Crompton

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Date: June 9, 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: 12/2017-18	**Our Reference: 11/2017-18**

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 audited financial results for the quarter and year ended March 31, 2017, kindly find enclosed the transcript of the same, held on May 29, 2017.

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

Thanking you,
For Crompton Greaves Consumer Electricals Limited

Pragya Kaul
Company Secretary and Compliance Officer
Enclosed: A/a

Company: **Crompton Greaves Consumer Electricals Ltd**

Conference Title: **4QFY17 Earnings Conference Call**

Date: **29th May 2017**

Operator: Ladies and gentlemen, good morning and welcome to the fourth quarter FY17 and FY17 results conference call of Crompton Greaves Consumer Electricals Limited hosted by Citigroup Global Markets. 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 initial briefing concludes. Should you need assistance during the conference call please signal for an operator by pressing star zero. Now I will hand over the floor to Mr. Venkatesh from Citigroup. Thank you. I'll hand over to you sir.

Venkatesh: Yeah, thanks. Good morning, everyone. On behalf of Citigroup Global Markets, I would like to welcome you to the fourth quarter FY17 earnings call of Crompton Greaves Consumer Electricals Limited. We have with us today the Company's top management team represented by Mr. Shantanu Khosla, the Managing Director; Mr. Mathew Job, the CEO; Mr. Sandeep Batra, the CFO and Mr. Yeshwant Rege, Vice President, Strategy and Financial Planning. 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. Good morning, this is Shantanu here and as usual I am joined by Mathew, Sandeep and Yeshwant. As we've done in the past I will give a brief overview of our take on the quarterly business and then we'll try and keep as much time as possible for questions.

Total income for the quarter was INR1,076 crores, a growth of 7.4% year on year.

PAT for the quarter, after considering the non-cash ESOP charge of INR11.3 crores, grew 29.8% to INR86.5 crores.

Reported PAT margins improved from 6.6% to 8%.

Our retail audit share data which we have up till March indicates that our consumption market share is up on both fans and LED lights.

Additionally, the Board of Directors which met on Friday recommended a dividend of INR1.50 per share, which represents a payout of 39%. This obviously as you are aware is our maiden dividend since really we're a company which has only been officially in existence for 18 months.

The electrical consumer durable business reported the sales of INR769 crores with a growth of 8.3% and an EBIT margin of 19.4%.

The lighting business reported the sales of INR307 crores with a growth of 5.4% and an EBIT margin of 7.4%. Net of the EESL business, the growth was 14.6%.

Additionally, in this quarter we made a provision for old inventory on lighting which reduced the margin by about 2 percentage points.

We have talked before of our core strategy and we continue to drive those five strategic focus areas and we believe that primarily they are the factors driving our business. Our focus categories continued to deliver faster growth in the quarter with the exception of agricultural pumps where we continue to face a relatively slow market in the agricultural rural sector post de-monetisation.

Our volume growth on premium fans was strong at 23% and salience of premium fans, which we began to drive 12 to 18 months ago has now reached 16% of our total fans business.

Our second core area, the LED business grew by 54% and is now 64% of our total lighting revenue. Lighting bulbs continue to grow by more than 41% and importantly, our LED fixtures in which we began to make cost and price corrections a couple of quarters ago is responding well and grew by 59%.

Our focus in this quarter really has ï in addition to continuing to drive our top line strategies is really to strike the right balance between top line, growth and profitability as we began to unwind the additional programs we had implemented in the channel during the previous quarter to help ease the impact of de-monetisation.

This quarter also saw a continued increase in headwinds in commodity price. Our programs of pricing premiumization and also importantly, focused cost reduction programs have continued to help us to mitigate the impact of the commodity price increases and minimise the impact on the consumer while continuing to enable us to grow margins.

As we mentioned on the last call we did see some stock correction in the channel, post the first quarter de-monetisation and through the quarter this impact has begun to fade away.

Additionally, in the month of February we have completed a switch to our own ERP system which went completely as per plan, but included a planned shutdown of five days during the month of February. Activity came back completely to normal by.

