EMI Electronics Mart India Limited

BAJAJ ELECTRONICS

To,

Listing Manager
The National Stock Exchange of India Ltd.,
Exchange Plaza, Plot No: C/1, G Block,
Bandra Kurla Complex- Bandra(E),
Mumbai - 400 051

The Secretary
BSE Limited
PJ Towers
Dalal Streets
Mumbai- 400001

Symbol: EMIL
Series: EQ
ISIN: INE02YR01019

Scrip Code: 543626

Subject: Disclosure of transcript of Earnings Conference Call for quarter ended 30th September 2022 held on 11th November 2022.

Dear Sir/ Madam,

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we hereby inform you that the transcript of earnings conference call held on 11th November 2022 to discuss the Unaudited financial Results for the quarter and half year ended on 30th September 2022. The same is available on the website of the Company at https://www.electronicsmartindia.com.

We request you to take this information on record.

Thanking You,

For and on behalf of **Electronics Mart India Limited**

Rajiv Kumar

Digitally signed by Rajiv Kumar
Date: 2022.11.15 15:15:10 +05'30'

Rajiv Kumar

Company Secretary and Compliance Officer

Date: 15th November 2022

Place: Hyderabad

“Electronic Mart India Limited
Q2 FY 23 Earnings Conference Call”

November 11, 2022

MANAGEMENT: **MR. KARAN BAJAJ, CEO**
MR. PREMCHAND DEVARAKONDA – CFO
MR. SREENIVASULU ETTA - DGM FINANCE
MR NAVAKANTH GUTURI - DGM FINANCE
MR. RAJIV KUMAR - CS AND CCO

Moderator: Ladies and gentlemen, good day, and welcome to the Electronic Mart India Limited conference call, hosted by Anand Rathi Share and Stock Brokers.

It is my pleasure to introduce the management team of Electronic Mart India Limited, who are here with us to discuss the results. We have with us, Mr. Karan Bajaj, CEO; Mr. Premchand Devarakonda, CFO. Along with them, we also have Mr. Sreenivasulu Etta, DGM finance; Mr Navakanth Guturi, DGM finance; and Mr. Rajiv Kumar, CS and CO.

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 touch-tone phone.

I now hand the conference over to Mr. Karan Bajaj for his opening remarks. Thank you, and over to you. Go ahead.

Karan Bajaj: So, I would like to thank everybody for joining the Q2 and H1 FY '23 earnings call for the company, and I would like to take a moment to provide you with a brief overview of the company. Electronics Mart is the fourth largest and one of the fastest growing consumer durable and electronics retailers in India.

As of FY '21, we were the largest organized play in the southern region in revenue terms, and we operate our business activities across the major channels, that are, retail, wholesale and e-commerce. I will give a little brief on all the three channels and then we can move ahead.

Retail is our main core business and we operate under two different store formats, the multi-brand store and the exclusive brand store. The multi-brand store offered multiple products under one single roof, where the customer's experience enhanced for every individual branded product by arraying a wide range of electronic products under one roof and providing one-stop solution for all electronic needs.

Our multi-brand stores are branded as Electronics Mart in the region of Delhi NCR and Bajaj Electronics in AP and Telangana. As of September 30, 2022, we operate over 100 plus MBOs, which include two specialized stores under the brand name Kitchen Stories, and Audio & Beyond which focuses on high-end kitchen appliances, and home cinema and networking solutions respectively.

Our EBOs, our exclusive brand outlets, which showcase products manufactured by the top manufacturers like Apple, LG and Samsung. As of September 30, we operate around 12 exclusive brand outlets.

Our store offers a wide, diverse range of products for large appliances like air conditioners, televisions, washing machines, refrigerators, mobile phones and small appliances, IT and other product categories. We display over 6000 plus SKUs ranging from different 70 consumer durable and electronics brands.

Our local market knowledge, careful product assortment, supply chain efficiencies, coupled with efficient customer service has enabled us in providing our customers with electronic products at a competitive price with easy EMIs and a wide range of products to shop from and handpick the products best suited to their needs.

Our wholesale division is a limited division where we've seen that we over a period of time supplied to individuals, small mom-n-pop stores across the region of AP and Telangana. This helps us to liquidate the stocks as well. So that is a channel where we are available across 200 plus mom-n-pop stores in the region of AP and Telangana.

