

L-1/1018/MGP

November 23, 2016

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 10 November 2016

Further to our letter No.L-1/999/MGP dated 8 November 2016, we enclose herewith transcript of the Post Results Conference Call held by the Company with the Investors, on Thursday, 10 November 2016, on the financial results for the quarter and half year ended 30 September 2016, which was hosted by Edelweiss Securities Ltd.

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
Vice President – Legal & Company Secretary

Encl.: as above.



“Bajaj Electricals Limited Q2 FY 2017 Earnings Conference Call”

November 10, 2016



MANAGEMENT: **MR. SHEKHAR BAJAJ -- CHAIRMAN AND MANAGING
DIRECTOR**
MR. ANANT BAJAJ -- JOINT MANAGING DIRECTOR
**ANANT M. PURANDARE -- PRESIDENT AND CHIEF
FINANCIAL OFFICER**

MODERATORS: **MR. AMIT MAHAWAR -- EDELWEISS SECURITIES
LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Bajaj Electricals Q2 FY 2017 Earnings Conference Call hosted by Edelweiss Securities Limited. As a remainder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing “*” and then “0” on your touchtone telephone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Amit Mahawar of Edelweiss Securities Limited. Thank you and over to you, sir!

Amit Mahawar: Thanks, hello, everybody. Good evening. On behalf of Edelweiss, I welcome you to Bajaj Electricals Second Quarter Fiscal 2017 Earnings Conference Call. We have with us today; Mr. Shekhar Bajaj -- CMD, Bajaj Electricals; Mr. Anant Bajaj -- Joint MD; and Mr. Anant M. Purandare -- CFO.

Without further delay, I would request Mr. Shekhar Bajaj to begin with his opening remarks and post which we will open the Question-and-Answer Session. Thank you and over to you, sir.

Shekhar Bajaj: Thank you, Amit and good afternoon to all you. I must start by saying that if you look at only the numbers, it feels that our whole strategy of ToC of RREP secondary sale is not working. But I am happy to inform you that we have mentioned in the last meet also that from third quarter and fourth quarter you will see the required growth in case of consumer durable and especially in case of appliances.

I am very happy to inform you that this quarter itself, though the consumer product segment is showing a minus 6% negative growth, the appliances as such that has shown a growth of 9.6% positive. The fans is minus 6.6% because basically majority of the fan has been sold through the wholesale channel and because we have close down the wholesale channel in a very big way, the result is that the growth in fans will take a little longer time and luckily this is the off season, January onwards is when the season start at that time we will be much more RREP compliance or ToC compliance and therefore, I expect that consumer durable including fans also will show a positive growth so, 9.6% for the quarter, 5.4% for half-year for appliances is something which is good news that means that the ToC which we were talking about the RREP we were saying on secondary sale has started showing the results we see a much better situation as third quarter and hopefully, fourth quarter will be much better and next year of course should be very good.

What has really hurt us very badly is that lighting businesses in the consumer product business where for the quarter it is minus 33.7%, it has given us a hit in terms of bottom-line because the margins and Sales in case of CFL have gone down, the margins got impacted because everybody wanted to take the limited market share and therefore, the prices have come down.

LED we did a substantial business of EESL which is the government body, this year we have got no business of that and therefore the negative growth is there. So, margins are down. The turnover is down. And therefore, it has given us a hit compared to last year when we made good margins in the EESL supplies also. There is a Rs. 14 crores which is hit which has come only because of the lighting business unit.

So, if you look at our sales, if we see the quarter from a Rs. 30 crores profit before-tax it has gone down to Rs. 25 crores this year then we have negative Rs. 5 crores; Rs. 14 crores have really come from lighting business unit and therefore, if we remove the lighting business unit all other businesses have grown by Rs. 9 crores plus. So, Rs. 9 crores is the positive contribution at the profit before-tax level of all other businesses only illumination has not done well because we have to make certain provision as per our provisioning policy approved by the Board if some payment do not come we have to make a provision, we are hoping that in the coming quarter that will get reverse so, there would not be a permanent hit but for the quarter the illumination got impacted but power distribution and TLT are okay, consumer durable both appliances and fans are okay, as I said fan a little negative but overall, okay and that is why overall, the bottom-line excluding lighting is over last year better by Rs. 9 crores at the profit before-tax.

The other good news is that we have reduced our working capital and capital employed and the result is that for the quarter our interest cost has gone down from Rs. 27 crores to Rs. 20 crores, an improvement of Rs. 7 crores and for half-yearly the improvement is Rs. 10 crores. We expect that in the next two quarters there will be savings or anything from Rs. 12 crores to Rs. 15 crores further in terms of the interest cost and therefore third quarter and fourth quarter you should see a substantial improvement in top-line also which we expect, and of course bottom-line because the turnover will be much higher.

So, I thought as a starting point, this is what I wanted to present to all you. And I think let us open for discussion. Thank you.

Moderator: Thank you very much, sir. Ladies and gentlemen, we will now begin the Question-and-Answer Session. Our first question is from the line of Renu Baid of IIFL. Please go ahead.

Renu Baid: Sir, a couple of questions, first, you did mention of segmental growth number, just wanted to clarify on that. Fans you mentioned about 6.5% growth in the quarter and 5....

Shekhar Bajaj: Negative growth.

Renu Baid: Yeah, negative, decline of 6.6% for the quarter. The 5.5% for the first-half for appliances which you mentioned was only for appliances or for the entire category of....

