

# Management Discussion and Analysis

## Economic Overview

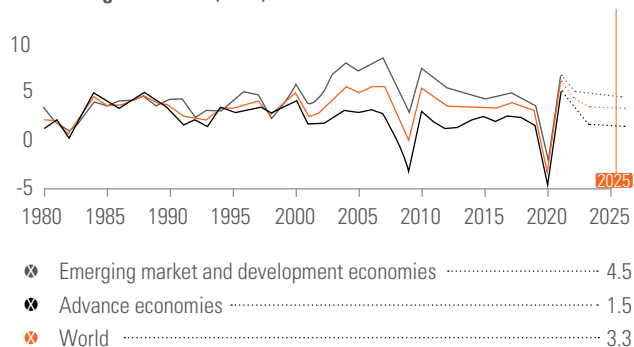
### Global Economy

Amidst an unprecedented health crisis and a subsequent economic crisis, the global economy is estimated to have contracted by 3.3% in 2020. As the lockdown after the COVID-19 pandemic disrupted global supply chains, it further impacted production across the world. The pandemic deepened pre-existing macroeconomic conditions and caused structural imbalances that led to the de-growth of advanced economies by 4.7% in CY2020. While agriculture remained largely unaffected, industrial and service sectors including tourism, airlines and commodity exports were hit hard.

While industries were impacted by disruptions in the global supply chain and production networks, the impact on people aggregating sectors such as travel, tourism and airlines continue till date. Loss of livelihoods affected a large proportion of the global population, impacting the youth, unskilled workers as well as professionals. Household income also suffered due to severe financial stress. The pandemic is estimated to have wiped out a large part of the middle-class, owing to massive job losses during the crisis. Historically, the middle class has been the harbinger of development and consumption in developing economies.

Central banks and governments across the world stepped in to revive the economy with fiscal measures and public spending programmes. The fiscal stimuli offered by Japan, USA, Italy and Germany were more than 25% of their national GDP (as of March 2021)<sup>2</sup>, with USA offering the largest stimulus package.

### Real GDP growth rate (in %)



Source: IMF WEO April 2021

<sup>1</sup> <https://www.imf.org/-/media/Files/Publications/WEO/2021/April/English/text.aspx>

<sup>2</sup> Statista: <https://www.statista.com/statistics/1107572/covid-19-value-g20-stimulus-packages-share-gdp/>

<sup>3</sup> <https://www.imf.org/-/media/Files/Publications/WEO/2021/April/English/text.aspx>

The global economy is projected to grow by 6% in CY2021 and moderate to 4.4% in CY2022<sup>1</sup>, mainly due to the expected availability of COVID-19 vaccines in the market and normalisation of economic activity. However, after fighting a bitter battle against COVID-19, disparities in vaccine distribution and fiscal capacity may put global economic growth at risk. As new variants of the virus continue to threaten the fight against the pandemic with fresh waves in few emerging markets of Asia and localised surge in infections in other places, hopes of an economic revival continue to dwindle. Therefore, coordinated global action would be necessary to tackle multiple challenges related to the distribution and pace of inoculation in various countries along with a proactive plan to counter the emergence of new virus strains across the globe.

### Indian Economy

The Indian economy encountered deep contraction as it rode against global headwinds and an unprecedented health crisis at the beginning of FY 2020-21. Nationwide lockdowns and social distancing protocols severely disrupted the supply chain and production networks. As a result, economic activity came to a near standstill. The slowdown of the Indian economy from the previous fiscal culminated in a considerable decline in GDP growth and it contracted by 7.3% in FY 2020-21<sup>3</sup>.

While several industries regaining some ground post re-opening of the economy, contact-intensive sectors such as travel & tourism, airlines, restaurants, retail are yet to recover from the deep economic shock. The most vulnerable sections of the economy consisting of migrant labour, unskilled workers, the MSME sector and even a significant section of the middle-class bore the brunt of this crisis.

While most economic indicators slipped into the red in Q1 FY 2020-21, economic activity gradually resumed after lockdown restrictions were eased in the following quarters of the fiscal year. Reaching an inflection point in the second quarter, the GDP swiftly slipped into the positive territory by Q3 FY 2020-21 due to strong demand for select sectors, aided in part by the festive season.

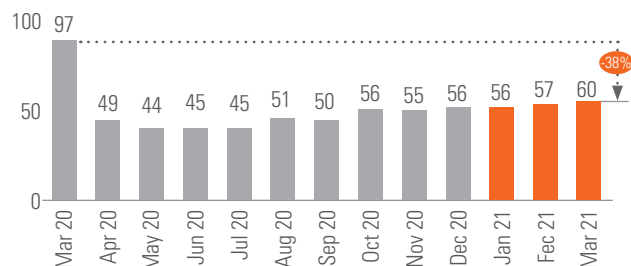
The central bank and government policy support provided some relief to a battered economy dealing with a social and economic crisis. In an attempt to maintain liquidity and support the government's finances, the Central Bank adopted an accommodative monetary policy that breached the 6% upper limit of the inflation target. The RBI offered regulatory support in the form of a moratorium on loans and market interventions that fuelled asset buybacks with an aim to increase investment in the country.

The IMF increased its growth projections for India by 100 basis points between January to April to 12.5% in FY 2020-21<sup>4</sup>. The vaccination euphoria and attendant hopes of recovery have been tempered by the second wave of COVID-19 sweeping through a number of states, putting growth trajectories at risk. The scarcity of essential medical equipment, vaccines and life-saving drugs are indicative of the severity of the crisis. The government's limited room for fiscal stimulus, owing to an overstretched spending in the aftermath of Lockdown 1.0 may compound issues further. However, regional efforts to control the pandemic through night curfews and restrictions on mass gathering is anticipated to affect contact-based services the most. Manufacturing, however, is expected to be cushioned from the repercussions of these measures. The agriculture sector continues to remain unaffected by lockdown restrictions, even though COVID-19 cases have substantially gone up in rural areas recently.

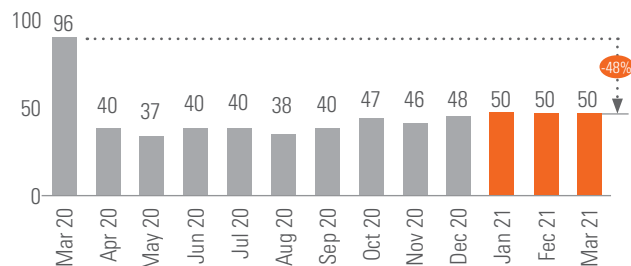
The Indian economy is wading through uncertainty and the fragile recovery is dependent on mitigating subsequent waves of infection, vaccination distribution and adapting to evolving circumstances with greater agility. Furthermore, inflation rates will be influenced by stable monsoons, taxes on petroleum products and international commodity prices, which can exacerbate cost push inflation. As a cloud of uncertainty looms large, it is difficult to predict the resultant output of macroeconomic and microeconomic variables affecting the economy.

### Consumer Sentiment Index

#### Rural Consumer Sentiment Index



#### Urban Consumer Sentiment Index



Source: BCG Published Report

<sup>4</sup> IMF WEO April 2021

<sup>5</sup> GfK India

## Industry Overview

### Consumer Products Business

#### Kitchen Appliances

The Indian Kitchen appliances segment is broadly classified as brown goods and white goods. The distribution channel for small kitchen appliances market in India is dominated by store-based retailers, which cumulatively contributed to ~60% of total retail volume sales. The remaining is distributed through non-store retail channels including e-commerce platforms<sup>5</sup>. The demand drivers for small kitchen appliances and cookware in Indian households are influenced by various factors. Preference for healthier alternatives, demand for minimalistic design and space utilisation and gender-neutral role in kitchens continue to determine the choice of products in Indian households.

India's rapid demographic shifts, a burgeoning population and rapid migration to urban areas continue to accelerate the growth of this segment in India. With growing per capita income and an increase in the number of working women, the demand for aesthetic, modern and efficient kitchen appliances have also increased phenomenally. Moreover, the availability of kitchen appliances on e-commerce platforms have made it easily accessible for people residing in rural hinterlands as well as tier II and tier III cities.

Furthermore, as families spent more time at home due to the lockdown and the emergence of the work-from-home culture compelled many people to increase the consumption of home cooked food. This led to a pent-up demand for advanced kitchen appliances in the latter half of the calendar year. Besides, owing to greater emphasis on environmental concerns and awareness about healthy and nutritive food, consumers continue to switch to energy-efficient appliances that are also capable of retaining the nutritional value of food. In the years ahead, demand is anticipated to grow further in this category.

