February 7, 2023

To,

BSE Limited : **Code No. 500031**
Department of Corporate Services
Phiroze Jeejeebhoy Towers
Dalal Street Mumbai 400 001

National Stock Exchange of India Limited : **BAJAJELEC - Series: EQ**
Listing Department
Exchange Plaza, Bandra Kurla Complex,
Bandra (East), Mumbai 400 051

Dear Sir/Madam,

Sub.: 'Transcript of the Q3FY23 Results Conference Call' of Bajaj Electricals Limited (the "Company")

Further to our letters dated January 24, 2023 and February 2, 2023, and pursuant to the provisions of Regulation 30 (read with clause 15 of Para A, Part A, Schedule III) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (**"SEBI Listing Regulations"**), we enclose herewith the Transcript of Q3FY23 Results Conference Call (i.e., Post Earnings/Quarterly Call), as organised by ICICI Securities Limited on Thursday, February 2, 2023, at 4:30 P.M. (IST), wherein, inter-alia, the unaudited financial results of the Company for the third quarter and nine months period ended December 31, 2022, were discussed.

We request you to take the above on record and the same be treated as compliance under the applicable provisions of the SEBI Listing Regulations.

Thanking you,

Yours Faithfully,
For Bajaj Electricals Limited

AJAY SURESH NAGLE
Digitally signed by AJAY SURESH NAGLE
Date: 2023.02.07 11:32:39 +05'30'

Ajay Nagle
Company Secretary and Head of Department

Encl.: As above.

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"Bajaj Electricals Limited
Q3 FY2023 Earnings Conference Call"

February 02, 2023

ANALYST: **MR. ANIRUDDHA JOSHI– ICICI SECURITIES**

MANAGEMENT: **MR. ANUJ PODDAR – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER- BAJAJ ELECTRICALS LIMITED**
MR. E C PRASAD - CHIEF FINANCIAL OFFICER – BAJAJ ELECTRICALS LIMITED

Moderator: Ladies and gentlemen good day and welcome to the Q3 FY2023 earnings conference call of Bajaj Electricals hosted by ICICI Securities. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Aniruddha Joshi from ICICI Securities. Thank you and over to you Sir!

Aniruddha Joshi: Thanks Ryan. On behalf of ICICI Securities we welcome you all to Q3 FY2023 results conference call of Bajaj Electricals Limited. We have with us senior management represented by Mr. Anuj Poddar, Managing Director and CEO and Mr. E C Prasad, CFO. Now I hand over the call to the management for initial comments on the quarterly performance and then we will open the floor for question and answer session. Thanks and over to you Sir!

