August 16, 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 Q1FY24 Earnings Conference Call' of Bajaj Electricals Limited ("Company")

Further to our letters dated August 2, 2023 and August 10, 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 Q1FY24 Earnings Conference Call (i.e., Post Earnings/Quarterly Call), organized by Ambit Capital Private Limited on Thursday, August 10, 2023, at 5:30 P.M. (IST), wherein, inter-alia, the unaudited financial results of the Company for the first quarter ended June 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: 2023.08.16 14:38:46 +05'30'

Prashant Dalvi
Company Secretary and Chief Compliance Officer

Encl.: As above.

"Bajaj Electricals Limited Q1 FY'24 Earnings Conference Call"

August 10, 2023

MANAGEMENT: **MR. ANUJ PODDAR – MANAGING DIRECTOR & CEO**
MR. E.C. PRASAD – CHIEF FINANCIAL OFFICER

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

Moderator: Ladies and gentlemen, good day and welcome to Bajaj Electricals Limited Q1 FY'24 Earnings Call 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 sir.

Dhruv Jain: Thank you. Hello, everyone welcome to Bajaj Electricals 1QFY24 Earnings Call.

From the Management side today, we have with us Mr. Anuj Poddar – Managing Director and CEO, and Mr. E.C. Prasad – Chief Financial Officer of the Company.

Thank you and over to you sir.

Anuj Poddar: Thank you, Dhruv. Good evening everyone. Thank you for joining our investor call today.

Let me put my opening comments:

We have had a soft quarter performance. This is largely due to a soft and muted discretionary consumption demand environment in the economy, coupled with a weak summer due to unseasonal rains. If I split up our results a little more for you, particularly we talk about consumer products, appliances, as well as Morphy Richards business actually has seen a growth, but partly offset by de-growth in the fans business because of the unseasonal rains in the summer period. As always, we have continued and try to balance out and optimize between our top line and margins. We have strived to protect our margins despite the various pricing and discounting actions prevalent in the marketplace. And while maintaining a slightly flattish revenue trend. We are closely tracking all of the sector performance and competition in the market. We believe that our performance is well in line with that, we have maintained the market shares and strive to maintain our balance of interest in that context. At the same time, despite there being a soft environment, we've not shied away from a strategic focus on product launches as well as brands strengthening, revolution of each of our four brands that we now operate.

Finally, I want to highlight that margins are a reflection, not of the inherent weakness that we have, but of operating deleverage. If I may share, we continue to build for growth, we are upping and have increased our costs in aspects such as our R&D, as well as the setup of new consumer lighting verticals since the last three quarters. And you are also seeing some impact of the demerger cost getting built in at a corporate overall level that will stay for two to three quarter before the growth kicks in. All of these costs designed to deliver growth, in the short term, in a weak demand environment these costs do come to bite us. But we are consciously not choosing to descale or roll back any of these because we think these are important for us from a medium to long term perspective. From an internal perspective we have done the math on this very clearly from idle budget perspective and we had let's say about another 100 crores of revenue, lot of that gross margin on that revenue would have flowed straight down to the bottom line. And therefore, we would have seen a very different margin profile. So, the point I'm really highlighting there is that what you're seeing is really a trend of external environment. The internal metrics as we track them are fairly healthy with the visible and conscious of that.

Last one point, I'll bring out logistics since that is something we spoken last time too, that transition continues to happen we have a roadmap on bringing down the logistics costs, we will see visible results of that in the P&L from Q3 onwards, and you will see improved benefits of the logistics cost optimization.

So, with that, I'll hand it back to the moderator. Thank you very much.

Moderator: Thank you. Ladies and gentlemen we will now begin the question-and-answer session. First question is from the line of Anirudh Agarwal from Valuequest Investment Advisors. Please go ahead.

Anirudh Agarwal: A few questions from my side. Sir first one on the lighting business if you could share the split between professional and consumer lighting and how both of those businesses had done, so consumer we know that there was some softness expected but how is the professional of the business done. The second question related to that on the consumer front was, what are some of the lead metrics that you are tracking. So, obviously the top line numbers continue to remain muted. But in terms of the GTM revamp the number of dealers, distributors appointed if you could share some outlook on that or what are some of the other metrics that you track that tell us that in the next couple of quarters, things will turn around on consumer lighting as well?

Anuj Poddar: Anirudh thank you very much, firstly the professional and consumer lighting. Consumer lighting has seen a soft demand environment. So, there is de-growth in consumer lighting. On the professional lighting, we had a high base effect due to EESL orders last year in Q1, if you take out the EESL, professional lighting is a flat trend, therefore cumulatively you are seeing a negative growth or de-growth on lighting, but lead to high base and professional on EESL, otherwise it is flat, and it is negative on consumer. Having said that, when I'm saying high base for Q1, we are confident that Q2 will see a growth in the lighting business. Coming to your consumer products side, there are various metrics that we track, couple of them that I will call out for you, from a market perspective our market shares looking at various categories we do continue to grow that, we are growing that in the appliances business, Morphy Richards which had been soft has come back. And fans also we are growing our market share though we had a de-growth in this quarter in particular. Just one additional point I will make in fans is that actually, looking at fans with a slightly larger arc, because you had the star rating regime ticking on 1st January. So, there is a lot of upheaval in that category from January till now. So, if you look at the six-month basis for that category, that's a slightly more correct way to look at it. And we're seeing those trends and the trends are positive. One last metric in that because we've been asked in the past, and we've been sharing. Our premiumization journey and portfolio mix continues to be healthy across product categories in fans I will call out data, last time we had shared that, that our sub economy fans it used to be +80% a couple of years ago, in Q4 was about 67% of our total product mix, in Q1 now that is down to about 58%, which is showing a healthier mix on the economy and premium segment picking up for us.

