Crompton

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: October 28, 2020

To, **BSE Limited (“BSE”)**, Corporate Relationship Department, 2nd Floor, New Trading Ring, P.J. Towers, Dalal Street, Mumbai – 400 001.	To, **National Stock Exchange of India Limited (“NSE”)** Exchange Plaza, 5th Floor, Plot No. C/1, G Block, Bandra Kurla Complex Bandra (East), Mumbai – 400 051
BSE Scrip Code: 539876	**NSE Symbol: CROMPTON**
ISIN: INE299U01018	**ISIN: INE299U01018**
Our Reference: 88/2020-21	**Our Reference: 88/2020-21**

Dear Sir/Madam,

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

With reference to our earlier intimation regarding the earnings call on unaudited financial statements for the quarter ended September 30, 2020 held on October 23, 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 SAHAL

Digitally signed by PRAGYA SAHAL
DN: c=IN, o=Personal, title=8504,
pseudonym=ad59aa1a37b4bf9c39b4f089872afad5d392d9078a22fa432e07b46a8a2bbd6d,
2.5.4.20=5a12882ffc8d85fbd336ffd2f4c77eb4884e6d5a8c0d4bb33c20e4b73975e8f3, postalCode=400074,
st=Maharashtra,
serialNumber=84c3cda8c48ae17c551bd8b9ee5a8312ce8ac0972726393186cb59193af2751f, cn=PRAGYA SAHAL
Date: 2020.10.28 10:11:51 +05'30'

Pragya Kaul
Company Secretary & Compliance Officer
Encl: A/a

“Crompton Greaves Consumer Electricals Limited

Q2 FY21 Earnings Conference Call”

October 23, 2020

ANALYST: **MR. AMNISH AGGARWAL – PRABHUDAS LILLADHER**

MANAGEMENT: **MR. SHANTANU KHOSLA - MANAGING DIRECTOR - CROMPTON GREAVES CONSUMER ELECTRICALS LIMITED**
MR. MATHEW JOB – CEO - CROMPTON GREAVES CONSUMER ELECTRICALS LIMITED
MR. SANDEEP BATRA – CFO - CROMPTON GREAVES CONSUMER ELECTRICALS LIMITED
MR. YESHWANT REGE - VP, STRATEGY & FINANCIAL PLANNING - CROMPTON GREAVES CONSUMER ELECTRICALS LIMITED

Moderator: Ladies and gentlemen, good day and welcome to Crompton Greaves Consumer Electricals Limited, Q2 FY21 Earnings Conference call hosted Prabhudas Lilladher Private Limited. As a reminder all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need any assistance during the conference call please signal an operator by pressing star and 0 on your touch tone phone. Please note that this conference is being recorded. I now hand over the conference to Mr. Amnish Agarwal from Prabhudas Lilladher Private Limited. Thank you, and over to you, sir.

Mr. Amnish Agarwal: Hi, welcome everyone, on behalf of Prabhudas Lilladher I welcome the management of Crompton Greaves to the Q2 FY21 earnings conference call. We have with us Mr. Shantanu Khosla, Managing Director of the company, Mr. Mathew Job, Chief Executive Officer, Mr. Sandeep Batra who is the Chief Financial Officer of the company, and Mr. Yeshwant Rege who is the Chief Strategy and Financial Planning. I would like to hand over the call to Mr. Shantanu Khosla to take the proceedings further.

