

Crompton Greaves Consumer Electricals Limited

Registered & Corporate Office: Tower 3, 1st Floor,
East Wing, Equinox Business Park, LBS Marg,
Kurla (West), Mumbai - 400 070.India

T: +91 22 6167 8499 F: +91 22 6167 8383

W: www.crompton.co.in CIN: L31900MH2015PLC262254

Date: July 29, 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: 58/2021-22	Our Reference: 58/2021-22

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 ended June 30, 2021, held on July 26, 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 Q1 FY2022 Earnings Conference Call”**

July 26, 2021

ANALYST: Ms. RENU BAID - IIFL SECURITIES LIMITED

**MANAGEMENT: MR. SHANTANU KHOSLA – MANAGING DIRECTOR -
CROMPTON GREAVES CONSUMER ELECTRICALS LIMITED
MR. MATTHEW JOB – EXECUTIVE DIRECTOR & 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 &
FINANCIAL PLANNING - CROMPTON GREAVES CONSUMER
ELECTRICALS LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY2022 Earnings Call of Crompton Greaves Consumer Electricals Limited hosted by IIFL Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Renu Baid from IIFL Securities Limited. Thank you and over to you Madam!

Renu Baid: Thank you Mallika. Very good morning everyone. On behalf of IIFL Securities I would like to welcome the management of Crompton Greaves Consumer Electricals. Today we have with us from the management, Mr. Shantanu Khosla, Managing Director, Mr. Matthew Job, Executive Director and CEO, Mr. Sandeep Batra, CFO, and Mr. Yeshwant Rege, Vice President, Strategy & Financial Planning. Without taking much time, I would now hand it over to Shantanu for his opening comments on the 1Q FY2022 performance. Thank you and over to you Shantanu!

Shantanu Khosla: Thank you so much. Good morning everyone and thanks for dialing in to our call for the quarter ended June. First of course I hope all of you and your families are safe and healthy the challenging times. Before I touch upon the quarter gone by, I would like to provide a heads-up on the safety and wellbeing of our employees. We are focused on ensuring vaccination for our employees and their families. We have conducted vaccination camps across our factories and office locations all over India and encouragingly till date 89% of our employees have taken at least one dose. We are continuing to drive these camps to ensure our employees and families are completely vaccinated over the next few months. We continue our consistent interactive sessions through townhalls and other small group meetings to stay in touch and help alleviate any concerns our employees maybe having during these tough times.

While overall revenue grew a robust 46% over last year's low base the quarter of course was significantly impacted by the second wave of COVID. Lockdowns and restrictions commenced in April were severe in May and gradually began to ease in June. The impact impairs of opening

varied by geography, north and west began to open and recover first in June while the east and particularly the south were lower. Even as we speak areas of the south are still under significant restrictions. While overall towards the second half of June the business had largely recovered our June 2021 revenue as a total company actually grew versus pre-COVID June 2019 revenue. Recovery in our major market of the south was lower. Historically the south contributes to about 35% of our business but in the quarter past it was down to 30% as the opening in the south was significantly slower than the rest of the market.

As you are all aware commodity cost continue to rise and give headwinds throughout this quarter. In response we have taken price rises both in April and May across a large part of our business. However, the pickup through June and demand indicates that these prices are being accepted by the market. Despite record high commodity cost over the last two quarters we have taken necessary actions which have largely mitigated the impact by a combination of aggressively reducing our cost, pricing actions and mix improvement. As a result, material margins have improved by 1.5% sequentially and are almost the same as previous year same quarter. Our cost savings program Unnati continues to deliver desired results saving 38 Crores even in this relatively truncated quarter. Additionally, we have increasingly used advance of pre-booking of select commodities through the quarter to protect against ongoing commodity inflation and to secure raw materials where there is or expected to be some scarcity.

Last year given the unknowns and uncertainty of COVID wave 1 we had postponed or delayed several key investment programs, which we then restarted through the fiscal. Given our learnings this year we chose to continue these investments during Q1 despite the fact that we were well aware that there would be a potential demand impact of COVID 2, this was based on the strong belief that this was a right thing to do for the business and would enable the business to emerge stronger as we emerge from the COVID situation, hence in this quarter unlike the previous year we continued our investments in advertising, rural program, e-commerce, new business development, R&D and a long-term sourcing plan. While these expenses were obviously higher than Q1 last year where we had held back, they are very much in line with the investment levels of Q3 and Q4 of last year. Also given the learnings of COVID 1 last year and the supply challenges faced that the markets

opened up we consciously took a decision to build inventory over the quarter, this was to ensure that we had uninterrupted supply as market opened up especially given the global supply shortages of certain materials like chips. We are seeing the benefit of this through in June and the beginning of July as markets and demand are normalizing. Additionally, given the continued situation on some key commodities and expected inflation we have locked in supply at lower prices of certain key raw materials by advance contracts for future quarters. Both these steps we believe will prove beneficial as we move ahead.