Anuj Poddar: Thank you. Good evening. This is Anuj Poddar. Thank you everyone for joining this call. I will just make a few brief opening comments and then you can ask us your questions. I would start by saying we are extremely pleased with our performance in Q3 and this is despite what I am sure you are aware of a tough environment in terms of muted demand for consumer goods as we have seen around that year. Few highlights for us, we are back to having crossed INR 1000 Crores of revenue in our consumer product business. Our lighting business, while our revenue basis has been flat, our profit on lighting business has increased substantially and that is the guidance that we have been given that we will be driving profitable growth for the lighting business with a margin expansion. Our EPC business which has broken even about three quarters ago continues to be at breakeven stroke pointed level but also more positive for us is that in terms of revenue and order book that is expanding growth in the direction that we wanted to grow. We feel now it is achieving a certain amount of traction in revenue side that we think will make that business viable and profitable into the future while yet maintaining our approach of being selective and then ensuring quality of order that we take such that it also remains profitable at a project level. We have timed that such that we are in cusp of demerger in the quarter or two and so as the demerger happens this business will also be a healthy business going forward. Lastly on the cash flow front, like we have always maintained that it remains an area of focus for us. Q3 also has been very strong on the cash flow basis for us. Our cash from operations just within Q3 has been at about INR 197 Crores, so that is my opening comments on overall performance. I do want to call out and explain which we have explained in the deck also. You will see a line of other expenses that has risen substantially. I will explain briefly what that is. Firstly, this is what we have under our RREP scheme. We have formulated something called the retailer bonding programme which is a form of loyalty points that retailers accumulate. For us this is a form in manner of schemes and discounts that we have been running under the guise of RBP royalty programme as a structured approach to doing that. We continue to review and we will continue to review the scheme and manner of this RBP programme now and going forward as part of our overall review of our schemes and discounts that we are putting into the market place. The Q3 impact of that is that we have been driving a substantial redemption programme to encourage our retailers to opt for redemption rather than continue to accumulate points. Couple of reasons for that, one reason is being that the entire provision for RBP because we have maintained the conservative provision policy has been accumulated in our balance sheet and a few quarters ago that had risen to a high level in balance sheet. It was not something healthy for us to continue to carry therefore we wanted to start encouraging the redemption of these points, but second it is a more operational tactical decision from a business standpoint. Now we are starting to offer various forms of schemes that are more targeted at certain product categories etc., and as far as composite review of that, the RBP we have been driving redemptions of that. The impact of the RBP redemption in change in policy has been that there has been slightly upward of 50 Crores upside in the revenues because of this and simultaneously there is slightly upwards of 50 Crores impact on other expenses because of this. The net impact of about 12 Crores on that. At the same time, there are two or three other elements in this quarter. Our schemes and discounts in this quarter have been heightened particularly on fans as part of the destocking of non star rated fans, so that is obviously a negative impact in terms of margin but that is baked into our Q3 financials and EBIT that you see. Our investment in brand has gone up significantly in Q3 on a quarter on quarter basis about 2% incremental spends in advertising and on Y-o-Y slightly above 1% increase in advertising. On an absolute basis about 14 Crores incremental spends on advertising in Q3 Y-o-Y basis and lastly we are in the process of moving back our logistics from Mahindra logistics to in house logistics. As part of that transition we have had a transition cost of that in this quarter which has again been in the range of about 1% of our consumer business revenue so I am just highlighting these. These are reasons for other expenses to look slightly higher and also related to certain notes that you see in this financial. The consolidated net impact of all of this is already taken to the financial. I have explained all of that. I will be happy to take further questions on any of these comments. Back to you. Thank you.

Moderator: Ladies and gentlemen we will now begin the question and answer session. Our first question comes from the line of Chirag Lodaya from Valuequest. Please go ahead.

Chirag Lodaya: Yes thank you for the opportunity. Sir I had a couple of questions. First if you can help us understand demand trends across categories like appliances, fans, lighting. Are you seeing any improvement in the overall underlying trends?

Anuj Poddar: So you know demand as you have been seeing all forms of commentary around that, the demand has been muted particularly post Diwali, since November it has been muted. The appliances in particular has seen a more muted demand and Bajaj typically if you go back last year Q3 also more than 70% of our revenues particularly this quarter comes from appliances and which has been category or segment that has been seeing muted demand. Within that also if I dive into that room heaters and water heaters you had a late onset of winter this year post 15^{th} to 20^{th} December so there has been an impact on the heating category this year. Coming back to a very current strength, I think post the onset of winter I would say tertiary sales started then and therefore some amount of primary selling was happening in Q4 but that has been a limited sale that has happened on heating but the positive news on that is because of the winter setting at least tertiary and secondary sale has happened and therefore there has been a certain amount of destocking of that inventory at the retailer store, distributor therefore at least for next season we are fine. On an overall demand trend basis it is a little early to say. I do not want to say that too emphatically but I think last three to four weeks we are starting to see some improvement in demand also on the rural side and I am also reading some commentary or data points if you see from a FMCG sector if that happens we think that will also transpire back to us so it is early days. In summary, I think there is a mutual demand environment through most of Q3. Our last few weeks we are starting to see some green shoots on that but we will wait a little while to have a more emphatic view on that.

Chirag Lodaya: On lighting front distribution etc., are we done with that and can we expect strong momentum next quarter onwards or how to think there.

