

Crompton

Crompton Greaves Consumer Electricals Limited

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Date: February 1, 2021

To, BSE Limited (“BSE”) , Corporate Relationship Department, 2 nd Floor, New Trading Ring, P.J. Towers, Dalal Street, Mumbai – 400 001	To, National Stock Exchange of India Limited (“NSE”) , “Exchange Plaza”, 5 th Floor, Plot No. C/1, G Block, Bandra- Kurla Complex, Bandra (East), Mumbai – 400 051
BSE Scrip Code: 539876	NSE Symbol: CROMPTON
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Our Reference: 119/2020-21	Our Reference: 119/2020-21

Dear Sir/Madam,


Sub: Disclosure under SEBI (Listing Obligations and Disclosure Requirements), 2015 – Transcript of Earning Call

With reference to our earlier intimation regarding the Earnings Call on unaudited financial results for the quarter and nine months ended December 31, 2020 held on January 25, 2021, kindly find enclosed the transcript of the same.

You are requested to kindly take the above information on your record.

Thanking you,

For **Crompton Greaves Consumer Electricals Limited**



Pragya Kaul
Company Secretary & Compliance Officer

Encl: A/a



**“Crompton Greaves Consumer Electricals Limited
Q3 FY2021 Earnings Conference Call”**

January 25, 2021

ANALYST: MR. NILESH BHAIYA – MOTILAL OSWAL FINANCIAL SERVICES LIMITED

MANAGEMENT: MR. SHANTANU KHOSLA – MANAGING DIRECTOR - CROMPTON GREAVES CONSUMER ELECTRICALS LIMITED

MR. MATHEW JOB – EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER - CROMPTON GREAVES CONSUMER ELECTRICALS LIMITED

MR. SANDEEP BATRA - CHIEF FINANCIAL OFFICER - CROMPTON GREAVES CONSUMER ELECTRICALS LIMITED

MR. YESHWANT REGE – VICE PRESIDENT, STRATEGY AND FINANCIAL PLANNING - CROMPTON GREAVES CONSUMER ELECTRICALS LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the Crompton's Q3 FY2021 Earnings Conference Call hosted by Motilal Oswal Financial Services 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. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Nilesh Bhaiya from Motilal Oswal Financial Services. Thank you, and over to you, Sir!

Nilesh Bhaiya: Thanks, Janice, and good morning everyone, and a warm welcome to the third quarter FY2021 earnings call of Crompton Greaves Consumer Electricals Limited hosted by Motilal Oswal Financial Services Limited. Representing the company, we have the top management with us, comprising of Mr. Shantanu Khosla, the Managing Director; Mr. Mathew Job, the Executive Director and the Chief Executive Officer; Mr. Sandeep Batra, the CFO; and Mr. Yeshwant Rege, the VP of Strategy and Financial Planning. I will now hand over the call to Mr. Shantanu Khosla and his team for some opening remarks on the latest results, post which we can open the forum for question and answers. Thank you, and over to you, Sir.

Shantanu Khosla: Thank you. Good morning, everyone. Thanks for dialing in, and welcome to our call for the quarter ended 31st December. Firstly, I hope all of you and your families are safe and healthy in these pressing times. Health and safety of our employees continues to be of the utmost importance for the company. Most of our employees are safe from the virus, and we are extending all support required to those few who have been affected. We continue our periodic interaction sessions with employees through town halls to boost the morale and alleviate any concerns raised by them. Leveraging technology solutions, we have implemented programs to ensure social distancing norms and contact tracing are implemented in all our sites. We also have announced increments for all our employees with effect from October last year. All our factories are up and running, while capacity utilization is now higher than the previous years. Norms of safety laid by government and social distancing continue to be strictly adhered in all our premises. Our entire distribution networks, warehouses continue to function smoothly. As I had mentioned in my earlier calls, through this entire COVID period, which is now almost a year long, we had continued to invest in our long-term strategic choices. This, we believe, has clearly delivered results and has helped us to recoup the ground earlier than most in Q1 and Q2 and is now enabling us to grow faster than the market. On the go-to-market side, we have focused on enhancing our superior partnership with our trade partners. We have empowered our channel partners to help them grow their business and supported them during the lockdown with extended credit and other support areas. This has led to continuing improvement in our call

