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August 21, 2017

To

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BSE Code: 500031	NSE Symbol: BAJAJELEC - Series - EQ

Dear Sirs,

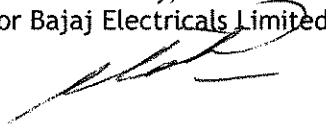
Sub: Bajaj Electricals Q1 FY 17-18 Earnings Conference Call on 4 August 2017 at 15.00 hrs.

Further to our letter dated 4th August, 2017, we now attach herewith the transcription of Earnings Conference Call organized by Edelweiss Securities Ltd. on 4 august 2017.

Kindly take the same on your record and put up the same on the Notice Board of the Exchange for the information of the investors and general public.

Thanking you,

Yours faithfully,
For Bajaj Electricals Limited



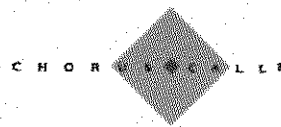
Mangesh Patil
EVP-Legal & Taxation and Company Secretary

Encl: as above.



“Bajaj Electricals Limited Q1 FY 2018 Earnings Conference Call”

August 04, 2017



ANALYST: MR. AMIT MAHAWAR – RESEARCH ANALYST - EDELWEISS
SECURITIES LIMITED

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

Moderator: Ladies and gentlemen, good day and a very warm welcome to the Bajaj Electricals Q1 FY2018 Earnings conference call hosted by Edelweiss Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. I now hand the conference over to Mr. Amit Mahawar from Edelweiss Securities Limited. Thank you and over to you Sir!

Amit Mahawar: Thank you. Good afternoon everyone. On behalf of Edelweiss, I welcome you all to Bajaj Electricals Quarter 1 Fiscal 2018 results conference call. We have with us today top management presented by Mr. Shekhar Bajaj, Chairman & Managing Director; Mr. Anant Bajaj, Joint Managing Director, and Mr. Anant Purandare, President and CFO. Without further delay I now hand over the call to the management. Thank you and over to you Sir!

Shekhar Bajaj: Good afternoon, Shekhar Bajaj here, Anant is joining in next few minutes, but we will start with my opening remarks. As you have already seen numbers, unlike every year this time we are meeting the next day so I presumed you must have studied and got a lot of questions to ask. Let me quickly give you a summary of what has happened. This is the first time, in the first quarter, as a company we have crossed Rs. 1000 Crores that was good news in terms of top line, in spite of June sale has been substantially down and the reasons for the same, I will come to that later.. As far as the two businesses concerned, the consumer product business has shown a negative growth of 14.3% over the last year which is fall of Rs. 78 Crores. Now in consumer products business, we realize that whatever stocks are left over with our dealer, , they will not get a full compensation when the July GST starts and therefore to that extent we said that buy only what you need but there will be some stocks which still will be left over and therefore we have given a compensation of Rs. 9.2 Crores for the stocks as on June 30, 2017. Rs. 9.2 Crores has taken a hit in the first quarter towards the stock which was being held by us dealers, distributors, as of June 30. Also because we said we will not push more sales in the month of May-June because we want them to reduce the inventory level which may close the RREP areas inventory levels of not more than one, one and a half months but in the non-RREP areas there could have been stocks of two or three months and everybody in the month of May-June, from our retailer point of view, from our consumer point of view, everybody was shying away. So secondary sale was also not very exciting and so our replenishment also to that extent was impacted and therefore sales compared to the previous year first quarter is down by Rs. 78 Crores, which would have given us additional contribution of another Rs. 10-12 Crores depending on actual what sale would have taken place. So therefore our EBIT which has fallen from Rs. 25 Crores to Rs.3.28 Crores with almost Rs. 22 Crores, of which Rs. 9.2 Crores because of GST compensation and another Rs. 10-11 Crores is coming out of loss of sales because of the sales has not been pushed at the end of the month in June because the new GST is coming so that has resulted in another contribution have been gone down.

This also makes me think that we have always said that EPC business and consumer products business should be together because sometimes if you see EPC will do well sometimes consumer

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products will do well in the market and therefore one compensates the other. If you have... many people had said why not you split the company. If you would have done that to take a consumer product company invested against Rs. 25 Crores previous year, the profit has gone down to Rs. 3 Crores so 80% drop in profit that would be highlighted. Profits fall by 80% as far as Bajaj Electricals is concerned because it is consolidated situation; the drop is only 10% as far as profit after tax is concerned this only 10% drop.