Anuj Poddar: Lighting for us in Q3 professional lighting has grown, consumer lighting has degrown, consumer lighting degrowth is a combination of overall demand trend and also our internal rejig that we did. I think another quarter away from the rejig of our go to market strategy and we are much better when we were three months ago but there is certain team expansion and distributor, dealer expansion for a consumer lighting that is yet WIP so most of that should be getting over or done by March. We will see incremental momentum on that but it will be Q1 that you will see a full momentum on that. At the same time on our GTM front and a product level like we have show cased a few products in our investor deck. We will continue to expand our consumer lighting portfolio and product offering and make it both wider and go up in terms of value added offering so and as and when our GTM is also fully in place we will see a few benefits of our GTM region as well as expanded consumer lighting portfolio.

Chirag Lodaya: Right and Sir just lastly on profitability side. So you had highlighted couple of points why margins are subdued in this quarter so adjusting all this what could be the margins in this quarter and secondly slightly longer picture in FY2022, we did around 9.8% kind of EBIT margin last few quarters because of inflation, weak demand we are at 7 to 7.5% kind of EBIT margin by when can we touch at least double digit EBIT margin in FMEG business.

Anuj Poddar: I would not give a projection of that but just to answer according to this quarter like we said the RBP part that we received is a net positive impact of 12 Crores, the incremental brand spend incremental has been over 14 Crores. The incremental impact of cost of the logistics transition has been about 1% of our top line so add another 1% there and then finally while the RBP part which is royalty sold out actually it is compensating other schemes and discounts that we have given which have also been fairly high this quarter as part of fan destocking. So net, net I do not want to put a specific figure but I would say the margins having netted out all of these things would actually be at least 1.5% better.

Chirag Lodaya: And is this a sustainable number now going ahead.

Anuj Poddar: Couple of things you will see. As business operation side continue to relook at our loyalty programme and what is the schemes and measures that we have for particular push that we want to do. There is no firm answer to that but in the next few quarter or as on perpetual basis we will keep looking at that. The impact of that sometimes we will net it of sometimes we will be called off in different line items but to my mind those are purely operational cost. The one part that will be on one time basis that will continue in Q4 is the logistics transition that will have some impact will continue in Q4 and then normalize in Q1. The brand spends is again a more tactical call but I do not expect a significant deviation in Q4 on brand spend.

Chirag Lodaya: Got it thanks a lot.

Moderator: Thank you. Our next question comes from the line of Akhilesh Bhandari from ICICI Prudential AMC. Please go ahead.

Akhilesh Bhandari: Sir thank you for taking my questions. So firstly can you speak about the volume growth which the company has seen across the various categories. We have seen a very sharp revenue growth in fans and a slight degrowth in appliances and also lighting you mentioned that B2C has degrown but can you also speak on what has been the volume growth during this quarter. You typically of course have a replenished model but at the industry level how do you see the inventory level for the fan segment.

Anuj Poddar: So the volume on overall has been flat. I would say appliance has a slight degrowth, fans of course there has been growth. The mid level is flat because appliances is higher in terms of contribution for us. Within that it varies by subsegment but like I called out heating category has been a degrowth, kitchen category has been flattish, coolers is actually an upside for us in terms of advance sales that happens on coolers. Coming back in terms of fans and inventory etc, we have completely destocked all the non star rated fans that we have had that is in some terms the compliance regulation. I would say there is a fair amount of stock now not just us but of all brands in the market of these non star rated fans with the channels in the market. I think that will take anything between 3 to 6 months to normalize at the same time we think towards the end of Q4 we should start seeing traction on volume growth for the star rated fans even from primary sales point of view.

Akhilesh Bhandari: Understood. A bit more on the logistics transition so if you can give us more details on what is the thought process or rational for going back on the transition and initially of course you had some benefits which you thought you would get from moving to Mahindra logistics and what has changed from that perspective if you can just give us a bit more detail that would be helpful.

Anuj Poddar: Sure Akhilesh to be candid two years or two half years ago when we embarked on the 3PL outsourcing we were looking at both financial and strategic benefit from that. We knew we were slightly ahead of the curve when planning for that to put a long story short I do not think we have achieved either the financial or strategic benefits from that decision. We have tried to make it work over a couple of years but at some point we took a decision that if it is not serving our purpose then we are better of pulling it back in house so that is the reason to pull it back in house. Since then while there is a certain transition cost of that our actual service leverage to customers, distributors, channel partners has gone up which is our primary focus of doing that. That is most important for us. We believe we are managing that well in house and then we will continue while there is a transition cost of doing that and our first endeavor is to get the service levels right which we are doing. Over the next 3 to 4 months we will get the cost optimization also done and therefore we will be taking care of this situation.

