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 29, 2021

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: 96/2021-22	**Our Reference: 96/2021-22**

Dear Sir/Madam,

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

With reference to our earlier intimation regarding the Earnings Call on the unaudited financial results for the quarter and half year ended September 30, 2021, held on October 25, 2021 kindly find enclosed the transcript of the same.

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

Thanking you,
For Crompton Greaves Consumer Electricals Limited

Pragya Kaul

Pragya Kaul
Company Secretary & Compliance Officer

"Crompton Greaves Consumer Electricals Limited Q2 FY2022 Results Conference Call"

October 25, 2021

ANALYST:	**MR. NAVAL SETH – EMKAY GLOBAL FINANCIAL SERVICES**
MANAGEMENT:	**MR. SHANTANU KHOSLA – MANAGING DIRECTOR – CROMPTON GREAVES CONSUMER ELECTRICALS LIMITED** **MR. MATHEW JOB – EXECUTIVE DIRECTOR & CHIEF EXECUTIVE OFFICER – CROMPTON GREAVES CONSUMER ELECTRICALS LIMITED** **MR. SANDEEP BATRA – CHIEF FINANCIAL OFFICER – CROMPTON GREAVES CONSUMER ELECTRICALS LIMITED** **MR. YESHWANT REGE – VICE PRESIDENT – STRATEGY & FINANCIAL PLANNING – CROMPTON GREAVES CONSUMER ELECTRICALS LIMITED**

Moderator: Ladies and gentlemen welcome to the Q2 FY2022 results conference call of Crompton Greaves Consumer Electrical Limited hosted by Emkay Global Financial Services. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Naval Seth from Emkay Global Financial Services. Thank you and over to you Sir!

Naval Seth: Thank you. Good morning everyone. I would like to welcome the management and thank them for this opportunity. We have with us Mr. Shantanu Khosla, Managing Director, Mr. Mathew Job, Executive Director and CEO, Mr. Sandeep Batra, Chief Financial Officer and Mr. Yeshwant Rege, Vice President, Strategy and Financial Planning. I will now hand over the call to Mr. Khosla for his opening remarks. Over to you Sir!

Shantanu Khosla: Thank you very much. Good morning everyone. Thank you for dialing in and welcome to our quarterly call. I hope you are all safe, healthy, and doing well in these tough times. Health and safety of our employees continues to be our top priority. During the quarter, we organized and successfully conducted second dose vaccination drives for all our employees and family members across the country. With this 77% of our employees are now fully vaccinated. We have also resumed our offices at 50% capacity only for fully vaccinated employees and are adopting a hybrid model.

Overall revenue for the quarter on a standalone basis was up 16% versus a year ago. Growth over the pre-COVID Q2 full year 2020 was 29% representing a two-year CAGR of 14%. We believe that growth over previous pre-COVID period is a good way of looking at the underlying demand scenario given the variations in the base year, due to differences in COVID opening up, pent up demands, recovery of supply chain, etc., that happened last year. Next our revenue has grown robustly over the pre-COVID situation. Over the coming quarters also we will continue to look at two years CAGR as a critical metric to give us a good picture on the real demand situation versus just simply quarter-on-quarter. ECD revenue grew at 18%, within this it is important to note that net off pumps ECD grew at 21%. Pumps grew at relatively slower 8%. This was driven by the fact that we had a strong widespread monsoon and historically the pumps category has lower growth in years that the monsoon is plentiful. Fans growth was 17%, disproportionately driven by super premium fans at 40% and premium fans at 45%. In appliances, the growth was broad based with geysers up 33%, mixer grinder 56% and irons up 31%. Within a short span of time our appliances business has resumed its strong growth trajectory demonstrating our previous investment in developing superior product portfolio is continuing to pay off well.

Our lightening revenue was up on a standalone basis of 8%; however, within this it is important to note that the key B2C LED business was up 19%. The key drag on the overall lighting business continues to be essentially B2G business primarily EESL, which you are all aware, has declined significantly. Lighting EBIT margins have sequentially grown from 10% to 11.4% standalone this quarter. The sequential margin improvement is on account of high utilization, improving operating leverage and continued progress in cost cutting programs. As we have talked before, we continue to be confident of sustaining double digit margins in this business going forward.

