Crompton

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Date: January 30, 2017

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: 103/2016-17	**Our Reference: 102/2016-17**

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 calls on the unaudited financial results for the quarter ended December 31, 2016, kindly find enclosed the transcript of the same, held on January 25, 2017.

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

Thanking you,
For Crompton Greaves Consumer Electricals Limited

CROMPTON GREAVES CONSUMER ELECTRICALS LIMITED

Pragya Sahal Kaul
Company Secretary and Compliance Officer

Enclosed: A/a

"Crompton Greaves Consumer Electricals Limited Q3 FY17 Earnings Conference Call"

January 25, 2017

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: Good morning ladies and gentlemen, welcome to the Crompton Greaves Consumer Electricals Limited Q3 FY17 Earnings Conference Call, hosted by Edelweiss Broking 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 the operator by pressing '*' then '0' on your touchtone phone. I would now like to hand the conference over to Mr. Praveen Sahay from Edelweiss Broking. Thank you and over to you Mr. Sahay.

Praveen Sahay: Thank you moderator. Good morning everyone and thank you for joining the call. On behalf of Edelweiss broking I would like to welcome management team of Crompton Greaves Consumer Electricals Limited to discuss the results and outlook post Q3 FY17 Earnings. We have with us Mr. Shantanu Khosla - Managing Director of the Company; Mr. Mathew Job - Chief Executive Officer; Mr. Sandeep Batra - Chief Financial Officer; Mr. Yeshwant Rege - Vice President-Strategy and Financial Planning. Welcome to you all. I would now request Mr. Khosla for his opening remarks post which we can open the floor for Q&A. Over to you Sir!

Shantanu Khosla: Thank you Praveen. Good morning everyone and let me wish you all a wonderful Happy New Year, since this is the first time we are talking in 2017. I am Shantanu here in office in Bombay. With me there is Mathew, Sandeep, Yeshwant and his team. I will just kick off with some opening comments so that we can try and keep as much time as we can for questions.

I guess most of you would have seen our basic numbers but just to be quickly capitulate, the total income for the quarter at 889 Crores was a growth of almost 10% Y-o-Y. EBIT for the quarter grew at 21.1%. Since we have talked this in the last call I just want to reiterate that we have from this quarter started charging a noncash charge for the ESOP plan we had approved and the EBIT numbers and the profit numbers all include that noncash ESOP charge. Our PAT also grew at a healthy 39%. This is also now the first quarter where we have comparable base. So in the past we have been talking about operating profit, pre-corporate etc., to try and give you some flavor. Now we are talking the straight numbers as per P&L since we have absolutely comparable numbers. Both our categories grew, electric consumer durables grew at 12.3% with an EBIT margin slightly above 16%. Our lighting business also grew close to 5% with an EBIT margin of a little ahead of 11%. On lighting, I just want to give a little more clarification. Like we have talked in the past, our business comprises of really two channels B2B and B2C. Our B2B business continues to grow, however, our B2C business is also growing. In fact based on the numbers as we have them and we look at them, we were one of the very few companies, which have actually grown B2C lighting business over the past quarter. As has been happening in the previous quarters it is really our focus categories, which have driven the growth.

Premium fans volume growth was close to 40%. Salience of premium fans has now grown to 15% of our business. If you recall when we started this journey premium fans was about 10% of our fan business. The LED business, which is our focus area, also continues to really grow and that grew by 83% and now it comprises of more than 55% of total lighting revenue. Importantly over this quarter, we have also made value interventions in LED panels with battens as we have

talked about in our last call and now our LED battens and panels business is also growing in excess of 80%, pretty much in line with what the LED bulb business has been growing.

The one core segment growth segment which we have called out which did not grow much, was essentially flat, was agricultural pump which really grew 0.4% and we believe part of the reason for the slowdown in agricultural pumps was linked to demonetization, because clearly we see that the entire demonetization in our rural business was significantly higher. In appliances, water heaters also showed a good growth of about 28% given that this is the key seasonal quarter for water heaters.

