

L-1/1611/SRB

February 21, 2018

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

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

Dear Sirs,

Sub.: Transcript of Post Results Conference Call held on 8 February 2018

Further to our letter No.L-1/1589/MGP dated February 7, 2018, we enclose herewith transcript of the Post Results Conference Call held by the Company with the investors, on Thursday, February 8, 2018, on the financial results of the Company for the quarter and nine months period ended December 31, 2017, which was hosted by Emkay Global Financial Services Limited.

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

Thanking you,

Yours faithfully,
For Bajaj Electricals Limited


Shekhar Bajaj
Chairman & Managing Director

Enc.: as above



“Bajaj Electricals Limited Q3 FY 2018
Results Call”

February 08, 2018



ANALYST: MS. NIKHAR JAIN – EMKAY GLOBAL FINANCIAL SERVICES

**MANAGEMENT: MR. SHEKHAR BAJAJ - CHAIRMAN & MANAGING
DIRECTOR – BAJAJ ELECTRICALS LIMITED
MR. ANANT BAJAJ - JOINT MANAGING DIRECTOR– BAJAJ
ELECTRICALS LIMITED
MR. ANANT PURANDARE – CHIEF FINANCIAL OFFICER –
BAJAJ ELECTRICALS LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY2018 results call of Bajaj Electricals hosted by Emkay Global Financial Services. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call, please signal the 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. Nikhar Jain from Emkay Global. Thank you and over to you Mam!

Nikhar Jain: Good evening everyone. I would like to welcome the management and thank them for giving us this opportunity. We have with us today Mr. Shekhar Bajaj, Chairman & Managing Director, Mr. Anant Bajaj – Joint Managing Director and Mr. Anant Purandare – Chief Financial Officer. I would now hand over the call to the management for the opening remarks. Over to you gentlemen!

Shekhar Bajaj: Thank you very much, Shekhar Bajaj here. Welcome to all. I am very happy that you must have seen the quarterly results for the Q3, now one other thing which is important in my opening remarks I must mention, as I mentioned in the last quarterly results also, that because of the GST coming in, our volume is growing by 10%, but in value term, it shows no growth, so when in case of consumer product, it shows only 1.8% growth, actually the growth is about 11% to 12% in terms of volume term. Similarly, in case of EPC it shows a 17% growth, but closer to 26%-27% growth which is there in terms of volume. So the volume terms is going down by 8% to 10% because earlier we were buying product at Rs.100 plus say 8% excise duty or 10% excise duty and my cost was 108 or 110, now because there is no excise duty my cost is Rs.100 only and I charge the GST, so it is 18% in lighting and fan, 18% on 100 and similarly in case of appliances is 100 plus 28% but my realization earlier was on the base of 110 now it on the basis of 100 so therefore when you see a number you must add another 10% to that to come to really growth which is taking place.

We have been always saying that the RREP distribution model which really has been pushed and really driven by our JMD Anant Bajaj, is something which is now reaching a stage of fructification, we have covered 1,30,000 outlet, we have covered 440 districts of the country and is almost 85% or 90% of our total market has been covered, we are hoping that except for two or three states which are not very important states like let us say north east, Jammu and Kashmir and Kerala, most of the other states will be all fully implemented so therefore because of that we are expecting that the growth in the Q4 and the net quarter will be very strong. Normally we are giving the figures only on the quarterly basis. This month we have made an exception, by giving the figures of January also. January we have given because on one side we have a investor meet where people say how is January Sir, I cannot say I do not know and similarly we are going to go for the investors meet outside India also, there again they may be asking, so we have to give the numbers for January and that is why the January figures is really gives us a great pleasure because the growth in both consumer product and in case of EPC both, by chance is exactly 19% in terms of value term that means volume it can be anything between 27%-28% in terms of

growth is taking place, whether the same percentage will continue but clearly I am very bullish on February and March that it should give me at least 15% to 20%, growth should take place in these two months also.

The number we exactly by chance the same Rs.172 Crores was there last year in January and this year 204. In EPC and also in case of consumer product as you know it is too much of a coincidence that both are identical that mean both are really the twin sisters or brothers they both are fighting to see who is going to be the winner, it can be a photo finish I hope so. Anyways, the current year performance if you look at it in terms of growth every product group except for luminaires and TLT are showing negative growth otherwise all others are showing very positive growth. In case of power distribution, it is very, very strongly positive. So with these words, we are very happy with the performance. Our interest cost has gone down by further Rs.6 Crores and we are expecting at the year end, it should be anything around Rs.50 Crores, Rs.55 Crores. so I think working capital is under control, our sales growth is taking place, our fixed cost will get divided over as a larger volume and you would see our EBITDA margin improving not because necessary that we are getting a better price but because our fixed cost is now going to in terms of percentage come down, which will help in improving the profitability and margins that you see in the fourth quarter and also in first few quarters. Thank you very much.

Moderator: Thank you. Ladies and gentlemen we will now begin the question and answer session. We will take the first question from the line of Achal Lohade from JM Financial. Please go ahead.

Achal Lohade: Thank you for the opportunity Sir and congratulations for the milestone. Sir can you help us understand in terms of the consumer business how the lighting and ECD have done separately and if you could highlight how do you look at the growth in each of these two sub-segments?

