May 17, 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 Q4FY24 Earnings Call' of Bajaj Electricals Limited ("Company")

Further to our letter dated May 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 Q4FY24 Earnings Call (i.e., Post Earnings/Quarterly Call), organized by Ambit Capital Private Limited on Tuesday, May 14, 2024, at 4:00 P.M. (IST), wherein, inter-alia, the Audited Financial Results of the Company for the fourth quarter and financial year ended March 31, 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: 2024.05.17 15:31:51 +05'30'
Prashant Dalvi
Chief Compliance Officer & Company Secretary

Encl.: As above.

"Bajaj Electricals Limited's 4Q & FY24 Earnings Conference Call"

May 14, 2024

MANAGEMENT: **MR. ANUJ PODDAR – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER, BAJAJ ELECTRICALS LIMITED**
MR. E C PRASAD – CHIEF FINANCIAL OFFICER, BAJAJ ELECTRICALS LIMITED
MODERATOR: **MR. DHRUV JAIN – AMBIT CAPITAL**

Moderator: Ladies and Gentlemen, Good Day and Welcome to Bajaj Electricals Limited 4Q & FY24 Earning Conference Call hosted by Ambit Capital.

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

I now hand the conference over to Mr. Dhruv Jain from Ambit Capital. Thank you and over to you, sir.

Dhruv Jain: Thank you. Hello, everyone. Welcome to Bajaj Electricals 4QFY24 Earnings Call. From the management right today, we have with us Mr. Anuj Poddar – Managing Director and Chief Executive Officer and Mr. E C Prasad – Chief Financial Officer of the Company.

Thank you. And over to you sir, for your opening remarks.

Anuj Poddar: Thank you, Dhruv. Good afternoon, everyone. This is Anuj Poddar. I would like to start by acknowledging that we would have liked to have had a better quarter than we have ended up having. That said, I will just call out some of the challenges and some of what's gone well for us. In terms of challenges, our consumer products business has faced the impact of weak demand, particularly in kitchen appliances, appliances have pulled us down as well as general trade we witnessed weakness in demand. I would also say that part of that is due to the fact that our dependence and contribution from rural markets as well as our dependence on non-premium segments is much higher than competition.

What is working well and continues to work well for us is our growth in alternate channels across all the sub-segments there; we have had double-digit growth, we have seen growth in the fans business, our coolers business and Morphy Richards also in the last couple of quarters, we have been witnessing growth in our sales there.

Our lighting business, I would believe continues to do well. While we see a certain contraction in the revenues, that's largely because of LED price erosion in consumer lighting and in the case of professional lighting, the base effect was high, last year Q4 we had a high base. That said to me overall performance in lighting business is satisfactory and our margins there are actually continuing to strengthen and therefore you see the EBIT performance in the lighting business is good. The underlying trends in the lighting business in this quarter have also been good and therefore, we are confident about the year ahead as well.

What stands out for us in this quarter, despite the pressures on the profitability, on cash flow, working capital, balance sheet, we have done extremely well. We have generated cash flow from operations of about Rs.147 crores in this quarter, demonstrating our intent to maintain a healthy grip on the operational part of the business here.

I will just call out the two main drivers or drags on our CP margin performance. One is the discounting that both competition in the industry and we had to resort to particularly in a weak demand situation. And this is partly accentuated in our case because as you know we have been churning out our product portfolio from phasing out old products into new products, fair amount of old products because they're getting phased out, have been heavily discounted by us.

And the second area, which we hope to solve as we go forward is logistics. That we have spoken about in the past, that remains a bit of a drag for us and that is continuing to impact our operational performance, but we are working to address that.

The last point I will make, while this is the Q4 numbers, I will call out that April has turned out much better, we witnessed top line growth in April, both for our consumer business as well as lighting business. Fingers crossed, but clearly Q1 looks much better than Q4 has been.

