

# Crompton

**Crompton Greaves Consumer Electricals Limited**

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Date: May 21, 2020

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: 26/2020-21</b>	<b>Our Reference: 26/2020-21</b>

Dear Sir/Madam,

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

With reference to our earlier intimation regarding the earning call on audited financial statements for the quarter and year ended March 31, 2020 held on May 18, 2020 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 Greaves Consumer Electricals Limited  
Q4 and FY2020 Investor  
Conference Call”

May 18, 2020

**ANALYST:** **MR. HARSHIT KAPADIA – ELARA SECURITIES LIMITED**

**MANAGEMENT:** **MR. SHANTANU KHOSLA - MANAGING DIRECTOR - CROMPTON GREAVES CONSUMER ELECTRICALS LIMITED**  
**MR. MATHEW JOB - CHIEF EXECUTIVE OFFICER - CROMPTON GREAVES CONSUMER ELECTRICALS LIMITED**  
**MR. SANDEEP BATRA - CHIEF FINANCIAL OFFICER - CROMPTON GREAVES CONSUMER ELECTRICALS LIMITED**  
**MR. YESHWANT REGE – VICE PRESIDENT, STRATEGY AND FINANCIAL PLANNING - CROMPTON GREAVES CONSUMER ELECTRICALS LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to the Crompton Greaves Consumer Electricals Limited Q4 FY2020 Earnings Conference call, hosted by Elara 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 for 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. Harshad Kapadia from Elara Securities. Thank you, and over to you Sir!

**Harshad Kapadia:** Thanks Janice. Good morning everyone, on behalf of Elara Securities, we welcome you all for the Q4 FY2020 and FY2020 Conference Call for Crompton Greaves Consumer Electricals Limited. I take this opportunity to welcome the management represented by Mr. Shantanu Khosla, Managing Director, Mr. Mathew Job, Chief Executive Officer, Mr. Sandeep Batra, Chief Financial Officer, and Mr. Yeshwant Rege, Vice President, Strategy and Financial Planning. We will begin the call with a brief overview by the management followed by Q&A session. I will now hand over the call to Shantanu Sir for his opening remarks. Over to you, Sir!

**Shantanu Khosla:** Thank you very much. Good morning everyone and thank you so much for dialing in for our quarterly call. First and most importantly, I hope all of you and your families are safe in these challenging times.

Before I touch upon our performance report to come by I would like to share some details of how we have fared during the lockdown and the latest update post relaxation. Even before the lockdown was announced we had begun the practice of work from home keeping the safety of our employees and partners as the highest priority. I am happy to share that the entire Crompton family is safe from the virus, except one member from Mumbai. We are constantly in touch with his family and have provided the required support. As I speak, he is doing well, has tested negative and is recovering.

We have resumed our operations in our factories since third week of April with limited capacity after ensuring that all safety training measures and guidelines were adhered to. We have enhanced safety arrangements in our factories ensuring social distancing, sanitization of premises, buses, temperature checks for all personnel, regular disinfection and availability of protective gear. We have also upgraded our warehouse operational team with adequate protective training and protective gears for smooth ramp up of our distribution network. We are slowly ramping up capacity and all our factories without compromising guidelines and safety of our employees and partners. As we speak, all our factories Baroda

Lighting, Baddi Lighting & Fans, Kundaim and Betora for fans in Goa, and Ahmednagar for pumps running an operational since late April.

22 out of 23 warehouses have also started running and are operational. More than 60 out of 86 of our vendor partners have commenced operations and more will commence operations over the next week or so. At the same time we are also geared up for sales with detailed sales plans. We have classified districts and towns to identify market opportunities and mapped our channel partners in each zone to focus efforts on driving sales as soon as markets open. We are constantly in touch with our channel partners and supply chain stakeholders to ensure smooth reopening and ramping up of operations.

Since April 21, 2020 from the timing relaxation began to be announced we have seen things changing progressively on the primary sales side. The last week of April saw some sales activity in various select markets and beginning of customers fearing juice partly. However, as we move to May and relaxations were spread we have seen good pickup, especially for fans and pumps and numbers have been slightly better than what we had expected especially from the South and East.