Shekhar Bajaj: As I mentioned that though the number shows 1.8% in consumer products, actually the growth is you can add another 10% to 12% growth because of the GST coming ,in our margins are not getting impacted but our realization is lower because our number are without tax and therefore it is now earlier to 100 plus 18% which was VAT and others say it comes to 118, now the price is still 118 but it is 90 plus 28% comes to 118 and we are expecting that in this coming GST council meeting that 28 should come down to 18 because finance minister said that we cannot have so many rates and 28% will be very few products which are Sin products as was mentioned, so I do not see iron and toaster to be a Sin product, so I am expecting that that should go down to 18% and as soon as that happens we will be passing on that 10% to the consumer, so that is no cheating. So our price is 90 plus 28%, so our growth has been major in fans, fans is growing and volume terms it would be around 20%, our lighting would be growing about 10%-11% and appliances grown by about 8% to 9%....

Achal Lohade: This is for the quarter you are talking about Sir?

Shekhar Bajaj: Yes, this is for the quarter.

Achal Lohade: Okay and overall consumer durables...?

- Shekhar Bajaj:** I said 1.8% is ...
- Achal Lohade:** That is overall growth Sir, I was asking about how much is lighting and luminaires growth?
- Shekhar Bajaj:** I just mentioned lighting is plus 10% to 11%, appliances are about 8% to 9%, fans are about 18% to 20%, and MR is about 6% to 7% luminaires is minus 8% to 10%.
- Achal Lohade:** Is there any specific news nothing you want to highlight about the luminaires about the negative...?
- Shekhar Bajaj:** The good news is that as far as luminaires is concerned, our order book is very strong, it is one of the best order book that one can see but there were some issues on supply which had been correct. So hopefully in the next two months we should have positive growth coming out of luminaires also.
- Achal Lohade:** I understood. Sir if you could help us with the order book as of December 31?
- Shekhar Bajaj:** Order book is about Rs.3072 Crore and on that Rs.3072 Crores, Rs.800 Crore is TLT, 2135 is power distribution and 141 is illumination.
- Achal Lohade:** Understood. And about Advertising and & Sales Promotion for the quarter as well as same quarter last year Sir?
- Anant Purandare:** This year it is Rs.74 Crores for the nine month and last year it was Rs.53 Crores for nine months.
- Achal Lohade:** Do you have that quarter number by any chance Sir?
- Anant Purandare:** **For the** Quarter, it was Rs.28 Crores as against last year it was Rs.19 Crores, so Rs.9 Crores increase.
- Achal Lohade:** Sorry Rs.19 Crores have gone up to Rs.28 Crores in this quarter, is that correct?
- Shekhar Bajaj:** Right. So therefore in spite of 9 Crore increase we still showing a better number.
- Achal Lohade:** That is great Sir. I will come back in the queue. Thank you so much.
- Moderator:** Thank you. The next question if from the line of Bhargav Budhadev from Ambit Capital. Please go ahead.
- Bhargav Budhadev:** Thank you very much for the opportunity and Sir congrats for the good set of numbers. Sir I have a couple of questions, one is Sir is it possible to quantify what is the fixed cost pertaining to TOC implementation in nine months and possibly this cost will start reducing from next year given that TOC is fully implemented, is my understanding correct?
- Shekhar Bajaj:** What you are saying Budhadev is absolutely correct. Our whole objective is that the investment, which we did to get the TOC implementation, which we are hoping by most of it, will be completely before end of March. Once that gets completed, then there are at least 40 to 50 people

who are running around trying to implement the TOC, they will all be free to go and do the actual working that means they will become actual area managers or zonal managers whatever it is and therefore to that extent because our growth will take place in terms of our turnover, our fixed cost percentage which has been going up for the last two, three years, will start coming down.

Bhargav Budhadev: Okay I understood. Secondly Sir what we understand is that Bajaj has been recruiting a lot of new distributors who are from non-electrical background, how has been the sort of response from them Sir and what is the rationale behind appointing them as new distributor?

Anant Bajaj: There is only simple logic whoever is ready to work in the TOC way, they are the ones who we are appointing and end of the day, it is evaluation based on performance and not based on reputation. So if a person is capable to have the finances to run in a very comprehensive TOC way, we are appointing them and it is agnostic to which industry you are from, as long as you understand trade and you are capable of delivering, we are more than happy to hire such distributor. In fact we have stopped many of the old-time distributor who refused to move anywhere in the TOC way because at the end of the day, we want to expand more and more into the market and the distributor actually has to work in the market so it cannot be just sitting in his sofa or in his store and expecting as though some magic show will happen so to that extent we have been very clear about that and of course we both CMD and myself have got enough e-mails on people saying we have been 30 years with you and suddenly you are saying that we should be this and that, so there is zero compromise on that. Therefore, we do not have any restriction from which industry you are from as long as you are connected with the ground, which way you can land up actually going to the market do the right work and make the reach happen, we are fine with you.

Bhargav Budhadev: Sure. Great Sir, I will come back in the queue Sir.

Moderator: Thank you. We take the next question from the line of Achal Lohade from JM Financial. Please go ahead.

Achal Lohade: Thanks again Sir. What I wanted to understand in terms of the EPC business, I see that we have got some order in overseas what is the thought process behind it, what kind of contribution are you looking at or what kind of scale up you are looking at in such overseas ventures?

