BAJAJ
Bajaj Electricals Ltd.
Inspiring Trust

L-1/2131/MGP

June 12, 2019

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

National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex
Bandra (East), Mumbai 400 051
Symbol: BAJAJELEC
Option A NCDs: INE193E08038
Option B NCDs: INE193E08020
Option C NCDs: INE193E08012

Dear Sirs,

Sub.: Transcript of post results Conference call held on May 22, 2019.

Further to our letter no. L-1/2100/MGP dated May 21, 2019, we enclose herewith transcript of the Post results conference call held by the Company with the Investors, on Wednesday, May 22, 2019, on the financial results for the quarter and year ended March 31, 2019 which was organised by Edelweiss Securities 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

MANGESH GUNWANT PATIL

Digitally signed by MANGESH GUNWANT PATIL
Date: 2019.06.12 11:53:29 +05'30'

Mangesh Patil
EVP- Legal & Company Secretary

Encl: As above

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bajaj group

"Bajaj Electricals Limited
Q4 FY2019 Earnings Conference Call"

May 22, 2019

ANALYST:	**MR. AMIT MAHAWAR – EDELWEISS SECURITIES 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, good day and welcome to the Bajaj Electricals Q4 FY2019 earnings conference call hosted by Edelweiss Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Amit Mahawar from Edelweiss Securities Limited. Thank you and over to you Mr. Mahawar!

Amit Mahawar: Thank you. Good evening everyone. I welcome you all to Bajaj Electricals Q4 earnings conference call. From the management we have today Mr. Shekhar Bajaj, Chairman & Managing Director, Mr. Anuj Poddar, Executive Director and Mr. Anant Purandare, President & Chief Financial Officer. So without further delay, I would like to hand over the call to the management for opening remarks before we open for the Q&A session. Thank you and over to you Sir!

Shekhar Bajaj: Thank you very much. Good afternoon to all. Shekhar Bajaj here.

As per our projection which we had earlier stated that our whole emphasis is going to be on the consumer product and that is what has really happened in the fourth quarter, because the fourth quarter of last year was very strong, therefore the growth is only 15%, but for the year it is 23% as far as consumer product is concerned, and our margins for the year from 4.9% last year EBITDA has gone up to 6.6%. I had mentioned that every year we should improve by at least 1% per year, so that over a period three to four years we come to 8% to 10%. So luckily against 4.9% we had 6.6% so therefore we have improved by 1.8% we hope that next year we should be reach around 8%, so that is something which is going directly as per our plan.

Coming to EPC business, also which had mentioned that we have got big orders and therefore we grew in the first nine months by above 90%. Now most of those after March 31, 2019 coming in because the Saubhagya scheme was coming to an end we did not want to take a chance of billing unless we were sure about payment coming in. Therefore if you see the fourth quarter, the growth is only coming to 7.3% and therefore our overheads because we had to do this UP project in a very short duration, we have increased the overheads, the number of employees we have engaged etc., were so high, so obviously in the fourth quarter our overheads were high and our turnover was low. The growth was not there, therefore the fixed cost was high resulted in our margins in the EPC business being very low like it was happening in the last two years in our CP business, that we were showing negative growth in CP business and therefore our fixed cost was going up and therefore our EBITDA margins were coming down in consumer products, now it is a reverse situation. But we are saying that now that we are expecting and with this exit poll it seems that BJP and NDA should back to power and therefore the Saubhagya scheme should get extended and therefore whatever projects which was there, which was pending March 31, 2019, once that gets extended then lot of our inventories and all and outstanding all that should get cleared in the next six months to 12 months, this is what our expectation is, only time will show, but we are very clear that this UP project we took it for whatever reasons, I have explained it earlier, that it was not part of the plan, but it came in our hand so we have to do whatever best we can, but EPC business is a business where if we are not going to make our margins, we will not take the orders, if we keep losing because of that business comes down, it is perfectly okay on one side.