Finally, I would just like to mention a bit about GST and how we're seeing it. The last half of the year and frankly, the quarter to come has been extremely volatile and challenging not just for our industry or our business but industry as a whole. First we had de-monetisation and as the impacts of de-monetisation are really just winding down, we obviously now have in front of us the challenges of the transition of GST.

While GST, we continue to believe is an extremely positive step taken by the government for our markets and our Company in the medium to long term, definitely this will bring some challenges in the near term as we transition.

First, we now obviously have complete clarity on our GST rates and the rates which are applicable to our businesses. The current impact as we see it of the new rates are largely neutral versus the past, which is in a sense what the government had always stated its intention.

The challenge which we see over the next couple of months on GST is really in terms of what the final plans on covering on-the-ground inventory will be especially from our channel and trade partners. We are working this very closely with our channel partners. We have for example already committed to our channel partners to convert the excise component on our invoicing to the month of June, to call it out separately and we have got or are getting appropriate excise registrations for this.

We also have communicated and are in touch with partners that given the excise rate we will not be taking any price reductions through the transition. And finally, we will work closely with them to make sure that they do not get unnecessarily or unfairly hurt in the transition on ground stock. That being said we will need to be adaptive, close to the market and continue to work through this period over the June/July months.

Net, we feel quite good about our business. We feel that our business is performing well. We believe we are continuing to gain share. Importantly, in spite of all the external challenges, we have got a robust program, both strategically and in terms of operational cost reduction, which is enabling us to continue to drive our margins in spite of the headwinds we are facing.

The next few months will be a bit volatile and we will continue to stay transparent with everyone and our channel partners as we work through the transition of GST.

With that, I'd just like to stop and we're happy to take any questions.

Operator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. As a reminder if you have a question please press the star followed by the one on your touch tone phone. If you'd like to withdraw your questions, press the star followed by the two. We will be limiting to two questions at one time. If you have more questions please re-queue by pressing star one. We will pause for just a moment to allow everyone an opportunity to signal for questions.

We will move to our first questions from Achal Lohade from JM Financial. Your line is open. Please go ahead.

Achal Lohade: Yeah, congratulations sir. Thank you for the opportunity. Sir, if you could talk a little bit about the go-to-market strategy. Where are we, how do we look at it in coming quarters or years?

Shantanu Khosla: Our overall go-to-market approach is really about two things. One, it's about improving the quantity of our coverage, i.e. servicing more and more retail outlets across more and more towns, more completely. The second part of our go-to-market strategy is about the quality of the coverage. The quality in terms of visibility, merchandising and service we give to these expanded number of stores in which we plan to be available.

As we had talked earlier, we had first begun this program with LED lighting in South India. In this program, we expanded coverage both in terms of number of stores in which our product is available and also the quality, i.e. the merchandising and visibility in these stores. This also involved significant investment in training our distributors and building capability of our own sales force. We also as part of this ensured that we had far more consistent and transparent pricing.

Our results for the six to nine months of this as we've reported earlier were extremely positive and strong. We have now begun expanding this program in other regions and across other categories. We will continue to do it like we have done in the past in a measured, pragmatic and balanced way so we continue to help our channel partners develop their capability and their business as they deliver results.

Achal Lohade: Any timeline you could talk about? Though you're saying it will be more measured, but would it be fair to say in next couple of years you will have most of the categories and regions covered?

Shantanu Khosla: Yes, that would be a fair assessment of the timeline.

Achal Lohade: That's great. Secondly, just a couple of clarifications on the data points. In terms of the A&P spend and the ERP related one-off costs, if you could highlight sir.

Shantanu Khosla: Sandeep.

Sandeep Batra: Yeah, so the total A&P spend for the full year would be around 2.5%, 3%, which includes ï about the advertising and the below the line will be more or less similar in quantum. And as far as ERP is concerned, the total expense on the revenue side that we would have spent is about INR13 crores, 14 crores for the entire implementation.

Achal Lohade: That's for the full year. Okay.

Sandeep Batra: Yes.