#### Domestic Appliances

India's domestic appliances segment was affected in the first quarter of FY 2020-21 owing to the COVID-19 pandemic. However, the demand started to pick up in the latter half of the year, mainly led by extended festive season. In addition to General Trade, online sales and Large Format Stores also improved significantly as consumers opted for contactless purchases. The home appliance segment in India continues to remain on a positive trajectory as an outcome of improved standards of living.

As disposable income rises, consumers are willing to adopt smarter and convenient appliances that add comfort to their lives. With growing urbanisation and a fast-paced lifestyle, consumers are looking for appliances that save time and are pocket-friendly. The demand for smart home appliances is also picking pace and is expected to grow even further in the coming years.

#### Fans

India is a tropical country with a significantly long summer season. The hot and humid weather conditions make fans a necessity for residential as well as commercial spaces. The Indian market continues to be one of the largest

consumers of fans. Rising income levels and the accessibility of electricity connections in remote areas of the country continue to boost demand for fans. Consequently, premium products in this segment have witnessed higher adoption due to consumer preferences for products that not only serve a utility purpose but also fulfil demands for better aesthetics and technologically advanced features. In the days ahead, demand is anticipated to further grow in this segment. Additionally, the expansion of the housing sector and faster adoption of energy-efficient technologies continue to aid the growth of this market.

The energy labelling norms for ceiling fans, under the Super Efficient Equipment Programme (SEEP), was expected to be implemented from June 2020. However, the government has deferred it to January 2022 and it is expected to control the upward pressure on prices in this segment.

Furthermore, the COVID-19 lockdowns disrupted supply chains for unorganised players and it accelerated a shift in consumer preferences towards branded and national players. It also led to sporadic demand of Table fans from institutional segments, mainly on account of make-shift hospitals.

The fan industry in India is anticipated to witness phenomenal growth due to increasing affordability and government support. However, the impending star labelling regulations, to be implemented later in FY 2021-22, may create a price resistance for consumers who are already reeling under a financial stress. The declining financial health of households could drag the growth momentum of this segment downwards.

### Consumer Lighting

The consumer lighting industry is growing rapidly due to increasing access to electricity across the country. LED lighting is gaining popularity and it constitutes a significant proportion of the consumer lighting industry in India. The affordable pricing of LED lights and preference for energy-efficient lighting continues to drive the demand for LED lights.

The market for LED grew 130 folds, from 5 million bulbs per year to 670 million bulbs between 2014 and 2018, as prices dropped from ₹ 400 to ₹ 70 over the same period<sup>6</sup>. The phenomenal growth of LED lights has been driven by demand for energy efficient lighting, efforts to reduce carbon dioxide emissions and increasing access to electricity in low-income households. Besides, the government's UJALA and SLNP scheme continues to increase the preference for energy-saving lights.



The consumer lighting industry is also witnessing demand for value accretive products such as panels, battens and downlighters. Due to rising disposable income and aesthetic awareness, consumers often prefer decorative products for residential as well as commercial spaces.

Furthermore, the ₹ 1,200 crore Product Linked Incentive scheme for manufacturing LED lights is expected to attract investments to the consumer lighting industry. Looking ahead, the industry is projected to show good growth over the next few years. However, given the dynamic nature of this industry, competitive pressures are likely to weigh heavily on industry players and it may lead to rapid price erosions in some segments.

### Opportunities and Threats

#### Opportunities:

- > *Growing disposable income: Rising income levels have encouraged consumers to invest more on various consumer durable products that add convenience to fast-paced lives. As a result, demand for water heaters, microwave ovens, air coolers and other appliances have gone up significantly.*
- > *Energy-efficient appliances: Environmental concerns have grown manifold over the past few years, coupled with depleting natural resources. The commitment to preserve the ecological balance, therefore, continues to be stronger. This has led to an increased demand for energy-efficient appliances and lighting solutions.*
- > *Rising rural demand: With the growing penetration of electricity in remote areas and the expanding reach and adoption of online shopping platforms, demand from rural areas continue to increase. The steady demand growth has great potential to contribute towards the future of this industry.*
- > *Government initiatives: The successful implementation of various government schemes such as Pradhan Mantri Sahaj Bijli Har Ghar Yojana to provide equitable access to electricity in rural areas, UJALA and Street Lighting National Programme to promote efficient lighting opens up new opportunities for the industry.*

#### Threats:

- > *Demand Uncertainty: Rapidly evolving consumer preferences with respect to features, technological advancements could create challenges across the value chain - from procurement to distribution.*
- > *COVID-19: The sharp resurgence of COVID-19 (second wave) in India has put the brakes on what was expected to be a bounce-back year for the Indian economy. Sales have already been dented by lockdowns and weakened consumer sentiments across many parts of the country. A prolonged impact of the pandemic and the possibility of a subsequent third wave pose a significant challenge for all sectors of the economy.*

<sup>6</sup> Carbon Brief: <https://www.carbonbrief.org/guest-post-how-energy-efficient-led-bulbs-lit-up-india-in-just-five-years>

<sup>7</sup> PIB

- *Increasing commodity price:* Prices of most commodities have increased since the latter part of 2020 and this upward trend has continued right through 2021, leading to an unprecedented rise in raw material costs for all products manufactured by Bajaj Electricals. This poses a significant challenge to the business.
- *Competition:* The sector continues to see the entry of several new players. This includes players in adjacent product categories that are broadening their portfolio of offerings, as well as completely new entrants to the sector. As a result, heightened competition continues to affect this segment, even though the overall market size is increasing.

## Engineering, Procurement and Construction (EPC)

### Infrastructural and Commercial Lighting Sector

Infrastructure development across the country is increasing the need for illumination across airports, metros, highways, corporate buildings, amusement parks, factories and other places. The lighting industry has also witnessed a paradigm shift from conventional lights to innovative and smart lighting solutions. This is mainly driven by rising awareness about energy-efficient products and



introduction of new and innovative products. Besides, India attracts a lot of foreign tourists and its global acceptance as a tourist destination has increased the need for illumination at different places of public interest.

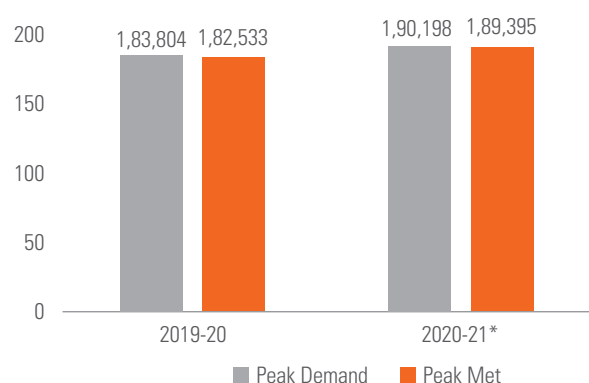
Other major factors such as increasing smart city projects, escalating demand for LED lights & luminaires for use in outdoor applications, and use of integrated lighting control systems is driving the growth of this segment. Moreover, smart, connected and solar lighting systems across industries, especially in modern workspaces, data centres, retail, education and healthcare segments continue to boost the infrastructural and commercial lighting space.

### Power Sector

The power sector in India is a key driver of industrial development, infrastructural growth and socio-economic welfare. As one of the world's fastest-growing economies with a burgeoning population, India is expected to play a vital role for the future of global energy markets<sup>8</sup>.

