November 12, 2024

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

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

Dear Sir/Madam,

Sub.: Submission of the 'Transcript of the Q2FY25 Earnings Conference Call' of Bajaj Electricals Limited ("Company")

Further to our letters dated October 28, 2024, and November 7, 2024, and pursuant to the provisions of Regulation 30 (read with clause 15 of Para A, Part A, Schedule III) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (**"SEBI Listing Regulations"**), we are enclosing the Transcript of the Q2FY25 Earnings Conference Call (i.e., Post Earnings/Quarterly Call), organized by JM Financial Institutional Securities Limited on Thursday, November 7, 2024, at 4:00 P.M. (IST), wherein, inter-alia, the unaudited financial results of the Company for the second quarter and half year ended September 30, 2024, were discussed.

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

Thanking you,

Yours Faithfully,
For Bajaj Electricals Limited

Prashant Anant Dalvi
Digitally signed by Prashant Anant Dalvi
Date: 2024.11.12 14:54:19 +05'30'

Prashant Dalvi
Chief Compliance Officer and Company Secretary

Encl.: As above.

"Bajaj Electricals Limited

Q2 FY '25 Earnings Conference Call"

November 07, 2024

MANAGEMENT: MR. SHEKHAR BAJAJ – CHAIRMAN – BAJAJ ELECTRICALS LIMITED
MR. E.C. PRASAD – CHIEF FINANCIAL OFFICER – BAJAJ ELECTRICALS LIMITED
MR. VISHAL CHADHA – CHIEF OPERATING OFFICER CONSUMER PRODUCTS – BAJAJ ELECTRICALS LIMITED
MR. RAJESH NAIK – CHIEF OPERATING OFFICER LIGHTING SOLUTIONS – BAJAJ ELECTRICALS LIMITED

MODERATOR: MR. DEEPAK AGARWAL – JM FINANCIAL INSTITUTIONAL SECURITIES

Moderator: Ladies and gentlemen, good day, and welcome to Bajaj Electricals Q2 FY '25 Earnings Conference Call hosted by JM Financial. 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 the star then zero on your touchtone phone. Please note that this conference is being recorded. Please note that this conference is being recorded.

I now hand the conference over to Mr. Deepak Agarwal from JM Financial. Thank you, and over to you, sir.

Deepak Agarwal: Yes. Hi, everyone. Good evening. On behalf of JM Financial Institutional Securities, I welcome you all to Q2 FY '25 Earning Conference Call of Bajaj Electricals Limited. Today, we have with us management represented by Mr. Shekhar Bajaj, Chairman; Mr. E.C. Prasad, CFO; Mr. Vishal Chadha, COO of Consumer Products; Mr. Rajesh Naik, COO, Lighting Solutions.

Without taking much of your time, I will now like to hand over the floor to the management for their opening remarks, post which we'll open the floor for Q&A. Thanks, and over to the management.

Shekhar Bajaj: Thank you very much. Good evening, ladies and gentlemen. I'm Shekhar Bajaj here. After a long time, I'm going to get a chance to interact with you, which I think I'm really looking forward to. Thank you for attending our Q2 Earnings Call. Hope you have had a great Diwali and wish you a very happy and prosperous New Year. Bajaj Electricals is built on a strong foundation of strategy and leadership. Our achievements are a testament to the resilience and commitment of our board and our strong leadership team. It has been 3 months since Vishal Chadha joined to lead our consumer products business, and I'm delighted with the progress made by him thus far.

Further, Rajesh Naik, who has been with us for more than 5 years, continues to steer the Lighting business to new heights. We have set up an Apex committee comprising of Vishal Chadha - COO of Consumer Products; Rajesh Naik - COO of Lighting Solutions; E.C. Prasad - CFO; Suman Ghosh - HR Head; and myself to make the key decisions encompassing strategy and business till we have appointed our new MD and CEO.