Coming to now EPC segment, EPC segment is exactly the opposite, Here we were giving into the final user and therefore we said as much as we can push, whatever we can bill, we should try and bill maximum as of June 30 because they are going to use it, so therefore to that extent there is no GST problem for them even if we billed more and therefore there we were able to get a growth of almost 36% and the result of that is there EBIT has gone up from Rs. 30.87 to Rs. 39.77 Crores, an increase to 29%, and the company having 7.3% growth. As far as we are concerned, luckily the current order book on EPC is 3366 Crore, Rs. 580 Crores of transmission line Towers, Rs. 2614 Crores of Power Distribution and Rs. 172 Crores of illumination and therefore we have done a lot of pushing in the month of June for EPC. Here, our whole emphasize earlier has been on execution. In the month of June, we made exceptions and whatever orders were there where we can supply and even though we have not done full erection, we still can supply, we have supplied, so therefore in July, the supplies will be lower in the case of EPC, but the erection is higher because that the materials are available for erection and the result of that is that our growth for the year continues to our guidance which is there, but in EPC we continued to have growth of about 20%. In case of consumer product, our growth will be coming to 10% because in the second quarter demand will pick up and then third and fourth quarter, of course it is going to be very good because now I think with a single tax structure and all, it becomes very, very easy. Now the important aspect to also understand it because we have decided to keep our price still stagnant if we do not do a complete study and analysis where what will be the next plus minus as far as CP is concerned, so though we know there will be 1% or 2% net loss that we take in consumer products, we will not increase the price. Many of our competitors increased their price, we have not done so. Till we do not do a full analysis they can get some discount from our vendors etc., but the result of that is we were earlier billing for say 100 plus 18% or 20%, now my price of 100 plus 20 say 120, we have kept up price to the customer still at 120, but now I believe because of 28% GST it is being 92 plus 28% and therefore the price is 120, but our realization will go down because we do not count tax when we still talk about turnover, it will be down by 8% as far as consumer product is concerned. As far as EPC is concerned, it will be down by 3% so because of that to achieve a 10% growth by end of year, we will need to have 18% growth in volume terms. Then we will get a 10% so we still see that we are going to push to try and see that we are in position to have a 10% growth in our consumer product. The good news is that margins are not going to get impacted. The margins will still continue to be for 100, I will be making 20, now 92 also I make 20, the percentage will go up but the amount will remain the same, because we are only changing the billing system, our margins are not getting impacted. So it is not that we are getting certain percentage of margin, we get an amount of margin but that

will not change. Our overall finance cost has substantially gone down and will continue to go down, I think by the end of the year, it should not be more than Rs. 60-65 Crores against last year Rs 80 Crores, previous years it was about Rs. 108 Crores. So that is the good news. We are hoping that with our Channel financing and all taken place, our capital employed will further go down and we are hoping that we reduce our capital down to almost a negligible amount in the next six months. So with these opening remarks, I would like now to open the floor for question and answers. Thank you very much.

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

Renu Baid: Hi good evening Sir. Good to have conference call with you after almost two quarters, hope you continue to maintain this trend now.

Shekhar Bajaj: It was for some of reason I was out of India or something. Otherwise we love to talk to all of you so it will continue I hope forever and I am sure Edelweiss is going to support us to have it.

Renu Baid: Sure, Sir regarding the quarter I wanted to first understand how was the segment wise because overall if you see there was a 14% decline in the consumer sales, our segment sales. So how did the segment wise impact seen during GST across category. Did we see more intensity of decline in the appliances and the fans category versus lighting, if you can throw some insight into how did the individual segments perform and what was the impact of GST across all the three categories?

Shekhar Bajaj: As I had already mentioned in the opening remarks, all the CP products are negative, appliances is -9%, fans is -19%, lighting -18%, only Morphy Richard had a nominal growth of 2% and so therefore overall if you see it is anything between 8% to 20% negative in all the categories.

Renu Baid: And within this because if you compare with some of the other peers who have reported at least the lighting segment is the one category where the decline was arrested to a meaningful extent. So any particular reasons why we saw such a sharp decline or you think it was just in sync with the other elements?