Despite lockdowns announced across India we did not face much disruption this year in our manufacturing activities. All our factories Vadodara, Baddi, Kundaim, Ahmednagar are up and running. In the month of May with curfews and strict lockdown imposed in many parts of India demand and distribution channels were affected. We aligned our manufacturing activities with the market demand and as mentioned earlier ramped our production to ensure we were well covered in terms of inventory and supply as the markets are opening up. Obviously norms of safety laid down by governments and social distancing continued to be strictly adhere to in all our locations.

Our focus in terms of long-term strategies and investments continues to stay the same as we see it giving sustained positive results. On our go to market initiatives, we have continued to focus on improving reach, we have made continuous efforts to improve the number of retail points where our products are available. Our efforts are clearly visible in improved reach with rolling 12 months up till April 2021 of our overall fan's portfolio reach growing by 4.7 points. We have continued to improve our secondary sales tracking by information gathered from our tally patch system that has enabled us to make more informed decisions and helped to plan our activities to focus on efficiency and growth of the business. We continue to track 80% of our secondary sales through this quarter. As we have also as talked before, we continue to invest and focus on alternate channels. Our strong capability building, and dedicated efforts continue to harness the potential of the rural channel, which is delivering outstanding results. Our rural sales delivered exponential growth of 195% in Q1. We continue to gain share in this market and rural channels contribution to overall sales has increased by 1.6 points.

Our second key focus is in e-commerce along with meaningful consumer engagement in this channel and this has helped us deliver a growth of 149% in the quarter passed in e-commerce and modern retail. We are delivering consistent market share growth in this channel. This channel's contribution to overall sales has increased by 1.8% points.

Our focus on driving premiumization which has been a consistent strategy of ours over the last few years has helped ensure the saliency of the business improves over time. The performance of our top-end range of fans has clearly highlighted the importance of this choice. Our premium and deco fan segment grew by 122% in Q1 over the same period last year. Super premium fans volume has increased by 258% in the quarter.

Our focus on consumer centric product innovation. The key to be a leader in a market is to keep developing products that are meaningful to the consumers, futuristic in design and application. Our continued investment in R&D has enabled us to introduce consumer meaningful products, which has contributed to increasing market share. Despite the disruptions due to the second wave of COVID we continue to innovate and launch new products. For example, in fans we introduce Aura, Surebreeze, in appliances Diva and Gleamer Mixer Grinder, in pumps range extension and pressure boosting series, range extension of compressor pumps in low yield and high depth water surface. In lighting we introduced Laser Ray, Neo Colors, Trim Linea, and Trimline in indoor commercial.

Brand building stays our committed focus area and in this quarter, we invest 21 Crores in advertising versus just 1 Crore in the same quarter previous year. All this being said with easing of restrictions in June as compared to May the overall demand outlook has improved, which is reflected in the business of all our performances. However, we continue to face commodity headwinds in terms of unprecedented increase in commodity prices in a short span of time. Commodity cost continues to grow throughout the whole of the quarter. We do see some stabilization in prices; however, it is too early to comment as to whether this is likely to continue as a trend or the trend may continue upwards. We are monitoring the situation closely and have taken as mentioned earlier strong mitigating actions in terms of pricing, improved mix, and

accelerated cost saving initiatives to ensure that we recover our material margins and keep the inherent structural profitability of our business.

Of course like you are all aware we are experiencing a fall in COVID infection counts since early June; however, various institutions and researches have predicated the possibility of a third wave while of course we hope that the third wave will be mild or in the best case not happen at all we monitor the situation closely and given our learnings over the last two waves of COVID we feel confident that we can manage even if we get a third wave of COVID. Of course, as things stand assuming there is no significant third wave we see our business continuing to normalize and demand continuing to pickup as we enter Q2.