Anant Bajaj: Well we have been taking part in many export tenders over the years. In fact, last two, three years we have been attempting but very slim margin we lose out and most of the time to the Chinese. This time I think finally we have made it but what is important there is not so much about the margin which you earn, which actually is very healthy but more than that is about getting the experience of executing successfully because we will be using our same TOC methods even out there to make the products happen so there will be no different method for export and domestic. So to that extent our whole thought process is to largely reach out to the slowly but surely move out to the whole world as well and we will probably get that global reach of the brand and more

than that the fact is that the execution does not actually change in any way or anywhere in the planet so this will give us some good opportunity to really get in and make it happen.

Achal Lohade: And what kind of scale up are you looking at in terms of the percentage of total order book or any such?

Anant Bajaj: Unfortunately, it is as difficult to predict like an Indian market we do not know which tenders converts, because these are not even lot of the private sector tender and export market are not guaranteed to come to you. So it is something which you have to just wait and watch. If you get it you take it and we are lucky that we have got very good World Bank related tender so to that extent, the payment cycle, the whole security of the payment, the customer is very good, so we do not have to worry about that part at all.

Achal Lohade: I understood. Just in terms of the outlook for consumer products as well as EPC business in terms of the growth as well as margins for next couple of the years two to three years' kind of a perspective?

Anant Bajaj: Firstly it is difficult to predict because as you know that raw material prices have started going up again, petroleum also has gone up again, so we will have to revisit lot of the details to see what is possible and I think even the government tender specially which have all fixed price contract, we might have to revise that if we have to take the order, because already what has happened to us is GST nobody has obviously known in the beginning of the tender the GST when will it arrive, so that fluctuation part is not part of the deal, so we will have to get back to the storyboard to see what really works. And I think before we sign off, we will have to make sure that customer agrees to certain terms including these tax changes etc., before we actually take it up.

Achal Lohade: Right. What about the consumer product business Sir?

Anant Bajaj: Yes there is lot of good products coming up I mean we cannot announce it here but it is coming up within the next month or so and to that extent, it will be available just in time for the summer season and there are some products which are getting made specifically for export market which will get introduced in export market first and then brought to the Indian market because it seems it has a better reach out there rather than Indian market and overall there are some good things institutional orders which our team is working on. So I think but that is not something which we can rely on a regular basis because at certain times their customer will decide not to have gift scheme for the employees but they do not buy that thing as a product, so we try to expand the base of institutional orders and e-commerce, we are very excited this year I think by the year end we should for the first time do our three figure mark, which is a very exciting part. Of course e-commerce as a whole is still going to be a very small part of the total business but it is a channel of sale which is becoming more and more interesting and of course there are certain products that have been, almost everyone who have access to internet had started using. So it is something which is going to be a growth engine going forward so we do have things if you think of it that way four segments to sell, one is the trade segment, one is the modern format one is e-commerce

and the last one is CSD. So basically all four has got very good solid opportunity and I think because the newer generation has arrived even in trade segment, we are happy to use technology and as far as the lot of new distributor are able to do also better business than the earlier ones because they are doing smarter business. I do not think they are doing any less hard work but they are doing it smarter, so you are landing up doing much more in the same time.

Achal Lohade: Right. In terms of the growth would it be fair to say 15% to 20% growth is doable now or given we are almost through with the TOC

Anant Bajaj: I mean I do not like to put a fixed number because I would say in this way whatever opportunity exists we are not going to let it go, because unless the tender business where we cannot predict what will come and not come, here we have got a clear picture reach more to the market, you will get more business, so how much is that I do not want to restrict it by saying 15% or 20% I would say whatever is available we will try not to lose it because that is one of the thing which we are as a key success factor in TOC implementation, if you are reaching out to many more places and you have real time data of everything, so there is no reason why should lose your market. There are some very good examples in the market where they do not have a huge customer base but what they do have is a repeat sales to the same customer and to that extent we want to see how we can make more products being sold to the same customer, like we have enough categories of products, it is probably the customer may not have got a Bajaj, so how do we make Bajaj their choice for all our categories at least it will be a very important thing and of course even at the distributor level it is important for them to keep more and more SKUs and which is increasing but in some cases they have been little lethargic so that we are improving them and I think most of them understand the benefits so there is no reason why they will not become better.

Shekhar Bajaj: Let me add, you know Anant your thinking is very different than what I have been doing I have been saying we are trying to grow by 15%-20% he says that you are putting a ceiling on your own think by just 15%-20% he says we have to look at the potential and that is why once you say 15%-20% psychologically everybody says that we have achieved our 15% and that is it, but he says we will go by potential, so potential is 100% we will do 100% why show it be 15% or 20% that is why I could see that he was hesitant in saying that 15%-20% because somebody if you catch on, he will say you wanted 15%, I have given you 15%. So he does not want to put any ceiling on their thinking. He says we will go by potential. I am the one who like to give some conservative number that 15% type of growth will take place.

Achal Lohade: Fair point. Sir just one pardon me if I am asking too much, actually January you said 19% kind of a growth for the month of January right, if you have to look at the two year CAGR because I am just wondering there could be a base effect what we have seen in the demonetization quarter, was there any such base effect even in the January month?

Shekhar Bajaj: I do not think you know there would be GST effect something could be there but the overall situation is that earlier they had said 40,000 outlets through which we are doing distribution. Now we are 1, 30,000 outlet and the number of item which we have been selling is much more so

our range and reach has substantially gone up and because of the additional publicity and the consumer pull that has been created, we are doing a very good online and offline?

