Electricals
BAJAJ

November 10, 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.: Submission of the 'Transcript of the Q2FY24 Earnings Conference Call' of Bajaj Electricals Limited ("Company")

Further to our letter dated October 27, 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 are enclosing the Transcript of the Q2FY24 Earnings Conference Call (i.e., Post Earnings/Quarterly Call), organized by Ambit Capital Private Limited on Monday, November 6, 2023, at 4:00 P.M. (IST), wherein, inter-alia, the unaudited financial results of the Company for the second quarter and half year ended September 30, 2023, were discussed.

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

Thanking you,

Yours faithfully,
For Bajaj Electricals Limited
PRASHANT ANANT DALVI
Digitally signed by PRASHANT ANANT DALVI
Date: 2023.11.10 16:23:34 +05'30'
Prashant Dalvi
Chief Compliance Officer & Company Secretary

Encl.: As above.

“Bajaj Electricals Limited 2QFY2024 Earnings Conference Call”

November 06, 2023

ANALYST: **MR. DHRUV JAIN – AMBIT CAPITAL**

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 2QFY2024 Earnings Conference Call of Bajaj Electricals Limited hosted by Ambit Capital. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Dhruv Jain from Ambit Capital. Thank you and over to you Mr. Dhruv Jain!

Dhruv Jain: Welcome to Bajaj Electricals 2QFY2024 earnings call. From the management side today, we have with us Mr. Anuj Poddar, Managing Director and Chief Executive Officer and Mr. E C Prasad, the Chief Financial Officer of the company. Thank you and over to you Sir for your open remarks.

Anuj Poddar: Thank you Dhruv and good evening, everyone. Thank you for joining this call. It has been a tough quarter and I say tough quarter it's because of two reasons. They are more external factors. One is a weak consumer sentiment in the marketplace particularly for discretionary products and second there is a slight delay in the festive season this year which is a little bit of a cuss between Q2 and Q3 unlike last year. With that said, I believe we continue to make gains on our strategic objectives and initiatives. We have not stopped on that primarily around strengthening of our brand all the brand initiatives that you see as well as on product launches. In the quarter gone by as you have seen in the tech, we have had over 100 products launched in the consumer business and similarly a large set of products launched in our lighting solutions segment. In terms of category gains, we have seen market share gains in fans, coolers and mixers which are all core critical categories for us. At a channel front while general trade has been soft a lot of that is because of weakness in the rural market in the lower end of the urban markets. In the more modern channels, which is ecommerce and modern trade as well as institutional government business we have seen very handsome double-digit growth over 20% as we have seen laid out in the deck and that boards well for us.

Finally, our cash flow continues to be positive in this environment and just a little heads up on Q3. Q3 has started on a positive note. October has trended positive, so we are hopeful for better Q3. With that I will hand it back to you and the moderator for questions. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Natasha Jain from Nirmal Bang. Please go ahead.

Natasha Jain: Good afternoon gentlemen. Sir can you first give us the growth or the degrowth in appliances, fans and Morphy Richards separately?

Anuj Poddar: Natasha thank you, so we have had a degrowth in appliances in high single digit , but also a double-digit growth in fans and Morphy Richards has been flat.

Natasha Jain: Okay all right. Sir what I want to understand is while we have been consciously building our premium product portfolio then why we have not seen some kind of material impact in the margin positive impact rather because I believe these premium portfolios should get in some kind of operating leverage benefit right in the margin so why is that not happening?

Anuj Poddar: So, I will answer the other way Natasha and it is important for you to go and track which is what we have been doing. Look at from a two-year trajectory. Look at FY2022 margins 2023 margins and even the first half that is out this year for us and competition. The reality is there has been a very steep or sharp margin contraction across the sector and if you look at that versus us you will see everybody having contracted margins extremely sharply except us so in a reverse way, we have actually gained margins but some of that is lost because of tactical pricing things in a soft and weak market. I think there is very heavy discounting that all players are resorting to. We are also having to engage in some of that to protect the market shares but net, net the result of that I do believe we balanced out the top line versus discounting versus margins better than all of competition and we are tracking that every quarter and therefore going back to my point if you look at that over the last two years our contraction or impact on our margins has been the least versus others have significantly contracted and the reason for that possibly because in reality our margins have expanded but then gone back in the form of tactical things. With that said, I do believe these are all signs of a weak demand environment. As soon as demand picks up, I think you will see a benefit in top line. A lot of that will flow directly to the bottom line as well as some of this race to the bottom on discounting will stop and I do think some of these are short term quick wins that will happen in a healthy market.

