May 27, 2023

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

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

Dear Sir/Madam,

Sub.: 'Transcript of the Q4FY23 Results Conference Call' of Bajaj Electricals Limited (the "Company")

Further to our letters dated May 15, 2023 and May 23, 2023, and pursuant to the provisions of Regulation 30 (read with clause 15 of Para A, Part A, Schedule III) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (**"SEBI Listing Regulations"**), we enclose herewith the Transcript of Q4FY23 Results Conference Call (i.e., Post Earnings/Quarterly Call), as organised by **ICICI Securities Limited** on **Tuesday, May 23, 2023 at 5:00 P.M. (IST)** to discuss the Audited Financial Results of the Company for the fourth quarter and financial year ended March 31, 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

Shekhar Bajaj
Chairman
DIN 00089358

Encl.: As above

"Bajaj Electricals Limited Q4 FY-23 Earnings Conference Call"

May 23, 2023

MANAGEMENT: **MR. ANUJ PODDAR – MD & CEO, BAJAJ ELECTRICALS LIMITED**
MR. E.C. PRASAD – CFO, BAJAJ ELECTRICALS LIMITED

MODERATOR: **MR. VARUN SINGH – ICICI SECURITIES**

Moderator: Ladies and gentlemen good day and welcome to Bajaj Electricals Q4 FY23 Earnings Conference Call hosted by ICICI Securities.

As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Varun Singh from ICICI Securities. Thank you and over to you.

Varun Singh: Thank you, good evening, everyone. On behalf of ICICI Securities, it's our absolute pleasure to host the management of Bajaj Electricals for this conference call. On this call, we are joined with Mr. Anuj Poddar – MD and CEO, and Mr. E.C. Prasad – CFO.

So, we request the management to kickstart the presentation post which we can open the floor for Q&A. Thank you and over to you sir.

Anuj Poddar: Thank you Varun. Good evening, everyone. This is Anuj Poddar. Thank you for joining in for our call today. Hopefully you had a chance to go through our results as well as the investor deck that we have shared. I'll just keep my opening comments very brief.

As you know the market environment in the demand situation is fairly tough. In that situation I'm pleased that we've reported a good performance this quarter. If I talk first about our consumer products segment, we've demonstrated or delivered a growth in revenues of about 9% in this quarter. That is well ahead of industry and therefore obviously signals the market share gains that we have delivered. That is something consistently for the last 2-3 years we've been focusing on increasing our overall growth in market share. We've done this without truly impacting or hurting our margins. Our margin profile remains intact on an absolute basis of profitability, and EBIT for the consumer business is up.

Coming to the EPC business, that's the other headline that I will talk about; for all this while we've always been speaking about the turnaround going on in the EPC business. We've been seeing that for the past couple of years and many quarters. I'm happy that this year FY23 is the first year after about 3 years that we've delivered a positive or breakeven performance on the bottom line of EPC. Equally important is the trend that you see on the top line of EPC. We've now started in the last year accepting and bidding for new orders and starting to grow the revenue of EPC. You're seeing growth in the top line of EPC in Q4 but also importantly you're seeing an order book expansion. Just to call out the numbers, our order book in March'22 exit was 800 crores, on December'22 exit was about 1,200 crores. Our March'23 exit order book is 1,600 crores. What we're signaling is that going forward in FY24, we will see a healthy revenue growth now for the EPC business. But we're also confident about the composition of this order book that you will see profits kicking into the EPC business.

Last comment that I'll make is that we are on track on the demerger. We have our next hearing on the NCLT on 8th of June. Assuming that all goes well, that should be the final hearing and we should be on track for having demerger order as of 30th June and therefore being two separate companies from 1st of July..

With that I'll conclude my opening comments and hand it back to you Varun for the Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. We have our first question from the line of Achal Lohade from JM Financial.

Achal Lohade: My question was first in terms of the receivables; can you guide us in terms of what is the receivable for the CP business including the lighting or if you could call out the EPC receivables? On the headline number there is a substantial increase in the receivable days. If you could elaborate as to what has driven this and how do you see it going forward?

E.C. Prasad: Achal, this is EC Prasad. Our total receivables is at INR 1,565 crores as against INR 1,361 crores in the last March, there's been an increase of about 200 odd crores. Now if you see the breakup, the EPC business receivables has come down drastically from about 730 crores to 434 crores now. There has been an increase in the CP receivables from about 424 crores to 838 crores. This is predominantly because of two reasons. One is our business mix which used to be predominantly towards trade till about last year has changed. This time the mix has changed from 70:30 to 65:35 in favor of the alternate channel which includes your e-commerce, modern retail, etc. where instead of a channel financing we give an upfront credit of about 90 to 120 days. So that is one of the reasons. Apart from that the market conditions have been tough. Over and above the channel financing facility we also had to extend some more credit to our dealers and distributors and that is the reason there is an increase. But I think over the next couple of quarters this trend will start receding again.