productivity. We are focused on improving reach and are making continuous efforts and investments to improve the number of retail points where our products are available. Our efforts are clearly resulting in improved reach with on a rolling 12-month basis, our overall fans portfolio reach is up by almost 300 bps. As we mentioned before, we are leveraging technology significantly, improving our secondary sales tracking. Information gathered from our Tally patch has enabled us to take more informed decisions that have helped grow the business. Our Tally patch now covers secondary sales of 76% of our total business. We have also focused on new important emerging channels, and our continued commitment to develop and harness the potential of the rural channel has been paying off handsomely for the company. Our rural sales in Q3 have nearly doubled over the corresponding period last year. We have also stepped up, as mentioned earlier, our investment in the e-commerce channel, along with meaningful consumer engagement and this has also helped us more than double our business in Q3 over the corresponding period last year in this channel. We continue our consistent market growth trajectory in both these channels and are continuing to step up our investments in both rural and e-commerce. We have also focused and continue to focus on driving premiumization. This was one of the key objectives we identified a few years back to develop our premium category products and drive their saliency. The performance of our top end range of fans has clearly highlighted the importance of this decision with premium fans growing 51% this quarter. Innovation, especially consumer-centric product innovation has been key. As a market leader, it is our responsibility to develop products that are meaningful to consumers, futuristic in design and applications. Our revamped portfolio in appliances is clearly rewarding us with exponential growth performance, while our broad range of product portfolio in fans, lighting and pumps, has helped us gain market share year-on-year. In fact, as we mentioned a few calls earlier, over the past couple of quarters, we have significantly stepped up our investment in innovation pace behind new consumer meaningful introductions. On fans, we have launched a number of new initiatives over the last couple of months: Markle Designer; Markle Prime; our Torpedo range of TPW fans; our fantastic Energion range of energy-saving silent fans; Drift Air, anti-dust and exhaust fans. Appliances continues to be a great opportunity for us, which has been growing consistently over the last 4, 5 quarters, where we have introduced a number of initiatives: Sierra, Treat, Ritz in mixer grinders; Desire and Pebble series dry irons; and also a range of room heaters. Pumps, we have been focusing on all the opportunities for improved innovation in products and have launched a number of variants of new, superior performing submersible pumps, open well submersible pumps to reduce customer complaints in the existing range and an Ultima series with superior performance. Lighting, where we have focused largely on the ceiling area, with Star Lord panels, Downlighter, Star Striko, Star Dura and various other initiatives, all seeking to innovate, introduce superior products, which better move consumer needs. Overall, our business continued its upward trajectory in Q3. We witnessed consistent growth in all the months of Q3 over the corresponding period last year. In fact, every month, October,

November, December, our sales grew in excess of 20%. Our sales growth has been visible across all our product portfolios and price range and it is delivering broad-based consistent growth. The ECD portfolio continues its stellar growth performance driven by all the categories, pumps, fans and appliances and delivered a growth of 32%, which is largely volume-led in quarter 3 over the corresponding period last year. Lighting B2C business continues its volume growth backed by commensurate value growth now that price erosion has stabilized. One segment of ours, which continues to face challenges is our B2B business, where slow institutional and government orders are proving to be a headwind. Lighting B2C LED business delivered a volume growth of 13% and an equivalent value growth in quarter 3 over the corresponding period last year. Our cost-saving program is delivering desired results and has enabled us to outperform peers on profitability benchmarks. We have saved approximately Rs.40 Crores under this program in Q3, which puts us very much on track for our annual target. During the COVID crisis, we also focused to drive overdue collections and efficient management of working capital, and this has helped us further strengthen our cash position to Rs.1285 Crores as of Q3 end. This is after paying dividend of Rs.189 Crores this quarter. Our balance sheet strength enables us to weather any future uncertainty and invest in the long-term development of our business. This really has been what has enabled us to continue to invest in our organization and people through this entire COVID challenging period. We also continue to step up our investments in people, in hiring and development of R&D capability, rural channels, e-commerce and other key areas, benefits of which are already showing results, and longer-term results will continue to be realized over the years by the organization. We remain committed to develop innovative consumer meaningful products that offer superior value proposition flowing both into the top and importantly, the bottom line. While the overall demand outlook has improved significantly over Q1 and Q2, and the growth is reflected across business, we are currently facing significant headwinds in terms of increased commodity costs, increases that are almost unprecedented. We continue to monitor the situation closely and have taken mitigating actions, pricing, driving improved mix and accelerating our cost savings initiatives to partially negate the rise in input costs. We expect the cost pressure to continue in the near to midterm, but our best-in-class cost structure and sustained cost reduction program should give us a competitive edge in this challenging situation. In response to commodity headwinds, we and other players in the industry have taken a price increase of 5% to 8% effective January 2021. It is possible that in anticipation of the same, there could have been some amount of stocking by the channel towards the end of the quarter. However, our secondary sales data indicates that there is no significant inventory built-up in trade channel. In terms of our ECD performance, a few more details. In quarter 3, fans business grew by 36% on the back of strong performance across the entire range and product portfolio. Premium fans, as I mentioned, delivered a 51% sales growth. Our super premium fans range continues to gain traction with business momentum improving sequentially. Our range of new offerings over the last couple of months is being