Anirudh Agarwal: Right. And on the consumer lighting business if you could share how we are based in terms of the entire revamp now and are some of the lead indicators at least turning green or are we still a couple of quarters away from?

Anuj Poddar: A couple of quarters away, I have split that into three things, our products, our distribution, and then the revenue. Our product portfolio is almost fully in place so we have made huge progress and even in this quarter we've shown slides of the products that we rolled out. So, there we are on par with the leaders, which is not the case that used to be in the past. On the distribution of go to market side one is internally our team is fully in place. On the distributor front, we've put that in place but there, there is weakness because of the market weakness so the distributors that we put in place have quite frankly not fully employed the best efforts in the marketplace, including feet on the street. So, they need to see a momentum uptick in the demand for them to start investing in that more fully to get ROI on the investments. So, we believe as the demand cycle kicks in in the consumer lighting, with the product portfolio ready, our team in place and the distributor is appointed the last leg which is of them starting to do the push in the market will see an uptick once we have a bit of a tailwind, you should see that. You will see some growth for us in Q2 that's more internal base, but you will see overall market growth from Q3.

Anirudh Agarwal: Got it. Final question from my side on the margin front. So, if you have any estimate in terms of the GM hit that we had because of not being able to take the price hike in fans?

Anuj Poddar: No, so we don't put out the GM, etc., at a category level. I will share that in the overall level using GM expansion for about sub 1%. But at a contribution level, it's about 2.4% overall gross margin expansion that we've had in our business in Q1. And that goes back to my earlier comment, had the operating deleverage not been there that would have also been visible in the EBIT margins.

Moderator: Thank you. Next question is from the line of Renu Baid from IIFL Securities. Please go ahead.

Renu Baid: First question is, the consumer business, how do we look at the overall margin trajectory improving once demand stabilizes or recovers from third quarter and in your view, how far are we now from our targeted levels of (+10%) or double-digit EBIT margins?

Anuj Poddar: So, Renu, thank you very much. And I know that's the concern, that's why I brought out that in my opening comments. The internal metrics are healthy, to my mind this is purely a question of operating leverage or de-leverage. As that kicks in, the demand kicks in, we are very confident it will see a sharp uptick in margins. So, that's my answer to you on both of these aspects that you asked.

Renu Baid: Sure. Secondly, in terms of the new BEE rated fans, compared to the current pricing and the costing, what kind of under recovery is still continue in this segment and how are we looking at the overall, the entire revamp of the positioning that we had done in the last two to three quarters, how is that resulting in terms of growth for us across segments and categories?

Anuj Poddar: So, on the fans, there is yet between 3% to 5% under recovery a lot of that is led by competitive forces, we've always maintained that we're happy not to be drivers or leaders in price erosion unfortunately, some of competition is doing that. It would be healthier if we were all able to pass on these cost increases to the consumers, maybe as the tailwind kicks in you will see that happen. We will not be laggards as and when the market forces allowed us to. On the overall, the brand repositioning, etc., while that's not visible in numbers right now, we are doing brand track study, these are category-by-category. Just yesterday, I've seen another set of brand track study, and that is showing very clear metrics in the brand track studies for us. We have visibility on that front.

Renu Baid: Any updates on Nirlep that you can share in terms of how are we going ahead with respect to the distribution reach and growth in the portfolio?

Anuj Poddar: Yes, so Nirlep you will see by first half of September, re-launch of Nirlep everything is ready, we've done a trade announcement, two weeks ago. The first half of September, you will see a consumer communication on Nirlep, with the new positioning and product range also.

Renu Baid: And on the distribution side, your thing will have to invest materially or they are reasonably covered on the distribution doing for Nirlep?

Anuj Poddar: So, actually distribution has been in place for a while now. So, that was being waiting for a launch from our end, we signed that so that pre festive we are ready to launch so that in the festive period we get the benefit of upside of Nirlep also.

Renu Baid: Sure. And lastly related to the EPC business portfolio. Quickly in terms of what kind of timelines can we look in terms of the listing of the portfolio and on de-merger how do we look at the balance sheet of the EPC business at the onset for this Company getting listed and starting afresh?

Anuj Poddar: So, firstly, in terms of timeline of de-merger Renu, I would just say we're the cusp of that, like we've shared all the statutory authority approvals are in place, there is last leg of documentation process, transition compliance, including with the clients and contractual, transitions in place right now. While I will not announce the public timeline, it should happen fairly soon from now. Post, the demerger, where obviously listing will follow in course, whatever the statutory timelines on that between 30 to 60 days, I think it's 30 days. On the balance sheet, I'll bring in our CFO he is going to talk.

E.C. Prasad: So, Renu whenever this happens, this will happen with retrospective effect because our appointed date is 1st April 22 as on which date the capital employed for the business was around 550 crores. So, what has happened is, the difference between the capital employed as of that date and the date on which we make it effective will go to them as cash. So, the capital employed will remain as 550 crores which moves to them.