As we speak, we are also exceeding our own initial albeit low expectations on collections and we have already collected significantly more than we have collected in the whole of April and that should help us release tremendous credit to customers for billing. North is beginning to pick up though slowly but West continues to be a challenge especially due to the situation in Maharashtra and Gujarat. As the lockdown eases, we do expect things to pick up in the West as well and the continuing improving trend is we believe a testimony to the strong strength of the brand and the underlying demand.

During these uncertain times as, we mentioned before, our key focus is first on cash and to reduce all costs that is our top priority. We have identified significant cost saving measures upwards of Rs.100 Crores, over and above the normal ongoing cost saving projects, which we run and have been running for the last four years. A team has been constituted to monitor realization of the identified savings and this will help us as we move through the year.

Our balance sheet as you are aware is strong and we closed the year with a strong cash and cash equivalent balance of Rs.585 Crores. Fundamentally, we are covered from a cash point of view with our strong balance sheet. However, recognizing the uncertainties which may exist and the unknowns which exist with the COVID-19 virus, especially looking out in the future, we felt it is prudent to build our war chest and therefore gained board approval to raise an additional Rs.300 Crores via NCDs. This will ensure that even in the worst case if

things worsen we are fully protected and can continue to build our business and strengthen our people, operations and capability through this extremely uncertain period.

Now moving on, coming to the financial performance to the quarter. I would like to spend a little bit of time talking about the strength of our business pre-lockdown which happened in the second half of March. If we look at our business over the January/February period, we were on track for one of our strongest quarters, sales for January/February were up 14% across the company with an 18% growth in ECD and even the lighting business which has been challenged across the category and industry over the last few quarters was beginning to turnaround and the total lighting business had a value growth of 4%. This robust demand situation was driven by very strong and robust volume growth.

Overall volume growth for the company considering all the ECD categories and B2C LED lighting was a 33% with ECD volume up 22% and B2C lighting up 37%. This underlying strong demand is what I believe will help us in moving forward in terms of a vertical startup and bringing our business back as the situation normalizes. In value term ECD segment in January/February clocked 18% driven by strong performances in fans and appliance. This was supported by continuing market share gains with our market share in fans was up about a point.

The appliance business continued its exponential value growth growing at 60% driven by 97% growth in geysers, 54% in mixer grinder and 83% in Air Coolers. ECD margins in January/February also improved by about a 100 basis points over the corresponding period last year. In this period volume growth in LED bulbs, battens and panels was 40% and value growth was about 15% over the corresponding period last year. Market share also grew LED lamps by about one point.

During this period, we did experience a reversal in the negative growth trend in lighting with revenue excluding EESL business up 7.5%. The challenges from the economic slowdown prior to COVID continued to impact the institution and government business in our B2B segment. Our cost reduction programs also remain on track and in spite of the challenges in March in terms of lower volumes our sequential EBIT margins in lighting improved marginally to 7% in Q4 2020. We continue to focus on our innovation pipeline, which has been a key driver for growth, launching a number of initiatives in fans, silent pro energy-on, mounted air decorative exhaust fans, which are all yielding positive results.

We have also introduced the number of initiatives and continued to do so in expanding our optimus series in coolers and rapid jet and rapid jet plus series in geysers. In lighting, we have a series of initiatives which have also gone into the market, table lamps, super lumen

high voltage bulbs, linear luminaires, downlighters, weatherproof luminaires and high-efficiency LED tubes.

We also stay committed on our focus for brand building. Our spends for advertising over the fiscal year has gone up by close to 10% to almost Rs.100 Crores. We believe with the economic activity picking up in the months to come we will be back on track and continue to ramp up our investment in long-term brand development. Our go-to-market focus continues to be strong and in fact some of the investments we have made in the past in terms of digitizing our data, tracking secondary sales, enabling better data flowing from our customers to us has all helped us significantly in managing the vertical business ramp up in the month of May.

Taking you briefly through the numbers though these have obviously been shared in our board meeting. Total income for the quarter was Rs 1018 crores, ECD segment declined within which the appliances has actually grown for the quarter even though March was a challenging month. Our ECD margin continued to be healthy and improved over the last year.

Gross margins for the company also improved in spite of the lower volume base by 30 basis points. Our continued focus on cost efficiencies and effectiveness has helped us maintain profitability in spite of the topline challenges through this quarter. I would like to just now stop there and address any questions which you may have. Thank you.

**Moderator:**

Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. We have the first questions from the line of Venugopal Garre from Bernstein. Please go ahead.

