

L-1/1846/MGP

12th November 2018

To,

BSE Limited

Code No: 500031

Phiroze Jeejeebhoy Towers,

Dalal Street, Mumbai- 400 001

National Stock Exchange Ltd

Symbol: BAJAELEC- Series: EQ

Exchange Plaza, Bandra Kurla Complex,

Bandra (East), Mumbai- 400051.

Dear Sirs,

Subject: Transcript of post results Conference call held on 1st November 2018

Further to our letter no. L-1/MGP dated 31st October 2018, we enclose herewith transcript of the Post results conference call held by the Company with the Investors, on Thursday, 1st day of November 2018, on the financial results for the quarter and half year ended 30th September 2018 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**



Mangesh Patil

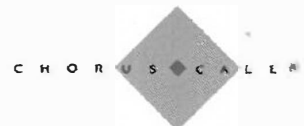
Vice President- Legal & Company Secretary

Encl: As above



“Bajaj Electricals Q2 FY19 Results Call”

November 01, 2018



MANAGEMENT: **MR. SHEKHAR BAJAJ – CHAIRMAN & MD, BAJAJ ELECTRICALS**
MR. ANANT PURANDARE – PRESIDENT & CHIEF FINANCIAL OFFICER, BAJAJ ELECTRICALS
MR. ANUJ PODDAR – EXECUTIVE DIRECTOR, BAJAJ ELECTRICALS
MODERATOR: **MR. VARSHIT SHAH – EMKAY GLOBAL**

Bajaj Electricals
November 01, 2018

Moderator: Ladies and gentlemen, welcome to the Q2 FY19 Results Call of Bajaj Electricals hosted by Emkay Global Financial Services. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Varshit Shah of Emkay Global. Thank you and over to you, sir.

Varshit Shah: Thank you, Tanvi. Good evening everyone. I would like to welcome the management and thank them for giving us the opportunity to host this conference call. We have with us today, Mr. Shekhar Bajaj - Chairman and Managing Director, Mr. Anant Purandare - President and Chief Financial Officer and Mr. Anuj Poddar - Executive Director. I would now like to hand over the call to Mr. Bajaj for his opening remarks. Over to you sir.

Shekhar Bajaj: Thank you, Varshit. Good afternoon friends. Let me first introduce you to Anuj Poddar who has from today taken over as the Executive Director. He would be basically taking the same responsibility and moving the company ahead as was being done by Anant Bajaj earlier. He has been on our board for last 2 years since May of 2016 and he was chairman of our audit committee. He has been working in Arthur Andersen and KPMG for over 10 years and was in Viacom 18 for the last 13 years, so he has got a vast experience and because he was in the board for over the last 2 years, he knows the company operation and therefore when this opportunity came and I asked him would you like to join, he was very happy to accept to be a full time Executive Director. He is also there, so if anybody in the future discussion want to talk to him about some areas where you want him to share his ideas, you are very welcome to contact that. Let me come to our results.

In the first quarter, many of the investors were little upset that why is the EPC not showing growth, all were happy with the CP growth. CP growth in last quarter, also it was 25%, this quarter also we are around 25% and which is something is consistently 20 to 25% growth I can see happening every quarter for next many quarters because our distribution is in place. As for the EPC, I mentioned that we can't look at EPC on the month to month basis. What you should really look at, how the order book and therefore because we got the order book of over 7300 crores, whether we like it or not, we have to execute fast, otherwise we end up with LDs and other problems coming in and therefore though we had earlier looked at a possibility of doing about 6500 crores which I had mentioned in the last quarter, about 2800 to 3000 crores coming out of CP business and may be 3,300 to 3,500 crores coming out of the EPC along with luminaires. Now looking at our big thrust in the UP project that we have got, now our expectation that we should be reaching around 4000 crores in the EPC business including luminaires, that is the B2B business and it will be 2800 to 3000 crores coming out of business of CP, so total around 6800 to 7000 crores plus it may happen which only by next quarter will be much more clearer, but we are now looking at instead of 6500 crores, we are looking at a 7000 crores possibility.