Natasha Jain: Understood Sir. Sir if you could just tell us how the BLDC fans portfolio did for you?

Anuj Poddar: So, Natasha we do not call out BLDC separately. Having said that we are a late entrant into BLDC. We continue to see an uptick in that. Overall premium fan segment for us has been about 20% holding out there and the other end the sub economy which used to be large percentage is at about 55% contribution for us.

Moderator: The next question is from the line of Manoj Gori from Equirus Securities. Please go ahead.

Manoj Gori: Thanks for the opportunity, Sir. Sir my question here would be if you look at obviously the initial opening remarks you highlighted like Q3 has started on the encouraging note so obviously lot of demand would have been driven from the festive demand however when I look at the base quarter your fan sales were extremely strong in 3Q of FY2023 so can you throw some light like probably how we are looking at 3Q in specific given that the base is extremely high and how do we see kitchen appliances to ramp up during the quarter lead by festive demand?

Anuj Poddar: Sure, Manoj so I will just share a little more qualitative commentary on this one. Firstly, if you look at the last three to four quarters what has been a drag in the industrial sectors in kitchen appliances in particular, I think it has been almost four quarters that kitchen has been doing weakly and given our contribution from appliance and kitchen is higher amongst peers the impact on us has been adverse or more impact on us point one. Point two therefore the fact that we are holding out numbers is because of our premiumization other things that we are doing including mixers in particular has seen some traction against these headwinds and kitchen appliances overall. Second on fans it is been a little more volatile more because of star rating, etc. With that said like you called out last year Q3 as well as over the last two three quarters we managed to continue to grow fans including in this Q2 at double digits more because of our new launches and other endeavors that we have been doing. To your point specifically on last year Q3 if I remember correct, we were 64% or so on fans but mind you that was off a very small base. Q3 is not a big base for fans so I would not read too much into that and therefore if we look at Y-o-Y Q3 fans is the smallest component of that. I think appliances including water heaters really need to kick in. In that part coming back to so far what we have seen October trend has been positive particularly post October 15 and that is again led by tertiary demand, so I am not talking primary but secondary and tertiary demand we have seen good encouraging signs in October so far which you know gives us little comfort on primary following and continue hold out. The only watch out for us right now is how does winter pan out and when does winter set in. Assuming winter sets in, in time, water heaters is a big driver of sales in Q3 then we should be in a good position. Winter or the weather being the single biggest factor that we look at in this quarter.

Manoj Gori: Right Sir one more structural question on the demand side so if you look at specifically for last four quarters demand has been very muted but probably if you look at the growth has been for more than four quarters now? It has been a long period and that is why even our performance probably led by external factors we have been not able to achieve the desired target? How do you see actually demand reviving? What are the key macro parameters that gives you confidence that we are moving in the like industry is moving in the right direction and we are very close to demand devices and are you seeing any green shoots early green shoots?

Anuj Poddar: So, Manoj I will hold off on commentary on future projection market because that is not controllable for us. Your guess is as good as that. With that said I will tell you the parameter that I track the data point which is not the GDP. I think the GDP is the biggest misnomer on addressing state of economies consumption okay. Currently it is being led and again any economist will tell you more by banking, NBFC, infra, capex and other sectors. Consumption is not falling so I think what is more important to track consumption story is really household savings income, employment and jobs that kind of data. That data has been weak for a while but that is where I am starting to see some positive traction. If we look at jobs and I have shared this in the past. They used to be 90 million pre COVID. In COVID they had gone as low as 60 million till the start of this year. We were yet at 70 odd million till we stuck to 80 and 90. I have just seen the data today for September that is at 91 million so like 90 million thresholds of jobs is an important threshold to be above for demand to kick in. The other flip side of that is unemployment rate. Unemployment there is two sets of data out there in the market. One set of data is pointing to yet relatively higher unemployment rates, but I would yet say while percentage of unemployment may be not the most comfortable, I think of jobs are good and at least somewhere there is a purchasing power coming in. The third important data really is the interest rates and that is really putting a squeeze on discretionary spends with high interest rates. The EMIs have gone up for most households and therefore disposable income has gotten squeezed. That is the one parameter that needs to change for real spending power to come in. That is not controllable for us so strategically we have to just keep biting our time for that and keep spending and as that starts to correct or at least baseline itself without increasing more then people will come back to spending. Right now, I think we all hurting from that so to me these are the more direct parameters lead to consumption that we are tracking, and which gives us a little more insight into why the demand this week. Lastly, I see to that is rural income, rural segment. I think that again we look at certain parameters. If that comes back so these are all the non-controllable for us. Coming back to your question as we continue to strengthen our portfolio mix like I said when you look at the internal mix data and our secondary market research indicated research, we are seeing gains in market share either the category levels the ones I called out with fans, mixers and coolers. We will see what happens in water heaters. By Q3 and Q4 we should see some positive traction there and at least in the channels that are doing well so general trade is not doing well but if you look at the alternate channels that I called out ecommerce, modern trade, etc., we are getting share in that so to me those underlying metrics are strong and therefore when the headwinds convert to tailwind then we do expect a better go forward on that.