Our e-commerce business is a function of our extension of a business, where we are present on the top marketplaces in the country, where we have selected SKUs that we list and sell. We are associated with the largest domestic and international players there to expand our business reach from brick-and-mortar retail stores to e-commerce platform, where we sell selected SKUs, around 200 SKUs compared to 6000 SKUs that we offer in the offline space.

One important point that I would like to make a note is the seasonality of our business. Our business depends on two major seasons, one is the festival season, that is the Dussehra and Diwali period, which is usually covered in the Q3 period and the summer season, which is usually covered in the Q1 period. So, there are two major seasons that see growth in our business and see an increase inour business during this period.

Our results across quarters in our financial year may vary and may not be comparable to each quarter as the two major quarters like Q1 and Q3 are heavy on the sales due to the festive season and are not an indicator of our annual financial results.

A little brief on the NCR, currently, as on 30 September, we operate around eight stores in the Delhi NCR region. We will continue to follow our cluster-based approach for expansion to deepen our roots and make our presence longer in that region. This enables us to identify and grow our brands there as well. The market segmentation, the customer demand preference is little different than the existing market that we operate in and the efficiencies that we have in terms of our cluster-based approach that has worked really well for us in the past as well is what we want to go on with in the future as well.

The strategy would remain the same for the region as well. And I would like to just put a little flavor there, that it's just the beginning there for us and we feel that it's going to stabilize quite soon in the next few coming quarters as we expand and grow our roots in that region. We started our operation on the 14th August in the Delhi NCR with eight stores.

I would like to hand over the call to Mr. Premchand Devarakonda, CFO and he'll take you along to the financial results for the quarter and the half year for FY '23. Thank you.

Premchand Devarakonda: Thank you, Karan sir, and good evening, everyone. I thank each one of you for joining the call. At the outset, I wish you and your family a belated Happy Diwali and a Prosperous New Year.

Before I speak about our quarterly results, I would like to reemphasize that the second quarter is always an unseasonal quarter in our industry. With this brief preamble, I am pleased to announce that our company has delivered revenue from operations of INR 12,277 million, with a growth of 33% over the same quarter last year. These revenues are generated through three channels, namely, retail, wholesale and online.

Retail revenue, which comprises the sale from our MBOs and EBOs generated INR 11,105 million during the quarter, with a growth of 30.2% over the same quarter last year.

Our wholesale revenue, which is B2B sales, to single-store retailers in AP and Telangana state, delivered INR 92 million during the quarter.

Our online revenue has been INR 21 million during the quarter.

While all other operating income comprising incentives, commissions, etc., delivered about INR 1,050 million. Our EBITDA stood at INR 753 million, which is up by approximately 8% over the same quarter last year, with EBITDA margin of 6.1% versus 7.5% in Q2 of FY '22.

We have opened about 8 stores in this quarter in NCR. In line with our strategy to expand in this region, we carried out a marketing campaign in a decent way to create our brand image. In this process, we have invested in advertising and marketing activities, which has marginally impacted our profitability for the quarter.

Now moving on to H1 results, our company has delivered revenue from operations of INR 26,362 million, with a growth of 39.4% over the H1 last year. This has been our highest half-yearly sales since inception. It was mainly because the majority of stores operationalized through the pandemic period.

At this juncture, I would like to provide a little colour on our operations. Bill cuts have increased by approximately 29% to INR 1.44 million compared to H1 last year. Our average ticket size increased approximately by 9% over H1 last year, and our same store growth rate stands at 31.6% for H1'23, which is an indication of normalcy post-pandemic.

During the half year, our retail revenue delivered has been INR 23,832 million, growth of 40.7% over the same period of last year backed by strong growth in our summer season sales.

Our wholesale revenue has delivered INR 294 million, and online revenue has been INR 175 million while our other operating income has been 2,021 million.

Our EBITDA stood at INR 1,724 million, up by 36.6% when compared to the corresponding period of the last year, and EBITDA margin at 6.5% versus 6.8% in H1 of FY '22.

As I mentioned earlier, the investments in advertising and marketing in NCR in the Q2 of the current financial year had an impact on our margins and in the current quarter, which has been offset by the strong Q1 performance of the current year.

Our PAT stood at INR 648 million for H1 of FY '23, with a growth of 58.6% as compared to that of the last year, while the PAT margin was 2.5% during the current H1 versus 2.2% of the first half of the previous year.

