August 9, 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 Q1FY25 Earnings Conference Call' of Bajaj Electricals Limited ("Company")**

Further to our letters dated July 18, 2024, and August 6, 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 Q1FY25 Earnings Conference Call (i.e., Post Earnings/Quarterly Call), organized by ICICI Securities Limited on Tuesday, August 6, 2024, at 4:30 P.M. (IST), wherein, inter-alia, the unaudited financial results of the Company for the first quarter ended June 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: 2024.08.09 16:17:00 +05'30'
Prashant Dalvi
Chief Compliance Officer and Company Secretary

Encl.: As above.

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# "Bajaj Electricals Limited Q1 Earnings Conference Call"

## August 06, 2024

**MANAGEMENT:** **MR. SHEKHAR BAJAJ – CHAIRMAN, BAJAJ ELECTRICALS LIMITED**
**MR. ANUJ PODDAR – MD & CEO, BAJAJ ELECTRICALS LIMITED**
**MR. E.C. PRASAD – CFO, BAJAJ ELECTRICALS LIMITED**
**MR. VISHAL CHADHA – CHIEF OPERATING OFFICER (CONSUMER PRODUCTS), BAJAJ ELECTRICALS LIMITED**
**MR. RAJESH NAIK – CHIEF OPERATING OFFICER (LIGHTING SOLUTIONS BUSINESS), BAJAJ ELECTRICALS LIMITED**

**MODERATOR:** **MR. ANIRUDDHA JOSHI – ICICI SECURITIES LIMITED**

**Moderator**: Ladies and gentlemen, good day, and welcome to Bajaj Electricals' Q1 FY '25 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 "*"and then "0" on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Aniruddha Joshi from ICICI Securities. Thank you, and over to you, sir.

**Aniruddha Joshi**: Yes, thanks, Aditya. On behalf of ICICI Securities, we welcome you all to Q1 FY '25 results conference call of Bajaj Electricals.

We have with us today Senior Management represented by Mr. Shekhar Bajaj – Chairman; Mr. Anuj Poddar – Managing Director and CEO; Mr. E.C. Prasad – CFO; Mr. Vishal Chadha – COO Consumer Products; and Mr. Rajesh Naik – COO Lighting Solutions Business.

Now, I hand over the call to the Management for initial comments on the Quarterly Performance, and then we will open the floor for question-and-answer session. Thanks, and over to you, sir.

**Shekhar Bajaj:** Thank you. Good evening, everyone. I am Shekhar Bajaj and thank you for joining us at this meeting.

I want to emphasize that over the last 3-4 years, Anuj and the Board have focused on putting a strategy in place that includes both market initiatives and building a strong executive management team. My role is that of a mentor and giving the depth of our team, some of whom you will meet on today's call.

As you would have seen in our Q1 FY'25 Results, our strategy is starting to play out and we have sharply improved our profitability sequentially vis-a-vis the March'24 quarter, which is normally a very strong quarter for our business.

Let me give you a few "High-Level Business Updates" for the Quarter:

On the Consumer Products Vertical:

Our Consumer Product vertical has demonstrated revenue growth after 4 quarters. We have also managed a few price hikes and streamlined some of our discounting schemes as our products gain greater acceptance with our customers. Our alternate channel segment continues to work well and few subsegments have shown a double-digit growth. Morphy Richards is also delivering high-teens revenue growth since the past few quarters. Our pain point continues to be our kitchen appliances segment, which has been affected by sluggish rural demand and the need for us to continue to premiumization our portfolio. The monsoon update and recent government interventions are driving a rebound in the rural economy. And whilst we are seeking early green shoots, we are confident we have a very positive second half.

The Lighting installations vertical continues to do well and has delivered double-digit EBIT margins with promise to continue to do better in succeeding quarters.

Operational Focus:

Cash from operations in Q1 was Rs. 155 crores, which is a testament of our rigor on operational excellence. Strong balance sheet with surplus cash as on 30th June 2024, is Rs. 442 crores, which reflects a strong liquidity position. We remain committed to our strategy towards premiumization, digital transformation and being more cost competitive. We at Bajaj Electricals are very conscious on managing all our stakeholders' expectations. The recent demerger of EPC Projects business, as you will appreciate, has been a great success both in terms of data identity and focus for the 2 distinct businesses and has resulted in fact, on market capitalization.

Now let me do a quick introduction of our executive committee that work closely with me and the wider board:

Anuj whom you know well, will be with us till 30th of September 2024. I would like to reiterate our gratitude to Anuj for the efforts over the last 6 years and equally importantly, the bench strength we have groomed to take BEL forward. I would like to introduce the other members of our executive team. Rajesh Naik, who has been redesignated as Chief Operating Officer for Lighting business and has spent over 5 years in BEL as he leads our Lighting business. He has played the major role in turning around the Lighting business. And under his leadership, we will hear more from him on our future interaction.

