

# Crompton

## Crompton Greaves Consumer Electricals Limited

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Date: February 04, 2022

To, <b>BSE Limited ("BSE")</b> , Corporate Relationship Department, 2 <sup>nd</sup> Floor, New Trading Ring, P.J. Towers, Dalal Street, Mumbai – 400 001.	To, <b>National Stock Exchange of India Limited ("NSE")</b> , "Exchange Plaza", 5 <sup>th</sup> Floor, Plot No. C/1, G Block, Bandra- Kurla Complex Bandra (East), Mumbai – 400 051.
<b>BSE Scrip Code: 539876</b>	<b>NSE Symbol: CROMPTON</b>
<b>ISIN: INE299U01018</b>	<b>ISIN: INE299U01018</b>
<b>Our Reference: 138/2021-22</b>	<b>Our Reference: 138/2021-22</b>

Dear Sir/Madam,



**Sub: Disclosure under SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015 – Transcript of Earnings Call)**

With reference to our earlier intimation regarding the Earnings Call on the unaudited financial results for the quarter and nine months ended December 31, 2021, held on January 31, 2022 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**

**Crompton**

“Crompton Greaves Consumer Electricals Limited  
Q3 FY2022 Earnings Conference Call”

**January 31, 2022**

**Crompton**



**ANALYST: MR. KUNAL SHETH - BATLIVALA & KARANI  
SECURITIES INDIA PVT LTD**

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

**MR. MATHEW JOB – EXECUTIVE DIRECTOR &  
CEO - CROMPTON GREAVES CONSUMER  
ELECTRICALS LIMITED**

**MR. SANDEEP BATRA – CFO - CROMPTON  
GREAVES CONSUMER ELECTRICALS LIMITED**

**MR. YESHWANT REGE - VP, STRATEGY &  
FINANCIAL PLANNING - CROMPTON GREAVES  
CONSUMER ELECTRICALS LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to the Crompton Greaves Q3 FY2022 earnings conference call hosted by Batliwala & Karani Securities India Private 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. Kunal Sheth of B&K Securities India Private Ltd. Thank you and over to you Sir!

**Kunal Sheth:** Thank you Tanvi. I would like to welcome the management of Crompton Greaves Consumer Electricals Limited on the call and would like to thank them for giving us this opportunity and hope everybody in the Crompton consumer family is safe and sound. From the management today we have Mr. Shantanu Khosla – Managing Director, Mr. Mathew Job – Executive Director and Chief Executive Officer, Mr. Sandeep Batra – Chief Financial Officer and Mr. Yeshwant Rege - Vice President-Strategy & Financial Planning. I would now request Mr. Shantanu Khosla to give us some opening remarks post which we will open the floor for Q&A. Over to you Sir!

**Shantanu Khosla:** Thank you Kunal. Good afternoon everyone and thank you for dialing in and welcome to our quarterly call. I hope you are all well and safe during these tough times. In line with health and safety-first policy considering the steep rise in COVID infections across the country since early January, we implemented a strict work from home policy across all our offices through the month of January. Encouragingly 92% of our total work force has received both doses of the vaccine. Revenue for the quarter was up about 7% versus a year ago. Growth over pre-COVID Q3 2019-20 was 32% representing a CAGR of 15%. We have now consistently been maintaining this robust 15% CAGR growth for the last few quarters.

Getting a little bit more into the details of our revenue growth, ECD revenue grew at 6% delivering a 2-year CAGR of 18%, however, as we dive into the subcategories, both fans and appliances grew well. Pumps after several quarters of robust growth has been impacted by an overall industry slow down over the past couple of quarters. Net of pumps our ECD business grew by 11%. Fan growth was 11% representing a 2-year CAGR of 22% driven by premium and deco fans, super premium fans as a category continued to gain traction and grew 30% over last year. Appliances grew by 13% representing a 2-year CAGR of 28%. Our appliance business continues its growth trajectory demonstrating a previous investment in developing a superior product portfolio and investing in advertising is continuing to payoff. Lighting revenue was up 8%.

As you look at the subsegments however we see that in B2C, the focus continuing LED business grew robustly at 22%. We do have a legacy conventional lighting business, which now contributes 11 to 12% of our total business and is steadily declining; however, this is clearly a legacy business which has been drifting down and while our focus stays on the future, which is the robustly growing LED business. As you look at our B2B business the non-government tender business grew a healthy 22% as orders and execution of the orders have started to recover. The government tender business of which EESL is a big part remains a drag and declined by 92%. As per third party retail final data on a 12-month rolling basis, we have gained 2.3 % in market share in fans. We are continuing to expand our leadership and our November monthly share was at its highest level ever. This gives us confidence that our product innovation, advertising, investment, and go to market interventions are sustainably building the business. Our geysers also continue to gain market share and is up a further 0.7%. Our go to market program focus on secondary sales expanding direct coverage enabled by technology and data supported by continued capability building continues to deliver strong results. Based again on third party retail panel data on fans, we have consistently built our distribution lead over our competition and have expanded reach more than any other company improving by plus 6% over the past 12 months.

