BAJAJ
Bajaj Electricals Ltd.
Inspiring Trust

L-1/1725/MGP

June 6, 2018

To,

BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai 400 001

: Code No. 500031

National Stock Exchange of India Ltd.
Exchange Plaza, Bandra Kurla Complex
Bandra (East), Mumbai 400 051

: Symbol: BAJAJELEC – Series: EQ

Dear Sirs,

Sub: Transcript of Post Results Conference Call held on 23 May 2018

Further to our letter No.L-1/1718/MGP dated 21 May 2018, we enclose herewith transcript of the Post Results Conference Call held by the Company with the Investors, on Wednesday, 23 May 2018, on the financial results for the fourth quarter and the year ended 31 Mar 2018, which was hosted by Edelweiss Securities Ltd.

Kindly take the same on your records and put this on the Notice Board of the exchange for the information of the investors and general public

Thanking you,

Yours faithfully,
For Bajaj Electricals Limited

Mangesh Patil
EVP - Legal & Taxation and Company Secretary

Encl.: as above.

Mulla House, 51 Mahatma Gandhi Road, Mumbai 400 001.
Tel: +91-22-6149 7000, 6149 7090

Regd. Office: 45/47, Veer Nariman Road, Mumbai 400 001. India | www.bajajelectricals.com
Email : legal@bajajelectricals.com | CIN : L31500MH1938PLC009887

bajaj group

“Bajaj Electricals Limited
Q4 FY2018 Earnings Conference Call”

May 23, 2018

ANALYST: **MR. AMIT MAHAWAR – EDELWEISS SECURITIES LIMITED**

MANAGEMENT: **MR. SHEKHAR BAJAJ - CHAIRMAN & MANAGING DIRECTOR – BAJAJ ELECTRICALS LIMITED**
MR. ANANT BAJAJ – JOINT MANAGING DIRECTOR – BAJAJ ELECTRICALS LIMITED
MR. ANANT PURANDARE – CHIEF FINANCIAL OFFICER – BAJAJ ELECTRICALS LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Bajaj Electricals Q4 FY2018 Earnings conference call hosted by Edelweiss Securities Limited. 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. Amit Mahawar from Edelweiss Securities Limited. Thank you and over to you Sir!

Amit Mahawar: On behalf of Edelweiss I welcome you all for Bajaj Electricals Q4 and Fiscal 2018 results conference call. We have with us the top management of Bajaj Electricals represented by Mr. Shekhar Bajaj, Chairman & MD, Mr. Anant Bajaj, Joint MD and Mr. Anant Purandare, CFO. Without further delay I now hand over to the management for the opening remarks post which we will have a Q&A session. Thank you and over to you Sir!

Shekhar Bajaj: Thank you Amit. As per our expectations, I think the fourth quarter has been extremely good, especially the EPC segment and though it shows only 5.6% growth in terms of our consumer products, actually the growth is about 15%, which I had mentioned that we are looking at double digit growth coming in the fourth quarter in consumer products. In EPC because we have got such big orders book in hand, we have no alternatives but to complete it in time so that we do not get to any LD clauses and there are lot of projects where we can expect to get some bonuses also. There are some bonuses, which are there, which hopefully next year if we complete those projects in time we may end up getting some bonuses also and that will be better than the cash received and some extra cream on top of the cake, which is there, but at this moment we are looking at completing the project in time so that we do not have any LDs.

Shekhar Bajaj: As far as in EPC is concerned we have got new order for power distribution of about 5000 Crores without GST, which is to be completed in 15 months, that order has been already secured and we are working to see that we are able to complete it as per schedule i,e, 15 months, but then the government clears it, then there will be election and all, so really that will make 18 to 21 months, but we are really looking at completing it by March 2020 that is very clear.

Now the issue is that we have gone in for some market survey and found that many of the low cost houses do not exist and therefore we expect that order book, which is 5000 Crores may come down to maybe around 4000 Crores, which actually is suiting us better, because as you said, to do 4000 Crores in a period of 15 to 18 months itself was a challenge so if we can do 4000 Crores I think we would be quite satisfied, so we have got our normal budget, which is what we have already discussed it and we have made a supplementary budget to keep a track of this UP project because we realized that UP project to put it in the totality it will get lost, so there is a separate team, separate people who are going to be responsible for taking care of that.