Now, as far as consumer product business is concerned, it is consistent as I said there should be no problem. As per EPC business is concerned, because of the cost escalation that has taken place and because of whether exchange rate or otherwise and we have to do it very fast, there can be 1 or 2% dip in our margins as far as the EPC business is concerned because the business of UP is going to be very taxing on one side and there is a lot of pressure because the quantity we have to do and the timeframe is very short. So, sometimes we have to pay some higher prices also to get some product because we have no alternatives but to finish it fast, so we may have to pay higher. So, to that extent, margins may get impacted in the coming period because our volumes are going to be so much higher compared to last year, last year was 2300-2400 crores and now we are talking about 4000 crores. My overheads distribute over volumes and therefore though the margins may get impacted, our EBITDA may not go down more than 1 or 2% if any, that only time will show and let us see how the thing pans out, but I think the business overall climate for us is good.

There have been questions asked to me that with the competitor, many of them has given special scheme this Diwali, they have given special discounts this Diwali, are you also going to match it. We as a company have taken a decision to do our distribution properly and therefore, we are not looking at giving any special scheme or special quantity discounts for people to buy. We are saying we should be consistent. If we give good product, good quality, consumers will buy and that is why our sale has been reasonably higher. Our October sale has been very satisfactory, numbers I can't discuss, but it is very satisfactory because people say here, they are not going to give any special scheme, they are not going to give any special discount, so they can buy it peacefully without any worry that the neighbour may get 3%, 5% cheaper. All those things are now behind us and we are now going to change and get into that. So, our margins will be remaining intact in consumer product. If there is a marginal change, we can always increase our prices. How much increase, will not be much, may be 2 to 3% type of increase may be there if it is required. We keep doing value engineering to see we do not increase our prices if we can. As far as possible, we don't want to increase our prices. As soon as any benefit comes like GST, we immediately passed on. As soon as 28 to 18% appliances took place from 100 plus 28, immediately made it 100 plus 18, the next day without getting into the costing, net of costs have gone up, so we should try to recover that. That we would recover by value engineering or cost increase in the coming months. So, this is where we stand. Maybe I think it is a good time, may be a few minutes you can give Anuj Poddar just to give what is his vision or what is his thinking as far as Bajaj Electricals is concerned. Thank you very much.

Anuj Poddar:

Thank you, Mr. Chairman. Good afternoon everybody. This is Anuj Poddar. As he said, I have just been inducted on today, so I am literally 2 hours into my role. So, it is early for me to share too much, but I just wanted to share a couple of points. Number one, I am very excited and energized to be taking up this responsibility. I believe the company is in a very good position right now to actually take advantage of all the opportunities out there in the market. I already by benefit of having been on the board, I have the benefit of having some insight into the company's business and operations and the team. I am very confident about what is the road head, I have

some thoughts already in vision and plan for what we can be doing but it is a little premature, it is something like we expect over the next 1 or 2 months, discuss with the teams, get a little better understanding from the insight about the company and operations and major quarter down the line, I will actually be very happy to share with you all also how and what we intent to do going forward, but having said that just to reemphasize what the Chairman said, in terms of the numbers, I cannot have asked to walk into a better day and is a better situation with fantastic results that the company has reported this quarter from whatever I seen here I am confident we will be maintaining that momentum. Thank you.

Moderator: Thank you. We will now begin the question and answer session. We have our first question from the line of Renu Baid from IIFL. Please go ahead.

Renu Baid: Sir, few inputs required from your end. First, it is good to see that consumer business is at least it is regaining back the volume. If you can help us understand subsegment wise, how has EPC sales been for the quarter? And in specific in the lighting segment because most of the peers have raised this concern. In the lighting segment, have we seen margin pressures being little more aggressive in the market because of cost issues?

Shekhar Bajaj: As far as growth is concerned, as you saw there is 24.9%, we have grown 17.4% in lighting, 30.9% in appliances, 35.8% in fans, Morphy Richards, we have shown a negative growth of 7.2%. Now there is a major change that we are doing as far as Morphy Richards is concerned, we are going to use our distribution channel of Bajaj to sell Morphy Richards product also. So, that will help us to gain back whatever market negative sales have happened. I think from October already we have shown a positive growth and we hope that in the coming month, Morphy Richards will gain back the growth momentum.