Moving on to a few comments on market share and again to clarify the market share, which I am reporting is retail offtake market share from retail pulse of third-party retail audit. As we keep expanding our product portfolio and market reach in the rolling 12 months, we have gained 2.7% of market share in the premium category on fans and 1.8% market share in the overall fans business. Crompton is the only company to have gained market share in the past 12 months, which demonstrates the increasing acceptability of our fans and initiatives among the consumer. Our market share in fans in August which is our latest most recent data is at an all-time high levels and we continue to build our lead in the fan segment. We have also gained close to a point of market share in the water heater category with our wide range of geysers. In lighting LED bulbs, our market share also has increased to 9% and our reach has further increased to 21%. We continue to innovate across our portfolio and drive our reach among consumers.

Moving on to our margins as we have talked before, we are in an extreme inflationary environment. Basic commodity costs have gone up significantly over the past few quarters at rates that the industry has never seen before. We have been focused as we have talked over the past few quarters in meeting this challenge. As we have said last quarter, we believe it is absolutely essential that we recover these costs at a gross margin level and do not let the structural profitability of the business erode. Erosion of the structural profitability would have created a long-term challenge for the business. We have continuously been addressing these through (i) aggressive cost savings via our longstanding Unnati program where we saved about Rs.48 Crores this quarter (ii) Two continued focus on premiumization where this quarter our premium fans business grew 45% and finally (iii) the price increase. We have also worked to use our cash to book advance contracts on commodities to ensure that we would protect ourselves from future inflation. All these steps have enabled us to recover our gross margin. As the topline has recovered post opening up after COVID this quarter these margin improvements at a gross margin level has flown down to the bottomline. Cost inflation is still not behind us and we continue to work these areas, but I am confident with our strategic approach to manage this challenging environment we believe that these margins continue to be sustainable. On working capital during the quarter, we witnessed a reduction in working capital as compared to the previous quarter. In Q2 FY2022 on back of production, inventory rationalization and focus on collections, we could reduce Rs.153 Crores of working capital; however, we continue to have higher than normal working capital driven by

- advances mentioned earlier that we have paid for securing materials at lower commodity rates

- production that we continue to maintain to cater to market demand and opportunities.

We do expect this working capital to continuously reduce over the next quarter or so. Our cash position stands at Rs.1,186 Crores on a standalone basis as of this quarter. We have maintained a healthy balance sheet and cash position which we believe in times like these will help us stand relatively better off than a lot of our competitors. We are best placed to tide over any future uncertainty and aggressively ramp up as per market demands and continue to invest in the long-term development of our business.

On operations, our manufacturing and operations at all our factories at Vadodara, Baddi, Kundaim, Bethora, and Ahmednagar continue to function smoothly. Norms of safety data by the government and social distancing continue to be strictly adhered to in all our premises. Our entire distribution network and warehouses continue to function smoothly. Our focus over this period has continued on our key long-term strategic choices. On our go to market initiatives we continue on focusing on superior partnerships with our trade partners and our key measure of this relationship is percentage of regular retail dealers and this continues to increase quarter-on-quarter. We focus on improving reach. Our efforts are visible in improved reach. Our rolling 12 months up till August our overall fans portfolio reach has increased by 7%. Secondary sales tracking is a critical part of the information we are gathering, which helps us improve our program effectiveness. We are now tracking 83% of all our secondary sales. We continue to focus on alternate channels and have made significant investments in both our rural and e-commerce channels, which continue to deliver outstanding results. Our rural business over this quarter grew 196% over the last year and also had a sequential growth of 62% over the previous quarter. E-commerce has continued robust growth on an upper trajectory growing at 45%. Driving premiumization was one of the critical areas, which we identified some years ago to continue to strengthen our brand in the consumers' hearts and minds and also continue to strengthen the inherent profitability of our business. Our performance on our innovative new entries at this end is delivering some results. As mentioned earlier our premium and decorative segment fans grew 44% and our super premium fans with key initiatives such as Silent Pro grew 40%. We have continued to invest in innovations focused on the consumer. We believe this is key not only to the current but also very importantly to the future. Our continued investments in R&D have enabled us to introduce consumer meaningful products, which has been a key part of our market share growth. We are continuing to ramp up this investment and are inaugurating a new R&D center in Mumbai with a staff of close to 100 people. In the last few months we have launched a number of new initiatives across all our categories fans, appliances, pumps and lighting focused on better meeting consumer needs.