Moving on, we believe that our strategies and our focus choices continue to work. In fact we believe that some of the choices which we have been executing on now for the last one year have actually been what has helped us continue to deliver good results in spite of the challenges of demonetization. We have obviously continued to invest and drive deeper distribution and broadening our retail base of coverage through our distributors that has helped during this period. We have also launched some critical new initiatives and invested in advertising behind them. For example, our new fans, the anti-dust fans, which have got strong, initial response from the market place, our value correction supported by cost reduction. So it is not margin dilutive on LED bulbs. Our strong trade relationships and our strong linkages with our customers, which have enabled us to truly understand where we could help them in a very focused and targeted manner through the demonetization challenges they had. These fundamental approaches are actually not just in our opinion the right things to do in good times, but in bad times they are exactly the same things, which help us.

On demonetization specifically, there has we believe been an impact on consumption. Our latest consumption data is only available till the month of November. We are yet to receive December consumption data, but November data indicates that there has been a decline in consumption. We do believe that this is gradually picking up and like most people we are not really sure of what is going to be the extent or the duration of the future impact, but we do believe that the impact is definitely not behind us and will continue looking forward.

Looking forward, we also see a headwind in terms of commodity cost. Over the last 12 months we have had a very benign commodity environment. Commodity costs are starting to increase and we do see this having a headwind as we move forward. Obviously, we have plans to address these challenges as we have addressed in this quarter. For example, we are currently in the process of executing a price increase on fans in the market place to cover for part of the commodity cost increase that we are seeing.

One more area which I did want to talk about since we have received a reasonable number of comments and questions on this is how we think about our adjacencies and expansion into our adjacencies. I would like to first remind you all that when we shared our basic strategy, expanding and succeeding, by success we meant becoming at least a number two player into adjacencies, are the strategic choices we made. It is something we are working on and it is something that we plan to do. However, we want to make sure that we do it in a manner that we

create something, which is truly meaningful and distinctive to the consumer while also being a commercial success. We do not want to just launch and leave it. In fact, our assessment of the industry indicates that the success rate of new entrants or new entries into different categories and subcategories is actually quite low and our aspiration is to succeed with our entry and make sure that we get on the path to becoming at least the number two in that segment. So we are working actively on it. We are evaluating a number of options and we definitely plan to take them to market as part of our strategic plan. However, we will not do something in a hurry and we will not do something just to put it out into the market place. We will do our homework and our diligence before we launch it.

The last bit I would like to comment on is our margin improvement. We have been working and again this is something, which we have talked before, but we have a very active program of cost reduction across all our categories. In fact that is what has enabled us to continue to improve lighting margins while significantly reducing price, but these programs are a very, very high priority for us as a company and we will continue to drive these programs not just in the past but we will continue to drive them for the foreseeable future to ensure that we become far more effective and we generate the capability financially to invest in our business in growth, that has always been our game plan and we continue to deliver against it. Apart from this very aggressive cost reduction program, obviously our strategic choices of driving premium and improving mix are also contributing to our margin improvements, which really if you look at our numbers we have been delivering consistently over the last few quarters.

In summary, it has been an extremely challenging quarter; however, we believe that our results are good we also believe based on our data that in our four categories we are continuing to grow share. As we look into the future, we believe that the future will also continue to be challenging, especially the near term; however, we think the organization and the business is equipped and we will continue to work those challenges. With that, I am happy to take any questions.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. Anyone wishing to ask a question may please "*" and "1" on your touchtone telephone. If you remove yourself from the question queue, you may press "*" and "2". Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. We will take the first question from the line of Venu Gopal Garre from Bernstein. Please go ahead.

Venu Gopal Garre: Thanks for the opportunity. Sir firstly on the margin expansion front, especially in a quarter where we saw most of your competitors actually losing or seeing a decline in margins I wanted to understand the source of the margin increase given that you have mentioned a lot of things about the sourcing-related benefits as well as product mix, but would you attribute any specific factor as the major driver for margin expansion and more so the sustainability of that?

Shantanu Khosla: The key elements of margin driving were number one our cost reduction program which really covers all categories and all elements of cost in the company. It is something, which is important enough that Mathew, myself, and Sandeep review that and our progress on that on a bi-weekly

basis. It is not one item, it is a list of probably 100 projects that we track and work. We continue to work a program like this for the future period also. The second area which has helped us and has actually been helping improve some amount of margins throughout all of the last 12 months is commodity prices, where given our scale, given our relationships with our vendors, we have continued to ensure that savings passed on to us. That being said, commodity price trends have as you are probably aware turned around. So looking forward and in fact partly this quarter itself the commodity pricing is clearly beginning to move upwards. The third area is our strategic choices on mix and segments. Now apart from the commodity which is really something outside our control, though we will always look at actions to help cover, the other two elements are ongoing ways we will work. That being said, they may not necessarily flow directly into margin because though the investment choices that we will make, just like in the past period we made the investment choice of taking part of our margin growth and cost savings and investing them in advertising to strengthen the brand and the business.