Manoj Gori: Right Sir so thanks for this detailed one. I will get get back in the queue. I have a few more questions.

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

Rahul Gajare: Good evening and thanks for the opportunity. I have a couple of questions maybe first on the financial side? Now you all have a lean balance sheet with practically no debt and very limited change in the asset base? Still, we have seen increase in your interest cost and depreciation, and I think you have touched on this aspect in your presentation but how do you see, do you think that this expenditure is something which will be stable at these levels, or you see that this will fluctuate based on how the business moves?

E C Prasad: So, Rahul, E C Prasad here. So, if you look at the financing element there are two components to it. One is the vendor financing where actually we are operating about Rs.800 Crores worth of line on vendor financing so you have to also look at the income side where there is a treasury income of about Rs.5 Crores sitting there so net, net we are operating at about net interest of about Rs.3 Crores for operating a Rs.800 Crores line which will continue but if you actually look at the cost which I am paying it is actually very, very small. It is about 3.5% cost that I pay for the vendor financing which is very lucrative.

Anuj Poddar: Rahul I will just add to that we have had a payout obviously to balance sheet but obviously on a quarter-on-quarter basis our cash balance will continue to increase. We would have this quarter also accept for the payout so over time as that balance sheet keeps getting stronger that ratio will will flip over here.

Rahul Gajare: Okay yes so, the second question I have is could you talk about your A&P spending that you have done in the Q2, and first half given we are basically facing weak consumer sentiment or demand and connected with this also the logistical transition back from Mahindra Logistics to any benefits or cost saving that you have seen due to this transition so that is the second question.

Anuj Poddar: So, on the A&P spend around this quarter is about 3% and Y-o-Y I think last year was 2.3%. Q1 do not remember the number but I think there was 2.5% or 2.6% so this quarter is slightly higher so that is built into these numbers. I think at 3% we kind of balanced out between if the demand situation was good then we would spend more but beyond this certain spend is not giving ROI or converting to sales, but it is yet healthy enough for us to maintain a brand push that we are doing given the strengthening that we are at in terms of brands okay. Coming to logistics and I probably would have shared this in the previous quarter call also. I think there is two aspects to the transition back from outsource party to us. One is service level and pure operational issues and logistics with the service provider which is the reason to have brought it back so our first strategic initiative or imperative was to make sure the service levels drastically improve before we focus on our financial metrics of that so in a way we over engineered and over solved for that at a high cost when we took over and that has been built into the numbers to make sure service levels and the flow of goods is good that is extremely good. We are perfect like we used to be before the transition out, so we have corrected for the issues that we faced in that. With that said now month on month we are starting to optimize the actual financial efficiency metrics on logistics. The first results of that you will start seeing in Q3 because we had as part of the handover, takeover and transition so then lock-in on warehouse and other contracts. The first set of that starts releasing this October so the first Q3 will start seeing some optimization on logistics cost but we have a road map from here right for the next 18 months on optimization of logistics cost. I think you should see about a 1% point improvement by this March and about a 2% to 2.5% percentage point improvement by March 2025 on logistics. We have a clear action plan and bottom up calculation of how that will be derived here.

Rahul Gajare: Okay that will be great. Now my last question is on the market share? In your opening comments you did talk about market share gain? It is possible to quantify some of them in some categories that you have had seen market share gains?

Anuj Poddar: So, Rahul to be honest we have never put out market shares. This is management data, so we look at that for our internal purposes but not data that we put out here but we saying that we say that to the level of assurance or accuracy that we have gained share in these categories here.

Rahul Gajare: Okay so it is not quantitatively qualitatively that you have seen a significant ramp up in a particular category? Is there a qualitative angle that you can?