well received by the market. In the rolling 12 months, we have gained 1% market share in the overall fans business and continue our steady sustained share growth. Our pumps business witnessed a 19% growth, largely volume-led, with residential pumps growing at a volume of 22% and a value of 25%. Appliances, which has been an exponential growth area over the last few quarters, has continued to deliver outstanding results this quarter also, delivering a growth of 45%, backed by its superior product portfolio and range of offerings. The growth was driven by geysers, which had a value growth of 49%, where we are rapidly moving towards a leadership position. We have sold more than 1.25 lakh geysers in all the 3 months of the quarter. Renewed focus in kitchen appliances including our mixer grinders which also clocked exponential value growth, doubling its business versus the previous quarter. Within a very short span of time, our appliances business has exceeded pre-COVID growth levels and is back to the strong growth trajectory which we have been demonstrating. Our previous investments in developing a superior product portfolio is paying off handsomely in this segment. Lighting revenues were Rs.312 Crores, registering a 10% growth over last year. The lighting B2C business continues its volume growth trajectory now being backed by commensurate value growth. Lighting B2C LED volumes grew 13% over last year, with a commensurate 13% value growth as prices are now remaining stable. Conventional lighting continues to decline and declined at about 17% for the quarter and still contributes about 15% of our business. Headwinds were faced in the lighting B2B business due to a slow order pickup by institutions. Capacity ramping up, cost-saving initiatives delivering the desired results and sustained volume growth in LED B2C business has helped us continue to hold strong margins in our lighting business - EBIT % in double digits at 12.3%. We believe that further cost improvements under implementation in the B2B side of the business will help us sustain these double-digit margins as we had talked about a few quarters ago in the business going forward. Finally, the overall numbers. The Board of Directors in its meeting held on 21st approved the quarterly results of the company for the quarter ended 31st December. Income for the quarter was at Rs.1348 Crores. ECD revenues stood at Rs.1036 Crores, EBIT margins of 19.8%. Lighting revenues of Rs.312 Crores. EBIT margins expanded by 540 basis points versus corresponding period last year and stood at 12.3%. Material margin grew by 10 basis points in Q3 over last year and stood at 32.1%. PBT stood at Rs.202 Crores, growing 45%. Our PBT margin stayed strong at 15% versus 13% in the previous year. Profit after tax was obviously impacted by a tax refund, which was in the base period, but the PBT and operating profit grew as it has done even ahead of our total top line growth in excess, as I mentioned, of 45%. So, with that, I would like to stop and address any questions that you may have. Thank you.

Moderator:

Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Ravi Swaminathan from Spark Capital. Please go ahead.

Ravi Swaminathan: Congrats on a good set of numbers. My first question is with respect to margins and impacts of commodities on your margins. You had already mentioned that we are seeing some headwinds. We have seen pretty good growth in premium fans, but the EBIT margins in the ECD business has remained flattish at around 19.8% year-on-year. I just wanted to check with you, so basically, would we need any further price increases to maintain margins or we have taken enough price increases? So that is my first question.

Shantanu Khosla: First, for the previous quarter, which is the quarter we are talking about, Q3, there was some commodity cost impact in Q3 itself. However, the real significant increases will come in the quarter ahead, which is Q4 and maybe beyond. As you are aware, and as I have mentioned, we have already taken significant price increases right now effective largely 1st January of 5% to 8%. Cost increases and commodity increases will always come, and they tend to come in spikes. We work consistently on this in 3 areas: #1, passing some amount of cost on to the consumer; #2, drive cost saving initiatives aggressively; and #3, mix. On a sustained basis, these 3 programs will cover any commodity cost increase. We, as we look forward, need to balance our margins with continuing the demand momentum we have. So obviously, I am not going to talk about any future price increase decisions which we may or may not take, but over a period of a quarter or 2, we will work to restore margins back to the industry-leading levels that they were at. We are confident we have the plan to do that, leveraging all 3 levers, in pricing, cost saving programs and mix. You must also remember that this level of commodity cost increase which the industry is facing is unprecedented. So, we will manage this over a period of time. So, there may be a near-term impact on margins. However, we believe that the strength of our cost programs and our profitability structure give us a competitive advantage, but over a little bit of time, we will fully cover the commodity cost with these 3 areas. Sandeep, anything you want to add.