Brand building though has been impacted somewhat over the last year or so driven by COVID. Our commitment to invest in a long-term brand building remains intact. We continue to drive consumer meaningful engagements through above the line and below the line activity. Our investments in advertising and promotion for this quarter stood at Rs.18 Crores. As we look forward we do need to recognize that though the business has clearly improved, the business has grown significantly over pre-COVID periods and margins are back to the level they have historically been in spite of the huge inflationary pressure. We still face uncertainty looking forward. While we all hope and pray that COVID is largely behind us, we cannot yet be certain, we continue to take precautions among our people and our stakeholders. So COVID moving forwards remains a level of uncertainty. While we have managed extremely well we believe the inflationary pressures of cost it needs to be clear and we need to understand that looking forward the commodity environment is still very uncertain and we need to keep this in mind as we think of the coming periods; however, we believe that our strategic approach and the execution of our plans to manage this better than most of the industry will stand up in good stead.

With this let me just quickly take you through the numbers. The Board of Directors at its meeting held on October 22, 2021 approved the quarterly results of the company. Total income of the quarter was Rs.1,385 Crores, ECD revenue stood at Rs.1,096 Crores, EBIT margins at 21% sequentially improving by 340 basis points. Lighting revenue stood at Rs.288 Crores on a standalone basis, EBIT margins stood at 11.4% on a standalone basis. Material margins were at 32%. Profit after tax for Q2 was Rs.170 Crores on a standalone basis and grew by 24% year-on-year. I would now like to stop and address any questions that you all may have. Thank you very much.

Moderator: Thank you very much Sir. Ladies and gentlemen we will now begin the question and answer session. We have the first question from the line of Nitin Arora from Axis Mutual Fund. Please go ahead.

Nitin Arora: I have one question which has two parts. The first question is despite a very, very significant commodity pressure the first half it looks like you had no commodity impact, so you are maintaining the gross margins at the same level. Can you highlight in detail how much would our mix contributed, how much your cost saving programs would have contributed, why I am asking this because if I look forward where you are guiding the commodity pressure is still continuing I am just asking more from a relative perspective do you still believe that you can maintain these gross margins at the industry level it looks Crompton would still be maintaining these gross margins relatively compared to the other competitors that is my first part of it and second if you can comment on the channel inventory because there were a few calls which happened recently and also on the commentary on the demand side because there is a lot of mixed commentary that the consumption is getting hit because of this high commodity inflation so these two parts? Thank you very much Sir.

Shantanu Khosla: Let me start with the second part. As I mentioned we now have a very good tracking mechanism that we are tracking our secondary sales so we actually have good data on what is happening on channel inventory and our primary and secondary sales are very, very much in line so we do not believe that there is any significant channel inventory build. On the demand scenario like I mentioned we think the best way of looking at the underlying demand is look at what are the two year CAGRs over the unaffected year and like I mentioned our two year CAGR is about 14% for this quarter and we see that at the current term obviously it is very difficult to predict that the overall demand scenario moving forward should be able to provide a similar level of CAGR. Why we think it is important to look at this is because the base period month-to-month is different, for example last year in the base period there was pent up demand which came in September, October and November, which may or may not happen this year, so from a two year CAGR level we think that this is a sustainable level of demand moving forward. In terms of your gross margin question we do believe that our programs can maintain and sustain these levels of gross margin assuming there is no huge sudden spike in the import levels higher than what is already once spiked, but there is just a normal kind of trend increase which we see. The reasons are three and these we have consistently followed. Our cost saving program which has been running, we had accelerated some of those programs and like I mentioned in terms of quantification that delivered Rs.48 Crores. Then of course there is a mix, which has helped and finally we have taken pricing as you are aware. I think it is important to note that these actions did not begin this quarter. These actions have actually been going on from about November of last year, which is why if you look at our financials you will see that at a gross margin level we have largely recovered gross margin last quarter itself, but a lot of this recovery did not play down into the bottomline because of the reduced overall revenue due to the COVID lockdowns and now as the revenue has come back we are seeing that it is going down to the bottomline.