Mr. Shantanu Khosla: Thank you so much, good morning everyone and thank you so much for dialling into our quarterly call. Firstly of course, I hope all of you, family and friends are safe and healthy during these terrible times. Before I touch upon the quarter gone by I would like to provide a quick update on the safety and wellbeing of our employees. The health and safety of our employees and partners continue to be our number one priority during this period. Nearly all of our employees are safe from Covid 19, and we are extending all support required to a few of our employees who had been affected by the virus. We continue to be well connected with our employees through virtual town halls and the response continues to be encouraging. We have also executed a tech base contact tracing platform called My Shield in all our factories to ensure social distancing and back tracing of people in case of any infection. All our factories, Baroda, Baddi, Kundaim, Bethora and Ahmednagar are up and running at normal capacities. Norms of safety laid by the government of social distancing continue to be strictly adhered to in all our premises. Our distribution network has been normalized post sporadic lockdowns that extended upto the early part of the quarter. And currently all our warehouses and distribution depots are operational. The choices that we made in the past, as we got into this period which are to the go-to-market, consistently launching consumer centric products, focusing on our vendors and dealer partners as part of one large Crompton family, have all aided in delivering a strong performance in these challenging times. We have also extended the support to our vendors to cope with their current challenges and the nimble approach has led to seamless product distribution. Our consistent efforts to convert these challenging times into an opportunity have delivered healthy results for us. Our investment over the years in developing consumer meaningful innovative products and product portfolios across price points has helped us to quickly recoup the lost ground due to Covid. Our long-standing relations, transparency and the support we are providing during the tough times to our channel partners has helped in strengthening loyalty and trust towards Crompton more than ever. Our consistent efforts and continued investments to improve our go-to-market initiatives along with strong support from existing business partners has led to continuing distribution network expansion. As a result of the go-to-market initiatives, our reach, our distribution at the retail point has been continuously improving overall for fans is up 1.5% and for LED Bulbs numeric distribution is up by 0.5%. Our second sale and tracking visibility through the Tally patch that we talked about earlier has helped a great deal in monitoring data as it moves out of the retail store. And that has moved up now to cover about 76% of our business. Our early focus in making further inroads into the rural channel where we have been investing and building a separate organization and capabilities have helped us with a faster rural revival and ensured consistent market share gains. Our sales from the rural channel have increased by a whopping 144% in Q2 over the corresponding period last year. We have also as talked before developed a strong presence in Ecom and modern retail along with the highest level of engagement during these times to ensure availability across products, across pricing, and this has helped us gain significant market share in the channels. We achieved a 72% growth in the channels in the quarter just passed. Our existing portfolio continues to gain consumer acceptance and as we talked last quarter we have begun ramping up our reintroduction of new initiatives through this quarter and our investments behind them. Super ceiling fans continue to gain traction with business on this segment growing 300% in quarter 2 over last year. We have recently launched Rapid Jet Plus, Aura 5*, Arno Neo 5*, under our water heater category. Treat and Ritz is adding to our existing range of mixers and grinders. Gianna and Modern Leaf in our ceiling fans business. Star Lord and striko amongst ceiling light portfolios. 1.5 horse power open well pumps and 12.5 horse power Janta series among our pumps. In fact, the previous quarter has been one of the most active quarters in terms of introducing meaningful new innovations across our brands in our history as a company.

We've witnessed steady improvements in business momentum as we went through quarter 2 and with sales growing progressively in each of the month July, August, September over the corresponding period last year. Growth is visible in all our product lines across geographies except for B2B lighting which excluding the government business was flat versus a year ago. Even some of the regions which are most affected like the western region, which had the most prolonged lockdowns has gained momentum and has started growing over the last year since August. Our ECD business achieved an 18+ % value growth, largely this value growth was all volume led driven by all 3 categories. Our lighting B2C LED volumes grew 9% over the previous year. Now all that being said we are very cognisant of the fact that the future remains extremely uncertain. While Covid is still rampant but we are hopeful that it will begin to flatten out sometime soon. The reality is that everyone expects GDP growth to be negative over the coming few quarters as our Covid cases continue to be high. We remain cautious and vigilant in our approach and consider the situation to be still grim and the volatility in the environment here to stay until the overall outlook for the economy improves. Our aggressive implementation of driving cost saving initiative identified during quarter 1 and our on-going project Unnati have been enabling us to outperform our peers and deliver consistently and improved profitability during this quarter. Our regular cost saving program is back on track this quarter which was obviously affected by lower activity in the previous quarter. We have saved in excess of 35 crores under this program in quarter 2 which puts us on track towards achieving our own internal annual target for cost reduction. Our focus to drive over dues collection and efficient management of working capital has thus further strengthened our Cash position to 1230 crores. Our balance sheet strength as we talked earlier has enabled us to invest where it makes sense to drive the business and for the long term throughout this quarter. It will also obviously continue to help us weather the future uncertainty, while still enabling us to continue to invest in long term development of our business. Through this quarter we continue to step up our investments in hiring and development of our R & D capabilities, the benefits we strongly believe will be realized over the years by the organization. We remain committed to develop innovative consumer meaningful products that offer superior value proposition going into the top and bottom line. As part of bringing back our investments through this quarter we also brought back our advertising investment which we resumed in this latter half of the quarter and we will obviously sustain and grow our investment in brand building initiatives as we have done in the past.

