely except for a little bit operation cash flows like plus or minus may happen, obviously it will be under 1000 Crores. Only other remaining factors actual cash from operations that we generate in Q4 we will see how that goes because Q4 tends to be also period stocking up for summer so we may have moderate free cash from operations to that extent there may be nominal for the reduction in debt, but not a significant
- Jiten Doshi:** One can expect it below a 1000 Crores?

- Shekhar Bajaj:** Below 1000 Crores is given because of the rights issue and equity.
- Jiten Doshi:** Sure if I were to look one year forward 12 months from today what is your vision for that because you are doing all of this for that?
- Shekhar Bajaj:** Jiten we will listen to you after that. Lets me complete this particular part. Now what happen is this 350 Crores is also going to be coming from equity, debt will go down to below 1000 as was mentioned by Anuj, but our equity will go up from 1000 Crores to 1350 Crores and therefore our debt equity ratio will become 0.8 so both sides, this 350 also reduces your debt but also the increase the equity by 350 Crores that is the important aspect from a debt equity ratio point of view.
- Jiten Doshi:** Sure.
- Shekhar Bajaj:** Sometimes we miss out is that we only say your debt has come down to 1000 so debt ratio is 1:1, it is not 1:1 this is 1000 to 1350 okay.
- Jiten Doshi:** So Shekhar Ji next year we should be generating equal amount of cash because of this receivables will get paid. So all the overdue amounts will come in. So you expect 300-400 Crores of reduction next year?
- Shekhar Bajaj:** Yes.
- Jiten Doshi:** So that means it will improve even further that is what I am just trying to?
- Anuj Poddar:** That is correct so what you are looking at our original game plan was to have made a significant progress by March 2020, but to be in a very very comfortable position March 2021 with a ideal balance sheet.
- Jiten Doshi:** So March 2021 should be about approximately 400-500 Crores of net debt on the books.
- Anuj Poddar:** You do the calculation Jiten. I have given you the guidance.
- Jiten Doshi:** Okay fine. Thank you and wishing you all the best and I will hope you will continue to keep performing this way. We look forward to 400-500 Crores of debt reduction next year and to a double digit margin in the consumer durable business.
- Anuj Poddar:** Double digit will not happen in one year, so let me set your expectations right.
- Jiten Doshi:** Okay. Thank you and all the best.

- Moderator:** Thank you. The next question is from the line of Sonali Salgaonkar from Jefferies India. Please go ahead.
- Sonali Salgaonkar:** Sir Thanks for the opportunity. Sir my questions are more centric towards the industry. Now how do you view the situation on the ground for both your consumer business as well as your B2B business so in particular we would like to understand that are you witnessing destocking in the consumer business and also given the liquidity situation that we are facing right now are we availing say channel financing or other any sort of financing to help us tide through this?
- Shekhar Bajaj:** Lets talk our consumer business. Consumer business earlier we had 7600 direct billing points. Under TOC Project RREP we have been able to reduce that distribution to only 500 billing points. We have got 500 odd distributors to whom we are selling and all the 500 are using channel financing., So far our trade channel, we are not giving credit at all, As far as the Modern Retail Format Clients, , we give them credit.
- Sonali Salgaonkar:** Sir are you witnessing destocking in the appliances segments?
- Shekhar Bajaj:** Why should there be destocking?
- Sonali Salgaonkar:** Given the liquidity situation so I am asking this more from the industry perspective?
- Shekhar Bajaj:** Not heard of anybody destocking. Everybody keeps hoping that they will sell, other would not do, so therefore everybody stocks up. In our business we have seen nobody ever destocks and say I am going to lose market share. Everybody says I am going to take somebody else market share so everybody pushes, pushes, pushes and lot of new players are coming in and therefore the competition is going to continue.
- Sonali Salgaonkar:** Sir my second question would you be able to share the approximate market share that you have in the appliances segment that you are in right now?
- Anuj Poddar:** Sonali that varies by product category, but to be honest generally I do not like to share because the numbers vary significantly in terms of a different estimate that we see, they come with a lag, but I will tell very specifically we have grown share in lightning and fans because if you look at the growth rate that is well ahead of market.
- Sonali Salgaonkar:** Sure Sir.
- Shekhar Bajaj:** In lightning and fans there is at least a trade body IFMA and ELCOMA so at least there is some numbers which are there, there is no numbers as far as appliances are concerned so it is estimate of talking to people because there is no data available to be able to see how mixers grinders going on, how toasters are going, because there is no authentic data. So what Anuj is saying, that everybody says I am the market leader. In mixer grinder we say we are market leader, somebody

else says we are the market leader, water heater we say we are market leader some body else say he is the market leader so everybody can keep saying what they like you cannot help it.