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

Achal Lohade: Just a couple of questions. One you said discounting by competition, can you help us understand is it far more pronounced in a particular category or particular geography or combination of that?

Anuj Poddar: So, one is a combination of everything, it is happening across in the soft demand environment everybody is playing that differently, but there is a fair amount of discounting schemes or various forms of not taking price hikes, etc., that most competition is doing and slightly more pronounced in fans because, even if it's not discounting the costs have gone up so price hikes not coming in. And therefore, on a net basis that amounts to a greater level of discounting but that across the board otherwise.

Achal Lohade: Anything specific in kitchen appliances as well?

Anuj Poddar: Kitchen also but I would say if you asked me relatively fans has a greater impact which was a lesser so, but it was there in kitchen also.

Achal Lohade: Understood. Secondly, with respect to how the demand environment has been in June the exit month of the quarter as well as July, are you seeing any signs of pickup or things remain because as we are getting into the festive period now?

Anuj Poddar: So, if we look at Q1 April, May, June, clearly April and May were particularly extremely weak, June was definitely much better than April and May. So, there was a growth phase in that month. Again, in June, what we've seen, and let's say fans in particular also, tertiary demand has really picked up, for coolers also we saw pickup in tertiary demand in May and June. So, that's a positive sign, some of that did not translate to primary or secondary demand, because at that point people are not stocking up. But even if a tertiary demand has happened, I will be more happier for that to have happened because it sets us well for the following seasons and with a positive sign for that to catch up. I'll hold off my comments right now in July and for Q2, let that come in. But we are far more positive on Q2 than Q1.

Achal Lohade: Understood. And sorry, I'm hopping on the margin front let's assume like you said in the second half things normalized in terms of demand environment. How do we look at the margin trajectory, how soon can we expect double digit margins given the various measures you are undertaking and also at the same time the investments?

Anuj Poddar: So, Achal, I'll never put a timeline but let me tell you, a second half like you said if demand picks up, we've done our math, the operating leverage will kick in, it would have happened even in these months that we hit slightly higher numbers we've got that one there. Like I said, our cost structure and our built in or baked in for higher growth in the future, and that we're not pulling in. So, therefore it has to come in through greater demand in revenue. Lastly, the one big lever that we see kicking in and Q3 is logistics. We are yet hampered with some of the transitionary costs that are there and that will, we map that out month-on-month, so you will see that kicking in from October. So, given that you will see margin expansion on Q3, on double-digit, while will not give a projection it will not happen this year but assume some point next year onwards you should start getting closer to that destination.

Achal Lohade: Understood. Would you be able to quantify what is the fixed cost here which we are talking about the operating leverage what is the extent of fixed cost element in our cost excluding raw material. How much is variable and how much is fixed?

Anuj Poddar: So, more than quantify, I will tell you that the components of that, like I said if you look at overall R&D cost, if you look at the overall cost of a consumer lighting division that we set up for which we have not got the upside now. And then overall establishment cost including, okay my CFO is telling 450 crore, I quite frankly don't have math's so I will have to reverse do the math on what we're seeing here. But these are drives, and then production, promotional cost, etc. We are creating four brands, all of those are coming in as a cost. So, these we don't want to step back on right now. And the last bit is a digital and transmission technology costs. Those are investments that are going in, we have a digital transmission roadmap that will end by October 24, OND 24th. So, those are also cost that are getting built in right now.

Achal Lohade: Understood. And just one more question, if I may with respect to the refreshed range across categories, is it possible to get a number as to how much is that contribution what SKUs you have launched in last say two years, what is the contribution now and how do we see that trajectory moving going forward. Given the step up in terms of R&D and the A&P you are talking about?

Anuj Poddar: So, number of SKUs for this quarter we put in this quarterly deck, we've done that every quarter. So, I don't remember the full number for FY23, if I remember correct CP was about 160 SKUs and lighting, I don't remember offhand, but could be 500 or so and that range would be. A two-year number I'll have to see, but the year prior also similar slightly higher for CP, if I remember correctly exactly a two-year number. In terms of contribution if your question is NPD contribution to total revenues. While we don't publish that, internally we do track that three, four years ago that used to be in single digits. It is well above 20% right now, in NPD contribution.

Moderator: Thank you. Next question is from the line of Praveen Sahay from Prabhudas Lilladher. Please go ahead.

Praveen Sahay: So, it's related to the fan and where you had mentioned that and also in the PPT it's around 8.5% of a de-growth in the value terms and similarly, also you had mentioned that your premium fan contribution has also increased. So, it's fair to assume that's the volume de-growth is in the double digits kind off?

Anuj Poddar: I haven't done the math, but yes, it should in a very early double digits.

Praveen Sahay: Okay. And also, if you can talk on, because you are one of the largest players in the fan segment, and that too in the economic side of a business. So, is there any change in the market scenario on that front as well?

Anuj Poddar: For us, you mean obviously?

Praveen Sahay: So, as the volume de-growth is in the double-digit range so is that a competition is a?