**Venugopal Garre:**

Thanks a lot for the opportunity. Two quick questions one is, given that our supply chain we do source a lot from MSMEs given that you outsource production. I understand that probably demand has just started to recover for you but do you see any risk in terms of supplier ramps from then given availability of labour challenges, given the ongoing shift and migration and more importantly across your supply chain including the dealers is there any assistance that they are asking in order to manage the current issues and does it have any cost implication? That is my first question.

**Mathew Job:**

In any case as we mentioned in the beginning of the call, 60% of our vendor partners have already started production and the first thing is we currently have stocks which would last us for at least one month and 60% of the vendor partners apart from our own factories have started ramping up at a slow pace. So, we think that by the time our stocks start to run down the supply would have adequately picked up to manage any demand that we see at that point of time. Second, in terms of the support the primarily support is in terms of some level

of extension of credit which we have done in the period and being prudent with our cash, we have supported them with extension of terms while our focus has primarily been of course to drive up collection to the extent possible. That is what I would say.

**Shantanu Khosla:** The only thing I would add here is that as the stores are opening up especially in fans we are seeing an underlying demand and our collections are actually coming in, yes lower than they would have come in a non-COVID month because the markets are not yet fully opened but the collection are apparently ahead of our own estimates and we are helping like Matthew said where needed but we are not seeing a huge credit crunch of crisis, especially in terms of purchase of leading brands like us.

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

**Bhavin Vithlani:** Thank you for the opportunity. I would like to complement the management for showing strong nimble footedness even in such short span of time. One small question is what is in your view the new normal do you believe there will be downtrading and you focus on the lower end of the market and most of the other peers are speaking about e-commerce as a channel so does that actually have a longer-term impact on the profitability or growth of the company? These are the two questions.

**Shantanu Khosla:** Clearly, we are seeing the opportunity or the shift to some extent will happen in the future towards two types of channel, one is obviously e-commerce and the others are other forms of direct consumer. Now, the reality is that these are still a relatively very small part of our industry, in some segments like appliances they tend to be larger so it is an area which we are going to focus and put more resources and plans again, but we do not see a dramatic swing. We still see that the traditional channel even as we look out in the future will be the largest channel for our industry though these are the channels overtime will become more and more important.

**Bhavin Vithlani:** Sure, and are you seeing any downtrading would that mean any shift in the longer term productivity?

**Shantanu Khosla:** It is very early days to see any significant impact. Now that being said we are actually as a brand and a company in a competitively superior position for any such shift and the reason we believe in a superior position is because unlike most manufacturers we tend to cover the spectrum of price range in our brand with no huge dependence on only one segment. So even if there is some amount of downtrading in the initial period we believe it would benefit brands like ours. The other thing I would like to point out is consistently in terms of one of our operating strategies we were costs propositions such that we kind of equalize margin across different price ranges.

- Bhavin Vithlani:** Thank you so much for taking my question.
- Moderator:** Thank you. We take the next question from the line of Renu Baid from IIFL. Please go ahead.
- Renu Baid:** Good morning. My question is largely you did mention that are lot of data points coming in and you gave a broad picture in terms of how some of the regions have been responding. If you can add some data in terms of how has been the initial demand offtake during the summers from South and East versus visualized normal environment especially in red, green, and orange zones and to what extent these are lagging and also do you believe that the institutional demand that one would see partially coming in from these make shift hospitals and other isolation wards as they would require lights and fans can that partially compensate for the lower trade sales that would have lost you to lockdown?
- Mathew Job:** I would say red markets unfortunately most of the big metros, the big market are still in red so if you take all the metros plus many of the big cities are in red so while the number of districts in green are large, they are primarily still the smaller markets. So, I would say that the demand is not yet back to where it should be primarily because the big metros and bigger markets are still opening up to the extent of only 20% to 25%. Having said that I think in the green and the amber kind of areas, we start to see the demand at 50% to 70%. In terms of the other questions there is of course some demand for the make shift hospitals and so on and so forth but obviously those would not compensate for the demand shortfall that will happen in normal trade that is what I would say.
- Renu Baid:** What percentage of the market and retail touch points would have opened and at what utilization are they working on an average level?
- Mathew Job:** If I take the last two weeks I would say roughly 40% to 50% is what has opened and wherever they have opened they will be operating at about 50% to 70% capacity.
- Renu Baid:** Thank you.
- Moderator:** Thank you. We take the next question from the line of Mayur Patel from IFL AMC. Please go ahead.
- Mayur Patel:** Thanks for taking my question. Just to understand you gave some color on the demand side and how things are opening up and things like that. Can you similarly give some comments on the supply chain right some production to the entire supply chain how are things in this lockdown period especially last two to three weeks? That would be helpful.