We see moving on to segmental, Fans in this quarter,volume and value grew 23% across all product categories. The premium segment is on a strong growth track while TPW continues to witness exponential growth. Our super premium fans continue to gain traction with business from this segment growing 300% in the quarter. Our new silent Pro fans extremely well received by the market and numbers continue to grow sequentially. In the rolling 12 month period we've gained 1% in market share in the overall fan business. The overall pumps business witnessed an 18% volume growth, residential pumps drove this growth with a volume growth of 24%. Agro pumps however continue to witness challenges largely because this is a business which for us is focused a lot in the east and also in areas where there was extensive and prolonged rainfall and we have always seen that when there is strong monsoon the demand for pumps during that period tends to come down. Our appliances business, our new rising star has continued again quarter on quarter to deliver strong growth and the total business has grown 32%. This was driven by geysers with a value growth of 43% and the program really seems to be working. A year and a half ago we were really nowhere on geysers, today based on our data the way we look at it though we don't have retail audit we believe we are number 2 now already and not too far from obtaining market leadership having sold more than 1 lakh geysers in August and September in the quarter. As I mentioned last time the next year planned area we are focusing on and with renewed focus is the mixer grinders which topped the value growth of 26%. The quick rebound to pre Covid growth even during the challenging times for us reinforces that our choice of investing in product portfolio and continuing to investing in product portfolio is paying dividends and will put us in a healthier place versus the market in competition as we look out in the future.

Lighting revenues, here I would like to first talk about different segments; our B2C LED business has now after a few years reversed the trend and has started witnessing value growth in line with volume growth which has been in the double digits. What has fundamentally happened is that the price destruction which was present for the last few years has seemed to have stopped for the past few quarters and that is extremely encouraging because that enables us to now deliver value, decent margins and continue growing the business. The one part of our business which is still to recover is really our lighting B2B business and within this specifically the B2G i.e. the business we do with the government which is down significantly. The non-government B2B business is flat but it is the government part of the business, EESL and other government entities where the business is declining and frankly we too expect that part of the business to stay soft. We've also as you can see made significant progress on our lighting margins, if you recall last quarter we had already achieved what we call our target gross margin level but at the bottom line level it was not where we wanted it to be largely because the scale of the volume had come down. But we had got our structural economics already in place and now as our top line has come back we are seeing that resulting in us delivering target bottom line margins.

With this thus quickly the overall numbers of the company, the board of directors in its meeting as yesterday has approved the quarterly results of the quarter; total income for the quarter was 1213 crores. ECD revenues was 931 crores, EBIDTA margin expanded by 180 bps versus corresponding period last year showed as 21%. There has also been a sequential improvement in EBIDTA margins by 50 bps in the segment. Lighting revenues 282 crores EBIDTA margin expanded by 650 bps versus corresponding period last year hence so that's 11.7%. We also have structurally improved in terms of our gross margin with our material margin growing by 100 basis points. On this I would like to mention that we have begun to face commodity head winds, commodity prices are beginning to pick up and we are seeing that playing towards the back half of this quarter. However, as we talked before our on-going strategy of covering commodity price with three different types of action, number 1 driving down cost with our Unnati program, number 2 improving mix and then finally selective price increases continuous to give us confidence that we will be able to successfully address this potential head wind in terms of commodity cost. PBT was at 189 crores growing at 49%. PBT margins were at record high 15.6%, profit after tax was 140 crores noting that last year the profit after tax included the effects of tax rate deduction of quarter one. The last point I would like to mention is that the board also decided yesterday to issue a dividend of 3 rupees a share to all our shareholders as an interim dividend. I would like to stop here and address any questions you may have, thank you.

Moderator: Thank you very much, we will now begin the question and answer session. Anyone who wishes to ask a question may press star and 1 on their touch tone telephone. If you wish to remove yourself from the question queue you may press star and 2. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question to assembles. Reminder to the participants anyone who wishes to ask a question may press star and one at this time. Ladies and gentlemen, in order to ensure that the management is able to address questions from all participants in the conference please limit your questions to 2 per participant. Should you have a follow up question we would request you to re-join the question queue. The first question is from the line of Venugopal Garre from Bernstein, please go ahead.

Mr. Venugopal Garre: Hi thanks a lot. And actually, you know the opening remarks were great because you have actually covered a lot of ground. So, a very few small questions from me purely firstly on the channel side of things wanted to understand that the general discussion that we were having is that the channel has been very careful in stocking products which mean they don't want to really build too much inventory. Now that we are finally in the festive season wanted to understand that for your products are you at optimal levels of channel inventory at this juncture so that you actually don't miss out on sales, and any early peep in to how things are panning out in the festive side of the things.