We have appointed a marquee global search firm with respect to the appointment of our MD and CEO. As far as the macro environment is concerned, rural growth, which lagged behind urban growth in terms of consumption has now begun to outpace its urban counterpart. Keeping in mind the rise in disposable income backed by above-normal monsoons, the consumption in these regions is set to register an uptick, which will drive the demand.

There's also been a temporary reduction in government capex due to the recent election, which has affected our lighting business. On consumer behavior and buying patterns, there's a clear shift towards premium products. Consumers increasingly opt for premium and feature-rich products even in FMEG. I would like to assure you that Bajaj Electrical is working hard to commercialize its premium offerings. We are already seeing early signs of positive traction in Q3, and I'm sure we'll have more success to report in the succeeding quarters.

Coming to the financial update, we have delivered a flattish quarter. The company has achieved revenue from operations of INR 1,118 crores as against INR 1,113 crores, a growth of hardly 0.5% over the second quarter of the previous year. For the quarter, the company has made a profit before tax and profit after tax of INR 15 crores and INR 13 crores, respectively, as against profit before tax and profit after tax of INR 45 crores and INR 32 crores, respectively, in the corresponding quarter of the previous year. It should be noted that the corresponding quarter of the previous year also had a one-time benefit of INR 21 crores on account of the reversal of warranty provisions because of the insurance taken by the company to cover its liability on warranties.

So from an operating point of view, against INR 24 crores last year, it has gone down to INR 15 crores because you have to minus INR 21 crores out of INR 45 crores, which is a profit before tax of last year, INR 21 crores came out of this reversal. So, INR 24 crores has gone down to INR 15 crores just to have a comparison in the correct way. We are seeing some early signs of strong festive demand, and I'm very hopeful Q3 will reflect the fruits of a lot of efforts of the team.

I now hand over to our CFO, E.C. for detailed financial and operational highlights. Thank you.

E. C. Prasad: Thank you, Chairman, sir. Good evening, ladies and gentlemen, and thank you for attending our Q2 earnings call. Hope all of you had a great Diwali. At the outset, let me reiterate that we had a flattish quarter. The Consumer Products business registered a marginal growth of 1.2% on the back of a very suboptimal performance in fans, which degrew by a single digit. Further, appliances also showed a flattish growth.

Our coolers registered a very strong growth, almost to the extent of 2x. Kitchen appliances continue to remain an area of concern, and this has been true for the entire industry. But with the demand uptick, we are hopeful of a better performance in the coming quarters. I'm glad to state that Morphy Richards has registered a higher double-digit growth, and the growth in Morphy Richards continues for the last 3 quarters.

Despite a flattish growth in turnover, we remain committed towards our investment in R&D and other initiatives, which have resulted in adverse operating leverage for us. This has impacted our CP EBIT margins, which are at 1% as against 4.8% in the corresponding quarter of the previous year. Further, the corresponding quarter of the previous year, as mentioned by the Chairman, had a one-time benefit of INR 21 crores, which translates to 2.4%, resulting on account of reversal of warranty provisions because of the insurance taken by the company to cover liabilities and warranties.

If you exclude this 2.4%, actually, the comparison is 1% as against 2.4% for the last year. The good thing, however, is that we know what the problems are, and we are actively addressing them. Like we had communicated earlier, we are on a transformation journey to address our product portfolio gaps, including premiumization of our portfolio. We have improved the logistics cost in this quarter by a few basis points and are working further to reduce the same over the coming quarters.

We've also increased our efficiencies in managing our manufacturing costs. We have, over the past 2 years, launched a lot of NPDs, which require a well-calibrated commercialization to settle down both in terms of communication and acceptance by the consumers, which will help us monetize the same. The commercialization plan has, however, taken longer than that we expected for, thereby resulting in a higher operating deleverage. Over the next few quarters, we'll spend heavily on the brand and other initiatives like revamped GTM, VAVE, digitization and manufacturing efficiencies, etc. The result of which will be visible to you in about 3-4 quarters from now.