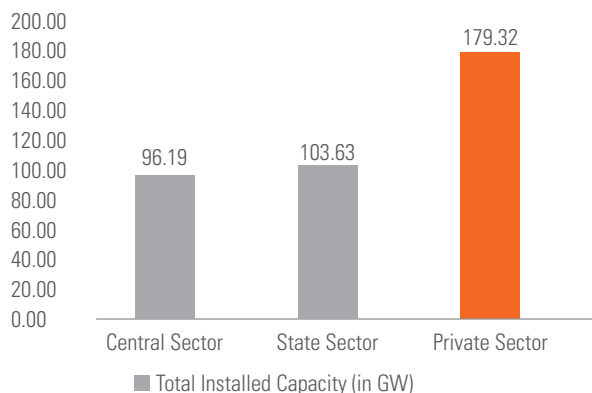
The Government of India successfully undertook a range of energy market reforms and implemented renewable electricity deployment projects to improve access to electricity for a large section of the Indian population. The electricity

### Power Supply Position (in GW)



(Source: Central Electricity Authority (CEA) \*up to February 2021)

### Total Installed Capacity (in GW)



(Source: Central Electricity Authority (CEA) \*as on 28th Feb 2021)

<sup>8</sup> <https://www.iea.org/reports/india-2020>

<sup>9</sup> <https://powermin.nic.in/en/content/power-sector-glance-all-india>

<sup>10</sup> [https://niti.gov.in/sites/default/files/2020-01/IEA-India%202020-In-depth-EnergyPolicy\\_0.pdf](https://niti.gov.in/sites/default/files/2020-01/IEA-India%202020-In-depth-EnergyPolicy_0.pdf)

<sup>11</sup> <https://energy.economictimes.indiatimes.com/news/power/india-to-add-131-31-gw-power-generation-capacity-till-2022/69954537>



generation target from conventional sources is fixed at 1,330 Billion Units (BU) for FY 2020-21, a growth of around 6.33% from 1250.78 BU, recorded in FY 2019-20<sup>9</sup>.

With the rising number of government initiatives for the development of smart cities, housing for all, and the construction of roads and highways, power consumption is expected to grow at a rapid pace. This is likely to increase demand, lead to more power generation and eventually improve the health of distribution companies. The government is also inclined to promote renewable energy and has set a target of installing 175 GW renewable energy projects by 2022, including 100 GW of solar, 60 GW of wind, 10 GW of bio-power and 5 GW of small hydro-power.<sup>10</sup>

### Power Transmission and Distribution

The Indian power sector is undergoing rapid transformation with an aggressive push towards increased energy generation. The country plans to add 131.31 GW of power generation capacity by 2022.<sup>11</sup> To meet the demand for increased power generation, upgradation of Transmission and Distribution (T&D) infrastructure has also become a necessity.

The generation and transmission capacity of the Indian power sector has witnessed remarkable growth. Government schemes such as Deendayal Upadhyaya Gram Jyoti Yojana (DDUGJY), which aims to promote electrification in rural areas, Integrated Power Development Scheme (IPDS) for strengthening of sub-transmission and distribution networks in urban areas, have added impetus to this sector. Despite the lockdown, 83 new sub-stations were commissioned, 224 sub-stations were augmented and 27,261 Distribution Transformers were installed under DDUGJAY, between April to November 2020. The Smart Meter National Programme (SMNP) has also helped replace 25 crore conventional meters with smart meters. Further, around 12,000 ckm of transmission lines (220 kV and above) were added till October 2020<sup>12</sup>.

The growth in the segment was mainly driven by increased investments in building a viable electricity network as well as supporting regulatory reforms. The industry has also witnessed rapid technological shifts to incorporate energy efficient, ergonomic and economic units. Going forward,



the transmission tower industry is anticipated to see massive electricity demand along with the need to replace an ageing infrastructure. It will require new investments to develop an advanced new-age grid that can support the demands posed by rapid urbanisation and industrialisation.

Though transmission and distribution (T&D) losses in India have been declining at a substantial rate, it still accounts for over 20% of the total generation capacity, which is more than twice the world average<sup>12</sup>. The outbreak of COVID-19 resulted in enormous losses for T&D companies and non-repayment of dues from cash strapped Distribution Companies (DISCOMs) further complicated the problems.

Further, there is an increasing focus on sustainability and technological advancement for driving operational efficiency in the power sector. Coordination between policymakers, investors and consumers is anticipated to introduce notable transformations in the sector.



<sup>12</sup> Economic Survey 2020-21

<sup>13</sup> IEA India Energy Outlook 2021

<sup>14</sup> NITI Aayog 2017 transformative scenario

<sup>15</sup> <https://www.livemint.com/industry/energy/india-electricity-demand-records-a-new-high-on-friday-morning-11611306016785.html>

<sup>16</sup> Saubhagya Portal, Data updated till 2019.

<sup>17</sup> <https://pib.gov.in/PressReleasePage.aspx?PRID=1700614>

<sup>18</sup> Physical offices

## Opportunities and Threats

### Opportunities

- > According to IEA, electricity demand in India is projected to grow by nearly 5% per year till 2040, as the economy is expected to overtake the European Union in terms of its installed capacity in the next two decades, depending on the progress of the current Stated Policies Scenario (STEPS)<sup>13</sup>. This directly translates into more demand for power distribution and transmission infrastructure in the economy along with the need to reduce the gap created between peak load and supply due to power outages.
- > The introduction of electric vehicles in India opens up a new dimension for power demand in the country. India is forecasted to have nearly 261 million EVs on the road by 2030. Accordingly, a proportionate number of charging stations and associated infrastructure will be required.<sup>14</sup> Moreover, 100% electrification of broad-gauge routes by December 2023 is expected to add to the demand for electrification of mass transit systems.
- > The Government's vision of being a USD 5 trillion economy by 2025, coupled with its emphasis on Make in India and Aatmanirbhar Bharat, is likely to increase power demand from the industrial sector which accounts for nearly 41% of the electricity load of India.<sup>15</sup>

- > Demand for electricity is also expected to rise significantly in rural areas due to the successful implementation of the Saubhagya scheme that assures electricity to rural households.<sup>16</sup> Increasing household income in rural areas is also expected to add impetus to this drive. A good harvest season and timely procurement by the Government has also boosted the spending capacity of rural households.
- > Around 100 smart city projects are currently underway in India. By 2040, around 100 airports are expected to be added. Along with this, rapid urbanisation and development of new townships, building of Dedicated Freight Corridors, and development of new stadiums are expected to phenomenally increase the demand for outdoor lighting solutions.<sup>17</sup>

### Threats

- > Sporadic and localised lockdowns owing to the COVID-19 crisis could impede power demand from industrial production, if subsequent waves of infection result in a nationwide lockdown, similar to the one witnessed in early FY 2020-21.
- > Risks pertaining to the failure of schemes implemented to uplift financially stressed power distribution companies.

## Company Overview

Bajaj Electricals Limited, a globally renowned and trusted company is a part of India's leading business conglomerate "Bajaj Group". With a business portfolio that spans across Consumer Products (Appliances, Fans, Lighting) and EPC (Illumination, Power Transmission and Power Distribution), Bajaj Electricals also has a strong presence in premium home appliance and cookware segments with brands like Morphy Richards and Nirlep. The company has an expansive network of 18 branch offices<sup>^</sup>, 500+ distributors and more than 2.18 lakh + retail outlets across India, combined with over

500 consumer care centres, fortifying its dominant presence in the consumer products sector. The portfolio under the EPC segment of Bajaj Electricals Limited includes high mast and street lighting, sports lighting, industrial and commercial lighting, specialised illumination projects on turnkey basis. The portfolio also extends to EHV transmission line projects, EHV substations, monopoles for transmission and distribution and electrification projects. Bajaj Electricals Limited has always lived up to its ethos of putting the consumer first and meeting its core brand value of 'Inspiring Trust'.



## Business Segment Overview

### Consumer Products Business

During the year under review, the Company's consumer products business maintained a strong growth momentum as it strengthened its market presence and delivered superior quality products despite the challenges posed by the COVID-19 pandemic. The above-par growth was noticed across categories, including Kitchen Appliances, Domestic Appliances and Fans.

The onset of the pandemic at the beginning of the year caused major disruptions to the supply chain and manufacturing activity. However, despite the initial hurdle, the Company's operations were back on track after the lockdown restrictions were slowly withdrawn in phases. This led to a demand revival for key products such as mixer grinders, Oven Toaster Grills (OTGs), microwave, kettles, induction cooktops and household essentials.

Demand for products grew further during the extended festive season, registering phenomenal growth in the third quarter. Besides, e-commerce also emerged as a significant growth driver during the year.

Though the Fans segment lost crucial summer months in the first half of the year, it performed well during the rest of the year, registering ~2.5-3x growth in comparison to the industry average in the second half of the year. This was achieved on the back of robust supply chain management and strong product promotion on digital media. We also increased our market share in the segment.

Further, in the water heater segment, Bajaj Electricals continues to be a market leader. As the demand for non-stick cookware, pressure cookers and gas stoves continued to increase, acceptance for the company's offerings also improved significantly. However, the air cooler segment and the lighting business were adversely impacted due to the pandemic.