As we have talked before, we are in an extreme inflationary environment. Basic commodity costs have gone up significantly over the past few quarters at rates that the industry has not ever seen before. We are focused over the past few quarters in meeting this challenge. As we said last call it is essential that we recover these costs and not allow the structural profitability of the business to erode. We have consistently been addressing these through 1) Aggressive cost savings via a longstanding Unnait program where we saved 46 Crores this quarter. 2) Continued focus on premiumization where this quarter our super premium fans business grew 30% and finally were required price increase. We have also worked to use our cash to book advance contracts on commodities. All these steps have enabled us to recover our gross margin levels. This approach has enabled us to counter the headwinds better than our peers and sustainably deliver competitively superior margins. Cost inflation is still not behind us and we continue to work these areas, but I am confident that with our strategic approach to manage this challenging environment, we believe that our margins continue to be sustainable.

On working capital, during the quarter we witnessed marginal improvement. Our working capital position improved by about 50 Crores. Our cash position stands at 1359 Crores standalone as at Q3 FY2022. We have maintained very healthy balance sheet and cash position, which we believe in times like this will help us stand relatively better than a lot of our peer set. We are best placed to tide over any future uncertainty, aggressively ramp up as market demands and invest in long term development of our business. Our manufacturing

and operations in all our factories continued to function smoothly, norms on safety laid by government and social distancing continued to be strictly adhered to in all our premises. Our entire distribution network, warehouses, etc., continue to function smoothly.

Our key go to market initiatives are continuing to steadily help our business grow. Superior partnerships with trade partners, we have been empowering our channel partners to help them grow their business and continue to support them during these tough times. This strong relation is clearly visible in our ability to maintain our percentage regularly bill dealers at 56%. As mentioned earlier, we have a strong focus on improving our reach. We have made continuous efforts to improve the number of retail points where our products are available and which we service. Our efforts are visible in improved reach across all our categories fans, lightings, appliances. Improve our secondary sales tracking, information gathered from our tally pads as enabled us to make more informed decisions that has helped in the growth of the business. We continue to track an excess of 80% of our secondary sales this quarter. Alternate channel is another area we have focused on for growth. For example, with a strong capability building and dedicated efforts, we continue to harness the potential of rural channels which is delivering strong results. Our rural sales delivered exponential growth of 198% in Q3 of last year albeit of a small base. We continue to gain share in this market. The rural channels contribution to overall sales has increased by 3.2 points from 1.6 last year to 4.8% of our business this year. It also witnessed sequential growth over quarter 2.

One of our key objectives identified some years back was to develop premium category products and drive resiliency in our business over time. The performance of our top end range of fans has clearly highlighted the importance of this decision. Our premium plus decorative fans segment grew by 10% in Q3 over the same period last year with a CAGR of 28%. Super premium fans continue its outperformance and grew by 30% with a two-year CAGR of 172%. Consumer centric product innovation, the key to be a sustainable leader in the marketplace is to develop products that are meaningful to consumers futuristic in design and application. Our continued investments in R&D has enabled us to introduce consumer meaningful products, which has contributed to increase in our market share. We continue to ramp up our investments in R&D with a new R&D center opening in Q3 in a 50,000 square feet state of the art facility in Mumbai with an R&D staff of over 100 people. This has led and helps us provide a strong range of new initiatives across all over categories.

On brand building, we are continuing to commit to invest in the long term. This will aid in the long-term development of the business. We continue to drive consumer meaningful engagements through both above and below the line activities. Our investment in advertising and promotions stood at 29 Crores for the quarter. During the quarter we commenced our new lighting commercial, Mood Jaisa Lighting Waisa and further invested

in water heater brand building activity. We have witnessed a marginal softening or at least stabilization of commodity prices in Q3. We need to wait for a couple more quarters to be more confident in assessing how this move looking forward. We are monitoring the situation obviously very closely and continue to take mitigating actions in terms of driving improved mix and exhilarating our cost saving initiatives.

