

Conference Call Transcript

Bajaj Electricals

Q4FY11 Results

May 23, 2011 | 04:30 p.m. IST

Corporate Participants

Mr. R. Ramakrishnan,
Executive Director

Mr Lalit Mehta,
Executive President E&P

Questions and Answers

Moderator: Ladies and gentlemen, good day and welcome to the Bajaj Electricals Q4 FY'11 results conference call hosted by Edelweiss Securities Limited. As a reminder, for the duration of this conference, all participants' line will be in the listen-only mode. 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 an operator by pressing "*" and then "0" on your touchtone telephone. Please note that this conference is being reordered. At this time I would now like to hand the conference over to Mr. Rahul Gajare. Thank you and over to you Sir.

Rahul Gajare: Thank you Marian. I would like to welcome all the participants on behalf of Edelweiss to the Q4 FY'11 earning conference call of Bajaj Electricals. We have with us from the management Mr. R. Ramakrishnan, Executive Director and Mr. Lalit Mehta, Executive President, E&P BU and the entire team. We would like to have opening remarks from Mr. Ramakrishnan after which we will throw the floor open for question and answer session. Thank you and over to you Sir.

Ramakrishnan: Thank you very much Rahul and warm welcome to everyone who is on this concall. I am happy to inform you that for Q4 our net sales have grown 24.9% to Rs.979.4 Crores and the PAT has grown by 53.4% to Rs.57.5 Crores. There were some prior period adjustment in terms of last year, that is why the PAT is looking particularly healthy, but even from a PBT perspective, I would say in an extremely difficult quarter from a commodity perspective our PBT has improved about 11% to Rs.89.1 Crores against Rs.80.4 Crores in the previous year. The annual numbers if I would give you an idea, the gross turnover has touched Rs.2763 Crores which is a growth of 22.9% and if I were to look at it the PBT has improved by 9.1% to about Rs.219 Crores as against 200 Crores in the year 2009-10.

The net profit for the year has grown by 22.8% to Rs.143.8 Crores as against a profit of Rs.117.1 Crores in the corresponding period of the previous year. For the full year all the business units have generally done well with appliances BU including Morphy Richard growing by 32.4%, fans BU growing by 35.9%, the lighting BU has grown by 21.1%, the luminar BU by 14.7%. So the consumer and the marketing side of the story are very strong from a revenue perspective.

E&P BU has had an excellent quarter. For the year, the number is 12.8% in terms of growth but the quarterly numbers of E&P BU are indeed very, very encouraging. I am happy to inform you that E&P BU for the quarter grew by 29.8% but the heartening news is in terms of segment results the segment growth profit at the segment level EBIT growth is 35.5%. The EBIT margin, last year was at 10.09% for the quarter for E&P BU has risen to 10.53% and that is really very, very encouraging.

In terms of operating profits for the quarter while it was 10.25% last year, it

stands at 9.1% in the current year in terms of operating profit. Consumer durables while in the quarter had grown by 29%, consumer durables in terms of segment results is flat and I would like to spend a couple of minutes explaining why. This was the toughest year if I look at it from a commodity perspective, because copper went up by about 20%, aluminium went up by about 10%, steel went up by 10% and there was also an impact on plastics. Last year consumer durables had a record quarter with 14.32% in terms of EBIT margins. Now this implied a 67% growth over the previous year because the EBIT margin in the previous year was about 11.5%. Now in this quarter even though the copper has gone up to about \$10300 per tonne etc., I am very glad that we took whatever pricing decisions were needed, we looked at our product mix, we took corrective actions in terms of transferring the pricing burden both in terms of fans and also appliances to the consumers and we were able to have in consumer durables a 11.1% EBIT margin. Now although it implies a drop in EBIT margin of about 3.2% vis-à-vis the peak which was there at 14.3% I am particularly happy that the CAGR in terms of consumer durables as at 29% from an EBIT perspective and doing 11.1% in the current year in the same quarter with a revenue growth of 29%, I think is a very, very good achievement.

Now what were the options before us? We could have taken even though we took an increase of about 7-8% in terms of pricing of fans we took an increase of anywhere between 4% and 7% in terms of different products and appliances. If we really had to try and meet the EBIT of the previous year, it was well impossible given the commodity situation. So what we decided to do was focus on what we do fundamentally in terms of network expansion, new product introduction, certain amount of rural penetration, certain amount of improving price points of the product wherever we had the pricing power and focus on market share gain, focus on revenue growth in the consumer durable segment and I think that has really paid off. Fortunately in this year probably in the next few months we will see the commodity situation far better than what it was in the course of the last year and as a consequence if we are able to hold on to our pricing, we will be in a much better situation from a profitability perspective. We did not want to do anything, which will accelerate consumer demand and we wanted to make sure that we are on the path of profitable growth. So all in all I would say it has been a good performance.

For the year ended I would just like to mention at the segment level, at the segment level consumer durables have had an EBITDA of 11.32% for the full year against 12.95% last year and 9.25% year before, so our secular objective in terms of an improvement in EBITDA on an annualized basis in consumer durable business it is about 1% per annum if I look at the previous two years. So EBITDA in consumer durables is up by 44% in terms of compounded growth while it is up 17% on a year-on-year basis. Lighting is more or less flat in terms of EBITDA and E&P BU is about -7% in terms of EBITDA growth; however, as I mentioned earlier the fourth quarter performance of E&P BU augers extremely well. The order book at this point in time in the E&P BU stands at Rs. 750 Crores. The breakup is about Rs. 344 Crores in TLT, Rs. 303 Crores in special projects including rural electrification and about Rs. 103 Crores in street lighting

and High Mast.