Moderator: 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 your consumer product segment. Now, your presentation mentioned growth in fans. Now assuming at least 60% of your top line in CP comes from fans, yet, we saw operating deleverage play out. So, firstly, I want to understand if you can tell us the volume growth in premium and non-premium fans and also the value wise split between premium and non-premium? Second, a related question is were we able to take any price hike? And also if you can throw a little more light as to how massive channel discounting has been despite pickup in growth both at industry and Bajaj level? So, this is my first question on the CP side.

Anuj Poddar: Natasha, I will try and answer your questions. Let me know if I missed anything out. So, firstly, fans for us as Bajaj has not been above 50% I think you mentioned, 60%. Fans for us is in the 40% contribution range. So, we remain largely an appliance-driven company. In terms of volume growth premium, non-premium, both have been in the single-digits. That said, our non-premium has grown faster this quarter, so our share of non-premium, which is everything excluding premium is about 70% because of higher growth in the non-premium for us this quarter. In terms of price increase like I called out in the opening comments, rather than price increase, I think we have been impacted by fair amount of discounting given the demand situation. So, we have not had a price increase in Q4, but we have taken a price increase effective 16th May. So, that comes into play later this week.

Natasha Jain: Sir, my second question is on the lighting side. So, your presentation mentioned that there was EBIT margin improvement mainly on the back of gross margin improvement. So, on that, three questions. First, can you give a split between your consumer and professional lighting? And also if you can quantify volume break between the two, and if we were able to take price hike in the PL, and is that a reason why EBIT margin should have taken place?

Anuj Poddar: Natasha, consumer lighting is about 35%, professional lighting is about 65%. We have not had a volume growth in CL. So, the decline that you are seeing in revenues pretty much approximates the price erosion. The volume is being relatively flat here. In professional lighting, quite honestly, we don't look at in volume terms, because given the nature of products solutions business also, so there volumes don't have a direct bearing.

Natasha Jain: But were the price hikes, I mean, is that applicable in this segment or how should we read the gross margin improvement?

Anuj Poddar: I will answer differently. Firstly, if you see an industry commentary also like you've had a fair amount of LED price erosion and consumer lighting through all of this year. So, there haven't been price hikes rather than there's been a downward pressure on pricing. That said, my sense is sometime in Q1 as soon as May or June, you should see the price bottom out because a lot of the price erosion was coming because of DOB technology that is already now stabilized. So, I don't see any further price erosion because of that. So, prices should flatten out and going forward volumes and normal growth should come back into consumer lighting also both for us and for industry.

Moderator: Next question is from the line of Praveen Sahay from PL India. Please go ahead.

Praveen Sahay: Sir, my question is related to the consumer products segment. As you have mentioned that the plan and the nature, can you give some more color on the fans growth, how is that single digit, double digit growth how you had seen? I can understand that 70% contribution is a non-premium, but how is the growth part?

Anuj Poddar: So, Praveen, your voice is not very clear, but I will answer what I heard. So, our growth for fans for us has been in the single digits both in premium and the non-premium segment. Mind you, only part I will add is that we have had some more launches towards the absolute end of the quarter. So, some of that pickup is happening. It happened in the last 15 days of March but also now happening in April. The one example I mentioned there, the small motor BLDC fan that to a segment we were absent in, that is something we launched towards the end of the quarter and we have continued to do well in that in April. So, I'm confident that our growth in fans during this year will pick up further.

Praveen Sahay: And there is no price hike so far?

Anuj Poddar: Price hikes now are coming into force from 16th May, so we have rolled that out an announcement from 16th May -

Praveen Sahay: Sir, how is the Morphy Richards growth?

Anuj Poddar: Morphy Richards is high single digits, I think it's the second or third quarter in a row that we are back to growth in Morphy Richards and that is happening both on volumes but also expansion of portfolio in Morphy Richards.

Praveen Sahay: Lastly, sir, can you give A&P spend for a quarter and a year?

Anuj Poddar: Both the year and the quarter is 3%.

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

Anirudh Agarwal: Anuj, the first question was on the appliances business, right. So, appliances for us continues to be fairly weak. Obviously, the industry context is what it is. But you mentioned that in April, you have seen growth in the consumer business. Have you also seen some sort of revival in appliances now on this base or is it largely still led by fans?