Anuj Poddar: So, that's why, I did mention in the opening comments, one of the other answer, we are growing market share, may not beyond Q1 in particular because everybody has since the January star rating regime, there's a lot of disruption in the sense, market overall between the primary players, the distribution and retail network, etc., and how stalking is happening of everybody's portfolios. So, if you look at the six months, we've looked at our six months trend from Jan to now, we have only gained share that is two of last year and before that also. So, what I'm trying to say is, post the transition to start rating regime also we've looked at, share has continued to grow.

Praveen Sahay: Okay. And the next question is, if you can give that contribution or in the consumer product segment for appliances, fans and Morphy Richards?

Anuj Poddar: So, we don't break up contribution by these categories, we don't share that.

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

Aniruddha Joshi: Sir two things, one can you share the upside about Nex brand and what are the products that we have introduced, the categories that we have introduced. How premium is the price point compared to our existing range of Bajaj. And second thing is now, Nirlep that we are launching, so post Nirlep what will be the positioning will it be a premium end of the market or low end of the market also, at some point of time it used to be a pretty strong brand in western India. So, I'm assuming it might have lost some brand appeal since there were almost no sales. So, how do we plan to rejuvenate the brand and now since we will be investing in two categories, Nex and Nirlep so do you see that taking additional ad spend and initial launch expenses and impacting the margins or so. That's it from my end.

Anuj Poddar: So. let me answer all your questions. What is Nex is a soft launch right now it's time to actually grow and be more push launch by next summer. It is largely fans category that we've launched or not largely actually entirely focused on the fans category, we've launched about, eight to 10 SKUs in that category. The price range for that starts at about 2500 and goes up to about 7500 at an MOP level. And therefore, if you see versus Bajaj, Bajaj sweet spot mostly was at 1300 kind of a range, and Bajaj did have and now does have a broader range that also goes up, that goes up into 3500, 4000. So, the next clearly starts at the top end of Bajaj it goes much higher. In terms of Nirlep positioning, tagline is "Everyday Health". So, positioning is going to be around health and nutrition. All our brands, we believe the positioning has never had a price point. So, premium economy is not the positioning, that can be a price offering of different products. The positioning of a brand is on a proposition so, Bajaj is "Built for Life", Nex is on "Feel the Future", and for Nirlep is on health and nutrition tagline of "Everyday Health". The products in terms of which segments they appeal to, based on the different product categories that is cookware, pressure cooker, etc., we will have a different range of products that will cover but then again on the case of Nirlep could be a wider range of coverage and historically add. To your question on the brand spent historically you are correct. It was historically western region brand and has been a brand that has been quiet and out of consumer mind for quite a few years now to come. So, therefore now as we re-launch it will take two, three years for that brand to get fully resurrected and when we do that, we will not keep it as a western region centric brand, but it will become a pan India brand, but that will require investment and consistency over the next two, three years we will give it that growth. Again, in that brand is not just a brand, but product category expansion is something we are doing, we are starting with pressure cookers and you see us launching September at the consumer level. So, we will keep expanding the portfolio in Nirlep also. Sorry, remind me your last question, you had one more question. Anirudh, did I answer all, we had one more sub question to this?

Aniruddha Joshi: Just the pricing point, the Nirlep range is compared to.

Anuj Poddar: Pricing like a brand, more on health and nutrition, pricing is straddled based on all, so pressure cookers will be different, cookware will be different, it is scheduled by various price points based on where we see the different portfolio play out generally, but it will be broader or wider than it used to be in the past.

Aniruddha Joshi: Sure, sir understood. Lastly initially you indicated that we have gained market share. So, if you can indicate as far as in detail possible the key market share gains in the key categories for us?

Anuj Poddar: So, Anirudh unfortunately we don't share or publish that, the only reason being there is no official accurate data available for that. So, while we do subscribe to all the data market funds GFK, etc., that shows us that but till it is not accurate data we don't publish the data.

Moderator: Thank you. Next question is from the line of Rahul Gajare from Haitong Securities India Private Limited. Please go ahead.

Rahul Gajare: My first question is on the margin. Now, the road to double digit margin will necessarily come through operating leverage, given your ANP is higher than peers obviously, when the revenue picks up the operating leverage will kick in. But, you are spending on four brands, and some of those brands are at a very nascent stage, like Nex and Nirlep. How do you intend to really see the benefit of operating leverage you did talk about R&D spend, but what are the other levers you have in your hand, to see the double-digit margins journey that we have been waiting for?

Anuj Poddar: So, now little bit repeat of what I've already said, one is operating leverage clearly, we are spending on brand and R&D, but also if you at logistics to my mind is one, it remains where over two years I should have Nex have about 2% to 3% optimization, some of that will start kicking in from Q3 like I mentioned here. Also lighting if you see, a look at us consolidated now as an FMEG Company, lighting already seen a healthy uptick in margin that will continue to grow also based on product portfolio mix starting to become better. So, let me put in three buckets, operating leverage, product portfolio mix becoming better and attacking some of these inefficiencies such as logistics.

Rahul Gajare: Okay. Now, my second question is on Nex, do you see Nex as only a Fans brand, or do you see that as a premium brand or extension of Bajaj product? What is really the product publishing as far as Nex is concerned?

Anuj Poddar: So, for now, it remains focused on fans we will see in the future what we do. Keeping fans is a large enough category for us to focus on with two brands

Moderator: Thank you. Next question is from the line of Anirudh Agarwal from Valuequest Investment Advisors. Please go ahead.