- Shekhar Bajaj:** The minus 5.4% is for the whole category and because the 33% is negative for lighting and the consumer durable is plus 9.6%. So, appliances is grown by 9.6%; fan is negative 6% and lighting is minus 33%. So, as a consumer product group we are minus 5.9% or 6% minus.
- Renu Baid:** That is for the second quarter?
- Shekhar Bajaj:** For the second quarter, correct.
- Renu Baid:** And sir, overall for the first-half one has to take a picture on how has been the performance of fans, consumer durables, appliances and lighting is, can you throw some light on that and if possibly a broad mix just to understand how the business is shaping now?
- Shekhar Bajaj:** ,For the half-year Lighting is minus 31%, In case of appliances it is plus 5.4% and for the fans it is minus 3.2% and overall, it is minus 6.3%.
- Renu Baid:** Right. And approximately today lighting and our business mix would be about 25% -30% of the consumer product segment or it would be slightly more?
- Shekhar Bajaj:** Less, our actual for the half-yearly is only Rs. 195 crores for lighting against Rs. 1,034 for the whole segment.
- Shekhar Bajaj:** Around 20%.
- Renu Baid:** Okay. And for appliances this would be how big for the first-half?
- Shekhar Bajaj:** Exact 50% is Rs. 536 crores against Rs. 1,034 crores which is for the whole segment.
- Renu Baid:** Okay. And for fan sir, balancing.
- Shekhar Bajaj:** 30%. So, 20%, 30% and 50%
- Management:**
- Renu Baid:** But overall as the base corrects for the second-half one should expect that the impact of this lighting decline should moderate out now. Our lighting could probably be flat to positive for the second-half of the year?
- Shekhar Bajaj:** No, it would not happen because CFL continues to be negative we are not having any EESL orders and therefore, I do not see how we can make up this 31% negative.
- Anant Bajaj:** No, the gap is too large I mean today even if I get the most ridiculous LED order it does have so much of extra margin that I can cover the gap of CFL. So, today if at all, we have a little chance

to make a little better is by some price increase in other products but that also still will just not be enough. So, I mean basically it is I mean as I have said even in the interview today it is a nose dive situation because literally the CFL the margin has disappeared and reduced dramatically you cannot really get back such margins make it up from another product. Revenue for the other product is there, I cannot have the volume to cover the gap. Unfortunately, we are not selling or gold or platinum so, we cannot really get that opportunity instantly.

Renu Baid:

Sure. Second question is the fact that my first-half is through festive season as in Diwali post in the third quarter and so, I would like to hear your views and how the festive season in Diwali was and align with this the recent change in currency probably, it might have some impact on the retail level with respect to off take. So, with these combinations how do you look at the second-half of the financial year? And do you think there could be any risk to the guidance that we had in the beginning of the year Rs. 5,200 crores of sales?

Shekhar Bajaj:

See, two things, one is that I think look at the market, looking at what has happened in the first six month, I think I already mentioned that Rs. 5,000 crores looks to be unlikely closer to Rs. 4,800 crores that also is stretched target because at this moment we have done hardly Rs. 2,000 crores in the first six months. So, we cannot expect to do another Rs. 3,000 in the next two quarters is unlikely.

Renu Baid:

Rs. 4,800 crores looks more likely at this moment.

Shekhar Bajaj:

I think so, the Rs. 4,800 crores are more likely, one. Second is that as far as the Rs. 500 note - Rs. 1,000 note, it is a temporary impact may be for like 15 days to one month, but our product are the lower end necessity product that is what I feel, a person needs an iron he would not say because Rs. 500 note - Rs. 1,000 note would not buy iron or may not buy a fan or may believe a person who is buying an air conditioner or car or something will say I will postpone it, I do not think our products so price conscious or something. Second most important we are doing this secondary scale focus and therefore, our whole distribution channel is being so strongly strengthened, that if the markets fall by 5% or 10% also compared to what would have normally happen, we still have a low market share so, we can still continue to grow well, there is no reason and as I mentioned that in case of Maharashtra and in case of Tamil Nadu, we would have by end of November, we would have completed our TOC rollout and therefore, December onwards we will start seeing the growth. The good news is that I am seeing the growth in the second quarter itself has started coming and a 9.6% growth for the quarter for the appliances itself makes me feel very happy that our whole strategy of secondary focus and secondary sale, which really is a great initiative which has been taken by JMD and he has been pushing it and pushing it and pushing it has started now showing results. We have not succumbed to the market pressure, of investments negative growth, negative growth what are you going to do about it, we said does not matter, in the long run we have to look at a little long run and therefore, larger numbers are coming, you see in the next two quarters the bottom-line will also improve because our first level

margins are compared to last year is up by anything which is 1% and 2% improvement has taken place across every appliance and fans, and has shown positive first level margins, this is very important, once we have fixed cost we have distributed over larger volumes which is anyway going to happen because if you are looking even Rs. 4,800 crores that means we are talking about on the basis of Rs. 1,000 crores a quarter it will be Rs. 4,000 so that Rs. 800 crores extra which we are talking about in the next two quarters is required no extra overhead because the overheads are already there. So, it gets split over a larger volume so, therefore the percentage of fixed cost is going to come down, our working capital has improved and therefore, our interest cost has gone down by 30% against Rs. 20 crores which is a very-very hearting situation partly because treasury people have gone and reduced our cost of product and second is that usage of money both inventory and outstanding both has improved. So, that is what we are so, I think it we will give somebody else a chance also, Renu?

Moderator: Thank you. Our next question is from the line of Anubhav Gupta of Emkay Global. Please go ahead.

Anubhav Gupta: My first quarter is on the project business, the quarterly run rate execution was quite down on Y-o-Y basis so, is it like some deferment in the order booking or what is the reason for that?