The Company continued to launch a variety of unique and innovative products. Including antiviral and antibacterial fans, air coolers and gas stoves. NutriPro mixer grinders, and other advanced products were also introduced after the pandemic. These were mostly conceptualised later, considering its impact on health and hygiene.

In the export market, Bajaj Fans continued to be key revenue drivers. During the year under review, the Company expanded into newer markets of Fiji and Somalia. The Company also witnessed robust sales growth in key geographies of Ghana & Nigeria (West Africa); Dubai & Oman (Middle East); and Bangladesh & Sri Lanka (Asia).

The growth in export revenue was mainly driven by the Company's efforts to expand its distribution network and introduce top selling and new products. The appointment of new partners for unrepresented product categories and the use of digital platforms for communicating product-centric information in different regions enabled the Company to further expand its foray into the export market.



# ₹ 3,315

Total Consolidated Consumer Products revenue in FY 2020-2021 (crore)

# 169

SKUs launched in FY 2020-21

Bajaj products occupy

# No.1

position in 3 out of 12 high potential categories (Mixing Appliances, Water Heaters, Irons)

Consumer Products Business - Four broad categories	Sub-category	Percentage share in total revenue mix in FY 2020-21
Appliances (includes kitchen and domestic)	Mixers, Food Processors, Juicer Mixer Grinders, Induction Cookers, Rice Cookers, Oven Toaster Grill (OTG), Microwave Ovens, Non-electric Kitchen Appliances (NEKA), Pressure Cookers and Gas Stoves, Water Heaters, Irons, Air Coolers and Room Heaters	53.8%
Fans	Ceiling Fans, Table Wall Pedestal, Air Circulators, Domestic Exhaust Fans	26.6%
Lighting	LED Lamps, Battens, Panels, Electrical Accessories	12.5%
Morphy Richards	Coffee Makers, OTG, Microwave, Juicer Mixer Grinder, Toasters, Water Heaters	7.1%



## Nirlep Appliances

During the year under review, Nirlep Appliances continued to record steady progress due to the implementation of various strategies at the group level, with a focus on increasing the reach of Nirlep products. This resulted in strong growth of the brand. In order to increase sales, the Company streamlined its supply and distribution network. Along with ensuring adequate stock availability of NPG [NEKA (Non-electrical kitchen appliance), Pressure Cooker and Gas Stove] products, 15 exclusive distributors were identified to strengthen its existing retail distribution network. To incentivise retailers, NPG Special schemes were also introduced. Continuous brand promotion on TV, Print Media and Digital Platforms contributed to the rapid growth of this segment.



## Morphy Richards- Premium Home and Kitchen Appliance Brand

The financial year 2020-21 has been an excellent year for Morphy Richards. Registering growth of 12.6% YoY, it continued to increase its market share in the kitchen appliances segment. The company successfully met the increased demand for cooking & baking appliances during the year under review by expanding its retailer network to 543 distributors. The products were also readily available across e-commerce platforms and modern format retail (MFR) channels. Various promotional campaigns on digital media, print advertisements, influencer engagement initiatives and sponsorship for leading shows boosted awareness of the brand and sales in this segment.

Sales through the trade channel also saw a significant growth, owing to the Company's ability to focus on top cities and key retailers. Attractive offers on MR Kitchen appliances also increased sales. OTG, Microwave, Room Heater, Food Processor, Coffee Maker and Induction Cooker were among the top categories that drove the overall sales growth of Morphy Richards products. The Company also launched 15 new and innovative products that received positive feedback from the market for the use of innovative technology, its convenient usage and appealing aesthetics that made it suitable for modern homes and kitchens.



## Sales Performance through various distribution channels

Sales volume through trade sales and alternate channels grew despite the challenges faced during the year. The movement of goods were largely restricted due to the countrywide lockdown. The Company used an appropriate mix of offline and online channels to increase sales volume as well as broaden its market reach. During the year under review, the Company also managed to improve the structure of this segment and initiated agile, efficient and industry-friendly operations. Additionally, the Company focused on reducing overall costs to drive profitability.

Sales volume through **the Trade Sales** channel grew by 12.49% YoY<sup>A</sup>, which was more than the industry average. Growth was achieved across all zones as well as major product categories, including water heaters, mixers, gas stoves, induction and room heaters. The Company continued to assess and review performances regularly and moved stocks to zones where demand was witnessed. The Company focused on zero billing retailers and de-growing retailers to further expand volumes.

Further, it adopted Same Store Sales Growth (SSSG) strategy to increase extraction from existing retailers. This initiative is aimed to improve secondary sales at the retailer level via higher churn of champion SKUs and better range placement.

To ease operations during the pandemic, the Company undertook orders from retailers through its mobile application. It also implemented a COVID Tracker which allowed the Company to identify areas under complete lockdown, partial lockdown, containment Zones and those that were open for business. It helped the Company to reach out to retailers in different parts of the country and considerably increase sales volumes. Going forward, it will continue to expand its reach, especially in rural areas, through this channel and focus on increasing the sale of premium products to improve its bottom line.

The **E-commerce channel** recorded highest sales growth of 40.87% YoY<sup>A</sup> in FY 2020-21 and emerged as the second-highest sales channel in the consumer product segment. The growth was mainly driven by increased online shopping and the adoption of digital technology by a large section of the population. The Company also adopted various strategies, including product launches, investment in online merchandising, digital campaigns, search engine optimisation etc., to promote its products on e-commerce portals like Amazon, Flipkart, TataCliq and Paytm. Alongside, the Company engaged strongly in digital marketing, influencer marketing and consumer engagement initiatives to promote its products. The Company also focused on backward integration of operations and proactively adopted & implemented various processes/systems like Vendor & Seller Flex supply chain models by

# 12.49%

YoY growth in Trade Sales

# 40.87%

YoY growth in E-commerce sales



collaborating with third party logistics service providers. This enabled the Company to ensure cost optimisation, availability of products and reduction in delivery time. These strategies enhanced the visibility of the Company's products on e-commerce platforms and made it one of the most preferred brands. During the year the Company also strengthened its leadership in the Small Home Appliances segment.

Both the formats of **Modern Trade Channel**, National Format Retail (NFR) and Regional Format Retail (RFR) delivered steady performances in FY 2020-21. The Company managed to grow sales through these channels, even when stores remained closed during the early phase of the lockdown and were partially open in the next few months when the unlock phase started across the country. The growth can be attributed to the Company's efforts to supply seasonal products way before demand peaked. This, along with a sharp focus on demand generation activities like attractive combo offers, promotional deals at the store level and effective use of the digital medium to drive footfalls helped to optimise the sales throughput. The Company also focused on selling its premium products along with the best-selling products. It also undertook special initiatives to liquidate ageing stocks. This enabled the Company to sustain margins and drive revenue growth. During the year under review, the Company added 10 more unique clients, as a part of its RFR expansion initiative and driving its retail footprint across the length and breadth of the country.

The Company's **Institution Business**, including both Government and Corporate institution segments, cumulatively registered revenue growth of 2.9% YoY<sup>A</sup> in FY 2020-21. The Company restructured its product portfolio and added new products to drive demand. The Company also aggressively forayed in sectors such as Cement, FMCG, MES and Pharmaceuticals. As a strategic move, the Company tapped opportunities emanating from Rewards & Recognition (R&R) initiatives of various corporates in the year gone by.

The **Government Channel** consisting of Canteen Stores Department (CSD) and Central Police Canteens (CPC) remained the most affected business segments in FY 2020-21. Due to prolonged lockdowns, government spending reduced and government policies to ban the use of imported products resulted in a significant decline in this segment. Besides, canteens too remained closed for a long time after the Coronavirus outbreak. The Company, however, managed to sustain its leadership and increased its market share in this channel with strategic efforts and a deep-rooted engagement with respective departments. The Company utilised this opportunity to introduce new products that met consumer requirements and adopted newer methods of communication to directly extend its reach to new customers.

(<sup>A</sup> based on gross sales)

# 2,000+

Orders delivered through  
Omni-channel

# 2.18+

Retailers as on 31st March 2021  
(Lac)

# 543

Distributors as on 31st March 2021

Products available in

# 1,600+

NFR stores across the country  
(as on 31st March 2021)

# 1,500+

RFR stores across the country  
(as on 31st March 2021)

## Amongst Top searched and discovered brands

on various e-commerce platforms,  
including Amazon and Flipkart

### R&D and Innovation

Bajaj Electricals prioritises consumer aspirations, needs and market requirements to design products that fulfil evolving consumer preferences. Utilising its deep domain knowledge, the Company successfully developed and introduced various new products to the market. During the fiscal year 2020-21, Bajaj Electricals received an overwhelming response from customers for its unique and innovative products.