Achal Lohade: Understood. And just a last question in terms of the outlook if you could give some ï

Shantanu Khosla: I'm really sorry but because we're on limited time, I'd request everyone to start off with one and then you can come back. Just for fairness to everyone.

Achal Lohade:Thank you so much. Sure.

Shantanu Khosla: Thanks.

Operator: Thank you. Please be informed that we are limiting to one participant's one question. We will now move to our next question coming from Fatema Pacha from ICICI Prudential. Your line is open. Please go ahead.

Fatema Pacha: Hello sir. Sir, what we have seen is ï

Shantanu Khosla: Good morning.

Fatema Pacha: ï good morning, sir. Sir, what we have seen is this quarter a lot of companies have shown, you know, extremely strong numbers in their revenue growth versus you know, Crompton has been a little muted. Your commentary also initially had been muted for this quarter because you said post [de-mon] you expect some claw back. But what is it like on the, you know, in the competition, because we've seen one competition doing 26% durable growth, someone else is doing 18%, 20%, durable growth. So what is so different between Crompton versus them?

Shantanu Khosla: If ï you know, it's difficult for us to obviously comment on competition. But if I look at the declared numbers it's quite clear a lot of competition seems to have dropped margins and invested in margins behind top line this quarter while we chose to make sure that we are continuing to focus especially in an environment which is volatile, especially in an environment

where commodity headwinds are only increasing, we focused to chose on making sure that we are selling in line with consumption. And ï

Fatema Pacha: Okay. So there's no inventory build-up at your end but the competition could have a big inventory pile up. Would that be the difference or the retail space for them has been equally strong?

Shantanu Khosla: I cannot comment on ï at all because I have no knowledge on the competition situation. But we have continued to focus on selling as per consumption.

Fatema Pacha: Fair enough. But what you are selling is the consumption growth right?

Shantanu Khosla: We believe so because if you look at the retail audit data which we get from a third party called RetailPulse similar to Nielsen data where we have data up till March, that shows our volume and value shares on fans are up and it also shows that our LED bulb volume shares are up significantly.

Fatema Pacha: Fair enough. Thank you so much, sir for this input. I'll join in for the next question. Thanks.

Operator: Thank you. We will now move to our next question coming from Arnab Mitra from Credit Suisse. Your line is open. Please go ahead.

Arnab Mitra: Yeah, hi. Hi team. My main question is on margins. So in the second half of this year if I take out the ESOP costs, there is a very healthy 150 bps plus kind of margin expansion despite de-monetisation affecting top line, input cost inflation. So if you could highlight ï actually it will really help if you could give a few examples through the year what are the kind of key cost saving items. And where are you in this journey? Is most of the low hanging fruits been taken or do you

think over the next one to two years there are more initiatives here which could drive margins going ahead also?

Shantanu Khosla: Broadly speaking, there are two areas which have helped us drive margins. One like you rightly said is a very focused aggressive cost reduction project and the second is a consequence of our strategic choice of driving disproportionate growth in the premium segment.

If I come to the first, to be clear, we see cost reduction as an ongoing continuous improvement approach. You have to always be working on improved cost. It's not that there was lots of low hanging fruit and it sort of easily just fell into our lap. You design these programs and you work to target costs savings every year. The reason cost saving is so important as an ongoing continuous program is simply because of commodity cost inflation. And we are seeing the benefits frankly of the work which we did when commodity was relatively benign now coming to help us when commodity headwinds have flipped.

We run it as a very structured program. Across every P&L or every category of ours we have a well-defined program which is not a three month program, but we look at this almost as a two to three year program. Some projects can be done quicker, some frankly will take more time to come through. But we are always working this. Mathew, I and Sandeep are regularly reviewing this to make sure that they are appropriately staffed. Our projects range across category, across elements. They are all the way from projects on productivity, projects on improving our bomb, projects on logistics and transport. So they cover the entire gamut of our cost pool.

Arnab Mitra: Sure sir. Just as a follow-up are there any ï could you just quantify if possible what are the kind of one-off non-recurring costs in FY17 that have been there, so that that can help us get a sense of the one-off costs there?