Anant Bajaj: This is Anant Bajaj here. So, the scene is as far as the execution slowdown is a direct consequence of the unexpected rains which continued for longer than our plan, so normally it gets over by July and August and times but this time in many critical places the rains continued so, a lot of working could not be completed as per the original plan so, to that extent it was a little bit of an impact on what we had originally planned but what is important is that even in spite of that we are 55% better than last year same time in terms of execution. All my execution, process is now stabilized so, as a of result of that there was no violations of any kind in terms of normally what would happen in the deep market area we would now know what is some of the gaps which would have been there so, now that has fully streamlined and during the next two quarters which is what they call it as their season time to get more work done, we will more than come back into places for what our regional plans are therefore, I do not see any issue out there but specifically comment about our illumination part. Illumination business as you know there are three parts on EPC so, the illumination part there has been a specific tracking which is going after getting the C forms done and of course the execution is getting directly based on the customers clearance so, we have very deliberately not completed certain projects where customers is not given clarity on important aspect of design elements or something so, unless we got the full detail in hand we do not dispatch material to sites we do not execute on site till we got the full picture. So, I the not think you need to be at all worried about the execution part because we are more than aware about all the issues so, that there is we are basically being very cautious to make sure, that we do not have extra material also on the site it was one of the big thing which we have achieved in this ToC way of working is that whatever is visible for three months execution, the full clarity that is the only thing which gets to the site and therefore the

whole chain actually stops even one part is not available and so that extent we are very mindful of this whole piece and I think in a way we are having a good opportunity at creating more and more customer belief because this is something very new to the industry. ToC style is very-very new thing in the Indian context other markets like Japan it has become now compulsory for the EPC industry you cannot quote without the ToC in it. And I think a lot of our customers are now very who use to have all kind of issues on a process they themselves are excited about it and are insisting that you please continue this correct way of process because dumping is not an option in our list of things anymore.

Shekhar Bajaj:

Let me add to what Anant has mentioned that when he said there is a 54% growth in case of this EPC, then how is this that we are showing a 16% negative, the reason is that whole emphasis on execution so, 50% that is the improvement over last year erection or execution we are not putting any emphasis on the top-line in terms of billing. 70% of the total contract is normally the supplies and 30% is erection so, once the erection is there, the supplies will take place, the billing will take place so we are not putting emphasis on that and that is why it is showing negative as Anant has mentioned that because of that you do not need to worry in the coming quarter you will find that the numbers of billing will go up because we have done the execution. So, once the execution is done whether you like it or not, you have to bill it to the customers there is no way out. So, at this moment our concentration was let us do a good job, despite monsoon, can we complete our erection and execution and billing can be done in the next month or next quarter it does not really matter

Anant Bajaj:

In fact despite the rains we were in position to close out our three sites completely get a handover certificate from the customers which came in the quarter itself and of course something of the thing which is not cleared by the customers, we mostly certainly will not buzz on it till we have the whole detail. And basically, we do not want to get back to any of the bad practice of the earlier times., we need to have a justification at each step what are doing and which is something which we are going to only making it tougher and tougher so, that we really get the best of the schemes. And I think, we have got a very good scheme in every part now which is also very important for us.

Anubhav Gupta:

Right. So, whatever there was missing in the second quarter you think it can be covered in the second-half?

Shekhar Bajaj:

Yeah.

Anubhav Gupta:

And the guidance of Rs. 48 billion I remember Mr. Bajaj said that it will be more or less Rs. 24 billion consumer, Rs. 24 project. So, with 8.5 billion in first-half you think the Rs. 4 billion for full year is possible?

Shekhar Bajaj: Yeah, stretching ourselves to do so, but we do it the right way so, if it ends up at the end of the date for me the bottom-line is more important and therefore, we have taken a view that this is what we want to do but if we do not see the Rs. 4,800 crores we end up with Rs. 4,600 crores but we improve our profitability compared to last year's Rs. 153 crores PBT much higher, we reach Rs. 200 crores or Rs. 200 crores plus I would anyway prefer that it does not matter the top-line is really just a means of achieving of our bottom-line so, top-line is not necessary and we can achieve our bottom-line at quite comfortable, there is no pushing that I must do the top-line at any cost.

Anubhav Gupta: Sure. And we can see in the numbers as well that despite 16% decline in the revenue the EBITDA margin has improved so....

Shekhar Bajaj: Good observation.

Moderator: Thank you. Our next question is from the line of Harish Bihani of Kotak Securities. Please go ahead.

Harish Bihani: If you can help us break-up of the lighting business into luminaires and bulbs, etc. for the first-half?

Anant Bajaj: Well, first of all as you might know, from April we put the lighting part into part of consumer product group and luminaires is reported under the EPC or what we call as B2B group. The reporting also happen only in two segments, one is the B2C which is otherwise known as CP or Consumer Products group and the other is EPC segment, which we call it as a business to business group. So as far as luminaires is concerned, that largely deals with our luminaires product which is non-direct business which basically EPC business which has illumination in it, that deals with the full turnkey projects while these guys do more of a supply business which happens through the distribution basis. While in the lighting which is of course fully consumer facing lights on appliance fan that is separately there and the product mix wise of course the CFL, LED and GLS they are all under the lighting business which is a part of consumer product

Shekhar Bajaj: So, lighting Rs. 195 crores which I mentioned earlier which is 33% negative and luminaires Rs. 190 crores and 2% growth is in luminaires and lighting is minus 32%.

Harish Bihani: Okay, sir, related question is on the lighting segment, how do you see the industry growth rate for the next say one year - two years - three years specifically for Bajaj what has been the impact in this lighting that we see apart from ESL, is the impact on the RREP that we are doing because we look at some of the peers they have done reasonably okay in the first-half so far.