Based on a thorough market research, the Company strived to understand changing customer preferences. Leveraging the information gathered from these studies, the Company developed products that were highly appreciated. Further, the government's push to promote locally produced goods enabled the Company to explore better opportunities. The recent COVID-19 pandemic also increased awareness about health and hygiene, allowing the Company to launch products designed to cater to these needs.

The Company launched 479 SKUs in FY 2020-21 - a testimony to its promise of being closer to customers. In the consumer product business, it developed and launched new antibacterial, antiviral, heat resistant, metallic finish products with green technology coating and NutriPro products to address evolving customer demands. For its Illumination range, it developed and introduced extra bright LED lightings and energy-efficient products. Further, the Company developed and introduced the first-of-its-kind 'Made in India' 1.5kW Stadium light.

# 5

Patents filed in FY 2020-21

# 22

Design registrations filed in  
FY 2020-21

## Out of the box Innovation

### Antiviral and Antibacterial solutions

The Company's R&D team, in collaboration with experts in nanotechnology and coating specialists, developed unique formulations that were used for producing consumer products that emphasised product safety during the pandemic. These formulations were tested at third-party laboratories to ensure its adherence to strict quality standards mandated by Japanese standard test protocol and ISO test protocol. The Company launched innovative Junet, Euro NXG and Flowret Ceiling fans with Antiviral Antibacterial coating. In addition to these, Bajaj Electricals also launched a cooler range with Antibacterial honeycomb.

### Mumbai Port Trust project

The Company's bid for a project from Mumbai Port Trust for deploying LED floodlights was successful. It involved the conversion of 300W floodlight fixtures to 180W lighting fixtures, made with specially designed optics for attaining maximum energy efficiency. This project aimed to reduce costs significantly while maintaining energy efficiency. The Company's product innovation capabilities strengthened its bid for the highly acclaimed project.

overcome challenges faced by consumers, while abiding by the safety protocols specified by the government.

Despite the lockdown, the Company reached out to consumers. Consumer care agents were provided movement passes, as per government guidelines. During consumer visits, the agents ensured proper sanitisation of tools and equipment and adhered to social distancing protocols. The Company also resorted to digital channels to resolve consumer complaints during the pandemic. Issues were either addressed over the phone or via video calls. Moreover, the Company posted 'Do It Yourself (DIY)' illustrative videos on social media platforms to create consumer awareness and improve product understanding. To enhance consumer satisfaction, the Company also offered free installation services on the purchase of water heaters. The company also provided product demonstration for some of the product categories.

The Company's continuous emphasis on meeting consumer needs enabled it to record 99% consumer satisfaction scores for after-sales services. Additionally, the Company has an active complaint redressal system that solves more than 96% of the complaints within two days. Based on inputs and feedback from consumers, the Company has successfully taken steps to improve its services further. The Company also focuses on consumer interaction techniques to ensure excellent service.

Apart from the call centre facility for complaint registration, the Company provides round-the-clock complaint registration services through its website, online platforms and chatbot.

## Consumer Care

Bajaj Electricals is renowned for its quality service and its persistent focus on consumer satisfaction. The year under review has been a challenging year due to the nationwide lockdown imposed on account of the COVID-19 pandemic. However, the Company resorted to innovative methods to

# 556

Service franchisees in FY 2020-21

# 18,000

Pin codes reached in FY 2020-21

# 99%+

Consumer satisfaction

# 96%

Complaints resolved within 2 days



Scan the QR code to know more

## Product Marketing and Branding

The Company believes that a consistent multilayer strategy is required for creating an optimum brand presence. It has, therefore, formulated key long-term and short-term strategies to enhance its brand reach and strengthen brand recall. During the pandemic, most consumers were focused on their health and well-being and concentrated on essential expenditure. Thus, it was vital for the Company to reach out to consumers through the right channels and offer products that met specific requirements.

The best way of connecting with consumers, especially the new-age millennial customers, was through a combination of online and offline channels of communication. The Company believes that delivering a consistent and an integrated communication approach, across consumer touch points, is more important than being on any one channel.

Among online platforms, social media has emerged as the strongest digital advertisement platform and has enabled the Company to drive consumer engagement. The Company has a strong presence across platforms, including Youtube, Facebook, Twitter, LinkedIn and Instagram. The Company's Social Media platforms have undergone a significant shift from a support function under the brand's marketing strategy to becoming an actual platform for business. The Company has also strongly focussed on strengthening its SEO (Search Engine Optimisation) and SEM (Search engine Marketing) strategies to reach its target audience.

The Company also has amplified its branding on offline modes such as TV and Print mediums, In-Shop Branding, and other store visibility tools like Free Standing Units and Counter-Top Units to reach mass markets. During the year 8 major brand building multi-media campaigns were rolled out for our focussed categories like Air coolers, Fans, Water heaters, Mixer Grinders, Irons & Nirlap to substantially improve the overall Share of Voice across categories in FY 2020-21.

To further improve customer engagement during the pandemic, the Company introduced unique services. It allowed the customers to interact through WhatsApp. The initiative helped to resolve queries and allowed the exchange of tips and menus that aimed to make cooking fun for customers. Besides, specially curated product demo videos for kitchen appliances were

also shared with consumers to provide a better understanding of product usage without the help of a technician/customer care agent.

In FY 2020-21, the Company:

Reached out to more than

**2 lakh+**

Retailers across 700 districts through its RREP initiative

Branded

**7,000+**

Stores for both Bajaj and Morphy Richards products

Focused on creating a robust

**Commercialisation process**

to enhance new product effectiveness in the market

Supported

**200+**

Virtual and physical events including Product Exhibitions, Retailer Meets & Dealer Engagement Programmes

## Outlook

Bajaj Electricals is geared to drive growth in this segment in the coming years. The Company is looking forward to consolidating its market position through network expansion and network augmentation. E-commerce platforms and digital marketing will continue to play a crucial role in driving the company's top line.

The Company also aspires to invest in new and innovative products to strengthen its brand reputation, visibility and reach. By leveraging digital platforms, the Company aims to boost sales and strengthen its supply chain to meet the increasing demands from domestic and international markets. The Company remains confident about maintaining its growth momentum, fortifying its reach, adding exclusive dealers for its NPG products and maintaining its market leadership in key product categories.



## Illumination

The Illumination business faced various challenges, including a drastic reduction in investment from commercial & industrial sectors, closure of trade channel for almost 4 months and delay in infrastructure projects. Sales volumes across the industry fell on account of these issues. But, resting on its sound strategies and agile responses to mitigate the adverse impact of the pandemic, Bajaj Electricals continued to grow its market share, on a month-on-month basis.

The following initiatives helped the Company to overcome challenges efficiently:

- > Special pricing for key products and best-selling products in the retail segment.
- > Focus on smaller smart lighting projects that continued despite hardships caused by the pandemic.
- > Introduced new and innovative products such as well glass and high bay that were suitable for steel industry & Public sector Unit expansions.
- > Introduced a range of economical streetlights to meet the reduced budgets of local municipalities
- > Leveraged digital platforms to connect with dealers, channel partners and colleagues for various purposes, including online training, product launches and customer seminars. Online pre-bid meetings were also conducted through digital platforms.
- > Liquidation of non-moving inventory of finished goods and raw materials for better cash flow.

During the year under review, the following prestigious projects were executed:



### Street lighting

- > Energy Efficiency Services Ltd. (EESL)
- > National Highway Authority of India various projects



### High mast and Area lighting

- > GMR Delhi International Airport Limited
- > National Project Construction Corporation Ltd. (NPCC) Meghalaya



### Commercial Lighting

- > Delhi Metro Rail Corporation



### Stadium Lighting

- > Delhi Development Authority Stadium
- > BIRSA MUNDA Stadium Job



### Solar lighting

- > Solar Products from Tamil Nadu Gram Panchayat



### Architectural lighting

- > Decorative Poles from Warangal Smart City
- > Architectural Lighting Orders by National Art Gallery Delhi, Sidwan Canal Ludhiana, Pune Municipal Corp: 2/7 Bridges executed

# 310

New products launched in FY 2020-21

# Leading position

In Outdoor Lighting (Street, Area & Stadium) and High Mast & Poles segment

# No. 2

Position in the overall B2B illumination segment

## Outlook

The Company is dedicated to developing new and technologically advanced solutions with a focus on value engineering. It plans to adopt Key Account Management (KAM) Strategy to explore untapped and underserved markets. In line with the same, the Company has created two KAM verticals to focus on the private segment and public segment. Further, dedicated accounts are being driven through each KAM to increase the wallet share from those accounts. The Company also aims to diversify its business by exploring new revenue streams and securing special projects.