Nitin Arora: Got it Sir. Thank you very much Sir. I will come back in the queue.

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

Venugopal: Thanks a lot for the opportunity. Just one question from me. Just to get a sense of how much of the revenue growth is actually driven by pricing, I know that with so many different products that it might be tough to give a product-by-product sort of review, but broadly across categories if you could share us on a year-on-year basis compared to previous year Q2 and if you want to give it from the pre-COVID quarter as well it will be great, just to highlight the reason I am asking this is given that there is a pricing increase and assuming volume growth have been probably in the single digits so that is my assumption, but I think you can probably correct me on that and since you have had a fairly strong margin I am assuming that you decided to prioritize margins and the market could have probably taken more volumes, but you decided to sort of gear more towards the margin side of thing for profitable growth so that is why you could have got more volume growth but you decided not to, so this is the broader theory just wanted to check and hence wanted to get an idea what is the actual volume growth?

Shantanu Khosla: Let me first start again referencing on two-year basis because that is more steady state. Like I said our revenue growth over Q2 full year 2020 is close to 30%. Now if I look at this and look at it on that basis slightly more than half of the growth of my position now versus that base would be volume and half would be value. As I look at versus the immediate FY2021 Q2 on a company basis most of the gross is value. There is some volume growth, but most of the growth is value. However as I entail this and not category-by-category but as I entail this we see that the more premium part of the market for example premium fans I have strong volume growth along with the value growth, i.e., the pricing growth, so what has happened is given these unprecedented pricing levels, we see that in the initial period of pricing frankly as one would expect at the more premium end of the market we have seen less impact on volumes. At the lower end of the market during the initial period the price elasticity has tended to be higher. This again is not surprising given the extent of the pricing, but as the new pricing even at the lower end of the market begins to settle down over time we believe that more volume growth will also be there and I want to just be clear which is why we believe it is not just a short term reason to work to recover gross margins but it is an important long term reason because healthy gross margin and I am talking gross margin as opposed to PBT maintaining that is very important for our ability to continue to invest in the future. If you allow your gross margins to fall five, six, seven points it is very challenging to recover those gross margins again in the future, which is why we took this approach, which we believe has resulted in strong balance growth, which puts us in a good position as we think of the long term.

Venugopal: Thank you so much.

Moderator: Thank you very much. The next question is from the line of Mayur Patel from IIFL AMC. Please go ahead.

Mayur Patel: Thanks for the opportunity and congratulations for very interesting set of performance so Sir just want to understand about your new product strategy say in the near term and medium term if you can share anything it would be helpful either a completely new verticals or any other new products planned in the pipeline?

Mathew Job : Almost just to give you some numbers, I think now roughly 10% of our sales actually come from products launched in the last one year and roughly 55% of our sales comes from products launched in the last three years and these numbers both the one year funnel and the three year funnel have been improving over time, so if I look at this the first year revenue as contribution of sales a couple of years ago it was close to 5% now it has come up to 10%. So in our existing businesses obviously we continue to bring to market the innovative products be it in the water heater range, in appliances and in the mixer grinder range we have had a fair number of launches in this period, in fans as well especially in the premium end of the market we have continued to bring new products to market, which is also one of the reasons why we have been able to drive the 40% to 45% growth in fans, in mixer grinders and also in water heaters. Also, as we mentioned the last time, we are looking at some completely new categories and hope to bring some exciting products to market in the short term.

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

Charanjit Singh: Sir good morning and congratulations on great set of numbers. Sir I have two questions One in terms of the end markets now real estate circle is looking up so from each of the product category perspective if you can touch upon the growth phase which you can see over the next two to three years and secondly in terms of our cost saving initiatives we have achieved may be 70% and 80% if you can quantify that where we are in that journey? Those are the two questions from my side.