Shekhar Bajaj: See, it all depends on what is the government thinking, it also depends on what has happed in case of one of our competitors, in terms of the price at which they have offered to EESL it is

really such that nobody in an industry can come anywhere near that, if they continue with those step of pricing then they will have a completely monopoly as far as supply to the government is concerned. As far as trade is concerned the trade prices are continuously falling and therefore trade cannot make up the loss of CFL and the loss of government phase which we took place last year and therefore, to the extent as an industry, half the companies according to me are either already on the verge of closing down because most of them were really depending on the government business like for example, in case of consumer durable whether it is fan or pressure cookers and all when Jayalalithaa was buying mixi's and fans in south, in TamilNadu all the number of appliances companies grew up and as soon as she stopped buying for the last two years most of those companies are now sick and are ready for on sale so, same situation are there. All the companies who are supplying to EESL are now really in bad shape and therefore only those who are depending on trade will be able to survive, there again because of the price competition taking pace and it all depends on government policy because government not only is it giving to the government department but it is competing straight with trade and therefore, we are taking up with the power ministry, with EESL, with our minister Mr Piyush Goyal that either you say that 1 million of dealers who are dealing in the LED should all close down and just go and do something else, otherwise let them do their job, you have done your job of bringing the price down and you should let the trade do their job, you cannot go and compete straight with trades and you get a bulk purchase to buy 5 crores lamp so, obviously with a very-very good deal from the industry you cannot go and mess up the market so, that is the stand which we have taken and that will determine what is the future of the Lighting business. LED and CFL are almost dead. CFL I think in two years there will be no CFL and LED will all over 70% of the business is LED but who is going to sell it, what is the margin, only time will show.

Harish Bihani:

Sure, sir. Sir, and on the government demonetization scheme again a little too early but any comments on the slightly medium-term impact on the trade because of this particular scheme especially if we think on the second level impact say for a small retailer given that he may want to disclose his income now. He may ask the company for more margins or better working capital is that something which you are also thinking of any thoughts on that will be very helpful.

Shekhar Bajaj:

Number one is that GST is coming, whether it is after six months or year, we do not know but it is coming that is all clear, okay. Now when GST as it is GST was going to make sure that those who are not dealing in official and who are dealing in cash money, would get impacted because they will not get a set off which is available in GST. So, they were all going to come in to the main stream. Now with this Rs. 500 note - Rs. 1,000 note and this demonetization which is taking place, there will be more fear in those people who are dealing in cash and therefore the likelihood of more people coming in the official channel is likely to go up and when that goes up that means many of the dealers who are not dealing with us because they wanted to deal only without any bill, will now say we are ready to buy from you also because we are now going to be able to offer it to everybody so, we are now introducing what we call as the FMCG model for

consumer durable which nobody in the industry is doing and to that extent because it is going to be available and our business is all, our board so, there is no problem of any cash transition at all and therefore, to that extent I think we are going to benefit out of it. The people who are only depending on no bill type of people will lose out according to me. Also, we have done is that we to encourage dealers to increase their business we have introduced channel financing which will be available to all the dealers who are going to deal with us so, that all retailers don't have to worry about how to finance, our distributors would be in a position to get channel financing which is something which we want to increase substantially over the next three months to six months. We are hoping that from 1st of January may be latest 1st of April, all our dealers will be directly or under channel financing so, we will be not requiring to finance them and to that extent our capital employed will be free and our return on capital employed will substantially go up in the coming period.

Moderator: Thank you. Our next question is from the line of Bhargav Buddhadev of Ambit Capital. Please go ahead.

Bhargav Buddhadev: Sir, in terms of your first level margins, obviously in your results we see that your first level margins have improved by 330 basis points, just wanted to check if it is possible to know what could be the improvement in the B2B side of the business and the B2C side of the business in first level margin, is it possible to break these margins into two?

Anant Purandare: Yeah, sure, in case of B2C that is consumer product and lighting which has improved by around 150 basis points to 200 basis points. In case of the EPC segment wise it has improved for illumination by around 3%, for PD it improved substantially it is around 8% to 9%.

Bhargav Buddhadev: Sorry, for B2C it is 150 basis points to 200 basis points then I missed out.

Shekhar Bajaj: The illumination which is high mark and street light that is 3% - 3.5%.

Bhargav Buddhadev: Okay, and TLT?

Anant Purandare: And for power distribution it is around 7% to 8%.

Shekhar Bajaj: That is 7% to 8% but then what happens is 7% to 8% may not be sustainable number because there can be some particular project, which got closed six months before time and there were certain provision which were reverse so, therefore when you see, you cannot expect a 8% sustainable but 2% to 3% improvement in B2C business and B2B business is something which is sustainable 1% to 2% has already happened. In the coming period when sales picks up when you find that the margins has further improved but they are not giving way the extra discount which was

earlier been given so, 1% to 2% in case of B2C and 2% to 3% may be even 4% in case of B2B is something which is sustainable.

Bhargav Buddhadev: Sure. And sir, you highlighted that obviously, appliances has seen growth in the first-half is it sort of possible to know how much of this growth may have been in the ToC rolled out area and how much possibly declined could in non-ToC?

Shekhar Bajaj: You cannot do that because the reason is that we stopped wholesaling. Say in Bombay. Now, if that wholesaler is selling in Kolhapur then if Bombay if I show no growth it is possible that it is actually grown by 20%-25% because half the products at wholesale was going up country, so, it is very difficult that is why straight from December onwards when the whole ToC will be rolled out in Maharashtra and case of Tamil Nadu then the growth will take care of wholesaling non-wholesaling area in the country because nothing was going outside the state. So, December will be a right time to ask this question that means in our February discussion we will discuss that.

Bhargav Buddhadev: And sir, what percentage of area would now be covered under ToC...

Anant Bajaj: 30% to 35%.