Until this time, our focus will be to increase the top line and regain the market shares. Coming to Lighting Solutions. The Lighting Solutions business degrew by 2% due to continued price erosion during the quarter, which also had an impact on the operating leverage. However, in the key focus categories like the D-Lite and the ceiling lights, etc. we have delivered a double-digit volume growth and a single-digit value growth. Our EBIT was better at 6% as against 5.6% reported during the corresponding quarter of the previous year.

The Lighting business has refreshed its entire offerings and portfolio during the last 4-5 quarters. However, we've not done much of a communication. We have recently launched our "Built to Shine" campaign, which we intend to promote aggressively over the next few quarters. And coming to professional lighting, the order book of the professional lightning business stays healthy at INR 243 crores, and we are committed to grow this business.

Coming to our balance sheet and financial metrics. The balance sheet of the company continues to remain very healthy and strong. All the balance sheet ratios are at optimal level. In spite of a suboptimal P&L, we continue to generate positive cash flow or positive operating cash flow of INR 22 crores. We ended the quarter with a surplus funds of about INR 378 crores. Lastly, we have also begun the Q3 on a very positive note owing to the festive season. Thank you, and that's all from us. And we are now happy to take the questions.

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

Natasha Jain: Sir, my first question is on the NEX portfolio. Now I believe that last season, we could not roll out all of our products, and there were certain delay also in terms of scaling it. So how are we placed now given that we're just going to enter the seasonal quarter for all your NEX portfolio products, the first question is that?

Shekhar Bajaj: So you want us to answer question wise or you finish all your questions and we answer together.

Natasha Jain: Sir, you can answer this, and then I can -- if I have a follow-up, I'll ask on that.

Shekhar Bajaj: Okay. Vishal Chadda, who is our COO for Consumer Products will respond to that.

Vishal Chadha: The NEX portfolio, we have rolled out the fans portfolio. Coolers are being commercialized as we speak. In terms of the bulk of the launches, they have already happened. Now it's about taking them to market and commercializing them. Some new launches, depending on the white spaces will be in the pipeline, but by and large, the bulk of the launches are now in place.

Natasha Jain: Sir, should we see a complete rollout in the upcoming season?

Vishal Chadha: Yes.

Natasha Jain: Understood. Sir, my second question is now, again, on NEX, we do not have a brand ambassador per-se to promote our products. So, on the ground, channel checks that we've done, we've understood that for NEX, particularly the visibility is very low. So I want to understand from a strategy point of view that do you plan to first - hire a brand ambassador. And if so, when can we expect that? Because otherwise, how do you think will the visibility be scaled up for your NEX portfolio?

Vishal Chadha: So at the moment, we have no plans for hiring any or onboarding any brand ambassador. We believe that the product itself is strong enough and speaks for itself. We are continuing to invest in BTL as well as in digital to make the consumer aware about the NEX brand and the portfolio. So we believe that this should be enough for us to gradually gain traction.

Natasha Jain: Understood. And sir, 1 last question, if I may. Can you please call out your current GT versus non-GT and within non-GT, e-comm versus non-e-comm?

Vishal Chadha: So the trade business is broadly 55%, alternative around 45%. And because it was the peak season around e-commerce, that's around 20%.

Natasha Jain: 20% of the 45% or broadly 20% of your total sales?

Vishal Chadha: Overall.

Moderator: The next question is from the line of Praveen Sahay from PL India.

Praveen Sahay: My first question is related to the consumer product business. And in the first half, if I look at that's a 2.5% of growth. So if you -- and also in a quarter, there is a flattish appliances. So in the initial commentary also, you had said about the festival demand is expected to be better off. So if you give some further light on that, how are the appliances, especially in the festival season in the October month has done because if I see that pre-buying happened, before festivals. So it has not been covered in the Q2. So how are the initial days for the Q3 because of a festival, especially in the appliances?

Vishal Chadha: So, the response in the early days of quarter 3 have been in line with our expectations and encouraging.