On ECD our fans business grew 63% on the back of strong performance across the entire range in product portfolio. As mentioned earlier the growth was particularly visible on premium and premium decorative and super premium fans. Our range of new offerings of the last couple of months continues to be well received in the market. On a rolling 12-month basis we have gained one point of market share in the overall fans business and continue to expand our leadership position. Overall pumps witnessed a 17% growth on the back of strong performance on residential pumps which grew 26%. Our pumps growth was impacted by a slower opening of the eastern region which is a key pumps market for us. Appliance continues its outstanding breakthrough performance backed by a superior product portfolio in range of offerings and delivered a growth of 99%. The growth was driven by geysers a value growth of an outstanding 205%, air coolers a growth of 90%, irons growth of 55%. Within a very short span of time the appliance business has continued exponential growth trajectory demonstrating our investment in our superior product portfolio, advertising and go to market is paying off to build this as a strong fourth leg of our business. Lighting revenues were at 166 Crores and standalone delivered a growth of 39% versus year ago. Importantly the B2C lighting business continues its volume growth trajectory backed by commensurate volume growth. The B2C LED business grew 48%. We remain confident of robust growth in the B2C business and a gradual improvement in activity in the B2B business. Revival however in the B2B demand would be key for the overall growth of lighting moving forward. Importantly even though it was a COVID hampered quarter lighting EBIT continue to be about double digit. We

are now seeing clear signs that the pricing on the B2C business has stabilized our structural gross margins on lighting are strong and we see the structural profitability of our business and can see the entire B2C lighting business now being extremely attractive and are confident that we will sustain double digit margins in this category.

Finally, the numbers, the Board of Directors at its meeting held on July 23, 2021 approved the quarterly results of the company for the quarter total income for the quarter was 1050 Crores, ECD revenue stood at 884 Crores, EBIT margin at 17.6%, lighting revenues at 166 Crores, EBIT margin at 10.7%. Material margin stood at 32.4%. PBT was at 127 Crores versus 101 Crores last year PBT margins stood at 12.1%. After tax profit was 95 Crores and grew by 27% year-on-year. I would now stop here, and we will be happy to address any questions that you may have. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Venugopal Garre from Bernstein. Please go ahead.

Venugopal Garre: My first question is more to get a sense on the demand recovery, you have mentioned that things started to improve quite a bit from June how different is the pace of recovery that you are seeing at this juncture compared to what it was post COVID wave 1, more importantly in terms of difference, in terms of nature of recovery across categories and price points maybe and the other thing within that is that from a working capital standpoint as well while we have clearly indicated that our operating cash impact we have seen is because of the commodity related actions we have taken is there anything else in the market in terms of the terms of trade changing that we should be aware of more importantly the ideas to figure out when you get back to a positive position that is my first question and my second one probably is asked as well is why has lighting segment seen a disproportionate impact of margins compared to ECD?

Shantanu Khosla: Let me try to take that I hope I remember all these parts of question that is upside to the question. First is how do we see the recovery as contrasted to last year. We see the recovery having happened this year a little faster than last year maybe two, three weeks maximum a month if you compare because largely apart from some pockets in the south by

the end of June it was kind of normal like I indicated. We also see the recovery a bit smoother last year was a huge sharp collapse and then a sharper lift up in recovery which some people may have attributed to pent up demand and things like this. This year we see that is smoother maybe because of the fact that all stuffs were not closed all the time post May so a little quicker and a little smoother both on the down and also on the up that was one question. The second was on working capital the real difference and Sandeep correct me if there is anything to add the primary difference at working capital was because of the two factors which I mentioned as building up inventory specifically to meet the demand as it opened up and also in recognition of the fact that some key materials are still in short supply like chips etc., and the second is locking in of advanced contracts for commodity purchases in the current quarter that we are in. There was no other significant change or adjustment in other areas of working capital be it payables, receivables and credits and all that, that was pretty much exactly the same it was really in these two factors. Now if you look at lighting in terms of the margins if you look at the margin on a gross margin level material margin which really represents the structural profitability you will see that we have recovered that there is no real significant decline at the gross margin level. The difference is simply because of the scale and the topline obviously for everything came down from what it would have been normally in a normal quarter because we lost the month of May so it is more impact of cost which like I mentioned earlier we chose not to freeze because it was right for the business but the structural profitability is absolutely fine and recovered in spite of the commodity cost increase what that implies and this is not just for lighting but our overall business as we move forward and as quarters ahead the topline normalizes like we are seeing in the back half of the June these cost spill in absolute remain the same but in terms of percent will obviously come back to what they were in Q3, Q4 levels of last year.

Venugopal Garre: Got it. Thank you so much.

Moderator: Thank you. The next question is from the line of Mayur Patel from IIFL Asset Management Company. Please go ahead.