Now as far as the margins are concerned, because which I had mentioned every time that we are playing very conservative in terms of EPC business because sometime ROW, because of some

other claims that may come we may end up having to give a lot of additional amount so we always play safe by keeping provisions for these liabilities, which could be possible. Luckily this time, lot of projects have completed by March in this quarter and actually the project is complete that means there is no further liability on that and that has been handed over so because of that a lot of provisions that were made have been reversed and therefore because of that the margins for EPC has gone to 11.3%, which of course is not a sustainable type of percentage or 8% to 9% is what we have always discussed that we should be able to get 8% to 9% in our EPC business, in consumer products though for the quarter we have got 5.8% we think that for the current year we can look at around 6% plus 6% to 7% is what we should get our EBIT margins for the current year because our growth is now starting, April, May has been very strong and we hope that because of the distribution having come in place there is no reason why we should not have double digit growth and of course we will have more than double digit we used to have. So when I say double digit I joked in one of the conferences that double digit means up to 99% and therefore I am not looking at anything more than 99% growth, but growth of anything about 15%, 20% we have to get our market share back.

Basically in last two years we have lost market share because we were doing our distribution, we were stopping our wholeselling, we are hoping that will come back and therefore for the next two years we should get our market share back and therefore whatever others are growing, we should try and grow by 10% more than that, that is what our expectation is. Only this quarter we will have this problem of GST, from July onwards the GST was already there, so therefore whatever is the number both way, this is the same. This time April, June number, which is a 20% growth shown, which is actually a 30% growth that is the difference, which is going to happen in this quarter, but otherwise next quarter onwards already GST has come in and therefore we should see a good growth coming in, in a normal way.

From a cash flow point of view, because our project business has become much more, our capital employed has gone up and that is normal. Average you can take it if we were looking at three times rotation of the money and we are looking at 1500 Crores increase, 500 Crores increase in case of our capital employed is very normal, so there is nothing to worry about, but our interest cost has come down and though we are seeing just now a slight pressure on the interest rates, I think interest rates may go up in the current year slightly, though we are keeping our tag on that, but we are quite comfortable at this moment there is no cash flow issues. Now these are big hits that we have taken of 89 Crores, Here we have got our new auditor E&Y who is coming from Bajaj Electricals and also for Starlite. As far as Starlite is concerned, they had their own auditors who were not that conscious to give the exact picture as one would call it or maybe they were not aware that our business of CFL is completely eroded. So when E&Y has come in they have said whatever inventory you have of CFL, whatever are the machines, which you got of CFL all those you have to bring it down substantially because you will have to sell in a very discounted price and therefore we have given a hit plus because CFL business has gone they are not looking and they will be in a position to service their own debt and also repay our debt in the next 8 to 10 years and therefore

because of that therefore whatever investment in Preference shares and Equity shares and loan and advances that have been given by the company to them of 89 Crores, that 89 Crores you should make a provision. Tomorrow then if you see the sales then of course you can reverse the provision.

So this is because the Starlite has not been able to service the debt that has been given because the CFL business has been down and the business of water heater, the business of LED plus we do air conditioning plus some other products is not giving us sufficient cash flows, so the auditor said that the money that we have given to them as a loan and investment that is unlikely to come back in next 8 to 10 years, so we have to provide for the sake. So we have provided it. We are still hoping that over a period we will try to increase the business, make it more profitable and to that extent this 89 Crores is a one-time gain, one time hit, which will not be coming again, so our operations is very solid. This 89 Crores has resulted in our profit before tax has gone down by about actually 4.5 Crores compared to the last year, but we realized that operation is good therefore the board has decided to increase the dividend from 140% to 175% because we are looking at the current year, it should be substantially better because of the EPC orders and also because our RREP are in place and our consumer products also should do well. So I think this is remarks, which I actually wanted to start with. Also JMD Anant Bajaj will be joining soon when he comes in I need to make statement about him also. Thank you.

Moderator: Sir should we open up for questions?

Shekhar Bajaj: Yes.

Moderator: Thank you. Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Renu Baid from IIFL. Please go ahead.

Renu Baid: Good afternoon Sir. Sir two questions from my end, first on the EPC business and the related debt that we have. If you can help us understand what is the overall backlog for us in the EPC business and how are we looking at the working capital related to this business in the next 12 to 18 months and also what is the total debt on our books at the end of the financial year and what proportion of the debt related to the consumer business for channel financing and the rest of the EPC business?

Shekhar Bajaj: Number one as far as EPC business is concerned our order book is about 8900 Crores and as far as the consumer business is concerned, most of the business now we are doing through channel financing and therefore whatever are the outstanding receivable is you can say 90% plus will be only EPC business and luminaires. All our distributors have been converted into channel financing so they are getting finance from the bank and we are not doing any financing.

Renu Baid: So there would be no portion of the financing coming on our debt?

Shekhar Bajaj: Correct. Some nominal amount what I am saying is it will be few hundred Crores that is all.

Renu Baid: So the total debt on our books would be approximately how much sir if Mr. Purandare can help us here?

Anant Purandare: Yes this is 723 Crores is the total borrowing. Rs. 255 is the channel finance.