Praveen Sahay: And is there any competitive intensity has increased significantly because of that, you are seeing some flattish Appliances business, even the base is not so high on the Y-o-Y side, if I look at, but still we are flattish. So is there a competitive intensity has increased or the demand is still very weak?

Vishal Chadha: The competitive intensity, especially on the lower side of the price band has enhanced. And there has been a flattish growth. But if you look at our core categories, there has been some positive growth.

Praveen Sahay: Okay. Okay. And also, if you can give some indication related to the Fans, like degrowth in the fan is -- and in the second quarter is going to happen in the third quarter as well because the season is changing because of that how you are seeing this Fans division?

Vishal Chadha: So in Fans, as was mentioned in the CFO's opening remarks, in this quarter, we have had a degrowth. But the good news is that as a percentage in our BLDC and premium portfolio, as a percent contribution to overall ceiling fans, we have improved versus last year. So some part of the premiumization story is playing on. But we had taken a price increase in the early part I think, in May. And because we have by and large been a player in the sub-economy segment, which is extremely price sensitive, the impact fully hit us in this quarter.

Praveen Sahay: Okay. Got it. And lastly, related to the Lighting. Also in the opening remarks, you mentioned that the reduction in the government capex early part of the year impacted Lighting. How is the situation right now?

Rajesh Naik: So this is Rajesh. Initially, when the elections were there, there were some embargoes in terms of releasing the new projects, and that's why the order intake was low or the tenders were on hold. Now they have started getting released. Again, in Maharashtra, election is there, and there are 1 or 2 states that also undergo elections. And wherever we had a good presence, there we had this impact because of the elections. But otherwise, it's improved overall.

E. C. Prasad: One more thing, Praveen. E.C. Prasad here. On the Fans' question, I think in October, actually, we have come back strongly as far as the Fan is concerned.

Praveen Sahay: Okay. So is there any particular reason for that, sir?

E. C. Prasad: No. It's actually a festive demand, which has picked up so that has helped us.

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

Manoj Gori: Sir, my question is, if I look at the CP business performance, we definitely seem to have lost some market share Obviously, when we look at the NPD efforts that we have taken, it's for a while now. So ideally, our product portfolio should have been better on a Y-o-Y basis and at least there should have been some positive impact but that's not visible.

Secondly, again, on the CP business, when I look at this year versus last year, your festive season was early. So ideally, the channel would have built more inventory as compared to the previous year during the September month. But again, that's not visible in the numbers. So can you just throw some light over here like where we went wrong that would be a…

E. C. Prasad: Manoj, I wouldn't say we had gone wrong. Actually, we have taken significant price increases in Q1 and Q2 across all categories of NPDs ranging from 3% to 6%. And I think that has not gone down well. Our NPDs actually are coming at a higher cost, and we had to take this price increase to mitigate that cost. So that has not gone on well because Bajaj has always been perceived as a value-for-money brand, it will take some bit of branding and communication for the consumer perception to change. And I think, over the long term, probably in the next 2-3 quarters, we'll be able to achieve that with increased brand spends and other activities that we are doing. People will start recognizing us for the premium offerings that we are bringing in.

Shekhar Bajaj: Shekhar Bajaj again, I just wanted to also add that normally, the dealers are buying maybe a month earlier. So therefore, as the Diwali is end of October, 1st November, because of that, October would have been a good month. That's why one of the reasons why Fans has done well in October is because it is the season, which is November. So September is too early. People do not buy in September for November. And therefore, I think September was muted because of that, there is no festival demand, which came up in September. But October, yes. So you would see when the numbers come out, October has been reasonably good.

Manoj Gori: So sir, does this imply that the October sales growth at the secondary level that the channel would have registered during the season? Our growth should be similar to that level.

Shekhar Bajaj: Yes, I think so.

E. C. Prasad: Yes, yes.

Manoj Gori: Okay, sir. Sir, secondly, on the margin side, obviously, we already indicated like we'll be doing investments for another 2, or 3 quarters. So should we expect like there would be some operating leverage because obviously, you highlighted like Q3 has started on a stronger note? But if you look at probably should we expect higher investments might weigh on margins at least in the near term for the long-term benefits?