As you are aware, Vishal Chadha is now in his first week as the Chief Operating Officer for our Consumer Products business. His expertise in FMCG, consumer devices and e-commerce will significantly benefit our organization, bringing fresh perspective and new energy to our operation. Now Vishal will receive a comprehensive 2 months of patient handover from Anuj to ensure continuity and stability in the consumer business.

E.C. Prasad, our CFO, as you know well, has been driving cost rationalization, digitalization, and implementation of our well laid out strategy. As I hand over to Anuj for the quarter update, let me assure you that we are committed to finding the best person to take over as MD of BEL, and we will keep you informed in this regard.

Now I would like to hand over to Anuj to present our results. Thank you.

**Anuj Poddar**: Thank you. Thank you to our Chairman. Good afternoon, everyone. This is Anuj Poddar. Thank you for joining in. I think the Chairman has covered all the key points. I will just emphasize a few points and repeat them.

Firstly, the Lighting Solutions business has had a good quarter. If you see our track record in Lighting Solutions, we have been growing consistently over there. The top line has been managed well despite a price erosion in the marketplace. But at the same time, our margins have been consistently expanding and we finally crossed the double-digit margin in quarter 1. That's a very good trend. Going forward, I am very confident about our Consumer Lighting business gathering pace and keeping pace along with the professional lighting business and overall continue to drive our top line. And importantly, our margins should continue to expand for our Lighting business.

Coming to Consumer Products business: As we all know, last fiscal was a soft year for the Consumer Products business on the top line, and that had an effect for us on the bottom line too because of various factors, including the discounting and other measures that we have to resort to. The worst is clearly behind us. The headline for us to take away from our current quarter is that we bottomed out. We have grown sequentially quarter-on-quarter from Q4 of last fiscal to Q1 of this year. In revenue terms, if you see till the last quarter, our alternate channels, which is led by online and modern trade have been growing, but our general trade has not been growing. This quarter, you have seen a modest growth in general trade too. This is despite our high dependence on rural markets and kitchen appliances, which are a bit of a drag.

But overall, now, we are back on to a growth track across all our channels. The margins sequence also had expanded. This result both of our moderate growth on top, but also of certain pricing actions that we have taken towards the end of quarter 1. And finally, this is despite our ad spends in this quarter having picked up versus the previous quarter and last year, there was about a 1.5% incremental ad spend that's baked into these numbers. So, the headline I leave you with for our Consumer Products business is that we have bottomed out. Our trend line from here should look positive, and I will come back to a few comments on that.

The third point is really cash: Cash is something we have consistently for the past several years, been very focused on every quarter. We have continued to generate very strong operational cash flows, always well ahead of our reported profitability. This quarter, our team has done a great job of generating about Rs. 150 crores of cash from operations. And that's again a testimony to how we're managing our working capital. Now we are continuing to strengthen our balance sheet.

And this is my view and headlines in the quarter.

I just want to take a couple of more minutes to talk about the larger view on where we are as a company with Bajaj Electrical:

If you look back at the last few years, we solved for significant structural corporate level issues, and at the same time, built the strategic foundation for growth of our businesses, which is Consumer Products and Lighting businesses. We have taken a lot of initiatives that I think set the stage for this growth in terms of our internal operating structure in terms of our product road map, in terms of our brand positioning and in terms of our overall architecture and digitization, etc. We are starting to see the benefits of that in the Lighting business. And I am also confident that we'll start to see the benefits of that for the consumer business in the coming quarters and by next year.

What can really take us forward now in the Consumer Products business in particular is a lot of cleanup on the operational and execution side. On that front, too, we are very clear on what we are doing. We're taking clear steps on that. We are seeing incremental improvements in that. We have internal metrics which go beyond the P&L numbers that you see at an operational level, whether in terms of NPD contribution, whether in terms of quality metrics, in terms of our portfolio mix and premiumization. All of these are trending well, which is what gives me confidence. Finally, there are various operating levers, which I think will drive margin expansion for us. Without getting into detail, this includes our pricing strategy. We're reviewing some of these pricing approaches, discounting structure. We have seen some benefit in Q1. We'll continue to drive that going forward. Logistics, which has always been a pain point for the past few quarters, we have started to see improvements in our logistics function. Digitization that I spoke about, we're starting to see becoming a lot more data-centric and that data is helping us make more logical, quicker, more nimble decisions in aid of business. And finally, the other measures such as VAVE and other exercises and supply chain. All those initiatives are rolling now and therefore, confident that you will start seeing the benefits of that in the coming quarters and by next year.

With that, I will end my opening comments. I just want to use this opportunity to thank all of you investors for their faith and support that we received as a company and that I received as an MD for the past 5-plus years. Thank you. And hand it over to moderator. Sorry, before that, actually, let me introduce Vishal Chadha and Rajesh.