Anant Bajaj:

It is a very simple situation, today what you are saying the result in January month is actually a work of more than nine years, if you think of that in a real term TOC and the consumer product started way back in 2008-2009 and then it started stopped eventually the real implementation only started only last two years but the market was getting penetrated from the last nine years to start moving towards it and to that extent, we really have now seen the big slices, it is like this when you see such type and believe it and that is what exactly has happened when the people who have signed up for TOC way and whoever seen the benefit, now they are just and they know it is the way of life, they cannot go backwards, it is like once you bought an Apple product, it will realistically never become a non-Apple product because it is almost like infection which you get and I think TOC is a very good infection which we have put to the distribution world.

Achal Lohade:

Got your point. Thank you so much Sir.

Moderator:

Thank you. The next question is from the line of Dharshika Khemka from Edelweiss. Please go ahead.

Dharshika Khemka:

Hello Sir. Sir can you please firstly give the breakup of the order book I missed out on that and secondly could you please throw some light on the new order that you have received?

Anant Bajaj:

The domestic or export?

Dharshika:

Export.

Shekhar Bajaj:

Export the latest order received one is 4.5 million dollar orders from Zambia by a company named as ZESCO and that details I do not have right now but I can send it to you later, but important thing, first order I got for us in that country and earlier in the year also we did get some order from Kenya which is the customer in multiple basically again there it is Kenya Electricity Board which has given us an order which is a 14.8 million dollars and there is two different packages which will be needing to be done in the next 24 months, and Nigeria of course has already an order which we have got last year which is from a very I mean the reliance on Nigeria which is basically the company by the name of Dangote which basically it is much high mast product, 611 pieces which is basically due to be completed before March, so that will be a very useful one to the export it takes also lot of time before you can actually convert order, so there are many such orders which potentially might come, we have already quoted for new orders in at least five six other countries in African continent and our growth realistically is going to come a lot in of course the B2B side and I think also with the new product which we are developing specifically for export which should again regain some market in middle east, because we have finally got half a dozen products we have are G marked which is a requirement now for selling in middle-east especially in UAE so to that extent it should be nice and that also we do have an institutional order I mean but once come out like an order like the tender so to that extent it is trade order so it is like a initial three or four containers of order are there for our certain products

but going forward there is going to be lot more coming because as you know today also Africa does not have continuous electricity in 60% of the continent so the opportunity is massive and we are tied up with the world bank projects so that we can really have a safe payment cycle because that is critical when you take a export order and this is a kind of exposure we intend to reduce overall in terms of finance. It should be useful to take such orders and I think it is going to be interesting time because it has taken a while but I think as I said once you taste the blood you know how to get.

Anant Bajaj: You are asking about the order book on EPC let me, I have already mentioned it but I think you must have joined later. Domestic Rs.796 Crores is for transmission lines, Rs.2135 Crores is for power distribution and Rs.141 Crore is for illumination i..e high-mast and special project.

Dharshika: Thank you Sir.

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

Bhargav Budhadev: Sir is it possible to know what has been the CFO for this quarter and for nine months?

Shekhar Bajaj: The CFO for this quarter. CFO for many quarters now. Why are you creating new term?

Bhargav Budhadev: Cash flow from operations.

Anant Purandare: Cash flow from operations, Bhargav we have cash outflow of around Rs. 80 Crores for nine months from operation.

Bhargav Budhadev: And Sir how much was this same period last year Sir?

Anant Purandare: I do not have comparative figures.

Bhargav Budhadev: And for Q3 Sir is it possible to know?

Anant Purandare: Q3 obviously it will be better because where you know the profitability is there but one thing is that let us say our capital employed has gone up because we have built up some inventory for the season coming, and there is something called GST receivable which is part of my whatever inventory I am holding before GST will get accumulated unless we say if we are not able to get it set off, so because of that there is a little increase in capital employment.

Bhargav Budhadev: And Sir last question is that we saw this 21 SKU scheme being popularized by Bajaj how is it taking up because I believe that is a scheme which is sort of to diversify your SKUs earlier a lot of fast moving SKUs were sold but the thing, so if you can just share about my...?

Anant Bajaj: Right now it has just been introduced so we do not have currently enough data to review any real reaction or any input but maybe we should be able to give you enough of it in the first quarter.

- Anant Bajaj:** We will continue to sort of be there for the season time so it was introduced I think mid-January it will go on till the season starts.
- Bhargav Budhadev:** Okay Sir, thank you very much and all the best.
- Moderator:** Thank you. The next question is from the line of Amol Rao from MSD Partners. Please go ahead.
- Anmol Rao:** Good afternoon Sir. Just a small question on response to your comment that we would look to take orders abroad, Sir we had in previous interaction stated that we would limit or we would keep an exposure of around Rs.800 Crores of capital in this business which you would try to churn as much as possible, given to say that this project seems to be pretty sound in terms of payment and in terms of execution do we stick that number of Rs.800 Crores for the electrical projects business going forward or can this we taken up in the foreseeable future Sir?
- Shekhar Bajaj:** See this 800 and 900 does not... actually one has to look at all the rotation. Rotation we say it should be at least three times that is if I want to do Rs.3000 Crores you cannot manage with Rs.800 Crores so therefore that time about two years back I thought I mentioned that was...the intention was that they are trying to see that if we get 6% to 7% EBITDA we should be able to get 20% plus return on capital employed that was the whole logic. Looking at the market and all, I do not think that more than three times can be looked at so if suppose by chance this year we should end up and say Rs. 1800 Crores or may be up to Rs.1900 Crores that happens accordingly about Rs.700 Crores and Rs.800 Crores it should be okay we see that but if it is going to be Rs.2000 Crore or Rs.2500 Crores, then we need more money.
- Anant Bajaj:** Just to expand that point CMD said probably for better ways to benchmark it, how many turns are we doing and do not worry about the Rs.800 Crores or you would say I really have a question in future if you are putting Rs.800 Crores aside are you doing Rs. 2400 Crores because then its very clear mathematics matching, is that clear. So whichever suits you, you can keep it in your way.
- Anmol Rao:** Anant Sir just to take that a small point forward, are this targeted rotation right now?
- Shekhar Bajaj:** Let me clarify it when we talk about Rs.800 Crores, it is our money which is blocked up so therefore the amount of, when we talk about Rs.800 Crores, the company which we gave credit also, so therefore because of that my net Rs.800 Crores is very different from our total outstanding Rs.800 Crores, not the Rs.800 Crores outstanding, the outstanding is more, because there will be credit which I will be getting from my vendors that is why Rs.800 Crores is our capital employed.
- Anmol Rao:** Yes, Sir, to take that point forward are we at the targeted rotation of around 3, 3.1, 3.2 times?
- Anant Bajaj:** No right now we are 1.5 for EPC. Currently, we are 1.5, by the year end we should be about 2.5.
- Anmol Rao:** So little more juice left in the system actually. We can improve it slightly by 15%-20% our capital turn by 15%-20%?