Renu Baid: Related to the consumer business?

Anant Purandare: This is mostly related to consumer, some part of it will be for the luminaires, but 80% will be for the consumer business.

Renu Baid: So sir essentially the remaining close to 450, 500 Crores of debt that we have 450 Crores you think that would be sufficient to meet up for the working capital requirement for execution of this 9000 Crores of backlog that we have?

Shekhar Bajaj: Not at all obviously not see the simple cycle we are saying that in EPC business the average rotation at this moment is 2.5 times and if we take it that we are looking at trying to make it three times, that means whatever is the turnover we are going to do extra turnover compared to last year, one third of that will be the extra capital required. So against 2500 Crores that we have done last year if we suppose we will end up say 5000 Crores then on 2500 Crores I would need another 800 Crores from our finance point of view, but which is already built in to our costing so there is not something, which is coming as a surprise, which is something you can expect it at average of four months all our money is going to be locked up in this business compared to our consumer business, but you will get your returns on that.

Renu Baid: Correct so essentially at least for the next two years one should expect that the rated debt on our books will increase in line with growth in the EPC business?

Anant Purandare: Renu one correction, our borrowings is 723 and channel financing of 255 crore is over, so it is totally about 1000 Crores of that 250 is coming out of channel financing.

Renu Baid: Alright got that. Second question would be on the consumer business now that we are targeting double digit growth a) first can you help us highlight for the last quarter in the financial year how was the sub-segment wise growth in appliances, lighting for us and where do we see the growth moving ahead given the summer has been a bit patchy for us and for the market overall as well?

Shekhar Bajaj: Amongst the businesses, the one which have done really well is the fans though Morphy Richards has actually done the best. Morphy Richards has grown by 14.8%. Now whenever it is the number, you need to add another 10% to come to the volume growth, so fan is 8.2% means we have got 18%, in case of appliances 5.5%, which is equal to 15% and lighting is Rs.-4, which is plus 6%.

Renu Baid: And sir my last question if I can ask you for the next year when we look on the consumer business the margin expansion that we are talking about essentially would be led by improvement on the pricing side or it should be coming in from the core gross margins improving in the business?

Shekhar Bajaj: No I think the gross margins already have improved and my only expectation is that when we are having this growth and our fixed cost does not go up our percentage of fixed cost will keep coming down and therefore our EBIT will go up.

Renu Baid: So operating leverage will probably help margin expansion further?

Shekhar Bajaj: Correct.

Renu Baid: Alright sir. Thank you so much and all the best. I will get back in the queue if I have more questions.

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

Charanjeet Singh: Sir actually you have talked about the market share we would have lost over the last two years because of this change in our distribution model so if you can highlight what are our market shares right now in individual segments like fans, lighting and appliances and how we see that going forward and what are the major initiatives, which will drive this market share regain for us?

Shekhar Bajaj: It is very difficult itself, for fans where we can say we had earlier market share 14%, which has gone down to 12% or 13%, for others, say lighting you are talking about lamps or you are talking about CFL or you are talking about LED, luminaires, it was very difficult. In appliances there are 21 different segments, are you talking about iron, you are talking about toaster, you are talking about mixer, there is nothing like average of 10%, it has no meaning you understand, so market share generally has been lost out because we have stopped the wholeselling, but I would say 1% or 2% we have lost out, which we are hoping is not in one year, in two years we will get them back, so our objective is that on an average our market share is 10% and therefore if I grow that 10% more than a market I will gain 1% market share.

Shekhar Bajaj: So I am saying that as far as we are concerned we have now approximate 10% market share in most of our appliances, somewhere it will be 20%, somewhere it will be 5%, so if I looked at it that I will grow by 10% more than the competition, then I am in a position to improve my market share by 1% and that is that we should grow 10% more than our competitors. If average competition is growing by 10% we should grow by 20% so that we gain that 1% market share, which we have lost out in the last two years.

Charanjeet Singh: We had a stated goal in terms of maintaining 50% onboard project as well as the consumer business we are seeing very strong order inflow for us in the project side so do we see that mix changing

significantly going forward how we should look at the mix going forward in next two years timeframe?

Shekhar Bajaj: Actually our objective was to have that 50:50 type of ratio, but in project business you have to quote, we quoted for so many projects and we kept losing out in power distribution. In the last year we lost every business so we went and became a little more aggressive in terms of our pricing and we were hoping that we will win two or three projects, we ended up winning 16 projects. So it was not part of our plan to get our order for 5000 Crores, it just happened that we got order for 5000 Crores. Now we have to execute it. But our objective was that we should get an order book 3000 Crores and we would have done a good job. Now we have to work extra hard to make sure that we moved in time and make money. So if it still remains that we should restrict our EPC business through our level of 50% because this project is over then a normal 20% growth in both the businesses is going up.