Akhilesh Bhandari: You mentioned that your distribution in lighting will take another quarter or so but by the end of March what proposition of your key geographies would you have already covered under the distribution region.

Anuj Poddar: To take a numerical range guess it would be 65 to 70% there. Both in terms of our team putting the feet on street in place and the distributor rejig that is happening over there and therefore the reach out to the lighting counters.

Akhilesh Bhandari: Got it. Thank you. I will get back in the queue.

Moderator: Thank you. Our next question comes from the line of Renu Baid from IIFL. Please go ahead.

Renu Baid: Hi thanks for the opportunity. So my first question is to understand a bit more on the fan segment. Now with the new BEE norms what has been the average impact on the pricing of the new BEE star rated fans for us across the key ranges average price increase and second you did also highlight that there is sufficient channel inventory now built with old non star rated fans which will take about six months to clear out so does that imply that usually that upstocking or stocking that we see would be fairly soft in the fourth quarter and depending on how the season pans out we will see the fans revenue uptick happening subsequently in the next fiscal.

Anuj Poddar: Renu good evening. Firstly in terms of the cost side of the price impact. I think the impact of this cost to us is between 10 to 12% where I like to have passed all on but we passed on to between 7 to 9% of that and part of that is also competitive reason because we do not believe competition has also passed it on as much as we would have liked anybody to pass it on. We believe therefore there will have to be a second round of price hike, timing will be dictated by both market conditions as well as competitive decision making. In terms of this stocking and volume and therefore impact on star rated we will wait and see how that plays out but my guess is while I said it takes six months or so to clear out that is for completion of the clear out but incrementally every month that will keep clearing out. In the same time, I do see an uptick that is happened for star rated fans. As we approach summer and the season for fans of course engage in consumer awareness and campaigns for star rated fans so I do think there will be a large segment of the market that will start purchasing that. Now I would yet remain optimistic on star rated fans also selling as we approach the season.

Renu Baid: Got it and since you also mentioned that the entire cost is not fully passed onto the consumers yet, the volume uptick is yet to happen there but you think the tail impact of this could be seen in the margins because commodity prices have also started to slowly inch up now so how should we read in terms of the margin outlook going ahead for the end of this year and next year and for you the double digit EBIT margins that you were expecting for the consumer business has that been pushed back by another 6 to 9 months to second half of 2024 or it should be possible for the entire fiscal there.

Anuj Poddar: I will answer second part first Renu. As we get to that we start getting into 2024 we will have a little better visibility. I do not want to move or change guidance from that right now. More specifically on the fan part I think my personal view remains that if I am a leader I would not shy away from taking a full price hike. That is the job of the leader. Number two I think the decision to not take a price hike is assuming demand playing out that is not playing out. I think both of these to my mind as a rational mind would only force players including our competition to take a price hike sooner rather than later and make sure our margins are protected. I would assume that decision would be made by multiple players and we will not be found wanting from taking that decision.

Renu Baid: And generally what is your sense now it has been almost an entire year we have broadly struggled on relatively soft consumer off take and tertiary off take which has been soft so while there have been some green shoots some commentary from consumer company FMCG also but especially for us this segment is a reasonable large part of the pie as a region as large segment of the market so how are we seeing on ground demand off take from these segment and some colour on the strategy to increase the premium portfolio within Bajaj umbrella how is that doing.