Anuj Poddar: So, Anirudh, appliance also I will call out, it's kitchen appliances that has been dragging us down through last year as well as in Q4, in fact coolers grew in Q4 also, coolers by the time of Q1 actually we pretty much stocked out, that's true for most of their leading top four brands and coolers I have talked out, that's a level of demand we have got back some supplies from May but in general, coolers are in short supply so that continue to grow. The growth that we're seeing in Q1 is led by fans, coolers to the extent stocks available and some I wouldn't say bounce back in kitchen appliances, but at least the downfall is slightly arrested over there. To add to that, Morphy continues to do well in Q1 April so far also.

Anirudh Agarwal: And on gross margins, obviously, I mean there is some extent of additional discounting. Any quantification of this, I mean on a normalized basis, assuming that you would not have to resort to this additional discounting, let's say whenever overall macros improve from here, what is the sort of gross margin that the business can deliver in that context?

Anuj Poddar: I am a little apprehensive of giving that number, but I will still give it to you to let you understand the level of discounting impact that we are facing, so it's almost through various means, the discounting is as high as 5% to 6% across different product categories that is happening. How much of that can be pulled back? When? That part I wouldn't want to hazard a guess. But some of that is what we're pulling back. The 16th may that we have spoken about is I think 6% is very high. We are willing to now relook at how we drive that. I think that is hurting our margins and

I'm not sure the demand elasticity is that high in this. We will take a bet that we will take a price hike and in fact hopefully not have an adverse volume impact on that, but not all of the 6% can be rolled back right now.

Anirudh Agarwal: This 6% would be largely primary or a mix of primary and secondary, how would that be?

Anuj Poddar: So, for at least direct impact to me, so 6% is impact to me, but the way that those discounts are seen, the structure, some of it is contingent on secondary sales or secondary volumes, but I'm talking about impact on us so therefore financially it's a full impact on us.

Anirudh Agarwal: Last question from me was on overall expenses, right. So, on employee cost this quarter, we have seen a reduction. So, what sort of run rate should we consider for employee cost going ahead? And on the other expenses front, what sort of elasticity do you see? I mean this year despite top line degrowth, other expenses have remained fairly elevated. But in a scenario where top line starts growing meaningfully, hopefully that is soon, what sort of elasticity would you see on other expenses, how much operating leverage would we get in that case?

Anuj Poddar: So, Anirudh, first on employee cost, you are seeing a little correction this quarter because of true-up of certain provisions, we had higher provisions that we trued up a little bit, also, particularly because of variables incentives given the performance we had the opportunity to look at that. That said, I think you have the same Q4 figure of last year employee cost in the investor deck. I think from a future extrapolation, it will be somewhere between these two figures. We will remain optimal on employee cost. Our annual salary hike comes into play in July. That's when you'll see a normalized inflation impact on employee cost. But we're coming to focus with our digitalization, etc., remaining a lean company, lean team. On other expenses. I think both ways we are kind of fixed. So, this is the level of other expenses that we think we would operate at, which means as our volumes or value of sales grows that should translate to operating leverage for us, we don't see other expenses going up in variable sense.

Anirudh Agarwal: Final question, Anuj, sir. Versus the plan that you had laid out some time back, any structural changes or anything that you would want to revisit as part of that plan?

Anuj Poddar: I don't know what you are alluding to, but two or three things that I see that should add to delta to us. Consumer lighting is where I think we are in very early stages. I'm confident that this year we will see good growth in consumer lighting. #2, logistics remains something quite, I will accept that we have not improved fast enough, I wanted to see improvement by now in logistics cost. I think we may be a few months away from that. Recently given this, we reviewed, we may bring in some other external consulting intervention in logistics because we want to see improvement in that much faster. I think there's at least 2-2.5 percentage sitting just in logistics. So, to me the three levers of performance that should drive improvement in the coming year; one is consumer lighting, secondly, logistics, once we start getting that right and third is operating leverage in the consumer products business side. In the operating leverage I would include reversal of some of its discounting.