Second is that for the current year, I expect that consumer business will go around Rs.3400 Crores, Rs.3500 Crores, but the EPC business we should not be more than Rs.3000 Crores this is the what our expectation is, but if may be Rs.2500 Crores, it may go to Rs.3200 Crores also, but we do not know, but at this moment, the visibility as I see is that in consumer business, there is no problem, so that I think that it will continue well, but in case of our EPC business depending on business should be up and down, also the margin is also impacted because of which order, earlier we had Bihar order whether the margins are much better, this year in fourth quarter, it is basically all of UP order, most of the orders have been – UP which is of low margin and that is also impacted the margin, so therefore depending on which orders we get and which we execute therefore EPC margins will keep up and down depending on the project, consumer business will be much more consistent.

Of course as we know the third quarter is water heater time, so there will be better margins, fourth quarter is normally more of coolers which is low margin and therefore keeping that aspect in mind, so therefore the margin in fourth quarter it is always lower than third quarter, but we have always compared fourth quarter with fourth quarter which is obviously much better situation to compare with.

Our working capital has been impacted because of which interest has also gone up substantially, but mostly it is because of EPC business, but at this moment we are not having any cash crunch or any thing like that, but knowing that the situation therefore we have only taken enabling resolution from the board to allow us to raise funds up to Rs.600 Crores has been approved by the board, because we at this moment we do not need any further additional fund, but in case we need to reduce the short-term into long term and get into equity, and all those ratios get corrected that is why we have taken this enabling from the board, we will take our decision as required.

With these words, I would like to hand it over to Anuj Poddar.

Anuj Poddar: Good afternoon everybody and thank you for joining for the call. I think the Chairman has pretty much covered everything.

I just want to emphasize some of what he said and made four points in particularly on the consumer business so I think that is the main driver in terms of health metric if you are looking into performance and comparable across periods.

Number one, now we have delivered healthy growth I would say very good growth of 15% in the consumer business, in what is clearly a very tough market environment that is very I think creditable for us. Within that what I am happy about is that the growth is secular across all our product categories. I will talk a little more about that, so if you look at our three main categories, appliances segment has grown by 22%, fans has grown by 19% and lighting has grown by 6%. Lighting has grown by 6%, so all the three segments there have grown.

Also the growth in EPC despite the challenges, we delivered 7% growth in EPC, therefore it has been growth across all our businesses.

The growth when I spoke about the consumer segment growth, because it is ahead of market, market is not growing at that rate, which means we have also successfully expanded or enhanced our market share across all our product categories that we are present in. So, that is another very positive sign for us.

Lastly, like the Chairman also mentioned, we have also continued to expand our operating margins in the consumer business. In Q4 particularly, it has grown from 5.8% last year to 6.2% this year from a Q4 perceptive and from an annual basis, from a 4.9% to 6.6% which is ahead of our guidance of 1% point increase every year.

I will stop with that. I think it is a good performance across all the metrics, growth, market share growth and margin growth. Thank you.

Moderator: Thank you. 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: Good evening Sir. Sir, a few questions from my side. The first question, it was good to see you share the segmental growth numbers, will it be possible for you to also share the annualized sales mix for FY2019 between the consumer segment across fans, appliances and lighting segment and how are we seeing the growth prospects of summer and backing the numbers next year?

Shekhar Bajaj: I will give you the numbers. In the meanwhile let me respond to your second thing. Because of our distribution taking place, we should as I have said that our objective is that we should grow at least 10% more than the market growth. That is our objective because we have lost a lot of market share in the last two years, so we have to get that market share back and therefore because of that, if we are looking at lightings, the market is expected not to grow so much, so we looking at 10% to 15% may be in lightning, but in case of appliance and fans, we should grow by 20% to 25%. Now let him give you the numbers.