Shekhar Bajaj: No I think each company has its own strategy and policy. We are not interested in going and giving extra discount to get rid of stocks. We have told people that please do not buy any material from us from 15 May and we have said them take it easy. Our sales was down by I think 30%-40% for the month of June because we said that why should you lose out or company lose out because I gave compensation of Rs.9.2 Crores on the stock which was left over with the dealers. so it is a joke that I end up paying 4% to them as a compensation and I would rather say, do not buy they only thought they could only sell, left over you cannot have a zero stock. For first 10-12 days we did not have billing the month of July because of GST transition so because of that they have to keep some stock as on 30th of June. They cannot have zero stock and therefore we compensated them because in the month of July when they get a full set off, we get a full set off 28% it will make sense with of course July was still has month of conservation,

there was some billing problem, some of them did not have proper registration numbers, but I think August onwards, I do not see any problem because the demand is there and people are asking for our products, so there is no problem we are hoping that August onwards, you will see that even in the second quarter in spite of July being weak, we think second quarter should be showing some or at least flat if not some positive numbers, but third and first quarter should be moving up.

Renu Baid:

Right because one of the common questions which investors have is that over the last two years we have been implementing the RREP program and at the end of the FY2017 we were almost 45%-50% compliant on this and despite that we had a sharp decline consumer business. So, if you can share some understanding based on the data points that you have how was the performance of the dealer distributor in the RREP coverage during the GST regime as well as during the preGST headwind that we saw and how was the sales performance that we saw for the non-RREP compliant channel and their impact on the 1Q number which you saw?

Shekhar Bajaj:

Your observation is correct. So our de-growth in case of RREP segment is definitely much lower than in the non-RREP segment. The RREP stock limit was already under the control which I mentioned in the opening remarks also. In case of non-RREP stock levels are still run up two months and two and a half months stocks also there so they obviously you said that correct our stock, they were more reluctant to buy. Everybody knew that the benefits are coming so most of the dealers, distributors were trying to sell to retailer, retailer says we do not know to buy now, we will buy in July. Everybody was postponing their requirement except for what they would need for immediate sale.

Renu Baid:

Sir sorry to interrupt this only that since we have a very well mapped IT system and the sales if you can throw some numbers with respect to the decline it will be easier for us to appreciate how has been implementation of RREP and effectiveness in terms of the sales during these challenging times?

Shekhar Bajaj:

Such details are not available right now, but it is important that will discuss because there was so much of confusion many people did not have their GSTN numbers and in our own internal system, there were some bugs, which came in and we had to get corrected and we billed it. We could not start our vendors to supply to us. There were a lot of issues which were there in July and therefore what we need to do is when we have conference call in the month of October that was the right time to say how was your second quarter, but how is it panning out in the month of August and September that would be a very important two months, but I think now we have crossed 60%, through RREP we have covered almost 84,000 to 85,000 outlets and we are hoping that by March, we will cross 1,60,000 outlets through RREP and another 30,000 to 40,000 non-RREP will of course continue just now which will hopefully become almost 0 by end of March 2018.

Renu Baid:

Sure, Sir thank you so much. Just one last question if you can help us understand, on media you had mentioned that for the current financial year we expect after the GST headwinds

approximately 10% kind of volume growth in the segment so how would this growth be segregated across categories and in value terms in your view what could be the number?

Shekhar Bajaj: As I mentioned that on an average, now I cannot see whether which will grow or not grow, it will depend on competition also, all I can say is that our average if you take whatever has been trend on that basis, about 7% to 8% will be our realization if we achieve the same volume instead of 100 it will be 92-93 so therefore volume growth may go down, volume growth may be 10% and value growth may be only 3%-4% that can be there but internally we are still saying I want to have 10% value growth, volume growth will be 17%-18% that is what we are pushing forward let us if... I am only mentioning that if the value growth does not come to 10% I must tell you why it is so okay in advance.

Moderator: Thank you. We take the next question from the line of Achal Lohade from JM Financial. Please go ahead.

Achal Lohade: Good afternoon Sir. Thank you for the opportunity. Sir I wanted to check that you said you were about 40%-45% RREP covered actually by March.....?

Shekhar Bajaj: Till now 60%.

Achal Lohade: Now 60% fair point. What I wanted to check is when you said Rs.9.2 Crores of provision with respect to the compensation for the dealers. Was it for the RREP, was it for non-RREP channel or was it?