**Mathew Job:** As Shantanu mentioned almost all our units have opened somewhere from late April we have opened all our factories except Fans Baddi but Fans Baddi also has the approval to start, so all the units are opened but obviously we are running at roughly 25% to 30% of capacity because we are keeping the safe distancing norms in mind and we are ensuring that there is a sheer ramp up because the factory was shut for a month or so it requires implementation of safety protocol so we have been a little careful in starting operations well in advance. Second, as I mentioned before we already have pipelines stock within the company of close to one month and our channel partners do carry stock as well, so in terms of stocks we have adequate cover for one month at least. Already 50% of vendors of the company have begun operation so we do not see any significant challenges in the supply side but I would say if I were look at the challenges from the demand side and supply side till now the demand side challenges have been bigger because supplies started earlier than the demand but having said that is the demand is opening up and we hope that in the next few weeks the demand will ramp up quite quickly as the market from the red zone slowly turns into amber and green and then we should have no problem on the supply side.

**Mayur Patel:** Your agri related or we can say the rural part of products which we have like pumps and all, are you seeing slightly more resilience in that market?

**Mathew Job:** Even before the COVID the agri area was badly impacted especially because of the extended monsoon and all that was there last year. So agri demand was actually low even before the COVID impact came in. In fact, if I look at the pump business, the residential pumps are doing much better than the agri pump. Because the biggest exposure that we have in rural segment is agri pumps and we will still need to wait for another month to month and-a-half before the pump demand starts to set in fully.

**Mayur Patel:** Just one more short last question we have seen on the supply side massive concern about huge inventories in other verticals or consuming durable like air conditioning and things like that so can you please touch upon is the current level of inventory in the market, is it at the reasonable level or it is alarmingly high level across products?

**Mathew Job:** The inventory is at normal inventory. I do not think anything will get abnormal. The normal inventory the only challenge in such a period is that there are some seasonal items like air coolers which obviously we lost a bit of a season, there could be some challenges and that level for all companies but at least for us I would say overall inventory level either with us or with our channels there is no major challenge.

**Shantanu Khosla:** As we looked at how are primarily sales that trending, once the market or retail store opens up it indicates to us that there is no large amount of inventory piled up except in certain very specific businesses because what you would recall is the whole of the second half of

March, what would a normally moved into the trade channel was not moved, we estimate primary sales of somewhere around 300 Crores, which just did not move out so that inventory was really helped by the company more than by the trade channel and that is what is flowing in now and is giving like Matthew said the breathing space for us to gradually ramp up our supply while being fully covered in terms of meeting the demand for the markets as they open up.

**Mayur Patel:** Thanks Sir. I will come back for more questions.

**Moderator:** Thank you. We take the next question from the line of Chirag Shah from CLSA. Please go ahead.

**Chirag Shah:** My question is on the lightning business. We see that there is no price erosion happening on the LED segment side and now going ahead do you expect consolidation to accelerate in the lighting space given that a lot of smaller players are facing problems in terms of supply chain as well and if I understand right in January and February because the supply chain issues from China there were some pricing action that was taken by the industry. Has it flown into channel and is it sticking or we need there will be some further price erosions over there?

**Mathew Job:** LED as I mentioned to you the price erosion especially if I look at the segment of bulb we started to see even before the beginning of this calendar year that the prices have stabilized and there was slow move up in terms of pricing. These things that if I look at the B2C lightening areas at least in bulbs and to a large extent in batten, I think the price erosion we have seen is behind us. There could still be some room for price erosion in panels but I would say the big part of price erosion at least in B2C I would say is behind us. In B2B I would say there is still likely to be some price erosion at least for the next six to nine months and then it would be same case because B2C even today. Regarding your other question in terms of the price increases announced both company announced price increases end of February and middle of March, but unfortunately by the time the price increases were supposed to go market, there was a lockdown and then everything went down but at the moment we think that the companies are trying to implement the higher prices and we do see that market is responding. So, I think at least while the full part of price increase is announced, will typically increase of 5% to 7% by most companies, I would expect that at least a significant part of that will stick. That is our assessment at the moment, but we will need to wait for a couple of weeks to be absolutely sure.