In the past, we have not had the business heads join us on these investment calls because we have been very focused on the business. But I think it's a good time for you to be introduced to them for you to know the depth of our leadership and that both businesses are in good hands. First, I will hand it over to Vishal. The Chairman has already introduced Vishal, but I will let him introduce himself and speak a few sentences.

**Vishal Chadha**: Good evening, everyone. I joined the company on August 1. I am very, very excited to be a part of this iconic brand and organization. And in taking forward this transformational journey, on Consumer Products. So, we'll obviously interact more in the future. Thank you.

**Anuj Poddar**: I will just add to that. While it's only the fourth working day for Vishal, I think we have done our homework in the selection. It's been a very rigorous selection process. We are very confident about our choice there. And the first 4 days, at least augurs well. Everything that we see in this first 4 days gives us post-purchase satisfaction. So, I think we are in good hands. He's picking it up much faster than we expected. With that, let me also bring in Rajesh Naik. He is not new. He's been with the company for over 5 years, that he's been a big pillar of driving the change and growth for the Lighting Solutions business.

**Rajesh Naik**: Good evening, everybody. This is Rajesh. And as mentioned, I am part of this particular group for the last 5 years. Started with professional lighting where we were able to do a lot of clean-ups in terms of debtors, inventory. And now we are completely clean on that particular side. Consumer Lighting is again a big area for us, where we are very strong, and we are working on the new GTM strategy, which is going to give us high double-digit growth in both the segments. So, thank you for joining.

**Anuj Poddar**: Thank you. And moderator, back to you.

**Moderator**: Thank you very much. We will now begin the question-and-answer session. Our first question is from the line of Praveen from Prabhudas Lilladher. Please go ahead.

**Praveen Sahay**: And the first question is related to the Consumer Product. And in the press release, you had mentioned that the green shoots visible in the rural area, even though we had seen a 3.7% growth in the CP business. So, do we expect in the next 9 months, the growth in the CP business to accelerate or to be in the double-digit of range? Hello?

**Anuj Poddar**: So, Praveen, thank you for your question. We don't give forward guidance in numerical terms, whether it's double digit, single digit. But I will just emphasize what we put in our note and what I said in the opening comments, we are seeing definitive green shoots. We are seeing a pickup in rural demand that includes trade channels. We are confident, therefore, that second half of this year should be strong, as the Chairman mentioned. All the signs right now augur well, whether in terms of what we are picking up or whether you look at monsoon and other factors, etcetera, and some measures that the government has taken at the budget which should put more money in the hands of the rural consumers. So, we remain positive, and the second half of this year should show growth.

**Praveen Sahay**: And related to that, sir, in the presentation, it's mentioned even after like cooling product contributed more than 50%. Our margin has not improved on the Y-o-Y side if I look at. So, is that the appliances which has not done as a higher-margin product as compared to the cooling product, which increased the contribution?

**Anuj Poddar**: So, there's 2 levels of margin, Praveen at a gross margin level and at an EBIT margin level. And the gross margin actually it’s improved by about 1.5 percentage points over last year. So, that's a function of our product mix and premiumization continue to happen in certain pricing actions we have taken. At the EBIT level, margins have not improved Y-o-Y. But two factors: One, as I said, we have an incremental ad spend this year versus last year Q1 is about 1.5 percentage points. And secondly, this is a function of operating leverage while certain basic overhead employee costs have gone up, a 4% top line is not adequate to cover that. And that's what I feel that going forward, as operational improvements kick in, but also second half of this year as operating leverage kicks in, you should see more of the gross margin improvements translate into EBIT improvements as well.

**Praveen Sahay**: Great. Second question related to the Lighting business. Definitely in the gross margin front or in the EBIT margin front, we have done very well. But if I look at on the growth side, it's still a single digit. Is it only the realization or the product mix changes, price increase change that delivered the numbers? Or is there a volume growth as well?

**Rajesh Naik**: So, in terms of professional and consumer, there is price erosion, which is still continuing, and which is impacting the growth. Otherwise, in volumes, we are growing in consumer lighting part.

**Praveen Sahay**: Is it possible to give any indication on alternate channel contribution, sir?

**Rajesh Naik**: For lighting?

**Praveen Sahay**: For overall business?

**EC Prasad**: This is E.C. Prasad here. So, E-Com is contributing about 13%. And overall, if you look at alternate channel, it is contributing close to about 39%.

**Praveen Sahay**: 39%, including E-Com?

**EC Prasad**: Yes.

**Moderator**: Our next question is from the line of Nilesh Patil from ICICI Securities. Please go ahead.

**Nilesh Patil:** So, in the presentation, we have mentioned that the demand for kitchen appliances has remained soft in Q1. So, do you expect any recovery in H2 FY'25 led by festive season?