Sandeep Batra: There will be two types of one-off costs and largely they would be in the area of unallocable expenses when you look at the segmental numbers. So one is the cost that we would have incurred to put in place our own IT systems. At the same time we were paying the transitional services fees to Crompton Greaves. So that in totality would be about INR15 crores, INR16 crores that we would have spent in the area of IT. And then there would be other costs that we would have incurred in the process of you know, separating and becoming functional as a separate listed legal entity. So I would say a total cost of about INR20 crores, INR25 crores you could read it as non-recurring.

Arnab Mitra: Okay. Thanks. That's it from my side.

Operator: Thank you. We will now move to our next question coming from Renu Baid. Your line is open. Please go ahead.

Renu Baid: Sir, inputs with respect to how has been the category-wise growth overall in the fans and the pumps segments for us because they get masked under the ECD segment overall for the full financial year in '17. And how have been the market share for us in some of these categories at the end of the year?

Shantanu Khosla: Fans is in the double digits for the fiscal, our growth and pumps is also about that. So you know kind of in the 11%, 12%, 13% range.

Renu Baid: Okay. And how has the market share moved because you've mentioned further market share gains in fans for us. So how did those numbers look at the end of the year?

Shantanu Khosla: If I look at the retail audit data because that is the one which we look at over the year, we have added 1 point in volume share and we've added 2 points in value share. And that is a reflection of our greater premiumization.

Renu Baid: Sure. And sir, second question you mentioned it was the first dividend, maiden dividend payout of close to 39%. So how should we read the dividend payout policy for the Company as in do we target to maintain the same dividend payout ratio or maintain the same absolute dividend? Your thoughts on that.

Shantanu Khosla: Well, we would definitely benchmark our payout ratio and we believe that based on our investment needs, our business plans and our future forecast, it should be something which is sort of smooth as opposed to jerky. We don't expect to give dividends one year and not give the other year, in terms of an approach.

Renu Baid: Sure. And sir, my last question if I can ask, you mentioned some inventory write-down in the LEDs. If Mr. Batra can just specify what was the exact impact in the fourth quarter because of this inventory write-down.

Sandeep Batra: It was not ï that provision was not so much in LED, it was more on the conventional lighting business. And the total provision was about INR6 crores.

Renu Baid: In the fourth quarter.

Sandeep Batra: So that's for the lighting ï in the fourth quarter and that for the lighting business works out to 2% impact on margin.

Renu Baid: Sure. All right sir. Thank you so much.

Shantanu Khosla: Thank you.

Operator: Thank you. We will now move to our next question coming from Yash Tiwari. Your line is open. Please go ahead.

Yash Tiwari: So I have a question on the unallocable assets. There's been an increase of greater than INR300 crores. So could you just highlight what that's for.

Sandeep Batra: That's largely the surplus cash that the Company has been able to generate. It's all the undistributed or the profit after tax which has fully been converted into cash and that's an unallocable asset.

Yash Tiwari: All right. Thanks.

Operator: Thank you. We will now move to our next question coming from Inderjeet Singh from Macquarie. Your line is open. Please go ahead.

Inderjeet Singh: Hi. Good afternoon. This is Inderjeet here from Macquarie. My first question is on, we used to have this discussion around the corporate charges and this number used to be roughly around INR10 crores odd every quarter. Can you kind of ï other than the IT and other transitional cost, what type of these costs are still left in the system and by what time we expect then to completely get it out from our P&L?

Sandeep Batra: The only service charges that we pay to Crompton is for residual IT services where the contract is till June of this year. So only for April, May, June quarter which is about INR2.5 crores a quarter. That's the only cost which we don't directly incur.

Inderjeet Singh: Okay. All other transitional costs are pretty much done now, right? That's a safe assumption.

Sandeep Batra: Yes. Yes, that's correct.

Inderjeet Singh: Okay. Sir, the last question from my side is on the lighting side. There was a comment that ex of EESL we had a 14% growth. So if you could comment a little bit more on that what's happening in the EESL side, where the program is headed because ï you know, has it already reached some level of saturation? And are we also participating in a very big way on the fan side and how is that impacting our margin further? Thank you.