Venu Gopal Garre: Sir secondly, I wanted to understand a bit more on the channel initiatives that you have taken.

Shantanu Khosla: Venu, I am sorry to interrupt. I am happy to answer the question, but based on the past calls I just think it is better so we can just spread the questions and I am sure your channel question will come up with someone and we would like to keep at one question a person. Sorry for that.

Venu Gopal Garre: No problem Sir. Thanks a lot.

Moderator: Thank you. The next question is from the line of Aditya Bhartia from Investec. Please go ahead.

Aditya Bhartia: I just wanted to understand what do you think would have been the growth of overall electrical markets in Q3 and whether our market share gains have come mainly from unorganized players or from some organized players as well?

Shantanu Khosla: Like I said we do not really have data for complete Q3 on consumption, but looking at the data we have I would definitely say that the market is not growing the way it was growing in Q2. I would stay away from quoting a number because there are too many numbers floating around on this, but definitely not growing the way it was. Based on the numbers as we see them we are growing market share. I think to be honest it is a combination of organized and unorganized, and to some extent this picture can vary by region also because in some regions where unorganized is much bigger than others, so at this state it is sort of a fair share gain almost.

Aditya Bhartia: Understood Sir, thanks a lot.

Moderator: Thank you. The next question is from the line of Chirag Shah from CLSA. Please go ahead.

Chirag Shah: Thank you for taking my question and congratulations on a very good set of numbers. Very quickly can you just give us a sense on the working capital movement during the quarter? Has there been a sharp increase in debtor or inventory days and the level of acceptances now?

Shantanu Khosla: I will ask Sandeep to just take that. He will give you the details.

Sandeep Batra: If you look at our working capital the main increase has happened in the area of inventories. A part of that increase is planned, so we bought some raw materials in December ahead of our normal cycle to avoid the disruption because of the Chinese New Year that was part of the reason and anticipating the increase in raw material rates that has been hardening over the last couple of months we did some advance purchases in December. So our total inventory went up by about 40 Crores and 60% of that increase was planned for the two reasons that I articulated. There has been no major change in terms of the composition of our receivables. The number of days remains the same. As far as the creditors are concerned, they are in normal level, nothing exceptional in the area of creditors.

Chirag Shah: Sure, so there is no demonetization-related impact on the debtor days.

Shantanu Khosla: Like Sandeep said, the change is really in inventory only. 60% of the inventory was planned for business reasons what we needed it. The balance 40% of inventory is inventory buildup which I think we can attribute to demonetization because obviously while we are happy with our top-line in retrospect, going into the quarter our goals would have been to grow slightly higher and while we made adjustments some of our items have long lead time so the balance 40% I guess in a sense you can attribute to demonetization. As Sandeep said, to reinforce, there was no significant change in debtors.

Chirag Shah: Understand and about acceptances, if I may ask that?

Sandeep Batra: So there would be a normal level around 200 Crores to 220 Crores, it would be the level of acceptances.

Chirag Shah: Thank you. I will join the queue for more questions.

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

Prashant Kuti: Thank you for the opportunity Sir. I just wanted to understand over here in terms of the fans business. Was there a case that we would have seen a too much of preponement in terms of demand and may be the effect of that might be more visible in the coming quarter? Was there any such kind of a variation?

Shantanu Khosla: Possibly smallish amount, not huge, but possibly there was some preponement of fans primarily linked to the fact that we are taking a price increase in the month of January which we are executing now. It is difficult to quantify exactly how much because in these cases it is not easy to get a hard number, but possibly a little bit towards the end of the quarter.

Prashant Kutty: Typically if I look at it, how were the inventories levels are at the dealer levels? I just wanted to understand how the primary and the secondary sales that have really panned out over here and how is that expected to be like?

Shantanu Khosla: At the primary dealer levels, which are the people we directly supply to, and bill, we do not really see a significant buildup of inventory. That being said, obviously like you are probably aware India is very much a multilevel distribution channel, so it is very difficult to get hard data on what happens at the wholesale and then the wholesale customers, etc. I think that is uncertainty, which is part of the future uncertainty, which we have to just see and closely watch.