**EC Prasad**: So, yes, Nilesh, so a couple of factors. One is what we said is the rural economy coming back. So, that would help the growth of the kitchen appliances. Apart from that, few more indicators are on the interest rate reduction, a good monsoon, etcetera, should be in a position to deliver better results for the kitchen appliances. I mean we get confidence from the fact that the summer products have done extremely well. The fans have grown, the coolers have grown. So, we feel that with all of this happening in the next 2 quarters, the kitchen appliances should also get back to growth.

**Nilesh Patil:** And as you mentioned about the Fans growth. So, we have seen that most of the peers have taken price hikes in the Fan segment. So, has Bajaj Electricals also followed the same trend?

**EC Prasad**: Yes. So, we have also taken some price increase with effect from 15th of May. Yes.

**Nilesh Patil:** And may I know the quantum of the same?

**EC Prasad**: It's in the range of 2% to 3%.

**Nilesh Patil:** Okay. And sir, could you just throw some light on growth in the Morphy Richards segment?

**EC Prasad**: So, it is in the higher teens, Nilesh.

**Moderator**: Our next question is from the line of Achal from Nuvama. Please go ahead.

**Achalkumar Lohade**: I wanted to check with respect to Fans, the kind of growth what we have seen. Would you argue that you have gained market share, or you were fairly in line with the industry? And if we have any supply side constraints in terms of making the Fans demand for in the first quarter?

**Anuj Poddar**: Achal, our growth in fans, while we have had growth, I would say it has been below industry growth. And the reason for that is our share of contribution from sub-economy continues to be very high. We have seen growth in the premium segment, which is, I think, growing much faster. While our percentage contribution of premium fans has grown Q-o-Q and Y-o-Y, it yet remains a very small part of our portfolio. And I think we should be doing a much better job of growing in the premium segment. As that happens, we should see better growth in fans going forward. On the second part, supply, so supply has not been a challenge for Fans. It's just our GTM and our product mix change that has to pick up and gather pace.

**Achalkumar Lohade**: So, is it purely about the price segment or it's also to do with the rural urban mix as well?

**Anuj Poddar**: In Fans, I would say, I mean, overlaps, of course, but it's just a segment of product since we have traditionally been a subeconomy player. Our acceptance as a brand in the premium segment is a journey that is happening. We are continuing to grow, but that's not overnight. That's as far as Bajaj is concerned. NEX is the other premium fan brand that we have launched as you are aware. That is picking up pace. If you have seen, we have launched some campaigns towards end of Q1. While we do not have a supply constraint on that, the products are continuing to get rolled out. So, I think latter half of this year, in next season is where you should see a strong pickup of NEX. And with that, our overall contribution in premium fans should jump up significantly from next year onwards.

**Achalkumar Lohade**: The second question I had was with respect to kitchen appliances. If I recall previous commentary, a fair amount of discounting was playing out in this particular category. Are you seeing some stability out there or it still remains as they were?

**Anuj Poddar**: Achal, kitchen appliances remain a challenge, particularly in our mixer grinder kind of a category. We have taken some pricing corrections, which means an increase from May and June. We have faced a fair amount of resistance from the marketplace to that. So, we have seen the market has not responded very well to that. But we are clear from here on, we will protect our margins. And I think volume growth in kitchen also should come back from second half of this year. So, we started to ring-fence our margins. We had taken aggressive discounting approach last year. We have rolled that back in view of demand uptick that we expect there.

**Moderator**: Our next question is from the line of Anuj Sehgal from Manas Asian Equities Value Fund. Please go ahead.

**Anuj Sehgal**: My question is on the Consumer durables business. So, if I look at the business over the last several years now, the last time it did double-digit margins was in FY'12, it was 12 years ago. Of course, the business has gone through changes, you have the range, REIT expansion program and there were disruptions through that. And then of course, the company has now demerged. What I want to understand is that why is it that the consumer durable business has low single-digit margins, whereas other companies in the similar space with a lesser scale than Bajaj Electricals are able to do high single-digit to low double-digit EBIT margins.

And the other related question is that over the last 3, 4 years, we have been aspiring to increase the margin profile of the business and are expecting the margins to improve, but something or the other keeps happening, whether it is operating deleverage or a higher cost base. So, I want to understand if there is any structural issue with the business, so maybe bloated cost structure or the distribution efficiencies are not there or maybe there is some other issue with the business. It would be helpful if you could highlight because for the scale of the business you have, the margin profile is pretty mediocre and has remained that way for now several years. So one, why is the margin low? And secondly, what can be done to improve the margin of the Consumer Durable business?