Bhargav Buddhadev: Okay. In terms of cash generations sir, how has been the CFO in the first-half I mean your Cash from operations plus depreciation is about Rs. 53 crores in the first-half. What could be the cash flow from operation in the first-half?

Anant Purandare: Rs. 50 crores in the second quarter

Bhargav Buddhadev: And in the first-half.

Shekhar Bajaj: First quarter you mean.

Bhargav Buddhadev: No, first-half.

Shekhar Bajaj: Rs. 100 crores. Whole half-year Rs. 100 crores.

Bhargav Buddhadev: Rs. 100 crores of cash flows from operations?

Shekhar Bajaj: Yeah, that is why interest cost has gone down. The interest rate has gone down by Rs. 10 crores, the interest cost has gone down by Rs. 10, Rs. 7 crores for this quarter and Rs. 3 crores for the first quarter that means Rs. 10 crores means obviously it has to be Rs. 100 crores.

Bhargav Buddhadev: So, Rs. 100 crores is the cash generated from operations in the first-half?

- Shekhar Bajaj:** Yeah.
- Bhargav Buddhadev:** And in terms of sir the pricing what we are hearing is that Bajaj has been taking price hikes obviously because the discounting has stop. So, what could be the extent of price increase that the company would have taken on an average across the B2C side of the portfolio except lighting?
- Shekhar Bajaj:** Nothing because frankly speaking whatever some cost increase whatever we have taken is net our margins has grew by 1.5% to 2% which is what it is, whether the price increase of cost reduction is the same thing whether we take it in price increase because you know there are some items then you cannot take a price increase you have to plan there is so may product which we have now stopped the wholesaling so a lot of items we have to give it a discount all those things a lot of pluses and minus we will... net is what matters really that is what you was asked what you asked the first quarter was the right question.
- Bhargav Buddhadev:** Sure. And sir, lastly I mean obviously now with company focusing on the pull side of the model, would you be able to highlight in terms of some of your of your new premium launches which are likely to happen over the next six months?
- Anant Bajaj:** When it gets launched you will know about it.
- Shekhar Bajaj:** At this moment there is nothing great which we are talking about when it will happen then we will enjoy it.
- Moderator:** Thank you. Our next question is from the line of Charanjeet Singh of B&K Securities. Please go ahead.
- Charanjeet Singh:** Sir, on the lighting market, if you can just help us understand whether this kind of a de-growth you expect this to continue even in FY 2018 and when you see the stabilization in numbers actually coming for even Bajaj Electricals?
- Anant Bajaj:** The first part of your question, we would love to understand the lighting industry ourselves. A lot of things are going so different all the years of collective expense is going for a toss, first point. But more seriously I think the reality is that the technology in the world of LED is continuously getting updated. So, to expect to get a stable price for a product is going to take its own time. What is possible is to do is manage a better pricing plan for the longer existing product called GLS and probably in the very short-term get CFL focus reduced and I think main issue is actually was wrong probably is that for everyone in the industry has now had a habit of keeping CFL as a product mix, it is a smart one in the market, most of them not CFL in

the list so, to that extent we are kind of obliged to take the product because you happen to have put it in a target. Today I think, if we stop taking possibly in the long-term or target for selling CFL that will be partly taking care of the issue then you find a focus selling on the LED of sell LED bulbs, say normal bulbs. So, that extent if our market where it is going to reach and hard to say because whatever you are seeing India, it is not very different in the world when it comes to LED. India has been far superior in the speed of adopting LED. For example, people in the rural market can do a lot of projects there also people have never had lights so they are literally going for candle to LED bulbs straight, no, GLS, no CFL, straight away LED bulb, so therefore the game is there is going to be very important requirement of knowing your customer far better than whatever we know just now and then make sure that they actually understand what they are getting because one of the big issues has been that a cheap quality LED bulb and a high quality LED bulb was put in the same bracket. The game is actually about how to educate the customer about the technology or the product getting and then just wait for whatever happens because really I do not think there is a genuine opportunity to create the market tailor made in our style or something, so to that extent, it will be a tough call on how the market is going to grow and which part will grow is anyone's guess. Because the industry expert Mr. Bajaj will probably add few more points.

Shekhar Bajaj:

I do not think I can add anything because the more you are in it the less you know about it.

Charanjeet Singh:

Okay, sir. And sir, on the project EPC business not order inflow for the second-half, how is that expected to be because there we were expecting that maybe we will start getting more in terms of aggressive, in terms of picking new orders and where all we are seeing that order pick up could happen.

Shekhar Bajaj:

You have that figure the current book is at Rs. 2721 cr. Out of those, TLT we had a big problem that we had a very low order book of TLT last year in the beginning now it is gone up to Rs. 1,000 Power distribution is Rs. 1,545 crores and illumination is Rs. 176 crores so, under the circumstances as far as power distribution is concerned, we decided that we want to do a good execution, good erection and make money and therefore, we do not want to take orders which we will not be able to finish on time or delay, we suffered a lot because we took a lot of orders and could not execute on time. Now, we are in a position now that our power distribution business is going on well, now we already started doing a little more aggressively trying to get orders in between we had almost stopped it we got enough orders in hand. Now TLT has got enough order, illumination is okay and power distribution order book has to now grow up, we have already quoted and we are hoping that we will get good orders coming in the next six months.

Charanjeet Singh:

And sir, what is the quantum we are targeting in the PD going forward?

Shekhar Bajaj:

PD this year we are looking at anything Rs. 900 crores to Rs. 1,000 crores.

