L-1/2191/MGP August 12, 2019

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

National Stock Exchange of India Ltd. : **BAJAJELEC – Series: EQ**
Exchange Plaza, Bandra Kurla Complex **BAJA21A – Series A NCDs INE193E08038**
Bandra (East), Mumbai 400 051 **BAJA21 – Series B NCDs INE193E08020**
BAJA22 – Series C NCDs INE193E08012

Dear Sir / Madam,

Sub.: Transcript of post results Conference call held on August 7, 2019

Further to our letter no. L-1/2185/MGP dated August 6, 2019, we enclose herewith transcript of the Post results conference call held by the Company with the Investors, on Wednesday, August 7, 2019, on the financial results for the first quarter ended on June 30, 2019 which was organised by Emkay Global Financial Services Limited.

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

We request you to take the above information on your records.

Thanking you,

Yours faithfully,
For Bajaj Electricals Limited

MANGESH GUNWANT PATIL
Digitally signed by MANGESH GUNWANT PATIL
Date: 2019.08.12 18:44:47 +05'30'

Mangesh Patil
EVP – Legal and Company Secretary

Encl.: as above.

"Bajaj Electricals Limited Q1 FY2020 Earnings Conference Call"

August 07, 2019

ANALYST: MR. AMIT ZADE - EMKAY GLOBAL FINANCIAL SERVICES LIMITED

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

Moderator: Ladies and gentlemen, good day and welcome to the Bajaj Electricals Q1 FY2020 earnings conference call, hosted by Emkay Global Financial Services 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 Zade from Emkay Global. Thank you and over to you!

Amit Zade: Thank you Stephen. Good evening everyone. I would like to welcome the management and thank them for giving us this opportunity to host this 1Q FY2020 earnings call. We have with us today, Mr. Shekhar Bajaj, Chairman & Managing Director, Mr. Anuj Poddar, Executive Director and Mr. Anant Purandare, President and Chief Financial Officer. I would now hand over the call to the management for opening remarks. Over to you Sir!

Shekhar Bajaj: Thank you very much, Amit. This is Shekhar Bajaj here. Good afternoon to all. I would like to start by sharing with you, the numbers you must have received, but let me tell you that we are very happy with the results of the first quarter because the market was showing a slowdown and everybody was expecting the consumer product which is our main business, would also slowdown in terms of numbers. However, we have grown by 31.7%, the fans have grown by 40%, the appliances grown by 36.6%, lighting is grown by 5.8% and Morphy Richards has grown by 12.1%, therefore total is 31.7%. What I have been talking for the last couple of year is that the distribution is going to be in place, we will hope to grow faster than the market and that is what it has happened in the last five quarters and this quarter also the same thing is there because we have talked to a few of our competitors and most of them has grown at a slower pace and therefore we are gaining market share.

The other aspect which you must understand is that there is a negative growth of 5.3% in the EPC segment, which is part of the plan. We are expecting that the degrowth will be faster in the second, third and then mostly in the fourth quarter in the EPC segment because our UP project which was started, we got the order in April, May, really started from July onwards and therefore the maximum billing is done in the third and fourth quarter and therefore at this moment we do not have much of orders in hand and therefore to that extent there will be a degrowth as far as the EPC segment is concerned, which is part of our strategy that our whole concentration has to be in the consumer business and the EPC business will be only strategic where it has done with a clear cut idea to make profits. If the margins are there, we will do it, if the margins are not there and because of that there is a further degrowth, it is perfectly in order, so we are not pushing the EPC business only to get a topline so that if there is no growth it does not matter.