**Anuj Poddar**: So, Anuj, fair question. To be honest, this merits a much longer answer and discussion, but I will try and give you the headlines on that. Firstly, while our business scale is large, you must remember that fundamentally, we have been positioning as a low-price-point, value-for-money, rural-focused company, or brand and significantly so. When I say significantly so, it's not a marginal difference versus competition, but significantly more skewed on these parameters. If you look at the trend line over the last year or 2 years from a marketplace, this is not a favorable position to have been in rural markets are hurting. Value-for-money segments are actually degrowing. There's a lot of discounting that's happening for those segments, etc. And therefore, we have been caught on the vertex of that positioning.

Our strategic effort over the last few years has been to move out of that, reposition ourselves both to the product portfolio, premiumize, invest in our brands, create an R&D pipeline. We are largely a trading-led company in the past. So, we're investing in innovation. I mean, we're doing this, the strength of a large-scale business also comes with a challenge of investing in so many categories for R&D and refixing all of these and refixing our go-to-market across all of these. That does come at an investment growth. We have not shied away for the last 2-3 years actually investing strongly behind this change. And you're starting to see that change, which is what I was calling out in the opening comments, on our NPD contribution, our quality metrics, our brand scores, etc. As that happens, that's a journey or process over the next 2-3 years, or rather over a course of 2-3 years, we start seeing the financial benefits of that. I would say we are somewhere between 3 to 5 quarters from getting the benefits of that.

Last point, I would make on that is the operating leverage. Operating leverage, when we have a business of this scale and is under pressure, it works against us. When you start seeing tailwinds and growth in the business, that operating leverage, again, comes back very strongly in a business like us. So, the question on cost structure, the large business comes with fixed cost structures that we have not shrunk or cut back on severely in bad times because that's not how we would look at a growth business. But in good times, which we think should come up, we will see the benefit of that. Our CFO would like to add.

**EC Prasad**: So, Anuj, one more factor. I mean, you had asked a question whether our costs are muted. So, if you actually benchmark our cost with anyone else in the competition, you'll find that our costs are in line with what others operate at. So, what we have done is we have controlled our unproductive costs pretty well.

What we have spent is on the productive cost, like the brand spends and the R&D spend, etcetera, which is much higher than what the competition is spending today. And as Anuj mentioned, as we reach where we want to reach in terms of the product architecture, in terms of the brand, etcetera, we will lower those spends. And at that point in time, our margins would look much better. So, that is one aspect. Second aspect, I would also like to remind you that, unlike our competition, which are more into manufacturing-centric, we are more traders. Like only 20% of our products comes out of manufacturing. So, that also impacts the EBIT. But if you actually look at an ROCE level, we are not that far behind from where our competition are.

**Moderator**: Our next question is from the line of Dhruv Jain from AMBIT Capital. Please go ahead.

**Dhruv Jain**: Sir, I had a question on your alternate channels. So, I think you mentioned that your alternate channel contribution is about 39%. Just wanted to understand if there will be a significant cost differential or a margin differential between the general trade and alternate channels because that seems to be growing faster. That was my first question.

**EC Prasad**: So, actually, we are reviewing that. But ballpark, I can tell you that our margins are not lower in alternate channel as compared to the general trade. So, we are maintaining the MOPs. We are maintaining the pricing that we are giving to the competition. And plus add to that, the structure of the ordinary channel is much, much leaner than a structure of a general trade. So, that way, we are not burning cash in the alternate channel.

**Dhruv Jain**: Makes sense. And the second question was with respect to Fans and Lighting. So, last couple of years, we have seen that the markets have been having regulatory changes, technology changes, etc. But if you were to hazard a guess, say, over the next 3 years, how should we look at the growth of these categories given both of these categories are fairly well penetrated?

**Rajesh Naik**: So, this is Rajesh here, I will take that on the Lighting. Because as you have seen, technologically, LED has taken almost 95% of the space in the Lighting business, and it is continuously improving in terms of efficacy. So, in my view, it will continue for the next 3-4 quarters until we reach the highest efficacy in the LED chips. With that technology improvements, definitely, there will be continuous price erosion, which will be there. But again, in the market, the requirements of lighting levels are going up, which will compensate for this price erosion, which is there. And the LED or semiconductor having possibility of going on IoT spaces, which we are working closely with R&D.

**Anuj Poddar**: So, Dhruv, this is Anuj. I will answer on the Fans. I think your question is valid. It's a very high penetration category. So, overall growth in terms of penetration of volume, room to grow is limited. But I think the 3 levers of growth, 2 common to industry, 1 for us. On the industry front, I think the ASPs will continue to rise for Fans. So, there is a process of overall premiumization time, and that will continue to drive growth ahead of volume growth for the industry. And second is the replacement cycle is becoming shorter. So, the reason for people to change Fans, despite high penetration, is becoming more compelling, either in terms of just consumerism and disposable mentality and/or also because of star rating and energy efficiency. There is a strong case for ROI, strong ROI case for replacement of fans. Those are 2 external factors.