The Wankhede Stadium that we lit up for the ICC World Cup gave us a lot of accolades and probably also helped India to win the World Cup. I think all in all it has been a I would say a very challenging quarter, but I am glad that Team Bajaj has measured up to the challenges fairly well. The Board of Directors has recommended an increase in dividend from 120% last year to 140% for the year ended March 31, 2011. Our new products introduction in terms of the consumer business whether it be in terms of pressure cookers or water products or pumps or digi sets or LED lanterns have received a fairly good initial response. I am optimistic that in the coming two to three years we will be able to scale up volumes in these products and improve our products and improve our product portfolio further. On the consumer side, our strategy is very simple. We are on the path of profitable growth with focus on network and retail expansion, we are putting into place rural strategy, the new product introduction has been very robust and good every year, we had about 15% to our turnover through new products, new models etc., cost reduction initiatives have been very consistent and across the board and the focus on protecting margin without losing market share and remaining focused on growth along with brand building has been very a important step.

I am happy to say that we have won numerous awards in terms of our advertising campaign. We won the Silver at Cannes last year for our radio advertising in terms of appliances. We also won a bronze in the year before. We have set the number of awards at the Asian Pacific level as also in terms of add Asia in terms of Goa access. So I think this is just wanted to convey it is the great team effort and I am happy to take any call from you and Mr. Lalit Mehta who is my colleague from the Engineering & Projects BU. He is our Executive President and I have got A. Purandare, who is there from our finance function and he is our senior GM In-charge of Treasury Operations under acting CFO. I must also mention that the latest issue of Business India carries a cover story on Bajaj Electricals. They think taking fresh guard with recent initiatives in place Bajaj Electricals is trying to reposition itself in the market. It is a fairly good cover story and I will be happy for investors go through that as well because it gives a very good idea about the transformation as a company and our strategy going forward. I am happy to take any call.

Moderator: Thank you very much Sir. The first question is from the line of Mayur Patel from Spark Capital. Please go ahead.

Mayur Patel: Thank you Sir for taking my questions and congratulations for such a good set of numbers. I have couple of questions; anything specific would you like to share with us in terms of market share gains in the fans or appliances or any of the consumer durable segments?

Ramakrishnan: I can only say that year-on-year growth in terms of fan of the order of about 35% and in terms of multiple segments in appliances also. Total appliances growth rates are upwards of 32% so both in fans, and appliances I mean fans is about 34% with 35% with compounded growth, appliances 32% with 30% compounded growth, Morphy Richards is 34% with 35% compounded

growth. It is very difficult for me to make a general comment in terms of market share gains suffice to say that we are India's No.1 company in terms of volume when it comes to water heater, when it comes to mixer grinder, when it comes to oven toaster grillers, when it comes to iron. We are No.3 currently in terms of room cooler and then kitchen products such as toasters, sandwich makers and things like that Bajaj and Morphy Richards together I think this been the market leader. In fans, we were once upon a time seven to eight years ago we were No.6 on the industry. From there, clearly in the last eight years we have been the fastest growing fan company in the country. Our market share, which used to be of the order of about 15%, has grown during this period to about 17%. In appliances the market share varies from anywhere around 10% to 25% across category. Broadly, I would like to say categories like iron, mixer grinders, and water heaters. We would have market share in the organized sector of somewhere in the vicinity of about 20%. In overseas, our market share would be higher it is probably be having 30% market share.

Mayur Patel: Sure Sir, and in terms of in the overall good set of results on the we had some Rs. 5 Crores provision regarding Hind Lamps so can you just help us out anything more can we expect in future or what is the fate of that pocket?

Ramakrishnan: You will appreciate that we are dependent on Hind Lamps, which is probably one of the oldest companies in the Bajaj Group and in a way Bajaj Electricals started of in the lighting business under the name Radio Lamp Works and Hind lamp limited originated from there and it was the joint venture with Philips of Holland and another two or three American companies and UK companies. Hind Lamp is a company which supplies are lighting products, which is bulb and fluorescent tubes. Now this industry has got commoditized and there is a severe pricing pressure. Also Hind Lamp has a factory located in the place, where it does not run on natural gas it has to depend on other forms of fuel. So Hind Lamp needs a certain amount of support in the past and this is just a provision we have made Rs. 5 Crores last year and further provision of Rs. 5 Crores in the current year. We have done probably it will become more evident in the next quarter we are expecting in the next quarter at least about Rs. 5 Crores or Rs. 5.5 Crores of our advances to Hind Lamp to be repaid by Hind Lamp. We are also looking at some asset acquisition in terms of certain things relating to Hind Lamp so that our whatever recoveries are there from Hind, we get it covered in a better way. Hind we are dependent on as far as the lighting business is concerned. , Hind Lamp has challenges in terms of productivity, has challenges in terms of equipment and it has challenges in terms of availability of natural gas etc. I do not think there will be a need for any further provisions to be made because we are fairly confident that some of the measures we are taking we will be able to turn thing around in FY'12.