Anuj Poddar: Renu good afternoon. To share the numbers within the consumer segment for the annual basis, appliances, which is our largest category is about 1431 Crores, annualized growth of 29.9%, you can take that as 30%. Our fans is 699 Crores, you can take that as 700 Crores with a growth of 25.5% annualized. Our lighting segment is 408 Crores with a growth of 10.4% and Morphy Richards, which we track as a separate category is 202 Crores that is largely flat with a growth of about 1.3%.

Renu Baid: It is pretty strong in terms of the market dynamics that we have seen here, so the entire strategy of moving towards premiumization as in focusing Morphy on premium product range and new product launches, we see that tailwinds are sustaining in the coming year as well to support the kind of growth that you have seen in this year?

Anuj Poddar: Let me say, our focus is not premiumization, that is one of the elements, but in order of priority, our focus has been distribution which is pretty mature now and that has played itself out in last six quarters that you see. Now you are starting to see additional support of growth is coming from the two other pillars which are new product introduction and brand. Twofold, we have seen some activity on both these fronts. We have launched new products and we have seen some traction on that and we have started more brand activities in the last four odd months. So I think while distribution has started to mature, we will keep enhancing that, but with product introduction and brand that will drive growth going forward. Within that one of the elements is premiumization, but I continue to believe our biggest success in growth will not come from premium segment, but will come from mass segment given that so much large market segment we operate in.

Renu Baid: The second question is on the EPC side of the business. Can you help us to understand what was the execution mix of the UP and EPC which you are executing in this year versus the entire EPC revenues and off the backlog how does the mix stand between UP and non-UP project and how are we looking at the execution timelines of this project. My third question would be on leverage, but once the EPC is done?

Anuj Poddar: Annual EPC revenue is 3931 Crores of which the UP project revenue is around 1600 Crores. Sorry your second question was?

Renu Baid: We had mentioned approximately the size of the UP project was about 3000 odd Crores which you were expecting it to form by the end of the year. So does this imply the 50% of the job is already completed and the rest is on track for completion by the end of FY2020?

Anuj Poddar: Like I shared earlier, there is difference between the total project size in terms of what is originally allocated based on our broad estimate survey versus is the actual project size that we end up with based on ground reality and actual work as we get to doing it, so the expected total project size at the end and we will see that as we come to closing stages may end up approximately 2500 Crores. If you take 2500 instead of 3000, then 1600 is a little more than 50% of the work done.

Moderator: Sorry to interrupt. I would request you to come down to the queue please. Thank you. We will move to the next question which is from the line of Dhruv Bhatia from BOI AXA Investment Managers. Please go ahead.

Dhruv Bhatia: Good evening Sir. My first question is on the EPC business. The capital employed obviously because of the growth that you have shown of 58% during the year, the capital employed has moved up to 1800 Crores. With you guiding for not more than 3000 Crores of revenue going forward in the EPC business, do you see the capital employed coming down?

Shekhar Bajaj: What we are looking at is that at this moment, we would have reached almost the peak, it may go by another 100 to 200 Crores, but no major amount is going to be further required for the EPC business because as soon as whatever we have executed, some after one month, some after two months, three months, we will keep getting our money and the execution requirement now will be substantially down so therefore we have got enough inventory, so we are just waiting for the Saubhagya scheme to be extended as far as the UP project is concerned, we have inventories, that is why our working capital is blocked up one in terms of receivables, second in terms of inventory, so once the Saubhagya scheme gets extended and we start executing, our material is already there, for which there is no cash flow required, so to that extent, we do not expect much working capital will be required.

Dhruv Bhatia: Sir, what is the reason for taking or enabling resolution to raise 600 Crores then?