One other thing which is happening because of which the numbers in terms of bottomline or in terms of EBITDA is little low in case of Consumer Products compared to what it was last year, is that because last year our EPC business was 60% and our consumer business is 40%. In this first quarter, 60% of the business is consumer products and 40% is EPC, because of which our overheads, let us say, for instance, there has been Rs.100 Crores, earlier 60% of that was being borne by EPC, which is Rs.60 Crores, now only 40% has borne by them, therefore major overheads are being borne by Consumer Product because of which the EBITDA is getting hurt, also because of the product mix, because we have grown very well in coolers and in low end fans where margins are slightly lower, because of product mix, first level margins are also slightly lower than last year. But because of our growth that takes place our fixed cost percentage coming down, overall we are down only by about 0.5%-0.6% compared to last year. We think that second quarter onwards, this should improve, next year of course we will do lot of correction and therefore to that extent we will be in a position to be improving the gain.

Coming to last year versus year where we made reasonably good profits but we messed up of cash flows and therefore we are going for this QIP. That is enabling resolution, when we do it, how much we do it exactly depending on what the board finally approves, this is an enabling resolution that may go up to Rs.600 Crores, that is only to reduce our debt.

Current year we are expecting with the P&L will not be so great as far as EPC business coming down, but our cash flow will be positive in EPC and Consumer Products of course will be positive because cash flow coming in, so overall our debt will come down and therefore ROCE, debt equity ratio, all will improve and once if we go ahead with the QIP, then further 600 Crores, further debt will come down and then we come to a reasonable level of debt, which is what we are comfortable with.

One of the reasons why we have been downgraded by one notch is because our debt equity ratio is not good. They have said very clearly that once you either have a QIP or you are able to reduce your debt to a level where it can come down to say one to one ratio, then there will be no reason for us to review and assign you back into your original rating. Therefore this is something which we will look at because presently, the market has fallen and therefore we will see at that right time, we have a 12-months period for us to if you want to get to the subscribers, we need to get to subscribe for it within the period of 12 months, so the 12 months window is there, we will decide when to do it, depending on timing and looking at the market and everything, there is no hurry because this money is not to for any business purpose that I will need the money, this is only there to reduce our debt, therefore if it get delayed by couple of months, it does not matter at all. So we do not know whether it will be two months, three months, six months or it can be one month, I do not know, it depends on the thing but we are clear about it.

EPC business is going to be very clearly a business which will be done on the basis that we make a reasonable margin and also where the cash flows are proper. If some business has got a good profitability but the money would not come for one year, two years, we may decide not to do that business. So we will be very selective in our business, as far as EPC business is concerned. As far as Consumer Product is concerned, we will all out to see that we get substantial growth, so that we can continue to make the profits also and cash flow is not the issue in the Consumer Product Business. So this is a basic starting point. I would like to now ask, Anuj if you wants to add something.

Anuj Poddar: I will just be very quick. I think the chairman has said most of the points. Just want to add two or threere. One is to emphasis like you know the CP which is the Consumer Business, has done extremely well in what is otherwise considered to be very down market. This is why EPC is the one that is in slight degrowth. Number two this is part of a strategic shift like he explained. Our focus increasingly is to drive Consumer Business aggressively, while containing the EPC business from a risk and cash management. Number three, our focus increasingly from just being P&L led, is going to become this year clearly to drive cash flow realizations for the business. We intent to be cash flow positive this year all through on both businesses and therefore as a company, with the aim to improving our balance sheets significantly this year and next year. So that is the direction that you will see us going quarter-on-quarter.

Lastly speaking the only hit that we have taken in this quarter really is because of interest cost, which has bought down PBT otherwise still EBITDA and topline is fine, but then interest cost, like I said to the cash flow coming in and we starting to repay debt towards the end of the year, we will now start to see tapering of the interest cost. This without factoring in any of the fund reason QIP, which will accelerate debt. That is all for now. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Aksh Vora from Praj Financials. Please go ahead.

Aksh Vora: Just wanted to know is there any plans on board to demerge the EPC business or demerge the Consumer Business because what happens is every two to three years, we grow in EPC business and we book revenues out of the order, we take huge orders and one or two years, goes into make the clean up for the EPC business and by then the Consumer Business always is affected so shareholders wealth is not created in that and company is being suffering since a long time because of that. So is there any plan to demerge both the businesses?