Charanjeet Singh: So sir just last question on my side from capability side and now executing this order book with lot of risks also in terms of executions how do you see that because there is always a worry in terms of any delays in the execution plus financing could be a big issue as banks are also facing a lot of plus government clearances can be an issue so how do we balance out your capability building for execution of this backlog?

Shekhar Bajaj: Number one there should be no financing issue as we had already mentioned that we have sufficient limits, which we do not use because we have channel financing and others going on so when we are talking about additional 700-800 Crores if we need that type of money availability from our banking system, we have got sufficient assets, sufficient drawing power to draw that, so I do not see any cash flow issues as far as the project business is concerned. Now you are saying, what is your capability to do this, the first is our expectation is order of 5000 Crores will be brought down to about 4000 Crores or even less because number of below poverty line houses does not exist. when you go to our village and visit 100 houses about half of them have shifted to the city so there is no low cost housing available, so finally the government was in a hurry to give us order because 2019 is election coming and therefore there was a pressure to place orders and get the villages electrified, just now the orders are for 35000 villages. Now in terms of our capability one thing, which we are doing is that we have got orders about 1500 Crores of power distribution, which we are hoping that we complete it by September. So all the people who are doing a power distribution all over the country for other projects in West Bengal or in Karnataka or in Bihar all will be freed to for this particular project that is one. Second is this is something, which is become a prestige issue for the company that we do it properly so one would take normally two to three months to start up a project, we have started it in 15 days. The finance, HR, supply chain and execution, all are working together, senior top people are meeting every week, reviewing what is required and decision making is done fast so that we can complete it and we think that because they say 15 months, but they have delayed this from their side because they are not able to give access and all that and plus election will come in between so our expectation will get about 18 months to do this

and that will be a tough job, but yes we should do it. There will be some nominal spillover I think they will be some extension we think. So I do not think we should have any type of problems.

Charanjeet Singh: Thanks for taking my questions. I will circle back with more questions.

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

Achal Lohade: This is Achal here from JM Financial. Couple of questions sir a) in terms of the debtors, creditors if you could help us with how much of that would be broadly for consumer business and how much would be for EPC business?

Shekhar Bajaj: As I mentioned earlier already that as far as EPC business is concerned, our debts are mainly from EPC business. We are having channel financing so as far as consumer business is concerned, there is very nominal amount, which are left up because of that, so if basically in EPC business and because the EPC business is the one way where major expansion or major growth is going to come in the current year our debts are going to go up by 500 to 600 Crores, which I mentioned earlier and therefore today it is 700 Crores it may go to 1200 or 1300 Crores, but that is perfectly okay because in our EPC business we have built in the interest cost of that particular village, average four to six months is the type of capital employed in that business we are trying to reduce it down to 4 months so that it will rotate our money three times and therefore it will make us 8% to 9% EBITDA we end up making 24% ROI, which I think in the EPC business I do not think any other company is looking at 24%, 25% ROI that is our objective. Also he got delayed due to some other meetings Mr. Anant Bajaj is come in I would like to inform you the good news that Anant has been promoted as the Managing Director in Bajaj Electricals.

Achal Lohade: Congratulations for that sir. Sir coming back to the same question actually I was asking more from the balance sheet figures not fairly from the debt perspective, so how much debtor out of 2000 Crores roughly because the channel financing would also be grossed up for the balance sheet purpose?

Anant Purandare: Correct so the total debtors are 2012 Crores out of which 363 Crores is for the consumer Products and 1647 Crores is for EPC.

Achal Lohade: And similarly for creditors as well if you could help us sir?

Anant Purandare: Creditors and other current liabilities, for EPC is around 1000 Crores and for consumer business it is around 730 Crores.

Achal Lohade: And how much of the inventory?

Anant Purandare: Inventory for consumer is 358 Crores, for EPC 220 Crores.

Achal Lohade: That is really helpful sir. My second question was if you look at the EPC business I understand one part is basically looking at the capital employed and speaking about the returns, but in terms of the cash flows if I look at the last several years have we generated free cash from this business because we have been continuously investing in this business so how do you look at the free cash flow perspective for this business sir?

Shekhar Bajaj: Between 2012 and 2015 we are busy cleaning up our old legacy projects and therefore there was no positive cash flow out of that there was negative cash flows. So there was no cash generation at all. Last two years EPC now is generating sufficient cash, but the business has gone up substantially the cash generation in case of EPC in the year, which is just over almost 180 to 200 Crores is the generation and the net would be negative because we have grown. Similarly in case of next year we should have anything around 200, 250 Crores positive cash flow, but the business will require 600, 700 so it will be –400, –500 for cash flow, which will be go out. There is no problem with bankers we have got sufficient assets, we have got sufficient limits by which we can draw that because once we have outstanding against that we will got 75% there is no problem at all, banks are saying why you are not using our funds.