Shekhar Bajaj: The reason is very simple. We find that as a company to safeguard our interest, we should have a proper balance between short-term and long-term funds, so we feel that with this type of business and this type of money today, our debt equity ratio, our debt in terms of short-term is just too high, so by having additional equity coming in, to that extent, our debt equity ratio will be also corrected and to that extend we do not have to worry that you know in terms of paying interest and every time depending on short term, sometime CP may go up or down, that is not a good way we go about it, so therefore from a long term point of view, we thought we need to, whenever we require, at this moment as I mentioned, we do not need funds. So, it is not that we need the fund immediately for some EPC business that is why we are talking about enabling resolution. We do not need funds. We are basically trying to reduce our short term debt to convert to long term equity or long term debt. That is what the whole logic earlier of the 165 Crores NCD was the same. We wanted to convert our short term debt into long term debts and therefore the idea was to go for NCD of 165 Crores, we thought that it was a good idea to convert it, but when we found that the interest rate at that time was very tight, so we decided to withdraw it. Funds are available, but the interest rates have gone up to 11.5% to 12% which we thought were too high, we did not want to pay for it. So, therefore we decided to withdraw that 165 Crores NCD earlier, so it is not that we are not getting the money, but the interest rates at that time, there was tightness in the marketplace and therefore we did not want to go for it, because it was for long-term, for three years I think we were going to take, to have extra 1% interest rate was something which we thought was additional cost which we did not want because we did not have a cash flow issue for which we were taking that money, it was only to take that and repay back short term which was available at 8% or 9%. So to take money at 12% and clear 9% debt did not make sense.

Anuj Poddar: Let me just add, like the Chairman said we are not in requirement of funds for a cash flow point of view or liquidity point of fine, we are fine. I think we have reached peak working capital or peak debt levels, we do not see that enhancing may be marginally if at all. The resolution to raise equity at this point is just enabling resolution. At the right time when we feel the need, we will then act on that resolution, how and when and at what point we will deal with that at that point of time. The purpose is simply to strengthen the balance sheet and make it healthier and therefore we will decide on that at that point.

Dhruv Bhatia: Sir my two questions on the consumer side was again the capital employed, if I see in the consumer business, from FY2018 capital employed of around 200 Crores, it has gone up to 475 Crores. My understanding was that with this whole transformation to this RREP type of model where the types of inventory, the receivables, everything would be much lower, what is the reason of the capital employed again going up from 200 Crores to 475 Crores and if you could probably just say what the component would be of Nirlep, is it just big contribution through Nirlep. Second question is on the LED mix in the lighting, if you could just share that number?

Shekhar Bajaj: Let me answer your first question, as far as why it has gone up by 200 Crores, two things one is of course Nirlep is about 40 Crores and may be another 10 Crores, around 50 Crores will be that. More than that what has happened is we want our distributors to buy only when they require and therefore the type of growth we have seen in case of consumer products is seasonal. So, one is pure seasonal like coolers, even a fan and water heater is seasonal to that extent so we normally would start selling our fans sometime in November December for the February, March, April season. Now we are saying we are saying you only buy it when you need it, so therefore we had a very good growth in the month of March, we got very good growth in the month of April and therefore the reason is we have to build up stock and therefore our inventory is up by almost 50% over last year because of in anticipation that there is going to be a strong fan season so therefore we must build up inventory side, our inventory has really gone up high. We are keeping stock, Mr. Distributor, Mr. Retailer, you do not keep inventory, and I will give you when you need it. So because of that, their ROI, return in capital employed has gone much better at the cost of we keeping high inventory and that is where at short notice we could have a substantial growth which otherwise would have not. Like for example in December we grew by over 50% in water heater which if we did not build up stock, we could have not done. Same thing has happened in fans, we have done very well in the month of April because we build up stock.

Anuj Poddar: Just to answer the second part of your question, LED. LED are about 70% of our lighting sales in Q4.

Dhruv Bhatia: For the full year?

Anuj Poddar: I am sorry.

Dhruv Bhatia: For the full year FY2019?

Anant Purandare: It is around 70%.

Dhruv Bhatia: Sure, thank you so much.

Moderator: Thank you. The next question is from the line of Hitesh Taunk from ICICI Securities. Please go ahead.

Hitesh Taunk: Sir I missed your growth number you mentioned in appliances, fan and lightings in your opening remarks. Can you please repeat that number?