With this, I conclude and hand over to the operator to open the line for questions and answers.

Moderator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press "*" and '1' on their touch-tone telephone. If you wish to remove yourself from the question queue, you may press "*" and "2". Participants are requested to only use handsets while asking a question.

Ladies and gentlemen, we will wait for a moment while the question queue assembles. We have a question from the line of Tushar from Ventura. Please go ahead.

Tushar Pendharkar: Yes, thanks for the opportunity. I have two questions. First one, how much was the commission and incentive income in H1 FY '23?

Premchand Devarakonda: INR 2,021 million.

Tushar Pendharkar: Okay. Sir, how much?

Premchand Devarakonda: INR 2,021 million compared to INR 1,078 million of H1 of the last year. This year, FY'23 H1, it was INR 2,021 million.

Tushar Pendharkar: INR 2,021 million. Okay. And sir, the next question is how much hike have we taken in Q3 to pass on the rise in raw material costs because that has impacted the margin?

Premchand Devarakonda: First of all, there was no direct impact of the rise of raw material during that quarter because the H1 usually, would consist of Q1 and Q2, and Q1 would be for summer products like ACs and air coolers, for which we have a plan of already preempting the stocks as early as Q3 of last year. So, we didn't see a major hike in price as such.

Tushar Pendharkar: Okay. And sir, the third question is on the long-term borrowings, our long-term borrowings have increased from INR 144 crore in Q1 FY '23 to INR 167 crore. Means we have decided to repay the debt. So, how much would be the tentative long-term borrowing at the end of FY '23?

Premchand Devarakonda: Out of this, as on date, we have already prepaid a long-term debt to the tune of INR 60 crore and the remaining debt will remain in our book in FY '23 because we want to continue with the existing term loans. as of now, we don't have any plans to repay these term loans.

Tushar Pendharkar: Okay. And sir, last question is on the capex. Our H1 capex was around INR200 crore. So, can we take the full year capex of 400 crore for FY '23?

Premchand Devarakonda: Sir, it will not be in the same proportion because in FY '23, in H1, we had invested in acquisition of properties in NCR because we are new to that territory. that is to showcase our long-term plans too. For that purpose, we had to invest in the acquisition of assets, but this is not going to be the scenario in future. In future or whatever, our capex will be only towards improving the leasehold premises and it will not be in the same proportion.

Moderator: Thank you. We have our next question from the line of Nirav Vasa from Anand Rathi Share and Stock Brokers. Please go ahead.

Nirav Vasa: Hello, sir, would it be possible for you to run through the store expansion strategy in second half of the financial year?

Karan Bajaj: So sir, in the first half, we opened another eight stores in Delhi NCR as a region as of September. So, right now, the plan is to open few more stores as was projected and this would be in the region of Delhi NCR as well as in AP and Telangana with majority of the stores being multiband stores and few of them selected exclusive brand outlets as well.

Nirav Vasa: Okay. Got it sir. So, sir, end of second quarter FY '23, would it be possible for you to give a breakup of the stores that we own and the stores which are there on lease?

Karan Bajaj: Breakup of stores, sure sir, as we talk, we've got 93 stores leased by the company and 11 are completely owned by the company and eight stores are partly owned, partly leased.

Nirav Vasa: Alright.

Karan Bajaj: It was across AP, Telangana, and Delhi NCR.

Nirav Vasa: Right sir. Would it be possible for you to give the same data for the Delhi foray?

Karan Bajaj: Sir, Delhi, out of the eight stores that we have launched, there are seven stores that we own, out of which two stores are ready to get launched. So of the eight stores that we have launched on August 14 of '2, seven stores are in the books of the company and the rest of them are leases.

Nirav Vasa: Effectively would it be right to say that additionally whatever stores we are going to add would be mainly on the lease – leased basis?

Karan Bajaj: Yes. So for now -- right now, whatever we are expanding within Delhi NCR because acquisition is completed for the prime market that we wanted to pick up the stores in. So the most of the stores that we are now signing are going to be -- majority of them are going to be leased out, sir.

Nirav Vasa: Would it be possible for you to share some color as to how was the Diwali sales? Any broad color that you'd like to share?