Anuj Poddar: So, let me call out fans and coolers because that is more visible. If you look at our growth over two years, etc., it is clear consistent growth in fans that we have had and that is obviously translating into market share. In every quarter we have been clearly calling out own numbers and so we see strong double-digit growth in fans so that is obviously leading to market share gain. I do not think that is representative of all players at least not quarter-on-quarter. Everybody had greater volatility. We are seeing that, and we are also seeing that if you do your own channel checks, etc., that Bajaj is becoming a player across fan segments which we were not in the past year. You will also see some push from us on the new brand mix that we launched in summers so like we said is a soft launch, but you will see some more traction coming summer on fans. The other category that we have had very visible market share gains is coolers. We used to be number four player. We are a number two player. Here in this quarter, we have had extremely, extremely high double-digit growth in coolers and I hope we will continue to maintain that trend. Mixers is less evident because we were already leaders and this a category that has been overall seeing pressure or contraction so in that while we have gains if you again look at some of the new mixers, we launched it is a 750 watts to 800 watts Ninja series in particular. You go and do your channel checks you will see very good feedback on that. Again, we have launched something called military grade jars, etc. These are giving us and reason to buy and reason to gain share but that will be more visible as the category grows then that gains will be more visible. The fourth one that I called out but we have to wait to see that season kick in is water heater so I am hopeful that as that season kicks in you will see that in Q3 and Q4.

Rahul Gajare: Just to confirm Nex is going to be restricted only to fans category, right? You are not extending it to other product categories?

Anuj Poddar: No, it is a fan exclusive brand.

Rahul Gajare: Okay thank you very much and all the very best.

Anuj Poddar: The test for that will be in the coming summer so.

Rahul Gajare: Okay cool thank you.

Anuj Poddar: But by the way if I may plug, I must plug each of you in the call please go buy it next time and tell us we will help you do that. Give us genuine product feedback. We are extremely proud of that and confident of that product. The product is good that is your best test not what we are saying. See the product for yourself. It is superior technologically and design wise. If that is right, you can bet your life that the market will pay us for it.

Rahul Gajare: Okay thank you very much.

Moderator: Thank you. The next question is from the line of Anirudh Agarwal from Valuequest. Please go ahead.

Anirudh Agarwal: Thanks for the opportunity. The first question is on the gross margin so obviously overall gross margins continue to be flattish on a Y-o-Y basis so if you can give us some sense of how this would moved at a category level and a standard specific level so just trying to deleverage that gross margin number so that where are the gains and losses that we would given on the gross margin lines in the last quarter?

Anuj Poddar: So again, I will try and given you a generic answer to this one. I think like for like basis our gross margin actually have expanded 4% to 5% points and I am saying that more if I were to take a similar ASP for that product category that used to prevail in the marketplace earlier or our cost structures for that or product mix. With that said some of that gain is lost back in the market because of discounts and why I am able to call that out. Sometimes those discounts are not at a ASP level but at a scheme level to actually get the sales and market share back in which is really common across the sector so if you look at a product level our gross margins have expanded by 4% to 5% points but as key level or volume level some of these are given back to the market and the reason we able to overall therefore to my earlier comment if you look at a two year trajectory on margins have had the least impact towards this competition is because we actually fundamentally gained on our first level margin.

Anirudh Agarwal: Right and any impact of the channel mix changing from GT to alternate? I mean our alternate growth continues to be strong even on a reasonably large base now right so any impact that has on the gross margins?

Anuj Poddar: No, I do not think channels really have a bearing on the margins. I do think a product mix does vary a little bit on channels obviously general trade has because of the rural contributions may not be as high indexed as modern trade but that is really a function of the market or channel penetration not so much of a pricing strategy, so I am assuming your question was more linked to pricing strategy, so we do not have a bias on that perspective or basis on different channels.

Anirudh Agarwal: Understood so eventually how should we look at margins right so we had an expectation earlier of gaining about 100 bps on margins every year as we move ahead in three years so does that still hold in your view and what will drive this? Is it just the missing growth which you expect will come back and that will drive margin expansion or is there something else also that you are looking at?

Anuj Poddar: So, I will come back to my same comment Anirudh. If you look at what has happened in the sector. The sector margins have collapsed significantly. We have held out so had that not happened our margins have actually expanded because there is no way for us to have held out margins otherwise except because inherently, we have expanded because we have to participate in the same pricing tactics in the marketplace so that is point one. Point two therefore I think some of this is tactical short term when the market comes back by default these will come back. These are the signs of weak consumption sentiment. Point three is we are not going to rest on that. Like I called out we have a couple of other levers that will continue to drive margins for us so we will stay on that path, and we are confident about that.

Anirudh Agarwal: Understood. The final question was on the LED side so LED how are we looking at the scenario now so obviously industry growth as a whole has been weak since some time but how do you look at the pricing side now? How are we doing particularly on the product and distribution front both of which we were trying to do?