Shekhar Bajaj: At this moment, at least till this whole EPC does not come into play, we would not even think on those lines because there is a lot of responsibility and liability in terms of cash flows as far as the EPC business is concerned. If we would have listened to somebody like you to demerge the company say a year back then the EPC business what has happened just now because if they would not have been no support from the Consumer Business, then the EPC business on its own could not have survived and that particular separate unit would have almost collapsed or would have taken crazy amount of money because obviously this type of cash flow is not being generated, almost a 1000 Crores additional cash has been utilized by the project business which would have not been possible, if it was a separate company. But once this UP project is over, we have already put in lot of checks and balances, we have also learnt out of this particular activities that we have done by which we have got so stressed up that we have put in lot of restrictions, lot of controls, commercials getting into it, every business will be finally signed off by our Executive Director, Anuj. All those things we have put in so that this type of big orders which have come in, would not come in future. That is the safeguard we have taken. Also a minimum internal rate of return, all those things have been considered so that this does not get repeated. Our objective is Consumer Product business has to go up and that is what our concentration. EPC business, if it is makes sense in terms of profitability, in terms of cash flows, in terms of risks, if it is good, then we will do it, otherwise we not do it. And because of that if it goes down, then it is perfectly okay. We are not saying that because of that we compromise by saying, okay, we will work at low margins, we will go and take a risky businesses, we will not do all that. Because our whole focus is on consumer business. So at this moment, we are not looking at the demerger or anything like that, but once everything is under control, at that stage, after a couple of years, once this whole thing is cleaned up, we got all our old money and all up and going and at that time if we think it make sense we will think of it, it is not a closed matter, but at this moment it is not under consideration.

Aksh Vora: I understand. Just to look back and a couple of years back, the EPC business got out of the mess, and that time also we had asked the same question but at that time you had told that both the business will have a fair value of revenues and we would not let go EPC business above Rs.1000 Crores of revenue, but when the orders come, we tend to take the orders, so that is always the case with the nature of the business, I understand but what is happening is the capital is being swayed to the non-lucrative part of business and the good business is being dampened, if you can consider the separation of the business or demerger, once the EPC business is stabilized then it would be really good for shareholder.

Shekhar Bajaj: I said that this is not closed matter, closed mind for us, it is an open matter, what you are saying is correct after it is stabilized at that stage we will look at it. The main issue is that as far as EPC business is concerned, because of that we have never seen the Consumer Business getting impacted, if the Consumer Business needs Rs.100 Crores and we say sorry all our money sucked in because of EPC and therefore I will not give you your expansion, you want money for some tooling, dyeing or some good projects available and we say sorry you cannot do it because all our money is sucked in, which will never happen. Our priority is clearly Consumer Business. It is the tightness has come because we have borrowed to take care of EPC business, not deprive the Consumer Business of their money what is required so in future also Consumer Business is clearly our priority. We will never let it suffer because of some money has been diverted to the EPC business and therefore to make safe that there should be sufficient funds available, we are doing for this possible QIP.

Aksh Vora: All right. Thank you. All the best Sir.

Moderator: Thank you. The next question is from the line of Sonali Salgaonkar from Jefferies. Please go ahead.

Sonali Salgaonkar: Sir thank you for the opportunity. Sir my questions are broadly pertaining to the industry. Firstly as you mentioned in your initial commentary the demand scenario looks weak. So wanted to understand any light you could throw on the consumer sentiment especially across the segments that you are in and do you view this demand to improve in the second half of the year with the onset of the festive season.