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

Rahul Gajare: There is always a strategy where one would either go for growth or one would go for margin. You did indicate that 40% of your business approximately is about fans. So, how much is the growth that you've done in the fans business in this particular quarter, can you just spell that out?

Anuj Poddar: So, in terms of growth, we have grown in single digits in fans and like I said, it's about 40%-plus is the contribution of fans to our total revenues in CP, because some of our fan launches were slightly delayed, so have come in March. So, we have seen the benefit continuing to April also, like an example, we have shown in the deck also small motor, BLDC fan, etc., So, as this is being part of the narrative we have had, as Bajaj continues to upgrade or fill in the white spaces in our fans portfolio, including the premium fans, BLDC and other small motor, decorative fans, etc., that has continued to add and we'll come to see growth in that. The second piece I will call out there, we have got some reference to the Nex we continue to launch new fans, we will continue to see pick up in the run rate of Nex, we have got more expansion happening in terms of offline stores to go and start seeing visibility of Nex fans in the stores, offline trade also we have got more directly and distributors appointed for Nex and you should see a pickup this year also for online sales of Nex. So, I think between Nex fans overall and Bajaj new fans FY'25 should see faster growth for us.

Rahul Gajare: If you want to choose between growth and margin, which direction are you likely to go for, because we have seen even through the year that we have actually got hurt on both growth and margin, because if there is a lot of discounting, typically, at least the growth numbers should have been much higher than what it has come through?

Anuj Poddar: So, I agree with you, Rahul, that's a fair question. I think we didn't try to choose one or the other, hindsight it looks like this is how it's transpired. One thing we have got a two year graph on our margins and decline in margins and everybody's dropped margins. Don't take at a quarter level, but if you look at the annualized basis, our margin decline has been slightly better than some of competition. That said, I think this discounting has not helped us adequately in terms of growth. So, now we're really looking at that, which is why I'm calling out this price hike from 16th May. We will now try and see if we take a price hike, maybe we won't see an adverse impact on volume. So, that's the current thinking. We will try and flip it around the other way.

Rahul Gajare: One of the reasons for lower profitability has been new product launches. So, have we done broadly with all the product launches that we had to or there is still more gaps to be filled?

Anuj Poddar: No, there's a lot more. So, I would say in the next two years we will continue to see. We have always said that right now you are seeing enough. You are starting to see all the new products that we have spoken about, but it's not a one-time exercise, it's a 2-3 exercise, we'll continue to see that over the next two years. I don't think that does not mean it will be adverse for the next two years. That simply means as you get to tipping point over the next 12, 18 months, our pricing power will improve. So, right now we are only seeing the cost side of that, but not seeing the gains of that. So, in the next 12, 18 months you should start seeing the gains of that in terms of our speed-to-price ourselves upwards.

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

Manoj Gori: My question is, if you look at over the last 3-4 years, we have been taking many initiatives and probably we have revisited some of the strategies like product launches, logistics, we revisited the Morphy Richards. So, probably where are we placed, how long will it take to probably finalize strategies on most of the categories and when should we expect to see some benefit, probably it would be very difficult to give a specific number, but any color that would be helpful?

Anuj Poddar: So, Manoj, a good question. I will put it this way. I think strategically we're very much not just on plan but doing well. It's operationally or execution-wise that we're not fully on pace with what we wanted. When I say strategically, in terms of the brand architecture, how the brands that we have spoken on new product launches and the features of the new products that we have been showcasing as well as with design. If you go out do channel checks, etc., you will have a positive feedback on that. So, I think that is important. For us where that is coming through in a measurable way, though we don't publish that. Brand scores or brand has significantly improved over the last two or three years across product categories and across the brands that we have. So, mainly on quality metrics, we have seen significant improvement. And when I say this is all measurable metrics that we are tracking on quality. So, in terms of new product launches and fans, strategically, we are doing well. On Morphy Richards, it's taken us some time, but the last two, three quarters, we're starting to see the traction on Morphy Richards also, both in terms of category expansion and revenue growth. Operational execution wise, where I'm saying we have been slightly weaker and not delivered to what we aspired for, has been particularly aspects around logistics and logistics-cum-inventory and making sure the right product is available in the right part of geography. I think that is where we have been behind the curve. I won't go back into history in the Mahindra Logistics experience and subsequent to that we have taken it in-house last year. We have not managed to improvise it the way we wanted. That said, like I said in my opening comments, we are revisiting that we might bring in an external intervention of a consultant to get that right this year if we have not managed to get that right on its own. So, that to me remains a one point which we need to solve for in regress, because I think not just logistics or the cost, but its impact on sales boost is also to us very important.