Anuj Poddar: So, if I talk about lighting and I split that up into consumer and B2B lighting. On the consumer lighting there is a headwind in form of LED price erosion about 15% to 20% based on DOB expected technology. That technology is probably again if I were to average it out 8% to 10% cost saving but about 15% to 20% price cut in the marketplace okay, so I think that is the headwind you are seeing in the B2C segment across the industry. I do think some of that will stabilize. For us what is important in B2C is just a product portfolio expansion. We have shared some of those products in this quarterly deck and again if you go do your channel checks especially you will see our whole product range. We are happy to share that with you internal product at, etc. How a product range in consumer lighting is significantly expanded and I think as we said that, that expansion will only happen on the last two to three quarters. I think next two to three years we should see consistent growth in the consumer lighting business on the back of the product range and the distribution that is being put in place or GTM being put in place for that. Coming to professional lighting side I think that is more an order book-based thing. In Q2 some of our revenue booking got booked or rather got deferred from Q2 to Q3 in terms of this timing of invoicing and dispatch or installation of project, etc. I do expect Q3 in professional lighting to actually pick up from where we are right now.

Anirudh Agarwal: Right and this order book number that has been shared what would be the execution time period?

Anuj Poddar: About six months but this is the October one number that we have shared there is more orders since then, but you assume on lighting in general at the project level about a six-month order book but that is not static that is constantly getting executed and more getting added to it.

Anirudh Agarwal: Sir just final thing to wrap up essentially the point was that if we have a more normalized growth in H2 of this year margins will be stabilized?

Anuj Poddar: Yes, so margin expansion to put it the other way will if you have normalized growth in margin growth or absolutes will be much in percentage terms will be higher than the top line because you will see a reversal of, right now you are seeing operating deleverage you will see of operating leverage taken topline growth. That is separate from our own internal improvements that we are working towards.

Anirudh Agarwal: Got it. Thanks a lot, and all the best.

Moderator: Thank you. The next question is from the line of Aniruddha Joshi from ICICI Securities. Please go ahead.

Aniruddha Joshi: Thanks for the opportunity. Sir we have seen that almost all players are doing excessive discounting so do you see that probably nobody's having any additional growth rates so is so much discounting really required or what should be the way forward in a way to gain market share or to grow at a really faster rate because the discounting is going on for quite some period of time but almost no player has achieved any material benefit as such? Secondly in terms of what are the possible ways to differentiate than the competition instead of just doing discounting in line with the competition that we are doing and what has been the effort of that or the benefit of that yes? Thank you that is it from my side?

Anuj Poddar: Actually, a very good question Aniruddha. Let me answer this. Number one discounting is the easiest tactical response in a weak marketplace and I think that is a not a strong players response typically that is a weak players response a weak industry response okay the industry is not able to defend itself. I do think our philosophy has always been that we do not lead the discounting. We do not initiate or trigger the discounting because we are not in favor of that, and I will tell you why because discounting at least in our sector we are not a sector that has got elasticity of demand. If I discount a fan and if you need a fan, you are not going to buy two fans unlike if I am a garment player if I discount a shirt, you may buy two shirts. I just think the discounting industry is only hitting its bottom line. It is not growing its topline. It is only trying to ship from each other but also while we are not leaders in that. We are not going to see market share if somebody does that so we will defend our position but we will never be leaders in that but that is a more tactical short-term view. I think a long-term view which is the good part of your question is you have to be able to move out of this game. For us coming from where we are which goes back to what I always share that as a brand and product we are stammering our brand and stammering our product innovation everything that we are doing. The last one year it is a journey to actually build greater brand signal. Everything I have spoken about or shared in our deck why we are following this multibrand strategy and why we have very core positioning defines for the brand why the innovations that we talk about durability for Bajaj or performance for Nex or lifestyle positions for Morphy Richards and you will also see what we come up with in the mid-level. I think it is to take the FMCG playbook where brands will actually to build brand sales back on differentiated product strategy. With that said that is not an overnight strategy. That is a three to five year strategy. That is how it will play out in the marketplace and when that plays out brand sales in turn translates to us not having to actually do these catch-up discounts with others. We will try and hold our price points into the future and not just hold our price points, I think pricing power is something that we will earn for ourselves over the next two to three to four years by these measures. I do think we have a very clear strategic vision on that. To some extent that is different from the commentary I hear from competition. Everybody is free to take their own approach to these things, but we are very clear that we do not want to be trapped in this discounting game and we will work ourselves out of that by these measures which are not short-term measures. They have to be done the right way over the right period of time so hopefully that answers the question.

Aniruddha Joshi: Yes, Sir thanks for the detailed answer. Just one thing anything about the new premium brand that we have introduced so any any update that you would like to share on that any progress thank you?