E. C. Prasad: Yes. To a large extent, yes, because we are spending quite heavily on those initiatives now, although some bit of results will start coming in, but for it to fully get utilized and to see the result, it will be at least 3 quarters.

Manoj Gori: And that would be largely towards NPD and brand-building exercises.

E. C. Prasad: NPD, brand-building exercise, and also cost reduction. So, we are also working on the VAVE program which is also costing us some significant money. The benefit of this will come at a later stage, we have identified significant cost reduction ideas, but all of that will translate into the books only about 3 quarters from now.

Shekhar Bajaj: Also, R&D.

Manoj Gori: Correct. Correct. And sir, lastly, if I may squeeze in with 1 small question. Any feedback or probably your observations on the rural demand uptake or probably it continues to remain a laggard, any observations from your end?

Shekhar Bajaj: I've already mentioned that already, there is a clear-cut sign that the rural demand is picking up. And luckily, Bajaj as such is a very strong player in the rural market. We are almost -- 30% of our turnover comes out of the rural market compared to, say, let's say, Peers' is 8% to 10% only and because of that, I think the rural market picks up, we will also benefit out of it.

Moderator: The next question is from the line of Mahesh Atal from Atal Investments. Please go ahead.

Mahesh Atal: Sir, my first question would be, how do you see this electrical geysers and coolers market scaling up? Was this the first half growth, whatever we had this because of the excessive heat that we had in various regions? Or do you really see that in this market staying the same way for the next half year?

Vishal Chadha: The question didn't come through very, very clearly. Could you please repeat it because we're not able to understand the question.

Mahesh Atal: I just wanted to know the market on electrical geysers and coolers currently, the broader view of yours on that because we see growth coming there, cooler side 2x growth we have reported. So do you take this growth for the first half to the reason that there was excessive heat in some parts of the country or you say that people in the rural region are having -- I mean changing their mindset to coolers and all. So because we see one day, the ACs market also growing and coolers also growing. So how do you see that? I mean, do you see that sustainability in this market?

Vishal Chadha: So yes, coolers have been a growth for us, and we think that this will continue to remain a growth area for us. As far as water heaters are concerned, the season is going to be now, so we'll see how the market pans out there.

Mahesh Atal: Yes. So do you see the sustainability of this 2x growth was because of the seasonal variations and all?

E. C. Prasad: So cooler, yes. Actually, with this global warming and etc, I think the demand for coolers is set to increase. And because of the affordability factor also, I think people who cannot afford air conditioners are shifting towards coolers. So I think the cooler demand is there to stay for the long term. There are a lot of potential opportunities. Heaters, we have -- I mean the early signs are not that great because the season has not picked up, but we'll have to wait and watch how it spans out.

Mahesh Atal: And these coolers, when you talk about, are you also there on the industrial side, coolers?

E. C. Prasad: No, no, only the consumer side.

Mahesh Atal: Only the consumer side. I have 1 more thing on Fan side. Do you see this BLDC technology, which has come up, how far it will be -- like when do you see the entire market changing to that technology? Do you see the green shoots like people moving to BLDC because premium, as you said, is growing. That means the BLDC is growing. So do you see this scaling up from here like month-on-month?

Vishal Chadha: So BLDC as a segment has been showing faster growth. But from - I mean I would not like to comment on how the industry is going to shape, but there will always be a set of consumers because there is a price difference between induction and a BLDC, which is at a more premium level. There will still always be demand for induction fans also. But again, it depends on the pricing data and how technology production evolves.

Mahesh Atal: And sir, what percentage of our revenues are premium currently out of the total revenues that you reported?

Vishal Chadha: So in the economy, subeconomy range where we play really, 70% of the business is from there and 30% is from the rest.

Mahesh Atal: So basically, we can understand that 30% is premium and the rest is our sub-economy.