Mayur Patel: Sir thanks for taking my question, you partly answered it but the commodity you said you have tied-up contracts in advance has benefited the company this quarter itself which is showing a very impressive 150

bps gross margin expansion as compared to the fear of commodities getting gross margins in this quarter so is there any you can give in terms of this or any other factors which has helped in this quarter to expand gross margins of 150 bps?

Matthew Job:

Actually if you look at the Q1 this year versus Q4 the commodity on an average has increased by almost 10% but if you see that on ECD where obviously the impact of this commodity push is a maximum sequentially we have almost held our gross margins compared to last quarter I am talking at the gross margin level I think that has happened definitely because of a host of actions definitely pricing as Shantanu explained we have passed on two rounds of pricing in the quarter, the mix performance has been very strong just to give you perspective for example in the same quarter last year our mix of premium fans for example was down at 11% but this quarter we manage to give that at 16% to 17% which is what it was even pre-pandemic so I think mix definitely. Third commodity level action what we mentioned in terms of advance booking of contracts, locking in rates have also had some impact during the quarter while some of the impact will also be available in the next quarter but we did get a significant impact of that also during the quarter which is why we managed that through a combination of prices, a mix action and commodity related actions that is how we have managed to pretty much keep our margins during this quarter in spite of a 10% commodity inflation.

Shantanu Khosla:

Just one more thing specifically we have taken out advance contracts where we have locked the price for commodities for this future quarter to the tune of about 50 Crores so that is locked in now, the extent of the benefit of course will depend on how much commodities really go up, but we have locked them in for the future.

Mayur Patel:

Sir just one more question if I can squeeze in, like Venugopal asked if we compare the previous year post COVID we have seen very sharp improvement sequentially in the subsequent two, three quarters this time around like we have mentioned we were well prepared, we have been shy away from spending on advertisement and promotion expenses in this quarter despite a much lower topline in this quarter and a much larger inventory to an overall preparation is it fair to say directionally not asking for any numbers directionally make sequential

trend in two, three quarters the trend would be better than what the sequential improvement we saw in the previous year post COVID?

Shantanu Khosla: That is obviously very difficult for us to forecast because we have to see how it improves but clearly, we have seen like I said May the markets were almost closed through June we saw a gradual picking up, June has come slightly higher than June 2019 which is before COVID 1 and this improvement trend continues and we do expect an improving trend over the quarter to come. Now exactly how it will look versus last year we will have to trend wise we will have to see because of the things like when will opening happen, how much is pent up demand, very difficult to quantify but clearly improving trends we are seeing improving trends.

Matthew Job: I think the one difference I think you will need to keep in mind this year repeatedly as Shantanu mentioned the pace of the pickup through June have been faster than last year but if you go back and if you look back at last year the pickup was gradual but it is sustained for a longer period of time which is why you saw Q3 last year most of the companies including Crompton had really fantastic growth. So, while the pickup is sharper this year whether it will last as long will actually depend on things like how the COVID thing pans out do we have another wave, the whole impact of how long the commodity cost will keep rising so this is something which we need to keep in mind so it makes the task of predicting the kind of pickup will have even more difficult than last year actually.

Mayur Patel: I will join back to the queue. Thank you, gentlemen, all the best.

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

Prashant Kutty: Just two things from my end one is when you talk about the fan's growth has been higher than our actual ECD growth what would be the other constitutes which would have pulled it down?

Matthew Job: Within ECD of course the growth in pumps have been slower and that also got to do with one while residential pumps have grown about 25% to 27% the fact that the eastern region actually opened up slower in fact our biggest market for pumps is actually east and the fact that east was the second worst impacted region after south and the lockdowns are

lifting only towards the later part of June so actually the pumps growth has been lower than the growth in fans and appliances and that has actually pulled down our ECD growth to that extent because in our case the pumps also form a significant portion of our overall ECD business.

Prashant Kutty: Just one more point I am sorry to set back on the gross margin part of it so like you said that obviously the benefit of commodity which probably might play through in the coming quarters, but if I look at it let us say the last quarter if you get a gross margin of about 30.7 safe to assume that, that probably was a worse point because it has actually seen a sequential improvement being so sharp there is not any one-off in this gross margin?

Shantanu Khosla: No there is no one-off in this gross margin of course the quarter was in fact the quarter we have seen so far, the last quarter was the one where we had the most adverse impact of gross margin so there is no one-off in this quarter gross margin at all.