Mr. Shantanu Khosla: First just to clarify and I think I've mentioned this before our categories tend not to be very festival focused. They are more regular regimen and the seasonality we tend to have unlike for example white goods is more linked to the weather and season. Secondly, we have seen that channel partners are turning around their inventory faster. They are ordering more frequently and replenishing more frequently and more regularly. So, they are increasing their number of turns to help manage which is actually great because that is far more efficient and plays back to our strength in the supply chain. We are not seeing any change in retail inventory, in terms of the retail inventory going up or coming down, it is at about the right level as it should be. Now what has happened is however from our own supply chain point of view, while a lot of the Covid operational disruptions we have managed, there are still areas where man power challenges remain. These man power challenges are focused more in areas with large migrant labour. So for us for example that means bigger challenges in Baddi and less challenges in Goa. What that has led to is that our own inventories are slightly below optimal levels and our own placement efficiencies are slightly lower than where we would like them to be. We are obviously working hard on it, and we have managed, our supply chain and distribution chain has managed to be nimble to address issue by issue which has resulted in strong top line performance. But we expect our own internal inventory and our placement efficiencies to be normalized over the next couple of months.

Moderator: Thank you. Participants please limit your questions to one per participant. Should you have a follow up question we would request you to rejoin the question queue. Mr. Garre, may we request that you return to the question queue for your follow up questions as there are many participants waiting for their turn. We move to the next question from the line of Nitin Arora from Axis Mutual Fund, please go ahead.

Mr. Nitin Arora: Hi, sir, good morning. I have two questions, one, given an abnormal year we saw an abnormal margin, I didn't mean to say abnormal in the sense when we were growing at a recurring rate of double digit growth, we were about 12 to 13% EBITDA margin company and suddenly we became and you have been guiding the market on the cost savings, about the channel strategy which is helping you. My question is more on the direction side. When being very close to the ground which you always tell us about category wise growth and the trend of the consumer, but generally in an abnormal year when you have shown such kind of a margin revenue growth is back to a double digit, when things becoming normal because we see in channels no discounting almost of any product, I understand the reasons what channels say supply chain constraints, no discounting as such which I am assuming also helps the company in gaining margins. But generally when we grow ahead in terms of normalization, when the channels becomes normal, the supply chains become normal, you are still confident of maintaining the margins, and double digit revenue growth as you highlighted also by way of normalizing the inventory, that's my first question.

Mr. Shantanu Khosla: Let me address the first and then the second so everyone, first let's talk margins, right. As we said before our overall approach is to reinvest our operational and structural efficiency improvements. Now we have been operating and we have reached a margin level in the past of close to 14%. In fact if you recall one of the things which we managed to do which no one else were able to do and we worked very hard on this was even when the volumes collapsed in the first quarter, we held these margins. Now that structural economics is what is really paying off now by giving us the space to invest in the top line. If I think of the difference between that 14% and what we reported call it 15.5%, there are couple of things which were one time. For example we had like we had communicated held back salary increases when we got into the uncertainty of Covid. Now as of October 1, we have restored all normal salary increases back across the board to all employees in our company, fixed and variable pay. So that was a onetime saving of about call it half a point. Then there were other costs which we, if you will delayed sales, etc., which also flew into a large part of Q2 which would account for about another half point. Now these added the extra bit. Advertising was another element because for example we did not spend in this quarter because we didn't come back on air on July 1, we came back on-air kind of second half of August by when the distribution had built up again. So part of these are onetime but they are also significant structural savings, one is obviously the cost savings, for example the lighting margin improvement, a lot of that is driven by straight programs to save costs while actually improving the product to some extent. These cost savings we will continue to invest in top line growth as we talked about in the future in our chosen areas, go-to-market, new channels of ecommerce and rural, product innovation, capability building, advertising, etc. As we come to the top line, here we have always said that we believe inherently with our programs we should be working around the double digit plus kind of growth, and we do see that as the growth which with our quality of our brands we should be able to deliver double digit growth. Of course, there is one key headwind in the next couple of quarters which we do not yet know about because even if the Covid situation stays kind of stabilized as it is right now, and we don't go into major lockdowns, the fact of the matter is that all predictions indicate that over the next few quarters, GDP growth will be much lower than it would have been forecast, now that will still have some kind of impact but we have to see how that pans out. I would also like to point out everything of demand, if we take fans for example. In fans if we look at the retail audit data, and I am talking there about consumer consumption data which we collect from retail pulse, we have got data from July and August, we don't have September data yet. And actually the market size is still declining, much less than it was declining in the first quarter, and improving from July to August, but the market is not gone to its 8%, 10% or 7% traditional growth levels. Our gains behind, have come behind our programs our speed and our channel partnerships which has actually resulted in share gains. Now largely the share has been lost, not by unorganized players, but the shares have been lost by organized companies who happen to be very small in fans. That's where the share has gone. That actually reinforces our strategic choice that where we play we don't want to be a small player, we want to be a leading player in that segment. Sorry for the long winded answer, but I thought I'd provide this perspective.