Shantanu Khosla: On the first point I honestly I would not make forward looking statements on growth expectations, but recovery of sectors such as real estate, recovery and strengthening of things like infrastructure investment, etc., all are potential tailwinds, which reflect pretty much on all our categories in terms of tailwinds, so that is a positive as and when that happens. The second question was on cost we do not think about cost reduction on the basis of with 60% complete, with 70% complete, with 90% complete. I think I mentioned this before we have now been driving cost reduction and efficiency improvements for the last 6 years, so it is an ongoing journey. We expect that we have to keep driving 1 to 2 points of cost and efficiency improvement every year from here till eternity. This is very critical for any well run company because these cost reduction and efficiency improvements is what enables us to invest in business growth and of course when you have challenges like commodity spike, minimize the price increase you have to do it so we do not think of it as a finite programme at all, but an ongoing every year let us get new ideas and do new things.

Charanjit Singh: Thank you Sir.

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

Renu Baid: Thank you and good morning everyone. Congratulations for the strong performance. My question essentially first to understand the company strategy in terms of the planned strategy, slight change in the manufacturing mix, so what is the approach for various segments which you will have whether it is fans, appliances, lighting, is there any level of manufacturing mix that we have in mind over the next four years across the segment and the quantum of capex which is planned and second is now that we are hearing one of our client firm CG is entering into appliances and fans business so how does the company plan to mitigate the potential risk with respect to brand confusion which could be there in the mind of consumers or the channels though technically the brand and the logos are different but there would be a bit of confusion which could be there? These are two questions from my end thanks.

Shantanu Khosla: Let me talk the fast and then Mathew can talk the second. We are currently developing our maiden long-term sourcing plan; it is in the process of finalization. To be clear our criteria are superior quality, better service, lower cost, and greater agility. These are the criteria which we are applying to select the optimal scenario. When this result in some potential simplification and consolidation it may, but we are not yet finalized. On the second one which is CG I will let Mathew talk to that.

Mathew Job: You are right CG has of course launched one sometime back and currently launching fans. Obviously, you are right I think there is some potential confusion because of the brand. However, you know of course what we are doing is like we have been articulating before we have been running a consistent programme to strengthen our Crompton brand by bringing into market one innovative proposition and then building our brands through differentiated proposition that is something which we have been doing for five years and we will continue to do going forward. Of course in parallel we are doing our work to figure out what kind of potential confusion exists in the market and taking steps at all level be it through above the line communication, be it through communication in store and all other means available to ensure that any potential confusion is minimized so we will be confident with the quality of plans that we have that we should be able to get over this without too much of an issue that is our point on this.

Shantanu Khosla: The only last thing I mentioned Renu is at the consumer level CG is not known Crompton is known at the consumer level I am not talking the trade level. In fact we need to recall that Crompton brand fans has been around for 70, 80 years and it was only called CG when it was rebranded for about a period of four to five years and then went back again under our stewardship to Crompton, so from a consumer point of view Crompton is the brand which the consumers know. Obviously like Mathew said we will make sure that we significantly focus and continue to invest on our innovation and our brands and develop the appropriate customer education programmes to ensure that at the store confusion is minimized.

Renu Baid: Thank you Sir.

Moderator: If you have the next question from the line of Ravi Swaminathan from Spark Capital please go ahead.

Ravi Swaminathan: Sir thanks for taking my question. Most of my questions have been answered. So anything on acquisitions which are there on the cards in the near term, any category that we are looking at for the next 6 to 12 months?

Shantanu Khosla: Like we talked before it is almost a constant process for us and had been for some years to evaluate opportunities. Our criteria for evaluation of opportunities remain the same. First most importantly it has to be a strategic fit which we believe is value accretive i.e., one plus one can become greater than two. Second once we believe it is a strategic fit and one plus one is greater than two obviously it has to be something where the price makes value accretive sales to us as opposed to destroying value. We are and I have always been in ongoing discussion. Obviously, it is something that I cannot talk anymore about, but at the moment we have something which is appropriate to share we will share it.