I think for Bajaj, there's a third factor playing, which is from where we are coming. This factor of high penetration has been true for many years. But despite that, over the last 5 years, we have come up from a #7 player to #4 player in the Fans category. I think that journey should continue. We expect to break into top 3. Again, the various levers, we have had white space in our portfolio. That will drive growth for us in Fans. And now with the second brand, NEX, I think by next year, like I spoke about, that brand should also be in a much stronger footing. And therefore, we have a 2-brand strategy that should help us break into the premium segment, far more significantly than we have done so far. So, that should help us drive growth in Fans ahead of industry growth rates there.

**Dhruv Jain**: And sir, if you were just to break down the share of premium fans as a percentage of the industry or for you, that would be helpful.

**Anuj Poddar**: So, Dhruv, industry numbers vary, so I don't want to be the one quoting an industry contribution number. But I think our contribution is much lower than industry. While we don't give a specific number, both Q-o-Q and Y-o-Y, our contribution from premium plus BLDC has been growing here. And this is just at a Bajaj level. By next year, when you add NEX also, we will grow much more sharply on this side.

**Moderator**: Our next question is from the line of Naitik from NV Alpha. Please go ahead.

**Naitik Mutha**: Sir, can you please give me the breakup of what sort of contribution does Fans make? And what sort of contribution does Kitchen Appliances make to the Consumer Durables?

**EC Prasad**: So, Naitik, we don't give out those numbers. But as far as the overall contribution is concerned because we are in a subeconomy-economy in Fans, the contribution in Fans is low.

**Naitik Mutha**: It would be lower than the consumer appliances than kitchen appliances.

**EC Prasad**: Yes.

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

**Aniruddha Joshi**: So, questions to Mr. Vishal. So, obviously, this is your just first week. But what are the 3 key business areas that you plan to work on, let's say, in the first 6 months of the initial work? I mean whether it will be distribution, or it will be investing more behind the brand, or, in a way, you will focus more on the market share gains or you will focus more on the margins? In a way, so what are the key priorities that you have in mind that you would be working on?

**Vishal Chadha**: See, while I don't want to get into the specifics immediately, Anuj and the Chairman have talked about a transformational journey that the business is on, which is all about improving the efficiencies and margins and the growth. Now all of these come together with, obviously, a top line growth and focus on operational efficiency and the ability to extract more. So, to give an answer, for me, it's going to be not just one area. Anything which adds to any of these is where the focus is going to be. Specifics, I can only talk about in the coming calls. It's too early for me to comment on it right now.

**Aniruddha Joshi**: One question to Mr. Anuj. So, we have seen now there is 100% rural electrification, and Bajaj is the brand which is most penetrated in rural markets. The distribution-wise as well as the brand awareness-wise, the brand equity is also very well known in the rural market. So, why the growth rates are relatively muted considering there is a very strong right to win for Bajaj Electricals in the rural markets? So, how should we read it over the, let's say, next 2-3-year perspective?

**Anuj Poddar**: So, Aniruddha, good question. Let me answer from a rearview mirror of the last 1 year and then talk from the future. I think right to win has to be accompanied with an ability to spend. So, while the electrification has enabled power, and our presence as a brand or distribution is given right to win, but ability to spend for the rural consumer has been significantly compromised or curtailed in the last many quarters for reasons that we're all aware of. So, I think once the ability to spend comes back, which, like we said, we are seeing green shoots, then our right to win kicks in, in the monetary terms. So, that's maybe. That said, over the next 3-4 years, I think these are cyclical factors that has to come back. Whether it comes back later half of this year, which remains our base case assumption right now, or in what quantum or manner, that will come back, then we should benefit from that.

**Aniruddha Joshi**: Very helpful. Last question. On NEX brand, you had indicated in earlier quarters also that there will be more brand expansions and more number of products will also get launched. So, any update that you would like to share on that? That is the last question from my side.

**Anuj Poddar**: Yes. So, there's 3 expansions happening there. One is our ceiling fan range itself has continued expanding in Nex. Secondly, we have just recently launched a TPW: i.e.table, pedestal, wall fan in Nex. And third, we are starting to take bookings for coolers. So, next summer, we'll also see NEX coolers in the marketplace. So, NEX, from being a specialist in premium Fans that promised 20% higher air thrust in cooling, it is broadening itself to being cooling specialists across ceiling fans, TPW fans and coolers. We will be the cooling specialist providing superior cooling to our consumers.

**Moderator**: Next question is from the line of Rahul from Haitong Securities. Please go ahead.

**Rahul Gajare**: So, Anuj, my question is, given, in the last couple of years, we have spent a good amount of money on R&D, which is clearly reflected in the product quality, the look and feel of the product that we have put out, and which I am sure has got a good traction. I want to understand how have the warranty expense that you have had over the last couple of years changed? Maybe you could talk on an annual basis.