Mayur Patel: Fine Sir thanks a lot for my questions. Anything else I will come back.

Moderator: Thank you. The next question is from the line of Amit Purohit from Dolat Capital. Please go ahead.

Amit Purohit: Good evening Sir. Thank you for the opportunity and

congratulations on good set of number. My question is more on the overall industry. Basically, just wanted to understand how are we placed in terms of home appliances organized and unorganized, if you have that breakup and do you see some competitions coming largely from large MNCs they have been there but still you are looking at these kind of growth rates, new players they have enter in consolidation maintenance?

Ramakrishnan: No.1, the good news is that in our industry we do not have to compete with Korean companies or we do not have to compete with other kinds of aggressive competitors. We being the market leader in the industry very clearly have got pricing power and I would like to say that on the consumer side I have already referred to some indications on market share. Question was on market and how it is organized. I would say organized sector is about 68% in terms of value and unorganized sector is about 32% in terms of value. Obviously, there is no public data so it is a congested based our industry estimates. I would expect that the industry is growing at about 12% to 15% across various categories. Clearly, the drive for growth is coming from increasing purchasing power from the Indian middle class, rapid urbanization, people going in for home earlier in terms of the chronological age or going in for second home, unorganized sector getting shifted to organized sector. Thanks to VAT. Thanks to excise duty, considering in Himachal, Uttaranchal and things like that and by and far we have a market share of around 15% to 20% in terms of this particular company. Again in terms of fans, the drivers in terms of growth are quite similar and than fans also I would say about organized sector would be about 65% and unorganized sector would be about 35%. The industry is estimated to be growing at about 25% in terms of fans. Our market share is about 16.5%.

Amit Purohit: You do not see any large European or some large player entering into India now.

Ramakrishnan: Appreciate we have a brand called Morphy Richards on small appliances space say probably next only to Philips. Philips I do not know whether to call them multinational or not they have been in India since 1920 they are an older company than probably Bajaj in the context of India. Now Philips is there as a multinational but between Bajaj and Morphy Richards brand probably we outsell Philips in the small appliances sales by a significant margin. Quite similarly, I would say Tefal, Moulinex, and Braun these are all belonging they are all very well established international brands but not only have we been able to hold our own in Bajaj brand but today Morphy Richards is the much bigger brands in all these brands. If I am not mistaken, you take Tefal, Moulinex, Braun put the turnover together Morphy Richards will be probably equivalent to them in terms of turnover. So we have done a great job in terms of strengthening the brand, in terms of establishing distribution and in modern format retail I would say that our Bajaj and Morphy Richards and Bajaj Platini brand together have about 40% market share in terms of the leading modern format retail outlet. So I think we are at right path, I am not worried at all about competition. Competition comes I think they need to worry about it.

Amit Purohit: Just one thing from the price hike when was the last price hike taken?

Ramakrishnan: In fans, we took a price hike in January, we took a price hike in March. In appliances, we took a price hike in October then I think we took another price hike in February. I think it is an ongoing process. In terms of a pricing decision for imported products, we have a lead-time of about two months to three months. That is for domestic products the lead-time is about six weeks because we always have a pipeline in terms of inventory that extend to be high. We change the MRP and then we start manufacturing and then we announce the changes in the market.

Amit Purohit: So the numbers you gave 7% to 8% in fans and 4% to 7% that is year-to-date price increase or?

Ramakrishnan: Year-to-date even higher. If I look at the whole year that has gone by. I would say that total impact if you look at value versus volume while value in these two businesses has gone up by 35% or 33% or whatever in volume terms probably the total impact of price increases would be about 7% to 8%, 5% to 8%. If I may say, fans it should be of the order of about 7% to 8% and appliances weighted average it could be around 4% to 5%.

Amit Purohit: Sure thanks a lot.

Moderator: Thank you. The next question is from the line of Kirti Dalvi from Enam AMC. Please go ahead.

Kirti Dalvi: Good evening Sir and congratulations for good set of numbers in this tough environment.

Ramakrishnan: I wish it could have been better. I would have been happier to have been able to pass on a little more pricing burden to the consumer, but we really did not bargain for copper and aluminium going so haywire.

Kirti Dalvi: Few questions from my side, could you just elaborate on our hedging mechanism. What I mean to say it is because I think large part of our business is getting imported in terms of some of the finished products so how we hedge these kinds of business?

Ramakrishnan: I will obviously not like to reveal something that is concerned into the functioning of Bajaj Electricals. Suffice to say we have proper hedging policy, which is approved by the board; we have hedging committee which specifically look into copper, aluminium and zinc. These are the three significant commodities that impact us. I personally kind of make sure and told this to Mr. Bajaj in terms of making sure that the hedging committee takes the right kind of decisions in time we have completely glued onto whatever we do. Our objective in terms of hedging is to ensure that we are able to deliver certain profitability despite commodity cycle. The objective is never to make money on commodities; we are very, very cautious and careful. We look at the requirements of the company for a period of three months at any point in time and depending on how our view is on what is likely to happen to commodities. We cover a certain proportion of our exposure. So for example if we find that

commodity prices are likely to come down we may cover 25% and leave 75% open. If we find that we do not have a view on commodities and we can go up or down. We may cover 50% and leave 50% unhedged and if we see that there is a potential for commodity prices to go up we may cover 75% and leave 25% open. Broadly, this is the approach we take. We do not take unnecessary risk. Wherever there is visibility in terms of demand, in terms of longer gestation projects, we take a longer view on commodity that we take necessary steps.