Prashant Kutty: What is the quantum of that pricing increase when we have taken two rounds which you are talking now?

Shantanu Khosla: In the quarter it is different for category but on an average, you would say 5% to 10% on an average during the quarter because as I mentioned commodity cost will end at 10% and we still manage to hold our margins pretty much at the gross margin level so half of the recovery has been from pricing alone and the rest is from the combination of everything else.

Prashant Kutty: Thank you so much, all the very best.

Moderator: Thank you. The next question is from the line of Nitin Arora from Axis Mutual Fund. Please go ahead.

Nitin Arora: You first say that this is the right time to invest in the businesses, ad spends no compromise being done taken on that can we expect some new categories you have touch base on this topic earlier as well but just to get a sense that where we stand in terms of newer addition in category, newer segments for Crompton can we expect like in the second half there will be some new categories which will get launched?

Shantanu Khosla: Answer to your first question is yes.

Nitin Arora: However, Shantanu you will answer this or not but there is a lot of news surrounding that Crompton has acquired Syska is just a new what keeps flashing on the channel I know you would not like to comment on it that being a circulation and nothing press release on the X and Y company but generally is that what the category we were looking at to grow or there is something else also?

Shantanu Khosla: We as mentioned earlier have consistently been looking at inorganic opportunities which meet our strategic goals, we continue to do that, the opportunity has to be a strategic fit for us and we have to judge that there is a value creating opportunity for us, those have been our benchmarks which we actually always apply, and we will continue to apply in the future.

Nitin Arora: Thank you Shantanu I will come back in the queue for questions. Thank you.

Moderator: Thank you. The next question is from the line of Bharat Shah from ASK Investment Managers. Please go ahead.

Bharat Shah: Sir my question is about acquisition of Syska so two points there, one whether it is not being just a horizontal acquisition rather than aiding verticality and new opportunity or a new line and to that extent it is less so to say opportunity and what it otherwise could have and secondly when the focus is on premiumization my perception is that Syska is bit of a discount brand I could be wrong but that is my perception so how does that sit well with the strategy?

Shantanu Khosla: I am afraid I do not know enough about Syska, and I cannot really answer for competition in this call.

Bharat Shah: Thank you.

Moderator: Thank you. The next question is from the line of Aadesh Mehta from Motilal Oswal. Please go ahead.

Aadesh Mehta: Sir any thoughts about solar pumps business would you like to get into it can it be a scalable opportunity for you?

Matthew Job: Obviously solar pumps in terms of market size are pretty big, but the biggest thing is the bigger part of solar or I would say it almost

exclusively solar plays a big part in agricultural pumps and growing agricultural pumps and gaining share there is one of our key strategic areas so that is something we are working on in terms of improving our market share. Now solar pumps per se has got a lot of components of government subsidies and so on and so forth which actually makes the solar offering feasible what we are working on is trying to make pumps that will make the solar offering much more cost efficient because of more energy efficient pump would mean that the cost of the solar system would come down significantly so that is where we stand in terms of we want to try to make our pump more energy efficient and that will make Crompton as a brand a much bigger player in partnering along with other players who are in the solar space I would say that is all I would like to give it at this moment.

Aadesh Mehta: Would we be open to participating in government tenders if need be?

Shantanu Khosla: If the government tender is something which we see is a good business opportunity of course we would like we do for example today participate in government tenders in lighting we had in the past participated in government tenders in various states on pumps also so it is kind of almost another channel in which we operate depending on the conditions of the particular tender.

Aadesh Mehta: Thank you Sir, all the best.

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

Charanjit Singh: As each of the product category in which you operate in if you can just highlight in terms of what the proportion of economy in each of those categories we have certain goods successful in the economy segment and based on that traction in the rural market and how do we see rural market especially going forward for Crompton consumer that is my first question and second question is on e-commerce as a channel where we are and how we are seeing on the pricing and traction from the e-commerce channel as going forward?