Karan Bajaj: Right, sir. Diwali definitely was -- this is one of the few years after the pandemic, where we were able to perform without restrictions. And it was in line with our expectations and so definitely give a flavor in the next quarter and would support us for our annual numbers as well.

Nirav Vasa: Right. Sir, I understand it could be a bit early to ask, but how does the summer season outlook look for you? I understand it's a bit early, but you can give any color.

Karan Bajaj: You want to complete your question?

Nirav Vasa: No. I'm done.

Karan Bajaj: So, sir looking at the Q1 summer this year, we were quite confident that Diwali was also on track with us. So in Q1 next year for summer, definitely, we are geared up for it in terms of the plans that we would have in terms of marketing, the government approvals and all, but it has to do majorly with the seasonality of the product. So we'll be geared up, we'll be ready, but it will majorly depend on the extension of the season or how the season would perform depending on the weather as well. So, that is something beyond our control. But in terms of the other aspects of the business, we are all ready and geared up for the summer season as well, sir.

Nirav Vasa: Sir, as I understand that there is some time gap between the summer season setting in between -- setting in the NCR market and the southern market. So, can we expect stronger -- I can say stronger AC sales as compared to the convent -- from the NCR market in the early part as compared to what it was done in the southern part of India?

Karan Bajaj: Sir, you are correct on this, but with the number of stores that we would be operating in Delhi NCR during the summer this year and at the same time with our brand being quite new, it would not reflect on the actual numbers that we would be able to deliver there, but then definitely yes, we would be fitting into the summer this year in the Delhi NCR market as well. So we will be expecting because the summer, there would be setting in post April, May and would be a longer period compared to what we expect down south. So looking at that level, right now, we are ready for it. And we feel that, it should be delivering us the expected numbers for this season at least.

Moderator: Thank you. We have our next question from the line of Ankit Kedia from Philip capital. Please go ahead.

Ankit Kedia: So just wanted to know, if you look at your product mix, right, large appliances share is around 50% while a couple of years back, it was 55% to 60%. So just wanted to know the seasonality in large appliances, do you see second half contributing higher for large appliances because margins out there would be higher. So how do you look at first half versus second half in large appliances and how much is the margin differentiated in these products?

Karan Bajaj: So yes, correctly said, the difference between products like mobile, IT versus larger appliances would definitely vary. And it all would depend on the seasonality as well. So usually, the festive season would be heavy on the appliances, whereas the summer would be heavy on ACs and coolers. The other two quarters that is Q2 and Q3 would be a mix of both IT and mobile on higher side. So that is why you would see a blended margin coming up to what number it is coming up to date. So definitely yes, it would be a mix of – so all quarters would vary differently and the blended would be at the projected numbers that you would have for the past as well as for the future.

Ankit Kedia: Yes, but this year, given that Delhi launch happened late and in Q4, you might see the AC sales come in, do you expect the second half of the year to be heavy on large appliances, or you'll see the benefit of that coming…

Karan Bajaj: We would see a similar mix going forward as well. So because this would be year one only for us, and we would be operational with limited stores in that region. So we feel that it would be quite early for us to preempt the Delhi NCR as a market on terms of the product share that we would have across product categories. But it is in line right now -- till now, it is in line with what we were expecting and what we've been delivering back home in AP and Telangana as well. So the product categorization is very similar to that.

Ankit Kedia: Sure. My second question is on the Delhi NCR market. Can you talk about some startup losses which you have? And by when do you think these stores would break even? And in second half of the year, what could be the incremental -- if I just look at Delhi NCR, what could be the margins only for those markets at the gross margin or EBITDA margin level, if you can share?

Karan Bajaj: Right, sir, our initial expectation would be that things are on track since the time we've launched. Definitely, yes, it being a new market, we had to advertise a little heavily because the number of stores was limited, we had to make sure that we create a presence because Delhi NCR is present across Noida, Greater Noida, Gurgaon, Faridabad, Ghaziabad, and the whole of Delhi city. So the cost of advertising across the periphery was a little more expensive. We had to do some launch activities, we had to gratify the customers there. That's why we had one of the lucky draws recently as well, what we do back home with the limited stores that we had. So this was all a part of that we had planned earlier. So the cost of marketing definitely would be looking a little higher initially.