Sonali Salgaonkar: Got it Sir. Sir my last question is how much of your business mix in B2C right now?

Shekhar Bajaj: As I mentioned that third quarter now the B2C business has become 2/3 of our total turnover. Last year in the same October December quarter it was 1/3 was consumer business and 2/3 was EPC business.

Sonali Salgaonkar: Got it Sir. That is it from my side. Thank you.

Moderator: Thank you. The next question is from the line of Siddarth Mohta from Principal India. Please go ahead.

Siddarth Mohta: Sir my question is on Starlite and Hind Lamps. If you can just throw some light where we are. I have FY2019 number and I think both the entity was making loss actually and we have some debt on those two entities?

Anuj Poddar: First on Starlite yes actually both of these entities have been making a loss. Starlite continues to make a loss at a cumulative level, but few months ago first time Starlite has broken even at an operating level since October, having said that the debt in the financial cost is what continues to contribute the loss to Starlite but it will take a while for it to be corrected. My guess maybe about 3 years we have a turn around plan in place for Starlite but that will take its time to make it rectified. So operationally we have come into break even or positive terrain and over the next few years we will take that into cumulative break even, that is on Starlite. On Hind Lampss I will let our CFO also to update because there is some progress and activity on that.

Anant Purandare: As you are aware of Hind Lamps demerger scheme is with NCLT, so NCLT Allahabad has already approved the scheme and the NCLT Mumbai we will have a hearing on 21st February so most likely that we will get cleared and we will be able to demerge the Hind Lamps into Bajaj Electrical before 31st March.

Siddarth Mohta: Okay Sir so whatever debt is there on Starlite it is reflected in our console interest line item?

Anant Purandare: No because they are not subsidiary. Starlite is a JV so it is not consolidated it is only the beneficial interest that is reflected in our account, but there is a contingent liability that is disclosed in the Starlite.

Siddarth Mohta: Okay would it be possible to say in FY2020 at the end year we have to take some write off or we will be just waiting in the sense for both these entity to turn around?

- Anant Purandare:** There is obviously always every time we have to do the impairment testing on the basis of future cash flows from that business so that we will be doing as of 31st March but looking at the progress which is happening at Starlite we are adding few more product and the operational margins are improving I do not think as of date at least there is need of making any provision.
- Siddarth Mohta:** And no additional funding from standalone entity?
- Anant Purandare:** As far as their working capital requirement is concerned, they are self sufficient but at the same time when the repayment of debt, they may require some kind of support.
- Siddarth Mohta:** Okay and if you can quantify that amount approximately?
- Anant Purandare:** It is already in the contingent liability we already given that disclosure in the annual accounts.
- Shekhar Bajaj:** Let me also add that as Hind Lamps is concerned, it will become part of Bajaj Electricals, so all that debt and everything will be part of our, so to that extent there has become much more competitive because today losing money, they obviously have a cash flow issues and therefore once it is under Bajaj Electricals, we will be able to improve the working, we can improve the cash flows, everything will be much better.
- Siddarth Mohta:** Okay because the last number that I have for Starlite we were getting around 400 Crores of debt?
- Anant Purandare:** There is not much increase in the debt.
- Siddarth Mohta:** Okay Sir thank you and best wishes for the future.
- Moderator:** Thank you. The next question is from the line of Rajesh Khotari from AIFAccurate Advisors. Please go ahead.
- Rajesh Khotari:** Hello Sir. My first question is I do know if already answered that question but coming to the second business which is a EPC business. Can you tell us in terms of FY2021, how much revenue is still pending from the distribution business and how much revenue you think you will be booking for your nondistribution business. My second question in FY2022 how do you see the same business going forward in terms of size and margins. My question number 3 related to the same business. Are they any pending write off in this business?
- Anant Purandare:** As far as EPC is concerned our current order book which is there that is 1742 Crores which is break up is transmission line towers business of 726 Crores, power distribution 860 Crores and illumination 156 Crores so obviously some of this order will get billed during February March and some new orders will come in illumination and transmission and obviously the scope of order may change during these period. So broadly 1742 Crores orders are in hand for EPC. As far as consumer durable business is concerned there is no order book