Anirudh Agarwal: Two more questions from my side. First is on the generic channel, so GT obviously has seen significant de-growth in this quarter, is there anything to read into the urban versus rural GT performance. And I'm asking this question because the alternate channel has done really well in a quarter where GT has de-grown significantly?

Anuj Poddar: Sorry, I didn't fully hear, so you spoke about GT growth and what is the question?

Anirudh Agarwal: Yes, so is there a difference between how urban GT and rural GT has done?

Anuj Poddar: There is a difference and I've seen that now. So, I will say this, but take this with a little bit of, don't take it very literally, we are seeing a little strengthening of rural, but not being fully reflected because urban is actually starting to be weaker than it was in the past. So, if you look at most of the commentary last three, four or five quarters not just from us, from FMCG, etc., urban is holding, rural has been weak. So, now the commentary has been about rural green shoots, et cetera, we are seeing some of that, but we are seeing the bottom half of the urban market, exhibits a little sign of weakness on this discretionary consumption. That said, the reason I'm saying is don't take that very literally because some of this data is too shallow, it's literally last two months that we have cut that to actually deep dive into this thing, I would want to always see a trend a little longer term, a little broader before we take that as a genuine trend.

Anirudh Agarwal: Got it. That good to hear and then in that context, we had embarked on this SSSG journey on the GT channel specifically. So, will that still continue to hold, it is just a function of macro revival according to you or other thing that we need to do to really get that SSSG engine going on the GT side?

Anuj Poddar: No, so that SSSG holds**,** we are focusing on WD, it's a weighted distribution mode and we have historically done. And that's also a reflection of our product portfolio becoming more, I don't use the word premium, but filling in the product portfolio at the upper end we're lacking on. So, because of that, that's helping us in our WD journey. The gap that we had in our context was we are under indexing urban markets. So, that is also an area of focus for us, both the WD focus and urban focus are pretty much corollary to each other. That said, it is not at the cost of rural or other markets so that we will continue to defend but I do think, we will see over the next two, three years disproportionate growth for us coming from urban a higher value counter.

Anirudh Agarwal: Got it. One more question on the alternate channel front so this quarter we've seen significant growth on the alternate channel so, are we seeing very significant market share gains, especially on the MT side?

Anuj Poddar: Yes, MT has been good traction for last couple of years if you look at earlier decks also. And again, that's a reflection of our acceptance in urban markets of the new product range of these MTs, that historically were not warm to our brands actually, taking well to our brands. And the most recent example of that is, the personal grooming range that we've launched for Morphy Richards online for now, has got very good traction right now. And that's a Q2 launch it is publicly visible, therefore I'm talking about that. And some of that is where we will continue to see expansion going forward also.

Anirudh Agarwal: Understood. And there is still a large pipeline of empty stores that you would have which we've not tapped in regional retail, etc. Would that be a fair assessment or would it be more SSSG lead going ahead?

Anuj Poddar: Both, so firstly MT, it's not that we not tap the stores, but our presence in those stores or billing in those stores was less, the billing in presence in those stores have expanded while we have a descent reach across MT also so far. But like I said, we're not going to go away from the SSSG on GT, because that will remain the core from a scale perspective. And therefore as demand kicks in back from a broader environment perspective we do think GT will also grow, the growth will not come only from alternate channels.

Anirudh Agarwal: Understood. And my final question on the margin, so you broke down the margin expansion into three components. What part of that would, if we want to expand margin by 4% say over the next couple of years, what part of that will be driven by GM expansion broadly in your assessment?

Anuj Poddar: Very hard to put a pinpoint to that, but if I was to take a broad brush, about 2% more should come from GM.

Anirudh Agarwal: And that is premiumization largely right?

Anuj Poddar: Mix of premiumization, I do think there should be some optimization on your cost and sourcing front also.

Moderator: Thank you. Next question is from the line of Shrinidhi from HSBC. Please go ahead.

Shrinidhi: Just one question from my end, on the appliances business you seem to have done very well about 10% growth. One thing would it be possible to share some color on how individual subcategory have done within the appliances?

Anuj Poddar: Shrini unfortunately not, we don't break that up but, as a state broad ways growth across the appliance categories.

Shrinidhi: Some color on how?

Anuj Poddar: So, I will tell you our leading categories are kitchen, coolers and water heaters.

Shrinidhi: But a lot of peers have reported weak numbers in kitchen, so can you just put some order in which how they have grown at least?

Anuj Poddar: No, so I can't break that up further, but we have had growth in kitchen also and that's the positive news I want to share.

Shrinidhi: Fair enough.

Anuj Poddar: may also call out even mixer grinders, etc., which had been subdued for a few quarters now, we started to see growth in mixer grinders category also.

Shrinidhi: Fine. And I just want to understand on the margin lever, and on the gross margin improvement levers, the premiumization is one important lever, just on the pricing itself I want to understand is there a scope to reduce the discount as which the like-for-like products are sold under Bajaj brand versus their market leader?

Anuj Poddar: So, I put it differently, a lot of the discounting that you are seeing now is the split reaction to a weak demand situation. And therefore, getting the tailwind in demand up is very important, because it's not this operating leverage in terms of a P&L, but a lot of this desperate, unhealthy discounting, will go away from the market as that kicks in. So, which is why I believe that these are not normal but will have far more significant impact on all of us in the positive sense.