Mathew Job: EESL of course continues to be active across all the segments. Of course, the biggest one has been and continues to be in lighting. There is significant EESL activity both on LED bulbs and also in the light fittings. And we have been participating in all these in the past and continue to do so, but we make sure that we make reasonable threshold margins.

In fans as well, we have been ï we have participated last year and we continue to be active now. But of course the activity in fans is much lower than in lighting. In pumps as well there has been some initial activities run by EESL, but those activities in pumps at least have not yet started moving forward. So that's how things stand. EESL we have been fairly successful last year and we continue to be active as we go forward.

Inderjeet Singh: Thanks a lot, sir.

Operator: Thank you. We will now move to our next question coming from Charanjit Singh from B&K Securities. Your line is open. Please go ahead.

Charanjit Singh: Hello.

Shantanu Khosla: Hi.

Charanjit Singh: Yeah. Sir if you can if you see our GST is one very large deceptive\ policy which has been implemented. So do you think that there could be some impact on our sales in FY18 and maybe the normalisation could start happening in FY19?

The other thing is like we were seeing that GST implementation would accelerate the shift from unorganised to organised. But we see that that may not happen. What are your comments on both these aspects?

Shantanu Khosla: Okay, on the first one which is how long will any transition impact last, will it be for a month, a quarter, two quarters. Frankly it's very difficult right now when we don't even know exactly what the government transition rules are to comment on that. But whatever their rules are I think the possibility of disruption over June/July in the trade is reasonably high because obviously the trade at this point of uncertainty is looking to hold minimal inventory because they do not know ï going into July 1 because they just don't know what will be the impact on existing inventory.

Obviously, once the transition is over we see that GST will be a positive. It will make it easier for us to operate more efficiently etc. etc. It would have been wonderful if they had not had so many rates, but I guess hopefully the government over the years will get to more uniform rates across different businesses.

As far as organised and unorganised goes, I think I have made this comment earlier also. Frankly, I don't think it's got ï it's a matter of if someone was avoiding declaring their income or avoiding paying the appropriate tax, now they will have to pay that appropriate tax and declare that income. And if ï people like us who were doing everything the right way, we will just continue to do everything the right way in the new regime.

Charanjit Singh: Okay, sir. And sir, the last question from my side is on the lighting front. So we have seen for three quarters consistently, there has been a slow growth like we were implementing the new go-to-market strategy in the southern markets and we were planning to roll it out into the other markets also. So how is that program and when we can see the you know, growth overall in the lighting segment picking up for Crompton consumer?

Shantanu Khosla: I think first to clarify, the growth actually has been tremendous in LED, which has been growing at 50% plus, 50% to 60% in ï through the year. Now, obviously this has been impacted by the traditional business declining. But now, for example for us the LED business comprises of 64% of our total lighting business. So now frankly, the mathematics is starting to work much, much more positively which is why this quarter, if I ignore the EESL because we had a large order in the previous base year, was a 14% growth. So I think looking forward, we could start seeing more robust growth in total lighting driven by LED.

Charanjit Singh: Okay, sir. Sir, thanks for taking my questions. That's all from my side.

Operator: Thank you. We will now move to our next questions coming from Ganesh Radhakrishnan from Pristine Portfolio. Your line is open. Please go ahead.

Ganesh Radhakrishnan: Sir, what is your CapEx plan for this financial year?

Sandeep Batra: So overall this business has never required a significant amount of CapEx. And as we have mentioned in the past, total CapEx somewhere in the INR20 crore to INR30 crore range is adequate for this business.

Ganesh Radhakrishnan: Okay, sir. Thank you.

Operator: Thank you. We will now move to our next question coming from Aditya Bhartia from Investec. Your line is open. Please go ahead.

Operator: We have moved to Shrinidhi Karlekar from HSBC. Your line is open. Please go ahead.

Srinidhi Karlekar: Sir, you had mentioned like 64% of the lighting is LED. I just wanted to know whether that number was for Q4 or for the full year. That's the first.