**Anuj Poddar**: So, Rahul, firstly, so far, we have not heard a question from you. You are a regular, I mean, this last call of ours, of mine, at least, I've not heard you. So, thank you for being there. In terms of the warranty, clearly, like I said, the quality metrics are looking up, which means a number of customer complaints we're getting for product servicing or spare part replacement in the warranty period has been consistently coming down. That's very visible and quantifiable metrics for us.

And as a result of that, our actual servicing costs, of this, our product replacement or spare part replacement costs are coming down. That said, I think there's another side of the equation that this is a result of our investment in product quality, which means our cost of the product has gone up. That's had a saving on this end of the leg of servicing. Now we need to also recover this cost at the pricing level. I think we have a gap in ability to have recovered that, investments that we made in the product cost and the pricing side, that is what I've been alluding to. We are starting to make pricing corrections. And by next year, we should be in a much better position to start seeing those upsides on the pricing front.

Second, since you mentioned R&D costs, that's the other factor that E.C. was alluding to. If you remember, on the previous call, we had spoken about we have pretty much matured in terms of the NPDs that we wanted to create. From this year onwards, we should start seeing a stabilization of the number of new SKUs we need to launch, which also means that a catch-up is pretty much done. And therefore, by next year, we'll get into a normal cycle of NPD introduction and R&D cost.

So, going forward, from FY '26, our R&D costs should also start tapering down to normal levels. So, directionally, qualitatively, what we expect to see that our double-loaded R&D costs should start tapering off next year to normalcy levels gradually, and our pricing power as that starts kicking in next year, that should start giving us an upside benefit here.

**Rahul Gajare**: Sure. I think that is very helpful because these are some of the levers that you will have for margin expansion.

**Anuj Poddar**: So, let me share a little more data point for you while we don't put out exact numbers. That's why we said we're tracking our NPD contribution to total sales very actively. That's growing year-on-year. It did sub-50, now it's 40-plus. Sub-50 right now for CP overall revenues there. My view is, as by next year, we should cross the 60% contribution from NPDs. That's why, in a way, we crossed the inflection point, where our perception of the brand product portfolio, etcetera, starts changing significantly today still below majority on that. As you flip over on the other side, that's when you really come into the greener pastures, and your pricing power game will start from there. Let's say, keep in mind, this is all calibrated journey, but you should start seeing an inflection point thereon.

**Rahul Gajare**: This is very helpful. And thanks, Anuj, for your time at Bajaj that you have taken the company to the next level. And best wishes for your next ventures.

**Anuj Poddar**: Thank you.

**Moderator**: Our next question is from the line of Achal from Nuvama. Please go ahead.

**Achalkumar Lohade**: The question pertains to the logistic cost. There has been a pain point for a while now. If you could guide us, where are we now? What kind of cost reduction have we seen in first quarter? And how much do we see over next few quarters or year?

**Anuj Poddar**: So, Achal, I will be very transparent on logistics. I think there's 2 issues we have been grappling on logistics. First is cost, but before cost to us come the quality of our logistics and inefficiency of that. I think the quality of our logistics service and inefficiency have been a bigger pain point for us because, to my mind, that's been hurting our sales, and we have been losing sales every month for that. So, we have been focusing on first getting that right. Q1 has also been a challenge in that, and we have had to change the C&F agent at our largest central warehouse in Bhiwandi and that change happened in June, and that disruption also had a certain impact on our revenue ability.

But that said, I think the change is completed in June. That has gone up very well. All of July, the new C&F has done a much better job. And while July is not captured in the Q1 results, we have seen a significant improvement in our overall logistics service levels and efficiency. And that is very important for us from a business operations and sales perspective. That said, we're not fully done. I think incrementally, we shall continue to see improvement in logistics. We opened 2 more branch warehouses, and there are 2 to 3 more on the anvil. As these warehouses kick in, I think our service levels should go up, our turnaround time should go up, become better. And our cost should come down because of transport efficiencies that kick in. So, I think, naturally, all of this bodes well for our costs to come down. So, the way I see it is, by Q2, which is this current quarter, logistics efficiency should translate to much better service to sales. And by Q3, we should start seeing the benefit of the logistics costs coming down.

**Achalkumar Lohade**: Any quantification you could provide, sir? What is the incremental logistics costs you had to incur in first quarter? And what kind of savings one would expect in FY '25 or FY '26?

**Anuj Poddar**: My view is sitting on about 2 percentage points of logistics savings, percentage points in terms of percent of sales. That should come into our books by end of this year. How that comes between now and end of the year, we shall see. So, we should see at least 2 percentage point reduction by end of this year.