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

Achal Lohade: Is it possible to get some idea say from FY23 data, in terms of the sales mix, how much would be ECOM, modern retail and GT and what we gather is that there is slight rethink about the TOC or RREPs. So, any color in terms of how the mix is going to change?

Anuj Poddar: So, Achal if I got your question right, firstly you are asking FY23 overall channel wise mix right?

Achal Lohade: Channel mix yes.

Anuj Poddar: So, FY23 on a full year basis, trade which is GT was about 65% and therefore rest being alternate in that I can call out e-commerce is about 12%. And then, modern trade and government. Right now in the June quarter trade is down to about 61% and therefore alternate is up to 38% to 39%. In that again, e-commerce is about 11% because modern trade and others have grown well. I'm sorry, your second part of the question was?

Achal Lohade: So, with respect to the RREP?

Anuj Poddar: No, so there is no rethink on RREP but, the way we were applying RREP something we made a little more evolved or sophisticated what we call an RREP 2.0. Earlier we had applied the principles of TOC as a one size fits all so across all categories, across all geographies, urban, rural, etc., and across your state. We made some modifications to that to where it benefits us in the categories of markets we've kept it. There are some nuances that were required for example lighting business has different nuances, fans have certain nuances, and as we try to go deeper down on rural or absolute top WD counters, we need to cater to some of their unique requirements. So, all we're doing is, creating a more sophisticated RREP 2.0 is a full great internally that we have, and where what fits in is a little bit of a what I would call the hybrid or evolved RREP that we are rolling out right now. I'll give you one more example of that, in the RREP we had collapsed all BUs and all product categories into one CP and therefore all distributors also, one distributor for all product categories quite honestly, that was not doing justice to us or the distributors because they do not have either the bandwidth or the inclination of focus on all categories. So, there again when I say hybrid we started doing a hybrid depending on each market and each distributor, where a distributor has inclination and capacity to service all the product categories we maintain, where distributors or markets require different distributors for different categories we've differentiated on that. So, that's what I mean by RREP 2.0. We have just relooked at the model it's RREP but it's slightly more sophisticated model around it.

Achal Lohade: And in that case, do you see #A, the conflict and #B, any impact on the sales in the transition and how long will this transition or changes which will take place?

Anuj Poddar: No, so I wouldn't call it as conflict but we will see upsides on that for example consumer lighting, now you have some cases common distributors for consumer and lighting in some case is different, again we are talking Nirlep or the new Nex band we are going to again have a similar hybrid thing where some places common submit is not, but the upside is not fully visible for the reasons that I explained earlier in this market, distributor is not investing in the lighting go to market fully, particularly new people getting into this business established it's fine, we are newly getting into that you wait for little tail wind for that to come. So, in Nirlep once the launch happens then we'll start seeing that. In Nex, by next summer you will start seeing that effect. So, I put it not as conflict but this model takeoff will start happening as each of these segments or market or categories start taking off.

Achal Lohade: Got it. And just last question with respect to the in-house what is the mix as of now and how do you see it evolving next three to five years given now we are as good as a pure appliances Company. How do you see that mix evolving given the cash flows and the focus on the business?

Anuj Poddar: So, our mix on consumer stays between 15% to 20% in-house, on lighting our mix has gone up that's about +30% that is in-house but more important is the mix within the in-house so what we're making in-house and what we are making outside that is a constantly evolving so lighting for example, we pushed out on the consumer lighting and brought in more of the professional lighting higher value add products. Similarly, consumer lighting focus on higher value add products and stop doing so much for the lower value products. The consumer side for example, I've shared this in the past while our mix in fans is changing at a product level. So, too, our manufacturing mix of higher value premium fans with its Nex or Bajaj fans is something that is more and more in-house including putting up a very advanced paint workshop, etc., in-house. Similarly on the mixers or water heaters, etc., we are upgrading the quality of profile of products that we are making in-house versus some of the more routine products is what we're moving out there. That churn will continue because every time as NPD comes in, we typically try and balance out NPD production and put a higher fraction of the NPD production in-house for various reasons there. Going forward, I don't have a number, lighting that 30%, 35% may go up, I don't know 40%, 45% not more than that. Consumer will be much below lighting, it will be sub 30% is my guess, if there is a bounce around 30%, that said to us a driver a lot of this decision also making ROCE metrics. So, we don't want to look at margin as absolute but overall ROCE what is healthier from an ROCE perspective.

Moderator: Thank you. Next question is from the line of Rahul Agarwal from InCred Capital. Please go ahead.

Rahul Agarwal: So, first question was on lifecycle of a kitchen business. Nirlep, I'm not very sure about when it starts you already said but when it actually takes shape going into the rest of the festival season, how does it look like, it will be a three-year journey, two years journey in terms of getting a top line right, and the business profit, or like 18, 24 months of breakeven at EBITDA level and then it turns profitable, so I am a bit under knowledge on kitchen appliances P&L. So, that's one, the sub question to that was also that, kitchen appliances largely a very regional local play in India. And we have seen consolidation, we've seen other peers buying out larger kitchen appliances brands, most business strategy we are talking about is, taking them outside of their home market. So, it's more pan India network, more wider ranges of kitchen appliances coming up in the similar brand names. So, largely this is going to be unorganized shift to organized from an industry perspective and then, when we do this pan India when we increase our distribution channel, how do the margins actually be it is again tying up with the lifecycle of the kitchen appliance. That's my first question.