But then once we open more stores -- it gets offset with the sales or revenue that we generate in the future, which is in line with what we're expecting back home, and these margins are -- right now, we are operating at a similar margin percentage that we would do back home with a little competition, with we setting up the stores there and a little initial momentum, there might be a little plus or minus of around 0.5% in terms of margin levels that we will look at it. So we are ready for it and that is where you would see a decrease in the Q2 number as well in terms of the EBITDA margin, where there was a direct impact on the daily operations, which were in place in terms of the manpower costs, security, housekeeping, marketing, those kind of expenditures that were already booked in before revenues not even started, which got a little delayed because as we wanted to launch those stores on a certain day.

So, all of these things put together has an impact during the Q2 that we would see in the numbers, sir.

Ankit Kedia: And can you quantify that number for us, so we exactly know how the core market has performed because on like-to-like basis, the historic numbers would have only the core markets and not the daily market. So that will give us some idea on how strong the core market performance is at least at the EBITDA level?

And what is the current run rate of revenues in the daily market if you can quantify that as well?

Karan Bajaj: Sir, can you repeat your question once again sir, please,

Ankit Kedia: Sir, can you quantify one, the revenue run rate in the Delhi market which you have on monthly basis and second is the absolute amount of fixed cost to run the daily stores, X of the gross margins to help us understand that the core market because in the base year Q2 FY ’22, we only had the core market, not the daily market, so the like-to-like performance, it will help us gauge in a better way.

Karan Bajaj: So sir, in terms of the expense that would be -- the operating expense at -- we would be operating in Delhi as a market, apart from the rental, all other costs remain the same as we do back home and the rental costs would be a little higher, which is built around 3% compared to the regular number of 1.5% or 1.2% that we deliver as a rental costs. The Delhi rental costs would be around 3% that will be a little higher number, but in terms of the manpower costs and everything else would remain in line with the Hyderabad market – so, the major head would be electricity, manpower, and security, housekeeping. Apart from this, the major cost was on the marketing launch or the business promotion. So that was on the higher side. Usually, it would be around 1% year, but for the initial launch, because there was no generation of revenue, I would be able to tell you the approximate number. It was around INR 3.5 crore to INR 4 crore for the marketing spend that we did for the initial launch.

Moderator: Thank you. We have our next question from the line of Mehul Desai from JM Financial. Please go ahead.

Mehul Desai: Yes. Hi, sir. Just wanted to get -- if you can just give some sense on how was the growth in AP and Telangana market in terms of revenues there and what are the kind of store expansion plans for those markets?

Karan Bajaj: Right, so sir, I will give a broader number. So, we look at around 30% of same store growth coming in, because most of the stores that we opened in AP and Telangana in the Tier II, Tier III cities were during the pandemic year. So, in fact, we were not able to run those stores completely. Now we are looking at those stores delivering a much higher number than what they were initially doing because they were opened in the pandemic period. So, we are looking at a much higher number coming in those places, especially Tier II, Tier III cities.

This Diwali also gives us a flavor of that. And going forward, we are looking at expanding into these regions, places like Vijayawada, Tenali, Guntur, Kurnool, Nellore, Rajahmundry, Bhimavaram, Tirupati. So these are the places that we've already looked at expanding for the coming time, and it would always give us a breakup in terms of the total split that contribution is coming from the upcountry market of Telangana, which we're operating around 17 stores today and around 22 stores that were operating in the market of Andhra Pradesh, it is already giving us a higher throughput, what it was giving us in the previous periods.

Mehul Desai: And store expansion plan, I mean the 103-store count that we had in FY ‘22 and now 112. We are looking at what number for FY ’23?

Karan Bajaj: FY ‘23 end, we would be adding up another 15 to 18 stores in the existing market.

Mehul Desai: In the existing market. And lastly, you said INR 3.5 crore to INR 4 crore marketing spend that you've done. This is for the daily launches one year thing, right?

Karan Bajaj: So this would include all ATL and BTL activities along with the business promotion where during the launch, we had given gold chains for every two hours in Delhi in all the eight stores that we had launched, as primary part of our marketing, along with that in all the major publications and we carried a launch ad… with pre-launch offers on radio as well as post-launch offers running through on the radio for a month with outdoor celebrity promotions, endorsements, all of those things put together was the launch plan that we had planned for Delhi NCR because we were launching eight stores together. So we want to make sure that we create a buzz in the market and as I told you the periphery of Delhi NCR is quite huge. So we had to plan it accordingly because one of our stores was placed in Ghaziabad in Uttar Pradesh and seven of the stores are based in Delhi city. So we had to plan out the marketing plan accordingly. So that is why we looked at that kind of spend, which would justify the launch for eight stores together.