Anuj Poddar: We have done a soft launch which we announced it earlier but the real test of that in push from us will come in summer because it is a fans category so that is when we really communicate with the consumer and that is when we have more to talk about that product but like I said a couple of questions earlier the best test for that right now is not the brand side because that communication will kick in later for the product side. You are welcome to test out our next product fan. It looks better and it performs better. You cannot ask for better.

Aniruddha Joshi: Sure Sir. Thank you.

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

Achal Lohade: Good afternoon, everyone. The first question I had was with respect to the competition? Now is this discounting very evident in particular category or it is across the categories and also it is in particular region, or it is across Pan India?

Anuj Poddar: So Achal it is across category and across regions. It is not being unfortunately led by the weaker players, but a couple of the stronger players are the ones who are leading it which is why we are matching up to that there but again I think sometimes this is a sign I am repeating myself sign of market. I do not think anybody wants to indulge in that. I do think in the first opportunity of discontinuing and these are tactical schemes. They are not pricing. If you look at most discount announcements and competition also, they are typically at a scheme level so the moment this market picks up it is very easy to withdraw schemes such as these.

Achal Lohade: Understood and you said 400 to 500 basis point gross margin improvement was that a Y-o-Y comment Sir?

Anuj Poddar: So, it has been a trend across the last two to three quarters that we have seen. It does not follow through like I said because it gets lost in the scheme but otherwise it is a mix. It is Y-o-Y, but it is a mix between really product mix improving and some of are moving into segments where we are not operating in.

Achal Lohade: Right where I mean my followup question was this margin improvement is it part of the reason is the raw material cost reduction, or it is purely the premium?

Anuj Poddar: No this is not to do with RM reduction. This is portfolio mix and our VAVE not the RM part.

Achal Lohade: Okay and coming back to the discounting part I mean the kind of cost reductions what we have seen in general given the raw material prices kind of cooled off a bit is that already been passed out out fully or by the industry or you think some of that is actually retained and being reinvested?

Anuj Poddar: I mean it is notional to try and correlate how much of RM is passed on versus not. It comes back to if you look at holistically clearly the industry is taking money from its own pockets and passing it back to the market at the cost of its margins. Now we can notionally say from which bucket or which pocket it has come but net, net if you look at either is the discounting more than the RM reduction yes. Is the price increase adequate to where you had cost increases let us say fans or other categories though so whichever you cut the cloth the fact is you have passed on more to the market than what you earned back by RM or what you should have rightly increased prices by.

Achal Lohade: Got it and just one clarification with respect to fans has there been any change in the pricing in September, October or November or is there any plan?

Anuj Poddar: I am not sure I understood your question by change in pricing you mean we have not taken any increments or anything that not.

Achal Lohade: Not taken any price increase?

Anuj Poddar: No.

Achal Lohade: Okay understood and just one more question with respect to lighting business. In terms of this price reduction 15% to 20% while the cost reduction is at 8% to 10% again it is a purely the weakness in the demand or is there more to do more to do with anything else in terms of competition or anything a new competition?

Anuj Poddar: I think in this case it is both. The weakness and demand you have seen in the last four quarters in B2C lighting, but this price erosion has happened only in the last two quarters. It is partly to do with technology and partly to do with competition.

Achal Lohade: Got it and just one clarification with respect to portfolio where are we compared to the leaders? Are we at par now in terms of product offering in lighting?

Anuj Poddar: Are you talking lighting.

Achal Lohade: Yes lighting?

Anuj Poddar: It is about 90% so upper end of value added lighting and decorative lighting. I am not naming those products but you probably understand which we are not in but I think this journey to we cannot lead talk to that. From where we are coming, we need to from the lamps we need to just build in the recess panel, etc., before we can move to the upper end of that because we will not be accepted in that right now.

Achal Lohade: Got it. Thank you. I will come back in the queue Sir.

Moderator: Thank you. The next question is from the line of Laksh Jain from Plan Investment. Please go ahead.

Laksh Jain: Yes, Sir my question is related to the EPC part of our business Sir? We have made net profit of loss in fact Rs.4.4 Crores instead of Rs.3.6 Crores of profit year-on-year and we are very vocal on becoming break even from an EBIT point of view and again we are incurring losses so when can we expect this sustainable positive EBITDA and some reasonable profit this is my first question?