Kirti Dalvi: My second question is about our working capital in our last years annual report we did mention that we are focusing more on our working capital management. Could you just elaborate on that how we have achieved this and our going forward strategy on the same?

Ramakrishnan: I must confess that on a working capital perspective, we are not entirely happy at this point in time. So in the first place what we are doing in terms of our consumer oriented businesses we are implementing something called theory of constraint based supply chain management. Through this, what we are doing is we are managing certain proper inventory whether it be our vendors or it be in terms of central warehouses or regional distribution center. Holding inventory higher up the manufacturing chain and making sure that what is being sold is replenished to the branch location. It is a very ambitious project and I am very confident that it will unlock a lot of value going forward from a pure inventory management perspective. When it comes to managing our debtors what we are doing is increasingly resorting to channel finance and in a sense sharing the burden of collection with the banking sector. Obviously, the banking sector today has got fairly evolved mechanism in terms of meeting the dealers and not default. Plus, the clout of Bajaj Electricals and influences in terms of the sharp turnover ensure that it is not getting finance by Bajaj but it is getting financed by channel finance and the interest on the outstanding is through the account of the debtor. Now, in a sense what I would like to say on the consumer durable side our inventory is approximately 1.5 months and our debtors are of the order of about two months but this is that snapshot at the end of March is not really reflective of our normal course of business and in terms of lighting our inventory is probably about 0.9 and debtors are at about 2.5 etc. On the E&P side, obviously there are significant issues inventories are reasonable proportion but our debtors are significantly high largely on account of the fact that in the month of February and March I mean the whole quarter for example January, February, March we have had a huge turnover in terms of E&P business. That is the nature and pattern of the industry and we are trying to see what we can do to ensure that our project execution is much better, our monitoring of collection is much better and whatever measures need to be taken is something, which we are, I would like Mr. Mehta to quickly give you a comment on working capital in the E&P BU.

Lalit Mehta: What action we have taken last year is that we had 61 large running sites in hand so we are consciously trying and have completed 23 of those sites. So once we hand over them will get the last 10% out of that. We

are doing another 20 sites that will be completed during this year. So we will have only 19 running sites of existing, 7 new sites will open with orders, which we have received. By the end of this year, we will have only 30 major sites operating against 60 sites last year. So lot of working capital with a large 10% retention and all will get released. I think our focus on closing the sites and getting our money will help us and bringing down the working capital so similar.

Kirti Dalvi: So our debtor days in this current year has gone up significantly primarily because of this account. We will see significant reduction in that probably in FY'12?

Lalit Mehta: Some Rs. 240 Crores was billed in Marchand as on March 31, all that was outstanding. At the end of this year the situation should be much, much better.

Kirti Dalvi: Another question is on our outlook for the next year in terms of our product growth as well as the margins do we see in respective segment?

Ramakrishnan: As a company I would say whatever is the GDP growth, Bajaj Electricals will endeavor to do 3 times the GDP growth in terms of a revenue growth and let us say if GDP grows at 8% as a company I will be surprised if we do not grow at 24%. Now if we grow at 24% our endeavor would be to try and see if we can improve our profit to the extent of 30%, so that from a secular three-year perspective is something that we would certainly like to do to ensure that as a company not only are we growing, but we are growing profitably that is the effort. Consumer side of the business even if the demand is not excessively buoyant or whatever getting a growth anywhere between 20% and 25% in a consistent basis is something that I think is well within our reach. We have a track record of having even a CAGR in the last five years of almost 28-29% on the consumer side. I am not saying that we are going to slow down, but obviously there will be a base effect when you are growing; however, we have also planned new businesses, whether it will be in terms of pressure cookers, water dispensers, water purification product some LED, solar LED and various other things, LED lanterns, so a number of businesses and plans we have put into place to take the advantage of growth story. On the engineering and project side, I would like to make a broad comment there is excessive competition in that particular segment. So we will be opportunistic in terms of going after businesses where we can make profit. We will not do business only with the intention to have turnover, but we will be very carefully calibrating and orchestrating some profitable mix in terms of our business, fortunately unlike other pure TLT companies our mix is very good because we have the lighting project business, we have the high mast business, we have galvanized poles business and we have that balance in the portfolio, while many other companies are very strongly towards TLT or towards RE (ph). So the margin mixes a bit of an issue, we have a little more elbowroom to care of the margins given the broader bay of profitable business that we have within the E&P BU sector.

Kirti Dalvi: Sir, but E&P BU business currently will start the year with Rs. 750 Crores kind of order book and if we are saying that 20-25% kind of growth in the broad range we are looking at across the company we will be able to report

the same growth in our E&P business and secondly on a margin terms, because we had some issues in a Q2 in that particular segment our margin dipped. Do we see the growth margins coming back to double digits in E&P BU segment I am talking about?