Achal Lohade: Just one more question sir acceptances, was the acceptances as of FY March 2018 and how much would be for consumer and the EPC business?

Anant Purandare: 290 is the acceptances for the current year and last year it was 206.

Achal Lohade: Sorry if you could repeat sir I could not get it?

Anant Purandare: 290 for the last financial year and last to last year it is 206.

Achal Lohade: 206 Crores for March 2017 and 290 Crores for March 2018?

Anant Purandare: Correct.

Achal Lohade: Of this 290 bulk would be for consumer business only?

Anant Purandare: No it will be mix.

Achal Lohade: Great sir. Thank you so much for answering my question. I will come back in the queue.

Moderator: Thank you. The next question is from the line of Bhargav Buddhade from Ambit Capital. Please go ahead.

Bhargav Buddhade: Thank you very much for the opportunity and congratulations Mr. Anant Bajaj for being promoted as the MD. Sir in terms of questions what would be the Y-o-Y growth in the ad spend in the fourth quarter and also sequentially what could have been the increase in ad spend?

Anant Purandare: In last to last year FY 17, we spend around 78 Crores for whole year and FY 2018 is 105 Crores.

Bhargav Buddhade: And sir for the quarter is it possible to know?

Anant Purandare: For the quarter last year it was 25 Crores and FY 2018 it was 30 Crores so 5 Crores increase.

Bhargav Buddhade: Secondly sir is it fair to say that most of the fixed assets of Starlite have also been written off because if I look at the annual report I see loan given now is about 3 Crores and investment management is about 11 Crores so the financial investment as such in Starlite was just about 14 Crores so is it fair to say that because the amount is so high at 89 Crores also the entire fixed assets almost of Starlite have been written off?

Shekhar Bajaj: No, Total asset including land, building, machinery everything is around 175 Crores.

Bhargav Buddhade: No, I am saying only the machinery part.

Anant Purandare: Yes, it is 44 Crores of it on account of impairment of machinery for CFL. So total investment in CFL machinery was around 65 Crores.

Anant Bajaj: It is impaired because that is actually the major basis by which it is no further hole in the pocket, because actually that is literally the little bit of asset that they have by which some level of valuation in the land building and machinery, machinery almost has no value because CFL is a dead product or dying product or already fully dead product so to that extent there is not much of a value you can expect or other so what we eventually going to do is whenever we get that machines sold off we will get some value, which we will able to adjust in the whole asset because the larger is now of course the water heating machine, air conditioning and the other one is of course LED and little bit of assembly of induction cookers and some other appliances, which we do, so really the machinery now which we are actually talking about is more of the assembly machines and largely the LED machines, which is LED related assembling machines so there is no too much of CFL being left under the picture and we do not expect that to fetch us so much and obviously we hope to get rid of it and also really it does not give further impact of anything.

Bhargav Buddhade: And sir in terms of employee cost there is a reduction on a Y-o-Y basis of about 15, 16 Crores so how should we read into it sir, do we entering FY2019 do we expect an absolute reduction on employee cost or how do we read it?

Anant Purandare: What is happened is that in couple of positions we have not filled up, for example earlier we have the branch commercial as a concept where we used to have four to five people and the accountant, so some of these senior positions we have not build it because with the ERP and technology coming in, we have reduced many of these people and most of the activities we have now outsourced, so that is why it is a reduction on account of staff cost.

Shekhar Bajaj: Anant but the bill structure in a way is that the physical headcount has reduced actually but anyway there are some factors.

Anant Purandare: And obviously there are some factors, which goes as actuary valuation like gratuity provision, leave encashment, which are calculated by the actuary on the basis of what are the HR policies of the company, so that calculation obviously it will be very complicated calculations what are the number they grow, on the basis of their calculations we have to take that as a provision. So there is always a variation happens because there are lot of assumptions that number of people taking leave, number of people getting retired, number of people not availing leave and that go for the encashment and accordingly the provisions.

Anant Bajaj: It is a good question we will bring it, we will get back to you in terms of the fact so that we are also absolutely sure because it is a unique question that I do not think you ask too many, increase the people and reduction in cost is very strange because we have increased the unit, so nevertheless we will get them.

Bhargav Buddhade: And sir what would be the cash generation for the full year?

Anant Purandare: See from the operations if you see from purely operations point of view we have generated 220 Crores, but obviously working capital increase had eaten away 250 Crores so there is a net shortage of 30 Crores from operations after the adjustment of working capital increase.

Bhargav Buddhade: Sorry sir 220 Crores is before working capital?