Anuj Poddar: This is Anuj. Thanks for your question. Well, we have two data points for you. Our performance and then the newspapers, I think the fact is as per the newspapers, consumer sentiment is weak, I do believe that is true and that is true across both urban India and rural India. You are seeing a slowdown and it will continue in the consumption segment. Having said that I am pleased that we have had a very strong growth; our growth has been pretty good across all our product categories while particularly coolers and fans because of the summer has been strong growth driver. Frankly in this environment for us we have growth is a very positive story. My second takeaway really is, if we look at the sector as a whole for our consumer small appliances, I think we are in and I what I like to believe is slightly more nondiscretionary segment compared to larger white good, etc., so in general our peers have also delivered double-digit growth, one of them has given 15%-16% in this segment, the other one has given slightly about 20% in this segment. For this segment we beat both of them also at 30%. So I think in a tough environment, it is partly due to fact that we are slightly non-discretionary but even in that at these growth rate, I think it is very good.

Sonali Salgaonkar: Sir could you share your approximate market share that you enjoy right now across the key segments of yours?

Anuj Poddar: Market shares vary in product category. Some of the leading categories particularly food preparation, mixer grinder, etc., it is about 20%. I cannot give you an exact number because while we have our estimates, but officially industry reports come with a 18 months lag, but we have well about 20% in this segment. In segments that we are weak, particularly fans I will call out because that is something we know we are not the top three player but we intent to get there, is where we are in a very, very highly single digit toward minimum double-digit that is the market share will be the same. That is also something with a 40% growth in fans in this quarter, we are looking at growing that aggressively.

Shekhar Bajaj: One more thing unlike fans and lighting where there is the proper ELCOMA, if the fan manufacture association is there which the data is available so when we say that we were 10% market share it is almost correct, while in case of appliances there is no organized sector, so with the reserve there is no organization, association, so it is a guess work. We talk to 10 people and say how about yours market share, so this year okay, the market is 100 and therefore I have got

20% market share but frankly speaking, nobody can authenticate and say this is the total market if you guess, or guesstimate.

Sonali Salgaonkar: Sure Sir. Sir within the fans what proportion of our sales would be premium and ultra premium fans?

Anuj Poddar: Just trying to be honest, we do not give that out but I can tell you our premium is the lower segment, sub economy is where our strength has been that is where our bulk of our growth this quarter has also been. Going forward we do want to increase share in economy and premium but we do not break up these figure.

Sonali Salgaonkar: Got it. Sir lastly could you share with us your distribution touch points across India in terms of dealers and retailers?

Anuj Poddar: We had about 478 distributors and we have about 208000 retailers.

Sonali Salgaonkar: Got it. This has been helpful, Thank you.

Moderator: Thank you. The next question is from the line of Kushal Khandwala from KIFS. Please go ahead.

Kushal Khandwala: Why has the finance cost increased drastically and a major portion of that is apportioned to EPC or is there some pressure being also witnessed in the CD working capital cycle?

Anuj Poddar: No, we did not hear you, what is falling drastically, finance cost driven?

Kushal Khandwala: Yes.

Anuj Poddar: That is all in carry with EPC because all the interest is on debt, and all the debt is because of the EPC growth. So as I said in the start the focus is cash flows as we start collecting cash, the debt and interest will come down.

Kushal Khandwala: The same things with margin right?

Anuj Poddar: I am sorry your voice is not clear, Kushal.

Kushal Khandwala: The same thing with the margins, so even if you adjust let us say as per the Ind AS 116, some of the other expenses have also been apportioned. So if you adjust for the other expenses, what is the EBIT margins for CD and the EPC segment?

Anant Purandare: In our case impact of Ind As 116 is not major, it has just impacted 2 Crores overall, so there is increase in depreciation, and finance cost because of this and there is a reduction in Rent. Overall impact is just 2 Crores.

Kushal Khandwala: All right and what is the current debt number?

Anant Purandare: Rs. 1600 Crores.

Kushal Khandwala: All right Sir. That is all. Thank you.

Moderator: Thank you. The next question is from the line of Sneha Jain from SKS Capital. Please go ahead.

Sneha Jain: Sir I wanted to ask about your expansion plans recently in particular of the fans area that what are your trajectories that you would do and especially in the case of advertisement, etc., how would you push that sales?