**Achalkumar Lohade**: Another question I had, while you have indicated the green shoots are visible, would you be able to give some sense in terms of how the July month has been for the entire consumer products as a segment?

**Anuj Poddar**: Achal, at this stage, it won't be appropriate. We will not talk of July right now.

**Achalkumar Lohade**: All right. And just one more quick question. In terms of competition, we see several players kind of adding product categories, adjacencies, etc. Are you seeing competitive intensity actually going up, particularly in the kitchen? And even like what we understand today is the market leader in air cooler is getting into water heaters. So, in such a scenario, how do we ensure A) the growth and B) the margins? If you could give some sense on the direction, that would helpful, sir.

**Anuj Poddar**: So, Achal, good question. Competitive intensity has been increasing in our industry across various categories for the last several years. I think that will continue to happen. And therefore, I mean you have been closely tracking us and engaging with us. That's why, strategically, we have taken a slightly differentiated approach, which you're familiar with. If I talk about the Bajaj brand, the build for life, which is focusing on higher durability, backed by technological interventions, or specific product specifications that are superior to competition. We believe that's the only way to deal with and compete in otherwise what is becoming a cluttered marketplace.

If I talk about, for example, water heater category that you mentioned the other player getting into, I do believe the water heaters that we're now coming out with, with a 10, 6, 4-year warranty, they are way superior warranty terms than anybody in the marketplace, but actually backed by way superior product quality or technical specifications that none of the competition players match up to.

That product range of water heaters, it's this season that we will hit the marketplace soon, and therefore, we should start seeing the benefits of that. But that's a symbolic of how we are trying to play this strategically, that competition will be there. It will keep getting more cluttered and competitive. The only way to create a right to win is to actually not be part of that clutter, but actually have created a differentiated product approach based on technology or R&D that we have invested in. And many of these integrations are patented. And therefore, we shall, over the next 2, 3 years, get the benefits of that.

**Moderator**: Our next question is from the line of Natasha Jain from Nirmal Bang. Please go ahead.

**Natasha Jain**: Sir, I just have 1 question. Now historically, for many years, we were probably one of the fewest brands who is present across depths and breadths of India. This was one of our moats for a long period of time. Now when I see your competitors, they are aggressively penetrating to deeper pockets of India, be it Tier 3, 4 or even below that. So, do you think that moat to which Bajaj enjoyed over so many years is now reduced or probably even gone away? And if so, how are you planning to compensate for that? That's it.

**Anuj Poddar**: Natasha, good question. Let me answer that with many dimensions to this moat, okay, while, overall, numerically, our distribution reach was much wider than all of competition, that translates to numerical distribution. When you start slicing that in terms of weighted distribution, the urban counters, which contributed disproportionately to the sales volumes and revenues, we were actually under indexed there because of our positioning of our products and brand. And therefore, that is something we were solving for. While we defended our ND, which is numerical distribution, therefore, over the last couple of years, with our brand and product strategy and now distribution, is to actually focus a little more on weighted distribution in the urban counters where we may have been present, but we are not monetizing that adequately. Point one.

Point two, I think, historically, if you look at any consumer company, there's 2 large levers of strength that we're building: One is product strength and second is distribution strength. With the advent of online platform, e-commerce, etcetera, the importance of distribution moat has somewhat been coming down because every new company can also reach every part of India through online platforms. So, distribution moat, by itself, is not adequate to defend or to win. Your product moat becomes much more important than it's been in the past. Therefore, if you look at our narrative over the last 3, 4 years, it's been much more focused on product-level intervention and changes that we're making while defending distribution because going forward, I think product will win you far more than distribution will win you.

**Moderator**: Ladies and gentlemen, that was the last question for the day. I now hand the conference over to the management for closing comments.

**Shekhar Bajaj**: Thank you very much. Shekhar Bajaj here again. After a long time, I got a chance to interact with investors. And I've been keeping a track, but I was not participating. So, in the future, I will participate much more actively, and therefore, you'll hear more of me in the future. But anyway, thank you for your various questions and answers. And I can assure you that we are working very hard, and we have got a very strong team and a very good Board of Directors to guide us. So, I see that the next few quarters should be substantially better. So, I am very positive about the future. Thank you.

**Anuj Poddar**: This is Anuj Poddar. I will just add to that. Once again, thank you from my side to all of you, investors, and analysts. Like the Chairman said, I think we have a very strong team, and that's one reason to also have Rajesh Naik and Vishal Chadha on the call today so that you can get a flavor of that. I am sure as you interact with them going forward, and the entire team at Bajaj Electricals that we built, we are proud of that, and which Chairman has been a constant guiding force. So, I think your interest and the interest of all stakeholders are in good hands. My best wishes are always with the company and with all of you. Thank you very much.

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