Moderator: Thank you. Mr. Arora, may we request that you enter the question queue for follow up questions. The next question is from the line of Prashant Kutty from Sundaram Mutual Funds. Please go ahead.

Mr. Prashant Kutty: Thank you for the opportunity. Two things one is on the lighting part, how much of the lighting margins, could you break it up in terms of how much came on account of cost savings and how much because of the pricing element, and what gives us the confidence of this sustaining going forward. Second bit is urban versus rural where are we in terms of recovery.

Mr. Shantanu Khosla: Okay, Mathew or Sandeep, you want to take that?

Mr. Mathew Job: Yeah, I will take it, if I look at the lighting margins improvement, I think Mathew mentioned in the past we have been having this issue, price disruption as Shantanu mentioned in both B2B and B2C. In the last quarter, maybe starting from the previous quarter that we mentioned we have seen the price disruption especially in the B2C segment has pretty much reduced or I would say stopped. So that is why you see earlier when we had double digits, double digits volume growth we were hardly having any value growth. But in this quarter when we have had the 9% volume growth in LED business in B2C the value growth has been in line or even marginally developed. That is one element which has helped improve the margins. And second, I would still say the margin improvement has come from cost reduction but just keep in mind that cost reduction also used to be there in the previous quarter, it was maybe lower but most of it got lost because of price disruption. The whole piece together the B2C margins have pretty much come back or even hit their all time high. B2B margins are still recovering, they are, of course, they have this issue of market being down, and every competitor is fighting for a portion of a smaller pie which is why B2B continued the price war. So, I would say B2B we still expect some more pain to be still there. But however, in lighting I feel with the B2C pricing disruption being pretty much under control we can expect that our consistent cost reduction program will keep our margins sustainable at these levels going forward.

Moderator: Thank you, Mr. Kutty, may we request that you return to the question queue for follow up questions. The next question is from the line of Renu Baid, from IIFL, please go ahead.

Mr. Shantanu Khosla: Hi, Renu.

Ms. Renu Baid: Hi, good morning, congratulations for strong results. I would just have two questions. One if we could get some insights in terms of demand outlook, you did mention the head line sector numbers still look weak, but should we see that was there any pent-up impact also in the demand or across seasons market demand has improved. And on the market share gains can you also add some more insight in terms of regions or segments or buckets that we are seeing these gains coming through.

Mr. Shantanu Khosla: Okay, Mathew, do you want to take that.

Mr. Mathew Job: Yeah, I would say that in terms of, let me address the question of demand, as Shantanu mentioned especially in fans as per the market pulse data, the market is still in decline, and decline is significantly slower than in the previous quarter. Our assumption is the biggest part of our gains have come from the fact that many of the organized smaller competitors have had problems of more cash issues and the fact that the supply chains are unreliable. So, I would say that segment of the market has lost more than 20-25% in terms of business, that has been primarily accrued to much stronger players like us. If I look at the segments I would say we have had significant traction and the market share gains have been across, both in premium but also in non-premium and also in TPW, so across the segments that we have had market shares gain, I wouldn't say that there have marked gain only in one segment.

Mr. Shantanu Khosla: Just to look at what Mathew said, if we look at our business, it gives me a lot of confidence on our programs and the health of our business. If you look at our business over this quarter by segment and by geography, there are only 2 areas where we are not getting robust growth, number 1 is rural pumps primarily in the east and number 2 is B2G lighting. Otherwise that growth is very broad based, like I mentioned even areas which had the biggest lockdown challenges like the west have been showing robust growth over this quarter; so it's very broad based.

Moderator: Thank you. Ms. Baid, may we request you to return to the question queue for follow up questions as there are several participants waiting for their turn, thank you. The next question is from the line of Mayur Patel from IIFL AMC, please go ahead.