Matthew Job: What we categorize as economy which is obviously the lower end of the segment in both I would say fans and in pumps it contributes roughly 20% to 25% of our total business both in pumps and in fans. In the

other categories we really do not have a classification of economy or similar classification so I would not be able to put a number for example in lighting or in appliances. Of course the e-commerce is one of our key growth areas which we have identified apart from e-com we also have rural is a big area and let me answer the question on rural first. When I say rural or urban we are primarily talking about towns between population of 10000 to 100000 I am not talking about the villages with population of less than 10000 so our objective in the rural program is to make products available in those markets through more of a controlled distribution approach rather than nearly depend on wholesale like we have done before. This is an initiative we have now been running for about 12 to 18 months we see good traction, we do not think at this moment that we need any significantly different portfolio assortments to be made available there we find good traction for our existing ranges I think the fact that Crompton as a brand it travels across price segments something all that we have from the sub-economy actually means that we are able to get good traction, the moment we are able to make our products available in the rural areas. E-com having seen good traction we have seen good growth last year as we continue to see strong progress currently, we are working on various elements to ensure that we have at least similar market share on e-com like we have for the offline trade, of course if you ask me are we strong in e-com today as we are in general trade not yet but that is why we see that as a big opportunity area going forward.

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

Bhavin Vithlani: Congratulations for good set of numbers. My question is on the pumps last quarter same year you had mentioned in your presentation that the pump scaled back to 100% of activity so the lower growth is it because of the higher base that we saw last year vis-à-vis the other categories like fans in the ECD?

Shantanu Khosla: Like I had mentioned and Matthew had also mentioned a key reason for the lower growth of pumps versus the rest of ECD is more because of the regional skew, the markets which were the slowest to open up in June were the east and south. Our pumps business has a relatively higher salience in the east, east is our most important pumps market so

because of the slower opening of the east this time around the pumps business in June was relatively impacted.

Moderator: Thank you. The next question is from the line of Ankur Sharma from HDFC Standard Life Insurance. Please go ahead.

Ankur Sharma: Good morning and thanks for your time. Just I was trying to understand the recovery this year versus last year in a little more detail, on the B2C versus the B2G side of the business, so if I remember correctly, last year again, the B2C came back fairly strongly post the lockdowns opened and then the B2G lagged. How are the trends now because what we also hear is that that B2G was relatively less affected in the second wave?

Shantanu Khosla: The B2C that trend is similar and the B2C recovery trend is frankly similar to what it is in other categories also. The real difference is in what we broadly in what we broadly call the B2B; however, if you take the B2B and you split it up as B2G i.e., Business to Government specifically EESL and B2B i.e., Business to Private Industry, from COVID 1 the B2G has got significantly impacted and continues to be impacted. The B2B i.e., the Business to Private if you will thus has seen a gradual recovery, but the ESL business and other government businesses are where the biggest impact is and continues to be.

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: Thanks for the opportunity. The question is on channel inventory. So, how is the channel inventory for most of the B2C products? That is one. The ancillary question is because of the fear of wave 3 of COVID are we seeing new stocking or very thin stocking by the channel?

Shantanu Khosla: On the first one, like I had mentioned earlier, one of the technology investments that we have made over the last couple of years is our Tally data system, which gives us secondary sales, sales from our distributors to the retailers. Therefore now we have hard data to answer your question and the answer is there has been no significant change in the channel inventory over this period because we see primary sales and secondary sales month to month follow the same trend, so of course primary sales came down in May, but secondary sales came down in

almost a parallel line, so there is no significant change in channel inventory over this period. Your second question, I am sorry, I have forgotten?

Keyur Haresh Pandya: If we look at the fear of third wave, are you seeing least stocking or very less stocking from the channel?

Shantanu Khosla: We are not seeing any trend like that because again, like I mentioned earlier, our data clearly indicates that now over June our primary sales are going up, secondary sales are also going up in exactly the same rate. The lines on the ground match.

Moderator: Thank you. The next question is from the line of Naval from Emkay Global Financial Services. Please go ahead.

Naval Seth: Thank you for the opportunity. Two questions; first on if I look at two year basis, both ECD and lighting has seen a decline, would you still attribute this to region specific issues, what you elaborated earlier or there was a specific category, which has impacted this in a big way?

Mathew Job: If you compare with two year period, honestly with the fact that even in this quarter, you had almost 45 days of market shutdown that has created obviously the fact that we are still lower than what we were two years ago, but as Shantanu mentioned if you look at the June standalone June 2021 the sales was higher than June 2019. Yes, of course, which categories and what are the kind of big differential growth is obviously got to do with two things, one these markets open first and which the markets open later, for example, south, was the worst impacted followed by east, that makes the difference in terms of depending on where we are strong and in which product, the fact east opened late, actually meant that we clocked more sales in pump than say in appliances where we are not as strong in the east. For example, in south the fact the markets remained shut, actually would have compromised our growth in fans although we have done well in fans in spite of that. So, obviously depending on which markets were closed and for how long, they have their impacts on the category whilst growth.