Ramakrishnan: A quick response and Lalit ji can add anything else, from a margin perspective frankly the 3.5% that we had in the second quarter is long forgotten. We have done 9.6% in the Q3 and we have done about 10.5% in the Q4. To my mind will that 3.6% ever happen again I really hope it, it does not and I do not so it will, because we are far better focussed in terms of topline as well as bottomline in terms of our E&P BU and the product mix and that was rude wake up call that we had in the Q2. Now in terms of those going forward the order book currently at Rs. 750 Crores is a kind of a small order book by our standards. We have at this point in time a quoted for about Rs. 1000 Crores of TLT business, high mast, streetlight Rs. 100 Crores, lighting project about Rs. 726 Crores. Obviously we would like to take our order book from Rs. 750 Crores to somewhere around Rs. 1110 Crores, which has been our traditional order. We typically have visibility in terms of revenues of about 12-14 months of our turnover and I think for us to be able to build up an order book of about Rs. 1110 Crores is something is quite easy. Lalit ji would you like to add something.

Lalit Mehta: Order book has already gone up to Rs. 800 Crores from Rs. 750 Crores as we had on April 1. Tenders which are now coming out are much better, faster and bigger, I do not think that should be an issue three to four months around the time.

Kirti Dalvi: So Sir it would be fare to assume 20% plus growth in this segment as well at this point of time?

Lalit Mehta: Yes I think, our target is to be a Rs. 1000 Crores business in this year.

Kirti Dalvi: And will be probably be similar level of margins what we did in probably Q3 and Q4?

Lalit Mehta: Yes I hope so unless again there is some.

Ramakrishnan: Again that would be the intention.

Lalit Mehta: The intention is that.

Kirti Dalvi: Thank you very much and wish you good luck.

Moderator: Thank you. The next question is from the line of Sushanta Bhattacharya from Intime Spectrum. Please go ahead.

Sushanta B: Good evening Sir. Congratulations for the numbers. My question is like about your CapEx like how much was this year CapEx outlay and going ahead how much we can expect?

Ramakrishnan: See as a company we are currently investing in water heater related factory where we are going to be putting in about Rs. 10 Crores in terms of a particular mechanism by which the entire coating of the water heater tank happens and there is a glass line coating, which will happen in that and that to

help us as an import substitution activity. In terms of IT I would say that we would have an expenditure of about Rs. 10 Crores, we have some plans in terms of acquiring an asset from Hind Lamps. I think I will be going public on that we can announce it. What our intent doing Hind Lamps had a factory called kosi Kalan. kosi Kalan is the unit which is a newer unit of Hind Lamps and it is located right on the Delhi Agra highway and its got a GLS facility plus it got very good land etc., and Hind Lamps is a BIFR company and it needed some support, so what we are doing is the bid for that particular piece of factory as well as the land and we have got the bid at Rs. 21.51 Crores so that is something, which the board has approved that we can go ahead and acquire some land. And so Bajaj Electricals will be getting that a bid and that will be part of our CapEx going forward and in terms of our engineering and projects business I would say that normal CapEx of about Rs. 10 Crores is what you can assume. So in this particular year if I cumulate all the CapEx I would say it will be somewhere in the vicinity of about Rs. 40 Crores or Rs. 50 Crores is what I would say and we have enough and more internal accruals to take care of it.

Sushanta B: Okay and sir this Hind Lamp this will be for lighting business. This entire capacity will be used for lighting business unit?

Ramakrishnan: The investment in Kosi of Rs. 21.51crores is for the lighting part of the business.

Sushanta B: And sir my last question is regarding your interest expense like, if I take the blended interest it is significantly high is there any reason?

Ramakrishnan: How do you say it is significantly high?

Sushanta B: The loan amount if I write the interest expanse by the total loan amount, it is just a rough calculation, so it is coming out to be as 25%. So you would you like to throw some light of it?

Ramakrishnan: Purandare will answer that question.

A. Purandare: Interest costs also include the bill discounting charges. It is appearing as a creditors in the balance sheet, it is not appearing as a loan. Actually our average interest cost is 9.5%.

Ramakrishnan: If I may just explain to you if you look at interest, which is there in our segment level result our interest cost have come down for the quarter from 1.26% year before and 0.67% in the current year and on an annualise basis it has come down from 2.1% to 1.4% - 1.06%.

Sushanta B: Thank you sir and good luck.

Moderator: Thank you. The next question is from the line of Ronald Siyoni from Almondz Securities. Please go ahead.

Ronald Siyoni: Congratulations on good set of numbers. I just had query on E&P division what is the current allowance status for E&P?

Lalit Mehta: We have around Rs. 1800 Crores tender that we have quoted, out of that Rs. 150 Crores we are L1 the balance are yet to be opened.

Ronald Siyoni: Sir what is the kind of trade of between the margins and the

orders which are coming up or going ahead like are you seeing orders with good margins about 9-10% or 10.5% or will you let go orders?

Lalit Mehat: It is a strategy if it is a power plant where we have almost 70-80% of the market share is good or if it is a area on the sport lighting of there I think we will not let go the orders of course in TLT if it is below certain margins may be will not attempt that. We will see whether it is a short gestation or a long one. So now we are focused on working capital control. We are also see the duration, set of that we have to provide there, it will be a mix and match to see that we try and retain our margin level.