- Charanjeet Singh:** Okay, so Rs. 900 crores to Rs. 1,000 crores. And sir, the last question from my side is on the appliances segment, so, we have delivered good growth after our RREP getting kind of stabilizing now, what is the kind of market growth once this you know by December once RREP gets implemented more in Maharashtra and Tamil Nadu, what is the growth forecast we can see going forward in FY 2018 for this segment?
- Shekhar Bajaj:** See, how the industry is growing, it is unorganized industry, unlike in fan or a lighting there is a ELCOMA and there is a IFMA which is what is the growth in the industry here is the matter of guestimates on but I can see clearly a double-digit growth is nowhere I want to be listening, double-digit is definitely whether it is going to be 15% or 20% we do not know only time will show.
- Anant Bajaj:** I want to say that what he is saying the numbers, what we are talking commenting about Bajaj, we cannot say how much the market will necessarily grow because first of all we are doing nothing like what the market does and that is why probably you are going to see us growing probably better than many then of course a lot of insight which we are going to get by our **Range, Reach or RREP** program, essentially we will start to publish some very authentic data which no one else has in the market, we are going to have 80,000 plus outlets data, clearly data sitting with you, you obviously will have a far more internal many-many research agency can dream about so, to that extent we clearly got a very-very interest opportunity in the future that we will absolutely able to have essentially real research they does something with our self which will help exactly where what we are selling so, you do not have imagine, it would be real. We do not know where it sells but we have to our daily data on everything.
- Moderator:** Thank you. Our next question is from the line of Manish Jha of Macquarie Securities. Please go ahead.
- Manish Jha:** Just expanding on the impact of demonetization, now given the close proximity of the consumer electrical business to the real estate how do you see the impact of this on the consumer durable, I mean especially your consumer products business?
- Anant Bajaj:** Frankly there is a no impact, it is a matter of Cash flow being made a little difficult for short-term which will be short-term which I really strictly do not believe more than 30 days outer limit, on a 50 days which is the limit and which anyway government expects you to comply so, to that extent there is realistically worst case scenario 50 days delay which will mean what instead of a person buying a 100 crore flat so they will be 10 crore flat they will be selling but as far as we are concerned the person who buys is anyways we do not know if he is going to put it in a Rs. 100 crores flat or a Rs. 10 crores or a Rs. 1 crore flat or on a Rs. 10 lakhs flat. So, for us it is about reaching to the end consumer whichever would they want to buy so, we are not worried on that because if the guy was paying by cash he will pay by credit card or he will pay by any means which he / she finds it useful. So, for our point of view, we are certainly not a luxury item

which they are going to worry about that bro, I have purchased this of Rs. 10,000 how should I declare this? All those tension is not here. I have purchased two mixers, someone will ask, all those kinds of tensions are not there in our product luckily. And so, to that extent the person who is buying and because we have cut out all the sweet deals in the game, the person who has to buy even at the first level which is probably distributor the person is already knowing that you cannot do any other sweet deals with us so, they have anyway got less headache to worry. And obviously the guys which are those fringe players which I would like to call those will anyway kind of disappear quite instantly because they have no place to hide now and those are people we anyway had stopped dealing with for a while because out of wholesale so out of all the other issue which comes with it and to that extent we are safe. But yes, there might only if at all some impact for the smaller markets where maybe very far rural areas by the regular banking system and all if it is not fully reached there they might be a little slow down in their purchase but I do not think again in our product there might be such a big issue like if a sahuakar in the middle of deep village somewhere they will now have to anyway worry what they are giving out and frankly once your legal tender is Rs. 500 notes and Rs. 1,000 notes is gone, the guy anyway has got no local standby left anyway. So, to that extent many-many contracts which have been given like these sahuakar and all those guys obviously have a problem because they will just never get that money there is nothing legal about it anymore. So, the game is that I think the game is really all about a little bit of hype for any real issue because this is not people who anyway did have money then have to worry, people who are doing it as a what legitimate money again it is not a problem. So, it is really only an issue with the illegitimate money keepers they have to worry and I think we were more than enough customer base and people who are dealing with only legitimate money so, we do not have to really worry at all. And I think this builder segment the ones who are legitimate and who are good so they anyway do upfront payment and take the product so, anyway their payment comes by cheque so, there is no problem there. We might have a problem in having extra business that is possible and that we really cannot do not much about.

Manish Jha: Okay, got it. So, sir in the first quarter call which we had you had specifically said that Bajaj would not be putting its bid in the ESL lighting segment, right. Now is Bajaj still continues with the same strategy and also is Bajaj going to participate in the ESL fans category, any bids Bajaj is putting in?

Shekhar Bajaj: We have got the first tender which took place for 1 lakhs fans, 30,000 fans Bajaj got.

Manish Jha: For Q2?

Anant Bajaj: No, same one last year. This year we got nothing so far, **Shekhar Bajaj:** And a lot of new players have come in and they have got manufacturers who do not have a service set up and all so, I think now in a long run we will have to compete against them because we have to give service, we have to give quality, our consumer durable expected that my fan if I am giving Bajaj

brand it better last for eight years - ten years it cannot be that two years - three years guarantee which is required so, person can give a marginal product who is unbranded, he has no problem, we have problem so, we will not give any substandard material that is why we cannot compete and therefore we may not.....

Anant Bajaj:

And importantly our customers,, end consumers is very-very smart now anyway we cannot ask them to take something they do not believe in so, that is one thing in a good advantage of technology and all these e-commerce and other thing they are super aware of what is good, bad, ugly., I mean today I do not think there are too many customers who will buy product only on price, they also see what the hell are they buying for that price. So, they are more than aware and I think EESL is a short-term strategy which I do not think can truly work out in a long-term and government words, the government is not in the business of business, they will make more governance and less interference so, that is what for idea government is reaching towards and I think Mr. CMD recently in an important meeting anyway gave government a good message on that and it is a well-documented public information so, it is not I am telling anything which is out of the context so, I mean so, therefore it is important because Mr. CMD very clearly asked the minister in the public regime that why are you trying to compete with the industry, you have done your good job of asking for reducing the price which makes a common man be affordable LED bulb but please do not start becoming a trader for us no.