Anuj Poddar: You want the growth numbers for these?

Hitesh Taunk: Appliances, fan and lighting.

Anuj Poddar: Yes, the growth right?

Hitesh Taunk: Yes.

Anuj Poddar: Appliances grown by 22%

Hitesh Taunk: You are mentioning for Q4 or FY2019 Sir?

Anuj Poddar: I will give you both. Let me tell you Q4 first. Appliances grown by 22%, fans by 19% and lighting by 6%, Morphy has reduced, but Morphy is a smaller segment, but it has reduced by about 20% in this quarter. I will give you the annual figures also, appliances grown by 30%, fans by 26%, lighting by 10% and on an annualized basis Morphy has held flat which is marginal 1% growth.

Hitesh Taunk: Sir, my next question is during the quarter have we taken any kind of price hike in the consumer category?

Shekhar Bajaj: There has been some specific SKUs, we made just to do some correction we may have done it, but otherwise normally we are very hesitant with this distribution network to have stability unless there is a major cost increase, we try to see the price is stable, also we do not give extra discount, so with the result our competitor goes and gives away 3% or 5% additional discount, we do not go around matching 3% to 5%, we say our prices are stable. If suppose some cost goes up by 2% to 3%, we will absorb it, if the cost comes down by 2% or 3%, we will keep it with us, so therefore that is how it works and therefore I do not think there is any major hit is there, one or two items where we may have increased a couple of percent, but very, very normal, because in the month of November the prices, now it has again started going up, but in October November prices of many commodities went down, even now aluminum is very low, so therefore overall there is no major cost increase which has taken place in the last few months.

Hitesh Taunk: So is it fit to assume that our gross margin have remained same as compared to last year same quarter?

Shekhar Bajaj: For consumer products, the answer is yes. The net from 4.8 has gone, for the year it has gone up to 6.6, that means obviously our gross margins have improved and of course our fixed cost has come down in terms of percentage, so both together has resulted in an improvement of 1.8%.

Hitesh Taunk: Thank you Sir.

Moderator: Thank you. The next question is from the line of Varshit Shah from Emkay Global Financial Services. Please go ahead.

Varshit Shah: Thanks for the opportunity. Sir, just wanted to understand, I mean because of the delayed onset of summer, I think your numbers are pretty good compared to the peers. If I look at some of the peers who have recently reported, so in this backdrop for FY2020, do you have any sense of or may be for Q1 what would be the industry level growth that you are anticipating, in a range of course, not very exact numbers and I wanted the outlook on absolute debt levels for FY2020?

Anuj Poddar: Varshit, I think you are correct. So I think it was a late onset of summer, the winter lasted long and typically the fan or cooler sales that start by end February early March this time started beyond mid March to late March. Had it started earlier, our sales growth would have been higher, so keeping that in mind a 15% growth in this quarter is very good because last year, that was not the case, the sales had started from early March. Going forward because it has ended up being a good summer, we do see the benefits of that play out in Q1. To your question on market of competition, I do believe from our internal estimates and analysis that market growth in this period in Q1 has not been as much as ours. It has been significantly lower, I am saying Q1, Q4 of the year gone by and the Q1 of this current year.

Varshit Shah: On the project side, any colour on, so this year you mentioned project business could be anywhere around 3000 Crores, Mr. Bajaj mentioned and any colour, what could be the sustainable number for Bajaj business, may be beyond FY2020, I mean FY2021 and FY2022, as per the visibility available today of course, it could change with time?