Manoj Gori: Secondly, if you look at from March onwards, we have started seeing some positive growth momentum. So, is it broad-based rural versus urban premium versus non-premium or probably any light on that?

Anuj Poddar: So, I will just call it out saying, we have seen growth in April I've told you, it's after many months that we have seen sales growth, in fact, it's at a very early double-digits growth. But I don't know it will extrapolate that for the full quarter, but the fact that even in a month we have got a double-digit growth, that's positive news from our perspective. Given our contribution mix from rural, etc., while we have not cut that, because there's always a margin of error in that. But it has happened because it's both across rural as well as urban and across therefore price points there. So, I will just leave it at that right now.

Manoj Gori: Last question is on kitchen appliances. So, obviously, we have gone through very tough times at the industry level over the last few quarters. Do you see things probably have bottomed out, probably further decline should not be visible for the industry and for Bajaj in specific?

Anuj Poddar: I would put it this way, Manoj that if I had to pick between kitchen appliances, fans, coolers, even water heaters for coming segment, I would think fans, coolers, water heaters will be my growth drivers more than kitchen appliances would be, at least for the next couple of quarters. That said, this festive is what I'm banking on. Kitchen appliances has been subdued for a while, so by festive, hopefully, kitchen appliances should also come up and pick up pace.

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

Natasha Jain: Sir, my question is, now you've mentioned in the PPT that GP channel degrew by 3% versus all other channels grew by strong double-digit and yet for top line compress of 8%. Now, can you tell me what is the revenue contribution from different channels and also the rural versus urban?

Anuj Poddar: So, Natasha, firstly, you are right in the math. So, that's 3%, others are double digits. The reason is it doesn't add up to it is because the channel level we track and get gross sales data, the overall we're reporting on accounting at net sales. So, that's why causes certain discrepancy. #2, in terms of our contributions, GT is at about 62%, which means the balance adds up to about 38% here. And in terms of rural-urban that part we don't publish here.

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

Manoj Gori: One question which I missed, probably on the EPR side like any cost that we recognize during the quarter and probably how should we look at in the coming years, probably what should be the calculation and then probably as a percentage of sales or probably as a percentage of volumes how should we look at?

E C Prasad: Cost for the current year was about Rs.9 crores and we expect it to be about Rs.12 crores next year.

Manoj Gori: Some of the competitors have also highlighted like that would be passed on. So, should we assume that industry who would be passing it on, especially when you look at the price hikes have been very difficult?

Anuj Poddar: So, my view on that, Manoj is, you pass on or not is on a holistic basis, not a line wise thing. I do think as an industry we're guilty of not having passed on overall cost, whether it was star rating impact on fans or overall commodity impact or the CP, cumulatively, we have not passed on adequately to the market. I believe that's a defensive strategy we should have and in our individual case we will prefer to pass it on but have to match competition. But now we have taken a call at least like I said from May, we will now take to a situation and try and pass on more cost there.

Moderator: Next question is from the line of Hardik Rawat from IIFL Securities. Please go ahead.

Hardik Rawat: Just wanted to understand one thing. You've mentioned that the board has approved a proposal to raise up to Rs.500 crores through NCDs. Just wanted to understand what this raise would be for?