Manish Jha:

Right. Sir, I have got a couple of small questions, you gave a figure of Rs. 2,721 crores order book status right I mean is this for second quarter or this is for the first-half?

Shekhar Bajaj:

As on today this is the order book.

Manish Jha:

Okay. Sir, any revisit on top-line guidance for this fiscal year FY 2017?

Shekhar Bajaj:

We have mentioned that we are now looking at around Rs. 4,800 crores. But as I said that I am not going to be so much looking at the top-line rather I would like to improve the bottom-line and therefore our margins are improving, we want to keep our fixed cost under control, our working capital is already improving and we want to continue that. So, that the bottom-line comes by better working capital, better cost control, better margins, also if we look at the top-line is one of the them, top-line is not the only criteria which we are going to look, we only look at the bottom-line for which top-line is one of the four areas by which bottom-line comes. Top-line, margins, fixed cost and working capital so, other three areas we have already improved and continuously improving and top-line if it comes great, if it does not come, it does not matter.

Manish Jha:

Okay. Just have a quick one before leaving. Any color on the staff cost and other expenses increase for this quarter or year-on-year?

Anant Purandare:

There is not much of increase if we look at it is normal increase ...

Manish Jha: 4% for staff cost and 3% on those expenses, right?

Shekhar Bajaj: That is again normal increase.

Anant Bajaj: But as Mr. Bajaj already mentioned, we will insist on better efficiency of the people then they are not a cost, they are investment, if they become useless to the company they clearly will not be in the company. One of the important thing which we anyway, number of people we are not looking at increasing in the long-term because we want to make better thing happen with less people and that does not mean we reduce people but we want to just create better high performance delivery kind of set up because each person has got more capability than they believe and I think that is what is now happening which is clear in many markets we have improve more on entire history before. So, to that extent there is a good opportunity and I think as an end result when we get the top-line percentage dropped dramatically I mean after all we have a business called power distribution which is probably be the single largest business in the company that does not much of a fixed cost, it is I mean in single-digit is still fantastic which really means the things are done correctly, you get your top-line and the fixed cost will automatically become more efficiency. So, for every company irrespective of which industry they come from so, I mean every company can achieve it and it is just happening again and again and it is going to become like that.

Moderator: Thank you. We will take the next question from the line of Vikash Mantri of ICICI Securities. Please go ahead.

Vikash Mantri: On the project side, we have done good margins this quarter despite us saying that revenues did not come and once they will be better in the second-half with better supplies because right now we are focusing on the erection part. So, given this is the case margin profile should be significantly better in the second-half or how does it work?

Anant Bajaj: First of all, I just like to clarify your understanding on the supply and erection, the fact that we are getting better erection means the supply has happened correctly, I mean earlier it was suppliers the erection does not take place for a longest time because we wanted to just show some revenue on top-line, bottom-line, now it is purely if you can execute it, it is the only way the supply will happen. So, if your erection is not visible then it is going to take place, you would not even get a supply so, therefore it clears situation, for the next three months we are going to say do execution of x number of crores then your backend supply also only that kind of number and therefore some of the actual detail I mean obviously in detail if we look at it there are projects where the material reached but due to the rain we could not complete the erection as per plan so, then what we did at the backend the further material was stopped so, the overrun of extra supply sitting in the store was not ever happening. So, that is one point and then of course the provisions were done which are purely based on the aging based on timelines and collection, once the collection takes place it should most likely in this quarter and next quarter then will get sorted

and as far as the margins are concerned that of course continues to becoming better also purely from the fact that your overall collection of old outstanding is making the overall and become better the whole focus on I think the whole value chain trackable has obviously changed the whole game and that is what is making us become stronger and stronger EPC company because a lot of the processes is very unique to the industry and to that extent we are almost becoming a front runner and the process driven things because I mean there is a lot of company who are larger than us but I think this process wise we are probably becoming industry leader hopefully, I mean we do not have data to necessarily verify at this point but I think we probably are the only ones who do it completely into it.

Shekhar Bajaj:

Let me add just that when we are showing a 7.5% you are saying next six months that will be much stronger and therefore to that extent this 7.5% would be much better, it should be better but may not be much better because what happens is that as per the AS-7 system then the billing, then to that extent we make additional provisions for the coming period and when that actually takes places it gets nullified so, therefore this is taking into account that the business will end up giving me the 7.5% or 8% type of EBITand therefore to that extent the provisions are made accordingly. So, therefore I do not think that suddenly 7.5% is going to become 9% or 10% I do not think that is going to happen

Anant Bajaj:

What he is saying is absolutely certain that I cannot get too much better for one big point that Illumination is still in the stage of getting fully geared up to the ToC way, TLT and PD are fully geared up and are fully running on that. The other one is I must say one engine has started fully the other engine is getting readiness so; end of year there will be fully onto the big show. So, of course, the illumination which I like to call as a project which will be fully ready then we will clearly have a unbelievable EPC set up because that is actually the cream-butter part of the three thing, which have had their own issues but now we are getting all those issues resolved within this financial year so, that they can really run on full throttle. Yeah, by March you will get all of it absolutely sorted whatever a little bits are left there and then we will be in a position.

Vikash Mantri:

Sir, over a two years - three years period what should be the EBITDA margins that we should be looking in this business based on which we will be taking our projects or otherwise not.

Anant Bajaj:

Hard to predict, we do not want to speculate.

Shekhar Bajaj:

We do not want to speculate one second is that we do not....