Shekhar Bajaj: We have got no idea. Frankly speaking the EPC business is every time a tender business, it is not a trade business so therefore in CP I can give you some indications because I know what my distribution, but this is a tender business. If enough orders are available then of course, everybody will jack up their price. If I do not have sufficient order book, my competitor by offering 2% to 3% or even more discounts to keep their factories running. So, as far as we are concerned, we were a very small setup to worry about in terms of our factories, about 30000 ton is what our requirement per year is there. To keep that running, we are not going to keep taking orders that are very low margins, therefore our distribution does not require any of our factor usage, and it is all brought out anyway. So, therefore, if we do not get our required margin in PD or in any other EPC business, we can slowdown and we expected 3000 Crores, we ended up at 2000 Crores, but may be 2000 Crores is more money than in 3000 Crores, because we will work at a proper margin rather than just going for topline. For us, EPC topline has no meaning and that will be not our emphasis. Earlier also, I do not know whether you were involved in it, but we have always said that our whole objective is that EPC businesses are a supporting business to our consumer product business and therefore EPC business, we will try to restrict it to not more than 50% of our total turnover. If it is low, no problem, but this time just because of the UP project which is 1500 Crores, which happened last year and that is why we ended up at 3700 Crores, otherwise, if other business was 2800, this should have been around 2700 or 2800 Crores. That extra 700 Crores was only because of UP project, but in the current year and in the future years we are hoping it will never cross 50%.

Varshit Shah: Just only last thing on the absolute debt numbers, so I think our debt since you have mentioned that we do not see any significant increase in capital employed, debt level should either reduce from here or at least stay at this level. So what is your expectation, are you looking to reduce the overall debt in FY2020?

Anuj Poddar: It is two parts. One is like we said, yes, I think we are peak debt, if it goes up by 1600 for some reason, I do not know, but otherwise we do not expect it to go up. In terms of collections and this is linked to the collection from the UP project, in EPC business, collections from the government has slowed down starting towards second half of March, whether release of funds from the central government or REC to the state government you know has reduced or stopped. We see that now start to come back on track post elections. From the ground, we understand that there is certain payout expected by the state government by the end of this month which means we should start again seeing collection come our way from June. In that case, the debt levels should start reducing going forward, because we do not see any further significant capital employment or you know past 50% of the project work. So to that extent, automatically debt levels would reduce. In terms of enabling resolution for the equity, which we have no further comment on right now, if and when we chose to raise that, then obviously that it would impact the debt equity ratio positively.

Varshit Shah: Sure, all the best for FY2020.

Moderator: Thank you. We will move to the next question which is from line of Manish Agarwal from JM Financial. Please go ahead.

Manish Agarwal: If you could please repeat the fans and lighting full year number?

Anuj Poddar: Fans and lighting full year number, fans 699 Crores, lighting 408 Crores. This is the annual number I am given for FY2019.

Manish Agarwal: What sort of margins are we looking at EPC business?

Anuj Poddar: EPC business for the quarter was 4.4% and for full year basis was 5%, so it has marginally reduced. It is a function of the UP project which is lastly this year is a low margin project. Going forward it again depends on the mix of the businesses, but UP will continue to remain a low margin business which will constitute I think 50% of the revenues for the coming year or may actually a little less than 50%. The margins going forward depends on the new business that we earn, but clearly we are focused on not dropping our margins on EPC, at least as far as new business is concerned.

Manish Agarwal: Lastly, what are the key products which we have in our consumer portfolio in terms of appliances, what are the key appliances?

Anant Purandare: Major categories are water heater, mixers, iron, induction cooker and room coolers, these are the major categories and fans obviously are one of the major category.

Manish Agarwal: Thank you Sir.

Moderator: Thank you. We move to the next question which is from the line of Renu Baid from IIFL. Please go ahead.

Renu Baid: Just two followup questions. Can you help us with the absolute gross debt number including any portion which is there sitting in our other current liabilities at the end of the year?

Anant Purandare: 1583 is the overall borrowing and under Ind-AS everything is shown as borrowing including bills payable is also covered under borrowing.

Renu Baid: So total debt is 15,83 including the one in other current liabilities?

Anant Purandare: Other current liabilities. Now with Ind-As coming in it is also shown as a borrowing.