Shekhar Bajaj: All of them, everybody.

Achal Lohade: So I was just curious because if I look at the other companies, even with our higher top line or big top line their compensation was much smaller so what I am curious to know is A. what is also given to the wholesalers and B. what the terms like these Rs.9 Crores seem to be fairly large number as compared to the others?

Shekhar Bajaj: No which is coming to about if average cost of about 2% on the stock. Basically what others have done, they had gone in given some extra discounts and therefore they did not have to give them a compensation, so they have given extra discount to sell the product, they said okay we will give you extra 2%, 3%, 5% we gave nothing extra because we did not want to disturb our distribution network so therefore all our RREP we have been pushing, pushing so that please we will not give anything extra so therefore if somebody wants more we say take less, please take limited quantity whatever you need, but whatever stocks are left over, because these stocks are left over, because the stocks are ours because these are stocks the distributors said I have to compensate my retailers who may have got some stock left over. You cannot have retailer shop having no stock so because of that we give it to the distributor, he in turn passed on the part, partly he keeps to himself and partly pass onto his retailer down the line so keeping that in mind I think we have compensated little more than required that is true, but we said that this is how you get clarity that if you have any problem with them. As a company we are behind you. That is

whole logic. Do not you know you are keeping limited stock; we are going to lose out some sales. We will have some stock left over, you do not need to worry, and company is there behind you. This is whole logic on which our people have worked. What you are saying is possible that we may have given the couple of Crores extra compensation, which could have been avoided. One can always say why not this much, why not little less or more but what you are saying is I also felt that maybe we could have saved a few Crores, but I think it is does not matter in the totality, you get a goodwill. I think goodwill is more important in future if you want to achieve the type of growth in the RREP distribution where we have got over 80,000 outlets through which we are doing would RREP which would become like as a 1,60,000 by end of March so those people let us say if we are going to keep them happy they say oh any problem comes Bajaj is there behind us. That itself is a very important for a person dealer who works for 5%, 6%, 7%, he cannot take a hit of 4% or 5% so therefore that is what our objective was.

Achal Lohade: Understood. So is it the amount already incurred or it is just provided for. What I am asking is there any incremental provision possibility?

Shekhar Bajaj: No we have done a formula by which on June 30, we knew exactly how much each one has to pay we paid them, gave them paper and at the end we have taken a hit in the first quarter. There are no more claims or anything which is pending or anything like that. It is over.

Achal Lohade: Understood. Sir the other clarification I would like to have is you said you have not changed the pricing at the moment and....?

Shekhar Bajaj: Except for some items where the duties have come down. So where it has gone up like in case of appliances, fans to 28%, we have kept the price same. The selling price including 28% tax rate is kept the same and just worked backwards to decide about billing price. Where excise duty on some product have come down, there we have reviewed the price and passed it on because we do not want to do any unjust enrichment to ourselves so we can always take a hit of 1% or 2% that is perfectly okay as a company but government is trying to encourage people to do the business properly and therefore we do not want to be one of them who would like to not support the government in their endeavor to single tax rate and hoping that what was mentioned today by the finance minister that we may look at the GST that is coming down to level of 18%, because the world over, there is no country where GST more than 18%. So I hope that our appliances tax will also come on 18% bracket than we will become more competitive in the market place. We means all the industry.

Achal Lohade: Sir what I wanted to check is if that means the MRP you have kept the same. Is that the right understanding?

Shekhar Bajaj: MRP is same MRP is now become immaterial because earlier it was MRP on which the excise duty was applicable, now MRP is just a piece of number. Because nobody sells in MRP anyway. It is always what we call it MOP, which is Market Operating Prices. So MRP is that we do not look at, it is MOP is what we have kept that it should be as it was before including tax so that

should not be changed so that the consumer should get it at the earlier price including tax which was earlier he was paying, where the GST has come down there of course 100 has become 93 they should get at Rs. 93.

Achal Lohade:

Sorry I am bit confused Sir.

Moderator:

We have the next question from Deepak Narnolia from Birla Sun Life Insurance. Please go head.

Deepak Narnolia:

Hello good afternoon Sir. I have one clarification in your opening remarks you said that due to the GST some Rs.70-Rs.80 Crores sales was loss to Rs.10 Crores and get so what was that?