- Rajesh Khotari:** No I am talking about EPC only, so my question was out of this order book how much revenue you should look for in FY2021 and FY2022 and what kind of margin guidance you will look for EPC business for FY2021 and FY2022.
- Anant Purandare:** Broadly EPC business composition is concerned the illumination is around 650-700 Crores revenue we generally book per annum and transmission line tower is 750 to 800 Crores so that will be the annual turnover for EPC. Power distribution as you know we are closing lot of projects in Bihar as well as UP so whatever remaining scope which is around 800 Crores will be billed during this FY2021 so that is what is broadly EPC turn over would be.
- Anuj Poddar:** Just to clarify that 800 Crores some of it will be billed now in Q4 as we speak and lot of that in the coming year, not all 800 in one year.
- Rajesh Khotari:** Sure basically therefore and repeating my question, hence from the margins perspective how you should look margins of this business for FY2021 and then FY2022 because I understand that FY2022 is going to be more normal year, rather than looking at FY2021?
- Anuj Poddar:** Okay let me add a little more to that. Number one at a headline level, our revenue this year should be under 2000 Crores for the EPC business. My guess is that should be similar trendline that should continue next year and going forward, so we are not looking ramping that up we are only looking at changing the mix within that while controlling the overall business size in terms of revenue point one. Point two, our focus is more on increasing the capital return within the actually to that quantum of business with lesser capital employed and continue to pull back capital from that business to normalize level. Number 3 at margins it will continue to be negative for the next one year in FY2021 because our overheads are much higher for that business as we speak right now. That will take a little while after projects closure etc., before we can start addressing those overheads for that business. From FY2022, you will see a shift on the bottom-line also in that business.
- Rajesh Khotari:** So FY2022 which is going to be more like a normal year and since you already have order book at what margins normally you are getting the orders as far as transmission and illumination business goes?
- Anuj Poddar:** I do not have order today in hand for FY2022, very nominal.
- Rajesh Khotari:** I mean current level I am saying.
- Anuj Poddar:** From being a negative business we expected to be positive and it low single digit positive in my guess for that nature of business.
- Rajesh Khotari:** So basically the question is in terms of when you are bidding in project in these two segments nondistribution side, what is the inbuilt margin you are assuming and what kind of risk

management is in place because you know time and again we have discussed it many many times in the last 3, 4, 5-10 years that have a disappointments during the different time interval, so my question is what is the inbuilt margin what you are assuming while bidding for this project and the risk management going forward to make sure there are no further write off for next 3-5 years?

Shekhar Bajaj:

Basically as far as what is our internal margin is consideration is obviously a very very confidential number. I do not want to use this platform to give my competitor my internal strategy, so obviously this number cannot be shared with you, but we are very clear that if it does not give me any margins we are not desperate to get topline that is why Anuj has mentioned that even the next year around 2000-2200 Crores is the type of numbers we are looking for obviously if we were going very easy in taking orders then we would have been a 2500 or 3000 Crores but we are not looking at those numbers because when we want to get our margins we will have to lose out a lot of these tenders we will lose out because we will not be competitive so we do limited business, but do it properly. One thing is very clear our experience in rural electrification have not been good, so amongst the businesses rural electrification business we are not going to now accept whatever orders are in hand which we have to complete. We are not going to offer or going to quote for any new businesses for rural electrifications. The power distribution also has substation those we will do, because substation are short duration and there is no ROW all so the risk are limited so substation we will do but we will not do any rural electrification that is clear cut decision.

Moderator:

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

Achal Lohade:

Yes. Thank you for the opportunity. I am hopping on the EPC segment. Of the total order book how much is for UP remaining to be executed and I am just curious to understand why you are talking about negative margins from one year perspective. Are you building any provisions or anything of that sort or is it purely the allocation of overheads, which is leading to negative margins for next one year in EPC?

Anuj Poddar:

So let me answer the second part and then ask our CFO to answer the first part. On the second part, the reason we are taking negative margins and I have shared this transparently earlier that overheads, cost structures, scale of operations etc was geared up to a level to service a much larger business. We had a EPC business of 3900 Crores last year FY2019 that structure continues to be in place today and the overheads continue to be slightly disproportionate to our current business which scaled down on the market front on revenues in bidding. There will always be a lag of about 4-6 quarters before I can start pulling back the infrastructure that I have created to service a much larger EPC business and therefore to that extent at a business or segment level I will continue to make a loss in EPC for those 4-6 quarters. If I have to shy away from making that loss the only way for me to do that is to keep bidding more and do that then I am on the treadmill so that way getting of and we are willing to take that cost in the P&L so it is not write

off but it is about the cost that we are incurring till the point of time that we can pull back on this cost, that is for the second part of the question on the first part let our CFO answer.