As we look at the immediate periods really starting from the Omicron wave towards the end of December and flowing through January, we have seen a slowdown in demand as there has been a very, very high level of infections, sporadic lockdowns, curfews, etc., in various markets and also to some extent a level of consumer uncertainty. However, as we see that the infection waves are coming down city by city, geography by geography we are quite optimistic that demand will bounce back as the infections come down and consumers and markets fully open up. This is pretty much what we saw in terms of the earlier COVID waves which hit us. Especially the coming quarter will be the period which is the key period for our industry leading up into the season months, we think that the opening up and the coming down of COVID infection should result in a robust rebound as we look at the February and March periods of this quarter.

Finally just taking you through the numbers, the Board of Directors at the meeting held on January 28<sup>th</sup> approved the quarterly results of the company for the quarter ended 31<sup>st</sup> December. Total income for the quarter was on a stand-alone basis 1410 Crores, ECD revenue stood at 1099 Crores, EBIT margins at 19.4%, lighting revenue stood at 311 Crores, EBIT margin stood at 10.5%, material margins stood at 31.7%, PBT on a standalone basis was 199 Crores, PBT margins were 14.1% and profit after tax was 148 Crores. I would like to stop here now and be happy to take any questions any of you may have. Thank you so much.

**Moderator:**

Thank you very much. We will now begin the question and answer session. The first question is from the line of Nitin Arora from Axis Mutual Fund. Please go ahead.

**Nitin Arora:**

Shantanu, thank you so much for taking the question. My first question was more to do with the demand side just to understand things better volume growth across category looks flattish that's what the trend or negative that's what the trend we are reporting on the growth side. If you can say on the volume part the question more on the longer term things are actually very opened up even as you mentioned that it was high in third wave that Q4 or going into Q1 let us say two to three months the volume will remain better because of the wave or due to whatever the growth Crompton will track with the more from a market share gain perspective that's my first question and second question from my side is that you articulated a very interesting point in the last quarterly call saying that you do not want sacrifice the gross margin of a category just for the sake of the growth because it will not help in the longer run for that category to achieve that kind of profitability you are looking

at but in such kind of a high inflation environment where every company is looking out for growth and at the ground level retail sales are weak how would you now address that, that's my second question. Those are my two questions.

**Shantanu Khosla:**

Let me take the first one. Over the previous quarter on an overall basis, yes growth is largely value led. As I look out however further we do expect based on our experience of the past COVID waves that as this January wave passes now we should pretty much be back to normal demand situations as we go through the rest of the quarter in quarter 1. Also I think it is important to remember that a seasonal parts of our business there is some level of trade stocking up which happens going in to the summer period from the backend of February to March. Now assuming COVID sorts itself out I will very much see the underlying demand coming back to normal in fact if you look at it many ways and that's why we keep looking at two year CAGR. Over this two years of COVID, it hit at different times and therefore necessarily quarter on quarter, the timing of COVID and COVID rebound might have been different which is why I do believe the two year CAGR for this particular period gives a better feel of the underlying growth and that we are seeing is consistently coming in at mid double digits which is actually a higher level than it was pre-COVID on a sustainable basis. The last thing I would mention as you look at our growth over this period is the pumps business. Now compared to a lot of our peers we have a significant pumps business and pumps definitely over the last few quarters there has been a significant slowdown overall in the industry and therefore on a mixed basis that sort of reflects overall ECD growth.

Your second question I forgot; I am sorry.

**Mathew Job:**

I can answer second question you spoke about gross margin our stand has been that we should not allow our structural profitability of gross margin to erode beyond a point while it is obvious that we cannot mitigate the rapid increase or inflation in commodity cost on a quarter on quarter basis. We have been very clear that if we allow the margins to erode beyond a point it is very difficult to get them back to normal levels. Having said that I want to reiterate that if you factor in the point made by Shantanu regarding pump and you actually look at you say for example fan you know in fan for example we have one managed to deliver in what we believe is industry leading growth. In terms of market share gain during this period we have gained more market share than any other players and also managed to sustain our gross margins better than anybody else and that is also true in water heaters for example. So I do not think there have been question of making the trade off of margins versus volume growth I think we have managed this. We have shown that it is possible to manage both pretty well even in such a difficult environment.

**Nitin Arora:**

Thank you for your answer. I will come back in the queue.

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

**Bhavin Vithlani:** Thank you for the opportunity. My question is on the lighting segment and we have been seeing Crompton underperforming the peer set like Havells, Orient, or maybe when you look Dixon segment industry level growth. So in your view what are the reasons and what are the measures that you are making so that you get back to industry level growth.