Anuj Poddar: We are working on all of these aspects but the rural and lower demand etc., when I was asked back in November and December I was less optimistic about that. I thought we were at least six months away from that. When I speak today I think six months timeline in my mind has come down to three to four months and I would think now we are starting to see the green shoots like I said earlier but I am just waiting to see that continue. If that continues we will see that by March, April itself the demand over there starting to kick in. Again I have not read the fine print of the budget but some of the changes on the personal income tax, I think positive for consumption sentiment so that takes care of the middle class, lower middle class etc so if you add both of these factors I would yet today be slightly more optimistic than I was two to three months ago. Having said that the external environment and economy is not something that we can control. Our job is to navigate through all of these things that we have done in the last few quarters therefore coming back to the other part of your question we continue to broad base our portfolio and offering some of the examples are in the investor deck if you look at those products that clearly show a greater premiumization journey that we are all in terms of product, product features, technology, quality, design, etc., so our journey on that will continue. Anything that will derisk us, not only derisk us but also help expand the margin and therefore FY2024 and going beyond our margin expansion should continue irrespective of economic and demand cycle.

Renu Baid: And approximately how large is the premium portfolio in our consumer mix today approximate percentage?

Anuj Poddar: That varies by category like I said for fans we used to have 6% contribution and roughly about 19% contribution in fans in terms of revenue in terms of let us say mixer we do 750 watt in mixer that is up to about 35% of our contribution to this. If you look at I would say LED. I do not know LED is a stock in premum or not. This is a range you are moving from non LED to LED and now from LED to actually lamps to value added products I do not remember number of fan in terms of contribution. Similarly we continue to upgrade again I do not remember a number there so across directionally each of these categories there is a higher contribution from the premium side.

Renu Baid: Sure. Thank you that is helpful and all the best.

Moderator: Thank you. Our next question comes from the line of Achal Lohade from JM Financials. Please go ahead.

Achal Lohade: Yes good evening. Thank you for the opportunity. My question was with respect to third quarter you mentioned that there has been a significant challenge with the non rated fans can you help us understand what is the extent of impact on margins this had in terms of even it would have gone with a discount or price reduction.

Anuj Poddar: Achal I could not hear you fully but I think you are talking of channel selling for schemes etc right in Q3.

Achal Lohade: Yes let me just explain once again. So third quarter you mentioned that the fans growth is 65% and you said partly it should be the destocking of the non rated fans from our end so I am just curious to know what is the impact you have had on the margins for the third quarter with respect to the schemes, discount etc., to clear out this non rated fans.

Anuj Poddar: Achal I would look there are two three levers of margin impact on this. First is actual discounting and schemes that we have done and again that has not been even through the quarter so it was higher in October and November then we restructured that in December also but while we restructured that this is across categories including kitchen etc. In December we focused a little more on the non star rated fans that was also an impact of that. I do not know the blended number to that could be but we had differential offerings through that quarter between half to one percentage point because of that, number one. Number two actually is the portfolio mix between appliances and fans like I said historically Q3 is strong in margins led by heating appliances. This quarter heating appliances was muted and therefore we could not get the up side benefit of those margins. On the other hand our fan contribution is being higher which typical is lower margin and also lot of push because in December it happened on fans that has further subdued margins on fan. The margins that you see is a blended impact of all of these three things discounting, the portfolio mix moving from appliances to fan and within fans also certain push that has happened in December.

Achal Lohade: Right if we were to see for an angle perspective FY2024-FY2025 how are we to look at the gross margins. The raw material prices getting steady and whatever revised price hike to meet the compliance you are able to take. How do we look at the gross margin for our key business would we see that is improving 3 to 4 percentage point given the kind of cost inflation which we had in FY2023 or you think it would be lesser than that and hence double digit would be little difficult.

Anuj Poddar: Achal again I do not put a specific figure projection but I think 3 to 4% expansion would be very aggressive target. I do think gross margin should expand, the two levers of that one is commodity cost which has cooled of significantly between April to November, the December Jan like one of the earlier questionnaire mentioned you are starting to see some increase in commodity cost. My view is today so far it is not alarming. I do not expect that to become significant. I think we can take that in our stride. I think the other big lever will be pricing in the market and that pricing I think to some extent will be driven by the consumer demand. My view remains that demand should start looking up from March, April like I said that will bring back pricing power not just for us but for everybody and therefore will limit this discount game that is on so that to me between both of these aspects I do see gross margin expand. That said with a 3 to 4% in a single year may be very aggressive in realizing. Sorry one more third lever for that is of the premiumization you will keep seeing a little more of that if that happens for us the gross margins should also expand because of our change of portfolio mix towards premiumization.