Ronald Siyoni: In consumer durable businesses, are we looking at increasing the product portfolio or are like concentrating on few products and building those products?

Ramakrishnan: See as a company if you look at our success, the success has been largely in terms of having certain things that we seed, certain sapling, certain oaks, etc., in our product portfolio. So mature product like water heaters, mixers, and iron, OTG etc. I would call them oaks, there are some sapling and they are products in which we are trying to ensure that we create the right kind of it could be room coolers it could be product like toaster and kettles and things like that and there are some sapling if I may say or but we that we seed such as pressure cookers, what we are doing in terms of home inverters what we are doing in terms of water purification etc., so there is always a blend in terms of the maturity in terms of the product like cycle going forward and we have been successful in doing that in appliances we have done that in fans we are doing that in lighting for example CFL is a category did not exist, today it is the number one category for Bajaj, in terms of an entire lighting portfolio etc. I would also like to comment in terms of Luminaires, specifically in Luminaires, we have done something very, very significant in terms of a restructuring the sales organization. We have sales and marketing organisation in Luminaires. We have created two verticals one is the core vertical, the core vertical has categories like street light, flood light, industrial lighting, lighting in terms of flame proof lighting in terms of landscape lighting etc. So it is a traditional strength of Bajaj where we are clear leader, but there is a business which we are calling those which deals with lighting for commercial complexes, modern workspace that is modern offices deals with lighting for retail application deals with lighting for hospitality segment for healthcare segment and also lighting controls as a segment. So we have created two consumer-facing verticals within Lum BU, because of traditional strength and other one to focus on the growth opportunity. I think it is a very path breaking move on our part and it will start yielding us very good results going forward it will ensure significant market focus and enable us to over come certain traditional issues.

Ronald Siyoni: One last question, are there any plans of having and E&P division, because rate on parameter is for consumer device and lightings are very good, specifically the consumer durables?

Ramakrishnan: As a company we are aware of what investors have as a

suggestion in this regard. As a management we are always open to thought. So what I can say is, I can neither accept what you are saying nor can I deny it. We will do whatever is appropriate in terms of stakeholder value creation going forward. All that I can tell you is the E&P BU is back on track we do not have to worry about E&P BU giving a shock in the future; however, I do agree that on the consumer side the return on capital employed that we enjoy is about 220%, whereas the return on capital employed on the E&P BU side is about 18%. So the blended return on capital employee is about 42% in that facility, but at the same time E&P BU is also given us growth while it give us about 30% of our turnover probably it gives a 25% of our profit, so it also a good business that we are in; however, it needs much more cash, there is no question about that we will do what is the appropriate from a strategic perspective, from the value creation perspective and in terms of stakeholders.

Ronald Siyoni: Thank you sir best of luck.

Moderator: Thank you. The next question is from the line of Shantanu Chakraborty from IIFL. Please go ahead.

Shantanu C: Congratulations for fantastic set of numbers. Just a few housekeeping questions, if you could give some details on how the revenue, we have the basic three segment revenue breakup which you have given in the release, if you could further break it up in to the various categories within E&P and then may into separately your two parts of the consumer business etc.?

Ramakrishnan: You want quarter or annual?

Shantanu C: Either is fine.

Ramakrishnan: I will give you annual because that is easier to comprehend and understand minor quarter shift do take place. Our lighting BU has grown 21.1%, our luminar business has grown about 15%, appliances have grown 32%, Morphy Richards has grown 33%, fans have grown 36% and engineering and projects has grown 13%. The company has grown about 23% for the annual figure. On a quarterly basis, I really do not think it that relevant. The company has grown it about 25% E&P BU is grown about 30%, appliances have grown 34%, fans has grown about 27% and lighting and Lum together have grown it about 12%.

Shantanu: Thank you.

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

Sanjiv Sahu: Wanted to know normally ENICL and other incoming bodies award their contract for the fourth quarter. So how have we benefited from this new order especially in the E&P business segment?

Lalit Mehta: We have got a large order that we have got so far is Rs. 261 Crores from ENICL that is a subsidiary of Sterlite and we are already doing some three jobs for Power Grid so we have not got any orders in the last quarter this as you said that lot of orders in the last quarter, we have not got any orders from Power Grid

Sanjiv Sahu: How is the outlook on when it comes to new inquiries especially from the private sectors and the government PGCIL especially in terms of orders?

Lalit Mehta: Private sector lots of inquiries are coming in. We are now focusing on the private parties is also and lot of demands for mono poles, which we had introduced two years back, we were the first in India to do 400 KV monopole transmission line for power grid.

Sanjiv Sahu: Can we explain to us what is monopole Lalit ji?

Lalit Mehta: As you know, a tower takes a lot of space in installing the tower and whenever a line has to pass through some city or through a forest, the land acquisition cost is very, very high like in a forest it will cost a few Rs. 100 Crores to put a line through a 1 Km length of forest. So monopole is a high mast like structure, it takes one fifth of the place. So the land requirement is reduced and you can save Crores of rupees in land acquisition whenever the line is passing through a forest or a city that is catching on well and we have received some inquiries. So may be going forward we will focus on that business also and we have the first mover advantage there.

Sanjiv Sahu: Any extra effort that you are applying for or on the look out for new acquisitions, newer target?