- Anant Bajaj:** Some of the things are not anticipated like the GST impact some of the project site delay because government also had to do their part well, actually especially in a PD side, there were more clearances available earlier in time potentially we would have that possible, it is not out of reach. But now obviously certain clearances have only come in January, I cannot do magic in the last 60 days, that is for sure. But next year by the full year where everything been clear and GST sorted out, I do not think there should not be any problems then.
- Anmol Rao:** Alright Sir. Thank you so much Sir and wish you all the best for this.
- Moderator:** Thank you. The next question is from the line of Aushman Dev from ICICI Securities. Please go ahead.
- Aushman Dev:** Thanks for the opportunity Sir. I wanted to understand about your lighting business you said volume grew around 10% to 11% but we are seeing a very strong LED giving growth for other players so what is your outlook on your LED business and could you give some color on the market share in the LED business that you have right now?
- Anant Bajaj:** So specifically our lighting what you see only a 10%-12% growth that is presently CFL dropping down and GLS is not growing at all in the overall sales, and it is quite stagnant in that sense, so if I have to specifically answer the second part of your question LED growth over last year in volume term not in value term is approximately 50% last year same time we used to sell about 11.5 Lakhs to 12 Lakhs per month, this year the average has been 22 Lakhs to 25 Lakhs. Unfortunate reality is in the same time previous last year there was a price which is approximately 20% to 22% higher, so we have not gained any advantage with the volume increase but because there is such a huge volume growth that has given the impetus to the entire lighting segment. If I actually taken only CFL I now still have the further de-growth from even last year situation. Last year was a big gap and this time it is further gone down, so it probably means as Mr. CMD also predicted it many times in various public forum, actually it might be dead by next financial year, CFL as a product, because the way it has degrown say further as a total industry and also for us we have been de-growing CFL faster than the industry, so potentially which you might also look at same time next year we may not be selling CFL at a very high potential and I think have I covered both your question or something pending?
- Aushman Dev:** And any colour on the LED market share that we would have right now?
- Anant Bajaj:** Little hard to say there are some ELCOMA figures but they are a little sketchy because the unorganized sector retails we do not get accurately so I would not be I think I would put that to the expert Mr. CMD to say...
- Shekhar Bajaj:** Market share must have now gone up to 8% to 10% and as JMD has mentioned that our sale of LED has now gone to 20-25 lakhs a month which has now I think stabilized which is something very satisfying but because the realization has gone down but luckily the margins are okay, because what happened my earlier cost was say Rs.80 I was selling at Rs.150, now the cost has gone down to Rs.50 selling at Rs.90 so my margins are similar except that my realization gone

down to that extent you see only a growth of 12%-13% in volume term, but when I say volume term we do not take LED as a separate item because there are some items which goes ups and down so we you generally see the prices come down then because of the GST impact is 10%, the impact because due to the fact that it is at a better market realization I mean it is more increased by 5%-10% then you get 10% better realization that is something to do with GST, that is got to do with some market condition.

Aushman Dev: Right thank you Sir.

Moderator: Thank you. The next question is from the line of Harshwardhan Agarwal from Infina Finance. Please go ahead.

Harshwardhan Agarwal: Sir just wanted to understand what is the TOC implementation I know you mentioned the number of outlets that you have reached but I sort of missed that so if you can just give that number once again?