Achal Lohade: Understood at the operational level you mentioned that there has been 100 bps impact of the logistics cost transition would that continue incrementally in FY2024 as we go ahead or do you think that is by and large done now.

Anuj Poddar: Again I will explain that logistics transition is happening over a phased manner between 1st October and 15th January we have taken over all the transportation which is both pre primary, primary and secondary transportation and some of this logistics impact that is happening right now in Q3 is because of this transport led logistics transition cost that has happened including some double stems etc there as we start to put the root to take that over. Right now we are in the process of taking over all the warehouses. I think that will take anywhere between four to six months more like six months before all of them transition to us. You will see some of that impact of that transition in Q4. I see very limited impact of that happening in Q1 next year of this transition.

Achal Lohade: Understood and just one last question if I may with respect to the discounting part of it could you elaborate a little bit with respect to the other appliances are we seeing the other brands actually kind of resorting aggressive discounts etc., or it is more driven by the regional or tier two players.

Anuj Poddar: So my view on the discounting etc. Like I said we also in October, November had some of that because in December as far as appliances which is non fan is concerned I think we are fine with that. We do not have discounting or price challenge on appliances in general and also as being a leader etc I think we are able to manage the market views on pricing and discounting on appliances much better so we are comfortable with that. Our challenge and concern has been on fans and also because of the transition from non star rated to star rated which also has an impact on cost. I think there the discounting both to get rid of stock as well as not to take a price hike to commensurate to the cost increase I think that has been a bigger challenge for us and that is not something we can drive as a non leader player, so we would want to see more rationality and sanity on that. Like I said earlier we are more than happy to keep pushing on that to protect margins on that.

Achal Lohade: Got it. I will come back in the queue for followup. Thank you so much.

Moderator: Thank you. Our next question comes from the line of Rahul Gajare from Haitong Securities. Please go ahead.

Rahul Gajare: Hi good evening. See with respect to the logistical. When in 2021 you all decided to move to Mahindra for logistical arrangement at that point in time we are looking at saving of about 1 to 1.5% now with this shifting back in house what are your thoughts on the strategical and financial benefit that you are looking for. Can you elaborate on that aspect?

Anuj Poddar: So Rahul to be candid like I said earlier we have not derived that benefit either the financial or strategical that is the reason to move it back in house. My view is there is certain reason for us to have done this to actually for us to defocus on logistics and focus on the market end but not to let logistics become a weak point for us here and therefore our primary object will always remain that your logistic cost optimization while that is desirable that is secondary to ensuring efficient logistics which we are now focused on, which we are delivering on to satisfy all our channel partners and customers. That we have achieved as part of this transportation transition and we are managing that well, that said we will optimize logistics cost may not be to the extent that we may have originally envisaged but we will keep looking for those avenues to do that but without comprising on other core objectives.

Rahul Gajare: Okay and you did indicated that A&P spends has increased by about Rs.14 Crores in this quarter could you quantity how much was the actual A&P spend.

Anuj Poddar: It was about 51 Crores in this quarter and about 4.4% of consumer products and B2C lighting business.

Rahul Gajare: Okay thank you very much I will come back in the queue.

Moderator: Thank you. Our next question comes from the line of Rohit Suresh from Samatva Investments. Please go ahead.

Rohit Suresh: Good evening Sir. My question is based on the BLDC fans that we have. I just wanted to know the BLDC motors that are used in the fans are we importing it from China or is it being procured from a domestic manufacturer.

Anuj Poddar: No there is no import of motor from China. It is a combination from a domestic supplier as well as we are creating certain in house capabilities for that with certain components we are able to make that in house. Combination of both. Right now the reliance on supplier is higher, but we do want to try and enhance our ability to do that in house also.

Rohit Suresh: Got it and Sir relative question is that what will be the share of those BLDC fans to the revenues right now and how do you see it moving in the next two to three years considering the star rating that has just been applied to the fans.