Anuj Poddar: Sneha, thanks for question. So fans like I said, we are looking aggressively growing that, we used to be at a higher ranking market share till a few years ago, the distribution that is something we are aggressively looking to capture that. That is mostly in the back of increasing products, we do have some gaps in a product portfolio in fans which we are adding to. This will be done in phases. It is also trying to expand significantly so we pushed that hard this summer, it will again come back next summer. It happens through the year, obviously the higher yield that happened in the summer, number one. Number two, on advertising and branding, we see the need and the room for us to increase overall brand spend. We will see that happen this year also and over the next two years, we will gradually increase our brand spend to drive greater support to our consumer business.

Sneha Jain: Sir, secondly I would ask that in the debt segment how would you like plan and what timeframe would that debt reduction or the increase in that the finance cost that is happening or is going to come down?

Anuj Poddar: The debt reduction, let us leave aside the fund raise of QIP. So that timing is undecided irrespective of that we expect a certain amount of debt reduction will happen this year because we will be cash flow positive. But we expect more collection on UP and EPC next year which is FY2021 where will be a significant reduction in the debt. I do not know what the specific number, couple of 100 Crores, but next year should start going to below 1000 Crores that is why we will get a big drop in debt. Automatically, interest will track that. As and when we decide to do an equity raise, because most of that will be used for debt reduction then that should actually accelerate the reduction.

Sneha Jain: All right. That is it from my side. Thank you so much.

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

Hitesh Taunk: Thank you for the opportunity Sir, Sir my first question is how much revenue have we booked from the UP project during this quarter.

Shekhar Bajaj: 75 Crores.

Hitesh Taunk: 75 Crores. Sir out of this 1500 or 1600 odd order book position as of now, do we expect EBIT margin of the remaining order of around 5% to 6% or will it be lower than that in the coming quarters?

Shekhar Bajaj: That is not very clear. It can be 1%, 2% lower also, it does not matter. Our main issue is not the EBIT margin. Our problem is the interest costs therefore I always say that we look at PBT. We do not look at EBIT. EBIT has no meaning because if the EBIT is 5% but if your interest cost is 8% you are killed, and if suppose your EBIT margin is only 4% but your interest cost will be 1%, then you are great because you make 3% PBT, so for us getting the interest cost down is more important than EBITDA margin is something also dependent on the fixed cost because the fixed cost is there, and your business is going to go down we are expecting that third and fourth quarter, business may they go down their 40% to 50% as far as EPC is concerned because the major billing of the UP project to finish in the third and fourth quarter last year. That is why our receivable of the third and fourth quarter is hitting the interest cost in the first and second quarter of this year. Therefore to me, the interest cost reduction and collection of the old outstanding is the most critical thing, which will immediately improve our profitability, not whether we have 4% or 5% or 6% EBITDA margins really, it is of course useful, but that is really want to do with lot of fixed cost because fixed cost will keep going up in terms of percentage because our business is going to go down, overheads cannot be just cutoff in one stroke. So there are two costs. One is the interest cost and one is the overhead cost. Now overhead cost comes before our EBITDA. So therefore it will immediately impact the EBIT and as far as the interest cost comes after that, so that comes before you say EBIT 5% or 6% and then we would talk about the interest. So therefore we have to look at both the sides and therefore because our business is going to go down, therefore the EBIT may go down by a few percent.

Hitesh Taunk: My next question is pertaining to our Consumer Business only, if you have seen Y-o-Y figure in terms of capital employed, it has increased significantly. Could you throw some reason for that? I am talking about segment update in Consumer Product segment?

Anant Purandare: Yes, see mainly because of consolidated results, the assets of NIRLEP Rs. 69 Crores and 90 Crores is lease accounting, that is what extra capital has came in.

Hitesh Taunk: Okay. So you mean to say there is no significant rise in the debtors, right?

Anuj Poddar: Yes.

Shekhar Bajaj: The debtors for Consumer Product have completely lean and again those are grossed up because we have channel financing models, actually net debtors is very low in that.