Renu Baid: As and when we see the collections improving, the borrowing number should actually come down by the end of next year, but are we having any targeted gross debt levels at the end of next year?

Anant Purandare: It depends upon how the business is growing and what is the working capital requirement will be .

Shekhar Bajaj: We have been very, very open about it that there is an uncertainty as far as payment coming out of UP project, not that it will not come, but whether it takes three months or six months, we cannot answer till the funding has been cleared by central government through REC, that is why every time if somebody ask, we can always say yes, it is coming in three months, it has no meaning because it is not under UP government, it has got to do with center and center because of the election there was no certainty. If BJP does not come in, that mean NDA will not come in and then when the new government comes in then it would have been a big issue. Now with them hopefully coming back, then we think that they are the ones who are pushing the electrification in UP and two years later, they will be having elections to again to win at UP and that is the biggest state, we will see that see that electrification continues in full swing. So we are hoping that extension will take place.

Renu Baid: So what is the current backlog that we have at the end of FY2019 and how will this backlog spread between the T&D distribution and aluminum segment?

Anuj Poddar: Our order book is 4844 Crores as of March 31, 2019 which includes 4032 Crores of Power Distribution, 700 Crores of Transmission Line Towers and 112 Crores of Illumination projects.

Renu Baid: What was the kind of EPC split in last year's revenue between these three segments for FY2019?

Anuj Poddar: EPC revenues last year in the power distribution was 2519 Crores, Tranmission Line Tower business was 782 Crores, Luminaires and illumination business combined was 630 Crores and may be off by one or two Crores.

Renu Baid: Sure, that should not be much of a problem there, correct. On Nirlep how are we looking at growth as we were looking at how the market responds in first half of this year after becoming pan-India launch, so how has that response been and going ahead next year, how should one expect the scale up in Nirlep happening?

Anuj Poddar: Nirlep is at its early stages, like you know it was introduced into our distribution network just a few months ago. I think the big test in what we are gearing up for Nirlep is actually for the festive period because that is where we feel a lot of push. Right now in the process of creating placements across the distribution network and into retailers and other counters which traditionally have not stopped Nirlep. So while our primary sales in the initial couple of months have been strong from our end, tracking is a secondary sales from us to distributors, but distributors to retailers is also fine but the second round of sales pick up will happen Nirlep home retailers and consumers start expanding. I think the consumer business is going to new segments in new areas, it takes a couple of quarters for that to start coming back, but again I do not expect to work on or really focus with the numbers in Q1 and Q2, the festive period that we are already started preparing for to drive the push for Nirlep. Our focus right now is summer, because we need to prioritize lighting, fans and coolers rather than Nirlep or the other business.

Renu Baid: That is from my side. Thank you and all the best.

Moderator: Thank you. The next question is from the line of Mayank Babla from Dalal & Broacha. Please go ahead.

Mayank Babla: Good evening and thank you for taking my question. So, earlier I had just missed the breakup of the Y-o-Y increase in capital employed of 200 Crores, approximately 50 Crores was towards Nirlep, the rest could you please clarify?

Anuj Poddar: Those largely because of inventory increase, the inventory increase was 200 Crores and that is the reason for that, like the Chairman explained earlier, one is we obviously had a very strong sales growth, given the back of the sales growth there will be consummate inventory.

Shekhar Bajaj: No I think I talked about the capital employed in the consumer product is 200 Crores