Anant Purandare: Yes and 250 Crores is increase in working capital.

Bhargav Buddhade: So there is a negative operating cash flow?

Anant Purandare: Yes by 30 Crores and obviously those are basically one is that the fixed asset buying of 35 Crores there is a payment of dividend of 34 Crores, so 70 Crores is used for others than non-operations.

Bhargav Buddhade: Thank you very much. I will get back in the queue.

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

Vikash Mantri: Sir just I wanted to understand Starlite is for our own production majorly?

Shekhar Bajaj: Yes, except for air conditioner, which is done for Voltas.

Vikash Mantri: So sir the deteriorating financial capability of Starlite should have known to us much in advance and the way I see it is maybe you were not giving them enough margins per se that they are not capable of today paying the debt and we are still making from the market?

Anant Purandare: see it is not the function of margin or something, it is just a clear mathematics. We invested 60 Crores in CFL manufacturing over the period of 2009 to 2012-2013 we were adding the capacities as the CFL was growing more than 30% as a CFL market. So that was our strategy to have own manufacturing in-house and suddenly CFL started de-growing and in two to three years it has almost vanished. Now this 60 Crores, which we have invested we have paid interest for it at around say 12% if you cumulate the net NPV it is around 113 Crores, so obviously the 113 Crores cannot be serviced by the other products, when he is just the manufacturer.

Anant Bajaj: I want to add to that situation the game is today we want to look at the Starlite as a profitable entity it will have to be looked at product wise you cannot say that because water heater is fine therefore CFL will be great, but are still being an issue because the market tanks by 90%, but there is no way and if you read other lighting companies, all of them had the same situation to deal with, but then of course may be in their case and in other cases they have enough other products to take care, but as a CFL portfolio India and worldwide it has been a very, very distressing thing for the industry because nobody could ever imagine that it will drop so dramatically.

Vikash Mantri: Sir I agree to that, all I am saying is when the business from 2008 to 2013 was growing so much rapidly Starlite should have been allowed to make enough return on capital so that it can pay off its debt probably we were pricing it so tight that they were not making any margins and therefore could never pay off the debt and now we are in a situation where we have to write off all the investments that we have done?

Anant Bajaj: May be the only thing it could have is slightly different potentially was that we have got a pull out from Starlite from CFL manufacturing earlier than what we did, but then frankly mean it is always nice to say ifs and buts later, but at that point of time we did not see that as necessary because nobody in the industry was seeing de-growth come in such a rapid manner and you can check the details at all the other manufacturer of CFL all of them have burnt their finger and literally their arm has got burnt not the finger alone, so the game is we luckily Bajaj Electrical Limited, so we had enough things to take this impact, otherwise it was early 90 Crores profit company would have been on 0 condition. today 254 minus 89 happened and because we had that 254 Crores profit in Bajaj Electricals we have got absorbed this 89 Crores impact in one shot, but eventually it has to happen someday. Now this unfortunate happen to happen on wherever we had dramatic growth in operational profit and all of that, but only that is the hard call I think we as a company we have been taking every single time and even in future we will take hard call because certain time you miss certain things, but then when you realizes it there is a gap we cannot delay it, it is not worth it.

Anant Bajaj: Let me add that even if you decided that okay in terms of taking action on this CFL machine there was a buyer. We started looking for in 2014-2015 itself we started looking for selling of our CFL machines we have three machines we say at least we should get enough two of them one should take care of our need one. Second is there is a very clear cut transfer of price mechanism by which if you are going to give them a higher price then you can get from outside 1% or 2% nobody got this, but it is substantially higher then it becomes a transfer of profit and therefore it can become a issue somebody can say the purpose have diverted your profit of Bajaj Electricals to Starlite. So therefore we will not do anything, which is not proper from a corporate governance point of view.

Vikash Mantri: Thank you.

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

Varshit Shah: My question might be bit of a repeat, but I got dropped from the line, so I just wanted to understand what is the like-to-like revenue number for the consumers business and what number how should we compare it?

Shekhar Bajaj: Against this 5.5%, which is a number, which is shown for this fourth quarter actually the number is about 15% because we are only paying excise duty and buying all our products from outside now excise duty has been removed and there is only GST so we are billing at Rs.90 plus 28% GST so our 35 remain 118 only we were billing with the 18% VAT so it was 100 plus 18% now 90 plus 28% so therefore our realization has gone down by 10% for the same product because selling up mix up of 2000 plus VAT now it is 1800 plus 28% GST.

Varshit Shah: It is like-to-like growth you mean to say is 15% in the consumer business is that correct?

Shekhar Bajaj: Yes because it is 45% we did not want to say 55% does not matter 45%, 50% or both is good enough so we have said this way is matters and the growth was there the 10% is still applicable even in case of EPC so actually 45% would be really 55%. Another thing, which has happened is this problem of GST only be in this quarter whether the January-March quarter, April-June quarter because from July GST has come in last year.