E.C. Prasad: Subeconomy and economy, yes.

Mahesh Atal: And this 30%, where do you want to take it to in the next 2 years or so?

E. C. Prasad: In line with the industry

Moderator: The next question is from the line of Achal Lohade from Nuvama Institution Equities. Please go ahead.

Achal Lohade: Sir, first question, I don't know if you have this data. If we were to look at from a 12-month perspective, given some element of seasonality, etc, how do you see these numbers in terms of growth or a decline for fans, appliances, lighting.

E. C. Prasad: Are you looking at a forward-looking projection for the year?

Achal Lohade: No, no, no. On a trailing 12-month basis, right? Because the quarter may not be the right representative for 12 months, past 12 months versus the previous year's 12 months for the same period, what kind of growth or decline has been for these categories, Fans, Morphy Richards, and appliances.

E. C. Prasad: So I've got a 6 months figure right now. I don't have the last 12 months, I will work that out. But fans grew by about 2.7% in the last 6 months.

Achal Lohade: Right. And how about the other categories, sir, the Morphy Richards and appliances?

E. C. Prasad: So Morphy Richards grew by 20% over the 6-month period, and appliances are flat - about 1% growth.

Achal Lohade: Understood. If we were to look at fans for the second quarter, you have said it's a single-digit decline. If I look at some of the peers who have reported numbers such as they have shown a decent growth. So how do we explain this? Is it more to do with the only excuse being the rural? Is it the availability? Is it positioning? Because we are not that strong in premium and hence the impact. How do we explain this?

E. C. Prasad: So it's a mix of a lot of many things that you mentioned. The first thing is, as I had explained earlier, so some of our offerings that are coming at a higher cost now for which we had taken price increases, and that did not go well with the market. Second is because of that, the areas where we are strong at the bottom of the customer segment, that area we have actually vacated, which has been taken over by some of the competition. So we are working towards, again, bringing back some of the products at low price and on those segments to take that market. I think that is one of the major reasons for the loss of share in the fans' business in the last quarter.

Achal Lohade: Understood. Sir, if I recall previous comments in the call, we had clearly said that while we want to grow in the premium, we are not going to vacate our existing positioning. So I'm just curious, is there a change in the strategy?

E. C. Prasad: No. No, it was not by design. It's actually -- because our NPD were costlier, we had to actually take price increases. So we are working on 2 things. One is we are doing the VAVE exercise to bring down the cost of the fans and the second is also looking at Fans at cheaper price ranges that will operate at a lower end of the segment.

Achal Lohade: Understood. The second question I had specifically with respect to competition. You mentioned at the lower end, there has been increased competition. So is that competition from the national players, is that from the regional players, or absolutely unorganized?

Vishal Chadha: No. if you're talking about fans per-se, it's also from national players.

Achal Lohade: It's also from national players. Okay. Understood. The third question I had in terms of the NPD contribution, can you call out what is the NPD contribution for the 2Q and the first half? And what is the aspiration here?

Vishal Chadha: We don't share those numbers. We want to grow and increase it gradually, and we are on the right track over here.

Achal Lohade: Okay. Okay. Understood. And just a couple of data points. There is a mention of actuarial valuation impacted this quarter. Can you help us understand what is the quantum of this actuarial valuation impact?

E. C. Prasad: INR 4 crores.

Achal Lohade: Sorry?

E. C. Prasad: INR 4 crores, Achal.

Achal Lohade: INR 4 crores, okay. And another question is a restatement of 2Q FY '24. If I look at 2Q FY '24 got restated by about INR 30 crores, can you help us understand the reason for that?

E. C. Prasad: Yes. So actually, last year, we had actually taken this warranty insurance premium, which resulted in a write-back of the warranty provisions that we have made to the extent of INR 21 crores. So as against that, there is a charge of INR 9 crores in the current year. So that is a swing of INR 30 crores. So, we had got a one-time benefit because of the insurance last year.

Achal Lohade: So you have restated the 2Q FY '24 to that effect. Is that sir?