**Shantanu Khosla:** I tried to point this out in my opening comments but when we separate our business out the first separation is B2C versus B2B. In B2C we had our business historically used to be all conventional lighting and that is gradually eroding. So obviously we are not interested in propping up this legacy business. It needs to die, and it is gradually will quickly die. So if you pull this part of the business out which some of peers never had and you look at only the LED business which is the future and which all the focus is like I said our growth rates are 22% so that is not significantly below industry growth rates. Similarly, if you look at the B2B business and I pull out the EESL part where we were actively participating over the past few years that EESL government tender business has really almost become zero. So if I look at the ongoing B2B business that is also growing in excess of 22% so the grants on the business are not because of any fundamental lower growth in our lighting business but more because we had this conventional lighting legacy which is gradually dying for example this quarter that business declined in excess of 30% and we are the EESL business now both these will ultimately grandfather and not be in our base at all so the future business and the focus business on lighting is growing both in B2B and B2C at an rate of about 20% plus for this quarter which is pretty much competitive rate which if we go look back at a retail audit panel shares are also reflecting the fact that we are not losing market share in fact in the recent quarter if anything gained a little in some segments.

**Bhavin Vithlani:** Just a followup what would be the share of a conventional lighting business currently?

**Shantanu Khosla:** This quarter the conventional lighting business has come down to an 11 or 12% of the B2C business.

**Bhavin Vithlani:** The second part is could you just help us with what has been growth in the pump segment and are you actually seeing some amount of impact for Crompton because other brand has been launched do you see some cannibalization because of this?

**Mathew Job:** Pumps of course has Shantanu mentioned has been seeing a flowing growth rate in the last few quarters and in fact in the quarter which just crossed there has been a marginal decline in pump which of course has impacted our ECD growth now if you look at the growth of all the pump players including Crompton over the last one year I would say almost all of them have had significantly slowdown of growth in pumps so I think it is definitely from what we



see in all the numbers of all our competitors it is definitely an industry wise phenomenon now do we see any impact of the brand you alluded to, obviously that brand has launched pumps almost more than two years ago we have done enough analysis to see where and what impact that we have been having and we are taken enough steps to ensure that our business is protected because I think the opportunities are large be it in residential primarily in the South and West where we are not market leaders and in nonresidential pump which is agri pumps and so on and so forth the opportunities are many we remain focused on capturing this opportunities and we feel pretty confident that the recent slowdown in the pumps industry is a passing phenomenon and we should soon see return to growth in this industry in the next few quarters.

**Bhavin Vithlani:** Thank you so much for taking my question.

**Moderator:** Thank you. The next question is from the line of Sonali Salgaonkar from Jefferies India. Please go ahead.

**Sonali Salgaonkar:** Thank you for the opportunity. Sir my first question is if you could approximately quantify the price hikes that we have taken over the past 12 months and particularly in Q3 as well and is there any further possibility of us taking price hikes in Q4?

**Mathew Job:** In most of the businesses we have had four to five rounds of price hikes we take on January last year till December, the whole of the last calendar year in most of the businesses we are in we have had between four to five rounds of price increase an average of about 17 to 18%. Last quarter also we had some price increase will we have price increases going forward it all depends on how the commodities play out as Shantanu mentioned in his opening remarks there have been a little more stable commodity price in mind in Q3, but we cannot conclude that all inflation is behind us but obviously it depends like we have been doing so far we will mitigate any commodity cost increase through a mix of action on pricing or mix and also on cost reduction like they have been doing till now. It is very difficult predict this further price increases will be required in the near term.

**Sonali Salgaonkar:** Sir how is the inventory positions in the channels right now?

**Mathew Job:** The inventory levels compared to the same period last year I would say definitely a little higher if you see in the Q3 of last year there was lot of pent up demand because of the fact that the trade could not stock in and like Shantanu mentioned the trade typically stocks in February, March, April and I think last year if you remember also or a year before that during that period the channels did not stock in as much because of the COVID wave happened in the peak of the season. So last year we had pretty robust consumer demand and stocking up by the channels therefore you see most companies in Q3 last year had declared very robust results and this year all the peer set also have declared results which are in terms

of growth while still very strong over a two-year period obviously not as strong as last year that is one of the reason just because the trade does have now while it is higher inventory than normal. So that's how I think the situation is.

**Sonali Salgaonkar:** Got it sir. I have just two more questions, firstly if you could quantify the market share segment wise that we are enjoying right now and lastly you do have a notable cash balance so what are your plans on the cash utilization?

**Mathew Job:** I will answer the first part of market share, I would only mention market share where there is a third-party measurement. In terms of fans our market share is around 27% as measured by retail pulse on water heaters the other category is about 11% so in lighting category with the exception of ceiling lights, we are around 10%.

**Sandeep Batra:** So the cash we have about 1,300 Crores cash on the balance sheet and as we have already maintained the best way to deploy the cash is within the business and we are looking and we continued to look at opportunities could be in the form of capex or in the form of any inorganic opportunity this cash can be best deployed and that remains the priority in the focus area for the present. So, beyond that I do not think at this stage I have any more information present.