Moderator: Thank you. The next question is from the line of Rakesh Roy from Indsec Securities and Finance. Please go ahead.

Rakesh Roy: Good morning. My first question is regarding any further plans to increase the prices?

Mathew Job: Prices, of course like Shantanu mentioned, we have taken three rounds of price increases so far, three to four rounds depending on the category of product and in spite of the fact that these increases were much more than it has ever happened in the past, there have been reasonably good acceptance of these prices in the market which is what the June sales have been pretty reasonably good. Whether we will need to take price increases in the future will actually depend a lot on how the commodities play out, while there has been some stability to the commodity prices in the last one month or so, it is very difficult to predict, because for example, if you look at chips, chip prices are excluding to the roof because of the availability issues of chips, while for some other commodities, like copper, you see there is some reasonable stability in prices over the last one month or so, so very difficult to predict going forward, which commodities, will move in one direction and whether we will need to take a price increase will actually depend on how the commodities move.

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

Achal Lohade: Good morning Sir. Thank you for the opportunity. My question was with respect to the appliances business within the ECD. Can you tell in terms of the mix from appliances in FY2021 and how do you see over the next three years, what kind of mix it could reach in terms of appliances within ECD?

Shantanu Khosla: Obviously I cannot comment in terms of numbers, etc., on what we expect in the future, but suffice to say as we have mentioned in terms of our overall business and strategic approach, we believe that any category which we participate in, we want to play to win, and for us winning, we have defined as we need to become at least number two player in that subcategory. The reason we have defined it as we need to be a number two player as opposed to number six or number seven or number eight player is because in each subcategory the value is captured by the leading market share players not by the smaller players, so obviously the very fact that we focused on appliances because we see an opportunity and we are on a journey to make sure that we do

become number two in each of these subsegments. A good example, is the first up segment, which we started working on the first, which is the geyser subsegment, where we have had significant success and not very far from becoming a number two in the category where most of the value is captured and that would be our aspirations and our goal through a combination of branding, innovation and go-to market across all the appliances segments.

Moderator: Thank you. The next question is from the line of Latika Chopra from JP Morgan. Please go ahead.

Latika Chopra: Thank you for the opportunity. You have talked a lot about innovation and distribution and I just wanted to check, if you could share first of all what is the rural e-commerce revenue share in your mix today? Also for the new launches that you have done, is there any kind of quantifiable matrix in terms of their revenue contribution over the past one year, two year, how the new SKUs have moved in revenue mix and also in terms of their reach compared to fans or may be versus where they were about a year or two years ago? Thank you.

Mathew Job: As I mentioned sometime back, the rural and e-commerce, they are two very important areas of business for us to drive, because obviously as I mentioned before, our current share in both these areas is definitely lower than overall national share. So, if I look at rural plus e-com, in the quarter that has just, Q1 I would say nearly 9% of our total revenue is coming from e-com plus rural and that is up from 3% to 4% for the same period last year. So, I think, the contribution of these channels to our overall business has almost doubled. In terms of innovation, we measure two things; one is what is the contribution of sales of products launched in the last one year and a product launched in the last three years. So, just to give you some idea, the product launched in the last one year, today, it contributes nearly 10% of our revenues and product launched in the last three years contribute more than 50% of our revenue. So, these are two very important numbers, 10% of revenue from products launched in the last one year and 50% from products launched in the last three years.

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, I have just one question; what could be our market shares across the categories that we are present in right now versus say about how it has evolved over the past two, three years and just also our capex outlay? That is it from my side.

Mathew Job: On the market share I will answer and then I will hand it over to Sandeep. On fans, our market share is around 26% to 27%. This market share has been really consistent. Two years ago, this market share would have been 24%. So, we have gained significant market share on fans. On pumps, I would say residential pumps we are again market leaders. Our market share is around 27% and 28%. Again, similar kind of market share expansion in pumps like we have seen for fans. On appliances obviously it is a very different category wise. We now have and these are to our best estimate market share of roughly 13%. We have moved from being the number three to number seven to number three and close to getting to number two. Air coolers, while we have been growing significantly, we are still in single digit market share. In lighting, our market share is roughly around 10%. Again, there while near term we have had some struggles on lighting, I would say that the market share on lightings about three or four years back, was roughly only 5%. So, there has been significant market share improvement in all categories. Obviously, in fans and the residential pumps, we are already market leaders. So that is how the market shares have moved in the last three to four years. On capex, I will ask Sandeep to answer.