Renu Baid: But on the margin side, if we have to understand sir, then what exactly were the elements why we saw margins declining in the consumer business despite or reasonably strong volume growth?

Shekhar Bajaj: From 5.7%, if you say 5.6% is the negative growth, I think that is not the way to look at it. What is 5.7 and 5.6 is same, you say why is this flat and not growing.

Renu Baid: Probably we expected growth in the margins with volumes coming in, but probably the growth in margins has not happened.

Shekhar Bajaj: You know that pressure on commodity prices because of exchange rate and otherwise has been so strong that most people were expecting that our margin will go down by 1 or 2%. To remain consistent in spite of this whatever price increase would take, if it takes a month or 2 months to settle down and we are not giving any those special deals. So, what happens is that if somebody said, okay you buy the whole price, you take 500 pieces, we will give you some special discount, all those things are not in our scope of possibilities, so therefore to that extent we cannot go around such deals you understand? Either it would be consistent, but there is not going to be a

major jump, but yes wherever we need to increase prices, we are increasing prices, it may come up in the next 1 to 2 months as required.

Renu Baid: Sir and on the lighting side, have you seen margin pressures in the lighting segment for us in specific, especially the LED bulb space?

Shekhar Bajaj: As I said, we don't play that price game. I will give you an example. Understand people like Crompton, like for example, SYSKA few months back has reduced the price again to 10%.

Renu Baid: Correct. 10 to 15% price reduction.

Shekhar Bajaj: Crompton has reduced the price of fan by 10 to 15%, appliances by 10 to 15%. That is what I understand. I don't know. We are saying that our issue is that we are not going to go and play the price game. We say we give you a good product, we give you good after sale service, we give you home service, we give you other services by making you the product available at your doorstep, all those things we will do, we will not play the price game and therefore because price game finally it only spoils the total market. If I give a wholesaler extra 10% discount, he will pass it on the market, so my prices to 100 will become 95. We have seen that the competition is not with selected oriented Usha. Our problem is our competition will always be Bajaj versus Bajaj. I have been always saying that if we keep consistent pricing, the retailers are much more happy for them, it doesn't matter. If I like a particular product, whether it is 100 to 105, I don't think our customer is going to disappear, go to another brand just because it is 5% cheaper. As a retailer, I always say retailer plays a major role. If retailer sells that Bajaj is 105 and Usha is 100, but I recommend that you should buy a Bajaj, their quality is better, any problem is there I am there to give you service, I can tell you that 99% of the people will buy what the retailer recommends. The retailers will recommend where there is no quality hassles, as there is no pressure to push the product on him because we say buy what you want, we give you no special deal, we are coming every week to give you service, so they hope why the hell are you wanted to buy more quantity by limited quantity is otherwise. His return on investment and capital infusion has gone up so high, he wants to deal with us only, so that is what is happening.

Renu Baid: And sir the last question is on the project side, as you have seen execution now significantly improving on the UP project as well, can you understand the margin decline that we have seen or the lower margins in the projects business, are they because of the execution headwinds or cost increase in the UP project or is the margin recognition non linear year?

Shekhar Bajaj: UP project is going to impact us. There is no question about it because UP projects, in terms of ratio is going to change the whole ratio that is earlier we had TLT, we had special illumination which is high mast and all and then we had PD also. Now PD is going to be 75% of the EPC, I think so, may be 70%. It is going to be major and therefore because of the cost increases that is taking place because of the commodity prices and the pressure to do it fast because they want to do it before the election. Because of that, there will be some impact on the margins and therefore to that extent my personal feeling is the margins will go down. This is my feeling. I hope it does

not happen, but I will give my own personal feeling, but because of the volumes that we are going to substantially growth, now our expectation is that again last year it was 2400 crores, In EPC, we should go about 4000 crores. Though my margins will be lower, but because of the higher volume I may still end up making better margin, better profitability compared to last year.

Renu Baid: On an overall basis, in the turnkey project as now in the EPC segment should we expect about similar 4 to 5% kind of margins only given the higher volumes that we come through?