Shekhar Bajaj: It is 130,000 once we were doing retail at 130,000 which are clearly recorded and we are going there on the weekly basis so week beat so it fixed that in this 130 outlet I am going to be in this outlet on Monday 10.00 am-10.30 am that we are saying. So if you see from a retailer point of view he suddenly finds that here is the company which is bringing all the appliances, fans, lighting, so one person goes there, they as a retailer you can imagine that poor fellow has to deal with 20, 30 companies, here is one company who comes with a total range of product comes to them every Monday or Tuesday or whatever it is, ask him what do you want? Supplies him two to three days and therefore to that extent he does not have to keep stock, if he wants 100 pieces, we say why do you want 100 pieces, I am coming again next week, buy 50 pieces, so we are saying do not block your money unnecessary, only invest in what you need and therefore his rotation, his return on capital employed or his ROI has substantially gone up that is why they want to deal with Bajaj. One is that we have got an All India price which is stabilized we do not have any special deals with any big dealer, small dealer, it is all fixed. So everybody knows that my cost and my neighbor's cost is same going to be 100 so I can sell for Rs.108, Rs.,110, because I know that the other person, what happens is the other companies they have a special deal, which says instead of 100, take 200 pieces, he gives him 5% extra, so his cost is 95 where his neighbor's cost is 100 so he says I cannot sell at 110 because that guy sells at 102, because this cost him 95, so those things are gone. So dealer are satisfying because it is something that they get good home service plus he gets the advantage that he do not have to worry that somebody who has got a extra deal and I got for 100 somebody gets at 95, somebody gets 97, all those things are finished, no special deals because of that which also there is a market problem with the competition because competition knows my cost, in other cases they do not mind 95 they say okay I give a special deal of 93, I cannot react to that because my price is fixed, 95.

Harshwardhan Agarwal: Sir just wanted to understand this outlet this 130,000 outlets that we are talking about what percentage of the total target outlet that we want to reach under TOC?

Anant Bajaj:

It is not based on target of how many outlet, it is based on the number of districts in India so currently we are about 450 districts of India has been covered which does not include Kerala and Northeast currently and the two island places which will get covered between March and September so basically, approximately I think rest of the 512 districts approximately will be done before March and to that extent we will be everywhere around India other than Northeast and Kerala and the two island areas which will be roughly about 111 districts of India will be pending and basically the whole idea is based on the geographical say if you basic are let us say is 100 km then there will be two distributor or one distributor and two depots to handle the place that is like in rural town condition and if it is in a city and cities like let us say if it is Lucknow which is a very large city then you might have three distributors to cover the whole city. It will depend on the financial power of how the person can handle your products and more importantly how they can actually repeat customers they can actually build on; how much work they do in a market. Let us say they have to do Gomathi Nagar in Lucknow they would actually have to be able to map the entire market and then actually put a DSO beat plan where they will have those fix of 8 DSO to make that reach out happen. So it is not at all and in fact to give you a very not the active statistic but approximately statistic if you approximately have 1000 distributors all over India, currently we would have approximately one third of that and we are doing more business than what they would have done because currently lot of those so-called distributor would have never gone to the market to reach out to most of the extra outlet which are currently being reached, so we have actually reached out to more outlet than ever in our entire history. We never had such a data which we have today.

Shekhar Bajaj:

Okay, let me add to what Anant is saying, see let us Chennai as the example, first we do the map of how many outlets are existing, so the total outlet in Chennai are above 1200. We have now reached the level that we reached 800 of them, the idea is that as soon as we keep increasing the outlet, we add one DSO means dealer sales officer, so for 100 outlet you need one DSO, so we got about 8 DSOs in Chennai so Chennai is covered as far as RREP is concerned but there are still 400 outlets which are not covered. So 800 will become 900 and therefore to that extent if you ask a question that outlets are 1,30,000 we are expecting by end of the year, by March end we expect 1,60,000 outlets, now whether 1,60,000 next year when will it reach, I cannot answer that but you can take it we will be crossing obviously 2 lakhs plus because every time every distributor will keep increasing the number of outlet adding the sales people and increasing their sales, so one is that what we call is the same retailer, should he instead of selling 10% of his stocks of Bajaj of his total sale, can that be increased to 20, then you say instead of having 100 outlets, I have 200 outlets, so the range and reach and reach also then the penetration in terms of each retailer should he sell more of our product that is our whole objective so at this moment frankly speaking people like Hindustan Levers and Pepsi all these peoples have six million outlets maybe there. So we are only talking about such small number so maybe theoretically it can be there instead of 1.8 Lakh to 1.6 Lakh making the 5 lakh outlets maybe five years I have no idea, I mean this is something which is coming 70%-80% of our need because all others will be so small for them to cover would not be practical.

Harshwardhan Agarwal: Sure Sir, thanks a lot.

Moderator: Thank you. The next question is from the line of Hrishikesh Bhagat from LIC Mutual Fund. Please go ahead. The lines of the current participant seem to have dropped off, we will move on to the next that is from the line of Parag Khare from PCS Securities. Please go ahead.

Parag Khare: Thank you very much Sir and good evening. Congratulations for the excellent set of numbers. Sir, just wanted to understand in terms of market share and the market share, which is a big term because we are market dealers in some of the products and we have decent market share in some of the products, but mainly where the market dealer for geysers, irons, or toasters, how much we have gained in terms of market share for the product for say last three or four months when we got TOC implemented maybe around 60% and also it was also widely anticipated that GST implementation with organized players like Bajaj Electricals because it will help gain more market share from the unorganized players and now we are almost seven, eight months after GST, so your thoughts on the market share, how much we have gained?

Anant Bajaj: We unfortunately do not have any accurate data to work with and plus we have guesstimates and I do not think we can give you guesstimates to give you a market share because it has to be accurate with some hard data, which we can work with and unfortunately Appliances Industry still remains and to some extent FAN industry still does not get enough accurate data. Like today our CRM in the automobile industry gives you very, very accurate data for various parts. So there is something which still I must say work in process at the industry where I think we need to still get that part right because eventually it is important that we work so hard for so many things, what is the kind of work market share you are getting is something which we will have to find a way to find it eventually. So unfortunately at this stage I do not think we can help you with that data, but I hope soon enough we will have solution for you and not only for you, for us it is so useful like so exciting you did so much work you got more 3% market share is so nice to know, so right now I think that question has not answerable at this stage.