Ravi Swaminathan: Any sense on the category at least will it be in the existing product category or something very new one?

Shantanu Khosla: It could be in either.

Ravi Swaminathan: Okay thanks.

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

Keyur Haresh Pandya: Congratulations on good set of results to the team. Sir question is on lighting, so just want to understand if we can break it up lighting into B2B, B2C because B2C is witnessing good growth while B2B is still sluggish, so just want to understand what is on annual basis breakup because quarterly abrasions can be there and do they differ in terms of profitability or ROCE?

Mathew Job: So, like we mentioned B2C growth has been improving over the last few quarters. If I look at Q2 our B2C has grown by roughly 15% and B2C LED has grown even faster close to 20%. You are right B2B growth is lower and there again I would like to split into non-government and government. So the government orders which are primarily EESL and so on and so forth have declined sharply over last year but if I look at B2B excluding B2G, we have low double digit growth but of course it is still significantly slower than B2C, so we still see that it is going to take something before the B2B growth will come back to normalize level but overall if I look at B2C over the last three quarters our growth has significantly accelerated and that is the trajectory we would like to keep going forward.

Keyur Haresh Pandya: Profitability changes as we move from B2B?

Mathew Job: I would say profitability of lighting, total as you have seen has improved significantly over the last few quarters we have double digit, of course both B2C and B2B have improving profitability, definitely on B2C where we think the price erosion is mostly behind us. We will see margins which are very close to our top categories like fans and pumps.

Moderator: Thank you. The next question is from the line of Bhoomika from DAM Capital, please go ahead.

Bhoomika: Good morning Sir and thank you for the opportunity. Just wanted to understand the colour on demand a little deeper if we look at it could you just comment in terms of how was the geographical mix and now the things are normalizing, last year we have seen rural growing very fast, e-commerce growing very fast which is continuing but as things are normalizing are we seeing more offline kind of stores doing much better and in terms of rural, urban mix if you can kind of highlight, the second part is in terms of as we take price hikes and the industry take price hikes and we mentioned like premium is not really yet seeing an impact but do you see a risk of downtrading as we move ahead?

Mathew Job: Let us talk about the urban, rural thing we have been talking about. What we talk as rural basically towns of population between 20,000 and 100,000 so it is really not that rural in strict terms and we have started to gain direct access to rural only about 18-24 months ago, so that is why we continue to see robust growth like Shantanu mentioned the growth in the quarter was 196% on rural and so E-COM as well. E-COM is a category in which we are developing our capabilities and that is the one reason we have been in the last year for example in e-com we registered nearly 2X growth and we saw that in this quarter again 60% growth in e-com, so in terms of rural urban split I would say we are not really that impacted because in rural we are still only gaining access I think we are only covered even now 25% of the total number of towns in the population bracket of 20,000 to 100,000. So urban, rural for us we are not really affected because there is still lot of runway for growth in rural. What was the second part of your question?

Bhoomika: On the impact of price hike.

Mathew Job: Like Shantanu said in the premium end of the market we have seen good volume and value growth and the pressure more be in volumes in the entry level, we have not seen a significant downtrading of people in the premium end slipping down to middle or to entry level. In fact I would say at entry level the volumes are under bigger pressure because obviously we think that people are price sensitive there and there could be some level of downtrading within the lower end, but we have not seen any significant move of people from premium or to lower which is why you see that in the premium end 45-50% growth is one of the highest levels we have had in the recent quarters.

Bhoomika: Just one thing on unorganized are we continuing to see gain from unorganized or smaller organized players that we have seen in the past?

Mathew Job: See till about Q2 of last year or early Q3 there was significant supply disruption to the smaller players I would not definitely call them unorganized of players who had 0.5-1% share they had some supply disruption until Q3 but that has gone away, so I do not see that kind of marked gain that we saw last year from the small players happening now I think it is from across different segments of players that we have seen share gain now.