Shekhar Bajaj: I can't say. I mean it will be not higher than last year, that is very clear to be lower but whether 1%, that over a period when we start executing because we have to still purchase a lot of material, whether we end up in 5% more, 3% more, 10% more, we don't know.

Renu Baid: It is probably margins will now improve only once lion share of this order is completed?

Shekhar Bajaj: I think so.

Moderator: Thank you. The next question is from the line of Sloane Robinson from Florentree. Please go ahead.

Sloane Robinson: You told briefly in your introduction about the outlook for the consumer product space where you said 25% growth would continue for the next few quarters, how long do you think this can continue and when do you think it actually starts to go back to market growth source of levels because the prices has been regaining market share, I was wondering how much market share you can actually take from rivals with your superior distribution network?

Shekhar Bajaj: That is a very good question. Thank you very much for that. Basically, the advantage in India is unlike other countries, our penetration levels are very low and therefore in case of interiors where we are now very strong, we have covered 550 districts all over the country, we have got 180,000 retail outlets through whom we are distributing our product on a weekly basis.. So, with that type of numbers that we are covering because we talk about 25% growth year-on-year, personally I think it can go on consistently according to me for almost ever, I won't say ever, at least for next 2, 3, 4 years easily because the type of new consumer, the young people who are coming into the field to purchase are people who are from their rural sector whose family, parents they never needed a consumer product because they never thought I need a mixie, I don't need an iron or a toaster and their children, because they had the money they send them for education to cities and send them abroad, they come back to the rural market and suddenly they say we want to have a milk shake, we want to have a toaster, we want to have an iron. So, with the result that because the penetration level in India is so low, we think there will a great growth continues to come luckily because of our distribution and personally I think that there is no other company in India in the small appliances or fan segment whose distribution is as strong as ours. I am making it very categorically clear. We took 2 to 3 years and taken a lot of beating but now I don't think anybody can say that we can reach the rural market as deep and on a regular

distribution basis as we are doing and therefore that is the market where we think the growth is going to come.

Sloane Robinson: I understand this quarter we had effects, had headwinds and we had raw material price challenges and that is why the margin has been flat, but what is your pricing strategy going forward and how does that translate into your margins, where do you see margins getting to this business and will you take price action to achieve it or will you just wait for operational leverage to reach these margins?

Shekhar Bajaj: As I said that which Renu was asking the question about distribution, we are not keeping on getting stuck to what competitor is doing in terms of additional discounts. We will keep that in mind when deciding the pricing but we don't play a daily price game, okay he has given 5% discount, what are you going to give, answer is we will give nothing. So, as far as our pricing policy is that as far as possible, we must continuously do value engineering. We must keep looking at purchasing at lower and lower cost, so that I can avoid price increase and I can maintain my margin. That is our objective. However, in case we find that after all our value engineering, everything the commodity prices has gone up so much, there are need to increase my price at 3%, 5%, whatever is required, we will have to do it, there is no alternative because we are going to maintain our margins. Our margins are something which we have to maintain, otherwise to take care of our overheads, our shareholders. We have to give them improved profit and improved profit will only take place if we are able to maintain our margin. So, margins can be by increasing our pricing or reducing our purchase cost or may be reducing our fixed cost or reducing our working capital. Can we reduce our inventory level? Can we reduce our receivable? So, there are four ways to increase profits, so we will work on all the four areas to improve profits.

Sloane Robinson: And if these headwinds that were facing on the cost side go away and actually we start to see the benefits of operational leverage. Will you thought those in price decreases or will you take the margin gains?

Shekhar Bajaj: I think it is very difficult to answer that but just as a side, I think I would love to pocket it.

Sloane Robinson: The headwinds that were facing.

Shekhar Bajaj: I said I would love to pocket it. I will tell you simple. Normally, I am against price reduction. For very simple reason like I said we don't want to give any special deals or special discount, though Diwali is coming, everybody says give me something special. Similarly somebody bought out of good faith at Rs. 100 and I reduced the price to Rs. 98, who has bought it Rs. 100 losses out, so I rather not disturb the market, use the 2% extra which I have got, let us say by promoting it by spending on advertising or brand building, whatever is required to be done rather than disturbing the market. So, we don't increase unnecessarily, we don't decrease unnecessarily, so we should be consistent. That is what retailers want.