Anuj Poddar: So right now it is extremely minuscule for us. We have been late laagered to the BLDC offering. Having said that we do have a couple of SKUs in that but you will see us for the next year have many more SKUs in that and that range of BLDC expand for us that is when we will start seeing a meaningful contribution of BLDC, but I do think that is the main and single digit that makes 10% of revenue. It may not even touch 10% of revenue for us there. As we move to star rating I think one star rated fans will dominate the purchasing at the consumer end going up to three stars. I do think five stars fans which BLDC are will remain if not in single digit will remain in teens and overall market they will also.

Rohit Suresh: Great. Thank you so much that was very helpful.

Moderator: Thank you. Our next question comes from the line of Harsh Vora from Praj Financial. Please go ahead.

Harsh Vora: Sir just wanted to know what is our distribution reach expansion in last 9 months and what has been our market share in each categories in appliances. Have we seen market share increases in any of the appliance category?

Anuj Poddar: Reach has been fairly flattish**.** As shared in the past our reach has always been best in class. Our focus has been to actually expand our WD not ND that is weighted distribution and therefore our growth from urban metro counters and SSSG which is same store sale growth so while we continue to look at reach our greater focus is not reach but actually mining that reach much better that is point one. Point two in terms of market share I think overall **,** I will give a macro answer on that**,** on appliances we have been maintaining market share but within that we have been growing market share in coolers and coming to fans, in particular where we are growing market share on an overall basis.

Harsh Vora: Okay and what could be the premium categories of fans in our overall fan portfolio.

Anuj Poddar: So our revenue contribution from premium in FY2022 was 19%. This was about 6% about three years ago or two years ago. Let us complete this full year so we have a full year basis to compare that.

Harsh Vora: Alright thanks. I will get back to you in questions if I have any questions.

Moderator: Thank you. Our next question comes from the line of Achal Lohade from JM Financials. Please go ahead.

Achal Lohade: Thank you for the followup. Sorry I have missed the volume growth number for the category wise appliances particularly fans what has been the volume growth for fourth quarter.

Anuj Poddar: It has been flat to negative. For fans it must be about 50% and to be honest I do not have a very deep math on that. Overall growth is about 64% that includes certain amount of price inclusive.

Achal Lohade: And what would be the industry growth. I mean this is disproportionately higher as compared to industry if you could throw some light how the growth would have been for the industry broadly.

Anuj Poddar: If you look at Q3 itself while everybody has destocked but you numbers from everybody else. The leader has to come out now we have not seen the numbers yet but I am sure the industry growth is much, much lesser than this both volume and value terms.

Achal Lohade: We had disproportionately higher share of non rated or it is more conscious strategy.

Anuj Poddar: I think again it is a combination of things. We have just planned our inventory our selling the way we have planned it. It is also a function of base effect to be honest our base is lower than others so to be a function of that but also a reflection of us to continue to increase our market share. Sometime the quarter can be bad but if you look at longer term and if you look at all of FY2023 our Q3 on fans have been higher than industry or competition. Q3 similarly you are seeing that but hopefully on full year basis also you will see us deliver higher growth rate on volume and value in fans.

Achal Lohade: Got it and just if you could throw some light in terms of what is the in house manufacturing mix of fans, home appliances, kitchen appliance and lighting as we speak and how we see evolving on in the next three years time frame.

Anuj Poddar: On an overall basis it was 15% in house, 85% outsourced. In fans in particular you will see that change happen next year. We have just put in a new paint work shop at our Chakan factory to support our superior premium fans and that is part of our journey towards premiumization of our fans portfolio. The initial trials of that and production is on from February you should see pickup in our in house production of fans particularly premium fans as that gathers overall pace and capacity debottlenecking minor expansion that we are doing. I think next year you will see also of our overall in house production particularly for fans.

Achal Lohade: Got it. Thank you. Thanks for answering that.

Moderator: Thank you. Our next question comes from the line of Vandit Dharamshi from Alpha Invesco. Please go ahead.

Vandit Dharamshi: Good evening Sir and thanks for the opportunity. I just wanted to check on the lighting division in terms of how is the competitive landscape playing out is there some aggression from other competition. In general if you could just talk about the lighting segment.