Sandeep Batra: I think the other point, of course, to add to what you said, Shantanu, is that commodity cycles work both ways. Of late, yes, we have seen all commodities, be it, copper, aluminum, steel, all increasing quite rapidly, but then that cycle can correct. So, when we take a call on pricing, we will certainly look at the medium-term rather than just the next month, when we take a decision on pricing. That is all that I wanted to add, Shantanu.

Ravi Swaminathan: Got it, Sir, and my second question is with respect to foray into new categories, is there any plans to foray into new categories, kitchen appliances further, etc., in the near term?

Shantanu Khosla: Well, the simple answer is yes, and specifics, we will talk at the appropriate time. The only additional thing I would like to mention is all our segments, which we have been driving in, what we call small appliances over the last 2 years, are fundamentally new categories for us. We were hardly present in geysers and now we are one of the leading players. As I mentioned in the last couple of calls, our focus is now moving to small kitchen appliances, starting with mixer grinder. So, these are all really for a company, for us, new areas, which

we are getting a lot of success. Beyond that also, the answer is yes, and we will talk that at the appropriate time.

Ravi Swaminathan: Thanks, I will come back in the queue for more questions.

Moderator: Thank you. The next question is from the line of Renu Baid from IIFL. Please go ahead.

Renu Baid: My first question is on the lighting segment, especially in the B2C lighting, the volume growth somehow has now tapered from high double digits of 20%, 30% level to now mid-teens, this 13% level. So, is there any sign to worry that growth is slowing down? Or was it also partially impacted because of supply chain headwind from the electronics side? And aligned with this, do you perceive opportunities coming in way from the PLI scheme for LED lighting? That is the first question.

Shantanu Khosla: Okay. Let me take the first one, then I will refer Sandeep to comment on the PLI part. We continue to see strong opportunities in lighting, in the B2C part, and now having largely weathered the price erosion, which has hampered this industry over the last couple of years, we see it as even more attractive and opportunities to invest. As you can see, we had to really work to get our margins back to sustainable levels, which we believe we now have and a strong program to retain them. We now have clear plans and our focus is to drive the top line even harder. There are a number of opportunities largely based on strengthening our product portfolio, which will enable us to do that. So that is going to be an important focus area for us moving forward on lighting. Sandeep, on the PLI?

Sandeep Batra: Yes, sure. So, on the PLI scheme, I think we just await more clarity and details on the contours of the scheme and then we will be in a much better position to comment as to how we plan to take advantage of that. At this stage, it is only a statement of intent from the government. They are collecting details from all the manufacturers, and once we have more specifics on the scheme for lighting, then we will be in a better position to comment.

Renu Baid: Right, and just a circle up on the first question, the 13% volume growth in LED lighting, is that more of an adjustment of now the base increasing and the volume growth in the industry itself now moderating to teens? Or was it impacted by near-term supply chain headwinds in the LED segment per say?

Shantanu Khosla: Yes. Mathew, do you want to take the one on supply?

Mathew Job: Yes. Yes. I think, Renu, the moderation in the volume growth has been in, as in mid-teens for the last 3 or 4 quarters, so I do not think it is only in this quarter, and definitely, I think the volume growth have come down from 30-odd percent, which we had for many quarters to mid-teens for the last almost 1 year. The change that has really happened is the kind of

price erosion that we used to have in the preceding years, they have moderated to a large extent, and in fact, you will see that price increases of almost 5% have been announced by all the players in January. So, I think definitely, the volume growth is likely to remain. At least for us, as Shantanu mentioned, the objective is to really, in B2C and in B2B both, but definitely in B2C, having addressed the profitability issues, and the margins are at very healthy levels now, the clear focus is to drive market share expansion basically by driving 2 things: One, stronger portfolio, especially in ceiling light; and second, is our rural program, we believe, will give us a strong traction in B2C going forward. So that is what I would like to say.

Renu Baid: Sure. Sir, my last question is actually on the rural program itself. You did mention that in the last 1 year, we have taken various initiatives to step up the reach in this segment. So, if you can update our initiatives further on the reach, how is it as of now? How large has rural or semi urban now become in our revenue mix? And if you can share some insights along the rural GTM program?

Mathew Job: I will just say, for example, in rural, I will say that when we say rural or urban, we are primarily talking about towns of less than 1 lakh population. In Phase 1, our target was to cover roughly 400 towns of population between 50000 to 1 lakh, out of which, we have already executed 75%. So roughly 300 out of the 400 towns that we wanted to cover in Phase 1 has already been covered. We see good traction and good reach improvement in those areas. Currently, Phase 2 is starting to get implemented, which is of all towns between 20000 to 50000 and that is almost 2000 towns. So that is, in terms of numbers, much larger, and that is currently in execution. So, we feel confident that the rural program will give us strong growth going forward.