**Sonali Salgaonkar:** Got it sir. Very helpful. Thank you.

**Moderator:** Thank you. The next question is from the line of Siddhartha Bera from Nomura. Please go ahead.

**Siddhartha Bera:** Sir on the appliance business if I just look at the growth here also seems to have come down from the strong double digit we have seen in the past so some thoughts here going ahead structurally how to think about this business which are the areas you think you can continue to see a very strong double digit revenue growth in the next few years if you can share some thoughts sir?

**Shantanu Khosla:** First in terms of the growth I would just like to clarify yes, the growth this quarter was 13% but two year CAGR which we believe is a better way to look at the trend of the growth was close to 30%. In terms of what are the opportunities and what we are working in terms of the growth areas obviously a key focus of us now that we have got a program going on geysers and assuming that we have no disruption this summer on coolers, our focus area for us is the small domestic appliances which have also been growing very well in this period but we still have a very small share relatively. We have over the last periods begun investing in advertising in this. We have begun to invest in product development and consumer insight so some time ago we introduced strong superior performing mixes on the technology which gives finer grinding which is something which the consumer is looking

for. So this is an area where we see significant potential upside in growth as we have actually talked before so geysers we still have room to grow to reach our aspirations of about 20 % shares, coolers we will see unfortunately we missed two seasons the last segment with a lot of potential growth which we have been focused on over the recent past is appliance where we relatively still underdeveloped

**Siddhartha Bera:** Got it sir. Follow up on that recently a new category we are planning to enter in these cards like future anything else in the next near term?

**Shantanu Khosla:** I think as Mathew has mentioned in some calls discussions earlier yes we have a definite plan to enter into a new category I am sorry but I cannot talk more about it in fact.

**Siddhartha Bera:** Got it sir. Lastly on the like side I mean market share if you look at has trended in that 9 to 10% range for quite some time now can you share some thoughts about how you are planning to take that in the next couple of years and any aspirational target here as well? Thanks a lot.

**Shantanu Khosla:** A quick one on lighting. Lighting basically has three form segments the bulbs, the tube lights and the ceiling lights which make up the bulk of the market. We have been relatively underdeveloped in ceiling lights while we are stronger in terms of our share position in bulbs and battens or tube lights. Ceiling light and innovation on ceiling light such as the Star Lord which we launched supported by the advertising is the key focus area for driving incremental growth and share initial results of that are quite strong where the last quarter ceiling light growth on LED was significantly higher than our total light and growth. I do not know Mathew will have the exact number with you.

**Mathew Job:** It is about 80%

**Shantanu Khosla:** So that program is showing initial results because roughly our share in ceiling lights it is about half, our share in battens and bulbs. So, there is a lot of headroom for growth there and we are seeing that our programs are delivering the initial results, so we are very hopeful as we look forward on restoring share growth on LED lights.

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

**Renu Baid:** Good afternoon team. My first question is on the lighting segment. Lighting margins while you were expecting that these mid teens kind of margins should be broadly sustainable however in the last few quarters they have ranged to early teens 10 to 11% levels so any comments in terms of the reasons for relatively weak lighting margin despite price actions and the sprit in the market and by when are we expecting broadly what could be the expectation of margin inching up in this category back to mid teens?

- Shantanu Khosla:** The primary reason on the margins because if you look back and track our gross margins. Gross margins are strong is because we have restored, and we plan to continue to invest in advertising in lighting which for the previous 18 months or so we had low levels of advertising investment in lighting relatively speaking. We think that 10 to 11% margin is sustainable margin but including what we believe is a right level of going advertising investment behind this category. Anything to add to that Mathew.
- Mathew Job:** No that's I think the primary reason why you saw a lower margin is one in terms of advertising which is one of the three things we want to focus on to list our strong robust growth in lighting one is apart from the range improvement we have made primarily focused around ceiling lights second is consistent ongoing advertising in lighting which is something which we have not done in the last two to three years which is I think learning part for us and going forward we will need to invest consistently in lighting. And third is driving a distribution in both urban and rural market. That's how we think lighting business is going to shape up going forward.
- Renu Baid:** Secondly on the ASP just a book keeping question, the presentation mentioned advertisement of 30 Crores and similar y-o-y numbers have been mentioned accordingly but in the opening remarks Shantanu mentioned this as advertisement and sales promotion so historically we have always shared total ASP spends so just wanted to reconfirm the 30 Crores will the only advertisement spend or advertisement and sales promotion combined and going forward would we broadly maintaining this at similar to 1.5 to 3% of revenue or trend on a broad annualized basis.
- Sandeep Bantra:** I think this is all advertising this is not sales promotion. The 30 Crores is largely advertising.
- Renu Baid:** So what is the comparable ASP number for this quarter.
- Sandeep Bantra:** I will get back to you, I do not have that off hand.
- Renu Baid:** No problem sir. Annualize the broad expectation of maintaining the similar 2.5 to 3% of ASP in that we see relative upgrade in terms of this spending?
- Sandeep Bantra:** These numbers may go up a little bit depending upon how the business conditions are and the products that we are putting this money behind
- Sandeep Bantra:** But it will be around 3 percent mark
- Renu Baid:** Lastly on your category expansion while we had mentioned that we are looking to enter new categories organically as well by the end of this year so the disclosure would be as and