E. C. Prasad: No, no, we have not restated it. So if you look at last year's overheads, it is lower by INR 21 crores because of the impact that we had taken in the last year.

Achal Lohade: Understood. And I'll take it offline.

Moderator: The next question is from the line of Paarth Gala from HDFC Securities. Please go ahead.

Paarth Gala: Just the question on the logistic cost. So if you can spend time on that in terms of, what has been the savings that's part in 1H and are we on track to making good of the 150-200 bps by the end of the year and also in terms of servicing to the channel, has there been an improvement because that is an area which was under some pressure last quarter as well. So just these two things, if you can spend some time on.

E. C. Prasad: So yes, Paarth, see earlier when we had discussed this 2% saving, our logistics cost has reached somewhere around 8%. That has come down significantly now. But still, there is a scope for of improvement about 100 basis points. So we are working on that. And hopefully, in the next 3 to 4 quarters, we should be there. As far as the PAT is concerned, the deliveries have now improved significantly, and the turnaround time has also improved.

Paarth Gala: Okay. So we've made good of 100 bps so far because clearly, we were looking at...

E. C. Prasad: Yes.

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

Aniruddha Joshi: So I just wanted to understand while the quarters have been a bit softer, in terms of market shares, how we would have done, whether we would have grown ahead of the market or how has been our growth considering the market growth also. And is there any market share gain/loss across any of the categories if you highlight that, that would be really great.

E. C. Prasad: Yes. Aniruddha So, actually, although there are GFK data, etcetera available, I mean, it's not fully reliable because they don't do the research based on the 100% population. But looking at the results, if you actually see, I mean, we have degrown by 6% in fans, while others have registered a strong growth. That obviously means that we have lost the market share. And even the appliances also, we have lost some market share, but we are quite sure that we'll come back strongly in the next 2 quarters. In-ceiling lights, we have actually gained market share.

Aniruddha Joshi: And in terms of the appliances, fans, etcetera, what is the strategy to regain the lost market share and also to grow the market share once we regain the lost ground? Is it going to be pricing or more action or differentiated launches or a combination of that? So how should we read on that? Also, if you can give more color on the market share loss, and is it happening in rural markets or urban markets, or if you can articulate in terms of the North, South, East, and West, where are we seeing the maximum heat of competitive pressures?

E. C. Prasad: Very difficult. I mean, quite difficult to answer that at a geographical level. But overall, we have lost the shares. And the question that you asked, whether we'll resort to pricing gain, the answer is no. We don't want to resort to pricing game to gain market shares. As I mentioned, that we got a lot of strategies in place. One is getting the cheaper version of the models at the lower end of the segment, Second, we are doing a lot of exercise on the VAVE, substantial cost-saving initiatives have been identified. When it spans out, we'll be able to offer better pricing to our customers. We are also working on the GTM: Go-To-Market strategy. So all of these strategies put together will help us gain back the market share.

And lastly, the branding. So we have launched a lot of new products and also introduced a new brand over the last 3, 4 quarters, and we need to do aggressive communication so as to ensure that we are at the top of the mind of the consumers. So we have got these 3-4 strategies in place, which will help us regain the market share.

Moderator: The next question is from the line of Anuj Sehgal from Manas Asian Equities. Please go ahead.

Anuj Sehgal: My question is actually on the margin Consumer business. So over the last 10 years, the margins have been at best in the industry have margins close to 10%. Earlier, the reason was that the EPC business was part of the company and the allocation of costs was an issue. Now, of course, that also has been demerged. And I understand that the portfolio is more tilted towards the mid-to-low end, but what should we how should we think about the margins of the consumer business, let's say, over the next 3-5 years?

E. C. Prasad: So, the guidance that we have given earlier stays intact. So we would like to be a double-digit margin company over the long term. And there are many levers to it. One of the levers is operating leverage. Actually, we have made a structure or an overhead that can support a turnover of more than INR 6,000 crores, but we are not delivering to that extent today because of the various reasons that we have mentioned earlier.