Shekhar Bajaj:

What we did was that one is a normal way we could have pushed the sales in quarter ending but if we had done that extra sales and that is left in that stock at the quarter end, to that extent we will have to compensate them for their stock. so we said buy what you think that could sell in June and to that extent our sales down by Rs.78 Crores compared to last year, because we have done last year level that it gives that another 10 Crores to 11 Crores of contribution and because that sales did not take place because market condition because of the GST can be all mixed up, we cannot specifically say only because of GST the fact is the sale went down from the level of 547 Crores to Rs.470 Crores, which is the fact of life, now whether it is because of GST or not pushing or the market was bad or the consumer and whatever the reason because this is something which has happened because GST there was uncertainty so therefore dealers when they uncertain basis we buy in July that is the whole thing, just now because of that we lost Rs.78 Crores of sales when looking at the flat sales equal to last year, then we lost about Rs.10 Crores of contribution of that Rs.78 Crores that is what I was mentioning. It could be because of the GST, it can be because the market was hesitant to buy our product of the company so any of those things could have happen.

Deepak Narnolia:

Okay and this Rs.9 Crores compensation you have said this is for what like you have straightway paid to the dealers?

Shekhar Bajaj:

That is for the distributors and dealers. Whatever stocks we have worked out would be approximately there, on that basis we have done our formula by which we would compensate them that you compensated them now whether they end up losing a rebate or giving something we do not want to get into those details, there is a formula but this is how you see compensated and that compensation is being done and I do not think we have had any major complaints coming out. Somebody obviously will say and I have dropped off 10000 or 15000 that is part of life.

Deepak Narnolia:

Okay I mean this is for the GST credit they are not getting on the inventory so you have pegged the compensation against that?

Shekhar Bajaj:

Absolutely that is right.

Deepak Narnolia:

Okay and you are maintaining you 10% guidance for the year?

- Shekhar Bajaj:** 10% or you said it may go down between 10% and 3% because our value term the growth will be negative because of our realization because GST will go down, 10% to 8% in case of customer products has 3% because in the EPC our billing for the same consumer pricing will go down to 8% and 3% and therefore that is why I am saying it will be using between 10% we have still hoping for 10%, but it may go down slightly because of volume growth of 10% to take place but you may end up having only 3% or 4% increase in terms of value terms.
- Deepak Narnolia:** Okay that means you are saying that due to accounting difference, the value term will look lower than 10%.
- Shekhar Bajaj:** Yes absolutely correct.
- Deepak Narnolia:** But volume would be your still maintaining 10% volume growth. At EBITDA level it will remain same?
- Shekhar Bajaj:** Yes I hope so in terms of value.
- Deepak Narnolia:** In terms of value that means that your EBITDA margin will be higher?
- Shekhar Bajaj:** Yes correct you are right.
- Deepak Narnolia:** Okay it should not impact.
- Shekhar Bajaj:** It should not.
- Deepak Narnolia:** It should not impact your profitability in absolute terms.
- Shekhar Bajaj:** Yes therefore you do not need to worry.
- Deepak Narnolia:** Thank you very much.
- Moderator:** Thank you. We take the next question from the line of Bhargav Buddhadev from Ambit Capital. Please go ahead.
- Bhargav Buddhadev:** Good afternoon Sir. Sir has the GST led some acceleration in terms of acceptance of TOC?
- Anant Bajaj:** It has helped being in TOC clearly. Because of our doing the TOC, , we have already got luckily lot of bad factors in the market out of our list anyways so as in we did not have lot of the otherwise possibly problematic distributors were already out from the system, so what would have possibly happened as a make shift pain area situation, because it was business as usual place already where TOC was there we benefitted to the extent where we do not have to explain much, on the contrary that only question was how soon can you start the system post GST and if it all that was the only real problem here to answer these people and the places where RREP was freshly going on, there people were super excited saying that GST is anyway requiring us to implement new areas, why don't you not bring it to us faster, but because for us plan was already

in place, but I think GST, I cannot say that it has accelerated but clearly what potential resistance some might have been that totally been negated.

Bhargav Buddhadev:

Okay Sir in terms of your procurement how much of your procurement would be happening from vendors which are opening in 100% excise free zone meaning where there is 100% tax exemption because if you are saying that you have not raised your prices I am sure your procurement cost would have gone down to that extent if your margins are remaining the same?