Anuj Poddar: Achal, I will just add to that, first headline is all the receivables are healthy receivables. There is no risk or no concern that we have in that. Number two, he said while it's a mix change in the channel profile, it is in the form of a liquidity support that we've given to our channels because in a low demand situation there are two or three levers that you have. One is a lever of price discounting. Second is liquidity support. We've kept that within certain norms and calibration that we've done. But ultimately, we're balancing two or three factors, our revenue growth, our market share, our pricing discounting schemes such that to protect our margins and finally liquidity support so that all three are ultimately optimized for us and we're comfortable with what we've done.

Achal Lohade: Second question I had with respect to the growth, the market share gains, obviously we see that we have done a phenomenal growth in 3Q and 4Q as well. Can you help us understand what is the extent of market share gain in some of these large categories like fans and water heater and mixers? I think that would be very useful.

Anuj Poddar: So Achal there's no concrete third party industry aggregate data that is there. It is derived from simply the fact that our growth in revenue across most of these is higher than industry reported growth. We are drawing the same inference from that. That's point one. Point #2, I want to just step back from this Q3 and Q4 that you mentioned to. For the last 3 years that's what we've been signaling that we will keep driving industry beating growth. On a larger spectrum of 3 or 4 years you will see that we have done that. If not #1, at least in the top 2 as in our growth profile. #3 we're doing that on the back of product launches, portfolio expansion, premiumization and brand strengthening. To me those are the drivers. If you look at that also some examples that we've given in the investor deck of product launches, we did have some white spaces, within our product portfolio, which means plugging in for example in fans or 750W mixers, etc. We are plugging that in. That's a driver to some of these things. Specifically, if I were to call out without specific numbers, I think we've gained market share in coolers and in fans in particular and then to a lesser extent in some of the other longer tenure categories there.

Moderator: We have a next question from the line of Value Quest. Please announce your name and go ahead with your question.

Anirudh Aga: This is Anirudh from Value Quest. A couple of questions from my side. First on the lighting front, so I think consumer lighting obviously has been quite weak this quarter and we've been guiding that all the GTM changes will start playing out from Q1. One, are we on track for that and apart from GTM do you think there are incrementally more things that need to be done particularly on product pricing consumer pull? You had alluded to some of that in the deck but if you can help us in terms of how you're thinking about consumer lighting.

Anuj Poddar: So, Anirudh, on lighting our consumer lighting has degrown this quarter, which has been compensated by growth in professional lighting. On cumulative basis it is flat to 1% growth. I think consumer lighting degrowth that we're seeing is more a function of market. We're seeing that across since Q3 that there is a softness in there. It seems to be continuing into Q1 also at a market environment perspective. To your question between GTM versus product, our product profile product launches is completely on track there. Again, we've given some examples in the current deck. GTM, I think is ongoing transitional and some of that is both internally as well as we need better market conditions for the distributors or the market or dealers etc. to start taking on additional business or putting their moneys onto that. I think that will also accelerate when the market accelerates for that. There's a little slowness on the GTM but on the actual product side, we're completely on track and actually ready with our entire portfolio.

Anirudh Aga: On the consumer pull side do you think we need to make additional investments especially, to build out lighting given our market position right now?

Anuj Poddar: Yes. We've not invested in the last few quarters on any marketing or in media on grand scale for lighting, but we will be doing that in this fiscal.

Anirudh Aga: How do we think about margins on the lighting front going ahead assuming that B2B would remain stronger at least for the first half given the context right now and some of these additional investments how are you looking at lighting margins particularly playing out?

Anuj Poddar: Anirudh, I can only answer that from a medium to long term. Short term is always hard to call its functioning. I think on a medium to long term we are very confident about the margin expansion. Again, if you look at this year also, don't look at a quarter but if you look at annualized basis, I think we've grown our lighting margin by about 2 percentage points. On professional lighting directionally, we should top out at extremely high single digit. I don't know that's 8%-9% for margins in professional lighting. In consumer lighting, we should in the 2 or 3 years be in the teens.. How that plays out on a quarter-on-quarter basis is a function of market and also directionally as our GTM as well as products pickup with portfolio mix changes. Directionally we're very clear in terms of exact timing. It's a function of many things.

Anirudh Aga: This is one more question from my side on the fans category. How much gross margin impact do you think we would have had this quarter given the fact that we would not have passed on the entire BLDC led price increase or the star rating lead price increase so to say? Do you now see an environment where slowly it would get passed on which even the market leader has been alluding to that over the next couple of quarters at least we should be able to pass on the entire cost increase?

Anuj Poddar: I've seen those comments, I only wish that the market leader does that sooner rather than later. We'll hold them accountable from the actual market action rather than the actual comments. I do think if they do that, we will not shy away from following through on that path. I think it is healthy for the industry and for the consumers to actually take those pricing calls rather than try and cut the cost of the product, etc. That said I think while we've been impacted by not being able to take the full price increase in Q4, some of that we've offset in our case by a mix improving while we have not fully passed on the price increase but because a mix is healthier now our share of premium fans is healthier therefore somewhat, we've been able to offset that.