Anant Purandare: So as far as UP order is concerned as you know the current scope which is confirmed by the client is 2327 Crores so out of which 476 Crores which is pending to be executed.

Achal Lohade: Okay and would you be able to give the debtors break up also as to how much after total how much is for the UP project?

Anant Purandare: UP project debtors are around 860 plus Crores.

Anuj Poddar: I want to clarify while UP the receivables are 870 Crores this is not coming from the past. We have substantial collection, but we also have new billing that is happening so this is gross of new billing.

Achal Lohade: Correct. Understood. The total EPC ?

Anant Purandare: 1961.

Anuj Poddar: So let me actually give you total numbers. So receivables for the PD as a whole in March 2019 was 2055 Crores as of December, that is 1471 Crores. Of the 2055, we collected 960 Crores but we have done a further billing of about 610 Crores of which also we have collected about 234 Crores and therefore what you are seeing at the December end the net of the old receivables net of their collection and the new billing and net of that collection so there is a movement happening in those numbers.

Achal Lohade: Got it. In terms of the consumer business you said lightning has grown 30% year-on-year so I was just curious is it is there is any EESL related revenue?

Anuj Poddar: No this is not EESL. This is our consumer lightning business. We have introduced new products. I think August, September, October in terms of batten and lamps, we had mix product gaps in our portfolio and panels etc so this has come in the back of a new product introduction and therefore growth in market share. In this one as you can see well ahead of all the competition numbers that I have seen for lightning business. There is no EESL in this is actual business.

Achal Lohade: So does it mean the volume growth much more than 30% like?

Anuj Poddar: Yes value and volume would be more.

Achal Lohade: Correct. Great and just one question if I may with respect to particularly water heater. Any pricing aggression seen by your competitor in particular pocket according to you or this was very much business as usual?

- Anuj Poddar:** Sorry I did not get that.
- Achal Lohade:** Any aggression in terms of pricing or discounts etc?
- Anuj Poddar:** There have been price cuts by competition actually that is more to do with e-commerce so water heaters there have been substantial growth in activity on e-commerce on water heater business and that frankly has created certain competitive intensity in the water heater business and that has been true for us also. We have tried to hold our prices of cost that we sell outward to but in the market place there is greater intensity because also of what the e-commerce players themselves are doing.
- Achal Lohade:** Alright.
- Anuj Poddar:** There I know our competition is also done fairly well a couple of them have done fairly well in water heater so overall there has been good growth in the industry in water heater for the top 3-4 players including us.
- Shekhar Bajaj:** We have a very good room heaters as you aware. The winter just went on and on so we are completely stocked out on an all India basis which is a very good news for us because immediately the same dealers are dealing in fan so they have got the cash flows, the money is free to do fans and next year from July onwards they starts stocking room heaters. Because the previous year the winter was not that strong they were carrying stock so they first have to liquidate those stocks before they purchase so from that angle we will have a good sales starting from July August itself this year for room heaters, so room heaters we have had a growth of 60%
- Achal Lohade:** And that is roughly a 100 Crores category for us if I remember correctly?
- Anuj Poddar:** No room heaters is not 100 Crores. Between 50 and 100 Crores.
- Achal Lohade:** Okay great thank you. I wish you all the best.
- Moderator:** Thank you. The next question is from the line of Ashwin Reddy from Samatva Investments. Please go ahead.
- Ashwin Reddy:** My question was on after you scale down the infrastructure for the EPC business is there any kind of demerging both the businesses, because this is from two angles, one is it will increase the focus on the consumer part of the business and second maybe it might make the EPC business more disciplined if I may say so, in terms of not picking order which are not profitable?
- Shekhar Bajaj:** Let time pass, let us get both the businesses under control we always open to keep looking it but we do not take it advance planning. We just keep looking it how the things are. Let the EPC all

old businesses should clean up, we should get our payment and we see if it makes sense we will do it.