Shekhar Bajaj: One thing is very clear to me at this moment, we have not recovered our loss market share. In the last two years we have been doing this RREP, stopping wholeselling, all that has resulted in us losing market share. I hope by end of next year we should regain and come back to at least whatever market share we had because we have degrown while all other competitors had 10% to 15% growth, so we better get our growth up to 20% to 25% when we get and start taking market share then only it will give us a kick. What Anant did say is very important is that unlike, if not at least we had some data, I think I am going to recommend to the various organized players out there in the appliances to form appliances association. I think there is enough business to justify association in terms of appliances association, there are at least 20 to 30 players who can easily be together to form that I think I would take that chance to try it out.

Parag Khare: And Sir, just a question may be any plans in terms of growing in organic way may be buying some product, acquiring some company.

Anant Bajaj: Well, we are having certain interesting opportunity, which has come about. We are evaluating them currently. It will be something to be related in our product group or current portfolio, but we are also actively exploring some expansion of our category which are again related to our product groups in a very direct way. So hopefully in the next couple of quarters we should be clear what is the thing and then we can let you know, but there are some capex plans that we are going to do some very important expansion to our factories to gear up specially from monopole for other big thing, which we will be more certainly spending our resources on and if we see the transmission line tower, the older version which is lattice towers that pretty much world level has already got outdated but in India I think the government agencies are realizing that the total cost of project is lower and it happens faster so that is where they are getting now finally excited to probably mandate monopole soon enough and I think we are lucky to have already a good designers and capable people who know the thing well, so we will now set up a specialized factory soon enough. We are still looking for the correct location where we can put it up and then I think we will be securing a lot of opportunity even for export market process if we have a monopole factory of our own.

Parag Khare: Sir, one last question, how much is the debt on our book right now long-term and short-term loan and maybe working capital?

Anant Puradare: Basically everything is short-term, we do not have any long-term debt on the books and the total borrowing is Rs.780 Crores.

Parag Khare: Thank you very much Sir. All the best for Q4 and FY2019.

Moderator: Thank you. The next question is from the line of Ashwin Reddy from Samatva Investments. Please go ahead.

Ashwin Reddy: Thank you for the opportunity and congratulation for the numbers. Few queries, firstly starting off the EPC business, can you please talk about the demand scenario in India for your EPC business, what I am trying to understand is, is there move towards exports the function of demand slack in India or the demands continues to be good and some thoughts that will be helpful to sort of with?

Anant Bajaj: There is no shift of demand situation there is more than enough opportunity even in India. It is just that we want to make sure that our world covered with our opportunities as well because we cannot have all our hedge only for India, but also we have enough hands which can do the hedge for India, no problem, but it is just that when there is an opportunity around the world why should we not take it. In fact, all peers are having a very, very high percentage exports, we are actually probably the only EPC company, which has almost no exposure to export, so it was a long time we have to build that up and then I think the hard work for many years of trying to breakthrough had happened this year. Now, for the first time a very exciting thing of having a triple figure opening order book for export, which has obviously never happened in our history ever before, so which will be nice for the 80th year celebration to have a situation like this. In the

80th year, the company is finally getting big on the export side and I think a big picture is that Indian infrastructure has still not come anywhere near closer on their opportunity. It is all about the actual deployment of availability of having the resources by the government and local authority, so that they can happen because let us face it, the street light in most of India are outdated. They really need a massive update and to that extent at some point the government will beyond smart city also just your regular city poles also will require to be updated to make it look more interesting more up to date, so to that extent there is a lot of replacement market which will arise and importantly our government is certainly going to look at even a lot of NITI Aayog today all parts of India does not have, even metro cities do not have many times continuous electricity, so one of the thing which we are getting also involved very well to create the efficiency of the electricity output, which is happening. So we have tied up with some of these people to make it sure that we have installed actually works well after also we have done. We do a lot of maintenance part and so to that extent it can be interesting when it goes ahead and of course our India experience is extremely useful when we are going abroad because again at least in African continent most of the big contractors at the ground level are Indian origin or people who have worked with Indian companies in the past so they know no exactly how everything is, so which may answer at least some part...

Ashwin Reddy:

What I am trying to understand is just to make sure that there would not any again learning curve in case we go to any geography because some of the peers may have been there for sometime now and now that both the cases of the business are now kind of set, I am trying to understand would there again be any learning curve in terms of receivables or any other kind of things that we may have not anticipate in that?

Anant Bajaj:

There is quite a bit learning curve of different kind because of how you can achieve better payment faster and getting your work done and get out of there to get to the next one, so that is end price is going to be the reverse for an uptake where we and courtesy our TOC happened, I do not think we should have a problem finishing projects on time or before time and luckily in world wide projects, things would of course once they start, of course, when they will start, nothing to worry, equipment start as plans because they are very, very stringent and world bank themselves, have people at the ground level for monitoring on a daily basis so therefore it will be in their interest to see the project over faster as well, most importantly efficiently so not just we done and that is the time it is going to be done and used effectively for may be 20, 30, 50 years, so to that extent it is a good stuff to happen.

Ashwin Reddy:

I understood and coming to the B2B part of the business, can you talk a bit about the ecommerce strategy that you have because now that you also have fresh system registration in place would there be any common or would there be any large business for the on the ground distributors or the retailer or e-commerce, or would there be a part of e-commerce strategy, thoughts on that would be helpful?