Anirudh Aga: But any broad answer in terms of how much higher the margin could potentially have been? Hypothetically if some of this impact had not coming in Q4. I mean just trying to get a sense in terms of how much the premiumization strategy has come through in the margin ex of the pricing?

Anuj Poddar: For us Bajaj particularly?

Anirudh Aga: Yes, correct.

Anuj Poddar: Again, very hard to call a number. I think there's so many factors that are at play that blends all of these things in. I was just looking at our margins for consumer or FMEG business, that is our company minus the EPC, on an annualized basis our gross margin is up about 2 percentage points which is a healthy increase in 1 year. Again, to my mind our own portfolio strategy etc. and premiumization is a bigger driver of some of these changes while the actual external market some of that is offset because of tactical price movements etc. in the marketplace. To us that is more important that inherently structurally are we strengthening that. Similarly, therefore on fans also we are almost at least 5% underpriced post our rating and that 5% is a significant pricing gap. If you take a 5% incremental, will that happen in one quarter, two quarters, three quarters? Will that all flow down to the bottom line that you have to call? But you have a room for anything between 3% to 5% price improvement and at least 3% coming down to the bottom line.

Moderator: We have a next question from the line of Aakash Javeri from Perpetual Investment Advisors.

Aakash Javeri: My question is on what is the current consumer perception of 4 and 5 Star rated fans versus the lower Star rated fans?

Anuj Poddar: Did you say foreign 5 Star, 4 and 5 Star?

Aakash Javeri: 4 and 5 Star.

Anuj Poddar: It's very early stages, I think the consumer behaviour and the market practices will evolve over the next I would say 1 to 2 years, not immediately. Q4, I don't think consumers have really moved to Star rated because of the non-Star rated fans yet highly prevalent in the marketplace. Having said that we're seeing one divergence in fans compared to larger white goods where you see Star rating. If you look at larger white goods, AC, refrigerators, they seem to have converged around a 3 star. Maximum sales are happening around 3 Star because people can optimize between price and star rating. In fans we're seeing the opposite behavior right now where actually they have a polarized behavior either a segment of consumers buying 1 Star fans or buying 5 Star, very little in the middle. But I think that's also a function of supply and product evolution. As more relevant products come into a 3-4 Star category, we'll see that start to even out a little more. The other view I have is that 5 Stars rather than focus on Star there's an over focus on BLDC. I think ultimately the currency of buying and selling and consumer evaluation will move to purely Star rating not technology. Because ultimately technology is a means to that end, that's for us as industry to bother about, the consumer should be caring about Star rating. Why I'm saying that is because technology will continue to evolve. The Star rating is a currency that will remain.

Aakash Javeri: You said like our mix of premium fans has increased. How do we define premium?

Anuj Poddar: Let me put it the other way. For us were largely known as a sub economy manufacturer. Almost 70, in FY22 74% of our sales is coming from sub economy. By that I mean approximately 1500 MOP. Now 74% is down to about 67%. That's a 7-percentage points shift towards economy and premiums, so everything other than sub economy. I think a 7-percentage points shift in 1 year is fairly strong. But that trend should continue as strong or significantly over the next 2-3 years when we'll significantly see an increase in premium fan share for us.

Aakash Javeri: How much is BLDC as a percentage of our current overall fan portfolio? How do we expect it to move over the next 2-3 years?

Anuj Poddar: For us particularly right now that is extremely small because we've just launched BLDC fans this season. For the next couple of years, you'll see BLDC pick up, for us right now it's negligible.

Aakash Javeri: My last question would be that could you throw some color on the current channel inventory scenario like how is it currently and when we expect it to normalize?

Anuj Poddar: You're talking in the context of fans in particular.

Aakash Javeri: Yes, fans in particular.

Anuj Poddar: I think somewhere by end of Q2 that should have normalized because 3 to 4 to 5 months is adequate for some of that to start normalizing. But it's a linear line, it's not 0-1. So that is already starting to correct. But by the end of Q2 you will pretty much have seen normalized channel inventory on fans. To the earlier point I just want to add to BLDC, while I said that right now it's negligible, our products are pretty much there. It's not that we are waiting to play the BLDC game, we are very much in the game, but I think that pickup will now start happening over the next couple of years.

Moderator: We have a question from the line of Manoj Gori from Equirus Securities.

Manoj Gori: My question would be on the appliances side. We have been taking a lot of efforts on appliances as well as on Morphy Richards. Can you please update what's the current status, where are we and where we are heading probably FY24 and FY25?

Anuj Poddar: So, Manoj you are from?

Manoj Gori: The Equirus Securities.