Mr. Mayur Patel: Congratulations, gentlemen, for excellent set of numbers. Sir, just similar question as Renu asked, we saw 2 months of lockdown in the June quarter everyone witnessed most of the sectors, companies. So after a 40-50% decline in top line in the June quarter, this quarter is like back to the growth. So wouldn't it be fair to say some part of this current growth is kind of slipover or pent up whatever way one has to define it, which may not be sustainable. So, if the current quarter's top line is a function of organic demand plus the slipover from the previous quarter would it be fair to attribute some part of this or you think that is past and this is the real organic and it should continue.

Mr. Shantanu Khosla: See one it is possible that there was some pent up demand. But we do not judge that to be significant. So maybe a point of the growth was pent up demand, maybe a point and a half, right, and the reasons we think that it is not significant is, one, we saw a continuous growth month on month. August grew higher, faster than July, September grew faster than August and October early days but it's looking okay. Second, is the actual consumer demand which we can only measure through consumption data. And that indicates that trans demand the consumption trend is improving but it is still underwater slightly by the time we come to August. We are hopeful based on the trend that when you see the

September data that would have picked up, right, but I don't think the consumption demand has yet come back to the historical 7 or 8% kind of growth on towns. So, may be some but we don't judge 2 or 3 material I think bigger impact was the programs we are doing, the go-to-market growth we are doing and in the case of fans one share, one and half share players in the category seem to have had a harder time.

Moderator: Thank you, Mr. Patel. May we request that you to return to the question queue for follow up questions, thank you. The next question is from the line of Bhavin Vithlani from SBI Mutual Fund, please go ahead.

Mr. Bhavin Vithlani: At the outset I would like to congratulate the entire team of Crompton for phenomenal performance.

Mr. Shantanu Khosla: Thank you.

Mr. Bhavin Vithlani: Sir, my question is more on a longer term and to ensure that longevity of your double-digit growth for the next 5-10 years, I think one of the things you mentioned that you are reinvesting back in innovation. So, two parts of this question one is when you look at your global competitors' on a large base they are investing close to 3-4% of their revenues in R & D renovation, and second, if you could also outline what exactly are the areas that you are investing because globally the bulk of focus on the research in innovation is in IoT end connected products, these are my questions.

Mr. Shantanu Khosla: Okay. I think I had identified, I talked about these areas earlier. Obviously one area of investment and focus of innovation is connectivity IOT whatever you call it because that has significant implications on all our categories. The second area is health and wellness which we believe is an important emerging, well, it has already emerged but likely to be significantly more important. The third key area for us is cooling technologies, different ways to cool more efficiently. And the last area is energy because we believe energy efficiency is a significant important area for long term innovation not just in terms of giving better desired consumer products but also in terms of our whole sustainability platform; so those are the four broad areas. I don't have a number yet for you in terms of what is our goal in terms of where we want to be on the sustainable level, in terms of percentage, R & D spend because that is something which we are working towards. Suffice to say our goal is definitely to spend significantly more than we historically spend.

Moderator: Thank you, Mr. Vithlani, may we request that you to return to the question queue for follow up questions. The next question is from the line of Ankur S. from HDFC Life Insurance, please go ahead.

Mr. Ankur S: Hi, good morning, Shantanu, and congratulations for a great set of numbers. I have just one question actually on the kitchen appliances piece, you know, the mixer, grinder, the juicer where we kind of identified that to be the next big opportunity for us. So now what I understand is that south really is the largest market pocket in appliances. It is 40-45% there pan India. But clearly the electrical players, Crompton, Natasha, Havells etc., they are not able to do much. They are not able to break in the southern markets. And that is really an area where Crompton in other product categories is very strong. So, if you could just highlight what are the steps we have taken to get there. How do we get more customers to buy? Obviously fans we are very, very strong in the southern market. How do we get them to switch to appliances as well?

Mr. Shantanu Khosla: Okay I think I talked about it earlier. But our model is very simple in concept difficult in delivery. The first and foremost thing is to develop propositions which are superior. Or meaningful, and that is the work we have been doing and that is exactly what we did on geysers. And that is what it is. So going into this period, we have significantly revamped our entire mixer-grinder range, and that is the one I mentioned. In fact it is showing good initial results, though there is still a lot of work to do. The second, once you have that, invest in it, create advertising, marketing to create the awareness. The third is that make sure we have got a cost structure which can allow us to price it at a decent good value price received by the consumer. And then the fourth is efficiently supply it and distribute it. So that is if you will the secret sauce. We have no intentions like I said of investing in areas where we will just stay at number 7 or number 8. Because the value was all created by the one towards we invested much. We think that we have the initial signs of a good program going in. but the next one or two years will be key. Our aspiration is to invest in these four areas of mixer-grinder, just like we have done in the past on geysers, with the objective of over 3 to 4 years becoming at least a number 2, or a close number 3.