E C Prasad: So, that's an enabling resolution that we have taken so that if some opportunities comes up for an inorganic sort of a deal, then we will have the money in place. So, nothing planned as of now, but that's just an enabling resolution.

Moderator: Next question is from the line of Amit Kumar from Determine investment. Please go ahead.

Amit Kumar: I'm just sort of trying to reconcile the broad macro data with what is happening in the industry. So, last year we have had in fact even better than expected. So, expectation was 6%, 7%. We're definitely ending up with actually closer to 7.5% kind of GDP growth, right? I mean, this is a category whether it is kitchen appliances or other appliances, so to speak, it's a category which is not sort of fully penetrated. There's so much of opportunity in rural areas and bottom of the pyramid, population as well. And then we are looking at a situation where at the industry level, growth has been so disappointing in last year. So, we have seen that in a few other consumer categories also, FMCG, etc., at the beginning of the year. But in the fag end of the year, FMCG seems to have recovered. So, any sense, I mean what is really going on? There is obviously that unorganized to organized shift opportunity also available, smaller regional brands shifting to Bajaj or some of the other brands and then premiumization. The whole of last year has been pretty disappointing from a macro perspective and from a demand perspective itself especially in light of the kind of GDP growth numbers that we are seeing basically. Do you have any thoughts on what is going on really here?

Anuj Poddar: So, Amit, this is a question better for some economists. We are lay people here. That said, I will give you a certain couple of pointers or hints to where to look at this. If you look at the Q3 GDP data, if I remember correct, 8.2% or something, but the private consumption expenditure growth and that is about 3%-odd. So, delta of almost 5% was a historical high delta between GDP growth in private consumption expenditure, which is not usually, you probably have a couple of percentage points gap between these two. So, what that also shows is a lot of the GDP currently is being driven by infra-CAPEX rather than actual consumer expenditure and consumption. That's point #1. Point #2, let me before that to your point on, it seems to be broad trend across consumption sector, not just our sector but also FMCG. I can agree with you. While you said Q4 FMCG shown growth, I think it's very early stages, not been very strong growth, I won't call out individual company names, but there is some positive commentary on that in FMCG including a couple of weeks ago what Nielsen mentioned and maybe in Q1, you will see some growth in FMCG including rural bounce back as well. I would be very happy to see that because I think us as FMEG, FMCD, typically have a lag of one to two quarters from FMCG. So, once that happens, we would hopefully follow suit on that. And only the third point that I would point you towards is keep watching interest rates and inflation. Particularly interest rates cools off, I think that should be a big trigger for consumption expenditure to come back. I think that's something holding people back right now. Just one fourth point I will slip in. The government, I would like to believe is cognizant of this. There's enough chatter. There was some chatter around this year's open account in Feb, but since that is a vote of account, maybe in the July budget, they will take some planned intervention to boost consumer sentiment. I think there are easy ways and means to do that without impacting fiscal deficit.

Amit Kumar: But there is no sort of specific driver for this segment, which is the appliances and durable sort of segment which is sort of keeping things so muted, nothing negative?

Anuj Poddar: No, nothing negative to the segment. I think it's a proxy or marker of overall consumption sentiment right now and I do remain bullish that will turn around. And for whatever it's worth, like I've told in April, we have seen growth, maybe part of that is with the good monsoon outlook, maybe demand that's been subdued for a while, at some point low base effect will kick in. So, statistically many of these things will play out. But directionally, I think we should not be too far out from consumption expenditure to coming back into play, one form or the other. Just on the other points that I mentioned that right now GDP is being driven by infra and CAPEX cycles. That also has finally has to percolate down to consumption expenditure like usually has a lag. So, if normal case consumption expenditure doesn't pick up, then this infra CAPEX percolation down to people's hands and spending back, that automatically will also come into play.

Moderator: Next question is from the line of Dhruv Jain from Ambit Capital. Please go ahead.

Dhruv Jain: I had a question on the CAPEX, right? So, you've done about 130-odd crores of CAPEX in FY'24. Just wanted to understand what's the kind of direction in terms of CAPEX intensity

Should we look at it from FY'25 and FY'26 perspective, Any specific categories that you are looking to invest a lot more on from an in-house capability perspective?