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

Siddhartha Bera: Hi Sir. Thanks for the opportunity. Sir my first question is basically on this new R&D center we have just inaugurated will it be possible to throw some light on what are the products we are probably working on from the market in the next few quarters and some colour on that and are we doing anything on the lighting side also because if I just look at the B2C lighting growth it is till I would say probably on the lower side than what some players have done so basically what are further areas where you think our products can make to a slightly stronger growth from what we are seeing currently?

Shantanu Khosla: I cannot talk about specific products that they are working on right but suffice to say that they are working on all our existing categories plus potential areas which could bring in new technologies which could be leveraged either in existing or in new categories. As I think I have mentioned before some of the focused areas are energy saving, materials, connectivity and IoT, health and well being, so these are some of the areas or sectors on which the work and the investment is happening. It definitely like I said includes all categories, it also includes lighting in fact we have just launched really cool lighting innovation in panels for Star Lord where you can get different temperatures by changing the switch from the same fixture it is not an IoT product but it is obviously significantly better value by shifting the switch you can move from warm white to cool white to daylight, etc., based on the needs and that is an innovation which has just gone into market and we believe it is going to strongly help our B2C lighting business. So I think that is about all I can talk about it. I cannot obviously I am sorry but I cannot talk specific product ideas we are working on.

Siddhartha Bera: Will it be possible to share the market share in the mixer and geyser?

Mathew Job: Mixer grinder is still low single digit share, our estimate of our share in water heater is roughly 15%.

Moderator: Thank you very much. The next question is from the line of Praveen Sahay from Edelweiss Financial please go ahead.

Shantanu Khosla: Sorry Praveen you are not very clear. I cannot hear Praveen so maybe you can move to the next question if anyone has.

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

Achal Lohade: Thank you for the opportunity Sir. My question is in terms of the distribution with respect to go to market, so is it possible to get some sense in terms of the reach and what kind of reach are we looking at over the next 3 to 5 years in terms of the total universe and where are we in terms of fans, appliances, and the lighting business?

Mathew Job: I just shared some historical numbers. For example in fan five years ago our reach was 40% today it is 55% so we have roughly added half the number of it obviously in the last five years based on what we have as a base six years ago, similar in lighting we would reach from around 10% to roughly 35%, but 35% still means that two third of the market is still left to be covered and I am talking really urban. So it is going to take a time because this is not an overnight move but I have given the scale of the growth we have got, one more number I would like to say for example in 2015 we were the number three most distributor fan brand today we become the number one. In lighting we were number five or number six we have become number 3 in terms of distribution but that is an ongoing journey which will take time. In appliances we started first with water heaters, we had a low single digit reach today our reach is close to 25% and that also what helps to move our market position from number 6, number 7 to top 2, but the run rate is still ahead of us, but even now with only I would say roughly 25% reach we have already reached number two in water heaters, so we think that there is a significant opportunity we can get by covering rest of the counters over time.

Achal Lohade: Right but any numbers, anything we could look at in the next 3 to 5 years?

Mathew Job: For Example in fans like I mentioned we moved from 40 to 65 we would like to repeat the kind of expansion going forward. In many industries the market leaders have more than 80% numeric reach and 95% to 98% retail distribution there is no reason why we cannot be able to reach those levels in urban, but if I talk about rural it is a long way behind so it is going to take time to scale up with those numbers in rural and there is still a lot of place behind rural because below 20,000 you still have plenty of hundreds of thousands of villages, so that is another opportunity area. There is a whole lot of work to be done to reach all these areas but I think it is a logical progression that we are making.

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

Rakesh Roy: My first question regarding how much market share we have in fan?

Mathew Job: Roughly 27% as per market pulse which is a third party agency.

Rakesh Roy: In economy and for premium segment?

Mathew Job: Very difficult to break up as we get into these segments in fact I would say my share in premium is higher than overall, but that is because there are few players in premium because it does not really make sense to look into that way and also the data becomes less accurate as we start sub-segmenting into smaller and smaller levels, so it is very difficult to say those with any level of accuracy.

Rakesh Roy: My second question regarding Sir how much price hike we have taken in Q2 overall?

Mathew Job: It depends on product category to product category but I would say roughly 3 to 4%.