- Moderator:** Thank you. The next question is from the line of Rahul Gazre from Antique Broking. Please go ahead.
- Rahul Gazre:** Sir, many congratulations on good results in terms of revenue growth and earnings growth. I have got two questions, first on the consumer business. Now given the changing preference in India, for premium violation is coming in and all, what are your new thoughts or products under development that you could launch in the next few quarters or may be a year or so? What is happening in terms of new product development?
- Shekhar Bajaj:** See our R&D centre, Anant Bajaj was very passionate about globalization and upgrading the product, so therefore all our new products, about a year back we introduced our IOT coolers, we are introducing our water heater which is going to be IOT based. So, with the result and also just for the growth in fan, major growth is coming in the premium segment. So, one area which of course we have to do is we have to keep introducing new product every month. I mean that is the type of focus we have to do. Also, now that our new ED has come in, he will have to push the R&D centre and the development because at the end of the it is a new product, NPD is the critical. We may decide to outsource some of the new designs and we can get good designed houses to make good designs. All those things he will have to look into, but clearly new product and premium wise project is what is going to give you a bottom-line, that is the future. If a person is spending 10 lakhs to his renovated house, he doesn't care whether the fan costs Rs. 2000 or Rs. 4000, so he would like to have a good premium fan, so that is clearly our direction.
- Anuj Poddar:** Rahul, this is Anuj Poddar. Let me also share my perspective in this one. I think this is a very good question. The way I see it is India is not a single unit by market, India is a market with many different segments and I mean economically or in terms of purchasing preferences. It is very early for me to understand how the company currently deals with these different segments in terms of pricing and product range etc. Like the Chairman said, there is already a pipeline of new product development. My endeavour is definitely going to start aligning that pipeline of new product development to a strategy on segmenting the market into these different segments and targeting them little more tactically across these different segments. So, that is the principle, how we actually go about doing that is something once I understand how the company is already doing that. This way I will also have a little more perspective on that, but I think we do intend to explore and drive initially for the growth. Growth will come through a segmented targeting approach on the market.
- Rahul Gazre:** See on the second question from the ENP business, when last time I had met Mr. Bajaj, I think we were talking about the UP order could actually get reassessed in terms of the size, so the current order backlog that we have, is that already done or there is a chance that this order size of the power distribution could actually come down?
- Shekhar Bajaj:** . In UP, you have some which we call as after the survey we said that the total order may come down. So, that is what on that basis we are working. When I went and met the minister, I met the Chairman and all other, they all gave me a feeling that there are those work we call it informal

connections. They want to convert it into formal connections. Though the lighting is there, it is not formally approved, so they want to convert it but it is not happening because this has all been done with political support, so that we will be able to convert, how much will be able to convert into formal order, we don't know but if that comes because that is going to require only one end product because luckily the poles have been already set, the infrastructure has already done, otherwise they would not get lighting in their homes. They have to do only a connection what we call is the BPL kit, which we would actually put, otherwise everything is just already there. That is why they are getting power and they are not paying for the power because they have got unofficial or illegal connection, that is all.

Rahul Gazre: So, basically the order value from the UP state will not change, this 5800 will remain this?

Shekhar Bajaj: 5000 become may be 4000, but it may not become 3000, it will be something between 3000 and 4000.

Rahul Gazre: So, that assessment still has to happen and when do you think you will be able in a position to actually do that assessment?

Shekhar Bajaj: We don't know. We are now busy trying to do where there is no power, we should try and give power there. That is what our first concentration because where power is there, the government is not under so much of pressure because for them to show that I have electrified UP, whether official or unofficial, who is asking that question?

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

Nirav Vasa: My questions pertain to the UP based order only. Sir, how do we intend to fund this order and especially get the working capital because we have our net worth of Rs. 980 crores and the short-term debt has already short up to almost Rs. 1300 crores, so as you had stated at the starting of the call, this order needs to be executed at really fast pace, may be next 6 to 7 months. So, from where can we bring in the additional working capital which might be needed?