- Anuj Poddar:** Even if I knew by advance planning I would not be sharing that in a public call.
- Ashwin Reddy:** Sir the point I am trying to make is capital allocation because if you see the on the consumer part of the business the competition is increasing and because you now have a system in place and now the engine is running well, would not it make sense to focus much more on the consumer part and take it much higher as what is coming into?
- Shekhar Bajaj:** In terms of money allocation, what you are saying is that whatever money is required for consumer business we are not putting any restriction there at all because ROI is so high that we would love to do whatever consumer requires we will keep putting in here. We are not having any restriction there at all. Why our improvement is same places that we improve d our inventory levels we have gone and collected money of EPC. Consumer business as I mentioned is most of it is anyway being funded by the banks for the channel financing so we do not have so much of receivables from the consumer business so therefore there was no improvement in terms of cash flows coming out of consumer business at all, so there is no problem of any fund requirement of consumer business that is coming in the way of expanding, if consumer business require funds, we will always make it available.
- Anuj Poddar:** Let me also add to that I understand what you are saying, and here what you are saying and I know what you are saying, like I said we have internal targets or directions that we are working with in the March 2020 balance sheet, having said that I do not think March 2020 is ideal for capital allocation. By March 2021 in terms of capital allocation, debt and balance sheet, we will be in a more ideal position, so we are focussed right now in getting to that point.
- Ashwin Reddy:** Sure and finally sir right now what is the proportion of sales that we get from online as of December quarter, what is the online as a percentage of consumer part of the business?
- Anuj Poddar:** Online is about 10% right now.
- Ashwin Reddy:** Okay alright, thank you so much. Good luck.
- Moderator:** Thank you. The next question is from the line of Dipan Mehta from Elixir Equities. Please go ahead.
- Dipan Mehta:** So regarding the EPC business, so what really was strength in doing this EPC business, why the attraction to continue with this business. Why not just discontinue it?
- Shekhar Bajaj:** See what happens is that any business is very easy to shut it out, it is not that easy. If you do not continue to be in business that particular, two things happen. One is that all your outstanding and

everything receivables, your whole overhead everything still continues. You cannot just press a button and everything goes away one. Second is you have got so much of receivables if you do not continue the business you become selective and you make sure you do business which makes sense, that is why we have cut down from a 1400 Crores to come down 400 Crores clearly show the direction that we want to do EPC business but it should be controllable and profitable that is the whole idea. There is no reason why we are looking at and can we have better inventory turns, can we rotate the money faster so we can get good ROI even in EPC business there is no reason why because if you become selective then ROI can come, the problem is that when we start looking at top line very strongly and we keep going for the top line taking business at any cost, then you get into trouble of your money getting blocked and you are not getting your return. So EPC business as I said is something where luckily there is except for a luminous which is Bajaj brand everything is unbranded, there is no branding issue. So under the circumstances if we keep doing business at our margin and keep losing money and the business going on from 2000-1500 crores, okay 1500 Crores we will do, we are not committed that we have to do 2000 Crores or 2500 Crores, we will do business which make sense that it all.

Dipan Mehta: Second question is that you said that you still have orders for the next year at a fiscal FY2021, so should we be penciling in losses from the EPC business in the next 5 quarters as well. This quarter was 13.84 Crores loss?

Anuj Poddar: As I said FY2021 as a year, we will have losses but as we go through the year post maybe Q3-Q4 it should substantially taper off. It is hard to put exact timeline and number to that right now, because all incremental and new orders and business that we are doing at a project level we are making sure those are viable, so let me also clarify these losses are not coming on any of the new project at a contribution level, they are only because of legacy cost structure that we have in place and towards the legacy projects that we have in place, but legacy project also all the continuation that has happened now is actually happening at a better margins if I may say so, so it is more structural loss coming from the past which should start tapering off towards latter half of next year.

Dipan Mehta: That means we should be showing losses for the next 5 quarter as well in EPC. If we can get some guidance over there?

Anuj Poddar: Three quarters yes, quarter 4 and 5, I do not know.

Dipan Mehta: Okay thank you very much and all the very best.

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

Kunal Sheth: Good evening Sir and thank you for the opportunity. I just wanted to get one clarification, we mentioned our UP project the scope defined by the client is 2300 Crores and pending execution is 400 Crores that is right?

Anuj Poddar: That is correct.

Kunal Sheth: Okay and Sir secondly I just wanted to get a sense on consumer durable side. What is the sense we are getting on demand from the consumer end is concerned. While seasonal product this quarter did well, but is the sense you are getting from the ground level as far as the overall consumer demand is concerned and what are the feelers we are getting for this quarter as far as stocking for the next season that is summer product is concerned?