Shantanu Khosla: And we have been, Renu, investing in this through the COVID period. So, we have been adding people to build this infrastructure to reach these smaller towns.

Mathew Job: Thank you so much and all the best Sir.

Moderator: Thank you. The next question is from the line of Bhavin Vithlani from SBI Mutual Fund. Please go ahead.

Bhavin B. Vithlani: At the outset, I would like to congratulate the entire management team for stellar performance. So, I have 3 questions. So first, if you could speak about the supply chain in general because not just the consumer durable industry, but across industries, we are seeing challenges. The second question is on the fans. You mentioned strong growth in the premium fans. So, what is it as a percentage of the total fans? And what, in your view, is driving this performance? And what do you believe to be a sustainable level over the medium term? And the third part of the question is on the newer product launches, if you

could give some color into mixer grinders, how do you see that evolving? And can it grow the overall top line of the company? These are my 3 questions.

Shantanu Khosla: Okay. It is just for fairness because there may be a lot of people in the queue, do you have a priority 1 of those 3, and I will take that?

Bhavin B. Vithlani: Sorry. So maybe the first 2 questions, if you could please.

Shantanu Khosla: Okay. So, the second question was on fans, right? Okay, and the first 1 was?

Sandeep Batra: Supply chain situation, Shantanu.

Shantanu Khosla: Okay. Mathew, you want to take supply chain.

Mathew Job: Yes. See, I think the supply chain situation, as Shantanu mentioned, our supply chain situation, it is much better now actually in the quarter than in the previous quarters, and we have been running at our own factory is a capacity utilization almost 30% to 40% higher than last year, and even our vendors, at our partner suppliers, where we had problems in the previous 2 quarters, things did remarkably settle down in this quarter because of better availability of labor. However, I just want to add one point that towards the tail end of the quarter, towards December, of course, there was some impact because of the ongoing agitation of farmers in North because in the area of Baddi and Kundaim, we have some of our own factories and those of our supplier partners, there, there was some impact towards the tail end of the quarter, but overall, if I say supply chain, I think we have had a fairly robust and consistent supply throughout the quarter. So, I do not think that there has been any major issue.

Shantanu Khosla: On the second one on fans. What has driven the fans business is very, very consistent to the strategy we are driving. First, strong consumer meaningful innovation all the way back to anti-dust to most recently, our Energion range. So, innovating meaningfully and bringing new propositions, and the second along with that is better- and better-quality execution of our go-to-market to get these distributed and visible and available in the right stores. This has delivered consistent success over multiple years and has moved our leadership position and significantly strengthened it. When we started the journey on premium fans, premium fans were something like about 7% of our total fans business. Premium fans are now about 17% to 18% of our total fans business. Now that being said, while we had focus on premium fans, I would also like to point out our total fan's portfolio is growing, and as a market leader, that is important. We are one of the few brands which plays from the top all the way down the pyramid, and all our different segments are growing really behind the same 2 fundamental things: Meaningful new consumer propositions; and strong Go-to-Market execution in terms of productivity, increasing numeric reach.

- Bhavin B. Vithlani:** Thank you so much for taking my questions.
- Moderator:** Thank you. The next question is from the line of Mayur Patel from IIFL AMC. Please go ahead.
- Mayur Patel:** Congratulations for a great set of numbers. It clearly shows the kind of execution the management is delivering. So just one simple thing. We saw 46% growth for Havells in ECD. Even our growth in ECD was very robust at 30% plus. Anything you can share about the market share? Who is losing? And who all players are gaining? Is it the tail, which is losing? Or is it a reshuffle between the top 5 players? Anything if you can share, it would be helpful, sir.
- Shantanu Khosla:** Yes. I do not really want to comment, obviously, on Havells, but based on their publicly released data, I would just mention that their previous year same quarter was one of their weakest growth quarters. So, the base quarter is relatively weak. In terms of market share, as we talk, we focus on retail audit market share, which we get from an external third party, and if you look at that data, then the brand of fans which has grown the most share over the past 12-month period is actually Crompton, and there has been no significant pickup of shares among the other major players. We do, however, see because the retail audit also provides us market growth from a consumption point of view, and while the market growth was declining, obviously, in Q1 and Q2 when COVID lockdowns were at their worst, our latest data, which is up to the November period, actually shows that the fan market consumption has grown 9% in October, November. Now this compares with kind of a steady state pre-COVID, this market used to grow at about 5%. So, there has been a pickup in this quarter in total market growth, which is leading, I think, also partly to, obviously, the sales growth of the major players. Now how long this higher growth levels of the market will continue? We will have to watch and wait and look at because traditionally it has been at about 5% on a long-term basis. Now that being said, while I did mention pricing is obviously a headwind, but on the flip side, there look like there are some early trends of the retail, i.e., construction, housing markets beginning to recover after quite some years, and these may, looking forward, help sustain a positivity in the total consumption growth.
- Mayur Patel:** Sure, Sir. I have 1 more question, if you can allow. Sir, next year, the 17%, which you mentioned, premium fans as a proportion of the total fans, what is the aspiration level or target? Where do you want to see this over the next 1 or 2 years?
- Shantanu Khosla:** I will give you a boring answer, but my answer is we want our premium fan portfolio to be the fastest-growing premium fan portfolio.
- Mayur Patel:** Thank you gentlemen for your time.