Anuj Poddar: So, Laksh thank you for asking that question. It allows me to clarify. Firstly, this is two months data July and August. Secondly this is because it is a transition quarter. In this quarter as we move from Bajaj Electrical to lot of the client contracts, etc., needed to be innovated and transitioned. That is a process across whether it is a transmission side, power grid, etc., and also the distribution side. Till that process of innovation, emergency, and system changes was not done at both ends, the client also has to do that. There was a fair amount of billing or invoicing of product supplies that was held up. We were not able to build that in Q2 because we had to dispatch in a new name. We had to do the GRN that whole loop has to be closed so we have lost certain amount of revenues and sales in this period. A lot of that will be caught up in Q3. Our order book in fact has significantly grown. We have made various announcements of new orders that we have got in that business so as that billing kicks in and the transition gets over you will see a sharp uptake in the coming quarters on that revenue and that is flowing directly to a smarter and better bottom line and second there have also been one of transition cost in this. There is a lot of duplication that is happened initially set up on people, offices and certain amount of, I would not call consultant fees but just professional fees in this transition so that is built into this, so it is not a matter of concern. It is not really an operating loss in that sense. It has been one off because of the transition and hold up on certain billing in activities in this quarter.

Laksh Jain: And how much was this onetime expense Sir approximately if you could help us with that number?

Anuj Poddar: Onetime expense in this quarter.

Laksh Jain: For EPC business?

Anuj Poddar: Yes, it must be around Rs.2 odd Crores but that is a onetime expense. What I am really calling out is we do not have a number but let us say another Rs.100 Crores of billing that you could have done that was all held up in this quarter right. It has been to the bottom line and Rs.100 Crores also is much lower than we not putting out a projected number or we put that out in the original debt. We are looking at almost 2x of revenues on annualized basis this year which FY2023 so in that your fixed cost stay the same overhead so that starts flowing into the operating margin.

Laksh Jain: Yes, and that is it Sir and one more last question. We generated Rs.135 Crores of cash from EPC business this year so this brings to what will be our current cash in the EPC business Sir total as of today?

Anuj Poddar: So current cash position as of today I will check back but I think it was about Rs.10 Crores to Rs.20 Crores which was left.

Laksh Jain: Okay so it is approximately Rs.150 Crores, right?

Anuj Poddar: No so Rs.135 Crores was transferred which was used into the business and I think they are now sitting on about Rs.20 Crores of cash.

Laksh Jain: Okay got it Sir. These are my questions. Thank you so much Sir and all the very best Sir for your new journey on this separate entity. Thank you so much.

Moderator: Thank you. The next question is from the line of Natasha Jain from Nirmal Bang. Please go ahead.

Natasha Jain: Thank you so much for the followup. Sir firstly I would like to know what is our lighting mix in terms of B2B and B2C I am sorry if you said that data? I got disconnected in the call?

Anuj Poddar: We will just do that with numbers. Any other questions.

Natasha Jain: The other question Sir what is our alternate channel mix and what was it in the Q2 last year?

Anuj Poddar: So firstly, on the lighting B2C is about 40% and B2B is 60%. You have got that.

Natasha Jain: Yes, Sir and the alternate channel mix?

Anuj Poddar: Yes, the alternate channel so trade is about 57% so rest is all non trade channel.

Natasha Jain: Understood. Sir and my final question is more of a medium-term question? Now why while we did our channel checks we definitely appreciate that the quality of the products has been quite good? A lot of our channel checks did tell us that however the challenge that we saw is that probably the perception of the brand is still not a premium brand probably still an economy brand? I just want to know what is our strategy in terms of changing that perception and how are we spending our ads to build that part of our portfolio?

Anuj Poddar: So firstly, thank you for the feedback and I think part of the answer lies in your feedback. I think brands can talk itself and say whatever, but the product is a real test of and that has changed. As that changes in the marketplace that always has a greater weightage and impact of perception changing. The brand communication only amplifies that but cannot deliver that perception change in the absence of real product change on the ground. If you look at product change on the ground while we have rolled out a lot of these products it is a process of evolution and surely it takes three to five years for the entire portfolio to refresh so every year if you are refreshing about 15% to 20% of the portfolio it is a three to five year period by which time 60% to 100% of product portfolio in the marketplace changes so you start hitting a tipping point on perception change after that three mark okay and the best example that you will see to how perception of a company or a brand or product has dramatically changed is two of the leading Indian automakers. I am not naming them, but you can guess who these guys are. They were not known for; they were known as cheaper ordinary auto makers but now look at five to seven years later into the journey the perception of both of these auto companies have dramatically changed both at a product and brand level so in a way that is the best proxy for you what we are aiming for. In three to five years, you will see us hit that infection point or tipping point where consumers would have forgotten the old Bajaj and think of Bajaj or Bajaj Electricals and all of these brands together in a completely different way.