Anuj Poddar: There is no denying that there is slowdown in the economy and therefore consumer sentiment. While we have done well at 12.7 or 13% growth it is lower than our aspiration at the start of this year for this quarter also, so we are always looking at it relatively. I think even for the coming quarter, we would hope to continue maintaining a certain trend like this but it is in the face of headwinds that we continue to face in the market place. At product level otherwise for example coolers etc., is big driver for growth in the current quarter and then fans towards later part of this quarter. We would hope that we should continue maintaining a certain healthy growth rates in both of these, also particularly in the back of new product launches that we have been creating a pipeline on and we continue to push at a brand level, so that should help us continue to what I said, grow in the face of not a very easy market place.

Kunal Sheth: Sir which are the key categories, which are the key new launches that are lined up and that we should look forward to in the coming quarter?

Anuj Poddar: We are doing that across the board, but in terms of driver category right now coolers or fans for this quarter.

Kunal Sheth: Any specific product that we would not like highlight in terms of new launch which could be really innovative or game changing?

Anuj Poddar: So fans for example we have always as you know more focus on sub economy about few months ago we did start launching and getting into premium fans, but that in the off season, as we come closer to season I hope to see the traction on those products that we have launched and expanded our portfolio in fans. Similarly coolers again last year we launched some, but we should get the bigger benefit of that in the coming season, so it is not a singular product but a range of product that we are doing. Third is a mixer grinder, again there are some specific products at different regions that we have launched. We would hope to see to get what traction we can get. Then there are smaller product like water heater, but water heater season is out but we did particularly well and something called a jewel water heater that we launched, so across the board we are looking at increasing our new product introduction at a faster pace on an ongoing basis.

- Kunal Sheth:** Sure and best of luck.
- Moderator:** Thank you. The next question is from the line of Renu Baid from IIFL. Please go ahead.
- Renu Baid:** Yes hi Sir. Just clarification required regarding Hind Lamps, so can you just mention what would be the operating profit of Hind Lamps and what is the debt, which is sitting on the books of JV there?
- Anant Purandare:** As far as Hind Lamps operating profit is concerned, they are making losses, because the activity what we are doing LED manufacture, the capacity utilization is still at lower side and overall date or liabilities in fact as per the scheme the liabilities as on the scheme approval date will be absorbed by Bajaj Electricals including date and as well as the other liabilities.
- Renu Baid:** How much would this be, can you quantify?
- Anant Purandare:** Will be in the range of 45-50 Crores.
- Renu Baid:** Okay operationally what is kind of loss?
- Anant Purandare:** Not big loss, it is a small loss, around a crore rupees.
- Renu Baid:** Okay just less than a Crore for the quarter or for the full year, as in trading 12 months?
- Shekhar Bajaj:** More than that I think this may be for the quarter for the year maybe 3-4 Crores.
- Renu Baid:** Okay.
- Shekhar Bajaj:** But basically the biggest attraction for Bajaj Electricals is 80 acres of land that is going to available to us which is not incumbent at all so that thing we can sell or utilize whatever we want so that is part of this deal that we get as asset.
- Renu Baid:** Thank you so much for the clarification and second thing the order backlog on the power distribution segments which you mentioned, it seems to have marginally increased sequentially, so this is largely because of there has been some increase in the scope which you have had with customer or some accretion of substitution orders?
- Anant Purandare:** You are right. We are not bided for any new order, but it is basically customer has given additional scope within the current orders.
- Renu Baid:** Okay how much has the accretion mean, as in addition this scope being in the last three months or six months.

- Anant Purandare:** Around 250 Crores
- Renu Baid:** 250 Crores increase in the scope in the PD segment and this is from current share which customer or state?
- Anant Purandare:** UP.
- Renu Baid:** Okay got it. I am done with my questions. Thank you.
- Moderator:** Thank you. The next question is from the line of Rajesh Khotari from AIFAccurate Advisors. Please go ahead.
- Rajesh Khotari:** Hi just one question on my side that how do see the net debt position as we end the current year and how do you see that maybe after 12-18 months?
- Anuj Poddar:** So Rajesh we had answered this earlier. Just to repeat the figures as of December we have 1325 Crores plus we have advances of 75 Crores which are also interest bearing, I would hope to have wiped out the advances which are interest bearing by March. I do not 5-10 Crores would be left over or 15 Crores from that. Debt if I just look at the right issues proceed which are getting 350 Crores almost entirely would be used to repaid debt so that should be under 1000 Crores by end of March that is this year. Coming year, I am not putting specific number but this year if you generated about 500 Crores from cash, next year we should target something in the similar range and therefore that should continue to help to reduce debt as we go forward.
- Rajesh Khotari:** So no major capex?
- Anuj Poddar:** There will nominal capex, 50 Crores or something, we are not looking at like a couple of 100 Crores a big plant anything of that sort.
- Rajesh Khotari:** And do you have a green shoe option for right issue in case if we get over subscribed, do we have right to get more money?
- Anuj Poddar:** We are not going to above 350 Crores.
- Rajesh Khotari:** Including promoters, they are also going to subscribe?
- Anuj Poddar:** They have to subscribe it compulsory.
- Shekhar Bajaj:** As per this thing, 62% is held by the promoters that they have to take and if out of the remaining 130 Crores if there is a shortfall and people wanting that 130 Crores if people want extra quantity after that also is suppose out of 130, 30 Crores is left over that also will be taken over by the promoter.