Anuj Poddar: So it is a bit of mixed trend. Obviously the consumer lighting demand has been soft we are seeing that across. Our own transition is different aspect but having said that I think there is certain amount of consolidation that is happening in consumer lighting, particularly along the tail players we are seeing market share move towards the leading players including our self and also given our journey on expanding the product portfolio all that in premiumizing I think there we should be really strong effect in gaining shares fast. From the professional lighting space it has always been a less of long tail etc., and more a consolidated space already. There like I have mentioned in the past we see our self close number to adjacent number one. I think there we have seen some increase what should I say ability, offering or competition from few of the other leading players too. That said we remain confident of our approach and therefore not something that we see of loss of share happening for us.

Vandit Dharamshi: Okay Sir and one more question Sir in terms of what would be our in house production for lighting and what would be the rough working capital days for this quarter and maybe going full year for FY2023?

Anuj Poddar: I think the in house for lighting will be slightly higher closer to about 20%. We continue doing a little reaching on that between our factories what lighting we are making there and again between profession and consumer lighting we will some change of that. That is 20% it may go up slightly more next year for the lighting part in terms of in house. What is the second part of your question?

Vandit Dharamshi: On terms of working capital for lighting segment. Maybe if you could just throw some light for this quarter and say for FY2023 what would be the working capital there?

Anuj Poddar: Lighting total working capital in the range of 150 Crores.

Vandit Dharamshi: Okay that is it. Thank you for the opportunity.

Moderator: Thank you. Our next question comes from the line of Rahul Gajare from Haitong Securities. Please go ahead.

Rahul Gajare: Thanks for the followup. This particular quarter we have seen increase in the interest cost compared to significant increase on sequential basis. I mean I do understand in your explanation you have talked about vendor financing. Is this discounting of EESL will be a onetime cost. Your steady state of interest should go down given you improve your balance sheet side is that fair expectation on the interest.

E C Prasad: Yes that is right. So EESL is one time impact because this was a retention which was due for 7 years which you have discounted now so that is 5 Crores impact that is a onetime cost and the balancing even the EPC advances that we are taking so it is interest bearing advance that is an operational advances that will keep happening as we take on more projects.

Rahul Gajare: In the second quarter we had a high profitability in the EPC side and this particular quarter it was significantly low any specific thing that we should read into this.

E C Prasad: No I think we have explained this last quarter**.** As most of our old projects were coming to an end towards the last quarter and we are actually starting of the new order book so because of that when we start of a new project the margin recognized is actually lower so as we do a survey and get into the operations the margins should improve there.

Rahul Gajare: In the opening comment I think Anuj did indicate that demerger could actually take quarter or two from here earlier I think that was expected sometime now right. Is there something you heard.

Anuj Poddar: Rahul I will answer that. The SEBI approval took a long time that came through in December post that we managed to get the first NCLT order actually fairly fast which has happened in January. Our initial target was to have this demerger done within this fiscal by March. Right now next step is the share holder meeting that will happen on 2nd March that is part of the normal process post the NLCT orders once that is approved in the share holder meeting that has go back to the authorities and there is a certain process after that. We cannot exactly pinpoint the time that it takes for them to approve that. I think it would be anything two to three months from there so I think May, June if we are lucky it could be earlier but not later than that.

Rahul Gajare: Sure that is all from my side. Thank you.

Moderator: Thank you. Our next question comes from the line of Chirag Lodaya from Valuequest. Please go ahead.

Chirag Lodaya: Just followup on this finance cost. What could be the finance cost for consumer division?

E C Prasad: Actually there is no finance cost. This is the cost of discounting of the bill of the vendors about 4% is the cost of discounting.

Chirag Lodaya: What I am trying to understand in a demerged balance sheet in finance cost as item on full year basis it could be in the range of 15 to 20 Crores is that the fair understanding.

E C Prasad: Yearly yes. You are right.

Chirag Lodaya: Okay thank you.

Moderator: Thank you. Ladies and gentlemen we have reached the end of question and answer session I now hand the conference over to the management for closing comments.

Anuj Poddar: Thank you once again everybody for joining us. I would not repeat my opening comments. You heard it all. We think it is a tough environment in that we continue to both deliver good performance in Q3 and directionally strategically also this year. We are in sync with whether it is on product innovation or brand etc. We are moving in the same direction and we are all excited. Thank you very much.

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