Prashant Kuti: Is it fair to say that maybe the trends in December would have continued in January as well in terms of demand?

Shantanu Khosla: I cannot really comment on trends in January.

Prashant Kutty: Sure, thank you very much and all the very best.

Moderator: Thank you. The next question is from the line of Arnab Mitra from Credit Suisse. Please go ahead.

Arnab Mitra: On the margin front I just wanted to understand was there some additional cost related to trade schemes because of demonetization which you had to incur during this period and going ahead this service agreement with CG I think which is supposed to end in January or March I am not sure what the time is do you anticipate cost savings from that to flow into FY18 and what kind of savings could be there from then?

Shantanu Khosla: On the first comment, which is, did we have additional trade scheme, like I said we approach these additional supports on a much targeted basis. So yes, there was some but not a very large number. If I was to estimate and I guess later after the call if you want harder numbers, something less than 0.5% is what I would kind of setting estimate and what we would spend on a target basis. On the second question, which is the CG agreement, there are different phases and times at which different parts of the agreement end. For example, there is an IT part, which has got a certain dates; there is finance and the HR part, which have got different, dates. We do expect over the coming quarters that all those parts will end. The big change is that we are now very close to implementing our own ERP system, which we have mentioned in the past. Our cutover actually to the new ERP system is currently planned to happen in the beginning of February, so that will be the key milestone if you will in terms of finely transitioning out of the CG system. I will hand it over to Sandeep to just give you an estimate of what happens on cost pre and post because I think we have talked that before, but he could just mention it again.

Sandeep Batra: Part of the TSA, the transitional service arrangement, that we had ended on 31st December that would be worth about 8 Crores a year and then we have another leg which ends on 30th of June that is about 8 Crores a year.

Arnab Mitra: Equivalent cost that are required to do these services on your own has it already started reflecting in your cost base or those will also come over the next few months?

Sandeep Batra: No. I think all the cost that we need to be self-sustaining has already got inbuilt into the third quarter numbers.

Arnab Mitra: Sure, thanks that is it from my side and all the best.

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

Renu Baid: Good morning Sir. Two things from my end. (a) I wanted to understand that given Crompton has as reasonably large institutional sales channel. How was that sales channel across categories? Did it see any material impact versus the trade in third quarter? On the EESL side what is the proportion of sales YTD from EESL and the rest of orders in hand?

Mathew Job: This is Mathew. If I look at the B2B part I think as Shantanu mentioned earlier, the B2B part continues to grow and we have not seen any significant impact in the last couple of the months. I think in the B2B, both the pipeline and the order execution are happening at the pace similar to what we had in Q1 and Q2. Your second question on EESL is of course in Q3 compared to the same period last year, the EESL sales is much lower. Last year was almost 19 Crores in this quarter and this year we only did 7.5 Crores. So if you take out that actually lighting grew close to 10%. EESL order book as we mentioned is there are some EESL tenders which are still to be decided in the next few weeks, so that will exactly tell us what the order book is going to be for the next three months. I would say the current total order book of EESL with us is about 16 Crores to 17 Crores in lighting and also about 10 Crores in fans, but there has been for example some delay from EESL side in terms of executing some of these orders, so exactly how much is going to happen in the quarter is difficult to say at this moment.

Renu Baid: Overall what is the share of B2B business in our mix for the quarter and for the nine-month period overall?

Mathew Job: We will have to check on this. In lighting, the B2B business is roughly about 50%.

Renu Baid: And overall as a portfolio?

Mathew Job: It is primarily only in lighting. It wills forms a significant chunk only in lighting where it is roughly 50%. The others are in low single digits.

Renu Baid: Right. So clearly no impact because of demonetization and those aspects and at least even the outlook looks decent.

Mathew Job: There is nothing significant seen in the last quarter; however, going forward we will not know.

Renu Baid: And Sir if I can ask what was the ad spend that we had incurred in the current quarter because we were earlier supposed to scale up ahead of the fans launch, so what is the overall outlook for ad spends for the current year and for the quarter?

Shantanu Khosla: For the quarter we spent a little lower 9 Crores given the initial demonetization impact in the month of November; we probably scaled back in November about 20% of our plan which we will reinvest in the back end of the year.