**Chirag Shah:** Sure. Thank you and do you see size of consolidation in the lighting space given that smaller players are thinking supply chain issues?

**Shantanu Khosla:** Well, we are not seeing any active consolidation having happened, but it is logical to anticipate that given the challenges, given the cash shortages, which a number of operators will face, there is likely to be some at the lower end of the market.

**Chirag Shah:** Sure. Thank you. I will get back in the queue.

**Moderator:** Thank you. We take the next question from the line of Keyur Pandya from ICICI Prudential Life. Please go ahead.

**Keyur Pandya:** Thank you. My question is on the cost front, so we have significant cost reduction in Q4 as well and you have surprised on the margins, so what is your assessment for this quarter, some of the sales loss is temporary or this is the permanent feature, how do you see this cost going ahead and areas where the cost reduction have been done, any broad idea on cost reduction and profitability going ahead?

**Shantanu Khosla:** Sandeep, you want to take that?

**Sandeep Batra:** In the fourth quarter there was hardly any time for us to do any cost reduction to mitigate the impact of the lockdown and the sales disruption. So, what do you saw in the fourth quarter was a part of the ongoing cost reduction, improvement initiatives that we have. Those obviously will continue on to the current year, but in addition to all the normal ongoing initiatives, we have embarked on initiatives to kind of offset the impact of this extended lockdown and as I think was mentioned by the MD over 100 Crores of additional initiatives that have been identified and quite honestly for us this has now become like a way of working continuously trying to find ways to eliminate waste and improve efficiencies.

**Shantanu Khosla:** The only other think I would add is that we stay focused on making sure that we continue to make the right long-term investments even during this tough period for the key strategic areas which is going to drive our business moving forward in the medium and long term. For example, like we have talked before, we are ramping up our investments in central R&D, building our capability there, beginning projects which will drive ongoing business growths in the coming years; we are continuing to drive that investment. We have recruited for example during this period quite a few key senior R&D professionals across our business units who will drive that so part of the strengths of our balance sheet and our operation efficiencies is what is going to enable us to make sure that the right long term investments in capability, in innovation, in building our go to market continue through this period while we are managing the short term challenges.

**Keyur Pandya:** This was quite elaborative. Just last question on the inorganic opportunity does that still continue or it will be put on backburner looking at the situation or any progress?

**Shantanu Khosla:** Like I mentioned in the previous point all long-term growth opportunities which are strategic, the strength of our balance sheet allows us to continue so our position on inorganic opportunities remain the same where we see something which is an important strategic bit for a long-term growth and where it is at a price which adds value to the company of course we will continue to pursue.

**Keyur Pandya:** Thank you Sir and all the very best.

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

**Bhavin Vithlani:** Thank you for the opportunity. Just one quick followup on the cost side, and especially on the innovation side, we need to accelerate more given that some of the competition would have got weaker and maybe if you could elaborate like you spoke about in the opening remarks about few of the initiatives on the product development and we would now see the energy rating changes if you can just briefly speak about some of the pipeline on the innovation side without divulging much of your competitive information that would be very helpful.

**Shantanu Khosla:** Our pipeline on the innovation side for the rest of the year remains largely unchanged. So, we will continue to work, invest and commercialize. Obviously, during these couple of months, there has been a bit of delay because obviously it does not make sense to take lot of big new initiatives into market when the markets are closed. In addition to this projecting for the future, just like we talked about future trends which may change in terms of the channel, we also believe that there are some long-term impacts of the current situation, which are going to impact consumer trends. So, we have begun working certain key areas with greater impetus and focus, which we believe will play to these new trends for example one of the areas which certainly we believe going to be a going trend is health and wellness. Like you are aware we were working on this in any case with the launch of our antibacterial LED bulb innovation and we will continue to drive more and more in that area. So new trends we will get added on but the existing innovation program all of our key initiatives, when are cutting back on anything, exact maybe over these few months.

**Bhavin Vithlani:** Actually, maybe what we were looking for is, we have got a good success on the geysers, reasonably good success on the air cooler front. So, on the appliances side or any new categories that we could see that actually can pep up the long term growth by few percentage points something that we were looking for?