Hitesh Taunk: Sir what is our NIRLEP revenue, have you got during this quarter

Anuj Poddar: Rs.8 Crores.

Hitesh Taunk: Sir, are we EBITDA positive in that business?

Anuj Poddar: That business is marginally EBITDA negative but that is in this quarter, Q2 which is festive quarter will show us actual results.

Hitesh Taunk: That is all from my side. I will come in the queue Sir.

Moderator: Thank you. The next question is from the line of Ashish Kacholia from Lucky Investment. Please go ahead.

Ashish Kacholia: Sir could you talk a little bit about the A&P spends in the consumer durable business?

Anuj Poddar: Ashish, A&P spends consumer this quarter are about incremental Rs.6 Crores, that is because we supported our cooler and fan promotion in this quarter. We have seen the results in our consumer in cooler and fan growth. Like I said earlier we intent to continue to drive A&P spends for consumer business and we see good paybacks on that.

Ashish Kacholia: So this quarter we spent Rs. 6 Crores, is it?

Anuj Poddar: Rs. 6 Crores incremental over the last year same quarter.

Ashish Kacholia: What was the percent change? I mean if you could give the absolute number?

Anuj Poddar: 16 going up to 22.

Ashish Kacholia: 16 going to 22?

Anuj Poddar: Yes.

Ashish Kacholia: Okay and is there any because our spend from what I understand is actually below the Line?

Anuj Poddar: So that is changing Ashish. Two things, one is, it has been below the line you will see greater allocation to above the line instead of below the line. As far as our strategy, you make a far more consumer centric in a pull model, two, the total quantum will also increase.

Ashish Kacholia: There is one school of thought that says that given the nature of our distribution now, I have to spend say, will have to spend like FMCG Company which is 10% of sales, to get the kind of growth that we want, so do you have any thoughts on that?

Anuj Poddar: I think 10% is way too high. Today we are close to 3%.

Ashish Kacholia: Yes, so I mean you are being able to achieve these results, which are quite good, but there is a school of thought which says that since you have changed your distribution model to align it with the FMCG kind of business model, then we have to spend even A&P corresponding to what the FMCG guys spend, so is the nature of this business different than the FMCG business where you do not have to spend so much to kind of get the sales output that you want?

Anuj Poddar: My view is number one, having a better distribution place actually helps your push factor. I do not think that necessarily drives you to spend more on ATL. That does allow to spend a little hygiene more money in absolute terms on ATL to keep that digital and etc., point of sales, branding visibility so that is fine but that is not a huge figure. So the spends really on ATL are not connected to the distribution reach. The ATL itself is something I feel that need to increase if you look at our competition. That 3%, I do not have a specific number, we may go up to 5% in the medium term which is over a couple of years before it corrects itself as our sales picks up. But 10% is way too high. I do not see the need to go to 10%.

Ashish Kacholia: When you model it for say 5% do you think it will affect your EBITDA margin or you can hold the EBITDA margin?

Anuj Poddar: Maybe it will, but the lag will keep correcting, so I do not think if I increase by 2% and will have a 2% drop in my margins, may be 0.5 to 1%, but we will catch up very fast in that.

Shekhar Bajaj: Also let me add to this, unlike in case of the Consumer Products, which you can work at 8%-10%, they have much higher margin and therefore here the opportunity, it is a very competitive market. So we cannot go and just jack up our price at 5% in our small appliances or lighting or anything because then you will loose your market share, so whatever benefit you can get, you loose out, so a couple of percentage is okay, but you cannot go to 10%, anything from 2% to 5%, nobody is going above 5%, so I think this is a maximum I think we will go.

Ashish Kacholia: Got it Sir. Great Sir. All the very best. Great numbers on a durable side. Fantastic Sir.

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

Akshay Bhor: Good evening Sir. Sir just one quick question from my side on the gross debt side, could you give us what is the gross debt as of the end of the quarter and in terms of the receivables from UP projects and rest of the EPC business, so what is the kind of trajectory do you expect for the rest of the year and for the advances where you are paying interest at this point in time when do you stop paying that interest, could you give us clarity on that?