Renu Baid: Thank you so much Sir.

Moderator: Thank you. The next question is from the line of Laxmi Narayan from Catamaran. Please go ahead.

Laxmi Narayan: I just want to understand one aspect regarding your B2C business. Are you seeing any changes to the way in which the distribution is conducted, because of whatever happened any dislocation that is taking place in the overall distributing system and how are we thinking about it and till what level of visibility we have on the distribution from our primary sales and your new ERP systems would it address some part of it?

Shantanu Khosla: First on the lighting business, distributing and driving, retail distribution is a key focus area and we have been doing that now first in South India for about the last nine months. Over this quarter we expanded that program all India. It has, in our belief and based on the data we have, been one of the key drivers of LED growth. It is a combination to be clear not just of driving availability in retail stores but also making sure that the quality of availability is at a high standard, i.e., displays, visibility of the brand in store, etc. That being said there is still significant runway to keep driving that in a market like India this takes time to keep building, so we still see an opportunity moving forward and it will be our continued focus area. Building our own sales forces capability and distributor capability to deliver against these kind of norms have also been a key focus, so we have strengthened our training programs, we strengthened the number of people going out and calling on stores in the market and we have strengthened our process. Our data collection will continue to improve from the secondary channels, i.e., from the retail stores as we continue to implement and build on our ERP system. It would not happen automatically as part of the Feb 1 cutover, but the Feb 1 cutover effects the base technology capability for us to be able to then build on top of that, so we are getting more quality data and importantly more realtime data on our return on investment on the distribution programs.

Moderator: Thank you. We will take the next question from the line of Kashyap Pujara from Axis Capital. Please go ahead.

Kashyap Pujara: Thanks for taking my question and congrats for an incredible set of numbers. I just have one question and that is pertaining to the capital employed just to extend the previous question, which was asked by someone else. If I look at it on a Q-o-Q basis the capital employed has gone up by 60 Crores, which is the top line which has been relatively flat and on a Y-o-Y basis the capital employed has gone up by 270 odd Crores versus the top line which has gone up by may be 70

Crores or so, so could you explain because I did not get the answer, so could you just explain what is the reason for this and do you expect this to remain at these levels or do you expect this to basically normalize at a lower point maybe one or two quarters down the line?

Sandeep Batra: If you look at the capital employed in the two operating segments, which is the consumer durables and the lighting, there the increase is largely for the reasons that I explained earlier that our inventory has gone up by around 40 Crores. About 25 Crores of that increase was planned and the remaining could be because of the disruption due to demonetization. The other reason for the increase, which is largely reflected in the unallocable capital employed, is the surplus cash that we have on the balance sheet. That is in our case invested in bank deposits and mutual funds and that shows up as an increase in unallocable capital employed.

Snigdha Sharma: Snigdha here. One quick question from my side from the lighting business/the LED business how much of it would have come from EESL this quarter?

Sandeep Batra: EESL in the current quarter has been about 7 Crores and this is a very low number, it is about 60% lower than last year.

Snigdha Sharma: Okay, great. That is it from our side.

Moderator: Thank you. The next question is from the line of Inderjeet Singh from Macquarie Securities. Please go ahead.

Inderjeet Singh: Thanks for the opportunity gentlemen. My question is related to the corporate charges and now we have a base quarter so we are not talking about it, but still given it was a substantial cost item if you could just give us some colour on those corporate charges at this point of time and how they are likely to trend over the next few quarters because if I remember rightly they are expected to go down to pretty much negligible levels over the next year or so?

Sandeep Batra: Our base corporate charge if you look at what the corporate cost level was same quarter last year it was about 19 Crores. This year the number has come at about 33 Crores, which include the noncash ESOP charge of 8.5 Crores and we have some amount of one of consultancy fees of about 4 Crores and the cost that we are incurring for the SAP project implementation, which is another 3 to 4 Crores in the quarter, so the base number is around 18 to 19 Crores a quarter.

Inderjeet Singh: So 33 Crores number that you mentioned is for the nine months?

Shantanu Khosla: Three months for this quarter.

Inderjeet Singh: How this likely to trend over the next few quarters?