Shekhar Bajaj: We earlier were offered advance from the UP order, about 500 crores to 600 crores could have come, but it was costing us 11%, so obviously wants to save money, our cost would be about 9%. So, we were planning not to take it and therefore everybody else who all got orders in UP, took the advance. Bajaj is the only one who did not take advance. Now, with this expedition and we have to do it fast, we met the Chairman and MD and asked him that we need the advance, he said, you never ask for it, that money is lying for you, you please apply and take it. Already I talked him two days back, today I got a message from him, you only asked for 110 crores, it has already been approved for you. Already, we have got the 110 crores, he said, reapply for more, we will give it to you. So, therefore we should expect anything from 400 to 500 crores coming from there.

- Nirav Vasa:** And sir would there be any retention money in these projects?
- Shekhar Bajaj:** Yes, 10%.
- Nirav Vasa:** And can that be encashed with bank guarantee?
- Shekhar Bajaj:** In the Contract, it is not there. but after the thing is over, first we have to do a good job and finish it off. That is the main thing, but otherwise that 10% will be only after the contract is over. So, in Bihar where we were able to get 5% of that by giving bank guarantee, here also we will try. The people in UP from the government side, all of them are very supportive and very helpful and whatever help you want like this, I had talked 2 -3 days back, this is what you want. I said we want cash. He said, no problem, how much do you want. What has happened that they get the money under the Saubhagya scheme from centre and they can't touch it. They can only use it for this purpose. Actually, they said, we got a firing from Delhi that why this money is still lying with you, why were it is not given to your customer?
- Nirav Vasa:** Effectively sir if my assessment is right, then the leverage on balance sheet might increase only for next 6 to 7 months, so effectively by the first quarter of next financial year, leverage would have to a great extent normalized?
- Shekhar Bajaj:** I would say let us keep it that this problem will come up to March.
- Nirav Vasa:** Effectively only for 2H.
- Shekhar Bajaj:** 6 to 8 months.
- Moderator:** Thank you. The next question is from the line of Sidhant Mohda from Principal India. Please go ahead.
- Sidhant Mohda:** Sir, my question is on consumer durable margin. With new product scale reach and all, can we assume EBITDA margin reaching 9 to 10% on sustainable basis from quarter 3, quarter 4 onwards?
- Shekhar Bajaj:** See, personally I find these new products, they give you a good visibility, it gives you a good image, but does not give you any turnover, does not give any profit in the short term. This is what I always say that okay, you introduce IoT cooler, maybe we spend more on publicity for doing the IoT cooler and their launching, then the amount of sale and contribution that it has made but it shows that your capability to give new technology by high end product, so that gives you a good image, so it is good for image building that then give you. The bottom-line will come because our higher volume and our fixed cost not going up. What has happened in the previous 2 to 3 years is that our growth was not there and our fixed cost went up much higher and therefore our fixed cost has gone up. Firstly, I think if the commodity prices stabilized then my personal view is that because of that our fixed cost percentage will keep going down and therefore to that

extent our margins may go up from 6% to 7% level at this moment to may be 8% by the end of this year.

Sidhant Mohda: And sir, then further it can improve because growth is there then?

Shekhar Bajaj: It has to increase. We cannot afford to be happy with 8%. If Havells can have 12%, 15% why the hell are we stuck at 8% and that will be one of the things which already I have talked to and that is going to be his main agenda, Mr. Anuj Poddar is to make it 10% quickly.

Anuj Poddar: No pressure, Sidhant. This is Anuj. Thank you Chairman, no pressure on that, but jokes apart. That is definitely my endeavour and focus areas in the next few quarters to increase the margins.

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

Varshit Shah: Sir, could you just help us understand on the consumer side, so since you mentioned that the premium product growth is much faster, so probably this commodity price size let us say sustains around the few quarters or so and when it then stabilizes and incremental faster growth from premium products could actually then start aiding margins again, maybe say FY19 onwards again. Is that the right way to think at least?