Anant Purandare: Akshay, the gross debt Rs.1600 Crores plus around Rs.200 Crores is the advance, which is yet to be adjusted, so around Rs.1800 is the gross debt what we can say.

Akshay Bhor: For UP project?

Anuj Poddar: Regarding outstanding of UP is as of date is around 850 Crores.

Akshay Bhor: I wanted to understand that trajectory of receiving payments from UP project or just the general EPC receivables, for the rest of the year as you are ramping down and supposing that you will also be getting lot of cash flows and you do not have to redeploy that in the projects?

Anuj Poddar: Akshay, when broadly speaking, from EPC we expect a collection of Rs.500 plus Crores this year. I am talking full fiscal starting Q1 to Q4, but the way that is play out, we had at the start of this year about Rs.400 Crores of advance from the customer, so when I gave Rs.500 plus Crores, Rs. 400 Crores will first get knocked off and then the balance Rs.100 Crores plus should be a cash realization, point one. Point two, this is all subject to, yes the Rs.400 Crores was interest bearing so when that will get knocked off, the interest corresponding to that will get knocked off. They make similar or higher figures so that should all be in the cash reserves, so that is how that receivables or debt should have been there. Number two, this will subject to actual Govt. disbursements, I think it could be little more than this, and it could be faster. If they were to pay up faster, as we speak today we have over Rs.350 Crores overdue from the Govt. UP, but the timing of that is something, we cannot control and therefore we are just putting this check in case it is slightly concentrated figure out.

Akshay Bhor: Understood and what should be the average interest expense for the year then in that case?

Anuj Poddar: Sorry, average?

Akshay Bhor: What should be the overall interest expense in FY2020?

Anuj Poddar: It is hard for me to put in number while I have my estimate, I cannot put that out like we said, about Rs.1585 Crores of debt plus Rs.400 Crores of this advance, which is an interest bearing, costing on that will be 10% let us say but obviously that will taper off when we reach 2020. It will not be 2000 Crores. It will in fact be tapering off through the year. This is again without factoring the equity proceeds. If that comes in then that aggressively activates that tapering off.

Akshay Bhor: Great. Thanks Sir. That is it from my side.

Anuj Poddar: In way of guidance you have our current quarter number, if you extrapolate that that should only come marginally down because has correction come.

Akshay Bhor: Yes obviously got that. Thanks.

Moderator: Thank you. The next question is from the line of Ashish Kacholia from Lucky Investment. Please go ahead.

Ashish Kacholia: I had one more question, which is that the sales growth that has been driven in this quarter, is there very large number, is there a big change in the number of outlets that we have reached in this quarter versus corresponding quarter last year?

Anuj Poddar: Roughly 140000 Ashish my guess. I was not there in that quarter.

Ashish Kacholia: So 140000 has gone to 208000?

Anuj Poddar: Yes. I came on board, if you remember it is about 180000 at that point.

Ashish Kacholia: There is a huge impact of the distribution change that has happened over the last one year in the numbers?

Anuj Poddar: Absolutely, yes. But also keep in mind that every retail outlet is happening in more and more remote area, so for outlet sales numbers drastically falls in every incremental outlet. That 60000 not equivalent to 30% more that will probably much, much lower.

Ashish Kacholia: How satisfied are you with the kind of sales tractions that we are getting at the fair to just take a analogy of SSG level, same store sales growth or same stores penetration level for us?

Anuj Poddar: To be candid, we have in mind the data that way but the sales growth is happening largely I would say more than half of that has same stores sales growth because of the reason that I mentioned. This growth in distribution network is further down the chain, right. Per outlet volumes or values significantly drops as it keep going below that median. We are very happy with the flows.

Ashish Kacholia: Great. Thanks.

Moderator: Thank you. The next question is from the line of Rahul Dani from Karma Capital. Please go ahead.