when they come but are the timelines broadly intact or we are seeing some delays or realignment on the scheduled new launches as well.

**Shantanu Khosla:** Broadly intact, maybe a month here or there kind of thing given the disruption which happened in the market and are broadly intact.

**Renu Baid:** Thanks sir and all the best team

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

**Charanjit Singh:** Sir one thing which I want to understand is in the regional perspective if you can touch upon there were certain regions where we are trying to get stronger in terms of our product availability in terms of reach and also market share expansion which was an incremental growth perspective from our side that's my first question.

**Shantanu Khosla:** Second question is in terms of our appliances you know the journey which we have seen in terms of availability of the product in the channel what kind of availability is there what percentage of channel right now we are able to cover and what have been the feedback till now for our product while we have good product positioning but in terms of the feedback which we were getting from the channel if you can touch upon that also on the different appliances as a product category?

**Mathew Job:** In terms of like Shantanu had mentioned in some of the previous calls we had put in place a specific program especially to improve our market shares in the north and eastern regions because those were two regions where we were not having leadership share so I would just like to say that especially in the north where we want from being number 2 or number 3 in fans to being number 1 so I think a lot of the actions that we have taken have already delivered results in north where we now come back to leadership position in fans and we have seen significant improvement in share while we are still some distance away from getting the leadership position there. So that's all on fans and lighting of course our shares have been basically stagnant although we started to see some improvement in ceiling lights from Q3. In terms of appliances, like I mentioned in one of the previous calls for example in geysers we have moved from being number 7 to being number 3, number 2 depending on which period you look at our availability of products have improved a lot but if I compare say with fans where we have number one availability there is still a long way to go before even in geysers though we can get into the reach of 30% plus but still I would say a long way to go before we say that our reach is where we wanted to be.

**Shantanu Khosla:** Just one quick one there. Actually, if you back for four to five years ago though Crompton fans were the largest selling fans in the country our reach was not the highest. Today our

reach is not only the highest but every period we are building the gap, I mean we are increasing the gap and on our latest data which is the month of November it is the highest level it has ever been.

**Mathew Job:**

In terms of product feedback obviously I think eventually the way we look at it is when the consumer is opening his wallet to buy Crompton we say that is what the spirit is all about. If you see the first action we took in water heaters, water heaters I think the continuous improvement in market share the fact that we have been the fastest growing player in this industry in water heaters for more than two years that we are very close to the market leader in terms of share now I think all these proves that in water heaters that journey has been working pretty well. Second on air coolers but unfortunately the last two seasons have been washed out although we have been the fastest growing company even in these two years of a low base I think this season was not full so I would not read too much into it. We still need to travel that journey in small domestic appliances which is where we are putting bulk of the effort going forward.

**Charanjit Singh:**

If I could just squeeze in one more question on the pump side. You talked about challenging quarter in the past you have seen company had done well with mini pumps, very cost effective pumps so if you can talk about the outlook for the pumps industry as such or any particular product launch we are expecting to do in that segment which can actually bring in change in the overall trajectory for the pumps?

**Mathew Job:**

I think it is very good point you raised the fact remains that like I mentioned the pump industry has been going through a little bit of slow patch in the last two to three quarters this is not the first time we have seen this we have seen this happen about three to three-and-a-half years ago and that is where we had this entire new launch of the Crest series which actually helped to get strong growth back to pump business again. So over the last few quarters obviously industry wise phenomenon we have been working our plans to see which categories, which market had been more impacted and have worked our plans to counter that and get our act in terms of getting them growing again. I cannot share the details of which product will get launched when I think we have a lot to go by from the success we got last time that learning is being put to good use as we speak let us see how it pans out as we go forward, thank you.

**Charanjit Singh:**

Thanks for taking my question. That's all from my side.

**Moderator:**

Thank you. The next question is from the line of Aniruddha Joshi from ICICI Securities. Please go ahead.