Shantanu Khosla: Obviously the ESOP charge will play out for the duration of this scheme, which is again noncash cost just to reiterate. These one-off costs that I mentioned of about 7 to 8 Crores obviously some

of the one-off costs will go away. If you look at excluding the ESOP charge they will be in the range of 18-20 Crores a quarter.

Inderjeet Singh: Okay, thank you.

Moderator: Thank you. The next question is from the line of Sangeet Purshotam from Cogito Advisors. Please go ahead.

Andre Purshotam: Congratulations for the great set of numbers. This is a followup on the margin question that was asked earlier, if you look at a 12-month horizon let us say starting from now given the fact that you have some commodity price headwind and the need to invest in advertisement growth on the one hand and your cost reduction programs and segment improvements on the other hand, what you think would be your strategic intent as far as margins are concerned in this 12-month period? Do you think that will improve or they will remain fairly stable or could they decline?

Shantanu Khosla: Strategic intent is actually quite straightforward. We do see ourselves working to have a slight improvement in bottom line, not gross margins, but bottom line margins and that links to what we have already stated in our objective in our strategic plan, which is to grow top line faster than the market and to grow bottom line at least equal if not faster than top line. So it is the assumption that on a sustained basis we should slightly keep increasing bottom line margins.

Andre Purshotam: Which means that when you have to take appropriate price increases you will do so?

Shantanu Khosla: Our game plan on commodity cost is again simple. We want to make sure that we cover the impacts of commodities at least on a going basis. You may not be able to cover it every quarter to quarter. The way we planned to cover it on a going basis is first by continuing to excessively work cost reduction programs. Second is continuing to improve our mix and the third element will be pricing where it is sensible to take and where we believe our proposition will give value to the consumer. So with these three elements, we hope on a going basis to cover commodity cost increases.

Moderator: Thank you. The next question is from the line of Laxmi Narayan from Catamaran. Please go ahead.

Laxmi Narayan: Thanks again. This is pertaining to the earlier question. In terms of your distribution setup you actually give it to the distributors and from there it goes to the retailer or do you have distributors from other chain like a wholesaler panel on the B2B and if so what is the mix and how things are changing post November 9th?

Shantanu Khosla: We supply to three types of primary customers and we do believe that all three types are strategic. They are large retailers both modern and traditional, but primarily retailers. For example, Ratna Fan House in Chennai who we supply and who retails to the consumer. The second channel we supply to our distributors. Here, their role is working closely with us to redistribute and make available with certain visibility norms our products in retailers who are

smaller and therefore we cannot directly supply. Here the job which we do in partnership with the distributors is redistribution, so there is a sales force, there is a program, there is everything, but it is managed by the distributor. The third channel we supply and this is also an important strategic channel is the wholesaler. The wholesaler like you are probably aware in India typically is cash and carry, he does not redistribute. Retailers come to him to buy. This channel helps ensure availability in retail stores, which are even deeper and smaller where it is not commercially viable for either the distributor to cover or for us to directly cover. So all three of these channels are important and we are looking to grow our business in all three of these channels. Obviously the programs and even sometimes the basket of SKU, which each channel takes is different.

Laxmi Narayan: In the last channel of wholesalers have you seen some change the way in which they procedure, because I see that in the FMCG category there has been some kind of dislocation in the wholesaler channel. How does it affect you?

Shantanu Khosla: Demonetization?

Laxmi Narayan: On the wholesaler channel.

Shantanu Khosla: Again, I would paraphrase it by saying this is anecdotal rather than hard data. In the initial period of demonetization the biggest disturbance, if you will, was in this channel out of the three.

Laxmi Narayan: For us in particular?

Shantanu Khosla: Yes, for us in particular the biggest impact would have been in the wholesale channel.

Laxmi Narayan: What percentage if you can quantify in terms of the overall?

Shantanu Khosla: I would hesitate to give a number because the robustness and accuracy of these numbers are I do not think good enough to quote. We are very much available post the call, so if you have further questions, just call Yeshwant or someone after the call and we will take any more questions if you have them.

Moderator: Thank you. The next question is from the line of Chanchal Khandelwal from Birla Mutual Fund. Please go ahead.

Chanchal Khandelwal: Team congrats on the good set of numbers. Just a few things on the consumer durable business. Now premium fan is 15% of the sales now, how much can this become in two, three years what is your target there? Secondly you said that in the pumps the growth was low, what are the things that we are doing to get the growth back and did EESL also was one of the reasons for slow growth? Thirdly the last thing here is what the other new categories are we are looking in this space to drive the growth in consumer durables?