Moderator: Thank you very much. The next question is from the line of Ankit Babel for Subhkam Venture. Please go ahead.

Ankit Babel: One question was there any non-compete agreement with erstwhile CG Power for the switch gears product?

Mathew Job: Yes.

Ankit Babel: Is it still continuing or is ended?

Mathew Job: We have continued. With the Crompton brand we cannot enter switch gears.

Ankit Babel: So this is for eternity?

Mathew Job: Yes this is for eternity.

Ankit Babel: That is it Sir. Thank you.

Moderator: Thank you very much. The next question is from the line of Sonali Salgaonkar from Jeffries India. Please go ahead.

Sonali Salgaonkar: Sir if you could quantify the YTD price hikes and how many rounds of price hikes you have taken and also the second part of the question is what is the current demand scenario that you are witnessing especially in festive uptake and also the inventory situation? That is it Sir.

Shantanu Khosla: Let me answer the second and third part. In terms of the demand scenario like I said in our judgement the best way of looking at the underlying demand scenario is to look at what is the two year CAGR versus the pre-COVID period as opposed to just looking at quarter-on-quarter because different months and different quarters were impacted last year in various ways. This quarter we have had two-year CAGR of about 14%. The way we are seeing the demand scenario moving forward is unless something changes and of course there is uncertainty in the forecast is that level of demand, which is two year CAGR of 13, 14, 15% should be sustainable over the coming quarter. In our business we do not really have a huge festive spike because of the nature of our categories. There is small amount of impact on small appliances but otherwise we have summer seasonality but not a festive spike on pricing.

Mathew Job: On price hike we have taken roughly 6-7% price hike over the year so far in the 6 months from April onwards till now two rounds of price hike adding up to 6-7%.

Sonali Salgaonkar: That includes 3-4% in Q2.

Mathew Job: Yes.

Sonali Salgaonkar: Okay Sir. Thank you.

Moderator: Thank you very much. We will take next question from the line of Hitesh from ICICI Direct. Please go ahead.

Hitesh: Sir my first question from the pump segment the segment has grown on a very slower base I know that has grown but on a slower pace can you throw some light on the pump segment and from the lighting segment the B2G segment which we were expecting that would be largely driven by the street lighting segment from the government so just wanted to know your view on this thing? These two questions from my side.

Mathew Job: From the lighting the B2G I think we have traditionally been very strong in street lighting and as I mentioned the B2G segment especially EESL which used to do a lot of street lighting business has pretty much has come down to almost zero during the first six months, so of course there has been a slow down on the B2G in general. However, we have been very active especially in smart cities that are an area where we have invested in building capacities. In smart cities wherever the projects have come up we have a very good success rate, of course a lot of the execution of that will only happen in the future that is one. In terms of pumps Shantanu mentioned of course because of strong monsoon and lot of rains in certain parts of the country there has been an overall slowdown in the pumps business especially in the east where we are very strong I think we have been disproportionally impacted that is why pumps having a high single digit growth and I think this will be true for most of the interesting players because there has been a data saying that there has been 30-40% slow down in the manufacturing of pumps by many of the manufacturers, so let us wait and watch how the things plays out, but in terms of share I think in essential pump we have continued to grow our share over the last six months.

Moderator: Thank you very much Sir. That was the last question for today. I now hand the conference over to the management for closing comments. Over to you!

Shantanu Khosla: Thank you. Thank you all for your engagement. Thank you for your questions. As always our objective in this is to try and provide transparent information to help. Your needs if we have not been able to answer everything or if you have more questions please feel free to contact us no problem we are happy to answer them and as always finally please continue to take care, continue to get yourself vaccinated and stay safe. Thank you very much.

Moderator: Thank you very much. On behalf of Emkay Global Financial Services that concludes this conference call. Thank you for joining us and you may now disconnect your lines.

Contact Details:

Investor Relations:

crompton.investorrelations@crompton.co.in

Registered Address:

Tower 3, 1st Floor, East Wing,

Equinox Business Park,

LBS Marg, Kurla (West),

Mumbai, Maharashtra, 400070

Website: www.crompton.co.in

CIN: L31900MH2015PLC262254