Anuj Poddar: The appliances if you see we've had about a 16% growth in Q4. That's a good performance. I think the key driver for us in this quarter has been coolers, also aided by the weather and heat that is there. That said we continue to grow our appliance across the other categories. Example we've given is of the 750W mixer grinder, Ninja Series that we mentioned in the investor deck that is doing well, similarly grills etc. Given that we're a very wide multi category appliance here. We are continued to drive that across various appliance categories. In terms of your reference to Morphy Richards I think it has been a weak year and a weak few quarters for Morphy Richards. But we're in the process of completely revamping the Morphy Richards product portfolio. You should start seeing some action on that later half of this year where you'll see more traction and growth in Morphy Richards. Overall, directionally our work strategically on appliances is in line with the brand repositioning of built for life. We are upgrading our appliances, both in terms of quality and durability and making them more aspirational and premium. You're seeing that premiumization playout across all the appliance categories not just fans.

Manoj Gori: In appliances, so obviously you rightly highlighted like in fans as you highlighted like 74% of sub economy contribution came down to roughly around 67%. How do you define the premiumization in appliances? Obviously, some of the recent launches where you have started launching three jar mixer grinders which I believe would be a premium product or probably a 750 W mixer grinder motors. So how do you see the overall mix changing over there? Probably how should we look at from next 2 to 3 years point of view as well?

Anuj Poddar: So, given that there's so many categories and so many parameters therefore there isn't a singular metric. To take the examples that you mentioned there I'll give you multiple examples. You mentioned three jars that's an example, 750 W is another example. In the case of irons, we are largely dry and we're coming with steam irons. In the case of coolers, we do not have the full range and we've got a wider range and more higher ASP products and so on and so forth. Water heaters, we're typically older generation water heaters. If you look at our various water heaters, they're far more contemporary greater mix towards storage water heaters rather than just instant, more decorative or premium water heaters etc. So and so forth across all the various categories we are upgrading. If you look at gas burners from being a one or two burner product to having three and four burner gas stoves etc. Every product category has various definitions of premiumization. But directionally that's what you're seeing across all. I will give one more example, from gas burners being steel or metal ones to glass top gas burners. There are so many of these various factors or components or elements of premiumization but we're addressing all of them. Overall, finally comes down to quality, durability, design, styling and ultimately the brand promise that we're delivering. I think all of this together is where we'll know we are confident that next 2-3 years both our ASPs, our market share and our margin profile will enhance because of all of these movements across all the categories.

Manoj Gori: The last question if I may squeeze it. On the distribution side we're focusing on better extraction from the touch points because I think we are fairly covered in terms of touch points, at least in the smaller cities and towns. Probably we were sharpening our focus on better extraction into larger cities and towns. Any progress over there and probably how you would rate it probably in FY23 versus FY22 level?

Anuj Poddar: Clearly again if you see a growth in this quarter or this year, it is completely coming from extraction. We have not grown on the trade side retail base. So numerically that's kind of flat. All the growth is coming from extraction, point one. point two, within that also our mix towards alternate or the newer channels is becoming healthier. Like we said this year also, I think Q4 numbers I remember is about 35% versus 30% in the past. Our online share has been growing faster. The one I'll call out right now is modern trade. I think modern trade has done exceptionally well for us this year. Modern trade I take as a good proxy for urban and more aspirational consumers. There our visibility, our shelf space, our number of SKUs and our value per chain has actually been going up very well. I think on all of these sounds we're moving well. That's moving in tandem with the new product launches and the brand investments.

Manoj Gori: We should continue to grow faster than the industry across categories.

Anuj Poddar: I would hope so and I would expect so.

Moderator: We have a next question from the line of Anirudh Joshi from ICICI Securities.

Anirudh Joshi: Two questions. One, we have seen there is some increase in the trade discounts. One obviously there was a muted demand and secondly there is correction input prices. To what extent the increase in trade discounts is there right now? How do you see the remaining in next two to three quarters and what is strategy of Bajaj to counter that? That is question number one. Secondly, we are seeing—this might be early feedback, but we are seeing—that there are many consumer complaints regarding the BLDC fans. So just like similar to the white goods or even other products like mobile etc. will there be any strategy to set up service centres and can that act as a differentiation? Also, what is the warranty period that Bajaj is offering on this product again as a strategy to differentiate? That's it from my side.