Anant Bajaj:

The very summarized way what we planning in ecommerce is to introduce specific models, which will be selling only through ecommerce platform. There are also going to be products,

which will be available only at the Bajaj Electricals, when shopped at shop.bajajelectricals.com, so it is really mean those product will not be available in any other channel, so it is going to be a lot channel planning, which we already have done lot of it and in fact even some of the platform which already exit are interested for us to do OEM working together, so this also which we are more than happy to work with because end of the day for us it is important to do more and more ecommerce to get the better opportunity there because as I said literally the internet has no limit, especially in the new version of internet which is of course the old version which 1969 model, which was basically within the restriction of the number of IP address which is set up, the new model has exponential growth frame, so that probably will take a 10000 years before the IP will actually get over, so to that extent there is no problem of that because of the bandwidth, the speed, the network everything is going great and now of course 5G which is going to arrive very soon in India as well, these are going to only become better and of course we are introducing lot of high-end technology products very soon, which will have things to do with AI, VR, AR all those fancy terms, which of course, when the technology people also has a same kind of terminology like the CFO kind of terminology. AR of course which has made some way, to be clear AR is augmented reality, VR is virtual reality, and AI is artificial intelligence so that there is no confusion.

Ashwin Reddy: I think this is very helpful. The margins side on the ecommerce is seen as what we enjoy through retail outside or is there any difference in terms of the margins?

Anant Bajaj: ... it is consistent and I never say it is much higher or much lower, because end of the day the overall volumes are not so large that you can nearly go doing any funny stuff at the retail outlet and obviously again the TOC norms to that extent, there is no see deals which we give, of course among the platform wise I am not saying it is... immediately I am not going to stop that, today on ecommerce site you put something, the other guy put some other funny stuff which we have literally open market or whatever call that on our website, the market place say we cannot control it whatever you do and literally you could go and put it and I cannot do much about it. So to that extent there is no regulation world-wide anywhere available which I can stop a customer or stop someone to put something up in market place. That is a unique challenge for that stuff and I do not call them market place, as I said the unorganized sector have it, where literally anyone can come, put some labour and just put it in the market.

Ashwin Reddy: But let us say for example one of your big retailers or distributors in case they get a chance to put something on the market place and kind of unlike others, is that a possibility or would that hurt the other retailers or somebody else?

Anant Bajaj: Honestly the one that are not putting someone's name in public domain, there are enough .com sites which they authorize the distributor or dealer on the ground level and then they supply to them, again as I was saying after I have given stuff to the distributor I really cannot control beyond a point how much they will sell, who will they give it to. If the thing actually comes to our notice we can say that try not to do this because you are just killing your own opportunity because now especially TOC, there is no point of you trying to get rid of your stock through

ecommerce channel because you anyway have a trained person why are you trying to sell there and there have been the cases where some of the distributors at trade level have created their own website to sell products, which is a very unique concept, exactly what I say a lot of them can do that, so they are making sure that if there is a PKS and company, they say PKS and company.com and they are actually making sure to sell the products online, it is I am already a trade channel, but you must know if I make my own sell available ecommerce, which is a very smart move but I do not know if that really works for the long-term, it may be good enough for a short-term one time, small thing but it is not sustainable, but that was not a bad thing because it is a cool thing because actually it is expanding the reach for the product without actually going out extra, but we will not necessarily encourage that because that is something if you imagine intruding to the other's areas, which is not a cool idea.

Ashwin Reddy:

And one last question if I may, so we have heard in the past in the market is that there has been some churn in the employees because of TOC model implementation people who are either aligned or did not align, is that whole thing settled and are you seeing the employees come back after seeing the response in the market, some thoughts will be helpful?

Anant Bajaj:

Whoever given you this imagination please ask them for proof because on the contrary, TOC has made a lot of people not leave the company so if anyone is giving the imagination of people who have eventually realized that they are not useful in any company in this world and therefore they are making those stories in the market because currently when at a salesmen level young people are bound to have that habit of changing, hopping five jobs before they are happy to stick to one and they need evidence, they have bad thing it is not clearly because of TOC, because in the companies we are working in a certain way and if you are not going to be doing that willingly I cannot let you work in the company, no way that is going to happen, but we are not asking a person to go away, but the person says I will have to work so hard and do all these things, I cannot do all these, do not do it, if you complain about the change. And especially you have certain things so useful to the market it is a heart for win-win situation and when everyone are gaining so why would I compromise, so of course as they say every good situation has 10 people with one to create some detraction kind of point to derail people's mind. So we do not need to read too much into that because that is what of course natural attrition I respect whatever happens and of course TOC, GST, demonetisation all these become when I fall in the night lamppost to attack, which is not necessarily practical way to look at it. There is no shortage of people wanting to make their own imagination and of course in today's date it is still difficult to become an employee in Bajaj Electricals because it is not, there are many layers of detail to make sure that we are taking the right people and it is important because today the kind of way technology is changing, things are happening we have to make it more and more stringent.

Moderator:

Thank you. Ladies and gentlemen, that is the last question. I now had the conference over to Ms. Nikhar Jain for her closing comments.

Nikhar Jain:

Thank you Sir. Thank you every one for being on the call.



Bajaj Electricals Limited
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Moderator: Thank you. Ladies gentlemen, on behalf of Emkay Global Financial Services that concludes today's conference. Thank you all for joining us. You may now disconnect the lines now. Thank you.