**Shantanu Khosla:** Like we spoke before on the appliances side, our focus was first geysers, second coolers where we have got nice good initial results unfortunately we missed one season of coolers because of the current situation, our third area which we have also talked about which we

are now going to focus on and in fact we have begun to focus on which is why we saw good growth in January/February is mixer grinder. Beyond that I would like to talk too much about, which are the areas that made us pivotise, yes. There are other areas which we are working sequentially.

- Bhavin Vithlani:** Thank you so much that answers my questions.
- Moderator:** Thank you. We take the next question from the line of Latika Chopra from JP Morgan. Please go ahead.
- Latika Chopra:** Thanks for the opportunity. My question was regarding of your FY2020 revenues, what proportion would be coming from the B2B or the B2G business and how do you see the visibility for this particular of the portfolio for the rest of the year? Thank you.
- Mathew Job:** Yes, I would say B2B is close to 50% including B2G is 50% of the lighting revenue. We expect that of course the institutional demand might take a little longer to come back, maybe at least not as quickly as a consumer part, it would take a little longer to start coming back. It is a government EESL kind of demand.
- Shantanu Khosla:** But the only thing to add to that is while Mathew is right, B2G is likely to take a little longer than B2C to come back from a demand point of view. B2G remains the key strategic areas for us in lighting with the extent of long-term government investments and infrastructure, etc., we see that as a clear potential where we can win for the long term so that strategic price does not change.
- Latika Chopra:** All right Sir. It gets pushed a back a little but it will come back maybe after few months right now.
- Shantanu Khosla:** Absolutely.
- Latika Chopra:** Thank you.
- Moderator:** Thank you. Next question is from the form the line of Bhalchandra Shinde from Max Life Insurance. Please go ahead.
- Bhalchandra Shinde:** Good morning Sir. Sir have we analyzed like what kind of consumption trend change might happen after lockdown because of recently and have we prioritized that which product lines can see a good growth of decline over next one year?
- Shantanu Khosla:** Sorry your question was not too clear. Let me if I have got it and if I missed something just let me know. First in terms of what is the consumption impact? The reality is that we

actually have not yet got consumption data in terms of consumer offtake that will take about another month to start getting the data because obviously for eight weeks there was no primary and there was no secondary. What we are looking closely at beyond the primary is like we have been talking before we have this new system by which we track secondary sales that is our product moving out of retail stores, and currently we have about 60% coverage. So, 60% of our dealers are providing us data. We are tracking that closely also obviously in terms of secondary coming up in line with the primaries. It is a little too early but there is nothing alarming coming from the early data. I think over the next months we will have a very good read on secondary versus primary and a month after that on consumer consumption. Now that being said I think it is important to note that unlike a lot of white goods, a lot of our products are not really completely discretionary. When you need a fan, you need a fan. When you need a light, you need a light. When you need a pump, you need a pump. So, they are not completely discretionary. So, we think that the demand scenario should recover. There may be some extent of downtrading but like I mentioned earlier I think we are probably competitively in the best position to capture the benefits of that. But we think that as the markets open given the appropriate amount of time as consumer adjust to living with COVID the demand should begin to pick back up. But obviously it is something we will track carefully, our investments in data systems, retail audit panels, which we have done in the past, will all stand us in good stead to actually capitalize in the right way on that.

**Bhalchandra Shinde:** Sir how much of our sales will be dependent on seasonal trend like this season actually has gone out around, so probably we will not be able to cope up with the demand. So how much of our sales is due to seasonal trend?

**Shantanu Khosla:** Sorry I did not pick that up? Mathew, did you get the question?

**Mathew Job:** I heard you asked in terms of what percentage of sales happen in this quarter. So, I would say that the biggest seasonality of course where there is likely to be significant sales because season has pretty much gone. But if I say fans for example is 30% of the annual demand, so while we say fans is reeling a little bit but in all if I divide by four quarters will be 25 and fans typically between 30% and 31% in this quarter, so it is not as if half the year sales happened in this quarter for fans, not really but only air coolers which I would say is disproportionately impacted and to some extent pumps.

**Bhalchandra Shinde:** There we do not see demand reviving and like that will only happen in the next year or after that?