Anuj Poddar: So, the first part on trade discount you're correct. I think there's a fair amount of discounting right now in the marketplace. Most of that is or maybe driven not so much for the commodity but probably because of a weak demand situation to actually protect sales etc. To me that's more tactical than strategic. I will tell you as a point of principle we are not big fans of discounting. We are fans of rather have a higher preference towards preserving price hygiene. That said, like I gave you the example of fans etc., we have to be tactical, and we cannot afford to lose market share and therefore we will keep doing that more tactically speaking. To us the offset or compensation for that is while we discount at a product level or SKU level to be competitive to protect that SKU sales, at a portfolio level we are targeting ASP increase or realization increase. That's a strategic response to tactical discounting. In terms of consumer complaints on BLDC, you're correct. Some of that is a mix of not necessarily the leading players always but sometimes Tier 2, Tier 3 players etc. Particularly in the case of BLDC because of the PCBs etc. because those have a differential life versus a physical part of the fan. I would not attach too much importance to that right now. I think over the medium term this is part of evolution of both the product and the consumer being willing to pay for that where you will start seeing that becoming better. I don't think that should not be a huge challenge in the long run. That said, that is why I earlier emphasized that I think as an industry, as a mature industry and as leading players our focus should not be on technology. Our focus should be on giving the consumer the right product and energy efficiency, which is Star rating. Technology has many pros and cons, including BLDC will have pros and cons. We will rather focus on how do we give them maximum stars and maximum energy efficiency. It's for us to manage the trade- off between a particular technology and servicing costs of that technology. Lastly to your question on, actually before that the question on service centres. I think Bajaj one of its competitive strengths is our extensive and best network of service centres. I do think in the medium term for fans including BLDC that will be a competitive advantage versus some of the more nascent BLDC players. Your last question of product warranties. Typically, our warranty is like I said in the case of fans, not just BLDC, we're the first ones to come out with a 5-year warranty on the motor but the 2-year warranty on other products or other components of the fans.

Moderator: We have a next question from the line of Rakesh Roy from Omkara Capital.

Rakesh Roy: My first question regarding, lastly you were saying regarding about the same store sales growth. Can you highlight this one?

Anuj Poddar: Yes, Rakesh that was what I responded to one of the earlier questions also. Our actual distribution or reach is not expanded. That is now flat. All our sales growth is coming from SSSG. It's the same as extraction that I answered earlier. We are focusing on actually driving same store sales growth. That's where I think greater growth will come from in the future.

Rakesh Roy: Can we go from this year this will implement or we will get data for SSSG?

Anuj Poddar: It's not external data that we publish. That's an internal metric that we have. That's more strategic in terms of extraction being a greater growth driver. Quite simply mathematically put I'm telling you my distribution network is flat. That means all my growth this year is really coming out of SSSG or extraction. When I'm saying distribution network flat, not growing. That's not because we don't give importance to it. But at the number that we are versus competition, our marginal growth and value of that growth will be limited. Therefore, it's more important for us to focus next action. That's on a 1-to-3-year perspective. If you look at a 5–7-year perspective, you will see distribution or network growth also.

Rakesh Roy: Next question regarding can you share the full year ECD number like how much is the appliance, fan and lighting or Morphy Richard number for full year FY23?

Anuj Poddar: We don't have that ready handy right now Rakesh. We have to get back to you.

Moderator: We have our next question from the line of Arun Agarwal from Kotak Securities.

Arun Agarwal: My first question is on the other expenses. So, we have seen an increase in other expenses, even last quarter we talked about the retailer bonding program, loyalty program and the increase in logistics cost. So, would you just share, throw some light on how these costs are evolved during this during the quarter?

Anuj Poddar: I had call out two or three items. Logistics cost is up that is above normal. This is part of our transition from Mahindra Logistics back to in-house. To be honest I don’t think the agenda that we had on logistics cost optimization over the last 2-3 years was paid out the way we anticipated it. First, I don’t think the outsourcing was delivered at the strategic goals that we had for it, so we do not realize that benefitting and when a good process of pulling it back, again right now we are not optimal to my mind. In each of these transitions comes the cost, there is a fair amount of one-time cost in logistics. I would say that we have at least 2 to 3 percentage points optimization that can come from logistics, maybe it will take another 2 years to realize that. But we are working on that, we will get to that at some point of time, we will keep working on that. So that is partly baked into Q4 because of this transition we had some duplicate cost in Q4. To the RBP while that’s numerically appearing in other expenses, that gets netted off somewhere in the revenue and other lines where the discounting happens. It’s a more function of RBP was a primary driver of discounting or giving value back to retailers, we have reduced the dependence on RBP and in turn we have certain other schemes that will play out in the marketplace. I don’t think so much while optically it looks like an increase in other expenses, that’s more a reclassification because rather than RBP, our discounting is sitting elsewhere in the P&L etc. looking higher over years. The other element, there are other smaller elements in the other expenses, there are certain warranty cost, warranty program that we got that sips in there, there is R&D, step up of investments that we have, all of the R&D increase investments also sitting in the other expenses, the combination of all of these line items.

Arun Agarwal: Is it possible to quantify the impact of that one-time logistics you talked about?

Anuj Poddar: Like I gave guidance you are sitting with about 2 or 3 percentage point improvement that should happen over the next 2 years on an incremental basis during this period of time.

Arun Agarwal: On the ad spends was it in line with what we have been doing or it was or slightly on the higher side?