Vikash Mantri:

Sir, I am not asking for speculation, what I am asking is we should have a benchmark with which these are the kind of margins given that your ToC will be in place, we will not have experience like the past where we ended up booking margins and later on we realize this was not true profitability and took the write-offs. So, now you will have a very clear idea what is the profitability of this project and you will deliver that?

- Shekhar Bajaj:** See, there is a lot of competition and therefore to that extent all we are saying is that if we can do business and manage our capital employed well so, that instead of 2.5 can be have 3x so, if 3 times when we have 8% EBITDA level also for the coming year and rotate it 3 times I get 24% - 25% return on capital employed which I think is a number which is more important work at 10% and have a 2x rotation, again, only 20% return on capital.
- Anant Bajaj:** So, adding to this, working capital turn is a very far more exciting trends and trying to get their extra margin because when you aggressively need a far more money to run your business that is actually serious inefficiency so, we will rather get onto that as one part and currently we have a very-very tiny exposure to exports in the industry of B2B and which of course we believe in the next two years - three years will be a pretty good number and of course one good news is the world of export is that always has got better margins in India, I think we got a good opportunity on export we have already one order which is currently going on, which of course does not which is getting done jointly by the export team and of course the EPC team and I think the way things are we will potentially convert three more orders abroad because we so far have been cautious not to take those overseas orders because it is more controllable versus going somewhere far and then mess it up there or something. So, to that extent we are now every much confident in our process so, now we are recently just quoted for three more orders so, which will hopefully will convert in soon enough, because the whole world has gone through with changes when the India has clearly become very strong player even in EPC and of course yesterday's election results is going to be an important thing to also see how the world economy is process runs after Mr. Trump coming in as President of U.S. or elect sorry, is going to become president later . But obviously, he has already won it and he will. For the Republicans definitely differently than democrats and to that extent that will also be important for the world policy and that will depend how our exports can become better. But stable dollar is important for the world I mean how much our different that country might be for all of us but they are very-very important for the world economies.
- Vikash Mantri:** Sir, net debt in our books as of now?
- Anant Purandare:** Rs. 840 crores,.
- Moderator:** Thank you. We will take our last question from the line of Tejas Seth of Reliance Mutual Fund. Please go ahead.
- Tejas Seth:** Sir, just wanted to understand on the lighting side this 31% decline in sales how much of that had got impacted by no EESL this quarter?
- Shekhar Bajaj:** I do not think that figure is available to us, in front of us because EESL order one side then the CFL has fallen by 40% that is second. And then LED prices has crashed and therefore to that extent it also the same quantity gives you a lower volume so, all the three together.

- Management:** LED dropped by 21%, and CFL dropped by 46%.
- Tejas Seth:** Okay. And this 21% would have some element of ESL?
- Shekhar Bajaj:** Mostly, EESL.
- Tejas Seth:** Okay. And did the lighting business make any profits for this quarter considering that you mentioned that....
- Anant Purandare:** There is a positive contribution. See, because now lighting is a part of consumer durable so, it is a positive contribution that is there so, all other overheads are common.
- Management:** Main thing is that lighting had a mega courtesy CFL margin dropping off. Margins drop off will be, think of it is as a larger sense LED was not the larger part of the segmentation within lighting also, CFL had the largest part of the thing and therefore the hit also has been largest to that part and of course LED as a price wise is obviously higher than our CFL in the beginning of the year and as you know during the year the prices have fallen off but still even in spite of that the margin is not bad out there but the volume is just not there and of course the CFL margins being terrible and the volume being large that is a bad combination it is a low-low situation, low margin, low sale or no sale, and so that really becomes the bad story I mean unfortunately. And you cannot just all of sudden find the product which will replace such a big gap, I mean last year we had a close to like this year so far we had I mean huge de-growth in the CFL sales even in quantity, top-line whichever way you look at it, it is like total half century and above condition so it is not really and you cannot just close down factory over night because of that so, you kind of have to live with it till you get a real solution.
- Tejas Seth:** Have we taken any inventory write downs in this segment? Have you taken any inventory write down?
- Anant Purandare:** No, because these are sellable material, sales is coming down on these level procurement is as per the sales we are not holding any inventory.
- Tejas Seth:** And there is no contribution loss?
- Anant Bajaj:** And we are not keeping it, sitting there to hope some new prices something if you are asking that. We are buying it as an ongoing process and selling it as much, we are not retaining extra stock for the sake of it obviously tomorrow you could land up having a difference price so, we really but yes, what you asked is an actually very interesting question probably should ideally look at that taking a cue from you that may be CFL should not have a stock at all, whatever you want to sell directly from the point and do not keep excellent thank you for that instigation we will try to think on that.

Anant Purandare: So, this is the problem with the manufacturers because manufacturers many times to cover their operating equipment's they would like to produce and keep the inventory. But in our case it is be mostly as outsourced so, we buy as in market it is getting sold.

Tejas Seth: Okay. So, this segment did not have any contribution loss right, in this quarter?

Management: No, contribution it is absolutely positive.

Moderator: Thank you. Ladies and gentlemen, that was our last question. I now hand the floor back to the management for closing comments.

Shekhar Bajaj: So, thank you very much for the patience all of you have had to hear us through and I am very glad that finally, our effort for the last few years that we have put in, in terms of trying to improve our distribution through the secondary sale route, RREP route has started giving us results and all of you who have kept the patience not to get demoralized by seeing negative growth in the consumer durables, please continue to support us and be with us and you will start seeing that this is being good decision of you staying with us because you will see the improvement coming in the coming two quarters and then next year should be a very bumper year. Thank you very much.

Moderator: Thank you members of the management. Ladies and gentlemen, on behalf of Edelweiss Securities, that concludes this conference. Thank you for joining us and you may now disconnect your lines.