**Mathew Job:** The consumer demand we will see you will wait another month to month and a half to see how it pans out because now we want to see what's happening if stores are opening up and

stores are asking for stocks that they do not have then repeat demand will depend on how the consumer is going to come and buy it that will take a month to month and a half really have fixed the consumer demand.

**Bhalchandra Shinde:** Thanks very much for it.

**Moderator:** Thank you. We will take the next question from the line of Pulkit Patni from Goldman Sachs. Please go ahead.

**Pulkit Patni:** Thanks a lot for taking my question. You spoke about that we have started factories with because of social distancing norms, capacity utilization or the operating at a much lower capacity, just thinking about it from a longer term perspective if the social distancing norms were to be incorporated for a longer time period, how should one look at the profitability of running some of these factories plus how should one structurally look at pricing in that environment given that profitability could be much lower just some thoughts on how manufacturing under this new environment is going to impact pricing and profitability in the industry?

**Mathew Job:** The slow ramp up is not just because of social distancing. Of course, social distancing of course initially the authorities only gave approvals to start at 25% to 30%. The most important part is that we could have ramped up much higher as of now by today but because as I mentioned we still do not have demand back to where it should be, even now the demand is the only from the green areas with a small part of the potential and we have adequate stocks. So, we actually did not have the need today to ramp up production beyond the 40% - 50% at which it is running, meanwhile we have rejigged our lines in the factory, so production we are doing today is only one shift. So, we have the opportunity as demand picks up we will multiply the shifts, while keeping social distancing norms intact. So, we have rejigged lines, arranged the lines differently and all the time we have got in the middle - even today as we speak is being used to rejig the lines, so when the demand picks up, we are able to operate at full capacity while implementing the social distancing norms. We see the social distancing norms are here to stay, it is not going away. So, we are preparing that keeping that in mind.

**Shantanu Khosla:** So, the two key like Mathew mentioned that two key things we are looking at in all our factories, number one is how do we adjust the layout of the lines and the space on the shop floors to create more space for safe for safer working and the second is what is our strategy on shifts. We believe that these two should give us the right solutions while there may be some on costs, we do not see a huge material impact of implementing these on our overall company margins but we will have to obviously wait and see in terms of how it all pans out.

The social distancing some of the norms we are not looking at temporary norms, we are seeing these will be permanent.

**Pulkit Patni:** Okay Sir.

**Moderator:** Thank you. We will take the next question from the line of Shrinidhi Karlekar from HSBC. Please go ahead.

**Shrinidhi Karlekar:** Thanks for the opportunity. Sir in the past, we have seen that fans demand has been the highest correlation with the housing parts and all, Sir I just want to clearly understand according to you how much of demand really as in percentage terms comes from the replacement and touch point penetration at the existing houses and how much would be from the new housing construction. If you could give us number that would be really helpful and a related question part of that replacement demand how much accordingly to really come from the fans that run out of their use and how much really from the refurbishment of houses and all, so basically trying to understand demand from premiumization and refurbishing?

**Shantanu Khosla:** There is a data indicates there is a correlation of course between new housing starts and fans market but one thing which we have to keep in mind is the real estate sector has actually been in a bad way for the last three to four years and it is not only COVID which is coming and impacting a booming real estate sector. So, to a reasonable extent we believe that impact has already been baked in into the base trend. So, it is not that it was a booming real estate market which is suddenly going to collapse. Mathew you want to talk about the old fans.

**Mathew Job:** Well estimate is roughly 70% is what I would say new points that includes some level of renovation, but it is very difficult to separate out absolute replacement, because people are not going to replace the one fan that is exactly the same type but I would say 70% is new point and 30% is the replacement of some kind that is the general data that we have for fans.

**Shrinidhi Karlekar:** 70 new touch points is it?

**Mathew Job:** 70% is new point with full innovation, 30% is upgrade on the same point because fundamental renovation of the house.

**Shrinidhi Karlekar:** Sir similarly a question if I can. So if we split the consumer LED part of the business, some part of large part of the growth really comes from the LED penetration as we replace the existing lighting, traditional lightings with LED, so I just want to understand is there a significant steam in terms of that penetration led growth and according to that how much of that has already received and after some percentage of that penetration do you think that



replacement demand kind of hits out sharply and the volumes may eventually start declining?