Anuj Poddar: So, ad spends between last year quarters Q4 to this Q4 was about flat, it's about 2.5%.

Arun Agarwal: The other question I had is even on your depreciation seems to have increased this quarter as compared to the run rate that we have been seeing over the past few quarters so anything one off in that?

E. C. Prasad: So, till about last year, as you are aware that logistics was outsourced. So now we have taken it in-house so all the godowns that we take on rentals, we have to account for as a right to use asset and for which the depreciation has to be provided. So that is the reason of the depreciation going up.

Arun Agarwal: Also, on your CP business margins so it has been a slightly bit on the volatile inside and also lower than the peak that we have seen in the past while we understand that the demand is weak but directionally if you could just help us, guide how do you see your CP business, consumer product business margins over the next two-three quarters?

Anuj Poddar: Again, next two-three quarters is hard to call out because that's two-three quarters more dictated by market and pricing and discounting. Unless we see a buoyancy in demand margins will stay under pressure but that said only the long-term solution to margins is more strategic in terms of brand upliftment, portfolio mix, premiumization etc. that will be the real counter any short-term margin pressures from external environment.

Moderator: We have our next question from the line of Achal Lohade from JM Financial.

Achal Lohade: I wanted to check if you adjust for these loyalty program where our points reversal or these logistics cost etc., what is the adjusted margin for the fourth quarter and for the full year, if you can help us with that?

Anuj Poddar: Achal little tough again to quantify or give a specific number for me publicly etc. We have an internal sense but let me give you a more directional answer to that. There are many of these things play out, playing out some are one-time in nature, some are more a function of external market. Had it not been for this commodity inflation over the last 1-year, had it not been for this demand slow down and therefore this BLDC or it is rather BE transition, adding to cost which we cannot pass on, had it not been for our logistics seeing that has not gone for plan, we would have been sitting close to 9% to 10% right now. So, what I'm saying is now how do you say which element is contributing how much, none of it can all be perfect in a situation, so now you take any anything between none of these issues happening and asking at 10% to versus some of this happening, some of this being one-time, some not being the number in between. So that's the best way I can put it out to you, but we are sitting anywhere between a 3% to 4% margin unlocking. On a like-to-like as is basis plus over a medium term as you know our brand moves in to different year, our products move in different years. On top of that you will have more.

When will this play out, how will each of these factors play out? Somewhere in the next 3 to 4 years I am very confident that it will all accumulate together and play out.

Achal Lohade: Just to clarify this is the CP margins you are talking about?

Anuj Poddar: Only CP. Lighting will have its own trajectory and EPC of course has I have spoken about.

Achal Lohade: Next question I had, if we see the power distribution, I see that there is a massive order booking actually QOQ increase. Can you help us understand because if I recall right the problems what we had faced was largely in the power distribution subsegment? So, can you help us understand that?

Anuj Poddar: I guess the headline is these are good orders these will make money. First be very confident and clear about that. Number two when we had problems in PD that was particularly rural electrification projects. These are RDSS projects, this is a better scheme better nature projects. Number three, our problems were partly of our own making. When I say our own making, we had bitten off far more than we can chew. We did not have the capacity to take on that size and quantum of business. about 5,000 crores above the project. These are far more calibrated. Number four, our project management execution skills today are much better than demonstrated in all the projects we have executed over the last several quarters. If anything, all the negative power distribution projects actually have been taken to closure and execution and money realized over the last 2-3 years. That if anything is the greatest confidence that our ability to execute them and execute them efficiently is there right now. Finally, to these specific projects we've done very detailed surveys, technical evaluations, contingency planning, numerical bidding strategy, commercial costing and upfront negotiation on the supplies etc. on these. So, the way these have been approached in every which way or manner is completely different from past issues. Again, to re-summarize, the nature of these projects within PD is very different from erstwhile projects. The quantum of this is far more manageable, the bidding, planning, competition is far more robust, and the execution capabilities are fully in place. We are very confident that these will actually generate not just profits in FY24 but even the payment cycles, working capital etc. has been optimized to actually make that very healthy.

Achal Lohade: Just one more thing. With respect to capital employed, is it possible to call out what is the EPC capital employed out of the total capital employed, as it get demerged?

E. C. Prasad: EPC capital employed today is 218 crores.

Achal Lohade: That's on a reported basis but as we see it getting demerged, what would that number be given the unallocable will also get allocated to that, right?

E. C. Prasad: No, as on the appointed date the capital employed was 550 crores. So, this was what was reported.

Achal Lohade: Rest everything will come in the existing company, is that right?

E. C. Prasad: Yes, that's right. So, what the difference between the current capital employed and the capital employed as on that appointed date, will go to them as cash.

Achal Lohade: Just a clarification on the other income of 34 crores, is there any one off out there?