Varshit Shah: For EPC business also if you assume 10% reverse for last year?

Anant Purandare: Yes it will be 6% to 7% because some customers have compensated for our business.

Varshit Shah: Right this is about 6% to 7% approximately.

Shekhar Bajaj: No I am really not going to be happy till my consumer products that is my appliances must come down to 18% GST. there is no logic because that 28% has to come down because they say 28% is only for sin products, I do not understand how can Iron and toaster can be sin product. I think it is

a matter GST council I think somebody pointed out unfortunately in small appliances there is no association, unlike in fan we have a fan association takes care of lighting then appliances all are small, small there is no proper association to take it up I think that is why we have lost out I think sooner lesser than wake up, I hope.

Varshit Shah: And sir if I were to just repeat on the debt side so I think this year we had revenue of 2500 Crores on the EPC side and we should end up doing around 5000 odd Crores in FY2019 is that correct?

Shekhar Bajaj: 5000 no.

Varshit Shah: On the revenue side?

Shekhar Bajaj: Much more we got orders I told you just now we have got new orders we should look at may be around 5000 Crores will be the number we should look at in EPC only not every year this particular year.

Varshit Shah: Yes this particular year I mean to say. So sir additional 2500 Crores growth, if we assume that maybe like another 800 odd Crores that will be get added based on your four month calculation 800 to 900 odd Crores?

Anant Bajaj: Thinking from a working capital turn rather than the absolute number because let us say do 5000 Crores of business you have done it around two and a half to three times so accordingly our working capital thing will happen, which will eventually mean about 800 Crores, which you are saying, but I think ideally if you look the write-off better picture we have to look at the number of turns,

Varshit Shah: I fully understand and I just wanted to get a sense of how much debt I should assume in the next year and sir what would be the interest rate on that I mean approximate increase?

Anant Purandare: We will be generating margin from that sales that obviously we will be using because it is around 7% that is what we earn in increasing, so obviously I need not say really external finance of 800 Crores maybe some internal point generation also will be there.

Varshit Shah: No sir and what will be the approximate interest rates on overall debt from portfolio for us?

Anant Purandare: 8% to 9%.

Varshit Shah: That is the current interest rate, right?

Shekhar Bajaj: Right.

Varshit Shah: That is it from my side and thanks to Mr. Bajaj for the elevation to the MD post.

Moderator: Thank you. The next question is from the line of Kushal Khandwala from Lucky Investment Managers. Please go ahead.

Kushal Khandwala: Sorry I joined the call late. If you could just repeat the volume growth numbers across the different categories in the consumer durables segment please?

Anant Bajaj: In case of lighting it shows a negative growth of 4% which in volume terms is plus 6%. Add 10% to the numbers to come to the volume growth. Similarly in appliances we have grown by 5.5%, which is around 15%. In case of fans it is 8.2%, which is about 18%. In case of Morphy Richards it is 14.8%, which is around 25%, so as a total consumer product against 5.5% is actually in volume terms it is about 15% and we have been saying that we will have a double digit growth as far as from fourth quarter although we have a double digit growth as far as consumer product is concerned. EPC of course the order book is very high and the result of that is that the growth is substantially higher and therefore to that extent our bottomline is substantially higher.

Kushal Khandwala: Is there any plan of passing on the GST cost?

Anant Purandare: You cannot make a profit out of it. We have already passed on.

Shekhar Bajaj: As soon as appliances and lighting our price was 128 as soon as they announced that has been reduced from 28% to 18% without even doing any calculation we immediately passed on that 10% to the consumer growth because not full 10% maybe 9%, but we have passed on the 10% so there is no profiteering situation.

Kushal Khandwala: Perfect. Thank you.

Moderator: Thank you. The next question is from the line of Disha Sheth from Anvil Wealth Management. Please go ahead.

Disha Sheth: Sir I just wanted to know that EPC how much revenue you are targeting for FY2019?

Shekhar Bajaj: Total EPC will be about 4000.

Disha Sheth: Sir it is around 7% to 8% margin?

Shekhar Bajaj: Yes 3500 to 4000 Crores and 2500 coming from consumer products so we should be at anything around 6000 plus.

Disha Sheth: And sir what will be the debt for the year FY2019 I just missed that figure?

Shekhar Bajaj: I am saying that when that 5000 Crores was mentioned by me and Anant Bajaj said that the 5000 Crores of EPC, so let me clarify we are talking about 3500 to 4000 Crores is the EPC and 2500 plus 3000 will be in the consumer products.

Disha Sheth: Sir and debt for FY2018 and FY2019 I missed that figure because some problem here?