**Aniruddha Joshi:**

Sir two questions. Obviously one was the earlier participant also asked this similar question that a competing product with similar name is in the market so what are the three to four

key initiatives that the company is working on so as to reduce confusion with the customer for even trade that is one question and question two in fans we are leaders can you indicate what will be the market share positioning in the economy segment as well as the premium segment and roughly in normal what is the profit percentage mix economy fan versus premium fan?

**Mathew Job:**

First there is similar brand which is launched some couple of years ago and obviously there is bound to be some level of confusion, obviously the first thing for us understand how big the confusion is so we have done our research to figure out the extent of the confusion what kind of confusion is it and we are taking steps at multiple levels one is of course at a consumer level to minimize or to eliminate I would rather say minimize any confusion that exist the remaining ways they are going to do it both in store and outside the store there are multiple actions we have put in place. Second is we have a very loyal trade base which has been the fulcrum on which we have built our extremely strong pump business we are taking adequate step to ensure that the core of our channel is fully protected and once you would like to continue to do business with us so there is a host of action in terms of product development we have always been ahead of that curve in fans and what we have not done in the past is to really talk enough to the consumers on pumps and why Crompton pumps are best of the lot with actions being taken at that level so all these together I think we are very confident not only will help us fight this battle against similar brands but also strengthen our leadership position in the market so that's what I would say on CG.

In terms of market share, I think it does not make too much sense to look at market shares across categories. For example I can just say in premium fans our market share is close to 35% and that is higher than the market share that we have in fans as a whole which is 27% but in fans we are number one with 27, in premium fans we are 35% market share but we are number two although in parts of the country we have gone from being number 2 to number one. So, in terms of margins obviously the premium fans make much better margin than the economy fan. That's where I would leave it.

**Aniruddha Joshi:**

Many thanks. Other brands is now in fans too apart from pumps I guess it is in fans too our channel has showed that it has been launched in North India so in pumps relatively smaller category still smaller category it is not consumer category per se completely, fans is completely consumer category one of the most important category for us also, but fans is the largest segment too?

**Shantanu Khosla:**

The approach on fans is exactly the same as what Mathew articulated on pumps we are taking all steps at the customer and trade at the consumer level to directly advertise and communicate to the consumer and also in our product development and innovation. The other thing to realize the difference between fans and pumps is the trade channel is slightly different. In the case of pumps this particular competitor also has a motor business, small

motor business and trade channel of small motors and pumps tends to be the same. Fans on the other hands tends to be a completely set of dealers so there is relatively less potential for this any kind of trade confusion and disturbance in fans because they are different dealers.

**Moderator:** Thank you. Ladies and gentlemen the next question is from the line of Mayur Patel from IIFL AMC. Please go ahead.

**Mayur Patel:** Thanks for the opportunity. Sir just want to check your core business is faring well and you have been delivering very strong steady growth in fans and other core businesses while ESL and lighting business as you mentioned has been a drag, but ultimately that impact overall company level growth so in terms of new launches or whatever initiatives we are trying to take to offset these segments which are dragging the overall company level growth so at company level we are above industry growth rate just wanted to understand that.

**Shantanu Khosla:** Two things. I talked the company level not at the lighting level. The first thing is we are coming towards the end of drag in a sense so lot of this over the next few quarters will stop being a drag because it would have bottomed out if you will conventional lighting for example has already come down to about 10 to 11%. The second thing is as we mentioned we have clear plans to introduce new category and those plans are pretty much on track. Additionally apart from everything we are doing on fans getting the product and the growth on pumps building our share by investing in distribution and advertising on ceiling lights as I mentioned earlier we have huge runway on smaller appliances and that is the key area of focus so when you add these things together we believe there is more than make up for this segmental drag on legacy parts of the lighting business. Anything to add Mathew.

**Mathew Job:** Nothing more I think you have covered that.

**Mayur Patel:** Mathew, just recollecting our previous conversation about these new launches likely to happen this year we are still on or we have moved to...

**Mathew Job:** As Shantanu mentioned sometime back to your previous question I think we are more or less remaining intact in terms of timeline I know a few weeks here and there I would not consider as a major change remaining on track.

**Mayur Patel:** Thank you very much. All the best.

**Moderator:** Thank you. The next question is from the line of Keyur Haresh Pandya from ICICI Prudential Life Insurance. Please go ahead.

**Keyur Haresh Pandya:** Just a quick question. One is on the small domestic appliances I think that itself is very last category with so many small subcomponents and earlier we have highlighted and what we



have done is like focused on one or two key categories where can gain large market share so within domestic appliances are there few focused categories for near term or medium term that is just first question and second quickly when you talk about lighting margin 10 to 11% sustainable but with higher A&P should we infer that our A&P should give us higher growth basically since we are reinvesting the money it should pay back us in terms of higher growth right?