- Rajesh Khotari:** There is no option in which to held the additional subscription, you have not kept such option?
- Shekhar Bajaj:** Of course is there, instead of 100 you ask for 120 that I say, now those who do not subscribe for it.
- Rajesh Khotari:** Yes that of course that I know.
- Anuj Poddar:** We do not want to dilute further.
- Shekhar Bajaj:** We are putting any extra quantity requirement for us as a promotor we are happy with our 62% but we are also not unhappy if any case there is something leftover which we have to pickup, we will pickup.
- Rajesh Khotari:** Sure. Thank you Sir. Wish you all the best.
- Moderator:** Thank you. The next question is from the line of Anuj Sehgal from Manas Capital. Please go ahead.
- Anuj Sehgal:** Can you give us a sense of your distribution network in terms of how many point of sales do you have now and secondly what is the breakup of sales by modern trade, general trade and online and then finally you talked about the margins for the consumer business it would have been at 8.4% had it not been for the overheads of the EPC business so how should we think about margins of the consumer business lets say over the next 2-3 years, is it purely a function of reducing the overheads in the EPC business which you mentioned today is based on a 3900 Crores kind of revenue base than that will take its own time to normalize or are there any steps that you take to bring up the profitability of the consumer business?
- Shekhar Bajaj:** The percentage, which you see is the third quarter which I was talking about because third quarter is our strongest quarter because it is the season time so therefore you cannot expect that 8.4% would have been for the whole year. You saw the second quarter it was 5.5 or 5.6% so for the year, we have looked at 6% is what we have 6 can become 6.5, but I mean around 6% is what we can look at for the year, so third quarter is a abnormal good period because our overheads remains almost same and we have a substantial increase in top line so therefore our bottom line improves and the product mix is also very good and we have water heater which has got very good margins, room heaters have very good margin and therefore to that extent third quarter is always strong that is why even last year again 7.7% last year also it was 6.8% last year so therefore third quarter is anyway strong so do not take that as a base for coming year or the whole year, as we said we hope to improve by 1% per year, so this year we end up at 6% we can look at 7% for the next year.
- Anuj Poddar:** Anyhow firstly on the number of retail points we have about 226000 retail points currently that we have stocking through. Number two to add to the margins point we have guided that we

should get to a double digit where we have to get there over 4 years as way we said be at 10%, there will be a certain variation on an annualized basis but we are focussed on driving that. The margin increase will happen not just by overheads correction but there are various other initiatives as a company that we are working, not all of it that we will share in the public domain but we are conscious and committed to driving margin expansion as a company. So that is the way we are in the margins overall from a trendline perspective and your last question was on your alternate channels. So trade is about 70% which is generally physical off line trade, the balance 30% comes through these alternate channels that is almost equitably split between online model formation retail and government and other segments and channels.

Anuj Sehgal: Okay and then just one last question. Just going back to the earlier discussion on the margins on the EPC business before the UP project and the issues around it, you were doing EBITDA margins of around 7-7.5% so is that number realistically possible once all these issues are sorted out and lets say we are in FY2022 would that be aspirational margin that you would endeavor to run the business?

Shekhar Bajaj: It actually depends, our objective has to be that only because if it does not give that EBITDA margin of 6%-7%, it does not make any sense to do that business because the interest cost here is much higher than the trade business and therefore 6-7% would have to be there otherwise as I said if it does not make any sense if it does not give me any bottom-line then we do not want to promote that particular business so 6-7% would a minimum level that one would have to look at but EBITDA has no meaning in case of EPC business because the interest cost there if you look will be at least 4-5% so really 1% PBT which is really low.

Anuj Poddar: We track our consumer business by operating margin percent, we do not EPC business by that from a bid approval evaluation etc, the payments terms the capital deployed in that, the risks on that and the turns and the capital or the matrix that we are more focussed on driving that going forward, but having said of course it has to be profitable, but driven by all of these other parameters.