And even in sir, the lighting business, I want to know how much of the business is from the source and how much is from the fixtures. And the last one only on the lighting. How much of the business is earned through ï from a retail customer and how much is the institutional? Those are my questions on lighting. That's it.

Shantanu Khosla: 64% is for the quarter. All right?

Srinidhi Karlekar: Okay.

Shantanu Khosla: Roughly speaking, half the business is retail customer and half the business is B2B. Out of the retail customers, roughly half is light source and half is panels and curtains and fixtures.

Srinidhi Karlekar: And similar on non-retail part sir, how much is the source and the fixtures?

Shantanu Khosla: So obviously the non-retail part is primarily fixtures. All the street lights etc. etc.

Srinidhi Karlekar: Okay. And the 64%, can I get the number for the full year please?

Shantanu Khosla: 57%.

Srinidhi Karlekar: Thank you sir. That's it from my side and all the best.

Shantanu Khosla: Thank you.

Operator: We will now move to our next question from Ravi Swaminathan from Spark Capital. Your line is open. Please go ahead.

Ravi Swaminathan: Sir, just one clarification regarding the net worth. If you see, it has increased from INR228 crores last year to INR540 crores. The difference is around INR300 crores. Our profit for the year is INR290 crores. Have you factored in the dividend when calculating the net worth for this?

Sandeep Batra: No.

Ravi Swaminathan: Or have we ï we haven't accounted for this.

Sandeep Batra: You don't need to provide any more. So there is no need now to provide for that dividend separately. The new accounting standards require different disclosures so it'll get adjusted in the year.

Ravi Swaminathan: In this year it will get adjusted.

Sandeep Batra: Yeah.

Ravi Swaminathan: Okay, sir. Thanks.

Operator: We will now move to our next question coming from Praveen Sahay from Edelweiss. Your line is open. Please go ahead.

Praveen Sahay: Yeah, hi sir. Congratulations for the good numbers. My question is like as you had mentioned in the previously also, in the fans you are more coming up with the innovative products for premium segment. Can you give any numbers on that? How much of that is actually contributing to our fan segment, premium segment?

Shantanu Khosla: The premium fans has grown up to 16% of our total business. But I guess the other indication was our main consumer-based innovation in premium fans this year was the anti-dust product, which has been doing extremely well and in fact we've expanded that benefit this summer to a number of additional variants. Anti-dust consumer based innovation which we supported above and below the line has been one of the key drivers of our growth for premium fans this year.

Praveen Sahay: So this 16% for a year you are saying.

Sandeep Batra: No, quarter four. If you think 18 months back the contribution of premium fans to the total fans business was 7%. In the last quarter it has been as high as 16%.

Praveen Sahay: Okay, great. And the next question is related to the appliances business. Can you brief on how much its contribution to our business and how is the growth in the past year? Whether you are focusing on the new product line in that segment as well?

Shantanu Khosla: The appliances business is growing. However it is still relatively a small part of our business. We are currently working on building an innovation pipeline for this business and I guess obviously as those develop and we bring them to market, we will talk about them. But like

we had outlined initially in our strategy, our overall approach is to start with fans, LED lighting and pumps, while we have been working on development of this innovation, consumer based innovation pipeline on the appliances business. And we will talk more about them only when they get closer to market.

Praveen Sahay: Okay, great. Thank you, sir.

Operator: Thank you. Once again we are limiting to one question at one time. We will now move to our next question coming from Chirag Shah from CLSA. Your line is open. Please go ahead.

Chirag Shah: Thank you very much, sir. I just have a quick question on the strategy that we have to develop a new category. Of course I don't really expect you to talk about what categories you will get into, but on a broader level, what is the metrics that you will choose to get into some new categories and when do we hear on that?

Shantanu Khosla: Two very simple metrics are what we will use. Size of prize and right to win. These are the two metrics on which we will ï which we are currently judging our different options and moving them forward.

Chirag Shah: Sure. And broadly when do we hear the launch of the new categories?