E. C. Prasad: So, this is predominantly we have taken insurance on the warranties that we provide to our customers, this manufacturing warranties to which is treated as an expense in the expense side and the claims that we get from the insurance companies accounted as other income, which is about 11 crores there. So, this will be in our routine nature of income that we will be generating but will be set off against the premium that we pay. We have generated treasury income of close to 5 crores and there are certain write-backs of vendors. This is about the 32 odd crores that we are talking.

Achal Lohade: You are saying 15-16 crores is write back of the vendors?

E. C. Prasad: 12 odd crores.

Achal Lohade: If you could just give a statistic with respect to FY23 versus FY22 in terms of brand spend, advertising ASP basically?

Anuj Poddar: Q4 to Q4 is about 2.5%. Let me check full year numbers.

Achal Lohade: Full year, yes.

Anuj Poddar: Let us come back to you on that. I don't remember that by heart. I will tell you the full year numbers also.

Moderator: We have our next question from the line of Manoj Gori from Equirus Securities.

Manoj Gori: The second half so here I am referring on the fans as a category. The second half was very interesting. Probably for you as a company, when we look at your 3Q was extremely strong. Still, you raise roughly around 2% odd growth during 4Q. How do you rate it and probably also you can say, have you seen any incremental comfort by trade partners for Bajaj as a brand and probably have we started seeing any structural market share gains so that would be helpful?

Anuj Poddar: How do we rate our fans it is like that rating or judgment to yourself. We can only report our performance, but the numbers show that nearly at least market share gains are happening. As long as we are doing that, we are happy about that. In terms of just how are we seeing acceptance of past etc., it's little early days but anecdotally speaking I can tell you that that perception is starting to change. I won't call out names of particular stores or particular retailers or channels in a visit over the last 2-3 weeks across North and South and we're at least starting to see openness. I'm talking of metro leading counter that would not stalk our brands in the past, now starting to sometimes also be caught by surprise. Oh, I did not know you started doing this. For example, in Bajaj doing a ABS blade fan, if you look at our ABS blade fan, if you look at the quality finish, paint, sheen, etc. on that I would say it's not equal but better than most of our peers etc. So, as you start making those anecdotal or perception changes, the numbers will follow, we are very confident about that.

Manoj Gori: Also, your focus has been across categories in appliances or fans, or lighting probably which category would excite you more from 3 to 5-year horizon and probably any ambitious goal or aspirational targets that you have set for that category?

Anuj Poddar: You're asking us to choose between all our children. They're all equally precious to us but that said the delta for us in fans is largest simply because of the market size and given that we were a lagger which is not to say appliances or kitchen is not important to us but the delta for us over there may not be as much because we have been in a leadership position. Lighting is the other part where consumer lighting should be a strong delta for us. Again, given a traditional weakness in that at a product level also, catch up as that starts happening you should see stronger growth for us. The first one fans and consumer lighting over appliances.

Manoj Gori: Lastly how do you see sorry I would ask you to repeat it but probably how do you see the underlying demand environment and any signs you probably see like things taking some turn or probably you continue to see that demand weakness?

Anuj Poddar: To be honest we are continuing to see demand weakness. I have yet to see tailwinds on demand etc. so we are having to fight for our sales and revenue. I'm reading some commentary including FMCG the essentials, etc., and starting to see green shoots. We have yet to see it in our business or sector.

Just before we hang up, I want to answer the previous participant’s question on the annualized brand spend so FY22 was 3%, FY23 is 3.2%.

Moderator: We have our next question from the line of Utkarsh Somaiya, an individual investor.

Utkarsh Somaiya: Can you please give me a breakup of the following between the two segments EPC and consumer products? The breakup of the current cash on your book how much will go to the EPC business?

Anuj Poddar: Utkarsh can you repeat, not very clear, breakup of the cash?

Utkarsh Somaiya: Right and a few more line items? The breakup of the cash between the two segments consumer product and EPC?

E. C. Prasad: We have a cash and cash equivalent and investments of about 412 odd crores of which 200 crores pertains to the EPC which I explained a little bit earlier. The difference between the capital employed as on the appointed date and the effective date will flow to them and the balance will remain with the CP. So, 200 crores approximately go out to EPC out of this.

Utkarsh Somaiya: Can you also give me a breakup of the operating cash flow?

Anuj Poddar: Breakup of the operating cash flow?

Utkarsh Somaiya: How much cash flow is generated by each business? Is it possible to share that?

E. C. Prasad: No actually we don't because this is actually done at a corporate level, so we don't track the operating cash flow at business level.

Utkarsh Somaiya: Can you give me a flavor like qualitative does the EPC business generate cash?

E. C. Prasad: It does, so most of you see, if you actually look at the capital employed the reduction has actually come from the EPC business because of the collections that they have been making from the old outstanding. There has been a significant generation from the EPC business. The 200 crores that I mentioned is actually the generation which has been done by the EPC business between 1st April '22 and now.

Utkarsh Somaiya: You said the 200 crores cash you mentioned has all been generated in the current year?