Mehul Desai: So Delhi NCR in gross margin term, so the store gross margins would be similar to what AP, Telangana does.

Karan Bajaj: Yes sir. Because the product mix also remains similar and that is why we are looking at a similar gross margin level at the same time.

Mehul Desai: And lastly, just -- I mean, right now in first half in Q1, you had 14% gross margin, 13.6% in Q2. This Q3 is typically a higher gross margin. Is that understanding correct?

Karan Bajaj: So sir, exact number I won't be able to share with you, but yes, definitely yes, the product mix remains a little different and definitely, if you look at the Q3 numbers, it would be in line with what we delivered in the past as well. So we are quite confident that the Q3 would be in line with the past and it would be. So what have happened is every quarter for us would play differently, like Q1, Q3 would be on a similar range, Q2, Q4 would be on a different range because the product mix would be a little different and the seasonality and the productivity also would change. So the overall looks blended by the year end.

Mehul Desai: Okay, understood. And this marketing spend of INR 3.5 crore to INR 4 crore, do you see this kind of spend coming in second half also for Delhi NCR or is it done now?

Karan Bajaj: No sir, it is done. So basically, it was a launch that we had to create a buzz in the market for the branding available there. But now it is going to be all organic. So it will be in line with whatever sales that we generate. So it is going to be in line with what we do back home also. So the marketing cost is going to be limited to medium until the next summer starts off, that is Q1 of next year.

Moderator: Thank you. We have our next question from the line of Darshil Jhaveri from Crown Capital. Please go ahead.

Darshil Jhaveri: Yes. Hi, congratulations on the great listing and great performance this quarter. So I just wanted to get a broad flavor of our growth in the upcoming years. So would you be able to give out some kind of numbers that you might be expecting, maybe next year or something like that, because we had a very rapid store expansion and as the store matures, we will be getting better and better revenue. So what kind of growth are we looking in the upcoming few years, even ranges would do.

Karan Bajaj: So sir, usually, we plan to add up around 20-odd stores every year, that is what the plan is. The new stores usually… in the year one, year two, year three would give us a higher growth rate compared to a same store growth, compared to the vintage stores, which are 5, 7, 10 years old. So we aren't expecting any inorganic growth coming in for us because the stores that we expand, the product categories that we are into. So we will look at an organic split and development of that going forward would be in the range of around 20% to 25%. That is what we will look at organically for the coming times sir.

Darshil Jhaveri: Okay, so that helps a lot. And another question related to our finance costs. So as we are repaying some debt, and we've been adding, we've got some IPO proceeds. So what could be our finance form going forward, because it's been around INR23 crore in the last two quarters. So we have done roughly INR50 crore in H1. So, just a broad range of what do we see a finance going forward?

Karan Bajaj: So, sir, if you have seen, we're working towards it. So the finance costs would be in line because the working capital requirements are higher and this would again depend on the seasonality. So, it would be Q1 and Q3 heavy on the working capital requirement versus Q2 and Q4 little lower. So, we have paid up INR 59 crore term loan that we had on our books. So, that was a long-term debt that we had repaid. This was majorly for the acquisition of property. Going forward, we would not be looking at this kind of a drastic increase in the term loan requirement and the working capital cycle or the working capital days remain more or less similar. We try to enhance that. If you look at the number of inventory days also have dropped down a little bit, but we are in line with enhancing all fronts to make sure that this comes in line with the sales that we deliver.

Moderator: Thank you. We have our next question from the line of Divesh Mehta from Dinero Capital.

Divesh Mehta: Hi, thanks for taking my question sir. Sir, I had one query. So, when I was going through your presentation on your slide Number 10, sir I was just referring to it and I saw that the number of closed outlets has been only one and that is also in FY ‘22.

Karan Bajaj: Correct sir.

Divesh Mehta: Yes. I know we follow a cluster approach when we are trying to target the market and we -- while we go for the store opening and all, but sir can you give me per store metrics that how we plan for it and what is the approach, how to get payback in the shortest period?