## Engineering, Procurement and Construction

### Power Transmission

During the year under review, the business commissioned 13 projects including substations, transmission lines and monopole projects. The major projects executed in FY 2020-21 include the following:

1. A total of 8 substations commissioned for two primary clients - Madhya Pradesh Power Transmission Corporation Limited (MPPTCL) and Karnataka Power Transmission Corporation Limited (KPTCL). 5 substations commissioned for MPPTCL and 3 substations were commissioned for KPTCL.
2. Under the West Bengal State Electricity Transmission Company Limited (WBSETCL), the business commissioned the first GIS (Gas Insulated Substation) to strengthen its position in this niche segment.
3. Commissioned its first international project in Zambia under Zambia Electricity Supply Corporation Limited (ZESCO)
4. The Company achieved a steady growth of 25% in the monopole segment and expanded into new territory with the MMRDA metro Line diversion work. The Company has been a pioneer in this specialised area and has further cemented its position in the year gone by. Unexecuted order book of monopoles now account for 37% of its overall order book
5. The Company bagged pre-qualification for 400 kV Bay extension works which will pave the entry for the Company into a growing segment.

As of March 31, 2021, the company has completed more than 6,155 CKms of transmission lines on turnkey basis in the voltage level between 110kV and 765kV and supply in excess of 3.3 lakhs MT transmission line towers of up to 765 kV line voltage. As on 31st March 2021, the order value for the power transmission segment stands at ₹ 476 crore.

### Outlook

Moving forward, the Company aims to ensure profitable growth for its power transmission segment by increasing the size of the monopole business and establishing its credentials in the higher voltage substation segments. The monopole business is projected to grow further, mainly on account of various road widening, metro rail and flyover projects in tier II and tier III cities.



Further, the Company's foray into the 400kV Bay extension project from Power Grid Corporation of India Limited (PGCIL) (currently L1 in this job) will pave the way for future growth in the niche 400kV substation segment. It will allow the Company to gain entry in an exclusive bracket of vendors having both 400kV line and substation construction credentials. Moreover, post successful commissioning of its project in Zambia, the Company is eyeing opportunities in Sub-Saharan Africa and the SAARC countries.

### Power Distribution

During the year under review, the business (BU) was adversely impacted by the pandemic. The Company focused on driving effective completion of the multiple legacy projects in hand before bidding for additional projects, recovering receivables and curtailing operating losses from this business through cost control measures and better resource planning. The Company has also been working on enhancing overall project management skills of the teams and establishing robust systems and processes to enable superior project execution going forward.

Some of the major projects undertaken in FY 2020-21 included:

#### Rural Electrification (DDUGJY & SAUBHAGYA Scheme)

- > Executed electrification works in Uttara Kannada, Belgavi, Mysuru, Shivamogga & Hassan districts of Karnataka
- > Accomplished electrification works in Darbhanga, Champaran, Madhubani, Samastipur, Gaya, Rohtas and Begusarai districts of Bihar
- > Construction of new 33KV/11 kV Substations in the Malda District, West Bengal
- > Rural Electrification in 23 districts of Uttar Pradesh under Pradhan Mantri Sahaj Bijli Har Ghar Yojana (Saubhagya)
- > Electrification works of Birbhum, Bankura, Malda, Jalpaiguri and Darjeeling districts in West Bengal

#### International Projects

- > Design, supply, installation and/or extension of low voltage single phase lines and service cables in Nandi and Kakamega regions. The project has been awarded by Kenya Power Lighting Company
- > Electrification works of 150 localities in Togo (Lot 1) Mediterranean region, West Africa

#### Electrical Works (IPDS Scheme)

- > Electrification works of Purnia and Bhagalpur districts in Bihar.
- > Electrification works of Tumkur District in Karnataka,

## Outlook

Going forward the Company will focus on substation, monopole and feeder separation orders after recovering its outstanding dues. This is anticipated to control project management costs with better overheads and stronger management of capital employed. The Company is also eyeing various opportunities for acquiring Feeder Separation Program and Substation projects and securing Monopole orders. The company is expanding its operations in export markets due to lower market competition in the power distribution segment, predictable cash flows, and better margins.

## Human Resource

The Company believes a talented, engaged workforce and enabling work culture are essential components to bringing business strategies to life. During the year under review, the Company faced evolving business dynamics amidst the pandemic and continued to align HR initiatives to support the business.

Throughout the year, the HR Department strengthened its efforts to ensure the health and wellbeing of its employees. It issued work-from-home guidelines, offered additional COVID-19 insurance cover, conducted virtual employee engagement programmes as well as health & wellness sessions to keep its people motivated and ensure their physical and mental well-being.

Here are some initiatives implemented by the Human Resource department during the year:

- > Introduced 'Learn, Engage, Adapt, Develop' (L.E.A.D.) – an initiative to continue employee learning through a virtual format. It includes programmes to strengthen employee capability by enhancing functional and managerial skills. A learning management platform (WELearn) was also introduced to host online courses for employees.
- > 'Anugam', the Company's Induction programme, went online and senior leaders welcomed new members virtually.
- > Optimisation of human resources and restructuring of teams to improve productivity and efficiency.
- > Boosting the leadership team to further strengthen the Company's performance.
- > Linking the performance management system and shared goals to individual performances and departmental requirements.
- > Creating a competitive compensation and benefits structure and revisiting the employee recognition programme to keep employees motivated and engaged.
- > Shaping an inclusive organisational culture to empower employees.

- > Revamping the career portal to make open positions easily visible, on a real-time basis.
- > Revision of employee referral programme to encourage employees to attract suitable talent to the organisation and strengthen the Company's corporate image.

In FY 2020-21, the Company participated in an external survey by Great Place to Work (GPTW) for the very first time, to get feedback about employee experiences and organisational culture. Post rigorous evaluation by the external vendor, the Company has been recognised as a Great Place to Work in India (Mar '21-Feb '22), marking a remarkable achievement in the Company's journey.

## No Pay-cuts

The Company provided full salaries to all its employees despite the challenges posed by COVID-19

# 2,956

Employees as on 31st March 2021

# 2,629

Unique employees participated in training programmes

# 91%

Of the total training programmes were conducted via internal trainers and sukaraks

## Quality Review

Bajaj Electricals has earned its reputation as a reliable and trustworthy brand, supplying superior quality products across diverse segments. The Company's robust quality management system enables it to adhere to stringent quality standards. It is an ISO 9001:2015 certified organisation. To ensure the highest standards of quality, each product is screened during the manufacturing process and is subjected to further scrutiny at various levels before it is delivered to customers.

To minimise manual interventions and check faults, the Company has digitised its quality control procedures. During the year under review, the Company underwent a transition from 'QC2QA' with a product-oriented to process-oriented approach, shifting from defects detection to prevention to undertake a proactive role in determining the quality of products. Under its 'Lakshya Pancharam' project, the Company has also introduced Statistical Process Control (SPC) in manufacturing to enhance the aesthetic value of products and upgrade critical processes.

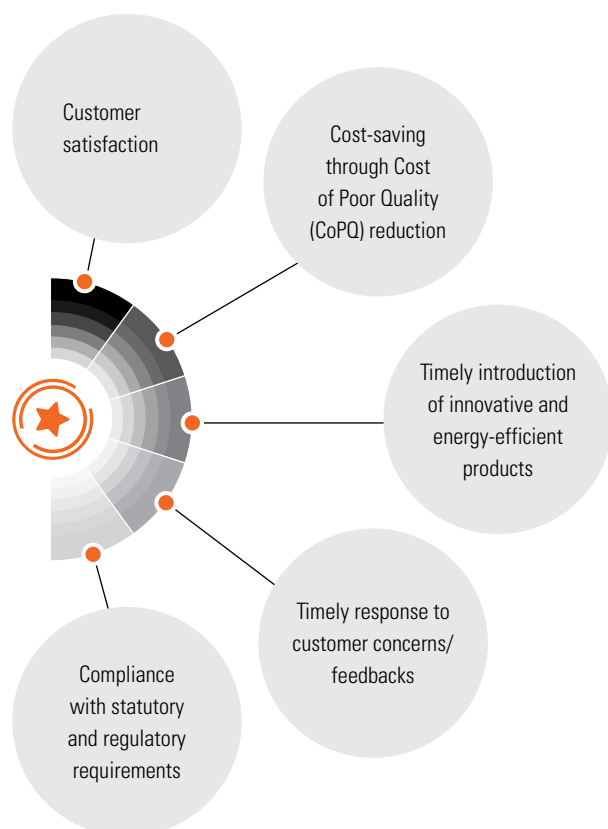
Moreover, the Company regularly analyses field failures and undertakes necessary corrective actions to fulfil its objective of zero failures. In addition, the Company has initiated Total Productive Maintenance (TPM), Value Analysis and Value Engineering (VA&VE) and process improvement projects to improve the quality of products.