Shekhar Bajaj:

What has been now is with new situation, difference between excise free zone and excise zone is not designated because there are no excise. So there is no excise in the excise free zone and there is no excise in the excisable zone, the difference which happens is that in the excise free zone, suppose the sub-vendor was giving to our main vendors raw material at Rs.30 plus and he was paying some amount of excise duty and because of the final product has no excise because of that that amount now will be available for set off and therefore to that extent our cost from excise free zone may come down. That is why I do not know what is going to be the impact because of that so therefore in next one month we will be very clear by end of August, we should be very clear that where do we stand as far as somewhere the cost may go down, somewhere goes to up but overall as far as the consumer products are concerned because the GST is 28%, I am very clear that I do not expect that the cost reduction and the cost increase all together, there is going to be some increase only. So if anything in September we may have to increase the price but nowhere near 8% it may be 2%-3% whatever it is because at this time some companies have already increased their pricing in the month of August and some have gone as high as 10%. According to me that there is no logic of 10% as this is take it advantage because this confusion excise duty has gone up from 18% to 28% so they said cost is high up 10% has gone up and what was the reduction cost will take place so net is what we should look at and that will take another 15-20 days for us to have clear cut picture. So we said let us not create confusion in the market the price will remain same including GST as it was earlier when it was VAT.

Anant Bajaj:

To add one additional point to this point is that it is learning curve right now for both government and industry so I think the wait and watch method probably might give a meaningful experience to end consumer and to that extent we are not in hurry to do an action which later has to be reversed for any reason, so taking along as what has government announcement are coming quite on a regular basis so anytime is a lot of adjust for next few months before we have the final version what make classify the full GST done so to that extent learning curve we are learning along with the government.

Bhargav Buddhadev:

So Sir is it possible to quantify what is the procurement happening from the tax exempted the areas?

Shekhar Bajaj:

We would have almost 70%-80% of procurement, on appliance almost 90% and in case of this it will be at least 60% to 70%, 80% would be mostly from tax free area, but our working shows that there is no major benefit coming out from excise free zone, so we will now take it on the basis of where the requirement is. Suppose if I have a factory in Hyderabad and I want it in South India

then I will buy from Hyderabad, somebody from Bombay will buy from Bombay for Maharashtra, rather than buying from Himachal. So all those things have completely changed. Earlier even if Himachal, I would buy which will costs me 2-3%, excise it was 7% to 8% so it make sense to buy from Himachal, but now the benefit is not there because excise is not chargeable in all the other areas also and therefore our whole procurement planning have to completely changed from where we procure it will depend on the logistics where the customers wants the material on that basis. Even our branches will be not on the basis of Sales tax, today we have our branches on a basis of sales tax, now will have branches on the basis of availability, and how can we service our customers in time

Anant Bajaj: Also we should keep in mind that government has been extremely mindful about these various benefit areas so as a result even if there was growth GST today by 2019 or outer limit in 2020 excise free benefit those would have anyways come to an end so to their extent and any case that was on the card for the government to withdraw that opportunity in the long-term so in that net-net condition, I do not think as much of change as what is already clarified. This one actually very, very solid move by the government to make sure that the gap between GST coming and these benefits stopping naturally are not going to be too much and that is very well played by the government.

Bhargav Buddhadev: And lastly Sir what is the inventory level right now in terms of months?

Anant Bajaj: Days?

Bhargav Buddhadev: Days whatever yes as on June 30 and overall Sir in the inventory in the consumer business?

Anant Bajaj: As on June 30.

Bhargav Buddhadev: Yes.

Anant Bajaj: Let us say go to the next question we will answer that subsequently.

Bhargav Buddhadev: Yes that is it from my side Sir. Thank you.

Moderator: Thank you. The next question is from the line of Jinesh Joshi from Asit C Mehta. Please go ahead.

Jinesh Joshi: Thanks for the opportunity Sir. My question is with respect to the restocking trend. I mean what are the restocking trends you are witnessing currently and how long will it take for you to restock with the preGST levels?