Karan Bajaj: So sir, what we look at first thing is that, we do a lot of research before we open a store. So that is why you could see very less number of stores are closer from our side. So, we don't intend to pick up stores randomly. There is a lot of study that goes and a lot of research that goes to the end before finalizing the store. So, that is why we limit ourselves to opening 20 to 25 stores in the calendar or the financial year, is to make sure that every store is handpicked by the team and making sure that we fall in line with all the compliances that are to be followed. So, that is why one store that we closed on was a previous store in FY ’22, whereas, in the first half of the year you will not see any store closes and historically also we do not close stores.

So we look at stores, which are at the border line performance or something. We try to evaluate stores month-on-month, quarter-on-quarter to make sure that the productivity of the stores is increasing and wherever we feel like especially, this would happen with an exclusive brand outlet or a store with the productivity is a little lower. That is where we would like to take a call on the store, if it doesn't perform and meet our expectation.

Divesh Mehta: But sir, I was little bit -- I was surprised that in last three years, we have closed only one store. So, we have been so specific with the location selection in our stores, all the stores must have been performing very well to get such kind of efficiency out of it.

Karan Bajaj: Correct. Yes sir, they are actually. If you look at the stores that we operate versus the number that we deliver in terms of top line, we're looking at only the multi-brand stores. So, the major split would be multi-brand stores and exclusive brand outlets. So, that is why the exclusive brand outlets would definitely deliver a lower throughput compared to a multiband outlet because it is a brand specific and a product specific store. So that is why we would look at the multiband, which contributes to around 95% of our business. So that is more important. And when we look at the matrix there, we look at cost, input, revenue generation that we do. So, if you look at on an average, our stores deliver over INR 40 crore plus, including Tier II, Tier III cities in upcountry of Andhra Pradesh and Telangana.

So, our aim is always to make sure that we increase product categories in the store, the productivity per store and look at every season to deliver a constant number annually sir.

Divesh Mehta: And sir, one more question. So when we use the store name, which is Bajaj Electronics in Andhra and Telangana and outside Andhra, Telangana, we are using the name Electronics Mart, if I'm not mistaken.

Karan Bajaj: Correct sir.

Divesh Mehta: So how do you see this resolution coming in future and how do you see this will pan out for our company sir?

Karan Bajaj: So sir, that was an intentional plan that we had done, where we use the company name, which is Electronics Mart for that other region that we're operating in.

Right now, this is the plan that we want to stick to and once we have a little more clarity from our end, we see a little more change coming in the future, that is when we probably take a call. Right now, this is what we want to stick to expanding with our existing name of Bajaj Electronics in the region of AP and Telangana and anything outside this region, we will be expanding under the name of Electronics Mart.

Divesh Mehta: But is there any litigation going on and all with this name or anything?

Karan Bajaj: So there is actually a litigation going on in the Bombay High Court filed by the Bajaj Electrical Group. So till the time that is resolved the matter is sub judice in the court, we won't be able to comment on that, all the disclosures have been mentioned on that at the same time. So that is why we think we don't want to complicate things. We want to make sure that we concentrate on the business rather than concentrating on the case. So that is why we started with the name Electronics Mart and once things fall in place, then we would then look at taking a decision on that sir.

Moderator: Thank you. We have our next question from the line of Krisha Kansara from Molecule Ventures LLP. Please go ahead.

Krisha Kansara: Hi sir. Sir my first question is regarding your strategy behind acquiring stores in Delhi NCR? So what was your thought process behind acquiring stores versus not using one?

Karan Bajaj: Right ma'am. So when we started evaluating bigger markets, like Janakpuri, Lajpat Nagar, Rajouri Garden or the prominent markets in Delhi NCR, so ma'am, the rental cost there we look at the yield versus the buying of property in terms capital expenditure that we would want in these stores, the cluster size, what are the competition delivering in that cluster, how big is that cluster? So, there's a lot of reasons when we take a call on whether we leave out a store or buy out a store. Usually, we would first look at a preference of leasing out the store when the yield is less than 5% or so. So, once we are confident enough that the markets are big or the properties are only available on a certain criteria, so that is why we make a decision on whether we will lease out the property or we buy out the property ma'am.

So, out of – if I give you a mix of about 112 stores today, we own around 20-odd properties on the books of the company, where there is a mix of lease out or lease -- partly owned, party leased and completely owned properties as well, ma'am.