Anuj Poddar: the sales has grown very smartly, inventory has also grown, but the inventory has grown more than the sales growth and that is for two reasons, one is we have seen the last six quarters the sales growth has been very strong and a couple of quarters, the sales growth has actually outstripped our planned inventory which means we lost the opportunity of sales. To save working capital, you cannot lose sales. I think that is a losing proposition. We would rather err on the side of higher supply inventory but ensure that we book all the sales that are coming our way, that becomes particularly likely more challenging to estimate in the case of seasonal products, so there is no monthly linearity to that, and we need to stock up the inventory much in advance in anticipation of the season and therefore the inventory that you see, you see the March 31, 2019 inventory, which is a point in time where we really stock up heavily on fans and coolers because summer is the peak season for that. Inventory build up on a Y-o-Y March basis is largely because of fans and coolers build up and I think that started to pay off. We have seen very strong growth in fans and coolers towards the end of March which is when I said the summer pickup really began, but we have continued to see that traction post March also and in the current ongoing quarter. Therefore I am happy to the situation where you know I have had slightly higher working capital in the form of inventory, but paying off in the form of sales. Having said that, going forward, we will look at optimizing that also with two to three years trend line on inventory norms in optimization, we will have a little more data to mange that at our end also in the coming two years.

Mayank Babla: Thank you so much.

Moderator: Thank you. We will move to the next question which is from the line of Divya Jain from ICICI Prudential. Please go ahead.

Divya Jain: Sir, can you help me with the guidance for the consumer business, the EBITDA margins, and the margin levels you are going to guide for the consumer business in the coming year?

Shekhar Bajaj: As I have mentioned that our objective was to improve our EBITDA margin by 1% Y-o-Y which is our main bread and butter is our consumer business to work at 6% and 7% was something which really was not numbers that we can be pleased about, so we said every year we should improve by 1% per year and therefore against the 4.8%, we went to 6.6% in the last years. So, on that basis, we are talking about possibly from 6.6% to go up to 7.6%, 7.8% type of percentage for the current year.

Divya Jain: Thank you.

Moderator: Thank you. We move to the next question which is from the line of Naveen Ramachandran from Bellwether Capital. Please go ahead.

Naveen Ramachandran: Good afternoon. Sir out of this total 2600 Crores of receivables from the year end, how much pertains to the UP project?

Shekhar Bajaj: Net is 752 Crores, because we have some advances with us from UP.

Anuj Poddar: But at a gross level, the receivables from UP is 1200 Crores.

Naveen Ramachandran: Net number, can you repeat?

Anant Purandare: 750 Crores.

Naveen Ramachandran: The outlook on the UP project you are guiding for say another 1000 odd Crores if there is budget allocation?

Anuj Poddar: Within 1000 Crores, under 1000 Crores in terms of billing right?

Naveen Ramachandran: Yes.

Anuj Poddar: Little less than 1000 Crores.

Shekhar Bajaj: It can be 1000, it can be 800, it can be 1200, we do not know. Depending on what is the money they are releasing, depends on which are the orders that are coming, so it is very uncertain to give you an exact number as per whatever is their commitment, on that basis, on the basis of survey, that is where the issue is coming that they are committed that they will pick it up, so it is written letter to them also saying that on the basis of your commitment, we have procured material, we have arranged for everything and now you are saying shut it off. So, they said March 31, 2019, there is no further funding coming in after March 31, 2019 and that is why please slow down. After March let the new government come in and therefore and luckily we are hoping that NDA will again come in, so therefore I think funding will take place, because we do not want to supply unless we are clearly seeing some money coming in, because otherwise, I would rather keep inventory rather than having a risk of going and executing it and then money getting blocked up forever.

Naveen Ramachandran: Thank you Sir.

Moderator: Thank you. As there are no further questions, I would like to hand the conference over to the line of Mr. Amit Mahawar for closing comments.

Amit Mahawar: Thank you. Sir, do you have any closing remarks?

Shekhar Bajaj: Thank you very much. This is the first time that we have closed the question and answer within an hour's time otherwise normally we say okay last question. This time there was no last question that means we have satisfied your requirements; your questions have been well answered. I am happy and let us hope the next couple of quarters for us in our mind very important because we do not know exactly what is happening to UP project. The consumer business is well settled, so I do not need to worry, that will be very consistent. Once this UP project gets cleared, we get our money then we can happily move ahead in both the businesses. That is all. Thank you very much again.

Moderator: Thank you. On behalf of Edelweiss Securities Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.