# >50%

Reduction in market complaints over the last 4 years



## Bajaj's Quality principles



## Manufacturing excellence

The fiscal year 2020-21 was a challenging year for manufacturing operations. Plants remained closed in the wake of the COVID-19 pandemic and the situation in Maharashtra, where the Company's plants are located, worsened further as the number of COVID-19 positive cases increased. As a result, the Company implemented business continuity plans, strictly adhering to COVID-19 protocols that ensured the health and safety of its employees. The Company also focused on improving its operational efficiency while driving down costs.

With the easing of lockdown restrictions, the manufacturing units started operations. Along with regular sanitisation, social distancing protocols were strictly followed. To ensure smooth operations, the Company formed more than 60 cross-functional teams (CFT) to address key concerns related to productivity, quality, cost optimisation, maintaining adequate inventory levels, increasing operational efficiency and improving capacity utilisation.

Technology remains the bedrock of our manufacturing excellence. Most of our products, like, water heaters, fans, LED lights, pressure cookers and mixer grinders, are backed by the latest technology to produce quality products.

In continuation of the Company's endeavour to promote clean energy usage, rooftop solar has been installed at two manufacturing facilities – Chakan and Ranjangaon – with an installed capacity of 1.6 MW and a potential to generate ~23 lakhs units annually.

The Company also plans to implement IoT (Internet of Things) over the next two years, with a pilot project expected to begin in FY 2021-22.

Plant Location	Key Products manufactured
Ranjangaon, Maharashtra	Poles, Monopoles and EPC products
Chakan, Maharashtra	Fans and LED products
Shikohabad, Uttar Pradesh	LED bulbs and battens
Parwanoo, Himachal Pradesh	HID lamps
Starlite*, Maharashtra	Water Heaters, Mixers, LED bulbs & battens
Nirlep**, Maharashtra	Non-stick cookware, Pressure Cooker

\* Starlite is a joint venture of Bajaj Electricals Limited as on March 31, 2021

\*\* Nirlep is a subsidiary of Bajaj Electricals Limited as on March 31, 2021

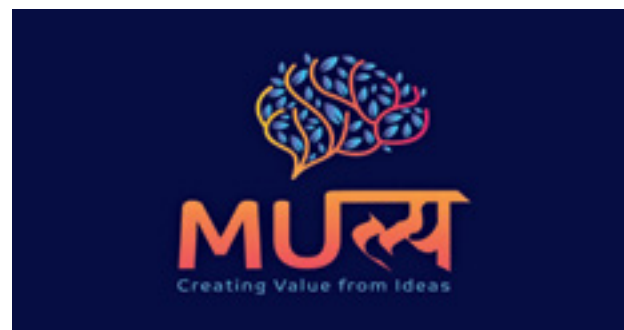
## Supply chain management and Logistics

Supply chain management (SCM) plays an essential role in collaborating with partners (from finished goods to Tier 2 to nth sub-components) and improving value creation across the supply chain. The company is heavily dependent on contract manufacturing model and a resilient supply chain is essential for making finished goods available on timely basis.

Last financial year was extremely challenging, considering the effects of the pandemic that derailed the entire world. It presented various headwinds in terms of raw material volatility, labour shortages, factory shut-downs, congestion in logistic chains and restriction on imports. Indirect impacts such as liquidity crunch, inventory issues and inadequate supply of sub-components also posed a serious threat to smooth recovery.

However, the SCM team overcame challenges through strategic efforts. The 'Make vs Buy' analysis at overall finished Good and critical components level proved to be beneficial for the team. It aimed to address potential supply shortages to ensure uninterrupted availability of products. This initiative was complemented by dedicated efforts of 'Alternate Sourcing Development' which helped to expedite capacity augmentation. The initiative focused on visiting the entire supply ecosystem, covering multiple sub-component suppliers (Tier 2 to Nth), and aiding import localisation at a brisk pace via online and offline workshops.

To ignite the entrepreneurial spirit and capitalise innovative ideas from employees and key stakeholders including Supply Partners, the Company launched 'Project MULYA'. Due to this initiative, sourcing of commodities was centralised and it offered better controls to support partners in a volatile market.



All these key initiatives were ably supported with a Partner-Centric approach, wherein the 'suppliers' were referred to as 'partners' to encourage seamless communication about areas of concern. BEL offered financial help to supply partners and encouraged them to arrange manpower, provide skills training required for the job, and increased shift timings to increase output with limited resources. Financial support has been extended for trade finance and early payments.

To ensure business continuity, the company also focused on the health and safety of people and offered COVID protection kits and other necessary help, whenever necessary.

The Company also collaborated with Mahindra Logistics Limited (MLL) to offer innovative logistics optimisation and outsourcing services under 'Project Samridhi'. The project involves end-to-end redesigning and outsourcing of Bajaj Electricals' logistics services by MLL, with the twin objectives of achieving improved and best-in-class service levels and reducing logistics cost by over 25% annually. It is one of the largest deals in the Indian logistics industry, worth more than ₹1,000 Crore, to be carried over in the next 5 years. MLL will completely revamp and consolidate the company's logistics network with storage optimisation, transportation management, and inventory management through the integration of advanced technology and automated processes.



At the core of the network will be 2 large ultra-modern warehouses located near Delhi and Mumbai. It will be equipped with the latest technology and automated facilities to enhance productivity and efficiency. MLL also strives to introduce sustainable practices at the warehouses to reduce its impact on the environment.

This network will further accommodate sophisticated fulfilment centres to improve delivery lead time for customers, dealers, and distributors. MLL will also deploy long-haul fleets and local distribution trucks, equipped with the latest tracking technology and set up centralised control towers to ensure smooth operations. MLL also looks forward to using electric delivery trucks from EDel to support Bajaj Electricals' sustainable logistics practices.

Going forward, the company strives to sustain a geographically diverse partner base and rely on new-age technologies to automate supply chain processes & maintain strong relationships with its partners. It also aims to increase the visibility of the supply chain, from sub-component suppliers to the distributor level. BEL further aspires to improve overall profitability, deliver superior quality products, decrease time to market, introduce innovative and unique products, and reduce its environmental footprint.

## Information Technology

At Bajaj Electricals, the role of technology has been critical for executing complex business operations. During the year under review, technology played a vital role in supporting business performance as the company shifted to remote working for many of its operations. It enabled them to deliver desired results and offer unique customer experiences. It also ensured business continuity with a smooth transition to the 'Work from Home' model. The company equipped its employees with necessary tools and software to support remote working and developed various digital applications like 'BEL Connect' to ensure smooth and seamless operations. Further, it also formed a dedicated IT team to undertake proactive efforts to manage operational challenges on a real-time basis.

The company has also decided to adopt SAP S/4HANA platform, a future-ready enterprise resource planning (ERP) system powered by AI, machine learning, and advanced analytics. It will provide a comprehensive coverage of end-to-end business processes within the organisation as well as with partners. Further, it also plans to adopt other SAP platforms such as SAP Project systems for EPC segment, SAP Integrated Business Planning and SAP GRC to further strengthen its business operations.

It is also going to implement Product Lifecycle Management software (PLM) that offers an all-round view of the product across multiple cross-functional teams. It will act as a single source for controlling and monitoring most of the data and processes involved in product development.

In order to improve productivity, efficiency and optimise operational cost, Bajaj Electricals strives to implement a smart factory by adopting technologies adapted to the needs of Industry 4.0. The company also aims to launch various connected products and services through its B2B and B2C business segments. Further, it is also planning to implement a conversational bot for its customer care segment and e-commerce platform.