Moderator: Thank you. Mr. Ankur, may we request that you return to the question queue for follow up questions. The next question is from the line of Chiranjeet Singh from DSP Mutual Funds. Please go ahead.

Mr. Chiranjeet Singh: Hello sir. Good morning and congratulations on great set of numbers. My question is pertaining to the institutional demand. So, if you can give us some color, one overall in percentage of revenues, what portion comes from the institution across different categories? And how do we see that panning out in the second half or ramping up going forward? The other thing is on the GTM, where we are right now in GTM in terms of our targets, and how we see our channels for the shaping up going forward?

Mr. Shantanu Khosla: Mathew do you want to take that?

Mr. Mathew Job: Yeah, yeah. Okay in terms of B2B, Shantanu at some time explained, our primary our B2Bb business is through lighting although we also have some B2B business also in fans and to some extent in pumps. But let's focus on lighting because that is the chunk of it. Now if I divide this into….

Moderator: Sorry to interrupt you sir, this is the operator sir. The audio is not coming clear from your line.

Mr. Mathew Job: Is it okay now?

Moderator: Now it is better.

Mr. Mathew Job: Okay. On B2B as I said the bulk of the business is from lighting. So our focus is on lighting B2B. Now B2B lighting can be fit into two. What is government business and what is non-government business. Government business has been very much declining in quarter two and we expect that trend will continue for some more time. In our quarter two results you will see if I look at the non-government B2B business, it is basically flat versus last year. Keep in mind that our new order or decision on projects, we have our various strong and robust pipelines which is non-government. The issue that we are facing is that of the market in general, is a lot of generation of these projects are being delayed. So typically we have seen versus a normal average quarter, there is a 25-30% decline in the value of orders being decided. We do things that it will take at least a couple of quarters for this to recoup and get back to normal. That is one. Second in terms of the go to market that we have seen, we have continuously been making improvements in reach. Today we have become – 5 years ago we were number two and number three in terms of fans. Today we have become number one. We continue to gain reach at an average of 1 percentage points every year. The same trend is true in lighting. However, keep in mind, even with these numbers, our fans are only available in 55% of stores across the country and it is for LED it would be around 30-35% percent. So, there is still a long way ahead of us. We have to continue to improve our reach and it is going to take time. It is going to be a steady progress over the next couple of years. Thank you.

Moderator: Thank you. Mr. Singh, may we request that you return to the question queue for follow up questions. The next question is from the line of Shirish Pardeshi from Centrum Broking. Please go ahead.

Mr. Shirish Pardeshi: Yeah hi Shantanu, thanks for the opportunity. Just one question on the urban versus rural mix, and this is I am extending the G2M question just now. So, our priority of distribution is more of rural or urban, because I guess rural has a very vast opportunity. And if you can break up what's the growth rate in the quarter which has gone by, we have seen in rural versus urban, and if you can spend some thoughts on demand outlook.

Mr. Shantanu Khosla: Okay, Mathew!

Mr. Mathew Job: We are definitely improving ourselves in semi-rural and rural areas. But the fact is that a big part, almost 80% of our – 80 to 85% of our business is focused on urban, and the market gains earlier which we spoke about for our fans is also for the urban areas. Of course, you know the rural demand is better and Shantanu mentioned our business has grown by 144% over the same period last year, but that is also due to the fact that we only jacked up our rural operations last year, and we were expanding our rural base or semi-rural base. So it is also because of the fact that we are getting into new markets. So that is if I look at the urban markets I would say that the fan market itself as I mentioned before, is still in quarter two declined and not yet reached pre-COVID levels. Thank you.

Moderator: Thank you. The next question is from the line of Akshay Bhor from Premji Invest. Please go ahead.

Mr. Akshay Bhor: Hi team, congratulations for a great set of numbers.

Mr. Shantanu Khosla: Thank you.

Mr. Akshay Bhor: Sir one question around market share gains. Wanted to understand this a little better. After the numbers 3, 4, 5 guys in the front, these are 1 or 2% market share guys who couldn't cope up with supply chain issues. Those are losing. And in your view what is the sustainability of these gains and what are you doing for market to be gained. If you can speak about that both in the fan and lighting side, that will be good.