Anuj Poddar: So, Rahul actually it's a very multifaceted, integrated question I'll try and break up them into different parts, break up to different products. One is Nirlep to us is a three-to-five-year journey it's not an 18-to-24-month journey. And not necessarily meaning from a breakeven perspective, but from the potential and the target addressable market for that product categories, etc., there's a lot of expansion and diversification possible in Nirlep without losing focus. Across all of what I would call NEKA range – non-electrical kitchen appliances. But there will be a stepladder to doing that we will not, cannot do all of it at one go. So, we will do it in a staggered manner, but you will keep seeing us drive growth on Nirlep over next three to five years in actually well beyond that. That said, we will remain P&L conscious so while there will be some investments in Nirlep, we don't expect it to be a huge drag on the P&L, there will be moderate investments that we will make, the way we look at it also from a from another larger areas of investments will be brand building, like one of the earlier persons asked on the call, it is a brand that has got a good legacy, but not necessarily a good immediate past and therefore it's something that we have to revitalize and rebuild, we will do that over next three to five years, as we invest in that brand because we think the payoffs in that will continue into the future. In terms of your question on consolidation, etc. Yes, there is some amount of that happening in the industry, you will see a greater trend of that maybe two years from now by 25 or so, I do think you will see greater consolidation, consolidation will happen in two ways. One is maybe M&A kind of inorganic actions, but also purely player shutting off, even today you are seeing a lot of the reported numbers, look at the bottom lines and the margins, you cannot operate businesses at 0%, 0.5%, 2%, minus 2%, etc. So, somewhere people will have to make a call on capital allocation and what kind of returns and ROCE you want to generate from these businesses. So, that will trigger various forms of consolidation two years from now, and that we are very clear. The other lever or form of consolidation is unorganized to organize, which was another part of your question. That trend is very clear and secular that you are seeing across product categories, different categories, different levels of unorganized and organized. The non-electrical kitchen appliances that is cookware, etc., has amongst the highest levels of unorganized market share. So, that and therefore that goes in line with my earlier answer Nirlep, actually Nirlep not just three, five year but it's going to seven, 10-year runway as this shift from unorganized to organized continues to happen and we will continue to drive that shift here. To your question on globalization, we have to understand globalization in these categories will not play out like in many other categories. So, as pans has got a certain level of export market, the moment it comes to kitchen, kitchen nuances or preferences are very triggered by social cultural factors. In fact, not just from a global versus India, but within India, every region of India has very different cultural cooking, eating lifestyle, habits and therefore that is reflected in the kind of appliances and nuances that you have across these. And that dramatically changes as you go outside India. So, I do think there are very different challenges and product profiles that work outside India than work in India for the kitchen. So, that is not easily replicable or scalable. The other factor I'll put in there when people are talking about globalization or exports, a lot of this is today happening when it comes to cookware, et cetera, in the form of OEM business or contract manufacturing. That is something clearly we are not interested in, we don't see it as a strategic focus or priority for us. We think there are many challenges with contract manufacturing models from a lot put it out in the financial aspects you all understand that well. But clearly we don't think that's the way that we want to go into the future. So, any exports or global model that we look at in the near or long term will be based on brand led our own business, not on contract manufacturers. Hopefully, I answered your various parts of your question.

Rahul Agarwal: Yes. Thank you so much for that, just to conclude this question. So, basically should be built in like three to five crore EBITDA cap losses over the next three to five years. Is that fair enough?

Anuj Poddar: I will not give you a number Rahul, but you can build in small numbers like you stated of negative drag.

Rahul Agarwal: Okay, get it. On the mix or in terms of in-house and outsourcing you obviously in the previous question explained a bit. But if you could highlight in terms of incrementally you said the shares are going to go up overall for the Company. What would be like a CAPEX plan and which are the products where you are investing going into next three years?

Anuj Poddar: So, CAPEX plan I will tell you for the visible 12 months is in the range of 150 crores, any large CAPEX internals in-house of factory production we put it off for 2025 discussion, so we'll evaluate that at that point. We'll share any details at that point, at least for the next 18 months we don't expect significant CAPEX there. And this, again, comes from two factors. one is, we just think we have our hands full on doing many things on growth without resorting to heavy CAPEX, we have operationally product launches, NPD, etc., rather focus on that there at the manufacturing end right now, but also in terms of ROCE consciousness, as we build up our balance sheet, cash capital on the balance sheet, that capital allocation decision of high CAPEX changing our performance metrics on this or approach on this we put it off for 2025 and later, we will review it at that point of time.

Rahul Agarwal: Get it. So, we should build about 150 crores next 18 months, is that correct?

Anuj Poddar: 150 crores annualized.

Rahul Agarwal: Annualized, okay get it. And lastly on lightning, consumer lightning mainly, we are seeing some price declines on LED pricing. I hear that it's global, it's not only India problem, and there is an import dumping happening either on led into India any thoughts on what is the exact trend here just bit more detail on this as in do you expect it to stabilize now or if that continue, the channel will still be vary in terms of stocking up more LED and hence, consumer lighting will continue to see a lower year of fiscal 24?