Shantanu Khosla: Let me start with the second one just to clarify, in my opening comment I indicated that agricultural pumps was relatively slow this quarter, not total pumps, and that was we believe because of the impact of demonetization which was more severe in rural areas. It definitely was not linked to EESL because the EESL program on pumps is very small and has just started. The third part of your question, which was on new categories, I obviously cannot mention which new segments we are looking at. In my opening comments I did mention that it is a strategic choice, we are working on it, it is an important priority and we will enter in due course, but we want to make sure that we have a strong robust proposition first to ensure that when we do launch we have got a good chance of at least becoming number two in the market place given that this industry has a very low success rate of new items.

Chanchal Khandelwal: Any key matrix you look at gross profit margin or what will drive you the right to win here? Will it be more related to engineering space because Crompton is more known as a brand, which is associated with engineering? What is the matrix you will use to choose the new category?

Shantanu Khosla: I will first and foremost only work on and use one, which the consumer loves it. Everything else comes after that. Of course it has to be a commercial success, of course it has to have the right margin, but it has to start with the consumer loving it. If you do not sell much whatever your margins are you do not make much money.

Chanchal Khandelwal: The reason I am asking is that some category consumer will love it, but you per se may not make a good gross profit margin.

Shantanu Khosla: It has to do both, obviously it has to be commercially viable, it has to make sense of the business to our stakeholders, it has to give returns to our shareholders, but it starts with we believe winning proposition with the consumer and that is where our work is focused on right now.

Chanchal Khandelwal: It will be launched this year itself?

Shantanu Khosla: No comments.

Chanchal Khandelwal: On the fan space?

Mathew Job: When we started a year-and-a-half back, premium fans were at less than 10% of the total fans, now we have doubled that to 15% and the drive towards premiumization is going to continue in the next few years. We do not want to quote a specific number as a target because 15% is what we said we will achieve in the next 18 months, which is something that we have already delivered as of now. So we will evaluate as we go forward what would be a fair target, but the drive will continue as we go along.

Chanchal Khandelwal: How big are premium fans in the total market today?

Mathew Job: Our estimation is about 10%-15%.

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

Achal Lohade: Thank you for the opportunity Sir. I just wanted to check about this ESOP charge 8.5 Crores. If you could clarify in terms of the segmental margins is there any impact on that or it is entirely unallocable?

Sandeep Batra: This is entirely unallocable, part of the unallocable cost.

Achal Lohade: As you guided it will be roughly about between 36 and 40 Crores for FY18 and 19 is that assumption still valid?

Sandeep Batra: The cost for FY17-18 using intrinsic value will be about 37 to 38 Crores. We migrate to IndAS from April 1, 2017 wherein this cost will need to be recomputed using the fair value method. That computation is still not final, so that charge for next year will change under IndAS.

Moderator: Thank you. The next question is from the line of Purva Venkatesan from Jefferies. Please go ahead.

Purva Venkatesan: Good morning. I have a question around your domestic value and volume growth; will it be possible to share some for a trend and what it was this quarter?

Shantanu Khosla: Yes, we can, no problem, but the specific details Yeshwant will give you after the call, but by and large the value growth was driven by volume growth.

Purva Venkatesan: You mean this quarter?

Shantanu Khosla: Yes.

Purva Venkatesan: If you could speak about what it was from April to October versus November and December?

Shantanu Khosla: Also by and large the same, right. It is we are getting value and volume growth. It is not that is all driven by pricing because for example we have got huge growth on LED bulbs where the price has come down significantly but the volume has gone up much, much more in terms of number of bulbs obviously. While on fans of course we are getting disproportionate growth on premium, but on the other hand the eco and sub-eco is also growing not as fast as premium, but it is also growing, so when you net it all out it is almost the same rates of growth on volume or value. If you speak to Yeshwant he can give you the odd numbers after the call.

Purva Venkatesan: Secondly on GST Sir, are you anticipating any sort of disruption and if so what kind?

Shantanu Khosla: GST on a going basis is, we believe, wonderful for the industry and wonderful for the consumer. It is going to help remove inefficiencies, reduce cost, etc., etc. We are all still waiting for the

details so the exact numbers in operations can be finalized, which I guess the government will issue in due course.