Moderator: Thank you. The next question is from the line of Venugopal Garre from Bernstein. Please go ahead.

Venugopal Garre: Congratulations on a good quarter. Just to understand the market dynamics, I think you have given a good color on fans, especially in the previous question. One of the reasons attributed for share gain for quite a few of the leading brands in general, not just specifically on fans, in terms of wholesale volume, is also the fact that probably the unorganized players are seeing supply chain constraints or maybe even labor constraints. Now what I wanted to understand is, would you attribute any of this as a driver? And more importantly, because are you seeing from a competitive perspective, unorganized players now coming back now in probably the recent weeks or maybe fag end of December in terms of their ability to supply? The second thing, the reason I am asking this is because if it is still going to be a large brand, so the ones who have the ability to supply, probably this ability to pass on commodity in terms of pricing power may still sustain for a while. So, the 5% to 8% price hike that you have seen, is it something the market is well taking? So, I mean, these questions are sort of mixed with each other, but more to do with the market structure at this point of time.

Shantanu Khosla: Okay. Let me address the first one, then I will let Mathew just talk to the second. Firstly, I would not separate it out as organized versus unorganized necessarily. I would separate it out into 2 buckets, which are the larger brands and all the very small brands. There may be a brand which is made by a very large organized company which is large and organized in category A, but in fans, or in pumps, they may only have a 0.5% share. So that is where I make the break. Now secondly is I would not only think about supply chain, though that may be a factor to some extent, again, for both the groups, a 0.5% share brand or "an unorganized" sector brand. In times like this, which are tough times, there is a general tightening on the part of the trade, so the trade wants to basically keep only the leading brands. Secondly, on the part of the consumer, the consumer wants to buy trusted brands. The consumer wants to buy the leading brands. So, I would say the leading brands have got a benefit, and the benefit is for reasons more than just they could continue to supply and distribute. The second one, Mathew, will you take?

Mathew Job: Yes. Yes, yes. So, a couple of things from my side. First is, you are right, I think, I mean, the smaller market share players have lost, if I look at the period and supported by market pulse, have lost significantly, but I want to reiterate the point that the larger brands have gained, but Crompton has gained more than twice as much market share in this period than any other big player. It is not that everybody is gaining equally, Crompton has gained more than twice of anybody else. That is number one. Second, price increases have been announced by different players at different points of time, starting all the way from mid-December, all the way till mid-January, the first round of price increases. So, I would say it

is too early to say whether that is going to create any significant demand headwinds because the full impact of the prices is there in the market only from 15th of January. So, we had announced our price increases on 1st of Jan, so this is roughly 3 weeks. Our secondary sales data, which we have do show that we continue to sell as per our expectations. So, but I would like to caution that it is too early to make a definitive statement. At least till this movement, from whatever data we have, we feel fairly confident that we will continue to manage and continue to deliver growth through a combination of 3 things that Shantanu mentioned, while maintaining margins through the 3 thing that Shantanu mentioned, which is pricing, mix and cost reduction. So that is how we intend to manage this, and as Shantanu mentioned, we are not looking at it month-on-month. We are looking at it from a slightly more medium term, and in that period, I think we feel confident that we will be able to manage.

Venugopal Garre:

Thanks a lot.

Moderator:

Thank you. The next question is from the line of Prashant Kutty from Sundaram Mutual Fund. Please go ahead.