Natasha Jain: Understood Sir. That is helpful. Thank you so much. Those were my questions and thank you and Happy Diwali to you.

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

Chirag Lodaya: Thank you for the opportunity. I just have one question so given the current situation where we are seeing increased competitive intensity slowdown is persisting more than we would have envisage and there is some change in technology on LED front, etc., which is leading to price erosion so given this context now how you would like to revise your margin guidance? Earlier we are pretty confident of reaching 9% to 10% kind of EBITDA margin in near to medium term so given this situation how you are looking at the margin trajectory now going ahead?

Anuj Poddar: So, Chirag I always prefer to look outside in or know future back so I think over a medium terms there is no change in our guidance, and I would say the reason why is because markets you cannot control so therefore our strategy does not change for that. Unless my fundamental medium to long term with the market changes so that has all changed. I do think any economy goes through cycles. This cycle has got to change at some point of time. Unless we believe the India, story or consumption story has gone away. If anything, some of these longer cycles or in a way also weeds out the weaker players or cuts back the nuisance value so if anything, if you look at from a three to five-year perspective this actually better for stronger established players that cuts out the nuisance value of weaker players, so it comes back. It actually comes back much stronger than had you not gone through this weaker phase and that is why remain confident not just of margins over the medium to longer term but actually with a greater upside on topline on that. You will see greater consolidation happen because of this.

Chirag Lodaya: Right but if I have to just extrapolate how FY2025 - FY2026 even situation improves say from second half will still be near to 9% to 10% or it will take more time than what you would have initially thought because see lot of things have changed versus the six months back so trying to understand are changing the time period for reaching that double digit margin aspiration or you are still confident that whenever economy picks up we will see this double double digit margin coming soon?

Anuj Poddar: So very easy answer as soon as economy picks up you will see that. If the economy is in good shape by 2026, we should beat that number.

Chirag Lodaya: Okay got it. Thank you and all the best.

Moderator: Thank you. The next question is from the line of Manoj Gori from Equirus Securities. Please go ahead.

Manoj Gori: Thanks for the opportunity, Sir. Sir one question if you look at, we have been emphasizing a lot on the new product launches and more towards the premium and can you give some data points with regards to what would be the contribution, products that have been launched a year back and probably how this would have been in the same quarter last year from the products which were launched in the preceding one year?

Anuj Poddar: So, Manoj we do not put out actual NPD contribution or MU contribution of that. That The best metric for that is things like for example when you call out category mix you look at fans as a category mix how that is improving. That is because of the back of new products. If you look at the new mixer that we put out lot of that 750 watts to 800 watts on the back of new products. If we look at coolers that growth which has been very high, it is on the back of new products. I will tell you two smaller categories. These do not get mentioned but these all add up to long tail. If you look at things such as personal grooming that we launched right now online in Morphy Richards is taken off extremely well. If you go and do channel checks or something like kettles, we have really grown kettles at almost 300% in the last one year, etc., so these are all new products that are adding up and giving us some buoyancy. The big categories such as kitchen appliance, etc., that will kick in as a market will kick in. In the meantime, all of these segmental launches, new products or these products are what is driving growth for us as well.

Manoj Gori: Right Sir and Sir one last question so probably we have been seeing price erosion into B2C business setting in the lighting segment? Do you see this as a risk even to your B2B business probably in some time of probably a few quarters ahead?

Anuj Poddar: Not really so that B2C erosion is happening particularly because of this DOB thing which is particularly affecting the sector and also because that is an easier entry business for new players to come in some of whom lead that and sustainable business models. I think B2B does have more serious established players. It has got a higher entry barrier. It requires more solution orientation, etc. It requires execution, project skills, etc., so I think that is slightly more insulated from this.

Manoj Gori: Right Sir. That was very helpful. Thank you and wish you all the best.

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to the management for the closing comments. Go ahead Sir.

Anuj Poddar: So, thank you. I will keep my closing comments very brief. It is just wrap up of my opening comments. We know it is a tough environment. The results are mirroring the tough environment externally. I think internally we continue to maintain our focus on our strategic initiatives. I think internal metrics continue to look strong. The one thing we will not shy away from is focusing the medium to long term. Hopefully we will not make short term myopic decisions in the interest of sacrificing a medium to long term. If you do look back at both at two-year access and performance, you will see the merits of what they seeing but also qualitatively like one of you also mentioned on the call our product profile is changing the marketplace. We do have grand scores that are reflecting that. To me those are two biggest most important parameters of any consumer centric business. We are getting a product and brand strategy right. The numbers will follow based on market conditions, so with that I will wrap it up. Thank you very much and good evening to you.

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