Purva Venkatesan: The unorganized space in your industry would be?

Shantanu Khosla: Varies from category to category. For example in LED lighting it is significant because there are a lot of local Chinese importers kind of brands there. In pumps we believe it is also a significant because again there are a lot of people who locally make pumps. If I think about coolers, it is large because of desert coolers and coolers made of kits as opposed to fabricated coolers. In fans, it is probably less than all of these.

Moderator: Thank you. We will take the next question from the line of Alok Dalal from 130 Capital. Please go ahead.

Alok Dalal: In terms of your ceiling fans what is your view on EESL and their continued expansion and how do you see that impacting pricing and margins for you going forward?

Shantanu Khosla: Let me try and encapsulate this because I think I have talked this for a couple of people before. I think EESL is actually a wonderful thing. I think in the long term EESL will help stimulate the industry. I think the proof of this is what has happened in LED bulbs. They have seeded the consumer, has changed the habit which otherwise is difficult to do and that is good for the industry. They have made us work harder on reducing our costs and that is all good for the industry and consumer. The net result of the EESL program on bulbs is that our consumer business is growing with better margin tha-nt it was having before EESL. I believe a similar thing can happen in fans; however, the scale of the disruption in fans will be much, much less than in lightings for two reasons. One is in LED lighting there was very low scale and therefore there was an opportunity to significantly reduce cost with scale. In the case of fans, there is already scale therefore the opportunity to actually reduce cost is much, much more limited. In the case of LED bulbs consumer price has come down from Rs.400 to Rs.100. Economy fans we sell for about Rs.1200 or Rs.1300 cannot become Rs.200. It may become a little cheaper, but not significantly. So that is one reason why the disruption will be much, much less. The second reason why the disruption will be much, much less is when you buy a bulb you do not need an installation, you screw it in yourself. When you buy a fan you need a third party, typically a qualified electrician to come and install it for you? This additional step I believe will reduce the extent of disruption. To some extent, we are seeing this happened in the market place today. LED bulb was huge disruption and now EESL has begun to initially order LED battens and panels. The size of the orders and growth of the orders on the battens and panels is much, much smaller than bulbs and that is because point number two, which is the bulb you just screw in, but in LED batten or in LED panel it requires an installation.

Alok Dalal: But just in terms of the procurement even if let us say the comparable pricing is say Rs.1200 to Rs.1300 for a fan that you are currently selling versus what EESL is procuring and we have heard numbers of 900, 800, 700, how does that share with your normal consumer program?

Shantanu Khosla: Just two things to you realize about EESL, one is EESL feeds and then gets out of the market, it does not run a going business. It enters the market, it puts it in and gets out, it is not permanent and that is what they have done on lighting. The second is like we have always said we will only sell products, which make financial sense for us, right? It is again like what we are seeing on lighting. Costs have reduced so to that extent people have been tendering for EESL bulbs, but you are seeing stabilization in prices of that because the prices have come down. This is obviously debatable and we have to see what happens in future, but next (a) I think it is good for our business, I think if anything can help our business. On fans I do not think the program will be anywhere near as significant as what it is on lighting.

Moderator: Thank you. The next question is from the line of Yash Tiwari from Alder Capital. Please go ahead.

Yash Tiwari: I just wanted your comments on the growth outlook for this calendar year because you have demonetization which is still paying out on a possible disruption because of GST, so do you think this calendar year would be worse off than the previous one?

Shantanu Khosla: I hesitate to make a forward-looking number comment. We do see ourselves sticking to what we have committed which is we want to grow our top line faster than the market and we want to make sure that we can grow our bottom line at least as fast as our top line.

Moderator: Thank you. Ladies and gentlemen that is the last question. I now hand the conference over to Mr. Khosla for his closing comments.

Shantanu Khosla: Thank you so much. I would just like to reiterate what I said in the beginning which is we still see certain uncertainties in the future and we have to see how they actually play out in the market place. We will obviously continue to adjust our plans as needed, but we are still committed to delivering our-long term goals and do believe that we are setting ourselves up for confidence that our strategic choices are the right ones and we stick with that. Thank you all and if you have any further questions just connect with Yeshwant and happy to take that.

Moderator: Thank you. Ladies and gentlemen, with that we conclude today's conference. Thank you for joining us and you may now disconnect your lines.