Shantanu Khosla: Whenever we are confident that we have got the right to win. We won't just do it for the sake of doing it. We will do it when we've got a proposition, which we have high confidence has got the ability like we've always said to become at least number two in the marketplace. We do not believe that there is value to be created by simply introducing new items given the very, very high failure rate across the industry.

Chirag Shah: Sure. Sure, that's very helpful. Thank you.

Operator: Thank you. We will now move to our next question coming from Bhargav Buddhadev from Ambit. Your line is open. Please go ahead.

Bhargav Buddhadev: Yeah, thank you very much for the opportunity. Sir, if you look at this EESL data on fans, the monthly run rate has now sort of increased to about 1.25 lakhs and also the number of states in which they have become active is now fairly spread out. So I just wanted to understand our strategy that in the EESL market would we continue to maintain the kind of market share which we have in the retail market.

Mathew Job: See if you look at the past data on fans, I think we have a reasonably good share in EESL and that too at margins which make sense for us. And that's what we will do going forward. As I mentioned before the EESL activity in fans is continuing to expand and we will participate in them like we have done in the past. But we will work in such way that we are able to participate while making meaningful margins.

Bhargav Buddhadev: Okay. And sir, any thoughts on what could be the EESL market for fans this year?

Mathew Job: Very difficult to predict. Very difficult to predict because how many tenders will come over what period is very difficult to say.

Bhargav Buddhadev: But has the activity intensified according to you sir?

Mathew Job: I think in the last year there was only one tender and most of the activity happened towards the later part of the year. But in this year we do think that the activity has sped up a little bit. But we don't foresee that it will reach anywhere the kind of momentum it has in lighting for example.

Bhargav Buddhadev: Okay, okay. Okay, sir. Thank you very much for this opportunity and all the best sir.

Shantanu Khosla: Thank you.

Operator: Thank you. We will now move to our next question coming from Fatema Pacha from ICICI Prudential. Your line is open. Please go ahead.

Fatema Pacha: Hello sir. Sir ï

Shantanu Khosla: Hi.

Fatema Pacha: Hello. Just joining in for the next questions. So just wanted to know like last quarter you said that you know, there was a lot of raw material cost pressure that would hit from next quarter onwards. So this quarter we've seen some gross margin hit QoQ. I'm not sure whether this is the right way to see it because sequentially actually your durables mix is better, so gross margin should have actually improved. So is Q4 a one-off or is the price hike not passed on? From Q1 onwards, we can yet continue to see the gross margin improvement that we've been seeing this full year.

Shantanu Khosla: Our objective is to ensure that we cover commodity cost increases with a combination of real cost reduction projects, mix improvement and pricing. Now all of these things may not happen at exactly the same time. But if you look over a period of quarters, that is our objective. We will ï cannot have ongoing erosion of margin nor can we pass all cost increases on to the consumer. So we will continue to play these three levers.

The last point I would like to make is while we have stated that we will increase our profit at a rate equal or better than our top line growth, which means inherently our long-term objective is to hold

margins at the very least or expand them a little. Moving forward, I do not think that our objective is to grow margins at the rate that we had grown in the past.

One of the reasons that margins in the past grew even faster than what our growing objective would be is the past 12 to 18 months was a very benign commodity period. The coming period we expect to be a tougher commodity cost period. So if you even it out over time, yes, we hope to grow margin slightly, but it will not necessarily be a uniform straight line over time.

Fatema Pacha: Fair enough sir. Thank you, sir. I know we can only have one question, but if you could just for the sake of everybody, would you need any GST price hikes, or you think it's absolutely neutral?

Shantanu Khosla: We do not think that we will have ï need anything very significant. It is obviously going to be finally a function of how much credit we are exactly able to get back from our different elements of our supply chain. But looking forward, the pressure on pricing is likely to be less from GST and more from commodity cost increase.

Fatema Pacha: Fair enough. Thank you so much, sir and best of luck.

Operator: Thank you. We will now move to our next question coming from Charanjit Singh from B&K Securities. Your line is open. Please go ahead.