Ramakrishnan: See as a company of course today we have very good balance sheet and in case we want to raise some additional fund we certainly have the ability to do so, but we will not do something just for the sake of doing it. For us the valuation is important, for us the strategic alignment with our core business is important and for us also in terms of the value creation opportunity going forward is also a very important part of our plan. So what I would like to say is we have companies in the radar with whom we are communicating with but in India as you know valuations are run up a little bit we will do what is prompt, especially we will be looking at brands that are regional that can be taken pan India we are looking a brand that are probably not so strong but as a subbrand of Bajaj we can do very well. So we are open to multiple ideas. If you have any thought please do share with us.

Sanjiv Sahu: Yes, thank you very much that is all about from me.

Moderator: The next question is from the line of Snighter Albuquerque from KCMC Capital Market. Please go ahead.

Snighter Albuquerque: Very good evening Sir. Congratulations on a very good set of numbers. Good evening Mr. Purandare as well. Yes, sir mine is more for follow on question regarding the power grid projects how are we looking at bidding for these huge power grid projects which are then we offing and how are we looking at capitalizing on these projects that is number one, number two how are we also looking at getting more lum project have we got something in the pipeline that you are working on and if you could please through some numbers is well?

Lalit Mehta: As far as the power grid projects are concerned we already have

three projects going on that four and we are required to do not more than three at a time. So we are first going to finish two of them one in Jammu and one in Chennai, Almeti (ph) in the southern region. So then we will have already two projects coming and then we can get some more orders.

Snighter Albuquerque: Sir, is it on a project basis or is it on the volume basis that you are not supposed to more not more than three projects are is it that you are not suppose to cross the particular amount.

Lalit Mehta: No the number of projects because sometime back what happened the Power Grid collected a lot of offer from various people and they opened everything in March. One of the bidders he was L1 and I think seven projects and they have to give all seven to them seven or six I do not remember. So then they realized that this is not on and one party cannot do six projects and they have been picked up all the things. That is what they have done to people like us who are not old timers will restrict to three at a time. As far as these lum project are concerned the one that we are doing for Sterlite that 261 that is the boom project for them. Good learning experience for us and may be going forward I do not know whether we can also get into that and bid for one or two projects directly. We will wait for a year till we complete this project. It is a good learning and then only we will get into it. As be Mr. Ramakrishnan just said we will not go only after the numbers the topline, we are careful that bottomline is equally important. So learn the tricks of the trade and this job and then may be going forward we will try that also.

Snighter Albuquerque: Great Sir. That is my concern. Thank you so much and wish you all the best.

Moderator: Thank you. The next question is from the line of Puneet Khurana from AIM Capital. Please go ahead.

Puneet Khurana: Good evening and congratulations for the numbers. Sir my question is regarding the repurchase in April we saw a lot of decline, essentially because the temperatures were not so high in April; does it is a effect your Fan business in anyway and are you seeing some decline in fan sales during April and is May a better month than April or not?

Ramakrishnan: May is certainly a better month but I did not have to really worry because like I shared with you in the month of March alone we had sold about 8 Lakhs fans, now 800000 fans in one single month in terms of our primary sales was the all time record sales and probably we outsold everyone else in the country. So to that extent April was a month where we were anyway not expecting any great sales so that was perfectly in order. So May is good but to some extent a little bit of temperature related pressures and you know in terms of not being hot enough or little bit of some seasonal rains in some places etc., are a bit up a concern but frankly I do not think I am very much worried about the overall situation.

Puneet Khurana: Sir can you also share the number as you shared for March 8 Lakhs can you share the number for April and May and you know comparatively from last year also so like that a idea?

Ramakrishnan: I would not like to do that.

Puneet Khurana: Okay, so another question is it is kind of a repeat you described your hedging committee and you your presenting volume. I just want to know in case of E&P there is we completely hedged in terms of raw materials or some percentage what idea?

Ramakrishnan: As all these zinc as we said we do that otherwise all these steel and all is mostly covered under our price variation clause and steel of course the mechanism is not available. It is only thing that we keep an iron. Okay, let me clarify to you in the E&P business we have high mast, we have galvanized poles we have lighting projects. There are shorter gestation projects we have a clear visibility in terms of the order book so wherever we know we kind up get into contracts or agreements with our sub-vendors or whatever and we take care of pricing appropriately. Now there are some businesses such as transmission lanterns where there is a price escalation clause, which is built in and then there is something like rural electrification where probably the prices are more or less fixed now there again probably copper is the single biggest input because that goes into all the cabling and there also conductor prices are under price variation or may be cement poles are of fixed price even.

Puneet Khurana: And copper?

Lalit Mehta: Some cable is there.

Ramakrishnan: So where I am coming from approximately I would say 50% to 60% of a raw material exposure even in E&P BU is going to by price circulation probably 20%, 25% is 30% is where we have clear visibility in terms of demand and we can take appropriate decisions in terms of inventory and in any case in our factories the inventory which is appropriate so probably about 20% of our business is you may say unhedged in that sense and that we think is reasonable because the way the commodity prices yo-yo I do not think anything is wrong with that. I think this call has been going on for a long time so probably we will just take one or two questions.

Puneet Khurana: That is it from my side. So thanks a lot.