**Shantanu Khosla:** Quick answer to second question is yes but advertising as your aware is long term investment in continuing to grant for it. On the first question as you mentioned in the past the largest by far segment of small domestic appliances as the category is today is mixers and grinders so obviously if you are going to win in small domestic appliances you necessarily have to win with mixers that being said based on our understanding of the consumer and the market you also need to offer some form of meaningful range of other subcategories also so that's how we are thinking about it there will a range the first focus on innovation and investment will be to build a position in mixer grinders but supported by a range of selected other small appliances.

**Keyur Haresh Pandya:** Thanks a lot and all the very best.

**Moderator:** Thank you. The next question is from the line of Achal Lohade from JM Financial. Please go ahead.

**Achal Lohade:** Good afternoon gentleman. Thank you so much for the opportunity. Sir just quick question one is in terms of the B2B lighting is it possible to get some more understanding in terms of range what we have is it matching with existing market leader if not what is the timeline by then we can have that kind of a range given the kind of distribution we have and also comment on the distribution for the B2B lighting?

**Shantanu Khosla:** In the categories, B2B now is multiple segments of course for example there is road lighting, there is infra, there is commercial, there is sports, there is a whole host of categories, there is retail, in the categories that we want to focus in for example very clearly that we would not participate for example in shop lighting or retail lighting for example so in the categories or segments that you want to focus in B2B we have a range that is both complete and competitive with respect to the leading players in the market which is why as Shantanu mentioned if I remove the EESL and legacy government tender business our B2B business has loan in the last quarter by 22% which I would be fairly confident would be the best and if not the best one of the top two in the industry so I think that is one.

Your second question was in terms of B2B go to market like we have been mentioning we have invested a lot in terms of go to market especially about two years ago. We invested in this whole CRM which is a sales force.com package which gives a full visibility end-to-end

visibility from leads to bids to orders to order execution so that's full investment actually I think definitely put us in good shape and as and when the market really starts to revive for B2B I am confident that we are well positioned. Even if I look back at the last four to six quarters on B2B if I remove the EESL business we would definitely be among the top in the industry in terms of growth.

**Achal Lohade:**

Got it and just one comment, you know if you look at last 18 odd months we have seen fair amount supply chain disruption for the unorganized and that leading to market share gain for the organized players in general. So my question is it fair to say there is market share gain which is there in the base so it makes the incremental growth little bit high or difficult and number two is it also fair to say that there is an element of preponement of demand which could have come over a period of time got bunched up in the last 18 months just wanted to have your comment on the same sir.

**Shantanu Khosla:**

On the second one definitely as you look back over the last 18 months of COVID there were periods of demand stopping and then there were periods of demand getting bunched up. Simple example last year October, November, December demand got bunched up which is why as Mathew said across the industry everyone was growing at 30% levels. If you go back to last year April, May, June, demand got compressed. So that was simply a function of the behavior of the consumer and trade has impacted by COVID which is one of the reasons to smoothen out and look at the trend over the current period we looking at two year CAGR that is the first one.

**Matthew Job**

Yes the supply disruption for the small players were primarily in the year 2020 because when the COVID first both in terms of maturity of the supply chain and in terms of working capital in 2020 there was massive impact that is why the smaller players or the unorganized player had to suffer in that year. I would say near 2021, calendar year 2021 I think the disruptions on the supply side were few and far between even in wave two it was only the demand side that was really impacted not the supply side and so I would say even the smallest players in 2021 the supply situation was much better than 2020 having said that I think the only area where I see some challenges at this moment is in lighting, specifically because there is still some sort of issues in terms of semi-conductor supplies but otherwise I would not think that there is any even for followup players any significant issues as far as the supply is concerned. So all the market share gains that have happened in the recent past I would say in the calendar year 2021 I would not attribute it to any loss by the smaller players while that was true in the calendar year 2020.

**Achal Lohade:**

Thanks.

**Moderator:**

Thank you. In interest of time that was the last question for the day, I now hand the conference over to the management for closing comments.

**Shantanu Khosla:** Thank you everyone for engaging in this call hopefully we were able to address most of your questions as always if you have any further followups which we could not get to because of lack of time, please feel free to contact us and we will do our best to respond. Thank you all and please stay safe, stay healthy and if you have not yet please get vaccinated. Thank you so much.

**Moderator:** Thank you very much. On behalf of Batlivala & Karani Securities that concludes this conference. Thank you for joining us and you may now disconnect your lines.

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