Shekhar Bajaj: The whole game is, two thing happens. If you sell more of premium, say fan which is at Rs. 2000 other than selling a Rs. 1200 fan, for the same number of fans your value goes up. That clearly gives you higher turnover. So, if you say if your turnover is 25%, your volume growth may be only 20%, so that is the good thing which happens and margins also if per fan if I were making on Rs. 1000 I was making Rs. 10, on the 2000 I will be making Rs. 20 or Rs. 25, so to that extent for every fan I sell, I make much more margins. Therefore, the premiumization will help us on top-line also and bottom-line also and that is our objective. Clearly that would be the right direction to go.

Varshit Shah: So, sir, the percentage margins will be similar in the premium and the non-premium product as well, but the absolute margins are higher in premium. Is that the right way to understand?

Shekhar Bajaj: The margin in the premium products not only amount wise higher, but even percentage higher, always because in competition in the lower end segment, this competition had to Rs. 10, Rs. 20 matter when a person spending Rs. 1000, person who is spending 4000, for him 4000 and 5000 makes no difference. If he likes the product, he buys it, so in the premium not only the amount is more because of the price, but also percentage is higher.

Varshit Shah: And congratulations to Mr. Poddar for the elevation. So, wish him all the best.

- Anant Purandare:** Varshit on the point of growth, if you see, our growth is across the price point, our economy category is also growing by 50%. So, with the penetration in the rural market, we are growing in economy segment also.
- Moderator:** Thank you. The next question is from the line of Hrishikesh Bhagat from LIC Mutual Fund. Please go ahead.
- Hrishikesh Bhagat:** Few of your competitors, especially I am talking about kitchen electrical appliances, I think this whole government focus on increasing LPG distribution and penetration. I think they are seeing a lot of rub off in the kitchen appliances side and is Bajaj also seeing the similar. What is your sense on the market on that especially on the kitchen product side and secondly I understand lot of these sales happen through OMC channel, so are we present in that channel?
- Shekhar Bajaj:** Which channel?
- Hrishikesh Bhagat:** OMC, basically through oil marketing companies.
- Shekhar Bajaj:** Gas stoves, we were doing it, not got down slightly. Last year, we were very strong. Going to the oil companies, our business was quite good in gas stoves.
- Hrishikesh Bhagat:** What is the sense right now on that market?
- Shekhar Bajaj:** 26 to 27 crores of gas stoves is sold last year through these oil companies.
- Hrishikesh Bhagat:** Is there any rub off on the other categories that you are seeing because of this increase in penetration?
- Shekhar Bajaj:** I don't know because that is the separate channel. We are only offering gas stove to them, so I don't think what is the rub off.
- Anant Purandare:** Hrishikesh, we are mixing, we are in electrical appliances and what you are talking about is non-electrical appliances that is non-stick cookware which are used for the gas use. That is where the Nirlep products will go faster in this market.
- Hrishikesh Bhagat:** And my second question, is there any sales from Nirlep in current quarter?
- Anant Purandare:** It is just 2 crores. We just started on 15th of September. Major sales you will see in this quarter. We are just covering East and West market. Pan India will be covering by December, so actual potential will come to know in the fourth quarter.
- Moderator:** Thank you. We have the last question from the line of Sidhant Mohda from Principal India. Please go ahead.