The Company believes communication and collaboration are vital for inspiring, encouraging and empowering new ideas. Thus, it is setting up an innovation platform that will allow employees as well as channel partners, consumers and other stakeholders to share ideas and thoughts revolving around new product development and process improvement.

# 46

Employees in the IT team

# 13.5 years

Average experience of IT Team





## Financial Analysis

(₹ in crore)

Particulars	FY21	FY20	YOY Change (%)
Revenue	4584.60	4987.23	(8.07)%
EBIDTA	372.38	254.46	46.34%
EBIT	297.21	180.79	64.39%
Finance Cost	76.43	170.78	(55.25)%
PBT	246.27	10.01	2360.39%
PAT	188.96	(10.29)	(1936.78)%

### Key Financial Ratios:

Particulars	FY21	FY20	YOY Change (%)	Reasons for change, where change is significant
EBIDTA Margin	8.12%	5.10%	59.19%	Increase in margins due to Consumer Products Business contributing higher sales mix at 72.3% vs 62.1% last year. Also, supported by higher gross margins for CP business and reduction in overheads.
EBIT (Operating) Margin	6.48%	3.63%	78.83%	Same as above
PBT Margin	5.37%	0.20%	2576.47%	Increase in PBT due to reduction in finance cost by ₹ 94.3 crore. Also, exceptional gain of ₹ 25.5 crore in FY21 on account of derecognition of associate (Hind Lamps Limited)
PAT Margin	4.12%	(0.21)%	(2098.09)%	Higher PAT, due to higher PBT. Also, last year there was a write-off of deferred tax assets of ₹ 13.9 crore, due to change in the income tax rate from 34.9% to 25.2%
Debtors Turnover	2.06	1.76	17.25%	Marginal drop in total revenue compared to sharp reduction in debtors. Revenue dropped by 8.1% whereas closing debtors reduced by 24.4%, from 2,536.5 crore to 1,916.9 crore
Inventory Turnover	3.84	4.76	(19.26)%	Reduction in ratio, due to significant increase in inventories by 41.1% from ₹ 698.9 crore to ₹ 986.4 crore
Interest Coverage Ratio	4.36	1.11	292.55%	Increase in ratio due to increase in adjusted EBIT by 64.3% further supported by reduction in adjusted interest cost by 58.1%.
Current Ratio	1.17	1.11	4.88%	Marginal increase in ratio due to reduction in overall short-term borrowings
Debt Equity Ratio	0.30	0.71	(58.21)%	Positive cash flow from operations of ₹ 658.1 crore, largely used to repay debt. Reduction in debt from ₹ 962.0 crore to ₹ 470.6 crore.  Increase in total equity due to higher profits for the year.
Return on Net Worth	12.91%	(0.86)%	(1608.96)%	Higher profits after tax for FY21 as compared to loss in FY20.

## Risk Management

The Company has adopted a robust risk management policy, approved by the Board of Directors, to identify, evaluate and mitigate business risks and protect stakeholder interests. The Company's Risk Management framework focuses on timely identification of risks and initiates mitigation strategies to steadily tide through crisis.

The key business risks identified by the Company and its mitigation plans are as under:

### 1. Pandemic

The pandemic resulted in unprecedented hardships due to travel restrictions and lockdowns across the country. It severely affected supply chains, labour availability and resulted in demand fluctuations. Proactive actions to initiate Work from Home (WFH), manage supply challenges through seeding based supply forecasting have fetched positive outcomes. Actions to boost production and ensure timely distribution of products across warehouses have minimised the impact of supply disruptions on secondary and tertiary sales.

### 2. Business Growth

EPC order book forecast for project execution in FY 2021-22 has to be improved. It has been adversely impacted by lesser number of tenders in FY 2020-21 due to the COVID-19 pandemic. In Power Distribution, focus has been on financial closure of ongoing projects which have positively improved cash flow and recovery. The Organisation will be focusing on high growth projects of Railways, Monopolies to drive growth and profitability. Risks of demand volatility and slowdown in the Consumer Products business is being addressed through the introduction of new products/SKUs and pro-active marketing for driving demand and sales.

### 3. Working Capital Management

Change in scope of EPC projects and ROW issues have resulted in non-utilisation of material purchased for certain projects or delays in execution. Due to the pandemic, many clients were short of cash and this impacted receivables significantly. Non-availability of labour and non-deployment of material within agreed timelines also posed risks for the company's operations. To mitigate these threats, the company coordinated with clients to identify additional areas where the inventory can be utilised. Further, requirements at other project sites were also assessed to move slow moving inventory. In addition, for recovery of receivables, projects were handed over on time and financial support was also provided for working capital management of subsidiary /associate companies that were impacted by fluctuations/changes in demand and supply.

### 4. Hiring and retention risk

The Company continuously seeks to hire and retain the best talent in the industry. The company's human resource strategy focuses on building a robust and diverse talent pipeline. It hires fresh management graduates as well as experienced professionals to cater to various business functions. It also strives to promote a future ready workforce, with an emphasis on skill development and training. To drive employee engagement and strengthen ties with them, the Company regularly undertakes various initiatives. It organises employee satisfaction surveys, town halls across locations and training programs for its people to foster a conducive working environment. It also provides stock options, encourages job rotation and acknowledges employee's hard work through various reward and recognition initiatives.

## 5. Occupational health and safety risk

The Company prioritises the safety of its people and has devised an effective Occupational Health & Safety policy to reinforce the safety culture across the Company. Various training programmes such as behaviour-based training programs, safety leadership programs, logistics safety programs are conducted at the plants and project sites. To oversee safety protocols for employees, a Safety Committee has been developed and is strictly adhered to.

## Internal Controls

Commensurate with the size, scale and complexity of its operations, the Company has well-defined and adequate internal controls. Throughout the year, the internal controls were noted to be operating effectively. To test the robustness of these controls and to cover all business units, offices, factories and key areas of business, the Company had appointed an external consultant as an Internal Auditor. External consultant (Internal Auditor) as well as the statutory auditor evaluate the design, adequacy and operating effectiveness of the Internal Financial Controls of the Company. The controls are designed in such a manner that they are broadly in accordance with the criteria established under the Companies Act, 2013 and Guidance Note issued by the Institute of Chartered Accountants of India.

The Company has documented Standard Operating Procedures (SOP) and risk registers, encompassing process flow, key risks and key controls for all business units and functions. SOP and risk registers in turn are evaluated and appropriate amendments are made by the business, depending on the changes in process of workflow and controls. The external consultant (Internal Auditor) on review of the internal financial controls did not identify any significant control weaknesses. All the non-significant control weaknesses identified have been discussed with the respective process owner. Remediation actions have been taken or agreed upon, to eliminate the weaknesses in a time bound manner. Adequate manual controls have been deployed where control weaknesses were identified due to system limitations in IT applications.

The external consultant (Internal Auditor) conducts internal audits for the areas that are agreed with the Management and Audit Committee. The Audit Committee finalises the scope of the internal audit. The audits executed by the external consultant (Internal Auditor) are monitored by the Internal Audit function. It is ensured that internal audit and IFC reviews are

conducted objectively. Also, it is ensured that reviews evaluate the efficacy and adequacy of internal control system in the Company, its compliance with operating systems and procedures, accounting procedures and policies of the Company. The internal audit function reports to the Chairman and Managing Director of the Company and the Chairman of the Audit Committee of the Board so as to maintain its objectivity and independence.

The process owners undertake corrective action in their respective areas within agreed timelines for significant risks identified in the reports issued by Internal Auditors. This helps to improvise and strengthen the controls. On a quarterly basis, significant audit observations and corrective actions are presented to the Audit Committee of the Board.

## Disclaimer

Certain statements in the MDA section concerning future prospects may be forward-looking statements which involve a number of underlying identified / non identified risks and uncertainties that could cause actual results to differ materially. In addition to the foregoing changes in the macro-environment, a global pandemic like COVID-19 may pose an unforeseen, unprecedented, unascertainable and constantly evolving risk(s), inter-alia, to the Company and the environment in which it operates. The results of these assumptions made, relying on available internal and external information, are the basis for determining certain facts and figures stated in the report. Since the factors underlying these assumptions are subject to change over time, the estimates on which they are based are also subject to change accordingly. These forward-looking statements represent only the Company's current intentions, beliefs or expectations, and any forward-looking statement speaks only as of the date on which it was made. The Company assumes no obligation to revise or update any forward-looking statements, whether as a result of new information, future events, or otherwise.