Anant Bajaj: Restocking condition really does not apply too much to our company the fact that we are in the replenishment style now and we are already 40% on TOC, RREP and by end of the year will develop that closer to 100% of it to be in TOC. So that extent once we really about how much

secondary movement happens that will decide how much they will get back so actually restocking is directly to do with how much they actually can push to the market. If the market push does not exist they have also not buy so for us it is kindly no worry game in that sense because if they why that means it has really selling well because we do not have any more primary schemes as there is only secondary and tertiary schemes from that extent customer or end consumers so will not buy really needs to buy on if there are buying will there be a stock in the backend so to my extent there will not be larger thing requirement of planning.

Jinesh Joshi:

But 40% of the sales, which is happening currently, are why at the non-RREP model so I will just asking about that I mean because restocking?

Anant Bajaj:

Even in non-RREP areas, they have already working on the norm as RREP has already started because in terms of the entire country does not have those previews anymore and the speed of them are now changing things, because obviously they want to get back to business as usual and TOC is working out in a very nice, which was anyway part of the plan, now we have sort of agreeing to it without much more resistance. TOC has been a very good help in our process because the distributors or dealers who were sort of doubtful in the market, they anyway were sidelined and to that extent we were the only ones who can genuinely do the TOC way and to that extent we are right now having the least number of distributors in our history and we were doing more business than ever, but for the volumes will not show instantly the way you expect because obviously there is timeline before that upsurge starts. Once that thing start it really very exciting.

Shekhar Bajaj:

Jinesh can I update about the inventory about Rs.333 Crores, because of sale is down, it is coming to over two months so it is over two months as far as consumer product is concerned about two months.

Anant Bajaj:

This is a question or related to the one before yours.

Jinesh Joshi:

Let us assume that the TOC rollout this complete by end of FY2018 now in that case what kind of sustainable EBIT margins are you targeting from the consumer product division?

Anant Bajaj:

Hard to say at this point when we have not reached that 100% level, because a lot of legend market, many markets have given result faster than what are supposed to normally and some of them needed to redone because some of the distributors are not up to the mark and that to be replaced so to that extent it is hard to predict and frankly we are not in world of prediction anymore based on real facts we do not have the fact we cannot really keep on updating to you.

Jinesh Joshi:

In that case 60% of our sales is currently via the RREP model that what is the EBIT margin pertaining only to this particular amount?

Anant Bajaj:

That will not be the right way to envisage what might have been, either you might say that at 60% so much that would not be correct because every market does not have same potential so therefore the actual margin will only be determined by actual implementation as on how much

the turns come. There are some markets where you have distributor having 24 turns in a year. So that is not necessary that everyone will work from the same level of accessibility and suppose you will have on smaller markets say like Siliguri, you would not have the same kind of business opportunity what you will have in Mumbai market. But there will be some point when there is larger timeline in which they work and we are going to say okay this market can actually give me so much market and the other market this margin so therefore this can become minimum EBIT anyway right now that situation has not arrived where I say make a point and pulse to say this is the thing, that probably same time next year we had been in the better position because then next year first quarter we will be having one full quarter in many cases more than one quarter of full RREP implementation, which will be among meaningful time to give you this very important question you have asked so we certainly will answer it even if you do not ask next time. First quarter FY2018-FY2019 we will certainly answer that.

Jinesh Joshi:

One last question from my side post implementation of RREP you have seen substantial reduction in capital employed in the consumer division from about Rs.300 odd Crores it has fallen to about Rs.126 odd Crores so what I want to ask you that is this level sustainable enough or will we see more investment in working capital and this overall capital employed will rise from the current levels?

Anant Bajaj:

Nice question very easy answer. We are going to become even better because we are going towards total channel financing, which means as a company will have no more actual money required to run the consumer business because the clients will pay us the money and then obviously the bank has to collect the money or rather the dealer or the distributor has to pay the money to the bank and to that extent company will not give any further credit to the market directly and realistically we will be only need a little bit of money to run EPC business and that is whereas you can see when EPC business has been a lot of good collection and as a result interest have come down and that is going to become better so for the certain thing must be can therefore I think we will wait before we can officially state because there are some service I do not if Chairman wants to say about.