Prashant Kutty:

Just on the same point, you spoke about that the unorganized players are probably gaining, or the smaller organized players are losing share. Given that you also made a statement that fans market has kind of come back into growth, could we expect these smaller organized players to probably feel a little better? And maybe as you kind of progress into the season, you could be seeing them kind of come back? Or do we really feel that probably some of them have gone for good and most of these gains are sustainable in future?

Shantanu Khosla:

See, these gains, I believe, are sustainable. However, to sustain these gains, it is critical that we continue to launch innovative consumer meaningful products, it is critical that we execute our Go-to-Market better than anyone else can, and finally, we have to have best-in-class cost structure. My cost has to be as good on a like-to-like basis as anyone else, if or not better. If we can do these 3 things, I believe we can continue to sustain our growth levels and our share gains, and it is through driving these things, and it is not just this quarter, it is a consistent share growth story over time because we have been able to execute these things. So, I feel confident about the future if we are able to keep delivering against our strategic choices and executional plans.

Prashant Kutty:

But are we hearing anybody in the trade probably hearing these numbers probably any increase in activity from any of these smaller players, which should again make us worried of something in that?

Shantanu Khosla:

I am not hearing anything. Mathew?

Mathew Job: No, no, nothing specific. Although I must say that in the month of November and December, we did see that many of the smaller players had, their supply chains were completely broken, had started to get restored, but we also found that the larger companies, the larger brands, which actually gained share, as Shantanu mentioned, has been able to sustain in spite of the fact that the smaller players may have come back because once the larger brands have occupied shelf space, we are not going to vacate it just like that. So that is what I would just want to say, but already, we see that they have come back in November and December. So at least their supplies are available, but they have not really gained back the share that they had lost.

Shantanu Khosla: You see, because it is important to remember, over this period from July onwards, we have not stood still. We have launched and introduced all these initiatives, which we have invested in. So, it is a better newer fan, which is out there in the store right now.

Prashant Kutty: Thank you so much and all the best for the future.

Moderator: Thank you. The next question is from the line of Charanjit Singh from DSP Mutual Fund. Please go ahead.

Charanjit Singh: Sir, my question is on the capacity building. In terms of our mix for different products now, what will be in-sourcing versus outsourcing? And when you are talking premium fans as a big proportion, so how do you want to scale up our capacities for that? And secondly, on the kitchen appliances also, for mixer grinders, how do we see scaling up our capability?

Shantanu Khosla: Okay. Obviously, we have been continuously working to build our capacity capabilities, etc., within our current framework of plants and critical vendor partners, and that has been ongoing work, which is why we are able to supply to this increased demand. Now that being said, we are currently in the process of looking at a long-term sourcing plan, and we will be doing that in the coming months in terms of having a plan and decisions ready in terms of where we will source, how much in-source, what outsource, etc, but the fact of the matter is, given our own aspirations and growth objectives over the next 5 years, we have to change the scale now over that period, but for the midterm, 12, 18 months, our existing footprint of supply, we have improved the productivity, increased the automation, build some new vendors to be able to manage that, but in the meantime, we will also begin working on a longer-term strategic sourcing plan.

Charanjit Singh: Okay. So, sir, from a mix perspective, in terms of in-sourcing versus outsourcing, just if you can clarify how it will change going forward when you are taking this decision?

Shantanu Khosla: See, in-sourcing versus outsourcing is a consequence and not a necessary input into the design of the plan. The key criteria, which, if you will, the guardrails are service; quality;

proprietary knowledge; and cost. So, these are the 4 guardrails, which will help us guide the design of the plan and in-sourcing, outsourcing, how it splits will be an outcome of that.

- Charanjit Singh:** Thanks for taking my question, that is all from my side.
- Moderator:** Thank you. The next question is from the line of Mayur Patel from IIFL AMC. Please go ahead.
- Mayur Patel:** So just is this, over next 2 years, can we expect, is there any plan to launch a completely new vertical where there is 0 revenues currently coming, flowing in amongst current sales and...
- Shantanu Khosla:** Yes. The only answer I can give you is yes, and obviously; I cannot talk more than that.
- Mayur Patel:** Okay, and just lastly, like you have mentioned, you have already taken 5% to 8% price hike passing on the commodity cost, and so that clearly means that the nominal growth going forward would be much better than what we are seeing currently, given the price hikes which are already taken and maybe further is mooted.
- Shantanu Khosla:** Well, I mean, it all, ultimately, on the long-term, will depend on how the elasticity works out, right? But we must see that moving forward. Like I have said many times before, our fundamental objective is to grow share profitably, i.e., growth faster than anyone else profitably.
- Mayur Patel:** Sure. Sir, just last thing, if you can mention over the next couple of years, how much growth in distribution should we see? Any numbers that you can share, the distribution footprint, how much it can increase over the next 2 years or 3 years time?
- Shantanu Khosla:** Well, again, I do not want to talk specific numbers, but I can tell you that the opportunity and our objectives are to deliver over that period, significant growth in availability.
- Mayur Patel:** Thank you gentleman.
- Moderator:** Thank you. The next question is from the line of Ronak Vora from AUM Advisors. Please go ahead.
- Ronak Vora:** Congratulations on a good set of numbers. I have just 1 question. So, can you give the breakup for revenues in terms of, say, how much would be your volume growth and how much would be your price increase?
- Shantanu Khosla:** Sandeep?