Mr. Shantanu Khosla: Well on the fans, I think we are the leaders and we have been gaining share consistently. In this last period, we gained this one share point. But we have been gaining about a share point a year plus/minus for the last 3-4 years. So, it is an ongoing trend. So that kind of share growth I think is something which we would at least aspire to continue on a long-term basis. The other thing is really what is driving the growth is our programs we believe, go to market and product. So obviously we had retail, end up with smaller guys, maybe struggling a bit. And this is actually what I mentioned last quarter, that this is the opportunity of tough times where if a leading brand invests in consumer, in go to market, in its propositions, then it can actually come out of the tough time in a better market share position. So, I do believe that these positions which we've established are not one-time blips because if you think about it, these customers, these consumers, have now experienced the Crompton fans, and would have had a wonderful experience. They have moved to our brand. It is a brand switch which is the difficult one to make. And as long as we sustain the quality of our programs, the quality of our go to market and the cost and value, these share gains I believe should be sustainable over time.

Moderator: Thank you. Mr. Bhor may we request that you return to the question queue for follow up questions? Thank you. The next question is from the line of Ashutosh Garud from Ocean Dial. Please go ahead.

Mr. Ashutosh Garud: Yeah hello sir.

Mr. Shantanu Khosla: Hi.

Mr. Ashutosh Garud: Yeah congratulations on a great set of numbers. So just wanted to understand a little bit more on these market shares. You mentioned that the growth has predominantly come in a scenario where the overall market has not grown but some of the smaller organized players have lost the market share gains because of the supply chain issues. So once let's say if the supply chain issues are in play, I mean those are resolved at their end, would you believe that although on an overall basis you would continue to gain 1 or 2% market share gains in the next 6 to 8 months. But the short-term gains which we would have experienced may not be sustainable over next 2 to 3 quarters because those guys would have solved the issues at their supply chain. Would that be a fair…?

Mr. Shantanu Khosla: I guess that is almost the identical question I just answered. The supply gaps or other such issues which we really don't know for a fact because we are assuming -- those companies will know their position better – creates the opportunity. But once the opportunity is created, the brand switch happens. Now it is the experience of the consumer in the ongoing proposition which is our job to make sure that these consumers become loyal consumers.

Moderator: Thank you. Mr. Garud may we request that you return to the question queue for follow up questions. We will take the next question from the line of Vishal Biraia from Aviva Insurance. Please go ahead.

Mr. Vishal Biraia: Sir what is the outlook for the second half? Do you expect the momentum to continue? And I mean mainly specifically for the geysers business that you mentioned that you gained massive market share. So, could you elaborate a bit more on this aspect?

Mr. Shantanu Khosla: While we think on geysers, obviously first this coming quarter is critical for geysers because of the seasonality and after that we go into summer which is not a geyser season in any case. But for geysers we believe we have a very strong program. Like I mentioned we have got quite a few new meaningful initiatives which have just gone in. We are going to be supporting and investing in advertising for geysers. We found that our investments in ecommerce in Amazon and Flipkart are paying great dividends in geysers. In fact, the data we got from the customers on their performance during big day was very positive for us. So, we do think we have the right program and momentum. So, we would aspire to continue to grow share in geysers.

Mr. Vishal Biraia: And the outlook for second half and the capacity utilization that you guys are currently working on?

Mr. Shantanu Khosla: Well, we don't give – as you are aware we don't talk too much about outlook in terms of numbers so I will leave it at that. Mathew if you can just talk about capacity utilization where we are at?

Mr. Mathew Job: Yes. So, capacity utilization, if I look at fans, in quarter two, the volume production was at 120% of what we did last year. Lighting has been the same level as last year. So, I would say capacity utilization now we are running on full capacity already.

Mr. Vishal Biraia: Thank you.

Mr. Shantanu Khosla: Yeah.

Moderator: Thank you. Ladies and gentlemen, due to time constraints we will take this as the last question. I now hand the conference over to Mr. Shantanu Khosla for closing comments.

Mr. Shantanu Khosla: Thank you folks. Appreciate you taking the time as always. Our intention of these calls is to provide you as much information as we can. So, you better help understand our business both in the near but importantly also in the long term. I am sorry we did not have enough time maybe to cover all the questions. But as always, please feel free if you have any other questions anything. We are more than happy to engage just contact us. We are very much available. And most importantly please stay safe, please stay healthy. COVID is still with us so personally and for all your families, continue to be cautious and take care. So, thank you all very, very much.

Moderator: Thank you. Ladies and gentlemen, on behalf of Prabhudas Lilladher Private Limited that concludes this conference.

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