Anuj Sehgal: But then is it fair to say Anuj that as you said earlier the new business that you are bringing in the EPC segment is coming at the margins for us to make sense?

Anuj Poddar: Number one it has to come in a positive contribution at a project level. Number two we are very focussed on the capital that new projects have taken, so even on a similar margin project the margin that has better payment terms or low capital at risk is what we focussed on and number three the risk attached with that in terms of execution and recollection etc.

Shekhar Bajaj: This is an example recently we took an order for 400 Crores where our capital employed will not be at any movement more than 10 Crores that is a type of business which makes sense that you can rotate the money much faster and therefore to that extent even if a lower margin it makes sense to do that type of business.

- Anuj Sehgal:** Okay thank you.
- Moderator:** Thank you. The next question is from the line of Chetan Gindodia from AIFAccurate Advisors. Please go ahead.
- Chetan Gindodia:** My question is regarding the EPC business so what is the margin of the non-distribution business for this quarter. If it is possible to give for you?
- Anuj Poddar:** Chetan we report segmental at EPC consolidated basis, not a break up on that in terms of margins and profitability.
- Chetan Gindodia:** Okay and Sir what would be our expectations in terms of ROCE for the EPC business, just our internal expectations.
- Anuj Poddar:** We will see not specific number that I can share, but a very very high single digit to a low double digit ROCE of that. Maybe hopefully getting into teams also at some point as we improve the metrics on that businesses. Maybe in a year from now, we would look team early teams in that.
- Chetan Gindodia:** Sir if it is possible to quantify what would be our total loss from the PD order that we have currently on hand. You have already said that it would be spared out over 4-5 quarters but what would be the total quantum of loss that can come?
- Anuj Poddar:** I will ask CFO to answer but that loss I am saying is not coming from the project so we have rightly booked whatever we think is fair on that. It is coming from a strategic shift at a point in time if you have decided to control the EPC business and grow consumer we will have that time lag and window of one to one and a half year that the shift and because of a build in structures we are taking the loss so that is cost a structural shift and not a project level loss that we are looking on that.
- Shekhar Bajaj:** Also one of the major cost is the interest cost and therefore interest cost depends on when we get our last 10%, it can be after 6 months, it can be after 2 years as a whole today to make a forecast when we were able to get that money and when it will take this is a question mark which depends on REC when they pay the UP and when the UP government pays us, this is all where we have to just keep pushing that is how we were able to recover this whatever amount we have received. Every months and every quarter we receive 10, 20, 30 Crores so lets hope that we get it fast that it all and so it always the last 10% which gets delayed for long time so and for us the interest cost is the real cost. Many people happy with the EBITDA for us in EPC business EBITDA has no meaning. It is PBT, which matters that is all.
- Anuj Poddar:** I just want to add one more point we did not make it earlier enough I think. The interest cost is what hurting our consolidated P&L, for that if you see q-on-q now we have been improving. First quarter was 50 Crores, second quarter was 45, Q3 is 39 Crores and with our balance sheet and

cash flows improvement that will keep coming down and now with rights issue that will come down sharply, so that is turn around if you are seeing as balance sheet improve, the P&L should start improving and there we will see substantial gain as we going forward.

Chetan Gindodia: Okay thank you Sir. Just one bit I wanted to ask you Sir. This quarter EPC EBIT loss what we are reporting is around 13.8 Crores so you are saying that the loss can continue for FY2021, so the quarterly run rate should remain around this level or it can increase or decrease substantially.

Anuj Poddar: Chetan little hard to say because very lumpy in terms of billing that you achieve in particular quarter versus other element, but can it increase substantially definitely not, so it should stay in a range bound manner and like I said now I do not know but 3 quarter out it should substantially start tapering out. I also intent I cannot guidance but intent has management as we continue to growth our CP business and profitability ultimately that should overtake the negative impact from EPC. So we are committed giving you consolidated numbers also and not only CP numbers.

Chetan Gindodia: Okay thank Sir.

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

Anuj Poddar: Thank you everybody. I just wanted to thank you all of you for having joined the call. To summarize, we are very pleased with the Q3 performance. We stay committed to the strategic direction that we have been sharing all this while for the last many months. We will continue to try and drive growth and value for all of you. Thank you.

Shekhar Bajaj: Thank you very much, wish you all the best all of you.

Moderator: Thank you. On behalf of Emkay Global Financial Services Limited that concludes this conference. Thank you for joining us and you may disconnect your lines.