- Sidhant Mohda:** Sir, in case of engineering and project division, you have mentioned 4000 revenue, so what it will be in FY20 sir?
- Shekhar Bajaj:** No idea.
- Sidhant Mohda:** Sir why I am saying because your execution it has started and it was mentioned that you are not going to take much order in engineering and project division, so?
- Shekhar Bajaj:** No, I said we will not take in power distribution. In power distribution, we have got enough to take care in the next 2 years. Our order book is 7300 crores, so therefore next year also, again this 4000 crores will do, next year it will be anything, 3500 to 4000 will have to do to complete all the whole project. Our full objective which I have earlier mentioned for many years is that as an engineering project business is a risky business and therefore we would like to keep it restricted to 50:50, that means 50% must come out of EPC and 50% must come out of consumer product. So that if there is any problem which comes in EPC the consumer product is supported and because of the order which we have suddenly got this big order, the ratio is going to change. Current year we may end up at 4000. This business has only 3000 CP, so the ratio will be little tilted, so next year we are hoping that we do 3500 crores in EPC, we hope that we will do in consumer product also 3500, so it will come back to 50:50.
- Moderator:** We have the next question from the line of Sloane Robinson from Florentree. Please go ahead.
- Sloane Robinson:** With your distribution touch points that are 180,000 now, where do you see this number growing next year? Is there still more growth in the network, question of selling more through the existing network?
- Shekhar Bajaj:** I think you keep asking me question, please ask the third time also because your questions are fantastic. It is a very good question. We are looking at by end of this year we should reach a level of 200,000. The scope of growth and adding numbers is huge, so there is no end to it. The 200,000 is the end of it but our objective is that once we have reached the 200,000 in addition to adding more outlets is very important that today if they are keeping 10% of the turnover is our product, can we make it 20%. That means we should try and see if the penetration level and the percentage of their purchases goes up. That would be our objective.
- Sloane Robinson:** Fantastic and as you grow in the network, you still able to keep your delivery times within 5 days of restocking to retailer, do you have any numbers for you can share at the moment because the network is compliant with that sort of limits and is that the main limits that how fast you can grow your network?
- Shekhar Bajaj:** What you are saying is absolutely correct. That 5 days is the basis on which our whole because we have told people why do you want to keep inventory of 2 months, 1 month, we will give you delivery in 5 days to keep, inventory are only 15 days. Now, if they keep 15 days and I cannot deliver in 5 to 6 days and they are stocked out, next time they will stop keeping low inventory.

They will again go back to the old inventory situation. So, for us the number one criteria which we say availability, is the most critical thing in this whole distribution model, so at any cost we have to deliver, so the way we work it is as follows. We decide on our godowns on the basis of where the distributor is and where we can deliver in 3 to 4 days and therefore we make a radius that on an average, truck can reach in a 500 kilometers per day. So, if I have to deliver in 3 days, let us say 4 days, that means from our godown no retailer should be away more than 2000 kilometers. That is the way, so that we are replenishing it on a daily basis, so from our factory it goes to the central warehouse on a daily basis, from central warehouse to regional warehouse, and from regional warehouse to the branch warehouse. So, this is the way we work. So, wherever we are going to have our godown, it must reach every distributor is there, there will be some godown which will be such that he will get delivery in a period of 4 days. That is our objective. So, if I want to say that I want to have delivery in one week, then I do not as many existing godowns. I have got 18 godowns, now we are going to reduce to 15 godowns, we can manage with 10 godowns but then the delivery will be 7 days. If I want to have delivery in 2 days, I may have to have 100 godowns, so we thought that 5 days is a reasonable level which is perfectly okay from a customer point and dealer point of view, so therefore we are keeping 5 days level at this moment.

Sloane Robinson: And would your distributions as you expand your product portfolio with Nirlep, presumably they are very happy with that move are you able to extract specific terms from them and respond through a wider product range?

Shekhar Bajaj: It is too early. First let us get distribution in place, let us not try to squeeze people, let them meet their margin, let them be happy to do our business. When it expands sufficient, at that time may be we can discuss, at this moment we have not thought about it.

Moderator: Thank you. Sir, there are no further questions in the queue. You can go ahead with your closing comments.

Shekhar Bajaj: Thank you very much all of you. I think there were some very good questions and I think we are going in the right direction and in the market, keep saying that markets are weak or strong. As we have a market share only 10 to 15%, we are saying that if the market even grows down by 10% is to 100 the market goes on to 90. We still have only 10 to 15, so there we still have a scope of getting another 80% market. So, we think the growth level which we are talking about will continue to be there because our market shares are very low and therefore, I think you don't need to worry. Let us hope and keep our fingers crossed, less look at quarter to quarter. Let us hope our 25% level growth in consumer product continues and we can finish our project orders which we have got in hand, in time and so that we don't have to have any extension and we don't have to give away any extra margin because of the delays. Thank you.

Moderator: On behalf of Emkay Global, we can close this conference. Thank you for joining us and you may now disconnect your lines.