- Sandeep Batra:** Yes, sure. I think in the last quarter, majority, majority meaning close to 95% of the top line growth would have been volume-led.
- Ronak Vora:** That would be around 22%, that is what I understand?
- Sandeep Batra:** Even more than that because there were some pricing headwinds in lighting residual, whatever price correction may have happened in the 12 months prior to this, to December. So, I would say 95%, 97% of the top line would be volume-led.
- Ronak Vora:** Okay. Okay. So, have we taken any price increase in the month of Jan?
- Shantanu Khosla:** Yes. Yes, as I mentioned, we have taken, depending on the item, 5% to 8%.
- Ronak Vora:** Okay. Okay, Sir, and anything to comment on the volume growth for the next 1 year, if possible?
- Shantanu Khosla:** Our objective, again, like I said, and that is all, is to grow faster than the market.
- Ronak Vora:** Thank you, that is it from me.
- Moderator:** Thank you. The next question is from the line of Ashutosh Garud from Ocean Dial. Please go ahead.
- Ashutosh Garud:** I just wanted to understand how has the current scenario played into the hands of people who are organized and at a top market share like you? So I mean, if we can understand, because of the supply chain issues to start off with, has it helped us to increase our distribution and also to reach to the kind of customers which we might have taken much more time than what it took in last 3 or 4 months? And without incurring incremental costs, maybe we have gained a lot of market share. That is the general thought process we have understood through the statistics. So, if you can throw some light from a strategic angle, how this situation has played into your hands or maybe if there is any other way to look at it?
- Shantanu Khosla:** Understood. I think I talked this on a previous question. It is not just supply chain or small guys could not supply. I think it is a situation, and this is not uncommon when you have severe external challenges of, well, not the COVID is unique, but major macroeconomic challenges. The consumer tends to prefer trusted brands and trusted brands typically are the leading brands. Now this does not also happen automatically. It has to be supported by company investment and focus. So, for example, like we mentioned earlier, we have had significant growth in rural, and that has helped the total company business, but it is sort of like, it was a good time for us to invest and focus. Because we invested and focused, we got

that growth. So it does not just sort of automatically come and go, and I think because of our strength and our choices as a company and some of the choices and decisions we took at the beginning of COVID is what has enabled us to do relatively better, as Mathew mentioned. Over this entire period, our share gains have been much more than anyone else, even the large players. So, as I mentioned, we stepped up our new product introduction over this period across all our categories. We stepped up the investment in trade, not just in rural or e-commerce, but even general trade. We stepped up our R&D investment. So those kinds of actions coming at a time when the consumer and customer is looking to focus on the bigger, more trusted brands, I think together works. So, it is not such a linear equation, if you will, that the small guy could not supply, so the big guy took it. It is all coming together because otherwise, all the people could have grown share equally, and that did not happen.

Ashutosh Garud: Right. Right, and Sir, I also wanted to know what is the percentage of components from raw material side, we are still importing or what kind of import dependence we have right now?

Shantanu Khosla: Sandeep?

Sandeep Batra: Yes, sure. So currently, the only raw materials or components that we import are for lighting, which are largely the LED chips, and total import bill for us would be, say, around 5% of our turnover, around Rs.200 Crores, less than 5% of turnover.

Ashutosh Garud: Thank you.

Moderator: Thank you very much. Well, ladies and gentlemen, that was the last question for today. I would now like to hand the conference back to the management for their closing comments.

Shantanu Khosla: Thank you, again, everyone, for dialing in. I am sorry if we could not get to everyone and answer all the questions you may have, but like always, our intention is to transparently inform you of how we are looking at the business, and if you have any further questions, which we were not able to get to, please feel free to connect directly, and we will obviously address all of them. So, thank you all, and stay safe, stay healthy and all the best.

Moderator: Thank you. On behalf of Motilal Oswal Financial Services Limited, we conclude today's conference. Thank you all for joining. You may now disconnect your lines.

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