E C Prasad: Dhruv, most of these CAPEX are relating to the new products that we invested on, especially in form of the tools and moulds, etc., And as Anuj mentioned, this would continue for another two years. So, you can expect similar sort of a CAPEX levels for the next two years.

Anuj Poddar: Just add to that, Dhruv, in terms of capacity, otherwise we're not looking at some big bang, large scale factories, but our capacity across most of products are fans or mixers, water heaters, lighting has continued to increase over these last couple of years. That's too smaller CAPEX interventions that we're continually making.

Dhruv Jain: Just had a question on the new products, right. So, you've been driving this new product initiative for some time now. So, if you could just throw some light on as a percentage of sales what would be the contribution and any direction that we should think about it and if you could just give some data around margins, what could be the kind of margin differential between these two?

Anuj Poddar: Dhruv, sorry, we don't disclose our contribution from new product development. That said, obviously, we track it internally. So, that has had a steady state growth over the last two years. We just had to do that as part of our own board meeting also today. But this data we don't publish here.

Moderator: Next question is from the line of Praveen Sahay from PL India. Please go ahead.

Praveen Sahay: Sir, can you give the CAPEX number for this financial year? And also as you are explaining about the planned expansion, can you give some color on the in-house manufacturing contribution right now and the way forward?

E C Prasad: So, the CAPEX spend for the year is Rs.124 crores and the in-house manufacturing is about 20%.

Praveen Sahay: Rs.124 crores for FY'24?

E C Prasad: Yes.

Praveen Sahay: And how you have planned for some project?

E C Prasad: Next three years will be similar levels; it will be in the range of about Rs.150-odd crores.

Praveen Sahay: The in-house, as you mentioned is 20%, is there any material change you are expecting in the coming couple of years?

Anuj Poddar: So, I will give you an indication. In the last two years it has grown from 17% to 19% to 20%. I think this year should go up to 22%, 23%. So, that's a kind of incremental that is continuing to happen. But what's happening is qualitatively there's more high end stuff that's been coming in and the lower end commoditizing is being getting pushed out here. And second part I will add to that all of this tools, and moulds that we talk about that CAPEX is not restricted to our plants. So, that is where we did a control over, lot of that is placed at the third-party manufacturers also.

Praveen Sahay: Because earlier if I remember, you had guided for 25% to reach by '25 and that will also improve your some bit of a margin profile as well. So, that's why that's a query on the in-house, how this 20% to go forward?

Anuj Poddar: So, again I will comment and I don't remember what exactly you might have heard me say in the past, but I've always said, we don't have a target number, that might be where we end up with, but that's not a goal by itself, but the quality of that is important, so what we do in-house and what we do outside, that is important. Secondly, the ROE and ROCE is important to us starting with the pure EBIT margin. If you connect what I said earlier also, we are also investing in the quality of manufacturing and our control on the production cycle at third-party manufacturers. So, increasingly all the tools, moulds, dyes, etc., third-party manufacturers also increasingly owned by us. So, to us, we're not really white label services, but it's our contract manufacturing and our IP, our product, our control over the production and quality over there. So, to us that is how we're looking at manufacturing.

Praveen Sahay: And also if you can give some numbers on how is the distributor count has increased by end of the FY'24?

Anuj Poddar: Sorry, can you repeat? I didn't hear this.

Praveen Sahay: Distributor count, how is that?

Anuj Poddar: So, to give you a sense, last year in March '23, it was 660, this year March '24, we exited at 749.

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

Anuj Poddar: Now, I will just thank everyone once again for attending this. I will reiterate what we said. We have had a mixed quarter. We would have liked it to have been better. We have had some shortcomings particularly on the CP business, led by appliances and general trade. But at the same time, there are other positives in terms of our lighting business, alternate channels, coolers and some growth in fans and Morphy Richards also. April has started off better for us. We remain positive for the year ahead. Thank you.

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