**Mathew Job:**

See I would say 70-75% of the points have already been converted to LED. You will observe pretty much all CFL is already been converted, I think what will remain with some level of bulbs because the bulb are still selling at Rs.10 so those areas bulbs they are doing is there is still some leeway left for conversion. So, 70% of the lighting point already converted to LED of some form. The second question was in terms of how do we see the replacement demand. Of course, the lifecycles are much longer of LED versus the other conventional light forms. I think what is also happening is if I look at the LED technology, these have been improving overtime so when LED when we initially launched, and LED used to only give 60 lumens per watt or 50 lumens per watt. Today it is 120 lumens per watt. So, there is a sense, an economic rationale and economic reason, why the consumer still would want to upgrade some LED generation 1 to generation 2 to generation 3. So that is also driving some level of upgrade even some people are already converted to LED. Thirdly of course some small percentage of new technology coming and like the anti-BAC we launched or some of what I would say controllable lighting so these are also options that are coming in which will drive further upgrade and people already converted to LED.

**Shantanu Khosla:**

The only positive thing I would add which we need to keep in mind in lighting is the number of new points per se which are getting added, not just in terms of new construction but new uses, typical house which had only one light point in the room, now starts putting more than one light point in the room so with the development the number of light points keep increasing even in homes not to mention retail market, roads and everything else. So, we do not really see for a while that there will be saturation if you will off lighting and part of that is reflected with even as EESL and bulbs have slow down while the value of the market has been challenge, the volume growths have always continued to be double-digit and robust, even for us in this period the volume growth were robust.

**Moderator:**

Thank you. We take the next question from the line of Arnab Mitra from Credit Suisse. Please go ahead.

**Arnab Mitra:**

My question was regarding the small appliances now do you see a possibility of strong pickup in small kitchen appliances that seems to be one of the areas where COVID may actually give a bit of an impetus to growth in those categories and given that you are not a very big player right now I think your mixer grinder business is probably still ramping up, what level of preparedness is there in terms of your supply chain and your product portfolio distribution to actually take advantage of it even if it was to happen in the next three to six months, so that was the first question?

**Shantanu Khosla:** First, our focus like I said first focus was in any case mixer grinder. So obviously mixer grinder which is by far the larger segment in small appliances we are obviously prepared from a supply chain, a product innovation, etc., point of view. So, we do see consumer behavior if it moves in the direction which you are suggesting being an upside for us in that business. Of course, like I mentioned earlier new channel trends for example greater focus on the e-commerce, greater focus on other relatively smaller segment currently a small appliance are very much an opportunity area for us and we are doubling down on our efforts in that area to make sure we are ahead of these trends.

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

**Achal Lohade:** Good morning. Thank you for taking my question. Could you help us with the volume growth in ECD and LCD and lighting for the year and for the quarter please?

**Shantanu Khosla:** Mathew, you have those numbers with you?

**Mathew Job:** See I think you are asking LED lighting, right?

**Achal Lohade:** Like fans, pumps, geysers?

**Mathew Job:** In terms of fans, we have volume in excess of 20% (January/February), LED for the quarter was around 5%, but if I see B2C LED lighting excluding EESL, for January/February we were having almost 37% growth for January/February but for the quarter I would say about 3% for B2C LED volume growth, while conventional has declined 20% plus, Fan is around 20% again January/February, but January to March is not the right reflection we should take January/February because that was the fundamental growth we were delivering.

**Moderator:** Thank you. Ladies and gentlemen that was the last question for today. I would now like to hand the conference back to the management for closing comments.

**Shantanu Khosla:** Thank you so much for taking the time. I hope we were able to transparently communicate the state of the business and how we are looking at it. As always if you have further questions which we were not able to address due to limitations of time please feel free to contact us directly after this and we will do our best to address every question you may have. Kindly please stay safe. Please stay well looking after your own health and your family's health is most important thing. We are optimistic. We feel confident that the economy in the country will recover hopefully sooner rather than later from this health challenge. There will be some short-term impact which we are seeing but as a company we believe we are competitively better positioned a) to manage that impact and then b) to come

out of that impact in a stronger competitively better position by continuing to invest in key critical long term areas. Thank you very much and all the best.

**Moderator:** Thank you. Ladies and gentlemen, on behalf of Elara Securities Limited we conclude today's conference call. Thank you all for joining us. You may now disconnect your lines.

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