Anuj Poddar: So, my view is Rahul, these are two separate issues, there is price erosion in LEDs, that's always been the case for many years, and it continues right now. But I would say the magnitude of price erosion, single digits right now unlike we see double digits in the past. So, the scale or magnitude of the sharp timelines on price erosion will definitely reduce. That said, it continues to be a headwind against growth. So, the issue of lower total sales or consumer demand on consumption is more led to demand factor than the economy factors then the price erosion. So, as that consumption, consumer demand, discretionary demand, housing, interiors, etc., comes in, that will pick up irrespective of price erosion, you've seen that in, let's say if minus the last three quarters or four quarters before that consumer lighting business was growing in India. And it will come back so, irrespective of price erosion, I don't know whatever timeframe we take of overall consumption demand coming back, you will see that trend also in consumer lighting. And therefore our task really is to make sure our growth in this business is more than the deflation effect of price erosion. And we've done that in the past, if you minus the last one we've done it, we will do it again there's not a problem in that. Sorry, one last point to add to that. The other counter to this price erosion is that price erosion is usually more accentuated at the lower end of the market into the product, commoditized products, the basic lamps, etc., and the other solution to that is actually to keep adding more value-added products, which is what we're doing in consumer lighting in the past, we did not have that. So, if we look at a product range on consumer lighting that we've been showcasing the last three to four quarters that value added products are continuing to grow and therefore the margins in those products also are healthier. You are seeing uptick in our lighting margins over the last many quarters even this quarter while it's a marginal uptick, despite revenue de-growth you see the margin uptick. So, as revenue grows and consumer lighting grows, that margin uptake will be much sharper in lighting.

Rahul Agarwal: Perfect. And last small one on BLDC fans, I see the share going up pretty substantially obviously more of that has happened since January, Feb. Your experience on after sales as in the quality of the product and acceptability in the market, obviously sales have gone up but from an after sales perspective are you receiving any more complaints, or is the traction very high or is it very low, or its pretty smooth?

Anuj Poddar: So, no complaints right now Rahul, but typically complaints in BLDC because of PCB, other factors which start coming in two years hence. And that is something we are very conscious of that, while there's a positive side to BLDC in terms of energy efficiency, there is a positive induction technology that is not an outdated technology, it's not a weaker technology, maybe it's as good or better if you look at a longer five-year perspective on the product, etc. But the life of a BLDC fan induction fan is different. And you will see across it's not any particular manufacturer or brand, you will see some impact on service, in claims and PCB failures, between a two-to-five-year timeframe on BLDC fans. A lot of that will start becoming visible again two years from now across the industry. Coming back to my view on the market with the new regime, today you're seeing the market segment itself between one star fan and five-star fan and the perception that 5 Star is a go to for energy efficiency. In reality, ultimately the market will converge towards the 3 Star fans or 4 Star fans also which today are seeing very less traction. If you look at every other product category whether it's an AC, refrigerator, etc., actually 3 Star and 4 Star product offerings account for greater shares than 5 Star. And that will happen in due course, as this category also matures. And mind you, all of that will be induction motors, not BLDC.

Rahul Agarwal: Got it. Are we provisioning more for BLDC for facing those kind of expenses to your ends?

Anuj Poddar: No, so we don't need to really provision higher, I will not share some of our internal how we have approached that, but we try to address that in different ways at a production level, etc.

Moderator: Thank you. Next question is from the line of Harshit Golecha an Individual Investor. Please go ahead.

Harshit Golecha: I just have two quick questions. Can we see any take overs for in the near future, or say something like inorganic growth?

Anuj Poddar: Harshit, I was doing a takeover tomorrow, I wouldn't announce it in a call like this. Jokes apart, I am sorry, I was just taking that in a lighter way, I understand your question.

Harshit Golecha: Are we interested or something like for any M&A or inorganic growth for, or takeover of any brand or something like that?

Anuj Poddar: Harshit, my answer to that is, this is something that we have to be opportunistic about. It is not baked into it.

Harshit Golecha: But we are open for it?

Anuj Poddar: We are open to it. That's a change from two years ago, we were not open to it for various reasons including balance sheet reasons. Going forward, we are open to it. But it has to tick many boxes for us. So, we're not desperate or dependent or will not do it for vanity reasons. And just to emphasize that, therefore our growth will happen irrespective of inorganic. So, that's how we're looking at it.

Harshit Golecha: Okay. And when can we expect this EPC to demerge, maximum like timeline?

Anuj Poddar: Again, like I said, pretty soon enough you will hear that soon not very long, and not too many months from now. Well before the end of this calendar year, well before that.

Moderator: Thank you very much. Ladies and gentlemen we will take this as a last question for the day. I now hand the conference over to the management the closing comments.

Anuj Poddar: Thank you very much. So, I will just reiterate what I said at the start. We know it's been a soft quarter, but it is a soft quarter in the reflection of the market environment, not anything else. Quite honestly, if you know we have compared that with our own level through primary data, or it will look at all the results and compare us with ECD and FMEG results, you are seeing that as a common trend and came across this segment. Internally we are very clear that, that is not stopping us from doing all the right actions, we will continue to drive the right actions. And as you see, markets improve or tailwinds come in, you will see margin expansion kick in which is, as I pick up the primary concern you all have but we are as confident as we've always been on that front. That's all, thank you very much.

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