Sandeep Batra: Our capex outgo this year is likely to be anywhere between 30 Crores and 50 Crores.

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

Siddharth Bera: Thank you for the opportunity. My question is again on the appliances side. Basically, first thing, what is the mix from this business for us in Q4 of last year and second is we have highlighted, we want to become number two in some of these areas like mixer grinders, we have been now doing it, so, by when can we expect that we can become number two or number three probably in the next going ahead?

Mathew Job: While this mix changes dramatically quarter-on-quarter because these are two leading categories in appliances, which is today water heaters

and air coolers, they will be operational in two different seasons. So, very difficult to actually or they do not really make too much of spend looking at the mix between categories because every quarter it will change depending on whether it is winter, summer, and so on and so forth. On water heaters, like I mentioned, we have moved to from being number six or number seven to being number three, very close to become number two, because the first action we took in appliances was on water heaters. The second one was we took on air coolers. Air coolers also we had more than doubled our market share in the last two years, while the market share is still single digits. Mixer grinder journey has only started, in the right earnest only about six to nine months ago, and we are still in very low single digits market share. There is a long, long way ahead of us before we can say that we are going to get into top three. So, that is going to be taking some more time. Just for perspective, in water heaters it has taken us about three to four years to get from 3% to 4% to get to 13%. So, we can estimate that similar kind of price raise will take, also in other categories to get to top two, top three.

Moderator: Thank you. The next question is from the line of Srinidhi Karlekar from HSBC. Please go ahead.

Srinidhi Karlekar: Thank you for the opportunity. Congratulations on a decent set of numbers. Sir, based on your assessment, how are the pricing action that the company has taken to offset commodity headwinds compared to company's key competitors both in terms of quantum as well as timing of the price increases? Second question is the company has a relatively higher dependence on outsourced manufacturing versus some of its peers. In that regard, I just want to understand does that factor help in any ways to contain the gross margins, because I would imagine, price adjustment that we would take for a vendor would pass on with a lag. So, your perspective on these two.

Shantanu Khosla: On the first one, in terms of the pricing, quantum and timing, largely speaking most of the industry moved roughly the same quantum and roughly the same time because the commodity pressure was pretty much identical on everyone. So, there were no significant differences. Second in terms of outsourced versus insource not really much of a difference because you know what we do and that is one of the ways we are helping manage is we centrally negotiate prices for commodities, the

major commodities, which is said at that prices, it is also bought by the vendors, our main vendors at least and that enables them also to get it at better prices, based on our negotiated costs. So, there is not a significant difference in gross margins or below materials if you will, between outsourced and made in our own factories.

Mathew Job: Even the time lag is max difference is only maximum one month, because we adjust every month the commodity costs in the cost sheet, so there is no difference.

Srinidhi Karlekar: Sir, just one factual question if I may, Sir, would it be possible to share our lighting business mix on a rolling four-quarter basis, between B2C, B2B and B2G?

Mathew Job: I would say B2B plus B2G and B2C would be roughly half-half. But again in every quarter it could shift, because we have a large government order, in that quarter things could swing, but on a going basis, roughly 50:50 between B2C and B2B. In the last couple of quarters, it is running slightly more towards B2C because of the fact that B2C has recovered faster, but otherwise on a long-term basis 50:50.

Moderator: Thank you. Ladies and gentlemen this was the last question for today. I would now like to hand the conference over to Ms. Renu Baid from IIFL Securities Limited for closing comments.

Renu Baid: On behalf of IIFL Securities I would like to thank the management for giving us the opportunity to host the call and all the participants to be there. Any closing comments from Shantanu and the team would be welcome. Thank you and over to you Sir!

Shantanu Khosla: Thank you Renu. Thank you everyone for dialing in. As always our objective is to tell you everything we know. So, you can have the best knowledge of our company and our thinking. If there are any questions, as always which we were not able to get to during this call, because of limitation of time, please feel free to contact us. We will be more than happy to address any questions you may have. Finally, of course please COVID is not over, get vaccinated; get your second round of vaccinations, and stay safe and healthy, you and your families and all the best. Thank you so much.

Moderator: Thank you, Sir. On behalf of IIFL Securities Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.

Contact Details:

Investor Relations:

crompton.investorrelations@crompton.co.in

Registered Address:

Tower 3, 1st Floor, East Wing,

Equinox Business Park,

LBS Marg, Kurla (West),

Mumbai, Maharashtra, 400070

Website: www.crompton.co.in

CIN: L31900MH2015PLC262254