As the turnover comes back, about 3-4% will come from the leverage itself. Apart from that, as I mentioned, we are working on the logistics costs, manufacturing efficiency improvement, and the VAVE. All of this will improve the margins. So we are committed to get there, but it's only -- probably we're not delivered as per the time, but we are a bit delayed, but I think we'll be there.

Anuj Sehgal: And is there something is there something that is wrong with the cost structure of the business, which also needs to be addressed? Or is it just a function of the business scaling up to the numbers that you expect and operating leverage sort of coming through?

E. C. Prasad: Yes. It's just about the operating leverage kicking through, if you actually compare our overheads with anyone in the industry, they are almost at par or better than others. So once the turnover kicks in and the operating leverage -- I mean, I think we'll be -- we should be getting back this 3-4%. However, actually, if you can compare 3-4 years, our overheads, which were about 10%

have now gone up to 14%. So it's a straight 4% gap out there. The moment we reach about INR 6,000 crores of turnover, we will get that 4% back.

Anuj Sehgal: Okay. And then just lastly, on the gross margin. So as the product portfolio becomes more premium. Would you expect the gross margin to also improve? And related to that, I believe almost 85% of these products are outsourced. Is there any plan to bring more products in-house, which could possibly also aid in improving the gross margin or the strategy is going to remain with asset-light or with a large outsourcing to your vendor

E. C. Prasad: So Anuj, we are working on this revamped strategy. We'll get back to you shortly as it materializes on the manufacturing side.

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

Deepak Agarwal: Just wanted to understand, firstly, on the Morphy Richards side. So we have seen that you have delivered higher double-digit kind of growth, but wanted to understand from you more color on how one should look at down the line for the next 2 to 3 years, what's the strategy over here in terms of new product development and everything.

E. C. Prasad: So yes, Morphy will continue to play in the premium and above categories. And as and when we feel the need to launch new categories, we will. In that, we have already launched the personal grooming, which has played out really well for us. And anything to do with the lifestyle products, we will continue to invest behind it. As a brand, the awareness and all the brand metrics of that are also trending in the positive direction because we also continue to invest behind it.

Deepak Agarwal: Got it, sir. Also, second question was only on just to understand the mix between your Lighting, between the Professional Lighting and Consumer Lighting, if you can help us the mix between the same.

Rajesh Naik: So as of now, professional lighting contributes to 60% and Consumer Lighting is 40%.

Deepak Agarwal: Okay. Any guidance over the sir, the margins over here, sir? How one should look at the same?

Rajesh Naik: Lighting in both the segments has improved drastically over the last 2-3 quarters, which you can see we are continuing to grow that, and that you can see in the financial results as well.

E. C. Prasad: And Deepak, actually, our focus is shifting from more of battens and lamps where we are stronger to more of ceiling lights, etc, which will actually increase our margins. The only issue playing out today is a change in technology. I think with the DOB technology getting adopted to ceiling lights also, there is a price erosion, which is happening. But I think we expect that to stabilize in the next 2-3 quarters.

Deepak Agarwal: Okay. How much price erosion that was there in the last quarter, sir, Q2 and H1, if you can just highlight that?

E. C. Prasad: Deepak, I didn't get the question.

Deepak Agarwal: How much price erosion in the lighting segment was.?

Rajesh Naik: H1 is 10% to 12% price erosion has already happened, and we expect that to continue for the next 3-4 months. And it is across the industry, you must have seen other competitors also talking about price erosion.

Deepak Agarwal: You told 10% price erosion, right?

Rajesh Naik: Yes, 10% to 15% in different categories.

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

Shekhar Bajaj: Thank you very much for all the various nine of you who have asked the questions. I hope we give you satisfactory response. We are all working very hard. We hope that the third quarter will show much better results. And all the strategies that we've been working on will finally start getting implemented. And therefore, we are hoping that the next February meeting that we will have will be a much happier situation. Thank you.

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