Krisha Kansara: Okay sir. Sir, my next question is regarding your refurbishment cost. So, in your DRHP, you had mentioned that per store, you have refurbishment costs of around INR 2.5 crore. So, we take this on our books, but this will not be a onetime thing, correct? So, what is the frequency in which we incur in this refurbishment costs?

Premchand Devarakonda: Ma'am, I will take, ma'am. Can you repeat the question?

Krisha Kansara: Sir, my question is the refurbishment costs, which we take on our books of around INR 2.5 crore to INR 3 crore. So this won't be a onetime cost, correct?

Premchand Devarakonda: Yes. It is in fact. It is the leasehold improvement.

Krisha Kansara: Correct, but this cost won't be a onetime cost, right? So what is the frequency in which we incur this cost at the same…?

Premchand Devarakonda: No. We will not incur a similar cost frequently. Normally this is – as per our policy, we will write it off over a period of eight years. And then in between we incur on maintaining these leasehold improvements, mainly the air conditioners, the joinery work. So, only that will recur and after we write off, we decide to upgrade the store -- that is the time again, we need to incur this expenditure, normally it happens once in eight years

Krisha Kansara: Okay. Understood. And sir, will this refurbishment costs increase when we enter in Delhi NCR?

Karan Bajaj: No ma'am, in fact, what we always try to coming up with newer ideas for store displays and store interiors, so that the refurbishment costs on longer term reduces, so that we use products or materials where the refurbishment cost over the period of time or the durability of these products are much superior maam.

Krisha Kansara: Okay.

Moderator: Thank you. We have our next question from the line of Nirav Vasa from Anand Rathi Share and Stock Brokers. Please go ahead.

Nirav Vasa: Hello, sir. Would it be possible for you to share the SSG for H1 FY '23?

Karan Bajaj: So that stands at around 30-odd percent sir.

Nirav Vasa: 50%.

Karan Bajaj: 30% sir.

Nirav Vasa: Sir, any guidance that you would like to give for FY '23 performance?

Karan Bajaj: Sir, the Q1, Q2 performance was as expected that we've delivered and looking at the FY '23 annual number of projections for the next two quarters because you've already crossed Diwali. So we are on track, we are quite confident. I would just like to give you a flavor that Diwali was quite a good period for us. And looking at that, we're quite confident that FY '23 would be in line with what we had expected and projected around 20% growth. That is what we looked at and we are on track of delivering that number sir.

Nirav Vasa: Sir in addition to the last question that I would like to ask is based on your experience of 4G upgradation, and now with 5G upgradation on avail, there are a lot of testing's which are happening across multiple cities.

Karan Bajaj: Correct**.**

Nirav Vasa: What kind of potential are you seeing arising for us from 5G sale – 5G upgradation once it is done on Pan India basis, especially across our geographies?

Karan Bajaj: So sir, that was quite confident the market that we operate in, 5G is going to be firstly available here very soon. So that anyways gives us the confidence that we are going to sell more number of IoT devices. Number two, sir as a seller, we are premium sellers. So we don't do a lot of feature phones. So from the initial start of selling mobile phones, we are already doing smartphones. We're quite confident that the customer base that we have for our smartphone devices or the upgradation that you might look at the future going to be quite stronger because the ASPs that we deal with are on the highest side, which cater to the 5G device segment.

Tier II, Tier III might take a little longer for the adoption of 5G, but at least the cities that you operate in, like Delhi NCR and Hyderabad, we're quite confident that it would be sooner than other cities that we will be able to sell higher number of IoT devices.

Premchand Devarakonda: I would like to add something to the answer, which has already been answered by our CEO earlier on the finance cost.

See here, the finance cost comprises interest expenditure as well as certain amount to be charged, it's a notional interest charged on the leasehold liability created in our books as per Ind AS. See for example, in the current financial year, out of INR 49.9 crore of our finance costs, the actual interest cost on account of our borrowing was only INR 22 crore. Similarly, during the half year in the previous financial year, out of INR 39.5 crore of the finance cost, only INR 15.69 crore was only on account of the borrowing. So, this was the further clarification to be added in this discussion.

Moderator: Thank you sir. On behalf of Anand Rathi Share and Stock Brokers, that concludes this conference. Thank you for joining us and you may now disconnect your lines.