Charanjit Singh: Hello sir. Thanks for the opportunity. Sir, if we see, you know then there are definitely certain other structural factors which are going to play out in the Indian market in terms of you know, availability of power improving, what the government has been highlighting. And if we see some of the other categories like ACs we saw some 30% growth. So do you see those kind of factors starting to play out in the markets? Or is it really very early to see the impact of this rural electrification and other factors in the market?

Shantanu Khosla: I think it is still early. Now that being said, in the long term ï like mid to long term like I've always maintained, there are a lot of macro factors working in the benefit of the industry. You talked about electrification, you talked about rural electrification, but then there is the entire government program on low cost housing. Every low cost house does take a fan for example. There's the entire infrastructure which will all require lighting. But I believe this will gradually play out over time as opposed to lead to sudden spikes.

Charanjit Singh: Okay. And sir, the last question from my side is on the channel front. So what's the kind of you know, the dealer network and the distribution distributor network we have? And what are the kind of additions which we would see going forward in fiscal '18 in terms of the numbers if you can highlight?

Mathew Job: See as Shantanu mentioned earlier what we were talking about is we measure the reach of our products in different categories. And if you take for example, lighting and fans which are the most widely available products, our products are available in about 100,000 stores across the country. And in our focus categories we have continued to improve our reach over the last 18 months and that will continue as we drive the go-to-market programs across categories and across regions.

Charanjit Singh: Sir, on the distributors, how many distributors we have? So if you can highlight the tier-wise distributors.

Mathew Job: See the number of distributors per se is not very critical. I think what is very important for us and what we have been really trying to drive is the availability of product at places where the customers and consumers and shoppers go and buy them. So I think the number of distributors per se for us is not a parameter that is of high importance. What we are really driving is availability of products in stores.

Charanjit Singh: Okay, sir. Fine. Thank you, sir. That's all from my side.

Operator: We will now move to our next question coming from A] Bernstein. Your line is open. Please go ahead.

Speaker: Sir, so I had two questions. One on the balance sheet side. We are able to see current investments of INR319 crores on the balance sheet, so just wanted you to elaborate on what is the constituents of that number.

Sandeep Batra: We are largely invested in mutual funds. So there is about INR320 crores plus of investments in debt funds schemes of mutual funds and there'll be about INR60 crores odd of cash which is in the various bank accounts.

Speaker: Okay. And sir, on the strategic side are we open to have any strategic tie-ups and expanding in the overseas market or are we just focused on India?

Shantanu Khosla: Currently, our primary focus is India. However, as we I think mentioned a while ago we are continuing to evaluate export markets. However, our approach to export markets is not really to function, if you will, as a distributor, but it is more to identify which market we want to go and create a Crompton brand in. We have already identified and been working on this shortlist of potential markets, but it will stay, for the coming fiscal at least as second priority to driving growth in the Indian domestic market.

Speaker: Okay, thank you. That's all from my side.

Operator: This concludes today's question and answer session. Mr. Venkatesh, at this time I would like to turn the conference back to you for any additional or closing remarks. Thank you.

Venkatesh: Sir, this is Venkatesh here from Citi. Just before we close proceedings, I had a question, just some data points. Can you actually share what was the absolute amount of money spent in the fourth quarter on advertising, fourth quarter and the full year? And also, if you could also share what was the provision you made in the lighting division for old inventory in the fourth quarter, the absolute number.

Sandeep Batra: So we spent, on advertising it is INR12 crore in the fourth quarter and the provision for inventory in lighting amounted to INR6 crores.

Venkatesh: Okay. Thank you, sir. We thank the management for taking time out and doing this call for both investors and the sell side and the participants for joining the call. Sir, do you have any closing remarks?

Shantanu Khosla: Not really. Thank you all for joining in. We appreciate your interest in our business. We continue to find it extremely valuable to engage and get feedback from all of you. If you have any more detailed questions which we could not cover, please feel free to connect directly with Yeshwant and his group. I'm sure they'll do their best to answer any further questions you may have. Thank you all.

Mathew Job: Thank you.

Sandeep Batra: Thank you.

Operator: This concludes today's call. Thank you for your participation. You may now disconnect.