Shekhar Bajaj:

Basically what is happening is that in the consumer business as he was mentioning, that the channel financing our requirement of fund would be almost zero. As far as other business is concerned, it is still hovering around Rs.600-Rs.700 Crores is the amount that our own capital, our networth if you look at it around Rs.700 Crores of most of it, discounting is taking place when a vendor supplies to us we give discounted by the bank so to that extent our own capital from 126 or whatever it will come down through almost negligible amount by end of September or at the end of December because channel financing another couple of 100 Crores will be further released from the marketplace once we had old payment and because of this changeover from whole selling to the distribution, there are money which are blocked up the market which takes sometimes two to three months to release because suddenly if I stop dealing with the wholesaler from tomorrow, he will not say, please come and take your money. So we have to push it in the

first couple of months so before frankly speaking we will not unless big acquisition or something I do not think we need funds will not be issue for the growth.

Jinesh Joshi:

Thanks a lot. That answers my question.

Moderator:

Thank you. The next question is a follow-up question from the line of Bhargav Buddhadev from Ambit Capital. Please go ahead.

Bhargav Buddhadev:

Sir Employee cost has seen a decline on Y-o-Y in sequential, is there any reason why?

Anant Purandare:

As you know we have made a provision for retention bonus for the sales force when we did the restructuring and obviously there have been the condition was the employee to be continued up to April 18. Those who are left, obviously we are reversing that provision.

Bhargav Buddhadev:

Okay so essentially this run rate may not continue in the ongoing quarter?

Shekhar Bajaj:

One is this and second what has happened that earlier whatever was increments and all, we gave it in the month of July, now we spread it to over the 12 months and therefore that also is resulting in this particular aspect, retention bonus the whole logic the RREP is going to change the way our working is there and therefore we did not want our team to get out so therefore by April by the time RREP is fully rolled out and if some people want to it is perfectly okay by then you would have been on track.

Anant Purandare:

We had given one-year compensation for relocating themselves from branch location to the market location so that alone was on March 31.

Anant Bajaj:

Just to make sure you do not have ask a question similar in future this is certainly an encouraging for making way of life. Do not expect this provision in the future, because deliver this is for them to ride on TOC way because once the range there is no other way to happen because the future sales people who are right, there is a lot of effort choice to think TOC or non-TOC, they only one way POC way so we cannot do that when joining it is fine, so it is quite aggressive.

Anant Bajaj:

What Chairman is saying is new people who are joining are not being offered this retention bonus, because they are joining knowing that this is TOC way of working. Those who are non-TOC we are working as introduced TOC their whole lifestyle have to changed so you change the location, they have to do much for market study so therefore for them we wanted them because this is a whole business therefore we did it for the person who is joining today he knows what is expected out of him, so if he wants to joins he is welcome.

Anant Bajaj:

It is fair to say also I would like to put in record that we are more than incentivizing the people of the company, so I think it is the right time company gets incentivized by the people by getting those better profits and everything us so it is win-win condition to TOC style, so I think we are moving towards.

Bhargav Buddhadev:

What is the amount of reversion, which you have done in the quarter reversal?

- Anant Purandare:** what is the quantum for me that is the employee cost a lot obviously impact of increments, which will give in the month of July, will be there for the next nine months.
- Bhargav Buddhadev:** Okay Sir. Thank you very much.
- Moderator:** Thank you. That was the last question I now hand the conference over to Mr. Amit Mahawar for closing comments.
- Amit Mahawar:** On behalf of Edelweiss I would like to thank the management for giving us the opportunity to host this call. Sir you have any closing comments to make?
- Shekhar Bajaj:** I think this quarter, last first quarter and the second quarter, there is something which is still little uncertain because there is another confusion as for GST tax rate, cost reduction, cost increase on that, all that will be clearly finished in this quarter and therefore from October onwards you can take it will be running smoothly with no confusion that is all I can say.
- Anant Bajaj:** I was just add that we have the pleasure to announcing it even yesterday in the AGM which I want to announce here that it is the first ever global recognition on the company when we got the TOCCIO award for 2017 for the power distribution and TLT part which has the toughest part of the company whether it has been receiving the TOC award in a massive way. POOGI of course the full form is Process of Ongoing Improvement and this award is specifically given to some companies which have continuously given improvement for three years continuously or not and this is only one plus award given every year and we won it. Yes it is a global award, global recognition for first ever in 79 years so I think it first of many and hopefully we should get some awards for you also for being great company to invest at some point and look forward to next concall.
- Moderator:** Thank you. Ladies and gentlemen on behalf of Edelweiss Securities that concludes this conference call for today. Thank you for joining us. You may now disconnect your lines.