E. C. Prasad: Yes, that's right.

Utkarsh Somaiya: From the 450 crores operating cash flow consolidated, is it fair to assume that one is generated by EPC?

E. C. Prasad: Yes, that's right.

Utkarsh Somaiya: And I don't know if it's possible but is it possible to give me a break-up of the depreciation as well?

E. C. Prasad: Break up of depreciation?

Utkarsh Somaiya: Yes, the depreciation for the year was 81 crores?

E. C. Prasad: We don't bifurcate depreciation.

Utkarsh Somaiya: And what is the working capital days of each business?

E. C. Prasad: I don't have the data right now so probably we'll get back.

Utkarsh Somaiya: I wanted the ROC of each business if possible or the capital employed if you can give me?

E. C. Prasad: Capital employed of?

Utkarsh Somaiya: Of both the businesses?

E. C. Prasad: The total capital employed is 1,907 crores of which CP consumer business 700 crores, lighting is 111 crores, EPC is 218 crores. There is an unallocable of 877 crores which is predominantly the assets, goodwill all of that stuff.

Utkarsh Somaiya: Sorry I didn't get the unallocable part, can you please?

E. C. Prasad: Unallocable is 877 crores. Majorly cash and land and goodwill.

Utkarsh Somaiya: So which business does it belong to?

Anuj Poddar: Utkarsh, your voice is extremely feeble.

Utkarsh Somaiya: I just wanted to understand the unallocable which is the cash, goodwill and land which business does that belong to, the 870 crores?

E. C. Prasad: I didn't get that Utkarsh.

Utkarsh Somaiya: The unallocated capital employed which is…..

E. C. Prasad: So, land cannot be allocated to any business so it's actually a common corporate asset actually that's why it's one of the unallocable.

Utkarsh Somaiya: When you demerge the company where will it appear?

E. C. Prasad: When it gets demerged it will stay with the consumer business.

Utkarsh Somaiya: I can fairly assume this entire 877 is mostly I believe the consumer business capital employed?

E. C. Prasad: Except for the cash.

Utkarsh Somaiya: Except for the 200 crores cash?

E. C. Prasad: Yes.

Moderator: We have a question from the line of Chintan Shah from JM Financial (Family Office).

Chintan Shah: So, I have two questions. One is you made multiple strategies so just wanted to understand how are we positioning a brand Bajaj versus the peers? Is it value or in terms of product differentiation etc. so highlight more on that? Secondly in continuation with that so once current transformation journey, so we had a lot of wide spaces for this in terms of product portfolio etc. so once that…

Anuj Poddar: I'm sorry to interrupt your voice is not very clear. I got that how are we positioning Bajaj? I did not get the follow on, and I can't get.

Chintan Shah: In continuation with that so we are a transformation journey so right now we had wide spaces, etc. So once that is sort of done so how are we looking at continue to gain market share and high-end margins versus peers? So, what is the strategy on that if you can please elaborate?

Anuj Poddar: So, on the first part if I got it right, I got part of it. How are we positioning Bajaj? Like I mentioned firstly, as a company we are moving to a house of brands, a multi-brand company and therefore not a dependence on a single brand. Within that Bajaj of course is our flagship leading brand. We are positioning that around the tagline of Built For Life like I mentioned which is really around durability or sturdiness, but it will remain a multi category brand and will operate at multiple price points. It's not at the price points, at least from our traditional anchor point, which is a very low value product, it will start moving more northwards without vacating the economy of low value segment, at least at a pricing segment basis etc. In terms of the transition and therefore long term how do we intend to grow market share? This is really an extension of what I was saying. Strategically as you become a multi brand company, our product range becomes, our portfolio becomes more fuller. You plug in all the wide spaces that you have in our product portfolios and then each of those product segments and sub-segments should have differentiating characteristics that to our viewpoint should have some form of innovation or differentiation that provides a superior proposition for consumers. That as long as you start tipping over their purchase or brand salience in your favor, I think a 3%-4% delta in your favor as this exponential impact of that is far more than we actually end up imagining. If we keep doing that consistently that's really what we are focusing on. That we'll keep doing that and that's not a transformation journey sometimes has start and finish but that creating greater consumer proposition, innovation than investment is almost a continuous recipe, we keep doing that. That's how we see ourselves driving long-term growth. Hopefully I answered your question though I could not hear it very clearly.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to the management for closing comments. Over to you sir.

Anuj Poddar: Thank you very much. So, thank you everyone once again for joining us. As I said, this is a tough economic situation. It's been so for the last few quarters we're not out of that and continue to see headwinds around us right now. Given all of that I would only say that we're very pleased with our performance in Q4. More importantly we are not focused on quarterly performance. What's important to us is strategically are we moving in the right direction, doing everything that we're saying on brand, on product, on general discipline, on approach to what we're doing. We are holding true to all of those facets. As long as we do that, we are comfortable and happy about that. Thank you very much.

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