Moderator: The next question is from the line of Mayur Parkeria from Wealth Managers. Please go ahead.

Mayur Parkeria: Good evening sir and thank you for taking my questions. Sir in one of the previous questions you highlighted that out of the appliances and fans around 30% growth for the whole year the volume growth for in the region of in one case 7% to 8% or in the case of appliances 4% to 5% as the weighted growth?

Ramakrishnan: Come again with your question I think the numbers are little confusing?

Mayur Parkeria: Yes, the volume growth in the appliances business you said was around 4-5% whereas in the fan it was 7-8%?

Ramakrishnan: You have misunderstood completely. What I had mentioned was on an annualized basis in terms of the consumer durable business I have

grown last year at about 34% and I said pricing impact the increase in weighted average selling price or whatever because of pricing decision would be of the order of about 4% or 5% in terms of appliances and about 7% or 8% in terms of fans that is what I meant. Rating effectively by volume growth effectively if it is 34% in consumer durable probably my value growth is that my volume growth will be of the order of 27%, 28%.

Mayur Parkeria: All right, sir my mistake, the volume growth as 4% to 5% and that is what I was a bit surprised that how did that happen?

Ramakrishnan: This 4% to 5% volume growth I cannot have 35% value growth.

Mayur Parkeria: Correct sir and that is what actually just a clarification I just wanted in that case. Though we are going at almost towards 25% and even volume on appliances side with new categories coming in with our penetration going into B-cities and further on we are also able to address high-end through Morphy Richards if we put all these three together given the fact that the matured category like fans is growing at such a high pace do you feel that there is some disconnect with respect to appliances, small appliances and other growth which was also 25% I know 25% is a good growth but just trying to understand that with penetration so low or with you know organized share going up which we being able to address different market segment and new products can we see a substantial change in what over the period of next two years three years?

Ramakrishnan: I will just go by historical data. Historical data indicates that for the last five years my appliance business has grown in value by 35%, my fans business has grown compounded value of 30% so frankly my appliance business has been giving me better growth rate than the fans business. If you look the value or you look at volume.

Mayur Parkeria: No, slightly from broader perspective do you see that appliances growth rate can still be further pushed on as we introduce new products or as we are able to cater to more B-type of cities and go for further penetration?

Ramakrishnan: On a secular basis, appliances business is likely to grow faster than fans business if I look at the next five years.

Mayur Parkeria: Sir will Morphy Richards be around Rs. 100 Crores that is what we were expecting?

Ramakrishnan: Morphy Richards was Rs. 104 Crores last year versus the budget of Rs. 145 Crores in the current year.

Mayur Parkeria: Any plans for debt reduction even that CapEx would be only 40 to 50 for year if no acquisition comes up assuming that?

Ramakrishnan: Obviously, internal accruals will go to at retiring debt and as and when we need debt we will raise that.

Mayur Parkeria: Thanks sir. That answers my question. Thank you and wish you all the best.

Moderator: Thank you. We will take the last question from the line of Kamlesh Kotak from Asian Market. Please go ahead.

Kamlesh Kotak: Good evening sir. Sir just wanted to understand out of this E&P business, which subsegment, is showing better traction and how much is the constituent of REC and TLT out of that?

Ramakrishnan: Last year TLT was Rs. 300 Crores, special projects was Rs. 330 Crores, out of which, Rs. 240 Crores was rural electrification, some Rs. 90 Crores or something was the special projects there will be power stations and the cricket stadium and all that.

Kamlesh Kotak: Okay and High Mast and street lights?

Ramakrishnan: Around Rs. 230 Crores.

Kamlesh Kotak: Okay and in terms of the traction going forward which of the subsegment are looking to be good and how the order book is placed in terms of growth if you can share the percentage?

Ramakrishnan: Topline-wise, E&P will be the fastest growing, next will be special projects and power distribution and then high mast and poles. That reverses the better margin in high mast and special projects and the lowest in transmission lights. See that is our ability to take care of the product mix becomes extremely important so we will ensure that we play the product mix in such a way that in every quarter we have the right kind of mix between projects that our new projects where we have a supply component versus project then I getting completed there, there is a lot of labor component we will have the right mix between over profitable products like high mast and galvanized poles and lighting projects versus the total of TLT and RE rural electrification that we do so frankly that is something which we have learnt to do much better in the third and fourth quarters of last year and that is going to be a learning that going to stay with us for a long time.

Kamlesh Kotak: Okay and secondly sir just regarding your consumer business could you just again tell us what was the break up of volume versus value growth for this year?

Ramakrishnan: I think I have already responded.

Kamlesh Kotak: Yes, just I want to share that numbers if you could just say that?

Ramakrishnan: I would say that so average price increase would be anywhere between 4% and 5% in appliances and about 7% and 8% in fans on a year-on-year basis.

Kamlesh Kotak: Okay, and lastly what would be the number of our products in our portfolio this year end which we could have in the years from now?

Ramakrishnan: Please go through my website it is too much a complex a question.

Kamlesh Kotak: Thank you.

Ramakrishnan: Thank you so much. I want to thank everyone who has been on

this concall. Rahul over to you.

Rahul Gajare: Thank you Sir for your time and all the very best for the ensuing quarters.

Ramakrishnan: Thanks Rahul.

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