Rahul Dani: Good evening Sir. What is your order book ex UP?

Anuj Poddar: Sorry what is that?

Rahul Dani: Order book at UP.

Anuj Poddar: Rahul, sorry I cannot hear you.

Rahul Dani: Order book for Uttar Pradesh?

Anant Purandare: Total order mix is 1556 out of that power distribution is 916.

Rahul Dani: If you exclude Uttar Pradesh?

Anant Purandare: Yes, this is total, including UP order.

Rahul Dani: Excluding UP, how much?

Anant Purandare: UP? Out of this 374 is UP.

Rahul Dani: Okay and one more think so if you are looking to be cash flow positive by the end of this year, so then we are looking for QIP?

Anuj Poddar: Rahul, couple of points, one is quite frankly strategically I think there is a demand from institutional investor and we will be happy to widen our book of institutional investors that is the most strategic reason to do it, but from more tactical financial reason, our debt equity at 1.5 plus is not something we are not very happy with that is also led to a rating downgrade, we have typically operated at a much healthier debt equity ratio. I think even if we look at the promoter profile, there are far more conservative as far as debt is concerned. We just think that is a healthy operating balance sheet to operate in the business with. The reduction in debt and cash flow positive by the time we are going to get there, we will get there marginally this year and far more aggressively in FY2021, we do want to accelerate that process reducing debt and interest.

Rahul Dani: Sir how has been July for you because you are considering May and June most of the growth could be withstands in coolers, but now how has July been for you, have you seen 20% growth in July as well?

Anuj Poddar: We cannot really give up that figure, but not too bad.

Rahul Dani: Okay Sir. Thank you so much.

Moderator: Thank you. The next question is from the line of Anmol Grover from Albatross Capital. Please go ahead.

Anmol Grover: Good evening Sir. Congratulation on a good quarter. My question is, can you give a volume and value growth number for the Consumer Products?

Anuj Poddar: No. We do not have data right now. But keep in mind we have not taken too many price increases, so volume is the key driver of growth for us.

Anmol Grover: How do you see the Consumer Product business going forward for the year?

Anuj Poddar: Sorry, your voice is not clear. How do we see the growth going forward?

Anmol Grover: How do you see the growth going forward on the Consumer Products business going forward, can you give a guidance?

Anuj Poddar: We are targeting and expecting to maintain a high double digit growth through this year. Obviously subject to the economy and everything else keeping pace, like we have done in Q1, especially despite the economy, we do want to continue to grow ahead of market and ahead of economy and ahead of competition. Unless something that happens, we want to maintain from double digit growth.

Anmol Grover: So you are expecting the market to pick up in the second half of the year basically?

Anuj Poddar: Your voice is not very clear.

Anmol Grover: I was asking that do you expect the market to pickup in the second half of the quarter?

Anuj Poddar: I do not expect, but we hope so. Festive quarter is an important quarter for everybody. We are preparing ourselves to push aggressively at that point hoping that market does turnaround. To be very candid current trend economy are not very bullish or robust. I do not see any major trigger point for the economy to turnaround. I think keeping our business aside we maybe at least three to six months away, from a significant turnaround in the economy, but that is separate. I think we are talking particularly festive quarter anyway has some buoyancy, quantum of buoyancy remains to be seen.

Anmol Grover: All right. That is all Sir. Thank you.

Anuj Poddar: I do not know if Ashish is yet o\on the call but for the benefit of all of you since you asked this question, our number of retail points last year this quarter was 152000, not 140000.

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

Shekhar Bajaj: Thank you very much. Thank you for all these questions. We are very bullish about the future. Once our cash flows are improving, our interest costs come down, then we can look forward to a very healthy profits also coming in. At this moment, in spite of 13%-14% overall growth, we still have shown EBIT level equal to last year almost, so I think once the interest cost comes down the profitability also should grow. Thank you for questions. I think we are very happy with that. Thank you.

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