Anant Purandare: FY2018 nearly 725 and 2019 obviously it is projected when increase in EPC may be around 200, 250 Crores will be extra.

Disha Sheth: That is it from my side.

Moderator: Thank you. The next question is from the line of Rishikesh Bhagat from LIC Mutual Fund. Please go ahead.

Rishikesh Bhagat: My questions have been answered thank you.

Moderator: Thank you. The next question is from the line of Manish Agarwal from JM Financials. Please go ahead.

Manish Agarwal: If you could help us with the full year number for the consumer products growth like lighting, appliances, fans you mentioned for full year as well?

Shekhar Bajaj: Full year what I had earlier mentioned was for the fourth quarter for the full year the overall growth is –3.7% which is about +6% in terms of volume because this is because of GST as I mentioned so except for future this is grown by 6.7% plus all others have shown negative growth in terms of value but volume all has shown positive growth lighting will be about 2% growth, appliances will be about 6%, fans will be about 5% and Morphy Richards will be 16% so that is how the total growth is about 6% to 7%.

Manish Agarwal: Sorry 2% for lighting, 6% for?

Manish Agarwal: 5% for fans and 16% for Morphy Richards.

Shekhar Bajaj: 16% this is equal to about 6.5% in terms of the total consumer products.

Manish Agarwal: In case of fans, what would be our market share now Sir and how do you see in terms of the overall growth you mentioned for the consumer products about 15% in double-digits as you said, would not the lighting be a significant growth driver for us even now CFL is out of the way and LED would be upwards of 30%, 40% growth for us?

Shekhar Bajaj: The problem is that LED prices still continue to come down and therefore even if we have a growth in volume of 20% we may have only a 10% growth in the value terms because the pricing is still

under pressure in lighting and various market is truly coming down. The fluorescent tube market is coming down, the CFL market is almost collapsed so therefore even whatever we grow in LED may not be fully recovered, so therefore the growth may not be more than 10% or 15% as far as lighting as a segment is concerned, I do not it will be much more than that because the other three segments are losing market share and losing market business is de-growing.

Manish Agarwal: Just last question if I may Sir if I look at the EPC growth that has been substantial for the quarter but if I look at the employee cost is down as you said it could be partly on account of the actuarial valuation as well as variable pay and so on, is it fair to say that as you said you have got a 5000 Crores order book, which is supposed to be executed over next 18 months or so there would not be much addition in the fixed cost and as we go back to normal order size, the excess is not impacting our margins later on?

Anant Purandare: There would not be much addition in that. We have closed most of the projects from the MP. We are in the process of closing lots of projects in Bihar because we want to close before October end as CMD mentioned that we want to take that advantage of incentive, which is there so if we close those early so all these resources will be transferring to UP project plus most of the works can been done through the contract workers, so that there is no substantial increase in the manpower.

Manish Agarwal: The EBIT margin what you mentioned is somewhere between 7% and 9% or 8% to 9% range for the EPC business?

Shekhar Bajaj: We do not know 8% is the common one.

Manish Agarwal: And consumer business you said 6% to 7% margin?

Shekhar Bajaj: Yes.

Manish Agarwal: Thank you so much for answering my question once again.

Moderator: Thank you. The next question is from the line of Ishpreet Kaur from Karma Capital. Please go ahead.

Ishpreet Kaur: Sir how much was lighting be for us for the full year?

Shekhar Bajaj: The total turnover.

Ishpreet Kaur: Yes the revenue?

Shekhar Bajaj: Turnover is 369 Crores.

Ishpreet Kaur: How much would LED be out of it and if you could also share the luminaires revenue for the full year?

Anant Bajaj: Luminaires the revenue was 428 Crores and the consumer lighting LED 185 Crores.

Ishpreet Kaur: So out of 369 Crores LED is 185 Crores?

Anant Bajaj: That is 50% LED.

Ishpreet Kaur: Thank you so much.

Moderator: Thank you. Ladies and gentlemen that was the last question I now hand the conference over to Mr. Amit Mahawar for his closing comments.

Amit Mahawar: I thank the management for giving us an opportunity to host this call. Sir you have any closing remarks?

Shekhar Bajaj: Only thing is that I think we are very lucky that we have got very good order book now. We will be just make sure that we are going to be execute it in time and if we are able to control our cost because the costs are going up there is a pressure on raw material etc., and therefore how well we can do that it will be a challenge that we have to look at in the current year, but otherwise the whole team is all geared up, the team is very excited and the new MD pushing the whole project with his personal involvement, I think we can do for a very good year 2018-2019.

Moderator: Thank you. Ladies and gentlemen on behalf of Edelweiss Securities that concludes today's conference. Thank you for joining us and you may now disconnect your lines.